



Agenda Item #: \_\_\_\_\_

# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor Fahey and Members of the City Council

**THROUGH:** Geoff Dolan, City Manager

**FROM:** Sherilyn Lombos, Deputy City Manager

**DATE:** August 2, 2005

**SUBJECT:** Consideration of the State Budget and Legislative Update from Shaw / Yoder, Inc., the City's Legislative Advocate

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**RECOMMENDATION:**

Staff recommends that the City Council receive and file the August Budget and Legislative Update from Shaw / Yoder, Inc.

**FISCAL IMPLICATION:**

There are no fiscal implications associated with staff's recommendation.

**BACKGROUND:**

The City contracts with Shaw / Yoder, Inc. for legislative advocacy and representation. One of the deliverables of the contract with Shaw / Yoder, Inc. is that they will provide monthly updates on the state budget and legislative activity.

**DISCUSSION:**

The June 2005 Budget and Legislative Update from Shaw / Yoder, Inc. is attached which includes information about the state budget as well as bills of interest to the City.

Attachment: A. Budget and Legislative Update



August 2, 2005

To:	Manhattan Beach City Council
Fm:	Shaw / Yoder, Inc.
RE:	BUDGET AND LEGISLATIVE UPDATE

## **BUDGET**

On July 7, the Legislature voted to pass a balanced budget agreement brokered between the Governor and legislative leaders. Most of the budget remains intact since the last time we updated you, including the addition of more than \$1.3 billion for transportation purposes, derived from Proposition 42. This revenue was originally slated for suspension by the Governor in his January budget proposal but thanks to extensive lobbying efforts was reinstated in the Governor's May Revision, and the Legislature approved that action during their budget deliberations in May, June and July. With the inclusion of this vital transportation funding source, local governments will finally realize the promise of additional resources for local streets and roads funding that voters approved overwhelmingly in March of 2002. In dollars, Manhattan Beach can expect to receive approximately \$4.38 for every person in the city for expenditure on local streets rehabilitation and maintenance.

The key sticking points between the Republicans and the Democrats that allowed the budget to be late by seven days centered around out-year budget deficits and how best to achieve a balanced budget this year that would not exacerbate the expected budget deficits in the future. Ultimately, the major new item contained in this budget agreement was the early repayment of revenue owed to local governments by the state for Vehicle License Fee revenue not paid to them two years ago. The state is able to achieve this result by refinancing some old debt, partial suspension of COLA adjustments for SSI/SSP recipients and greater assumptions of taxable revenue to the state, specifically from corporate interests. This revenue, coupled with the allowance of Proposition 42 funds, will significantly increase the operating revenue for local governments. And again, this budget action is good news for Manhattan Beach. Your City will realize approximately \$700,000 in one-time revenue as a result of this compromise. Early repayment of this revenue with what is believed to be one-time funds lowers next year's budget deficit by a corresponding amount. It is now estimated that the budget deficit for 2006-07 will be in the neighborhood of \$5 billion.

With the passage of the budget in a relatively timely fashion, albeit seven days after the start of the state's fiscal year, the Legislative calendar for the remainder of 2005 is virtually intact. The Legislature is currently in recess until August 15, when the Legislature will then reconvene for approximately three weeks before it adjourns for the remainder of the year on September 9.

Tel: 916.446.4656  
Fax: 916.446.4318  
1414 K Street, Suite 320  
Sacramento, CA 95814

## SPECIAL ELECTION

As mentioned in your last update, the Governor has called a special election for November 8, 2005 that will consider several initiatives. Recently, a court ordered off the ballot an initiative that would have altered the way legislative and congressional seats are drawn; there are now seven initiatives remaining on the ballot for voter consideration. For those with internet access that would like to see a summary of the remaining initiatives you may go to the non-partisan Legislative Analyst's Office website ([www.lao.ca.gov](http://www.lao.ca.gov)), where they have recently posted excellent analyses on all the items voters will be considering. For those that do not have internet access but would still like to see these summaries, please feel free to contact our office and we can make them available for anyone that is interested.

## BILLS OF INTEREST

We have identified the following proposals of interest to your community:

- **SB 153 (Chesbro)** – This bill would authorize, upon voter approval, a \$3 billion General Obligation bond for the purposes of natural resources protection and preservation. This bill is currently in the Assembly Appropriations Committee. This is an exciting proposal as it would currently fund the following programs:
  - 1) **\$1.74 billion** for neighborhood, community, and regional parks and recreational areas.
  - 2) **\$1.3 billion** for state parks and wildlife protection.
  - 3) **\$825 million** for water quality and coastal protection.

We will continue to update you on the progress of this measure as Manhattan Beach would be eligible to apply for grants should this bill pass the Legislature and then be approved by the voters.

- **AB 11 (De La Torre)** – This bill would limit the amount of compensation a council member could receive for serving on boards or commissions under the supervision of the council. This bill is awaiting a final vote by the Assembly before it can be sent to the Governor for consideration.
- **AB 1380 (Gordon)** – This bill seeks to ensure that area codes are not unnecessarily “split”, as the cost to do so is burdensome to all parties. This bill is currently in the Senate Appropriations Committee.

## QUESTIONS / COMMENTS

As always, please do not hesitate to contact us with any questions or comments you may have regarding state issues. We are always available for whatever state needs you may have.

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Sacramento, CA 95814