City of Sunnyvale

Agenda Item-No Attachments (PDF)

REPORT TO COUNCIL

SUBJECT
Introduce an Ordinance to Amend Chapter 5.04 of the Sunnyvale Municipal Code - Business License Tax Ordinance to Reflect Changes to the Consumer Price Index Published by the United States Bureau of Labor Statistics

BACKGROUND
Chapter 5.04 of the Sunnyvale Municipal Code, also known as the Business License Tax Ordinance, was established in 1968. The ordinance requires all businesses that operate in Sunnyvale to obtain a license and pay a business license tax to conduct business in the City.

In November 2005, Sunnyvale voters approved Measure D, which increased the business license tax and tied future tax increases to the All Urban Consumers Consumer Price Index (CPI) for the San Jose/San Francisco/Oakland MSA (Metropolitan Statistical Area). In February 2018, the United States Bureau of Labor Statistics published new geographic area samples for the CPI to reflect the data from the 2010 Decennial Census on the distribution of urban populations. As a result of the 2018 geographic revisions, the San Jose/San Francisco/Oakland MSA has been revised and renamed the San Francisco/Oakland/Hayward CBSA (Core Based Statistical Area). City staff has confirmed with the United States Bureau of Labor Statistics that the San Francisco/Oakland/Hayward CBSA (Core Based Statistical Area) is the successor index for the San Jose/San Francisco/Oakland MSA (Metropolitan Statistical Area) and provides substantially equivalent statistical analysis of consumer price escalation in the greater Bay Area geographic region that includes the City of Sunnyvale.

Staff is requesting that the ordinance be amended to reflect the changes to the Consumer Price Index. The Municipal Code needs to be amended to reflect this successor index for future tax increases to be calculated.

EXISTING POLICY
Council Policy 7.1B.1.4 states that when considering a new tax or revenue source or an increase in an existing tax or revenue source, community/voter acceptance should be considered.

ENVIRONMENTAL REVIEW
The action being considered is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15061 (b) (3) as the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

DISCUSSION

The passage of Measure D placed into the ordinance that the business license tax should be adjusted in accordance with the San Jose/San Francisco/Oakland MSA CPI effective January 1, 2009. The creation of a successor CPI index necessitates amending the ordinance because it references the specific name of a CPI index, which no longer exists. City Council has the authority to update the Municipal Code as it relates to the CPI and as the amendment does not result in an escalation of the business license tax beyond what was originally authorized by the voters in 2005. Since the Bureau of Labor Statistics has identified the San Francisco/Oakland/Hayward CBSA as the successor to the previous CPI measure, an amendment to the ordinance can be approved by Council to specify the replacement CPI. Staff is proposing that the revisions account for potential future changes to the CPI should the Bureau of Labor Statistics make further adjustments to the geographic areas in the future and create future successor indexes.

This amendment is necessary to enable the tax rates to continue to be adjusted annually as mandated by the voters through Measure D. Without the amended ordinance, tax rates would remain unchanged from 2019 levels until the ordinance is amended or until voters elect changes to the business license tax. This would be inconsistent with the intent of the voters to use the Bureau of Labor Statistics CPI measure as a mechanism for inflationary increases to the business license tax.

FISCAL IMPACT

There is no fiscal impact if the updated ordinance is passed. The City would continue adjusting the business license tax annually in accordance with the updated CPI measure. Revenues from the Business License Tax go to the General Fund.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Introduce an ordinance to amend Section 5.04.110 of the Sunnyvale Municipal Code to reflect the changes to the Consumer Price Index adopted by the Bureau of Labor Statistics and find that the action is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15061 (b) (3).

2. Introduce an ordinance to amend Section 5.04.110 of the Sunnyvale Municipal Code to reflect the changes to the Consumer Price Index adopted by the Bureau of Labor Statistics with modifications and find that the action is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15061 (b) (3).

3. Do not introduce of an ordinance to amend Section 5.04.110 of the Sunnyvale Municipal Code.

STAFF RECOMMENDATION

Introduce an ordinance to amend Section 5.04.110 of the Sunnyvale Municipal Code to reflect the changes to the Consumer Price Index adopted by the Bureau of Labor Statistics and find that the action is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15061 (b) (3).

Prepared by: Stephen Napier, Administrative Services Manager
Reviewed by: Timothy J. Kirby, Director of Finance
Reviewed by: Teri Silva, Assistant City Manager
Approved by: Kent Steffens, City Manager

ATTACHMENTS
1. Ordinance to Amend Section 5.04.110 of the Sunnyvale Municipal Code