



FINANCE COMMITTEE SUMMARY MINUTES

Special Meeting
March 1, 2022

The Finance Committee of the City of Palo Alto met on this date in hybrid teleconference at 5:30 P.M.

Present: Kou, DuBois (Chair), Filseth

Absent: None

Oral Communications

None

Agenda Items

1. Review the Business Registry Certificate and Business Improvement District FY 2023 Processes and recommendation to City Council on the Renewal Processes

David Ramberg, Assistant Director of Administrative Services reported that the Business Registry Certificate (BRC) program began in 2015 to collect information and data from business to help inform City programs and policies. The Business Improvement District (BID) program established in 2004 offered beneficial business-focused services and programs in the downtown area. A typical BRC and BID combined cycle begins in March and ends in June. Both programs were paused in FY21 and FY22 during COVID-19 and no fees or assessments were collected. City Council (Council) modified the BRC program by making it a no-fee registration program for businesses that registered by the due date, and a full fee was required for businesses that registered afterward. Options for BRC include proceeding with no changes for FY23, modifying questions and consideration of a potential new tax, or continuing to pause the program until FY24. BID can proceed with the structure and timeline or continue to pause in FY23 with anticipation of program resumption in FY24. Staff recommended Council to direct staff to proceed with BRC Option 2 and BID Option 3.

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Vice Mayor Kou inquired whether merchants must complete the same business registry and application forms every year or if there is an update form available.

Mr. Ramberg explained that renewed information is required yearly, and businesses can complete the application online. Account numbers are provided, so re-registration is not necessary.

Council Member Eric Filseth asked how much of the information collected on the business registry is used.

Mr. Ramberg informed that information has been utilized to varying levels. A moderate level of information is being used at present.

Council Member Eric Filseth inquired about current information being used in future years.

Mr. Ramberg answered yes. Information can be added or subtracted.

Council Member DuBois inquired about the length of time to simplify questions taking approximately one month.

Mr. Ramberg explained that there is a new setup every year to enter new dates into the system, which can take several weeks to a month. Extended time would be anticipated for the process of question removal or modification.

Assistant City Manager Kiely Nose reminded that City Staff are working with timelines provided by the consultants, so flexibility is limited.

Council Member DuBois preferred Option 1. Modifying or simplifying questions would put the City behind. Not proceeding would be irresponsible. The City should look at cost recovery.

Council Member Eric Filseth believed it was time for a return to normalcy. There is no guarantee that the business tax will pass. He favored Option 2.

Vice Mayor Kou stated that she examined the application form, and she believed the questions were informative to the City. The nine-page application includes four pages to be completed and five pages of information. She believed it was prudent to track and monitor the information to understand the businesses in the City, and suggested Option 1.

Council Member DuBois believed there was a \$50 registration fee and \$50 late fee and inquired about whether there was a change.

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Mr. Ramberg informed that no changes have been made to the late fee. There is a \$25 initial late fee, which is applied again for the second due date.

Council Member DuBois asked Vice Mayor Kou if there were any questions she would consider removing.

Vice Mayor Kou answered no. The application asks about how employees are going into work, if rides are provided, and information necessary to know due to vehicle miles traveled (VMT). The rest involves registering the business.

Council Member DuBois asked if the consulting company is tidying the data collected.

Mr. Ramberg confirmed that is part of the Discovery Services incorporated into the contract. Additionally, Discovery Services provide outreach to businesses to ensure that unregistered or new businesses are placed in the system. The Discovery process was paused for two years during COVID-19 and would be restarted to validate the data and include any unregistered businesses to the database.

Ms. Nose added that the City ensured that it was incentivizing businesses to register as part of the program despite not taking part in specific Discovery work during COVID-19.

Council Member DuBois asked if merchants are emailed or mailed if they are late.

Mr. Ramberg indicated that merchants are emailed, but the primary means of communication is through physical mail.

Council Member Dubois expected the process to merge into the business tax if passed. The Finance Committee (Committee) should consider collecting data for tax exempt companies.

Council Member Eric Filseth asked if the item would be considered a consent or action item if unanimous.

Chair DuBois responded that it would be placed on a consent for the unanimous.

Ms. Nose believed that the item may be based on regulations in terms of adopting one of the resolutions.

MOTION: Council Member DuBois moved, seconded by Vice Mayor Kou for the Finance Committee to recommend that the City Council:

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A. BRC Option 1 – Proceed with the historic and routine structure and timeline for the BRC with no changes for FY 2023.

MOTION PASSED: 3-0

Vice Mayor Kou inquired regarding whether not resuming BID would mean less enhancements around the area.

Ms. Nose advised that BID is a tool for a group within a geo area of businesses to pull resources and invest back in the same area. Pausing BID for another year would mean no resources for the businesses in the downtown core within the geo area.

Vice Mayor Kou believed that delaying does not enhance the area and brings in less individuals, while the events and enhancements of the assessment revives the area. She inquired about Palo Alto Downtown Business and Professional Association (PADBPA) being the management.

Ms. Nose answered yes, historically, but PADBPA identified a desire to step back from that roll, and so there is a gap in terms of who would manage.

Vice Mayor Kou remarked that stepping back does not mean dissolving.

Ms. Nose explained that proceedings would be necessary dissolve BID. There is a correlation between charging an assessment and having someone to allocate funds and make improvements.

Council Member DuBois asked how the money would be spent under Option 3 without PADBPA.

Ms. Nose advised that funds would not be spent until a contract with someone to manage BID was established. Funds would be dedicated and restricted.

Council Member DuBois asked if the economic development consulting contract was underway.

Ms. Nose advised that a request for proposal (RFP) is active. Responses are going through an evaluation process.

City Attorney Molly Stump sated that staff should be careful with the procedure and believed a definitive answer could not be given at the present time.

Council Member DuBois asked if members of the public would like to speak on the item.

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- 1) Charlie Weidanz agreed with the staff report regarding the Chamber Board of Directors discussing the potential transition of management. The Committee should consider that businesses are not fully recovered and there is anxiety over the business tax. Incorporating another fee does not seem appropriate at present. He suggested that the Committee consider Option 2.
- 2) Brad Ehikian supported Option 2. The City is still dealing with recovery and understanding the needs of the downtown area. The organization had functional challenges, including most funds going to an executive director. Additional time would allow for continued work with the chamber and staff to develop a new program with a clear vision that businesses can support.

Council Member Eric Filseth remarked that if businesses are not interested, there is no reason for staff to go with any option other than Option 2.

Council Member DuBois asked about the downside of pausing if the businesses are not interested.

Ms. Nose advised that there is no downside. The intention was to proactively position the City and the organizations to address recovery. The BID is a useful tool for the business community when desired. Pausing BID is a better recommendation than dissolving.

MOTION: Council Member Filseth moved, seconded by Vice Mayor Kou for the Finance Committee to recommend that the City Council:

- A. BID Option 2 – to pause in FY 2023, with anticipation of program resumption in FY 2024, work with the Chamber and PADBPA on the transfer of BID management

MOTION PASSED: 3-0

Future Meetings and Agendas

Assistant City Manager Kiely Nose noted that a Finance Committee meeting regarding the potential business tax is scheduled for March 15, 2022. Meetings scheduled for May include a formal review of utility rates and the budget process.

Adjournment: The meeting was adjourned at 6:27 P.M.