

## **Measure G Q&A**

### **What is Measure G?**

Measure G is an amendment of the City's existing Telephone User Tax ("TUT") and the Emergency Response Fee ("911 Fee"). Measure G reduces the TUT from 5% to 4.5% of your telephone charges. The measure modernizes the terms of the TUT to make it clear that the intent of the TUT is carried out; namely that all telephone services will be taxed at the same uniform rate and in the same consistent manner regardless of service plan or technology. Measure G will eliminate distinctions between local, intrastate, interstate, and international calls and treat wireless, voice over internet protocol, and traditional services the same. The measure also converts the 911 Fee to an "access line tax" in the same amount as the current monthly 911 Fee.

### **What is a Telephone User Tax?**

The TUT is one of the City's utility user taxes that the City adopted several years ago. Palm Springs residents pay utility user taxes for electricity, natural gas, and telephone services. The current rate for these utility user taxes is 5% of the total bill for services from each provider of services.

### **Is Measure G a new tax?**

No. The City currently has a TUT, along with utility user taxes for electric and natural gas services. The current rate for all three of these taxes is 5%. If Measure G passes, the rate for the TUT will be reduced by 10% - from 5% to 4.5%.

### **Does Measure G create a new tax on cell phones?**

No. The current TUT was and is intended to be a tax on all telephone services regardless of service plans or technology. Cell phones are covered by the TUT because Cell phones provide telephone service. This is similar to the issue that arose in the late 1980s and early 1990s regarding whether the concept of "public records" included emails and other forms of digital documents. There were persons who suggested that emails were not public records because they were in a digital, electronic format rather than printed on paper. It is well understood today that a document is a document, regardless of format or technology. A basic assumption of the City in Measure G is that telephone service is telephone service regardless of service plan or technology.

The City currently collects TUT for landline services and cell service. For fiscal year 2008/2009, the amount collected from cell phone users was nearly equal to the amount collected from non-cell phone users.

### **Why is Measure G necessary?**

The TUT was originally drafted and implemented before the deregulation of the communications world. The current ordinance is rooted in the telephone world of its time: simple rotary or early touch tone phones, a single provider for a geographic area, regulation of rates by the Public Utilities Commission, and very few service plans. Because the City's TUT predates the breakthrough in modern telephone technology, there is some ambiguity in the language of the current ordinance that has led some to suggest that modern telephone services and equipment are not covered by the TUT. Measure G is essentially provides the clarification that preserves and further the fundamental intent that all telephone services be covered by the TUT regardless of service plan or technology used.

Other jurisdictions with ordinances similar to Palm Springs are being challenged. Voter approval of Measure G will eliminate any threat of litigation and allow the City to continue to collect and use these funds for local city purposes.

### **Why is Measure G being submitted to the voters?**

Under Proposition 218, changes to an existing tax ordinance as contained in the Measure need to be submitted to the voters for approval, including even language that the City believes is clarifying language. Measure G also ratifies the City's past collection of the TUT and the 911 fee. Voter approval of Measure G will make it very difficult for any one to legally challenge the TUT.

### **Why are these revenues important?**

The TUT is one of the few revenue sources that the City has that can only be used for local city purposes, including police and fire, paramedic, and street and park maintenance. Other tax revenues, such as the property tax and sales taxes are annually under the threat of realignment and reallocation by the State of California to balance the State's budget. The City has lost millions of dollars since the State reallocated local property taxes in the early 1990s to fund state obligations and the State covets additional city revenues to bail the State out of its current budget crises. The TUT is a revenue source that the State can't touch and its preservation is essential if the City is to continue to maintain high levels of city services.

### **What is the 911 Fee?**

The current 911 fee pays for a portion of the cost of operating the City's 911 dispatch center. In 2005 the City took over police dispatching from the California Highway Patrol. Prior to this, a 911 emergency call went to the CHP, who routed it to the Riverside Sheriff's call center where it would be routed to the Palm Springs Police Department, thereby adding as much as two minutes to response times. With the City's 911 dispatch center, 911 emergency calls from Palm Springs go directly to the Palm Springs Police Department. The 911 Fee helps defer some of the costs of this upgraded service.

### **How much is the "access line tax?"**

The access line tax will be a monthly \$1.13 per single line and \$8.48 for a trunk line, which are equal to the fees charged under the current 911 Fee.

### **Why is the 911 Fee being converted to an "access line tax"?**

Emergency response fees have also been the subject of litigation. The current 911 Fee can be increased at any time by a majority vote of the City Council. Converting the fee to a tax will protect the fee from legal challenge and as an added protection to the voters, it can only be increased beyond an annual cost of living adjustment by the voters of Palm Springs.

### **Is Measure G a "bait and switch" ploy by the City.**

No. It is exactly what it is described to be in the ballot. Very simply, Measure G reduces the TUT rate from 5% to 4.5% and modernizes the TUT ordinance to make it clear that the basic intent of the original TUT ordinance is achieved; namely, that all telephone services, regardless of service plans or technology, will continue to be equally responsible for the payment of the TUT. The Measure also converts the existing 911 fee to an access line tax in the same amount as the existing 911 fee.

There are cities when confronted with the issue of modernizing their TUT, decided to expand coverage to include not just telephone service but internet access and cable television. This expansion would be an example of "bait and switch." The City of Palm Springs is NOT doing this; the City deliberately limited Measure G to address telephone service, supporting the basic assumption that all telephone service, and only telephone service, should be subject to the TUT.

**How much revenue does the City currently receive in TUT and 911 Fee revenues?**

The City currently receives approximately \$1.2 million in TUT and \$750,000 in 911 Fees.

**Have other cities or local agencies adopted ordinances similar to Measure G?**

Yes. Ballot measures similar to Measure G have been approved by local voters throughout the state, by wide margins, including: Pasadena, Glendale, Sacramento, San Gabriel, Los Angeles County, Santa Monica, San Jose, Compton, El Monte, Culver City, Ventura, Los Angeles, San Bernardino, Huntington Park, Hermosa Beach, Richmond, Redwood City, Benicia, Eureka, Menlo Park, Daly City, Emeryville, Tulare, Los Altos, Gilroy, Torrance, Hawthorne, Indio, Inglewood, Lakewood, Long Beach, Lynwood, Moreno Valley, Sacramento, San Francisco, San Leandro, Santa Barbara, Stockton, Winters, Malibu, and Sierra Madre. Of the 16 cities that sought voter approval of updated TUT ordinances in last year's November 3<sup>rd</sup> national election, all passed. Today, approximately two-thirds of the total TUT ordinances in California are voter-approved.