

CITY OF SAN LEANDRO

MEMORANDUM

DATE: March 2, 2012

TO: Chris Zapata, City Manager

FROM: James O'Leary, Interim Finance Director

BY: Mary Ann Perini, Budget and Compliance Manager

SUBJECT: Discussion Regarding Annual Report on the Emergency Communication System Access (911) Tax and Annual Tax Cap Adjustment

RECOMMENDATION

Staff recommends the Finance Committee approve the Annual Report of the Emergency Communication System Access (911) Tax for 2011-12, as required by Municipal Code Section 2-18-220. Staff also recommends reviewing the proposed rates, including the Consumer Price Index (CPI) adjustment for the Emergency Communication System Access (911) Tax and the tax cap threshold for 2012-13 to be acted on in May 2012.

BACKGROUND AND ANALYSIS

The Emergency Communication System Access (911) Tax was approved by San Leandro voters on November 4, 2008 and adopted by the City Council on December 15, 2008. The 911 tax provides funding for the Emergency Communication System. Currently, the 911 tax is projected to generate \$2.7 million for the fiscal year ending June 30, 2012 and provides adequate funding for a reliable 911 communication system.

Eligible Operating Costs

Revenues raised by the 911 Tax may not exceed "eligible" operating costs and projected costs. Eligible operating costs are the portion of City operating expenses attributed to the operation of the 911 emergency communication system to telephone subscribers who are required to pay the tax imposed. In addition, eligible project costs are the portion of project costs attributable to a project associated with the 911 communication system. Exempt operating and project costs are the portions of expenses for availing 911 services to subscribers that have exempt status, such as the Lifeline Subscribers. Eligible operating costs shall not include exempt operating costs. As a result, a cost recovery ratio is determined when developing the eligible operating and project costs.

Based on information from July 2011 through December 2011, the estimated total phone lines in the City are 117,099. Of the total phone lines, it is estimated that 107,037, or 91%, are considered eligible for the 911 Tax. Attachment1 shows a breakdown of the line count by phone line type and the 911 current tax rate/cap and proposed tax rate/cap.

Cost Recovery Summary

The 911 Tax revenue from July 2011 through December 2011 is approximately \$1.3 million and appears to be on target to meet the budget projections for 2011-12 of \$2.7 million. The 2012-13 revenue is projected to increase by 3% over 2011-12 to \$2.8 million, which includes the CPI adjustment in accordance with Municipal Code Section 2-18-220 (b). Expenditures for 2012-13 primarily reflect a decrease in Police Dispatch operations due to the pay-off of the CAD RMS loan (eliminating debt service of \$507,229) in 2011-12 and an estimated small increase in Fire Dispatch costs.

The following table reports the original 2011-12 adopted budget, the 2011-12 year-end projection, and the 2012-13 proposed budget.

Description	Adopted Budget 2011-12	Projected Budget 2011-12	Proposed Budget 2012-13	Notes
Prior Year Projected Carryover	\$ (578,359)	\$ (708,136)	\$ (760,608)	
911 Tax Revenue	\$ 2,700,000	\$ 2,700,000	\$ 2,800,000	
Total Revenue + Carryover (a)	\$ 2,121,641	\$ 1,991,864	\$ 2,039,392	
Police Dispatch Expenditures:				
Salaries & Benefits	\$ 1,888,280	\$ 1,800,000	\$ 1,994,544	
Services	48,092	47,000	81,811	includes 6 months of EBRCSA in 2012-13
Supplies	8,700	14,000	8,700	
Furniture and Equipment	24,500	24,000	-	
Capital (CAD RMS for Dispatch)	507,229	507,229	-	CAD RMS loan paid in full in 2011-12
Overhead:				
Telecommunications	2,511	2,511	206,421	IT segregating Dispatch hardware and software from Police administration division in 2012-13.
Bldgs Repair & Maint.	3,747	3,747	4,112	
Insurance Services	123,741	123,741	142,251	
Fire Dispatch (ALCO Contract)	396,000	396,000	408,000	estimate based on 2010-11 ALCO actuals
Fire Dispatch (O/H Allocation)	93,000	93,000	96,000	estimate based on 2010-11 ALCO actuals
Total Expenditures (b)	3,095,800	3,011,228	2,941,839	
Eligible Recovery Ratio (c)	91%	91%	91%	see Attachment 1
Eligible Operating Cost (b x c) = (d)	2,829,777	2,752,472	2,677,073	
Net of Cost Recovery (a - d)	(708,136)	(760,608)	(637,682)	

CONCLUSION

Staff recommends the Finance Committee approve the Annual Report of the Emergency Communication System Access (911) Tax for 2011-12, as required by Municipal Code Section 2-18-220. Staff also recommends reviewing the proposed rates, including the Consumer Price Index (CPI) adjustment for the Emergency Communication System Access (911) Tax and the tax cap threshold for 2012-13 to be acted on in May 2012. This calculation is the basis for the 911 tax rate increase ordinance to be introduced to the City Council on May 7, 2012 for approval and adoption.

ATTACHMENT 1

A breakdown of the line count by phone line type is as follows:

Description		2011-12 # of Lines/Month	2012-13 Estimated # of Lines/Month	2012-13 Proposed 911 Tax Rate	2012-13 Estimated Revenue
<u>Eligible:</u>					
Single Access Lines		106,108	106,108	\$ 2.15	2,743,444
Trunk Lines		593	593	\$ 15.09	107,307
Super Trunk Lines		336	336	\$ 52.84	213,047
Sub-Total Eligible Lines	(a)	107,037	107,037		3,063,798
<u>Exempt:</u>					
Lifeline Customers		6,677	6,677		2012-13 Proposed Revenue for 911
Single Access Lines		2,415	2,415		Tax is budgeted
Trunk Lines		930	930		conservatively at
Super Trunk Lines		40	40		\$2,800,000
Sub-Total Exempt Lines	(b)	10,062	10,062		
Total Lines (a+b)		117,099	117,099		
Percent of Eligible Lines		91%	91%	← Maximum recovery for the City	

Summary of 911 Tax Rates and Cap Threshold:

Description	2011-12 Adopted Tax Rate	Consumer Price Index (CPI)	2012-13 Proposed 911 Tax Rate	
Single Access Line	\$ 2.10	2.6%	\$ 2.15	Rates used to calculate estimated revenues above
Trunk Line	\$ 14.71	2.6%	\$ 15.09	
Super Trunk Line	\$ 51.50	2.6%	\$ 52.84	
Tax Cap Threshold	\$ 10,211.00	2.6%	\$ 10,476.49	