



Business Registry and Licensing Program

Prepared by the City of Fayetteville Strategic Planning and Internal
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Summary

Strategic Planning staff began researching the feasibility of a business registry program at the request of Alderwoman Shirley Lucas and the Fayetteville Chamber of Commerce in March 2009. The following report outlines the benefits and associated costs of establishing and operating a business registry and licensing program and the relevant departmental responsibilities.

A registry and licensing program will provide the following benefits:

- timely and accurate economic performance data addressing job and industry growth;
- accurate public safety data regarding location, fire suppression systems and the storage of hazardous materials; and
- leverage for the City Prosecutor's office in pursuing tax and code violations.

A three-step cost-recovery methodology determined that the expected cost of processing one business license is \$63.60. This cost includes labor and materials and takes into account that some applications will be processed with a minimum of effort while others will need additional staff time to resolve outstanding issues. The methodology also differentiates between a paper application and an electronic application process; the electronic process will result in a cost-savings of \$8.31, most of which can be passed on to the customer.

The project team included:

Don Marr, Chief of Staff;

Jeremy Pate, Development Services Director;

Paul Becker, Finance and Internal Services Director;

Sondra Smith, City Clerk;

Scott Huddleston, Information Technology Director;

Marsha Hertweck, Accounting Director;

Shelly Turberville, Accounting Manager; and

Rainy Laycox, Billing and Collections Manager.

The Police Department, Central Dispatch Division, Fire Department City Attorney, Community Services Division, GIS Division, Internal Audit and City Prosecutor's office provided additional feedback on the process and materials.

Issue

The City of Fayetteville currently lacks publicly accessible data about businesses located within its boundaries. This lack of data negatively affects the City's ability to measure economic development performance, ensure public safety and enforce code compliance and tax payment.

Economic Development: The lack of data prevents economic development organizations from providing statistics on job growth and business sector growth and ultimately providing meaningful economic performance measures. Some of these measures include new jobs created and new businesses opened. Without a systematic method for collecting this information, confidence in the accuracy of the measures will be compromised.

Public Safety: The lack of data also contributes to inefficiencies and public safety concerns. The Central Dispatch Division spends significant time attempting to track new business openings, moves and re-namings. The Fire Marshal's office also needs this information in order to ensure that new businesses meet current fire codes. In addition, the City lacks information on the storage of hazardous materials and installation of fire suppression systems. The accuracy of this information is crucial for responding to emergencies safely, effectively and efficiently.

The Arkansas Department of Health also lacks information about restaurants and food related businesses in Fayetteville, resulting in inefficiencies in its ongoing inspection program. Determining when businesses open, relocate or close also takes significant staff time that could be better spent providing inspection services, according to an interview with James Shumate, Arkansas Health Department Inspector. The haphazard process also increases the likelihood that a restaurant or other food service provider will slip through the cracks, which if a problem arises, could be detrimental to the health of Fayetteville's citizens and visitors.

Law Enforcement: A business registry and license program will also assist the City Prosecutor's Office in addressing code and tax violations. An ordinance that requires a business license in order to conduct business in the City of Fayetteville will provide additional leverage for the City Prosecutor's office in resolving code and tax violations before they result in a warrant or criminal summons.

Methodology

Staff determined the costs to the City through a three-step process.

Step one: Staff created a process flow chart that illustrates how staff would process an application, incorporating electronic and manual steps. This model also shows the average time it would take each staff member to complete a task. These time allotments were determined after conversations with staff members who would be responsible for the task or who complete similar tasks as part of their daily activities. Colors on the flow chart distinguish between departments. The model incorporates the current certificate of zoning review process, and most additional tasks occur in Development Services. The Accounting Division will review for HMR tax violations and the Fire Marshal's office will review new businesses.

Step two: Staff determined the labor cost per minute using the weighted market salary, which includes benefits, for each staff member identified in the process model. The spreadsheet separated components of the process in order to identify the costs of a paper versus electronic application submittal as well as the initial start-up costs and follow-up costs if an application is unable to be processed. In addition, the spreadsheet calculates the costs associated with materials and mailings. The methodology assumes that there are at least 2,600 businesses in Fayetteville that would be required to register based on a survey completed in 2003 by the City that counted 2,595 businesses within the City limits.

Step three: A decision tree diagram was utilized to determine the expected costs to the City. The diagram incorporates the probability of different events into the cost model, enabling an approximation of the expected costs of processing one license. Assumptions about the assigned probabilities were based on similar City processes and experiences. For example, initial online payments for utility bills averaged two percent upon initial rollout in 2002. Staff assumed this percentage would likely be greater in 2010 and predicted that approximately five percent of businesses would utilize online application and payment services. The Diagram also accounts for initial start up and ongoing costs, which include creating the online application and payment capabilities and annual notifications, respectively.

The Diagram determined the following:

- 1) The total expected cost for processing one license is \$63.60.
- 2) The completion of an online application results in a savings of \$8.31 to the City, most of which can be passed on to the customer after covering the service charge associated with online payments.

Comparison to other Cities in Arkansas¹

Fayetteville is the only city in Arkansas with a population greater than 50,000 that does not require a business license. Springdale, Rogers, Lowell, Fort Smith, Siloam Springs, Benton, Cabot, Jacksonville, Hot Springs, North Little Rock, Little Rock, Pine Bluff, Sherwood and Eureka Springs all require a business license to conduct business within their city limits.

Cities in Arkansas employ a wide range of methods to determine costs to the applicant. Most other cities charge a base fee depending on the type of business and then add costs based on the number employees and/or a percentage of total stock value. For example, Springdale charges a base fee of \$20 and then an additional \$2.50 for each employee up to 25 employees; the fee is an additional \$1.00 for every employee after the first 25. Little Rock charges \$200 plus 0.24% of stock.

Table 1: The average fee for all the cities below except Springdale and Fort Smith are greater than Fayetteville’s proposed fee.

City	Fee	Late fee charges	Other
North Little Rock	\$45-\$1,440	25% penalty if <3 months overdue 50% penalty if >3 months overdue	Additional charges based on employee numbers and stock. Also has a renewal period (Jan. 1-Mar. 31)
Hot Springs	\$50-\$1,200	10% penalty after 30 days	
Springdale	\$20		Additional charges based on number of employees
Lowell	\$50	10% penalty after 30 days 20% penalty after 60 days 50% penalty after 90 days	Additional charges based on number of employees, number of seats (restaurants) or units (e.g. hotels).
Rogers	\$50-\$300	10% penalty after 30 days 20% penalty after 60 days	Additional charges based on

¹ The information provided in the table is accurate as of July 2009.

		50% penalty after 90 days	number of employees, number of seats (restaurants) or units (e.g. hotels).
Little Rock	\$75-\$102,000 (avg. \$500)	10% penalty after 30 days addt'l 10% penalty after 60 days 30% penalty after 90 days	Additional charges based on number of employees and/or stock
Fort Smith	\$0	None	
Fayetteville (proposed)	\$64-paper \$57-electronic	<30 days overdue = \$70 (10%) 31-60 days overdue = \$77 (20%) >60 days = \$96 (50%)	

Program Structure

Who Must Register

All businesses, institutions, corporations, LLCs, LLPs, partnerships, nonprofit associations, sole proprietorships or other non-governmental entities with a business within the Fayetteville city limits will have to register and obtain a license. An individual who rents two or less residential dwelling units and is not an LLC, LLP, corporation, or partnership would not need to have a license. Sole proprietors who rent three or more residential units would need to obtain a license. Any person having more than one place of business within the city shall obtain a license for each business location.

Program Start Date

The IT Division estimates that approximately six months will be needed to complete the electronic processing and online payment capabilities. The ordinance designates a renewal and application period between January 1 and February 28 each year, which indicates an official start date of January 3, 2011.

General Requirements

Fee: A cost-recovery fee of \$64 will be charged for a paper business application and \$57 for an electronic application.

New Businesses and Relocations: If a business or institution applies for a new license after September 1, the fee through February 28 of the next year will be half the fee of an annual renewal.

Posting: Each license shall be posted in a highly visible place where the business, occupation or profession is carried on, and the holder of such license shall exhibit such license to any designated agent or official of the city upon request.

Transfer: A business license shall be nontransferable from one person to another nor from one location to another.

Penalties: Failure to submit a complete application by February 28 will result in the following fees.

- Less than 30 days late: \$70 (10%)
- 31-60 days late: \$77 (20%)
- >60 days late: \$96 (50%)

Grounds for suspension or revocation:

- 1) Valid complaints that the Business License Holder is operating the business in a dangerously unsanitary or unhealthy manner, or in such a manner as to unreasonably and adversely affect the peace, health or safety of neighbors or other Fayetteville citizens.
- 2) The determination that the premises are a fire hazard or otherwise unsafe for occupancy because of violations of building, property maintenance or fire codes.
- 3) The business is delinquent in submitting Hotel, Motel and Restaurant or City alcohol tax forms or in payment of the City's Hotel, Motel and Restaurant taxes or any other city or state taxes or required fees.
- 4) The business is being operated in violation of any federal or state law or city ordinance or has had a necessary state or city license suspended or revoked.
- 5) The business license was procured through fraud or misrepresentation.

Process for suspension or revocation: If the Development Services Director has reason to believe that grounds exist that could justify a suspension or revocation, the Director shall send a letter by first class mail and set a date for a due process hearing, which will be conducted by the Chief of Staff.

Appeals process: If the Chief of Staff determines that the license shall be suspended or revoked, the license holder shall have ten days to submit a written appeal to the City Clerk's office. If an appeal is submitted, the appeal will be heard by the City Council and the City Council will make a final determination. If a written appeal is not submitted to the City Clerk's office during the ten-day period, the license owner automatically waives all rights to the appeal process.

Enforcement: If a license is suspended or revoked and the business continues to operate, each day of operation will constitute a separate violation. The City may

withhold all municipal services, including water, sewer and solid waste services, if the business continues to operate with a suspended or revoked license.