



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Update on State Budget

MEETING DATE: February 5, 2003

SUBMITTED BY: Deputy City Manager

RECOMMENDATION: No action needed.

BACKGROUND INFORMATION: The Mayor has requested that the City Manager provide an update regarding the State budget during every Council meeting with particular note of any impacts to the City's budget.

The most recent update regarding the State budget is focused on the Vehicle License Fee (VLF) and the "trigger" for the backfill. The State Assembly, on Tuesday January 28, 2003 passed ABX1 4 on a 45 – 33 vote which clarifies how the VLF can be restored due to insufficient funds in the State General Fund. It is expected that the Senate Budget Committee will consider the bill January 30, 2003. Both Chief Adams and Chief Pretz joined their counterparts at the Assembly hearing.

Attached for Council's information is a copy of the League of California Cities' recent article regarding the VLF hearing, and a copy of the City Manager's Letter to the Editor dated January 28, 2003.

Additionally, the City Manager is in the process of meeting with employees from all Departments to keep staff informed of possible State impacts to the City. Thus far he has met with: Police officers, Community Development, Community Center, Public Works - City Hall staff, Public Works – Streets, Library, Human Resources, and Parks and Recreation. He is scheduled to complete the remaining Departments and Divisions by mid-February. During these visits, the City Manager is cautioning staff regarding budget concerns with particular focus on implementing a hiring freeze, deferring Capital projects, scrutinizing travel requests and equipment and vehicle purchases. The City Manager has committed to keeping employees up-to-date as the City proceeds with the budget process.

Funding: Not applicable.

Respectfully submitted,

Janet S. Keeter
Deputy City Manager

Attachment

APPROVED: _____

M. Dixon Flynn -- City Manager

[News and Information](#) > [News Updates](#) > [Assembly Passes VLF Trigger Bill](#)

Assembly Passes VLF Trigger Bill



Photo: Some of the approximately 100 police chiefs and officers who came to the Capitol to observe the Assembly debate on AB 4X.

As promised, on January 28 the Assembly took up and passed on a 45 - 33 vote ABX1 4 - Wesson (known as AB 4X), the VLF trigger bill that clarifies how the VLF can be restored due to insufficient funds in the state general fund. ([Click here to see how your Assembly Member voted.](#))

With the gallery packed with approximately 100 police chiefs and other uniformed personnel, the debate went on for approximately 90 minutes. It followed debate and action on a package of spending cuts that was tied to the VLF bill. Speaker Wesson concluded his remarks

with the following:

"It is easy to keep a promise during the good times, harder to do so during the bad times. A promise is a promise and we're judged by our deeds and our actions...We will refuse to lay off 15,000 firefighters...For the past few days there's been references to cocaine. I request that you choose your words more carefully because I take issue with that."

Bill Amendments Exempt Lower-Value Vehicles

Before taking up the bill, the Assembly first took up an amendment offered by Assembly Appropriations Chair, Darrell Steinberg, retaining the VLF reduction for vehicles with a "cost price" of \$5,000 or less. Steinberg indicated this was desirable policy and would immunize the statute from being subject to referendum. (Apparently statutes containing tax reductions are not subject to referendum as proposed by Senator Tom McClintock).

How Will the \$5000 Exemption Affect VLF Revenues?

The fiscal impact of the amendment is an estimated \$80 million. At this point we are assuming that the fiscal impact will be born proportionately throughout the VLF - - including the non-realignment portion going to counties. Cities get about 30% of the VLF revenue (net of state administrative fees), with the other 70% going to counties for realignment, special allocations and their base-per-capita amounts. Assuming all this remains unchanged, and assuming the legislative staff estimate of \$80 million impact is correct, then cities will be impacted by roughly \$24 million.

For information purposes since 1992-1993 the VLF has increased at an average annual rate of 6.55%. Between 2001-02 and 2002-03 it is estimated to increase by 7.7%, or \$380 million. If the \$80 million reduction occurred, the VLF would still grow by \$300 million.

What Will the Governor Do With AB 4X?

There is no further word from the Governor's office on his position on the AB 4X, but we know he continues to have reservations about it. The bill now goes to the Senate where it awaits efforts by some to add amendments dealing with housing element compliance (Tom Torlakson) or changing the statutory allocation formula.

What Next?

The bill is expected to be taken up January 30 in the Senate Budget Committee. **City officials should keep up the contacts with their Senators about the importance of this measure as a means of restoring the VLF and protecting local services. And don't forget to thank your Assembly Members! [Click here for more information.](#)**

	<p>Click here to subscribe or call (209) 333-1400</p>
---	---

- [SECTIONS](#)
- [Business](#)
- [Features](#)
- [News](#)
- [Obituaries](#)
- [Opinion](#)
- [Sports](#)
- [National](#)
- [News](#)
- [Weather](#)
- [Food](#)
- [Health](#)
- [Financial](#)
- [Home](#)
- [SERVICES](#)
- [Archives](#)
- [Automotive](#)
- [Classifieds](#)
- [Real Estate](#)
- [Subscribe](#)
- [DIRECTORIES](#)
- [Churches](#)
- [Staff Directory](#)
- [HELP](#)
- [FAQ](#)
- [Online Forms](#)



ARCHIVES

January 28, 2003

Lodi needs vehicle license fees

The city of Lodi is concerned with the governor's proposed cuts to the motor vehicle license fee backfill.

Five years ago, during prosperous times, the Legislature promised to protect local services by providing funds to backfill cities and counties for the cuts in vehicle license fees.

This reduced your annual vehicle registration cost by \$66 of every \$100 you paid. Gov. Gray Davis, in an effort to balance the state's budget, is now proposing to take away the backfill from cities. This will cost the city of Lodi \$3.4 million over the next 17 months.

While I can sympathize with the governor's fiscal crisis and his attempts to spread the pain, I cannot comprehend how the state can balance its budget on the backs of cities and counties. Lodi already gives the state \$2 million a year through the Education Relief Augmentation Fund. For Lodi, this equates to \$2 million per year, or \$20 million over 10 years.

When the VLF offset was authorized in 1998, legislators from both parties agreed to language specifically providing that the fees would return to higher levels whenever "insufficient moneys are available" in the general fund. Certainly, that day has arrived and is consistent with existing law.

The city of Lodi urges the governor and the legislature to fulfill its commitment to the cities by keeping them "whole" and to abide by the trigger language regarding the "backfill."

Dixon Flynn
Lodi City Manager