

Council Meeting of
May 19, 2009

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: City Manager – Adopt RESOLUTION finding a fiscal hardship will exist if additional City property tax funds are seized and additional unfunded mandates are adopted by the State of California

RECOMMENDATION

Recommendation of the City Manager and Finance Director that City Council adopt a RESOLUTION finding that a fiscal hardship will exist if additional city property tax funds are seized and additional unfunded mandates are adopted by the State of California.

Funding

None

BACKGROUND AND ANALYSIS

The State of California is projected to have a budget shortfall in the current and future fiscal years. The State is awaiting the results of the May 19 statewide referendum in which voters will consider measures 1A through 1F, addressing strategies for closing the State’s projected budget shortfall and other fiscal matters. If these measures fail to receive voter approval, the State may again choose to use property tax revenues designated to be distributed to the City of Torrance and other cities to fill part of the projected State budget shortfall. Even if these measures pass, there is a strong possibility that the State may still seek funding from the City of Torrance and other cities.

The League of California Cities is launching a “Save Your City” campaign to oppose the seizure and/or borrowing of City property tax revenues. The League of California Cities has developed a variety of strategies to oppose this seizure. One strategy is to adopt a Resolution finding a hardship if City property funds are seized.

The attached Resolution 1) determines that fiscal hardship would result from the proposed action; 2) expresses strong opposition to this funding strategy; 3) urges the

State to forgo enactment of new mandates on Cities until revenues rebound; and, 4) urges the State to fully fund all existing mandates.

Respectfully submitted,

LeROY J. JACKSON
CITY MANAGER

By 
Eric Tsao
Finance Director

By 
Eleanor Barthe-Jones
Management Associate

CONCUR:


LeRoy J. Jackson
City Manager

Attachment: Resolution

RESOLUTION NO. 2009-___

A RESOLUTION BY THE TORRANCE CITY COUNCIL FINDING A 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, decreasing maintenance and operations of public facilities and making 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 Fiscal Year 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 Fiscal Year 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, 2009, 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 cannot 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 TORRANCE has determined that the City will experience a 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 Proposition 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.

Introduced, approved, and adopted this ____ day of May, 2009.

Mayor Frank Scotto

APPROVED AS TO FORM:
JOHN FELLOWS III, City Attorney

ATTEST:

by _____
Ronald T. Pohl, Assistant City Attorney

Sue Herbers
City Clerk