

Feb. 23, 2016
Issue #17

IN THIS ISSUE:

Page 4: League-Sponsored Bond Agency Issues \$25,663,000 in Tax-Exempt Bonds for the Delta View Apartments

Board of Equalization Acts to Reduce Variable Gas Tax Rate
League Urges BOE to Stabilize Gas Tax

The [State Board of Equalization](#) (BOE) today approved a 2.2 cent per gallon decrease, from 12 cents to 9.8 cents, in the state variable tax on gasoline for FY 2016-17. This action will result in yet another dramatic decrease in the variable gas tax revenues received by cities. The decrease is equivalent to the Department of Finance's projected 2.2 cent reduction. The decrease will take effect July 1, 2016. *For more, see Page 2.*



**Application Period Opens for League Board of Directors At-Large Position and
Second Vice President**
Deadline is April 29, 2016

The League of California Cities® is now accepting nominations from elected officials interested in serving in one of six at-large board positions (two-year term), or as second vice president (one-year term). *For more, see Page 2.*



**Biennial OPEB Survey Will Help League City Managers Department Assess
Unfunded Liabilities**
Survey Open until March 16

Unfunded Other Post-Employment Benefits (OPEB) continues to loom as a long-term financial challenge for public agencies at both the state and local levels. Fortunately, many cities have minimal OPEB obligations and many others have taken aggressive steps toward addressing those future obligations. However, there remains little comprehensive information available on the scope of OPEB challenges facing municipalities in California and how cities are effectively managing those obligations. *For more, see Page 3.*

'BOE' Continued from Page 1...

The variable gas tax rate has seen significant increases and decreases since the BOE adjustment process was implemented. The resulting instability has had a significant impact on state and local agency ability to plan for future projects. In response, the League of California Cities® joined other transportation stakeholders to provide testimony at the BOE meeting supporting an adjustment to the variable gas tax rate based on a five year forecast (four years back and the current fiscal year) — a process referred to as “smoothing.” Smoothing would have resulted in a 0.2 cent reduction rather than the approved 2.2 cent reduction.

Unfortunately, the BOE did not adopt the League’s recommendation and instead opted to call on the legislature to act. The BOE will also consider a regulatory process for future decisions so that the smoothing concept can be thoroughly reviewed for future years.

The state gas tax is made up of two portions: the base gas tax and a variable (price-base) gas tax. Currently, the base tax is 18 cents and the variable gas tax is 12 cents per gallon of gasoline. Cities receive a portion of both taxes in order to fund local roadway improvements, maintenance and projects.

Under the [Gas Tax Swap of 2010](#), the state sales tax on gasoline was eliminated and replaced with the price-based excise tax. The deal also diverted tax revenues from the state’s transportation budget to fund other projects and required BOE to adjust the state excise tax every year.

BOE annually adjusts the variable gas tax to try and match what fuel tax revenues in the forecast year would have been had the swap not occurred under [Proposition 42](#) (sales tax on gasoline). Later, when the actual amount of gallons sold and taxable sales are known for a year, BOE must “look back” and “true up” for any over or under collection of revenue compared to what the sales tax rate would have garnered. This true up is factored into the rate set in subsequent year(s). The result is that if taxable sales of gasoline (which are in turn a function of gas prices and gallons sold) fall more than BOE anticipated in its rate setting, then a downward true up will compound a downward trend in taxable sales in subsequent years. The reverse could also be true of course, but the current reality with automobile transportation fuels is both a slackening of demand and a downward trend in prices. The result is the dramatic downturn in the estimated allocations in FY 2016-17 from the prior year.

Cities can expect more information on this effort shortly. In addition, [CaliforniaCityFinance.com](#) is preparing to distribute updated city by city estimates of FY 2016-17 gas tax allocations that incorporate the BOE action.

'Nominations' Continued from Page 1...

All nominees for second vice president must currently be serving or have previously served on the board of directors.

Board Composition

The board of directors comprises the League’s officers — president, first vice president, second vice president, immediate past president and executive director — a representative from each of the League’s 16 divisions, and a representative from each of the League’s 11 functional departments, the mayors or designees (alternates) of the mayors of the 10 largest cities by population, and 12 at-large positions, with one reserved for a representative of a small city (under 12,000 population).

City officials serving on the National League of Cities (NLC) board of directors also serve on the League of California Cities board of directors for the duration of their term on the NLC board (two-year term).

The League board typically meets on a quarterly basis at locations throughout the state. Nominees are expected to make a commitment to attend all meetings. All travel-related expenses to attend League board meetings are reimbursed by the League.

Nomination Process

The 2016 Board Nominating Committee will meet on June 24, prior to the June 24-25 board meeting, to interview at-large finalists and all applicants for the position of second vice president.

The nominating committee members:

- Ana Maria Quintana (chair), mayor pro tem, Bell
- Ken Lane, vice mayor, Ceres
- Scott Nassif, mayor pro tem, Apple Valley
- Karina Cervantez, mayor pro tem, Watsonville
- Robert Combs, planning commissioner, Danville
- Scott Nelson, mayor, Placentia
- Mike Kasperzak, council member, Mountain View
- David Sander, mayor, Rancho Cordova
- Mark Kersey, council member, San Diego
- Michele Beal Bagneris, city attorney/prosecutor, Pasadena
- Suzanne Lee Chan, council member, Fremont

The committee will make recommendations to the board of directors at its June meeting. If the board approves the candidates, the recommended candidates will then be announced during the Opening Session of the League's 2016 Annual Conference in Long Beach, October 5-7, 2016. Following confirmation of the final candidates, the 2016-17 board of directors will be announced at the Closing Session of the Annual Conference on Oct. 7.

Submission Process

If you are interested in submitting your name for nomination to the League board of directors, please provide the information requested on the nomination application, along with a biography and letters of endorsement, to the League's Sacramento headquarters on or before 5 p.m. on Friday, April 29.

The forms are available on the League website:

- [Second Vice President Nomination Form](#)
- [At-Large Director Nomination Form](#)

Nominations may be sent via email to msharpe@cacities.org

Or mail to:

Mimi Sharpe
Executive Assistant
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

Board nominations packets can also be faxed to the attention of Mimi Sharpe at (916) 658-8240.

'OPEB' Continued from Page 1...

The League City Managers' Department OPEB, with input from both the Fiscal Officers and Employee Relations departments, has launched its [biennial survey](#) to help assess the scope and magnitude of OPEB liabilities across California cities, track progress being made by cities (individually and collectively) in addressing OPEB concerns, and help inform best practices and approaches to managing post-employment benefits.

The [online](#) survey should take no more than 15-20 minutes to complete. While the responses to the survey may be readily found in your agency's Comprehensive Annual Financial Report (CAFR), it may be easier to ask your finance director, or equivalent, to complete (or review) the survey responses.

League-Sponsored Bond Agency Issues \$25,663,000 in Tax-Exempt Bonds for the Delta View Apartments

Some of the most significant benefits of League membership for cities since 1988 have flowed from the League's co-sponsorship of the [California Statewide Communities Development Authority](#) (CSCDA). This program provides a variety of public agencies and developers access to low-cost, tax-exempt financing and economic development tools. CSCDA recently issued \$25,663,000 in tax-exempt bonds for the Delta View Apartments in Antioch.

Antioch: Delta View Apartments

Delta View Apartments (Delta View) is an acquisition and rehabilitation of 205 multifamily affordable housing apartments by Delta View Family Apartments, LP. The project sponsor is ROEM Development Corporation (ROEM). Delta View will continue to be 100 percent affordable and provide two-bedroom apartments to low-income residents in Antioch, California.

CSCDA and ROEM partnered with Citibank to provide tax-exempt multifamily affordable housing bonds for Delta View. The rehabilitation will include eleven additional fully accessible units, new unit flooring, countertops, cabinets, appliances, and plumbing fixtures. The building exteriors will have new roofs, HVAC systems, and siding. The site will have upgraded drainage, rubberized flooring for the playground, and parking will be restriped. The financing of Delta View will maintain the affordability of units for low-income tenants for 55 years.

Background

CSCDA is a joint powers authority created in 1988 and is sponsored by the League of California Cities® and the California State Association of Counties. It was created by cities and counties for cities and counties. More than 500 cities, counties and special districts are program participants in CSCDA, which serves as their conduit issuer and provides access to efficiently finance locally-approved projects. CSCDA has issued more than \$50 billion in tax exempt bonds for projects that provide a public benefit by creating jobs, affordable housing, healthcare, infrastructure, schools and other fundamental services. Visit CSCDA's [website](#) for additional information on the ways in which CSCDA can help your city.
