

# ALBANY CALIFORNIA

CITY OF ALBANY



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To: Financial Advisory Committee  
From: Heather Rowden, Finance & Admin Services Director  
Date: May 4, 2022  
Re: 2022 Ballot Measures

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At the April 18, 2022 Albany City Council meeting, Council considered three potential tax measures to include on the November, 2022, ballot. These include updates to both the Advanced Life Support (ALS) and Emergency Medical Services (EMS) parcel tax, the business license tax code, and a new commercial vacancy tax. At the meeting, Council gave staff direction, as outlined in the summary for each measure below, and requested that staff bring the measures to the Financial Advisory Committee for consideration prior to coming back to Council.

For both the business license and parcel tax updates, the City contracted with NBS for tax modeling services. Working with an industry expert ensures the most accurate revenue estimates, as well as providing prospective into the tax structures of neighboring jurisdictions. Additional detail on the estimates and methodology will be provided as staff prepare final documents based on Council direction.

Business License Tax Update

The proposal updates the business license tax code to modernize references and change the tax from an employee-count based model to a gross receipts tax. The original staff report, Attachment 1, includes an analysis for four different gross receipts tax scenarios. At the April 18<sup>th</sup> meeting, Council gave staff direction to bring back a more detailed proposal using the last scenario, which increases revenue to \$1 million annually with the following tiered tax structure:

Gross Receipts	Tax Rate	Total Tax
\$0 to \$50,000	0.00%	\$25
\$50,001 to \$500,000	0.1%	\$75 + 0.1% over \$50,000
\$500,001 to \$1,000,000	0.2%	\$525 + 0.2% over \$500,000
\$1,000,001 and above	0.3%	\$1,525 + 0.3% over \$1,000,000

The proposed rate structure would lower business license taxes for small businesses. No changes are being proposed for exemptions to the tax. No CPI adjustment is needed for a gross receipts based tax as the tax revenue would grow with increased receipts.

In addition to modernization and increased revenue, this model would be easier to staff to administer. Removing the several business type categories causes less confusion for both staff and the business community. In addition, it is easier for businesses to report, matching line 1a on the federal Form 1120 or line 1 from Form 1040 Schedule C, and for staff to audit, simply needing to review tax return information instead of requesting and reviewing payroll records for the year.

As a general fund tax, this measure would need a simple majority vote to pass.

#### ALS/EMS Parcel Tax Update

The proposal for the Advanced Life Support (ALS) and Emergency Medical Services (EMS) parcel taxes is to combine the two taxes into one, and increase the overall rate to provide some relief to the general fund and increase dedicated funding for EMS. This would help ensure the quality of service provided by the Albany Firefighter/Paramedics, allow for the addition of three staff members to attain similar staffing levels to neighboring jurisdictions, as well as provide some funding for equipment repair and replacement reserve funds. As discussed in the memo from the Council Ad hoc Committee, Attachment 2, call volume has increased significantly since the taxes were implemented and additional staffing/funding would allow the City to continue to provide exemplary EMS to residents.

An increase to the ALS tax was proposed on the November 2020 ballot but the measure did not pass. As a special tax, a 2/3 majority vote is needed to pass any changes to the tax. Polling done prior to the vote showed that EMS was one of the most important services the community thought the City offers, however the tax increase was unsuccessful.

Council gave staff direction to move forward with drafting changes to the taxes as dictated in the Ad hoc Committee memo. The current proposal updates the tax from one based on type of property (i.e., residential, commercial) to one based on land square footage and adds a low-income exemption/renter rebate as included in other parcel taxes. Staff are working with NBS to finalize the numbers required to meet the revenue goals in the Council Ad hoc Committee memo.

#### Commercial Vacancy Tax

This item is being handled by the City Manager and City Attorney as the tax is more of an economic development tool than a revenue generating measure. The City Attorney's staff report on commercial vacancy taxes can be found online as Item 10-3 on the April 18, 2022 agenda. At the Council meeting, staff were directed to come back to Council with more detail about a tax based on feet of street frontage, as well as a residential vacancy tax.

#### **NEXT STEPS**

To be included on the November ballot, measures must be approved by Council and notification sent to the County by August 18, 2022. Staff plan on bringing additional details, including draft bills and more detailed revenue estimates, to Council in early June. Bringing these items to Council well ahead of the deadline allows for time to make amendments prior to final approval, if necessary.

#### Attachments:

- 1 – April 18, 2022 Staff Report: Policy Direction on Potential Ballot Measure to Update the Business License Tax
- 2 – April 18, 2022 Ad hoc Committee Memo: Potential 2022 tax measure to fund EMS/ALS and raise staffing to standard