



COUNTY OF SAN DIEGO

LAND USE AGENDA ITEM

BOARD OF SUPERVISORS

VACANT
First District

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Second District

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Third District

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Fourth District

JIM DESMOND
Fifth District

DATE: May 7, 2025 and May 21, 2025

08

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 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

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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 sunsetting 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

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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.

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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.

SUBJECT: 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)

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):

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.

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

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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.

ADVISORY BOARD STATEMENT

On April 16, 2025, the Environmental Health and Quality Advisory Board voted to support the Department of Environmental Health and Quality's cost recovery proposal.

SUBJECT: 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)

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 transmitted by mosquitoes and other vectors, 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 (LEA), 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 annually, including oversight of over 15,000 food facilities and 14,000 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 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 Board Policy B-29, 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 public. Exceptions require specific Board approval.

Recognizing that many customers are incurring rising costs, DEHQ continues to focus on cost containment through innovation, efficiencies, and streamlining so that those savings can be applied where possible. The practice of continuous improvement, implementing operational efficiencies, such as online services and automation, as well as prioritizing resources in key areas and implementing program improvements suggested by stakeholders, has positioned the department to respond to evolving program and regulatory changes. DEHQ has continued to implement time and cost-saving improvements and initiatives for both the department and customers, such as converting to electronic applications, streamlined report writing and workflow processing, implementation of plan check digital review, streamlining billing, and digitizing tracking logs.

The previous cost recovery proposal was unanimously approved by the Board on May 22, 2024 (5). Since that time, DEHQ has continued to provide services to the public at the approved rates. The fees proposed today for Fiscal Year (FY) 2025-26 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. Additionally, in FY 2025-26, we anticipate an 18% increase in facility maintenance and management costs which is reflected in this cost recovery proposal. DEHQ also factored in other fixed costs, which fluctuate annually and are beyond the Department's direct control, such as County utilities costs and insurance premiums.

SUBJECT: 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)

Today's cost recovery proposal considered 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 labor negotiations that are currently underway. Increased costs during FY 2025-26 due to an approved labor package 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. Approximately 82% of costs are fixed, such as salary and benefits, retirement, 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 program 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.

Recognizing that many customers are managing economic uncertainties due to possible interruptions to their business operations and rising input costs, DEHQ continues to leverage the essential use of technology and business process streaming to limit cost increases and improve customer service. Since FY 2016-17, DEHQ has applied \$1,031,740 in ongoing savings from cost containment measures. Additional savings have been obtained through technology process improvements, such as implementing a digital review portal for plan check and plan check inquiry for food programs, expanding publicly available documents online, which reduces staff time to respond to Public Records Act requests, developing new methods to track and manage data in multiple programs, automating data tracking, digitizing the LEA inspection tracking log, forecasting for various hazardous materials programs, and converting to electronic applications which improves document management and access. These innovations have allowed the department to better communicate with customers, provide quicker response times, and improve operations.

Additionally, these efficiencies have allowed DEHQ to streamline business improvement processes, including modifying permit fees to separate out non-routine services like additional inspections or investigations from those included in the annual permit cost, implementing streamlined processes for certain hazardous materials violations, and streamlining various programs such as the Aboveground Petroleum Storage Act program and hazardous materials program billing. Efficiencies are also seen due to staff proficiency in previously implemented cost containment measures, such as creating a landfill gas monitoring spreadsheet that can be accessed online by inspectors, rather than navigating paper reports, creating plan checks for mobile food facilities, streamlining report writing and workflow processing, converting mobile home park inspection reports to no carbon required pages, and creating a landfill gas monitoring spreadsheet that can be accessed online by inspectors. These changes have allowed staff to focus on improving customer service.

SUBJECT: 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)

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 \$131,784 in additional operational savings from efficiencies or streamlining measures that were implemented since the last cost recovery proposal. The efficiencies that have been applied include the development of dashboards to track data in various programs, the development of a tracker for operational and IT projects, the creation of a digital mileage form rather than submitting paper forms, the improvement of workflows for the medical waste registration program, and expanded use of streamlined compliance processes for certain hazardous materials violations. 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 also proposing to use \$1,047,193 in one-time department funding to limit the amount fees would need to increase and provide continued relief for businesses in the food, body art, organized camps, state small water system, well program, and hazardous materials programs. This focused use of available funding will help benefit nearly 129,000 customers and help reduce costs by an additional 2.4%. Without this cost containment (2.7%), and use of one-time department funding (2.4%), fees would have needed to increase an additional 5.1%.

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 authorized the waiver of fees, DEHQ is proposing to adjust program fees for FY 2025-26, which will be effective July 1, 2025. The fees proposed for FY 2025-26 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 for the majority of DEHQ fee programs is equivalent to an increase of 5.0% since the unanimous Board approval of the last cost recovery proposal on May 22, 2024 (5).

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 this cost recovery proposal is not approved, DEHQ would require one-time alternative County funding in the amount of \$1,619,316. This funding is necessary to ensure full cost recovery to continue delivering programs and services to customers and the communities. Additionally, it supports 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 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

SUBJECT: 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)

support data-driven decision-making. Resources would be shifted away from innovation and data analysis to front-line operations, and a workload backlog would be anticipated. This would impact customers by increasing overall costs to applicants as well as reduce the 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 (HHSA) and the Public Safety Group (PSG). DEHQ analyzed programs, including a review of state mandates, program operations, inspection frequencies, service levels, and how DEHQs fees compare to other local jurisdictions. The fee development process combines a determination of the 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 services 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 recovers costs for their services. The hourly rate is comprised of various components, including the labor rates 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. 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 agencies through direct contacts, statewide industry working groups and email list serves to conduct benchmarking for each of the major DEHQ program areas. This benchmarking comparison was shared with stakeholders during cost recovery proposal community engagement.

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 recovery policies and procedures.

SUBJECT: 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)

Cost Recovery Proposal

If approved, the cost recovery proposal will be effective in FY 2025-26 beginning on July 1, 2025. (Attachments A and B, Ordinances) The proposed fees would remain in place until further adjusted by ordinance and approved by the Board. After completing the annual review process, the average proposed adjustment is 5.0%. These increases include standard assumptions made by the County for cost increases 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.

DEHQ evaluated 237 fees for this cost recovery proposal, and proposes to increase 222 fees, decrease two fees, delete four fees, and modified two fees by adjusting the fee structure. Additionally, seven fees are proposed to not change. If approved, this proposal will increase individual fees by an average of 5.0% since the unanimous Board approval of the last cost recovery proposal on May 22, 2024 (5).

Food Program Fees

In the food program, which represent restaurants, mobile food facilities, temporary events, and any required plan check for permanent and mobile food facilities, 69 fees are proposed to increase, and 4 fees remains same.

An additional ordinance revision included in this cost recovery proposal for the food program is a more flexible modification to the existing local Food Handler Training program to allow food facilities 30 days, rather than 10 days, to obtain required food safety training. This change reflects stakeholder feedback and continues to protect public health by educating food handlers on how to handle food safely. This training is incorporated as part of their onboarding process for new employees by increasing the time employees have to obtain their Food Handler Certification from 10 days to 30 days. This change is also in line with what is currently required in the statewide food handler training program.

A waiver of Board Policy B-29 is requested for food fees because the proposed fees do not cover all operating costs. Historically the County has maintained a DEHQ restricted fund balance in the General Fund per Board direction (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 costs. DEHQ proposes to use \$437,539 in restricted General Fund fund balance to provide a one-time offset of fees associated with the food program. Without this offset, food program fees would have needed an additional increase on average of 2.3%.

SUBJECT: 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)

Water Program Fees

In the water programs, which represents swimming pools, water and monitoring wells, state small water systems, recycled water and any required plan check for these programs, 37 fees are proposed to increase.

A waiver of Board Policy B-29 is requested for fees for state small water system and well program fees because the proposed fees do not cover all operating costs. Each year DEHQ receives \$1.39 million of 1991 Health Realignment revenue from the state which supports health officer programs. DEHQ analyzes the program cost annually and evaluates if the funds should be used to offset certain program cost increases. DEHQ proposes to use \$61,200 in 1991 Health Realignment revenue to provide a one-time offset of fees associated with 17 state small water systems. State small water systems provide safe drinking water for communities with five to 14 service connections, that serve a population of fewer than 25 persons, like at a small mobilehome park with 10 lots. Without this offset, fees would increase an additional 226%. DEHQ also proposes to use \$50,000 in 1991 Health Realignment revenue to provide a one-time offset of fees associated with the well program. Without this offset, fees would increase an additional 4.0%.

Housing & Land Use Program Fees

In the land use and housing programs, which represent rental homes, onsite wastewater treatment systems, discretionary land use projects, mobile home parks, massage, body art facilities, organized camps, the LEA, any required plan check for these programs, 78 fees and deposits are proposed to increase. Both the LEA and rental housing programs have been able to sustain low or no increases the past several fiscal years, however this year there will be higher than average fee increases to ensure these programs can achieve full cost recovery. Over the past year, the onsite wastewater treatment system (septic) program has maintained the commitment to program improvements by ensuring the program is fully staffed and is meeting all guaranteed review times.

A waiver of Board Policy B-29 is requested for body art facilities and organized camps fees because the proposed fees do not cover all operating costs. DEHQ proposes to use \$21,873 in restricted General Fund fund balance to provide a one-time offset of fees associated with the body art and organized camps program. Without this offset, fees would increase an additional 2.7%.

Hazardous Materials Program Fees

For hazardous materials program fees, which includes medical waste fees, DEHQ is proposing to increase 28 fees, and five fees are being modified into two fees. The program's five Aboveground Petroleum Storage Act (APSA) fees are being consolidated into two fees to help incorporate changes in state law, including a new requirement to inspect smaller petroleum tanks. These modifications are supported by improved programmatic time data and help simplify the APSA fee structure for customers.

SUBJECT: 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)

Additional ordinance revisions are included in this cost recovery proposal to make clarifying program updates. This includes revisions to ordinance sections related to facilities that only generate waste that is hazardous solely because it contains silver. In response to direction from the state, these silver-only waste facilities shifted from a registration program and now receive a permit from DEHQ. The proposed ordinance revisions will help to accurately reflect these updates.

Other ordinance updates are being proposed to update outdated information relating to the location of postings for local interpretations of certain hazardous materials regulations, to align with state practices.

A waiver of Board Policy B-29 is requested for the hazardous materials program fees because the proposed fees do not cover all operating costs. DEHQ proposes to use \$476,581 in the Environmental Health Trust Fund for one-time program costs, which include efforts to evaluate DEHQ's California Accidental Release Program (CalARP) in the upcoming fiscal year (\$29,587), and CUPA innovation projects (\$446,994). The Environmental Health Trust Fund can only be used for hazardous materials programs. Without these offsets, fees would increase an additional 3.3%.

Radiological Health Program Fees

DEHQ is proposing to increase one fee associated with plan check in the Radiological Health Program, which inspects x-ray machines and other radioactive materials to help keep the public safe from health risks associated with radiation.

Vector Control Program Fees

DEHQ is proposing to increase one fee associated with Vector Control laboratory services. Additionally, one fee associated with rabies-related work has been deleted, as these services are now implemented by County Public Health Services.

Miscellaneous Department Fees

For the miscellaneous department fees, DEHQ is proposing to increase eight fees and decrease two hourly rates. Additionally, three fees are proposed to remain unchanged. 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, Ecologist, or Disease Research Scientist.

The proposed fee adjustments for this cost recovery proposal are shown in Attachment C.

Waiver of Board Policy B-29 for Non-profit Organization Permits

The Board has taken action to support non-profit organizations by exempting (May 8, 1984 (38)) or reducing permit fees (April 4, 2001 (21)) for operating food facilities, public housing and pools,

SUBJECT: 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)

and temporary events. The non-profit organization permit fee waivers and fee reductions have been very successful, with applicants expressing gratitude for the fee waiver, enabling their budgets to go further in the work that they do in the community. In the upcoming year, the County is realigning resources due to overall County funding sources not keeping pace with the cost of doing business. Considering these current conditions, DEHQ's proposed fee package includes the sunseting of DEHQ Permanent Food, Housing and Pools Facility Annual Permit Fee Reduction Program, while continuing the fee waivers for Non-profit Temporary Event and Charitable Feeding Organizations, as well as the state-mandated Veteran's fee waiver.

Non-profit Temporary Events- Proposed Continuation

A temporary event is categorized as an event that is civic, political, public, or educational in nature and services or provides food to the public. This may include events such as fundraisers, festivals, trade shows, and sidewalk expos such as those operated by merchants associations, business associations, or parade/festival event organizers. The fee waivers allow non-profit organizations to operate at events as a vendor or organizer twice annually under a fee waiver. Approximately 840 permits per year receive this fee waiver benefit through \$250,000 in existing General Purpose Revenue (GPR).

Charitable Feeding Waivers- Proposed Continuation

Throughout the region, non-profit charitable feeding organizations, such as food banks, food pantries, and feeding organizations and their partners, have set up either small pantries or operate large permanent food facilities to assist the local, food-insecure population. state law requires a one-time construction review and an inspection to ensure they are serving food safely. By waiving the fees associated with these organizations, approximately 140 permits or registrations per year benefit from this fee waiver program that will be funded in FY 2025-26 through \$114,000 in existing GPR.

Veterans Fee Waivers- Proposed Continuation

In the State of California, veterans qualify for fee waivers or reduced fees when applying for certain business and professional licenses where they vend goods, which includes food facility health permits issued by DEHQ. This state mandated fee waiver supports 200 veteran- owned DEHQ regulated food businesses each year and will be funded in FY 2025-26 with \$138,720 in existing GPR.

Without GPR as a funding source, this cost recovery proposal would result in higher fees for non-profit organizations who provide low or no cost services to the community or 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. Each year DEHQ experiences an increase in the volume of non-profit organizations requesting temporary event fee waivers, which is anticipated to continue to occur in FY 2025-26. DEHQ anticipates that the GPR in FY

SUBJECT: 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)

2025-26 proposed budget is sufficient to cover the anticipated increase, however, modifications to the implementation of the fee waivers or increased GPR may be required in future years.

Non-profit Waivers for Permanent Food, Housing and Pools Facility Annual Permits- Proposed to Sunset

State law requires that all public food, multi-unit housing, and pools operations have a valid annual operating permit. Pursuant to prior Board direction (April 4, 2001(21)) and GPR allocations, DEHQ has been providing non-profit organizations that operate permanent food, pools and housing with a 50% reduction in permit cost. Due to revenue sources not keeping pace with the cost of services, this fee waiver program is proposed to sunset, requiring the non-profit organizations to pay the full price of their permit. It is anticipated that eliminating this reduced fee may have an impact on non-profit organizations that provide low or no cost services to the community, such as swim lessons, public recreational swimming, drowning prevention classes, housing for seniors or substance abuse treatment, or youth after school or recreation programs. Historically, this fee waiver reduced the cost of approximately 680 permits annually.

Non-profit permanent organizations that also operate as temporary event organizers or vendors will continue to be eligible for the non-profit temporary event fee waiver program which is proposed to continue. However, the annual permit fee reduction for the permanent facility is proposed to sunset in FY 2025-26.

Community Based Agricultural Events (Ag Promo) Waiver- Will Sunset in FY 2024-25

The Board adopted the County's Agricultural Promotion Program on March 15, 2017 (3) and on November 14, 2018 (1) voted to incentivize certain food and goods vendors when operating to support agricultural operations by allocating \$70,000 in one-time General Fund fund balance to waive the cost of the required initial food plan review and permits for operations. The Board's direction included authorization of this waiver program for a period of one year from the date of adoption or until the revenues have been foregone, whichever occurred first. The County's Agriculture Promotion fee waiver program will sunset June 30, 2025.

DEHQ Restricted Fund Balance

Historically, the County has maintained a commitment of fund balance in the General Fund for DEHQ per Board direction (February 24, 2004 (23)) and continued this practice annually as part of the department's cost recovery proposal. In FY 2023-24, this committed fund balance was reclassified as a restricted fund balance based on Prop 26.

The restricted fund balance is allocated annually when DEHQ receives revenue exceeding the full cost amount in each program. This reserved balance is intended for use in subsequent fiscal years when costs surpass revenues within that program. 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 or changes in economic conditions that influence permit volumes, future public or environmental health emergency response needs, or future regulatory program changes that could occur at the state or federal level, DEHQ will apply these funds to

SUBJECT: 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)

balance costs and minimize funding impacts. Included in this cost recovery proposal is the one-time use of restricted General Fund fund balance in the amount of \$459,412 to provide continued relief for businesses impacted by the current economic conditions that are regulated in the food, body art, and organized camps programs.

DEHQ's goal is to maintain its restricted fund balance to the Government Finance Officers Association recommended minimum of two months operating capital. After the proposed one-time use in this proposal, DEHQ's restricted fund balance will be 81% of the two-month operating capital 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 2025. A list of stakeholder meetings as of April 18, 2025, is included in Attachment D. Stakeholder feedback during community engagement included an appreciation for DEHQ's services that protect the environmental and public health of the community, an understanding of the need for the cost recovery proposal, and a continued desire for regular cost recovery analysis and updates. Stakeholders expressed the challenges they face with rising expenses with operating businesses and appreciation for DEHQ's continued approach to pursue innovation, program improvements and streamlined service delivery.

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.

SUBJECT: 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)

ENVIRONMENTAL STATEMENT

The proposed project is exempt under California Environmental Quality Act (CEQA) Section 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 E.

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 2025-2030 Strategic Plan. These proposed fee adjustments further the goals of the Strategic Plan and ensure 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 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,



DAHVIA LYNCH
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 (*Strikeout/Underline*)

Attachment C – DEHQ Proposed Fees

Attachment D – Stakeholder Meetings

Attachment E – Findings Pursuant to CEQA Guidelines Section 15273(a)