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:

<table>
<thead>
<tr>
<th>Air Quality Programs Continue to Grow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Toxics Hot Spots</td>
</tr>
<tr>
<td>Community Air Protection / EJ</td>
</tr>
</tbody>
</table>
Annual Cost Recovery Analysis Provided by Matrix Consulting

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

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope and Purpose</td>
<td>Scope and Purpose</td>
</tr>
<tr>
<td>I.  Sources With District Permits</td>
<td>A.  Stationary Source Fees</td>
</tr>
<tr>
<td>II. Sources Which Do Not Require Permits</td>
<td>B.  Other Programs</td>
</tr>
<tr>
<td>III. Other Cost Reimbursement Activities</td>
<td>C.  Cost Reimbursement Basis</td>
</tr>
<tr>
<td>IV. Hearing Board Fees</td>
<td>D.  Hearing Board Fees</td>
</tr>
<tr>
<td>Schedules A through F</td>
<td>Schedules A through H</td>
</tr>
</tbody>
</table>
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.

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

<table>
<thead>
<tr>
<th>Permit Fees</th>
<th>Minimum Permit Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cannabis</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Fees</th>
<th>Emergency Engine Review</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gas Station Review</td>
</tr>
<tr>
<td></td>
<td>Air Toxics</td>
</tr>
<tr>
<td></td>
<td>Air Quality Planning</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Miscellaneous Fees</th>
<th>Partial Permit Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>School Notice</td>
</tr>
<tr>
<td></td>
<td>HRA Screening</td>
</tr>
<tr>
<td></td>
<td>IPAP Agreement</td>
</tr>
<tr>
<td></td>
<td>Confidential Handling</td>
</tr>
<tr>
<td></td>
<td>Data Acquisition System (DAS)</td>
</tr>
<tr>
<td></td>
<td>CEQA</td>
</tr>
<tr>
<td></td>
<td>ERC Reissuance</td>
</tr>
<tr>
<td></td>
<td>Permit Reinstatement</td>
</tr>
</tbody>
</table>
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 SOx 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

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