



Date: December 4, 2013
To: Mayor and Members of the City Council
From: Patrick H. West, City Manager
Subject: Government Affairs by the Numbers – FY 13

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 13: 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 our Long Beach federal and State delegations. Information presented here does not include competitive grant funds that were awarded in FY 13; rather the report reflects dollar amounts the City acquired or protected through legislative advocacy.

For more information, please contact Diana Tang, Manager of Government Affairs at 8-6506.

cc: Suzanne Frick, Assistant City Manager
Reginald Harrison, Deputy City Manager
Tom Modica, Deputy City Manager
All Department Directors
Diana Tang, Manager of Government Affairs
Jyl Marden, Assistant to the City Manager
Van Scoyoc and Associates
Mike Arnold and Associates

FISCAL YEAR 2013: GOVERNMENT AFFAIRS BY THE NUMBERS

DECEMBER 2013

Federal Issues

Los Angeles/Long Beach Harbors Dredging Funding for FY 14	\$	4,800,000
Avoided 45 percent Community Development Block Grant Cuts	\$	6,050,000
TOTAL:	\$	8,850,000

State Issues

Shoreline Gateway Authorization to Proceed (increased property tax over 30 yrs)	\$	30,000,000
SB 470 Property Sales - Fair Reuse Value Authority	\$	market rate
Defeated SB 395 Fracturing and Injection Wells Bill (value to Long Beach)	\$	70,000,000
Defeated SB 395 Fracturing and Injection Wells Bill (value to the State)	\$	352,000,000
Oil Severance Tax Exemption for Long Beach	\$	10,200,000
Cap and Trade Exemption for Natural Gas Cap and Trade	\$	8,000,000
Cap and Trade Exemption for the Southeast Resource and Recovery Facility (SERRF)	\$	1,000,000
AB 443 City Sponsored Parking Citation Bill	\$	TBD
Franchise Fee Restrictions	\$	4,000,000
TOTAL:	\$	475,200,000+

Other State and Federal Successes

- No direct loss of City revenues from State FY 14 Budget
- Defeated proposal to cap tax exempt municipal bonds
- Homeland Security Grant Consolidation Defeated
- Enterprise Zone Reform

OVERVIEW OF FY 13 STATE SUCCESSES

- **Shoreline Gateway Project:** The Department of Finance (DOF) had previously denied a \$200 million private investment in Downtown Long Beach that will create 450 new residential units, 25,000 square feet of retail, and 800 new construction jobs. Long Beach successfully fought to have the project approved. In addition to the property tax increase, the Shoreline Gateway project is construction-ready and will result in significant sales tax, construction jobs, income tax, and multiplier effects for the region and the state, and generate an estimated \$30 million more in property tax for all taxing entities over 30 years when compared to the alternative.
- **SB 470 Property Sales – Fair Reuse Value Authority:** Long Beach sponsored SB 470 (Wright) to provide cities with the option to sell land at “fair reuse value”. This legislative authority was one the City had access to through redevelopment prior to its dissolution. Selling land that is returned to the City per the State approved Long Range Property Management Plan can be a way to encourage quality development that meets the City’s and neighborhood needs. With the passage of SB 470, “fair reuse value” sales may be used in lieu of “fair market value” sales, which do not always generate the best use for the community.
- **Injection Well Moratorium:** Hydraulic fracturing was a hot topic in the 2013 State legislative session. While Long Beach only practices this procedure in certain instances of oil operations, the City regularly injects produced water into oil wells to prevent subsidence. Injecting produced water into the existing oil wells is not hydraulic fracturing; but nevertheless, these issues became intertwined in SB 395 (Jackson) and this bill would have disallowed the City to continue re-injecting produced water. SB 395 would have shut down the City’s oil operations by preventing subsidence mitigation measures, and would have resulted in the loss of all oil revenues from both Uplands and Tidelands (\$70 million each year). The City was successful in turning this legislation into a 2-year bill.
- **Oil Severance Tax:** SB 241 was introduced in the 2013 State Legislative Session to impose a tax on oil severance. After years of working with legislators on oil severance tax bills, most of the recent attempts at this tax have included the City’s exemption language; SB 241, however, did not. Seeing the omission in SB 241, the City worked with Senator Evans to amend the bill and include the City’s exemption language. SB 241 became a two-year bill in the 2013 legislative session, and if passed next year, Long Beach would be exempt from paying \$10.2 million in oil severance taxes per year.
- **SERRF Cap and Trade Exemption:** 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). A formal exemption for SERRF to the first cap and trade compliance period is expected in staff’s recommendation to the CARB Board at its October 2013 meeting.

- **Natural Gas Cap and Trade Phase in Plan:** The City engaged in the cap and trade discussion from the perspective of a natural gas provider. The current cap and trade plan would force Long Beach to incur a large majority of compliance costs in FY 14, which would directly affect City ratepayers. Long Beach expects to receive approval to phase in compliance costs for residential and small business natural gas users over several years instead of bear all costs in FY 14, saving an estimated \$8 million.
- **Parking Citation Collections:** The City sponsored AB 443 (Lowenthal) as a mechanism to increase parking citation collection rates. The Governor signed this bill, which give the Department of Motor Vehicles the ability to block vehicle transfers between family members if there are outstanding parking citations associated with the vehicle.
- **Enterprise Zone:** Over the past several years, there have been several efforts to dismantle the Enterprise Zone program to achieve savings for the State Budget. This year, the Governor took a different approach and proposed reforms to the program that end the current Enterprise Zone program and replace it with economic development incentives. The reform package creates a statewide sales tax exemption for manufacturing equipment, a State economic development fund to incent specific projects, and a much smaller hiring credit in specific areas of the state, including but not limited to current Enterprise Zone areas. Through the City's opposition, Long Beach was able to help negotiate an extension of the carryover credit from 5 to 10 years; allow for ex-offender hires to qualify for EZ incentives; and extend the manufacturing credit, and hiring credit within existing Enterprise Zones through 2021. While this program will be significantly different than what the City has used in the past and the Enterprise Zone program as we know it will no longer exist, the reforms will continue to provide economic benefit to businesses.
- **Air Pollution Penalties:** As a result of the 2010 San Bruno pipeline explosion, and concerns over air quality near large oil refineries, Senator Wolk introduced SB 691 to significantly increase fines to Title V facility operators that violate certain air pollution permits. The City worked with the author's office to amend this bill. Amendments have made it very difficult for the increased penalties to impact SERRF.

OVERVIEW OF FEDERAL SUCCESSES

- **Los Angeles River Dredging:** The President's budget included \$4.8 million for dredging the Los Angeles/Long Beach Harbors. Through the City's advocacy efforts, this project description includes the Los Angeles River Estuary; thus allowing the Army Corps to use funds from the Los Angeles/Long Beach Harbors account to dredge the federal channel, if funds are awarded and if a final appropriations bill is passed. The Los Angeles River Federal channel serves as an important link between the continental United States and Catalina Island. Over 600,000 total passengers travel through this passage every year via the Catalina Express, making ferry boat service between Catalina Island and Long Beach, California, the second most used ferry boat system in the State. In turn, the Catalina Express provides a significant economic benefit to both the Southern California region and Catalina Island. Based on a 70% load of the ferries' passenger capacity, the value of each trip lost would average between \$62,000 and \$73,000 (in visitor spending and taxes), according to data provided by the Catalina Island Chamber of Commerce. Additionally 100,000 commuters annually access the ferry route between Long Beach and Avalon. Any service interruption between Long Beach and Avalon has an immediate negative economic impact, as well as creating an undue hardship for commuters.
- **Community Development Block Grant Funds:** The House of Representatives proposed to cut CDBG funding by 45 percent. Long Beach and cities across the United States joined together to oppose these cuts, as the funding benefits programs that help stabilize low-income neighborhoods with aging infrastructure, provide assistance to eliminate blight and encourage additional private investment, encourage business growth, create new jobs, and train residents with tools and skills to address significant neighborhood problems. Though funding has decreased in recent years, the City still receives approximately \$6 million in CDBG funds per year.
- **Tax Exempt Municipal Bonds:** Capping tax exempt municipal bonds became a topic of discussion during budget, sequestration and debt ceiling talks. Long Beach opposed the cap. The City utilizes tax-exempt municipal bonds to finance public infrastructure projects that generate jobs and promote economic growth in our community. Over the past decade, state and local governments across the country have financed over \$1.65 trillion in public improvements, utilizing these bonds for schools, hospitals, transit and infrastructure for water, roads, and public power. Proposals to limit or eliminate tax deduction for municipal bonds will increase the cost of borrowing for state and local governments. If the deduction were capped at 28 percent, the effect would have been a general increase in bond financing costs by 70 basis points (.7 percent) to cities across the nation.
- **State and Local Homeland Security Grants (\$66 million):** The President's budget proposed again, to merge all Homeland Security programs into one program. This is the same proposal that was put forth last year, and rejected by Congress. The proposal would give Homeland Security funding to States for pass through to local governments. It would have eliminated a very effective local partnership that Los Angeles and Long Beach agencies have built over the years through the LA/Long Beach Urban Area Security Initiative (UASI). In FY 13, \$66 million in federal UASI grants were allocated to the LA/Long Beach region.