

Amendments to Rule 210, Fees, and Other Affected Rules

Board of Directors
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.

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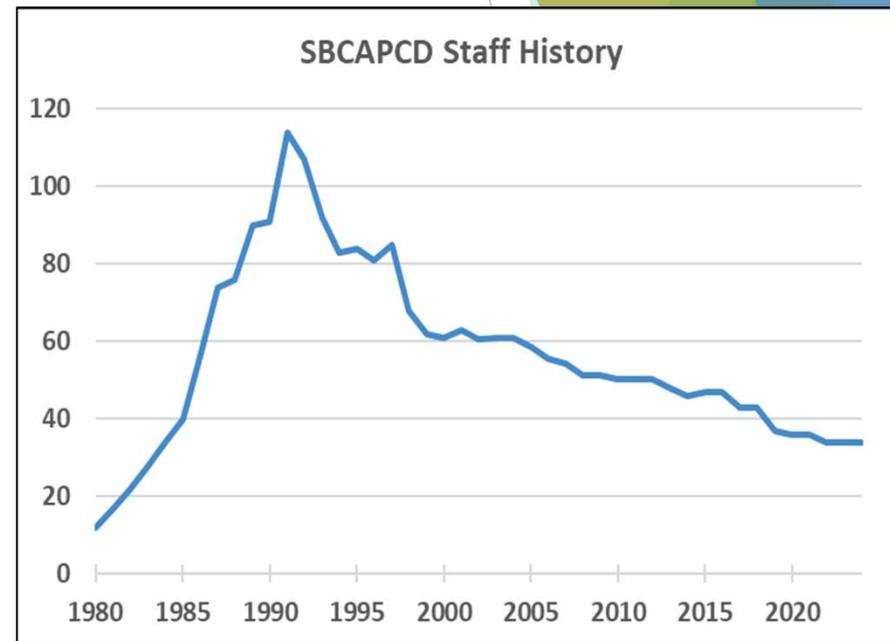
March 21, 2024

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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
- ▶ **Maintained a balanced budget**



Long-Range Fiscal Strategy FY 2023 - 28

▶ October 2023 Board of Directors Meeting

- Presented on the Long-Range Fiscal Strategy
- Matrix Cost-Recovery Fee Study

▶ Board Direction

- Maintain Annual CPI adjustments
- Develop a Cost-Recovery Policy *(Adopted January 2024)*
- Consider Rule 210 amendments *(Focus of this Board item)*
- Continue to Reduce Operating Costs
- Develop a Fund Balance Policy
- Consider Staff Retention Measures

District's Efforts to Modify Rule 210

- ▶ Extensive project involving all Divisions at the APCD
- ▶ 1.5 years of research and evaluation by District staff
- ▶ Incorporate findings of the Matrix Fee Study
- ▶ Goal of project is two-fold:
 - Incorporate cost-recovery policy goals of agency
 - Streamline the structure of the rule for clear and concise implementation
- ▶ Comprehensive engagement opportunities with effected industries

Public & Stakeholder Engagement

- ▶ Draft Rule and Staff Report published Nov. 30
 - Distributed to 2,000+ stakeholders
 - Posted on the homepage of the APCD's website
- ▶ Virtual Public Workshop conducted on Dec. 14
 - Online scheduling tool set up virtual meetings with District Staff
- ▶ Briefing provided to Santa Barbara County Agricultural Advisory Committee on Dec. 14
- ▶ 2nd Public Notice distributed on Dec 15 to 2,000+ stakeholders
 - Recap of the Public Workshop
 - Promote online office hours for follow-up questions



**Proposed Changes
to Rule 210 (Fees) -
Notice of Public
Hearings**

Community Advisory Council

- ▶ 3 separate meetings
 - Nov. 2: Overview and general discussion on draft Rule 210 amendments
 - Jan. 10: In-depth presentation and discussion on Rule 210 changes
 - Public comments on the draft fees for post-harvest cannabis operations
 - Feb. 15: staff presented modifications to Rule 210 in response to comments received
 - Motion: Approve staff's recommendation that the Board of Directors adopt the proposed amendments to District Rule 210, Fees
 - **Motion unanimously approved by the CAC**
- ▶ Here today, for the first of two hearings on proposed changes to Rule 210

Rule 210 - Fees

- ▶ California Health and Safety Code (CH&SC) provides the authority to establish and modify fees in Rule 210
 - Fees recover costs associated with issuing permits, inspection, enforcement, planning, monitoring, research, and administration

- ▶ **Summary of Amendments:**
 - 1) Revise the rates for existing fees to achieve 85% cost-recovery
 - 2) Add new fees for specific services and categories of equipment that were not addressed by the 1991 version of the fee rule
 - 3) Modify the administrative procedures (Governing Provisions)
 - 4) Remove outdated fees and reorganize the rule text

Existing Fee Schedules - Annual Increases

- ▶ Increase existing fees by 12% each year until the schedule achieves an 85% cost-recovery rate.
 - Annual Increase + CPI limited to 15% per year, in accordance with CH&SC

Fee Schedule	Current Cost Recovery	Est. Years of Increases	Future Cost Recovery
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%
TOTAL	47%	--	78%

- Cost-Recovery tool being developed to analyze costs on an on-going basis
- Fee increases will stop at 85% cost-recovery or after 10 years

New & Modified Fees

- ▶ Matrix Fee Study helped identify areas where the District is assessing minimal or no fees for services provided
- ▶ 17 new and modified fees are proposed for Rule 210, including:
 - Minimum Permit Evaluation Fee
 - Air Toxics Fee for Small Stationary Sources (<2,000 pounds per year)
 - Diesel Engine Annual Review Fee
- ▶ Fee amounts are based on actual staff time and materials costs
- ▶ New fees set at 100% cost-recovery; with Annual CPI going forward

Rule 210 - Governing Provisions

- ▶ Invoices are due 30 days from the date of issuance, and delinquency penalties are assessed when an invoice is overdue

- ▶ **Proposed Amendments:**
 - 1) Apply delinquency penalties to overdue Cost-Reimbursement invoices

 - 2) Transition delinquency penalties to an escalating structure
 - 10% penalty at Day 61, 20% at Day 91, and 30% at Day 121
 - Maximum total penalty at 60%.

 - 3) Suspend permit if an invoice is more than 4.5 months overdue
 - Permit may be reinstated if all past due fees and penalties are submitted

Rule 210 - Reorganization & Simplification

- ▶ Removed six outdated and unnecessary fees
- ▶ Streamlined rule language to make it easier to read and understand for both industry and staff
- ▶ Updated numbering convention and grouped similar fees together
 - Consolidated Rule 211 & Rule 213 into Rule 210
 - Nine other rules with references to Rule 210 also need to be updated to provide for a consistent rulebook [Rules 203, 342, 359, 361, 364, 370, 502, 806, and 1201]
- ▶ Fee Rule language reduced from 30 pages to 20 pages

Comments Received & Changes Made

- ▶ Received stakeholder feedback on 3 proposed changes:
 - Cannabis Fees
 - Delinquency Penalties
 - Agricultural Engine Registration Fees
- ▶ Modified rule in response to comments:
 - Removed draft cannabis fees and switched to cost reimbursement
 - Modified delinquency penalties to 10%/20%/30%
 - Removed agricultural engine registration fees from 12% increases

Fiscal Impacts

		FY 2023-2024	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028
Operating Costs (Fee Schedules)		\$4,315,759	\$4,303,857	\$4,456,214	\$4,613,964	\$4,777,298
Base Revenue (Fee Schedules)		\$2,048,403	\$1,927,061	\$1,983,331	\$2,041,244	\$2,100,849
Fee Schedule Deficit		\$2,267,356	\$2,376,796	\$2,472,883	\$2,572,719	\$2,676,449
Rule 210	Existing Fee Increases	---	\$231,027	\$473,515	\$751,372	\$863,547
	New & Modified Fees	---	\$773,986	\$796,587	\$819,847	\$843,786
Amended Operating Revenue		\$2,048,403	\$2,932,074	\$3,253,432	\$3,612,463	\$3,808,182
Blended Cost Recovery		47%	68%	73%	78%	80%

Staff Recommendation

- 1) Hold the first public hearing on the proposed amendments to Rule 210 - Fees, and other affected rules; and
- 2) Direct the Air Pollution Control Officer to return on May 16, 2024, to consider adoption of the proposed amendments to District Rule 210 - Fees, and other affected rules (Rules 203, 211, 213, 342, 359, 361, 364, 370, 502, 806, and 1201)

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