

Rule 210, Fees

Community Advisory Council

Wednesday, January 10, 2024 - 3:00 PM

Santa Barbara County
Air Pollution Control District

Our Mission: To protect the people and the environment of Santa Barbara County from the effects of air pollution.

Aeron Arlin Genet
Executive Director / APCO

@OurAirSBC  

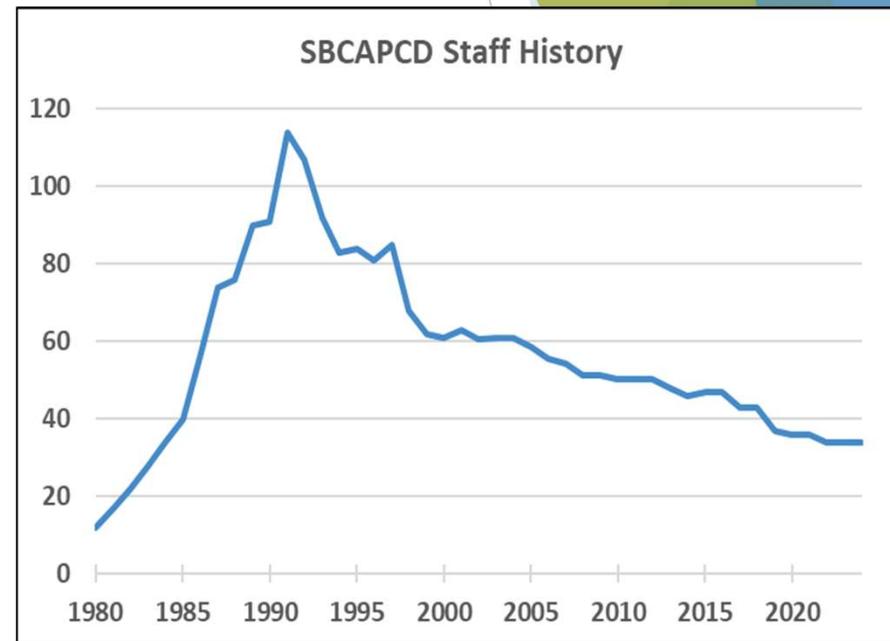


Presentation Outline

- ▶ Background
- ▶ Proposed Revisions to Rule 210
 - 1) Rule 210 Background
 - 2) Summary of Proposed Changes
 - 3) Clean-up & Reorganization
 - 4) Existing Fees & New Fees
- ▶ Conclusions
- ▶ Public Outreach & Comments Received
- ▶ Next Steps
- ▶ Questions & Answers

Background

- ▶ **Evolution of Agency**
 - Formed 53 years ago
 - 71% reduction in staff since 1991
- ▶ **Fees have not increased since 1991**
- ▶ **FY 2018-19 Reorganization**
 - Consolidated number of staff (43 to 34 FTEs)
 - Streamlined leadership structure: 1 sup/division
 - Invested in efficiency measures
- ▶ **Continued expenditure reductions**
 - FY 23/24 reduced services & supplies by 10%
 - Continued reduction in office footprint
- ▶ **Achieved a balanced budget**



Today's Challenges

► Fiscal Instability:

- Revenue sources continue to evolve
 - Over the next 5 years, oil and gas revenue anticipated to drop by \$785,000, or almost 8%
 - Many sources are under-paying for services
- Matrix Consulting Group conducted a Cost Recovery and Fee Analysis Study (Fee Study)
 - Found significant shortfall in revenue received for fee-based services (e.g., permit issuance and inspections)
 - District currently only recovering 47% of its costs to implement fee-based programs
- Salary & benefit costs continue to increase

► Workload Management:

Air Quality Programs Continue to Grow	
Air Toxics Hot Spots	Greenhouse Gas Mandates
Community Air Protection / EJ	Wildfire Smoke Response

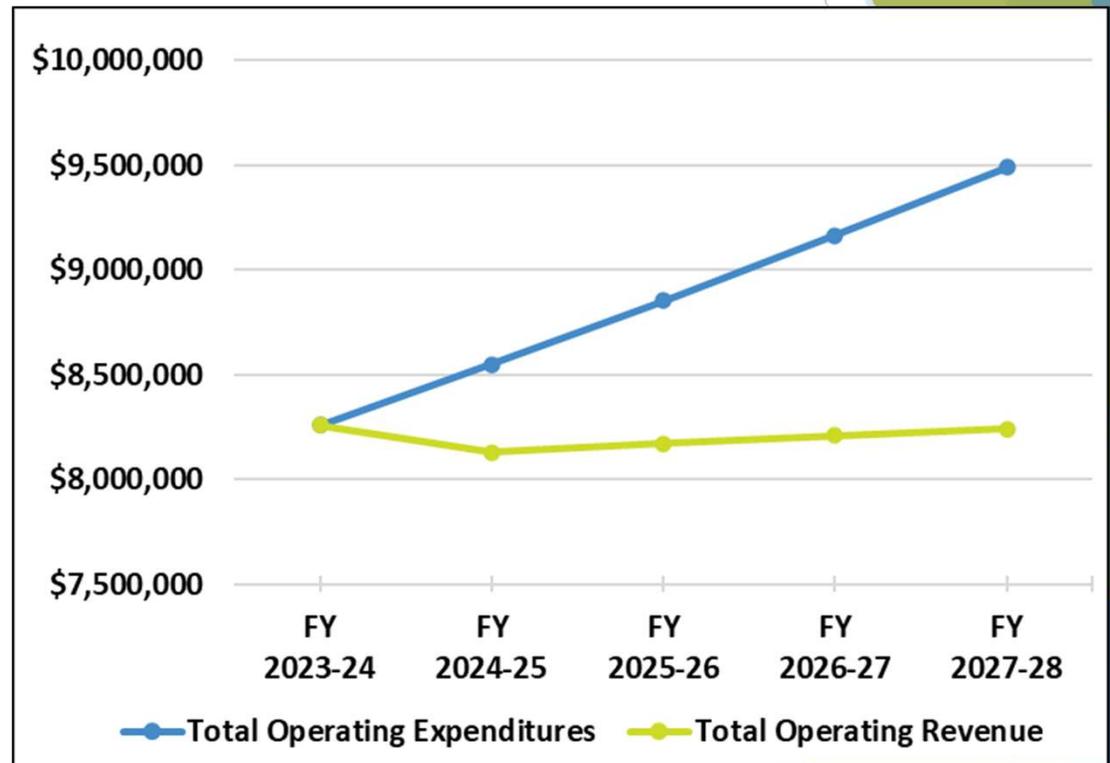
Annual Cost Recovery Analysis Provided by Matrix Consulting

Fee Schedule	Revenue at Current Fee	Total Annual Cost	Annual Surplus / (Deficit)	Cost Recovery %
A - Equipment / Facility	\$1,157,439	\$1,923,856	(\$766,417)	60%
B - Air Toxics	\$113,970	\$259,352	(\$145,382)	44%
B - Air Quality Planning	\$344,135	\$428,347	(\$84,212)	80%
C - Source Testing	\$105,321	\$178,882	(\$73,561)	59%
F - Miscellaneous	\$327,537	\$1,525,322	(\$1,197,785)	21%
Agricultural Diesel Engines	\$24,360	\$70,701	(\$46,341)	34%
TOTAL	\$2,072,763	\$4,386,460	(\$2,313,697)	47%

Results of 5-Year Forecast*

- ▶ \$419,903 shortfall in FY 2024-25
 - 4% of total budget
- ▶ Grows to \$1.2M shortfall in FY 2027-28
 - 12% of total budget

* Assumptions are based on 5 years of historical data



Long-Range Fiscal Strategies

- ▶ **October 2023 Board of Directors Meeting**
 - Presented on the Long-Range Fiscal Strategy
 - Matrix Cost Recovery Study
- ▶ **Unanimous Board Direction**
 - Maintain annual CPI
 - Develop a Cost-Recovery Policy of 85%
 - Rule 210 amendments
 - Multi-year phase-in of 12% fee increase per fee schedule
- ▶ **Today we're here to discuss proposed changes to Rule 210**

Rule 210 - Background

- ▶ California Health and Safety Code (CH&SC) provides the authority to establish and modify fees in Rule 210.
 - Fees recover the costs associated with issuing permits, inspection, enforcement, planning, monitoring, research, and administration.
- ▶ **1972:** Initial permit fees adopted based on the fee schedule from the Los Angeles County APCD.
- ▶ **1991:** Last major change to the rule to cover new tasks and requirements due to state and federal mandates.

Summary of Rule 210 Amendments

- 1) Rule reorganization and clean-up;
- 2) Amend the administrative procedures (Governing Provisions);
- 3) Revise the rates for existing fees to achieve 85% cost-recovery; and
- 4) Add new fees for specific services and categories of equipment that were not addressed by the 1991 version of the fee rule.

Rule 210 - Reorganization

- ▶ Updated numbering convention and grouped similar fees together.
 - Cost Reimbursement Basis moved to its own section
 - Consolidated Rule 211 (Technical Reports) & Rule 213 (Registration Programs) into Rule 210.
- ▶ Rule language reduced from 30 pages to 20 pages.

Existing (1991) Rule Structure	Proposed Rule Structure
Scope and Purpose	Scope and Purpose
I. Sources With District Permits	A. Stationary Source Fees
II. Sources Which Do Not Require Permits	B. Other Programs
III. Other Cost Reimbursement Activities	C. Cost Reimbursement Basis
IV. Hearing Board Fees	D. Hearing Board Fees
V. Governing Provisions	E. Governing Provisions
Schedules A through F	Schedules A through H

Rule 210 - Governing Provisions

- ▶ Invoices are due 30 days from the date of issuance.
- ▶ Delinquency Penalties are assessed for every 30 days that an invoice is overdue.
- ▶ **Proposed Amendments:**
 - 1) Apply delinquency penalties to overdue Cost-Reimbursement invoices.
 - 2) Increase delinquency penalty from 10% to 25% (capped at 100%).
 - 3) Allow District to suspend a permit if invoice is more than 4.5 months overdue.
[Permit may be reinstated within 6 months of suspension if all past due fees and penalties are submitted with a reinstatement application.]

Existing Fees - Annual Increases

- ▶ Increase existing fees by 12% each year until the schedule achieves an 85% cost-recovery rate.
 - CH&SC §41512.7 prevents any existing fees for ATCs or PTOs from being increased by more than 15% in any calendar year.
 - (Annual Increase + CPI) limited to 15% in total.

Fee Schedule	Current Cost Recovery	Years of Increases	Cost Recovery at End
A - Equipment / Facility	60%	4	85%
B - Annual Air Toxics	44%	6	85%
B - Annual Air Quality Planning	80%	1	85%
C - Source Testing	59%	4	85%
F - Other Stationary Source Fees	21%	10	64%
G - Hearing Board	35%	8	85%
H - Registration Program	34%	8	85%
TOTAL	47%	--	78%

New, Modified & Removed Fees

▶ New & Modified Fees

- Based on costs to cover staff time and materials for the activity
- Proposing to achieve 100% cost-recovery
- Annual CPI going forward

▶ Removed Fees

- Electrical Energy Fee
- Dry Cleaning Equipment Fee
- Ethylene Oxide Sterilizer Fee
- Cooling Tower Compliance Plan Fee
- Atmospheric Acidity Protection Program Administrative Fee
- California Clean Air Act Administrative Fee

New & Modified Fees

Permit Fees	Minimum Permit Evaluation
	Cannabis

Annual Fees	Emergency Engine Review
	Gas Station Review
	Air Toxics
	Air Quality Planning

Miscellaneous Fees	Partial Permit Transfer
	School Notice
	HRA Screening
	IPAP Agreement
	Confidential Handling
	Data Acquisition System (DAS)
	CEQA
	ERC Reissuance
	Permit Reinstatement

Permit Fees

▶ Minimum Permit Evaluation Fee

- Similar to existing minimum permit reevaluation fee
- Charged when equipment fees don't recover costs to issue permit and inspect equipment

▶ Cannabis Fees

- Fee per 1,000 sq. ft.
- Extractor Fee
- Odor Control Device Fee

Annual Fees

- ▶ **Emergency Engine Review Fee**
 - Stop reevaluating permits
 - Fee based on staff time to inspect and verify compliance
- ▶ **Gas Station Review Fee**
 - Clarify to reflect current process
 - Fee based on staff time to inspect and verify compliance
- ▶ **Air Toxics Fee**
 - New fee for small sources of air toxics (< 2,000 lbs/yr)
- ▶ **Air Quality Planning Fee**
 - Add PM and SO_x to fee calculations

Miscellaneous Fees

- ▶ Partial Permit Transfer
- ▶ School Notice
- ▶ Health Risk Assessment (HRA) Screening
- ▶ Interim Permit Approval Program (IPAP) Agreement
- ▶ Confidential Handling
- ▶ Data Acquisition System (DAS)
- ▶ California Environmental Quality Act (CEQA)
- ▶ Emission Reduction Credit (ERC) Reissuance
- ▶ Permit Reinstatement

Conclusions of Proposed Changes to Rule 210

- ▶ Proposing four major changes to Rule 210
 - 1) Rule clean-up
 - 2) Amendments to administrative procedures
 - 3) Revise rates for existing fees to achieve 85% cost-recovery
 - 4) New and modified fees
- ▶ Over 10 years will reach 85% cost recovery for majority of fee schedules
- ▶ Majority of fees will not see 10 years of increases
- ▶ Balance budget for next 5 years

Fiscal Impacts

		FY 2023-2024	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028
Total Operating Expenditures		8,258,254	8,550,932	8,852,763	9,166,000	9,491,087
Total Operating Revenue		8,258,254	8,131,029	8,172,233	8,209,907	8,243,824
Deficit		-	(419,903)	(680,530)	(956,092)	(1,247,263)
Rule 210 Modifications	12% increase	-	234,035	479,980	761,801	878,507
	New fees	-	948,213	975,901	1,004,397	1,033,725
Rent Savings	Reducing footprint in Santa Barbara	-	20,000	20,000	20,000	20,000
	Move into McCoy building	-	55,000	55,000	55,000	55,000
Net Income		-	837,345	850,351	885,106	739,969
Deposited into Fund Balance		-	(450,000)	(50,000)	-	-
Replenish Clean Air Act Funds		-	(387,345)	(800,351)	(885,106)	(739,969)
Balanced Budget		(0)	(0)	(0)	(0)	(0)

Public Outreach and Comments

- ▶ Draft Rule and Staff Report were noticed on November 30, 2023 to 2,000+ stakeholders
- ▶ Public Workshop conducted on December 14
 - 10 participants; Summary of Q&A at the workshop
- ▶ Other Outreach:
 - Additional notice of available materials issued on December 15
 - Online Scheduling Tool to set up a virtual meeting with District Staff
 - 4 days available after the workshop; 1 appointment requested
 - Conducted briefing for Agricultural Advisory Council (per request)
- ▶ Comments requested to be submitted in writing by December 29
 - 1 written comment received

Rule 210 - Next Steps

- ▶ Community Advisory Council consideration and recommendation
- ▶ Board Hearings
 - Rule 210 anticipated to be discussed at both the March and May Hearings.
 - Public notice to be issued at least 14 days prior to 1st Hearing.
 - Public comments can be submitted at any time, including at each Hearing.
- ▶ Pending Board approval - rule effective date of July 1, 2024

**Open to Community Advisory Council
Question & Answer**

Followed by Public Comments