

City of Morro Bay

City Council Agenda

Mission Statement

The City of Morro Bay is dedicated to the preservation and enhancement of the quality of life. The City shall be committed to this purpose and will provide a level of municipal service and safety consistent with and responsive to the needs of the public.

**NOTICE OF
SPECIAL MEETING
THURSDAY, NOVEMBER 6, 2014
MORRO BAY VETERAN'S HALL – 5:00 P.M.
209 SURF STREET, MORRO BAY, CA**

ESTABLISH QUORUM AND CALL TO ORDER

PUBLIC COMMENT RE: ITEMS ON THE AGENDA

SPECIAL MEETING AGENDA ITEMS

- I. DISCUSSION OF AND DIRECTION FOR A REVIEW AND POSSIBLE AMENDMENTS OF THE MORRO BAY MUNICIPAL CODE RELATING TO BUSINESS LICENSES
- II. INTRODUCTION AND FIRST READING OF ORDINANCE NO. 589 OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, ADDING SECTION 5.04.275 TO THE MORRO BAY MUNICIPAL CODE RELATING TO THE TIME LIMITED SUSPENSION AND REFUND OF PENALTIES FOR CERTAIN BUSINESSES THAT PAY BUSINESS LICENSE TAXES DUE AND OWING
- III. INTRODUCTION AND FIRST READING OF ORDINANCE NO. 590 OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, ADDING SECTION 5.08.220 TO THE MORRO BAY MUNICIPAL CODE RELATING TO REQUIREMENTS FOR LOW REVENUE BUSINESSES TO OBTAIN BUSINESS LICENSES

ADJOURNMENT

DATED: November 4, 2014

Jamie L. Irons, Mayor

MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE CITY COUNCIL AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION AT CITY HALL LOCATED AT 595 HARBOR STREET; MORRO BAY LIBRARY LOCATED AT 625 HARBOR STREET; AND MILL'S COPY CENTER LOCATED AT 495 MORRO BAY BOULEVARD DURING NORMAL BUSINESS HOURS.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 24 HOURS PRIOR TO THE MEETING TO INSURE THAT REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.



AGENDA NO: I

MEETING DATE: November 6, 2014

Staff Report

TO: Mayor & City Council DATE: November 4, 2014

FROM: David Buckingham, City Manager

SUBJECT: Discussion of and Direction for a Review and Possible Amendments of the Morro Bay Municipal Code Relating to Business Licenses

RECOMMENDATION

City Council direct staff to complete a review of the existing business licensing requirements, using a process that includes staff, stakeholders and experts, and propose appropriate amendments or revisions to the Municipal Code and Tax Rate Schedule by the end of June 2015.

FISCAL IMPACT

A project of this magnitude may require the assistance of a consultant. Staff intends to make this assessment and may come to Council for additional direction. If a consultant is required, there would be an expense to the general fund.

BACKGROUND

The ongoing Business License compliance audit has made it clear there are many businesses in Morro Bay operating without an appropriate business license. Some of these businesses may not be licensed because of a misunderstanding of the business licensing requirements. A review is thus appropriate.

DISCUSSION

This process will result in appropriate changes to our Municipal Code, tax rate schedule, policy, customer service and / or public communications to make business licensing more user-friendly.

Staff intends to maintain revenue neutrality as a fundamental requirement in this process. While reducing fees may be an appropriate method of improving the business climate, we believe other processes are better suited to a holistic improvement in the economic development landscape in Morro Bay while sustaining the fiscal health of the City.

Prepared By: _____

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

This review will consider all of the items below:

- Maintain our “flat” rate system, or move to a gross receipts system.
- What do other similar cities do?
- Should there be special categories or exceptions for some or all of the following:
 - o Very small businesses (based on gross receipts).
 - o Independent Contractors working at the same address as a “master license holder”. (e.g., a hair stylist who rents space in a salon).
 - o Businesses who sell on consignment from thrift or antique shops.
 - o Businesses who rent sales space in another business.
 - o Artists, both hobbyists and vocational artists.
 - o Itinerant sales, one-time sales visits, markets, street fairs, etc.

CONCLUSION

Staff intends, at the direction of the City Council, to commence an inclusive process to review Morro Bay business licensing procedures that will consider the many concerns and recommendations gathered during the current business license audit, possibly with the assistance of a consultant.



AGENDA NO: II

MEETING DATE: November 6, 2014

Staff Report

TO: Mayor & City Council **DATE:** November 3, 2014

FROM: David Buckingham, City Manager

SUBJECT: First Reading of Ordinance No. 589 of the City Council of the City of Morro Bay, California, adding Section 5.04.275 to the Morro Bay Municipal Code relating to the Time Limited Suspension and Refund of Penalties for Certain Businesses that Pay Business License Taxes Due and Owing

RECOMMENDATION

Staff recommends the City Council accept public comment, then move for the introduction and first reading of Ordinance No. 589, by number and title only, amending Morro Bay Municipal Code Title 5, adding Section 5.04.275 entitled *Amnesty Period* to provide a window of time, from July 8, 2014, through March 13, 2015, for businesses to comply with Section 5 without penalties and refund any penalties that have been paid.

FISCAL IMPACT

The revenue being refunded and/or waived is money the City never received nor was it included and relied upon in the 2014/15 budget.

BACKGROUND

Due to the Business License compliance audit being performed by Municipal Auditing Services, staff has attended a number of meetings and has received letters from business owners who understand the need to pay the Business License tax, but dispute the penalties the Municipal Code requires the tax collector to assess and collect (no provision for waiver). The common theme is collecting four years of penalties (at 100%) in addition to four years of back taxes places, for various reasons, is more of a hardship on local businesses than is appropriate under the circumstances. The City Council and staff felt there is a need to address this concern, and at the October 28th regular City Council meeting, staff was directed to bring an Ordinance change to Council, creating an amnesty period, during which businesses can obtain compliance by paying the taxes due, and not be assessed penalties.

Prepared By: _____

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

DISCUSSION

The objective of the Business License audit is compliance, and is not meant to create financial harm to our business population. The City Council, staff and our business community believe all businesses should be registered with the City and pay their fair share for the increased demand on fire services, police services and city infrastructure that every business creates. Everyone is in agreement that all individuals and entities should be fairly and consistently treated, and the tax amounts due paid. The problem lies in the 100% penalty provision in the Municipal Code, and the fact that many taxpayers have been out of compliance for multiple years. For example, a business who did not receive its renewal notice and forgot to pay its license fee for four years would be presented with a bill for four years of tax plus four years of 100% of the tax amount as a penalty. If the tax amount was \$136 each year, that equates to \$544 for the four delinquent years, plus another \$544 in penalty. The businesses, who forgot or did not realize they needed a license, feel this is punitive.

To assist taxpayers in reaching compliance, Ordinance No. 589 has been created, which will provide an amnesty period of 90 days for businesses to come in and pay all taxes owed, without penalties assessed. Additionally, it will suspend all penalties assessed from July 8, 2014, the date of the City Council meeting at which Municipal Auditing Services was hired, through March 13, 2015. Pursuant to this ordinance, businesses that paid penalties when they paid all business license fees due and owing between July 8th and the date this ordinance becomes effective will be entitled to a refund of the penalties paid.

ORDINANCE NO. 589

**AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF MORRO BAY, CALIFORNIA
ADDING SECTION 5.04.275 TO THE MORRO BAY MUNICIPAL CODE
RELATING TO THE TIME LIMITED SUSPENSION AND REFUND OF
PENALTIES FOR CERTAIN BUSINESSES THAT PAY
BUSINESS LICENSE TAXES DUE AND OWING**

THE CITY COUNCIL
City of Morro Bay, California

WHEREAS, Morro Bay Municipal Code, Section 5.04.050 requires businesses, trades, professions, callings, and occupations pay license fees as established annually in the Business License Rate; and

WHEREAS, the City Council of the City of Morro Bay determined an audit of its business licensing program was appropriate and necessary so as to ensure the City those businesses required to obtain business licenses were doing so (the “Program”); and,

WHEREAS, on July 8, 2014, the City Council approved an agreement with Municipal Auditing Services, LLC (“MAS”) to conduct the audit of the City’s business licensing program for the past four years, which involves contacting all businesses doing business in the City to determine if they had obtained the necessary business licenses; and,

WHEREAS, MAS commenced the audit in August, 2014, and based upon its initial contacts with businesses doing business in the City, several community members indicated concerns with the Program’s implementation; and,

WHEREAS, City staff participated in a community forum, interacted with numerous businesses within the City regarding the Program’s implementation and determined many concerns were the result of downsizing in the City staff due to the recent significant national recession, which caused the City not to have the personnel and resources to actively monitor and administer its business license rules and regulations for several years; and,

WHEREAS, based upon the information City staff received from the City’s business community regarding the confusion and uncertainty generated by the Program, at the regular meeting of the City Council conducted on October 28, 2014, the City Manager recommended to the City Council and the City Council directed staff take the necessary steps to amend the Morro Bay Municipal Code to refund all penalties paid by businesses who have come into compliance with the City’s business licensing requirements since the audit was commenced and to suspend and refund all penalties for those businesses that come into compliance with the City’s business licensing requirements within ninety (90) days after the date the ordinance becomes effective.

NOW, THEREFORE, the City Council of the City of Morro Bay does ordain as follows:

SECTION 1: Section 5.04.275 is hereby added to the Morro Bay Municipal Code to read as follows:

Section 5.04.275 Limited time Suspension and Refund of Penalties.

- A. Notwithstanding any other provision of this title, the imposition of penalties, applicable to any person as set forth in section 5.04.270, shall be suspended, if, at any time between July 8, 2014, through March 13, 2015 (the "Amnesty Period"), that person responsible for payment of business license taxes in accordance with to this title pays all business license taxes then due and owing to the City.
- B. Within sixty days after the effective date of this section, City shall refund any penalties paid for failure to timely obtain a business license to any person who paid business license fees in accordance with to this title during the Amnesty Period.
- C. As of March 14, 2015, this section shall be repealed and of no further force and effect, unless otherwise provided by the City Council through an amendment to this section.

SECTION 2: This Ordinance shall take effect 30 days after its adoption. The City Clerk, or her duly appointed deputy, shall attest to the adoption of this Ordinance and shall cause this Ordinance to be published and posted in the manner required by law.

INTRODUCED at a special meeting the of the City Council of Morro Bay, held on the 6th day of November, 2014 by motion of Councilmember _____, seconded by Councilmember _____.

PASSED AND ADOPTED on the ____ day of _____, 2014, by the following vote:

AYES:
NOES:
ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

JAMIE BOUCHER, City Clerk

APPROVED AS TO FORM:

JOSEPH W. PANNONE, City Attorney



AGENDA NO: III

MEETING DATE: November 6, 2014

Staff Report

TO: Mayor & City Council

DATE: November 3, 2014

FROM: David Buckingham, City Manager

SUBJECT: First Reading of Ordinance No. 590 of the City Council of the City of Morro Bay, California, adding Section 5.08.220 to the Morro Bay Municipal Code relating to Requirements for Low Revenue Businesses to Obtain Business Licenses

RECOMMENDATION

Staff recommends the City Council accept public comment, then move for the introduction and first reading of Ordinance No. 590, by number and title only, amending the Morro Bay Municipal Code Title 5, adding Section 5.08.220 entitled *Requirements for Low Revenue Businesses* to allow a reduced fee for businesses whose gross annual receipts are less than \$7,500.

FISCAL IMPACT

Many of the businesses that will benefit from this section were not paying for a business license, due to misunderstandings about the need for a business license. Ongoing revenue, in an amount uncertain, will be generated. We anticipate the impact will be, at worst, revenue neutral in the near term and revenue positive in the long term.

BACKGROUND

Due to the Business License compliance audit being performed by Municipal Auditing Services, staff has attended a number of meetings and has received letters from very small business owners who believe they will be unable to pay the regular business license fee of \$136 plus the \$1 for Americans with Disabilities education. The common theme is the small amount of money these businesses make off of their activities (e.g., jewelry-making, painting, crafts). The City Council and staff felt there was a need to address this concern, and at the October 28th regular City Council meeting, staff was directed to bring an Ordinance change to Council, creating a low revenue threshold for businesses to receive a reduced business license fee.

DISCUSSION

The objective of the Business License audit is compliance, and is not meant to create financial

Prepared By: _____

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

harm to our business population. The City Council, staff and majority of our business community believe all businesses should be registered with the City and pay an appropriate fee for conducting business in Morro Bay to ensure all individuals and entities are fairly and consistently treated.

This *Low Revenue Businesses* ordinance addition will temporarily relieve some of the increased pressure on most of our very small businesses created during the current business license compliance audit. The ordinance creates an annual gross receipts threshold of \$7500.00 under which most businesses would qualify for a business license at a nominal processing fee. That fee would be set in the Master Fee Schedule. Staff intends to present an updated master fee schedule at the December 9th Council meeting and intends to recommend the *Low Revenue Businesses* business license be taxed at the same rate as an additional employee (\$32.00) under the current master fee schedule. Thus, until this section of the ordinance is removed or changed, most businesses grossing under \$7500.00 annually will be eligible for a \$32.00 business license. This change to the ordinance is written as a suspension of the current level of taxation which will allow the Council to reinstate the current rates, if desired, at an appropriate point in the future without requiring a vote of the public.

At the City Council's request, staff is bringing forward this Ordinance No 590 for first reading and introduction, by number and title only, to create this low revenue threshold for which businesses may apply. Businesses will be asked to provide tax returns on an annual basis showing proof of low revenue in order to qualify.

ORDINANCE NO. 590

**AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF MORRO BAY, CALIFORNIA
ADDING SECTION 5.08.220 TO THE MORRO BAY MUNICIPAL CODE
RELATING TO REQUIREMENTS FOR LOW REVENUE
BUSINESSES TO OBTAIN BUSINESS LICENSES**

THE CITY COUNCIL
City of Morro Bay, California

WHEREAS, Morro Bay Municipal Code, section 5.04.050 requires certain businesses, trades, professions, callings, and occupations to pay license fees as established annually in the Business License Rate Schedule; and

WHEREAS, based on recent community comments and concerns, at its meeting of October 28, 2014, the City Council of the City of Morro Bay passed a motion adopting staff's recommendation and directing staff to prepare an ordinance to amend the Morro Bay Municipal Code to require businesses that generate low annual revenue to still obtain a business license but only pay a minimal business license fee intended to cover some or all of the City's costs to process and issue the business license.

NOW, THEREFORE, the City Council of the City of Morro Bay does ordain as follows:

SECTION 1: Section 5.08.220 is hereby added to the Morro Bay Municipal Code to read as follows:

5.08.220 – Low Revenue Business

- A. Notwithstanding any other provision of this title and subject to subsection C. below, as of July 8, 2014, the regular business license tax set forth in the Business License Rate Schedule is suspended for any business that demonstrates it generates annual gross receipts of less than Seven Thousand Five Hundred Dollars (\$7,500.00) ("Low Revenue Business"), as shown through submittal of tax returns for its previous tax year or by other means acceptable to the Collector.
- B. The suspension set forth in subsection A., above, shall remain in effect until such time as the City Council may amend or repeal this section.
- C. Each Low Revenue Business shall obtain a current business license in accordance with this title and pay a license fee in accordance with the Business License Rate Schedule; provided, that the license fee for each Low Revenue Business shall not be greater than the amount necessary for the City to recover some or all of the costs incurred by the City in processing and issuing that business license.

D. Any person who paid a business license tax for a Low Revenue Business on or after July 8, 2014, shall be entitled to receive a refund of the amount paid in excess of the license fee described in subsection C., above

SECTION 2: This Ordinance shall take effect 30 days after its adoption. The City Clerk, or her duly appointed deputy, shall attest to the adoption of this Ordinance and shall cause this Ordinance to be published and posted in the manner required by law.

INTRODUCED at a special meeting the of the City Council of Morro Bay, held on the 6th day of November, 2014 by motion of Councilmember _____, seconded by Councilmember _____.

PASSED AND ADOPTED on the ____ day of _____, 2014, by the following vote:

AYES:

NOES:

ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

JAMIE BOUCHER, City Clerk

APPROVED AS TO FORM:

JOSEPH W. PANNONE, City Attorney