Request for City Council Committee Action from the Departments of Finance & Property Services, Regulatory Services, Community Planning & Economic Development, and Health

Date: September 8, 2014

To: Council Member Cam Gordon, Chair
Health, Environment and Community Engagement Committee

Referral To: Council Member Lisa Goodman, Chair
Community Development and Regulatory Services Committee
(Public Hearing)

Referral To: Council Member John Quincy, Chair
Ways & Means/Budget Committee

Subject: License Fees 2015

Recommendation:

1. Approve the 2015 License Fee Schedule with no increase from the current 2014 License Fee Schedule
2. Commission a review of the various license fees to simplify the structure and administration of the fee schedule and incorporate a cost-recovery financial model. Proposals must be brought to Council for review prior to incorporation into the 2016 Fee Schedule and may include, but not be limited to:
    a. Tiered rental license fees
    b. Risk-based food license fees
    c. Short-term food permit fee for event sponsors
    d. Whole-sale sausage manufacturer license fees
    e. Stadium food license fees
    f. Hotel license fees
    g. Various business license fee revisions for use in the new Electronic Land Management system
    h. Rounding of license fees to nearest $5

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, Finance Administrator Regulatory Services, Sandra Christensen, Deputy City Finance Officer and Grant Wilson, Manager of Business Licenses

Approved by:

Kevin Carpenter, Chief Financial Officer

Nuria Rivera-Vandermyde, Director of Regulatory Services

Gretchen Musicant, Health Commissioner

Director Econ Dev.

Craig Taylor, Director Community Planning & Economic Development

Presenters in Committee: Lee Larson, Sandy Christensen, Daniel Huff and Grant Wilson

Financial Impact

- Action is within the Business Plan
- Request provided to the Finance Department
- The impact of the staff recommendation will be incorporated in to the 2015 Proposed Budget

Community Impact

- Neighborhood Notification: Yes. Public hearing notices were sent to all business license holders, business associations, and neighborhood organizations. The hearing notice was also posted on the Business Licenses' website, the city's cable channel, and published in Finance and Commerce.
- City Goals:
  A hub of economic activity and innovation: Businesses – big and small – start, move, stay and grow here.
  A City that Works: City government runs well and connects to the community it serves.

Supporting Information

As directed by policy and state and local mandates, the City is required to request Council approval for license fee increases. Under the current recommendation, the License Fee Schedule would not increase effective January 1, 2015. Instead, staff will conduct a review of the various license fees with the goal of simplifying the structure and administration of the schedule and allow for cost recovery. The proposals would be brought to Council for review prior to incorporation in the 2016 Fee Schedule.

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 and Fee History

The five year history of changes in license fees is reflected below, along with comparable inflation indices for reference:

	City Fees			Inflation Indices: Consumer Price Index [2]				City
	General	Taxi	PCAB[1]	National	Midwest	Mpls/St. Paul	IPD [3]	Costs [4]
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%

(1) Pollution Control Annual Billing Fee (PCAB)
(2) www.bls.gov
(3) Implicit Price Deflator for State & Local Government Expenditures; www.bea.gov
(4) City General fund direct and indirect costs 2009-2013 annual expenditure change.