

Council Memo



To	City Council
Service Area	Infrastructure, Development and Enterprise Services
Date	Tuesday, July 25, 2023
Subject	Council Memo - Permanent Seasonal Patio Program Updated Fee and Financial Considerations

Key facts

At the [July 5, 2023 Committee of the Whole](#), staff presented recommendations for a permanent Seasonal Patio Program, informed by the success and feedback of the 2021-2023 Seasonal Patio Program. In discussion with staff, Council requested additional details on financial impacts associated with changes to the recommendations for consideration. This includes:

- A legal opinion on whether the subsidization of the Seasonal Patio Program with the Municipal Accommodation Tax (MAT) or the tax levy is bonusing;
- The financial and operational impacts of a three-season patio program;
- The impacts to the Municipal Accommodation Tax budget if the on-street fee of \$10 per square meter per month was phased in over three years; and
- A revenue-neutral model and budget that does not draw from the Municipal Accommodation Tax.

Bonusing

A legal opinion from the City of Guelph's Legal, Realty and Risk Services department on whether subsidizing the Seasonal Patio Program costs through the Municipal Accommodation Tax or the tax levy is forthcoming.

Three season program: operating and financial impact

Using the pilot [2021-2023 Seasonal Patio Program](#) as a model for a "three season" seasonal patio program, staff have reviewed and provided operating and financial impacts that would see on-street seasonal patios installed between the first weekend of April and the last weekend of October each year.

The primary budget and operational impacts from a spring extension would arise in the event of late snow fall as well as the phased installation of some seasonal patios due to concrete repair when needed. Winter control and repair work would be prioritized for risk mitigation and continued accessibility of city streets and sidewalks and there would be no proration of fees for impacted installation dates. The budget impacts of this could range between \$20,000 and \$30,000. These

increased costs reflect ongoing installation over several weeks to accommodate for the operational priorities indicated.

With low utilization during the shoulder seasons and increased costs to the municipality and businesses, staff are not recommending extending the season at this time. Staff have noted the budget implications below.

Phasing in on-street fees

A three year phased-in model for the on-street seasonal patio fee is presented in the chart below with the final fee reflecting the staff recommended \$10 per square meter per month to take effect January 1, 2026. Anticipated collected fees includes the assumed collection of the \$260 licensing fee in addition to the on-street fees. The anticipated MAT reserve funds staff anticipate are in relation to the \$175,000 budget for the current proposed program.

Fee per square meter per month	Implementation Date	Anticipated collected fees	Anticipated MAT reserve funds
\$5.00 + HST	January 1, 2024	\$40,000	\$135,000
\$7.50 + HST	January 1, 2025	\$55,000	\$120,000
\$10 + HST	January 1, 2026	\$70,000	\$105,000

In a three season program, the anticipated annual budget range is between \$195,000 and \$205,000. The anticipated MAT reserve funds required to support this option, compared to anticipated program fees, is presented in the chart below.

Fee per square meter per month	Implementation year	Anticipated collected fees	Anticipated MAT reserve funds
\$5.00 + HST	2024	\$50,000	\$145,000
\$7.50 + HST	2025	\$70,000	\$125,000
\$10 + HST	2026	\$90,000	\$105,000

Seasonal patio program as revenue neutral

Three options are presented below for Council consideration of a Seasonal Patio Program that does not use the Municipal Accommodation Tax in program operations: complete recovery through user fees; service level adjustment; and tax levy support.

Revenue-neutral via user fees

With the proposed program, a revenue-neutral model would require the annual user fees for businesses operating a seasonal patio at the following rates:

- Annual seasonal patio inspection fee: \$260.00 + HST
- On-street rental fee: \$29 per square meter per month + HST

The project team anticipates most businesses will choose to opt out of the program at these rates.

Revenue-neutral via service-level adjustment

The proposed program is based on service levels established during the seasonal patio program pilot. The project team reviewed staffing and infrastructure resources and, if the program opens and closes as scheduled and the staffing model is reconsidered, the City could adjust the program to reduce the annual budget to \$75,000. The annual user fees for businesses operating a seasonal patio in this scenario are suggested at:

- Annual seasonal patio inspection fee: \$260.00 + HST
- On-street rental fee: \$12.50 per square meter per month + HST

Reducing proposed staffing and infrastructure resources would affect the City's ability to respond to customer inquiries, may limit business participation, and reduce guideline compliance monitoring.

An alternative to this could also be setting the fee structure consistent with the current staff proposal to charge \$10.00 per square meter per month + HST, leaving only an approximate \$5,000 per year to be funded through property taxes or the Municipal Accommodation Tax. This could also be phased in over three years as outlined in the options provided above.

Tax levy support

Support through the tax levy may be required if the seasonal patio program moves forward without drawing from the Municipal Accommodation Tax reserve; there are no other revenue options available. This would occur if the number of participating businesses does not cover the costs of running the program or if a phased-in approach to the fees moves forward.

This memo was approved by:

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