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ANALYSIS, COMMENTARY & UPDATES
PRIORITY FOCUS
ON LEGISLATIVE AND POLICY ISSUES THAT AFFECT CALIFORNIA CITIES

November 5, 2004
Issue #43-2004

VOTERS PASS PROPOSITION 1A BY 84%!

Tuesday's election evoked cheers and some sighs of relief from city officials and their local government allies, with the voters casting a resounding "yes" vote on Proposition 1A. A packed ballot and an important national election helped boost California voter turnout to more than 73% — the second highest turnout in the last 20 years. And Prop 1A won overwhelmingly—with 84% support. *For more, see page 2.*



NEW VLF GAP LOAN FINANCING PROGRAM

The League of California Cities is pleased to sponsor a new financing program that will allow California cities and counties to sell their VLF Gap Loan receivable from the state and receive an up-front fixed price of 90-96% of their VLF Gap Loan amount. Local agencies that participate in the program can receive funds as early as February 2005 rather than having to wait until August 2006, when the State has promised to repay the VLF Gap Loan. *For more, see page 6.*



FORMER LEAGUE PRESIDENT DEFENDS ANTI-PREDATORY LENDING ORDINANCE

Oakland City Attorney and former League President John Russo argued before the California Supreme Court Thursday, in defense of the City of Oakland's landmark anti-predatory lending ordinance. Passed unanimously by the Oakland City Council on October 2, 2001, the ordinance was the first local law in California to address the growing problem of predatory home mortgage lending. The League had filed an Amicus Brief in support of Oakland's argument, prepared by John Fellows from the City of Torrance. *For more, see page 6.*

Hot Bills
Act Now
The legislature is in Final Recess and will adjourn on November 30. The 2005-06 Regular Session will convene on December 6.

Want more details on these and other bills? Log on to the League of California Cities Web site at www.cacities.org/legtracking.

Page 3 LOCAL GOVERNMENT EXPERIENCE GROWS AMONG STATE LEGISLATORS
Page 7 GOVERNOR ANNOUNCES NEW DIRECTORS OF FINANCE, TRANSPORTATION

PROP 1A from page 1

Proposition 1A is a historic, bipartisan agreement that allows the State to *borrow* – but not permanently take — local government revenues in the event of a fiscal emergency. The measure does not raise taxes, nor take funding from education or any other constituency.

Second Vice President of the League. “Just knowing that the state can’t pick our pockets will make a huge difference for all cities, large and small, and in terms of our ability to work with the state.”

League Officers expressed appreciation for the decisive victory of Prop 1A.

Most city officials also recognize that the League and its coalition partners won at the polls in part because of the impressive grassroots organization developed for the campaign, and focused energy that grassroots activity brought to bear on our success at the polls. Maintaining this kind of grassroots capability is clearly important going forward.

“The voters’ strong support for Prop 1A sends an important message to state leaders,” said League President Pat Eklund, Mayor Pro Tem of the City of Novato. “It shows that Californians value police, fire, parks, libraries and other local services, and want an end to state raids of local funds needed to pay for these services.”

Fundraising also played an important role, and is certain to be important in any future ballot measure activities the League may become involved with in an effort to protect local control or achieve other goals on behalf of all cities.

What’s Next?

What should be the League’s focus when the organization has achieved a goal that has been its primary focus for more than a decade?

In the meantime, the many city officials who devoted uncounted hours to Prop 1A are pausing to reflect on this historic achievement, and to thank the many people who made it possible.

This is the question many city officials and League members are asking following the passage of Prop 1A. It is a core question that the board of directors and League Leaders will explore at the board meeting later this month.

“This is a tremendous victory for local government, and also for the many organizations and individuals who worked so hard to bring Prop 1A to the ballot,” said Ron Loveridge, Mayor of the City of Riverside and Immediate Past President of the League. “We want to thank Governor Schwarzenegger and legislative leaders for their support. Their leadership has played a crucial part in achieving this victory tonight.”

The greater stability and predictability for local revenues is likely to present new opportunities for the League.

“The passage of Prop 1A signals the start of a new era for cities and other local governments,” said Alex Padilla, President of the Los Angeles City Council, and First Vice President of the League. “It means that local leaders will be able to sit down with state leaders as equal partners to work on housing, public safety and other vitally important statewide issues. We look forward to an era when the state no longer balances its budget on the backs of cities.”

“Cities will now be able to predict what revenues they have to work with,” said Maria Alegria, Councilmember of the City of Pinole and

For more information on this and other League issues, visit www.cacities.org.

LOCAL GOVERNMENT EXPERIENCE GROWS AMONG STATE LEGISLATORS

More and more state legislators are arriving in the State Capitol with local government service on their resume – and the 2005-06 legislative class is no exception. When the Legislature assumes office next month, 46 of the 80 assemblymembers and 19 of the 40 senators will have seen prior service as a mayor, councilmember or county supervisor. In the Assembly, this is a reduction from 2003-04 of 4 members with local government experience; in the Senate it is a gain of 6. Overall, a net gain of 2 legislators.

This should be helpful news for cities and their local government allies, as we work with these members over the next two years on issues that affect local government.

SENATE

District	Senate Senator (New members in bold)	Former Local Govt. Position	Prior Senator in This District
1	Cox	Sac Supervisor	Oller
2	Chesbro	Arcata Mayor/Sup	
3	Migden	SF County Sup	Burton
4	Aanestad		
5	Machado		
6	Ortiz	Sac Council member	
7	Torlakson	Antioch Mayor/Sup	
8	Speier	San Mateo Sup	
9	Perata	Alameda Sup	
10	Figueroa		
11	Simitian	Palo Alto Council member/Sup	Sher
12	Denham		
13	Alquist		Vasconcellos
14	Poochigian		
15	Maldonado	Santa Maria Council member	McPherson
16	Florez		
17	Runner	Lancaster Council member	Knight
18	Ashburn	Kern County Sup	
19	McClintock		
20	Alarcon	LA Council member	
21	Scott		
22	Cedillo		
23	Kuehl		
24	Romero		
25	Vincent	Mayor Ingelwood	
26	Murray		
27	Lowenthal	Long Beach Council member	Karnette
28	Bowen		
29	Margett	Arcadia Council member	
30	Escutia		
31	Dutton	Rancho Cucamonga Council member	Brulte
32	Soto	Pomona Mayor	
33	Ackerman	Fullerton Council member	
34	Dunn		
35	Campbell		Johnson
36	Hollingsworth		
37	Battin		
38	Morrow		
39	Kehoe	San Diego Council member	Alpert
40	Ducheny		

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LEGISLATORS from page 3

ASSEMBLY

District	Assembly Member (New members in bold)	Former Local Govt. Position	Prior Assembly Member in This District
1	Berg	Mendocino Supervisor	
2	La Malfa		
3	Keene	Chico Council member	
4	Leslie		
5	Niello	Sacramento Co Sup	Cox
6	Nation		
7	Evans	Santa Rosa Council member	Wiggins
8	Wolk	Yolo Co Supervisor	
9	Jones	Sacramento Council member	Steinberg
10	Nakanishi	Lodi Council member	
11	Canciarella	Pittsburg Council member/CCSup	
12	Yee	SF Supervisor	
13	Leno	SF Supervisor	
14	Hancock	Mayor Berkeley	
15	Houston		
16	Chan	Alameda Supervisor	
17	Matthews	Tracy Council member	
18	Klehs	San Leandro City Council	Corbett
19	Mullin	So. SF mayor	
20	Torrice	Newark Council member	Dutra
21	Ruskin	Redwood City Council member	Simitian
22	Lieber	Mountain View Council member	
23	Coto	Oakland Council member	Diaz
24	Cohn		
25	Cogdill	Modesto Council member	
26	Aghazarian		
27	Laird	Santa Cruz Mayor	
28	Salinas	Salinas Mayor/Sup Monterey	
29	Villines		
30	Parra		
31	Arambula	Fresno Supervisor	Reyes
32	McCarthy		
33	Blakeslee		
34	Maze	Tulare Supervisor	
35	Nava		
36	S. Runner		
37	A. Strickland		
38	Richmond		
39	Montanez	San Fernando Mayor	
40	Levine		
41	Pavley	Agoura Hills Council member	
42	Koretz	West Hollywood Council member	
43	Frommer		
44	Liu	La Canada Flintridge Mayor	
45	Goldberg	LA Council member	
46	Nunez		
47	Bass		Wesson
48	Ridley-Thomas	LA Council member	
49	Chu	Monterey Park Council member	
50	de la Torre	South Gate Mayor	Firebaugh
51	Horton	Ingelwood Mayor	

Continued on Page 5

LEGISLATORS from page 4

District	Assembly Member	Former Local Govt. Position	Prior Assembly Member In This District
52	Dymally		
53	Gorton	El Segundo Mayor	Nakano
54	Karnette		Lowenthal
55	Oropeza	Long Beach Council member	
56	Bermudez	Norwalk Council member	
57	Chavez	La Puente Council member	
58	Calderon		
59	Mountjoy		
60	Huff	Diamond Bar Mayor	Pacheco
61	Negrete/McLeod		
62	Baca		Longville
63	Emmerson		Dutton
64	Benoit		
65	Bogh		
66	Haynes		
67	Harman	Huntington Beach Council member	
68	Tran	Garden Grove Council member	Maddox
69	Umberg		Correa
70	Devore		Campbell
71	Spitzer	Orange County Supervisor	
72	Daucher	Brea Council member	
73	Waters	Laguna Nigel Council member	Bates
74	Wyland		
75	Plescia		
76	Saldana		Kehoe
77	La Suer	La Mesa Council member	
78	Horton	Chula Vista Mayor	
79	Vargas	San Diego Council member	
80	Garcia		

Economic Development Handbook

Economic Development, Business Growth & Decline, and The Strategic Planning Process

NEW: A tool to help educate city officials about ways to tackle serious economic policy issues.

Plus:

- Best practices and case studies
- Secrets for developing economic development success
- Tools for understanding and analyzing a community's economic base
- Developing and implementing a strategic economic development plan
- Benchmarking tools and tips on putting it alltogether.

This publication is available from the League for \$15. There is a ten percent discount on orders of five or more. Questions? Contact League Publications at 916/658-8257 or order online at: www.cacities.org/store.

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VLF from page 1

Funds received by local agencies through participation in the program can be used for any legal purpose.

The program is being offered through the California Statewide Communities Development Authority ("California Communities"), which has selected a financing team including Citigroup and E.J. De La Rosa & Co. as managing underwriters.

California Communities plans to issue bonds and use the proceeds to purchase the VLF Gap Loan receivables from local agencies and pay financing costs ("VLF Bonds"). California Communities will pledge the VLF receivables to secure payment on the VLF Bonds; investors will not have recourse to the local agency's general fund if the State is late or does not repay a local agency's VLF Gap Loan.

A program description—including information on the program's benefits, taxable and tax-exempt options, timetable, documentation requirements and enrollment—can be found by clicking on the following link to California Communities' website: <https://secure.cacommunities.com/cacomm/apps/vlf/>. Interested parties who would like to speak to someone directly should also feel free to contact California Communities' Program Manager James Hamill at (925) 933-9229 ext. 216 (jhamill@cacommunities.com) or representatives of either of the co-senior managers: Michael Gomez of Citigroup (415-951-1615; michael.t.gomez@citigroup.com) or Paul Rosenstiel of E.J. De La Rosa & Co. (415-495-8863; prosenstiel@ejdelarosa.com).

SUPREME COURT from page 1

The ordinance prohibits a number of abusive lending terms and practices for home mortgage loans made in Oakland, particularly high-cost homes loans that charge high interest rates or points and fees.

The American Financial Services Association (AFSA), a trade group for the subprime lending industry, filed suit against the ordinance in Alameda Superior Court where they were defeated and then in the California Court of Appeal where the challenge was thrown out.

Until the state Court of Appeal decision, the trade organization had been able to tie up in the courts or successfully challenge anti-predatory lending ordinances in a number of cities across the country, including New York, Minneapolis, Cleveland, Dayton, Toledo and Los Angeles.

The Oakland City Council enacted the ordinance after hearing testimony from consumer groups and predatory lending victims on how unscrupulous lenders were targeting homeowners in Oakland's low-income and minority communities for abusive loans, particularly elderly persons living alone.

"Predatory lending is an unconscionable and malicious tactic that has no place in ethical banking practices. These practices deprive victims of home equity and lead to foreclosure, creating poverty and ultimately eroding the financial health of this City," said Russo. "We have a moral and legal responsibility to protect our citizens from this unscrupulous business practice."

The League thanks John Fellows from the City of Torrance for his work in drafting the League's Amicus brief.

Our Mission

Restore and protect local control for cities through education and advocacy to enhance the quality of life for all Californians.

GOVERNOR ANNOUNCES NEW DIRECTORS OF FINANCE, TRANSPORTATION

This week Governor Schwarzenegger announced several new appointments. Terry Tamminen, currently Secretary of the California Environmental Protection Agency, was named to replace Marybel Batjer as the governor's cabinet secretary. The governor also appointed two new department heads with extensive local and state government backgrounds: Will Kempton, Director of the Department of Transportation (Caltrans) and Tom Campbell, Director of Finance.

In announcing the Tamminen appointment today, Schwarzenegger said, "*Terry has been a bold and innovative counselor to me as a CalEPA secretary over the past year. He has a contagious passion for public policy and will be a tremendous advocate to translate my vision for California into action.*"

Will Kempton, 57, of Folsom holds a Bachelor of Arts degree in political Science from the University of San Francisco. He has served as the assistant city manager of the City of Folsom since January 2003. From 1992-2002, he was a partner at Smith, Kempton & Watts, a private public affairs consulting firm with an emphasis on transportation. From 1985-1992, Mr. Kempton served as executive director of the Santa Clara County Traffic Authority in San Jose, CA.

Tom Campbell, 52, of San Jose holds a Ph.D in economics from the University of Chicago and a Juris Doctorate from Harvard Law School. Campbell has served as dean and professor of business at the Haas School of Business, at the University of California, Berkeley, since 2002. Before assuming deanship at the Haas School, Mr. Campbell was a law professor at Stanford University for nineteen years. He was also a member of the California State Senate from 1993 to 1995 and a United States Congressman representing the Silicon Valley from 1989 to 1993 and again from 1995 to 2001.

ROSENBERG'S RULES OF ORDER: SIMPLE PARLIAMENTARY PROCEDURES FOR THE 21ST CENTURY

Rosenberg's Rules of Order Simple Parliamentary Procedures for the 21st Century covers the rules of parliamentary procedure is an easy to follow format that will enhance the set of rules currently practiced at your meetings. This publication is a modern day version to the well-known "Robert's Rules of Orders" that simplifies parliamentary procedure yet retains the basic tenets of order to which we are accustomed.

Rosenberg's Rules of Order covers several meeting procedures including: agenda items; motions; discussion and debate; meeting courtesy and decorum; and public input. This publication is a "must have" resource for anyone who chairs or attends governing meetings.

The author, Dave Rosenberg is an elected county supervisor representing the 4th District in Yolo County. Rosenberg has taught classes on parliamentary procedure and was appointed judge of the Yolo County Superior Court.

Rosenberg's Rules of Order is available from the League for \$5.00 plus shipping & handling; price includes sales tax. There is a ten percent discount on orders of five or more of the same publication.

Questions? Contact League Publications at 916/658-8257 or order online at: www.cacities.org/store.

ANALYSIS, COMMENTARY & UPDATES
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November 12, 2004
Issue #44-2004

Hot Bills

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- 2005-06 Regular
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DEPARTMENT OF INDUSTRIAL RELATIONS ISSUES MEDICAL NETWORK PROVIDER REGULATIONS

A key element in the workers' compensation reform package passed last year by the legislature and signed by the Governor was the establishment of Medical Provider Networks to help ensure a quick and proper response to an injured worker. It is also designed to reduce the unnecessary medical costs occurring from multiple doctors treating injured workers. The Department of Industrial Relations, Division of Workers' Compensation (DWC) recently issued its regulations to implement this new and important provision in the workers' compensation law reform. *For more see page 4.*

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**CALIFORNIA PERFORMANCE REVIEW COMMISSION
RELEASES ITS "PERSPECTIVE"**

After three months spent reviewing the 1200 recommendations listed in California Performance Review (CPR), and hearing more than 3,600 public testimonies at eight public hearings, last week the CPR Commission released its report to the Governor, titled: "The Commission's Perspective: A Report of the California Performance Review Commission". *For more see page 2.*

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**LEAGUE LEADERS MEETING TO TAKE PLACE
IN NEWPORT BEACH**

The League's annual "League Leaders" meeting is set to take place next week in Newport Beach, overlapping with the League Board meeting. Each year at League Leaders, officers of League policy committees, caucuses, divisions and departments meet with the league board to set strategic priorities. *For more see page 2.*

Want more details on these and other bills? Log on to the League of California Cities Web site at www.cacities.org/legtracking.

- Page 3 SIGN UP EARLY FOR THE TAX COLLECTION PROGRAM
 VLF PROGRAM WORKSHOP - SAVE THE DATE!**
- Page 4 REVISED LIST OF STATE LEGISLATORS NOW AVAILABLE
 LEAGUE LEGISLATIVE BRIEFINGS HELD IN SACRAMENTO**

PERFORM REVIEW from page 1

The six principles guiding the CPR Commission in their report are to:

- Make government more responsive and accessible to the people.
- Improve government operations, services and outcomes.
- Improve California's competitiveness.
- Better educate our future workforce.
- Establish and maintain positive partnerships with local and federal agencies.
- Optimize existing resources.

While the CPR Commission's report reflects some of the concerns the League raised with the original CPR report, as with any complex project, the devil is in the details, which still have to be worked out.

The Next Steps

Now that the CPR Commission has released its report to the Governor, the next step is for the Governor to make his own assessment of the original CPR report, as well as the Commission's perspective. He has several options available to him. He may implement some recommendations through Executive Order, address some through new legislation, or, for larger agency reorganization proposals he wishes to pursue, submit it (or them) in the form of a Government Reorganization Proposal, which must be reviewed by the Little Hoover Commission. The Little Hoover Commission must conduct at least one public hearing on the plan or plans, and then make recommendations to the Governor and Legislature as to which sections of the plan(s) should go into effect.

The plan would then be submitted to the Legislature. The Legislature may debate the plan, but could not amend it. Unless one house of the legislature votes to reject the plan, it would go into effect on the sixty-first day after its submittal to the legislature. The actual legislation to implement the reorganization would not be submitted to the legislature until the following year, although the reorganization would go into effect even without the implementation legislation being on the books

Viewing The CPR and Commission Reports

The original 2500 page CPR report, a summary of the public input received through the Commission hearing process, "The Public Perspective", and the CPR Commission's report to the Governor, "The Commission's Perspective", are available on the CPR website at: <http://cpr.ca.gov>. The League's comments on the CPR report are available on the Issues and Legislation section of the website at www.cacities.org/issues.

For information about the Little Hoover Commission and the reorganization process, you can view the Little Hoover Commission's paper on "Government Reorganization" at: www.lhc.ca.gov.

LEAGUE LEADERS from page 1

At the meetings, League leaders gain an appreciation of the League's functions and how you can use its resources to provide the leadership needed to make the League effective. Points covered include the organization of the League, its staffing, financing and functional relationships. On Friday, League subunits will begin planning their work programs for the coming year, and ultimately share those plans with each other to allow the organization to coordinate and leverage its efforts.

If you have policies or issues you think are important and that the League should address, please contact your Division or Department President by Wednesday, November 17. Information on who to contact is available on the League website (www.cacities.org) under the division or department sections.

For more information on this and other League issues, visit www.cacities.org.

SIGN UP EARLY FOR TAX COLLECTION PROGRAM

The State Controllers Office recently sent out an announcement to local officials regarding a tax collection program administered by the Controller's Office with the Franchise Tax Board. The message notes that it is important to sign up for the program before the tax season gets underway to maximize the benefits.

The State Controller's Office matches tax refunds and lottery winnings against lists of outstanding collections local governments send us. The state intercepts the amount owed and returns it to the local government agency. This program collected \$135.3 million last year for 235 participating agencies statewide.

The program really pays off for those that participate. For example, the Superior Court of San Diego County recovered \$3,135,391 from 15,812 accounts during this calendar year. The City of Hayward recovered \$81,560 from 843 accounts.

The program is relatively simple. Once you sign up, your collection departments submit debtor names and the amount owed directly to the Franchise Tax Board (FTB). The FTB creates a file that the State Controller's Office reviews before payments are made.

If you would like to find out more about this program, please contact Marshall Krieger of the State Controllers Office at (916) 324-9494 or email him at mkrieger@sco.ca.gov to request an *Interagency Intercept Collections Participation Booklet* for Year 2005. This booklet, compiled by the Franchise Tax Board, will provide both the guidelines and instruction for your participation.

VLF PROGRAM WORKSHOPS SAVE THE DATE!

California Communities will be holding informational workshops on the VLF Gap Loan Financing Program at various locations across the State through the middle of December 2004. A list of meeting dates and locations can be found on California Communities' website (<https://secure.cacommunities.com/cacomm/apps/vlf/vlfSchedule.html>). More meeting dates/locations will be added soon (including an upcoming meeting in Oceanside), so please check the website for updates.

A description of the VLF Gap Loan Financing Program - including information on the program's benefits, taxable and tax-exempt options, timetable, documentation requirements and enrollment - can be found on California Communities' website (<https://secure.cacommunities.com/cacomm/apps/vlf/>). Interested parties who would like to speak to someone directly should also feel free to contact California Communities' Program Manager James Hamill at (925) 933-9229 ext. 216 (jhamill@cacommunities.com) or representatives of either of the co-senior managers: Michael Gomez of Citigroup (415-951-1615; michael.t.gomez@citigroup.com) or Paul Rosenstiel of E. J. De La Rosa & Co. (415-495-8863; prosenstiel@ejdelarosa.com).

REVISED LIST OF STATE LEGISLATORS NOW AVAILABLE

Last week Priority Focus ran a listing of state legislators with a background in local government. The list included several errors, including omissions of service. We apologize for any and all errors, and have reposted a corrected version on the League website.

To view the revised list of 2005-06 Legislators visit the Issues and Legislation section of the League's website at www.cacities.org/issues.

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LEAGUE LEGISLATIVE BRIEFING HELD IN SACRAMENTO

The first of two Legislative Briefings being conducted by League legislative staff occurred Wednesday in Sacramento. Among the topics discussed were the results of the November ballot, including the parameters and ramifications of Prop 1A, as well as information and strategies on how to best prepare and comply with newly passed legislation.

The briefings are held each year to update city officials on laws passed by the legislature and signed by the Governor that will require changes in local procedures or ordinances in order to properly implement the new law. A key document in the briefings is the "Wrap-Up" Bulletin with close to 150 pages of new laws that were passed in the 2004 legislative session. This bulletin will be available to all city officials around the first of December. It will be available electronically, but hard copies can also be obtained at the League office.

The briefings also present the annual Voting Record Report compiled by the League. This report gives city officials a tool to evaluate the extent of support for city issues by their individual legislators. It should be used by city officials to constructively begin a dialogue with their legislative representatives about city issues.

Included in the briefings was also a look ahead at what city officials can expect in the 2005 legislative session. The League has instituted a number of organizational changes that will require new steps and organizational work in the future to maintain its strength as an advocacy organization working for the improvement of city government. The passage of Proposition 1A will help considerably in stabilizing local government. This will pave the way for further discussions about local government finance reform and more specifically improving the climate for tackling the affordable housing problems in California.

Attendees included elected officials, city management staff, City Attorneys and Intergovernmental Relations Officers. The second meeting will be held Wednesday, November 17 in Ontario.

WORKERS' COMP from page 1

A Medical Provider Network (MPN) is an entity or group of health care providers approved by the administrative director of the Division of Workers' Compensation to treat injured workers on the job. The MPNs are required to meet certain access standards to care for common occupational injuries and work-related illnesses. The MPNs must follow all medical treatment guidelines established by the DWC and must allow employees a choice of provider(s) in the network after the first visit. An MPN must offer an opportunity for second and third opinions if the employee disagrees with the diagnosis or treatment of the treating physician.

The MPNs are required to base their care of an injured worker on evidence-based guidelines and currently the American College of Occupational and Environmental Medicine's Occupational Medicine Practice Guidelines are to be used as this standard.

Under the regulations, MPNs must ensure that a primary care physician and a hospital for emergency care are located within 30 minutes or 15 miles of each employee's residence or workplace.

The administrative director of the DWC may suspend or revoke approval of an MPN if service under the MPN is not being provided according to the terms of the approved plan. Only self-insured employers and insurers can set up an MPN.

No sooner had the regulations been released than the California Applicant Attorneys Association announced its intent to challenge the regulations in court. The basis of their claim is that the regulations deny an injured worker the right to access a physician of choice. This challenge will undoubtedly wind its way through the courts before the regulations can be finalized. We will keep you posted.