



CITY COUNCIL AGENDA REPORT

Meeting Date: January 16, 2025

From: Carolina Yuen, Finance Director

Subject: Overview of Business License Fee Study

Community Goal/Result

Fiscally Prudent, Economic Development

Purpose

To provide an update on the progress of the review of the Business License Tax program.

Recommendation

No recommendation at this time. This report is a status update on the progress of this project.

Background

During the review of the Budget for Fiscal Year 2024-25, Council directed staff to review the existing Business License Tax program to determine if the City is optimizing the methods available to assess appropriate fees upon the various businesses within Brisbane. With operating expenses currently exceeding our existing revenues, the City staff is charged to review our revenue streams and determine if there are additional opportunities for growth or restructuring.

Discussion

Staff met with the City's business license program administrator, HdL, in October to discuss our current business license portfolio and a possible business license tax study to include the existing business license fee structure and methodologies, best practices and potential methods given the current and future business types allowed in Brisbane. Depending on the business type, business license fees are calculated either by gross receipts, headcount, square footage, or other specialized methodologies. Businesses pay on one type of calculation method. Because the business license fees are considered a tax, any changes in the business license fee structure must be brought before the public for a vote during a general election. The next general election available to present an initiative for a vote will be in 2026. Therefore, staff would like to reconvene with HdL later this year to proceed with discussions to conduct the study and review possible changes in the current business license fee structure and calculation methodologies. The intent is to allow enough time to determine proposed actions for the 2026 election season as a result of the study.

In the meantime, staff has requested additional custom reports to be generated on a regular and ad hoc basis to further analyze the business license portfolio. Year over year comparisons have been somewhat challenging between 2023 and 2024 since the City switched program

administrators from Avenu to HdL. However, entering our second full year with HdL, staff is preparing additional reports we can use for staff analysis and to provide additional statistics and trends to our Economic Development Director.

In addition to data obtained through HdL, staff has been reviewing methodologies used by other cities within San Mateo County and in the East Bay. Reviewing these methodologies will allow staff to understand how neighboring cities have approached these issues to ensure that the City can remain competitive. There were a handful of ballot measures in November 2024 in neighboring cities related to business license taxes. We will continue to review their outcomes and reactions from the business community.

Staff met with the Economic Development Subcommittee on December 4th to provide an update on the business license fee program, business license methodologies from surrounding cities and other similar agencies, and to discuss our initial meeting with HdL on a possible study. Such a study typically takes 90 days to complete.

Staff anticipates bringing to Council the proposal for such a study in early FY2025-26.

Fiscal Impact

None at this time.

Carolina Yuen

Carolina Yuen, Finance Director

Jeremy Dennis

Jeremy Dennis, City Manager