

Hot Topics in Local Budgets

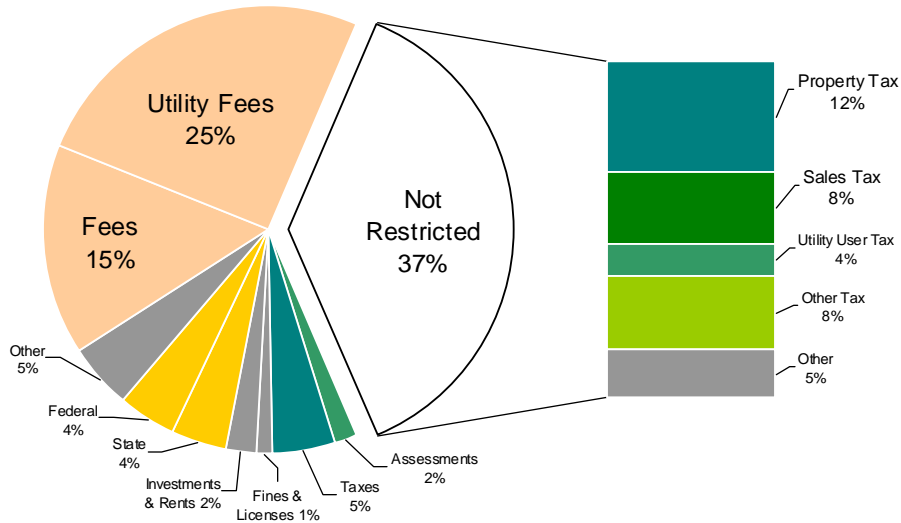


Fire Chiefs Leadership Seminar
Dec 4, 2009 ❖ Monterey, CA

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For more info visit the
California Local Government Finance Almanac
at californiacityfinance.com

California City Revenues



Source: CaliforniaCityFinance.com computations from data from California State Controller (revenues). Does not include data from the following cities that failed to report: Beaumont, Gustine City, Loyalton, San Diego, Taft, and Tulelake.

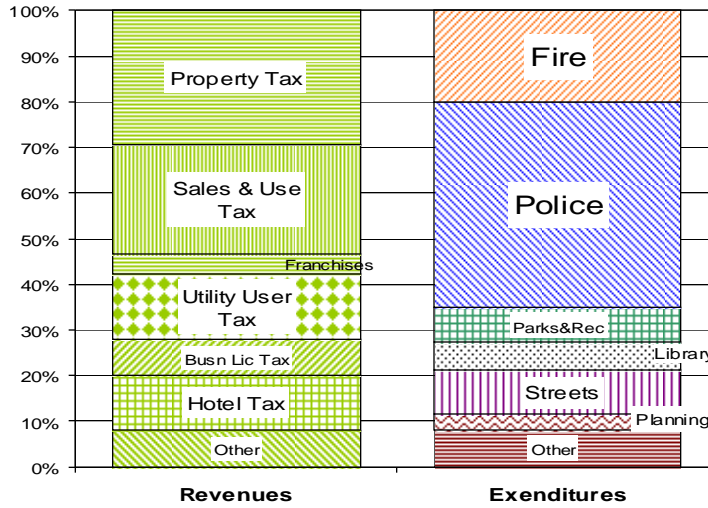
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Discretionary Revenues and Spending

Typical Full Service City



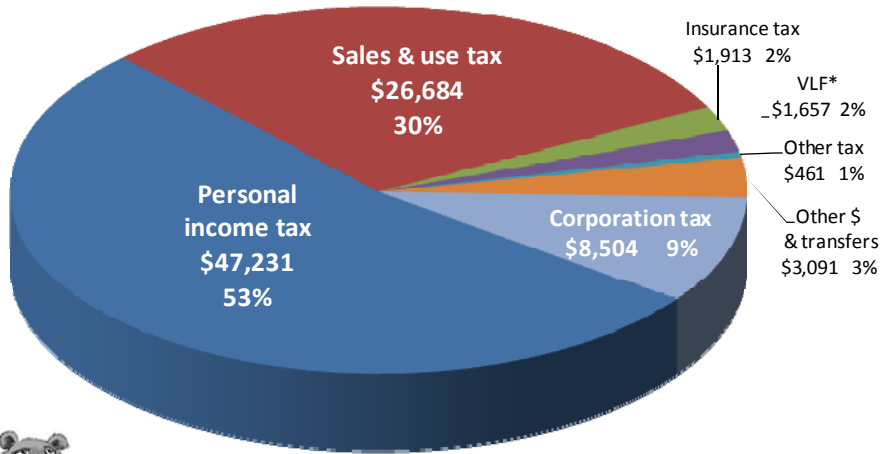
Source: Coleman Advisory Services computations from State Controller reports
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Calif State General Fund Revenues

FY2009-10 Budget Act



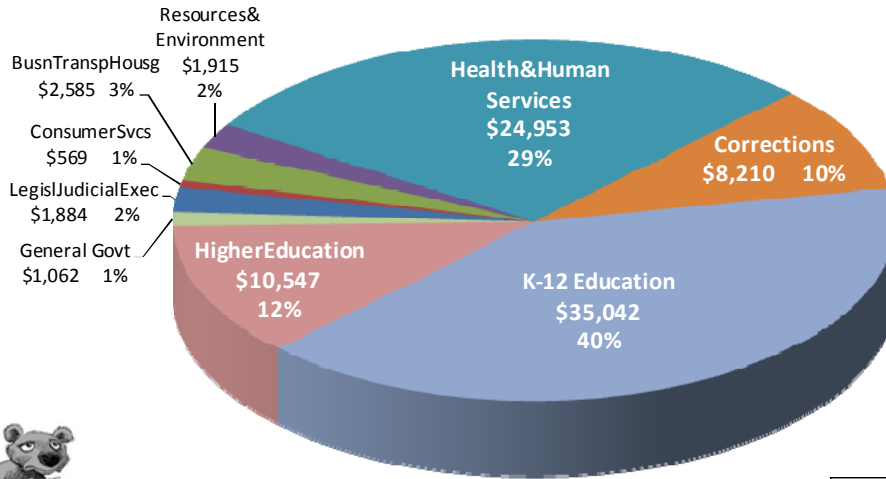
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Calif State General Fund Spending

FY2009-10 Budget Act



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LAO "2010-11 Budget: California's Fiscal Outlook" Nov 18, 2009

\$20 billion in new solutions needed

Projections assume:

- Revenue projections assume Zero COLA or CPI for employee compensation or grant programs.
- Prop98 guarantee declines in 2010-11 and again in 2011-12 ... but federal rules will make education funding cuts difficult.

Major factors:

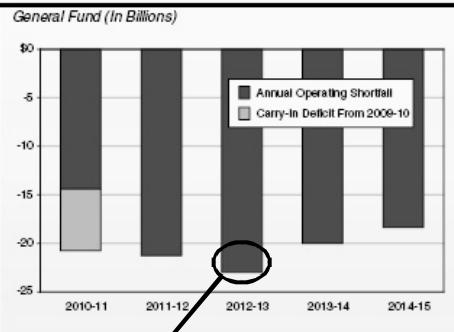
- Sales, PIT, VLF tax increases end after 2010-11
- Business tax cuts kick in
- Debt service costs increasing
- Retirement benefit costs increasing
- One-time solutions / loans gone
- Uncertainties:

- * Redevelopment lawsuit
- * Employee furlough lawsuit



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Figure 2
Huge Operating Shortfalls Projected Throughout Forecast Period



Local Property Tax Repayment

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City Funds at Risk of State Action

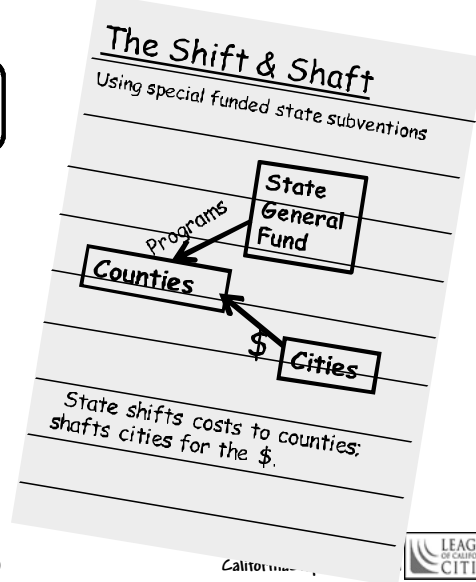
State Subventions (General Fund)

- Law enforcement grants (\$500m)

Special-Funded Subventions

- State \$ to cities & counties only -

- Prop.172 Public Safety (\$180m+)
- Vehicle License Fee (\$150m+)



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City Funds at Risk of State Action

Proposition 1A (2004) Property Tax Borrowing

- **St.**
 - ❖ Governor must declare "fiscal hardship."
 - ❖ Legislature must enact by 2/3 vote;
- **Spe**
 - ❖ Limited to 8% of the property tax revenues within each county;
- **Pro**
 - ❖ Must enact a law directing the repayment with interest within three years;
- **Veh**
 - ❖ May not enact another until previous borrowing is repaid;
 - ❖ May not enact more than twice in ten years.

Redevelopment Agencies

- Property Tax shift
- Unconstitutional?**

Borrowable / Delayable

- Property Tax (\$2b cities/counties/spec.districts)
- Highway Users' Tax (\$1.05b cities & counties)
- Prop.42 Streets & Roads (\$600m cities & counties)
- Mandate cost reimburs. (\$91m/yr cities/counties /special districts for pre FY04-05 costs)

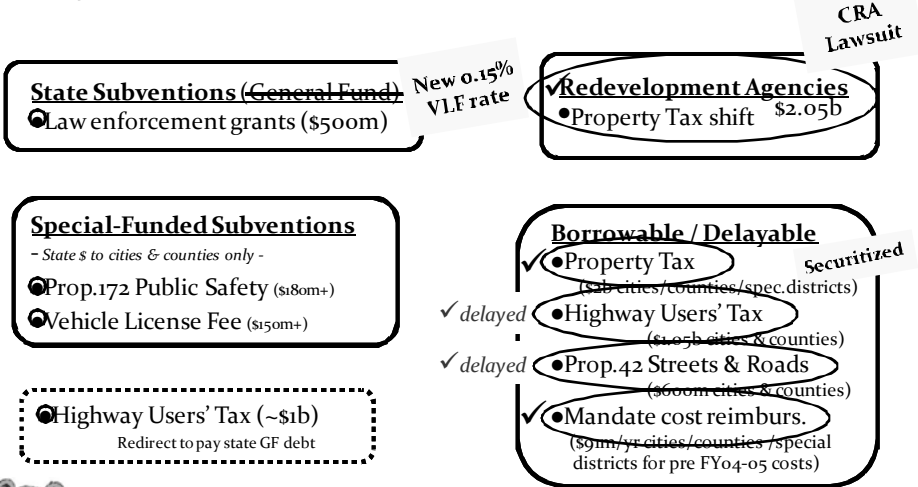


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City Funds at Risk of State Action



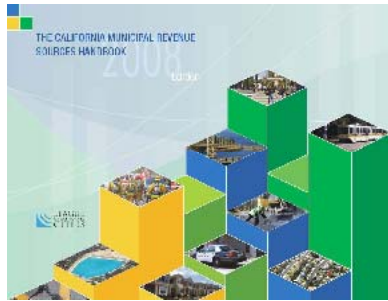
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✓ = action taken by Legislature

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Resources: California Municipal Finance



Available for purchase at CityBooks

The California Municipal Revenue Sources Handbook, 2008 edition by Michael Coleman. League of California Cities. 2008

Understanding the Basics of City and County Revenue. Institute for Local Government. 2008*

Cal Facts, California's Economy and Budget in Perspective – State and Local Finances. Legisl Analyst's Office 2006*



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* available on-line at ...

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