



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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Consent
July 22, 2008

**Honorable Mayor and
 Members of the City Council**

**Title: Calling and Giving Notice of a Measure for Inclusion on the November 4,
 2008 General Municipal Election Ballot**

Location/Council District: Citywide

Recommendation: Adopt a **Resolution** calling and giving notice of a measure to be placed on the November 4, 2008, ballot regarding proposed changes to chapter 3.32 of the Sacramento City Code (the utility user tax).

Contact: Stephanie Mizuno, Assistant City Clerk, 808-8093;
 Shirley Concolino, City Clerk, 808-5442

Presenters: N/A

Department: City Clerk's Office

Division: N/A

Organization No: 7070 / 04001021

Description/Analysis

Issue: Council action is necessary to place a measure before the voters of the jurisdiction.

Policy Considerations: This action is consistent with California Elections Code.

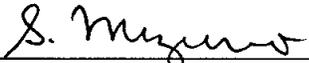
Environmental Considerations: None

Commission/Committee Action: None.

Rationale for Recommendation: On June 24, 2008, the City Council approved a measure proposing changes to chapter 3.32 of the Sacramento City Code (the utility user tax) subject to the voters' approval in accordance with Proposition 218. As required by California Elections Code, the City Council must adopt a resolution that will place the measure on the November 4, 2008 General Municipal Election ballot.

Financial Considerations: The estimated cost to add a second citywide contest to the November ballot is approximately \$22,336 per contest.

Emerging Small Business Development (ESBD): Not applicable.

Respectfully Submitted by: 
Stephanie Mizuno,
Assistant City Clerk

Recommendation Approved:


Shirley Concolino
City Clerk

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RESOLUTION NO.

Adopted by the Sacramento City Council

CALLING AND GIVING NOTICE OF THE SUBMITTAL TO THE VOTERS OF A QUESTION RELATING TO CHANGES IN CHAPTER 3.32 OF THE SACRAMENTO CITY CODE (THE UTILITY USER TAX) TO BE INCLUDED IN THE CONSOLIDATED GENERAL MUNICIPAL ELECTION OF NOVEMBER 4, 2008

BACKGROUND

- A. On December 11, 2007, the City Council adopted a resolution calling for, and giving notice of, a General Municipal Election to be held on November 4, 2008. The same day, the City Council also adopted a resolution requesting consolidation of the General Municipal Election with the Statewide General Municipal Election of November 4, 2008.
- B. On June 24, 2008, the City Council approved a measure proposing changes in chapter 3.32 of the Sacramento City Code (the utility user tax) subject to the voters' approval in accordance with Proposition 218.
- C. The City Council desires to submit that measure to the voters at the November 4, 2008, General Municipal Election.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

SECTION 1: The City Council hereby orders that the following question be submitted to the voters in the City of Sacramento, California on Tuesday, November 4, 2008:

Measure - Utility User Tax Reduction and Fairness Measure

"Utility User Tax Reduction and Fairness Measure. Shall the Utility User Tax ordinance be amended to reduce the tax on communications users from 7.5% to 7.0%; assure that users of current and future communications technologies be treated fairly; preserve funding for essential municipal services like police, fire protection and youth programs; continue providing tax refunds for low-income residents and requiring annual independent financial audits; and prohibit any tax-rate increase without voter approval?"	YES
	NO

SECTION 2: The text of the proposed measure to be submitted to the voters is attached as Exhibit A.

SECTION 3: The ballots to be used at the election shall be in the form and content as required by law.

SECTION 4: The polls for the election shall open at 7:00 a.m. on the day of the election and shall remain open continuously from that time until 8:00 p.m. of the same day when the polls shall be closed, except as provided in section 14401 of the Elections Code.

SECTION 5: In all particulars not recited in this resolution, the election shall be held and conducted as provided by the law for holding municipal elections.

SECTION 6: Notice of the time and place of holding the election is hereby given and the City Clerk is hereby authorized, instructed and directed to give further or additional notice of the election, in the time, form, and manner required by law.

SECTION 7: The City Clerk shall certify the passage and adoption of this resolution and enter it into the book of original resolutions.

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Exhibit A – Measure Text

Exhibit A

ORDINANCE NO. 2008-036

Adopted by the Sacramento City Council

June 17, 2008

AN ORDINANCE AMENDING AND RESTATING SECTION 3.32.030, AND REPEALING SECTION 3.32.040, OF CHAPTER 3.32, TITLE 3 OF THE SACRAMENTO CITY CODE RENAMING THE TELEPHONE USER TAX AND APPLYING IT FAIRLY TO CURRENT AND EMERGING TECHNOLOGIES, AND TO REDUCE THE TAX RATE

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1

This ordinance amends and restates section 3.32.030, and repeals section 3.32.040, of the Sacramento City Code, and is made effective by voter approval of the Utility User Tax Reduction And Fairness Measure.

SECTION 2

BACKGROUND

- A. The City of Sacramento established a telephone user tax in 1969 for charges on telephone services, extended that tax in 1993 to include cellular and wireless telephone service, and has levied and collected a Utility User Tax on those services, and the current tax rate is 7.5%.
- B. Telephony and related communications services have changed dramatically in recent decades; communications technology, telephone calling and marketing plans and state and federal legislation continue to evolve at a rapid pace.
- C. In particular, communications are no longer accomplished entirely through the switched network, wireless service has become prevalent, communications through other means are increasing in popularity, the overall cost of communications is declining, common charges are no longer based upon distance, and the federal government has been extremely active in adopting laws affecting the telecommunications industry.
- D. Updating the City's tax on communications services to include current and emerging technologies and reflect the realities of the current communications

industry require voter approval under the California Constitution.

- E. The City desires to treat users of communications services in a uniform and equitable manner, regardless of the means of transmission or technology used, so that users of communications services transmitted by traditional technologies (such as telephone land lines) do not bear a greater tax burden than users of communications services transmitted via newly developed technologies.
- F. The City desires to reduce the tax rate on communications services from 7.5% to 7% under the Communications User Tax.
- G. The Telephone User Tax contained refunds for low income persons and the City desires to continue those refunds in the Communications User Tax.
- H. The Communications User Tax will require annual financial audits of tax expenditures and will require voter approval of increases to the Communications User Tax.
- I. A measure is proposed for placement on the November 4, 2008 ballot that would give effect to this ordinance reducing the Utility User Tax on communications services and apply it fairly to all communications users.
- J. This Communications User Tax shall not apply to charges for the portion of cable or video television services that are subject to a cable or video television franchise fee.
- K. The City depends upon the revenue generated by the Communications User Tax to continue providing essential City services such as police, fire protection and youth programs.

SECTION 3

Section 3.32.030 of the Sacramento City Code is amended and restated to read as follows:

Section 3.32.030 Communications User Tax.

- A. There is imposed a tax upon every Person with a billing or service address in the City, other than a Public Agency, who uses intrastate, interstate or international Communications Services, to the maximum extent permitted by state and federal law. The tax imposed by this section shall be at the rate of seven percent of the charges for such services and shall be paid by the Person paying for such services.
- B. The following words and phrases whenever used in this section shall be construed as defined herein:

1. **“Ancillary Telecommunications Services”** means services that are associated with or incidental to the provision, use or enjoyment of Communications Services, including but not limited to the following services: Conference Bridging Service, Detailed Telecommunications Billing Service, Directory Assistance Service, Vertical Service, and Voice Mail Service.
2. **“Communications Services”** means the transmission, conveyance, or routing of voice, audio, video, data or any other communications information or signals to a point, or between or among points, whatever the technology used, and whether or not that information is transmitted through interconnected service with the public switched network, or through fiber optic, coaxial cable, power line transmission, broadband connections or technologies, digital subscriber line or other wired technology or any wireless transmission. The term "Communications Services" includes transmission, conveyance, or routing in which computer processing applications are used to act on the form, code or protocol of the content for purposes of transmission, conveyance or routing without regard to whether those services are referred to as voice over internet protocol (VoIP) services or are classified by the Federal Communications Commission as enhanced or value added, and includes video or data services that are functionally integrated with Communications Services. Communications Services include but are not limited to the following services, regardless of the manner or basis on which those services are calculated or billed: central office and custom calling features (including but not limited to call waiting, call forwarding, caller identification and three-way calling); local number portability; text messaging; instant messaging; Ancillary Telecommunications Services; prepaid and post-paid telecommunications services (including but not limited to prepaid calling cards); Mobile Telecommunications Services; Private Communications Services; paging services; Video Services; 800 service (or any other toll-free numbers designated by the Federal Communications Commission); and 900 service (or any other similar numbers designated by the Federal Communications Commission for services whereby subscribers call in to pre-recorded or live service). Communications Services does not include either digital downloads such as e-mail or digital products such as books, music, ringtones, games and similar digital products, or that portion of cable or video television services subject to a cable or video television franchise fee.
3. **“Communications User Tax”** means the tax imposed by this section.
4. **“Conference Bridging Service”** means an ancillary service that links two or more participants of an audio or video conference call and may include the provision of a telephone number. Conference bridging service does

not include the telecommunications services used to reach the conference bridge.

5. **“Detailed Telecommunications Billing Service”** means an ancillary service of separately stating information pertaining to individual calls on a customer’s billing statement.
6. **“Directory Assistance Service”** means an ancillary service of providing telephone number information or address information.
7. **“Mobile Telecommunications Services”** shall have the same meaning and usage as set forth in the Mobile Telecommunications Sourcing Act (4 U.S.C. Section 124) and the regulations thereunder.
8. **“Private Communications Services”** means any dedicated Communications Services that entitle the user to the exclusive or priority use of communications channels.
9. **“Tax Administrator”** means the Director of Finance of the City of Sacramento or his or her designee.
10. **“Vertical Service”** means an ancillary service that is offered in connection with one or more telecommunications services, which offers advanced calling features that allow customers to identify callers and to manage multiple calls and call connections, including conference bridging services.
11. **“Video Programming”** means those programming services commonly provided to subscribers by a Video Service Supplier including but not limited to basic services, premium services, audio services, video games, pay-per-view services, video on demand, origination programming, or any other similar services, regardless of the content of such Video Programming, or the technology used to deliver such services, and regardless of the manner or basis on which such services are calculated or billed.
12. **“Video Services”** means Video Programming and any and all services related to the providing, recording, delivering, use or enjoyment of Video Programming (including origination programming and programming using Internet Protocol, e.g., IP-TV and IP-Video) using one or more channels by a Video Service Supplier, regardless of the technology used to deliver, store or provide such services, and regardless of the manner or basis on which such services are calculated or billed, and includes ancillary video services, data services, telecommunication services, or interactive communications services that are functionally integrated with Video Services.

13. **“Video Service Supplier”** means any person that provides or sells one or more channels of Video Programming, or provides or sells the capability to receive one or more channels of Video Programming, including any telecommunications that are ancillary, necessary or common to the provision, use or enjoyment of the Video Programming, to or from a business or residential address in the City, where some fee is paid, whether directly or included in dues or rental charges for that service, whether or not public rights-of-way are utilized in the delivery of the Video Programming or telecommunications. A Video Service Supplier includes, but is not limited to, multi-channel Video Programming distributors (as defined in 47 U.S.C. section 522(13)); open video systems (OVS) suppliers; and suppliers of cable television; master antenna television; satellite master antenna television; multi-channel multipoint distribution services (MMDS); Video Services using internet protocol (e.g., IP-TV and IP-Video), that provide, among other things, broadcasting and video on demand), direct broadcast satellite to the extent federal law permits taxation of its video services, now or in the future; and other suppliers of Video Services (including two-way communications), whatever their technology.
14. **“Voice Mail Service”** means an ancillary service that enables the customer to store, send or receive recorded messages. Voice Mail Service does not include any Vertical Services that the customer may be required to have to utilize the Voice Mail Service.
- C. The tax imposed in this section shall be collected from the Service User by the Person providing the intrastate, interstate or international Communication Services. The amount of tax collected in one month shall be remitted to the City collector on or before the last day of the following month. The amount on which the tax is based shall be the sum of all charges for such services included in the bill; except that if a non-taxable service and a taxable service are billed together under a single charge, the entire charge shall be deemed taxable unless the Service Supplier or Service User reasonably identifies actual charges for services not subject to tax. The Service Supplier or Service User seeking a reduction has the burden of proving the proper valuation and apportionment of taxable and non-taxable charges based upon books and records that are kept in the regular course of business and in a manner consistent with generally accepted accounting principles.
- D. Charges subject to the Communications User Tax include all amounts billed to the Service User for Communications Services, unless such charge is otherwise exempt from the tax as provided in this section or under state or federal law. Such charges include but are not limited to the following: connection, reconnection, termination, movement, or change of Communications Services; late payment fees; detailed billing; Voice Mail Service and other messaging

services; Directory Assistance Service; access and line charges; universal service charges; and regulatory, administrative and other cost recovery charges.

- E. Mobile Telecommunications Services shall be sourced in accordance with the sourcing rules set forth in the Mobile Telecommunications Sourcing Act (4 U.S.C. Section 124). The Tax Administrator may issue and disseminate to Service Suppliers who are subject to the tax collection requirements of this section, sourcing rules for the taxation of other Communications Service, including but not limited to prepaid Communications Services, post-paid Communications Services, and Private Communications Services, provided that such rules are based upon custom and common practice that further administrative efficiency and minimize multi-jurisdictional taxation. The Tax Administrator may also issue and disseminate to Communications Services suppliers who are subject to the tax collection requirements of this section, an administrative ruling identifying those Communications Services, or charges therefor, that are subject to the tax of subsection A. This administrative ruling shall not impose a new tax, revise an existing tax methodology as stated in this section, or increase an existing tax, except as allowed by California Government Code section 53750(h)(2)(A).
- F. The following shall be exempt from any tax imposed by this section:
1. News services. No tax shall be imposed under this section, except with respect to local telephone service, on any payment received from any Person for services used in the collection of news for the public press, or a news ticker service furnishing a general news service similar to that of the public press, or radio broadcasting, or in the dissemination of news through the public press, or a news ticker service furnishing a general news service similar to that of the public press, or by means of radio broadcasting, if the charge for such service is billed in writing to such person.
 2. International organizations. No tax shall be imposed under this section on any payment received for services furnished to a public international organization in which the United States participates pursuant to treaty or Act of Congress, or to the American National Red Cross.
 3. Servicemen in combat zone. No tax shall be imposed under this section on any payment received for any Communications Services which originates within a combat zone from a member of the Armed Forces of the United States performing service in such combat zone, as defined in and determined under Section 112 of Title 26 of the United States Code.
 4. Items otherwise taxed. Only one payment of tax under this section shall be required with respect to the tax on any Communications Services.
 5. Common carriers and communications companies. No tax shall be

imposed under this section on the amount paid for any Communications Services described in this section, to the extent that the amount so paid is for use by a common carrier, telephone or telegraph company, or radio broadcasting station or network in the conduct of its business as such.

6. Nonprofit hospitals. No tax shall be imposed under this section on any amount paid by a nonprofit hospital for Communications Services furnished to such organization. For purposes of this subsection, the term "nonprofit hospital" means a hospital referred to in Section 170(b)(1)(A)(iii) of Title 26 of the United States Code, that is exempt from federal income tax under section 501(a) of Title 26 of the United States Code.
 7. Exemption for nonprofit educational organizations. No tax shall be imposed under this section on any amount paid by a nonprofit educational organization for services or facilities furnished to such organization. For purposes of this subsection, the term "nonprofit educational organization" means an educational organization described in Section 170(b)(1)(A)(ii) of Title 26 of the United States Code, that is exempt from federal income tax under section 501(a) of Title 26 of the United States Code, including a school operated as an activity of an organization described in section 501(c)(3) of Title 26 of the United States Code that is exempt from federal income tax under section 501(a), if such school normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.
- G. To prevent actual multiple taxation of Communications Services that are subject to tax under this section, any Service User, upon proof that the Service User owed and has paid a tax in another taxing jurisdiction on the Communications Services, shall be allowed a credit against the tax imposed in Subsection A to the extent of the amount of the tax properly due and paid in the other taxing jurisdiction. However, no credit may be allowed for any tax paid to another taxing jurisdiction on any Communications Services to the extent that the Communications Services may not, under the Constitution and statutes of the United States, be made the subject of taxation by the other taxing jurisdiction. Nor shall the amount of credit exceed the tax owed to the City under this section.
- H. For purposes of imposing a tax or establishing a duty to collect and remit a tax under this section, "substantial nexus" and "minimum contacts" shall be construed broadly in favor of the imposition, collection and/or remittance of the Communications User Tax to the fullest extent permitted by state and federal law, and as it may change from time to time by judicial interpretation or by statutory enactment. Any Communications Services used by a Person with a service or billing address in the City shall be subject to a rebuttable presumption that "substantial nexus/minimum contacts" exists for purposes of imposing a tax, or establishing a duty to collect and remit a tax, under this section. For

Communications Services for which there is no billing address or primary physical location for the provision of services, the service address shall mean the point of sale of the services.

- I. Amendment or Repeal. The Communications User Tax imposed by this Section may be decreased, repealed or amended by the City Council, but may not be increased without a vote of the people as required in California Constitution Article XIII C and California Government Code Section 53750(h).
- J. Audit of Communications User Tax. The City shall annually audit the Communications User Taxes imposed by this Section to verify that tax revenues have been properly expended in accordance with the law. The annual audit shall be performed under the direction of the Director of Finance by a qualified independent third party employing reasonable, cost-effective procedures.

SECTION 4

Section 3.32.040 of the Sacramento City Code is repealed.

SECTION 5

Low-Income Refund. This ordinance does not change the existing low-income citizen tax refund program as provided for under Section 3.32.170 of the Sacramento City Code.

SECTION 6

Severability. If any portion of this ordinance is for any reason held to be invalid or unenforceable by a court of competent jurisdiction, the remaining portions of this ordinance shall remain in effect. The people of the City of Sacramento hereby declare that they would have adopted each portion of this ordinance, notwithstanding the fact that any one or more portions of this ordinance is declared invalid or unenforceable and, to that end, the provisions of this ordinance are severable. If this ordinance is declared to be invalid, then the provisions of Sections 3.32.030 and 3.32.040, as those Sections read on October 4, 2006, will become effective.

SECTION 7

Majority Approval; Effective Date. This ordinance shall be effective only if approved by a majority of the voters voting on this ordinance and shall go into effect ten days after the vote is declared by City Council.

