

AGENDA: 9D

Recommendation of Candidate Communities for the Assembly Bill (AB) 617 Program

Board of Directors Meeting – April 18, 2018
Greg Nudd
Deputy Air Pollution Control Officer



AB 617 - A New Approach to Community Health Protection

- Originated in negotiations on extension of Cap & Trade program (AB 398)
- Responds to concerns with continued high levels of air pollution in local communities
- Directly addresses toxics and criteria pollutants in the most impacted communities



AB 617

Program Components

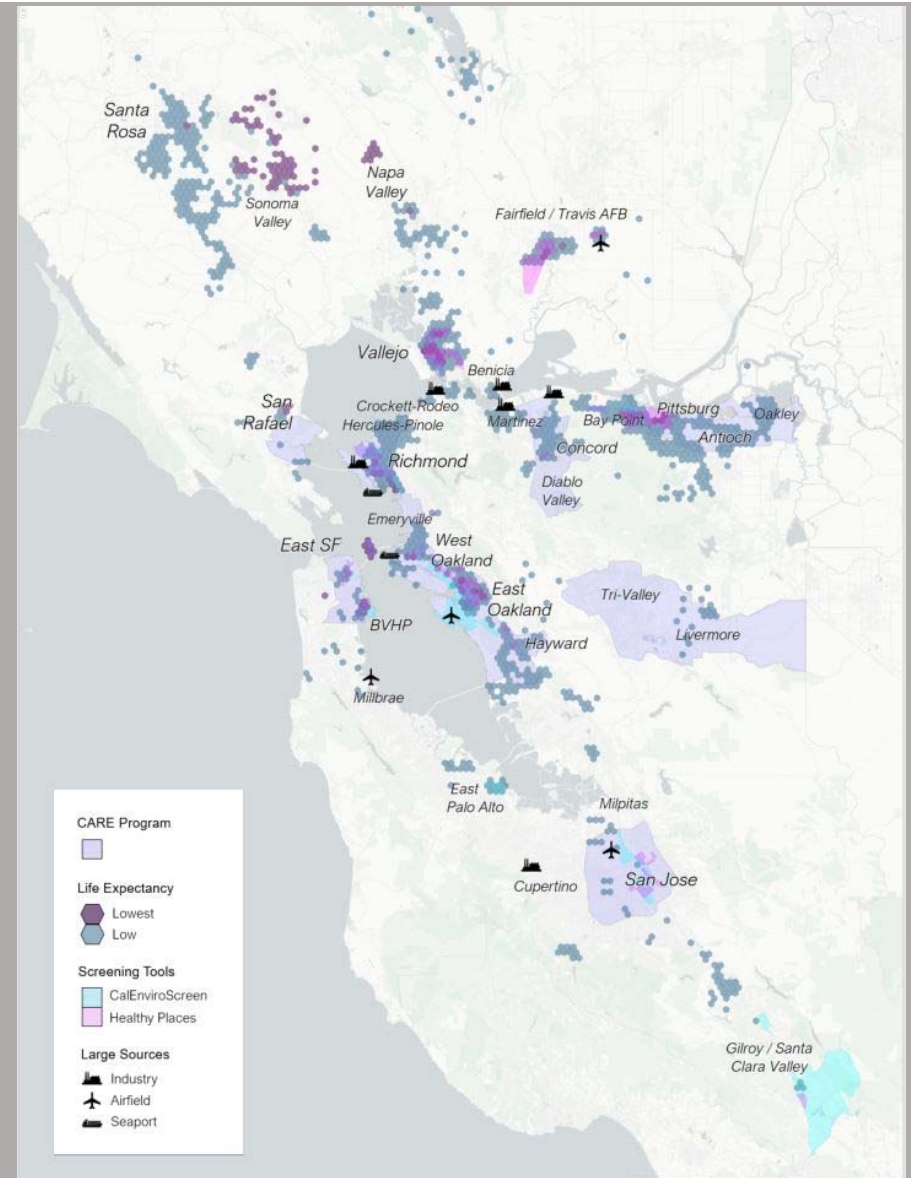
- Community selection
- Community monitoring
- Emission reduction action plans
- Incentives
- Build community capacity
- Updated emissions inventory
- Best Available Retrofit Control Technology



We are here!

All Candidate Communities

- CARE Areas
- Areas with large sources
- Areas with health vulnerability and pollution impacts
- Areas with low life expectancy



Work with Communities to Select Priority Areas

- **March**

- March 28: San Leandro (incl. Hayward, East Oakland)

- **April**

- April 24: Vallejo (incl. Benicia, Crocket, Fairfield)

- April 25: Pittsburg (incl. Bay Point, Antioch, Brentwood, Oakley, Bethel Island)

- April 30: Pleasant Hill (incl. Martinez, Clyde, Concord, Pacheco, Walnut Creek)

- **May**

- May 10: Tri Valley (Livermore, Pleasanton, Dublin, San Ramon)

- May 16: San Pablo (incl. Richmond, North Richmond, Pinole Hercules, Rodeo)

- May 21: San Jose (incl. Alviso, Redwood City, East Palo Alto, Cupertino, Milpitas, Fremont, Gilroy)

- May 24: Fairfield (incl. Napa and surrounding area)

- **June**

- Santa Rosa (incl. Canal District, San Geronimo Valley)

- Oakland (incl. Alameda, Albany, Berkeley, Emeryville)

- San Francisco (incl. South San Francisco and Marin)

Program Milestones

March 2018

- Begin community meetings

April 30, 2018

- Air districts submits candidate community areas, i.e. all high cumulative exposure burden areas, to State

July 31, 2018

- Final recommendation to State on Year 1, Year 2-5, Years 6+ communities

October 1, 2018

- State selects Year 1 communities

Fall 2019

- State selects additional communities (and annually thereafter)

Overview of Cost Recovery and Containment Study

**Board of Directors Meeting
April 18, 2018**

**Jack P. Broadbent
Executive Officer/APCO**



**BAY AREA AIR QUALITY
MANAGEMENT DISTRICT**

A HEALTHY BREATHING ENVIRONMENT FOR EVERY BAY AREA RESIDENT

matrix #
consulting group

Firm Overview

- ◆ We are in our 14th year providing financial and management analytical services to local government.
- ◆ We have five offices nationwide, with our headquarters in Mountain View, CA.
- ◆ The key staff proposed for this project include:
 - Courtney Ramos, Project Manager and the leader of our Financial Services practice; and
 - Khushboo Hussain, Lead Analyst with experience in both Financial Services and Management studies.

Scope of Services

- ◆ Cost Allocation Study
 - Identify and review existing indirect support centers
 - Ensure compliance with cost principle standards (OMB 2 CFR Part 225)
- ◆ Cost Recovery Study
 - Calculate the total direct and indirect cost associated with services
 - Ensure compliance with local and state laws
- ◆ Provide staff with the knowledge and tools to update annually.

Methodology

- ◆ Categorized Programs
 - Ensured proper direct / indirect designations & allocation basis
- ◆ Reviewed General & Permit General Bill Codes
- ◆ Evaluated Cost Containment
 - Reviewed previous study
 - Gauged implementation progress of past recommendations
- ◆ Assessed and Developed Cost Recovery Database
- ◆ Conducted Issues Analysis

Recommendations (1)

◆ Cost Allocation

- Update allocation metrics to better reflect indirect services provided

◆ Bill Codes

- Better define bill code activities
- Develop new bill code for non-recoverable activities (i.e., Green Business Program, Incident Response for non-permitted source)
- Periodically audit time coded to General and Permit General

Recommendations (2)

◆ Cost Recovery

- Update and educate staff on how to code time more directly to activities
- Review and update cost recovery fee increase brackets

◆ New Production System

- Utilize metrics and data gathered to create future enhancements and benchmarks
- Encourage online submissions

Excel-Based Model

- ◆ Indirect Cost Allocation

- Complies with OMB and GAAP guidelines
- Incorporates allocation metric changes

- ◆ Cost Recovery Calculations

- Utilizes same data as the cost allocation model
- Incorporates results from cost allocation model

- ◆ Projections

- Account for projected changes in expenditures, salaries, and / or personnel.

Cost Recovery

◆ Verified Overall Percentages

- Used FY16/17 time keeping and workload data to assess fee-related costs and recovery levels
- Current cost recovery is at 83%, with an annual subsidy of \$8.9 million from property taxes

◆ Cost Recovery Levels and Fee Updates

- Reviewed current fee increase percentages
- Provided guidance on how to address fees that are significantly under-recovering, or that are above 100% cost recovery

Cost Containment

- ◆ Newly implemented cost containment and efficiency strategies
 - Timekeeping guidance / review, greater field capabilities, workload tracking, public education, online submittals and permit status
 - 70% of the District's facilities are in the new system
 - Roughly 90% of the recommendations made from the previous study have been implemented
- ◆ Future cost containment
 - Utilize the data gathered in the system to develop benchmarks

Questions and Comments



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 12

Public Hearing to Receive Testimony on Proposed Amendments to the Air District Regulation 3: Fees

**Board of Directors Meeting
April 18, 2018**

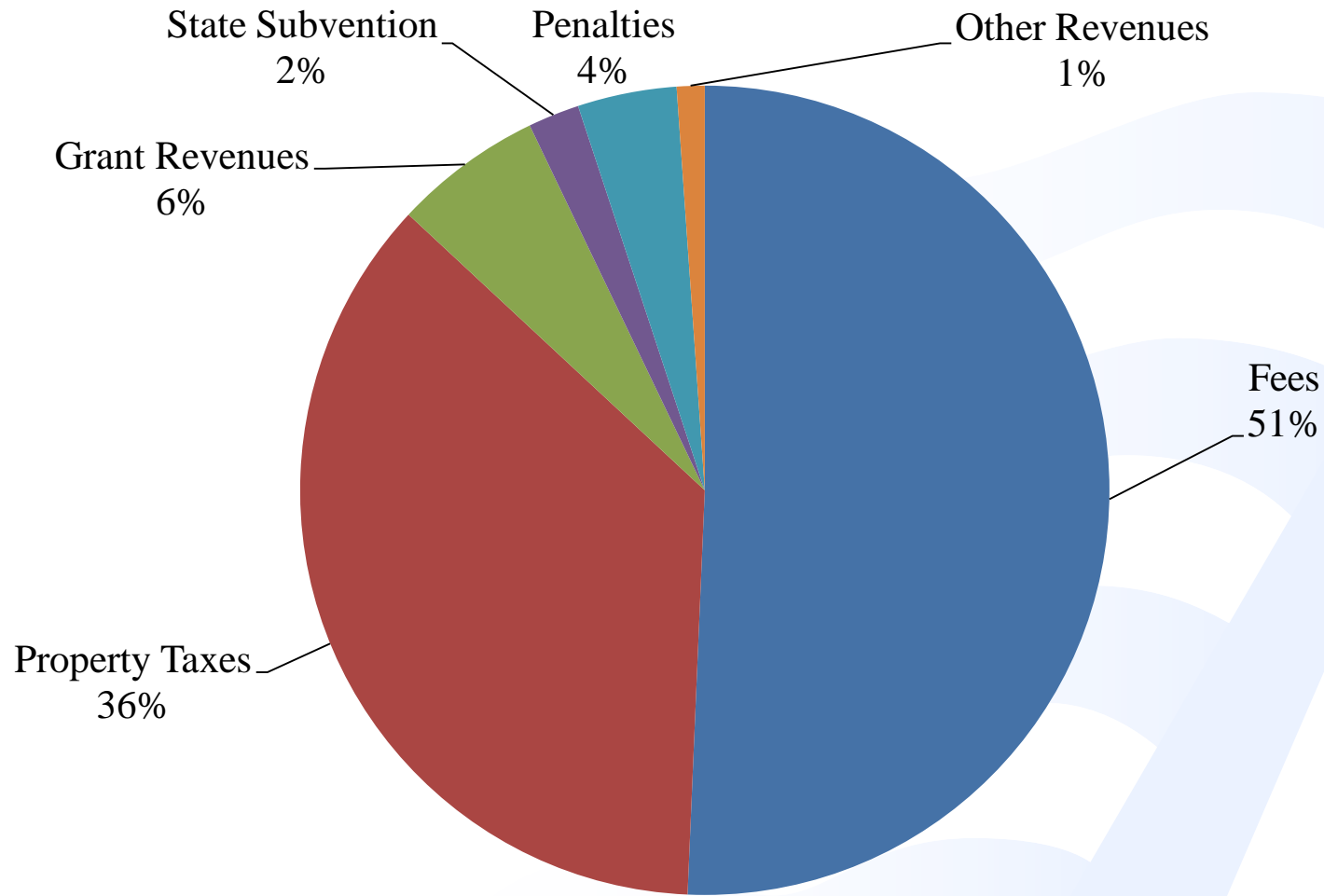
Jeff McKay
Deputy Air Pollution Control Officer



Presentation Outline

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

Revenue Sources – Fiscal Year Ending (FYE) 2017





Cost Recovery Background

- Air District has authority to assess fees to recover the reasonable costs of regulating stationary sources
- General policy to fully recover costs of regulatory program activities
- Set policy in 2012 of increasing cost recovery to 85%
- Fee amendments will be made in consideration of cost recovery analyses conducted at the fee schedule-level
- District will implement feasible cost containment measures



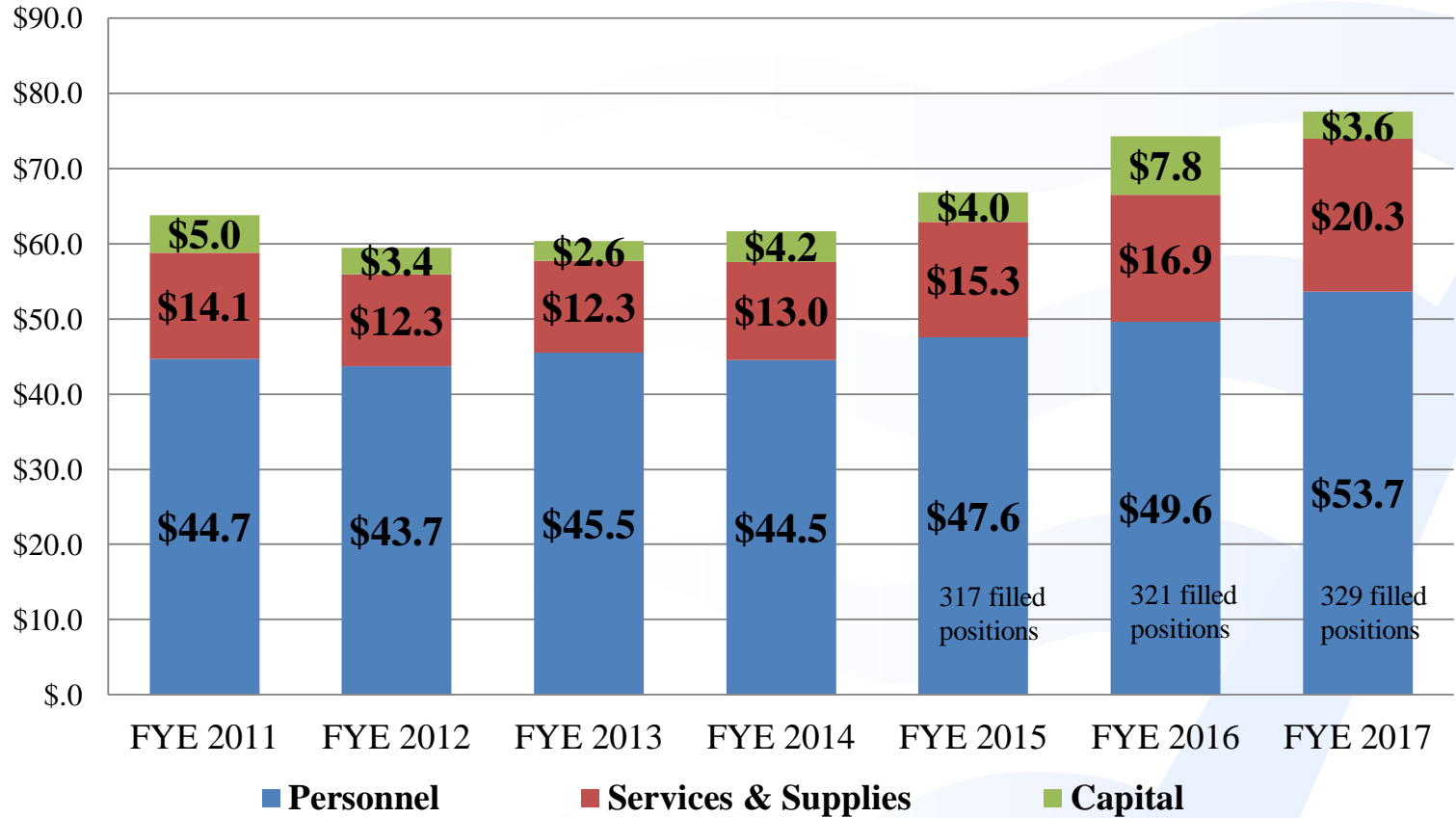
Trends in Cost Recovery

- Fee revenue falls short of overall full cost recovery
 - FYE 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 = 82%
 - FYE 2017: Cost recovery = 83%

- Cost recovery gap is filled by county tax revenue

Trends in Expenditures

Audited General Fund Expenditures (millions)





Proposed Changes to Fee Schedules

Revenue from Fee Schedule	Change in Fees	Fee Schedules
95 – 110% of costs	3.1% increase** (CPI-W*)	B, M, S, V
85 – 94% of costs	7% increase	F, G3, P, T
75 – 84% of costs	8% increase	D
50 - 74% of costs	9% increase	E, G1, H
Less than 50% of costs	15% increase**	A, G2, G4, I, K, R

* The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increase from 2016 to 2017.

** 2018 Matrix Consulting Group Cost Recovery & Containment Study recommendations.



Proposed Changes to Fee Schedules

➤ Fee Schedules with 3.1% increase

- Schedule B: Combustion of Fuels
- Schedule M: Major Stationary Source Fees
- Schedule S: Naturally Occurring Asbestos Operations
- Schedule V: Open Burning

➤ Fee Schedules with 7% increase

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



Proposed Changes to Fee Schedules

➤ Fee Schedules with 8% increase

- Schedule D: Gasoline Transfer at Gasoline Dispensing Facilities, Bulk Plants & Terminals

➤ Fee Schedules with 9% increase

- Schedule E: Solvent Evaporating Sources
- Schedule G-1: Misc. Sources (glass manufacturing, soil remediation)
- Schedule H: Semiconductor and Related Operations



Proposed Changes to Fee Schedules

➤ Fee Schedules with 15% increase

- Schedule A: Hearing Board Fees
- Schedule G-2: Misc. Sources (asphaltic concrete, furnaces)
- Schedule G-4: Misc. Sources (cement kilns, sulfur removal & coking units, acid manufacturing)
- Schedule I: Dry Cleaners
- Schedule K: Solid Waste Disposal Sites
- Schedule R: Equipment Registration Fees

Other Proposed Amendments

Schedule E: Solvent Evaporating Sources

- Revisions to directly calculate the fee based on the net amount of organic solvent processed.

Schedule G-1: Miscellaneous Sources

- Clarify that sub-slab depressurization equipment is subject to Schedule F permit fees, not Schedule G-1 fees.

Schedule N: Toxic Inventory Fees

- Update the “slope factor” to recover current costs and higher ARB AB2588 annual fees for FYE 2018.
- Delete the extra slope factor formulas in Schedule N.

Other Proposed Amendments (cont'd)

Schedule P: Major Facility Review Fees

- Clarify that Initial Fees do not apply to Title V Renewal applications.

Specific Fees in Regulation 3

- Revisions to increase by 3.1% based on the CPI-W; filing fees, banking fees, public notice fees, exemption fee, permit renewal processing fees, etc.

Fee Rate in Force

- Revise Section 3-302 to specify the fee rates applied are those in force when the applicant has provided all the information required for a complete permit application.

Other Proposed Amendments (cont'd)

Reduce Late Fees

- Revise Section 3-405 to reduce delinquent fees from 50% to 25% for facilities more than 30 days late on permit renewal invoice payment.
- Historically, this has been a burden mainly on small businesses.

Regulation 11, Rule 18 HRA Review Fees

- Revise Section 3-342 to add new Regulation 11, Rule 18 HRA review fees to recover the cost of reviewing HRAs completed by District-approved consultants.

Other Proposed Amendments (cont'd)

Fees for Online Production System Transactions

- Add Section 3-418 to authorize the Air Pollution Control Officer to reduce the fees for transactions using the Air District's online production system to encourage its use.

Public Comments Received

- **Feb. 20, 2018 Public Workshop**
 - Four attendees plus webcast audience

- **Comments received:**
 - **California Council on Environmental and Economic Balance (CCEEB)**

 - **Western States Petroleum Association (WSPA)**

Public Comments Received

- **CCEEB High-Level Comments**

- Align proposed amendments to Regulation 3 with proposed budget
- Place greater focus on cost containment
- Proposed amendments to Regulation 3 need greater transparency

- **WSPA High-Level Comments**

- Code and track costs for specific programs
- Minimize the use of general billing codes in favor of specific codes
- Requests clear delineation between direct and indirect costs
- Requests clarification on cost recovery for specific fee schedules
- Minimize unnecessary work efforts and review permitting practices that may affect costs



Impact on Small Businesses

➤ Proposed FYE 2019 fee increases:

Facility Type	Current Fees (prior to increase)	Proposed Fee Increase	Total Fees (post increase)
Gas Station	\$2,608	\$212	\$2,820
Dry Cleaner (permitted)	\$448	\$70	\$518
Dry Cleaner (registered)	\$225	\$34	\$259
Auto Body Shop	\$485	\$47	\$532
Back-up Generator	\$263	\$11	\$274

Impact on Large Facilities: Petroleum Refineries

	Annual % Permit Fee Increase/Decrease (Fiscal Year Ending)					2018 Permit Fee
	2015	2016	2017	2018	2019 Projected	
Chevron	12.1	9.3	14.7	1.2	4.9	\$3.7 MM
Shell	12.4	5.8	15.0	10.0	4.9	\$3.4 MM
Phillips 66	9.3	3.4	14.6	2.2	5.5	\$1.6 MM
Valero	8.4	11.9	15.0	2.4	5.3	\$1.9 MM
Tesoro	13.0	21.7	13.3	-1.8	4.7	\$2.1 MM

Impact on Large Facilities: Power Plants

	Annual % Permit Fee Increase/Decrease (Fiscal Year Ending)					2018 Permit Fee
	2015	2016	2017	2018	2019 Projected	
Delta Energy	16.9	12.6	4.8	-7.0	5.1	\$ 427,402
Los Medanos	15.0	15.0	4.8	7.3	5.2	\$ 350,726
Gateway	15.0	19.8	4.5	-7.6	5.0	\$ 295,930
Crockett Cogen	15.0	11.5	7.9	2.5	5.0	\$ 230,111



Rule Development Schedule

- **February 20, 2018**
 - Public workshop
- **March 28, 2018**
 - Budget & Finance Committee briefing
- **April 18, 2018**
 - Board of Directors first public hearing to receive testimony only
- **May 9, 2018**
 - Written public hearing comments are due.
- **June 6, 2018**
 - Board of Directors second public hearing to consider adoption
- **July 1, 2018**
 - Proposed effective date of fee amendments