



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: APRIL 11, 2017**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: REIMBURSE AT&T \$204,481.86 OUT OF THE CITY'S GENERAL FUND RESERVES FOR UTILITY USER TAX REVENUE RECEIVED IN ERROR IN 2014.

ISSUE:

The issue before the City Council is to approve the use of General Fund Reserves to refund AT&T an overpayment of the Utility User Tax (UUT) revenue received in 2014.

RECOMMENDATIONS:

That the City Council authorize the Chief Financial Officer to appropriate General Fund Reserves in the amount of \$204,481.86 to reimburse AT&T for their Utility User Tax overpayment in 2014.

BACKGROUND:

In February and March of 2014, AT&T's billing system inadvertently turned on the Utility User Tax (UUT) component for AT&T wireless customers. As a result, AT&T erroneously collected \$255,284.02 in UUT receipts and remitted the funds to the City of Riverside as UUT revenue for the fiscal year that ended June 30, 2014. AT&T was notified of its error and turned off the UUT component in its billing system at the end of March 2014. In January of 2015 AT&T formally requested from the City a reimbursement of \$204,481.86, which is the amount of money that AT&T was able to credit to its customers.

It should be noted that Finance Management initiated this overbilling issue with AT&T as a result of numerous customer complaints received by City staff regarding the spike in their UUT charge for February and March of 2014. Finance staff performed proper due diligence and verified the abnormal increase in UUT revenue equivalent to the amount erroneously collected by AT&T for the two months in question and have validated that funds were received in error.

DISCUSSION:

The City's General Fund reserve policy requires two-thirds majority vote of the City Council to access General Fund reserves. The revenues in question were received in Fiscal Year 2013-2014 and are now in the General Fund balance.

Staff has validated the receipt of these excess revenues and concurs that they were received by the City in error. As a result, City Council action is required in order to refund AT&T \$204,481.86 out of General Fund Reserves.

FISCAL IMPACT:

Upon approval by the City Council, funds will be appropriated from the General Fund Reserve Account 0000101-299100 to expenditure account 0000101-443220 in the amount of \$204,481.86.

On April 11, 2017, the City Council received the Second Quarter Financial Update from the Finance Department. Including staff recommended use of Measure Z funds, the General Fund reserve would be approximately \$38.7 million (14.5%) at year-end. As this amount will be included in the Third Quarter Financial Update, the estimated General Fund Reserve would be reduced to approximately \$38.5 million (14.4%), pending any increases or decreases to that total based on General Fund revenues and expenditures.

Prepared by: Edward Enriquez, Controller
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