



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 06/18/2024

ITEM NO: 23

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DATE: June 14, 2024  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Adopt a Resolution and Introduce Ordinances to Place a One-Eighth Cent Sales Tax on the November 2024 Ballot as Either One Measure for a Special Tax or Two Measures for a General Tax and a Companion Advisory Measure to be Adopted by a Separate Resolution; and Authorize a Fiscal Year 2024/25 Expenditure Budget Adjustment of \$66,000 for a Single Measure or \$132,000 for Two Measures from the Available Capital/Special Projects Reserve.

**RECOMMENDATION:**

Adopt a resolution and introduce ordinances by title only, waiving further reading, to place a one-eighth cent sales tax on the November 2024 Ballot as either one measure for a special tax or two measures for a general tax and a companion advisory measure to be adopted by a separate resolution; and authorize a Fiscal Year 2024/25 expenditure budget adjustment of \$66,000 for a single measure or \$132,000 for two measures from the available Capital/Special Projects Reserve.

**BACKGROUND:**

In January 2023, the Town Council included Exploring Revenue Measures as one of its Strategic Priorities to address its overall goal to ensure fiscal stability and sustainability in the long term for the Town of Los Gatos. Since then, the Town has conducted a competitive consultant selection process and hired NBS to advise on a potential revenue measure. Through May 2024, NBS has analyzed different revenue options and conducted a scientific poll on a potential 1/8<sup>th</sup> cent sales tax measure.

On May 21, 2024, Town Council discussed the poll results and the Finance Commission recommendation for a special tax and voted to:

**PREPARED BY:** Katy Nomura  
Assistant Town Manager

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Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

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BACKGROUND (continued):

- Explore a special tax for police, public safety, and emergency preparedness; wildfire prevention (such as vegetation management); and traffic relief.
- Approve an amendment to the NBS agreement to conduct outreach.
- Direct staff to talk to key stakeholders and work with NBS on the outreach.

This report summarizes the outreach conducted, evaluates options for Town Council for a potential ballot measure, and discusses next steps should the Council adopt a resolution to place a measure on the ballot.

DISCUSSION:

**NBS Outreach**

NBS completed a set of frequently asked questions and answers regarding sales tax measures which was posted on the Town's website on Friday, June 7, 2024:

[www.losgatosca.gov/RevenueMeasure](http://www.losgatosca.gov/RevenueMeasure).

In addition, this webpage also contains a link to a short survey, encouraging community members to identify their priorities for the use of the revenue from a potential sales tax measure. The data from the survey are currently being compiled and are expected to be available to the Council and the public in a Desk Item for the June 18<sup>th</sup> Council meeting.

**Staff Outreach**

Based on Council direction, the Town Manager and Assistant Town Manager met with a few key stakeholders to understand their perspectives on a potential ballot measure. While recognizing that a 1/8<sup>th</sup> cent sales tax would add 12.5 cents for every \$100 purchase and would most likely not deter people from shopping in Los Gatos, most stakeholders acknowledged tax and inflation fatigue on the part of Los Gatos voters.

In addition, stakeholders thought voters would want to know how the extra revenue would be used. The three dedicated areas identified by the Council all resonated with the stakeholders. For this reason, the notion of a special tax seemed most appealing to some despite the 2/3<sup>rd</sup> vote requirement. Others also expressed that while these areas were worthy recipients of additional funding, there was some concern that the special tax would not pass with the higher threshold and therefore, result in no additional funding for these areas.

The Los Gatos Chamber of Commerce Board is scheduled to discuss the potential sales tax and at the time of the writing of this report, the outcome of the Board's discussion is not known.

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DISCUSSION (continued):

**Options for Consideration**

Special Tax: Based on the Council's motion on May 21, 2024, Attachment 1 contains a draft resolution with ballot language for a special tax to be placed on the November ballot and the proposed ordinance attached as Exhibit A. Attachment 2 contains a draft ordinance approving placement of the ballot measure on the ballot with the proposed ordinance attached as Exhibit A. The specific uses of the additional revenue are the three priorities identified by the Town Council on May 21, 2024. The resolution and ordinances were prepared by municipal tax counsel.

General Tax with a Companion Advisory Measure: At the May 21, 2024, Council meeting, the Town Attorney mentioned an approach that has been used in other jurisdictions in which a general tax is placed on the ballot along with a companion advisory measure that indicates the specific use(s) for which the voters would prefer the tax revenue to be spent should both measures pass. This concept was not explored in depth at the meeting and subsequently, a Council Member has asked staff to provide more information to the Council.

The advantage of the general tax with a companion advisory measure is that each only need a simple majority to pass. In addition, having a companion advisory measure prioritizing the specific uses of the tax revenue would provide compelling guidance to the elected officials of the will of the voters.

Attachment 3 is a draft resolution placing a general tax on the ballot with the proposed ordinance imposing a general tax as Exhibit A. Attachment 4 is a draft ordinance approving placement of the general tax on the ballot with the proposed ordinance imposing a general tax as Exhibit A. Attachment 5 is a resolution placing an advisory measure on the ballot to accompany the general tax measure. The advisory measure focuses on the same three priorities as identified in the proposed special tax. The resolution for this measure has been prepared by municipal tax counsel.

While the Registrar of Voters customarily receives ballot measures adopted by resolution, the Revenue and Taxation Code can be interpreted to require that the placement of sales tax measures on the ballot be approved by ordinance. For that reason, the attachments include both resolutions and ordinances approving both measures for placement on the ballot. The resolution will be provided to the County Registrar upon adoption and the ordinances will be provided separately after adoption.

Attachment 6 contains examples of California cities that have successfully passed a general tax with a companion advisory measure.

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CONCLUSION AND NEXT STEPS:

The Town Council has the opportunity to determine whether to:

1. Adopt a resolution and introduce an ordinance by title only to place a one-eighth cent sales tax on the November 2024 ballot as a special tax, waive further reading, introduce an ordinance to approve the tax ordinance, and authorize a budget adjustment in the amount of \$66,000 from the available Capital/Special Projects Reserve; or
2. Adopt a resolution and introduce an ordinance by title only to place a one-eighth cent sales tax on the November 2024 ballot as a general tax, waive further reading, introduce an ordinance to approve the tax ordinance, adopt a resolution to add a companion advisory measure, and authorize a budget adjustment in the amount of \$132,000 from the available Capital/Special Projects Reserve; or
3. Provide other direction; or
4. Take no action.

August 9, 2024 is the last day in which the Santa Clara County Registrar of Voters is accepting resolutions to add measures for the November 2024 election.

COORDINATION:

This report was prepared in collaboration between NBS, the Town Manager's Office, the Town Attorney, and municipal tax counsel.

FISCAL IMPACT:

The cost of each ballot measure is approximately \$66,000. If the Council votes to put two measures on the ballot (i.e., general tax and companion advisory measures), the total estimated cost is \$132,000. Budget adjustments would be needed to add these resources to the adopted Fiscal Year 2024/25 Operating Budget. The source of funds would be the Capital/Special Projects Reserve.

If a sales tax measure passes in November, it is estimated to generate approximately \$1 million per year.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. Draft Special Tax Resolution with Exhibit A: Special Tax Ordinance
2. Draft Ordinance Approving Proposed Ordinance with Exhibit A: Special Tax Ordinance

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Attachments (continued):

3. Draft General Tax Resolution with Exhibit A: General Tax Ordinance
4. Draft Ordinance Approving Proposed Ordinance with Exhibit A: General Tax Ordinance
5. Resolution Approving Advisory Measure to General Tax
6. Examples of Approved General Taxes with Advisory Measures