

**COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS - LAND USE
WEDNESDAY, MAY 07, 2025**

MINUTE ORDER NO. 7

**SUBJECT: SET A HEARING FOR MAY 21, 2025:
COST RECOVERY PROPOSAL TO ADOPT ORDINANCES RELATED TO
FEES AND DEPOSITS IN THE DEPARTMENT OF ENVIRONMENTAL
HEALTH AND QUALITY EFFECTIVE FISCAL YEAR 2025-26, WAIVE BOARD
POLICY B-29, AND CEQA EXEMPTION (05/07/2025 - FIRST READING;
05/21/2025 - SECOND READING UNLESS ORDINANCE IS MODIFIED ON
SECOND READING) (DISTRICTS: ALL)**

OVERVIEW

This is a request for the County of San Diego (County) Board of Supervisors (Board) to adopt the Department of Environmental Health and Quality (DEHQ) cost recovery proposal, which includes fees, deposit and hourly rates for services associated with food, pools, housing, body art, massage, organized camps programs, wells, septic systems, site assessment and mitigation programs, hazardous materials programs, and 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 public health, the environment, and the community 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. In addition, DEHQ serves as the Certified Unified Program Agency (CUPA) for hazardous materials and hazardous waste, the Solid Waste Local Enforcement Agency (LEA), and is delegated the duties to implement and enforce the authority of a mosquito abatement and vector control district. DEHQ works in communities across the region, conducting more than 70,000 inspections annually, including oversight of over 15,000 food facilities and around 15,000 businesses with hazardous materials. Through these services, DEHQ balances environmental, community, and economic interests to enhance the quality of life for residents and visitors.

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 provided to agencies or individuals. Exceptions require specific Board approval. The last cost recovery proposal was unanimously approved by the Board on May 22, 2024 (5). Since that time, DEHQ has continued to provide services at the approved rates. The Board also approved a B-29 waiver for fee waivers and use of departmental one-time funds in certain DEHQ programs, such as discretionary projects, and the food, body art, pools, septic, and hazardous material programs in Fiscal Year (FY) 2024-25.

Today's cost recovery proposal reflects standard assumptions made by the County and may not fully address cost increases based on future negotiated labor agreements, due to the timing of the fee package and the labor negotiations currently underway. Increased costs during FY 2025-26 due to approved labor negotiations will be reflected in future cost recovery packages. The Departments will require alternative funding identified as part of the Fiscal Year 2025-26 CAO recommended Operational Plan to cover potential increased costs from negotiated labor agreements.

The fees proposed today for FY 2025-26 (Attachments A and B, Ordinances) are necessary to address cost changes, such as increased salaries and benefits costs and to ensure full cost recovery, except where the Board has previously directed fee waivers, such as fee waivers for non-profit temporary event permits and charitable feeding permits, and the County's support to offset fees such as the food, body art, state small water system, well, and hazardous material programs. This fee package assumes the reduction and/or elimination of the DEHQ Permanent Food, Housing and Pools Facility Annual Permit Fee Reduction Program due to realignment of resources.

Approximately 82% of the department's costs are fixed, such as salary and benefits, retirement contributions, enterprise-wide services, and facilities, while 18% of the department's costs are determined by the department based on operational needs, such as services and supplies. This proposal reflects known costs and ensures full cost recovery for continued delivery of programs and services to customers and communities. By reviewing and updating fees annually, DEHQ can recover costs in a consistent and predictable manner, while also providing stakeholders an opportunity to plan for smaller, more incremental fee increases as stakeholders have requested.

As part of this fee proposal, DEHQ evaluated 237 fees, hourly rates, and deposits, and proposes to increase 222 fees, decrease two fees, delete four fees, and modify two fees by adjusting the fee structure. Additionally, seven fees are proposed not to change. The fee adjustments in this proposal will generate \$1,619,316 in additional revenue next fiscal year, equivalent to a 5.0% increase on average per fee. This fee package includes the sunseting of non-profit fee reductions for permanent non-profit businesses that have food, housing, and pools annual permits, which will enable the County to reallocate \$200,000 of ongoing General Purpose Revenue to realign resources. This fee package includes the continuing of the fee waivers for Non-profit Temporary Event and Charitable Feed Organizations, as well as the state-mandated Veteran's fee waiver.

DEHQ continues to focus on cost containment through innovation, efficiencies, and streamlining processes to apply savings where possible. Since FY 2016-17, DEHQ has applied \$1,031,740 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 plan check submittal templates for mobile food facilities, developing and implementing a mobile app to conduct temporary event inspections; implementing the plan check digital review portal; developing and implementing new data tracking methods and a report that allows for increased quality control in land use programs; creating digital inspection tracker and landfill gas monitoring files in the LEA program; streamlining hazardous materials processes; and combining PCR testing in the Vector program.

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 \$131,784 in new operational savings from efficiencies or streamlining measures implemented since the last cost recovery proposal. The efficiencies applied include combining prior year efforts, along with the efficiencies implemented this year. DEHQ has been able to apply a total of \$1,163,524 in savings from all cost containment measures to this proposal, reducing costs by 2.7%.

Additionally, DEHQ is proposing to use \$1,047,193 in one-time restricted departmental funding to limit the fee increases and provide continued relief for businesses still impacted from the current economic conditions in the food, body art, organized camps, state small water system, well program and

hazardous materials programs. This use of available funding will benefit nearly 129,000 customers and help reduce costs by 2.4%. Without cost containment efforts (2.7%) and use of one-time department funding (2.4%), fees would need to increase an additional 5.1%.

Today's proposal requires six actions from the Board. The first action is for the Board to find the adjustments to fees and charges are not subject to the California Environmental Quality Act (CEQA) in accordance with Section 15273(a) of the CEQA Guidelines. The second action is to approve a waiver of Board Policy B-29 related to fees not being full cost recovery for food, body art, organized camps, state small water system, well program and hazardous materials programs, and for reduced or waived fees for non-profit temporary event permits and charitable feeding permits. The third action is to approve the sunset of the Permanent Food, Housing and Pools Facility Annual Permit Fee Reduction Program starting July 1, 2025. The fourth action is to find that the adjustments in fees and changes contained in the proposed ordinance are necessary to meet operations in FY 2025-26. The fifth action is to approve the first reading of DEHQ's cost recovery proposal on May 7, 2025. The sixth action is for the Board to set a hearing for May 21, 2025, for consideration and adoption of amendments to the San Diego County Code of Regulatory Ordinances.

If the Board approves the six actions above on May 7, 2025, after making the necessary findings, the Board, on May 21, 2025, 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 2025-26. 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 \$1,619,316 to maintain services at their current level. If the cost recovery proposal is not approved and no alternative County funding is provided, DEHQ would experience operational impacts, such as a focus on complaints only response for food programs, increased processing or plan review times for land use projects, reduced ability to conduct community outreach, reduced ability to proactively assist unpermitted hazardous material facilities with obtaining compliance, and decreased opportunity to perform non-mandated functions such as 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 a backlog in tasks such as extended review times in septic is anticipated. This would impact customers by increasing overall costs to applicants as well as reducing the ability to focus on innovation, streamlining, and meeting operational goals. In addition, there will be a cumulative impact to customers due to compounded future fee increases based on the need to cover the increases in this proposal plus future year budget adjustments.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

On May 7, 2025:

1. Find that in accordance with Section 15273(a) of the California Environmental Quality Act (CEQA) Guidelines that the proposed changes to existing fees are exempt from CEQA. Approve the findings in Attachment E Findings Pursuant to CEQA Guidelines Section 15273(a) setting forth the basis for the applicability of this exemption.

2. Waive Board Policy B-29: *Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery* for fees for the food, body art, organized camps, state small water system well program and hazardous materials program fees, and reduced or waived fees related to non-profit organization temporary event permits and fee waiver for charitable feeding permits.
3. Approve the sunset of the Permanent Food, Housing and Pools Facility Annual Permit Fee Reduction Program starting on July 1, 2025, which currently provides non-profit organizations with a 50% reduction in permit costs funded with \$200,000 in General Purpose Revenue annually. If approved, non-profit organizations that operate permanent food, pools and housing facilities will be required to pay the full cost of the required annual operating permit.
4. Find that the adjustments in fees and changes 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 operations in Fiscal Year 2025-26.
5. Approve the introduction of the Ordinance (first reading):
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.
6. Set a hearing for May 21, 2025, for consideration and adoption of an Ordinance amending the San Diego County Code of Regulatory Ordinances.

If, on May 7, 2025, the Board takes action as requested in Recommendations 1 through 6 above then, on May 21, 2025:

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

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 County-approved methodologies 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 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. Today's action supports the County of San Diego (County) Sustainability Goal No.1 which is to engage the community by offering diverse engagement opportunities to provide feedback on the programs described in this item moving forward. 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 Strategic Initiative of Sustainability Goal No.2 which is to provide just and equitable access to resource allocation to align the County's available resources with services to maintain fiscal stability.

FISCAL IMPACT

The proposed increases to fees are included in the Fiscal Year (FY) 2025-26 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 \$1,619,316, including additional estimated costs and revenue of \$334,326 in the food program, \$298,407 in the water program, \$485,791 in the housing program, \$498,062 in the hazardous materials program and \$2,730 in the radiological health program and services in the vector laboratory, effective FY 2025-26. The funding source is fees paid by DEHQ customers.

A waiver of Board of Supervisor's 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, organized camps, state small water systems, well program and hazardous materials program fees. The total unrecovered cost, per Board Policy B-29, for permit fees that are not full cost recovery is \$1,047,193, and if approved, will be funded with \$459,412 in restricted General Fund fund balance, \$111,200 in 1991 Health Realignment revenue, and \$476,581 from the Environmental Health Trust Fund.

Additionally, a waiver of Board Policy B-29 is requested to continue to implement Board direction to reduce fees for temporary event permits requested by non-profit organizations and fee waiver for charitable feeding permits. The total unrecovered cost per Board Policy B-29 for these Board directed waivers is approximately \$364,000 in DEHQ for FY 2025-26, and if approved, will be funded with existing General Purpose Revenue in DEHQ. Inclusive of all funding sources and programs, the total unrecovered cost per Board Policy B-29 for DEHQ in FY 2025-26 is \$1,411,193. 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.

ACTION:

ON MOTION of Supervisor Lawson-Remer, seconded by Supervisor Montgomery Steppe, the Board of Supervisors took action as recommended, set a Hearing and introduced the Ordinance for further Board consideration and adoption on May 21, 2025.

AYES: Lawson-Remer, Montgomery Steppe, Desmond

NOT PRESENT: Anderson

ABSENT: (District 1 Seat Vacant)

State of California)
County of San Diego)

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER
Clerk of the Board of Supervisors



Signed
by Andrew Potter