

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

Agenda Date: July 2, 2018
Reviewed by: NA

SUBJECT: Proposed Authorized Adjustments to Local Taxes and Fees Collected on the Property Tax Bill - Library Services Act of 1994; Supplemental Library Services Act of 2006, Emergency Medical Services Program; Paramedic Advanced Life Support Tax; 2006 Street Paving and Storm Drain Improvement Tax, Sidewalk Parcel Tax; and Sewer Service Charges for FY 2018-2019

REPORT BY: Elizabeth Hudson, Interim Finance Director

SUMMARY

The City of Albany has a number of previously approved special taxes, charges and fees that are levied and collected as part of the annual Property Tax bill issued by Alameda County. In order to improve the administrative tracking of the annual adjustments, the City Council will adopt a master resolution confirming the current fee, the maximum fee (based on authorized cost of living adjustments), and the proposed fees for Fiscal Year 2018-2019. The City's consultant, NBS Government Services, will incorporate the cost of living adjustments with the tax roll items to be delivered to Alameda County.

STAFF RECOMMENDATION

That the Council:

1. Determine whether any changes to the recommended rates are desired; and
2. Adopt the Resolution No. 2018-96 confirming Fiscal Year 2018-2019 rates applied to the City of Albany Special Taxes and fees collected on the annual property tax bill.

BACKGROUND

The City of Albany has several special voter approved taxes and fees that are collected annually on the Alameda County Property Tax Roll. These taxes and fees are different than the Special Assessments under Landscaping and Lighting District laws. The Assessment Districts have a prescribed process under State law for the preparation of an annual report and levy of the assessment. For the local taxes and fees, because they were adopted at different times, the language providing for an adjustment also varies.

The following are the local taxes and fees being addressed by this item:

- 1) Library Services Act of 1994
- 2) Supplemental Library Services Act of 2006
- 3) Emergency Medical Services Program (EMS)
- 4) Paramedic Advanced Life Support (ALS)
- 5) 2006 Street Paving and Storm Drain Improvement Tax
- 6) Sidewalk Parcel Tax
- 7) Sewer Service Charges

The City also collects from property owners an annual Storm Drain / Urban Run-off (National Pollution Discharge Elimination System – NPDES) Fee. This fee was implemented without a provision for an annual adjustment and therefore the fee remains unchanged since implementation in 1992. Changes in laws regulating property related fees would impose new requirements for a change in the amount of the Storm Drain / Urban Run-off fee.

DISCUSSION

NBS has advised Staff that the 2018-2019 potential annual adjustment for taxes and fees that contain an annual adjustment provision would increase 3.22%. This is below any of the maximum adjustment levels stated in the authorizing measures. As a municipal finance best practice, it is appropriate for the City Council to take a formal action on both the Maximum Fee or Tax, and the Proposed Fee or Tax.

The “maximum” is derived by multiplying the current fee levied in Fiscal Year 2017-2018 by the “annual adjustment factor” (3.22%). Because the County collects property tax payments in two equal installments the rate levied must be an even number. Therefore, when NBS prepares the tax roll, in some cases the actual amount levied will be one cent less than the calculated maximum.

These fees and taxes are accounted for in separate funds in order to insure the proper use and accounting for the revenue generated. Staff has analyzed funding required in Fiscal Year 2018-2019 based on the projected revenue and expenses. This requires an analysis of estimated revenue, estimated expenditures, and any deficit or surplus funds collected in previous years. The purpose of this analysis is to determine whether an adjustment to the maximum rate is recommended at this time. If less than the “Maximum Adjustment” is required for the upcoming year, future increase(s) will still be available. For example, if no increase is required for the current year and the change in the CPI next year is 1percent – at that time the rate could increase the equivalent of 4.22% (3.22% FY 2018-2019 plus 1.0% in FY 2019-2020).

The information provided below summarizes for each of the taxes and fees key data as well as whether an adjustment is recommended. The rate described is the base rate for a single residential unit. Each of the fees/taxes has a conversion factor for other land use types. Most of the current rates are being levied at the maximum rate based on the application of previous authorized cost of living adjustments.

Library Special Taxes: Library Services Act Tax and Supplemental Library Tax

FUND 1401	Annual 2017-2018 Rate	Annual 2018-2019 Maximum Rate	Annual 2018-2019 Adjusted Rate	Approximate Change
Library Services Act of 1994	\$ 69.22	\$ 78.63	\$ 69.22	Zero
Supplemental Library Services Act of 2006	\$ 28.36	\$ 32.55	\$ 28.36	Zero

Staff reviewed the estimated Library Revenue and Expense for the current year as well as Fiscal Year 2018-2019. In both years, the current revenue rate is projected to produce revenues in excess of expenditures. This has also occurred in the past and has allowed the City to accumulate net assets of approximately \$231,777 as of June 30, 2018. It is desirable to have a positive balance for cash flow purposes and staff does not consider the projected balance to be unreasonable.

Paramedic Special Tax and Advanced Life Support Special Tax

FUND 1002	Annual 2017-2018 Rate	Annual 2018-2019 Maximum Rate	Annual 2018-2019 Adjusted Rate	Approximate Change
Emergency Medical Services Program (EMS)	\$ 79.38	\$ 81.95	\$ 81.95	\$ 2.57
Paramedic Advanced Life Support (ALS)	\$21.36	\$ 22.05	\$22.05	\$.69

Annually the collection of the cost of Emergency Medical Services exceeds the revenues generated from these local taxes and service charges. The EMS Fund typically has zero net assets at the close of the Fiscal Year. Staff is recommending the full adjustment of the EMS Tax and the Advanced Life Support Tax.

2006 Street Paving and Storm Drain Improvement Tax

FUND 2006	Annual 2017-2018 Rate	Annual 2018-2019 Maximum Rate	Annual 2018-2019 Adjusted Rate	Approximate Change
2006 – St. & Storm Drain Improvement	\$ 126.14	\$ 130.20	\$130.20	\$ 8.06

Annual Revenue from this tax is estimated in the current year to be approximately \$990,000 with an annual debt service of approximately \$391,400. A Parcel Tax Note was issued to advance the completion of storm drain improvements. This fund has unspent funds collected in prior years. These funds will be used to implement both Street and Storm Drain projects in accordance with master plans.

2016 Sidewalk Parcel Tax

FUND 1305	Annual 2017-2018 Rate	Annual 2018-2019 Maximum Rate	Annual 2018-2019 Adjusted Rate	Approximate Change
2006 – St. & Storm Drain Improvement	\$ 38.64	\$ 39.42	\$39.42	\$ 0.77

- Rate for a 2,501-5,000 square foot SRF parcel – all rates are listed in the resolution.

Annual revenue from this tax is estimate in the current year to be approximately \$203,000. The funds generated will be used to repair and upgrade aging and deteriorating public sidewalks and remove obstructions so that Albany sidewalks are safe and accessible by pedestrians, including people with disabilities that affect mobility. This parcel tax will sunset in 2026.

Annual Sewer Service Charge

FUND 4001	Annual 2017-2018 Rate	Annual 2018-2019 Maximum Rate	Annual 2018-2019 Adjusted Rate	Approximate Change
Annual Sewer Service Charge	\$ 475.64	\$ 514.92	\$ 514.92	39.32

The Sewer Service Charge funds are used to pay for annual maintenance and operating costs; annual debt service payments of approximately \$590,000 for capital improvements installed in prior years; and contributions to capital project and replacement reserves. The Sewer Master Plan has identified projects that are needed to meet compliance requirements and to maintain the sanitary sewer system in a manner that protects the public health and safety. The city updated its analysis of the sewer service charge in July 2017 and adopted Resolution 2017-69 mandating annual increases by the CPI to the sewer rate until 2022.

Staff recommends that the City Council confirm the proposed Fiscal Year 2018-2019 rates as presented. The Exhibit attached to the Resolution contains a column for the adjusted rate. Tax rates must be adopted by Council and submitted to Alameda County by August 10 of each year. The proposed rates are consistent with past Council direction and tax requirements.

FINANCIAL IMPACT

All of these fees and taxes are tracked in separate funds to ensure that the monies collected are only expended for the stated purposes. Staff will adjust the Fiscal Year 2018-2019 Budget based on the recommended revenue adjustments as discussed above.

Attachment:

1. Resolution No. 2018-96 confirming the Fiscal Year 2018-2019 rates to be applied to City of Albany Special Taxes and Fees Collected on the Annual Property Tax Bill.

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RESOLUTION NO. 2018-96

ADJUSTING THE FISCAL YEAR 2018-2019 RATES TO BE APPLIED TO CITY OF ALBANY SPECIAL TAXES AND FEES COLLECTED ON THE ANNUAL PROPERTY TAX BILL

WHEREAS, the City of Albany collects certain local approved special taxes and fees on the County Property Tax Bill; and

WHEREAS, the authorizing measures and actions imposing these fees in some cases allow for an annual adjustment based on the change in the Consumer Price Index; and

WHEREAS, the City’s Property Tax Assessment Consultant (NBS Government Services) has calculated the maximum rate of adjustment for each of the subject fees based on a 3.22 percent change in the Consumer Price Index; and

WHEREAS, staff analyzed the projected revenues and expenses for each of the subject fees and presented a report at the City Council meeting on July 2, 2018; and

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Albany does hereby adopt the attached schedule of Approved Rates, which shall be used to calculate the subject fees and taxes on the Fiscal Year 2018 / 2019 tax roll.

PEGGY MCQUAID, MAYOR

1 **Exhibit A**

2 **Maximum 2018/19 Rates and the Proposed 2018/19 Rates**

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FUND 1401	Annual 2017/2018 Rate	Annual 2018/2019 Maximum Rate	Annual 2018/2019 Adjusted Rate	Approximate Change
Library Services Act of 1994	\$ 69.22	\$ 78.63	\$ 69.22	Zero
Supplemental Library Services Act of 2006	\$ 28.36	\$ 32.55	\$ 28.36	Zero

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FUND 1002	Annual 2017/2018 Rate	Annual 2018/2019 Maximum Rate	Annual 2018/2019 Adjusted Rate	Approximate Change
Emergency Medical Services Program (EMS)	\$ 79.38	\$ 81.95	\$ 81.94	\$ 2.56
Paramedic Advanced Life Support (ALS)	\$ 21.36	\$ 22.05	\$22.04	\$ 0.68

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FUND 1601	Annual 2017/2018 Current Rate	Annual 2018/2019 Maximum Rate	Annual 2018/2019 Adjusted Rate	Approximate Change
2006 – St. & Storm Drain Improvement	\$ 126.14	\$ 130.20	\$130.20	\$4.06

FUND 4001	Annual 2017/2018 Current Rate	Annual 2018/2019 Maximum Rate	Annual 2018/2019 Adjusted Rate	Approximate Change
Sewer Service Charges	\$ 475.64	\$ 514.92	\$514.92	\$39.28

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FUND 1305 2016 Sidewalk Parcel Tax	Parcel Size (Square Feet)	Annual 2017/2018 Current Rate	Annual 2018/2019 Maximum Rate	Annual 2018/2019 Adjusted Rate	Approximate Change
Single-family Residential	0-2,500	\$ 27.60	\$ 28.15	\$28.14	\$.054
	2,501-5,000	\$38.64	\$39.42	\$39.42	\$ 0.78
	Over 5,000	\$ 49.68	\$50.68	\$50.68	\$ 1.00
Condominium / Townhome	Per Unit	\$ 15.46	\$15.76	\$15.76	\$ 0.30
Multi-Family Residential	Per Unit	\$15.46	\$15.76	\$15.76	\$ 0.30
Non-Residential	0-5,000	\$ 49.68	\$50.68	\$50.68	\$ 1.00
	5,001-10,000	\$71.88	\$73.31	\$73.30	\$ 1.43
	10,001- 20,000	\$ 77.28	\$78.83	\$78.82	\$ 1.55
	20,000 and above	\$ 88.50	\$90.27	\$90.26	\$ 1.77