

TRACY CITY COUNCIL - SPECIAL MEETING MINUTES

June 4, 2024, 5:00 p.m.

Tracy City Hall, 333 Civic Center Plaza, Tracy, CA.

1. Mayor Young called the meeting to order at 5:02 p.m.
2. There were no actions taken pursuant to AB 2449.
3. Roll call found Council Members Arriola, Bedolla, Evans, Mayor Pro Tem Davis and Mayor Young present. City Council had no declarations of conflicts.
4. Items from the audience – None
5. DISCUSSION ITEMS
  - 5.A. Staff recommends that the City Council discuss options to amend Chapter 6.04 (Business Taxes) of the Tracy Municipal Code and direct staff to return with a future ordinance 1) amending Chapter 6.04 to provide a temporary, phased rate reduction or 2) through some other method of amending Chapter 6.04.

Sara Cowell, Finance Director provided the staff report and responded to questions.

Council questions and comments followed.

Tas Harvey from Harvey Auto Group spoke about the business tax increase impacts to car dealers and provided a handout with comparisons from various car dealers in different cities and stated he was shocked with the new bill. Every person who buys a car will pay \$35 each car for the business license tax to the City of Tracy. Mr. Harvey recommended Option B, need to cap the total amount. Looking forward to Tracy being pro-business and urged Council to come up with a reasonable number.

A resident spoke about creating a more friendly business environment, positive impacts of businesses paying the same tax and recommended looking at other options, instead of more taxes. Spoke about the City leaving money on the table in 2023 by not building 500 homes that would have boosted the City's economy. Look at development and growth.

Robert Tanner referred to the previous meeting agenda item handouts stating one indicated 25 industries that paid \$50 to \$100,000 plus and asked what those groups were. The official Measure B ballot states additional \$3.2 million annually until ended by the voters. Does that mean this Council cannot change any of that law until it goes to the voters. Heard some businesses want to leave town where cheaper to work and sell the item with the business tax.

David Mariam, Plant Manager for Leprino Foods stated he appreciates Council recognizing that the tax bill did not go off as planned and they recognize as a

large business they need to pay their fair share. Spoke about breakdown in the \$1 million and \$5 million gross receipts. Went from \$2,000 to hundreds of thousands of dollars, is not fair and equitable, will disincentivize existing businesses from growing and hurt attracting businesses and revenue.

Robin Lopez, Taylor Farms stated the business tax drastically changed for businesses that do \$50 million or \$100 million. The phased approach gets us right back to where we started in four years and gives companies four years to move because we are going to be back where we started. Larger businesses should pay more than smaller businesses. Need to get the numbers right.

Alice English stated the initiative was bad and is not business friendly, need something fair for all the businesses. Failed to put in Lodi, Ripon, Escalon in comparisons. Tracy is already losing businesses to Lathrop. A cap is needed. Some businesses have contributed so much to our community. Ms. English spoke about cannabis already having an agreement about tax and community benefit. The City is not attracting but trapping businesses here.

Finance Committee Members, Council Member Arriola, and Council Member Bedolla and staff explained the Finance Committee recommendations to Council.

Council questions and comments followed.

Karin Schnaider, Assistant City Manager responded to Council questions.

Council Member Evans supported what the Chamber is offering but remove cannabis section.

Mayor Pro Tem Davis asked for the following to be in the record: Measure B was a tax initiative and was recommended to the Council by the Finance Committee in July 2022 and that committee was comprised of Council Member Arriola and Mayor Pro Tem Vargas. What they sold to the Council was the modernization of an existing tax structure under a new initiative. They guaranteed it would ensure greater equity among the business community causing larger businesses to pay their fair share and reducing taxes for smaller businesses. The Council trusted the information presented by Council Member Arriola and Mayor Pro Tem Vargas as representatives of the Finance Committee tasked with doing the deep dive budget analysis with staff and consultants to bring back a recommendation that the Council could support. Based on what was presented to this Council by the Finance Committee we supported the recommendation. Had we known the information was flawed and the broader business community was not a part of the taxation conversation with the Finance Committee and had we known that the business communities would be unfairly taxed by the initiative she would not have supported the Finance Committee's recommendation. Over taxation may not have been expected but she trusted the data. Council is here to fix it. Supported the Chambers recommendation of Option 2 which includes the \$50 flat fee for everyone under \$500,000 and the \$50,000 fee cap.

Council Member Arriola responded he objected to some characterization. The original Finance Committee in bringing this item to Council was told \$3.4 million impact; was data received by consultants. We were all working from the same

data. Disingenuous to imply any change on reliance upon data from the previous Finance Committee to the Council. The data we relied upon was not accurate.

Council comments continued.

Midori Lichtwardt, City Manager recommended not to have a cap and in terms of the fee raising the exemption and look at changing the percentages of how each of the different industries are being charged and some of the carve outs Council talked about. Would not recommend creating a cap for the business tax amount.

Bijal Patel, City Attorney responded to questions.

Council Member Bedolla stated he is ok with staff's recommendation but consider Finance Committee's recommendation regarding gas sale.

Mayor Pro Tem Davis was not in support of staff's recommendation.

Council Member Arriola was not in support of staff's recommendation.

Council Member Evans did not support staff's recommendation. Could support Option 2.

Mayor Young did not support staff's recommendation.

Council Member Arriola made a motion to direct staff to return to Council with a future ordinance making an amendment for a \$50 flat rate for gas sales, car dealerships and cannabis. Mayor Young stated she was in support of a flat rate for those three and wanted to address manufacturing also.

Council Member Arriola amended his motion for a flat rate for gas sales, car dealerships, cannabis and raw materials production. Mayor Young seconded the motion.

Council comments continued.

Council Member Arriola withdrew his previous motion and made a new motion to direct staff to return to Council with a future ordinance with an amendment for a \$50 flat rate for gas sales. Council Member Bedolla seconded the motion.

Mayor Pro Tem Davis stated under what the Chamber has recommended she would be in support of \$50 flat rate for the gas which is separate than retail.

Council Member Arriola and Mayor Young supported a \$50 flat tax for car dealerships.

Mr. Harvey stated \$50 is low. \$2,500 across the board is about average. All dealers would be in agreement with that.

Council Member Bedolla motioned to direct staff to return with a future ordinance amending Chapter 6.04 to provide a 50% reduction for one year and the gas

sales proposal and have staff come back with a process to amend Chapter 6.04 for the 25/26 fiscal year.

Mayor Young stated she would be in support if we can do all the industry specifics with the 50% for the year and come back after that.

Council Member Bedolla said he would support two of the industry specific.

Council Member Bedolla asked if there would be support for 50% reduction for one year and gas station proposal.

Council Member Arriola requested when the item returns to have a chart that would have each reduction level with the impacts to the City if also implementing a cap for each of those levels.

Mayor Young asked for it to be broken down with some options too so Council can grasp what it looks like, give us a fuller picture.

Ms. Lichtwardt clarified if Council is not able to come to consensus today, will hear item 3.B on the regular agenda and whatever results are, presuming a moratorium and do a couple of workshops so we can fully flush out the options Council wants to see. If not able to make calculations on the fly, give Council our findings with the iterations that Council is wanting to see. Foresee potentially two special meetings with workshops.

Council comments continued.

Ms. Cowell confirmed she has directed HDL to not send out the business tax billing until we knew what the decision will be.

Ms. Patel clarified the moratorium would still be relevant because Council would not have adopted a code amendment until June 18<sup>th</sup> through a 4/5<sup>th</sup> vote on the urgency ordinance amending the code. Because there is a gap between tonight and the 18<sup>th</sup> there is something to figure out. There are still scheduled meetings outside of the workshop. If Council is able to reach consensus, staff can bring the urgency ordinance on June 18<sup>th</sup> whether it is 50% or anything else. Need some breathing room to hold those bills back and not implement the current code.

Council discussion continued.

Motion was made by Council Member Evans for staff to come back with multiple working sessions for Council to try to establish code in the next 45 days. Council Member Arriola seconded the motion.

Council Member Bedolla asked Council Member Evans if he would accept a friendly amendment for 50% today for one year and the industry specific proposals. Council Member Evans responded not yet.

**ACTION:** Council Member Evans motioned for staff to arrange up to two working sessions as needed and bring back this item at a later date within 45 days. Council Member Arriola seconded the motion. Roll call found all in favor; passed and so ordered.

6. Council Items and Comments – Council Member Bedolla provided some information regarding infrastructure in Tracy Hills stating currently there is a target date of mid-summer this year where Lammers Road would be connected to Tracy Hills Drive and also connected to the entrance of the second phase of Tracy Hills. Tracy Hills could potentially have three paved entries and exits for residents to drive on.

7. Adjournment – Time: 7:26 p.m.

**ACTION:** Motion was made by Council Member Arriola and seconded by Mayor Pro Tem Davis to adjourn. Roll call found all in favor; passed and so ordered.

The above agenda was posted at the Tracy City Hall on May 30, 2024. The above are action minutes. A recording is available at the office of the City Clerk.

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Mayor

ATTEST:

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City Clerk