



City of Long Beach
Working Together to Serve

R-26
Office of Gerrie Schipske
Councilwoman, Fifth District
Memorandum

Date: June 2, 2009

To: Mayor and City Council

From: Councilwoman Gerrie Schipske, Fifth District
Councilmember Gary DeLong, Third District
Vice Mayor, Val Lerch, Ninth District

Subject: **Request for Support of Resolution Opposing State Raid on Long Beach's Property Taxes**

DISCUSSION

42 cities in California have passed the attached resolution opposing the Governor's proposed raiding of property taxes due cities.

In the case of the City of Long Beach, it is estimated that the State will "borrow" upwards of \$10 million which will significantly increase the deficit for 2010.

Additionally, the Legislature is currently considering hundreds of bills, many of which would impose new costs on local governments that can neither be afforded nor sustained by Long Beach.

The resolution clearly states that the taking of the city's property taxes and the additional unfunded mandates will create a severe financial hardship for Long Beach.

RECOMMENDATION

Approve a resolution finding a severe fiscal hardship will exist for the City of Long Beach if additional city property taxes are seized and additional unfunded mandates are adopted by the State of California.

**A RESOLUTION FINDING A SEVERE FISCAL HARDSHIP WILL EXIST IF
ADDITIONAL CITY PROPERTY TAX FUNDS ARE SEIZED AND
ADDITIONAL UNFUNDED MANDATES ARE ADOPTED BY THE STATE OF
CALIFORNIA**

WHEREAS, the current economic crisis has placed cities under incredible financial pressure and caused city officials to reopen already adopted budgets to make painful cuts, including layoffs and furloughs of city workers, decreasing maintenance and operations of public facilities, and reductions in direct services to keep spending in line with declining revenues; and

WHEREAS, since the early 1990s the state government of California has seized over **\$8.6 billion** of city property tax revenues statewide to fund the state budget even after deducting public safety program payments to cities by the state; and

WHEREAS, in FY 2007-08 alone the state seized **\$895 million** in city property taxes statewide to fund the state budget after deducting public safety program payments and an additional \$350 million in local redevelopment funds were seized in FY 2008-09; and

WHEREAS, the most significant impact of taking local property taxes has been to reduce the quality of public safety services cities can provide since public safety comprises the largest part of any city's general fund budget; and

WHEREAS, in 2004 the voters by an 84% vote margin adopted substantial constitutional protections for local revenues, but the legislature can still "borrow" local property taxes to fund the state budget; and

WHEREAS, on May 5 the Department of Finance announced it had proposed to the Governor that the state "borrow" over \$2 billion in local property taxes from cities, counties and special districts to balance the state budget, causing deeper cuts in local public safety and other vital services; and

WHEREAS, in the past the Governor has called such "borrowing" proposals fiscally irresponsible because the state will find it virtually impossible to repay and it would only deepen the state's structural deficit, preventing the state from balancing its budget; and

WHEREAS, the Legislature is currently considering hundreds of bills, many of which would impose new costs on local governments that can neither be afforded nor sustained in this economic climate; and

WHEREAS, state agencies are imposing, or considering, many regulations imposing unfunded mandates on local governments without regard to how local agencies will be able comply with these mandates while meeting their other responsibilities; and

WHEREAS, the combined effects of the seizure of the City's property taxes, increasing unfunded state mandates, and the revenue losses due to the economic downturn have placed the city's budget under serious fiscal pressure; and

WHEREAS, our city simply can not sustain the loss of any more property tax funds or to be saddled with any more state mandates as they will only deepen the financial challenge facing our city; and

WHEREAS, a number of the City's financial commitments arise from contracts, including long term capital leases and debt obligations which support securities in the public capital markets, that the City must honor in full unless modified by mutual agreement of the parties.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF _____ has determined that the City will experience a severe fiscal hardship if the recommendation of the Department of Finance to "borrow" \$2 billion of local property taxes is supported by the Governor and the Legislature; and

RESOLVED FURTHER, that the City Council strongly and unconditionally opposes the May 5 proposal of the Department of Finance and any other state government proposals to borrow or seize any additional local funds, including the property tax, redevelopment tax increment, and the city's share of the Prop. 42 transportation sales tax; and

RESOLVED FURTHER, that the City Council strongly urges the state legislature and Governor to suspend the enactment of any new mandates on local governments until such time as the economy has recovered and urges the state to provide complete funding for all existing and any new mandates.

RESOLVED FURTHER, that the City Clerk shall send copies of this resolution to the Governor, our state senator(s), our state assembly member(s) and the League of California Cities.

ADOPTED this _____ day of _____, 2009.