

July 17, 2003

Honorable Mayor and Members of
the Hermosa Beach City Council

Regular Meeting of
July 22, 2003

**PROPOSAL TO CONSIDER PLACING A MEASURE ON NOVEMBER
MUNICIPAL ELECTION BALLOT TO INCREASE THE
BUSINESS LICENSE TAX**

Recommendation:

That the City Council review the additional information provided on the proposed business license increase and direct staff to place it on the November ballot. A 4/5 vote of the City Council is required to place it on the ballot.

Background:

The City Council, at the meeting of July 8, 2003, discussed the proposal and requested additional information before making a decision to place it on the November ballot. The proposal, in summary, is to increase the business license tax by increasing the rate for contractors to average on nearby cities; the rate for rental property from \$24 per unit to \$36 per unit; adding the category commercial rental property; changing restaurants from flat or fixed rate to the gross receipts; and changing the gross receipts rate to \$100 for the first \$10,000 and \$2.00 per \$1000 for amounts over \$10,000. The changes would increase revenue a total of \$304,854 per year. The city presently receives a total of \$682,000 per year from the business license tax.

The attached information shows the impact of the proposed increases on businesses in each of the existing categories and a range of gross receipts amounts. In addition, the current number of businesses in each category is shown. The gross receipts approach in some cases result in a lower fee for some businesses that are at a lower gross receipts level. The increase in overall tax collected results from those doing the higher gross receipts. The proposal that is before you is the same that was considered at the last meeting. A copy of that staff report is also attached.

The reason for the increase is to help meet the budget gap that we have projected for the 2004-05 fiscal year. The projected shortfall is expected to be around \$1 million and could get worse depending on the action of the state when it adopts its budget. This large of a shortfall, which is the result of retirement system increase costs due to investment losses, will require a balanced approach in order preserve the level of services that the City now provides. This proposed increase is part of the effort that will require a reduction in expenditure levels since this tax increase, along with other revenue growth, will not be sufficient to cover the shortfall. The reductions in expenditures will likely be in all departments and operations of the City. It is really difficult say for certain where these would occur at this time but they would effect all operations. These changes would

be developed and presented to the City Council for review and approval. The approval of the proposed business license tax increase would end up helping preserve the service level that is now provided.

Respectfully submitted,

Stephen R. Burrell
City Manager

1 **RESOLUTION NO. 03-**

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3 **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERMOSA**
4 **BEACH, CALIFORNIA, CALLING AND GIVING NOTICE OF THE**
5 **HOLDING OF A GENERAL MUNICIPAL ELECTION ON TUESDAY,**
6 **NOVEMBER 4, 2003, FOR THE SUBMISSION TO THE VOTERS OF AN**
7 **QUESTION RELATING TO AMENDING THE CITY'S BUSINESS**
8 **LICENSE TAX ORDINANCE TO INCREASE THE TAX ON SPECIFIED**
9 **BUSINESSES AND TO TAX RESTAURANTS AND BARS ON THE BASIS**
10 **OF GROSS RECEIPTS**

11 **WHEREAS**, under the provisions of the laws relating to general law cities in the State of
12 California, a General Municipal Election shall be held on November 4, 2003; and

13 **WHEREAS**, the City Council of the City of Hermosa Beach desires to submit to the voters at
14 the election a question relating to amending the City's Business License Tax Ordinance by increasing the
15 tax on specified businesses and by taxing restaurants and bars on the basis of gross receipts;

16 **NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH**
17 **DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:**

18 **SECTION 1.** That pursuant to the requirements of the laws of the State of California relating to
19 general law cities, there is called and ordered to be held in the City of Hermosa Beach, California, on
20 Tuesday, November 4, 2003, a General Municipal Election.

21 **SECTION 2.** That the City Council, pursuant to its right and authority, by a two-thirds vote of
22 its membership, does order submitted to the voters at the General Municipal Election the following
23 question:

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Shall an ordinance be adopted as recommended by the Hermosa Beach City Council amending the City's business license tax ordinance to increase the tax on specified businesses and to tax restaurants and bars on the basis of gross receipts?	YES	
	NO	

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1 **SECTION 3.** That the proposed complete text of the Ordinance submitted to the voters is
2 attached as Exhibit A.

3 **SECTION 4.** That in all particulars not recited in this resolution, the election shall be held and
4 conducted as provided in Resolution No. 03-6272 and law for holding municipal elections.

5 **SECTION 5.** That notice of the time and place of holding the election is given and the City
6 Clerk is authorized, instructed and directed to give further or additional notice of the election, in time,
7 form and manner as required by law.

8 **SECTION 6.** In the event that the ordinance is approved by a majority vote of the electors
9 casting ballots on November 4, 2003, the business license tax shall be collected in accordance with the
10 revised rates in the same manner as the tax is currently collected, as set forth in Hermosa Beach
11 Municipal Code Chapter 5.04 (Business License Tax).

12 **SECTION 7.** Upon the approval of the ordinance by a majority vote of the electors voting on
13 the issue and the certification of the results of the November 4, 2003 election by the City Council in the
14 manner authorized by law, the Mayor and City Clerk are hereby authorized and directed to attest to the
15 approval of the Business License Tax amendment by a majority vote of the electors.

16 **SECTION 8.** The City Clerk is hereby directed to transmit a copy of the Ordinance set forth in
17 Section 3 above to the City Attorney, who shall prepare an impartial analysis of the measure in
18 accordance with Section 9280 of the Elections Code.

19 **SECTION 9.** The City Clerk is hereby directed to file a certified copy of this resolution with the
20 Los Angeles Board of Supervisors and the Los Angeles County Registrar/Recorder.

21 **SECTION 10.** The City Clerk shall certify to the passage of this resolution and enter it into the
22 book of original resolutions.

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24 **PASSED, APPROVED AND ADOPTED** by the City Council of the City of Hermosa Beach
25 at a regular meeting held this 22nd day of July, 2003 by the following vote:
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AYES:

NOES:

ABSENT:

ABSTAIN:

PRESIDENT of the City Council and **MAYOR** of the City of Hermosa Beach, California

ATTEST:

APPROVED AS TO FORM:

City Clerk

City Attorney

EXHIBIT "A"

AN ORDINANCE OF THE CITY OF HERMOSA BEACH
AMENDING THE BUSINESS TAX ORDINANCE BY
INCREASING THE TAX ON SPECIFIED BUSINESSES
AND CHANGING THE METHOD OF TAXATION OF
RESTAURANTS AND BARS TO TAXATION ON
ON THE BASIS OF GROSS RECEIPTS

The People of the City of Hermosa Beach do ordain as follows:

Section 1. Section 5.04.200.B. of Title 5, Chapter 5.04 of the Hermosa Beach Municipal Code is amended as follows:

- A. Paragraph 1 (Classification A), Groups 1, 17, 22, 23, 23a, 24, 25 and 26 are amended and a new Group 20 is added to read:

Group 1: Automobile agency, used car dealers, boat dealers, manufacturers, jobbers, wholesalers, second hand dealers shall pay an annual license tax of one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2.00 for each additional one thousand dollars (\$1,000) of gross receipts, but not to exceed a total of \$2,200.

Group 17: Hotel, motel, rooming house, boardinghouse, lodging house, apartment house, or any other accommodations for dwelling, sleeping or lodging containing three or more accommodations shall pay an annual license tax of \$36 per rental unit, plus annual cost of living adjustments provided for by Section 5.04.230. Owner-occupied units are exempt from payment of the tax.

Upon application for a business license for rental units as required by this code:

- a. The applicant shall sign an agreement under penalty of perjury that to the best of the applicant's information and belief, the rental of the units for which the license is granted is conducted in accordance with all applicable city rules and regulations.
- b. Said business license permit shall also include a statement, executed by the property owner, that the granting of this license is for revenue purposes only and is not a consent of the city to grant to the owner any rights in the conducting of the business of rental units that are not otherwise granted by city laws, rules or regulations and that the granting of the license is not to be considered by the owner as a waiver by the city of its rights to enforce any violation of certain laws, rules or regulations at any time.

- c. Upon the granting of a license for the conducting of the business of rental units, a copy of said license shall be forwarded to the building department for review with city records to determine if the licensed premises conform according to city records, to all laws, rules and regulations of the city.
- d. In the event that the building department determines a violation, according to city records, of any law, rule or regulation of the city exists, then the property owner shall be informed of the apparent violation and advised of any administrative hearings available to the owner to cause the rental units to conform to city laws, rules and regulations and further informing the owner that any enforcement by the city of such law, rule or regulation may, because of the lack of adequate personnel, be delayed but that such delay is not to be considered by the applicant as a waiver by the city of the enforcement of said laws, rules or regulations.
- e. The failure of the building department to give the notice required by subdivision (d) above shall not be grounds for the applicant to fail to comply with each law, rule or regulation of the city.

Group 20: Every person engaged in the business of renting or leasing commercial real property shall pay an annual license tax of \$100 per 5,000 square feet of gross floor area of gross area in excess of 5,000 square feet, plus annual cost of living adjustments provided for by Section 5.04.230.

Group 22: Laundry or similar business where the public may leave their wash to be done—an annual tax of one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2.00 for each additional one thousand dollars (\$1,000) of gross receipts.

Group 23: Launderette, laundromats or dry cleaning on the premises by individual machines, where a charge is made through a coin-operated slot or on a flat fee basis—an annual tax of one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2.00 for each additional one thousand dollars (\$1,000) of gross receipts.

Group 23.a: Coin-operated washer and dryer equipment not owned by the proprietor in apartment houses, hotels, motels and other similar accommodations for dwelling, sleeping or lodging--Every person engaged in the business of renting, leasing or operating coin operated laundry equipment not otherwise specifically covered by this chapter on premises mentioned above shall pay an annual license tax of one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2.00 for each additional one thousand dollars (\$1,000) of gross receipts derived from the conduct of business within the city.

Group 24: Hospitals, sanitariums and rest homes, mortuaries, animal hospitals—an annual tax of one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2.00 for each additional one thousand dollars (\$1,000) of gross receipts.

Group 25: Selling or offering for sale to the public at retail any materials, commodities, goods, wares or merchandise, such as auto parts, food stores, bakery, garages, service stations, drug stores, florists, furniture, printing shops and all other similar, kindred or related operations for which a business license tax is not otherwise specifically mentioned above—an annual tax of one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2.00 for each additional one thousand dollars (\$1,000) of gross receipts.

Group 26: Telephone companies operating in the city and holding no franchise shall pay an annual license tax one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2.00 for each additional one thousand dollars (\$1,000) of gross receipts.

- B. Paragraph 2 (Classification B), Group 20 is amended, Groups 21 through 25 are deleted, Group 26 is renumbered as 22 and amended, a new Group 21 is added to read:

Group 20: Specialty shop: retail or service specialty establishments purveying primarily apparel, curios, artifacts, footwear, artistic materials, and related items—an annual tax of one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2 for each additional one thousand dollars (\$1,000) of gross receipts.

Group 21: Any restaurant or bar, cocktail lounge or nightclub where food and/or beverages are offered or sold for consumption on or off premises shall pay an annual license tax of one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2 for each additional one thousand dollars (\$1,000) of gross receipts.

Group 22: Motion picture theaters—an annual tax of one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2 for each additional one thousand dollars (\$1,000) of gross receipts per annum. Issuance of a business license requires prior approval of a Conditional Use Permit.

- C. Paragraph 3 (Classification C), Group 1 is amended to read:

Group 1: Every person engaged in business or acting as a general or engineering contractor (B or A); plumbing contractor (C-36); electrical contractor (C-10) shall pay an annual license tax of \$289, plus annual cost of living adjustments provided for by Section 5.04.230.

D. Paragraph 5 (Classification E), Groups 2, 3 and 4 are amended to read:

Group 2: Cigarette machines: every person engaged in the business of operating any cigarette vending machine not otherwise specifically covered by this chapter where such operation is incidental to, or in conjunction with, some other business being operated on the particular premises shall pay an annual license tax of one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2 for each additional one thousand dollars (\$1,000) of gross receipts derived from the conduct of business within the city.

Group 3: Vending machines: every person engaged in the business of operating any vending machine, vending any service or product, and not specifically covered by this chapter, where such operation is incidental to, or in conjunction with, some other business being operated on the particular premises shall pay an annual license tax of one hundred dollars (\$100) on gross receipts of \$10,000 or less, plus \$2 for each additional one thousand dollars (\$1,000) of gross receipts derived from the conduct of business within the city.

Group 4: Where cigarette machine and/or vending machine owned by proprietor of business located within city: A proprietor of a business located within the city that is taxed on the basis of gross receipts under this Section, and that owns and operates a cigarette and/or other vending as a part of that business, shall include the gross receipts from the cigarette and/or vending machine with the gross receipts of the business. If the business is taxed on a basis other than on gross receipts under this Section, the revenues from the cigarette and/or vending machine shall be taxed as set forth in Group 3 above.