

**COUNCIL MEETING**

8/1/22

Received Before Meeting

**10**



CITY OF

**PALO ALTO**

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# ADOPTION OF BALLOT MEASURE(S) & ADVISORY SPENDING GUIDELINES

City Council, Item #10

August 1, 2022

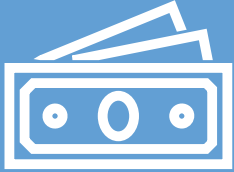
[www.cityofpaloalto.org/fiscalsustainability](http://www.cityofpaloalto.org/fiscalsustainability)

## Discussion by and seeking adoption by the Council regarding:

- Business Tax
  - Adopt one of two resolutions placing measure on the ballot, ordinance, and ballot question
    - Council's June 20 direction (Attachment A)
    - Ad Hoc Committee Alternative Proposal (Attachment B, as amended by supplemental memorandum)
  - Resolution of Council's intentions regarding use (Attachment C)
- Measure to Affirm the Natural Gas Utility Transfer
  - Resolution placing measure on the ballot, ordinance, and ballot question (Attachment D)

# COUNCIL DIRECTED - BUSINESS TAX BALLOT MEASURE

## (Attachment A)



**Net Revenue**  
~\$18M

To fund general  
government services &  
programs

### Rate & Timing

- Tax Rate for all non-exempt businesses:
  - Monthly rate of \$0.06/sf for 5,001 to 20,000 sf;
  - Monthly rate of \$0.12/sf for and 20,001+ sf
- Increase by bay area inflation (CPI), not to exceed 5% annually
- Continue existing Business Registry Certificate Program for all eligible businesses
- Tax to be imposed Jan 2023, first collection Jan 2024.
  - 50% of above rates for first 24 months; full tax rate Jan 2025.
- 35-year sunset, ending 2058

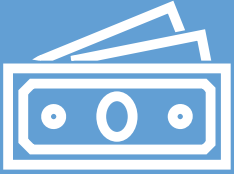
### Exemptions & Credits

- Small businesses (first 5,000 square feet of all businesses)
- Grocery or Supermarket stores
- Seasonal businesses operating less than 90 days
- Residential space
- Tax Credits: 1) hotel tax, 2) certain sales tax paid by a business (2:1, up to 75%), 3) vacant space



# AD HOC ALTERNATIVE - BUSINESS TAX BALLOT MEASURE

## (Attachment B)



Net Revenue  
~\$15.5M

To fund general  
government services &  
programs

### Rate & Timing

- ★ Monthly rate of **\$0.10/sf** for all non-exempt businesses
- Increase by bay area inflation (CPI), not to exceed 5% annually
- Continue existing Business Registry Certificate Program for all eligible businesses
- Tax to be imposed Jan 2023, first collection Jan 2024.
  - 50% of above rates for first 24 months; full tax rate Jan 2025.
- 35-year sunset, ending 2058

### Exemptions & Credits

- ★ Small businesses (**first 10,000** square feet of all businesses)
- Grocery or Supermarket stores
- Seasonal businesses operating less than 90 days
- Residential space
- Tax Credits: 1) hotel tax, 2) certain sales tax paid by a business (2:1, up to 75%), 3) vacant space

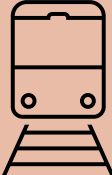
# RESOLUTION OF INTENT SPENDING PRIORITIES – BUSINESS TAX (Attachment C)

Foundational step to ensure funding for residents, business, and visitor needs.



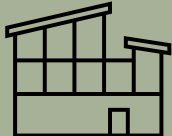
### Public Safety Services

(police, fire, 911, and emergency services)



### Train Crossing Safety

(Transportation, CalTrain railroad grade separation)



### Affordable Housing/ Unhoused Services

Resolution of intent identifies spending priorities.

Decisions on allocation of funds to be made annually by the sitting Council to fund general government services & programs.

# AFFIRMATION OF NATURAL GAS TRANSFER BALLOT MEASURE (Attachment D)

## Purpose

- Affirm the City's practice of annually transferring from the natural gas utility (established in City charter decades ago)

## Rate

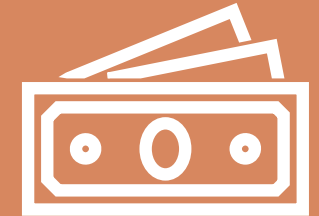
- Transfer up to 18% of the gross revenues
- No change in natural gas utility rates due to passage of this measure

## Calculation

- Measured by gross revenue of the utility
- Transfer included as a cost of providing gas services in utility rates for City's retail natural gas

## Council Authority

- Council may decide to transfer a lesser amount from voter approved levels



**Gross revenue ~\$7M**  
(based on current contributions)

# REMAINING MILESTONES

## August 1:

- Council adoption of FY 2023 budget & fees
- Council direction on draft ordinance (informed by poll)
- Council decision on ballot measures for voter consideration

## During August :

- Submittal of impartial analysis and pro/con arguments and rebuttals to ROV

## November:

- Election November 8, 2022

## August 12:

- Last day to submit ballot measures to Registrar of Voters (ROV)

## September/October:

- City may provide informational material that is impartial, fact-based, and avoids advocacy

# COUNCIL DIRECTION & ACTION

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Staff recommends that the City Council:

1. Business Tax (Attachment A OR Attachment B)
  - a) Consider the Ad Hoc's alternative proposal and
  - b) Adopt necessary documents for placement of preferred business tax ballot measure on the November 8, 2022 election;
2. Business Tax Resolution Establishing Advisory Spending Guidelines (Attachment C)
  - Adoption of a resolution to inform the public of Council's spending plan for business tax proceeds; and
3. Natural Gas Utility Transfer (Attachment D)
  - Adopt necessary documents for placement of a ballot measure on November 8, 2022 to affirm the natural gas utility transfer.





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