

ENVIRONMENTAL QUALITY POLICY COMMITTEE

HIGHLIGHTS

Thursday, June 14, 2012

Sacramento, CA

ATTENDANCE

Members: Newcomer, Owen (Chair); Page, Chuck (V. Chair); Aguiar-Curry, Cecilia; Andersson, Brandt; Ballinger, Jeff; Butt, Thomas; Clark, Margaret; Coleman, Ginger; de Groot, Christopher; Eklund, Pat; Glaser, Dean; Goodhart, James; Hadley, Elizabeth; Harrison, Jon; Holober, Nadia; Holstine, Clay; Lawson, Kristina; Lyn, Fred; Melendrez, Andy; Miller, Katherine; Mohler, Marjorie; Pirnejad, Peter; Rapp, Lisa Ann; Rosa, Josh; Spurgin, Jay; Swanson, Rochelle; Uota, Dean; Vinson, Kay; Wan, Danny; Watkins, Mark

League Partners: Ahn, Joe

Staff: Dorothy Holzem, Assoc. Legislative Rep/Sr. Policy Analyst; Kirstin Kolpitcke, Legislative Representative

Special Order of Business: Post Redevelopment & State Budget Update

A general briefing with all of the present policy committee members was held before the individual committees met with their respective members.

League Executive Director Chris McKenzie welcomed the members to Sacramento and provided a status update on the pending FY 2012-13 state budget. At the time, there were nearly two dozen trailer bills pending, many of which included substantive policy changes but will not be reviewed by the germane legislative or fiscal committee.

Mr. McKenzie also reminded members that the Sacramento Superior Court was to review the League's case against the loss of city vehicle license fee (VLF) revenues in last year's budget, on the grounds the legislature acted unconstitutionally when those funds were channeled to state public safety grants.

In regards to the November 2012 elections, none of the policy committees will be taking action on the ballot measures until after the July Board of Directors meeting, where there will be an in-depth discussion, including which committees may review which ballot measures at the Annual Conference this September.

Legislative Director Dan Carrigg spoke next and provided an overview of the redevelopment issues cities are still dealing with as new trailer bill language is being crafted. He recognized the challenges that cities are facing since the Department of Finance brought in dozens of new staff from various other departments with varying backgrounds in redevelopment agency issues. And in the wake of the California Redevelopment Association folding, the League has made every effort to fill in as best they can to cover the void left by the CRA and their efforts. Throughout the spring, the League and a working group of city attorneys has met frequently to provide advice and suggestions on how to help cities work through the ROPS process. There is still much work to be done to clarify the current unwinding through the RDA successor agencies and as new trailer bill language is being developed.

In terms of the legislature, there were several very good attempts to bring about a positive resolution for what remained of redevelopment projects for cities. This included AB 1585 by Speaker John A. Perez, SB 986 by Senator Dutton, and SB 1335 by Senator Pavley. Unfortunately, these have been largely unsuccessful because of roadblocks in the Senate.

As of Friday, June 15 there were still no details on the redevelopment trailer bill. The Department of Finance version that came out earlier this year was fraught with problems and created confusing terms. The League's opposition efforts have had some effect. Assembly Members Joan Buchanan and Tony Atkins are closely reading city's letters to ensure they are making the best decisions possible.

Mr. Carrigg then addressed the current budget and the impact that Prop. 25, which reduced the vote threshold from two-thirds to a simple majority to approve the budget. Republican legislators are now excluded from the process. The budget is being put together behind the scenes between Democratic legislative leaders and the Governor's office. Another game-changer from Prop. 25 is that Legislators now take seriously the prospect of forfeiting salary if they

fail to pass a budget by June 15; recent litigation, however, filed by legislative leadership against the State Controller, concluded that the Legislature retained the sole authority to determine the adopted budget was balanced.

Fiscal Policy Consultant Michael Coleman briefly outlined the key factors impacting the budget discussions and the challenge of balancing a budget based on revenues that may not be approved until four months later. The Legislature's response is to include trigger cuts to nearly all areas of government if the Governor's tax measure does not pass, with K-12 Education taking the biggest hit.

Legislative Representative Natasha Karl shared the next steps for pension reform efforts. She said rumors point to a much more expedited timeline than we had previously heard. Some kind of reform may happen as early as June or the first week of July. The League has not seen details of the actual package but understood that several reforms will incorporate the Gov.'s 12-Point Pension Reform Plan and offer additional reforms. Key areas that will likely look different than the Governor's plan include a hybrid plan as well as cost sharing provisions. All major reforms will apply to new employees and not apply to current employees. Timing and plan details are not certain. Ms. Karl said she hoped to see details soon so that they can be analyzed and shared with members.

Finally, Legislative Representative Jennifer Whiting gave the federal update on the challenges of enacting a transportation reauthorization bill and the work of the Congressional budget subcommittees. The transportation reauthorization discussions are progressing, but seem to have taken some steps backward last week. The current extension of SAFETEA-LU expires on June 30, 2012, and staff expects another extension to be required.

Cities received a bit of good news on the Appropriations front when the House of Representatives Housing and Transportation Appropriations Subcommittee passed legislation enhancing appropriations for HUD and CDGB programs. Staff reminded cities of the mandatory across the board budget cuts enacted in the Budget Control Act last year, effective in January 2013. While Congress will likely intervene before the cuts become effective, action is not expected until after the November election.

Other positive news is that the Federal government is looking to loosen up regulatory requirements that are harmful or difficult for local agencies.

Staff briefed members on the Cap and Trade Revenue Auction proposal. Beginning this fall, the California Air Resources Board (ARB) will begin a multi-billion dollar cap and trade program as a key element in their greenhouse gas (GHG) reduction efforts to achieve 1990 emission levels by the year 2020. The Cap and Trade program establishes a hard cap of 85% on GHG industries including mining, oil and energy production, manufacturing plants, and transportation fuels. These industries will be allowed to trade (i.e. buy and sell) a portion of their allowance. The first auction is scheduled on November 14th. After that, quarterly auctions will be held.

The first auction is expected to raise between \$660 million and \$2 billion dollars, with revenues potentially increasing to as high as \$14 billion in future years. All of these revenues are to be used as mitigation fees to pass the "nexus" test. The Governor's budget already assumes \$1 million in the FY 2012-13 budget, with half for mitigation efforts and half for investments in GHG reduction.

League staff sought feedback on two specific issues and then general comments, as outlined in the agenda packets. The committees held all discussion and debate during their individual committee meetings following the joint briefing.

I. Welcome and Introductions

Chair Owen Newcomer welcomed the committee and members introduced themselves.

II. Public Comment

There were two comments from the public. First, Mayor Kathryn McCollough, City of Lake Forest, shared concerns regarding the inspection and operations of the nuclear power plant near her city. There is a pinhole in one of the pipes and Mayor McCollough expressed serious concerns that the power plant will continue to

operate. She may seek the opportunity to address nuclear power plant operations through a general assembly of League members.

Second, Council Member Gary Liss, Town of Loomis, and member of the US Zero Waste Business Council announced the upcoming conference “Create Value through Zero Waste” June 26 and 27 in Costa Mesa and encouraged the committee members to attend.

III. *California’s New Goal: 75% Recycling*

Speaker Mark Leary, Chief Deputy Director, CalRecycle, shared the draft report “California’s New Goal: 75% Recycling” (available at: <http://www.calrecycle.ca.gov/75Percent/>). This report is just in the preliminary stages of development and focuses California on three main areas: source reduction, recycling, and compost. The report is being used a conversation started to gather feedback and CalRecycle has developed an online form to help gather comments.

The committee provided initial feedback on the study and approach. First, incentives should be emphasized over penalties. Also, it would be helpful for the state to continue existing programs as they move towards the revised goal. As cities are now just making headway on previous goals through earlier strategies, it is costly and difficult to change direction in the middle. Private grant incentives were recommended for businesses to join the effort, too. Education programs for grade-school children has also been effective in teaching children about the lifecycle of waste.

IV. *Draft League Energy Policies*

Fred Lyn and Elizabeth Hadley presented the revised draft League Energy Policies that have been crafted over the last two years to update the current energy policies that are nearly 12 years old and have little relevance to current policy issues. The draft policies were drafted by Fred, Elizabeth, Lana Haadad, with support from League staff Ellen Powell, and shared with some additional members.

Numerous suggestions were made to improve, clarify, or fully capture the policy statements. The committee voted to ADOPT the new policies, as amended, unanimously except for one “no” vote and one abstention.

V. *Legislative Update*

a. *Cap and Trade Auction Revenues*

After the general session briefing, the committee reviewed the four policy questions presented in the staff analysis on the Cap and Trade Auction Revenues.

- 1) The committee voted unanimously to recommend an oppose position to AB 2404, accepting the staff recommendation. Cities should also be eligible to receive auction revenues directly and should not have a regional oversight body deciding how those grants may be spent.
- 2) The committee voted unanimously, save one no vote, to recommend an oppose position to the proposal under Comment #3, to dedicate motor vehicle fuel Cap and Trade auction revenues to transportation programs. The committee stated that cities need to maximize flexibility and cost-effectiveness of the revenues. The 40% of GHG attributed to transportation is a statewide average, and not applicable to all cities. Also, cities may be able achieve greater GHG reductions in other areas than transportation.
- 3) The committee expressed the need to maximize flexibility while also providing direct funding to individual cities. The revenues should not tie into the Sustainable Communities Strategies, nor should the plans be certified by the state. Rather, local Climate Action Plans should be the metric and application.

- 4) Any reporting requirements should have as little cost or staff burden to the local agency as possible and any grants to cities should be sufficient to cover the reporting requirements. Here again Climate Action Plans could incorporate the reporting process and serve at the metric. Reports should also serve a specified purpose and not be a report just for the sake of writing a report.

VI. General Updates

League staff provided a general update on the State Water Board Reorganization proposals in the state Budget, the Water Board Phase II MS4 General Permit and related legislation, the status of SB 1220 (Leno) on rooftop solar energy systems and the Governor' proposal to eliminate Local Coastal Programs, which is now dead.

VII. Next Meeting: Annual Conference, San Diego, September 5, 9:00 – 10:30 A.M.

Staff will notify committee members after July 7th if the policy committee will be meeting in September, should there be an Annual Conference Resolution or ballot measure referred to the committee.