



City of Palo Alto

City Council Staff Report

(ID # 11019)

Report Type: Action Items

Meeting Date: 1/27/2020

Council Priority: Fiscal Sustainability

Summary Title: Update, Consideration, and Potential Direction on Possible Local Tax Measure for 2020 Election

Title: Consideration of Polling Results, Analysis, and Public Outreach, and Direction on Parameters for a Possible Local Business Tax Ballot Measure for 2020 Election

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that the City Council:

- 1) Accept the Finance Committee recommendation from December 17, 2019 to the City Council:
 - a) *Consider the following taxes in the following order of preference: Business Tax by Employee Headcount, Parcel Tax by Square Footage, and Business Tax by Square Footage;*
 - b) *Approve the following characteristics:*
 - i) *An escalator as a preference;*
 - ii) *No sunset;*
 - iii) *Online and administratively easy filing available, including having some ability to enforce the filings;*
 - c) *Make a decision on the following, to be informed by polling results:*
 - i) *A specific tax or a general tax;*
 - ii) *Who is being taxed, a tiered rate versus flat rate, as well as tiered by business use; and*
 - d) *Direct Staff to continue to work on the following:*
 - i) *Work on a metric stating the average dollars by the number of employees for comparable cities, regardless of exemptions, tier, or rate structure*
 - ii) *Begin to develop proposed use of funds and*
- 2) Review the results of the initial public opinion survey; and

- 3) Provide direction to staff on next steps in developing a potential local tax ballot measure including, but not limited to:
 - a) Tax type and metric (e.g. business tax by employee count);
 - b) Target magnitude of estimated new revenue to be raised by a tax; and
 - c) Inclusion of different tiers and/or exemptions and desired characteristics of each

Executive Summary

This report continues work on the 2019 Fiscal Sustainability Council priority by further exploring a revenue generating local tax ballot measure. The ballot measure work plan is spread across three tracks that continuously interact with each other throughout this process: 1) modeling and analysis, 2) polling, and 3) stakeholder engagement. The City administration has iteratively engaged both the City Council and the Finance Committee throughout the process for the past eight months and will continue this work throughout the rest of this process. This report provides an update to date across each of these three tracks, outlines recommended direction from the Finance Committee at its December 17, 2019 meeting and seeks further direction from the City Council on next steps in developing a potential local tax ballot measure.

On December 17, 2019, the Finance Committee reviewed the third report ([CMR 10655](#)) in a series which discuss the modeling and analysis component of the ballot measure work plan. The action minutes for that meeting can be found online [here](#). The PowerPoint presentation made as part of that discussion can be found online [here](#).

On December 2, 2019 the City Council provided feedback on the first round of polling, specifically regarding the polling questions and what would be measured. This was further discussed at the December 17, 2019 Finance Committee meeting in conjunction with [CMR 10655](#). This report transmits the preliminary results from the first round of polling which incorporated City Council's feedback. A top-line summary of the round one polling results is included in Attachment A and a full set of presentation slides will be presented on January 27 when the City Council discusses this item.

A verbal update on the stakeholder engagement work will also be provided at the meeting on January 27. The remaining timeline for these different elements is discussed later in the timeline section of this report.

Attachment B details all Staff Reports to the Finance Committee and City Council that have been issued to date in regard to a potential local tax ballot measure.

Discussion

Modeling and Analysis Update

The Finance Committee discussion on December 17, 2019 focused on narrowing a recommendation to the full City Council regarding the methodology for a business tax and concurring on certain desired elements. As described in the recommended motion at the beginning of this report, the Finance Committee reached consensus on the desirability of the different methodologies. The Finance Committee ranked the options in the following order:

1. Employee Headcount Tax
2. Parcel Tax (assessed via property tax roll)
3. Parcel Tax (assessed based on square footage)

The Finance Committee also reached agreement on a few provisions related to the implementation of a business tax, which are also included in the recommendation at the beginning of this report. The Committee recommended that the ballot measure include a year-over-year escalator, that there be no sunset on the tax, and that the implementation of the tax should minimize the administrative burden on the business that is paying it, including the ability to pay it online. The Finance Committee also recommended that some enforcement provisions be included in the tax.

The Finance Committee agreed that the decision on whether the business tax should be a special tax (requiring a 2/3rd majority to pass) or a general tax (requiring a 50% +1 majority to pass) should be informed by recent polling. These items are discussed later in this report in the Polling Update section, and poll results are included in Attachment A.

The Finance Committee requested that staff work on a metric that calculates the average dollars by the number of employees, regardless of exemptions, or tiers, or whatever the rate structure may be.

The City has begun work on this request to provide the average dollars by the number of employees. A preliminary calculation of this is in the table below. It should be noted that the number of employees comes from a dataset that contained projections from the Association of Bay Area Governments (ABAG). They are provided below only to show an “apples to apples” comparison of the different business tax revenues among the different jurisdictions.

Figure 1: Average Business License Tax (BLT) / Business Tax Revenue by City

City	Actual Business License Revenue	BLT Revenue as % of Total General Fund Revenue	Projected Total Employment in City	Business License Tax Per Employee	Total Number of Businesses	Business License Tax Revenue Per Business
Cupertino	\$876,000	1%	27,515	\$32	3,800	\$ 231
East Palo Alto	\$1,175,000	4%	5,185	\$227	1,527	\$ 769
Mountain View	\$6,000,000	4%	58,860	\$102	3,700	\$ 1,622
Redwood City	\$2,628,000	2%	69,460	\$38	6,275	\$ 419
San Francisco	\$820,000,000	9%	748,230	\$1,096	102,556	\$ 7,996
San Jose	\$72,200,000	6%	457,075	\$158	58,000	\$ 1,245
San Mateo	\$5,940,000	5%	60,305	\$98	7,486	\$ 793
Santa Clara	\$915,000	0.5%	136,980	\$7	13,000	\$ 70
Sunnyvale	\$1,840,000	1%	87,085	\$21	7,875	\$ 234
East Palo Alto (A)	\$2,850,000	10%	5,185	\$550	1,527	\$ 1,866
San Francisco (A)	\$1,120,000,000	12%	748,230	\$1,497	102,556	\$ 10,921
Palo Alto	\$2,320,000	1%	126,305	\$18	4,167	\$ 557
Palo Alto	\$11,600,000	5%	126,305	\$92	4,167	\$ 2,784
Palo Alto	\$23,200,000	10%	126,305	\$184	4,167	\$ 5,568

Palo Alto shown at 1%, 5%, and 10% of General Fund as discussed with FC on 12/17

(A) - East Palo Alto and San Francisco restated to include \$1.675 million of Measure HH (Commercial Office Space Parcel Tax) revenue and \$300 million of Proposition C (Additional Business Taxes to Fund Homeless Services) revenue, respectively.

NOTES: Employment data from projections developed by Association of Bay Area Governments.
Number of businesses and revenue amounts from survey of communities' business license offices except for City of Palo Alto, which was taken from EDD Data on number of firms.

Staff has engaged the state Employment Development Department (EDD) for their authoritative data set that shows the total annual number of jobs per jurisdiction as of 2018. This is the same data source that was previously provided in consultant reports for both employee head count and payroll information for modeling purposes. This request is considered a "custom" data request and EDD will charge the City for the production of that data. Staff will transmit the refined calculation with employee numbers generated by the authoritative EDD data set as soon as administratively feasible. To the extent that EDD employment data differs from the ABAG projections used in Figure 1 above, the business license tax per employee figures will change accordingly.

The Finance Committee also requested that the polling be used to inform who is being taxed (whether it is a property owner or a business), whether the tax should be tiered or a flat rate,

and whether the tax should be tiered by business use. Some of these items are discussed later in this report in the Polling Update section, and at greater length in Attachment A. It is anticipated that subsequent rounds of polling may further explore these potential dimensions of a business tax.

Finally, the Finance Committee requested that work begin on developing a use of funds including potential projects. As staff continues to work with the City Council and the Finance Committee on this topic, the list of potential uses, and approximate costs will be identified to provide additional context to the conversation.

At the August 20, 2019 Finance Committee Meeting there was consensus among the Finance Committee members that transportation focused initiatives and/or affordable housing should be the focus and that potential needs could be determined later and informed by polling. This was approved by the City Council at the special meeting on September 16, 2019 as part of [CMR 10615](#).

The City's potential costs for grade separation/train track crossings have been discussed extensively over the past year with the City Council. Revenues from a potential Business Tax could help contribute to those costs, but alone would be insufficient to pay for the needed work to pursue grade separation/train track crossings. However, business tax funding could defray some of those costs, could be used for other transportation improvements that positively impact mobility, or could be used to augment the City's contributions towards affordable housing. Given the nature of efforts on affordable housing, the magnitude of the contribution could change depending on the needs identified at a given point in time.

As the City Council continues to progress on which type of Business Tax it would like to potentially put forth to the voters, staff anticipates that future polling would seek feedback on possible uses of the revenues generated through the tax and refining what types of commitments the revenues may be allocated towards.

Polling Update

On December 2, 2019, the City Council approved the substantive content of the first round of polling questions to be conducted by the City's polling consultant, FM3 Associates. FM3 began polling in January, employing a multi-modal methodology that prompted participation either over the internet or through a facilitated telephone conversation. It should be noted that there were more than 514 successful engagements. In subsequent iterations of the polling, to address a concern that surfaced, staff and FM3 will continue to refine the outreach communication to ensure it is identified as an official poll that has been commissioned by the City. As outlined in the timeline and workplan for the polling, staff will continue to engage the City Council in the development of the content of the proposed second round of polling with more refined analysis and feedback. The top-line report of survey results is attached to this report as Attachment A and will be presented on January 27 to the City Council.

Stakeholder Outreach and Engagement Update

Through CMR 10792, approved by the City Council on November 4, 2019, the City has engaged TBWB as the consultant to conduct outreach through this process. This process is underway. TBWB will provide a verbal update on the status of the stakeholder outreach and engagement workplan on January 27.

Resource Impact

No additional resources are needed at this time. To date, City Council authorized funding of \$75,000 for consultant work related to analysis (provided by Matrix Consulting Group) as part of [CMR 10615](#) on September 16, 2019 of which nearly \$50,000 has been spent on work to date. This work is represented in [CMR 10655](#) and included analyzing different business tax environments in various jurisdictions. To the extent additional rounds of analysis continue to be requested, staff may need to increase the contract and budgeted funds.

Funding for polling and outreach of \$179,125 was authorized and appropriated as part of [CMR 10792](#) on November 4, 2019. This included the funding for two rounds of polling, and stakeholder outreach and engagement on the business side.

Timeline/Next Steps

It is anticipated that the City Council will discuss the Finance Committee recommendation and the initial polling results to provide additional direction to staff regarding next steps including type of business tax, desired revenue to be raised by a business tax, and direction on whether to include tiering and/or exemptions in the business tax. These next steps may consist of refined analysis once the tax structure and methodology has been agreed upon, with additional refined polling and stakeholder outreach to further contextualize these elements.

A potential draft timeline is detailed below:

Activity	Estimated Schedule
Round 1 Polling	January
Stakeholder Outreach (Business Community)	January– March
Report out on Round 1 of Ballot Measure Polling/ City Council Approval of Business Tax Methodology	January 27
Finance Committee (FC) Discussion of scenarios w/rates and structures, administration and implementation, penalties/reporting, and additional needs assessment at defined levels (including Gross vs. Net analysis and Bondable Revenue)	February (est 2/18)
City Council Discussion of FC Recommendation from February, review round 2 refined polling questions to inform final recommendation on scenario	March (est 3/9)
Round 2 refined Polling	March - April
City Council to discuss round 2 refined polling, and provide direction on specific tax structure for preparation of ballot measure for voter approval Nov 2020	April (est 4/20)
City Council review of ordinance language, review of ballot language	June
City Council takes policy action to place measure on ballot	June (est 6/22)
City Council adopts resolution of necessity	
City Council adopts resolution calling election	
Deadline to submit Ballot Measure to Santa Clara County	August 7
Election Day	November 3

In order to place a local tax ballot measure on the November 2020 ballot, the City Council needs to provide direction on the type of tax it would like to potentially pursue, whether it would like to include tiers and/or exemptions for certain businesses, and the order of magnitude of the revenue to be generated by a tax to ensure sufficient time for staff and consultants to complete the work necessary to reach the November 2020 election timelines. In addition to refinement of the revenue projections associated with the measure, time will be needed to address: staffing, administration, implementation timelines (including analysis of the advantages and disadvantages of a phase-in period), enforcement mechanisms, and continued refinement of the stakeholder outreach to the business community and the community at large.

If the City Council is unable to narrow the focus regarding the critical elements of a potential ballot measure at a sufficiently early stage in the process, the tight timelines necessary to comply with the election deadlines may be jeopardized. It is expected that many of these reports will be transmitted in late packet due to the quick turnaround times and flow of information.

Environmental Review

This report is not a project for the purposes of the California Environmental Quality Act (CEQA).

Attachments:

- Attachment A: Palo Alto Business Tax Exploratory Survey
- Attachment B: Ballot Measure Staff Reports to Finance Committee and Council



CITY OF PALO ALTO BALLOT MEASURE SURVEY
220-5591-WT
N=514
MARGIN OF SAMPLING ERROR ±4.9% (95% CONFIDENCE INTERVAL)
A/B SPLITS

Hello, I'm _____ from _____, a public opinion research company. I am definitely not trying to sell you anything. We are conducting an opinion survey about issues that interest people living in the City of Palo Alto and we are only interested in your opinions. May I speak to _____? **(YOU MUST SPEAK TO THE VOTER LISTED. VERIFY THAT THE VOTER LIVES AT THE ADDRESS LISTED, OTHERWISE TERMINATE).**

A. Before we begin, I need to know if I have reached you on a cell phone, and if so, are you in a place where you can talk safely without endangering yourself or others? **(IF NOT ON A CELL PHONE, ASK: "Do you own a cell phone?")**

Yes, cell and can talk safely ----- 73%
 Yes, cell but cannot talk safely ----- **TERMINATE**
 No, not on cell ----- 27%
(DON'T READ) DK/NA/REFUSED----- TERMINATE

1. First, how would you rate the City of Palo Alto's need for additional funding? Is there a great need for additional funding, some need, a little need or no real need for additional funding?

	<u>2013</u>	<u>2016</u>	<u>2018</u>	<u>2020</u>
GREAT/SOME NEED -----	40%	36%	32%	33%
Great need-----	5%	5%	6%	7%
Some need-----	35%	31%	26%	25%
LITTLE/NO REAL NEED -----	50%	54%	53%	38%
Little need-----	19%	18%	20%	18%
No real need-----	31%	36%	32%	20%
(DON'T READ) Don't know -----	11%	10%	15%	29%

2. I'd like to read you some problems facing Palo Alto that other people have mentioned. For each one I read, please tell me whether you think it is an extremely serious problem, a very serious problem, somewhat serious problem, or a not too serious problem in Palo Alto. **(RANDOMIZE)**

	<u>EXT SER PROB</u>	<u>VERY SER PROB</u>	<u>SMWT SER PROB</u>	<u>NOT TOO SER PROB</u>	<u>(DK/ NA)</u>	<u>EXT/ VERY</u>
[]a. Unsafe railroad crossings -----	11%	18%	29%	40%	2%	29%
(SPLIT SAMPLE A ONLY)						
[]b. A lack of parking in commercial districts						
2020 -----	13%	17%	35%	32%	3%	30%
2016 -----	14%	23%	38%	25%	0%	37%
[]c. The cost of housing						
2020 -----	51%	26%	14%	9%	0%	77%
2016 -----	46%	30%	15%	7%	1%	76%
[]d. Waste and inefficiency in local government						
2020 -----	13%	16%	24%	26%	21%	29%
2016 -----	8%	9%	34%	36%	13%	17%
[]e. Too much office and commercial growth and development-----	20%	14%	25%	36%	5%	34%
[]f. The amount local businesses pay in City taxes -----	5%	8%	20%	19%	48%	13%
[]g. Crime, in general						
2020 -----	4%	11%	28%	54%	2%	16%
2016 -----	1%	5%	29%	64%	1%	6%
(SPLIT SAMPLE B ONLY)						
[]h. The condition of the local economy						
2020 -----	3%	10%	18%	62%	7%	13%
2016 -----	2%	5%	16%	73%	5%	6%
[]i. Traffic and congestion on local streets and roads						
2020 -----	30%	23%	33%	13%	0%	53%
2016 -----	22%	31%	29%	16%	2%	53%
[]j. Too much residential growth and development-----	14%	18%	20%	46%	3%	32%
[]k. The amount people pay in City taxes						
2020 -----	6%	14%	20%	46%	15%	19%
2016 -----	8%	10%	33%	39%	10%	18%
[]l. Changing character of the community						
2020 -----	10%	16%	22%	46%	6%	26%
2016 -----	10%	14%	33%	39%	5%	24%
[]m. Homelessness						
2020 -----	21%	23%	30%	25%	1%	44%
2016 -----	7%	15%	49%	26%	3%	22%

(RESUME ASKING ALL RESPONDENTS)

NOW I WOULD LIKE TO ASK YOU A FEW QUESTIONS ABOUT A MEASURE THAT MAY APPEAR ON THE BALLOT IN NOVEMBER.

3. The City of Palo Alto is considering a measure raising taxes on businesses to raise funds for general city services, including to reduce traffic congestion, provide affordable housing, improve public safety services, maintain parks, and improve bicycle and pedestrian options. Do you think you would vote yes or no on such a measure? **(IF YES/NO, ASK: “Is that definitely or just probably?”) (IF UNDECIDED, DON’T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)**

TOTAL YES -----	64%
Definitely yes-----	28%
Probably yes-----	31%
Undecided, lean yes-----	5%
TOTAL NO -----	27%
Undecided, lean no-----	3%
Probably no-----	9%
Definitely no-----	15%
(DON'T READ) DK/NA -----	9%

(ASK Q4 IF CODES 1-6 - YES/NO - IN Q3)

4. In a few words of your own, why do you think you would vote **YES/NO** this measure? (**OPEN END, RECORD VERBATIM RESPONSES - PROBE FOR A SPECIFIC RESPONSE, NOT JUST “SOUNDS GOOD” / “SOUNDS BAD”**)

a. Yes, N=330:

Improve infrastructure/traffic congestion/roads -----	27%
They need to provide affordable housing -----	22%
Need to pay their fair share of tax/some businesses are undertaxed -----	16%
Agree with raising taxes/support the measure -----	12%
Needed to provide more funds/money-----	11%
Business is good for the city -----	7%
Need to address important/critical issues -----	5%
Reduce homeless/poverty-----	4%
They give back to the community -----	4%
It is needed/necessary services-----	4%
Need improvement/should be better -----	4%
Maintain/upkeep the city-----	4%
Provide safety/reduce crime-----	3%
Provide good budget/spending-----	3%
Need more information -----	3%
Reduce business development-----	3%
It support small business -----	3%
More parking spaces-----	2%
Need to develop appropriate transportation -----	2%
None-----	0%
Other -----	6%
Don't know/refused-----	1%

b. No, N=140:

Taxes are already too high/raising tax is not a solution -----	42%
This will hurt small businesses/It will hurt the economy-----	16%
City should learn how to manage the budget-----	14%
Palo Alto does not need more money/have enough money -----	14%
Wasting money/spending -----	12%
Corrupt government -----	7%
We don't need it/don't like it -----	7%
Need to know more information/Not clear -----	5%
Too much traffic congestion -----	3%
None-----	1%
Other -----	9%

(RESUME ASKING ALL RESPONDENTS)

5. Next, here are statements from supporters and opponents of this idea. **(ROTATE)**

[] Supporters say many challenges facing Palo Alto – like increased traffic and rising housing costs – are in part due to the presence of a growing number of successful businesses in our city. It is only fair that we ask those businesses to pay a little more to protect our city’s quality of life.

OR

[] Opponents say that increasing taxes on local businesses could have negative consequences for our city. It could lead businesses to relocate outside Palo Alto, costing us jobs and making local residents commute further to work, and business tax costs could be passed on to consumers.

Having heard this, let me ask you again - do you think you would vote yes or no on such a measure? **(IF YES/NO, ASK: “Is that definitely or just probably?”)** **(IF UNDECIDED, DON’T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)**

TOTAL YES ----- 65%

Definitely yes----- 33%

Probably yes----- 29%

Undecided, lean yes-----3%

TOTAL NO ----- 30%

Undecided, lean no-----2%

Probably no----- 12%

Definitely no----- 16%

(DON'T READ) DK/NA -----5%

6. Next, I am going to read you a list of ways in which funds generated by a tax on businesses could be spent. After I read each one, please tell me how important each item is to you personally: extremely important, very important, somewhat important, or not too important. **(RANDOMIZE)**

	<u>EXT</u> <u>IMP</u>	<u>VERY</u> <u>IMP</u>	<u>SMWT</u> <u>IMP</u>	<u>NOT TOO</u> <u>IMP</u>	<u>(DK/</u> <u>NA)</u>	<u>EXT/</u> <u>VERY</u>
[]a. Maintaining City buildings -----	5%	25%	47%	19%	3%	30%
[]b. (T) Maintaining City streets and roads -----	24%	39%	29%	6%	1%	64%
[]c. (T) Reducing traffic congestion -----	30%	37%	24%	9%	1%	66%
[]d. (T) Making sidewalks, city buildings and parks accessible for people with disabilities -----	18%	29%	38%	14%	1%	47%
[]e. (T) Fixing potholes -----	20%	35%	33%	11%	2%	55%
[]f. (T) Repairing and maintaining City sidewalks -----	13%	36%	41%	10%	1%	49%
[]g. (T) Improving traffic light timing and flow -----	25%	33%	31%	11%	1%	58%
[]h. Preparing for natural disasters such as earthquake or flooding -----	25%	37%	30%	8%	1%	62%
[]i. (T) Maintaining City parks and recreation facilities -----	18%	41%	36%	5%	1%	58%
[]j. (T) Ensuring a modern, stable 911 emergency communications network -----	33%	40%	20%	5%	1%	73%
[]k. (T) Ensuring earthquake-safe fire stations and emergency command center -----	25%	38%	27%	8%	1%	64%
[]l. (T) Maintaining community centers that serve Palo Alto children, families, and seniors -----	22%	38%	31%	9%	1%	60%
[]m. Providing safer crossings at railroad tracks for traffic, bicycles, and pedestrians -----	21%	28%	31%	21%	1%	48%
[]n. Providing shuttles for travel within Palo Alto -----	14%	27%	33%	24%	2%	41%
[]o. Providing free transit passes for low-income workers -----	21%	32%	29%	17%	2%	52%
(SPLIT SAMPLE A ONLY)						
[]p. Providing affordable housing -----	40%	22%	18%	19%	1%	62%
(SPLIT SAMPLE B ONLY)						
[]q. Providing subsidized housing for low-income residents -----	27%	26%	31%	14%	2%	54%

(RESUME ASKING ALL RESPONDENTS)

7. Next, here is a list of several ways a tax on business might be structured to raise funds for some of these services. After you hear each one, please tell me whether you would generally support or oppose a tax on business structured in that way. **FIRST/NEXT**, would you support or oppose _____ **(RANDOMIZE)? (IF SUPPORT/ OPPOSE, ASK:)** “Is that strongly **SUPPORT/OPPOSE** or just somewhat?”

	<u>STR</u> <u>SUPP</u>	<u>SMWT</u> <u>SUPP</u>	<u>SMWT</u> <u>OPP</u>	<u>STR</u> <u>OPP</u>	<u>(DK/</u> <u>NA)</u>	<u>TOTAL</u> <u>SUPP</u>	<u>TOTAL</u> <u>OPP</u>
[]a. A property tax on commercial buildings based on the building’s size-----	34%	36%	13%	10%	7%	70%	23%
[]b. A business tax based on the number of employees a company has in Palo Alto-----	27%	38%	14%	13%	8%	65%	28%
[]c. A payroll tax based on the salaries a company pays to employees in Palo Alto-----	21%	32%	21%	18%	9%	53%	38%

(SPLIT SAMPLE A ONLY)

8. Next, I am going to read you a list of some categories of businesses that could be exempted from a tax on Palo Alto businesses. Each exemption would reduce the amount of revenue generated by the tax. After you hear each one, please tell me whether you would support or oppose exempting that type of business. **(IF SUPPORT/ OPPOSE, ASK:)** “Is that strongly **SUPPORT/OPPOSE** or just somewhat?”

	<u>STR</u> <u>SUPP</u>	<u>SMWT</u> <u>SUPP</u>	<u>SMWT</u> <u>OPP</u>	<u>STR</u> <u>OPP</u>	<u>(DK/</u> <u>NA)</u>	<u>TOTAL</u> <u>SUPP</u>	<u>TOTAL</u> <u>OPP</u>
[]a. Retail businesses -----	20%	26%	27%	19%	8%	46%	46%
[]b. Hospitality businesses, such as hotels and restaurants-----	17%	22%	30%	23%	8%	39%	53%
[]c. Medical businesses-----	26%	27%	21%	17%	9%	53%	38%
[]d. Small businesses-----	45%	25%	15%	11%	5%	69%	26%

(SPLIT SAMPLE B ONLY)

9. Next, I am going to read you a list of some categories of businesses that could be taxed at a lower rate. Each lower rate would reduce the amount of revenue generated by the tax. After you hear each one, please tell me whether you would support or oppose a lower rate for that type of business. **(IF SUPPORT/ OPPOSE, ASK:)** “Is that strongly **SUPPORT/OPPOSE** or just somewhat?”

	<u>STR</u> <u>SUPP</u>	<u>SMWT</u> <u>SUPP</u>	<u>SMWT</u> <u>OPP</u>	<u>STR</u> <u>OPP</u>	<u>(DK/</u> <u>NA)</u>	<u>TOTAL</u> <u>SUPP</u>	<u>TOTAL</u> <u>OPP</u>
[]a. Retail businesses -----	19%	36%	24%	16%	5%	55%	41%
[]b. Hospitality businesses, such as hotels and restaurants-----	18%	23%	33%	22%	4%	42%	54%
[]c. Medical businesses-----	22%	33%	25%	17%	3%	55%	42%
[]d. Small businesses-----	41%	31%	11%	14%	3%	72%	25%

(RESUME ASKING ALL RESPONDENTS)

10. Next, I'm going to read you a list of accountability provisions that may be included in a business tax measure. After you hear each one, please tell me how important it is to you personally that each provision be included: extremely important, very important, somewhat important, or not too important.

(RANDOMIZE)

	<u>EXT</u> <u>IMP</u>	<u>VERY</u> <u>IMP</u>	<u>SMWT</u> <u>IMP</u>	<u>NOT TOO</u> <u>IMP</u>	<u>(DK/</u> <u>NA)</u>	<u>EXT/</u> <u>VERY</u>
[]a. Requiring annual independent financial audits -----	31%	34%	20%	8%	7%	64%
[]b. Requiring a citizens' oversight committee to review spending and program implementation-----	24%	30%	28%	14%	5%	53%
[]c. Legally requiring that all funds be used as promised in the measure -----	46%	30%	13%	7%	3%	76%
[]d. Requiring that no more than one percent of revenue from the measure be spent on program administration-----	27%	25%	22%	17%	9%	52%

MY NEXT QUESTIONS ARE ABOUT THE STRUCTURE OF A POTENTIAL MEASURE, REGARDLESS OF WHICH TAXING MECHANISM IS SELECTED.

11. There are two ways this measure could be structured. **(ROTATE)**

[] It could be written as a special-purpose measure dedicated to one specific category of City spending, with clearly defined spending priorities that cannot be changed at a later date.

OR

[] It could be written as a general-purpose measure, with revenue going into the general fund to be spent as needed on a variety of City needs, which could include transportation, parks, police, fire, emergency medical services, and disaster preparedness.

Would you prefer a special-purpose measure or a general-purpose measure? **(IF GENERAL/SPECIAL, ASK: "Do you prefer that strongly, or just somewhat?")**

TOTAL GENERAL PURPOSE ----- 43%
 General purpose, strongly----- 19%
 General purpose, somewhat ----- 24%

TOTAL SPECIAL PURPOSE ----- 46%
 Special purpose, somewhat ----- 15%
 Special purpose, strongly ----- 31%

(DON'T READ) DK/NA ----- 11%

12. Next, I am going to read you brief arguments from supporters of each approach. After I do, please tell me again which you prefer. **(ROTATE PARAGRAPHS)**

[] Supporters of a general-purpose measure say we should preserve the option of flexibility as technology, growth, and other pressures continue to impact our city. A general-purpose measure allows us to prioritize our most-important needs, which will not be the same in ten years as they are today.

OR

[] Supporters of a special-purpose measure say that we can't trust the City to spend money wisely without clear direction from the voters. We should support a special-purpose measure, clearly dedicated to one specific kind of spending, that cannot be re-directed by City Council.

Having heard this, would you prefer a special-purpose measure or a general-purpose measure? **(IF GENERAL/ SPECIAL, ASK: "Do you prefer that strongly, or just somewhat?")**

TOTAL GENERAL PURPOSE ----- 42%
 General purpose, strongly----- 19%
 General purpose, somewhat ----- 23%

TOTAL SPECIAL PURPOSE ----- 50%
 Special purpose, somewhat ----- 22%
 Special purpose, strongly ----- 28%

(DON'T READ) DK/NA -----8%

13. Next, if the City pursues a special-purpose measure, there are several different ways the money could be dedicated. Please tell me whether you would generally support or oppose a business tax measure that dedicated funding specifically to the following purposes. **(IF SUPPORT/ OPPOSE, ASK:)** "Is that strongly **SUPPORT/OPPOSE** or just somewhat?"

	<u>STR</u> <u>SUPP</u>	<u>SMWT</u> <u>SUPP</u>	<u>SMWT</u> <u>OPP</u>	<u>STR</u> <u>OPP</u>	<u>(DK/</u> <u>NA)</u>	<u>TOTAL</u> <u>SUPP</u>	<u>TOTAL</u> <u>OPP</u>
[]a. Providing more housing-----	43%	27%	9%	18%	2%	71%	28%
[]b. Improving transportation-----	44%	40%	9%	6%	1%	84%	15%
[]c. Improving safety at railroad crossings -----	27%	40%	20%	11%	3%	67%	30%

14. And which one of these would you most like to see dedicated funding from a tax on businesses dedicated to: providing more housing, improving transportation, or improving safety at railroad crossings? **(RE-READ IF NECESSARY)**

- Providing more housing ----- 41 %
- Improving transportation ----- 29 %
- Improving safety at railroad crossings ----- 14 %

- (DON'T READ) All ----- 6 %**
- (DON'T READ) None ----- 7 %**
- (DON'T READ) DK/NA ----- 3 %**

(SPLIT SAMPLE A ONLY)

15. Broadly speaking, there are two approaches for setting tax rates. **(ROTATE)**

The measure could apply a flat tax of the same amount to all businesses regardless of size or revenue.

OR

The measure could have tiered rates, so that larger businesses, or those with higher revenues, pay a higher rate than smaller businesses.

Which of these approaches do you prefer? **(IF FLAT/TIERED, ASK: “Do you prefer that strongly, or just somewhat?”)**

- TOTAL FLAT TAX ----- 15%**
- Flat tax, strongly ----- 6 %
- Flat tax, somewhat ----- 9 %

- TOTAL TIERED RATES ----- 78%**
- Tiered rates, somewhat ----- 17 %
- Tiered rates, strongly ----- 62 %

- (DON'T READ) DK/NA ----- 7%**

(SPLIT SAMPLE A ONLY)

16. Next, I am going to read you brief arguments from supporters of each approach. After I do, please tell me which you prefer. **(ROTATE PARAGRAPHS)**

Supporters of a flat tax it is the simplest, most straightforward way to establish a tax on businesses.

OR

Supporters of a tiered-rate tax say that larger and more profitable businesses should pay a higher tax than smaller and less profitable businesses.

Having heard this, do you prefer that Palo Alto charge a flat tax on businesses or a tax with tiered rates? **(IF FLAT/TIERED, ASK: "Do you prefer that strongly, or just somewhat?")**

TOTAL FLAT TAX ----- 13%
 Flat tax, strongly-----6%
 Flat tax, somewhat -----7%

TOTAL TIERED RATES ----- 78%
 Tiered rates, somewhat----- 19%
 Tiered rates, strongly ----- 58%

(DON'T READ) DK/NA -----9%

(SPLIT SAMPLE B ONLY)

17. In general, would you prefer that Palo Alto establish business tax **(ROTATE)** rates that are slightly higher, rates that are comparable to neighboring cities, or rates that are slightly lower? **(IF HIGHER/COMPARABLE/LOWER, ASK: "Do you prefer that strongly, or just somewhat?")**

TOTAL HIGHER ----- 30%
 Higher, strongly ----- 14%
 Higher, somewhat ----- 16%

TOTAL COMPARABLE ----- 48%
 Comparable, strongly ----- 27%
 Comparable, somewhat----- 21%

TOTAL LOWER ----- 12%
 Lower, somewhat-----5%
 Lower, strongly -----7%

(DON'T READ) DK/NA -----9%

(SPLIT SAMPLE B ONLY)

18. Next, I am going to read you brief arguments from supporters of each approach. After I do, please tell me which you prefer. **(ROTATE PARAGRAPHS)**

Supporters of higher rates say businesses choose to locate in Palo Alto because of unique advantages like access to talent and quality of life, and they should pay rates that reflect that high standard.

OR

Supporters of comparable rates say Palo Alto businesses should pay their fair share by investing at least as much in our city as they do in neighboring cities.

OR

Supporters of lower rates say that raising business taxes as high as neighboring cities will push businesses away from Palo Alto to other cities with lower business tax rates.

Having heard this, do you prefer that Palo Alto’s business tax **(ROTATE)** rates that are slightly higher, rates that are comparable to neighboring cities, or rates that are slightly lower? **(IF HIGHER/COMPARABLE/LOWER, ASK: “Do you prefer that strongly, or just somewhat?”)**

TOTAL HIGHER -----	32%
Higher, strongly -----	16%
Higher, somewhat -----	16%
 TOTAL COMPARABLE -----	 48%
Comparable, strongly -----	30%
Comparable, somewhat-----	17%
 TOTAL LOWER -----	 13%
Lower, somewhat-----	5%
Lower, strongly-----	8%
 (DON’T READ) DK/NA -----	 6%

(RESUME ASKING ALL RESPONDENTS)

NEXT, I AM GOING TO READ YOU SOME STATEMENTS FROM SUPPORTERS AND OPPONENTS OF EACH OF THE THREE TYPES OF BUSINSS TAXES WE DISCUSSED EARLIER.

FOR QUESTIONS Q19-Q21, ROTATE PAIRS AND WITHIN PAIRS.

19. **FIRST/NEXT**, let me ask you about the idea of establishing a property tax on commercial buildings based on the building’s size.

[] Supporters say this approach ensures that owners of large business properties will pay more, which is only fair, as their greater size means more impact on traffic, public safety, and other City resources.

[] Opponents say this approach is unfair, and has little to do with ability to pay – a medical warehouse is much larger than a venture capital firm, for example, but the latter has much greater profits.

Having heard this, would you support or oppose establishing a property tax on commercial buildings based on the building’s size as a way of raising revenue for the City? **(IF SUPPORT/OPPOSE, ASK: “Is that strongly or just somewhat?”)**

TOTAL SUPPORT	-----	48%
Strongly support	-----	18%
Somewhat support	-----	30%
 TOTAL OPPOSE	 -----	 43%
Somewhat oppose	-----	25%
Strongly oppose	-----	19%
 (DON’T READ) DK/NA	 -----	 8%

20. **FIRST/NEXT**, let me ask you about the idea of a business tax based on the number of employees a company has in Palo Alto.

[] Supporters say that businesses with more employees put more strain on public services – limiting parking, increasing traffic, and more. This approach ensures that companies who host many employees in Palo Alto still pay their fair share.

[] Opponents say that this approach would give companies an incentive to turn employees into contractors to avoid the tax. And it would disproportionately hurt businesses with many part-time employees, like hotels and restaurants, relative to businesses with smaller staffs and higher profits.

Having heard this, would you support or oppose establishing a business tax based on the number of employees a company has in Palo Alto as a way of raising revenue for the City? (**IF SUPPORT /OPPOSE, ASK:** “Is that strongly or just somewhat?”)

TOTAL SUPPORT ----- 57%
 Strongly support ----- 20%
 Somewhat support ----- 37%

TOTAL OPPOSE ----- 35%
 Somewhat oppose ----- 18%
 Strongly oppose ----- 17%

(DON'T READ) DK/NA ----- 8%

21. **FIRST/NEXT**, let me ask you about the idea of establishing a payroll tax based on the salaries a company pays to employees in Palo Alto.

[] Supporters say that a tax scaled to payroll ensures that businesses with the highest revenues and most ability to pay invest in Palo Alto – not just those with the most employees.

[] Opponents say that a payroll tax gives businesses the incentive to locate elsewhere, especially those with highly paid and skilled employees.

Having heard this, would you support or oppose establishing a payroll tax based on the salaries a company pays to employees in Palo Alto as a way of raising money for the City? (**IF SUPPORT/OPPOSE, ASK:** “Is that strongly or just somewhat?”)

TOTAL SUPPORT ----- 58%
 Strongly support ----- 25%
 Somewhat support ----- 34%

TOTAL OPPOSE ----- 34%
 Somewhat oppose ----- 17%
 Strongly oppose ----- 17%

(DON'T READ) DK/NA ----- 7%

HERE ARE MY LAST QUESTIONS, AND THEY ARE FOR STATISTICAL PURPOSES ONLY.

22. Do you own a business in Palo Alto?

Yes -----7 %
 No -----91 %
(DON'T KNOW/NA) -----2 %

23. (T) What was the last level of school you completed?

High school graduate or less-----2 %
 Some college/vocational school ----- 11 %
 College graduate (4 years) -----42 %
 Post graduate work/
 Professional school -----44 %
(DON'T READ) Refused-----1 %

24. (T) With which racial or ethnic group do you identify yourself: Latino or Hispanic, African American or Black, White or Caucasian, Asian or Pacific Islander, or some other ethnic or racial background? **(IF ASIAN OR PACIFIC ISLANDER, ASK: “Are you Vietnamese, Chinese, South Asian or East Indian, or of some other Asian background?”)**

Latino/Hispanic -----2 %
 African American/Black-----0 %
 White/Caucasian-----64 %
 Vietnamese-----0 %
 Chinese -----11 %
 South Asian/East Indian -----3 %
 Other Non-Asian/Pacific Islander -----1 %
 Other Asian/Pacific Islander-----4 %
(DON'T READ) Multiracial -----2 %
(DON'T READ) DK/NA/Refused -----12 %

THANK AND TERMINATE

GENDER:

Male----- 48 %
 Female----- 51 %
 Rather not say -----1 %

PARTY REGISTRATION:

Democrat----- 56 %
 Republican ----- 12 %
 No Party Preference----- 28 %
 Other-----4 %

FLAGS

P14----- 32 %
 G14 ----- 51 %
 P16----- 56 %
 G16 ----- 72 %
 P18----- 57 %
 G18 ----- 81 %
 BLANK----- 11 %

VOTE BY MAIL

1----- 19 %
 2----- 9 %
 3+ ----- 47 %
 Blank ----- 25 %

AGE

18-24 ----- 8 %
 25-29 ----- 6 %
 30-34 ----- 7 %
 35-39 ----- 4 %
 40-44 ----- 9 %
 45-49 ----- 6 %
 50-54 ----- 10 %
 55-59 ----- 11 %
 60-64 ----- 9 %
 65-74 ----- 13 %
 75+ ----- 17 %

PERMANENT ABSENTEE

Yes ----- 86 %
 No ----- 14 %

HOUSEHOLD PARTY TYPE

Dem 1 ----- 33 %
 Dem 2 + ----- 14 %
 Rep 1 -----6 %
 Rep 2 + -----3 %
 Ind 1 + ----- 26 %
 Mix----- 18 %

MODE

Phone ----- 50 %
 Online ----- 50 %

Detailed Timeline of Discussions with Finance Committee and City Council regarding the
November 2020 Ballot Measure

As discussed in the body of CMR 10655, the City of Palo Alto has been discussing its options for a revenue generating ballot measure in 2020 throughout 2019. A brief timeline of the CMRs and discussions with the Finance Committee and the City Council since April of 2019, when staff was formally directed to begin working on this project by the City Council, is included below for additional context. The date, the forum of the meeting (Finance Committee or City Council), the summary title, and the CMR number are included for ease of reference.

Timeline:

- 4/22/2019 City Council, “2019 Fiscal Sustainability Workplan”, [CMR 10267](#)
- 4/22/2019 City Council, “Approve Workplan for a Potential Revenue Generated Ballot Measure”, [CMR 10261](#)
- 6/18/2019 Finance Committee, “Review, Comment, and Accept Preliminary Revenue Estimates for Consideration of a Ballot Measure”, [CMR 10392](#)
- 8/20/2019 Finance Committee, “Evaluation and Discussion of Potential Revenue Generating Ballot Measures”, [CMR 10445](#)
- 9/16/2019 City Council, “Evaluation and Discussion of Potential Revenue Generating Ballot Measures and Budget Amendment”, [CMR 10615](#)
- 10/1/2019 Finance Committee, “Revised Workplan for Consideration of a Ballot Measure”, [CMR 10712](#)
- 10/15/2019 Finance Committee, “Stakeholder Outreach, Initial Polling, and Discussion of a Potential Ballot Measure”, [CMR 10743](#)
- 11/4/2019 City Council, “Potential Ballot Measure Polling/Outreach, Contract, Solicitation Exemption and Budget Amendment”, [CMR 10792](#)
- 12/2/2019 City Council, “Structure and Scenarios of Initial Round of Polling for a Potential Local Tax Measure”, [CMR 10891](#)
- 12/17/2019 Finance Committee, “Consideration, Evaluation, and Discussion of a Revenue Generating Local Tax Ballot Measure, Review of Refined Modeling, Analysis, Tax Structure and Recommendation to the City Council”, [CMR 10655](#)