REPORT OF THE

COMMITTEE ON FINANCE AND ADMINISTRATION

DATED FEBRUARY 25, 1993

On motion of Councillor Golden, the rule was suspended and the Report of the Committee on Finance and Administration, dated February 25, 1993, was considered.

Her Worship the Mayor and Councillors:

The City of Winnipeg License By-law No. 4007/85 - Proposed Amendment - Trades Requiring a Certificate of the Medical Health Officer File EL-2 Volume 26

399 - 1. Your Committee on Finance and Administration at its Special Current Budget meeting held on January 28, 1993, considered a resolution from the Committee on Planning and Community Services proposing that the Committee on Finance and Administration give favourable consideration to implementing a $209.00 Health Inspection Fee under the License By-law.

Committee also considered report from the Acting Commissioner of Finance and Administration dated February 11, 1993 in connection therewith. The Executive Policy Committee in its February 10, 1993 Draft Current Estimates recommended the following:-

That the following inspection fees (under License By-law No. 4007/85) be established, effective June 1, 1993:

CATEGORY	FROM	TO
Banquet Hall	$100.00	$120.00
Barber Shop:		
- 1st Chair	$25.00	$35.00
- 2nd Chair	$10.00	$15.00
Beauty Salon:		
- 1st Chair	$25.00	$35.00
- 2nd Chair	$10.00	$15.00
Dance Hall	$100.00	$200.00
Food Handling Establishment	$100.00	$209.00
Hawker - mobile unit -		
fresh fruit/vegetable	$50.00	$60.00
Other	$100.00	$115.00
Hawker - vehicle -		
fresh fruit/vegetable	$30.00	$35.00
Other	$60.00	$70.00
Ice Cream Freezer	$10.00	$25.00

Note: It should be noted that the fees listed under the "From" Column are 1991/92 fees and do not represent the current 1992/93 fees. Also, Council has already adopted new license fees for the 1993/94 license year and these latter fees have already been included in the calculation of the original 1993 revenue estimate of $980,000.00. Further information on these fees is provided in this report.

The Ad Hoc Committee on Licensing and Animal Control on February 3, 1992, considered a report recommending increased license fees for licenses issued under the City of Winnipeg License By-Law No. 4007/85 for the 6-year period from 1992/93 to 1997/98. The recommended fees reflected an attempt to move toward full cost recovery, although the recommended fees did not reflect 100% cost recovery primarily due to the existing economic climate. After considering the report, the Committee recommended a 6-year fee schedule with more moderate fee increases in order to keep fees at predictable and acceptable levels while attempting to bring total license revenue in line with the cost of regulation and control in the long term. The Committee then scheduled a public hearing to allow the public an opportunity to comment on the revised proposed increases, with these 1992 license fees being advertised in the Winnipeg Free Press.

Report of the Committee on Finance and Administration, dated February 25, 1993

On March 2, 1992, the Ad Hoc Committee on Licensing and Animal Control held a public hearing to receive representations on the matter of license fee increases. As a result, the Ad Hoc Committee on Licensing and Animal Control recommended the 6-year license fee schedule with a few exceptions. Where issues had been raised by the delegations, further reports were requested (hawkers and outdoor mobile food vending units, transient traders, food handling establishments, and non-electric automatic vending machines).

On March 25, 1992 Council adopted the 6-year license fee schedule. The report adopted by Council indicated that the public would be advised of future increases on an annual basis by way of a pamphlet to be distributed at the time of license renewal. The pamphlet was to provide information on the following year's license fees.

On that same date, Council adopted new license fees for the non-electric automatic vending machines which were the subject of a separate report. On October 14, 1992 by-law amendments were passed with respect to hawkers and outdoor mobile food vending units including a long term fee schedule. A review is in process with respect to transient traders. This report deals with issues relating to trades requiring a Certificate of the Medical Health Officer, including food handling establishments.

Introduction: In 1992, under the provisions of the City of Winnipeg License By-Law 4007/85, 19,371 licenses were issued with respect to approximately 80 trades, resulting in $993,531 of license fee revenue.

Trades Requiring a Certificate of the Medical Health Officer: Thirteen of the approximately eighty trades licensed under the provisions of this by-law require approval from the Medical Health Officer. Section 4(8) of the License By-law states:

> "Certificate of Medical Health Officer.
> No license to carry on the trade of:
>
> Automatic Vending Slot Machine
> dispensing food products or beverages
> Banquet Hall
> Barber Shop
> Beauty Salon
> Dance Hall
> Food Handling Establishment
> Ice Cream Freezer
> Massage Parlour Proprietor
> Outdoor Mobile Food Vending Unit
> Pet Shop
> Poultry Slaughter House
> Tattoo Studio
> Transient Trader
> selling food products or beverages
>
> shall be issued to an applicant unless the applicant first obtains and files with the Chief License Inspector a certificate of the Medical Health Officer or his designate that the vehicle, mobile unit or premises in respect of which the license is applied for have been examined and found in a fit and clean condition and suitable for the purpose of carrying on such trade..."

During recent budget deliberations, the City's Health Department made a proposal to the Committee on Planning and Community Services to increase City revenues by assessing a fee for the issuance of health permits. This was amended by the Committee to increase revenues by $405,766.00 by increasing license fees for these trades. This would have represented a 41% increase in total license revenues.

At the same time, the Health Department also proposed other revenue increases by way of permits and so forth which would not be collected under the provisions of the License By-Law and hence, the variation between the $1 million noted in the motion from the Committee on Planning and Community Services versus the $405,766.00 proposed by the Health Department.

License Fees and Cost Recovery: An attempt has been made to establish license fees which cover the cost of enforcement of the License By-Law. The license fees are generally comprised of three cost components: administrative, inspection, and enforcement. All licensable trades have an administrative cost component built into the fees to cover the cost of processing applications, renewals, etc. The administrative cost component is higher for trades that require special approvals, such as Community Committee approval, or Certificates from the

Report of the Committee on Finance and Administration, dated February 25, 1993

Medical Health Officer, the Chief of the Fire Department, or from the Character Review Board of the Winnipeg Police Department, for example. Inspection costs also form a part of the fee as license inspectors routinely inspect all trades. Some trades are subject to more frequent inspection and these trades would bear a larger inspection cost component. Inspection costs also include inspections by other Departments such as Fire, Health, and so forth. Trades where enforcement measures are often required, such as laying of offense notices, court proceedings, etc. must also bear the costs of enforcement. Some licensed trades generate considerable inspection and enforcement activity by license inspectors, health inspectors, police officers, and so forth. Costs of other civic departments relating to licensing are also accounted for in the fees, for example, the Law Department's costs related to drafting of by-law amendments or representing the City in court challenges. Revenue from fines with respect to legal proceedings for by-law infractions offset these costs to a degree.

The cost of licensing these trades was estimated at approximately $1.4 million in the report presented to the Ad Hoc Committee on Licensing and Animal Control on February 3, 1992, however, it was recognized that the cost estimates available were imprecise. Costs to the Planning Department were not included as direct charges are made to applicants under the Development Fees By-law. Other cost estimates were rough figures provided by the respective Departments, and caution was exercised in equating costs per license to a recommended fee for several reasons. Enforcement costs are higher in some years than others due to court challenges by individual licensees, and may not be reflective of on-going costs. Also, enforcement costs may include the cost of enforcement related to unlicensed activities. The question arises, should licensed individuals and companies bear the cost of enforcement related to those who are not licensed? The fixed costs of civic departments are absorbed by the number of licenses issued. In tough economic times, this increases the cost per license. The Health costs per license reflected The City of Winnipeg's Health Department's costs per license. Due to the fact that health inspections are performed by the Province and the City, an assumption was made that the Provincial Health Department had similar costs related to health inspections. Therefore, the total health-related costs identified in the report were a shared cost with the Province. The issue therefore arises, should the City be recovering costs incurred by the Province?

As noted, a decision was made at that time not to move to full cost recovery in the short term, and adherence to this previous decision is recommended in this report, although a move to full cost recovery in the future is recommended.

1993/94 License Fees: Licensees have already been advised of 1993/94 license fees by way of a pamphlet distributed with and subsequent to the mailing of the 1992/93 license renewals. To alter the advertised fees for the 1993/94 license year would likely create negative reaction from the public. However, licensees in the trade category of "Food Handling Establishment" were notified that the 1993/94 license fees were under review, and new fees for these licensees are recommended.

The proposal put forward by the Health Department recommended full cost recovery of health inspection costs for trades requiring a Certificate of the Medical Health Officer. Each of these trades will be dealt with individually or in groups as follows:

1. Automatic Vending Slot Machine dispensing food products or beverages: Present practice has been not to require a Certificate of the Medical Health Officer for automatic vending slot machines dispensing food products or beverages as the risk is minimal, the number of machines too great resulting in high inspection costs, the machines are moved around a great deal making tracking very difficult, and so forth. It is the recommendation of this report to delete the requirement for a Certificate of the Medical Health Officer to reflect existing practice. The practice will continue of advising the Health Department of new types of vending machines dispensing food products. A 6-year license fee schedule for vending machines was approved in 1992, and the 1993/94 fees have been communicated to licensees by way of a pamphlet. No fee increase is recommended at this time. The 6-year license fee schedule remains appropriate as health inspections are not a factor.

2. Banquet Halls, Massage Parlour Proprietors, Pet Shops, Poultry Slaughter Houses, Tattoo Studios, and Transient Traders: The existing license fees for these trades currently reflect the cost of licensing including the costs of health inspections and no increase is recommended at this time. A 6-year license fee schedule was approved in 1992, and the 1993/94 fees have been communicated to licensees by way of a pamphlet. The trade of transient traders is currently under review and a separate report will be forthcoming. With the creation of the new license category "Outdoor Mobile Food Vending Unit" effective January 1, 1993, few, if any Transient Traders will sell food products and therefore, health inspection costs will no longer be an issue for this trade category.

Report of the Committee on Finance and Administration, dated February 25, 1993

3. Barber Shops, Beauty Salons, Dance Halls, and Ice Cream Freezers: At the time of the comprehensive review of license fees early in 1992, it was recognized that the cost of licensing the trades of barber shops, beauty salons, dance halls, and ice cream freezers was higher than the associated license revenues generated. The 6-year license fee schedule represented phase one of a long term plan to bring fees more in line with costs, with resultant percentage increases ranging from 20% to 300% over the 6-year term as noted below:

6-YEAR LICENSE FEE SCHEDULE ADOPTED MARCH 25, 1992

License Type	1991/92 Fee	1992/93 Fee	1993/94 Fee	1994/95 Fee	1995/96 Fee	1996/97 Fee	1997/98 Fee	Percent Increase 1997/98 Fee over 1991/92 Fee
Barber Shop:								
- first chair	25	30	30	30	35	35	35	40%
- each additional chair	10	11	11	11	12	12	12	20%
Beauty Salon:								
- first chair	25	30	30	30	35	35	35	40%
- each additional chair	10	11	11	11	12	12	12	20%
Dance Hall	100	110	120	130	140	150	160	60%
Ice Cream Freezer	10	15	20	25	30	35	40	300%

This plan could be accelerated; however, a move to full cost recovery in 1993/94 would result in significant percentage increases for some trades, for example, ice cream freezers as noted below:

ADOPTED BY COUNCIL MARCH 25, 1992
FULL COST RECOVERY

License Type	1992/93 Fee	1993/94 Fee	% Incr. Over Existing Fee	1993/94 Fee	% Incr. Over Existing Fee
Barber Shop:					
- first chair	30	30		40	33%
- each additional chair	11	11		15	36%
Beauty Salon:					
- first chair	30	30		40	33%
- each additional chair	11	11		15	36%
Dance Hall	110	120	9%	233	112%
Ice Cream Freezer	15	20	33%	100	567%

Since the 1993/94 fees have already been communicated to licensees by way of a pamphlet, no further fee increases are recommended for 1993/94 for these trades. License fees for future years, however, could be increased to better reflect the cost of health inspections as follows:

Report of the Committee on Finance and Administration, dated February 25, 1993

RECOMMENDED ACCELERATED PLAN

License Type	1991/92 Fee	1992/93 Fee	1993/94 Fee	1994/95 Fee	1995/96 Fee	1996/97 Fee	1997/98 Fee	Percent Increase 1997/98 Fee over 1991/92 Fee
Barber Shop:								
- first chair	25	30	30	40*	42	44	46	84%
- each additional chair	10	11	11	15*	15	15	15	50%
Beauty Salon:								
- first chair	25	30	30	40*	42	44	46	84%
- each additional chair	10	11	11	15*	15	15	15	50%
Dance Hall	100	110	120	235*	242	249	256	156%
Ice Cream Freezer	10	15	20	40	60	80	100*	900%

* Full cost recovery

Should these accelerated fees be adopted for 1994/95 and subsequent years, full cost recovery would be achieved in 1994/95 for barber shops, beauty salons, and dance halls. The percentage increase in fees for these trades would, however, be fairly steep and a negative reaction can be anticipated.

The health inspection cost for ice cream freezers was in the neighbourhood of $200, however due to reduced sampling frequency, costs are now estimated at closer to $100. Full recovery of this cost is not recommended in 1994/95 as fees would have to increase by 567% over existing fees in order to achieve that objective. The proposed fees above would translate into a 100% increase in 1994/95 over 1993/94 and a total increase of 900% during the period 1991 to 1997.

An issue arises with respect to the cost of licensing for dance halls. The License By-Law requires a Certificate of the Chief of the Fire Department for dance halls. The cost of a fire inspection forms the most significant portion of the cost of licensing for dance halls. On the other hand, banquet halls do not require a fire inspection under the provisions of the by-law, therefore, the license fees for banquet halls are lower reflecting the cost of licensing. The Fire Department does, however, inspect banquet halls and other similar buildings such as restaurants without cost recovery as this approval is not a requirement under the by-law. This issue is raised for information only at this time.

4. Food Handling Establishments: At the time of the comprehensive review of license fees in early 1992, no new license fees for food handling establishments were recommended as issues were identified which required resolution. Some of the identified issues are discussed as follows:

   (a) Limited food handling establishments: In 1990, when the license category of "food handling establishment" was created, 14 food-related categories were combined as follows: abattoirs, bakeries, caterers, distilleries, drive-in restaurants, ice houses, ice plants, pickle factories, producers' markets, puffed grain factories, restaurants, sausage manufacturers, vinegar factories and wineries. The new definition of "food handling establishment" was much broader than the combined definitions of the former license categories and therefore, more businesses required licensing, such as the food sales in cinemas, corner stores, video stores, and concessions, where bulk candy, popcorn, beverages, and so forth are sold. These businesses involved in limited food sales were now faced with a new $100 fee that they had formerly not paid and complaints were received. The Health Department indicates that health inspection costs in these smaller businesses are less than in restaurants for example. The existing fee structure more than compensates for the cost of licensing these smaller businesses and a fee decrease is recommended for this group of "food handling establishments", allowing for 100% cost recovery.

   (b) Temporary Food Handling Establishments: Currently if a fair or carnival operates in the city, the concessions are licensed as food handling establishments and the fee of $100 is prorated, resulting in license fees of approximately $8 (per month) which is considerably less than the cost to license. This report is recommending a non-proratable license fee of $35 for this type of concession food sales and any other temporary food handling establishment operating at various special events. The types of events which would be most affected would be the Red River Exhibition, A Taste of Manitoba, Folklorama, and so forth. The proposed definition is almost identical to the definition of "Temporary Food Service Establishment" in The City of Winnipeg By-Law No. 5160/89, a by-law to regulate food service establishments as follows:

Report of the Committee on Finance and Administration, dated February 25, 1993

"Temporary food handling establishment" means a food handling establishment that operates at a fixed location for a period of time not more than fourteen (14) consecutive days in conjunction with a single event or celebration."

(c) Number of licenses and/or health permits per premises: The current practice of the Health Department is to issue separate health permits for various sections of a "Food Handling Establishment". For example, a major grocery store may have a health permit for their bakery and another for their fish counter and still another for their meat counter. The Health Department indicates that food is handled and/or prepared in each separate section, that each section is capable of independent operation, and that each section could be closed down for health violations while the remainder could remain open to the public. Since there is no charge for these permits, this process has operated with few complaints.

When the "food handling establishment" license category came into existence in 1990, the 14 former food-related categories received license renewals under the new name "food handling establishment". These licenses renewals were subsequently paid, with the result that some licensed premises had more than one "food handling establishment" license issued to an individual licensee. The provisions of the License By-Law do not clearly state whether or not multiple food handling establishment licenses are required in these instances resulting in inconsistent application of these provisions. A fee increase of any significance would likely invite challenges to the practice of issuing multiple licenses per establishment.

The Law Department has indicated that the appropriate method of enforcing the current provisions is to issue only one food handling establishment license per premise. This method will result in a reduced number of licenses once duplication can be identified. However, a revenue increase should still occur due to increased license fees recommended in this report.

A system of multiple licenses per premise is not recommended for several reasons. Criteria to distinguish one food handling area from another is difficult to establish, the effect on the food-sales industry is not known at this time, and legal problems may exist with respect to the City's authority to license in this fashion based on existing enabling legislation.

The proposal from Executive Policy Committee dated February 10, 1993 with respect to the 1993 Draft Current Estimates, Recommendation Number 15 recommended that the license fees for Food Handling Establishments be increased to $209, which represents the full cost of licensing including health inspection costs.

PROPOSED FEES

	EXISTING FEES	1993/94	1994/95	1995/96	1996/97	1997/98
Food Handling Establishment:						
- Temporary	100*	35**	36**	37**	38**	39**
- Selling only beverages, popcorn and/or candy	100	85	88	91	94	97
- Other	100	209	215	221	228	235

*CURRENTLY PRORATABLE TO $8

**NOT PRORATABLE

5. Outdoor Mobile Food Vending Units (formerly Hawkers): This trade has a calendar license year whereas the trades aforementioned operate on the license year June 1st to May 31st.

New regulations including a license fee schedule up to the year 1997 were approved by Council on October 14, 1992 for outdoor mobile food vending units effective January 1, 1993. License renewals have already been mailed to this group of licensees at the new license fee amounts for the calendar license year 1993, as well as advising licensees of the approved 1994 fees and the new regulations affecting their trade. These renewals were recently mailed -- in December of 1992.

These vendors were formerly licensed as Hawkers with proratable fees of $110 and now are subject to non-proratable fees of $150 per annum which almost effectively tripled the fee as most of these operations are seasonal. The trade category of Hawker no longer requires a Certificate of the Medical Health Officer as food sales have been removed from this license category, therefore, no fee changes are recommended for Hawkers as health inspection costs are not an issue.

Report of the Committee on Finance and Administration, dated February 25, 1993

The by-law amendment related to Outdoor Mobile Food Vending Units also strengthened regulation and control with respect to this trade, introducing liability insurance requirements, more stringent distance restrictions and so forth. No changes to the fees are recommended for 1993 and 1994. A move to full cost recovery could be achieved in 1995 and recommended fees for future years follows:

Proposed License Fees for Outdoor Mobile Food Vending Units:

	General		Selling only fresh fruit, vegetables and/or prepackaged food products	
	Existing	Proposed	Existing	Proposed
1995	160	222	60	60
1996	165	229	60	62
1997	170	236	65	64

Financial Implications: Based on the trades identified in this report and the associated license fees recommended, incremental 1993 license revenue is projected at approximately $250,000. This would result in total license revenue for the 1993 revenue estimates as follows:

Account 444201-120503 - General License Revenue:	Original Estimate	This Report	Revised Estimate
License By-Law 4007/85	$980,000	$250,000	$1,230,000
Taxicab By-Law 5165/89	14,000		14,000
Total	$994,000	$250,000	$1,244,000

Your Committee on Finance and Administration recommends:-

I. That the City of Winnipeg License By-Law No. 4007/85 be amended to reflect the following changes relating to trades requiring a Certificate of the Medical Health Officer:

A. That Item 27 of Schedule "A" to the License By-Law be amended to provide the following new license fees for 1993/94 to better reflect the cost of licensing, including the cost of health inspections:

Food Handling Establishment:
- Temporary $ 35.00
- Limited (selling beverages, popcorn and/or candy only) $ 85.00
- Other $209.00

B. That Subsection 5(2)(c) be amended to include "temporary food handling establishments" as one of the trades where the license fees are not proratable;

C. That license fees for trade categories requiring a Certificate of the Medical Health Officer other than food handling establishments not be increased for the 1993/94 license year as licensees have already been advised of the new license fees for 1993/94 adopted by Council in 1992;

D. That license fees for trade categories requiring a Certificate of the Medical Health Officer where the cost of licensing exceeds the revenue generated from the trades be increased to better reflect health inspection costs in 1994/95 and subsequent years as outlined in Exhibit 1; and

E. That Section 4(8) of the License By-Law No. 4007/85 be amended to delete the requirement for a Certificate of the Medical Health Officer for automatic vending slot machines dispensing food products or beverages, to reflect existing practice.

Report of the Committee on Finance and Administration, dated February 25, 1993

Note: The fees recommended in this report may generate approximately $250,000.00 in license revenue in 1993 over the original revenue estimate for the 1993 current budget of $980,000.00 as follows:

Account 444201-120503 - General License Revenue:	Original Estimate	This Report	Revised Estimate
License By-Law 4007/85	$980,000	$250,000	$1,230,000
Taxicab By-Law 5165/89	14,000		14,000
Total	$994,000	$250,000	$1,244,000

II. That the City Solicitor be requested to prepare the necessary amending by-law to effect the foregoing recommendation.

Moved by Councillor Golden,

Adoption of the clause.

Carried.

Councillor Golden asked to be recorded as having voted against the clause, in accordance with Rule 50.7 of the Procedure By-law.