



Presentation by
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May 1, 2018

Report on Potential November 6, 2018 Ballot Measures

Background

- Potential revenue generating ballot measures to be discussed in order to close the future operating budget and be in alignment with neighboring cities.
- We will discuss four potential ballot measures for the City Council to consider and provide direction:
 - Transient Occupancy Tax (TOT)
 - Cannabis Sales Tax
 - Business License Tax Modernization
 - Mayoral and Council terms (non-revenue generating)
- At the end of the entire presentation, we will seek City Council's direction on each potential ballot measure.

Overview and Timeline

The City Council is being asked to discuss polling for potential Ballot Measure topics for the November 6, 2018 elections.

The timeline below has been developed pursuant to the Elections Code:

- Polling
 - May – Early June 2018
- Polling Result Review and Vote on Tax Ordinance(s) for Ballot
 - June 2018 City Council meeting
- Tax Measure Resolution(s) Approval
 - August 7, 2018 City Council meeting
- Ballot Language for Tax Ordinance(s) Submitted
 - August 10, 2018
- Election
 - November 6, 2018

Transient Occupancy Tax (TOT)

Transient Occupancy Tax (TOT)

Transient Occupancy Tax - assessed on guests who stay in hotels, motels, and other short-term lodgings, with exceptions for stays over 30 days and federal, state, and foreign government employees

- The current Transient Occupancy Tax is 10% of the rent charged by the operator
 - 8% of the Transient Occupancy Tax goes into the General Fund
 - 2% goes to pay for City services including Police, Fire, arts, and library, etc. (Measure I approved November 7, 2000)

TOT Current Conditions

Milpitas currently has 19 hotels totaling 2,692 rooms within the City. Staff is projecting \$12.8 million in TOT revenue for FY 2018-2019.

- \$10.2 million will go to the General Fund
- \$2.6 million will go to the Measure I fund

Plans are in place for 6 new hotels in the next 5 years adding 1,000 more rooms, increasing the number of rooms by 37%. At the current TOT rate, these developments are expected to add over \$5 million in annual revenue by FY 2023-2024.

TOT Projected Revenue for FY 18/19 at 10%, 12% and 14% (\$ in millions)

FY 2018-19	Current 10%	12%	14%
TOTAL	\$12.8	\$15.4	\$17.9
General Fund	10.2	12.8	15.3
Measure I Fund	2.6	2.6	2.6

TOT Projected Revenue for FY23/24 at 10%, 12% and 14% (\$ in millions)

FY 2023-24	Current 10%	12%	14%
TOTAL	\$18.1	\$21.7	\$25.3
General Fund	14.5	18.1	21.7
Measure I Fund	3.6	3.6	3.6

TOT Rate - City Comparison

City	TOT Rate	Revenue
San Jose	14%	\$27 Million
Los Gatos	12%	\$2.1 Million
Cupertino	12%	\$6 Million
Campbell	12%	\$4.4 Million
Gilroy	11%	\$1.7 Million
Santa Clara	9.5% -11.5%	\$20.5 Million
Palo Alto	14%	\$23.4 Million
Los Altos	11%	\$2.9 Million
Sunnyvale	10.5%	\$16.6 Million
Mountain View	10%	\$7 Million
Morgan Hill	10%	\$2.8 Million
Milpitas	10%	\$11.9 Million
Saratoga	10%	N/A
Fremont	10%	\$8.4 Million

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Mountain View	10%	\$7 Million
Morgan Hill	10%	\$2.8 Million
Milpitas	10%	\$11.9 Million
Saratoga	10%	N/A
Fremont	10%	\$8.4 Million

Cannabis Sales Tax

Cannabis Sales Tax

- Placing a cannabis tax measure on the November 2018 ballot will allow the City to implement taxes which would offset the impacts of any potential future allowed uses
- Polling would garner interest of Milpitas residents to have a Tax Measure on the ballot
- Community opinion on the types of allowable sales (if any) will be captured through community meetings, info tables and online survey
- Timelines are established based on Ballot measure deadlines and the City's current Moratorium, expiring January 17, 2019

Cannabis Sales Tax

Timeline Overview:

- Community Outreach
 - May – Early June 2018
- Tax Measure Resolution and Ballot Language (November '18 Election)
 - June – August 9, 2018
- Cannabis Zoning and Regulatory Ordinance Development
 - July – Early December 2018
- Milpitas Cannabis Moratorium Expiration
 - January 17, 2019

Business License Tax

Business License Tax Modernization

Currently, the City receives a very low amount of approximately \$300,000 annually in business license tax revenue due to two factors:

1. An antiquated business license tax structured hasn't been adjusted since 1976
2. Historically, the increase was not implemented due to low return on investment.

Business License Tax Modernization

Staff projects that the City could receive up to an additional \$1.3 - \$2.3 million in annual revenue as a result of a business license tax modernization.

Goal would be to fairly charge local businesses and be more competitive with similar sized San Francisco Bay Area cities

This recommendation is contingent on community support and polling data received from FM3.

Business License Tax- City Comparison

City	Population	FY 16-17 Audited BLT Revenue	Per Capita
Cupertino	58,917	\$1,458,020	\$24.75
Gilroy	55,936	\$694,459	\$12.42
Milpitas	75,410	\$329,362	\$4.37
Mountain View	79,278	\$251,000	\$3.17
Palo Alto	68,691	\$10,323	\$0.15
Redwood City	85,601	\$2,581,968	\$30.16
South San Francisco	65,451	\$1,553,879	\$23.74
Alameda	79,928	\$2,150,000	\$26.90
Dublin	59,686	\$178,051	\$2.98
Livermore	89,648	\$5,342,985	\$59.60
Pleasanton	75,916	\$4,045,206	\$53.29
San Leandro	88,274	\$5,671,762	\$64.25
Union City	73,422	\$1,6	\$22.00

Business License Tax Structures

Processing Fee – The review and/or processing of an application.

Fixed or Base Rate - A set amount paid to obtain a specific type of license.

Gross Receipts - The total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.

Fixed Amount Per Employee/Person – A set amount paid for the number of employees/persons.

Business License Tax- City Comparison

City	Processing Fee	Gross Receipts	Fixed Fee	Per Employee
Milpitas	X		X	X
Campbell				X
Cupertino			X	
Fremont		X	X	
Gilroy	X	X	X	
Los Altos			X	X
Los Altos Hills			X	X
Los Gatos	X	X	X	X
Monte Sereno			X	
Morgan Hill	X		X	X
Mountain View			X	X
Palo Alto			X	X
Santa Clara			X	X
San Jose			X	X
Saratoga	X		X	X
Sunnyvale				X

Mayoral Term and Council Term Limits

Mayoral Term

- Currently directly elected for term of two years.
- City Council may submit to the electors the question of whether the mayor shall serve a two-year or four-year term of office.
- Would impact future elected mayors.

Mayoral Term

Staff survey all cities in Santa Clara, San Mateo, and Alameda counties.

49 cities surveyed

1 year term is the most popular term at 53.1%

Council rotation is the most popular election method at 61.2%

1 year term + Council rotation is the most popular combo at 53.1%

4 year term + Direct election is the second most popular combo at 22.4%

Council Term Limits

- May serve maximum of 3 consecutive elected terms as either Councilmember or Mayor.
- May serve maximum of 4 consecutive elected terms if:
 - Councilmember is elected Mayor; or
 - Mayor is elected Councilmember
- May seek re-election to Councilmember or Mayor 2 years or more after current term limits.

Other Potential Ballot Measures

There may be other ballot measures that the City Council would like to discuss and/or poll for November 2018 election.

Recommendations

Receive a report on potential ballot measures and provide staff with direction regarding polling for selected measures on November 6, 2018.

Council Direction on Polling of Potential Ballot Measures

- At this time, we will ask the City Council to take a vote on individual proposed ballots:
 - 1) Transient Occupancy Tax
 - 2) Cannabis Sales Tax
 - 3) Business License Modernization
 - 4) Mayoral Term and Council Term Limits
 - 5) Others