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REPORT TO COUNCIL

SUBJECT

Presentation on Business Tax Ballot Measure and Other Potential Revenue Measures for November 2022 Ballot

COUNCIL PILLAR

Enhance Community Engagement and Transparency

BACKGROUND

At the 2021 Council Priority Setting Session, information was requested by Council on a potential business tax ballot measure which would update the City's current business tax structure. As part of the May 25, 2021 Budget Study Session and at the June 22, 2021 City Council meeting, Staff presented information and a timeline to pursue a measure that could be placed on the November 2022 General Election ballot. At the June 22nd Council meeting, Council directed staff to 1) begin work on a potential November 2022 ballot measure, including exploring other potential revenue measures, and 2) agendize a study session for Fall 2021. This direction was affirmed at the August Council Priority Setting check-in meeting.

Currently, all businesses operating within Santa Clara (including those businesses operating but located outside of the City), must have a license to transact business or occupy space in the city. The City's business tax program was last updated in 1992. The business tax program does not allow for a cost escalator and therefore has not changed in almost 30 years. The City's current charge for business tax ranges from \$15 to \$500 per company and as a result receives annual revenue of approximately \$0.9 million.

DISCUSSION

In preparation for a potential November 2022 ballot measure, City staff has started a procurement for Business Tax and Ballot Measure Consulting Services by releasing a Request for Statement of

Qualifications in September 2021. Staff anticipates completing the procurement process shortly with a contract award expected later this month. The services to be provided include 1) a comprehensive study on the current business tax structure and recommending alternative tax structures/methods in addition to exploring other tax measures, 2) professional polling/public opinion research services and, 3) corporate and community outreach.

As staff proceeds with the analysis for a November 2022 ballot measure, it is important Council input is gathered on some key priorities and/or guidelines for the consultant to take into consideration when making recommendations on possible alternative tax structures. During this study session, staff will provide a brief overview of business tax structures, benchmark comparative cities and briefly discuss other possible tax measures the Council may want to explore for the November 2022 ballot given the projected deficit and on-going infrastructure needs.

At the August 2021 Council Priorities check-in meeting, Council was advised of the projected \$17.6 million deficit in fiscal year 2023/24 along with close to \$1 billion of unfunded infrastructure needs. A critical part of the budget balancing strategies presented to Council was increasing revenues, which included exploring tax measures. While the Business License Tax was prioritized, there are other tax measure options that may need to be explored including the Utility User Tax, Documentary Transfer Tax and a General Obligation Bond or Parcel Tax.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

FISCAL IMPACT

There is no fiscal impact associated with this report other than administrative staff time.

COORDINATION

This report was coordinated with the City Manager’s Office and the Finance Department.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Provide feedback on key priorities for the development of recommendations on possible alternative tax structures for future Council consideration; and
2. Review and direct staff to explore other potential revenue measures to be placed on the November 2022 ballot.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager