

Revenue Modernization Study

Scope of Services

City of National City, CA

Consultant will provide the following Services relative to Client's Revenue Modernization Study of the City's business license program, inclusive of the scope elements and deliverables listed below.

1. Business Tax Ordinance / Fee Study

- 1.1. Current Tax Registry Analysis – Consultant will conduct an analysis of the City's business tax registration database. Data will be compiled on the number of businesses, current tax revenues received by the City, categories, and other related information to provide a baseline of the City's current tax structure and to allow consultant to model the potential impact of changes to the current model. Contingent on data availability, this analysis will include the following:
 - 1.1.1. A calculation of the effective tax rate paid by small, medium, and large businesses in the City. (Consultant will use estimated or actual gross receipts to create these categories.)
 - 1.1.2. An analysis of the length of tenure of currently active businesses in the City.
 - 1.1.3. An analysis of the trends within major economic sectors, including whether revenue is tracking the measure of the tax (or if the current tax structure is deviating from the trend of the underlying input/measure of the tax).
 - 1.1.4. An analysis of the net growth in numbers of inside businesses.
 - 1.1.5. An analysis of the top 100 businesses (by the City's current business tax measure) looking at their contribution to the total revenue and key trends, if any, in the top 100 businesses.
 - 1.1.6. A review of the existing municipal code structure for both business tax and TOT to indicate any opportunities for administrative improvements.
- 1.2. Fee Analysis and Comparative Study – Using the data compiled from the registration analysis, as well as data compiled from other sources, such as revenue data from the State, Consultant will prepare a report comparing the City model to those of neighboring cities. Contingent on data availability, this analysis will include the following.
 - 1.2.1. Identification of a set of nine similar jurisdictions to use for comparison.
 - 1.2.2. Review of the total revenue trends for each of the ten jurisdictions (nine comparison jurisdictions and the City) along with key attributes like population and number of businesses, the last substantial update to the code, and primary business tax measure.
 - 1.2.3. Visualization of the City's business tax revenue per capita and per business compared to the other nine jurisdictions.
 - 1.2.4. Trend of the overall growth of business tax revenue for each of the ten jurisdictions, benchmarked against the highest year of revenue for the City.
 - 1.2.5. Creation of a basket of hypothetical businesses and comparison of how each of the ten jurisdictions would tax those hypothetical businesses. The hypothetical businesses will be drawn from composites of small, medium, and large businesses in your City.
- 1.3. Modified Tax Structure Options – As a result of the findings of the comparison report, Consultant will prepare a report with three options for tax structure changes. Contingent on data availability, this analysis will include the following
 - 1.3.1. An analysis of how the taxes paid by the hypothetical businesses in the basket of business identified in the comparison study would change for each model.
 - 1.3.2. An analysis of how the effective tax rate would be changed for small, medium, and large businesses (as identified in the Current Registry Analysis).
 - 1.3.3. An analysis of the models' impact on locally owned and small businesses. (Consultant defines a "locally owned business" as one with a physical and mailing address within the City.)

- 1.3.4.A comparison of the per-capita and per-business revenue for each of the three models against the ten comparison jurisdictions and, where useful, against additional high-revenue cities identified by Consultant.
- 1.3.5.A visualization of the proposed tax rates in the models compared to other tax rates, like sales tax.
- 1.3.6.A comparison of the % of revenues from the top 100 businesses pre- and post-change, assuming that one of the models is adopted.
- 1.4. Additional Support – the following activities are included at no additional cost.
 - 1.4.1.Staff Meetings – Consultant will schedule the following meetings to review deliverables and questions with City staff.
 - 1.4.1.1. Kick-off meeting
 - 1.4.1.2. Review and approve the comparison jurisdictions
 - 1.4.1.3. Review of the interactive model
 - 1.4.1.4. Review of the first draft of the report
 - 1.4.1.5. Review of the revised final report
 - 1.4.2.Meetings with Committees and Council - Consultant will make ourselves available for the following meetings with reasonable advance notice.
 - 1.4.2.1. A presentation of the draft report to a committee
 - 1.4.2.2. The presentation of a revised, final draft report to the committee. (Consultant can make changes that take less than a total of two hours to revise at no additional cost. Changes beyond that two-hour limit will be made on a time and material basis after written approval from the City.)
 - 1.4.2.3. Presentation of the final report to City Council
 - 1.4.2.4. A second meeting with Council to answer technical questions post-polling
 - 1.4.3.Technical Support for Community Meetings
 - 1.4.3.1. Consultant will provide responses to the City to technical questions raised by community stakeholders in any community meetings the City holds.
 - 1.4.3.2. Consultant will also provide a list of the top businesses that the City may want to contact to discuss the potential impact on their businesses.
 - 1.4.4.Deliverables – The deliverables from the study will be:
 - 1.4.4.1. Comparison jurisdiction set
 - 1.4.4.2. Interactive model
 - 1.4.4.3. Draft of report
 - 1.4.4.4. PowerPoint for presentation of the report to the committee, Council, or both
 - 1.4.4.5. Final report
 - 1.4.4.6. List of potential businesses for community outreach
 - 1.4.5.Additional Support Activities
 - 1.4.5.1. Consultant will also review and work with the City Attorney’s office to draft new ordinance language supporting a chosen model
 - 1.4.5.2. Consultant will provide reasonable support to assist any polling or ballot firm the City chooses to understand the models
 - 1.4.6.Timeline - Once the contract is signed by both parties and the data is available to Consultant, the clock on the below timeline begins to run. For the timeline, Week 1 is the week on which the clock starts to run.
 - 1.4.6.1. Schedule the kick-off meeting. (By week 2)
 - 1.4.6.2. Meet to review the Jurisdiction comparisons (By week 3)
 - 1.4.6.3. Meet to review the interactive model (By week 6)
 - 1.4.6.4. Deliver the first draft report. (By week 10)
 - 1.4.6.5. Deliver PowerPoint for presentations. (By week 11)

- 1.4.6.6. Deliver the final report. (TBD based on presentations to the Council and staff direction.)
- 1.4.7. A Note on Implementation – Once a model is chosen and initial polling is completed, Consultant can meet with the City to discuss options for implementation. Changing the code also requires changes in forms, software set-up, process, and likely some community outreach ahead of renewal season. Consultant will be happy to meet with the City to discuss the additional scope of that work.

FEES

- 2. **Business Tax Ordinance / Fee Study** – Fee is \$50,000.00, due 45% at the project kickoff meeting, 45% upon delivery of the first draft report for review, and 10% upon delivery of the final report.