

Agenda Report

TO: City Council JANUARY 24, 2000

THROUGH: Legislative Committee

FROM: Cynthia J. Kurtz, City Manager

SUBJECT: Discussion on Local Government Finance Reform and Authorization to Send Letters to the Appropriate State Officials Urging that Local Government be a Priority in the State's 2000-01 Budget

RECOMMENDATION

It is recommended that the City Council authorize the Mayor to send a letter on behalf of the City to Governor Davis and the appropriate State Representatives that strongly encourages the State to allocate a portion of the projected State surplus to local government.

BACKGROUND

Ever since the passage of Proposition 13 and the subsequent passage of Propositions 4 and 218, much local control over the raising of capital and the certainty of funding for programs and services has diminished. Much greater influence and control has shifted to Sacramento. Over the past several years, there has been much debate about local government finance reform; however, no real central consensus can be reached because of the diverse interests.

Proposals have ranged from changing the methodology of distributing sales tax revenues to shifting more property tax revenues to local government in exchange for sales tax or other revenues. The term "fiscalization of land-use" has become the battle cry. In addition, over the past two years, the vehicle license fee (VLF) rates have been reduced, resulting in the loss of VLF revenues to the City. To date, the State has made up the difference; however, the City is now more dependent upon the State's revenue base remaining strong. In short, not only does local

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government face the normal business/economic cycles, but also the whim of the State Legislature.

DISCUSSION

Attached for your information, are two documents. One is a brief from the League of California Cities which highlights provisions of the Governor's fiscal year 2001 proposed budget. The other is a proposal developed by State Controller Kathleen Connell that discusses another alternative for local finance reform. Staff is in the process of analyzing the potential impact of this proposal on Pasadena and will present recommendation to the Legislative Committee and City Council in the near future. In the meantime, staff is suggesting that the City Council Legislative Committee begin discussing the various alternatives.

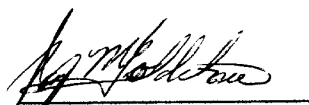
FISCAL IMPACT

The City of Pasadena has lost millions of dollars in property tax revenues since the early 1990's. In addition, other revenue sources have been gradually taken away of the years without being replaced. The most recent threat to the City is VLF and while presently backfield, there is no guarantee that this will continue if the state economy weakens. Any encouragement to the Governor and Legislature that results in additional revenues to the City will help ensure the continuation of quality services to the community.

Sincerely,


for CYNTHIA J. KURTZ
City Manager

Prepared By:



JAY M. GOLDSTONE
Director of Finance