

BUSINESS TAX DISCOVERY PROGRAM UPDATE AND ORDINANCE REVIEW

FINANCE DEPARTMENT

Finance Committee
March 13, 2024

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BACKGROUND

- Priority Based Budgeting Insight to generate new revenue for the City
- September 6, 2022: Council approved Discovery Program for Business Tax
- HdL identified 2,894 property rentals and 19,000 unregistered businesses as non-compliant
- Potential \$6.1 million in revenue, including 3 years of back taxes



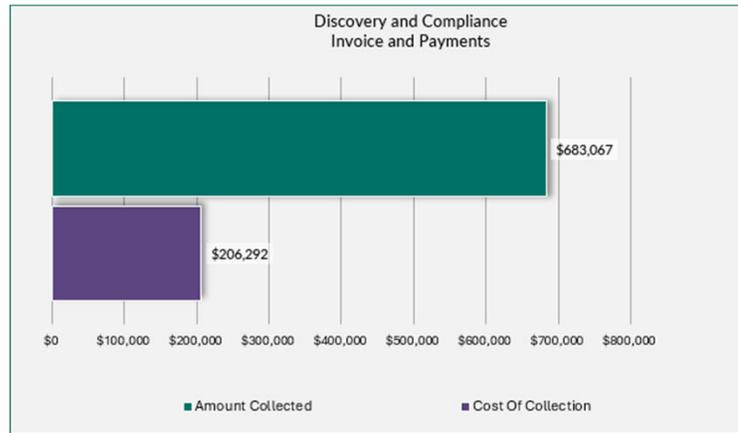
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DISCUSSION

- Discovery Program initiated on November 1, 2022, starting with property rentals (residential and commercial) prior to being placed on hold in March 2023 for a comprehensive review of the RMC to be conducted. The general business category has not yet commenced.
- Approximately \$683,000 of new revenue has been generated from the Discovery Program to date.



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POTENTIAL REVENUE

1. Objective:

- Achieve target compliance revenue of \$6.1 million in collaboration with HdL.
- Focus on overall compliance within the City of Riverside

2. Dependency on RMC Amendments:

- The attainment of this goal is contingent upon the City's commitment to enforcing the Riverside Municipal Code (RMC) as written.



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ORDINANCE REVIEW

1. Background:

- Discovery Program prompted HdL to inquire about RMC interpretation.
- Inconsistencies found in Chapter 5.04 impacting revenue.

2. Temporary Halt and Thorough Review:

- Discovery Program paused in March 2023 for a comprehensive RMC review.
- Aim: Formulate enhanced enforcement strategy.

3. Comprehensive Ordinance Review Initiated by HdL:

- HdL began a detailed ordinance review in March 2023 per contract terms.
- Benchmarking against industry standards.



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ORDINANCE REVIEW (CONT'D)

4. Collaborative Review and Guidance:

- Collaborative review with Business Tax team for refinement.
- Consulted City Attorney's Office for guidance.

5. Finalization and Proposed Changes:

- The changes include updating language to align with current business practices, modernizing pronoun usage, introducing clear definitions, improving clarity, and incorporating language to reference state law, where applicable.



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NEXT STEPS

1. Council adoption of proposed changes to amend Riverside Municipal Code Section 5.04 Taxes, Licenses and Regulations
2. Resume the Business Tax Discovery program
 - Rental properties, followed by general businesses



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STRATEGIC PLAN ALIGNMENT

Strategic Priority 5: High Performing Government

Goal 5.4: Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



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RECOMMENDATIONS

That the Finance Committee:

1. Receive and provide feedback on the status and financial impact of the City's Business Tax Discovery program; and
2. Recommend that the City Council adopt an Ordinance to amend specific sections of Riverside Municipal Code Section 5.04 Taxes, Licenses and Regulation.

