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Katherine Douglas *Public Comment*

From: Andy Caldwell <andy@colabsbc.org>
Sent: Friday, March 7, 2025 10:31 AM
To: Mona Miyasato; Johnston, Jason
Cc: Steve Lavagnino; Joan Hartmann; Laura Capps; Bob Nelson; Roy Lee; sbcob
Subject: Potential Gov Code Violation via County 100% Cost Recovery Policy pertaining to EHS fee increase Hearing
Attachments: ehsfeehike32025.pdf
Importance: High

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Dear CEO Miyasato and County Supervisors,

Please consider the attached inquiry concerning the proposed \$1 million fee hike by EHS (in addition to other fee-based programs) to be considered on March 11 BOS hearing based on the analysis of the county consultant on this project.

We appreciate your consideration of this matter.

Sincerely,

Andy Caldwell
COLAB
Santa Barbara County

COLAB

The Coalition of Labor, Agriculture & Business

3/7/2025

Dear County CEO Mona Miyasato and Members of the Board,

I am writing to you on behalf of our membership, most of whom are regulated by the Environmental Health department, which is proposing a \$1 million fee increase at the BOS meeting on March 11, 2025. We have serious concerns that the county's policy of 100% cost recovery on fee-based programs does not comport with the California Govt Code as it pertains to "reasonable cost recovery" for several reasons.

The County of Santa Barbara engaged *Wohlford Consulting* to conduct an objective analysis of the full costs incurred by Environmental Health Services (EHS) for various activities for which the County charges user fees. As indicated in the report, the consultant for this study, Chad Wohlford, has over 36 years of experience analyzing and managing government costs and operations, including 12 years of direct government management and analytical service. He has personally engaged in over 250 cost analysis studies with more than 80 different government clients (many of them for multiple projects) in at least eight states. Before founding *Wohlford Consulting*, Chad Wohlford was a state director of the cost services practice for a large international consulting corporation.

As the report indicates, the current total cost of fee activities (122 fees affecting some 5700 businesses) included in the study is approximately \$8.1 million annually. Given the current fee levels charged by EHS, the potential annual revenue (assuming a consistent activity level and complete collection) is \$7.0 million, which represents a current cost-recovery ratio of 86% overall and an annual fund deficit (subsidy) of \$1.1 million.

The report makes the following statements:

"A User Fee Study establishes the true cost of providing individual services. The most common standard for this analysis, as directed by the California Government Code, is that the fees can be no greater than the "estimated reasonable cost" of providing the service for which a fee is charged." (From page 33).

"A critical method to ensure full cost recovery rates is to establish annual billable (productive / available) hours for staff. **The Study reduces the full-time annual hours (2,080) for each position classification by non-billable hours, such as holiday, vacation, and sick leave, staff meetings, mandated breaks, and training.** In studies conducted by Wohlford Consulting, the typical number of billable hours for the average full-time employee is approximately 1,400 hours per year, but this figure might normally range from 1,200 to 1,600, depending on the type of position. The

study included a calculation of the billable hour total for each position classification in the study, and the average for all positions was approximately 1,495. By using the billable hours, rather than the full 2,080 hours of full-time pay, the Study ensures that hourly rates and the resultant costs reflect the levels necessary to recover the full cost of services in a particular year given the practical availability of staff to provide services. The standard fee limitation we abided in this study is the “reasonable cost” principle. In order to maintain compliance with this standard, every major component of the fee study process included a related review.” (From page 33).

Utilization (From page 22)

“As one of the key quality checks, the study also quantified the utilization of each position classification. Utilization is calculated by comparing the total hours consumed for each position to the total available hours for each position, represented by an hours gap and percentage. Total hours consumed results from the unit times for each unit of service performed by a position multiplied by the annual number of each service (e.g., a 10-hour service, completed 10 times per year, equals 100 hours of total time consumed). The available hours, also known as productive or billable hours, represent the net hours after removal of non-billable time (leave, general training, staff meetings, breaks, etc.) from a full-time position, multiplied by the total FTE for a classification. The total available hours were calculated separately for each position classification, with an average of 1,495 available hours for each position in EHS (2,080 full-time hours, **minus 585 non-billable hours**). This average figure and the individual position figures all fit reasonably well within the normal range from other fee studies conducted by Wohlford Consulting.”

As you can see from this analysis, the consultant has indicated that “reasonable costs” charged to permit holders does not include vacation, holidays, sick leave, breaks, staff meetings, and even training. Yet, the county’s policy of 100% cost recovery from fee programs seems to indicate that the county is charging ALL employee costs, even those non-billable hours.

For instance, in the last county budget for this division, the salary and benefits for the employees is \$7,778,800. Charges for services were \$7,479,600. Where is the 25% offset/removal of non-billable hours as the general fund subsidy was only \$162,500?

Moreover, as stated in the consultant’s report, the definition of a fee states that a “user fee” is “A fee or rate charged to an individual or group that receives a *private benefit* (emphasis is added in the county report) from services provided by the County. As part of an overall funding strategy, local government relies upon user fees to fund programs and services that provide limited or no direct benefit to the community as a whole.” (From page 5).

The consultant includes a section indicating that some fees should be subsidized by government versus the county’s 100% fee recovery policy.

Subsidization

“Recalling the definition of a user fee helps guide decisions regarding subsidization. One

general principle is that individuals or groups that receive a **purely private benefit** should pay 100% of the full cost of the services. In contrast, services that provide a purely public benefit should be funded entirely by tax dollars. The complicating reality for local government is that a large number of services fall into the range between these two extremes.” (From page 29).

We believe a significant number of these fees are primarily to protect *public* health and that the business owner does not receive a *private* benefit from the same. This would certainly include restaurant fees, at a minimum. We believe the county should consider asking *Wohlford Consulting* to go back through this report and analyze these fees via this lense.

As you know, this is not the only department charging fees for services/permits. We are requesting the county to get *independent review* of the 100% cost recovery as it appears the county is overcharging permit holders perhaps millions of dollars per year.

Thank you for your consideration.

Sincerely,

Andy Caldwell
COLAB