



SUMMARY REPORT

Agenda Date: 7/8/2025

To: County of Sonoma Board of Supervisors

Department or Agency Name(s): Department of Health Services

Staff Name and Phone Number: Nolan Sullivan, 707-565-4774; Amelyn Olsen, 707-565-2696

Vote Requirement: 4/5th

Supervisory District(s): Countywide

Title:

Sonoma County Dairy Operations and Local Dairy Inspection Fees

Recommended Action:

- A) Receive a report on the status of the Local Dairy Program recommending the Department continue to administer the Local Dairy Program with fee increase.
- B) Adopt a resolution establishing amended fees to recover the reasonable cost of providing services associated with Environmental Health and Safety, Local Dairy Inspection Fees effective August 1, 2025.
- C) Adopt a personnel resolution amending the department allocation list for the Department of Health Services deleting a vacant 0.5 full-time equivalent Dairy Inspector allocation, effective July 22, 2025.
- D) Adopt a budget resolution authorizing budgetary adjustments to the Department of Health Services Fiscal Year 2025-2026 Adopted Budget by increasing appropriations in the amount of \$57,561 to reflect revenues and expenditures associated with the increase of fees to be collected and increased cost of the program.

Executive Summary:

On August 1, 2023, the Sonoma County Department of Health Services (hereinafter, "DHS" or "the Department") proposed Health Services Fees, for Environmental Health services, to the Board of Supervisors, including a recommendation to delete a vacant 0.5 full-time equivalent (FTE) Dairy Inspector position due to a reduction in operating dairies and subsequent reduction in staff workload. The Board approved all actions except the position deletion.

As discussed in the August 1, 2023, report, the County Dairy Program continues to face increasing operational and financial constraints mainly due to the notable decline in local dairy operations. DHS reviewed input from local stakeholders and the California Department of Food and Agriculture (CDFA) to determine viable options.

The Department recommends raising the monthly rate from the current \$217 to the CDFA's maximum recently established allowable amount of \$265. Additionally, the Department will be increasing the contribution from the Department's General Fund allocation to support the Dairy program by \$43,171, along with a \$14,390 increase to the Marin General Fund contribution. These subsidies are necessary to balance and sustain the program.

Discussion:

On August 1, 2023, DHS presented Health Services Fees to the Board of Supervisors which included an analysis of dairy fees and a recommendation to delete a 0.5 FTE Dairy Inspector position. The Board approved the item as amended with all actions approved excluding those relating to the deletion of the 0.5 Dairy Inspector position. The question of the potential deletion of the 0.5 FTE Dairy Inspector position was postponed, and the Department was directed to further study the program and operational options. Subsequently, the 0.5 FTE Dairy Inspector position was vacated in January of 2024. This position remains vacant.

Since July 1, 1987, the CDFA has authorized the Environmental Health Section of the Department to serve as the Approved Milk Inspection Service (AMIS) for both Sonoma and Marin counties, in accordance with California Food and Agriculture Code, Section 33171. Under the California Code of Regulations, an environmental health agency may be designated to manage the dairy program when it has been delegated AMIS responsibilities by CDFA. There are six total AMIS counties in California. Sonoma is the only Northern California county. The five other AMIS counties in California's central valley operate under full cost recovery or use General Fund to supplement the program. The remaining California county programs are operated by CDFA.

Over the past 14 years, the region's local dairy industry has encountered economic hardships, resulting in a notable decrease from 118 dairies in 2010 to the current count of 69 operational dairies, marking a 42% decline. Currently, of the 69 remaining operating dairies, 17 are in Marin County and 52 in Sonoma County. In FY 2024-2025, four dairies have been non-operational for six months to over a year. One of these four may resume operations in January of 2026. If that happens, the operating dairy count would increase to 70.

The Department recognizes the economic and social significance of the dairy program to the County and has actively pursued solutions to support this industry and foster the success of local dairies. To evaluate all options, the Department reached out to the local dairy community and to the CDFA for input. CDFA currently performs milk inspection services for most dairy operations throughout the State and, recognizing our current situation, offered to take the program back and administer it within their program.

The Department has determined that the long-term sustainability of the local program is endangered by the ongoing decline in dairy numbers, which will result in reduced inspection workload and thus reduced revenues. The fixed costs of operating the program will continue, and combined, will necessitate additional subsidies from the Board.

The Board is authorized to establish fees aimed at recovering the reasonable cost of delivering specific services. These fees are imposed for services or benefits exclusively received by the payor and are set not to exceed the reasonable cost incurred in providing them. Within the AMIS program, counties cannot charge more in fees than the state program allows and must also remit 15% of their revenues to the CDFA. If operational costs exceed this cap, counties must use county funds to subsidize the local inspections.

The County fee is currently \$217 per month. Effective July 1, 2025, the CDFA raised the maximum allowable limit for dairy services fees to \$265 per month (\$3,180 annually). With the requirement for local health jurisdictions to remit 15% of their fees to CDFA, the maximum recoverable cost from fees for Sonoma County is \$225 per month. The Department estimates that this amount, \$225 a month, will only recover about 40% of the anticipated program costs.

In December 2023, the Department engaged Wohlford Consulting to conduct a comprehensive analysis of Environmental Health user fees. The study utilized a unit cost build-up methodology, factoring in various elements such as staff time and associated expenses, to determine the full cost of fee activities. By projecting annual service volume and revenue at full cost levels, the study was designed to produce the most accurate

fees. Based on the study and adjusted for FY 2025-2026 anticipated expenses, the full cost recovery for the dairy program services amounts to \$562 per month. This leaves 60% of the costs to be borne by Sonoma and Marin Counties. The study also highlights an underutilization of 0.5 FTE Dairy Inspector at the current staffing level of 1.5 FTE.

The Local Dairy Program is currently supported by a subsidy from the Sonoma County General Fund of \$72,908, which was approved by the Board on August 1, 2023. Additionally, the Department utilized an additional \$53,587 of its General Fund allocation to support the program, together totaling \$126,495 in General Fund support in FY 2024-25. Marin County contributed \$50,598 of its General Fund, for a total subsidy of \$177,093. In FY 25-26, the program requires and increased subsidy of \$57,561 - \$43,171 from Sonoma County and \$14,390 from Marin County. Due to the delay of this item, the Department is funding the additional amount from the Department's General Fund allocation, pulling from other Department resources. In future years, if the program remains with the County, the Department intends to request an increase to the Department's General Fund allocation to support the full cost of the program.

In line with our commitment to supporting the local dairy industry, the Department explored three program options for consideration:

Option 1: Continue Local Program with Fee Increase: This is the Department's recommendation. Under this option, the local program would be sustained, but fees would increase from \$217/month to \$265/month. The program would eliminate the vacant 0.5 FTE Dairy Inspector position and continue to utilize the DHS local Public Health Laboratory and the remaining 1.0 FTE Dairy Inspector services. Increasing the fee to the current CDFA allowable rate of \$265/month (\$3,180/year) would result in a fee increase of \$48/month (\$576/year) for dairy operators. This option would result in an operational funding gap of \$234,654 in the program, requiring an increase in General Fund subsidy of \$43,171, for a total of \$169,666, and Marin County General Fund of \$14,390, for a total of \$64,988. The Department maintains ongoing communication with the County of Marin and will inform Marin of approved subsidy amount and contributions.

Option 2: Maintain Local Program with No Fee Increase: This option would include maintaining the local program without raising fees and eliminating the currently vacant 0.5 FTE Dairy Inspector position. While this option doesn't impose fee increases on dairy operators, it would result in a significant funding gap of \$266,118 that would need to be closed by an increased General Fund subsidy of \$66,769, for a total of \$193,264, and Marin County General Fund of \$22,256, for a total of \$72,854.

Option 3: Return Program to CDFA on January 1, 2026: This option would entail transferring program responsibilities back to CDFA. CDFA offers increased capacity to sustain the program amidst declining local dairy numbers and ensures sufficient staff coverage. The current CDFA allowable rate is equivalent to Option 1 and stands at \$265/month (\$3,180/year), resulting in a fee increase of \$48/month (\$576/year) to Sonoma and Marin dairy operators. Because the Department would continue operating the program until January 1, 2026, this option would require a total subsidy of \$100,283 from Sonoma County and \$33,427 from Marin County, for the first half of FY 2025-2026. No subsidy would be required after FY 2025-2026, as the State would run the program. This option would involve eliminating a vacant 0.5 FTE Dairy Inspector position, effective July 22, 2025. If this Option were approved, the Department would return to the Board in the Fall of 2025 to request

authorization to approve deletion of 1.0 FTE Dairy Inspector effective January 1, 2026, and authority to implement layoff processes. This option would require notification of the Department's intent to return the program to CDFA. CDFA recommends a timeline of three months to transition operations back to the State.

Community Engagement

After the August 1, 2023 Board meeting, staff reached out to stakeholders, including the local dairy community and CDFA. Industry outreach meetings were held virtually on March 7, 2024, and on February 7, 2025, at Cotati Veteran's Center.

During the recent February outreach meeting, dairy operators expressed concerns over the loss of a local dairy inspector, lab servicing times and the costs, and the cost of the overall program. Preceding this meeting, questions arose about the possibility of moving the program to another Sonoma County department, analysis of why local programmatic costs are high, and if the recent Public Health lab fee study would provide a reduction in the annual lab rates.

In accordance with Health and Safety code, when an Approved Milk Inspection Service is granted for a local program, that program is to be located within the Environmental Health agency, which is currently located within DHS. Thus, moving the program to another County department is not possible.

In other discussions with industry stakeholders, including dairy operators and organizations, concerns have been highlighted regarding program efficiency, cost control, and the potential staffing impacts of maintaining the program at a local level. Additionally, Environmental Health Services' operation of the dairy inspection program with only one full time individual creates an operational vulnerability for dairies in the case of inspector illness or County emergency.

After thorough evaluation and stakeholder consultation, the Department recognizes there are significant challenges and sustainability issues facing the local dairy program. Considering the decline in local dairy operations, potential loss of Marin dairies in the Point Reyes area, consistent revenue losses, and the operational costs that have increased with recent inflation, the Department is challenged with sustaining a local program long-term, which will continue to present staffing and cost recovery challenges. The Department also understands the need for a local Dairy program, and will continue to monitor the program to ensure sustainability.

Recommendation

Based on the feedback from dairy operators at the February 7, 2025 outreach meeting, the Department recommends Option 1 - maintaining the local dairy program for FY 2025-2026, increasing the monthly fees to align with the maximum allowable CDFA rates, and continuing to explore long-term sustainability options, including the possibility of returning the program to CDFA, and increasing the General Fund subsidy to the program for a total of \$169,666, and increasing the Marin County General Fund Subsidy from \$50,598 to \$64,988, for a total of \$234,654 in subsidies from both counties.

While this option reflects the dairy industry's preference for a local program, it does not resolve ongoing staffing and cost recovery challenges. CDFA has greater capacity to sustain the program amidst declining local dairy operations and provide more stable, comprehensive coverage. However, transitioning the local program to CDFA remains a concern for the local dairy operators, who are already navigating challenges related to Measure J and the Avian Influenza outbreaks in California dairies.

Given these challenges, the Department recommends continued outreach and a future reassessment of

transferring the program to CDFA to enhance efficiency, ensure consistent regulatory oversight, and address financial sustainability.

This recommendation balances fiscal responsibility with the need to support the local dairy industry. The Department is committed to collaborating with CDFA, dairy operators, and stakeholders to sustain dairy inspection services in Sonoma and Marin counties.

Environmental Health Staffing

The staff utilization analysis from the fee study showed an underutilization of 0.5 FTE in the Dairy Inspector classification beyond what would be required to provide services at a level that meets professional standards and provides a benefit to the community.

The December 2023 fee study conducted by Wohlford Consulting also identified the staffing hours required to deliver those services. The study established that full service could be achieved with 1.0 FTE level of staffing. The Department's current staffing allocation is for 1.5 FTE dairy inspectors and the Department recommends reducing the allocation to 1.0 FTE. As 0.5 FTE is currently vacant in this classification, the action will result in no layoffs.

If approved, the Department will delete a vacant 0.5 FTE Dairy Inspector position effective July 22, 2025.

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

On August 1, 2023, the Board adopted a resolution establishing new and amended fees to recover the reasonable cost of providing services including fees associated with Environmental Health and Animal Services for the Department of Health Services effective August 1, 2023. All actions were approved excluding those relating to the deletion of 0.5 Dairy Inspector position by Resolutions 23-0391, 23-0392, and 23-0393.

On March 24, 2020, the Board adopted a resolution establishing new and amended fees to recover the reasonable cost of providing services including fees associated with Environmental Health, Public Health Laboratory, and Tobacco Retailer Licensing for the Department of Health Services effective July 1, 2020.

On May 14, 2019, the Board adopted a resolution establishing new and amended fees to recover the reasonable cost of providing services including fees associated with Environmental Health, Public Health Laboratory, and Sonoma County Animal Services for the Department of Health Services effective July 1, 2019.

FISCAL SUMMARY

| Expenditures | FY25-26 Adopted | FY26-27 Projected | FY27-28 Projected |
|------------------------------------|------------------------|--------------------------|--------------------------|
| Budgeted Expenses | \$77,093 | \$234,654 | \$234,654 |
| Additional Appropriation Requested | \$57,561 | | |

| | | | |
|----------------------------|------------------|------------------|------------------|
| Total Expenditures | \$234,654 | \$234,654 | \$234,654 |
| Funding Sources | | | |
| General Fund/WA GF | \$169,666 | \$169,666 | \$169,666 |
| State/Federal | | | |
| Fees/Other | \$64,988 | \$64,988 | \$64,988 |
| Use of Fund Balance | | | |
| General Fund Contingencies | | | |
| Total Sources | \$234,654 | \$234,654 | \$234,654 |

Narrative Explanation of Fiscal Impacts:

The Department of Health Services recommends that the Board approve a fee increase for local dairies in alignment with the new State rate maximum of \$265 per month. This adjustment is projected to generate approximately \$36,720 in additional annual fee revenue. To balance to remaining costs of the program, the DHS Sonoma County General Fund Allocation will be used in the amount of \$43,171, additional appropriations are requested. Additionally, the Marin County General Fund subsidy will increase by \$14,390, for a total of \$64,988.

For a detailed breakdown of costs associated with each option, see Attachment 3.

| Staffing Impacts: | | | |
|--|--|---------------------------|---------------------------|
| Position Title (Payroll Classification) | Monthly Salary Range (A-I Step) | Additions (Number) | Deletions (Number) |
| Dairy Inspector | \$8,565.89-10,412.99 | 0.0 | 0.50 |
| | | | |
| | | | |

Narrative Explanation of Staffing Impacts (If Required):

The recommended action would remove the vacant 0.5 FTE Dairy Inspector position, effective July 22, 2025, as it is not needed to service the current number of dairies in the area.

Attachments:

Attachment 1 - Fee Resolution
Attachment 2 - Budget Resolution
Attachment 3 - Personnel Resolution
Attachment 4 - Dairy Operations Fiscal Table
Attachment 5 - Presentation

Related Items "On File" with the Clerk of the Board:

None