

**CITY OF ALBANY  
CITY COUNCIL AGENDA  
STAFF REPORT**

Agenda Date: May 18, 2009

Reviewed by: BP

SUBJECT: Resolution #09-23 finding a severe fiscal hardship will exist if additional local property tax funds are seized and additional unfunded mandates are adopted by the State of California

**REPORT BY:** Beth Pollard, City Administrator

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**STAFF RECOMMENDATION**

Approve Resolution #09-23.

**BACKGROUND**

On May 5, 2009, the State of California 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 service. In order to start that process, 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.

**DISCUSSION**

The League of California Cities has developed the attached **Resolution Finding A Severe Fiscal Hardship Will Exist** if this proposed state property tax raid is added to the pressures of the ongoing property tax losses and the serious revenue losses due to the economic recession. The resolution in effect states that the idea of the state taking property tax funds from already stressed city budgets is ludicrous and 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.

The attached resolution also cites the cumulative property tax losses of cities statewide since the state began taking these funds in the early 1990s—which is \$8.6 billion statewide even after deducting payments cities receive from the Prop. 172 public safety sales tax the state COPS grant program. The cumulative losses for each city can be found at <http://www.californiacityfinance.com/ERAFbyCity08.pdf>. The cumulative loss for the City of Albany is \$10,224,943.

## **SUSTAINABILITY IMPACT**

State takeaway of City resources lowers Albany's ability to sustain itself economically and to be proactive in environmental initiatives and carbon emission reduction efforts.

## **FINANCIAL IMPACT**

We estimate that the fiscal impact on the City of Albany from the 8% property tax takeaway is approximately \$420,000. This represents 2.4% of the City's \$17.2 million 2009-10 General Fund Budget. To put it in some perspective, it is equivalent to the cost of three police officers or firefighters. Under Proposition 1A, the State is required to pay the funds back within three years with interest.

## **Attachments**

1. Draft resolution
2. League of California Cities summary