

PRIORITY FOCUS



IN THIS ISSUE:

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- Page 4:** Nominate an Outstanding Leader for the 2008 California Civic Leadership Institute
Page 5: Save the Date: League Events Scheduled for NLC 2008 Congressional City Conference, March 10-12
Local Government Officials Receive Training on New Flood Laws
Page 6: Governor Announces Funding for Affordable Housing Projects
Sustainable Cities Feature: Rohnert Park's Recycled City Hall
Page 7: Call for Entries: Helen Putnam Awards Celebrate Excellence in City Government
Page 8: Coastal Cities Issues Group Begins 2008 Work
Nominations Due for the 2008 Personnel and Employee Relations Department Professional Excellence Awards
Find a Bill, Legislators, Leg Committee, or Ask League Leg Staff

GOVERNOR SIGNS MID-YEAR BUDGET PACKAGE Grim Outlook for FY 2008-09

On Saturday, Feb. 16, Gov. Arnold Schwarzenegger signed a six bill budget package designed to trim expenses in the state's current fiscal year (FY 2007-08). The package contains a variety of program cuts, payment deferrals and other mechanisms designed to address cash flow issues in the current fiscal year, and some budget savings in FY 2008-09. *For more, see Page 2.*

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LAO RELEASES ALTERNATIVE STATE BUDGET PROPOSAL

The Legislative Analyst's Office (LAO) on Wednesday, Feb. 20 released its annual "Analysis of the Budget Bill." This analysis includes an alternative to Gov. Arnold Schwarzenegger's FY 2008-09 proposed budget. The LAO proposal contains a variety of significant spending reductions and some revenue enhancement proposals involving the elimination of various tax breaks and exemptions. *For more, see Page 2.*

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HIGHWAY USER TAX ACCOUNT PAYMENT DELAY "TO-DO" LIST AND OPTIONS FOR CITIES

Included in the mid-year budget cut package signed by Gov. Arnold Schwarzenegger last week, is a five month deferral of Highway User Tax Account (HUTA) payments to cities and counties. ABX3 7 is the bill containing the statutory language that reflects the payment delay between April and August 2008, amounting to approximately \$500 million. HUTA funds are scheduled to be repaid in bulk to local governments in September 2008. *For more, see Page 3.*

The Governor declared a fiscal emergency in January, triggering provisions under Proposition 58 (2004) that required the Legislature to send him legislation addressing the fiscal crisis within 45 days. Had the Legislature not acted last week, it would have had until Feb. 23 to meet the 45 day deadline. The mid-year budget cut bills are part of the Third Extraordinary Session (X3).

The Governor signed the following mid-year budget bills:

- **ABX3 3:** This is the general budget reduction bill which shifts \$30 million in state park maintenance costs to bond funds, allocates \$167.5 million in cuts to an assortment of state programs, and redirects \$409 million in Public Transportation Account (PTA) funds from debt reduction payments to Home-to-School Transportation in response to a recent court decision.
- **ABX3 4:** This bill makes a variety of fund shifts and cuts to educational programs totaling \$507 million in current-year savings.
- **ABX3 5:** This bill makes a variety of cuts to health programs including reducing Medi-Cal provider reimbursement rates by 10 percent, effective July 1, 2008, to achieve \$544 million in budget saving in FY 2008-09. Provider rate reductions for several children and disabled programs will achieve an additional \$14.2 million in savings. ABX3 5 also delays payments to other providers assist state cash-flow problems and makes changes to several other programs to achieve additional savings.
- **ABX3 6:** This bill delays the effective dates of cost of living (COLA) increase to several social service programs, including California Work Opportunity and Responsibility to Kids Program (Cal-Works), Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI) and State Supplementary Program for the Aged, Blind and Disabled (SSP). In addition, this measure delays several payments to counties for the months of July and August.
- **ABX3 7:** This bill defers payment of up to \$500 million of the Highway User Tax Account (HUTA) monies to cities and counties to assist state cash flow. For more information on this legislation, please see "Highway User Tax Payment Delay."
- **ABX3 8:** Achieves one-time savings of \$75 million by eliminating the practice of paying estimated mandate claims to local governments and schools and requiring payments to be made in arrears based upon the actual amounts claimed. This means that local mandate costs incurred in FY 2007-08, will be paid in FY 2009-10. ABX3 8 also delays a general fund payment to retired teachers' cost of living maintenance to achieve savings in the current year, and delays the timetable for establishing specified judgeships.

FY 2008-09 Budget Prospects Looking Bleak

Despite the above cuts and payment deferrals, the news on the state budget is getting worse instead of better. Legislative Analyst Elizabeth Hill announced on Wednesday, Feb. 20, that the state budget deficit is actually closer to \$16 billion, not the \$14.5 billion the Governor projected in January for the fiscal year that begins July 1.

For more on the LAO's analysis please see "LAO Releases Alternative Budget Proposal."

A full copy of the LAO proposal can be found online at www.lao.ca.gov.

A number of elements of the LAO proposal would directly impact cities. These include:

- Shifting all city Proposition 172 funding (\$168 million) to new special county funds to partially pay for a realignment of parole programs from the state to counties.

- Elimination of the Citizens Option for Public Safety (COPS) program (\$119 million).
- Elimination of Local Detention Facility Subventions (\$35 million). Under current law, the deletion of this funding would result in the return of county booking fees charged to cities and others. However, the law limits those fees to 50 percent of actual administrative costs, including applicable overhead costs.
- On the revenue side, the elimination of a number of sales tax exemptions would increase local Bradley Burns and local transactions and use tax collections by about \$30 million and \$20 million respectively.
- In agreement with the administration, LAO proposes to delay state mandate reimbursement for another year such that actual reimbursements would be budgeted and paid two fiscal years following the incurred expenses. This would effectively be a one-time \$75 million savings to the state. The impact to locals (including counties and schools) is some delay in reimbursement and therefore interest costs.
- The LAO proposal includes no borrowing of property taxes or transportation sales taxes.

League staff will continue to study this proposal and other developments.

'HUTA' Continued from Page 1...

Cities should have their fiscal officer or finance director read the bill to get a complete understanding of the impacts the five month delay of HUTA payments may have on cities. The bill can be found on the California State Assembly Web site at www.assembly.ca.gov. Click on Legislation on the left side and search for ABX 3 7.

In brief, ABX3 7 does the following:

- It retains the HUTA revenues in that fund for the months of April, May, June, July and August 2008 and repays them in full in September 2008.
- During the five month HUTA delay period, ABX3 7 allows cities to meet their cash obligations with funds it has received from the Proposition 1B Local Street and Road Program for the same purposes the gas taxes are currently used for under Article XIX of the California Constitution.
 - o It should be noted that the current language in AB3X 7 specifies that the bond funds can be used for "local street and road maintenance." However, it is the intent of the Department of Finance that the funds can in fact be used for the broader purposes outlined in Article XIX.
 - o If a city chooses to use Prop. 1B funds to supplement delayed gas tax payments, the use of those funds is not required to be reflected as bond fund expenditures, so long as the used bond funds are replaced upon repayment of the gas tax in September 2008.
- Allows cities to accrue the gas tax revenues received in September 2008 as repayment of the suspensions for April, May and June 2008 back to FY 2007-08.

The League encourages cities that have not yet applied for their share of the FY 2007-08 Prop. 1B funds, should do so immediately.

As noted above, these funds can be used as a temporary replacement of HUTA revenues. It is imperative that cities apply for their Prop. 1B funds for a number of reasons.

- First, it is advantageous for cities to secure their funds in case they want to backfill the gap left from the HUTA delay.

- Second, applying for Prop.1B funds demonstrates to the Legislature that there is a huge need for transportation funding at the local level.
- Third, securing these funds will help the League advocate for future appropriations of the remaining bond funds.

New Financing Program Available Based Upon Transportation Revenues

Cities also have new financing programs available to them to expedite local street and road maintenance projects which involve advancing gas tax payments or Prop. 42 funds (the sales tax on gasoline).

The programs allow cities to access bonds using an advance payment of the gasoline tax. Even though cities and counties did not receive Prop. 42 funds for the last two fiscal years, beginning in FY 2008-09, local governments will receive their portion of the sales tax revenues on gasoline for local street and roads, estimated at approximately \$300 million.

These revenues are now backed by Prop.1A (2006) constitutional protection. This new financing program will permit cities to bond on these funding streams and accelerate the delivery and completion of high priority local projects.

The February issue of *Western City* magazine includes an article by Terrence Murphy, program manager, California Statewide Communities Development Authority, on these programs. The article can be found on the *Western City* Web site at www.westerncity.com.

Nominate an Outstanding Leader for the 2008 California Civic Leadership Institute

Nominations are due Friday, Feb. 29 for the League's 2008 California Civic Leadership Institute (CCLI). Now in its fourth year, CCLI is an educational program focused on key state level issues for elected city officials who are interested in pursuing state office in the future.

Last year, 15 city officials participated in top-notch programs led by prominent leaders and experts in public policy and politics in California. Because of the program's impact, CCLI has been expanded for 2008 to offer more sessions throughout the year, including sessions open to CCLI alumni.

Program Details

Presented by the League Partners Program, CCLI exposes city officials to a variety of complex statewide priorities including transportation, housing, impact of increasing energy demand on our growing state, tribal issues and disaster preparedness. The program is designed to give local leaders a broad, in-depth understanding of critical issues affecting the state, illuminate the invaluable tools they will need to succeed if elected to the Legislature, and provide a forum where lasting bonds can be created among California's rising leaders.

Instead of just a standard classroom program, CCLI features informal roundtable discussions and takes participants out in the field. The program includes a tour of Big Creek, Southern California Edison's hydro-electric facility, giving participants the opportunity to see first hand how electricity is generated and moved throughout the state.

This year's program is ideal for those already within leadership roles at the League, or for anyone interested in becoming a statewide advocate of local government.

Nomination Process

Any mayor, council member or professional city staff may nominate a current elected city official to participate in CCLI. Nominations may also come from any of the League's constituency groups, or from the League Partners Program.

Nominations must successfully convey the governance skills and accomplishments of the nominee, and should highlight any and all contributions toward League goals and/or the League's mission of protecting local control. Nominees will be sent an application packet. Applicants will be asked to compose an essay outlining their individual goals and interests in the program.

Nominations are due Friday, Feb. 29, by 5 p.m.

The nomination form can be found at www.cacities.org/leaguepartners. Submit entries to Samantha Caygill by e-mail at scaygill@cacities.org or by fax at (916) 658-8240.

Save the Date: League Events Scheduled for NLC 2008 Congressional City Conference, March 10-12

The League of California Cities is organizing a number of important events during the National League of Cities Congressional City Conference, March 10-12, in Washington, D.C. Meetings are being scheduled with members of the California Congressional delegation, California senators and Administration officials.

Please mark your calendars for the following activities. Additional details will follow as the conference gets closer.

Monday, March 10

- 6-7:30 p.m. - League Reception, Washington Hilton, Lincoln East Room

Tuesday, March 11

- Meeting with California Senator Barbara Boxer (time and location TBD)
- 6-8 p.m. - Capitol Hill Reception for California City Officials and California Congressional Delegation, Hart Senate Office Building, Room 902

Wednesday, March 12

- 9:30-10:30 a.m. - Roundtable discussion on energy with the California Congressional Delegation, HC-6 of the U.S. Capitol Building
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Local Government Officials Receive Training on New Flood Laws

Over 100 city and county officials from across the state learned what their municipalities must do to meet the new 200-year flood standard by 2012 at a one day workshop in Sacramento on Thursday, Feb. 14.

Sponsored by the League, the California State Association of Counties, Regional Council of Rural Counties and the California Chapter of the American Planning Association, the workshop featured speakers from the Department of Water Resources, FEMA, the Army Corps of Engineers and local government staff.

Presentations at the workshop focused on the comprehensive package of bills passed in 2007 that requires all cities and counties to increase consideration of flood risks in their general plans, and creates a new 200-year standard in flood protection for urban development in the Sacramento-San Joaquin region.

Sacramento and West Sacramento are currently working towards meeting 200-year flood protection. Representatives from both cities presented case studies of their current experience and lessons they've learned that can benefit other municipalities as they meet this standard.

These two communities were highlighted during the workshop because of their high flood risk and the attention given to this issue following Katrina in 2005. During the presentations, speakers called attention to Sacramento's Natomas area which is especially prone to floods.

It has been predicted that a levee break in that area would result in water levels as high as 20 feet. One of the challenges for this region is the fact that historically floods have occurred during the winter when water temperatures are near freezing, making the public safety impact of such an event even greater.

Governor Announces Funding for Affordable Housing Projects

Gov. Arnold Schwarzenegger awarded \$73 million for 40 affordable housing projects in 26 cities this week. The announcement was made on Wednesday, Feb. 20, at the Skid Row Housing Trust in Los Angeles. This funding will help 1,611 families rent or purchase affordable housing.

The projects will be funded through Proposition 1C and Prop. 46 funds. Prop. 1C, part of the \$42 billion package of infrastructure bonds passed in November 2006, includes \$2.85 billion to finance affordable housing and infrastructure. California voters approved Prop. 46 in 2002.

In addition, earlier this month, the Governor announced \$69.5 million in permanent low-interest loans from Prop. 1C.

Sustainable Cities Feature: Rohnert Park's Recycled City Hall

Rohnert Park is taking recycling to a whole new level by transforming an outdated, late 1970s office building into a state-of-the-art energy efficient city hall. Scheduled to be complete in June, the new city hall will house 50 city workers and a new council chamber.

The original 14,000 square foot building, constructed in 1979, served as an office building for many years until a massage school took it over. The building had been vacant about two years when the city purchased it. The original building had a typical wood frame construction, single pane windows and minimal insulation. Although the heating and air conditioning roof units were updated, they did not even meet the minimum state requirements set three years ago.

The renovated building will be a far cry from what it once was. The new council chambers will add an additional 2,000 square feet to the building which will now meet the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Gold certification. The U.S. Green Building Council has created a set of benchmarks to certify the environmental and efficiency standards in construction.

Peter Bruck, a building official with Rohnert Park, heads the project and believes the city is setting an example for the community. The new city hall reflects the green building ordinance that went into effect in 2007, requiring all new construction in Rohnert Park to meet some level of green building through LEED or a residential green certification system the city uses.

Bruck says Rohnert Park is very committed to sustainability. "The city council recognizes the importance of conservation and practicing responsible stewardship of the land and buildings. What we're doing is using off the shelf technology so everything we're doing can be easily replicated."

The "recycled" city hall will boast a large array of highly efficient features including:

- A special lighting system that will shut off when an office is empty and adjusts the light according to the external natural light source.
- Exhaust system for the rooms that house the copy machines send the fumes outside so they do not permeate other rooms in the building.
- Walls covered with paint that contains no or very minimal volatile organic compounds, meaning there won't be any "fresh paint" smell.
- The building will be 22.4 percent better than Title 24, the section of the California Energy Code which sets a minimum level of energy efficiency for building energy use. This means the new city hall will use only 78 percent of the energy that a building that meets the minimum energy requirements would.

- A photovoltaic system designed to generate 39.4 percent of the building's electricity.
- Workspaces with access to windows or a natural light source.
- A majority of the wood used in the project is Forest Stewardship Council Certified meaning it has been harvested in a sustainable manner.
- Carpet made of recycled materials.
- Men's rooms with waterless urinals.
- A special pond built outside to capture water off the roof to help mitigate flooding in the nearby creeks. Landscaping irrigated with reclaimed water.

Additional Information

The Rohnert Park has information about the city's sustainable policies including its new green building ordinance on its Web site at www.ci.rohnert-park.ca.us.

United States Green Building Council has information about its LEED program on its Web site at www.usgbc.org.

Call for Entries: Helen Putnam Awards Celebrate Excellence in City Government

Since 1982, the Helen Putnam Awards have recognized outstanding city programs that improve the quality of life in local communities through efficient, innovative efforts that are responsive to residents' needs. Applications are due in April for the 2008 Helen Putnam Awards.

If your city implements programs with these standards in any of the below 11 categories, consider applying for a 2008 Helen Putnam Award.

The Helen Putnam Awards, supported by the League of California Cities' Partner program, recognize the excellence of California cities as demonstrated by beneficial innovations, resourceful efficiencies, improved public service, and overall enhanced public trust and support.

This year, there will be one award per category.

Categories for the 2008 Helen Putnam Awards

1. Effective Advocacy, Intergovernmental Relations and Regional Cooperation
2. Housing Programs and Innovations
3. Enhancing Public Trust, Ethics and Community Involvement
4. Health and Wellness Programs
5. Planning and Environmental Quality
6. Community Services and Economic Development
7. Internal Administration
8. Public Safety
9. Public Works, Infrastructure and Transportation
10. Ruth Vreeland Award for Engaging Youth in City Government
11. League Partners Award for Excellence in City-Business Relations

Application Process

The Helen Putnam Award application form is available on the League's Web site at www.cacities.org/helenputnam.

Applications are due at the League's office by April 10.

Send applications to:

League of California Cities
Helen Putnam Awards Program
1400 K Street, 4th Floor
Sacramento, CA 95814

Coastal Cities Issues Group Begins 2008 Work

Twenty-one city officials traveled to the Monterey City Hall on Friday, Feb. 15 for the first 2008 meeting of the Coastal Cities Issue Group (CCIG).

The group tackled a variety of issues including working on communication with the California Coastal Commission and the formation of a new CCIG listserv.

City officials who are interested in joining the CCIG listserv can sign up on the League's Web site at <http://lists.cacities.org/mailman/listinfo/coastalcities>.

The group will next meet May 16 in Newport Beach.

Nominations Due for the 2008 Personnel and Employee Relations Department Professional Excellence Awards

The League's Personnel and Employee Relations Department annually recognizes members of the profession for their achievements. Now is the time to nominate your colleagues for their individual efforts or for a career of commendable service to one or more municipal agencies.

This is an opportunity to highlight the nominee's service, leadership, expertise and innovation within the personnel/human resources/labor relations profession. Nominations can be made with or without the nominee's knowledge.

Nomination Details

Nominations are due to Natasha Karl by Friday, March 14. Forms can be faxed to (916) 658-8240 or e-mailed to nkarl@cacities.org.

The nomination form can be found on the League's Web site at www.cacities.org/2008ProfessionalExcellenceAward.

Award Ceremony

The award will be presented at the annual Employee Relations Institute on April 24-25 at the Catamaran Resort in San Diego.

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.
