

UNDERSTANDING SOUTH GATE'S FISCAL CHALLENGE



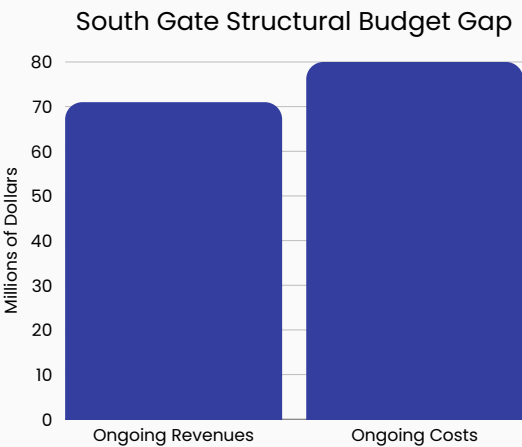
The Situation

South Gate faces an ongoing structural budget gap of approximately \$9 million. The City's regular, ongoing costs exceed its regular, ongoing revenues.

This is not a one-time shortfall. One-time solutions like federal relief funds and reserves have been used to delay cuts, but these are nearly exhausted.

Key Numbers

- Ongoing revenues: **~\$71 million**
- Ongoing costs: **~\$80 million**
- Budget gap: **\$8-9.4 million**
- Positions at risk: **32 FTE + 11 PTE**



Ongoing revenues are about \$71 million, while ongoing costs are about \$80 million—that difference is the \$9 million.

What Is Driving The Gap?

Key costs the City cannot fully control have increased by \$10.8 million (90%) since FY 2019-20:

Cost Category	FY 2025-26	Increase
Pension Liability	\$10.3M	+\$4.3M
Workers Comp & Liability Insurance	\$5.2M	+\$3.3M
Health Insurance	\$5.5M	+\$2.2M
Street Lighting & Landscape	\$1.6M	+\$0.9M
TOTAL	\$22.7M	+\$10.8M

What Is Being Discussed Now?

City Council is discussing whether to declare a fiscal emergency and whether to place a Utility Users Tax (UUT) measure on the June 2026 ballot so voters can decide. **Council is not voting to impose a tax**—any tax would require voter approval.

What Council is Voting On:

- Whether to declare a fiscal emergency
- Whether to place a UUT measure on the June 2026 ballot
- Whether to give voters the choice

What Council is NOT Voting On:

- Whether to impose a tax (only voters can approve)
- Which specific cuts to make (if cuts are necessary)

The Two Paths Forward

If No New Revenue

Without new revenue, the City must reduce services to close the \$9 million gap:

- 32+ full-time and 11 part-time positions eliminated
- Slower police response times
- Pool closed 6 months/year
- Major events eliminated (4th of July, Azalea Festival)
- Park lights off Oct-Feb
- Longer wait times for permits and services

If Voters Approve UUT

A 7% UUT would generate approximately \$9 million annually to:

- Maintain current service levels
- Preserve staffing
- Keep programs and events
- Maintain response times

Estimated household cost: ~\$40-55/month based on utility usage. Low-income seniors would be exempt.

Regional Context

163 California agencies currently have a UUT, including 12 of South Gate's closest neighbors. South Gate is currently the exception, not the rule. Neighboring cities with UUTs include Downey, Lynwood, Bell, Paramount, Huntington Park, Carson, Gardena, Bellflower, Norwalk, Pico Rivera, and Whittier.

Stay informed. Attend City Council meetings. If placed on the ballot, voters decide.