

Potential Revenue Measures

Business License Tax and Storm Drain Fee



CUPERTINO

2018-19 Work Program

- Employer-based revenue measure to address traffic congestion
- Increase in storm drain fee for cost-recovery

Employer-Based Revenue Measure

Restructuring the Business License Tax

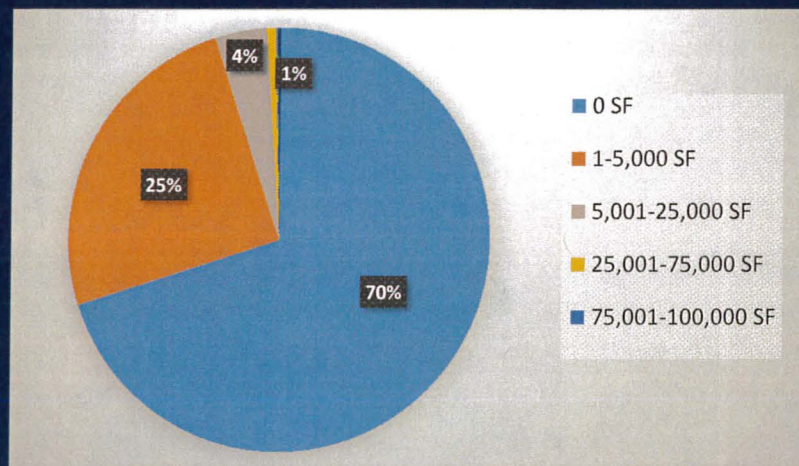
Current Business Tax Structure

Square Footage Range	Rate	Tax Range
Home Occupations - 0	0	\$144
1-5,000	0.0380	\$144-\$334
5,001-25,000	0.0331	\$334-\$996
25,001-75,000	0.0287	\$996-\$2,431
75,001-100,000	0.0237	\$2,431-\$3,024
100,001-150,000	0.0189	\$3,024-\$3,969
150,001+	0.0048	\$3,969+

Examples

Example	Square Footage	Base	SF Rate	Tax
Sole Proprietor	400	\$144	0.0380	\$159
SM Restaurant	2,000	\$144	0.0380	\$220
LG Restaurant	5,000	\$334	0.0331	\$334
LG Grocer	50,000	\$996	0.0287	\$1,714
LG Retail	135,000	\$3,024	0.0189	\$3,685
LG Office	1,000,000	\$3,969	0.0048	\$8,049
Apple Park	2,800,000	\$3,969	0.0048	\$16,689

Over 3,700 Business Licensees in FY 2017-18 YTD



Employee-Based Business Tax

- Employers pay a per employee (EE) amount
 - Flat rates for small businesses
 - Progressive per-EE rate increases as EE count increases

Current Employee-Based Taxes

- Sunnyvale
- San Jose
- Redwood City
- Proposed for Mountain View (November 2018)

Few Medium to Large Businesses



- One business employs 2/3 of Cupertino workers
- Likely that 90% of employers have less than 10 employees

Models for Employee-Based Tax

A. Equal EE rate for all employers: \$260 to generate \$10 million

B. Flat for small employers with progressive EE rate that increases with number of EEs

Progressive Model (like MV)

Range	Estimated Businesses	%	Estimated Employees	Employee Rate	Base Rate	Total BL Tax
1-10	3,000	90.77%	3,000	150	0	\$450,000
11-50	250	7.56%	4,000	300	0	75,000
51-100	35	1.06%	2,000	425	0	14,875
101-250	15	0.45%	2,000	450	50	31,750
251-500	3	0.09%	950	450	50	33,850
501-1000	1	0.03%	550	450	200	30,450
1001-5000	0	0.00%		450	250	-
5,001+	1	0.03%	26,000	450	300	7,420,450
Total	3,305	100.00%	38,500			\$8,056,375

Timeline and Process

November 2018

- Modeling on June 19th based on Council direction
- Council vote to place measure on the ballot on July 3rd

November 2020

- Community dialogue on funding priorities
- Additional surveying
- Modeling
- Expenditure Plan
- Council approval in August 2020

Storm Drain Fee Increase

Getting to cost recovery

Storm Drain Fee

- Covers construction & maintenance of storm drain facilities
- Currently \$12 per residential dwelling
- Cost recovery is about 56%

Full Cost Recovery

- Doubling Storm Drain Fee:
 - \$12 to \$24 per residential dwelling

Process

- Written Notice
- Public hearing 45 days after written notice to consider protests
- Council approval of mail ballot
- All-mail ballot with majority approval

Polling

- Polling shows likely November voters support revenue measures

Next Steps

- Council direction on moving forward or not
- Timeline

November 2018 Election

- Direction on preferred models
- Target revenue amount
- General vs. specific tax