October 3, 2023

City Council of Piedmont, California
Mayor Jennifer Cavenaugh, Vice Mayor Betsy Smegal Andersen, Councilmember Conna McCarthy, Council Member Jennifer Long, Council Member Tom Ramsey

Re: 2023 Report of the Piedmont Budget Advisory and Financial Planning Committee – Municipal Services Tax

Dear Mayor Cavenaugh and Honorable City Council:

We are pleased to present our report concerning the renewal of the Municipal Services Special Tax. Our Committee completed substantial investigations and analyses concerning the City's financial position. Our objective was to review and analyze areas we found most pertinent and make recommendations, not only as the renewal of the tax and possible duration, but also in areas where we thought the City could benefit long term.

To improve the readability, this report contains an executive summary with our recommendations as well as 4 parts with associated appendices, concerning Financial Projections and Analysis, Comparative Analysis, Long Term Liabilities and Expenditures and Real Property Transfer Tax as an Additional Revenue Source.

In preparing this memorandum, the Committee met several times with Mayor Jennifer Cavenaugh, Vice Mayor Betsy Smegal Andersen, City Administrator Rosanna Bayon Moore, Finance Director Michael Szczech, and Director of Public Works Daniel Gonzales, and we would like to thank them for their efforts.

Please let us know if you have any questions or would like any additional analysis.

Thank you,

Frank Ryan

Piedmont Budget Advisory and Financial Planning Committee

Frank Ryan, Chair
Murat Bozkurt, Andrew Flynn, David Kimball, Robert McBain, Paul Raskin, Vanessa Washington
Alice Cho (alternate)

Report of the Budget Advisory and Financial Planning Committee

Piedmont, California

October 3, 2023

Committee Members:
Frank Ryan, Chair
Murat Bozkurt
Andrew Flynn
David Kimball
Robert McBain
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Executive Summary

The Budget Advisory and Financial Planning Committee ("BAFPC" or "Committee") is pleased to present this report concerning the Municipal Services Special Tax ("Parcel Tax"). As requested by the City Council and per its charter, the Committee has analyzed the financial condition of the City and its longer term projections with the goal of recommending a level and duration of the Parcel Tax, consistent with the Committee's charge of studying and commenting on the long-term sustainable financial future of the City.

Background

As part of its charter, the Committee has been charged with providing comments on the City's financial projections contained in its annual budget proposal, the proposed funding and expenditures from several long-term funds, and periodically reviewing and commenting on the long-term sufficiency of several city funds. Under the charter, the Committee is also responsible for examining the need for the Parcel Tax and for recommending whether the tax should be continued, and if so, at what rate. The latter charge is to be accomplished not later than 18 months prior to the expiration of the Parcel Tax as set forth in the Piedmont City Code. The current Parcel Tax expires on June 30, 2025 and based on past City practice, the earliest the City Council would put the renewal of the Parcel Tax to a vote is on the March 2024 primary election ballot.

It is a cornerstone belief of the Committee that the City should operate in such a way as to spend or set aside every year the amount of funding necessary to pay for the annual costs, including depreciation, of running the City. In short, current citizens should not defer costs to future citizens.

Piedmont's parcel tax was first implemented in 1981 as a response to Proposition 13. A 2005 City Council report noted that "a quarter century of experience has proven that Piedmont cannot maintain even minimal service levels without a Parcel Tax." The Committee believes this observation generally remains true today. While the current financial results show that the City has benefitted from a strong real estate market and housing turnover, the parcel tax is still an important element of the City's revenue stream, representing approximately 7% of total revenue.

The BAFPC last analyzed the need for the continuation of the Parcel Tax in 2019. At that time, the Committee recommended continuing the Parcel Tax at least at its current rate but believed that additional funding would be needed that could be met by either increasing the Parcel Tax rate or supplementing it with an increase in other revenue sources, such as the Real Property Transfer Tax ("RPTT" or "Transfer Tax"). At that time, the City Council decided to keep the Parcel Tax at its current rate and a subsequent ballot measure to increase the Transfer Tax was not approved by the City voters in 2020.

At the time of the Committee's report in 2019, the City did not have the long-term revenues to fully maintain facilities and streets, much less upgrade them to prior levels, and the Committee believed at that time that it was inadequate financial stewardship to continue to plan for underfunding the year-to- year depreciation that occurs in the City's infrastructure and to not plan for their substantial repair/replacement. Since that time, the City has benefitted from substantial increases in housing valuations (and corresponding increases in property tax revenue) and Transfer

Tax revenues such that the long-term plan now shows funding for facilities maintenance and road repairs. However, this funding is not sufficient to allow for increased city staffing if required or for improvement in areas such as roads, sidewalks and longer-term facilities projects; in addition, the City still has several large capital projects that will not be capable of being funded from current and projected tax revenues (see discussion beginning at page 7 of the Committee's 2020 report on this topic, available here).

Conclusions

In summary, the Committee concludes the following:

- The City (City Council and staff) has continued to do a commendable job of implementing prior recommendations to control costs and improve the long-term financial health of the City.

- City finances have improved significantly as a result of these actions. In addition, the City has benefited greatly from the increase in housing valuations and house sales during the Covid pandemic and the economic recovery post-Covid, resulting in record property tax and Transfer Tax revenues.

- Under the leadership of the Finance Director and Director of Public Works, the City has developed very detailed long-term plans that cover the City's most pressing long term liabilities (pension and healthcare) and its long-term facilities maintenance needs.

- The City's long-term financial plan provides a reasonable path forward to deal with operating costs, including retiree obligations accrued and to be incurred in the future. However, the Committee concludes that the City's ability to allocate sufficient resources to maintain City infrastructure including facilities, streets and sidewalks, and meet deferred maintenance needs, has been successful only due to the favorable economic trends noted above and the City needs to develop additional revenues to offset the inevitable decline in some of these revenue numbers.

- Although not as time critical as ongoing operating cost issues, the City has significant capital projects that will need to be addressed to allow the City to continue to provide the services Piedmont citizens expect. The Committee expects the need for these projects will grow more pronounced in the coming years.

- While the post-Covid economic recovery has been strong, there are several risk factors, such as the ongoing impact of inflation, the fiscal impact resulting from the state-mandated housing element and increased demand from residents for a higher level of City services, that may negatively impact the City's long-term projections and the City will need additional revenue to offset any increase in costs.

- The City Council has managed to maintain a healthy General Fund reserve balance while addressing the needs for current City services and maintenance but at the cost of deferring many longer term maintenance needs. The City will need to continue to balance its basic operational needs with the aspirational desires of the public for improved public facilities, including its public safety, parks, and recreation facilities. Some of these potential projects would require significant public investments, adding to the burden on Piedmont taxpayers.

Given these conclusions, the Committee has developed the following recommendations.

Recommendations

The Committee's recommendations are as follows:

1. Continue the City's Parcel Tax to fund the City's operating expenses and maintain the quality services which its residents expect. The continued need for the Parcel Tax is demonstrated from the Committee's review of the City's recently provided ten-year General Fund financial projections and the City's facilities maintenance needs. The Committee found sufficient infrastructure and operational needs to justify, at a minimum, continuation of the Parcel Tax at its current rate.

   The Committee also believes the City will need additional revenue to fund capital needs, public expectations for higher services and unplanned cost increases. This additional revenue could be achieved by increasing the current Parcel Tax rate or by supplementing the Parcel Tax with an increase in other revenue sources, such as the Transfer Tax (see Part 4). Should City revenue exceed needs in future years, the Committee expects the City Council to respond, as it has done in the past, by temporarily reducing or suspending the Parcel Tax, as is within the City Council's annual discretion. The Committee also examined additional potential revenue sources, as requested by the Council, but ultimately determined the Parcel Tax and Transfer Tax represented the most appropriate funding sources for the City at this time.

   In considering potential revenue sources, in addition to the Parcel Tax, the Committee focused on the Transfer Tax for two reasons. First, whereas property tax rates in Piedmont are comparable to or higher than neighboring and comparison cities, the Transfer Tax rate is lower than Oakland and Berkeley, presenting an opportunity to increase City revenue. Second, while the Transfer Tax revenue is highly volatile and thus not a dependable source to fund operating costs, that volatility is manageable when the revenue is contributing to a long-term funding need such as infrastructure.

2. Consistent with its prior 2019 report, the Committee believes the current four-year term for the Parcel Tax in insufficient given the importance of predictable funding to pay for existing and future operational and maintenance needs, and to allow the City to do longer-term planning. In addition, as noted in Part 2, (i) most parcel taxes in Bay Area communities (including comparison communities), as well as those proposed in recent years, including for comparison communities, either have no sunset or are for much longer durations than the four-year period historically used in Piedmont. Therefore, the Committee believes the City Council should consider renewing the Parcel Tax for a longer term, such as between six and twelve years, or to make the Parcel Tax permanent.

3. The City and the Piedmont Unified School District should form a joint committee to look at long-term capital needs and funding as well as to coordinate taxation on City residents, many of whom may not be aware that the school district and the City are distinct entities, each with their own taxing authority, subject to voter approval.

The remaining sections of this report provide further details and information on the Committee's recommendations, including commentary and analysis of the City's financial projections, how Piedmont property taxes compare to other similar municipalities, long-term liabilities and expenditures, and potential other revenue sources for the City.

Part 1

Financial Projections and Analysis

The Committee has reviewed the 10-year general fund projections (See Appendix A) recently provided by the City staff as part of the recent budget discussion. It is important to note that the projections assume the continuation of the Parcel Tax and its revenue.

In the short term, the projections show revenue growing at a rate of 6.4% and expenditures growing at a rate of 11.1% in fiscal year 23-24 compared to fiscal year 22-23. This revenue is higher than normal due to a one-time increase in Revenue from Other Agencies due to the recognition of American Rescue Plan (ARPA) funds. The expenditures are higher due to significantly higher costs in three major areas, including Planning & Building associated with the Housing Element work, Fire Dept budgets and Benefits & Payroll Tax budgets. However, the long-term projections show a more normal growth rate in revenue and expenditures. Table 1 below shows the long-term revenue and expenditure growth assumptions over various periods.

Table 1: General Fund Revenue & Expenditure Growth

Category	Last 30 Years	Last 10 Years	Projected Next 10 Years
Annual Revenue Growth	5.30%	5.70%	3.00%
Annual Expenditure Growth	4.70%	4.00%	3.50%

Note – Expenditures do not include capital transfers.

The historical data and projections for the next 10 years show a close link between revenue growth and expenditure growth, which is to be expected. In our opinion, however, the projected revenue growth numbers are potentially understated as the City has taken a conservative position by forecasting the Transfer Tax to fall back to the levels seen in 2019-20 and to remain consistent over the next 10 years at $3.4 million. While a decrease from the approximately $6M in 2020-21 and 2021-22, and $4.7M in 2022-23 is to be expected, especially in an era of 7% mortgage rates, the Committee expects housing sales and housing valuations to ultimately cause the transfer tax to increase from this conservative number.

Property taxes

Table 2 below shows the various components of the Piedmont general fund revenues for the current budget year 2023–24, as well as average growth rates and deviations over the past 15 years. The chart leads to several observations:

1. Property related revenues, including Property Tax, Transfer Tax and Parcel Tax, are expected to provide approximately two-thirds of the total general fund revenues in the

fiscal year 2023–24, and growing to 70% in future years. This level has been consistently between 65-75% over the past 20 years.

2. The largest component of revenue, Property Tax, has continued to grow, reflecting the substantial appreciation in housing prices over the past 15 years and continued strong housing sales. In addition, property tax revenue has very low volatility.
3. Transfer tax growth rates are by far the most volatile of the major revenue categories. While Table 2 below shows 7.6% average growth, there has been significant volatility.

Table 2: Revenue Growth and Volatility			
Revenue Source	Fiscal Year 2023-24 Budget ($000)	% of Budget	Average Growth Rate (Fiscal Years 2008-23)
Property Tax	18,110	47.70%	4.70%
Transfer Tax	3,400	9.00%	7.60%
Parcel Tax	2,622	6.90%	3.8% ①
Other Taxes & Franchises	2,963	7.80%	1.80%
Licenses & Permits	759	2.00%	4.50%
Revenue from Uses of Money & Property	868	2.30%	5.20%
Revenue from Other Agencies	4,573	12.10%	5.60%
Charges for Current Services	4,545	12.00%	6.10%
Other Revenue	88	0.20%	36.30%
Total Revenue	37,928	100.00%	4.60%
①Parcel Tax Average Growth Rate represents 2009-2023 as there was no parcel tax levied in 2008			

The Property Tax revenue shown in Appendix A assumes a 4.9% growth per year over the next 10 years. Over the past 15 years Piedmont has not seen a decrease in property tax revenues, although these revenues were flat during the three-year recession ending with the fiscal year 2010–11. Given the significant appreciation and housing prices over the past 13 years, there will inevitably be a period of negative or slow growth in housing prices at some point.

Absent a period of significant decline and housing prices, the City can reasonably expect yearly appreciation of the assessed value of the City's housing stock to be, at a minimum, close to 2% given the number of houses in Piedmont that are undervalued for tax assessment purposes under Proposition 13, and the impact of remodeling or additions that increase the assessed value of the property. However, increases beyond this amount assume there is continued stream of house sales that increase the assessed value of property, especially the sale of houses that have been owned for 10 or more years and whose assessed value is substantially below the market value. To quantify the economic risk to the City if housing values do not increase at the expected rate, there is a loss of $23M million in property tax revenue over the next 10 years if assessed values only grow at 3% during that period.

Transfer Tax revenue remains volatile due to several factors, but primarily related to the number of home sales. In the past twenty years, annual home sales have been as high as 170 and as low as approximately 90 homes sold per year. The peak occurred in 2020-21 and has been falling since then to approximately 110 homes most recently in 2022-23. At the peak in 2020-21, the Transfer Tax revenue increased to $6.3 million in 2020-21 and has been falling since then due to lower sales volume.

While it is prudent to continue to project the $3.4 million yearly amount, the Committee again reiterates its view that an increase in Piedmont's Transfer Tax rate could be an area of significant revenue gain with the least impact on the majority of Piedmont residents, as discussed later in this report.

Expenditures

The City's expenses are heavily dominated by Personnel costs with salaries, benefits, and payroll taxes and retirement plan costs expected to comprise 63.4% of total expenditures in fiscal year 2023–24. This percentage is expected to grow towards 70% given the forecasted increase in retirement costs in future fiscal years.

The City's forecasts assume an increase in total Personnel costs, with salaries growing at approximately 3% per year on average, benefits, and payroll taxes growing at a similar rate, and the CalPERS retirement plan costs growing at 7.4% percent before factoring in the effect of the pension stabilization fund. The pension stabilization fund will reduce pension costs by $4.1 million through fiscal year 2028–29. The salary and other compensation expenses forecast reflects the current labor agreements for the remaining term. Upon the expiration of these agreements, compensation costs are assumed to increase 3.0% per year.

The City has taken significant steps to limit personnel cost over the past decade by employees assuming a greater share of the cost of medical and retirement benefits and restructuring post-retirement health insurance benefits for future employees. The City salary structure is also close to median for comparable cities in the region. However, employment conditions have changed since the last round of contract negotiations. Given the current tight labor market, the very high cost of living in the Bay Area and the recent increase in inflation, there is a risk that personnel costs will increase higher than forecasted over the next 10 years due to competitive pressures in the labor markets as the neighboring cities negotiate new labor agreements.

In prior reports, the Committee looked extensively at facilities maintenance and capital projects and street maintenance costs. Since those reports, the City has continued to devote efforts to create a comprehensive long-term facilities plan, resulting in a detailed understanding of the timing of maintenance and replacement costs. In addition, the long-term financial plan shows continued funding for the Equipment Replacement Fund and the Facilities Maintenance over the term of the plan.

While there has been improvement in the funding for facilities maintenance and items such as sidewalks and roads, there is still a lack of funding in the long-term plan for facilities capital projects. The long-term plan does not show any transfers into the Facilities Capital Fund after fiscal year 2023-24. While major capital projects can be funded through debt financing, as in the case of the pool, the City still needs additional funding for small capital projects that will not be funded by debt.

The City's long-term projections are based on the available information at this time but there are certainly risks that could impact these numbers. As noted above, there is a tight labor market, the impact of inflation, while currently moderating, continues to impact costs, the City's residents continue to expect improved services over time and there are known efforts, such as the state housing mandate, where the long-term cost impact is uncertain. Therefore, the City needs to have the financial flexibility to deal with cost increases that are not shown in the long-term plan.

Projections

The projections for operating net income show $2.2 million for the fiscal year 2023–24 before capital transfers out and operating net income remains positive for the duration of the long -term projections. After capital transfers, the General Fund balance grows from $7.4 million at the end of fiscal year 2022-23 to $9.7 million at the end of fiscal year 2031-32, which represents 21.6% of operating expenditures and 20.9% of operating expenditures, transfers out and capital transfers out.

Part 2

Comparative Analysis

Comparison of City Expenditures

The Committee reviewed per capita numbers published by the California State Controller's Office and the budget presentations of some cities to provide perspective on the level of services provided by Piedmont, as compared to the peer communities of Hillsborough, Mill Valley, Albany and Orinda. Per capital expenditures for the identified comparison communities for fiscal year 2021, the most recent year data is available, are shown in the table immediately below.

FY2021 Per Capita Expenditures - Comparison Cities				
City	Total Expenditures	Estimated Population	Expenditures per Capita	State Ranking
Hillsborough	56,096,201	11,110	$5,049	38
Mill Valley	45,984,603	14,002	$3,284	73
Piedmont	33,949,854	11,138	$3,048	83
Albany	34,405,634	20,542	$1,675	247
Orinda	26,647,876	19,496	$1,367	323
Source: Report on City Expenditures Per Capital issued by the California State Controller's Office https://bythenumbers.sco.ca.gov/Cities/City-Expenditures-Per-Capita/ykhf-vfsr				

Piedmont has the third highest per capita expenditure among its peer group behind Hillsborough and Mill Valley. Statewide, Piedmont ranked 83rd highest among 482 California cities/towns in terms of expenditures per capita which notably is less favorable than the 60th highest ranking at the time of the Committee's 2019 report delivered to City Council. It is important to note that Piedmont's per capita numbers are highly impacted by the sole funding of its own Fire Department and no other city provides paramedic services, with few providing anything like Piedmont's recreation services (which are almost entirely funded by fees).

It is also important to note that the published Hillsborough per capita number of $5,049 includes sewer and water expenditures, whereas Piedmont subscribes to EBMUD. If the per capita number is normalized by subtracting sewer and water expenditures of $17.888 million from the expenditures of $65,015,009 in the approved 2021-2022 budget, the Hillsborough per capita number decreases to $4,242 but is still 30% more than the City of Piedmont's amount.

Notwithstanding that these are high level numbers, and the identified communities offer varying services, the data generally shows that the City's spending is at the midpoint of cities having similar demographics and quality of life as Piedmont.

The Committee did not provide in this report a detailed comparison of the expenditures broken down by municipal department and purpose for communities with similar sizes and demographics, such as provided previously by the Committee in 2019, because the Committee found the data in the past to be of limited usefulness for direct comparison, albeit of great interest. The Committee's detailed 2019 analysis is available here at page 11. Expenditure information can be found on city and State websites but there is often little detail behind the published data; the data broadly includes all expenditures including debt service, sewer and capital improvements; and cities all provide different services (and levels of) and account for them in different ways. In addition, some cities partner with neighboring communities (for example, for fire protection services), resulting in skewed data.

Property-Based Tax Comparative Analysis

The Committee performed a property-based tax comparison analysis between Piedmont and other comparable cities. The Committee's analysis compared property-based taxes of cities deemed similar to Piedmont based on size, population, home value, and household income, as well as needs and requirements for safety and non-safety services. Those selected communities are Albany, Orinda, Mill Valley and Hillsborough.

This analysis gave the Committee an idea of what the total tax burden is to the citizens of Piedmont compared to these other cities.

A typical California property tax bill consists of many taxes and charges, imposed by a wide variety of governmental entities, including:

- the one percent rate;
- voter–approved debt rates (used primarily to repay general obligation bonds issued for local infrastructure projects, including the construction and rehabilitation of school facilities as shown in the detailed tables at the end of this section for "Ad Valorem Taxes" under each of "City", "School Districts (K-12)", and "County / Regional (including Community College Districts"));
- special assessments and fixed charges, the largest of which is parcel taxes (used to fund a variety of local government ongoing services tailored to the needs and desires of the community as shown in the detailed tables at the end of this section for "Special Assessments/Fixed Charges" under each of "City", "School Districts (K-12)", and "County / Regional (including Community College Districts")); and
- "Mello–Roos" taxes (special tax districts used to pay for public services and facilities within a specific geographical area) (captured within "Special Assessments/Fixed Charges" in the below tables, if applicable).

In addition, a detailed overview of parcel taxes in Piedmont is included in Appendix B towards the end of this report.

As noted elsewhere in this report, Piedmont is very dependent on property tax-related revenues due in part to its relative lack of commercial businesses and its composition as a community comprised overwhelmingly with single-family residential homes; other cities may have higher non-property tax options such as sales taxes, investments, rental fees or other sources of revenues to finance a greater share of the cost of local government, enabling them to have lower property taxes.

A high-level overview of a comparison of property-based taxes in Piedmont, Orinda, Albany, Mill Valley and Hillsborough follows. A summary table is immediately below, and detailed, full-page tables follows at the end of this section. The Committee also included a comparison to Oakland, specifically analyzing neighborhoods closest to Piedmont, given Piedmont's geographical proximity to its closest neighbor. The Committee acknowledges that this comparison is a good-faith estimate of the tax burden of a typical single-family home, and is not exact, given property-based taxes are levied by many different governmental entities and there is no uniform method of tracking these taxes in the Bay Area specifically or state generally.

City Tax Comparison - Selected Municipalities						
Jurisdiction		Ad Valorem Taxes: Total Tax Burden	Special Assessments and Fixed Charges (including parcel taxes): Total Tax Burden	Aggregate Tax Burden	Taxes as % of Assessed Value (Ad Valorem Taxes *Plus* Special Assessments / Fixed Charges)	
Municipality	County				City	Total
Albany	Alameda	$19,145	$2,723	**$21,868**	0.2133%	**1.5586%**
Piedmont	Alameda	$16,670	$5,343	**$22,013**	0.1203%	**1.5689%**
Orinda	Contra Costa	$16,200	$1,716	**$17,916**	0.0360%	**1.2769%**
Mill Valley	Marin	$15,392	$3,699	**$19,091**	0.1128%	**1.3607%**
Hillsborough	San Mateo	$15,715	$5,720	**$21,434**	0.3540%	**1.5276%**

This analysis applied the average assessed value of a single-family residential property in Piedmont, approximately $1.41 million, to the tax profiles of all comparison communities, in order to provide a direct comparison across different communities. Based on an average assessed home value of $1.41 million, property-based taxes in Piedmont would be an estimated $22,013.

The next table expands on the general tax comparison summary above and provides a breakdown of the percentage of property-based taxes levied by each type of jurisdiction: city, K-12 school districts, and countywide / regional / other special districts.

Percentage of Taxes by Taxing Entity, as Percent of Total Aggregate Property-Based Tax Burden			
Municipality	City Taxes	K-12 School District	County/ Regional Entities (Including Community College Districts, Excluding 1% Rate)
Albany	**13.69%**	**15.44%**	**6.71%**
Piedmont	**7.67%**	**22.11%**	**6.49%**
Orinda	**2.82%**	**11.82%**	**7.05%**
Mill Valley	**8.29%**	**13.17%**	**5.04%**
Hillsborough	**23.18%**	**9.99%**	**1.37%**
Oakland	**17.64%**	**8.93%**	**6.59%**
Includes Ad Valorem Taxes and Special Assessments/Fixed Charges (Including Parcel Taxes). Numbers do not add up to 100% as remaining increment accounts for one percent countywide rate.			

The Committee observed that while Piedmont has the highest overall aggregate tax rate (as evidenced by the aggregate tax burden and level of property-based taxes as a percentage of assessed value at the average assessed value level used) for this comparable group, the tax rate imposed by the City of Piedmont itself was lower than the aggregate rate imposed (and burden experienced by taxpayers) by each of the Cities of Albany and Hillsborough, and only slightly higher than the rate imposed (and the burden experienced by taxpayers) by the City of Mill Valley. The amount of taxes levied by the City of Piedmont itself is about 7.7% of total taxes imposed on the average home by all governmental entities; the average amount levied by the municipality for comparison cities (that is, taxes imposed by Albany, Orinda, etc.) is 11.9% of total taxes. In addition, the municipal tax rate in Piedmont is substantially lower than the tax rate in adjoining neighborhoods in Oakland. Finally, to note, Piedmont's municipal tax rate now includes the rate that corresponds to the approximately $422 that the average Piedmont single family home paid in the most recent tax year in connection with November 2020's voter-approved Measure UU (taxes to fund the debt service from general obligation bonds financing the community pool project).

School-related property-based taxes are approximately 22.1% of total property-based taxes in Piedmont. The average for the comparison cities is 12.6% of total property-based taxes.

The Committee also observed that the K-12 school tax burden of Piedmont is greater than any other community. However, this observation is subject to significant caveats. Piedmont uniquely operates its own K-12 school district. In contrast, for example, the City of Hillsborough, which is most similar to Piedmont in that it also depends primarily on property tax related revenue due to lack of commercial businesses, has an overall lower K-12 school tax rate than Piedmont, but its high school is also funded by surrounding cities in San Mateo County. In addition, while Mill Valley and Orinda each operate their own elementary and middle school district, the public high school tax district(s) serving residents also consists of neighboring communities.

Property-based taxes imposed by county and regional agencies, including the one percent county rate, represent the remaining approximately 70% of property taxes in Piedmont. The average for the comparable group is 75%. The Committee also observes that the aggregate tax rate imposed by county and special districts in Alameda County is much higher than in Marin (Mill Valley), Contra Costa (Orinda) or San Mateo (Hillsborough) Counties, contributing to the higher aggregate tax rate in both Piedmont and Albany (and Oakland). It is worth noting that the countywide one percent general rate, imposed by all counties, funds a variety of governmental entities within Alameda County, including the City of Piedmont and Piedmont Unified School District based on a complex formula enacted following the passage of Proposition 13; this one percent rate does not go entirely to the applicable county, and a portion goes to municipalities and school districts (that is, "directly" back to the communities the tax revenue is generated from). An overview of the allocation of the one percent rate in Alameda County for fiscal year 2022-23 is attached as Appendix C.

The Committee also observed, as it did in its 2019 report, that parcel taxes and fixed charges special assessments have a much larger relative effect on total taxes at lower assessed values than at higher assessed values. For example, the overall tax burden of a Piedmont home purchased in recent years has a lower aggregate tax burden as a percentage of assessed value compared to the average assessed value across all Piedmont residential properties. This distortion results from the assessed value resetting upon the sale of a home; that parcel then pays a higher amount of ad valorem property taxes, making the parcel tax and other special assessments a smaller percentage of the parcel's overall tax bill.

Any discussion of Piedmont's level of taxation must be coupled with a brief discussion of Piedmont's city services. While the Committee did not conduct a rating of services in this report, the Committee believes that the level of services in Piedmont, including by the city and school district, are high. The Committee also observes that community members are increasingly expecting more of their city services. More generally, Piedmont is unique in that it operates its own police department (including an emergency 911 call center staffed 24 hours a day), fire department, paramedic unit, and school district, and, unlike many other Bay Area municipalities, including the comparison cities, does not utilize taxation districts inclusive of communities outside of Piedmont to fund operations, such as joint school districts (as discussed above) or fire districts. Finally, Piedmont will soon have its own local-tax supported public pool (as noted above, Piedmont taxpayers are already supporting debt service of the related bonds). Piedmont is also located in a densely populated and urban portion of Alameda County. This results in a high level of services tailored to the needs of City residents, but also a unique taxation profile.

Detailed tables providing a further breakdown of the comparative tax burden are included on the three immediately following pages. The first chart provides a breakdown of ad valorem property tax rates and special assessments/ fixed charges. The second chart provides a summary of the aggregate tax burden in each municipality. Finally, the third chart shows the amount of taxes as a percent of assessed value.

City Tax Comparison - Selected Municipalities										
Jurisdiction		**Ad Valorem Taxes**					**Special Assessments/Fixed Charges**			
City	County	City Rate	School Districts Rate (K-12)	County/ Regional Rate (including Community College Districts)	Total Rate (including Countywide 1.00% Rate)	Total Tax Burden - Ad Valorem Taxes	City	School Districts (K-12)	County/ Regional (including Community College Districts)	Total Tax Burden - Special Assessments and Fixed Charges
Albany	Alameda	0.1285	0.1650	0.0710	1.3645	$19,145	$1,190	$1,061	$472	$2,723
Oakland (Trestle Glen / Crocker Highlands Neighborhoods)	Alameda	0.2035	0.1026	0.0710	1.3771	$19,322	$846	$435	$386	$1,667
Piedmont	Alameda	0.0232	0.0939	0.0710	1.1881	$16,670	$1,362	$3,549	$432	$5,343
Orinda	Contra Costa	0.0311	0.0875	0.0360	1.1546	$16,200	$69	$889	$757	$1,716
Mill Valley	Marin	0.0000	0.0546	0.0424	1.0970	$15,392	$1,583	$1,749	$367	$3,699
Hillsborough	San Mateo	0.0000	0.1007	0.0193	1.1200	$15,715	$4,967	$729	$23	$5,720

City Tax Comparison - Selected Municipalities						
Jurisdiction		**Aggregate Tax Burden ($) and Tax Rate (Ad Valorem Taxes *Plus* Special Assessments and Fixed Charges)**				
City	County	City	School Districts (K-12)	County/ Regional (including Community College Districts)	1.00% Countywide Rate	Aggregate Tax Burden ($)
Albany	Alameda	$2,993	$3,376	$1,468	$14,031	**$21,868**
Oakland (Trestle Glen / Crocker Highlands Neighborhoods)	Alameda	$3,702	$1,875	$1,382	$14,031	**$20,989**
Piedmont	Alameda	$1,688	$4,867	$1,428	$14,031	**$22,013**
Orinda	Contra Costa	$505	$2,117	$1,262	$14,031	**$17,916**
Mill Valley	Marin	$1,583	$2,515	$962	$14,031	**$19,091**
Hillsborough	San Mateo	$4,967	$2,142	$294	$14,031	**$21,434**

City Tax Comparison - Selected Municipalities					
Jurisdiction		**% of Assessed Value (Ad Valorem Plus Special Assessments / Fixed Charges)**			
City	County	City	School Districts (K-12)	County/ Regional (including Community College Districts)	Total
Albany	Alameda	0.2133%	0.2406%	0.1047%	**1.5586%**
Oakland (Trestle Glen / Crocker Highlands Neighborhoods)	Alameda	0.2638%	0.1336%	0.0985%	**1.4959%**
Piedmont	Alameda	0.1203%	0.3468%	0.1018%	**1.5689%**
Orinda	Contra Costa	0.0360%	0.1509%	0.0900%	**1.2769%**
Mill Valley	Marin	0.1128%	0.1792%	0.0686%	**1.3607%**
Hillsborough	San Mateo	0.3540%	0.1527%	0.0209%	**1.5276%**

Recent Parcel Tax Elections

This Committee reviewed parcel tax elections from the last five years, March 2018 through November 2022, in the immediate Bay Area counties (Alameda, Contra Costa, San Francisco Marin, San Mateo and Santa Clara counties), based on data available at californiacityfinance.com, a highly reputable California municipal finance resource that compiles local finance election results. A summary table of those measures is available at Appendix D.

Any discussion of passage rates for local finance measures should be heavily caveated. First, state and regional statistics and trends obscure local reality. For example, an April 2020 study by Fairbank, Maslin, Maullin, Metz & Associates (also known as FM3 Research), found that over the course of the three statewide primary elections preceding March 2020 (held in June 2014, June 2016, and June 2018), Bay Area and Los Angeles County voters approved 91% of the local finance measures on their ballots, while the corresponding figure was 69% for the rest of the state (those rates fell to 56% for Bay Area / L.A. County voters and 28% throughout the state in March 2020, an anomalous election at the time).

These trends are further obfuscated by unique municipal characteristics that make comparisons between Piedmont and neighboring communities nuanced and difficult. For example, Piedmont is an overwhelmingly residential, built-out community, resulting in a heavy reliance on property and property-related taxes for municipal revenue, which is generally unique in the Bay Area. In addition, Piedmont provides a very high level of municipal services compared to other Bay Area municipalities of similar size – as previously discussed above. And, unlike other small, predominantly residential municipalities in the Bay Area with comparatively high median household incomes, Piedmont is located in the middle of a highly urban portion of Alameda County. Piedmont also offers expansive recreation services to its residents, which will soon once again include a municipal pool. And, notably, while separate from city municipal finance, Piedmont operates its own K-12 school district. Piedmont's unique residential composition, which in turn differentiates its municipal finances, is well-documented by this Committee, including throughout this report, and are worth repeating in the context of a review of local parcel tax election results, which, as noted above, are, of course, inherently local.

This Committee's review concludes that Bay Area municipal and local government entity parcel tax measures are overwhelmingly approved by voters in recent years, as discussed below. From March 2018 through November 2022, for non-school district parcel taxes (cities, counties, and local special districts), 40 of 46 measures passed – 87%. When adjusted solely for municipalities, 26 of 31 measures passed – 84%. The Committee did not examine school district parcel taxes. These figures indicate high support for non-school district parcel tax measures generally, and especially for California municipalities.

A summary of election results by election is set forth at right. In addition, a detailed table of all non-school parcel tax measures from March 2018 to November 2022 is included in Appendix D.

Bay Area Parcel Tax Measures - June 2018 to November 2022			
Election	Fail	Pass	Total
Jun-18	1	2	3
Nov-18	2	13	15
Nov-19	1	1	2
Mar-20	2	4	6
Nov-20	1	3	4
Jun-22		8	8
Nov-22	1	9	10
Total	8	40	48

Given the above discussion regarding parcel tax duration and sunset, the Committee also analyzed the passage rate of measures based on their sunset. At the outset, it is worth noting that the success and failure of these measures almost certainly hinged on factors in addition to the sunset date. This Committee's review found that during the March 2018 to November 2022 period, while a short duration led to greater success, the sunset window, or lack thereof, was not determinative of success.

Of course, this review does not include previously approved parcel taxes without a sunset, or with long sunsets that would not fall with the four-year area of review. This would include most parcel taxes in the region.

A summary of passage rates based on sunset dates is below.

- Extremely Short-Term Sunset. 100% (12 total) of measures with a four-year sunset passed. Other than Piedmont, all other municipalities with a four-year sunset were in Marin County. It is worth noting that these figures include three municipalities (Ross, Larkspur and San Anselmo) renewing their parcel taxes twice during this window.
- Medium Term. two out of three measures with a longer sunset of eight to 11 years passed.
- Long-Term. Six out of nine measures (67%) with a 20 to 30 year sunset passed.
- No Sunset. Six out of seven measures (67%) without a sunset passed.

In addition to analyzing recent election results based on duration, the Committee also reviewed high-level summaries of parcel taxes throughout the state more generally, based on data provided to the California State Controller's Office by local governments. This review, which accounted for parcel taxes approved outside of the recent five-year study window of recent elections, indicates that short-term parcel taxes are generally unusual. While the data set was not comprehensive, the majority of measures for Bay Area municipalities were without a sunset, and many of the remainder were for longer durations; much longer than the four-year duration used in Piedmont.

Comparison and Observations Regarding Structure of Comparison City Parcel Taxes

The Committee also notes certain structural approaches by various comparison cities for the City Council's consideration. As an example, the City of Hillsborough levies city taxes which are more specific using the rationale that residents are more willing to approve taxes related to services deemed most important to them. For example, the City of Hillsborough has a specific police/fire tax, approved by voters in 1998 without a sunset, that funds approximately 14% of the police/fire annual budget.

Also, City of Mill Valley voters in 2016 re-authorized a parcel tax, known in that city as the Municipal Service Tax, at a rate of $266 per year for ten years with an annual two percent inflation adjustment for street improvement projects and fire prevention and vegetation management program. Although the tax amount is relatively small, it does have an inflation adjustment and it is meaningful that the voters approved the special tax, especially considering that Mill Valley has substantial revenue levers to increase its sales tax and business license taxes, unlike Piedmont. The tax brings in approximately $1.8 million per year as of 2023. Mill Valley first imposed this parcel tax in 1987 and it has been re-approved by voters every 10 years since.

In Orinda, voters in 2018 approved an increase to a parcel tax, without a termination, that finances library services in that city.

Finally, and similarly, the City of Albany imposes seven separate parcel taxes, each without a sunset and each to fund a specific purpose. These taxes, which have been approved by the voters over the years, support the following purposely, respectively: (i) parks and open space, (ii) emergency medical services, (iii) library services (two separate taxes), (iv) paramedic and advance life support services, (v) sidewalks and (vi) street paving and storm drainage improvements.

Part 3

Long-Term Liabilities and Expenditures

In prior years. the Committee has reported on the City's long-term liabilities for pension and post-retirement health care costs. These areas continue to be areas of significant expense with the expectation for further cost increases and potential volatility. In addition, the City is experiencing an increase in mandates from the state and regional authorities that require the City to invest time and money without reimbursement from the authorities creating the mandates, thus creating further pressure on the City's budget. As a result, the City needs to have the flexibility in its budget to react to currently unanticipated increases in its costs.

Pension and Post-Retirement Healthcare

The City maintains eight separate retirement plans for its employees that are administered by the California Public Employees' Retirement System ("CalPERS") and also offers post-retirement benefits ("OPEB"). In its 2012 report, the Committee estimated total unfunded liabilities of $40 million (excluding the overfunded Police and Fire Pension Fund) and it currently stands at just under $51 million, as shown in the table below.

Piedmont Unfunded Liabilities for Retirement Benefits			
Plan	2012	2015	2022
CalPERS Retirement Plans	$30,000,000	$18,445,631	$42,121,240
OPEB	$10,002,000	$12,418,000	$8,965,000
Total	$40,002,000	$30,863,631	$51,086,240

Note: Excludes the overfunded Piedmont Police and Fire Pension Fund administered separately the City.
Numbers based on prior Committee reports and CalPERS reports.

CalPERS: The CalPERS liabilities presented above for 2022 assume that CalPERS will earn a 6.8% annual return for the long term. While this is a more realistic number than the 7.5% number that had been assumed in the past, this projected lower annual return also results in a significant increase in the present value of the unfunded liabilities for the Retirement Plans and therefore a higher expense and contribution level going forward. Actual investment results lower than the 6.8% will have a similar result.

The Long-Term Plan contains projections for the CalPERS pension expense over the 10 year period. The cost is projected to grow from $3.9 million in fiscal year 2022-23 to $7.4 million in fiscal year 2031-32, a 7.3% annual increase. This number is subject to change based on the actual CalPERS investment experience, the actual benefits and expenses paid and the composition of the City's workforce. The actual expense will increase compared to the current projections in the Long-Term Plan to the extent that CalPERS' investment experience is less than the assumed long-term 6.8% discount rate, although the volatility is spread over time since CalPERS amortizes investment gains and losses over a 20 year period with a five-year ramp up. In addition, the unfunded liability will increase, as will the annual expense and contribution required to amortize the unfunded liability, in the event that CalPERS reduces its discount rate in the future.

In fiscal year 2017-18, the City had the foresight to establish the Pension Rate Stabilization Fund as a separate trust. The expectation was that by making contributions to the trust and investing the assets outside of CalPERS, the City could earn a higher rate of return and then use these assets to smooth future rising pension costs over the next 10 years. The City has made cumulative contributions of $3.75 million into the trust and the current balance is $4.2 million at the end of fiscal year 2022-23. The long-term plan currently forecasts that most of this balance will be used over the 3-year period from fiscal year 2024-25 through fiscal year 2026-27 to reduce pension expense.

In response to budgetary constraints in 2012, the City implemented a second tier pension plan for new "miscellaneous" (non-safety) employees starting in 2012. The California Public Employee's Pension Reform Act took effect in 2013 and created a third tier pension plan which covers all new employees since then. Both of these changes have helped to limit the growth in its pension liabilities. Currently, the City has 32 employees in the Tier 1 plans and 84 employees in the Tier II / III plans. This represents a significant change in the composition of the workforce from the time of the Committee's 2015 report, when there were 70 employees in the Tier 1 plans and 25 in the Tier II / III plans and provides a substantial benefit in reducing the future pension liability.

OPEB: The City has an unfunded accrued liability for OPEB of $9 million as of the end of fiscal year 2021-22 in excess of the Trust assets of $12.5 million as of the same date.

There are three noteworthy components to the OPEB liability, similar to a pension plan. In addition to the unfunded accrued liability for benefits related to prior years of service, there are the annual actuarial costs (the "Normal Costs") related to the benefits the employees accrue in the current years which lead to higher liabilities in the future and the current annual costs for the retiree healthcare premiums. Currently the City is not making any payments related to the unfunded accrued liability or for the Normal Costs. It is, however, currently funding all of the current costs of the retiree healthcare premiums out of the General Fund instead of out of the OPEB trust, similar to a pay-as-you-go approach. In fiscal year 2021-22 and fiscal year 2020-21, the premiums paid directly out of the General Fund were almost identical to the Normal Costs. Given this, and the growth in Trust assets due to investment earnings and employee contributions, the unfunded liability is expected to decrease in the short term.

The City will continue to pay the retiree healthcare premiums over the next several years. The Long-Term Plan assumes that 90% of the annual retiree healthcare premiums will begin to be paid out of the Trust starting in fiscal year 2029-30 when the Trust's funded status reaches 67% of accrued liabilities. This will reduce the burden on the City's General Fund but will not resolve the Trust's unfunded liability. However, the current expectation is that there is a potential solution for much of this issue, as discussed below.

Police and Fire Pension Fund: The information above does not include the pension trust fund known as the Piedmont Police and Fire Pension Fund ("PFPF"), which is run by the City for the benefit of certain safety employees that retired prior to Piedmont becoming part of CalPERS. The

PFPF is a "closed" fund, meaning that there are no new beneficiaries coming into it, and it is managed by the City using an outside advisor. As of the end of fiscal year 2021-22, the fund is overfunded by $13 million with assets of $17.4 million and an estimated present value pension liability of $4.4 million and, given the substantial excess of assets over then required payments, it is expected that the investment earnings will cause this surplus to grow over time. Once the pension beneficiaries have been paid out, the City should have a substantial amount of excess funds and the current assumption is that the funds can be applied to the underfunded OPEB, significantly reducing the unfunded liability. Using the current values, the current overfunding of PFPF will substantially reduce or eliminate the OPEB unfunded liability once applied. However, this is not expected to happen until all payments to beneficiaries of the PFPF have ceased, which will probably not occur until the late 2030s at the earliest.

State and Regional Mandates

While there have always been mandates from the federal, state and regional governing authorities, the City has seen a recent increase in the number of mandates and the scope of these mandates. Current mandates include housing, stormwater systems and green infrastructure. In addition, the City is also continuing to deal with ADA issues throughout the City. A description of these mandates follows:

Housing: For the past 18 months, the City has devoted significant effort to meeting the state mandate to update the City's Housing Element, which included developing a plan for land use and zoning regulations to allow an additional 587 housing units to be built in Piedmont. In addition to requiring significant time from City staff and City Council, this effort was responsible for $275,000 in costs in fiscal year 2022-23 and projected to cost $600,000 in fiscal year 2023-24. While impacts in future years are expected to be smaller, this effort will still require time and expenditures in future years.

Storm Drain Infrastructure Needs: The Regional Water Quality Control Board regulates local jurisdictions' stormwater management and is moving to impose new requirements on cities to control stormwater runoff. Currently, cities are being required to inventory their storm drain infrastructure and project the cost of improvements to meet new standards, although no timetable has been mandated to upgrade the infrastructure. At present, no State funding sources are available to cover the potential costs, which are likely to be significant. While the full extent of need and cost is currently being investigated, the first three projects that have been identified and included in the Facilities Capital Fund expenditures total $1.7 million, and address areas of known need where there has been flooding and/or failure of the storm drain infrastructure. It is likely that further needs will be identified, requiring additional outlays in the future.

Green Infrastructure: The Alameda County Storm Water Municipal Regional Permit ("MRP") requires that the City treat no less than 0.2 acres of impervious surface with green infrastructure (GI) for non-regulated projects, and up to a total of 0.67 acres for either non-regulated or regulated projects, if a region-wide numeric target cannot be met collectively by the MRP permittees in Alameda County by 2027. The MRP also requires that GI be included as a component on some roadway resurfacing projects, effect immediately. The Facilities Maintenance budget assumes that approximately $100,000 annually will be allocated to the GI projects so that the City can address these GI requirements.

ADA: The Americans With Disabilities Act ("ADA") was passed in 1990 and, among other provisions, imposes accessibility requirements on public accommodations. While not a recent mandate, the City is constantly monitoring its compliance under the Act and is currently updating its ADA Transition Plan. The initial effort includes a self-evaluation of city facilities and public spaces, and public input to identify barriers to accessibility. The second part includes the development of a plan that allows the City to transition these same public spaces and remove barriers over an appropriate time period as identified in the plan. Based on the needs assessment, the City has flexibility to determine the appropriate level of funding to implement the goals of the transition plan. ADA improvements are included as element of numerous projects that are currently underway. For facilities, park and roadway renovation projects, a general rule is that 15% of the total project cost will be ADA related. In fiscal year 2023-24, the City has budgeted funding for ADA related projects, and it is anticipated that an annual level of spending of approximately $500,000will continue to be required.

Part 4

Real Property Transfer Tax as an Additional Revenue Source

Introduction

The Committee was asked to consider additional supplemental revenue sources within and beyond the current primarily property related taxes. Outside of additional or increased property taxes in the form of special assessments or additional voter approved parcel taxes, there are few areas where the City and its citizens can have a direct and significant impact on increasing revenue. As noted earlier, sales and franchise taxes are extremely limited due to the lack of commercial space and businesses in Piedmont. The City does receive revenue in the General Fund from other agencies and charges for services such as Recreation Department programs and facility rentals, but all of these areas combined only make up for approximately 30% of the proposed budget, with property related taxes making up the remaining 70%.

Background

Real Property Transfer Tax ("RPTT") is a one-time tax levied on a property at the time of sale. Many Bay Area cities, including Piedmont, have imposed this tax on themselves through an amendment to their city charters. The RPTT has proven to be an important source of revenue in supporting City services through the General Fund, though it remains a relatively volatile revenue source due to fluctuations in the performance of the local real estate market, as well as the macroeconomic conditions. RPTT receipts have increased at the annual growth rate of 5.5% over the past 15 years, but from year to year, they fluctuate. For example, the City experienced an approximate 40% decline in RPTT revenues during the Great Recession, with revenues not recovering until four years afterwards. For fiscal year 2022-2023, Piedmont experienced a 5.1% decrease in the revenue from RPTT from the average of the previous five years; and the City budgeted for an additional 23.9% decrease in RPTT receipts in fiscal year 2023-2024 out of caution given the recent changes in the macroeconomic conditions. For Piedmont, the RPTT was created through Ordinance No. 546 NS, and is currently at the rate of $13.00 per $1,000 on full value, without an increase since 1993. This tax is separate and in addition to the $1.10 per $1,000 Documentary Transfer Tax collected by Alameda County. According to local real estate agencies and title companies, the responsibility of transfer taxes is usually decided by local market customs. In Alameda County, the county transfer taxes are customarily paid by the seller, and the city transfer taxes are typically split equally between buyer and seller. Individual buyers and sellers are free to negotiate any arrangement they wish, but the majority of transactions are conducted in this manner. Transfers between trusts, gifts, governmental agencies, dissolution of marriage, and death, are amongst the list of transfers exempt from RPTT.

Table 1 below shows a comparison of city RPTT rates in Alameda County. Piedmont's RPTT rate is lower than both the neighboring cities of Berkeley and Oakland in all but the miniscule share of properties that sell for below $300,000 in Oakland. However, when comparing our RPTT rates with other California cities, Piedmont and other Alameda County cities are past the highest threshold by a large margin. Orinda and Hillsborough, two similarly sized cities often used to draw parallels with Piedmont in other aspects of their budgets and city finances, have a RPTT rate of \$.55/\$1000 for comparison. The majority of California cities also have a RPTT rate of \$.55/1000. Of the cities that do have higher RPTT rates, only a handful of Bay Area cities, and none in Southern California, exceed a rate of \$5/\$1000.

Our neighboring cities, Berkeley and Oakland, voted to make changes to the RPTT in the last few years, including increasing RPTT rates and forming a tiered transfer tax system. A tiered RPTT system charges progressive rates based upon the full value of the property. Many critics have seen this as an unfair "mansion" tax, penalizing commercial property owners, and those with larger homes. The Committee believes such a system would not be necessary in Piedmont, where the median home value has recently surpassed \$2,200,000. RPTT only applies when there is a financial transaction with a money exchange taking place.

Since 2019, three cities in Alameda County have voted to increase their RPTT. Albany raised its RPTT from \$11.50 to \$15.00, or by 30%, while San Leandro increased its RPTT from \$6.00 to \$11.00, or by 83%. Emeryville adopted a tiered, progressive rate structure based upon the full value of the property. On the other hand, Berkeley adjusted the real property conveyance transfer tax threshold from \$1,600,000 to \$1,800,000, resulting in lower tax rates for some properties.

The following table provides information on current RPTT rates in neighboring cities in Alameda County.

Table 1

<table>
<tr><th colspan="4">Alameda County Real Property Conveyance Tax Rates in Selected Cities</th></tr>
<tr><th>City</th><th colspan="2">Rate per thousand on full value</th><th>Ordinance Number</th></tr>
<tr><td>Alameda</td><td>$12.00</td><td></td><td>2987 AMC</td></tr>
<tr><td>Albany</td><td>$15.00</td><td></td><td>2020-09</td></tr>
<tr><td rowspan="2">Berkeley</td><td>$15.00</td><td>($1,800,000 and less)</td><td>6072-NS</td></tr>
<tr><td>$25.00</td><td>($1,800,001 and above)</td><td>6072-NS</td></tr>
<tr><td rowspan="3">Emeryville</td><td>$12.00</td><td>($1,000,000 and less)</td><td rowspan="3">Measure O</td></tr>
<tr><td>$15.00</td><td>($1,000,001 to $2,000,000)</td></tr>
<tr><td>$25.00</td><td>($2,000,000 and above)</td></tr>
<tr><td>Hayward</td><td>$8.50</td><td></td><td>92-26</td></tr>
<tr><td rowspan="4">Oakland</td><td>$10.00</td><td>($300,000 and less)</td><td>11628 CMS</td></tr>
<tr><td>$15.00</td><td>($300,001 to $2,000,000)</td><td>11628 CMS</td></tr>
<tr><td>$17.50</td><td>($2,000,001 to $5,000,000)</td><td>11628 CMS</td></tr>
<tr><td>$25.00</td><td>($5,000,001 and above)</td><td>11628 CMS</td></tr>
<tr><td>Piedmont</td><td>$13.00</td><td></td><td>546 NS</td></tr>
<tr><td>San Leandro</td><td>$11.00</td><td></td><td>2020-08</td></tr>
</table>

Revenue Impact of RPTT Increase

Table 2 below shows the revenue impact of an increase in the RPTT rate for the following alternatives:

- Scenario 1: $16.00 per $1,000;
- Scenario 2: $17.50 per $1,000; and
- Scenario 3: $25.00 per $1,000

Table 2

City of Piedmont Transfer Tax 2013-2023					
		Current rate	Scenario 1	Scenario 2	Scenario 3
Fiscal Year	Est. Full Value	$13/$1000	$16/$1000	$17.5/$1000	$25/$1000
2022-2023	$343,508,462	$4,464,897	$5,496,135	$6,011,398	$8,587,712
2021-2022	$460,088,923	$5,981,156	$7,361,423	$8,051,556	$11,502,223
2020-2021	$483,586,000	$6,286,618	$7,737,376	$8,462,755	$12,089,650
2019-2020	$270,124,308	$3,602,616	$4,433,989	$4,849,675	$6,928,108
2018-2019	$293,832,000	$3,819,816	$4,701,312	$5,142,060	$7,345,800
2017-2018	$295,784,462	$3,845,198	$4,732,551	$5,176,228	$7,394,612
2016-2017	$270,929,077	$3,522,078	$4,334,865	$4,741,259	$6,773,227
2015-2016	$239,846,077	$3,117,999	$3,837,537	$4,197,306	$5,996,152
2014-2015	$300,096,308	$3,901,252	$4,801,541	$5,251,685	$7,502,408
2013-2014	$307,770,154	$4,001,012	$4,924,322	$5,385,978	$7,694,254
Total RPTT		$42,543,355	$41,650,156	$57,269,901	$81,814,144
Increase over Current Tax 10FYs			**$9,817,697**	**$14,726,546**	**$39,270,789**

Based on the actual $4,464,897 of RPTT receipts in fiscal year 2022-2023, the higher RPTT rates of $16, $17.5, and $25 would have resulted in estimated annual revenue increases of $1,031,000, $1,546,000 and $4,122,000, respectively, in the past fiscal year. If RPTT receipts are instead at the long-term historical average of approximately $4,253,000, the three scenarios above would have led to additional revenues of about $981,000, $1,472,000 and $3,926,000, respectively, in the past fiscal year.

The Committee also estimated the tax impact at the property level. At the fiscal year 2022-2023 median home sales price of $2,600,000, an RPTT rate increase to $16/$1000 would result, on a per transaction basis, in $7,800 of additional taxes; at $17.50/$1000, in $11,700 of additional taxes; and at $25/$1000, in $31,200 of additional taxes.

Using the fiscal year 2022-2023 average home sales price of $3,100,000 instead, an RPTT rate increase to $16/$1000 would add, on a per transaction basis, in $9,300 of additional taxes; at $17.50/$1000, in $13,950 of additional taxes; and at $25/$1000, in $37,200 of additional taxes. All of these amounts would typically be split between the buyer and seller of the property.

Other Sources of Additional Revenue

The Committee reviewed use fees, licenses, and other taxes to determine if these could provide meaningful revenue supplements. Fees are reviewed each year and approved by the City Council as part of the annual budget. The City typically increases building permits and planning fees with

CPI. Recreation fees are adjusted against local market benchmarks. Next year, the City will be conducting a study of its fees to determine if they are adequate, and it will be conducting an audit of the business license and rental tax to ensure compliance. The Committee believes the annual review and adjustment of these fees, as well as periodic audits, would address any major revenue opportunities. Although the Committee understands the City reviews and adjusts fees and licenses annually, the Committee has provided potential opportunities below.

The Committee believes that any other minor fees or taxes that require resident vote should remain unchanged at this time in favor of focusing voter attention and support on the more substantive proceeds available through RPTT. These items should be reviewed and brought to competitive levels in a year when the Parcel Tax and the RPTT is not on the ballot.

Business License Tax and Real Estate Rental Tax

As mentioned in its June 2023 budget letter to City Council, the Committee recommends that the City take steps to ensure that current business taxes are evenly collected across the City. Currently, both the municipal Real Estate Rental Tax and the Business License Tax are collected on a self-reported basis. The only check on rental occupancy is via cross-reference for households that submit proof of residency to the Piedmont Unified School District via a lease agreement. However, a comparison of census data on renter-occupied housing units in Piedmont and rental tax receipts indicates that collection rates may represent 80% to 90% of total rental units. The collection rate for the Business License Tax is unknown. Efforts to improve collections and the even application of these taxes could include an education campaign, potentially coupled with an amnesty period to encourage all business owners (including residents who operate businesses out of their homes) and all property owners who rent property (including single family homes as well as ADUs) to begin paying the applicable taxes without penalty. In addition, the Committee recommends that the City continue to evaluate fee structures to ensure fees reflect the costs of providing the corresponding services, including ensuring that fees reflect the central tenet of sustainable municipal financial planning that current citizens should pay for the current costs of running the City and not defer those costs to future citizens.

Local Sales and Use Tax

For the sake of completeness in discussing additional local revenue sources, the City Council could also consider a local sales and use tax. However, given the limited commercial base of the City, such a tax would be unlikely to generate substantial amounts of revenue and, while the tax would ultimately borne by customers at commercial businesses, this tax would be acutely felt by all (including at the point of sale by the limited number of commercial businesses in Piedmont).

Utility Users Tax ("UUT")

Piedmont currently imposes UUTs including a 7.5 percent tax on electricity, gas and telephone bills and a flat. tax of $12 per year, per parcel, for water.

A summary of UUT taxes imposed by Bay Area communities, as of fiscal year 2020-2021, the most recent year the state has provided comprehensive summary data, is set forth in Appendix E.

Since fiscal year 2020-2021, the following neighboring communities have gone to the ballot to increase their UUT:

- Albany. Voters approved increase from 7.5 to 9.5 percent for electricity and gas in in 2020.
- Berkeley. Voter rejected an increase to 10 percent in 2020.
- Union City. Voters approved an increase to five percent in 2020.

The Committee recommends the City Council examine modernization of the existing collected from residents for the use of electricity, gas, water, and telephone services. The City has not modified the structure of the UUT since its enactment decades ago and should now examine whether its UUT is consistent with neighboring communities and cities throughout the State. This is a complex subject which would be more suitable for in-depth City Staff review. For example, modernizing the telephone portion of the UUT, which does not fully cover cellular phones or internet-based communication, to match current technology would ensure that all Piedmont taxpayers are treated alike regardless of the type of telecommunication technology they use. Such a review should examine both the services subject to the tax as well as the rate. Should a broader base of services be included, a reduced rate may be appropriate. Also, alternatives to the flat rate per parcel for water should be examined, including a rate based on parcel size (similar to the Municipal Services Special Tax and the Special Municipal Sewer Tax) or water use, especially as the City faces future obligations in the coming years regarding storm water and green infrastructure, for example. While the UUT generates a fraction of revenue compared to property-related taxes, it remains a meaningful revenue source for the City. Finally, the Committee also acknowledges that while updating the electricity, gas and telephone UUTs, short of a wholesale rate increase, would generate incremental revenue, the administrative costs, both in terms of staff time and consultant fees, would likely be substantial. Again, the Committee recommends City Council focus on revenue sources that could generate larger amounts of revenue at this time.

Vacant / Undeveloped Property Tax

In July and August 2023, consulting firm Economic & Planning Systems, Inc. introduced to the Committee and City Council the concept of a vacant or undeveloped property tax as one potential "mitigation measure," as part of a larger discussion regarding the Housing Element Fiscal Impact Analysis.

The Committee does not recommend further exploring such a tax in Piedmont but does believe an overview is informative given the Committee's present direction from City Council to explore additional revenue sources. None of the comparison communities in this report have imposed such a tax, but locally, Oakland, San Francisco and Berkeley impose residential vacancy taxes. Richmond voters rejected a similar measure in 2018. Generally, these taxes apply if a residential property is "vacant", undeveloped or unused more than a certain number of days per year (approximately half the year in each of Berkeley and San Francisco and 50 days per year in Oakland). The tax is imposed at a rate of $6,000 and $3,000 per single family residence in Oakland and Berkeley, respectively.

The City Council may choose to look at this option, but the Committee notes that this type of tax mechanism is not used by comparable cities with a similar quality of life. There may also be a perception risk of over-taxing owners who pay property taxes but do not use City services in proportion to residents who live here full-time. This tax would also be administratively difficult to enforce, especially given numerous exemptions to ensure an equitable financing mechanism would be necessary and may not justify the additional administrative burden.

Further Additional Revenue Considerations

The Committee also examined a myriad of additional other potential revenue sources for initial consideration, as set forth below. The Committee thanks the City of Mill Valley for its previous detailed work surveying these options.

Special Districts: Community Facilities Districts, Benefit Assessment Districts, and other Proposition 218 Special Districts ("CFDs")

CFDs can be used to fund both capital and operational needs. Special benefit assessment districts, such as Lighting, Landscape and Assessment Districts, are frequently used to fund park or street maintenance. An assessment requires a majority vote of the property owners assessed weighted by the amount of the assessment.

Public-Private Partnerships

Private revenue may come in many forms such as dedications, monetary contributions, corporate underwriting, etc. This can be made available to cities through the use of tax-deductible donations to 501 (c) 3 non-profits "friends of" organizations.

Point of Sale Programs

Some cities require infrastructure improvements at the time of title transfer. The City of Mill Valley does this with its sewer lateral ordinance and could similarly mandate sidewalk improvements at the time of title transfer.

Accessibility-Related Improvements

In reviewing other municipal materials, the Committee identified the following list of potential funding resources available that public entities have used for accessibility-related improvements:

Transportation Equity Act for the 21st Century (TEA-21): Federal funds with specific set asides for pedestrian related projects. Most of the major categories of funding in TEA-21 can be used to build or retrofit sidewalks, crosswalks, and other accessible pedestrian facilities such as trails. There are also specific targeted subcategories of projects. These funds have been available through the federal Department of Transportation.

Community Development Block Grants ("CDBG"): CDBG funds are grants from the federal Department of Housing and Urban Development and are usually allocated at the county or city level. CDBG funds have been used for curb ramp construction by local jurisdictions for many years.

Safe Routes to Schools Program: The Safe Routes to Schools Program are monies that can be used by local agencies to improve pedestrian routes to schools and is administered through the California Department of Transportation Local Programs Division.

Developer Impact Fees: Piedmont has very few areas to develop but as a result of the Housing Element, there may be opportunities for developer impact fees. New developments place a strain on existing public facilities. Developer impact fees are paid by developers to help cover the costs resulting from new construction and can be used to fund pedestrian right-of-way improvement projects.

Local Ordinances: Some jurisdictions have passed local ordinances that require sidewalk improvements or curb ramp construction when the dollar value of a remodel project on a building exceeds a certain amount.

Property Liens: Property owners are responsible for the sidewalks directly in front of their property. Although some cities are reluctant to force this issue, sidewalk conditions can be repaired, and reimbursement can be obtained from the owner through use of liens.

Appendix A

Ten-Year Projected General Fund Detail

Attached on following page.

Appendix A City of Piedmont 10 Year Projection General Fund Detail (000's)													
		ACTUAL						PROJECTED					
	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32
General Fund Beginning Balance	**$ 5,290**	**$ 5,591**	**$ 6,509**	**$ 7,403**	**$ 7,424**	**$ 5,979**	**$ 6,622**	**$ 6,820**	**$ 6,861**	**$ 6,393**	**$ 5,938**	**$ 6,472**	**$ 7,499**
Revenues													
Property Taxes	14,790	15,442	16,224	17,211	18,110	18,997	19,928	20,904	21,928	23,002	24,129	25,311	26,551
Real Property Transfer Tax	3,603	6,287	5,981	4,750	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Parcel Tax	2,353	2,411	2,425	2,522	2,622	2,701	2,782	2,865	2,951	3,040	3,131	3,225	3,322
Other Taxes and Franchises	2,527	2,664	2,721	2,853	2,963	3,046	3,131	3,218	3,309	3,402	3,498	3,598	3,700
License and Permits	548	710	766	723	759	782	805	829	854	880	906	933	961
Revenue from Use of Money or Property	437	209	508	672	868	729	751	774	797	821	846	871	897
Revenue from Other Agencies	1,830	2,436	2,615	2,317	4,573	2,191	2,176	2,232	2,327	2,427	2,531	2,641	2,756
Charges for Current Services	2,194	2,977	4,178	4,350	4,545	4,681	4,822	4,966	5,115	5,269	5,427	5,589	5,757
Other Revenue	321	128	141	250	88	89	90	91	92	93	94	95	96
Total Revenue	**28,604**	**33,266**	**35,559**	**35,648**	**37,928**	**36,615**	**37,884**	**39,279**	**40,773**	**42,333**	**43,962**	**45,663**	**47,440**
Growth Rate	***-3.2%***	***16.3%***	***6.9%***	***0.3%***	***6.4%***	***-3.5%***	***3.5%***	***3.7%***	***3.8%***	***3.8%***	***3.8%***	***3.9%***	***3.9%***
Operating Transfers in													
Reimbursement from sewer fund	802	810	840	875	890	917	945	973	1,002	1,032	1,063	1,095	1,128
Traffic safety ticket revenue	0	20	20	20	20	25	26	28	29	30	32	34	35
Measure D reimbursement	21	51	7	0	0	0	0	0	0	0	0	0	0
Other	4	0	38	20	146	203	20	20	20	20	20	20	20
Total Transfers In	**826**	**881**	**905**	**915**	**1,056**	**1,145**	**991**	**1,021**	**1,051**	**1,082**	**1,115**	**1,149**	**1,183**
Growth Rate	***-0.1%***	***6.6%***	***2.8%***	***1.1%***	***15.4%***	***8.4%***	***-13.4%***	***3.0%***	***3.0%***	***3.0%***	***3.0%***	***3.0%***	***3.0%***
Grand Total Revenue	**29,430**	**34,146**	**36,464**	**36,563**	**38,984**	**37,760**	**38,876**	**40,300**	**41,824**	**43,416**	**45,077**	**46,811**	**48,623**
Growth Rate	***-3.2%***	***16.0%***	***6.8%***	***0.3%***	***6.6%***	***-3.1%***	***3.0%***	***3.7%***	***3.8%***	***3.8%***	***3.8%***	***3.8%***	***3.9%***
Expenditures													
Salaries:													
Miscellaneous	4,415	4,875	5,078	5,466	5,893	6,184	6,369	6,572	6,844	7,147	7,441	7,670	7,859
Safety	6,353	6,382	6,304	6,365	6,821	7,069	7,281	7,500	7,658	7,835	8,035	8,302	8,562
Other	2,281	2,067	3,207	3,335	3,251	2,861	2,946	3,035	3,126	3,220	3,316	3,416	3,518
Total Salaries	13,049	13,324	14,588	15,166	15,966	16,114	16,597	17,107	17,628	18,201	18,792	19,387	19,939
Growth Rate	***2.0%***	***2.1%***	***9.5%***	***4.0%***	***5.3%***	***0.9%***	***3.0%***	***3.1%***	***3.0%***	***3.3%***	***3.2%***	***3.2%***	***2.8%***
Benefits and Payroll Taxes	2,229	2,267	2,535	2,588	3,042	3,018	3,114	3,205	3,300	3,398	3,499	3,603	3,709
Growth Rate	***-2.1%***	***1.7%***	***11.8%***	***2.1%***	***17.6%***	***-0.8%***	***3.2%***	***3.0%***	***2.9%***	***3.0%***	***3.0%***	***3.0%***	***2.9%***
CalPERS Retirement - Pension	2,412	3,014	3,569	3,919	4,245	4,889	5,386	5,727	5,998	6,477	6,637	7,069	7,390
Growth Rate	***11.0%***	***24.9%***	***18.4%***	***9.8%***	***8.3%***	***15.2%***	***10.2%***	***6.3%***	***4.7%***	***8.0%***	***2.5%***	***6.5%***	***4.5%***
Administration \ KCOM	1,406	1,902	1,809	1,969	2,155	2,279	2,287	2,294	2,304	2,507	2,519	2,573	2,588
Public Works	1,892	1,928	2,106	2,310	2,340	2,410	2,482	2,557	2,633	2,712	2,794	2,878	2,964
Planning & Building	210	311	996	616	1,704	658	334	290	346	453	1,159	1,144	474
Recreation	1,029	912	1,409	1,417	1,441	1,484	1,528	1,574	1,622	1,670	1,720	1,772	1,825
Police	724	682	932	950	1,048	1,059	1,105	1,123	1,157	1,191	1,247	1,264	1,302
Fire	447	340	472	592	708	729	751	773	796	820	845	870	896
Total Other	5,709	6,074	7,724	7,852	9,395	8,618	8,488	8,611	8,858	9,354	10,284	10,500	10,049
Growth Rate	***0.9%***	***6.4%***	***27.2%***	***1.7%***	***19.6%***	***-8.3%***	***-1.5%***	***1.5%***	***2.9%***	***5.6%***	***9.9%***	***2.1%***	***-4.3%***
Grand Total Expenditures	**23,398**	**24,678**	**28,416**	**29,525**	**32,648**	**32,638**	**33,584**	**34,651**	**35,785**	**37,431**	**39,214**	**40,560**	**41,086**
Growth Rate	***2.2%***	***5.5%***	***15.1%***	***3.9%***	***10.6%***	***0.0%***	***2.9%***	***3.2%***	***3.3%***	***4.6%***	***4.8%***	***3.4%***	***1.3%***
Non Departmental Expenditures													
Insurance (WC\Liab\Unemployment)	1,512	1,867	1,992	2,305	2,472	2,548	2,626	2,708	2,791	2,878	2,967	3,059	3,153
Library	350	350	350	350	350	350	350	350	350	350	350	350	350
Retiree Medical Premium Payments	**614**	**654**	**750**	**900**	**1,025**	**1,052**	**1,125**	**1,169**	**1,199**	**1,256**	**113**	**118**	**121**
OPEB Contributions\ Other	87	0	100	0	100	0	0	0	0	0	0	0	0
Pension Rate Stabilization	0	1,000				**-1,833**	**-1,620**	**-658**	**0**	**0**	**0**	**0**	**0**
Total Non-Departmental Expenditures	**2,564**	**3,872**	**3,193**	**3,555**	**3,947**	**2,117**	**2,482**	**3,569**	**4,341**	**4,484**	**3,431**	**3,528**	**3,625**
Growth Rate	***4.5%***	***51.0%***	***-17.5%***	***11.4%***	***11.0%***	***-46.4%***	***17.2%***	***43.8%***	***21.6%***	***3.3%***	***-23.5%***	***2.8%***	***2.8%***
Operating transfers-out													
Aquatics	250	0	0	0	150	200	200	200	200	200	200	200	200
Juvenile Officer Fund		47	0	0	0	0	0	0	0	0	0	0	0
2014 Pension Obligation Fund	1,127	0	0	0	0	0	0	0	0	0	0	0	0
Total Transfers Out	**1,377**	**47**	**0**	**0**	**150**	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**
Growth Rate	***-18.0%***	***-96.6%***	***-100.0%***	***#DIV/0!***	***#DIV/0!***	***33.3%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
Total expenditures and transfers-out	**27,339**	**28,596**	**31,609**	**33,080**	**36,745**	**34,955**	**36,266**	**38,420**	**40,326**	**42,115**	**42,845**	**44,287**	**44,911**
Growth Rate	***1.2%***	***4.6%***	***10.5%***	***4.7%***	***11.1%***	***-4.9%***	***3.7%***	***5.9%***	***5.0%***	***4.4%***	***1.7%***	***3.4%***	***1.4%***
Operating net income	**2,091**	**5,550**	**4,855**	3,483	2,239	2,805	2,610	1,880	1,498	1,301	2,233	2,524	3,712
Growth Rate	***-37.8%***	***165.4%***	***-12.5%***	***-28.2%***	***-35.7%***	***25.3%***	***-7.0%***	***-28.0%***	***-20.3%***	***-13.2%***	***71.6%***	***13.1%***	***47.1%***
Capital transfer-out													
Equipment Replacement Fund	400	610	1,361	690	0	561	912	838	966	756	699	497	497
Facilities Maintenance \ Sidewalk	0	523	900	1,300	1,500	1,600	1,500	1,000	1,000	1,000	1,000	1,000	1,000
Facility Capital Fund	1,389	3,500	1,700	1,472	2,184								
Total Capital Transfers	**1,789**	**4,633**	**3,961**	**3,462**	**3,684**	**2,161**	**2,412**	**1,838**	**1,966**	**1,756**	**1,699**	**1,497**	**1,497**
Net income after capital transfers	**302**	**918**	**894**	**21**	**-1,445**	**643**	**198**	**42**	**-468**	**-455**	**534**	**1,027**	**2,215**
General Fund Ending Balance	**$ 5,591**	**$ 6,509**	**$ 7,403**	**$ 7,424**	**$ 5,979**	**$ 6,622**	**$ 6,820**	**$ 6,861**	**$ 6,393**	**$ 5,938**	**$ 6,472**	**$ 7,499**	**$ 9,714**
Growth of general fund balance	5.7%	16.4%	13.7%	0.3%	-19.5%	10.8%	3.0%	0.6%	-6.8%	-7.1%	9.0%	15.9%	29.5%
% Operating Expenditures	**21.5%**	**22.8%**	**23.4%**	**22.4%**	**16.3%**	**18.9%**	**18.8%**	**17.9%**	**15.9%**	**14.1%**	**15.1%**	**16.9%**	**21.6%**
% expenditures & debt service	**20.5%**	**22.8%**	**23.4%**	**22.4%**	**16.3%**	**18.9%**	**18.8%**	**17.9%**	**15.9%**	**14.1%**	**15.1%**	**16.9%**	**21.6%**

Appendix B

Overview of Piedmont Parcel Taxes

While Piedmont's parcel tax was established in 1981, this Committee, and its predecessor committees, have not summarized the composition of City's parcel taxes in formal reports within the last 20 years. As such, a brief summary and overview of parcel taxes in Piedmont follows for the educational benefit of Piedmont residents.

A parcel tax is a property-related tax distinct from an ad valorem property tax in that it not based on the assessed value of the property. Parcel taxes generally require a two-thirds majority voter approval under state law.

Given parcel taxes are not based on the value of the property, the amount of revenue raised from a parcel tax generally does not increase. This is in contrast to ad valorem property taxes, where revenue increases over time as property is sold and assessed values are reset.

Piedmont imposes three parcel taxes: the "Municipal Services Special Tax", the "Special Municipal Sewer Tax" and a "Paramedic Services Special Tax." The Municipal Services Special Tax is commonly referred to throughout the City as "the parcel tax", and general references in this report to the Piedmont Parcel Tax are to the City's Municipal Services Special Tax. A discussion of each, with particular emphasis on the Municipal Services Special Tax, given the charge of the Committee, follows.

Municipal Services Special Tax

The Municipal Services Special Tax generates about 7.5 percent of the City's general fund revenue and generated approximately $2.522 million in the most recent fiscal year. Voters historically have voted on, and approved, the Municipal Services Special Tax every four years.

Piedmont levies the Municipal Services Special Tax as a per-parcel tax based on the use classification and size of each improved parcel. Unlike many parcel taxes in other jurisdictions, which often impose either a flat rate per parcel or rate per square foot (meaning each parcel could pay an entirely different, relative rate), Piedmont's tax generally establishes rate tiers depending on the size of the property.

Property Classification / Size	Amount
Single Family Residence	
0 to 4,999 sq. ft.	$ 595
5,000 to 9,999 sq. ft.	$ 669
10,000 to 14,999 sq. ft.	$ 772
15,000 to 20,000 sq. ft.	$ 882
Over 20,000 sq. ft.	$ 1,005
Commercial Properties	
0 to 10,000 sq. ft.	$ 1,005
Over 10,000 sq. ft.	$ 1,508
Multi-Family Residence	
Per unit	$ 413
Parcels Divided by Tax Code Area Line	
All	$ 610

Each year, the City Council determines the rate at which to set the Municipal Services Special Tax, which may be increased by changes in the consumer price index, provided that the maximum annual increase may not exceed four percent from the prior year. Current rates are set forth below.

Given the City's long-term financial projections, and especially projected expenditure increases, City Council could consider increasing the rate limit to match that in other municipalities, such as the greater of either CPI or five percent, for example, to ensure that the tax rate continues to match inflation and reflect the increased (and well-anticipated) costs of running a city with a high level of municipal services.

The below table sets forth the median parcel size of a single-family residential property within each of the parcel size classifications used in determining the Municipal Services Special Tax, as well as the corresponding rate for such parcel size and per square foot cost of the Municipal Services Special Tax for a median home in each parcel size classification. Given 93% of parcels in Piedmont are single family residential, this makes up nearly all of the parcel tax revenue.

Size Classification (Square Footage)	Median Square Footage	Rate ($)	Per Square Foot Cost To Median Single Family Residential Parcel
0-4,999	4,140	595	$ 0.14
5,000-9,999	6,500	669	$ 0.10
10,000-14,999	11,700	772	$ 0.07
15,000-20,000	17,058	882	$ 0.05
20,000+	27,387	1005	$ 0.04
Average	8,253	669	$ 0.08
Median	6,300	669	$ 0.11

The below table provides a further breakdown of the composition of the Municipal Services Special Tax. The below table is an analysis of single family residential homes, which make up substantially all of Piedmont parcels, with a breakdown of the Municipal Services Special Tax parcel size classifications for number of parcels per size classification, total square footage per size classification, average square footage per size classification, per square foot cost to an average home within each size classification, and total revenue per size classification, along with corresponding percentages compared to all single family parcels as a whole.

Parcel Size Classification	Number of Parcels Per size Classification	Percent of Total Single Family Residential	Total Square Footage Associated with Size Classificatio	Percent of Total City Single Family Residential	Average Square Footage within Classification	Per Square Foot Cost to Home with Average Square Footage within Size Classification	Total Revenue Generated from Size Classification	Percent of Total Revenue Generated From Single Family Residential
0-4,999	1,016	27.26%	4,003,718	13.02%	3,940.67	$ 0.15	$ 550,760	22.05%
5,000-9,999	1,929	51.76%	13,116,944	42.65%	6,799.87	$ 0.10	$ 1,290,501	51.68%
10,000-14,999	477	12.80%	5,697,617	18.52%	11,944.69	$ 0.06	$ 368,244	14.75%
15,000-20,000	152	4.08%	2,596,646	8.44%	17,083.20	$ 0.05	$ 134,064	5.37%
20,000+	153	4.11%	5,342,362	17.37%	34,917.40	$ 0.03	$ 153,765	6.16%
Total	3,727	100.00%	30,757,287	100%	8,252.56		$ 2,497,334	100.00%

This overview indicates that the composition and make-up of the Municipal Services Special Tax is complex. Future analysis could explore modifications to the composition and structure of this tax consistent with City priorities.

The Municipal Services Special Tax is the core parcel tax levied by the City and is approved by voters every four years. Details on additional parcel taxes levied in Piedmont are below.

Special Municipal Sewer Tax

The City's Special Municipal Sewer Tax, known colloquially as the "sewer tax", is also a parcel tax. This tax was imposed in 2001 and has no sunset – it shall remain in effect unless amended or repealed by a two-thirds majority vote. And, as many Piedmonters recall, City voters rejected an increase to the sewer tax in 2012. Unlike the Municipal Services Special Tax, which go the general fund, proceeds from the Special Municipal Services Tax are deposited into a dedicated Municipal Sewer Tax Fund. Similar to the Municipal Services Special Tax, the sewer tax parcel structure is based on the use classification and parcel size. While the Committee did not examine the Special Municipal Sewer Tax in further detail for purposes of this report, its inclusion in this section is important to understand the role of parcel taxes in Piedmont, more broadly.

Paramedic Services Special Tax

The City also imposes a parcel tax to raise revenue for city operated paramedic services. This tax was approved by the voters in 1997 and has no sunset date; its rate has not been modified since 1997. The tax was enacted to replace funding through a supplemental Alameda County assessment that terminated in 1997 in connection with the 1996 passage of Proposition 218 (a voter initiative that further restricted local governments' ability to impose taxes and assessments, similar to Proposition 13). The tax is a flat tax of $18.46 per parcel and raises approximately $71,000 in revenue currently – this is the same amount of revenue raised at the time of its enactment, given it is based on a per parcel basis. Between 1997 and the present day, the operating budget for Piedmont's paramedic services has grown from approximately $140,000 to $770,000.

Piedmont Unified School District Parcel Taxes

While not levied by the City, given the larger discussion regarding parcel taxes in Piedmont, a brief overview of the parcel taxes levied by the Piedmont Unified School District is helpful, including to compare and contrast from the parcel taxes levied by the City. PUSD levies two parcel taxes. In 2019, voters approved Measure G, a flat $2,763 per parcel tax (with annual increases of up to two percent) with an eight year duration. In 2019, it was estimated this tax would generate $10.8 million annually. In 2019, voters also approved Measure H, a $0.25 per square foot of improved property parcel tax (distinct from the City's Municipal Services Special Tax and Special Municipal Sewer Tax, this tax does not divide parcel sizes into different classifications), with an eight year duration. In 2019, it was estimated this tax would generate $2.6 million annually.

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Exhibit 1

Appendix C

Allocation of One Percent Countywide Property Tax Rate, Fiscal Year 2022-2023

Attached on following page.

PROPERTY TAX ALLOCATION

AGENCY	2022-23
County General	0.17908704
County Free Library	0.00881820
County Free Library Sp. Tax Zone	0.00017908
Alameda County Fire Department	0.01405418
AlaCo Fire Zone 1 (Castro Valley)	0.00013158
AlaCo Fire Zone 2 (Remon)	0.00001439
AlaCo Fire Zone 3 (Castlewood)	0.00011621
AlaCo Fire Zone 4 (Happy Valley)	0.00005453
County Service Area PP-1991-1	0.00643526
Fairview Fire District	0.00112061
Ala. Co. Resource Conservation	0.00008452
County Flood Control	0.00132833
Flood Control Zone No. 2	0.00150200
Flood Control Zone No. 2A	0.00009911
Flood Control Zone No. 3A	0.00150040
Flood Control Zone No. 4	0.00009828
Flood Control Zone No. 5	0.00288317
Flood Control Zone No. 6	0.00208296
Flood Control Zone No. 7	0.00299161
Flood Control Zone No. 9	0.00009216
Flood Control Zone No. 12	0.00436059
Flood Control Zone No. 13	0.00038707
Ala. Co. Mosquito Abatement	0.00090316
County Service Area R-1967-1	0.00001660
County Service Area SL-1970-1	0.00000374
Hayward Area Recreation & Park	0.00730170
Livermore Area Recreation & Park	0.00343212
Audio Visual Capital	0.00016165
Co. Supt. Sch. Service	0.00106439
Co. Supt.Sch. Capital	0.00081992
Sch. Dev. Center	0.00081425
Sch. TMR EC 1887	0.00035734
Sch. Phy.HDCP EC 1856	0.00133411
Sch. Instit. Pupils	0.00171353
Sch. Juv. Hall Education	0.00035366
Sch. TMR PH Capital	0.00002923
Sch. TMR PH Tuition	0.00017951
Alameda Unif. Gen.	0.00929141
Albany Unif. Gen.	0.00196784
Berkeley Unif. Gen.	0.01267151
Castro Valley Unif. Gen	0.00446020
Fremont Unif. Gen.	0.03337857
Dublin Unif. Gen.	0.01386360
Hayward Unif. Gen.	0.01513148
Livermore Vly. Jt. Unif. Gen.	0.01544422
Oakland Unif. Gen.	0.03968539
Newark Unif. Gen.	0.00741255
New Haven Unif. Gen.	0.00746546
Piedmont Unif. Gen.	0.00314093
San Leandro Unif.Gen.	0.00589137

AGENCY	2022-23
San Lorenzo Unif. Gen.	0.00543473
Pleasanton Unif. Gen.	0.01866887
Sunol Glen Unif. Gen.	0.00037206
Emery Unif. Gen.	0.00221153
Mt. House Elem. Gen.	0.00008544
Ohlone Comm. Col. Gen.	0.00763134
Peralta Comm. Col. Gen.	0.01005155
Chabot-Las Positas Comm. Col. Gen.	0.01159901
City of Alameda	0.01286242
City of Albany	0.00177362
City of Berkeley	0.02270743
City of Dublin	0.01327859
City of Emeryville	0.00404691
City of Fremont	0.02553752
City of Hayward	0.01249835
City of Livermore	0.01156543
City of Newark	0.00585347
City of Oakland	0.06201383
City of Oakland - Zoo	0.00038094
City of Piedmont	0.00451018
City of Pleasanton	0.01971746
City of San Leandro	0.00541483
City of Union City	0.00586626
Bay Area Air Quality Mgmt.	0.00216214
Education Rev. Augmentation Fund	0.23502533
Castro Valley Sanitary Dist.	0.00031412
East Bay Regional Park District	0.02966555
AC Transit Sp. Dist. 1	0.02762184
AC Transit Sp. Dist. 2	0.00748220
BART	0.00635260
Alameda County Water Dist.	0.00209960
Byron Bethany Irrigation Dist.	0.00006536
EBMUD	0.00731629
EBMUD Sp. Dist. 1	0.00198221
Lammersville Unif. Gen	0.00008792
San Joaquin Delta Com. Col. Gen.	0.00003235
TOTAL	1.00000000
Note: School District Subtotal =	0.19666508
Co. Supt. of Sch. Subtotal =	0.00682759
E.R.A.F.	0.23502533
Community Colleges	0.02931425
Cities	0.20802724
Special Districts	0.13605619
County	0.17908704
Co. Library	0.00899728
TOTAL	1.00000000

Appendix D

Summary of Bay Area Parcel Tax Ballot Measures (excluding school districts) – March 2018 through November 2022.

Attached on following page.

Summary Of City, County and Special District Parcel Tax Measures - June 2018 - November 2022 - Bay Area Counties											
Date	Jurisdiction	County	Measure Name	Amount / Structure	Purpose	New, Increase, or Extend/Renew (No Increase)	Sunset	% in Favor	% Against	Result	Jurisdiction Type
Nov-22	San Anselmo	Marin	Measure H	$70/parcel	library	Extend/Renew	9 years	84.80%	15.20%	Pass	Municipal
Nov-22	Fairfax	Marin	Measure F	$94.50*/sfu	EMS	Extend/Renew	4 years	81.80%	18.20%	Pass	Municipal
Nov-22	Corte Madera	Marin	Measure E	$78+/sfu	EMS	Extend/Renew	4 years	81.40%	18.60%	Pass	Municipal
Nov-22	Ross Valley Paramedic Authority (CSA #27)	Marin	Measure N	Not Available	EMS	Extend/Renew	4 years	80.90%	19.10%	Pass	Special District
Nov-22	Tiburon Open Space	Marin	Measure M	$335+/parcel	open space	New	30 years	78.80%	21.20%	Pass	Special District
Nov-22	County of Marin	Marin	Measure B	$98/parcel	library	Increase	9 years	76.40%	23.60%	Pass	County/Regional
Nov-22	Albany	Alameda	Measure K	$0.074+/sf	fire/EMS	Extend/Renew	None	76.00%	24.00%	Pass	Municipal
Nov-22	Crockett Community Services District	Contra Costa	Measure L	$50/parcel	parks/rec r	New	None	62.80%	37.20%	Pass	Special District
Nov-22	Oakland	Alameda	Measure Y	$68/parcel	zoo	New	20 years	62.50%	37.50%	Pass	Municipal
Nov-22	Inverness Public Utility District	Marin	Measure O	$0.20/sf,$150 /vacant	fire	New	none	27.00%	73.00%	Fail	Special District
Jun-22	Sleepy Hollow Fire Protection District	Marin	Measure L	$94.5+/yr	fire/ems	Extend/Renew	4 years	87.00%	13.00%	Pass	Special District
Jun-22	Ross	Marin	Measure I	$94.5+/yr	ems	Extend/Renew	4 years	87.00%	13.00%	Pass	Municipal
Jun-22	Firehouse Community P.	Marin	Measure M	$75/yr	parks	increase	4 years	83.60%	16.40%	Pass	Special District

Summary Of City, County and Special District Parcel Tax Measures - June 2018 - November 2022 - Bay Area Counties											
Date	Jurisdiction	County	Measure Name	Amount / Structure	Purpose	New, Increase, or Extend/Renew (No Increase)	Sunset	% in Favor	% Against	Result	Jurisdiction Type
Jun-22	Kentfield Fire Protection District	Marin	Measure K	$94.5+/yr	ems	Extend/Renew	4 years	83.50%	16.50%	Pass	Municipal
Jun-22	Oakland	Alameda	Measure C	$114.50/yr	library	Extend/Renew	30 years	82.40%	17.70%	Pass	Municipal
Jun-22	Larkspur	Marin	Measure H	$94.5+/yr	ems	Extend/Renew	4 years	81.90%	18.10%	Pass	Municipal
Jun-22	San Anselmo	Marin	Measure J	$94.5+/yr	ems	Extend/Renew	4 years	81.40%	18.60%	Pass	Municipal
Jun-22	Martinez	Contra Costa	Measure F	$79/yr	open space preservat ion	Increase	30 years	68.80%	31.20%	Pass	Municipal
Nov-20	Santa Clara Valley Open Space Authority	Santa Clara	Measure T	$24/parcel	parks/op en space	Extend/Renew	None	81.80%	18.20%	Pass	County/Regional
Nov-20	Santa Clara Valley Water District	Santa Clara	Measure S	$.006/sf	water	Extend/Renew	None	75.70%	24.30%	Pass	County/Regional
Nov-20	Berkeley	Alameda	Measure FF	$0.1047/sf	fire/ems	New	None	74.20%	25.80%	Pass	Municipal
Nov-20	Albany	Alameda	Measure EE	between $44.34to $68, per residential unit	fire/ems	New	None	58.90%	41.10%	Fail	Municipal
Mar-20	Piedmont	Alameda	Measure T	$383+/edu/yr	general	Extend/Renew	4 years	83.00%	17.00%	Pass	Municipal
Mar-20	Marin Wildfire Preservation	Marin	Measure C	10¢/sf/yr	fire/EMS	New	10 years	70.30%	29.70%	Pass	Special District

Summary Of City, County and Special District Parcel Tax Measures - June 2018 - November 2022 - Bay Area Counties											
Date	Jurisdiction	County	Measure Name	Amount / Structure	Purpose	New, Increase, or Extend/Renew (No Increase)	Sunset	% in Favor	% Against	Result	Jurisdiction Type
	Authority JPA										
Mar-20	San Francisco	San Francisc o	Measure D	$350+/sf/yr	small business	New	None	70.10%	30.00%	Pass	Municipal
Mar-20	Oakland	Alameda	Measure Q	$148/yr	parks,mt c	New	20 years	68.10%	31.90%	Pass	Municipal
Mar-20	Ridgewood Permanent Road Division	Marin	Measure J	$1,281/yr for 10 years then 100 a year thereafter	roads	New	None	62.50%	37.50%	Fail	Special District
Mar-20	Union City	Alameda	Measure U	$168+/edu/yr	police/fir e	Extend/Renew	8 years	62.50%	37.50%	Fail	Municipal
Nov-19	Fairfax	Marin	Measure F	$195+/parcel	general	Extend/Renew	11 years	79.10%	20.90%	Pass	Municipal
Nov-19	San Anselmo	Marin	Measure M	$98/parcel	parks/rec reation	New	30 years	33.70%	66.40%	Fail	Municipal
Nov-18	East Bay Regional Park District	Alameda / Contra Costa Counties	Measure FF	$12/parcel	parks	Extend/Renew	20 years	86.60%	13.40%	Pass	County/Regional
Nov-18	East Palo Alto	San Mateo	Measure HH	$2.50/sf	housing	New	None	79.20%	20.80%	Pass	Municipal
Nov-18	Sleepy Hollow Fire Protection District	Marin	Measure T	$80+/parcel	fire/ems	Extend/Renew	4 years	78.00%	22.00%	Pass	Special District
Nov-18	Ross	Marin	Measure P	$80+/parcel	fire/ems	Extend/Renew	4 years	77.90%	22.10%	Pass	Municipal
Nov-18	Albany	Alameda	Measure M	$69/parcel	park/ open space	New	None	77.80%	22.20%	Pass	Municipal

Summary Of City, County and Special District Parcel Tax Measures - June 2018 - November 2022 - Bay Area Counties											
Date	Jurisdiction	County	Measure Name	Amount / Structure	Purpose	New, Increase, or Extend/Renew (No Increase)	Sunset	% in Favor	% Against	Result	Jurisdiction Type
Nov-18	Corte Madera	Marin	Measure N	$75+/parcel	fire/ems	Extend/Renew	4 years	77.60%	22.40%	Pass	Municipal
Nov-18	Kentfield Fire Protection District	Marin	Measure S	$80+/parcel	fire/ems	Increase	4 years	76.90%	23.10%	Pass	Special District
Nov-18	Fairfax	Marin	Measure O	$80+/parcel	fire/ems	Extend/Renew	4 years	76.50%	23.50%	Pass	Municipal
Nov-18	San Anselmo	Marin	Measure Q	$80+/parcel	fire/ems	Extend/Renew	4 years	73.60%	26.40%	Pass	Municipal
Nov-18	Southern Marin Fire Protection District	Marin	Measure U	$200/parcel	fire/ems	New	None	73.40%	26.60%	Pass	Special District
Nov-18	Oakland	Alameda	Measure W	$6k/vacant Parcel	nuisance abatement	New	20 years	70.00%	30.00%	Pass	Municipal
Nov-18	County Service Area No. 27	Marin	Measure R	$80+/parcel	fire/ems	Extend/Renew	4 years	68.30%	31.70%	Pass	Special District
Nov-18	Larkspur	Marin	Measure K	$92+/parcel	fire/ems	Extend/Renew	4 years	68.10%	31.90%	Pass	Municipal
Nov-18	Oakland	Alameda	Measure AA	$198/parcel	education	New	30 years	62.50%	37.50%	Fail	Municipal
Nov-18	Richmond	Contra Costa	Measure T	$3k/VacDev, $6k/VacUndev	homeless	New	20 years	60.20%	39.80%	Fail	Municipal
Jun-18	Oakland	Alameda	Measure D	$75/yrSF	library	New	20 years	76.90%	23.10%	Pass	Municipal
Jun-18	Orinda	Contra Costa	Measure J	$69	library	Increase	None	71.70%	28.30%	Pass	Municipal
Jun-18	Contra Costa County	Contra Costa	Measure S	$812+/yr	police	Not Available	None	44.00%	56.00%	Fail	Special District

Summary Of City, County and Special District Parcel Tax Measures - June 2018 - November 2022 - Bay Area Counties											
Date	Jurisdiction	County	Measure Name	Amount / Structure	Purpose	New, Increase, or Extend/Renew (No Increase)	Sunset	% in Favor	% Against	Result	Jurisdiction Type
	Community Service Area										

Appendix E

Bay Area Utility Users Tax Rates

Attached on following page.

County	Municipality	Rate
Alameda	Alameda	7.50%
Alameda	Albany	7.50%
Alameda	Berkeley	7.50%
Alameda	Emeryville	5.50%
Alameda	Hayward	5.50%
Alameda	Newark	3.25%
Alameda	Oakland	7.50%
Alameda	Piedmont	7.50%
Alameda	San Leandro	6.00%
Alameda	Union City	5.00%
Contra Costa	El Cerrito	8.00%
Contra Costa	Hercules	8.00%
Contra Costa	Pinole	8.00%
Contra Costa	Pleasant Hill	1.00%
Contra Costa	Richmond	10.00%
Contra Costa	San Pablo	7.00%
Marin	Fairfax	4.00%
San Francisco	San Francisco	7.50%
San Mateo	Daly City	5.00%
San Mateo	East Palo Alto	5.00%
San Mateo	Menlo Park	1.00%
San Mateo	Pacifica	6.50%
San Mateo	Portola Valley	4.50%
San Mateo	Redwood City	5.00%
Santa Clara	Cupertino	2.50%
Santa Clara	Gilroy	5.00%
Santa Clara	Los Altos	3.50%
Santa Clara	Mountain View	3.00%
Santa Clara	Palo Alto	8.50%
Santa Clara	San Jose	4.00%
Santa Clara	Sunnyvale	6.00%
San Mateo	Daly City	5.00%
San Mateo	East Palo Alto	5.00%
San Mateo	Menlo Park	1.00%
San Mateo	Pacifica	6.50%
San Mateo	Portola Valley	4.50%
San Mateo	Redwood City	5.00%