



County of San Mateo

Inter-Departmental Correspondence

Department: BOARD OF SUPERVISORS
DISTRICT 1
File #: 21-416

Board Meeting Date: 6/8/2021

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Supervisor Dave Pine, District 1
Supervisor Warren Slocum, District 4

Subject: San Mateo County Environmental Health Fee Relief Program for Certain Businesses Impacted by COVID-19 Pandemic

RECOMMENDATION:

Adopt a resolution authorizing the Director of the Environmental Health Services Division (“EHS”) of San Mateo County Health, or designee(s), to design and implement a San Mateo County Environmental Health Fee Relief Program at a total cost not to exceed \$5,800,000, including a \$650,000 contribution from EHS, pursuant to which a one-time credit equal to the cost of qualifying annual EHS fees would be issued to certain EHS-regulated businesses that had sales revenues directly impacted by COVID-19 Health Orders and that are within designated EHS permit fee categories or industry categories.

BACKGROUND:

The COVID-19 pandemic, and the series of state and local health orders restricting certain types of economic activity as a result of the COVID-19 pandemic (collectively, “COVID-19 Health Orders”), have had a devastating impact on certain sectors of the economy in San Mateo County, with revenue losses hitting small businesses particularly hard.

Businesses with permitted spas and pools, hotels, body art and massage businesses have been required to close or significantly curtail their operations at various times since March 2020. Significantly impacted retail food service operations include confectioners, bakeries, coffee shops, bars, breweries, wineries, restaurants, cottage food operations, mobile food trucks and carts, and caterers. Other businesses, such as dry cleaners, gas stations, and small auto repair shops, which were not required to close, were impacted by the restricted movement of residents during this period. Many of these impacted businesses are small, independently owned businesses.

Environmental Health Services (“EHS”), a division of San Mateo County Health, performs regulatory oversight to over 14,000 businesses, implementing State regulations for operations in both

incorporated and unincorporated areas of the County. Specifically, EHS provides regulatory oversight in the following areas: Retail Food, Public Swimming Pools and Spas, Medical Waste, Hazardous Materials/Waste Storage (CUPA), State Small Public Water Systems, Body Art, Massage (unincorporated), Retail Tobacco (unincorporated), Stormwater (unincorporated), Housing (multifamily and short-term stay), Solid Waste, Cross Connection Control, Septage Pumpers/Haulers, and Well and Septic System construction review and permitting. EHS operates on a fee-for-service basis, meaning that businesses must pay for the cost of the regulatory service and issuance of associated permits; accordingly, EHS inspection programs have zero Net County Cost. EHS issues annual invoices for operating permits or licenses to those businesses it regulates.

EHS fees are based on the average time it takes to oversee the business, which is influenced by the size of the business and the complexity of the operation, the risk to public health or the environment, and the associated frequency of inspection. A complete list of permit fee categories can be found at <https://www.smchealth.org/pod/environmental-health-services-fees>. EHS fees are approved by Resolution of the Board of Supervisors with the most recent fee schedule approved by the Board in June 2015.

EHS issues 15,000 annual invoices, with total invoicing in FY 20-21 projected at approximately \$11,000,000. While overall revenue from annual invoices has not decreased appreciably, the revenue from the Retail Food and Body Art/Massage programs disproportionately decreased. Most of the permitted businesses have not permanently closed, as indicated by nonoperational businesses leaving their accounts open with EHS, with most opting to reduce operations or “hibernate” until state regulations allow more economic activity.

That said, as of February 2021, approximately 230 retail food service business (5% of the inventory of 4,633 permitted retail food service businesses) have reported to EHS that they have closed permanently. Many others may be on the verge of closing permanently even at a time when restrictions around business operations and movement of residents are relaxing.

DISCUSSION:

The proposed San Mateo County Environmental Health Fee Relief Program (“Relief Program”) would provide a one-time credit - equivalent to the full cost of an annual fee - to approximately 5400 businesses within certain EHS permit fee categories (Program Element or PE) or industry categories as a way of offsetting revenue losses incurred when restrictive COVID-19 Health Orders were in effect. The Relief Program would help ensure that these businesses maintain the necessary EHS operating permits, critical to safeguarding public health and safety, while also retaining the robust ecosystem of businesses vital to the San Mateo County economy.

The Relief Program would issue credits to specified permit holders for new annual EHS charges, to include their stormwater fees, beginning with the July 2021 billing cycle, for a period of 12 months, representing a one-year permit invoice cycle. Specified permit holders operating as of July 1, 2021 would be eligible for the credits.

Businesses eligible for the fee credits would have the credit applied to their next annual invoice, or if there is an outstanding balance, it would be applied towards the balance due. Most impacted businesses would receive an invoice with a \$0 balance. Some, however, may have a balance due if

there are multiple years of unpaid invoices, one of the fees is not eligible for the credit, or if there is a State Surcharge, which EHS collects on behalf of the State of California Environmental Protection Agency.

The Relief Program has three major policy goals:

- Focus on the industries and businesses whose revenues were most severely impacted by COVID-19 Health Orders, with an emphasis on small businesses where possible;
- Limit the administrative burden on EHS by streamlining criteria in a manner that can be accommodated by EHS’ existing staffing and technology resources; and
- Establish an equitable process that minimizes administrative barriers for businesses with non-English speaking owners or those located in vulnerable communities.

To meet these goals, the Relief Program proposes to include, in most cases, an entire permit fee or industry category, without necessarily specifying any business size or ownership structure criteria. Including an entire permit fee or industry category is the most efficient way to achieve the administrative and equity goals without adding an additional barrier by requiring applications to prove the need for this relief.

The proposed Relief Program includes specific permit fee or industry categories, which include businesses within the travel, tourism and hospitality industries and other industries that were disproportionately impacted by the COVID-19 public health emergency and its negative economic impacts.: Details on these fee and industry categories are included as Appendix A to this memo.

The estimated number of eligible businesses and the estimated cost of the fee relief for the included fee and industry categories are summarized in this chart:

| Fee/Industry Category | Estimated Number of Eligible Businesses | Estimated Cost of Fee Relief |
|---------------------------------|--|-------------------------------------|
| A. Retail Food | 3638 | \$4,277,734 |
| B. Public Pools and Spas | 152 | \$113,766 |
| C. Body Art/Massage | 54 | \$39,748 |
| D. Hotels/Motels/B&B | 161 | \$173,780 |
| E. Commercial/Industrial (CUPA) | 1428 | \$1,148,980 |
| TOTAL | 5433 | \$5,754,008 |

It should be noted that the precise number of impacted permit holders and cost of the fee relief may be subject to change. The above estimates were calculated over the course of several weeks in Spring 2021 and represent EHS’ best estimate of costs at that time. Therefore, the proposed Relief Program includes a not-to-exceed amount that will provide flexibility to EHS to implement the Relief Program based on the number of impacted permit holders and the cost of the fee relief at the time of implementation.

FISCAL IMPACT:

The total cost of the Fee Relief Program is estimated to be \$5,754,008 based on data from March of

this year. However, to ensure that funding is available for all eligible businesses since the number of eligible businesses may fluctuate, authorization to spend an amount not to exceed \$5,800,000 is being requested from the Board. EHS will provide a one-time \$650,000 contribution from reserves to partially cover the commercial and industrial (CUPA) permits. The County anticipates that the balance of the requested funds, \$5,150,000 will be provided through the federal American Rescue Plan. However, to the extent appropriate, these costs may ultimately be covered by reimbursement from funds provided through other state and/or federal funds that may be made available in connection with the County's response to the COVID-19 pandemic, or the County's General Fund.