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CITY COUNCIL STAFF REPORT

Meeting: July 3, 2018

Subject

Study session on proposed restructuring of Cupertino's business license tax

Recommendation

Provide staff direction on a proposed tax measure to restructure Cupertino's business license tax.

Background

Staff presented background information on restructuring the City's business license tax and preliminary polling data at a study session on June 5, 2018. Based on Council direction, a second study session was held on June 19, 2018. Staff presented information and several draft models for restructuring the business license tax, a list of potential projects that could be funded with the additional revenue, feedback from the business community, and information on other key parameters.

Council then directed staff to draft a sample resolution calling for a special election in November 2019, along with a sample draft ordinance for a special and general election.

Discussion

Staff worked with outside counsel to draft a sample resolution calling for a special election in November 2019 (Attachment A), as directed. Per the elections code (section 9222), the Council may call for a special election within 88-103 days. For a November 5, 2019 election date, the Council must call the special election between July 25, 2019 and August 9, 2019.

The sample ordinance can be drafted as a special or a general purpose tax. Language for both is included in section 5. However, it is important to note that a general tax measure must generally be placed on a ballot with Council elections. In Cupertino, that means even-year November elections. To place a general tax measure on a special election ballot, Council must first declare a fiscal emergency with a unanimous vote of Council Members present to justify the special election.

The Santa Clara County Registrar of Voters estimates the cost of calling a special election would be \$1.1 million, significantly higher than the \$70,000 estimate for an even-year November election.

Additional cost considerations include, polling, consultant services, and legal services estimated at \$150,000.

If Council wishes to proceed with a November 2019 special election, below is a draft timeline:

Activity	Timeline
Spending plan development	July 2018 – December 2018
Modeling	January 2019 – February 2019
Business forums and one-on-one engagement	March 2019 – April 2019
Community engagement	March 2019 – April 2019
Ordinance and ballot language development	April 2019 – June 2019
Community poll	July 2019
Resolution calling special election and Ordinance for special tax measure	July 25, 2019 - August 9, 2019
Election	November 5, 2019

Staff recommends that Council consider establishing an ad hoc committee to study the potential revenue measure and spending plan, which would be presented to the full Council for consideration.

Sustainability Impact

To the extent that revenue measures support transportation infrastructure that reduces single vehicle miles traveled in Cupertino, there would be a reduction in greenhouse gases.

Fiscal Impact

If approved by voters, an increase in the business license tax could increase revenues by millions of dollars.

Prepared by: Jaqui Guzmán, Deputy City Manager

Approved for Submission by: David Brandt, City Manager

Attachments:

A – Draft Resolution

B – Draft Ordinance