

Legislation Text

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DATE OF MEETING: 04/03/17

SUBJECT:

RATIFICATION APPROVAL OF A LETTER OF OPPOSITION TO AB 252 (RIDLEY-THOMAS) -
LOCAL GOVERNMENT: TAXATION: PROHIBITION: VIDEO STREAMING SERVICES

CITY MANAGER RECOMMENDATION

Approve by Minute Order

COMPLIANCE STATEMENTS

FY 2015-17 Council Priority Workplan Compliance Statement

Municipal Broadband Fiber Project is an adopted policy contained in the FY 2015-17 Council Priority Workplan, effective October 1, 2016.

CEQA Compliance Statement

This is not a project as defined by CEQA.

BACKGROUND

On January 17, 2017, AB 252, authored by Assemblymember Ridley-Thomas, was introduced and would prohibit local cities and counties from imposing any tax on video streaming services. Specifically, this proposed bill, until January 1, 2023, would prohibit the imposition by a city, city and county, or county, including a chartered city, city and county, or county, of a tax on video streaming services, including, but not limited to, any tax on the sale or use of video streaming services or any utility user tax on video streaming services.

This proposed bill would critically impact the City of San Pablo's ongoing development of a Municipal Broadband Fiber Optic Project currently underway. This is a proposed \$13M public project to improve digital access and enhance economic development investment into one of the Bay Area's lowest income/disadvantaged communities. Local taxing authority is critical to its construction and implementation by the City and this proposed bill would handicap the City's ability to locally invest in the proposed project.

Authorized Funding Mechanisms - Municipal Broadband Fiber Optic Project

On March 14, 2016, the City Council adopted Resolution 2016-139, which authorized the City Manager to explore a funding mechanism or tax (i.e. CFD, Sales Tax, Parcel Tax, UUT, etc.) needed to develop the Municipal Broadband Fiber Optic Project (See Attachment). The City intends to establish a local funding mechanism during FY 2017-18, and once established, will be used to construct, and annually operate and maintain the City's first-ever fiber optic public asset infrastructure network to provide digital, telephone, and video streaming services (i.e. triple play), and to be used for local bond funding for City-wide capital build-out of the fiber optic network.

In the near future, local voters or property owners (depending on the taxing mechanism selected by the City) may be asked to adopt a modest tax to help cover annual operation and maintenance during the start-up phase of this critical infrastructure project. However, AB 252, as proposed, would negate this possibility for the City. Furthermore, local cities should be able to self-determine their ability to invest locally in these type of social equity projects, which may require a local funding mechanism or tax to establish such a project, especially in the wake of the State of California's dissolution of redevelopment in 2011.

Letter of Opposition to AB 252 Transmitted

On March 23, 2016, an opposition letter was transmitted to Assemblymember Ridley-Thomas, Chair and Members of the State Assembly on Revenue and Taxation Committee, and to League of California Cities officials stating the City's opposition to such a legislative bill which would impact the construction and development of the City's Municipal Broadband Fiber Optic Project (see attachment). This opposition letter transmitted by Mayor Valdez requires ratification approval by the City Council which is consistent with adopted policy under the FY 2015-17 Council Priority Workplan, effective October 1, 2016.

FISCAL IMPACT

None associated with this action.

Attachments:

- 1) AB 252 Proposed Legislation
- 2) City Council Resolution 2016-139 adopted 03/14/16
- 3) Letter of Opposition transmitted on 03/23/17 by Mayor Valdez