

Date:	September 17, 2024
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Subject:	Business License Ordinance Issues

At the August 6, 2024 Board Work Session, the Board discussed the proposed Schedule of Fees. Included in that discussion was consolidating the three business license fee tiers into one tier, as well as problems with including license renewals into the prorated fees provisions. During the last several months, staff discussed the implementation of a new feature to our Incode software packages on several levels with the Board, which includes changes to our business licensing processes. The Board directed staff to make the fee changes and the prorating fee issue change. While reviewing the ordinance for these items to change, staff looked at the entire ordinance to streamline this new software implementation.

One of the benefits of the software change (adding Content Manager) is the ability to bring our licensing processes online. Currently, all the business licensing processes are conducted on paper applications. This includes mailing out approximately 750 renewal applications each October. This includes a large amount of staff time to process these applications. Inevitably, these renewals regularly involve missing documents – Insurance certificates, no tax due statements, master licenses – which include more staff time. Many of these updates come via facsimile or emails. Staff then prints those documents and includes them into the application files. This involves much more staff time and papers for files.

The new Content Manager module for our licensing program will reduce or eliminate most, if not all these issues. This will allow us to use an online portal for applications, new and renewals where the business will sign in to the system and complete its' application process online, including attaching digital documents (insurances, tax statements, etc.) directly to the application. The applicant will know, without additional staff contact, that their application is incomplete. Once completed online, staff will then review the documents submitted prior to approval. If there are errors or changes needed to the documents, the business will be notified of the needed changes. When complete, then the application is finally approved. None of the online processes will include paper copies the businesses must create or the city must maintain.

Staff presents a draft of a new ordinance for review today. Most of the changes are directly associated with moving all fee references into the Schedule of Fees, but some of the changes are suggested to adjust the ordinance language to better reflect the

actual operational structure. First, to remove references to the City Clerk and City Administrator and change them to the City Finance Director, who currently manages the business license system, and include a definition of City Finance Director. Other changes that address operational issues include:

- clarification of the occupancy statement required is related solely to zoning
- remove reference to testing services allowable for contractors Master licenses
- change the description of the actual license by removing the requirement of the Clerk 'affixing the city seal' to the license and requiring it contain the city logo and that it can be signed by the Finance Director

The original step here was to adjust the fee structure from three tiers to just one. While incorporating that change, staff also identified other fees mentioned in the code that could also be included in the schedule of fees. Staff suggests a few additional inclusions. First is the Fireworks Sales Permit, which is \$1,500. Staff drafted language that removes that fee from the ordinance and places it into the Schedule of Fees. Second was the Blanket Occupation License Fee of \$250. The purpose of such a Blanket License was to allow a new builder to pay one fee of \$250 dollars for all of the subcontractors that work on a given permit instead of each paying \$50. Those subcontractors using the blanket license would only be responsible for providing a copy of their Master's license and no separate license would be required. Even though staff mentions this option with all new general contractors, no contractor has used this option for several years. Based upon the lack of use, staff suggests the Board consider deleting the Blanket License entirely from the code. The attached code includes this deletion for discussion.

The final two provisions arise out of removing fee prorating for renewals. Based upon the Board direction, staff has removed the existing licenses from the proration structure. While reviewing the proration structure itself when it came to incorporating it into the new content manager forms, staff suggest an additional change in that structure. Currently, the structure is:

- 0-6 months left in the year – 50% of the fee
- 7-9 months left in the year – 75% of the fee
- 10+ months left in the year – full fee

Given the new fee would be \$75, staff suggests that the proration schedule be changed into four month sections that would allow the fees to change one third and two thirds the cost – 75-50-25. This will make the forms easier to use for both the system and to customers.

The second issue arose while drafting the new ordinance. Specifically, a contractor who held a license with the city in 2022 but did no work within the city in either 23 or 24, sought a new license. Following the proposed changes above, including the removal of renewals from the prorating system, staff discussed how that change would impact the specific scenario. Using the new system, this situation would require the applicant to renew the license from 2022. Since their request was in August, their fee would include the 10% initial penalty, as well as an additional 20 months of penalties of 1% compounded monthly. The fee would be \$67.11 under the new structure, versus the \$25 they paid.

Staff evaluated how this might impact businesses coming to do business in Smithville in accordance with the new ordinance. Staff would suggest a different interpretation of an existing provision in the code could be used to address the situation. Specifically, there exists a "Non-Permanent Vendor" provision that has been used on temporary vendors like food trucks, etc. A broader interpretation could be used to include businesses that conduct business in Smithville sporadically such as contractors. For example, an HVAC contractor knows that they have to have a license to do business in Smithville when they pull a new permit to replace a unit. However, if they don't have a customer in Smithville for six months or more that extends into another license year (November to October) they never get a renewed license. The code defines a non-permanent vendor as one that doesn't have a physical address in the city, and conducts business less than 11 months of a given year in the city. In this HVAC contractor example, they would meet the definition of a Non-Permanent Vendor and be subject to the new prorated fees language. This interpretation would not impact existing businesses located in the city as they already renew their licenses annually.

Attached you will find a red-lined version of a proposed ordinance that shows the changes suggested in this memo.