

**CITY OF LOS ALTOS**  
**City Council Study Session**  
Tuesday, February 22, 2022  
5:00 pm

**Questions & Answers**

**What period would we be looking at? 20 year, 30 year, 40 year for tax?**

The duration of the tax is at Council's discretion and also dependent on the tax collection mechanism. For example, a G.O. bond property tax can only be collected for the duration of the G.O. bond payments. Other tax collection mechanisms like parcel taxes, sales taxes, etc., may be collected for a specified term or indefinitely.

One option is for the term of the proposed tax to match the term of the proposed bond financing (e.g. 30-year tax revenue supporting 30 years of bond payments).

Another option would be to have the tax continue without a specified term. Communities may opt for longer collection periods to: (1) fund continued municipal services (e.g. public safety) supported by the tax into the future; or (2) pay for future capital improvements or maintenance costs related to projects supported by the tax.

**If we were going to go forward, would we want to have an advisory measure if we were doing a parcel or property tax that was not tied to a specific project? Would we still want to have an advisory measure on how the funds would be spent?**

If the tax measure is structured as a "general tax" (meaning the tax can be used for any lawful general purpose at the discretion of the local governing body), the associated ballot language cannot indicate a specified purpose or use for the taxes to be raised. The City has the option to include an accompanying advisory measure to gauge voter opinion on how funds should be spent. The requirement for a general tax, that is not a property or parcel tax, is simple majority (50% + 1).

**You asked for \$200,000, but later on the report, you said it might cost \$200-300,000- do you have a breakdown of all the various costs, such as for the consultants and bond counsels?**

The City will need to retain a group of professionals (consultants, attorneys, polling company) to assist in putting the ballot measure together. The team of professionals will help the City evaluate its tax measure options including the approach, timing, tax amount and assist with the public education program. They would work with a polling company to develop a community survey, solicit feedback from constituents, and report back findings/recommendations. They would also help craft the specific ballot language that would be brought forth to Council to approve the measure to be placed on a future election ballot.

The estimated cost to qualify a tax measure for the ballot is \$150,000. These are non-contingent costs meaning that they would need to be paid by the City regardless of the outcome of the tax measure.

Staff is requesting up to \$200,000 this year, knowing that some costs like the fee to place a tax measure on the ballot, would be included in next year's budget, but some of the work to place the measure on the ballot will begin this fiscal year.

**Ballot Measure Qualification**  
Estimated Cost Budget

<b>Professional</b>	<b>Estimated Cost</b>
Ballot Measure Consulting	\$85,000
Polling Company	\$35,000
Bond Attorney	\$10,000
Financial Advisor	\$15,000
Bond Underwriter	\$0 <sup>(1)</sup>
Contingency	\$5,000
	<b>\$150,000</b>

<sup>(1)</sup>Stifel will charge 2.25% of the amount of bonds issued for services related to development of the tax measure, analysis to the City to determine the appropriate tax structure, developing materials for a public education effort and being available for all public meetings. If the City pursues a bond financing as a result of a successful ballot measure, Stifel will also cover the costs associated with structuring, marketing and selling any future bonds. Their fee will be 100% contingent on the successful passage of the tax measure and the sale of any bonds. Their fee will be paid from bond proceeds.

After the tax measure is qualified for the ballot, the City is prohibited from spending any of its public City funds toward any advocacy efforts for the ballot measure.

If the tax measure is successful, the City would move forward with issuing bonds with a team of bond professionals which would include many of the parties that would be part of the ballot qualification process. The total budget for those fees would be about 3-3.5% of the amount of bonds to be sold.

For a hypothetical \$40 million bond, the estimated fees would be about \$1.2 - \$1.4 million. These fees (except those related to a bond credit rating fee of about \$45,000) would be 100% contingent on the successful sale of the bonds and would be paid from bond proceeds.

**Why are lease revenue bonds needed for sales tax or parcel bond measures?**

Unlike a G.O. Bond (property tax) measure, a sales or parcel tax measure does not expressly approve the issuance of bonds. In order to leverage revenues from a voter-approved sales or parcel tax measure, most local agencies issue lease revenue bonds. Lease revenue bonds, which

are a very common bond financing method in California, are not subject to the State's constitutional debt limit and therefore, do not require voter approval. Any lease revenue bond issuance would be required to be approved by the City Council.

**We already have a library utilized as an asset, would we use our community center as an asset?**

Any unencumbered City-owned property may be utilized so long as the value of the asset exceeds the amount borrowed and resulting annual debt payments do not exceed the annual 'fair rental value' for the asset. The City could use other properties it owns or it could use the facility to be financed with the bonds as the leased asset.

**When are you planning to do public outreach? I'm not sure what we're hoping to gather.**

According to the current schedule (attached to the staff report), public outreach will be conducted between April and July 2022. During that time, City staff and its team of professionals will gauge public support for a particular bond or tax measure via public meetings and a community polling survey to be conducted by a third-party polling company.

**Is the subcommittee recommending a general public facility measure or a special measure solely for the police facility?**

The subcommittee recommended a general tax for City facilities in the form of a property or parcel tax. However, after a discussion with Council members, the recommendation is to allow the Subcommittee to continue their work, and poll public opinion on a UUT measure for City facilities at this year's election, or a property tax at the 2023 or 2024 election.

**Are you anticipating it will only take one month to come up with a design to present to the public for community outreach?**

Should Council proceed with a "general tax", the recommendation would be to hold the election in November 2022 and provide the public with needs assessment for the police station, both fire stations, park facilities and access, and potential enhancements to the library.

Should Council proceed with a "special tax", the recommendation would be to hold the election in 2023 and 2024 to allow time for a specific design for a police station only.

**Has any outreach been conducted with the public safety group and has their input been taken?**

Yes. The design team initiated outreach to PD staff on February 8th and is doing a site visit March 3rd.

**If we were to go with the G.O. bond, and we did not do the advisory piece of it where we identify the different facilities, and it passes, how and who would determine the use? Could you explain the process if it is a general public facility that is passed?**

Since a G.O. Bond measure is a “special tax” that includes specific language on the use of revenues and bond proceeds, an advisory measure would not be necessary. If the City pursues a “general tax”, it can include an advisory measure to gauge voter opinion on how funds should be spent, as previously noted.

### **Would we generate the necessary revenue with the property tax vs. the sales tax?**

With an ad valorem property tax, the City can adjust property tax rates without limitation to generate the necessary annual revenue. With respect to sales tax, even if the City increases its sales tax (currently at 9.125%) by 1.125% to the maximum amount allowed in California (10.25%), it would not generate the necessary annual revenue to support the amount of infrastructure projects the City is seeking to fund. Currently, it is estimated that an annual revenue increase of approximately \$3 million/year would be necessary and a 1.125% sales tax would raise approximately \$2 million/year.

Please note that if the City were to increase its sales tax to 10.25%, it would be at the State maximum and cause Los Altos to have one of the highest sales tax rates in the State of California and the highest in Santa Clara County. Furthermore, it is worth mentioning that a ballot measure for a sales tax increase of more than 1% is very uncommon. The most common sales tax increases are 0.25% or 0.50%, which would generate an estimated \$500,000 and \$1,000,000, respectively.

### **Where does “carving out” citizens with modest needs come into the process?**

Any exemptions (e.g. senior, income) could be included in the ballot measure language, as noted in the presentation.

### **Are there other funding sources, like federal infrastructure grants, that we can use to subsidize or fund this project?**

Over the past couple of years, the federal government has provided funding to local communities in the form of stimulus funds to help residents, businesses and government mitigate the negative fiscal effects stemming from the public health emergency (Coronavirus pandemic).

From time to time, the federal government offers grant programs to help finance local or regional infrastructure such as freeways, interchanges, utilities, airports and other large scale projects. City staff is constantly working with its federal and state agency partners to learn about these grant opportunities and to aggressively apply and lobby for these funds.

At this time, the City is not aware of any federal or state grant funds that would support local infrastructure (such as public safety buildings, parks, local streets, etc.). City staff will continue to work on securing outside grant funding and any funds obtained would be used to downsize the amount of debt it issues.

**Los Altos does not have a good history of passing bond measures, so polling should be done before expending resources. What is the timeline of the political consultants, bond counsel, investment bankers, and others?**

Public outreach and polling by a ballot measure consultant and polling company, respectively, would be conducted from April to July 2022, based on the current schedule. As previously mentioned, during that time, staff and the City's consultants will gauge voter support (e.g. community polling) for a particular bond or tax measure. Based on the results of the outreach, Council will make a determination to place a measure on the November 2022 or a future ballot.

**What exactly does Stifel do and how many other parcel/sales tax measures have you been involved with? How successful have you been in the past and how many measures have been put on?**

Stifel is the leading underwriter of municipal bonds both nationwide and in California. As part of their engagements, Stifel regularly assists clients with pre-election measure strategy and planning. Over the past two years (since 2020) in California, Stifel has served as bond underwriter on 436 bond issues totaling \$12.7 billion. During this same time, Stifel's municipal clients have successfully passed 41 tax measures, which include G.O. Bond, sales tax, UUT, parcel, and hotel tax measures.

**We can't run a campaign for the ballot measure, so can a separate entity run a campaign for it?**

If Council decides to place a measure on the ballot, a separate committee (e.g. nonprofit) can be established to raise funds and organize volunteers to support the measure. For example, in the neighboring city of Campbell, 'Campbell Residents for Measure O' was set up to support the passage of Measure O (police and library facility improvements).

**Should we have a rough estimate of the sales tax?**

As previously mentioned, if the City increases its sales tax (currently at 9.125%) to the maximum amount allowed in California (10.25%), the remaining capacity (1.125%) would generate an estimated \$2.0 million per year.