

Employer-Based Revenue Measure

Potential Restructuring of the Business
License Tax



**CITY OF
CUPERTINO**

July 24, 2018

Background

- **March** : 2018-19 Work Program adoption
- **May** : voter poll
- *June 5: study session*
- *June 19: study session – business models*
- *July 3: study session – draft ordinance & reso*

A vertical blue bar on the left side of the slide features a complex, abstract geometric pattern of overlapping lines and shapes, creating a sense of depth and movement.

Initial Polling

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

Initial Poll Summary

- 74% believe businesses should help pay for transportation infrastructure used by their employees
- 71% support increasing the BLT
- 63% support increase for general services
- 69% support for specific purposes

What is the role of Business?

- How would you like to see transportation issues addressed?

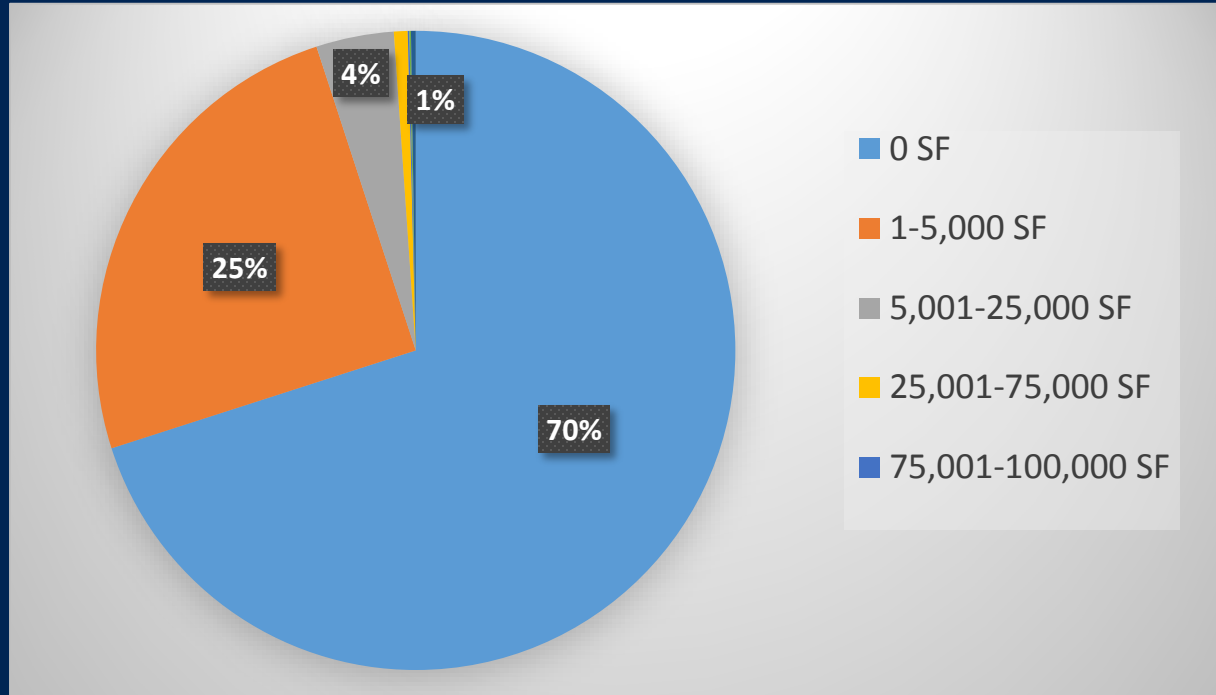
Business License Tax Structures considered

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

Current Structure - \$800,000 FY17-18

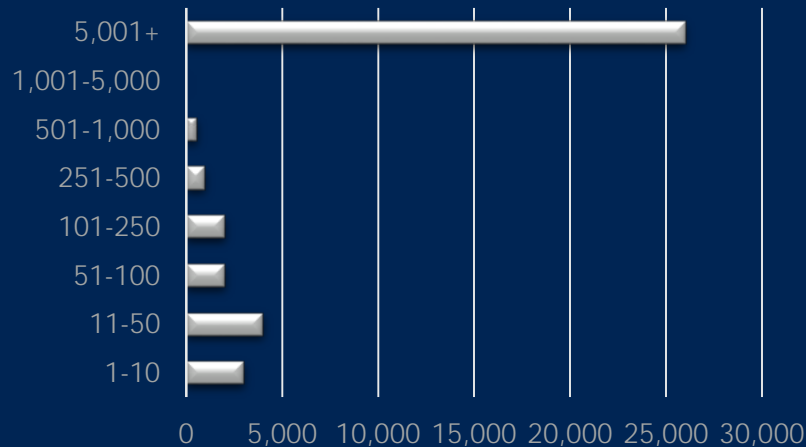
Square Footage Range	Rate	Tax Range
Home Occupations - 0	0	\$144
1-5,000	0.0380	\$144-\$334
5,001-25,000	0.0331	\$334-\$996
25,001-75,000	0.0287	\$996-\$2,431
75,001-100,000	0.0237	\$2,431-\$3,024
100,001-150,000	0.0189	\$3,024-\$3,969
150,001+	0.0048	\$3,969+

Over 3,800 Business Licensees



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

What type of business tax structure makes sense?

- Square footage?
- Payroll?
- Employee Count?
- Other?



Potential Projects

- Transportation
- Public infrastructure
- Leverage revenue and partner on regional projects

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

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

What projects would benefit your business?

- What projects could you support?

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 \$325

Model 1: Per Employee Rates Up to \$325							
Employee Range	# of Businesses	% of Businesses in Tier	Estimated # Employees	Base Rate	Employee Rate	Total BL Tax	Effective Tax Rate
1-9	3,128	89.4%	3,400	\$150	\$ -	\$ 469,200	
10-49	300	8.6%	4,000	\$250	\$ -	\$ 75,000	
50-99	40	1.1%	2,400	\$500	\$ -	\$ 20,000	
100-249	25	0.7%	3,350	\$500	\$ 50	\$ 56,250	\$ 17
250-499	5	0.1%	1,350	\$500	\$ 100	\$ 50,250	\$ 37
500-999	1	0.0%	500	\$500	\$ 175	\$ 33,025	\$ 66
1,000-4,999		0.0%		\$500	\$ 250	\$ -	
5,000+	1	0.0%	24,000	\$500	\$ 325	\$ 7,295,250	\$ 304
Total	3,500	100.0%	39,000			\$ 7,998,975	

Model 2: per EE rate up to \$425

Model 2: Per Employee Rates Up to \$425							
Employee Range	# of Businesses	% of Businesses in Tier	Estimated # Employees	Base Rate	Employee Rate	Total BL Tax	Effective Tax Rate
1-9	3,128	89.4%	3,400	\$150	\$ -	\$ 469,200	
10-49	300	8.6%	4,000	\$500	\$ -	\$ 150,000	
50-99	40	1.1%	2,400	\$500	\$ -	\$ 20,000	
100-249	25	0.7%	3,350	\$500	\$ 50	\$ 56,250	\$ 17
250-499	5	0.1%	1,350	\$500	\$ 100	\$ 50,250	\$ 37
500-999	1	0.0%	500	\$500	\$ 200	\$ 33,050	\$ 66
1,000-4,999		0.0%		\$500	\$ 300	\$ -	
5,000+	1	0.0%	24,000	\$500	\$ 425	\$ 9,407,775	\$ 392
Total	3,500	100.0%	39,000			\$10,186,525	

What are your thoughts on these models

- Would a different rate structure make more sense or be more palatable?
- What rates would be fair?
- Are there other funding sources we should consider?

Next Steps

- July 31 Council meeting
 - Draft resolution
 - Draft ordinance
 - Business and community feedback
 - Polling data on ballot language

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How would you partner with
City if measure is deferred?