



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 25

Proposed Amendments to Regulation 3: Fees

**Board of Directors Meeting
June 16, 2021**

**Fred Tanaka
Manager**

ftanaka@baaqmd.gov

Presentation Outcome



- Recommend the Board of Directors Adopt Proposed Regulation 3 (Fees) Amendments; and
- Approve the filing of a California Environmental Quality Act (CEQA) Notice of Exemption

Presentation Outline



- Cost Recovery Background
- Proposed Fee Amendments
- Public Comments Received
- Impact on Industry Sectors
- Rule Development Schedule

Requested Action



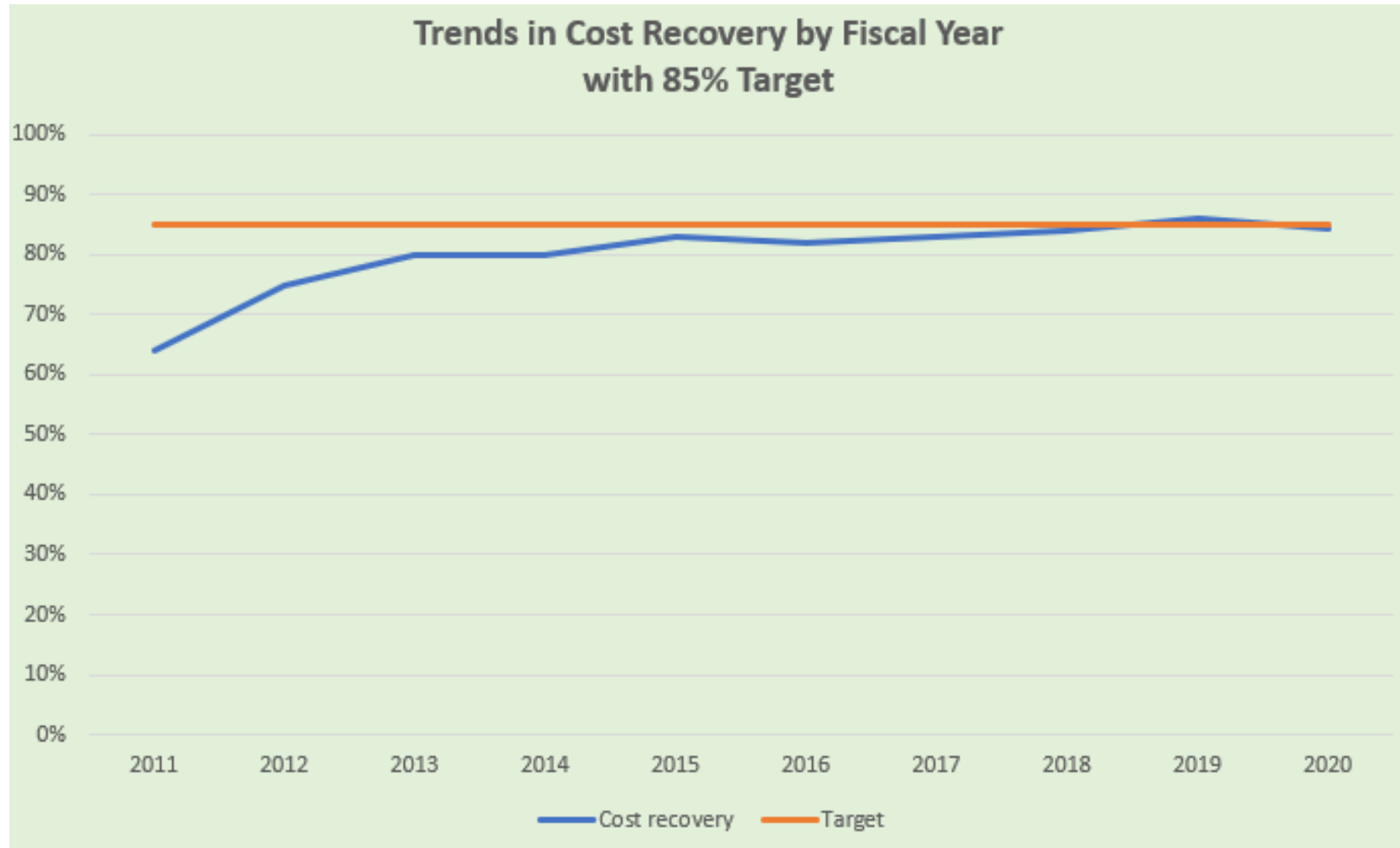
Receive testimony and consider adoption of proposed amendments to Regulation 3.

Cost Recovery Background



- Air District has authority to assess fees to recover the reasonable costs.
- Board of Directors set goals of increasing cost recovery to a minimum overall rate of 85%.
- Fee amendments will be made in consideration of cost recovery analyses at the fee schedule-level.
- Cost recovery is also impacted by:
 - New and enhanced programs
 - Priorities
 - Staffing levels

Trends in Cost Recovery from Regulatory Fees: 3-Year Average



Draft Fee Amendments: Proposed Changes to Fee Schedules



Revenue from Fee Schedule	Change in Fees	Fee Schedules
95 – 110% of costs	1.5% increase (CPI-W*)	B, D, M
85 – 94% of costs	7% increase	F, P
75 – 84% of costs	8% increase	E, H
50 - 74% of costs	9% increase	G2, G3, G4, T, V
Less than 50% of costs	15% increase**	A, G1, K, N, S, W

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

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

Proposed Changes to Fee Schedules



Fee Schedules with 1.5% increase

Schedule B: Combustion of Fuels

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

Schedule M: Major Stationary Source Fees

Fee Schedules with 7% increase

Schedule F: Misc. Sources (storage silos, abrasive blasting)

Schedule P: Major Facility Review Fees

Proposed Changes to Fee Schedules (cont.)



Fee Schedules with 8% increase

Schedule E: Solvent Evaporating Sources

Schedule H: Semiconductor and Related Operations

Fee Schedules with 9% increase

Schedule G-2: Misc. Sources (e.g., asphaltic concrete, furnaces)

Schedule G-3: Misc. Sources (e.g., metal melting, cracking units)

Schedule G-4: Misc. Sources (e.g., cement kilns, sulfur removal & coking units, acid manufacturing)

Schedule T: Greenhouse Gas Fees

Schedule V: Open Burning

Proposed Changes to Fee Schedules (cont.)



Fee Schedules with 15% increase

Schedule A: Hearing Board Fees

Schedule G-1: Misc. Sources (e.g., glass manufacturing, soil remediation)

Schedule K: Solid Waste Disposal Sites

Schedule N: Toxic Inventory Fees

Schedule S: Naturally Occurring Asbestos Operations

Schedule W: Petroleum Refining Emissions Tracking Fees

Assembly Bill (AB) 617 Community Health Impact Fee

- No change in the 5.7 percent of the permit renewal fee
- Charged during or after permit renewal for Title V facilities

Other Proposed Amendments



Specific fees in Regulation 3, Section 300 are proposed to be increased 1.5% based on the CPI-W.

- Section 3-302: New and Modified Source Filing Fees
- Section 3-311: Emission Banking Fees
- Section 3-312: Regulation 2, Rule 9 Alternative Compliance Plan Fee
- Section 3-320: Toxic Inventory Maximum Fee
- Section 3-327: Permit to Operate Renewal Processing fee
- Section 3-337: Exemption Fee
- Section 3-341: Fee for Risk Reduction Plan
- Section 3-342: Fee for Facility-Wide Health Risk Assessment
- Section 3-343: Fees for Air Dispersion Modeling

Other Proposed Amendments (cont.)



Increase Risk Assessment Fee (RAF) in Schedule D.A for Gas Dispensing Facilities (GDFs)

- Increase current fee by 15% for modified GDFs
- Charge \$3,827 for new GDFs

Section 3-305: Cancellation or Withdrawal

- Clarify language on credited fees if application is resubmitted.

Other Proposed Amendments – Fee for CTR Implementation



California Air Resources Board (CARB), adopted a new regulation for criteria pollutant and toxics emissions reporting titled, “Regulation for the Reporting of Criteria Air Pollutants and Toxic Air Contaminants (CTR)”.

- Implementation includes:
 - System/programming changes, increase in data processing, compressed timeframe, future data needs, customer support, enforcement
- We estimate \$1.5 million per year is needed for implementation.

Other Proposed Amendments – Fee for CTR Implementation (cont.)



Current proposal

- Each permitted facility shall pay a CTR fee equal to 4.4% of their facility's annual total permit renewal fee.
- Fee is capped at \$50,000.

Public Comments Received



California Council For Environmental and Economic Balance (CCEEB) – Workshop and Public Hearing

- Provide more information and increase transparency.
- Provide more explanation that justifies fees with costs and the cost recovery process.
- Explain the AB 617 Community Health Impact fee.
- Postpone fee increases until economic recovery is clearer.
- Explain how the CTR fee fits with the Risk Reduction Plan fee and the fee for Regulation 12-15, Schedule W.
- Air District should focus on efficiencies ahead of a 100% recovery goal

Public Comments Received (cont.)



Western States Petroleum Association (WSPA) – Workshop

- Postpone fee increases until economic recovery is clearer.
- Provide more information on cost recovery for Schedules P, T, W, and X.
- Provide status of efficiency improvements.
- Improve transparency in the Rule Development and budget process.

Impact on Large Facilities: Power Plants



	Annual Permit Fee Increase/Decrease (Fiscal Year Ending)					2022, <i>Projected</i> % fee change**	
	2020 % fee change, actual/predicted		2020 renewal fee	2021 % fee change, actual/predicted			2021 renewal fee*
Delta Energy	23.3	5.8	\$460,000	16.7	5.7	\$530,000	9.2
Los Medanos	-1.9	6.9	\$400,000	14.2	5.7	\$460,000	9.4
Gateway	8.2	6.0	\$360,000	10.0	5.7	\$390,000	9.3
Crockett Cogen	9.7	5.8	\$270,000	11.4	5.7	\$300,000	9.1

*Some renewal fees normalized for CTR.

**Projected impact is based on the same permitting scenario as the previous year including active equipment and production rates.

Impact on Large Facilities: Petroleum Refineries



Annual Permit Fee Increase/Decrease (Fiscal Year Ending)							
	2020 % fee change, actual/predicted		2020 renewal fee	2021 % fee change, actual/predicted		2021 renewal fee	2022 <i>Projected*</i> , % fee change
	Chevron	0.8		12	\$3.7 million		15.0
Martinez Refining Co.	1.3	11.7	\$3.5 million	17.4	2.4	\$4.1 million	8.0
Phillips 66	14.6	8.5	\$1.9 million	18.5	4.3	\$2.3 million	8.3
Valero	23.2	13.3	\$2.3 million	17.2	3.7	\$2.7 million	8.6
Tesoro**	22.3	1.9	\$2.9 million	8.3	3.2	\$3.1 million	7.7

*Projected impact is based on the same permitting scenario as the previous year including active equipment and production rates.

**Projected 2022 increase is based on previous year's fees operating as a fossil-fuel refinery.

Impact on Small Businesses



Facility Type	Current Fees (prior to change)	Proposed Fees (post change)	Proposed Fee Increase	Proposed % Increase
Gas Station ^{1,2}	\$239	\$255	\$16	6%
Dry Cleaner (registered) ¹	\$259	\$259	\$0	0%
Auto Body Shop ^{1,3}	\$729	\$815	\$86	12%
Back-up Generator ^{1,3}	\$382	\$405	\$23	6%

1. Assuming facility has only one source.
2. Assuming source has one single-product gasoline nozzle.
3. Assuming source qualifies for minimum fee.

Rule Development Schedule



Budget Advisory Group (BAG) Meeting #1	January 19, 2021
Public Workshop	February 18, 2021
Budget Advisory Group Meeting #2	March 11, 2021
Administration Committee Briefing	March 17, 2021
Written Workshop Comments Due	March 19, 2021
Board of Directors First Public Hearing to Receive Testimony	April 7, 2021
Written Public Hearing Comments Due	April 30, 2021
Board of Directors Second Public Hearing to Consider Adoption	June 16, 2021
Proposed Fee Amendments Effective	July 1, 2021

Feedback Requested/Prompt



Recommend adoption of a resolution to:

- Approve amendments to Air District Regulation 3: Fees, effective on July 1, 2021; and
- Approve the filing of a CEQA Notice of Exemption.



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AGENDA: 26

Public Hearing to Consider Adoption of the Proposed Air District Budget for Fiscal Year Ending (FYE) 2022

**Board of Directors Meeting
June 16, 2021**

**Jeff McKay
Chief Financial Officer
jmckay@baaqmd.gov**

Outcome



Conduct second and final required Public Hearing on the Fiscal Year Ending (FYE) 2022 Air District Proposed Budget and consider adoption of the Proposed Air District Budget for FYE 2022.

Outline



- Financial History/Trends
- Status of Current Fiscal Year 2020-2021
- Proposed Budget for Fiscal Year 2021-2022
- Next Steps

Requested Action



Adopt the resolution to approve the Budget for FYE 2022 and various budget related actions.



Actions Taken During the Economic Downturn:

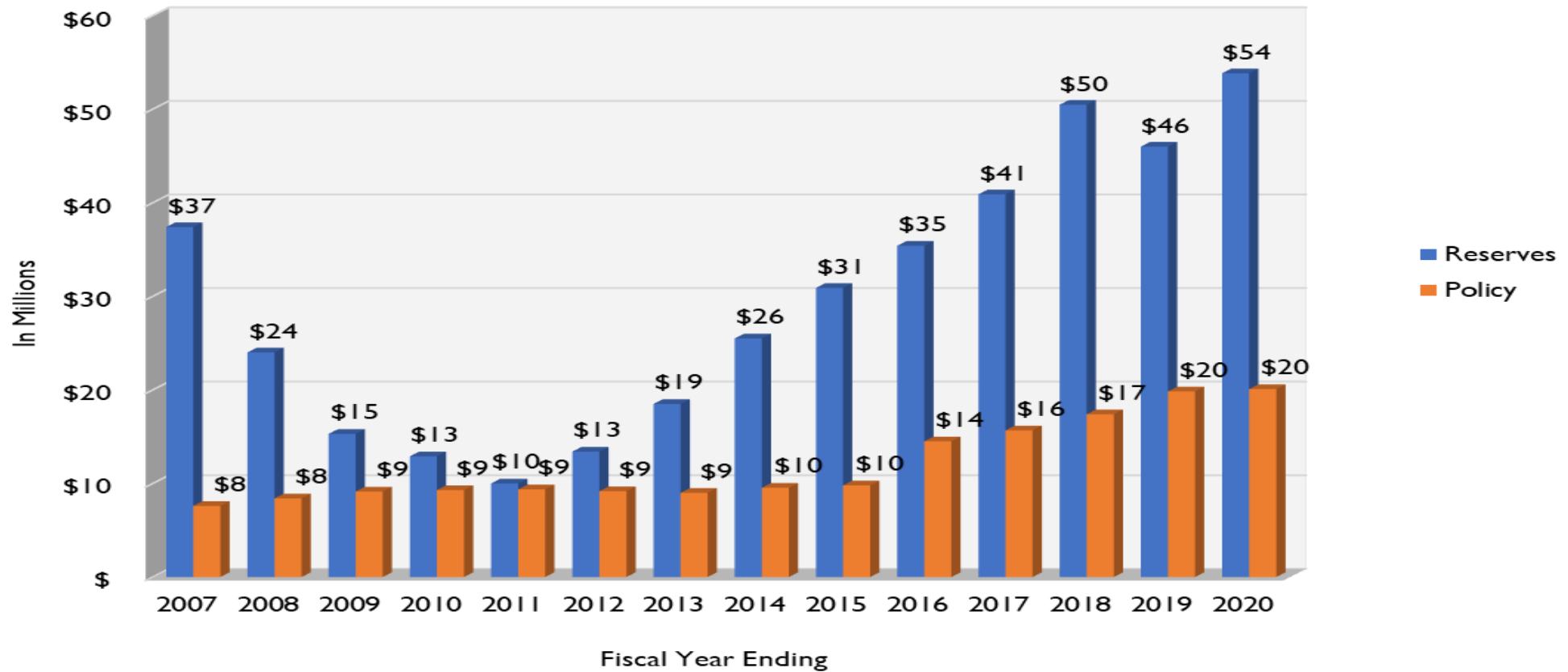
- Reserves Used for General Fund Expenditures
- Vacancies Unfilled (Staff Reduction through Attrition)
- Postponed Expenditures
- Deferred Capital Investment
- Initiated Cost Recovery Policy
- Continued Funding of Retirement Liabilities

Financial History

Actual Reserves and Policy Trends



GENERAL FUND RESERVES COMPARED WITH POLICY

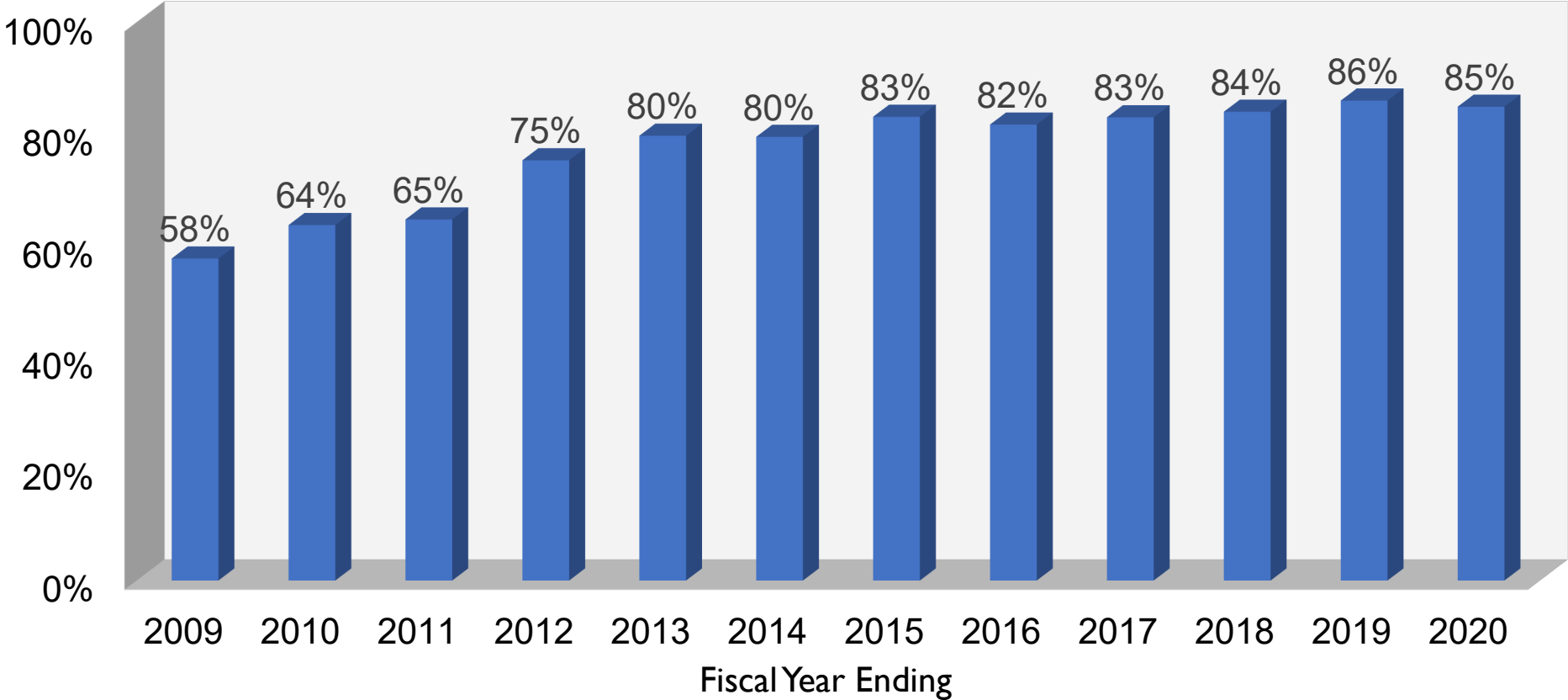


Financial History

Cost Recovery Trends



COST RECOVERY TRENDS USING A 3-YR AVERAGE



Financial History

Fees and Cost Recovery Overview



Cost Recovery Policy Established in FYE 2012:

- Air District can recover 100% of costs through fees
- 85% minimum cost recovery target
- 6% average annual fee increase
- Regulated community gains predictable fees
- Established Budget Advisory Group in 2020

Possible Path to 100% Cost Recovery



- Continuation of Fee increases at the rate employed since the Cost Recovery Policy was adopted (approximately 6% blended rate) would achieve 100% Cost Recovery in approximately 6 years.
 - 100% in three (3) years requires 10% annual fee increases
 - Assumes 3% inflation rate
 - Does not include differential treatment of fees

Next Steps on Cost Recovery



1. Perform Cost Recovery Study:
 - Verification of time estimates
 - Consideration of shortened time frames
 - Consideration of differentiation for Facility type

2. Present the results of the Study to the Administrative Committee with detailed analysis to allow the Committee to:
 - Consider recommending to the Board a new Cost Recovery Policy target greater than 85%;
 - Consider recommending to the Board more specific guidance on the Cost Recovery target for certain Facility types; and
 - Consider recommending to the Board a shorter time frame to Cost Recovery

Current Fiscal Year Budget Overview



Actions taken to address COVID-19 Impacts:

- No Increase to the Air District's Existing Fee Schedules
- Projected 15% Reduction in Permit Fee revenue
- Projected 50% Reduction in Asbestos revenue
- Adoption of new fee schedule for Assembly Bill (AB) 617 program
- No increase to Services and Supplies budget for District programs
- Delay building improvements to the Richmond Office
- Use of \$5.2 million (M) of reserves to balance the budget

Current Fiscal Year Budget Overview (cont.)



General Fund 2020-2021 Budget: \$106.5 M

Included Use of Reserves \$5.2 M to balance the Budget

As of March 2021:

- ✓ Permit Fee revenue higher than initial projections
- ✓ Property Tax revenue on target
- ✓ Expenditures on target

Fiscal Year 2021-2022 Proposed Budget Overview



- \$117 M General Fund Budget
- Includes Use of Reserves \$0.5 M
- Continuation of Cost Recovery Policy
- New Fee schedule for Criteria Pollutants and Toxic Emissions Reporting (CTR fee)
- Staffing Level Increase: 415 to 441 Full Time Equivalent (FTE)
- Addresses Retirement Liabilities

Breakdown of \$10.5 M Budget Increase



BUDGETED SOURCES:	\$ (Million)
Increase to Property Taxes	0.6
Increased Revenue from Current Fees	7.7
Proposed Fee Increase	3.0
New Criteria Pollutant and Toxic Fees	1.3
Increase to Penalties/Settlements	1.3
Increase to Interest	0.8
Reduction to Special Fund Transfer	(1.3)
Other	0.4
Total Ongoing Sources	13.6
New Woodsmoke Incentive Grant	1.5
Reduction in Use of Reserves	(4.7)
Total One-time Sources	(3.1)
TOTAL BUDGETED SOURCES	10.5

Breakdown of \$10.5 M Budget Increase

(cont.)



BUDGETED COSTS:

19 Additional General Fund Positions with Benefits	3.5
Increase in Personnel Costs for Current Authorized Positions	1.3
Increase in CalPERS Required Unfunded Pension Payment	1.0
Increase in Capital Expenditures	0.5
Air Monitoring and Technology Program	2.4
Net Increase in Various District Programs (60)	2.5
Total Ongoing Costs	11.1
Vacancy Rate Adjustment from 2% to 5%	(2.6)
Woodsmoke Incentive Program	1.5
Continue Richmond Office Improvement	0.5
Total One-time Costs	(0.6)
TOTAL BUDGETED COSTS	10.5

New Staffing Request General Fund



Work Unit	Number of Staff	Funding Source	Budget Impact
Community Engagement	3	AB 617	\$535,106
Compliance & Enforcement	4	Fees	\$707,491
Engineering	4	Fees	\$777,983
Finance	3	General Fund	\$605,605
Meteorology and Measurement	4	Multiple	\$701,475
Rules	1	Fees	\$189,618
	19		\$3,517,278

New Staffing Request Grant Funded



Work Unit	Number of Staff	Funding Source	Budget Impact
Finance	1	Grant	\$162,808
Strategic Incentives	5	Grant	\$914,661
Technology Implementation Office	1	Grant	\$175,386
	7		\$1,252,855

Hiring Plan and Management Audit



- Develop and present a hiring plan to the Administration Committee in late September.
- Perform a management audit to examine how staff resources are deployed in certain areas that require staff increases and risk assessment to rank Divisions by audit priority.
- At its May 19, 2021, meeting, the Administration Committee discussed the Request for Qualification timeline and the selection panel for the Management Audit.
- The Request for Qualification will be issued in June 2021 and selection of the management auditor is anticipated in late September.
- The selected vendor will work with the Administration Committee to develop the audit workplan.

Funding of Retirement Liabilities



- **Medical Retirement (OPEB):**

- Obligation: \$72 M
- Funded: \$54 M (75%)
- Unfunded: \$18 M (25%)

- **Funding Policy: 90% Funded Level**

- Three-Year Target Date (FYE 2025)
- **\$4 M Annual Discretionary Funding**
- Redirect \$4 M Discretionary Funding to CalPERS Pension after reaching target funding level

- **CalPERS Retirement (Pension):**

- Obligation: \$341 M
- Funded: \$250 M (73%)
- Unfunded: \$91 M (27%)

- **Funding Policy: 90% Funded Level**

- 90% Target Date (FYE 2030)
- **\$1 M Annual Discretionary Funding**
- \$4 M Redirect Discretionary Funding from OPEB

Community Benefit Funding



- The proposed Community Benefit Fund would provide monetary resources for projects in impacted communities to reduce exposure to air pollution and address public health impacts.
- Similar to California Air Resources Board (CARB) Community Air Grants Program but not restricted to Assembly Bill 617 communities
- The Air District will fund the Community Benefit Fund with the initial \$3M...
- ...After which an estimated \$500,000 per year in penalty fees will be directed to the Community Benefit Fund.
- Possible recommendation to the Community Equity, Health and Justice Committee to determine types of activities to be funded.

Pandemic Contingency Reserves



- Staff will review the need for the \$8 Million Pandemic Contingency Reserve Designation during each quarterly report to the Administration Committee Meeting.

Revised Reserve Recommendations



- At its May 19, 2021, meeting, the Administration Committee discussed and recommended modification to the Proposed FYE 2022 budget Reserves Designations, increasing the Community Benefit Designation from \$1M to \$3M, and reducing the Pandemic Contingency Designation from \$10M to \$8M.

Reserves Designations



GENERAL FUND RESERVES	
	\$M
Reserves Balance at June 30, 2020	54.0
<u>Less: Designations</u> *	
Community Benefits	-1.0
Pension Liability	-3.0
Woodsmoke Grants	-1.0
Revolving Loan Program	-3.4
AB 617 Staffing Contingency	-6.0
Pandemic Contingency	-10.0
Economic Contingency (20% of Budget)	-23.3
Total Designations	-47.7
<u>Less: Use of Reserves</u>	
Use to Balance FY2021 Budget	-5.2
Use to Balance FY2022 Budget	-0.5
Total Use of Reserves	-5.7
AVAILABLE GENERAL FUND RESERVES	0.6
<i>* Designations subject to change at Board's Direction</i>	

Revised Reserves Designations



GENERAL FUND RESERVES	
	\$M
Reserves Balance at June 30, 2020	54.0
<u>Less: Designations</u> *	
Community Benefits	-3.0
Pension Liability	-3.0
Woodsmoke Grants	-1.0
Revolving Loan Program	-3.4
AB 617 Staffing Contingency	-6.0
Pandemic Contingency	-8.0
Economic Contingency (20% of Budget)	-23.3
Total Designations	-47.7
<u>Less: Use of Reserves</u>	
Use to Balance FY2021 Budget	-5.2
Use to Balance FY2022 Budget	-0.5
Total Use of Reserves	-5.7
AVAILABLE GENERAL FUND RESERVES	0.6
<i>* Designations subject to change at Board's Direction</i>	

Fiscal Year 2021-2022 Proposed Budget Summary



- \$117 M General Fund Budget
- Includes Use of Reserves \$0.5 M for Richmond Improvements
- Amend Fee Schedule based on Proposed Fees
- New Fee Schedule for CTR
- Budgeted Position Increase to 441 FTE
- \$4 M Annual Contribution to OPEB
- \$1 M Annual Contribution to Pension

Feedback Requested/Prompt



Recommend the Board of Directors:

Adopt the resolution to approve the Budget for Fiscal Year Ending 2022 and various budget related actions.



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AGENDA: 27

Wildfire Season Preview

**Board of Directors Meeting
June 16, 2021**

**Ranyee Chiang, Ph.D.
Director of Meteorology and Measurement
rchiang@baaqmd.gov**

Outcome



- Preview the 2021 wildfire season
- Understand Air District role and resources during wildfires

Outline



- 2021 Fire Season Outlook
- Air District role during wildfires
 - Monitoring
 - Forecasting
 - Communications
- Air quality resources
- Wildfire Air Quality Response Program
 - Reducing wildfire risk
 - Protecting indoor air quality

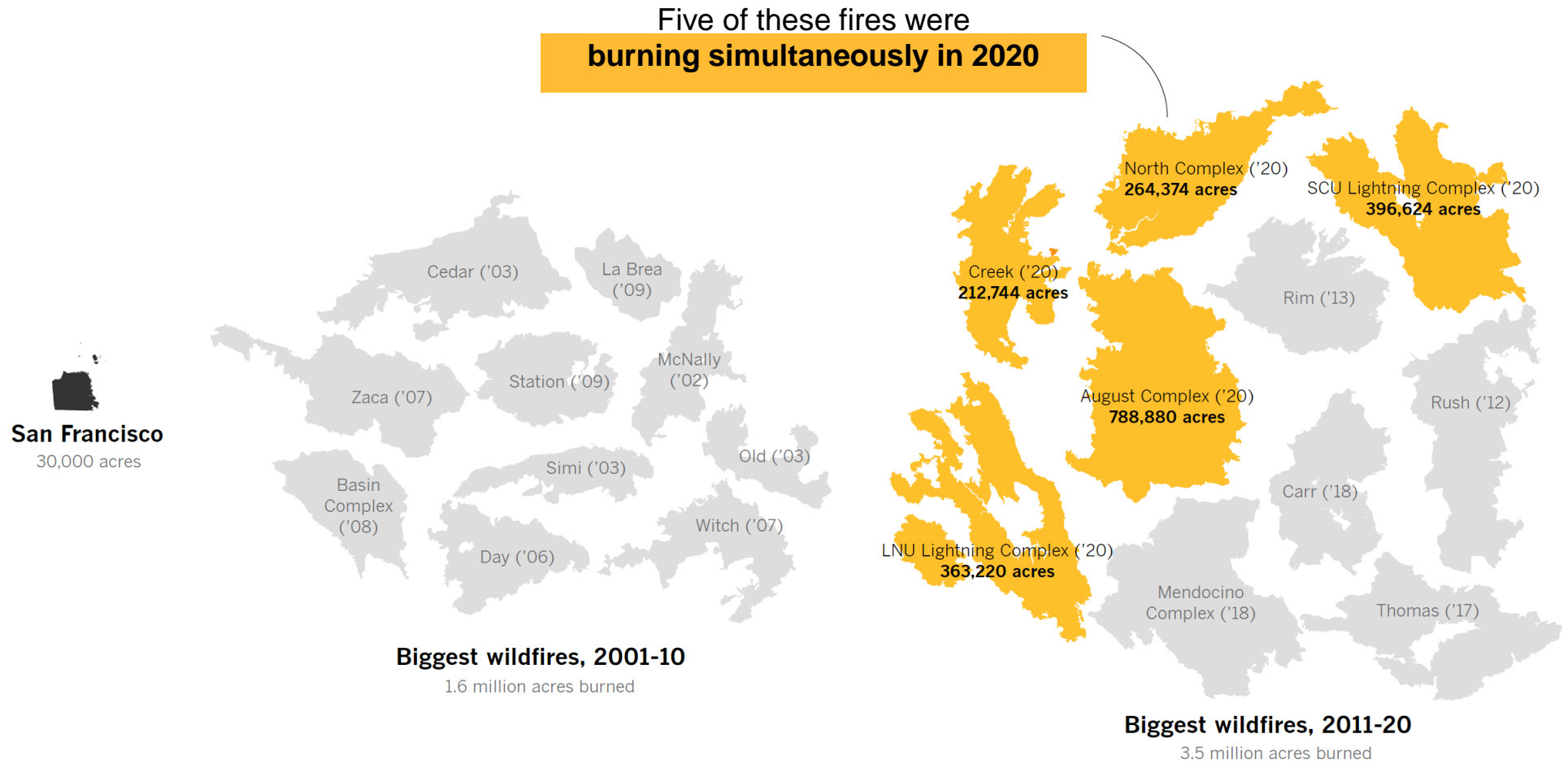
Requested Action



Recommend the Board of Directors:

- Authorize the Executive Officer/APCO to enter into contracts with Home filter manufacturers Hellen of Troy and Winix, Inc. in amounts not to exceed \$250,000 in total to purchase home air filters for the Home Air Filtration Program; and
- To expand a current agreement (see Attachment 1) with the Public Health Institute's (PHI) - Regional Asthma Management and Prevention program (RAMP) to distribute these filters.

Wildfires in California Have Intensified

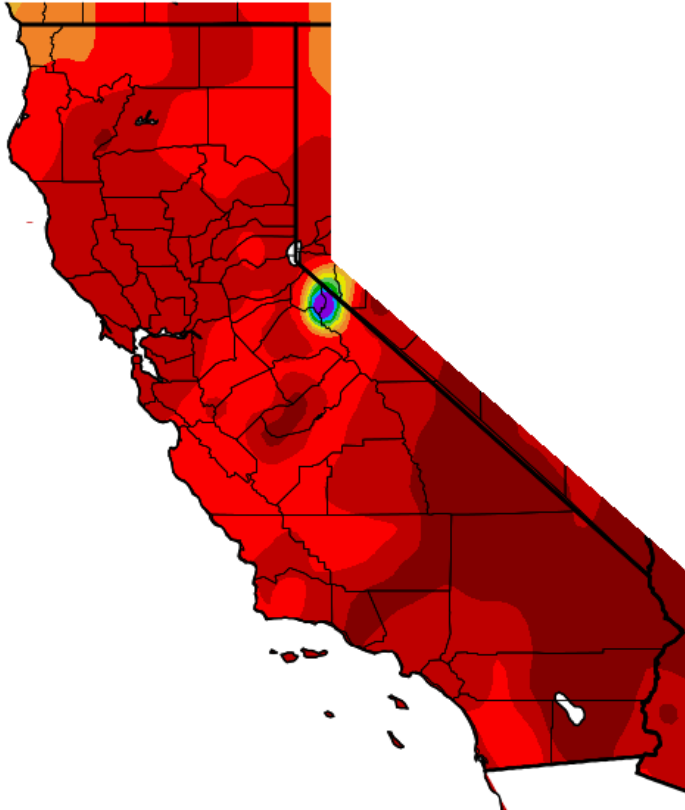


Source: <https://www.latimes.com/projects/california-fires-damage-climate-change-analysis/>

2021 Fire Season Outlook



Percent of Average Precipitation (%)
7/1/2020 – 5/27/2021



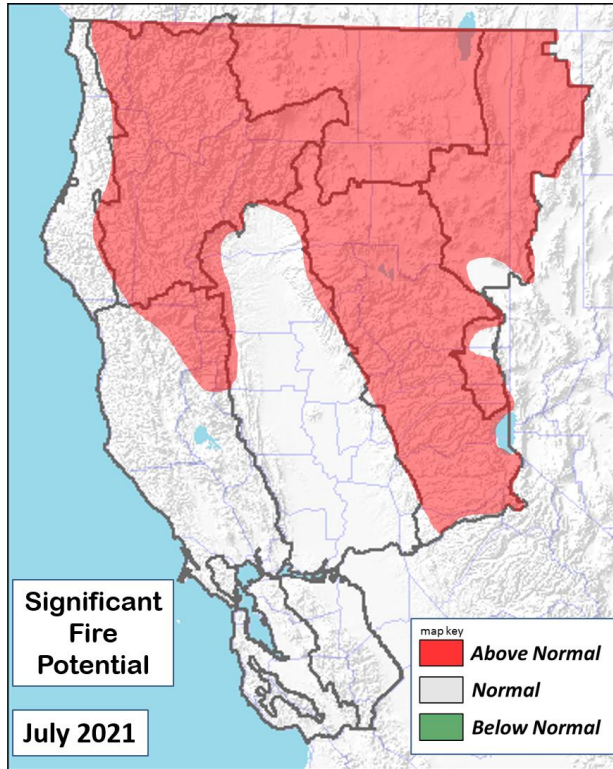
Generated 5/28/2021 at WRCC using provisional data.
NOAA Regional Climate Centers

Low rainfall in the Bay Area

- 2020-2021 season (as of May 27, 2021): only ~35% of typical rainfall
- 2019-2020 season: 49% of typical rainfall

Potential fuels for fire will be dry earlier in the year

2021 Fire Season Likely to Start Earlier



By July:

Higher risk of wildfire in mid/upper elevations

Sep – Nov:

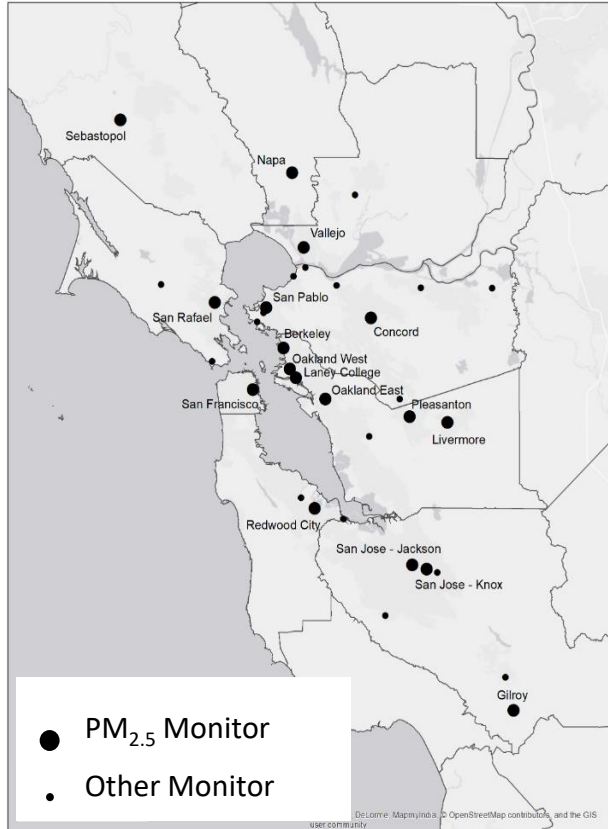
Depends on severity of offshore wind events and when the next rainy season starts

Northern California Geographic Coordination Center

Air Monitoring

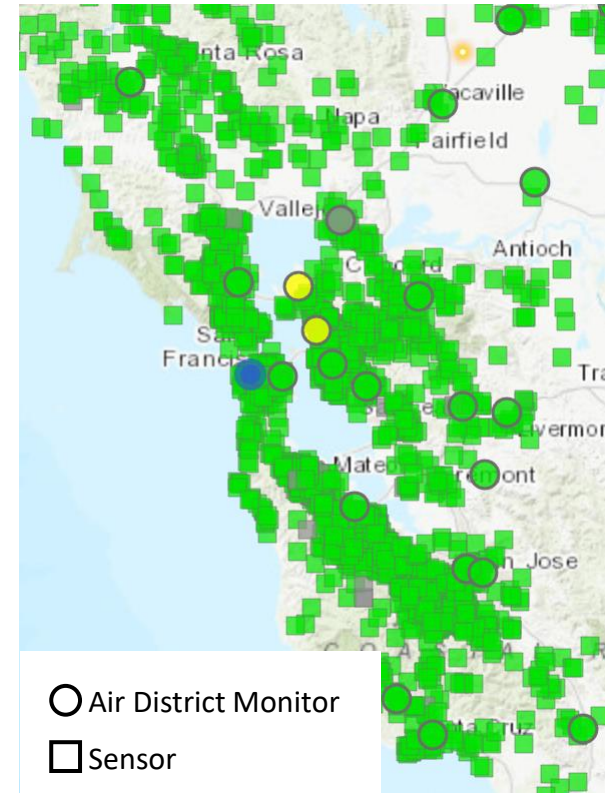


Air District Monitoring Network



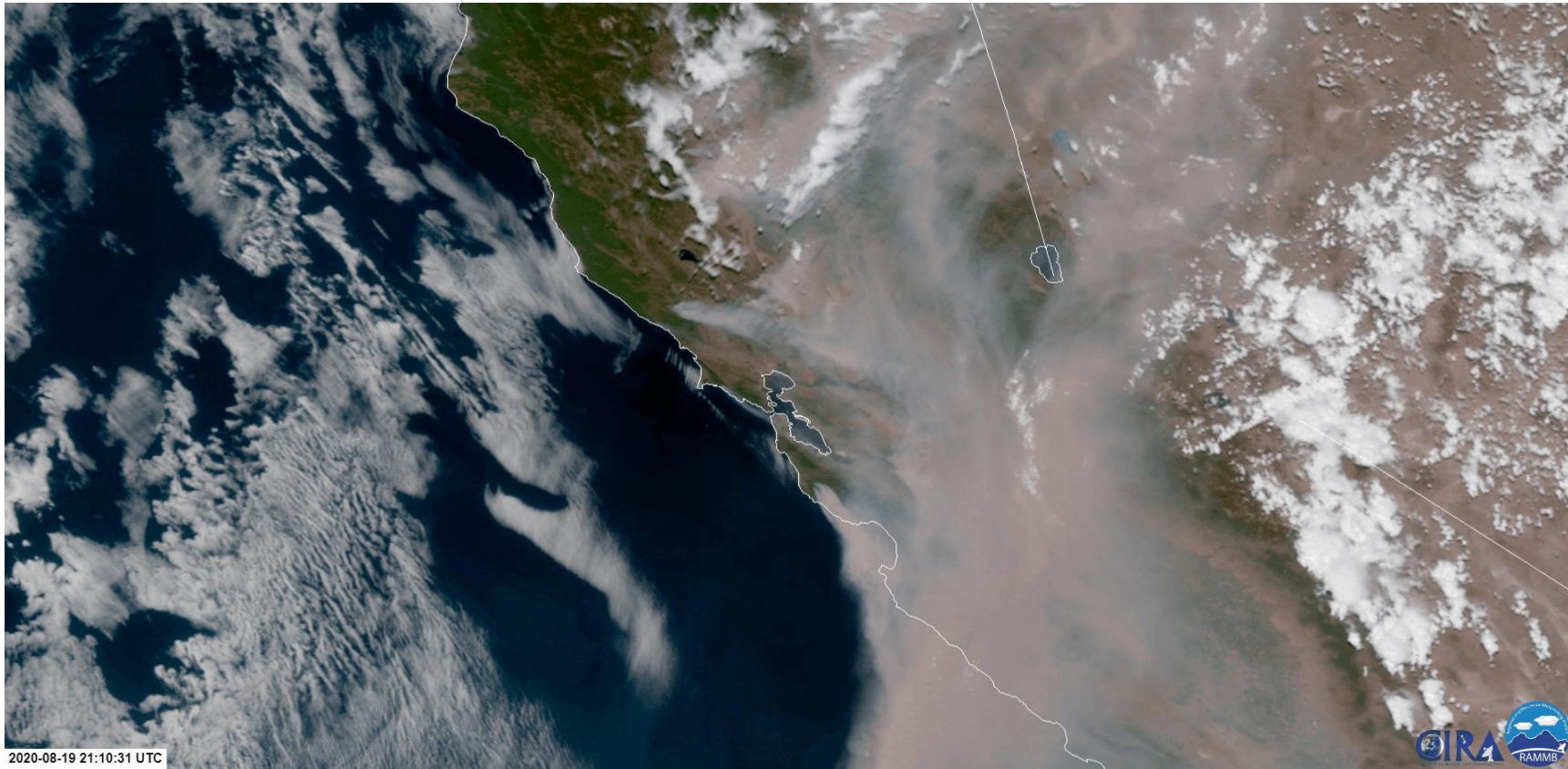
- High accuracy
- Quality assurance
- Designed to characterize air quality throughout Bay Area

Sensor Networks



- High geographical coverage
- Low-cost
- Community-led science

Air Quality Can Change Rapidly and Varies From One Location to Another



August 19, 2020

Forecasting During Wildfire Incidents

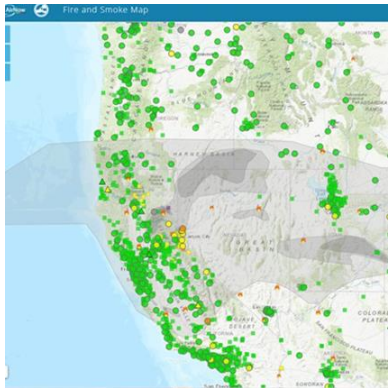
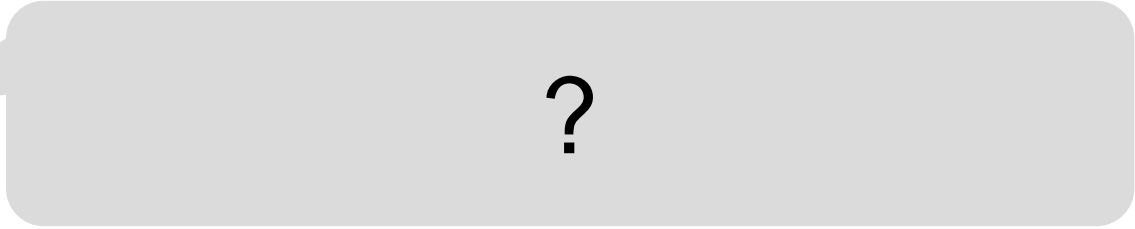


How is a smoke forecast produced?

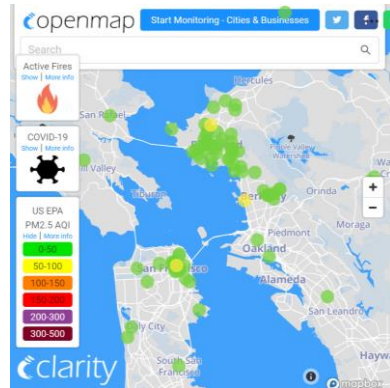
- Air quality data
- Weather and smoke models
- Satellite imagery and cameras
- Local geography and wind flow
- Marine layer depth



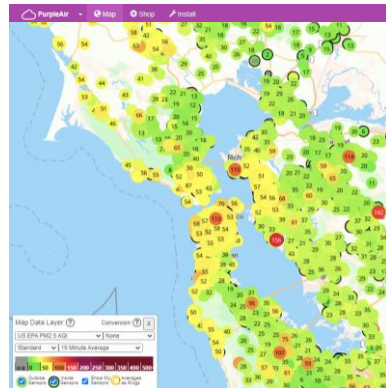
Where Can the Public Get Air Quality Data?



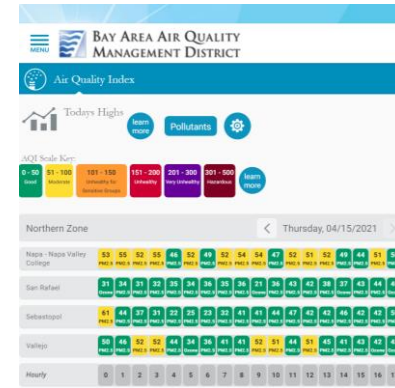
EPA Fire and Smoke Map



Clarity OpenMap



PurpleAir Map



Air District Website



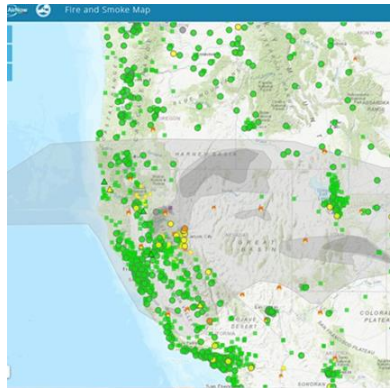
AirNow

Additional details available: https://www.baaqmd.gov/~/_media/files/ab617-community-health/richmond/quarterly-report-documents/guide-to-air-quality-data-websites-pdf.pdf?la=en

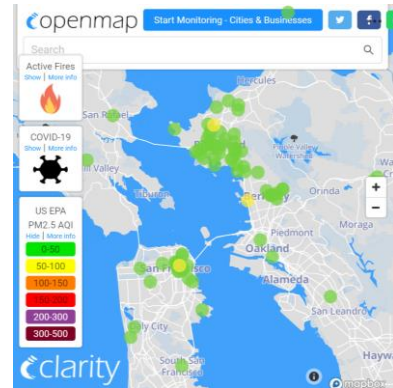
Where Can the Public Get Air Quality Data? (cont.)



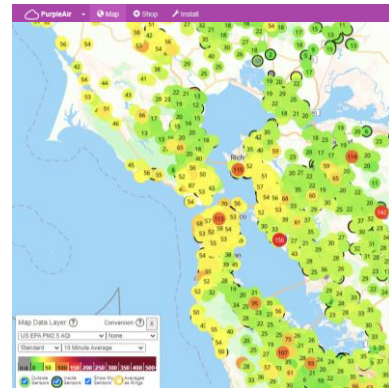
How bad is the air quality near where I am?



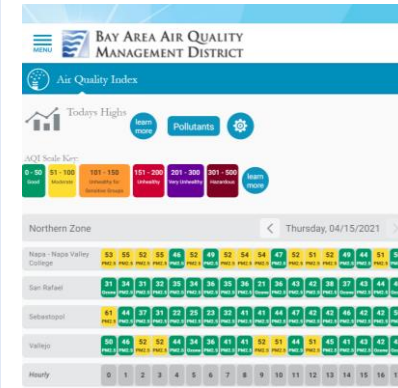
EPA Fire and Smoke Map



Clarity OpenMap



PurpleAir Map



Air District Website

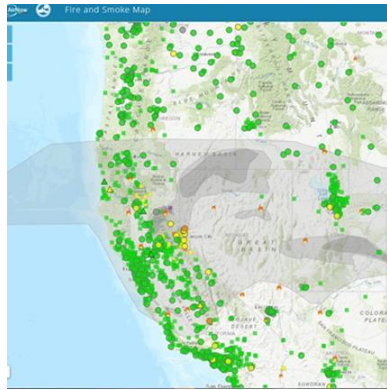


AirNow

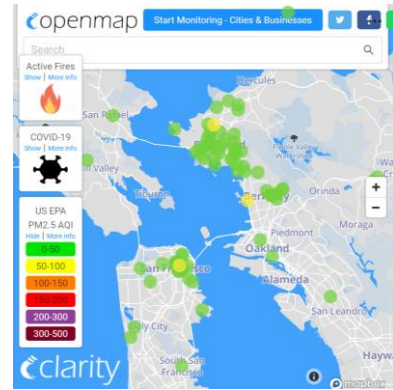
Where Can the Public Get Air Quality Data? (cont.)



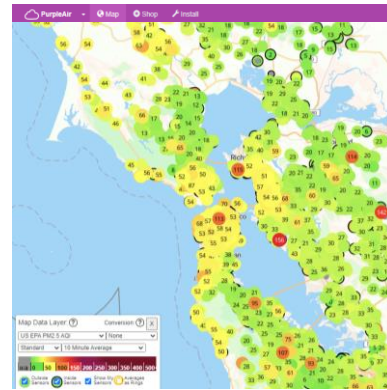
Is air quality getting better or worse?



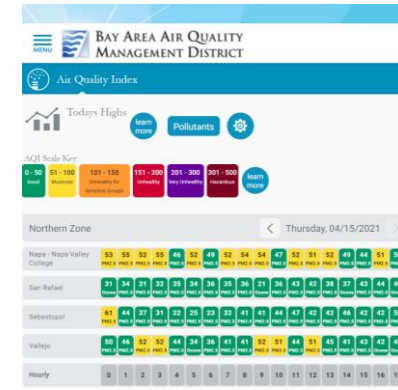
EPA Fire and Smoke Map



Clarity OpenMap



PurpleAir Map



Air District Website

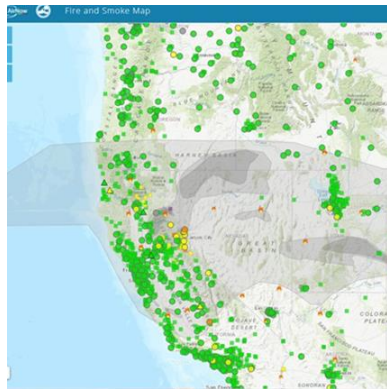


AirNow

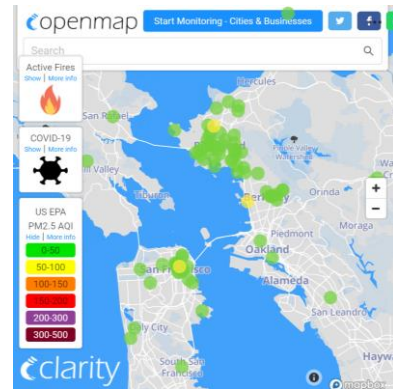
Where Can the Public Get Air Quality Data? (cont.)



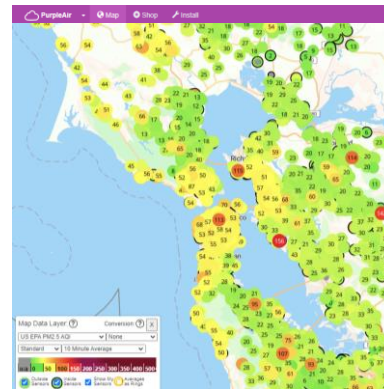
How do air quality levels compare to health-based standards?



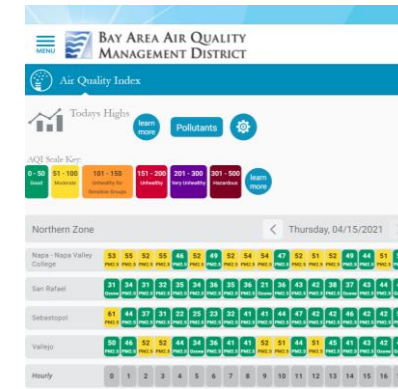
EPA Fire and Smoke Map



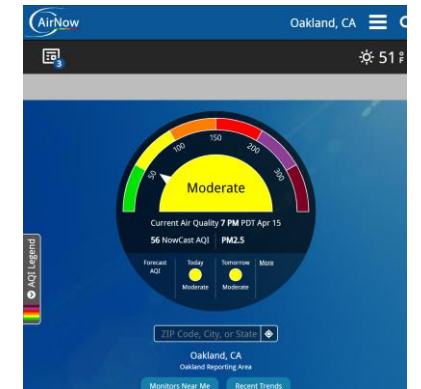
Clarity OpenMap



PurpleAir Map



Air District Website



AirNow

How to Prepare for Wildfire Smoke



HVAC system set to RECIRCULATE; upgrade to system that allows for both cooling and heating



Non-ozone producing air purifier (HEPA) or MERV 13 or greater filter for HVAC system



Identify locations that have cleaner filtered air spaces and make a plan



Weatherize the home



Individuals with health conditions should talk to their physicians

Additional details: <https://www.baaqmd.gov/~media/files/communications-and-outreach/wildfire-materials/wildfire-preparedness-tips-pdf?la=en>

Reducing Wildfire Risk



Open Burn Program

- Approve Smoke Management Plans
- Amendment (Regulation 5) passed in 2019 exempts public agencies from fees when conducting prescribed burns for wildfire prevention
- Adopting web-based system to coordinate prescribed burns

Wildfire Prevention Chipping Pilot Program

- Properties can apply for free chipping services to dispose of material that would otherwise be burned to help reduce fuel loads and wildfire risks

Protecting Indoor Air Quality



Providing portable air filtration systems at wildfire evacuation centers



Wildfire Smoke Clean Air Center Incentive Program for Vulnerable Populations (AB 836)

Protecting Indoor Air Quality (cont.)



Home Air Filtration Program

- Partnership with Regional Asthma Management & Prevention (RAMP)
- Program to provide home air filters to low-income individuals suffering from poorly controlled asthma
- In-home asthma care through RAMP partners:
 - Alameda County Public Health
 - Roots Community Clinic
 - Contra Costa Health Services
 - Lifelong Medical
 - San Mateo County Family Health Services
 - Santa Rose Community Health Centers
 - Breathe CA

**** Request Approval for Funding of \$250,000***

Questions



Questions/Feedback