

South Bay Cities Council of Governments

January 25, 2018

TO: SBCCOG Board of Directors

FROM: Ad Hoc Dues Formula Committee, Christian Horvath, Chair & Steering Committee

SUBJECT: SBCCOG Dues Formula

Adherence to Strategic Plan:

Goal D: Organizational Stability. Be a high performing organization with a clear path to long term financial health, staffing continuity and sustained board commitment.

The Ad Hoc Dues Formula Committee met on January 5. Those present were: Chair & Redondo Beach City Councilmember Christian Horvath, Rolling Hills Estates Councilmember Frank Zerunyan, Manhattan Beach Councilmember Nancy Hersman, Rolling Hills Councilmember Bea Dieringer, and Rolling Hills Estates City Manager Doug Prichard and Hermosa Beach City Manager Sergio Gonzalez. SBCCOG Chair and Torrance Councilmember Kurt Weideman attended as an ex officio member. Jacki Bacharach and Brooke Heri were present from the SBCCOG staff.

At the request of Chair Horvath, Councilmember Zerunyan explained that the concern of his city is the fair allocation of the dues. He stated that the SBCCOG is important to his city and the whole South Bay and that his city does actively participate. He also said that the total amount of the dues is not in question and that he did not see the purpose of this committee micromanaging or second-guessing the Board. However, there is a disproportionate impact on several cities from the current dues formula based on how many people they serve.

PROPOSAL FROM ROLLING HILLS ESTATES

Councilmember Zerunyan presented a proposal which he described as simple and equitable, that would set the dues at \$.38 per capita. This would generate the amount of funds from dues that were anticipated in the year starting July 2019.

Discussion ensued and the following topics were reviewed:

- The SBCCOG benefits residents of cities so per capita is a reasonable standard.
- Dues should pay for essential expenses to operate the SBCCOG.
- The SBCCOG is more than just services. All cities benefit from the information they receive as well as the advocacy for South Bay interests.

CONSENSUS TO PROMOTE EQUITY AND SIMPLICITY

- There should be a minimum base fee to be a member.
- Index dues going forward – there should be CPI adjustment annually.
- Per capita should be based on the 2010 or most current census data. (The dues are currently calculated on the 2000 dues.)

RECOMMENDATION OF AD HOC DUES FORMULA COMMITTEE

- Dues should be set at \$.38 per capita based on most current census data.
- Every city should pay a minimum of \$3500
- There should be an annual CPI adjustment on the per capita but not the base.
- The new formula should become effective July 2019 so that there is a transition period. The existing formula will be used for the upcoming budget which will start July 2018.

JANUARY 2018 STEERING COMMITTEE REVIEW AND RECOMMENDATION

- The Steering Committee reviewed the recommendation of the Ad Hoc Dues Formula and moved to: send this issue to the full board with the Ad Hoc Committee's report and a summary of the Steering Committee concerns and seek direction from the Board. At the Board meeting, the current dues formula should once again be included and how much each city pays. 10 cities were represented at the Steering Committee meeting.
- The Steering Committee's concerns were as follows:
 - There was some concern about an automatic CPI but maybe if it had a cap it would be ok
 - There was concern about the large increase that some members would have and whether they could afford it – ex. Carson would be 29.8% increase
 - It was stated that this is not urgent and it won't take effect until 2019 at the earliest so why now?
 - Members wanted time to meet with their staff and they also wanted all cities to be informed so they could discuss the proposal
 - During the meeting, Mike Jenkins, our attorney, was consulted as to whether a change in the dues formula would require a 2/3 vote of the Board and he opined that since it would effectively raise dues on some members, it would require a 2/3 vote
 - If there is a change, the 2010 census numbers should be used

JANUARY 2018 BOARD MEETING MINUTES – EXCERPT OF THIS ITEM

Review of Dues Formula

Ms. Bacharach began the discussion by informing the Board that there was not much participation in the Ad Hoc Dues Formula Committee. A proposal was developed that would create a \$.37 per capita dues formula (based off the 2010 census) with a \$3,500 minimum/base, which would be effective July 2019.

Chairman Weideman explained that the Steering Committee, which was attended by 10 jurisdictions, considered the proposal. Chairman Weideman reported that the Steering Committee decided to keep the dues formula the same and not recommend a change at this time. He also pointed the Board to a letter from Board Member Valentine and the City of Hawthorne on this issue. The letter is available here:

http://southbaycities.org/sites/default/files/board_directors/meeting/HANDOUT_Hawthorne%20Letter%20.pdf

Board Member Valentine explained that her letter expressed Hawthorne's concern that a purely population-based formula is unfair to cities because it was overly simplistic, indicating that a large population does not mean a large revenue source.

There was considerable discussion amongst the Board of Directors as to what formula is fair, their goals of keeping the SBCCOG united, as well as services received from the SBCCOG, while still hearing the concerns of cities.

MOTION by Board Member Hersman, seconded by Board Member Alegria, to return the issue to the Ad-Hoc Dues Committee for additional input from as many cities as possible, and to bring options to the Steering Committee.

Board Member Sausedo asked for an amendment to the motion to stipulate that any new formula be introduced after the completion of the five-year dues increase plan. The amendment was not accepted.

SUBSTITUTE MOTION by Board Member Sausedo, seconded by Board Member Fangary, to **RETURN** the issue to the Ad-Hoc Dues Committee for additional input from as many cities as possible, and that any recommended changes be implemented after the completion of the five-year dues increase plan. Ayes: Carson, Gardena, Hawthorne, Hermosa Beach, Inglewood, Lawndale, Redondo Beach, Torrance, and LA County District 2. Nays: Lomita, Manhattan Beach, Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills, Rolling Hills Estates. The motion **PASSES**.