



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of March 10, 2020

**TO:** Members of the City Council

**SUBMITTED BY:** David Biggs, City Manager

**SUBJECT:** Business License Update

**RECOMMENDED ACTION:** Receive report, discuss, and provide direction, if any.

**FISCAL IMPACT OF RECOMMENDATION:** None as a result of this item. The annual revenue generated from the City's existing business license tax is expected to be \$197,000.

**DISCUSSION:** On September 24, 2019, in response to a request of Council Member Romero, the City Council agreed to have a discussion about the City's business license tax. This item has been prepared in response to that request and is intended to provide background information on the existing business license tax.

The City's existing business license tax dates back to the adoption of Ordinance 221 in 1985. The current code, which incorporates all changes since that initial adoption, is attached (Attachment 1). A survey of business license tax related ordinances shows there have been minor amendments as encapsulated in the current code. The current business license fees are included in the annual Master User Fee Schedule which was last updated on June 25, 2019, and the current business license fees appear on pages 17-18 (Attachment 2).

The business license tax was most recently discussed by the City Council in December, 2018, when the Council received an updated Administrative Policy for the business license tax associated with the implementation of an audit and recommendations which arose out of that process (Attachment 3). In addition, in July, 2017, the Council approved a temporary waiver of the business license tax for Parks & Rec fee class providers and on City Professional Services Contracts (Attachment 4).

Prior revisions included items like redefining the tax year, creating a category for Farmer's Market participants, and imposing delinquency penalties, among others. These staff reports all referred to the revisions having been reviewed by the City Attorney's office and it having been determined that the changes/revisions did not trigger a Proposition 218 voter approval requirement. This is a key factor which the Council needs to take into consideration when discussing possible revisions to the existing business license tax.

Since the existing business license tax ordinance dates back to 1985, it was adopted prior to Proposition 218, which was enacted by the voters in November 1996. California voters passed Proposition 218, the “Right to Vote on Taxes Act” as a state constitutional amendment to limit the methods by which local governments can create or increase taxes, fees and charges without taxpayer consent. Certain types of changes or revisions to the existing business license tax could trigger the requirement for voter approval. Any change which may be considered an increase, as discussed further in the attached excerpt from a League of California Cities Proposition 26 and 218 Implementation Guide (Attachment 5), would require voter approval. As such, any potential changes or revisions under consideration should be reviewed with the City Attorney in regard to the requirements of Proposition 218.

**ATTACHMENTS:**

1. Business License Ordinance
2. Master User Fee Schedule
3. December 2018 Business License Admin Policy
4. November 2017 Temporary Waiver
5. League Guide Excerpt

<i>Financial Impact</i>			
<b>Description:</b>			
<b>Funding Source:</b>			
<b>Budget Recap:</b>			
Total Estimated cost:	\$	New Revenue:	\$
Amount Budgeted:	\$	Lost Revenue:	\$
New funding required:	\$	New Personnel:	\$
Council Policy Change: Yes <input type="checkbox"/> No <input type="checkbox"/>			