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August 14, 2009

Issue #31-2009

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NEXT STEPS FOR THE 2009-10 STATE BUDGET

Now that several weeks have passed since the conclusion of the most recent round of state budget revisions city officials are attempting to get their bearings. They are asking concrete questions about the impacts of various state decisions on local budgets, and what else they might expect as the Legislature reconvenes to conclude its session Aug. 17 – Sept. 11. With Democrats upset over some budget vetoes by the Governor, and a pending lawsuit over this matter filed by Senate Pro Tem Darrell Steinberg, the environment is expected to be tense.

For more, see Page 2.

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CITIES AND COUNTIES MAY BE ABLE TO CONDUCT ELECTIONS UTILIZING RANKED VOTING

On Aug. 17, the Senate Appropriations Committee will hear AB 1121 (Davis), a League supported bill. The bill would establish a pilot project that allows up to 12 general law cities and counties to conduct local elections using Ranked Voting (RV). Of those 12 cities and counties, no more than four agencies from each of California's three regions (northern, central and southern) will be selected. *For more, see Page 3.*

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COASTAL CITIES AND COUNTIES HOLD MEANINGFUL ROUNDTABLE DISCUSSION WITH COASTAL COMMISSIONERS

On Wednesday, Aug. 12, representatives from coastal cities and counties participated in a historic roundtable discussion with Coastal Commissioners as part of a special workshop in San Francisco on improving the Local Coastal Program (LCP) process. The workshop further opened the lines of communication between local coastal governments and the Coastal Commission who serve as partners in implementing the California Coastal Act.

For more, see Page 4.

Here is a brief list of where things stand on the major budget items important to cities:

Proposition 1A Borrowing/Securitization: The state will borrow approximately \$1.9 billion, 8 percent of city, county, and special district property tax shares pursuant to AB X4 14 and AB X4 15. The payments are required to be made in two equal installments: Jan. 15, 2010, and May 1, 2010. The repayment date listed in statute in June 30, 2013.

Local agencies have three basic choices:

1. Carry the state borrowing on local books for the term of the loan and be repaid with interest. The interest rate has yet to be set by the Department of Finance (DOF), but can range as high as 6 percent;
2. Request a hardship exemption from the DOF director. The director is authorized to grant exemptions that may total not more than 10 percent of the total amount eligible (calculated by the total value of 8 percent of all property tax received by local agencies within the county); or
3. Enter into an agreement with California Communities, a joint-powers financing conduit issuer, whereby the participating local agency would exchange their right to state repayment of the borrowed property taxes for an up front payment financed through bonds sold to investors. California Communities would structure the financing, and investors would purchase the state's commitment to repay the local shares of property tax receivables, including interest. Interested cities should be ready to act quickly; once the program is operational. The timelines are expected to be tight. (See the Aug. 7 issue of [City Advocate Weekly](#) for more information.)

What's Next

The League, CSAC and the California Special Districts Association, along with financing experts from California Communities recently met with representatives of DOF to discuss a number of desired amendments to the securitization language contained in AB X4 15. These requested amendments are all oriented toward improving the prospects of a successful securitization. Investors will be evaluating the risks associated with the state's commitment to repay by the repayment date. To ensure market success and reasonable interest rates, investors need to be made as comfortable as possible that the state will pay as scheduled.

While the meeting with state officials was productive, the League is awaiting the proposed batch of language, which should come shortly. It is hoped that that language will reflect the prior productive discussions. One issue that the DOF has raised is the potential of moving the hardship request process to follow the securitization effort, with the rationale that agencies that can recover full costs through securitization will not need a hardship exemption. The League will be watching for this in the expected language.

Assuming agreement is reached on amendments, urgency legislation, requiring a two-thirds vote, is needed to ensure these changes take effect immediately.

Highway User's Tax Account (HUTA): After much chaos in the Legislature during the final hours of the budget votes, local governments received welcome news when what had been a proposed unconstitutional \$1.7 billion grab of HUTA funds, was transformed first into a loan with a proposed 10-year repayment plan in the Senate, then in the final hours, pulled entirely out of the budget package in the Assembly. The final versions of the legislation that did not get adopted are AB X4 30 and AB X4 24, which remain in the Assembly.

Another HUTA-related provision, however, that delayed the receipt of six months of local HUTA funds from July-December 2009, can be found in Section 16 of the cash deferral budget trailer bill AB X4 16. While this language is now operative law, in the context of the final budget package it can be viewed as potentially obsolete. There are several interdependent factors that explain this transformation:

1. The original budget agreement was to take \$1.7 billion in local HUTA funds;

2. The budget agreement also contained a trigger mechanism that would have had the HUTA grab and the Prop.1A borrowing only occur if a complex redevelopment securitization scheme in ABX4 27, sponsored by the City of Industry, failed to produce sufficient revenues for the state General Fund. This measure, however, also failed to move off the Assembly Floor; and
3. Because many parties involved in the budget agreement believed that the City of Industry proposal would fail for a number of reasons, it was viewed as prudent to defer local receipt of HUTA revenues, was so the state could easily grab the money for the FY 2009-10 budget once the Industry plan failed.
4. Since neither the HUTA grab, nor the Industry proposal with its trigger, were included in the final package, the current language in AB X4 16, Section 16, can be viewed as obsolete.

What's Next

The League and CSAC have had numerous conversations with DOF staff about the remnant HUTA deferral language in AB X4 16, Section 16. The League would prefer that this language is removed entirely, because it relates to legislation that was not enacted. Another option is to clean up the language so that it clarifies that repayment will occur in January. The League is still waiting for a firm answer from DOF on if the Administration would allow the removal of this language. Since the enactment of the recent state budget agreement, DOF, the State Controller and the State Treasurer have been focused on developing a cash flow strategy for the state. This strategy should be complete in the next several days.

If the state's cash flow needs can be met without this deferral, then removal of this provision may be possible. Another possible scenario is that the state may seek to shift the deferral window to the second half of the fiscal year, because March is when the state traditionally is short on cash. In that event, a deferral of HUTA revenues could be proposed similar to that enacted in AB X3 7 of 2008.

Any change to this statute will also require an urgency clause with a required two-thirds vote.

Redevelopment Raids: The proposed \$2.05 billion grab of local redevelopment agency funds, contained in AB X4 26, will be devastating for many local projects and for local jobs. The California Redevelopment Association (CRA) is preparing to litigate this matter on a variety of constitutional grounds. While the CRA and other plaintiffs were successful in their recent litigation against a proposed \$350 million take, the Legislature has inserted language that attempts to insulate this grab against some of the expected arguments. CRA's core arguments, however, is that the grab remains unconstitutional.

Should litigation not be successful, RDA's must make payments by May 10, 2010. Agencies that lack funds will incur various penalties, and borrowing from RDA housing funds triggers an increased allocation set aside to 25 percent. Cities have the ability to loan the agency funds to make the payment at terms to be agreed upon by the parties.

What's Next

It is unclear to what extent any major changes to this redevelopment statute may be attempted. CRA is currently focused on pursuing litigation.

Follow Up

The League will continue to report on all of these issues as more information becomes available.

'AB1120' Continued from Page 1...

RV is an election method which voters rank the candidates for office in order of preference, and the ballots are counted in rounds, in the case of a single-winner election (e.g., City Attorney), a series of runoff elections are simulated via the ballots being counted in rounds until only two candidates remain, with the candidate having the highest number of votes being declared the

winner. In the case of multiple-winner elections (e.g., city council) the same process occurs until all seats to be elected have been filled.

Whether the Governor will sign this bill is still unknown. A similar bill, AB 1294 (Mullin) from 2007, would have allowed all cities and counties to implement RV, however, the Governor vetoed the bill sighting concerns that not enough voters are aware of RV and there were no voting machines certified by the Secretary of State (SOS) to conduct RV elections.

San Francisco adopted RV as an election method for the November 2004 General Election. The SOS only approved the city's election equipment for a one-time use, but subsequently SOS has approved the system for use in other elections due to the success of the November 2004 election.

While AB 1121 may face some uncertain challenges in the Legislative process, should this bill become law some cities will have an opportunity to utilize RV as an election method.

The following guidelines must be met in order for a city or county to be considered by SOS to implement RV:

1. RV as a voting method may be adopted by either, 1) approval of a ballot measure submitted to the voters by city council at an election; or, 2) an initiative ordinance adopted by the voters;
2. The voting system used by the city must be capable of conducting the election using RV and the system must be approved by SOS; or, by another procedure (to be determined) that is approved by the SOS; and
3. A city must submit a written request to SOS requesting approval to utilize RV. SOS will approve cities and counties on a first-come-first-serve basis until a total of 12 cities and counties have been authorized to implement RV.

Once a city has been authorized to utilize RV the city must conduct a voter education and outreach campaign to familiarize voters with RV, which includes public service announcements on radio or television, or public service announcements in the print media. A city must also prepare a report (to be determined by the Legislative Analyst) after an election is conducted and submit it to the Legislative Analyst.

League staff will continue to keep you updated on the progress of this bill. For questions please contact Natasha Karl, League legislative analyst, at nkarl@cacities.org.

'Coastal Cities' Continued from Page 1...

Local coastal government representatives highlighted some of the projects that local governments have taken on independently to improve coastal access for the public and protect natural coastal resources.

While the Coastal Act has played a major role in preserving California's world-renown coastal resources, many cities and counties continue to face challenges in getting a LCP approved or amended by the Coastal Commission. For the Coastal Act to be fully implemented as the voters intended, all cities and counties must have an up to date LCP. In order to accomplish this, the LCP process must become more clear, consistent and efficient for all parties involved.

When local governments have updated LCP's and are thus able to issue individual local permits, the commission will be relieved of the costly burden. In this way, both the commission and local coastal governments will benefit going forward.

Local coastal governments will continue to work with the Coastal Commission on improving the LCP process and hope to hold another workshop in the future. A full webcast of the workshop can be viewed on the Coastal Commission's video archive at: <http://www.cal-span.org/cgi-bin/media.pl?folder=CCC>.

REMINDER: Small Cities looking at Energy Efficiency and Conservation Block Grant Funding Must Turn in Form to California Energy Commission by Aug. 21

Cities in California that did not receive Energy Efficiency and Conservation Block Grant (EECBG) funds from the Federal Government through the American Recovery and Reinvestment Act will need to turn in an "Intent to Apply" form to the California Energy Commission (CEC) **no later than Aug. 21** or they may forfeit their EECBG funding allocation.

The CEC has over \$30 million available through the EECBG program to help small cities and counties install cost-effective energy efficiency projects that reduce energy use and greenhouse gases.

In most cases, the mayor, city manager or finance officer for the city should have received a letter from the CEC stating that the city is eligible for funding. If not, a copy of the letter sent out by the CEC, along with a copy of the Intent to Apply form is attached to this notice. **If the completed form is not returned by Aug. 21 the city may forfeit their EECBG funding allocation.** The next step in the process to receive these funds will be completing the application when it becomes available in September 2009.

Cities that are interested in reviewing the EECBG Program Guidelines that are currently being finalized, can find them at <http://www.energy.ca.gov/recovery/blockgrant.html>. Cities are encouraged to review the guidelines and begin identifying potential projects that may work in your community. The CEC can also provide technical help to cities that require assistance in identifying energy efficiency projects they may be eligible for. For more information on free technical assistance, please visit the CEC's Energy Partnership Program at <http://www.energy.ca.gov/efficiency/partnership/index.html>

Cities can also email the EECBG program at the CEC at eecbg@energy.state.ca.us with any questions about these funds or this program.

EECBG Small City Grant Applicants: Check Your City Files for Records of OMB Audit Requirements

A letter sent earlier this month by the California Energy Commission (CEC) to smaller cities contains one instruction regarding compliance with federal audit requirements that is likely to cause confusion for city officials.

The letter was sent to cities that did not receive Energy Efficiency and Conservation Block Grant (EECBG) funds from the federal government through the American Recovery and Reinvestment Act, advising them to submit a Letter of Intent regarding their interest in applying for their share of state-administered EECBG funds, or they may forfeit their EECBG funding allocation. The letter informed the cities that they should contact the State Controller's Office to verify their compliance with the financial and compliance audit requirements of the US Office of Management and Budget.

In fact, cities are encouraged to **first check their own files** for copies of a single audit report (Audit determination), Exemption Letter or "No Review Necessary" correspondence that is provided each fiscal year by the California State Controller, regarding federal funds the city has received in a prior year. A copy of these documents will be a required part of your final application to the Energy Commission for these EECBG funds.

If the city does not have copies of this correspondence from the State Controller's Office, the city should review its records of compliance with OMB audit requirements for federal funds, and submit required audit information to the State Controller as soon as possible. A city that is not in compliance with these requirements may be at risk of losing its opportunity to receive EECBG funds.

U.S. EPA Launches Online Forum on Clean Water Enforcement

The U.S. Environmental Protection Agency (EPA) has launched an online discussion forum to receive public input on the future direction of EPA's national water enforcement program. The public will be able to provide feedback through the EPA Web site, between now and Aug. 28, giving them a forum to address any concerns about EPA's efforts to protect the water in their communities

The forum is part of a larger agency effort to improve the performance and enhance public transparency of state and federal Clean Water Act enforcement programs. In a memo issued on July 2, Administrator Lisa Jackson called for stronger enforcement performance at federal and state levels and a transformation of EPA's water quality and compliance information systems. As part of this effort, Jackson directed the Office of Enforcement and Compliance Assurance to develop an action plan. All ideas from the public will be evaluated and considered for recommendations to the EPA Administrator about the future direction for EPA's water enforcement program.

More information on the development of the clean water enforcement action plan is available on the EPA's Web site at: <http://www.epa.gov/compliance/civil/cwa/cwaenfplan.html>.

To comment on the action plan also visit the EPA's Web site at: <http://blog.epa.gov.cwaactionplan>.

H1N1 Response Guidelines for Cities and Towns Now Available

Last week, the U.S. Departments of Health and Human Services, Education, and Homeland Security updated federal guidelines for fall flu season planning. The following guidelines may be helpful to cities and towns as they prepare for rapid response to outbreaks at varying levels of the H1N1 virus, particularly in local schools.

Local officials can find the H1N1 guidelines at <http://www.flu.gov/plan/school/index.html>.

The National League of Cities will post updates on their Web site at: http://www.nlc.org/resources_for_cities/pandemic.aspx.

Annual Conference and CityBooks are a Winning Combination

The League's Annual Conference & Expo will be held in San Jose this year with sessions and events scheduled that are not only personal enriching but a great added value to your city's growth. CityBooks, the League's bookstore, will be available again this year with our inventory of over 600 relevant publications. If you are looking for practical, current information on local government and professional development topics then take a few minutes to discover what CityBooks has to offer.

2009 Annual Conference & Expo CityBooks hours and location will be:

Located on the Exhibit Level of the San Jose Convention Center

Wednesday, Sept. 16 from 9 a.m. – 5 p.m.

Thursday, Sept. 17 from 7:30 a.m. – 4 p.m.

Friday, Sept. 18: 7:30 a.m. - 1 p.m.

Not registered for the 2009 Annual Conference and Expo? Register online at www.cacities.org/ac before Aug., 25 and receive a \$10 CityBooks Coupon!

On-Camera Media Training Available For City Officials at the Annual Conference

Do you need to deliver your city's message more effectively during media interviews? If so, take advantage of this opportunity for professional on-camera media training at the League's annual conference in San Jose, Sept. 16-18.

The 45-minute training will feature a short interview focused on a vital issue to your city, a video playback/critique, and a follow-up interview. Participants will receive a DVD copy of their training session.

The trainers are public information officers and media experts from cities throughout California. The session is designed to give participants greater ease in delivering your city's important messages on camera and will improve newspaper and radio interviewing skills.

There is a high demand for these one-on-one sessions, and we're limited to three sessions on Wednesday, and six sessions per day on Thursday and three sessions on Friday, some of which have already been filled. The timeslots are listed below. The training will be held in the League Press Room at the San Jose Convention Center.

You must return the registration form and provide payment to reserve one of the training spots. Please be sure to include details about an important issue facing your city so that we can prepare interview questions that are tailored to your community. The form has been posted on the League's Web site at www.cacities.org/resource_files/28225.Media_Training_flyer2009.pdf.

Emily Cole, League communications assistant, is available by phone at (916) 658-8283 to answer any questions about the on-camera media trainings. Registration forms should be sent to her attention at ecole@cacities.org or by fax to (916) 658-8240.

Reservations will be accepted on a **paid** first-come, first-served basis. There is a \$10 charge which is refunded as a \$10 CityBooks coupon for those who attend the training. No refunds or coupons will be issued for "no shows."

Available On-Camera Interview Training Session Times

Thursday, Sept. 17

9 – 9:45 p.m.
10 – 10:45 a.m.
2 – 2:45 p.m.

Friday, Sept. 18

9 – 9:45 p.m.
10 – 10:45 a.m.
11– 11:45 a.m.

Registration Open for ILG Annual Conference Luncheon Symposium

The Institute for Local Government (ILG) will present its fifth annual Luncheon Symposium at the League's annual conference in San Jose on Sept. 17.

Dr. Robert S. Ogilvie, program director of Planning for Healthy Places at Public Health Law & Policy, will speak about ways that cities can use planning, economic development, and redevelopment tools to create healthier neighborhoods.

The symposium presentation will be followed by an afternoon workshop on "Local Strategies for Creating Healthy Communities." Both the symposium and the workshop are being organized by ILG's Healthy Neighborhoods Project.

Local leadership related to neighborhood planning and development can have a profound influence on public health.

The connection between health and the environment present both challenges and opportunities for community leaders and residents including:

- More than 50 percent of Californians do not meet recommended guidelines for physical activity. Better community planning and design can help make walking, biking and other forms of physical activity a regular part of daily life for residents of all ages and backgrounds. For example, building parks within walking distance increases the likelihood that people will exercise by 25 percent.
- On average, California neighborhoods have four times more fast food restaurants than grocery or produce stores. Communities that increase access to healthier foods enjoy lower rates of obesity, diabetes, heart disease and other serious nutrition-related health conditions according to a number of scientific studies.

Please visit www.cacities.org/events to register online, or contact Carmen Pereira for information at (916) 658-8208 or cpereira@ca-ilg.org.

ILG is the nonprofit research and education affiliate of the League of California Cities and the California State Association of Counties.