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April 24, 2009
Issue #15-2009

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VALLEJO MAYOR TELLS ASSEMBLY LOCAL GOVERNMENT COMMITTEE AB 155 IS DISASTROUS

Vallejo Mayor Osby Davis delivered riveting testimony against AB 155 (Mendoza) during the Assembly Local Government Committee hearing on Wednesday, April 22. Opposed by the League, this bill would give a state commission without expertise in this area the authority to determine whether or not a local entity could file for bankruptcy. The League opposes AB 155 because it removes the fundamental decision making power of local communities.
For more, see Page 2.

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CITY OFFICIALS DELIVER THE MESSAGE OF FISCAL RESPONSIBILITY AT LEAGUE'S LEGISLATIVE ACTION DAYS

There was one main message delivered during the League's Legislative Action Days last week: budget stability at the state and local levels is critical for economic stability. More than 300 city officials came to Sacramento on April 15-16 to lobby in the Capitol and hear from Gov. Arnold Schwarzenegger and other top state officials who all addressed budget and fiscal matters.
For more, see Page 2.

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PANEL TACKLES STATE GOVERNANCE REFORM AT LEAGUE'S LEGISLATIVE ACTION DAYS

The question of state governance reform is attracting increasing attention from a number of groups in California and that was the topic of a special discussion during the League's Legislative Action Days. Co-hosted by the League's Latino Caucus and moderated by Fresno City Council Member Henry Perea, the April 15 afternoon session featured an impressive panel of experts.
For more, see Page 5.

Sponsored by the California Professional Firefighters Association, the hearing on AB 155 was packed. Supporters of the bill argued that local governments will wrongfully use bankruptcy as a means to obstruct employee contract negotiations. The City of Vallejo's bankruptcy filing in 2008 was the focus of much of the discussion in the Assembly Local Government Committee hearing.

Cities finding themselves in dire financial positions would have another hurdle that could block their use of federal bankruptcy with the provisions of AB 155. Since 1949, only three municipalities in California have filed for Chapter 9 bankruptcy protection. AB 155, as written, overlooks the immediate debt relief necessary in a fiscal crisis as provided under Chapter 9, which could pose major problems to local agencies.

Mayor Davis told the committee that he ran for office understanding that Vallejo faced some very serious fiscal challenges including the potential for bankruptcy. The mayor expressed his commitment to not just Vallejo but the city's employees who are responsible for delivering vital services to residents. "I am concerned about the totality of our city, concerned about paving our streets, libraries, senior citizens. We had no reserve, we still have no reserve," said Mayor Davis.

AB 155 passed out of the Local Government Committee on a four-to-three vote and now goes to the Assembly Appropriations Committee. The members who voted for the bill are: Assembly Member Anna Caballero (D-Salinas), Assembly Member Mike Davis (D-Los Angeles), Paul Krekorian (D-Burbank) and Nancy Skinner (D-Berkeley).

The League wishes to thank the Assembly Members who voted against this bill. Those members are: Juan Arambula (D-Fresno), Stephen Knight (R-Lancaster) and Mike Duvall (R-Brea).

Assembly Member Juan Arambula (D-Fresno) commented that he had received an overwhelming number of letters in opposition to AB 155 from his district and contended that he could not support the bill in its current form. Although Assembly Member Mike Davis (D-Los Angeles) voted for the bill, he said he did so with reservations. He said that he is concerned that the state may be held liable to creditors in the event that the agency charged with this task (the California Debt and Investment Advisory Commission) denies a municipality its request to file bankruptcy.

Along with Mayor Davis, a number of other city officials came to the Capitol Wednesday to testify against AB 155, including Loomis Council Member Miguel Ucovich, Roseville Council Member Jim Gray, Colusa Council Member Kay Hosmer, and Paradise Council Member Woody Culleton.

Take Action!

City officials are urged to send in letters of opposition to their legislators and to the office of Gov. Arnold Schwarzenegger. A sample letter can be found on the League's Web site at www.cacities.org/billsearch. Type "AB 155" into the search function to locate the letter.

City officials with additional questions can contact Natasha Karl, League legislative analyst at nkarl@cacities.org or Dwight Stenbakken, deputy executive director at dstenbakken@cacities.org.

"We want our partners at the state to know that a responsible state budget is balanced with state means not local government revenues. We are making tough decisions, having to make cuts, implement layoffs and more to balance our budgets," said League President Judy Mitchell in her opening remarks at the Sheraton Grand Sacramento.

President Mitchell spoke about the League's support of Propositions 1A-F on the May 19 special election ballot. "We know as city officials that city public safety, transportation and other local services will be more stable if the state's finances are more predictable. Passage of the propositions means that we can focus on getting important infrastructure projects back on track and infuse our economy locally and at the state level," said President Mitchell.



League President Judy Mitchell welcomes Gov. Arnold Schwarzenegger.

League staff prepared a one-page document for city officials to use in their legislative meetings outlining the most important issues to press. Under the headline "Balancing Our Budgets and Reviving Our Economy," the key messages for Legislative Action Days were:

- Balancing our budgets and reviving our economy has to be job #1;
- Responsible leadership is a must for recovery;
- DO NOT TAKE LOCAL FUNDS: balance the state budget with state resources;
- Maximize economic development incentives; and
- Demonstrate restraint on new programs, mandates and fees.

While prepared for Legislative Action Days, these messages continue to be relevant as the state faces its deficit. The issue paper is available on the League's Web site (http://www.cacities.org/resource_files/27917.2009IssuePaperFINALFINALFINAL.pdf).

Legislative Action Days featured an impressive list of speakers at the general sessions Wednesday and Thursday mornings and the panel on state governance reform Wednesday afternoon. Please see "Panel Tackles State Governance Reform at League's Legislative Action Days" on page 1.



Assembly Member Noreen Evans

Assembly Member Noreen Evans (D-Santa Rosa), a former city council member, spoke during the general session on Wednesday and acknowledged that the Legislature's decisions have local impacts.

Senate Republican Leader Dennis Hollingsworth (R-Murrieta) also acknowledged that the decisions he and his colleagues make affect cities. The Republican leader told the audience that while the budget crafted in February did not borrow local funds and he remains committed to the state's partnership with local government, he was hesitant to predict the future. "The

passage of the budget package in February took local agencies off the target list. Today, I can't really make a guarantee," said Sen. Hollingsworth.



Senate Republican Leader Dennis Hollingsworth

Governor, City Officials Rallyes on Propositions 1A-F and Other Issues

The Governor packed the ballroom at the Sheraton Wednesday afternoon where he thanked the League for supporting Props. 1A-F on the May 19 statewide special election ballot.

He told the audience that it would be historic if Prop. 1A, the measure that would temporarily raise taxes and deposit revenues above a certain level into a Budget Stabilization Account, passes next month. "The last time the state had a rainy day fund it was under Gov. Earl Warren (1943-1953)," observed Gov. Schwarzenegger.

Talking optimistically about the campaign to pass the propositions, the Governor commented that his partnership with city officials has always brought him luck. "Let's go and create a budget system so that we don't have this problem, we can solve it once and for all," said the Governor.

The Governor also discussed other issues including the need for improving California's water, infrastructure and health care reform.

Watch a clip of the Governor's remarks on YouTube:

<http://www.youtube.com/watch?v=RKW1QVrt3kg>

Economic Recovery and Budget Also Topics of Thursday General Session

The American Recovery and Reinvestment Act (ARRA) of 2009 was also a big topic of discussion during Legislative Action Days. The League's City Funding Book, which is a resource on ARRA funding, is getting a great deal of attention by more than just California city officials.



Dale Bonner, secretary, Business, Transportation and Housing Agency

Business, Transportation and Housing Agency (BTH) Secretary Dale Bonner thanked the League for its work compiling the comprehensive City Funding Book. He told the audience that California can use federal stimulus funding for infrastructure projects. The BTH secretary also told the audience that his agency is giving extra points for Prop. 1C applications to cities that are using federal stimulus funds.

California Deputy Treasurer Katie Carroll provided some national perspective on California's budget woes, telling the audience that 47 states have a budget shortfall, 19 with double digit deficits. Carroll discussed how the credit crisis and cash flow problems at the state level impact cities in the form of delayed or stalled infrastructure projects.

Karen Douglas, chair of the California Energy Commission (CEC), said that her agency is in the early stages of working on guidelines for Energy Efficiency and Conservation Block

Grants for small cities that will be disbursed by the CEC. She also announced a series of CEC workshops May 4 (Diamond Bar), 6 (Fresno) and 7 (Sacramento) from 1-3 p.m. for local government officials on ARRA funding. The workshops will be at different locations but feature the same agenda. More details will be reported in *City Advocate Weekly* when available.

Budget Action Day June 3

The League's work on budget issues is far from complete and it's important that city officials continue to communicate to state leaders that the state should balance the state's budget with state revenues so cities can use their revenues for their own constrained budgets. The Governor is expected to release his revised budget a week after the May 19 special election.

City officials are urged to come to Sacramento June 3 for Budget Action Day to lobby their legislators on how the budget potentially impacts local government.

Watch for more information on Budget Action Day in *City Advocate Weekly* and make plans to travel to Sacramento for this important event to protect local revenues.

'Panel' Continued from Page 1...

Participants included:

- Cynthia Bryant, deputy chief of staff and director, Office of Planning and Research for Gov. Arnold Schwarzenegger;
- Bill Hauck, president and CEO, California Business Roundtable, member, Leadership Council, California Forward, an organization studying state fiscal and budget reforms;
- Assembly Republican Leader Mike Villines (R-Clovis); and
- Jim Wunderman, president and CEO, Bay Area Council, an organization active in recent discussions on the need for legislative reform including promoting the concept of a state constitutional convention.



Jim Wunderman, president and CEO, Bay Area Council; Bill Hauck, president and CEO, California Business Roundtable; and Assembly Republican Leader Mike Villines participate in a panel discussion on budget reform.

Sen. Mark DeSaulnier (D-Antioch) was invited but was unable to attend.

Fresno Council Member Henry Perea, president of the League's Latino Caucus, introduced the panel by highlighting the short term reforms on the May 19 special election ballot and longer term issues coming into play with the questions of budget and governance reforms on so many minds.

The lively 90 minute discussion featured the panelists responding to questions about Prop. 1A, the state's budget problems and potential governance reform proposals.



League Legislative Action Days panelists Henry Perea, Fresno council member; Cynthia Bryant, deputy chief of staff and director of the Office of Planning and Research; Jim Wunderman, president and CEO, Bay Area Council; and Bill Hauck, president and CEO, California Business Roundtable.

Some remarks from the discussion include:

Mike Villines: "All the propositions play into process of getting priorities together. Prop. 1A is good for both parties. It's not a hard spending cap, but will moderate the peaks and valleys. My goals are to work on the inside, rather than through propositions. State government is broken, the state will always have resource issues. If we don't fix this, the quality of life will decline dramatically."

Bill Hauck: "The state budget process is crazy. A \$100 billion budget is out of balance three seconds after it's passed. No other public or private group in the world does this. They need to look at the expenditures and revenues more often. In a two-year budget, (we) need more frequent

reviews, and will help locals develop a more predictable budget. Many legislators haven't had to manage a budget ever, they don't know."

Cynthia Bryant: "He (Gov. Arnold Schwarzenegger) has spoken favorably (about the possibility of a constitutional convention) but more so for reform. For accountability, controlled budget, he's always looking for the next big idea."

Jim Wunderman: "We need to bring back the trust. Constituents don't feel they are being represented. In 1859 they held a constitutional convention and 500 plus amendments later it's a mixed up system. We used to be leaders in California, now we're at the bottom with infrastructure, schools, prisons, transportation. We need a fix. We need a holistic look at government. It's been 140 years. There's a better way to lead this state and reclaim the greatness of California."

Prop. 1B Local Streets and Roads Payments to Cities Restart, Next Allocation Still Uncertain

The Department of Finance (DOF) authorized the State Controller's Office to release \$35.9 million dollars to cities for Proposition 1B Local Streets and Roads funding on April 15.

The 30 cities that received funding were part of a group of local agencies who were notified by the DOF in December that their projects were approved. However, the majority of these payments were caught by the state's freeze on all bond dollars, halting the scheduled January funding release date.

The DOF stated that additional payments to cities are pending for May 15, following the recent round of successful bond sales that totaled \$6.85 billion in general obligation bonds. This pending distribution will follow the same "first come, first serve" standards put in place by the 2008-09 Budget signed by Gov. Arnold Schwarzenegger in September 2008.

Cities are strongly encouraged to submit their Prop. 1B project list so that they may receive funds as soon as additional bond dollars are released. Those guidelines are available at: http://www.dof.ca.gov/bonds/proposition_1b_disbursements/2008-09_appropriation/.

Supreme Court Weighs in on Local Agency Ballot Measure Activities

The California Supreme Court shed some light on an increasingly important issue for local officials on Monday, April 20. The question is when it comes to local ballot measures, what can one do lawfully with public resources and what is forbidden? Specifically, what is the dividing line between permissible informational activities and impermissible campaign activities?

Local government advocates argued for a bright line standard that would allow local agencies to engage in activities as long as those activities did not involve expressly advocating that voters vote yes or no on a ballot measure. The Supreme Court rejected that request, finding that such a standard would be too permissive. Instead, the Court reaffirmed its position in earlier cases that the permissibility of communications turns on their "style, tenor and timing."

The case involved the city of Salinas' activities relating to a ballot measure that would have repealed the city's utility users tax. In anticipation of the nearly 13 percent revenue loss, the city held a series of workshops (during city council meetings) that described the cuts to services and programs that would occur if the ballot measure passed. The city council also adopted a provisional budget detailing where cuts would occur if the ballot measure passed. Meeting minutes were posted on the city's Web site (which included the position of ballot measure proponents articulated at the workshops). The city also prepared a one-page summary of the cuts and included the information on what would be cut in its regular city newsletter.

Proponents of the ballot measure argued that these activities violated the prohibition against using public resources for campaign purposes. The Court disagreed and took into account a number of factors in reaching this conclusion including the fact that the city had not spent extra

money on these activities. The Court also highlighted that the city emphasized facts concerning the effect of the measure's passage, used non-inflammatory language, and only distributed the information through regular city information channels.

The Court also reaffirmed that government entities are entitled to the protection of the Anti-Strategic Litigation Against Public Participation (Anti-SLAPP) laws, which allow these cases to be decided on a more expedited basis.

The decision is undoubtedly a big relief for the now-retired city manager who was sued in this case, since missteps in this area of the law subject a public official to personal liability for the amounts improperly spent.

The League of California Cities and the California State Association of Counties are grateful to Karen Getman with Remcho, Johansen and Purcell for preparing the *amicus* brief in this matter and organizing the practice argument for the city's advocates.

The full court decision is available at <http://www.courtinfo.ca.gov/opinions/documents/S140911.PDF>. A more extensive analysis of the Court's decision is available from the Institute for Local Government at www.ca-ilg.org/vargas.

City attorneys will have a session on this case at their upcoming conference at the beginning of May. Information about the conference is available at www.cacities.org/events. Onsite registration is available.

Governor Announces the California Federal Economic Stimulus Task Force

In response to the emphasis on transparency and accountability in the American Recovery and Reinvestment Act (ARRA) of 2009, Gov. Arnold Schwarzenegger created the California Federal Economic Stimulus Task Force. The Governor's press release is online at <http://www.gov.ca.gov/press-release/11927/>.

The Task Force will:

- Track ARRA dollars received by the state;
- Help cities gain access to the funding;
- Work with President Barack Obama's administration;
- Ensure the state is effectively and efficiently using the money; and
- Update www.recovery.ca.gov, the Web site Californians can use to track the stimulus dollars.

Cynthia Bryant, deputy chief of staff to the Governor and director of the Governor's Office of Planning and Research, will lead the task force and act as California's liaison to the federal government.

Other members of the Task Force include: Chief Deputy Director of the Department of Finance Ana Matosantos, Chief Operating Officer of the Department of Finance Fred Klass, California's Chief Information Officer Teri Takai, Director of the Governor's Constituent Affairs Office Luis Portillo and Chief Deputy Director of Communications to the Governor Jeffrey M. Baker.

The Task Force also includes a representative for each of the main program areas through which the federal funding will flow: Joe Munso, undersecretary of the Health & Human Services Agency; Will Kempton, director of Caltrans; Lynn Jacobs, director of the Housing & Community Development; Todd Ferrara, deputy secretary of Resources Agency; Patty Zwarts, deputy secretary of Cal-EPA; Tracy Arnold, Governor's director for Jobs & Economic Growth; Kathy Gaither, undersecretary of the Office of Secretary of Education; and Jaime Fall, deputy secretary of Workforce and Development.

The Task Force can be reached through the Web site www.recovery.ca.gov or by telephone at (916) 322-4688.

California Energy Commission Workshop on ARRA Fund Disbursement

The California Energy Commission (CEC) is hosting a workshop on April 29 on the American Recovery and Reinvestment Act (ARRA) provisions as they pertain to the disbursement of funds for specific energy related projects. The workshop will focus on AB 811 (Levine) and other funding mechanisms that finance the installation of energy efficiency improvements.

The workshop will also cover distributed generation and renewable energy sources through contractual assessments to determine if and how ARRA money can best be used to advance these programs in local jurisdictions. Commissioners from the CEC and the California Public Utilities Commission may be in attendance at this workshop. The workshop is intended to inform and discuss the types of projects that may be funded, eligible recipients of funds, applications processes, and related timelines with the public and various stakeholders.

April 29, 2009
10 a.m. to 2 p.m.
California Energy Commission
1516 Ninth Street
First Floor, Hearing Room A
Sacramento, California

Presentations and audio from this meeting will be broadcast over the internet through Windows Media. For details, please go to www.energy.ca.gov/webcast/. Webcast participants will be able to submit questions during the meeting by sending email to AB811@energy.state.ca.us.

For more information about this workshop please visit <http://www.energy.ca.gov>.

Apply Now for the 2009 Waste Reduction Awards Program

Deadline to Apply is June 15

California cities, businesses and nonprofits are encouraged to showcase their voluntary waste reduction, recycling, and resource conservation efforts by applying for recognition in the California Integrated Waste Management Board's 2009 Waste Reduction Awards Program (WRAP). Established in 1993, the award program honors California businesses and nonprofit organizations for innovation and leadership in waste reduction, waste prevention, recycling, reuse, and buying recycled-content products.

Application Details

The WRAP application deadline is June 15. The application is available online at: <http://www.ciwmb.ca.gov/WRAP>.

For more information, please call (916) 341-6199 or contact the WRAP Program Coordinator at: wrap@ciwmb.ca.gov.

A new category titled "Waste Reduction" is on the Governor's Environmental and Economic Leadership Award (GEELA) application Web site. GEELA is California's highest environmental honor and can be located at <http://www.calepa.ca.gov/awards/geela>.

Decision-Making Guide Available in Spanish

The Institute for Local Government's (Institute) newest "Local Government 101" resource, *Understanding the Basics of Local Agency Decision-Making* is now available in Spanish. The resource was made possible through support from the Liebert Cassidy Whitmore law firm.

This resource is available online for individual use without charge at www.ca-ilg.org/decisionmakingesp. Please forward the link to neighborhood groups, the media or others who might be interested or link it to your city's Web site.

The publication is a product of the Institute's "Local Government 101" program. The program's goal is to provide information about the nuts and bolts of local government structures and processes. More "Local Government 101" and other Institute resources for local officials are available at www.ca-ilg.org.

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In a hurry to get the word out? Place your ad on our Web site today by visiting: www.westerncity.com/postjobs.

Interim Management Needs?

MuniLink is the League of California Cities' interim management employee directory. Featuring searchable categories of interim resumes, MuniLink is still the best online tool to connect with highly trained municipal veterans eager to meet your agency's needs.

SEARCHING THE ONLINE DIRECTORY IS FREE for agencies looking for products and services, and offers individuals and companies a fast and effective way of connecting with city officials in California.

MuniLink is a joint project of the League, the Institute for Local Government and *Western City* magazine. Proceeds from MuniLink benefit the League's research and advocacy efforts on behalf of cities.

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Find a Bill, Legislators, Leg Committee, or Ask League Leg Staff

Visit (and bookmark!) the League's [Legislative Resources](http://www.cacities.org/legresources) Web page (www.cacities.org/legresources). You'll find a roster and contact information for the League's legislative staff; the online Bill Search program, background materials on lobbying your legislators, and more.
