



Provo City Municipal Council

Business License Fees

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- History
 - Fee Study
 - Preliminary Proposal
-



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June 2010 Council Intent Statement:

It is the legislative intent, policy, and priority of the Municipal Council, to work with the Mayor, to develop a [structurally balanced, long-term, fiscal plan for the City of Provo](#), that is evaluated in frequent and regular intervals to maximize its continued relativity, and may establish program and activity-based accounting practices, as permitted by law.

History

Fee Study

Preliminary Proposal



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Budget Retreats

Beginning in August 2010, the Council held a series of budget retreats to discuss topics related to creating a long-term sustainable budget

History

Fee Study

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October 2010 Budget Retreat

- The Council and Administration discussed various fees including business license fees
- It was brought to the attention of the Council that Utah State Code (Section 10-1-203) allows the City to charge business license fees equal to the cost incurred to regulate the business, including disproportionate service costs and enhanced level of service costs
- A study of business licensing would determine the actual costs to the City associated with regulating businesses

History

Fee Study

Preliminary Proposal



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Business License Fee Study

- In December 2010, The Council appropriated funds for a business license and residential dwelling license fee study
- Lewis Young Robertson & Burningham, Inc. was selected to conduct the study

History

Fee Study

Preliminary Proposal



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Business License Fee Study

- All businesses in Provo City were divided into business classes based on type of business activity
- The study identified three categories of costs:

Base Administrative Costs

Disproportionate Service Costs

Enhanced Service Costs (Does not currently apply to Provo)

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Base Administrative Costs

Base administrative costs are those associated with regulating all classes of business and include costs of:

- Business license application and registration process
- Issuance of license
- Collection of fees
- Maintenance of records
- Preparation of business reports and required verifications
- Regulatory inspections common to all businesses



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Disproportionate Service Costs

Disproportionate service costs are costs associated with regulating certain types of business beyond the base costs

Disproportionate Regulatory Costs

- Business-related paperwork
- Administrative oversight
- Inspections

Disproportionate Service Call Costs

- Fire
- Police
- EMS



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Outcome

$$\begin{aligned} & \text{Base Administrative Cost (All classes)} \\ & \text{Disproportionate Regulatory Cost (Class-specific)} \\ + & \text{Disproportionate Service Call Costs (Class-specific)} \\ \hline & \text{Total Cost} \end{aligned}$$

Business license fees for a given business class may not exceed the total cost of regulating a business in that class



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Outcome

The study found that in most cases, the current business license fees were not adequate to cover the costs incurred by the City, however, some of the current fees will be reduced as a result of the study

Provo City collects approximately **\$550,000** in business license fees under the current fee structure

The fee study found that the City incurs approximately **\$1,500,000** in costs associated with regulating businesses

Additional information including a copy of the study is available online at www.provo.org

History

Fee Study

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Preliminary Proposal

- The Council and Administration met several times in public meetings to discuss business license fees and the results of the study
- The preliminary proposal for restructuring business license fees is designed to:
 - Achieve 50% cost recovery, phased in over five years
 - Reduce fees that exceed actual costs

History

Fee Study

Preliminary Proposal