

# 2009 Annual Return on Investment Report

LEAGUE OF CALIFORNIA CITIES



City officials gather in 1948 for the 50th Anniversary League of California Cities Annual Conference in Long Beach.

## 2009 STRATEGIC GOALS

- ✓ Protect funding for vital community services;
- ✓ Promote economic stimulus and infrastructure development;
- ✓ Support sustainable communities; and
- ✓ Promote reform of state governance, budget and fiscal systems.



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## PROTECTING LOCAL CONTROL — PAST, PRESENT AND FUTURE

For 111 years, your League of California Cities has existed to restore and protect local control for cities and to be the leading advocate for the common interests of California's cities. Each year, the League engages in advocacy on ballot measures, legislation and lawsuits that impact cities. This includes the support for efforts that strengthen cities and the defeat of threats that would harm local control. The League focuses exclusively on how to advance the long-term interests of California cities.

The League's board of directors established four strategic priorities for 2009, but one theme set the organization's tone this year – protect funding for vital community services. With the effects of the worst economic downturn since the Great Depression and constant battling among state lawmakers over the budget, California cities braced for the worst. In response, the League engaged fully on many fronts working to protect local revenues from being taken by the state, advocating for infrastructure funds, and facilitating cities' ability to secure federal recovery funds.

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## League Fights Budget Assault on Cities

Rumors in the spring that state lawmakers and Gov. Arnold Schwarzenegger were eyeing local revenues to help close the state’s deficit became reality by summer. Local property taxes and the local share of the Highway User Tax Account (HUTA), the gas tax, were put on the table, amounting to approximately \$3 billion of local funds put at risk.<sup>1</sup>

More than 250 cities passed resolutions declaring a state of fiscal hardship. The League launched [www.SaveYourCity.net](http://www.SaveYourCity.net) featuring videos of hundreds of mayors, city council members, community leaders, and state lawmakers speaking out against taking local funds to balance the state’s budget. A press strategy, including numerous news conferences around the state, was used to widely communicate how budget proposals amounted to Ponzi scheme-style accounting that would devastate local services.



## HUTA Raid Defeated, Proposition 1A Securitization Approved — More than \$1 Billion in City Funds Protected

The League successfully defeated state leaders’ attempt to seize the HUTA gas tax. We also opposed borrowing property taxes (the “Proposition 1A borrowing”), but once the borrowing was approved, the League lobbied relentlessly for necessary clean-up legislation to ensure that cities would be able to securitize the lost property taxes.

If borrowing had to occur, it was our paramount objective to make sure that city services did not suffer as a result of the state’s fiscal irresponsibility. Working with California Communities, the Proposition 1A Securitization Program was created with the state paying all bond interest and issuance costs. California Communities is a joint powers authority sponsored by the League and the California State Association of Counties.

The full amount (\$1.895 billion) of the securitized bonds was sold on Nov. 10, 2009 with 1,257 local agencies participating. The 408 cities enrolled in the program will receive the equivalent of 8 percent of local property taxes, which will cover the amount local agencies are obligated to loan the state. Participating cities will receive 50 percent of the securitized amounts on Jan. 15, 2010 and the remaining 50 percent on May 3, 2010, the same days that cities would have otherwise received these amounts as property taxes.



City officials gather for the 2009 League of California Cities Annual Conference in San Jose.

## Other Legislative Efforts to Restore and Protect Local Control

The League’s “*Legislative Report: A Compilation of 2009 Statutes*” includes a summary of the major legislation the League engaged on this year. It is posted on the League’s Web site at [www.cacities.org/legresources](http://www.cacities.org/legresources).

<sup>1</sup> The League also strongly supported the efforts of the California Redevelopment Association when a new round of local redevelopment fund raids was proposed.

## City Funding Book Becomes National Model

With the passage of the American Recovery and Reinvestment Act (ARRA) of 2009, the League released our *City Funding Book* to help cities identify and secure this new source of federal funding. Originally published on Feb. 19, 2009, the book continues to be updated several times a month. Updates can be located at [www.cacities.org/federalstimulus](http://www.cacities.org/federalstimulus).

Because the *City Funding Book* provides the clearest information on how cities can access funding, it received a great deal of attention nationwide. Many other state and national associations contacted the League requesting to use the book. Capitol Hill staffers complimented the League for summarizing relevant portions of ARRA into a handbook that helps cities secure recovery funds.



League members gather in 1898 for the organization's first meeting in San Francisco.

## Rebuilding California — From the Ground Up

Repeatedly the year's message focused on the urgency of protecting local funds from the state. As such, more than 500 local government officials gathered in Sacramento in July to tackle solutions for restoring efficiency, transparency and accountability in state government. The summit was convened by the Cities Counties Schools Partnership of which the League is a member.

Delegates spent two days debating reform options, concluding that the protection of local government revenues is the top priority for local government officials.

## League Voting Delegates Unanimously Support Additional Protections for Local Revenues

The ongoing dysfunction in the state capitol, the League's Herculean efforts this year to prevent the state from balancing its budget on the backs of local governments, and the summit delegates' clarity on the critical importance of protecting local funds indicate the need for reform that goes beyond any individual year's budget mess.

Despite the progress made in recent years to provide some protections for local revenues, some local funds are still not off-limits to state lawmakers. It has become increasingly clear that the only solution lies in stronger constitutional protections.

During the League's 2009 Annual Conference, the 350 voting delegates to the League's General Assembly unanimously passed a resolution of support for the League efforts to pursue such a ballot measure. As a result, the League is now helping lead a coalition working to provide this additional measure of protection for local funds through a ballot measure it hopes to qualify for the November 2010 ballot. The measure, the **"Local Taxpayer, Public Safety and Transportation Protection Act of 2010,"** would close loopholes and prevent the state from borrowing, raiding or otherwise redirecting local government funds (local taxes, property taxes, redevelopment, transportation, HUTA and Proposition 42 funds) or public transit funds.

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## Your City's Return on Investment

The League enjoyed considerable legislative success this year, some of which can be quantified and some of which can not. Each city is being sent an individual Return on Investment Report highlighting the amount of that city's funds that were protected by the League's successful defeat of the HUTA gas tax raid and the passage of the Proposition 1A securitization legislation.



"Together the cities of California are a dynamic and powerful force for strong city government in California."

## What's Ahead for 2010?

The League's board of directors just completed its annual goal setting meeting working with the League's division, department, caucus and policy committee leaders to develop and adopt the following strategic goals for 2010:

- **Protect Local Control and Funding for Vital Local Services.** Use statewide ballot measure and legislative and legal advocacy to achieve reforms that protect local control and abolish the power of the state to borrow, divert or impose restrictions on the use of all local revenue sources, including locally imposed or levied taxes, the local shares of all transportation tax revenues (including public transit funding), the redevelopment tax increment, and any other local revenue source used to fund vital local services.
- **Support Reform of the Structure, Governance, Management and Financing of State Government.** Build on the success of the 2009 Local Government Summit on State Governance and Fiscal Reform by working collaboratively with other stakeholder groups to advance reforms to modernize the structure, governance, management and method of financing state government.
- **Promote Economic Stimulus, Infrastructure Investment, Business Development and Job Creation.** Promote federal, state and local investment in transportation, water, redevelopment and other critical infrastructure projects that will support the retention and creation of new private businesses and jobs in our cities and state.

## Conclusion

We trust that this report and the return on investment it contains demonstrates the continued value of your city's membership in the League of California Cities. Together the cities of California are a dynamic and powerful force for strong city government in California.

