



# City of Woodland

## REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR  
AND CITY COUNCIL

DATE: December 15, 2009

SUBJECT: Resolution of Support for the Local Taxpayer, Public Safety and  
Transportation Protection Act of 2010

### **Report in Brief**

As the Council is well aware, the State remains mired in a financial quagmire with the most recent fiscal projections showing a \$21 billion deficit. Local government advocates, including the League of California Cities, believe that the balance of local revenues that were not borrowed or seized earlier this year remain at risk for a future seizure.

In response to this situation, the League has formed a coalition with two other economic and transportation advocacy organizations to submit a ballot initiative that is being reviewed by the California Attorney General's Office for title and summary. Following completion of this review, the coalition will commence the gathering of signatures to qualify the initiative for the November 2010 ballot. In order to create awareness of this effort, the League is asking city councils to adopt resolutions of support for the initiative.

Staff recommends that the City Council adopt Resolution No. \_\_\_\_\_, a resolution in support of the Local Taxpayer, Public Safety and Transportation Protection Act of 2010.

### **Background**

In addition to addressing the decline in sales and property taxes generated by the current recessionary economy, Woodland and all other California local governments also addressed the borrowing and seizure of funds that were used to balance the State's chronically imbalanced budget. For Woodland, State actions included the borrowing of \$1,346,850 million in property tax for FY 2010 and outright seizure of an estimated \$800,000 in redevelopment funds over the next two years.

The loss of the property tax was mitigated by the State action to allow securitization of the borrowing wherein cities could participate in a bond issuance program with the State guaranteeing repayment of the funds. The City Council's approval of a resolution to participate in the program on November 3 offset the impact of this borrowing. California Communities, a public financing organization, issued bonds in the amount of \$1,895,000,000 in mid-November order to make whole the affected cities that chose, like Woodland, to participate in this program. Fifty percent of

Woodland's Proposition 1A Receivable Amount will be distributed on January 15, 2010 and fifty percent will be distributed on May 3, 2010. These dates are consistent with our normal property tax distributions and will allow the City of Woodland to remain whole with regards to anticipated property tax revenue for Fiscal Year 2010.

Unfortunately, mitigating the impact of the redevelopment fund seizure is far less certain. Both the League and California Redevelopment Association (CRA) have retained legal counsel to contest the seizures of redevelopment funds. It is clear to attorneys retained by the League and CRA that the redevelopment seizure is unconstitutional. In addition, a recent Sacramento Superior Court decision that has been sustained by higher courts found that last year's attempted diversion of the redevelopment tax increment violated Article XVI, Section 16 of the California Constitution. The same result is expected in any future lawsuit to challenge the recently approved raid. However, Redevelopment Agencies are preparing to pay the seizure amounts when due to the State in May 2010 in case the legal challenge is unsuccessful.

During State budget deliberations last June, the Legislative Budget Conference Committee approved a third seizure of additional local revenues to fund the State budget. This seizure involved the Governor's proposal to take almost \$1 billion in city and county shares of revenues in the Highway Users Tax Account (HUTA) from the motor fuel tax (or gas tax) in FY 10 and \$700 million in FY 11 to fund past and future highway bond debt service payments out of the general fund. If this seizure had been included in the FY 2010 State budget, the impact would have been very significant. Woodland could have lost an additional \$2 million specifically allocated to fund the City's maintenance program for local streets and roads over the next two years. This action would have forced the elimination of approximately eleven positions and may have required the City to consider such drastic steps as turning off street lights in sections of the City that are not supported by a Lighting and Landscaping District. Fortunately, aggressive lobbying by cities and the League forced legislators to abandon this proposal.

### **Discussion**

Recent media reports have confirmed that California is again mired in a financial quagmire with a current estimated shortfall of \$21 billion. While staff is unaware of any specific proposal to seize additional local revenue, the Governor's and Legislature's proposal last summer to seize the gas tax certainly suggests that such consideration may resurface.

Staff believes the consideration of actions to further reduce local revenues by the Legislature is inconsistent with the desires of Californians who supported previous ballot measures that established the Highway Users Tax Account. For Woodland, the loss of gas tax funds would take away a funding source that is currently leveraged with Measure E, transportation grants and roadway development impact fees to maintain and/or reconstruct local streets and roads. If Measure E funds are used to backfill the annual roadway maintenance program, several capital projects would be impacted and the entire 10-year CIP would need to be reevaluated and rebalanced.

The League of California Cities also believes that other local revenues may be at risk. These sources include Transit Occupancy Taxes (TOT or hotel room tax), reallocation of Vehicle License Fees and

special taxes such as the Utility Users Tax. In fact, the most recent elections last month saw the enactment and/or reconfirmation of several local tax measures by voters in communities across California who consented to taxing themselves because they believe their local governments will be accountable for spending the funds on the intended purpose. This sentiment is entirely consistent with the actions of Woodland voters in 2000 and 2006 when Measures H and E were approved along with advisory measures stating the intended use of the funds generated by the half cent sales tax.

In response to the continuing threat of State seizures of local revenues, the League has formed a coalition with the California Alliance for Jobs and the California Transit Association to file a ballot initiative entitled the Local Taxpayer, Public Safety and Transportation Protection Act of 2010. This initiative has been received by the State Attorney General's Office and is being reviewed for summary and title. Once this process is completed, the initiative will be circulated for signature gathering by the sponsors in order to be qualified for the November 2010 ballot.

The League has asked city councils across California to adopt resolutions in support of the initiative. As stated by Council member Marble on December 1, this request is intended to generate public awareness of the initiative in advance of the signature gathering process and to keep the issue of inappropriate local government revenue seizures by the State in the minds of California voters. Staff fully supports the need to present the attached resolution to the City Council for consideration at the December 15 meeting.

**Fiscal Impact**

Adoption of the attached resolution will not have a financial impact on any City funds.

**Public Contact**

Posting of the City Council agenda. A copy of the resolution and staff report will be sent to the League of California Cities if the City Council approves the staff recommendation. The City of Woodland would be listed as a supporter of the initiative on the League's website and in other informational materials associated with the Local Taxpayer, Public Safety and Transportation Protection Act of 2010.

**Recommendation for Action**

Staff recommends that the City Council adopt Resolution No. \_\_\_\_\_, a resolution in support of the Local Taxpayer, Public Safety and Transportation Protection Act of 2010.

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Mark G. Deven  
City Manager

Attachments: Resolution No. \_\_\_\_\_

**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION IN SUPPORT OF THE LOCAL TAXPAYER, PUBLIC SAFETY, AND TRANSPORTATION PROTECTION ACT OF 2010**

WHEREAS, California voters have repeatedly and overwhelmingly passed separate ballot measures to stop State raids of local government funds, and to dedicate the taxes on gasoline to fund transportation improvement projects; and

WHEREAS, these local government funds are critical to provide the police and fire, emergency response, parks, libraries, and other vital local services that residents rely upon every day, and gas tax funds are vital to maintain and improve local streets and roads, to make road safety improvements, relieve traffic congestion, and provide mass transit; and

WHEREAS, despite the fact that voters have repeatedly passed measures to prevent the State from taking these revenues dedicated to funding local government services and transportation improvement projects, the State Legislature has seized and borrowed billions of dollars in local government and transportation funds in the past few years; and

WHEREAS, this year's borrowing and raids of local government, redevelopment and transit funds, as well as previous, ongoing raids of local government and transportation funds, have lead to severe consequences, such as layoffs of public safety and other public employees, stalled economic development, delays in road safety improvements and related public service reductions; and

WHEREAS, State politicians in Sacramento have continued to ignore the will of the voters, and current law provides no penalties when state politicians take or borrow these dedicated funds; and

WHEREAS, a coalition of local government, transportation and transit advocates recently filed a constitutional amendment with the California Attorney General, called the Local Taxpayer, Public Safety, and Transportation Protection Act of 2010, for potential placement on California's November 2010 statewide ballot; and

WHEREAS, approval of this ballot initiative would close loopholes and change the Constitution to further prevent State politicians in Sacramento from seizing, diverting, shifting, borrowing, transferring, suspending or otherwise taking or interfering with tax revenues dedicated to funding local government services, including redevelopment, or dedicated to transportation improvement projects and mass transit.

THEREFORE, BE IT RESOLVED that the Woodland City Council formally endorses the Local Taxpayer, Public Safety, and Transportation Protection Act of 2010, a proposed constitutional amendment.

BE IT FURTHER RESOLVED that we hereby authorize the listing of the City of Woodland in support of the Local Taxpayer, Public Safety, and Transportation Protection Act of 2010 and instruct staff to fax a copy of this resolution to campaign offices at 916.442.3510.

**PASSED AND ADOPTED** this \_\_\_\_ day of \_\_\_\_\_, 2009 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Marlin H. Davies, Mayor

ATTEST:

APPROVED AS TO FORM:

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Susan L. Vannucci, Director of  
Administrative Services

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Andrew J. Morris, City Attorney