



# City of Santa Clara

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## Agenda Report

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18-845

Agenda Date: 7/5/2018

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### REPORT TO COUNCIL

#### SUBJECT

Presentation of Community Research Survey Results and Draft Ballot Questions for Potential 2018 November Ballot Revenue Opportunities

#### BACKGROUND

On May 29, 2018, the City Council received a report and presentation on various Revenue Opportunities that could be considered for the 2018 November Ballot. In that report, staff provided an in-depth discussion of the City's fiscal outlook and what led to the need to consider potential ballot measures. The report is attached for reference (Attachment 1).

As part of that presentation, staff reviewed the following five potential revenue options for Council's consideration:

1. Increase in the Transient Occupancy Tax (TOT) rate,
2. Increase in the Documentary Transfer Tax,
3. Establishment of a Utility User Tax (UUT),
4. Establishment of a Cannabis Tax, and/or
5. Establishment of an Infrastructure Bond Measure

Additionally, staff noted that in order to better understand the viability of the measures above, consultants would be necessary to complete the following efforts:

- Statistically Valid and Scientific Community Research and Focus Groups
- Community Engagement & Stakeholder Outreach
- Information and Education Efforts
- Revenue Analysis and Engineering Scoping

At that meeting, Council directed staff to proceed with analyzing two revenue options for the 2018 November Ballot and authorized the City Manager to enter into contracts to conduct the required community research and outreach:

1. Cannabis Tax (Requires 50% + 1 Voter Approval)
2. Infrastructure Bond Measure (without CityPlace) (Requires 2/3 Majority Vote Approval)

#### *Commercial Cannabis Tax*

The passage of Proposition 64, the Adult Use of Marijuana Act (AUMA), on November 8, 2016, legalized personal recreational use by persons 21 and over, and regulated commercial activities related to cannabis. Subsequently, the State legislature passed Senate Bill 94, the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), unifying regulations on medical and non

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-medical commercial cannabis activities and the personal use of cannabis.

On September 26, 2017, the Council determined that these regulations could provide potential revenue enhancing opportunities for the City and directed staff to: 1) prepare cannabis regulations for future Council consideration; and 2) prepare a corresponding fee and tax strategy for commercial cannabis activity. On January 19-20, 2018, the City held a City Council Operational and Strategic Priority Setting Session to create a shared understanding and assessment about the state of the organization and the City Council's policy priorities. At that session the Council discussed the need to increase current revenue sources and/or identifying new revenue sources to stabilize the City's fiscal condition.

Following the session, the Council held a study session on commercial cannabis on January 23, 2018, which in turn launched a work plan to create a policy framework to allow certain cannabis activity in Santa Clara and to create a new tax structure for future Council consideration. Stakeholder and community meetings were held in February 2018. During the report provided to Council on May 29, 2018, staff presented estimates indicating that this tax could generate \$1.2 to \$2.4 million annually.

#### *Infrastructure Bond Measure (without CityPlace)*

Based on a number of unfunded capital infrastructure needs, Council began holding study sessions to discuss infrastructure in 2017. Study Sessions were held on July 18, 2017; February 22, 2018; and April 24, 2018 to discuss infrastructure needs and project options. These study sessions also identified possible funding opportunities, including a new tax measure, and Council expressed interest in continuing the discussion of including the measure on the 2018 November Ballot.

Staff finalized a draft project list based on feedback from the Council study sessions and discussion at the Council meeting on May 29, 2018, which is included below. The project list is based on \$200 million financing capacity and existing 2018 engineering and construction costs with no escalation (further refinement of costs and financing will be necessary).

#### **DISCUSSION**

Following Council direction on May 29, 2018, staff began working with the Lew Edwards Group, EMC Research and Public Dialogue Consortium to develop community outreach tools and to conduct research on the two potential revenue measures. A community research survey was developed and conducted in mid-June that included initial ballot measure language. Scientific focus groups were convened on June 28, 2018, to gather quantitative feedback.

Attached to this report is a brief summary of the outcomes from the community research survey and scientific focus groups (Attachment 2). The results of these efforts will be presented at the July 5, 2018 Special Meeting.

#### **Next Steps**

- The City will host two community meetings on July 11 and 12, 2018, to provide an opportunity for public input on City service priorities and infrastructure needs, as well as possible funding opportunities for those needs. The meetings will be at the following locations:

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| Community Meeting #1 Wednesday, July 11, 6:30 p.m. - 8:30 p.m. Central Park Library, Redwood Room 2635 Homestead Road, Santa Clara | Community Meeting #2 Thursday, July 12, 6:00 p.m. - 8:00 p.m. Northside Branch Library, Community Room 695 Moreland Way, Santa Clara |
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- On July 17, 2018, City Council will take their final action on which revenue measure to place on the 2018 November Ballot, as well as approve final ballot measure language and adopt a resolution to submit the question to the Registrar of Voters by the August 10, 2018 deadline.

## **FISCAL IMPACT**

There is no fiscal impact to the City with this report; however there could be an increase in revenue for addressing projected shortfalls or unfunded infrastructure improvements and rehabilitations if the Council decides to place either of the revenue opportunities on the ballot, pending voter approval. There is an economy of scale associated with placing any potential ballot measure(s) on the 2018 November Ballot since the City has already called for a Municipal Election to be held. The Registrar of Voters estimates that each ballot measure would be approximately \$100,000 for consolidation services. Additional funds would be necessary for voter outreach and engagement, including printing and distribution services; translation services; noticing and publication costs; and other related costs. The Fiscal Year 2018-19 Adopted Budget includes costs associated with the 2018 November Election and funding for up to two ballot measures.

## **COORDINATION**

This report has been coordinated with the City Attorney's Office, City Clerk's Office and the Finance Department.

## **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(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment

## **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) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

## **ALTERNATIVES**

- Direct staff to pursue both revenue opportunities, Cannabis Tax and Infrastructure Bond Measure, and move forward with community meetings and development of ballot language.
- Direct staff to pursue the Cannabis Tax and move forward with community meetings and development of ballot language. This option will generate some revenue to partially address the projected FY 2019/20 shortfall.
- Direct staff to pursue the Infrastructure Bond Measure and move forward with community meetings

and development of ballot language. This option will address needed infrastructure improvements of City facilities.

4. Any other direction the Council deems appropriate.

**RECOMMENDATION**

Council direction on which potential November 2018 ballot measure to proceed with for final consideration at the July 17, 2018 Council meeting.

Reviewed by: Nadine Nader, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. May 29, 2018 Agenda Reports on Consideration of Revenue Opportunities
2. Summary of Outcomes from Community Research Survey and Focus Groups