

Business tax raises the temperature at City Council meeting

By JOAN RAYMOND
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SCOTTS VALLEY — Higher business taxes — Scotts Valley's answer to a crummy economy and a thin city wallet — were again the hot issue Wednesday night at a public hearing held by the City Council.

The City Council continued its long and unpopular task of drafting the fairest possible new tax.

No hard-core decisions were reached, but the council did decide to decide on the method of taxation at another meeting March 16. Later, councilmembers said they would decide exactly how much money is to be raised by the chosen method.

The City Finance Committee and City Administrator Bob Rockett have recommended the tax be geared to raising another \$500,000 in annual revenues, but Councilmembers Rey Retzlaff, Rod Pulley and Ray Carl said Wednesday they have not committed themselves to that figure or any other.

However, draft ordinances of two proposed business license fees based on that figure were presented to the council by City Attorney Ray Haight.

Scotts Valley OKs capital improvements

SCOTTS VALLEY — Councilmember Barbara Leichter cast the only dissenting vote Wednesday as the City Council approved a list of capital improvements for the city.

Leichter questioned a notation in the list which states \$3,200 worth of proposed work in the Scotts Valley Drive Assessment District is "categorically exempt" from regulations of the California Environmental Quality Act.

After researching the matter, Leichter said she "has not been able to discover why the assessment district is categorically exempt. Assessment districts per se are not categorically exempt from CEQA. That is an error."

Leichter said she would like the issue to be reviewed by the city's new planning helper, Warren Freeman from the Association of Monterey Bay Area Governments. Freeman was recently hired by the city to help review its zonings and General Plan.

"I thought Freeman was not to be involved in individual projects," Councilmember Rod Pulley told Leichter.

With Leichter dissenting, the council approved the capital improvements plan, which includes a five-year program to finish the construction of City Hall.

Scotts Valley council OKs park priorities

SCOTTS VALLEY — A list of priorities was approved Wednesday by the City Council for the City Park Committee.

Over the next five years, the council decided:

- The Little League will have Gilverson Field from April 1 through the end of its season.
- Baymonte will have Cortright Field from March 1 through June 1.
- The SVAL girls softball league will have Gilbertson and Cortright Fields from April 1 through July 15.
- The SVAL women's softball team will have Gilverson and Cortright Fields from mid-July until the end of September.

Haight made it clear that the proposals are not final.

The first proposal would charge businesses in the same way they are now charged, except the rate would be higher. Businesses would pay a flat rate of \$50 plus \$125 for each employee who works in the city. This means businesses, such as contractors, would only have to pay for employees who actually work within the city limits, not those who are on jobs elsewhere.

Under the terms of the ordinance, the employees taxed does not include the owner of the business.

The finance committee said this method will generate \$500,000 annually based on 3,634 persons who work in the city at this time. That number swells to 4,000 in summer months.

The second proposal charges businesses according to gross compensation paid out in salaries, wages, commissions and "other compensations." The rate suggested in the ordinance is set at .006. That is the rate needed to generate \$500,000 in annual revenue based on the finance committee's estimate of \$83,000,000 annually in gross compensations for the city.

Businesses with gross compensations of \$10,000 or less would pay a minimum tax of \$60.

Finance Committee Chairman Larry Wilson said these two proposals were "a real workable plan" and a simpler approach to what had been previously drafted.

Richard Certo, vice-president of Seagate Technology electronics firm, again urged the council to keep the tax simple. "The more complicated it is, the more regulations you will have to have," said Certo.

Finance Committee member Jack Boone said the latest proposals "will take care of the small businessman a lot better" than previous proposals.

A third proposal was presented by Mayor Retzlaff. He said what was needed was a combination tax based on number of employees and on the size of businesses. This type of taxation would give the city the stability it needs in its revenue structure, said Retzlaff.

Boone made it clear the \$500,000 figure takes into account revenue from sales tax.

H.R. Johnson, president of the Watkins-Johnson electronics firm — which maintains a plant in Scotts Valley — called the proposed taxes "a very poor idea." He said his company was having a hard enough time as it is without having to face higher taxes.

"We're trying to clean up our problems in Scotts Valley and a payroll tax is a significant step in the wrong direction," said Johnson.

Johnson and another company representative, Ed Beckmeyer, said what the city was asking for in additional revenues "is unrealistic in today's economic environment." They said the city should tighten its operations, just as businesses have had to do. Beckmeyer suggested the city contract out its police services, as is done in the city of Cupertino. He said Cupertino contracts with the Santa Clara County Sheriff's Department for police services.

The company representatives also recommended the city form another committee to study the financial problems, comprised of representatives from industry, the public and City Administrator Rockett.

The committee should "thoroughly define by April 15 the city's financial needs and determine whether it is indeed true that circumstances have so changed that a 50 percent increase in operating expenditures is required."

Only Councilwoman Barbara Leichter was willing to accept the Watkins-Johnson suggestion.

Councilman Carl said the last thing that was needed was another committee.

Johnson to participate in the choosing of a financial analyst to study the tax problem. Other members of the electronics industry have agreed to pay for such an analyst. A committee of representatives from the firms of Victor Technologies, Seagate and Interdesign Inc., as well as representatives from the council and the finance committee, has already been formed to review proposals from possible analysts.

Councilman Carl said he didn't want to see

businesses — most of which are located along Scotts Valley Drive and Mount Hermon Road — end up paying for roads they don't use.

David Shields of Longs Drugs store said the proposed payroll tax "would result in an extraordinarily high tax — much higher than we pay in other communities on the average."

"Scotts Valley is not necessarily an average community," said Councilwoman Leichter.

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Councilmembers did agree to invite Watkins-