



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of July 25, 2017

TO: Members of the City Council

SUBMITTED BY: Christopher Roke, Parks & Recreation Director
Annie To, Finance Director

SUBJECT: Resolution Adopting a Temporary Waiver of Business Licenses for Fee Class Contractors and City Professional Service Contracts

RECOMMENDED ACTION:

Approve a Resolution Establishing a Temporary Waiver of Business Licenses for Fee Class Contractors (up to \$20,000 per year in value) and City Professional Services Contractors.

COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION:

N/A

FISCAL IMPACT OF RECOMMENDATION:

While the City is able to collect money on the requirement to obtain a Business License for Fee Contract Class Contractors, it is losing money overall due to the paperwork and cost. In addition, some contractors are choosing to no longer do business with the City. Recommended changes to the City's Municipal Code for Business License fees will help the department attract and retain quality Fee Class Contractors which in turn will help generate more revenue and reduce the overall deficit in Parks and Recreation Department.

The City's standard professional services contracts require the vendor to secure a business license. However, the cost of the business license is a reimbursable expense. As such, the current process does not result in additional revenue.

DISCUSSION:

The Parks & Recreation Department has identified that our ability to secure Fee Class Contractors is being impacted by the requirement that the contractors secure a business license. As a result, there are less options available to the community for these types of offerings, as contractors sometimes decline to provide services to the City due to the paperwork and expense required to comply with the business license requirements. This also means that the Parks & Recreation Department is losing out on revenue generating programs. For those contractors that are starting out, or those that are earning a minimal amount of money, it is not worth it to offer classes. Some of the bigger Fee Class Contractors are choosing not to return or have already left because of the costs associated with the requirements to purchase a business license and to provide insurance.

In a recent survey regarding the requirement to obtain a Business License to teach a Fee Class for the community, here is a list of what others are doing.

- Cities that require a business license include Alameda, Fremont, Hayward (HARD), Dublin and Union City.
- Cities that only require a business license under special circumstances include Danville, El Cerrito, Oakley and Richmond.
- Cities that do not require a business license include Concord, Kensington, Martinez, Moraga and San Leandro.

The following is a list of cities that have special circumstances, and what those circumstances are:

- Danville: Fee Class Contractors only pay for a business license if they make over \$10,000 in a fiscal year. If they make less than \$10,000, they complete an exemption form.
- El Cerrito: Fee Class Contractors agree to purchase a City business license if the Contractor's total payment exceeds \$8,500 in a fiscal year (July 1 – June 30).
- Oakley: Fee Class Contractors are required to obtain a business license, but they have a fee exemption for businesses that make under \$20K/year. **All** of their Fee Class Contractors fall in this category.
 - However there is a \$1 state fee that is not waived. So their Fee Class Contractors pay \$1 annually for a business license.
- Richmond: Fee Class Contractors only pay for a business license if they make more than \$5,000 a year.

Most of our Fee Class Contractors here in Hercules do not make more than \$5,000 annually, as such a pilot temporary waiver program is recommended for the Fee Class Contractors and for City Professional Services Contractors.

The City is currently in the process of contracting out the administration and processing of business licenses. Once the vendor for that program is selected, it is anticipated that they will also identify needed or desirable changes and updates to our business license ordinance. The pilot temporary waiver program would be reviewed as part of this effort and if effective and desirable, could then be codified into whatever global changes are recommended.

ATTACHMENTS:

1. Resolution to Establish a Temporary Waiver of Business Licenses

<i>Financial Impact</i>			
Description:			
Funding Source:			
Budget Recap:			
Total Estimated cost:	\$0	New Revenue:	\$0
Amount Budgeted:	\$0	Lost Revenue:	\$0
New funding required:	\$0	New Personnel:	\$0
Council Policy Change: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>			

RESOLUTION NO. 17-___

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERCULES
AUTHORIZING THE TEMPORARY SUSPENSION AND/OR WAIVER OF BUSINESS
LICENSE TAX REQUIREMENTS FOR ENTITIES PROVIDING FEE CLASS
INSTRUCTION THROUGH THE PARKS AND RECREATION DEPARTMENT AND
CONTRACTORS PROVIDING PROFESSIONAL SERVICES TO THE CITY**

WHEREAS, the City's current Business License Tax requirements, codified in the Hercules Municipal Code at Title 8, Chapter 6, calls for payment of a business license fee on an annual basis; and

WHEREAS, the application of business license requirements creates an unnecessary burden on the City's administrative staff; and

WHEREAS, the business license compliance requirements create a disincentive for small businesses providing instructional and educational services and contractors doing business with the City of Hercules; and

WHEREAS, granting staff the authority to suspend and/or waive on a temporary one year basis the business license requirements for Fee Class Contractors who provide instructional and educational services and that earn less than \$20,000 a year, and contractors doing business with the City of Hercules, is in the best interests of the City as it will reduce the compliance burden on staff and make it easier for contractors and service providers to do business with the City; and

WHEREAS, the City is currently in the process of evaluating the contracting out of the administration and processing of business licenses, and the temporary suspension and/or waiver would be reviewed as part of this effort and could be codified into whatever global changes to the City's Business License Program are recommended.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hercules that effective immediately upon passage and for a period of one (1) year thereafter, the City Manager is granted the authority to allow staff to grant the suspension and/or waiver of business license requirements for Fee Class Contractors that earn less than \$20,000 and contractors providing professional services to the City.

AYES:

NOES:

ABSENT:

ABSTAIN:

Myrna de Vera, Mayor

ATTEST:

Lori Martin, City Clerk