

Employer-Based Revenue Measure

Potential Restructuring of the Business
License Tax



**CITY OF
CUPERTINO**

June 18, 2018

Background

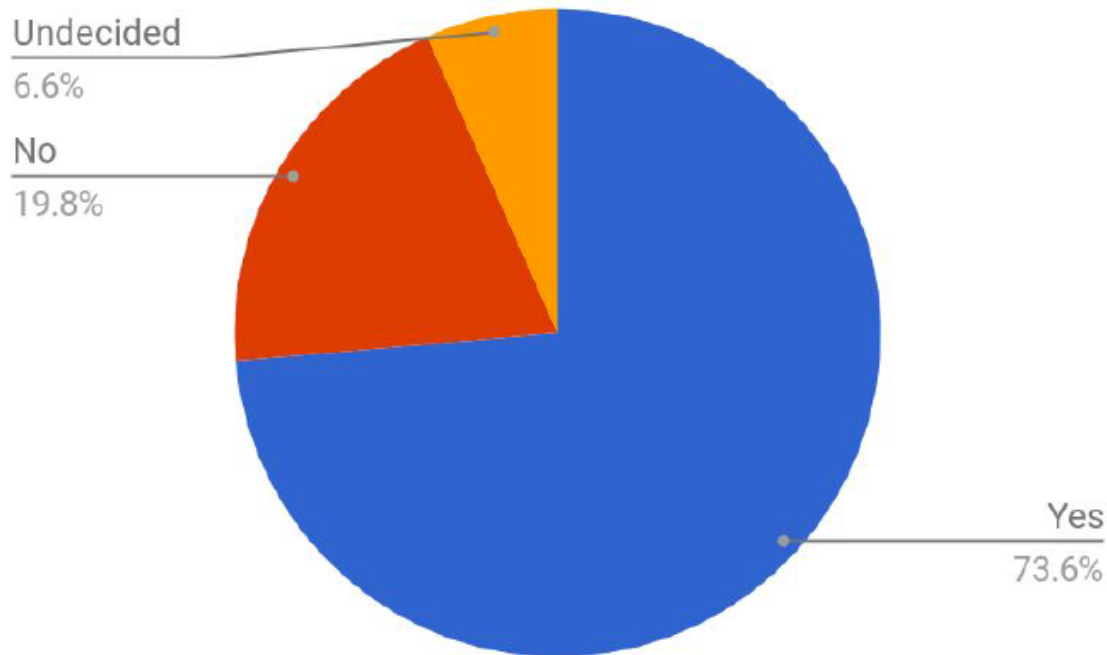
- **March 2018:** 2018-19 Work Program - Employer-based revenue measure to address traffic congestion
- **May 2018:** voter poll
- **June 5, 2018:** study session on potential revenue measures

Polling

- 372 likely November voters
- May 23-25, 2018
- Margin of error +/- 5.05%

Q1

Do you believe employers should contribute tax dollars to pay for road improvements and other public infrastructure regularly used by their employees?

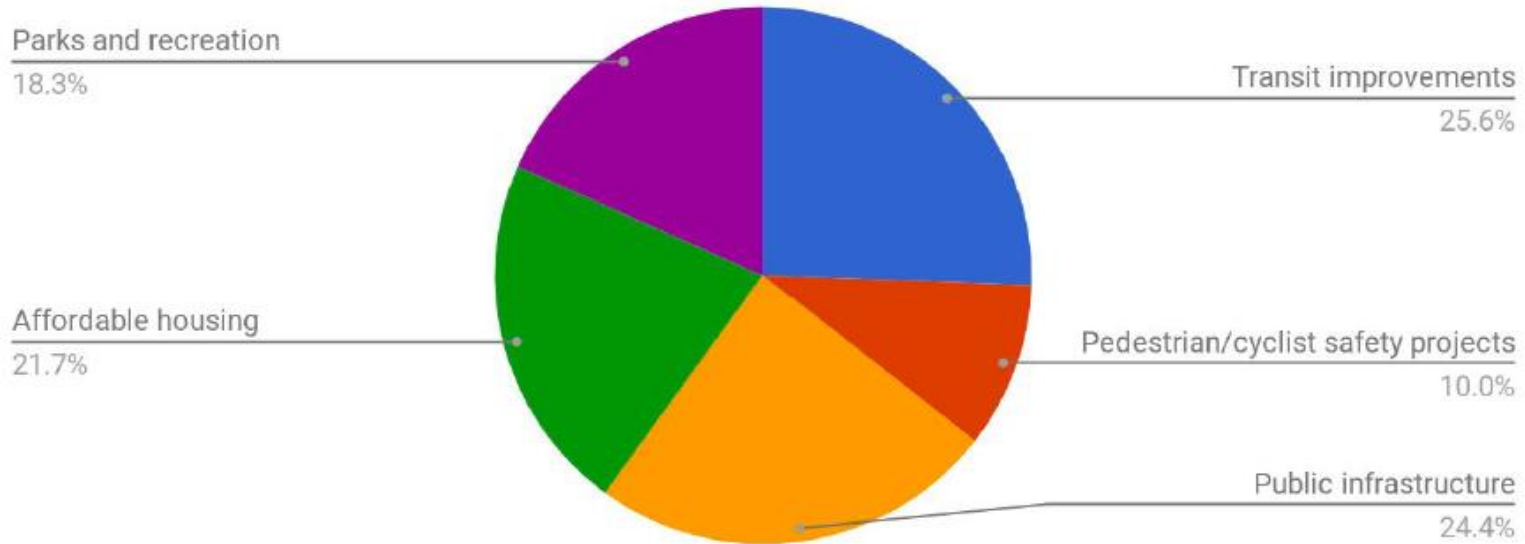


Poll Summary

- 71% support increasing the BLT
- 63% support increase for general services
- 69% support for specific purposes

Q5

Which would be your top priority for a funding increase?



Business License Tax Structures

- Square Footage (current)
- Payroll
- Base + rate per employee

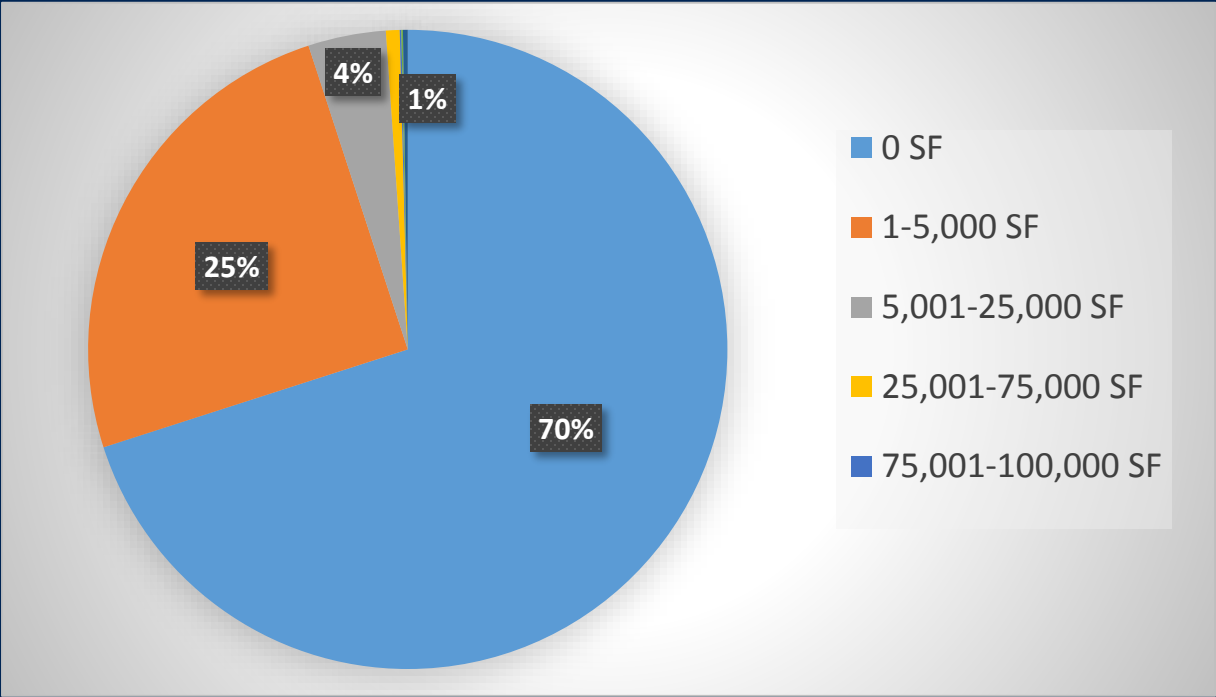
Square Foot Based Tax

- Flat rate for all businesses
 - Square footage rate based on occupancy

Current Structure - \$800,000 FY17-18

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+

Over 3,800 Business Licenses



Payroll Taxes

- Tax rate applied to salaries/wages
- SF is transitioning away from a payroll tax to tax on gross receipts

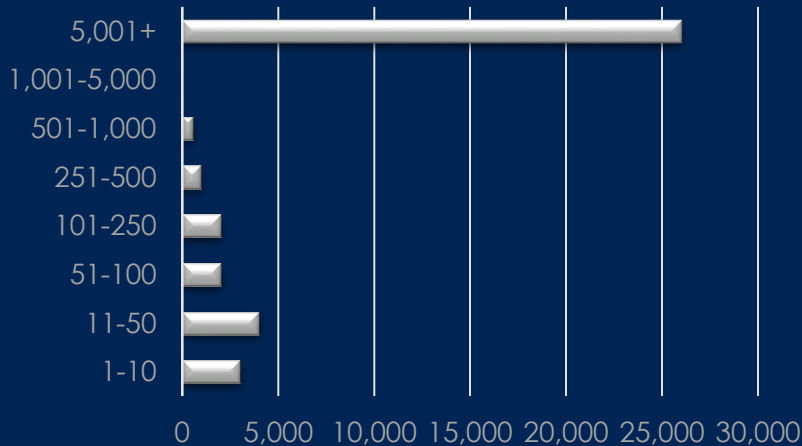
Agency	Payroll Expense Threshold	Payroll Tax Rate
San Francisco, CA	>\$300,000	0.711%
Newark, NJ	>\$2,500	1%
Jersey City, NJ (Proposed)	TBD	1% (Proposed)
Tri-Met Transportation District (Oregon)	All wages	0.7537%
Lane County Mass Transit District (Oregon)	All wages	0.73%
New York City Metropolitan Transportation Authority (MTA)	>\$312,500 to \$375,000	0.11%
	>\$375,000 to \$437,500	0.23%
	>\$437,500	0.34%

Employee-Count Business Tax

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

Few Medium to Large Businesses

Estimated Employees
by Business Size



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

Employee-Count Model Assumptions

- 3,500 non-exempt business licenses with 39,000 employees
- 2,200 out-of-town businesses
- Data from CA EDD, US Census, and City BL database
- No EE rate for first 99 employees
- No cap

Model 1: per EE rate up to \$150

Employee Range	# Businesses	Estimated # Employees	Base Rate	Employee Rate	Total BL Tax
1-9	3,128	3,400	150	-	\$ 469,200
10-49	300	4,000	250	-	\$ 75,000
50-99	40	2,400	500	-	\$ 20,000
100-249	25	3,350	500	\$ 50	\$ 56,250
250-499	5	1,350	500	\$ 75	\$ 47,625
500-999	1	500	500	\$ 100	\$ 26,725
1,000-4,999			500	\$ 125	-
5,000+	1	24,000	500	\$ 150	\$ 3,426,550
Total	3,500	39,000			\$ 4,121,350

Model 2: per EE rate up to \$300

Employee Range	# Businesses	Estimated # Employees	Base Rate	Employee Rate	Total BL Tax
1-9	3,128	3,400	150	-	\$ 469,200
10-49	300	4,000	250	-	\$ 75,000
50-99	40	2,400	500	-	\$ 20,000
100-249	25	3,350	500	\$ 50	\$ 55,000
250-499	5	1,350	500	\$ 100	\$ 50,000
500-999	1	500	500	\$ 150	\$ 33,000
1,000-4,999			500	\$ 200	-
5,000+	1	24,000	500	\$ 300	\$ 6,608,000
Total	3,500	39,000			\$ 7,310,200

Model 3: per EE rate up to \$425

Employee Range	# Businesses	Estimated # Employees	Base Rate	Employee Rate	Total BL Tax
1-9	3,128	3,400	150	-	\$ 469,200
10-49	300	4,000	500	-	\$ 150,000
50-99	40	2,400	500	-	\$ 20,000
100-249	25	3,350	500	\$ 75	\$ 78,125
250-499	5	1,350	500	\$ 100	\$ 68,875
500-999	1	500	500	\$ 200	\$ 36,775
1,000-4,999			500	\$ 300	\$ -
5,000+	1	24,000	500	\$ 425	\$ 9,411,500
Total	3,500	39,000			\$ 10,234,475



Potential Projects

- Transportation
- Public infrastructure
- Potential partnerships for affordable housing development

Electric Community Shuttle



- 6 shuttles operating weekdays 8 am to 6 pm
~\$1.5M/year
- 6 shuttles operating daily
8 am to 6 pm
~\$2M/year

Library Expansion



- “Perch” Addition
- Approximate Size: 4,420sf
- Estimated Cost: ~\$8.5M

New City Hall



- Approximate Size
40,000 sf
- Two Floors with
Underground
Parking
- Estimated Cost:
~\$75-95M

Enhanced Community Facilities



Potential Amenities include:

- Aquatic Center (2 pool): ~\$25-50M
- Multistory Gym (50k s.f.): ~\$50-100M
- Multistory Arts / Performance/ Community/ Incubator Space (100k s.f.): ~\$80 - 120M
- Renovated Sports Center: ~\$15-18M
- Expanded Senior Center: ~\$10-15M

Bicycle Transportation Plan



- Stevens Creek Class IV Bike Lanes, Phases 2 & 3: ~\$5-6M
- McClellan/DeAnza Intersection Reconfiguration: ~\$1-2M
- Bike/Ped Overcrossing of Hwy 85 at the Oaks: ~\$10-20M
- Carmen Rd Bridge: ~\$2-4M
- Junipero Serra Trail: ~\$7-52M
- Regnart Creek Trail: ~\$5-6M
- UPRR Bridge to Snyder-Hammond: ~\$2-6M
- UPRR Trail - ~\$10-20M

Hwy 85 Transit Guideway Study – Hwy 101 in San Jose to Hwy 101 in Mt. View



Although \$350M is currently included in the Santa Clara County Measure B Program, this funding could bridge any gaps to expedite planning and design - ~\$5-10M

Automated Guideway Transit Study – Mt. View Transit Station to I-280/Wolfe Rd



Study to connect future Mountain View system (North Bayshore to downtown transit station) to Apple/Vallco area. Study cost - ~\$1.5-2M

Transit Study – Stevens Creek Corridor to Downtown San Jose



Study to connect the Cupertino and Santa Clara and downtown San Jose with timely and viable transit, possible subway system. Conceptual Study cost - ~\$1.5-2M

Next Steps

- June 19: Council direction on timeline and structure
- July 3: Ballot language approval to meet November 2018 deadline (due to Council recess)
- Resolution on expenditure priorities (TBD)