

**TOWN OF  
APPLE VALLEY, CALIFORNIA  
AGENDA MATTER**

**Subject Item:**

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA FINDING A SEVERE FISCAL HARDSHIP WILL EXIST IF ADDITIONAL TOWN PROPERTY TAX FUNDS ARE SEIZED AND ADDITIONAL UNFUNDED MANDATES ARE ADOPTED BY THE STATE OF CALIFORNIA**

**SUMMARY STATEMENT**

On May 5, the Department of Finance 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. In order to do so, 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.

The result of the “borrowing” plan will be a loss of \$990,000 to Apple Valley. This figure is developed by reducing all property tax by 8 percent for FY 2008-09.

The League of California Cities is urging cities to adopt resolutions opposing the proposed “borrowing” plan and declaring that a “severe fiscal hardship will exist” if the State raids local property tax. This will add to the pressures of the ongoing property tax losses and the serious revenue losses that cities are facing due to the economic recession.

The resolution states that the idea of the State taking property tax funds from already stressed city budgets is outrageously irresponsible. It helps demonstrate that part of the reason cities are cutting their budgets today, in fact, is because of past and continuing property tax raids. Since the beginning of the State raids on the Town’s coffers in the early 1990s, the Town has cumulatively lost \$3,166,716, which could have been spent on local programs.

If adopted, staff will forward the resolution to the League of California Cities and to elected officials representing Apple Valley.

**Recommended Action:**

Adopt Resolution No. 2009-16 Finding a Severe Fiscal Hardship Will Exist if Additional Town Property Tax Funds are Seized and Additional Unfunded Mandates are Adopted by the State of California

**Proposed by:** Frank W. Robinson, Town Manager

**Item Number** \_\_\_\_\_

**T. M. Approval:** \_\_\_\_\_

**Budgeted Item**  Yes  No  N/A

## RESOLUTION NO. 2009 - 16

### **A RESOLUTION OF THE TOWN OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA FINDING A SEVERE FISCAL HARDSHIP WILL EXIST IF ADDITIONAL TOWN 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 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

**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; and

**WHEREAS**, for Apple Valley, the cumulative amount of State seizures equals \$3,166,716, which could have been spent on local programs to benefit the community; and

**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; and

**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; and

**WHEREAS**, 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

**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; and

**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; and

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

**WHEREAS**, 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

**WHEREAS**, the combined effects of the seizure of the Town's property taxes, increasing unfunded State mandates, and the revenue losses due to the economic downturn have placed the Town's budget under serious fiscal pressure; and

**WHEREAS**, Apple Valley simply cannot 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 the Town; and

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

**NOW, THEREFORE, BE IT RESOLVED** that the Town Council of the Town of Apple Valley, California hereby:

1. Determines that the Town 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
2. Strongly and unconditionally opposes the May 5 proposal of the California 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 Town's share of the Prop. 42 transportation sales tax; and
3. Strongly urges the State 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.
4. Directs the Town Clerk to send copies of this resolution to the Governor, the Town State Legislators, and the League of California Cities.

**PASSED, APPROVED AND ADOPTED THIS 26<sup>TH</sup> DAY OF MAY 2009.**

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MAYOR

ATTEST:

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TOWN CLERK