

This measure would modernize the City's utility laws in two significant ways. First, it would amend the City Charter to reaffirm the annual transfer of approximately \$3,700,000 (cash and services) from Alameda Municipal Power (AMP) to the City. Second, it would update the City's Utility Users Tax ("UUT") ordinance.

Since 1914, the City's electrical utility, AMP, has transferred money annually to the City's General Fund. This is similar to franchise fees other cities impose on utilities such as Pacific Gas & Electric (PG&E). These transfers have funded a variety of services such as police, fire protection, parks, and libraries. Since 2009, this transfer has amounted to \$2,800,000 each year. AMP also provides street light electricity, maintenance and replacement, at no charge to the City, at a cost of approximately \$900,000 per year, totaling \$3,700,000 each year.

A new lawsuit challenges these transfers. To safeguard this long-standing funding mechanism, this measure would update the City Charter to reflect past practice and confirm that AMP may continue making annual transfers to the General Fund. This measure sets the annual transfer amount at \$3,700,000 per year, adjusted for inflation, less applicable exemptions.

The measure will not result in new charges for ratepayers or higher electric rates. Current rates already include the cost of the transfers.

Additionally, since 1972, city consumers of electric, gas, cable, and telecommunication services pay the City a UUT. The current tax rate is 7.5%. The UUT is a general tax representing 10% of the City's annual General Fund revenue. It supports a variety of services such as police, fire protection, parks, and libraries.

Technological advances have changed the way telecommunications, video, electric, and gas services are delivered. This measure would modernize the UUT so the tax is applied equally to all utility consumers in an effort to protect this vital revenue source.

This measure does not change the 7.5% tax rate. The City estimates that most utility consumers are already paying UUT on the services they use so they should not experience an increase in taxes. Some telecommunications companies have not been collecting the tax appropriately, and so some utility consumers may pay an additional amount once their providers comply.

The amendments to the UUT include:

- A modern definition of telecommunication and video services that includes VoIP (voice over internet protocol) telephone service, IP-TV (broadband cable-like services), paging, and private communication services.
- Third party audits of the tax collection.
- Retention of the 2% exemption for low income and senior citizen residents. The measure would raise the definition of senior citizen from 62+ to 65+.

This measure was placed on the ballot by the City Council.

A “Yes” vote would confirm the AMP transfer and update the UUT. A “No” vote would not confirm the transfer or update the UUT. This measure requires a simple majority of “Yes” votes to pass.

s/ Janet C. Kern
City Attorney

The above statement is an impartial analysis of Measure K1. If you desire a copy of the measure, please call the City Clerk’s office at 510-747-4800 and a copy will be mailed at no cost to you. You may also access more information about the measure on the City of Alameda website at the following address: <https://alamedaca.gov/utility-modernization-act>