



# REPORT TO COUNCIL

## City of Sacramento

33

915 I Street, Sacramento, CA 95814-2604  
www. CityofSacramento.org

Consent  
June 23, 2009

Honorable Mayor and  
Members of the City Council

**Title:** Support the League of Cities in the Challenge Against the State's Seizure of  
the Street Maintenance Funds

**Location/Council District:** All Districts

**Recommendation:** Adopt a **Resolution** to support the League of California Cities and  
other Cities and Counties and oppose any seizure by the State of California of Street  
Maintenance funds.

**Contact:** Azadeh Doherty, Principal Planner, 808-3137

**Presenters:** None

**Department:** Transportation

**Division:** Office of Director

**Organization No:** 15001041

### Description/Analysis

**Issue:** In his proposed FY 2009-10 budget, the Governor has proposed  
transferring \$1 billion of local gas taxes and weight fees to the state general fund  
to balance the state budget, and over \$700 million in local gas taxes permanently  
in future years. If enacted, the City's projected 2009-10 motor vehicle fuel  
tax revenue loss is over \$7 million. This will have a severe impact on the  
Department of Transportation's (DOT) operating budget and will impact the  
maintenance of the City's streets, traffic signals, streetlights, sidewalks and  
related traffic safety facilities.

**Policy Considerations:** Approving this resolution is consistent with the letter  
that was submitted by Mayor Johnson to Assembly Member Noreen Evans on  
June 5, 2009 opposing the use of gas tax funds to balance the state budget  
(Attachment 2, page 5).

**Environmental Considerations:** None



**California Environmental Quality Act (CEQA):** N/A

**Sustainability Considerations:** N/A

**Other:** Protecting the City's financial resources is consistent with the City's policies.

**Commission/Committee Action:** None

**Rationale for Recommendation:** The current economic crisis has placed the City of Sacramento under incredible financial pressure and caused it to make severe budget cuts, including layoffs and furloughs of city workers, decreasing maintenance and operations of public facilities, and reductions in direct services to keep spending in line with declining revenues. Since the early 1990's the state government of California has seized over \$10 billion of city property tax revenues statewide, now amounting to over \$900 million each year, to fund the state budget even after deducting public safety program payments to cities by the state.

The Governor, in his proposed FY 2009-10 budget, has proposed transferring \$1 billion of local gas taxes and weight fees to the state general fund to balance the state budget, and over \$700 million in local gas taxes permanently in future years. The City's projected loss in FY 2009-10 would be over \$7 million. This loss of revenue will have severe negative impact on the DOT's operating budget thus affecting its ability to maintain the City's streets, traffic signals, streetlights, sidewalks and related traffic safety facilities. In both Proposition 5 in 1974 and Proposition 2 in 1998 the voters of our state overwhelmingly imposed restrictions on the state's ability to do what the Governor has proposed, and any effort to permanently divert the local share of the gas tax would violate the state constitution and the will of the voters.

**Financial Considerations:** The State's proposed FY 2009-10 budget transfers \$1 billion of local gas taxes and weight fees to the state general fund to balance the state budget, and over \$700 million in local gas taxes permanently in future years. If enacted, the City's projected 2009-10 motor vehicle fuel tax revenue loss is over \$7 million (see Attachment 1, page 4).

**Emerging Small Business Development (ESBD):** None as result of this action.

Respectfully Submitted by: Francesca Lee Halbakken  
Francesca Lee Halbakken  
Operations Manager

Approved by: Jerry Way  
Jerry Way  
Director of Transportation

Recommendation Approved:

Ray Kerridge  
Ray Kerridge  
City Manager

*for*

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ATTACHMENT 1

Highway Users Tax<sup>(1)</sup> - Projected FY2009-10 Revenues

	Streets & Highways Code Sec.				TOTAL FY2009-10
	Sec2105 <sup>(3)</sup>	Sec2106 <sup>(3)</sup>	Sec2107 <sup>(3)</sup>	Sec2107.5 <sup>(4)</sup>	
<b>SACRAMENTO COUNTY</b>					
CITRUS HEIGHTS	475,560	329,830	633,746	7,500	1,446,635
ELK GROVE	759,981	524,125	1,012,748	10,000	2,306,834
FOLSOM	395,333	275,021	526,833	7,500	1,204,687
GALT	130,233	93,911	173,552	5,000	402,696
ISLETON	4,597	8,080	6,125	1,000	19,802
RANCHO CORDOVA	390,878	271,977	520,896	7,500	1,191,252
SACRAMENTO	2,590,949	1,775,008	3,452,778	10,000	7,828,735
<b>SAN BENITO COUNTY</b>					
HOLLISTER	202,503	120,748	269,861	6,000	599,112
SAN JUAN BAUTISTA	10,206	10,776	13,601	1,000	35,583
<b>SAN BERNARDINO COUNTY</b>					
ADELANTO	153,477	98,951	204,528	6,000	462,956
APPLE VALLEY	382,845	239,449	510,191	7,500	1,139,985
BARSTOW	130,445	84,843	173,835	5,000	394,124
BIG BEAR LAKE	34,071	25,809	325,706	2,000	387,586
CHINO	442,355	275,901	589,498	7,500	1,315,252
CHINO HILLS	450,230	280,725	599,990	7,500	1,338,445
COLTON	292,751	178,137	376,803	7,500	845,191
FONTANA	1,026,581	633,765	1,368,053	10,000	3,038,399
GRAND TERRACE	68,311	46,763	91,033	3,000	209,126
HESPERIA	478,277	297,905	637,367	7,500	1,421,050
HIGHLAND	285,937	180,089	381,049	7,500	654,574
LOMA LINDA	123,256	80,439	164,255	5,000	372,951
MONTCLAIR	201,599	128,428	268,657	6,000	604,683
NEEDLES	31,628	24,312	42,145	2,000	100,082
ONTARIO	945,935	584,366	1,260,582	10,000	2,800,883
RANCHO CUCAMONGA	949,301	586,428	1,265,067	10,000	2,810,796
REDLANDS	391,069	244,486	521,150	7,500	1,164,206
RIALTO	543,342	337,760	724,074	7,500	1,612,677
SAN BERNARDINO	1,119,137	690,460	1,491,397	10,000	3,310,995
TWENTYNINE PALMS	152,306	98,234	202,968	6,000	459,507
UPLAND	409,379	255,702	545,551	7,500	1,218,131
VICTORVILLE	584,956	363,251	779,530	10,000	1,737,736
YUCAIPA	283,541	178,621	377,855	7,500	847,517
YUCCA VALLEY	115,826	75,889	154,356	5,000	351,073
<b>SAN DIEGO COUNTY</b>					
CARLSBAD	565,366	375,412	753,424	10,000	1,704,202
CHULA VISTA	1,259,712	830,402	1,678,732	10,000	3,778,846
CORONADO	146,898	101,199	195,761	6,000	449,857
DEL MAR	24,943	21,284	33,240	1,000	80,468
EL CAJON	533,359	354,439	710,771	7,500	1,606,069
ENCINITAS	347,810	232,852	463,503	7,500	1,051,666
ESCONDIDO	780,912	516,655	1,040,668	10,000	2,348,235
IMPERIAL BEACH	153,580	105,577	204,666	6,000	469,824
LA MESA	308,609	207,165	411,262	7,500	934,536
LEMON GROVE	139,480	98,336	185,876	6,000	427,694
NATIONAL CITY	347,315	232,527	462,842	7,500	1,050,185

ATTACHMENT 2

## Coalition Against Fiscally Reckless Diversion of Gas Tax Funds

California Alliance for Jobs  
Transportation California  
California State Council of Laborers  
California Conference of Carpenters  
Operating Engineers Local Union No. 3  
Associated General Contractors (AGC)  
California Transit Association  
Self Help Counties Coalition  
League of California Cities  
California State Association of Counties  
California Association of Councils of  
Governments  
Regional Council of Rural Counties  
AAA Northern California  
Automobile Club of Southern California  
California Teamsters Public Affairs Council  
Teamsters Union Local 952  
California Business Properties Association  
Golden State Builders Exchanges  
American Council of Engineering  
Companies  
Engineering & Utilities Contractors  
Association  
Professional Engineers in California  
Government  
Engineering & General Contractors  
Association  
Construction Industry Air Quality Coalition  
Orange County Business Council  
Silicon Valley Leadership Group  
Los Angeles Area Chamber of Commerce  
Bay Area Council  
Contra Costa Council  
Southern California Contractors  
Association  
Sacramento Transportation Authority  
Ventura County Contractors Association  
Sonoma County Transportation Authority  
Santa Clara Valley Transportation Authority  
El Dorado County Transportation  
Commission  
Solano Transportation Authority  
Transportation Authority of Marin  
San Mateo County Transit District  
San Mateo County Transportation Authority  
Caltrain  
City/County Association of Governments of  
San Mateo County  
Santa Barbara County Association of  
Governments  
The 50 Mobility Partnership  
Humboldt Builders' Exchange  
Granite Construction  
Teichert Construction  
DeSiva Gates Construction  
Atcom Fence Company  
Arrowhead Central Credit Union  
Tavaglione Construction and Development,  
Inc.  
Jezowski & Markel Contractors, Inc  
Signature Properties  
CH2M Hill

June 5, 2009

Assembly Member Noreen Evans  
Vice Chair, Joint Budget Conference Committee  
State Capitol, Room 6026  
Sacramento, CA 95814

**Re: Borrowing Gas Taxes to Close the Budget Gap is Fiscally  
Reckless**

Dear Assembly Member Evans:

We urge you to reject any proposal to take and/or borrow gas tax funds to use for general fund purposes. Proposals on the table to take outright more than \$900 million in gas taxes directly from local governments, as well as suspending Prop. 42 funding protections, will not help solve the State's budget crisis. Instead, such borrowing and raids will put thousands of construction workers out of work and onto state social services, will make future budgeting more difficult, and will kill the job creation and revenue generation that result from infrastructure investment.

- **California would lose out on the creation of tens of thousands of jobs and billions in economic activity at the worst possible time.** Every \$1 billion invested in infrastructure generates \$5 billion in economic activity and 18,000 jobs. Much of this economic activity is put immediately to work -- as contracts are awarded, contractors begin purchasing equipment and materials, hiring workers, paying payroll, and generating sales and income taxes to state and local governments. Borrowing gas tax funds -- even temporarily -- will result in thousands of job losses, billions in lost economic activity, millions in lost revenues for the state, and added pressure on state coffers to pay unemployment and other benefits for those who lost their jobs.
- **Infrastructure investment builds a stronger economy.** Because of the dire economic situation, construction contractors are more competitive than ever. Contractors are currently bidding at 20 to 40 percent under engineers' estimate on public works projects. California is getting the best value it has in many years on infrastructure investment and should be doing more, not less, to stimulate our economy through investing in public works.
- **Borrowing gas tax funds now will plunge the state deeper in debt later -- requiring billions of dollars in repayment in just three years.** Any borrowing of gas tax funds must be repaid in three years when experts predict California will still be facing multi-billion dollar deficits.

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- **Permanently diverting the local share of the gas tax has serious long-term consequences.** The local share of the gas tax is the lifeline for counties and cities struggling to maintain the vast local transportation system. Any permanent erosion of existing funding levels will jeopardize public works departments and their mission to respond to the mobility and safety needs of the public and strangle economic activity that requires the efficient movement of goods and people.
- **Raiding transportation funding goes against the will of voters.** Twice voters overwhelmingly supported measures to guarantee the state sales tax on gasoline goes to road improvements. Any proposals to borrow or repeal funding dedicated to transportation ignore the clear mandate set by voters. In 2006, 77% of voters approved Proposition 1A, preventing the state from using sales taxes on gasoline for non-transportation purposes.
- **Raiding gas tax funds disproportionately impacts the construction industry, its employees and contractors.** The construction industry is already facing 20% unemployment due to the global recession. Local governments across the state are already laying off public works staff. Raiding all of the state sales tax on gas would disproportionately impact an industry that is already reeling and could literally put many contractors and public works departments out of business.

Using gas tax funds for infrastructure improvements, as intended by the voters, is the fiscally responsible choice that will provide both short and long-term economic stimulus to expedite our economic recovery. We strongly urge you to continue to use gas tax funds for the purposes they were intended and reject any proposals to borrow, divert or outright raid these funds.

Respectfully,

Jim Earp, Executive Director  
California Alliance for Jobs

Jose Mejia, Director  
California State Council of Laborers

Tom Holsman, CEO  
Associated General Contractors – California

Jim Santangelo, Chairman  
California Teamsters Public Affairs Council

Patrick D. Kelly, Secretary-Treasurer  
Teamsters Union Local 952

Rex Hime, President & CEO  
California Business Properties Association

Keith Woods, President  
Golden State Builders Exchanges

Paula LaBrie, Legislative Counsel  
AAA Northern California

Tim Chang, Legislative Counsel  
Automobile Club of Southern California

Mark Watts, Executive Director  
Transportation California

Danny Curtin, Director  
California Conference of Carpenters

Russ Burns, Business Manager  
Operating Engineers Local Union No. 3

Joshua W. Shaw, Executive Director  
California Transit Association

Keith Dunn, Executive Director  
Self Help Counties Coalition

Chris McKenzie, Executive Director  
League of California Cities

Paul McIntosh, Executive Director  
California State Association of Counties

Patricia Megason, Executive Vice President  
Regional Council of Rural Counties

Rusty Selix, Executive Director  
California Association of Councils of Governments

Paul Meyer, Executive Director  
American Council of Engineering Companies,  
California

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Tara McGovern, Director of Government  
Relations  
Engineering & Utilities Contractors Association

Mark Sheahan, President  
Professional Engineers in California Government

Debbie Day, Executive Director  
Engineering & General Contractors  
Association

Mike Lewis, Senior Vice President  
Construction Industry Air Quality Coalition

Lucy Dunn, President & CEO  
Orange County Business Council

Carl Guardino, President & CEO  
Silicon Valley Leadership Group

Gary Toebben, President & CEO  
Los Angeles Area Chamber of Commerce

Jim Wunderman, President & CEO  
Bay Area Council

Linda Best, President & CEO  
Contra Costa Council

Bill Davis, Executive Vice President  
Southern California Contractors Association

Jim Ryan, Executive Vice President  
Associated General Contractors – San Diego

Richard Napier, Executive Director  
City/County Association of Governments of  
San Mateo County

Lupe Alvarez, Chairman  
Santa Barbara County Association of  
Governments

Robert Weich, Executive Director  
Ventura County Contractors Association

Brian A. Williams, Executive Director  
Sacramento Transportation Authority

Suzanne Smith, Executive Director  
Sonoma County Transportation Authority

Anthony Hernandez, Director of Government  
Affairs  
CH2M Hill

Kathryn Mathews, Executive Director  
El Dorado County Transportation Commission

Michael T. Burns, General Manager  
Santa Clara Valley Transportation Authority

Tony Harris, Chief Transportation Consultant  
The 50 Mobility Partnership

Jim Spering, Chair  
Solano Transportation Authority

Dianne Steinhauer, Executive Director  
Transportation Authority of Marin

Mike Scanlon, General Manager/CEO  
San Mateo County Transit District  
San Mateo County Transportation Authority  
Caltrain

Harry Armstrong, Chair  
Fresno County Transportation Authority

Larry Zarian, Former Chair  
Los Angeles Metropolitan Transportation  
Authority

Charlene McCombs, Executive Director  
Humboldt Builders' Exchange

Ken Kayser, President  
Teichert Construction

William G. Dorey, President & CEO  
Granite Construction

Richard B. Gates, President and General  
Partner  
DeSilva Gates Construction

Greg Erickson, President & CEO  
Alcorn Fence Company

Larry R. Sharp, President & CEO  
Arrowhead Central Credit Union

Joe Tavaglione, President  
Tavaglione Construction and Development,  
Inc.

Mike Barth, President  
Jezowski & Markel Contractors, Inc.

Jim Ghielmetti, CEO  
Signature Properties

Kevin Johnson  
Mayor, City of Sacramento

Anthony (Tony) Spitaleri  
Mayor, City of Sunnyvale

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Andrew J. Takata  
Town Manager, Town of Yucca Valley

Thurston Smith  
Mayor, City of Hesperia

Joseph Hughes  
City Manager, City of Highland

Rick Roelle  
Mayor, Town of Apple Valley

Ronald O. Loveridge  
Mayor, City of Riverside

Carol McKay  
City Administrator, City of Dorris

Jan McClintock  
City Manager, City of Colusa

Rick Bosetti  
Mayor, City of Redding

Steve Williams  
City Manager, City of Palmdale

Pete Aguilar  
Councilmember, City of Redlands

Melanie Fesmire  
Mayor, City of Indio

Connie Gonsalves  
Mayor, City of Jackson

Andrew T. Souza  
City Manager, City of Fresno

Peter Towne  
Mayor, City of Willows

Ken Hunt  
City Manager, City of Fontana

Gary Thomasian  
Mayor, City of Murrieta

Michael Sweeney  
Mayor, City of Hayward

Kathleen J. DeRosa  
Mayor, City of Cathedral City

Carol Martin  
City Manager, City of Shasta Lake

Pete Carr  
Administrator, City of Biggs

Peter Rogers  
Mayor, City of Chino Hills

Kelly J. Chastain  
Mayor, City of Colton

Melanie Fesmire  
Mayor, City of Indio

Dennis Donohue  
Mayor, City of Salinas

Ralph Rubio  
Mayor, City of Seaside

Curt McBride  
Mayor, City of Portola

Steve Nolan  
Mayor, City of Corona

Scott Nassif  
President, Desert Mountain Division, League  
of California Cities

Marlin H. "Skip" Davies  
Mayor, City of Woodland

Gina Garbolino  
Mayor, City of Roseville

Mike Parness  
City Manager, City of Napa

Maggie Houlihan  
Mayor, City of Encinitas

Richard A. Stewart  
Mayor, City of Moreno Valley

Crystal Crawford  
Mayor, City of Del Mar

Cynthia Mathews  
Mayor, City of Santa Cruz

Maryann Edwards  
Mayor, City of Temecula

Ken Nordhoff  
City Manager, City of San Rafael

Linda Vernon  
Mayor, City of Tehachapi

Mark Wallace  
Mayor, City of Dinuba

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David D. Gustavson, PE  
Director of Public Works & Transportation,  
City of Beverly Hills

David H Ready,  
City Manager, Palm Springs

Gregory C. Devereaux  
City Manager, City of Ontario

Don Adolph  
Mayor, City of La Quinta

Gary Bric  
Mayor, City of Burbank

**ATTACHMENT 3**

**RESOLUTION NO.**

Adopted by the Sacramento City Council

**RESOLUTION AUTHORIZING THE CITY TO SUPPORT LEAGUE OF CITIES AND  
OTHER CITIES AND COUNTIES AND OPPOSE ANY SEIZURE BY STATE  
GOVERNMENT OF THE CITY'S STREET MAINTENANCE FUNDS**

**BACKGROUND**

- A. The current economic crisis has placed the City of Sacramento under incredible financial pressure and caused it to make severe budget cuts, including layoffs and furloughs of city workers, decreasing maintenance and operations of public facilities, and reductions in direct services to keep spending in line with declining revenues.
- B. The Governor, in his proposed FY 2009-10 budget, has proposed transferring \$1 billion of local gas taxes and weight fees to the state general fund to balance the state budget, and over \$700 million in local gas taxes permanently in future years. In FY 2009-10 the City of Sacramento will lose over \$7 million which will affect the City's ability to maintain the City's streets, traffic signals, streetlights, sidewalks and related traffic safety facilities.
- C. The loss of almost all of the City's gas tax funds will seriously compromise the City's ability to perform critical traffic safety related street maintenance, including, but not limited to, drastically curtailing patching, resurfacing, street lighting/traffic signal maintenance, payment of electricity costs for street lights and signals, bridge maintenance and repair, sidewalk and curb ramp maintenance and repair, and more.
- D. In both Proposition 5 in 1974 and Proposition 2 in 1998 the voters of our state overwhelmingly imposed restriction on the state's ability to do what the Governor has proposed, and any effort to permanently divert the local share of the gas tax would violate the state constitution and the will of the voters.
- E. Ongoing street maintenance is a significant public safety concern and failure to maintain street pavement (potholes filling, sealing, overlays, and so forth), traffic signals, signs, and street lights has a direct correlation to traffic accidents, injuries and deaths.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL  
RESOLVES AS FOLLOWS:**

Section 1: The City of Sacramento opposes any state legislative action that would result in the diversion of the Highway Users Tax Account (HUTA), also known as the "gas tax," to fund the state general fund; and

Section 2: The City Manager shall send this resolution with an accompanying letter from the Mayor and City Council to the Governor and each legislator, informing them of the City of Sacramento's opposition to borrowing, diverting or raiding of the gas tax funds.