

REVENUE DECISION POINTS

R-1 – Increase Business License

Overview

The topic of business licenses has been brought up on multiple occasions through discussion during Task Force meetings and in member correspondence asking for more information. The following is an overview of Dublin's Business License fee, what flexibility the city has in terms of increases/decreases in the fee and how Dublin compares to the rest of the Tri-Valley area.

Most Important: The City of Dublin Business License is a fee not a tax.

There have been many inquires about revenue the City could generate by increasing the cost of Business Licenses fees to certain benchmarks such as \$100 or \$200. However, since this is a fee rather than a tax, the maximum the City can charge is equal to the cost of providing the service (i.e., to issue licenses and renewals, and to maintain the database) and is determined by a User Fee study. The current maximum fee the City can charge is \$72.85 as determined by the City's 2012 User Fee study. The City is currently undertaking a new User Fee Study which will give us an updated cost of this service.

The current fee is \$50.00 and is Pro-Rated.

A User Fee Study determines how much it cost for a City to perform a service or task, which per Prop 218, with few exceptions, is the maximum a City may charge. The City does have flexibility when it comes to charging less than the full fee. During the adoption of the Master Fee Schedule, the City Council decided to set the Business License Fee at \$50.00 "to encourage compliance and support economic development". In addition, the fee is prorated at \$4.17 per month if a business license is obtained for a partial year (business licenses must be renewed annually on the Federal Fiscal Year – October 1 – September 30).

Based on data provided during the last User Fee Study, the average fee paid was \$42.50, due to prorating the fee.

Estimated General Fund Subsidy

Based on the projected revenue for FY 2017-18 generated from Business License Fees, and the \$72.85 total cost as calculated in 2012, the City is currently subsidizing this service by **\$121,400**. Approximately \$30,000 of the subsidy is due to prorating.

Items for Consideration

Consider 1) whether the General Fund should subsidize the cost to provide Business Licenses; and 2) whether to prorate the Business License Fee for a partial year.

R-2: Increase Park Use Fees

Overview

In the FY 2015-16 the City spent \$2,624,000 on parks and open spaces.

Maintenance	\$1,923,000
Utilities	\$701,000
Total	\$2,624,000

During the same period, the City received \$249,300 in revenue for rental of sports fields and picnic areas.

Sports Field	\$219,000
Picnic Area	\$30,330
Total	\$249,330

The City charges field rental fees based on a tiered system. Note: this does not include all fees such as lighting and synthetic turf.

Tier	Dublin Rates	Pleasanton/San Ramon (Avg)*
Tier 1: Public Agencies Serving City	\$7.00	\$14.52
Tier 2: Dublin Sports League Organizations	\$7.00	\$14.52
Tier 3: Non-Profit Organizations	\$16.80	\$17.00
Tier 4: Residents	\$21.00	\$15.40
Tier 5: Non-Residents	\$25.20	\$24.75
Tier 6: Commercial Residents	\$33.60	\$23.56
Tier 6: Commercial Non-Residents	\$40.30	\$27.25

*Both Pleasanton and San Ramon uses a similar tiered fee system, but the categories that each tier incorporate do not line up exactly as Dublin's, such as Pleasanton and San Ramon not having a specific category for sports leagues, therefore these figures represent Staff's best estimate. For a detailed breakdown of these cities fee please see Attachment A.

Revenue generated in Dublin by each tier is as follows:

Tier	% of Field Usage	Estimated Revenue
Tier 1	1.45%	\$3,165
Tier 2	87.63%	\$191,901
Tier 4	1.66%	\$3,626
Tier 5	9.14%	\$20,006
Tier 6: Non-Residents	0.14%	\$302
Total		\$219,000

Items for Consideration

Based on usage, for every dollar that all fees are increase for all tiers, assuming no reductions in field rentals, the City would receive an additional **\$28,883**.

<u>Tier</u>	<u>\$1.00 Increase Additional Revenue</u>
Tier 1	\$459
Tier 2	\$27,419
Tier 3	\$0
Tier 4	\$180
Tier 5	\$797
Tier 6 – Resident	\$0
Tier 6 – Non- Resident	\$29
Total	\$28,883

R-3: Increase Park Non-Resident Fees

Overview

The City of Dublin currently charges non-Dublin residents 20% more than Dublin residents for Parks and Recreation classes. This premium is consistent with the Tri-Valley area.

In Fiscal Year 2015-16, the Parks and Community Services Department's (PCS) program revenue was as follows:

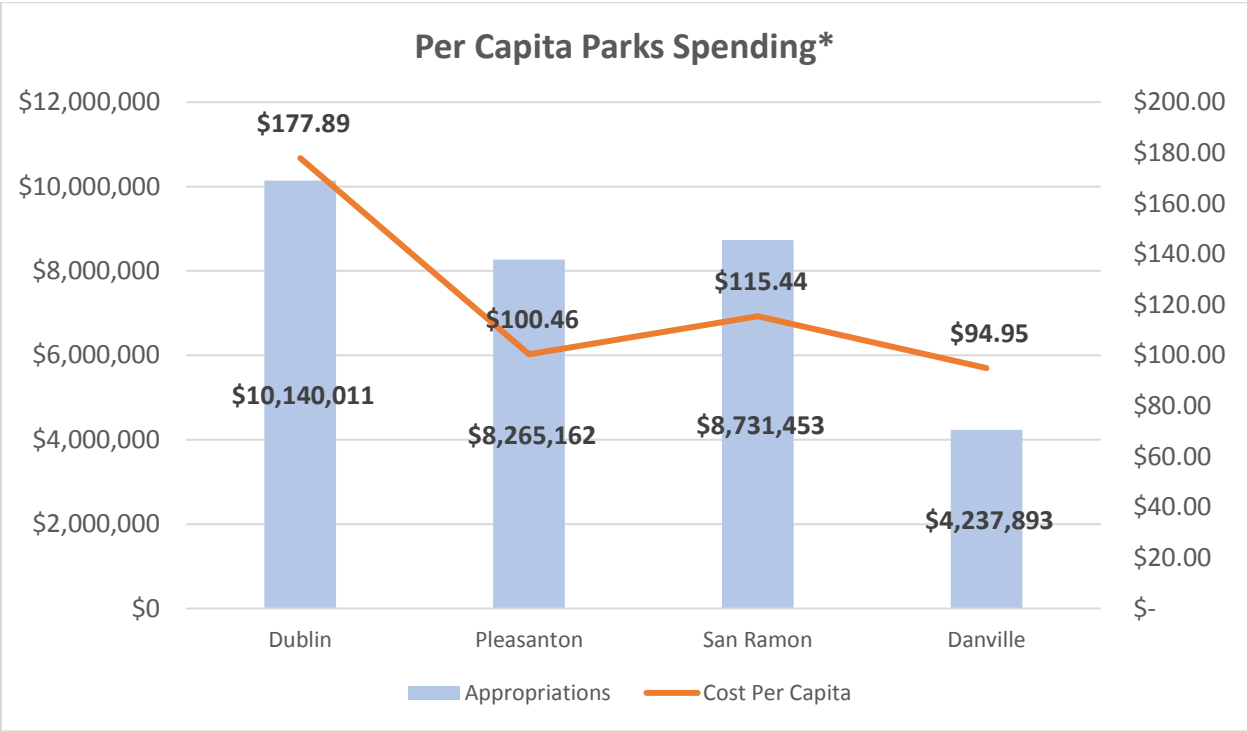
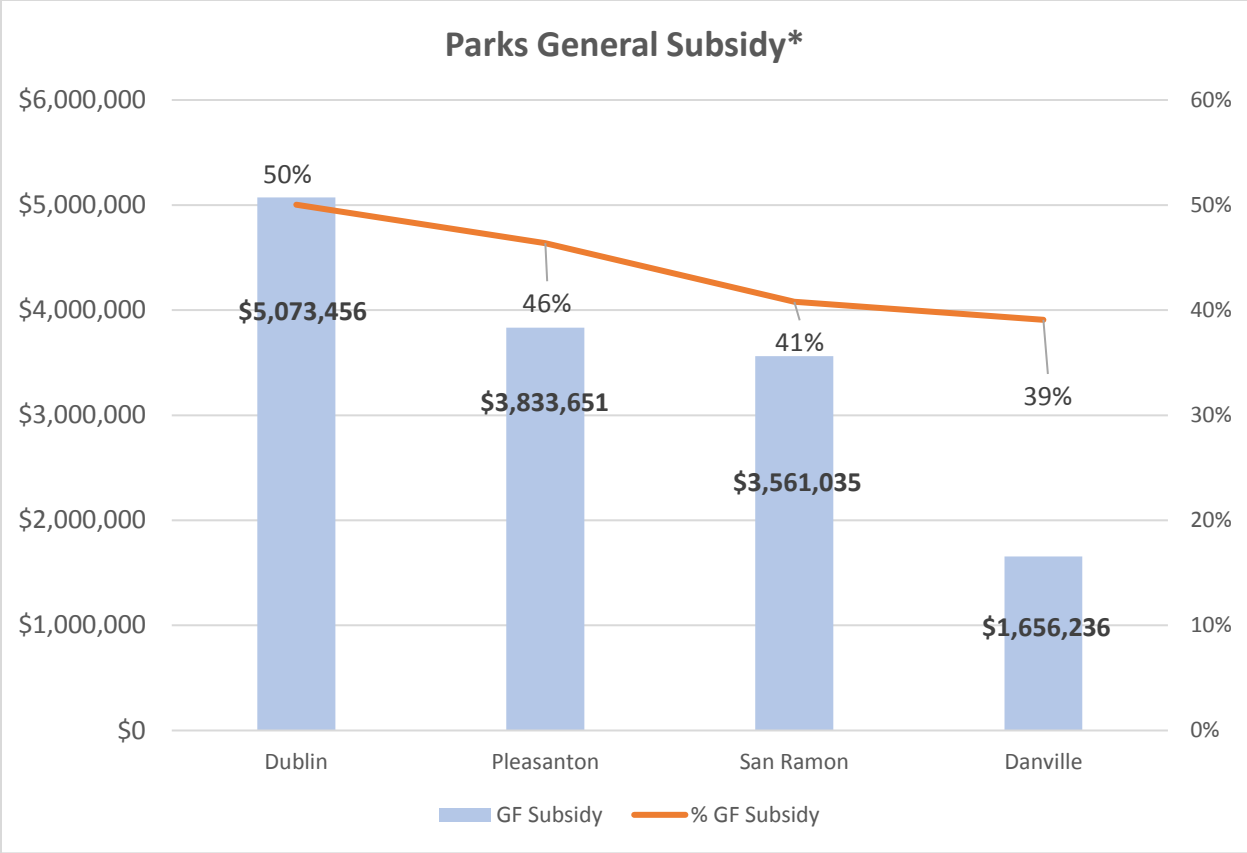
Revenue Source	Amount
Cultural Activities	\$5,423
Heritage Center Programs	\$14,364
Family Programs	\$748,950
Recreational Activities	\$503,508
Preschool Programs	\$363,212
Senior Programs	\$110,463
Sports Programs	\$849,202
Aquatic Programs	\$237,369
Total	\$2,832,495

Based on data from PCS, non-residents make up roughly 15% of total program registrations. Assuming 15% Non-Residents across all program categories, including the 20% premium, Non-Resident revenue would be approximately \$500,000. For every 1% that Non-Resident rates were increased, Dublin would receive an additional \$25,000 in revenue. Note: this assumes no reduction in registrations.

Non-Resident Rate	Increased Revenue	Estimated Total Revenue
Resident + 20%	\$0	\$500,000
Resident + 21%	\$25,000	\$525,000
Resident + 22%	\$50,000	\$550,000
Resident + 23%	\$75,000	\$575,000
Resident + 24%	\$100,000	\$600,000
Resident + 25%	\$125,000	\$625,000

Local Rec Program Premiums for Non-Residents

City	Non-Resident Rate
Pleasanton	Non-Resident 10% increase in costs
Danville	Non-Resident 20% increase
Dublin	Non-Resident 20% increase
San Ramon	Non-Resident 25% increase



*Does not include the cost associated with the Dublin Library

Items for Consideration

Should the City increase the Non-Resident premium, and if so, to what level?

R-4 – Increase overall cost recovery for City Programs

Overview

The City recovers costs for City programs/services through user fees. The City's User Fee Cost Recovery Policy requires the completion of a comprehensive User Fee Study every five years to assure that these user fees reflect the City's underlying costs. Furthermore, the Policy states that "absent reasons to the contrary, the City will set user fees at a level to recover the total cost of delivering the related service, including indirect costs". To ensure that the fees keep pace with annual increases in City costs, the Policy includes an automatic annual increase to fees based on the consumer price index. The City is currently working with consultants on a new study, which is anticipated to be completed by the end of 2017.

After reviewing the 2011 User Fee Study, the City Council approved a fee schedule that included a City subsidy of 57 fees (including building and solar permits), at an estimated total subsidy of \$380,000. The current dollar figure of the subsidy is unknown, as the new study is not yet complete. However, the majority of the fees that are subsidized, would net little revenue to the city with the exception of two fees 1) the Business License 2) Conditional Use Permit.

Parks and Community Services Program Revenue

The above information does **not** include Parks and Community Services fees, which are set by a separate pricing policy and are not calculated through the user fee study process. The Parks and Community Services Pricing Policing (PCS Pricing Policy) was first adopted by the City Council on September 21, 2010 and revised on June 21, 2016. Where the user fee study looks to set rates at full cost recovery the PCS Pricing policy sets the goal of a 65% cost recovery minus the cost of the Library.

The General Fund Subsidy for Parks and Community Services (minus the Library) for FY 2017-18 is \$5.0 million which represents a cost recovery of 50%.

Items for Consideration

User Fees (Non-PCS):

The current User Fee Cost Recovery Policy already provides for the City to recover the City's full underlying costs including departmental and citywide overhead costs, with the exception of fees that are subsidized for reasons of economic development, resident access to programs/services and health and safety. In Addition, the Business License fee is being addressed separately and increasing the Conditional Use Permit fee would directly affect Dublin resident access to service.

PCS Fees:

Does the Task Force want to recommend an adjustment to the current Pricing Policy of 65%?

R-5: Increase Commercial Growth / Increase “Buy Dublin” Efforts

Overview

The City of Dublin already employs a robust economic development strategy, which includes a “Buy Dublin” effort and which was developed with the help of Economic & Planning Systems, Inc and stakeholders from all facets of the business community. A copy of the report detailing the economic development strategy has been distributed to the Task Force. The City believes that any additional efforts will not result in any new bankable revenue for the City and as such recommends that the current efforts continue.

Items for Consideration

Staff is providing this as an informational item.

R-6: Increase Sales Tax

Overview

The Sales Tax rate in the City of Dublin is 9.25%, allocated to various agencies as follows:

Sales Tax Break Down (Alameda County)

Rate	Jurisdiction	Purpose
3.6875%	State	State General Fund
0.25%	State	State General Fund
0.50%	State	Local Public Safety Fund (Support Local Criminal Justice)
0.50%	State	(1991 Realignment) – Support Local Health & Social Services
1.0625%	State	2011 Realignment
1.00%	Local	City Operations
0.25%	Local	County Transportation
7.25%	Total Statewide Rate	
0.50%	Alameda County	Hospital
0.50%	Alameda County	Transportation
0.50%	Alameda County	Transportation
0.50%	Alameda County	Transportation
9.25%	Alameda County Rate	

Since the passing of Prop 13, the options for cities to generate revenue have continually declined or become much more difficult. One option agencies have is to seek a voter-approved increase to the Sales Tax rate, the proceeds from which would belong solely to the agency passing the measure.

Projected Additional Revenue in Dublin from Sales Tax Measure

% Increase	Additional Revenue
.25%	\$3.1 million
.50%	\$6.2 million

The maximum Sales Tax that can be charged in Alameda County without a legislative waiver is 9.75%.

City Sales Tax Rates in Alameda County

City	Rate
Albany	9.75%
Hayward	9.75%
Newark	9.75%
San Leandro	9.75%
Union City	9.75%
Alameda	9.25%
Berkeley	9.25%
Dublin	9.25%

Emeryville	9.25%
Fremont	9.25%
Livermore	9.25%
Oakland	9.25%
Piedmont	9.25%
Pleasanton	9.25%

Alameda County Cities with Sales Tax Increases

Albany

Type	General Tax
Rate	0.50%
Effective	April 1, 2013 – March 31, 2021
Measure	Measure F - 79.88% (Pass)
Estimated Revenue	\$1.1 Million/Annually ⁱ

Hayward

Type	General Tax
Rate	0.50%
Effective	October 1, 2014 – September 30, 2035
Measure	Measure C – 67.36% (Pass)
Estimated Revenue	\$10 Million/Annually ⁱⁱ

Newark

Type	General Tax
Rate	0.50%
Effective	April 1, 2017 – March 31, 2042
Measure	Measure GG – 61% (Pass)
Estimated Revenue	\$3.5 Million/Annually ⁱⁱⁱ

San Leandro

Type	General Tax
Rate	0.50%
Effective	April 1, 2015 - March 31, 2046
Measure	Measure HH – 64.45% (Pass)
Estimated Revenue	\$11 - \$13 Million/Annually ^{iv}

Union City

Type	General Tax
-------------	-------------

Rate	0.50%
Effective	April 1, 2011 – March 31, 2025
Measure	Measure JJ – 73.74% (Pass) – JJ extended previously approved (November 2010 m- Measure AA) tax for 10 years.
Estimated Revenue	\$4.5 Million/Annually ^v

General vs. Special Tax^{vi}

General Local Sales Taxes cannot be allocated for a specific purpose and must be approved by a majority (50%+1) of the vote in the city.

Special Local Sales Taxes are for a specific purpose and can only be used for that purposes, these are most commonly used for Police/Fire and Transportation/Streets/Roads. Special Taxes must be approved by a supermajority (66%+1).

California Local Sales Tax (Add-Ons)

As of April 1, 2017 California had 176 cities with approved Local Sales Taxes; 27 were Special Taxes.

Rate	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
#	13	84	18	53	2	5	1

From 1995 through November 2016 (537) proposals for local Sales Taxes have been submitted to the voters (City and County)

	General Tax	Special Tax
Proposed	324	213
Approved	230	92
%	71%	43%

Cities general purpose taxes have shown a greater rate of success that county measures passing 76% (224/295) of the submitted measures. Approximately half of the special purpose taxes submitted by cities have passed 50% (40/79). Sales Taxes structured as a majority vote has and continues to be the most popular and successful revenue tool for cities, in part to due to the lower threshold for approval.

Sales Tax Recession Impact

The following projection includes what could happen in a mild economic downturn and is similar in scale to the recession of the early 2000's. The projection takes into consideration the City's heavy reliance on automotive sales. The below figures are already calculated into the City's 10-year forecast.

2016-17 Projected	2017-18 Budgeted	2018-19 Projected	2019-20 Projected	2020-21 Projected	2021-22 Projected
\$20,666,260	\$20,296,801	\$20,615,327	\$20,446,605	\$21,742,279	\$22,297,711

Items for Consideration

Would the Task Force consider recommending a City Sales Tax Measure? If so, what level and type of Sales Tax increase would best serve the City?

Does the Task Force want Staff to bring back information related to other tax mechanisms? (TOT, UUT)

R-7: New Public Works Revenue

Overview

Special Districts are a common tool for agencies to finance the operating cost of maintaining streetlights, landscaping, general maintenance, and other related items, or the capital cost of infrastructure, in specific areas.

Types of Funding

Districts are required to be approved by the property/landowners who will benefit from the improvements, although the voter approval threshold and process vary by district. The following is a list of the most commonly used forms of Special Districts.

Type	Description
Benefit Assessment District	Benefit Assessments are commonly used by local government to pay for fire suppression, sewer, sanitation and flood control services. (Government Code 54710)
Geological Hazard Abatement District	Provides a vehicle for property owners to finance and share the potentially high costs of preventing and controlling geologic threats to properties (Public Resources Code 26500)
Abatement Districts	Created to pay the costs of preventing and controlling threats to public health and property. Two most common: 1) Mosquito Abatement District 2) Vector Control Districts (California Health and Safety Code 2200)
Business Improvement Districts	Allows business owners to approve an assessment to pay to increase services and promote their district. (Streets & Highways Code 36500 & 36600)
Mello-Roos Community Facilities District	Allows for financing of public improvements and services, including streets, sewer system and basic infrastructure, police protection, fire protection, ambulance services, and parks (Government Code 53311-53368.3)
Community Rehabilitation Districts	Created to finance the rehabilitation, renovation, repair or restoration of existing public infrastructure, but cannot be used to pay for maintenance. (Government Code 53370)
Maintenance District	Create to finance the costs of maintaining open space, parks, playgrounds and other public areas. (Government Code 50575)
Landscaping and Lighting Districts	Created to pay the costs of landscaping and lighting public areas and to finance parks, open space and community centers

The City currently has the following Special Districts:

Landscape and Lighting

- 1983-1 Street Lighting
- 1983-2 Stagecoach Landscape
- 1986-1 Dougherty Landscape
- 1997-1 Santa Rita Landscape
- 1999-1 East Dublin Street Lighting

Geologic Hazard Abatement Districts

- Schaefer Ranch
- Fallon Village Annex/Jordan Ranch
- Fallon Crossing

Mello-Roos Community Facilities Districts

- 2015-01 Dublin Crossing
- 2017-01 Dublin Crossing (Public Services)

In addition Dublin Residents reside in one or more Mosquito and Vector control abatement districts, which are not controlled by the City.

Items for Consideration

Staff is providing this as an informational item.

R-8: Full Cost Recovery for Residential Solar Permits

Overview

Residential Solar Permits

The City's current residential Solar permit fee is \$250, for any size system. This fee was set by City Council as part of the City's green building program to enhance public health and welfare by encouraging green building measures in the design, construction and maintenance of buildings. The full cost as calculated as part of the 2012 User Fee study was \$327.

The City's permit fee is currently below the State maximum as set by SB 1222 which states, residential rates have a max fee of \$500 for a 15Kw system or less and \$15 for each KW above the 15KW.

Commercial Solar Permits

SB 1222 set the commercial rate for permit fees at a max of:

Size	Amount
Up to 50Kw	\$1,000
51Kw to 250 Kw	\$7.00 for each additional Kw
251Kw and above	\$5.00 for each additional Kw

The City's Commercial permit fee rate is **not** subsidized and is as follows, \$972 (for one inverter and up to ten panels); \$110 per additional inverter; and \$125 per each additional 100 panels. When a permit is processed in the City system, the database calculates the City fee and the State maximum fee. Should the City fee be higher, the system will charge the applicant only up to the State maximum.

In FY 2015-16 the City received:

Fee Type	Number of Permits	Revenue
Commercial	6	\$7,820
Residential	524	\$131,000
Total	530	\$138,820

Estimated General Fund Subsidy

Based on the number of permits, the City is subsidizing this service by **\$40,348**. **Please Note:** The subsidizing of the residential solar permit fee is part of the City's Climate Action Plan which addresses targets established by SB 350 to reduce greenhouse gas emissions to 40% below 1990 levels by 2030.

Items for Consideration

Would the Task Force like to consider recommending increasing the cost recovery to a level closer to the maximum allowable?

ⁱ Revenue Estimate derived from City of Albany Operating Budget

ⁱⁱ Revenue Estimate from Measure C campaign literature

ⁱⁱⁱ Revenue Estimate from Ballot Question as appearing on Ballot

^{iv} Revenue Estimate provided by City Budget Document

^v Revenue Estimate provided by City Budget Document

^{vi} "The Rise of Local Add-On Sales (Transactions and Use) Taxes in California, Michael Coleman. March 22, 2017