



Item .....
Meeting ..... 2015 Oct 26

## COUNCIL REPORT

**TO:** CITY MANAGER **DATE:** 2015 October 15

**FROM:** DIRECTOR FINANCE **FILE:** 46000-01

**SUBJECT:** INTER-MUNICIPAL BUSINESS LICENCE

**PURPOSE:** To obtain Council approval to establish a permanent Inter-Municipal Business Licence Program amongst the municipalities of Burnaby, New Westminster, Richmond, Surrey, Vancouver and Delta.

**RECOMMENDATIONS:**

1. **THAT** Council authorize the preparation of a Burnaby Inter-Municipal Business Licence Agreement Bylaw to establish a permanent Inter-Municipal Business Licence program amongst the municipalities of Burnaby, New Westminister, Richmond, Surrey, Vancouver and Delta as detailed in this report.
2. **THAT** Council authorize the preparation of a bylaw amending the "Burnaby Inter-Municipal Business Licence Bylaw 2013" to establish a permanent Inter-Municipal Business Licence program as detailed in this report.

**REPORT****1.0 BACKGROUND**

In August 2013 Council passed two bylaws authorizing a 27 month pilot program for an Inter-Municipal Business Licence (IMBL) program amongst the municipalities of Burnaby, New Westminister, Richmond, Surrey, and Vancouver and Delta. The goal of the new IMBL program was to provide support to businesses and improve economic development by reducing costs and administration for construction related businesses operating in the partnering communities. Improved compliance with business licence requirements and a modest revenue increase were also identified as expected benefits for the City of Burnaby under the new plan.

It was agreed that the type of businesses that would be eligible to purchase an IMBL during the pilot program would be specific to trade contractors or other professionals related to the construction industry. Prior to the introduction of the Metro West IMBL, as the program has now become known, trade contractor businesses were required to obtain a business licence from their home municipality in which they were based, as well as purchase a non-resident business licence from each municipality in which they operated. Any business found to be operating without a valid non-resident business licence could be subject to bylaw violation notices and any corresponding fines. In addition, most cities would not issue building or other permits to

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construction-related business if an applicant could not demonstrate that they had a valid business licence for that community.

Under the IMBL agreement, the participating municipalities have agreed to allow non-resident trade contractor businesses from within all of the participating municipalities to operate in their individual municipality on the basis of one IMBL purchased from their home municipality. The cost of the IMBL is \$250 annually, and each non-resident trade contractor business is required to purchase a resident business licence from their home municipality before they are able to purchase an IMBL. The revenue generated from sales of IMBLs is shared among the participating municipalities.

The Ministry of Small Business and Red Tape Reduction (the Ministry) has also been an active partner in establishing and supporting the Metro West IMBL during the pilot program. The Ministry has been responsible for maintaining a central database of the IMBL program information and providing analysis of the data to participating municipalities. This shared database also allows for licence compliance checks by staff of the participating municipalities.

## **2.0 ESTABLISHMENT OF A PERMANENT METRO-WEST IMBL PROGRAM**

During the pilot program an ad hoc Metro West IMBL committee composed of representatives from each participating community and Ministry staff worked closely to ensure the successful development of the program. After careful review of the pilot program, the committee recommendation is to continue with the IMBL Program on a permanent basis.

Since the initial inception, the Metro West IMBL program has received positive feedback from the business community and continues to show steady growth. From the period of 2014 December 31 to 2015 June 30 the data provided by the Ministry reported an overall increase of 8% in the number of IMBLs sold by the six community participants in the program. In respect to Burnaby, in the first half of 2015, 400 IMBL were sold compared to 310 for the entire year of 2014, an increase of over 29%.

## **3.0 ADDITIONAL CONSIDERATIONS**

In addition to the recommendation that the Metro West IMBL now be established as a permanent program, the pilot period also provided an opportunity for staff from the participating municipalities and the Ministry to track the effectiveness of the program. Careful consideration was given to the development of a sustainable revenue sharing formula and revenue sharing process, and expanding the types of business that could be included in the IMBL program.

### **3.1 REVENUE SHARING FORMULA**

The revenue generated from the current pilot program is distributed among the participating municipalities using a revenue sharing formula (table below) that was derived from sales figures of non-resident contractor business license by each participating municipality at the start of the pilot program.

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Participating Municipality	% of shared revenue
Burnaby	14.37
Delta	9.67
New Westminster	9.34
Richmond	18.86
Surrey	23.46
Vancouver	24.30
<b>Total</b>	<b>100%</b>

While the original formula initially appeared to be adequate for the purpose of the pilot program, the percentage allocated to each participant was calculated using only on a single year of sales, 2012. It has been reported that in a similar IMBL program which also used this process for calculating program revenue distribution, the process was found to be skewed due to one participating municipality experiencing a building boom during the sample year. In addition to these concerns, the current method also does not allow for ease of entry for any additional municipalities that may choose to join the program in the future.

A new method of revenue sharing proposes that the municipality that sells the IMBL retains 90% of the revenues and redistributes the remaining 10% evenly amongst the other participants. The improved proposed revenue sharing formula offers more flexibility and lends itself to support future growth of the program while maintaining the goal of revenue neutrality. Analysis by the Ministry using IMBL sales figures to date indicates that this new formula will have minimal effect on the overall revenue provided to each of the participating municipalities. At this time, the Committee is not recommending any change to the \$250 fee of the IMBL.

### 3.2 REVENUE DISTRIBUTION INTERVALS

The original agreement required that the revenue collected from IMBL sales be distributed amongst the participants in six month intervals. Having the benefit of experience staff have found that the given the time and resources necessary to complete this task, distribution on an annual basis is preferred to the biannual practice currently in use.

### 3.3 EXPANSION OF THE PROGRAM TO OTHER BUSINESS TYPES

For the purpose of the pilot project it was agreed that the type of businesses that would be eligible to purchase an IMBL would be specific to trade contractors or other professionals related to the construction industry. With the differing regulations surrounding mobile businesses in each municipality, it was found that all participating municipalities share similar regulations with regards to trade contractors and therefore it was agreed to use this specific business type for the pilot project. Upon further review of the types of businesses that may be eligible to purchase an IMBL, it was determined that expanding the types of businesses beyond the construction industry was not viable.

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Local Government bylaws are implemented taking into consideration the specific needs of each respective community which often differ from one municipality to another. Broadening the list of eligible business types outside of the construction industry poses concerns that the bylaws of each participating municipality may be compromised.

The Committee did however recognize that the current definition of an “Inter-municipal Business” could be amended to allow for additional types of contractor related businesses. The current definition reads:

*“Inter-municipal Business” means a trades contractor or other professional related to the construction industry that provides a service or product other than from their Premises”.*

The Committee proposes the following revised definition:

*“Inter-municipal Business means a trades contractor or other professional related to the construction industry or a contractor who performs maintenance, repair, and/or inspections of land and buildings outside of its Principal Municipality”.*

By including a contractor who performs maintenance and/or repair of land and buildings, the proposed definition expands the list of eligible businesses to those who may not be directly related to the construction industry, but do perform similar types of services, such as home inspectors and pest control companies.

#### 4.0 RECOMMENDATIONS

After over two years of successful operation the IMBL pilot program has been collaboratively developed with five neighbouring cities. It is recommended that Council authorize the City to enter into a permanent agreement with the municipalities of New Westminster, Richmond, Surrey, Vancouver and Delta to participate in an IMBL program as detailed in this report. Additional improvements regarding the revenue sharing formula and the distribution frequency are also recommended.

As noted previously in order to participate in the IMBL pilot program Council adopted two bylaws. The first was the *Burnaby Inter-Municipal Business Licence Agreement Bylaw 2013* and the second was the *Burnaby Inter-Municipal Licence Bylaw 2013*. The first bylaw authorized Burnaby’s participation in the pilot IMBL program with an expiry date of 2015 December 15. The second bylaw defined the regulations for the IMBL program, including business eligibility, the licence fee, a mechanism for participating municipalities to withdraw from the program and additional regulatory requirements.

If Council supports the recommendations contained in this report then adoption of new Inter-Municipal Business Licence Agreement Bylaw would be necessary. With the exception of the expiry date, and the changes in the definition of eligible businesses and the revenue sharing model, the proposed new bylaw would contain the same language as the expiring bylaw.

In regards to the *Burnaby Inter-Municipal Licence Bylaw 2013* the proposed amendments would include:

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- a) Deletion of section 2 which establishes a 27 month operational period of inter-municipal business licence scheme from 2013 October 01 to 2015 December 31.
- b) Replacement of the definition of "Inter-municipal Business" in section 3 with "*Inter-municipal Business means a trades contractor or other professional related to the construction industry or a contractor who performs maintenance, repair and/or inspections of land and buildings outside of its Principal Municipality*".
- c) Deletion of section 12(b) that states "any Inter-municipal Business Licence issued on or after 2015 January 01 will expire on 2015 December 31."

If Council is in support of the recommendations contained within this report the following implementation steps are suggested in order to satisfy statutory requirements and to ensure uninterrupted continuity of the program past the 2015 December 31 expiry date:

1. That Council give first reading of the new *Inter-Municipal Business Licence Agreement Bylaw* and the necessary amendments to the *Burnaby Inter-Municipal Licence Bylaw 2013* at their scheduled 2015 October 26 meeting.
2. That following the 2015 October 26 Council meeting, staff publish notice of intent to establish a permanent Inter-Municipal Business Licence program with the municipalities of Burnaby, New Westminster, Richmond, Surrey, Vancouver and Delta as detailed in this report. The *Community Charter* requires that notice be provided of proposed changes to business regulation in order to give opportunity for those who consider they are affected by the bylaw to make representation to Council. If Council adopts the staff recommendations, notice will be published in two editions of the local newspaper to invite comments by the 2015 November 09 Council meeting.
3. That Council accept presentation of any comments at the scheduled 2015 November 09, Council meeting and, barring any objections, consider second and third reading of the new *Inter-Municipal Business Licence Agreement Bylaw* and the necessary amendments to the *Burnaby Inter-Municipal Licence Bylaw 2013*.
4. That Council, at the 2015 November 23, scheduled Council meeting, consider final adoption of the new *Inter-Municipal Business Licence Agreement Bylaw* and the recommended amendments to the *Burnaby Inter-Municipal Licence Bylaw 2013*.

The above timelines would allow sufficient time for the execution of the IMBL Agreement by the six municipalities and renewal of the exiting IMBLs by the 2015 December 31 expiry date.



Denise Jorgenson  
 DIRECTOR FINANCE

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