



AGENDA REPORT

Meeting Date: January 12, 2010
Item Number: E-1
To: Honorable Mayor & City Council
From: Cheryl Friedling, Deputy City Manager of Public Affairs
Subject: RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS
IN SUPPORT OF THE LOCAL TAXPAYER, PUBLIC SAFETY, AND
TRANSPORTATION PROTECTION ACT OF 2010

Attachments:

1. Resolution
2. Initiative Title and Summary
3. Coalition Flyer – Californians to Protect Local Taxpayers & Vital Services
4. News Article

RECOMMENDATION

It is recommended that the City Council formally endorse the Local Taxpayer, Public Safety and Transportation Protection Act of 2010, a proposed constitutional amendment that is scheduled for the November, 2010 statewide ballot.

INTRODUCTION

During 2009, the State Legislature passed its budget that allowed the seizing or borrowing of approximately \$5 billion in city, county, transit, redevelopment and special district funds.

Most recently, the Governor and Legislature indicated that they plan to shift or borrow local funds once again in 2010 to balance California's budget, which is projected to have a \$21 billion deficit. (The Governor will present his budget on January 8, 2010.)

Voters in California have repeatedly passed measures to prevent the State from taking local revenues and gas tax funds, therefore depriving communities of such critical services as police and fire, emergency response, parks, libraries, road safety, traffic relief and mass transit construction. However, existing loopholes have allowed the State to continually borrow or seize critical local funds.

DISCUSSION

A statewide ballot initiative designated as The Local Taxpayer, Public Safety and Transportation Protection Act has been authorized for the November, 2010 ballot.

Sponsored by a coalition of local government, public safety, transportation, business and labor organizations, this ballot initiative would close loopholes to prevent the taking of local taxpayer funds currently dedicated to cities, counties, special districts and redevelopment agencies. It would also revoke the State's authority to borrow local government property tax funds.

During the League of California Cities 2009 Annual Conference, the League's General Assembly unanimously passed a resolution of support for the League's efforts to pursue this ballot measure.

The Beverly Hills City Council (and the City's Legislative Committee) have endorsed similar measures in the past to oppose efforts by the State to shift or borrow local revenues.

FISCAL IMPACT

There is no fiscal impact associated with adopting this Resolution and directing City staff to coordinate efforts with the League of California Cities, one of the coalition's sponsoring organizations.

However, several City revenue sources are likely to be in jeopardy should the Legislature continue to seek funds from cities and transit agencies in the latest effort to balance the State budget.

A recent plan by the Governor would reduce statewide transit funds by as much as \$1 billion, which could jeopardize regional MTA transit projects.

Highway Users Tax Account funds (i.e., gas tax funds) are likely be tapped in a renewed effort to balance the state budget. The City of Beverly Hills received \$583,623 in FY 2009-10 from this Highway Users Tax Account to fund street maintenance, traffic signal repairs and pothole repairs.

Cheryl Friedling, Deputy City Manager
Approved By



Attachment 1

Resolution

RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS IN
SUPPORT OF THE LOCAL TAXPAYER, PUBLIC SAFETY, AND
TRANSPORTATION PROTECTION ACT OF 2010

WHEREAS, local government funds are critical to provide residents of the City of Beverly Hills (“City”) with the police and fire, emergency response, parks, libraries, and other vital local services that they 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 local revenues, the State Legislature has seized and borrowed billions of dollars in local government and transportation funds in the past few years; 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 (or “the Act”), for potential placement on California’s November 2010 statewide ballot; and

WHEREAS, voter approval of this ballot initiative would close loopholes and amend the California Constitution to further prevent Sacramento from seizing, diverting, shifting, borrowing, transferring, suspending or otherwise taking or interfering with tax revenues dedicated to funding local government services; and

WHEREAS, the Local Taxpayer, Public Safety and Transportation Act of 2010 conforms to the City’s established Legislative Platform.

NOW, THEREFORE, the Council of the City of Beverly Hills does hereby resolve as follows:

Section 1. The City formally endorses the Local Taxpayer, Public Safety and Transportation Protection Act of 2010, a proposed constitutional amendment.

Section 2. The City hereby authorizes the listing of the City of Beverly Hills in support of the Local Taxpayer, Public Safety, and Transportation Protection Act of 2010 and instructs staff to fax a copy of this resolution to the Act campaign offices.

Section 3. The City Clerk shall certify to the adoption of this resolution and shall cause this resolution and his certification to be entered in the Book of Resolutions of the council of this City.

Adopted:

NANCY KRASNE
Mayor of the City of Beverly Hills, California

ATTEST:

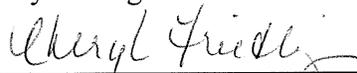
_____(SEAL)
BYRON POPE
City Clerk

APPROVED AS TO FORM:



LAURENCE S. WIENER
City Attorney

APPROVED AS TO CONTENT:

RODERICK J. WOOD, ICMA-CM
City Manager


CHERYL FRIEDLING
Deputy City Manager – Public Affairs

Attachment 2

Initiative Title and Summary

Date: December 16, 2009
Initiative 09-0063 (Amdt. #1-NS.)

The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure:

**PROHIBITS THE STATE FROM TAKING FUNDS USED FOR TRANSPORTATION
OR LOCAL GOVERNMENT PROJECTS AND SERVICES. INITIATIVE**

CONSTITUTIONAL AMENDMENT. Prohibits the State from shifting, taking, borrowing, or restricting the use of tax revenues dedicated by law to fund local government services, community redevelopment projects, or transportation projects and services. Prohibits the State from delaying the distribution of tax revenues for these purposes even when the Governor deems it necessary due to a severe state fiscal hardship. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: Significant constraints on state authority over city, county, special district, and redevelopment agency funds. As a result, higher and more stable local resources, potentially affecting billions of dollars in some years. Commensurate reductions in state resources, resulting in major decreases in state spending and/or increases in state revenues. (09-0063.)

Attachment 3

Coalition Flyer – Californians to Protect
Local Taxpayers & Vital Services



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Questions & Answers About the Local Taxpayer, Public Safety and Transportation Protection Act

WHAT IS YOUR MEASURE AND WHAT DOES IT PROPOSE TO DO?

The Local Taxpayer, Public Safety and Transportation Protection Act is a constitutional amendment that we are working to place on California's November 2010 statewide ballot. The initiative would stop the State from raiding or borrowing funding for local public safety, transportation, transit and other essential local government services.

Specifically, the measure would:

- ✓ **Prohibit the State from taking, borrowing or redirecting local taxpayer funds dedicated to public safety, emergency response and other vital local government services.** The measure would close loopholes to prevent the taking of funds currently dedicated to cities, counties, special districts and redevelopment agencies. It would also end the State's fiscally irresponsible practice of borrowing local government property tax funds.
- ✓ **Protect vital, dedicated transportation and public transit funds from State raids.** The measure would prevent State borrowing, taking or redirecting of the state sales tax on gasoline (Prop 42 funds) and Highway User Tax on gasoline (HUTA) funds that voters have dedicated to transportation maintenance and improvements. It would also prevent the State from redirecting or taking public transit funds.
- ✓ **Protect local taxpayers** by keeping more of our local tax dollars local where there's more accountability to voters, and by ensuring once and for all that our gas taxes go to fund road improvements. The measure also reduces pressure for local tax and fee increases that become necessary when the State redirects local funds.

WHY IS IT NEEDED?

Unfortunately, the State has continued its irresponsible practice of taking and borrowing local taxpayer dollars and dedicated transportation funds. The 2009/10 state budget borrowes and takes approximately \$5 billion in city, county, transit, redevelopment and special district funds this year despite the fact that voters have overwhelmingly passed ballot measures to keep local funding at the local level to provide essential local services. This year's raids and previous, ongoing state raids and borrowing jeopardize the services Californians need most, including police, fire and emergency 911 services; local economic development and redevelopment; mass transit like buses and commuter rail; and transportation improvements like road repairs and congestion relief. We need to pass this measure to protect these vital local services from State raids and borrowing.

ISN'T FUNDING FOR LOCAL GOVERNMENT AND TRANSPORTATION ALREADY PROTECTED FROM STATE RAIDS?

California voters have overwhelmingly passed separate measures to prevent the State from raiding local government and transportation funds. However, each and every year the State attempts to take or borrow local government, transportation and transit funding using loopholes, or illegal funding diversions that have only been stopped after expensive and lengthy court battles. This year alone, the Legislature:

- Borrowed approximately \$2 billion in property taxes from local governments, despite no clear path to repay these funds.

Paid for by Californians to Protect Local Taxpayers and Vital Services, a coalition of taxpayers, public safety, local government, transportation, business and labor, with major funding from the League of California Cities (non-public funds)

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- Took \$2.05 billion in local redevelopment funds, despite a recent Superior Court ruling that says these types of raids are unconstitutional.
- Shifted \$910 million in transit funding away from local transit agencies. The courts have since ruled these types of raids are unconstitutional.
- Voted to take more than \$1 billion of the local government share of the Highway User Tax (HUTA) to repay state bond debt (but the measure stalled in Assembly). These are funds that have always been used to finance local road repairs and maintenance.
- Took action to eliminate the state sales tax on gasoline (Prop 42 funds) and HUTA and replace with a gasoline “fee” that would have no constitutional protection from future raids by the legislature (the Governor ultimately vetoed this measure).
- Threatened to borrow Prop 42 transportation funds to address the State’s deficit.

Our measure would close loopholes in current law that the legislature has exploited to take or divert local funds. And it would tighten sections of the law to prevent illegal State funding raids of local government and transportation funds before they happen.

WHY DOES YOUR MEASURE PREVENT THE STATE FROM BORROWING LOCAL GOVERNMENT AND TRANSPORTATION FUNDS?

The local government revenue protection measure in 2004 (Prop 1A) and the transportation revenue protection measure in 2006 (Prop 1A) included provisions that allow the State to borrow these funds during fiscal emergencies. However, after several budget cycles it is clear that these borrowing provisions are not only bad for local governments and transportation services, but fiscally irresponsible for the State. Borrowing these dedicated funds only plunges our state deeper into debt because the funds must to be repaid, *with interest* within three years.

The borrowing was meant to provide an outlet in short-term budget emergencies, but it’s instead being used to paper over structural budget problems. For example, the State has no clear way to pay back the \$2 billion plus interest in local property taxes that the State is borrowing as part of this year’s 2009-2010 State budget, yet lawmakers borrowed these funds anyway.

What’s more, because the State has the authority to borrow local government and transportation funds, it creates mass uncertainty for cities and counties who need to plan and pass their local budgets, and for transportation and transit planners who aren’t sure if they can rely on these revenues in any given year.

DOES THIS MEASURE INCREASE OR DECREASE REVENUES FOR LOCAL GOVERNMENTS OR FOR TRANSPORTATION AND TRANSIT?

This measure does not increase or decrease the existing revenues that are dedicated to local government, transportation and transit funds. It simply prevents the State from borrowing or raiding *existing* local government, transportation and transit revenues that voters have dedicated to these services.

WON’T THIS MAKE OUR STATE’S BUDGET SYSTEM EVEN WORSE BY FURTHER PUTTING A LOCK BOX ON BILLIONS OF DOLLARS IN FUNDING?

First, these are revenues that have historically been dedicated to cities, counties and special districts to fund local government services. It’s fiscally irresponsible for State Government to raid funds from local governments.

Second, it's important to remember that these are funds that voters have ALREADY dedicated to local government, transportation and transit services. We are not dedicating any NEW funding for these services, but instead ensuring that the will of voters is upheld by protecting local government and transportation funds from further State raids and borrowing.

This reform is fiscally responsible and a key step in long-term reform for California. The State has gotten itself into this deep fiscal mess in large part because lawmakers have relied on budget gimmicks like tapping into voter-protected funds and borrowing which only pushes our problems into the future.

HOW DOES THIS MEASURE FIT INTO THE NEED FOR BROAD REFORM OF STATE GOVERNMENT IN CALIFORNIA?

This measure is a necessary and responsible first step toward fiscal reform in California. Virtually everyone agrees that State reforms must include the restoration of more local control over local tax dollars, and moving services closer to the people at the local level. This measure ensures local control, predictability, and accountability for local tax dollars that are used to provide the most essential local services.

WILL THIS MEASURE IMPACT FUNDING FOR PUBLIC SCHOOLS, HEALTHCARE OR OTHER SERVICES?

No. This measure does not take away funding from schools or any other service funded by the State because it only protects EXISTING funds that are already dedicated to local services like public safety and transportation. And this measure in no-way alters Proposition 98, which guarantees funding levels for K-14 schools.

HOW WILL THIS MEASURE IMPACT TAXPAYERS?

This measure provides further protections for *existing* revenues that voters have already dedicated to local government, transportation and transit services. It does not increase taxes. In fact, this measure protects taxpayers by keeping more of our tax dollars local where they're more accountable. And this measure decreases pressure for local tax and fee increases at the local government level that become needed when the state takes local revenues and local governments are forced to look for new revenues to protect vital services.

Attachment 4

News Article

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Schwarzenegger's plan to again raid transit funds angers rider advocates

The governor's proposal to help balance California's budget, which would cut as much as \$1 billion from public transportation, could trigger more route closures and fare hikes for buses and trains.

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By Shane Goldmacher and Ari B. Bloomekatz
December 24, 2009

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Reporting from Los Angeles and Sacramento - Mass transit boosters reacted angrily Wednesday to news that Gov. Arnold Schwarzenegger plans to tap public transportation funds again in an effort to balance California's budget.

The governor's latest plan, a complex gas-tax swap that officials familiar with the plan said would shrink transit funds

by as much as \$1 billion, could trigger another round of route closures and fare hikes for buses and rail lines across the state, transit advocates said.

It follows a state Supreme Court ruling in June that declared years of administration raids on transit money illegal.

"The governor apparently continues to hate public transportation," said Bart Reed, executive director of the nonprofit Transit Coalition, which advocates for better transportation in Southern California. "Other counties have been cutting service left and right and jacking up fares and L.A. County is sort of the last man standing. Cutting service is the next step."

Erin Speva, transportation advocate for the nonprofit California Public Interest Research Group, said transit riders have already

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suffered through service reductions and higher fares.

In Orange County, she said, bus routes have been scaled back substantially. Fare hikes were already on the table for Metrolink. In Northern California, the Bay Area Rapid Transit system raised fares and cut its service by 25% during off-peak hours.

"This could have serious implications," Speva said of the Schwarzenegger plan. "It is tying the hands of transit agencies at a time they have serious budget problems. Many could be forced to consider more fare hikes and service cuts."

Marc Littman, spokesman for the L.A. County Metropolitan Transportation Authority said his agency in the past has received roughly \$50 million to \$100 million annually from the state for operations -- funds that could be in jeopardy.

"We're barely treading water" now, Littman said. Projects such as the widening of parts of the 405 or other freeways could be at risk, MTA officials said.

L.A. County Supervisor Zev Yaroslavsky, an MTA board member, called the governor's proposal "legally questionable," "wrong-headed" and "poor public policy."

"The fact that this scheme is likely to be overturned by the court, as it has in the past, means that the proposal itself has no validity," he added.

The administration declined to comment on the proposal. Schwarzenegger will officially unveil his budget plan to close California's projected \$20.7-billion deficit in early January.

Transit advocates, joined by local government groups, announced Wednesday that they are starting to gather signatures for a measure, aimed for the November 2010 ballot, to further wall off their money from Sacramento.

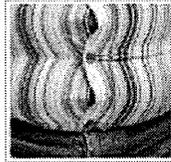
The California Supreme Court seemingly put an end to the transit raids only months ago, ordering the state to repay the more than \$3 billion in gasoline sales taxes that it had taken since 2007.

Instead, the Schwarzenegger administration has crafted a plan to again take the funds -- just in a different way.

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The governor would eliminate the sales tax on gas and, at the same time, impose a new per-gallon excise tax. Drivers would pay about 5 cents less per gallon at the pump. The excise tax would not be subject to voter-approved spending requirements for public transit.

"It sounds like an end run around our litigation and our court's decision," said Josh Shaw, the lawsuit's plaintiff and executive director of the California Transit Assn.

The governor's proposal would amount to a fundamental restructuring of how California funds transportation. Protections for highway funds would remain in place; those for public transportation would not.

"What you're really doing is funding the roads -- and God knows they need it -- but it's not a balanced transportation program," said Randy Rentschler, spokesman for the Metropolitan Transportation Commission in the Bay Area.

Some transit advocates accused the governor -- who has traveled the globe burnishing his environmental credentials, most recently at the climate change summit in Copenhagen last week -- of hypocrisy. Viable mass transit helps curb greenhouse gas emissions by moving people out from behind the wheel.

"It would be a massive step backwards," Shaw said.

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