



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Authorize the Mayor, on Behalf of the City Council, to Send a Letter Regarding the Governor's Budget Proposal

MEETING DATE: January 19, 2011

PREPARED BY: Konradt Bartlam, City Manager

RECOMMENDED ACTION: Authorize the Mayor, on behalf of the City Council, to send a letter regarding the Governor's Budget Proposal.

BACKGROUND INFORMATION: The City was asked by the League of California Cities to oppose the Governor's Budget Proposal eliminating redevelopment agencies and enterprise zones and send a letter of opposition regarding the same to the Governor and specific members of the Legislature.

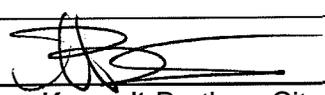
The League has indicated that redevelopment, which has been around since the 1950s, is a tool for building things. It builds and improves communities, spurs job growth and taxes and is the most significant provider of infrastructure, urban development and affordable housing in the state. Enterprise zones are one of the few economic development tools that cities and counties have to bring jobs to depressed areas. In addition, the League is reviewing the constitutionality of the proposal under Proposition 22, a measure designed to protect various local revenues — including redevelopment — from state raids.

The City Council may have differing views regarding the proposal. This item on the agenda will afford the City Council an opportunity to discuss and provide direction.

FISCAL IMPACT: Not applicable at this time.

FUNDING AVAILABLE: Not applicable at this time.


Konradt Bartlam
City Manager

APPROVED: 
Konradt Bartlam, City Manager

* * * SAMPLE LETTER – 01/13/2010 DRAFT * * *

DATE

The Honorable Jerry Brown
Governor, State of California
State Capitol, Suite 1173
Sacramento, CA 95814

Dear Governor Brown:

I/WE write today on behalf of the City of INSERT CITY to express our Opposition to provisions in your January Budget Proposal which proposes to eliminate redevelopment agencies in California. Eliminating this program not only violates the will of the people, but will have grave consequences on California's economy.

Last November, California voters approved Proposition 22, once again reaffirming the message they have sent to California again and again: local funds should remain local and pay for services and programs in their own communities. In doing so, they prohibited the state from requiring a community development agency to remit property tax to or for the benefit of the state or any jurisdiction directly or indirectly.

From a policy standpoint, eliminating this important program makes no sense. Redevelopment is an essential tool for the state's economic recovery. Redevelopment, which has been around since the 1950s, is a tool for building things. It builds and improves communities, spurs job growth and taxes and is the most significant provider of infrastructure, urban development and affordable housing in the state.

The City of INSERT CITY recognizes that **this** represents one of the toughest state budget proposals in history. Our city is also facing tough budget times. (INSERT EXAMPLES/CONTEXT, IF AVAILABLE). We agree that it is well past time that the state faces the consequences of years of gimmicks and temporary budget fixes. However, taking local funding – particularly funding that creates such a great number of jobs and fuels economic growth – is imprudent.

We strongly encourage you to consider the constitutional and economic implications of attempting to eliminate redevelopment. We look forward to working with you to find solutions that will address the state's fiscal problems while also supporting the economic growth.

Sincerely,

CC: (YOUR) State Legislators
Dan Carrigg, Legislative Director, League of California Cities



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Article from City Advocate Weekly
January 10, 2011

Governor's Budget Eliminates Redevelopment Agencies, Enterprise Zones and Realigns State Services to Local Governments

League Continues to Analyze Budget's Effects on Local Government

Gov. Jerry Brown has released his FY 2011-12 state budget proposal and, as expected, the state's financial situation continues to be bleak with a \$25.4 billion deficit. The Governor's budget proposes \$26.4 billion in solutions, allowing for \$1 billion reserve. The proposal includes the elimination of redevelopment agencies and enterprise zones to save \$1.7 billion and \$924 million respectively, as well as the realignment of state services such as fire, court security, community-based corrections, mental health services, foster care and adult protective services to local government.

While the Governor said he recognized some of the positive results of redevelopment, he made it clear in his remarks that shifting increased property taxes resulting from redevelopment back to the schools was a priority.

From a policy standpoint, such a radical proposal makes no sense in a state with unemployment rate of more than 12 percent, a monstrous infrastructure deficit and recently passed policies championing more infill development. Redevelopment, which has been around since the 1950s, is a tool for building things. It builds and improves communities, spurs job growth and taxes and is the most significant provider of infrastructure, urban development and affordable housing in the state. Enterprise zones are one of the few economic development tools that cities and counties have to bring jobs to depressed areas.

This proposal will hurt our underserved and distressed cities and communities. It will cost California thousands of jobs. The reality is that the plan to eliminate redevelopment agencies will bring very little financial benefit to the state and will actually move the state backward in terms of land use and infill development. In addition, the League is reviewing the constitutionality of the realignment proposal under Proposition 22, and other constitutional provisions.

Just a mere two months ago, California voters picked their way through a crowded ballot and approved Prop. 22 by 61 percent, a measure designed to protect various local revenues — including redevelopment — from state raids. The voters' position on this issue was no surprise because repeatedly they have voted to protect local revenue from the state — take for example Prop. 1A of 2004, which passed by more than 80 percent. Moreover, poll after poll demonstrates that voters view their local governments as much more accountable and trustworthy than the state.

While other states, and even the federal government, are working to stabilize and revitalize our economy, the proposal to eliminate enterprise zones and redevelopment agencies move California in the opposite direction.

The budget proposal assumes that voters will approve a five-year extension of taxes sun-setting this year — a 1 percent sales tax and 0.5 percent vehicle license fee that they previously rejected. The revenues of these taxes will maintain the current level of funding for K-12 schools and COPS (Citizens' Option for Public Safety)/Booking Fees as well as support the realignment proposal. The Governor believes that after five years the economy will have recovered enough the state can resume funding, but there has been no indication as to how.

The Governor described the realignment proposal as "vast and historical," and this is an apt description. The proposal will have major impacts for both local and state government. While much has been said about the importance of local government in recent days, the practice by the state of not bothering to consult local governments while devising such concepts continues.

Tomorrow, Tuesday, Jan. 11, the League will host Department of Finance Chief Deputy Director for Budgets Michael Cohen who will present further details on the Governor's plan. However, staff has prepared a preliminary analysis of issues of importance to cities below.

Public Safety

Public safety programs and funding, including law enforcement, corrections, and emergency response, are a major piece in the realignment of services and programs from state to local agencies.

COPS/Booking Fees. The Governor's budget supports the critical importance of local public safety programs provided by police and sheriff departments and provides a direct allocation to COPS, Booking Fee remediation, and specific county level programs. It proposes to provide these programs \$420 million in General Fund dollars that will be backfilled with realignment plan funding — if approved by voters. Funding would include:

- \$107 million for COPS programs, under the current distribution formula based on population and with a \$100,000 minimum for each police department; and
- \$35 million for booking fee subventions, meeting the minimum threshold required to eliminate the need for sheriffs to charge police departments for booking arrestees in county facilities.

Emergency Response/Fire Suppression Services. The Governor's plan also shifts certain emergency response services for areas currently served by the California Department of Forestry and Fire Protection (CAL Fire) to the adjacent local agencies, stating that the increased urbanization state responsibility areas (also known as SRA's) distracts the core mission of CAL Fire's duty to suppress wildland fires. In this transition of duties, CAL Fire is charged with assessing which areas should be transferred to local jurisdictions (primarily counties) for fire suppression and emergency medical response services.

Corrections. Also proposed is a major shift of corrections programs from the state to the county level, in three areas: incarceration of short term, low level offenders and parole violators; adult parolee supervision; and all remaining state-level Department of Juvenile Justice wards. The state would maintain funding responsibilities through a direct allocation to counties, but authorize county probation and sheriff departments to determine how those dollars should be spent.

The start date for corrections realignment is not yet set and would impact prospective inmates only and allow time for county facilities and administration systems to prepare for the additional population. Moving the specified inmates and parolee population to county supervision is intended to coincide with other proposed state-to-county shifts, which would provide for rehabilitation type services including substance abuse and mental health treatment.

Environment

State Parks. The Governor proposes to reduce funding to state parks by \$11 million which will result in partially or fully closing some state park units and reducing expenditures at the State Parks Department headquarters in Sacramento.

Basin Plan Funding. The Governor also proposes to shift \$12.8 million from the General Fund to fee based funding. Basin Plans, developed by the state's nine regional water quality control boards provide the water quality information upon which Waste Discharge Permits are based. Under the Governor's proposal, future Basin Plans will be funded through Waste Discharge Permit Fee revenues.

Community Services

Public Libraries. State funding for the Public Library Foundation (PLF), Transaction Based Reimbursement (TBR) and the California Library Literacy and English Acquisition Service (literacy

program) would be eliminated. This amount totals \$30.4 million (\$12.9 million cut to the PLF, \$12.9 million cut to the TBR and \$4.6 million cut to the literacy program).

Transportation

Reenactment of the Gas Tax Swap. The Governor proposes to reenact the Gas Tax Swap, approved March 2010, as required by Prop.n 26 (2010). This action will ensure the continuation of transportation funding as well as provide state General Fund relief.

Truck Weight Fees. Shifts weight fees from the State Highway Account to pay for transportation-related debt service and to provide state General Fund relief. This was previously being accomplished using Highway Users Tax Account revenues which is now prohibited by Proposition 22.

Public Contracting. Proposes to shift \$7.2 million in costs to local agencies for developing CalTrans Project Initiation Documents for local projects.

Proposition 1B. Appropriates \$2.3 billion for capital funding of bond projects, including \$22 million for local bridge seismic safety and \$200 million for state-local partnership programs.

Transit. In an effort to bring the level of transit funding in line with what is required by Prop. 22, appropriates additional funding to ensure local transit agencies receive the equivalent of 75 percent of diesel sales tax revenues.

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Honorable Jerry Brown
Governor, State of California
California State Senators
California State Assembly Members
State Capitol
Sacramento, CA 95814

January 12, 2011

Dear Governor Brown and California State Legislators:

RE: Eliminating redevelopment is wrong decision in this economy and fails to offer a real solution for the state budget

As elected city officials in the State of California, we fully understand that the State's massive budget deficit will require sacrifice by all Californians. We stand ready to work with the Administration and the Legislature to pass an honest budget that finally puts California on the road to fiscal health. However, it is important to ensure that no decisions are made in the frenzy of the upcoming budget deliberations that will make our financial problems worse.

Unfortunately, the Administration's proposal to abolish redevelopment represents more of the same State raids of local funds that voters have fought to prevent, and it will jeopardize the State's prospects for an economic recovery.

The Governor's proposal to eliminate redevelopment agencies is wrong because it:

- Will not provide expected budget relief to the State or local governments after bond and contractual obligations are repaid;
- Will destroy billions of dollars in local economic activity and hundreds of thousands of jobs;
- Will kill the State's only meaningful programs to provide affordable housing; and
- Will block our efforts in California to grow responsibly by focusing on urban and infill development.

The proposal will not provide budget savings to the State or local governments, and represents continued State raids of local funds the voters have acted to prevent.

Over the last 10 years, the State has adopted too many budgets based on proposals that are at best questionable and in some cases illegal. The proposal to eliminate redevelopment agencies is just another in a long string of proposals that will not deliver the real dollars needed to close the budget gap and put the State's fiscal house in order.

The measure is completely contrary to Proposition 22, which passed by 61 percent in November 2010, to protect local government revenues from grabs by the State. The provisions of Prop. 22 clearly prohibit the redevelopment proposal as it appears in the governor's budget.

Second, redevelopment agencies issue bonds to finance redevelopment activities, which must be repaid with interest. Redevelopment agencies currently hold more than \$20 billion in bonded indebtedness. Under the federal and state constitutions, these contractual obligations must be met before revenues could be used under the Governor's proposal to benefit the state's budget deficit.

The bottom line is that this is not a “real” budget proposal. It is a proposal that will once again fall far short of expectations.

The proposal will kill jobs and economic expansion at the worst possible time.

Eliminating redevelopment will have a direct and lasting negative impact on the California economy and job creation.

- Redevelopment activities support an average of 304,000 full- and part-time private sector jobs in a typical year, including 170,600 construction jobs;
- Redevelopment contributes over \$40 billion annually to California’s economy in the generation of goods and services;
- Redevelopment construction activities generate \$2 billion in state and local taxes in a typical year; and
- The success stories of redevelopment are all over California and available for all to see. The downtown areas of San Diego, Pasadena, Los Angeles and San Jose stand as outstanding examples of saving blighted neighborhoods and turning them into hubs of economic activity and job creation.

The proposal is bad for the environment, bad for our state.

Eliminating redevelopment will take away the primary tool local governments have to comply with the requirements of State law to plan for more compact urban development supported by improved public transportation opportunities. Redevelopment encourages infill development rather than Greenfield development and redevelopment agencies have the experience and tools needed to help implement AB 32 and SB 375.

Redevelopment is also the second largest funder of affordable homes after the federal government. More than 98,000 units of affordable housing have been constructed or rehabilitated through redevelopment since 1993.

As local officials, we stand ready to assist you in the passage of a responsible budget. However, this proposal runs completely contrary to the Governor and Legislature’s stated goals of realigning state services to provide more responsibility and funding locally. We strongly urge you to reject this measure and refocus on proposals that offer real solutions to California’s budget problems.

Sincerely,



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Jan. 11, 2011

Contact: Eva Spiegel, (916) 658-8228
Cell: (530) 400-9068

FOR IMMEDIATE RELEASE

**City Officials Vow to Fight Governor's Plan to Eliminate Redevelopment
and Take Local Funding**

*Proposed Budget Violates Recently-Approved
Constitutional Amendment in Proposition 22*

Yesterday, Gov. Jerry Brown delivered one of the toughest state budget proposals in history — one that contains many proposals worth serious consideration. Amazingly, however, it included a proposal that violates the will of the voters who supported Prop. 22 in the November election. The constitutional amendment passed overwhelmingly by 61 percent of the vote. Then-Attorney General Jerry Brown's ballot summary stated that Prop. 22: *"Prohibits the state from borrowing or taking funds used for transportation, redevelopment or local government projects and services."*

City officials reacted with outrage that the state is once again seeking to take funding from local governments.

Prop. 22 was designed to prevent "state politicians in Sacramento from seizing, diverting, shifting, borrowing, transferring, suspending or otherwise taking or interfering with tax revenues dedicated ..." to vital local programs and services.

The measure specifically prohibits the state from requiring a community redevelopment agency to remit property tax to or for the benefit of the state or any other jurisdiction *directly or indirectly*. Prop. 22 states clearly that it shall be liberally construed to effectuate its purpose of prohibiting the state from taking or borrowing these revenues. The proposal raises other constitutional issues as well.

The League requests this proposal be further vetted on constitutional grounds and encourages the Governor and legislators to reflect on what the voters have repeatedly communicated at the ballot box on the importance of protecting local government funding.

From a policy standpoint, such a radical proposal also makes no sense. While other states, and even the federal government, are working to stabilize and revitalize our economy, California — with an unemployment rate of more than 12 percent, a monstrous infrastructure deficit, and recently passed policies championing more infill development — is moving in the opposite direction.

Redevelopment, which has been around since the 1950s, is a tool for building things. It builds and improves communities, spurs job growth and taxes and is the most significant provider of infrastructure, urban development and affordable housing in the state. Enterprise zones are one of the few economic development tools that local agencies have to bring jobs to depressed areas.

The California Redevelopment Association and the State Building and Construction Trades Council of California, AFL-CIO have issued statements yesterday identifying redevelopment's contributions to the state, and the losses that will result should the Governor's proposed budget be adopted:

- It will kill 300,000 jobs a year provided by redevelopment projects, most of them construction jobs;
- It will encourage sprawl development and increase greenhouse gas emissions in the future and limit the construction of affordable housing; and
- It will deprive the state and local agencies of \$2 billion in new revenues from these projects.

League President Jim Ridenour, mayor of Modesto, closed with these comments: "Last week the League's officers had the pleasure of meeting with Gov. Brown, and we pledged to work with him to help turn California around. We told him how cities have been making tough budget decisions and that we know the state has to do the same. His proposed budget is full of tough choices. We urge him to consider carefully the constitutional and policy flaws associated with attempting to get rid of local redevelopment and enterprise zones, and the jobs these programs create. It is clear that he listens closely to the voters and intends to carry out their will. While we oppose these proposals to take away critical local economic development tools, we look forward to working with him in the effort to improve our state."

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CITY COUNCIL

BOB JOHNSON, Mayor
JOANNE MOUNCE,
Mayor Pro Tempore
LARRYHANSEN
PHIL KATZAKIAN
ALAN NAKANISHI

CITY OF LODI

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KONRADT BARTLAM,
City Manager
RANDI JOHL, City Clerk
D. STEPHEN SCHWABAUER
City Attorney

January 25, 2011 ■

The Honorable Jerry Brown
Governor, State of California
State Capitol, Suite 1173
Sacramento, California 95814

Dear Governor Brown:

I write today on behalf of the City of Lodi to express concern regarding your January Budget Proposal. Specifically, the City of Lodi has concerns regarding the proposals to eliminate Enterprise Zones in California. Eliminating this program will be detrimental to California's economic recovery.

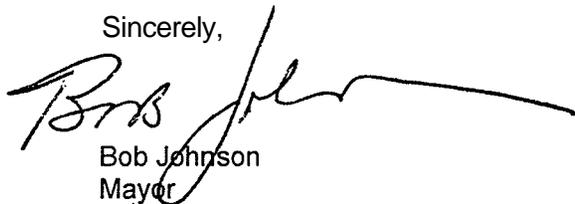
In our city, the Enterprise Zone has provided assistance to businesses located in economically-distressed areas through incentives to promote business expansion and job creation. By encouraging entrepreneurship and employer growth, the program creates and sustains economic expansion in our local community.

From a policy standpoint, the elimination of these important programs makes no sense. The Enterprise Zone Program was established in 1984 to bring business, jobs and investment to California's most depressed areas. Research shows that the program fundamentally boosts the economy by helping reduce poverty, lower unemployment, improving wages, and increasing household income levels. Enterprise zones are one of the few economic development tools that local agencies have to bring jobs to depressed areas.

Ultimately, California's budget crisis will be solved by strengthening California's economy and creating jobs. We pride ourselves on the good partnerships we have built with businesses in our city, as should the state. Now is not the time to abandon these partnerships and the resulting infrastructure creation. We strongly encourage you to consider the constitutional and economic implications of enacting the budget you have proposed.

We look forward to working with you to find solutions that will address the state's fiscal problems while also supporting tools for economic growth.

Sincerely,



Bob Johnson
Mayor

C: **Assembly Member Alyson Huber**, 10th District
Senator Tom Berryhill, 14th District
Dan Carrigg, Legislative Director, League of California Cities