



City of Grand Island

Tuesday, January 23, 2007

Council Session

Item F6

#9106 - Consideraion of Amendments to Chapter 34 of the Grand Island City Code Relative to Telecommunications Occupation Tax

Staff Contact: Paul Briseno

Council Agenda Memo

From: Paul M. Briseno, Assistant to the City Administrator

Meeting: January 23, 2007

Subject: Revision to Chapter 23 of the City Code

Item #'s: F-6

Presenter: Paul M. Briseno, Assistant to the City Administrator

Background

According to the minutes of November 20, 1957 Council Meeting, the City of Grand Island Finance Committee recommended the council impose an occupation tax for telephone services to increase funding for the operation of the city. In 1958 the City of Grand Island adopted Ordinance number 3365 enacting the current 3% occupational tax on telephone landlines, appropriately named the Telegraph Companies Occupational Tax. Historically the revenue collected from this tax is allocated throughout the General Fund. According to the 1960 census Grand Island had a population of 25,742 with nearly all residents having a landline telephone.

Today Grand Island's population is well over 45,000. In this day of technology, mobile phones are rapidly taking the place of traditional landline phones. In 2002 the percentage of calls received in the 911 center from mobile phones was 14%. Since 2002 the percentage has drastically increased to over 50%. With the proliferation of cell phones it appears that this trend will continue in the future. Please see the attached graph detailing the percentage of landline vs. mobile phone calls received in the Grand Island/Hall County 911 call center. Collected telephone occupational tax dollars has decreased throughout the years confirming the number of landlines is decreasing.

According to the Nebraska Public Service Commission (NPSC) and the Hall County/Grand Island Emergency Management Department, there are 16,000 mobile lines and 25,692 landlines in Hall County. During the December 20, 2006 ice storm 57% of the calls received in 911 were from mobile phones.

In 1990 the Hall County Board passed a resolution which levied a monthly \$0.50 surcharge on all land lines in the county. Then they passed a resolution increasing the surcharge from \$0.50 to \$1 in 2002 to offset the declining revenues. This surcharge is

utilized as a subsidy to offset expenses of the 911 call center. State Statutes 86-436, 420-441 allow for this surcharge by local governing bodies to fund the creation and operation of 911 emergency telephone communication systems throughout the state. As landline numbers decrease the collected dollars have been undependable. Currently the fund is fighting to stay in the black. When this surcharge was originally created, only landlines utilized the 911 service and telecommunication specialists received one or two calls per emergency incident. Today it is not uncommon to receive multiple phone calls per incident with the convenience of mobile phones. Although the more calls received creates greater knowledge and better response to an incident, it also creates duplication and a greater workload for 911 and first responders.

Nebraska revised State Statute 86-457 originally created in 2001, that allows for the collection of a \$0.50 surcharge on wireless access lines by the Nebraska Public Service Commission. This surcharge appears on a billing statement as “Enhanced Wireless 911 Surcharge” or a reasonable abbreviation. Once collected from a wireless provider these monies are transferred to the state. The Nebraska Public Service Commission allocates the collected surcharge to private wireless carriers and public safety answering points (911 centers) for costs related to enhanced wireless 911 services. It has been determined that this revenue is far short of the amount needed to bring the entire state up to acceptable technological levels. There is no guarantee that money will be available for our needs, when it would be available, or how we will stack up against the needs of private mobile companies and other 911 centers.

Discussion

The 911 call center and Emergency Management Department are in need of extensive software and equipment upgrades to meet the current and changing demands of technology. The current equipment does not identify mobile phone location, which is a much needed service for Grand Island and Hall County rural areas. Additionally, Deputy Emergency Manager Larry Smith reported to the Civil Defense – Communication Center Joint City/County Committee that the department is requesting staff to keep up with demand. Please see the attached report concerning this issue.

Faced with the aforementioned expanding needs, City Administration has researched several revenue alternatives. Considerations were given to increasing taxes, grant funds, cutting programs and putting off the expenditures for the needed upgrades. After considerable research and debate it appeared that seeking grant funds and instituting the occupation tax would be the best approach to securing the revenue.

The amendment of the telephone occupational tax ordinance to include mobile phones will generate revenue to offset the increased work created by mobile phones. It will also allow the Emergency Management Department to purchase equipment that will eliminate deficiencies and increase safety of Hall County citizens.

In addition, the amendment will level the playing field between landline phone companies and wireless companies. The ordinance simply adds mobile

telecommunications services as subject to the occupational tax. In order to allow time for the implementation of this ordinance by wireless companies, the ordinance is drawn up to take effect March 1, 2007. The occupation fee would be charged to all wireless phones with billing addresses in the city limits.

Multiple communities throughout Nebraska have enacted a similar tax. These include Bellevue, Columbus, Lincoln, Omaha, South Sioux City, Norfolk, Seward and Elkhorn. Please refer to the attached chart concerning communities who have already enacted an occupation fee. Administration is recommending the same percentage for mobile phones as enacted in 1958 for landline phones, 3%.

Revenues from the occupational fee are expected to be approximately \$400,000. These funds will be placed in the general fund to offset costs concerning the 911 operation and other emergency related city costs.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve the revision of the City Code amending Chapter 23.
2. Disapprove or deny the ordinance which would revise the City Code concerning Chapter 23 in which event the current provisions of the code will remain in effect.
3. Modify the recommendations of city staff changing chapter 23 of the City Code.
4. Take no action on the issue.

Recommendation

City Administration recommends that the Council approve the amendment of Chapter 23 of the current City Code.

Sample Motion

Motion to approve the ordinance amending Chapter 23 of the City Code.

ORDINANCE NO. 9106

An ordinance to calculate an occupation tax for telephone and telecommunications companies and creating an enforcement and reporting system for telephone company and telecommunications company occupation taxes and rates; provide for an effective date; and to repeal any ordinance or parts of ordinances in conflict herewith; and to provide for publication and the effective date of this ordinance, said effective date is March 1, 2007.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA:

SECTION 1. That Chapter 23, Article III, Section 23-21 of the Grand Island City Code shall be added to read as follows:

Article III. Telecommunication Tax

§23-21. Occupation Tax; Exemption

(A) All telephone companies and mobile telecommunications services doing business in the City are required to pay an occupation tax to the City in an amount equal to three percent of the gross receipts from the legally established basic monthly charges collected for local exchange telephone service to subscribers within the City, intrastate message toll telephone service and mobile telecommunications services for revenue in the City. There shall be excepted from the provisions of this article all receipts for telephone service to the United States government or any of its departments, and all receipts from the state or any of its departments, and no part or portion of the tax provided for in this article shall be levied upon or assessed against or taken from the United States government, the government of the state, or any of either of their departments.

(B) As used in this section, mobile telecommunications services shall mean a wireless communication service carried on between mobile stations or receivers and land stations, and by mobile stations communicating among themselves, and includes:

- (i) Both one-way and two-way wireless communications services;
- (ii) A mobile service which provides a regularly interacting group of base, mobile, portable and associated control and relay stations, whether on an individual, cooperative, or multiple basis for private one-way or two-way land mobile radio communications by eligible users over designated areas of operation; and
- (iii) Any personal communications service.

SECTION 2. Any ordinances or parts of ordinances in conflict herewith be, and hereby are, repealed.

SECTION 3. This ordinance shall be in force and take effect from and after its passage and publication, on March 1, 2007.

ORDINANCE NO. 9106 (Cont.)

Enacted: January 23, 2007.

Margaret Hornady, Mayor

Attest:

RaNae Edwards, City Clerk