MEETING DATE: 07/24/06

AGENDA ITEM: 1) Introduction of Ordinance Amending Section 11.01.220 of the Culver City Municipal Code relating to Business Tax Certificate Application/Renewal Processing Fee; and 2) Adoption of Resolution to Increase the Business Tax Application/Renewal Processing Fee and to Establish a Business Planning Review Fee.

ATTACHMENTS

ORDINANCE NO. 2006-___

AN ORDINANCE OF THE CITY OF CULVER CITY, CALIFORNIA, AMENDING SECTION 11.01.220 OF THE CULVER CITY MUNICIPAL CODE RELATING TO THE BUSINESS TAX CERTIFICATE APPLICATION RENEWAL PROCESSING FEES.

WHEREAS, every year approximately 2,400 new businesses apply for business tax certificates from the Treasury Division of the City Treasurer's Office. All new and renewed business tax certificate applications must be processed and administered by the City Treasurer's Office; and

WHEREAS, there is a regulatory aspect to the processing of a business tax certificate application/renewal, which consists of Planning staff review of all new business tax certificate applications for compliance with zoning and building regulations. In-City businesses with a change of location at the time of renewal are also subject to this process; and

WHEREAS, Section 11.01.220 of the Culver City Municipal Code sets forth a specific dollar amount for the business tax certificate application/renewal processing fee; and

WHEREAS, the application/renewal processing fee to cover the costs of the services performed by the City Treasurer's Department has not been adjusted in 16 years, and there has never been a fee assessed for services performed by the Planning Division; and

WHEREAS, in the interest of saving City staff time and costs involved in amending, by ordinance, the City's Municipal Code on every occasion where it is determined that there should be an increase in fees; and

WHEREAS, there is outdated language contained in §§ 11.01.220 (3) and (4) that is no longer applicable today.

NOW, THEREFORE, the City Council of the City of Culver City, California, **DOES HEREBY ORDAIN** as follows:

SECTION 1. Section 11.01.220 of the Culver City Municipal Code is hereby amended to read as follows:

§ 11.01.220 COMPUTATION OF TAXES AND FEES.

A business whose tax is based on gross receipts shall compute and pay its business tax and fees as follows:

A. Application. At the time an application is made for a business tax certificate, the applicant shall pay an application fee ~~of Forty-Five Dollars ($45.00)~~ in an amount set by resolution of the City Council.

B. Renewal. At the commencement of the first renewal period, or at the termination of business in Culver City, should such termination be prior to the commencement of the first renewal period, the tax certificate holder shall file with the City Treasurer, on a form provided by the Treasurer's Office, a verified statement of gross receipts or a verified statement of the cost of operations should the taxable gross receipts be less than the cost of operations, for the initial period and based on the statement shall pay the tax due for the initial period. At the same time, for the first renewal period, the tax certificate holder shall pay a renewal fee ~~of Forty-Five Dollars ($45.00)~~ in an amount set by resolution of the City Council and the tax based on the verified

2

statement of gross receipts or the verified statement of the cost of operations should the taxable gross receipts be less than the cost of operations projected to estimate gross receipts for the renewal period.

1. For each succeeding renewal period, the tax certificate holder shall pay a renewal fee ~~of Forty-Five Dollars ($45.00)~~ in an amount set by resolution of the City Council and shall file a verified statement of gross receipts, or a verified statement of the cost of operations should the taxable gross receipts be less than the cost of operations, for the preceding twelve (12) month period and shall pay a business tax computed on such statement at the rate specified for the applicable business category.

2. At the time an application is made for a business tax certificate, or at the time of a renewal of a business tax certificate, where the tax is determined by a flat rate, the applicant or tax certificate holder shall pay an application fee or renewal fee ~~of Forty-Five Dollars ($45.00)~~ in an amount set by resolution of the City Council in addition to the flat rate tax.

~~3. The business tax period beginning July 1, 1990 shall end December 31, 1990. Businesses applying for a business tax certificate during the period July 1, 1990 through December 31, 1990 shall, at the time an application is made for a business tax certificate, pay an application fee of Forty-Five Dollars ($45.00). At the commencement of the next business tax period, the tax certificate holder shall file with the City Treasurer, on a form provided by the Treasurer's Office, a verified statement of gross receipts or a verified statement of cost of operations should the taxable gross receipts be~~

~~less than the cost of operations, for the initial period and based on the statement shall pay the tax due for the initial period. At the same time, for the renewal period, the tax certificate holder shall pay a renewal fee of Forty-Five Dollars ($45.00) and the tax based on the verified statement of gross receipts or the verified statement of the cost of operations should the taxable gross receipts be less than the cost of operations.~~

4. ~~a. Businesses filing for a renewal of their business tax certificate for the renewal period beginning July 1, 1990 and ending December 31, 1990, shall compute their business tax as follows:~~

~~(1) For those businesses whose start date in Culver City is prior to January 1, 1989; the business tax shall be based on one-half (½) of the taxable gross receipts produced during calendar year 1989 or on one-half (½) of the cost of operations incurred during calendar year 1989 should the taxable gross receipts be less than the cost of operations.~~

~~(2) For those businesses whose start date in Culver City is prior to July 1, 1989 and after January 1, 1989; the business tax shall be based on one-half (½) of the taxable gross receipts produced during the period from their start date in Culver City through December 31, 1989 or on one-half (½) of the cost of operations incurred during the period from their start date in Culver City through December 31, 1989 should the taxable gross receipts be less than the cost of operations.~~

~~(3) For those businesses whose start date in Culver City is prior to January 1, 1990 and after July 1, 1989; the business tax shall be based on the taxable gross receipts produced from their start date in Culver City through December 31, 1989 or on the cost of operations incurred from their start date in Culver City through December 31, 1989 should the taxable gross receipts be less than the cost of operations.~~

~~b. Businesses filing for a renewal of their business tax certificate for the renewal period beginning July 1, 1990 and ending December 31, 1990 shall pay no renewal fee.~~

<u>C. Business Planning Review Fee. At the time an application is made for a business tax certificate, or upon renewal if the business has changed location, the applicant shall pay a business planning review fee in an amount set by resolution of the City Council.</u>

SECTION 2. Pursuant to Section 619 of the City Charter, this Ordinance shall take effect thirty (30) days after the date of its adoption. Pursuant to Sections 616 and 621 of the City Charter, prior to the expiration of fifteen (15) days after the adoption, the City Clerk shall cause this Ordinance, or a summary thereof, to be published in the Culver City News and shall post this Ordinance or a summary thereof in at least three places within the City.

SECTION 3. The City Council hereby declares that, if any provision, section, subsection, paragraph, sentence, phrase or word of this ordinance is rendered or declared invalid or unconstitutional by any final action in a court of competent jurisdiction or by reason of any preemptive legislation, then the City Council would have independently adopted the remaining provisions, sections, subsections, paragraphs, sentences, phrases or words of this ordinance and as such they shall remain in full force and effect.

APPROVED AND ADOPTED this _____ day of ________________, 2006.

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GARY SILBIGER, Mayor
City of Culver City, California

ATTEST:

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CHRISTOPHER ARMENTA, City Clerk

APPROVED AS TO FORM:

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CAROL A. SCHWAB, City Attorney

6

RESOLUTION NO. 2006-R_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CULVER CITY, CALIFORNIA, INCREASING THE BUSINESS TAX CERTIFICATE APPLICATION AND RENEWAL PROCESSING FEE AND ESTABLISHING A BUSINESS PLANNING REVIEW FEE.

WHEREAS, every year approximately 2,400 new businesses apply for business tax certificates from the Treasury Division of the City Treasurer's Office. All new and renewed business tax certificate applications must be processed and administered by the City Treasurer's Office; and

WHEREAS, there is a regulatory aspect to the processing of a business tax certificate application/renewal, which consists of Planning staff review of all new business tax certificate applications for compliance with zoning and building regulations. In-City businesses with a change of location at the time of renewal are also subject to this process; and

WHEREAS, pursuant to Section 11.01.220 of the Culver City Municipal Code, the City Council may, by resolution, establish fees for the processing of business tax certificate applications/renewals; and

WHEREAS, the application/renewal processing fee to cover the costs of the services performed by the City Treasurer's Department has not been adjusted in 16 years; and there has never been a fee assessed for services performed by the Planning Division; and

WHEREAS, the current fee of $45.00 for the processing of business tax certificate applications/renewals does not cover the City's costs; and

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WHEREAS, it is the intent that the costs associated with the administration and regulation of business tax certificate applications/renewals be recouped from the applicants; and

WHEREAS, these costs are currently calculated to be Sixty Dollars ($60.00) for the services performed by the City Treasurer's Department in the processing of business tax certificate applications/renewals; and Twenty Dollars ($20.00) for the services performed by the Planning staff for all new business tax certificate applications and all renewals where the business has changed its location; and

WHEREAS, on July 24, 2006, at a duly noticed public meeting, the City Council considered an increase of the business tax certificate application/renewal fee, and the establishment of a business planning review fee, for the costs involved in processing business tax certificate applications/renewals; and

WHEREAS, after giving the public an opportunity to be heard and considering all information before it, the City Council approved said fees; and

WHEREAS, the fees established herein are based upon the reasonable cost of providing the services for which the fees are imposed.

NOW, THEREFORE, the City Council of the City of Culver City, California, DOES HEREBY RESOLVE as follows:

1. The fees established in Exhibit "A," attached hereto, are hereby adopted.

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8

2. This Resolution shall take effect concurrently with Ordinance No. 2006-___________.

APPROVED and ADOPTED this 24th day of July, 2006.

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GARY SILBIGER, MAYOR
City of Culver City, California

ATTEST:

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CHRISTOPHER ARMENTA,
City Clerk

APPROVED AS TO FORM:

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CAROL A. SCHWAB,
City Attorney

9

EXHIBIT "A"

The following fees are established for and applicable to the processing of business tax certificate applications and renewals as described in Section 11.01.220 of the Culver City Municipal Code:

Business Tax Certificate Application Processing Fee:	$60.00
Business Tax Certificate Renewal Processing Fee:	$60.00
Business Planning Review Fee:	$20.00

COST ANALYSIS FOR THE BUSINESS TAX DIVISION AT THE APPLICATION & RENEWAL STAGES

COST ANALYSIS:

Personnel Category	$ per hour	Time taken in minutes low	high	Average	Average Personnel Cost per	
Senior Account Clerk	$38.70	34	46	40.00	$25.80	
Acccounting Technician	$40.10	8	11	9.50	$6.35	
Account Clerk	$32.43	4	6	5.00	$2.70	
		46	63	54.50	$34.85	
Indirect Treasury Division costs (note #1)		@ 39.83%			$13.87	
Sub-total: Treasury Division costs						$48.72
Indirect Treasury Administration costs (note #2)		@ 43.41%			$21.14	
Total Transaction cost						$69.86

ACTIVITY ANALYSIS:

Activity	Level	minutes	minutes
Counter Time	Senior Account Clerk	15	20
Receipt Processing	Senior Account Clerk	8	12
Pull Back-up Docs	Senior Account Clerk	1	2
Enter into HdL	Senior Account Clerk	10	12
	sub-total	**34**	**46**
Review Documents	Acccounting Technician	2	3
Post in HdL	Acccounting Technician	5	7
Review Certificate	Acccounting Technician	1	1
	sub-total	**8**	**11**
File	Account Clerk	1	2
Mailing	Account Clerk	3	4
	sub-total	**4**	**6**
	Total Time Taken	**46**	**63**

Note # 1:

The Indirect Treasury Division cost percentage was arrived at as the ratio of the "Maintenance & Operations" cost to the "Personnel Services" cost, using the CAO's recommended figures for the Budget Year 2005/06.

The "Maintenance & Operations" cost =	$261,514
The "Personnel Cost" =	$656,610
Indirect Treasury Division Cost % =	$261,514,000 / $656,610 = 39.83%
Indirect Treasury Division Cost in $ =	39.90% of $33.64 = $13.42

Note # 2:

The Treasury Department's proportionate share of the combined costs of the 3 operating divisions was taken as the basis for its share of the Treasury Adminstration expenses, and referred to as the Indirect Treasury Administration costs.

Treasury Division	$918,524.00	43.41%
Accounting	$512,623.00	24.22%
Accounting Operations	$685,021.00	32.37%
total	$2,116,168.00	100.00%

ATTACHMENT #4

Effect of Adjusting the $45 Fee by the Consumer Price Index

If the original Business Tax Application / Renewal Fee had been linked to the Consumer Price Index, then the $45 would have become $73.62 as of 6/30/2006.

Year Ended	Consumer Price Index (CPI)	The $45 Fee adjusted for CPI
6/30/1989	100.00	**$45.00**
6/30/1990	104.63	$47.08
6/30/1991	108.86	$48.99
6/30/1992	113.17	$50.93
6/30/1993	115.56	$52.00
6/30/1994	116.60	$52.47
6/30/1995	119.47	$53.76
6/30/1996	120.91	$54.41
6/30/1997	122.75	$55.24
6/30/1998	124.58	$56.06
6/30/1999	126.82	$57.07
6/30/2000	131.13	$59.01
6/30/2001	137.19	$61.74
6/30/2002	139.43	$62.74
6/30/2003	143.34	$64.50
6/30/2004	149.56	$67.30
6/30/2005	154.59	$69.57
6/30/2006*	163.61	$73.62

* since June 2006 figures are not yet available, the actual figures for May 2006 were taken

Source:
U.S. Department of Labor, Bureau of Labor Statistics
Consumer Price Index - Urban Wage Earners & Clerical Workers for Los Angeles, Riverside, and Orange County, CA

ATTACHMENT #5

COST ANALYSIS FOR THE COMMUNITY DEVELOPMENT / PLANNING DEPARTMENTS' BUSINESS PLANNING REVIEW FEE

Personnel Category	$ per hour	Time taken in minutes			Average Personnel Cost per transaction
		low	high	Average	
Assistant Planner	$41.81	12	67	39.50	$27.53
Total Personnel cost					$27.53

Indirect Administrative Overhead Costs:		
Planning Division costs (note #1)	@ 14.75%	$4.06
Total Transaction cost		$31.59

Note # 1: Indirect Administrative Overhead Costs: Planning Division

This percentage figure was arrived at as the ratio of the "Maintenance & Operations" cost to the "Personnel Services" cost, using the CAO's recommended figures for the Budget Year 2006/07.

The "Maintenance & Operations" cost =	$141,221
The "Personnel Cost" =	$957,658
Indirect Planning Division Cost % =	$141,221 / $957,658 =14.75%
Indirect Planning Division Cost in $ =	14.75% of $27.53 = $4.06

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ATTACHMENT #6

BUSINESS LICENSE APPLICATION AND RENEWAL FEES FOR NEIGHBORING CITIES

CITY	NEW APPLICATION	RENEWAL	PROCESSING FEE	PLANNING FEE	MINIMUM FEE FOR RETAIL BUSINESSES
CULVER CITY	$45.00	$45.00			$45.00 PLUS $1 PER $1,000 GROSS RECEIPTS (GR)
LOS ANGELES	0.00 [1]	0 [1]			$110.86 FOR UP TO $75,000 (GR) AFTER WHICH $1.48 PER $1,000 (GR)
WEST HOLLYWOOD	$25.00	$25.00			$24 PLUS $0.48 PER $1,000 (GR)
SANTA MONICA	$75.00	$75.00	10.6 [2]	100.27 [2]	$185.87 PLUS $1.25 PER $1,000 (GR).
BEVERLY HILLS	0.00 [3]	0.00 [3]			$75.00 PLUS 1.25 PER $1,000 (GR) OVER $60,000
EL SEGUNDO	88.00 [4]	88.00 [4]			$88.00 BASE FEE PLUS $109 PER EVERY EMPLOYEE OVER TEN, PLUS $0.21 PER SQ FOOT ENCLOSED SPACE OVER 5,000 SQ.FEET.
INGLEWOOD	$0.00	$0.00			$22 PLUS $1.10 PER $1,000 (GR) OR FRACTION THEREOF ABOVE $20,000
TORRANCE	0.00 [5]	0.00 [5]	$21.00		$176 PLUS $52 PER PERSON EMPLOYEED AT THAT LOCATION

Footnotes:

1. Per discussions in June 2006 with City of Los Angeles staff, they are thinking of introducing fees for the application and renewal of Business Tax Certificates.
2. Fees in Santa Monica are increased by CPI on July 1 each year.
3. Beverly Hills has no Application or Renewal fee, but imposes a Minimum Tax for all activities ranging from $75.00 for Retail, Wholesale and Manufacturing, to $1,152.81 for Professional Services.
4. El Segundo has a Base Tax, plus additional amounts when number of employees and floor space exceeds 10 and 5,000 respectively.
5. Torrance charges flat rate taxes determined by activity.