

# Agenda Report

October 4, 2010

**TO:** Honorable Mayor and City Council

**THROUGH:** Legislative Policy Committee (September 28, 2010)

**FROM:** City Manager

**SUBJECT: SUPPORT OF PROPOSITION 22 ON THE NOVEMBER 2010 BALLOT, THE LOCAL TAXPAYER, PUBLIC SAFETY AND TRANSPORTATION PROTECTION ACT OF 2010**

## **RECOMMENDATION:**

It is recommended that the City Council support Proposition 22 which prohibits the State from taking funds used for transportation or local government projects and services.

## **BACKGROUND:**

On November 9<sup>th</sup> California voters will once again be asked to vote on a number of initiatives that may impact the way the California Legislatures operate. At this time staff is recommending that the City Council support Prop 22, the Local Taxpayer, Public Safety and Transportation Protection Act of 2010 in an effort to further protect our local revenues from being taken by the State of California in order to fund their budget.

Proposition 22 prohibits the State from taking funds used for transportation or local government projects and services. In January 2010 the City Council took a position to support the Local Taxpayer, Public Safety and Transportation Act which eventually went on to qualify for the November ballot and is now titled Proposition 22. The measure, if passed by voters, would close loopholes and prevent the state from borrowing, raiding or otherwise redirecting local government (local taxes, property taxes, redevelopment), transportation (HUTA and Proposition 42 funds) and public transit funds. With the state continuing to raid and borrow local government, transit and transportation funds, the proposed measure is deemed necessary to protect taxpayers and the vital local government and transportation services that support the quality of life and the economy of local residents. The most recent impact to the city as a result of state raids resulted in a loss of \$13.0 million in redevelopment funds.

The Local Taxpayer, Public Safety and Transportation Protection Act is written to protect local revenues and local services and would:

- Prohibit the State from taking, borrowing or redirecting local taxpayer funds dedicated to public safety, emergency response and other vital local government services. Prop 22 would close loopholes to prevent taking local taxpayer funds currently dedicated to cities, counties, special districts and redevelopment agencies. It would also revoke the State's authority to borrow local government property tax funds.
- Protect vital, dedicated transportation and public transit funds from State raids. Prop 22 would prohibit the State from redirecting, borrowing, or taking the gasoline excise tax (HUTA) allocated to cities and counties for local street and road maintenance and improvements. Prop 22 would also prohibit the State from taking or redirecting public transportation account revenues dedicated to public transit.
- Protect local taxpayers by keeping more of our local tax dollars where there's more accountability to voters, and by ensuring once and for all the our gas taxes go to fund road improvements. Prop 22 also reduces the pressure for local tax and fee increases that become necessary when the State redirects local funds.

Currently the State of California has a \$19 billion shortfall and a budget that should have been approved back in July. Without the protections identified in Prop 22, local government revenues will once again be a vulnerable as a last resource for the Legislators to us to balance their budget. Staff is recommending that the City Council join the League of California Cities, the Pasadena Chamber of Commerce, and the many other municipalities in supporting Prop 22.

### **COUNCIL POLICY CONSIDERATION**

Approval of the subject recommendation represents a furtherance of the 2009/2010 Pasadena State Legislative Platform Guiding Principle - Preserve Local Funding - which advocates protection of existing state and local funding sources and the authorities that provide revenues to the City of Pasadena. This will also further the City Council goal to maintain fiscal responsibility and stability.

**FISCAL IMPACT:**

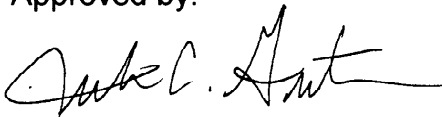
Passage of the initiative will provide further protection to the City's revenues. It is projected the City will receive approximately \$28.1 million in redevelopment funds and \$2.5 million in Highway User Taxes (HUTA) in Fiscal Year 2011. A portion of these funds will be at risk without passage of the initiative.

Respectfully Submitted,



JULIE A. GUTIERREZ  
Assistant City Manager

Approved by:



MICHAEL J. BECK  
City Manager