



City Advocate Weekly

LEGISLATION, BUDGETS, REVENUES, AND PUBLIC POLICY

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BUDGET PROCESS MOVES FORWARD

Following the defeat of Propositions 1A-E on Tuesday, the Legislature began in earnest to hammer out a plan to address the state's monumental \$21 billion deficit which the Legislative Analyst's Office (LAO) now projects is over \$24 billion. President pro Tem Darrell Steinberg (D-Sacramento) and Assembly Speaker Karen Bass (D-Los Angeles) held a joint news conference on May 19 on the budget and the state's cash flow crisis. The Democratic leaders said that they intend to resolve the budget before the start of the new fiscal year on July 1 and announced the Budget Conference Committee's upcoming schedule. *For more, see Page 2.*

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VOTERS REJECT BORROWING TO BAIL STATE OUT OF BUDGET MISMANAGEMENT

*Defeat of Props. 1A-E Makes it Clear that Borrowing Local
Government Revenues is an Unacceptable State Budget Solution*

Rejecting the budget fixes put forth by state lawmakers in February with the defeat of Propositions 1A-E Tuesday, voters sent state lawmakers a resounding message: it's time for the state to deal with its fiscal problems once and for all. The League of California Cities urges the Legislature to heed the voters' message and focus on fixing its finances without taking local government revenues so that cities can provide the vital public safety and other services on which city residents rely day in and day out. Bailing the state out of its lack of fiscal discipline is bad public policy. *For more, see Page 2.*

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CLOSE TO 100 CALIFORNIA CITIES DECLARE STATE OF SEVERE FISCAL HARDSHIP

Dozens More Expected to Follow

Since May 11, 96 California cities have declared a state of severe fiscal hardship and opposed a proposal to take local property tax revenues to finance the state budget. Cities are already struggling to balance their own budgets: enacting drastic cuts including public safety reductions, employee layoffs, hiring freezes, project delays, program reductions and more. *For more, see Page 3.*

'Budget' Continued from Page 1...

The Budget Conference Committee is comprised of five legislators from the Assembly and Senate: Assembly Member Noreen Evans (D-Santa Rosa) is chair. Other appointed members include: Assembly Member Kevin de Leon (D-Los Angeles), Assembly Member Bob Blumenfield (D-Woodland Hills), Assembly Member Roger Niello (R-Sacramento), Assembly Member Jim Nielsen (R-Biggs), Sen. Denise Ducheny (D-San Diego), Sen. Bob Dutton (R-Rancho Cucamonga), Sen. Mark Leno (D-San Francisco), Sen. Alan Lowenthal (D-Long Beach) and Sen. Mimi Walters (R-Laguna Hills).

Budget Conference Committee Schedule

May 21, 1:30 p.m.: Overview from the Department of Finance and LAO

May 22, 9 a.m.: Cash management

May 26, 1:30 p.m.: Education/higher education/child care and development, and public comment

May 27, 9 a.m.: Health and human services, and public comment

9-10:30 a.m.: Medi-Cal and Healthy Families program issues

10:30 - 11:30 a.m.: Public health, drug Medi-Cal, Proposition 36, and Emergency Medical Services Authority

12 - 1:30 p.m.: Developmental services

1:30 - 3 p.m.: In-home supportive services

3 - 4 p.m.: CalWORKs, SSI/SSP, CFAP/CAP

4 - 5 p.m.: Child welfare services, foster care

May 23, 9:30 a.m.: Public safety/local government and other and public comment

June 1: Conference Committee hearings to review Administration proposals and LAO's critique as well as review suggestions from the previous week's public testimony.

Opposition to Borrowing Grows

So far, two Republican candidates for governor, Steve Poizner and Tom Campbell have announced that they are against borrowing to balance the state budget. Senate Republican Leader Dennis Hollingsworth, State Controller John Chiang and a number of individual legislators have also come out against borrowing local government revenues for the state's budget.

The *Sacramento Bee* reported on Thursday, May 21 that the Governor is "abandoning" his plan to borrow from investment markets to help close the state's deficit. The League has not received clarity if the repositioning on the borrowing issue also includes the notion of borrowing from local government. To read the full story, please visit the *Sacramento Bee* Web site <http://www.sacbee.com/topstories/story/1881810.html>.

Take Action

The League is launching Save Your City, an extremely aggressive campaign to protect local revenue in this chaotic budget environment. Cities are passing resolutions, sending letters, forming coalitions and making phone calls. It is imperative that city officials work with their League regional public affairs managers and take action to protect their revenues and attend the League's Budget Action Day scheduled for June 3 in Sacramento.

'Election' Continued from Page 1...

Tuesday's election results indicate the high level of frustration Californians have with state government and its inability to make prudent fiscal decisions. The League had supported the budget propositions because the package contained elements that helped the current budget shortfall and provided some longer term reform measures to give the state a healthier reserve.

In particular, the defeat of Prop. 1C, the lottery securitization proposal, by such a large margin is a clear voter mandate to the state that it is absolutely unacceptable for the state to borrow to meet its budget obligations. Statewide opinion polls consistently show a vast majority of Californians themselves don't believe borrowing should be used to balance the state's budget and oppose public safety cuts.

"It is irresponsible to hold city budgets hostage to fund the state budget. Borrowing local funds just deepens the state's structural deficit and compounds the already serious problems cities have funding basic community services. Cities are currently losing over \$900 million each year due to prior state raids of city funds—an amount that would pay for a lot of public safety and other local services. The state should balance its budget with its own revenues—not reach into the struggling budgets of cities to boost state spending. The local government credit card has expired," said Chris McKenzie, League of California Cities executive director.

'Fiscal Hardship' Continued from Page 1...

List of Cities that Have Declared a State of Severe Fiscal Hardship

Albany	Dinuba	Los Banos	Salinas
Arcata	Dunsmuir	Los Gatos	San Bernardino
Arroyo Grande	El Monte	Loyalton	San Jacinto
Atascadero	Encinitas	Marina	San Luis Obispo
Atherton	Escondido	Marysville	San Marcos
Bakersfield	Eureka	Merced	Sand City
Beaumont	Folsom	Morro Bay	Santa Clarita
Bellflower	Fort Bragg	Mountain View	Santa Maria
Biggs	Fortuna	Novato	Santee
Calimesa	Fremont	Oakdale	Seaside
Carlsbad	Grover Beach	Oceanside	Sebastopol
Carson	Hanford	Orland	Solana Beach
Chowchilla	Hermosa Beach	Palm Springs	Sonoma
Chula Vista	Highland	Palo Alto	Sonora
Citrus Heights	Hollister	Petaluma	Stockton
Claremont	Imperial Beach	Poway	Taft
Coachella	Indian Wells	Rancho Cordova	Tehachapi
Colusa	Ione	Rancho Mirage	Torrance
Concord	La Mesa	Red Bluff	Tulare
Corning	La Quinta	Redding	Vallejo
Corona	Lathrop	Redlands	Vista
Coronado	Lemon Grove	Redondo Beach	Watsonville
Del Mar	Lodi	Riverside	Williams
Desert Hot Springs	Lomita	Sacramento	Yountville

In the coming weeks, dozens more cities are expected to reject the Governor's budget proposal to raid \$2 billion in local property taxes to bail the state out of its fiscal mess and pass similar resolutions of severe fiscal hardship. They are sending the message that cities cannot afford to bail the state out of its chronic budget problem.

A sample resolution can be found on the League's Web site.

http://www.cacities.org/resource_files/28002.SAMPLERESOLUTIONFINDINGASEVEREFISCALHARDSHIPMay8.pdf

Plan to Attend Budget Action Day on Wednesday, June 3

The League is holding a special event in Sacramento on June 3 to bring city officials to lobby their legislators and administration officials on the implications of the May 19 special election. The timing of this session is designed to allow many city officials to come in just for the day.

With California's fiscal crisis, budget negotiations and testimonies are going to be extremely important. The May Revise has set the tone for the coming weeks of budget negotiations and this is an important time to meet with your legislature to protect local funding. California cities need to join forces to respond to the May Revise proposals to ensure cities' needs are heard and understood in the Capitol.

Schedule of Events

10 – 11:15 a.m., May Revise Budget Briefing

Citizen Hotel, Metropolitan Terrace, Sacramento, CA

11:15 a.m. – 3:30 p.m., Time for Scheduling Lunch and Lobbying Appointments with Legislators

Please contact Meghan McKelvey at mmckelvey@cacities.org or (916) 658-8253 if you would like to attend.

District Budget Meetings

City officials who are unable to make the trip to Sacramento on June 3 are encouraged to contact their League public affairs manager to schedule a district meeting with their legislator.

Local Voters Say "Yes" to Some New Taxes

In addition to the statewide propositions on the ballot on May 19, there were a dozen local measures, including eight affecting local taxes. Half of the tax measures passed.

The only school measure on the ballot, Measure D in the Mount Diablo School District (Contra Costa County) received 59 percent yes votes, but fell short of achieving the two-thirds voter approval needed for its \$99 per parcel tax for schools.

Two communities considered increases in their hotel tax or Transient Occupancy Tax (TOT). Voters in Palmdale approved an increase in their TOT from 7 percent to 10 percent by a 64 percent yes vote. But voters in Madera County rejected a TOT increase from 9 percent to 11 percent with just 24 percent yes. Both measures needed majority approval.

Voters rejected proposed add-on sales taxes (Transactions and Use Tax) in two cities. Pacifica's majority vote 1 cent sales tax received 38.3 percent yes. Calexico's half cent sales tax increase dedicated to police and fire services garnered only 46.9 percent of the vote. It needed two-thirds approval.

Two of the three local measures concerning local utility user taxes (UUT) passed. In Hayward, 53 percent of voters approved a new 5.5 percent UUT on gas, electricity, video and

telecommunications services. Voters in Desert Hot Springs voted 74 percent yes to increase their UUT from 5 percent to 7 percent and modernized it to include new telecommunications technologies. A Rancho Cordova proposal to modernize the city's UUT to include cell phones and other new communication devices failed. It needed a two-thirds approval to pass but only 55 percent of voters approved it.

Voters in Palmdale repealed their local term limits law. Voters in Sacramento County extended binding arbitration of labor contracts to additional classes of employees.

A full report of these measures as well as others in 2009 may be found at <http://www.californiacityfinance.com/#VOTES>.

Please contact Michael Coleman for more information at (530) 758-3952 or coleman@muni1.com.

Source: County elections offices.

Retention Proceeds Legislation Moving Swiftly ***League Opposed to AB 396 and SB 802***

AB 396 (Fuentes) and SB 802 (Leno) both contain provisions which would require that contract retention proceeds not exceed 5 percent of the payment of all contracts entered into after January 2010, between a public entity and an original contractor, between an original contractor and a subcontractor, and between all subcontractors. This bill removes the authority of public entities to decide the appropriate amount of retention.

Local agencies must accept the lowest responsible bidder and the flexible retention rate helps to ensure timely and budget-conscious project completion. Local agencies commonly reduce retention to 5 percent at the half-way point of project completion, if adequate progress is being made and the contractor is acting in good faith. However, AB 396 and SB 802 would require local agencies to limit retention to 5 percent regardless of the progress or good faith of the contractor. This will protect potential bad actors either unknown or even known to the public agency, placing public interests and public funds at risk.

The League has had many discussions in recent years regarding similar proposals to limit retention proceeds to 5 percent (AB 1949: *Conroy, 1996, vetoed*; AB 940: *Miller, 1997, vetoed*; AB 806: *Keeley, 1999, vetoed*; SB 619: *Migden, 2008, held*). The League however remains concerned over these measures because we have yet to see a specific need to limit retention proceeds to 5 percent, but have instances where 5 percent retention is simply insufficient, particularly for smaller agencies.

AB 396 is currently on the suspense file in the Assembly Appropriations Committee. SB 802 has passed out of the Senate, and is expected to next be heard in Assembly Judiciary. The bills have received only one "no" vote in any committee.

Sample opposition letters are available on the League Web site. Visit www.cacities.org/billsearch and type "AB 396" and "SB 802" into the search box to access up the letters.

Federal Stimulus Funds Bolster 2009 Summer Youth Employment Programs

Local Workforce Investment Areas (LWIAs) throughout California will be able to offer expanded job training programs to young people this summer, as a result of the federal stimulus legislation enacted in February.

California is set to receive \$415 million of a total \$1.2 billion now available nationwide through Title VII of the American Recovery and Reinvestment Act (ARRA) (Public Law 111-5). The funding has been distributed as grants to states to supplement existing Workforce Investment Act (WIA) youth activities, including summer employment.

In California the grant funds have been distributed by a pre-determined formula through LWIA.

WIA youth funds provide economically disadvantaged youth with training and other services to provide them with the skills necessary to obtain unsubsidized employment, complete secondary or post-secondary education, enter the military service, or enroll in a qualified apprenticeship program. The \$415 million nearly doubles the amount of WIA funds the federal government has allocated to California in the current fiscal year. The program is available to low-income youth, between the ages of 14 and 24.

Cities are encouraged to contact their LWIA to offer assistance and help coordinate on work sites. Access a list of these at http://www.edd.ca.gov/Jobs_and_Training/Regional_Advisor_Listing.htm.

For more information, consult the May 22 update of the League's City Funding Book (available at www.cacities.org/federalstimulus).

Registration Open for the 2009 League Annual Conference

It's time to register for the 2009 League Annual Conference. Scheduled for Wednesday, Sept. 16 – Friday, Sept. 18 at the San Jose Convention Center, the conference theme is "Strong Cities, Strong State, Strong Nation." A full program announcement has been mailed to all cities and is also available on the League's Web site at www.cacities.org/AC.

There are five hotels adjacent to the San Jose Convention Center where attendees can make reservations after registering for the conference.

The conference offers two money saving options:

1. New, condensed programming format will conclude on Friday evening with the Annual Business Meeting and General Assembly vs. the previous Saturday format; and
2. Programming options will provide a one-day only registration option for each of the three days.

Expand the value of your attendance by scheduling time on the Expo Hall trade show floor and meeting with over 230 service providers to help your city enhance productivity and reduce operating expenses.

If you haven't already registered, visit www.cacities.org/events to register for the 2009 Annual Conference.

State Water Board Annual Stakeholder Meeting Scheduled June 5

The State Water Resources Control Board (SWRCB) will hold its annual water quality fee stakeholder meeting on Friday, June 5. SWRCB is responsible for coordination and control of water quality in the state.

The meeting is scheduled from 1-4 p.m. at the Cal-EPA Building (1001 I Street, Sacramento) in Training Room 1 East and West.

Teleconferencing will be available at (916) 227-1132. An agenda and additional information on the meeting can be found online.

http://www.waterboards.ca.gov/resources/fees/docs/agnda_060509.pdf

For additional information on the meeting, please contact David Bott with the State Water Board at (916) 341-5130 or fee_branch@waterboards.ca.gov.

Department of Energy Webcast on Solar Panel Financing Set for May 27

The U.S. Department of Energy (DOE) Technical Assistance Project (TAP) for state and local officials is offering a webcast on how to structure power purchase agreements for photovoltaic (PV) projects at state and local facilities. The presentation will take place Wednesday, May 27, from 12 – 1:15 p.m. Pacific Time, and is titled "Third-Party Financing and Power Purchase Agreements for Public Sector PV Projects."

Jason Coughlin with the DOE National Renewable Energy Laboratory and Ann Livingston with the Boulder County, Colorado Commissioner's Office will discuss how they have structured financing for on specific PV projects.

The webcast is free, but you must register in advance to obtain a URL for the presentation and call-in phone number. You can register online, find more information about the presenters, and read background materials and reports on the TAP webcast section

(http://apps1.eere.energy.gov/wip/tap_webcasts.cfm) of the DOE Weatherization and Intergovernmental Program Web site.

If you have questions or need further information, please contact League Legislative Representative Kyra Ross at kross@cacities.org.

CitiPAC Fundraising Continues Despite Challenging Economy

Since 2004, CitiPAC has been an important tool in the League of California Cities' political advocacy efforts. CitiPAC funds have been central to many of the League's ballot measure campaigns, such as the recent fight to defeat Proposition 98 and its restrictions on local control of zoning and redevelopment. These funds have been raised exclusively through the efforts of city officials across the state that participate in regional fundraising events throughout the year.

The current economic recession has put financial pressure on cities and private industry alike, creating a very difficult fundraising environment for organizations across the country. Many of the League's regional divisions have consequently reassessed their fundraising efforts at the start of 2009. With a renewed focus on more efficient events and a greater emphasis on marketing and communications, CitiPAC events are continuing to thrive in these tough times.

In April, the Los Angeles County Division of the League held a comedy night event at the Comedy and Magic Club in Hermosa Beach. The evening of dinner and entertainment included a line up of comedians that tailored their routines to the city officials in the crowd. This was the third year the event was held. This year it doubled the amount of funds raised in prior years.

The Inland Empire and Desert Mountain divisions once again combined efforts for a very successful "Night on Broadway" event. Though this year's event was scaled down from past editions, it still raised over \$100,000. As an example of creative fundraising, the divisions replaced lost sponsorship revenues by creating a silent auction component to the event which brought in new contributions.

The East Bay and Peninsula Divisions recently held their annual Bocce Ball Tournaments which continue to draw teams of city officials from around the Bay Area for an evening of dinner and competition. "The Bocce Tournament has become the highlight of the year. It brings together generous sponsors from the business community and public officials in a partnership on behalf of local government," commented Peninsula Division President and Foster City Council Member Linda Koelling about her division's event.

The League's public affairs managers work with CitiPAC committee members to plan and execute local events. In the current climate, direct fundraising appeals from city officials on behalf of CitiPAC have become crucial to securing contributions. "City officials are the lifeblood of the League and of CitiPAC," said Mike Egan, the League's public affairs fundraiser. "Without their direct participation, our events would not be as successful in this challenging economy."

For more information about getting involved in upcoming events in your division, contact your regional public affairs manager or visit the CitiPAC Web site at www.citipac.org.

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