

**CITY OF RANCHO CORDOVA
MEASURE E**

E UTILITY USER TAX MODERNIZATION AND FAIRNESS MEASURE. Shall an ordinance be adopted to continue the City of Rancho Cordova's existing 2.5% utility users tax on telecommunication and video services; modernize the ordinance to treat taxpayers equally regardless of technology used; to preserve funding for general municipal services such as neighborhood improvements and safety including, but not limited to, police services, maintenance of and improvements to city streets, sidewalks, landscaping and graffiti removal?

IMPARTIAL ANALYSIS OF MEASURE E

Prepared by Rancho Cordova City Attorney

This City Council-proposed Measure E would continue the City's existing Utility Users Tax (UUT) at the current tax rate. The UUT is a tax assessed on users of electricity, gas, cable, sewer and telecommunications at a rate of 2.5%. Measure E would update the tax to apply the same tax rate to wireless and other new technologies that is currently applied to traditional landline telephones. Measure E would also eliminate uncertainty about the applicability of the City's current UUT to long distance service.

Measure E does not propose any tax on internet access, including DSL and cable modem lines. It also does not tax internet services, such as purchases or downloads of music, books, games, etc.

Upon its incorporation in July 2003, the City adopted Sacramento's UUT ordinance. The tax generates approximately \$2 million in general fund revenues annually for the City, making it the City's fourth largest revenue source.

When the UUT was initially adopted, it followed the pattern of nearly all other UUT ordinances in California. The telecommunications services subject to the UUT were determined by reference to definitions in Federal tax law. The City's UUT was applied in a similar manner as the Federal Excise Tax (FET). The Federal government has recently stopped applying the FET to nearly all telephone communication services, except local exchange services. This interpretation of the FET raises questions about the applicability of the City's current UUT ordinance to long distance telephone calls. Measure E would update the City's UUT by eliminating the references to the Federal Excise Tax, thus clearly applying the tax to long distance telephone calls.

As written and interpreted by the County of Sacramento, the City's current UUT ordinance also does not apply to wireless communications and other technologies. Measure E would modernize the UUT by expanding the scope of communications services the tax covers to include wireless communications, private communication service (T-1), paging and voice over internet (VoIP), and other anticipated technologies. This means that under Measure E, users of these and other new technologies will pay the same 2.5% Utility Users Tax that users of traditional landline telephones, and others UUT taxpayers now pay.

Measure E also makes a number of non-substantive changes to clarify the existing UUT ordinance.

The City's UUT is a general tax, which means that revenues from it are deposited in the City's general fund to be used for any municipal services and general government purposes.

Measure E will not become effective unless the Measure is approved by at least a majority of those voting on the Measure.

DATED: July 27, 2010

Adam U. Lindgren City Attorney

FULL TEXT OF MEASURE E

"The above statement is an impartial analysis of City of Rancho Cordova Ordinance No. 9-2010, amending Rancho Cordova Municipal Code Chapter 3.40 relating to Utility User Tax. If you desire a copy of the ordinance, please access the City of Rancho Cordova website at:

<http://www.cityofranhocordova.org/Index.aspx?page=67>, or call the Office of the City Clerk, City of Rancho Cordova, at (916) 851-8720 and a copy will be mailed at no cost to you."

ARGUMENT IN FAVOR OF MEASURE E

Your YES Vote on Measure E will help preserve essential services, enhance fairness, and strengthen quality of life in the City of Rancho Cordova.

Rancho Cordova residents voted for Cityhood in 2002 to gain local control over the community's future. Since then local revenues have been continuously re-invested in the City. Today conditions have improved citywide with better road maintenance, faster police response times, more frequent street cleaning, cleaner more secure neighborhoods, and graffiti removal which have improved our community image and quality of life.

Rancho Cordova inherited a utility users' tax (UUT) from Sacramento County which pays for many of these services. This is a 2.5 percent tax on gas, electricity, sewers and telephones. Changing telecommunications technology, not foreseen by Sacramento County when it drafted the current UUT law, means today it isn't applied equally to all users, even though such fairness was its intent. UUT dollars are among the most flexible resources the city has. They can be directed at any time to where our community faces a need.

Measure E is not a new tax. Its sole purpose is to modernize and ensure the fair and equal application of the existing tax to all users. Measure E does not make any change to the current 2.5 percent rate; instead Measure E simply ensures that the current rate is applied to all telephonic and video service, regardless of technology. Measure E does not impose a tax on digital downloads like music, games, ringtones, etc.

Your YES vote on Measure E will keep our community, and the city's financial health, strong. Support friends, neighbors, community leaders and businesspeople to keep Rancho Cordova's fiscal stability moving in the right direction, so it can continue delivering high quality services communitywide in a way that is fair and respectful to all.

Vote YES on Measure E.

s/Ken Cooley, Mayor, City of Rancho Cordova

s/Susan Roberts, Taxpayer

s/Craig Osborn, Citizen of Rancho Cordova

s/Josie Steelman, Small Business Owner

s/Kevin Jenkins, Community Activist

NO ARGUMENT AGAINST MEASURE E WAS FILED

**NO REBUTTAL TO ARGUMENT IN FAVOR OF
MEASURE E WAS FILED**