

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda date: June 16, 2008
Reviewed by: BP

SUBJECT: Ballot measures to support funding levels for general municipal services and for the Emergency Medical Services program

REPORT BY: Beth Pollard, City Administrator

STAFF RECOMMENDATION

- 1) Direct staff to draft a ballot measure for the November 2008 municipal election to increase the property transfer tax rate.
- 2) Direct staff to draft a ballot measure for the November, 2008 municipal election to add a cost-of-living increase to the 2000 Measure N Emergency Medical Services tax

PROPERTY TRANSFER TAX

Background

A property transfer tax is levied when there is a change of ownership on properties in the city. The amount of the tax is based on the value of consideration (amount paid for the sale or transfer) of the property being transferred. The current property transfer tax rate in Albany is \$11.50 per \$1,000 of value, all of which is revenue to the City's General Fund.

Discussion

The revenue from the property transfer tax comprises approximately 8.7 percent of the City's General Fund budget. As the real estate market nationwide has softened, Albany has seen some decline in the number of property transfers and a slowdown of growth in property values, causing property transfer tax revenue to be in decline. Recent actual and current and future fiscal year projections are:

Actual 2006-07:	\$1,456,672.18
Projected 2007-08:	\$1,076,382
Projected 2008-09:	\$1,164,502

Analysis

In order to continue to maintain City services, sufficient revenues are needed to fund projected expenditures that continue to rise in cost. A funding mechanism that is available to the City to pay for its expenditures is the property transfer tax. Increasing this tax requires majority approval by Albany voters.

Unlike parcel taxes, a property transfer tax is not paid by property owners or other taxpayers on an ongoing basis. It is a one-time payment made at the time of sale out of escrow funds, typically split 50/50 by the sellers and buyers of property.

The vast majority of property owners selling property in Albany have experienced an increase in the value of their property, which they realize upon the sale. Residential properties continue to attract families seeking access to Albany schools and a safe community, and a small shared increase in the property transfer tax payment is not likely to deter their home purchase. The challenge for the City is to make sure that it has sufficient revenues to provide the safe community that they are seeking.

Attached is a schedule showing property tax rates in neighboring charter cities. The highest rates are charged in Berkeley and Oakland at \$15/\$1,000, followed by Piedmont at \$13/\$1,000. Staff would recommend that Albany's transfer tax rate not exceed the \$15/\$1,000 rate. The City of Albany last increased its transfer tax in November 2002, from \$8.50/\$1,000 to \$11.50/\$1,000, which received 57% voter approval.

Financial Impact

While the amount of revenue from an will fluctuate depending on the number of property sales and their value, a rough estimate is a net revenue increase of \$100,000 for each \$1.00 increase in the transfer tax rate.

MEASURE N – EMERGENCY MEDICAL SERVICES

Background

In 2000, voters approved Measure N to fund Advanced Paramedic Life Support fire engines and future ambulance services, at the rate of a flat \$18 per tax unit. The current measure staffs at least one paramedic on each of the two fire department engines during all shifts (24/7/365), and ensures that paramedic engines will respond to all medical calls even when the paramedic ambulance is not available.

There was no cost-of-living or other escalator clause in Measure N. The funds from Measure N were projected to fund the designated emergency medical services costs for a period of 10 years. Attached is Resolution #00-44 placing the measure before the voters.

Discussion

The ten-year range of Measure N at the rate of \$18/unit will conclude in 2010. Without a cost of living escalator in the Measure, the ability of the revenues to keep pace with the associated expenses will diminish. A particular concern is the need for funds to purchase the next paramedic engine in 2019, which is estimated to cost \$840,000 in 2019 dollars.

Analysis

The City needs to have sufficient revenues to keep pace with the cost of inflation in order to provide the emergency medical services residents expect. A particular concern is having sufficient funds to replace engines that otherwise may fail during emergency response or have high costs for operations and maintenance. By providing a cost-of-living inflation factor, the City can better plan and provide emergency medical services.

Staff is recommending an annual and cumulative inflator factor of 4 percent each year beginning in 2010-11. The rate of increase would cost 72 cents in the first year and \$8.66 in the tenth year per taxable unit. Residential properties pay approximately 60 percent of the assessment while commercial properties bear approximately 40 percent.

Financial Impact

The current Measure N annual revenue is approximately \$145,000. A 4 percent annual cumulative increase in the \$18/unit Measure N tax is estimated to generate \$5,813 in 2010-11 and approximately \$70,000 in 2019-20.

Attachments:

- 1) Property transfer tax survey
- 2) 2000 Measure N resolution