



City of Palo Alto

Finance Committee Staff Report

(ID # 10712)

Report Type: Action Items

Meeting Date: 10/1/2019

Council Priority: Fiscal Sustainability

Summary Title: Revised Workplan for Consideration of a Ballot Measure

Title: Approve Revised Workplan to Address the City Council Direction for Further Consideration of a Ballot Measure

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends the Finance Committee review and direct staff to continue to work on ballot measure work within the refined workplan recommended in this report.

Background

The Finance Committee and City Council have been reviewing and refining potential ballot measure options since June 2019 as part of the 2019 Council Priority Fiscal Sustainability. Relevant reports and presentations are linked below.

2019 Fiscal Sustainability Workplan, 4/22/19:

- www.cityofpaloalto.org/civicax/filebank/documents/70506

City Council Approve Workplan for a Potential Revenue Generating Ballot Measure, 4/22/19:

- www.cityofpaloalto.org/civicax/filebank/documents/70507

Finance Committee Review, Comment, and Accept Preliminary Revenue Estimates for Consideration of a Ballot Measure, 6/18/19:

- www.cityofpaloalto.org/civicax/filebank/documents/72101

Finance Committee Evaluation and Discussion of Potential Revenue Generating Ballot Measures, 8/20/19:

- www.cityofpaloalto.org/civicax/filebank/documents/73071

City Council Evaluation and Discussion of Potential Revenue Generating Ballot Measures

and Budget Amendment, 9/16/19:

- www.cityofpaloalto.org/civicax/filebank/documents/73287

During this process, the Finance Committee serves as the working body to assist in the review of a potential revenue ballot measure for the November 2020 election, reviewing staff and consultant work, and stakeholder feedback. The Finance Committee will make its recommendations for consideration and action by the full seven-member City Council.

Most recently, on September 16, 2019, the City Council provided the following direction to staff (summarized):

Continue work exploring a potential ballot measure with the following focuses:

- a) Consider the following measure types as either a general tax or a special tax measure:
 - general business tax measure focused on head count, payroll, or square footage as the units of measure
 - parcel tax measure focused on square footage as the unit of measure;
- b) Continue further refined analysis on potential exemptions and tiered tax rate structures with the following guidance:
 - maintaining estimated revenue generation between 1 and 10 percent of General Fund revenues,
 - focus on implications regarding retail, restaurants, hospitality, and medical industries, and keeping potential tax structures simple and modern minimizing exemptions;
- c) Discuss next steps including continued stakeholder engagement with multiple business types;
- d) Direct Staff to compile an information sheet on San Francisco's and East Palo Alto's various business taxes;
- e) Develop a round of polling to test the type of taxation, levels of taxation, a phase in period and tiering based on type of business:
 - Test payroll, headcount, and square footage taxes;
- f) Potential revenue proceeds allocations to transportation and/or affordable housing shall be determined at a later date and informed by polling; and
- g) Consider a parcel tax or General Obligation (GO) Bond for unfunded infrastructure projects at a later date.

Discussion

As outlined above, the City Council provided additional direction to staff to focus future staff work related to a potential ballot. Staff has reviewed Council's direction and has revised workplan for approval.

Through September, the Finance Committee, City Council, and staff have accomplished the tasks set out as part of the original workplan. The table below outlines the revised key decision points for City Council and Finance Committee and notes anticipated staff work to be completed for context over the coming months. The workplan continues to anticipate an iterative approach for the Finance Committee and City Council providing information at a

steady pace and allows for continued review and refining of proposals. This plan reflects an ideal timeline which has many risks that may delay it further, details are outlined in more detail below.

Schedule	Task
October 2019	<p><i>Finance Committee provides direction on further work and next steps (items c, e, f)</i></p> <ul style="list-style-type: none"> - Informed by the revised direction received by the full City Council on September 16, 2019 - Complete an initial poll and onboard necessary resource for outreach. <p><i>Staff work</i></p> <ul style="list-style-type: none"> - Obtain additional, complete, and more detailed data to incorporate into modeling potential measures per City Council direction. - Develop information sheet on San Francisco and East Palo Alto taxes assessed on businesses. - Engage with polling and outreach consultants to develop and implement polling and outreach strategy.
November 2019	<p><i>Finance Committee discuss and provide guidance to the City Council on potential revenue generating ballot measure(s) to pursue (items a, b, d)</i></p> <ul style="list-style-type: none"> - Review more refined analysis on narrowed options including scenarios for rates, exemptions, and tiers <p><i>Staff work</i></p> <ul style="list-style-type: none"> - Continue stakeholder outreach and polling.
December 2019	<p><i>City Council: discuss findings from initial polling and stakeholder outreach and confirmation on potential ballot measure to pursue (items a – f)</i></p>
January 2020-May 2020	<p><i>Staff work</i></p> <ul style="list-style-type: none"> - Continue stakeholder outreach and an additional round of polling as directed, - Draft required legal and administrative documents. <p>City Council and Finance Committee will be provided updates as necessary for status check-ins, feedback, and policy decisions.</p>
June 2020	<p><i>City Council approves November 2020 ballot measure and specific measure language - Should the City Council choose to pursue a ballot measure(s), final approval including the ballot measure language needs to be submitted to the Santa Clara County Registrar of Voters in early August 2020.</i></p>

Both polling and stakeholder outreach are informally outlined in the monthly timeline above. The frequency and appropriate stakeholders are highly dependent on the types of proposals pursued. In order to meet these timelines, it is expected that reliance on staff and consultant expertise on strategies be used. Specifically, polling was completed in 2016 and 2018. In 2016, the polling was focused on a transportation tax measure and the questions and results can be found here: www.cityofpaloalto.org/civicax/filebank/documents/53000. In 2018, an initial round of polling, similar to what is proposed in the timeline above was completed first, and it informed a more detailed second round of polling that was completed at a later date. The questions and results of the 2018 initial polling can be found here: www.cityofpaloalto.org/civicax/filebank/documents/53000.

A multi stepped and informal stakeholder engagement process for a business tax measure would be recommended as both outreach about instituting a business tax would be necessary for education and awareness but also for consultation regarding the design and structure. Candid direct feedback through an iterative process will assist in the development of a viable measure that is administratively feasible.

Potential Risks to Proposed Workplan

This workplan assumes staff, consultant, and critical data availability immediately. As discussed previously, staff is working to obtain more detailed and authoritative data sources to further refine scenario modeling and although in process, essential data is still being gathered. Incorporating polling and outreach efforts assume expeditious procurement processes as well as immediate availability of consultant assistance. Throughout the overall process, restarting the data gathering or seeking other/additional data sources to compare, or remodeling or refining models that have already been completed will potentially further delay the workplan outlined and ultimately the June 2020 target to approve the ballot measure and specific measure language for the November 2020 ballot.

Resource Impact

Staff recommends continuing working with consultants for analysis of potential tax structure scenario modeling as well as consultant(s) for polling and outreach. In September the Council approved funding of \$75,000 for the analysis work that has been completed to date as well as that work that was recently requested. Staff expects consulting services of an additional \$175,000 for polling and outreach services. No funding for this additional consultant assistance is currently budgeted, therefore, it is anticipated that staff will bring forward both funding requests and the contracts for approval including requests for exemptions from solicitation in order to meet the above timeline.

The City has most recently completed work associated with revenue ballot measures in 2018 for Measure E (increase in Transient Occupancy Tax rate) as well as 2016 for a potential business tax measure. Staff will work to leverage this prior work to the extent possible including consultant knowhow to ease the onboard and accomplish the proposed timing.

Policy Implications

This recommendation aligns with existing City policy and City Council direction as part of the 2019 Fiscal Sustainability Workplan.

Environmental Review

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

Attachments:

- Attachment A: 09-16-2019 City Council DRAFT Action Minutes
- Attachment B: Abbreviated Election Calendar - November 2020



CITY OF PALO ALTO CITY COUNCIL DRAFT ACTION MINUTES

Special Meeting
September 16, 2019

The City Council of the City of Palo Alto met on this date in the Council Chambers at 5:05 P.M.

Present: Cormack, DuBois, Filseth, Fine; Kniss arrived at 5:13 P.M., Kou; Tanaka participating remotely arrived at 5:13 P.M.

Absent:

Study Session

1. Study Session With the City's Federal Lobbyist Related to Federal Legislation.

NO ACTION TAKEN

Closed Session

2. CONFERENCE WITH CITY ATTORNEY-EXISTING LITIGATION
Santa Clara County Superior Court Case No. 18CV328469
(One Case, as Defendant)–Jay Greer v. City of Palo Alto
Authority: Government Code Section 54956.9(d)(1).

MOTION: Council Member Cormack moved, seconded by Vice Mayor Fine to go into Closed Session.

MOTION PASSED: 7-0

Council went into Closed Session at 5:59 P.M.

Council returned from Closed Session at 6:25 P.M.

Mayor Filseth announced no reportable action.

Consent Calendar

Council Member Kou registered no votes on Agenda Item Numbers 4 and 6.

MOTION: Council Member Cormack moved, seconded by Mayor Filseth to approve Agenda Item Numbers 3-6.

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3. Approval of Contract Number C20174826 With Monterey Mechanical Co. in an Amount Not-to-Exceed \$450,000 to Provide On-call Emergency and Critical Construction Services at the Regional Water Quality Control Plant, Wastewater Treatment Fund Capital Improvement Program Project WQ-19002.
4. Approval of a Funding Agreement With the Santa Clara Valley Transportation Authority (VTA) for 2016 Measure B Local Streets and Roads Program Funding.
5. Approval of Contract Number S19175846 With WRA, Inc. in an Amount Not-to-Exceed \$93,237 to Conduct a Matadero Creek Study for the North Ventura Coordinated Area Plan (NVCAP).
6. Vote to Endorse the Slate of Candidates for the Peninsula Division's Executive Committee for 2018-19 and Direct the City Clerk to Forward to Seth Miller, the Regional Public Affairs Manager for the Peninsula Division, League of California Cities the Completed Ballot for the City of Palo Alto.

MOTION PASSED FOR AGENDA ITEM NUMBER 3, 5: 7-0

MOTION PASSED FOR AGENDA ITEM NUMBER 4: 6-1 Kou no

MOTION PASSED FOR AGENDA ITEM NUMBER 6: 6-1 Kou no

MOTION: Council Member Kniss moved, seconded by Council Member Cormack to move Agenda Item Number 10 forward to be heard at this time.

MOTION PASSED: 7-0

10. Designation of Voting Delegate and Alternate for the League of California Cities Annual 2019 Conference, to be Held October 16-18, 2019 in Long Beach, CA.

MOTION: Council Member Kniss moved, seconded by Vice Mayor Fine to appoint Lydia Kou as a Voting Delegate and Council Member Kniss as an alternate for the League of California Cities Annual 2019 Conference.

MOTION PASSED: 7-0

Action Items

7. Staff and Utilities Advisory Commission Recommends That the City Council Adopt a Resolution 9858 Entitled, "Resolution of the Council of

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the City of Palo Alto Amending Rule and Regulation 20 to Allow Neighborhood Self-funding of Certain Subsurface Equipment.”

MOTION: Vice Mayor Fine moved, seconded by Mayor Filseth to adopt a Resolution amending Utility Rule and Regulation 20 to allow Neighborhoods to Self-Fund Certain Subsurface Projects.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to direct Staff to return to Council with an overview of the City’s underground utilities policy related to cables and transformers.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to direct Staff to include in the Rules and Regulations efforts to camouflage cables and transformers.

SUBSTITUTE MOTION: Council Member Kou moved, seconded by Council Member XX to postpone adoption of the Resolution and direct Staff to return to Council after communicating the new policy to residents.

SUBSTITUTE MOTION FAILED DUE TO THE LACK OF A SECOND

MOTION AS AMENDED: Vice Mayor Fine moved, seconded by Mayor Filseth to:

- A. Adopt a Resolution amending Utility Rule and Regulation 20 to allow Neighborhoods to Self-Fund Certain Subsurface Projects;
- B. Direct Staff to return to Council with an overview of the City’s underground utilities policy related to cables and transformers; and
- C. Direct Staff to include in the Rules and Regulations efforts to camouflage cables and transformers.

MOTION AS AMENDED PASSED: 6-1 Kou no

Council took a break at 8:51 P.M. and returned at 9:05 P.M.

8. Evaluation and Discussion of Potential Revenue Generating Ballot Measures and Confirmation of Finance Committee Recommended Parameters for Tax Structure and Further Analysis; and Approval of a Budget Amendment in the General Fund.

MOTION: Mayor Filseth moved, seconded by Council Member Kniss to continue Agenda Item Number 9, “Caltrain Business Plan - Direction to Staff Regarding...” to September 23, 2019.

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MOTION PASSED: 7-0

MOTION: Council Member DuBois moved, seconded by Council Member Kou to:

- A. Direct Staff to continue work regarding a potential revenue generating ballot measure with the following parameters:
 - a. Consider a general business tax measure focused on head count or square footage as the units of measure;
 - b. Consider a parcel tax measure focused on square footage as the unit of measure;
 - c. Potential revenue proceeds allocations to transportation and/or affordable housing shall be determined at a later date and informed by polling;
 - d. Continue further refined analysis on potential exemptions and tiered tax rate structures with the following guidance: maintaining estimated revenue generation between 1 and 6 percent of General Fund revenues, focus on implications regarding retail, restaurants, hospitality, and medical industries, and keeping potential tax structures simple and modern minimizing exemptions;
 - e. Continue to review any potential ballot measures as either a general tax (with nonbinding advisory language on intended use of funds) or a special tax measure;
 - f. Consider a parcel tax or General Obligation (GO) Bond for unfunded infrastructure projects at a later date;
 - g. Discuss next steps including continued stakeholder engagement and potential polling;
 - h. Do additional analysis and research, benchmarking against San Francisco and East Palo Alto using an average tax revenue per working metric; and
 - i. Develop a round of polling to test the type of taxation, levels of taxation, a phase in period and tiering based on type of business;
 - a) Test payroll, headcount, and square footage taxes; and

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- b) Remove range of 1 - 6 % and test a broader range up to 50% of SF average tax per employee
- B. Amend the Fiscal Year 2020 Budget Appropriation Ordinance for the General Fund by:
- a. Increasing the Administrative Services Department appropriation for contractual services in the amount of \$75,000; and
 - b. Decreasing the Budget Stabilization Reserve in the amount of \$75,000.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to amend Part A. h. to state "...including benchmarking against San Francisco and East Palo Alto's average tax revenue per worker metric..."

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to amend Part A. g. to state "Discuss next steps including continued stakeholder engagement with multiple business types."

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to remove Part A. i. b).

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to amend Part A. d. to state "...estimated revenue generation between 1 and 10 percent..."

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to amend Part A. h. to state "Direct Staff to get an information sheet on San Francisco and East Palo Alto's various business taxes."

MOTION AS AMENDED RESTATED: Council Member DuBois moved, seconded by Council Member Kou to:

- A. Direct Staff to continue work regarding a potential revenue generating ballot measure with the following parameters:
 - a. Consider a general business tax measure focused on head count or square footage as the units of measure;
 - b. Consider a parcel tax measure focused on square footage as the unit of measure;

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- c. Potential revenue proceeds allocations to transportation and/or affordable housing shall be determined at a later date and informed by polling;
 - d. Continue further refined analysis on potential exemptions and tiered tax rate structures with the following guidance: maintaining estimated revenue generation between 1 and 10 percent of General Fund revenues, focus on implications regarding retail, restaurants, hospitality, and medical industries, and keeping potential tax structures simple and modern minimizing exemptions;
 - e. Continue to review any potential ballot measures as either a general tax (with nonbinding advisory language on intended use of funds) or a special tax measure;
 - f. Consider a parcel tax or General Obligation (GO) Bond for unfunded infrastructure projects at a later date;
 - g. Discuss next steps including continued stakeholder engagement with multiple business types;
 - h. Direct Staff to get an information sheet on San Francisco and East Palo Alto's various business taxes; and
 - i. Develop a round of polling to test the type of taxation, levels of taxation, a phase in period and tiering based on type of business;
 - a) Test payroll, headcount, and square footage taxes
- B. Amend the Fiscal Year 2020 Budget Appropriation Ordinance for the General Fund by:
- a. Increasing the Administrative Services Department appropriation for contractual services in the amount of \$75,000; and
 - b. Decreasing the Budget Stabilization Reserve in the amount of \$75,000.

MOTION AS AMENDED PASSED: 6-1 Tanaka no

~~9. Caltrain Business Plan – Direction to Staff Regarding Comments on the Draft Long Range Service Vision.~~

Adjournment: The meeting was adjourned at 11:49 P.M.

Abbreviated Presidential General Election Calendar
November 3, 2020
Santa Clara County

DATES	ACTIVITIES / DOCUMENTS
July 1, 2020 (E – 125)	<u>DUE DATE FOR RESOLUTIONS FOR GOVERNING BOARD ELECTIONS</u> Deadline for jurisdictions to submit resolutions for a governing board election.
July 13, 2020 (E – 113)	<u>NOMINATION PERIOD OPENS</u> First day candidates may pick up nomination documents either at the district office or at the Office of the Registrar of Voters.
August 5, 2020 – November 3, 2020 (E – 90 to E)	<u>CONTRIBUTION/INDEPENDENT EXPENDITURES</u> Sums of \$1000 or more to/from a single source must be reported within 24 hours. The Independent Expenditure report is required only for committees (not candidate controlled) that make independent expenditures totaling \$1,000 or more to support or oppose a single candidate or a single ballot measure.
August 7, 2020 (E – 88)	<u>NOMINATION PERIOD CLOSSES*</u> Deadline to file (in the Office of the Registrar of Voters only) all required nomination documents. <u>DUE DATE FOR MEASURE RESOLUTIONS AND TAX RATE STATEMENTS*</u> Last day for jurisdictions to file a resolution calling for a measure election, and if applicable, tax rate statements.
August 8, 2020 – August 12, 2020 (E – 87 to E – 83)	<u>EXTENSION PERIOD*</u> If an incumbent fails to file a Declaration of Candidacy by August 7, 2020 for his or her office, there will be a five calendar-day extension during which any candidate, other than the incumbent, may file or withdraw from said office.
August 11, 2020 (E – 84)	<u>DUE DATE FOR ARGUMENTS*</u> Deadline set by the Registrar of Voters for submitting arguments in favor of and against a measure.
August 13, 2020 (E – 82)	<u>RANDOMIZED ALPHABET DRAWING</u> This day the Secretary of State and the local elections official will conduct a drawing of letters of the alphabet to determine the order in which candidates appear on the ballot.
August 18, 2020 (E – 77)	<u>DUE DATE FOR REBUTTALS AND IMPARTIAL ANALYSES*</u> Deadline set by the Registrar of Voters for submitting rebuttals to arguments in favor of and against and the impartial analysis.

Abbreviated Presidential General Election Calendar
November 3, 2020
Santa Clara County

DATES	ACTIVITIES / DOCUMENTS
September 7, 2020 – October 20, 2020 (E – 57 to E – 14)	<u>WRITE-IN CANDIDACY OPENS AND CLOSES</u> Time frame for write-in candidates to obtain and file nomination documents in the Office of the Registrar of Voters.
September 24, 2020 (E – 40)	<u>F.P.P.C. 1st PRE-ELECTION STATEMENT DUE</u> Deadline for financial disclosure report Form 460 covering the period of 7/1/20** to 9/19/20.
October 5, 2020 (E – 29)	<u>FIRST DAY FOR MAILING OF VOTE BY MAIL BALLOTS</u> First day of mailing of Vote by Mail ballots.
October 19, 2020 (E – 15)	<u>LAST DAY TO REGISTER TO VOTE FOR NOVEMBER ELECTION</u> Deadline to register to be eligible to vote in the November 3, 2020 election.
October 22, 2020 (E – 12)	<u>F.P.P.C. 2nd PRE-ELECTION STATEMENT DUE</u> Deadline for financial disclosure report Form 460 covering the period of 9/20/20** to 10/17/20.
October 27, 2020 (E – 7)	<u>LAST DAY TO REQUEST VOTE BY MAIL BALLOT BY MAIL</u> Deadline to submit a request for a Vote by Mail ballot to be mailed to voter.
NOVEMBER 3, 2020 (E)	<u>ELECTION DAY</u> Voter Centers are open from 7:00 a.m. to 8:00 p.m.
December 3, 2020 (E + 30)	<u>OFFICIAL CANVASS OF VOTE</u> Registrar of Voters to certify election results by December 3, 2020.

This calendar may not contain all of a candidate's or district's filing requirements. The Office of the Registrar of Voters is not open for filings on Saturday, Sunday or holidays.

* Refer to California Elections Code §§9190, 9295 and 13313 for details of public examination periods and writ of mandate.

** The period covered by any statement begins on the day after the closing date of the last statement filed, OR January 1st, if no previous statement has been filed.