



Business License Fee Study

Heber City Corporation

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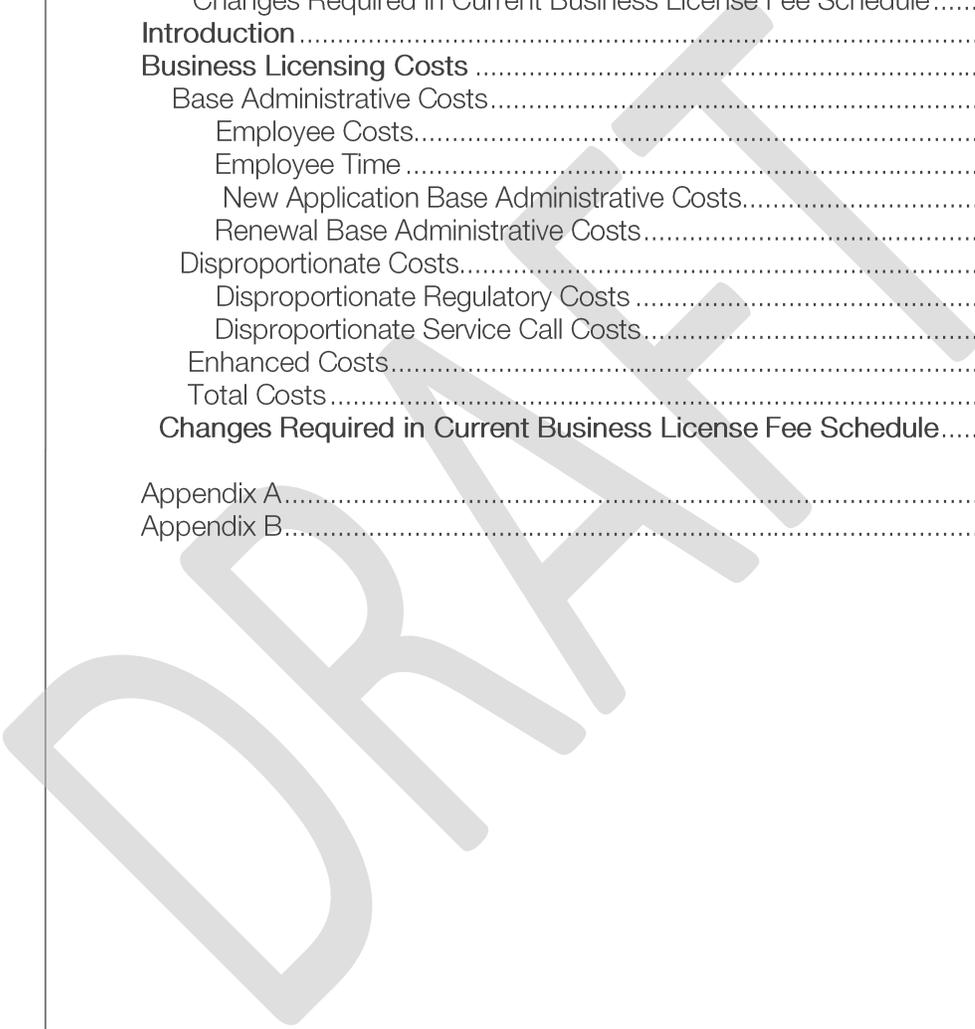
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EXECUTIVE SUMMARY

Zions Bank Public Finance (“ZBPF”) was retained by Heber City (“Heber” or the “City”) to complete an analysis of commercial and home occupation business licensing costs that meet the requirements of Utah law as established by Utah Code Annotated §10-1-203. Utah law allows municipalities to license businesses for the purpose of regulation and revenue, but places a maximum on the business license fees charged equal to the cost of services provided by the City.

This study calculates the business licensing costs and therefore the maximum business license fees allowable under current State law in Heber. However, it does not recommend specific business license fees to be charged. The City Council may choose a fee lower than the maximum fee if there is justification for doing so (i.e., the maximum fees would place an undue burden on certain business types, etc.). If less than the maximum allowable fees are charged, the difference between the fee and the cost to the City would need to be covered through the General Fund.

Factors the City may want to consider as they establish new business license fees include business classes the City would like to encourage, business classes that benefit the public good, business classes which generate higher revenue for the City compared to other business classes, existing fees, overall economic development policy, etc.

BUSINESS LICENSING COSTS

Heber City currently requires commercial and home occupation businesses to obtain a business license. This study considers the following three categories of business licensing costs:



BASE ADMINISTRATIVE COSTS

Base administrative costs include the costs common to all types of businesses to register, oversee, maintain records and regulate licensed businesses within the City such as application, registration, issuance, etc.

DISPROPORTIONATE SERVICE COSTS

There are two types of disproportionate service costs – disproportionate regulatory costs and disproportionate service call costs.

Disproportionate Regulatory Costs - Disproportionate regulatory costs include the cost of services for business-related paperwork, administrative oversight, special regulations and inspections that are in addition to the services common to all businesses included in the base administrative cost. For example, additional regulatory services are required by some classes of businesses such as day-cares, restaurants and tobacco retailers.

Disproportionate regulatory costs for commercial and home occupation businesses in Heber City include:

1. Cost of additional business licensing time spent on new applications for restaurants, pawn shops, home occupation day cares and salons.
2. Cost of police services for additional time spent regulating tobacco retailers and businesses with an alcohol license.
3. Police costs associated with patrolling the farmer's markets and responding to solicitor calls/complaints.

Disproportionate Service Call Costs - Disproportionate service call costs for Heber City include the cost of services for 911 police calls above the base level of service provided by the Police Department.¹ The *base level* of service is the average level of 911 service calls to owner-occupied single family residences.² Disproportionate service call costs are in addition to the base administrative and disproportionate regulatory costs for each business class.

ENHANCED SERVICE COSTS

Enhanced service levels reflect a higher level of service for a specific portion of the business community (whether it is a business class, business location, etc.). Examples of enhanced service levels include more landscaping, hanging baskets, more or higher quality signage, increased police patrols (a visible police presence), more frequent snow removal, etc. Generally, these types of services are increased in a particular geographic section of town, such as downtown, or the town center of a resort community but they may also be specific to a particular type of business activity, the number of employees in a company, etc.

Heber City currently provides enhanced services such as planters in the summer and pavers to the downtown area. However, the City has chosen not to include the cost of enhanced services in the business license study at this time.

TOTAL LICENSING COSTS

The total annual cost for a business license in Heber City includes the base administrative, disproportionate regulatory and disproportionate service call costs. The total business license cost is the *maximum amount* the City may charge for a business license.

Total New Application Business Licensing Costs - Total business licensing costs are higher for a new application license compared to a renewal license because the base administrative costs are higher. However, rather than have a separate new application fee for each type of license, and to recoup the additional costs associated with processing new applications, the City may want to consider a "processing fee" in addition to the renewal fee. The maximum allowable processing fee is \$50 for new commercial business licenses and \$30 for new home occupation licenses. The City currently has a processing fee of \$30 for new business licenses.

Total new application business licensing costs are higher for restaurants and pawn shops which have disproportionate regulatory costs for new applications of \$34 and

¹ This study does not include any traffic-related calls. Additionally, only calls where police were dispatched to the site are included in the study.

² Includes owner-occupied condos and PUD's.

\$45 respectively. Therefore, the City may add these additional costs to the processing fee for restaurants and pawn shops.

Total Renewal Business Licensing Costs - Table E.1 shows the total business licensing costs for renewal license by business class.

In addition to the costs shown in table E.1, businesses with an alcohol license have an additional disproportionate regulatory cost of \$50 per business and \$101 per business for tobacco retailers.

TABLE E.1: BUSINESS LICENSING COSTS

Total Business Licensing Costs Renewal Licenses			
Business Class	Base Administrative Cost	Disproportionate Service Call	Total
Assisted Living/Care Centers	\$67	\$8/bed	\$67 + \$8/bed
Automotive Service & Repair	\$67	\$79	\$146
Banks	\$67	\$275	\$342
Big Box	\$67	\$8,681	\$8,748
Convenience Stores with Gas (Open 24 hrs)	\$67	\$2,752	\$2,819
Convenience Store with Gas (Not open 24 hrs)	\$67	\$1,380	\$1,447
Department Store	\$67	\$1,870	\$1,937
Entertainment	\$67	\$400	\$467
General Services (Business & Professional, Personal, Construction and Contracted Services)	\$67	\$0	\$67
Home Occupation	\$62	\$0	\$62
Large Grocery with Gas	\$67	\$8,681	\$8,748
Large Grocery without Gas	\$67	\$3,781	\$3,848
Hotel/Motel	\$67	\$9/room	\$67 + \$9/room
Hotel/Motel – Extended Stay	\$67	\$52/room	\$67 + \$52/room
Manufacturing	\$67	\$0	\$67
Mobile Home Park (< 25 units)	\$67	\$116/pad	\$67 + \$116/pad
Mobile Home Park (25+ units)	\$67	\$0	\$67
Non-Depository Credit Intermediation	\$67	\$167	\$234
Restaurants	\$67	\$277	\$344
Social Club	\$67	\$375	\$442
Specialty Foods	\$67	\$39	\$106
Sales/Rental/Wholesale	\$67	\$83	\$150
Storage Units	\$67	\$0	\$67
Tobacco Store	\$67	\$1,429	\$1,496
Transportation	\$67	\$0	\$67

Table E.2 shows the total licensing costs for “Other” license types in Heber City such as seasonal, temporary, solicitor, etc. Based on the police 911 call data provided, it was not feasible to conclusively match police calls for service to these types of licenses and therefore, no disproportionate service call costs are included in the licensing costs for “Other” license types. The City may want to consider combining license types with the same cost such as “Seasonal” and “Temporary” licenses.

TABLE E.2: TOTAL LICENSING COSTS - "OTHER" LICENSES

Total Business Licensing Costs "Other" License Types			
Business Class	Base Administrative Cost	Disproportionate Regulatory Cost	Total
Seasonal License	\$95	\$0	\$95
Temporary License	\$95	\$0	\$95
Fireworks	\$107	\$0	\$107
Solicitor	\$105	\$53	\$158
Motorized Street Vendor	\$120	\$0	\$120
Farmer's Market (does not include utility costs)	\$84	\$45	\$129
Special Events and Promotions (500+ people)	\$2,265	\$0	\$2,265
Special Events and Promotions (<500 people)	\$294	\$0	\$294
Film Events – Large (Trailers and 5+ cars)	\$303	\$0	\$303
Film Events – Small (No Trailers and < 5 cars)	\$158	\$0	\$158

CHANGES REQUIRED IN CURRENT BUSINESS LICENSE FEE SCHEDULE

An analysis of the cost of services for each type of business in Heber found that the cost of business licensing for some types of licenses is lower compared to the current fee. Therefore, based on Utah Code Annotated §10-1-203, the fee for these types of licenses must be lowered to be equal to or less than the cost. Table E.3 shows the required changes to the current fee schedule.

TABLE E.3: REQUIRED CHANGED TO CURRENT FEE SCHEDULE

Required Changes to Current Fee Schedule			
Fee Type	Current Fee	Current Cost	Maximum Allowable Fee
Business & Professional Services	\$80	\$67	\$67
Personal Services	\$80	\$67	\$67
Mobile Home Parks (25+ pads)	\$80	\$67	\$67
Storage Units	\$80	\$67	\$67
Fireworks	\$255	\$107	\$107
Motorized Street Vendor	\$175	\$120	\$120
Film Events - Large	Per Vehicle Fee	\$303	\$303
Film Events - Small	Per Vehicle Fee	\$158	\$158

INTRODUCTION

Zions Bank Public Finance (“ZBPF”) was retained by Heber City (“Heber” or the “City”) to complete an analysis of commercial and home occupation business licensing costs that meet the requirements of Utah law as established by Utah Code Annotated §10-1-203. The law states that “...the legislative body of a municipality may license for the purpose of regulation and revenue any business within the limits of the municipality and may regulate that business by ordinance.”³ Additionally, the law states that “the amount of a fee shall be reasonably related to the costs of the municipal services provided by the municipality.”⁴ In other words, business licensing fees charged may not exceed the City’s cost to regulate business activity, including the costs of disproportionate and enhanced levels of municipal services required by some business classes, geographic locations, number of business employees, etc.

While this study calculates the maximum business license fees allowable under current State law, it does not recommend specific business license fees to be charged. The City Council may choose a lesser fee if there is justification for doing so (i.e., the maximum fees would place an undue burden on certain business types, etc.). If less than the maximum allowable fees are charged, the difference between the fee and the cost to the City would need to be made up through the General Fund.

Factors the City may want to consider as they establish new business license fees include business classes the City would like to encourage, business classes that benefit the public good, business classes which generate higher revenue for the City compared to other business classes, existing fees, overall economic development policy, etc.

Utah legislation allows cities wide latitude in defining the business classes and groupings which are most appropriate for each locality. Based on discussions with Heber City, *type of business activity* has been chosen as the most accurate means of calculating the true costs associated with various businesses. Therefore, businesses in this analysis are grouped into business classes based on *type of business activity*. Furthermore, Utah law states that “all license fees and taxes shall be uniform in respect to the class upon which they are imposed.” This means that all businesses in the same business “class” must be charged the same fee. Appendix A contains a list of all business “classes” established in Heber City.

There are approximately 418 licensed commercial businesses, 231 licensed home occupation businesses and 360 “other” type of licenses such as seasonal licenses, special event licenses, solicitors, vendors, etc. in Heber City.⁵

UTAH CODE
§10-1-203(6)

³ Utah Code Annotated §10-1-203(2)

⁴ Utah Code Annotated §10-1-203(5)(c)(ii)

⁵ Source: Heber City Business License Department, 2013

BUSINESS LICENSING COSTS

Heber City currently requires commercial and home occupation businesses to obtain a business license. This study considers the following three categories of business licensing costs:



BASE ADMINISTRATIVE COSTS

Base administrative costs include the following standard labor costs common to all types of businesses:

- Business license application and registration process;
- Issuance of license;
- Collection of fees;
- Maintenance of records; and
- Preparation of business reports and required verifications.

In order to estimate the base administrative costs of a business license, our primary source of information has been Heber City. Costs have been evaluated based on time spent by employees, wages and benefits for these employees, and department overhead. The cost of administering a business license also accounts for the department's fair share of indirect administrative costs that benefit the business license department.

The base administrative costs associated with licensing a business are determined by analyzing both *employee costs* and the *time* spent by each employee on business licensing procedures. Taking into account these two factors, a cost for each step in obtaining a business license can be determined. Added together, these costs equal the *base administrative costs* to the City for issuing a new application and renewal business license.

EMPLOYEE COSTS FOR BUSINESS LICENSING

Employee costs consist of direct and indirect costs. Direct business licensing costs include labor (wages & benefits) and department overhead costs for all personnel involved in issuing and overseeing business licenses. Indirect costs include services provided to all departments such as legislative, administrative and general government building services.

The Planning, Building and Police Departments provide the majority of business licensing services. Additional departments involved with *Special Event & Promotions* licenses include the Public Works, Parks and Engineering Departments.

DIRECT COSTS

A direct cost per minute was calculated for each employee involved in the business licensing process using the following method:

TABLE 1: DIRECT COST PER MINUTE CALCULATION

Employee Direct Cost Per Minute	
Per Minute Cost	Calculation
Employee Labor Cost per Minute	$(Salary + benefits) / \text{employee total annual minutes worked}$
Department Overhead Cost per Minute	$Department\ overhead / \text{total annual minutes worked}$
Direct Business License Cost per Minute	$Employee\ labor\ cost\ per\ minute + \text{department overhead cost per minute}$

Table 2 shows the direct cost per minute for all employees involved in business licensing.⁶

TABLE 2: DIRECT COST PER MINUTE

Employee Direct Cost Per Minute	
Employees By Department	Direct Cost per Minute
Business Licensing	\$0.60
Planning & Zoning (Planning Review)	\$1.00
Planning & Zoning (Building Review)	\$1.04
Code Enforcement	\$0.41
Police (Review Application, Meetings, etc.)	\$0.97
Average Police (Compliance, Patrol)	\$0.72
Public Works	\$1.07
Parks	\$0.82
Engineering	\$1.16

Source: Heber City

INDIRECT COSTS

In addition to the direct costs associated with business licensing, each department must pay for its fair share of the City’s indirect costs. Indirect costs include services provided from departments such as legislative, administrative and general government buildings. Total indirect costs of \$748,720 for Heber City are shown in table 3 below.

TABLE 3: TOTAL INDIRECT COSTS

Indirect Costs	
Department	Cost
Legislative	\$265,820
Administrative	401,800
General Government Buildings	\$81,100
Total Indirect Costs	\$748,720

Source: Heber City Budget FY 2014

Indirect costs are divided into fixed and variable costs. Fixed costs represent administrative services provided to each department regardless of size. Variable costs represent administrative services provided to each department in proportion to the number of employees in the department. Based on the ratio of fixed to variable costs, approximately 21 percent of indirect costs are fixed costs,⁷ and the remaining

⁶ All figures used in calculating direct costs were provided by Heber City.

⁷ Public notices, professional services, insurance, building maintenance, etc.

approximately 79 percent of administrative services are assigned as variable costs.⁸ Variable costs are allocated based on the number of FTE's in each department.

Table 4 shows the variable and fixed costs allocated to each of the City's seven departments.

TABLE 4: ALLOCATION OF INDIRECT COSTS BY DEPARTMENT

Fixed and Variable Indirect Costs			
Department	Fixed Cost	Variable Cost	Total Indirect Cost
Judicial	\$22,071	\$36,561	\$58,632
Animal Service	\$22,071	\$44,839	\$66,910
Police	\$22,071	\$270,414	\$292,485
Public Works	\$22,071	\$83,056	\$105,127
Building and Planning	\$22,071	\$63,464	\$85,535
Cemetery/Parks	\$22,071	\$86,229	\$108,300
Airport	\$22,071	\$9,660	\$31,732
Total Indirect Costs	\$154,497	\$594,223	\$748,720

Total indirect costs allocated to each department are then divided by the total minutes worked in each department to arrive at an indirect cost per minute per employee. Table 5 shows the indirect cost per minute for the departments involved in business licensing.

TABLE 5: ALLOCATION OF INDIRECT COSTS PER MINUTE BY DEPARTMENT

Indirect Cost Per Minute			
Department	Total Costs	Total Minutes Worked	Cost per Minute
Police	\$292,485	2,446,080	\$0.12
Public Works	\$105,127	751,296	\$0.14
Building and Planning ⁹	\$85,535	574,080	\$0.15
Cemetery/Parks	\$108,300	780,000	\$0.14

Source: Heber City

TOTAL EMPLOYEE COSTS

The following table shows the total cost per minute for all employees involved in the business licensing process. The cost per minute for employees involved in business licensing ranges between \$0.75 and \$1.30.

TABLE 6: TOTAL EMPLOYEE COST PER MINUTE

Total Employee Cost Per Minute			
Department	Per Minute Direct cost	Per Minute Indirect Cost	Total Cost
Business Licensing	\$0.60	\$0.15	\$0.75
Planning	\$1.00	\$0.15	\$1.15
Building	\$1.04	\$0.15	\$1.19
Code Enforcement	\$0.41	\$0.15	\$0.56
Police (Review Application, Meetings, etc.)	\$0.97	\$0.12	\$1.09
Average Police (Compliance, Patrol)	\$0.72	\$0.12	\$0.84
Public Works	\$1.07	\$0.14	\$1.21
Parks	\$0.82	\$0.14	\$0.96
Engineering	\$1.16	\$0.14	\$1.30

⁸ Legal, Human Resources, etc.

⁹ Business licensing is included in the Building and Planning department.

BUSINESS LICENSE
DEPARTMENT

EMPLOYEE TIME FOR BUSINESS LICENSING

Business licensing takes applications, answers questions, reviews applications, copies documents, obtains required signatures, prepares and mails business licenses, and distributes appropriate forms to assisting departments/personnel. New application licenses generally require more time compared to renewal licenses. New applications involve additional paperwork, computer entry and generally more questions compared to renewal licenses. The annual average time required by business licensing to perform the previously identified tasks, in addition to customer service, reports, meetings, training, etc. is approximately 110 minutes per license for a new commercial and home occupation license. Renewal licenses for commercial and home occupation businesses average approximately 80 minutes per license.¹⁰

OTHER
EMPLOYEES

Additional employees/departments involved in business licensing are shown in table 7.

TABLE 7: INVOLVEMENT FROM OTHER EMPLOYEES/DEPARTMENTS IN BUSINESS LICENSING

Involvement from Employees/Departments in Business Licensing	
Employee/Department	Involvement in Business Licensing
Planning	Checks to see that the business is in the proper zone and is following applicable ordinance requirements.
Building	Reviews select new commercial business applications and conducts an on-site inspection for some commercial business applications.
Police	Attends meetings for special events and film events. Patrol Farmer's Markets. Respond to solicitor complaints. Check vehicles for Motorized Street Vendor licenses. Compliance visits to tobacco retailers and businesses with alcohol licenses.
Public Works	Review Special Events and Promotions licenses. May meet with event organizers.
Code Enforcement	Checks for unlicensed businesses. Enforces City Code with regard to licensing businesses.
Parks	Review Special Events and Promotions licenses. May meet with event organizers.
Engineering	Review Special Events and Promotions licenses. May meet with event organizers.

NEW APPLICATION
COMMERCIAL
BUSINESSES

NEW APPLICATION BASE ADMINISTRATIVE COSTS

The total cost to the City for a new commercial license is approximately \$119. This cost includes the services performed by business licensing as well as application reviews, supplies, building review, and code enforcement.

TABLE 8: NEW APPLICATION – COMMERCIAL BASE ADMINISTRATIVE COST

New Application License Base Administrative Cost Commercial Businesses			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	110	\$0.75	\$82.50
Code Enforcement			5.50
Planning Review			11.50
Building Review			17.85
Supplies			1.12
Base Administrative Cost – New Commercial			\$118.47

NEW APPLICATIONS
HOME OCCUPATION

Table 9 shows the base administrative cost of \$95 for new home occupation business licenses. The time required by the business licensing administrator for a new home occupation license is similar to a commercial business. However, the total cost for a new home occupation license is lower compared to a commercial license because

¹⁰ Time allocation per license was calculated taking into account total business licensing hours worked, total number of business licenses and the varying amounts of time required for different types of licenses.

code enforcement costs associated with a home occupation license is minimal and therefore not included in the licensing cost.

TABLE 9: NEW APPLICATION - HOME OCCUPATION BASE ADMINISTRATIVE COST

New Application License Base Administrative Cost Home Occupation Business			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	110	\$0.75	\$82.50
Planning & Zoning	10	\$1.15	\$11.50
Supplies			1.12
Base Administrative Cost – New Home Occupation			\$95.12

OTHER LICENSES

A seasonal license includes licenses for businesses that operate six months or less such as snow shacks, corn stands, etc. The City’s cost to issue a seasonal license is approximately \$95.

TABLE 10: SEASONAL

Seasonal License Base Administrative Cost			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	110	\$0.75	\$82.50
Planning (Review Application)	10	1.15	11.50
Supplies			1.12
Base Administrative Cost - Seasonal			\$95.12

A temporary license includes licenses for businesses that operate for less than ten days in a calendar year such as street vendors at a special event. The City’s cost to issue a temporary license is approximately \$95.

Based on the similar costs for seasonal and temporary, the City may want to consider combining Seasonal and Temporary licenses into one license type.

TABLE 11: TEMPORARY

Temporary License Base Administrative Cost			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	110	\$0.75	\$82.50
Planning (Review Application)	10	1.19	11.50
Supplies			1.12
Base Administrative Cost - Temporary			\$95.12

The base administrative cost for a fireworks license is approximately \$107.

TABLE 12: FIREWORKS

Fireworks License Base Administrative Cost			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	110	\$0.75	\$82.50
Building Review	20	1.19	23.80
Supplies			1.12
Base Administrative Cost - Fireworks			\$107.42

The base administrative cost for a motorized street vendor is approximately \$120. Motorized street vendors include businesses such as ice cream trucks.

TABLE 13: MOTORIZED STREET VENDOR

Motorized Street Vendor Base Administrative Cost			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	110	\$0.75	\$82.50
Planning (Review Application)	10	1.15	11.50
Police (Vehicle Inspection)	30	\$0.84	\$25.22
Supplies			1.12
Base Administrative Cost – Motorized Street Vendor			\$120.34

The base administrative cost for a Farmer’s Market license is approximately \$84.

TABLE 14: FARMER’S MARKET

Farmer’s Market Base Administrative Cost			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	110	\$0.75	\$82.50
Supplies			1.12
Base Administrative Cost – Farmer’s Market			\$83.62

The base administrative cost for a solicitor license is approximately \$105.

TABLE 15: SOLICITOR

Solicitor Base Administrative Cost			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	120	\$0.75	\$90.00
Work Card and Supplies			\$15.00
Base Administrative Cost – Solicitor			\$105.00

The business license administrator spends significantly more time issuing *Special Events and Promotions* licenses compared to other types of business licenses. Special events require coordination over a period of time with event organizers and with other City Departments as well as coordination meetings. City personnel from the Public Works, Parks, Engineering and Planning Departments review licenses for special events and may also be involved in meetings and coordination with event organizers. The police review the license and meet with event organizers to coordinate traffic and other police related issues. There is a separate hourly charge through the Police Department for police services at the event.

The licensing cost to the City for large special events and promotions with more than 500 people is approximately \$2,265 and \$294 for smaller events that attract less than 500 people.

TABLE 16: LARGE SPECIAL EVENTS (500+ PEOPLE)

Large Special Events and Promotions 500+ People Base Administrative Cost			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	1,500	\$0.75	\$1,125.00
Public Works	20	\$1.21	\$24.20
Parks	20	\$0.96	\$19.20
Engineering	20	\$1.30	\$26.00
Planning	20	\$1.15	\$23.00
Police	960	\$1.09	\$1,046.40
Supplies			1.12
Base Administrative Cost – Large Special Events and Promotions			\$2,264.92

TABLE 17: SPECIAL EVENTS (< 500 PEOPLE)

Special Events and Promotions < 500 People Base Administrative Cost			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	300	\$0.75	\$225.00
Public Works	10	\$1.21	\$12.10
Parks	10	\$0.96	\$9.60
Engineering	10	\$1.30	\$13.00
Planning	10	\$1.15	\$11.50
Police	20	\$1.09	\$21.80
Supplies			1.12
Base Administrative Cost – Special Events and Promotions			\$294.12

Due to its beautiful scenic location, Heber City can be the perfect backdrop for films. Currently, the fee for a business license for a *Film Shoot* license is based on the number of vehicles. However, while the cost to the city is generally higher for large film shoots compared to smaller film shoots, the cost does not incrementally increase with each vehicle. Therefore, the cost for film events has been divided into two categories – (1) large film shoots and (2) small film shoots. Large film shoots have trailers and more than five cars at the shoot. Small film shoots have no trailers and five or less cars at the shoot.

Costs for each category were calculated based on the average time the business license administrator, planning director and police spend on tasks/issues related to issuing a *Film Shoot* license. The City's costs for a Large Film Shoot business licenses is approximately \$300 and approximately \$160 for a Small Film Shoot.

TABLE 18: LARGE SPECIAL EVENTS (500+ PEOPLE)

Large Film Shoot Trailers and 5+ cars Base Administrative Cost			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	300	\$0.75	\$225.00
Planning	10	\$1.15	\$11.50
Police	60	\$1.09	\$65.40
Supplies			1.12
Base Administrative Cost – Large Film Shoot			\$303.02

TABLE 19: FILM EVENT

Small Film Shoot No Trailers and 5 or Less Cars Base Administrative Cost			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	150	\$0.75	\$112.50
Planning	10	\$1.15	\$11.50
Police	30	\$1.09	\$32.70
Supplies			1.12
Base Administrative Cost – Small Film Shoot			\$157.82

RENEWAL LICENSE BASE ADMINISTRATIVE COSTS

The total base administrative cost of approximately \$67 for a renewal commercial business license includes business licensing administrative costs, code enforcement, and supplies. Code enforcement spends on average approximately five and one-half hours per month on business license ordinance enforcement issues for commercial businesses. The cost of this code enforcement is divided among the commercial business licenses for an average annual cost of approximately \$5.50 per license.¹¹

TABLE 20: COMMERCIAL RENEWAL LICENSE BASE ADMINISTRATIVE COSTS

Renewal License Base Administrative Cost Commercial Business			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	80	\$0.75	\$60.00
Code Enforcement			5.50
Supplies			1.88
Base Administrative Cost – Commercial Renewal			\$67.38

Home occupation renewal licenses take approximately the same amount of time as commercial business license. However, time spent on code enforcement for home occupation businesses is minimal and therefore, the cost of a home occupation renewal is slightly lower compared to a commercial renewal.

TABLE 21 HOME OCCUPATION RENEWAL LICENSE BASE ADMINISTRATIVE COSTS

Renewal License Base Administrative Cost Home Occupation Business			
License Type	Time Allocation (Minutes)	Cost per Minute	Estimated Cost
Business Licensing	80	\$0.75	\$60.00
Supplies			1.88
Base Administrative Cost – Home Occupation Renewal			\$61.88

DISPROPORTIONATE SERVICE COSTS

According to Utah Code Annotated §10-1-203(5)(c)(i), “Before the governing body of a municipality imposes a license fee on a business that causes disproportionate costs of municipal services under Subsection (5)(a)(i)(C)(l), the legislative body of the municipality shall adopt an ordinance defining for purposes of the [fee] tax under Subsection (5)(a)(i)(C)(l) the costs that constitute disproportionate costs and the amounts that are reasonably related to the costs of the municipal services provided by the municipality.”

¹¹ 5.7 hours per week x \$33.60 cost per hour = \$2,298 annual cost; 418 licenses

COMMERCIAL
RENEWAL

HOME OCCUPATION
RENEWAL

UTAH CODE
§10-1-203(5)

Cities are allowed under Utah Code to collect disproportionate business licensing fees for the following municipal services:

- Police
- Fire/EMS
- Storm Water Runoff
- Traffic Control
- Parking
- Transportation
- Beautification
- Snow Removal

Heber City has chosen to only consider disproportionate police municipal services in this study.¹² Therefore, disproportionate services rendered may include police calls for service and business-related paperwork, administrative oversight, special regulations and other services performed for specific types of businesses. In order to calculate *disproportionate* costs, cities must first establish what constitutes the *base level* of service for each of the varying services they provide.

There are two types of disproportionate service costs appropriate to this analysis:

- Disproportionate regulatory costs
- Disproportionate service call costs

Disproportionate regulatory costs include the cost of services for business-related paperwork, administrative oversight, special regulations and inspections that are in addition to the services common to all businesses included in the base administrative cost. For example, additional regulatory services are required by some classes of businesses such as day-cares, restaurants and large retail.

Disproportionate service call costs for Heber City include the cost of services for police 911 calls above the base level of service provided by the Police Department.¹³ ZBPF has interviewed City officials and service providers and has obtained data regarding 911 calls for service from the Heber City Police Department.

DISPROPORTIONATE REGULATORY COSTS

In Heber City, disproportionate regulatory services are provided by the business license administrator and the police department. Due to regulatory requirements, the business license administrator spends additional time issuing new restaurant, pawn shop, home occupation day care and home occupation salon licenses.

The police spend approximately eight hours per quarter on compliance checks for tobacco retailers and approximately 15 hours annually on compliance checks for businesses with an alcohol license. The police also spend approximately 40 hours annually responding to solicitor complaint calls and provide patrol at the Farmer's Markets during the summer.

Table 22 shows the disproportionate regulatory costs for Heber City.¹⁴

¹² Fire services for Heber City are provided by the Wasatch county Fire District.

¹³ This study does not include any traffic-related calls. Additionally, only calls where police were dispatched to the site are included in the study.

¹⁴ Detailed calculations for disproportionate regulatory costs are shown in Appendix B.

TABLE 22: DISPROPORTIONATE REGULATORY COSTS

Disproportionate Regulatory Costs			
Application Type	Service	New Application	Renewal
Restaurant	Business Licensing	\$34	NA
Pawn Shop	Business Licensing	\$45	NA
Home Occupation Day Care	Business Licensing	\$38	NA
Home Occupation Salon	Business Licensing	\$38	NA
Tobacco Retailer	Police	\$101	\$101
Businesses with Alcohol License	Police	\$50	\$50
Solicitor License	Police	\$53	NA
Farmer's Market	Police	\$45	NA

DISPROPORTIONATE SERVICE CALL COSTS

Disproportionate service call costs for Heber City include the cost of services for police 911 calls above the base level of service provided by the Police Department.¹⁵ The *base level* of service is the average level of 911 service calls to owner-occupied single family residences.¹⁶ Police calls were obtained from the police department for the time period of October 2011 through October 2013. The call data was then mapped and analyzed to calculate the number of calls to owner-occupied single-family residential units. The number of calls to owner-occupied single-family residential units was then averaged over the two-year period.¹⁷ The average annual number of calls to owner-occupied single-family residential units was divided by the total number of owner-occupied single-family residential units to determine the *base level* of service. This per unit base level of service is referred to as the *base level service call ratio*.

The annual *base level* of service for police calls was determined to be an average of 0.423 calls per owner-occupied single-family residence per year. In other words, on average, every single-family owner-occupied residence calls the police a little less than once every two years.

TABLE 23: BASE LEVEL OF POLICE SERVICE

Base Level of Service Police	
	Police
Average Annual Owner-Occupied Single Family Residential Calls	1,043.5
Total Number of Units ¹⁸	2,467
Base Level of Service Ratio	0.423

The annual average police service call ratio per business in a given business class was calculated by dividing the two-year average annual number of calls in each business class by the total number of businesses in the business class. To calculate the disproportionate service call ratio, the base level of service ratio (shown in table 23) was subtracted from the average calls per commercial business class.

Service call ratios for commercial businesses that are higher than the *base level* of service call ratio are considered disproportionate.

¹⁵ This study does not include any traffic-related calls. Additionally, only calls where police were dispatched to the site are included in the study.

¹⁶ Includes owner-occupied condos and PUD's.

¹⁷ A two-year average minimizes the effect of a call volume spike that could occur over a one-year period.

¹⁸ Based on the Heber City parcel data received from Salt Lake County.

BASE LEVEL OF
SERVICE CALLS

ANNUAL AVERAGE
SERVICE CALL RATIO

**STATISTICAL
OUTLIERS**

Within a business class, there may be a few businesses with a much higher number of service calls compared to the majority of business establishments in that particular business class. These businesses excessively skew the average service call per business and are referred to as statistical outliers. When determining the business license fee for a given business class, it is recommended the City consider setting the disproportionate fee to be on par with the disproportionate costs without the statistical outliers.

**DISPROPORTIONATE
SERVICE CALL RATIOS**

Table 24 shows the police disproportionate service call ratios for commercial businesses with and without the statistical outliers. Of the 25 commercial business categories, four categories have outliers.

TABLE 24: DISPROPORTIONATE POLICE CALL DATA –COMMERCIAL BUSINESSES

Police Disproportionate Call Ratios		
Business Class	With Outliers	Without Outliers
Assisted Living/Care Centers	NA	0.085/bed
Automotive Service & Repair	NA	0.806
Banks	NA	2.802
Big Box	NA	88.577
Convenience Stores with Gas (Open 24 hrs)	35.827	28.077
Convenience Store with Gas (Not open 24 hrs)	NA	14.077
Department Store	NA	19.077
Entertainment	NA	4.077
General Services (Business & Professional, Personal, Construction and Contracted Services)	NA	0.000
Home Occupation	NA	0.000
Large Grocery with Gas	NA	88.577
Large Grocery without Gas	NA	38.577
Hotel/Motel	NA	0.091/room
Hotel/Motel – Extended Stay	0.601/room	0.535/room
Manufacturing	NA	0.000
Mobile Home Park (< 25 units)	NA	1.188/pad
Mobile Home Park (25+ units)	NA	0.000
Non-Depository Credit Intermediation	3.827	1.702
Restaurants	3.271	2.827
Social Club	NA	3.827
Specialty Foods	NA	0.395
Sales/Rental/Wholesale	NA	0.849
Storage Units	NA	0.000
Tobacco Store	NA	14.577
Transportation	NA	0.000

COST PER CALL

The next step in determining the disproportionate costs (if any) of commercial businesses is to multiply the disproportionate service call ratio by the cost per call. The cost per call for police services was determined by dividing total variable costs (estimated costs above the fixed costs that are required assuming there were no calls for service) by the total number of service calls. The cost per call for police is approximately \$98.¹⁹

¹⁹ Police total budget - \$2,051,950. Variable costs = \$998,604/10,146 annual average calls

COMMERCIAL BUSINESS
DISPROPORTIONATE
SERVICE CALL COSTS

TABLE 25: COST PER CALL - POLICE

Police Cost per Call	
Police	
Cost per Call	\$98

The disproportionate service call costs are calculated by multiplying the disproportionate police service call ratio for each commercial business category by the cost per call.

Table 26 summarizes the disproportionate costs per business for each commercial business class identified for Heber City. The disproportionate cost is calculated by multiplying the disproportionate call ratio without outliers, as shown in table 24, by the cost per call. ZBPF recommends the maximum disproportionate fee considered by a City be equal to the disproportionate cost without outliers for each commercial business category. The maximum disproportionate fees allowed by law are the disproportionate fees with outliers.

TABLE 26: DISPROPORTIONATE POLICE, FIRE AND EMS COSTS - COMMERCIAL BUSINESSES

Disproportionate Service Call Costs			
Business Class	Police Call Ratio ²⁰	Cost per Call	Total
Assisted Living/Care Centers	0.085/bed	\$98	\$8/bed
Automotive Service & Repair	0.806	\$98	\$79
Banks	2.802	\$98	\$275
Big Box	88.577	\$98	\$8,681
Convenience Stores with Gas (Open 24 hrs)	28.077	\$98	\$2,752
Convenience Store with Gas (Not open 24 hrs)	14.077	\$98	\$1,380
Department Store	19.077	\$98	\$1,870
Entertainment	4.077	\$98	\$400
General Services (Business & Professional, Personal, Construction and Contracted Services)	0.000	\$98	\$0
Home Occupation	0.000	\$98	\$0
Large Grocery with Gas	88.577	\$98	\$8,681
Large Grocery without Gas	38.577	\$98	\$3,781
Hotel/Motel	0.091/room	\$98	\$9/room
Hotel/Motel - Extended Stay	0.535/room	\$98	\$52/room
Manufacturing	0.000	\$98	\$0
Mobile Home Park (< 25 units)	1.188/pad	\$98	\$116/pad
Mobile Home Park (25+ units)	0.000	\$98	\$0
Non-Depository Credit Intermediation	1.702	\$98	\$167
Restaurants	2.827	\$98	\$277
Social Club	3.827	\$98	\$375
Specialty Foods	0.395	\$98	\$39
Sales/Rental/Wholesale	0.849	\$98	\$83
Storage Units	0.000	\$98	\$0
Tobacco Store	14.577	\$98	\$1,429
Transportation	0.000	\$98	\$0

²⁰ Without Outliers

ENHANCED SERVICE COSTS

Enhanced service levels reflect a higher level of service for a specific portion of the business community (whether it is a business class, business location, etc.). Examples of enhanced service levels include more landscaping, hanging baskets, more or higher quality signage, increased police patrols (a visible police presence), more frequent snow removal, etc. Generally, these types of services are increased in a particular geographic section of town, such as downtown, or the town center of a resort community but they may also be specific to a particular type of business activity, the number of employees in a company, etc.

Heber City currently provides enhanced services such as planters in the summer and pavers to the downtown area. However, the City has chosen not to include the cost of enhanced services in the business license study at this time.

TOTAL BUSINESS LICENSING COSTS

Total business license costs include the base administrative costs, disproportionate regulatory costs and disproportionate service call costs. The total business license cost is the *maximum amount* the City may charge for a business license. The City may choose not to enact the maximum allowable fee. If less than the maximum allowable fees are charged, the difference between the fee and the cost to the City would need to be covered through the General Fund. Fees for all businesses within a given “class” must be constant.

Total New Application Business Licensing Costs - Total business licensing costs are higher for a new application license compared to a renewal license because the base administrative costs are higher. However, rather than have a separate new application fee for each type of license, the City may want to consider a “processing fee” in addition to the renewal fee applicable to all business licenses. The maximum allowable processing fee for commercial businesses is \$50 for new commercial business licenses and \$30 for new home occupation licenses. The City currently has a processing fee of \$30 for new business licenses.

Total new application business licensing costs are also higher for restaurants and pawn shops which have disproportionate regulatory costs for new applications of \$34 and \$45 respectively.

Total Renewal Business Licensing Costs - Table 27 shows the total renewal business licensing costs for commercial and home occupation businesses as well as the total licensing costs for other types of licenses issued by the City such as temporary, seasonal, etc.

TABLE 27: TOTAL BUSINESS LICENSING COSTS

Business Category	Total Licensing Costs			Total
	Base Administrative Cost	Disproportionate Regulatory Costs	Disproportionate Service Call Costs	
Assisted Living/Care Centers	\$67	\$0	\$28/bed	\$67 + \$8/bed
Automotive Service & Repair	\$67	\$0	\$79	\$146
Banks	\$67	\$0	\$275	\$342
Big Box	\$67	\$0	\$8,681	\$8,748

Total Licensing Costs Renewal Licenses				
Business Category	Base Administrative Cost	Disproportionate Regulatory Costs	Disproportionate Service Call Costs	Total
Convenience Stores with Gas (Open 24 hrs)	\$67	\$0	\$2,752	\$2,819
Convenience Stores with Gas & Tobacco (Open 24 hrs)	\$67	\$101	\$2,752	\$2,920
Convenience Stores with Gas & Alcohol (Open 24 hrs)	\$67	\$50	\$2,752	\$2,869
Convenience Stores with Gas, Tobacco & Alcohol (Open 24 hrs)	\$67	\$151	\$2,752	\$2,970
Convenience Store with Gas (Not open 24 hrs)	\$67	\$0	\$1,380	\$1,447
Convenience Store with Gas & Alcohol (Not open 24 hrs)	\$67	\$50	\$1,380	
Convenience Store with Gas & Tobacco (Not open 24 hrs)	\$67	\$101	\$1,380	\$1,548
Convenience Store with Gas, Tobacco & Alcohol (Not open 24 hrs)	\$67	\$151	\$1,380	\$1,598
Department Store	\$67	\$0	\$1,870	\$1,937
Entertainment	\$67	\$0	\$400	\$467
Farmer's Market (excluding utility costs)	\$84	\$45	\$0	\$129
Fireworks	\$96	\$0	\$0	\$96
Film Shoots – Large (Trailers and 5+ cars)	\$303	\$0	\$0	\$303
Film Shoots – Small (No Trailers and < 5 cars)	\$198	\$0	\$0	\$198
General Services (Business & Professional, Personal, Construction and Contracted Services)	\$67	\$0	\$0	\$67
Home Occupation	\$67	\$0	\$0	\$62
Large Grocery with Gas	\$67	\$0	\$8,681	\$8,748
Large Grocery with Gas & Tobacco	\$67	\$101	\$8,681	\$8,849
Large Grocery with Gas & Alcohol	\$67	\$50	\$8,681	\$8,798
Large Grocery with Gas, Alcohol & Tobacco	\$67	\$151	\$8,681	\$8,899
Large Grocery without Gas	\$67	\$0	\$3,781	\$3,848
Large Grocery without Gas & Tobacco	\$67	\$101	\$3,781	\$3,949
Large Grocery without Gas & Alcohol	\$67	\$50	\$3,781	\$3,898
Large Grocery without Gas, Tobacco & Alcohol	\$67	\$151	\$3,781	\$3,999
Hotel/Motel	\$67		\$9/room	\$67 + \$9/room
Hotel/Motel – Extended Stay	\$67		\$52/room	\$67 + \$52/room
Manufacturing	\$67		\$0	\$67
Mobile Home Park (< 25 units)	\$67		\$116/pad	\$67 + \$116/pad
Mobile Home Park (25+ units)	\$67		\$0	\$67
Motorized Street Vendor	\$120	\$0	\$0	\$120

Total Licensing Costs Renewal Licenses				
Business Category	Base Administrative Cost	Disproportionate Regulatory Costs	Disproportionate Service Call Costs	Total
Non-Depository Credit Intermediation	\$67		\$167	\$234
Restaurants	\$67		\$277	\$344
Restaurants with Alcohol	\$67	\$50	\$277	\$394
Seasonal	\$95	\$0	\$0	\$95
Social Club	\$67		\$375	\$442
Special Events & Promotions (500+ people)	\$2,265	\$0	\$0	\$2,265
Special Events & Promotions (< 500 people)	\$294	\$0	\$0	\$294
Specialty Foods	\$67		\$39	\$106
Specialty Foods with Alcohol	\$67	\$50	\$39	\$223
Sales/Rental/Wholesale	\$67		\$83	\$150
Storage Units	\$67		\$0	\$67
Temporary	\$95	\$0	\$0	\$95
Tobacco Store	\$67	\$101	\$1,429	\$1,597
Transportation	\$67		\$0	\$67

CHANGES REQUIRED IN CURRENT BUSINESS LICENSE FEE SCHEDULE

An analysis of the cost of services for each type of business in Heber found that the cost of business licensing for some types of licenses is lower compared to the current fee. Therefore, based on Utah Code Annotated §10-1-203, the fee for these types of licenses must be lowered to be equal to or less than the cost.

TABLE 28: CHANGES TO CURRENT FEE SCHEDULE

Required Changes to Current Fee Schedule			
Fee Type	Current Fee	Current Cost	Maximum Allowable Fee
Business & Professional Services	\$80	\$67	\$67
Personal Services	\$80	\$67	\$67
Mobile Home Parks (25+ pads)	\$80	\$67	\$67
Storage Units	\$80	\$67	\$67
Fireworks	\$255	\$107	\$107
Motorized Street Vendor	\$175	\$120	\$120
Film Events - Large	Per Vehicle Fee	\$303	\$303
Film Events - Small	Per Vehicle Fee	\$158	\$158

APPENDIX A

BUSINESS CLASS	BUSINESSES INCLUDED
Assisted Living	Assisted Living Nursing Home Continuing Care Retirement
Automotive Service & Repair	Automotive Repair and Maintenance Automotive Service Automotive Washing and Polishing
Banks	Banks Credit Unions
Big Box	Warehouse Clubs and Supercenter
Convenience Store – Open 24 Hours	Convenience Stores with Gas Open 24 Hours
Convenience Stores – Not Open 24 Hours	Convenience Stores with Gas Not Open 24 Hours
Department Stores	Department Stores Discount Department Stores
Entertainment	Movie Theaters Bowling Centers
General Services	Accountant/Bookkeeping Administration of Air & Water Resources & Instructional Services Architectural Services Barber Shop Beauty Salon Business Associations Business Management Carpet and Upholstery Cleaning CPA Child Day Care Services Coin Operated Laundry Commercial Photography Computer Tech/Sales Construction Contractors Consulting/Management Counseling/Psychology Dance Studio Dry Cleaning & Laundry Engineering Financial/Credit Fitness Centers Fine Arts Schools Funeral Home

BUSINESS CLASS	BUSINESSES INCLUDED
	Graphic Design Home Health Care/Hospice Insurance Interior Design Janitorial Services Landscape Services Legal Services Marketing Medical Offices Photography Property Management Mortgage Services Nail Salon Newspaper Publishers Pet Care Schools/Education Security Software Development Solid Waste Collection/Management Specialty Trade Contractors Radio Real Estate Rental/Leasing Research/Development Title Company Writing/Publishing
Large Grocery with Gasoline	Large Grocery with Gasoline
Large Grocery without Gasoline	Large Grocery without Gasoline
Hotel/Motel	Hotel Motel
Hotel/Motel – Extended Stay	Rent rooms daily and monthly
Manufacturing	Food Manufacturing Motor Vehicle Parts Manufacturing Fruit & Vegetable Canning Post-Harvest Crop Activities Furniture Manufacturing Confectionery Manufacturing Cabinet Manufacturing Fabricated Metal Products Manufacturing All other Miscellaneous Manufacturing
Mobile Home/RV Parks - < 25 pads	Mobile Home or RV Parks with < 25 pads
Mobile Home/RV Parks – 25+ pads	Mobile Home or RV Parks 25 or more pads
Restaurants	Deli Services Restaurants

BUSINESS CLASS	BUSINESSES INCLUDED
	Fast Food Restaurant Restaurant Restaurant – Full Service Restaurant – Limited Service
Social Club	Private Club Social Club
Specialty Foods	Snack and Non-Alcoholic Beverage Bars Specialty Food Stores Commercial Bakeries Small Supermarkets & Other Grocery (except convenience) Stores
Sales/Rental/Wholesale	Automobile Dealerships Building Materials Dealers Clothing Electronics Florist Guns & Ammunition Hardware Household Appliance Stores Miscellaneous Sales Nursery, Garden Center and Farm Supply Stores Pet Supply Retail Shoe Stores Sporting Goods Telecommunications Resellers Tire Dealerships
Storage Units	Storage Units
Smoke Shop	Smoke Shops
Transportation	Parking Lots & Garages Passenger Car Rental Taxi Service Towing Services

APPENDIX B

Disproportionate Regulatory Costs			
Fee Type	Additional Annual Time/Minutes	Cost per Minute	Additional Cost
Restaurants – New Application (business licensing)	45	\$0.75	\$33.75
Pawn Shops – New Application (business licensing)	60	\$0.75	\$45.00
Home Occupation Day Care and Salon – New Application (business licensing)	\$80	\$0.75	\$67
Tobacco Retailers (police – 1 officer @ 30 minutes per business per quarter)	120	\$0.84	\$100.80
Businesses with Alcohol License (police – 2 officers @ 30 min. per business)	60	\$0.84	\$50.40

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