July 14, 2016

TO: Supervisor Hilda L. Solis, Chair
    Supervisor Mark Ridley-Thomas
    Supervisor Sheila Kuehl
    Supervisor Don Knabe
    Supervisor Michael D. Antonovich

FROM: Joseph Kelly
    Treasurer and Tax Collector
    [Signature]
    Brian J. Stiger, Director
    Department of Consumer and Business Affairs

SUBJECT: 45-DAY REPORT BACK TO THE BOARD – MAY 3, 2016 AGENDA
ITEM NO. 2 – BUSINESS REGISTRATION

On May 3, 2016, your Board directed the Treasurer and Tax Collector (TTC) and the Director of Consumer and Business Affairs (DCBA), in consultation with the Community and Senior Services’ (CSS) Workforce Development Business Services Unit, the Community Development Commission’s (CDC) Economic Development and Business Services Program, the Chief Executive Officer, County Counsel, and any other appropriate departments, to:

1) Submit a proposal for Board consideration within 120 days to begin implementing a new Business Registration Program which would include all businesses in unincorporated Los Angeles County, except those already subject to the Business License Program;

2) Submit a proposal for Board consideration within 45 days to gather standardized information on businesses in both the license program and the proposed registration program, including number and occupational categories of employees, industrial classification of businesses, relevant County services and resources utilized and other information needed to effectively serve the business community and enforce the new Minimum Wage, including:
a) A proposal to start information collection no later than July 1, 2016, when the DCBA begins its Small Business Initiative and Wage Enforcement Program; and

b) An evaluation of options to treat this initial data collection from businesses, particularly small businesses, as a pre-registration program valid until at least July 1, 2017; and

3) Submit a proposal for Board consideration within 120 days, with supporting analysis, to license a select number of new business categories and/or conduct updated fee studies for those that are known to have high rates of wage violations and/or wage theft, such as garment manufacturing, restaurants, car repair and car wash facilities and nail salons.

This report constitutes the required proposal listed above (i.e., 45-day report back). My office briefed this report at the Operations Cluster meeting of June 9, 2016.

STANDARDIZED INFORMATION

The TTC convened a workgroup of departments listed in the motion, and after consultation with the working group, recommends that the information listed on the Attachment be collected as part of the license program and the proposed registration program.

INFORMATION COLLECTION BEGINNING JULY 1, 2016

The TTC evaluated an ability to collect this information on all new Business License applications effective July 1, 2016. However, the TTC identified limitations, to the expansion of data fields within the current Business License system, which prohibit the Department from meeting that objective. The TTC continues to explore system alternatives to address this and will include a status on the resolution of this issue in the 120-day report.

PRE-REGISTRATION PROGRAM

The working group evaluated the feasibility of establishing a pre-registration program to gather data on businesses not required to obtain a business license currently, but recommends against this. The group believes that the creation of a “pre-registration program” could be confusing for the business community, and divert County resources from the establishment of the Business Registration Program. The TTC also noted that the Business License system, as it is configured currently, does not allow business owners to register online, an important functionality to provide business owners in a
Each Supervisor  
July 14, 2016  
Page 3

pre-registration program. The TTC will continue to explore system alternatives, an integral component of the implementation plan, and will include a status on this issue in the 120-day report.

Should you have any questions, please contact either one of us, or your staff may contact Keith Knox, Chief Deputy Treasurer and Tax Collector, at (213) 974-0703 or kknox@ttc.lacounty.gov.

JK:KK:KG:ms

Attachment

c: Chief Executive Officer  
   Animal Care and Control  
   Auditor-Controller  
   Community and Senior Services  
   Department of Consumer and Business Affairs  
   Executive Officer, Board of Supervisors  
   Department of Public Health  
   Business License Commission  
   Community Development Commission/Housing Authority
About the Firm
- Articles of Incorporation
- Corporate Officers
- California Secretary of State – Statement of Information
- Doing Business As (dba) and fictitious name statement
- Federal Employer Identification Number (FEIN)
- Email address
- Website address
- Legal structure (corporation, Limited Liability Corporation, etc.)
- Year business began
- Year the business commenced at the current location

What the Firm Does
- Industrial classification of business (e.g., North American Industry Classification System, a.k.a. NAICS code)
- For Business License only, the Firm should provide information on governmental permits or licenses as required under the Business License Ordinance, (e.g. State Seller’s Permit, State Alcoholic Beverage Control License or County Health Permit).

Who Works for the Firm
- Number of employees
  - Total, then broken down by full time and part time
- Designation of occupational category
- For Business License only, the employees should provide approvals from State or Professional Organizations as required under the Business License Ordinance, (e.g. California Massage Therapy Council certification).

Location of the Firm
- Situs address and mailing address, if different.
- Hours of Operation
- Rent or own
- Mailing address

County services and resources the Firm utilizes or is interested in utilizing
- Does the firm currently utilize or would they have interest in learning more about various County business and economic development programs (e.g. the Community Development Commission and the Department of Community and Senior Services workforce and economic development programs, and Department of Consumer and Business Affairs local small business and disabled veteran owned business enterprises and business concierge services)?
TO: Supervisor Hilda L. Solis, Chair
    Supervisor Mark Ridley-Thomas
    Supervisor Sheila Kuehl
    Supervisor Don Knabe
    Supervisor Michael D. Antonovich

FROM: Joseph Kelly
      Treasurer and Tax Collector
      Brian J. Stiger, Director
      Department of Consumer and Business Affairs

SUBJECT: 120-DAY REPORT BACK TO THE BOARD - MAY 3, 2016 AGENDA
ITEM NO. 31 - BUSINESS REGISTRATION

On May 3, 2016, your Board directed the Treasurer and Tax Collector (TTC) and the
Director of Consumer and Business Affairs (DCBA), in consultation with the Community
and Senior Services' (CSS) Workforce Development Business Services Unit, the
Community Development Commission’s (CDC) Economic Development and Business
Services Program, the Chief Executive Office (CEO), County Counsel, and any other
appropriate departments, to:

1) Submit a proposal for Board of Supervisors (Board) consideration within 120
days to begin implementing a new Business Registration Program which would
include all businesses in unincorporated Los Angeles County, except those
already subject to the Business License Program.

2) Submit a proposal for Board consideration within 45 days to gather standardized
information on businesses in both the license program and the proposed
registration program, including number and occupational categories of
employees, industrial classification of businesses, relevant County services and
resources utilized and other information needed to effectively serve the business
community and enforce the new Minimum Wage.

3) Submit a proposal for Board consideration within 120 days, with supporting
analysis, to license a select number of new business categories and/or conduct
updated fee studies for those that are known to have high rates of wage
violations and/or wage theft, such as garment manufacturing, restaurants, car
repair and car wash facilities and nail salons.
Each Supervisor  
August 31, 2016  
Page 2

This report constitutes the required proposal listed above under Item #1 (i.e., Business Registration Program) and Item #3 (i.e., Licensing of New Business Categories). My office briefed this report at the Operations Cluster meeting of August 18, 2016.

The required proposal listed above under Item #2 (i.e., 45-day report back) was briefed at the Operations Cluster meeting of June 9, 2016, and was filed with your Board on July 14, 2016.

**EXECUTIVE SUMMARY**

The TTC believes that it can establish and implement a Business Registration Program (BRP) within approximately 12 months, as outlined in our proposal. The TTC will accomplish this by:

- Obtaining Board approval and CEO support of an expansion of staffing to implement and monitor the Program, and process registrations.
- Expanding the use of the EPIC-LA information technology infrastructure through a sole source procurement process and requiring that businesses use that infrastructure to complete the registration process, upload required documentation, and make payment.
- Establishing a new section of Title 7 of the County Code which will codify the BRP and related processes.
- Implementing a phased approach to the requirement to register, with larger businesses having a requirement to register within the first quarter after the requirement goes into effect, and small business in the last quarter.
- Formalizing an outreach program to the business community.

Working in conjunction with the Auditor-Controller, we estimate the Business Registration Fee at $185. The BRP fee will be a flat fee for each business, and will offset the TTC’s costs – and some of the DCBA’s costs - to implement and monitor the BRP and ensure businesses comply with the BRP. We estimate that there will be a one-time cost of $250,000 for software, licensing and system configuration of EPIC-LA.

In conjunction with County Counsel, the TTC reviewed the business categories included in your Board’s motion (i.e., car repair, car wash, garment manufacturing, nail salons, and restaurants) to evaluate the County’s ability to license and/or conduct updated fee studies for those that are reported to have high rates of wage violations and/or wage theft. The County currently licenses car repair and restaurants. Based on County Counsel’s analysis, the County may license car wash facilities, garment manufacturing and janitorial services; however, State law preempts local jurisdictions from licensing nail salons. Should your Board decide to proceed with licensing car wash facilities, garment manufacturing and janitorial services, the TTC will work in conjunction with County Counsel to prepare an ordinance modifying Title 7 to include the licensing of these activities.
We have prepared a detailed proposal addressing the above, as well as the specific requirements as stated in your Board’s motion. We have attached this proposal as Attachment I.

Should you have any questions, please contact either one of us, or your staff may contact Keith Knox, Chief Deputy Treasurer and Tax Collector, at (213) 974-0703 or kknox@ttc.lacounty.gov.

JK;KK;KG:ms

Attachments

c: Assessor
   Chief Executive Officer
   Animal Care and Control
   Auditor-Controller
   Community Development Commission/Housing Authority
   Community and Senior Services
   Executive Officer, Board of Supervisors
   Department of Public Health
   Business License Commission
TREASURER AND TAX COLLECTOR
PROPOSAL TO BEGIN IMPLEMENTING A NEW BUSINESS REGISTRATION
PROGRAM AND LICENSE NEW BUSINESS CATEGORIES

BUSINESS REGISTRATION PROGRAM PROPOSAL

In collaboration with the Department of Consumer and Business Affairs (DCBA), Community and Senior Services (CSS), and the Community Development Commission (CDC), the Treasurer and Tax Collector (TTC) proposes to implement a new Business Registration Program (BRP) that will require all businesses operating within the unincorporated area of the County to register with the County. This would not affect businesses currently required to obtain a Business License, as a license will automatically satisfy the registration requirement.

The BRP will supplement the existing Business License Program (BLP), which was developed over time to provide for the protection of the public's health, safety and welfare. Title 7 of the Los Angeles County Code (Title 7) governs the administration of the BLP and the TTC oversees its administration, as the County Charter designates the Tax Collector as ex officio License Collector.

The County currently requires a business license for those businesses where the business activity impacts the public’s health, safety, and welfare. As an example, Title 7 requires taxicab companies and their drivers to obtain a business license, because a passenger being transported in a taxicab should be safe. Therefore, a driver who transports constituents should possess a valid driver’s license and the cab should be safe from defect. On the other hand, the County does not license businesses where the business activity has not been identified as having an impact on the public’s health, safety and welfare. Under the proposed BRP, these businesses that are not licensed will be required to register with the County. In addition, the establishment of the BRP would not preclude the County from expanding the existing BLP to incorporate business activities that had previously required registration.

To address the Board of Supervisors’ (Board’s) desire for comprehensive data on the business community operating in the unincorporated areas, the BRP would also include the collection of specific business related information that is important for the County’s economic development goals. The TTC reported the proposed data fields as an attachment to our 45-day report back to your Board. The list of proposed data fields is included as Attachment II.

The TTC convened a workgroup of the departments listed in the motion, which met to discuss the implementation of the BRP. The workgroup met several times and determined that the DCBA, CSS and CDC are the likely departments to integrate into the BRP. The TTC will configure the registration process to capture specific information and/or ask a series of questions of the registrant to determine which County programs would be or could be of interest. For example, we could ask if the business had 100 or
fewer employees and average revenue of $14 million or less per year, or whether the business is majority owned by a disabled veteran, to determine if the business potentially qualifies for the DCBA’s Local Small Business Enterprise (LSBE) certification or Disabled Veteran Owned Business Enterprise program. Based on the information collected, the TTC would issue a referral for that business to the appropriate department for follow-up. While the involvement of CSS and CDC would be limited to the administration of their respective programs and assisting with the development of the referral process, the DCBA would take a more active role by using field staff to assist the TTC with education and enforcement.

PROGRAM IMPLEMENTATION

IMPLEMENTATION TIMELINE

Should your Board choose to proceed with the implementation of a BRP, our proposed implementation plan for the BRP shall include the following:

- Obtaining Board approval and Chief Executive Office (CEO) support of an expansion of staffing to implement and monitor the Program, and process registrations.
- Expanding the use of the EPIC-LA information technology infrastructure through a sole source procurement process and requiring that businesses use that infrastructure to complete the registration process, upload required documentation, and make payment.
- Establishing a new section of Title 7 of the County Code which will codify the BRP and related processes.
- Implementing a phased approach to the requirement to register, with larger businesses having a requirement to register within the first quarter after the requirement goes into effect, and small business in the last quarter.
- Formalizing an outreach program to the business community.

We estimate that it will take three months to develop the specific workflow requirements for the BRP, which will include the following:

- Establishing an online registration process that will facilitate the collection of specific business related information important for the County’s economic development goals.
- Developing a referral program to connect registered businesses with County departments providing programs and services to the business community.
- Developing a process to streamline, although not consolidate, the registration of businesses with LSBE through the use of referrals to DCBA.

We estimate that establishing a new section of Title 7 of the County Code which will codify the BRP and related processes, will take approximately six months.
The most significant impact to the implementation timeline would be the procurement and development of the new registration system. The TTC held preliminary discussions with Tyler Technologies, developer of the EnerGov Permitting & Land Management Suite known as EPIC-LA. The TTC reviewed the licensing and registration functionality of EPIC-LA and found that EnerGov’s Licensing and Regulatory Suite has all of the required functionality necessary for the BRP. Based on our preliminary discussions with Tyler Technologies, we believe we could complete the implementation of a Business Registration System leveraging EnerGov’s Licensing and Regulatory Suite in approximately eight months from your Board’s approval of a sole source amendment to the existing contract with Tyler Technologies.

Some of these processes can run concurrently; however, the primary contingency will be the successful negotiation and approval of the sole source amendment with Tyler Technologies. Assuming there are no significant delays with Tyler Technologies, we estimate that it will take approximately 12 months to develop and implement the BRP.

ADDITIONAL STAFF AND RESOURCES

The TTC will not be able to implement the BRP with current staff and within its current resources. As a point of comparison, the TTC employs 10 staff to support the BLP, a program through which currently 7,100 businesses are licensed. We have estimated that a registration program is likely to enroll as many businesses as the license program does currently.

Should your Board desire to move the BRP forward, the TTC will request the addition of the following positions:

- Tax and License Field Inspector (three positions)
- Tax Services Clerk II (three positions)
- Accounting Technician I (one position)
- Consumer Affairs Representative III (one position for DCBA)

PRELIMINARY OUTREACH PLAN

Our outreach plan will incorporate the following:

1. Development of marketing materials to communicate the benefits of the County’s BRP. Benefits would include the following:
   - The ability to connect with County departments offering programs and services to the business community.
   - Providing information on how to do business with Los Angeles County, including information on DCBA’s LSBF, Community Business Enterprise, and Disabled Veteran Business Enterprise.
   - Gathering important business data to assist with policy decisions concerning the business community.
   - The development of a centralized listing of businesses in the unincorporated area to be used for outreach by the County to inform businesses of important changes that may affect them.
2. Dissemination of these marketing materials through social media as well as business organizations that can distribute the information to their members.
3. Scheduling of community meetings throughout the unincorporated area of the County to discuss the BRP requirements.
4. Development of press releases for local media outlets to announce the start of the BRP.

CONSULTATION WITH BUSINESS COMMUNITY

In an effort to consult with and obtain feedback from the business community, between August 1 and 11, 2016, the TTC held five community meetings, one in each supervisorial district. Representatives from DCBA, CSS and CDC attended to discuss their various programs. For those individuals who could not attend the community meetings, we encouraged them to provide us their feedback through a web-based survey. We distributed informational flyers (in English and Spanish) with meeting schedules and survey links to over 100 different Chambers of Commerce and business organizations. We had a Spanish translator available at all five meetings and a Chinese (Mandarin) translator available for our meeting in Rowland Heights.

We had very limited response to our outreach efforts and received mixed feedback. Some individuals indicated that providing a connection to County services was valuable and that assistance to businesses, especially start-up businesses, would be beneficial. Other individuals expressed concerns with the potential cost of a registration fee (although we did not mention a fee amount) or the possibility that a registration process might place an additional burden on businesses that already deal with multiple regulations.

INITIAL REGISTRATIONS

Based on data provided by the Office of the Assessor (Assessor), approximately 15,000 businesses are operating in the unincorporated area of the County. As the County currently licenses 7,100 businesses, we estimate that 8,000 businesses would be required to register under the BRP. Given this significant volume, we are proposing a phased approach to the initial registration process based on the number of employees each business employs. This would somewhat mirror the implementation of the Minimum Wage Ordinance. We would stagger the initial requirement to register over a one-year period, with quarterly deadlines as follows:

- First Quarter: Businesses with 100 employees or more
- Second Quarter: Businesses with 50 employees or more
- Third Quarter: Businesses with 25 employees or more
- Fourth Quarter: Businesses with 24 employees or less

This approach will give small businesses additional time to register and ensure compliance with the BRP.
Each registration will be valid for one year and businesses would be required to renew the registration annually. In addition, this will stagger both the initial registrations and all subsequent renewals. Any new business starting during the initial registration period will be required to register in the appropriate quarter based on its number of employees or, if its appropriate registration period has passed, the business will be required to register prior to commencing business. Any new business starting after the initial registration period will be required to register prior to commencing business.

PRELIMINARY FEE ESTIMATE

The County currently requires a business license for approximately 110 business activities and licenses approximately 7,100 businesses. The Business License Application and Renewal fees are developed on a cost recovery basis. The weighted average cost approximates $430 for an initial application and $240 for a renewal. Your Board last approved recommended revisions to the fee schedule in 2002. Based on data provided by the Assessor, we estimate that 8,000 businesses will be required to register under the BRP.

The BRP fee will be a flat fee for each business, and will offset the TTC’s costs – and some of the DCBA’s costs - to implement and monitor the BRP, and ensure businesses comply with the BRP. As part of the registration process, TTC staff will validate various information businesses submit to ensure the information is accurate and reliable, prior to issuance of the Registration Certificate. The TTC’s Systems and Internal Controls staff will provide system and accounting support. Finally, the TTC’s field investigators will ensure program compliance through canvassing, as well as conducting inspections of businesses to ensure compliance. The registration fee includes recovery of some of the services performed by DCBA.

Based on the above, working in conjunction with the Auditor-Controller, we estimated the Business Registration Fee at $185.

BUSINESS REGISTRATION SYSTEM

The TTC evaluated our existing Business License System to determine if we could leverage that system to manage the BRP. During the evaluation, the TTC identified limitations to the expansion of data fields within the system. In addition, the system has no interface to allow users to register online. Therefore, we determined that we needed an alternative to the existing system to implement the BRP. We considered three options:

1. A custom system developed by TTC or County staff.
2. Acquisition of a Commercial Off-The-Shelf (COTS) solution.
3. Utilization of the existing County contract with Tyler Technologies for the EnerGov Permitting & Land Management Suite (known within the County as EPIC-LA).
OPTION 1: CUSTOM SYSTEM

The TTC does not have the resources necessary to develop and manage a registration system that would meet all expectations. Even if we were to increase staffing, we project that the development timeline would exceed 24 months.

OPTION 2: COTS ACQUISITION

In evaluating available COTS systems, we were provided a short list of recommended vendors from the Gartner Group. Tyler Technologies, the developer of EPIC-LA, was at the top of the recommended list.

OPTION 3: TYLER TECHNOLOGIES, ENERGOV, AND EPIC-LA

In addition to the solutions deployed and in development for the Departments of Regional Planning, Public Works and Parks and Recreation, Tyler Technologies offers a Licensing and Regulatory Suite for business registration and licensing. Tyler Technologies conducted a system demonstration of the Licensing and Regulatory Suite to TTC staff, which included the following:

- A portal to allow business owners to register on-line.
- Flexible data fields that can be customized to capture relevant business data.
- A unified framework that provides integration with other County departments using EPIC-LA.
- Built-in capability to generate referrals to other County departments, either through system integration or via email.
- An on-line payment portal that the County could integrate with its existing payment processor to allow business owners to pay their registration fee during the registration process.
- Mobile-enabled applications tailored for field inspections.
- Functionality to potentially serve as a replacement for the TTC’s legacy Business License System.

SYSTEM RECOMMENDATION

Based on the ability to implement a comprehensive solution in a timely manner and the capability of integrating permitting, licensing, and business assistance program efforts with other County departments, the TTC is recommending Option 3, utilization of EPIC-LA. The TTC reviewed the licensing and registration functionality and found that the system could meet the BRP requirements. We believe that by adding the Licensing and Regulatory Suite to the existing EPIC-LA platform, we could leverage both the existing shared framework and the existing County contract. This would take approximately eight months from the execution of a sole source amendment. In addition, the TTC could pursue the migration of its existing Business License System to EPIC-LA through a sole source amendment as well as to leverage the enhanced functionality and improved integration with other County departments.
The estimated one-time cost to implement EPIC-LA as the Business Registration System is $250,000. On-going annual maintenance would cost $30,000 per year.

**FISCAL IMPACT**

There will be a one-time cost of $250,000 for the purchase of EPIC-LA, which will include software, licensing and system configuration. Annual on-going program costs will include employee salaries and benefits (which includes eight new positions, as well as part-time work performed by existing staff), system and processing costs and annual system maintenance as follows:

<table>
<thead>
<tr>
<th>Estimated On-Going Annual Costs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Salaries and Benefits</td>
<td>$1,368,000</td>
</tr>
<tr>
<td>System Maintenance and Processing Costs</td>
<td>$112,000</td>
</tr>
<tr>
<td>Total Annual Program Costs</td>
<td>$1,480,000</td>
</tr>
</tbody>
</table>

Projected Revenue is based on an estimated 8,000 businesses registering or renewing their registration annually at a fee of $185. This fee revenue will fully offset all on-going program costs.

<table>
<thead>
<tr>
<th>Projected Revenue</th>
<th>Business Registration Fee Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,480,000</td>
</tr>
</tbody>
</table>

**STREAMLINED BUSINESS REGISTRATION**

The workgroup evaluated the feasibility of streamlining business registration with the DCBA’s LSBE certification services. While we determined that we could not completely eliminate the need for businesses to register in both places, we can streamline the process. As part of the BRP registration process, we will ask a series of questions to determine if the business is interested and potentially qualified for LSBE certification. The TTC will send a referral to DCBA for those businesses that are interested and potentially meet the qualifications. This will allow DCBA to work with the business to complete the application process for LSBE certification.

**FEE WAIVERS**

The TTC determined that an early adoption fee waiver program was problematic for two reasons:

1. The TTC has no registration system in place and therefore, has no ability to allow early registrations until the BRP system is in full production.
2. Due to the phased approach for initial registrations, any attempt to incorporate an early registration program once the BRP system is in production would create additional complexities to our implementation plan and would cause confusion for the business community.
The TTC considered incorporating fee reductions and waivers into the BRP, but such waivers and fee reductions may not be permissible. The analysis of this issue by the TTC and County Counsel is incomplete, and we will disposition this matter and report back separately to the Board. If permissible, the decision to incorporate fee waivers or reductions is ultimately a matter for Board policy determination.

**HOME-BASED BUSINESSES**

All businesses, including home-based businesses, help to weave a thread through the tapestry of economic development and prosperity. The United States (U.S.) Small Business Administration estimates that more than half of all U.S. businesses are based out of an owner’s home. The positive impact of this on a local economy can be significant. Home-based businesses can also benefit from education on small business loans, workforce development and knowledge of contracting opportunities with local governments. At the same time, home-based businesses present challenges, particularly regarding compliance with what some may consider complex and confusing land use requirements and restrictions. The TTC recommends the inclusion of home-based businesses in the BRP, but not within the first year of program implementation. Full consideration of the breadth and depth of the home-based business community and consideration of land use issues warrant in depth and careful consideration. We believe it is prudent to move forward with implementing the BRP, at first without inclusion of home-based businesses, and then within the first year report back separately to your Board with more detailed recommendations on the manner in which home-based businesses will be incorporated.

**MULTI-YEAR PLAN TO UPDATE AND REVISE TITLE 7**

In the fall 2015, the TTC presented to the Operations Cluster the outline of a three-year plan my office had developed to update and revise Title 7. Since that time, the TTC has been involved with a number of efforts focused on business licensing and potential registration. We still strongly feel that we need to pursue the effort to update and revise Title 7; however, should your Board decide to pursue a new BRP, the implementation of the BRP would become our priority and we would need to reevaluate our stated timeline for revising Title 7.

**PROPOSAL TO LICENSE NEW BUSINESS CATEGORIES**

Based on your Board’s motion, and in conjunction with County Counsel, the TTC reviewed the business categories included in your Board’s motion (i.e., car repair, car wash, garment manufacturing, nail salons, and restaurants) to evaluate the County’s ability to license and/or conduct updated fee studies for those that are reported to have high rates of wage violations and/or wage theft.

The United States Department of Labor’s Wage and Hour Division reported that 76% of their investigations into the janitorial industry resulted in wage violations. Based on this information, the TTC included janitorial services in this proposal.
The following table summarizes the County’s current status and legal authority to license the above business activities.

<table>
<thead>
<tr>
<th>Business</th>
<th>Currently Licensed by the County?</th>
<th>Can the County License?</th>
<th>Reason the County cannot license?</th>
<th>State Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car repair</td>
<td>Yes, Title 7.58</td>
<td>Yes</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>Car wash</td>
<td>No</td>
<td>Yes</td>
<td>Not applicable</td>
<td>Labor Code § 2055 requires compliance with local government requirements.</td>
</tr>
<tr>
<td>Garment Manufacturing</td>
<td>No</td>
<td>Yes</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>Janitorial</td>
<td>No</td>
<td>Yes</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>Nail salons</td>
<td>No</td>
<td>No</td>
<td>State preemption</td>
<td>Bus. &amp; Prof. Code § 7312, 7317 and 7347</td>
</tr>
<tr>
<td>Restaurants</td>
<td>Yes, Title 7.72</td>
<td>Yes</td>
<td>Not applicable</td>
<td></td>
</tr>
</tbody>
</table>

Based on County Counsel’s analysis, the County may license car wash facilities, garment manufacturing and janitorial services; however, State law preempts local jurisdictions from licensing nail salons. The preemption doctrine provides that, as to matters of statewide concern, local governments remain subject to and controlled by applicable State laws. The State has intended to occupy the field of regulation for nail salons and existing State law has no provision for local regulation.

The TTC does not recommend conducting a separate fee study at this time to update the business license fees for restaurants and car repair. In the fall of 2015, the TTC presented to the Operations Cluster the outline of the TTC’s three-year plan to update and revise Title 7. Our plan is to incorporate into Title 7, business license requirements listed elsewhere in the County Code, resolve conflicting authorities in other Code sections, consider expanding Title 7 to include new businesses, and update all business license fees. We believe this plan will afford us the opportunity to approach the business license fee study in a methodical and consistent manner, allowing us to consider all aspects of the licensing process to ensure we recover all related costs. We therefore recommend leaving business license fees at their current rate with the intent of revising all fees at one time.

Should your Board decide to proceed with licensing car wash facilities, garment manufacturing and janitorial services, the TTC will work in conjunction with County Counsel to prepare an ordinance modifying Title 7 to include the licensing of these activities. We estimate that it will take six months to prepare this ordinance. In addition, the TTC will provide information to the Department of the Auditor-Controller to conduct a fee study and establish the business license application fee and renewal fee for each of these activities. Finally, the TTC would develop an outreach campaign to notify business owners engaged in garment manufacturing and janitorial services of their requirement to obtain a business license. This campaign would include outreach through various business organizations, social media, and contact by TTC and DCBA field investigators.
45-DAY REPORT BACK TO THE BOARD
MAY 3, 2016 AGENDA ITEM NO. 2
BUSINESS REGISTRATION

About the Firm
- Articles of Incorporation
- Corporate Officers
- California Secretary of State – Statement of Information
- Doing Business As (dba) and fictitious name statement
- Federal Employer Identification Number (FEIN)
- Email address
- Website address
- Legal structure (corporation, Limited Liability Corporation, etc.)
- Year business began
- Year business commenced at the current location

What the Firm Does
- Industrial classification of business (e.g., North American Industry Classification System, a.k.a. NAICS code)
- For Business License only, the Firm should provide information on governmental permits or licenses as required under the Business License Ordinance, (e.g. State Seller’s Permit, State Alcoholic Beverage Control License or County Health Permit).

Who Works for the Firm
- Number of employees
  - Total, then broken down by full time and part time
- Designation of occupational category
- For Business License only, the employees should provide approvals from State or Professional Organizations as required under the Business License Ordinance, (e.g. California Massage Therapy Council certification).

Location of the Firm
- Situs address and mailing address, if different.
- Hours of Operation
- Rent or own
- Mailing address

County services and resources the Firm utilizes or is interested in utilizing
- Does the firm currently utilize or would they have interest in learning more about various County business and economic development programs (e.g. the Community Development Commission and the Department of Community and Senior Services workforce and economic development programs, and Department of Consumer and Business Affairs local small business and disabled veteran owned business enterprises and business concierge services)?