



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

**Date:** June 25, 2010

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

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

**Subject:** 3% increase in business license, pollution control registration, and rental license first unit fees.

**Recommendation:** Approve the new License Fee Schedule which increases eligible fees by 3% and includes administrative updates effective January 1, 2011.

**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, 612-673-2055

Approved by:

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Rocco Forté, Assistant City Coordinator for Emergency Preparedness & Regulatory Services

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Burt Osborne, Director of Operations, Licensing and Environmental Services

Presenters in Committee: Lee Larson, Ricardo Cervantes

## Reviews

- Permanent Review Committee (PRC): Approval \_N/A\_ Date \_\_\_\_\_
- Civil Rights Approval Approval \_N/A\_ Date \_\_\_\_\_
- Policy Review Group (PRG): Approval \_N/A\_ Date \_\_\_\_\_

## Financial Impact

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

**Community Impact**

- Neighborhood Notification: Yes. Public hearing notices were sent to business associations and current licensees.
- 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
- Comprehensive Plan
- Zoning Code
- Other

**Supporting Information**

As directed by policy and state and local mandates, Regulatory Services requests a 3% increase in business license and pollution control fees and an adjustment to the rental license first unit fee using 3% in accordance with the Minneapolis Code of Ordinances. This increase applies only to those fees not exempt by city policy, city ordinance, or state statute as indicated in the attached list.

1. City Policy

The 2011 budget directions include the following language: The five-year financial direction assumes a 3-percent increase for inspections and license fees.

The Minneapolis City Council approved “no fee increase” for 2010. The various fees have not changed since January 2009.

If license fees are not increased by 3%, the license revenue budget for Regulatory Services needs to be reduced by \$300,000 which is the value this 3% increase is projected to produce. The five year financial direction will also require adjustment to accommodate this revenue budget reduction. Below is a table showing the impact on services if fees are not increased 3%.

Dept/Division	Revenue Impact	Affected Services
Fire Department	(\$30,000)	Shared rental license fees fund safety inspections.
Housing Inspections	(\$45,000)	Rental license fees fund safety inspections.
Public Works	(\$1,600)	Shared courtesy bench license fees fund cleanups.
Environmental Management	(\$42,000)	Registration fees from possible polluting entities fund inspections and toxic spill cleanups.
Housing Inspections	(\$5,000)	Board and Lodging registration fees fund safety inspections.
Business licenses	(\$176,400)	License fees from restaurants liquor, parking lot, etc, fund safety inspections.
Total	(\$300,000)	

2. 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. 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.

##### (b) 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.

### 3. Inflationary Indexes

The Consumer Price Index – Urban Consumers (CPI-U) rose 2.7% in 2009 and another 2.2% in the first quarter of 2010.<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, indicates a 3.14% cost index increase between April 2009 and April 2010.<sup>2</sup>

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

2010: Fees were not increased. The CPI(U) increased one tenth of one percent, or 0.1% in 2008.

2009: Fees were increased 3%. Taxi fees were exempt from this increase. The Implicit Price Deflator Index for State and Local Governments rose 5.6 % in 2007.

2008: 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% in 2006.

2007: Fees were increased by 3%. Taxi fees were exempt from this increase. Regulatory Services staffing expenditures rose 6.6%, the Implicit Price Deflator Index for State and Local Governments rose 5.1%, the National Gross Domestic Product for State and Local Government Expenditures rose 1.5%, and the Real Gross Domestic Product Implicit Price Deflator rose 2.7% in 2005.

2006: Fees were increased by 3%. Taxi license fees were exempt from this increase. Regulatory Services staffing expenditures rose 3.3%, the Implicit Price Deflator Index for State and Local Governments rose 3.7%, the National Gross Domestic Product for State and Local Government Expenditures rose 3.4%, and the Gross Domestic Product Implicit Price Deflator has rose 2.1% in 2004.

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<sup>1</sup> Bureau of Labor Statistics CPI Detailed Report, December 2009 and April 2010.  
[bls.gov/news.release/cpi.nr0](http://bls.gov/news.release/cpi.nr0)

<sup>2</sup> [Americancityandcounty.com/archive](http://Americancityandcounty.com/archive) 2010

#### 4. License Fee Schedule

A copy of the proposed increases is attached for review. In addition to a 3% fee increase to eligible license fees, the following administrative changes were made to this document:

License Type: Similar license types are listed together (Liquor Off Sale, Liquor On Sale, Liquor Sunday Sales, for example) and cross referenced by both category and alphabet (Indoor Food Cart and Food Cart Indoor, for example). Duplicative entries are eliminated from this list (via ~~strikeout~~ formatting).

Ordinance: As an excel spreadsheet, the MCO cites were previously formatted as numbers, therefore some zeros disappeared. For example, MCO 341.580 was incorrectly listed as MCO 341.58. This column is formatted as "text" to prevent this in the future.

Reason for Special Change: A description of the ~~strike-out~~ deletion or underlined addition is listed. These changes do not have a budgetary impact. They are administrative clarifications such as duplicative entry eliminations and cross reference additions.

#### **Recommendation**

Approve the new License Fee Schedule which increases eligible fees by 3% and includes administrative updates effective as of January 1, 2011.