

**CITY OF AURORA
PROPOSED BUSINESS LICENSING PROGRAM FEES**

November 15, 2004

CITY OF AURORA

PROPOSED BUSINESS LICENSING PROGRAM FEES

INTRODUCTION

Overview

The City of Aurora has engaged Miller, Cooper & Co., Ltd. to assist in setting fees for its business licensing programs. It is expected that the new licensing program will produce many tangible and intangible benefits. These include complete fire inspections, data files of facilities, and means of monitoring compliance. The lien check as part of issuing licenses can also provide a means of enforcing collections of other outstanding fees.

In order to determine fees, the effects of the new program on staffing were considered, and total program costs were projected. These amounts divided by anticipated licenses to be issued provide fee amounts. The amounts are then stratified according to size of business. The recommended fee schedule covers program costs only. If the City would rather raise revenue, the suggested fees would need to be increased.

Scope

Business license fees cover businesses and lessors of property. The fees are expected to be sufficient to cover the costs of processing, incurred by the Revenue and Collections Division. As lessors are charged for inspections performed by the Property Standards Division, only the incremental costs of processing will be charged. For other businesses, however, the costs of fire inspection and plan review, by the Divisions of Fire Prevention and Buildings and Permits, respectively, will be included in the licensing charge.

DIVISIONAL COSTS

Schedules two to four document the accumulation of costs for the program.

Worksheet Description

The four columns are budget 2004, additions for licensing, adjusted budget, and licensing costs. The budget provides the total for 2004, with adjustments delineated. Licensing additions are based on additional personnel hired under the licensing program. The adjusted budget is the new projected total Division cost, reflecting new personnel. The final column is the amount of licensing program costs to be recovered. It differs from the second column in that a portion of existing costs are also included, not simply added personnel.

CITY OF AURORA
PROPOSED BUSINESS LICENSING PROGRAM FEES - Continued

DIVISIONAL COSTS (Continued)

Revenue and Collections

Per Raul Menendez, certain staffing additions/changes are anticipated, as follows: A) One of the current Clerk II is to be promoted to Clerk III (Coordinator); B) Two Clerk II (Administrators) are to be added; and C) One Clerk II is to be added (Inspector/Auditor). The net increase in headcount is three (3).

Total program costs are comprised of three clerk II's, ten percent of the newly promoted clerk III, and five percent of the Assistant Director of Finance's time. A prorata share of payroll fringe, non-payroll costs, and supporting overhead costs is added. Additional non-payroll costs of \$25,000 are projected for printing and mailing costs related to the program. A car is provided for the license enforcement clerk. Depreciation is assumed at \$5,000 per year, which is \$25,000 cost divided by a five-year life.

Building and Permits

Business licensing will include creation of plan information for all businesses in the city. According to John Curly, plan examination takes approximately 15 minutes. Because of the current state of the records, this would be budgeted in the first year of the program. In future years, as records improve, this is likely to decrease.

Currently, John spends thirty percent of his time on plan examinations, the assistant director spends fifty percent, and the plan examiner spends 90 percent. He believes that the program will require one new plan examiner. This appears reasonable as 6,000 buildings at fifteen minutes each represents 1,500 hours, which approximates a full-time employee.

Fire Prevention

The Fire Prevention Division will be integral to business licensing. A fire safety inspection would be required for all businesses.

Currently, three fire inspectors spend forty percent of their time on inspections. This amounts to 1.2 full-time equivalent employees. They conduct approximately 2,000 inspections. Jack Smith believes that the additional 4,000 units of volume would require two additional inspectors and an additional secretary. Because of the need to travel to the location, a car is assumed for each inspector. Depreciation is as described for Revenue and Collection. Depreciation, rather than capital outlay, is assumed for fee computations, which potentially would give rise to a need for borrowing in the first year. An estimated thirty percent of the Fire Marshall's time will be spent on the program.

CITY OF AURORA
PROPOSED BUSINESS LICENSING PROGRAM FEES - Continued

DIVISIONAL COSTS (Continued)

Fire Prevention (Continued)

An average inspection totals approximately one hour, reflecting the inspection, fifteen minutes of driving and report preparation time, and potential reinspection. Reinspection takes fifteen to twenty minutes and occurs in 30% of inspections. An second reinspection is needed in two-thirds of cases. Potentially, these could be charged back to licensees. The related time and fee is delineated on the accompanying exhibits.

Initial inspections vary in their duration from a low of 0.5 hour to a high of 2.25 hours. Small is 5,000 square feet, average is 22,500, and large is up to 150,000 square feet. Data has been requested to refine these statistics. For an appropriate weighting of the fire inspection portion of the business license fee, weights can be derived from time in relation to the one-hour average.

Property Standards

It was determined in discussion that only the cost of business license processing will be charged additionally to lessors of rental property.

Initially, the Property Standards Division was to be included in the study. Based upon discussion with Mark Anderson, the inspections performed are currently billed to lessors. He feels that it is comparable to amounts charged by other communities, and that market, rather than cost, should drive fee setting.

Fees charged recover a fraction of the Division's costs. Currently, 2,753 buildings are subject to inspection, with another 1,500 single family dwellings to be added this year. Based upon the Division's 2004 budget of \$2,418,500, the cost per building, assuming 2,753 buildings, is \$878.50. This amount is overstated, as the Division performs services other than inspection of rental dwellings. Actual inspection revenue is approximately \$175,000, with fines and penalties at \$271,000. This assumes that rental property is substantially all of the budget.

CITY OF AURORA
PROPOSED BUSINESS LICENSING PROGRAM FEES - Continued

ADJUSTMENTS TO BUDGETS

Several adjustments are made to the Division's budgets on schedules two to four, as described here. Schedules five provides computation details, data for which are in schedules six to eight.

Indirect Costs

Indirect costs include the overhead departments necessary to support functions performed by the city. Departments included as indirect for purposes of the study include Human Resources, General Government – Miscellaneous, Administration, Accounting, Budgeting, Financial Services, Management Information Systems, and Purchasing.

To simplify the calculation and because the data were not readily available, cost of the departments are summed without adjustment in schedule 6. Salaries and wages are summarized in schedule 7. A ratio of the total costs to total city salaries is computed, to derive an indirect rate in schedule 5.

Depreciation

Depreciation covers non-building items of personal property, such as computers and furniture. Because of the city's \$25,000 capitalization limit, annual depreciation is relatively low. The rate per payroll dollar is in schedule 5, from depreciation details in schedule 8. Where vehicles are called for, a separate estimate of \$5,000 per vehicle is made, based upon acquisition cost of \$25,000 over a five-year useful life.

Space

Occupancy services provided by the Central Services Department cost approximately \$560,000. Utilized footage, after removing common and other unassigned areas, is estimated to be 50,000, for a rate per foot of \$11.10. Depreciation detail did not appear significant, as many of the buildings were acquired or built many years ago.

RECOMMENDED FEES

Finally, the first schedule reflects projected costs and recommended fees. Because fees for rental properties exclude services from Buildings and Permits and from Fire Prevention, only Revenue and Collection is charged. Several fees are provided for other businesses. Based upon variation in inspection cost, recommended fees are stratified into small, medium, and large facilities. Finally, a charge per reinspection is computed.

CITY OF AURORA
PROPOSED BUSINESS LICENSING PROGRAM FEES - Continued

RECOMMENDED FEES (continued)

The build-up of the fees reflects the following:

- Revenue and Collection: These are costs of the licensing program administration and data maintenance. To determine the cost per license, total program-related costs are divided by 10,000 licenses, including 6,000 businesses and 4,000 rental properties.
- Building and Permits: These are costs for plan examination. They are averaged over 6,000 subject businesses.
- Fire Prevention: An average cost is determined based upon the Division's costs divided by 6,000. A weight is applied to obtain cost estimates for large and small businesses. To reiterate, medium is considered 22,500 square feet, whereas small is 5,000 square feet and large is 150,000 square feet. For reinspection, twenty minutes or 0.33 hour is assumed.

SCHEDULE 1
City of Aurora, Illinois
Recommended Business License Fees
Projection Based on 2004 Budget

Recommended business license fees:

	<u>Recommended Fee</u>	<u>Total Cost</u>	<u>Revenue and Collection</u>	<u>Building and Permits</u>	<u>Fire Prevention</u>
Rental property	\$ 20.00	\$ 21.81	\$ 21.81	\$ -	\$ -
Business: Small facility	80.00	80.34	21.81	20.43	38.10
Medium facility	120.00	118.44	21.81	20.43	76.20
Large facility	215.00	213.70	21.81	20.43	171.46
Reinspection	25.00	25.15	-	-	25.15

Cost Summary:

		<u>Total</u>	<u>Number of Licenses</u>	<u>Cost per License</u>
Revenue and collection	<i>(schedule 2)</i>	\$ 218,144	10,000	\$ 21.81
Building and permits	<i>(schedule 3)</i>	122,556	6,000	20.43
Fire prevention	<i>(schedule 4)</i>	457,223	6,000	76.20

Variation in Fire Prevention:

Base average	1 hour	\$ 76.20
Range:		
Small facility	0.5 hours	38.10
Large facility	2.25 hours	171.46
Reinspection	0.33 hours	25.15

SCHEDULE 2
City of Aurora
Costs to be Allocated, Revenue and Collection Division
Projection Based on 2004 Budget

	<u>Budget 2004</u>	<u>Additions for Licensing</u>	<u>Adjusted Budget</u>	<u>Licensing Costs</u>
Salaries and wages	\$ 388,643	\$ 110,443	\$ 499,086	\$ 116,698
Fringe Benefits	170,514	48,456	218,970	51,200
Capital outlay	-	-	-	-
Other	46,443	33,198	79,641	33,945
Cost Recovery	<u>(107,100)</u>	<u>-</u>	<u>(107,100)</u>	<u>-</u>
Total cost	<u>498,500</u>	<u>192,097</u>	<u>690,597</u>	<u>201,844</u>
Additions:				
Indirect Costs	26,908	7,647	34,555	8,080
Depreciation	653	5,186	5,839	5,196
Space (900 square feet)	10,073	2,863	12,936	3,025
Other	-	-	-	-
Total Additions	<u>37,635</u>	<u>15,695</u>	<u>53,330</u>	<u>16,301</u>
Adjusted Total	<u>\$ 536,135</u>	<u>\$ 207,792</u>	<u>\$ 743,927</u>	<u>\$ 218,144</u> <i>(schedule 1)</i>
Payroll Detail				
<u>Classification</u>				
Accounting Clerk I	22,936	-	22,936	-
Head Count:	1	-	1	-
Accounting Clerk II	144,786	72,393	217,179	108,590
Head Count:	4	2	6	3
Accounting Clerk III	38,050	38,050	76,100	3,805
Head Count:	1	1	2	0.1
Asst. Director/Finance	86,069	-	86,069	4,303
Head Count:	1	-	1	0.05
Total	<u>\$ 291,841</u>	<u>\$ 110,443</u>	<u>\$ 402,284</u>	<u>\$ 116,698</u>

SCHEDULE 3
City of Aurora
Costs to be Allocated, Building and Permits Division
Projection Based on 2004 Budget

	<u>Budget 2004</u>	<u>Additions for Licensing</u>	<u>Adjusted Budget</u>	<u>Licensing Costs</u>
Salaries and wages	\$ 1,181,998	\$ 72,903	\$ 1,254,901	\$ 72,903
Fringe Benefits	429,352	26,481	455,833	26,481
Capital outlay	-	-	-	-
Other	230,300	14,204	244,504	14,204
Cost Recovery	-	-	-	-
Total cost	<u>1,841,650</u>	<u>113,589</u>	<u>1,955,239</u>	<u>113,589</u>
Additions:				
Indirect Costs	81,838	5,048	86,885	5,048
Depreciation	1,987	123	2,110	123
Space (5,500 square ft.)	61,560	3,797	65,357	3,797
Other	-	-	-	-
Total Additions	<u>145,385</u>	<u>8,967</u>	<u>154,352</u>	<u>8,967</u>
Adjusted Total	<u>\$ 1,987,035</u>	<u>\$ 122,556</u>	<u>\$ 2,109,591</u>	<u>\$ 122,556</u> <i>(schedule 1)</i>
Payroll Detail				
<u>Classification</u>				
Customer Service Rep.	80,904	-	80,904	
Head Count:	3	-	3	
Electrical Inspector	128,216	-	128,216	
Head Count:	3	-	3	
Building Inspector	322,298	-	322,298	
Head Count:	5	-	5	
HVAC Inspector	131,395	-	131,395	
Head Count:	2	-	2	
Plan Examiner	131,225	72,903	204,128	72,903
Head Count:	1.8	1	3	1
Plumbing Inspector	100,832	-	100,832	
Head Count:	2	-	2	
Total	<u>\$ 894,870</u>	<u>\$ 72,903</u>	<u>\$ 967,773</u>	<u>\$ 72,903</u>

SCHEDULE 4
City of Aurora
Costs to be Allocated, Fire Prevention Division
Projection Based on 2004 Budget

	<u>Budget 2004</u>	<u>Additions for Licensing</u>	<u>Adjusted Budget</u>	<u>Licensing Cost</u>
Salaries and wages	\$ 375,000	\$ 171,328	\$ 546,328	\$ 282,699
Fringe Benefits	171,375	78,297	249,672	129,194
Capital outlay	-	-	-	-
Other	-	-	-	-
Cost Recovery	-	-	-	-
Total cost	<u>546,375</u>	<u>249,624</u>	<u>795,999</u>	<u>411,893</u>
Additions:				
Indirect Costs	25,964	11,862	37,826	19,573
Depreciation	15,631	10,288	25,919	16,475
Space (1,100 square ft.)	12,312	5,625	17,937	9,282
Other	-	-	-	-
Total Additions	<u>53,906</u>	<u>27,775</u>	<u>81,682</u>	<u>45,330</u>
Adjusted Total	<u>\$ 600,281</u>	<u>\$ 277,400</u>	<u>\$ 877,681</u>	<u>\$ 457,223</u> <i>(schedule 1)</i>
Payroll Detail				
<u>Classification</u>				
Fire Inspector	197,506	131,671	329,177	210,673
Head Count:	3	2	5	3.2
Admin. Secretary	39,657	39,657	79,314	39,657
Head Count:	1	1	2	1
Fire Marshall	107,898	-	107,898	32,369
Head Count:	1	-	1	0.3
Total	<u>\$ 345,061</u>	<u>\$ 171,328</u>	<u>\$ 516,389</u>	<u>\$ 282,699</u>

SCHEDULE 5
City of Aurora
Indirect Cost Allocations
Projection Based on 2004 Budget

<u>Fund</u>	<u>Dept</u>	<u>Dept/Activity</u>	<u>Dept Total</u>	<u>Non Capital</u>	<u>Capital</u>
			<i>(schedule 6)</i>		
		Total Dept. Expenses	4,607,187	=	0.069
		Total Salaries	66,542,669		
			<i>(schedule 7)</i>		
25	27	CENTRAL SERVICES	555,500	555,500	-
		Occupancy Expenses	559,638	=	11.19
		Utilized Footage	50,000		per square foot
			<i>(schedule 8)</i>		
		Depreciation	111,889	=	0.002
		Total Salaries	66,542,669		
			<i>(schedule 7)</i>		

SCHEDULE 6
City of Aurora
Indirect Cost Allocations
Projection Based on 2004 Budget

<u>Fund</u>	<u>Dept</u>	<u>Dept/Activity</u>	<u>Dept Total</u>	<u>Non Capital</u>	<u>Capital</u>
10	06	HUMAN RESOURCES	\$ 1,258,019	\$ 1,258,019	\$ -
10	99	GENERAL GOVERNMENT - MISC	185,000	185,000	-
25	02	ADMINISTRATION	394,600	394,600	-
25	21	ACCOUNTING	785,168	785,168	-
25	22	BUDGETING	187,100	187,100	-
25	24	FINANCIAL SERVICES	-	-	-
25	25	MANAGEMENT INFORMATION SYSTEMS	1,415,200	1,415,200	-
25	26	PURCHASING	382,100	382,100	-
Total General Fund			\$ <u>4,607,187</u>	\$ <u>4,607,187</u>	\$ <u>-</u>
			<i>(schedule 5)</i>		

SCHEDULE 7
City of Aurora
Projection Based on 2004 Budget

<u>Fund</u>	<u>Dept</u>	<u>Dept/Activity</u>	<u>Salaries</u>
		MAYOR'S OFFICE	
10	02		\$ 396,503
10	03	CITY CLERK	201,747
10	04	ALDERMAN	368,346
10	05	LAW	698,567
10	06	HUMAN RESOURCES	549,600
10	07	BOARDS & COMMISSIONS	74,721
10	08	CIVIL SERVICE	46,113
10	09	ECONOMIC DEVELOPMENT	409,737
10	10	ELECTION COMMISSION	218,031
10	38	COMMUNITY SAFETY	172,943
10	99	GENERAL GOVERNMENT - MISC	-
13	02	COMMUNITY SERVICES & OUTREACH	233,585
13	14	CUSTOMER SERVICES	276,597
13	15	SPECIAL EVENTS	257,075
13	25	CABLE ACCESS	221,621
13	49	HEALTH CLINIC	-
15	16	COMMUNITY DEVELOPMENT ADMINISTRATION	395,503
15	27	PROPERTY STANDARDS	1,438,341
15	28	BUILDINGS & PERMITS	1,181,998
15	29	LAND USE & ZONING	340,448
15	30	PLANNING	172,837
15	31	NEIGHBORHOOD REDEVELOPMENT	232,778
15	40	DOWNTOWN DEVELOPMENT	116,380
15	45	HISTORIC PRESERVATION	185,933
15	46	CULTURE & PUBLIC ARTS	109,182
15	41	G.A.R. MUSEUM	-
25	02	ADMINISTRATION	181,150
25	21	ACCOUNTING	596,277
25	22	BUDGETING	143,487
25	23	REVENUE & COLLECTION	388,643
25	24	FINANCIAL SERVICES	-
25	25	MANAGEMENT INFORMATION SYSTEMS	622,293
25	26	PURCHASING	293,410
25	27	CENTRAL SERVICES	172,164
25	28	ELMSLIE BUILDING MAINTENANCE	36,403
25	29	COMMUNITY CENTER MAINTENANCE	143,628
25	30	ELKS BUILDING MAINTENANCE	-
25	32	ALSCHULER BUILDING MAINTENANCE	-
25	54	DOWNTOWN MAINTENANCE	251,114
30	33	FIRE DEPARTMENT	16,549,784
35	36	POLICE SERVICES	30,570,071
40	39	PUBLIC WORKS ADMINISTRATION	259,696
40	40	ENGINEERING	1,821,575
45	02	PUBLIC PROPERTY ADMINISTRATION	160,211
45	41	SANITATION	193,870
45	42	ELECTRICAL MAINTENANCE	807,119
45	48	STREET MAINTENANCE	2,372,577
50	02	PARKS & REC. ADMINISTRATION	442,529
50	43	PARKS OPERATIONS & MAINTENANCE	672,577
50	44	PHILLIPS PARK ZOO	185,591
50	45	ANIMAL CONTROL	478,671
60	46	YOUTH SERVICES DEPARTMENT	901,243
95	31	NON-DEPARTMENTAL	-
Total General Fund			\$ 66,542,669
			<i>(schedule 5)</i>

SCHEDULE 8
 City of Aurora
 Fixed Assets
 Projection Based on 2004 Budget
 GFAAG - Equipment

Actual 2003 Figures

FUND	SITE	FUNCTION	LIFE	ASSET NUMBER	DESCRIPTION	MANUFACTURE	MODEL NUMBER	SERIAL NUMBER	ACQ DATE	ORG COST	DEPRECIATION	ACCUM DEP	BOOK VALUE	
500 EQUIPMENT	101	1	1000	10	2002 TELEPHONE UPGRADE(APD & CITY HALL)				01/01/02	\$	19,596.24	\$	166,568.01	
	101	1	1000	10	1723 PHOTOCOPIER	XEROX	9347 001	61	1/1/1997	88,588.59	4,429.43	53,153.15	35,435.44	
	101	1	1000	5	1607 DRIVE, TAPE	IBM	400-27	5100 5TC-016385	1/1/1990	35,000.00	-	35,000.00	0.00	
	101	29	3000	10	3514 AS400 MIDRANGE COMPUTER	ONERC	4000XT	10-SHDTM	1/1/2001	135,549.00	27,109.80	67,774.50	67,774.50	
	101	21	3000	10	205 SYSTEM, TELEPHONE	NORTHERN TELECOM MERIDIAN 1		NA	1/1/1998	25,000.00	2,500.00	13,750.00	11,250.00	
	101	21	3000	10	1841 SYSTEM, TELEPHONE				1/1/1997	112,654.00	6,200.00	73,225.10	39,428.90	
	101	21	3000	10	2170 PHOTOCOPIER	IBM		3165 5424E	1/1/1999	62,000.00	15,000.00	27,900.00	34,100.00	
	101	21	3000	5	3147 FILE SERVER	IBM	7014-S00	10-C9AAD	07/10/02	49,139.01	9,827.80	14,741.70	34,397.31	
	101	1	3000	5	IBM RS6000 COMPUTER SYSTEM	IBM	RS6000		10/10/02	31,969.77	3,196.98	4,785.47	27,174.30	
	101	1	3000	10	911 UNINTERRUPTED POWER SUPPLY	POWERWARE	9330-40		1/1/1989	35,000.00	7,000.00	31,500.00	3,500.00	
	101	41	4500	5	2037 SCANNER/COPIER	XEROX	8830 DDS	D8W-028393	1/1/1997	26,160.00	2,616.00	17,004.00	9,156.00	
	101	10	1000	10	120 SYSTEM, TELEPHONE	MERIDIAN 1			4/1/2003	36,228.24	1,811.41	1,811.41	34,416.83	
	101	1500	1500	10	PRINTER/COPIER/SCANNER	XEROX	510DP SYNERGIX	7085 56GF00872	8/7/2003	26,715.00	1,335.75	1,335.75	25,379.25	
12/31/03 TOTAL									\$	934,965.97	\$	423,885.44	\$	511,080.63

(schedule 5)