

AN ORDINANCE OF THE CITY OF ROLLING HILLS ESTATES, CALIFORNIA,
AMENDING AND RESTATING CHAPTER 5.08 OF THE ROLLING HILLS
ESTATES MUNICIPAL CODE PERTAINING TO BUSINESS LICENSE TAXES

The people of the City of Rolling Hills Estates ordain as follows:

SECTION 1. Findings. The people of the City of Rolling Hills Estates find as follows:

A. The City of Rolling Hills Estates provides an excellent quality of life with top-notch municipal services.

B. Sacramento has taken millions of dollars in local revenue from the City of Rolling Hills Estates.

C. The City of Rolling Hills Estates must maintain its locally-controlled revenue sources to maintain quality of life services residents rely on, such as local sheriffs' patrols and rapid 911 response times.

D. Reliable, locally-controlled revenue also helps the City to maintain critical infrastructure, such as fixing potholes repaving streets, and repairing the City's 40-year-old storm drain systems, as well as maintaining and improving City park and recreational facilities.

E. Chapter 5.08 of Title 5 of the Rolling Hills Estates Municipal Code, which has not been significantly updated in over 30 years, contains cumbersome tax rate classifications that are difficult to interpret by local businesses and challenging for the City to administer.

F. The simplified tax structure in Chapter 5.08 as amended and restated by this ordinance is intended to make Chapter 5.08 more transparent, streamlined, easy to understand, and fair to businesses of all sizes, while keeping local business license tax rates generally lower than those in the surrounding Palos Verdes peninsula cities.

G. The stated business license taxes are for the purpose of raising revenue for unrestricted general revenue purposes.

H. The funds generated from these business license taxes will continue to be subject to mandatory, annual financial audits.

I. This locally-controlled funding can only be used in Rolling Hills Estates on local needs, and cannot be taken by Sacramento politicians.

J. In accordance with Article XIII C of the California Constitution, the revised tax rates established under this ordinance cannot be increased in the future unless the City's voters approve such an increase.

SECTION 2. Environmental Review. The business license taxes to be submitted to the voters are general taxes that can be used for any proper municipal purpose. As such, under California Environmental Quality Act (CEQA) Guidelines section 15378(b)(4), the adoption of this ordinance and the resulting taxes are not a project within the meaning of CEQA because it creates a government spending mechanism that does not involve any commitment to any specific project that would result in a potentially significant impact on the environment. Therefore, under CEQA Guidelines section 15060(c)(2) and (3), review under CEQA is not required.

SECTION 3. Amendment to Chapter 5.08 of Title 5 of the Municipal Code. Chapter 5.08 (Business License Tax Schedule) of the Rolling Hills Estates Municipal Code is amended and restated as set forth in the attached Exhibit A.

SECTION 4. Expenditure of Revenues. Proceeds of the business license taxes generated under Chapter 5.08 will be deposited into the General Fund of the City and can be spent for any lawful, municipal, unrestricted general revenue purposes.

SECTION 5. Severability. If any section, subsection, sentence, clause, or phrase of this ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision will not affect the validity of the remaining portions of this ordinance. The people of the City of Rolling Hills Estates hereby declare that they would have passed this ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.

SECTION 6. Amendment. As required by Article XIII C of the California Constitution, any increase in the amount or rate of the business license tax beyond the levels authorized by this ordinance may not take effect unless approved by a vote of the people. Except for any such increase in the taxes or as otherwise required by Article XIII C, the City Council may repeal or amend this ordinance without a vote of the people. The people of the City of Rolling Hills Estates affirm that the following actions will not constitute an increase in the rate of a tax:

A. The restoration of the rate of the tax to a rate that is no higher than that set by this ordinance, if the City Council has acted to reduce the rate of the tax.

B. An action that interprets or clarifies the methodology of the tax, or any definition applicable to the tax, so long as interpretation or clarification is not inconsistent with the provisions of Municipal Code Chapter 5.08 or Chapter 5.04.

C. The establishment of a class of person that is exempt or excepted from the tax or the discontinuation of an exemption or exception (other than the discontinuation of an exemption or exception specifically set forth in Chapter 5.08 or Chapter 5.04).

D. The collection of the tax imposed by Chapter 5.08, even if the City had for some period of time failed to collect the tax.

SECTION 7. Effective Date of Ordinance and Tax Rates. This ordinance will not take effect until ten days after certification of its approval by a majority of the voters of the City voting at the general municipal election to be held on June 5, 2018 pursuant to Elections Code section 9217. If the ordinance is approved by a majority of the voters and becomes effective, the amended and restated provisions of Chapter 5.08 will take effect on January 1, 2019.

SECTION 8. Publication. Upon approval by the voters, the City Clerk is directed to certify the passage of this ordinance and cause it to be published in the manner required by law.

EXHIBIT A

Chapter 5.08 – Business License Tax Schedule

5.08.010 - Generally.

The amount of the annual business license tax to be paid to the city by a person engaged in any business within the city in order to obtain a business license under Chapter 5.04 is established as provided in this chapter.

5.08.020 – Businesses taxed at a flat rate.

The following businesses are taxed at the flat rate identified, subject to periodic adjustment as provided in Section 5.08.030:

A. Contractors – General. Every person engaged in the business of a general building contractor or general engineering contractor as licensed by the Contractors State License Board of the California Department of Consumer Affairs or any successor agency is subject to an annual business license tax of \$350.

B. Contractors – Other. Every person engaged in the business of a specialty contractor or subcontractor, other than a building contractor or general engineering contractor, as licensed by the Contractors State License Board of the California Department of Consumer Affairs or any successor agency is subject to an annual business license tax of \$100.

C. Delivery Service. Every person not having a fixed place of business within the city, and not otherwise classified under this chapter, who delivers goods, merchandise or wares of any kind by vehicle or who provides any service by the use of vehicles in the city, is subject to an annual business license tax of \$250.

D. Home Occupations. Every person engaged in a home occupation in accordance with Chapter 17.48 of this code is subject to an annual business license tax of \$50.

E. Horse Trainers. Every person engaged in the business of horse training as defined in Section 5.40.010 of this code is subject to an annual business license tax of \$300.

F. Landscapers and Gardeners. Every person engaged in the business of landscaping or gardening and who does not hold a specialty contractor's license as provided in subsection (B) is subject to an annual business license tax of \$100.

G. Real Estate Agents and Brokers. Every person engaged in the business of real estate sales or brokerage as licensed by the Bureau of Real Estate of the California Department of Consumer Affairs or any successor agency is subject to an annual business license tax of \$200.

5.08.030 – Periodic adjustment to flat tax rate.

The business license tax rates in Section 5.08.020 will be subject to an automatic Consumer Price Index (CPI) adjustment every five years beginning on January 1, 2024. Each CPI adjustment increase will be calculated by computing the percentage upwards change in the annual average, if any, in the CPI index for the previous five-year period ending in June of the prior year, and multiplying that percentage change against the then applicable tax rate in Section 5.08.020. The

Consumer Price Index used will be the Consumer Price Index-All Urban Consumers for the Los Angeles, CA Area, not seasonally adjusted, all items index, annual average, as published by the United States Department of Labor, Bureau of Labor Statistics or any successor agency.

By way of example using hypothetical figures, the calculation to determine the CPI adjustment multiplier will be as follows:

1.	CPI Annual Average ending June 2024	310
2.	CPI Annual Average ending June 2018	280
3.	Change in Index (Line 1 minus Line 2)	30
4.	% Increase ($30 \div 280 = .107\%$) x \$100 tax rate =	\$10.71 increase in tax rate

5.08.040 – Businesses taxed at percentage of gross receipts.

The following businesses are taxed at the specified percentage of gross receipts subject to the minimum tax amount provided in subsection (I):

A. Commercial/Industrial Property Leasing. Every person engaged in the business of leasing property for commercial or industrial uses is subject to an annual business license tax of: (1) two dollars per every one thousand dollars of gross receipts for businesses that cumulatively lease 100,000 square feet or less of space; or (2) one dollar for every one thousand dollars of gross receipts for businesses that cumulatively lease more than 100,000 square feet of space.

B. Food Service. Every person engaged in the business of the preparation of food for sale and consumption on or off the premises is subject an annual business license tax of 50 cents per every one thousand dollars of gross receipts.

C. Professional Services. Every person engaged in providing a professional service other than contracting that is licensed by the State of California, including any of its departments, bureaus and agencies, or is licensed by an organization specifically authorized to issue licenses or certifications under state law, is subject to an annual business license tax of one dollar per every one thousand dollars of gross receipts.

D. Recreation/Entertainment. Every person engaged in the business of recreation or entertainment (e.g., bowling alleys, golf courses, fitness/health clubs, movie theaters, riding facilities, skating rinks, tennis facilities, etc.) is subject to an annual license tax of three dollars per every one thousand dollars of gross receipts; provided, however, that a recreation/entertainment business with gross receipts of less than \$150,000 will be subject only to the minimum tax imposed under subsection (I).

E. Residential Care Facilities. Residential care facilities and residential care facilities for the elderly, each as defined in Chapter 17.02 of this code, are subject to an annual business license tax of four dollars per every one thousand dollars of gross receipts.

F. Residential Property Leasing. Every person engaged in the business of leasing four or more residential dwelling units is subject to an annual business license tax of two dollars per every one thousand dollars of gross receipts.

G. Retail/Wholesale Sales. Every person engaged in the business of selling at retail or wholesale any commodities, goods, merchandise or wares is subject an annual business license tax of 50 cents per every one thousand dollars of gross receipts.

H. All Other Businesses Not Elsewhere Classified. Every person engaged in a business that is not otherwise classified in this Chapter 5.08 is subject an annual business license tax of one dollar per every one thousand dollars of gross receipts.

I. Minimum Tax. Any business subject to the annual business license tax in this section based on gross receipts must pay a minimum of \$150 in tax each year regardless of the actual amount of gross receipts. This minimum business license tax amount will be subject to an automatic Consumer Price Index (CPI) adjustment every three years using the same methodology set forth in Section 5.08.030.