

**STAFF REPORT**  
**City of Lancaster, California**

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Date: June 9, 2009

To: Mayor Parris and City Council Members

From: Barbara Boswell, Finance Director

Subject: **Resolution Declaring Severe Fiscal Hardship**

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**Recommendations:**

Adopt **Resolution No. 09-43**, 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.

**Fiscal Impact:**

There is no fiscal impact to the adoption of this resolution, however, there will be a substantial fiscal impact if the Governor and the State Legislature support proposals to borrow or seize additional funds from local governments.

**Background:**

On May 5, 2009 the State Department of Finance announced its 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. 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. The State continues to explore options for balancing the budget, so there is still a possibility of more proposals to “borrow” or seize City funds in the near future. Acceptance of these proposals will add to the pressures of the City’s ongoing property tax losses and the serious revenue losses resulting from the economic recession. The State has balanced their budget in this way since the 1990’s. The cumulative property tax loss to cities statewide has been \$8.6 billion. The City of Lancaster’s cumulative ERAF loss is over \$4.1 million. Further losses due to borrowing or seizing of funds will put a severe fiscal hardship on the City and result in cuts to vital services.

With passage of the attached resolution, the City of Lancaster is declaring a severe fiscal hardship if the recommendation of the State Department of Finance to “borrow” \$2 billion of local property taxes is supported by the Governor and the State Legislature, or any other state proposal to borrow or seize local funds including the property tax, redevelopment tax increment, and the City’s share of the Proposition 42 transportation sales tax. In addition, the City is strongly urging 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.

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Attachment: Resolution No. 09-43