

# El Segundo Herald

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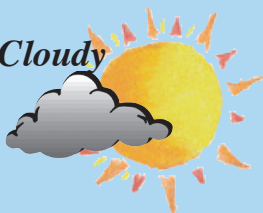
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## Weekend Weather Forecast

### Friday

Partly Cloudy

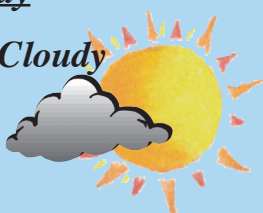
66°



### Saturday

Partly Cloudy

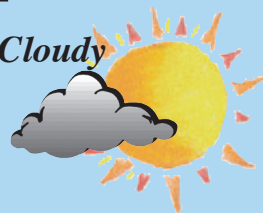
65°



### Sunday

Partly Cloudy

65°



## Girls Soccer Preview



Front Row, L-R: Head Coach Juan Mosquera, Erin Burner, Halima Abdelshife, Amy Kohler, Nikki Broderick, Lauren Farell, Hannah Hough, Elizabeth Pimlott, Darcy Brown, Kaitlyn Hafdel, Asst Coach Tabitha McCullah; Back Row, L-R: Asst Coach Dale Shelton, Nicole Bartels, Roxanne Kuebler, Danielle Hannan, Sydney Renee Timoteo, Ilana Licassi, Jennifer Mann, Addie Saldaña, Natalie Barbosa, Amanda Romero, Sammy Laplante, Manager Allison Reaser, Asst Coach Steve Maynard, Not Pictured Manager Jasmine Espinosa. Photo: Rick Reaser.

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## Business License Tax Hike Won't Go to Ballot

By Brian Simon

On Tuesday night, the El Segundo City Council opted not to put an initiative to increase business license taxes on the April 13 election ballot. The decision to proceed with the ballot measure required a four-fifths Council majority and the necessary numbers were actually there. All but Councilmember Carl Jacobson said they were in favor of indexing (assessing automatic cost of living adjustments in line with the economy) business license taxes in relation to a rolling 10-year average of cities' public safety costs across the state. Staff recommended using public safety costs (which rise roughly six percent annually) as the gauge because it is by far the largest general fund expenditure and can be easily verified. But Mayor Kelly McDowell felt it was critical to have a fully unified Council in order to proceed with any tax hike initiative, noting that similar measures have failed miserably in other South Bay communities. Without Jacobson's blessing, McDowell dissented. That made it a 3-2 vote and ultimately killed the motion. Not wishing to impose tax hikes on small-to medium-sized businesses in particular, Jacobson instead favored indexing connected to the consumer price index (CPI)—a move no one else on the Council supported. Finance Director Deborah Cullen indicated that CPI is running in negative numbers and won't help the City's bottom line.

The topic of business license taxes (BLT) came to the forefront after data revealed this important local revenue source was in serious decline because it had not been indexed for the last 16 years in contrast to other local taxes. As a result, what was the City's number one revenue source in 1992 has fallen to number three. BLT revenues subsidized 92 percent of local public safety costs in 1991. Today, that number has dropped to just 27 percent and will continue to decline over the next 10 years if nothing is done, according to the data.

Estimates showed the recommended indexing would have yielded the City about

\$600,000 in new revenues for the next fiscal year and helped stabilize the portion of public safety costs BLT covers moving forward. "I'm disappointed with our Council," said Mayor Pro Tem Eric Busch. "If we had put a BLT on the ballot and it was voted in, we would always have the choice of not indexing for one year or scaling it back. I think we put some blinders on tonight and it's going to not only affect us next year, but all the remaining years until this issue is addressed."

On a related note, the Council also nixed a staff recommendation to reduce (from 50 to 25 percent, phased over three years) sales tax credits businesses can use to offset their business license taxes. This item would have also appeared on the April ballot. McDowell was not in favor of the reduction, feeling it would take away a key amenity El Segundo

offers to prospective business tenants. The City's current policy allows businesses a 50 percent tax credit in which the sales tax generated in one year by a company can be used to offset up to 100 percent of its BLT liability in any given year. To plug in actual numbers, total sales/use tax credits in El Segundo for fiscal year 2008/09 offset BLT by \$2.1 million. Of this total, \$668,000 covered 50 companies' entire BLT liability, meaning they paid zero BLT.

The Council did unanimously agree to put a utility user tax (UUT) measure on the April ballot, however. The measure won't change the current tax rate nor impose any taxes on residential customers. Instead, McDowell referred to as a "clean-up initiative"

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## Lean Years Ahead Force City to Look for New Revenue Sources

Editor's note: This Article was submitted prior to Tuesday night's Council vote regarding the business license tax increase.

By Brian Simon

With a projected budget deficit of \$8.6 million in 2010/11 and additional shortfalls predicted for the foreseeable future, the City of El Segundo will be faced with difficult financial decisions that could have far-reaching implications. In short, how will the City be able to maintain its historically high level of services and still balance its budget? One idea bandied about recently is to index business license taxes. That topic was a major discussion point during Tuesday night's City Council meeting, as was the concept of jobbing out local fire services

to Los Angeles County. Though only in preliminary discussions, the latter move, if implemented, could potentially save the City anywhere from \$4 million to \$8 million per year. According to a City official, El Segundo could be looking at shortfalls between \$6.5 million and \$8 million every year through 2015 and will have to cut accordingly.

No matter how dicey things might get, El Segundo Mayor Kelly McDowell does not believe tax increases are the answer. "You cannot tax your way out of a recession, no matter how many times I have to say this to convince people," he said. "It's never worked and it never will."

Because of the depth of the deficit,

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