

**CITY OF BELMONT
CITY COUNCIL AND BELMONT FIRE
PROTECTION DISTRICT BOARD OF
DIRECTORS**



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CITY COUNCIL SPECIAL MEETING AGENDA

Tuesday, November 28, 2023

6:30 PM

City Council Chambers

City Hall, One Twin Pines Lane, Belmont, California

The meeting will be broadcast live to Belmont residents on Comcast Cable Channel 27, streamed live via the City's website at www.Belmont.gov. The public may also attend the meeting in the City Council Chambers and address the council from the chambers.

PUBLIC COMMENT:

To maximize time for live public comment, we encourage members of the public to provide comments by joining the City Council meeting via Zoom : For web, visit <https://belmont-gov.zoom.us/> select "Join" and enter **Meeting ID: 95745673035**. Use the Raise Hand feature to request to speak. You may rename your profile if you wish to remain anonymous.

For dial- in comments, call *67 1-(669) 900-6833 (your phone number will appear on the live broadcast if *67 is not dialed prior to the phone number), enter **Meeting ID: 95745673035**, and press *9 to request to speak. All public comments are subject to a 3-minute time limit unless otherwise determined by the Mayor.

If you wish to submit written public comment, you may send an email to cclerk@belmont.gov before the council considers the item. Please indicate the agenda item topic or agenda item number you wish to comment on in your email's subject line. Any public comment regarding agenda items that are received from the publication of the agenda through the meeting date will be made part of the meeting record, but will not be read during the Council meeting.

1. ROLL CALL

2. ITEMS OF BUSINESS

Persons wishing to orally address the Council on the items of business listed below will be given an opportunity to do so before or during the Councils consideration of the item.

3. STUDY SESSION

A. Business License Tax Modernization and Equity Update

Recommendation: Staff recommends that the City Council: (1) Confirm the intent to revisit

modernizing the business license tax model, (2) Reaffirm the Guiding Principles identified by Business Focus Groups, and (3) Identify two Councilmembers to serve on a subcommittee to work with City staff and business stakeholders to determine the best model to bring to the Council for a vote

Attachment(s):

[Staff Report](#)

4. ADJOURNMENT

If you need assistance to participate in this meeting, please contact the City Clerk at (650) 595-7414. Notification in advance of the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. Meeting information can also be accessed via the internet at: www.belmont.gov. All staff reports will be posted to the web in advance of the meeting, and any writings or documents provided to a majority of the City Council/District Board or Commission regarding any item on this agenda will be made available for public inspection in the City Clerk's Office, One Twin Pines Lane, during normal business hours and at the Council Chambers at City Hall, Second Floor, during the meeting.



STAFF REPORT

Meeting Date: November 28, 2023
Agency: City of Belmont
Staff Contact: Azalea Renfield, Economic Development & Housing Manager, arenfield@belmont.gov; Karen Clark, Management Analyst, kclark@belmont.gov
Agenda Title: Business License Tax Modernization and Equity Update
Agenda Action: Discussion & Direction

Recommendation

Staff recommends that the City Council:

- 1) Confirm the intent to revisit modernizing the business license tax model,
- 2) Reaffirm the Guiding Principles identified by Business Focus Groups, and
- 3) Identify two Councilmembers to serve on a subcommittee to work with City staff and business stakeholders to determine the best model to bring to the Council for a vote.

Strategic Focus Area

Economic Development and Housing

Background

Belmont's Business License Tax (BLT) structure was last updated in 1990 and is now an outdated, idiosyncratic business tax structure unable to meet the current and evolving business structure and community service needs. It also places most of the tax burden on Belmont's smaller businesses and operators. The City of Belmont requires all employers who conduct business in the City to obtain a business license and pay a business tax, regardless of trade, profession, or occupation. The purpose of the tax is to cover municipal services and infrastructure utilized by the business, its employees, and customers.

As previously mentioned, the City has not updated the existing BLT since 1990. As part of the City's Strategic Plan, the Belmont City Council has been focused on applying a modernized business license tax and applying an equity lens in examining its structure, including an examination of the distinctions between models based on the number of employees in a business versus the gross receipts generated by a business. An objective of the Council has been to evaluate and propose a business tax structure that is both progressive and fair, meaning it would progressively increase tax rates for businesses with higher gross receipts. This change would increase fairness, support our small and local businesses, and raise annual revenue for vital City services.

From 2019 to 2022, the following steps were taken towards contemplating a modernization and equity of the tax structure.

- November 2019: The Belmont City Council authorized agreements with Management Partners and HdL Companies to review and provide recommendations to modernize the tax structure.



- May 2020: Staff conducted a series of focus groups with Belmont businesses to review options and gather feedback on how the update might better serve businesses.
- June 2020: Staff presented the Council with several BLT options but took no action to minimize any changes early in the COVID-19 pandemic.
- January 2021: During the annual Strategic Planning Workshop, the Council reaffirmed the Strategic Objectives of “maximizing existing sources of revenue” and “Identifying new revenue sources to maintain financial stability.”
- March 2021: A community survey indicated public support for modernizing the BLT to be more equitable to businesses of all sizes and provide the City with a locally-controlled revenue source.
- May 2021: Feedback from the Council and business focus groups was integrated into a more modern and equitable proposed tax structure based on gross receipts. This model was presented at a Council study session and the Council was generally supportive.
- May 2022: At a study session, the Council received updates on modernizing the BLT and raising the Transient Occupancy Tax (TOT) and was supportive of moving both efforts forward.
- June 2022: In early June, the City and Chamber San Mateo County hosted a total of three community business forums gathering feedback on the proposed BLT model. At a June 28 City Council study session, the Council reviewed the latest model, an alternative, and feedback from the business forums, ultimately electing to prioritize TOT first.

Analysis

A central message during the fiscal year 2023-24 budgeting process was the need to secure locally controlled revenue sources to ensure the City’s long-term fiscal sustainability and prevent cuts to essential City services. Several related initiatives were included in the *2023-2027 Citywide Strategic Plan Dashboard*, including one specifically to “study the benefits and opportunity to update the City’s business license tax (BLT) for voter consideration.”

Last updated more than 30 years ago, the current BLT model is primed for modernization and doing so could help correct existing inequities while preparing for the future. Under the current model, small businesses (those making less than \$125,000) are severely overburdened, paying a much higher effective tax rate than any other business category. In addition, newer business types entering Belmont--such as biosciences--stand to exacerbate inequities if not integrated into the model.

To move forward with a BLT update, staff requests confirmation from the City Council on their intent to consider a potential ballot measure for November 2024. If confirmed, proposals to the BLT structure will be presented to the Council by June 2024, allowing time to prepare a measure argument and any rebuttals. A longer runway is also desirable to ensure key business stakeholders, including Chamber San Mateo County, are adequately engaged throughout the effort.

Staff also asks the Council to consider and affirm the following original Guiding Principles identified by the May 2020 Business Focus Groups.



- Fairness: Address inequities in the current tax structure
- Adaptability: Reflect current and future business trends
- Comparability: Comparable structure used in surrounding peer agencies
- Simplicity: Simple for businesses to understand
- Streamlined: Reduce stumbling blocks to administer the tax ordinance with quick processing times

Finally, due to the complexity of the BLT analysis, staff also recommends that the Council form a subcommittee to partner with City staff and business stakeholders, including local business owners and Chamber San Mateo County, to move forward with a BLT modernization. The subcommittee would consist of two Councilmembers and work with staff to continue conducting research and public outreach and prepare options for a proposed ballot measure language for Council consideration. If the Council supports moving forward with this effort at this time, staff will also reengage our consultant team to develop options for evaluation.

Alternatives

1. Take no action: Leave the business tax structure as a “flat tax” based model, which is burdensome for small businesses and operators.
2. Return to staff for additional information.

Attachments

None

Fiscal Impact

☐ No Fiscal Impact

☒ Funding Source Confirmed: Business License Tax is an important source of locally controlled General Fund revenue that provides essential public safety and quality of life services to the Belmont community.

Source:

Staff

Purpose:

Council Vision/Priority

Public Outreach:

Posting of Agenda