



APPROVED: 09/06/2022

MINUTES OF THE SPECIAL MEETING OF THE CITY COUNCIL

July 12, 2022

1. **CALL TO ORDER**

Mayor Rodriguez called the meeting to order via teleconference at 5:09 p.m.

2. **ROLL CALL**

Members present: Councilmembers Martin, Mora, Sarno, Mayor Pro Tem Zamora, and Mayor Rodriguez.

Members absent: None.

3. **PUBLIC COMMENTS**

Item moved after presentations for Item No. 4.

CITY COUNCIL

4. **STUDY SESSION**

Presentation of Potential Changes to the City's Business Operation Tax Ordinance (Finance)

Recommendation:

- Provide direction regarding potential changes to the City's Business Operations Tax Ordinance.

City Manager, Raymond Cruz provided a brief introduction on Item No. 4. He spoke in regards to the meeting that took place on Monday, July 11, 2022 with the business group. He stated the purpose of this meeting was to receive direction from the City Council to determine if they would like to enact Model 7 or a supplemented version of it on the November election ballot.

Due to technical difficulties, Mayor Rodriguez recessed the meeting at 5:15 p.m.

Mayor Rodriguez reconvened the meeting at 5:18 p.m.

Election Consultant, Mark Mandell reviewed Model 7, which listed the distribution of tax to the business owners and tenants. The first slide distinguished what category different businesses would potentially fall into which would determine the amount in which they would be taxed.

Councilmember Sarno inquired how the gross receipts are determined and how the rates compare to other cities' business license tax. He also inquired where the City ranks compared to other cities.

HdL Consultant, Eric Meyers stated that the rates are at the lower end and are typically rounded. He believes the rates are very competitive.

Councilmember Martin inquired why the consultant, Eric, is comparing the City to the City of Los Angeles. She noted that we need a comparison city similar to Santa Fe Springs. Consultant Meyers responded stating he was not comparing the City to the City of Los Angeles, but that the question he understood was whether these were competitive rates compared to these types of businesses.

Mayor Rodriguez asked if there were any other questions from Council.

City Manager Cruz moved on to present the polling information.

Councilmember Sarno asked to see a breakdown of professional contractors, general business services of what they pay right now, and a comparison of where they are going to be at after this tax. He wants to see it because it is going to be difficult for some businesses, and they might not be able to afford it. City Manager Cruz stated the current tax is on the number of employees, which has resulted in inequities in the amount some businesses pay in the licensing tax. Director of Finance, Travis Hickey stated that currently the City is estimating what the revenue would be because they do not currently have that data. They can assume a certain level of revenue and project the outcome based on the potential revenue.

Consultant Mandell noted that it would be difficult to determine the exact amount and would not recommend obtaining the amounts and making them public. Additionally, they do not have the ability to estimate the exact fee because the City currently does not have their gross receipts and that may not be legally feasible to obtain those. He also stated that the numbers might fluctuate since some sales would increase or decrease.

City Manager Cruz asked the HDL Consultant Meyers, if he has any thoughts on the comparisons Council was inquiring about. Consultant Meyers noted they did hypotheticals in the original study and that they could easily add to that using Model 7.

Mayor Pro Tem Zamora asked when the last time the City raised any fees. He also requested a comparison. Director Hickey stated the City has not raised the business license tax. Mayor Pro Tem Zamora asked if anything else has been raised in 30 years.

Director Hickey answered the business license service fee itself was raised but not the tax.

Mayor Pro Tem Zamora asked if the City is too low or too high and wants a comparison with other cities to see where the City is in comparison. He recommended using the water rate comparison as a sample of how to compare the business tax rate.

Mayor Pro Tem Zamora asked Director of Public Works, Noe Negrete when the water rate was raised and if it had been over 20 years. Director Negrete stated it was small increments, but does not have the exact date of when it was last raised.

Mayor Pro Tem Zamora stated that if this business license was not raised in increments this would be a large amount.

Consultant Mandell noted that based on the municipal code, which has not been changed in decades, and because it is based on the number of employees, it does not reflect inflation

changes. He noted that a gross receipt tax would automatically reflect inflation. He recommended not comparing this business license tax process to the water rates because water rates are a special fund. Mayor Pro Tem Zamora stated he was using the water rate as an example and a comparison did not need to be made. He was using the water rate as an example of having to catch up from years of not adjusting it similar to the current status of the business license fee. He stated possibly creating a model that was staggered in order to help the smaller businesses.

FM3 Consultant, Rick Sklarz provided a brief presentation, and spoke about the surveys that were conducted within the City. He noted that the survey covered thoughts on where the City is headed from 2010 to today. He expressed that the results compared better to other cities. The next question asked was in regards to the residents quality of life and the results were mostly good. Job rating results were mostly positive. Additional questions were focused on the Fire Department, Police Department, City government and City Council. Gas prices, inflation, homelessness, and housing costs are top concerns. The level of need was also surveyed and the voter results were in favor of increasing the City's' business license. The voters also responded strongly towards investing in local infrastructure and believe businesses should pay their fair share. Proactive policing, emergency and safety response were also highly rated as high importance amongst respondents.

Consultant Joy Kummer spoke about the deadlines that the City has if they chose to move forward with the measure and have it on the ballot for November 2022.

3. PUBLIC COMMENTS

The following persons spoke during Public Comments: Raman Venkat, CEO for LeFiell Manufacturing and Mary Venegas from All Star Cable Products, Inc.

5. COUNCIL COMMENTS

Councilmember Sarno expressed the difficulties to be in his position as a Santa Fe Springs business owner and as an elected official. He stated that it is difficult because costs are rising for businesses. He believes this is something that needs to be accomplished but he is unsure about the timing and numbers.

Councilmember Martin noted that it is the City's fault for not raising fees gradually to avoid the significant increase. She expressed that there is a need to increase fees but the City needs to come up with the correct numbers and be financially responsible. She would like to postpone the tax another year because she does not believe this is good timing. She expressed that she is not in business in Santa Fe Springs like others.

Councilmember Mora stated that he is also a business owner and falls under the higher bracket shown on the model. He understands the City has an old bracket for business taxes and there is a need for an increase. However, some of these increases such as Model 7 are the best numbers in comparison to other percentages. He expressed he wants to do it right and noted that the Finance Department and consultants are working hard to get this prepared for November. He stated that perhaps there should be a smaller bracket for small businesses to balance out the multi-million companies with a smaller incremental increase. He noted the City does have a need for revenue for infrastructure and the community. He requested to have this

tax increase done in increments.

Mayor Pro Tem Zamora stated the land value for the businesses are high and noted people are not struggling in the City. He expressed he is in favor of a staggered system especially for smaller businesses, however, the top 25% sales tax producers are not struggling and having them not present proves that they are not struggling. He provided a directive approving Model 7 with a staggered system for small businesses before July 19th.

Mayor Rodriguez spoke about the City and how it has evolved. She expressed how she understands businesses frustrations and noted that the City is business friendly. She stated that Measure Y was intended to take care of the City's needs; however, at the time there was a deficit and now there is no deficit. She stated the City is still in need of infrastructure and funding they currently do not have. She also stated she is in favor of the staggered system for small businesses. She noted that the survey highlighted the needs of the voters, and she wants to work with the businesses by working with the numbers to make everyone happy. She expressed her support for a staggered system.

City Attorney, Ivy M. Tsai suggested giving the staff detail and what they meant by staggered system.

Mayor Pro Tem Zamora requested to have the City Manager explain the staggered system.

City Manager Cruz stated that using Model 7 allows the City to have a staggered system for smaller businesses. He explained that using Model 7 means you can delay the amount for up to one or two years, and increase the percentage through different years. A staggered system would involve phasing it in from 1 to 3 years. He also stated they could prepare these different options and bring it back to the Council.

Councilmember Sarno stated the City needs to determine whether they are comfortable with the numbers and what numbers they are looking at. He asked Council if the numbers presented is what everyone wanted. He expressed these numbers need to be determined before deciding further on the percentage increments.

Mayor Pro Tem Zamora stated yes at the end point. Councilmember Sarno asked what the end point amount would be for the tax. He asked for a comparison to other cities like the City of La Mirada to ensure they would not lose businesses to neighboring cities.

Mayor Pro Tem Zamora stated that the City La Mirada did not compare to Santa Fe Springs and the only comparable cities were the Cities of Industry, Commerce, and Vernon when it comes to the business community.

City Manager Cruz asked the consultant if that is something they would be able to provide. HdL Consultant Meyers stated that the cities mentioned were in the original studies and that they would be able to bring that to Council.

City Manager Cruz asked Council when they would like the item brought back and reminded them that they would need to bring the ordinance before the council, but that it could not be completed until the numbers were finalized.

Election Consultant Mandell stated that he can begin drafting the ordinance and that changing the numbers would not be too difficult. He continued to state there were two more meetings in which they could discuss the rates.

Councilmember Martin asked if the City is going to have the Chamber of Commerce involved in the process. City Manager Cruz stated Consultant Meyers would provide the report for a meeting next Tuesday. Councilmember Sarno asked if Council agreed on a 33% increase. He stated if they were to keep the numbers as is at a three-year rate then it would be a 33% increase each year.

Mayor Pro Tem Zamora stated he did not want to see a new general plan study because he just does not want to waste any more time. Councilmember Mora agreed with the three-year plan. He asked if the consultant could look into those businesses that currently pay two to three hundred dollars a year and will end up paying \$50,000 and repeated that he did not want to lose businesses.

Mayor Rodriguez recessed the meeting at 6:35 p.m.

Mayor Rodriguez reconvened the meeting at 6:39 p.m.

Mayor Rodriguez provided a brief summary of actions taken during the June 7 and July 5, 2022 City Council meetings regarding the pine trees on Maidstone Avenue and other directives given for tree removal in other areas. She gave a directive to bring back Item No. 9 on the July 5, 2022 Council Meeting to the council meeting schedule for July 19, 2022 for review.

Mayor Pro Tem Zamora was in agreement to bring the item back for review. Councilmember Sarno opposed the idea saying that the tree removals be guided by the tree removal policy. Director Negrete stated that the policy applies to individual trees. Councilmember Sarno added that tree removals on other streets were completed because of a CIP project where surveying was included. Councilmember Martin provided further clarification on past projects and discussion ensued amongst Council.

City Attorney Tsai reminded Council that the item is only for discussing whether to bring it back for discussion at a subsequent meeting.

Director of Public Works, Noe Negrete stated that a consultant could provide an estimated cost in about a month's time. An engineer's estimate would differ from a true cost, as the true cost would not be final until the project has gone out to bid. Council provided additional comments.

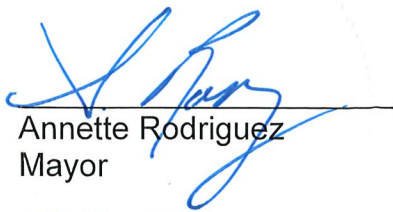
6. ADJOURNMENT

Mayor Rodriguez adjourned the meeting at 6:57 p.m.

ATTEST:



Janet Martinez
City Clerk



Annette Rodriguez
Mayor

9-7-22
Date