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DEPARTMENT OF  
FINANCE

CITY OF SACRAMENTO  
CALIFORNIA

June 12, 1991  
RA91077:MLF:ldm

CITY HALL  
ROOM 104  
SACRAMENTO, CA  
95814-2696

916-449-5454

REVENUE DIVISION

City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT: ELIMINATION OF UTILITY USERS TAX EXEMPTION ON WAT AND  
800 TELEPHONE SERVICE**

SUMMARY

This report recommends the City Council not extend the Utility Users Tax exemption for WAT and 800 telephone service.

BACKGROUND

On June 27 1989, the City Council adopted Ordinance No. 89-048 that extended imposition of the Utility Users Tax on interstate and international telephone communication services within the City. Because of the anticipated revenue increases, wide area transmission (WAT) service and 800 type service were exempted from the tax until July 1, 1990. On June 13, 1990, City Council, by Resolution No. 90-515, extended the WAT and 800 telephone service exemption to July 1, 1991. The extension to July 1, 1991 was approved on the basis that projected revenues for FY 1989/90 would exceed the Approved Budget for total Utility Users Tax. Given the City's current fiscal situation, the elimination of the WAT and 800 exemption was identified as an additional revenue source during budget preparation and that additional revenue has been included in the FY 1991/92 and FY 1992/93 Proposed Budget. Attached is a survey of California cities tht include WAT and 800 type telephone service for utility users tax.

FINANCIAL DATA

The original 1989 exemption for WAT and 800 type service was predicated on the fact that inclusion of interstate and international phone service in the tax base would result in the then needed revenues. Interstate and international phone service was projected to generate additional revenues of \$1,608,000 in FY 89/90 and \$2,232,000 in FY 90/91. The required data to verify those projections is not readily available to the City and the projections can not be precisely confirmed.

Total Utility Users Tax is estimated at \$34,739,000 for FY 1991/92 Proposed Budget and \$37,459,000 for FY 1992/93 Proposed Budget. The FY 1991/92 estimate represents 17.63% of the FY 1991/92 total proposed revenue budget for the General Fund. The elimination of the WAT and 800 type service exemption is projected to generate \$400,000 in Utility Users Tax and has been included in the current proposed budget.

#### POLICY CONSIDERATIONS

The anticipated revenue from Utility Users Tax on WAT and 800 type service is included in the FY 1991/92 Proposed Budget in order to achieve a balanced annual budget. The elimination of the exemption would be consistent with City Council's policy of raising sufficient revenues to provide City services.

The exemption will "sunset" on July 1, 1991, when Resolution No. 90-515 expires. In order to allow telephone communication services companies to prepare for collection of the tax, the elimination of the exemption would be operative and apply to billings for telephone services dated on or after October 1, 1991.

#### MBE/WBE EFFORTS

Not applicable.

#### RECOMMENDATION

It is recommended the City Council approve the elimination of the exemption for WAT and 800 type telephone service from Utility Users Tax. No other formal action is required to include the services in the tax base.

Respectfully submitted,



Margaret L. Freeman  
Revenue Manager

RECOMMENDATION APPROVED:

  
WALTER J. SLIPE, City Manager

Attachment

CONTACT PERSON: Margaret L. Freeman, Revenue Manager, 449-5724 June 12, 1991  
All Districts

Utility Users Tax Survey

5/24/91

<u>City (Population)</u>	<u>Utility Users Rate</u>	<u>Utility Users Tax Applies To</u>	<u>800/WAT Taxed</u>
Sacramento (374,554) Current	7.5%	Gas, Elec, Cable, Phone/Interstate, International	No
Sacramento Proposed	7.5%	Gas, Elec, Cable, Phone/Interstate International	Yes
Glendale (180,038)	7.0%	Gas, Elec, Cable, Water, Sewer, Phone/Interstate International	Yes
Long Beach (429,433)	7.0%	Gas, Water, Elec, Phone	Yes
Los Angeles (3,485,398)	10.0%	Gas, Elec, Cable, Phone	Yes
	12.5%	Elec Commercial	
Huntington Beach (181,519)	5%	Gas, Elec, Water Phone/Interstate, Intrastate, International	Yes
Riverside (226,505)	6.5%	Gas, Elec, Water, Cable, Phone/ Intrastate	No
San Bernadino (164,164)	8%	Gas, Elec, Cable Phone	Yes
Stockton (210,943)	6.5%	Gas, Elec, Cable Phone, Water, Sewer	Yes
Modesto (164,730)	6.0%	Gas, Elec, Water Cable (3%), Phone/ Intra, Interstate, International	Yes