



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

Proposed Amendments to Regulation 3: Fees

**Budget & Finance Committee Meeting
March 26, 2014**

**Jeff McKay
Deputy Air Pollution Control Officer**



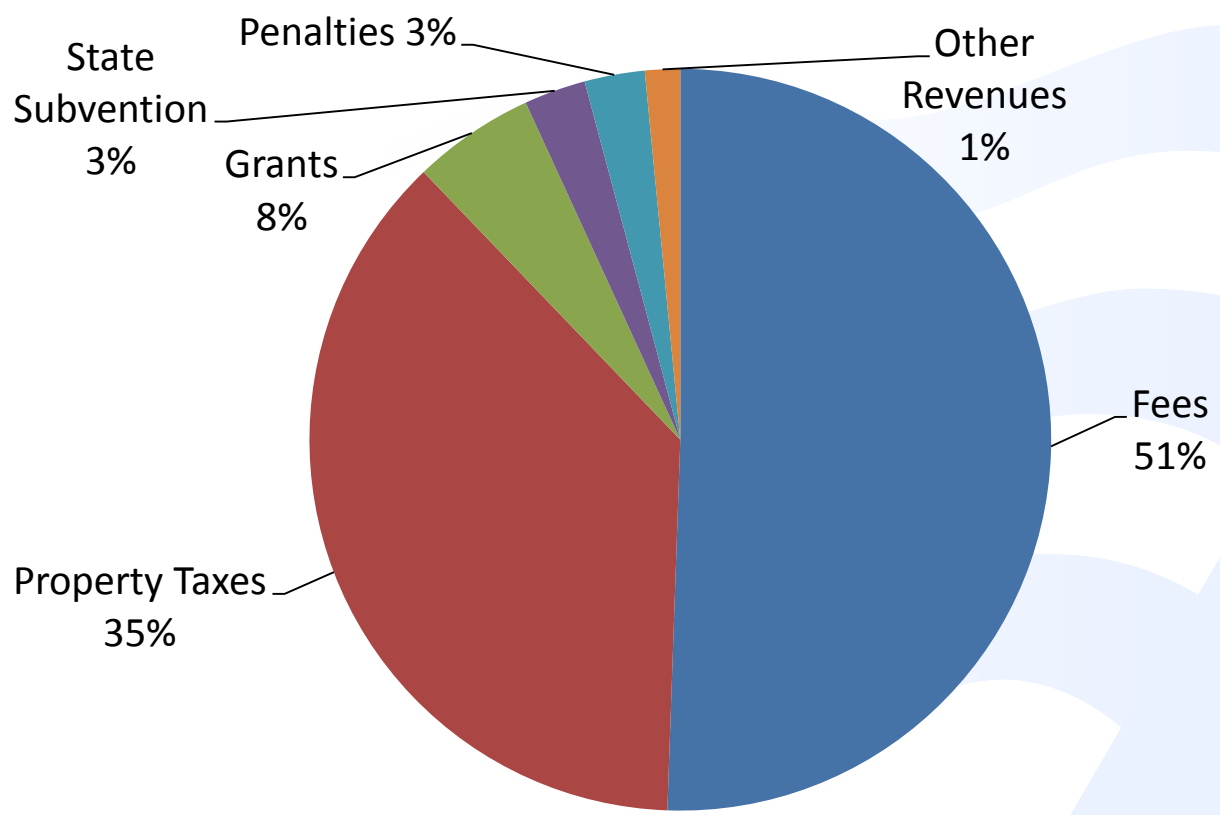
Presentation Outline

1. Cost Recovery Background
2. Draft Fee Amendments
3. Public comments received
4. Rule Development Schedule





Revenue Sources - FYE 2013





Cost Recovery Background

- Air District has authority to assess fees to recover the reasonable costs of regulating stationary sources
- Fee revenue falls short of overall full cost recovery
 - FYE 2010: Cost recovery = 64%
 - FYE 2011: Cost recovery = 67%
 - FYE 2012: Cost recovery = 76%
 - FYE 2013: Cost recovery = 80%
- Cost recovery gap is filled by county tax revenue





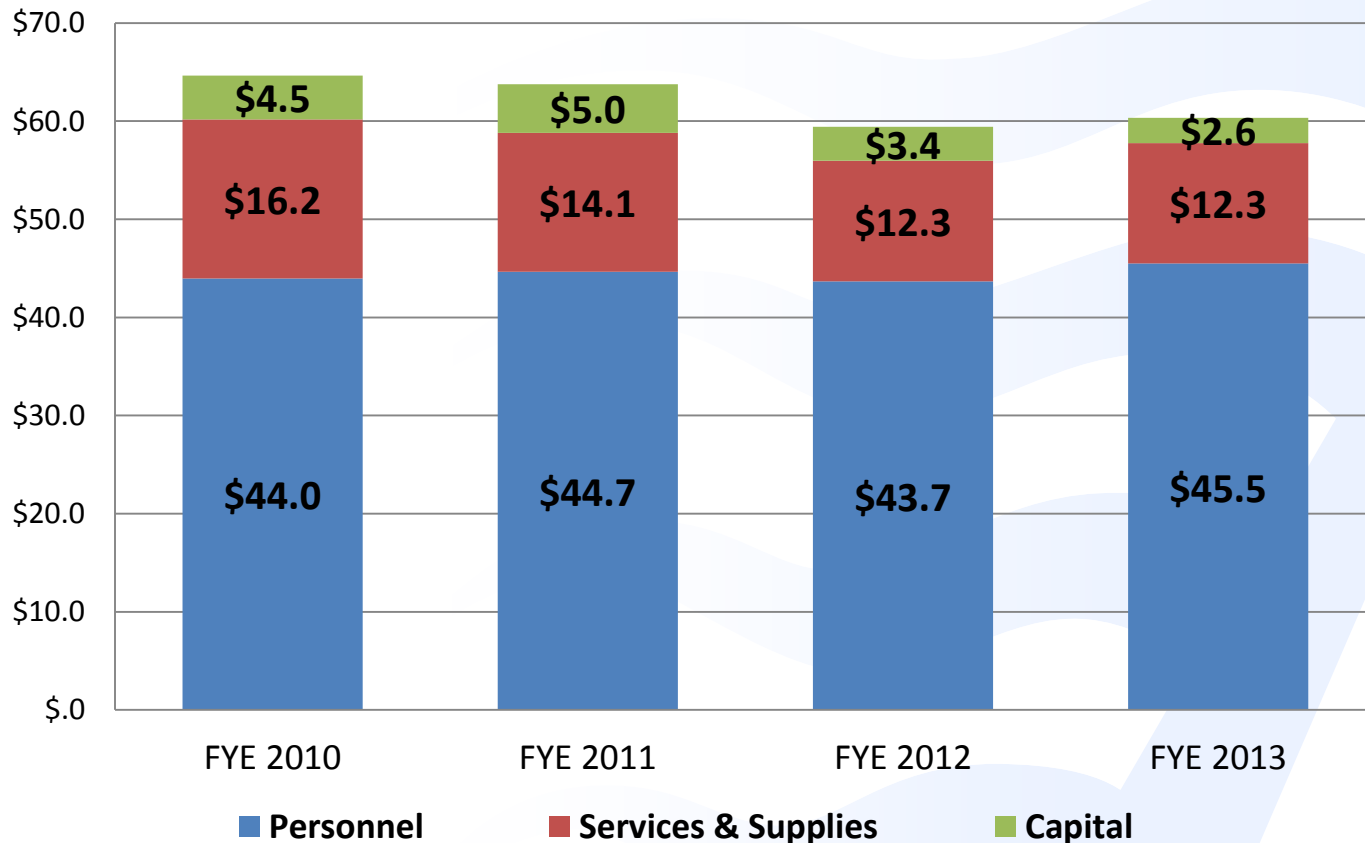
Cost Recovery Policy

- Sets goal of increasing cost recovery to 85% by FYE 2016
- Fee amendments are made in consideration of cost recovery analyses conducted at the fee schedule-level
- Air District implements feasible cost containment measures



Trends in Cost Cutting

Audited General Fund Expenditures (millions)



Proposed Changes to Fee Schedules

| Revenue from Fee Schedule | Change in Fees | Fee Schedules |
|----------------------------------|-----------------------|--|
| Exceeds 95% of costs | 2% increase (CPI) | C, G-5, M, N, Q,U,V |
| 85 – 95% of costs | 7% increase | B, D, I |
| 75 – 84% of costs | 8% increase | F, G-4 |
| Less than 75% of costs | 9% increase | A, E, G-1, G-2, G-3, H, K, L, P, R, S |



Proposed Changes to Fee Schedules

➤ Fee Schedules with 2% increase

- Schedule C: Stationary Containers for the Storage of Organic Liquids
- Schedule G-5: Petroleum Refinery Flares
- Schedule M: Major Stationary Source Fees
- Schedule N: Toxic Inventory Fees
- Schedule Q: Contaminated Soil & Removal of Underground Storage Tanks
- Schedule U: Indirect Source Fees
- Schedule V: Open Burning Fees





Proposed Changes to Fee Schedules

➤ Fee Schedules with 7% increase

- Schedule B: Combustion of Fuel
- Schedule D: Gasoline Transfer at Gasoline Dispensing Facilities, Bulk Plants & Terminals
- Schedule I: Dry Cleaners

➤ Fee Schedules with 8% increase

- Schedule F: Misc. Sources (storage silos, abrasive blasting)
- Schedule G-4: Misc. Sources (cement kilns, sulfur removal & coking units, acid manufacturing)



Proposed Changes to Fee Schedules

➤ Fee Schedules with 9% increase

- Schedule A: Hearing Board Fees
- Schedule E: Solvent Evaporating Sources
- Schedule G-1: Misc. Sources (glass manufacturing, soil remediation)
- Schedule G-2: Misc. Sources (asphaltic concrete, furnaces)
- Schedule G-3: Misc. Sources (metal melting, cracking units)
- Schedule H: Semiconductor and Related Operations
- Schedule K: Solid Waste Disposal Sites
- Schedule L: Asbestos Operations
- Schedule P: Major Facility Review Fees
- Schedule R: Equipment Registration Fees
- Schedule S: Naturally Occurring Asbestos Operations





Greenhouse Gas Fees

- Increase from \$0.048 to \$0.09 per metric ton of carbon dioxide equivalent emissions
- Necessary to implement Board's Climate Protection Resolution
- Increase in revenue expected to be \$800,000
- 4 to 15% overall increase in permit fees
- 500 facilities impacted



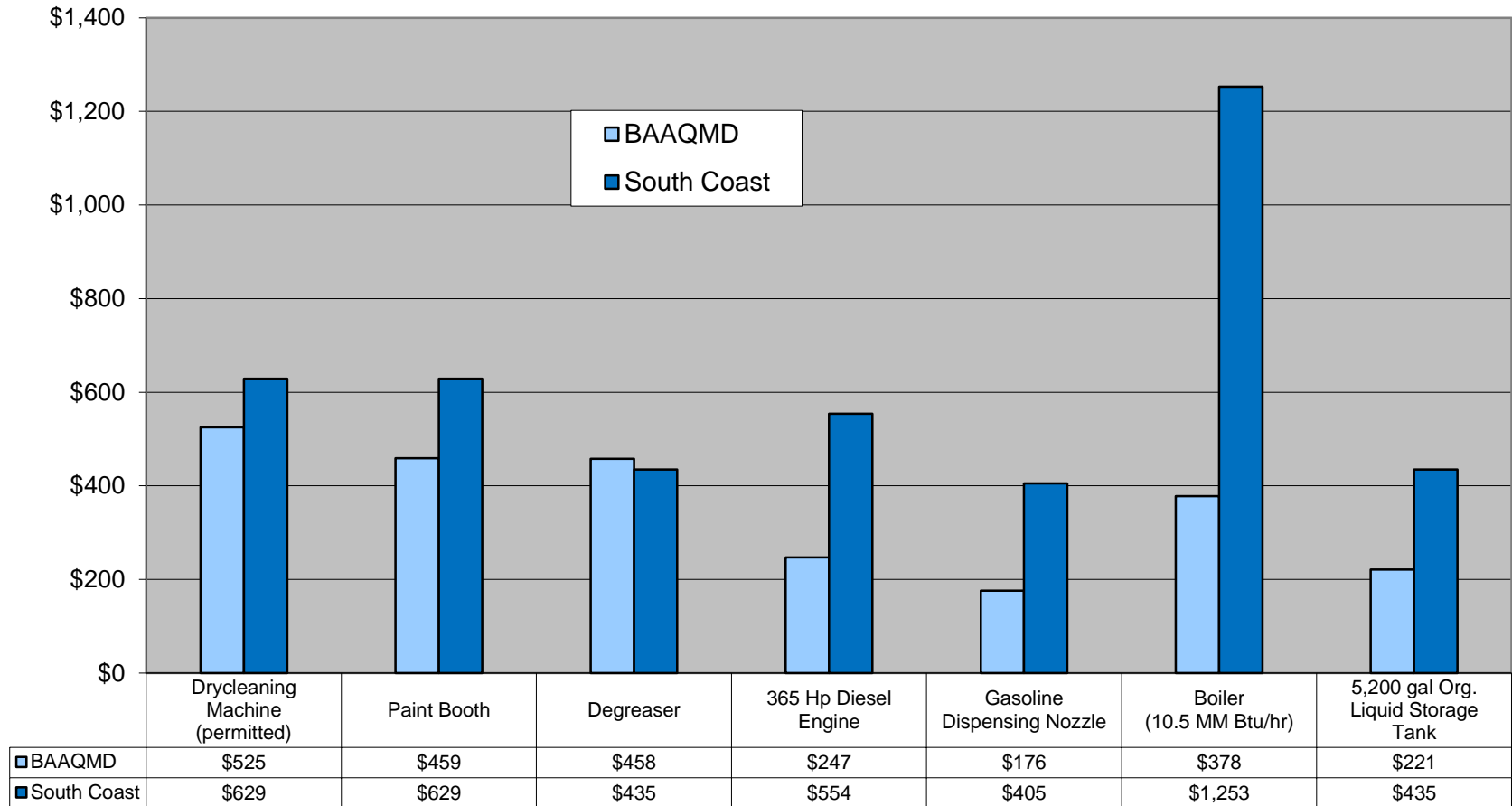
Impact on Small Businesses

➤ Proposed FYE 2015 fee increases:

| Facility Type | Facility Description | Fee Increase | Total Fee |
|--------------------------|---|--------------|-----------|
| Gas Station | 10 multi-product gasoline nozzles | \$186 | \$2,932 |
| Dry Cleaner (permitted) | One machine: 1,400 lb/yr Perc emissions | \$31 | \$556 |
| Dry Cleaner (registered) | One machine: 800 lb/yr VOC emissions | \$14 | \$173 |
| Auto Body Shop | One spray booth: 400 gal/yr paint | \$37 | \$495 |
| Back-up Generator | One 300 hp engine | \$15 | \$262 |



Bay Area/South Coast AQMD Fee Comparison - FYE 2014





Public Comments

- Feb. 18, 2014 Public workshop
 - Two attendees plus webcast audience

- No written comments received to date





Rule Development Schedule

- **February 18, 2014**
 - Public workshop
- **April 16, 2014**
 - Board of Directors first public hearing to receive testimony only
- **June 4, 2014**
 - Board of Directors second public hearing to consider adoption
- **July 1, 2014**
 - Proposed effective date of fee amendments





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AGENDA: 5

Proposed Fiscal Year End 2015 Budget

Budget and Finance Committee

March 26, 2014

Jeff McKay

Deputy Air Pollution Control Officer



OUTLINE

- Status of Current Year (Fiscal Year End 2014)
- Overview of Revenue and Expenditure FYE 2015
- Detailed Review of Revenue and Expenditure



Revenue Projections for Current Fiscal Year FYE 2014

Out of \$64 M Budget

As of March, 2014:

- Permit Fee revenue slightly under budget
- Property Tax revenue on target
- Expenditures on target



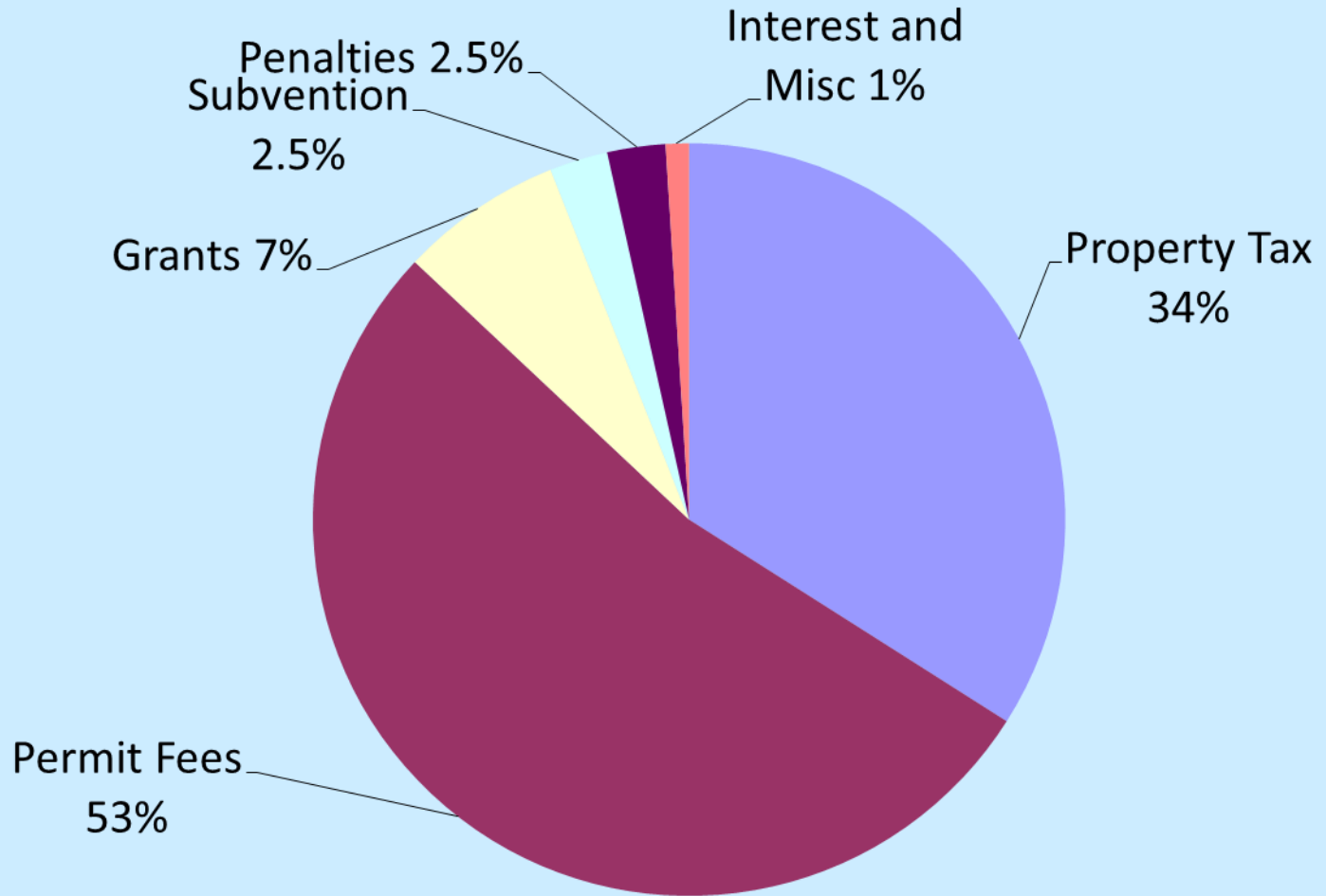
OVERVIEW

Proposed Budget for FYE 2015

- \$ 65.6 M General Fund Budget
- Incorporates Cost Recovery Policy
- New GHG Funding for 4 new positions
- Hire Staff: From 310 to 329 filled positions
- Addresses Retirement Liabilities
- Anticipates new EA Contract
- Reserves Allocated for some Capital Items

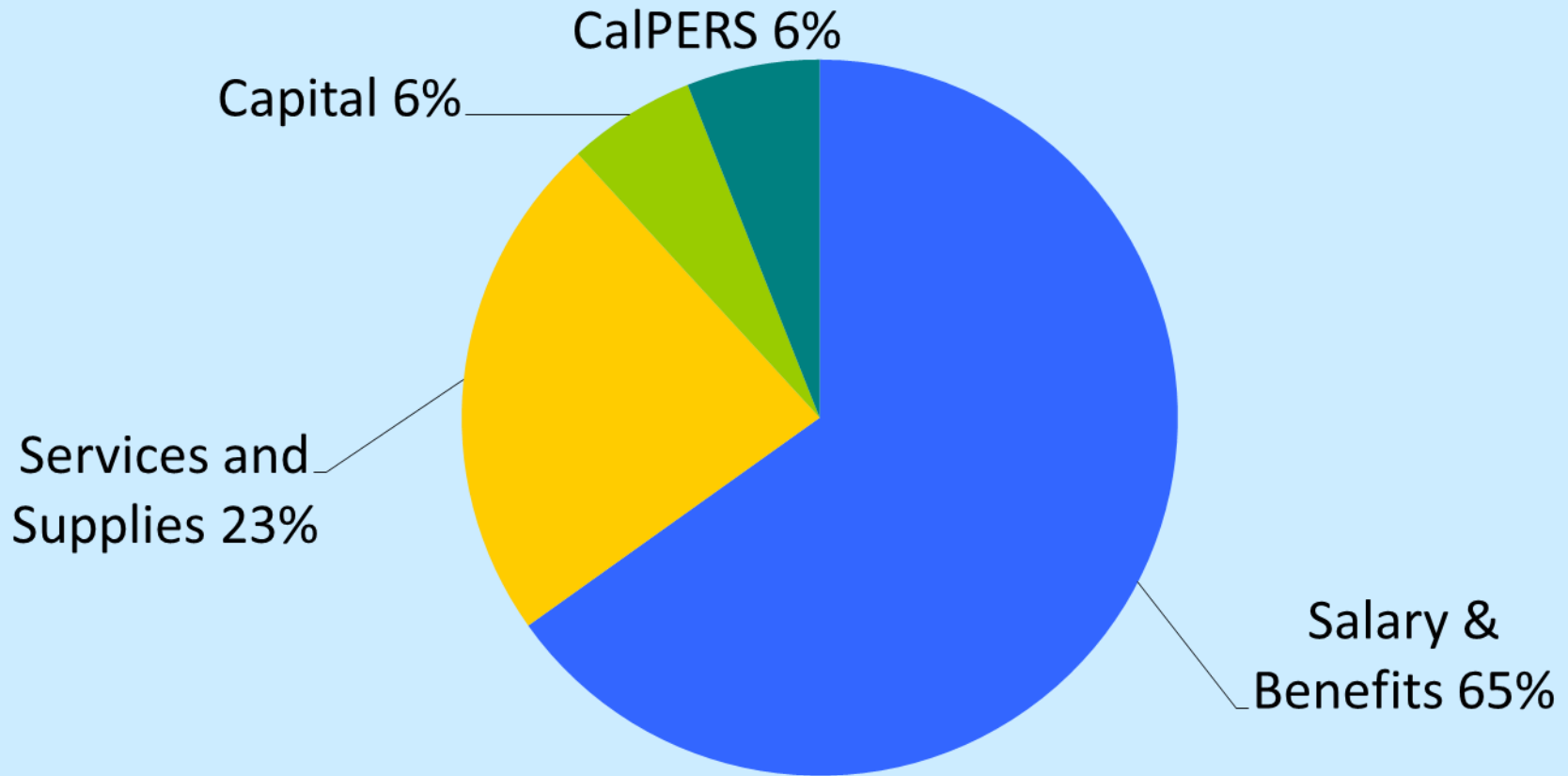


GENERAL FUND REVENUE SOURCES (FYE 2015 PROPOSED BUDGET)



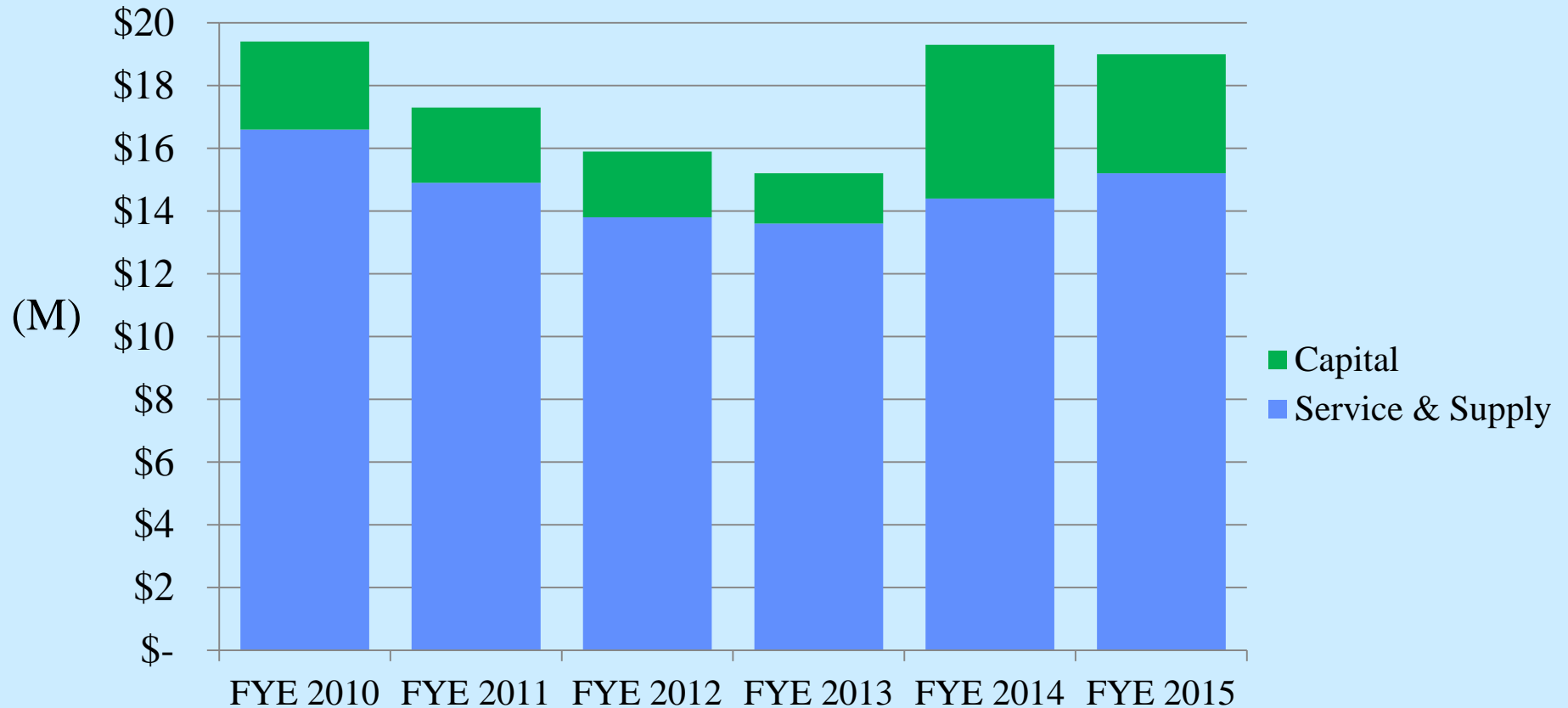


GENERAL FUND EXPENDITURES (FYE 2015 PROPOSED BUDGET)





EXPENSE and CAPITAL

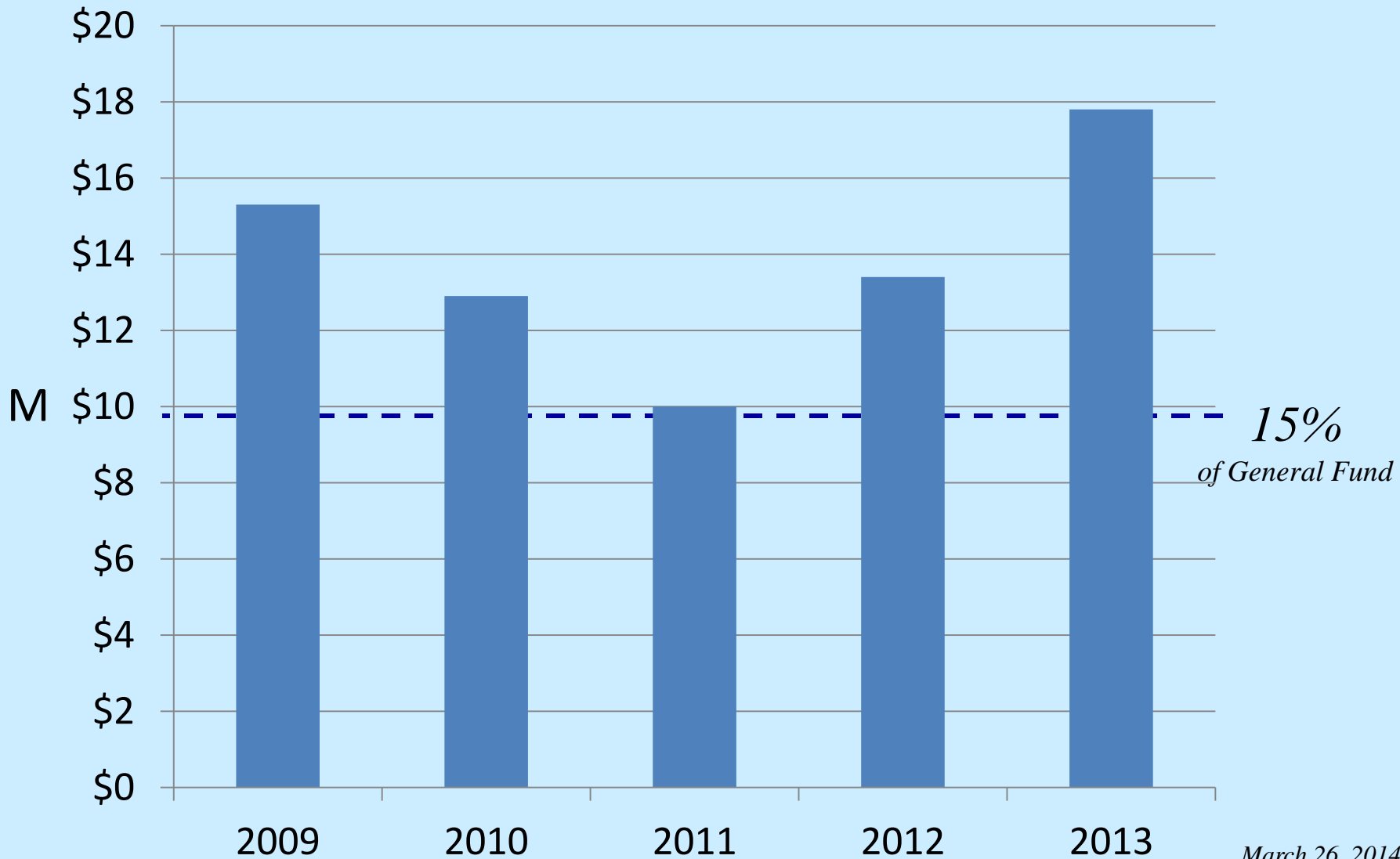


| | <u>FYE 2010</u> | <u>FYE 2011</u> | <u>FYE 2012</u> | <u>FYE 2013</u> | <u>FYE 2014</u> | <u>FYE 2015</u> |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Service & Supply | \$ 16.6 | \$ 14.9 | \$ 13.8 | \$ 13.6 | \$ 14.4 | \$ 15.2 |
| Capital | \$ 2.8 | \$ 2.4 | \$ 2.1 | \$ 1.6 | \$ 4.9 | \$ 3.8 |
| Total | \$ 19.40 | \$ 17.30 | \$ 15.90 | \$ 15.20 | \$ 19.30 | \$ 19.00 |



DISTRICT RESERVE FUNDS

Audited Values





RESERVES DESIGNATED FOR SPECIFIC CAPITAL ITEMS

| | |
|----------------------------------|--------------|
| JD Edwards Software Upgrade | \$ 1,000,000 |
| IT-Desktop Equipment | \$ 500,000 |
| IT-Event Response | \$ 500,000 |
| GHG Monitoring Equipment | \$ 360,900 |
| Meteorological Network Equipment | \$ 417,100 |
| Mobile Monitoring Instruments | \$ 450,000 |



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CURRENT STAFFING LEVELS

| | |
|-------------------|-----|
| Total Authorized | 365 |
| Current Level | 310 |
| Current Vacancies | 55 |



STRATEGIC STAFFING PRINCIPLES

- Ensure mandated programs are supported
- Hire for positions that will enhance operational efficiencies in the future
- Hire to advance policy direction from the Board
- Implement 10-Point Climate Action Work Plan
- Identify shared services efficiencies for upcoming move
- Continually evaluate priorities



STAFFING CONSIDERATIONS

- Reviewed the Agency from the ground up
- Executive Management Input
- Evaluated needs to meet our goals and decided to fill 15 vacancies



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FILLED VACANCIES FOR FYE 2015

| Division | Title |
|--------------------------|-----------------------------------|
| Planning | Rule Development Manager |
| Planning | Senior Advanced Projects Advisor |
| Technical | Administrative Secretary |
| Technical | Air Quality Instrument Specialist |
| Compliance & Enforcement | Air Quality Inspector (5) |
| Compliance & Enforcement | Secretary |
| Administration | Human Resources Analyst |
| Engineering | Air Quality Engineering Manager |
| Engineering | Senior Air Quality Engineer |
| Information Services | Information Services Manager |
| Information Services | Air Quality Instrument Specialist |



CLIMATE PROGRAM STAFFING

- Implementation of the Air District's 10-Point Climate Action Work Plan
- The Air District's ground breaking GHG Fee will be modified in FYE 2015 Budget
 - An increase of 4.6 cents per ton of GHG
- 4 Positions
 - Planning (2)
 - Inspection (1)
 - Technical (1)



BAY AREA
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STAFFING LEVELS IN FYE 2015

| | |
|--------------------------------------|------------|
| Current Filled Positions | 310 |
| Fill Current Vacant Positions | 15 |
| Climate Protection Positions | 4 |
| Total Budgeted Positions | 329 |



FEES

- Third year of Cost Recovery Policy
- Average 6.4% Fee increase in FYE 2015 budget
- Additional GHG Fees to cover new programs
- Strong involvement by Regulated Community



UNFUNDED LIABILITIES

- CalPERS Retirement
 - \$220 M Obligation
 - \$59 M Unfunded

- OPEB Medical
 - \$51 M Obligation
 - \$32 M Unfunded



UNFUNDED LIABILITIES RESPONSE

- CalPERS will increase required contributions from about 12% of salary to about 20% of salary over five years.
- OPEB Medical – District has increased contribution to \$3 M.



SUMMARY

Budget FYE 2015

- Budget balanced
- Current 310 positions increased to 329 in Budget
- Other Post-Employment Benefits (OPEB):
 - Contribution increased to \$3 M