

TUT Presentation

City of Los Alamitos

Los Alamitos Ballot Measure

- The City needs to modernize or update the language of the ordinance that applies to the Telephone User's Tax (TUT)
- The ordinance is outdated because of new communications technologies and billing practices
- The current ordinance has been in effect since 1991 and the current tax rate on communication devices is 6%.
- **The City Council voted on July 16, 2012 to put a measure on the November 2012 ballot to reduce the tax rate from 6% to 5% and update the ordinance.**

What is the TUT?

- The Telephone Users Tax is a general City tax that is assessed at 6% of certain telephone services billed to Los Alamitos addresses
- The TUT is one part of the Utility Users Tax (or UUT). Other taxed utilities are electricity, gas and water – all at 6%
- The revenues received from the tax are not restricted and can be used to fund a variety of City services including Police
- The TUT is collected from customers by telephone carriers and remitted to the City monthly



Brief History of the UUT

- 1991 - Implemented 6% tax on all utilities (UUT)
- 2001 - Temporary UUT reduction from 6% to 4.5% from January 1 – July 30, 2002
- 2002 – Reaffirm UUT in the November election – no rate increase
- 2003 – Temporary UUT reduction (in electric UUT) from 6% to 4.5% from March 24 – September 30, 2003 and then from September 30, 2003 to December 31, 2004
- 2006 – TUT Update – no rate change; remained at 6%



Changing Technology

- Communication technology has changed dramatically with cell phones, satellite communications, VOIP and other media
- Telephone billing has changed with the advent of fixed fee calling plans
- Newer technology will continue to be developed
- Other cities have been sued for continuing to apply older ordinances that are similar to the Los Alamitos TUT



Proposition 218

- Enacted in 1996 to close loopholes in Proposition 13
- Classifies revenue as general, special or property-related fees
- Requires voter approval of all general and special taxes
- Requires notification of fee increases
- Grandfathers in existing taxes



City Revenue

- Total revenue for 2010-11 was **\$11,594,192**
- Total Utility User's Tax (UUT) received for 2010-11 was **\$2,132,011**
- Total Telephone Users Tax (TUT) received for 2010-11 was **\$639,599**, which represented 5.5% of the overall City revenue



An Updated Ordinance Would:

- Eliminate outdated terminology in the ordinance
- Provide new definitions so users will be treated the same
- Reduce the tax rate to 5%
- Expand the base by including VoIP, broadband, paging and private communication lines (T-1)
- Basically the tax is on communications services regardless of the means of transmission or conveyance
- Does not tax access to the internet



New Ordinance

- If a majority of voters approve the new ordinance (50% + 1), then it will replace the old ordinance
- If the voters do not approve the new ordinance, then the old ordinance remains in place until legal challenges have been resolved



Order of Magnitude

- A \$650,000 reduction would approximately equate to any one of the following:
 - Laying off 6 Police Officers – 25% of sworn personnel;
 - Laying off 9 civilian employees – 1/6 of the City's workforce;
 - Eliminating the Community Development Department;
Eliminating 40% of the Public Works Department; or
 - Eliminating 40% of the Recreation and Community Services Department



Impact on City Services

- Potential impact on City services:
 - Reduced Police services
 - Reduced park maintenance
 - Reduced street maintenance
 - Reduced facility maintenance
 - Elimination of recreation programs
 - Reduced Community Development services
 - Reduced City Hall customer service



Summary

- Do the voters want to be proactive to protect safety and important City services in Los Alamitos?
- Reduce the tax rate from 6% to 5%
- The language of the current ordinance needs to be modernized which will apply the tax equally to all communications technologies



Summary – (continued)

- Since 2002 there have been 64 TUT measures on local ballots that either reduced or maintained the tax rate while modernizing the ordinance. Only 3 failed while 61 passed.
- A clearly worded ordinance = protection of city revenues
- Education is the key to success

