

**HARRISVILLE CITY
ORDINANCE 550**

BUSINESS LICENSE ANALYSIS AND FEE UPDATE

AN ORDINANCE OF HARRISVILLE CITY, UTAH, ADOPTING A BUSINESS LICENSE FEE ANALYSIS PREPARED BY THIRD PARTIES, AMENDING TITLE 3 CHAPTER 1 OF THE HARRISVILLE MUNICIPAL CODE; SEVERABILITY, AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Harrisville City (hereinafter “City”) is a municipal corporation duly organized and existing under the laws of the State of Utah;

WHEREAS, *Utah Code Annotated* §10-8-84 and §10-8-60 allow municipalities in the State of Utah to exercise certain police powers, including but not limited to providing for safety and preservation of health, promotion of prosperity, improve community well-being, peace and good order for the inhabitants of the City;

WHEREAS, *Utah Code Annotated* §10-1-203 states “ 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.”;

WHEREAS, the City retained the services of Zions Public Finance to conduct a Business License Fee Analysis and desires to implement the same;

WHEREAS, the City seeks to provide for uniform business regulations, accountability, public health, and public safety;

NOW, THEREFORE, be it Ordained by the City Council of Harrisville City, Utah as follows:

Section 1: Adoption. The adoption of the Business License Fee Analysis dated January 2024 hereby incorporated as “Exhibit A”.

Section 2: Amendment. Section 3.01.030 is hereby amended to read as follows:

3.01.030 Adoption Of Study and Determination

1. Study adopted. ~~The Business License Fee Study prepared by Zion’s Bank dated March 5, 2015, (hereafter referred to as the “Study”), is hereby adopted and incorporated herein by this reference for all fees relating to residential rental units. The Business License Analysis prepared by Lewis, Young, Robertson & Burningham dated May 2008, (hereafter referred to as the “Study”), remains adopted and incorporated herein by this reference for all other non-residential rental businesses. The Business License Fee Analysis prepared by Zions Public Finance dated January 2024, (hereafter referred to as the ‘Study’), is hereby adopted and incorporated herein by this reference for fees relating to all residential business, non-residential business and manufacturing.~~

Section 3: Severability. If a court of competent jurisdiction determines that any part

of this ordinance is unconstitutional or invalid, then such portion of this Ordinance, or specific application of the ordinance, shall be severed from the remainder which remainder shall continue in full force and effect.

Section 4: Effective Date. This Ordinance takes effect immediately after approval and posting.

PASSED AND APPROVED by the City Council on this 9 day of April, 2024


MICHELLE TAIT, Mayor




ATTEST:


JACK FOGAL, City Recorder

RECORDED this 10 day of April, 2024.
PUBLISHED OR POSTED this 10 day of April, 2024.

CERTIFICATE OF PASSAGE AND PUBLICATION OR POSTING

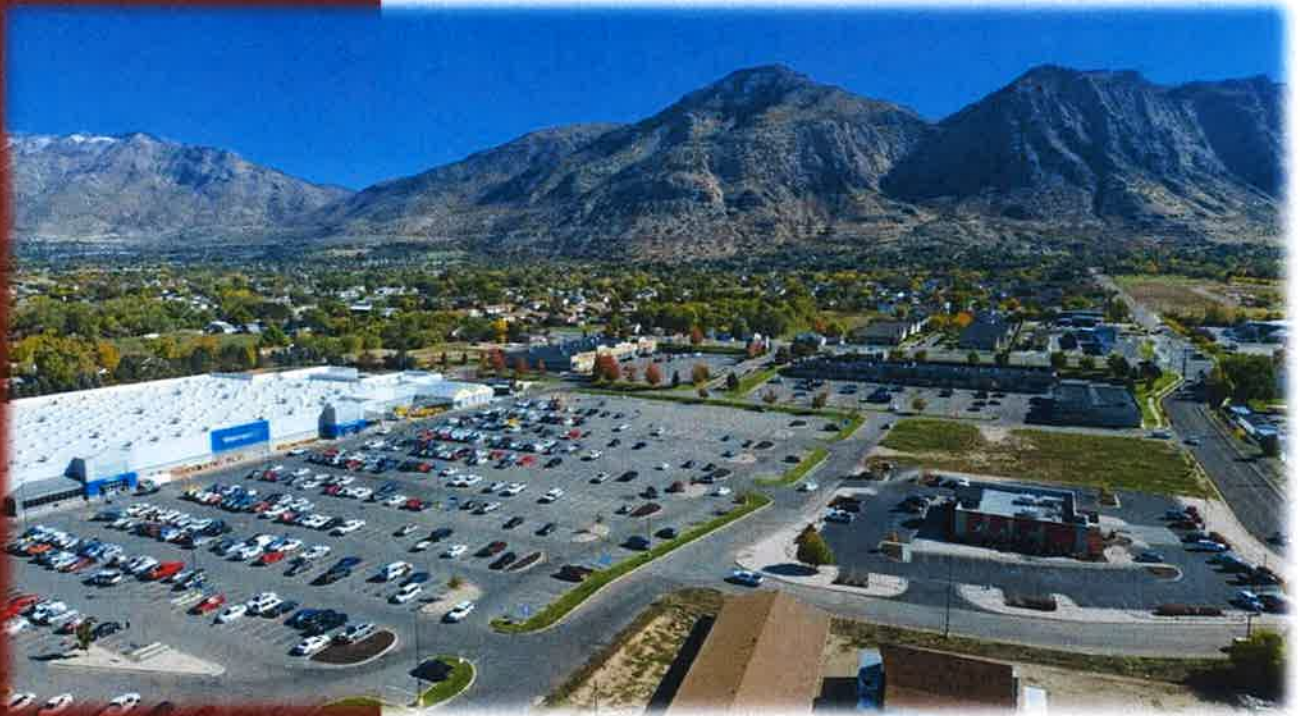
According to the provision of UCA §10-3-713, 1953 as amended, I, the municipal recorder of Harrisville City, hereby certify that the foregoing ordinance was duly passed and published, or posted at 1) City Hall 2) 2150 North, and 3) Harrisville Cabin on the above reference dates.


City Recorder

DATE: 4/10/2024

Harrisville City

Business License Fee Cost of Service Analysis



ZIONS PUBLIC FINANCE, INC.

March 2024



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Introduction

Zions Public Finance, Inc. (ZPFI) was asked to evaluate the current business license fees for Harrisville City ("City") and recommend a revised fee structure that reasonably reflects the City's costs associated with providing these services to the community. This includes a disproportionate cost analysis to determine if any business types have a greater impact on City services.

Current Fee Structure

Current fees are pulled directly from the City's Fee Schedule. Based on discussions with the City, the existing fee structure (i.e., fee categories shown in the table below) will mostly be maintained in this analysis. The City is proposing to eliminate several fee categories. Actual fees (costs), along with disproportionate fees, will be updated as part of this study.

TABLE 1: CURRENT BUSINESS LICENSE FEE STRUCTURE

License Type	Current Fees
Automotive	\$137.00
Big Box*	\$61,853.00
Construction	\$126.00
Contracted Services	\$66.00
Convenience Store – without prepay fuel only	\$1,701.00
Convenience Store – with prepay fuel only	\$701.00
Counseling Services	\$1,025.00
Day Care/Pre-school	\$65.00
Entertainment	\$1,011.00
Financial Services	\$84.00
Home Occupation – Full Time	\$35.00
Home Occupation – Part Time	\$20.00
Manufacturing	\$77.00
Rental Services	\$2,794.00
Personal Services	\$66.00
Public Lodging	\$498.00
Private Club*	\$580.00
Professional/Business Services	\$66.00
Recreational – Other	\$873.00
Recreational – Golf Course	\$100.00
Restaurants*	\$403.00
Restaurants – Seasonal	\$100.00
Retail/Wholesale Sales	\$66.00
Solicitors – per salesman	\$82.00
Storage	\$105.00
Temporary License	\$82.00
Thrift Store	\$14,725.00

*Discounts are given for Asset Protection Program (30% reduction) and On-Site Security Program (30% reduction)

Methodology

ZPFI's approach to calculating costs was based on the following tasks and steps:

- Step 1: Review Department Budgets; Gather Initial Data Regarding Employees per Department and Labor Costs
- Step 2: Prepare Spreadsheet Template
- Step 3: Coordinate with City Staff on Direct Costs
- Step 4: Allocate Indirect and Overhead Costs
- Step 5: Calculate Total Cost Per Hour
- Step 6: Calculate Costs per Service
- Step 7: Geocode Police Calls for Service to Businesses
- Step 8: Calculate Ratio of Business Calls for Service to Residential Calls for Service
- Step 9: Calculate Disproportionate Fee
- Step 10: Calculate Total Revenues

Step 1: Review Department Budgets; Gather Initial Data Regarding Employees per Department and Labor Costs

ZPFI first reviewed the budgets for business licensing fees. This step identified overall labor costs, as well as the number of employees and employee positions in each department.

Step 2: Preparation of Spreadsheet Template

ZPFI created a financial model that allowed for City staff to enter the amount of time spent on each fee-related service, by employee position.

Step 3: Coordination with Departments on Direct Costs

From the information gathered from the various departments, ZPFI prepared a detailed spreadsheet that allowed for input regarding the actual time spent by various positions in providing each service. ZPFI then followed up to clarify data and resolve any potentially conflicting information.

Step 4: Allocation of Indirect and Overhead Costs

1. Indirect - Business License employee time not directly spent on fee-related services, but in activities such as meetings, training, etc.
2. Overhead - Certain City departments have overhead costs that need to be apportioned among all departments and fees.

Business License Indirect Cost Allocation. Costs are allocated for employee time spent on activities that are not directly business license fee-related, such as training, meetings, etc. For example, an employee who provides fee-related services may also attend department meetings or training workshops. A portion of these indirect costs can be allocated to the unit costs associated with providing services for which fees are charged.

City Overhead Cost Allocation. There are also overhead costs associated with other City departments such as human resources, IT, attorney etc. These costs have also been allocated and added to the direct unit costs. The overhead costs that are allocated to all City departments are shown in the following table.

TABLE 2: TOTAL OVERHEAD COSTS

Overhead Category	Cost
Non-Departmental	\$230,550
Legal Services	\$10,000
Total	\$240,550

Source: Harrisville City FY2023 Budget

Total overhead costs for the City were divided among each full-time equivalent (FTE) employee to calculate an overhead cost per minute. As shown in the following table, the overhead cost per FTE is \$12,661 per FTE or \$6.09 per hour.

TABLE 3: OVERHEAD COSTS PER HOUR

Description	Amount
Total Overhead Costs to Allocate	\$240,550
Total City Employees for Cost Spread	19
Cost per Employee per Year	\$12,661
Cost per Employee per Hour	\$6.09

Step 5: Calculation of Total Cost per Hour

The indirect and overhead costs per hour are added to the direct cost per hour to identify the total costs per hour. These calculations will be detailed in the Cost-of-Service Analysis.

Step 6: Calculate Costs per Service

This step calculates the total cost per service by multiplying the time spent by the fully loaded cost per hour. These calculations will be detailed in the Cost-of-Service Analysis.

Step 7: Geocode Police Calls for Service to Businesses

ZPFI collected police calls for service from the City for FY2022 and analyzed both the calls to residential units and business locations. Calls for businesses were geocoded to business addresses to determine the calls for service to each business during FY2022.

Step 8: Calculate Ratio of Business Calls for Service to Residential Calls for Service

During this step, ZPFI calculated the base ratio of calls for service to residential locations and also calculated the call ratios for each business type. These were compared to the residential base ratio to determine any disproportionate impacts by a certain business type.

Step 9: Calculate Disproportionate Fee

This step calculates any disproportionate fees by multiplying disproportionate business ratios by the base police cost per call.

Step 10: Calculate Total Fee

This step calculates the total cost per service to the City, combining the base total cost with any disproportionate costs by business type.



Cost-of-Service Analysis

Direct costs are incurred by those individuals who directly handle fee-related services. While the “average” time spent for similar services can vary depending on a variety of factors, this report is based on an “average” time spent per individual service, as shown in the table below.

TABLE 4: MINUTES SPENT BY POSITION PER BUSINESS LICENSE

License Type	City Administrator	Police Chief	Treasurer	Cashier
New/Renewal	35	35	45	15
Home Occupation	35	35	45	15
Solicitor	35	35	45	15
Beer License	35	35	45	15

The following table shows the total units of service provided during the past year, by service type.

TABLE 5: TOTAL LICENSES COMPLETED

License Type	Units Completed
New/Renewal	161
Home Occupation	13
Solicitor	5
Beer License	7

Based on information provided by the City, employees spend between approximately 2 percent and 4 percent of their time in trainings or meetings and an allocation of that time can be attributed to business licensing. The following table shows each employee’s cost per hour for training.

TABLE 6: INDIRECT TRAINING COST PER HOUR

	City Administrator	Police Chief	Treasurer	Cashier
Indirect Costs per Hour	\$2.12	\$4.14	\$1.66	\$0.77

It is also permissible to include the cost of conducting this cost-of-service analysis in the overall cost of the fees. Cost estimates assume the life of the study is 5 years and therefore the total cost of the study is divided by 5 and then divided by the total direct minutes identified for the various fee types.

The study also includes the general overhead costs and the materials costs to determine the total cost for each employee involved with the fee-related services.

TABLE 7: TOTAL COSTS PER HOUR & MINUTE

	City Administrator	Police Chief	Treasurer	Cashier
Wages + Benefits (Health/Retirement) per Hour	\$88.16	\$94.67	\$55.66	\$39.07
Indirect Costs per Hour - Overhead	\$6.09	\$6.09	\$6.09	\$6.09
Indirect Costs per Hour - Training	\$2.12	\$4.14	\$1.66	\$0.77
Supplies Cost per Hour	\$1.89	\$1.89	\$1.89	\$1.89
Study Costs	\$3.72	\$3.72	\$3.72	\$3.72



	City Administrator	Police Chief	Treasurer	Cashier
Total Cost per Hour	\$101.98	\$110.51	\$69.02	\$51.54
Total Cost per Minute	\$1.70	\$1.84	\$1.15	\$0.86

The cost per minute for each employee is then multiplied by the time spent per service, by each employee, as shown previously in Table 4. Total costs per unit are shown in Table 8 below.

TABLE 8: TOTAL COST PER UNIT

License Type	Units Completed	Cost Based on Study
New/Renewal	161	\$188.61
Home Occupation	13	\$188.61
Solicitor	5	\$188.61
Beer License	7	\$188.61

Disproportionate Analysis

In addition to the costs of service to process licenses, there is a recognition that certain business types may have a disproportionate impact on the City. This is calculated using police calls for service to each business throughout the City.

Total Calls for Service

In FY2022, a total of 8,788 calls were received in the City. These calls are then geocoded in a GIS database to determine which of these calls were associated with businesses in the City. In FY2022, a total of 1,011 calls were reported at commercial business locations and 3,210 calls for service were made to residential locations.¹ This results in a base residential call for service ratio of 1.42.

Cost per Call

To calculate a cost per call, the Police Department budget is divided out to the total calls for service. A portion of time is allowed to be allocated to account for time spent responding to calls. Thus, there is a cost per call of \$112.32.

Disproportionate Costs

The disproportionate cost is determined by first calculating the ratio of calls per business for each category. Police calls for service for FY2022 and FY2023 are averaged to better show trends in calls, and to account for business slowdowns caused by the Covid-19 pandemic. A ratio of average calls per business is then calculated. The base residential ratio is subtracted to identify any categories that have greater, or lower, calls than the average residential unit.

TABLE 9: COMMERCIAL CALL RATIOS

License Type	Average Calls per Year	Calls per Business Ratio	Ratio minus Base
Automotive	20	1.67	0.25
Big Box	827	826.50	825.08
Construction	7	0.88	(0.54)
Contracted Services	21	1.71	0.29

¹ A total of 77 calls to commercial businesses could not be accurately tied to a specific business. This was due to multiple businesses having a shared address. Therefore, these calls could not be included in the analysis.

License Type	Average Calls per Year	Calls per Business Ratio	Ratio minus Base
Convenience Store	157	52.17	50.75
Counseling Services	4	1.33	(0.08)
Day Care / Pre-school	14	3.38	1.96
Entertainment	44	43.50	42.08
Financial Services	2	0.50	(0.92)
Home Occupation	9	0.69	(0.72)
Manufacturing	6	0.67	(0.75)
Professional/Business Services	54	0.81	(0.61)
Rental Services	4	0.58	(0.83)
Restaurants	71	7.05	5.63
Restaurants - Seasonal	1	1.00	(0.42)
Retail/Wholesale Sales	39	2.57	1.15
Solicitors/per Salesman	0	0.00	(1.42)
Storage	28	4.67	3.25
Temporary License	0	0.00	(1.42)
Thrift Store	41	40.50	39.08

To calculate the final disproportionate cost, each category is multiplied by the cost per call.

TABLE 10: CALCULATED DISPROPORTIONATE FEE

License Type	Calculated Disproportionate Fee
Automotive	\$28.16
Big Box	\$92,669.50
Construction	\$0.00
Contracted Services	\$32.84
Convenience Store	\$5,700.08
Counseling Services	\$0.00
Day Care / Pre-school	\$220.03
Entertainment	\$4,726.68
Financial Services	\$0.00
Home Occupation	\$0.00
Manufacturing	\$0.00
Professional/Business Services	\$0.00
Rental Services	\$0.00
Restaurants	\$632.79
Restaurants - Seasonal	\$0.00
Retail/Wholesale Sales	\$129.24
Solicitors/per Salesman	\$0.00
Storage	\$365.10
Temporary License	\$0.00
Thrift Store	\$4,389.73

Businesses that showed negative ratios when the base ratio was subtracted, demonstrate that there is not a disproportionate impact and therefore their fee is \$0.00.

Total Fee Calculation

The final business license fee is calculated by adding in the base license cost, with any disproportionate fees based on the type of business.

TABLE 11: CALCULATED BUSINESS LICENSE FEES

License Category	Current Fee	Calculated Study Fee	Percent Change
Base New/Renewal License Fee		\$188.61	
Disproportionate Fee Categories	Current Fee	Total Calculated Study Fee	Percent Change
Automotive	\$137.00	\$216.76	58%
Beer License	\$200.00	\$188.61	-6%
Big Box	\$61,853.00	\$92,858.11	50%
Construction	\$126.00	\$188.61	50%
Contracted Services	\$66.00	\$221.44	236%
Convenience Store	\$1,701.00	\$5,888.68	246%
Counseling Services	\$1,025.00	\$188.61	-82%
Day Care / Pre-school	\$65.00	\$408.64	529%
Entertainment	\$1,011.00	\$4,915.28	386%
Financial Services	\$84.00	\$188.61	125%
Home Occupation	\$66.00	\$188.61	186%
Manufacturing	\$77.00	\$188.61	145%
Professional/Business Services	\$66.00	\$188.61	186%
Rental Services	\$2,794.00	\$188.61	-93%
Restaurants	\$403.00	\$821.39	104%
Restaurants - Seasonal	\$100.00	\$188.61	89%
Retail/Wholesale Sales	\$66.00	\$317.85	382%
Solicitor	\$82.00	\$188.61	130%
Storage	\$105.00	\$553.71	427%
Temporary License	\$82.00	\$188.61	130%
Thrift Store	\$14,725.00	\$4,578.34	-69%