



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

**DATE:** Regular Meeting of October 13, 2020

**TO:** Members of the City Council

**SUBMITTED BY:** David Biggs, City Manager  
Edwin Gato, Finance Director  
Patrick Tang, City Attorney

**SUBJECT:** Business License Tax Structure

**RECOMMENDED ACTION:** Receive Report, Discuss, and Provide Direction, if any.

**FISCAL IMPACT OF RECOMMENDATION:** None as a result of this item.

**DISCUSSION:** The City Council previously discussed the existing Business License Tax structure on March 10, 2020, with the staff report and attachments from that meeting attached (Attachment 1).

At that time, the City Council asked that we consult with Avenu, one the City's tax revenue consultants, in regard to their opinion on business license tax changes and whether it will trigger the Prop 218 process. We have done so and Avenu advises that changes in our current business license structure that result in any increase in tax for any taxpayer not already spelled out within our current business license (such as CPI adjustment) would need to go to the voters. A streamlining of the system is possible as long as it does not raise taxes on anyone. They reviewed our current structure from that perspective and in general believe that the categories and the process for the most part are fine, but the primary issue is the calculation methodology which they believe can be confusing for businesses. However, the calculation cannot be changed short of a ballot measure. As such, they do not have any recommendations for business license process improvements short of rewriting the ordinance to streamline the calculations which would require a ballot measure.

They also cautioned that any changes to the City's business license program is largely a legal question (and they do not give legal advice) and so they encourage consultation with an attorney familiar with Prop 218 requirements before considering adoption of any substantive changes to the current business license structure.

### **ATTACHMENTS:**

1. Staff Report from March 10, 2020