

TRACY CITY COUNCIL - SPECIAL MEETING MINUTES

**August 13, 2024, 6:00 p.m.**

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

1. Mayor Young called the meeting to order at 6:17 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 – Conrad Levoit voiced concerns regarding the striping changes and lane designs on Lowell and Lincoln and asked why the public was not included in the design changes and should be looked at with the public so that residents and schools are aware of the changes.

Barbara McFay expressed concerns regarding the feral cats and kittens and shared that members of the community are paying out of pocket for veterinary care for these cats, urged Council to create a campaign to better deal with the issue and come up with creative solutions.

Robert Tanner shared that he received a flier regarding the airport and wanted to share that any infrastructure updates are paid by the Federal Government with approval from the FAA and shared that the flier contains false information, and expressed concerns about a current Council Member that is also running for reelection, being against business and against the upcoming item.

Council Member Bedolla responded to Mr. Tanner.

Alice English shared that there will be a Planning Commission Meeting tomorrow (August 14) and it's an important meeting for the community to show for the Downtown Vision Plan and explained how Planning Commission works with the City Council.

5. DISCUSSION ITEMS

- 5.A. Staff recommends that the City Council conduct a "Town Hall" style workshop, and upon conclusion, discuss and provide direction, by motion, to staff on the development of an ordinance to modify the Business Tax under Chapter 6.04 of the Tracy Municipal Code.

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

Arturo Sanchez, Assistant City Manager explained the logistic instructions for the public and staff on how the Breakout session will work.

Breakout session began at 6:48 p.m.

Breakout session ended at 7:37 p.m.

Brian MacDonald, Director of Parks and Recreation shared feedback received for Proposal 1: Rate change to .0001 for all categories with \$100,000 maximum tax (submission from Chamber), there were 5 votes received on this item from the community members present. The Measure B Categories:

- 1) Retail/General Business
- 2) Manufacturing/Warehousing/Wholesaling
- 3) Contractor/Service
- 4) Professionals/Rentals

Norbert Ruijling, Chief Innovation Officer shared feedback received for Proposal 2: Overall rate reduction of 50% with a \$20,000 maximum tax, for the additional categories listed (submission from Chamber), there were 16 votes received on this item from the community members present. Includes all Measure B Categories above and:

- 5) Gasoline Sales; with a maximum tax of \$50
- 6) Cannabis; with a maximum tax of \$50
- 7) Car Dealerships; with a \$2500 maximum tax

Forrest Ebbs, Director of Community and Economic Development, shared feedback received for Proposal 3: Overall rate reduction by 40% (submission by City Staff), there was 1 vote received on this item from the community members present. Includes Measure B Categories 1 to 4.

JoAnn Weberg, Human Resources Manager shared feedback received for Policy Considerations, there were 15 of the 20 votes received for Option 7. Options were:

- 1) Should Council focus on total revenue?
- 2) Should Council focus on rates per category?
- 3) Should Council set maximum tax cap collected per category?
- 4) Should tax be an equal balance of all above 1 and 3?
- 5) Option 1 and 2 only.
- 6) Option 1 and 3 only.
- 7) Option 2 and 3 only.

Kimberly Murdaugh, Human Resources Director gathered other community feedback:

- Thinks there should be potential to modify the proposals, for instance proposal number 1 should have a .0003 across the board, that sentiment was echoed by an additional Community Member.
- HDL said during a meeting that there would be no cost to a business above the maximum of \$19,000 per year, thought they heard that in a meeting.
- Proposed a hybrid between proposals 2 and 3, 2 is good for business with a 40% to 50% reduction with a higher cap as proposed in proposal 2 such as \$50,000 or \$75,000.

- The caps that in proposal 2 do not help business that are required to file under each LLC that they have in the City of Tracy. For example, a real estate company may have a separate LLC for each rental property so each LLC is paying the business tax and may not exceed that cap, sentiment was echoed by another Community Member
- Could the City wait until the sales tax sharing reduction is voted into law, echoed by another Community Member.
- Encouraged business establishment rather than taxing existing businesses so they do not leave but expand in Tracy, focus on developing mechanisms where existing businesses flourish and attraction of new businesses.
- Sunset Ordinance and proposed a 10-year sunset to allow a revisiting of the sales tax at that time.
- The Chamber of Commerce after reviewing fiscal impacts of Options 1 and 2, the Chamber now supports Option 2 due to fiscal impacts to City and if cannot agree on a feasible tax, should go back out to voters.
- The proposed carveouts in Proposal 2 are critical.
- Proposing a retro credit for business tax paid in FY 23/24 based on the amended business tax ordinance for FY 24/25, the current perspective is that the City is not business friendly.
- Council should consider the impacts of the business tax on the donations to the Non-Profits that provide services that the City does not provide.

Michael Raitchel, Senior Accountant provided an overview of the Rate Calculator with the numbers that Council provided.

Council comments and questions continued. Council Members outlined the breakdown recommendations that they wanted to see presented in the Rate Calculator presentation.

Mayor Young called a recess at 8:57 p.m.

Meeting reconvened at 9:27 p.m.

Council questions and comments followed.

Ken Cefalo, owner of Main Street Music shared that the measure was misleading, and that it gave the impression that businesses would save money and raise money for the City, shared that most people are not business owners and did not consider that 75% to 80% of business do not hire employees, and shared several examples of business license holders that do not have employees. Mr. Cefalo expressed concerns that if businesses leave the ones that stay will also suffer because of lack of customers and urged Council to consider all that before they make a decision.

Jerry Stoller requested that Council not only “Think Inside the Triangle” but to also think outside the triangle.

Cliff Hudson shared that as a business owner in Tracy for 16 years and the current economic climate; labor, materials, gas, food prices are up and now business tax, shared that Tracy should be attracting business rather than making business reconsider coming to Tracy and urged Council to be thoughtful in this process and the long-term effects of this decision and must continue to move forward.

Council comments and questions continued.

Ken Cefalo asked how many businesses it takes to get to \$666,000 so not sure how much that cap is going to change things, urged Council to change the cap to \$25,000 to see what happens for Categories 1-4 and this model really does not indicate how many businesses are impacted.

Mikayla Toscas, representative from the Chamber of Commerce expressed concerns from business owners regarding inflation and taxes, Measure B was not presented clearly to the public and urged Council to consider when and if businesses relocate outside of Tracy and how will this impact the sales tax, Tracy is not business friendly, and the Chamber supports Proposal 2 and requested a tiered tax so that all businesses can be helped.

David Merriam, Plant Manager from Leprino Foods urged Council to decide the direction that the City wants to move in if the goal is to be a pro-business/business friendly City agrees with the lower tax proposal. If the priority of more revenue from existing business, then there needs to be some compromising and a realistic cap and expressed support for the proposals presented by Council Members Arriola, Evans and Mayor Pro Tem Davis.

Robin Lopez from Taylor Farms expressed support for the comments made by the previous speaker.

Alice English stated that several businesses have been lost due to the City taxes and with more homes being built, businesses are needed to support the growing population rather than people going into the Bay Area or other local cities for their shopping needs, urged Council to consider adopting the proposal that was made by Mayor Pro Tem Davis because better businesses and retail is needed that can support local jobs.

Council comments and questions continued.

Mayor Pro Tem Davis shared that Council should go with no cap on the low tax rate and market the community that shows a strong show of faith getting behind existing business and a strong message to the businesses that the City is trying to attract. Supports a .0003 rate, low taxation will drive more business. Council Member Evans expressed support.

**ACTION:** Motion was made by Council Member Bedolla and seconded by Council Member Arriola to bring back an ordinance for Council to consider a \$25,000 cap, 25% reduction for an estimated revenue of \$3.2 million.

Council comments and questions continued.

**ACTION:** Motion was amended by Council Member Bedolla and seconded by Council Member Arriola to bring back an ordinance for Council to consider a \$25,000 cap, 25% reduction for an estimated revenue of \$3.2 million with a sunset of three (3) years.

Council comments and questions continued.

**ACTION:** Alternate motion was made by Council Member Evans and seconded by Mayor Pro Tem Davis to consider a \$62,500 cap, rates as shown in column "F", for an estimated revenue of \$2.62 million with a sunset of three (3) years.

Council comments and questions continued.

**ACTION:** Friendly amendment was made by Council Member Bedolla changing the rate for Category 4 to .001,

Council comments and questions continued.

**ACTION:** Friendly amendment was made by Council Member Evans to changing the rate for Category 4 to .0008,

Council comments and questions continued.

Council Member Bedolla's friendly amendment was accepted by Council Member Evans to changing the rate for Category 4 to .001.

**ACTION:** Friendly amendment was made by Council Member Bedolla requesting that the cap be increased to \$70,000. Council Member Evans rejected.

Council comments and questions continued.

Bijal Patel, City Attorney reminded Council that there was still a motion and a friendly amendment on the floor.

Council Member Bedolla requested guidance as to rescinding a motion.

Ms. Patel clarified that yes, the motion maker can rescind the original motion and the motion second would also have to rescind their support.

**ACTION:** Council Member Bedolla rescinded original motion.

**ACTION:** Council Member Evans rescinded alternate motion and friendly amendments.

**ACTION:** Council Member Arriola rescinded second for original motion and for friendly amendment.

**ACTION:** Mayor Pro Tem Davis rescinded her second on Council Member Evans' alternate motion.

Council comments and questions continued.

**ACTION:** Motion was made by Council Member Arriola and seconded by Council Member Bedolla to consider a \$25,000 cap, 25% reduction for an estimated revenue of \$3.2 million with a three (3) year sunset.

Council comments and questions continued.

**ACTION:** Council Member Bedolla rescinded support for Council Member Arriola's motion.

Council comments and questions continued.

**ACTION:** Motion was made by Council Member Evans and seconded by Mayor Pro Tem Davis to amend Chapter 6.04 per the Tracy Municipal Code to what is reflected on the screen columns F to I, including a sunset of three (3) years. Roll call found all in favor, passed and so ordered.

	Categories	Rate	Cap	Tax
1	Retail/General Business	0.0005	65,000	1,049,079
2	Manufacturing/Warehousing/Wholesaling	0.0009	65,000	696,509
3	Contractor/Service	0.001	65,000	807,794
4	Professionals/Rentals	0.0015	65,000	492,035
5	Gasoline Sales; with a maximum tax of \$50	0.0005	50	850
6	Cannabis; with a maximum tax of \$50	0.0005	50	200
7	Car Dealerships; with a \$2500 maximum tax	0.0005	2,500	21,502
				<b>3.07 mil</b>

6. There were no Council Items.

7. ADJOURNMENT – Time: 11:23 p.m.

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

The above agenda was posted at the Tracy City Hall on August 8, 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