

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0220-04740-0001

Date: November 08, 2012

To: The Council

From: Miguel A. Santana, City Administrative Officer
Gerry F. Miller, Chief Legislative Analyst

Reference: Motion (Wesson – Krekorian – Garcetti et al) to Report on a Parcel Tax for the City's Parks and Park Programs

Subject: **PROPOSED BALLOT MEASURE FOR A CITYWIDE PARCEL TAX TO FUND RECREATION AND PARKS SERVICES (CF 13-1100-S2)****SUMMARY**

On October 31, 2012, the Council requested the City Attorney to prepare the necessary documents to place before the voters at the March 2013 election a ballot measure to provide a dedicated revenue stream and raise \$39 per parcel, on an annual basis, in additional revenue for City parks and programs (CF 13-1100-S2). Council also instructed the CAO and CLA to report with additional information and ways to address the disparity of application of funds among communities and regions; options for the exclusion of administrative overhead costs; and the total indebtedness of outstanding bonds.

The Council must adopt election resolutions no later than November 14, 2012. The City Clerk has estimated that the cost to place the proposed measure on the ballot for the March 2013 Citywide Election is nominal because, according to the City Clerk, funding for four to five ballot measures is included in the funding for the 2013 municipal elections conducted by the City Clerk. Alternatively, this proposal could be considered for the City's May 2013 election. The last day for Council to give instructions regarding preparation of resolutions for the May 21, 2013 election is January 16, 2013.

Allocation of Funds

The proposed parcel tax is projected to generate approximately \$30.5 million annually for the Department of Recreation and Parks (RAP). This revenue estimate is based on an annual rate of \$39 per parcel with approximately 783,187 parcels in the City.

In considering whether to include a parcel tax for recreation and parks programs on the March 2013 ballot, the Council requested additional information about how funds might be distributed throughout the City and how equity concerns may be addressed.

Statistics available from the Department of City Planning are summarized in Attachment 1 with figures based on the 2000 Census. Similar statistics for the 2010 Census are not yet compiled. The summary information provides information by Area Planning Commission and Community Plan Area, and includes figures for population density, park density and percent of population

in poverty. These statistics show that some areas of the City have lower than average park area than other parts of the City, compared to the City standard provided by the Department of Recreation and Parks public recreation plan. There also appears to be some correlation between population density, percentage of population in poverty, and lack of park space. The 2009 Needs Assessment Study for the Department of Recreation and Parks also provides valuable information about park needs throughout the City.

The ballot resolution for a parcel tax measure, as prepared by the City Attorney (Report No. R12-0355) provides that an expenditure plan would be prepared annually in connection with the annual budget process. As written, the Board of Recreation and Parks Commission would develop a plan to allocate resources and would include factors that address equity issues. These factors could include population, population density, availability of park facilities and services. The expenditure plan would be subject to City Council approval, and would present an opportunity each year for the Council to ensure that equity and other disparity issues, as well as other demographic changes, are adequately addressed.

Related Costs Exclusion

The City Council requested our Offices to report with options regarding the inclusion of administrative overhead costs as an expenditure of parcel tax revenues. There are various options as to how related costs can be addressed; (1) allow use of funds for related costs; (2) do not allow use of funds for related costs; or (3) determine the use of funds for related costs on an annual basis. In Fiscal Year (FY) 2012-13, RAP's related costs, which include employee retirement and benefits, utilities, and trash services, are estimated to be approximately \$68 million, for which RAP contributed approximately \$44 million. The remaining \$24 million is allocated from the General Fund.

As previously reported, if the proposed parcel tax is approved by voters and funds contribute to RAP's overall budget, after all reimbursements to the General Fund have been made, RAP would have approximately \$6 million to enhance City parks and programs based on FY 2012-2013 figures.

If the ballot measure is written to exclude administrative and related costs as eligible for funding, RAP could dedicate \$30.5 million directly to programs and services. However, any enhancement of parks and/or programs would most likely require additional staff and RAP's salary and related costs would rise. This would require RAP to fund these costs from its Charter-mandated annual budget allocation (an amount equal to 0.0325% of the assessed value of the City's real property), or the City's General Fund would be further impacted.

The ballot resolution provides that the Board of Recreation and Parks and the Council adopt an annual Expenditure Plan to ensure that proceeds are expended exclusively for the purposes set forth in the measure. The Council may determine annually the amount of the parcel tax revenue that will be used for RAP's related costs depending on various factors depending on factors including availability of funds for RAP programs and the General Fund need.

Outstanding Bonds

As of June 30, 2012, the total outstanding City debt including revenue and assessment obligations is \$6.3 billion. This amount includes general obligation bonds, Judgment obligations, Convention Center Lease obligations, revenue bonds and a variety of other assessments. These are detailed annually in the Statement of Bonded Indebtedness, which is attached for your information (Attachment 2).

RECOMMENDATIONS

1. Should the Council move forward with the proposed Recreation and Parks parcel tax measure for the March 5, 2013 Primary Nominating Election ballot, then the Council should adopt the necessary resolutions and ordinances transmitted by the City Attorney no later than November 14, 2012.

OR

2. Should the Council wish to consider the Recreation and Parks parcel tax measure for the May 21, 2013 General Municipal Election ballot, then the Council should instruct the City Attorney to prepare the necessary resolutions and ordinances for inclusion on the May 21, 2013 General Municipal Election ballot.

FISCAL IMPACT

If the proposed parcel tax of \$39 annually is approved by the voters, it would result in annual revenue of approximately \$30.5 million. If all revenues from the proposed parcel tax are dedicated to recreation and parks programs, excluding related costs, the \$30.5 million could be used to enhance recreation and parks programs with continued costs to the General Fund. If funds are also used to reimburse related costs, the amount available for recreation programs would be decreased accordingly. There is no additional cost anticipated to place this ballot measure to either the March or May election ballots, as funding for four to five measures is already included in the City Clerk's election budget.

Attachments

GFM/MAS:KEK:MTS/AMG

<u>Planning/Community Plan Area</u>	Population Density Per Sq. Mile	Park Acreage per 1000 persons	Percent Population in Poverty
Central	15,161	6.92	27.7%
Central City	8,355	0.09	44.3%
Central City North	9,391	0.84	32.1%
Hollywood	8,369	21.04	23.3%
Westlake	33,708	0.37	40.4%
Wilshire	20,901	0.23	24.8%
East	11,359	3.69	24.1%
Boyle Heights	12,979	0.70	33.4%
Northeast Los Angeles	9,974	3.18	21.0%
Silver Lake - Echo Park	10,618	8.62	23.3%
South LA	16,405	0.43	34.6%
South Los Angeles	16,891	0.41	34.2%
Southeast Los Angeles	16,204	0.42	41.4%
W Adams - Baldwin Hills	12,705	0.48	25.6%
North Valley	5,431	8.30	15.6%
Arleta - Pacoima	9,311	15.42	19.8%
Chatsworth - Porter Ranch	3,300	9.82	7.8%
Granada Hills - Knollwood	3,158	14.16	7.5%
Mission Hills	11,555	10.51	22.1%
Northridge	6,201	0.38	14.0%
Sun Valley - La Tuna Cyn	4,300	0.92	19.4%
Sunland - Tujunga	2,655	10.86	11.9%
Sylmar	5,419	1.04	13.1%
South Valley	7,822	1.84	15.2%
Canoga Park - Winnetka	5,885	3.26	11.2%
Encino - Tarzana	3,423	2.45	9.7%
N Hollywood - Valley Vlg	12,783	1.03	21.0%
Reseda - West Van Nuys	8,195	0.55	14.3%
Sherman Oaks - Studio City	5,372	3.95	7.0%
Van Nuys	12,307	0.61	21.0%
West Los Angeles	4,740	4.66	13.2%
Bel Air - Beverly Crest	1,314	5.89	5.3%
Brentwood - Palisades	1,428	16.12	4.8%
Palms - Mar Vista - del Rey	12,207	0.38	16.2%
Venice	11,753	6.74	12.3%
West Los Angeles	10,192	2.78	12.0%
Westchester	3,723	6.16	9.1%
Westwood	12,653	0.72	32.5%
Harbor	5,935	3.75	20.7%
Harbor Gateway	7,924	0.46	21.3%
San Pedro	6,681	4.76	16.7%
Wilmington - Harbor City	6,621	3.77	24.4%
Port of Los Angeles	276	32.91	23.1%
<u>City Average</u>	<u>7,600</u>	<u>4.00*</u>	<u>22.0%</u>

*City Standard = 4 acres/1,000 persons (per public recreation plan)

Source - Department of Planning Community Plan Statistics based on 2000 Census data

STATEMENT OF BONDED INDEBTEDNESS AND OTHER OBLIGATIONS

Charter Section 312(g) requires that the budget provide all essential facts regarding the bonded and other indebtedness of the City government. Under the California Constitution, the City may issue general obligation bonds subject to the approval of two-thirds of the voters voting on the bond proposition. General obligation bonds represent an indebtedness of the City secured by its full faith and credit. An ad valorem tax on real property is levied to pay principal and interest on general obligation bonds. The City may also levy special taxes on real property based on the size of improvements (rather than assessed valuation) with two-thirds voter approval. These taxes may secure bonded obligation. The City may issue revenue bonds under the State 1941 Act with approval by 50 percent plus one of the voters. Under the new City Charter, the City may establish its own procedures for issuing revenue bonds. Under State law, the City may also enter into long-term lease obligations without obtaining voter approval. Lease revenue bonds and certificates of participation may be issued which are secured by such lease-purchase agreements. Under various sections of State law, the City may establish assessment or Mello-Roos districts and issue bonds for infrastructure improvements. The bonds are secured solely by the properties in the district. The table below summarizes the outstanding general obligation bonded indebtedness of the City, judgment obligation bonds, lease revenue bonds, certificates of participation, special tax bonds, revenue bonds and special assessment and Mello-Roos districts.

	Voter Authorization	Amount Issued as of 7/1/12 ¹	Remaining Authorization	Amount Outstanding as of 7/1/12 ²	Projected Issuance 2012-13	Debt Service 2012-13
General Obligation Bonds ³	\$ 2,523,948,000	\$ 2,463,448,000	\$ 60,500,000	\$ 1,215,615,000	\$ --	\$ 164,475,921
Seismic Improvements	376,000,000	376,000,000	--	50,512,752	--	15,303,828
Fire Safety Improvements	60,000,000	60,000,000	--	5,618,964	--	2,583,323
Police Facilities	176,000,000	176,000,000	--	20,583,470	--	6,907,015
Branch Library Facilities	53,400,000	53,400,000	--	7,022,471	--	2,788,903
Zoo Facilities	47,600,000	47,600,000	--	18,479,177	--	3,025,203
Library Facilities	178,300,000	178,300,000	--	100,852,894	--	13,020,659
Fire Facilities	378,506,000	378,506,000	--	193,873,867	--	25,900,737
Animal Shelter Facilities	154,142,000	154,142,000	--	76,456,054	--	10,797,607
Citywide Security	600,000,000	600,000,000	--	350,039,039	--	45,792,218
Storm Water Projects	500,000,000	439,500,000	60,500,000	392,176,312	--	38,356,428
Judgment Obligation Bonds	N/A	349,205,000	N/A	57,820,000	--	9,030,425
Lease Obligations	N/A	2,404,178,000	N/A	1,454,465,000	125,000,000	156,332,309
Hollywood Theater COPs	N/A	43,210,000	N/A	34,665,000	--	3,610,753
Pershing Square (Mello-Roos)	N/A	8,500,000	N/A	4,840,000	--	570,257
Convention Center Lease Obligations	N/A	629,850,000	N/A	386,460,000	195,000,000	48,419,756
Staples Arena	N/A	45,580,000	N/A	32,465,000	--	3,847,863
Special Parcel Tax Bonds						
Police Communications	235,000,000	235,000,000	--	39,340,000	--	21,031,510
DEBT SERVICE TO GENERAL FUND REVENUES AND SPECIAL TAXES**						\$ 407,318,794
(% of Revenues)						8.7%
Revenue Bonds						
Wastewater	\$ 3,500,000,000	\$ 2,804,035,000	\$ 695,965,000	\$ 2,597,450,000	\$ --	\$ 202,558,880
Solid Waste Resources	N/A	458,795,000	N/A	282,200,000	--	40,042,506
Parking	N/A	120,605,000	N/A	85,290,000	--	8,605,095
Special Assessment/Mello-Roos ⁴						
Fire Safety Improvement	N/A	96,411,176	N/A	1,899,805	--	502,819
Playa Vista	N/A	135,000,000	N/A	124,435,000	--	8,153,056
Cascades Business Park/ Golf Course ⁵	N/A	11,750,000	N/A	4,985,000	--	633,315
Legends at Cascades	N/A	6,000,000	N/A	5,925,000	--	332,957
Landscaping and Lighting (Proposition K) ⁶	N/A	44,290,000	N/A	22,210,000	--	3,052,184

Notes:

¹ Does not include refundings, only new money bond issues.

² Total General Fund debt outstanding is \$ 3,225,670,000. Total outstanding City debt including revenue and assessment obligations is \$ 6,349,864,805.

³ The Charter limits general obligation indebtedness to 3.75% of assessed valuation. Outstanding general obligation indebtedness as of June 30, 2011 was 0.31% of assessed valuation. The ratio for June 30, 2012 is estimated at 0.30%.

⁴ Backed solely by assessments on participating properties.

⁵ Formerly known as "Silver Oaks."

⁶ Voters approved Proposition K which provides for a levy of \$25 million for 30 years that will be used to pay debt service as well as finance projects on a pay-as-you-go basis.

**Based on projected revenues for 2012-13 plus incremental revenue from self-supporting debt, including General Obligation Bonds, Police Communication Bonds and the Staples