

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

Agenda Date: June 17, 2024
Reviewed by: NA

SUBJECT: Proposed Authorized Adjustments to Local Taxes and Fees Collected on the Property Tax Bill for FY2024/25: Library Services Act of 1994; Supplemental Library Services Act of 2006, Emergency Medical Services, Advanced Life Support, and Fire Protection Tax; 2006 Street Paving and Storm Drain Improvement Tax; Sidewalk Parcel Tax; 2018 Parks and Open Space Parcel Tax; Annual Clean Storm Water National Pollutant Discharge Elimination System (NPDES) Service Charge; and Sewer Service Charges

REPORT BY: Reina Schwartz, Interim Finance Director
Cassandra Murphy, Finance Manager

SUMMARY

The City of Albany has several voter-approved special taxes, as well as charges and fees that are levied and collected as part of the annual Property Tax bill issued by Alameda County. To improve the administrative tracking of the annual adjustments, the City Council is recommended to 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 2024/25. 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 adopt Resolution No. 2024-46 confirming Fiscal Year 2024/25 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 approved special 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, Advanced Life Support, and Fire Protection Tax
4. 2006 Street Paving and Storm Drain Improvement Tax
5. 2018 Parks and Open Space Parcel Tax
6. Sidewalk Parcel Tax
7. Annual Clean Storm Water NPDES Service Charge
8. Sewer Service Charges

DISCUSSION

NBS has advised staff that the 2024/25 potential annual adjustment for taxes and fees that contain an annual adjustment provision would increase 3.66% for taxes and fees with a December CPI adjustment and 3.767% for taxes and fees which provided for an April CPI adjustment. For some taxes, these rates exceed the cap set on increases by the individual tax measure. In these cases, the increase has been limited to the cap imposed by voters. 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 maximum fee approved in the previous fiscal year (Fiscal Year 2023/24) by the “annual adjustment factor” (3.66% or 3.767%), or cap, whichever is less. 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 to ensure the proper use and accounting for the revenue generated. Staff has analyzed funding required in Fiscal Year 2024/25 based on projected revenue and expenses and presented these estimates in the biennial budget package adopted in June 2023. This requires an analysis of estimated revenue, estimated expenditures (both operational and capital), and any deficit or surplus funds collected in previous years. The purpose of this analysis is to determine whether an adjustment to the applied 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 to the applied rate is required for the current year and the change in the CPI next year is 1.0% – at that time the rate could increase the equivalent of 4.66% (3.66% FY 2024/25 plus 1.0% in FY 2025/26).

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 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
Library Services Act of 1994	\$ 69.22	\$ 96.53	\$ 69.22	Zero
Supplemental Library Services Act of 2006	\$ 28.36	\$ 39.91	\$ 28.36	Zero

Staff reviewed the estimated Library revenue and expense for the current year, Fiscal Year 2024/25, as well as potential capital expenditures related to the library facilities. While in both years the current tax rate is projected to produce expenses more than revenues for the Library Fund, there is sufficient fund balance to cover the budgeted deficit as well as maintain a fund balance reserve for unexpected expenses. Due to reduced costs during the COVID-19 pandemic, the Library Fund will have accumulated net assets of approximately \$670,000 as of June 30, 2024. It is ideal to have a balance of at least \$200,000 in reserve for cash flow and emergency purposes and staff does not consider lowering the balance through planned budget deficits and capital expenditures unreasonable.

Emergency Medical Services, Advanced Life Support, and Fire Protection Tax

FUND 1002	Annual 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
Emergency Medical Services (EMS) Fund	\$0.074 per square foot	\$ 0.077 per square foot	\$0.077 per square foot	\$0.003 per square foot

The Emergency Medical Services (EMS) Fund was created to track the costs of providing EMS within the City. Prior to fiscal year 2023/24, the fund contained revenue from the City’s two parcel taxes dedicated to emergency medical services: the Emergency Medical Services Special Tax; and the Paramedic Advanced Life Support (ALS) Fire Engines and Ambulance Special Tax. In November 2022, voters approved the repeal of those two taxes, replacing them with the Emergency Medical Services, Advanced Life Support, and Fire Protection Tax.

The Emergency Medical Services, Advanced Life Support, and Fire Protection Tax can be found in the City’s municipal code §4-7 as a replacement for the prior taxes, mentioned above. The tax imposed was intended solely for the purpose of dedicating revenue for the City’s operation of paramedic and ambulance transport services. The cost for the City to provide emergency and transport services exceeds the revenues generated from the fees for providing the service so the repeal and increase of the taxes was passed to ensure future funding for the City’s EMS program. The change also extended the purpose of the tax to include firefighting services and equipment.

Fiscal year 2023/24 was the first year the tax was collected; FY2024/25 will be the first year implementing a rate adjustment pursuant to the terms of the measure. The maximum rate allowed to be collected is increased by the lesser of the increase in the San Francisco Bay Area Consumer Price Index or 5%. The City Council may set rates lower than the maximum rate if it is found that the additional funds are not needed in any given year. Proposed rates for fiscal year 2024/25 are set forth below:

2006 Street Paving and Storm Drain Improvement Tax

FUND 2006	Annual 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
2006 – St. & Storm Drain Improvement	\$ 154.02	\$ 159.66	\$ 159.66	\$ 5.64

The Albany Street Paving and Storm Drain Facility Improvement tax was authorized by 2006 Measure F. The tax is detailed in municipal code §4-10 which states the tax revenue shall be used for the repair, rehabilitation, and other improvements needed for streets and storm drains. The fund supports major City capital improvement efforts including the Annual Storm Drain Rehabilitation Program (CIP No. 35000), updates to the Watershed Management Plan, and the Annual Street Rehabilitation Program (CIP No. 21000).

The code provides for increases in the tax rate imposed by the City. The increases are determined by applying the cost-of-living adjustment for the San Francisco Bay Area, as published in the Consumer Price Index by the US Bureau of Labor and Statistics, to the previously determined maximum rate. The increase is capped at 5%. Staff is recommending the full adjustment of tax as outlined above.

2018 Parks and Open Space Parcel Tax

FUND 1306	Annual 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
2018 – Parks and Open Space	\$ 74.03	\$ 75.51	\$ 75.51	\$ 1.48

This tax, passed by voters in November 2018, replaced the 1996 Landscape and Lighting Assessment District tax. The tax is intended to cover repairs and maintenance in City parks and open space. The fund has supported an increase in parks maintenance as well as maintaining a balance for future capital projects. More information about how the money is being used can be found in the Biennial Budget Booklet or online at

<https://www.albanyca.org/departments/finance-administrative-services/parks-open-space-parcel-tax>.

The code provides for increases in the tax rate imposed by the City. The increases are determined by applying the cost-of-living adjustment for the San Francisco Bay Area to the previously determined maximum rate. The increase is capped at 2% annually. The code specifies that the rate cannot decrease except by voter action. The full 2% adjustment is recommended for FY2024/25.

2016 Sidewalk Parcel Tax

FUND 1305 2016 Sidewalk Parcel Tax	Parcel Size (Square Feet)	Annual 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
Single-family Residential	2,501-5,000	\$ 43.14	\$ 44.01	\$ 44.01	\$ 0.86

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

Annual revenue from this tax is estimated in the current year to be approximately \$230,000. 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 to pedestrians, including people with disabilities that affect mobility. This parcel tax will sunset in fiscal year 2025/26.

Annual Clean Storm Water NPDES Service Charge

FUND 1601	Annual 2023/24 Maximum Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
Annual Clean Storm Water NPDES Service Charge	\$41.62	\$41.62	\$41.62	Zero

The Storm Drain/National Pollutant Discharge Elimination System (NPDES) fund is supported by a fee established in 1992, last updated in 1998, with no current mechanism to increase fees on an annual basis. In accordance with the City’s Sewer and Storm Water Code (Chapter 15-4.9) revenue from this fee is used for enforcement, implementation, and administrative overhead associated with the Urban Runoff Clean Water Program or associated documents including the Watershed Master Plan. The City programs revenue to support programs and activities used to prevent non-point source pollution, specifically operations and maintenance of the City’s Storm Drain system.

As shown in the adopted FY2023/24 and FY2024/25 biennial Budget, current expenses exceed current revenues requiring use of fund reserves to cover ongoing costs. A fee study is planned within the next biennium to ensure the rate assessed is sufficient to support ongoing operations as well as needed infrastructure repair and replacement.

Annual Sewer Service Charge

FUND 4001	Annual 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
Annual Sewer Service Charge	\$638.17	\$ 638.17	\$ 638.17	Zero

The Sewer Service Charge funds are used to pay for annual maintenance and operating costs; annual debt service payments 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. As such, no adjustment is available at this point. Staff plan on conducting another fee study in the coming biennium to adjust fees for future operation and capital needs.

SUMMARY

Staff recommends that the City Council confirm the proposed Fiscal Year 2024/25 rates as presented. The Exhibit attached to the Resolution contains a column for the maximum rate as adjusted, as well as the proposed applied rate. Tax rates must be adopted by the City 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

Each of these fees and taxes are tracked in separate funds to ensure that the monies collected are only expended for the stated purposes. Where necessary, staff will adjust the Fiscal Year 2024/25 Budget based on the recommended revenue adjustments as discussed above.

Attachment:

1. Resolution No. 2024-46 with Exhibit A adjusting the Fiscal Year 2024/25 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. 2024-46

**A RESOLUTION OF THE ALBANY CITY COUNCIL ADJUSTING
THE FISCAL YEAR 2024/25 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 3.66% percent change in the Consumer Price Index for December 2022 - December 2023 and a 3.767% percent change for April 2023 – April 2024 or applicable maximum rate as dictated by Ordinance; and

WHEREAS, the projected revenues and expenses for each of the subject taxes are incorporated within the FY2024/25 Adopted Budget.

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 2024/25 tax roll.

JOHN MIKI, MAYOR

ATTACHMENT:
Exhibit A – Schedule of Approved Rates

Exhibit A

Maximum and Proposed 2024/25 Rates

FUND 1401	Annual 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
Library Services Act of 1994	\$ 69.22	\$ 96.53	\$ 69.22	Zero
Supplemental Library Services Act of 2006	\$ 28.36	\$ 39.91	\$ 28.36	Zero

FUND 1002	Annual 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
Emergency Medical Services (EMS) Fund	\$0.074 per square foot	\$ 0.077 per square foot	\$0.077 per square foot	\$0.003 per square foot

FUND 2006	Annual 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
2006 – St. & Storm Drain Improvement	\$ 154.02	\$ 159.66	\$ 159.66	\$ 5.64

FUND 1306	Annual 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
2018 – Parks and Open Space	\$ 74.03	\$ 75.51	\$ 75.51	\$ 1.48

FUND 1305	Parcel Size (Square Feet)	Annual 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
2016 Sidewalk Parcel Tax					
Single-family Residential	0-2,500	\$30.81	\$ 31.43	\$ 31.43	\$ 0.62
	2,501-5,000	\$ 43.14	\$ 44.01	\$ 44.01	\$ 0.86
	Over 5,000	\$ 55.47	\$ 56.58	\$ 56.58	\$ 1.11
Condominium / Townhome	Per Unit	\$ 17.25	\$ 17.60	\$ 17.60	\$ 0.35
Multi-Family Residential	Per Unit	\$ 17.25	\$ 17.60	\$ 17.60	\$ 0.35
Non-Residential	0-5,000	\$ 55.47	\$ 56.58	\$ 56.58	\$ 1.11
	5,001-10,000	\$ 80.24	\$ 81.85	\$ 81.85	\$ 1.60
	10,001-20,000	\$ 86.28	\$ 88.01	\$ 88.01	\$ 1.73
	20,000 and above	\$ 98.79	\$ 100.77	\$ 100.77	\$ 1.98

FUND 1601	Annual 2023/24 Maximum Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
Annual Clean Storm Water NPDES Service Charge	\$41.62	\$41.62	\$41.62	Zero

FUND 4001	Annual 2023/24 Rate	Annual 2024/25 Maximum Rate	Annual 2024/25 Applied Rate	Approximate Change
Annual Sewer Service Charge	\$638.17	\$ 638.17	\$ 638.17	Zero