

City of Brisbane
Agenda Report

To: City Council via City Manager

From: Stuart Schillinger, Administrative Services Director, City of Brisbane

Subject: Adopt Resolution 2009-32 Related to Increase the Transient Occupancy Tax from 10% to 12%.

Date: June 15, 2008

Purpose:

The purpose of the Resolution is to start the process of changing the Transient Occupancy Tax from 10% to 12% of the room rate. This will need to be voted on by the public in November and a schedule is attached.

The purpose of the increase is to provide the City additional revenues which can be used for General Fund.

Background:

On January 5, 2008 staff presented the FY 2008/09 mid year update and the 5-year projection. The projection showed without any change to revenues or expenditures the City would have a deficit fund balance by the end of FY 2011/12. Staff provided Council and the Community a general plan of how to bring the budget back into balance and maintain the City's policy of having 50% of its General Fund expenditures in reserve. The plan called for a reduction of 10 positions, reducing about \$500,000 in supplies and services, as well increasing room tax by 2%.

On May 3, 2009 staff presented the FY 2009-11 preliminary budget plus an updated 4 year projection. Since the presentation in January staff had learned property tax revenues were to decline and room tax revenues had worsened as well. Staff presented a new plan to balance the budget in the future. It called for all of the previous changes, plus decreased existing expenditures by another \$200,000 and eliminated the cost of living increases for the next two years.

Discussion:

The City currently has a 10% Transient Occupancy Tax in place. This tax generates about \$1,000,000 a year for the City. Based on the most recent receipts staff is

projecting the City will receive \$950,000 next year. If the City increases the rate to 12% staff anticipates receiving an additional \$190,000. There are four other cities who anticipate putting a rate increase on their November ballot (Millbrae, San Bruno, Burlingame, and San Mateo). The City of San Francisco has a room tax rate of 14%. Therefore, increasing our rate to 12% would keep us in line with our competitive market area (airport hotels) and less expensive than San Francisco.

Financial Implications:

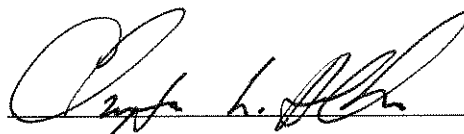
The proposed change would generate about \$190,000 - \$200,000 a year.

Measurement:

Additional Revenue generated each year.

Stuart Schillinger

Administrative Services Director



City Manager

RESOLUTION NO. 2009-32

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
BRISBANE CALLING A MUNICIPAL ELECTION TO BE
CONSOLIDATED WITH THE GENERAL ELECTION ON NOVEMBER
3, 2009, FOR SUBMISSION TO THE VOTERS OF A PROPOSED
ORDINANCE TO INCREASE THE TRANSIENT OCCUPANCY TAX**

WHEREAS, the City has established a uniform transient occupancy tax, as set forth in Chapter 3.24 of the Brisbane Municipal Code; and

WHEREAS, rate of the transient occupancy is ten percent of the rent charged for occupancy of hotel rooms; and

WHEREAS, the City Council desires to increase the tax rate from ten percent to twelve percent in order to provide additional revenue for general municipal expenses; and

WHEREAS, the City's transient occupancy tax is a general tax and any increase thereof is subject to approval a majority of the voters voting upon the proposed increase;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Brisbane, California, as follows:

SECTION 1: ELECTION CALLED

The City Council of the City of Brisbane hereby calls a municipal election, to be consolidated with the general election on Tuesday, November 3, 2009, at which there shall be submitted for approval by the voters of the City of Brisbane a proposed ordinance to increase the rate of the uniform transient occupancy tax from ten percent (10%) to twelve percent (12%).

SECTION 2: FULL TEXT OF PROPOSED ORDINANCE

The complete text of the proposed ordinance shall read as follows:

**AN ORDINANCE OF THE CITY OF BRISBANE
INCREASING THE TRANSIENT OCCUPANCY TAX**

The People of the City of Brisbane, California, hereby ordain as follows:

SECTION 1: Section 3.24.030 in Chapter 3.24 of the Brisbane Municipal Code is amended to read as follows:

3.24.030 Tax Imposed.

For the privilege of occupancy in any hotel, each transient is subject to and shall pay a tax in the amount of twelve percent (12%) of the rent charged by the operator. This tax is also applicable to the rent of hotel rooms by businesses on a long-term basis for temporary use by their clients or employees. Such tax constitutes a debt owed by the transient to the city, which is extinguished only by payment to the operator or to the city. The transient shall pay the tax to the operator of the hotel at the time the rent is paid. If the rent is paid in installments, a proportionate share of the tax shall be paid with each installment. The unpaid tax shall be due upon the transient's ceasing to occupy space or rent space for potential occupancy, in the hotel. If for any reason the tax due is not paid to the operator of the hotel, the tax administrator may require that such tax shall be paid directly to the tax administrator.

SECTION 2: If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held by a court of competent jurisdiction to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portions of this Ordinance.

SECTION 3: TEXT OF BALLOT MEASURE

The proposed ordinance shall be presented for approval by the voters as the following ballot measure:

| | |
|---|-----|
| Shall the existing transient occupancy tax on the rent charged for use of hotel rooms in the city be increased from 10% to 12%? | YES |
| | NO |

SECTION 4: REQUIRED VOTER APPROVAL AND EFFECTIVE DATE

If a majority of the voters voting upon the ballot measure vote in its favor, the proposed ordinance shall become a valid and binding ordinance of the City of Brisbane. The ordinance shall be considered as adopted on the date that the vote is declared by the City Council and shall go into effect ten (10) days after that date.

SECTION 5: CONDUCT OF ELECTION

The election on said ballot measure shall be consolidated with the general municipal election to be held on November 3, 2009, and shall be conducted in accordance with the provisions of Resolution 2009-20, adopted by the City Council on June 15, 2009.

Sepi Richardson
Mayor

I hereby certify that the foregoing Resolution No. 2009-32 was duly and regularly adopted at the regular meeting of the Brisbane City Council on June 16, 2008 by the following vote:

AYES:

NOES:

ABSENT:

Sheri Marie Spediacci
City Clerk