



# County of Santa Cruz

## COUNTY ADMINISTRATIVE OFFICE

701 OCEAN STREET, SUITE 520, SANTA CRUZ, CA 95060-4073

(831) 454-2100 FAX: (831) 454-3420 TDD: (831) 454-2123

SUSAN A. MAURIELLO, J.D., COUNTY ADMINISTRATIVE OFFICER

November 15, 2001

**AGENDA:** November 20, 2001

BOARD OF SUPERVISORS  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, California 95060

### REFUND OF WINDFALL RECEIPTS FROM THE COUNTY UTILITY TAX

Dear Members of the Board:

During Final Budget Hearings in June 2001 your Board was provided with a report on the California Energy Crisis and Windfall Receipts from the County Utility Tax. At that time the Board approved in concept a refund plan which provided for a temporary rate reduction in the gas and electric component of the Utility Tax during the winter months.

The approved rate adjustment plan was threefold. First, maintain the inflation adjusted value of the utility tax to finance important county services. Second, eliminate windfall receipts produced by the current crisis by suspending a portion of tax for part of the year. Third, provide the Treasurer-Tax Collector's Office with a refund program which is relatively simple to implement and administer. The table below illustrates the refund calculation based on the methodology approved in June 2001.

**Refund Calculation for Energy Component of the Utility Tax**  
(Amounts for All Years Are On a Cash Basis)

(1) Item	(2) Total Amount	(3) Retained Amount (Base + Inflation Adjustment of 5%)	(4) Refund Amount	(5) Amount & Timing of Refund
1999-00 Actual	\$5,140,335	\$5,140,335	\$0	
2000-01 Actual	\$5,754,399	\$5,397,352	\$357,047	
2001-02 Projected	\$6,236,481	\$5,667,219	\$569,262	\$926,309

37.2

The refund amount of \$926,309 is to equal the sum of:

- (1) the amount by which actual receipts for the energy component of the utility tax exceeded an inflation adjusted base amount for 2000-01; plus
- (2) the amount by which estimated receipts for the energy component of the utility tax will exceed an inflation adjusted base amount for 2001-02.

We estimate that one percent of gas and electrical receipts for December, January, February and March equals \$370,000. Therefore, the refund amount of \$926,309 is equivalent to a 2.5% rate reduction for costs incurred during the months of December of 2001, January of 2002, February of 2002 and March of 2002.

The reduction calculation includes an estimate for 2001-02 receipts. The reduction calculation will be adjusted based on actual 2001-02 receipts as part of next year's calculation.

**Recommendation**

At this time it is RECOMMENDED that your Board approve the attached resolution providing for a temporary reduction in the utility tax rate for Gas and Electricity of 2.5% for the winter months of December 2001, January 2002, February 2002 and March 2002 and direct the Treasurer-Tax Collector to work with PG&E and the four other energy providers to implement the rate reduction.

Very truly yours,



Susan A. Mauriello  
County Administrative Officer

Attachment

cc: Treasurer Tax Collector  
Auditor-Controller  
County Counsel

BEFORE THE BOARD OF SUPERVISORS  
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO.

On the motion of Supervisor  
duly seconded by Supervisor  
the following resolution is adopted

RESOLUTION TEMPORARILY REDUCING THE UTILITY USERS  
TAX RATE ON NATURAL GAS AND ELECTRICITY TO AVOID WINDFALL  
RECEIPTS FROM THE ENERGY CRISIS

WHEREAS, the energy crisis during 2001 resulted in unprecedented increases in the price of natural gas and electricity; and

WHEREAS, the Board has determined that windfall utility tax receipts based on those unusual price increases of natural gas and electricity should be used to reduce the utility users tax rate on natural gas and electricity during the 2001-2002 winter months; and

WHEREAS, Section 425.050(D) authorizes the Board of Supervisors by Resolution, to partially exempt utility customers for a limited period of time from the utility tax on specified utility services;

NOW, THEREFORE, IT IS RESOLVED AND ORDERED that the utility users tax rate on natural gas and electricity shall be reduced by 2.5% for all classes of customers on the monthly bills issued by the utility provider during the months of January, 2002 through April, 2002 for natural gas and electricity used by customers during the four monthly billing periods covered by those monthly bills.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this 20th day of November, 2001, by the following vote:

AYES: SUPERVISORS  
NOES: SUPERVISORS  
ABSENT: SUPERVISORS  
ABSTAIN: SUPERVISORS

2

\_\_\_\_\_  
**Chairman of the  
Board of Supervisors**

**ATTEST:** \_\_\_\_\_  
**Clerk of the Board**

**Approved as to form:**

\_\_\_\_\_  
*Dwight L. Hew*

**DISTRIBUTION: County Counsel**