

MEETING MINUTES CITY OF MILPITAS

Minutes of: Special Meeting of the Milpitas City Council
Date: Friday, May 15, 2020
Time: 4:00 PM
Location: Meeting held via teleconference/zoom meeting
Milpitas, CA

CALL TO ORDER

Mayor Tran called the special meeting to order at 4:03 PM. City Clerk called the roll. The meeting took place via teleconference and zoom webinar.

PRESENT: Mayor Rich Tran, Vice Mayor Bob Nuñez and Councilmembers Karina Dominguez, Carmen Montano and Anthony Phan

ABSENT: None

PLEDGE OF ALLEGIANCE

Mayor Tran led the pledge of allegiance.

APPROVAL OF AGENDA

Motion: to approve the City Council agenda, as submitted

Motion/Second: Vice Mayor Nuñez / Councilmember Phan

Motion carried by a vote of: AYES: 5
NOES: 0

ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS

City Attorney Diaz asked Councilmembers if they had any personal conflicts of interest or reportable campaign contributions. By roll call, no conflicts of interest were reported. In terms of campaign contributions, Councilmember Dominguez reported to have received two contributions in 2018 from individuals affiliated with the cannabis industry.

PUBLIC FORUM

City Clerk Mary Lavelle informed the City Council that hundreds of comments were coming in, with an assessment that most of the comments were for Item No. 1. Mayor Tran stated that the public comments would be read after the staff report.

REPORT

1. Sales Tax / Cannabis Tax Assistant City Manager Ashwini Kantak provided background for the topic.

Finance Director Walter Rossmann described the difference in types and steps to bring about a "general purpose" versus "specific purpose" tax ballot measure. He also explained the requirements of placing a quarter-cent / one-fourth-cent sales tax measure on the ballot and anticipated revenues generated if successful. In March 2020 election, 68 percent of City General Tax measures were approved by voters.

Assistant City Manager Kantak explained that two ballot measures could be potentially needed for cannabis. The first ballot measure pertains to the implementation of a General Cannabis Tax and the second one, a regulatory ordinance to allow the operations of cannabis businesses within the City.

Councilmember Phan asked for clarification on action allowing cannabis in the City. Ms. Kantak explained that there would only be one ballot measure if City Council would

validate buffer zones, types, and number of cannabis establishments allowed to operate within the City. If the validation of such parameters would be left for the voters to decide, then two ballot measures would be needed.

Discussion continued regarding taking a “test” question to the voters, inquiring whether they would like to allow cannabis establishments to operate within the City. Staff said a “test” question posed to the voters on the ballot was possible. Ms. Kantak said staff recommended deferring discussion of these two measures for a future ballot, possibly for two years, to give time for additional analysis and outreach unless City Council deemed that data collected by staff from 2018 would be sufficient to proceed to the next steps.

PUBLIC COMMENTS

Public comments were read aloud continuously from 4:35 PM to 7:35 PM.

City Clerk and other staff read a total of 456 public comments sent via e-mail with 111 remarks in favor and 345 opposed to a possible cannabis sales tax measure as well as concerns pertaining to cannabis-related business.

REMARKS FROM CITY COUNCIL

Sales Tax

Mayor Tran asked current City sales tax rate and the projected revenue should voters approve the quarter-cent additional tax. Mr. Rossman said 9% was the current City sales tax rate where 1% only was collected by the City as revenue – amounting to approximately \$28 million. Should the quarter-cent additional tax be approved, the increase would amount to an additional \$7 million in revenue for the City. Mayor Tran supported having a public safety sales tax measure.

Councilmember Dominguez requested clarification on what infrastructure the public safety tax revenue would support. The Finance Director replied that public safety tax revenues would fund building structures in the future.

Councilmember Dominguez inquired to the age of the Milpitas Police station and priority for replacement. City Engineer Erickson stated the building was constructed in 1980. Police Chief Corpuz replied that the priority was to have a safe structure with the greatest cost benefit.

Vice Mayor Nuñez questioned costs, taxation methods, different percentages and types of sales tax measures. Mr. Rossmann replied that the cost was approximately \$90,000 for one ballot measure and would have to come from reserves.

Councilmember Montano supported a general purpose sales tax increase to generate additional revenue into the City’s General Fund.

Councilmember Phan asked about the success rate of general purpose tax measures at the polls. Mr. Phan wished to have at least one tax measure on the ballot to generate City revenues.

Vice Mayor Nuñez inquired about parcel taxes. Finance Director Rossmann clarified that two-thirds of voter approval was required in order for the measure to pass, and the generated revenue could only be used for infrastructure.

Assistant City Manager Katak reported that most of the special sales tax measures for special purposes in March 2020 failed at the ballot box. Only two out of 11 proposed ballot measures passed.

Vice Mayor Nuñez pointed out that having an additional sales tax on the ballot was a good move because it protected the City's best interests as a preventive measure since the economic status would be worse before matters got better.

Councilmember Montano wanted to move forward with the general sales tax measure as it was good to have visitors coming to the City help by paying the sales tax.

Motion to direct staff to proceed based on Council direction on a general sales tax increase for voters on the November 3, 2020 General Election

Motion/Second: Councilmember Montano / Councilmember Dominguez

AYES: 5

NOES: 0

Cannabis Sales Tax

Mayor Tran expressed his withdrawal from supporting a proposed cannabis sales tax. He wanted residents and voters to decide on having cannabis businesses in the City without charging additional taxes in the future.

Councilmember Dominguez desired public transparency on this issue.

Councilmember Phan pointed out the City's projected shortfalls, and that additional revenue sources were needed. He shared his viewpoints on cannabis regulation including the sizable revenue that the City of San Jose was receiving from cannabis businesses.

Motion to direct staff not to continue to explore cannabis sales tax

Motion/Second: Vice Mayor Nuñez / Councilmember Montano

AYES: 4

NOES: 1 (Phan)

ADJOURNMENT

Mayor Tran adjourned the special meeting at 9:20 PM.

The foregoing minutes were approved by the Milpitas City Council on June 2, 2020.

Pam Caronongan, Deputy City Clerk