

File No. 156580

Committee Item No. 8  
Board Item No. 59

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee Date July 13, 2016

Board of Supervisors Meeting Date 7/14/16

#### Cmte Board

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Completed by: Linda Wong Date July 8, 2016  
Completed by: Linda Wong Date 7/14/16

1 [Initiative Ordinance - Business and Tax Regulations Code - Additional Utility Users Tax on  
2 Gas and Non-Renewable Electricity]

3 **Motion ordering submitted to the voters an ordinance amending the Business and Tax**  
4 **Regulations Code to impose an additional utility users tax on persons using electrical**  
5 **energy in the City equal to 2.5% of the charges incurred, subject to certain exemptions**  
6 **including an exemption for persons using electrical energy from certain renewable**  
7 **energy resources, and an additional utility users tax on persons using gas in the City**  
8 **equal to 2.5% of the charges incurred, subject to certain exemptions; and increasing**  
9 **the City's appropriations limit by the amount of the additional tax for four years from**  
10 **November 8, 2016, at an election to be held on November 8, 2016.**

11  
12 **MOVED, That the Board of Supervisors hereby submits the following ordinance to the**  
13 **voters of the City and County of San Francisco, at an election to be held on November 8,**  
14 **2016.**

15  
16 **Ordinance amending the Business and Tax Regulations Code to impose an additional**  
17 **utility users tax on persons using electrical energy in the City equal to 2.5% of the**  
18 **charges incurred, subject to certain exemptions including an exemption for persons**  
19 **using electrical energy from certain renewable energy resources, and an additional**  
20 **utility users tax on persons using gas in the City equal to 2.5% of the charges incurred,**  
21 **subject to certain exemptions; and increasing the City's appropriations limit by the**  
22 **amount of the additional tax for four years from November 8, 2016.**

1 NOTE: **Unchanged Code text and uncodified text** are in plain font.  
2 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
3 **Deletions to Codes** are in ~~italics Times New Roman font~~.  
4 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code subsections or  
5 parts of tables.

6 Be it ordained by the People of the City and County of San Francisco:

7 Section 1. Pursuant to Article XIII C of the Constitution of the State of California, this  
8 ordinance shall be submitted to the qualified electors of the City and County of San Francisco,  
9 at the November 8, 2016, consolidated general election.

10 Section 2. Legislative Findings. The People of the City and County of San Francisco  
11 find that:

12 (a) The Intergovernmental Panel on Climate Change, a scientific body under the  
13 auspices of the United Nations that currently consists of 195 member countries, issued the  
14 Synthesis Report of its Fifth Assessment Report in November 2014, which stated that:

15 (1) "Warming of the climate system is unequivocal, and since the 1950s, many  
16 of the observed changes are unprecedented over decades to millennia. The atmosphere and  
17 ocean have warmed, the amounts of snow and ice have diminished, and sea level has risen."

18 (2) "Continued emission of greenhouse gases will cause further warming and  
19 long-lasting changes in all components of the climate system, increasing the likelihood of  
20 severe, pervasive and irreversible impacts for people and ecosystems."

21 (3) "Without additional mitigation efforts beyond those in place today, and even  
22 with adaptation, warming by the end of the 21st century will lead to high to very high risk of  
23 severe, widespread and irreversible impacts globally."

24 (b) The California Global Warming Solutions Act of 2006, Division 25.5 of the  
25 California Health and Safety Code, commits the State of California to reduce greenhouse gas

1 emissions to 1990 levels by 2020, and the Governor's Executive Order S-3-05, issued on  
2 June 1, 2005, further establishes as State policy the reduction of greenhouse gas emissions  
3 to 80% below 1990 levels by 2050.

4 (c) The 2013 "San Francisco Climate Action Strategy" published by the Department of  
5 the Environment found that:

6 (1) "San Francisco must face the reality that climate change is already  
7 happening. Sea level rise, a reduced snowpack in the Sierra Nevada mountains, and extreme  
8 weather events are some of the challenges already affecting the Bay Area."

9 (2) "The slow pace of regulatory action at international and national levels  
10 leaves cities in the best position to address GHG [greenhouse gas] emissions."

11 (3) "Moving to 100% renewable electricity is the single biggest step the City can  
12 take to reduce GHG emissions."

13 (d) Presently the environmental, health, and social costs of carbon emissions are not  
14 included in prices paid for fossil fuels, but rather these externalized costs are borne directly  
15 and indirectly by all United States and global citizens. To begin to correct this market failure,  
16 the City can enact an additional utility users tax on gas and non-renewable electricity.

17  
18 Section 3. The Business and Tax Regulations Code is hereby amended by adding  
19 Sections 704.1 and 705.1 to Article 10, to read as follows:

20 **SECTION 704.1. ADDITIONAL ELECTRICITY USERS TAX.**

21 *(a) In addition to the tax imposed by Section 704, there is hereby imposed a tax upon every*  
22 *person, other than an electrical corporation or a gas corporation, using electrical energy in*  
23 *San Francisco. The tax imposed by this Section 704.1 shall be 2.5% of the charges made for such*  
24 *energy and shall be paid by the person paying for such energy.*

1 (b) As used in this Section 704.1, the term "charges" shall include (1) charges made for  
2 metered energy, and (2) minimum charges for service, including customer charges, service charges,  
3 demand charges, standby charges, and annual and monthly charges.

4 (c) As used in this Section 704.1, the term "using electrical energy" shall not be construed to  
5 mean the storage of such energy by a person in a battery owned or possessed by such person for use in  
6 an automobile or other machinery or device apart from the premises on which the energy was received;  
7 provided, however, that the term shall include the receiving of such energy for the purpose of using it in  
8 the charging of batteries.

9 (d) As used in this Section 704.1, the term "using electrical energy" shall not be construed to  
10 mean the receiving of such energy by an electrical corporation or a government agency at a point  
11 within San Francisco for resale, or electrical energy used by a water corporation to pump water.

12 (e) The following persons shall be exempt from the tax imposed by this Section 704.1:

13 (1) Persons that voluntarily elect to receive, and actually receive, at least 50% of their  
14 electrical energy, measured by kilowatt-hour, from eligible renewable energy resources, or that receive  
15 any amount of their electrical energy from on-site solar systems. For purposes of this subsection  
16 (e)(1), "eligible renewable energy resources" shall have the same meaning as in section 399.12(e) of  
17 the California Public Utilities Code, as amended from time to time.

18 (2) Persons that participate in a shared renewables program implemented pursuant to  
19 the California Public Utilities Code Sections 2831 et seq., or a similar program implemented by a  
20 publicly-owned utility or a Community Choice Aggregator, as defined in California Public Utilities  
21 Code Section 331.1, as amended from time to time.

22 (3) Persons that receive the electrical energy from a Community Choice Aggregator, as  
23 defined in California Public Utilities Code Section 331.1, as amended from time to time.

1                   (4) Persons that qualify for the California Alternative Rates for Energy ("CARE")  
2 program under sections 739.1 through 739.4 of the California Public Utilities Code, as amended from  
3 time to time.

4                   (5) Persons that qualify for the Family Electric Rate Assistance Program ("FERA")  
5 authorized by California Public Utilities Commission Decision 04-02-057.

6                   (f) The exemption in Section 707 shall apply to the tax imposed by this Section 704.1.

7                   (g) The exemption in Section 707.1 shall not apply to the tax imposed by this Section 704.1.

8                   (h) The tax imposed by this Section 704.1 shall be collected from the service user by the person  
9 supplying such electrical energy. The amount of tax collected in one month shall be remitted to the Tax  
10 Collector on or before the last day of the following month.

11  
12 **SECTION 705.1. ADDITIONAL GAS USERS TAX.**

13                   (a) In addition to the tax imposed by Section 705, there is hereby imposed a tax upon every  
14 person, other than a gas corporation or an electrical corporation, using gas which is delivered through  
15 mains or pipes in San Francisco by a gas corporation. The tax imposed by this Section 705.1 shall be  
16 2.5% of the charges made for such gas, including minimum charges for services, and shall be paid by  
17 the person paying for such gas.

18                   (b) As used in this Section 705.1, the term "charges" shall not include charges made for gas  
19 used in the generation of electrical energy by a public utility or a governmental agency.

20                   (c) As used in this Section 705.1, the term "using gas" shall not be construed to mean the  
21 receiving of such gas by a gas corporation or governmental agency at a point within San Francisco for  
22 resale and delivery through pipes and mains, or gas used by a water corporation to pump water or gas  
23 used by a steam corporation to generate steam.

1           (d) Persons that qualify for the California Alternative Rates for Energy ("CARE") program  
2 under sections 739.1 through 739.4 of the California Public Utilities Code, as amended from time to  
3 time, shall be exempt from the tax imposed by this Section 705.1.

4           (e) The exemption in Section 707 shall apply to the tax imposed under this Section 705.1.

5           (f) The exemption in Section 707.1 shall not apply to the tax imposed under this Section 705.1.

6           (g) The tax imposed by this Section 705.1 shall be collected from the service user by the person  
7 selling the gas. The amount collected in one month shall be remitted to the Tax Collector on or before  
8 the last day of the following month.

9  
10           Section 4. The Business and Tax Regulations Code is hereby amended by revising  
11 Section 707.1 of Article 10, to read as follows:

12  
13           **SECTION 707.1. UTILITY USERS TAX EXEMPTION.**

14           (a) No tax shall be levied upon residential telephone communications service or upon  
15 the use in the City and County of San Francisco by residential customers of electrical energy  
16 or gas, water or steam which is delivered through mains or pipes or of any other utility service  
17 after June 30, 1988; provided, however, that notwithstanding this subsection (a), the taxes specified  
18 in Sections 704.1 and 705.1 of this Article 10 shall be imposed on residential customers of electrical  
19 energy and gas.

20           (b) For the purposes of this Section 707.1, "residential customer" shall mean any  
21 customer paying for the utility service at a residential or domestic rate consistent with the rate  
22 schedule set by the California Public Utilities Commission or any other rate-making authority.

23           (c) This Section 707.1 was adopted by the voters of San Francisco at the November 3,  
24 1987 election and may be amended only by the vote of the electorate.

1           Section 5. Appropriations Limit Increase. Pursuant to California Constitution Article  
2 XIII B and applicable laws, for four years from November 8, 2016, the appropriations limit for  
3 the City shall be increased by the aggregate sum collected by the levy of the additional tax  
4 imposed by this ordinance.

5  
6           Section 6. Scope of Ordinance. In enacting this ordinance, the People of the City and  
7 County of San Francisco intend to amend only those words, phrases, paragraphs,  
8 subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other  
9 constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions  
10 or deletions, in accordance with the "Note" that appears under the official title of the  
11 ordinance.

12  
13           Section 7. Effective and Operative Dates. The effective date of this ordinance shall be  
14 ten days after the date the official vote count is declared by the Board of Supervisors. This  
15 ordinance shall become operative on July 1, 2017.


16  
17           Section 8. Severability. If any section, subsection, sentence, clause, phrase, or word  
18 of this ordinance, or any application thereof to any person or circumstance, is held to be  
19 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision  
20 shall not affect the validity of the remaining portions or applications of the ordinance. The  
21 People of the City and County of San Francisco hereby declare that they would have passed  
22 this ordinance and each and every section, subsection, sentence, clause, phrase, and word  
23  
24  
25



1 not declared invalid or unconstitutional without regard to whether any other portion of this  
2 ordinance or application thereof would be subsequently declared invalid or unconstitutional.

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APPROVED AS TO FORM:  
DENNIS J. HERRERA, City Attorney

By:   
Scott M. Reiber  
Deputy City Attorney

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**REVISED LEGISLATIVE DIGEST**

(Substituted, 6/7/2016)

[Initiative Ordinance - Business and Tax Regulations Code - Additional Utility Users Tax on Gas and Non-Renewable Electricity]

**Motion ordering submitted to the voters an ordinance amending the Business and Tax Regulations Code to impose an additional utility users tax on persons using electrical energy in the City equal to 2.5% of the charges incurred, subject to certain exemptions including an exemption for persons using electrical energy from certain renewable energy resources, and an additional utility users tax on persons using gas in the City equal to 2.5% of the charges incurred, subject to certain exemptions; and increasing the City's appropriations limit by the amount of the additional tax for four years from November 8, 2016, at an election to be held on November 8, 2016.**

Existing Law

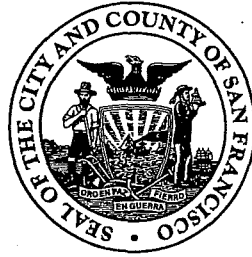
Current law imposes utility users taxes on persons using electrical energy and gas in the City equal to 7.5% of the charges incurred, subject to certain exemptions, including an exemption for residential customers.

Amendments to Current Law

The initiative ordinance would impose additional utility users taxes on persons using electrical energy and gas in the City equal to 2.5% of the charges incurred, subject to certain exemptions. In addition to the exemptions from the current utility users taxes, the initiative ordinance would exempt users of certain renewable energy and persons qualifying for the State California Alternative Rates for Energy ("CARE") program and the Family Electric Rate Assistance ("FERA") program from the new tax on persons using electrical energy, and would exempt persons qualifying for the CARE program from the new tax on persons using gas. Unlike the current utility users taxes on persons using electrical energy and gas, residential customers would not be exempt from the new taxes.

The initiative ordinance would also increase the City's appropriations limit under Article XIII B of the California Constitution by the amount of additional taxes collected, for four years from the date of the election.

BOARD of SUPERVISORS



City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 554-5227

## MEMORANDUM

TO: Jose Cisneros, Treasurer, Office of the Treasurer and Tax Collector  
John Arntz, Director, Department of Elections  
John Rahaim, Director, Planning Department  
Harlan Kelly, Jr., General Manager, Public Utilities Commission

FROM: Linda Wong, Assistant Clerk, Budget and Finance Sub-Committee

DATE: June 16, 2016

SUBJECT: SUBSTITUTE LEGISLATION INTRODUCED

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The Board of Supervisors' Budget and Finance Sub-Committee has received the following substitute legislation, introduced by Supervisor Avalos:

**File No. 150582**

**Motion ordering submitted to the voters an ordinance amending the Business and Tax Regulations Code to impose an additional utility users tax on persons using electrical energy in the City equal to 2.5% of the charges incurred, subject to certain exemptions including an exemption for persons using electrical energy from certain renewable energy resources, and an additional utility users tax on persons using gas in the City equal to 2.5% of the charges incurred, subject to certain exemptions; and increasing the City's appropriations limit by the amount of the additional tax for four years from November 8, 2016, at an election to be held on November 8, 2016.**

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Amanda Kahn Fried, Office of the Treasurer and Tax Collector  
Scott Sanchez, Planning Department  
Sarah Jones, Planning Department  
AnMarie Rodgers, Planning Department  
Aaron Starr, Planning Department  
Joy Navarrete, Planning Department  
Jeanie Poling, Planning Department  
Juliet Ellis, Public Utilities Commission  
Donna Hood, Public Utilities Commission

Print Form

# Introduction Form

By a Member of the Board of Supervisors or the Mayor

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2016 JUN --  
PM 4:59  
AK  
Time-stamp  
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee.  
An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [ ] inquires"
- 5. City Attorney request.
- 6. Call File No. [ ] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. [ 150582 ]
- 9. Request for Closed Session (attach written motion).
- 10. Board to Sit as A Committee of the Whole.
- 11. Question(s) submitted for Mayoral Appearance before the BOS on [ ]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission     Youth Commission     Ethics Commission
- Planning Commission     Building Inspection Commission

**Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative**

**Sponsor(s):**

Supervisor John Avalos

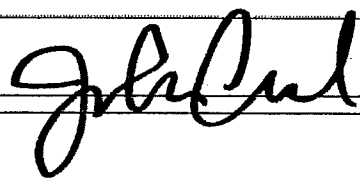
**Subject:**

Initiative Ordinance - Business and Tax Regulations Code - Additional Utility Users Tax on Gas and Non-Renewable Electricity

**The text is listed below or attached:**

[Empty box for text listing]

Signature of Sponsoring Supervisor: \_\_\_\_\_



For Clerk's Use Only:

Print Form

*substitute Intro Form in file  
6/7/16*

# Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp  
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee.  
An ordinance, resolution, motion, or charter amendment.
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- 10. Board to Sit as A Committee of the Whole.
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**Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative**

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Supervisor John Avalos

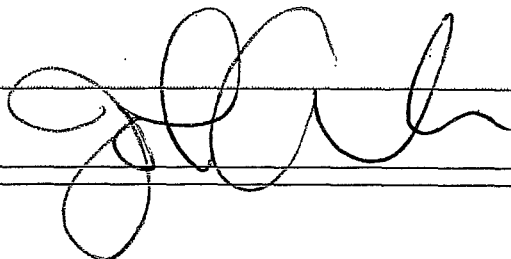
**Subject:**

Initiative Ordinance - Business and Tax Regulations Code - Additional Utility Users Tax on Gas and Non-Renewable Electricity

**The text is listed below or attached:**

[Empty box for text listing]

Signature of Sponsoring Supervisor: \_\_\_\_\_



For Clerk's Use Only:





**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
**Controller**

**Todd Rydstrom**  
**Deputy Controller**

July 12, 2016

Ms. Angela Calvillo  
Clerk of the Board of Supervisors  
1 Dr. Carlton B. Goodlett Place Room 244  
San Francisco, CA 94102-4689

RE: File 150582 – Ordinance amending the Business and Tax Regulations Code to impose an additional utility users tax on gas and non-renewable electricity (second draft)

Dear Ms. Calvillo,

Should the proposed ordinance be approved by the voters, it would result in increased revenue to the City.

The ordinance proposes an addition of 2.5 percent to the current utility users tax (UUT) rate of 7.5 percent of the charges for electrical energy and gas services. The current UUT is applied to commercial users only with residential users exempt. The new rate would be applied to both commercial and residential users, with exemptions for any on-site solar energy and participation in the Clean Power SF Community Choice Aggregation program. We estimate the tax would generate approximately \$6 million annually in new tax revenue, though the total revenue is highly variable due to the level of exemptions by customers. The current UUT generated approximately \$41.9 million in fiscal year 2014-15.

Overall, we estimate that 66 percent of the new tax amount would be paid by commercial users and 34 percent paid by residential users.

Sincerely,

Ben Rosenfield  
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.

