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Date: 11/2/2020 5:54:28 PM

Subject: Memo: 2021 Fees - Business Licences, Vehicle for Hire and Animal Services

Attachments: DBL - 2021 Licence Fee Memo - 31.8.20.DOCX.pdf

Good afternoon Council,

The attached memo from Kathryn Holm provides Council with important background information relevant to your consideration of the 2021 operating budget.

Specifically, the memo confirms that the operating budget scenarios you will be considering over the coming weeks are premised on an assumption that fees charged for business licences, vehicles for hire and dog licences will remain unchanged for 2021. The memo includes the rationale for staff's recommendation to forego an adjustment to those fee categories for 2021, as well as the financial implications.

To confirm, Council retains full discretion to consider these fee categories and to approve adjustments in the course of your deliberations on the 2021 operating budget. In that instance, staff can provide further detail on the measures that would be required for implementation.

If you have any questions or concerns at this point, please do not hesitate to contact me or Patrice.

Best,
Paul

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The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the Musqueam, Squamish, and Tsleil-Waututh peoples.

MEMORANDUM

November 2, 2020

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Karen Levitt, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Gail Pickard, Acting Civic Engagement and Communications Director
Rosemary Hagiwara, Acting City Clerk
Anita Zaenker, Chief of Staff, Mayor's Office
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Jessie Adcock, General Manager, Development, Buildings and Licensing
Patrice Impey, General Manager, Finance, Risk and Supply Chain Management
Gil Kelley, General Manager, Planning, Urban Design and Sustainability
Lon LaClaire, General Manager, Engineering Services
Sandra Singh, General Manager, Arts, Culture and Community Services
Iain Dixon, Assistant Director, Legal Services
Sarah Kapoor, Director, Financial Planning and Analysis Business Units,
Finance, Risk and Supply Chain Management

FROM: Kathryn Holm
Chief Licence Inspector

SUBJECT: 2021 Business Licence, Vehicles for Hire and Animal Services Fees

As part of the City of Vancouver's annual fee review process, staff have reviewed the current fees, in light of the current COVID-19 pandemic. The City collects licensing-related fees under the following by-laws:

- License By-law No. 4450 (i.e. business licences);
- Vehicles for Hire By-law No. 6066 (i.e. taxis, bicycle couriers); and
- Animal Control By-law No. 9150 (i.e. dog licences)

As set out in the following memo, staff are recommending that given the current circumstances, that the fees remain unchanged for 2021. The 2021 operating budget scenarios that will be considered by Council on November 4, 2020 incorporate an assumption regarding the continuation of current fee amounts. The memo provides details on the rationale behind the

proposed approach and an update on future work identified with respect to business licensing and fees in 2021.

A. APPROACH TO FEES IN 2021

In the fall of every year, staff assess the current fees related to business licences, vehicles for hire and animal services, and as needed, prepare an administrative report for Council recommending an annual fee increase to address inflation and any additional staffing or service needs. Although there is no requirement for the City to annually adjust service fees and other charges, doing so allows for increased revenue to deliver the associated service, without putting additional pressure on property taxes. The unprecedented impact of COVID-19 has resulted in significant financial challenges for many businesses and residents, and the City itself has experienced financial challenges resulting from declining revenues and increasing costs. In reviewing fees for 2021, the City needs to take an approach that balances the need to fund increasing program costs while recognizing the COVID-related financial challenges faced by many businesses and residents.

Staff do not intend to bring forward a report recommending fee changes for business licences, vehicles for hire or animal services in 2021. Rather, staff recommend that the City maintain the 2020 licence fee levels, as currently presented in the three by-laws referenced above. The following considerations led to this decision:

- a) **Revenue impact:** Licence fees are typically increased by inflation on an annual basis (~2%). Holding licensing fees at 0% in 2021 versus a 2% increase equates to an approximate \$420,000 in lost revenue opportunity to the City in 2021. City costs with respect to licensing and related enforcement are projected to increase based on inflationary cost escalation in 2021. Normally these increased costs would be covered through associated Licence fee increases. Staff advise that the last time business and vehicles for hire licence fees were not adjusted upwardly for inflation was in 1995.
- b) **Support for Local Businesses:** Foregoing an annual inflationary increase to licence fees can reduce the financial burden on businesses. This is especially true for restaurants and liquor establishments that pay a higher licence fee than many other business types and are facing additional pressure due to the need to comply with social distancing measures required under Provincial Health Order. Identifying and implementing any further amendments to fees will require analysis and consultation with stakeholders, which was not feasible within the annual renewal timeline.

For service fees outside of those referenced in this memorandum, City staff will continue to review fees as part of the annual budget process and bring forward administrative reports to adjust fees as needed to cover increased annual program costs, while considering COVID-19 impacts and opportunities to advance Council priorities and support recovery.

By foregoing an annual fee increase, no amendments to the License By-law, Vehicles for Hire By-law and Animal Control By-law are required as licence holders will continue to pay the fees currently set out in the fee schedules of the respective by-laws. As such, a Council report and resolution is not required.

The preliminary 2021 budget has been prepared with a 0% increase in business licence, vehicles for hire and animal services fees, which will be outlined as a working assumption in the property tax scenarios presented to Council on November 4, 2020. Council retains the ability and discretion to consider the approach outlined in this memo during the 2021 budget review and approval process. Should Council approve an adjustment to fees for 2021, staff can provide further detail on the implementation and operational impacts related to annual licence renewals, cash flow timing, and by-law amendments.

B. BACKGROUND

Council has historically approved increases to fees and charges for Licensing, Vehicles for Hire and Animal Services to cover rising costs in providing the associated services. A Council decision on fee increases is usually required by early fall to ensure time for staff to implement fee changes on renewal notices sent out to business licence holders in early November. All business and vehicles for hire licences expire on December 31 and are renewed annually. Dog licences are issued on a rolling basis and renewed annually on the date of issuance.

The City issued approximately 60,000 business and vehicles for hire licences and 21,000 dog licences in 2019. Revenue from licence fees totalled approximately \$19.6 million in 2019, a subset of the City's total 2019 revenue budget of \$1.51 billion. In 2020, the City has collected approximately \$19.5 million revenue from licence fees year to date (54,350 Business Licences, 14,000 Dog Licences) and is expecting to end the year roughly \$733K under budget.

Annual business and vehicles for hire licence fees differ by licensing category, as set out in Schedule A of the License By-law and Vehicles for Hire By-law respectively. Approximately 80 percent of licensed businesses in Vancouver pay an annual licence fee of less than \$200. Licence fee increases are typically brought to Council for approval in October, prior to the finalization of the annual budget, as all annual licence fee payments are due in January, and sufficient time is needed to implement fee changes in advance of the due date.

C. JURISDICTIONAL SCANNING

Staff evaluated approaches towards licence fees in response to COVID-19 in other Canadian jurisdictions. Several municipalities in Ontario, including Ottawa, Mississauga, Kitchener, Waterloo and Vaughn, have allowed some businesses whose licences were expiring during a set period of time (i.e. March to September) to defer payment for renewal of their licences and waived any applicable late fee. Note that these cities do not generate significant licensing fee revenue as only defined categories of businesses are required to obtain a business licence, which are issued on a rolling year basis or on a calendar year basis with different expiry dates for different licence categories. As such, these cities in Ontario were able to adopt such measures without a significant decrease to revenue as only a limited amount of businesses stood to benefit from a deferral.

Deferring licence fees is currently not supported by Section 274 of the *Vancouver Charter* which requires all licence fees to be payable in advance. Staff further advise that the financial impact of adopting such measures in Vancouver would be significantly larger due to the requirement under the License By-law for all businesses to obtain a licence, which expires on December 31

of every year.

In May 2020, the City of Edmonton provided a discount of 50% to business licence fees from June 1 through to December 31, 2020 upon request. Staff from the City of Edmonton projected this would result in revenue losses estimated at \$3.1 million. The reduction in business licence fees was part of a comprehensive Economic Recovery Program that included grants for small businesses. This program was funded through a redirection of funding in the City of Edmonton's 2020 budget from Edmonton's economic development agency and Edmonton City Council's office budget. The *Vancouver Charter* prohibits the City from extending grants to businesses.

D. FINANCIAL IMPLICATIONS

Licence fees are typically increased by inflation on an annual basis (~2%). Holding licensing fees at 0% in 2021 versus a 2% increase equates to an approximate \$420,000 in lost revenue opportunity to the City in 2021. City costs to deliver the licensing program and related enforcement are projected to increase based on fixed cost increases in 2021. Normally program cost increases would be covered through associated fee increases; however, given the budget needs to balance at a City-wide level, these costs will need to be absorbed within the Citywide operating budget through increases in property taxes or other revenue sources given business licence revenues cover the costs of the program and generate funds that support other city services.

E. CONCLUSION

Businesses in Vancouver have and will likely continue to be negatively impacted by the ongoing COVID-19 pandemic. To provide some immediate relief to businesses and residents, staff are foregoing an annual inflationary increase to licence fees collected under the License By-law, Vehicles for Hire By-law and Animal Control By-law. Staff will continue to identify and assess further options to amend the various fee schedules in support of businesses and residents in light of the ongoing COVID-19 pandemic.

Please do not hesitate to contact me or Jessie Adcock, General Manager, if you have any questions or concerns.

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