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# CITY OF POMONA COUNCIL REPORT

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April 5, 2021

To: Honorable Mayor and Members of the City Council

From: James Makshanoff, City Manager

Submitted By: Andrew Mowbray, Finance Director

**SUBJECT: ADOPTION OF A RESOLUTION ESTABLISHING THE ANNUAL CONSUMER PRICE INDEX (CPI) ADJUSTMENT FOR BUSINESS LICENSE TAXES, UTILITY USERS' MAXIMUM ANNUAL TAXES, AND INCOME LEVELS FOR QUALIFYING FOR RESIDENTIAL UTILITY USERS' TAX EXEMPTION ELIGIBILITY**

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## **RECOMMENDATION:**

*I.* It is recommended that the City Council adopt the following resolution:

**2021-20 - RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POMONA, CALIFORNIA, ADOPTING THE ANNUAL CONSUMER PRICE INDEX (CPI) ADJUSTMENT FOR BUSINESS LICENSE TAXES, UTILITY USERS' MAXIMUM ANNUAL TAXES, AND INCOME LEVELS FOR RESIDENTIAL UTILITY USERS' TAX EXEMPTION ELIGIBILITY**

## **EXECUTIVE SUMMARY:**

Pursuant to City Code Sections 50-415, 50-215, 50-216, and 50-218, the City Council may, by resolution, adjust Business License Taxes, Utility Users' Maximum Taxes, and the gross income levels for qualifying for residential exemptions from Utility Users' Taxes (UUT), in a percentage amount equal to the change in the Consumer Price Index (CPI). Attachment 1: Resolution 2021-20, effectuates, for FY 2021-22, previously authorized and codified CPI adjustments for said taxes and exemptions. In accordance with the CPI during the 12-month period for the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area (CMSA) as published by the United States Bureau of Labor Statistics, the CPI adjustment is 1.5%.

## **FISCAL IMPACT:**

For FY 2021-22, it is estimated the proposed CPI adjustments will result in approximately \$60,000 in additional Business License revenue. There is minimal impact in adjusting gross income levels

for the residential utility users' tax exemption. The additional revenue has been factored into the revenue projections for FY 2021-22 preliminary budget estimates.

**PUBLIC NOTICING REQUIREMENTS:**

None required for increasing existing tax with pre-existing provisions for annual CPI adjustments.

**PREVIOUS RELATED ACTION:**

On March 16, 2020, the Pomona City Council adopted Resolution No. 2020–29, authorizing the annual adjustment to Business License Taxes, Utility Users' Maximum Annual Taxes, and residential Utility Users' Tax exemption qualifications by 3%, a percentage amount equal to the change in the Consumer Price Index.

**DISCUSSION:**

**Business License**

Section 50-415 of the Pomona City Code states that business license taxes shall be adjusted annually based upon the year-over-year change to the Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County CMSA. The adjustments are effective on July 1 of each year.

Annual business license tax adjustments are calculated by a formula which applies the year-over-year change in the CPI for the Los Angeles-Riverside-Orange County CMSA to the currently prevailing tax rates, while rounding the results to the nearest \$0.25. For FY 2021-22, this formula results in a CPI increase of 1.5%. The adjusted business license taxes are set forth in the Business License Tax Schedule – FY 2021-22, attached as Exhibit A to the Resolution.

**Utility Users' Maximum Annual Tax**

Section 50-215 and 50-216 of the Pomona City Code state that Utility Users' Maximum Annual Taxes shall be adjusted annually in a percentage amount equal to the change in the CPI for the Los Angeles-Riverside-Orange County CMSA. The adjustments are effective on August 1 of each year.

Annual Utility Users' Maximum Tax adjustments are calculated by a formula which applies the year-over-year change in the CPI for the Los Angeles-Riverside-Orange County CMSA to the currently prevailing tax rates, while rounding the results to the nearest dollar. For FY 2021-22, this formula results in a CPI increase of 1.5%. The CPI adjustments to the Utility Users' Maximum Annual Tax are shown in the table below and in Attachment No. 2. The adjustments are effective on August 1, 2021.

Utility Users' Tax Code Section	2020-21 Current Annual Maximum Tax	2021-22 New Annual Maximum Tax
50-215 (Commercial)	\$ 143,959	\$ 146,118
50-216 (Small Business)	\$ 8,762	\$ 8,893

**Utility Users' Tax Exemption Income Levels**

Section 50-218 of the Pomona City Code states that gross income levels for qualifying for residential Utility Users' Tax exemptions shall be adjusted annually in a percentage amount equal to the change in the CPI for the Los Angeles-Riverside-Orange County CMSA as published by the United States Bureau of Labor Statistics. The adjustments are effective on July 1 of each year.

Annual adjustments to the gross income levels for qualifying for Utility Users' Tax exemptions are calculated by a formula which applies the year-over-year change in the CPI for the Los Angeles-Riverside-Orange County CMSA to the current gross income levels, while rounding the results to the nearest dollar. For FY 2021-22, this formula results in a CPI increase of 1.5%. These annual CPI-based adjustments are shown in the table below and in Attachment No. 2. The adjustments are effective on July 1, 2021.

UUT EXEMPTION - GROSS INCOME LEVELS			
Utility Users' Tax Code Section	People in Household	2020-21 Income Levels	2021-22 Income Levels
50-218(a)	1	\$ 22,749	\$ 23,090
	2**	\$ 24,263	\$ 24,627
	3**	\$ 26,884	\$ 27,287
	4+**	\$ 34,557	\$ 35,075
**The gross income levels indicated are for combined gross income of all people in the household.			

**ATTACHMENT(S):**

- Attachment No. 1 – Resolution No. 2021-20
- Exhibit A – FY 2021-22 Business License Tax Schedule
- Attachment No. 2 – Business License Tax Increase Comparison