



Legislation Text

File #: RES 13-0071, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

John Jalili, Interim City Manager

FROM:

Bruce Moe, Finance Director
Steve Charelian, Revenue Services Manager

SUBJECT:

Consideration of Resolution Adjusting the 2014-2015 Business License Tax by the Consumer Price Index (Finance Director Moe).

APPROVE; ADOPT RESOLUTION

RECOMMENDATION:

The Finance Subcommittee and staff recommend that the City Council: a) conduct a public hearing, and b) adopt Resolution Number 13-0071 (attachment 1) increasing the Business License Tax rate by 0.6% to adjust for the Consumer Price Index (CPI).

FISCAL IMPLICATIONS:

Assuming that businesses' gross receipts stay relatively consistent with the prior year, staff estimates that business license tax revenue will increase by approximately \$18,000.

DISCUSSION:

Section 6.01.320 of the Municipal Code provides for an annual adjustment (increase or decrease) of business license tax rates by the Consumer Price Index (CPI). The adjustment is based on the Bureau of Labor Statistics - Consumer Price Index for the preceding September. The September 2013 CPI reflected a 0.6% increase (the 2012 CPI increase was 2.2%).

The annual adjustment can increase or decrease based on a positive or negative CPI. Based on the established business license tax schedule (attachment 2) this does not translate into all businesses realizing an exact 0.6% tax increase (please see the business license tax analysis - attachment 3). Additionally, business license taxes can be prorated quarterly and therefore must be divisible by four. As a result, some tax amounts have been rounded down to accommodate this requirement.

The City processes approximately 4,500 business licenses per year. The business license tax year is from March to February.

In accordance with Senate Bill 1186 (Steinberg & Dutton 2012) this year's business license tax includes a \$1 fee for development of educational and training resources at State and local levels to

promote Americans with Disabilities Act (ADA) compliance; the effective period for SB 1186 is January 1, 2013 through December 31, 2018. Moneys collected are split 70% to the City and 30% to the State (Division of State Architect). The City may use 5% of moneys collected for administrative costs, with the balance used for training of certified access specialists (CAS) for the City building department. As of September 2013, the City Business Licensing division had collected \$2,302 through the SB1186 fee, to be used for such training.

On November 15, 2013, the Finance Subcommittee approved the proposed increase in the 2014-2015 business license tax. Aside from the increase, there are no other significant changes to the business tax resolution. If the City Council adopts the proposed resolution, the new business license tax rates will be effective March 1, 2014.

Staff recommends that the City Council conduct the required public hearing in order to implement this increase. The Downtown Business and Professional Association and the Chamber of Commerce have been notified of this year's annual adjustment. The public hearing was properly noticed in the November 21, 2013 edition of *The Beach Reporter*.

Attachments:

1. Resolution No. 13-0071
2. Proposed 2014-2015 Business License Tax
3. 2014-2015 Business License CPI Tax Analysis