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

PRIORITY FOCUS

LEAGUE OF CALIFORNIA CITIES

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CALIFORNIA VOTERS STRONGLY OPPOSE BORROWING TO SOLVE BUDGET

A whopping 96 percent of likely California voters are opposed to borrowing to close the $15.2 billion dollar budget shortfall. This news was reported by the Public Policy Institute of California (PPIC) on Thursday, Aug. 28 just days before California enters the third month into the new fiscal year without a budget. *For more, see Page 2.*

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STATE GOES AFTER UNCOLLECTED SALES AND USE TAX

The Board of Equalization's (BOE) two-year pilot Business License Inspection Program estimates that over 3 percent of California businesses operate without appropriate permits or licenses. This failure results in more than $2 billion sales and use tax gap. *For more, see Page 3.*

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NEW UNIVERSITY COMMUNITY ISSUE GROUP MEETS AT LEAGUE ANNUAL CONFERENCE IN LONG BEACH

Mark your calendars for the University Community Issue Group Discussion Forum: Friday, Sept. 26, 1:30-3 p.m. at the Long Beach Convention Center, Room 101B. Scheduled to be facilitated by Riverside Mayor Ron Loveridge, this will be the inaugural meeting of the University Community Issue Group. *For more, see Page 4.*

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The PPIC survey examined a variety of issues at the start of the fall campaign season including voters' economic outlook. The survey found that 84 percent of voters think the budget stalemate is a major problem. According to PPIC, this is the highest level of dissatisfaction on this issue since May 2004. Along with finding that only 4 percent of likely voters say borrowing should be used to close the budget, the survey also found that 44 percent believe that a combination of cuts and taxes are the solution.

This survey reinforces the message that city officials have been driving home for weeks — borrowing local government, transportation or redevelopment funds to close the budget gap is irresponsible. They've been participating in news conferences and other events to cut up a mock "Bank of Local Government Credit Card" to reinforce this message. To date, close to 140 city councils have passed resolutions against borrowing.

Many cities are struggling with their own budgets given the tough economy which has driven down property tax and sales tax revenues as energy costs climb. If the state now borrows local revenues to solve its budget shortfalls, these cities will be forced to enact additional cuts to absorb the hit.

Education Coalition Joins Fight Against Borrowing

The Education Coalition sent a floor alert to the Legislature on Aug. 22 warning against borrowing. The educators contend in their alert that borrowing to close the budget would actually hurt education. Revenues generated through a tax increase mean more money for education through Proposition 98, but if the state uses borrowing to close the gap, education won't gain. In addition, they stress that using borrowing for the FY 2008-09 budget will actually increase the probability that education funding will be cut in FY 2009-10.

Proposed Shift of Redevelopment Is Bad for Cities and California as a Whole

The budget proposal Gov. Arnold Schwarzenegger introduced last Wednesday, Aug. 22, does not include borrowing local government or transportation funds, however it does contain a three year shift of $675 million of redevelopment funds ($225 million annually). This shift is of great concern to cities as this amounts to a loss of critical local funds. The League is working with the California Redevelopment Association to bring attention to the fact that this shift is fraught with problems.

The League's executive committee, led by President Jim Madaffer, city council president pro tem, San Diego and 1st Vice-President Heather Fargo, mayor, Sacramento, met with the Governor on Tuesday, Aug. 26 to discuss the budget. The League's officers once again commended the Governor for continuing to stand firm against borrowing but also communicated the devastating impact his proposed shift of redevelopment funds would have on California cities.

Redevelopment funds are critical to both stimulating the economy and helping cities and the state as a whole combat global warming — two top priorities for California. Annually, redevelopment projects generate 310,000 good-paying jobs, provide a total of $32 billion in economic activity and generate $1.6 billion in state and local taxes.

With the passage of AB 32 in 2006, California set out on a path to drastically reduce greenhouse gas (GHG) emissions to fight global warming. Redevelopment funds provide funding for projects that incorporate green building practices, encourage infill, transit oriented development and discourage sprawl. The League supported SB 375 (Steinberg), a bill which mandates significant changes for growth and development to meet the goals laid out in AB 32. The goal of Sen. Steinberg's (D-Sacramento) legislation is to provide incentives to cities to do infill development with access to transit to help reduce the number of vehicle miles residents travel.

Unconstitutional Triple-Flip Proposal Emerges

In a sign of growing desperation (and lack of familiarity with Prop. 1A), it has been reported that a stealth proposal is being floated to effectively steal the property tax payments that currently go to cities and counties under the notorious 2004 "Triple-Flip" law. Under the "Triple-Flip," cities and counties were compensated for a temporary reduction of a quarter-cent of the local Bradley-Burns sales and use tax with an equivalent amount of property tax revenue so the state sales tax rate could be temporarily increased an equivalent amount to be pledged for repayment of the state's economic recovery bonds.

Anticipating this type of double-cross in the out-years, the League and its Prop. 1A partners insisted on explicit language prohibiting such a diversion of the property tax backfill. For those who would even think of this, we suggest you read subsections (4) and (5) of Section 25.5 of Article XIII of the California Constitution and think again. It is unquestionably unconstitutional.

For further information on Prop. 1A, see Michael Coleman's overview at: http://www.californiacityfinance.com/Prop1A_FAQ.pdf

What's Next

Today's Senate vote on President Pro Tem Perata's budget proposal (which included the three-year redevelopment hit and no reduction of the sales tax after the temporary three year-increase) failed on largely party line votes. However, as of this writing, the roll is still open for votes to be changed and the Senate and Assembly could continue meeting over the weekend.

The Legislature is being told by local election officials that they need to act quickly to put any ballot measures like the proposed spending lid and the lottery expansion on the November 2008 ballot. It's anyone's guess whether they will stay in town. Sen. Jeff Denham (R-Merced) made a motion after the initial failure of the budget to waive the rules to allow a bill to be brought to the floor to make some interim appropriations to provide payments to health care providers and others until a budget is adopted. In Congress, this is called a "continuing resolution" because it appropriates a continuing base amount until Congress can reach agreement on a budget.

What City Officials Should Do

City officials are urged to continue to call the Governor and Legislature to urge continued opposition to borrowing local government and transportation funds to balance the state budget and to oppose any seizure of redevelopment funds for the same purpose.

'Board of Equalization' Continued from Page 1…

As an effort to close the tax gap, the BOE is launching the Statewide Compliance and Outreach Program (SCOP). More than 8,000 businesses in seven different zip codes throughout California were notified the week of Aug. 18 about impending visits from BOE specialists.

Slated to start once the state budget is finalized, the BOE representatives will be canvassing the identified areas to ensure that the businesses are properly registered and paying taxes. The representatives will conduct checks for seller's permits of all storefronts and other known business locations in each neighborhood. Initially, there will be seven teams doing door-to-door visits. The first area codes targeted by the program will be: 94608 (Emeryville), 95826 (Sacramento), 95110 (San Jose), 91406 (Van Nuys), 90505 (Torrance), 92701 (Santa Ana), and 92570 (Perris).

Registered retailers will be checked for appropriate permits and licenses. In addition, service industry businesses will be surveyed, especially those which also sell taxable retail items. Those businesses found to be out of compliance will be given instructions on how to register with the BOE and given information about other necessary licenses.

BOE will be working with cities, counties, chambers of commerce, local organizations and chapters in its outreach effort.

Please visit BOE's Web site for additional information (www.boe.ca.gov).

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The meeting is open to all and will cover issues affecting cities that host a University of California, California State University or major private university. The discussion will focus on a variety of topics including:

- Public Safety
- Housing
- Development Adjacent to Campus
- City-University Community Relations
- Infrastructure

Annual Town Gown Conference

The annual Town Gown Conference is scheduled for Oct. 16-17 in San Luis Obispo at the Embassy Suites. The October event will be the third Town Gown Conference to bring together city officials and university leadership to discuss the unique challenges that exist for university and their host cities. Sessions will address many of the same topics as the University Issue Group meeting in Long Beach as well as additional topics including:

- Protecting and preserving the environment and neighborhoods;
- Educating youth for future leadership; and
- Creating communities that are vibrant places to live and work.

Please visit www.towngownconference.com for additional information.

Sustainable Cities Feature: La Quinta's Vista Dunes Development is Green Beacon

The Vista Dunes Courtyard Homes in La Quinta is the nation's largest multi-family affordable housing project to obtain LEED "Platinum" certification and is the first in California to achieve this standard. LEED stands for Leadership in Energy and Environmental Design and is the green building certification program of the U.S. Green Building Council.

Opened in May 2008 and developed by the City of La Quinta Redevelopment Agency and opened in May, Vista Dunes sits on the site of an extremely dilapidated mobile home park that housed approximately 370 residents. The new community features 80 rental units ranging from one-to-three bedrooms and can accommodate 300 residents when filled to capacity. Rent ranges from $374 to $775 per month depending on resident income and unit size.

Vista Dunes was designed to foster a real sense of community. The buildings are set back from the street to buffer noise and the units are clustered and centered around courtyards. The community includes a basketball court, swimming pool and community center.

La Quinta, a city of close to 43,000 residents in the Coachella Valley, purchased the mobile home park in 2005 with a plan to create a green workforce housing community. The city council is committed to reducing greenhouse gas emissions (GHG) in the city and made Vista Dunes its first foray into sustainable development. The city council has also adopted a Green and Sustainable La Quinta Program, allocating more than $760,000 for the city's green initiatives.

Here is a quick snapshot of Vista Dune's sustainable features:

- The homes are positioned to minimize western exposure with landscaped trellises to shade western walls
- Drought tolerant landscaping and efficient irrigation
- Thermal chimneys to let in natural light and help circulate and ventilate air
- Photovoltaic solar panels on each unit
- Enhanced filtration in HVAC system (heating, ventilating and air conditioning)

- High efficiency plumbing and fixtures: tankless water heaters, dual flush toilets and oxygenated shower heads and faucets
- Water efficient front-loading washing machines
- Energy Star fans, roofing and windows
- R-19 insulation in exterior walls to reduce energy consumption

Additional information about this community can be found on the Vista Dunes Courtyard Homes Web site (http://goldinthedesert.com/).

The City of La Quinta's Web site (www.la-quinta.org) has information on various city programs.

The U.S. Green Building Council has information about its LEED program on its Web site (www.usgbc.org/leed).

Find a Bill, Legislators, Leg Committee, or Ask League Leg Staff

Visit (and bookmark!) the League's Legislative Resources 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.
