

Portland, Oregon

FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT For Council Action Items

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Mary Beth Henry		2. Telephone No. Ext. 3-5414	3. Bureau/Office/Dept. Revenue
4a. To be filed (date): Nov 14, 2012	4b. Calendar (Check One) Regular <input type="checkbox"/> Consent <input checked="" type="checkbox"/> 4/5ths <input type="checkbox"/>		5. Date Submitted to Commissioner's office and FPD Budget Analyst: November 7, 2012
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed	

1) Legislation Title:

Adjust the Utility License Law to revise tax rate and tax base for telecommunications utilities operating within the City (Ordinance; amend City Code Chapter 7.14)

2) Purpose of the Proposed Legislation:

Portland's General Fund is the revenue source for critical city services such as public safety (police, fire & 911). General Fund services receive approximately 18% of their resources from utility license and franchise fee revenues. The General Fund has relied on utility license fees for many years as one of several essential components of continuing funds for critical public services.

Under current City Code Chapter 7.14, the Utility License Law, utilities are charged different rates on different revenue bases. There are currently approximately 213 telecommunications providers, ranging from very small to very large, which are subject to the Utility License Law. Of these, "telecommunications utilities" pay a license fee of 7% of local exchange services only while the other utilities are subject to utility license fees based on 5% of gross revenues.

Utility license fee revenue from telecommunications utilities has dropped significantly over time, from over \$6 million in 1999 to \$2.1 million in 2012. In contrast, utility license fee revenue from other utilities has increased. The drop in utility license fee revenue is due in large part to changes in technology and diversification of the marketplace for telecommunications services and the failure of the City Code to keep pace with those changes

The 2009 Audit entitled Utility and Franchise Revenue: Equitable tax and consistent approach recommended that, "the City Council ... review and update the utility code to ensure equitable treatment of all businesses. The impact of this inequity is a loss of revenue to the City."

Based on the 2009 Audit and tax equity considerations there is a need to amend the Utility License Law and develop a consistent and more equitable license fee structure for all wireline telecommunications providers operating in the City of Portland.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- City-wide/Regional
- Northeast
- Northwest
- North
- Central Northeast
- Southeast
- Southwest
- East
- Central City
- Internal City Government Services

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

The proposed change would generate ongoing general fund revenue for the City of Portland in the range of \$3-5 million per year. This revenue is intended for the general fund and is new revenue.

5) Expense: What are the costs to the City related to this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future years. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the *level of confidence*.)

6) Staffing Requirements:

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** (If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.) No
- **Will positions be created or eliminated in future years as a result of this legislation?** No

(Complete the following section only if an amendment to the budget is proposed.)

7) Change in Appropriations (If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.) N/A

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

[Proceed to Public Involvement Section — REQUIRED as of July 1, 2011]

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

- YES:** Please proceed to Question #9.
 NO: Please, explain why below; and proceed to Question #10.

City of Portland staff recognize that there is a tax equity issue between similarly situated utilities. A 2009 Audit entitled Utility and Franchise Revenue: Equitable tax and consistent approach, recommended that the City Council ... review and update the utility codes to ensure equitable treatment of all businesses. The impact of this inequity is a loss of revenue to the City." This proposed change would address the concern outlined in the 2009 Audit.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

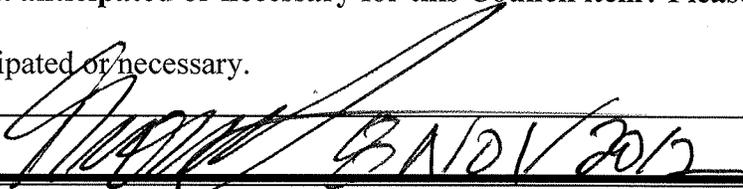
c) How did public involvement shape the outcome of this Council item?

d) Who designed and implemented the public involvement related to this Council item?

e) Primary contact for more information on this public involvement process (name, title, phone, email):

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

No future public involvement is anticipated or necessary.



BUREAU DIRECTOR (Typed name and signature)

Thomas W. Lannom, Director



Office for Community Technology

▲ Broadband & Communications Policy ▲ Cable Regulation & Consumer Protection ▲ Utility Franchises, Licenses & Wireless

DATE: November 7, 2012

TO: Mayor Sam Adams

FROM: Thomas W. Lannom, Revenue Bureau

SUBJECT: Adjust the Utility License Law to revise tax rate and tax base for telecommunications utilities operating within the City (Ordinance; amend City Code Chapter 7.14)

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison

- 1. INTENDED THURSDAY FILING DATE: November 8, 2012**
- 2. REQUESTED COUNCIL AGENDA DATE: November 14, 2012**
- 3. CONTACT NAME & NUMBER: Mary Beth Henry 503-823-5515**
- 4. PLACE ON: CONSENT X REGULAR**
- 5. BUDGET IMPACT STATEMENT ATTACHED: X Y N N/A**
- 6. (3) ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM: Y N X N/A**

7. BACKGROUND / ANALYSIS

Portland's General Fund is the revenue source for critical city services such as public safety (police, fire & 911). General Fund services receive approximately 18% of their resources from utility license and franchise fee revenues. The General Fund has relied on utility license fees for many years as one of several essential components of continuing funds for critical public services.

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Based on the 2009 Audit and tax equity considerations there is a need to amend the Utility License Law and develop a consistent and more equitable license fee structure for all wireline telecommunications providers operating in the City of Portland.

8. FINANCIAL IMPACT

The proposed change would generate ongoing general fund revenue for the City of Portland in the range of \$3-5 million per year. This revenue is intended for the general fund and is new revenue.

9. RECOMMENDATION / ACTION REQUESTED

The Office for Community Technology recommends that Council amend Chapter 7.14 to provide tax equity among wireline telecommunications providers operating in the City of Portland.