

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: May 17, 2010
Reviewed by: BP

SUBJECT: Utility Users Tax Ordinance

REPORT BY: Beth Pollard, City Administrator

STAFF RECOMMENDATION

That Council direct staff to prepare an ordinance and ballot language for the City Council to place on the November 2, 2010 Municipal Election to update the City's Utility Users Tax.

BACKGROUND

In 1995, the Albany City Council adopted a telephone, gas and electricity user's tax that is codified in Section 4-4 of the Municipal Code. Under this ordinance, a 7 percent tax is levied on charges for these services.

DISCUSSION

Since 1995, there have been changes in the technology and regulatory landscapes that affect primarily the telecommunication component of utility user tax (UUT) ordinances. These changes have led many cities to seek voter approval of their UUT ordinances, accompanied by updates in language.

Staff has researched the changes made in other cities and obtained industry expertise to review Albany's ordinance. Our conclusion is that the City would be best served by obtaining voter approval of its utility user tax ordinance and modernizing the language to more closely reflect today's conditions.

ANALYSIS

Features of a modern communications tax ordinance include updated definitions, technology-neutral language so that users and service suppliers are treated equally, and address potential litigation and technology risks. As an increasing number of telephone users gravitate away from land lines towards wireless communications, it becomes increasingly important to have an ordinance that can accommodate the changing technology in order to retain the City's revenue base.

Attached is a first draft of an ordinance that amends the provisions of the UUT pertaining to communications. If Council concurs with placing an updated ordinance on the ballot, staff will return with an ordinance that also includes any updates to the gas and electric user tax provisions that may be necessary.

One policy issue is the rate at which to set the utility user tax. The rate is currently 7 percent. Some cities that have placed their UUT ordinance on the ballot have reduced the rate in order to encourage passage, while others have kept it the same rate.

SUSTAINABILITY IMPACT

N/A

FINANCIAL IMPACT

There is a minor cost for printing materials to place the measure on the ballot.

The attached schedule shows the revenue from the City's utility user tax in the last two fiscal years.

Attachments

UUT Revenue
Draft ordinance