

**COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS - LAND USE
WEDNESDAY, MAY 01, 2024**

MINUTE ORDER NO. 7

**SUBJECT: NOTICED PUBLIC HEARING:
SET HEARING FOR MAY 22, 2024:
COST RECOVERY PROPOSAL TO ADOPT ORDINANCES RELATED TO
FEES AND DEPOSITS IN THE DEPARTMENT OF ENVIRONMENTAL
HEALTH AND QUALITY EFFECTIVE FISCAL YEAR 2024-25 AND CEQA
EXEMPTION (5/1/2024 - FIRST READING; 5/22/2024 - 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 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 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 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 annually, 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 number of vector-borne disease incidents and protects 70 miles of coastline by taking more than 6,000 water quality samples per year. Through these services, DEHQ balances environmental, community, and economic interests to enhance the quality of life for residents and visitors.

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 May 24, 2023 (10). Since that time, DEHQ has continued to provide services at the approved rates. To offset fee increases, the Board approved the use of departmental one-time funds in certain programs, such as discretionary projects, and the food, body art, pools, septic, and hazardous material programs in FY 2023-24.

The fees proposed today for FY 2024-25 are necessary to ensure full cost recovery per Board Policy B-29 and to address cost changes, such as increased salary and benefit costs and Board directed initiatives such as additional positions to support removing barriers to housing.

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.

As part of this fee proposal, DEHQ evaluated 237 fees and proposes to increase 199 fees, decrease 5 fees, modify 23 fees by adjusting the fee structure resulting in lower fees, and add 2 new fees. Additionally, 8 fees are proposed to not change. If approved, this proposal will generate \$2,549,464 in revenue, resulting in an 7.9% increase on average per fee since the Board unanimously approved the last cost recovery proposal on May 24, 2023 (10).

DEHQ continues to focus on cost containment through innovation, efficiencies, and streamlining processes so that those savings can be applied where possible. Since FY 2016-17, DEHQ has applied \$836,000 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 plan check submittal templates for mobile food facilities, developing and implementing a mobile app to conduct temporary event inspections; and implementing the plan check digital review portal.

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 \$195,740 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 combining prior year efforts, along with the efficiencies implemented this year. DEHQ has been able to apply a total of \$1,031,740 in savings from all cost containment measures to this proposal, reducing costs by 2.6%. Additionally, DEHQ is proposing to use \$1,129,714 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, organized camps, state small water system, and hazardous materials programs. This use of available funding will benefit nearly 130,000 customers and help reduce costs by 2.9%. Without cost containment efforts (2.6%) and use of one-time department funding (2.9%), fees would need to increase an additional 5.5%.

Today's proposal requires 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 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 and hazardous materials programs, and for reduced or waived fees for nonprofit organization food, housing, pool, and temporary event permits.

The third action is to find that the adjustments in fees and changes contained in the proposed ordinance are necessary to meet operations in FY 2024-25. The fourth action is to approve the first reading of DEHQ's cost recovery proposal on May 1, 2024. The fifth action is for the Board to set a hearing for May 22, 2024, for consideration and adoption of amendments to the San Diego County Code of Regulatory Ordinances.

If the Board approves the five actions above on May 1, 2024, after making the necessary findings, the Board, on May 22, 2024, 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 2024-25. 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 \$2,549,464 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 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 1, 2024:

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 F 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 and hazardous materials program fees, and reduced or waived fees related to nonprofit organization food, housing, pool, and temporary event permits.
3. 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 2024-25.
4. Approve the introduction of the Ordinance (first reading), read title and waive further reading of the 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 22, 2024, for consideration and adoption of an Ordinance amending the San Diego County Code of Regulatory Ordinances.

If, on May 1, 2024, the Board takes action as requested in Recommendations 1 through 5 above then, on May 22, 2024:

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 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.

FISCAL IMPACT

The proposed increases to fees are included in the Fiscal Year (FY) 2024-25 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 \$2,549,464, including additional estimated costs and revenue of \$294,363 in the food program, \$349,903 in the water program, \$899,779 in the housing program, \$1,005,309 in the hazardous materials program and \$110 in the radiological health program, effective FY 2024-25. 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, organized camps, state small water systems and hazardous materials program fees. The total unrecovered cost, per Board Policy B-29, for permit fees that are not full cost recovery is \$1,129,714, and if approved, will be funded with \$528,121 in restricted General Fund fund balance, \$34,500 in 1991 Health Realignment revenue, and \$567,093 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 food, housing, pool, and temporary event permits requested by nonprofit organizations. The total unrecovered cost per Board Policy B-29 for these Board directed waivers is approximately \$450,000 in DEHQ for FY 2024-25, 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 2024-25 is \$1,579,714. 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 Anderson, seconded by Supervisor Desmond, the Board of Supervisors closed the Hearing and took action as recommended, and set a Hearing for May 22, 2024 to further consider and adopt the Ordinance.

AYES: Vargas, Anderson, Lawson-Remer, Montgomery Steppe, Desmond

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