

Tax Stabilization and Reduction Proposals

Summary

In the past 10 years, I served on one Municipal Tax Review Committee, chaired a second Committee, and was Council liaison to a third. I've also taken part in four Parcel Tax elections. In short, I've spent a lot of time studying — and thinking about — Piedmont's Parcel Tax. Following Measure W's passage last November, I decided to look more closely at Piedmont's financial structure, in particular the Parcel Tax, to see if there may be a better approach.

Piedmont's financial structure depends on three important revenue sources that are inherently variable and unstable — the real estate transfer tax, State funding (or, more accurately, State "takeaways" of City funds), and finally, the Parcel Tax. Because only the Parcel Tax is locally controlled, it needs to be potentially large enough to compensate for unexpected shortfalls due to changes in the local real estate market, or revenues unexpectedly taken by a perennially deficit-ridden State government. However, the Parcel Tax itself isn't guaranteed, because it has to be reauthorized every four years.

The result is a City government that can't make long-term plans to save taxpayer money because it doesn't have long-term financial stability. Thinking and planning with, at best, a four-year horizon creates additional problems. For example, a short-term mentality creates the potential for overspending during good financial times. Taxpayer monies can be wasted if money is spent to improve municipal services (for example, parks and sports fields) that cannot be maintained. City Councils who are used to the idea of adjusting the Parcel Tax every four years can make long-term commitments in labor contracts that become unaffordable without tax increases. Irregular, unreliable income easily leads to episodic financial problems.

State "takeaways" of Piedmont's revenues have been another reason for a 4-year Parcel Tax, because the Parcel Tax has to be adjusted when the State changes the rules. In fact, were it not for State "takeaways," Piedmont would not even need the Parcel Tax!

If Piedmont can insure itself against unexpected changes in State funding and can stabilize the Parcel Tax, I believe that the remaining variable — the transfer tax — is not by itself likely to fluctuate so much as to risk Piedmont's financial stability. Best of all, I believe stabilizing revenues would allow a very substantial reduction in the Parcel Tax. Therefore, I propose we:

- Reduce the Parcel Tax, make it permanent, and tie the maximum Parcel Tax amount to the amount of money taken by the State.

If this is done, I believe the maximum Parcel Tax level for 2006-07 can be reduced by nearly \$600,000, from \$1.4 million plus a CPI adjustment, to \$850,000. This represents a reduction of more than 40%.

For 25 years, Piedmont voters have shown they understand the need for a Parcel Tax. I propose asking them to make a simple decision: ***Should Piedmont voters approve a permanent Parcel Tax that, by stabilizing revenues, makes it possible to dramatically reduce the maximum Parcel Tax amount?***

The analysis that follows is complex because Piedmont's finances are also complex, but the conclusions are clear: Piedmont can substantially reduce taxes and still provide the stable revenue stream needed to ensure delivery of the high quality municipal services Piedmonters have come to expect. The following pages explain in greater detail how this can be accomplished.

A. The Need to Reform Piedmont's Revenue Structure

1. Overview of Piedmont's Financial Structure.

Piedmont's current revenue structure is inefficient, out of date, and unnecessarily costly to homeowners. Instead of a logical and flexible design aimed at meeting financial needs, our financial structure has been cobbled together as a reaction to outside events:

- 1980: Prop 13 rolls back property taxes. Reaction – a Parcel Tax, renewed every four years.
- 1986: Mandated sewer repairs. Reaction – Sewer Tax increased 130% in 2000.
- 1993/94: State “raids” on local revenues (“ERAF’s I and II) and a slump in the real estate market. Reaction – double the real estate transfer tax.
- 1996: State takeaways continue, transfer tax revenues still weak. Reaction: Increase the Parcel Tax and increase the General Fund reserve limit.
- 2000: State awash with revenue but ERAF continues. Reaction: Increase the General Fund reserve limit.
- 2004: More State raids (ERAF III). Reaction – increase the Parcel Tax.

Under the best of circumstances, sound financial management and effective long-term financial planning are both very difficult tasks. If either expenses or revenues fluctuate, the problem is further compounded. Although over the years Piedmont has done an exemplary job in controlling expenses, it has to deal with three major revenue sources that are not predictable from year to year. The three unpredictable revenue sources are:

- Traditional City revenues at risk or lost altogether due to State “takeaways.”
- A 4-year Parcel Tax, which needs a 2/3rds majority to be renewed, requires a substantial effort to pass, and which generally passes only with relatively narrow margins.
- Instability in the transfer tax due to normal fluctuations in the real estate market.

Sound financial planning is even more difficult because these three revenue sources are not independent of each other. For example, the Parcel Tax was first instituted in response to State-wide limitations on property taxes under Proposition 13. The Parcel Tax was limited to a four-year life because nobody knew what the long-term effect from Prop 13 would be. But a quarter century of experience has proven that Piedmont cannot maintain even minimal service levels without a Parcel Tax. In 1980 it might have been hoped that the need for a Parcel Tax might be short-term only. In 2005, especially after the State invented ERAF and other creative ways of taking money from local governments, it's clear that a Parcel Tax will be needed indefinitely.

Over the years, Piedmont has had to increase taxes because the State has “raided” local government property tax and vehicle license fee revenues. Virtually all California cities receive substantial sales tax revenues, which are a fairly stable revenue source. But since Piedmont receives virtually no sales tax revenues (about the only revenue source for local governments which has not been raided by the State), State “takeaways” have had a disproportionate effect on Piedmont.

Finally, although houses will always be bought and sold in Piedmont, sales volume – and transfer tax revenues – can fluctuate greatly. And since takeaways have historically taken place when the State's economy has been bad, Sacramento is most likely to balance its budget on the backs of local governments when the real estate market is soft and sales are depressed.

Financial planning for Piedmont currently has to take into account the potential for a "Perfect Storm" in which a poor economy leads to simultaneous train-wrecks: a soft real estate market, another round of State takeaways, and taxpayer reluctance to renew the Parcel Tax during tough economic times.

2. Piedmont's Current Financial Structure Creates Financial Planning Problems.

Under Piedmont's current financial structure, there are two ways to prepare for a "Perfect Storm." The first approach is to increase potential revenues. The recommendations from the 2001 Municipal Tax Committee, one of the most exceptionally qualified groups of citizens imaginable, took this approach. The Committee recommended a 120% increase to the Parcel Tax, with the understanding that the Council would charge a lesser amount if a "worst-case" scenario did not occur. This was the minimum amount they thought sufficient to maintain existing services in case additional State takeaways took place at the same time as a real estate market downturn of the same magnitude as Piedmont experienced during the 1993-95 period.

Although their analysis was extremely well-supported, there was one problem they did not address. Every four years, two-thirds of voters have to approve a Parcel Tax. The Committee's proposal – in normal years – would provide far more revenue than needed. Voters saw no reason to give City government access to potentially unnecessary tax monies, and rejected the Committee's recommendations. Fortunately, although the Committee's prediction of new State takeaways did come true, an unexpected real estate boom produced extraordinary high levels of transfer tax revenues, which more than replaced the lost revenues.

The other way to prepare for a "Perfect Storm" is to keep sufficiently high reserves to bridge short-term problems. However, there are limits to the amount of money that can be kept in the City's General Fund "savings account." Piedmont's Charter limits the General Fund Reserve to 25% of annual expenditures. Additional restrictions (the Gann Limit, etc) are set by State law.

Even if reserves could be kept high enough, there's another argument against this solution. As a former Vice-Mayor of Piedmont famously said, "I don't want or need the City to be my savings account." Ideally, Piedmont would let citizens keep as much of *their* money as possible.

Cities, like individuals, should have enough savings to get through bad financial times without major dislocations. Homeowners don't want to face mortgage foreclosure; cities need to avoid massive cuts in services and the compounding long-term costs of deferred maintenance.

In short, the financial management problems created by Piedmont's uncertain revenue stream can't be solved either by substantially increasing the maximum Parcel Tax, or by increasing reserves. The recently approved budget for 2005-06 proves this point – the maximum Parcel Tax is clearly higher than needed in good times (proven because the Council passed a balanced budget using only about 70% of the Parcel Tax). And reserves can't be kept high enough for adverse financial times.

In a more ideal world, Piedmont could both reduce its Parcel Tax and keep lower reserves. But as our current revenues are structured, Piedmont probably keeps more money in reserve and has a higher Parcel Tax limit than is truly needed in normal times, but can't keep nearly enough

money in reserve, or have a Parcel Tax limit high enough to carry Piedmont through a “Perfect Storm.” This leaves us the choice of living with a dysfunctional financial structure and hoping we’ll continue to “muddle through,” or changing the paradigm.

3. Tax Protection for Residents

A very real concern about Piedmont’s current tax structure is the effect on residents living on fixed incomes. Long-term residents are partially protected by Prop 13, but have no protection against potential increases to the Parcel Tax. Life in our community is enhanced by diversity of age and income, and we need to protect seniors and others living on a fixed income from being taxed out of town.

4. Citizen Review of Taxes and Spending

We should at least maintain, if not enhance, voter oversight and control of taxation. Currently there is no mandated citizen review of taxes. Any reform of Piedmont’s tax structure should provide for maintaining voter oversight of City government. Past Municipal Tax Review Committee’s have performed this function, and have generated fresh perspectives on City operations. However, there is no legal requirement for a periodic citizens committee to review City finances and operations.

5. Summary

Piedmont’s current financial structure has managed to provide sufficient funding to maintain the high level of services that many California cities used to provide, and which Piedmont residents still expect and receive. However, it does so inefficiently, and it is not robust enough to withstand severe stress. The main structural problem is that three revenue components are unpredictable and uncontrollable.

- Property tax revenues, as well as other revenues that pass through the State, are subject to the wants, needs, and whims of Sacramento politicians.
- The real estate transfer tax is unstable because it depends on both the volume and value of home sales. History shows this revenue source can fluctuate substantially from year to year, and there is no reason to assume that future fluctuations will not be more severe than those of the past.
- The Parcel Tax is, in many ways, the least reliable source of revenue, because it requires two-thirds support every four years.

In addition:

- Piedmont should be sensitive to the financial needs of persons living on fixed incomes.
- Piedmont should improve voter oversight and control over local taxes.

I believe Piedmont’s financial structure can be updated to reduce the long term cost to taxpayers if we improve revenue stability. The next section outlines proposals for doing so.

B. Proposed Ballot Measures

I believe Piedmont's financial structure needs to be re-thought, then rebuilt. Our most pressing need is to improve revenue stability. Without State takeaways, Piedmont would not need the Parcel Tax. Creating a permanent Parcel Tax linked to Piedmont's losses from takeaways would stabilize the two most critical – and unreliable – pieces in Piedmont's revenue puzzle.

Furthermore, with the passage of Proposition 1A and other recent limitations placed on the State, we can cautiously hope for less damage from takeaways. In fact, under current State law, the dollar amount of takeaways is supposed to decline substantially over the next few years. Piedmont's current \$1.4 million Parcel Tax does not expire until June 2009. If we linked the maximum Parcel Tax level to State takeaways, the maximum Parcel Tax rate would drop substantially, instead of increasing at the rate of inflation.

Therefore, I suggest three ballot measures. These measures would:

- I. Repeal the existing Measure W Parcel Tax and:
 - Institute a new, permanent Parcel Tax with a basic maximum limit that is \$350,000 less than the ERAF I and ERAF II property taxes taken by the State (FY 2000 ERAF formula), rounded to the nearest \$50,000. More specifically:
 - a. Every year, Piedmont has independent outside auditors verify Piedmont's accounting for the fiscal year that just ended. City Staff would calculate ERAF I and II losses for that fiscal year, with the independent outside auditors verifying their calculations. The amount of these losses, less \$350,000, would be the maximum Parcel Tax amount for the following year. In other words, the State takes money from Piedmont in Year 1, Piedmont calculates the loss in Year 2, and can recover the loss, less \$350,000, via the Parcel Tax in Year 3.
 - b. Because the State can shift revenues between categories, the basic Parcel Tax should be adjusted, plus or minus, by any other net changes to City revenues created by changes to current (i.e., September 1, 2005) State law. Any such adjustment should be verified by the independent outside auditors, and then rounded to the nearest \$50,000 to ensure that only significant changes to revenues affect the Parcel Tax.
 - c. For fiscal year 2006-07, the maximum Parcel Tax should be set at \$850,000 (see following note). This provision is to recognize that State law currently provides for full restoration of VLF, Prop 42, and ERAF III losses for the fiscal year beginning July 1, 2006.

Note: Current State law provides for no State takeaways of Prop 42, Vehicle License Fees, or ERAF III funds in fiscal 2006-07. In 2004-05, ERAF I and II losses totaled \$1,172,715. Therefore, the maximum Parcel Tax for 2006-07 should be:

ERAF I and II losses, rounded to nearest \$50,000:	\$1,200,000
LESS:	(\$350,000)
Maximum Parcel Tax:	\$850,000

Measure W, which established the current Parcel Tax, included an automatic increase based on inflation. Based on an estimated 3% inflation factor, the maximum 2006-07

Measure W Parcel Tax would be approximately \$1.45 million. This proposal represents a first-year reduction of more than 40% – almost \$600,000 – from what would be permissible under Measure W. And it must be remembered that unless Measure W is repealed, it remains in effect until July of 2009.

In addition, the suggested replacement Parcel Tax should:

- Retain the existing Parcel Tax allocation formula based on lot size.
- Eliminate the CPI escalation factor found in previous Parcel Taxes.
- Provide that if net State takeaways are less than \$350,000, no Parcel Tax may be charged, (However, the City would have no obligation to make tax refunds or establish a “negative” Parcel Tax.)

II. Modify the Charter to codify citizen oversight of City finances, by establishing a Municipal Tax Review Committee, whose members:

- Are appointed every four years and tasked with evaluating Piedmont’s tax structure, operating efficiency, and financing needs. The Committee should be required to issue a written report of their findings.
- May recommend a permanent or temporary increase, repeal, or reduction of the Parcel Tax.

III. Provide for Parcel Tax reductions or exemptions for permanently disabled homeowners or homeowners over age 60 as follows:

- For persons qualifying whose income does not exceed the poverty line, a 100% exemption.
- For persons qualifying whose income is no more than double the poverty line, a 50% exemption.
- For persons qualifying whose income is no more than triple the poverty line, a 25% exemption.

Note: When placed on the ballot, Proposals II and III should require that Proposal I be approved in order for either Proposal II or Proposal III to be placed into effect.

C. Analysis of Proposed Ballot Measures

1. Determining the Initial Parcel Tax Amount:

Determining an appropriate Parcel Tax amount is not an exact science. It's clear that without State takeaways, Piedmont currently wouldn't need a Parcel Tax. It's also clear that if Piedmont's revenues can be made more stable, the Parcel Tax can be reduced. In calculating an appropriate Parcel Tax amount, I looked at two approaches.

First, previous analysis performed for determining the Measure W Parcel Tax concluded that \$1,400,000 was an appropriate Parcel Tax amount, given the then-current levels of State takeaways and the uncertainties inherent in making long-term predictions of future revenues. Since then, Proposition 1A passed, and will reduce State takeaways by approximately \$350,000. If \$1.4 million was appropriate before, \$1,050,000 would be appropriate now.

The second approach focused on the potential for additional tax reductions made possible by improved revenue stability. This past June, the Council passed a balanced budget based on a \$1 million Parcel Tax. As with weather forecasts, financial forecasts are more accurate when they make short-term, rather than long-term predictions. On a short-term, one-year basis, a \$350,000 reduction in State takeaways would allow for a \$350,000 reduction in the Parcel Tax, to \$650,000.

I concluded that although a \$650,000 Parcel Tax might be appropriate for the immediate future, it might not be sufficient if the current real estate market were to cool off, or go into reverse. On the other hand, a \$1,050,000 Parcel Tax would be clearly excessive if we improve revenue stability. Averaging the two approaches produced an \$850,000 Parcel Tax – \$200,000 higher than the short-term approach would indicate, and \$200,000 lower than the longer-term approach. And since \$200,000 represents only about 1% of Piedmont's annual budget, an \$850,000 Parcel Tax seems reasonable whether you are focusing on long-term needs, or short-term requirements.

2. Impact on Taxpayers:

Passage of the proposed measures would greatly improve Piedmont's fiscal stability and allow a massive reduction to the current Parcel Tax. An \$850,000 Parcel Tax would be Piedmont's lowest Parcel Tax rate since Measure J (a \$668,000 Parcel Tax) passed in November 1992. Adjusted for inflation, \$850,000 would be the lowest maximum Parcel Tax rate in Piedmont's history.

In addition, when circumstances permit, Piedmont City Councils have always charged less than the maximum Parcel Tax rate. Again adjusting for inflation, the actual Parcel Rate was lower than \$850,000 in only four of the last 25 years (see Exhibit B). The inflation-adjusted average rate for the past 25 years is actually \$1,033,000, or about 21% *higher* than the proposed maximum rate.

One potential question is how the maximum Parcel Tax rate might change over time. The only way there could be an immediate, dramatic change would be if the State were to take more money away, or conversely, reduce the current level of ERAF "takeaways." Unfortunately, the latter, although desirable, is not too likely. Fortunately, Proposition 1A makes the former fairly unlikely, although the ingenuity of Sacramento politicians should never be underestimated.

Over time, it's likely that an ERAF-based formula will generate some increases, as assessed property values increase. However, California has recently experienced a huge increase in

property values, and it is not credible to think that homes will continue to appreciate, ad infinitum, at the same rate. Previous Parcel Tax measures included an “inflation escalator” factor. It is unclear whether in the future inflation will out-pace home appreciation, or vice versa. It is unlikely that over the long run, one measure will increase at a significantly different rate than the other.

3. Budgetary Risks:

One potential concern with stabilizing the Parcel Tax is the volatility of the transfer tax. When times are good, transfer tax revenues rise. But does Piedmont have enough in reserve to get through periods of declining transfer tax revenues?

Table 1 shows transfer tax revenues from the last 26 years. The transfer tax rate has been stable since October of 1993, when it was doubled. To provide comparable numbers for analysis, transfer tax revenues before October of 1993 have been doubled.

Table 1 – Transfer Tax Volatility

FYE:	Adjusted Amount	% Change from Previous Year.	% Change from Previous High Year
1980	438,038	-----	
1981	427,458	-2.4%	-2.4%
1982	364,034	-14.8%	-16.9%
1983	425,000	16.7%	
1984	650,968	53.2%	
1985	489,840	-24.8%	-24.8%
1986	664,212	35.6%	
1987	792,102	19.3%	
1988	948,800	19.8%	
1989	1,164,430	22.7%	
1990	840,934	-27.8%	-27.8%
1991	768,990	-8.6%	-34.0%
1992	1,485,196	93.1%	
1993	1,461,090	-1.6%	-1.6%
1994	1,301,617	-10.9%	-10.9%
1995	1,117,941	-14.1%	-23.5%
1996	1,127,769	0.9%	-22.8%
1997	1,691,749	50.0%	
1998	2,155,554	27.4%	
1999	2,217,684	2.9%	
2000	2,205,378	-0.6%	-0.6%
2001	1,888,647	-14.4%	-14.8%
2002	2,287,982	21.1%	
2003	2,493,805	9.0%	
2004	2,953,530	18.4%	
2005	2,470,208	-16.4%	-16.4%

It can be seen that the four-year period starting with fiscal 1994 was the longest and worst period for transfer tax revenues, with declines from the 1991-92 peak of 1.6%, 10.9%, 23.5%, and 22.8%. And, as previously noted, this took place at the same time as the State instituted the ERAF formula to take away part of Piedmont's property taxes.

Table 2 assumes four consecutive years where transfer tax revenues fall below the most recent "peak" year, 2003-04. The percentage declines used are taken from the above table.

Table 2 – Potential Transfer Tax Revenue Loss

	X-fer Revenue.	% Decline	Revenue Loss
Base Year Revenue	2,953,530		
Year 1	2,221,055	-24.8%	(732,475)
Year 2	2,259,450	-23.5%	(694,080)
Year 3	2,280,125	-22.8%	(673,405)
Year 4	2,132,449	-27.8%	(821,081)
Total:			(2,921,041)

If Piedmont does not have to plan for unexpected State takeaways – or failure to renew the Parcel Tax – the transfer tax becomes the only unknown. As of June 30, 2005, Piedmont's General Fund Reserve was approximately \$3.4 million. Piedmont clearly can withstand a series of years in which transfer tax revenues decline from their previous peak – if future periods of transfer tax decline are no worse than we've previously experienced. In addition, capital expenditures always can be reduced or deferred if there is a multi-year decline in transfer tax revenues.

It's also fair to ask whether the current levels of reserves in Piedmont's General Fund reserve are excessive. I believe they are not. Statistically, it takes large samples to make solid predictions. Since our sample is very small, future declines could be significantly more dramatic than we've already experienced.

Alternatively, '03-04 may represent a statistical "outlier," an anomalous year that won't be repeated. There is some reason to suspect this may be the case. Even though housing prices are still rising and the real estate boom continues, 2004-05 transfer tax revenues declined nearly \$500,000 from '03-04. If we start from a lower base when we calculate potential revenue loss, we obviously end up in an even worse position. In short, our current level of reserves does not seem excessive.

It is virtually impossible to eliminate all risk. I believe that having a reliable Parcel Tax (even one at a greatly reduced amount), combined with protection against unpredictable State takeaways, would greatly improve Piedmont's financial position. It is true that a massive decline in property values, or a multi-year, substantial reduction in home sales, could threaten Piedmont's finances. But those same risks exist today – and in addition we have to live with the uncertainty of State finances and the ongoing risk that a future Parcel Tax measure may not receive two-thirds support. Neither the Parcel Tax nor risk can be eliminated, but both can be reduced substantially.

4. Effect of Revenue Losses from Low Income Exemptions:

There may be some concern about lost revenue if we give Parcel Tax exemptions or reductions to people on limited incomes. Table 3 shows family income levels from the 2000 U.S. Census:

Table 3 – Piedmont Family Income

Piedmont Family Income Levels			
From 2000 U.S. Census			
		# Of Families	Percent
Less than:	\$10,000	11	0.4%
\$10,000 To	\$14,999	19	0.6%
\$15,000 To	\$24,999	83	2.7%
\$25,000 To	\$34,999	27	0.9%
\$35,000 To	\$49,999	124	4.0%
\$50,000 To	\$74,999	336	10.8%
\$75,000 To	\$99,999	286	9.2%
\$100,000 To	\$149,999	676	21.7%
\$150,000 To	\$199,999	443	14.2%
More than:	\$200,000	1,116	35.8%
Total		3,121	100.0%

The poverty level for families used in the 2000 U.S. Census was slightly more than \$15,000, and varies according to household size. If we assume all Piedmont residents below the poverty line are homeowners and over 60 or disabled, about 1% of residents would receive a complete Parcel Tax exemption. An additional estimated 3% would receive a 50% reduction, and about 4% would receive a 25% exemption. In total, by reducing taxes for the least able to pay, Piedmont would lose about 3.5% of potential Parcel Tax revenues. Against an \$850,000 Parcel Tax, that's a cost of about \$30,000 to benefit the least fortunate one-twelfth of Piedmont families. Piedmont can afford it!

5. Citizen Oversight:

Piedmont has always ensured citizen oversight over the Parcel Tax by making each Parcel Tax expire after four years. This provides for regular citizen discussions, but also is a major source of fiscal instability. Most citizens probably believe a Parcel Tax can continue indefinitely – provided there is regular, thorough citizen oversight of Piedmont's finances.

Piedmont should continue its tradition of having a Citizen's Tax Review Committee examine City finances every four years. City operations are studied in detail, good ideas are surfaced, conventional wisdom is questioned, and, most importantly, residents have non-politicians scrutinizing how their money is spent. However, the City Charter does not require a Tax Review Committee. The City Charter should be amended to require appointment of a Municipal Tax Review Committee at least once every four years. The Committee would be tasked with producing a written report evaluating the efficiency of Piedmont's municipal government, and with making recommendations for operational improvements or changes to the tax structure.

D. Summary and Conclusions

In October, 2003, the seven members of the Municipal Tax Review Committee recommended a 120% increase in the Parcel Tax. The Committee's members were professionally well qualified, incredibly talented, financially savvy citizens who saw potential financial problems facing Piedmont. The Council supported their recommendations and both the Committee and Council campaigned vigorously for the largest Parcel Tax increase in Piedmont's history. The increase failed at the ballot box.

This past year, the current members of the Council supported the largest successful tax increase in Piedmont's history. Both the Council and the Tax Review Committee acted out of concern for the City's financial health, not to expand services or because we're "tax and spend" politicians. We demonstrated this point when we chose to set the 2005-06 Parcel Tax nearly \$400,000 below the potential maximum.

I believe the above proposals, if adopted, will stabilize Piedmont's finances while substantially lowering the Parcel Tax burden on residents. It will make possible effective long-range financial planning, and it will provide tax relief to seniors and disabled persons living on limited incomes.

As Piedmont approaches its centennial, we should work to construct a firm financial foundation for Piedmont's future. Since the Parcel Tax is so essential to Piedmont, no Council could ever afford to take the risk of putting a substantial tax restructuring on the ballot in place of the "tried and true" traditional Parcel Tax.

But March 2006 will be mid-way between the failed S&T Parcel Tax measures and the next scheduled date for a Parcel Tax renewal. There is not a better time to ask citizens to consider changing Piedmont's antiquated and inefficient financial structure to one which I believe will:

- Provide the long-term funding stability needed to maintain services,
- Improve the ability to conduct long-range planning, and to make cost-effective, long-term financial decisions.
- Reduce or eliminate the Parcel Tax burden for residents on limited incomes,
- Make possible a very substantial reduction to the maximum Parcel Tax amount.

I urge my fellow Council members to give citizens the opportunity to evaluate this proposal by placing it on the March ballot.

Respectfully submitted:

Jeff Wieler

Exhibit A
Current vs. Proposed Parcel Tax Rates

Parcel Size in square feet	Parcel Tax Rates			
	Estimated Parcels	Voter Approved Rate for FY 05-06 \$1,400,000	Rate at \$1,000,000	Rate at \$850,000
Single Family Residences				
0 to 4,999	1,008	\$319	\$228	\$194
5,000 to 9,999	1,955	\$357	\$255	\$217
10,000 to 14,999	503	\$414	\$296	\$251
15,000 to 20,000	152	\$472	\$337	\$287
Over 20,000	167	\$538	\$384	\$327
Commercial Properties				
0 to 10,000	7	\$538	\$384	\$327
Over 10,000	6	\$806	\$576	\$489
Multi-family residential, per unit:	37	\$221	\$158	\$134
Dual jurisdiction parcels, per parcel:	1	\$327	\$234	\$199
Total	3,836	\$1,406,425	\$1,004,589	\$853,901

Appendix B
Inflation-Adjusted Parcel Tax Amounts

Inflation-adjusted Parcel Tax Rates

Fiscal Year Ending June 30	Actual Rates	Current Dollars (CPI-U)
1982	\$643,445	1,302,893
1983	\$652,454	1,280,015
1984	\$654,114	1,230,162
1985	\$649,798	1,180,024
1986	\$718,311	1,280,638
1987	\$732,914	1,260,664
1988	\$729,934	1,205,656
1989	\$736,245	1,160,180
1990	\$716,177	1,070,704
1991	\$725,443	1,040,760
1992	\$722,813	1,006,683
1993	\$664,882	899,086
1994	\$667,812	880,502
1995	\$602,162	772,063
1996	\$666,719	830,318
1997	\$660,380	803,977
1998	\$980,873	1,175,844
1999	\$782,902	918,242
2000	\$784,294	889,960
2001	\$735,823	811,857
2002	\$873,934	949,231
2003	\$915,125	971,823
2004	\$929,361	961,340
2005	\$940,501	940,501
2006	\$1,004,589	\$1,004,589
Average:	\$755,640	\$1,033,108