

TO: FINANCIAL MANAGEMENT COMMITTEE **DATE:** 2021 May 06

FROM: DIRECTOR – PUBLIC SAFETY AND
COMMUNITY SERVICES

SUBJECT: ANNIVERSARY BUSINESS LICENCE BILLING

PURPOSE: To request Council authorize amendments to the *Burnaby Business Licence Bylaw 2017* and the *Burnaby Business Licence Fees Bylaw 2017* to permit business licences to be issued based on anniversary billing.

RECOMMENDATION:

1. **THAT** Financial Management Committee recommend Council authorize the City Solicitor to bring forward amendments to the *Burnaby Business Licence Bylaw 2017* and the *Burnaby Business Licence Fees Bylaw 2017* to permit the billing of Burnaby business licences on an anniversary basis, as outlined in this report.

REPORT

1.0 INTRODUCTION

On 2020 June 22 Council approved a staff recommendation to implement enhancements to the existing Tempest system to permit City of Burnaby business licences to be issued and billed on an “Anniversary Billing” cycle. After receiving approval, the project began in the fall of 2020 and the new system is expected to be operational in September 2021. In preparation for the September start date, bylaw amendments are required to permit business licences to be issued in the new system.

With Anniversary Billing, business licences will expire 12 months after issuance. This is a change from the current process of “Calendar Billing” where business licences are valid until December 31 of every year, irrespective of issue date. A challenge with issuing licences based on Calendar Billing is that applicants who apply later in the year for a first year licence are not provided the full value for that original licence. As well, many payments for a business are associated with year end, resulting in a significant surge of work during this busy time. Transitioning to Anniversary Billing will alleviate these challenges for businesses. It will also allow for businesses to only pay for the period of time for which they are in operation.

In addition to the benefits provided to customers, adopting an Anniversary Billing model will also assist staff. Under the current process, all 17,000 business licences are required to be renewed at the same time each year, beginning in early November. This creates a significant workload for the Licence Office staff that are required to process payments, respond to customer inquiries, respond to correspondence and provide any subsequent follow-up that is normally required throughout the renewal cycle. With the introduction of Anniversary Billing the renewal workload will be spread more evenly across the entire year.

Before licences can be issued in the Tempest system on an Anniversary Billing basis, bylaw amendments will be required to align the relevant provisions in the *Burnaby Business Licence Bylaw 2017* and the *Burnaby Business Licence Fee Bylaw 2017* with the proposed Anniversary Billing procedures. Transitional provisions will also be required in order to move the 17,000 existing business licences to the Anniversary Billing cycle over a period of time.

2.0 POLICY SECTION

The recommended action is aligned with the City of Burnaby's Corporate Strategic Plan by supporting the following goals and sub-goals of the plan:

A Connected Community

- Work collaboratively with businesses, educational institutions, associations, other communities and governments

Economic opportunity

- Foster an environment that attracts new and supports existing jobs, businesses and industries

3.0 REQUIRED AMENDMENTS - BURNABY BUSINESS LICENCE BYLAW 2017

3.1 Validity Period For Licences

In order to permit Anniversary Billing, various sections of the current licence bylaw that limit the validity of a licence to a Calendar Billing cycle will need to be amended. Sections that will require amendment include:

Section 2.1, definition of a renewal licence, "means a licence issued to a business under this Bylaw for each calendar year after the expiry of the initial business licence for the business";

Sections 5.3 (d)(B)(iii) and (iv), which authorize the conversion of a conditional business licence to either an initial business licence or a renewal business licence. Both of these sections refer to the "first calendar year of issuance";

Section 6.1(a), limits the validity period of an initial business licence to “the portion of the calendar year remaining after issuance of the initial business licence and December 31 of the same year”;

Section 6.1(d), establishes that a renewal licence is valid for a one year term commencing the first day of January and ending on December 31 of the same calendar year;

Section 6.2, requires licence holders to obtain a renewal licence by December 31 of the expiry year; and

Section 9.5(b), which allows for a partial refund to holders of conditional business licences that have been cancelled “within the first calendar year of issuance” and limits the amount to be refunded to a prorated amount from the “date of cancellation to December 31 of that calendar year”.

3.2 Transitioning Current Business Licences to Anniversary Billing

Transitioning to an Anniversary Billing format will lessen the peak workload demand placed on staff tasked with processing annual licence renewals. After the Tempest system becomes operational in September of 2021, all new business licences issued in the system from that date onwards will automatically be issued with an Anniversary Billing date. However, the approximate 17,000 existing licences will continue to be on the Calendar Billing cycle and will come due for renewal on 2021 December 31. In order to realize the staff benefits and achieve a balance in the number of monthly licence renewals, it will be necessary to evenly distribute these existing business licences across the year.

Staff propose using the month (regardless of the year) that the original application was received as the method to assign a new annual monthly renewal date in the Tempest system. Starting in 2021 October the transition period will last until 2023 May. All 2021 active businesses will be provided with a 2022 business licence renewal invoice in 2021 October, with payment due by 2021 December 31. However, in order to facilitate a staggered Anniversary Billing approach, businesses will be given renewal terms of between 6 and 17 months, dependent upon their original application month. The proposed transition process will be as follows;

- Businesses that had submitted their original application in July (of any year) will be provided an invoice for a six month licence, valid between 2022 January 01 and 2022 June 30. At expiry of that licence, businesses will then renew their yearly licence for a 12 month term, from July 01 to June 30 thereafter.
- Businesses that had submitted their original application in August (of any year) will be provided an invoice for a seven month licence, valid between 2022 January 01 and 2022 July 31. At expiry of that licence businesses will then renew their yearly licence for a 12 month term, from August 01 to July 31 thereafter.

- This process continues along the same lines as per the table below for original application dates up to and including January:

Original Application Month	Transitional Licence in Months	Transitional Licence Validity Period
July	6	Jan 1 - June 30 2022
August	7	Jan 1 - July 31 2022
September	8	Jan 1 - August 31 2022
October	9	Jan 1 - September 30 2022
November	10	Jan 1 - October 31 2022
December	11	Jan 1 - November 30 2022
January	12	Jan 1 - December 31 2022

- Those businesses that had submitted their application in the months of February to June, will be provided an invoice for the entirety of 2022 (12 months) plus additional monthly periods as follows:

Original Application Month	Transitional Licence in Months	Transitional Licence Validity Period
February	13	Jan 1 2022 - January 31 2023
March	14	Jan 1 2022 - February 28 2023
April	15	Jan 1 2022 - March 31 2023
May	16	Jan 1 2022 - April 30 2023
June	17	Jan 1 2022 - May 31 2023

To transition existing licences to an Anniversary Billing cycle will require that the bylaw authorize issuance of business licences with a validity period of between six (6) and seventeen (17) months for the years of 2022 and 2023 only. All licences will then be on a 12 month cycle after 2023 May 31.

3.3 New Business Licence Applications

After a review by staff, it was determined that renewing business licences to the precise day of expiry would not be realistic considering the administrative processes that would be necessary to accomplish this. Instead, Anniversary Billing will take place 12 times per year, with business licences expiring on the last day of each month. Therefore, for new applications, this means that commencement of the licence validity period will be based on the day of the month an application was received, with the 15th of the month acting as a cut off point. For example, if an application is received on September 1 to 15, the licence term will run from September 1 to August 31 of the next year. If the application was received on September 16 to 30, then the licence term will run from the date of issuance to September 30 of the next year. Utilizing a mid-month cut off date is necessary to implement a manageable monthly Anniversary Billing process.

To facilitate this change the *Burnaby Business Licence Bylaw 2017* will need to include provisions to establish a validity date for an initial business licence based on the application submission date. The provisions would reflect that:

- All business licences with an application date between the 1st day and the 15th day of any month will be valid until the next year on the last day of the month that precedes the application date.
- All business licences with an application date between the 16th day and the last day of any month will be valid until the next year on the last day of the month in which the application was received.

3.4 Changes to Invoicing Dates and Related Amendments to the Licence Cancellation Timeframe

Current Billing Process

Presently under the Calendar Billing model, all licence holders are provided with an annual renewal invoice in early November of each year, approximately 60 days before the licence expires.

Historically, as a courtesy to customers, for those accounts that have not made payment by December 01, the Licence Office has provided an additional "reminder notice" to make payment prior to the expiry date and avoid the late payment fee. These reminders provide an alert to customers that payment is required before December 31 in order to avoid a \$50 late payment fee.

If payment is not received by December 31, a \$50 "late payment fee" (as permitted under Section 6.3 of the bylaw) is then added to the amount owing. Beginning in January new invoices are sent to all overdue accounts, stipulating the full amount (yearly renewal and penalty) now requiring payment. The customer then has until the last day in February to make payment in full to avoid cancellation of the business licence. Should a business fail to make payment in full after the last day in February, Section 6.4 of the bylaw provides for automatic cancellation of a business licence for nonpayment.

The entire invoicing and payment processing time frame for the current Calendar Billing cycle, as described above, is approximately 120 days (November to end of February) including the penalty period.

Proposed Billing Process

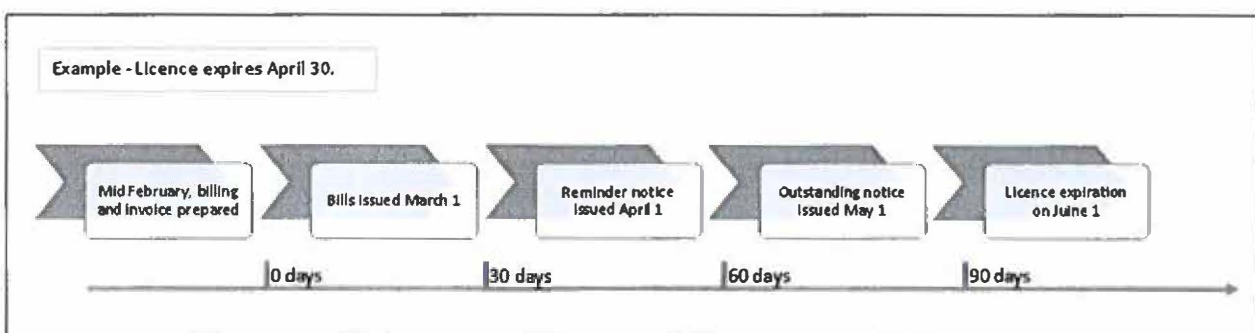
With Anniversary Billing, invoicing and payment processing will take place 12 times each year. In order to efficiently manage and track notifications, invoices, payments, and related tasks, the billing cycles will need to be more regimented than under the current process. To accomplish this and ensure customers continue to be provided with adequate

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notice, staff propose a 90 day time frame (composed of three 30 day increments) for payment deadlines and/or additional enforcement actions. Utilizing the three proposed 30 day increments will also allow staff to stay current with all required processes.

As an example of the proposed revised Anniversary Billing invoicing and cancellation process, using April 30 as the licence expiry date, the process would be as follows:

- First 30 days - On March 01, sixty days prior to the business licence expiry date, the customers will receive an invoice providing notice that payment is due on or before April 30.
- Second 30 days - On April 1, thirty days prior to the licence expiry date, the customers will receive "reminder notice" informing that payment has not yet been received and is due on or before April 30.
- Third 30 days - If payment isn't received on or before April 30, a final notice/invoice will be sent to the customer, advising that payment is required to be received by May 30 and if payment is not received, the business licence will be automatically cancelled. It is proposed that during the transition period (i.e. 2022 January 1 to 2023 June 01), the application of a late payment fee be temporary suspended. After the transition, a late payment fee of \$50 would be applied for overdue invoices. See discussion in Section 3.5 of this report.
- After the third 30 days (i.e. 90 days after initial invoice was issued) - If payment is not received prior to end of business day on May 30, the business licence would be automatically cancelled on the next day. This is similar to the current practice, however, the time frame will be reduced.



To accomplish the proposed Anniversary Billing process, Section 6.4 of the bylaw will require amending to permit the cancellation of business licence for nonpayment 30 days after the due date has passed, instead of the last day of February as this section now reads. Retaining this regulation should sufficiently encourage businesses to make payments within the required time lines.

3.5 Temporary Suspension of Late Payment Fee During Transition Time Frame

The purpose of a late payment fee is to encourage timely payments on yearly business licence renewals. Section 6.3 of the *Burnaby Business Licence Bylaw 2017* authorizes the addition of a late payment fee to be applied to business licence accounts that remain unpaid after the December 31 due date. The fee is a flat fee of \$50 regardless of the renewal fee, and is set-out in in the *Burnaby Business Licence Fees Bylaw 2017*.

For comparison, staff contacted six other local governments to determine if similar late payment penalties are applied to business licence renewals in these communities. The responses are shown in the table below.

CITY	LATE FEE APPLIED
Vancouver	Yes
Coquitlam	Yes
Surrey	Yes
Richmond	No
Delta	No
Port Moody	No

Approximately 2200 late penalty notices were issued in 2020. Staff recommend retaining the late payment fee; however, it is recognized that many Burnaby businesses have become accustomed to the yearly Calendar Billing payment timeframe as described in section 3.4 of this report. As a result, until all businesses have an opportunity to become familiar the new Anniversary Billing process, staff recommend suspending the application of the late fee for the period of 2022 January 1 through to 2023 June 01. This would require section 6.3 of the *Burnaby Business Licence Fees Bylaw 2017* to be amended to specify that late payment fees will not apply to invoices due during this period.

3.6 Exception for House Rental Licenses

Staff recommend retaining House Rental Licences (HRL) on the Calendar Billing cycle. This would continue to align HRL yearly expiry dates with the Declarations provided to home owners by the City every September for supplementary utility fees. The Declaration are used to determine if a home is being rented and if a HRL is required for rented homes that are not occupied by one or more owners. Typically completed Declarations are due back to the City by November 30 each year. Keeping HRL on a Calendar Billing cycle will permit staff to provide timely notice, after the Declarations have been received, to any property owners who may need to obtain a HRL by January of the next year.

The *Burnaby Business Licence Bylaw 2017* will need to be amended to specify that HRLs will be billed and have a validity date based on Calendar Billing.

3.7 Amendments to Signature Requirement For Business Licence Applications

In addition to providing the ability to transition to Anniversary Billing the Tempest system also provides the ability to accept business licence applications over the internet through the city's My Property Portal. This feature will greatly enhance customer service by allowing new applicants to conveniently submit applications remotely.

Section 4.1(b) of the bylaw requires applications to "be signed by the owner or operator of the business or an agent authorized in writing by the owner or operator". This section will need to be amended to permit customers to submit electronic applications through the My Property Portal and to allow one business owner to apply on behalf of all owners, where the business is owned or operated by more than one person.

4.0 REQUIRED AMENDMENTS - BURNABY BUSINESS LICENCE FEES BYLAW 2017

The transition to Anniversary Billing will also require amendments to the *Burnaby Business Licence Fees Bylaw 2017*. Schedule A of the bylaw contains the fees for all business licence categories. The Schedule will need to be amended as follows:

- Remove the entire column titled "Prorated Initial Licence Fee (effective July1)", including associated fees. With the introduction of Anniversary Billing, proration of business licences is no longer required;
- Identify that the fees listed in the columns titled "Initial Licence Fee" and "Renewal Licence Fee" are Annual Fees, and
- Specify that Home Rental Licences fees are for a calendar year (both the Initial Licence Fee and the Renewal Licence Fee) and no proration is provided for applications received part way through a calendar year.

5.0 CREATION OF A COMMUNICATION PLAN

Licence Office staff and Communications staff have begun discussing how best to provide advance notice to the business community of the upcoming billing cycle changes. A formal plan is being developed and will be implemented closer to the 2022 business licence renewal date.

Preliminary discussion have also begun with the Burnaby Board of Trade to request their assistance with raising awareness amongst the business community and their members. Discussions are ongoing at this time.

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6.0 ACCOUNTING AND REVENUE IMPLICATIONS

The current licence application and renewal billing processes involve the posting of licence revenue to the applicable calendar year in which the licence validity period applies. Using the accrual method of accounting, renewal invoice revenue raised in the system in late October / early November each year is manually moved to the following calendar year, and as such aligns with the services being provided. Penalty and application fees are recognized in the year in which they are imposed. Under the Tempest system this process is partially automated, but still requires some manual processing on an annual basis.

The City's Revenue Services staff are working with the Licence Office to ensure that the impact upon revenues is minimized and that the correct revenue recognition is applied during and after the transition period. Initial projections indicate that annual revenue during the transition period will continue to align with 2019 and 2020 figures, of around \$3.8 million. Finance staff are currently working with the product vendor to develop a report for use by the Licence Office and Revenue Services for improved tracking of business licence fee receivables.

7.0 RECOMMENDATION

Staff recommend that the Financial Management Committee request that Council authorize the City Solicitor to bring forward amendments to the *Burnaby Business Licence Bylaw 2017* and the *Burnaby Business Licence Fees Bylaw 2017*, as described in this report.

The *Community Charter* requires that before adopting a bylaw in regards to business regulation, Council must give notice of its intention and provide an opportunity for persons who consider they are affected by the bylaw to make representations to Council. In order to ensure all interested parties are provided sufficient notification, notice of the proposed amendments to the *Burnaby Business Licence Bylaw 2017* and the *Burnaby Business Licence Fees Bylaw 2017* will be advertised in the local newspaper for two consecutive editions after first readings of the amendment bylaws. The notice will provide a deadline of noon, 2021 June 11 to make written submissions. All responses will be collected and provided to Council prior to final adoption of the bylaws.



Dave Critchley
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Copied to: Acting City Manager
Director Finance