

## **BLUE RIBBON EQUITABLE TASK FORCE ACTION MINUTES - THURSDAY, SEPTEMBER 02, 2021**

Meeting was called to order at 6:03 pm by Chuck Maurer.

**1. Roll Call:** Takata-Vasquez, Larsen, Katz, Kwamilele, Ortega, Swafford, Wanzo, Williams, and Fike were present. Oke and Tsai were absent. There was a quorum.

**2. Welcome**

A. New Member Adrionna Fike

Board Member Fike provided a brief background about herself.

**3. Public Comment**

None.

**4. Approval of Draft Minutes of July 8 & July 22, 2021, Meetings**

*Chair Takata-Vasquez moved, seconded by Board Member Kwamilele to approve the July 8 & July 22, 2021, meetings as presented.*

*Board polled as follows: Takata-Vasquez, Larsen, Katz, Kwamilele, Ortega, Swafford, Wanzo, and Williams voted “aye.” Motion carried. Fike abstained.*

**5. Speaker:**

A. **Ted Egan, Chief Economist, City & County of San Francisco**

Ted Egan stated he had been involved with the City and County of San Francisco updates in policies and business tax changes for over the past 10 years. He stated in 2012 they adopted a progressive gross receipt tax to gradually replace a payroll tax on businesses; in 2018 they adopted two additional taxes (effectively) on gross receipts (on larger businesses and commercial real estate). In 2020 they adopted two more taxes on gross receipts (an across-the-board adjustment and a surtax on businesses with wide disparities in CEO and median employee compensation). He reviewed the history from 2012 through current day. He noted in 2012 they wanted to develop a tax proposal that would: create jobs, create tax revenue, improve revenue stability, and address inequities in the payroll tax – the proposal received 70% of the vote (featured: a progressive industry-specific gross receipts tax, revenue neutral phase-out of payroll tax, residual payroll tax for “administrative offices”, a progressive increase in the business registration fee, and a broadening of the tax base by incorporating larger sole proprietors and Federal enclaves like the Presidio).

Discussion held pertaining about the impact of the pandemic on the business tax and how there was a significant decrease in 2020.

Discussion held concerning how there could be lower business tax revenue for the next several years due to the pandemic.

Discussion held regarding the differences between the change from a flat tax to a progressive tax that San Francisco encountered.

Discussion held concerning the positive effects of the 2012 and 2020 business tax change had on San Francisco.

Discussion held pertaining to how San Francisco used the Federal codes to determine business type/category, but it created problems.

Discussion held regarding how the rate was anywhere between 1.4% and 2.9% for most of the businesses.

Discussion held concerning how there is always a concern that businesses would leave due to a tax increase.

Discussion held pertaining to how San Francisco's 2018 tax recommendation was not brought forward by the City.

Discussion held regarding how in 2012 San Francisco the Business License Fee went from \$25 to \$90; the rate not changed since the 1980's.

Discussion held concerning how San Francisco had a built-in definition of small business but worked on crafting something that worked with gross receipts (\$1 million, was increased to \$1.5 million in 2020).

## **6. Staff Updates**

### **A. Tax modeling: discussion of tax scenarios**

Matt Newman, Blue Sky, noted he was ready to share what the two subcommittees had discussed at their meetings from the prior week. He mentioned that the calendar was tight, and the recommendations were due to Council before the end of November and that staff would need time to create the report before the presentation. He indicated that a vote should be taken by the next meeting on what the recommendations would be.

## **7. Ad Hoc Committee Updates:**

- A. Committee 2 – Review of proposals called City Council and City Council Alternate - she noted they had updated the City Council Alternate, keeping in mind Council's goal of \$37 million.
- B. Committee 3 – Review of proposals from former Subcommittee C – noted the major change they made was to shift the rates one column over to release the burden on the smaller businesses. She stated they would not raise as much in taxes but would be more agreeable to the businesses.
- C. Committee 1 – Use of funds – noted they had spoken with staff and several stakeholders. They created a list of the recommendations. He noted one of the

considerations was to create a board that was like the sugar Sweetened Beverage.

## **8. Action Items**

- A. The Task Force may take action on tax rate proposals from Task Force Members or ad hoc committees.

Chair Takata-Vasquez recommended doing a straw poll to see if the board could narrow down the focus on rates.

Board responded as follows: Williams – uncertain, Wanzo – Red Option, Takata-Vasquez – Blue Option, Swafford – Blue Option, Ortega – Blue Option, Larsen – Red Option, Kwamilele – Red Option, Katz – Blue Option, and Fike – Blue Option. Votes: Blue Option – 5; Red Option – 3; 1 abstain.

Discussion held pertaining to trying to find a common ground between the highest and lowest amounts.

Discussion held concerning whether there was a firm definition of what equitable was across the businesses.

Discussion held regarding changing the percentages on the 50 to 100 million and decreasing the 100 to 150 million on the blue model. It was also discussed about including the 25 to 50 million.

Discussion held pertaining to how and why the admin headquarters category was created.

Discussion held concerning how San Francisco had an additional homeless tax that affected the admin headquarters that they paid based on the overall number of employees and amount of gross receipts.

Chair Takata Vasquez stated she would do a straw poll to determine if the Board would like to move forward with the Blue option.

Board responded as follows: Fike – yes, Katz – yes, Kwamilele – abstain, Larsen – abstain, Ortega – yes, Swafford – yes, Takata-Vasquez – yes, Wanzo – yes, Williams – abstain. Six yes, three abstain.

Discussion held pertaining to how the yellow highlighted sections indicated the raters were higher than \$7 and the green text was where the recommended rate was higher than what was proposed by the City Council.

Discussion held regarding how the miscellaneous category encompassed businesses who could or fall other another category (brewery, winery). There were only 25 out of 60,000 that would fall into that category.

Discussion held concerning how the extra payroll tax would only be on the admin headquarters category (only the largest revenue).

Board Member Fike left the meeting at 8:47 pm

Chair Takata-Vasquez recommended the board look over the proposed scenario the board was looking at and bring back any recommendations/changes they would like at the next meeting.

*Chair Takata-Vasquez moved, seconded by Board Member Kwamilele to extend the meeting by five minutes.*

*Board polled as follows: Takata-Vasquez, Larsen, Katz, Kwamilele, Ortega, Swafford, Wanzo, and Williams voted "aye." Motion carried.*

### **9. Agenda Requests for Future Meetings**

Margaret O'Brien noted the recommended would need item to be stressed tested.

### **10. Open Forum**

No comments.

### **11. Adjournment**

Meeting adjourned at 8:02 p.m. Next meeting will be September 16, 2021, at 6:00 pm