

**REGULAR ADJOURNED/STUDY SESSION OF THE CITY COUNCIL
CITY OF COSTA MESA**

July 10, 2012

The City Council of the City of Costa Mesa, California met in a Regular Adjourned/Study Session on Tuesday, June 12, 2012 at 5:00 p.m. in Council Chambers at City Hall, 77 Fair Drive, Costa Mesa.

The Mayor called the meeting to order at 5:09 p.m.

ROLL CALL: (00:16)

Council Members Present: Mayor Eric R. Bever
Mayor Pro Tem James M. Righeimer (arrived at 5:10 p.m.)
Council Member Wendy Leece
Council Member Stephen M. Mensinger

Council Members Absent: Council Member Gary Monahan

Officials Present: Assistant CEO Rick Francis
City Attorney Thomas Duarte
Deputy CEO/Economic & Develop Dir. Peter Naghavi
Public Services Director Ernesto Munoz
Finance/IT Director Bobby Young
Interim City Clerk Brenda Green
Executive Secretary Chris Goldsworthy

PUBLIC COMMENTS

1. Robin Leffler, Costa Mesa, asked to have public comments taken after the presentation in order to make more informed comments. Ms. Leffer stated that the item to be presented was timely, she supported it and staff would be challenged to make it equitable. (00:44)

MOTION: To allow public comments after the presentation of Item 1, moved by Council Member Leece. The motion failed for lack of a second.

2. Larry Weichman, Costa Mesa, spoke as a business owner in opposition to the proposed business tax increase. Mr. Weichman stated that it would double his business fees and fellow businesses owners were also in opposition. (02:29)
3. Perry Valantine, Costa Mesa, spoke in support of the proposed increase of the business license tax. (03:38)

4. John Feeney, Costa Mesa, spoke in opposition to the proposed increase of the business license tax and stated that businesses would pass the tax to customers. (04:34)
5. Beth Refakes, Costa Mesa, expressed concern of losing businesses to surrounding cities and taxes passed on to consumers. Ms. Refakes stated that the city's low taxes attract businesses and suggested making the business license tax more equitable. (05:32)
6. John Hawley, Costa Mesa business owner, spoke in opposition to the proposed business license tax increase stating it should be put off until after the election and that the cost would be passed on to the consumer. (07:25)

ITEMS FOR DISCUSSION

1. Discussion Regarding Possible Business License Tax Increase (08:46)

Finance/IT Director Bobby Young provided an overview of the current business license tax structure and the proposed increase for the November ballot. Mr. Young presented a brief history of the business license tax, comparative data and analysis. Common business license tax structures depicting gross receipts, mill rate or per employee formulas was presented and explained.

Mr. Young stated that the business license tax was last changed by Ordinance on April 1, 1985 and is currently assessed by gross receipts, with certain exceptions and a \$200 cap on the tax at gross receipts of \$500,000 or more. An exception for swap meets, special events, contractors, taxicabs and vehicle/tow truck tax was presented. Mr. Young stated that a consultant was preparing a report of the entire business license structure using comparative data.

Mr. Young responded to questions from Council Members regarding gardeners displaying business licenses on their trucks, the elimination of the business license inspector position, the tax for individual swap meet vendors and cities that don't collect a business license tax.

Mr. Young continued the presentation explaining the Santa Ana's base tax and mill rate tax structure and provided examples. Comparative data and formulas were explained for Orange, Newport Beach and Huntington Beach and Irvine who offer a tax rate decrease for businesses earning less than \$4,000 and an in-town commercial tax collection and no sales tax collection formula. Mr. Young presented the proposed increase of the business license tax of \$50 to \$10,000 based gross receipts. Mr. Young stated that a gross receipts formula would be easier to understand, collect and verify. A per employee formula may be more difficult, use of W-2's would be necessary, and a mill rate formula may also be equitable. Mr. Young stated that online payments would be evaluated.

Council Member Mensinger asked questions on non-profits, multiple business partnerships the possibility of a gas station owner and retail store paying the same tax. Council Member Mensinger asked for a more equitable proposal and a staff position to enforce the tax.

Council Member Leece asked questions about collecting a business license tax from out-of-town contractors, and asked for more information to be presented at the next regular Council meeting.

Mayor Bever stated that the proposed tax structure may be inequitable. Mayor Bever offered that a sales tax business versus a wholesale commercial business may be difficult to determine and felt businesses could move to Irvine due to their lower tax structure. Mayor Bever asked for a lower tier for home-based businesses and discussed the procedure of placing the proposed increase on the November ballot.

Mayor Pro Tem Righeimer stated that the proposed structure as presented was equitable and suggested that Newport Beach's program works best, bringing in larger tax revenue. Mayor Pro Tem Righeimer called for a simple system based on number of employees, making it easier for businesses to understand and determine their business license tax and suggested consideration of the proposed increase at the next regular Council meeting.

The City Council took no action on this item.

2. Employee of the Month (01:18:40)

No nominations were received.

COUNCIL MEMBERS' REPORTS, COMMENTS, AND SUGGESTIONS (01:18:49)

None received.

ADJOURNMENT (01:19:00)

The Mayor adjourned the Study Session at 6:28 p.m.

Mayor of the City of Costa Mesa

ATTEST:

Interim City Clerk of the City of Costa Mesa