

# Business Licence Fee Waiver

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## Recommendation

That the March 22, 2021, Urban Form and Corporate Strategic Development report UFCSD00497, be received for information.

## Executive Summary

The Business Licence Bylaw 13138 provides a mechanism for ensuring businesses comply with relevant regulations and are accountable for maintaining safe operations. The collection of licensing fees supports the oversight of the Bylaw, provision of enforcement measures and provides other forms of support such as connecting with other government agencies. Revenue generated through the service, less operating costs, contributes to general revenue which allocates funding towards other city initiatives such as economic development. The business model operates on a high volume of applications and a relatively modest fee for service, collectively generating revenue to fund other City programs and services.

While business licensing fees are a small portion of costs for business, fee waivers demonstrate a continued commitment from the City of Edmonton in supporting local businesses. A fee waiver is one way to reduce barriers for businesses and is one of many tools that the City can leverage to support recovery efforts in light of pandemic impacts. The City Plan outcomes are to foster a vibrant economy by supporting businesses and attracting skills, talent and investment. A fee waiver is one measure of support that may be offered to help reach this outcome.

A fee waiver applied over a 12 month period would allow all businesses an opportunity to access support. This action would provide a bridge for Edmonton businesses to a return to full licensing fees in April 2022, which is in line with forecasted economic recovery and a new Business Licence Bylaw.

## Report

Across many segments of our economy, industries continue to face hardships related to COVID-19 and are challenged to maintain operations. Following an estimated economic contraction in 2020 of 6.7 percent, the City's most recent economic forecast (fall 2020) expects growth of four percent in 2021 and 3.3 percent in 2022. This indicates an anticipated return to 2019-levels of output by 2022. As vaccination distribution progresses and public health measures ease, business and consumer

confidence are expected to return, which should support Edmonton's economic recovery.

While the impacts of COVID-19 have had very different impacts across industries, a return in economic confidence would support the whole economy. It would also specifically benefit those businesses providing high-contact services. Given the range in fees and other costs that a business may face, an individual business licence cost may be burdensome for some businesses and may not be for others, especially since COVID-19 impacts differ across industries. In considering a fee waiver in 2021, Administration focused on the licence term and financial implications to both the applicant and the City.

The business model for Business Licensing observes a high volume of applications and a relatively modest fee for service through which excess revenue funds different City programs and services. Business Licence fees generally start at \$244 but can rise to \$2,500 for cannabis related businesses and up to \$3,214 for a casino fee. There are 62 different categories of licensing with different fees, and, currently, there are 36,145 valid business licences issued in Edmonton. Business Licensing revenue, less operating costs, contributes to Corporate general revenue which allocates funding towards various initiatives. These initiatives include supporting businesses through the various economic development programs the City has to offer. As revenue from Business Licencing contributes to Corporate general revenue, a business licence fee waiver may have a negative impact on other City of Edmonton programs and services that are funded from the revenue.

### *2020 Fee Waiver*

At the May 25, 2020, City Council meeting, the following motion was passed:

That the fees within Business Licence Bylaw 13138 be waived by 50 percent (upon request) for the period June 1, 2020, to December 31, 2020.

New and renewing business licence applicants received a 50 percent licence fee waiver for June - December 2020. The waiver was offered to businesses upon request and implemented after the economy began to open up again. New and renewing business applications received during the period of January to May 2020 were not able to access the fee waiver as it was outside the waiver period. Only a small number of businesses (roughly 3 percent of businesses - 976 new and renewal) took advantage of the waiver. Despite the pandemic, the volume of licence applications for 2020 was comparable to 2019.

Year	New	Renewal	Total
2019	5,995	30,286	36,281

2020	6,741	29,087	35,828
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*2021 Fee Waiver*

Administration has had requests from businesses for a fee waiver for 2021. In reviewing financial considerations and past performance, Administration supports an equal approach to any proposed fee waivers, rather than one based on request or business type. This would mean that the fee waiver would be automatically applied to all business licences, regardless of renewal date, business type or whether a request for a waiver is made.

This approach to fee waivers reflects on the feedback received by Administration. Some business owners expressed frustration at not being able to access the waiver, either due to having had already paid their fees or not being aware of needing to specifically request the reduction. Further, the application of a waiver upon request creates additional administrative requirements which may be considered burdensome or a form of red tape, rather than applying a set reduction for all licence categories. Finally, while it is true that the impacts of the pandemic have had varying impacts on different industries and sectors, attempting to base a fee waiver on those 'hardest hit' is challenging, as different circumstances and experiences cannot be captured. A fee waiver applied similarly across all business licences ensures all businesses receive support, it is easier to administer and forecast outcomes and sets a timeline for transitioning to full fee in 2022, in line with anticipated economic recovery.

Different rates of fee waiver have been examined (and are discussed in further details below). Business Licence fees generally start at \$244 but can rise to \$2,500 for cannabis related businesses and up to a casino fee of \$3,214. Administration notes that a lower fee waiver may not necessarily be impactful for many businesses based on their total business licence fee.

**Financial Considerations for a Fee Waiver**

The Fall 2020 Supplemental Operating Budget Adjustment accounted for 2020 second quarter data showing Business Licence out performing anticipated impacts of COVID-19. The 2020 budgeted revenues were reduced by 50 percent to account for forecasted lower business activity as a result of the pandemic. By year end, Business Licensing revenues had outperformed this expectation with a \$5.4 million higher than budgeted contribution to Corporate general revenue. Although an initial good sign, many businesses took advantage of Government support measures, these supports may not carry businesses over the continuing decline in retail spending and any incurred debt to access supports may require attention in 2021.

The budgeted revenue for 2021 incorporates anticipated market factors while the budgeted expenses are not expected to change significantly from previous years.

Business licence waivers have a direct impact on contributions to Corporate general revenue.

Based on this budget, the following scenarios outline impacts of three options for business licence fee waivers on the 2021 and 2022 budget:

2021 Business Licensing Budget Forecast

Category	2021 (in thousands)			
	Budget after Fall 2020 Supplemental Operating Budget Adjustment	Revised Budget Based on 25% fee waiver	Revised Budget Based on 40% fee waiver	Revised Budget Based on 50% fee waiver
Revenue	\$9,366	\$7,471	\$6,334	\$5,576
Expenses	\$2,008	\$2,008	\$2,008	\$2,008
<b>Contributions to General Revenue</b>	<b>\$7,358</b>	<b>\$5,463</b>	<b>\$4,326</b>	<b>\$3,568</b>

The 2021 Budget after the approval of the Fall 2020 Supplemental Operating Budget Adjustment includes a 20 percent reduction to the budgeted revenues related to forecasted lower business activity as a result of the pandemic. The highest fee waiver examined, 50 percent, would reduce revenues to \$5.6 million and reduce contributions to Corporate general revenue to \$3.6 million.

2022 Business Licence Budget Forecast

Category	2022 (in thousands)			
	Budget after Fall 2020 Supplemental Operating Budget Adjustment	Revised Budget Based on 25% fee waiver	Revised Budget Based on 40% fee waiver	Revised Budget Based on 50% fee waiver
Revenue	\$11,783	\$11,221	\$10,884	\$10,659
Expenses	\$2,024	\$2,024	\$2,024	\$2,024
<b>Contributions to General Revenue</b>	<b>\$9,759</b>	<b>\$9,197</b>	<b>\$8,860</b>	<b>\$8,635</b>

The 2022 Budget assumes a return to 2019 levels of output. A fee waiver could be implemented for 365 days, running to the end of March 2022. This would result in reduced revenues of \$10.7 million and reduced contributions to Corporate general revenue of \$8.6 million.

The reduction to contributions to Corporate general revenue of \$3.8 million and \$1.1 million in 2021 and 2022, respectively, could be funded by appropriated COVID-19 Financial Stabilization Reserve.

At the March 15, 2021, City Council meeting, City Council approved keeping tax supported surplus within the Financial Stabilization reserve for potential impacts of the COVID-19 pandemic in the amount of \$24.8 million. It was identified the possible future costs of the COVID-19 pandemic for 2021 are not known at this time. Some potential impacts that may need funding from the Financial Stabilization Reserve in 2021 include:

- Extended operations of the City-led temporary housing pandemic shelter (Tipinawâw),
- Costs to assist with the COVID-19 vaccine rollout,
- Possible business and economic support programs and funding, and
- Demand for recovery support from the City by non-profit organizations.

It should be noted that the Business Licence Bylaw is undergoing a renewal project with a revised fee schedule. The new fee schedule may identify a reduction to the overall transfer of funds to general revenue compared to the current Business Licence Bylaw. The impacts of these updates on the 2022 budget will be incorporated in the Fall 2021 Supplemental Operating Budget Adjustment.

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): Edmonton has a globally competitive and entrepreneurial business climate</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
Support is provided to as many businesses as possible	Fee waiver is applied to all business licence applications	N/A	100% of business applications receive the fee waiver

**Others Reviewing this Report**

- C. Owen, Deputy City Manager, Communications and Engagement
- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- K. Fallis-Howell, Acting City Solicitor