



CITY OF POMONA COUNCIL REPORT

March 5, 2018

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

By: Onyx Jones, Finance Director

Subject: **Adoption of a Resolution Establishing the Annual Consumer Price Index (CPI) Adjustment of Business License Taxes, Utility Users' Maximum Annual Taxes, and Income Levels for Qualifying for Residential Utility Users' Tax Exemptions**

OVERVIEW

Recommendation – It is recommended that the City Council adopt the attached resolution:

1. Amending the Business License Tax Schedule to reflect the annual adjustment of business license taxes in a percentage amount equal to the change in the Consumer Price Index (CPI) pursuant to Section 50-415 of the Pomona City Code, for business classifications set forth in Chapter 14, Chapter 50, and Chapter 66; and
2. Amending Utility Users' Maximum Annual Taxes charged to commercial users to reflect the annual adjustment in a percentage amount equal to the change in the Consumer Price Index (CPI) pursuant to Section 50-215 and Section 50-216 of the Pomona City Code; and
3. Updating the income qualifications for Residential Utility Users' Tax Exemption Gross Income Levels, pursuant to Section 50-218 of the Pomona City Code.

Fiscal Impact – For Fiscal Year 2018/19, it is estimated that the proposed CPI adjustments will result in approximately \$133,200 in additional Business License revenue and an additional \$5,700 in utility tax 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 Fiscal Year 2018/19 budget estimates.

Public Notice Requirement – None required for increasing existing tax with pre-existing provisions for annual CPI adjustments.

Previous Related Action – On April 3, 2017, the Pomona City Council adopted Ordinance No. 4202, which amended Chapter 50 of the City Code to allow the City Council to adopt resolutions or ordinances to establish annual adjustments to Business License Taxes, Utility Users' Maximum Annual Taxes, and residential Utility Users' Tax exemption qualifications, in a percentage amount equal to the change in the Consumer Price Index.

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). The attached Resolution effectuates, for Fiscal Year 2018/2019, previously authorized and codified CPI adjustments for said taxes and exemptions. In accordance with the Consumer Price Index during the 12-month period for the Metropolitan Los Angeles-Anaheim-Riverside Area as published by the United States Bureau of Labor Statistics, the CPI adjustment is 3.6%.

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 for the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area (CMSA). 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 Consumer Price Index (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 Fiscal Year 2018/19, this formula results in a CPI increase of 3.6% when compared to Fiscal Year 2017/18. The adjusted business license taxes are set forth in the Business License Tax Schedule – Fiscal Year 2018/19, attached as **Exhibit A** to the Resolution.

Utility Users' Maximum Annual Tax

Section 50-215 and 50-216 of the Pomona City Code state Utility Users' Maximum Annual Taxes shall be adjusted annually in a percentage amount equal to the change in the Consumer Price Index during the 12-month period for the Metropolitan Los Angeles-Anaheim-Riverside Area. 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 Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County CMSA to the currently prevailing tax rates, while rounding the results to the nearest dollar. For Fiscal Year 2018/19, this formula results in a CPI increase of 3.6% when compared

to Fiscal Year 2017/18. The CPI adjustments to the Utility Users' Maximum Annual Tax are shown in the table below and in **Exhibit B** to the Resolution. The adjustments are effective on August 1, 2018.

Utility Users' Tax Code Section	2017/18 Current Annual Maximum Tax	2018/19 New Annual Maximum Tax
50-215 (Commercial)	\$ 130,726	\$ 135,432
50-216 (Small Business)	\$ 7,957	\$ 8,243

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 Consumer Price Index during the 12-month period for the Metropolitan Los Angeles-Anaheim-Riverside Area as published by the United States Bureau of Labor Statistics. 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 Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County CMSA to the current gross income levels, while rounding the results to the nearest dollar. For Fiscal Year 2018/19, this formula results in a CPI increase of 3.6% when compared to Fiscal Year 2017/18. These annual CPI-based adjustments are shown in the table below and in **Exhibit B** to the Resolution. Adjustments are effective on July 1, 2018.

UUT EXEMPTION - GROSS INCOME LEVELS			
Utility Users' Tax Code Section	People in Household	FY2017/18 Current Levels	FY2018/19 New Levels
50-218(a)	1	\$ 20,658	\$ 21,402
	2**	\$ 22,033	\$ 22,826
	3**	\$ 24,413	\$ 25,292
	4+**	\$ 31,380	\$ 32,510
**The gross income levels indicated are for combined gross income of the people in the household.			

Attachments:

1. Resolution applying CPI adjustment to Business License Taxes, Utility Users' Maximum Annual Taxes, and gross income levels for qualifying for residential Utility Users' tax exemptions, including Exhibit A – Business License Tax Schedule (effective July 1, 2018), Exhibit B – UUT Annual Maximum Tax (effective August 1) and UUT Gross Income Exemption Levels (effective July 1, 2018)
2. Comparisons from FY 2017/18
3. Bureau of Labor Statistics – CPI Report