



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

Public Hearing to Consider Adoption of Proposed Amendments to Air District Regulation 3: Fees and Approval of the Filing of a Notice of Exemption from the California Environmental Quality Act

**Board of Directors Meeting
June 5, 2019**

**Pamela Leong
Director of Engineering**



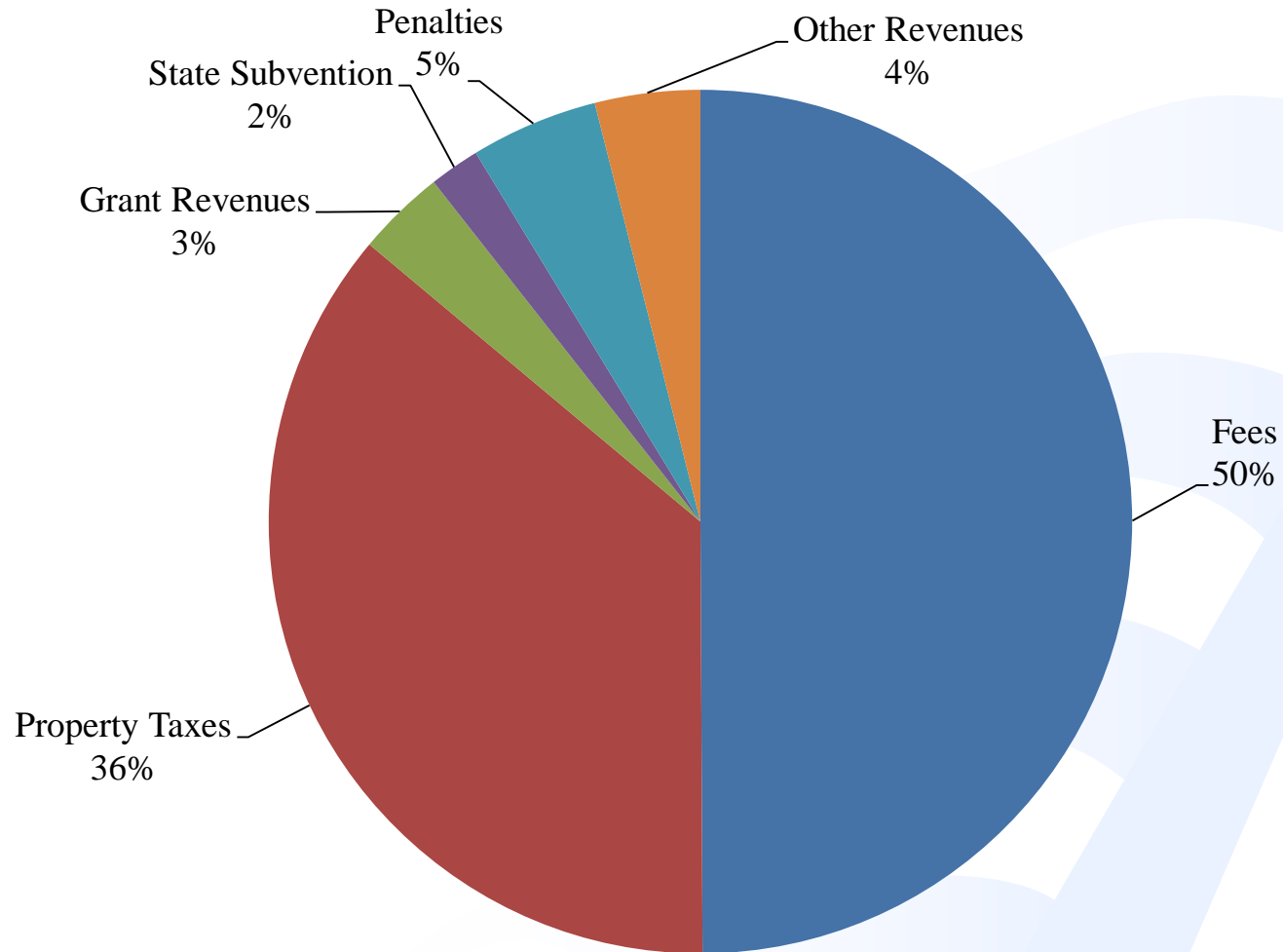
Presentation Outline

1. Cost Recovery Background
2. Proposed Fee Amendments
3. Impacts to Large and Small Businesses
4. Comments Received
5. Rule Development Schedule
6. Recommended Action





Revenue Sources – Fiscal Year Ending (FYE) 2018





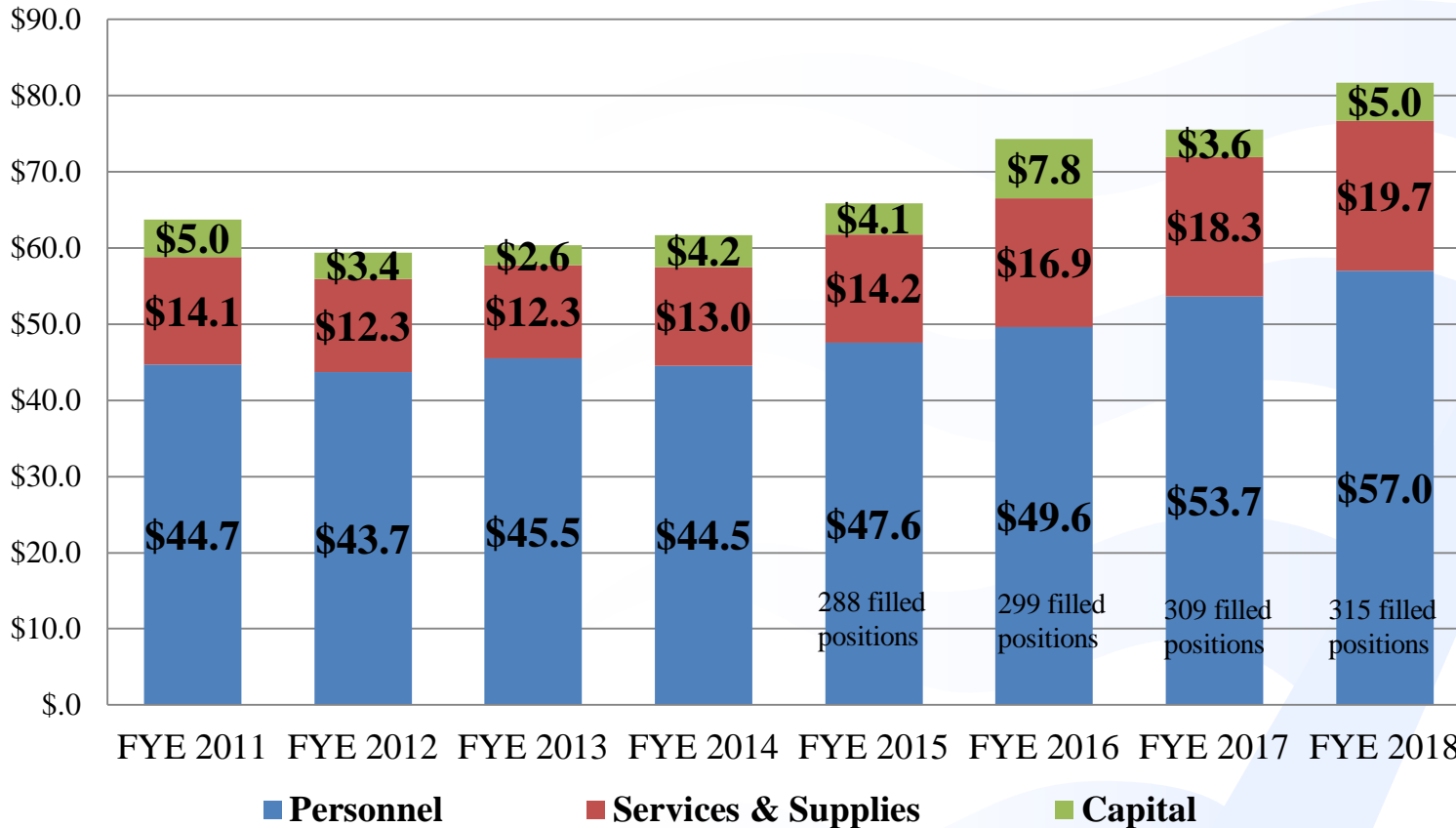
Cost Recovery Background

- Air District has authority to assess fees to recover the reasonable costs of regulating stationary sources
- Board of Directors (Board) set goals of increasing cost recovery to a minimum of 85%
- Fee amendments will be made in consideration of cost recovery analyses conducted at the fee schedule-level
- Air District will implement feasible cost containment measures
- New and enhanced programs reduce cost recovery



Trends in Expenditures

Audited General Fund Expenditures (millions)



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%





Trends in Cost Recovery (cont'd)

➤ Fee revenue falls short of overall full cost recovery
(cont'd)

- FYE 2015: Cost recovery = 83%
- FYE 2016: Cost recovery = 82%
- FYE 2017: Cost recovery = 83%
- FYE 2018: Cost recovery = 84%



Proposed Changes to Fee Schedules

Revenue from Fee Schedule	Change in Fees	Fee Schedules
95 – 110% of costs	3.9% increase** (CPI-W*)	B, F, M, V
85 – 94% of costs	7% increase	G3
75 – 84% of costs	8% increase	P, T
50 - 74% of costs	9% increase	E, H, W
Less than 50% of costs	15% increase**	A, G1, G2, G4, K, S

* The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increase from 2017 to 2018.

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

Note: For Schedule D, a 6% increase is proposed, although cost recovery would have allowed an 8% increase. Schedule D covers gasoline stations and many are small businesses.



Other Proposed Amendments

Schedule E: Solvent Evaporating Sources

- Revisions to clarify when minimum and maximum fees apply for each source.

Schedule L: Asbestos Operations

- Delete the fee specific to mastic removal by mechanical buffers so as to assess fees for such work at the same rate as for other regulated asbestos containing material removal work.



Other Proposed Amendments (cont'd)

Schedule N: Toxic Inventory Fees

- Revise Schedule N to recover the costs for Assembly Bill (AB) 2588 fees to be paid to the California Air Resources Board and for staff to conduct AB 2588 work.

Schedule S: Naturally Occurring Asbestos Operation

- Include a \$325 fee in Schedule S to recover the costs for Asbestos Dust Mitigation Plans amendments.



Other Proposed Amendments (cont'd)

- Specific fees in Regulation 3 proposed to be increased by 3.9% based on the CPI-W (filing fees, banking fees, exemption fee, permit renewal processing fees, etc.).
- Revise Section 3-302 to specify that for those applicants that qualify for both the Small Business Discount (50%) and Green Business Discount (10%), only the 50% higher discount shall be applied.
- Revise Section 3-304, Alteration, to clarify that the risk assessment fee shall only be charged when the alteration required a health risk assessment.



Other Proposed Amendments (cont'd)

- Revise Section 3-311 to align the current rule language with established Air District practice for emission reduction credit transactions.
- Add Section 3-343 to recover the Air District's costs for air dispersion modeling done to meet a District regulatory requirement.
- Revise Section 3-405.5 to reduce additional late fees charged to invoices for registration and other fees which are more than 30 days late from 50% to 25%.



Impact on Large Facilities: Power Plants

	Annual % Permit Fee Increase/Decrease (Fiscal Year Ending)					2019 Permit Fee
	2016	2017	2018	2019	2020 Projected	
Delta Energy	12.6	-0.8	-7.0	-13.5	5.8	\$ 369,630
Los Medanos	15.0	-6.0	7.3	15.0	6.9	\$ 407,474
Gateway	15.0	8.5	-7.6	12.0	6.0	\$ 331,320
Crockett Cogen	13.2	0.8	2.5	0	5.8	\$ 230,111



Impact on Large Facilities: Petroleum Refineries

	Annual % Permit Fee Increase/Decrease (Fiscal Year Ending)					2019 Permit Fee for 16 months*
	2016	2017	2018	2019*	2020 Projected	
Chevron	9.3	14.7	1.2	-0.5	12.0	\$4.9 M
Shell	5.8	15.0	4.0	5.6	11.7	\$4.6 M
Phillips 66	3.4	14.6	2.3	4.2	8.5	\$2.3 M
Valero	11.9	15.0	2.4	-0.2	13.3	\$2.5 M
Tesoro	15.0	2.2	-8.5	15	1.9	\$3.1 M

*Permits to Operate extended from 8/1/2018 to 12/1/2019 (16 months) to allow use of Rule 12-15 emission inventories to calculate emissions and permit renewal fees. Increase based on ratioed (12/16) amount.





Impact on Small Businesses

➤ Proposed FYE 2019 fee increases:

Facility Type	Current Fees (prior to change)	Proposed Fee Increase	Total Fees (post change)
Gas Station	\$2,820	\$169	\$2,989
Dry Cleaner (permitted)	\$518	\$0	\$518
Dry Cleaner (registered)	\$259	\$0	\$259
Auto Body Shop	\$532	\$0	\$532
Back-up Generator	\$274	\$11	\$285





Comments Received

- **Western States Petroleum Association (WSPA)**
- **California Council for Environmental and Economic Balance (CCEEB)**
 - Specificity and transparency in timekeeping and expenditures
 - Public workgroup to review and make recommendations to realign permit fees for the appropriate level of service
 - Funding and expenditures for AB 617 and impact on fees



A photograph of the Golden Gate Bridge in San Francisco, California, spanning across the water under a clear blue sky. The bridge's iconic orange-red towers and suspension cables are prominent. In the foreground, there's a building and some greenery on the left side.

Stakeholder Meeting

- Air District staff met with WSPA, CCEEB, and the Chair and Vice-Chair of the Budget & Finance Committee on May 15, 2019.
- WSPA & CCEEB expressed concerns regarding link between fees and Budget
- Requested process for input into Fees and Budgets





Proposed Actions

- Air District staff proposes to convene a group with industry and the public to:
 - Explain the budgeting process
 - Give insight into how fees are linked to the budget
 - Give increased visibility on cost recovery
 - Take industry and public input on proposed fee changes





Cost Recovery Actions

- Employee Handbook
- Cost Recovery Timekeeping Video
- District-Wide Training
- New and Expanded Timecodes
- Quarterly Oversight Meetings





2019 Rule Development Schedule

- **February 19, 2019:** Public workshop
- **March 21, 2019:** Written workshop comments due
- **March 22, 2019:** Budget & Finance Committee briefing
- **May 1, 2019:** Board of Directors first public hearing to receive testimony only





2019 Rule Development Schedule (cont'd)

- **May 9, 2019:** Written public hearing comments due
- **June 5, 2019:** Board of Directors second public hearing to consider adoption
- **July 1, 2019:** Proposed fee amendments effective





Recommended Action

Recommend the Board of Directors consider adoption of a resolution to approve amendments to Air District Regulation 3: Fees that would become effective on July 1, 2019 and approve the filing of a California Environmental Quality Act (CEQA) Notice of Exemption.





BAY AREA
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Public Hearing to Consider Adoption of the Air District's Proposed Budget for Fiscal Year Ending (FYE) 2020

**Board of Directors Meeting
June 5, 2019**

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



- Proposed Budget for FYE 2020
- Previous Budget Actions
- Recommendation



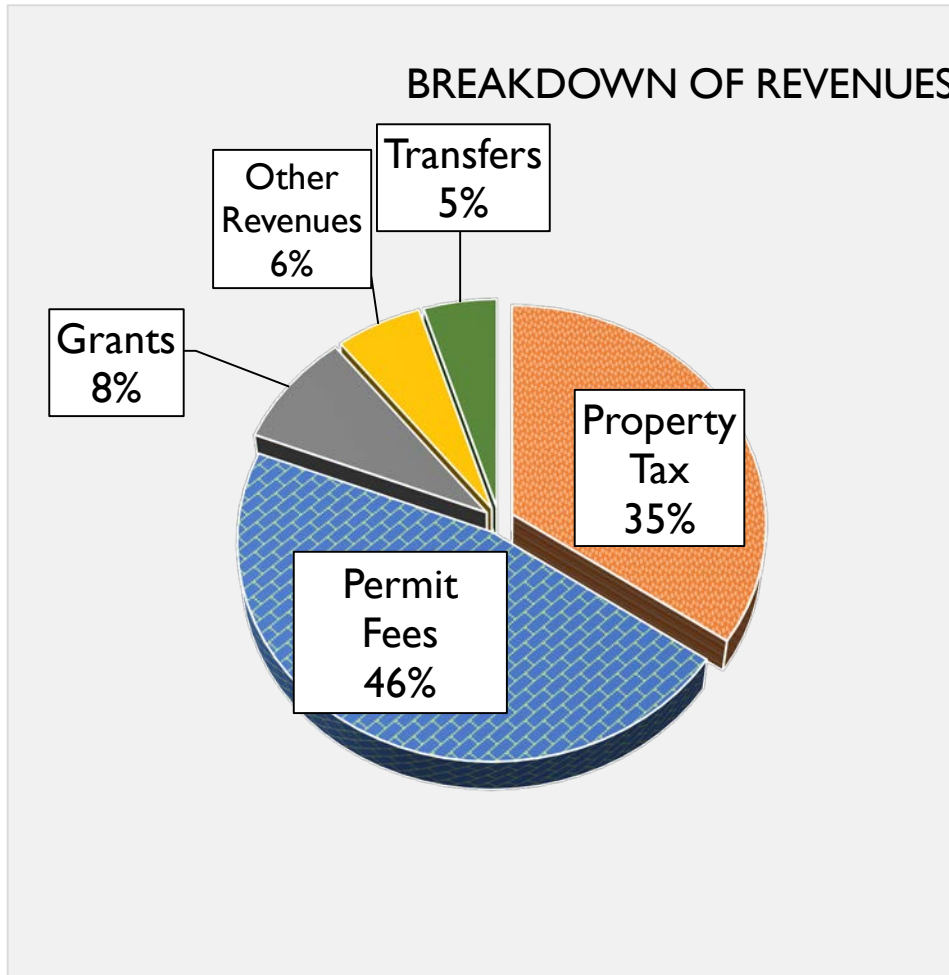
FYE 2020 PROPOSED BUDGET

Budget Overview Continues

- \$104.6 M General Fund Budget
- Includes Use of Reserves \$4 M for Facility Improvement
- Continuation of Cost Recovery Policy
- No Staffing Level Increase: 405 Full Time Equivalent (FTE)
- Addresses Retirement Liabilities
- Includes 3.5% Cost of Living Amount (COLA)

GENERAL FUND REVENUE SOURCES

FYE 2020 Proposed Budget

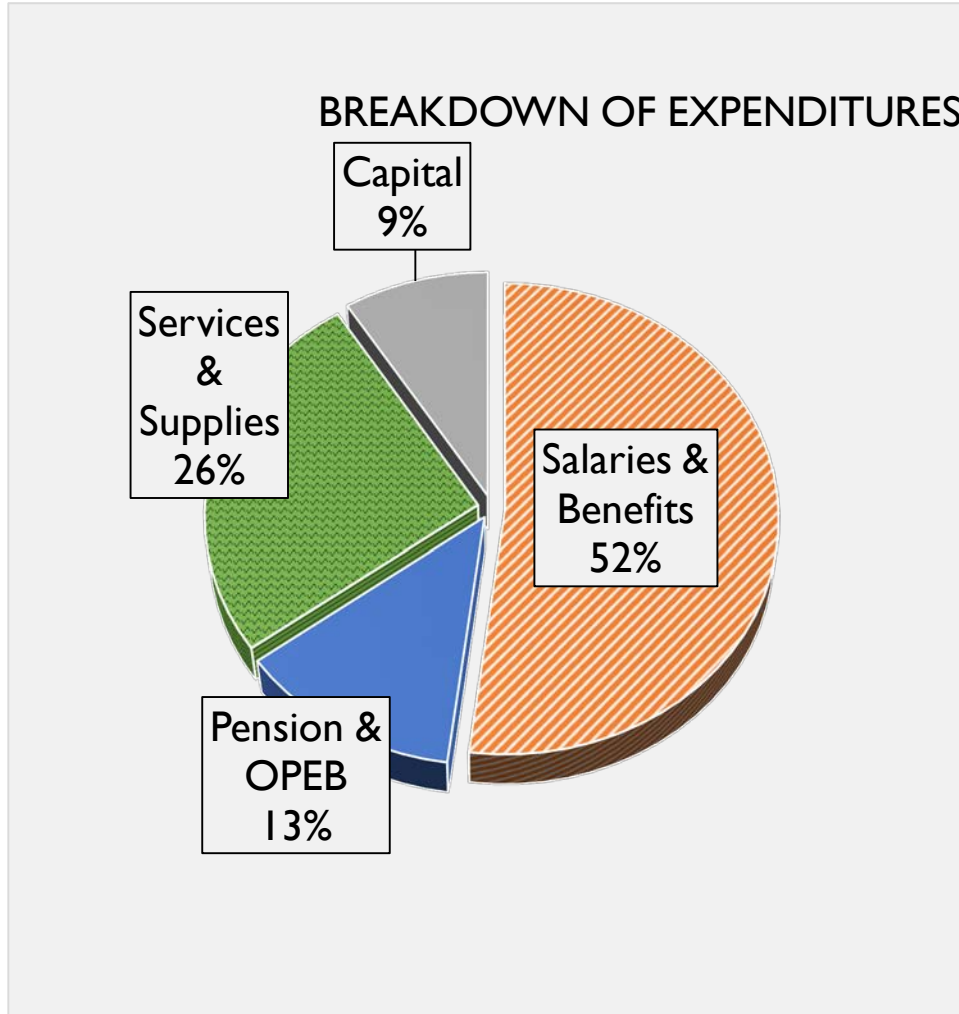


	<u>In Millions</u>
Property Tax	\$36.2
Permit Fees	\$48.5
Grants	\$8.9
Other Revenues	\$6.0
Transfers	<u>\$5.1</u>
Total	<u>\$104.6</u>



GENERAL FUND EXPENDITURES

FYE 2020 Proposed Budget



In Millions

Salaries & Benefits	\$54.4
Pension & Other Post Employment Benefits (OPEB)	\$13.4
Services & Supplies	\$27.3
Capital	<u>\$9.4</u>
Total	<u>\$104.6</u>



RESERVES POLICY

- Reserves Policy: **20%** of General Fund Budget
 - FYE 2020 Budget of \$100 M => **\$20 M minimum**
 - FYE 2020 Projected Reserves = **\$26 M**



RESERVES DESIGNATIONS

FYE 2020 Proposed Budget

<u>Proposed Reserve Designations for FYE 2020</u>	<u>(\$M)</u>
Napa/Sonoma Fireplace Replacement Grants	1
Pension Liability	1
Woodsmoke Grants	1
To Be Determined	<u>3</u>
Total Designations	6
<u>Economic Contingency (20% of budget)</u>	<u>20</u>
<i>TOTAL FYE 2020 RESERVES *</i>	26
<u>Used from Reserves in FYE 2020 Budget</u>	
<i>Richmond Facility Improvements</i>	4

* Reserves are subject to change at Board's discretion. Reserves may be expended over a period of years (Includes Building Proceeds)



RETIREMENT LIABILITIES

1. Other Post Employment Benefits
(Medical OPEB)
2. Pension Retirement



MEDICAL RETIREMENT PLAN

Other Post Retirement Benefits (OPEB) Overview

➤ Other Post Retirement Benefit (OPEB)

- Obligation: \$58 M
- Funded: \$40 M (68%)
- Unfunded: \$18 M (32%)

➤ Funding Policy: 90% Funded Level

- 3 Year Target Date (FYE 2022)
- \$4 M Annual Contribution



CALPERS PENSION PLAN

Retirement Overview

➤ CalPERS Retirement

- Obligation: \$283 M
- Funded: \$207 M (73%)
- Unfunded: \$76 M (27%)

➤ Funding Policy: 90% Funded Level

- 20 Year Target Date (FYE 2039)
- \$1 M Annual Additional Contribution



BUDGET SUMMARY

FYE 2020

- Budget balanced
- Use of reserves of \$4 M
- Budgeted positions remain at 405
- Amend fee schedule based on proposed fees
- \$1 M annual contribution for pension
- \$4 M annual contribution for OPEB



PREVIOUS ACTIONS TAKEN

- March 22, 2019 – Committee received presentation on the Proposed Fee Regulation Amendments and the Proposed Budget
- April 22, 2019 – Committee referred FYE 2020 Proposed Budget to the Board
- May 1, 2019 – 1st Public Hearing on the Proposed Fees
- May 15, 2019 – 1st Public Hearing on Budget



RECOMMENDED ACTION

Recommend the Board of Directors adopt the resolution to approve the Budget for Fiscal Year Ending 2020 (FYE 2019-2020) and various budget related actions.



West Oakland Community Action Plan Update

Board of Directors Meeting
June 5, 2019



Henry Hilken
Director of Planning and Climate Protection

AB 617 Communities

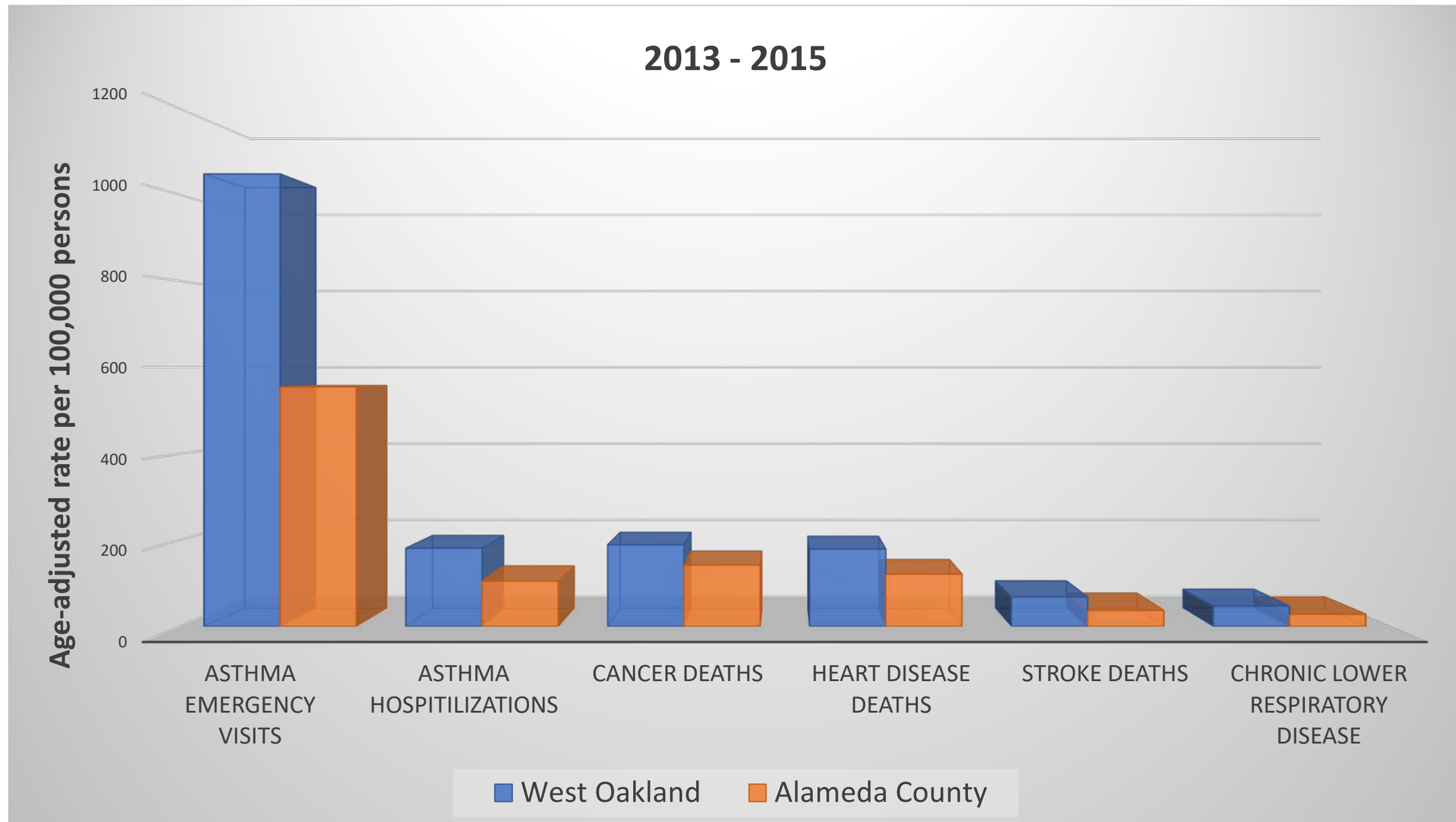
Year 1

West Oakland – action plan

Richmond - monitoring



Health Indicator Rates in West Oakland and Alameda County



Community Engagement – Developing the Steering Committee

West Oakland Environmental Indicators Project:

- Co-lead planning partner
- Long history of community organizing, citizen science in West Oakland
- Select and establish Steering Committee
- Steering Committee training, orientation
- Kick-Off July 2018 at Oakland City Hall



Steering Committee – Overview

- 26 members
- Monthly meetings
- Great turnout and ideas
- Partner presentations
- Interactive exercises



Steering Committee – Getting Up to Speed

Built technical knowledge:

- Air quality and health
- Existing and ongoing studies
- Modeling vs. measuring

Placed in context:

- Compliance and enforcement
- Agency responsibilities

Taking action:

- Identify goals and targets
- Identify strategies to reduce emissions and exposure



How Much is Local?

DRAFT 2019-05-31

Modeled Impact, on Residential Cancer Risk, of **Local (versus Regional)** Emissions of Toxic Air Contaminants

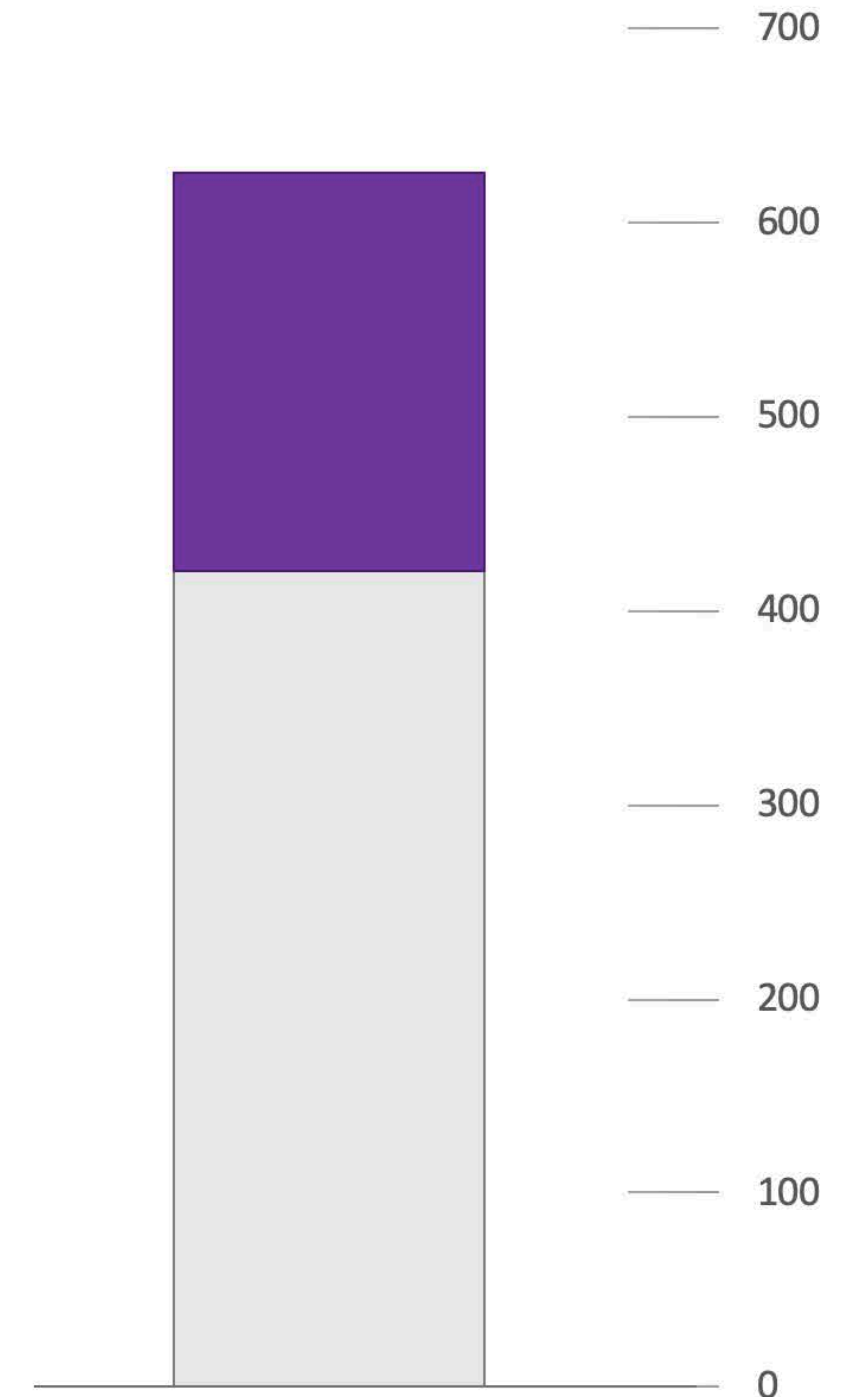
Top Local Contributors*

- Trucks (**39%**)
- Marine Vessels (**31%**)
- Rail (**17%**)

Cancer Risk



■ Local model – mapped impacts
□ Regional model (minus West Oakland)



* cancer risk from construction was not modeled

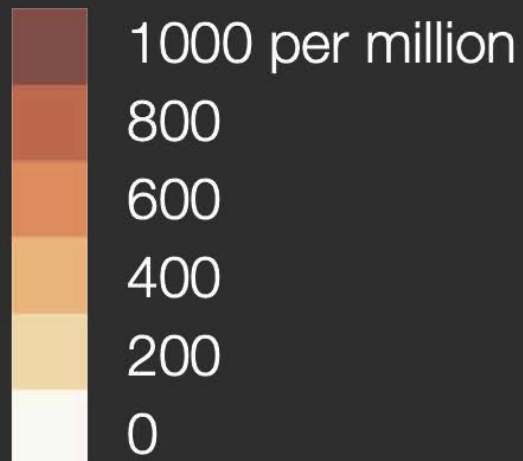
Modeled Impact of Local Sources on Residential

Cancer Risk

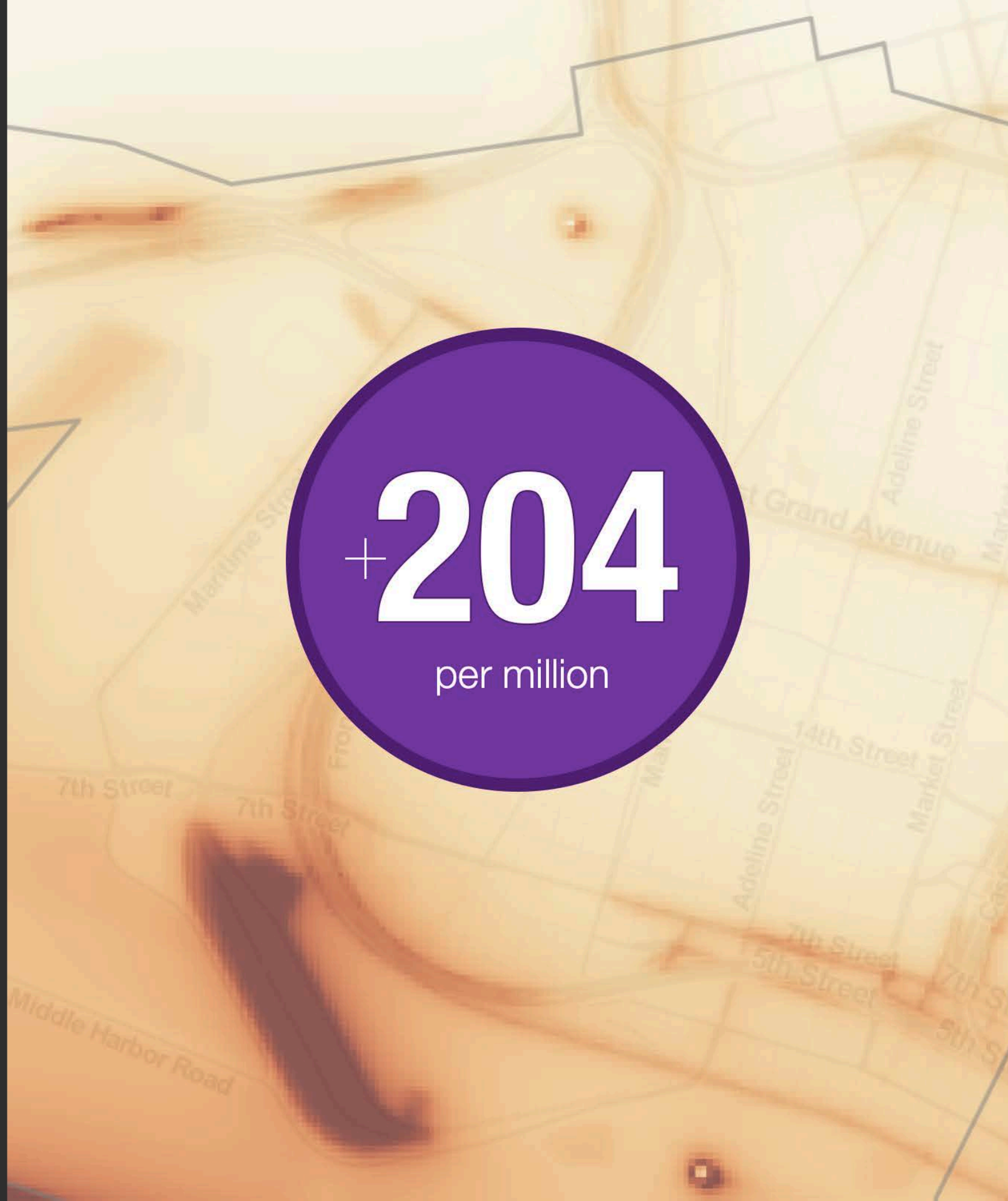
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* cancer risk from construction was not modeled



DRAFT 2019-05-31



Impacts on Cancer Risk (30-yr, per million)

Highway		
Heavy/Medium HD trucks	32.2	16%
Non-truck vehicles	7.3	4%
Light HD trucks	1.6	1%
Street		
Heavy/Medium HD trucks	39.3	19%
Non-truck vehicles	7.5	4%
Light HD trucks	1.9	1%
Port		
Harbor craft	24.3	12%
OGV (berthing)	16.5	8%
OGV (maneuvering)	10.5	5%
Dredging	6.1	3%
Drayage trucks*	4.6	2%
Cargo handling	3.4	2%
Railyard (OGRE)	2.2	1%
Railyard (BNSF)	1.6	1%
Bunkering (tugs + pumps)	1.0	0%
Non-truck vehicles	0.1	0%
Rail		
Railyard (UP)	15.5	8%
Rail lines	14.9	7%
Permitted		
Schnitzer (stationary)	4.1	2%
Other facilities	2.2	1%
EBMUD	1.6	1%
Other		
Ferries	3.7	2%
Schnitzer (ships)	1.3	1%
Truck-related businesses	0.7	0%
Schnitzer (trucks)	0.1	0%
Total	204.2	100%

DRAFT 2019-05-31.

Residential impacts from modeled local sources only.

* Drayage trucks at any location (Port, street, or highway).

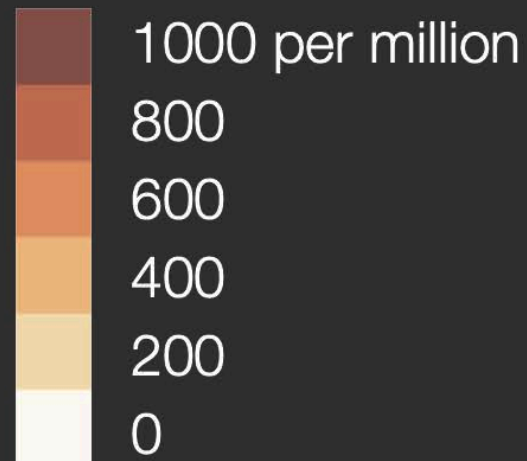
Modeled Impact of Local Sources on Residential

Cancer Risk

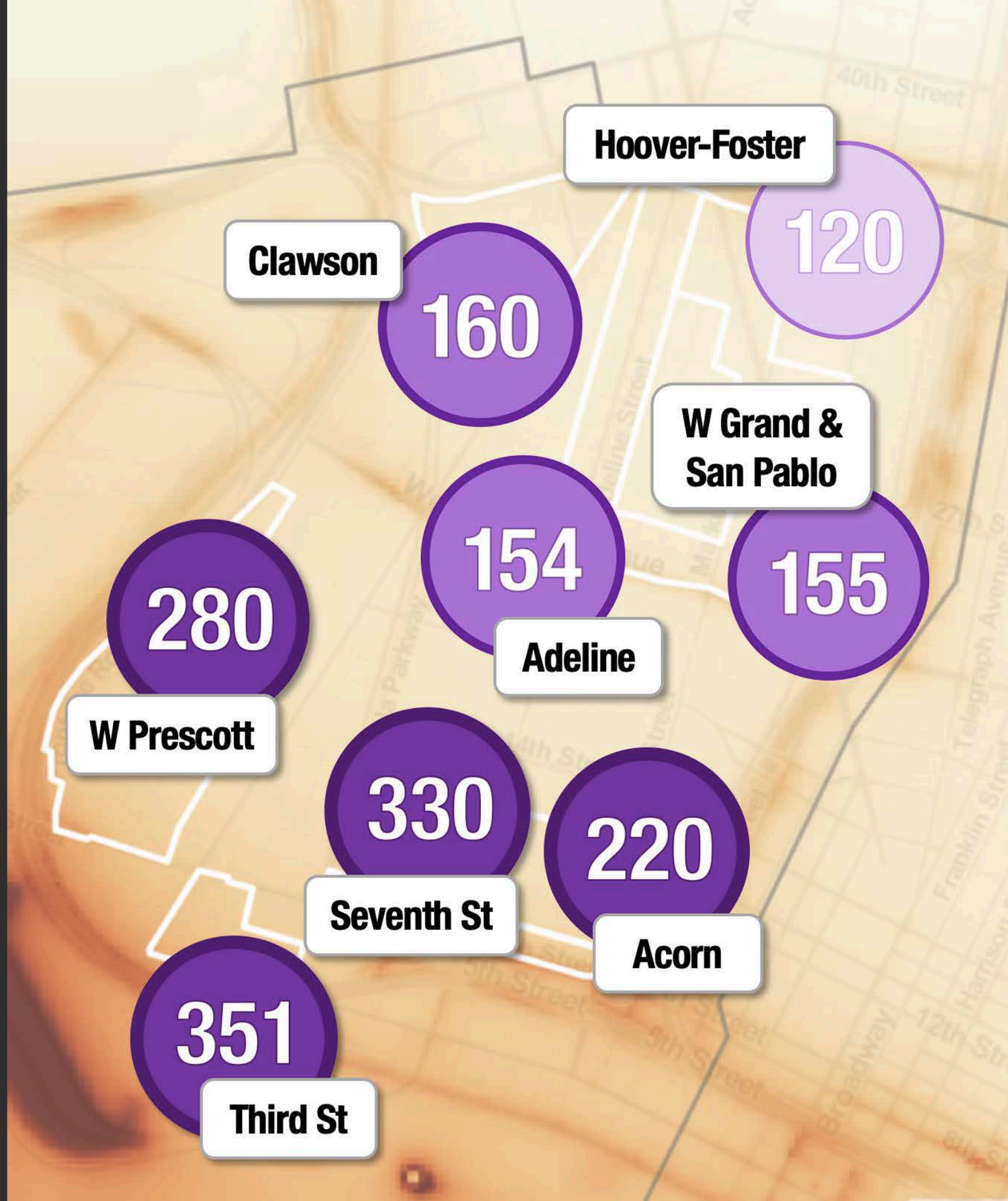
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- Rail (17%)

* cancer risk from construction was not modeled



DRAFT 2019-05-31



Highest impacts found at community-designated

Impact Zones

W Prescott

46% Port, 26% Rail, 23% Truck

Third St

42% Port, 33% Rail, 18% Truck

Seventh St

35% Port, 15% Rail, 44% Truck

Acorn

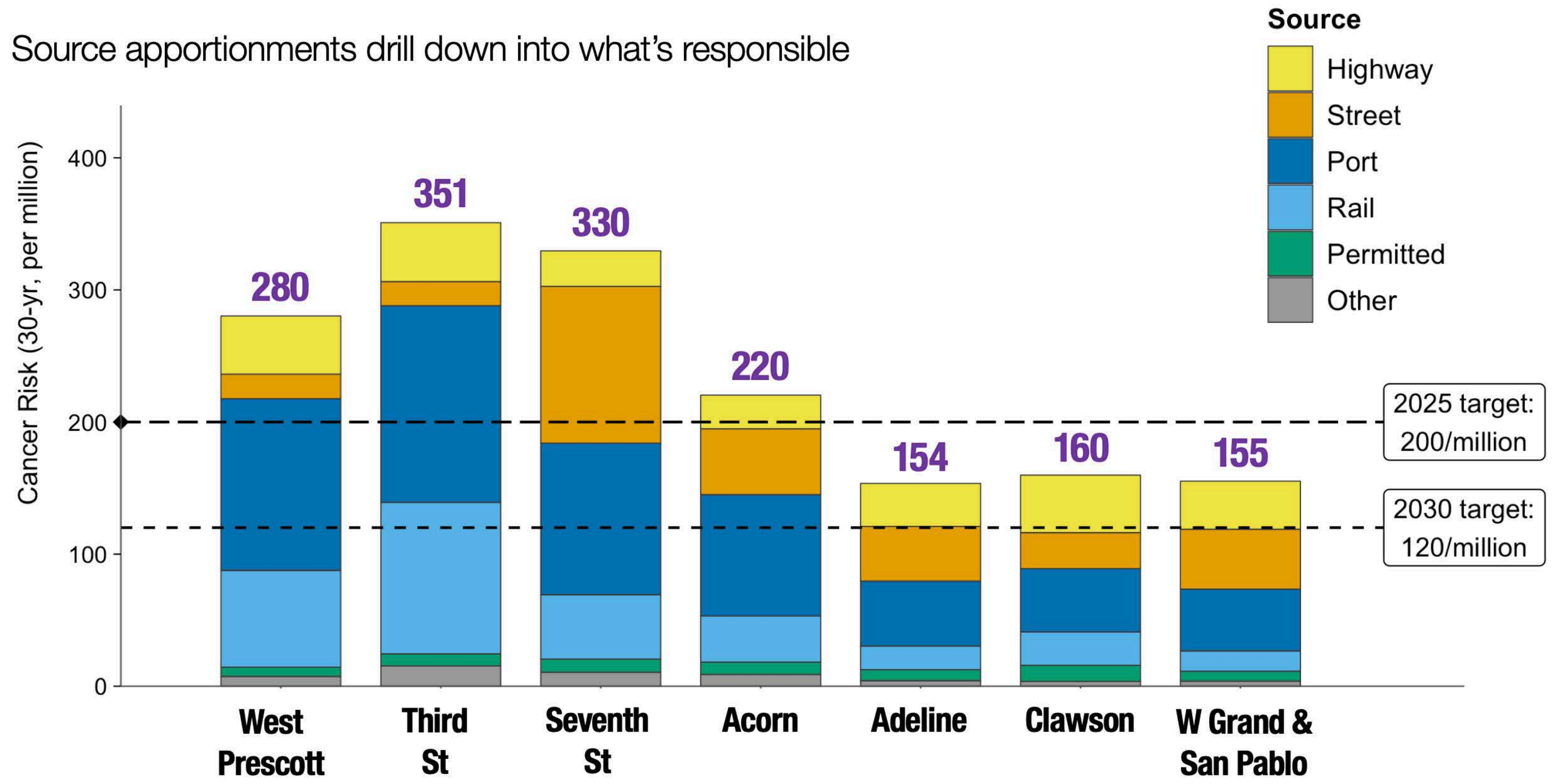
42% Port, 16% Rail, 35% Truck



Black Carbon Measurements
EDF / Google / Aclima (2017)

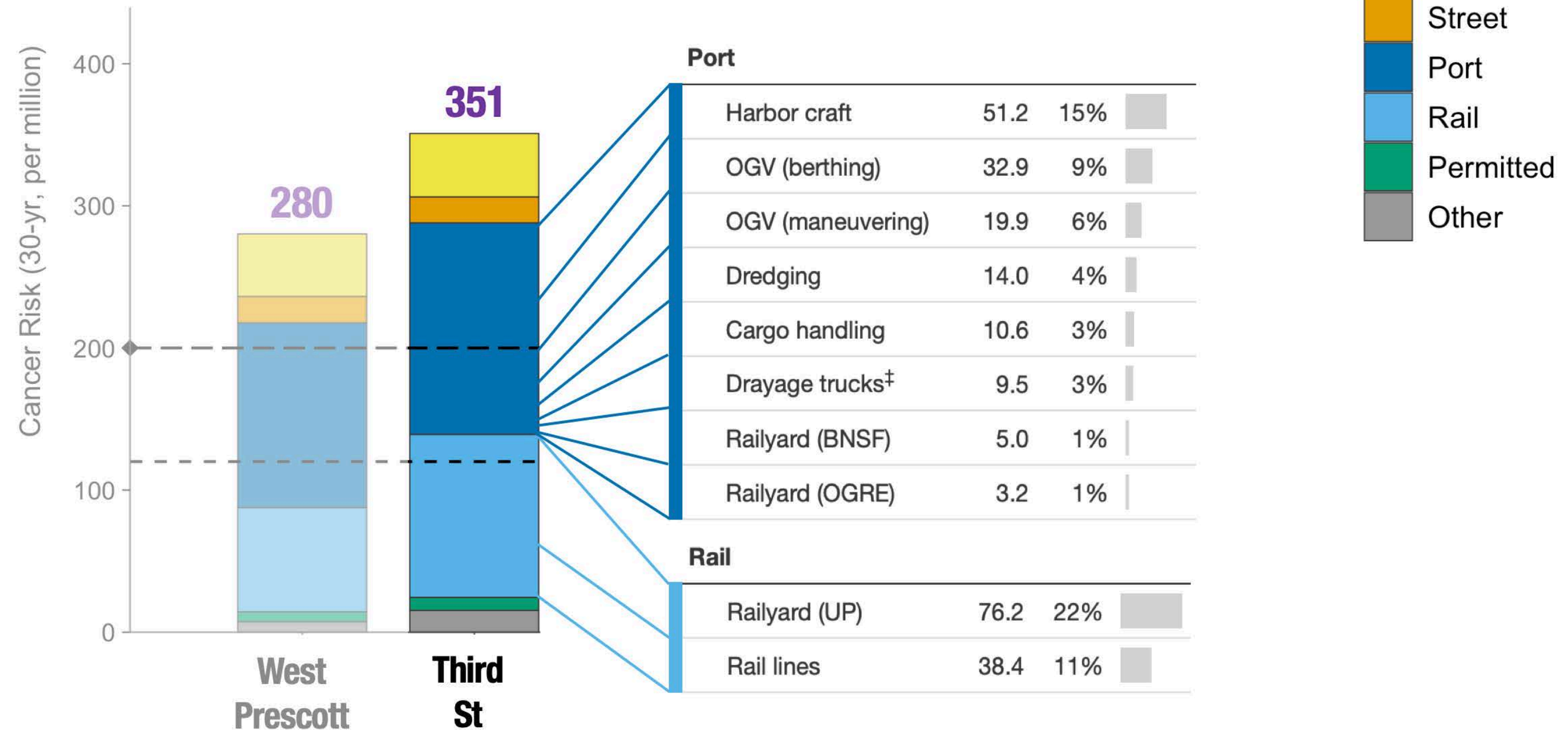
Cancer Risk

Source apportionments drill down into what's responsible



Cancer Risk

Source apportionments drill down into what's responsible



West Oakland Proposed Strategies - Overview

Land Use

Relocate recycling businesses

Accelerate relocation of auto-repair and painting that conflict with West Oakland Specific Plan (WOSP) zoning

Incentives to relocate truck yards/repair, etc.

Trucks

Better route and parking enforcement

Stop idling in West Oakland

Incentives for cleaner trucks

More street sweeping

Other Mobile Sources

Incentives for cleaner rail, marine, off-road upgrades

Implement zero-emissions equipment

California Air Resources Board (CARB) regulations

Car, bike incentives

Stationary Sources

Amendments and new regulations

Incentives for stationary diesel engines

Enhanced enforcement

Magnet sources

Health Programs

Incentives for exposure reduction (MERV 13, etc)

Expansion of County Asthma Management

Healthy Oakland Development Guidelines



Seaport Air Quality 2020 and Beyond Plan A Pathway to Zero-Emissions Seaport Operations



Volume I of II

- Key Strategies
 1. Sets goal of zero emissions Port
 2. Commits to some near-term reductions
 3. Includes mechanism to add measures that further reduce air pollution exposure
- Air District Concerns
 1. Allows for increased greenhouse gas and diesel particulate matter emissions
 2. No interim targets on path to zero emissions
 3. No commitment to upgrade electrical infrastructure
 4. Less progressive than plans for Southern California ports
 5. No commitment to incorporate measures needed to meet goals of West Oakland Community Action Plan



Seaport Air Quality 2020 and Beyond Plan A Pathway to Zero-Emissions Seaport Operations (update)

- Considered by Port Commission on May 23, 2019
- West Oakland Environmental Indicators Project and Earthjustice proposed adoption resolution with specific actions the Port could take to strengthen plan
- Port Commissioner Michael Colbruno proposed measures based on WOEIP/Earthjustice suggested actions:
 - Port staff to study feasibility of zero emission cargo handling equipment and drayage trucks and report back to Commission
 - Port staff to report back to Commission on electrical infrastructure requirements
 - Port to commit to include any port-related strategies from AB 617 plan that are feasible
 - Air District, WOEIP, UC Berkeley, and Earthjustice opposed adoption of the Port air quality plan in it's current form
- The Port Commission deferred action on their plan until their next meeting on June 13 so that the public could have time to review and comment on Colbruno's amendments

What's Next?

- Continue work to strengthen Port Air Quality Plan
- Draft West Oakland Action Plan release July 2019
- Steering Committee works on implementation schedule
- Board considers adopting the Plan October 2019
- California Air Resources Board Hearing in West Oakland December 2019

