City of South Gate

Understanding Our Fiscal Challenge

Discussion of a Utility Users Tax Measure

April 14, 2026

FOR DISCUSSION THIS EVENING

- ***Fiscal Overview***
- ***Preview of Potential Budget Cuts***
- ***UUT Discussion***

What Council IS Voting On

- *Whether to place a UUT measure on the November 2026 ballot*
- *Whether to give voters the choice*

What Council IS NOT Voting On:

- *Whether to impose a tax (only voters can approve)*

WHY ARE WE HERE?

The City's Financial Reality

- South Gate faces a structural budget deficit
- Ongoing costs exceed ongoing revenues
- FY 2026–27 projected gap: $9–$9.4 million
- One-time solutions (ARPA, reserves) are nearly exhausted

If new revenue is not found to fill this funding gap, then service cuts will need to begin in July of this year for the new budget term.

WHAT IS DRIVING THE DEFICIT?

- *Pension costs* ***+$4.3M***
- *Health insurance* ***+$2.2M***
- *Liability insurance* ***+$3.3M***
- *Street lighting & landscape* ***+$0.9M***

	FY 2019-20	FY 2025-2026	Growth
Unfunded Pension Liability	$ 6,054,025	$ 10,341,963	$ 4,287,938
Health Insurance	$ 3,345,272	$ 5,529,279	$ 2,184,007
WC & General Liability Ins.	$ 1,896,531	$ 5,242,739	$ 3,346,208
Street Lighting & Landscape	$ 627,436	$ 1,569,986	$ 942,550
TOTAL	**$ 11,923,264**	**$ 22,683,967**	**$ 10,760,703**
Change in Dollars		**$ 2,731,685**	**$ 10,760,703**

Costs we cannot control. We are not alone.

SUMMARY OF KEY COST INCREASES

$11.9 million

Costs in FY 2019-20

$22.7 million

Costs in FY 2025-26

$10.8 million

Difference from FY 19-20 to FY 25-26

90% Change

WHERE CITY MONEY COMES FROM

South Gate does not control most of the taxes residents pay. These constraints limit the City's ability to solve the deficit with existing tools.

- *Property tax: City keeps 6.15¢ per $1*
  - *Most property tax goes to LA County, school districts, and special agencies.*
- *Sales tax: City keeps $2 per $100*
  - *Sales tax rate in South Gate: 10.75% (state + county + local measures)*
  - *South Gate keeps ≈ 2.00 percent*

This is why most cities rely on multiple revenue sources—property tax alone cannot fund modern city services.

WHERE DOES THE MONEY GO?

55.6% Police	**16.5%** Parks	**9%** Public Works	**8.2%** Community Development
3.4% Admin Services	**1.8%** City Manager	**2.2%** City Attorney	**1.9%** Human Resources
	0.8% City Clerk	**0.6%** All Others & Non-Departmental	

There is no large "unused" category to cut without impacts.

THE CORE DECISION

- *Reduce services to balance the budget, or*
- *Find a new local revenue source – potentially through a UUT vote*

Option: Preserving	*Option: Cutting*
Maintain Current Services with New Local Revenue Source	**Significant Reductions to Balance Budget**

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WHAT PERMANENT SERVICE CUTS WOULD MEAN

These Are Not Efficiency Cuts. These Are Service Cuts.

With over a $9 million budget gap without new revenue, the City would permanently eliminate positions, programs, and service capacity across nearly every department. These reductions would be felt daily by residents, businesses, and visitors.

- Staffing reductions across City Hall, Public Safety, Parks, and Public Works
- Programs eliminated, not paused
- Response times increase; service availability decreases
- Impacts begin July 1 and continue indefinitely

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WHAT IS A UTILITY USERS TAX?

163 Agencies

158 cities
4 counties
1 special district

- UUT is a small local tax on utilities like electricity, gas, water, sewer, and telecom (cable/cell and landline phones).
- It is approved by local voters and collected monthly on utility bills.
- 163 agencies in California have a UUT
- Revenue stays in the city and funds core services: safety, streets, parks.

WHAT UTILITIES WOULD BE TAXED?

Utilities Included in the Proposed Ordinance

Under the draft ordinance, the **7% Utility Users Tax** would apply to:

- **Electricity**
- **Natural Gas**
- **Water**
- **Telecommunications**
  - Phone service (including mobile / wireless)
  - Voice-over-Internet (VoIP)
- **Video Services**
  - Cable / Satellite
  - Streaming / IP-based video services (to the extent permitted by law)

How It Is Applied

- Based on **actual usage**
- Collected by utility providers on monthly bills
- Remitted to the City

UUT SENIOR EXEMPTION

Who Qualifies for the Exemption

A resident is fully exempt from the UUT if all of the following apply:

✓**Age 65 or older**

✓**Primary residence is the service address**

✓**Household income below the CPUC low-income threshold**

✓**Application submitted and approved**

Income thresholds are set by the City Manager and updated annually, consistent with CPUC low-income assistance program standards. Separate thresholds apply to 1-2 person and 3+ person households.

How to Apply

1. Submit an application to the City (Tax Administrator)
2. Provide proof of age and household income for the prior year
3. Approved exemptions remain active; annual re-verification required
4. Notify the City within 30 days if qualifying status changes

Application forms will be available in English and Spanish at City Hall and on the City website.

Qualifying low-income seniors pay $0 in UUT — protecting our most vulnerable residents.

City of South Gate

CPUC Low-Income Assistant Program

Who Qualifies for the Exemption

The California Public Utilities Commission oversees investor-owned utilities and sets the rules for their assistance programs. Across programs, the structure is consistent:

Two ways to qualify

- **Income-based qualification**
  - Household income at or below a set percentage of the Federal Poverty Level **(FPL)**
  - Most commonly: **≤200% of FPL** (some programs historically used 150–250%, but 200% is now standard for CARE/FERA)
- **Program-based (categorical) qualification**
  - Automatic eligibility if the household participates in certain public assistance programs

Administrative Requirements

- Applicant must be a residential customer (or sub-metered tenant in some cases)
- Annual or periodic **re-certification**
- Self-certification allowed, with utility verification/audits
- Household definition includes all persons living at the residence (not just account holder)

Using CPUC standards is considered defensible and administratively efficient because:

- It aligns with widely accepted state criteria
- It mitigates administrative burden
- It improves equity and accessibility

UUT REVENUE OF OTHER CITIES

$0 **South Gate** Population: 92,955	**$4.8 Million** **Paramount** Population: 52,371	**$5.4 Million** **Lynwood** Population: 66,660	**$8 Million** **Downey** Population: 111,871
$4.7 Million **Bell** Population: 33,315	**$10 Million** **Carson** Population: 91,812	**$6.7 Million** **Gardena** Population: 60,263	**$6.4 Million** **Huntington Park** Population: 53,051
$3.7 Million **Bellflower** Population: 76,656	**$4.7 Million** **Norwalk** Population: 101,075	**$4.2 Million** **Pico Rivera** Population: 60,858	**$8.6 Million** **Whittier** Population: 87,850

COMPARING UUT – APPLES TO APPLES

UUT Revenue Per 100,000 Residents

This normalizes for city size so we can compare fairly:

City	UUT Revenue	UUT Revenue Per 100,000 Residents
Downey	$8 Million	$7.1 Million
Lynwood	$5.4 Million	$8.1 Million
Bell	$4.7 Million	$14.1 Million
Paramount	$4.8 Million	$9.2 Million
Huntington Park	$6.4 Million	$12.1 Million
Norwalk	$4.7 Million	$4.6 Million
South Gate	$0	$0

Result

- Per capita, South Gate has among the lowest local revenues in the region
- We provide similar services with fewer local dollars.

Average: $9.2 million per 100K residents

South Gate: $0 per 100K residents

12 of our closest neighbors have a UUT. South Gate is the exception, not the rule.

HOW SOUTH GATE COMPARES TO NEARBY CITIES

City	UUT	Other Tax Measures			Total (Estimate)
South Gate	$0	$14 M Measure P(2008)			$14M
Downey	$8.7M 5% (2012)	$10M Measure S (2016)	$6M Measure D (2024)		$24.7M
Lakewood	$8M 3% (2008)	$2.5M Measure L (2016)	$2.5M Measure N (2020)		$13M
Bellflower	$5M 5% (2012)	$5M Measure P (2013)	$3M Measure Cannabis (2017)	$4M Measure M (2020)	$17M
Norwalk	$5.5M 5.5% (2014)	$12M Measure P (2020)			$17.5M
Pico Rivera	$4.5M 4.5% (2010)	$5M Measure C (2016)	$5M Measure AB (2022)		$14.5M
Paramount	$5.5M 5.5% (2015)	$9M Measure Y (2020)	$4M Measure LR (2024)		$18.5M

LOS ANGELES COUNTY
JUNE BALLOT 2026

City	Proposed Tax Measure
Bell	Sales Tax – Measure BB
Bell Gardens	Sales Tax – Measure BG
Lomita	Sales Tax – Measure LW
Commerce	Sales Tax – Measure FW
Gardena	Sales Tax – Measure GG
Covina	Sales Tax – Measure CC
La Puente	Sales Tax – Measure LP
San Marino	Sales Tax – Measure S
City of LA	Hotel Tax – Measure TT
City of LA	Business Tax – Measure CB

MEASURE P (2008) – LAST SALES TAX INCREASE

Election results

Measure P		
Result	**Votes**	**Percentage**
Yes	**2,659**	**74.4%**
No	915	25.6%

These final, certified, election results are from the Los Angeles County elections office.

Ballot question

CITY

SOUTH GATE CITY SPECIAL MUNICIPAL ELECTION

P MEASURE P. THE SOUTH GATE VITAL CITY SERVICES MEASURE. To preserve public safety and prevent significant cuts to City services, by funding general City services such as hiring additional police officers, maintaining youth anti–gang and anti–drug programs, after–school parks and recreation services, graffiti removal, maintaining neighborhood parks, fixing potholes and City streets, and other essential City services, shall the City sales tax be increased by one cent with guaranteed independent annual financial audits, expenditure reports, and citizens' financial oversight?

193 YES

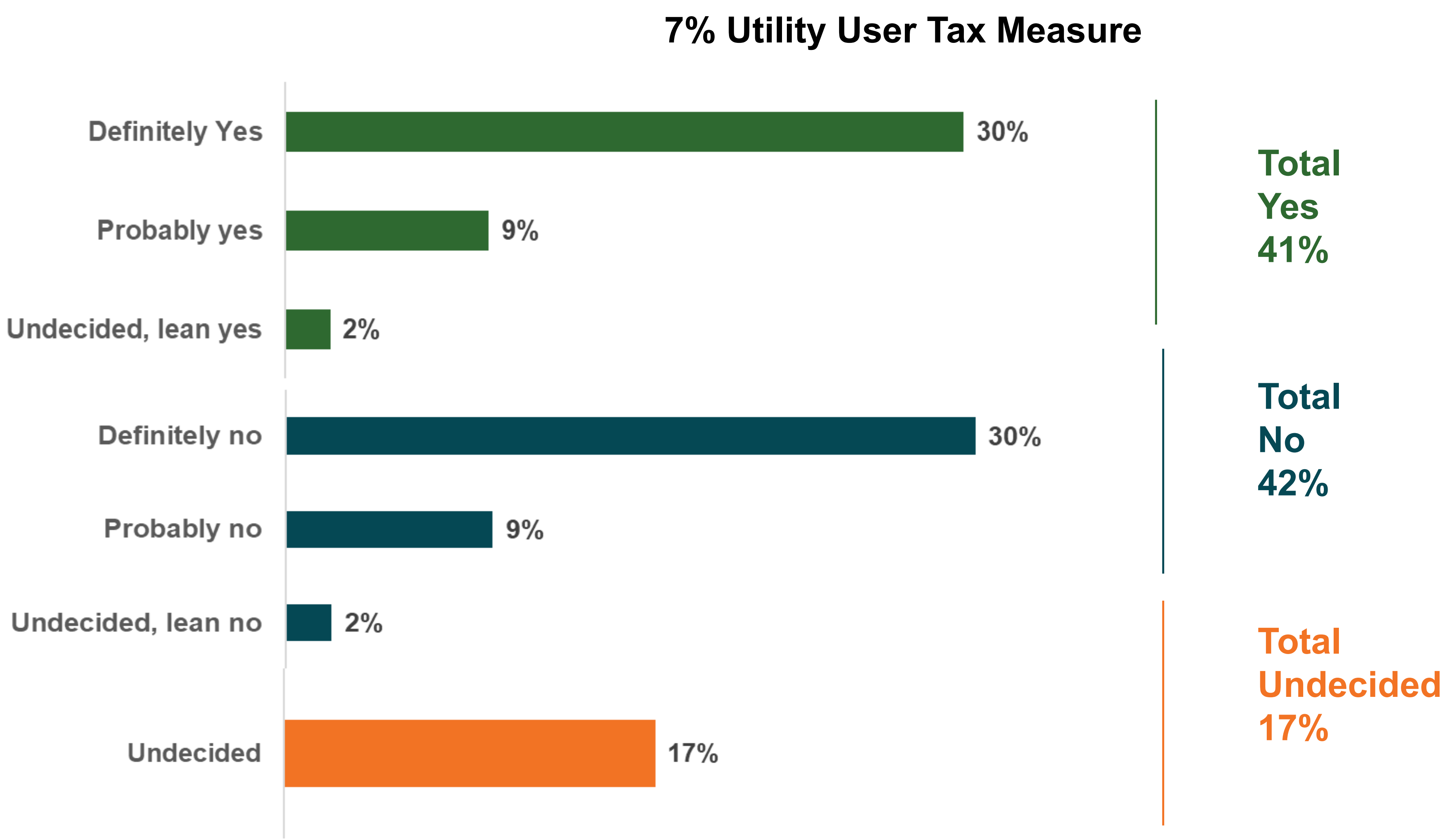
194 NO

END OF BALLOT

SURVEY METHODOLOGY

Dates	December 9-17, 2025
Research Population	City of South Gate Registered Voters
Total Interviews	359
Contact Methods	Telephone , Email Invitations, Text Invitations
Data Collection Modes	Telephone Interviews, Online Interviews
Languages	English & Spanish

SURVEY RESULTS



DRAFT PROPOSED BALLOT LANGUAGE

Final wording subject to approval

- "SOUTH GATE FISCAL EMERGENCY STREET MAINTENANCE, YOUTH PROGRAMS, PARKS FUNDING PROTECTION MEASURE. Shall an ordinance preventing cuts to City of South Gate services including maintaining streets and sidewalks; maintaining school crossing guards, parks / recreation programs, police 911 and support services, and other General Fund uses by establishing a 7% utility user tax, exempting low income seniors, annually providing approximately $9,000,000 until ended by voters; requiring independent audits, public disclosure of all spending, local control, to benefit South Gate residents, be adopted?"

City of South Gate

VOTER APPROVAL REQUIREMENT

Presented for transparency and Council understanding.

What Approval Is Required

- *This measure is a general tax*
- *Approval threshold is a simple majority*
- *50% + 1 of voters voting on the measure*
- *No supermajority is required under California law*

What This Means

- City Council cannot adopt the tax on its own
- The tax only takes effect if approved by voters
- If approved, the ordinance becomes effective per Elections Code

(Source: California Constitution Article XIII C; Elections Code §9217)

City of South Gate

CONSISTENCY WITH NEIGHBORING CITIES

How This Compares Regionally

- Most neighboring cities already impose a **Utility Users Tax**
- South Gate is currently an **outlier** with **no UUT**
- The proposed structure aligns with:
    - Common utility categories
    - Standard collection methods
    - Regional practice
    - Fairness
    - Administrative simplicity

Important Trade-Off to Understand

- **Each exemption or exclusion reduces revenue**
- Lower revenue would require:
    - A higher tax rate, **or**
    - Additional service reductions

The broader the base, the lower the rate needed to meet service needs

Staff recommends a broad base and lower rate (7%) over a narrow base and higher rate, consistent with regional practice.

City of South Gate

WHAT HAPPENS NEXT

If Council Votes to Put UUT Measure on November Ballot

- Draft ballot materials finalized (April May)
- Community education period (June-August)
- Community makes decision between UUT or permanent budget cuts (November 3, 2026)

If No Action

- Council makes decision to make permanent budget cuts effective July 1, 2026

COMMUNITY INPUT

- Attend City Council meetings
- Submit written comments
- Stay informed
- If placed on the ballot, voters decide

THE BOTTOM LINE

- The City faces an unavoidable decision
- The budget must be balanced by either cuts or new revenue

If the measure is placed on the ballot then the voters will decide what path the City takes

CLOSING

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- Whether to give voters the choice

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