LEAGUE OF CALIFORNIA CITIES City Advocate Weekly
LEGISLATION AND POLICY AFFECTING CALIFORNIA CITIES

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DOF's PROPOSAL BORROWS LOCAL PROPERTY TAXES TO CLOSE STATE DEFICIT

Department of Finance (DOF) staff on Tuesday, May 5 informed local officials that they have prepared a May Budget Revision option for Gov. Arnold Schwarzenegger to consider that borrows 8 percent of local governments' property tax revenues, estimated at just over $2 billion. The League will strongly oppose any proposal that puts the funding of state government ahead of the public safety of city residents. *For more, see Page 2.*

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LEAGUE'S MAJOR BILL LIST

Each legislative session, the League tracks hundreds of bills with potential impacts to cities but focuses its lobbying on a much smaller amount of legislation with the greatest potential impact. *For more, see Page 2.*

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BUDGET ACTION DAY SCHEDULED FOR WEDNESDAY, JUNE 3

The League is holding a special event in Sacramento on June 3, following the release of the May Budget Revise to bring city officials to lobby their legislators and administration officials on possible implications of the May 19 special election results. The timing of this session is designed to allow many city officials to come in just for the day. *For more, see Page 5.*

'DOF' Continued from Page 1…

In a statement the League released Tuesday, League President and Rolling Hills Estates Mayor Judy Mitchell denounced the proposal. "This proposal is irresponsible and would have disastrous and long-lasting impacts. Cities are already reducing services due to the recession and can't afford to cut public safety and other essential services to bail the state out," said Mitchell.

Chris McKenzie, League executive director, added: "For most cities police and fire protection make up 60-80 percent of their budgets." Californians know how important it is to maintain public safety. According to a Field Poll released April 30, 74 percent oppose cuts to law enforcement and police. DOF's proposal significantly increases the likelihood cities will have to cut the very public safety services the voters want protected.

The League called on the Governor to reject the DOF proposal. McKenzie said: "The Governor has said repeatedly that borrowing local property taxes and Proposition 42 transportation funds is irresponsible. It only deepens the state's structural deficit and creates an obligation to repay. In the meantime, local services will be cut severely and citizens' safety will be put at risk. This is precisely the type of budgeting that California needs to avoid. The state needs to balance its budget within its own resources."

The DOF proposal is fiscally irresponsible. It acknowledges the deep cuts its proposal would cause at the local level yet it fails to point out that diversion of local property tax funds to finance the state budget will only deepen the state's structural deficit; the state is obligated to repay the property taxes with interest in three years. In the meantime, however, the state will have decimated local public safety and other essential community services and dug itself a deeper hole from which it is less likely to recover. This is a step backward to the days of binge borrowing that brought California to the financial precipice in the first place.

DOF acknowledges that current credit conditions prevent cities from borrowing against the state's obligation to repay. What this means is that there is no effective way for local governments to soften the financial blow of the proposal and cities will face drastic pressures to cut the muscle out of their budgets and the community services they fund.

The League is prepared to fight vigorously to protect city services to the millions of Californians who live in cities. The Governor should reject this proposal for the fiscally irresponsible idea it is. Borrowing local government funds will put public safety at risk and cut community services for families and children. It will never be acceptable to sacrifice essential local services to fund the state budget.

Take Action

Contact your League regional public affairs manager and get involved with the League's efforts to fight any state borrowing of local government funds. Stay tuned to *City Advocate Weekly* for updates on the state budget and local impacts. Also, watch for League Action Alerts on the budget.

'Bills' Continued from Page 1…

As of May 8, below is a list of major bills affecting cities with a brief description. The League's letters and sample letters are available for each of these bills at www.cacities.org/billsearch.

This list will be updated periodically through the legislative year. **Below are the major bills pending in the Legislature of interest to cities and the League:**

Oppose

AB 10 (Hagman) Public funding: actions. Prohibits local officials from using public resources to enjoin the operation of any law or a constitutional provision that was proposed by initiative petition and approved by a vote of the people.

AB 128 (Coto) Workers' compensation: cancer presumption. Extends the cancer presumption limitation for all public safety personnel from the existing five-year limit from termination of service, to one-year for each full year of service.

AB 155 (Mendoza) Local government: bankruptcy proceedings. Requires local agencies contemplating bankruptcy to first obtain approval from the California Debt and Investment Advisory Committee (CDIAC) before filing for bankruptcy.

AB 291 (Saldana) Coastal resources: coastal development permits. Prohibits any city that has been issued a notice of intent, cease and desist order, notice of violation, or a restoration order under the Coastal Act from being eligible to submit an application for a coastal development permit until the violation has been resolved.

AB 396 (Fuentes) Works of improvement: liens. Prohibits retention proceeds from exceeding a to be determined percentage of the payment, in all public works contracts entered into on or after Jan. 1, 2010, between the original contractor and a subcontractor and between subcontractors.

AB 479 (Chesbro) Solid waste: diversion. Proposes to increase a jurisdiction's diversion requirements for solid waste and dramatically increases the state's solid waste disposal fee. Specifically, this bill requires the owner or operator of a business that contracts for solid waste services and generates more than four cubic yards of total solid waste and recyclable materials per week to arrange for recycling service, consistent with state and local laws and requirements, to the extent that these services are offered and reasonably available from a local service provider. Requires specified local agencies, by Jan. 1, 2011, to adopt commercial recycling ordinances that include certain minimum requirements. Increases the fee a solid waste facility operator collects (tip fee) to $3.90 per ton of solid waste.

AB 761 (Calderon, Charles) Mobilehomes: rent control. Provides that upon the sale, assignment, transfer, or termination of an interest in a mobilehome or a mobilehome tenancy in a mobilehome park, the management of the park may offer a new rental agreement containing an initial rent in excess of the maximum rent established by a local measure. The bill provides that, after execution of the new rental agreement, the local measure shall govern the agreement in all applicable respects.

AB 853 (Arambula) Local government: organization. Requires Local Agency Formation Commission boards to process annexation applications for economically disadvantaged areas near city borders upon receiving support of 25 percent of the residents in that area.

AB 1004 (Portantino) Local government: emergency response. Prohibits public agencies from taking into account a person's residency when determining liability for the purpose of imposing a fee or seeking reimbursement for any expense of an emergency response.

AB 1192 (Strickland, Audra) Cities: powers. Prohibits a city from selling or leasing a public improvement to a public or private entity for the purpose of renting, leasing back, or repurchasing through installment payments for existing public improvement.

SB 194 (Florez) Community Equity Investment Act of 2009. Creates new detailed planning and spending requirements for cities and counties related to nearby economically disadvantaged unincorporated areas, know as "colonias" to access and spend Community Development Block Grants funds, strategic growth council planning funds, and other related funding.

SB 518 (Lowenthal) Vehicles: parking services and fees. Requires local agencies within a metropolitan planning organization to adopt a combination of parking policies that meet a prescribed point system.

SB 802 (Leno) Public contracts: retention proceeds. Removes the authority of public entities to decide the appropriate amount of retention. This bill 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.

Support

AB 18 (Knight) Local government: city councils. Extends the appointment period to fill a city council vacancy from 30 days to 60 days.

AB 210 (Hayashi) Green building standards. Clarifies the ability of a local government to adopt green building standards which are more stringent than those adopted by the State and published in the State Building Standards code.

AB 262 (Bass) American Recovery and Reinvestment Plan: energy activities, programs, or projects. Revises state law to ensure that federal funds may be allocated according to the specifications of the American Recovery and Reinvestment Act of 2009 (ARRA).

AB 469 (Eng) Sales and use taxes: qualified use tax payment. Improves the collection of use tax revenues owed to the state and local governments by consumers and businesses through clarifications made to state income tax return forms.

AB 596 (Evans) Community planning grants. Creates a new competitive program to provide funding for planning projects consistent for a number of state goals related to climate change, public engagement, affordable housing, transit, downtown revitalization, water quality, protection of farmland and open space, and other planning priorities. Local governments could then leverage these funds with local money to kick-start needed planning projects across the state.

AB 715 (Caballero) City ordinances: publishing and posting requirements. Authorizes a city, within 15 days after the passage of an ordinance, to post the ordinance on its official Web site and to mail notice of passage of the ordinance to those who have filed a written request for mailed notices in lieu of publishing the ordinance in a newspaper of general circulation.

AB 1284 (Huffman) Substance abuse: adult recovery maintenance facilities. Alters the process by which the Department of Alcohol and Drug Programs may issue a license for an adult recovery maintenance facility in three important ways: (1) provides a notice and commenting procedure so that the local agency may have the opportunity to address specific circumstances related to the license; (2) allows the department to impose requirement for the health and safety of the residents of the proposed facility as a condition of licensure; and (3) deny the license if the proposed facility would result in or exacerbate the over-concentration of facilities within a particular area.

ACA 9 (Huffman) Local government bonds: special taxes: voter approval. Proposes a constitutional amendment to be submitted before the state's voters to allow them to decide if it was appropriate to adjust voter thresholds for local infrastructure bonds or a special tax to a 55 percent super majority.

SB 268 (Harman) Alcoholism or drug abuse recovery or treatment facilities: licensing. Assures that state licensed drug and alcohol facilities comply with local zoning codes. It asks applicants to certify that they are consistent with local zoning codes and then asks the Department of Drug and Alcohol Programs to verify that statement. In addition, it assures that state licensed facilities conform to fire codes.

SB 415 (Oropeza) Alcoholic beverages: licenses: local government review. Provides local agencies with more reasonable standards by which they may review alcoholic beverage license applications. Specifically, this measure provides that any of the notified local authorities may request the time extension, and that the review would be extended from 20 days to 30 days.

Watch

SB 93 (Kehoe) Redevelopment: funding construction of public facilities. Contains provisions which expose local redevelopment projects across California to unnecessary costs, delays and litigation. Sen. Christine Kehoe (D-San Diego) originally introduced the legislation in response to what she viewed as an inappropriate use of funds to construct public facilities outside of a designated redevelopment project area in San Diego, but the bill, as drafted, also affects existing project areas. The League and the California Redevelopment Association are attempting to resolve issues with the bill while the author has held the bill on the Senate floor.

'Budget Action Day' Continued from Page 1…

With California's fiscal crisis, budget negotiations and testimonies are going to be extremely important. The budget will likely include a combination of significant cuts and revenue-generating solutions, and the May Revise will set the tone for the coming weeks of budget negotiations. California cities need to join forces to respond to any relevant 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

R.S.V.P.

Please R.S.V.P to League Staff Meghan McKelvey by May 18 at mmckelvey@cacities.org or (916) 658-8253.

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.

League First Vice President Ken Cooley Leaves Board

With great regret, Rancho Cordova Vice-Mayor Ken Cooley, recently announced his resignation from the League board of directors executive committee. Cooley has served as first vice president since last year and was expected to seek the League's presidency this summer for the 2009-2010 term.

On April 30, Cooley informed League President Judy Mitchell, mayor, Rolling Hills Estates that he was resigning due to his recent employment transition in which he had accepted a key position as staff to a standing committee of the California State Senate. He advised President Mitchell that despite early indications to the contrary, it had become apparent to him that he could not serve both the League and the Senate committee without potential or actual conflicts of interest. As a result, he concluded it was his duty to resign as League first vice president.

In a letter to President Mitchell, Cooley expressed his great sorrow in having to resign from the League's board. "My years of involvement with you and our colleagues in our leadership body have been far more gratifying than I could have ever anticipated," Cooley wrote.

Rancho Cordova incorporated in 2003 and Cooley has served on its city council since that time, including as mayor in 2005. He joined the League's board of directors in 2006 and was elected an officer in 2008, becoming first vice president later that year. Although leaving the League's board, Cooley will remain on Rancho Cordova's city council.

"All California cities owe Ken Cooley a debt of gratitude for his distinguished service as an officer and board member. The League is losing a leader of the highest caliber who worked tirelessly in the best interests of cities. We wish Ken the best of luck in his new position with the Senate and are pleased that he will still be representing Rancho Cordova on its council," commented President Judy Mitchell.

In accordance with the League bylaws, the League board nominating committee, chaired by Riverside Mayor and Past League President Ron Loveridge, is currently receiving applications from interested board members to fill the First Vice President vacancy. The committee's recommendation will then be presented to the entire board of directors.

State May be Liable for Municipal Bankruptcy Unless Cities Oppose Assembly Bill

Oppose AB 155 Now

The Assembly Appropriations Committee staff analysis of AB 155 (Mendoza) raises a number of concerns and notably considers the state's liability a major factor in its conclusions. Sponsored by the California Professional Firefighters, the legislation would require local agencies contemplating bankruptcy to first obtain approval from the California Debt and Investment Advisory Commission (CDIAC) prior to filing for bankruptcy.

According to the committee's analysis (http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_0151-0200/ab_155_cfa_20090505_172112_asm_comm.html) , the state may be fiscally and legally liable because it gives CDIAC the broad authority to deny a municipality's access to bankruptcy, places conditions on bankruptcy filings, and recommends alternatives. The committee analysis highlights the valid concern of a potentially new state obligation. This isn't the first time the issue of substantial state liability has been raised related to municipal bankruptcy.

The League opposes AB 155 because the bill is an unnecessary intrusion into what is fundamentally a local government's fiscal decision. Cities don't take bankruptcy lightly; in fact it's often a decision of last resort.

The Legislature should be focused on finding ways to balance its own budget instead of thwarting local authority to make fiscal decisions. Local governments would be better served with a guarantee that their revenues are safe from seizure by the state. Not only does the state's taking of local revenues harm the fiscal health of cities, it also puts vital public services, such as police and fire, at risk of being dramatically reduced.

This bill is currently on the Appropriations Suspense File, which means that it has a potential fiscal impact of more than $150,000. Bills on the Suspense File will be heard in committee the last week of May.

If your city has not taken action, the time is now. This is a matter of preserving local authority and it is vital that your city weigh in on this issue.

Please send opposition letters to your legislator 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. Enter "AB 155" into the search field 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.

Support Bill Promoting Sustainable and Livable Communities Through Grants

The League is encouraging cities to send a letter in support of AB 596 (Evans). This bill would create a fund to implement provisions enacted through SB 385 (2008). Specifically it would establish the Community Planning Grant and Loan Fund and authorize the Strategic Growth Council, upon appropriation by the Legislature to provide competitive grants and loans for planning projects that promote sustainable and livable communities.

Local planning plays an important role in addressing climate change, providing affordable housing, and protecting important resources. However, there is not a continuous source of funding to assure that local agencies have the resources to adopt, update, and implement their plans. AB 596 takes an important step in this direction. Given this year's fiscal realities, AB 596 does not appropriate funding for the program in the current budget. The program will create funding that can be used when the state can once again afford to finance such programs.

While this bill is not intended to be a complete source of funding for planning, it creates a new competitive grant and loan fund that local governments could then leverage to complete a planning project or update an existing project.

This bill passed out of the Assembly Local Government Committee on April 29 and will be heard within the next few weeks in the Assembly Appropriations Committee in the coming weeks.

Take action and send your letter of support today. A sample letter can be found online at www.cacities.org/billsearch by entering "AB 596" in the search field.

Former San Leandro Mayor and League President Jack Maltester Passes Away

Jack Maltester, former San Leandro mayor and League of California Cities president, passed away on Friday, May 1. Maltester was 95 years old and died at the home in San Leandro where he was born in 1913.

Maltester became a public official in 1948 when he was appointed to the San Leandro City Council. He was subsequently elected to the city council in 1956 and was selected by the council as mayor two years later. In 1962, he became the first mayor elected directly by the residents of San Leandro instead of the city council. Re-elected in 1966, 1970 and 1974, Jack's tenure ended in 1978 due to a voter-approved two-term limit. He was the city's longest serving mayor.

Maltester was very active in the League of California cities. He served as League president from 1966-67, as the annual moderator for the Labor Relations Institute sponsored by the League from 1966-1978. Maltester was also president of the San Leandro Chamber of Commerce and U.S. Conference of Mayors. He was appointed five times to a federal commission by Presidents Johnson, Nixon and Ford during his term as mayor.

Maltester also received several awards including the League of California Cities' *Past Presidents' Distinguished Service Award* and San Leandro's *Citizen of the Century* award in 1999. That same year, former Gov. Gray Davis also proclaimed Oct. 10 Jack Maltester Day in California.

Residents of San Leandro who knew Maltester observed that he worked hard to bring resources and development to the city and described his passing as a great loss to the community.

After learning of his passing on Friday afternoon, San Leandro Mayor Tony Santos said "In his time, Jack was one of the most respected and effective local politicians in the nation, bringing national prominence to San Leandro during his leadership. He played a huge role in shaping the wonderful town of San Leandro that we know and love today. Jack is nothing less than a legend and we will miss him deeply."

Maltester is survived by his wife of 68 years, Ruth Maltester; a daughter, Jackie Wong; a son, John Maltester; six grandchildren; and seven great-grandchildren. A memorial service is planned for May 16 from 11 a.m. – 2 p.m. at the Civic Center Plaza in San Leandro.

Economic Recovery Update: Broadband Grants Available

The United State Department of Agriculture (USDA) has released grant guidance for $13.4 million to expand broadband service to rural areas. Local governments are eligible to apply for grants from $50,000 to $1 million. Grant applicants must match 15 percent of the grant, either in cash or in kind. Applications will be accepted through June 19.

Grants will be awarded on a competitive basis and can be used to: construct, acquire or lease broadband transmission services; improve, expand or lease community centers that provide free access to broadband for at least two years before, during and after normal work hours and on Saturdays and Sundays; purchase computer equipment; and provide broadband to all critical community facilities – first responders, police, etc. – within the proposed Service Area.

The application guide for this grant program can be found on the USDA Web site. http://www.usda.gov/rus/telecom/commconnect/2009/2009CommConnectAppGuideb.pdf.

City officials are urged to review the April 20 Federal Register announcement (page 17941). http://edocket.access.gpo.gov/2009/pdf/E9-9006.pdf.

The USDA news release announcing the grants has additional information and is also available on the USDA Web site. http://www.usda.gov/wps/portal/%21ut/p/_s.7_0_A/7_0_1OB?contentidonly=true&contentid=2009/04/0135.xml.

For questions please contact Megan Taylor, League staff consultant at mtaylor@cacities.org.
