



COUNTY OF SAN DIEGO

LAND USE AGENDA ITEM

BOARD OF SUPERVISORS

NORA VARGAS
First District

JOEL ANDERSON
Second District

TERRA LAWSON-REMER
Third District

VACANT
Fourth District

JIM DESMOND
Fifth District

DATE: May 3, 2023 and May 24, 2023

02

TO: Board of Supervisors

SUBJECT

COST RECOVERY PROPOSAL TO ADOPT ORDINANCES RELATED TO FEES AND DEPOSITS IN THE DEPARTMENT OF ENVIRONMENTAL HEALTH AND QUALITY EFFECTIVE FISCAL YEAR 2023-24 AND CEQA EXEMPTION (5/3/2023 – FIRST READING; 5/24/2023 – SECOND READING UNLESS ORDINANCE IS MODIFIED ON SECOND READING) (DISTRICTS: ALL)

OVERVIEW

This is a request for the Board of Supervisors (Board) to adopt the Department of Environmental Health and Quality (DEHQ) cost recovery proposal, which includes fees and hourly rates for services associated with food, pools, housing, body art, massage, organized camps programs, wells, septic systems, site assessment and mitigation programs, the Certified Unified Program Agency (CUPA) and medical waste program, as well as, the solid waste local enforcement agency. This proposal also includes fees for the radiological health program, services in the vector laboratory, and miscellaneous department fees, such as rates for specialized technical staff services.

DEHQ protects the environment, community, and public health with over 40 programs that prevent disease, promote environmental responsibility, and enforce environmental and public health laws. DEHQ operates environmental health programs that regulate restaurants, public swimming pools, body art, substandard housing, septic systems, water wells, and hazardous materials. DEHQ reduces the risk of disease carried by rats and mosquitoes, oversees the State cleanup of methamphetamine and fentanyl contaminated properties, and monitors beach and bay water quality. In addition, DEHQ serves as the CUPA for hazardous materials and hazardous waste, the solid waste local enforcement agency, and is delegated the duties to implement and enforce the powers of a mosquito abatement and vector control district. DEHQ works in communities across the region, conducting more than 70,000 inspections, including oversight of over 15,000 food facilities and 14,000 businesses with hazardous materials. DEHQ performs surveillance and mosquito treatment at more than 1,600 sites throughout the region to lower the incident of vector-borne diseases and protects 70 miles of coastline by taking more than 6,000 water quality samples per year. Through these services, the County of San Diego (County) balances environmental, community, and economic interests to enhance the quality of life for residents and visitors.

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Board of Supervisors Policy B-29: *Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery* (Board Policy B-29) directs departments to recover the full cost of services provided to agencies or individuals. Exceptions require specific Board approval. The last cost recovery proposal was unanimously approved by the Board on April 27, 2022 (8). Since that time, DEHQ has continued to provide services at the approved rates. To provide relief to businesses impacted by the economic impacts of the pandemic, there was no fee increases in FY 2020-21 and FY 2021-22 for DEHQ. The Board approved the use of departmental one-time funds to offset fee increases in certain programs, such as discretionary projects, and food permits for microenterprise home kitchens and cottage food operations in FY 2022-23.

The fees proposed today for FY 2023-24 are necessary to address cost changes, such as increased salary and benefit costs, and to ensure full cost recovery, except where the Board has previously directed the waiver of fees, such as reduced fees for food, housing, pool, and temporary event permits for nonprofit organizations. Due to the timing of the labor negotiations last fiscal year, the FY 2022-23 cost recovery proposal only included the standard assumptions and not all cost increases associated with the negotiated labor agreements. Today's proposal reflects two years of salary and benefit cost increases based on negotiated labor agreements and equity adjustments due to the timing of the last cost recovery proposal and the approved labor agreements. Therefore, FY 2022-23 as well as FY 2023-24 costs are reflected in this cost recovery proposal.

Approximately 75% of DEHQ's costs are fixed, such as salary and benefits, retirement, enterprise-wide services, and facilities, while 25% of the department's costs, such as services and supplies and salary savings when positions are vacant, are discretionary, meaning costs are determined by DEHQ based on operational needs. The cost recovery proposal reflects known costs as accurately as possible and ensures full cost recovery to continue to deliver programs and services to customers and communities, make data-driven decisions, and continue industry and community outreach. By reviewing and updating fees on an annual basis, DEHQ can recover costs in a consistent and predictable manner, while also providing businesses an opportunity to plan for smaller, more incremental fee increases, as stakeholders have requested.

DEHQ evaluated 230 fees for this cost recovery proposal, and proposes to increase 214 fees, modify 1 fee, and add 1 fee. Additionally, 14 fees are proposed to not change. If approved, this proposal will increase individual fees by an average of 9.5% since the Board unanimously approved the last cost recovery proposal on April 27, 2022 (8).

Recognizing that many customers are still recovering from a three-year pandemic, and incurring rising costs due to inflation, DEHQ continues to focus on cost containment through innovation, efficiencies, and streamlining so that those savings can be applied where possible. Since FY 2016-17, DEHQ has applied \$639,000 in ongoing savings from cost containment measures such as consolidating office space; expanding the online document library; converting to electronic applications; becoming accredited to provide mandated continuing education internally; developing and implementing a mobile app to conduct temporary event inspections; and implementation of the plan check digital review portal.

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The practice of continuous improvement, implementing operational efficiencies, and prioritizing resources has positioned DEHQ to respond to evolving program and regulatory changes. In addition to the efforts made in prior years, this fiscal year DEHQ has approximately \$197,000 in new operational savings from efficiencies or streamlining measures that were implemented since the last cost recovery proposal. The efficiencies that have been applied include process improvements for facilities subject to the Above Ground Petroleum Storage Act in the CUPA program, automation of billing process for Hazardous Materials Division (HMD) programs, as well as, development and implementation of an updated inspection tracking log for the solid waste local enforcement agency, inspection report for the mobilehome parks inspection program, and mobile food facility plan templates. DEHQ also developed and implemented a new mobile app for the beach and bay water quality monitoring program to track daily environmental conditions observed while sampling. Combining prior year efforts, along with the efficiencies implemented this year, DEHQ has been able to apply a total of \$836,000 in savings from all cost containment measures to this proposal, reducing costs by 2%. Additionally, DEHQ is proposing to use \$1,664,906 one-time departmental funding to limit the fee increases and provide continued relief for businesses still impacted from the pandemic and current economic conditions in the food, body art, pools, septic and HMD programs, and for discretionary projects. This use of available funding will benefit nearly 130,000 customers and help reduce costs by 7.5%. Without cost containment efforts (2%) and use of one-time department funding (7.5%), fees would need to increase an additional 9.5%, or on average by 19%.

Today's proposal requests five actions from the Board. The first action is for the Board to find that the adjustments to fees and charges are not subject to the California Environmental Quality Act (CEQA) in accordance with Sections 21080(b)(8) and 15273(a) of the CEQA Guidelines.

The second action is to find that the adjustments in fees and charges contained in proposed ordinance are necessary to meet operating expenses beginning in Fiscal Year 2023-24.

The third action is to approve a waiver of Board Policy B-29 related to fees not being full cost recovery for food, body art, pools, septic and HMD programs, and discretionary projects, and for reduced or waived fees for nonprofit organization food, housing, pool, and temporary event permits.

The fourth action is to approve the first reading of DEHQ's cost recovery proposal on May 3, 2023. If the Board approves the five actions on May 3, 2023, after making the necessary findings, the Board, on May 24, 2023, will be requested to consider and adopt the ordinance amending the County of San Diego Code of Regulatory Ordinances relating to permit fees and procedures for businesses and health-regulated activities in DEHQ effective FY 2023-24. In accordance with Board Policy B-29, DEHQ will review fees annually and return to the Board with any changes.

If this cost recovery proposal is not approved, DEHQ would require one-time alternative County funding in the amount of \$2,120,091 to ensure full cost recovery to continue delivering programs and services to customers and the communities, using data analysis to make data-driven decisions,

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and continue community outreach. If the fee proposal is not approved and alternative funding is not identified, DEHQ would have operational impacts, such as reduced services, increased processing times, reduced ability to conduct community outreach, and decreased opportunity to perform research and data analysis to support data-driven decision-making. Resources would be shifted away from innovation and data analysis to front-line operations and we anticipate a backlog would be created. This would impact customers by increasing overall costs to applicants as well as reduce our ability to focus on innovation, streamlining, and meeting operational goals. In addition, there will be a cumulative impact and the change in future fee updates will be even higher based on the need to cover the increases in this proposal, plus fee increases in future years.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

On May 3, 2023:

1. Find that in accordance with Sections 21080(b)(8) of the California Environmental Quality Act (CEQA) and 15273(a) of the CEQA Guidelines that these adjustments to fees and charges are therefore not subject to CEQA. Adopt the findings contained in Attachment F FINDINGS PURSUANT TO CEQA GUIDELINES SECTION 15273(a) setting forth the basis for the applicability of this exemption.
2. Find that the adjustments in fees and charges contained in the proposed ORDINANCE AMENDING THE SAN DIEGO COUNTY CODE OF REGULATORY ORDINANCES TO ADJUST DEPARTMENT OF ENVIRONMENTAL HEALTH AND QUALITY REGULATORY PROGRAM FEES AND ASSOCIATED ORDINANCE REVISIONS are necessary to meet operating expenses beginning in Fiscal Year 2023-24.
3. Waive Board Policy B-29: *Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery* for fees for the food, body art, pools, septic and Hazardous Materials Division programs, and discretionary projects, and reduced or waived fees related to nonprofit organization food, housing, pool, and temporary event permits.
4. Approve the introduction of the Ordinance, (first reading), read title and waive further reading of an Ordinance entitled: ORDINANCE AMENDING THE SAN DIEGO COUNTY CODE OF REGULATORY ORDINANCES TO ADJUST DEPARTMENT OF ENVIRONMENTAL HEALTH AND QUALITY REGULATORY PROGRAM FEES AND ASSOCIATED ORDINANCE REVISIONS
5. Set a hearing for May 24, 2023 for consideration and adoption of amendments to the San Diego County Code of Regulatory Ordinances.

If, on May 3, 2023, the Board takes the actions recommended in items 1 through 5 above then, on May 24, 2023:

1. Consider and adopt the Ordinance amending the County Code of Regulatory Ordinances (second reading).

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EQUITY IMPACT STATEMENT

The County of San Diego (County) strives to preserve, enhance, and promote quality of life, health and safety, sustainability, equity, and environmental resources through the implementation of programs and services that enhance the community by increasing the well-being of residents and the environment while simultaneously complying with mandatory federal, State, and local regulations. The Department of Environmental Health and Quality (DEHQ) utilized approved County methodology to ensure all direct and indirect costs are fully recovered. These recommendations will allow DEHQ to continue to provide important services to prevent disease, promote environmental responsibility, and ensure a level playing field for businesses.

SUSTAINABILITY IMPACT STATEMENT

The Department of Environmental Health and Quality's (DEHQ) proposed amendments to the hourly billing rates, fees, and deposits for services that are provided to the public will cover the full cost of services for the department's internal operations. The hourly billing rate, fee, and deposit changes are a result of the cumulative increase of the cost drivers such as salaries and benefits, services and supplies, and associated departmental and countywide costs. The adjustments to the fees are based on available expenditure and revenue data, time studies, and service counts. Sustainability means efficiently using and effectively protecting natural resources, balancing economic growth, and ensuring just and equitable provision of public services, without compromising the ability of future generations to also flourish and thrive. The proposed actions support the County of San Diego's Strategic Initiative of Sustainability to align the County's available resources with services to maintain fiscal stability and that promote economic stability.

FISCAL IMPACT

The proposed increases to fees are included in the Fiscal Year (FY) 2023-24 CAO Recommended Operational Plan in the Department of Environmental Health and Quality (DEHQ).

If approved, the overall proposed fee adjustments will result in additional estimated costs and revenue of \$2,120,091, including additional estimated costs and revenue of \$946,452 in the Food and Housing Division, \$622,849 in the Land and Water Quality Division, \$548,680 in the Hazardous Materials Division (HMD) and \$2,110 in the Community Health Division, effective FY 2023-24. The funding source is fees paid by DEHQ customers.

A waiver of Board Policy B-29: *Fees, Grants, Revenue Contracts – Department Responsibility for Cost Recovery* (Board Policy B-29) is requested because the proposed fees do not cover all operating costs in the food, body art, pools, septic and HMD programs, and discretionary projects. The total unrecovered cost, per Board Policy B-29, for permit fees that are not full cost recovery is \$1,664,906, and if approved, will be funded with \$1,102,871 in committed General Fund fund balance, and \$562,035 from the Environmental Health Trust Fund.

Additionally, a waiver of Board Policy B-29 is requested to continue to reduce fees for food, housing, pool, and temporary event permits requested by nonprofit organizations. The total

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unrecovered cost per Board Policy B-29 for these waivers is approximately \$261,447 in DEHQ for FY 2023-24, and if approved, will be funded with existing General Purpose Revenue.

Inclusive of all funding sources and programs, the total unrecovered cost per Board Policy B-29 for DEHQ in FY 2023-24 is \$1,926,353. In future fiscal years, DEHQ will return to the Board to identify any unrecovered costs and funding sources. There will be no additional staff years.

BUSINESS IMPACT STATEMENT

These recommendations would enable the Department of Environmental Health and Quality (DEHQ) to continue to align fees to the actual costs of services provided to fee payers in each fee category. These fees allow DEHQ to continue to meet program objectives, provide a level of service expected by stakeholders and customers, and fully recover costs.

ADVISORY BOARD STATEMENT

On March 22, 2023, the Environmental Health and Quality Advisory Board voted to support DEHQ's cost recovery proposal.

BACKGROUND

The Department of Environmental Health and Quality (DEHQ) protects the environment, community, and public health with over 40 programs that prevent disease, promote environmental responsibility, and enforce environmental and public health laws. DEHQ operates environmental health programs that regulate restaurants, public swimming pools, body art, substandard housing, septic systems, water wells, and hazardous materials. DEHQ reduces the risk of disease carried by rats and mosquitoes, oversees the State cleanup of methamphetamine and fentanyl contaminated properties, and monitors beach and bay water quality. In addition, DEHQ serves as the Certified Unified Program Agency (CUPA) for hazardous materials and hazardous waste, solid waste local enforcement agency, and is delegated the duties to implement and enforce the powers of a mosquito abatement and vector control district. DEHQ works in communities across the county, conducting more than 70,000 inspections, including oversight of over 15,000 food facilities and 14,000 businesses with hazardous materials. DEHQ performs surveillance and mosquito treatment at more than 1,600 sites throughout the region to lower the incident of vector-borne diseases and protects 70 miles of coastline by taking more than 6,000 water quality samples per year. Through these services, the County of San Diego (County) balances environmental, community, and economic interests to enhance the quality of life for residents and visitors.

Board of Supervisors (Board) Policy B-29: *Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery* (Board Policy B-29) directs departments to recover the full cost of services that the department provides to agencies or individuals. Under this Board Policy, an entity or individual is responsible for all costs associated with services provided by the department to ensure those agencies or individuals benefiting from the services pay for those services, rather than the general public. Exceptions require specific Board approval.

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In light of the uncertainty of the economy resulting from the COVID-19 pandemic, DEHQ did not move forward with presenting the Board with a cost recovery proposal for Fiscal Year (FY) 2020-21 and used departmental funds and cost containments to offset cost increases. For FY 2021-22, no fee increases were approved by the Board on May 19, 2021 (4). The board approved DEHQ to use one-time departmental funds to offset DEHQ fee increases. DEHQ continued to provide services to the public at the rates approved by the Board on May 1, 2019 (5) for three years. The last cost recovery proposal was unanimously approved by the Board on April 27, 2022 (8) for FY 2022-23. Since that time, DEHQ has continued to provide services to the public at the approved rates. To provide relief to businesses impacted by the economic impacts of the pandemic, the Board has approved the use of departmental one-time funding to offset fee increases in certain programs, such as discretionary projects, and food permits for microenterprise home kitchens and cottage food operations in FY 2022-23.

The fees proposed today for FY 2023-24 are necessary to address cost changes and to ensure compliance with Board Policy B-29 except where the Board has previously directed the waiver of fees. Today's proposed cost recovery proposal reflects two years of salary and benefit cost increases based on negotiated labor agreements and equity adjustments. Negotiated salary increases were not yet available at the time of the last cost recovery proposal. Standard assumptions made by the County were included in last year's cost recovery proposal; however, due to the timing of the fee proposal and labor negotiations it did not reflect or address all salary and benefit increases and equity adjustments based on the current negotiated labor agreement. The increases for FY 2022-23 came in higher than the standard assumption included in last year's cost recovery .the Fiscal Year 2022-23 Operational Plan to cover the increased costs from negotiated labor agreements and equity adjustments. This cost recovery proposal proposes to catch up by including cost increases based on the current negotiated labor agreement and equity adjustments for both the current year and the next fiscal year.

Additionally, in FY 2023-24, DEHQ anticipates a 15% increase in facilities-related costs, partially due to increases in staffing and associated costs at the enterprise level, and a 85% increase in costs paid to other County departments for their services, such as information technology, auditor and controller, and human resources, as examples, which are reflected in this cost recovery proposal. DEHQ also factored in non-discretionary costs, which fluctuate annually and are beyond the department's direct control, such as County utilities costs.

Today's proposal reflects the current standard assumptions made by the County and cost increases based on negotiated labor agreements and enterprise-wide costs that went into effect in FY 2022-23. Approximately 75% of the DEHQ's costs are fixed, such as salary and benefits, retirement, enterprise-wide services, and facilities, while 25% of the department's costs, such as services and supplies, and salary savings when positions are vacant are discretionary, meaning costs are determined by DEHQ based on operational needs. The cost recovery proposal reflects known costs as accurately as possible and ensures full cost recovery to continue to deliver programs and services to customers and communities, make data-driven decisions, and continue industry and community outreach. By reviewing and updating fees on an annual basis, DEHQ can recover costs

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in a consistent and predictable manner, while also providing businesses an opportunity to plan for smaller, more incremental fee increases, as stakeholders have requested.

Recognizing that many customers are still recovering from a three-year pandemic, and incurring rising costs due to inflation, DEHQ works to contain costs through innovation, efficiencies, and streamlining so that those savings can be applied where possible. Since FY 2016-17, DEHQ has applied \$639,000 in ongoing savings from cost containment measures such as:

- consolidating offices to one location;
- reducing the number of records staff pulls for Public Records Act requests by expanding the online document library and adding documents for water wells, monitoring wells, septic systems, recycled water, parcel maps, mobilehome parks, and closed site assessment and mitigation projects;
- converting to electronic applications;
- becoming accredited to provide mandated continuing education credits to Registered Environmental Health Specialists internally;
- modifying permit fees to separate out non-routine services like additional inspections or investigations from those included in the annual permit cost;
- removing office phones; and
- implementation of the plan check digital review portal and plan check inquiry form for programs in the Food and Housing Division.

The practice of continuous improvement, implementing operational efficiencies, and prioritizing resources has positioned DEHQ to respond to evolving program and regulatory changes. In addition to the efforts made in prior years, this fiscal year DEHQ has approximately \$197,000 in additional operational savings from efficiencies or streamlining measures that were implemented since the last cost recovery proposal. The efficiencies that have been applied and includes process improvements for facilities subject to the Above Ground Petroleum Storage Act in the CUPA program, automation of billing process for Hazardous Materials Division (HMD) programs, as well as, development and implementation of an updated inspection tracking log for the solid waste local enforcement agency, inspection report for the mobilehome parks inspection program, and mobile food facility plan templates. Combining prior year efforts, along with the efficiencies implemented this year, DEHQ has been able to apply a total of \$836,000 in savings from all cost containment measures to this proposal, reducing costs by 2%. Additionally, DEHQ is also proposing to use \$1,664,906 in one-time department funding to limit the amount fees would need to increase and provide continued relief for businesses still impacted from the pandemic and current economic conditions in the in the food, body art, pools, septic, HMD programs, and for discretionary projects. This strategic use of available funding will help benefit nearly 130,000 customers and help reduce costs by 7.5%. Without this cost containment (2%), and use of one-time department funding (7.5%), fees would have needed to increase an additional 9.5%, or on average 19%.

In order to continue to meet program objectives, provide a level of service expected by stakeholders and customers, and fully recover costs except where the Board has previously

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authorized the waiver of fees, DEHQ is proposing to adjust program fees for FY 2023-24, which will be effective July 1, 2023. The fees proposed for FY 2023-24 will be necessary to address cost increases and to ensure compliance with Board Policy B-29, except where the Board has previously authorized the waiver or reduction of cost-based fees. The average DEHQ fee adjustment in this cost recovery proposal is equivalent to a 9.5% increase since the Board unanimously approved DEHQ's last fee adjustment on April 27, 2022 (8).

The proposed adjustments to fees resulted from a comprehensive review and analysis. This cost recovery proposal produces service and funding levels that allow DEHQ to continue to balance community, economic and environmental interests to enhance the health and safety and quality of life in San Diego county. Full cost recovery allows departments to operate efficiently and provide essential services to the residents and visitors of San Diego County. If the cost recovery proposal is not approved this year, DEHQ would have several impacts to both operations and customer service. There would be longer processing times for reviews and inspections, creating an unfunded backlog in application reviews, permitting, and inspections to name a few. Additionally, DEHQ would need to shift staff and focus from cost-saving innovations to focus on front-line work, which would negatively impact future fee proposals due to reduced ability to continue with cost containment efforts. Additionally, DEHQ would need alternative funding identified that could reduce the impacts of not moving forward with a cost recovery proposal this year and not including two years of increased salary and benefit costs due to negotiated labor agreements. However, additional delays and adjustments, such as not including negotiated labor agreement increases for the last two years, will compound the need for higher fee increases in future years, as the DEHQ would need to make up for prior years for which there were no adjustments.

If this cost recovery proposal is not approved, DEHQ would require one-time alternative County funding in the amount of \$2,120,091 to ensure full cost recovery to continue delivering programs and services to customers and the communities, using data analysis to make data-driven decisions, and continue community outreach. If the proposal is not approved and alternative funding is not identified, DEHQ would have operational impacts, such as reduced services, increased processing times, reduced ability to conduct community outreach, and decreased opportunity to perform research and data analysis to support data-driven decision-making. Resources would be shifted away from innovation and data analysis to front-line operations and we anticipate a backlog would be created. This would impact customers by increasing overall costs to applicants as well as reduce our ability to focus on innovation, streamlining, and meeting operational goals. In addition, there will be a cumulative impact and the change in future fee updates will be even higher based on the need to cover the increases in this proposal, plus fee increases in future years.

Fee Development Process

The methodology used to develop fees for DEHQ is an approach that is consistent across the County enterprise and followed by other groups with fees, such as the Health and Human Services Agency and the Public Safety Group. DEHQ analyzed programs, including a review of State mandates, program operations, inspection frequencies, service levels, and how the DEHQs fees compare to other local jurisdictions. The fee development process combines a determination of the

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staff time required to provide specific regulatory program services, and a determination of the hourly rate that will recover County costs for those services. Determining time requirements begins with an evaluation of current legal requirements for mandated service levels and new requirements. The next step consists of an assessment of public health risks, necessary public health risk management interventions, and the impact of process improvements on time requirements. Time studies for each permit type were also conducted. This information, as well as forecasted changes in the number of DEHQ facilities and projects, was used to determine workload and associated staffing needs.

The hourly rate is the foundation of how the County enterprise recover costs for their services. The hourly rate is comprised of many components, including the labor rate paid to staff, their benefit costs, equipment and supply costs, and a share of the administrative costs of the department and County, such as services provided by County Counsel and the Department of Human Resources. The hourly rate was then used to calculate each fee based on the number of actual hours of documented time required by staff to perform each service.

DEHQ also conducted an analysis of its programs as part of developing this cost recovery proposal. This analysis included a review of program operations and inspection frequencies, service levels, and comparing programs and fees to other programs in the State. In order to obtain a comprehensive understanding of how DEHQ's programs and fees compare to other similar programs in the State, staff reached out to other counties and statewide industry working groups, email list servers, and direct contact. Comparisons were compiled in each of the major DEHQ program areas and shared with stakeholders during cost recovery proposal presentations.

The Auditor and Controller has reviewed and approved the methodology and supporting documentation used to determine the proposed hourly rates and fees in this proposal. The Auditor and Controller found that the methodology used is consistent with Board Policy B-29 and in conformance with existing cost policies and procedures.

Community Needs Assessments

DEHQ aims to apply an equity lens in service delivery and program design to provide equitable opportunities for underserved communities. DEHQ is conducting community needs assessments in hazardous materials, food, and vector control programs. Looking at the regulatory program data overlayed with underserved community data, DEHQ identified opportunities for enhanced community engagement, outreach, education, and language translation to the threshold languages in underserved communities. Through these efforts, the hazardous materials program proactively identified and provided guidance to over 567 potentially unpermitted facilities, at least 520 of which are in underserved communities, and subsequently assisted facilities in achieving compliance with State law to prevent mishandling or accidental release of hazardous materials and wastes into the environment. The vector control program continued expanding its engagement efforts in underserved communities by educating community groups on services it offers, producing educational materials in all threshold languages, and by conducting multilingual educational media campaigns on vector prevention in 69 zip codes with underserved communities

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that was viewed over 5.7 million times in non-English threshold languages. The food program collected over 8,500 food facility (restaurants, markets, mobile food operations) preferred languages spoken and will utilize the language of choice to communicate key food safety messages, including translation of 16 food safety related outreach documents in the threshold languages.

Cost Recovery Proposal

The following provides an overview, by DEHQ programmatic division, of the fee adjustments proposed for FY 2023-24. If approved, the cost recovery proposal (Attachments A and B, Ordinances) before the Board will be effective beginning in FY 2023-24. The proposed fees would remain in place until further adjusted by ordinance and approval of the Board. After comprehensive analysis, it was determined that DEHQ fees need to be adjusted to achieve full cost recovery in FY 2023-24, except where the Board has approved alternative funding or authorized the waiver of fees.

DEHQ evaluated 230 fees for this cost recovery proposal, and proposes to increase 214 fees, modify 1 fee, and add 1 fee. Additionally, 14 fees are proposed to not change. If approved, this proposal will increase individual fees by an average of 9.5% since the unanimous Board approval of the last cost recovery proposal on April 27, 2022 (8).

Food and Housing Division

In the Food and Housing Division (FHD), 102 fees are proposed to increase, 3 fees remain unchanged and 1 fee is modified. The modified fee will separate out an existing fee that is used when investigating if a food facility or pool is built, modified, or remodeled without submitting an application for the required permit/plan review. The fees in FHD are associated with the food, pools, body art, massage, and organized camps programs. The housing program was moved from FHD to the Land and Water Quality Division beginning in FY 2022-23.

A waiver of Board Policy B-29 is requested for fees for the food, body art, and pools programs because the proposed fees do not cover all operating costs. The County has maintained a DEHQ committed fund balance in the General Fund since February 24, 2004 (23). This allows for the designation of any revenue over cost each fiscal year to be used in subsequent fiscal years if needed. State law restricts the use of these funds only to the programs that the funds were generated from. Every year DEHQ analyzes the program cost and evaluates if the funds should be used to offset certain program cost increases. DEHQ proposes to use \$826,407 in committed General Fund fund balance to provide a one-time offset of fees associated with the food (\$763,176), body art (\$15,595) and pools (\$47,636) programs. Without this offset, fees would have needed an additional increase on average of 5%.

Additional ordinance revisions included in this cost recovery proposal for FHD programs include updating the definition of a low-risk food facility to expand food service allowed in this category, which provides a lower cost permit option for facilities like coffee shops that conduct low-risk food preparation activities.

SUBJECT: COST RECOVERY PROPOSAL TO ADOPT ORDINANCES RELATED TO FEES AND DEPOSITS IN THE DEPARTMENT OF ENVIRONMENTAL HEALTH AND QUALITY EFFECTIVE FISCAL YEAR 2023-24 (5/3/2023 – FIRST READING; 5/24/2023 – SECOND READING UNLESS ORDINANCE IS MODIFIED ON SECOND READING) (DISTRICTS: ALL)

Hazardous Materials Division

In the Hazardous Materials Division (HMD), 39 fees are proposed to be increased and 1 fee remains unchanged. The fees in HMD are associated with the CUPA and medical waste program.

A waiver of Board Policy B-29 is requested for the fees in HMD programs because the proposed fees do not cover all operating costs. DEHQ proposes to use \$562,035 in the Environmental Health Trust Fund for one-time program costs, efforts to guide potentially unpermitted facilities towards compliance, and IT improvement projects. The Environmental Health Trust Fund can only be used for HMD programs. A total of \$382,141 will be used to offset one-time program costs (\$82,141), and 100% of the cost of 2.0 FTEs (\$300,000) to continue the work to help bring unpermitted hazardous materials facilities under permit and guide them toward compliance to ensure safe communities and consistent regulation of all facilities. Using Environmental Health Trust Fund will cover the cost of staff time reaching out to potentially unpermitted facilities to guide them to compliance until the businesses are permitted and revenue from the new permit is received. A total of \$179,894 will be used for IT improvement projects. Without these offsets, fees would have needed an additional increase on average of 5%.

Land and Water Quality Division

In the Land and Water Quality Division (LWQD), 63 fees are proposed to be increased and 7 fees remain unchanged. The fees in LWQD are associated with the housing, wells, septic systems, and site assessment and mitigation programs, as well as, the solid waste local enforcement agency (LEA).

A waiver of Board Policy B-29 is requested for fees for the septic program and discretionary projects, because the proposed fees do not cover all operating costs. DEHQ proposes to use \$276,464 in one-time committed General Fund fund balance to offset costs in these two LWQD program areas where additional time study and program analysis/streamlining projects are continuing. Without this offset, fees would have needed an additional increase on average of 13%.

Additional ordinance revisions included in this cost recovery proposal for the LEA include:

- Updating how the types of facilities are named for consistency with State regulatory definitions;
- Adding new types of facilities to existing fee categories, as a result of State law changes; and
- Clarifying the documents reviewed, and types of investigations conducted, by the LEA for cost recovery.

Community Health Division

In the Community Health Division (CHD), three fees are proposed to be increased. The fees in CHD are associated with the radiological health program and services in the vector laboratory.

SUBJECT: COST RECOVERY PROPOSAL TO ADOPT ORDINANCES RELATED TO FEES AND DEPOSITS IN THE DEPARTMENT OF ENVIRONMENTAL HEALTH AND QUALITY EFFECTIVE FISCAL YEAR 2023-24 (5/3/2023 – FIRST READING; 5/24/2023 – SECOND READING UNLESS ORDINANCE IS MODIFIED ON SECOND READING) (DISTRICTS: ALL)

Miscellaneous Department Fees

For the miscellaneous department fees, seven fees are proposed to be increased, three fees remain unchanged, and one fee is added. The new fee is an hourly rate for staff working in the recycled water program, which is a highly technical/specialized program, and data analysis has shown the standard department blended hourly rate is not representative of the actual labor costs. Miscellaneous department fees include the fee for duplicate permits, health-related business name changes, and various technical job classification hourly rates. Hourly rates are primarily used when a customer requests a technical service for which no fee is specifically indicated, such as an hourly rate for an Environmental Health Specialist, Vector Control Technician, or Disease Research Scientist.

The proposed fee adjustments for this cost recovery proposal are shown in Attachment C and the proposed ordinance changes are summarized in Attachment D.

Waiver of Board Policy B-29 for Nonprofit Organization Permits

Over the years, the Board has taken action to support nonprofit organizations by exempting (May 8, 1984 (38)) or reducing permit fees (April 4, 2001 (21)) for operating food facilities, public housing and pools, and temporary events. In FY 2023-24, DEHQ has included in this cost recovery proposal, a request to continue the waiver of Board Policy B-29 for fees for nonprofit organization food, housing, pool, and temporary event permits, in the total amount of \$261,447. Without General Purpose Revenue as a funding source, this cost recovery proposal would result in higher fees for nonprofit organizations who provide low or no cost services to the community, such as, swim lessons, recreational swimming, drowning prevention classes, housing for seniors or substance abuse treatment, charitable feeding to vulnerable populations, and fundraiser events where the food sold funds the organization's annual operational costs in order to continue serving the community.

DEHQ Fund Balance Commitment

The County has maintained a commitment of fund balance in the General Fund for DEHQ since February 24, 2004 (23) and continued this practice as part of the department's cost recovery proposal adopted on April 27, 2022 (8). DEHQ has been building its committed fund balance by annually setting aside any revenue received by DEHQ in excess of the amount of full cost in each Division, for use in subsequent fiscal years when costs exceed revenue in that Division. DEHQ, in consultation with the Auditor and Controller and County Counsel, ensures that excess fee revenues are used for proper and legally allowable purposes. Given the potential uncertainty of future regulatory changes in environmental health programs at the State level, public or environmental health emergency response needs, or changes in economic conditions that influence permit volumes, DEHQ will apply these funds to balance costs and minimize funding impacts. Included in this cost recovery proposal is the one-time use of one-time committed General Fund fund balance in the amount of \$1,102,871 to provide continued relief for businesses still impacted from the pandemic and current economic conditions that are regulated in the food, body art, and pool programs and to offset the costs associated with discretionary project fees while additional time study and program analysis/streamlining projects are underway.

SUBJECT: COST RECOVERY PROPOSAL TO ADOPT ORDINANCES RELATED TO FEES AND DEPOSITS IN THE DEPARTMENT OF ENVIRONMENTAL HEALTH AND QUALITY EFFECTIVE FISCAL YEAR 2023-24 (5/3/2023 – FIRST READING; 5/24/2023 – SECOND READING UNLESS ORDINANCE IS MODIFIED ON SECOND READING) (DISTRICTS: ALL)

In prior years, this committed fund balance enabled the department to respond to uncertainties during the COVID-19 pandemic and provide one-time cost offsets to aid businesses impacted by closures or mandated reductions in service operations. DEHQ's goal is to build its committed fund balance to the Government Finance Officers Association recommended minimum of two months operating capital for each Division and after the proposed one-time use in this proposal, is currently at 70% of this goal.

Customer/Stakeholder Engagement

DEHQ continues to value its partnership and collaboration with customers and stakeholders. To encourage participation, engagement, and feedback on DEHQ programs and the proposed cost recovery proposal, DEHQ posted notices of when virtual stakeholder meetings would be held on the DEHQ website, sent emails directly to specific stakeholders or groups, and via GovDelivery for permit holders who have provided their email addresses. The DEHQ website is enabled with Google Translate and all GovDelivery emails distributed were translated into all eight threshold languages. Affected permit holders and members of the public were also invited to review the proposal on DEHQ website and designated DEHQ staff email and telephone contact information was made available during public meetings, posted on the website, and included in email notifications for businesses or members of the public to submit comments, feedback, or ask questions. DEHQ included language that identified translation services would be available on all notifications of stakeholder meetings were able to accommodate all language translation and interpretation requests.

DEHQ met with stakeholders at meetings and workshops held in March and April 2023. A list of stakeholder meetings is included in Attachment E. Some stakeholder associations DEHQ met with includes California Restaurant Association, Industrial Environmental Association, and San Diego County Disposal Association. The majority of stakeholders expressed a neutral position and indicated an understanding of the need for the cost recovery proposal, expressed a continued desire for regular cost recovery analysis and updates, an appreciation for DEHQ's continued approach to pursue innovation, program improvements, reduced turnaround times, and streamlined service delivery. The Valley Center Community Planning Group and one individual indicated they opposed any amount of fee increase.

The proposed adjustments for permit fees, deposits, and hourly rates resulted from a comprehensive review. This proposal creates service and funding levels that will allow DEHQ to continue to balance community, economic, and environmental interests to enhance the health, safety, and quality of life in the San Diego region. Approval of the recommendations will allow DEHQ to provide services to its customers, comply with State mandates, and ensure that fees, deposits, and hourly rates recover the County's costs where feasible in alignment with Board Policy B-29. The proposed fee adjustments for this cost recovery proposal are shown in Attachment C and the proposed ordinance changes are summarized in Attachment D.

SUBJECT: COST RECOVERY PROPOSAL TO ADOPT ORDINANCES RELATED TO FEES AND DEPOSITS IN THE DEPARTMENT OF ENVIRONMENTAL HEALTH AND QUALITY EFFECTIVE FISCAL YEAR 2023-24 (5/3/2023 – FIRST READING; 5/24/2023 – SECOND READING UNLESS ORDINANCE IS MODIFIED ON SECOND READING) (DISTRICTS: ALL)

ENVIRONMENTAL STATEMENT

The proposed project is exempt under California Environmental Quality Act (CEQA) Sections 21080(b)(8) and 15273(a) of the CEQA Guidelines because it proposes fee adjustments that will fund the enforcement of environmental laws in San Diego county. As stated under statutory exemption 15273(a), CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates by public agencies which the public agency finds are for the purpose of meeting operating expenses, including employee wage rates and fringe benefits as described in the Environmental Findings required under CEQA, included in Attachment F.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed actions support the Sustainability, Community, and Equity initiatives of the County of San Diego's 2023-2028 Strategic Plan. These proposed fee adjustments further the goals of the Strategic Plan and ensures DEHQ can accomplish its mission of protecting the environment and enhancing public health. Aligning services to available resources to maintain fiscal stability and ensure long-term solvency is ensured through achieving full cost recovery for services provided to external customers where feasible, as directed in Board Policy B-29: *Fees, Grants, Revenue Contracts – Department Responsibility for Cost Recovery*.

Respectfully submitted,



SARAH E. AGHASSI
Deputy Chief Administrative Officer

ATTACHMENT(S)

Note: Due to the size of the attachments, the documents are available online through the Clerk of the Board's website at www.sandiegocounty.gov/content/sdc/cob/bosa.html.

- Attachment A – Ordinance Amending the San Diego County Code of Regulatory Ordinances to Adjust Department of Environmental Health and Quality Regulatory Program Fees and Associated Ordinance Revisions (*Clean*)
- Attachment B – Ordinance Amending the San Diego County Code of Regulatory Ordinances to Adjust Department of Environmental Health and Quality Regulatory Program Fees and Associated Ordinance Revisions (*Informational*)
- Attachment C – DEHQ Proposed Fees
- Attachment D – Summary of Ordinance Changes
- Attachment E – Stakeholder Meetings
- Attachment F – Findings Pursuant to CEQA Guidelines Section 15273(a)