

STATE OF CALIFORNIA



MEMO

Date: January 16, 2013

To: Fiscal Committee
Victoria Rusnak, Chair
Tom Flesh, Member

From: William G. Brennan
Dawn Kindel

Subject: DISCUSSION AND CONSIDERATION OF DEALER/MANUFACTURER BOARD FEE ADJUSTMENTS

Background

Under Vehicle Code section 3016, the Board has authority to collect fees from licensees under its jurisdiction sufficient to fully fund its activities. The Board is funded through two primary streams of revenue: annual dealership license fees, and fees charged to manufacturers and distributors based on the number of vehicles sold or distributed in California in the preceding calendar year. If at the conclusion of any fiscal year the amount collected exceeds the amount expended, the surplus is carried over. This surplus is commonly referred to as reserves.

Due to the economic downturn, the Board’s reserve fund is being rapidly depleted. In November 2000, the reserve fund was \$2,196,000. This amount was deemed excessive and the Board voted to reduce fees. In February 2011, the Board’s reserve was at approximately \$845,000 and was forecast to drop to \$260,000 at the close of FY 11/12. At that time, the Board voted to reinstate the historical fee level.

The current fee rate coupled with lower than anticipated vehicle sales will leave the Board with only \$44,400 in reserve at the close of FY 14/15. By the close of FY 15/16 the Board would be in the red. The chart below demonstrates the depletion of the Board’s reserves under the current fee structure:

<i>CY Sales</i>	<i>Beginning Surplus</i>	<i>Fiscal Year</i>	<i>Total Revenue</i>	<i>Expenditures</i>	<i>Ending Surplus</i>
1,362,192 (2011)	\$796,423	12-13	\$1,280,977	\$1,520,000	\$557,400
1,427,000 (2012)	\$557,400	13-14	\$1,287,750	\$1,540,000	\$305,150
1,497,000 (2013)	\$305,150	14-15	\$1,319,250	\$1,580,000	\$44,400
1,497,000 (2014)	\$44,400	15-16	\$1,319,250	\$1,610,000	-\$246,350

Current analysis and projections

Staff used the two attached spreadsheets as a tool to monitor and project the Board’s fund condition. We have prepared three fee scenarios based on the following projections:

- Projections for dealer fees were based on no increase in the dealer body over FY 11-12.
- Projections for vehicle sales for calendar year 2012 were based on industry estimates.
- Projections for the out years were based on a 70,000 increase in sales each year.

In an effort to provide a cost savings to small manufacturers, staff is proposing a tiered minimum fee based on the following sales numbers:

TIER 1	UNIT SALES 1-50	FEE - \$350
TIER 2	UNIT SALES 51-250	FEE - \$425
TIER 3	UNIT SALES 251-550	FEE - \$475
TIER 4	UNIT SALES 551-806	FEE - \$500

The total "Tier Based Revenue" in the attached spreadsheets was based on calendar year 2011 sales. In that year, 121 manufacturers sold under the minimum number of vehicles (667) which qualified them for the flat fee of \$300.00. Broken down by the above-chart, 62 manufactures would have fallen under Tier 1; 27 under Tier 2; 24 under Tier 3 and 8 under Tier 4.

We are making every effort to hold the line with expenditures, and will continue to try to reduce any expenses that we can control. The furlough program is set to end on June 30, 2013. In the following fiscal year, staff will see a small increase in their salaries.

On January 14, 2013, staff met with Robbie Crockett, Chief of DMV's Budget and Fiscal Analysis Office to discuss our fund condition and ways to remedy our declining reserve. We discussed all three projections, and were all in agreement that raising the fees was a reasonable option. Mr. Crockett noted that the Board has already implemented other avenues of saving by abolishing two positions and by not filling in behind staff that have left.

Mr. Crockett offered to work with the Regulations Unit in DMV's Legal Services Division to draft and submit the regulation package should the Board approve this change.

Recommendation

While I am disinclined to raise fees assessed to the industry at any time, the reality is that it is a necessity at this time. Therefore, it is recommended that the Board approve a per unit fee of \$.062, with a tiered charge for manufacturers and a \$400.00 fee for dealerships.

This topic is being agendized for consideration at the January 22, 2013, General Meeting. Should you have any questions or require additional information, please do not hesitate to call me at (916) 324-6197, or Dawn at (916) 323-7201.

cc: Ramon Alvarez C., President

NMVB REVENUE PROJECTIONS \$0.60 per unit / *Tiered Minimum Fee / \$400 Per dealer - Effective FY 14/15 for CY 2013 Sales

Total CY vehicle sales	Beginning surplus	Fiscal Year	Tier 1 Revenues (\$350)	Tier 2 Revenues (\$425)	Tier 3 Revenues (\$475)	Tier 4 Revenues (\$500)	Total Tier Based Revenue	Total per vehicle Revenue	Total Manu. Revenue	Dealerships	Fee per Dealer	Total Dealership fee	Misc. revenue	Total Revenue	Estimated Expenditures	Ending Surplus
1,497,000 (2013)	\$305,150	14-15	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$889,440	\$938,015	2,030	\$400	\$812,000	\$30,000	\$1,780,015	\$1,580,000	\$505,165
1,567,000 (2014)	\$505,165	15-16	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$931,440	\$980,015	2,030	\$400	\$812,000	\$30,000	\$1,822,015	\$1,610,000	\$717,180
1,637,000 (2015)	\$717,180	16-17	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$973,440	\$1,022,015	2,030	\$400	\$812,000	\$30,000	\$1,864,015	\$1,640,000	\$941,195
1,707,000 (2016)	\$941,195	17-18	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,015,440	\$1,064,015	2,030	\$400	\$812,000	\$30,000	\$1,906,015	\$1,670,000	\$1,177,210
1,777,000 (2017)	\$1,177,210	18-19	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,057,440	\$1,106,015	2,030	\$400	\$812,000	\$30,000	\$1,948,015	\$1,700,000	\$1,425,225
1,847,000 (2018)	\$1,425,225	19-20	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,099,440	\$1,148,015	2,030	\$400	\$812,000	\$30,000	\$1,990,015	\$1,730,000	\$1,685,240

NMVB REVENUE PROJECTIONS \$0.62 per unit / *Tiered Minimum Fee / \$400 Per dealer - Effective FY 14/15 for CY 2013 Sales

Total CY vehicle sales	Beginning surplus	Fiscal Year	Tier 1 Revenues (\$350)	Tier 2 Revenues (\$425)	Tier 3 Revenues (\$475)	Tier 4 Revenues (\$500)	Total Tier Based Revenue	Total per vehicle Revenue	Total Manu. Revenue	Dealerships	Fee per Dealer	Total Dealership fee	Misc. revenue	Total Revenue	Estimated Expenditures	Ending Surplus
1,497,000 (2013)	\$305,150	14-15	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$919,088	\$967,663	2,030	\$400	\$812,000	\$30,000	\$1,809,663	\$1,580,000	\$534,813
1,567,000 (2014)	\$534,813	15-16	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$962,488	\$1,011,063	2,030	\$400	\$812,000	\$30,000	\$1,853,063	\$1,610,000	\$777,876
1,637,000 (2015)	\$777,876	16-17	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,005,888	\$1,054,463	2,030	\$400	\$812,000	\$30,000	\$1,896,463	\$1,640,000	\$1,034,339
1,707,000 (2016)	\$1,034,339	17-18	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,049,288	\$1,097,863	2,030	\$400	\$812,000	\$30,000	\$1,939,863	\$1,670,000	\$1,304,202
1,777,000 (2017)	\$1,304,202	18-19	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,092,688	\$1,141,263	2,030	\$400	\$812,000	\$30,000	\$1,983,263	\$1,700,000	\$1,587,465
1,847,000 (2018)	\$1,587,465	19-20	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,136,088	\$1,184,663	2,030	\$400	\$812,000	\$30,000	\$2,026,663	\$1,730,000	\$1,884,128

NMVB REVENUE PROJECTIONS \$0.65 per unit / *Tiered Minimum Fee / \$400.00 Per Dealer - Effective FY 14/15 for CY 2013 Sales

Total CY vehicle sales	Beginning surplus	Fiscal Year	Tier 1 Revenues (\$350)	Tier 2 Revenues (\$425)	Tier 3 Revenues (\$475)	Tier 4 Revenues (\$500)	Total Tier Based Revenue	Total per vehicle Revenue	Total Manu. Revenue	Dealerships	Fee per Dealer	Total Dealership fee	Misc. revenue	Total Revenue	Estimated Expenditures	Ending Surplus
1,497,000 (2013)	\$305,150	14-15	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$963,560	\$1,012,135	2,030	\$400	\$812,000	\$30,000	\$1,854,135	\$1,580,000	\$579,285
1,567,000 (2014)	\$579,285	15-16	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,009,060	\$1,057,635	2,030	\$400	\$812,000	\$30,000	\$1,899,635	\$1,610,000	\$868,920
1,637,000 (2015)	\$868,920	16-17	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,054,560	\$1,103,135	2,030	\$400	\$812,000	\$30,000	\$1,945,135	\$1,640,000	\$1,174,055

1,707,000 (2016)	\$1,174,055	17-18	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,100,060	\$1,148,635	2,030	\$400	\$812,000	\$30,000	\$1,990,635	\$1,670,000	\$1,494,690
1,777,000 (2017)	\$1,494,690	18-19	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,145,560	\$1,194,135	2,030	\$400	\$812,000	\$30,000	\$2,036,135	\$1,700,000	\$1,830,825
1,847,000 (2018)	\$1,830,825	19-20	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$1,191,060	\$1,239,635	2,030	\$400	\$812,000	\$30,000	\$2,081,635	\$1,730,000	\$2,182,460

Tier based revenue is based on below minimum sales figures from CY 2011

Per vehicle revenues based on 70,000 increase in sales beyond 2013

NMVB REVENUE PROJECTIONS \$0.60 per unit / *Tiered Minimum Fee / \$400 Per dealer - Effective FY 14/15 for CY 2013 Sales

Total CY vehicle sales	Beginning surplus	Fiscal Year	Tier 1 Revenues (\$350)	Tier 2 Revenues (\$425)	Tier 3 Revenues (\$475)	Tier 4 Revenues (\$500)	Total Tier Based Revenue	Total per vehicle Revenue	Total Manu. Revenue	Dealerships	Fee per Dealer	Total Dealership fee	Misc. revenue	Total Revenue	Estimated Expenditures	Ending Surplus
1,497,000 (2013)	\$305,150	14-15	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$889,440	\$938,015	2,030	\$400	\$812,000	\$30,000	\$1,780,015	\$1,580,000	\$505,165
1,497,000 (2014)	\$505,165	15-16	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$889,440	\$938,015	2,030	\$400	\$812,000	\$30,000	\$1,780,015	\$1,610,000	\$675,180
1,497,000 (2015)	\$675,180	16-17	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$889,440	\$938,015	2,030	\$400	\$812,000	\$30,000	\$1,780,015	\$1,640,000	\$815,195
1,497,000 (2016)	\$815,195	17-18	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$889,440	\$938,015	2,030	\$400	\$812,000	\$30,000	\$1,780,015	\$1,670,000	\$925,210
1,497,000 (2017)	\$925,210	18-19	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$889,440	\$938,015	2,030	\$400	\$812,000	\$30,000	\$1,780,015	\$1,700,000	\$1,005,225
1,497,000 (2018)	\$1,005,225	19-20	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$889,440	\$938,015	2,030	\$400	\$812,000	\$30,000	\$1,780,015	\$1,730,000	\$1,055,240

NMVB REVENUE PROJECTIONS \$0.62 per unit / *Tiered Minimum Fee / \$400.00 Per Dealer - Effective FY 14/15 for CY 2013 Sales

Total CY vehicle sales	Beginning surplus	Fiscal Year	Tier 1 Revenues (\$350)	Tier 2 Revenues (\$425)	Tier 3 Revenues (\$475)	Tier 4 Revenues (\$500)	Total Tier Based Revenue	Total per vehicle Revenue	Total Manu. Revenue	Dealerships	Fee per Dealer	Total Dealership fee	Misc. revenue	Total Revenue	Estimated Expenditures	Ending Surplus
1,497,000 (2013)	\$305,150	14-15	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$919,088	\$967,663	2,030	\$400	\$812,000	\$30,000	\$1,809,663	\$1,580,000	\$534,813
1,497,000 (2014)	\$534,813	15-16	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$919,088	\$967,663	2,030	\$400	\$812,000	\$30,000	\$1,809,663	\$1,610,000	\$734,476
1,497,000 (2015)	\$734,476	16-17	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$919,088	\$967,663	2,030	\$400	\$812,000	\$30,000	\$1,809,663	\$1,640,000	\$904,139
1,497,000 (2016)	\$904,139	17-18	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$919,088	\$967,663	2,030	\$400	\$812,000	\$30,000	\$1,809,663	\$1,670,000	\$1,043,802
1,497,000 (2017)	\$1,043,802	18-19	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$919,088	\$967,663	2,030	\$400	\$812,000	\$30,000	\$1,809,663	\$1,700,000	\$1,153,465
1,497,000 (2018)	\$1,153,465	19-20	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$919,088	\$967,663	2,030	\$400	\$812,000	\$30,000	\$1,809,663	\$1,730,000	\$1,233,128

NMVB REVENUE PROJECTIONS \$0.65 per unit / *Tiered Minimum Fee / \$400.00 Per Dealer - Effective FY 14/15 for CY 2013 Sales

Total CY vehicle sales	Beginning surplus	Fiscal Year	Tier 1 Revenues (\$350)	Tier 2 Revenues (\$425)	Tier 3 Revenues (\$475)	Tier 4 Revenues (\$500)	Total Tier Based Revenue	Total per vehicle Revenue	Total Manu. Revenue	Dealerships	Fee per Dealer	Total Dealership fee	Misc. revenue	Total Revenue	Estimated Expenditures	Ending Surplus
1,497,000 (2013)	\$305,150	14-15	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$963,560	\$1,012,135	2,030	\$400	\$812,000	\$30,000	\$1,854,135	\$1,580,000	\$579,285
1,497,000 (2014)	\$579,285	15-16	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$963,560	\$1,012,135	2,030	\$400	\$812,000	\$30,000	\$1,854,135	\$1,610,000	\$823,420
1,497,000 (2015)	\$823,420	16-17	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$963,560	\$1,012,135	2,030	\$400	\$812,000	\$30,000	\$1,854,135	\$1,640,000	\$1,037,555
1,497,000 (2016)	\$1,037,555	17-18	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$963,560	\$1,012,135	2,030	\$400	\$812,000	\$30,000	\$1,854,135	\$1,670,000	\$1,221,690
1,497,000 (2017)	\$1,221,690	18-19	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$963,560	\$1,012,135	2,030	\$400	\$812,000	\$30,000	\$1,854,135	\$1,700,000	\$1,375,825

1,497,000 (2018)	\$1,375,825	19-20	\$21,700	\$11,475	\$11,400	\$4,000	\$48,575.00	\$963,560	\$1,012,135	2,030	\$400	\$812,000	\$30,000	\$1,854,135	\$1,730,000	\$1,499,960
------------------	-------------	-------	----------	----------	----------	---------	-------------	-----------	-------------	-------	-------	-----------	----------	-------------	-------------	-------------

Tier based revenue based on below minimum sales figures from CY 2011

Per vehicle revenues based on no sales increase beyond CY 2013