

REPORT TO CITY COUNCIL

DATE: JULY 28, 2009

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: GREG RAMIREZ, CITY MANAGER

BY: CRAIG A. STEELE, CITY ATTORNEY

SUBJECT: PARTICIPATION IN LEGAL ACTION CHALLENGING STATE APPROPRIATION OF LOCAL GOVERNMENT FUNDS

As the City Council is aware, the State Legislature and the Governor have decided to balance the State's budget, in large part, with a massive takeaway of local government funds. The City Manager has previously reported to you regarding the very serious fiscal impact on Agoura Hills that will result from this action. The revenues to be taken fall into three categories: 1) property tax and other general fund revenues ostensibly taken under the provisions of Proposition 1A and subject to repayment within three years; 2) Tax increment funds taken from redevelopment agencies; and 3) gas tax funds specifically designated by state law for street and traffic use by local government.

City attorneys, the League of California Cities, the California Redevelopment Association and various county governments believe that items 2 and 3 above violate state law and perhaps the California Constitution. Joint litigation is being organized to invalidate these actions. Over 180 cities have already authorized participation in the litigation. We recommend that the City of Agoura Hills join the other cities and organizations in whatever joint litigation is filed. Costs would be minimal as they will either be covered by membership organizations or spread across multiple participants. The exact specifics of litigation are not known at the time of writing this memo, as the budget vote is not yet final in the Legislature. However, it appears that decisions regarding the City's participation will need to be made prior to the August City Council meeting.

RECOMMENDATION

Staff recommends the City Council authorize the City Attorney, with the concurrence of the City Manager, to add the City of Agoura Hills as a participant with other cities and public entities in litigation to challenge the State's unlawful taking of gas tax and redevelopment funds.