

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

Agenda Date: May 4, 2020

SUBJECT: Public Opinion Survey Presentation

REPORT BY: Nicole Almaguer, City Manager

SUMMARY

The action before the Council is to receive a presentation from the City's consultant, Godbe Research, regarding the results of the public opinion survey that was conducted to help provide information to the Council regarding possible revenue measures for the November 2020 Election.

STAFF RECOMMENDATION

That the Council receive a presentation regarding the results of the Public Opinion Survey conducted by Godbe Research regarding possible revenue measures for the November 2020 Election and provide direction to staff on what ballot measures should be further developed for Council review.

BACKGROUND/DISCUSSION

On January 14, 2020, the Council discussed measures for the November 2020 ballot, including the possibility of an increase in the real property transfer tax rate, which is currently set at \$11.50 per thousand on full value, and an increase to the Advanced Life Support parcel tax which was adopted by the voters in 2000 to provide funding for paramedic advanced life support fire engines and ambulance purchases. This tax allowed the Fire Department to increase service levels from providing a Basic Life Support (BLS) level of service on fire engines and Ambulances to an Advanced Life Support (ALS) level of service. The current tax rate is \$22.90 for a residential unit (January 14, 2020 staff report included as Attachment 1 to this staff report).

As reported to the Council in January, the City is currently operating in a deficit of \$894,233, down from \$1,815,833 the year before. This budget deficit will be further exacerbated due to the current COVID-19 pandemic. Current guidance from financial advisors indicates that cities should likely prepare for a loss of approximately 25% of sales tax revenue while the economy is recovering from the shelter in place order. A 25% reduction in the City's sales tax revenue would be a loss of approximately \$1 Million over the course of a fiscal year. Projections will be updated and presented to the Council as

further clarity is gained regarding economic impacts resulting from the COVID-19 pandemic.

Throughout the budget preparation for the FY2019-20 budget, staff focused on minimizing operating expenditure increases and reviewed historical spending to decrease certain line items where possible. Additional budget cuts will be proposed for the upcoming FY2020-21 budget.

On February 3, 2020, the Council authorized an agreement with Godbe Research to conduct voter polling services. The Council also established a subcommittee comprised of Mayor Pilch and Vice Mayor McQuaid to work with staff and the consultant to develop the survey. Three primary questions were included within the voter polling survey with regard to revenue measures: 1) an increase in the real property transfer tax, 2) an increase to the Advanced Life Support parcel tax for emergency medical services, and 3) an increase to the Users Utility Tax, as well as an extension of the tax to water utilities.

Godbe Research worked in coordination with staff and the Council subcommittee to develop the survey. The public opinion survey was conducted during the month of March 2020. Godbe Research will provide a presentation to synthesize results of the survey.

SUSTAINABILITY IMPACT

N/A.

FINANCIAL IMPACT

N/A.

NEXT STEPS

Pending feedback by the Council, staff will work to develop draft language for ballot measures and return to Council with additional analysis.

Attachments

1. January 14, 2020 Staff Report – Consideration of Possible Ballot Measures for the November 2020 General Municipal Election



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

Agenda Date: January 14, 2020

SUBJECT: Consideration of possible ballot measures for the November 2020
General Municipal Election

REPORT BY: Heather Rowden, Finance Director
Nicole Almaguer, City Manager

SUMMARY

The next general municipal election will be held on November 3, 2020. This report provides a preliminary overview of possible ballot measures for Council consideration. Based on direction provided by the Council, staff will conduct additional research and analysis to present to the Council.

STAFF RECOMMENDATION

That the Council receive information regarding possible measures for the November 2020 ballot and provide direction to staff on next steps.

BACKGROUND

The next general municipal election will be held on November 3, 2020. Staff is working in advance of the election season to provide time for Council consideration of possible measures for the ballot.

DISCUSSION

Charter Amendments

Any amendment to the City Charter will be subject to approval by the voters, requiring a majority vote of the electorate for passage. If the Council is interested in proposing an amendment to the City Charter, the City's Charter Review Committee is the advisory body to the City Council and can become active upon direction from the Council.

Revenue Measures

As presented to the City Council during the budget adoption process, the City is currently operating in a deficit of \$894,233, down from \$1,815,833 the year before. During preparation of the FY2019-20 budget, staff focused on minimizing operating expenditure increases and reviewed historical spending to decrease certain line items where possible. In addition, a brief review of revenues was completed, and the City has started enforcing hotel tax collection, as well as budgeting for administrative expenses to special revenue funds. Staff also plans on a more in-depth review of revenues over the next year.

The City Council Strategic Plan includes a goal to ensure appropriate and effective means of revenue generation to ensure stable and effective government. Given that the City’s operating budget (general fund) remains in a deficit, it is recommended that additional sources of revenue be identified to support the City’s general fund to ensure existing city services can be maintained. The stability of the general fund will also be particularly critical moving forward given the upcoming increases in long term pension obligations. Due to rising pension costs, CalPERS anticipates yearly pension obligations through the 2030’s. Over the next six years, in addition to a higher normal cost, the City’s required unfunded pension liability payment will increase from \$2.1 million to \$3.1 million per year.

Real Property Transfer Tax Update

The current real property transfer tax rate is \$11.50 per thousand on full value. This tax is applied at the time real property is transferred, in accordance with Albany Municipal Code Section 4-5, last updated by voter approval in 2002. In 2008, Measure DD was placed on the ballot, requesting an increase in the real property transfer tax to \$14.50 per thousand on full value. Measure DD was not approved by the voters in 2008. On average, the City receives approximately \$1,680,970 per year in transfer tax revenue.

A current summary of transfer tax rates for other local jurisdictions is included below:

Alameda	\$12.00	per thousand on full value	Ordinance No. 2987 AMC
Albany	\$11.50	per thousand on full value	Ordinance No. 02-60
Berkeley	\$15.00	per thousand on full value (\$1,500,000 and less)	Ordinance No. 6072-NS
	\$25.00	per thousand on full value (\$1,500,001 and above)	Ordinance No. 6072-NS
El Cerrito	\$12.00	per thousand on full value	Ordinance No. 2018-03
Emeryville	\$12.00	per thousand on full value	Ordinance No. 14-011
Hayward	\$8.50	per thousand on full value	Ordinance No. 92-26
Oakland	\$10.00	per thousand on full value (\$300,000 and less)	Ordinance No. 11628 CMS
	\$15.00	per thousand on full value (\$300,001 to	Ordinance No. 11628

		\$2,000,000)	CMS
	\$17.50	per thousand on full value (\$2,000,001 TO \$5,000,000)	Ordinance No. 11628 CMS
	\$25.00	per thousand on full value (\$5,000,001 and above)	Ordinance No. 11628 CMS
Piedmont	\$13.00	per thousand on full value	Ordinance No. 546 NS
San Leandro	\$6.00	per thousand on full value	Ordinance No. 93-09

Based on the above data, the City's current transfer tax rate is lower than some neighboring cities. Possible modifications to the existing transfer tax rate include a few options: 1) Increase the current transfer tax rate to match neighboring jurisdictions (i.e. increase to a rate \$13 - \$15) without any graduation in transactional value; 2) maintain or decrease current transfer tax rate of \$11.50 per thousand on full value for applicable property transfers with a value of \$500,000 or under while including a graduated increase to the tax for property transfers with a value of \$500,001 - \$1 Million and over \$1 Million (The following table details some proposed tax rates for this option); 3) maintain the current transfer tax rate of \$11.50 per thousand on full value for property transfers up to \$1 Million, and increase the transfer tax rate in a graduated manner for property transfer values over \$1 Million. These options are merely suggestions for Council consideration. Any other options, combinations, or variations thereof can be discussed at the discretion of the Council.

		Option 2: Proposal A		Option 2: Proposal B		Option 2: Proposal C	
Current							
\$0 - \$500,000	\$11.50	\$10.00	0.0100	\$11.50	0.0115	\$11.50	0.0115
\$500,001 - \$1,000,000	\$11.50	\$12.50	0.0125	\$15.00	0.0150	\$12.50	0.0125
\$1,000,001 and up	\$11.50	\$15.00	0.0150	\$17.00	0.0170	\$15.00	0.0150
		Change		Change		Change	
2016	\$1,306,373	\$1,515,858	\$209,484	\$1,758,538	\$452,164	\$1,537,995	\$231,621
2017	\$1,290,156	\$1,510,538	\$220,381	\$1,755,829	\$465,673	\$1,524,076	\$233,920
2018	\$1,274,258	\$1,520,331	\$246,074	\$1,763,631	\$489,373	\$1,526,991	\$252,733
\$0 - \$500,000	\$324,565	\$282,230	(\$42,335)	\$324,565	\$0	\$324,565	\$0
\$500,001 - \$1,000,000	\$1,660,652	\$1,805,056	\$144,405	\$2,166,068	\$505,416	\$1,805,056	\$144,405
\$1,000,001 and up	\$1,885,571	\$2,459,440	\$573,869	\$2,787,366	\$901,795	\$2,459,440	\$573,869

Average Revenue Increase per Year

\$225,313

\$469,070

\$239,425

An increase to the real property transfer tax would require a majority vote of the electorate for passage.

ALS/EMS Tax Update

In 1997, Albany voters approved a special tax to continue funding for Emergency Medical Services (EMS), included in the Albany Municipal Code as Section 4-7. The purpose of the funding for “the sole and exclusive purpose of providing paramedic and ambulance transport services”. The current tax rate is \$85.11 per residential unit, with commercial/industrial buildings calculated by area in square footage/1,200 square feet. In FY2018-19 this parcel tax generated \$664,479.41. The tax can be increased annually by CPI.

In 2000, Albany voters approved a special tax to provide funding for paramedic advanced life support fire engines and ambulance purchases. This tax allowed the Fire Department to increase service levels from providing a Basic Life Support (BLS) level of service on fire engines and Ambulances to an Advanced Life Support (ALS) level of service. The current tax rate is \$22.90 for a residential unit, commercial (per parcel) is considered 2 residential units, Industrial (per parcel) is 4 residential units, Institutional and Rural (per parcel) is considered 1 residential unit. In FY2018-19, this parcel tax generated \$178,738.12. The tax can be increased annually by CPI.

Historically, by charging fees, Albany EMS has generated revenue of approximately \$735,000 per year. As previously mentioned, over the past three years, the EMS and ALS parcel taxes have generated average revenue of \$815,000 per year. Even with fees and taxes, the EMS fund has cost the general fund between \$510,000 and \$1,000,000 a year between FY2016-17 and FY2018-19. An increase to the ALS/EMS tax could help offset the amount that is typically transferred in from the General Fund.

Since the approved special taxes, the Albany Fire Department has experienced multiple increases in expenses as well as decreases in revenue. In July 2018 Alameda County Emergency Medical Services Agency (ALCO EMSA) abolished a long-standing agreement that reimbursed Fire Department First Responder Advanced Life Support Fire Engines (FRALS) at a cost of approximately \$70,000 per year. In addition to abolishing FRALS Funding, the EMSA no longer provided cardiac monitors, automated chest compression systems, and maintenance costs for this equipment. The total equipment cost is approximately \$165,000 to purchase new equipment. Medical reimbursements for EMS services have decreased per call. ALCO EMSA also sets the ambulance transport rates which do not cover the cost of services. There have also been significant cost increases in ambulance replacement and required equipment. Within the next 2 years the fire department will need to replace one ambulance with an estimated cost of \$160,000. As well as funds to replace items such as EKG monitors and powerlift gurneys.

Additionally, ALCO EMSA now requires the City of Albany to transport non-medical, mentally ill patients to the County’s psychiatric facility. Currently the City of Albany is working to secure a contract for non-emergency transportation with a private provider. The cost of transporting each patient is approximately \$2,100 per transport. The City of Albany

requires approximately 65 non-emergency psychiatric transports per year with an estimated annual cost of \$136,000 per year. Currently the City of Berkeley signed a contract with these same estimated costs. Reimbursement for these non-medical psychiatric transports is possible if the patient has medical insurance, however, the reimbursement is expected to be very low. These changes were a result of ALCO EMSA removing these conditions from the most recent agreement with the County Contracted Private Ambulance Provider.

In addition, recent legislation was enacted that requires the fire department to pay a Quality Assurance fee for each ambulance transport to the State of California at an approximately cost of \$30,000 per year. The fire department has also experienced a large increase in the number of requests in calls for EMS services over the years.

An increase to the EMS or ALS special tax would require a 2/3 majority vote of the electorate for passage.

Public Works – Infrastructure Funding

The City's infrastructure systems draw on funding from a combination of State, regional and local sources. As discussed below, Staff does not recommend adding a new local infrastructure parcel tax to the November 2020 ballot. This may be revisited for future election cycles.

- **Sewer:** Sewer operations and capital improvements are funded primarily through the sewer rates levied on annual property tax rolls. In July 2017 (FY18), Council approved a five-year plan for annual rate adjustments, based on increases in CPI (Resolution No. 2017-69). This authorization runs through July 2022 (FY23). Staff is currently assessing the Sewer enterprise, taking into account the City's compliance requirements as per the EPA Consent Decree, projected expenditures, and existing fund balances as per the recent FY19 audit. Proposed rate adjustments will be presented to Council for authorization as is deemed necessary; no additional tax is required at this time.
- **Streets and Roads:** A number of state, regional, and local sources support maintenance and improvements for the City's streets and roads. These sources include California state gas tax revenues, Alameda County Transportation Commission regional pass-through funding, and local tax Measure F passed in 2006 (Albany Street Paving and Storm Drain Improvement Tax). The City cannot initiate increases to the noted state and regional funding sources, as funding amounts are determined based on factors outside City control. For local Measure F, the founding legislation includes a provision for an annual CPI increase but increases beyond CPI would require voter approval. Currently, the City has considerable balances in these funds that need to be deployed before pursuing a new infrastructure tax.

- Storm Drain: The City's storm drain infrastructure is funded through two local measures. In 1992, Ord. 92-011 established levying of a storm water (NPDES) fee in order for the City to comply with urban runoff regulatory requirements. This fee has typically funded operating activities such as street sweeping, trash capture, and other related expenses. The NPDES fee has not been raised in at least the past decade. Given that the NPDES charge is a fee, any increase would follow different proceedings than a ballot measure for a parcel tax. Staff will coordinate with the fee administrator to determine options for updating this fee and report back to the Council.

Capital upgrades to the City's storm drain infrastructure are funded through local Measure F, mentioned above, which was passed in 2006 specifically to address funding shortfall in this area, and as mentioned above, increases to the Measure F tax beyond CPI would require voter approval.

SUSTAINABILITY IMPACT

N/A.

FINANCIAL IMPACT

Revenue measures will help provide for continued stability of the City's overall operating budget. There will be an expense associated with placement of measures on the ballot, which is a budgeted expense.

NEXT STEPS

This report is provided to initiate general discussion on possible measures for the November 2020 ballot. Pending Council direction, staff will conduct additional research and analysis as needed and return to the Council with more detailed information.

Attachments

1. Council Member Nason email