



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

TO:	Chair and Members Planning Committee
COMMITTEE DATE:	January 17, 2017
SUBJECT/REPORT NO:	Business Licensing Fee Review (PD01104(k))(City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Dawn Johnson (905) 546-2424 Ext. 5809 Ken Leendertse (905) 546-2424 Ext. 3059
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

That as a result of the findings of the Business Licensing Fee Review, no action be taken with respect to increasing Business Licensing fees in years four and five of the five-year cost recovery phase-in strategy for Business License Fees as adopted by Council on January 23, 2013 in approving Item 9 of Planning Committee Report 13-001.

EXECUTIVE SUMMARY

The Licensing Section has completed a comprehensive review of the business licensing fees and no additional fee increases are recommended at this time.

City staff has reviewed the full cost of administering, inspecting and enforcing Business Licensing based on 2015 costs.

Business Licensing Fees directly offset all direct and indirect costs related to the functions of the Business Licensing Program. Under the *Municipal Act, 2001*, revenue from Business Licensing fees is not permitted to exceed the cost of administration, inspection and enforcement.

Although it was anticipated that fee increases for years four and five of the five-year cost recovery strategy would be required to be implemented, the necessity for any fee increases has been negated as a result of the proactive enforcement of unlicensed businesses by the Municipal Law Enforcement Officers, and the Business Licensing Program within the Licensing Section now operates at full cost recovery.

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HISTORICAL BACKGROUND

In August 2001, City Council approved a new harmonized licensing by-law and fee schedule (PD01104(a)) for Business Licensing Fees for the newly-amalgamated City of Hamilton, and established fees which reflected full cost recovery for license administration and enforcement. Due to many concerns expressed from the Business Community, Council requested a fee review.

Business Licensing Fees were increased yearly according to the annual City Wide User Fees increases. Another comprehensive costing review was not undertaken until 2011. 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 adopted Item 7 of Planning Committee Report 12-003 (PD01104(e)) on March 7, 2012 approving increases to reflect full cost recovery for 29 license categories, while 67 other license categories were only approved for partial cost recovery, which resulted in a budget variance of \$545,000 for 2012. Therefore, 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.

At their meeting on August 14, 2012, the Planning Committee considered Report PD01104(f), which recommended a five-year cost-recovery phase-in strategy for Business Licensing Fees. The matter was referred to the Open for Business Subcommittee (Information Item (g)(i) of Planning Committee Report 12-012), and was then brought back to the Planning Committee in January 2013.

Under the strategy, the fees required to support the program were built into the existing fees structure. The five-year phase-in contemplated fee increases for 67 of 96 business licensing fees.

On January 23, 2013, Council adopted Item 9 of Planning Committee Report 13-001 (PD01104(g)), approving the first year of the five-year cost-recovery phase-in strategy and directing staff to report back in detail on the justification for the license fee increases.

On September 25, 2013, Council adopted Item 7 of Planning Committee Report 13-014 (PD01104(h)) approving the second year of the five-year cost-recovery phase-in strategy.

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On May 28, 2014, Council adopted Item 5 of Planning Committee Report 14-008 (PD01104(i)) approving 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.

On October 28, 2015, Council adopted Item 7 of Planning Committee Report 15-016 (PD01104(j)) approving the third year of the five-year cost-recovery phase-in strategy and directing staff to report back in detail on the justification for the business license fee increases.

Alternatives for Consideration – See Page 6

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: As part of the 2012 Budget, Council approved a \$545,000 annual increase to licensing fee revenue to reflect full cost recovery for administering and enforcing the By-law. However, Council approved increases to reflect full cost recovery for 29 license categories, while 67 other license categories were only approved for partial cost recovery, which resulted in a budgeted variance of \$545,000 for the 2012 budget year.

In January 2013, Council approved the first year of a five-year cost-recovery phase-in strategy that reduced the annual variance to \$330,000 for the 2013 budget year.

In September 2013, Council approved the second year of the five-year cost-recovery phase-in strategy that reduced the annual variance to \$250,000 for the 2014 budget year.

In October 2015, Council approved the third year of the five-year cost-recovery phase-in strategy which reduced the annual budgeted variance to \$170,000 for the 2016 budget year.

Based on the findings of the comprehensive review, the fourth and fifth years of the five-year cost-recovery phase-in strategy are not required to be implemented.

Staffing: N/A

Legal: N/A

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

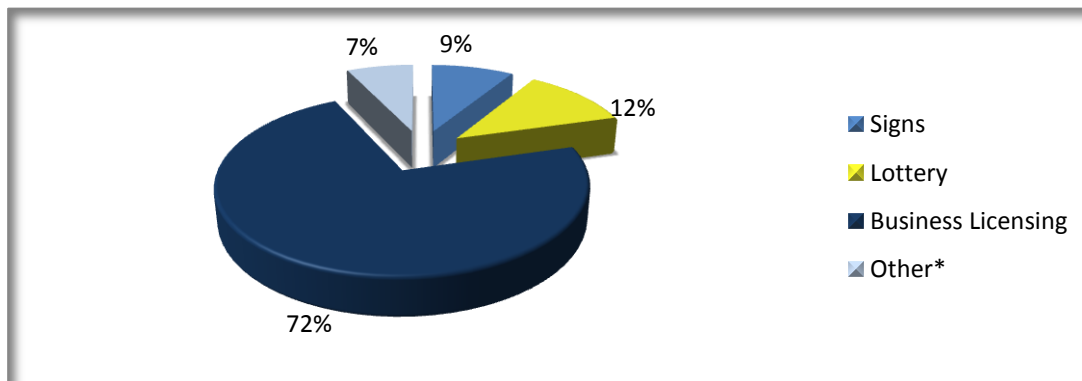
RELEVANT CONSULTATION

Staff from Legal Services and Corporate Services (Finance and Administration) were consulted in the preparation of this Report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The operating costs of the Licensing Section are not entirely cost-recovered, as the Section includes Signs and Lotteries which are reliant on the levy to support the costs of administering, inspecting and enforcing. The following chart depicts the activities associated with the Licensing Section.

Programs within the Licensing Section (2015):



* Work within the section unrelated to Signs, Lottery or Business Licensing.

Staff has identified the cost of the Business Licensing program and has allocated the costs to various types of business licenses. A municipal comparison was completed and the current fee structure is in line with comparative municipalities in relation to fees.

For 2016, staff is projecting a dramatic reduction of previously-reported Business Licensing variances due to the diligence of the Section to close the gap of unlicensed businesses across the City of Hamilton. It is this same diligence that has changed the need for the additional fee increases based on the 2012 cost-recovery schedule.

The following charts are reflective of reduced expenses and increased revenue generation, much of which is attributed to the 200 new annual business licenses from 2016 proactive business licensing.

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Table 1 exhibits the 2015 Operating Variances for the Licensing Section:

2015			
Licensing Section	Budget	Actuals	Variance
Expenses	3,216,000	3,178,030	37,970
Revenues	(3,122,350)	(2,759,660)	(362,690)
Total	93,650	418,370	(324,720)

Table 2 exhibits the 2016 Forecasted Operating Variance for the Licensing Section:

2016			
Licensing Section	Budget	Forecast	Variance
Expenses	3,231,960	3,200,720	31,240
Revenues	(2,876,450)	(2,935,530)	59,080
Total	355,510	265,190	90,320

Staff is reporting a positive overall forecasted variance for the Licensing Section, not only as a result of pro-active licensing, but also attributed to the Council-approved 2016 enhancements to reduce previous years' overstated Signs and Lottery revenue budgets.

The Licensing Section continues to monitor costs associated with the program to ensure that the "cost-recovery" framework for Business Licensing remains effective. The fees will be reviewed annually to ensure that the fees are always set in accordance with the cost of delivering the service for a given year.

As part of the 2015 budget approval process, Council approved a funding source for a detailed By-law review and re-write along with full public consultation. The By-law re-write project will 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 Business Licensing Category Schedule.

The Schedules of the new comprehensive Business Licensing By-law will come forward to Council for approval individually as completed. Any and all fee related changes to the new or revised Schedules will be presented at that time to ensure that cost recovery is maintained.

Licensing is determined to adapt to industry changes, contribute to the innovation of our City and bridge the gap of administration and enforcement geared to "Open for Business" service delivery. Like the current, the new By-law will continue to be based

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on the principles outlined in the *Municipal Act, 2001*: Health and Safety, Consumer Protection and Nuisance Control.

Business Licensing is in much need of innovation (i.e. on-line business licensing convenience where possible, to include Administrative Penalties, an automated application process, and monthly posting of new licence applications received in a given month via open data).

The Licensing Section is challenged to come up with opportunities to move toward innovation for the Section and contribute to the advancements of the City.

The By-law re-write was expected to be completed toward the end of 2017. However, due to new initiatives (e.g., Payday Loans and Personal Transportation Providers (i.e. Uber)) the re-write completion is projected into Q3 2018.

ALTERNATIVES FOR CONSIDERATION

Consideration could be given to approving both the fourth and fifth years of the five-year phase-in strategy.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Our People and Performance

Implement processes and leverage technology to improve services and validate cost effectiveness and efficiencies across the City.

APPENDICES AND SCHEDULES ATTACHED

N/A

DJ:KL:cab