

CITY OF LONG BEACH **R-12**

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802

May 11, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt the attached Resolution declaring that a fiscal hardship will exist within the City of Long Beach as result of the State's borrowing of Highway Users Tax Account (HUTA) Funds. (Citywide)

DISCUSSION

The City of Long Beach receives approximately \$8.5 million in Gas Tax (HUTA) funds annually from the State of California. The State is allowed to borrow HUTA revenue from local agencies within a fiscal year to address its cash flow needs. For the second year in a row, in March 2010, the Legislature passed legislation delaying HUTA revenue payments to local agencies as a way to deal with anticipated State cash flow problems in Fiscal Year 2011. The specifics of the State's plan stipulate that the first nine months' (July 2010 through March 2011) payments are to be made to local agencies in one lump sum in April 2011. This represents the delay of \$6.37 million in HUTA payments to the City over that period. The March 2010 legislation allows for cities to formally submit a Hardship Exemption request so as to be removed from the deferral plan, subject to approval by the State.

As part of the City's submission of a Hardship Exemption request seeking relief from the deferral of HUTA, and Pursuant to Government Code Section 16325.5, it is recommended that the City adopt a resolution declaring that a fiscal hardship will exist as result of the State borrowing of the HUTA funding.

This matter was reviewed by Assistant City Attorney Heather A. Mahood on April 26, 2010 and Budget Management Officer Victoria Bell on April 23, 2010.

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TIMING CONSIDERATIONS

City Council action on this item is requested on May 11, 2010, as the Hardship Exemption request must be submitted to the State by May 17, 2010.

FISCAL IMPACT

The City of Long Beach is in a unique position, due to its fiscal year beginning on October 1, and the State's fiscal year beginning on July 1. The State's proposed temporary borrowing of the July, August and September 2010 HUTA payments poses a direct cash flow hardship to the City as it moves \$2.12 million in anticipated State payments from the current fiscal year (FY 10) into the next (FY 11). As Gas Tax funds support up to \$6.3 million annually in Public Works operating costs, plus another \$2.2 million in capital projects, a temporary borrowing and resultant cash flow shortfall will need to be made up by the General Fund by the end of FY 10, and until the City is reimbursed in full by the State.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,




LORIANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

SH:LAF
K:\EXEC\COUNCIL LETTERS\ACCOUNTING\05-11-10 ccl - RESO DECLARING FISCAL HARDSHIP - HUTA.DOC

ATTACHMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER

1 RESOLUTION NO.

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH DECLARING A STATE OF FISCAL
5 HARDSHIP

6
7 WHEREAS, the State of California imposes excise taxes on various
8 transportation fuels; and

9 WHEREAS, the taxes on transportation fuels are transferred to the state
10 Highway Users Tax Account and the State then allocates a portion of the Highway Users
11 Tax Account to the City; and

12 WHEREAS, all Motor Vehicle Fuel Tax funds allocated from the Highway
13 Users Tax Account must be expended for the research, planning, construction,
14 improvement, maintenance, and operation of public streets and highways, exclusive
15 public mass transit guideways, or the payment of principal and interest on voter-approved
16 bonds issued for these specified purposes; and

17 WHEREAS, the State may borrow Highway Users Tax revenues into the
18 State General Fund (i.e. for cash flow purposes) if the amount is repaid within the same
19 fiscal year or within 30 days after the adoption of a State budget for the following fiscal
20 year; and

21 WHEREAS, the State of California has notified the City that it is borrowing
22 from the Highway Users Tax Account to manage its cash flow problems; and

23 WHEREAS, the borrowing of these funds will delay payment of \$2.6 million
24 in Fiscal year 2010 and at least \$5.1 million in Fiscal Year 2011; and

25 WHEREAS, the borrowing will cause a significant strain on the City's cash
26 flow which cannot be reasonably overcome by either external or internal borrowings; and

27 WHEREAS, the strain of the City's cash flow will cause the cash balance
28 within the gas tax fund to be in deficit and will also negatively affect cash balance within

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 the City's general fund; and

2 WHEREAS, the State constitution prohibits the City from enacting new
3 taxes without voter approval preventing the City from generating equivalent new
4 revenues; and

5 WHEREAS, the City Council has instituted various austerity measures
6 including employee concessions, full-time position deauthorizations, and a reduction in
7 selected capital projects;

8 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
9 follows:

10 Section 1. To declare that a state of fiscal hardship exists as result of the
11 State's deferral of Highway User Tax Account funds.

12 Section 2. This resolution shall take effect immediately upon its adoption
13 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

14 I hereby certify that the foregoing resolution was adopted by the City
15 Council of the City of Long Beach at its meeting of _____, 2010 by the
16 following vote:

17
18 Ayes: Councilmembers: _____

19 _____

20 _____

21 _____

22 Noes: Councilmembers: _____

23 _____

24 Absent: Councilmembers: _____

25 _____

26 _____

27 _____

28 _____

City Clerk