

**REVENUE AND TAXATION POLICY COMMITTEE
HIGHLIGHTS
Friday, June 17, 2011
Sacramento Convention Center, Sacramento**

ATTENDANCE

Members: Cisneros, Jose (V.Chair); Andrews, Neal; Arevalo, Paul; Biery, Robert; Bornstein, Irwin; Brock-Cohn, Holly; Chang, Ling-Ling; Cox, Cheryl; Donlevy, Jr, John; Duncan, Glenn; Gillison, John; Goldstone, Jay; Halliday, Barbara; Hamilton, Melinda; Hawkesworth, Matthew; Henderson, Terry; Holloway, Chip; Janney, Jim; Kowalczyk, Rick; Lane, Randon; Lilligren, Tim; Miller, Glenn; Miller, Scott; Navazio, Paul; Noll, Michael; Parisi, Laura; Parmentier, Roy; Pastucha, Martin; Richardson, Sepi; Savelli, Greg; Songstad, Allan; Stepper, Karen; Strong, Fred; Vanderpool, Jim; Wadle, Dane

League Partners: Ovrom, Denise, Hdl Companies

League Staff: Dan Carrigg

i. Special Order of Business: State Budget and Redevelopment Update (10:00-11:00 am)

The Revenue and Taxation, Transportation, Communication and Public Works, Administrative Services, and Environmental Quality Policy Committees came together for a joint briefing on major issues of the budget. Chris McKenzie, the League's Executive Director, provided a summary of the actions of the Legislature, which had passed a budget package the day prior to the meeting which included a two-bill "redevelopment elimination" package. Upon passage of the package, the League and California Redevelopment Association began developing legal documents to challenge the validity of the package. He also reported that the Governor had vetoed the main budget bill, but could not take action on the remainder of the budget trailer bills as they were not yet on his desk. Dan Carrigg, the League's Legislative Director, followed by providing some details on the remaining budget trailer bills. Michael Coleman, the League's fiscal consultant showed a PowerPoint presentation on what was included in the budget package as passed by the Legislature (<http://www.californiacityfinance.com/PolicyCom110616p.pdf>). Committee members were provided with a list of all budget trailer bills as well as a document outlining some of the legal problems with the redevelopment elimination.

Dorothy Holzem, League staff, updated the committee members on public safety funding and policy issues. This included two trailer bills that both seek to increase state revenues through fee assessment. The first, ABx1 22, would increase vehicle registration fees by \$12 to backfill Department of Motor Vehicle administrative costs with approximately \$300 million going back to the 2011 Local Revenue Fund for cities and counties. While not explicit in the bill, these monies could possibly be used to fund COPS programs and booking fee subventions, along with other soon-to-expire county law enforcement grants. The second fee bill, ABx1 29, establishes an annual \$150 fee for structures for fire protection in state responsibility areas. Notably, the Governor's priority public safety issues were not included in the budget trailer bill package, including either a temporary or longer-term tax extension to fund the state-local corrections realignment plan. The realignment plan is at the center of achieving state prison inmate population reduction goals now required under the recent U.S. Supreme Court's ruling against the state.

Natasha Karl updated the group on the latest on pension reform. She indicated that with the governor's veto of the budget we'll likely see talks between republicans and the governor's office heat up on this issue. There are two League resources that can be found in the League's Pension Information Center that may be helpful to members including a comparison of the Governor's 12-Point Pension Reform Plan the Senate Republican's Demands (http://www.cacities.org/resource_files/29685.PensionsGovs12pointplanvsrepublicanplan4.11.pdf) and a Background on Pension Reform (http://www.cacities.org/resource_files/29843.Pension%20Reform%20Background%20Document.pdf). The Employee Relations and Revenue and Taxation Committees were also expected to discuss

the City Managers' Department Pension Reform Action Plan. Jennifer Whiting, League staff, provided an overview of what is happening on the federal level, noting that federal programs are experiencing significant cuts and encouraging cities to provide specific examples when lobbying their federal representatives.

Following the budget and policy briefing, Dan Harrison, Director of Administrative Services, provided an update on League-sponsored services including California Communities, CalTRUST, and US Communities.

I. Welcome and Introductions

The committee made self-introductions.

II. Public Comment

There was no public comment.

III. Legislative Update

The committee discussed and made a Support recommendation on SB 530 (Wright). This measure would enact a tax on direct broadcast satellite television service providers, the Satellite Video Fund for Public Safety Tax, at the rate of 6% of gross revenues, as defined, until January 1, 2020. Revenues would be deposited in General Fund and transferred to the Local Safety and Protection Account which would be reestablished as of July 1, 2011 to receive and continuously appropriate these funds.

The Committee's discussion on the bill recognized that this legislation needed more work, but had potential to generate revenue benefitting cities. They also recognized that the author had been the strongest legislative Democrat opposing the Governor's proposal to take redevelopment funds. If the State taxed satellite television service providers, as it is allowed to do under federal law, and distributed the proceeds to local public safety programs, then it appears consistent with some League policies. Supporting such a measure could also have collateral benefits of creating more equity among competitors in the rapidly changing video telecommunications marketplace. League support, however should be conditioned upon:

1. The full engagement of public safety organizations in the support of such a bill and agreement in the allocation methodology will be critical to the passage of legislation.
2. The retention of a "kill switch" mechanism and other protections against a future effort by the state to divert these revenues for another purpose.
3. The development of an allocation methodology should also reflect the geographic distribution of households using satellite television service and provide maximum flexibility for local agencies to use these funds to support and augment local public safety needs.

IV. Pensions

Dwight Stenbakken, League Deputy Director, opened the discussion on pensions by providing a brief overview of the Governor's and Legislators' efforts in managing the spiking of pensions. Their efforts are significant, but also controversial.

Rod Gould, City Manager of Santa Monica, presented to the committee the City Managers Department Pension Paper and discussed the problems and causes surrounding the issue. The Pension Reform Action Plan, introduced to the committee, included plans for negotiations and provided suggestions for additional pension reform ideas that can potentially help establish a sustainable and secure public pension system.

The Committee recommended that the Board endorse the report with the stipulation that the board may consider substituting a 70% cap on pensions for a dollar cap, adjusted for cost-of-living, and consider adding an option for a pure defined contribution plan inside or outside of the California Public Employees' Retirement System (CalPERS).

V. Marijuana Regulation Working Group

Staff provided a brief overview from the Marijuana Regulation Working Group that met from mid-May to early June to provide comment and analysis on current legislation from a wide spectrum of policy perspectives, including public safety, land use, taxation, and employee/employer rights. In addition to recommending specific positions on various bills (many of which failed legislative deadlines so no action was taken), the working group developed three policy guidelines. These will be considered in January when the “Existing Policy and Guiding Principles” summary booklet will be reviewed by the policy committees. More information and background materials are available at: www.cacities.org/marijuanaregulation.

VI. Federal Update

This was provided in the Special Order of Business: State Budget and Redevelopment update.

**Next Meeting: Annual Conference, September 21, 11:00 a.m. – 12:30 p.m.
Moscone West Convention Center, San Francisco**