

**REVENUE AND TAXATION POLICY COMMITTEE
HIGHLIGHTS**

Thursday, April 12, 2018
Pomona, CA

ATTENDANCE

Members: Bob Biery (Chair), Jeff Slowey (V. Chair), John Adams, Paul Arevalo, David Ayers, Michael Bennett, Nancy Carroll, Marita Dorenbecher, Ryan Dunn, Debbie Franklin, Jorge Garcia, John Gillison, Barbara Halliday, Loella Haskew, Mike Hennawy, Kirsten Keith, Liz Kniss, Lauren Lai, Eric Levitt, Joseph Muller, Paul Navazio, Chris Pedigo, Marcus Pimentel, Amanda Rigby, Doug Robertson, Sylvia Robles, Edmond Rodriguez, Harry Sachs, Bob Samario, David Sander, Fred Strong, Kuldip Thusu, Olivia Valentine, Joe Vinatieri, Don White, David Wilson, Jim Zervis

League Partners: Fran Mancina, Ken Nordhoff

Staff: Dan Carrigg

I. State Budget and Issues Briefing

The April 2018 Policy Committee meetings began with a general session briefing and an introduction from Rich Garbarino, League President, Council Member, South San Francisco. President Gabarino gave a brief welcome highlighting the importance of the League's 2018 Strategic goals and thanking everyone for their attendance. He then introduced League Deputy Executive Director/Legislative Director, Dan Carrigg, to discuss state budget and legislative issues.

Mr. Carrigg and Michael Coleman, the League's Fiscal Policy Advisor, provided an update on the Governor's budget. Mr. Coleman gave a brief presentation regarding the makeup of California's budget and discussed the projected surplus of an estimated \$6 billion.

Mr. Carrigg stated that the Governor's first commitment with additional funds is to fill California's 'Rainy Day' reserve fund to its constitutional limit. With several billion more in additional funds available, in addition to supporting additional funding to address homelessness, the League is making three budget requests: \$100 million for disaster equipment pre-positioning; \$100 million for the Transformative Climate Communities program; and \$100 million for organic waste recycling infrastructure.

Mr. Carrigg gave an update on the major ballot issues coming up in 2018, including the California Business Roundtable Initiative, which would limit the ability of cities to raise taxes and fees to provide essential services to their communities. He gave a background on the measure and stated that the League and a strong coalition of local government and labor associations are opposed and will continue to fight this initiative. Finally, he gave a brief overview of other initiatives that may be on the ballot ranging from rent control to splitting California into three states. He then introduced League's lobbyists to discuss their respective major issue areas.

Rony Berdugo, Legislative Representative, discussed the League's strategic goal of protecting existing transportation funding for local priorities and the ongoing SB 1 repeal effort. He described the League's campaign to protect SB 1 dollars and presented cities with several ways they can do their part to protect the funding. He also discussed Proposition 69, on the June ballot, which will ensure that the revenue created by SB 1 is constitutionally restricted for transportation purposes. For cities looking to join in the League's advocacy efforts, both to oppose any gas tax

repeal effort and to support the constitutional protections on the June 2018 ballot, please visit <https://fixcaroads.com/> to learn more.

Next, Jason Rhine, Assistant Legislative Director, briefed members on the issues surrounding affordable housing, homelessness, and land use. Mr. Rhine focused on the housing affordability and availability challenges throughout the state. He noted that even with the passage of last year's 15-bill "housing package," housing legislation continues to be a high priority for the Legislature this year.

Mr. Rhine discussed the League's opposition to SB 827 (Wiener), which would exempt certain housing projects from locally developed and adopted height limitations, densities, parking requirements, and design review standards. He also discussed the large number of bills introduced this year that touch on nearly every aspect of the current housing law. Also outlined were: HCD's projected milestones for SB 2 and the revenue that it will generate, homelessness funding, the Veterans and Affordable Housing Bond Act of 2018 and No Place Like Home funding. Mr. Rhine went on to discuss the Joint Task Force Report on Homelessness and its findings. The report can be found here: [Homelessness Task Force Report - Tools and Resources for Cities and Counties](#)

Dane Hutchings, Legislative Representative, provided an update on pensions and other labor and governance issues. He gave an overview of what will be happening on pensions this year and referenced the League's [Pension Survey Report](#). Mr. Hutchings stressed that cities are struggling with increasing costs and securing additional flexibility. He described the reality of attempting to find a solution to the pension issue in Sacramento and explained the League's strategy. Additionally, Mr. Hutchings discussed the League's opposition to AB 1912 (Rodriguez), which would apply prospective and retroactive joint and several liability to agencies who have entered into a JPA for all retirement related liabilities for any public retirement system. This measure would not just apply to CalPERS but any county retirement system as well. Mr. Hutchings also briefly described a CalPERS divestment bill.

Erin Evans-Fudem, Legislative Representative, highlighted evolving environmental and community issues. She discussed the importance for cities to engage in discussions about several issues including organic waste recycling regulations, disaster relief and wildfire response legislation, offshore drilling, and clean drinking water legislation. Specifically, she discussed Propositions 68 and 72, which are on the June ballot. Proposition 68 is the park and water bond which will bring more funding to maintain parks and protect water storage and infrastructure. Proposition 72 would give a tax exemption to those who install a rainwater capture system on their property. She also elaborated on the League's several budget requests: \$100 million for fire prevention; \$100 million for waste diversion; and \$100 million for the Transformative Climate Communities program.

With the current absence of a public safety legislative representative, Dan Carrigg provided an update on public safety and revenue and taxation. Mr. Carrigg gave a brief update on the public safety initiative sponsored by the California Police Chiefs Association and the Grocers Association that attempts to address issues of chronic retail theft and violent crime. Having initially thought that the amount of cannabis legislation would slow down after last year, he reported that there are a large number of bills introduced attempting to change laws surrounding cannabis. He also briefly touched on drones as an emerging policy area.

Mr. Carrigg continued his presentation on revenue and taxation and an update regarding some important initiatives that may make their way onto the November ballot. He gave an update

regarding tax increment tools and redevelopment. Mr. Carrigg went on to describe the various tools available to cities and the potential for redevelopment to come back. The League will continue working with Legislators to continue to expand the options for local agencies. He briefly discussed legislation regarding annexations and incorporations.

II. Welcome and Introductions

Committee Chair Bob Biery welcomed the committee and invited members to introduce themselves.

III. Public Comment

No public comment.

IV. Legislative Action Items Review

Dan Carrigg, League Deputy Executive Director reviewed SCA 20 and SB 1466 (Glazer), Local Sales Tax Allocation. SCA 20 would authorize the Legislature to change the method for allocating the local Bradley-Burns Uniform Local Sales and Use Tax derived from sales of tangible personal property by a qualified retailer that is “transacted online,” as that term is further defined by the measure. If SCA 20 is approved by the voters, SB 1466 defines the location where an online retail sale of tangible personal property occurs is the point of the delivery of that property to the purchaser’s address or any other address designated by the purchaser.

Carrigg goes on to say that the initial version of SCA 20 was problematic in that it leaves the door open for the Legislature to make modifications to sales tax allocations in the future with only a majority vote. The author had agreed to language proposed by the League to correct that problem.

Carrigg identified that this issue is an extremely important issue for the League and is looking for directions from cities.

After some presentations and discussion, the committee made and seconded a motion to take staff’s recommendations:

Support efforts by League City Manager Working Group to develop the details of a proposed solution; report back at June 7th Committee meeting. Request the author to amend the existing version of SCA 20 to only address destination allocation of internet sales—with no opportunity for easy legislative shifts-- then keep the issue as a “work in progress” while the League works to develop an acceptable transition mechanism and timeline that is appropriately sensitive to impacts on negatively affected cities.

The committee unanimously voted in support of the recommendation.

V. Discussion on Next Steps on Sales Tax Modernization

Carrigg gave an overview of the following issues:

- City Manager Sales Tax Working Group Update – Working with city managers and firms like HdL and MuniServices, this working group is reviewing sales tax sourcing scenarios. This group will help the League develop recommendation before they are sent to the policy committee. This group will be meeting prior to the next policy committee meeting.

Policy committee members expressed the need to be as fair as possibly when developing sales tax modernization policy.

- Pending Quill decision – The League is waiting to hear the ruling from the Supreme Court about the *South Dakota v. Wayfair* case involves a challenge to South Dakota’s “remote seller compliance law.” We expect to have a decision by the end of June.
- SB 993 (Hertzberg), State Services Tax – Carrigg gave a brief background about SB 993. This bill touches some of this issues that the committee had been discussing. This legislation will be brought back to committee in June.

VI. Legislative and Policy Update

The committee was provided an informational updated during the general briefing and Carrigg on about the following propositions:

- League Supported June Ballot Measures:
 - Prop 68: \$4 billion park/water bond – formally known as SB 5, this proposition places a \$4 billion bond for parks, water, and climate and environmental programs, which local governments will receive funding.
 - Prop 69: Protecting transportation funds – this measure would amend the Constitution to protect revenues from the increased tax and new fee for transportation purposes only.
 - Prop 72: Rainwater capture, property tax exemption – formally known as SCA 9 (Glazer) & SB 558 (Glazer), Proposition 72 would exclude the construction or addition of “a rain water capture system,” from being classified as “newly constructed” for the purposes of property tax assessment under Proposition 13A of the Constitution.
- League Supported November Ballot Measures:
 - SB 3 Beall \$4 billion affordable housing bond - places a \$4 billion general obligation bond to fund affordable housing programs and the veterans homeownership program (CalVet). If approved by voters, SB 3 would fund existing programs.
- League Opposed Measures Gathering Signatures for November Ballot:
 - Business Roundtable 2/3rds Vote Measure (17-0050 A #1) – This proposed measure would drastically limit local revenue authority, while making comparatively minor modifications to state authority.
 - Repeal & Restrictions on Transportation Funding (17-0033 A#1)
- League Sponsored Incorporation and Annexation Bills: AB 2941 (Cooley) and AB 2268 (Reyes) – AB 2268 would restore funding to approximately 140 cities that had annexed inhabited territory in reliance on previous financial incentives, and then suffered significant fiscal harm when those funds were swept away due to the passage SB 89 (2011). AB 2941 will restore a funding mechanism to assist new incorporations.

The policy committee will receive an additional update on the propositions and legislation during the next meeting.

VII. Presentation on Next Steps on Tax Increment:

Carrigg provided a presentation on the next steps on tax increment. With the elimination of redevelopment, the League focuses on developing new tools that cities could use for infrastructure and economic development. The committee received updated on the following New Tax-Increment Tools:

1. Enhanced Infrastructure Financing District (EIFD)

2. Community Revitalization and Investment Authorities (CRIAs)
3. Affordable Housing Authority (AHA)
4. Annexation Development Plan (ADP)
5. Seaport Financing Districts (SPDs)
6. Military Base Infrastructure and Revitalization Financing Districts (MIRFDs)

VIII. Pension Reform Update

Dane Hutchings, League Legislative Representative, Governance, Transparency and Labor Relations, provided an update about what the Governance Transparency and Labor Relations (GTLR) CalPERS Response Team, pending pension cases and current legislation.

The committee discussed their concerns about the stability of the pension system and how to work with CalPERS.

Next Meeting: Thursday, June 7, Sacramento Convention Center, 1400 J Street, Sacramento