

File No. 130173

Committee Item No. 1
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee Date 03/13/2013

Board of Supervisors Meeting Date _____

Cmte Board

- | | | |
|-------------------------------------|--------------------------|----------------------------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Victor Young Date March 8, 2013

Completed by: Victor Young Date _____

1 [Adjusting the Access Line Tax with the Consumer Price Index of 2013]

2
3 **Resolution concurring with the Controller's establishment of the Consumer Price Index**
4 **for 2013, and adjusting the Access Line Tax by the same rate.**

5
6 WHEREAS, The Electorate of the City and County of San Francisco passed
7 Proposition O in November 2008, establishing an Access Line Tax to be imposed upon every
8 person who subscribes to telephone communication services within the City and County of
9 San Francisco (Business and Tax Regulations Code Section 782); and

10 WHEREAS, Section 782 (b) states, in part, that the cap established by this subsection
11 shall be adjusted annually in accordance with the increase in the Consumer Price Index; All
12 Urban Consumers for the San Francisco/Oakland/San Jose Area for all items as reported by
13 the United States Bureau of Labor Statistics, or any successor to that index, as of December
14 31st of each year; and

15 WHEREAS, Section 782 also requires that this increase be approved, annually, by the
16 Board of Supervisors and the Mayor; and

17 WHEREAS, On December 31, 2012, the Consumer Price Index for All Urban
18 Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the
19 United States Bureau of Labor Statistics was stated to be 2.22%; and

20 WHEREAS, the monthly rates are currently set at \$2.94 per Access Line, \$22.11 per
21 Trunk Line, and \$397.96 per High Capacity Line; and

22 WHEREAS, the new monthly rates will be \$3.01 per Access Line, \$22.60 per Trunk
23 Line, and \$406.79 per High Capacity Line; and

1 WHEREAS, The Controller's certification of the Consumer Price Index rate is on file
2 with the Clerk of the Board of Supervisors in File No. 130173 , which is hereby
3 declared to be part of this resolution as if set forth fully herein; now, therefore, be it

4 RESOLVED, That the Board of Supervisors hereby approves the adjustment of the
5 Access Line Tax by the 2013 Consumer Price Index.

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Item 1 File 13-0173	Department: Treasurer/Tax Collector's Office Office of the Controller
EXECUTIVE SUMMARY	
Legislative Objective	
<ul style="list-style-type: none"> The proposed resolution would concur with the Controller's establishment of the Consumer Price Index (CPI) for FY 2013-14 of 2.22%, and authorize that 2.22% CPI annual rate adjustment for the Access Line Tax rates as of December 31, 2012, pursuant to Section 782 of the City's Business and Tax Regulations Code. 	
Key Points	
<ul style="list-style-type: none"> San Francisco voters approved Proposition O in November 2008, establishing the Access Line Tax for telephone communication services. The revenue realized by the City from the Access Line Tax can be expended for any General Fund services, subject to appropriation approval by the Board of Supervisors. According to Proposition O, the Access Line Tax rates would be adjusted each year in accordance with the increase in the Consumer Price Index (CPI) beginning December 31, 2009 pending a notice issued by the Controller and approval by resolution of the Mayor and the Board of Supervisors. According to the Controller's Office, the CPI increased by 2.22% from December 2011 to December 2012. Based on the CPI increase, the proposed Access Line Tax rates for FY 2013-14 would be: (a) \$3.01 for each Access Line, (b) \$22.60 for each Trunk Line, and (c) \$406.79 for each High Capacity Line. The proposed rates would be effective July 1, 2013 through June 30, 2014. 	
Fiscal Impact	
<ul style="list-style-type: none"> According to Mr. Deric Licko, Revenue Analyst in the Controller's Office, the FY 2013-14 revenue projection for the Access Line Tax revenues to be received by the City under the proposed tax rates are \$40,710,000 or \$391,488 more than the revenues of \$40,318,512 projected for FY 2012-13. According to Mr. Licko, annual fluctuations in the Access Line Tax revenues are due to (1) the number of access lines used by individual and business consumers, and/or (2) the annual changes in the tax rate which is based on the Consumer Price Index adjustments. 	
Recommendation	
<p>Approve the proposed resolution.</p>	

MANDATE STATEMENT & BACKGROUND**Mandate Statement**

Under Article 10B, Section 782 of the City's Business and Tax Regulations Code, the cap established for the Access Line Tax shall be annually adjusted in accordance with the increase in the Consumer Price Index¹ as of December 31st of each year; and such increase shall take effect when (1) the Controller provides notice of the tax increase, and (2) the increase is approved by the Mayor and the Board of Supervisors.

Background

San Francisco voters passed Proposition O in November 2008 which replaced the Emergency Response Fee, or the "911" Fee, with the Access Line Tax. The Access Line Tax is levied on every person and businesses who subscribe to telephone communications services within the City and County of San Francisco, with specified exemptions, including customers receiving Lifeline services, service suppliers², and nonprofit hospital and educational organizations. The Access Line Tax applies to each access line³ within the City's tax jurisdiction and the revenues realized by the City from such taxes can be expended for any General Fund services, subject to appropriation approval by the Board of Supervisors.

To ensure continuity, the initial Access Line Tax rates were imposed at the same monthly rates as the previous Emergency Response Fee rates, which were \$2.75 per month per Access Line, \$20.62 per month per Trunk Line⁴ and \$371.15 per month per High Capacity Line.⁵ According to Proposition O, the tax rates are to be adjusted each year in accordance with the increase in the Consumer Price Index beginning on December 31, 2009 pending notice issued by the Controller and approval by resolution of the Mayor and the Board of Supervisors.

¹ The annual adjustments would be in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index.

² A service supplier is any person supplying an Access Line to any telephone communications services subscriber within in the City.

³ An Access Line is any connection whether by wire or by wireless technology, from a customer location to a provider of telephone communications services offered to the public for compensation.

⁴ A Trunk Line is a line between a service supplier's switching device and a private branch exchange or automatic call distributing system, or other similar device, at a telephone communications service subscriber location.

⁵ A High Capacity Line is a trunk line with a capacity of at least 24 channels over a high capacity service.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would concur with the Controller's establishment of a Consumer Price Index (CPI) for FY 2013-14 of 2.22% and authorize that 2.22% CPI annual rate adjustment for the Access Line Tax rates as of December 31, 2012, pursuant to Section 782 of the City's Business and Tax Regulations Code.

As shown in Table 1 below, based on the Controller's estimated 2.22% increase in the CPI, the proposed Access Line Tax rates for FY 2013-14 would be (a) \$3.01 for each Access Line, (b) \$22.60 for each Trunk Line, and (c) \$406.79 for each High Capacity Line. The proposed rates would be effective from July 1, 2013 through June 30, 2014.

Table 1
Proposed FY 2013-14 Access Line Tax by Line Type

Line Type	FY 2012-13 Tax per Line	CPI Adjustment Factor	Proposed FY 2013-14 Tax Rate per Line
Access Line	\$2.94	2.22%	\$3.01
Trunk Line	\$22.11	2.22%	\$22.60
High Capacity Line	\$397.96	2.22%	\$406.79

FISCAL IMPACTS

According to Mr. Deric Licko, Revenue Analyst from the Controller's Office, the revenues projected to be realized by the City for FY 2013-14 under the proposed Access Line Tax rates are \$40,710,000, which is \$391,488 or approximately .97% more than the \$40,318,512 projected for FY 2012-13, as shown in Table 2 below.

Table 2
Consumer Price Index Adjustments, Tax Rates and Tax Revenues for the Access Line Tax
from FY 2009-10 to FY 2013-14

CPI Adjustment and Line Type	FY 2009-10	FY 2010-11	FY 2011-2012	FY 2012-13	FY 2013-14
CPI Adjustment	n/a	2.61%	1.52%	2.93%	2.22%
Access Line	\$2.75	\$2.82	\$2.86	\$2.94	\$3.01
Trunk Line	\$20.62	\$21.16	\$21.48	\$22.11	\$22.60
High Capacity Trunk Line	\$371.15	\$380.84	\$386.63	\$397.96	\$406.79
Total Revenues & Estimated Total Revenues	\$41,500,362	\$40,926,450	\$41,043,536	\$40,318,512	\$40,710,000
Change from Prior Year	n/a	(\$573,912)	\$117,086	(\$725,024)	\$391,488

The average revenues collected from the Access Line Tax since FY 2009-10 is \$40,899,772. However, according to Mr. Licko, annual fluctuations in the Access Line Tax revenues are due to (1) the number of access lines used by individual and business consumers, and/or (2) the annual changes in the tax rate which is based on the annual Consumer Price Index adjustments.

Mr. Greg Kato, Policy and Legislative Manager in the Office of the Treasurer/Tax Collector noted that the Treasurer and Tax Collector's Office has retained an outside contractor to assist with auditing the collection and remittance practices of the Access Line Tax to ensure that all potential revenues are realized by the City.

RECOMMENDATION

Approve the proposed resolution.



MEMORANDUM

TO: Members, Board of Supervisors
Clerk of the Board

FROM: Ben Rosenfield

DATE: February 22, 2013

SUBJECT: Notification of Access Line Tax Annual Rate Adjustment

In November 2008, San Francisco voters approved Proposition O to replace the Emergency Response Fee with the Access Line Tax. Prop O allows for annual inflationary adjustments to the per line tax rates, codified in San Francisco Business and Tax Regulations Code Section 784 as follows:

The amount of the tax shall be \$2.82 per month per access line, \$21.16 per month per trunk line and \$380.84 per month per high capacity line. These amounts shall be adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31st of each year, beginning with December 31, 2009.

In January 2013, the Controller's Office calculated the inflationary increase on fees effective July 1, 2013 to be 2.22%. Source data are from the US Department of Labor's Bureau of Labor Statistics website using the "Consumer Price Index (CPI) – All Urban Consumers for the San Francisco – Oakland-San Jose CA Area," using December factors from the end of the prior year. The difference between the inflation index for December 2011 (234.327) and December 2012 (239.533) is 5.206, or 2.22%.

When applied to current rates per line, the new rates are as follows:

Rate Adjustment for July 1, 2013			
Line Type	Current Rate	Adjustment	New Rate
Access line	\$ 2.94	2.22%	\$ 3.01
Trunk line	\$ 22.11	2.22%	\$ 22.60
High capacity line	\$ 397.96	2.22%	\$ 406.79

Please contact me or Michelle Alersma, Acting Director of Controller's Office Budget and Analysis Division, at (415)554-4792 if you have any questions regarding this information.

OFFICE OF THE MAYOR
SAN FRANCISCO



RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

EDWIN M. LEE
MAYOR

2013 FEB 26 PM 2:45

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Edwin M. Lee *EL*
RE: Resolution Adjusting the Access Line Tax with the Consumer Price Index of 2012
DATE: February 26, 2013

Attached for introduction to the Board of Supervisors is the resolution concurring with the Controller's establishment of the Consumer Price Index for 2013, and adjusting the Access Line Tax by the same rate.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

