



# AGENDA

## EL SEGUNDO CITY COUNCIL

Emergency Operations Center  
348 Main Street, El Segundo, CA 90245

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The City Council, with certain statutory exceptions, can only take action upon properly posted and listed agenda items.

Unless otherwise noted in the Agenda, the Public can only comment on City-related business that is within the jurisdiction of the City Council and/or items listed on the Agenda during the **Public Communications** portion of the Meeting. The time limit for comments is five (5) minutes per person.

*Before speaking to the City Council, please come to the podium and state: Your name and residence and the organization you represent, if desired. Please respect the time limits.*

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**In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact City Clerk, 524-2305. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.**

### SPECIAL MEETING OF THE EL SEGUNDO CITY COUNCIL Thursday November 12, 2009 – 2:00 P.M.

Emergency Operations Center  
348 Main Street, El Segundo, CA 90245

#### CALL TO ORDER

#### ROLL CALL

**PUBLIC COMMUNICATIONS – (Related to City Business Only – 5 minute limit per person, 30 minute limit total)** *Individuals who have received value of \$50 or more to communicate to the City Council on behalf of another, and employees speaking on behalf of their employer, must so identify themselves prior to addressing the City Council. Failure to do so shall be a misdemeanor and punishable by a fine of \$250. While all comments are welcome, the Brown Act does not allow Council to take action on any item not on the agenda. The Council will respond to comments after Public Communications is closed.*

**SPECIAL ORDERS OF BUSINESS -**

- 1. Consideration and possible action regarding providing preliminary direction to staff regarding preparation of a potential ballot measure to increase the Business License Tax measure for the April 2010 election and other potential revenue raising measures and discuss and provide preliminary direction regarding potential expenditure reductions or savings regarding all City Departments and City services (No final action will be taken on any item – any proposed action will be placed on a future City Council Meeting agenda for further consideration and possible action).**

Recommendation – (1) Receive and file information provided to staff and provide preliminary direction to staff; (2) Alternatively discuss and take other action related to this item.

**ADJOURNMENT:**

POSTED:

DATE: 11-10-09

TIME: 815 am

NAME: Cathy Domann

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**From:** Cullen, Deborah [mailto:DCullen@elsegundo.org]  
**Sent:** Wed 11/11/2009 12:26 PM  
**To:** ALL CITY COUNCIL  
**Cc:** Wayt, Jack; Mark Hensley; Garcia, Angie; Jones, Steve  
**Subject:** Presentation for 11.12.2009

Attached is a draft of the presentation for Business License Indexing. This will all be explained in detail at the Special Meeting tomorrow.

I have also attached a few business examples of the various options for indexing BLT and the effects on small, medium and large businesses. When you open the file "Business examples" you will see six different examples showing BLT projections out to FY 2018-2019 for large, small and medium businesses. There are two examples of a large corporation; one shows the impact on square acres and the other is an example of one of our typical large businesses. The FY 2009-2010 projected numbers represent the businesses' current BLT for 2009-2010 without any impacts and FY 2010-2011 to 2018-2019 shows the annual impacts of the indexing. The line showing Sales & Use Tax received represents the entire Sales and Use Tax credit.

Below is the description of each indexing option:

1. CPI example-- equals 2.56% which is the 10-year rolling average
2. CPI with Phased Sales Tax Credit reduction to 25% over three years
3. 5% increase
4. 5% increase with Phased Sales Tax Credit reduction to 25% over three years
5. Public Safety Index
6. Public Safety Index with Phased Sales Tax Credit reduction to 25% over three years

**The sheets are for demonstration only.**

If you need additional explanation or if you have any questions please let me know. You can reach me in the office today 310 524-2315 or on my cell 310 488-9497.

*Deborah Cullen*  
*Director of Finance*  
*City of El Segundo*



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**BUSINESS LICENSE INDEXING**  
**NOVEMBER 12, 2009**

The seal of the City of Alhambra, California, is centered in the background. It is a circular emblem with a grey outer ring containing the text "CITY OF" at the top and "ALHAMBRA" at the bottom. Inside the ring, there is a depiction of a cityscape with buildings and palm trees. At the bottom of the inner circle, it says "INCORPORATED JAN 18, 1917".

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# BUSINESS LICENSE INDEXING

- Business License Tax (BLT) last indexed 16 years ago
- Other major General Fund revenues have indexes/components that respond to the economy
  - Property Tax, Sales Tax, TOT and Franchise Tax
- BLT is the third largest General Fund revenue source in the City In 1992-2001 BLT was the number one revenue producer

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# BUSINESS LICENSE INDEXING

- Top 25 businesses generate 70% of the BLT
- Sales Tax Credits can offset up to 100% of BLT
  - Total Sales Tax credits for FY 08-09 offset BLT by \$2.1 million
  - Of this \$2.1 million, \$668,000 covered 50 companies' entire business license tax liability.

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# BUSINESS LICENSE INDEXING OPTIONS

- CPI- Rolling 10-year average
- Fixed Percentage Increase
- Phased Sales Tax reduction
- Establish a ratio for BLT to cover General Fund costs
  - Public Safety Index (largest General Fund expenditure at 55%)

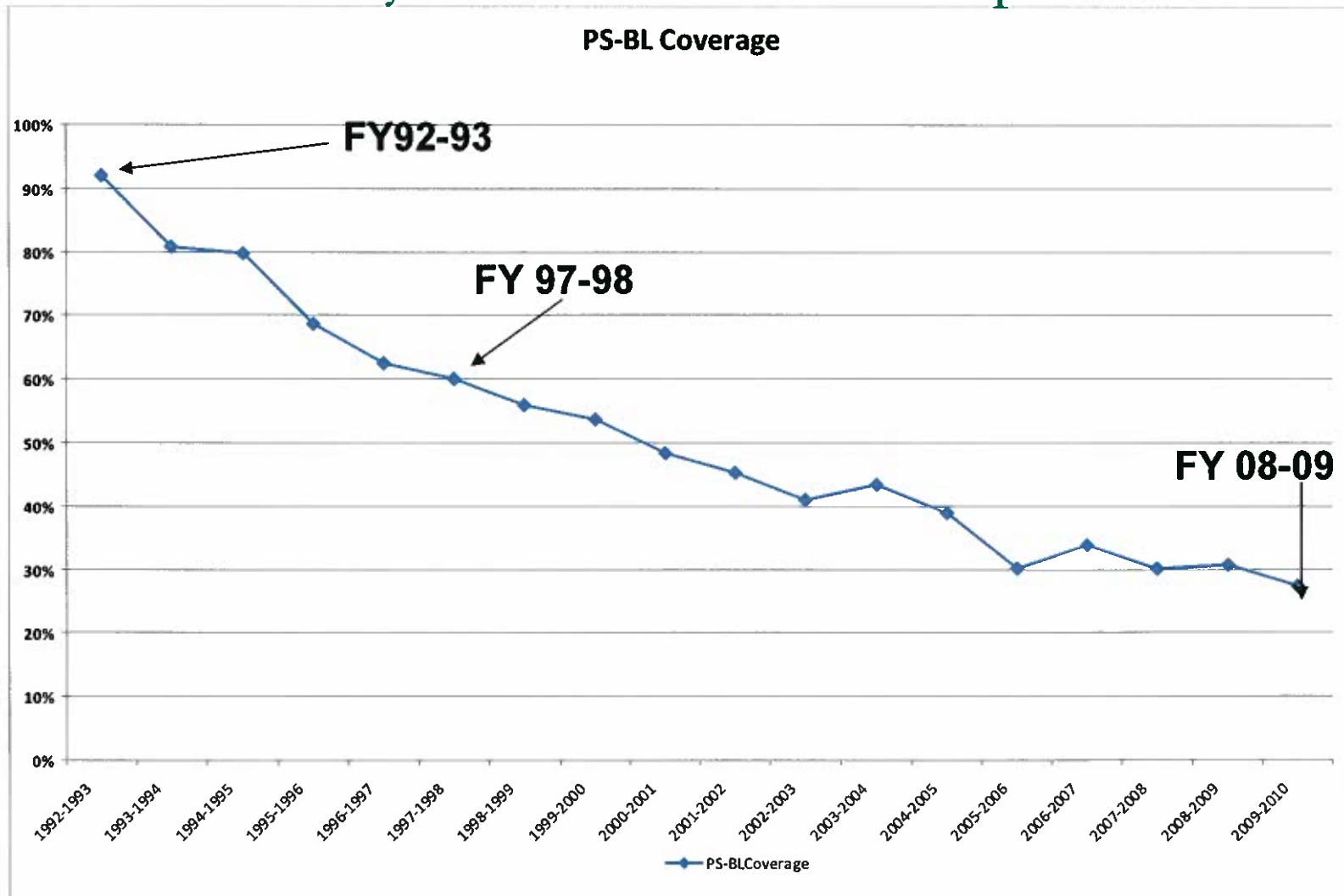


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## BUSINESS LICENSE INDEXING

- Public Safety is the major expenditure of General Fund revenues, utilizing 55% of the General Fund Budget. Historically these costs have grown at a rate much faster than CPI.
- The percentage of Business License Tax revenues compared to GF revenues has diminished.
- Currently BLT revenues covers 27.4% of Public Safety costs (down from an average of 37% over the past 10 years).

Key Factors in the reduction of this ratio---No indexing, BLT tax reductions, and significant increases in Public Safety costs from 2003 to the present.



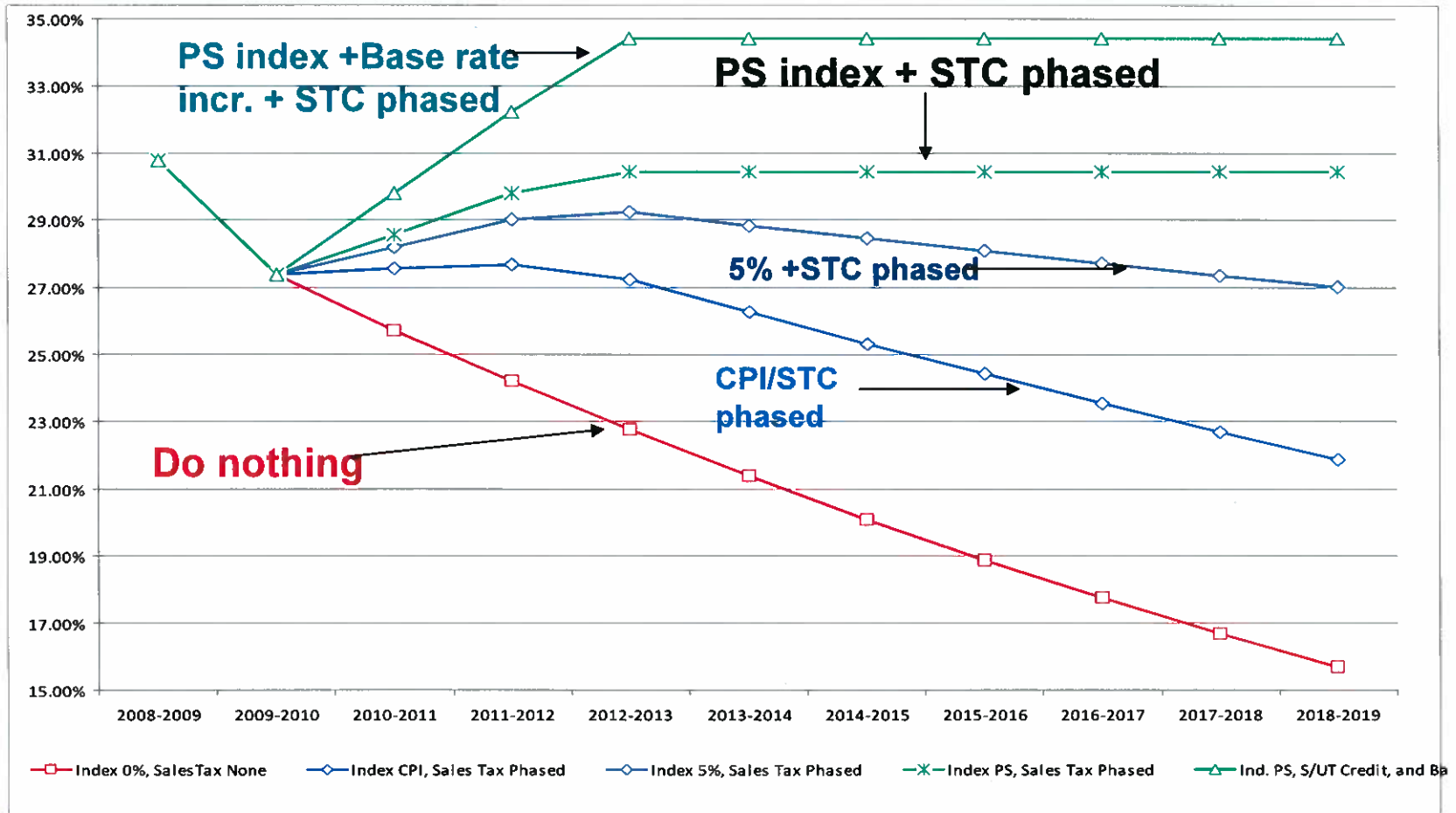
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# BUSINESS LICENSE INDEXING

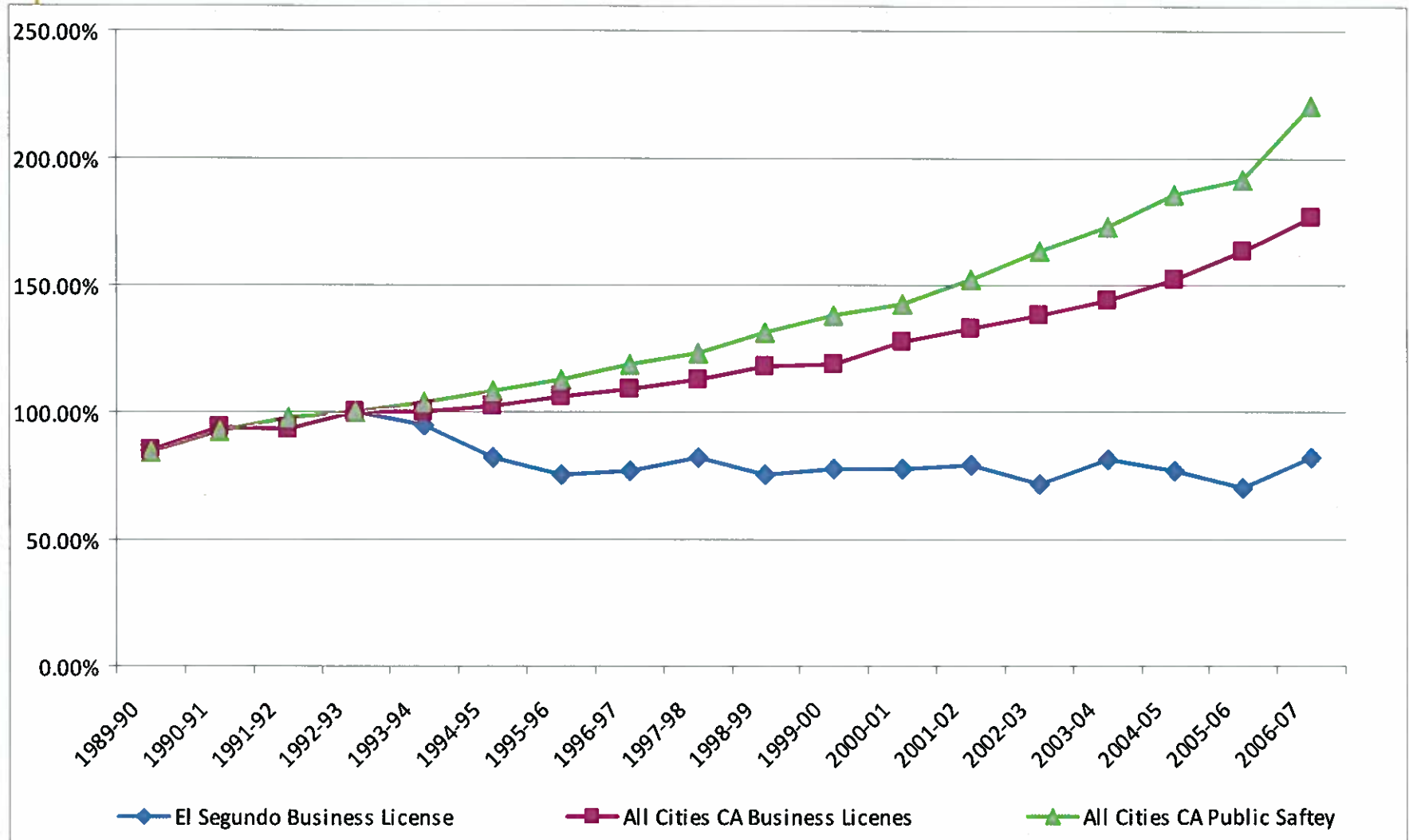
## Factors impacting General Fund Gap

- The decline in the ratio between Public Safety costs to Business License Tax revenues, no growth with existing General Fund revenues, and no new revenue sources to offset increasing costs to bridge this gap.
- An index utilizing total Public Safety costs for Los Angeles County/LA City will allow the Business License Tax to sustain a balanced growth ratio to Public Safety costs.
- This type of indexing used as an escalator directly ties to relevant increases in associated General Fund costs, not merely an unassociated “inflation factor”.

# Ratio between Public Safety costs to Business License Tax revenues



# BUSINESS LICENSE INDEXING



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# BUSINESS LICENSE INDEXING

## Policy Considerations:

- Index the BLT to maintain a ratio of at least 30% between Public Safety costs and BLT revenues;
- Reduction of sales/use tax credits to 25%;
- Collaborate with businesses to obtain a use tax direct payment permit to allocate 1% of use tax directly to El Segundo instead of County pool to increase BLT tax credit against BLT liability.

CPI : - Businesses Detail

	CPI ONLY	CPI ONLY	CPI ONLY	CPI ONLY
Business	Large Corporation	Large Corporation	Small Corporation	Medium Corporation
Base Tax	\$88.00	\$88.00	\$88.00	\$88.00
Total number of employees in city over 10	5,843	597	80	307
Total square footage in city over 5,000 sq.ft.	2,764,028	312,000	39,144	35,145
Additional locations	26		5	2
Total square acres in city		409		
Each vehicle in excess of 6,000lbs		53		
Total vacant square footage in city over 5,000 sq.ft.				
FIRST THREE UNITS				
NUMBER OF UNITS (OVER 3)				
NUMBER OF WASHERS & DRYERS				
Total warehouse square footage in city				
Sales & Use Tax Recv'd	83,408	785,948	216	31,070
<b>ACTUAL BUSINESS LICENSE TAX</b>				
Projected FY 2009-2010	1,221,621.17	281,693.29	8,745.09	18,034.09
Projected FY 2010-2011	1,237,913.20	297,089.84	8,971.44	18,892.38
Projected FY 2011-2012	1,254,621.78	312,880.04	9,203.59	19,772.61
Projected FY 2012-2013	1,271,757.57	329,073.96	9,441.66	20,675.35
Projected FY 2013-2014	1,289,331.47	345,681.92	9,685.83	21,601.17
Projected FY 2014-2015	1,307,354.71	362,714.52	9,936.23	22,550.66
Projected FY 2015-2016	1,325,838.76	380,182.59	10,193.04	23,524.42
Projected FY 2016-2017	1,344,795.40	398,097.29	10,456.42	24,523.09
Projected FY 2017-2018	1,364,236.73	416,470.03	10,726.52	25,547.28
Projected FY 2018-2019	1,384,175.12	435,312.52	11,003.54	26,597.67

## - Businesses Detail

Business	CPI /PHASED STC	CPI /PHASED STC	CPI /PHASED STC	CPI /PHASED STC
	Large Corporation	Large Corporation	Small Corporation	Medium Corporation
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<b>ACTUAL BUSINESS LICENSE TAX</b>				
Projected FY 2009-2010	1,221,621.17	281,693.29	8,745.09	18,034.09
Projected FY 2010-2011	1,246,254.00	375,684.64	8,993.04	21,999.38
Projected FY 2011-2012	1,271,303.38	470,069.64	9,246.79	25,986.61
Projected FY 2012-2013	1,292,609.57	525,560.96	9,495.66	28,442.85
Projected FY 2013-2014	1,310,183.47	542,168.92	9,739.83	29,368.67
Projected FY 2014-2015	1,328,206.71	559,201.52	9,990.23	30,318.16
Projected FY 2015-2016	1,346,690.76	576,669.59	10,247.04	31,291.92
Projected FY 2016-2017	1,365,647.40	594,584.29	10,510.42	32,290.59
Projected FY 2017-2018	1,385,088.73	612,957.03	10,780.52	33,314.78
Projected FY 2018-2019	1,405,027.12	631,799.52	11,057.54	34,365.17



## - Businesses Detail

Business	5% CPI ONLY	5% CPI ONLY	5% CPI ONLY	5% CPI ONLY
	Large Corporation	Large Corporation	Small Corporation	Medium Corporation
Base Tax	\$88.00	\$88.00	\$88.00	\$88.00
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Total warehouse square footage in city				
Sales & Use Tax Recv'd	83,408	785,948	216	31,070
<b>ACTUAL BUSINESS LICENSE TAX</b>				
Projected FY 2009-2010	1,267,443.75	288,851.06	8,745.09	18,034.09
Projected FY 2010-2011	1,299,304.21	318,960.31	9,187.74	19,712.54
Projected FY 2011-2012	1,332,757.68	350,575.03	9,652.53	21,474.92
Projected FY 2012-2013	1,367,883.83	383,770.48	10,140.56	23,325.42
Projected FY 2013-2014	1,404,766.29	418,625.71	10,652.99	25,268.44
Projected FY 2014-2015	1,443,492.87	455,223.70	11,191.04	27,308.61
Projected FY 2015-2016	1,484,155.79	493,651.58	11,755.99	29,450.79
Projected FY 2016-2017	1,526,851.84	534,000.86	12,349.19	31,700.08
Projected FY 2017-2018	1,571,682.70	576,367.61	12,972.05	34,061.83
Projected FY 2018-2019	1,618,755.10	620,852.69	13,626.05	36,541.68

## - Businesses Detail

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<b>ACTUAL BUSINESS LICENSE TAX</b>				
Projected FY 2009-2010	1,267,443.75	288,851.06	8,745.09	18,034.09
Projected FY 2010-2011	1,307,645.01	397,555.11	9,209.34	22,819.54
Projected FY 2011-2012	1,349,439.28	507,764.63	9,695.73	27,688.92
Projected FY 2012-2013	1,388,735.83	580,257.48	10,194.56	31,092.92
Projected FY 2013-2014	1,425,618.29	615,112.71	10,706.99	33,035.94
Projected FY 2014-2015	1,464,344.87	651,710.70	11,245.04	35,076.11
Projected FY 2015-2016	1,505,007.79	690,138.58	11,809.99	37,218.29
Projected FY 2016-2017	1,547,703.84	730,487.86	12,403.19	39,467.58
Projected FY 2017-2018	1,592,534.70	772,854.61	13,026.05	41,829.33
Projected FY 2018-2019	1,639,607.10	817,339.69	13,680.05	44,309.18

### EISegundoOutLine (11) Business detail - Businesses Detail

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<b>ACTUAL BUSINESS LICENSE TAX</b>				
Projected FY 2009-2010	1,294,613.91	293,173.45	8,745.09	18,034.09
Projected FY 2010-2011	1,335,373.52	331,692.72	9,311.39	20,181.36
Projected FY 2011-2012	1,378,740.35	372,675.90	9,913.90	22,465.99
Projected FY 2012-2013	1,424,881.18	416,280.62	10,554.96	24,896.76
Projected FY 2013-2014	1,473,973.44	462,674.54	11,237.03	27,483.01
Projected FY 2014-2015	1,526,205.93	512,036.09	11,962.72	30,234.69
Projected FY 2015-2016	1,581,779.52	564,555.09	12,734.84	33,162.39
Projected FY 2016-2017	1,640,907.92	620,433.52	13,556.34	36,277.36
Projected FY 2017-2018	1,703,818.51	679,886.25	14,430.39	39,591.58
Projected FY 2018-2019	1,770,753.24	743,141.93	15,360.35	43,117.79

## Businesses Detail

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<b>ACTUAL BUSINESS LICENSE TAX</b>				
Projected FY 2009-2010	1,294,613.91	293,173.45	8,745.09	18,034.09
Projected FY 2010-2011	1,343,714.32	410,287.52	9,332.99	23,288.36
Projected FY 2011-2012	1,395,421.95	529,865.50	9,957.10	28,679.99
Projected FY 2012-2013	1,445,733.18	612,767.62	10,608.96	32,664.26
Projected FY 2013-2014	1,494,825.44	659,161.54	11,291.03	35,250.51
Projected FY 2014-2015	1,547,057.93	708,523.09	12,016.72	38,002.19
Projected FY 2015-2016	1,602,631.52	761,042.09	12,788.84	40,929.89
Projected FY 2016-2017	1,661,759.92	816,920.52	13,610.34	44,044.86
Projected FY 2017-2018	1,724,670.51	876,373.25	14,484.39	47,359.08
Projected FY 2018-2019	1,791,605.24	939,628.93	15,414.35	50,885.29