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BUDGET DIVISION

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January 3, 1991

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Report Back on Low Income Indices for Utility User
Tax Refunds

SUMMARY

During the budget hearing on the City's 1990-91 operating budget, Chairperson Mueller requested that staff comment on a citizen's proposal that the City make an annual adjustment on the income limit for the Utility User Tax Rebate Program.

This report provides background information on the current guidelines of the Utility User Tax Refund program, identifies other Sacramento agency indices, and provides information on other City indices. Staff recommends that the City of Sacramento maintain its current income limit of \$25,000 because this limit is significantly above HUD guidelines and is above the limit any other similar agency utilizes. Further analysis will be performed when the 1990 census data becomes available.

BACKGROUND

The annual City Utility User Tax Refund Program was initiated in 1977 to reduce the tax burden on low income senior citizens and disabled persons. In 1985, the City of Sacramento significantly increased the gross household income from \$12,000 to \$25,000 a

year. The utility tax refund program offers a 100% refund of City utility tax paid by qualified senior citizens and disabled persons. Utility tax refund applications are accepted from January through mid March each year. Refunds are for utility taxes paid the previous calendar year. To qualify for a refund of City utility tax:

- You must have paid City utility tax and
- You must have been 62 years old or older on December 31 of the previous calendar year or you must have been totally and permanently disabled from employment in the previous calendar year and
- You must have been head of household in the previous calendar year and
- You must have had a total gross household income of \$25,000 or less in the previous calendar year.

The City will make only one refund per household.

DISCUSSION

During the Budget Hearings, Bruce Pomer, requested that the City consider an annual adjustment on the income limit for the Utility User Tax Rebate Program. The following is a discussion of options available for indices and annual adjustment methods.

Several agencies in Sacramento use indices that are adjusted periodically. The following describes the criteria used by these organizations to determine if a person is considered low income:

- o 50% of Median Income of Sacramento Statistical Area guidelines from the Housing and Urban Development Department
- o 80% of Median Income of Sacramento Statistical Area guidelines from the Housing and Urban Development Department
- o Universal Lifeline uses a figure of \$13,600 for a 2 person household and \$3200 for every additional person as a maximum limit

The agencies in Sacramento which have refund or discount programs for the low income population include:

- o The Sacramento Housing and Redevelopment Agency (SHRA)
- o Sacramento Municipal Utility District (SMUD)
- o Pacific Bell

SHRA uses the income guidelines generated by the Housing and Urban Development Department (HUD). These guidelines are published once a year in January and take into account inflationary trends. There are two different guidelines which SHRA utilizes. The Section 8 Housing guidelines represent 50% of the median income of the Sacramento Metropolitan Statistical Area. The other guideline is for Conventional Public Housing which represents 80% of the median income of the Sacramento Metropolitan Statistical Area. SHRA considers the latter group the working poor of the area. Both guidelines include adjustments for income limits based on the number of people in the household.

SMUD instituted their Energy Assistance program in March of 1989. They use the HUD Section 8 (50 % of median income) guideline as their definition of low income.

Pacific Bell has a different sliding scale for their definition of low income. To qualify for their Universal Lifeline program a household of 2 people must earn less than \$13,600 per year. For 3 people the limit is \$16,000 and for every additional person in the household add \$3200 as the maximum earning limit.

There are 3 cities close in population size to Sacramento who have Utility User Tax. These cities are Long Beach, Santa Ana and Oakland. The city of Long Beach offers a refund to senior citizens or disabled persons of low income. The criteria used is the HUD Section 8 (50% of median income) guidelines, but they have not annually updated the schedule for 10 years. The City of Long Beach has no figures for the amount of refunds they give, but they estimate it is no greater than \$200,000 annually. They will be updating their HUD guidelines soon as they will be increasing their rates. The City of Santa Ana also offers a refund program to low income citizens and have arbitrarily selected the figure of \$10,000 gross income as low income which has not been adjusted for many years. They annually pay out approximately \$200,000 for this program. The City of Oakland does not offer any refund or discount program to low income or senior citizen households.

The San Francisco Bay Area Consumer Price Index (CPI) is another indicator of inflationary trends. This index is updated monthly and records changes in the cost of a defined "market basket" of goods and services over time. The limitation of the index is twofold. The CPI "market basket" is a fixed amount of commodities and fixed as to the physical amount of their consumption. Changes in consumption are not captured and new marketed items are overlooked. Another problem is that the CPI is based on an "average" household and does not represent either the consumption habits or inflation experience of the senior citizen or disabled, thus the CPI index may overstate inflation for this particular group. For example, the market basket of goods defined by the CPI includes the following subjects and weights: Food (17.2%), Housing (43.2%), Apparel and Upkeep (5.4%), Transportation (17.2%), Medical Care (6.0%), Entertainment (5.0%), and Other goods

and services(6.2%). The senior citizen or disabled person is typically concerned with Medical Care, and Transportation inflationary trends. Yet these areas represent 23% of the CPI so the CPI is overstating inflation for this particular segment of the population and not accurately reflecting other areas which may be important to a senior citizen or disabled person.

City of Sacramento Utility Rebate Program

In FY 1989-90, a total of 14,317 people participated in our Utility User Tax Refund program for an expenditure of \$1,007,899. the average refund in 89-90 was \$70.40 In 1988-89 the total number of people participating was 14,241 for an expenditure of \$1,014,117. This represents a 0.53% increase in the number of participants and a 0.61% decrease in total dollars refunded. The difference between FY 87-88 and FY 88-89 was a decrease of 3.21% in participation and a decrease of 0.64% in total dollars refunded. The number of participants in the program appears fairly stable and that is consistent with what was described by other cities providing this program. In 1985, City Council Adopted the \$25,000 limit following testimony from concerned citizens. This limit has not been adjusted since 1985. Comparing the City's low income criteria to other agencies and comparable cities, the \$25,000 limit is quite a bit higher than HUD's guidelines for either Section 8 (50% of median income) or Conventional Public Housing (80% of median income). The most current Section 8 (50% of median income) HUD guidelines are as follows:

<u>Number in Family</u>	<u>Yearly Max. Income Limits</u>
1	\$13,150
2	\$15,000
3	\$16,850
4	\$18,750
5	\$20,250
6	\$21,750
7	\$23,250
8	\$24,750

The most current Conventional Public Housing (80% of median income) HUD guidelines are as follows:

<u>Number in Family</u>	<u>Yearly Max. Income Limits</u>
1	\$21,000
2	\$24,000
3	\$27,000
4	\$30,000
5	\$31,900
6	\$33,750
7	\$35,650
8	\$37,500

Any price index has advantages and disadvantages. The City needs to consider an index which is simple, easy to obtain and represents the needs of senior citizens and the disabled in Sacramento. It is clear from the above research, that the City of Sacramento's low income limit significantly exceeds any other comparable organization's income limit. Currently, all labor statistics are based on the 1980 census. The 1990 census income and demographic information will be available in 1992. With the City's high income limit and the availability of the 1990 census data in the near future, it is recommended that the City of Sacramento maintain it's income limit at the current \$25,000 level until the 1990 census data can be analyzed and accurate, appropriate income limits be determined.

FINANCIAL DATA

The staff recommendation is to maintain the current income limit, thus there is no Fiscal impact. If the City of Sacramento had adjusted the income limit using the CPI index annual average method during the last five years, the income limit would be \$ 32,020 per year. The median income of 65+ year old households was \$14,039 in the City of Sacramento according to the 1980 census. 1990 census information will be available in 1992.

MBE/WBE EFFORTS

Not Applicable

POLICY CONSIDERATIONS

During the course of researching this topic, a number of issues were raised which need more extensive information and analysis. The first policy consideration is whether we should benchmark the low income level to a specific criteria and what criteria would be appropriate to use. The second policy consideration is whether should we expand the program beyond the senior citizen and disabled population. These questions need significant analysis to explore all the options. The basis of demographic information is currently the 1980 census. The 1990 census information on incomes will be available in 1992. Because this topic encompasses such diverse areas and the current information is extremely out of date, we feel it prudent to maintain the current income level since it exceeds the HUD guidelines and is significantly above the limit any other similar agency utilizes. We will perform complex analysis on all the options when the 1990 census data becomes available.

RECOMMENDATION

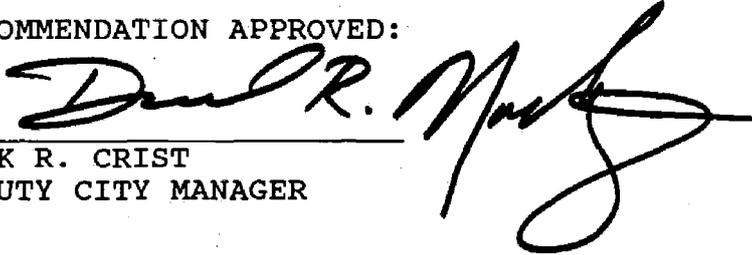
Based on the above information and research it is recommended that the current income level of \$25,000 be maintained and further analysis will be performed when the 1990 census information becomes available.

Respectfully submitted,

Sandra Dunn

Sandra Dunn
Management Analyst

RECOMMENDATION APPROVED:

for


JACK R. CRIST
DEPUTY CITY MANAGER

January 3, 1991
All Districts