

## ORDINANCE 664

### AN ORDINANCE OF THE PEOPLE OF THE CITY OF CATHEDRAL CITY ADOPTING A THREE PERCENT (3%) UTILITY USERS TAX (UUT) ON TELECOMMUNICATIONS, VIDEO SERVICES, GAS, ELECTRICITY (INCLUDING COGENERATED ELECTRICITY) AND SOLID WASTE COLLECTION AND DISPOSAL, AND ADDING CHAPTER 3.26 TO THE CATHEDRAL CITY MUNICIPAL CODE

THE PEOPLE OF THE CITY OF CATHEDRAL CITY DO ORDAIN AS FOLLOWS:

**Section One.** Title Three of the Cathedral City Municipal Code is hereby amended to add a new chapter to the Municipal Code, Chapter 3.26, entitled "Utility Users Tax", and it shall read as follows:

#### Chapter 3.26 Utility Users' Tax

- 3.26.020 Definitions.
- 3.26.030 Exemptions.
- 3.26.040 Telecommunications Users' Tax.
- 3.26.050 Video Users' Tax.
- 3.26.060 Gas Users' Tax.
- 3.26.070 Electricity Users' Tax.
- 3.26.080 Tax on Cogenerated Electricity.
- 3.26.090 Solid Waste Collection and Disposal Users' Tax.
- 3.26.100 Direct Purchase of Gas or Electricity.
- 3.26.110 Bundling Taxable Items with Non-Taxable Items.
- 3.26.120 Duty to Collect - Procedures.
- 3.26.130 Collection Penalties – Service Suppliers.
- 3.26.140 Actions to Collect.
- 3.26.150 Deficiency Determination and Assessment; Tax Application Errors.
- 3.26.160 Administrative Remedy - Non-Paying Service Users.
- 3.26.170 Additional Powers and Duties of the Tax Administrator.
- 3.26.180 Records.
- 3.26.190 Refunds.
- 3.26.200 Appeals.
- 3.26.210 Notice of Changes to Ordinance.
- 3.26.220 Effect of State and Federal Reference; Authorization.
- 3.26.230 Independent Audit.
- 3.26.240 Effective Date.
- 3.26.250 Remedies Cumulative.

### **3.26.010 Ordinance Title.**

This Chapter shall be known as the "Utility Users Tax" of the City of Cathedral City.

### **3.26.020 Definitions.**

A. The following words and phrases whenever used in this Chapter shall be construed as defined in this section.

1. **Ancillary Telecommunication Services.** Services that are associated with or incidental to the provision, use or enjoyment of Telecommunications Services, including but not limited to the following services:

a. "Conference bridging service" which means an ancillary service that links two or more participants of an audio or Video conference call and may include the provision of a telephone number. Conference bridging service does not include the Telecommunications services used to reach the conference bridge.

b. "Detailed Telecommunications billing service" which means an ancillary service of separately stating information pertaining to individual calls on a customer's billing statement.

c. "Directory assistance" which means an ancillary service of providing telephone number information, and/or address information.

d. "Vertical service" which means an ancillary service that is offered in connection with one or more Telecommunications services, which offers advanced calling features that allow customers to identify callers and to manage multiple calls and call connections, including conference bridging services.

e. "Voice mail service" which means an ancillary service that enables the customer to store, send or receive recorded messages. Voice mail service does not include any vertical services that the customer may be required to have in order to utilize the voice mail service.

2. **Ancillary Video Services.** Services that are associated with or incidental to the provision or delivery of Video Services, including but not limited to electronic program guide services, search functions, recording services, or other interactive services or communications that are associated with or incidental to the provision, use or enjoyment of Video Services.

3. **Billing Address.** The mailing address of the Service User where the Service Supplier submits invoices or bills for payment by the customer.

4. **City.** The City of Cathedral City.
5. **Cogenerator.** Any Person employing cogeneration (as defined in section 218.5 of the California Public Utilities Code) for producing power for the generation of electricity for self use or sale to others from a qualified cogeneration facility (as defined in the federal Public Utility Regulatory Policies Act of 1978 and regulations there under).
6. **Electrical Corporation.** Any organization, municipality or agency engaged in the selling or supplying of Electrical power to a Service User.
7. **Electricity Service Provider.** Any entity or Person, including the City, that provides electricity service to a Service User within the City.
8. **Exempt Wholesale Generator.** The meaning and usage as set forth in the Federal Power Act (15 U.S.C. Section 79z-5a) and the regulations established therewith.
9. **Gas.** Natural or manufactured gas or any alternate hydrocarbon fuel that may be substituted therefore.
10. **Gas Service Provider.** Any entity or Person, including the City, that provides gas service to a Service User within the City.
11. **Mobile Telecommunications Service.** The meaning and usage as set forth in the Mobile Telecommunications Sourcing Act (4 U.S.C. Section 124) and the regulations established therewith.
12. **Month.** A calendar month.
13. **Non-Utility Service Supplier.** The following:
  - a. A service supplier, other than a provider of electric distribution services to all or a significant portion of the City that generates electricity for sale to others, including, but not limited to, any publicly-owned electric utility, investor-owned utility, Co-generator, Exempt Wholesale Generator, municipal utility district, federal power marketing agency, electric rural cooperative, or other supplier or seller of electricity.
  - b. An electric service provider (ESP), electricity broker, marketer, aggregator, pool, operator, or other electricity supplier other than a provider of electric distribution services to all or a significant portion of the City that sells or supplies electricity or supplemental services to electricity users within the City.

c. A Gas Service Supplier, aggregator, marketer or broker, other than a provider of Gas distribution services to all or a significant portion of the City that sells or supplies Gas or supplemental services to Gas users within the City.

14. **Paging Service.** A telecommunications service that provides transmission of coded radio signals for the purpose of activating specific pagers; such transmissions may include messages and/or sounds.

15. **Person.** Without limitation, any natural individual, firm, trust, common law trust, estate, partnership of any kind, association, syndicate, club, joint stock company, joint venture, limited liability company, corporation (including foreign, domestic, and non-profit), municipal district or municipal corporation (other than the City) cooperative, receiver, trustee, guardian, or other representative appointed by order of any court.

16. **Place of Primary Use.** The street address where the customer's use of a taxable service primarily occurs, which must be the residential street address or the primary business street address of the customer.

17. **Post-Paid Telecommunication Service.** The Telecommunication Service obtained by making a payment on a telecommunication-by-telecommunication basis either through the use of a payment mechanism such as a bank card, travel card, credit card, or debit card, or by charge made to a service number which is not associated with the origination or termination of the Telecommunication Service.

18. **Prepaid Telecommunication Service.** The right to access Telecommunication Services, which must be paid for in advance and which enables the origination of Telecommunications using an access number or authorization code, whether manually or electronically dialed, and that is sold in predetermined units or dollars of which the number declines with use in a known amount.

19. **Private Telecommunication Service.** A Telecommunication Service that entitles the customer to exclusive or priority use of a Telecommunications channel or group of channels between or among termination points, regardless of the manner in which such channel or channels are connected, and includes switching capacity, extension lines, stations, and any other associated services that are provided in connection with the use of such channel or channels. A Telecommunications channel is a physical or virtual-path of Telecommunications over which signals are transmitted between or among customer channel termination points (i.e., the location where the customer either inputs or receives the Telecommunications).

20. **Refuse.** A comprehensive term meaning any putrescible and nonputrescible solid waste, except sewage, whether combustible or noncombustible and includes garbage and rubbish. "Garbage" as used in this chapter includes all waste accumulations of animal, fruit, vegetable or other matter that attends or results from the preparation, use, cooking, processing, dealing in or storage of food, meat, fish, fowl, fruits or vegetables, including the same or parts thereof. "Rubbish" as used in this Chapter includes all waste matter other than garbage, soil, or rock material.

21. **Refuse Collector.** The City's authorized agent for refuse collection.

22. **Service Address.** Any of the following:

a. The location of the Service User's equipment from which the taxable service originates or terminates, regardless of where the service is billed or paid.

b. If the location of the Service User's equipment from which the taxable service originates or terminates is unknown (e.g., Mobile Telecommunications Service or VoIP service), the Service Address means the location of the Service User's Place of Primary Use.

c. For Prepaid Telecommunication Service, "Service Address" means the location associated with the service number.

d. For Refuse collection and disposal, "Service Address" means the location of the Service User's Place of Primary Use.

23. **Service Supplier.** Any entity or Person, including the City, that provides telecommunication, Video, Gas, electrical, or Refuse collection and disposal service to a user of such service within the City.

24. **Service User.** A Person required to pay a tax imposed under the provisions of this Chapter.

25. **Tax Administrator.** The Administrative Services Director or the Finance Director of the City or his or her designee.

26. **Telecommunication Services.** The transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points, whatever the technology used, and including broadband services [e.g., T-1, digital subscriber line (EDSL) fiber optic, coaxial cable, and wireless broadband, including Wi-Fi, WiMAX, and Wireless MESH]] to the extent federal and/or state law permits taxation of such broadband services, now or in the future. The term Telecommunications Services includes such

transmission, conveyance, or routing in which computer processing applications are used to act on the form, code or protocol of the content for purposes of transmission, conveyance or routing without regard to whether such services are referred to as voice over internet protocol (VoIP) services or are classified by the Federal Communications Commission as enhanced or value added, and includes video and/or data services that are functionally integrated with Telecommunication Services. Telecommunications Services include, but are not limited to the following services, regardless of the manner or basis on which such services are calculated or billed: Ancillary Telecommunication Services; Mobile Telecommunications Service; Prepaid Telecommunication Service; Post-Paid Telecommunication Service; Private Telecommunication Service; Paging Service; 800 Service (or any other toll-free numbers designated by the Federal Communications Commission); 900 Service (or any other similar numbers designated by the Federal Communications Commission for services whereby subscribers call in to pre-recorded or live service).

27. **Transfer station.** A facility located within the City that is utilized for the purpose of transferring Refuse directly from smaller to larger vehicles for transport.

28. **Video Programming.** Those programming services commonly provided to subscribers by a "Video Service Supplier" including but not limited to basic services, premium services, audio services, video games, pay-per-view services, video on demand, origination programming, or any other similar services, regardless of the content of such Video Programming, or the technology used to deliver such services, and regardless of the manner or basis on which such services are calculated or billed.

29. **Video Services.** Video Programming and any and all services related to the providing, recording, delivering, use or enjoyment of Video Programming (including origination programming and programming using Internet Protocol, e.g., IP-TV and IP-Video) using one or more channels by a "Video Service Supplier", regardless of the technology used to deliver, store or provide such services, and regardless of the manner or basis on which such services are calculated or billed, and includes Ancillary Video Services, data services, Telecommunication Services, or interactive communication services that are functionally integrated with Video Services.

30. **Video Service Supplier.** Any Person or service that provides or sells one or more channels of Video Programming, or provides or sells the capability to receive one or more channels of Video Programming, including any Telecommunications that are ancillary, necessary or common to the provision, use or enjoyment of the Video Programming, to or from a business or residential address in the City, where some fee is paid, whether directly or included in dues or rental charges for that service, whether or not public rights-of-way are utilized in the delivery of the Video Programming or Telecommunications. A "Video

Service Supplier" includes, but is not limited to, multi-channel video programming distributors [as defined in 47 U.S.C.A. Section 522(13)]; open video systems (OVS) suppliers; and suppliers of cable television; master antenna television; satellite master antenna television; multi-channel multipoint distribution services (MMDS); Video Services using internet protocol (e.g., IP-TV and IP-Video, which provide, among other things, broadcasting and Video on demand), direct broadcast satellite to the extent federal law permits taxation of its Video Services, now or in the future; and other suppliers of Video Services (including two-way communications), whatever their technology.

31. **VoIP (Voice Over Internet Protocol)** The digital process of making and receiving real-time voice transmissions over any Internet Protocol network.

32. **800 Service.** A telecommunications service that allows a caller to dial a toll-free number without incurring a charge for the call. The service is typically marketed under the name "800", "855", "866", "877" or "888" toll-free calling, and any subsequent numbers designated by the Federal Communications Commission.

33. **900 Service.** An inbound toll telecommunications service purchased by a subscriber that allows the subscriber's customers to call in to the subscriber's prerecorded announcement or live service. "900 Service" does not include the charge for: collection services provided by the seller of the telecommunications services to the subscriber, or service or product sold by the subscriber to the subscriber's customer. The service is typically marketed under the name "900" service, and any subsequent numbers designated by the Federal Communications Commission.

### 3.26.030 Exemptions.

A. **Consistency with State and Federal Law.** Nothing in this Chapter shall be construed as imposing a tax upon any Person or service when the imposition of such tax upon such Person or service would be in violation of a federal or state statute, the Constitution of the United States or the Constitution of the state of California. Any Service User who has been exempted under this subsection shall comply with the notification requirements of subsection K of this section if any change in fact or circumstance disqualifies the individual from receiving this exemption.

B. **The City.** Nothing in this Chapter shall be construed as imposing a tax upon the City of Cathedral City.

C. **Senior Citizen Exemption.** Any residential Service User who is sixty-five (65) years of age or older if such Service User resides alone or if he or she shares his or her residence with a spouse or a registered domestic partner, and at least one spouse or partner meets the age criteria for the exemption. The

Service User(s) seeking exemption under this subsection shall be enrolled in Southern California Electric's Care Program. Individuals receiving the exemption granted by this subsection must reside at the location receiving the service; the exemption shall not apply to any nonresidential service location. Any Service User who has been exempted under this subsection shall comply with the notification requirements of subsection K of this section if any change in fact or circumstance disqualifies the individual from receiving this exemption.

D. **Exemption Application.** Any Service User that is exempt pursuant to subsection A or C of this section from any tax imposed by this Chapter shall file an application with the Tax Administrator for an exemption; provided, however, this requirement shall not apply to a Service User that is a state or federal agency. Said application shall be made upon a form approved by the Tax Administrator and shall state those facts, declared under penalty of perjury, which qualify the applicant for an exemption, and shall include the names of all Service Suppliers serving that Service User. A Service User seeking a senior citizen exception shall provide evidence of enrollment in Southern California Edison's Care Program.

E. **Application Processing.** The application shall be approved or denied by the Tax Administrator within seventy-five (75) days of receipt.

F. **Notice to Service Supplier.** If the application is approved, the Tax Administrator shall promptly notify the Service User's Service Suppliers stating the name of the Service User, the address to which such exempt service is being supplied, the account number, if any, and such other information as may be necessary for the Service Supplier to remove the exempt Service User from its tax billing procedure.

G. **Discontinuance of Tax.** Upon receipt of the notice of Service User exemption, the Service Supplier shall within sixty (60) days discontinue billing the Service User for taxes imposed by this chapter.

H. **Duration of Exemption.** All exemptions under this section shall continue and be renewed automatically by the Tax Administrator for as long as the requisite facts supporting the initial qualification for exemption shall continue. The exemption shall automatically terminate with any change in Service Address or residence of the exempt individual. The individual may apply for a new exemption with each change of Service Address or residence. The Tax Administrator shall have the power and right to demand evidence of continued eligibility. Failure to provide such evidence as is within the control of a Service User to provide may be the basis for immediate discontinuance of the Service User's eligibility for exemption under this section.

I. **Denial; Appeal.** If the Tax Administrator determines that an application for exemption is faulty, that the applicant has failed to truthfully set forth facts, or that

the facts do not support the application for exemption, the application shall be denied in writing to the applicant. The applicant shall thereafter have a right to file an amended application, or to appeal the Tax Administrator's decision to the City Manager within a ten (10) day period after the mailing date of the Tax Administrator's notification. In the case of an appeal, the City Manager shall review the facts in consultation with the City Attorney, and shall render a final determination on such appeal.

**J. Duty to Disclose Disqualification; Investigation.** Any Service User who has been exempted under this section shall notify the City within ten (10) days of any change in facts or circumstance that might disqualify the individual from receiving such exemption. Any Service Supplier that determines by any means that a new or nonexempt Service User is receiving service through a meter or connection exempt by virtue of an exemption issued to a previous user or exempt user of the same meter or connection, shall immediately notify the Tax Administrator of such fact and the Tax Administrator shall conduct an investigation to ascertain whether or not the provisions of this section have been complied with, and when appropriate, order the Service Supplier to commence collecting the tax from the nonexempt Service User.

**K. Penalty.** It shall be a misdemeanor for any Person to knowingly receive the benefit of the exemption provided by this section when the basis for such exemption does not exist or ceases to exist.

**L. Exemption List.** Upon request of the Tax Administrator, a Service Supplier, or its billing agent, shall provide a list of the names and addresses of those Service Users that, according to its billing records, are deemed exempt from the taxes imposed by this Chapter.

### **3.26.040 Telecommunications Users' Tax.**

**A. Establishment of Telecommunications Users' Tax.** There is hereby imposed a tax upon every Person in the City using Telecommunication Services. The tax imposed by this section shall be at the rate of three percent (3%) of the charges made for such services and shall be collected from the Service User by the Telecommunication Services supplier or its billing agent. There is a rebuttable presumption that Telecommunication Services, which are billed to a billing or Service Address in the City, are used, in whole or in part, within the City's boundaries, and such services are subject to taxation under this Chapter. If the billing address of the Service User is different from the Service Address, the Service Address of the Service User shall be used for purposes of imposing the tax. As used in this section, the term "charges" shall include the value of any other services, credits, property of every kind or nature, or other consideration provided by the Service User in exchange for the Telecommunication Services.

**B. Substantial Nexus and Minimum Contacts.** For purposes of imposing a tax or establishing a duty to collect and remit a tax under this section, "substantial nexus" and "minimum contacts" shall be construed broadly in favor of the imposition, collection and/or remittance of the tax to the fullest extent permitted by state and federal law, and as it may change from time to time by judicial interpretation or by statutory enactment.

**C. Sourcing Rules.** Mobile Telecommunications Service shall be sourced in accordance with the sourcing rules set forth in the Mobile Telecommunications Sourcing Act (4 U.S.C. Section 124). The Tax Administrator may issue and disseminate to Telecommunication Service Suppliers that are subject to the tax collection requirements of this Chapter, sourcing rules for the taxation of other Telecommunication Services, including but not limited to Post-Paid Telecommunication Services, Prepaid Telecommunication Service, and Private Telecommunication Services, provided that such rules are based upon custom and common practice that further administrative efficiency and minimize multi-jurisdictional taxation.

**D. Authority for Administrative Rulings.** The Tax Administrator may, from time to time, issue and disseminate to Telecommunication Service Suppliers that are subject to the tax collection requirements of this section an administrative ruling identifying those Communication Services that are subject to the tax of subsection A above. This administrative ruling shall be consistent with legal nexus rules, regulations, and laws pertaining to Telecommunication Services. To the extent that the Tax Administrator determines that the tax imposed under this section shall not be collected in full for any period of time, such a determination falls within the Tax Administrator's discretion to settle disputes. The Tax Administrator's exercise of prosecutorial forbearance under this subsection does not constitute a change in taxing methodology for purposes of Government Code Section 53750, and the City does not waive or abrogate its ability to impose the Telecommunication Users' Tax in full as a result of entering into such administrative agreements.

**E. Specific Inclusions in Telecommunication Services.** As used in this section, the term "Telecommunication Services" shall include, but are not limited to, charges for the following: connection, reconnection, termination, movement, or change of Telecommunication Services; late payment fees; detailed billing; central office and custom calling features (including but not limited to call waiting, call forwarding, caller identification and three-way calling); voice mail and other messaging services; directory assistance; access and line charges; universal service charges; regulatory, administrative and other cost recovery charges; local number portability charges; and text and instant messaging.

**F. Specific Exclusions from Telecommunications Services.** As used in this section, the term "Telecommunication Services" shall not include digital downloads that are not "Ancillary Telecommunication Services," such as music,

ringtones, games, and similar digital products. Telecommunication Services shall not include Telecommunication Services that are dedicated or used exclusively for internet access.

**G. Exemptions.** The following shall be exempt from the tax imposed by this section:

1. State and local governments. Charges for services or facilities furnished to the government of any state, or any political subdivision thereof, or the District of Columbia.

2. Nonprofit educational organizations. Charges paid by a nonprofit educational organization for services or facilities furnished to such organization. For purposes of this subsection, the term "nonprofit educational organization" means an educational organization described in Internal Revenue Code Section 170(b)(1)(A)(ii) which is exempt from income tax under Internal Revenue Code Section 501(a). The term also includes a school operated as an activity of an organization described in Internal Revenue Code Section 501(c)(3) which is exempt from income tax under Internal Revenue Code Section 501(a), if such school normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

3. Installation. The installation of any instrument, wire, pole, switchboard, apparatus or equipment as is properly attributable to such installation.

**H. Multi-Jurisdictional Taxation.** To prevent actual multi-jurisdictional taxation of Telecommunication Services subject to tax under this section, any Service User, upon proof to the Tax Administrator that the Service User has previously paid the same tax in another state or local jurisdiction on such Telecommunication Services, shall be allowed a credit against the tax imposed to the extent of the amount of such tax legally imposed in such other state or local jurisdiction; provided, however, the amount of credit shall not exceed the tax owed to the City under this section.

**I. Collection of Telecommunication Users Tax.** The Telecommunication Users Tax imposed by this section shall be collected from the Service User by the Service Supplier. The amount of tax collected in one (1) month shall be remitted to the Tax Administrator, and must be received by the Tax Administrator on or before the twentieth (20th) day of the following Month.

### **3.26.050 Video Users Tax.**

**A. Establishment of Video Users' Tax.** There is hereby imposed a tax upon every Person in the City using Video Services. The tax imposed by this section

shall be at the rate of three percent (3%) of the charges made for such services and shall be collected from the Service User by the Video Service Supplier or its billing agent. There is a rebuttable presumption that Video Services that are billed to a billing or Service Address in the City, are used, in whole or in part, within the City's boundaries, and such services are subject to taxation under this Chapter. If the billing address of the Service User is different from the Service Address, the Service Address of the Service User shall be used for purposes of imposing the tax.

**B. Video Charges.** As used in this section, the term "charges" shall include, but is not limited to, charges for the following:

1. Regulatory fees and surcharges, franchise fees, and access fees (e.g., "PEG" fees), whether designated on the customer's bill or not.
2. Initial installation of equipment necessary for provision and receipt of Video Services.
3. Late fees, collection fees, bad debt recoveries, and return check fees.
4. Activation fees, reactivation fees, and reconnection fees.
5. Video Programming and Video Services.
6. Ancillary Video Services (e.g., electronic program guide services, recording functions, search functions, or other interactive services or communications that are ancillary, necessary or common to the use or enjoyment of Video Services).
7. Equipment leases (e.g., remote, recording or search devices, converters, remote devices).
8. Service calls, service protection plans, name changes, changes of services, and special services.
9. The leasing of channel access (e.g., home shopping) to the extent that the Service User is subject to an additional direct or indirect charge for programming or communications over the leased channel; provided that, in the absence of evidence of direct payment by the Service User, the indirect payment of the Service User(s), which is subject to the utility users tax, shall be deemed to be the lease payment to the Video Service Supplier by the party leasing the channel access.

**C. Charges Further Defined.** As used in this section, the term "charges" shall include the value of any other services, credits, property of every kind or

nature, or other consideration provided by the Service User in exchange for the Video Services.

**D. Survey of Video Service Suppliers; Authority for Administrative Rulings.** The Tax Administrator shall, from time to time, survey the Video Service Suppliers in the City to identify the various components of the Video Service that are being offered to customers within the City, and the charges therefor. The Tax Administrator may, thereafter, issue and disseminate to such Video Service Suppliers an administrative ruling identifying those components: i) that are necessary or common to the receipt, use and enjoyment of Video Services; or, ii) which currently are, or historically have been, included in a bundled rate for Video Service by a local distribution company. Charges for such components shall be subject to the tax of subsection A above.

**E. Collection of Video Users' Tax.** The tax imposed by this section shall be collected from the Service User by the Video Service Supplier, its billing agent, or a reseller of such services. In the case of Video Service, the Service User shall be deemed to be the purchaser of the bulk Video Service (e.g., an apartment owner), unless such service is resold to individual users, in which case the Service User shall be the ultimate purchaser of the Video Service. The amount of tax collected in one (1) month shall be remitted to the Tax Administrator, and must be received by the Tax Administrator on or before the twentieth (20th) day of the following Month.

### **3.26.060 Gas Users Tax.**

**A. Establishment of Gas Users' Tax.** There is hereby imposed a tax upon every Person in the City using Gas that is delivered through a pipeline distribution system or by mobile transport. The tax imposed by this section shall be at the rate of three percent (3%) of the charges made for such Gas, including all services related to the storage, transportation and delivery of such Gas.

**B. Gas Charges.** As used in this section, the term "charges" shall include, but is not limited to, the following charges:

1. The commodity charges for purchased Gas, or the cost of Gas owned by the Service User (including the actual costs attributed to drilling, production, lifting, storage, gathering, trunk-line, pipeline, and other operating costs associated with the production and delivery of such Gas), which is delivered through a Gas pipeline distribution system or by mobile transportation.

2. Gas transportation charges (including interstate charges to the extent not included in commodity charges).

3. Storage charges; provided, however, that the Service Supplier shall not be required to apply the tax to any charges for Gas storage services when

the Service Supplier cannot, as a practical matter, determine the jurisdiction where such stored Gas is ultimately used.

4. Capacity or demand charges, late charges, service establishment or reestablishment charges, transition charges, customer charges, minimum charges, annual and monthly charges, and any other charges, which are necessary or common to the receipt, use and enjoyment of Gas service.

5. Charges, fees, or surcharges for Gas services or programs, which are mandated by the California Public Utilities Commission or the Federal Energy Regulatory Commission, whether or not such charges, fees, or surcharges appear on a bundled or line item basis on the customer billing.

**C. Gas Charges Further Defined.** As used in this section, the term "charges" shall include the value of any other services, credits, property of every kind or nature, or other consideration provided by the Service User in exchange for the Gas or services related to the delivery of such Gas.

**D. Exclusions.** There shall be excluded from the base on which the tax imposed in this section is computed:

1. Charges made for Gas that is to be resold and delivered through a pipeline distribution system or by mobile vehicle transport.

2. Charges made for Gas sold for use in the generation of Electrical energy by an Electric Corporation, by a public utility or governmental agency, or by an Exempt Wholesale Generator.

3. Charges made by a Gas public utility for Gas used and consumed in the conduct of the business of Gas public utilities.

4. Charges made for Gas used in the propulsion of a motor vehicle, as defined in the California Vehicle Code, utilizing natural Gas and other natural Gas clean-air technologies.

5. Charges made for Gas used by a Non-Utility Service Supplier to generate electricity for its own use or for sale to others provided the electricity so generated is subject to the Electricity Users Tax in accordance with section 3.26.070 below.

**E. Survey of Gas Service Suppliers; Authority for Administrative Rulings.** The Tax Administrator shall, from time to time, survey the Gas Service Suppliers in the City to identify the various unbundled billing components of the Gas retail service that are being offered to customers within the City, and the charges therefore, including those items that are mandated by state or federal regulatory agencies as a condition of providing such Gas service. The Tax

Administrator may, thereafter, issue and disseminate to such Gas Service Suppliers an administrative ruling identifying those components and items that are: i) necessary or common to the receipt, use and enjoyment of Gas Service; or, ii) currently, or historically have been, included in a single or bundled rate for Gas Service by a local distribution company to a class of retail customers. Unbundled charges for such components and items shall be subject to the tax of subsection A above.

**F. Collection of Gas Users' Tax.** The Gas Users' Tax that is calculated on charges for gas provided by self-production or by a Non-Utility Service Supplier not under the jurisdiction of this section shall be collected and remitted in the manner set forth in section 3.26.100. All other taxes on charges for Gas imposed by this section shall be collected from the Service User by the Gas Service Supplier or its billing agent. The amount of tax collected in one (1) Month shall be remitted to the Tax Administrator, and must be received by the Tax Administrator, on or before the twentieth (20th) day of the following Month; or, at the option of the Person required to collect and/or remit the tax, such Person shall remit an estimated amount of tax measured by the tax billed in the previous Month or upon the payment pattern of the Service User, which must be received by the Tax Administrator on or before the twentieth (20th) day of the following Month.

#### **Section 3.26.070 Electricity Users' Tax.**

**A. Establishment of Electricity Users' Tax.** There is hereby imposed a tax upon every Person in the City using electricity. The tax imposed by this section shall be at the rate of three percent (3%) of the charges made for such electricity, and for any supplemental services or other associated activities directly related to and/or necessary for the provision of electricity to the Service Users that are provided by a Service Supplier or Non-Utility Service Supplier to a Service User.

**B. Electricity Charges.** As used in this section, the term "charges" shall include, but is not limited to, the following charges:

1. Energy charges.
2. Distribution or transmission charges.
3. Metering charges.
4. Stand-by, reserves, firming, ramping, voltage support, regulation, emergency or other similar minimum charges for services.
5. Customer charges, service establishment or reestablishment charges, demand charges, fuel or other cost adjustments, power exchange charges, independent system operator charges, stranded investment or

competitive transition charges, trust transfer, amounts (bond financing charges), franchise fees, franchise surcharges, which are necessary or common to the receipt, use and enjoyment of electric service.

6. Charges, fees, or surcharges for electric services or programs, which are mandated by the California Public Utilities Commission or the Federal Energy Regulatory Commission, whether or not such charges, fees, or surcharges appear on a bundled or line item basis on the customer billing.

C. **Electricity Charges Further Defined.** As used in this section, the term "charges" shall include the value of any other services, credits, property of every kind or nature, or other consideration provided by the Service User in exchange for the electricity or services related to the provision of such electricity.

D. **Using Electricity Further Defined.** As used in this section, the term "using electricity" shall not be construed to mean the storage of Electrical energy by a Person in a battery that said Person owns or possesses for use in an automobile or other machinery or device apart from the premises upon which the electricity was received; provided, however, the term shall include the receiving of such electricity for the purpose of using it in the charging of batteries; nor shall the term include the mere receiving of such electricity by an Electrical Corporation or governmental agency at a point within the City for resale.

E. **Survey of Electricity Service Suppliers; Authority for Administrative Rulings.** The Tax Administrator shall, from time to time, survey the Electric Service Suppliers in the City to identify the various unbundled billing components of the Electric retail service that are being offered to customers within the City, and the charges therefore, including those items that are mandated by state or federal regulatory agencies as a condition of providing such Electric service. The Tax Administrator may, thereafter, issue and disseminate to such Electric Service Suppliers an administrative ruling identifying those components and items that are: i) necessary or common to the receipt, use and enjoyment of Electric Service; or, ii) currently, or historically have been, included in a single or bundled rate for Electric Service by a local distribution company to a class of retail customers. Unbundled charges for such components and items shall be subject to the tax of subsection A above.

F. **Collection of Electricity Users' Tax.** The tax on electricity that is provided by a Non-Utility Service Supplier not subject to the jurisdiction of this section shall be collected and remitted in the manner set forth in section 3.26.100. All other taxes on charges for electricity imposed by this section shall be collected from the Service User by the Electric Service Supplier or its billing agent. The amount of tax collected in one (1) Month shall be remitted to the Tax Administrator, and must be received by the Tax Administrator, on or before the twentieth (20th) day of the following Month; or, at the option of the Person required to collect and/or remit the tax, such Person shall remit an estimated

amount of tax measured by the tax billed in the previous Month or upon the payment pattern of the Service User, which must be received by the Tax Administrator on or before the twentieth (20th) day of the following Month.

### **Section 3.26.080 Tax Generated on Cogenerated Electricity.**

A. **Tax on Co-generated Electricity.** Notwithstanding Section 3.26.070 of this Chapter, there is hereby imposed a tax upon every Person using cogenerated electricity in the City. The tax imposed by this section shall be at the rate of three percent (3%) of the value of the cogenerated electricity consumed in the City. If the Co-generator consumes the cogenerated electricity, such electricity shall be valued at the electric utility supplier's combined "Avoided Cost Energy Pricing and Avoided Cost Capacity Pricing" which is filed with the California Public Utilities Commission. The Co-generator/Service User shall pay the tax as provided in Section 3.26.090. If the co-generator sells the energy for consumption in the City, the value of the cogenerated electricity shall be based upon the actual charges made for such service and shall be collected from the Service User by the Co-generator/Non-Utility Supplier. Whether the Co-generator consumes or sells the cogenerated energy, in addition to the tax provided in this section, the Service User shall pay a tax on all charges for supplemental services as described in subsections B and C of section 3.26.070 above.

B. **Metering System.** The Co-generator shall install and maintain an appropriate metering system that will enable compliance with this section.

C. **Collection of Tax.** The amount of tax collected in one (1) Month shall be remitted to the Tax Administrator, and must be received by the Tax Administrator, on or before the twentieth (20th) day of the following Month; or, at the option of the Person required to collect and/or remit the tax, such Person shall remit an estimated amount of tax measured by the tax billed in the previous Month or upon the payment pattern of the Service User, which must be received by the Tax Administrator on or before the twentieth (20th) day of the following Month. The tax on cogenerated electricity provided by a Non-Utility Supplier not under the jurisdiction of this Chapter shall be collected and remitted in the manner set forth in Section 3.26.100.

### **3.26.090 Solid Waste Collection and Disposal Users' Tax.**

A. **Establishment of Solid Waste Users' Tax.** There is hereby imposed a tax upon every Person in the City using Refuse collection and disposal services provided by the Refuse Collector. There is also imposed a tax upon every Person in the City that delivers Refuse directly to a Transfer Station. The tax imposed by this section shall be at the rate of three percent (3%) of the City's fee for the collection and disposal of Refuse imposed pursuant to section 6.04.130 of this Code and shall be in addition to and not a replacement of said fee.

B. **Exceptions.** There shall be excluded from the base on which the tax imposed in this section is computed, charges made for waste or refuse collection and disposal services which is to be resold and delivered through mains or pipes.

C. **Rulings.** The Tax Administrator shall, from time to time, survey the Refuse Collector and Transfer Station operators in the City to identify the various billing components of the Refuse collection and disposal service that is being offered to customers within the City, and the charges therefore, including those items that are mandated by state or federal regulatory agencies. The Tax Administrator may, thereafter, issue and disseminate to Service Suppliers an administrative ruling identifying those components and items that are necessary or common to the receipt, use and enjoyment of Refuse collection and disposal service. Charges for such components and items shall be subject to the tax of subsection A above.

D. **Collection of Tax.** The tax upon every Person in the City using Refuse collection and disposal services provided by the Refuse Collector, shall be collected and remitted in the same manner as the City's fee for the collection and disposal of Refuse imposed pursuant to section 6.04.130 of this Code. The tax imposed upon every Person in the City that delivers Refuse directly to a Transfer Station shall be collected from the Service User by the operator of the Transfer Station. The Transport Station operator shall not collect the tax from any Person who shows proof, in a form deemed satisfactory by the Tax Administrator, that the Person's Place of Primary Use is outside the City's jurisdiction. The amount of tax collected by the Transfer Station operator in one (1) month shall be remitted to the Tax Administrator, and must be received by the Tax Administrator on or before the twentieth (20th) day of the following Month.

### **3.26.100 Direct Purchase of Gas or Electricity.**

A. **Report to Tax Administrator.** Any Service User subject to the tax imposed by sections 3.26.060, 3.26.070 or 3.26.080 that produces Gas or electricity for self-use, that receives Gas or electricity, including any related supplemental services, directly from a Non-Utility Service Supplier not under the jurisdiction of this Chapter, or that, for any other reason, is not having the full tax collected and remitted by its Service Supplier, a Non-Utility Service Supplier, or its billing agent on the use of Gas or Electricity, including any related supplemental services, in the City, shall report said fact to the Tax Administrator and shall remit the tax due directly to the Tax Administrator within thirty (30) days of such use. In lieu of paying said actual tax, the Service User may, at its option, remit to the Tax Administrator within thirty (30) days of such use an estimated amount of tax measured by the tax billed in the previous Month, or upon the payment pattern of similar customers of the Service Supplier using similar amounts of Gas or Electricity, provided that the Service User shall submit an adjusted payment or request for credit, as appropriate, within sixty (60) days following each calendar quarter. The credit, if approved by the Tax Administrator,

may be applied against any subsequent tax bill that becomes due.

**B. Investigation.** The Tax Administrator may require said Service User to identify its Non-Utility Service Supplier and provide, subject to audit, invoices, books of account or other satisfactory evidence documenting the quantity of Gas or electricity used, including any related supplemental services, and the cost or price thereof. If the Service User is unable to provide such satisfactory evidence, or, if the administrative cost of calculating the tax in the opinion of the Tax Administrator is excessive, the Tax Administrator may determine the tax by applying the tax rate to the equivalent charges the Service User would have incurred if the Gas or electricity used, including any related supplemental services, had been provided by the Service Supplier that is the primary supplier of Gas or electricity within the City. The rate schedule for this purpose shall be available from the City.

### **3.26.110 Bundling Taxable Items with Non-Taxable Items.**

If any nontaxable charges are combined with and not separately stated from taxable service charges on the customer bill or invoice of a Service Supplier, the combined charge is subject to tax unless the Service Supplier identifies, by reasonable and verifiable standards, the portions of the combined charge that are nontaxable and taxable through the Service Supplier's books and records kept in the regular course of business, and in accordance with generally accepted accounting principles, and not created and maintained for tax purposes. The Service Supplier has the burden of proving the proper apportionment of taxable and non-taxable charges. If the Service Supplier offers a combination of taxable and non-taxable services, and the charges are separately stated, then for taxation purposes, the values assigned the taxable and non-taxable services shall be based on its books and records kept in the regular course of business and in accordance with generally accepted accounting principles, and not created and maintained for tax purposes. The Service Supplier has the burden of proving the proper valuation of the taxable and non-taxable services.

### **3.26.120 Duty to Collect - Procedures.**

**A. Manner of Collection by Service Suppliers.** The duty of Service Suppliers to collect and remit the taxes imposed by the provisions of this Chapter shall be performed as follows:

1. The tax shall be collected by Service Suppliers insofar as practicable at the same time as, and along with, the collection of the charges made in accordance with the regular billing practice of the Service Supplier. Where the amount paid by a Service User to a Service Supplier is less than the full amount of the charge and tax which was accrued for the billing period, a proportionate share of both the charge and the tax shall be deemed to have been

paid. In those cases where a Service User has notified the Service Supplier of refusal to pay the tax imposed on said charges, Section 3.26.160 shall apply.

2. The duty of a Service Supplier to collect the tax from a Service User shall commence with the beginning of the first regular billing period applicable to the Service User where all charges normally included in such regular billing are subject to the provisions of this Chapter. Where a Service User receives more than one billing, one or more being for different periods than another, the duty to collect shall arise separately for each billing period.

**B. Filing Return and Payment.** Each Person required by this Chapter to remit a tax shall file a return to the Tax Administrator, on forms approved by the Tax Administrator, on or before the due date. The full amount of the tax collected shall be included with the return and filed with the Tax Administrator. The Tax Administrator is authorized to require such additional information as he or she deems necessary to determine if the tax is being levied, collected, and remitted in accordance with this Chapter. Returns are due immediately upon cessation of business for any reason. Pursuant to Revenue and Tax Code Section 7284.6, the Tax Administrator, and its agents, shall maintain such filing returns as confidential information that is exempt from the disclosure provisions of the Public Records Act.

### **3.26.130 Collection Penalties – Service Suppliers.**

**A. Due Date for Taxes; Delinquencies.** Taxes collected from a Service User are delinquent if not received by the Tax Administrator on or before the due date. Should the due date occur on a weekend or legal holiday, the return must be received by the Tax Administrator on the first regular working day following the weekend or legal holiday. A direct deposit, including electronic fund transfers and other similar methods of electronically exchanging monies between financial accounts, made by a Service Supplier in satisfaction of its obligations under this subsection shall be considered timely if the transfer is initiated on or before the due date, and the transfer settles into the City's account on the following business day.

**B. Failure to Collect or Remit.** If the Person required to collect and/or remit a tax imposed pursuant to this Chapter fails to collect the tax (by failing to properly assess the tax on one or more services or charges on the customer's billing) or fails to remit the tax collected on or before the due date, the Tax Administrator shall attach a penalty for such delinquencies or deficiencies at the rate of fifteen (15%) percent of the total tax that is delinquent or deficient in the remittance, and shall pay interest at the rate of and 75/100ths (0.75%) percent per month, or any fraction thereof, on the amount of the tax, exclusive of penalties, from the date on which the remittance first became delinquent, until paid.

**C. Penalties for Fraud or Gross Negligence in Reporting or Remitting.** The Tax Administrator shall have the power to impose additional penalties upon Persons required to collect and remit taxes pursuant to the provisions of this Chapter for fraud or gross negligence in reporting or remitting at the rate of fifteen (15%) percent of the amount of the tax collected and/or required to be remitted, or as recomputed by the Tax Administrator.

**D. Penalties Due As Tax.** For collection purposes only, every penalty imposed and such interest that is accrued under the provisions of this section shall become a part of the tax herein required to be paid.

**E. Authority to Modify Due Dates.** Notwithstanding the foregoing, the Tax Administrator may, in his or her discretion, modify the due dates of this Chapter to be consistent with any uniform standards or procedures that are mutually agreed upon by other public agencies imposing a utility users tax, or otherwise legally established, to create a central payment location or mechanism.

#### **3.26.140 Actions to Collect.**

Any tax required to be paid by a Service User under the provisions of this Chapter shall be deemed a debt owed by the Service User to the City. Any such tax collected from a Service User which has not been remitted to the Tax Administrator shall be deemed a debt owed to the City by the Person required to collect and remit and shall no longer be a debt of the Service User. Any Person owing money to the City under the provisions of this Chapter shall be liable to an action brought in the name of the City for the recovery of such amount, including penalties and interest as provided for in this Chapter, along with any collection costs incurred by the City as a result of the Person's noncompliance with this Chapter, including, but not limited to, reasonable attorneys fees. Any tax required to be collected by a Service Supplier or owed by a Service User is an unsecured priority excise tax obligation under 11 U.S.C.A. Section 507(a)(8)(C).

#### **3.26.150 Deficiency Determination and Assessment; Tax Application Errors.**

**A. Tax Deficiency Determinations.** The Tax Administrator shall make a deficiency determination if he or she determines that any Service User or Service Supplier required to pay or collect taxes pursuant to the provisions of this Chapter has failed to pay, collect, and/or remit the proper amount of tax by improperly or failing to apply the tax to one or more taxable services or charges. Nothing herein shall require that the Tax Administrator institute proceedings under this section if, in the opinion of the Tax Administrator, the cost of collection or enforcement likely outweighs the tax benefit.

**B. Notice of Deficiency.** The Tax Administrator shall mail a notice of such deficiency determination to the Person or entity allegedly owing the tax, which

notice shall refer briefly to the amount of the taxes owed, plus interest at the rate of 75/100ths (0.75%) percent per month, or any fraction thereof, on the amount of the tax from the date on which the tax should have been received by the City. Within fourteen (14) calendar days after the date of service of such notice, the Person or entity allegedly owing the tax may request in writing to the Tax Administrator a hearing on the matter.

**C. Hearing on Deficiency.** If the Person or entity allegedly owing the tax fails to request a hearing within the prescribed time period, the amount of the deficiency determination shall become a final assessment, and shall immediately be due and owing to the City. If such Person or entity requests a hearing, the Tax Administrator shall cause the matter to be set for hearing, which shall be scheduled within thirty (30) days after receipt of the written request for hearing. Notice of the time and place of the hearing shall be mailed by the Tax Administrator to such Person at least ten (10) calendar days prior to the hearing, and, if the Tax Administrator desires said Person to produce specific records at such hearing, such notice may designate the records requested to be produced.

**D. Determination after Hearing.** At the time fixed for the hearing, the Tax Administrator shall hear all relevant testimony and evidence, including that of any other interested parties. At the discretion of the Tax Administrator, the hearing may be continued from time to time for the purpose of allowing the presentation of additional evidence. Within a reasonable time following the conclusion of the hearing, the Tax Administrator shall issue a final assessment (or non-assessment), thereafter, by confirming, modifying or rejecting the original deficiency determination, and shall mail a copy of such final assessment to Person or entity owing the tax. The decision of the Tax Administrator may be appealed pursuant to Section 3.26.200 of this Chapter. Filing an application with the Tax Administrator and appeal to the City Manager pursuant to Section 3.26.200 of this Chapter is a prerequisite to a suit thereon.

**E. Delinquencies.** Payment of the final assessment shall become delinquent if not received by the Tax Administrator on or before the thirtieth (30th) day following the date of receipt of the notice of final assessment. The penalty for delinquency shall be fifteen percent (15%) on the total amount of the assessment, along with interest at the rate of 75/100ths (0.75%) percent per month, or any fraction thereof, on the amount of the tax, exclusive of penalties, from the date of delinquency, until paid. The applicable statute of limitations regarding a claim by the City seeking payment of a tax assessed under this Chapter shall commence from the date of delinquency as provided in this subsection.

**F. Notice of Delinquency.** All notices under this section may be sent by regular mail, postage prepaid, and shall be deemed received on the third calendar day following the date of mailing, as established by a proof of mailing.

### **3.26.160 Administrative Remedy - Non-Paying Service Users.**

A. **Administrative Remedies for the Obligation to Collect Tax.** Whenever the Tax Administrator determines that a Service User has deliberately withheld the amount of the tax owed by the Service User from the amounts remitted to a Person required to collect the tax, or whenever the Tax Administrator deems it in the best interest of the City, he or she may relieve such Person of the obligation to collect the taxes due under this Chapter from certain named Service Users for specific billing periods. To the extent the Service User has failed to pay the amount of tax owed for a period of two (2) or more billing periods, the Service Supplier shall be relieved of the obligation to collect taxes due. The Service Supplier shall provide the City with the names and addresses of such Service Users and the amounts of taxes owed under the provisions of this Chapter. Nothing herein shall require that the Tax Administrator institute proceedings under this Section if, in the opinion of the Tax Administrator, the cost of collection or enforcement likely outweighs the tax benefit.

B. **Delinquency Penalty.** In addition to the tax owed, the Service User shall pay the delinquency penalty set forth at subsection E of section 3.26.140 on the amount of the tax, exclusive of penalties, from the due date, until paid.

C. **Notice to Non-Paying Service User.** The Tax Administrator shall notify the non-paying Service User that the Tax Administrator has assumed the responsibility to collect the taxes due for the stated periods and demand payment of such taxes, including penalties and interest. The notice shall be served on the Service User by personal delivery or by deposit of the notice in the United States mail, postage prepaid, addressed to the Service User at the address to which billing was made by the Person required to collect the tax; or, should the Service User have a change of address, to his or her last known address.

D. **Additional Penalties.** If the Service User fails to remit the tax to the Tax Administrator within thirty (30) days from the date of the service of the notice upon him or her, the Tax Administrator may impose an additional penalty of fifteen percent (15%) of the amount of the total tax that is owed.

### **3.26.170 Additional Powers and Duties of the Tax Administrator.**

A. **Enforcement by Tax Administrator.** The Tax Administrator shall have the power and duty, and is hereby directed, to enforce each and all of the provisions of this Chapter.

B. **Administrative Regulations Regarding Payment.** The Tax Administrator may adopt administrative rules and regulations consistent with provisions of this Chapter for the purpose of interpreting, clarifying, carrying out and enforcing the payment, collection and remittance of the taxes herein imposed. The administrative ruling shall not impose a new tax, revise an existing

tax methodology as stated in this Section, or increase an existing tax, except as allowed by California Government Code Section 53750(h)(2). A copy of such administrative rules and regulations shall be on file in the Tax Administrator's office. To the extent that the Tax Administrator determines that the tax imposed under this Chapter shall not be collected in full for any period of time from any particular Service Supplier or Service User, that determination shall be considered an exercise of the Tax Administrator's discretion to settle disputes and shall not constitute a change in taxing methodology for purposes of Government Code section 53750 or otherwise. The Tax Administrator is not authorized to amend the City's methodology for purposes of Government Code section 53750 and the City does not waive or abrogate its ability to impose any tax established by this Chapter in full as a result of promulgating administrative rulings or entering into agreements.

**C. Administrative Agreements Regarding Billing Procedures.** Upon a proper showing of good cause, the Tax Administrator may make administrative agreements, with appropriate conditions, to vary from the strict requirements of this Chapter and thereby: i) conform to the billing procedures of a particular Service Supplier so long as said agreements result in the collection of the tax in conformance with the general purpose and scope of this Chapter; or, ii) to avoid a hardship where the administrative costs of collection and remittance greatly outweigh the tax benefit. A copy of each such agreement shall be on file in the Tax Administrator's office, and are voidable by the Tax Administrator or the City at any time.

**D. Compliance Audits.** The Tax Administrator may conduct an audit, to ensure proper compliance with the requirements of this Chapter, of any Person required to collect and/or remit a tax pursuant to this Chapter. The Tax Administrator shall notify said Person of the initiation of an audit in writing. In the absence of fraud or other intentional misconduct, the audit period of review shall not exceed a period of three (3) years next preceding the date of receipt of the written notice by said Person from the Tax Administrator. Upon completion of the audit, the Tax Administrator may make a deficiency determination pursuant to subsection A of section 3.26.150 of this Chapter for all taxes (and applicable penalties and interest) owed and not paid, as evidenced by information provided by such Person to the Tax Administrator. If said Person is unable or unwilling to provide sufficient records to enable the Tax Administrator to verify compliance with this Chapter, the Tax Administrator is authorized to make a reasonable estimate of the deficiency. Said reasonable estimate shall be entitled to a rebuttable presumption of correctness.

**E. Extension of Time.** Upon receipt of a written request of a taxpayer, and for good cause, the Tax Administrator may extend the time for filing any statement required pursuant to this Chapter for a period of not to exceed forty-five (45) days, provided that the time for filing the required statement has not already passed when the request is received. No penalty for delinquent payment

shall accrue by reason of such extension. Interest shall accrue during said extension at the rate of 75/100ths (0.75%) percent per month, prorated for any portion thereof.

F. **Eligibility for Exemption.** The Tax Administrator shall determine the eligibility of any Person who asserts a right to exemption from, or a refund of, the tax imposed by this Chapter.

G. **Waiver of Penalties and Interest.** Notwithstanding any provision in this Chapter to the contrary, the Tax Administrator may waive any penalty or interest imposed upon a Person required to collect and/or remit for failure to collect the tax imposed by this Chapter if the non-collection occurred in good faith. In determining whether the non-collection was in good faith, the Tax Administrator shall take into consideration industry practice or other precedence.

### **3.26.180 Records.**

A. **Retention of Necessary Tax Records.** It shall be the duty of every Person required to collect and/or remit to the City any tax imposed by this Chapter to keep and preserve, for a period of at least three (3) years, all records as may be necessary to determine the amount of such tax as he/she may have been liable for the collection of and remittance to the Tax Administrator, which records the Tax Administrator shall have the right to inspect at a reasonable time.

B. **Administrative Subpoenas.** The City may issue an administrative subpoena to compel a Person to deliver to the Tax Administrator copies of all records deemed necessary by the Tax Administrator to establish compliance with this Chapter, including the delivery of records in a common electronic format on readily available media if such records are kept electronically by the Person in the usual and ordinary course of business. As an alternative to delivering the subpoenaed records to the Tax Administrator on or before the due date provided in the administrative subpoena, such Person may provide access to such records outside the City on or before the due date, provided that such Person shall reimburse the City for all reasonable travel expenses incurred by the City to inspect those records, including travel, lodging, meals, and other similar expenses, but excluding the normal salary or hourly wages of those Persons designated by the City to conduct the inspection.

C. **Non-Disclosure Agreements.** The Tax Administrator is authorized to execute a non-disclosure agreement approved by the City Attorney to protect the confidentiality of customer information pursuant to California Revenue and Tax Code Sections 7284.6 and 7284.7.

D. **Use of Billing Agents.** If a Service Supplier uses a billing agent or billing aggregator to bill, collect, and/or remit the tax, the Service Supplier shall: i) provide to the Tax Administrator the name, address and telephone number of

each billing agent and billing aggregator currently authorized by the Service Supplier to bill, collect, and/or remit the tax to the City; and, ii) upon request of the Tax Administrator, deliver, or effect the delivery of, any information or records in the possession of such billing agent or billing aggregator that, in the opinion of the Tax Administrator, is necessary to verify the proper application, calculation, collection and/or remittance of such tax to the City.

E. **Access to Necessary Records.** If any Person subject to record-keeping under this section unreasonably denies the Tax Administrator access to such records, or fails to produce the information requested in an administrative subpoena within the time specified, then the Tax Administrator may impose a penalty of \$500 on such Person for each day following: i) the initial date that the Person refuses to provide such access; or, ii) the due date for production of records as set forth in the administrative subpoena. This penalty shall be in addition to any other penalty imposed under this Chapter.

### **3.26.190 Refunds.**

Whenever the amount of any tax has been overpaid or paid more than once or has been erroneously or illegally collected or received by the Tax Administrator under this Chapter from a Person or Service Supplier, it may be refunded as provided in this section as follows:

A. **Refund Application.** Any individual entitled to be exempt from the taxes imposed by this Chapter, who paid more than \$3.00 in such taxes, may, during the twelve (12) month period following such payment, apply for a refund thereof on forms provided by the Tax Administrator. Refund applications shall contain a declaration of those facts, under oath, which qualify the applicant for a refund, and shall be accompanied by the customer's bills showing the amount of such taxes billed by Service Supplier during the preceding calendar year. Refund claims may be filed by an individual who used the services and paid the taxes prescribed by this Chapter either directly or indirectly to the Service User rather than the Service Supplier. In the event the applicant has lost or destroyed any relevant billings or statements showing the amount of tax paid, or if the applicant indirectly paid such taxes in conjunction with the occupation of premises without receiving a specific billing therefor from the Service User, the maximum refund shall be \$18.00, or \$1.50 for each full month of services received by the applicant, whichever is less.

B. **Written Claim for Refund.** No refund shall be paid under the provisions of this section unless the claimant or his or her guardian, conservator, executor, or administrator has submitted a written claim to the Tax Administrator within one year of the overpayment or erroneous or illegal collection of said tax. To be timely, such claim must clearly establish claimant's right to the refund by written records showing entitlement thereto. Nothing herein shall permit the filing of a claim on behalf of a class or group of taxpayers unless each member of the class

has submitted a written claim under penalty of perjury as provided by this subsection.

**C. Compliance with Claims Act.** The filing of a written claim pursuant to Government Code Section 935 is a prerequisite to any suit thereon. Any action brought against the City pursuant to this section shall be subject to the provisions of Government Code Sections 945.6 and 946. The Tax Administrator, or the City Manager where the claim is in excess of five thousand dollars (\$5,000), shall act upon the refund claim within the time period set forth in Government Code Section 912.4. If the Tax Administrator/City Council fails or refuses to act on a refund claim within the time prescribed by Government Section 912.4, the claim shall be deemed to have been rejected by the City Council on the last day of the period within which the City Council was required to act upon the claim as provided in Government Code Section 912.4. The Tax Administrator shall give notice of the action in a form which substantially complies with that set forth in Government Code Section 913.

**D. Refunds to Service Suppliers.** The Tax Administrator may, at his or her discretion, give written permission to a Service Supplier, who has collected and remitted any amount of tax in excess of the amount of tax imposed by this Chapter, to claim credit for such overpayment against the amount of tax which is due the City upon a subsequent monthly return(s) to the Tax Administrator, provided that: i) such credit is claimed in a return dated no later than one year from the date of overpayment or erroneous collection of said tax; ii) the Tax Administrator is satisfied that the underlying basis and amount of such credit has been reasonably established; and, iii) in the case of an overpayment by a Service User to the Service Supplier that has been remitted to the City, the Tax Administrator has received proof, to his or her satisfaction, that the overpayment has been refunded by the Service Supplier to the Service User in an amount equal to the requested credit.

**E. Overpayments as Credits.** Notwithstanding subsections A through C above, a Service Supplier shall be entitled to take any overpayment as a credit against an underpayment whenever such overpayment has been received by the City within the three (3) years next preceding a deficiency determination or assessment by the Tax Administrator in connection with an audit instituted by the Tax Administrator pursuant to subsection D of section 3.26.170. A Service Supplier shall not be entitled to said credit unless it clearly establishes the right to the credit by written records showing entitlement thereto. Under no circumstances shall an overpayment taken as a credit against an underpayment pursuant to this subsection qualify a Service Supplier for a refund to which it would not otherwise be entitled under the one-year written claim requirement of this section.

### **3.26.200 Appeals.**

A. **Administrative Appeals.** The provisions of this section apply to any decision (other than a decision related to an exemption determination pursuant to section 3.26.030 of this Chapter or a decision relating to a refund pursuant to section 3.26.190 of this Chapter. Any Person aggrieved by any decision (other than a decision relating to a refund pursuant to Section 3.26.190 of this Chapter), deficiency determination, assessment, or administrative ruling of the Tax Administrator, shall be required to comply with the appeals procedure of this section. Compliance with this section shall be a prerequisite to a suit thereon. [See Government Code Section 935(b).] Nothing herein shall permit the filing of a claim or action on behalf of a class or group of taxpayers.

B. **Appeal to City Manager.** If any Person is aggrieved by any decision (other than a decision relating to a refund pursuant to section 3.26.190 of this Chapter), deficiency determination, assessment, or administrative ruling of the Tax Administrator, he or she may appeal to the City Manager by filing a notice of appeal with the City Clerk within fourteen (14) days of the date of the decision, deficiency determination, assessment, or administrative ruling of the Tax Administrator which aggrieved said Person.

C. **Scheduling of Administrative Appeal Hearing.** The matter shall be scheduled for hearing before an independent hearing officer selected by the City Manager, no more than thirty (30) days from the receipt of the appeal. The appellant shall be served with notice of the time and place of the hearing, as well as any relevant materials, at least five (5) calendar days prior to the hearing. The hearing may be continued from time to time upon mutual consent. At the time of the hearing, the appealing party, the Tax Administrator, and any other interested Person may present such relevant evidence as he or she may have relating to the determination from which the appeal is taken.

D. **Notice of Decision.** Based upon the submission of such evidence and the review of the City's files, the hearing officer shall issue a written notice and order upholding, modifying or reversing the determination from which the appeal is taken. The notice shall be given within fourteen (14) days after the conclusion of the hearing and shall state the reasons for the decision. The notice shall specify that the decision is final and that any petition for judicial review shall be filed within ninety (90) days from the date of the decision in accordance with Code of Civil Procedure Section 1094.6.

E. **Manner of Notice.** All notices under this section may be sent by regular mail, postage prepaid, and shall be deemed received on the third calendar day following the date of mailing, as established by a proof of mailing.

### **3.26.210 Notice of Changes to Ordinance.**

If a tax under this Chapter is added repealed, increased, reduced, or the tax base is changed, the Tax Administrator shall follow the notice requirements of California Public Utilities Code Section 799.

### **3.26.220 Effect of State and Federal Reference; Authorization.**

Unless specifically provided otherwise, any reference to a state or federal statute in this Chapter shall mean such statute as it may be amended from time to time, provided that such reference to a statute herein shall not include any subsequent amendment thereto, or to any subsequent change of interpretation thereto by a state or federal agency or court of law with the duty to interpret such law, to the extent that such amendment or change of interpretation would require voter approval under California law, or to the extent that such change would result in a tax decrease (as a result of excluding all or a part of a communication service, or charge therefore, from taxation). Only to the extent voter approval would otherwise be required or a tax decrease would result, the prior version of the statute (or interpretation) shall remain applicable; for any application or situation that would not require voter approval or result in a decrease of a tax, provisions of the amended statute (or new interpretation) shall be applicable to the maximum possible extent.

To the extent that the City's authorization to collect or impose any tax imposed under this Chapter is expanded or limited as a result of changes in state or federal law, no amendment or modification of this Chapter shall be required to conform the tax to those changes, and the tax shall be imposed and collected to the full extent of the authorization up to the full amount of the tax imposed under this Chapter.

### **3.26.230 Independent Audit.**

The City shall annually verify that the taxes owed under this Chapter have been properly applied, exempted, collected, and remitted in accordance with this Chapter, and properly expended according to applicable law. The annual verification shall be performed by a qualified, independent third party, and the review shall employ reasonable, cost-effective steps to assure compliance, including the use of sampling audits.

### **3.26.240 Effective Date.**

Service providers shall begin to collect the tax imposed by this Chapter as soon as feasible after the effective date of the Chapter, but in no event later than permitted by Section 799 of the California Public Utilities Code.

### **3.26.250 Remedies Cumulative.**

All remedies and penalties prescribed by this Chapter or which are available under any other provision of law or equity, including but not limited to the California False Claims Act (Government Code Section 12650 et seq.) and the California Unfair Practices Act (Business and Professions Code Section 17070 et seq.), are cumulative. The use of one or more remedies by the City shall not bar the use of any other remedy for the purpose of enforcing the provisions of this Chapter.

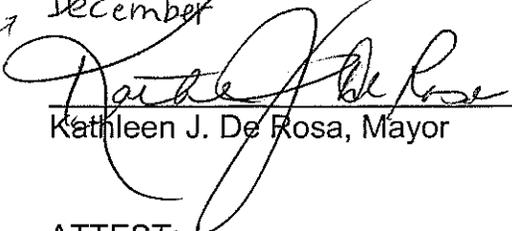
**Section 2.** Amendment or Repeal. Chapter 3.26 of the Cathedral City Municipal Code may be repealed or amended by the City Council without a vote of the people. However, as required by Chapter XIII C of the California Constitution, voter approval is required for any amendment provision that would increase the rate of any tax levied pursuant to this Ordinance. The People of the City of Cathedral City affirm that the following actions shall not constitute an increase of the rate of a tax:

1. If the City Council has acted to reduce the rate of the tax, the restoration of the tax rate to a rate that is no higher than that set by this Ordinance.
2. An action that interprets or clarifies the methodology of the tax, or any definition applicable to the tax, so long as interpretation or clarification (even if contrary to some prior interpretation or clarification) is not inconsistent with the language of this Ordinance.
3. The establishment of a class of Person that is exempt or excepted from the tax or the discontinuation of any such exemption or exception (other than the discontinuation of an exemption or exception specifically set forth in this Ordinance).
4. The collection of the tax imposed by this Ordinance, even if the City had, for some period of time, failed to collect the tax.

**Section 3. Severability.** If any section, subsection, sentence, clause, phrase, or portion of this Ordinance is for any reason held to be invalid or unenforceable by a court of competent jurisdiction, the remaining portions of this Ordinance shall nonetheless remain in full force and effect. The people hereby declares that they would have adopted each section, subsection, sentence, clause, phrase, or portion of this Ordinance, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions of this Ordinance be declared invalid or unenforceable.

**Section 4.** Execution. The Mayor of the City of Cathedral City is hereby authorized to attest to the adoption of this Ordinance by the voters of the City by signing where indicated below.

I hereby certify that the foregoing Ordinance was PASSED, APPROVED and ADOPTED by the People of the City of Cathedral City voting on the 2<sup>nd</sup> day of ~~November~~ <sup>December</sup> 2008.

*fn*  
  
Kathleen J. De Rosa, Mayor

ATTEST:

  
Pat Hammers, City Clerk

APPROVED AS TO FORM:

  
Charles R. Green, City Attorney