



## CITY COUNCIL AGENDA ITEMS

**To:** Mayor and City Council  
**From:** Dean Rich, Director of Finance  
Walter Denton, City Administrator  
**Date:** May 4, 2009  
**Subject:** Ordinance Amending Ordinance 3366 Telecomm Tax

**List of committees that have reviewed:** Finance and Administration

**Background:** Ordinance 3366 created a simplified municipal telecommunications tax and raised the rate from 1% to 5%. The rate increase was to raise funds to purchase 20 acres of ground to complete purchase of the Family Sports Park. A motion was made from the floor to include a sunset clause of 10 years. While the extra revenue purchased the park acreage, the sunset clause restricted and limited its use in overall financial ratings.

By eliminating the sunset clause, the telecommunications tax becomes part of the City's long term revenue and, along with our overall good financial management, allows the City's bond rating to increase from AA- to AA. The increased bond rating allows the City to refinance the 2006 bond issue from a 20-year bond to a 30-year bond and receive an extra \$10,000,000 to fund the next phase of the Family Sports Park without an increase in the bond payment. This will fund an additional four ball fields and two professional soccer fields, associated parking, concessions, playground equipment, trails, and restrooms. In addition, the additional fields will place the City in a much better position to compete for National Tournaments. This is the second phase of the City's overall plan to position our Family Sport Park as a regional/national attraction and benefit our local businesses and Hotel and Restaurant Industry.

**Legal Considerations, if any:** none

**Budget Impact:** Eliminating the sunset clause will allow the Telecommunications Tax to be counted as long term revenue and will help increase our bond rating with a resulting decrease in cost of borrowing. Over the last three years, the telecommunications tax has averaged \$3.44 per household per month. The revenue from the tax will be booked into Debt Reserve for the 2009 Bonds. The Telecom Tax could also be used to offset part of the Prop S payment and free up \$1,000,000 a year for the term of the bond for infrastructure improvements.

**Staff recommendation:** Amend Ordinance 3366 by eliminating "for a period of 10 years."