



DATE: September 28, 2011

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

SUBJECT: **ADOPTION OF A RESOLUTION REPEALING RESOLUTION 03-R418A-1 AND ANY AMENDMENTS THERETO AND SETTING NEW BUSINESS LICENSE ADMINISTRATION FEE AMOUNTS**

SYNOPSIS

Staff recommends that City Council repeal Resolution 03-R418A-1 and any amendments thereto and adopt a resolution setting new business license administration fee amounts.

BACKGROUND

On October 9, 2002, the City Council adopted Ordinance 02-OR674-1 which updated the Municipal Code Chapter 15 "Licenses." Section 15.6 "License Tax" spells out the terms of the tax, including the minimum tax rate of \$50. Section 15.1A "Business License Administration Fee" calls for the fee to be established by resolution to recover costs.

On June 18, 2003, the City Council adopted Resolution 03-R418A-1 which established the business license administration fee and business categories.

Until October 2010, the City's business license renewal forms did not reflect the Code correctly; the minimum tax of \$50 was omitted from the calculation. Consequently, smaller businesses (those with gross receipts less than \$100,000) were paying the \$50 administration fee and an incorrect lesser tax. In accordance with Section 15.3 "Administration" of the Code, staff corrected the tax calculation on the renewal form, and an administrative decision was made to not collect retroactive taxes, but to collect the correct tax going forward.

Several small businesses brought forth their concerns to City Council about the cost of renewing a business license in Oceanside compared to surrounding North County cities. Section 15.1A "Business License Administration Fee" calls for the City to *"recover the administrative costs of processing an application for the issuance or renewal of a business license and for conducting any inspections required to ensure that the business or business premises comply with the provision of this Code, the*

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zoning ordinance or other city ordinances.” Since the administration fee had not been updated in eight years, it was an appropriate opportunity to review the cost of providing this service and determining if the fee needed to be adjusted up or down.

ANALYSIS

- A) New Business Licenses – in determining the cost to process a new business license, a full cost-analysis study was conducted in-house to include the business regulation activities of the following departments/divisions: attorney, finance, fire, harbor, planning, police, property management, redevelopment and water. A copy of the analysis is attached, which identifies that the fee to issue new business licenses for Category I and Category IV businesses is sufficient to recover costs. However, the fees for new Category II and Category III businesses are not sufficient to recover costs.
- B) Renewed Licenses – the cost of processing renewals is not as extensive as new licenses. Unless there are significant changes in the business’ services, the approvals from the initial application still remain in place (including zoning, fire, health, building, urban runoff, etc.). If a business adds a location, changes owners or location, or other significant change, they are required to obtain a new business license. The renewal process generally consists of confirmation of existing business information, calculation of the license tax, and verification of reported gross receipts.
- C) In-City Businesses – City Council Policy 100-40 “Positive Attitude Toward Business” encourages businesses to locate in Oceanside. It is recommended that the City subsidize the renewal cost for small businesses located in Oceanside that are reporting \$50,000 or less in annual gross receipts.
- D) Changes in Billing Procedures for New Businesses – in July 1998 the “Economic Development Tax Credit Program” was implemented in accordance with Section 15.9 of the Code, and monthly billing procedures were enacted to assist with this program. The tax credit program expired in June 2003, but the monthly billing procedures remained in place which led to a lot of confusion for new businesses. Staff is retracting the procedures implemented in July 1998, and procedures will revert to the intent of the Code, i.e., new businesses will pay the administration fee only (no tax) upon submittal of their application. Businesses will pay the administration fee and tax for each subsequent annual renewal (with the tax calculated based on gross receipts from the preceding twelve-month accounting period.)
- E) Proposed Fees – the following table shows the current and proposed new and renewal business license administration fees.

BUSINESS CATEGORY	NEW APPLICATIONS		RENEWALS	
	Current Fee	Proposed Fee	Current Fee	Proposed Fee
CT I (out of city – up to \$50k)	\$50	\$50	\$50	\$20
CT I (out of city – over \$50k)	\$50	\$50	\$50	\$25
CT II (commercial – high enforcement)	\$100	\$210	\$100	\$25
CT III (commercial – medium enforcement)	\$75	\$150	\$75	\$25
CT IV (home businesses – up to \$50k)	\$50	\$50	\$50	\$15
CT IV (home businesses – over \$50k)	\$50	\$50	\$50	\$20

FISCAL IMPACT

Implementing the proposed new application fees will increase revenue approximately \$34,000 and revenue on renewals will decrease approximately \$283,000 resulting in a reduction of revenue from the administration fee of \$249,000. However, enforcing the minimum annual tax will generate an additional \$188,000, for a net revenue reduction to the General Fund of \$61,000.

New application fee	\$34,000
Renewal fee	(\$283,000)
Minimum annual tax	<u>\$188,000</u>
Total revenue reduction	(\$61,000)

COMMISSION/COMMITTEE REPORT

The Economic Development Commission will review this proposal for revised business license administration fees at their September 13, 2011 meeting.

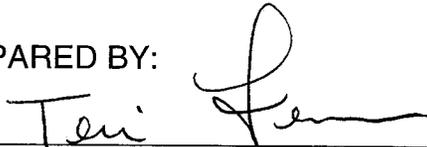
CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that City Council repeal Resolution 03-R418A-1 and any amendments thereto and adopt a resolution setting new business license administration fee amounts.

PREPARED BY:



Teri Ferro
Director of Financial Services

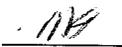
SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs-Lawrence, Deputy City Manager



Attachments:

- Time & Cost Analysis for Processing New Business Licenses
- Resolution

CITY OF OCEANSIDE
TIME & COST ANALYSIS FOR PROCESSING NEW BUSINESS LICENSES

Department/Division	Position Title	Tasks Performed	Fully Burdened Hourly Rate + 10% General Administration	Category I (i.e. over the counter and out of City licenses)		Category II (high level of enforcement required)		Category III (medium level of enforcement)		Category IV (low level of enforcement i.e. home occupations)	
				# Minutes	Cost	# Minutes	Cost	# Minutes	Cost	# Minutes	Cost
Planning	Planner II	code compliance, use permit, hours of operation	\$ 50.10	0	\$ -	30	\$ 25.05	5	\$ 4.18	0	\$ -
Finance	Business License Inspector	code compliance, inspections, state license verification, department routing and approvals, assign SIC codes, scan new applications	\$ 41.60	20	\$ 13.87	20	\$ 13.87	20	\$ 13.87	20	\$ 13.87
Finance	Customer Account Representative	data entry and process; counter customer assistance with new applications	\$ 34.75	20	\$ 11.58	20	\$ 11.58	20	\$ 11.58	20	\$ 11.58
Harbor - 50% of applications	Harbor Coordinator	review applications, approve	\$ 74.70	7.5	\$ 9.34	7.5	\$ 9.34	7.5	\$ 9.34	7.5	\$ 9.34
Harbor - 50% of applications	Sr. Office Specialist	review applications, type letter, send out copies, file	\$ 30.00	15	\$ 7.50	15	\$ 7.50	15	\$ 7.50	15	\$ 7.50
Water	Industrial Waste Inspector	review of food service establishments	\$ 51.55	0	\$ -	15	\$ 12.89	15	\$ 12.89	0	\$ -
Redevelopment - 50% of applications	Associate Planner	review for land use, zoning, identify if a ACUP, CUP, Coastal Permit or Development Plan is necessary	\$ 59.75	7.5	\$ 7.47	15	\$ 14.94	7.5	\$ 7.47	7.5	\$ 7.47
Property Management	Program Specialist	Approval of new business on City-owned and Harbor property	\$ 44.10	0	\$ -	15	\$ 11.03	15	\$ 11.03	0	\$ -
Fire	Fire Battalion Chief (i.e. Fire Marshall)	code interpretation and inspection	\$ 128.85	0	\$ -	10	\$ 21.48	10	\$ 21.48	0	\$ -
Fire	Sr. Office Specialist	intake, schedule, clerical support	\$ 37.15	0	\$ -	10	\$ 6.19	10	\$ 6.19	0	\$ -
Attorney	Senior Deputy City Attorney	code compliance, use permit	\$ 103.10	0	\$ -	20	\$ 34.37	0	\$ -	0	\$ -
Police	Lieutenant	review background information, verify information doesn't conflict with ABC license when applicable	\$ 114.25	0	\$ -	15	\$ 28.56	15	\$ 28.56	0	\$ -
Police	Sr. Office Specialist	run background information, verify information is current and not in violation of current ordinances or related licenses	\$ 32.70	0	\$ -	30	\$ 16.35	30	\$ 16.35	0	\$ -
TOTAL COSTS BY CATEGORY					\$ 49.76		\$ 213.13		\$ 150.42		\$ 49.76
					\$ 50.00		\$ 100.00		\$ 75.00		\$ 50.00
					\$ 50.00		\$ 210.00		\$ 150.00		\$ 50.00
					\$ -		\$ 110.00		\$ 75.00		\$ -

1 RESOLUTION NO. _____

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3 **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF**
4 **OCEANSIDE, CALIFORNIA REPEALING RESOLUTION 03-**
5 **R418A-1 AND ANY AMENDMENTS THERETO AND SETTING**
6 **NEW BUSINESS LICENSE ADMINISTRATION FEE AMOUNTS**

7 WHEREAS, Chapter 15 of the Oceanside City Code, as amended by Ordinance 02-
8 OR674-1, authorizes a business license administration fee and states that the fee amount
9 shall be set by City Council resolution; and

10 WHEREAS, the City Council desires to adjust certain Business License Administration
11 Fee amounts as established in Resolution 03-R418A-1.

12 WHEREAS, on September 28, 2011 the City Council held a duly noticed public hearing
13 to consider the proposed business license administration fee amounts; and

14 WHEREAS, at said hearing the City Council provided all person a reasonable
15 opportunity to appear and be heard on the proposed business license administration fee
16 amounts; and

17 WHEREAS, setting of the business license administration fee amounts is for the
18 purpose of obtaining funds to meet operating and administration expenses necessary to
19 maintain service within the city and is therefore exempt from the provisions of the California
20 Environmental Quality Act.

21 NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Oceanside as
22 follows:

- 23 1) Resolution No. 03-R418A-1 and any amendments thereto are hereby repealed.
- 24 2) A business license administration fee of fifty dollars (\$50) shall be charged for the
25 issuance of a new business license for Category I businesses. A business license
26 administration fee of twenty dollars (\$20) shall be charged for the renewal of a
27 business license for Category I businesses with gross receipts up to \$50,000. A
28 business license administration fee of twenty-five (\$25) shall be charged for the
renewal of a business license for Category I businesses with gross receipts in
excess of \$50,000. Category I businesses are designated on Exhibit "A", attached
hereto and incorporated herein by reference.

- 1 3) A business license administration fee of two hundred ten dollars (\$210) shall be
2 charged for the issuance of a new business license for Category II businesses. A
3 business license administration fee of twenty-five dollars (\$25) shall be charged for
4 the renewal of a business license for Category II businesses. Category II
5 businesses are designated on Exhibit "B", attached hereto and incorporated herein
6 by reference.
- 7 4) A business license administration fee of one hundred fifty dollars (\$150) shall be
8 charged for the issuance of a new business license for Category III businesses. A
9 business license administration fee of twenty-five dollars (\$25) shall be charged for
10 the renewal of a business license for Category III businesses. Category III
11 businesses are designated on Exhibit "C", attached hereto and incorporated herein
12 by reference.
- 13 5) A business license administration fee of fifty dollars (\$50) shall be charged for the
14 issuance of a new business license for Category IV businesses. A business license
15 administration fee of fifteen dollars (\$15) shall be charged for the renewal of a
16 business license for Category IV businesses with gross receipts up to \$50,000. A
17 business license administration fee of twenty dollars (\$20) shall be charged for the
18 renewal of a business license for Category IV businesses with gross receipts in
19 excess of \$50,000. Category IV businesses are designated on Exhibit "D",
20 attached hereto and incorporated herein by reference.
- 21 6) The fee amounts established herein shall become effective and shall be applied to
22 all business license issuance and renewal applications on or after October 1, 2011.

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1 PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this
2 28th day of September, 2011, by the following vote:

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4 AYES:

5 NAYS:

6 ABSENT:

7 ABSTAIN:
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10 MAYOR OF THE CITY OF OCEANSIDE

11 ATTEST:

12 APPROVED AS TO FORM:

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14 CITY CLERK

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John P. Muller
CITY ATTORNEY

EXHIBIT "A"

CATEGORY I

Over the Counter Licenses

Examples:

- Independent Contractors (i.e. those who lease/rent booth space in a licensed business such as beauticians)
- Owners of commercial property
- Businesses located outside Oceanside
- All other similar businesses

EXHIBIT "B"

CATEGORY II

High Level of Enforcement Required

Examples:

- Adult book store
- Adult entertainment
- Apartments
- Arcade
- Auto sales
- Bar/cocktail lounge
- Businesses operating through vehicles as listed in Section 15.7
- Card room
- Car wash
- Convalescent home
- Day care facility
- Equipment rental
- Firearm dealers
- Fitness center
- Golf courses
- Liquor store
- Massage parlor
- Mini-market
- Mining operation
- Night club
- Pawn shop/second hand dealers
- Pool room
- Recycling facility
- Rental trucks & trailers
- Restaurant (drive-thru)
- School (private)
- Service station
- Storage facility
- Swap meet operator
- Taxi cab companies
- Towing companies
- All other similar businesses

EXHIBIT "C"

CATEGORY III

Medium Level of Enforcement Required

Examples:

- Clothing and accessory stores
- Real estate and sales offices
- General merchandise stores
- Swap meet booths
- Travel services
- All other similar businesses

EXHIBIT "D"

CATEGORY IV

Low Level of Enforcement

Examples:

- Home occupations
- All other similar businesses