



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Adopt a Resolution Authorizing the City Manager to Execute an Agreement with the State Board of Equalization and any other related document for Implementation of the Local Prepaid Mobile Telephony Services Collection Act (Collection of UUT for Prepaid Wireless Service)

BACKGROUND

The City of Sunnyvale collects a Utility Users Tax (UUT) at a rate of 2% on telecommunication, gas, and electricity from businesses and residents in the City. Beginning January 1, 2016, Assembly Bill 1717 enacted a new surcharge and required local jurisdictions to contract with the California State Board of Equalization (BOE) to receive UUT revenue imposed on prepaid wireless consumers. With voter approval of Measure N on November 8, 2016, Sunnyvale is now eligible to participate in the BOE collection program.

On December 13, 2016, City Council approved two resolutions in order to contract with BOE (RTC No. 16-1139). The two resolutions administered the following purposes:

- Authorizing the City Manager to execute an agreement with the State Board of Equalization to collect the City's UUT on prepaid wireless service and related documents, including certification regarding details of the City's UUT ordinance (Resolution 796-16); and
- Authorizing the examination of prepaid mobile telephony services surcharge and local charge records by the City and its consultant to ensure proper collection and remittance (Resolution 797-16).

After execution and submittal of the resolutions, the BOE provided a new template and requested a revised resolution, consistent with BOE's template, authorizing the City Manager to execute the agreement. The revisions to the resolution are procedural and make non-substantive changes to the version adopted by City Council on December 13.

ENVIRONMENTAL REVIEW

The adoption of the resolution does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines sections 15378(b)(4) and 15378(b)(5) in that it is a fiscal and governmental organizational or administrative activity that will not result in direct or indirect changes in the environment and does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

DISCUSSION

As discussed in the December 13 Report to Council, in order to receive UUT on prepaid wireless services, the City must contract with the BOE.

Under the Local Prepaid Mobile Telephony Services Collection Act (Assembly Bill 1717), California retailers are required to collect the local UUT and state administrative charges at the same time they collect local sales tax on the retail product. The BOE will collect the UUT and remit it to the City on a quarterly basis based on point of sale. For ease of administration and to reduce collection costs, the BOE has created “tiers” of rates. Sunnyvale’s 2% UUT rate falls within the 1.5% - 2% tier and will therefore be levied at a rate of 1.5%. The City must accept that rate as part of the agreement, and staff recommends accepting this tier as there is no other alternative for collecting UUT on prepaid wireless.

FISCAL IMPACT

The City must execute an agreement with the BOE in order to receive UUT imposed on consumers of prepaid wireless phone service. This will assure continued receipt of approximately \$1.5 million in ongoing, locally-generated annual revenue used to fund vital City services. After execution of the agreement, collections will begin on April 1, 2017.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

Adopt a Resolution Authorizing the City Manager to execute the Agreement with the State Board of Equalization and any other related documents for Service for Implementation of the Local Prepaid Mobile Telephony Services Collection Act.

Prepared by: Brice McQueen, Senior Management Analyst

Reviewed by: Timothy J. Kirby, Finance Director

Reviewed by: Walter C. Rossmann, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Resolution Authorizing the City Manager to Execute an Agreement with State Board of Equalization for Service for Implementation of the Local Prepaid Mobile Telephony Services Collection Act
2. Agreement for State Collection and Administration of Local Charges
3. Certification to BOE regarding City's Utility User Tax Ordinance