



## **CITY OF MENIFEE**

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SUBJECT: Business License Fees

MEETING DATE: July 17, 2024

TO: Mayor and City Council

PREPARED BY: Margarita Cornejo, Deputy Finance Director

REVIEWED BY: Travis Hickey, Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

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### **RECOMMENDED ACTION**

1. Review and provide feedback and direction on proposed potential modifications to business license fees.

### **DISCUSSION**

At the October 4, 2023 Council meeting, City Council requested a future agenda item discussing potential reductions to existing business license fees that would make the City's business license fees the lowest in Riverside County.

In general, business licensing programs are structured as either one of two types:

1. **Business Tax Programs:** These programs impose a tax on persons or entities conducting business within a city. They are structured as revenue-raising mechanism to support delivery of municipal services. Business Tax Programs are often based on components like gross receipts, business type, etc. Rates are set at each city's discretion but may not be discriminatory or confiscatory. In Riverside County, Business Tax Program fees range from \$72 (general business) to \$1,550 (larger business).
2. **Business License and Regulation Program:** These programs focus on regulations and record keeping, for the purpose of protecting the public health, safety, and welfare of city residents. Rather than raising revenues, these programs seek only to recover the costs of administering the regulatory program and any other mandatory fees such as the state Certified Access Specialist (CASp) fee. In Riverside County, Business License and Regulation Program fees range from \$39 to \$59.

Since incorporation, the City has implemented a Business License and Regulation Program, as required under Chapter 5 of the Meniffee Municipal Code. The City's Program is not a revenue

raising Business Tax Program; rather, it is a Business License and Regulation Program, designed to only recover (at most) the costs of administering the program. The City's program is used to maintain and support the City's efforts to be a safe and vibrant community with a thriving economy.

As part of the Comprehensive Citywide User Fee Study adopted in the fall of 2022, the City's business license fees were reviewed and analyzed for services provided through the program, and to establish corresponding cost recovery fees. The Finance Department collects fees for business registration, business licensing, and return check processing services. The total cost calculated for each service includes direct staff costs, direct materials costs (where applicable), and departmental and citywide overhead. In the 2022 analysis of the City's fees, the fees previously collected showed an under-recovery to actual costs. With the new adopted fee schedule, the following new fees were established, effective July 15, 2024, and outlined in Table 1 below:

**TABLE 1: ADOPTED USER FEES**

Services	Fees
New Business Registration	\$78.19
Renewal Business Registration	\$58.64
Business Registration Change of Name	\$19.55
Business Registration Change of Physical Address	\$39.06
Business Registration Change of Mailing Address	\$6.17
Duplicate Business License	\$6.17
Single Day Event Business License	\$19.55

The fees reflected above are the actual license fees. Other applicable permit, and/or zoning review fees are established as separate fees under the fee schedule. Similarly, for applicable in-city businesses subject to National Pollutant Discharge Elimination System and/or fire inspections, which are included in the annual business license process to consolidate and streamline remittance of fees due for businesses, the corresponding inspection fees are identified as separate fees within the fee schedule.

These fees are subject to periodic adjustment based on the Consumer Price Index, not to exceed 4%. The next adjustment will occur on July 1, 2025.

The City's current business license program revenues for the most recently completed fiscal year (FY2022/23) were \$151,559.

If the City Council provides direction to further explore the reduction of the City's current existing business license fees, a cost impact analysis of the proposed reduction would be reviewed and presented for City Council consideration.

### **STRATEGIC PLAN OBJECTIVE**

Regular City Business

**FISCAL IMPACT**

There is no fiscal impact for the recommended action. Any future action on this item could result in additional fiscal impact, based upon the parameters of any reductions that are applied.