



## ***Atascadero City Council***

### ***Staff Report – City Manager’s Office***

---

#### **Resolution Opposing Proposals by the State to Borrow and/or Take Additional Local Funding**

##### **RECOMMENDATION:**

Council approve the Draft Resolution opposing proposals by the State to borrow and/or take additional local funding potentially resulting in the need to declare a local fiscal hardship for the City.

##### **DISCUSSION:**

The Governor’s Office has informed local government representatives that they plan to borrow local property tax revenue if the Propositions fail at the May 19, 2009, Statewide Special Election. Consistent with Proposition 1a of 2004 the State can borrow property tax from local government if it declares a fiscal hardship, and the funds must be repaid within 3 years with interest. Cities across the State have been discussing strategies to deal with the continued threat of State takeaways. Historically the State has turned to cities in times of fiscal crisis and has taken local monies to deal with State financial problems.

The League of California Cities is working on a coordinated approach to protect local government funds. The attached resolution is being adopted this week by cities to highlight the local fiscal hardships being created by the State actions.

##### **FISCAL IMPACT:**

Eight per cent of the total amount of property tax for the City of Atascadero, which is estimated between \$600,000 – \$800,000.

##### **ATTACHMENT:**

Draft Resolution

## **DRAFT RESOLUTION**

### **RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ATASCADERO, CALIFORNIA, OPPOSING PROPOSALS BY THE STATE TO BORROW AND/OR TAKE ADDITIONAL LOCAL FUNDING POTENTIALLY RESULTING IN THE NEED TO DECLARE A LOCAL FISCAL HARDSHIP FOR THE CITY**

**WHEREAS**, the Governor's office has informed local government representatives of a proposal under consideration by the State of California to borrow local property tax revenues to address State budget deficits if voters do not approve Propositions 1A through 1E at the May 19, 2009, Statewide Special Election; and,

**WHEREAS**, voters of California approved Proposition 1A in 2004 by an 84% margin, which sent a clear message to the Governor and State Legislature to stop the irresponsible, damaging and unfair practice of taking local government funds to finance the State budget; and,

**WHEREAS**, Proposition 1A prohibits the State Legislature from reducing the share of property tax revenues going to the cities, county and special districts in any county and shifting those revenues to the schools or any other non-local government function, but allows borrowing of not more than 8% of the total amount of ad valorem property tax revenues for a three-year period; and,

**WHEREAS**, The State Department of Finance has estimated this amount to equal \$2.006 billion; and,

**WHEREAS**, it would be irresponsible to "borrow" such funds because it would deepen the State's structural deficit and cripple local government and transportation services, a position previously expressed by the Governor; and,

**WHEREAS**, as a result of the current economic recession, the City Council of the City of Atascadero has recently approved preliminary budget strategies to address a projected budget shortfall of nearly \$4.5 million, that significantly impacts the City's ability to provide public safety, infrastructure maintenance and other critical services to the community; and,

**WHEREAS**, any further diversion of property, sales, or other local government tax revenues under the Proposition 1A loan provisions will further impact the ability of the City, as well as other local agencies throughout California, to fund Police, Fire and other critical services, and therefore, will significantly impact the health, safety and welfare of our citizens; and,

**WHEREAS**, any such further diversion of local tax revenues has the potential to cause the City of Atascadero and other cities and agencies throughout California to face unprecedented levels of financial hardship and possibly even insolvency; and,

**WHEREAS**, this condition has been brought about by the amount of budget reductions that the City and other local agencies have previously experienced as a result of prior unfunded State

mandates and revenue diversions imposed by the Governor and Legislature, as well as the current economic downturn.

**NOW, THEREFORE, BE IT RESOLVED**, that the City Council of the City of Atascadero hereby opposes any and all efforts by State government to “borrow” or seize local tax funds to finance State operations. Such a move would be fiscally irresponsible for the State, would threaten to create a local fiscal hardship for cities and other agencies throughout California, and would strongly impact the ability to provide adequate public safety, infrastructure maintenance, and other critical local services.

On motion by Council Member \_\_\_\_\_ and seconded by Council Member \_\_\_\_\_, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES:

NOES:

ABSENT:

ADOPTED:

CITY OF ATASCADERO

By: \_\_\_\_\_  
Ellen Beraud, Mayor

ATTEST:

\_\_\_\_\_  
Marcia McClure Torgerson, C.M.C.,  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Brian A. Pierik, City Attorney