



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Receive Report Regarding Communications Pertaining to ABxl 41 (Solorio) and Assembly Bill 1391 (Bradford)

MEETING DATE: October 5, 2011

PREPARED BY City Clerk

RECOMMENDED ACTION: Receive report regarding communications pertaining to ABxl 41 (Solorio) and Assembly Bill 1391 (Bradford).

BACKGROUND INFORMATION: The City received a request for communications from the League of California Cities on September 1, 2011 pertaining to ABxl 41 - Vehicle License Fee (Solorio). A letter of support, signed by the Mayor, was needed immediately due to pending action in the State Legislature.

As you may be aware, ABxl 41 would, for all initial and renewal registrations due on and after January 1, 2012, impose an additional vehicle license fee equal to 0.15% of the market value on certain vehicles and require all revenues from the additional license fee to be deposited in the State General Fund. During the 2011/12 fiscal year, the bill would transfer an amount to the Local Law Enforcement Services Account in the Local Revenue Fund 2011, a continuously appropriated fund, for allocation to cities, counties, and cities and counties. During the 2012/13 fiscal year and each fiscal year thereafter revenues would be allocated to the Local Law Enforcement Services Account first. Non-transferred funds would continue to be general fund monies.

In regards to AB 1391, existing law creates the California renewables portfolio standard program (RPS program) and the Renewable Energy Resources Program to increase the amount of electricity generated per year from eligible renewable resources. AB 1391 would delete these provisions and instead authorize the Energy Commission to impose certain civil penalties on a local publicly owned utility that fails to comply with these programs. The bill would require the Energy Commission to establish, by regulation, a prescribed penalty structure and would subject any order imposing penalties to judicial review and enforcement. An opposition letter was needed immediately due to pending action in the State Legislature.

A support letter for ABxl 41 signed by the Mayor, and an opposition letter for AB 1391 signed by Council Member Hansen, were sent on September 6, 2011. This report is provided for informational purposes only.

FISCAL IMPACT: None.

FUNDING AVAILABLE: Not applicable.

Randi Johl
City Clerk

APPROVED:

Konradt Bartlam, City Manager

CITY COUNCIL

BOB JOHNSON, Mayor
JOANNE MOUNCE,
Mayor Pro Tempore
LARRY D. HANSEN
PHIL KATZAKIAN
ALAN NAKANISHI

CITY OF LODI

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

September 6, 2011

The Honorable Jose Solorio
Member, California State Assembly
State Capitol Building, Room 3146
Sacramento, California 95814
Via Facsimile: (916) 319-2169

**SUBJECT: ABxI 41 (SOLORIO). VEHICLE LICENSE FEE
NOTICE OF SUPPORT**

Dear Assembly Member Solorio:

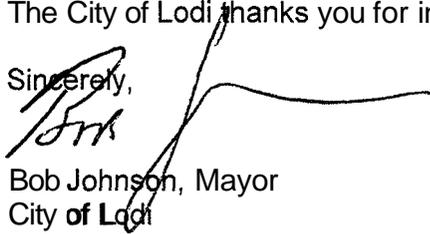
The City of Lodi is pleased to support ABxI 41 and appreciates your leadership to help local communities preserve the local public services and their safety network.

Prior to SB 89, the historic vehicle license fee (VLF) formula provided approximately \$3.50 per person in general purpose funding to all of California's 482 cities, with additional allocations for new incorporation and annexations. An average city dedicates over 60% of their general purpose revenues to public safety departments. The result of SB 89 is that cities lost \$130 million general purpose revenues, the majority of which goes to police service. In exchange, cities received than less than \$100 million in state grants earmarked for frontline law enforcement service.

Fortunately, ABxI 41 undoes the harm by restoring the VLF formula for cities, including annexations and new incorporations, and for Orange County. It does so by reinstating the special VLF rate for public safety that expired on June 30 of this year. Now, the 0.15% fully covers the local VLF shares, secures the local law enforcement grants, including Citizens' Option for Public Safety (COPS) and booking fee subventions, as well as important Department of Justice programs that assist local law enforcement with the "worst of the worst" crimes and regional drug enforcement.

The City of Lodi thanks you for introducing this important clean-up legislation.

Sincerely,


Bob Johnson, Mayor
City of Lodi

C: Senator Tom Berryhill (916-327-3523)
Assembly Member Alyson Huber (916-319-2110)
League of California Cities (916-658-8240)

CITY COUNCIL

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

September 6, 2011

The Honorable Tom Berryhill
California State Senate
State Capitol, Room 3076
Sacramento, California 95814
Via Facsimile: (916) 327-3523

Dear Senator Berryhill:

On behalf of the City of Lodi ("Lodi") and the Northern California Power Agency ("NCPA"), I am writing in opposition to Assembly Bill 1391 (Bradford). This bill would remove the authority of the California Air Resources Board (CARB) to enforce the 33% Renewable Portfolio Standard (RPS) for publicly owned utilities, and would instead give the California Energy Commission (CEC) new and duplicative authority to penalize utilities.

Current law, as amended by Senate Bill x1 2 (Simitian), establishes a 33% RPS for all utilities, including local publicly owned utilities. Lodi and NCPA strongly supported SB x1 2, in large part due to the local governance and enforcement provisions which struck an appropriate balance between the need to ensure RPS compliance, with the need for utilities to be able to continue the programmatic RPS success that has come with the ability to design, manage, and implement their own RPS programs at the local level. Key to this balance was allowing the CEC to create rules for determining whether publicly owned utilities were complying with the RPS, but placing penalty authority for any potential RPS non-compliance with CARB, under their existing authority to enforce the California Global Warming Solutions Act of 2006, or AB 32. This enforcement structure was critical to Lodi and NCPA support of the 33% RPS for two reasons.

The preamble of SB x1 2 identifies air quality and pollution reduction as two of the primary goals behind the 33%-by-2020 RPS target. Because achieving a 33% RPS by 2020 is essential for successfully meeting the greenhouse gas (GHG) reduction requirements of AB 32, and therefore a utility not achieving a 33% RPS practically guarantees that the utility will also not meet its **GHG** reduction obligations, it makes sense for CARB to be the penalizing agency, so as to avoid a "double jeopardy" scenario, in which a utility is fined twice for the essentially the same violation.

As well, during the SB x1 2 debate, our utility expressed grave concerns with the idea of the same state agency that is creating regulations to identify public utility violations of the 33% RPS to also have the authority to impose financial penalties for the RPS non-compliance they identify in the first place. Such a regulatory structure, as AB 1391 envisions, would create a clear conflict of interest, and incentive on the part of the CEC to second-guess local resource procurement decisions. Additionally, AB 1391 explicitly states that the revenue the CEC collects through RPS non-compliance penalties could be

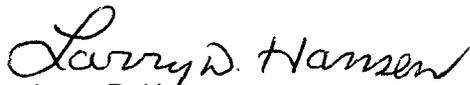
used by the CEC for their own administration and overhead costs, rather than going towards pollution reduction and other environmental improvements. This again creates a conflict of interest in which the CEC has a financial incentive to penalize utilities in order to fund their own bureaucracy. This is why Lodi and NCPA strongly supported the language in SB x1 2 that separates these responsibilities - providing a "check and balance" approach to state oversight and enforcement of the utilities RPS program, and removing any financial self-interest of the regulators from the oversight equation.

The City of Lodi has no intention of not meeting the 33%-by-2020 RPS goal. In fact, we are already at 20% renewables now, and have long been supportive of a 33% statewide Renewable Portfolio Standard (RPS) target for all state utilities. Our procurement decisions have, and continue to be, driven by our local community's longstanding support for increasing renewable power supplies, and Lodi will meet the State's 2020 RPS goal. Period. This is not a new position.

Last year, the utilities supported SB 722, Senator Simitian's previous 33% RPS bill, after months of negotiations resulted in significant improvements to the flexibility and local governance provisions, including the separate and complimentary roles of the CEC and CARB. We were pleased that this language remained in SB x1 2, and, as a result, supported that legislation as well. Completely undoing this carefully considered and negotiated pillar of the RPS program, as AB 1391 would do, while increasing the already bloated and expensive bureaucracy of the CEC, runs directly counter to the goals of the original RPS legislation and its author.

For these very important reasons, we strongly urge you to oppose Assembly Bill 1391 (Bradford).

Sincerely,



Larry D. Hansen
Lodi City Council Member
Board Member, Northern California Power Agency

C: Senator Joe Simitian (916-323-4529)
Members, California State Senate Energy, Utilities, & Communications
Committee (916-445-1389)
Assembly Member Alyson Huber (916-319-2110)