



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 07/01/2024

ITEM NO: 1

DATE: June 26, 2024

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Adopt a Resolution to Place a 1/8th Cent Sales Tax on the November 2024 Ballot as a General Tax, 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

ORDINANCE TITLE: AN ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS APPROVING THE ORDINANCE TO BE SUBMITTED TO THE VOTERS OF THE TOWN OF LOS GATOS AT THE NOVEMBER 5, 2024, GENERAL MUNICIPAL ELECTION THAT PROPOSES TO IMPOSE A ONE-EIGHTH OF ONE PERCENT GENERAL TRANSACTIONS AND USE TAX IN THE TOWN OF LOS GATOS

RECOMMENDATION:

Adopt a resolution (Attachment 1) to place a 1/8th cent sales tax on the November 2024 ballot as a general tax, introduce an ordinance (Attachment 2) to approve the tax ordinance adopt a resolution (Attachment 3) to add a companion advisory measure, and authorize a budget adjustment in the amount of \$132,000 from the available Capital/Special Projects Reserve.

REMARKS:

On June 18, 2024, Council voted not to consider a special sales tax for the 2024 ballot and requested a special meeting in July to discuss the potential of a general sales tax with a companion advisory measure. This 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.

PREPARED BY: Katy Nomura
Assistant Town Manager

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

REMARKS (continued):

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 1 is a draft resolution placing a general tax on the ballot with the proposed ordinance imposing a general tax as Exhibit A. Attachment 2 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 3 is a resolution placing an advisory measure on the ballot to accompany the general tax measure. The advisory measure focuses on the three priorities as identified by Council on May 21, 2024: police, emergency preparedness/wildfire prevention (such as vegetation management), and traffic relief. The resolutions and ordinances have been prepared by municipal tax counsel.

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

In addition to the information included for the June 18, 2024 Town Council meeting, the following information may be helpful for Council's consideration:

- Upon further research, staff determined that effective January 1, 2024, the statute governing the County's legislative exemption to exceed the sales tax cap was updated to no longer compete with another jurisdiction's ability to impose a tax. Up until this change, a County sales tax increase would have taken away the Town's ability to increase sales tax. With this new legislative language, the County can impose up to an additional 5/8th cent sales tax and Los Gatos would still be able to impose a 1/8th cent sales tax. If both were to occur, this would result in a tax rate of 10%. While Los Gatos would still have the ability to impose a 1/8th cent sales tax after a County sales tax increase, it may not be favorable. Under the current statute, the County would have until 2028 to pass such a tax.
- At the June 18, 2024 Town Council meeting, feedback was provided regarding the advisory measure's uses of the potential tax revenue. A Council Member suggested that the traffic congestion language be more specific. This could be accomplished by replacing broader traffic congestion language with, "Highway 9/Highway 17 improvements to reduce traffic congestion," in both the general tax ballot language and the advisory measure ballot language. In addition, the Chamber of Commerce suggested including economic vitality as a funding category in the advisory measure. The Council direction is welcome to decide the final funding categories to be included in each measure.

PAGE 3 OF 4

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REMARKS (continued):

- Attachment 5 contains answers to questions from Council Members.

CONCLUSION:

The Town Council has the opportunity to determine whether to:

1. Adopt a resolution (Attachment 1) to place a 1/8th cent sales tax on the November 2024 ballot as a general tax, introduce an ordinance (Attachment 2) to approve the tax ordinance, adopt a resolution (Attachment 3) 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
2. Provide other direction; or
3. 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 estimated cost to put two measures on the ballot (i.e., general tax and companion advisory measures) 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.

PAGE 4 OF 4

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Attachments:

1. Draft General Tax Resolution with Exhibit A: General Tax Ordinance
2. Draft Ordinance Approving Proposed Ordinance with Exhibit A: General Tax Ordinance
3. Resolution Approving Advisory Measure to General Tax
4. Examples of Approved General Taxes with Advisory Measures
5. Responses to Questions from Council Members
6. Public Comment