

April 3, 2024, 6:00 p.m.

City Hall, 333 Civic Center Plaza, Tracy

Web Site: www.cityoftracy.org

CALL TO ORDER – Chairperson Arriola called the meeting to order at 6:07 p.m.

ROLL CALL – Roll call found Chairperson Arriola and Co-Chairperson Bedolla present.

1. CONSENT CALENDAR –NONE
2. ITEMS FROM THE AUDIENCE – There were no items from the audience.
3. REGULAR AGENDA
 - 3A. STAFF RECOMMENDS THAT THE TRACY FINANCE COMMITTEE CONDUCT A WORKSHOP ON THE CITY'S NEW BUSINESS TAX STRUCTURE AND DISCUSS POTENTIAL OPTIONS FOR FUTURE AMENDMENTS TO CHAPTER 6.04 (BUSINESS TAXES) OF THE TRACY MUNICIPAL CODE.

Sara Cowell, Finance Director, provided the staff report and sought committee feedback.

Committee asked clarifying questions.

Tracy gas station owner, Edgar Rizkalli, stated that it is not a good idea to ask the businesses to have more than one LLC. He owns a gas station and a car wash and thinks the gas should be taken out. He stated that opening his books would be okay, but the numbers fluctuate depending on the gas prices. He stated that he is the middleman and that something should be done. The City of Concord is friendly to do business there. Mr. Rizkalli is still awaiting his refund from his overpayment from over reporting his sales.

Michaela Toscas from the Chamber of Commerce and the Chair of the Government Relations Committee and a board member of the Chamber of Commerce spoke on behalf of the business owners. Ms. Toscas stated that Tracy's high tax rate is hurting the businesses, it is immensely high and is a significant barrier for growth. She went on to state that gas sales and cannabis should be new categories, as cannabis already has a 1.5% gross receipts payment to the City and taxes on gas sales hurt struggling families in the community. Concern was discussed that with the high tax rate new business will not want to open here and it will cause existing businesses to leave.

Taz Harvey, owner of Tracy Honda and Tracy Mazda provided a handout of various cities' license expenses and expressed that the tax charged by the City is more than ten times more than other cities. Mr. Harvey stated that no one is going to come to town with this type of disincentive. He thinks it's a short-sighted dumb move and that it will cost him a half a million dollars in ten years. He asked that Tracy not be compared to Stockton. He'd like us to cap it at the highest amount on the handout that he provided and stated that we will deprive ourselves out of greed. He won't send his friends and family to purchase their vehicles in Tracy and we won't get another dealership to come to town. He asked that the City to please budget accordingly.

Committee asked clarifying questions.

Matt Drury, with Prologis, expressed his thanks to the City staff on the work leading up to this evening and shared that equity and paying a fair share is reasonable. Mr. Drury shared that the cities of Lathrop, Manteca, Modesto and Stockton are thriving, and that Prologis has recently signed leases in those cities, and none have been signed in the City of Tracy and that perhaps this increase is one reason why this is happening. He stated that it's fantastic that City of Tracy has stepped up to help the small business however the medium to large businesses benefit the City.

Committee asked clarifying questions and committee discussion continued.

Community member and Tracy Arco gas station owner shared that he pays a lot in prepaid and sales tax, about 3.2 million dollars to Arco that Arco collects and then pays the State. Also, he paid close to \$700,000 in sales tax on gas and store. And some of that sales tax comes back to the City. In the last thirty days gas prices went up \$1.20, now he'll pay the business tax on the additional revenue as the gas prices go up, but it is not additional revenue for him.

Dr. Tim Ng of Tracy Optometry and Eaton Optometric Group stated that they have two types of sales in his practice: glasses and contact sales and then eye exams. He asked about how to split the two types of his sales so that he could pay the correct tax.

Committee asked clarifying questions.

Assistant City Manager Karin Schnaider reiterated that gas taxes, lottery tax, and sales tax these are not included in gross receipts and that the City needs the help of the business owners to contact the City so that the City can help to recalculate the tax. The City can work with individuals to help identify these and help to complete the tax form.

Edgar Rizkalli asked whether they can ask for an overpayment refund for both of the years that the tax was collected and stated that there must be a limit on the gas. He noted that he has not heard from the third party that is handling the refunds.

Chairperson Arriola requested that a meeting be held between the third party that handles the refunds, Finance Director Sara Cowell and Tracy gas station owner Edgar Rizkalli.

Rosario Arullappan stated that the City of Tracy should be business friendly to attract more businesses to Tracy. The West Valley Mall, Tracy Honda, Tracy Mazda are all empty. We can't compare ourselves to the Bay Area. There needs to be a separate model. The goal should be to bring business to Tracy and to be business friendly.

Edgar Rizkalli asked what the plan for this year is because in a few months another fee will be due.

Committee discussion continued.

Co-Chairperson Bedolla noted that this process is working as the Ad Hoc committee intended and that the fact that the community and staff are here shows that. The committee is listening and would like to come to a compromise. He spent time communicating with staff and with the Chamber. He's leaning towards supporting chamber options 4 and city options 3, 4 and 5 however he would like to hear more.

Steve Mary from Leprino Foods stated that it is becoming more difficult to do business in California in the manufacturing field and believes that there should be a cap. The big businesses bring a lot to the community in jobs and people that are contributing back to the community. His company went from paying a few thousand dollars to \$90,000.

Committee asked clarifying questions.

Taz Harvey questioned the annual fiscal impact. His increase at Tracy Mazda went from \$598.00 to \$13,893.54 and Tracy Honda went from \$1458.00 to \$40,541.71. How many big businesses are contributing? He thinks it would be much fairer if it aligns with competitors. The market is fluid and having a cap makes the most sense.

Robin Lopez from Taylor Farms stated that she'd like to come up with something that makes everyone happy and asked if the Finance Department has been able to see if all could benefit if there was a reduction of 25% and a cap was put in place. Ms. Lopez stated that they want to pay their fair share but that the big successful businesses shouldn't have to carry most of the burden.

Kelly Wilson, the CEO of Boys and Girls Club of Tracy stated that this tax increase may affect their biggest donors' contributions and that it would affect the most vulnerable part of our population. If there could be a cap put in place this would be fair and something to consider.

Ms. Toscas clarified that the Chamber's options 4-6 gas station options were intended to go along with the first three options. They weren't intended to be separate.

Committee discussion continued.

Chairperson Arriola requested that a legal analysis be completed to see if there would be the option to separate out gas station retail sales from retail sales.

Assistant City Manager Karin Schnaider requested time to go to legal with this request.

Committee discussion continued.

Co-Chairperson Bedolla asked for the impacts for each option and modeling. Chairperson Arriola suggested that these options be broken out by trigger and Co-chairperson Bedolla stated his support.

Edgar Rizkalli asked if it was possible for the business owners to have time for a rebuttal before the April 29 meeting.

Committee discussion continued.

Chairperson Arriola confirmed that Co-Chairperson Bedolla was in support of having a legal analysis done to separate out gas station retail sales from retail sales and to see if gas sales gross receipts as a category and gas as a percentage. Co-Chairperson agreed to looking into it.

Community member and Arco gas station owner expressed that he is okay with paying the retail rate for items sold but he is not okay with paying the tax on gas sales and he would like the city to create a new subcategory.

Committee discussion continued.

Chairperson Arriola stated that he is in support of adding City option number four and Co-Chairperson Bedolla stated that he agreed to looking into it.

Chairperson Arriola state that he is in support of City options 3-5 and would be comfortable with only 25% or less and a cap of \$250,000. Co-Chairperson Bedolla noted that he and Chairperson Arriola are closer on this than farther apart and would like to see the impacts of this if there is a combination of a cap and a reduction and that 25% is a good starting point.

Chairperson Arriola stated that he would like to see Amendments on:

- Exclusion of Cannabis
- New category for gas sales gross receipts – both the option of reducing the gasoline sales by a cap and a percentage on gasoline sales
- Deduction of raw materials
- A cap of \$250,000
- An equitable percentage decrease of 25%

Chairperson Arriola also noted that these triggers together might be too large of an impact for the City. Co-Chairperson Bedolla requested that staff look into gas sales and cannabis to see how it fits into the cap of \$250,000.

Chairperson Arriola stated that if a combined total is in the 3-to-5-million-dollar range that he might look to remove some of these category amendments but noted this is a strong start.

Edgar Rizkalli asked if Finance Director Cowell could add inflation every year to the equations.

Taz Harvey stated that he cannot see \$25,000 per month as a cap, he is blown away that the Committee would even think that. He asked the committee to rethink the cap.

Chairperson Arriola stated that this is a strong starting point. Co-chairperson Bedolla asked if there would be any interest in having these caps tied to something. Chairperson Arriola said that he is not interested in that at this time. Co-chairperson Bedolla requested that an analysis be done on a decrease of up to 50 percent. If after this analysis is done Chairperson Arriola would consider it. Co-chairperson Bedolla requested that he would like the numbers to be presented and Chairperson Arriola agreed to this.

ACTION: Motion was made by Chairperson Arriola and seconded by Co-Chairperson Bedolla that staff return for potential options for future amendments to chapter 6.04 Business Tax Municipal Code to include an exception to cannabis, a new category of gas sales gross receipts both reducing the gasoline sales by a cap and a percentage on gasoline sales, a deduction of raw materials, the inclusion of a cap beginning \$250,000 potentially to be amended and a percentage reduction of 25% with the potential to be amended with the legal analysis to be done on retail percentages for gas station options. Motion found all in favor; passed and so ordered.

4. STAFF ITEMS – None
5. COMMITTEE ITEMS – None
6. ADJOURNMENT – Time: 8:45 p.m.

ACTION: Motion was made by Chairperson Arriola and seconded by Council Member Bedolla to adjourn.

The agenda was posted at City Hall on April 2, 2024. The above are action minutes. A recording is available on the City's website.

Chairperson

ATTEST:

Clerk