Consideration of Resolutions:

A) Placing a Ballot Measure on the November 3, 2026, General Municipal Election to Update/Simplify the Business License Tax Structure;

B) Providing for the Filing of Rebuttal Arguments for the City Measure; and

C) Selection of a Ballot Letter Designation for the City's Ballot Measure

August 4, 2026

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Agenda

- Timeline and Outreach To Date
- Background & Goals of Business License Tax Modernization Plan
- Overview of Selected Tax Model 4
- Selection of Ballot Letter Designation
- Next Steps/Final Action

Timeline & Public Outreach

October 23, 2025
Met with Chamber & BIDs

November 6, 2025
Met with Finance Sub-committee

March 3, 2026
Phase 1 Ordinance: City Council Meeting

March 17, 2026
Second Reading of Ordinance

April 23, 2026
Business License Tax Forum – Community Meeting

May 12, 2026
Present Results of Tax Analysis & Select Preferred Tax Model

July 21, 2026
Present Polling Results & Final Decision Points for BLT Measure

July – August 2026
Submit Notice in The Beach Reporter & Continued Outreach & Mailers

August 4, 2026
Phase 2: Call Election, Present Ordinance & Documents for Ballot Measure

November 3, 2026
General Election

Past → Present → Future

The August 4th City Council Meeting marks the 7th public meeting regarding the BLT Modernization Plan

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Background

<u>Why update the City's Business License Tax (BLT) Code?</u>

- Current tax structure is complex and inequitable
- There are nine (9) ways businesses are currently taxed (Gross Receipts, Flat Tax, Per Room/Unit, Per Vehicle, Per SQ FT, Per Employee, and more)
- Applying a gross receipts model ensures fairness across different business types
- Outdated code from 1971 does not account for new business types
- BLT revenues support the General Fund to pay for public services, maintenance, infrastructure, and other costs that uphold the City's desirability and attraction to visitors and businesses
- Polling results support the gross receipts method for all businesses



Goals of Business License Tax Modernization Plan

1) Simplify the Code

2) Clarify the Code

3) Modernize the Code

4) Fair and Equitable Tax Structure

5) Maintain Fiscal Sustainability

Overview of Model 4 Variable Gross Receipts

Model Structure:

- Variable gross receipts rate based on business type
- Small flat-rate tax
- Increases cap to $100,000
- Model simplifies businesses into five base categories and an exempt category

Outcomes:

- Easier to administer six (6) categories
- Low flat rate supports small businesses and micro-enterprises
- More concentration of revenue from particular industries
- Slightly increases revenues for City services
- Creates a more uniform gross receipts basis for all business types
- *Lowers Gross Receipts Tax Rate for General Retail category to help support local brick and mortar businesses based in Manhattan Beach*

Model 4 Variable Gross Receipts

Rate Structure

Flat Rate	6 Simplified Categories	Rate Per Thousand
$100 Flat Rate *Up to $100,000 Gross Receipts*	Contractor	$2.80
	General Retail	$2.00
	Professional	$2.80
	Property Rental	$2.80
	Services	$2.80
Exempt		

Model 4 Variable Gross Receipts

Contractor Definition

- Persons or firms that are carrying on the business of a contractor, subcontractor, or builder, particularly the construction or repair of any buildings
- Including, but not limited to:
  1. Contractor - Electrical
  2. Contractor - General
  3. Contractor - HVAC
  4. Contractor - Landscape
  5. Contractor - Masonry
  6. Contractor - Plumbing
  7. Contractor - Roofing
  8. Contractor - Signs
  9. Contractor – Specialized

Model 4 Variable Gross Receipts

General Retail Definition

- Persons or firms carrying on the business of retail sales, restaurants, wholesale trade, manufacturing, service stations, or similar general business activities
- Businesses are likely to contribute to City's tax base in other ways and often have lower profit margins
- Including, but not limited to:

1. Retail Store
2. Restaurant
3. Wholesaler
4. Manufacturer
5. Event Space
6. Social & Recreation Clubs
7. Public Utilities
8. Hotels/Short-Term Rentals
9. Service Station
10. Convenience Store
11. Grocery Store
12. Mobile & Sidewalk Vendor

Model 4 Variable Gross Receipts

Professional Definition

- Persons or firms carrying on businesses that provide services requiring rigorous training through higher education, vocational institutions, certification, licensing, or specialized professional skill
- This category includes advanced services, including businesses in research and development, scientific, technical, and similar fields
- Including, but not limited to:

1. Doctor's Office
2. Law Office
3. Consulting Firm
4. Accounting Firm
5. Engineering Firm
6. Architectural Firm
7. Software Development
8. Research and Development
9. Scientific Services
10. Technical Services
11. Financial Advisory Services
12. Medical Office
13. Dental Office
14. Real Estate Agents and Brokers

Model 4 Variable Gross Receipts

Property Rental Definition

- Persons or firms carrying on the business of leasing, renting, or otherwise providing the use of real property to another individual or entity for compensation
- Including, but not limited to:

  1. Commercial Leasing
  2. Residential Rental (3 or More Units)
  3. Parcel Leasing
  4. Office Space Rental

Model 4 Variable Gross Receipts

Services & Other Definition

- Persons or firms carrying on service-based businesses that generally does not require higher education, formal training, certification, or professional licensing
- Including, but not limited to:

    1. Administration Office
    2. Advertising – Agency
    3. Artist & Designer
    4. Automotive - Carwashes - Detailing
    5. Beauty Parlor and Salons
    6. Dry Cleaning
    7. Security and Patrol

- **Category also serves as the default category for any other business that is not specifically classified under another category**

Model 4 Variable Gross Receipts

Exempt Definition

- The tax does not apply to any business that qualifies for an exemption under Section 6.01.280 of the Manhattan Beach Municipal Code, including:

  1. Those exempt from municipal license taxes by virtue of the Constitution and the laws of this State or the United States
  2. Charitable and nonprofit purposes
  3. Disabled persons
  4. Disabled veterans
  5. Interstate commerce
  6. Minors

Model 4 Variable Gross Receipts

Business Type	Number of Businesses	Estimated Taxable Gross Receipts	2025 Charges	Model 4 - Variable Gross Receipts Estimated Revenue
Contractor	2,486	$474,705,512	$829,000	$1,008,000
General Retail	784	$1,322,788,156	$1,721,000	$2,203,000
Professional	499	$559,253,940	$1,041,000	$1,337,000
Property Rental	469	$154,479,325	$917,000	$418,000
Services	927	$434,767,820	$881,000	$975,000
Exempt	80	$0	$0	$0
Totals	**5,245**	**$2,947**	**$5,389,000**	**$5,941,000**

Increased Revenue $552,000

Analysis of Tax Model 4

Qty. of Businesses Under Amt	%	Gross Receipts	Current BLT Payment	Current % of Gross Receipts	Revised BLT Payment	% of Gross Receipts	Revised BLT Payment	% of Gross Receipts
			Flat Tax	GR Rate	Flat Tax	GR Rate	Flat Tax	GR Rate
			$313	0.280%	$100	0.200%	$100	0.280%
			CURRENT		MODEL 4 (GENERAL RETAIL)		MODEL 4 (ALL OTHER)	
2,305	43.9%	**$100,000**	$313	0.31%	$100	0.10%	$100	0.10%
2,312	44.1%	**$500,000**	$1,457	0.29%	$900	0.18%	$1,220	0.24%
248	4.7%	**$1,000,000**	$2,857	0.29%	$1,900	0.19%	$2,620	0.26%
250	4.8%	**$3,000,000**	$8,457	0.28%	$5,900	0.20%	$8,220	0.27%
41	0.8%	**$4,500,000**	$12,156	0.27%	$8,900	0.20%	$12,420	0.28%
8	0.2%	**$5,000,000**	$12,156	0.24%	$9,900	0.20%	$13,820	0.28%
36	0.7%	**$7,500,000**	$12,156	0.16%	$14,900	0.20%	$20,820	0.28%
7	0.1%	**$10,000,000**	$12,156	0.12%	$19,900	0.20%	$27,820	0.28%
12	0.2%	**$15,000,000**	$12,156	0.08%	$29,900	0.20%	$41,820	0.28%
7	0.1%	**$20,000,000**	$12,156	0.06%	$39,900	0.20%	$55,820	0.28%
4	0.1%	**$25,000,000**	$12,156	0.05%	$49,900	0.20%	$69,820	0.28%
3	0.1%	**$30,000,000**	$12,156	0.04%	$59,900	0.20%	$83,820	0.28%
2	0.0%	**$40,000,000**	$12,156	0.03%	$79,900	0.20%	$100,000	0.25%
2	0.0%	**$50,000,000**	$12,156	0.02%	$99,900	0.20%	$100,000	0.20%
4	0.1%	**$75,000,000**	$12,156	0.02%	$100,000	0.13%	$100,000	0.13%
4	0.1%	**$100,000,000**	$12,156	0.01%	$100,000	0.10%	$100,000	0.10%
5,245	**100.0%**							

$100,000 CAP	CURRENT	TAX MODEL 4
Maximum Tax (Cap)	$12,156	$100,000
Estimated Increased City Revenue		$552,000
% of Businesses with Increase		25%
No Change (Exempt)		2%
% of Businesses with Decrease		73%

Proposed Ballot Measure Language

"**City of Manhattan Beach Business License Tax Update and Simplification Measure.** Shall the measure to update/simplify City of Manhattan Beach's business license tax, lower taxes for approximately 73% of businesses operating in Manhattan Beach, and ensure large businesses pay their fair share for services such as maintaining streets, parks, playgrounds, and 9-1-1 emergency response by applying rates up to 0.28% of gross receipts (as described in the ordinance), lowering the minimum flat rate, and raising the cap for large businesses, generating $550,000 annually until ended by voters, be adopted?"	YES NO

Special Considerations Included in Ordinance

- **Pass Through Revenue**
  - Ordinance will not recognize Pass-Through Revenue as part of Gross Receipts
  - Ordinance updates definition of Gross Receipts to exclude "monies received and / or placed in a segregated account or escrow for the benefit of a third party and not subject to the taxed party's control"
- **Franchise Agreements with Public Utilities**
  - Ordinance will keep the exemption in place for Public Utilities to only pay the flat tax (and not pay Gross Receipts basis) if there is a Franchise Agreement in place where Franchise Fees are paid

Council Policies to be Considered in the Future

- **Real Estate Agents and Brokers**
  - No proposed changes to code
  - Consider exception to allow Brokers to deduct commissions paid to agents from Gross Receipts calculation
  - Evaluate whether to continue current practice of non-enforcement on individual agents or consider applying the tax across all business types to promote equitable treatment
    - 46 Agents/Brokers/Real Estate Professionals are currently licensed
- **Commercial Property**
  - Consider exemption to Business License Tax if landlord and tenant are the same owner/entity

Fiscal Impacts

- **Revenue impacts from Proposed Tax Model 4**
  - $550,000 Annually, if approved by Voters
- **Expenditures related to BLT Modernization Plan**
  - $202,400 in one-time costs related to Fiscal Analysis, Consulting, Polling, and Legal Services
    - On February 17, 2026, necessary funds were allocated during FY 2026 Mid-Year Budget Update
    - On March 3, 2026, City Council directed staff to proceed with Fiscal Analysis
    - On May 12, 2026, City Council directed staff to proceed with Polling/Consulting services
  - $17,000 in one-time election costs to place ballot measure

Arguments For and Against Measure

- Los Angeles County Registrar-Recorder requires the inclusion of the Arguments and Rebuttal Form for all ballot measures
- Under California law, City Council may authorize (but does not require) up to five (5) Councilmembers to file arguments for or against the measure
- Seeking direction if any Councilmembers would like to file an argument in accordance with the attached Form

LOS ANGELES COUNTY
REGISTRAR-RECORDER/COUNTY CLERK

BALLOT LABEL/ARGUMENTS AND REBUTTALS FORM

ELECTION DATE: ____________ MEASURE I.D. or letter (if any): ____________

JURISDICTION/MEASURE NAME: ____________

Please mark (X) in the appropriate box

☐ Direct Argument in Favor (Supporters) **(Word Limit Max: 300)**	☐ Direct Argument Against (Opponents) **(Word Limit Max: 300)**
☐ Rebuttal to Argument in Favor **(Word Limit Max: 250)**	☐ Rebuttal to Argument Against **(Word Limit Max: 250)**

Statements will be printed in uniform type, style and spacing according to the County's system requirements. When preparing your statement, please use block paragraphs and single space format. **Entire statements in all capital letters, bold and italics (or any combination of enhancements) are not acceptable. Indentations cannot be accommodated.** Words to be printed in **boldface type,** underscored and/or CAPITALIZED are to be clearly indicated. All statements should be checked by the authors for spelling and punctuation as the elections official is not permitted to edit any material contained therein. **NOTE:** Rebuttal arguments are **NOT** direct arguments. For example, a rebuttal to a direct argument in favor of a measure is NOT a direct argument against a measure. Please also note that rebuttal arguments are allowed only when both a direct argument for AND against a measure are filed. Rebuttal argument authors will not be allowed to be listed as supporters/opponents on the ballot label.

OFFICIAL BALLOT MEASURE LABEL (DO NOT LEAVE THIS AREA BLANK)

Elections Code section 9170 requires the inclusion of a list of supporters and opponents to follow the text of the condensed ballot measure title and summary (i.e., ballot measure question), provided the listed supporters and opponents meet code requirements. Please provide a list of names to appear on the ballot label as Supporters or Opponents (not to exceed 125 Characters). Pursuant to Elections Code section 9170 (a)(7) if **NO** list of supporters or opponents is provided or there are none that meet the requirements of this section, then "Supporters:" and "Opponents:" shall be followed by ***"None submitted." Write "None submitted" if you are not submitting a list of supporters or opponents.*** Supporter(s)/Opponent(s) MUST be a signer/author listed below of a direct argument For or Against a measure.

Please use this space to type your statement. If you need additional space, please attach a typed statement to this form. Statement will be typeset in the Official Sample Ballot Booklet using a standard font and size determined by the County.
ALL AUTHORS MUST SIGN ON THE REVERSE SIDE

Election's Official Use Only:				**Time Stamp**
Number of Words	**Number of Characters**	**Project Code Number**	**Election Deputy**	
Comments:				

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Ballot Letter Designation Options

- Los Angeles County Registrar-Recorder requires a Ballot Letter Designation Form for all ballot measures
- City may select up to three (3) ballot designation options for Measure
- Form requires City identify a 1st, 2nd and 3rd choice
- Options include:
  1. **BL – Business License**
  2. **BLS – Business License Simplification**
  3. **MBL – Modernize Business License**
  4. **MBT – Modernize Business Tax**
  5. **BLT – Business License Tax**
  6. **BTM – Business Tax Modernization**

ELECTION DATE

JURISDICTION AND MEASURE NAME

County of LA Official Use Only: Date Received ______ Time Received ______

LETTER DESIGNATION FORM

Please complete this form in order to select your first, second, and third letter designation choice for your jurisdiction's measure to appear on the ballot. In the event your 1st, 2nd, or 3rd choice is unavailable, then please select the letter(s) designations that the jurisdiction DOES NOT want selected for its measure. The 3rd option for letter designations would be to create a unique letter designation that is not identified below using less than three letters of the alphabet. For example: County of Los Angeles USD Facilities Improvement measure could use unique letter designations such as CL, LA, LU, UC, LS.

Select your first, second, and third letter designation choice by **checking** ✓ off and listing the designated letters below:

A B C D E F G H I J K L M
N O P Q R S T U V W X Y Z

AA BB CC DD EE FF GG HH II JJ KK LL MM
NN OO PP QQ RR SS TT UU VV WW XX YY ZZ

CHOICES

1ST ______ **2ND** ______ **3RD** ______

Select the letters that your jurisdiction **DOES NOT** want assigned to its measure by marking the letter with an X:

A B C D E F G H I J K L M
N O P Q R S T U V W X Y Z

AA BB CC DD EE FF GG HH II JJ KK LL MM
NN OO PP QQ RR SS TT UU VV WW XX YY ZZ

List the Letters here: ______

In the event that your jurisdiction's measure letter designation is not available, then you can select a unique letter designation not shown above:

UNIQUE CHOICE

1ST ______ **2ND** ______ **3RD** ______

The **last day** jurisdictions may request in writing specific letter designations for its measure is **e-83**. The letter designation selections will be approved and communicated to the jurisdictions by e-81. Letter designations are on a first come first serve basis in the order received by the Registrar-Recorder County Clerk Department, Election Coordination Unit, 12400 Imperial Highway, Second Floor, Suite 2013A, Norwalk, California 90650.

NOTE: PLEASE USE ONE (1) FORM PER MEASURE

Recommendation

- Staff recommends City Council :
  - Adopt Resolution No. 26-0087 for Ballot Measure Submission
    - Requires 4/5 vote from the Governing Body
    - Resolution includes Exhibit A: Ordinance and ballot language subject to voter approval
  - Adopt Resolution No. 26-0088 for Filing of Rebuttal Arguments
  - Confirm if City Council will authorize up to five Councilmembers to file arguments for the measure
  - Select top three (3) Ballot Letter Designations for Ballot Measure
- Additional outreach to businesses and residents will be provided via mailers, email and website updates at www.manhattanbeach.gov/BLT

CITY OF MANHATTAN BEACH

SUN

SAND

SEA

CALIFORNIA