

Agenda Date: May 20, 2004
Agenda Placement: Regular
Estimated Time: 30 Minutes
Continued Item: No

Board Agenda Item

TO: Air Pollution Control District Board

FROM: Terry Dressler, Air Pollution Control Officer

SUBJECT: Fiscal Year 2004/2005 Draft Budget and Program Summary

RECOMMENDATION:

1. Review the attached Program Summary and Draft Budget for Fiscal Year 2004/2005, hold a public hearing to accept comments, and provide direction to staff regarding changes desired by the Board.
2. Schedule a budget adoption hearing for June 17, 2004.

DISCUSSION:

Attached you will find the Comprehensive Program Summary and the Fiscal Year 2004/2005 Draft Budget. The format is identical to last year, and has been patterned after the County budget document. The document includes:

- The APCD Mission Statement
- Strategic Plan Priorities, Goals, and Objectives
- Major FY 03/04 Events, Activities, and Accomplishments of the APCD
- Major Factors that will affect the Budget and What the Effects Will Be
- Staffing Trends
- Sources and Uses of Revenue
- Detailed Description of Projected Revenue and Expenditures
- Revenue Distribution by Program
- Impact Measures: How we expect to affect air quality
- Division-by-Division Budgets, Accomplishments, and Goals
- Performance Measures: How we measure effectiveness
- Position Listing
- Budget Overview

Budget Overview

The proposed FY 04/05 budget includes total expenditures of approximately \$8 million, which is about the same as the FY 03/04 budget. No fee revisions are included in the proposed budget except the annual cost-of-living adjustments to fixed fees, which is currently proposed to be 2%, though the final budget will include an updated estimate based on current information at that time.

With two notable exceptions, most of our revenue sources are projected to remain relatively stable from our current fiscal year budget to FY 2004/2005. One significant reduction in revenue from this fiscal year to the next will be in permit reevaluation fees. Permit reevaluation fees are assessed to each permitted source every three years. The three-year permit reevaluation cycle provides a revenue stream that is uneven from year to year; and one of the three years yields substantially lower revenue than the other two years in the cycle. The permit reevaluations scheduled FY 04/05 will not produce as much revenue as last year's or next year's reevaluations. Consequently, we are proposing to use reserve funds to make up the shortfall in FY 04/05 and then re-build the reserve fund in subsequent years. We also plan to bring a comprehensive Reserve Designation Plan to your Board sometime early in the next fiscal year. The other notable reduction in revenue for FY 2004/2005 is due to a reduction in Tobacco Settlement funds from \$85,000 in the current fiscal year to \$30,000 for the coming fiscal year.

As we reported in last year's budget Board letter, the APCD staffing has been significantly reduced over the last decade. The reductions in staff were the result of reductions in revenue. Some of the revenue reductions were associated with reductions in workload and some were not. Reductions in revenue that result from reductions in permitting and compliance activities are coincident with reductions in workload. However, reductions in revenue produced by reductions in air pollution emissions achieved through compliance with rules and permit conditions do not necessarily coincide with reductions in workload. In fact, more often than not, most emission reductions achieved by regulations actually increase the need for permitting and compliance related work in order to ensure that the emission reductions continue to be achieved and that all regulated companies are treated equitably. Furthermore, until we achieve and successfully maintain all air quality health standards, attainment planning workload remains fairly steady regardless of fluctuations in emissions related revenue.

Given the increases in per employee costs in workers compensation insurance and retirement benefits, in order to balance the FY 04/05 budget it will be necessary to unfund a vacant division manager position. The deletion of this position in the next fiscal year has made it necessary to reorganize the management structure of the APCD. The organizational structure is illustrated by the organization chart in the budget document (pg. 21). Essentially, the changes to the management structure include combining the Major Source Division and the General Source Division into a single division called the Engineering and Compliance Division, which will handle all stationary source permitting and compliance activities. Also, as part of this change, the Rule Development Section has been reassigned to the Technology and Environmental Assessment Division and combined with the Attainment Planning Section. By combining the rules and clean air planning staffs we will realize gains in efficiency because control measure development in the plan and subsequent rule development efforts are necessarily entwined. We also expect to gain opportunities for synergy of complementary skills and the flexibility to shift staffing resources smoothly to meet critical short term planning and rule development objectives as they arise.

Finally, in the new organizational structure, the Information Technology supervisor will report to the director. This will allow for more effective strategic management of the long term automation goals. A

strategic approach to management of our automation goals will facilitate the effective application of limited resources toward continued efficiency improvements.

In summary, the annual fluctuation in one of our key revenue streams will require the APCD to use reserve funds for the FY 2004/2005 budget. Furthermore, increased costs associated with workers compensation insurance and retirement contributions, combined with other revenue reductions have made it necessary to unfund a vacant division manager position and reorganize the APCD management structure.

Program Overview

Major accomplishments, events, and highlights during FY 03/04 have included:

- No exceedances of the one-hour federal ozone standard for the third year in a row
- Fifth year in a row for attainment of the one-hour federal ozone standard
- EPA formally redesignated Santa Barbara County as an attainment area for the federal 1-hour ozone standard
- EPA formally designated Santa Barbara County as an attainment area for the new federal 8-hour ozone standard
- Established a coalition of partners to fund a marine shipping retrofit program and made significant progress toward implementation of the first retrofit
- Receipt of the 2004 Environmental Award for Outstanding Achievement from EPA for the Santa Barbara Car Free Project
- Passage of Senate Bill 700 that removed the exemption from permit for agricultural sources of air pollution
- Moved into new offices in the new energy-efficient Casa Nueva building and established a full function office in Santa Maria (the information technology and communications at these offices are seamlessly integrated to ensure consistency, efficiency, and effective customer service)
- Approached the goal of Senate Bill 2588 through the reduction of the number of businesses presenting a significant risk to the public from toxic air pollution from 51 to 5. By the end of the fiscal year, we project that there will be only one significant risk facility left in Santa Barbara County.
- Twenty grants to reduce air pollution
- 1,334 inspections and 462 permitting actions in calendar year 2003
- Responded to 186 air pollution complaints in calendar year 2003

Major efforts during FY 2004/2005 will include:

- Prepare an update of the Clean Air Plan describing our strategy for attaining the state 1-hour ozone standard
- Continue our marine shipping initiative with the goal of facilitating the retrofit of at least one vessel that traverses our coastline and participate in efforts to influence legislation and treaties aimed at reducing the emissions from marine vessels
- Adopt new rules required by the 2001 Clean Air Plan and state mandates
- Implement the state Air Toxics Control Measure for stationary diesel internal combustion engines
- Work with the local agricultural community to implement the state and federal requirements for agricultural source permits
- Continue to implement grant programs to reduce air pollution

- Improve the efficiency of our permit system by integrating it into our facility database, including the automation of small-source permits
- Work with ARB to implement the particulate matter control strategy development process that is outlined in Senate Bill 656 (2003)

In addition, other important activities will continue. Such activities include efforts to reduce emissions, to educate the public, and to obtain feedback from our customers. Examples of these efforts include, issuing permits, conducting inspections of permitted equipment, publishing bimonthly newsletters, conducting customer surveys, improving computer automation services, and enhancing our web site.

Finally, to make sure that we are working effectively, we monitor our success through impact and performance measures and use the information to improve our effectiveness and efficiency. These impact measures are included in the attached Program Summary and Budget Document.

Public Review and Board Adoption Process

Your Board is requested to hold a public hearing to review the proposed APCD budget for FY 2004/2005 and to provide the public with the opportunity to comment. A separate public hearing must be held to adopt the budget. As required, the proposed budget was made available to all fee payers and to the general public at least 30 days in advance of this hearing. Notices were mailed to all permit holders and published in local newspapers. In addition, staff conducted a public workshop on April 29th to explain the budget, answer questions, and receive input. At the May 20th hearing, we will summarize any comments that we received at the workshop.

Potential Changes to Proposed Budget

The proposed budget will be modified based on your Board's direction and presented for adoption at the June 17th hearing. Other potential modifications prior to the adoption hearing include an update of the cost-of-living fee adjustment based on the final April-to-April consumer price index figures and incorporation of any updated information about cost or revenue.

Attachment