



## Request for City Council Committee Action from the Department of Regulatory Services

**Date:** August 20, 2012

**To:** Council Member Elizabeth Glidden, Chair -  
Regulatory, Energy & Environment Committee

**Referral to:** Council Member Betsy Hodges, Chair -  
Ways & Means/Budget Committee

**Subject:** License Fee Increases

**Recommendation:** Approve the 2013 License Fee Schedule which increases eligible fees by 3% effective January 1, 2013.

**Previous Directives:** As part of the 2002 budgetary process the Department of Licenses and Consumer Services was directed to bring forth a proposal to adjust license fees for inflation costs on a yearly basis.

### Department Information

Prepared by: Lee Larson, Manager, Financial and Management Support, (612) 673-2055 and Grant Wilson, Manager of Business Licenses, (612) 673-3902.

Approved by:

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Gregory K. Stubbs, AICP, Director of Regulatory Services

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Noah Schuchman, Interim Director of Licensing & Environmental Services

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Grant Wilson, Manager of Business Licenses

Presenters in Committee: Lee Larson and Grant Wilson

### Financial Impact

- Action is within the Business Plan
- Request provided to the Finance Department

## **Community Impact**

- Neighborhood Notification: Yes. Public hearing notices were mailed to all license holders affected by the proposed increase and electronically sent to business associations, neighborhood organizations and current license holders who have an email on file in the Business Licenses' Division. The hearing notice was also posted on the Business Licenses' website and the city's cable channel.
- City Goals:  
Jobs and Economic Vitality: A world-class city and 21<sup>st</sup> century economic powerhouse  
A City that Works: Minneapolis is a model of fiscal responsibility, technological innovation and values-based, results-driven municipal government

## **Supporting Information**

As directed by policy and state and local mandates, Regulatory Services is required to request Council approval for license fee increases. Effective January 1, 2012, Regulatory Services requests a 3% increase in business license fees and pollution control fees. Eligible fees are those not exempt by city policy, city ordinance, or state statute as indicated in the proposed 2013 License Fee Schedule. This will generate an estimated additional \$300,000 which is consistent with the amount in the five year plan for new license revenue in 2013.

### 1. Code of Ordinances and State Statutes

#### MCO 261.60. Annual Fee Adjustment

Prior to September 1 of each year, the appropriate committee of the city council shall conduct a public hearing to consider the adjustment of all license fees for the subsequent calendar year to reflect changes in administrative and enforcement costs in accordance with appropriate economic indicators as determined by the city council or committee.

#### MN Statute 28A.075 Delegation to Local Board of Health

(c) A fee to recover the estimated costs of enforcement of this chapter must be established by ordinance and must be fair, reasonable, and proportionate to the actual cost of the licensing and inspection services. The fee must only be maintained and used for the estimated costs of enforcing this chapter.

#### MN Statute 340A.408 Retail License Fees

##### Subd. 1. 3.2 percent malt liquor.

(a) The license fee for an on-sale and off-sale percent malt liquor license is the fee set by the county or city issuing the license.

##### Subd. 2. Intoxicating liquor; on-sale.

(a) The license fee for a retail on-sale intoxicating liquor license is the fee set by the city or county issuing the license subject to the limitations imposed under this subdivision. The license fee is intended to cover the costs of issuing and inspecting and other directly related costs of enforcement.

##### Subd. 3. Intoxicating liquor; off-sale.

(a) The annual license fee for an off-sale intoxicating liquor license issued by a city, when combined with any occupation tax imposed by the city, may not exceed the following limits: (1) \$1,500 for cities of the first class;

##### Subd. 3a. Fee increases; notice, hearing.

No city, town, or county shall increase the fee for a liquor license governed by subdivision 1, 2, or 3, except after notice and hearing on the proposed increase. Notice of the proposed increase must be mailed to all affected licensees at least 30 days before the date set for the hearing. This subdivision supersedes any inconsistent provision of law or charter.

## 2. Inflationary Indexes

The five year history of license fee increases is as follows:

January 1, 2012: License Fees were increased 1.5% and Pollution Control Annual Billing Fees were increased by 3%. Taxi fees were exempt from this increase. The Consumer Price Index – Urban Consumers (CPI-U) rose 3% in 2011.<sup>1</sup> The Municipal Cost Index, created by American City and County Magazine, designed to show the effects of inflation on the cost of providing municipal services rose 4.2% from December 2010 to December 2011.<sup>2</sup>

January 1, 2011: License Fees were increased 1.5% and Pollution Control Annual Billing Fees were increased by 3%. Taxi fees were exempt from this increase. The Consumer Price Index – Urban Consumers (CPI-U) rose 1.5% in 2010. The Municipal Cost Index rose 3.77% from December 2009 to December 2010.

January 1, 2010: Fees were not increased. The Consumer Price Index – Urban Consumers (CPI-U) rose 2.7% in 2009.

January 1, 2009: Fees were increased 3%. Taxi fees were exempt from this increase. The CPI(U) increased 0.1% in 2008.

January 1, 2008: Fees were increased by 3%. Taxi fees were exempt from this increase. The Implicit Price Deflator Index for State and Local Governments rose 5.6 % in 2007.

January 1, 2007: Fees were increased by 3%. Taxi fees were exempt from this increase. The following inflationary indexes for 2006 were reported: Regulatory Services expenditures rose 4.31%, the Implicit Price Deflator Index for State and Local Governments rose 5.43%, the National Gross Domestic Product for State and Local Government Expenditures 3.15%, and the Real Gross Domestic Product Implicit Price Deflator rose 2.9%.

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<sup>1</sup> Bureau of Labor Statistics CPI Detailed Report, December 2011. bls.gov

<sup>2</sup> Municipal Cost Index Archive 2011. Americancityandcounty.com