

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

MINUTE ORDER NO. 6

**SUBJECT: SET HEARING FOR MAY 22, 2024:
COST RECOVERY PROPOSAL TO ADOPT ORDINANCES RELATED TO
FEES IN THE DEPARTMENT OF AGRICULTURE, WEIGHTS AND
MEASURES 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 Board of Supervisors (Board) to adopt the cost recovery proposal for the Department of Agriculture, Weights and Measures (AWM), which includes fees and hourly rates for services related to Agricultural Export, Certified Farmers' Market (Direct Marketing), Industrial Hemp Cultivation, Hazardous Materials Inventory, Pesticide Regulation Program Registration, Verification of Agriculture, Price Accuracy, and Weights and Measures Devices Programs.

This proposal provides the resources needed for AWM to continue with services that support public health and safety, a resilient food supply, agricultural trade, consumer confidence, and a sustainable environment for the region. 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. AWM has 30 diverse programs that conduct over 350,000 inspections annually regionwide. Fee-related programs ensure the acceptance of 10,000 agricultural export shipments at destination, the integrity of produce sold at 34 Certified Farmers' Markets, and the verification of price accuracy at 4,600 different retail locations.

The Board's 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 (9). Since that time, AWM has continued to provide services at the approved rates.

The fees proposed today for Fiscal Year (FY) 2024-25 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 the County support to offset fees such as for the Agricultural Export and Certified Farmers' Market fees. It is consistent with the Board's commitment to a resilient food supply, continuing agricultural trade, enhanced consumer confidence, and a sustainable environment, and to serve as required matching funds for State supplemental funding. Today's cost recovery proposal reflects the cost increases for FY 2024-25 relating to salary and benefit costs based on negotiated labor agreements and equity adjustment.

Approximately 86% of AWM's costs are fixed, such as salaries and benefits, retirement contribution, enterprise-wide services, and facilities, while 14% of AWM's costs, such as services and supplies, are discretionary, meaning costs are determined by AWM's operational needs. This cost recovery proposal reflects known costs as accurately as possible and ensures full cost recovery to continue delivering programs and services to our customers and communities. By reviewing and updating fees annually,

AWM can recover costs in a consistent and predictable manner, while also providing stakeholders an opportunity to plan for smaller, more incremental fee increases.

AWM evaluated 77 fees for this cost recovery proposal and proposes to increase 26 fees and leave 51 fees unchanged. Of the 51 unchanged fees, 44 are capped by the State, of which 38 are related to the Weights and Measures device annual registration, six are for pesticide regulation annual business registration. Of the remaining seven, five are related to services infrequently requested by customers, and two of the fees remain unchanged due to operational efficiencies.

The AWM fee adjustments in this proposal will generate \$66,465 in additional revenue next fiscal year equivalent to a \$5.00 or 3.8% increase on average per fee. These proposed increases include salary and benefits costs for FY24-25 based on the three-year negotiated labor agreement that went into effect in FY 2022-23. AWM receives County and State funding to partially recuperate the cost of eligible agricultural programs, a portion of which, along with savings from operational efficiencies, was applied to these programs to mitigate the cost increases. The General Purpose Revenue (GPR) support is consistent with the Board's commitment and support for agriculture in the region as stated in Board Policy I-133: *Support and Encouragement of Farming in San Diego County* and to serve as required matching funds for State supplemental funding.

In FY 2022-23, the total cost of all agricultural programs was \$20.0 million. Local growers paid a fee total of \$415,575, or 2%, and out-of-county agricultural operators a fee total of \$652,018, or 3% of the total program costs. There was a decline in fees paid by local growers due to a reduced number of businesses participating in export certification and an increase in the number of out-of-county brokers exporting commodities at the international border. For the remaining 95% of program costs, the County provided \$6.6 million, or about 33%, while State and federal contributions of \$12.3 million covered about 62%. State law mandates counties to provide fiscal support as a matching fund to receive the State supplemental funding. This State funding fluctuates annually and is a separate dedicated revenue source to supplement, not supplant, the available County funding for eligible agricultural programs. The total amount of \$408,358 in State supplemental funding is applied to limit the cost increases for the eligible agricultural programs in this cost recovery proposal.

Recognizing that many customers are still recovering from a three-year pandemic and incurring rising costs due to inflation, AWM continues to leverage the essential use of technology and business process streamlining to limit cost increases, improve customer service, and promote regulatory compliance. AWM has obtained additional efficiency gains through the expedited data entry and certificate issuance in our Agricultural Export Program. These business process improvements include streamlining the review process for grower certification and a new mobile app that allows faster data input for plant shipment certificates. Efficiencies are also seen due to staff proficiency in previously implemented cost containment measures such as the use of existing field inspection tools, consolidation of activities with dedicated staff, combining field inspections, and the use of resource documents that reduce paperwork, billable time, and training hours and increase industry engagement for improved compliance. These efforts resulted in savings of \$88,612 that is applied in this proposal to reduce the cost increases. Without these operational efficiencies, fees would have needed to increase an additional 1.8% on average.

Today's proposal requests four actions from the Board.

The first action is for the Board to find this proposal exempt from the California Environmental Quality Act (CEQA) as specified under Section 15273(a) of the CEQA Guidelines. The second action is to set a hearing for May 22, 2024, for consideration and adoption of the ordinance. The third action is to approve a waiver of Board Policy B-29 for a total of \$239,829 for operational costs of the Agricultural Export, Certified Farmers' Market, and Industrial Hemp Cultivation Programs, which will be funded by existing General Purpose Revenue. The fourth action is to approve the introduction of the ordinance for the first reading of AWM's cost recovery proposal and the amendments in the San Diego County Administrative Code Section 364.3 relating to the fees and hourly rates on May 1, 2024. If the Board approves the four actions 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 Section 364.3 of the San Diego County Administrative Code, relating to fees charged by AWM. In accordance with Board Policy B-29, AWM will review fees annually and return to the Board with any changes.

If this cost recovery proposal is not approved, AWM would require one-time alternative County funding in the amount of \$66,465 to maintain services at their current level. If the cost recovery proposal is not approved and no alternative County funding is provided, AWM would have operational impacts including reduced ability to conduct community outreach aimed at fostering understanding of regulations and thus promoting compliance. These reductions in services would impact customers by reducing our ability to focus on innovation, streamlining, and meeting operational goals. In addition, there will be a cumulative impact to customers and the changes in future fee updates will be compounded based on the need to cover the increases in this proposal, plus future year budget adjustments.

RECOMMENDATION(S)
CHIEF ADMINISTRATIVE OFFICER

On May 1, 2024:

1. Find 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 C pursuant to CEQA Guidelines Section 15273(c).
2. Set a hearing for May 22, 2024, for consideration and adoption of an Ordinance amending the San Diego County Administrative Code, relating to fees and hourly rates charged.
3. Waive Board Policy B-29: *Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery* for fees relating to the Agricultural Export, Certified Farmers' Market (Direct Marketing), and Industrial Hemp Cultivation Programs.
4. Approve the introduction of the Ordinance (first reading), read title and waive further reading of the Ordinance:
ORDINANCE AMENDING SECTION 364.3 OF THE SAN DIEGO COUNTY ADMINISTRATIVE CODE, RELATING TO FEES CHARGED BY THE DEPARTMENT OF AGRICULTURE, WEIGHTS AND MEASURES.

If on May 1, 2024, the Board takes action as requested in Recommendations 1 through 4 above, then on May 22, 2024:

Consider and adopt the Ordinance amending the San Diego County Administrative Code, relating to fees charged by AWM (second reading).

EQUITY IMPACT STATEMENT

The Department of Agriculture, Weights and Measures (AWM) strives to preserve, enhance, and promote quality of life, health and safety, economic equity, access to healthy food, diverse local economy, and environmental sustainability through our regulatory programs and services. AWM uses County-approved methodologies to ensure regulated businesses receiving AWM's services are responsible for the associated costs, rather than the public. This proposal supports food security in underserved communities by providing access to locally grown fresh produce and promotes business continuity for small-scale farmers. It also supports consumer confidence and a fair and equitable marketplace by verifying customers are being charged correct prices at retail businesses that use point-of-sale stations to ensure fair business practices.

SUSTAINABILITY IMPACT STATEMENT

The Agriculture, Weights and Measures (AWM) Fiscal Year 2024-25 cost recovery proposal provides fee and hourly rate adjustments that partially cover the cost of services provided to regulated businesses. The fee and hourly rate adjustments are the result of the cumulative increase in cost drivers such as salaries and benefits, services and supplies, and associated department costs. The adjustments to the fees and hourly rates are based on time studies, the number of services provided, cost-containment efforts, expenditure and revenue data, and available funding. These services provide consumer protection, promote the exclusion of invasive agricultural pests, maintain standards at Certified Farmers' Market (Direct Marketing), and provide compliance monitoring of industrial hemp cultivation. They also ensure continuity of agricultural resources that contribute to environmental sustainability and support efforts to mitigate climate impacts. 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 fee increases are included in the Fiscal Year 2024-25 CAO Recommended Operational Plan in Agriculture, Weights and Measures (AWM). If approved, this request will result in costs and revenue of \$66,465 in Fiscal Year 2024-25 in Agricultural Export, Certified Farmers Market (Direct Marketing), Industrial Hemp Cultivation, Hazardous Materials Inventory, Verification of Agriculture, Price Accuracy, and Weights and Measures Devices Programs. The funding source is fees paid by AWM customers. There will be no change in net General Fund cost and no additional staff years.

A waiver of Board Policy B-29: *Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery* (Board Policy B-29) is requested since the proposed fees for the Agricultural Export, Certified Farmers' Market, and Industrial Hemp Cultivation do not cover all operating costs. The total unrecovered cost per Board Policy B-29 for FY 2024-25 is approximately \$239,829 and if approved, these programs will be funded with existing AWM General Purpose Revenue. AWM will return to the Board with any future necessary fee adjustments including identification of any unrecovered costs and funding sources. There will be no additional staff years. 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.

BUSINESS IMPACT STATEMENT

If approved, these recommendations would enable the Department of Agriculture, Weights and Measures to continue providing the necessary services that support public health and safety, a resilient food supply, continuing agricultural trade, enhanced consumer confidence, and a sustainable environment for the region.

ACTION:

ON MOTION of Supervisor Anderson, seconded by Supervisor Desmond, the Board of Supervisors 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