



DATE: December 5, 2017

CATEGORY: New Business

DEPT.: City Manager's Office/Finance and Administrative Services

TITLE: **Revenue Measure Options for Potential Transportation or Other Capital Projects**

RECOMMENDATION

Provide direction to staff on whether or not to pursue a revenue measure, including the preferred type of measure and uses for the funds.

BACKGROUND

Through the Council's goal-setting process, the City Council identified the following transportation-related major goal for Fiscal Years 2017-18 through 2018-19:

Develop and implement comprehensive and coordinated transportation strategies to achieve mobility, connectivity, and safety for people of all ages.

One of the projects approved, related to this goal, is developing a comprehensive modal plan that would involve the Santa Clara Valley Transportation Authority (VTA), Caltrain, major employers, etc., and include a funding mechanism.

Over the years, Council has discussed revenue measure options and has requested staff provide information on the options related to funding significant capital projects. For the City, the most recent successful revenue measure was Measure T, a ballot measure to reform the Utility User's Tax (UUT) on November 2, 2010 (voter approval rate of 70.1 percent).

The most recent Study Sessions on the topic of revenue measures were held on May 7, 2013 and November 5, 2013. The May 7, 2013 meeting provided information on options for funding major capital improvements. At that meeting, the Council provided direction to initiate a resident satisfaction survey to include questions related to support for a ballot measure for funding unmet capital project needs.

At the November 5, 2013 meeting, staff provided Council with the results of a voter survey. The survey scope served multiple purposes with one of the main goals being to provide policy makers with data to consider when determining the viability of further action on a potential voter measure in 2014 or 2016. The survey was not as detailed as a true "ballot measure survey." Another more specific survey would be necessary if the Council decided to proceed with a ballot measure for a specific project.

At that time, the survey results tested satisfaction with the City's overall job performance and services provided. Seven projects were identified for prioritization and surveyed for support of a bond measure. The survey revealed there was average support of 54 percent for a bond measure, below the two-thirds threshold needed for approval. No further direction was provided to pursue a revenue measure. Subsequently, Council provided general support to dedicate the future revenue stream from City-leased land (Ameswell project) for the unmet capital project of the public safety facility (Police and Fire Administration Building).

ANALYSIS

At the September 19, 2017 Council meeting, Council discussed the potential for a tax measure in conjunction with the Comprehensive Modal Plan to fund transportation capital projects or ongoing revenue for transportation needs. Staff indicated it would take 12 to 18 months to complete the comprehensive plan and fully identify any new projects, which would not be in time for a potential measure for the 2018 ballot.

There are a number of costly transportation projects being planned and under consideration, some for which the City is beginning to estimate costs for. For instance, the Automated Guideway Transit (AGT) is estimated to cost between \$50 and \$130 million per mile for the approximately 4-6 miles of transit being considered. In addition, there are two grade separation projects, one at Rengstorff and the other at Castro Street. Castro Street is expected to cost approximately \$50 million and Rengstorff approximately \$150 million. Much, but not all, of the grade separation costs may be covered by Measure B, depending on the final rules for use of those funds.

Other costs have not yet been established or refined. For instance, preliminary design work for the Transit Center will allow for more detailed cost estimates and, as a result of revisions to the North Bayshore Precise Plan, a Charleston Road undercrossing and a Transit/Bike/Pedestrian Bridge over Steven's Creek could be needed. Since there are multiple potential funding sources involved, final costs to the City for these projects are still unknown. This is also true for the aforementioned Comprehensive Modal Plan and projects that may be included in that effort

Council discussed whether a revenue measure could be placed on the ballot prior to identifying the specific projects. Council requested staff to provide additional information on the different options for a revenue measure.

Revenue Measure Alternatives

The types of revenue measures most commonly pursued by local governments, the voter threshold for passage, and potential revenues are as follows:

Type	Voter Requirement	For \$50.0 Million Debt/ Revenue Potential
• General Obligation (GO) Bonds	Two-Thirds	\$18 Per \$100,000 Secured AV
• Mello-Roos Bonds	Two-Thirds	\$112 Per Residential \$1,846 Per Commercial
• Parcel Tax Increase	Two-Thirds	\$211 Per Parcel
• Special Assessment and Specific Purpose Benefit Districts	Majority of Voters in District	Variable
• Tax Increase	Majority if General Purpose/ Two-Thirds if Specific Purpose	
– Sales Tax Increase		Each 0.25% ≈ \$5.5 Million
– Utility Users Tax		Each 1% ≈ \$2.9 Million
– Transient Occupancy Tax		Each 1% ≈ \$700,000
– Business License		Variable

Each funding option has benefits and challenges. Additional information on options for funding mechanisms and process for surveying of voters are provided in Attachments 1 and 2, respectively.

A survey of current tax rates of other cities in Santa Clara County is included in Attachment 3. Two agencies have a sales tax rate higher than the Mountain View rate of 9.0 percent. Six cities have Transient Occupancy Tax (TOT) higher than the City’s 10.0 percent, while two are less than 10.0 percent and four are the same as Mountain

View at 10.0 percent. For UUT, four cities have a tax higher than Mountain View's 3.0 percent and two are lower, the remaining cities do not have a UUT.

One idea that has been discussed informally by elected officials in Mountain View and some other cities is an employee tax for transportation. The City received \$251,000 of Business License fees for Fiscal Year 2016-17 in accordance with Chapter 18 of the City Code. This amount does not fluctuate significantly from year to year. The fee is a nominal amount of typically \$30, with a maximum amount to \$250 annually and was last updated in 1985. Business License Tax structures vary by agency with some based on number of employees, others based on gross receipts, and others based on essentially a flat or tiered structure, similar to Mountain View's. Most agencies are generating revenues higher than the City's. The amount of tax generated would also depend on whether the tax is based on the business entity (as in other jurisdictions) or by business location (as is the City's current tax).

If the City were to adopt a structure based on the number of employees by location, similar to Sunnyvale, it is estimated the new tax would generate approximately \$854,000, or approximately \$600,000 more than is currently generated. The City of San Jose structure would generate the most new revenue of approximately \$1.9 million to \$2.9 million based on business name or location, respectively. For more detail in the methodology of the various cities business license structures, see Attachment 3. The estimated tax based on other cities' methodology compared to the City's is as follows:

<u>City Tax Schedule</u>	<u>CMV Est Rev**</u> <u>No. of Employees by Location</u>	<u>CMV Est Rev**</u> <u>No. of Employees by</u> <u>Business</u>
San Jose	\$3,158,000	\$2,185,000
Sunnyvale	\$854,000	\$537,000
Milpitas	\$318,000	\$288,000

** Excludes the following: nonprofit, bank, public utilities, amusements, and rental of property/space/room on the City of Mountain View's Business License Fee Schedule. Also, does not include out of town business tax. Only focused on businesses with City of Mountain View addresses and calculated based on City's tax schedule.

Timeline

For a general tax measure, under Proposition 218, the measure must be placed on the ballot when there is a general election of the City Council unless an emergency is declared. The tax may be placed on a special election ballot in cases of emergency

declared by unanimous vote of the Council. This provision applies to any general tax, including a parcel tax, but would not apply to a GO Bond, Mello Roos, or Special Assessment.

Generally, it is recommended to allow 12 to 18 months to have a dialogue with the community about the need for revenue and to fully prepare a revenue measure for the ballot. If the Council desired to place a measure on the ballot, the next opportunity would be the November 2018 election. The actual ballot language would have to be approved by the Council, no later than August 9, 2018. The basic phases in the process could include:

- Community Dialogue on Needs/Priorities
- Surveying/Measure Development
- Education
- Vote to Place Measure on Ballot
- Campaign (non-City resources)

As previously outlined, an early step would be to design a survey to test citizens' support for a revenue measure. During the surveying/development phase, different formulas and models would be analyzed to determine the most successful financing mechanism to use. Once the Council votes to place a measure on the ballot, the City's role is limited to an informational role. The campaign phase is typically led by a volunteer campaign committee.

Costs

There are costs associated with pursuing a revenue measure. In 2010, the City received confirmation and modifications to its UUT through a ballot measure. The total external cost associated with the UUT measure was approximately \$94,000. If the Council chooses to move forward with a ballot measure, the estimated costs would be as follows:

Survey (for one survey)	\$30,000	to	\$50,000
Consultant	50,000	to	75,000
Legal	15,000	to	25,000
Registrar of Voters	60,000	to	70,000
Other	<u>10,000</u>		<u>10,000</u>
Total	<u>\$165,000</u>	to	<u>\$230,000</u>

The costs associated with a ballot measure are noted above, but could be more if an additional survey or surveys are needed, or additional consultant or legal costs are required. This does not include the cost associated with the issuance of debt, which is typically included in the debt issue. If the Council chose to proceed without a survey or consultant assistance, the cost would be less.

This estimate assumes the ballot would be with a general election. If the type of measure allowed and if the Council chose to place a measure on a special election, the costs for the election alone would be between \$340,000 to \$850,000.

If the Council chooses to pursue this issue further, funds would need to be identified and appropriated. If this is determined to be a Council priority, Council will need to provide direction to staff to develop a work plan and budget and what other goals may be deferred to free resources for staff to be able to pursue this goal.

FISCAL IMPACT

There is no fiscal impact on the recommendation or for Council to provide direction to staff regarding a potential revenue measure. Depending on the direction provided by Council, staff may need to develop a work plan and budget. If a revenue measure is desired and is successful, the revenues generated would be dependent upon the type of revenue measure selected.

CONCLUSION

Council requested staff to return with information related to a revenue measure that could provide funding for significant transportation capital improvement projects. There are a variety of options, each with different opportunities and challenges. An annual revenue stream of \$4.0 million would be needed to generate approximately \$50.0 million in debt proceeds. The cost for a general election ballot measure is estimated to be \$165,000-230,000.

Council Questions:

1. Does the Council wish to pursue a revenue measure for 2018?
2. If so, does the Council have a preferred use for the revenue (transportation – capital or operating, general services, a facility, etc.)?
3. Does the Council have a preferred type of revenue (e.g., sales tax, TOT, employee tax, etc.)?
4. Does Council wish to create a subcommittee to work with staff and consultants on this effort?

If a revenue or tax measure is desired, Council will need to prioritize this task in the Council's goal work plan and determine what projects the revenue would be for, ongoing or one time, and a preference for the type of revenue measure. Staff resources, a work plan, and budget would be required to begin the process.

ALTERNATIVES

1. Direct staff to prepare a workplan and budget for a revenue measure.
2. Conduct a voter survey to determine support for a ballot measure.
3. Direct staff to begin work for a revenue measure to be placed on the ballot for 2020.
4. Provide other direction.

PUBLIC NOTICING – agenda posting.

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- Attachments:
1. Study Session Memo from May 7, 2013
 2. Study Session Memo from November 5, 2013
 3. Survey of Tax Rates of other Cities in Santa Clara County