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## **Budget Trailer Bill SB 130 Contains Long-Sought Fix for Struggling Newly-Incorporated Cities**

California's four most recently incorporated cities are on the cusp of receiving a long-needed permanent fix to their revenues with [SB 130](#). Approved by the Senate Budget and Fiscal Review Committee on Monday, April 24, the measure was also the subject of an Assembly Budget Committee informational hearing that day. The bill is expected to pass on the Senate and Assembly floors this week, followed by Gov. Jerry Brown's signature.

*For more, see Page 2.*



## **Administration Trailer Bill Implementing Prop. 64 Undermines Local Control over Cannabis Businesses**

The League of California Cities<sup>®</sup> would like to make all cities aware of how the Administration's Cannabis Regulation Trailer Bill, up for a hearing in Assembly Budget Subcommittee No. 4 today, proposes to implement Proposition 64. It will undermine local control and local enforcement. The issues are presented in the form of questions, which are listed below, that local officials can pose to their statewide elected representatives. *For more, see Page 3.*



## **Friday is the Deadline to Apply for Two League Board of Directors Positions**

*Submit applications by or before April 28*

The League of California Cities<sup>®</sup> 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). All nominees for second vice president must currently be serving or have previously served on the board of directors. Applications for second vice president from northern California are encouraged. April 28 is the deadline to apply. *For more, see Page 3.*

The League testified in support of SB 130 in both committees. This measure, which mirrors the contents of League-supported SB 37 (Roth), restores funding stability to four recently incorporated cities — Eastvale, Wildomar, Menifee and Jurupa Valley. These cities, all in Riverside County, have experienced severe financial hardship since 2011 when the state swept all remaining shares of city vehicle license fee (VLF) revenues.

While all city budgets were affected by the loss of city shares of VLF, these four cities were particularly hit hard in that they were much more reliant on the VLF than all of the state's other 478 cities due to prior legislative tinkering with local revenue sources.

## **History**

Some history explains why.

Prior to 1998, cities had three main sources of general revenue: property tax; sales tax; and VLF revenue. (VLF originated as a local property tax levied on vehicles until 1933 when the state standardized collection.) Then in 1998, during a good budget year for the state, some legislators became enamored with the idea of "cutting the car tax" from 2 percent to 0.65 percent with promises to backfill local agencies for their losses with shares of property tax from schools. The League opposed that proposal because the promises to backfill created uncertainty for local revenues; however it was ultimately approved. This leads to more recent history.

As state budget difficulties returned in the early 2000s legislators began to question the backfill to local agencies and also balked at the notion of allowing the triggers to be pulled that would restore VLF collection at its previous level of 2 percent. An agreement was reached in 2004 and solidified in Proposition 1A — a revenue protection measure sponsored by the League — that allowed all cities and counties in existence on that date to swap the amounts owed to them as VLF backfill dollar-for-dollar for increased shares of local property tax. During the negotiations, the League had also advocated for the "swap" to address future incorporations and annexations, but the fix did not make it into the final package.

All cities in existence in 2004 were kept whole by the swap but the agreement did not resolve how to address future incorporations or annexations. VLF had been previously allocated to cities on a per-capita basis. That meant that as new cities incorporated or otherwise added population they received increased shares of this pool of funds. These allocations were also a smart-growth incentive: more people in your city meant more revenue.

The League worked with then Assembly Member John Laird (D-Santa Cruz) in 2006 to fashion a solution in AB 1602 by providing permanent increased shares of a small pool of remaining VLF to newly incorporated cities and cities that annexed inhabited areas.

In 2011, however, during another state budget crisis, the Legislature passed SB 89 — a quickly adopted bill with no public hearings — that swept all of these remaining VLF funds as part of a budget solution. Despite the bill being in print for only a matter of hours, the League still managed to issue an oppose letter and lobbied against it on the Senate floor. The League also filed a lawsuit challenging SB 89, which proved unsuccessful.

For the last six years, the League has drafted, sponsored and supported various measures to address the harmful impacts of SB 89 on the four recently incorporated cities as well as cities that lost funding over annexations. Regrettably, the Governor vetoed the measures that reached his desk.

## **SB 130 Becomes Vehicle to Restore Funding to Four Cities**

A breakthrough finally occurred this legislative session with SB 130. The Governor in recent negotiations agreed to sign SB 130 when it reaches his desk. The measure provides the four cities with shares of property tax to offset the amount of vehicle license fee revenue they would have received. In future years, the amount will be adjusted according to the same rules applied in the swap to other cities. In short, these cities will be treated equally with all other cities.

Restoring needed funding and avoiding the potential disincorporation of these new cities also provides long-term policy benefits to the state. The four affected cities are located in one of the fastest growing regions of California. City land use patterns are urban and dense and their future growth is regulated by local agency formation commission (LAFCO) policies. In contrast, unincorporated development patterns are typically less dense and not regulated by LAFCO.

SB 130, is a long-overdue fix for the four recently incorporated cities that were unjustly and severely harmed by the passage of SB 89 in 2011; still outstanding, however, are the longer-term policy issues associated with future incorporations and annexations which the League will continue to work on.

The League thanks Sen. Richard Roth (D-Riverside) and Assembly Member Sabrina Cervantes (D-Corona) for their lobbying efforts with the Governor to ensure that the fiscal harm caused to the four cities will finally be addressed, and also appreciates the work of the representatives of the firm of Joe A. Gonsalves & Son who advocated on behalf of the affected cities.

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**'Prop. 64' Continued from Page 1...**

1. Why is the League-sponsored Medical Cannabis Regulation and Safety Act being repealed in its entirety, given that it expressly empowered local governments to a) conduct their own enforcement, and b) enforce state health & safety and other standards, if they requested and were granted that authority from the relevant state agency? There is no comparable enforcement provision for locals in the trailer bill.
2. Why does the trailer bill fail to expressly empower locals to conduct audits and inspections, which will be necessary given that cannabis is an all-cash business, especially if there are local tax measures? Local audits will be necessary to assess total volume of traffic and the appropriate revenue yield from any local tax measures. Absent such authorization, locals can anticipate being sued in some jurisdictions.
3. Why are fire safety standards being repealed? Locals have an interest in seeing to it that businesses adhere to those standards. And if locals try to unilaterally enforce those standards absent express statutory authorization, they will have to deal with litigation.
4. Why is there no provision for enforcement of health and safety standards in regard to whether businesses are adhering to packaging and labelling standards? If there is to be state-only enforcement, how can local governments be certain it will be systematic and timely? The League and the police chiefs have asked to have this addressed by either an independent auditor-inspector, or by having this function delegated to local governments.
5. Why is the requirement for potency/concentration being repealed? This can and should remain in statute, and be enforced either by locals, either county health inspectors or municipal code enforcement offices. The latter are already performing compliance checks in communities like Rancho Cordova (Assembly Member Cooley's district).

The League of California Cities and California Police Chiefs Association's [position letter](#) and [attachment](#) are available online.

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**'Board' Continued from Page 1...**

### **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 2017 Board Nominating Committee will meet on June 30, prior to the June 30-July 1 board meeting, to interview at-large finalists and all applicants for the position of second vice president.

The nominating committee members:

- Stephany Aguilar (Chair), council member, Scotts Valley
- Helen Schneider, mayor, Santa Barbara
- Sam Spagnolo, mayor pro tem, Rancho Cucamonga
- Christopher Cate, council member, San Diego
- Jerry Thorne, mayor, Pleasanton
- Ali Sajjad Taj, mayor, Artesia
- Kirsten Keith, mayor, Menlo Park
- Randi Johl, city clerk, Temecula
- Tony Dahlerbruch, city manager, Palos Verdes Estates
- Janet Arbuckle, council member, Grass Valley
- Curtis Hunt, council member, Vacaville

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 2017 Annual Conference and Expo in Sacramento, Sept. 13-15, 2017. Following confirmation of the final candidates, the 2017-18 board of directors will be announced at the closing session of the League's Annual Conference and Expo on Sept. 15.

### **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 28.

The forms are available on the League website:

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

Nominations may be sent via email to [msharpe@cacities.org](mailto:msharpe@cacities.org)

Or mail to:

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

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

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### **U.S. Communities Holding Summit on June 7 in Santa Clara to Educate Local Government Agency Officials on Program's Cost-Saving Benefits**

U.S. Communities, the League of California Cities® and the California State Association of Counties sponsored government purchasing alliance, is hosting a free regional event on June 7

at the Santa Clara Convention Center to help public agencies learn how to save time and money through the U.S. Communities program.

During this event, you will be able to:

- Learn about new solutions and the latest innovations in procurement;
- Network with other local agencies using cooperative purchasing and hear what is working for their agency;
- Meet your local U.S. Communities Program Manager; and
- Connect with U.S. Communities suppliers to learn about and receive their lowest overall government pricing for these products and services:
  - Facilities
  - Fleet
  - Office & School Solutions
  - Technology
  - Parks & Recreation
  - Public Works
  - Safety & Fire
  - Specialty

This educational event will be of special interest to:

- Assistant City Managers
- Public Safety Officials
- Parks & Recreation Officials
- Public Works Directors
- Facilities Managers
- Procurement Officers

### **Event Details**

Wednesday, June 7, 10 a.m. to 12:30 p.m.

Meeting will be held at the Santa Clara Convention Center, 5001 America Pkwy in Santa Clara.

[Register online.](#) Lunch will be provided.

### **About U.S. Communities**

The U.S. Communities Government Purchasing Alliance, a strategic partner of the League of California Cities, is a government purchasing cooperative that reduces the cost of goods and services by aggregating the purchasing power of public agencies nationwide. U.S. Communities provides world class procurement resources and solutions to local and state government agencies, school districts (K-12), higher education, and nonprofits. State and local governments have access to a broad line of competitively solicited contracts with best in class national suppliers.

Learn more about U.S. Communities at [www.uscommunities.org/lcc](http://www.uscommunities.org/lcc).

For more information about the summit, please contact [Jason Angel](#) from U.S. Communities at (925) 588-5054 or [Amanda Cadelago](#) from the League of California Cities at (916) 658-8226.

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### **Time to Register for the Mayors and Council Members Executive Forum and Advanced Leadership Workshops in June**

Join the League of California Cities® in June for the Executive Forum and the Advanced Leadership Workshops. Registration is open for two excellent back-to-back opportunities for Mayors and Council Members of all tenures. The [Mayors and Council Members Executive Forum](#), taking place in Monterey on June 28–29, will be followed immediately by the [Advanced Leadership Workshops](#) on June 30. There is a separate registration for both events.

## **June 28–29, Mayors and Council Members Executive Forum**

This conference is designed for elected officials and staff who are interested in cutting-edge approaches to challenges facing cities. Learn about a wide range of topics, including affordable housing, voter outreach, technology, council-manager relations, legislative issues, and disaster preparedness. Discover more by viewing the [agenda and full list of educational sessions](#). Register for the [MCM Executive Forum](#) on the League website.

## **June 30, Mayors and Council Members Advanced Leadership Workshops**

For those of you who wish to stay for more education on Friday, then the Advanced Leadership Workshops are for you! Choose between two informative workshops:

- City Finances — What You Need to Know; or
- Exceptional Council for Exceptional Times: Creating a Governance Culture of Civility and Purpose.

Both will be held between 9 a.m.–3 p.m. and come with breakfast and a working lunch. Class size is limited to 120 participants. Review the [announcement and workshop information](#), and decide which workshop to attend.

Register online for the [MCM Advanced Leadership Workshops](#). Early registration is recommended as space is limited.

For more information about the Mayors and Council Members events, please visit the League [website](#).

If you have any questions, please contact [Caitlin Cole](#).

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## **League-Sponsored Bond Agency Issues \$30 Million in Tax-Exempt Bonds for Affordable Housing in Los Angeles, West Covina and Hemet**

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 a total of \$30,067,415 in tax-exempt multi-family affordable housing bonds for the Hemet Vistas Apartments in Hemet, the Princess Apartments in Los Angeles and the Promenade Apartments in West Covina.

### **About Hemet Vistas Apartments**

Hemet Vistas Apartments (Hemet Vistas) is an acquisition and rehabilitation of 143 multi-family affordable housing apartments by Hemet Vistas 1&2R Partners, LP. The project sponsor is Palm Communities. Hemet Vistas will continue to be 100 percent affordable and provide apartments to low-income residents in Hemet.

CSCDA and Palm Communities partnered with Chase Bank to provide \$10.8 million in tax-exempt multi-family affordable housing bonds for Hemet Vistas. The project will undergo an extensive interior and exterior renovation ensuring that residents have an updated, safe, and affordable community to call home for years to come. The financing of Hemet Vistas will maintain the affordability of units for low-income tenants for 55 years.

### **About Princess Apartments**

Princess Apartments are an acquisition and rehabilitation of 58 multi-family affordable housing apartments by Princess Affordable Apartments, LP. The project sponsor is Intercontinental Affordable Housing (IAHI). Princess Apartments will continue to be 100 percent affordable and provide apartments to low-income residents in Los Angeles.

CSCDA and IAHI partnered with Jones, Lang LaSalle Multifamily to provide tax-exempt multi-family affordable housing bonds for Princess Apartments. The project will undergo an extensive interior and exterior renovation ensuring that residents have an updated, safe, and affordable community to call home for years to come. The financing of Princess Apartments will maintain the affordability of units for low-income tenants for 55 years.

### **About The Promenade Apartments**

The Promenade Apartments (Promenade) is an acquisition and rehabilitation of 124 multi-family affordable housing apartments by The Promenade Housing Partners, L.P. The project sponsor is National Community Renaissance of California (National CORE). Promenade will continue to be 100 percent affordable and provide apartments to low-income residents in West Covina.

CSCDA and National CORE partnered with Bank of the West and Orrick, Herrington & Sutcliffe, LLP to provide the \$10.7 million in tax-exempt multi-family affordable housing bonds for Promenade. The project will undergo an extensive interior and exterior renovation ensuring that residents have an updated, safe, and affordable community to call home for years to come. The financing of Promenade 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<sup>®</sup> 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.

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