



CITY OF LONG BEACH

R-17

OFFICE OF THE CITY MANAGER

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November 9, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a contract and all necessary amendments for state legislative representation services provided by Michael J. Arnold and Associates, Inc., for an amount not to exceed \$105,432 for a period of one year; and authorize the City Manager to grant two, one-year extensions, including an adjustment to the monthly retainer not to exceed the Consumer Price Index, at the discretion of the City Manager. (Citywide)

DISCUSSION

The firm of Michael J. Arnold and Associates (Arnold and Associates) has successfully represented the City of Long Beach in Sacramento before the State Legislature and various state agencies since 1983. Michael J. Arnold and Associates provides advice, technical legislative assistance, historical perspective and strong advocacy on City issues while maintaining excellent relationships with Legislators and staff in Sacramento.

The contract between the City and Michael J. Arnold and Associates for FY 10 expired on September 30, 2010. Based on the firm's unique knowledge and extensive understanding of the City of Long Beach and local government issues, as well as the reputation of the firm's partners in Sacramento, the approval of an annual contract is recommended.

Summary of Last Year's Advocacy Efforts

Arnold and Associates were of assistance in the previous legislative session as the City took an aggressive stance in FY 10 to protect Long Beach revenue streams. Attachment A includes examples of high-priority issues Long Beach advocated for and against in Sacramento. In each of these instances, Arnold and Associates was intricately involved with the matter, provided advice and facilitated important communications between the City and the other parties. Attachment B provides a brief biography of Michael J. Arnold and Associates, Inc., to illustrate the firm's qualifications.

Contract Amount

It is recommended that the City Council approve a one-year contract with Michael J. Arnold and Associates, Inc., and authorize the City Manager to grant two, one-year extensions. This recommendation would result in a monthly payment of \$8,311. The total proposed contract would include \$99,732 for the annual retainer and up to \$5,700 for approved expenses, for a total contract amount not to exceed \$105,432.

TIMING CONSIDERATIONS

City Council action is requested on November 9, 2010 to ensure continuation of services from Michael J. Arnold and Associates.

This letter was reviewed by Deputy City Attorney Linda Trang and Budget Management Officer Victoria Bell on October 13, 2010.

FISCAL IMPACT

The annual cost for this service for the first year, not to exceed \$105,432, is based on a monthly retainer of \$8,311 and up to an annual total of \$5,700 for approved expenses. In FY 09, Long Beach agreed to provide Arnold and Associates with a Consumer Price Index (CPI) increase to their contract amount. The cost for the FY 11 contract amount has not increased from the FY 09 contract amount. At the discretion of the City Manager, this FY 11 contract allows for two, one-year extensions that may be increased by an amount not to exceed the CPI. Funds to support this activity are budgeted in the General Fund (GP) in the City Manager's Office (CM), 57 percent of which is shared by departments and funds throughout the City that benefit from these services, including many non-General Fund operations. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


PATRICK H. WEST
CITY MANAGER

ATTACHMENTS: Attachment A
 Attachment B

ARNOLD AND ASSOCIATES, INC.
SUMMARY OF ADVOCACY SUCCESSES 2010

History of California State Budget and Long Beach Efforts

Fiscal Year 2008

Long Beach helped defeat a proposal to shift Proposition 42 transportation spillover funding into the Prop 42 formula and lower the guaranteed amount of Prop 42 funding to cities, which would have potentially negatively impacted our transportation funding.

Fiscal Year 2009

In a last minute move to balance the State budget for FY 09, the State tried to suspend Proposition 1A funds to cities. Long Beach, with the help of Arnold and Associates was successful in opposing this proposal and the suspension of Proposition 1A funds did not go into effect at the time.

Fiscal Year 2010

Unfortunately, the State went ahead with Prop 1A fund suspensions to local governments as a part of their FY 10 budget. These funds are worth approximately \$10 million annually to the City of Long Beach. Through working with our delegation, Long Beach was able to include trailer language for the fiscal year to allow the City to borrow from our own subsidence fund to cover losses from state Prop 1A borrowing while keeping the subsidence fund solvent.

While we were able to offset the impact of State Prop 1A borrowing, the State also raided \$29.5 million from the Long Beach Redevelopment Agency in FY 10. Also, included in FY 10 budget language was an additional \$6 million take from the RDA for FY 11. To pay the initial \$29.5 million, the Redevelopment Agency and Housing Development Company borrowed 100 percent of the Low/Moderate Housing Set-aside fund and took the remainder of the amount due from planned Redevelopment projects (\$10,644,514). The Low/Moderate Housing Set-aside loan will be repaid over the next five years by Redevelopment funds.

Other budget issues Long Beach and our legislative advocates were involved in for the FY 10 budget included work with our delegation to ensure that any oil severance tax language discussed excluded Long Beach oil properties. In the end, the FY 10 budget did not include a tax on oil severance. The State also proposed to completely eliminate Gas Tax Subvention funds, which would have resulted in a \$9 million loss to Long Beach and decimate street and road improvement projects, as well as core Public Works services such traffic signal and street light operations, tree maintenance and street sweeping which are all funded through Gas Tax funds. Long Beach lobbied against this proposal and ultimately the State did not enact the Gas Tax take; Public Works operations were not affected.

As the economic downturn continued, California passed a Transportation Funding Swap in March 2010 to make dollars available for transportation bond payments. This swap eliminated the sales tax on gasoline (Proposition 42) and replaced it with an increase in the current gas excise tax funds instead. Under this new structure, Long Beach receives approximately the same amount of funds prior to the elimination of Prop 42. The difference is that all transportation dollars are now categorized as HUTA gas tax funds, which lack Constitutional protections previously associated with Prop 42 funds. To avoid state borrowing of gas tax funds for FY 11, Long Beach fought for and was granted a HUTA exemption for the FY 11 budget cycle.

Fiscal Year 2011

The state's budget for FY 11 was the latest state budget in California's history and the economic outlook was bleak. Despite these negative indicators, the Budget enacted in October 2010 did not contain additional borrowing from local governments other than Redevelopment Funds, which were already anticipated from language in the FY 10 budget. Throughout budget deliberations, Long Beach and our legislative advocates watched with great scrutiny for any state borrowing of local government revenues such as gas tax, abandonment funds, or Department of Boating and Waterway funds. There were no direct local government raids in the enacted FY 11 state budget; however, revenue projections were optimistic, and our state legislative advocates will continue to monitor for the possibility of local government borrowing mid-year so as to be prepared to lobby against such proposals. Long Beach was also active in discussions to draft language that would exclude Long Beach oil properties from any proposed oil severance tax in FY 11. In the end, no oil severance tax was enacted.

Federal Fiscal Year Bill

As the FY 10 Legislative Session began, the City once again took action to protect local government funds. With the help of Arnold and Associates, Assemblymember Lowenthal and Senator Lowenthal, Long Beach was successful in getting AB 2663 (Lowenthal) through the legislature and onto the Governor's desk. AB 2663 would prohibit the state from borrowing HUTA funds from any federal fiscal year city, before October 1st, saving federal fiscal year cities the burden of closing their fiscal year in balance while remitting unplanned state takeaways for local government revenues. Unfortunately, the Governor vetoed AB 2663. Depending on the results of Proposition 22 in the November 2010 election, Long Beach may bring the Federal Fiscal Year bill back for the next Legislative Session. The passage of Proposition 22 would end state borrowing of local government funds.

Long Beach Courthouse Funding

Since 2008, Long Beach has been working to ensure that funds are included in the state's budget for the construction of a new Long Beach Courthouse. This year's efforts included, AB 1431 (Lowenthal), legislation to clarify property use and taxation allowing the project to proceed. Arnold and Associates were instrumental in working with Assemblymember Lowenthal to usher this bill through multiple Legislative deadlines. In the end, AB 1341 passed out of the Legislature and was signed into law by the Governor.

C-17 State Support

Senator Wright introduced Senate Resolution 29 in support of C-17 aircraft production in the City of Long Beach. The production of the C-17 aircraft supports nearly 4,000 jobs in the City, provides work for over 650 suppliers in 44 states across the country and results in \$5.8 billion being added annually to the nation's economy. For California, the loss of C-17 production would adversely impact 13,857 jobs, 384 suppliers and statewide economic impact of \$2 billion. Long Beach supported this legislation; it passed unanimously through both houses of the Legislature and was signed by the Governor.

Peninsula Parking

For two straight years, Long Beach lobbied the state for the authority to allow vehicles to legally park facing either direction on narrow, dead-end streets with no cul-de-sac in which to safety turn

around in the Peninsula area of the City. Long Beach consistently ran into opposition from the California Highway Patrol. Though the bill made it through both houses of the Legislature in FY 09, the Governor vetoed the bill, citing the issue as a local problem that should be addressed at the local level.

Long Beach brought the bill back to the State Legislature in FY 10 as AB 2067 with Assemblymember Lowenthal as our author. Throughout the legislative process, Arnold and Associates remained in contact with the Assemblymember's office and assisted with managing the CHP concerns with the bill. After accepting amendments to the legislation, the Legislature sent AB 2067 to the Governor who ultimately signed it into law. AB 2067 allows Long Beach to implement a pilot program to permit vehicles to park facing either direction on narrow, dead-end streets with no cul-de-sac in which to safely turn around in the Peninsula area of the City. This is a significant win for the residents on the Peninsula, as the impacted parking has been a problem for years.

City of Bell Bills

The end the FY 10 Legislative Session was filled with last-minute bills pertaining to the compensation scandal in the City of Bell. These bills included: AB 1955 (De La Torre), AB 827 (De La Torre), AB 2064 (Huber), SB 501 (Correa), AB 194 (Torrico), AB 192 (Gatto) and AB 900 (De Leon). Long Beach, through Arnold and Associates, worked with the author on AB 1955, as original bill language would have adversely affected the Long Beach City Council despite the fact that Long Beach voters had already set their salaries in the City Charter. Our efforts paid off, as the bill was amended to exclude Long Beach and other large charter cities.

Rivers and Mountains Conservancy Funding

Midway through the Legislative session, a bill was introduced that had the potential to take funds away from the Rivers and Mountains Conservancy, the state organization dedicated to conservation efforts along the Los Angeles and San Gabriel Rivers. The Rivers and Mountains Conservancy also provides financial assistance to Long Beach for some stormwater improvements and Wetlands restoration. Long Beach took an "oppose unless amended" position on the bill, and lobbied to preserve proportionate funding to the Rivers and Mountains Conservancy. The author eventually dropped the bill and funding to the Rivers and Mountains Conservancy remained unchanged – a win for Long Beach.

Los Angeles Flood Control District: Stormwater Funding

Improved recreational water quality at Long Beach beaches is a priority for the City. The City has made many improvements to our own stormwater catch-basin systems in recent years. Such efforts prevent bacteria, trash and oils from entering the storm drain system and subsequently our oceans. This year, Long Beach worked closely with Los Angeles County to craft state legislation to create a regional funding mechanism to improve water quality and reduce stormwater pollution countywide. Long Beach was particularly interested in the inclusion of provisions to improve stormwater water quality in the Los Angeles River. The final bill enacted by the Governor reflected all of Long Beach's priorities for the legislation.

Electronic Filing of Statements of Economic Interests

Recently, the City of Long Beach purchased and implemented the electronic filing software system used by the County of Orange in its pilot program. Due to state legislative restrictions

regarding filing, however, filers in the City of Long Beach currently complete the form on-line only then to print, sign, and send the material forms to the City Clerk's office to receive, scan, and upload them into the online system. This redundancy could be completely avoided if the City were allowed to use the electronic filing software system.

Long Beach actively lobbied for permission to implement this pilot program through AB 1921 (Davis). The aid of our legislative advocates and support from Long Beach delegation's resulted in the passage of this bill, which will allow the City of Long Beach to fully utilize the electronic filing system.

Protections for Enterprise Zone: Targeted Employment Areas

The Enterprise Zone program targets economically distressed areas in California with special state and local incentives to encourage business investment and promote new jobs creation. Enterprise zone areas allow tax incentives for businesses to hire, and allows private sector market forces to revive the local economy. Long Beach's Enterprise Zone covers over 41.4 square miles, encompassing a large majority of the City and thousands of businesses.

This year, the Legislature tried to eliminate the Hiring Tax Credit portion of the Enterprise Zone program. Long Beach and our legislative advocates responded in strong opposition, as the Hiring Tax Credit is one of the major draw for businesses to participate in the program, and creates local jobs for low-income Long Beach residents. Ultimately, this piece of legislation failed to become law.

Department of Boating and Waterway Loans

On May 26, 2010, the City received approval from the state Department of Boating and Waterways (DBAW) Commission for a \$9 million loan to reconstruction deteriorating marina infrastructure in the Alamitos Bay. The approval of these funds brings the total amount of DBAW loan funds to \$30.4 million. In addition, FY 11 state budget includes another \$10 million for the project. In May 2010, a contract with Bellingham Marine was fully executed for the design, permitting, and beginning construction phases for Alamitos Bay Marina Basin 4 rebuild project. Long Beach and our legislative advocates are watching all DBAW loan funds closely to ensure that the City will have the opportunity to utilize the entire amount.

Multifamily Improvement Districts

The Multi-Family Improvement District (MID) Law allows property owners to collectively form a district with a two-thirds vote within a city or county and collect a self-assessed fee applicable only to MID properties for the financing of improvements located in the MID. Long Beach is the only city in the State of California that has organized to establish a MID and the City advocates for the extension of the law until January 1, 2022, as current law is scheduled to expire January 1, 2012.

The "Andy Street" MID was established in 2007 with eighty-two percent voter approval and since its creation, the quality of life, as well as the safety and well-being of residents and business owners in the MID has significantly improved. Crime, graffiti and illegal dumping in the neighborhood have declined since the MID was established. Police calls in the Andy Street MID have also plummeted from 480 calls per year to merely 120 calls per year. Additionally, funds from the self-assessed fee have been used to finance property maintenance, small capital improvement projects and other efforts that have resulted in noticeable improvements to the neighborhood.

Long Beach is currently working with our community to establish a second MID in the City and our legislative advocates have communicated the City's position of support to the legislature to extend the sunset clause of the current law. The legislation made it out of the Legislature and was signed into law by Governor.

Future Advocacy Efforts

As always, protections for local government revenues are a top priority for the City of Long Beach. This effort is a work in progress and Arnold and Associates have been instrumental in assisting with communications to further this goal. Their expertise in Sacramento has served the City well in the past, and their services will be of value to the City in the future.

Prior Year Efforts

Additionally, since 2008, Arnold and Associates has helped Long Beach accomplish the following:

- **Protection for local government revenues.** Legislative efforts in FY 08 helped defeat a proposal to shift Proposition 42 transportation spillover funding into the Prop 42 formula and lower the guaranteed amount of Prop 42 funding to cities, which would have potentially negatively impacted our transportation funding.
- **Improved air quality requirements.** In FY 08, Long Beach supported SB 1028, which was a bill that requires the California Air Resources Board (CARB) to: (1) adopt and enforce rules and regulations to meet air quality standards; and (2) adopt measures that are sufficient, in conjunction with measures adopted by the regional air districts and the United States Environmental Protection Agency, to attain the national air quality standards. SB 1028 has become law.
- **Defeat local government bankruptcy preemption bill.** This is a bill that was included in FY 09 and FY 10 Legislative Sessions. Both years Long Beach and other governmental entities' lobbied against the bill and efforts have prevented the legislation from moving forward.
- **Public park expansions.** In FY 09, Long Beach gained the authorization to lease real property to a governmental entity for the purposes of maintaining a public park.
- **Protecting the City's oil revenues.** Arnold and Associates have facilitated important communications between our delegation and the City to exempt Long Beach oil properties from any proposed oil severance tax.

Arnold and Associates – Staff

Michael J. Arnold - Legislative Advocate/President
marnold@mjarnold.com

Michael J. Arnold, President and Founder of Arnold & Associates, has been lobbying in Sacramento since 1971. Prior to the creation of Arnold & Associates, he spent nine years with the League of California Cities and three years with the California Medical Association. The rich personal background of Mr. Arnold combined with his highly developed understanding of legislative strategy and keen political insight form the basis from which effective representation is achieved.

Mr. Arnold holds a Masters of Public Administration (MPA) degree from UCLA. He also attended UCLA for undergraduate studies culminating in a BA degree in Political Science. Mr. Arnold holds general secondary and community college teaching credentials.

Kristian E. Foy - Legislative Advocate/Legal Counsel
kfoy@mjarnold.com

Kristian E. Foy is a member of the California State Bar. She graduated with honors from the University of the Pacific, McGeorge School of Law where she received her Juris Doctor degree. She earned her Bachelor of Science degree in Biology from UCLA.

While in law school, Ms. Foy concentrated her studies in the areas of environmental law and the legislative process. Prior to joining Arnold & Associates, Ms. Foy was employed in the legal department of Western Farm Credit Bank in Sacramento. She also served as a Legislative Intern to the Senate Judiciary Committee. Ms. Foy's legal background compliments the firm's objectives and our commitment to ensure that clients have the best resources available whether they need legislative research, analysis, bill drafting or sponsorship of a measure.

Melissa S. Ramel - Executive Assistant
mramel@mjarnold.com

Melissa S. Ramel serves as the Executive Assistant for Arnold & Associates. Melissa came to work for Arnold & Associates in February 2006. Prior to joining the firm, Melissa worked for California Attorneys for Criminal Justice (CACJ) where she enjoyed five years of being the Legislative Assistant and later the Program Associate. Upon leaving CACJ, the Board of Governors honored Melissa with a Certificate of Recognition & Appreciation, an award previously not given to an employee, for the key role she played in CACJ's transition from Los Angeles to Sacramento. She is a proud alumna of the University of California, Davis where she received her B.A. in Political Science and History. She is currently an active member of the Cal Aggie Alumni Association.