

FOCUS

Analysis, Commentary and Updates on Legislative and Policy Issues that Affect California Cities

July 22, 2005
Issue #29-2005

**The Legislature is
in recess until
August 15.**

MTBE IN COMPREHENSIVE ENERGY BILL, H.R. 6

The League is urging city officials to contact their representatives and Senators Barbara Boxer and Dianne Feinstein about H.R. 6, an energy bill Congress is working on to send to President George W. Bush. *For more, see Page 2.*

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FEINSTEIN FIGHTS TO MAINTAIN CRITICAL LOCAL GOVERNMENT TOOL

California Senator Dianne Feinstein proved once again this week that she understands the tools that city officials need to restore blighted areas, build affordable housing, create jobs and restore public safety. *For more, see Page 3.*

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LEAGUE AND WASTE BOARD COLLABORATE ON WEB BASED E- WASTE SEMINAR FOR LOCAL GOVERNMENT OFFICIALS

Local government officials and staff are invited to participate in an exciting new educational joint venture - an online web seminar - to learn about California's new electronic waste recycling program. "E-Waste Recycling for Local Governments" is a joint effort between the League and the California Integrated Waste Management Board (CIWMB). *For more, see Page 2.*

**WANT MORE DETAILS
ON BILLS?**

Visit the League of
California Cities
website at
[www.cacities.org/
billsearch](http://www.cacities.org/billsearch).

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E-WASTE from page 1 MTBE from page 1

The four online 60-minute sessions will be offered during August and September. Module 1, open only to local governments that are not yet approved e-waste collectors, will be offered on August 17 or August 30. Module 2, open to all local governments, will be offered on September 7 or September 15.

Attending presentations via the Internet provides local government representatives with the opportunity to access needed information from the comfort and convenience of their home or office. Just dial a toll-free number to enter a virtual classroom with other attendees and log on to the visual portion online. It's as easy as point, dial and click. Handouts can be printed directly from the logged in area of the virtual classroom.

Presenters will include CIWMB staff members, and the interactive format will allow attendees to ask questions and share information. The sessions will be recorded and available for future viewing.

This pilot project web seminar is offered free to attendees. However, future web seminars may include a modest charge to cover production and technical costs. Enrollment is open only to representatives from local government and is limited, so you are encouraged to sign up early. The E-Waste webinar announcements have been sent electronically to city and other local government officials. Copies of the announcement are also available on the League's web site at www.cacities.org/resource_files.

Cities should OPPOSE amendments to the bill that would exempt manufacturers of methyl tertiary butyl ether (MTBE) from any liability for contamination of local drinking water supplies, despite the Senate's position to the contrary.

Under the agreement that is currently being considered, city county and other local agencies would be prevented from filing "defective product" lawsuits to recover cleanup costs. Numerous cities in the United States are engaged in active litigation on this legal principle.

If signed into law, the MTBE manufacturers' liability exemption would cost local taxpayers nationwide an estimated \$29 billion to clean up and replace local water supplies. This would represent one of the largest unfounded mandates passed down from Congress to local taxpayers in recent history.

Take Action!

Contact Senators Barbara Boxer and Dianne Feinstein, and your representatives, to strongly urge them to strip any MTBE liability exemption from H.R. 6. For a sample letter on talking points on this issue log on to the League's Online Advocacy Center, www.cacities.org/advocacycenter.

Any agreement on MTBE must include the principles of full cost recovery to community water systems; funds to pay for cleaning up drinking water, not just removing leaking tanks; no unfounded mandate on local governments; no bailout for MTBE producers; and no cleanup funds should be subject to annual appropriations.

THE 2005 CITY HALL DIRECTORY IS NOW AVAILABLE

Don't miss this opportunity to get one of the League's most useful reference tools! This comprehensive California directory provides important contact information for mayors, council members and city department heads. The directory also features the League's staff directory, League partners, affiliate organizations and a wide variety of advertisers.

Purchase this publication on-line at www.cacities.org/store or call (916) 658-8257 for an order form. City officials price \$30, non-city official price \$65, plus shipping & handling.

FEINSTEIN from page 1

This week Senator Feinstein joined with Louisiana Senator Mary Landrieu, in persuading Missouri Senator Christopher Bond to defer action on an amendment to a Senate Appropriations Committee mark-up. The mark-up would have denied any federal funding for local projects if city councils or county commissions used the power of eminent domain in condemning property for the benefit of private redevelopers. His proposal was a reaction to a recent U.S. Supreme Court ruling that endorsed the condemnation power by local officials for private projects.

Senators Feinstein and Landrieu objected to the amendment on the grounds that it had not been adequately aired by the committee, and won a pledge by Bond to defer action on it until the bill reaches the Senate floor.

The two senators said that more time was needed to research the impacts that the amendment would have on cities' ability to engage in economic development, and to develop the information needed for an informed decision.

Please Thank Senator Feinstein

City officials should be sure to thank Senator Feinstein for standing up for cities' responsible use of eminent domain. Among the points to make are the following:

- **California is not Connecticut.** The Boyd amendment would unfairly punish a state like California, which already has strong laws on the books protecting property owners and restricting the use of eminent domain. Eminent domain is rarely used; redevelopment agencies may only use it as a last resort, and only where there is a clear finding of blight, as defined by state law. Land does not qualify simply because it is not being put to its optimum use or may be more valuable for other uses.
- **The Amendment Is a Job Killer.** California is in the midst of an economic recovery. Cutting off federal funding for projects that may require some

use of eminent domain under California's already restrictive laws would kill valuable construction and other jobs that redevelopment projects create. Redevelopment is a significant economic and job-generating resource for California and local communities, responsible for more than **\$31.84 billion in economic activity and generating or maintaining 310,000 full and part-time jobs in a single year.**

- **The Amendment Would Undermine Efforts to Build Affordable Housing.** Federal funds available for affordable housing would be unusable in some cases if redevelopment agencies were stripped of the ability to use eminent domain as a last resort. After the federal government, redevelopment is the biggest funder of affordable housing projects in the state. And redevelopment is sometimes the only tool a community has to jump start revitalization of downtrodden, blighted communities.

According to information from the state Department of Housing and Community Development and the State Controller, redevelopment has been responsible for the construction of 63,406 units of affordable housing units since 1994. Another 20,048 units of low- and moderate-income housing are expected to be built or refurbished as part of redevelopment projects over the next two years. Since 1997-98, agencies have assisted 88,711 households obtain affordable housing; 45% of this activity occurred in the last two reporting years.

- **Tell Your Local Story.** Provide Senator Feinstein with the information she needs to protect the use of eminent domain under the restrictions currently in place here in California. Explain how eminent domain is a seldom used, but critical tool to bring parties to the table to build affordable housing, remove blight, and create jobs. Describe the specific redevelopment projects in your city that have included new housing, improved public safety, generated jobs and economic activity.

**THE LEAGUE SEEKS YOUR
INPUT ON WEBSITE**

Do you use the League of California Cities' website? If so, we'd like to know what you think about it!

The League has posted a short, five-minute-or-less online website survey so that website users can let us know how well the site works for them, and what services they find most valuable.

If you use the site - whether frequently or only occasionally - please help us by participating in this short survey. Data from the survey is collected anonymously.

To take the survey, please visit the League's website at www.cacities.org. Thank you!

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CONFERENCE: OCTOBER 6-8,
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State Controller Westly, with (L-R) Dixon Mayor Mary Ann Courville, CSAC Director Jim Keene, and League Deputy Executive Dir. Dwight Stenbakken.

STATE CONTROLLER RELEASES VLF GAP LOAN PAYMENTS

State Controller Steve Westly held press events on July 26 in Sacramento, San Fernando and San Francisco to announce the release of \$1.2 billion in Vehicle License Fee (VLF) gap loan payments to cities and counties. *For more, see Page 2.*

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VLF GAP LOAN UPDATE FOR CALIFORNIA COMMUNITIES PROGRAM PARTICIPANTS

This week, the state made full repayment of the Vehicle License Fee (VLF) gap loan to cities and counties - more than a year in advance of the originally scheduled payment date of August 15, 2006. *For more, see Page 3.*

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SCHWARZENEGGER, LARGE STATE GOVERNORS WEIGH IN ON TERRORIST FUNDING

Earlier this week, Gov. Arnold Schwarzenegger joined with the governors of New York, Florida and Texas in sending a joint letter to the chairmen and ranking Democratic members of the House and Senate Appropriations Committees to call for a risk-based apportionment of homeland security funds. *For more, see Page 3.*

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IN THIS ISSUE:

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INDEPENDENT LEGISLATIVE ANALYST'S OFFICE RELEASES FINAL
BUDGET ANALYSIS**

PG&E ANNOUNCES 2005 LOCAL GRANT PROGRAM

The Pacific Gas and Electric Company (PG&E) has announced its fourth annual California Local Economic Development Grant Program to help fund economic development projects and events.

Last year, PG&E provided \$300,000 to 58 community-based organizations and governments for local economic development projects. Qualifying organizations in PG&E's service territory can apply for grants of \$500 up to \$10,000. The completed applications must be postmarked no later than August 24 and grantees will be announced in late September.

Applications can be submitted online. The announcement letter, application guidelines, and, application can be found on the PG&E website at www.pge.com/edgrant/.

Information about the PG&E program was forwarded to the League by the California Local Economic Development Association (CALED). For those League members who would value a partnership and additional assistance from CALED in their community, but haven't had the resources, these grants can be used to:

- Host a Local Elected Officials Economic Development Training
- Host a Local Workforce Investment Board Economic Development Training
- Sponsor a Professional Advisory Service or one-day workshop in your community where a team of expert practitioners from around the state helps you work through a local issue or problem
- Facilitate the creation of a board strategy
- Facilitate the creation of a community strategy or action plan
- Facilitate the creation of an Economic Development staff strategy or action plan

Please note that the grants are only available to local governments and 501 (c)(3) nonprofit organizations. The Academy is a 501 (c)(3) and is available for CALED members to help you qualify for these grants.

For more information, contact Kay Reynolds at (916) 448-8252, ext. 104, or via e-mail at kreynolds@caled.org.

INDEPENDENT LEGISLATIVE ANALYST'S OFFICE RELEASES FINAL BUDGET ANALYSIS

The non-partisan, independent Legislative Analyst's Office (LAO) has released its final analysis of the state budget signed into law early July. The budget provides \$113 billion in spending overall, with \$90 billion from the state general fund. The remaining \$23 billion is from special funds.

Taking into account the 2005-06 budget's projection of a \$1.3 billion reserve, and earlier revenue projections, LAO predicts a deficit of \$4.8 billion entering into the 2006-07 budget year. The LAO will update their revenue analysis and projections in November.

A full copy of the report can be accessed on the LAO website at www.lao.ca.gov.

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VLF PAYMENTS from page 1

The payments are being made approximately two weeks following the signing of the budget bill into law - a development that Controller Westly said, "is the right thing to do."

"Local government is where the rubber hits the road" in terms of the delivery of services, Westly noted. The State Controller said he had asked his staff to commit extra efforts to ensure that checks to repay cities and counties for funds that the state borrowed in 2003 were provided as quickly as possible.

"The early deliver of these funds will be a great help in many cities," explained Dwight Stenbakken, executive deputy director of the League of California Cities. "We thank the Legislature and Gov. Schwarzenegger for making these funds available through the budget, and we appreciate Controller Westly's efforts to make the funds available in the first days of this fiscal year."

Visit the League's website at www.cacities.org to view a city-by-city distribution of the VLF funds.

CA COMMUNITIES from page 1

Marked by press events around California, State Controller Steve Westly released \$1.2 billion in payments on Tuesday, July 26. Given this development, California Communities evaluated the alternatives and decided to defease the VLF Financing Program Notes that were issued to purchase VLF Gap Loan Receivable in March.

About 150 cities and counties secured the loan by selling Revenue Anticipation Notes to investors secured by the state's promise to repay. Of the \$1.2 billion total statewide gap loan, cities and counties secured more than \$650 million. Twenty-six cities had enrolled in a second VLF gap loan financing, but with enactment of the state budget, including early repayment of the VLF gap loan, the second round was canceled.

Under the terms of the VLF Financing Program documents, so long as the notes are outstanding, the trustee must hold any amounts received from the state until the maturity of the notes in November 2006 (the notes are not subject to early redemption). The state's early payment will produce interest income that will be in excess of amounts needed to repay the notes.

By defeasing the notes (so that they will no longer be deemed "outstanding" under the indenture) California Communities will be permitted to remit these excess interest earnings to program participants upon completion of the defeasance, rather than waiting until November 2006.

California Communities Bond Counsel, Orrick, Herrington & Sutcliffe, LLP, will be contacting program participants to confirm payment instructions for their share of the excess interest earnings amount. The exact amount of the payment to each participant will not be known until the defeasance is accomplished.

The VLF Financing Program team is working this week to complete all of the requirements of a full defeasance of the notes. VLF Program participants will not incur any fees for the defeasance of the notes by the financing team. California Communities expects the defeasance to be accomplished and funds wired to participants on or about Friday, August 5.

HOMELAND SECURITY from page 1 . . .

The letter comes two weeks after the Senate voted down a proposal by Senators Dianne Feinstein (California) and Mary Landrieu (Louisiana) to increase the amount of homeland security funds distributed to states on the basis of where terrorist risk were highest. The Senate then voted to support an amendment sponsored by Senators Collins (Maine) and Lieberman (Connecticut) to increase the percentage of homeland security funds distributed to states on a non-risk basis.

"We are united on the following principles of the distribution of homeland security funding supported by the Administration, the 9/11 Commission, and a bipartisan coalition of Members of Congress," the governors stated. "First, funds should be distributed based on the specific threats, vulnerabilities, and consequences faced by each state as determined by the Department of Homeland Security (DHS). Second, funds should not be diminished by an across the board distribution in the form of state minimums."

The letter continued: "We strongly believe that the best option (for distribution of funds), next to the complete elimination of state minimums, is the Feinstein-Cornyn proposal that would allocate funds based on an analysis of risks."

To view a complete copy of the letter, please see the attached document or visit the League's website at www.cacities.org.

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