

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL 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 of city workers, decreasing maintenance and operations of public facilities, and reductions in direct services to keep spending in line with declining revenues;

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;

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;

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;

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

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;

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;

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

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

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

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

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

17 NOW, THEREFORE, the City Council of the City of Oceanside does resolve as follows:

18 SECTION 1. That the City will experience a severe fiscal hardship if the
19 recommendation of the Department of Finance to "borrow" \$2 billion of local property taxes is
20 supported by the Governor and the Legislature.

21 SECTION 2. That the City Council strongly and unconditionally opposes the May 5
22 proposal of the Department of Finance and any other state government proposals to borrow or
23 seize any additional local funds, including the property tax, redevelopment tax increment, and
24 the city's share of the Prop. 42 transportation sales tax.

25 SECTION 3. That the City Council strongly urges the state legislature and Governor
26 to suspend the enactment of any new mandates on local governments until such time as the
27 economy has recovered and urges the state to provide complete funding for all existing and any
28 new mandates.

1 SECTION 4. That the City Clerk shall send copies of this resolution to the Governor,
2 our state senator(s), our state assembly member(s) and the League of California Cities.

3 PASSED AND ADOPTED by the City Council of the City of Oceanside, California,
4 this _____ day of _____, 2009, by the following vote:
5

- 6 AYES:
- 7 NAYS:
- 8 ABSENT:
- 9 ABSTAIN:
- 10
- 11

12 _____
13 MAYOR OF THE CITY OF OCEANSIDE

14 ATTEST:

15 APPROVED AS TO FORM:

16 _____
17 City Clerk

18 
19 _____
20 City Attorney

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23
24
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26 A RESOLUTION OF THE CITY COUNCIL FINDING A SEVERE FISCAL HARDSHIP WILL EXIST IF ADDITIONAL CITY
27 PROPERTY TAX FUNDS ARE SEIZED AND ADDITIONAL UNFUNDED MANDATES ARE ADOPTED BY THE STATE OF
28 CALIFORNIA



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TO: City Officials
FROM: Chris McKenzie, Executive Director
RE: Sample Resolution Declaring Severe Fiscal Hardship
DATE: Friday, May 08, 2009

Background. 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 service. In order to start that process, the Governor would have to issue a proclamation declaring the existence of a “severe fiscal hardship.” The legislature would then have to implement the “borrowing” program by passing urgency legislation (2/3 vote) which identifies how the “loan” will be repaid with interest.

Resolution. The League has developed the attached **Resolution Finding A Severe Fiscal Hardship Will Exist** if this proposed state property tax raid is added to the pressures of the ongoing property tax losses and the serious revenue losses due to the economic recession. The resolution in effect states that the idea of the state taking property tax funds from already stressed city budgets is ludicrous and irresponsible. It helps demonstrate that part of the reason cities are cutting there budgets today, in fact, is because of past and continuing property tax raids. If possible, we urge that a staff report be prepared with information on property tax losses (see below) and budget cuts the city has made and is facing.

Cumulative Property Tax Losses. The attached resolution cites the cumulative property tax losses of cities statewide since the state began taking these funds in the early 1990s— which is \$8.6 billion statewide even after deducting payments cities receive from the Prop. 172 public safety sales tax the state COPS grant program. If you want to see your individual city total, see: <http://www.californiacityfinance.com/ERAFbyCity08.pdf>. Please use the figure in the last column on the right if you want to insert the amount your city has lost to these state raids.

Where to Send Copies. The draft resolution directs the city clerk to send copies to your legislators, the Governor, and the League. We would appreciate you faxing copies to both your League Regional Public Affairs Manager and the League’s Sacramento Office (Fax 916-658-8240).

Note. The last WHEREAS clause was included on the advice of bond counsel to avoid any implication that the city would not honor any of its bond or other contractual obligations.

Questions. If you have any questions or need any information please contact your League Regional Public Affairs Manager.