

# **Proposal: Place a local measure on the 2022 ballot to reauthorize the Sebastopol Utility Users Tax to Fund Climate Actions in Sebastopol**

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Sebastopol currently has a utility user tax in place. It is set to expire in November of 2024. The 2021 city budget estimate for what the UUT is expected to raise is \$650,000. This proposal would reauthorize it beyond 2024 and increase it marginally to help pay for climate action.

The proposal is to increase the Utility User Tax (UUT) rate for natural gas and electricity from the current 3.75% to X%. The rate would be determined when questions at the end of this document are answered. The increase in the UUT for climate would follow the [City of Albany's model](#). The Climate Action Committee would recommend during each budget cycle how the proceeds should be spent. The City Council is not legally obligated to abide by the Committee's recommendation or to even spend the funds on climate action. But we will ask each city councilmember to affirm that the intent of the measure is that funds raised would be spent on climate action.

## **Background**

### **What is a Utility Users Tax?**

Utility User Taxes (UUTs) are city and county usage taxes on communication, electric, and gas charges billed to a residential or commercial service address. As of 2017 there were 157 cities and four counties with a UUT in California. Sebastopol is one of them. Under [Proposition 218](#) (1996), utility user taxes must be approved by voters. UUTs may be special taxes or general taxes.

### **History in Sebastopol**

In 2008, Sebastopol voters approved a UUT of 4%. The following is from the voter's guide:

"The tax would automatically expire after six years, and could only be extended with an additional vote of the people.

The Ordinance generally provides for the tax to be collected by utility companies and paid as part of regular utility bills. It is expected to raise approximately \$375,000. The average cost to a residential utility user would be \$4.48 per month, and the average cost to a business utility user would be \$25.84 per month. These averages are based on bills from all PG&E customers, and individual bills will vary based on actual consumption of gas and electricity. The Ordinance provides an exemption to low-income utility users who are participating in the PG&E California Alternate Rates for Energy (CARE) program." The ballot measure passed with 59.9% yes vote. <http://www.smartvoter.org/2008/11/04/ca/sn/meas/M/>

In 2014, [according to Ballotpedia](#), the City of Sebastopol raised \$330,000 from UUT tied to PG&E billing. The rate had been 4%. Measure R was passed with over 60% support to reduce

the rate to 3.75% and expand to telephone services of all kinds, TV service and waste collection service.

### **Equity Considerations**

While qualified CARE/FERA low-income households are not subject to the UUT, only around 54 Sebastopol households in 2018 were officially exempt although many others might be eligible. Many residents have household income that puts just over the threshold for CARE/FERA reduced utility rates, which under the [CARE](#) program is \$52,400 in gross annual income for a household of four and under the [FERA](#) program is \$65,500.

Could the city host a page on their website that allows residents to seek a financial hardship exemption from a climate action UUT? It would be based on an honor system with an increased threshold for income qualification.

Issues:

- How would applicants enter their gross amount PG&E bills to calculate the UUT refund amount? How would the city verify their inputs, or is this on the honor system too? Could the city just issue a refund based on the average expected UUT?
- The city would need to issue a payment to a Sebastopol address, and also verify that it hasn't already been issued for the entered address for the year. Can the accounting system accommodate that?

### **Questions to City Staff**

1. Can staff please provide the 2019 and 2020 UUT revenue from PG&E broken down by gas and electricity?
2. The 2008 UUT ballot measure had an estimate of the expected average monthly tax for residential and commercial customers. What is the current estimated average monthly tax for residential and commercial customers?
3. Can staff please provide the number of residential and commercial accounts subject to the UUT?