

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, FINDING A SEVERE FISCAL HARDSHIP WILL EXIST IF ADDITIONAL CITY PROPERTY TAX FUNDS ARE SEIZED AND ADDITIONAL UNFUNDED MANDATES ARE ADOPTED BY THE STATE OF CALIFORNIA.

WHEREAS, the current economic crisis has placed cities, including Costa Mesa, under incredible financial pressure and caused city officials to revise preliminary budgets to make deep cuts, including layoffs and furloughs of city workers, decreasing maintenance and operation 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, these revenues could have been used to provide local programs and services that are now being significantly reduced or eliminated altogether; 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 statewide in local redevelopment funds were seized in FY 2008-09; and

WHEREAS, the most significant impact and challenge of taking local property taxes has been the overall reduction of the operating budget that cities have had to work with to provide quality programs and necessary services with minimal staff, while trying to minimize any reductions in the level of service to residents and businesses; and

WHEREAS, in 2004, California voters adopted substantial constitutional protections for local revenues by an 84 percent vote margin, but the State Legislature can still “borrow” local property taxes to fund the state budget; and

WHEREAS, on May 5 the California Department of Finance announced a proposal 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 state legislature is currently considering hundreds of bills, many of which would impose new costs on local governments that can neither be afforded nor sustained; 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 City's property taxes, increasing unfunded state mandates, and the revenue losses due to the economic downturn have placed the City's budget under serious fiscal pressure; and

WHEREAS, further efforts by the State to borrow property tax funds from cities and counties and burden them with more state mandates will only deepen the financial challenge facing local governments; and

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

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Costa Mesa, California hereby finds that the City will experience a severe fiscal hardship if the recommendation of the California Department of Finance to "borrow" \$2 billion of local property taxes is supported by the Governor and the Legislature.

BE IT FURTHER RESOLVED that the City Council of the City of Costa Mesa hereby 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 City's share of the Proposition 42 transportation sales tax.

BE IT FURTHER RESOLVED that the City Council of the City of Costa Mesa hereby 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.

BE IT FINALLY RESOLVED that the City Council of the City of Costa Mesa hereby directs the City Clerk to send copies of this resolution to the Governor, the City's state Legislators, and the League of California Cities.

PASSED AND ADOPTED this _____ day of _____ 2009.

Mayor of the City of Costa Mesa

ATTEST:

City Clerk of the City of Costa Mesa

APPROVED AS TO FORM

City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, Julie Folcik, City Clerk and ex-officio Clerk of the City Council of the City of Costa Mesa, hereby certify that the above and foregoing Resolution No. _____ was duly and regularly passed and adopted by the said City Council at a regular meeting thereof held on the _____ day of _____ 2009.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the City of Costa Mesa this _____ day of _____ 2009.