

**TOWN OF FAIRFAX  
STAFF REPORT**

**To: Mayor, Members of the Town Council**

**From: Michael Rock, Town Manager**   
**Laurie Ireland-Ashley, Finance Department**

**Date: July 7, 2010**

**Subject: Discussion/consideration of contracting out the Business License program**

**RECOMMENDATION**

The Town Council discuss and consider the possibility of contracting out the processing of the business licenses and direct staff to return at the next Council meeting with a proposal with a private firm to contract out the processing of the business licenses.

**DISCUSSION**

Currently the Town processes the business licenses in house. This has resulted in inconsistent recovery and compliance due to staff turnover, limitations, and software. Staff recommends that the Town outsource the Business License process to ensure a greater and more consistent revenue recovery, with improved efficiency at a cost savings to the Town.

The Town currently absorbs most of the fully burdened hourly rate (FBHR) for processing the business licenses and recovers very little of it through the business license revenue. An outside vendor can provide the business license service at a small fee per license (\$25). This fee can be recovered by charging an administrative processing fee for each business license issued. This will save the Town and the citizens money as the fully burdened rate for processing a business license is quite prohibitive (\$110 minimum). It will also improve the timeliness of the process and increase the net revenue to the Town.

Contracting with a private firm to handle the business license program would result in increased revenue by removing town-related expenses, increased compliance with the Business License requirements, and more town staff assignment flexibility. A private firm would also provide a business registry with new, renewal, and short term licenses as well as provide analytical reports to the Town and Council for any future revenue compliance issues.

**Fiscal Impact**

Efficient use of resources is a vital part of a sustainable budget. Expected increase of Business License revenue.

**Attachments**

Resolution 2352 adopted November 2004.  
Presentation Business License Tax Management and Administration

## RESOLUTION NO. 2352

### A RESOLUTION OF THE FAIRFAX TOWN COUNCIL SETTING BUSINESS LICENSE FEES

**WHEREAS**, the Town Council acknowledges that the Town of Fairfax's business license fees have not changed since 1989; and

**WHEREAS**, the Town Council has determined that the Town of Fairfax's existing business license fees are generally lower than the other Marin County cities;

**NOW, THEREFORE BE IT RESOLVED** that the following business license fee schedule be adopted effective January 1, 2005:

| <b><u>Business Type</u></b>                                   | <b><u>Base Fee</u></b>                                |
|---|---|
| Home Occupation   | \$100.00  |
| Retail, Service, Wholesale, Manufacturing, Hotel <sup>1</sup> | \$100.00  |
| Professional and Trade  | \$135.00 per professional and<br>\$30.00 per employee |
| Contractor (address in Fairfax) <sup>2</sup>                  | \$100.00  |
| Contractor (address outside of Fairfax) <sup>2</sup>          | \$75.00   |
| Delivery Vehicle (wt. up to 1 ton)                            | \$80.00   |
| Delivery Vehicle (wt. up to 2 tons)                           | \$120.00  |
| Delivery Vehicle (wt. up to 3 tons)                           | \$175.00  |
| Delivery Vehicle (wt. over 3 tons)                            | \$265.00  |
| Theater <sup>1</sup>  | \$250.00  |
| Realtor (office in Fairfax)                                   | \$175.00  |
| Realtor (office outside of Fairfax)                           | \$200.00  |
| Canvasser, Peddler, Solicitor                                 | \$120.00 or \$40.00 per day                           |
| Taxicab, Auto and Bus for Hire (1-7 Passengers)               | \$100.00  |
| Taxicab, Auto and Bus for Hire (8-15 Passengers)              | \$120.00  |
| Taxicab, Auto and Bus for Hire (over 15 Passengers)           | \$135.00  |
| Multiple Housing and Apartments                               | \$25.00 per unit                                      |
| Commercial Filming (1-5 persons on location)                  | \$150.00 per day                                      |
| Commercial Filming (6-35 persons on location)                 | \$200.00 per day                                      |
| Commercial Filming (36-50 persons on location)                | \$250.00 per day                                      |
| Commercial Filming (over 50 persons on location)              | \$300.00 per day                                      |
| Christmas Tree Sales  | \$100.00  |

<sup>1</sup> Also subject to Gross Receipts Fee

<sup>2</sup> Also subject to Valuation Fee

In addition to the Base Fee, certain business types (Retail, Service, Wholesale, Manufacturing, Hotel, and Theater\*) are subject to a Gross Receipts Fee according to the schedule below:

| <u>Gross Receipts Range</u> | <u>Gross Receipts Fee</u> |
|-----------------------------|---------------------------|
| \$0 - \$10,000              | \$6.00                    |
| \$10,001 - \$25,000         | \$16.00                   |
| \$25,001 - \$37,500         | \$23.00                   |
| \$37,501 - \$50,000         | \$31.00                   |
| \$50,001 - \$75,000         | \$47.00                   |
| \$75,001 - \$100,000        | \$63.00                   |
| \$100,001 - \$150,000       | \$94.00                   |
| \$150,001 - \$200,000       | \$125.00                  |
| \$200,001 - \$250,000       | \$156.00                  |
| \$250,001 - \$300,000       | \$188.00                  |
| \$300,001 - \$350,000       | \$219.00                  |
| \$350,001 - \$400,000       | \$250.00                  |

Each additional \$50,000 gross receipts above \$400,000, additional \$31.00 fee levied.

\* Theater only subject to tax on gross receipts over \$37,500.

For all Contractors, a Valuation Fee shall be levied equal to \$1.10 for each one thousand dollars of the valuation for each construction job undertaken in the town.

The Foregoing Resolution was duly and regularly adopted by the Town Council of the Town of Fairfax, County of Marin, State of California, at a regular meeting thereof, held on the 16<sup>th</sup> day of November, 2004, by the following vote, to wit

AYES: Bragman, Brandborg, Ghiringhelli, Tremaine, Egger

NOES: None

\_\_\_\_\_  
LEW TREMAINE, MAYOR

ATTEST:

\_\_\_\_\_  
Judith Anderson, Town Clerk

**Town of Fairfax:  
Business License Tax  
Management & Administration**



**A REVENUE ENHANCEMENT SERVICE**

**PROVIDED BY:  
MUNISERVICES**

# Funding Capacity



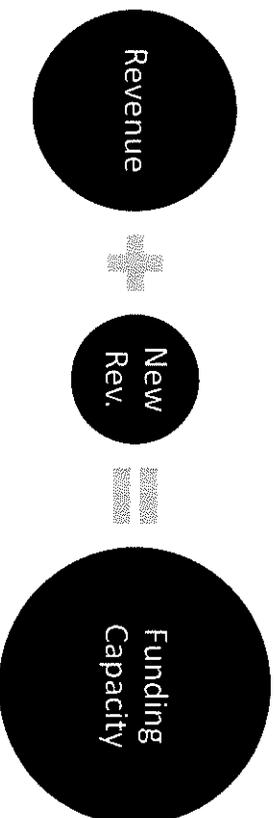
## Current Funding Capacity



### Funding Capacity Limitations:

1. Human capital expenditures
2. Processing expenditures
3. Non-compliance

## Funding Capacity with MuniServices



### Funding Capacity Increases:

1. Removes Town-related expenditures
2. Increases compliance
3. Provides Town staff assignment flexibility

# Transition from Town to MuniServices



## Town of Fairfax

- Maintain business registry
- Process new, renewal and short-term licenses
- Encourage compliance

## MuniServices

- Maintain business registry
- Process new, renewal and short-term licenses
- Identify non-registered and non-compliant businesses
- Increase compliance
- Educate business community
- Reduce Town costs



# Process



Council  
Approves  
Processing  
Fee

Town sends current  
business license  
registration and  
history to  
MuniServices

MuniServices  
begins Discovery  
and Audit Service



MuniServices  
provides  
educational  
material for Town's  
Website

MuniServices  
begins  
Management &  
Administration  
Service



## **Business License Tax Management & Administration**

MuniServices' role in the Town's business license management process encompasses these five responsibilities.

### **Business Tax Applications**

- Process applications, renewals, verification, licensing and short-term licenses

### **Collections**

- Remit collected taxes and fees to Town
- Provide monthly reconciliation reports

### **Taxpayer Communication**

- Handle all taxpayer communications
- Educate taxpayers

### **Reporting**

- Provide progress reports and analysis reports

### **Client Communication**

- Communicate regularly and promptly with Town staff



## **Tax Compliance, Discovery & Audit**

Combining extensive data, expertise and a business-friendly attitude increases tax compliance.

Improved tax compliance levels the business playing field while increasing the Town's funding capacity.

### **Discovery Service**

- Identify non-reporting and non-compliant businesses
- Assist businesses through registration process
- Educate businesses

### **Audit Service**

- Coordinate audit selection with Town staff
- Conduct business tax audits
- Submit audit summaries