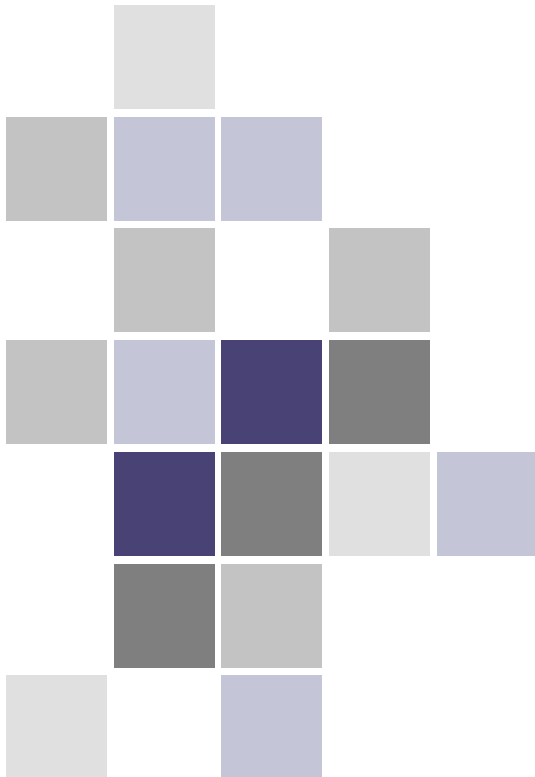


# SANTA BARBARA COUNTY AGRICULTURAL COMMISSIONER – WEIGHTS & MEASURES COST RECOVERY STUDY

**Report of Findings**

April 24, 2020



## TABLE OF CONTENTS

---

I	EXECUTIVE SUMMARY	
---	-------------------	--

---

	INTRODUCTION	1
	STUDY SCOPE & OBJECTIVES	1
	STUDY FINDINGS	2
	ANALYSIS HIGHLIGHTS	3
	METHODOLOGY	3
	RECOMMENDATIONS GOING FORWARD	5

---

II	USER FEE SUMMARIES BY DEPARTMENT	
----	----------------------------------	--

---

	AGRICULTURAL COMMISSIONER - WEIGHTS & MEASURES	6
--	--	---

SECTION I  
EXECUTIVE SUMMARY

---

## EXECUTIVE SUMMARY

---

### INTRODUCTION

MGT Consulting Group (MGT) is pleased to present the County of Santa Barbara with this summary of findings for the recently completed cost-of-services (user fee) study for the Agricultural Commissioner, Weights & Measures Department (AGWM).

AGWM has not had a review of its fees for several years and staff were certain that fees were out of date, and not reflective of the actual cost of providing services. Department management and staff were interested in determining the costs associated with a select number of fees, including the Weights & Measures permit fees, Agricultural Inspections and Registration fees, and the fully burdened staff hourly rate that is used for cost recovery for services that do not have a specific fee attached. In July 2019, the County contracted with MGT to perform a financial analysis using fiscal year 2020 budgeted costs, staffing and operational information.

This report is the culmination of an extensive study conducted by MGT in collaboration with AGWM management and staff. MGT would like to take this opportunity to gratefully acknowledge all management and staff who participated on this project for their efforts and coordination.

### STUDY SCOPE AND OBJECTIVES

The study was performed under the general direction of the Assistant Commissioner with participation from representatives from the Department's administrative staff and AGWM program supervisors. MGT's primary objective in this study is to provide the County's decision-makers with a cost analysis that provides a clear picture of AGWM's financial condition as it relates to their fee-for-service programs.

MGT's study scope includes the following:

- ◆ Develop a catalog of the fees within the Weights & Measures Permit program and the Agricultural Inspection and Registration Fee program
- ◆ Define what it cost the County to provide various fee-related services,
- ◆ Compare full costs with revenues collected,
- ◆ Determine current cost recovery levels, and
- ◆ Provide revenue projections based on the potential increase (or decreases) to fees.

## STUDY FINDINGS

MGT performed an analysis of \$6,071,694 in costs associated with AGWM. Of this total, \$1,306,303 are associated with fee-for-service activities and \$4,765,391 are associated with non-fee activities such as pesticide use and enforcement, agricultural preservation, and cannabis licensing and compliance programs. These non-fee activities were included in the analysis to ensure that the user fee programs were not burdened with costs that are not appropriately recovered (either in whole or in part) through user fee revenues. Once identified, these non-fee activities were set aside.

The focus of this study is to determine what the full cost of services is for the fee-related services versus current user fee revenues received. The exhibit below summarizes the overall costs and revenues for AGWM user fee programs, together with resulting cost recovery percentages.

**Santa Barbara County - Agricultural Commissioner, Weights & Measures Department**  
**User Fee Cost & Revenue Analysis**  
**FY 2019/2020**

User Fee Programs	CURRENT				RECOMMENDED	
	(A) Total Costs	(B) Costs, User Fee Services	(C) Current Revenue	(D) Current Subsidy	(E) Cost Recovery Policy	(F) Increased Revenue
Hourly Fees	\$ 10,144	\$ 10,144	\$ 6,800 67%	\$ 3,344 33%	\$ 10,200 101%	\$ 3,400
W&M Permit Fees	\$ 246,251	\$ 246,251	\$ 107,920 44%	\$ 138,331 56%	\$ 170,550 69%	\$ 62,630
Ag Insp, Registration Fees	\$ 1,049,908	\$ 1,049,908	\$ 261,280 25%	\$ 788,628 75%	\$ 261,280 25%	\$ -
All Other Programs	\$ 4,765,391					
<b>Totals:</b>	<b>\$ 6,071,694</b>	<b>\$ 1,306,303</b>	<b>\$ 376,000 29%</b>	<b>\$ 930,303 71%</b>	<b>\$ 442,030 34%</b>	<b>\$ 66,030</b>

**Annual User Fee Cost** –\$1,306,303 of AGWM’s costs are related to user fee services. It is this \$1,306,303 that is the focus of this study and represents the total potential for user fee-related revenues for the division.

**Current Revenues** –AGWM currently generates fee-related revenues of \$376,000 and is experiencing a 29% overall cost recovery level.

**Current Subsidy** – Current fee revenues recover 29% of full cost, leaving 71% or \$930,303 to be funded by other funding sources. This \$930,303 represents an opportunity for AGWM to adjust fees and revenues within the various programs within the division.

**Column D, Recommended Recovery** – Adjusting fees to the proposed cost recovery would balance the specified fee revenue to \$442,030. This would increase the overall cost recovery level to 34%.

**Column E, Increased Revenue** – \$66,030 in potential additional revenue could be generated. This would represent a 17.5% increase in the revenue currently being collected for these activities by the AGWM on an annualized basis.

## ANALYSIS HIGHLIGHTS

Below is a brief discussion of findings for each area of the analysis. Please see the user fee summary sheet (at the end of this report) for detail on each fee calculation and cost analysis.

**Hourly Fee** – AGWM currently has an \$80 hourly fee for services that may be provided that do not currently have a fixed fee listed on the Department’s fee schedule. MGT has calculated this hourly fee at \$119.34 (including staff costs and overhead). Department management and staff recommend adjusting this hourly rate from \$80 up to \$120 per hour (for hours spent during normal work hours). Implementing this increased rate would generate an additional \$3,400 (based on an estimate of 85 hours billed annually). The overtime rate (for hours spent outside normal working hours) should be billed at \$179 per hour.

**Weights & Measures Permit Fees** – MGT analyzed four Annual Registration fees for Point of Sale (POS) System and determined that the current fees were recovering between 35% and 52% of total costs. Department management and staff are recommending increasing the fees to recover between 60% and 75% of cost. If recommendations are implemented, the program’s overall recovery rate would increase to 69%, which would increase revenue by a projected total of \$62,630.

**Agricultural Inspection, Registration Fees** – Phytosanitary Inspection and Quarantine Compliance Certification fees and Certified Farmers Market/Certified Producer Certificate fees were analyzed within this program. The range of current cost recovery levels for these fees run from 5% up to 68%. MGT also calculated a proposed new fee for a Certified Producer Certificate – amendment. While we determined that there is potential to increase all existing fees and implement a new fee, department management and staff are not recommending any adjustments to the fees within this program at this time. Therefore, we are not projecting any increases in revenues for this program.

## METHODOLOGY

A cost-of-service study is comprised of the following basic elements:

- ◆ An inventory of fee-related services to be reviewed
- ◆ A cost-of-service analysis performed on each fee
- ◆ Development of a cost vs revenue per the individual fees for service and program area.

MGT performed the following tasks, relative to the study elements.

### **Step 1 – Inventory of fee related services to be reviewed**

MGT worked closely with AGWM management and staff to develop a list of individual fees for service within the various program areas to be analyzed in this study. Several fees listed on the department’s fee schedule are for vehicles or equipment, which did not fall under the scope of this study. Additionally, the Weights & Measures program fees include administrative fees as established by the California Business and Professions Code (sections 12240 and 12241) which the Department has no control over and are not charged to recover AGWM expenses; these fees were also set aside from the study.

Within the Department’s list of fees that could have been included in the analysis, there are approximately 40 separate fees that fall under the program areas defined above. Of those 40 fees, department management and staff narrowed the scope of the review to the 11 fees that are shown on the summary schedule at the end of this report.

### **Step 2 – Identify cost elements**

To perform this cost analysis, MGT used fiscal year 2019-2020 budgeted expenditures. Elements of costs included in this analysis are as follows:

- ◆ Labor (Staff Hourly Rates)
- ◆ Operating expenses (materials and supplies, maintenance expense, etc.)
- ◆ Overhead (internal support from AGWM administrative staff and external support as defined in the County Cost Allocation Plan)

1. **Labor (Hourly Rates)** - The hourly rate methodology used in this study builds indirect costs into county staff hourly salary and benefit rates to arrive at fully burdened hourly rates. Fully burdened hourly rates are a mechanism used to calculate the total cost of providing services. Total cost is generally recognized as the sum of the direct cost together with a proportionate share of allowable indirect costs. The proper identification of all costs (including labor, operating expense, department administration and countywide support) as “direct” or “indirect” is crucial to the determination of the total cost of providing services.
  - a. Personnel Services Analysis – each staff classification within AGWM is analyzed in the study. The first burden factor is comprised of compensated absences such as vacation/holidays/sick leave days taken in a year’s time. Staff classifications are then categorized as either direct (operational) or indirect (administrative or supervisory) labor. In some cases, a classification will have both direct and indirect duties. The total indirect portion of staff cost is incorporated into hourly overhead rates.
2. **Operating Expenses** - Most services and supplies are included as a layer of indirect cost. There are instances when some service and supply expenses may be classified as “allowable direct”, or specific to a particular program or fee; these expenditures are not part of the indirect cost rate but will be included as directly supporting specific fee for services.

3. **Overhead** – Many of the costs that support the programs are budgeted as overhead. These overhead costs consist of both internal and external overhead costs and are used to help calculate the fully burdened hourly rates for the staff.
  - a. **Internal Overhead:** Internal overhead costs consist of the service and supply from AGWM’s operating budget, as well as, the indirect portion of AGWM’s salaries and benefits.
  - b. **External Overhead:** External overhead costs are allocated to the Department from the County’s 2 CFR Part 200 countywide cost allocation plan.

### Step 3 – Compare costs vs. revenues; produce current cost recovery levels

MGT was able to calculate the cost of providing each fee for service, both on a per-unit and total annual basis (per-unit cost multiplied by annual volume equals total annual cost). Costs were calculated by multiplying per-unit time estimates by the fully burdened hourly labor rates or department hourly rate; additional operating expenses directly associated with certain services were also added in. Full costs are then compared to current fees/revenues collected, and subsidies (or over-recoveries) are identified. A summary schedule showing this information on a fee-by-fee basis may be seen in [Section II](#) of this report.

## RECOMMENDATIONS GOING FORWARD

MGT recommends that the County build on its investment in this cost-of-service analysis by continuing to analyze its fees. Once the commitment is made to understand the full cost of providing services, it is important to review and update the analysis in order to keep pace with changes in service delivery, staffing changes, and demand levels.

MGT further recommends that AGWM undergo this detailed analysis at least every three but not more than five years, with minor adjustments in the non-study years (to keep pace with economic impacts). Some of our clients undergo these studies every other year, some have opted to split the study over the course of three years (i.e. a subset of fees gets studied every year, with all fees being analyzed once every three years), and finally we have other clients who have chosen to review fees every fourth or fifth year. Virtually every client has set up for minor adjustments (typically using CPI percentages) in the off years, to mitigate any significant increases that may occur when the detailed cost analysis is undertaken in future years. This is particularly helpful once an agency has chosen to adopt a cost recovery policy – whether 100% of cost or something less – in order to keep fees at the desired level.



SECTION II  
USER FEE SUMMARIES BY DEPARTMENT

---

**AGRICULTURAL COMMISSIONER - WEIGHTS & MEASURES**

---

## User Fee Study Summary Sheet

**Santa Barbara County**  
**Agricultural Commissioner, Weights &**  
**2019/2020**

Ord	Service Name	Fee Description	Annual Volume	Current						Recommendations					
				Per Unit			Annual			Per Unit			Annual		
				Current Fee	Full Cost	Current Recovery %	Annual Cost	Annual Revenue	Annual Subsidy	Recovery Level	Fee @ Policy Level	Annual Revenue2	Increased Revenue	Recommended Subsidy	
1	Hourly Fee	hourly	85	\$ 80.00	\$ 119.34	67%	\$ 10,144	\$ 6,800	\$ 3,344	101%	\$ 120.00	\$ 10,200	\$ 3,400	\$ (56)	
2	<b>WEIGHTS &amp; MEASURES PERMIT FEES</b>														
3	<b>Point of Sale Systems</b>														
4	Annual Registration Fee for POS Systems, 1-3 POS Station	per location	345	\$ 80.00	\$ 225.55	35%	\$ 77,815	\$ 27,600	\$ 50,215	67%	\$ 150.00	\$ 51,750	\$ 24,150	\$ 26,065	
5	Annual Registration Fee for POS Systems, 4-9 POS Station	per location	307	\$ 160.00	\$ 344.89	46%	\$ 105,882	\$ 49,120	\$ 56,762	72%	\$ 250.00	\$ 76,750	\$ 27,630	\$ 29,132	
6	Annual Registration Fee for POS Systems, 10+ POS Station	per location	61	\$ 240.00	\$ 464.23	52%	\$ 28,318	\$ 14,640	\$ 13,678	75%	\$ 350.00	\$ 21,350	\$ 6,710	\$ 6,968	
7	Annual Registration Fee for County Packer	per location	69	\$ 240.00	\$ 496.17	48%	\$ 34,236	\$ 16,560	\$ 17,676	60%	\$ 300.00	\$ 20,700	\$ 4,140	\$ 13,536	
8	<b>AGRICULTURAL INSPECTION, REGISTRATION FEES</b>														
9	<b>Phytosanitary Insp and Quarantine Compliance Certs</b>														
10	1 - 10 Packages	flat fee	550	\$ 25.00	\$ 113.74	22%	\$ 62,557	\$ 13,750	\$ 48,807	22%	\$ 25.00	\$ 13,750	\$ -	\$ 48,807	
11	Over 10 packages	flat fee	5,975	\$ 40.00	\$ 153.52	26%	\$ 917,277	\$ 239,000	\$ 678,277	26%	\$ 40.00	\$ 239,000	\$ -	\$ 678,277	
12	<b>Direct Marketing Charges</b>														
13	Certified Farmers Market - annual fee (<15 vendors)	flat fee	19	\$ 250.00	\$ 366.65	68%	\$ 6,966	\$ 4,750	\$ 2,216	68%	\$ 250.00	\$ 4,750	\$ -	\$ 2,216	
15	Certified Producer Certificate - annual fee	flat fee	102	\$ 25.00	\$ 485.99	5%	\$ 49,571	\$ 2,550	\$ 47,021	5%	\$ 25.00	\$ 2,550	\$ -	\$ 47,021	
18	Certified Producer Certificate - per site	flat fee	82	\$ 15.00	\$ 131.95	11%	\$ 10,820	\$ 1,230	\$ 9,590	11%	\$ 15.00	\$ 1,230	\$ -	\$ 9,590	
19	Certified Producer Certificate - amendment	NEW - flat fee	40	\$ -	\$ 67.96	0%	\$ 2,718	\$ -	\$ 2,718	0%	\$ -	\$ -	\$ -	\$ 2,718	
Total User Fees							\$1,306,303	\$376,000	\$930,303			\$442,030	\$66,030	\$864,273	
% of Full Cost								29%	71%			34%	18%	66%	
Total Other Services							\$4,765,391	\$0	\$4,765,391			\$0	\$0	\$4,765,391	
% of Full Cost								0%	100%						
Department Totals							\$6,071,694	\$376,000	\$5,695,694			\$442,030	\$66,030	\$5,629,664	
% of Full Cost								6%	94%			7%	18%	93%	

**Footnotes**

Revenue projections by program area:

Hourly Fee	\$ 10,144	\$ 6,800	\$ 3,344	\$ 10,200	\$ 3,400	\$ (56)
		67%	33%	101%	50%	-1%
WEIGHTS & MEASURES PERMIT FEES	\$ 246,251	\$ 107,920	\$ 138,331	\$ 170,550	\$ 62,630	\$ 75,701
		44%	56%	69%	58%	31%
AGRICULTURAL INSPECTION, REGISTRATION FEES	\$ 1,049,908	\$ 261,280	\$ 788,628	\$ 261,280	\$ -	\$ 788,628
		25%	75%	25%	0%	75%