



City Advocate Weekly

LEGISLATION AND POLICY AFFECTING CALIFORNIA CITIES

**Jan. 22, 2010
Issue #3**

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**LEAGUE RELEASES ANALYSIS OF GOVERNOR'S
FY 2010-11 TRANSPORTATION FUNDING PROPOSAL**

*Swap of Gasoline Sales Tax for Alternative Revenue Source (Excise Tax) Means
Severe Cuts to Transit/ Weakens Protections for Other Transportation Funding*

The following memo was distributed to members of the League's Transportation, Communications and Public Works Policy Committee on Thursday, Jan. 21.
For more, see Page 2.



**THE LEAGUE LAUNCHES 2010 WITH THE NEW MAYORS AND COUNCIL
MEMBERS' ACADEMY, POLICY COMMITTEE MEETINGS**

Hundreds of city officials gathered in Sacramento this week for the League's annual training for newly elected city officials and the League's eight standing policy committee meetings.
For more, see Page 3.



**CITY OFFICIALS AND KEY SPONSORS GATHER FOR CITIPAC EVENT TO
SUPPORT LEAGUE'S EFFORTS TO PROTECT LOCAL REVENUES**

With the League and its coalition partners gathering signatures to qualify the Local Taxpayer, Public Safety and Transportation Protection Act of 2010 for the November ballot, the League hosted a well-attended reception Wednesday evening to raise funds for its ballot measure political action committee, CitiPAC. Because there were hundreds of newly elected mayors and council members in town for the Mayors and Council Members Leadership Academy, it was an opportunity to introduce them to the League's ballot measure work and some of the League's strongest allies in defending and protecting local control. *For more, see Page 4.*

The Proposal. The Governor proposes to eliminate the 5 percent (temporarily 6 percent through FY 2010-11) sales tax on gas¹ (which funds Proposition 42 allocations), but provide an alternative revenue source by increasing the excise tax on gas (Highway Users Tax Account or HUTA). HUTA would increase from 18 cents per gallon to 28.8 cents in FY 2010-11, and then gradually increase to 33.9 cents per gallon over a 10 year period². Currently, the effective combined Prop. 42 and HUTA taxes total 34.4 cents per gallon.

The alternative HUTA revenues will be allocated first to pay state transportation debt services, then as follows:

1. 50 percent to the State Transportation Improvement Program (STIP)
2. 50 percent split evenly between cities and counties using current HUTA formulas

The Governor expects this proposal to be considered in an extraordinary session before March 1, which would give the legislation time to go into effect beginning July 1.

The proposal would not change the dollar amounts for STIP or local streets and roads in FY 2010-11 from what could be expected under current law. In FY 2010-11, the 28.8 cent excise tax would generate about \$1.933 billion and be allocated as follows:

- \$675 million to fund debt service on Prop. 1B and seismic retrofit bonds currently paid by the state general fund.
- \$629 million to local streets and roads in the same allocation as the current Prop. 42 local streets and roads allocations.
- \$629 million to the STIP as the current Prop. 42 allocation.

The proposal only affects the 5 percent (temporarily 6 percent) state sales and use tax rate and would leave Prop. 172, county realignment, locally adopted add-on rates and the local Bradley Burns rates in place on sales of gasoline.

Severe Impact on Transit. This funding swap for an alternative revenue source has the greatest immediate impact on transit operations. Overall, transit will receive about \$1.6 billion less in FY 2010-11 than it would have if the status quo were maintained. Currently, the sales tax on gasoline provides funding for the Public Transit Account (PTA) through the Transportation Investment Fund and the spillover, which would provide \$1.2 billion in FY 2010-11. However, the alternative source of revenues to replace the state sales tax on gasoline may not be used for transit under Article XIX. Therefore, revenues to the PTA would be eliminated.

In addition to losing the revenues provided by the sales tax on gas, the Governor proposes eliminating the state sales tax on diesel fuel and using Proposition 111³ revenues for state transit purposes. The Governor also proposes transferring funds in the PTA to pay the debt service on state transportation bonds.

Moreover, there is a stark policy disconnect between proposed cuts to transit funding and the recent focus on climate change and reducing carbon emissions. It is unrealistic to expect reduced vehicle usage without viable transit alternatives.

A Bad Deal for Transportation: Excise Tax is a Declining Source of Revenue. The prime driving force behind this proposal is the state's desire to free up short term revenue to balance its budget, not to responsibly allocate transportation revenues to meet state and local transportation needs. The deteriorated conditions of state and local transportation networks are well documented. While comparing current funding to the Governor's proposal has its challenges, there are a few facts regarding Prop. 42 and the HUTA excise tax that should be taken into consideration. As vehicles become more efficient and less gas is consumed, excise tax revenues are likely to flatten or decrease. Conversely, Prop. 42 revenues have been increasing, and are estimated to have an annual growth potential of up to 5 percent. Besides the direct hit to transit, this proposal could likely result in an overall decrease in local streets and roads funding in the future.

Undermining Existing Voter Protections for Local Funding. The voters adopted Prop. 42 in order to earmark the sales tax on gasoline for capital improvement projects, public transit, and

local streets and roads. Since the alternative funding source would no longer be from the state sales tax on gasoline, these funds would no longer be earmarked as directed by the voters or receive Prop. 42 protections. Under Prop. 42, shares can only be changed after a two-thirds vote of the Legislature and revenues can be borrowed only if the following conditions are met:

- An emergency proclamation is issued by the Governor;
- Two-thirds of the Legislature agrees;
- Repayment source is identified;
- Repayment is made within three years; and
- Revenues can be borrowed only twice in 10 years.

Under the Governor's proposal, transportation funding would be "protected" by Article XIX of the state constitution - the same law that protects the current 18 cent per gallon HUTA excise tax allocations. This is also the same law under which the Administration believed it was possible to take all local government shares to fund state debt payments, and was narrowly defeated. The protections provided by Article XIX are much more limited than the protections provided under Prop. 42 for the gasoline sales tax. Local transportation could be more easily shifted away the next time the state runs into difficulties. Only a majority vote of the Legislature is required to change the HUTA allocation formulas or to borrow the revenues. While Article XIX requires borrowed revenues to be paid back within three years, the state does not have to pay interest nor is there a restriction on the number of times revenue can be borrowed (in other words, the state can borrow the funds every year).

Will Increasing State Debt Service Erode Local Funding? State transportation debt service costs will rise to around \$1.3 billion annually over 10 years. Under this proposal, the gas tax rate will increase up to the 34 cent per gallon level over that time. The Administration has stated that the intent of the proposal is to cover the increase in debt service costs plus cover the Prop. 42 allocations (except the eliminated transit funding), including a level of growth that those allocations would have seen under the current system. In the future, additional transportation debt could be added into this debt service cost if additional bonds are approved by the voters. The recent history of the state-local relationship with local funding does not justify any confidence that these projections will be met, suggesting the local shares of HUTA will be at risk for many years.

Eliminating Jobs When the State Should be Creating Jobs. A reduction of transportation funding resources will severely impact economic recovery and threaten job stability throughout the state. The unemployment rate for the construction industry is hovering at 20 percent. This is the worst time to eliminate funding that will put people to work.

Footnotes:

¹ Sales tax on gasoline funds Prop. 42, valued in FY 2010-11 at \$1.573 billion for the State Transportation Improvement Program (40 percent), local streets and roads (40 percent), and the Public Transit Account (20 percent) plus \$897 in "Spillover" revenues used for transit.

² (1) 28.8 cents for FY 2010-11; (2) 29.2 cents for FY 2011-12; (3) 29.7 cents for FY 2012-13; (4) 30.7 cents for FY 2013-14; (5) 31.5 cents for FY 2014-15; (6) 32.0 cents for FY 2015-16; (7) 32.4 cents for FY 2016-17; (8) 33.3 cents for FY 2017-18 and 2018-19; (9) 33.6 cents for FY 2019-20; and, (10) 33.9 cents for FY 2020-21 and each fiscal year thereafter.

³ Proposition 111 (1990) raised the excise on gas from 9 cents to 18 cents. The state sales tax revenues from the 9 cent increase are dedicated to transit funding. In FY 2010-11, this is estimated at \$61 million.

'Meetings' Continued from Page 1...

Held at the Hyatt Regency in Sacramento, the New Mayors and Council Members' Academy featured a variety of sessions designed to inform newly elected officials about essential resources and strategies that can be applied as they assume office. The academy is the first introduction to the League and the organization's education and advocacy work for the new mayors and council members.

Some of the key sessions included:

- City finance;
- Land use;
- Legal issues; and
- Advocacy.



League Executive Director Chris McKenzie and League President Robin Lowe urged city officials Wednesday to get involved in League efforts.

Campaign to Protect Local Revenues Focus of 2010

League Executive Director Chris McKenzie and League President Robin Lowe welcomed city officials on Wednesday with a presentation showcasing League member benefits with a session titled “Your League and How to Use it.”

Lowe emphasized the League’s mission to work on behalf of the needs of all cities. She urged them to get involved with the League.

McKenzie started his presentation talking about last year’s incredible budget struggles, recounting how the local share of the Highway User Tax Account (HUTA), or gas tax, was put into the budget but then taken out in the final hours of negotiations after the League and other local government groups fought the proposal.

He also briefed the group on the League’s efforts in the past six-plus years to protect local revenues from being seized by the state. He recalled our efforts to pass Proposition 1A in 2004 and how membership effectively worked together to gather signatures and pass the measure.

This year, McKenzie told them, the League is focused on qualifying and passing the Local Taxpayer, Public Safety and Transportation Protection Act of 2010. He explained how the measure will protect local government revenues. Last week Californians to Protect Local Taxpayers and Vital Services, the coalition behind the ballot measure, launched its signature gathering efforts.

By the end of this week, the campaign will have collected approximately 200,000 signatures to help qualify the measure. McKenzie told attendees how critical it is that every council member and mayor should become involved in the campaign because that will help guarantee success. “It’s important that everyone understand the task we have ahead of us,” he said to the assembled city officials.

Policy Committees Meet

The League’s eight standing policy committees also met in Sacramento this week, holding meetings at the League’s offices and the Sacramento Convention Center.

Typically the committees meet four times annually to help shape League policy in the areas of:

- Administrative Services;
- Community Services;
- Employee Relations;
- Environmental Quality;
- Housing, Community and Economic Development;
- Public Safety;
- Revenue and Taxation; and
- Transportation, Communications and Public Works.

Please visit the League’s Web site for more information about policy committee work.
<http://www.cacities.org/advo/policy/comm/index.jsp>

‘CitiPAC’ Continued from Page 1...

A number of advocacy firms specializing in representing municipal clients before the legislature provided valuable financial support for the reception:

- Joe A. Gonsalves & Son

- Michael A. Arnold & Associates
- Emanuels Jones and Associates
- Best, Best & Krieger
- Dart Container Corporation
- DiMare, Van Vleck & Brown, LCC
- Townsend Public Affairs, Inc.

“We work very closely with these firms and appreciate their advocacy for local control and the protection of city funds for the vital services cities provide to local residents. Without the involvement of these advocacy professionals and our League Partner companies, the League could not accomplish what we do together,” said League Executive Director Chris McKenzie.

Joe A. Gonsalves & Son represents a large number of municipal clients across California. Some of their representative clients include:

- Arcadia;
- Long Beach Public Transportation;
- West Sacramento; and
- The Culver City Redevelopment Association.

Michael J. Arnold & Associates also represents many municipal clients in California. A few of their clients include:

- Long Beach;
- Redondo Beach;
- Association of Bay Area Governments; and
- Three Valleys Municipal Water District.

Emanuels Jones & Associates specializes in redevelopment agency issues and represents both cities and redevelopment agencies at the Capitol including:

- The California Redevelopment Association;
- Sacramento;
- Lake Forest; and
- Pasadena.

In the last few years, a growing number of legislators came to the Capitol after serving in local government. The newly elected city officials were also joined by a number of members of the legislature who came to welcome them to their new positions.

Among those present were:

- Sen. Bob Dutton (R-Inland Empire), recently selected as the new Senate Republican Leader. The former Rancho Cucamonga city council member was recognized by the League in 2006 as Legislator of the Year. In 2007, the League honored him for his efforts on local streets and roads funding.
- Assembly Member Fiona Ma (D-San Francisco) who is an alumna of the League’s California Civic Leadership Institute and former San Francisco Supervisor.
- Assembly Member Connie Conway (R-Visalia) who prior to being elected to the legislature served on the Tulare County Board of Supervisors.
- Assembly Member Eng (D-Monterey Park) who came to the Assembly after serving as mayor and council member in Monterey Park.
- Assembly Member Ted Lieu (D-Torrance) who is former member of the Torrance City Council.
- Assembly Member Paul Fong (D-Mountain View).

The League sincerely appreciates the great support of our reception sponsors and the attendance of so many city officials, League partners and legislators at the event.

S.O.S. Singers Serenade New Mayors and Council Members

The Peninsula Division's Campaign Committee created a very unique way of getting the message out about the Local Taxpayer, Public Safety and Transportation Protection Act of 2010, a ballot measure which would close loopholes to prevent the state from borrowing, raiding or otherwise redirecting local government, transportation or public transit funds.

The committee dubbed themselves the Save Our Services Singers and tailored the lyrics to the 1975 ABBA song S.O.S. to explain the devastation that the state's actions are having on local services.

A number of members of the troupe traveled to Sacramento this week to perform during lunch at the New Mayors and Council Members Academy on Wednesday. They got up in front of hundreds of other elected officials sporting custom designed tee shirts which they will also wear when out in their communities gathering signatures. The parody of the ABBA song was a great hit.

"We're just trying to get people's attention in a creative way to educate them on the ballot measure," Rebecca Elliot, League Bay Area regional public affairs manager explained after the event.

The parody lyrics have been posted on the League's Web site at www.cacities.org/resource_files/28523.SOSparody.pdf.



Back row from left to right: Saratoga Council Member Chuck Page, Foster City Vice Mayor Linda Koelling, South San Francisco Chamber CEO Maria Martinucci, League Regional Public Affairs Manager Rebecca Elliot, League Second Vice President and Mountain View Council Member Mike Kasperzak, and South San Francisco Council Member Rich Garbarino. Front row from left to right: Sunnyvale Council Member Ron Swegles, Campbell Council Member Dan Furtado, and Brisbane Council Member Sepi Richardson.

Check out the League's New Web Site

The League's Web site has a new look and feel with a more user friendly navigation designed to help visitors find what they need on www.cacities.org.

There are now seven main navigation tabs located at the top of the page:

- Home;
- About the League;
- Advocacy;
- Conferences & Events;
- Communications;
- Member Resources; and
- Partners.

Visitors can find everything under these tabs that is necessary to stay connected to the League's regional divisions, professional municipal departments, and policy committees.

The redesigned home page features the latest *City Advocate Weekly* headlines, information on upcoming League events, a tool to search bills, as well as details on how to take action on important ballot measures and key legislation. Member benefits and services are also highlighted on the home page.

The Advocacy section now combines several areas focused on the various ways the League advocates on behalf of cities. This section includes:

- Legislative;

- Legal;
- Public Affairs; and
- Policy Development.

Additionally in this area of the Web site, visitors can connect with the League's regional public affairs managers, learn about the League's political action committee, CitiPAC, plus the organization's policy committees and search legislative resources. City officials can also use the Web site to request amicus assistance on legal matters.

Also new to the navigation is the Member Resources tab. In this section, visitors will find Professional Municipal Department pages (City Clerks, City Managers, Police Chiefs, etc.) and can access the League's four diversity caucuses, the library, CityBooks, listservs, event handouts and affiliate information.

The redesigned League Web site prominently features the League's Partners program. This change was made to help League members and Partners stay better connected. The section contains the Partners' newsletter, events and opportunities, and information about Partner programs such as the California Civic Leadership Institute and the Helen Putnam Awards.

We hope that these changes make it easier for you to connect with the League and stay involved. If you have questions or comments, please e-mail Emily Cole, communications assistant, at ecole@cacities.org.

Deadline Rapidly Approaching for Citizens Redistricting Commission

Apply by Feb. 12

A historic commission is being formed in Sacramento, one that will be charged after the 2010 census with establishing the boundaries for California's Senate, Assembly and Board of Equalization Districts. For the first time in history citizens are being given this responsibility instead of the Legislature, thanks to a statewide ballot measure that passed in November 2008 which established the Citizens Redistricting Commission. The commission must use strict nonpartisan rules to establish districts of approximate equal population to provide fair representations for our state's citizens.

Time is running out for people who want to apply to serve on the commission. The deadline is Friday, Feb. 12.

Interested citizens can apply for the commission online at <https://application.wedrawthelines.ca.gov>.

Commission Information

The commission will be comprised of 14 members:

- Five Democrats;
- Five Republicans; and
- Four who are not members of either of the two major political parties.

Commission members will be paid \$300 per day when doing commission business. The application is posted online and the webpage also features statistics on applicants including gender, ethnicity, geography, and political affiliation. To apply please visit: <https://application.wedrawthelines.ca.gov/statistics>.

The commission appointment will last 10 years but the majority of the commission's work must be completed by Sept. 15, 2011 which is the deadline to approve the new voting maps. The first commission member will be selected Nov. 20, 2010 and the appointment of all commissioners will end on Nov. 20, 2020.

Restrictions on Commission Member Applicants

Applicants must be continuously registered in California with the same political party or no political party for five years prior to being appointed to the commission. Applicants must have also voted in at least two of the last three statewide elections.

An applicant would be ineligible to serve on the commission if in the past decade they or one of their immediate family members have:

- “Been appointed to, elected to, or a candidate for a California congressional or state office;
- Served as an officer, employee, or paid consultant of a California political party or the campaign committee of a candidate for California or elective state office;
- Served as an elected or appointed member of a political party central committee in California;
- Been a registered federal lobbyist;
- Been a lobbyist registered with the state of California or a California local government;
- Served as paid California congressional, legislative or State Board of Equalization staff; or
- Contributed \$2,000 or more to any California congressional, state or local candidate for elective public office in any year.”

In addition, a citizen who is a staff member, consultant or a contractor with the Governor, member of the Legislature, a California member of Congress or a member of the State Board of Equalization, would also be ineligible. This is also true if they have an immediate family member who meets any of those conditions.

For additional information, the application and more, please visit the Citizens Redistricting Commission Web site at www.wedrawthelines.ca.gov.

Free Wastewater Workshops Scheduled for Small/Disadvantaged Cities

The Rural Community Assistance Corporation (RCAC), a nonprofit that helps rural communities, is working with the California State Water Resources Board to provide informational workshops on wastewater treatment planning. The board is committed to helping small and disadvantaged communities with their wastewater needs especially in terms of funding their necessary infrastructure.

The free workshops are scheduled at locations throughout the state as well as online. Priority registration will be given to those attendees from small, disadvantaged wastewater systems.

Classroom Workshops Schedule

All classroom workshops start at 8:30 a.m.

- Wastewater Board Basics: Roles & Responsibilities - Feb. 17, Napa
- Wastewater Board Governance: Brown Act and Ethics - Feb. 18, Visalia
- Wastewater Operator Certifications test Preparation - March 30, Ukiah
- Wastewater Math - March 31, Ukiah
- Infiltration and Inflow, and SSMPs - April 28, Fortuna
- Capital Improvement Planning, Asset Management and Funding Options - April 29, McKinleyville
- Operation & Maintenance Practices for Small Wastewater Utilities - May 11, El Centro
- Wastewater Regulations and the Clean Water Act - May 12, El Centro
- Rate Setting, Proposition 218 and Community Outreach - June 2, West Sacramento

Online Workshops Schedule

All online workshops are offered twice: 11 a.m. – 1 p.m. and 4 – 6 p.m. Each session is limited to 20 participants.

- Wastewater Board Basics: Wastewater Basic Operations - Feb. 23
- Wastewater Math Refresher - March 8
- Wastewater Board Basics: Roles & Responsibilities - March 16
- Wastewater Board Basics: Budgeting - April 13

- Wastewater Board Basics: Financial management - May 18
- Wastewater Board Basic: Rate Setting - June 1

For more information or to register for any workshop, please contact Greta Quirk at (916) 447-9832 ext. 1016 or by e-mail at gquirk@rcac.org. You can also register online at www.rcac.org, under "Trainings and Events."

NLC Encourages Cities to Help the Haitians

The National League of Cities (NLC) launched an informational Web page at www.nlc.org/haiti following last week's devastating earthquake in Haiti. The page includes links to federal resources, information on how your community can donate, as well as tracking and reporting "in-kind" donations.

NLC encourages city officials to find creative ways to get the public involved in assisting the people of Haiti.