



Date: February 22, 2010

To: State Legislation Committee Members

From: Patrick H. West, City Manager

Subject: AB 2663 (B. Lowenthal; A. Lownethal, co-author) Federal Fiscal Year Bill

Assembly Member Bonnie Lowenthal introduced AB 2663 on Friday, February 19, 2010. The bill was also co-authored by Senator Alan Lowenthal. AB 2663 is designed to provide Long Beach, and other cities observing the federal fiscal year financial relief from state borrowing during the final three months of the federal fiscal year.

Long Beach, Huntington Beach, Inglewood, El Segundo and South Lake Tahoe are the only cities in the State that observe the federal fiscal year. AB 2663 allows these cities to begin payments to the State in October (the beginning of the federal fiscal year), instead of July (the beginning of the State fiscal year, and when payments traditionally begin). This three month delay allows federal fiscal year cities to focus on maintaining crucial city services while balancing the city's budget at the end of the fiscal year.

Only after the city's fiscal year has closed, will federal fiscal year cities begin remitting funds to the state. Currently, 99% of cities in California remit funds to the State at the beginning of their fiscal years. Only one-percent of cities begin payments during the final three months of the fiscal year. AB 2663 delays payments for these cities so that State borrowing affects every city at the same point in the city's fiscal year. Regardless of when the fiscal year begins, all cities are required to fulfill the entire payment cycle to the State. AB 2663 targets State borrowing of Proposition 42, Highway User Tax, Proposition 1A and Redevelopment Funds.

Long Beach would like to thank Assembly Member Bonnie Lownethal, and Senator Alan Lowenthal for their support of this legislation. Attached is a copy of the bill as it was introduced.

Please contact Tom Modica, Manager of Government Affairs at 8-5091 if you have any questions or require additional information.

CC: Mayor and Members of the City Council
Suzanne Frick, Assistant City Manager
Reginald Harrison, Deputy City Manager
Lori Ann Farrell, Director of Finance
Dave Wodynski, Manager of Budget and Performance
Tom Modica, Manager of Government Affairs
Jyl Marden, City Council Liaison
Mike Arnold and Associates

Attachments

PHW: TM: dt

M:\IGR\State\State Leg Comm\Memos 2010\ MCC_AB2663_Federal Fiscal Year_2-22-10



MAYOR BOB FOSTER

CITY OF LONG BEACH

March 9, 2010

The Honorable Bonnie Lowenthal
California State Assembly
State Capitol, Room 5158
Sacramento, CA 95814

Re: Support of AB 2663: Federal Fiscal Year Bill

Dear Assembly Member Lowenthal:

On behalf of the City of Long Beach, thank you for introducing AB 2663, the Federal Fiscal Year Bill, which is sponsored by the City of Long Beach. This bill will shift State borrowing from cities observing the federal fiscal year to match the beginning of the federal fiscal year (October) in order to protect five cities (Long Beach, Inglewood, El Segundo, Huntington Beach, and South Lake Tahoe), from having to make drastic cuts to community services in the final three months of their fiscal year.

These cities are unique in that they observe a different fiscal year than every other city in California. While our cities strongly urge the State not to borrow local government revenues, this bill will make that constitutionally authorized borrowing easier to manage for federal fiscal year cities in the following ways:

Benefits of the Federal Fiscal Year Bill

AB 2663 will align State borrowing of funds (such as the Highway User Tax or Proposition 42 funds) to the beginning of the fiscal year for cities that observe the federal fiscal year. By merely shifting State borrowing from July (the beginning of the State fiscal year, and when funds are currently taken) to October (the beginning of the federal fiscal year), this bill will save the City of Long Beach and other federal fiscal year cities from drastic cuts in their budgets during the last three, and most critical months of the fiscal year in order to close the fiscal year in balance.

State Will Receive the Same Amount of Funds

The City of Long Beach, and all other cities affected by this bill will continue to fulfill the entire payment cycle to the State. The State will receive the same amount of revenue from cities on the federal fiscal year as it will from every other city. AB 2663 does not impact cities that observe the State's fiscal year, as borrowing from those cities already occur at the beginning those cities' fiscal years.

333 WEST OCEAN BOULEVARD, LONG BEACH, CALIFORNIA 90802
TELEPHONE 562-570-6801 FAX 562-570-6538 MAYOR@LONGBEACH.GOV

Example of Borrowing and the Impacts on Cities

In previous years, when the State has proposed to borrow funds such as the Highway User Tax from cities, the City of Long Beach has been forced to consider deep cuts to transportation services, road projects, and on occasion, critical non-transportation services such as public safety and libraries to ensure the City closes the fiscal year in balance. These changes adversely affect the community, but no other alternative exists if the City is to make payments to the State, and close its own fiscal year in balance. AB 2663 protects five cities against the State's untimely borrowing, thus preventing drastic cuts to community services in the final three months of their fiscal year.

It is our goal in Long Beach to provide the community with quality services that are stable and predictable. We believe that AB 2663 will provide the stability our community needs and deserves.

Thank you again for introducing this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Foster", with a stylized, cursive script.

Mayor Bob Foster
City of Long Beach

cc: The Honorable Rod Wright, State Senate, 25th District
The Honorable Alan Lowenthal, State Senate, 27th District
The Honorable Jenny Oropesa, State Senate, 28th District
The Honorable Isadore Hall III, State Assembly, 52nd District
The Honorable Warren Furutani, State Assembly, 55th District



MAYOR BOB FOSTER

CITY OF LONG BEACH

March 9, 2010

The Honorable Alan Lowenthal
California State Senate
State Capitol, Room 2032
Sacramento, CA 95814

Re: Support of AB 2663: Federal Fiscal Year Bill

Dear Senator Lowenthal:

On behalf of the City of Long Beach, thank you for being the co-author for AB 2663, the Federal Fiscal Year Bill, which is sponsored by the City of Long Beach. This bill will shift State borrowing from cities observing the federal fiscal year to match the beginning of the federal fiscal year (October) in order to protect five cities (Long Beach, Inglewood, El Segundo, Huntington Beach, and South Lake Tahoe), from having to make drastic cuts to community services in the final three months of their fiscal year.

These cities are unique in that they observe a different fiscal year than every other city in California. While our cities strongly urge the State not to borrow local government revenues, this bill will make that constitutionally authorized borrowing easier to manage for federal fiscal year cities in the following ways:

Benefits of the Federal Fiscal Year Bill

AB 2663 will align State borrowing of funds (such as the Highway User Tax or Proposition 42 funds) to the beginning of the fiscal year for cities that observe the federal fiscal year. By merely shifting State borrowing from July (the beginning of the State fiscal year, and when funds are currently taken) to October (the beginning of the federal fiscal year), this bill will save the City of Long Beach and other federal fiscal year cities from drastic cuts in their budgets during the last three, and most critical months of the fiscal year in order to close the fiscal year in balance.

State Will Receive the Same Amount of Funds

The City of Long Beach, and all other cities affected by this bill will continue to fulfill the entire payment cycle to the State. The State will receive the same amount of revenue from cities on the federal fiscal year as it will from every other city. AB 2663 does not impact cities that observe the State's fiscal year, as borrowing from those cities already occur at the beginning those cities' fiscal years.

333 WEST OCEAN BOULEVARD, LONG BEACH, CALIFORNIA 90802
TELEPHONE 562-570-6801 FAX 562-570-6538 MAYOR@LONGBEACH.GOV

Example of Borrowing and the Impacts on Cities

In previous years, when the State has proposed to borrow funds such as the Highway User Tax from cities, the City of Long Beach has been forced to consider deep cuts to transportation services, road projects, and on occasion, critical non-transportation services such as public safety and libraries to ensure the City closes the fiscal year in balance. These changes adversely affect the community, but no other alternative exists if the City is to make payments to the State, and close its own fiscal year in balance. AB 2663 protects five cities against the State's untimely borrowing, thus preventing drastic cuts to community services in the final three months of their fiscal year.

It is our goal in Long Beach to provide the community with quality services that are stable and predictable. We believe that AB 2663 will provide the stability our community needs and deserves.

Thank you again for being the co-author for this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Foster". The signature is fluid and cursive, with the first name "Bob" and last name "Foster" clearly distinguishable.

Mayor Bob Foster
City of Long Beach

CC: The Honorable Rod Wright, State Senate, 25th District
 The Honorable Jenny Oropeza, State Senate, 28th District
 The Honorable Isadore Hall III, State Assembly, 52nd District
 The Honorable Bonnie Lowenthal, State Assembly, 54th District
 The Honorable Warren Furutani, State Assembly, 55th District