



Date: November 5, 2012
To: Mayor and Members of the City Council
From: Patrick H. West, City Manager
Subject: Government Affairs by the Numbers – FY 12

Introduction

Staff provides this “Government Affairs by the Numbers” report annually as a way to quantify the City’s legislative efforts. Attached for your information are two documents:

- ✓ FY 12: Government Affairs by the Numbers
- ✓ Overview of State and Federal Successes

Funds Long Beach receives for projects, and/or saves from state or federal cuts are the result of collaborative efforts by the Mayor and City Council, the Federal and State Legislation Committees, the City’s legislative advocates Mike Arnold and Associates, and Van Scoyoc and Associates, City staff, and at times, our Long Beach federal and state delegations. Information presented here does not include competitive grant funds that were awarded in FY 12; rather the report only reflects dollar amounts the City acquired or protected through legislative advocacy.

For more information, please contact Tom Modica, Director of Government Affairs and Strategic Initiatives at 8-5091.

cc: Suzanne Frick, Assistant City Manager
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Tom Modica, Director of Government Affairs and Strategic Initiatives
Jyl Marden, City Council Liaison
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Attachments
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FISCAL YEAR 2012: GOVERNMENT AFFAIRS BY THE NUMBERS

NOVEMBER 2012

Federal Issues

Long Beach Dollars Saved through Legislative Advocacy

- Army Corps Funding for the Colorado Lagoon Restoration Project \$ 1,000,000
- TOTAL: \$ 1,000,000**

State Issues

Long Beach Dollars Saved through Legislative Advocacy

- Restoring the City/Redevelopment Agency (RDA) Loans \$ 119,000,000
 - Restoring RDA Bonds for Planned Projects \$ 12,900,000
 - Land Owned by the RDA Prior to Dissolution \$ market value
(Future book Value of 220 parcels)
 - Cap and Trade Exemption for the Southeast Resource and Recovery Facility (SERRF) \$ 3,000,000
 - Preservation of the City's Gas Tax funds \$ 12,000,000
- TOTAL: \$ 146,900,000⁺**

Lost As a Result of the State Budget

- No direct local government impacts \$ (no impact)
- TOTAL: \$ (no impact)**

Other State and Federal Successes

- National Flood Insurance Program Reauthorization \$ 18.5 billion
 - Preservation of Bradley-Burns Sales and Use Tax Distribution to Cities \$ 54,500,000
 - Preservation of the State and Local Homeland Security Grants \$ 64,000,000
 - Defeat of the Three-Percent Withholding Mandate Unknown
- TOTAL: \$ 18.6⁺ billion**

OVERVIEW OF STATE SUCCESSES

- **City / Redevelopment Agency Loans (up to \$119 million):** Since the passage of AB 26x (2011), the City has continuously advocated for specific clean up language to protect City assets as redevelopment is unwound, and Long Beach was directly involved in intense negotiations with the State on this issue. Long Beach, working through Senator Lowenthal and the Senate Pro Temp staff, proposed a concept of returning City loans, access to bond proceeds, and access to former RDA land, in exchange for a City commitment to expeditiously transfer cash assets from former Redevelopment agencies (not needed to meet enforceable obligations) to the State. Language in AB 1484 ultimately allows cities who meet the State's requirements for transferring certain former-Redevelopment assets will be given a "notice of completion" and access to city/agency loans. The City loaned the former Long Beach Redevelopment Agency approximately \$119 million. AB 1484 requires cities to dedicate 20 percent of the loan amount to fund affordable housing. While the ultimate implementation language of the City's proposal was not ideal and the City opposed certain aspects of it, the City's original concept was preserved in AB 1484 and the City has a good indication that we will be to access these funds in the future.
- **Access to Existing Bond Proceeds for Specified Redevelopment Projects (\$12.9 million):** As mentioned above, the City's ability to access bond proceeds is dependant on State issuance of the "Notice of Completion". Projects awaiting the bonded proceeds include: North Library construction, Artesia Boulevard Median Improvement, Atlantic Avenue Median Improvement, Oregon Park Development and the East Police Station.
- **Return of Redevelopment (RDA) property to the City (market value of 220 properties, TBD):** The market value of properties that may be returned to the City of is undetermined. However, Long Beach expects the value to be significant as there are an estimated 220 properties that may be returned, contingent upon the State's issuance of a "Notice of Completion". A Notice of Completion may be issues, pending DOF approval of the City's Long-Range Property Management Plan. When these properties transfer back within the City's authority, they will become eligible for certain uses that are outlined in AB 1484. These uses include economic development or government purposes. The City may also protect the properties from being solid for uses that are inconsistent with the desires of the community.
- **Cap and Trade 1st Compliance Period Exemption (\$3 million):** On September 20, 2012, CARB cited new evidence from a CalRecycle report that shows waste-to-energy produces less GHG emissions than landfills. The Board directed its Executive Director to exempt waste-to-energy facilities from the cap-and-trade program for the first compliance period. This exemption includes the City's South East Resource Recovery Facility (SERRF).
- **Gas Tax (\$12 million):** Gas tax revenues are used to fund essential government transportation services such as street light operations, traffic signals, pothole repair and street markings and signage. Long Beach receives approximately \$12 million annually from this funding stream. There was a proposal to suspend gas tax in 2012 due to the rising price of fuel at gas stations. This would have been detrimental for the City, as

any reduction in gas tax would result in reductions to all City departments so as to continue providing critical street surface services.

- **Bunker Fuel – Extension of a Partial Sales Tax Exemption (positive jobs impact):** SB 1243 (Lowenthal) would extend the sunset date for a bunker fuel tax exemption, until January 1, 2024. This exemption is scheduled to sunset January 1, 2014. The Legislative Analyst has opined approximately 1,000 to 2,000 jobs are associated with the bunker fuel industry, and that the majority of the bunker fuel industry is located in the Long Beach / Los Angeles area. The market for bunker fuel is very price sensitive, with increases as little as 25 cents to 50 cents per ton driving purchasing behavior. In 1991, the institution of the full tax resulted in a 45 percent drop in bunker fuel deliveries. While there was an accompanying increase in revenue of \$20 to \$30 million statewide in 1991 and \$30 to \$40 million in 2003, it resulted in severe economic harm to the industry of 100 to 200 job positions on each occasion. In two separate reviews, the independent Legislative Analysts Office has recommended the extension of the partial exemption after reviewing this tax policy in great detail.
- **Disability Access – ADA Reforms:** Over the years, the City has heard from responsible local businesses of ADA issues that SB 1186 proposes to clarify. Provisions in this bill will help businesses meet ADA requirements, while ensuring the disabled community is provided access as prescribed under the law. SB 1186 requires specificity in ADA demand letters and complaints, as well as reduces statutory damages and strengthens litigation protections for defendants who correct unintentional ADA violations within a specified time. These changes and others will bolster the credibility of claims made by credentialed lawyers and their clients, as well as protect responsible business owners from damaging litigation.
- **Local Sales and Use Tax (\$54.5 million):** Long Beach joined several cities in a fight against AB 658 (Calderon). This bill would have overturned a recent Superior Court decision that deemed specified transactions subject to local sales tax instead of local use tax. The result would have diverted 96 percent of the City's sales tax revenues to 57 different county pools, with the City only receiving four percent of the use tax on specified transactions. Bill language describing the disposition of revenues post allocation to the county was vague. This was a "gut-and-amend" bill that was heard during the last week of the State Legislative Session. The bill failed to move out of the Senate Governance and Finance Committee.
- **Gas Tax (\$15 million):** Legislators took notice of rising fuel prices at neighborhood gas stations when prices began to exceed \$3.50 per gallon. Senator Dutton put forth a proposal to suspend state taxes on gasoline if the price of gasoline and diesel fuels rose above \$3.88 or \$3.52 per gallon, respectively, which cities were able to quickly defeat. A portion of gasoline tax revenues are distributed among cities annually. Long Beach uses this funding to provide essential government transportation services such as street light operations, traffic signals, pothole repair and street markings and signage.
- **Southeast Resource and Recovery Facility (SERRF) (\$3 million):** Waste-to-Energy facilities in California were included in cap and trade regulations as electricity generators when regulations were adopted by the California Air Resources Control Board (CARB) in 2011. Since that time, Long Beach has worked with stakeholder groups to advocate for an exclusion from the regulation based on scientific evidence

that waste-to-energy methods produce less greenhouse gas emissions when compared to landfills. After several rounds throughout the year, CARB eventually agreed with the City's position after CalRecycle published a scientific report to demonstrate those findings in August 2012. Exclusion from the first compliance period of the cap and trade program will save the City \$3 million.

- **AB 2062 for e-filing Statements of Economic Interest (\$16,000):** In FY 10, Long Beach was awarded the ability to participate in a pilot program to file Statements of Economic Interest electronically, as opposed to via traditional hard copy forms. Filing Statements of Economic Interests is required for some officials by the Political Reform Act of 1974. The City's positive experience with electronic filing played a pivotal role in establishing a basis for AB 2062, which makes this program permanent and available to cities statewide.

OVERVIEW OF FEDERAL SUCCESSES

- **Colorado Lagoon (\$1 million):** The City secured grants from several state agencies and conservancies to initiate construction of an \$8 million estuary restoration project. Late in the process just before construction was to commence, the U.S. Army Corps of Engineers raised objections to the use of its Estuary Program funds to dredge soil contaminated with lead, putting the entire \$8 million project at risk. Despite appeals from the Los Angeles District office, Corps headquarters failed to approve a partnership agreement with the City, potentially jeopardizing other grant funds and the pending contract bid. The City and Corps subsequently reached an understanding about an alternate use for Corps funds that enabled the Assistant Secretary of the Army to execute the partnership agreement and start construction. This was an intense effort involving the Mayor, the Federal Legislative Committee chaired by Councilmember DeLong, City staff, and the City's lobbyist.
- **Federal Emergency Management Agency Flood Maps (\$18.5 billion):** In the 1990's, the County of Los Angeles reinforced levies along the Los Angeles River to protect Long Beach residents from a flood insurance purchase mandate for properties located in "residual risk" areas. Despite the newly constructed reinforcements, specific areas miles away from the Los Angeles River still fall within the 100-year flood plain. Since established scientific evidence does not currently exist to justify FEMA's flood maps, Long Beach advocates strongly against a flood insurance purchase mandate for properties located in a 100-year and/or 500-year flood zone. Advocacy efforts were successful in amending the House of Representative's bill to reauthorize the National Flood Insurance Program, though the language remained in the Senate bill. The City's legislative advocates, Vans Scoyoc and Associates, worked with legislators from around the country to win a last minute point of order during the conference committee to remove the mandate for properties in the "residual risk" zone with federally backed mortgages. This action saves property owners in the 100-year and 500-year flood zone from being required to purchase flood insurance for the next five years. In five years, another National Flood Insurance Program reauthorization will be necessary, and the City will revisit this issue at that time.

- **Three Percent Withholding (unknown):** The City supported H.R. 674, which was enacted to repeal a federal law that would have required federal, state and local governments to withhold three percent from all payments made to vendors or contractors for goods and services, and remit those funds to the Internal Revenue Service (IRS) beginning January 1, 2013. This is a significant financial and administrative burden on local governments that would have little benefit to local government. The passage of this bill relieves our Financial Management staff from having to add this costly administrative function to their workload.
- **State and Local Homeland Security Grants (\$64 million):** This year, the Department of Homeland Security proposed to merge all Homeland Security programs into one program to be run at the State level. This proposal would have potentially eliminated the very effective local partnership Los Angeles and Long Beach have created through the LA/Long Beach Urban Area Security Initiative (UASI), which in FY 12 provided \$64 million in federal Homeland Security grants for the region. While the funding may have still been available, it would have likely been distributed through the State, with very little local control. This proposal was ultimately defeated, maintaining the LA/Long Beach UASI.