



SUMMARY REPORT

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**Agenda Date:** 7/9/2024

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**To:** Sonoma County Board of Supervisors  
**Department or Agency Name(s):** Department of Health Services  
**Staff Name and Phone Number:** Tina Rivera 707-565-4774  
**Vote Requirement:** Majority  
**Supervisorial District(s):** Countywide

**Title:**  
Sonoma County Dairy Operations

**Recommended Action:**  
Authorize Department of Health Services to initiate the transfer of the Local Inspection Dairy Program to the State of California.

**Executive Summary:**  
On August 1, 2023, the Sonoma County Department of Health Services (hereinafter, “DHS” or “the Department”) proposed Health Services Fees to the Board of Supervisors, including a recommendation to delete a 0.5 FTE Dairy Inspector position due to a reduction in operating dairies and subsequent reduction in staff workload. The Board approved all actions with the exception of the position deletion.

As discussed in the August 1, 2023 report to the Board, the County Dairy Program continues to be faced with 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 transferring the dairy inspection program to the CDFA effective January 1, 2025. This transition aims to leverage CDFA's broader capacity for sustainability and regulatory oversight, ensuring continued support for the local dairy industry. Based on the Board’s direction today, the Department may return to the Board in the Fall of 2024 to present a transfer plan including the elimination of staffing allocations and to seek layoff authority.

**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 0.5 FTE Dairy Inspector position.

Pursuant to an approval by the California Department of Food and Agriculture (CDFA), the Department’s Environmental Health Section functions as the Approved Milk Inspection Service (AMIS) for both Sonoma and Marin counties. Over the past 14 years, the dairy industry has encountered economic hardships, resulting in a notable decrease from 118 dairies in 2010 to the current count of 73 operational dairies, marking a 38% decline. Currently of the 73 dairies, 19 are located in Marin County and 54 in Sonoma County.

The Department recognizes the significance of the dairy program and has actively pursued solutions to support this industry and foster the success of local dairies. In an effort to evaluate all options, the Department reached out to the local dairy community and to the California Department of Food and Agriculture (CDFA) for input. CDFA currently performs milk inspection services for most dairy operations throughout the State. CDFA recognizes our current situation and has offered to take the program back and administer it within the State program. The Department has determined that the sustainability of the local program may no longer be viable due to the ongoing decline in dairy numbers, resulting in revenue loss and reduced workload. Concurrently, operational costs persist, necessitating potential staff reductions and additional subsidies from the Board of Supervisors.

The Board of Supervisors 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. In addition, counties cannot charge more in fees than the state program charges. If their costs exceed this cap, they must use county funds to subsidize the local inspections.

In December 2023, the Department engaged Wohlford Consulting to conduct a comprehensive analysis of 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 ensured accuracy in fee determination. The study found the full cost recovery for the dairy program services amounts to \$399.18 per month, and highlighted an underutilization of 0.50 FTE at the current staffing level of 1.5 FTE.

The County fee is currently \$217 per month. Effective July 1, 2024, the CDFA raised the maximum allowable limit for dairy services fees to \$257 per month (\$3,084 annually), with a requirement for local health jurisdictions to remit 15% of dairy permit fees to CDFA.

In line with our commitment to supporting the local dairy industry, the Department explored three program options for consideration during FY 2024-2025:

- 1) Return Program to CDFA on January 1, 2025:** This option entails transferring program responsibilities back to CDFA. CDFA offers a better capacity to sustain the program amidst declining local dairy numbers and ensure sufficient staff coverage. The current CDFA allowable rate is \$257/month (\$3,084/year), the Department recommends leaving fees flat at \$217, allowing Dairies time to transition to increased state fees on January 1, 2025. Because the Department would continue operating the program for the first half of 2024-25, \$65,479 in approved subsidies would be returned to Sonoma and Marin Counties, \$46,771 and \$18,708, respectively. A subsidy would not be required after FY 2024-25, as the State would run the program. This option would involve eliminating a vacant 0.50 FTE Dairy Inspector, effective July 1, 2024.

If approved, the Department would return to the Board at the earliest possible date to delete the vacant allocation and in the Fall of 2024 to request authorization to approve 1.0 FTE Dairy Inspector deletion effective January 7, 2025 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.

- 2) Continue Local Program with Fee Increase:** Under this option, the local program would be sustained, but fees would increase from \$217/month to the current CDFA allowable rate of \$257/month (\$3,084/year) resulting in a fee increase of \$40/month (\$480/year) for dairy operators. This option

would involve eliminating a vacant 0.50 FTE Dairy Inspector, effective July 1, 2024. The program would continue to utilize the DHS local Public Health Laboratory and the remaining 1.0 FTE Dairy Inspector services. This option would still result in a funding gap, requiring an increase in General Fund subsidy of \$11,096 over what has been approved for FY 2024-2025.

- 3) Maintain Local Program with No Fee Increase:** This option involves maintaining the local program without raising fees from \$217/month. This option would involve eliminating a vacant 0.50 FTE Dairy Inspector, effective July 1, 2024. The program would continue to utilize the DHS local Public Health Laboratory and the remaining 1.0 FTE Dairy Inspector services. While this option does not impose fee increases on dairy operators, it would result in a funding gap, requiring an increase in General Fund subsidy of \$46,136 over what has been approved for FY 2024-2025.

A fiscal summary is included as Attachment 1.

### **Community Engagement**

Since the August 1, 2023, Board meeting, staff reached out to stakeholders, including the local dairy community and CDFA, and held an industry meeting on March 7, 2024.

Discussions with industry stakeholders, including dairy operators and organizations, have highlighted concerns regarding program efficiency, cost control, and the potential staffing impacts of maintaining the program at a local level. Additionally, the necessity for adequate backup and the capacity for timely emergency response underlines the operational vulnerabilities of the current setup.

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, consistent revenue losses, and the operational costs that have increased with recent inflation, the Department has determined the local dairy program is not sustainable.

### **Recommendation**

The Department recommends returning the dairy inspection program to the California Department of Food and Agriculture (CDFA) effective January 1, 2025. This decision is driven by the CDFA's broader capacity to sustain the program amidst declining local dairy operations and provide more stable and comprehensive coverage. Transitioning the program to CDFA is expected to enhance program efficiency, ensure more consistent regulatory oversight, and potentially mitigate the financial challenges currently faced by the local program.

This recommendation is made with a clear understanding of the implications for local control and staffing. However, it is deemed necessary to ensure the long-term viability and effectiveness of dairy inspection services, balancing the need for fiscal responsibility with the goal of supporting the local dairy industry in a sustainable manner.

The Department is committed to working closely with CDFA, local dairy operators, and all stakeholders to ensure a smooth transition, minimize impacts on local operations, and continue to support the dairy industry within Sonoma and Marin counties.

### **Environmental Health Staffing**

In December of 2023 the Department engaged Wohlford Consulting to conduct an objective analysis of the full costs incurred by the Environmental Health Section for various permitting and service activities for which the County charges user fees. In order to ensure accuracy and establish a clear nexus between the cost of those

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 staffing hours required to deliver those services.

The staff utilization analysis from the fee study showed an underutilization of 0.50 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.

If approved, the Department, in coordination with the Human Resources Department, will develop a timeline to eliminate a vacant 0.5 FTE Dairy Inspector position effective 07/01/24, and return to the Board later this year to request authorization to approve the deletion of the remaining 1.0 FTE Dairy Inspector allocation effective January, 7, 2025 and authority to implement layoff processes.

**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**

<b>Expenditures</b>	<b>FY24-25 Adopted</b>	<b>FY25-26 Projected</b>	<b>FY26-27 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested			
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other			

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Use of Fund Balance			
General Fund Contingencies			
<b>Total Sources</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Narrative Explanation of Fiscal Impacts:**

If it is decided to **Return Program to CDFR on January 1, 2025**, FY 2024-2025 Sonoma County Board subsidy will be reduced by \$46,771, due to only 6 months of program and labor costs.

If it is decided to **Continue Local Program with Fee Increase**, the program will require an increase of \$11,096 to FY 2024-2025 Board approved subsidy.

If it is decided to **Maintain Local Program with No Fee Increase**, the program will require an increase of \$46,136 to FY 2024-2025 Board approved subsidy.

<b>Staffing Impacts:</b>			
<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>

**Narrative Explanation of Staffing Impacts (If Required):**

If approved, the Department will work with the Human Resources Department and return to the Board later this year to request layoff authority and the deletion of the filled 1.0 FTE Dairy Inspector.

**Attachments:**

Attachment 1 - Fiscal Table

Attachment 2 - Presentation

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

None