



Agenda Item B.6
CONSENT CALENDAR
Meeting Date: September 2, 2008

TO: Mayor and Councilmembers

FROM: Daniel Singer, City Manager

CONTACT: Kirsten Z. Deshler, Management Analyst

SUBJECT: Resolution on California State Budget and Opposition to Borrowing of Local Government Funds

RECOMMENDATION:

Adopt resolution No. 08-__ entitled "A Resolution of the City Council of the City of Goleta, California Opposing State Budget Decisions that Would Borrow Local Government, Redevelopment and Transportation Funds".

BACKGROUND:

The State of California has been without a fiscal year 2008/2009 budget since July 1, 2008. There is a stalemate between those who oppose any tax increases and those who favor a combination of tax increases, budget cuts, and budget reform proposals. The "big five," comprised of Assembly and Senate Majority and Minority Leaders and the Governor have met periodically over the last several months in hopes of a budget agreement, but without success.

The League of California Cities and California Redevelopment Association continue to keep City staff apprised on the status of negotiations. In early August, the Ad Hoc Committee on Legislative Issues authorized sending a letter to Governor Schwarzenegger and Assemblymember Pedro Nava opposing a permanent take of redevelopment funds.

DISCUSSION:

In the last month, there have been several proposals considered which would borrow local government Property Tax revenues (Proposition 1A, 2004), Transportation Sales Tax funds (Proposition 42, 2006), and Redevelopment Tax Increment to balance the \$15.2 billion budget deficit. In the case of Proposition 1A, 2004 & Prop 42, 2006, there are onerous provisions built into law to discourage state raiding of these funds except for extreme financial hardship. If

funds are borrowed from these accounts, current law stipulates that they must be repaid within three years.

The League of California Cities is urging cities to approve resolutions calling on the Governor and Legislature to work toward meaningful reform without the reliance on local government funds, budget gimmicks or short term borrowing.

Attachment 1 is a resolution calling on the Legislature and Governor to balance the budget without using local government funds. If approved by Council, the resolution will be sent to the "big five" negotiators and to Assemblymember Pedro Nava. Attachment 2 is a break-down of local government funds at risk in the fiscal year 2008/2009 budget.

ALTERNATIVES:

The Council could choose not to support a budget resolution at this time and instead draft a letter for the Mayor's signature to be sent to Governor Schwarzenegger and Assemblymember Nava. Or the Council could choose to take no action.

FISCAL IMPACTS:

According to California City Finance, the City of Goleta would lose approximately \$701,000 under current proposal. This includes: property tax funds of \$328,000, transportation sales tax funds of \$277,000, and redevelopment funds of \$96,000.

Submitted By:

Reviewed by:

Approved By:

Kirsten Z. Deshler
Management Analyst

Michelle Greene
Administrative Services
Director

Daniel Singer
City Manager

ATTACHMENTS:

1. Resolution Opposing State Budget Decisions that Would Borrow Local Government, Redevelopment and Transportation Funds.
2. Local Funds at Risk in the FY 08/09 State Budget Standoff.

ATTACHMENT 1

Resolution Opposing State Budget Decisions that Would Borrow Local Government, Redevelopment and Transportation Funds.

RESOLUTION NO. 08-__

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GOLETA,
CALIFORNIA OPPOSING STATE BUDGET DECISIONS THAT WOULD
BORROW LOCAL GOVERNMENT, REDEVELOPMENT AND
TRANSPORTATION FUNDS**

WHEREAS, on July 1, 2008 the State Legislature missed its Constitutional budget deadline; and

WHEREAS, both the Governor and the Legislative Budget Conference Committee have recommended balanced budgets without resorting to “loans” or seizures of local government property tax, redevelopment tax increment and transportation sales tax; and

WHEREAS, in 1952 the voters of California approved Article XVI, Section 16 of the California Constitution, providing for tax increment financing for community revitalization and voters never authorized the legislature to take or “borrow” community redevelopment funds from state programs; and

WHEREAS, in 2004 by an 84% margin of approval the voters of California approved Proposition 42 and sent a loud message to state leaders that they should stop the practice of taking local government funds to finance the state budget and paper over the state deficit; and

WHEREAS, in 2006 by a 77% margin of approval the voters of California also approved Proposition 1A, providing similar protections to transportation funding for state and local transportation projects, including important street maintenance and public transit programs; and

WHEREAS, both ballot measures allow the Governor to declare a “severe state of fiscal hardship” and “borrow” these funds if they are repaid in three years with interest, but the Governor believes it would be irresponsible to “borrow” such funds because it would deepen the state’s structural deficit and cripple local government and transportation services; and

WHEREAS, refusal by the Legislature to carry out its constitutional obligation to compromise on a balanced budget is not a “severe state of fiscal hardship” and would not justify reductions in critical local services, community revitalization programs and infrastructure maintenance at a time when cities are struggling to balance their own budgets during this economic down turn; and

WHEREAS, city investments in infrastructure, affordable housing and basic public safety and other community services will create needed jobs and speed our economic recovery; and

WHEREAS, the Legislature should balance the state budget with state revenues and respect the overwhelming support of voters for not using local property taxes, redevelopment tax increment and transportation sales tax funds to fund the day-to-day operating cost of state programs; and

WHEREAS, it would be fiscally irresponsible to paper over the state structural deficit with more borrowing, and Californians deserve state leaders who will tell them honestly what needs to be done to produce a balanced budget; and

WHEREAS, it is time for the State of California to cut up its local government credit cards and deal with the budget deficit in a straightforward way. Balance the state budget with state funds.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GOLETA DOES RESOLVE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1

That the City of Goleta does hereby oppose any and all efforts by state government to borrow or seize local tax funds, redevelopment tax increment and transportation sales tax funds by the state government to finance state operations. Such a move would be fiscally irresponsible for the state and hamper effective local services and infrastructure investments.

SECTION 2

That the Mayor hereby direct staff to send this resolution and communicate the Council's strong opposition on this matter to our Legislature and the Governor along with an expression of our continued appreciation for the Governor's and any supportive legislators' steadfast opposition to further borrowing or seizure of these funds.

SECTION 3

The City Clerk shall certify to the adoption of this Resolution.

PASSED, APPROVED AND ADOPTED this ____day of September, 2008.

MICHAEL BENNETT, MAYOR

ATTEST:

APPROVED AS TO FORM:

DEBORAH CONSTANTINO
CITY CLERK

TIM G. GILES
CITY ATTORNEY

STATE OF CALIFORNIA)
COUNTY OF SANTA BARBARA) ss.
CITY OF GOLETA)

I, DEBORAH CONSTANTINO, City Clerk of the City of Goleta, California, DO
HEREBY CERTIFY that the foregoing Resolution No. 08-__ was duly adopted by the
City Council of the City of Goleta at a regular meeting held on the __ day of September,
2008, by the following vote of the Council:

AYES:

NOES:

ABSENT:

(SEAL)

DEBORAH CONSTANTINO
CITY CLERK

ATTACHMENT 2

Local Funds at Risk in the FY 08/09 State Budget Standoff.

Local Funds at Risk in the FY08-09 State Budget Standoff

*Estimated maximum exposure assuming property tax shifts allocated proportionate to ERAF III
Redevelopment #s from Calif Redevelopment Assn assume flat % of gross tax increment.*

City/County	<u>Property Tax *</u> <u>Borrowing</u>	<u>Proposition 42</u> <u>Borrowing</u>	<u>Redevelopment/II</u> <u>Shift / Take</u>	<u>Total</u>
CALIFORNIA				
CITIES *	- 700,000,000	- 286,000,000		- 986,000,000
COUNTIES	- 700,000,000	- 286,000,000		- 986,000,000
SPECIAL DISTRICTS	- 700,000,000	-		- 700,000,000
REDEVELOPMENT AGENCIES			- 200,000,000	- 200,000,000
STATE TOTAL	- 2,100,000,000	- 572,000,000	- 200,000,000	- 2,872,000,000
SAN LUIS OBISPO COUNTY				
ARROYO GRANDE	- 486,624	- 154,066	- 51,849	- 692,539
ATASCADERO	- 653,279	- 255,363	- 159,900	- 1,068,542
EL PASO DE ROBLES	- 730,837	- 271,322	- 149,323	- 1,151,482
GROVER BEACH	- 272,296	- 121,881	- 44,679	- 438,856
MORRO BAY	- 456,778	- 96,729		- 553,507
PISMO BEACH	- 361,745	- 80,126	- 41,294	- 483,165
SAN LUIS OBISPO	- 1,360,308	- 410,127		- 1,770,435
County of SAN LUIS OBISPO	- 4,700,578	- 3,386,537		- 8,087,115
Special Districts in SAN LUIS OBISPO County	- 5,712,450			- 5,712,450
SANTA BARBARA COUNTY				
BUELLTON	- 154,534	- 42,867	- 22,282	- 219,683
CARPINTERIA	- 261,375	- 134,089		- 395,465
GOLETA	- 327,574	- 277,344	- 95,646	- 700,563
GUADALUPE	- 66,434	- 59,047	- 42,458	- 167,939
LOMPOC	- 699,230	- 389,048	- 112,632	- 1,200,909
SANTA BARBARA	- 2,477,138	- 865,558	- 714,601	- 4,057,297
SANTA MARIA	- 1,810,465	- 830,432	- 48,167	- 2,689,063
SOLVANG	- 171,420	- 50,516		- 221,935
County of SANTA BARBARA	- 7,788,714	- 3,536,802	- 205,722	- 11,531,238
Special Districts in SANTA BARBARA County	- 5,050,050			- 5,050,050
VENTURA COUNTY				
CAMARILLO	- 1,175,455	- 603,070	- 205,789	- 1,984,314
FILLMORE	- 180,998	- 140,166	- 286,022	- 607,186
MOORPARK	- 517,420	- 332,327	- 269,510	- 1,119,257
OJAI	- 185,385	- 74,978	- 65,055	- 325,418
OXNARD	- 3,742,580	- 1,774,222	- 736,334	- 6,253,136
PORT HUENEME	- 275,443	- 206,337	- 258,653	- 740,433
SAN BUENAVENTURA	- 2,869,363	- 988,156	- 126,895	- 3,984,413
SANTA PAULA	- 466,453	- 269,383	- 120,122	- 855,958
SIMI VALLEY	- 2,236,577	- 1,144,749	- 804,377	- 4,185,703
THOUSAND OAKS	- 3,081,278	- 1,174,305	- 803,255	- 5,058,838
County of VENTURA	- 14,171,112	- 5,756,754	- 24,704	- 19,952,570
Special Districts in VENTURA County	- 20,976,636		- 47,062	- 21,023,698

Notes:

- o Assumes \$2.1B max proptax shift.
- o Prop1A does not specify allocation. These #s assume allocation proportionate to ERAF III. Actuals may be higher/lower.