PRIORITY

FOCUS

Analysis, Commentary and Updates on Legislative and Policy Issues that Affect California Cities

July 29, 2005
Issue #30-2005

The Legislature is in recess until August 15.

State Controller Westly, with (L-R) Dixon Mayor Mary Ann Courville, CSAC Director Jim Keene, and League Deputy Executive Dir. Dwight Stenbakken.

STATE CONTROLLER RELEASES VLF GAP LOAN PAYMENTS

State Controller Steve Westly held press events on July 26 in Sacramento, San Fernando and San Francisco to announce the release of $1.2 billion in Vehicle License Fee (VLF) gap loan payments to cities and counties. *For more, see Page 2.*

VLF GAP LOAN UPDATE FOR CALIFORNIA COMMUNITIES PROGRAM PARTICIPANTS

This week, the state made full repayment of the Vehicle License Fee (VLF) gap loan to cities and counties - more than a year in advance of the originally scheduled payment date of August 15, 2006. *For more, see Page 3.*

SCHWARZENEGGER, LARGE STATE GOVERNORS WEIGH IN ON TERRORIST FUNDING

Earlier this week, Gov. Arnold Schwarzenegger joined with the governors of New York, Florida and Texas in sending a joint letter to the chairmen and ranking Democratic members of the House and Senate Appropriations Committees to call for a risk-based apportionment of homeland security funds. *For more, see Page 3.*

WANT MORE DETAILS ON BILLS?

Visit the League of California Cities website at www.cacities.org/billsearch.

IN THIS ISSUE:

PG&E ANNOUNCES 2005 LOCAL GRANT PROGRAM

The Pacific Gas and Electric Company (PG&E) has announced its fourth annual California Local Economic Development Grant Program to help fund economic development projects and events.

Last year, PG&E provided $300,000 to 58 community-based organizations and governments for local economic development projects. Qualifying organizations in PG&E's service territory can apply for grants of $500 up to $10,000. The completed applications must be postmarked no later than August 24 and grantees will be announced in late September.

Applications can be submitted online. The announcement letter, application guidelines, and, application can be found on the PG&E website at www.pge.com/edgrant/.

Information about the PG&E program was forwarded to the League by the California Local Economic Development Association (CALED). For those League members who would value a partnership and additional assistance from CALED in their community, but haven't had the resources, these grants can be used to:

- Host a Local Elected Officials Economic Development Training
- Host a Local Workforce Investment Board Economic Development Training
- Sponsor a Professional Advisory Service or one-day workshop in your community where a team of expert practitioners from around the state helps you work through a local issue or problem
- Facilitate the creation of a board strategy
- Facilitate the creation of a community strategy or action plan
- Facilitate the creation of an Economic Development staff strategy or action plan

Please note that the grants are only available to local governments and 501 (c)(3) nonprofit organizations. The Academy is a 501 (c)(3) and is available for CALED members to help you qualify for these grants.

For more information, contact Kay Reynolds at (916) 448-8252, ext. 104, or via e-mail at kreynolds@caled.org.

INDEPENDENT LEGISLATIVE ANALYST'S OFFICE RELEASES FINAL BUDGET ANALYSIS

The non-partisan, independent Legislative Analyst's Office (LAO) has released its final analysis of the state budget signed into law early July. The budget provides $113 billion in spending overall, with $90 billion from the state general fund. The remaining $23 billion is from special funds.

Taking into account the 2005-06 budget's projection of a $1.3 billion reserve, and earlier revenue projections, LAO predicts a deficit of $4.8 billion entering into the 2006-07 budget year. The LAO will update their revenue analysis and projections in November.

A full copy of the report can be accessed on the LAO website at www.lao.ca.gov.

• •

VLF PAYMENTS from page 1

The payments are being made approximately two weeks following the signing of the budget bill into law - a development that Controller Westly said, "is the right thing to do."

"Local government is where the rubber hits the road" in terms of the delivery of services, Westly noted. The State Controller said he had asked his staff to commit extra efforts to ensure that checks to repay cities and counties for funds that the state borrowed in 2003 were provided as quickly as possible.

"The early deliver of these funds will be a great help in many cities," explained Dwight Stenbakken, executive deputy director of the League of California Cities. "We thank the Legislature and Gov. Schwarzenegger for making these funds available through the budget, and we appreciate Controller Westly's efforts to make the funds available in the first days of this fiscal year."

Visit the League's website at www.cacities.org to view a city-by-city distribution of the VLF funds.

CA COMMUNITIES from page 1 . . . .

Marked by press events around California, State Controller Steve Westly released $1.2 billion in payments on Tuesday, July 26. Given this development, California Communities evaluated the alternatives and decided to defease the VLF Financing Program Notes that were issued to purchase VLF Gap Loan Receivable in March.

About 150 cities and counties secured the loan by selling Revenue Anticipation Notes to investors secured by the state's promise to repay. Of the $1.2 billion total statewide gap loan, cities and counties secured more than $650 million. Twenty-six cities had enrolled in a second VLF gap loan financing, but with enactment of the state budget, including early repayment of the VLF gap loan, the second round was canceled.

Under the terms of the VLF Financing Program documents, so long as the notes are outstanding, the trustee must hold any amounts received from the state until the maturity of the notes in November 2006 (the notes are not subject to early redemption). The state's early payment will produce interest income that will be in excess of amounts needed to repay the notes.

By defeasing the notes (so that they will no longer be deemed "outstanding" under the indenture) California Communities will be permitted to remit these excess interest earnings to program participants upon completion of the defeasance, rather than waiting until November 2006.

California Communities Bond Counsel, Orrick, Herrington & Sutcliffe, LLP, will be contacting program participants to confirm payment instructions for their share of the excess interest earnings amount. The exact amount of the payment to each participant will not be known until the defeasance is accomplished.

The VLF Financing Program team is working this week to complete all of the requirements of a full defeasance of the notes. VLF Program participants will not incur any fees for the defeasance of the notes by the financing team. California Communities expects the defeasance to be accomplished and funds wired to participants on or about Friday, August 5.

HOMELAND SECURITY from page 1 . . .

The letter comes two weeks after the Senate voted down a proposal by Senators Dianne Feinstein (California) and Mary Landrieu (Louisiana) to increase the amount of homeland security funds distributed to states on the basis of where terrorist risk were highest. The Senate then voted to support an amendment sponsored by Senators Collins (Maine) and Lieberman (Connecticut) to increase the percentage of homeland security funds distributed to states on a non-risk basis.

"We are united on the following principles of the distribution of homeland security funding supported by the Administration, the 9/11 Commission, and a bipartisan coalition of Members of Congress," the governors stated. "First, funds should be distributed based on the specific threats, vulnerabilities, and consequences faced by each state as determined by the Department of Homeland Security (DHS). Second, funds should not be diminished by an across the board distribution in the form of state minimums."

The letter continued: "We strongly believe that the best option (for distribution of funds), next to the complete elimination of state minimums, is the Feinstein-Cornyn proposal that would allocate funds based on an analysis of risks."

To view a complete copy of the letter, please see the attached document or visit the League's website at www.cacities.org.

2005 LEAGUE ANNUAL CONFERENCE: OCTOBER 5-8, MOSCONE CONVENTION CENTER, SAN FRANCISCO

Plan now to attend the League's 2005 Annual Conference this fall - the first time it has been in San Francisco since 1997.

Make you reservations through our online system at www.cacities.org/ac.