



Sunnyvale

Evaluation of New Revenue Strategies to Fund New and Increasing Service Demands and/or Unfunded Capital Investments

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Background

- Demand for both existing and new city services continues to increase
- Aged infrastructure requires considerable investment
 - ◆ Fire Stations/Corporation Yard/Main Library
- Increasing regulatory requirements
- City requires a diversified and stable revenue base to support these needs
- Best options are those that are locally-controlled and can be readily implemented

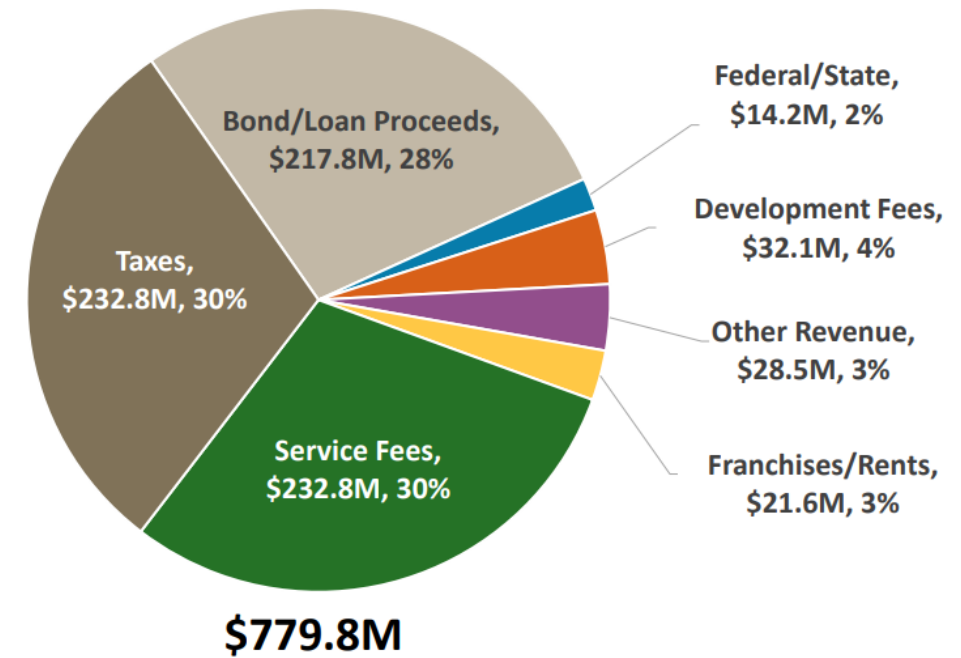
Partially Funded/Unfunded Projects

- Traffic and Transportation
 - ◆ Traffic Signals Replacement
 - ◆ Stevens Creek Trail
 - ◆ Grade Separations
- Administrative Facilities
 - ◆ Main Library Renovation or Replacement
 - ◆ Corporation Yard
 - ◆ Civic Center Phase 3 – Public Safety Building
- Stormwater Operations & Capital

Examples of Potential Revenues

- Real Property Transfer Tax
- Transient Occupancy Tax
- Sales Tax
- Parcel Tax
- Impact Fees
- Business License Tax
- Assessment Districts
- Special Taxes
- Fees

FY 2025/26 Revenues by Source



Approval Process

- Approval depends on the type of revenue:
 - ◆ Staff
 - ◆ City Council
 - ◆ Voters
 - Vote threshold (majority or 2/3) depends on the type of measure



Approval Process – Staff

- User Fees
 - ◆ Council Policy authorizes Department Director to set user fees
 - ◆ Example: Recreation Resident Fees vs. Non-Resident Fees
 - Under \$200 – Non-Residents Pay a 25% Differential
 - \$200 and Above – Flat Rate of \$50
- Total FY 2023/24 Revenue from User fees was \$4.7M



Approval Process – Council

- Development Impact Fees
 - ◆ Park Dedication (FY 2024/25 = \$7.3M)
 - ◆ Traffic Impact (FY 2024/25 = \$2.6M)
 - ◆ Housing Mitigation (FY 2024/25 = \$11.6M)
 - ◆ Community Benefits
- Franchise Fees
 - ◆ PG&E
 - ◆ Telecom
 - ◆ Solid Waste
 - ◆ Total Franchise Fees (FY 2024/25 = \$8.4M)

Approval Process - Voters

- Business License Tax (FY 2024/25 = \$2.0M)
- Transient Occupancy Tax (FY 2024/25 = \$20.2M)
- Real Property Transfer Tax (FY 2024/25 = \$1.1M)
- Sales Tax (FY 2024/25 = \$40.8M)
- Construction Tax (FY 2024/25 = \$3.0M)
- Parcel Tax
- Bond Measures
- Assessment Districts

Suggested Options for Consideration

- Real Property Transfer Tax
- Transient Occupancy Tax
- Sales Tax
- Stormwater Fee
- General Obligation Bond

Real Property Transfer Tax

- Last examined in 2024
- Existing Rate \$1.10 per \$1,000 sales price (\$0.55 City, \$0.55 County)
- Charter cities can increase tax, but the existing County rate will still be assessed, and the City will lose \$0.55 portion
- Santa Clara County Cities with higher RPTT:
 - ◆ Mountain View and Palo Alto - \$4.40 per \$1,000 (\$3.30 City, \$1.10 County)
 - MV added a \$15/\$1,000 tax on sales over \$6M in 2024 (Measure G)
 - ◆ San Jose – Tiered structure starting from \$7.5 per \$1,000 to \$15 per \$1,000, currently exempting under \$2.3M
- Potential revenue increase depends on structure and is offset by loss of County rate
- Polled well, but revenue will vary with real estate market/sales volume

Transient Occupancy Tax

City	Rate
Campbell	12%
Cupertino	12%
Gilroy	9%
Los Altos	14%
Los Gatos	12%
Milpitas	14%
Morgan Hill	11%
Mountain View	10%
Palo Alto	14%
San Jose	10%
Santa Clara	13.5% (effective January 2025)
Saratoga	10%
Sunnyvale	12.5% (effective January 2019)

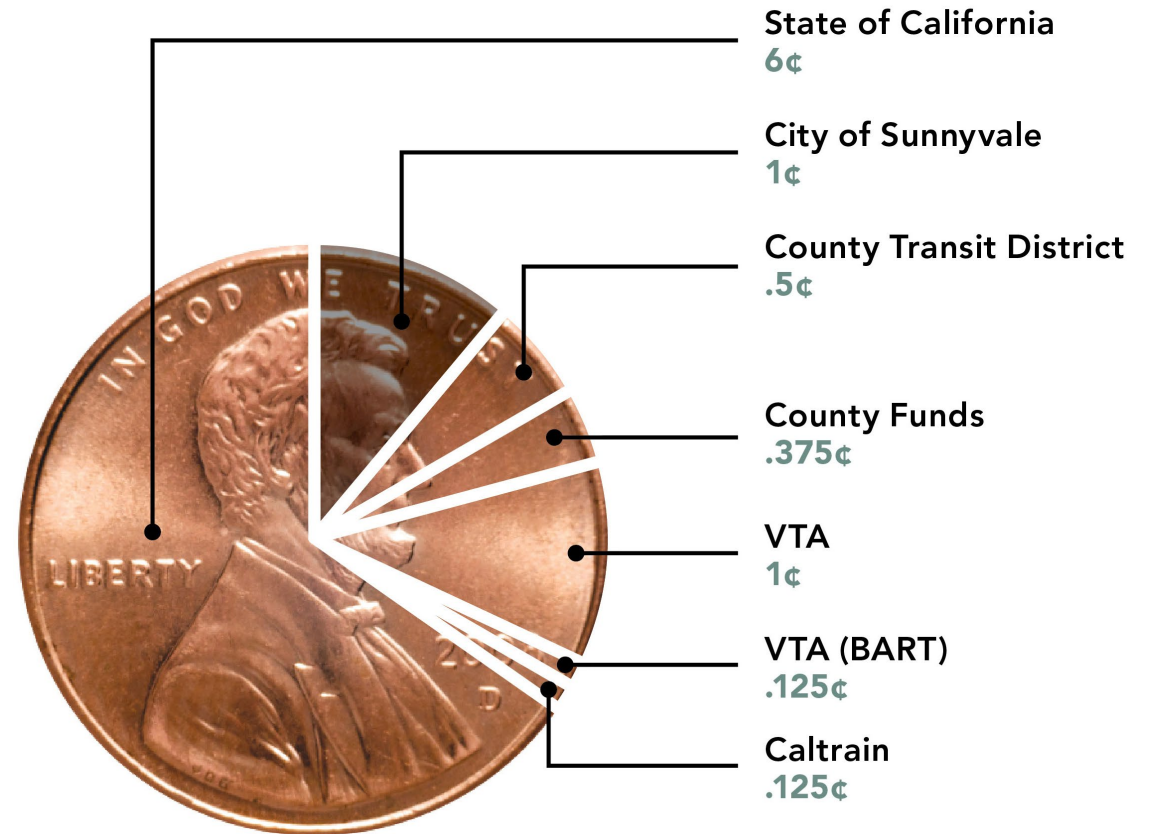
County Average:
11.85%

1% increase = about
\$1.65M revenue per
year

Sales Tax

- Existing Rate: 9.125%
- The City has .25% available to raise due to statutory cap
- .25% would result in approximately \$6.4M annually
- County has a 5/8 cent measure on November 2025 ballot, but does not count against cap
- SB 63 ½ cent, 2026 ballot

How 9.125 cents of Sales Tax is Distributed



Stormwater Fee

- The City does not have a dedicated funding mechanism to support the permit requirements that drive stormwater operations and maintenance, regulatory compliance needs, or capital projects.
- While trash-related portions of the stormwater permit requirements are funded by the Solid Waste Fund, the majority are funded by the General Fund.
- Staff is working with a consultant to evaluate options for a dedicated funding source and define program needs. This was prioritized in the FY 2020/21 Budget (Project 835470) and is nearing completion.
- The consultant will be looking at a property-related fee option that will require a Prop 218 hearing followed by a ballot proceeding.

General Obligation (GO) Bonds

- Attempted in 2007 for \$108M. Received 59.3% yes votes and did not pass.
- Attempted in 2024 for \$290M.
 - ◆ Because Proposition 5 did not concurrently pass in 2024, required 2/3 of votes to pass (Measure E received 59.3% yes votes and did not pass)
- Provide immediate funds for infrastructure needs beyond the library
- Difficult to overcome 2/3 requirement
- Future measure could be more broadly-based to include other infrastructure (like fire stations) and/or with a different library concept.

Voter Approval – Considerations

- General Tax
 - ◆ 50% Plus 1 Voter Approval
 - RPTT, Sales Tax, Transient Occupancy Tax
- Special Tax
 - ◆ 2/3 Voter Approval
 - Parcel Tax, Bond Measure
- Competing Measures
- Statewide Initiatives
- Revenue Potential vs. Probability of Success

Ballot Measure Statistics Statewide

2024 General (Presidential) Election

Revenue Type	Threshold	# of Jurisdictions	# Passed	% Passed
Sales Tax	50%+1	95	81	85%
TOT	50%+1	28	23	82%
RPTT	50%+1	4	2	50%
GO Bonds	2/3	18 (non school)	9	50%
Parcel Tax	2/3	42	28	67%

2022 General (Midterm) Election

Revenue Type	Threshold	# of Jurisdictions	# Passed	% Passed
Sales Tax	50%+1	42	32	76%
TOT	50%+1	20	14	70%
RPTT	50%+1	6	4	67%
GO Bonds	2/3	6 (non school)	3	50%
Parcel Tax	2/3	29	14	48%

Source: CaliforniaCityFinance.com

Council Discussion/Direction

- Which revenue types would Council be interested in staff pursuing further?
- Timing considerations?
- If sales tax is among them, is Council interested in potentially increasing Sunnyvale's local limit to be able to generate more than the estimated \$6.4M per year that a 0.25% tax would generate?
- What are key spending priorities for revenue measures (as this may influence revenue types most conducive)?