



City of Sunnyvale

Agenda Item

14-0990

Agenda Date: 1/30/2015

2015 COUNCIL STUDY ISSUE

NUMBER

FIN 15-01

TITLE Review Potential for a Utility Users Tax Ballot Measure and Discount Program for Low Income Customers

BACKGROUND

Lead Department: Finance

Support Department(s): Office of the City Manager

Sponsor(s):

Councilmembers: Griffith, Whittum, Hendricks

History:

1 year ago: N/A

2 years ago: N/A

SCOPE OF THE STUDY

What are the key elements of the study?

This study would research the pros and cons of a potential ballot measure to increase the rate and/or base of the City's Utility Users Tax (UUT) and explore discounts or programs that can be offered to mitigate the impact for low income utility customers.

UUT may be collected on a wide variety of utility services, including but not limited to electricity, gas, water, sewer, telecommunication, trash collection, and cable television. Sunnyvale's UUT is applied to only electricity, gas and intrastate telephone services at a rate of 2%. The rate, which was adopted in 1975, remains below the average of Santa Clara County cities and significantly below the statewide average. Any change to either the rate or the base would require voter approval.

Although UUT still represents one of the City's top five largest sources of revenue for the General Fund, UUT revenues are not expected to keep pace in the long-term. Specifically, the application of telecommunication UUT to certain intrastate phone services has been a topic of legal and legislative uncertainty due to changes in technology and federal law. As a result, future uncertainty exists in the application and scope of the City's telecommunication UUT which represents 25% of total UUT revenue.

Additionally, Council has requested staff to explore if there are discounts or programs that can be offered to help alleviate the impact on low income customers. As part of the study, staff will review the structure of a potential discount program.

What precipitated this study?

At the February 7, 2014 Study and Budget Issues Workshop, Council requested that staff provide a review of the City's UUT in time to consider a ballot measure for 2016, if Council determines to move forward. An analysis was last provided to Council in 2011. Council took no action at that time taking into consideration the economic conditions in assessing the chance of success for a measure.

Planned Completion Year: 2015

FISCAL IMPACT

Cost to Conduct Study

Level of staff effort required (opportunity cost): Moderate

Amount of funding above current budget required: \$0

Funding Source: N/A

Explanation of Cost:

The cost associated with this study is staff time required to research and evaluate the options and fiscal impacts.

Cost to Implement Study Results

Unknown. Study would include assessment of potential costs.

EXPECTED PARTICIPATION IN THE PROCESS

Council-approved work plan: No

Council Study Session: No

Reviewed by Boards/Commissions: No

STAFF RECOMMENDATION

Position: Support

Explanation: As Sunnyvale's UUT applies to only electricity, gas, and intrastate telephone the opportunity exists to broaden its base to other areas of coverage allowable under state law. It would be prudent to consider ways to increase and strengthen the City's General Fund revenue base.

Reviewed by: Grace Leung, Director, Finance

Reviewed By: Robert A. Walker, Assistant City Manager

Approved By: Deanna J. Santana, City Manager