

December 5, 2001

Honorable Mayor and Members of  
the Hermosa Beach City Council

Regular Meeting of  
December 11, 2001

**2002-2003 STATE BUDGET MEETING WITH STATE REPRESENTATIVES**

**Recommendation:**

That the City Council direct the Mayor and City Manager to arrange to meet with Senator Debra Bowen and Assembly Member George Nakano concerning the upcoming debate on the state budget.

**Background:**

The state's budget picture is quite bleak according to various news reports and information from the Governor's Office. As you know, in the past the state has turned to local government to balance its budget and, even though the budget has not been released, there is a concern that local governments will be used as a revenue source for the state to balance its budget. The most likely city revenue source is the state general "backfill" for the vehicle license fee tax reduction made in 1999. This is a very large source of revenue to both counties and cities totaling \$3.7 billion. The cities receive approximately \$1 billion. Hermosa Beach receives a total of \$1,023,607 in vehicle license fees per year. The "backfill" amount is \$690,935 of the total received. The "backfill" was the state's promise to continue the revenue when the vehicle license fee was reduced. This is in addition to the amount taken during the recession of the early 1990's which now totals over \$1 million per year of property tax revenue that is transferred to the state.

As the state budget process develops, it would seem to be important for the City's local representatives to be familiar with the impact on the City while they are considering the budget. The meeting with the local representatives would be an appropriate way of making sure that they are aware of the impacts of taking city revenues and using them to balance the state budget.

Respectfully submitted,

Stephen R. Burrell  
City Manager