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**LEAGUE OF CALIFORNIA CITIES' BOARD VOTES UNANIMOUSLY TO
CHALLENGE RAID OF LOCAL GAS TAX FUNDS**

Bypass of Voter-Approved Ballot Propositions at Issue

More than 100 city officials joined with the League of California Cities' board of directors to announce the board's unanimous vote to take legal action, if necessary, to challenge the constitutionality of a key component of the budget proposed by the Budget Conference Committee to seize \$1.7 billion of the local share of the highway users, or gas, tax that is used to maintain local streets and roads. The announcement was made at a press conference on Thursday, June 25, in the Sacramento Convention Center during the League's policy committee meetings. *For more, see Page 2.*

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NEW FISCAL YEAR LOOMS WITHOUT BUDGET

Stopgap Bill Proposed One-Year Transfer of Redevelopment Funds

As the League convened its June policy committee meetings in Sacramento, across the street at the Capitol the Assembly passed, but the Senate halted, three bills intended to keep the state from having to issue IOUs. The three bills would raise approximately \$5 billion, enough, according to Budget Chair Assembly Member Noreen Evans (D-Santa Rosa), to provide the state the ability to pay its bills through July and August. *For more, see Page 3.*

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2009 ANNUAL CONFERENCE RESOLUTIONS DUE BY JULY 17

Policy development is an integral part of the League's annual conference. While the principal means for determining League policy is through the League's eight standing policy committees and the board of directors, the League also accepts annual conference resolutions. These resolutions should address areas not already covered by existing policy. *For more, see Page 4.*

The action comes as close to 130 cities have already passed resolutions directing their respective city attorneys to cooperate with the League, other cities and counties in pursuing litigation to have any raid of local gas tax funds declared unconstitutional and invalid.

City Advocate Weekly reported last week about the opinion prepared by Nielsen, Merksamer, Parrinello, Mueller & Naylor, LLP, a law firm specializing in ballot measure and election matters, on the proposal to seize the gas tax. The firm concluded that in both 1974 and 1998 voters imposed restrictions on the state's ability to use gas taxes for debt service on bonds and to divert local gas taxes for the state general fund.

State leaders have proposed bypassing the voter-imposed restrictions to use local gas tax funds to pay off the state's highway bonds and reimburse the state general fund. This is a questionable move that seems designed to give the appearance of having a balanced budget. The League has shared the legal opinion with all legislators, the Budget Conference Committee, and Gov. Arnold Schwarzenegger. The opinion has been posted online at www.cacities.org/HUTAopinion.

"As a lawyer and an elected official who has taken an oath to defend the constitution of the state of California, it is pretty obvious that it is illegal to steal local gas tax funds when the voters have twice restricted such raids," said Judith Mitchell, League of California Cities president and Rolling Hills Estates mayor. "After the voters' strong rejection of the May 19 ballot measures, I hope state leaders will avoid budget gimmicks like this that are blatantly unconstitutional and raise serious questions about the credibility of the state budget," added Mitchell.

Cities have advised the League that the seizure of local gas tax funds will force some to eliminate part or all of their street maintenance operations while others will cut back in other areas, including police and fire services, to pay for basic street repair and maintenance. Poorly maintained streets will mean delays in emergency response times and increased costs for drivers whose vehicle repairs will rise because of worsening street and road conditions. Reductions in street sweeping will increase water pollution runoff to nearby streams, and reduced street maintenance will increase vehicle idling times, greenhouse gas emissions, and respiratory problems for vulnerable populations like children and the elderly.

"Attempting to take local gas tax funds ignores the long-term state-local partnership in which cities and counties are responsible for the maintenance of more than 80 percent of the state's road system that is currently rated 'at risk,' by the *California Statewide Local Streets and Roads Needs Assessment*. Balancing the state budget in this way isn't going to inspire confidence in California, but it will cause more traffic jams, vehicle damage and water pollution," said League Executive Director Chris McKenzie.

Press Conference Details



Thursday's press conference carried a simple yet strong message: **DON'T KICK THE CAN DOWN THE ROAD!**

During the press event, President Mitchell was flanked by a very large group of city officials all holding "Save Your City" signs. President Mitchell told reporters that the Legislature should adopt a credible budget that is balanced with a realistic mix of state, not local, revenues.

When she finished her remarks she passed Modesto Mayor and League Second Vice President Jim Ridenour a can labeled with Save Your City on one side and a quote from the Governor on the other side that read: "I urged the legislature to take this seriously and to not ... kick the can down the road, as they have done in the past but let's solve the problem." Fresno Bee, June 11, 2009.

Mayor Ridenour said that his city will literally go dark if gas taxes are seized because they will be forced to shut off 12,000 street lights. He told reporters that cities are not a state program but separate governments that have suffered the same drastic revenue losses as the state.

The Modesto mayor ended his remarks by giving the can to Clovis City Council Member Nathan Magsig. The council member explained to reporters how his county's (Fresno) unemployment rate has skyrocketed to 15.4 percent and that the public works projects funded with gas tax are imperative to keeping folks working. He ended his remarks by urging the Legislature to reject these unconstitutional job killing proposals because the promised savings are illusory and will only cause widespread economic harm.

League Executive Director Chris McKenzie was the final speaker and summarized the following points about the proposed seizures of local funds for the state budget:

- They will undermine investor confidence;
- They are illegal; and
- They will kill jobs.

The press conference was well covered with representatives from both print and electronic news outlets including:

- *The Sacramento Bee*
- *Capitol Weekly*
- KFBK-AM
- KCRA-TV
- Fox 40-TV
- Public CEO
- Capitol Television News Service

Capitol Public Radio also conducted a phone interview with Chris McKenzie following the news conference. *The Riverside Press Enterprise* is running a story as well on June 26.

'Budget' Continued from Page 1...

While the redevelopment bill, SB 80, passed the Assembly, the scope of the bill has been reduced from the previous three-year \$1.050 billion proposal to a one-year hit of \$350 million. The language in the bill contains provisions that try to work around the recent successful lawsuit by California Redevelopment Association (CRA), and collect \$350 million from redevelopment agencies for the FY 2008-09. Gov. Arnold Schwarzenegger has already vowed to veto these money-raising bills, because they do not represent a complete solution to the state's budget problems.

Attorneys are just beginning to review the language of SB 80. CRA however contends that this action would still be unconstitutional. Many cities have adopted resolutions expressing strong opposition and concerns about the proposed redevelopment fund take. Cities rely on these funds as an important economic development tool and the loss of these funds amounts to an "anti-stimulus" action by the state at a time when one of the most important things government can do is promote job growth and stability.

The Senate and Assembly are meeting Friday. Senate President Pro Tem Darrell Steinberg (D-Sacramento) says he is committed to working every day until the state has a budget.

Next Steps

Negotiations between the Democrats and Republicans appear to be far apart with no budget compromise yet in sight. As developments occur, the League will communicate with our members about the actions city officials can take to help protect local funds from a state budget raid.

City officials that have not yet made a video testimonial for www.SaveYourCity.net are encouraged to contact their regional public affairs manager. The Web site, launched in May, now has more than 500 testimonials from city officials, state lawmakers and concerned citizens.

'Annual Conference Resolutions' Continued from Page 1...

Annual conference resolutions may be introduced by individual city officials or cities, League departments, divisions, policy committees, board members, or by petition. League policy that is adopted through an annual conference resolution can only be changed by a subsequent annual conference resolution, not by the board.

Resolutions to be considered at the 2009 Annual Conference must be submitted no later than Friday, July 17 by 5 p.m. for submittals by U.S. mail or Saturday, July 18 by midnight for electronic submittals.

While electronic submissions are preferred, resolutions may be mailed to the League's Office or faxed to (916) 658-8240. Please be sure to include the sponsor's contact information.

For more information, visit www.cacities.org/resolutions or contact Linda Welch Hicks at (916) 658-8224 or lhicks@cacities.org.

Local Government Summit on Governance and Fiscal Reform

City officials are invited to attend and participate in a historic summit meeting of city, county and school officials in Sacramento, July 17-18 at the Hyatt Regency to discuss and debate the emerging proposals to reform California's governance and fiscal systems.

Co-sponsored by the League through the City County School Partnership, the event is a great opportunity to help influence the future direction of the state. The summit was originally proposed by the League's board of directors.

Summit participants will:

- Hear from experts;
- Consider whether we need a constitutional convention; and
- Work with peers to create a plan for reform local governments need.

Details

Registration for the summit is \$80 for elected and senior appointed city and county officials and school board members, \$120 for others.

Register online at www.cacities.org/events. County officials should register through CSAC and school board members through CSBA.

Hotel reservations can be made through Hyatt. Call (800) 233-1234 and ask for the special Local Government Summit room block rate of \$99 (reduced from \$124) plus taxes for the night of July 17.

Senate Local Government Committee Set to Hear Municipal Bankruptcy Bill on July 8

The municipal bankruptcy bill, AB 155 (Mendoza) is scheduled to be heard in the Senate Local Government committee on Wednesday, July 8. The bill requires a local government to secure state approval, from the California Debt and Investment Advisory Commission (CDIAC) before filing for bankruptcy in federal bankruptcy court. This would require a local government to make its case before a commission of mostly state politicians rather than a competent bankruptcy

judge. The bill is adamantly opposed by the League and other local government associations. It constitutes an unwarranted intrusion into what is a very local decision.

The League is opposed to AB 155 for the following reasons:

Offers little in solutions to local fiscal crises and likely causes greater harm: AB 155 undermines the principal benefits of federal bankruptcy: the automatic stay of financial obligations and time to allow a debtor some “breathing space” to formulate a debt restructuring plan. The state has no expertise on local finance issues.

Bankruptcy judges have financial expertise that CDIAC cannot offer: CDIAC does not bring anything to the bankruptcy process that is not already present. Unlike other courts, bankruptcy courts are under the direction of judges trained in finance and bankruptcy. These judges are competent to render a decision about a local agency’s solvency, the state is not. The bill turns a financial decision into a political decision.

Sponsors say local governments will use bankruptcy to break union contracts—Simply not true: Bankruptcy is not a decision that is made lightly. Bankruptcy judges are tasked with rendering a decision as to whether an entity is solvent, which requires a rigorous examination of a local government’s fiscal condition. Only after a bankruptcy judge finds an entity insolvent may they proceed into bankruptcy. Furthermore, once in bankruptcy proceedings, a municipality must meet several tests in order to abrogate labor contracts. In other words, municipalities have the burden of proof in order to seek and receive abrogation of labor contracts.

Bankruptcy is not taken lightly by any locally-elected official: The decision to go into bankruptcy is a difficult decision under any condition. An agency teetering on fiscal viability does not take such decisions lightly; bankruptcy is a “solution” of last resort.

Recent amendments are irrelevant and do not remove the League’s opposition: The state cannot afford to be liable to a local agency’s creditors in the event the CDIAC denies an entity’s petition. By simply stating in statute that the state is not liable for its decisions, does nothing to relieve the state’s potential liability. Assessing a fee for a mandated process is absurd during a time that an agency’s financial obligations are expected to be met when they are unable to meet them.

For these reasons, the League opposes AB 155 and asks that cities contact the member of the Senate Local Government Committee and ask for their NO vote on the bill on July 8.

SaveYourCity.net Reaches 500 Video Testimonial Milestone

Opposition to State Proposals to Raid Local Funds Continues

SaveYourCity.net reached a monumental milestone this week when the 500th video testimonial was loaded on the site. The site serves as a platform to tell policy makers how communities will be devastated if the state raids local Gas and Redevelopments funds. Local elected city and county officials, state legislators, members of labor and public safety groups as well as concerned citizens, have all recorded testimonials asking the Legislature to save California cities.

Launched by the League in May, www.SaveYourCity.net automatically sends each video to the legislators of the person who made it and Gov. Arnold Schwarzenegger. More than 8,000 visitors have already flocked to the site, spending an average of four minutes watching videos and exploring the resources. The Web site also features an interactive forum where visitors can search for videos relevant to their local community, a form for groups wanting to join the Save Your City Coalition and a tool kit with fact sheets for how budget cuts will affect the affordable housing community, public safety, the environment, labor, builders and business.

SaveYourCity.net has attracted considerable attention from the Legislature with a growing number of members making their own videos including: Senate Republican Leader Dennis Hollingsworth, Assembly Member Anna Caballero, Assembly Member Curt Hagman, Assembly Member Tom Berryhill, Sen. Jeff Denham, Sen. Dave Cogdill, Assembly Member Paul Cook and

Assembly Member Van Tran. Republican Gubernatorial Candidate Tom Campbell has also posted a testimonial.

Stay updated on the campaign and network with others who are concerned about the devastating impact a state raid of local property tax revenues would have on their city services by becoming a Save Your City fan on [Facebook](#) - just type "Save Your City" in the search function.

New and Improved WesternCity.com Launches June 27

The new and improved www.WesternCity.com offers a fully searchable archive of information. Are you looking for an article or articles by topic? You'll find what you need in a snap.

Our Job Opportunity Board has never been easier to search. Let us help you find your dream job.

Posting a job opportunity now allows for more flexibility. If you're an employer, you will appreciate the control you have over your listing. Create a listing and you can make changes 24/7. Plus, you'll now have the ability to track your hits.

Check out the new and improved www.WesternCity.com this weekend!

Support Needed for SB 268 – Legislators Ask to Hear from City Fire Departments

The League encourages cities to support SB 268 and respond to requests from legislators who want to hear from local fire authorities about the importance of this group home regulations legislation.

SB 268 would require an applicant for an alcohol or drug recovery and treatment facility, serving seven or more individuals, to certify that the facility complies with local zoning ordinances as well as being up to fire code (based on the year the facility was first licensed) upon approval by the local fire marshal.

This measure will help ensure that operators of group care facilities have current fire clearance and that their clients are being treated in a facility that reflects current standards for personal safety protections. In addition, this bill will not only benefit the residents of licensed facilities but also the communities in which they are located by taking preventative steps to protect life and property in the surrounding neighborhood.

This bill will be heard in Assembly Health Committee on July 7. A sample letter can be found on the League's Web site at www.cacities.org/billsearch. Enter "SB 268" into the search field to locate the letter.

US EPA Announces Climate Showcase Communities Grant Opportunity

The U.S. Environmental Protection Agency (EPA) has announced the availability of up to \$10 million in "Climate Showcase Communities" grants for local governments to establish and implement climate change initiatives that will help reduce greenhouse gas emissions.

EPA is requesting proposals that create replicable models of sustainable community action; generate cost-effective and persistent greenhouse gas reductions; and improve the environment, economic, public health, or social conditions in a community. A 50 percent cost-match is required for this program, which can be in the form of cash or in-kind contributions, such as the use of volunteers, equipment, expertise, etc.

Proposals are due by July 22 at 1 p.m., Pacific Time. An optional notice of intent to apply is requested by July 1. EPA expects to award a total of 30 cooperative agreements ranging from approximately \$100,000 to \$500,000, with approximately 5 percent of the funds to be set-aside for tribal governments. Awards are expected in January 2010 and may run through January 2013.

For more information on the Climate Showcase Communities Grant Program, visit:
<http://epa.gov/cleanenergy/energy-programs/state-and-local/showcase.html>.

Registration Open for ILG Annual Conference Luncheon Symposium

The Institute for Local Government (ILG) will present its annual Luncheon Symposium at the League's annual conference in San Jose on Sept. 17. "Local Leaders Creating Healthy Neighborhoods for All" is the topic for this year's event.

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.
