

The recent energy crisis and increases in gas and electric prices have raised community questions about the Utility Users Tax (UUT). At its July 1, 2002 meeting, the City Council resolved to place the issue of the Tax on the November 5, 2002 ballot during the statewide gubernatorial election. The following is important information about the Utility Users Tax in Pico Rivera.

What is the Utility Users Tax?

Pico Rivera's Utility Users Tax is a 5% tax imposed on gas, electricity, telephone and cable television service within the city. It does not apply to water service.

Why was it introduced?

In 1978, California voters passed Proposition 13, which shifted certain revenues previously under city and county control to the state. In the early 1990s, California experienced a significant economic decline that seriously affected the budget of the State of California as well as the budgets of most local communities. To address the state budget shortfall, funds normally sent to municipalities were retained by the State.

At about the same time, a decision by the Federal Government resulted in the City of Pico Rivera losing sales tax revenues previously generated for goods and services purchased by the Northrop-Grumman plant. The City was forced to lay off employees, cut services, and implement several cost-cutting moves. In addition to such efforts, finding a stable revenue source was necessary to retain basic service levels.

The City Council passed the tax in July 1992. In November 1993, the City Council amended the UUT Ordinance to include both cable television and cellular telephone service.

Who pays Utility Users Tax?

Every utility user and business owner in the city pays the tax. However, families or individuals who have been classified as "low income" and eligible to participate in utility discount programs are exempt from the tax.

How much revenue is generated from Utility Users Tax?

The revenue from UUT average about \$3 million per year. To put this figure into perspective, this is equivalent to nearly half the City's annual cost of the Los Angeles County Sheriff's services, or the entire annual operation of the City's Public Works Department.

What do the Utility Users Tax revenues pay for?

The revenues generated by UUT are used to fund a wide range of basic community programs and services, including public safety.

Do other California cities have Utility Users Tax?

Yes. Many municipalities have a UUT (2 out of every 3 California cities).

How does Pico Rivera's Utility Users Tax rate compare with others?

UUT rates vary from city to city. In some instances it is as high as 11%. Regional cities with higher UUT rates include Los Angeles (10%), Long Beach (8%), Pasadena (7.7%), and Burbank (7%).

Did the City receive a windfall with the jump in electricity rates last summer?

No. The approximately \$180,600 UUT increase equalled the City's own increased cost of electricity bills for street lights, park field lights and public buildings despite numerous conservation measures.

Is Utility Users Tax a legal form of taxation?

Yes. It's important to note that when the City Council implemented UUT in 1992, such action was taken legally and in complete conformance with State Law.

What about property tax revenues?

Pico Rivera incorporated in 1958 on the premise that it would do so as a "no property tax" city. Therefore, the City does not receive any direct property tax revenues.

How much of an impact does Utility Users Tax have on the City's General Fund?

The revenues from UUT currently account for about 17% of the City's General Fund. The General Fund is used to provide such programs and services as public safety, parks and recreational programs, community programs, city infrastructure, street repairs, and the operation of City Hall. The current General Fund Expenditure Grouping for FY 2002-2003 on a budget of \$23.6 million is as follows:

Area	Amt.(\$m)	% of General Fund
Public Safety	6.9	30%
Recreation & Community Services	4.9	21%
Public Works	2.9	13%
Insurance & Required Expenses	2.8	13%
Community Development	1.4	6%
Financial Services	1.4	6%
Non-Police Safety Services	1.2	5%
Operations	-	4%
Management Services	0.5	2%

Why then is Utility Users Tax being placed on the November ballot?

The recent energy crisis and increases in gas and electric prices have raised community questions about the necessity and legality of UUT. In response to those concerns, at its July 1, 2002 meeting, the City Council resolved to place the issue of UUT on the ballot on November 5, 2002, during the statewide gubernatorial election.

Won't the expected tax revenues from new development more than compensate for the loss of Utility Users Tax?

No. While almost \$400 million worth of new retail, industrial and housing development is taking place in Pico Rivera, projected tax revenues stand at \$1.5 million – half of what is currently generated by UUT. In addition, the new development has expectations that will add to demands on the City's existing service levels. Our city, like the State of California and most cities, has experienced a significant decrease in overall revenues because of the faltering economy.

With all the new development that has taken place in the last 10 years, isn't Pico Rivera getting more tax revenue than it ever did?

No. In fact, the opposite is true. The Federal Government's decision in the early 90s to no longer collect sales tax for materials, goods and services at the Northrop-Grumman plant had a noticeable impact on the City's sales tax revenue. At the same time, the economic downturn resulted in several other Pico Rivera-based businesses closing. Before this turn of events, the City's annual sales tax revenues peaked at about \$5.7 million. The City has never fully recovered from the impact of those events. Current annual sales tax revenues stand at about \$4.8 million. Inflation has also risen by about 40% over the past 10 years.

How many votes will the Utility Users Tax issue need in order to pass?

The UUT requires a majority (>50%) of the votes cast in order to pass.

What happens if the Utility Users Tax is not passed by the voters?

The UUT will cease to be collected and will no longer be available as a source of revenue to support City services. The impact on City services would be almost immediate, because the tax would cease two weeks after the election.

What do the Utility Users Tax revenues pay for?

The revenues generated by UUT are used to fund a wide range of typical community programs and services, including:

- Public safety, including Sheriff's contract
- Crossing guards
- Child supervision programs
- Community events
- CPOP
- Recreation programs
- City beautification projects
- Park and street maintenance
- Street sweeping
- Graffiti removal
- 15 social service agencies
- Hope in Action violence reduction efforts
- Street median maintenance
- Centre for the Arts
- Traffic safety measures
- R-U-O-K senior citizen telephone daily check-in service
- Senior Center facility and services

UTILITY USERS TAX

Understanding
the
**UTILITY
USERS
TAX**

*a guide to help
the Pico Rivera
citizen*

