Public Workshop

Draft Amendments to Regulation 3, Fees

Bay Area Air Quality Management District

February 22, 2017
Workshop Agenda

1. Welcome / Introductions
2. Cost Recovery Background
3. Draft Fee Amendments
4. Rule Development Schedule
5. Comments
Revenue Sources - FYE 2016

FYE 2016 Revenue Sources:
- Fees: 47%
- Property Taxes: 33%
- Grant Revenues: 5%
- State Subvention: 2%
- Penalties: 7%
- Other Revenues: 6%
Cost Recovery Background

- 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 goal of increasing cost recovery to 85% over four years FYE 2013 through FYE 2016
- 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 Cutting

Audited General Fund Expenditures (millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$5.0</td>
<td>$4.1</td>
<td>$4.2</td>
<td>$4.1</td>
<td>$4.1</td>
<td>$7.8</td>
</tr>
<tr>
<td>Services &amp; Supplies</td>
<td>$14.1</td>
<td>$12.3</td>
<td>$12.3</td>
<td>$13.0</td>
<td>$14.2</td>
<td>$16.9</td>
</tr>
<tr>
<td>Capital</td>
<td>$44.7</td>
<td>$43.7</td>
<td>$45.5</td>
<td>$44.5</td>
<td>$47.6</td>
<td>$49.6</td>
</tr>
</tbody>
</table>

- FYE 2011: 317 filled positions
- FYE 2012: 329 filled positions

Bay Area Air Quality Management District
Public Workshop

February 22, 2017
Slide 5
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 = 82% Projected

- Cost recovery gap is filled by county tax revenue
### 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 – 100% of costs</td>
<td>2.7% increase (CPI-W)*</td>
<td>M, U</td>
</tr>
<tr>
<td>85 – 95% of costs</td>
<td>7% increase</td>
<td>F, G3, T</td>
</tr>
<tr>
<td>75 – 84% of costs</td>
<td>8% increase</td>
<td>D, P</td>
</tr>
<tr>
<td>Less than 75% of costs</td>
<td>9% increase</td>
<td>A, E, G1, G2, G4, H, I, K, R, S, V</td>
</tr>
</tbody>
</table>

*The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increased 2.7% from 2015 to 2016.*
Proposed Changes to Fee Schedules

- **Fee Schedules with 2.7% increase**
  - Schedule M: Major Stationary Source Fees
  - Schedule U: Indirect Source Fees

- **Fee Schedules with 7% increase**
  - Schedule F: Misc. Sources (storage silos, abrasive blasting)
  - Schedule G-3: Misc. Sources (metal melting, cracking units)
  - Schedule T: Greenhouse Gas Fees

- **Fee Schedules with 8% increase**
  - Schedule D: Gasoline Transfer at Gasoline Dispensing Facilities, Bulk Plants & Terminals
  - Schedule P: Major Facility Review Fees
Proposed Changes to Fee Schedules

fee Schedules with 9% increase

- Schedule A: Hearing Board Fees
- 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
Regulation 11, Rule 18
Rule Development Underway

- Reduction of Risk from Air Toxic Emissions at Existing Facilities
- Proposed to ensure TAC emissions from existing facilities do not pose an unacceptable health risk to people living and working nearby.
- Proposed Rule 11-18 will require submittal of Facility-Wide HRAs and Risk Reductions Plans that will require assessment, review, and approval by Air District staff
- Air District estimates that up to 1,000 facilities will be impacted by this rule.
These fees would only become effective upon Board adoption of proposed Regulation 11, Rule 18.

These fees would be charged only upon submittal of facility-wide HRAs required pursuant to Regulation 11, Rule 18.

To help recover the Air District’s costs for facility-wide Health Risk Assessments required pursuant to proposed Regulation 11, Rule 18.

The facility-wide HRA fees will range from a minimum of $499 to a maximum of $100,000 per facility.
These fees would only become effective upon Board adoption of proposed Regulation 11, Rule 18.

These fees would be charged only upon submittal of Risk Reduction Plans required pursuant to Regulation 11, Rule 18.

To help recover the Air District’s costs for review and approval of Risk Reduction Plans required pursuant to proposed Regulation 11, Rule 18.

The Risk Reduction Plan fees will range from a minimum of $1,500 to a maximum of $32,000 per facility.
Other Proposed Amendments

Schedule A: Hearing Board Fees (Table I)
- Revisions to include diesel exhaust particulate matter in the schedule of toxic air contaminants subject to excess emissions fees.

Schedule H: Semiconductor and Related Operations
- Revisions to directly calculate the fee based on gross throughput of organic solvent processed.

Schedule N: Toxic Inventory Fees
- Update the “slope factor” to recover current costs and higher ARB AB2588 annual fees for FYE 2017
Other Proposed Amendments (cont’d)

- A new fee equal to the Risk Assessment Fee to help recover the costs for each HRA scenario above three in any new or modified source permit application in Section 3-302
- Delete fees for Duplicate Permits and Duplicate Registrations in Section 3-309
- Change all Regulation 3 references of “health risk screening analysis” to “health risk assessment”
- Correct a few minor typographical errors
### Proposed FYE 2018 fee increases:

<table>
<thead>
<tr>
<th>Facility Type</th>
<th>Facility Description</th>
<th>Fee Increase</th>
<th>Total Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas Station</td>
<td>10 multi-product gasoline nozzles</td>
<td>$263</td>
<td>$3,614</td>
</tr>
<tr>
<td>Dry Cleaner (permitted)</td>
<td>One machine: 1,400 lb/yr Perc emissions</td>
<td>$39</td>
<td>$666</td>
</tr>
<tr>
<td>Dry Cleaner (registered)</td>
<td>One machine: 800 lb/yr VOC emissions</td>
<td>$19</td>
<td>$225</td>
</tr>
<tr>
<td>Auto Body Shop</td>
<td>One spray booth: 400 gal/yr paint</td>
<td>$46</td>
<td>$622</td>
</tr>
<tr>
<td>Back-up Generator</td>
<td>One 365 hp engine</td>
<td>$2*</td>
<td>$332</td>
</tr>
</tbody>
</table>

* Represents a 2.7% increase in the Permit Renewal Processing Fee.
Rule Development Schedule

- **February 22, 2017**
  - Public workshop

- **March 15, 2017**
  - Written comments due

- **March 22, 2017**
  - Budget & Finance Committee briefing

- **April 19, 2017**
  - Board of Directors first public hearing to receive testimony only

- **June 7, 2017**
  - Board of Directors second public hearing to consider adoption

- **July 1, 2017**
  - Proposed effective date of fee amendments
Comments

➢ Please provide comments by Wednesday, March 15th to:

Barry G. Young
Senior Advanced Projects Advisor
Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, CA  94105

byoung@baaqmd.gov
(415) 749-4721