

NO: R230

COUNCIL DATE: **NOVEMBER 12, 2013**

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **November 4, 2013**

FROM: **City Solicitor**

FILE: **3900-20-17809**

SUBJECT: **Fraser Valley Inter-Municipal Business Licence Pilot Project Extension**

RECOMMENDATION

The Legal Services Division recommends that Council:

1. Receive this report as information; and
2. Authorize the City Clerk to bring forward for the required readings, amendments as documented in Appendix "C" to this report, related to the Fraser Valley Inter-Municipal Business Licence By-law, 2012, No. 17809 (the "IML By-law"), which, if adopted, will extend the existing Fraser Valley Inter-Municipal Business Licence Pilot Project for an additional two-year term ending December 31, 2015.

INTENT

The purpose of this report is to provide information about the Fraser Valley Inter-Municipal Business Licence Pilot Project and seek approval of amendments to the IML By-law, which if adopted, will extend the pilot project to December 31, 2015.

BACKGROUND

Prior to the implementation of the Fraser Valley Inter-Municipal Business Licence Pilot Project, non-resident (mobile) trade contractor businesses were required to obtain a business licence from their home municipality in which their business was based, and to obtain a non-resident business licence from each municipality in which they conducted business operations. For example, a roof business would need a business licence in every municipality in which the business installed a roof.

On January 1, 2013, nine Fraser Valley municipalities commenced a one-year Fraser Valley Inter-Municipal Business Licence Pilot Project. The participating municipalities are the Township of Langley, City of Langley, City of Abbotsford, City of Surrey, District of Maple Ridge, City of Pitt Meadows, District of Mission, City of Chilliwack and the District of Hope.

Under the Fraser Valley Inter-Municipal Business Licence Pilot Project, the participating nine municipalities allow non-resident (mobile) trade contractor businesses from within the participating municipalities to operate across all of the partner municipalities on the basis of one business license purchased from their home municipality. The cost of the Inter-

Municipal Business Licence is \$250 annually. Each mobile trade business is also required to purchase a resident business licence from their home municipality. The revenue generated from sales of the Inter-Municipal Business Licences is shared among the participating municipalities based on a revenue-sharing formula that was included in the original partnering agreement. The revenues were shared at the end of June, 2013 and will be distributed again at the end of December, 2013.

DISCUSSION

The current pilot project expires on December 31, 2013. On October 3, 2013 the Fraser Valley Inter-Municipal Business Licence Steering Committee conducted a review of the existing pilot to determine if the project was meeting the needs of the municipalities and businesses and to decide whether the program should be continued. A financial summary for the period of January 1, 2013 to September 30, 2013 was prepared by the Province using data collected from each participating municipality. This summary that is attached as Appendices "A" and "B" to this report and documents, among other things, the number of business licences that were issued and the related revenues that were generated. Although the existing pilot has had an encouraging start, the Steering Committee has determined that additional time is required to complete a more comprehensive review of the program before recommending that a permanent version of the program be adopted.

Each participating municipality will be considering an amendment to its current Inter-Municipal Business Licence By-law to allow for an extension of the pilot project.

The recommended by-law amendments include minor housekeeping changes to extend the existing pilot project for an additional two years to December 31, 2015 and to amend the dates of the revenue disbursement in accordance with the extended term. The current revenue sharing formula will continue to be used. Subject to a resolution of each respective Council the existing pilot project will be extended to end on December 31, 2015.

The one year timeline for the current pilot project has not allowed sufficient time for the Steering Committee to give consideration to key factors that are necessary to ensure the success of the program beyond a pilot stage. Further consideration is required to address the potential addition of other municipalities to the program. Other municipalities that are interested in joining the Fraser Valley Inter-Municipal Business Licencing Pilot Project would need to provide the Steering Committee with their business licencing data for a revenue analysis review before consideration for inclusion in the program. The inclusion of other municipalities would require an amendment to the revenue sharing formula.

The Steering Committee is also exploring the possibility of expanding the types of businesses covered under the program. Representatives from the province's Small Business Branch has agreed to reach out to other mobile business types to seek input as to whether or not they would be interested in purchasing an IML if it were to be available to them. Participating municipalities will need to discuss expanding the potential types of businesses under the program taking into consideration bylaw regulations and policies of each municipality with respect to such additional business types.

Additionally, the proposed two year pilot program extension will correspond with the newly formed Metro West Inter-Municipal Business Licence program which is a 2-year pilot that expires at the end of 2015. This will allow the opportunity for consideration of amalgamating the two programs.

The Fraser Valley Inter-Municipal Business Licence Steering Committee will continue to examine opportunities for the growth and development of the Inter-Municipal Business Licencing program to relation to its effective for both businesses and municipalities operating in the Fraser Valley.

CONCLUSION

Based on the above discussion, it is recommended that Council authorize the City Clerk to bring forward for the required readings, amendments as documented in Appendix "C" to this report, related to the Fraser Valley Inter-Municipal Business Licence By-law, 2012, No. 17809 (the "IML By-law"), which, if adopted, will extend the existing Fraser Valley Inter-Municipal Business Licence Pilot Project for an additional two-year term ending December 31, 2015.

CRAIG MacFARLANE
City Solicitor

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- Appendix "A" – Fraser Valley Inter-Municipal Business Licence Pilot Financial Summary for January – September 2013
- Appendix "B" - Fraser Valley Inter-Municipal Business Licence Pilot Mid-term Financial Summary
- Appendix "C" Proposed Amendments to Fraser Valley Inter-Municipal Business Licence By-law, 2012, No. 17809

APPENDIX "A"

Fraser Valley Inter-Municipal Business Licence Pilot Financial Summary for the period of January – September, 2013

Fraser Valley Initiative:

On January 1, 2013, nine municipalities within the Fraser Valley implemented a 12-month Inter-Municipal Business Licence (IML) Pilot for the region. Participating municipalities included: City of Langley; Township of Langley; City of Surrey; City of Abbotsford; City of Chilliwack; District of Mission; District of Maple Ridge; City of Pitt Meadows; and District of Hope.

A review was to be conducted at the mid-term of the pilot phase to determine if the IML Pilot is meeting the needs of municipalities and businesses. The financial summary has been prepared for the period January 1 to September 30, 2013, and the results are ready for presentation.

In particular, this financial summary reviews the IML Pilot to determine if the IML Pilot has reduced red tape for business owners, while maintaining revenue neutrality for the region as a whole.

Background:

Before the implementation of the IML pilot, mobile businesses were required to obtain a business licence from their home municipality, as well as a non-resident business licence from each municipality in which they operated. The cost of non-resident business licences varies by municipality.

Under the IML Pilot, the nine municipalities agreed to allow non-resident mobile trade businesses from within the participating municipalities to operate in their municipality on the basis of a single IML purchased from their home municipality. The cost of the IML is \$250 annually, and each mobile trade business is still required to purchase a resident business licence from their home municipality.

The revenue generated from sales of IML's is subsequently shared among the participating municipalities, based on a pre-determined revenue sharing formula. The calculation and the reallocation of IML sales revenue was carried out at the end of June, 2013. At the end of the 12-month term, IML sales revenue will be reallocated again, on the basis of the same revenue sharing formula.

See **Appendix A** – for the revenue sharing formula as set out in the bylaw to enact the IML Pilot

Process:

Before the implementation of the IML Pilot, baseline mobile trade business licence revenue (sales of resident and non-resident licences within the participating municipalities) was determined. This baseline was based on licence sales that each participating municipality made to mobile trade businesses for the period of January to December, 2011.

Fraser Valley Inter-Municipal Business Licence Pilot Financial Summary for the period of January – September, 2013

Following the implementation of the IML Pilot, each participating municipality continued to sell non-resident licences to mobile trade businesses located both within and outside of the participating municipalities, as well as resident licences and IML's to their own resident mobile trade businesses.

For the purposes of the mid-term financial summary, we have compared the pre-IML Pilot baseline sales and revenue information for the period of January to September, 2011, with sales and revenue information for the same period in 2013.

While the information covers a portion of a year, it provides a fairly accurate indicator because most municipalities issue licences beginning in January.

See **Appendix B** – for the financial summary table

Under the IML Pilot, a business can now buy one IML to operate in multiple participating municipalities instead of multiple non-resident licences. As such, it was anticipated that the overall number of non-resident licences would decrease; to be replaced to some extent by sales of IML's to resident mobile trade businesses.

Therefore, the financial summary table compares non-resident licence sales made to mobile trade businesses from within the participating municipalities (based on the 2011 baseline) with non-resident licence sales made to mobile trade businesses from within the participating municipalities and IML sales made to resident mobile trade businesses in 2013.

The financial summary table determines the impact on revenue for the region as a whole, resulting from the implementation of the IML Pilot. The analysis shows that the region as a whole has seen an increase in revenue of over \$37,000 due to the implementation of the IML Pilot. The financial summary table does not measure the compliance increase anticipated to result from an increase in resident licence sales to businesses that did not previously purchase resident business licences from their home municipality. Following the implementation of the IML Pilot, businesses are required to purchase resident business licences in order to be able to purchase the IML. Several of the participating municipalities reported selling resident business licences (as a pre-requisite to the sale of IML's) to businesses located within their own municipality which had not previously purchased a resident business licence. The calculation of the revenue impact resulting from compliance increase will be collected from participating municipalities for the 12-month financial summary.

It is also important to note that sales of non-resident licences made to mobile trade businesses from outside the participating municipalities is not relevant to this review, because these businesses are not entitled to purchase IML's; and as such, they continue to purchase non-resident licences in order to operate in the participating municipalities.

Fraser Valley Inter-Municipal Business Licence Pilot Financial Summary for the period of January – September, 2013

Interpretation Guide:

Columns 1 and 2 provide the baseline for non-resident licence sales and revenue information (made to mobile trade businesses from within the participating municipalities) for the period of January to September, 2011.

Columns 3, 4 and 5 provide the non-resident licence sales (made to mobile trade businesses from within the participating municipalities) and IML sales and corresponding revenue for the period of January to September, 2013.

Columns 6 and 7 set out the net change in total non-resident and IML sales and corresponding revenue for each participating municipality.

Finally, columns 8 and 9 set out the disbursements that each participating municipality either received or paid out as per the mid-term IML revenue sharing allocation that took place at the end of June 2013, and their impact on each participating municipality's overall revenue for the period of January to September, 2013.

For the period of January to September 2011, there were a total of 3,394 non-resident business licences sold to mobile trade businesses located within the region. These licences generated revenue of approximately \$436,000. For the period of January to September, 2013, a total number of 2,595 non-resident business licences and IML's were sold, generating a total revenue of approximately \$473,000, an overall increase of \$37,000.

Key Findings:

The results of the financial summary show the following:

- There was an overall decline of 264 in the total number of licences sold over the entire region.
- With the exception of two municipalities, all participating municipalities experienced a decline in the number of total licences sold.
- This decline was anticipated because the single IML replaces the requirement for businesses to purchase non-resident licences in each municipality in which they operate.
- Each decrease in number of licences sold reflects less paperwork for a mobile trade business within the region, and reflects a reduction in the overall red tape for businesses.
- There was a regional revenue increase of over \$37,000.
- Not all municipalities experienced a corresponding increase in revenue, which was also anticipated.
- As part of the revenue analysis that was conducted prior to the implementation of the IML Pilot, it was noted that some participating municipalities would likely experience a decline in revenue because the revenue generated from the sale of new IML's will not match previous revenue from non-resident business licences sales.
- However, the IML sales revenue reallocation that took place at the end of June, 2013 for the most part alleviated the revenue loss for all but three of the municipalities.

**Fraser Valley Inter-Municipal Business Licence Pilot
Financial Summary for the period of January – September, 2013**

- Moving forward, it is expected that sales of IML's will continue to grow, as several participating municipalities have year round sales of business licences, and as 2012 non-resident business licences expire, they will be replaced with IML's.
- Furthermore, the revenue sharing reallocation which will take place at the end of the 12-month pilot phase is expected to adjust for revenue increases and decreases throughout the region.

**Fraser Valley Inter-Municipal Business Licence Pilot
Financial Summary for the period of January – September, 2013**

Appendix A

Revenue sharing formula as set out in the bylaw to enact the IML Pilot

Participating Municipality	% share of revenue generated from Intermunicipal Business Licence fees
City of Abbotsford	11.53%
City of Chilliwack	6.21%
District of Hope	0.87%
City of Langley	11.75%
Township of Langley	12.82%
District of Maple Ridge	11.82%
District of Mission	10.07%
City of Pitt Meadows	1.95%
City of Surrey	32.98%
Total	100%

**Fraser Valley Inter-Municipal Business Licence Pilot
Financial Summary for the period of January – September, 2013**

Appendix B

Fraser Valley Inter-municipal Business Licence (IML) Pilot Program

Mid-term financial summary

Appendix B - Fraser Valley Inter-municipal Business Licence (IML) Pilot
Mid-term financial summary

Dated October 30, 2013

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
Participating Municipality	# Non resident licences (from within Participating Municipalities) (# from Jan – Sep, 2011)	Revenue Non resident licence (Revenue from Jan – Sep, 2011)	# Non resident licences (from within Participating Municipalities) (# from Jan – Sep, 2013)	# IMLs (# from Jan - Sep, 2013)	Revenue Non resident licence Plus IMLs (Revenue from Jan – Sep, 2013)	Net Change # licences sold	Net Change Revenue	Disbursements as part of mid term Revenue Sharing	Revenue with impact of revenue sharing
1 Abbotsford	341	\$40,950	162	233	(based on average fee of \$120) \$77,690	54	\$36,740	-\$24,383	\$12,357
2 Chilliwack	243	\$24,329	259	135	(based on average fee of \$100) \$59,650	151	\$35,322	-\$17,742	\$17,580
3 Hope	34	\$3,375	5	2	(based on average fee of \$100) \$1,000	-27	-\$2,375	\$1,607	-\$768
4 City of Langley	323	\$52,043	113	32	(based on average fee of \$161) \$26,193	-178	-\$25,850	\$18,336	-\$7,514
5 Township of Langley	407	\$51,829	171	217	(based on average fee of \$110) \$73,060	-19	\$21,231	-\$18,379	\$2,852
6 Maple Ridge	401	\$44,138	397	58	(based on average fee of \$110) \$58,170	54	\$14,033	\$13,986	\$28,018
7 Mission	249	\$36,852	135	66	(based on average fee of \$148) \$36,480	-48	-\$372	\$4,999	\$4,627
8 Pitt Meadows	76	\$6,566	28	13	(based on average fee of \$92) \$5,826	-35	-\$740	\$1,163	\$424
9 Surrey	785	\$175,964	320	249	(based on average fee of \$229) \$135,530	-216	-\$40,434	\$20,412	-\$20,021
Total	3394	\$436,044	1590	1005	\$473,599	-264	\$37,555	\$0	\$37,555

APPENDIX "C"

CITY OF SURREY

BY-LAW NO. _____

A by-law to amend the provisions of "Fraser Valley
Inter-Municipal Business Licence By-law, 2012, No.
17809" as amended.

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The Council of the City of Surrey, in open meeting assembled, ENACT AS FOLLOWS:

1. "Fraser Valley Inter-Municipal Business Licence By-law, 2012, No. 17809," as amended is hereby further amended as follows:
 - (a) Section 2 is deleted in its entirety and replaced with new Section 2 as follows:
 2. The inter-municipal business licence scheme established by this By-law will operate for a term ending December 31, 2015.
 - (b) Section 13 is deleted in its entirety and replaced with new Section 13 as follows:
 13. The Participating Municipalities agree that the revenue sharing formula will be reviewed from time to time, and will be altered as necessary upon agreement of all Participating Municipalities.
 - (c) Section 14 is deleted in its entirety and replaced with new Section 14 as follows:
 14. The revenue generated from Inter-Municipal Business Licence fees collected by the Participating Municipalities will be distributed by each Participating Municipality to the other Participating Municipalities as follows:
 - (a) The revenue generated from Inter-Municipal Business Licence fees collected January 1 to June 30 inclusive will be distributed by August 31 of the year in which the fees were collected.
 - (b) The revenue generated from Inter-Municipal Business Licence fees collected July 1 to December 31 inclusive will be distributed by February 28 of the year following the year in which the fees were collected.

2. This By-law shall be cited for all purposes as "Fraser Valley Inter-Municipal Business Licence By-law, 2012, No. 17809, Amendment By-law, 2013, No. _____".

PASSED FIRST READING on the _____ day of _____, 2013.

PASSED SECOND READING on the _____ day of _____, 2013.

PASSED THIRD READING on the _____ day of _____, 2013.

RECONSIDERED AND FINALLY ADOPTED, signed by the Mayor and Clerk, and sealed with the Corporate Seal on the _____ day of _____, 2013.

_____MAYOR

_____CLERK