

PROPOSAL TO CREATE ALBANY CLIMATE ACTION FUND

Summary

The Albany Sustainability Committee proposes to place a Utility Users Tax (UUT) increase of 2.0% on the next feasible electoral ballot (likely November 2012). The purpose of this tax increase is to provide funding specifically to implement the Albany Climate Action Plan (CAP), as adopted.

Based on recent data provided by PG & E, this UUT increase would average \$1.77 per household per month, and \$18.75 per commercial customer per month. Low income households would be exempt from the UUT tax, in accordance with the PG&E CARE program. PG&E can administer the tax collection at no additional cost to the City. This UUT increase to 9.0% would generate approximately \$250,000 per year, and would likely decline gradually over time as CAP measures create more energy efficiency.

Background

The Albany Climate Action Plan

Albany has set a goal of reducing total greenhouse gas emissions in 2004 by 25 percent by 2020. To achieve this goal, City Council adopted the Climate Action Plan (CAP) in April, 2010.

The Climate Action Plan and its Implementation Plan contain a wide range of programs and initiatives which will require substantial public capital investment and/or operating costs (e.g., personnel and materials) to implement. These include, for example, creating a continuous community outreach and education program, establishing a set of energy-efficiency standards applied to residential units upon resale, improvement of major streets as pedestrian-friendly “complete streets,” and low-cost audits of residential and commercial buildings’ energy use and retrofit measures.

Several CAP measures and policies are in place, but many other CAP measures require sufficient funding to implement.

Need for a Reliable Funding Source

Although the City has successfully obtained several grants and in-kind contributions to commence implementation of the CAP, achieving its measures and effecting emissions reductions will require a continuous, reliable source of funding for personnel, vendors, equipment, and capital improvements.

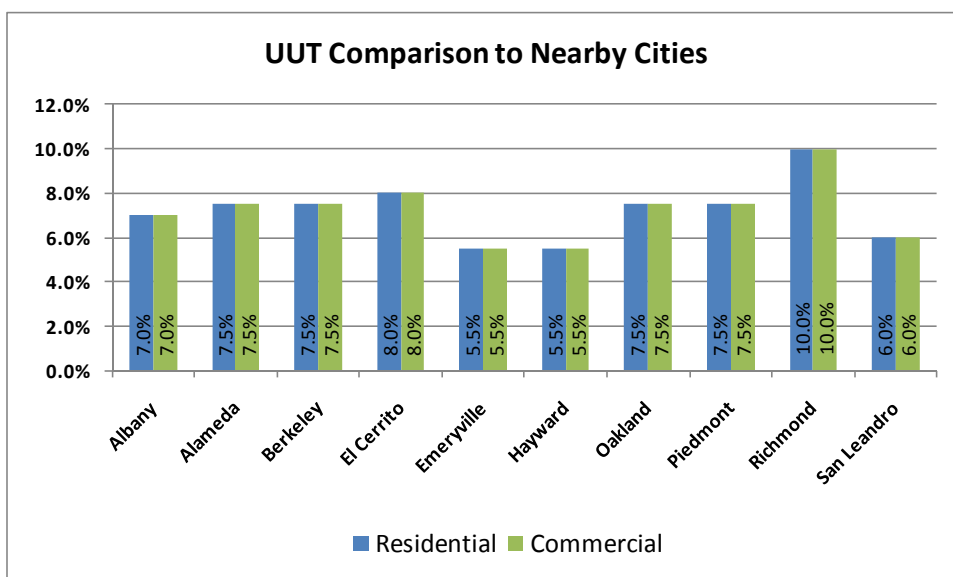
The Albany Sustainability Committee, the City’s advisory body to help implement the CAP, has explored two options for this funding source: an increase in the Utility Users’ Tax (UUT), and a new Parcel Tax.

Utility Users Tax (UUT) – Recommended Method

The City of Albany, similar to many cities in California, charges its residential and commercial utility customers a Utility Users Tax (UUT), which is collected by PG&E in customers’ monthly utility bills, and forwarded to the City. At present, the Albany UUT is 7.0 percent of gas and electricity charges.

Comparison to Nearby Cities

Many cities in the East Bay charge similar or higher UUT’s for municipal programs, as shown in the graph below.



Source: PG & E communication to City of Albany, 2011. Hayward and Piedmont from internet research.

Total Revenues from UUT Increase to 9.0%

A UUT increase to finance the CAP’s implementation measures would raise approximately \$247,000 per year, if low income households were exempt from the UUT per the CARE program. The table below summarizes the estimates; Appendix A provides the detailed data and estimate calculations, based on data from PG&E.

New Revenue From UUT Increase to 9.0%

UUT @	Without CARE Customers	
	Total UUT	New Revenue
7.0%	\$865,709	Current
7.5%	\$927,545	\$61,836
8.0%	\$989,381	\$123,673
8.5%	\$1,051,218	\$185,509
9.0%	\$1,113,054	\$247,345

Source: PG& E; See Appendix A.

It is recommended that low-income households be exempted from this UUT increase, following PG&E's CARE program, which provides discounted utility charges to households with incomes falling below pre-defined levels.

Impact on Households and Businesses

The table below shows the average monthly and annual increase in current UUT per household and per business establishment. As shown, an increase from the existing UUT of 7.0% to the proposed 9.0% would raise the average residential utility bill by \$1.77 per month, or \$21.27 per year. The cost to business (commercial) is higher than residential, due to higher underlying average utility bills in Albany.

Summary: Estimated Average Utility Bill with Proposed UUT (9.0%)

Source: PG&E data per average bills (see Appendix A)

Total (Electric + Gas)	No UUT	7.0% UUT	7.5% UUT	8.0% UUT	8.5% UUT	9.0% UUT
Avg. Residential Bill	\$88.64					
Amount of UUT		\$6.20	\$6.65	\$7.09	\$7.53	\$7.98
Bill with UUT		\$94.84	\$95.29	\$95.73	\$96.17	\$96.62
<i>Monthly Increase</i>			\$0.44	\$0.89	\$1.33	\$1.77
<i>Annual Increase</i>			\$5.32	\$10.64	\$15.95	\$21.27
Avg. Commercial Bill	\$937.63					
Amount of UUT		\$65.63	\$70.32	\$75.01	\$79.70	\$84.39
Bill with UUT		\$1,003.27	\$1,007.95	\$1,012.64	\$1,017.33	\$1,022.02
<i>Monthly Increase</i>			\$4.69	\$9.38	\$14.06	\$18.75
<i>Annual Increase</i>			\$56.26	\$112.52	\$168.77	\$225.03

Benefits of UUT Increase

The benefits of using this mechanism to finance CAP implementation include:

- **Financing Tied Directly to Climate Action Goal (Reduced Energy Consumption).** This has the benefit of discouraging energy consumption while raising revenues to further reinforce consumption reductions. In a related benefit, this directly relationship to consumption also enables the consumer to somewhat manage the expenditure, including the UUT. If the CAP implementation is successful, however, that means that this funding stream will decline over future years.
- **No Cost Collection and Administration.** PG&E has already said they could collect the UUT increase, which would be part of their current UUT collection on utility bills.
- **Small Cost per Household.** As shown, the UUT increase would add an average of \$21.27 per year to the typical residential customer.
- **Moderate Cost per Business.** As shown above, due to higher average energy consumption by business compared to households in Albany, businesses would incur an average increase from the proposed UUT increase of \$225.03 per year.

Additional Items for Consideration

During the course of discussing this method, the Sustainability Commission also discussed the following related ideas:

- The UUT for Climate Action could be structured with a sunset, perhaps coinciding with the adopted 2020 reduction time frame
- For those residents and businesses who have gone “off the grid” through renewable energy, and thus not subject to the UUT, and/or those who want to provide additional funding, the City could also set up a companion voluntary fund which could be a checkbox on the utility bill and payments to pass along to the City

Parcel Assessment Method

This method of financing the CAP would assess each property owner on a per-parcel basis, similar to several other existing assessments already paid by Albany’s property owners. The table below indicates the amount of per-parcel estimated assessment that could be applied to equal a similar annual revenue stream as the UUT method (e.g., approximately \$250,000 per year). Detailed calculations based on an inventory of parcels are shown in Appendix B.

It should be noted that this estimate is based on a flat dollar assessment per parcel. Some parcel tax assessments, in practice, vary the charge per use, or per parcel size, or per benefit received. These factors would need to be further analyzed to determine how to specifically create a legal, fair, and practical parcel assessment program.

Summary: Estimated Revenue from Simple Parcel Assessment

(based on parcel list, see Appendix B)

	Number of Parcels	Annual Assessment \$
Exempt Parcels	184	\$ -
Residential Parcels	5,253	\$ 236,385
Commercial Parcels	301	\$ 13,545
Total Revenue Per Year		\$ 249,930

Benefits of Parcel Assessment Method

- **Steady Revenue Stream.** This method provides a steadier revenue stream than the UUT, since it is not tied to consumption of energy, and the number of parcels in Albany is relatively unchanged over time. Inflation factors can also be incorporated easily.
- **Cost to Collect.** Could likely be easily incorporated by Alameda County Assessor into property tax bills, as currently done with many other assessments.
- **Exemptions for Low Income.** This method can follow similar other assessment methods to exempt seniors or low income property owners
- **Less Impact on Small and Medium-Sized Businesses.** This method, depending on how it is structured, may be more favorable to small business than the UUT, since it spreads the total among more payees, and equalizes the payment by each tax payer.

Uses of Climate Action Fund

The Sustainability Committee evaluated various ways in which new revenues could be used to implement the Climate Action Plan. The proposed uses of the new dollars are important to consider because it is not expected that any proposed tax increase would be large enough to generate sufficient funds to implement the entire CAP, and therefore the City will have to make strategic decisions to implement certain measures while continuing to seek additional grants and other funding sources. Additionally, the Committee expects that identifying revenue uses will be an essential component of appealing to voters in favor of enacting a UUT increase.

The Committee examined three options for the use of increased revenue and recommends Option 3 as follows:

- **Option 1: Specific Allocations of Fund.** This option would identify specific, discrete measures that would be funded with UUT revenue, and ensure that the revenue is earmarked for these purposes. This would give clear direction to City staff, and may have the benefit of providing voters with concrete reasons to vote in favor of a tax increase. However, this option would limit flexibility over time, including limiting the City's ability to respond opportunistically to outside funding sources and low-cost implementation options. In the attached table, the Committee identified specific CAP measures that could be implemented with dedicated funding and that would allow the City to achieve a significant portion of its goals under the CAP.
- **Option 2: Unrestricted Fund Allocation.** This option would place no restrictions on the use of revenue, except CAP implementation. This approach would provide the City with maximum flexibility to efficiently implement CAP measures. At the same time, it may be difficult to communicate to voters how their taxes would be spent, which could be a barrier to generating voter support. In order to help explain the proposed tax increase to voters, the City could provide illustrative examples of how revenues would be spent to implement the CAP, without committing itself to funding specific CAP measures. The measures identified in the attached table could also be used for this purpose.
- **Recommended Option 3: Allocate Fund By Benefiting Category.** This option would dedicate a specific percentage of revenue to each of several defined sectors (i.e. residential, commercial, municipal, and possibly non-profit). This approach would likely provide sufficient information to voters, while also offering flexibility over time to the City. In addition, funds allocated to non-profit organizations could be distributed back to community organizations via "mini-grants," using a process similar to the Albany Education Foundation. This would encourage community groups to undertake community projects which in turn, could engage larger segments of Albany, enhancing outreach and participation.

Appendix A: Detailed UUT Estimate

Albany PG&E Revenues - 2010				
Total Revenue				
Electric				
	Total Use and Revenue (Annual)			
	Avg Billed SA-Count	FS Kh Usage	DA Kwh Usge	Total Annual Revenue
Residential				
CARE	964	3,663,772	0	\$316,516
PUBLIC AGENCY	0	0	0	\$0
OTHER	5,791	22,960,158	28,013	\$3,701,182
Subtotal Residential	6,755	26,623,930	28,013	\$4,017,698
Commercial				
CARE	0	0	0	\$0
PUBLIC AGENCY	73	15,694,144	4,733	\$2,015,742
OTHER	561	19,607,552	3,735,515	\$3,216,942
Subtotal Commercial	634	35,301,696	3,740,248	\$5,232,684
Total Electric	7,389	61,925,626	3,768,261	\$9,250,381
Gas				
	Avg Billed SA-Count	FS Thm Usage	DA Thm Usage	Total Annual Revenue
Residential				
CARE	779	299,486	4,055	\$251,118
PUBLIC AGENCY	0	0	0	\$0
OTHER	4,897	2,211,355	193,868	\$2,410,288
Subtotal Residential	5,676	2,510,841	197,923	\$2,661,406
Commercial				
CARE	0	0	0	\$0
PUBLIC AGENCY	27	639,118	406,599	\$452,149
OTHER	314	612,706	134,076	\$570,964
Subtotal Commercial	341	1,251,824	540,675	\$1,023,113
Total Gas	6,018	3,762,665	738,598	\$3,684,518
Total Energy				\$12,934,900
	All Customers			
UUT @	Total UUT	New Revenue		
7.0%	\$905,443	Current		
7.5%	\$970,117	\$64,674		
8.0%	\$1,034,792	\$129,349		
8.5%	\$1,099,466	\$194,023		
9.0%	\$1,164,141	\$258,698		
	Without CARE Customers			
UUT @	Total UUT	New Revenue		
7.0%	\$865,709	Current		
7.5%	\$927,545	\$61,836		
8.0%	\$989,381	\$123,673		
8.5%	\$1,051,218	\$185,509		
9.0%	\$1,113,054	\$247,345		

Average UUT Increase Per Customer Per Month				
	Existing UUT	Proposed UUT	Change	Change
	7.0%	9.0%	Per Month	Per Year
Electric				
Residential Per Month				
Avg. Bill without UUT	\$49.57	\$49.57	\$0.00	
Amount of UUT	\$3.47	\$4.46	\$0.99	
Avg. Total Bill	\$53.04	\$54.03	\$0.99	\$ 11.90
Commercial Per Month				
Avg. Bill without UUT	\$687.79	\$687.79	\$0.00	
Amount of UUT	\$48.15	\$61.90	\$13.76	
Avg. Total Bill	\$735.93	\$749.69	\$13.76	\$ 165.07
Gas				
Residential Per Month				
Avg. Bill without UUT	\$39.07	\$39.07	\$0.00	
Amount of UUT	\$2.74	\$3.52	\$0.78	
Avg. Total Bill	\$41.81	\$42.59	\$0.78	\$ 9.38
Commercial Per Month				
Avg. Bill without UUT	\$249.84	\$249.84	\$0.00	
Amount of UUT	\$17.49	\$22.49	\$5.00	
Avg. Total Bill	\$267.33	\$272.33	\$5.00	\$ 59.96
Total (Electric + Gas)				
Residential Per Month				
Avg. Bill without UUT	\$88.64	\$88.64	\$0.00	
Amount of UUT	\$6.20	\$7.98	\$1.77	
Avg. Total Bill	\$94.84	\$96.62	\$1.77	\$ 21.27
Commercial Per Month				
Avg. Bill without UUT	\$937.63	\$937.63	\$0.00	
Amount of UUT	\$65.63	\$84.39	\$18.75	
Avg. Total Bill	\$1,003.27	\$1,022.02	\$18.75	\$ 225.03
Source: PG & E data provided to City of Albany				

Appendix B: Detailed Parcel List

Estimate of Parcel Assessment Per Year		
	Number of	Annual Assessment
Exempt Properties (Estimate)	Parcels	\$ 45.00
Exempt public agencies	166	
Restricted income properties	1	
Property owned by a public utility	17	
Subtotal Exempt	184	\$ -
Residential Parcels		
Vacant residential land zoned for < four units	24	
Single family residential home used as such	3,663	
Single family residential home w/ 2nd living unit	28	
Single family residential home w/slight common use	1	
Planned development (townhouse type)	7	
Planned development common area (townhouse type)	1	
Planned development (tract type) with common area	10	
Planned development common area (tract type)	6	
Two, three or four single family homes	55	
Double or duplex	129	
Triplex; double or duplex w/ Single Fam Res home	39	
Four living units, e.g. fourplex, triplex w/S F Res	61	
Residential property of 2 living units val<code 22	23	
Residential property of 3 living units val<code 23	6	
Residential property converted to 5 or more units	4	
Condominiums	1,077	
Common area of condominium or planned development	31	
Multiple residential properties > 5 units	88	
Subtotal Residential	5,253	\$ 236,385
Commercial Parcels		
Vacant commercial land (may include misc. imps)	10	
One-story store	78	
Store on 1st fl w/office or apts on 2nd or 3rd fls	34	
Miscellaneous commercial (improved)	15	
Discount House	8	
Restaurant	15	
Supermarket	1	
Commercial or industrial condominium to sale of 1 unit	6	
Vacant industrial land (may include misc imps)	2	
Warehouse	1	
Light Industrial	5	
Heavy industrial (factories, batching plants, etc)	3	
Nurseries	1	
Schools	3	
Churches	6	
Lodgehalls and clubhouses	2	
Car washes	1	
Commercial garages (repair)	19	
Automobile dealerships	2	
Parking Lots	16	
Service stations	5	
Nursing or boarding homes	1	
Banks	5	
Medical-Dental	29	
1 to 5 story offices	25	
Bowling alleys	1	
Theaters (walk-in)	3	
Other recreational: rinks, stadiums, race tracks	4	
Subtotal Commercial	301	\$ 13,545
Total Revenue Per Year		\$ 249,930

Appendix C: Example of Fund Allocation to Specific CAP Measures

? ADD Megan's CAP chart showing how much can be funded using \$250,000 ?