



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Parking and By-law Services Division

TO:	Chair and Members Planning Committee
COMMITTEE DATE:	October 20, 2015
SUBJECT/REPORT NO:	Business Licensing Fee Review (PD01104(j)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Ken Leendertse (905) 546-2424 Ext. 3059
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That the comprehensive staff report on Business License Fees be postponed until such time as the Licensing By-law review and consolidation, including full public consultation, is complete;
- (b) That the third year of the five-year cost-recovery phase-in strategy for Business Licensing Fees, as outlined in Appendix "A" to Report (PD01104(j)), be approved.

EXECUTIVE SUMMARY

City Council, at its meeting held on March 7, 2012, approved Item 7 of Planning Committee Report 12-003, to approve a phased in approach to significant fee increases to most business licensing categories as outlined in Appendix "A" attached to Report PD01104(e).

On January 23, 2013, Council approved the first year of the recommended five-year cost-recovery phase-in strategy and directed staff to report back in detail on the justification for the license fee increases (Information Item (f)(v) of Planning Committee Report 113-001, approved by Council on January 23, 2013). On September 25, 2013 Council approved the second year phase-in strategy and on May 20 2014, Council agreed to delay the third year implementation until the audit work plan for unlicensed businesses could be completed.

As part of the 2015 Budget approval process, Council approved a funding source for a detailed review and rewrite in 2015/2016 of Business Licensing By-law 07-170, along with full public consultation. This project will also include a detailed analysis of the actual cost to license, administer and enforce each business license category.

Prior to completing the final report, staff is requesting authorization to implement the third phase of the five-year cost-recovery phase-in strategy as approved by Council in 2013. The third phase was originally to take effect in 2014. The recommendation is for this third phase to now take effect as of 2016. This will reduce the annual Divisional budget variance to \$170,000.

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FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The approved 2012 Budget included a \$545,000 annual increase to licensing fee revenue to reflect full cost recovery for administering and enforcing the By-law. However, Council only approved increases to reflect full cost recovery for some license categories while 67 other license categories were only approved for partial cost recovery, which resulted in a budgeted variance of \$545,000 in 2012.

In January 2013, Council approved the first year of a five-year cost-recovery phase-in strategy for the other 67 licensed categories which reduced the 2013 annual variance to \$330,000. (Information Item (f)(v) of Planning Committee Report 13-001, approved by Council on January 23, 2013).

In September 2013, Council approved the second year of the five-year cost-recovery phase-in strategy which reduced the 2014 annual variance to \$250,000. (Item 7 of Planning Committee Report 13-014, approved by Council on September 25, 2013).

Staffing: N/A

Legal: In accordance with the provisions of the *Municipal Act, 2001*, a Municipality may establish license fees to reflect cost recovery (or less), but cannot base fees solely on revenue generation or in an effort to discourage certain types of businesses.

HISTORICAL BACKGROUND

In 2001, Council endorsed a cost-recovery approach to Business Licensing Fees (Report PD01104(a)) for the newly-amalgamated City and established fees which reflected full-cost recovery for license administration and enforcement.

Business License Fees were increased annually according to the annual Corporate user fee increases. However, another comprehensive costing review was not undertaken until 2011 because significant operational and enforcement deficiencies were revealed in the Municipal Law Enforcement Section in 2007, and staff felt it prudent to complete the workplace transformation before re-assessing the true costing of the program.

As a result of the 2011 costing review, Council, in March, 2012, approved increases to reflect full cost recovery for some license categories while 67 other license categories were only approved for partial cost recovery (Item 7 of Planning Committee Report 12-003, approved by Council on March 7, 2012) which resulted in a budget variance of \$545,000 (2012). Staff was directed to report back on a strategy for a phased-in fee increase approach for 2013 and onward, and to fund the \$412,000 variance firstly from Departmental surplus, and then from Corporate and Tax Stabilization Reserves, if necessary / required.

In August 2012, the Planning Committee considered Report PD01104(f) which recommended a five-year cost-recovery phase-in strategy for Business License Fees. The matter was referred to the Open for Business Sub-Committee and was then brought back to the Planning Committee in January 2013 (Information Item (g)(i) of Planning Committee Report 12-012, approved by Council on August 16, 2012).

In January 2013, Council approved the first year of the five-year cost-recovery phase-in strategy (Item 9 of Planning Committee Report 13-001, approved by Council on January 23, 2013).

In September 2013, Council approved the second year of the five-year cost-recovery phase-in strategy (Item 7 of Planning Committee Report 13-014, approved by Council on September 25, 2013).

In May 2014, Council approved the staff recommendation to delay the third year of the five-year cost-recovery phase-in strategy until the audit work plan could be completed for unlicensed businesses (Item 5 of Planning Committee Report 14-008, approved by Council on May 28, 2014).

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

Finance and Audit Services were consulted for the purpose of Budget development.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

As part of the 2015 Budget approval process, Council approved a funding source for a temporary staff person to undertake a comprehensive By-law review and rewrite in 2015/2016, along with full public consultation. This project will involve a detailed analysis of the actual cost to license, administer and enforce each business license category. The project will also include full public consultation and stakeholder dialogue, which is an important part of the process required for the By-law review to assist in the development of the parameters of each Schedule of the By-law. Subsequently, it is logical to complete both the By-law and fee review at the same time.

During the research, a detailed analysis of the administration and enforcement component of each license category will be done to determine the actual current cost to license. A comparison of other jurisdictions with similar licensing categories will also be completed.

The By-law rewrite is expected to be completed toward the end of 2017. Therefore, in the interim, staff is recommending that the third year of the five-year cost-recovery phase-in strategy be approved in order to reduce the current annual budget variance from \$250,000 to \$170,000.

ALTERNATIVES FOR CONSIDERATION

Consideration could be given to approving the fourth year of the five-year cost-recovery phase-in strategy which would eliminate the annual variance associated with business licence fees to \$90,000.

Consideration could also be given to approving the fifth year of the five-year cost-recovery phase-in strategy which would eliminate the annual variance associated with business licence fees to altogether.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A": Third Step Approval Business License Fees

KL:cab