



**BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT**

Proposed Fiscal Year End 2017 Budget

Budget and Finance Committee

March 23, 2016

Jeff McKay

Deputy Air Pollution Control Officer



OUTLINE

- Status of Current Year (Fiscal Year End 2016)
- Overview of Revenue and Expenditure FYE 2017
- Detailed Review of Revenue and Expenditure



PROJECTIONS FOR CURRENT FISCAL YEAR FYE 2016

Out of \$72.5 M Budget

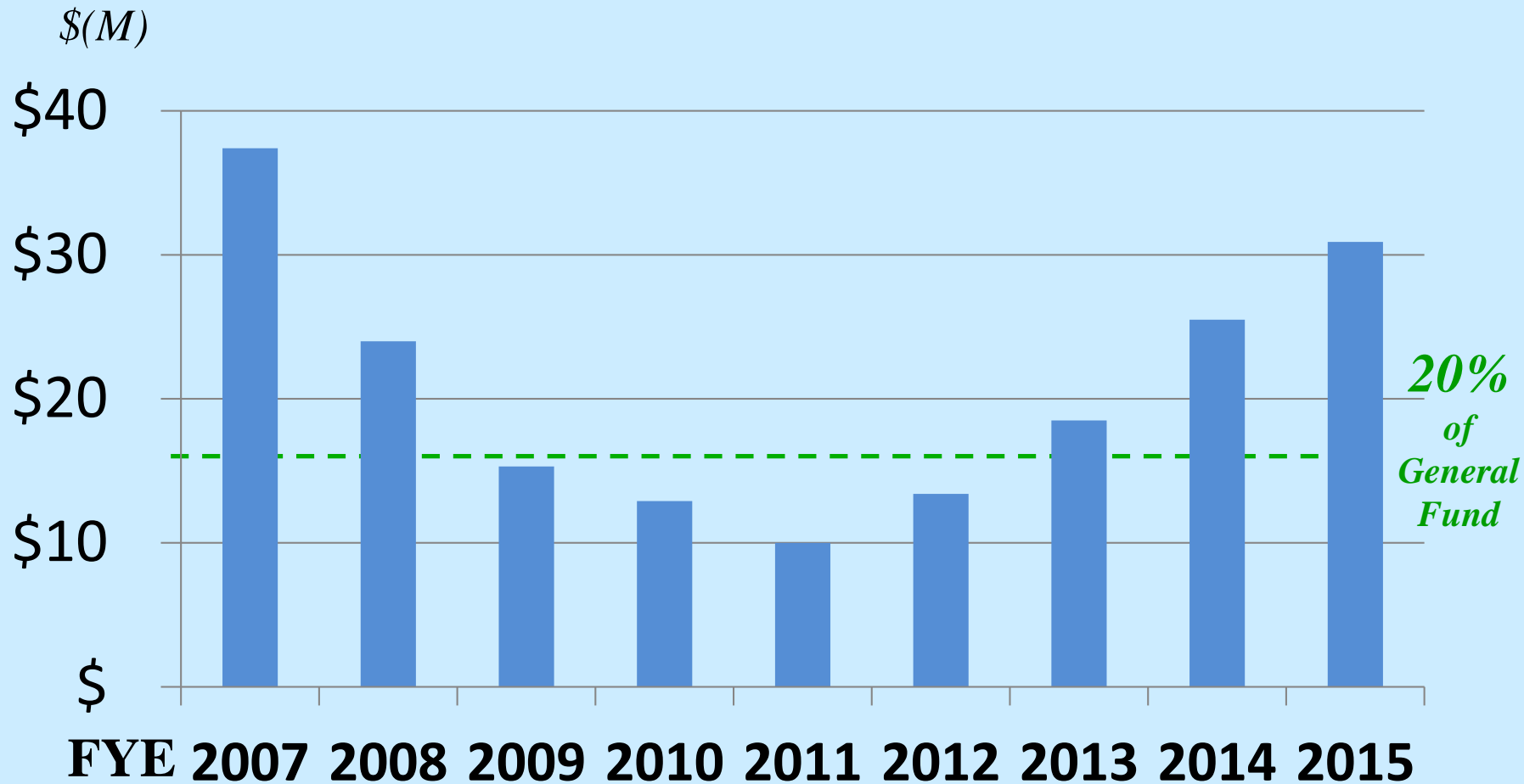
As of March 2016:

- Permit Fee revenue on target
- Property Tax revenue on target
- Expenditures on target



DISTRICT RESERVE FUNDS

Audited Values Excluding Building Proceeds





APPROVED RESERVE TRANSFERS FYE 2016

- During FYE 2016 Board Approved Transfers:
 - \$1.3 M for Information Technology & Lab Equipment
 - \$3 M for Wood Smoke Program
 - \$3 M for Parking Infrastructure
 - \$1.4 M for IT Technology Infrastructure
 - \$200 K for Wood Smoke Outreach



OVERVIEW

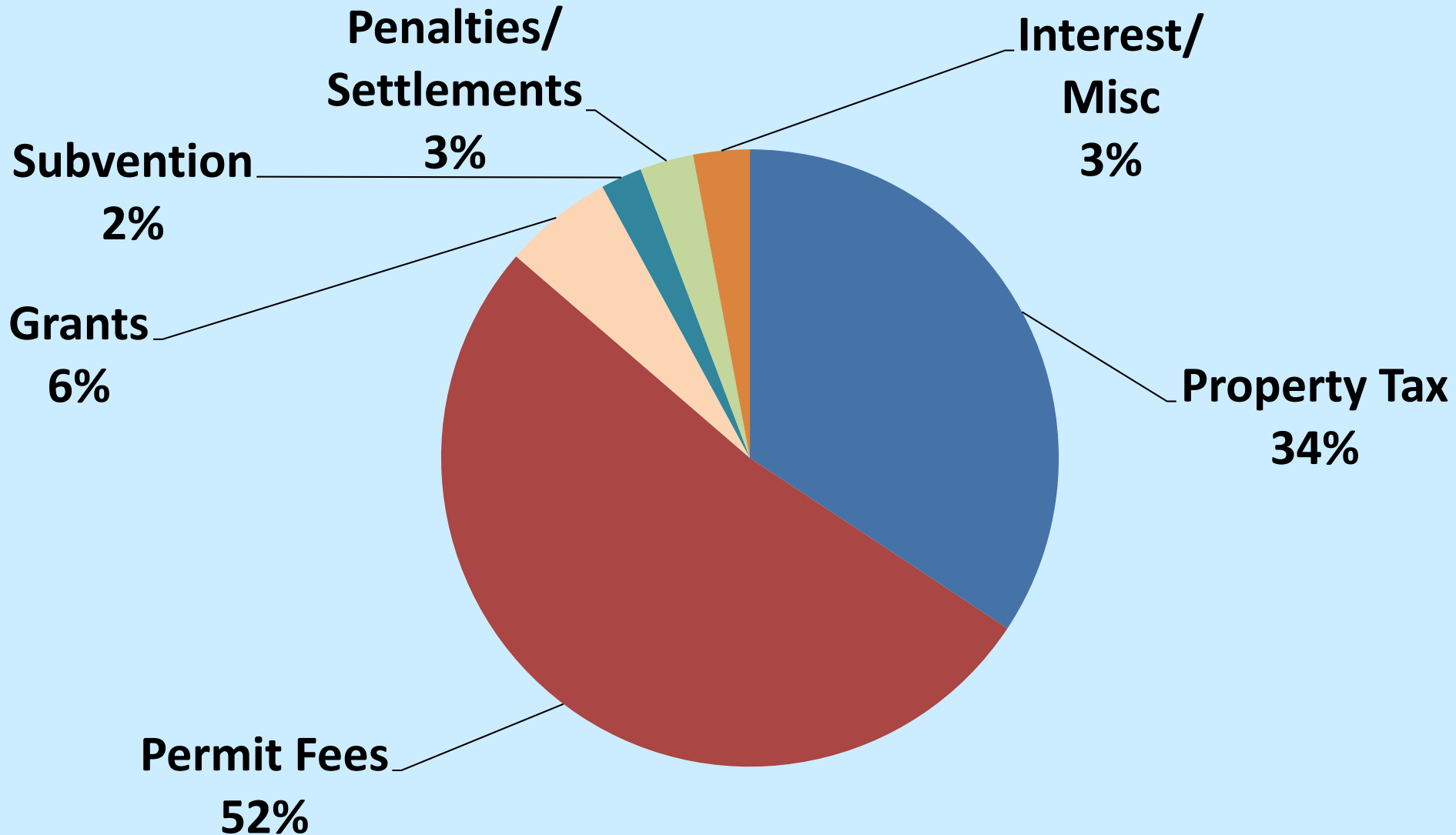
Proposed Budget for FYE 2017

- \$ 78.4 M General Fund Budget
- Incorporates Cost Recovery Policy
- 375 Beale Cost Commitments
- Hire Staff: From 334 to 345 filled positions
- Addresses Retirement Liabilities
- Includes 2.2% COLA
- Use of Reserves for Capital Equipment



GENERAL FUND REVENUE SOURCES

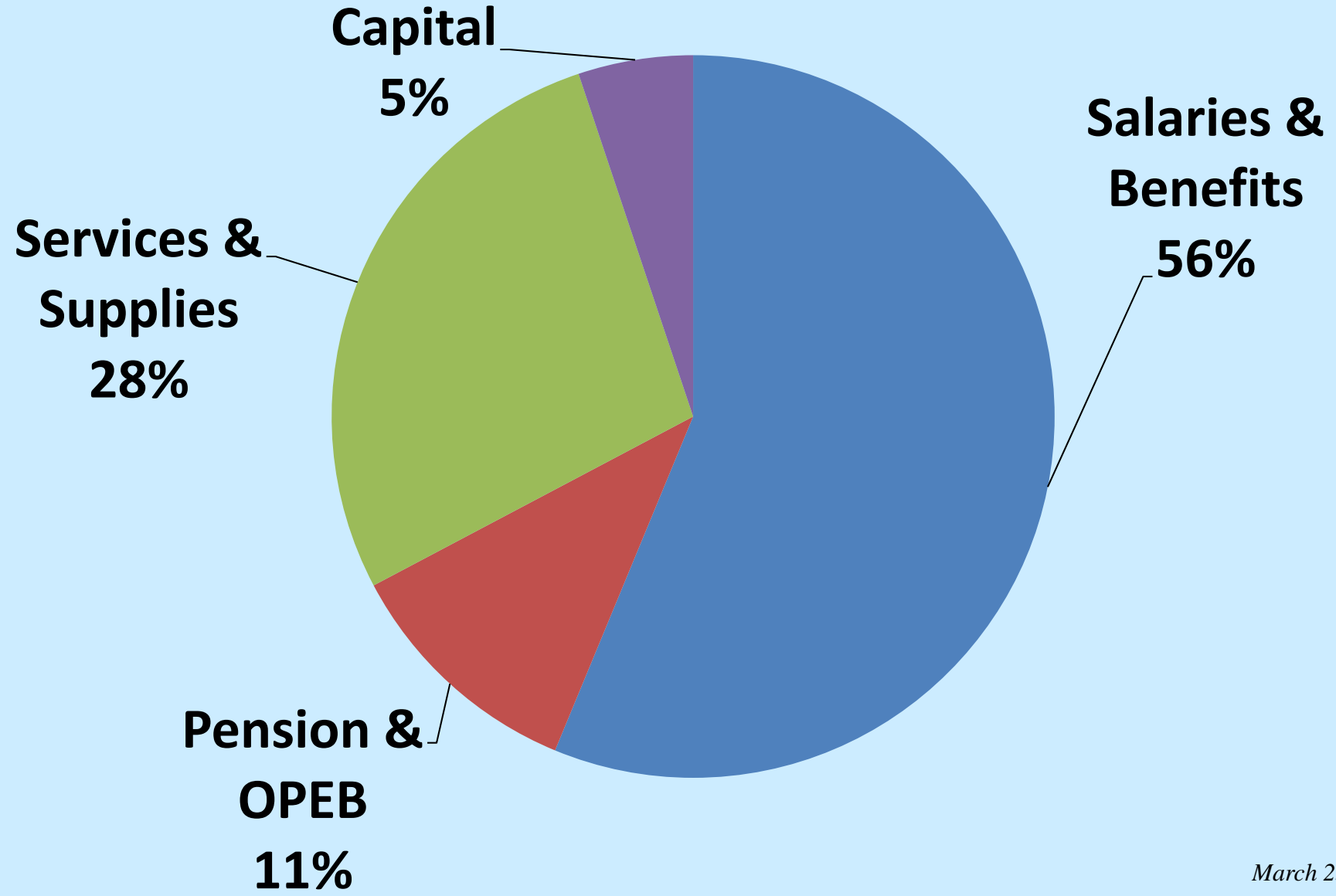
(FYE 2017 Proposed Budget)





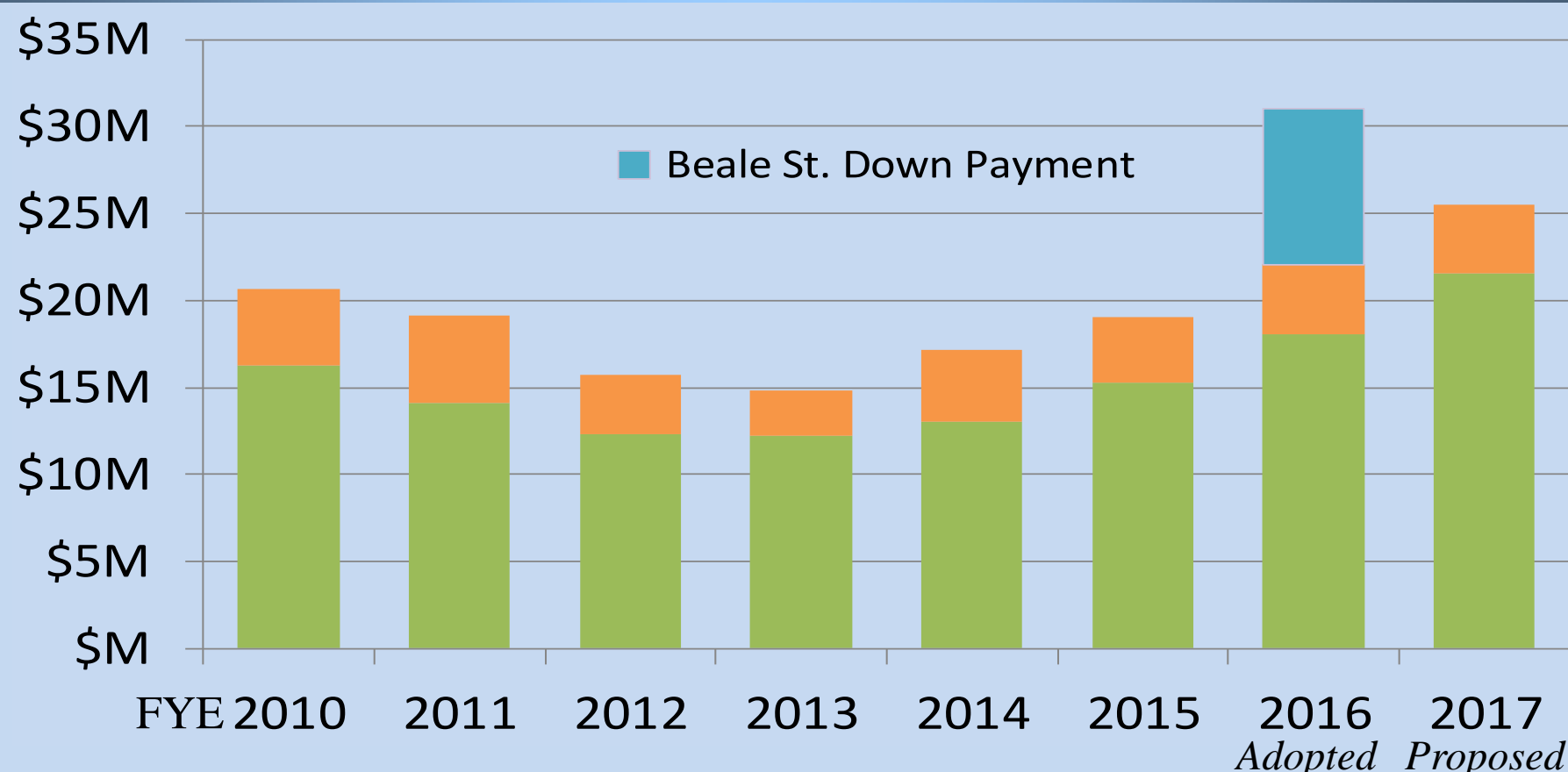
GENERAL FUND EXPENDITURES

(FYE 2017 Proposed Budget)





SERVICES & SUPPLIES and CAPITAL



Beale St.							\$9.0	
Capital	\$4.5	\$5.0	\$3.4	\$2.6	\$4.2	\$3.8	\$4.0	\$4.0
Svs & Supplies	\$16.2	\$14.1	\$12.3	\$12.3	\$13.0	\$15.3	\$18.1	\$21.5
Total	\$20.7	\$19.1	\$15.7	\$14.8	\$17.2	\$19.0	\$31.1	\$25.5



FYE 2017 PROPOSED FEES

- Fifth year of Cost Recovery Policy
 - Average 6.2% Fee increase in FYE 2017 budget
 - Two new Fee Schedules
 - Strong involvement by Regulated Community



FYE 2017 FTE STAFFING LEVEL

FYE 2016 Budgeted Positions	334
FYE 2017 Recommended Positions	11
Total Budgeted Positions	345



ADDITIONAL STAFFING

- 11 Positions
 - Enforcement (3)
 - Meteorology (4)
 - Community Engagement (1)
 - Information Technology (1)
 - Legal (1)
 - Administration (1)



FYE 2017 FUND BALANCE SUMMARY

FUND BALANCES	6/30/2015 Audited	6/30/2016 Projected	6/30/2017 Projected
Reserve for Capital Equipment Contingency	\$1,000,000	\$1,360,000	\$860,000
Reserve for Economic Contingency	\$10,114,309	\$15,159,959	\$15,754,025
Reserve for IT-Desktop Equipment	\$500,000		
Reserve for IT- Event Response	\$500,000	\$500,000	\$500,000
Reserve for Parking Infrastructure		\$500,000	\$500,000
Reserve for Pension & Post Employment Liability	\$1,800,000	\$1,600,000	\$800,000
Reserve for Tech- Meterological Network Equipment	\$417,100	\$417,100	\$417,100
Reserve for Tech- Mobile Monitoring Instruments	\$450,000	\$450,000	\$450,000
Reserve for GHG Abatement Technology Study		\$1,500,000	\$1,500,000
Reserve for Worker's Comp Self -Funding	\$1,000,000	\$1,000,000	\$1,000,000
	\$15,781,409	\$22,487,059	\$21,781,125
Use of Fund Balance		(\$8,416,825)	(\$705,934)
Undesignated Fund Balance	\$15,122,475	\$8,416,825	\$705,934
TOTAL SPECIAL RESERVES	\$30,903,884	\$22,487,059	\$21,781,125
Building Proceeds	\$14,168,200	\$5,168,200	\$5,168,200
TOTAL BUILDING PROCEEDS	\$14,168,200	\$5,168,200	\$5,168,200
TOTAL FUND BALANCE	\$45,072,084	\$27,655,259	\$26,949,325



FYE 2017 USE OF FUND BALANCE

LAB AND MONITORING EQUIPMENT **\$ 705,934**

- Five (5) Toxic Samplers
- Five (5) Calibrators
- Two (2) Carbon Monoxide Analysers
- Two (2) BTEX Analysers
- Four (4) Source Test Analysers
- One (1) Particulate Testing Van
- Two (2) Photometric Ozone Calibrators
- One (1) Performance Evaluation Vehicle
- Three (3) TVA 2020 FID, enhance probe & water filter



FUND BALANCE POLICY

- Fund Balance Policy: 20% of General Fund Expenditures
 - FYE 2017 Budget of \$78M => \$16M (minimum)
 - 2017 Projected Fund Balance = \$26.4M
(including remaining Building Sale proceeds)



UNFUNDED LIABILITIES

➤ CalPERS Retirement (6/30/14 Valuation)

- \$256 M Obligation – 81% Funded
- \$48 M Unfunded

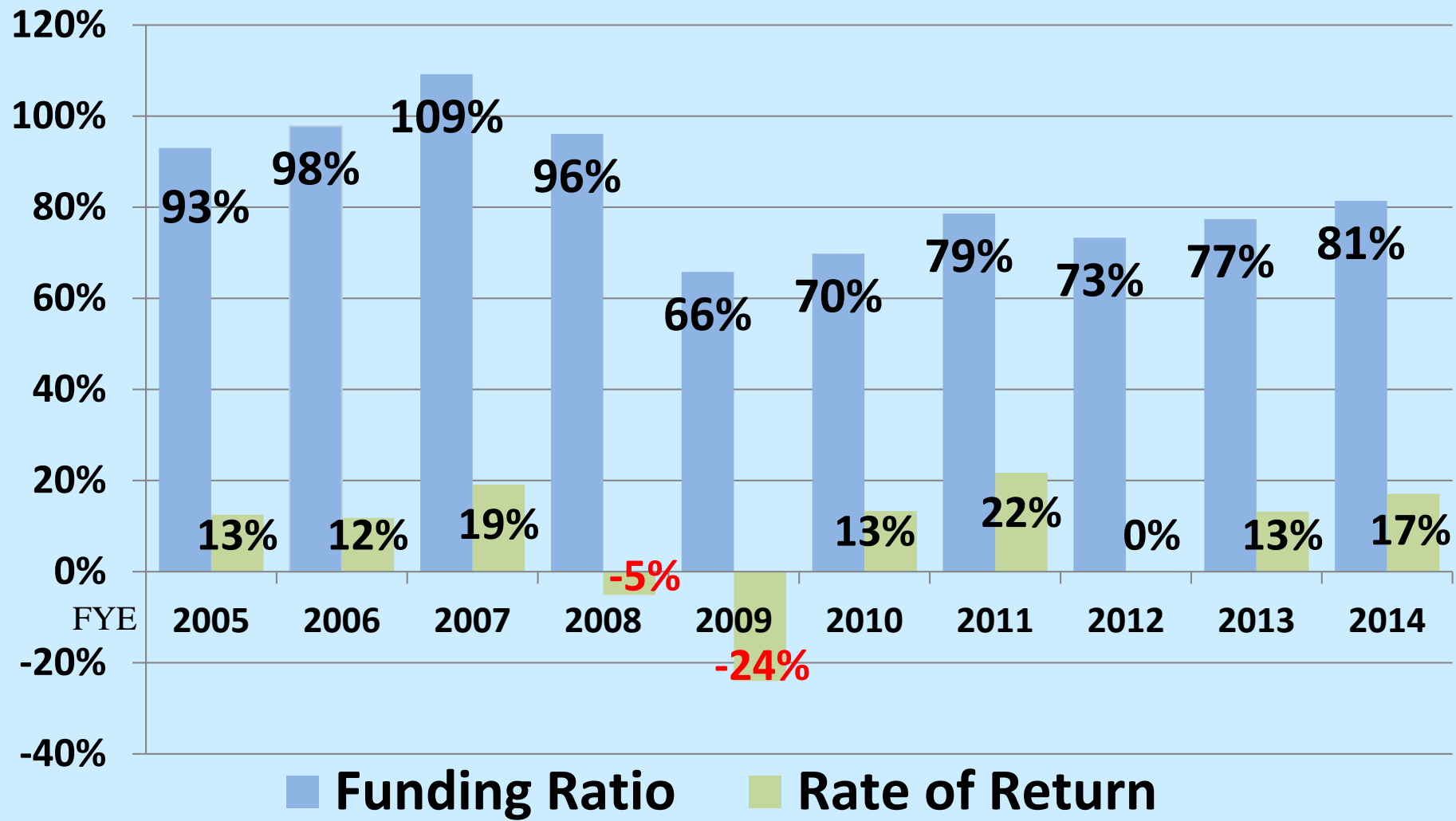
➤ OPEB Medical (6/30/15 Valuation)

- \$62 M Obligation – 47% Funded
- \$33 M Unfunded



UNFUNDED LIABILITIES

CalPERS Funding Ratio vs. Rate of Return





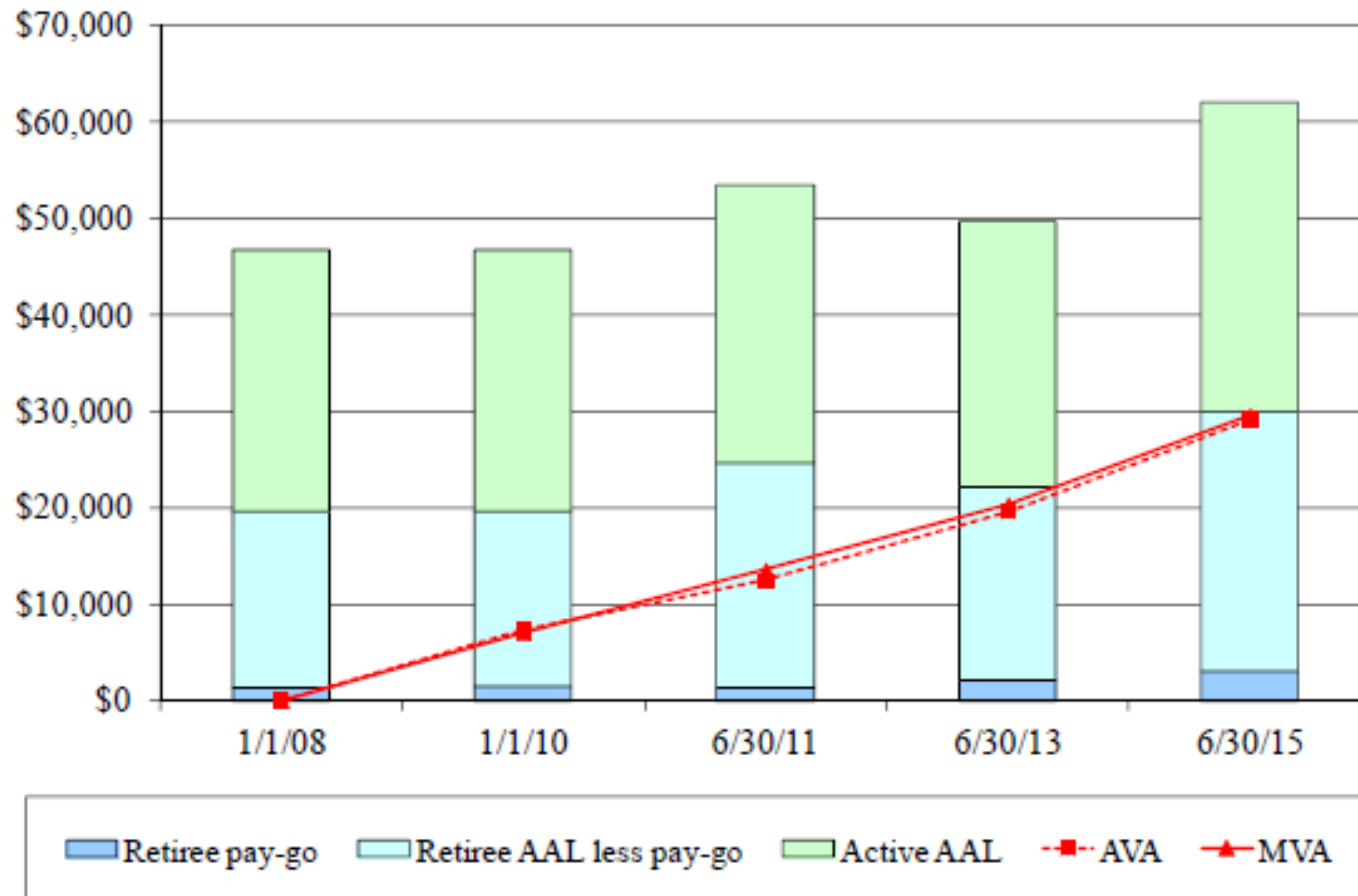
UNFUNDED LIABILITIES RESPONSE for CalPERS PENSION

- CalPERS contributions will increase from about 17% of salary to 21% of salary over five years.
- Required contribution FYE 2017 = \$6 M
- Proposed FYE2017 Prefund = \$280,000:
105% of required contribution = \$6.3 M



RETIREMENT MEDICAL OPEB LIABILITY

Historical Funded Status
(000's Omitted)





UNFUNDED LIABILITIES

RESPONSE for OPEB

- Unfunded Liability = \$33M
- Propose continuation of prefund amount = \$3M
- Adopted Policy: 90% minimum target funded level



OFFICE BUILDING OBLIGATIONS

- 375 Beale projected Move-in date: May 2016
 - Contribution of \$9M; reducing obligation
 - Monthly Mortgage Payment (COP) is \$100,000

- 939 Ellis Street monthly lease of \$114,906
 - Ellis lease ends June 29, 2016



SUMMARY

Budget FYE 2017

- Budget balanced
- Reserve drawdown of \$706K
- Budgeted positions increased to 345
- Other Post-Employment Benefits (OPEB):
 - Contribution remains at \$3 M
 - 90% Funding Target
- Additional CalPERS contribution (\$280 K)



BAY AREA
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DISTRICT

Proposed Amendments to Regulation 3, Fees

Jaime Williams
Director of Engineering

Budget & Finance Committee
March 23, 2016

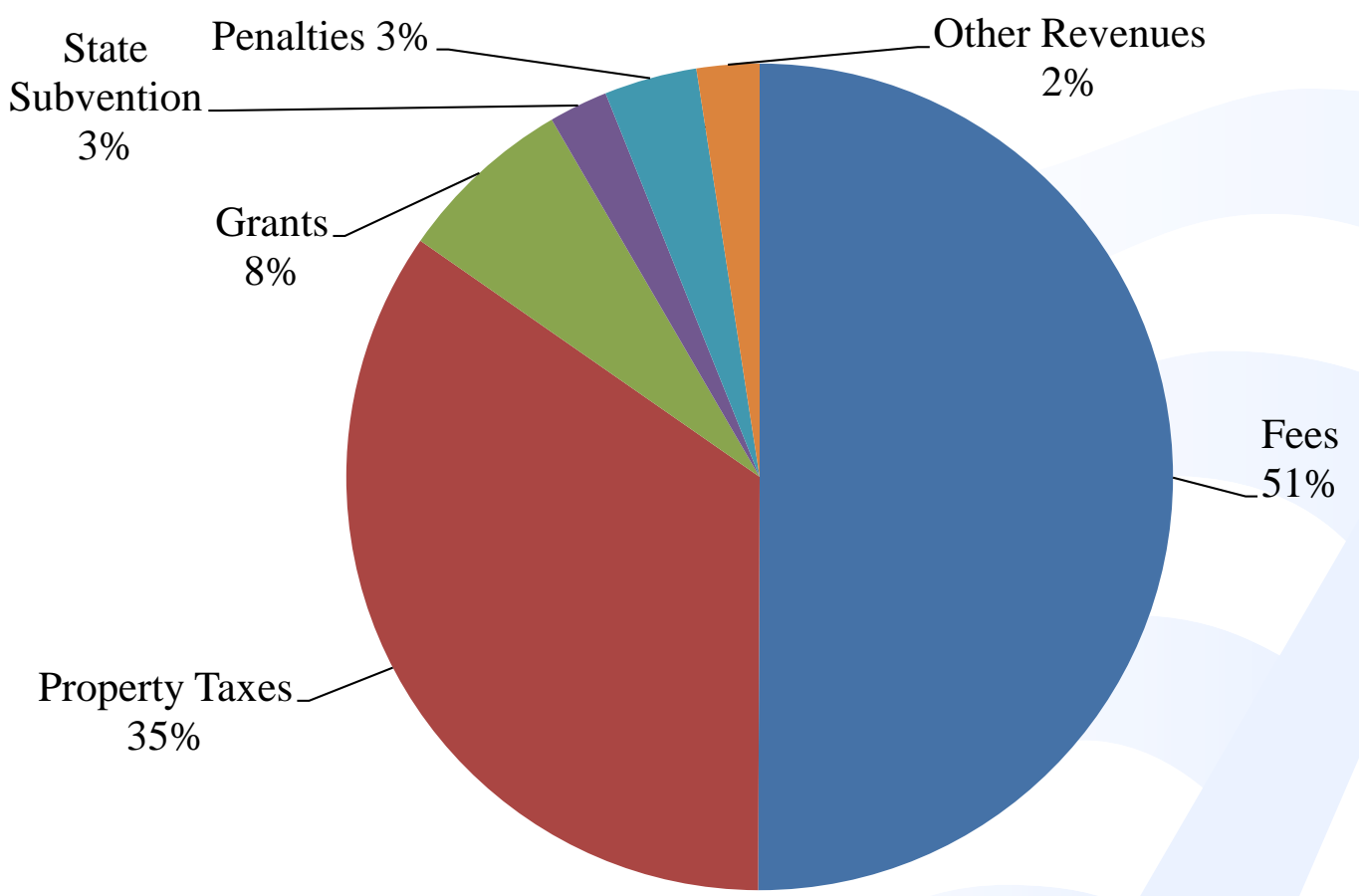


Presentation Outline

1. Cost Recovery Background
2. Draft Fee Amendments
3. Public Comments Received
4. Rule Development Schedule



Revenue Sources - FYE 2015





Cost Recovery Policy

- Fully recover costs of regulatory program activities
- Sets goal of increasing cost recovery to 85% over four years FYE 2013 through FYE 2016
- Fee amendments will be based on cost recovery analyses at the fee schedule-level
- District will implement feasible cost containment measures



Trends in Cost Recovery

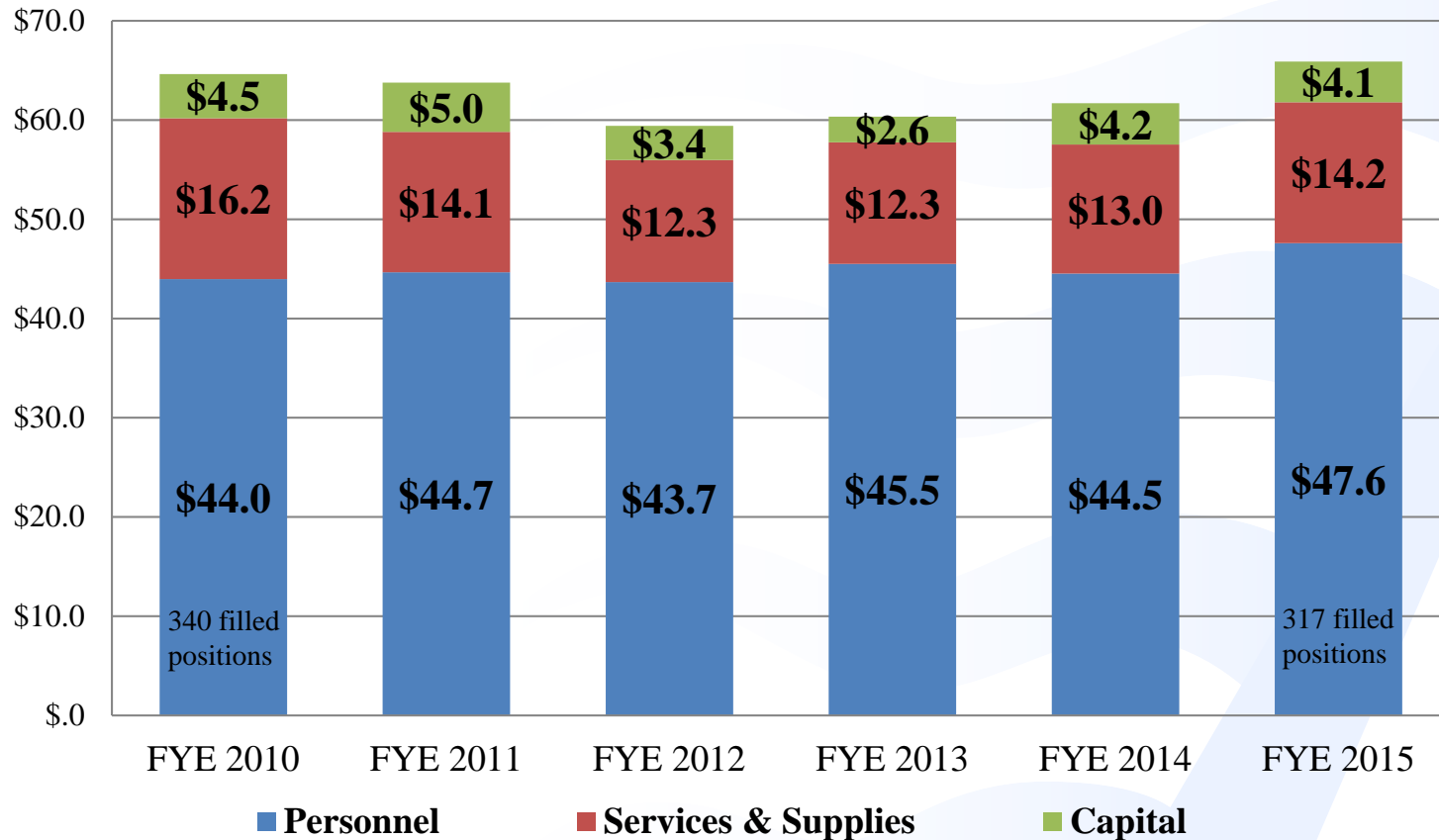
➤ Fee revenue falls short of overall full cost recovery

- FYE 2010: Cost recovery = 64%
- FYE 2011: Cost recovery = 65%
- FYE 2012: Cost recovery = 75%
- FYE 2013: Cost recovery = 80%
- FYE 2014: Cost recovery = 80%
- FYE 2015: Cost recovery = 83%
- *FYE 2016: Cost recovery = 76% Projected*

➤ Cost recovery gap is filled by county tax revenue

Trends in Cost Containment

Audited General Fund Expenditures (millions)



Proposed Changes to Fee Schedules

Revenue from Fee Schedule	Change in Fees	Fee Schedules
Exceeds 95% of costs	2.2% increase (CPI-W)*	B, C, G-5, L, M, N, Q, U
85 – 95% of costs	7% increase	T
75 – 84% of costs	8% increase	F, G-3, P
Less than 75% of costs	9% increase	A, D, E, G-1, G-2, G-4, H, I, K, R, S, V

* The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increased 2.2% from 2014 to 2015





Proposed Changes to Fee Schedules

➤ Fee Schedules with 2.2% increase

- Schedule B: Combustion of Fuel
- Schedule C: Stationary Containers for the Storage of Organic Liquids
- Schedule G-5: Petroleum Refinery Flares
- Schedule L: Asbestos Operations
- 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



Proposed Changes to Fee Schedules

➤ Fee Schedules with 7% increase

- Schedule T: Greenhouse Gas Fees

➤ Fee Schedules with 8% increase

- Schedule F: Misc. Sources (storage silos, abrasive blasting)
- Schedule G-3: Misc. Sources (metal melting, cracking units)
- Schedule P: Major Facility Review Fees

Proposed Changes to Fee Schedules

➤ Fee Schedules with 9% increase

- Schedule A: Hearing Board Fees
- Schedule D: Gasoline Transfer at Gasoline Dispensing Facilities, Bulk Plants & Terminals
- Schedule E: Solvent Evaporating Sources
- Schedule G-1: Misc. Sources (glass manufacturing, soil remediation)
- Schedule G-2: Misc. Sources (asphaltic concrete, furnaces)
- Schedule G-4: Misc. Sources (cement kilns, sulfur removal & coking units, acid manufacturing)
- Schedule H: Semiconductor and Related Operations
- Schedule I: Dry Cleaners
- Schedule K: Solid Waste Disposal Sites
- Schedule R: Equipment Registration Fees
- Schedule S: Naturally Occurring Asbestos Operations
- Schedule V: Open Burning

Petroleum Refining Emissions Tracking Fees – Schedule W

Proposed Schedule W

- Would apply to the five Bay Area refineries
- To help recover the District's costs associated with proposed Regulation 12, Rule 15
- Emissions inventory and Crude slate report submittals
 - \$60,000 initially, \$30,000 annually thereafter
- Air monitoring plans
 - \$7,500 initially

Schedule W – Costs & Fees

- Applies to five refineries subject to proposed Rule 12-15
- Costs include the detailed review by senior engineering and technical staff and approval by management of each refinery's:
 - Source emissions inventory (criteria & toxic pollutants)
 - Crude slate reports
 - Air monitoring plans
- The fees proposed should help recover these costs.

Major Facility Community Air Monitoring Fees

New Schedule X

- Applies to major facilities emitting > 35 TPY criteria pollutants within the vicinity of District proposed community air monitor locations.
- To help recover the District's costs of the community air monitoring program.
- To start, the District is proposing community air monitor locations within the vicinities of each of the refineries.
- The fee is \$60.61 per ton of organic compounds, sulfur oxides, NO_x, CO, and/or PM₁₀.

Schedule X – Costs & Fees

- Annualized cost of \$1.5 million based on Rule 12-15 socioeconomic report's installed cost estimate for five monitors.
- Each major facility's Schedule X fee is calculated by emissions weighting the cost and applying the 15% state limit on annual permit fee increases.
- Only major facilities located in the areas within the vicinities of District proposed community air monitor locations would be subject to the Schedule X fees.
- The major facilities within the vicinities of each of the refineries will be charged fees that will recover about \$1 million.

Other Proposed Amendments

Section 3-302.3: Fees for Abatement Devices

- Applications for an abatement device where there is no other modification to the source currently pays a fee based on the source being abated.
- A maximum cap of \$10,000 is proposed for these applications.

Section 3-304: Alterations

- For alteration applications, gasoline dispensing facilities will pay 1.75 times the filing fee (approximately \$800 total).

Other Proposed Amendments (cont'd)

Schedule T: Greenhouse Gas Fees

- Update the Global Warming Potential Values per the IPCC 5th Assessment Report
- Add several GHG compounds from ARB's most recent list of GHGs and that we currently track

Impact on Large Facilities: Petroleum Refineries

	Annual % Permit Fee Increase (Fiscal Year Ending)					Current Permit Fee (in millions)
	2014	2015	2016	2017 Projected Without Schedule X	2017 Projected With Schedule X	
Chevron	3.4	12.1	9.3	7.2	14.7	\$2.90
Shell	1.2	12.4	5.8	7.6	15.0	\$2.51
Phillips 66	1.2	9.3	3.4	10.1	15.0	\$1.34
Valero	7.2	8.4	11.9	9.4	15.0	\$1.38
Tesoro	5.5	13.0	21.7	7.9	15.0	\$1.76

Impact on Large Facilities: Power Plants

	Annual % Fee Increase (Fiscal Year Ending)					Current Permit to Operate Fee
	2013	2014	2015	2016	2017 Projected	
Delta Energy	4.3	13.5	16.9	12.6	4.8	\$ 411,400
Los Medanos	-0.4	11.3	15.0	15.0	4.8	\$ 302,400
Gateway	-0.5	3.3	15.0	19.8	4.5	\$ 246,400
Crockett Cogen	1.6	2.1	15.0	11.5	11.1	\$ 196,800

Impact on Small Businesses

➤ Proposed FYE 2017 fee increases:

Facility Type	Facility Description	Fee Increase	Total Fee
Gas Station	10 multi-product gasoline nozzles	\$272	\$3,402
Dry Cleaner (permitted)	One machine: 1,400 lb/yr Perc emissions	\$42	\$627
Dry Cleaner (registered)	One machine: 800 lb/yr VOC emissions	\$17	\$206
Auto Body Shop	One spray booth: 400 gal/yr paint	\$42	\$576
Back-up Generator	One 365 hp engine	\$7	\$330



Public Comments

- Feb. 18, 2016 Public workshop
 - Three attendees plus webcast audience
- Comments received to date (CCEEB, WSPA, Chevron Richmond Refinery)
 - Extend the comment period
 - Fees for Schedule W seem high
 - Request for Community Air Monitoring Program details
 - Requests for more information on cost estimates for Schedule W and Schedule X
 - Requests for more information on budget and cost containment



Rule Development Schedule

- **February 18, 2016**
 - Public workshop
- **March 16, 2016**
 - Written comments due
- **March 23, 2016**
 - Budget & Finance Committee briefing
- **April 20, 2016**
 - Board of Directors first public hearing to receive testimony only
- **June 1, 2016**
 - Board of Directors second public hearing to consider adoption
- **July 1, 2016**
 - Proposed effective date of fee amendments