

A Practical Approach - Utility Users Tax Administration and Lessons Learned



February 17, 2022

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Background Information

- utility users' tax (UUT)

in California

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General Information

UUT Facts and Figures

163 Agencies

158 cities
4 counties
1 special district



\$1.8 billion

Annual Revenue
(2021)



Revenue
Drivers

Applicable Rate
Taxable Services



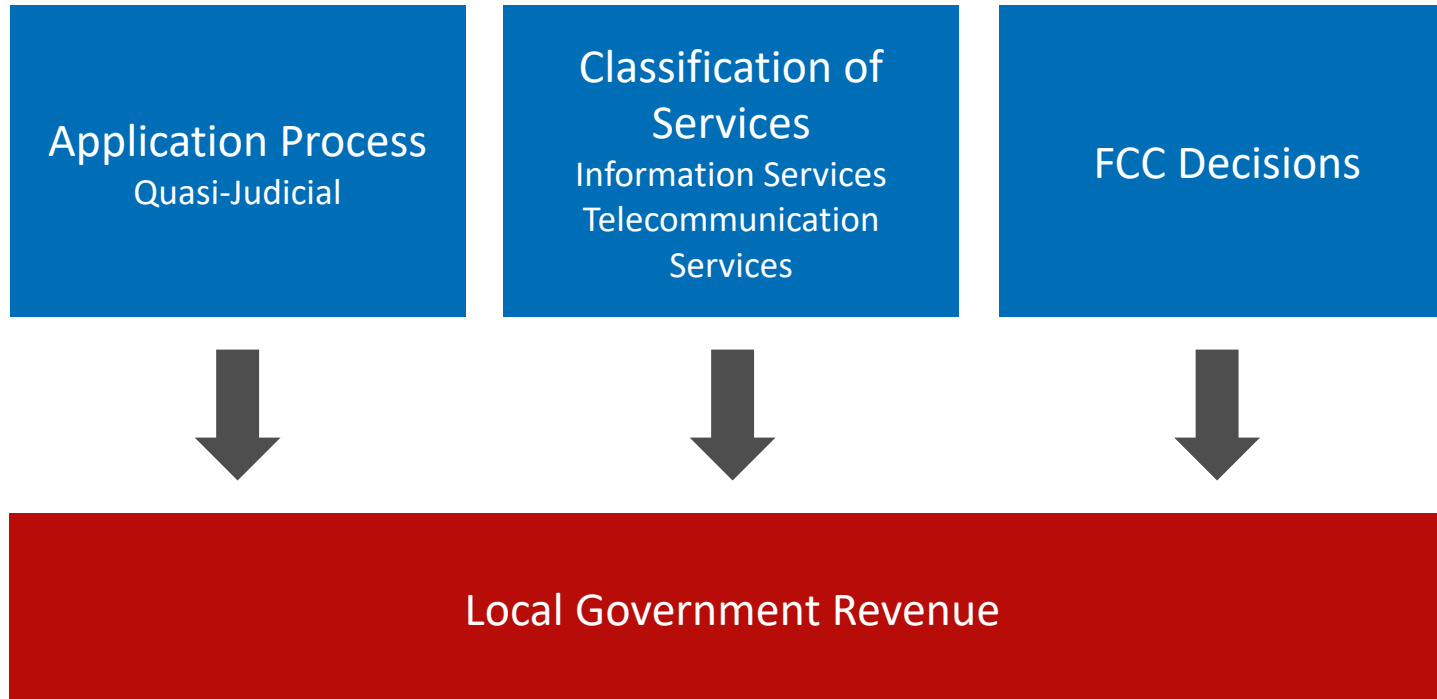
Trend

Declining



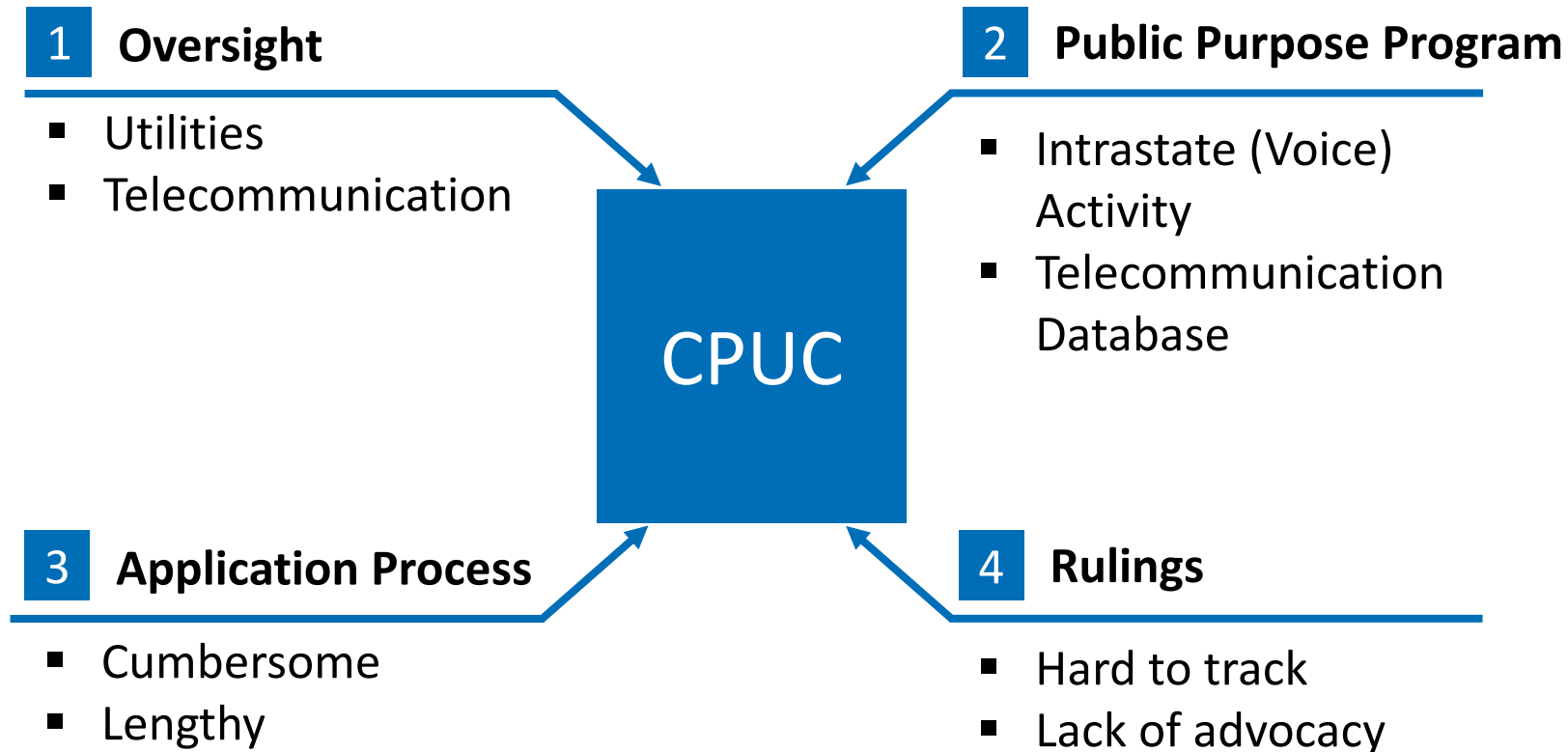


Understanding the Impact of Federal Government Decisions on the UUT Portfolio





California Public Utilities Commission



<https://apps.cpuc.ca.gov/apex/f?p=102:1:9250366212069>



Legal Challenges

City of Torrance

Class Action suit - SCE

Liner Video versus OTT

No legal challenges yet in California but in other states it is happening.

Not using local agency "infrastructure"

UUT on Water, Sewer, & Garbage Service Charges

Seeking CA Supreme Court Review



Background Information

– how did this partnership come about?

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A City's Perspective

Key Metrics

\$5.2 million
Revenue

200+
Monthly remittances

3 members
Entire Revenue Division

25%
Late remittances

Key Concerns/Issues

Most remittances less than
\$1,000

Lack of enforcements

Keeping Municipal Code current

Main Objectives

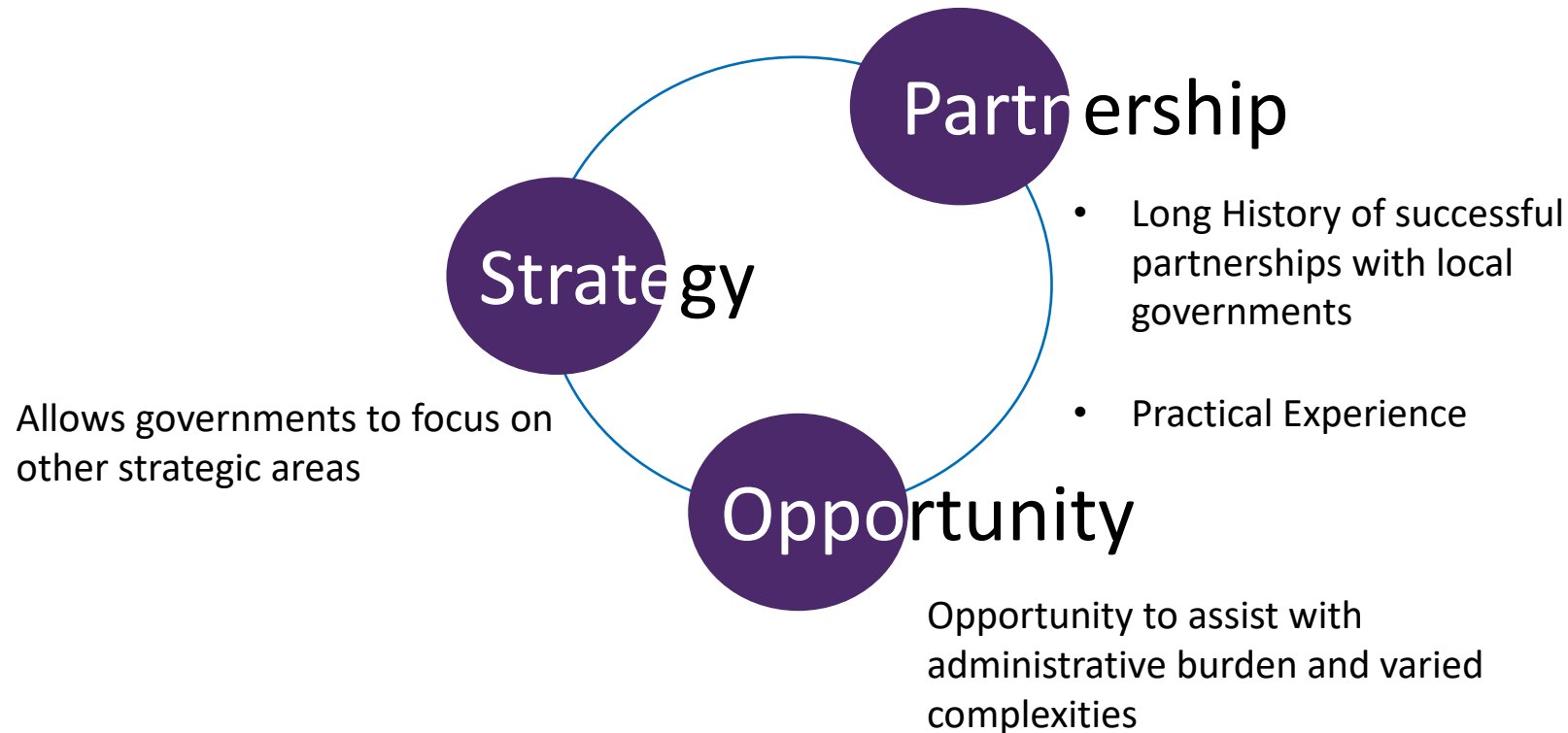
- Eliminate busy work for little return
- Maximize revenue by addressing:
 - Enforcement, remittance frequency, review of applicable law





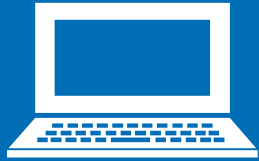
Value of Public Private Partnerships

HdL's Enhanced Revenue Management Services





Practical Tips for Better Managing the Utility Users Tax Portfolio



Database Management

Utility contact information - incl. 3rd party services

1



Efficiencies

Establish thresholds for return frequency

2



Value Proposition

- Hold filers accountable
- Update Municipal Code
- Review exemptions

3





Practical Information to Share with your Governing Body

Governing Body

- Proactive Communication (quarterly or mid-year report) as to legal challenges and the effects on budget
- Support for appeals to legislator

Infrastructure

- Be ready for 5G
- Applicable policy, infrastructure use, current cell leases

Admin/Revenue

- Proactive review of rates and applicable charges (every 5 years)
- Revenue fluctuation and understanding FCC & CPUC rule influence



Closing thoughts



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