



**Request for City Council Committee Action  
From the Department of Licenses and Consumer Services**

Date: May 3, 2005

To: Public Safety & Regulatory Services Committee

Referral to: N/A

Subject: Recommendations as to the strategy of charging business licensees the cost of providing added police services to business owners.

Previous Directions: The City Council directed Licenses and City Attorney staff to prepare a recommendation regarding the strategy of charging business licensees the cost of providing added police services to business owners.

**Recommendation:** That the City Council receives and files this report and recommends that the City Council adopt the two recommendations included in the report.

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Approved by: \_\_\_\_\_  
Ricardo Cervantes  
Deputy Director of Licenses and Consumer Services

Presenter in Committee: Ricardo Cervantes

**Financial Impact** (Check those that apply)

- No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

**Background/Supporting Information:**

See attached report.

## Current Cost Recovery Methods

Business License fees fund a portion of the cost of existing police services. In addition to this, Licenses and the Police Department currently have three methods of cost recovery for excessive or added Police services in addition to standard business license fees. These are false alarm fees, fees from administrative fines, and fees collected through an informal Technical Advisory Committee (hereafter TAC).

Licensing administers a False Alarm program which charges both businesses and residence when a police request results in verified false alarm. 43% of the false alarms are businesses. Alarm users are given a warning notice after the first and second false alarm. Users are charged \$200 for the third, \$300 for the fourth, and \$400 for the fifth verified false alarms per year. Subsequent false alarms are increased by \$100 and Police response may be suspended if penalties are not paid. This program collected \$303,050 in fines in 2004.

A Technical Advisory Committee Hearing (TAC) is a second method of cost recovery. A licensee that is a repeat offender or a violator of a serious violation where a settlement is possible can be called to an informal hearing with the License Division. The License Division presents evidence regarding the ordinance violations and proposes a resolution and penalties to the licensee. This is a voluntary process that requires the agreement of the licensee, the licensing department, City Council and the mayor. The penalties can range from suspensions; administrative fines, probation agreement, business operating conditions or other corrective and punitive actions. If the licensee rejects the agreement, the business is subject to other legal action.

In 2003, Business Licensing conducted twelve TAC hearings, and the City Council authorized fines in the amount of \$25,650 from these hearings, with \$20,000 coming from one hearing alone. In 2004, Licenses conducted eight TAC hearings, with the City Council authorizing fines totaling \$28,950.00. One of the eight resulted in a fine of \$15,000.00.

The third cost recovery method is administrative citations issued by both Licensing Inspectors and Police officers in the Police Licensing Division. This is a relatively new tool which is increasing in use. Penalties range from \$ 50 to \$ 500 based on the violation. A second or subsequent violation of the same type by the same person within a 24 month period are subject to a fine that is double the fine previously imposed. Fines may also be increased by the Hearing Officer based on criteria including: duration, frequency, seriousness, history of the violation.

In 2003, Business Licensing issued 155 administrative citations in the total amount of \$48,910.00. In 2004, Licenses issued 117 administrative citations in the total amount of \$41,000.00.

## **Recommendations**

The first recommended strategy is to incorporate a standard cost recovery component into the TAC process. Whenever a business reaches the violation level which requires a TAC, Business Licensing can coordinate with the Police Department and all other Regulatory Services Divisions to determine the cost of investigation and enforcement of the violation or series of violations. This cost could then be charged back to the business in addition to an appropriate fine or penalty. Amounts of cost recovery and penalties will then be included with other conditions for corrective action and presented to City council for approval. This has been done before in some cases but not with regular consistency. The TAC process to date has not been standardized. We are recommending that this become part of the standard operation procedure in every case. We are currently working on a guide for standardizing penalties based on:

- (1) The duration of the violation;
- (2) The frequency or recurrence of the violation;
- (3) The seriousness of the violation;
- (4) The history of the violation;
- (5) The violator's conduct after issuance of the notice of hearing;
- (6) The good faith effort by the violator to comply;
- (7) The economic impact of the fine on the violator;
- (8) The impact of the violation upon the community;
- (9) Prior record of city code violations; or
- (10) Any other facts appropriate to a just result.

We have worked cooperatively with the Police Licensing Division on two of our last four TAC hearings and it has worked well.

The second recommended strategy is to consistently use an underutilized provision of Chapter 2 of the Minneapolis Code of Ordinance. The Administrative Adjudication ordinance allows the police officer or inspector to ask for additional enforcement costs leading to the issuance of a citation when the citation has been appealed. Section 2.100 Authority of hearing officer States "The hearing officer will have the authority to: subsection (6) Increase the scheduled fine when the actual costs of enforcement are shown by a preponderance of the evidence to be greater than the amount of the scheduled fine." This provision of Chapter 2 has been discussed with the Police License Division. Preparing estimated costs of enforcement and presenting is something that can be implemented immediately.