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

- Fees: 50%
- Property Taxes: 36%
- Grant Revenues: 3%
- State Subvention: 2%
- Penalties: 5%
- Other Revenues: 4%
- Grant Revenues: 3%
- State Subvention: 2%
- Penalties: 5%
- Other Revenues: 4%
- Fees: 50%
- Property Taxes: 36%
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 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

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

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

**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.
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.
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

<table>
<thead>
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<tbody>
<tr>
<td>Delta Energy</td>
<td>12.6</td>
<td>-0.8</td>
<td>-7.0</td>
<td>-13.5</td>
<td>5.8</td>
<td>$369,630</td>
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<tr>
<td>Los Medanos</td>
<td>15.0</td>
<td>-6.0</td>
<td>7.3</td>
<td>15.0</td>
<td>6.9</td>
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<tr>
<td>Gateway</td>
<td>15.0</td>
<td>8.5</td>
<td>-7.6</td>
<td>12.0</td>
<td>6.0</td>
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<tr>
<td>Crockett Cogen</td>
<td>13.2</td>
<td>0.8</td>
<td>2.5</td>
<td>0</td>
<td>5.8</td>
<td>$230,111</td>
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</table>
## Impact on Large Facilities: Petroleum Refineries

<table>
<thead>
<tr>
<th>Facility</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019*</th>
<th>2020 Projected</th>
<th>2019 Permit Fee for 16 months*</th>
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</thead>
<tbody>
<tr>
<td>Chevron</td>
<td>9.3</td>
<td>14.7</td>
<td>1.2</td>
<td>-0.5</td>
<td>12.0</td>
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<tr>
<td>Shell</td>
<td>5.8</td>
<td>15.0</td>
<td>4.0</td>
<td>5.6</td>
<td>11.7</td>
<td>$4.6 M</td>
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<tr>
<td>Phillips 66</td>
<td>3.4</td>
<td>14.6</td>
<td>2.3</td>
<td>4.2</td>
<td>8.5</td>
<td>$2.3 M</td>
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<tr>
<td>Valero</td>
<td>11.9</td>
<td>15.0</td>
<td>2.4</td>
<td>-0.2</td>
<td>13.3</td>
<td>$2.5 M</td>
</tr>
<tr>
<td>Tesoro</td>
<td>15.0</td>
<td>2.2</td>
<td>-8.5</td>
<td>15</td>
<td>1.9</td>
<td>$3.1 M</td>
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</tbody>
</table>

*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.
Proposed FYE 2019 fee increases:

<table>
<thead>
<tr>
<th>Facility Type</th>
<th>Current Fees (prior to change)</th>
<th>Proposed Fee Increase</th>
<th>Total Fees (post change)</th>
</tr>
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<tbody>
<tr>
<td>Gas Station</td>
<td>$2,820</td>
<td>$169</td>
<td>$2,989</td>
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<tr>
<td>Dry Cleaner (permitted)</td>
<td>$518</td>
<td>$0</td>
<td>$518</td>
</tr>
<tr>
<td>Dry Cleaner (registered)</td>
<td>$259</td>
<td>$0</td>
<td>$259</td>
</tr>
<tr>
<td>Auto Body Shop</td>
<td>$532</td>
<td>$0</td>
<td>$532</td>
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<tr>
<td>Back-up Generator</td>
<td>$274</td>
<td>$11</td>
<td>$285</td>
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</tbody>
</table>
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
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
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.
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)
BREAKDOWN OF REVENUES

- **Property Tax**: 35%
- **Permit Fees**: 46%
- **Grants**: 8%
- **Other Revenues**: 6%
- **Transfers**: 5%

**In Millions**

- Property Tax: $36.2
- Permit Fees: $48.5
- Grants: $8.9
- Other Revenues: $6.0
- Transfers: $5.1

Total: $104.6

June 5, 2019
## General Fund Expenditures

### FYE 2020 Proposed Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>In Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Benefits</td>
<td>$54.4</td>
</tr>
<tr>
<td>Pension &amp; Other Post Employment Benefits (OPEB)</td>
<td>$13.4</td>
</tr>
<tr>
<td>Services &amp; Supplies</td>
<td>$27.3</td>
</tr>
<tr>
<td>Capital</td>
<td>$9.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$104.6</strong></td>
</tr>
</tbody>
</table>

### Breakdown of Expenditures

- **Salaries & Benefits**: 52%
- **Pension & Other Post Employment Benefits (OPEB)**: 13%
- **Services & Supplies**: 26%
- **Capital**: 9%
Reserves Policy: 20% of General Fund Budget

- FYE 2020 Budget of $100 M => $20 M minimum
- FYE 2020 Projected Reserves = $26 M
<table>
<thead>
<tr>
<th>Proposed Reserve Designations for FYE 2020</th>
<th>($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Napa/Sonoma Fireplace Replacement Grants</td>
<td>1</td>
</tr>
<tr>
<td>Pension Liability</td>
<td>1</td>
</tr>
<tr>
<td>Woodsmoke Grants</td>
<td>1</td>
</tr>
<tr>
<td>To Be Determined</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total Designations</strong></td>
<td><strong>6</strong></td>
</tr>
</tbody>
</table>

*Economic Contingency (20% of budget)*

20

**TOTAL FYE 2020 RESERVES**

26

**Used from Reserves in FYE 2020 Budget**

Richmond Facility Improvements

4

*Reserves are subject to change at Board's discretion. Reserves may be expended over a period of years (Includes Building Proceeds)*
1. Other Post Employment Benefits (Medical OPEB)

2. Pension Retirement
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 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 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
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

2013 - 2015

Source: OSHPD 2013 - 3Q2015
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?

Cancer Risk

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 from construction was not modeled

+204 per million

Local model – mapped impacts
Regional model (minus West Oakland)
Cancer Risk

Top Local Contributors*

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

* cancer risk from construction was not modeled

204 per million

<table>
<thead>
<tr>
<th>Impact on Cancer Risk (30-yr, per million)</th>
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</thead>
<tbody>
<tr>
<td>Highway</td>
</tr>
<tr>
<td>Heavy/Medium HD trucks</td>
</tr>
<tr>
<td>Non-truck vehicles</td>
</tr>
<tr>
<td>Light HD trucks</td>
</tr>
<tr>
<td>Street</td>
</tr>
<tr>
<td>Heavy/Medium HD trucks</td>
</tr>
<tr>
<td>Non-truck vehicles</td>
</tr>
<tr>
<td>Light HD trucks</td>
</tr>
<tr>
<td>Port</td>
</tr>
<tr>
<td>Harbor craft</td>
</tr>
<tr>
<td>GGV (berthing)</td>
</tr>
<tr>
<td>GGV (maneuvering)</td>
</tr>
<tr>
<td>Dredging</td>
</tr>
<tr>
<td>Drayage trucks*</td>
</tr>
<tr>
<td>Cargo handling</td>
</tr>
<tr>
<td>Railyard (OGR)</td>
</tr>
<tr>
<td>Railyard (BNSF)</td>
</tr>
<tr>
<td>Bunkering (tugs + pumps)</td>
</tr>
<tr>
<td>Non-truck vehicles</td>
</tr>
<tr>
<td>Rail</td>
</tr>
<tr>
<td>Railyard (UP)</td>
</tr>
<tr>
<td>Rail lines</td>
</tr>
<tr>
<td>Permitted</td>
</tr>
<tr>
<td>Schnitzer (stationary)</td>
</tr>
<tr>
<td>Other facilities</td>
</tr>
<tr>
<td>EBMUD</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Ferries</td>
</tr>
<tr>
<td>Schnitzer (ships)</td>
</tr>
<tr>
<td>Truck-related businesses</td>
</tr>
<tr>
<td>Schnitzer (trucks)</td>
</tr>
</tbody>
</table>

204.2 100%

DRAFT 2019-05-31
Residential impacts from modeled local sources only.
* Drayage trucks at any location (Port, street, or highway).
Cancer Risk

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

* cancer risk from construction was not modeled

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

Modeled Impact of Local Sources on Residential
Cancer Risk

Source apportionments drill down into what’s responsible

Cancer Risk (30-yr, per million)

West Prescott: 280
Third St: 351
Seventh St: 330
Acorn: 220
Adeline: 154
Clawson: 160
W Grand & San Pablo: 155

Source:
- Highway
- Street
- Port
- Rail
- Permitted
- Other

2025 target: 200/million
2030 target: 120/million
Cancer Risk

Source apportionments drill down into what’s responsible

Source

- Highway
- Street
- Port
- Rail
- Permitted
- Permitted
- Other

<table>
<thead>
<tr>
<th>Source</th>
<th>Risk (30-yr, per million)</th>
<th>Contribution</th>
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<tbody>
<tr>
<td>Harbor craft</td>
<td>51.2</td>
<td>15%</td>
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<tr>
<td>OGV (berthing)</td>
<td>32.9</td>
<td>9%</td>
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<tr>
<td>OGV (maneuvering)</td>
<td>19.9</td>
<td>6%</td>
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<tr>
<td>Dredging</td>
<td>14.0</td>
<td>4%</td>
</tr>
<tr>
<td>Cargo handling</td>
<td>10.6</td>
<td>3%</td>
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<tr>
<td>Drayage trucks*</td>
<td>9.5</td>
<td>3%</td>
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<tr>
<td>Railyard (BNSF)</td>
<td>5.0</td>
<td>1%</td>
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<tr>
<td>Railyard (OGRE)</td>
<td>3.2</td>
<td>1%</td>
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<tr>
<td>Rail</td>
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<td>Railyard (UP)</td>
<td>76.2</td>
<td>22%</td>
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<tr>
<td>Rail lines</td>
<td>38.4</td>
<td>11%</td>
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<tr>
<td>Land Use</td>
<td>Trucks</td>
<td>Other Mobile Sources</td>
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<tr>
<td>----------------------------------------------</td>
<td>-------------------------------</td>
<td>----------------------------------------</td>
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<tr>
<td>Relocate recycling businesses</td>
<td>Better route and parking enforcement</td>
<td>Incentives for cleaner rail, marine, off-road upgrades</td>
</tr>
<tr>
<td>Accelerate relocation of auto-repair and painting that conflict with West Oakland Specific Plan (WOSP) zoning</td>
<td>Stop idling in West Oakland</td>
<td>Implement zero-emissions equipment</td>
</tr>
<tr>
<td>Incentives to relocate truck yards/repair, etc.</td>
<td>Incentives for cleaner trucks</td>
<td>California Air Resources Board (CARB) regulations</td>
</tr>
<tr>
<td></td>
<td>More street sweeping</td>
<td>Car, bike incentives</td>
</tr>
</tbody>
</table>
Seaport Air Quality 2020 and Beyond Plan
A Pathway to Zero-Emissions Seaport Operations

• 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
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 its 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