

**REVENUE AND TAXATION POLICY COMMITTEE  
HIGHLIGHTS**

Thursday, January 18, 2018  
Sacramento Convention Center, 1400 J Street, Rm. 204, Sacramento

**ATTENDANCE**

Members: Bob Biery (Chair), Jeff Slowey (V. Chair), John Adams, Paul Akinjo, Paul Arevalo, David Ayers, Michael Bennett, Marita Dorenbecher, Reva Feldman, Deborah Franklin, John Gillison, Barbara Halliday, Carla Hansen, Melissa Hernandez, Lewis Humphries, Lauren Lai, Randon Lane, Eric Levitt, Sashi McEntee, Glenn Miller, Joseph Muller, Paul Navazio, Stephanie Nguyen, Oley Olsen, Chris Pedigo, Marcus Pimentel, James Purtee, Ana Maria Quintana, Amanda Rigby, Sylvia Robles, Ed Rodriguez, Harry Sachs, David Sander, Greg Sparks, Niroop Srivatsa, Karen Stepper, Fred Strong, Kuldip Thusu, Olivia Valentine, Matthew Vespi, Joe Vinatieri, Donald White, Edward Wilson, David Wilson, Jim Zervis

League Partner: Fran Mancia, Ken Nordhoff

Staff: Dan Carrigg

**I. State Budget and Issues Briefing**

The January 2018 Policy Committee meetings began with a General Session briefing. League President Rich Garbarino, Council Member, City of South San Francisco, gave a brief welcome, which included highlighting the importance of the League's 2018 Strategic Goals, and then introduced League Deputy Executive Director/Legislative Director, Dan Carrigg, to discuss state budget and legislative issues.

Mr. Carrigg stated that the state budget revenues continue to be strong and that the Governor plans to allocate additional revenues to fully-fund the state's Rainy Day Reserve fund at \$13.5 billion. Healthy reserves were also good for local government, he said, because it gave the state options during a downturn, rather than attempting to shift funds from local government as it had in the past. Mr. Carrigg then introduced Michael Coleman, the League's Fiscal Policy Advisor, to discuss the Governor's January budget.

Mr. Coleman gave a short PowerPoint presentation on the 2018 January Governor's budget. For more information about the impacts of the budget on cities, please review the League's [analysis](#), and information on Mr. Coleman's website [here](#). Mr. Coleman then gave Dan Carrigg the floor.

Mr. Carrigg briefly discussed the large amount of housing bills passed by the Legislature last year and how if more housing legislation were introduced this year could be difficult for cities to navigate. He also discussed the uncertainty California faces in regards to the President's recent tax reform legislation and plan to open up offshore drilling. Then he introduced the League's lobbyists to discuss their respective issue areas. First, he introduced Dane Hutchings, League Legislative Representative, to discuss pensions and other labor and governance issues.

Mr. Hutchings gave an overview of what will be happening on pensions this year. Cities are struggling with increasing costs, and securing additional flexibility for cities is a priority. Additionally, Mr. Hutchings discussed two measures (not in print then) that could have big effects on cities. The first measure would apply prospective and retroactive joint and several liability to agencies who have entered into a JPA for all retirement related liabilities for any public retirement system. This measure would not just apply to CalPERS but any county

retirement system as well. The second measure would expand the number of days allotted in the safe-harbor provision of the California Voting Rights Act to provide cities more time to convert to district-based elections.

Rony Berdugo, League Legislative Representative, discussed how the landmark passage of SB 1 (Beall, 2017) doubles the amount of funding cities receive for road maintenance and rehabilitation projects. He stressed that if the voters repealed SB 1, another funding package would not come together for a long time. He encouraged cities to proactively document and promote their road improvement work as the best way to protect their funding and to join in League efforts to support Proposition 69, the constitutional protections for new transportation revenues, and to participate in efforts to oppose the transportation funding repeal. Additionally, he thanked the Governor for his veto of SB 649 (Hueso) and how the League was taking steps to draft its own proposal on telecommunications deployment. This proposal would help preserve local control, while also providing a streamlined process for cities to roll out wireless “small cell” technology.

Jason Rhine, League Legislative Representative, focused in on the housing affordability and availability challenges throughout the state. Mr. Rhine noted that housing legislation is a high priority for the Legislature and the League this year. He reminded attendees to look through the 2018 Guide to New Housing Law in California, which was provided. Additionally, Mr. Rhine encouraged members to be active in advocating for legislation that will help local governments address their housing challenges while preserving appropriate local control functions. Mr. Rhine also discussed SB 827 (Wiener), which would exempt certain housing projects from locally developed and adopted height limitations, densities, parking requirements, and design review standards. Cities were encouraged to submit an opposition letter.

Erin Evans-Fudem, League Legislative Representative, highlighted evolving environmental and community issues that will be big in 2018. With successful reauthorization of the cap-and-trade program last year, monitoring the programs and proposed funding allocations will continue to be a priority. In addition, Ms. Evans-Fudem discussed the importance for cities to engage in discussions about organic waste recycling regulations, disaster relief and wildfire response legislation, as well as offshore drilling, and clean drinking water legislation.

Tim Cromartie, League Legislative Representative, updated members on the continued rollout of cannabis regulations and the different ways cities can stay engaged on this issue. On the topic of public safety, he informed members they should be aware of a ballot initiative, sponsored by the Police Chiefs and the Grocers associations, seeking to amend the list of violent offenses as it relates to the provisions of Proposition 57, which provides for expanded parole considerations and increased rehabilitation programming for non-violent offenders. In addition, cities must stay alert for the drone industry to push for federal preemption in the annual Federal Aviation Administration’s reauthorization bill. Upon being informed that Tim was taking another job, the policy audience applauded his efforts on behalf of cities.

Following the General Briefing for all policy committees, the members of the Revenue and Taxation Committee and the Governance, Transparency and Labor Relations Committee received a special joint briefing on city impacts of pension costs from Mary Beth Redding, Vice President, John Bartel Associates, LLC, based upon their recent analysis of CalPERS data commissioned by the League.

**II. Welcome and Introductions**

Committee Chair Bob Biery thanked the members for their time and commitment. Members introduced themselves and announce how many years have they served on a policy committee.

**III. Public Comment**

No public comment.

**IV. Overview of Parliamentary Procedures and Roberts Rules**

The Chair referred members to a handout on the parliamentary procedures. Members were assured that a representative of the City Attorney's department and committee staff will assist, if needed.

**V. Committee Orientation**

Dan Carrigg, Deputy Executive Director, provided a brief explanation of the League's policymaking process, including the role of the committee in making recommendations to the League Board and the collaborative process between committee members and staff on preparing meeting agendas.

**VI. League Strategic Goals for 2018**

Mr. Carrigg introduced the 2018 strategic goals and explained the process of establishing the goals. Mr. Carrigg stated that the goals also influence scheduling presentations/speakers for the committee.

**VII. Review of Existing Policy & Guiding Principles**

Mr. Carrigg explained the importance of the guiding principles document as the foundation League advocacy positions.

**VIII. Adoption of Updated Revisions to Existing Policy & Guiding Principles**

Every two years, the Existing Policy and Guiding Principles is updated to reflect significant policy changes adopted by policy committees and approved by the League Board of Directors. Mr. Carrigg explained that, while adjustments were made to Revenue and Taxation policies for the 2016 edition, he did not believe any new adjustments were warranted for 2018, since all committee and board actions over the prior two years were consistent with existing League policies. The committee approved the existing Revenue and Taxation policies, without change, by unanimous vote.

**IX. Additional Discussion on State Budget Proposal**

The committee had a brief discussion about the state budget. The majority of this information was presented during the general session. No further questions were raised.

**X. State Legislative Update**

Mr. Carrigg provided the committee with an update on League-sponsored bills on annexation and incorporation. Specifically, the League will be working on legislation designed to assist cities harmed by the passage of SB 89 (2011) and restore fiscal incentives that support future city annexations of inhabited county islands and adjacent areas.

SB 89 was a budget trailer bill that swept over \$200 million annually in vehicle license fees from cities, caused significant fiscal harm to cities that annexed inhabited territory and recently incorporated cities. The League has tried to pass legislation that would asset annexing cities and restore fiscal incentives for cities that annex and improve service delivery to adjacent unincorporated territory, including disadvantaged unincorporated communities. The passage of

SB 130 in 2017, which contained a fix for four recently incorporated cities, provides a template to address the issues of annexations and future incorporations.

Committee members were provided a brief update about tax increment and the restoration of RDA 2.0 efforts. The League is working to bring back the tools provided by redevelopment. RDA 2.0 needs to be a tool that is helpful to cities and having local agencies work together. The committee will receive updates about this topic.

**XI. Discussion on Next Steps on Sales Tax Modernization**

Building off prior meetings, and recognizing new members had joined the committee, Mr. Carrigg and Mr. Coleman provided the committee with an update on the issues associated with sales tax modernization. Mr. Carrigg informed the committee about a recent State Auditor's report that made numerous recommendations to the Legislature, and that a Senator was planning to introduce a Constitutional Amendment to shift sales tax allocation to destination.

Additionally, a city managers working group has been established to help the League prepare for future discussions with the Legislature and other stakeholders, and will focus on the thorny issues associated with allocation. The committee will be updated on any developments.

**XII. 2018 Ballot Measures June Ballot:**

Mr. Carrigg gave an overview about the propositions that will be on the June Ballot (ACA 5, ACA 1, SB 5, and ACA 17) and November Ballot (SB 3). **The League Board adopted support positions on ACA 5, SB 5 and SB 3.** Committee members talked about how the propositions will impact their cities. The committee will receive more information at the April meeting.

**XIII. Initial Discussion of Other Potential Ballot Measures (Rev and Tax Related)**

The committee was briefed on potential ballot measures pertaining to: proposed repeal of recent transportation funding package, Realtor's Proposition Tax Base Transfer, Revenue Restrictions Property Tax (Split Roll), and a proposed constitutional initiative concerning state and local government taxes and fees (A.G. File No.17-0050). The committee discussed the Realtor's Proposition Tax Base Transfer and how that would impact tax collection and the housing market.

The committee will receive more information at the April meeting.

**XIV. Discussion with Nick Maduros, Director, CA Department of Tax and Fee Administration**

Nick Maduros, Director of the California Department of Tax and Fee Administration, discussed how this new department (replacing former duties of the Board of Equalization) operates. The new director's priorities include having the department work smarter, use technology to streamline compliance, implement new cannabis laws, and rebuild the internal culture at the agency. Committee members engaged in a discussion with the director about the responsibilities and challenges of the agency.

**XV. Adoption of 2018 Work Program**

The Committee reviewed a draft work program prepared by League staff. The work program identified areas the Committee will work on in 2018, including developing and reviewing legislative proposals and ballot measures affecting taxation issues and financing options for infrastructure. The committee unanimously adopted the work plan.

**Next Meeting: Thursday, April 12, 2018, Sheraton Fairplex Hotel & Conference Center, Pomona**