



Item No. 2 Town of Atherton

CITY COUNCIL STAFF REPORT – STUDY SESSION

**TO: HONORABLE MAYOR AND CITY COUNCIL
GEORGE RODERICKS, CITY MANAGER**

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: JULY 6, 2016

**SUBJECT: DISCUSSION AND CONFIRMATION OF PROPOSED CHANGES TO
THE BUSINESS LICENSE ORDINANCE FOR THE NOVEMBER 2016
ELECTION BALLOT**

RECOMMENDATION

Discuss recommended changes to the Town's business license ordinance and confirm direction to consider placing the item on the November 2016 election ballot.

BACKGROUND | ANALYSIS

At the May 4, 2016 Study Session the City Council reviewed and discussed the business license ordinance. Discussions focused on the quantity of business licenses issued, types of licenses issued and categories defined within the business license ordinance. The current business license tax is based on five (5%) percent of gross receipts or a flat tax, whichever was lower, based on category of business. The tax ranges from \$25 to \$250. The maximum flat amount for each category is as follows:

Category I	\$250
Category II	\$150
Category III	\$100
Category IV	\$50

Staff presented options to modify the existing business license ordinance and tax by adjusting the tax based on gross receipts, or increasing the flat fees and/or modifying the coverage of the ordinance itself. A couple of options included eliminating the flat business tax such that the tax is based solely on gross receipts using a fractional multiplier or a blended business license tax based on gross receipts and a minimum flat tax fee. Staff presented scenarios that showed multipliers of \$0.25 or \$0.20 or \$0.15 per \$100 of gross receipts and the minimum \$250 per business license application.

Amendment Proposal

The Council provided direction to staff to return with a proposed amendment to the ordinance to change the business license tax to a gross receipts basis with a \$250 minimum additional tax for Category I and II businesses and a \$0.25 per \$100 of gross receipts for all businesses.

Licenses by Category	Gross Receipts	\$0.25 per \$100	\$250 Minimum
Category I (574)	\$196,026,989	\$490,067	\$143,500
Category II (800)	\$64,678,472	\$161,696	\$200,000
Category III (196)	\$9,314,769	\$23,287	
Category IV (28)	\$1,453,651	\$3,634	
Totals	\$271,473,881	\$678,685	\$343,500

Based on projected FY 2015/16 gross receipts shown above, total tax revenue from business licenses after the proposed amendments would be approximately \$1,022,185 as compared to current business license tax revenue of approximately \$228,000.

The Council also directed that staff review other ordinances from other communities and return with a more up to date category list within the business license ordinance as well as an updated Home Occupation. The Home Occupation Ordinance is part of the Town’s Zoning Code under Title 17 – Chapter 17.48. Amendments do not need to go to the electorate. Staff will return this item to the Council in the September 2016 to coincide with the effective date of any tax measure on the November ballot.

At the July 20 City Council Meeting, staff will present the final version of Title 5, Business Taxes, Licenses, and Regulations. These changes will include an expanded version of the business license categories under Chapter 5.12.150, listed below:

- Category I (2 or more employees):
 - General contractors
 - Alarm installers
 - Private patrol
 - Maintenance companies
 - Buildings
 - Grounds/landscaping
 - Swimming pools
 - Real estate firms
- Category II (2 or more employees):
 - Subcontractors
- Category III (sole operators):
 - Subcontractors
 - Maintenance companies
 - Buildings
 - Grounds/landscaping

- Swimming pools
- Real estate brokers
- Home occupations
- Category IV:
 - Handymen
 - Horseshoers
 - Solicitors
 - Delivery vehicles

The Town's business license tax is imposed solely to raise revenue for the Town, not for regulatory purposes. The Town's business license tax is a general tax that must be approved by a simple majority of voters. The California Government Code provides the legal authority that allows agencies to levy a business license tax.

POLICY FOCUS

The City Council has reviewed various options for updates to the business license tax. The proposed changes will provide the Town with an increase of approximately \$735,000 per year in relatively stable General Fund operating revenue. Staff is confirming the City Council requests to make changes to the Town business license tax ordinance. At the July Council meeting, staff will present the final version of amendments of the business license ordinance for the November 2016 ballot. We will also notify the County of the intent to place the measure on the November 2016 ballot.

FISCAL IMPACT

None at this time.

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town's electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town's electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power, and sewer), and regional elected officials.

ATTACHMENT(S)

None