



**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Submitted on:
(COB Stamp)

Department Name: Public Health
Department No.: 041
For Agenda Of: December 10,
2024
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director(s): Mouhanad Hammami, Director
Public Health Department
Contact Info: Lars Seifert, Deputy Director of Operations
805-681-5100

SUBJECT: Cost of Services Study for Environmental Health Services

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Accept and file a Cost of Services Study Report for Environmental Health Services prepared by Wohlford Consulting, dated August 11, 2024, which provides an analysis of the full costs incurred by Environmental Health Services for regulatory activities for which the County charges user fees;
- b) Direct staff to return to the Board with proposed recommendations for user fee adjustments to achieve full cost recovery for Environmental Health Services fee levels; and
- c) Determine that the recommended actions are not a Project within the meaning of California Environmental Quality Act (CEQA), pursuant to Section 15378(b)(5) of the CEQA Guidelines, because the actions are organizational or administrative activities of government that will not result in direct or indirect physical changes in the environment.

Summary:

This item is on the agenda to provide the Board with a Cost of Services (User Fee) Study completed for Santa Barbara County Environmental Health Services by Wohlford Consulting. The study was conducted to prepare an objective analysis of the full costs incurred by the County for various State

and locally-mandated permitting and inspection activities for which County Environmental Health Services charges user fees. A full review of the annual cost of fee-related services for Environmental Health Services was last considered by the Board on April 2, 2019. Through comparisons of the full costs and current fees in Fiscal Year 2024-2025, the report summarizes existing unit costs (and annual subsidies) for 122 individual fee results calculated in the study. This action requests that the Board direct staff to return with proposed recommendations for user fee adjustments to achieve full cost recovery with Environmental Health Services fee levels.

Discussion:

Santa Barbara County Environmental Health Services administers a variety of public health and environmental protection programs that are primarily supported by permit and user service fees. County policy (Fees, Board Minute Order 03/08/82) states that where allowed or mandated, departments will charge a fee for service that is determined by the costs incurred by the County to provide the service. Departments are therefore responsible for ensuring that all legally allowed fees and charges are presented to the Board for adoption and for reviewing/adjusting as appropriate.

Background:

As required by Board policy to regularly review fees to determine that fee levels are consistent with current cost basis, Environmental Health Services hired a consulting firm with expertise in local government fee analysis to comprehensively study all of its service fees. The goal of the study was to prepare an objective analysis of the full costs incurred by the County for various State and locally-mandated permitting and inspection activities for which County Environmental Health Services charges user fees. A Cost of Service (User Fee) Study is also a cost-effective way to understand the total cost of services provided and identify potential fee changes and revenue impacts. A full review of the annual cost of fee-related services for Environmental Health Services was last considered by the Board on April 2, 2019.

In Fiscal Year 2023-24, the department engaged Wohlford Consulting to conduct an objective analysis of the full costs incurred by Environmental Health Services for various activities for which the County charges user fees. The final Cost of Services Report was completed on August 11, 2024, and is included here as Attachment A.

In order to ensure accuracy and establish a clear nexus between the cost of services and the fees, the study utilized a unit cost build-up methodology to identify the full cost for individual fee activities, based upon staff time and associated direct and indirect costs. By projecting an estimated average annual volume for each fee activity, the study also identified the annual cost of the services and the potential annual revenue for the fee activities at full cost levels.

Through comparisons of the full costs and current fees established by your Board, the final report summarizes existing unit costs (and annual subsidies) in Fiscal Year 2024-2025 for 122 individual fee results calculated in the study. Key findings of the study conclude that:

1. In most instances of individual fee cost analysis, 99 of the 122 individual fee results (or 81% of the current unit fees) are currently set at a level less than the full cost of providing the service.

2. Given current fee levels charged by Environmental Health Services, the potential annual revenue (assuming a consistent activity level and complete collection) is approximately \$7.0 million, which represents a current cost-recovery ratio of 86% overall and an annual fund deficit (subsidy) of \$1.1 million in the current fiscal year.

As a result of these findings, the recommended actions today request that the Board direct staff to return with proposed recommendations for user fee adjustments to achieve full cost recovery with Environmental Health Services fee levels that are consistent with the public purpose served by the fee and the cost incurred to provide the service. The anticipated timelines for implementation of any requested user fee adjustments would also be included with the proposed recommendations prepared for your Board.

Environmental Health Services recognizes that for practical and customer service reasons, and to encourage overall compliance with State regulations, there may be fees or service areas that can be streamlined, restructured, or reduced to increase user friendliness and to ensure fees fairly and equitably reflect the cost of services being requested. For example, program areas where full cost recovery is already being achieved, such as with solid waste permitting and inspection services, Environmental Health Services may return to the Board with fee adjustment recommendations that address fairness and equity to fee payers, but would not increase the overall cost to all users. These policy recommendations would be prepared for your consideration following discussions with potentially affected stakeholders.

It is anticipated that staff would return to the Board in the first quarter of calendar year 2025 with proposed user fee adjustments to ensure full cost recovery with Environmental Health Services fee levels.

Fiscal Analysis:

The acceptance of this report does not result in financial or staffing impacts. As may be directed by the Board, Environmental Health Services will return to the Board with proposed user fees reviewed by the Auditor-Control consistent with Board policy, and a fiscal analysis based on proposed user fee and budget adjustments as may be necessary.

Special Instructions to Clerk of the Board:

Please email a copy of the minute order to the Public Health Department, Contracts Unit at phdcu@sbcphd.org.

Attachments:

Attachment A – Environmental Health Services Cost of Services Study, August 11, 2024

Authored by:

Lars Seifert, Deputy Director, Public Health Department