

CITY OF SUNNYVALE
CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE "N"

This measure is proposed by the Sunnyvale City Council to update the City's existing Utility Users Tax ("UUT") ordinance to be consistent with current practice and modern telecommunications technologies, so every customer is treated the same whether they use the latest telecommunications technology or older telephone services.

The UUT is levied on utility users in the City. Sunnyvale has imposed the UUT on telephone, gas and electric utilities since 1969. The proceeds of the UUT can only be spent on City services and cannot be taken away by the State. Revenue generated by the tax goes to the City's General Fund to provide essential local government services including, but not limited to police, fire and paramedic services; street, sidewalk and tree maintenance; library, and parks and recreation.

Since the UUT was first enacted in 1969, the definitions of telephone services and telephone technology have changed significantly, resulting in inconsistent application of the tax. This measure would update the UUT ordinance by incorporating definitions commonly used in the telecommunications industry and anticipating new telecommunications technologies and services. Wired and wireless, paid and prepaid wireless, private networks for providing such services, and intrastate, interstate and international calls would be treated the same, regardless of the technology used to provide those services.

In recent years, many cities have modernized the telecommunications part of their UUT ordinances to respond to changes in federal law and to reflect the shift from landline telephones to digital communication technologies such as wireless and VOIP. Approximately 90% of the cities in the state that have a UUT use similar voter-approved definitions of telecommunications services that are proposed in this ordinance.

The current 2% rate of the UUT will stay the same, as will the existing categories of utilities subject to the UUT. This measure would not apply to charges for internet access, or internet downloads of music, video and other information unrelated to telecommunications. Voter approval would be required for any future increase in the rate or the scope of services subject to the UUT.

The ordinance will become effective if a majority of those voting on the measure vote for it.

A "yes" vote is a vote in favor of adopting the updated UUT ordinance to modernize the telecommunications provisions and maintain the existing 2% rate. A "no" vote will leave in place the existing UUT ordinance.



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City Attorney

7/25/16
Date

