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DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
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June 9, 1989
RA891129:MLM:lcm

916-449-5454

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: **USERS TAX - INTERSTATE AND INTERNATIONAL TELEPHONE
COMMUNICATIONS**

SUMMARY

This report requests that the Budget and Finance Committee recommend the City Council impose a 7.5% tax upon any person using interstate and international telephone communication services in the City of Sacramento.

BACKGROUND

The California State Constitution and the City Charter grant the City the authority to make and enforce all the laws and regulations relating to municipal affairs. Raising sufficient revenue to carry out the City's business is a municipal affair. Unless prohibited or otherwise restricted by a higher legal authority, the City may impose taxes to raise revenue.

DISCUSSION

The City currently imposes a 7.5% tax on any person using intrastate telephone communication services, electrical energy, and gas. In 1987 the City of Los Angeles imposed a tax on persons using interstate and international telephone communication services in addition to a tax imposed on persons using intrastate telephone communication services. As a result, the City of Los Angeles experienced an approximate 40% revenue increase from users of telephone services.

FINANCIAL DATA

The FY 1989/90 Proposed Budget was balanced assuming that a 7.5% tax would be imposed on users of interstate and international telephone communication services effective for all billings for such services made on or after October 1, 1989. The following schedule summarizes the projected revenue from this source through FY 1993/94.

	\$ in thousands				
	FY				
	1989/90	1990/91	1991/92	1992/93	1993/94
General Revenue	\$1,501	\$2,060	\$1,922	\$1,835	\$1,714
Available for Public Safety	<u>107</u>	<u>172</u>	<u>432</u>	<u>613</u>	<u>796</u>
Total	<u>\$1,608</u>	<u>\$2,232</u>	<u>\$2,354</u>	<u>\$2,448</u>	<u>\$2,510</u>

The revenue projections assume a 25% revenue increase and include an allowance for refunding the tax to qualified senior and 100% disabled citizens.

POLICY CONSIDERATIONS

The City must adopt a balanced annual budget. The recommended tax has been incorporated into the FY 1989/90 Proposed Budget. The City Council may elect to:

1. adopt the recommended tax; or
2. substitute another equivalent revenue source; or
3. reduce proposed expenditures by an equivalent amount; or
4. combine alternatives 2 and 3 to maintain a balanced budget

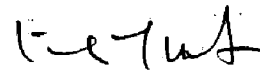
MBE/WBE EFFORTS

Not applicable.


RECOMMENDATION

It is requested that the Budget and Finance Committee recommend the City Council impose a 7.5% tax upon any person using interstate and international telephone communication services in the City.

Respectfully submitted,


 Michael L. Medema
 Revenue Manager

RECOMMENDATION APPROVED:


 JACK R. CRIST
 Deputy City Manager

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All Districts