

RESOLUTION NO. 2009-318

Adopted by the Sacramento City Council

May 19, 2009

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

BACKGROUND

- A. 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
- B. 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
- C. In FY2007/08 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 FY2008/09; and
- D. 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
- E. 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
- F. On May 5, 2009, the State 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
- G. 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
- H. The Legislature is currently considering hundreds bills, many of which would impose new costs on local governments that can neither be afforded nor sustained in this economic climate; and

- I. State agencies are imposing, or considering, many regulations imposing unfunded mandates on local governments without regard to how local agencies will be able to comply with these mandates while meeting their other responsibilities; and
- J. 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
- K. 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
- L. 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.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. 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
- Section 2. The City Council strongly and unconditionally opposes the May 5, 2009 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
- Section 3. The City Council strongly urges the 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.
- Section 4. The City Clerk shall send copies of this resolution to the Governor, our State Senator, our State Assembly Members, and the League of California Cities.

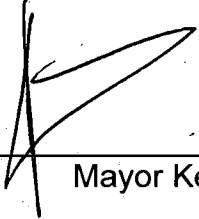
Adopted by the City of Sacramento City Council on May 19, 2009 by the following vote:

Ayes: Councilmembers Cohn, Fong, Hammond, McCarty, Pannell, Sheedy,
Tretheway, Waters, and Mayor Johnson.

Noes: None.

Abstain: None.

Absent: None.



Mayor Kevin Johnson

Attest:



Shirley Concolino, City Clerk