

CITY OF MINNEAPOLIS

Fees, Licenses and Permits



Minneapolis
City of Lakes

Ways & Means Committee

August 11, 2014

Charges For Services/Fees

Definition

- Charge for Service: Exchange transaction for immediate/direct provision of service (example: sale of GIS information)
- Fee: Charge associated with reimbursement of cost of previously-provided service or anticipated service
 - License Fee
 - Permit Fee
- Both calculated on “Full Cost” basis
 - May not charge more than full cost
 - Not required to charge full cost

Fees

Basis – Direct and Indirect Costs

- Direct Costs: Costs or expenses that are specifically associated with a service, program, or department and, thus, is clearly identifiable with a particular function (example: building inspector salary/wages, water meter)
- Indirect Costs: Costs or expenses that typically cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category (examples: departmental administration costs, building depreciation)

Fees

Indirect Costs-Basis

- Cost Allocation is the basis for calculation/determination of amount charged or “allocated” to the direct function.
- Cost allocation is the assigning of a common cost to consumer of that function. The goal is to allocate or assign the costs based on the root causes of the common costs .
- Cost allocation is tool that helps track all costs associated with the ongoing operation more efficiently, since each cost is associated with specific departments or groups of departments within the organization.
- Cost allocation is a means of identifying and properly assigning costs, this approach to allocation helps to provide focus and structure to *financial planning* in a way that would be extremely difficult otherwise.

Fees

Indirect Cost Examples

- Cost of departmental administration (supervisor, director, support staff, materials & supplies)
- Cost of organizational administration (City Coordinator, Clerk, Mayor)
- Cost of facilities and support (Property Services, building rent & depreciation, fleet management, Finance/Payroll, Human Resources, Information Technology & software, insurances)

Fees, Licenses & Permits

- Fees
 - Include processing fees, background checks, false alarm fees, inspections
- Licenses
 - Business Licenses (liquor, restaurant, taxis, tobacco)
- Permits
 - Building, lane use, events

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Process to Date

- Late 2012 – Staff Direction
- Early 2013 - Roll Out to Departments/Initial Discussions
- Early to Mid 2013 – Inventory of Fees/Identification of Activities
- Mid-End 2013 – Defining/Refining Activities; Costing of Activities; Calculation of Indirect Costs and Rates
- Early to Mid 2014 – Updating Cost Information and Comparison to Existing Fees Structures

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Process to Date

- Identified approximately 1,000 activities
- Activities cross departments
- Many fees set by ordinance
 - Public Works, Zoning
- Various methods for indexing
 - CPI-U, CPI-W, CCI, GDP Inflation, IPD

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Findings from Process to Date

- Indirect:Direct Cost Ratio $\sim 1.22:1 - 1.90:1$
 - Employee Benefits ~ 0.40
 - Compensated Time ~ 0.18
 - Meetings and Admin Time ~ 0.04
 - Materials & Supplies $\sim 0.01-0.15$
 - Contractual Services $\sim 0.03-0.51$
 - Administrative Overhead $\sim 0.11-0.64$
- Multiply direct staff time/cost by $\sim 2.22-2.90$

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Examples

- After Hours Work Permit – Environmental Health

Average Total Hours/Activity	2.20
Average \$/Hour	\$31.73
Indirect Ratio	2.22
Total Cost per Hour	\$70.60
Total Cost per Permit/Inspection/Activity	\$155
Permit Fee	\$147
Gain/(Loss) per Activity	(\$8)

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Examples

- Environmental Review/Land Use Application – CPED

Average Total Hours/Activity	40.00
Average \$/Hour	\$35.73
Indirect Ratio	2.89
Total Cost per Hour	\$103.54
Total Cost per Permit/Inspection/Activity	\$4,142
Fee	\$520
Gain/(Loss) per Activity	(\$3,622)

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Examples

- Commercial Hood Cleaning Fee – Regulatory Services

Average Total Hours/Activity	3.00
Average \$/Hour	\$22.89-\$40.25
Indirect Ratio	2.51
Total Cost per Hour	\$57.49-101.10
Total Cost per Permit/Inspection/Activity	\$258
Fee	\$133
Gain/(Loss) per Activity	(\$127)

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Examples

- Water Shut Off Inspection – Regulatory Services

Average Total Hours/Activity	2.00
Average \$/Hour	\$29.91
Indirect Ratio	2.51
Total Cost per Hour	\$75.13
Total Cost per Permit/Inspection/Activity	\$150
Fee	\$100
Gain/(Loss) per Activity	(\$50)

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Examples

- Special Late Night Food License– CPED

Average Total Hours/Activity	4.00
Average \$/Hour	\$64.76
Indirect Ratio	2.89
Total Cost per Hour	\$187.67
Total Cost per Permit/Inspection/Activity	\$751
Fee	\$97
Gain/(Loss) per Activity	(\$654)

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Examples

- Lead Inspections* – Health

Average Total Hours/Activity	4.00-9.00
Average \$/Hour	\$27.98
Indirect Ratio	2.22
Total Cost per Hour	\$62.25
Total Cost per Permit/Inspection/Activity	\$249-560
Fee	\$500
Gain/(Loss) per Activity	\$251/(\$60)

*Does not include Swab Clearance activity for which the City does not charge ~ est. cost \$249

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Examples

- Pet Licenses* – MACC

Average Total Hours/Activity	0.50
Average \$/Hour	\$22.89-23.21
Indirect Ratio	2.51
Total Cost per Hour	\$57.49-58.31
Total Cost per Permit/Inspection/Activity	\$29
Fee**	\$10-200
Gain/(Loss) per Activity	\$171/(\$19)

*Includes all categories of pet licenses

**\$200 fee is for lifetime license

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Examples

- Place of Entertainment Outside of Downtown B4 – CPED

Average Total Hours/Activity	4.00
Average \$/Hour	\$41.99
Indirect Ratio	2.89
Total Cost per Hour	\$121.66
Total Cost per Permit/Inspection/Activity	\$487
Fee*	\$448-\$1,408
Gain/(Loss) per Activity	\$921/(\$39)

*License fees differ by square footage of establishment

Fees, Licenses & Permits Review

History of Fee Changes

	City Fees			Inflation Indices				
	City Fees			Consumer Price Index				City
	General	Taxi	PCAB	National	Midwest	Mpls/ St. Paul	IPD	Costs
2010	0.0%	0.0%	0.0%	1.4%	1.5%	1.4%	3.3%	1.5%
2011	1.5%	0.0%	3.0%	3.1%	3.5%	4.1%	2.3%	-0.8%
2012	1.5%	0.0%	3.0%	1.9%	1.8%	1.7%	1.5%	2.7%
2013	0.0%	0.0%	3.0%	1.2%	1.1%	1.8%	0.8%	5.9%
2014	0.0%	0.0%	0.0%					
Five Year	3.0%	0.0%	9.3%	7.8%	8.2%	9.3%	8.0%	9.5%

Fees, Licenses & Permits Review

Summary

- On average, fees and charges are less than the cost of the individual service
 - Some individual fees warrant further study
- Current system does not capture components of fees and charges discretely
- Fees charged for individual activities have not been adjusted for inflation
- New Enterprise Land Management System implementation provides opportunity for large-scale overhaul of fees for greater clarity and transparency



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Questions