



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

Mr. John Arntz
Department of Elections
1 Dr. Carlton B. Goodlett Place Room 48
San Francisco, CA 94102-4689

August 10, 2020

RE: Proposition F – Charter Amendment adjusting the City baselines funding and Ordinance amending the Business Tax & Regulations Code

Dear Mr. Arntz,

Should the proposed combined charter amendment and ordinance be approved by the voters, in my opinion, it would result in additional annual revenue to the City of approximately \$97 million annually on an ongoing basis once fully implemented. The proceeds would be deposited in the City's General Fund. Additionally, the proposed measure would permit one-time spending of approximately \$1.5 billion in the shorter-term generated by two currently assessed taxes that are impounded pending resolution of ongoing litigation.

The proposed ordinance would amend the city's existing Business and Tax Regulations Code in a number of ways, including discontinuing the City's payroll expense tax, increasing gross receipts business tax rates, and increasing the number of small businesses exempted from the business tax. Overall business tax rates for some industries are increased, generally phased in over three years beginning in tax years 2022. Temporary rate reductions for tax years 2021, 2022, and 2023 are proposed for other industries heavily impacted by current economic conditions, including those paid by the hospitality, restaurant, and retail sectors. The revenue estimates reflect the expected change in City revenue compared to the existing business tax structure and the current availability of collected revenues subject to judicial action.

The proposed ordinance authorizes contingent taxes that would be imposed if two currently assessed dedicated taxes for homeless services and childcare are struck down by court action. The proposed replacement taxes are similar in structure to those dedicated taxes. The measure excludes revenues generated by those contingent taxes from the calculation of various required voter-adopted minimum spending requirements on transit, parks, youth services, and other set-asides and baselines.

It is important to note that business taxes can vary significantly depending on economic conditions, and current estimates may not be predictive of future revenues.

Sincerely,

Natasha Mihal

FOR Ben Rosenfield
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.