



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Urging the California Legislature to Reject the Governor's Proposed Shift of Local Vehicle License Fee (VLF) Revenues and to Honor the 1998 Commitment to Restore the VLF.

MEETING DATE: January 21, 2003

SUBMITTED BY: Janet S. Keeter, Deputy City Manager

RECOMMENDATION: That Council Adopt a Resolution Urging the California Legislature to Reject the Governor's Proposed Shift of Local Vehicle License Fee (VLF) Revenues and to Honor the 1998 Commitment to Restore the VLF.

BACKGROUND INFORMATION: During the January 15, 2003 City Council meeting, Council Members directed staff to return during the Special January 21, 2003 meeting with a Resolution regarding the State of California's proposed Vehicle License Fee "take-away" from the cities. The Resolution is attached and generally mirrors the message that the League of California Cities is advocating which in essence states: Support restoration of the Vehicle License Fee if the State can no longer afford the VLF backfill.

The VLF was reduced in 1998 when the State was "flush" with revenues and agreed to backfill the revenues to cities so that cities would remain whole. In addition, they agreed to provisions that would trigger restoration of the VLF if the State general fund could no longer afford the offset or backfill from the general fund to pay for the VLF relief.

Should the Governor's proposal be implemented, then the City of Lodi could stand to lose \$1,092,982 this Fiscal Year, and \$2,351,335 in Fiscal Year 2003-04. These funds comprise approximately 13% of the City's General Fund revenues which help fund Parks and Recreation, Police, Fire, Administration, Library and other programs and services. Not only will the potential loss of revenues affect the City's operating budget, but it could potentially affect capital projects currently under various stages of planning development.

Funding: Not applicable.

Respectfully submitted,


Janet S. Keeter
Deputy City Manager

JSK/sl

Attachment

APPROVED: _____

H. Dixon Flynn -- City Manager

RESOLUTION NO. 2003-09

A RESOLUTION OF THE LODI CITY COUNCIL URGING THE CALIFORNIA
LEGISLATURE TO REJECT THE GOVERNOR'S PROPOSED SHIFT OF
LOCAL VEHICLE LICENSE FEE (VLF) REVENUES AND TO HONOR THE
1998 COMMITMENT TO RESTORE THE VLF

WHEREAS, prior to 1935, cities and counties collected property taxes on motor vehicles to fund essential local public health and safety services; and

WHEREAS, in 1935, the Legislature first enacted the Vehicle License Fee (VLF) Act, replacing the property tax on vehicles with a 1.75 percent fee charged against the value of the motor vehicle; and

WHEREAS, in 1948, the rate of the VLF was increased to 2 percent of the value of the vehicle; and

WHEREAS, in 1986, the voters voted overwhelmingly to constitutionally dedicate the proceeds of the VLF to fund city and county services; and

WHEREAS, in 1998, a period of strong economic growth, the Legislature approved the use of a portion of the rapidly growing state General Fund to reduce the VLF payments of vehicle owners. This amount, known as the "offset," grew in future years to a 67.5 percent offset against the amount owed. The amount paid to local governments in lieu of the reduced VLF payment is known as the "VLF backfill"; and

WHEREAS, the 1998 legislation and subsequent enactments contain clear provisions that when insufficient funds are available to be transferred from the General Fund to fully fund the offsets and backfill amount that the VLF offset shall be reduced and VLF payments increased; and

WHEREAS, VLF and backfill revenues constitute approximately 13 percent of the City of Lodi's general purpose revenues. Approximately 43 percent of the City of Lodi's operating budget goes to fund public safety services; and

WHEREAS, revenues derived from the VLF and backfill are of critical importance in funding vital local services; and

WHEREAS, any failure by the Legislature to maintain the VLF backfill or restore the VLF will cause widespread disruption in local government services essential to the well-being of Lodi citizens and their family members; and

WHEREAS, a range of City services could be affected in Lodi; and

WHEREAS, the City has multiple capital projects, which will likely be delayed; and

WHEREAS, Governor Davis' proposal to divert \$3.35 million in City of Lodi VLF backfill payments over the next 17 months fails to honor the 1998 commitment and is a direct assault on local services that will be felt by every Lodi resident; and

WHEREAS, shifting \$3.35 million in City of Lodi controlled revenues for local services is neither equitable nor fair. No state program or department has been asked to shoulder such a disproportionate share of the budget pain. These cuts come on top of the nearly \$20 million Educational Revenue Augmentation Fund (ERAF) transferred from City of Lodi services to fund state obligations.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Lodi, California, that if the state General Fund can no longer afford the expense of part or all of the VLF "backfill" that the Legislature and Governor of California are hereby respectfully urged to implement the provisions of the 1998 VLF law.

Dated: January 21, 2003

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I hereby certify that Resolution No. 2003-09 was passed and adopted by the City Council of the City of Lodi in a special meeting held January 21, 2003, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hansen, Howard, Land,
and Mayor Hitchcock

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



SUSAN J. BLACKSTON
City Clerk

filed 1-21-03
(JB)

I am opposed to this resolution on substantive and procedural grounds.

Procedurally

We are asking the State to raise taxes on all of California in order for Lodi to receive 18 cents for every extra **dollar** paid for a car registered in the City.

It is wrong to link two items that **just happen to be in the same account**. Throughout the documentation provided by the league it is suggested that if the VLF is not restored then 12,000 policemen and 15,000 firefighters will be laid off. That presumes that 100% of any reduction in city revenues will come out of salary for public safety line personnel. This resolution, by asserting that public safety personnel will be laid off **ignores the fact** the Lodi has an elected body charged with making those decisions. If anyone is to be laid off it is **this council who will make that decision** not the State of California nor the League of Cities.

This is **Herb Wesson's tax**, not the City of Lodi's. If the Speaker wants more taxes he can propose them. But the City of Lodi should not be his cheerleader. The tax will fall on our citizens, on our constituents, on the people who elected us. I will not be an accomplice in raising their taxes. Especially when only 18% of the dollars raised from that tax will actually go to Lodi.

A tax cut is not an "offset." Throughout the documentation received from the League the word offset is used to describe a decrease in the car tax. This was a tax cut, call it a tax cut. To say we want to reduce the offset is to purposefully use words that are misleading. This request is for a **tax increase**.

Substantively

"Do our part, share in the burden."

The Governor has told every state agency and department to prepare for cuts. He said you must come to the table with suggestions on how you will be part of the solution. The Governor's office said, if your only demand is for your department or agency to have it's budget remain intact, then your request will be ignored. No one is exempt from this fiscal crisis **everyone will share in the burden**.

With this resolution we are asking for our budget to remain in tact. We are asking to be exempt from this fiscal crisis. Should this request be complied with and the car tax goes back to 1998 levels, then our budget will have remained in tact. Therefore, it would be as if we have not "participated" in the budget cuts. Our budget would still be ripe for further cuts in other areas. In the big scheme of the budget, this request puts us in a position where we have **not "shared in the burden of solving the budget crisis."**

Increased taxes are a disincentive.

In 1998 the legislature reduced the car tax and in subsequent years it was further reduced by 67.5% of 1998 levels. The "restoration" of the VLF in real terms will **triple the tax you pay on your car** over the 1998 level. Since Lodi is also heavily dependent on sales tax, which comes predominantly from new car sales, this tax increase on cars will decrease new car sales.

Since 1998 the state general fund revenues have gone from 54.9 billion to 79.4 billion a 44% increase, and state general fund expenditures have gone from 52.8 billion to 82.8 billion, a 57% increase.

filed by J. Beckman
1-21-03

SCHEDULE 6
SUMMARY OF STATE POPULATION, EMPLOYEES, AND EXPENDITURES

Year	Population ¹ (Thousands)	Employees Per 1,000 Population	Personal Income (Billions)	Revenue		Expenditures		Expenditures per Capita		Expenditures per \$100 of Personal Income		
				General Fund	Total	General Fund ²	Total ³	General Fund ²	Total ³	General Fund ²	Total ³	
				(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	
1950-51	10,643	61,000	5.7	\$20.0	\$672	\$994	\$587	\$1,006	\$55.15	\$94.52	\$2.94	\$5.03
1951-52	11,130	63,860	5.7	23.2	734	1,086	635	1,068	57.05	95.96	2.74	4.60
1952-53	11,638	65,720	5.6	25.7	774	1,151	714	1,177	61.35	101.13	2.78	4.58
1953-54	12,101	69,928	5.8	27.6	798	1,271	809	1,381	66.85	114.12	2.93	5.00
1954-55	12,517	74,099	5.9	28.4	879	1,434	852	1,422	68.07	113.61	3.00	5.01
1955-56	13,004	77,676	6.0	31.2	1,005	1,578	923	1,533	70.98	117.89	2.96	4.91
1956-57	13,581	88,299	6.5	34.2	1,079	1,834	1,030	1,732	75.84	127.53	3.01	5.06
1957-58	14,177	98,015	6.9	36.8	1,111	1,751	1,147	1,891	80.91	133.39	3.12	5.14
1958-59	14,741	101,982	6.9	38.6	1,210	1,925	1,246	1,932	84.53	131.06	3.23	5.01
1959-60	15,288	108,423	7.1	42.4	1,491	2,198	1,435	2,086	93.86	136.45	3.38	4.92
1960-61	15,863	115,737	7.3	44.8	1,598	2,338	1,678	2,525	105.78	159.18	3.75	5.64
1961-62	16,412	122,339	7.5	47.5	1,728	2,451	1,697	2,406	103.40	146.60	3.57	5.07
1962-63	16,951	128,981	7.6	51.3	1,866	2,668	1,881	2,703	110.97	159.46	3.67	5.27
1963-64	17,530	134,721	7.7	54.8	2,137	3,057	2,064	3,182	117.74	181.52	3.77	5.81
1964-65	18,026	143,896	8.0	59.4	2,245	3,295	2,345	3,652	130.09	202.60	3.95	6.15
1965-66	18,464	151,199	8.2	63.5	2,509	3,581	2,580	4,059	139.73	219.83	4.06	6.39
1966-67	18,831	158,404	8.4	69.1	2,895	4,073	3,017	4,659	160.21	247.41	4.37	6.74
1967-68	19,175	162,677	8.5	74.4	3,682	4,927	3,273	5,014	170.69	261.49	4.40	6.74
1968-69	19,432	171,655	8.8	81.6	4,136	5,450	3,909	5,673	201.16	291.94	4.79	6.95
1969-70	19,745	179,583	9.1	89.5	4,330	5,743	4,456	6,302	225.68	319.17	4.98	7.04
1970-71	20,039	181,581	9.1	96.4	4,534	5,919	4,854	6,556	242.23	327.16	5.04	6.80
1971-72	20,346	181,912	8.9	102.4	5,395	6,897	5,027	6,684	247.08	328.52	4.91	6.53
1972-73	20,585	188,460	9.2	112.2	5,780	7,366	5,616	7,422	272.82	360.55	5.01	6.61
1973-74	20,869	192,918	9.2	124.1	6,978	8,715	7,299	9,311	349.75	446.16	5.88	7.50
1974-75	21,174	203,548	9.6	138.7	8,630	10,405	8,349	10,276	394.30	485.31	6.02	7.41
1975-76	21,538	206,361	9.6	152.7	9,639	11,567	9,518	11,452	441.92	531.71	6.23	7.50
1976-77	21,936	213,795	9.7	171.4	11,381	13,463	10,467	12,632	477.16	575.86	6.11	7.37
1977-78	22,352	221,251	9.9	191.5	13,695	15,962	11,686	14,003	522.82	626.48	6.10	7.31
1978-79	22,836	218,530	9.6	219.7	15,219	17,711	16,251	18,745	711.64	820.85	7.40	8.53
1979-80	23,257	220,193	9.5	252.2	17,985	20,919	18,534	21,488	796.92	923.94	7.35	8.52
1980-81	23,782	225,567	9.5	286.3	19,023	22,104	21,105	24,511	887.44	1,030.65	7.37	8.56
1981-82	24,278	228,813	9.4	320.7	20,960	23,601	21,693	25,022	893.53	1,030.65	6.76	7.80
1982-83	24,805	228,489	9.2	341.9	21,233	24,291	21,751	25,330	876.88	1,021.17	6.36	7.41
1983-84	25,337	226,695	8.9	367.5	23,809	27,626	22,869	26,797	902.59	1,057.62	6.22	7.29
1984-85	25,816	229,845	8.9	411.6	26,536	31,570	25,722	30,961	996.36	1,199.30	6.25	7.52
1985-86	26,403	229,641	8.7	447.1	28,072	33,558	28,841	34,977	1,092.34	1,324.74	6.45	7.82
1986-87	27,052	232,927	8.6	477.8	32,519	37,767	31,469	38,079	1,163.28	1,407.62	6.59	7.97
1987-88	27,717	237,761	8.6	517.3	32,534	38,773	33,021	40,452	1,191.36	1,459.47	6.38	7.82
1988-89	28,393	248,173	8.7	561.1	36,953	43,322	35,897	44,634	1,264.29	1,572.01	6.40	7.95
1989-90	29,142	254,589	8.7	606.7	38,750	46,453	39,456	48,594	1,353.92	1,667.49	6.50	8.01
1990-91	30,659	260,622	8.5	655.6	38,214	47,024	40,264	51,446	1,313.28	1,678.01	6.14	7.85
1991-92	31,272	261,713	8.4	669.8	42,026	53,117	43,327	56,280	1,385.49	1,799.69	6.47	8.40
1992-93	31,780	260,939	8.2	701.6	40,946	52,526	40,948	56,480	1,288.48	1,777.22	5.84	8.05
1993-94	32,083	265,035	8.3	714.1	40,095	52,384	38,958	53,083	1,214.29	1,654.55	5.46	7.43
1994-95	32,269	269,004	8.3	735.1	42,710	54,942	41,961	54,613	1,300.35	1,692.43	5.71	7.43
1995-96	32,432	271,076	8.4	771.5	46,296	59,266	45,393	59,870	1,399.64	1,846.02	5.88	7.76
1996-97	32,669	271,966	8.3	812.4	49,220	62,831	49,088	64,523	1,502.59	1,975.05	6.04	7.94
1997-98	33,180	271,254	8.2	862.1	54,973	69,424	52,874	68,528	1,593.55	2,065.34	6.13	7.95
1998-99	33,609	282,860	8.4	924.3	58,615	74,281	57,827	75,260	1,720.58	2,239.28	6.26	8.14
1999-00	34,183	296,076	8.7	991.4	71,931	87,536	66,494	84,864	1,945.24	2,482.64	6.71	8.56
2000-01	34,808	316,451	9.1	1,107.8	76,899	93,651	79,708	100,695	2,289.93	2,892.87	7.20	9.09
2001-02	35,410	317,369	9.0	1,171.3	79,434	96,875	82,853	104,727	2,339.82	2,957.55	7.07	8.94

¹ Population as of July 1, the beginning of the fiscal year.

² Includes Special Accounts in General Fund from 1973-74 to 1976-77.

³ Expenditures include payments from General Fund, Special Funds and Selected Bond Funds beginning in 1963-64.