



MEMORANDUM

DATE: February 8, 2024

TO: Community Advisory Council (CAC) Members

FROM: Alex Economou, (805) 979-8333, AJE@sbcapcd.org

SUBJECT: 2nd Meeting on the Proposed Amendments to District Rule 210, Fees

District Rule 210, Fees, is intended to recover District costs associated with programs related to permitted stationary sources and for other District activities mandated by state and/or federal regulations. At the prior CAC meeting on January 10, 2024, District staff presented information regarding the proposed amendments to District Rule 210, Fees. The presentation was followed by CAC discussion, a public comment period, and further CAC deliberations surrounding the public comments. The public comments were focused on the draft cannabis fees and potential modifications to the fee structure. A motion was made at the end of the meeting to continue the item to another meeting in February to allow staff adequate time to reevaluate the draft cannabis fees. For a summary of the discussion and public comments from the January CAC meeting, please see Attachment A to this memo.

Cannabis Fees Update:

Since the January CAC meeting, staff reevaluated the draft cannabis fees included in Schedule A of Rule 210. Staff considered developing a fee structure where different fee rates would be assessed to cannabis manufacturing, processing, and storage operations. However, due to the variations among the permitted facilities and the relative newness of the industry, staff believes that a standardized fee structure for this industry will be difficult to implement at this time. Staff proposes to remove the draft cannabis fees listed in Schedule A and instead process cannabis permits and conduct other District work such as inspections using the existing Cost Reimbursement provisions of Rule 210. This proposal will allow the District to achieve cost-recovery while permitting both existing and new post-harvest cannabis operations in the County. Additionally, this proposal will result in lower fees as cannabis facilities become more familiar with the regulatory requirements, and the District's permitting and compliance processes become more streamlined and efficient.

Staff reached out to industry representatives who provided verbal comments at the January CAC meeting to inform them of the proposal. The District scheduled three days for virtual office hours to meet with cannabis stakeholders who provided verbal comments at the CAC meeting and solicit their feedback on the proposed revisions. During this process, feedback was provided by

two stakeholders. Staff also continued to engage with the County’s Planning and Development Division to further discuss overall coordination of cannabis activities, the Air District’s requirements, and the County’s odor monitoring program.

Additional Public Comments:

Since the January CAC meeting, staff received one additional public comment from Granite Construction Company surrounding delinquency penalties. The comment is included as Attachment B to this memo. Staff reevaluated the delinquency penalty structure and proposes to assess a 10% penalty when the invoice is more than 30 days overdue (Day 61), an additional 20% penalty when the invoice is more than 60 days overdue (Day 91), and an additional 30% penalty when the invoice is more than 90 days overdue (Day 121). This proposal still meets the District’s goal of encouraging the prompt payment of all District invoices.

Staff also received verbal comments from the Santa Barbara County Agricultural Advisory Committee about the annual increases to the existing fee programs, specifically, the agricultural engine registration fees. Despite the Matrix Study showing a cost-recovery shortfall in the agricultural engine program, staff proposes to remove the annual increases to the agricultural registration fee to maintain program reciprocity with neighboring air districts, such as the San Luis Obispo County APCD. The reciprocity program allows a registered diesel engine to be moved across the District boundaries and still be considered registered in the neighboring air district as long as certain conditions are met. One of the reciprocity conditions requires the registration fees to be within 15% of each other.

Recommendation:

For the CAC meeting on February 15, staff will provide additional information and updates surrounding the cannabis fees and the additional public comments. Staff will then solicit input from the CAC on the proposed amendments to Rule 210 and seek a recommendation to forward the amendments to the District Board of Directors for adoption. The rule would then be brought to the District’s Board in two separate meetings (e.g., March and May) for additional public comment and consideration for approval. If the amendments are approved by the Board, the new and modified fee structure would be effective on July 1, 2024.

In preparation for the February CAC meeting, please review the Attachments to this memo. The proposed rule, as shown in Attachment C, incorporates the text changes since the last meeting. The prior staff report, as shown in Attachment D, is attached for reference. Materials and presentation slides from prior meetings can also be accessed at www.ourair.org/rules-under-development/. If there are questions or concerns that you would like to discuss prior to the meeting, please contact me or Tim Mitro at (805) 979-8329 / e-mail: Rules@sbcapcd.org.

Attachments:

- A. Summary of January CAC Discussion and Public Comments
- B. Additional Public Comment – Granite Construction Company
- C. Draft Rule 210 (2024-2 version)
- D. Draft Staff Report (2023-11 version)