

MILLCREEK, UTAH
ORDINANCE NO. 20-29

**AN ORDINANCE AMENDING TITLE 5 OF THE MILLCREEK CODE OF
ORDINANCES BY AMENDING THE BUSINESS LICENSE FEE SCHEDULE, ADDING
A DISPROPORTIONATE FEE SCHEDULE, AND OTHER RELATED MATTERS**

WHEREAS, the City Council (“Council”) met in regular meeting on June 22, 2020, to consider, among other things, amending Title 5 of the Millcreek Code of Ordinances, by amending the business license fee schedule, adding a disproportionate fee schedule, and other related matters; and

WHEREAS, on or about June 2019, the City retained Zions Bank Public Finance to conduct a municipal service study (“Study”) to, among other things, analyze the costs necessary to reasonably regulate business activities, including the cost of disproportionate or enhanced level of municipal services required by business classes as required by Utah Code Ann. § 10-1-203; and

WHEREAS, on June 8, 2020 the results of the Study in draft form were discussed with the Council, and subsequently shared with them; and

WHEREAS, on June 22, 2020, the Study in final form was presented to the Council; and

WHEREAS, after careful consideration and based upon the Study, the Council has determined that it is necessary to amend Title 5, as recommended in the Study, a copy of which study is attached hereto as exhibit “A;” and

WHEREAS, after careful consideration, the Council has determined that it is in the best interest of the health, safety, and welfare of the residents of Millcreek to amend Title 5, amending the license fee schedule and other related matters.

NOW, THEREFORE, BE IT ORDAINED by the Council that based on the Study that the amendments made in the attached exhibit “B” are hereby adopted and are designated by interlineating the words to be deleted and underlining the words to be added.

This Ordinance assigned Ordinance No. 20-29, shall take effect as soon as it shall be published or posted as required by law, deposited and recorded in the office of the City Recorder.

PASSED AND APPROVED this 22nd day of June 2020.

MILLCREEK

By: _____
Jeff Silvestrini, Mayor

ATTEST:

Elyse Sullivan, City Recorder

Roll Call Vote:

Silvestrini	Yes	No
Marchant	Yes	No
Jackson	Yes	No
Catten	Yes	No
Uipi	Yes	No

CERTIFICATE OF POSTING

I, the duly appointed recorder for Millcreek, hereby certify that:

ORDINANCE 20-29: AN ORDINANCE AMENDING TITLE 5 OF THE MILLCREEK CODE OF ORDINANCES BY AMENDING THE BUSINESS LICENSE FEE SCHEDULE, ADDING A DISPROPORTIONATE FEE SCHEDULE, AND OTHER RELATED MATTERS

was passed and adopted the 22nd day of June, 2020 and certifies that a summary was published in the Deseret News and Salt Lake Tribune the day of , 2020.

Elyse Sullivan, City Recorder



Business License Fee Study

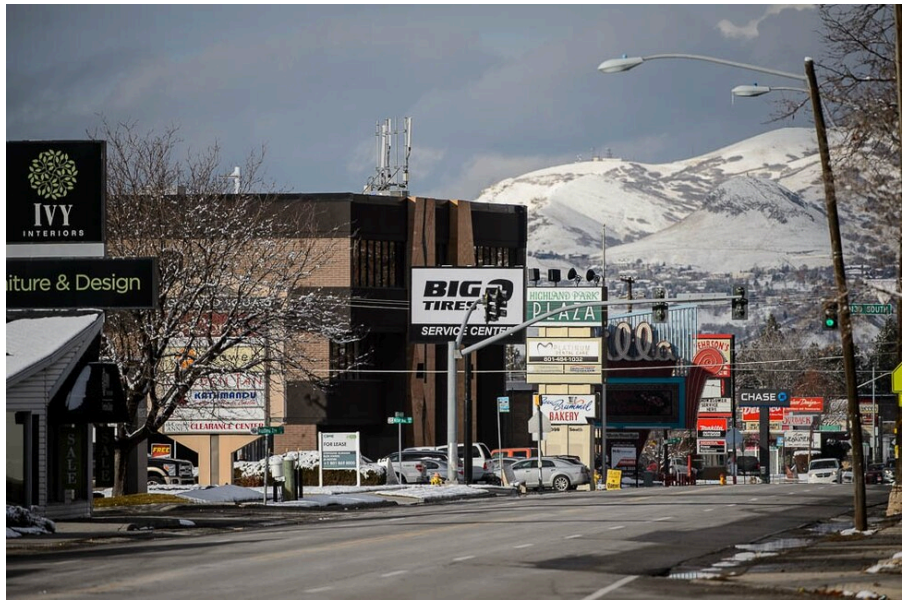


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Executive Summary

Zions Public Finance, Inc. (“ZPFI”) was retained by Millcreek City (“Millcreek” or the “City”) to complete an analysis of business licensing costs to 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.

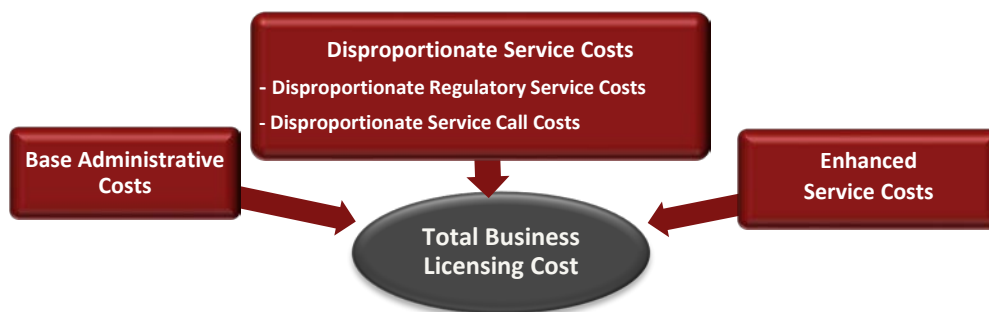
Based on legislation passed in 2017, license fees for home occupation businesses may only be charged when the “combined offsite impact of the home-based business and the primary residential use materially exceeds the offsite impact of the primary residential use alone.”¹ This means that most home occupation businesses cannot be charged a license fee. However, a fee may be charged to home occupations that request a license when they otherwise would not be required to obtain one.²

Factors the City may want to consider as it establishes new business license fees include:

- Percentage change to current fees;
- Dollar amount of change in fees;
- Correlation between proposed fees and the actual cost of services contained in this study;
- Recognition of other revenues generated by some business types (such as sales tax, real property tax, personal property tax, municipal energy tax, transient room tax, etc.); and
- The comparative/competitive fees in neighboring cities.

Business Licensing Costs

This study considers the following three categories of business licensing which, when added together, equal the maximum amount the City may charge for business licenses:



Base Administrative Costs

Base administrative costs include the common costs incurred by all types of businesses to register, oversee, maintain records and regulate licensed businesses within the City such as application, registration, issuance, etc. The base administrative costs are shown in Table 1.

¹ Utah Code §10-1-203(7)

² SB-158, effective May 8, 2018

TABLE 1: BASE ADMINISTRATIVE CURRENT FEES AND BASE COST OF SERVICE

	TOTAL Cost	Current Fee
All Business Licenses		
New applications - general	\$164.72	\$150
Renewals – general	\$115.50	\$150
New applications - home occupations	\$97.07	\$150
New applications - home occ daycares	\$180.35	\$150
Renewals - home occupations	\$8.92	\$150
New applications – short-term rentals	\$164.72	\$150
Renewals – short-term rentals	\$115.50	\$150
Booth	\$97.07	\$150
Seasonal	\$199.46	\$120
Temporary license	\$115.65	\$25
Large-scale event temporary license	\$122.87	\$150
Solicitor ID	\$38.22	\$65
Sexually-oriented businesses	\$240.84	\$300
Outcall service businesses	\$126.17	\$500
Per employee fee	NA	\$6
Alcohol-Related Licenses - Additional Time (not including time spent in section above)		
Single event	\$96.58	\$150
Off-premise beer retailer	\$56.48	\$250
Beer only restaurant	\$56.48	\$350
On-premise beer tavern	\$56.48	\$350
Resort	\$56.48	\$500
Wholesale beer	\$56.48	\$300
Restaurant liquor	\$56.48	\$500
Manufacturing	\$154.55	\$350
Recreational on-premise beer retailer	\$56.48	NA
Limited restaurant liquor	\$56.48	\$500
Club liquor	\$56.48	\$600
Reception center	\$56.48	\$500
Temporary beer event	\$96.58	\$150

Home occupation businesses may not be charged license fees unless the combined offsite impact of the home-based business and the primary residential use materially exceeds the offsite impact of the primary residential use alone. However, the City may require a business license (without a fee) for home occupation businesses. If the City chooses not to require a business license but a home occupation requests a business license, then the City may charge the cost of issuing a license to that business.

Disproportionate Service Costs

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

Disproportionate Regulatory Service Costs

The City has not identified any specific business types for which it provides increased regulatory services, such as inspections of premises. Therefore, no disproportionate regulatory service call costs have been calculated.

Disproportionate Service Call Costs

Disproportionate service call costs include the cost of services for police calls above the base level of service multiplied by the cost per call. The base level of service is defined as the annual average³ level of service provided to single-family⁴ owner-occupied residences.⁵ Disproportionate service call costs are in addition to the base administrative and disproportionate regulatory costs for each business class.

The base level of services is calculated by taking calls for service for owner-occupied residences for the past two years, averaging them, and dividing by the total number of residential units during that time period.

TABLE 2: BASE LEVEL OF SERVICE CALL COSTS

	Police
Residential Calls for Service – 2 years annualized	9,881
Residential Units	17,473
Base Calls per Residential Unit	0.56547

Police costs per call were determined by taking the police FY2019 budget of \$10,920,000 and allocating the proportionate share of the budget to the time spent responding to calls for service. Based on discussions with the City, the police force spends approximately 50 percent of its time responding to service calls. Total calls in the City (including residential, nonresidential and traffic calls) reached 37,802 calls over the same time period. Therefore, the cost per call is estimated to be \$144.44, calculated by taking half of the police contract price of \$10,920,000 and dividing by 37,802 calls.

TABLE 3: POLICE COST PER CALL FOR SERVICE

	Amount
Police Calls (all calls, including traffic calls)	37,802
Police Budget	\$10,920,000
Estimated Percentage of Time Spent on Responding to Police Calls	50%
Cost per Police Call	\$144.44

³ Police call data was averaged over a two-year period for fiscal years 2018 and 2019.

⁴ Includes single-family detached homes and single-family attached homes such as condominiums and townhomes.

⁵ Owner-occupied residences are identified in the Assessor's database.

Table 4 summarizes the disproportionate police service call costs for businesses in Millcreek.

TABLE 4: DISPROPORTIONATE POLICE CALLS FOR SERVICE

SUMMARY TABLE	Disproportionate Ratio (less outliers)	Disproportionate Cost	Unit
Group Homes	-0.3853	\$0	per bed
Assisted Living	0.0710	\$10	per bed
Automotive Dealers	2.6618	\$384	
Automotive and Transportation Services	3.2827	\$474	
Bank/Finance	5.7095	\$825	
Business and Professional Services	1.5955	\$230	
Contracted Services - Construction, Landscaping, etc.	1.1926	\$172	
Convenience Store	14.1404	\$2,042	
Day Care	1.8845	\$272	
Education and Clubs	-0.0655	\$0	
Entertainment	1.2679	\$183	
Grocery Stores	10.6845	\$1,543	
Legal Services	1.2345	\$178	
Movie Theaters	-0.5655	\$0	
Gyms	1.4345	\$207	
Industrial, Manufacturing, and Wholesale	1.5970	\$231	
Lodging	-0.5655	\$0	
Massage Center	1.3790	\$199	
Medical Center	15.8845	\$2,294	
Medical Professional	0.9118	\$132	
Personal and Home Services	2.2801	\$329	
Restaurant w/ Alcohol	1.9345	\$279	
Fast Food and Take-Out	5.6345	\$814	
Restaurants and Food (no Alcohol)	2.4524	\$354	
Retail	1.4276	\$206	
Short-Term Rentals	-0.0655	\$0	
Storage	-0.5246	\$0	per unit
Sexually Oriented Business	16.9326	\$2,446	

Apartment complexes were also analyzed for any disproportionate costs associated with different-sized complexes. This disproportionate analysis looked at number of units to categorize apartment complexes. The disproportionate cost associated with each apartment category is shown in the following table.

TABLE 5: DISPROPORTIONATE POLICE CALLS FOR SERVICE – APARTMENTS

SUMMARY TABLE	Disproportionate Ratio	Disproportionate Cost
1-2 Unit Apt	0.140551653	\$20.30
3-4 Unit Apt	0.045956128	\$6.64
5-9 Unit Apt	0.267860890	\$38.69
10-19 Unit Apt	0.093351086	\$13.48
20-49 Unit Apt	0	\$0.00
50-98 Unit Apt	0	\$0.00
99+ Unit Apt	0	\$0.00
All Apartments	0	\$0.00

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 (i.e., 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 class, the number of employees in a company, etc. Millcreek has not identified any enhanced service costs and, as such, no enhanced service costs are included in the fee calculations.

Total Licensing Costs

The total annual cost for a business license in Millcreek includes the base administrative and disproportionate service call costs. The total business license cost is the *maximum amount* the City may charge for a business license. The disproportionate service call costs are the same regardless of whether the license is a renewal or a new application.

Background

Zions Public Finance, Inc. (“ZPFI”) was retained by Millcreek to complete an analysis of business licensing costs to 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.”⁶ 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.”⁷ In other words, business licensing fees charged may not exceed the amount necessary to reasonably 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.

Based on legislation passed in 2017, license fees for home occupation businesses may only be charged when the “combined offsite impact of the home-based business and the primary residential use materially exceeds the offsite impact of the primary residential use alone.”⁸ This generally means that most home occupation businesses cannot be charged a license fee. The Legislature further amended the Code in 2018 to allow municipalities to charge a business license fee to home occupations that request a license when they otherwise would not be required to obtain one.⁹

Utah legislation allows cities wide latitude in defining the business classes and groupings which are most appropriate for each locality. Based on discussions with Millcreek, *type of business class* 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 class*. 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.

⁶ Utah Code Annotated §10-1-203(2)

⁷ Utah Code Annotated §10-1-203(5)(c)(ii)

⁸ Utah Code §10-1-203(7)

⁹ SB-158, effective May 8, 2018

Business Licensing Costs

Millcreek currently requires all commercial businesses to obtain a business license. This study considers the following three categories of business licensing which, when added together, equal the maximum amount the City may charge for business licenses: base administrative costs (including indirect costs), regulatory costs for specific business types, and disproportionate calls for service by business type.

Base Administrative Costs

Base administrative costs include the following standard labor costs: (i) business license application and registration process; (ii) issuance of license; (iii) collection of fees; (iv) maintenance of records; and (v) 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 the City. Costs have been evaluated based on time spent by employees, wages and benefits for these employees, and department overhead such as supplies, computers, etc. Based on discussions with the City, indirect costs have also been included in this analysis. Indirect costs include administration, human resources, legal, etc.

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. Considering 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

Direct business licensing costs include labor (wages & benefits) and department overhead (supplies, computers, etc.) costs for all personnel involved in issuing and overseeing business licenses.

The following Millcreek employee positions are directly involved in business licensing:

- Business License Administrator
- Business License Clerk
- Planning
- Building Services
- Compliance

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

TABLE 6: DIRECT COST PER MINUTE CALCULATION

Per Minute Cost	Calculation
Employee Labor Cost per Minute	$(Salary + benefits) / \text{employee total annual minutes worked}$
Department Overhead (e.g., supplies, computers, etc.)	$\text{Department operations costs} / \text{total annual minutes worked}$
Direct Business License Cost per Minute	$\text{Employee labor cost per minute} + \text{department operations cost per minute}$

Table 7 shows the labor direct cost per minute for all employees involved in business licensing. All figures used in calculating direct costs were provided by the City.

TABLE 7: DIRECT COST PER MINUTE

Summary Table	Cost per Hour (including Benefits)	Cost per Minute
Business License Administrator	\$35.63	\$0.59
Business License Clerk	\$34.63	\$0.58
Planning	\$37.90	\$0.63
Building Services	\$51.06	\$0.85
Compliance	\$40.10	\$0.67

Indirect Costs

The following indirect costs were provided by Millcreek as the fair share of costs to be allocated to the Business Licensing Department due to support from the departments listed below.

TABLE 8: INDIRECT COSTS ALLOCATED TO BUSINESS LICENSING

Department	Description	Amount	FY 2020-21
City Manager	Legal Div. (10% of Contract Attorney Costs)	\$14,000	\$14,000
Economic Development	Supervises Business License (25%)	\$37,373	\$38,000
Building	Building Department (8% of personnel costs)	\$52,960	\$27,840
Building	Code Division (20% of personnel costs)	\$50,942	\$0
Legislative Policy	Facility Division (5%)	\$17,094	\$17,750
Legislative Policy	IT Division (5%)	\$26,600	\$26,600
Communications	Information Center Division Personnel Costs (30%)	\$69,300	\$69,300
Communications	Information Center Division Postage Costs (30%)	\$3,600	\$3,600
Planning	Planners (5%)	\$27,250	\$16,400
Finance	10% of Personnel Costs	\$19,700	\$31,000
TOTAL		\$318,818	\$244,490

Indirect costs per minute are then calculated by dividing the total costs by the total minutes worked in the business licensing department.

TABLE 9: INDIRECT COST PER MINUTE

Description	Amount
Indirect Cost Allocation to Business License Fee Department	\$244,490
Number of employees in Business License Fee Dept	2
Total minutes worked	249,600
Indirect Cost Allocation per Minute	\$0.98

Total direct and indirect costs per minute are summarized as follows:

TABLE 10: TOTAL COSTS PER MINUTE

Indirect Costs	Direct Cost per Minute	Indirect Cost per Minute	Total Cost per Minute
Business License Administrator	\$0.59	\$0.98	\$1.57
Business License Clerk	\$0.58	\$0.98	\$1.56
Planning	\$0.63		\$0.63
Building Services	\$0.85		\$0.85
Compliance	\$0.67		\$0.67

Employee Time for Business Licensing

Each employee has a different role when reviewing business license applications, and their involvement may vary based on the application type of business class. The following table summarizes each person's involvement based on the type of business class.

TABLE 11: EMPLOYEE TIME (IN MINUTES) PER LICENSE

	Total	Business License Administrator	Business License Clerk	Planning	Building Services	Code Compliance
All Business Licenses						
New applications – general	1,189	24	24	10	75	50
Renewals – general	2,322	35	35	2	20	12
New applications - home occupations	119	22.5	22.5	10		50
New applications - home occ daycares	0	22.5	22.5	10	90	60
Renewals - home occupations	583	3.5	3.5			
New applications-short-term rentals	12	24	24	10	75	50
Renewals – short-term rental	23	35	35	2	20	12
Booth	45	22.5	22.5	10		50
Seasonal	5	30	30	10	90	60
Temporary license	0	15	15	10	60	30
Large-scale event temporary license	2	30	30	10		60
Solicitor ID	9	15	15			
Sexually-oriented businesses	4	45	45	15	90	60
Outcall service businesses	0	0	0	15	90	60
Alcohol-Related Licenses - Additional Time (not including time spent in section above)						
Single event	2	15	15	15		60
Off-premise beer retailer	36	15	15	15		
Beer only restaurant	4	15	15	15		
On-premise beer tavern	0	15	15	15		
Resort	0	15	15	15		
Wholesale beer	0	15	15	15		
Restaurant liquor	20	15	15	15		

	Total	Business License Administrator	Business License Clerk	Planning	Building Services	Code Compliance
Manufacturing	0	30	30	15	60	
Recreational on-premise beer retailer	0	15	15	15		
Limited restaurant liquor	9	15	15	15		
Club liquor	8	15	15	15		
Reception center	1	15	15	15		
Temporary beer event	2	15	15	15		60

Based on the total number of units completed of each application type during the past year, the Business License Administrator and Clerk spend 95 percent of their time directly involved with business licenses. However, these numbers should be adjusted to include time spent in training, meetings, answering phones, responding to general inquiries, etc. Time spent by the business license clerk can be adjusted to 100 percent of his time as his only duties are in business licensing. For the business license administrator, the time has been adjusted to 90 percent of total hours in a year as he spends 10 percent of his time with recorder-related duties. These adjustments to minutes result in the following total minutes spent per business license type.

TABLE 12: EMPLOYEE TIME (IN MINUTES) PER LICENSE - ADJUSTED

	Total	Business License Administrator	Business License Clerk	Planning	Building Services	Code Compliance
All Business Licenses						
New applications – general	1,189	22.77	25.3	10	75	50
Renewals - general	2,322	33.21	36.9	2	20	12
New applications - home occupations	119	21.35	23.72	10	0	50
New applications - home occ daycares	0	21.35	23.72	10	90	60
Renewals - home occupations	583	3.32	3.69	0	0	0
New applications – short-term rentals	12	22.77	25.3	10	75	50
Renewals – short-term rentals	23	33.21	36.9	2	20	12
Booth	45	21.35	23.72	10	0	50
Seasonal	5	28.46	31.63	10	90	60
Temporary license	0	14.23	15.81	10	60	30
Large-scale event temporary license	2	28.46	31.63	10	0	60
Solicitor ID	9	14.23	15.81	0	0	0
Sexually-oriented businesses	4	42.69	47.44	15	90	60
Outcall service businesses	0	0	0	15	90	60
Alcohol-Related Licenses - Additional Time (not including time spent in section above)						
Single event	2	14.23	15.81	15	0	60
Off-premise beer retailer	1	14.23	15.81	15	0	0
Beer only restaurant	4	14.23	15.81	15	0	0

	Total	Business License Administrator	Business License Clerk	Planning	Building Services	Code Compliance
On-premise beer tavern	0	14.23	15.81	15	0	0
Resort	0	14.23	15.81	15	0	0
Wholesale beer	0	14.23	15.81	15	0	0
Restaurant liquor	20	14.23	15.81	15	0	0
Manufacturing	0	28.46	31.63	15	60	0
Recreational on-premise beer retailer	0	14.23	15.81	15	0	0
Limited restaurant liquor	6	14.23	15.81	15	0	0
Club liquor	8	14.23	15.81	15	0	0
Reception center	0	14.23	15.81	15	0	0
Temporary beer event	2	14.23	15.81	15	0	60

Base Administrative Costs

The following tables outline the total cost associated with each base administrative license.

TABLE 13: BASE ADMINISTRATIVE COSTS

	Total
All Businesses	
New applications – general	\$164.72
Renewals – general	\$115.50
New applications - home occupations	\$97.07
New applications - home occ daycares	\$180.35
Renewals - home occupations	\$8.92
New applications – short-term rentals	\$164.72
Renewals – short-term rentals	\$115.50
Booth	\$97.07
Seasonal	\$199.46
Temporary license	\$115.65
Large-scale event temporary license	\$122.87
Solicitor ID	\$38.22
Sexually-oriented businesses	\$240.84
Outcall service businesses	\$126.17
Alcohol-Related Licenses - Additional Time (not including time spent in section above)	
Single event	\$96.58
Off-premise beer retailer	\$56.48
Beer only restaurant	\$56.48
On-premise beer tavern	\$56.48
Resort	\$56.48
Wholesale beer	\$56.48
Restaurant liquor	\$56.48
Manufacturing	\$154.55
Recreational on-premise beer retailer	\$56.48
Limited restaurant liquor	\$56.48
Club liquor	\$56.48
Reception center	\$56.48
Temporary beer event	\$96.58

Disproportionate Costs

Disproportionate service costs include the additional costs which some businesses incur because of additional regulatory services required and additional municipal services provided, such as police and fire, as compared to the base level of service. There are two types of disproportionate service costs: (1) disproportionate regulatory service costs; and (2) disproportionate service call costs.

Disproportionate regulatory service 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, assisted living, and other special care facilities.

Disproportionate service call costs include the cost of services for police calls above the base level of service provided by these departments. In order to identify disproportionate service levels, ZPFI has interviewed City officials and service providers and has obtained data regarding 911 calls for service from the City.

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)(I), the legislative body of the municipality shall adopt an ordinance defining for purposes of the [fee] tax under Subsection (5)(a)(i)(C)(I) the costs that constitute disproportionate costs and the amounts that are reasonably related to the costs of the municipal services provided by the municipality.”

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

Millcreek has chosen to only consider disproportionate police services in this study. Therefore, disproportionate services rendered may include police calls for service and business-related paperwork, administrative oversight, special regulations, inspections, calls for service, and other services performed for specific types of businesses. To calculate disproportionate costs, the *base level* of service for police must first be established. There are two types of disproportionate costs that are allowed by law: disproportionate regulatory costs and disproportionate 911 police and fire call costs.

Disproportionate Regulatory Costs

Millcreek has not identified any disproportionate regulatory costs.

Disproportionate Service Call Costs

Disproportionate service call costs include the cost of services for police calls above the base level of service provided by police.¹⁰ The *base level* of service is the average level of 911 service calls to owner-

¹⁰ This study does not include any traffic-related calls. Only calls where police were dispatched to the site are included in the study.

occupied residences.¹¹ Calls for police services were obtained from the police department for a 2-year period including 2018 and 2019. The call data was then mapped and analyzed to calculate the number of calls to owner-occupied residential units. The number of calls to owner-occupied single-family residential units was averaged over the two-year period.¹² 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 calls for police. This per unit base level of service is referred to as the *base level service call ratio*. The disproportionate service call costs are calculated by multiplying the average level of police calls for each commercial business and residential rental type above the base level of service calls by the cost per call for police services.

The annual *base level service call ratio* of service for police calls was determined to be an average of 0.56736 calls per owner-occupied single-family residence per year.

TABLE 14: RESIDENTIAL CALL DATA – BASE LEVEL OF SERVICE CALL RATIO FOR POLICE

	Police
Residential Calls for Service – 2 years annualized	9,881
Residential Units	17,473
Base Calls per Residential Unit	0.56547

The annual average police call ratio per business¹³ in each business class was calculated by dividing the average annual number of calls in each business class by the total number of businesses in the business class. Service call ratios for commercial businesses that are higher than the *base level* of service call ratio are considered disproportionate. To calculate the disproportionate service call ratio, the base level of service ratio was subtracted from the average calls per commercial business class.

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 and were omitted from the study. There were only a few statistical outliers identified as part of this study, and they were removed from the calculations.

Police costs per call were determined by taking the police budget, estimating the percentage of time spent on responding to calls for service and dividing that portion of the budget by all calls for service (traffic calls included).

TABLE 15: POLICE COST PER CALL FOR SERVICE

	Amount
Police Calls (all calls, including traffic calls)	37,802
Police Budget	\$10,920,000
Estimated Percentage of Time Spent on Responding to Police Calls	50%
Cost per Police Call	\$144.44

¹¹ Calls are matched to the address where the incident took place, not the address of call origination.

¹² A two-year average minimizes the effect of a call volume spike that could occur over a one-year period.

¹³ Service calls to businesses located in strip malls where calls for service could not be attributed to a specific business were removed from the analysis contained in this study.

Table 16 summarizes the disproportionate police call costs for businesses in Millcreek.

TABLE 16: DISPROPORTIONATE POLICE CALLS FOR SERVICE

SUMMARY TABLE	Disproportionate Ratio (less outliers)	Disproportionate Cost	Unit
Group Homes	-0.3853	\$0	per bed
Assisted Living	0.0710	\$10	per bed
Automotive Dealers	2.6618	\$384	
Automotive and Transportation Services	3.2827	\$474	
Bank/Finance	5.7095	\$825	
Business and Professional Services	1.5955	\$230	
Contracted Services - Construction, Landscaping, etc.	1.1926	\$172	
Convenience Store	14.1404	\$2,042	
Day Care	1.8845	\$272	
Education and Clubs	-0.0655	\$0	
Entertainment	1.2679	\$183	
Grocery Stores	10.6845	\$1,543	
Legal Services	1.2345	\$178	
Movie Theaters	-0.5655	\$0	
Gyms	1.4345	\$207	
Industrial, Manufacturing, and Wholesale	1.5970	\$231	
Lodging	-0.5655	\$0	
Massage Center	1.3790	\$199	
Medical Center	15.8845	\$2,294	
Medical Professional	0.9118	\$132	
Personal and Home Services	2.2801	\$329	
Restaurant w/ Alcohol	1.9345	\$279	
Fast Food and Take-Out	5.6345	\$814	
Restaurants and Food (no Alcohol)	2.4524	\$354	
Retail	1.4276	\$206	
Short-Term Rentals	-0.0655	\$0	
Storage	-0.5246	\$0	per unit
Sexually-Oriented Business	16.9326	\$2,446	

The previous table shows the maximum disproportionate fee that the City could impose based on the disproportionate cost associated with each business class.

Apartment complexes were also analyzed for any disproportionate costs associated with different sized complexes. This disproportionate analysis looked at number of units to categorize apartment complexes. The disproportionate cost associated with each apartment category is shown in the table below.

TABLE 17: DISPROPORTIONATE POLICE CALLS FOR SERVICE – APARTMENTS

SUMMARY TABLE	Disproportionate Ratio	Disproportionate Cost
1-2 Unit Apt	0.140551653	\$20.30
3-4 Unit Apt	0.045956128	\$6.64
5-9 Unit Apt	0.267860890	\$38.69
10-19 Unit Apt	0.093351086	\$13.48
20-49 Unit Apt	0	\$0.00
50-98 Unit Apt	0	\$0.00
99+ Unit Apt	0	\$0.00
All Apartments	0	\$0.00

Total Licensing Costs

The total annual cost for a business license in Millcreek includes the base administrative and disproportionate regulatory service costs and disproportionate service call costs. The total business license cost is the *maximum amount* the City may charge for a business license. The disproportionate service costs are the same regardless of whether the license is a renewal or a new application.

Exhibit B

5.08.040 License; Fee

An annual license fee and a disproportionate cost fee is levied upon the business of every person engaged in a business within the city. The city hereby adopts the business license fees and disproportionate cost fee as set forth in the consolidated fee schedule for business license services. It is determined by the council that a disproportionate level of municipal services are provided to certain businesses within the city in comparison with the level of services provided to other businesses and to residences within the city, based on additional municipal services provided to such businesses and on disproportionate use of police services.

5.08.045 License; Change In Place Of Business; Fee

1. Any time a place of business changes, the business license for the prior place of business expires and a new application for a business license is required for the new place of business. A change in place of business shall include any change of address including a change of suite numbers within the same building. The new application shall be subject to the requirements of MKC 5.02.
2. The annual license fees and disproportionate fee described in MKC 5.08.404, ~~including both the per place of business and the disproportionate cost fee per employee,~~ shall be levied for the new place of business for the twelve months following issuance of the new business license. However, these fees for the new place of business shall be reduced to account for months where the licensee has not received the full benefit of the license fees for the prior place of business, as determined by the number of complete months for which the prior fees were paid but not used, and calculated on a pro rata basis.

5.19.050 License; Fee

The aggregate license fee for a license under this chapter shall be the annual license fee as set forth in the consolidated fee schedule plus the disproportionate cost fee as set forth in the consolidated fee schedule, as defined in MKC 5.08.040. A license with applicable fee is required for each separate short-term rental property.

5.19.060 Inspections For Compliance

All Short-Term Rentals shall have a building inspection completed by the Building Official and or their designee before a license may be granted. After a license has been granted, the license official may make periodic inspections of a short-term rental to ensure compliance with this chapter and all other applicable law.