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Councilmember District 4

REVISED AGENDA MATERIAL for Supplemental Packet 2

Meeting Date: February 11, 2020

Item Number: 18

Item Description: Discussion and Direction Regarding Potential Ballot Measures for the November 3, 2020 General Municipal Election

Submitted by: Councilmember Harrison

Recommendation:

Direct the City Manager to include a potential increase in the electricity and gas portion of the Utility Users Tax proposal, for the purpose of funding greenhouse gas emissions reductions, in the 2020 Ballot Measure Community Survey.

Rationale

The City of Berkeley is working to achieve its Climate Action Plan goals of reducing greenhouse gas (GHG) emissions 33% below 2000 levels by 2020 and 80% by 2050. According to the Berkeley Office of Energy and Sustainable Development, the latest and best available data suggest that Berkeley's 2016 community-wide GHG emissions, including emissions from transportation, building energy use, and solid waste disposal, are approximately 15% below 2000 baseline levels. Therefore the City is approximately 18% behind its 2020 goal. In 2018, the Council declared a citywide climate emergency, calling for increase in funding to accomplish rapid greenhouse gas (GHG) reductions.

The Utility Users Tax (UUT) is Berkeley's fourth largest source of general fund revenue. The tax is applied at a rate of 7.5% to consumption of electricity, gas, telephone, cable, and cellular services. Revenues can fluctuate from year to year due to various consumption, market and regulatory factors.

Approximately 60% of total UUT revenues are generated from gas and electric services and 40% from telecommunications. Among gas and electric service revenue, gas accounted for 32% and electric 68% during the last two fiscal years.

The Finance Department projects a total UUT revenue of \$15,000,000 in Fiscal Years 2020 and 2021. During that same period, gas and electric revenues are expected to be approximately \$9,555,753.

UTILITY USERS TAX	Actual Revenue			Projected Revenue		
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Collections	14,211,318	\$15,109,305	\$14,828,120	\$14,600,000	\$15,000,000	\$15,000,000
\$ Change	(90,739)	897,987	(281,185)	228,120	400,000	0
% Change	(0.63%)	6.32%	(1.90%)	(1.53%)	2.73%	0%
Cable	1,283,102	1,251,842	1,341,570	1,316,080	1,352,008	1,353,008
Gas/Elec	8,675,201	9,445,069	9,441,160	9,300,427	9,555,753	9,555,753
Phone	2,043,557	2,009,0350	1,915,053	1,885,752	1,937,233	1,937,233
Cellular	2,209,458	2,403,544	2,130,336	2,097,741	2,155,009	2,155,009

The Berkeley Energy Commission recommends increasing the electric and gas portion of the tax to fund a number of greenhouse gas reduction programs. This item proposes that the funds be used for building electrification, weatherization and low-carbon transportation and mobility subsidies and/or programs aimed primarily at low-income individuals. The City may also consider recommendations in Commission’s Fossil Free Berkeley Report. In addition, the tax rate modification would help incentivize reductions in energy consumption.

It is in the public interest that marginal revenues from this tax be allocated directly to climate mitigation programs instead of the general fund. In recognizing the regressive nature of the UUT and the environmental justice principles, a substantial portion of revenues should be allocated to programs that mitigate climate-related environmental injustices.

Despite current limitations in the Pacific Gas & Electric Company’s (PG&E) billing software, Berkeley should aim to reduce the tax on the electric portion, in acknowledgment of the lower GHG intensity of electric energy (currently a minimum 86% GHG-free) as compared to natural gas, which is inherently GHG intensive. In considering an increase in its UUT tax, the neighboring City of Albany has determined that Pacific Gas & Electric Company (PG&E) software is not currently capable of bifurcating rates applied to the gas and electric portions of the tax. Albany’s city staff determined that to tax electricity and natural gas at different rates PG&E would charge approximately \$500,000 - \$800,000. In addition to exploring modification of the UUT, the City of Berkeley should explore opportunities to coordinate with neighboring cities to share the cost of modifying PG&E’s software.

Using City revenue projections for FY 2021, the following table details the estimated increase in revenue if the City were to increase the gas-electric UUT rate between 1-2.5%:

	Projected Gas/Electric Revenue with 1-2.5% increase in UUT Rate (FY 2021)			
Marginal rate	+ 1% (8.5%)	+ 1.5% (9%)	+ 2% (9.5%)	+ 2.5% (10%)
Marginal revenue (gas)	\$407,712	\$611,568	\$815,424	\$1,019,280
Marginal revenue (electric)	\$866,388	\$1,299,582	\$1,732,776	\$2,165,970
Marginal revenue (gas + electric)	\$1,274,100	\$1,911,151	\$2,548,201	\$3,185,251

If for example voters agreed to increase the gas-electric UUT to 2.5%, a utility customer with an average \$100 monthly bill would see \$2.50 increase in their bill.