

Agenda Report

TO: CITY COUNCIL
ATTN: FINANCE COMMITTEE

DATE: May 11, 1998

FROM: ACTING CITY MANAGER

SUBJECT: SCHEDULE OF TAXES, FEES AND CHARGES

RECOMMENDATIONS

It is recommended that the City Council reject scheduled rate increases in the Construction Tax, Utility Users' Tax-Electric, Utility Users' Tax-Water, Underground Surtax, Street Light and Traffic Signal Tax, and Business License Tax and allow all other scheduled rate increases, as listed on the attached schedule, to stand.

BACKGROUND

Section 1.08.060 of the Pasadena Municipal Code provides that all taxes, fees and charges in the Code be adjusted on July 1 of each year to reflect changes in the Consumer Price Index (CPI) during the 12 months ending the preceding March 1. The Code requires the Director of Finance to compute the changes and submit them by May 15 of each year for City Council review. The Council may reject, but may not modify, any or all adjustments before ordering the report filed, at which time those changes which have not been rejected will automatically be implemented. The actions to reject must take place by June 30.

The Consumer Price Index (CPI) for all Urban Consumers in the Los Angeles-Long Beach Metropolitan areas increased by 1.9% between March 1, 1996, and March 1, 1997. It also increased by 1.2% between March 1, 1997, and March 1, 1998. The attached list is accordingly submitted showing the current rates of all taxes, fees and charges affected by these provisions, and the adjusted rates which would take effect July 1, 1998. The Council will note that Water and Power rates and charges are not included. Also, user charges for services included in the City's General Fee Schedule are not affected by the recommended action since these are not restricted to CPI increases but may be changed to whatever rate is necessary to ensure that fees cover costs. The Council will be asked to act on the General Fee Schedule as part of a separate future agenda item.

In FY 1997 and FY 1998, the Council made no changes to the Schedule of Taxes, Fees, and Charges because Proposition 218 (Limitation on Fees, Assessments, and Charges) was passed by the voters. An interpretation of the law was needed before any increases could be recommended. Staff has since been informed that cities may continue to increase taxes by the Consumer Price Index (CPI). It is because of this ruling that this recommendation includes increases in the CPI for the last two years.

For FY 1999, staff is recommending that the Council reject the increases in the Utility Users' Tax for Electric and Water, Underground Surtax, Construction Tax, Street Lights and Traffic Signal Tax, and Business License Tax. Staff also recommends that the proposed Transient Occupancy Tax (TOT) increase be split 60%-40% with the Pasadena Center Operating Company (PCOC receives 60% and the City receives 40%). Prior Council policy has been to pass any increase in the TOT base (9.82%) to the Pasadena Center Operating Company for capital maintenance.

The current Utility Users' Tax rate on water and electric is 7.5%. The current rates for telephone, gas, and cable are 7.86%, 7.5%, and 8.92% respectively. Staff surveyed other cities to compare the rates charged for utility user tax. The following information represents a comparison of the cities that were surveyed (most cities have one rate for all UUT taxes): Burbank - 7.00%, Glendale - 7.00%, Long Beach - 10.00%, Santa Monica - 10.00% and Torrance - 6.50%. The average rate of the cities surveyed is 8.10%. To promote the City and to be competitive with other cities, Staff is recommending that the Construction Tax, Underground Surtax, and Business License Tax not be increased.

FISCAL IMPACT

Implementation of all scheduled rate adjustments except for the Utility Users' Tax-Electric, Utility Users' Tax-Water, Underground Surtax, Construction Tax and Business License Tax would increase estimated revenues for FY 1999 by the following amounts:

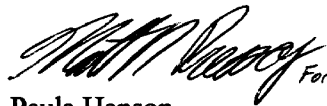
Sewer and Storm Drain Fund	\$ 99,000
General Fund	\$100,000

These scheduled increases have not been included in the FY 1999 Recommended Operating Budget. Though not recommended, Council approval of the Utility Users' Tax - Electric and Water, Underground Surtax, Construction Tax and Business License Tax would result in an additional \$227,000, \$87,000, \$47,000, and \$93,000 respectively to the General Fund.


Respectfully submitted,


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