



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Continued Discussion Regarding Phase III Budget Adjustment Options, Including Increasing the Transient Occupancy Tax (TOT), Increasing Sales Tax by ¼¢, Reviewing In-Lieu of Tax Transfers to General Fund and Provide Direction to Staff Regarding Such Matters

MEETING DATE: February 17, 2004

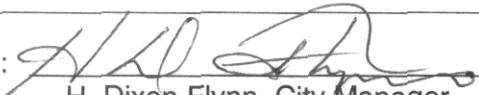
PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: That Council continue discussions regarding Phase III Budget Adjustment Options, including increasing the transient occupancy tax (TOT), increasing sales tax by ¼ ¢, reviewing In-Lieu of Tax transfers to General Fund and provide direction to staff regarding such matters.

BACKGROUND INFORMATION: As with any budget review, it is incumbent to look not only at reductions but to also consider possible revenue sources. As Council will recall, the City's Transient Occupancy Tax (TOT) was 9% until it went to the voters for a vote to adjust the rate to 10%. It was subsequently rejected by the voters and it reverted to its current level of 6% due to Proposition 218 requirements. Should a TOT increase be placed on the November ballot to try once again to increase the level to 10%, it could increase revenues to the City by approximately \$266,500.

The City currently relies on sales tax revenue as one of its major revenue sources for the General Fund. It comprises approximately 27% of the overall General Fund revenue and is projected at approximately \$9,105,000 for Fiscal Year 2004-05. If the sales tax in Lodi were to increase by a ¼ cent, then the additional revenue would be approximately \$1,800,000 for the General Fund.

As referenced on page H-5 in the City's 2003-05 Financial Plan and Budget, "The City imposes an 'in-lieu franchise tax' on City-owned utilities as provided in Section 6001 and 6201 of the Public Utilities Code. This tax is administered by the City and applied to City-owned utilities similar to privately owned utilities for the privilege of doing business in the City. Funds are transferred from the Enterprise Funds to the City General Fund to the extent they exceed the cost of services provided by general services. These taxes are levied based on prior years' revenue . . ."

APPROVED: 
H. Dixon Flynn, City Manager

Following is a short history of the In-Lieu of Tax transfers to the General Fund:

FUND:	FY95-96	96-97	97-99	99-01	01-03	03-05
Electric	12%	12%	12%	12%	12%	12%
Water	20%	17%	17%	17%	17%	12%
Wastewater	20%	20%	20%	20%	20%	12%

To demonstrate the importance of the In-Lieu of Tax transfers to the General Fund, the Fiscal Year 2004-2005 budgeted amounts have been listed below along with the impact of a 1% decrease in the transfer:

Fund:	Percentage:	Amount:	1% Decrease Amount:
Electric	12%	\$6,059,180	\$504,932
Water	12%	\$681,940	\$56,828
Wastewater	12%	\$794,550	\$66,213

The In-Lieu of Tax information noted above is provided to Council should Council wish to discuss the transfers to the General Fund.

FUNDING: Not applicable.


 Janet S. Keeter
 Deputy City Manager

JSK/sl

filed 2-17-04

2004/05 Phase III Options (partial list)	General Fund Impact	Notes
TOT Increase	+266,500	6% → 10%
Sales Tax Increase	\$1,800,000	1/4¢
In-Lieu of Tax Transfer 1% ● Electric ● Water ● Wastewater	\$504,932 \$56,828 \$66,213	Currently at 12%