



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Contract for Technical Assistance to Review Cost of Services and Business License Tax Formula

MEETING DATE: May 1, 1991

PREPARED BY: Assistant City Manager

RECOMMENDED ACTION: The City Council authorize the City Manager to enter into a contract with Ralph Andersen & Associates to identify, document and develop user fees and charges to recover the City's direct cost for providing public services and to assess and develop a business license tax program that will result in a reliable revenue source that will reflect changing economic conditions.

BACKGROUND INFORMATION: Prior to Proposition 13 local governments were not overly concerned with recapturing the costs of providing public services. The solution was simple; property tax rates were adjusted to provide the needed dollars to balance the budget. The reality of the situation was that property assessments grew and expanded to the extent that tax rate increases were not necessary and if so the change was slight. Many cities provided certain services without charge. Los Angeles, for instance, provided free refuse pick-up.

With the passing of Proposition 13 the rules of the game changed. It became necessary to begin to charge for services. Lodi behaved much like other cities. We tightened our belt, reestablished priorities, relied on the State to provide revenues, and lived on reserves. Lodi was and is unique in that we have three well-run and profitable Enterprise Funds which have provided needed additional revenues.

We have reviewed and increased some of our fees and charges for services in an effort to recapture our costs. However, costs continue to increase as inflation takes its toll, and as the City grows.

In past budget messages the City Council has been advised that General Fund revenues do not meet the cost of providing services. It must be reiterated strongly and indelibly that the Council has little control over its revenue stream. It cannot set property tax rates; it cannot increase assessments; it cannot change the sales tax. State subventions are not determined by local action. Interest rates are set by the market. The only General Fund revenues controlled locally are charges for services and those licenses and fees a General Law city can impose.

APPROVED: _____

Thomas A. Peterson
THOMAS A. PETERSON
City Manager

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One facet of good public monetary policy is to recapture the cost of direct services that are unique to the person, the property or time. For instance, the general public should not pay for the direct costs of issuing a variance or changing the zoning of a piece of property. Those services are a direct benefit to an individual or the owner of a piece of property. General tax revenues should not be used for those purposes. By the same token, the cost of maintenance of traffic lights, trimming street trees, fire protection, police patrol, library services, for instance, benefit the entire community and should be paid for from general tax revenue.

In order to maintain our levels of service, the City must undertake a program to identify the costs of providing services and develop fees to recapture all or a portion of those costs. The amount to be recaptured certainly is, and appropriately so, the province of the City Council. However, to make an intelligent decision the costs must be known.

The present City staff does not have the expertise nor the time to do a proper job of identifying the costs and develop appropriate fee schedules. If we were to assign this task in-house we could not complete this project in a timely manner but most importantly, we would spend a great deal of time spinning our wheels and most likely could not do the same quality job as experts in the field.

Our present business license fees were put into effect in 1948 and have not been revised since that time. A business license fee is not regulatory in nature but a revenue source. If our business license fees are to be revised (and they should be) any new formula analyzed with an eye toward being reasonable, equitable, understood, and justified. It should assist in meeting the City's revenue needs, and be easily administered. Such a tax should not be regressive, but rather be responsive to the business cycle.

This likewise is a specialized study and requires special knowledge and above all the time to complete such a study.

The cost of this study if approved will be:

Cost Recovery	-	\$41,000
Business License Review	-	22,480
		<u>\$63,480</u>

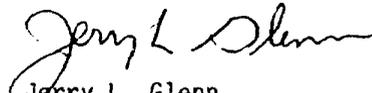
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We strongly urge the Council to authorize these studies. We presently are in the process of putting together an operating budget for 1991-92 and it is becoming increasingly clear we must take action to ensure an adequate revenue stream to support our present levels of service.

Representatives of Ralph Andersen & Associates and David M. Griffith & Associates, LTD, will be in attendance at Wednesday night's meeting to provide any additional information Councilmembers may request.

FUNDING SOURCE: Capital Improvement Program

Respectfully submitted,


Jerry L. Glenn
Assistant City Manager

JLG:br

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