



Recommendation of Candidates for the Air District's Hearing Board

Finance & Administration Committee

March 19, 2025

Hyacinth Hinojosa
Deputy Executive Officer
Finance and Administration



Background – Administrative Code

Pursuant to Health and Safety Code section 40800, the Board of Directors shall appoint a Hearing Board consisting of five members, as provided in Health and Safety Code section 40801. In filling the two seats designated for public members under Health and Safety Code section 40801(d), the Board of Directors shall give priority to applicants who do not qualify for the seats designated for members of professions under Health and Safety Code sections 40801(a)-(c). The Hearing Board shall have the power and authority to issue variances under Health and Safety Code sections 42350 et seq., to issue orders for abatement under Health and Safety Code sections 42451 et seq., to hear appeals from decisions by the APCO to issue, deny, or suspend a permit under Health & Safety Code sections 42302 et seq.; to revoke a permit under Health and Safety Code section 42307, and to take all other actions authorized under other provisions of the Health and Safety Code and related law.

APCO: Air Pollution Control Officer

Vacancies

Three current incumbents have terms expiring April 6, 2025, and are seeking re-appointment for another term:

- Valerie Armento – Principal member (Attorney)
- Peter Chiu – Principal member (Medical)
- Amelia Timbers – Principal member A (Public)

There are also two seats for which there is not a current incumbent seeking re-appointment:

- Alternate member A (Public) - Currently vacant
- Alternate member (Attorney) - Current incumbent's term expires 4/6/2025

Recruitment

- The recruitment for this position was posted on January 2, 2025, and applications were due February 10, 2025.
- Outreach and advertisement included listings on eleven job boards, including those focusing on diversity, volunteering, medical professions, and attorney professions.

Current Hearing Board Members and Terms

Category	Hearing Board Position	Name	County of Residence	Cumulative Total Years as Principal of as of Feb 2025 (15-year limit)
Public	Principal B	B. Toole O'Neil (VC) Term expires 11/1/26	San Mateo	7 y, 9 m
	Alternate B	D. Cullenward Term expires 11/1/26	San Francisco	9 months (2020-2021) <i>Appointed as Principal, then left HB for Advisory Council appointment</i>
	Principal A	A. Timbers Term expires 4/6/25	Contra Costa	2 y, 10 m
	Alternate A	VACANT		
Attorney	Principal	V. Armento (Chair) Term expires 4/6/25	Santa Clara	9 y, 6 m
	Alternate	J. Lee Term expires 4/6/25	San Francisco	0
Professional Engineer	Principal	R. Dabir Term expires 10/4/26	Contra Costa	1 y, 4 m
	Alternate	J. Maddox Term expires 10/4/26	Contra Costa	0
Medical	Principal	P. Chiu Term expires 4/6/25	Santa Clara	11 y, 10 m
	Alternate	S. Batra Term expires 10/4/26	Alameda	0

Current Hearing Board Members Attendance

Attendance of Current Hearing Board Members from 2024 – Present									
Hearing Date	V. Armento (Chair) Principal Member, Attorney Category	B. Toole O'Neil (Vice Chair) Principal Member A, Public Category	P. Chiu Principal Member, Medical Category	A. Timbers Principal Member B, Public Category	R. Dabir Principal, PE Category	J. Lee Alternate, Medical Category	S. Batra Alternate, Medical Category	J. Maddox Alternate, PE Category	D. Cullenward Alternate Public Category
2024									
1/23/2024	X	Not Present	Recused	X	X	X	X	X	X
2/6/2024	X	Not Present	Recused	X	X	X	Not Present	Not Present	X
2/27/2024	X	X	Not Present	X	Not Present	X	Not Present	X	X
4/16/2024	X	X	X	X	X	Not Present	X	X	Not Present
6/25/2024	X	X	X	X	X	Not Present	Not Present	Not Present	Not Present
7/30/2024	X	X	Not Present	X	Not Present	Not Present	Not Present	X	Not Present
9/10/2024	X	X	X	X	Not Present	X	X	X	Not Present
9/17/2024	X	X	X	X	X	X	X	Not Present	X
10/8/2024	X	X	X	Not Present	X	Not Present	Not Present		Not Present
10/29/2024	X	X	X	X	Not Present	X	Not Present	Not Present	Not Present
2025									
2/18/2025	X	X	X	X	Not Present	X	Not Present	X	X

X = Present

Suggestion for Recommending Candidates

Recommend reappointment of the three current Hearing Board members seeking reappointment for an additional terms:

- Valerie Armento – Principal member (Attorney)
- Peter Chiu – Principal member (Medical)
- Amelia Timbers – Principal member A (Public)

Conduct interviews of all candidates for the two positions for which there is no currently-serving incumbent seeking reappointment:

- Attorney Alternate: 2 interviews
- Public Alternate A: 4 interviews

Recommend candidates based on those interviews



INTERVIEWS & DISCUSSION



Proposed Fiscal Year 2025- 2026 Budget and Fee Regulation Amendments

Finance & Administration Committee Meeting

March 19, 2025

Hyacinth Hinojosa

Deputy Executive Officer of Finance and Administration

Stephanie Osaze, Director of Finance

Fred Tanaka, Manager, Engineering Division

Presentation Outline

- Background
- Budget Highlights
- Overview of the Proposed Budget by Service Areas
- Staffing Recommendations
- Fee Regulation Amendments
- Budget & Fee Regulation Schedule
- Next Steps

Background

Under section 9.3 of the Air District Administrative Code, the Executive Officer is required to present to the Committee the Fiscal Year (FY) 2025-2026 Proposed Budget and Fee Regulation Amendment for direction.

In prior years, the proposed budget and proposed fee regulation amendments were presented separately. This year, both will be presented together to streamline and improve the budget process.

The Committee may take action on the recommendation or request for additional information/discussion at its April 16, 2025, meeting.

Budget Highlights

The Proposed Budget was developed with the following goals:

- To align the Air District's 2024-2029 Strategic Plan and advance the Board of Director's (Board) priorities for FY 2025-2026
- Cost savings and strategic investments to ensure resources are deployed effectively to improve air quality, enhance public health, and foster stronger community partnerships
- Enhancing accountability and transparency by linking program funding to the Strategic Plan goals
- Refining the Air District organizational structure, creating the Information Management Service Area

Financial Forecast

Five Year Forecast General Fund	FYE 2026 Projected	FYE 2027 Projected	FYE 2028 Projected	FYE 2029 Projected	FYE 2030 Projected
REVENUE					
Property Tax	47,568,000	48,995,040	49,974,941	50,974,440	51,993,928
Permits/Fees	68,713,141	74,151,256	81,465,186	89,888,975	99,589,302
Grant Revenues	7,608,379	2,918,212	2,947,394	2,976,868	3,006,637
AB617 Funding	10,853,754	10,380,132	10,603,889	10,427,311	9,801,031
Other Revenue	11,750,787	11,250,787	10,750,787	9,719,028	9,203,075
Transfer in - Special Funds	2,102,369	2,144,416	2,187,305	2,231,051	2,275,672
TOTAL REVENUE	148,596,430	149,839,844	157,929,502	166,217,672	175,869,645
(Use of)/Transfer to Reserve	(13,114,901)	(5,442,838)	(1,138,757)	2,139,352	10,347,418
(Use of) Community Benefit Fund	(3,302,126)	(3,378,000)	(2,831,000)		
EXPENDITURE					
Personnel	110,298,076	113,693,668	116,163,504	117,956,450	118,496,520
Services & Supplies	48,237,965	39,622,259	40,396,105	41,185,427	41,990,535
Capital	6,477,416	5,344,755	5,339,650	4,936,443	5,035,172
TOTAL EXPENDITURE	165,013,457	158,660,683	161,899,259	164,078,320	165,522,227
GENERAL FUND RESERVES					
Beginning Balance	101,445,339	88,330,438	82,887,599	81,748,842	83,888,194
(Use of)/Transfer to Reserve	(13,114,901)	(5,442,838)	(1,138,757)	2,139,352	10,347,418
Ending Balance	88,330,438	82,887,599	81,748,842	83,888,194	94,235,612
(Use of) Community Benefit Fund	(3,302,126)	(3,378,000)	(2,831,000)		
25% Minimum Reserve Policy	40,467,000	38,879,000	39,688,000	40,233,000	40,594,000

FYE = Fiscal Year End
AB = Assembly Bill

Financial Forecast (cont.)

Key Expenditure Assumptions

Personnel costs do not assume any new staffing beyond 523, which includes additional 23 Full-Time Equivalent (FTE), A 2% annual general wage adjustment is also projected for the forecast period.

- 8% vacancy rate in 2028, gradually decreasing to 7%, in 2029

Services and Supplies costs are projected to drop in 2026 to adjust for one-time costs and remain stable, with an inflationary increase of approximately 2-3% for 2027-30.

Capital Expenditures are expected to drop in 2027 to adjust for one-time capital needs and remain level in 2028-2030, with only an inflationary increase.

General Fund Reserves are expected to stay above the minimum policy level.

Key Revenue Assumptions

Property Tax revenues is expected to grow at approximately 2-3%

Permit Fee revenues will continue to follow the Air District's cost recovery policy to 100%. Revenue is expected to grow approximately 8 to 10% during the forecast period. The projected cost recovery at the end of the forecast period is above 85%.

Grant Revenues in the General Fund are expected to drop in 2027 to adjust for one-time federal grant funding and remain stable through the forecast period.

Assembly Bill (AB) 617 funding of \$9 million annually is expected to continue through the forecast period. Remaining prior year grant balance will continue to support the program and is anticipated to be fully liquidated during the appropriate grant period.

Other Revenues mainly account for penalties, state subvention, and interest income. These revenues are expected to remain stable. Revenues to support the facility funded limited term contract positions are projected through the FYE 2029.

Budget Summary-Ongoing Investments

\$312 million (M) Consolidated Budget, includes \$165M General Fund Budget

Ongoing investments from reserves (approved in FY 2024-2025) include:

- \$1.8M staffing investment to support 8 FTE, reduction of \$1.4M from the initial 14 FTE requested in FY 2024-2025 budget
- \$1.5M from designated Schedule X reserves to support the Refinery Community Air Monitoring Program
- \$600 thousand (K) transfer from Limited Term Contract Employee (LTCE) staffing reserve designation to support existing 3 LTCE positions

Budget Summary- New Investments

New investment from reserves includes:

- \$8.4M for one-time services and capital costs
- \$800K from LTCE staffing designation to support 4 new LTCE positions

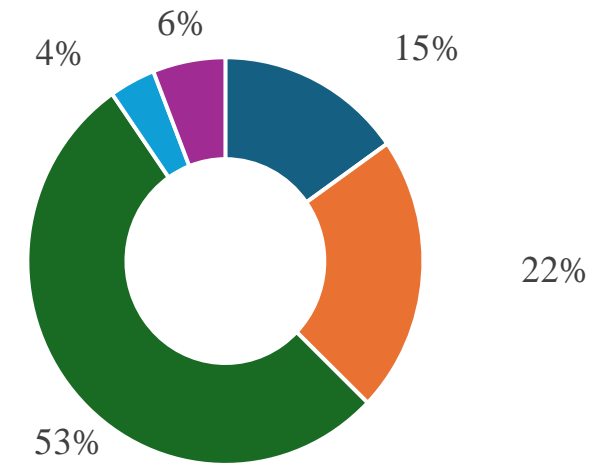
8% Vacancy Savings

2% estimated increase to support employee salaries and benefits

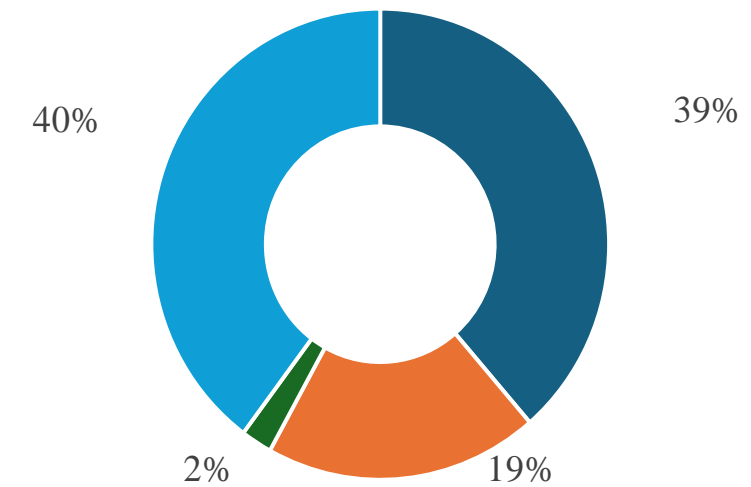
Continuation of \$5M discretionary contributions to prefund Pension Trust

FY 2025-2026 All Funds Budget by Revenue and Expense Type

Revenue		
Property Taxes	\$47.6	15%
Permits/Fees	\$68.7	22%
Grants	\$165.7	53%
Other Revenue	\$11.8	4%
Transfer From Reserves	\$18.5	6%
Total Revenue	\$312.3	

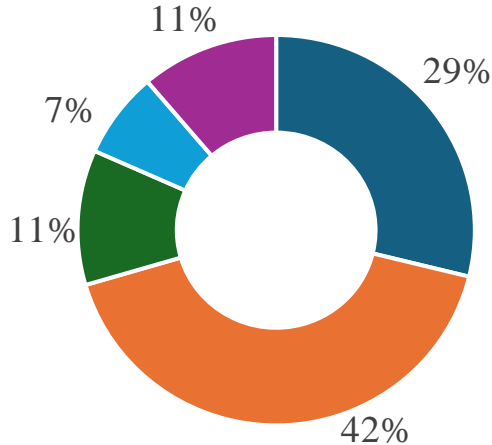


Expenditure		
Salaries & Benefits	\$120.7	39%
Services & Supplies	\$60.4	19%
Capital	\$6.9	2%
Distributions & Transfers	\$124.2	40%
Total Expenditure	\$312.3	

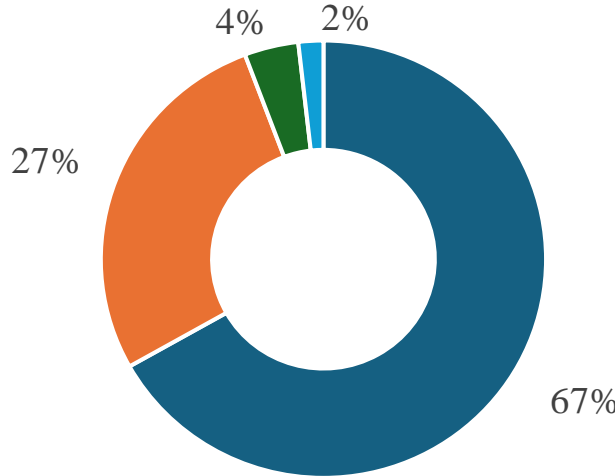


FY 2025-2026 General Fund Budget by Type

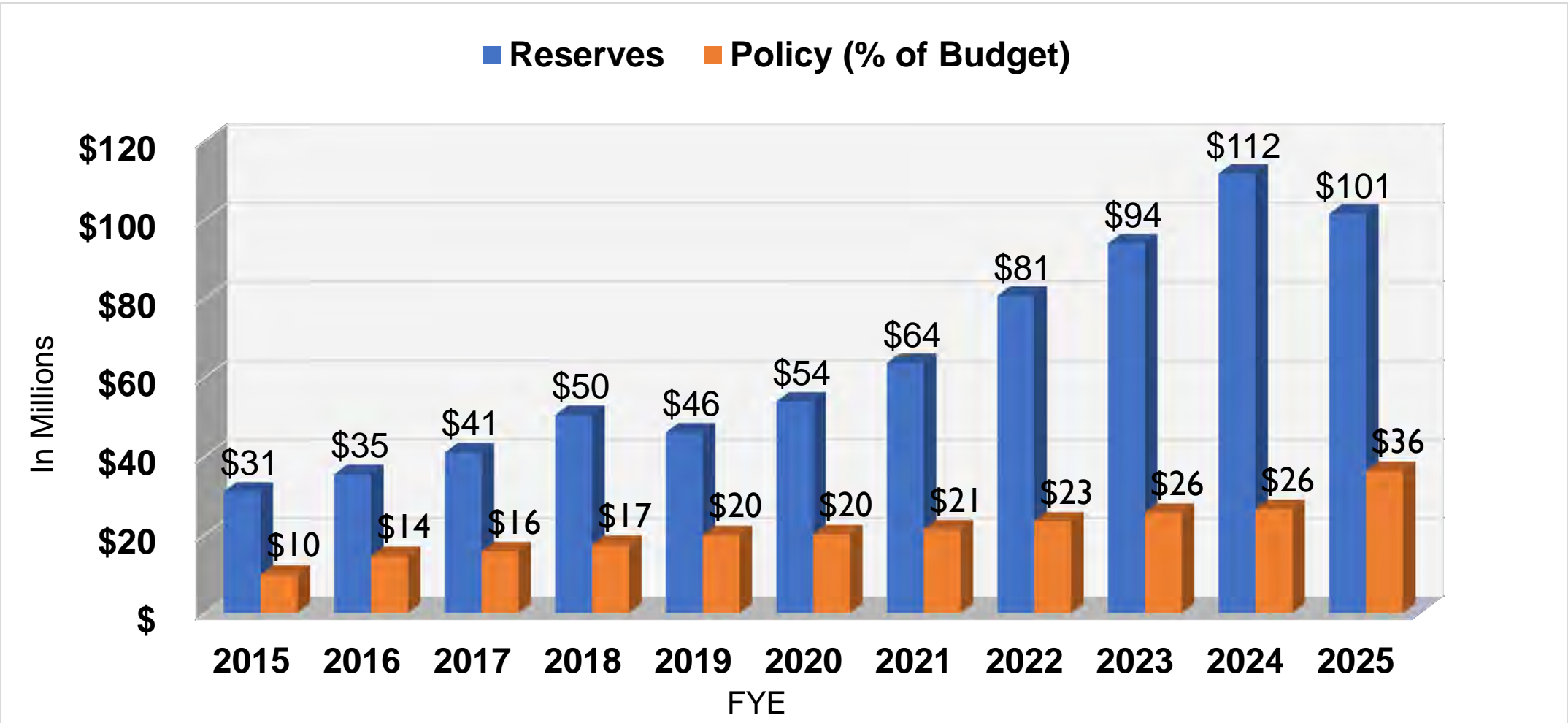
Revenue	(\$ Millions)	
Property Taxes	\$47.6	29%
Permits/Fees	\$68.7	42%
Grants	\$18.5	11%
Other Revenue	\$11.8	7%
Reserve & Transfer In	\$18.5	11%
Total Revenue	\$165.0	



Expenditure	(\$ Millions)	
Salaries & Benefits	\$110.3	67%
Services & Supplies	\$45.2	27%
Capital	\$6.5	4%
Distributions & Transfers	\$3.0	2%
Total Expenditure	\$165.0	



General Fund Reserves Trend



Reserve Policy as a % of the General Fund Budget:

- 20% in 2017
- 25% in 2025

General Fund Reserve Policy Overview

- Last year, the Committee recommended, and the Board formally adopted a policy on May 1, 2024
- Policy established a range for reserves based on an analysis of the types of risks
- Reserve policy range is 25% - 35% of the General Fund operating Budget
- FY 2025-2026 proposed economic contingency reserve remains at the 25% minimum amount, similar to this year

FY 2025-2026 General Fund Reserve Designations

General Fund Reserves (In Millions)	
	FY 2025-2026
Projected Reserves Balance (June 30, 2025)	101.4
Contingency Designations*:	
Assembly Bill 617 Staffing Contingency	9
Economic Contingency (25% of Budget)	40.2
Federal Grant Contingency	7.7
Litigation Support Contingency	3.7
	<u>60.6</u>
Long -Term Commitment Designations*:	
Community Benefits	3
Limited Term Contract Employee (LTCE) Staffing	2.9
Schedule X - Capital	1.1
Schedule X - Operating	4
Technology Implementation Office	2.9
	<u>13.9</u>
Other Designations *	
Appliance Rule Outreach	2.5
Building Improvements (Headquarters East & West)	3
Incident Monitoring Program	1
One-Time Professional Services	2
Wildfire Mitigation	0.3
Woodsmoke (Enforcement)	0.5
Woodsmoke Program (Strategic Incentives)	0.5
	<u>9.8</u>

General Fund Reserves (In Millions)	
	FY 2025-2026
Use of Reserves to Balance the FY 2026 Budget:	
<i>Ongoing Investments:</i>	
Staffing Investment (8 FTE, down from 14)	1.8
3 LTCE Staffing	0.6
Schedule X Capital and Operating costs	1.5
	<u>3.9</u>
<i>New Investments:</i>	
4 Limited LTCE Staffing	0.8
One-time capital & service cost	8.4
	<u>9.2</u>
AVAILABLE GENERAL FUND RESERVES	4

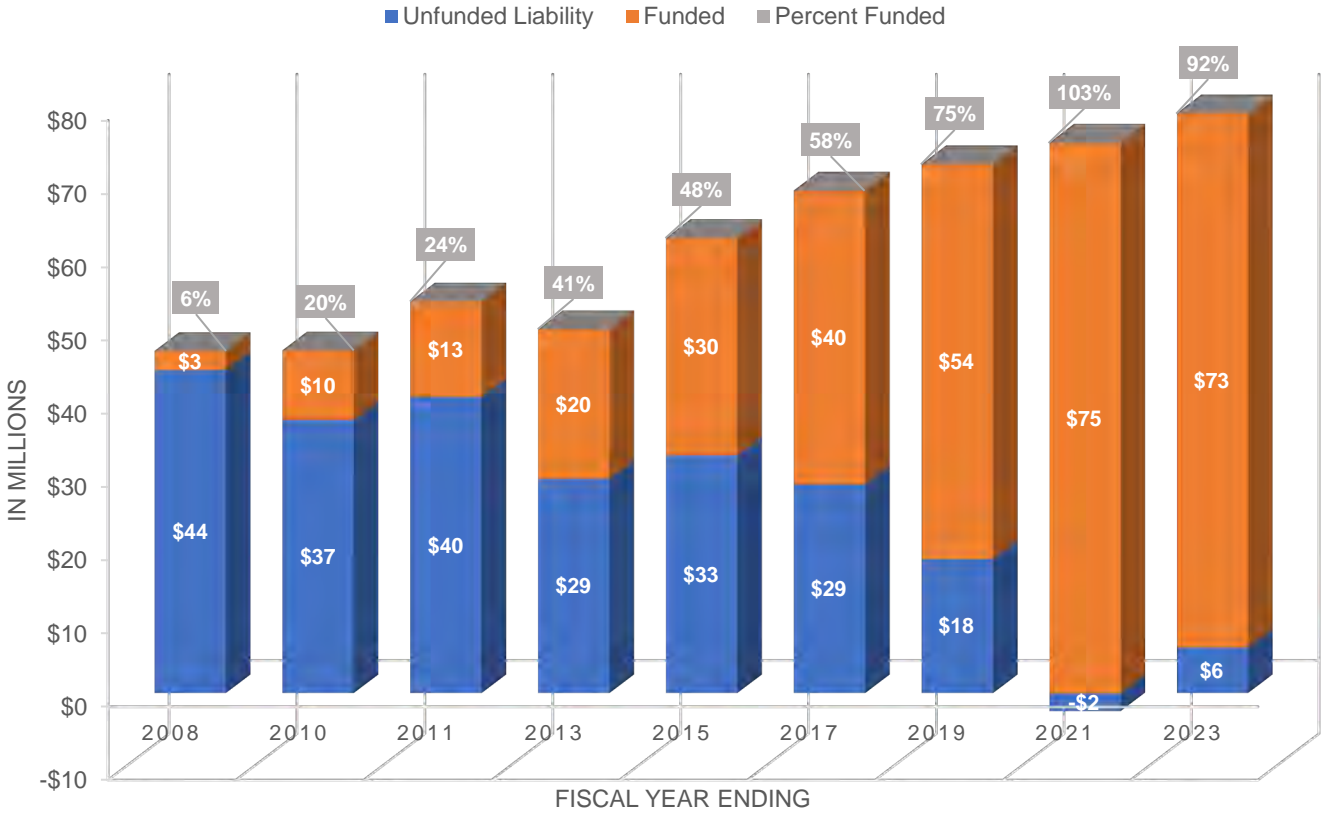
COMMUNITY BENEFIT FUND - ADMIN PORTION	
	FY 2025-2026
Available funding (9%)	9.5
Staffing cost for 5 FTE and 3 LTCE	2.2
Service cost	1.1
	<u>3.3</u>
ENDING BALANCE	6.2

Medical Retiree Plan Funding Status/Policy

- **Medical Retirement –Other Post Employment Benefit (OPEB):**
 - Obligation: \$79 M
 - Funded: \$73 M
 - Unfunded: \$6 M

- **Funding Policy: 90% Funded Level**
 - Current Funding Level at 92%*
 - Redirect \$4 M Annual Discretionary Funding to CalPERS (California Public Employees' Retirement System) Pension after reaching target funding level

OPEB HISTORICAL FUNDED STATUS



Total contributions to the Trust from 2008 to date = \$44 M
 Total net investment earnings to date = \$29 M

Pension Plan Funding Status/Policy

- **CalPERS (Pension):**

- Obligation: \$424 M
- Funded: \$303 M
- Unfunded: \$121 M
- Prefund Trust: \$21 M*

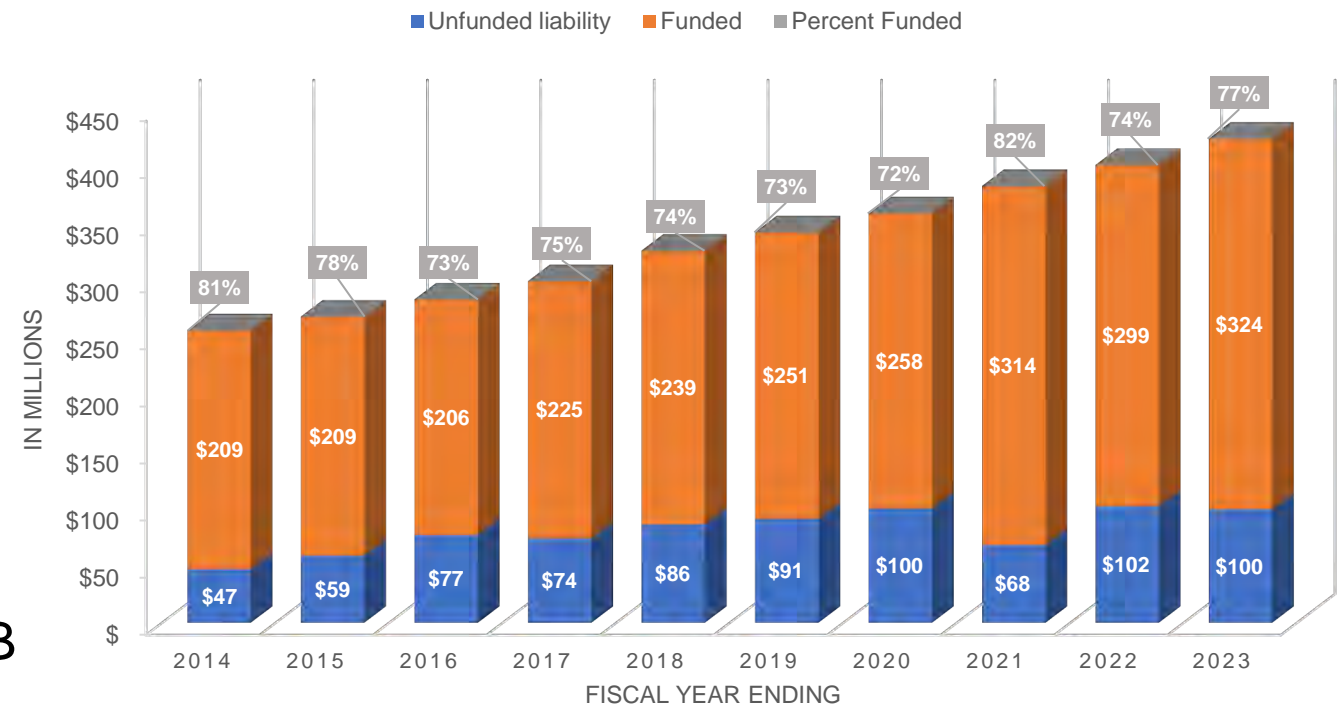
- **Funding Policy: 90% Funded Level**

- Current Funding Level at 77%**
- \$1 M Annual Discretionary Funding
- \$4 M Redirect Discretionary Funding from OPEB

- **Recommendation:** Allocate \$5 M to Prefund the California Employers' Pension Prefunding Trust (CEPPT)

** includes investment in California Employers' Pension Prefunding Trust

CALPERS FUNDED STATUS

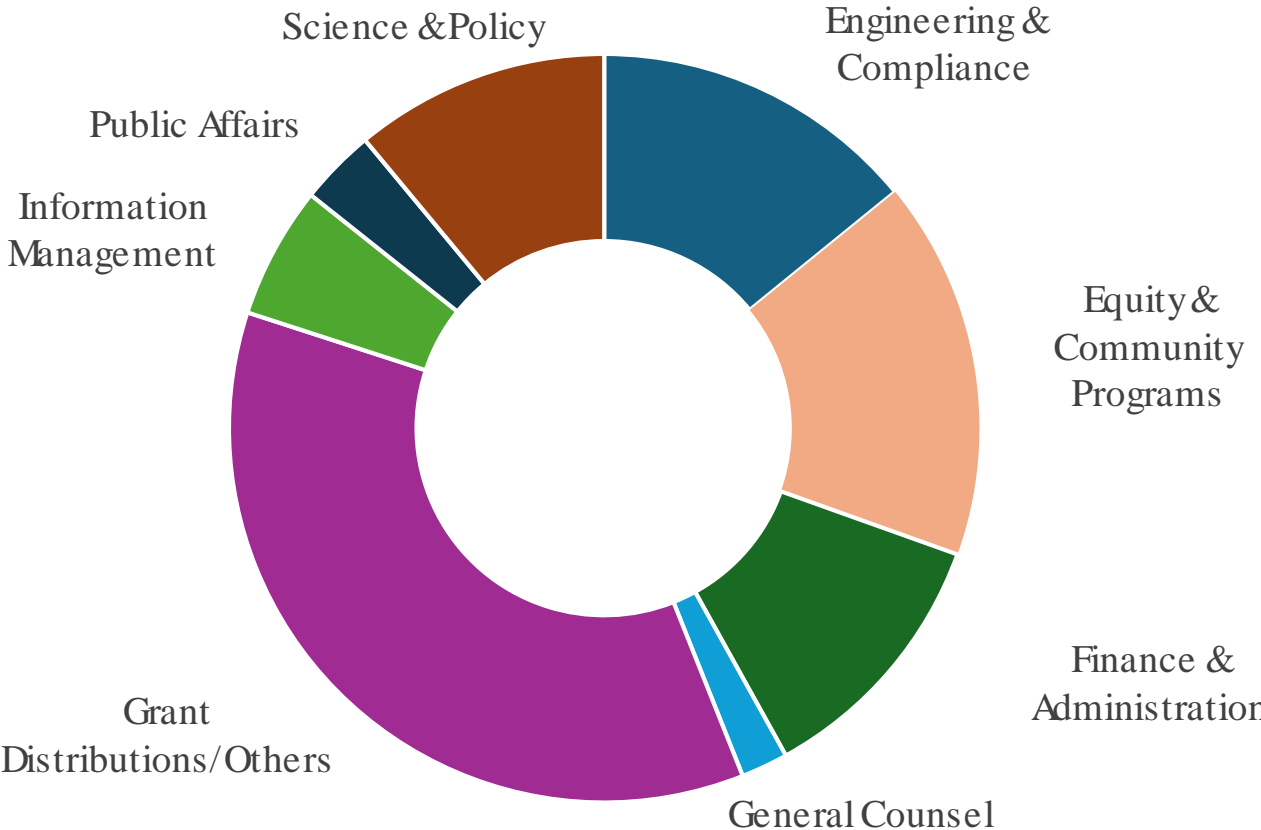


*** CEPPT ACCOUNT SUMMARY**

- Total contributions to the Trust from 2023 to date = \$20 M
- Total net investment earnings to date = \$1.4M

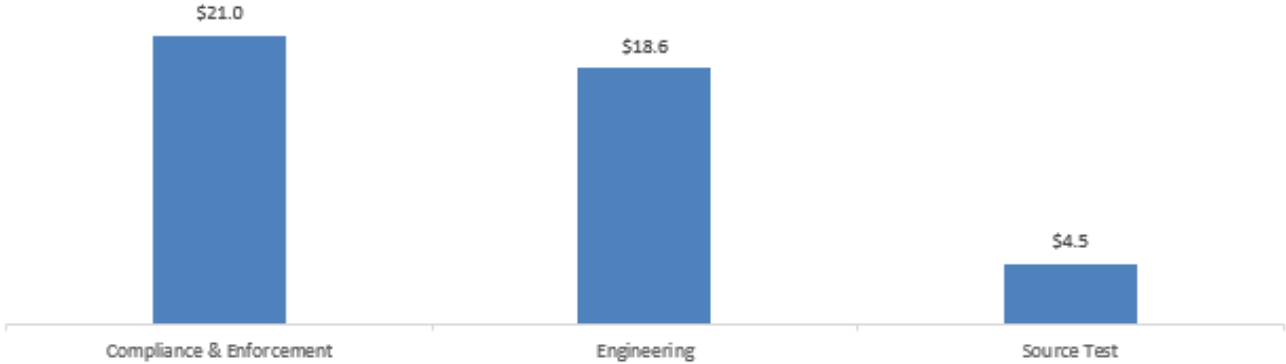
FY 2025-2026 Budget by Service Area

Expenditures		
Engineering & Compliance	\$44.1	14%
Equity & Community Programs	\$51.1	16%
Finance & Administration	\$35.8	11%
General Counsel	\$6.3	2%
Grant Distributions/Others	\$112.5	36%
Information Management	\$17.8	6%
Public Affairs	\$10.3	3%
Science & Policy	\$34.4	11%
Total	\$312.3	



Service Area: Engineering & Compliance

FY 2025-2026 Engineering & Compliance Expenditure (\$ Millions)



Expenditure	FYE 2024 Actuals	FYE 2025 Approved	FYE 2025 Amended	FYE 2026 Proposed	Change to Prior Year Approved Budget	FYE 2026 FTE
Deputy Executive Officer						1
Compliance & Enforcement	\$16.6	\$21.0	\$21.0	\$21.0	\$0.1	99
Engineering	\$13.2	\$17.5	\$18.4	\$18.6	\$1.1	80
Source Test	\$3.4	\$4.3	\$4.3	\$4.5	\$0.2	16
Service Area Total	\$33.2	\$42.8	\$43.7	\$44.1	\$1.3	196

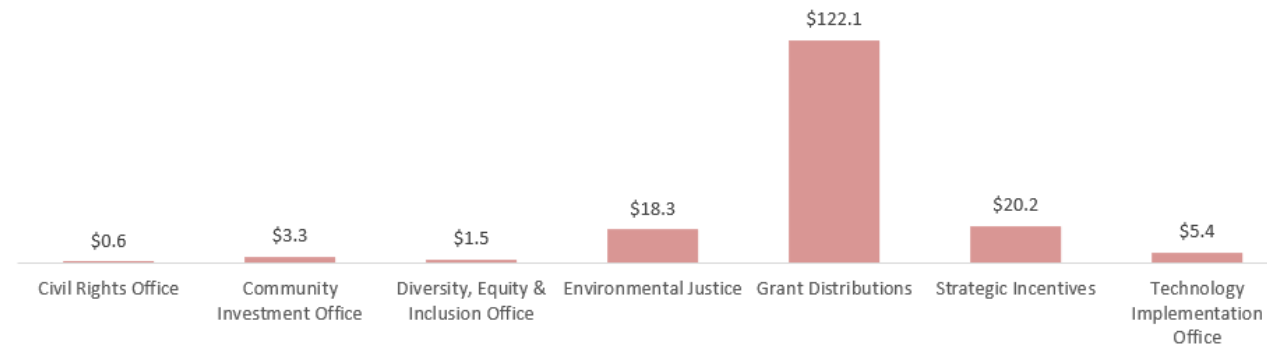
Enhance compliance and enforcement policies to prioritize high-impact inspections in communities overburdened by air pollution. (Strategy 1.5)

Reduce permitting delays and ensure equitable permit processing while addressing regulatory bottlenecks. (Strategies 4.1 & 4.2)

Advance environmental justice principles in permitting decisions by integrating community input and health impact considerations. (Strategy 2.7)

Service Area: Equity & Community Programs

FY 2025-2026 Equity & Community Programs Expenditure
(\$ Millions)



Expenditure	FYE 2024 Actuals	FYE 2025 Approved	FYE 2025 Amended	FYE 2026 Proposed	Change to Prior Year Approved Budget	FYE 2026 FTE
Deputy Executive Officer						1
Civil Rights Office	\$0.0	\$0.0	\$0.0	\$0.6	\$0.6	2
Community Investment Office	\$0.0	\$0.0	\$0.0	\$3.3	\$3.3	5
Diversity, Equity & Inclusion Office	\$0.5	\$1.4	\$1.4	\$1.5	\$0.2	4
Environmental Justice	\$11.6	\$18.7	\$22.5	\$18.3	(\$0.4)	24
Grant Distributions	\$62.9	\$113.7	\$16.3	\$122.1	\$8.5	0
Strategic Incentives	\$7.6	\$19.0	\$23.8	\$20.2	\$1.2	35
Technology Implementation Office	\$2.8	\$4.7	\$5.4	\$5.4	\$0.7	11
Service Area Total	\$85.4	\$157.5	\$69.5	\$171.6	\$14.1	82

Expand clean energy and zero-emission infrastructure investments to support climate resilience in frontline communities. (Strategy 1.7)

Launch community-centered grant programs to reduce barriers to clean technology adoption and prioritize environmental justice communities. (Strategy 2.8)

Modernize the grant application system to improve transparency and efficiency for funding clean air initiatives. (Strategy 4.12)

Service Area: Finance & Administration

FY 2025-2026 Finance & Administration Expenditure
(\$ Millions)



Expenditure	FYE 2024 Actuals	FYE 2025 Approved	FYE 2025 Amended	FYE 2026 Proposed	Change to Prior Year Approved Budget	FYE 2026 FTE
Deputy Executive Officer						1
Administrative Resources	\$8.6	\$13.0	\$14.1	\$15.3	\$2.3	16
Board of Directors	\$0.6	\$0.8	\$0.8	\$0.6	(\$0.1)	0
Executive Office	\$8.1	\$8.9	\$9.5	\$6.4	(\$2.4)	12
Finance	\$4.5	\$5.2	\$5.0	\$5.4	\$0.2	19
Human Resources	\$6.9	\$8.3	\$9.3	\$8.1	(\$0.2)	12
Service Area Total	\$28.7	\$36.2	\$38.6	\$35.8	(\$0.3)	60

Expand targeted recruitment programs to increase workforce diversity and ensure Air District staff reflect impacted communities. (Strategy 3.1)

Develop professional training programs to strengthen environmental justice, leadership, and compliance expertise. (Strategy 3.6)

Implement digital modernization efforts to streamline administrative processes and enhance operational efficiency. (Strategy 4.12)

Service Area: General Counsel

FYE 2025-2026 General Counsel Expenditure (\$ Millions)



Legal

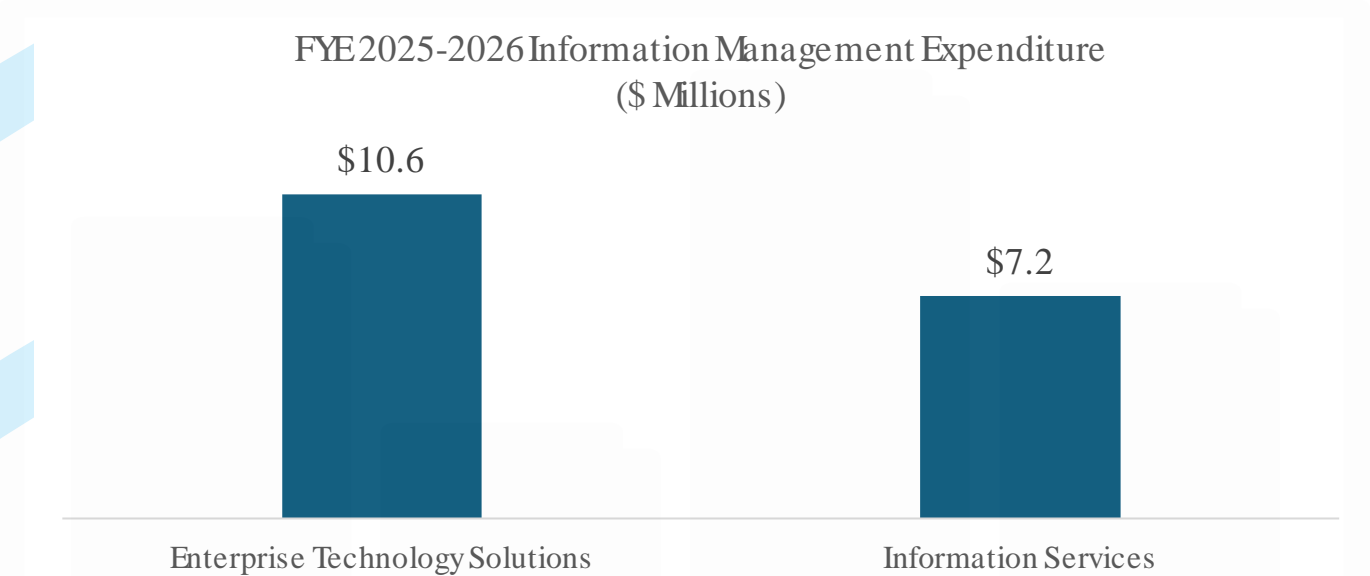
Expenditure	FYE 2024 Actuals	FYE 2025 Approved	FYE 2025 Amended	FYE 2026 Proposed	Change to Prior Year Approved Budget	FYE 2026 FTE
Legal	\$5.1	\$5.8	\$7.3	\$6.3	\$0.5	19
Service Area Total	\$5.1	\$5.8	\$7.3	\$6.3	\$0.5	19

Strengthen enforcement policies to hold violators accountable and ensure violations result in meaningful consequences. (Strategy 1.6)

Enhance legal strategies to address air quality violations in overburdened communities (OBC) by prioritizing stronger enforcement mechanisms. (Strategy 2.8)

Support community-driven environmental justice initiatives by providing legal guidance for enforcement policies and emission reduction plans. (Strategy 2.1)

Service Area: Information Management



Expenditure	FYE 2024 Actuals	FYE 2025 Approved	FYE 2025 Amended	FYE 2026 Proposed	Change to Prior Year Approved Budget	FYE 2026 FTE
Deputy Executive Officer						1
Deputy Air Pollution Control Officer						1
Enterprise Technology	\$9.0	\$10.3	\$13.4	\$10.6	\$0.3	11
Information Services	\$3.6	\$6.0	\$9.3	\$7.2	\$1.3	16
Service Area Total	\$12.6	\$16.3	\$22.6	\$17.8	\$1.5	29

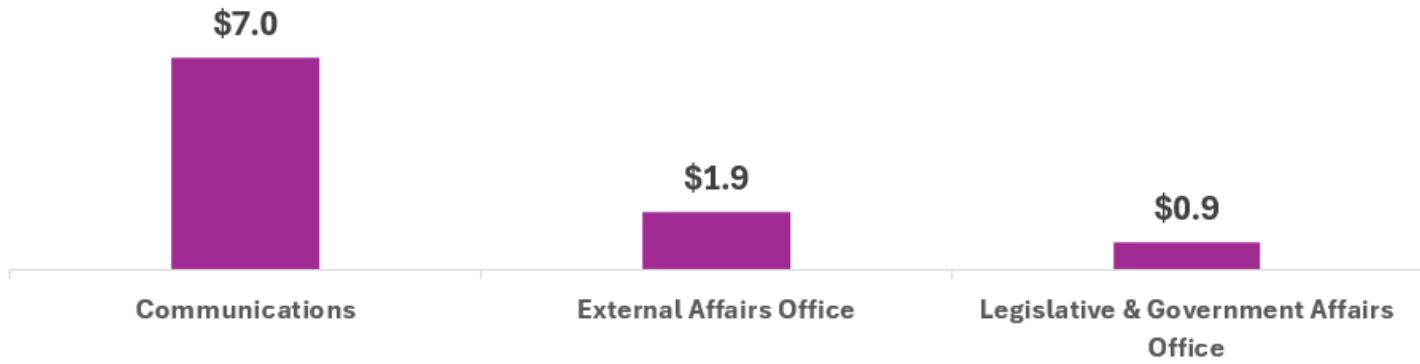
Modernize the Air District’s IT infrastructure to enhance cybersecurity and resilience. (Strategy 4.12)

Develop an improved Grants Management system to increase accessibility for frontline communities. (Strategy 2.8)

Expand digital tools to improve public access to air quality and compliance data. (Strategy 2.3)

Service Area: Public Affairs

FYE 2025-2026 Public Affairs Expenditure (\$ Millions)



Expenditure	FYE 2024 Actuals	FYE 2025 Approved	FYE 2025 Amended	FYE 2026 Proposed	Change to Prior Year Approved Budget	FYE 2026 FTE
Deputy Executive Officer						1
Communications	\$5.8	\$6.2	\$7.5	\$7.0	\$0.8	13
External Affairs Office	\$0.6	\$1.7	\$1.8	\$1.9	\$0.2	6
Legislative & Government Affairs Office	\$0.7	\$0.7	\$0.7	\$0.9	\$0.2	2
Service Area Total	\$7.1	\$8.6	\$10.0	\$9.8	\$1.2	22

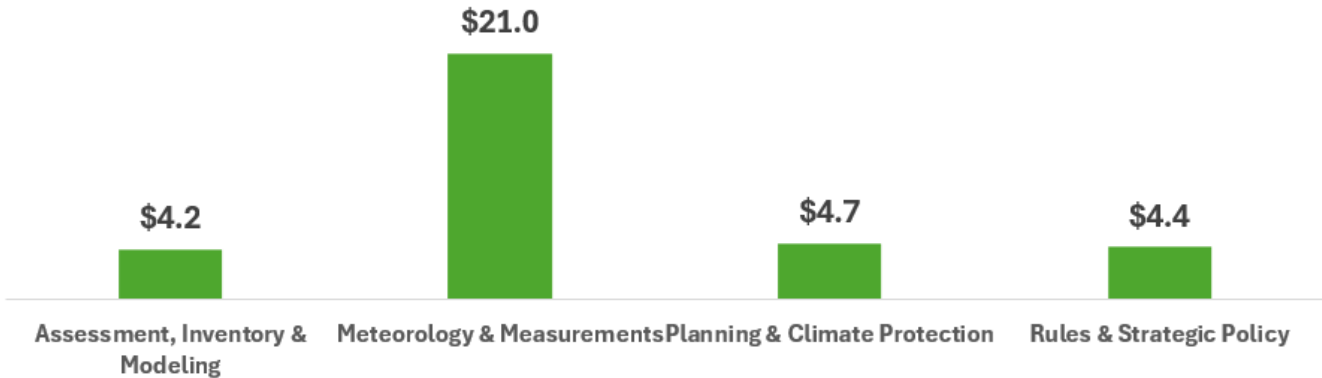
Enhance real-time public communication on air quality incidents to ensure accessibility and responsiveness. (Strategy 4.8)

Strengthen partnerships with local governments and community organizations to amplify messaging and engagement. (Strategy 2.1)

Expand public notification tools for improved incident response and transparency. (Strategy 4.6)

Service Area: Science & Policy

FYE 2025-2026 Science & Policy Expenditure (\$ Millions)



Expenditure	FYE 2024 Actuals	FYE 2025 Approved	FYE 2025 Amended	FYE 2026 Proposed	Change to Prior Year Approved Budget	FYE 2026 FTE
Deputy Executive Officer						1
Assessment, Inventory & Modeling	\$3.7	\$3.7	\$4.0	\$4.2	\$0.5	18
Meteorology & Measurements	\$12.6	\$18.4	\$20.1	\$21.0	\$2.6	59
Planning & Climate Protection	\$4.1	\$4.7	\$5.3	\$4.7	\$0.1	22
Rules & Strategic Policy	\$2.4	\$3.4	\$3.9	\$4.4	\$1.0	15
Service Area Total	\$22.8	\$30.2	\$33.3	\$34.4	\$4.2	115

Strengthen air pollution regulations to reduce emissions from major industrial sources. (Strategy 1.2)

Enhance community-driven air quality data collection and public access to information. (Strategy 2.3)

Develop regional and community-specific emissions reduction strategies. (Strategy 2.7)

Staffing Overview Intro Slide

Continuation of funding from reserves for 8 FTEs down from 14 FTEs in FY 2024-2025 and 3 LTCEs previously approved in the FY 2024-2025 budget to bolster critical programs and service delivery

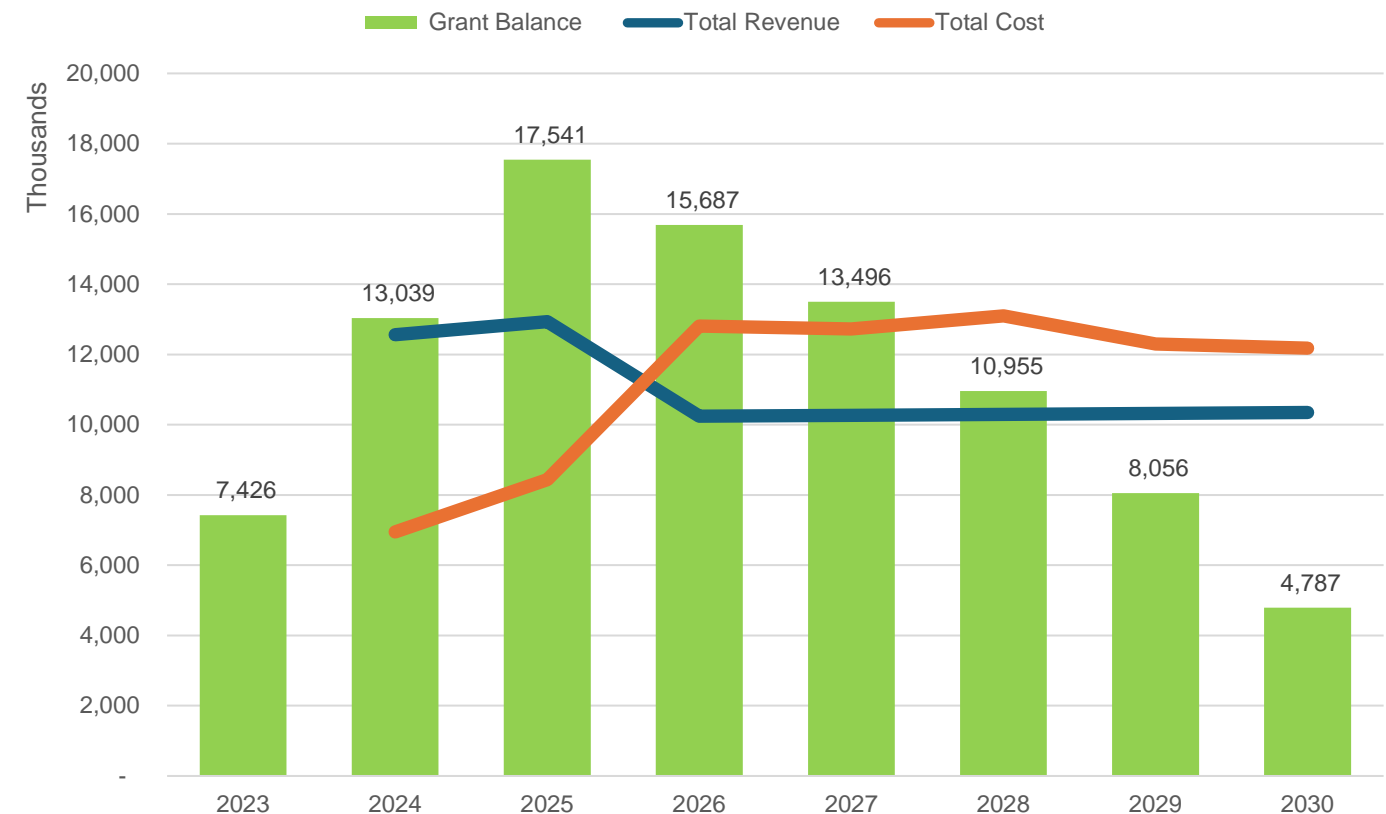
Funding for 23 new FTE and 6 LTCE positions to support Strategic Plan goals with a focus on environmental justice, community engagement, and outreach. **These positions are supported by:**

- Assembly Bill (AB) 617 Implementation Grant Funds - 5 FTEs
- Up to 9% administrative costs from the Community Benefit Funds allocation - 5 FTEs
- An increase in the Community Air Protection (CAP) Incentive Program administrative limit from 6.25% to 12.5% - 7 FTEs
- Shifting of professional services to support staffing & efficiency - 4 FTEs
- Additional cost savings to support 4 FTEs
- Facility funded pilot program to support 2 LTCEs
- Additional investment to the LTCE Designation Reserves to support 4 new LTCEs

Assembly Bill (AB) 617 Grant Funding

- Annual grant revenue was \$11M in both 2024 and 2025; increasing the grant balance projection to approximately \$17.5M in 2025
- Grant funding allows for adding 5 new positions covered by the projected grant balance and \$9M in annual grant revenue for the next 5 years
- Approval of new positions will increase annual cost beyond the annual revenue, but provides for the spend down of the grant balance to align with liquidation deadlines
- Long-term revenue and cost will be aligned long-term through LTCE attrition and contract savings

AB 617 Program - Grant Balance vs Revenue and Costs



AB 617 Staffing Requested

Division	New FTE	Annual Cost	Justification
Environmental Justice	3	\$605,015	Grant management, Support Bayview Hunters Point (BVHP) & Richmond-San Pablo
Planning	1	\$212,180	Support Bayview Hunters Point (BVHP)
Communications	1	\$180,655	Communications for Community Steering Committee

Total \$977,850

Community Benefit Fund

As of December 2024		In Millions		
Penalty Amount (Policy to Date)	Total		Admin Fund	Project Fund
General Fund	\$7.0			
Community Benefit Fund	\$105.2	\$9.5	\$95.7	
Local Benefit	\$82.9	\$7.5	\$75.4	
Regional Benefit	\$22.3	\$2.0	\$20.3	

Includes large fines:

- \$20M Chevron
- \$82M Valero
- \$5M Tesoro

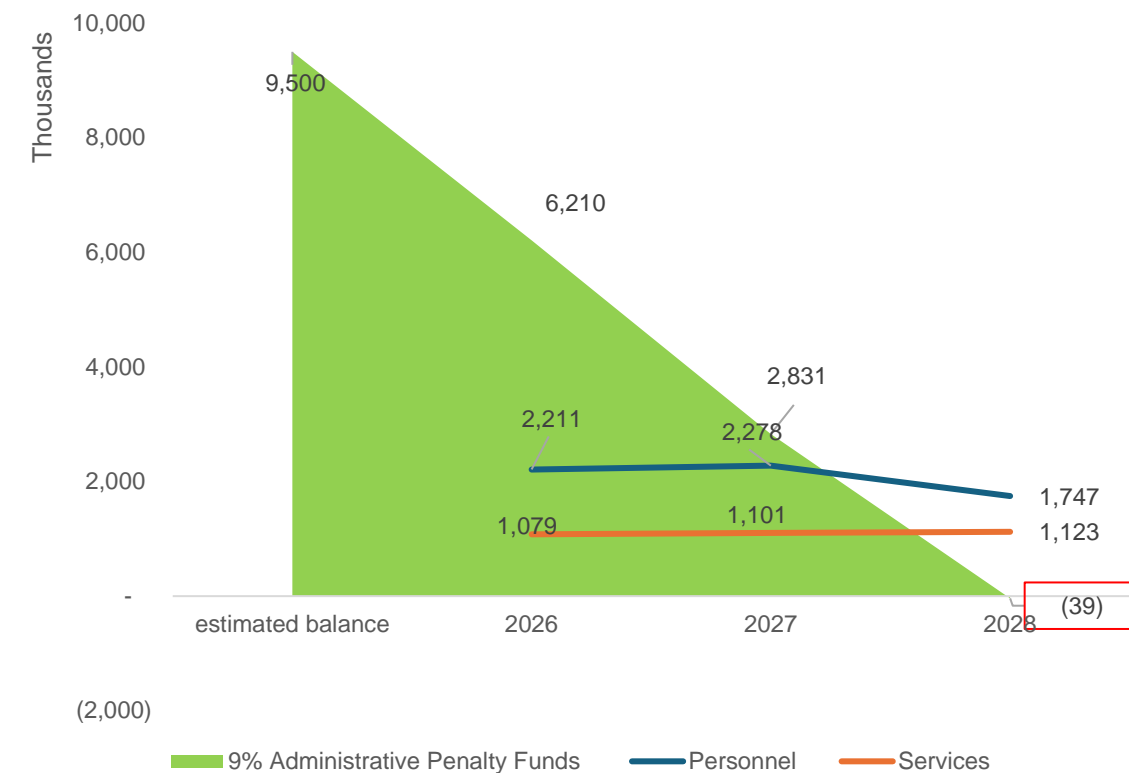
Community Benefit Administrative Funding

- Up to 9% allocated as administrative funds to support the program
- 3 new FTE will increase staffing to 5 FTE and 3 LTCE

Assumption:

- With no additional funding, \$9.5M in administrative funds can support the program for approximately 3 years
- Duration of the 3 LTCE positions are subject to available funding

Community Investment Office Position Funding Source
Option 2: Budget with 3 LTCE for 2 Years



Community Benefit Administrative - Staffing

Division	New FTE	Annual Cost	Justification
Community Investments	2	\$448,768	Implement Program, Grant management
Communications	1	\$180,655	Communications support

The Community Investments Office manages over \$120M in penalty funds, which per Board policy, must be invested in projects in impacted communities. These positions are critical to:

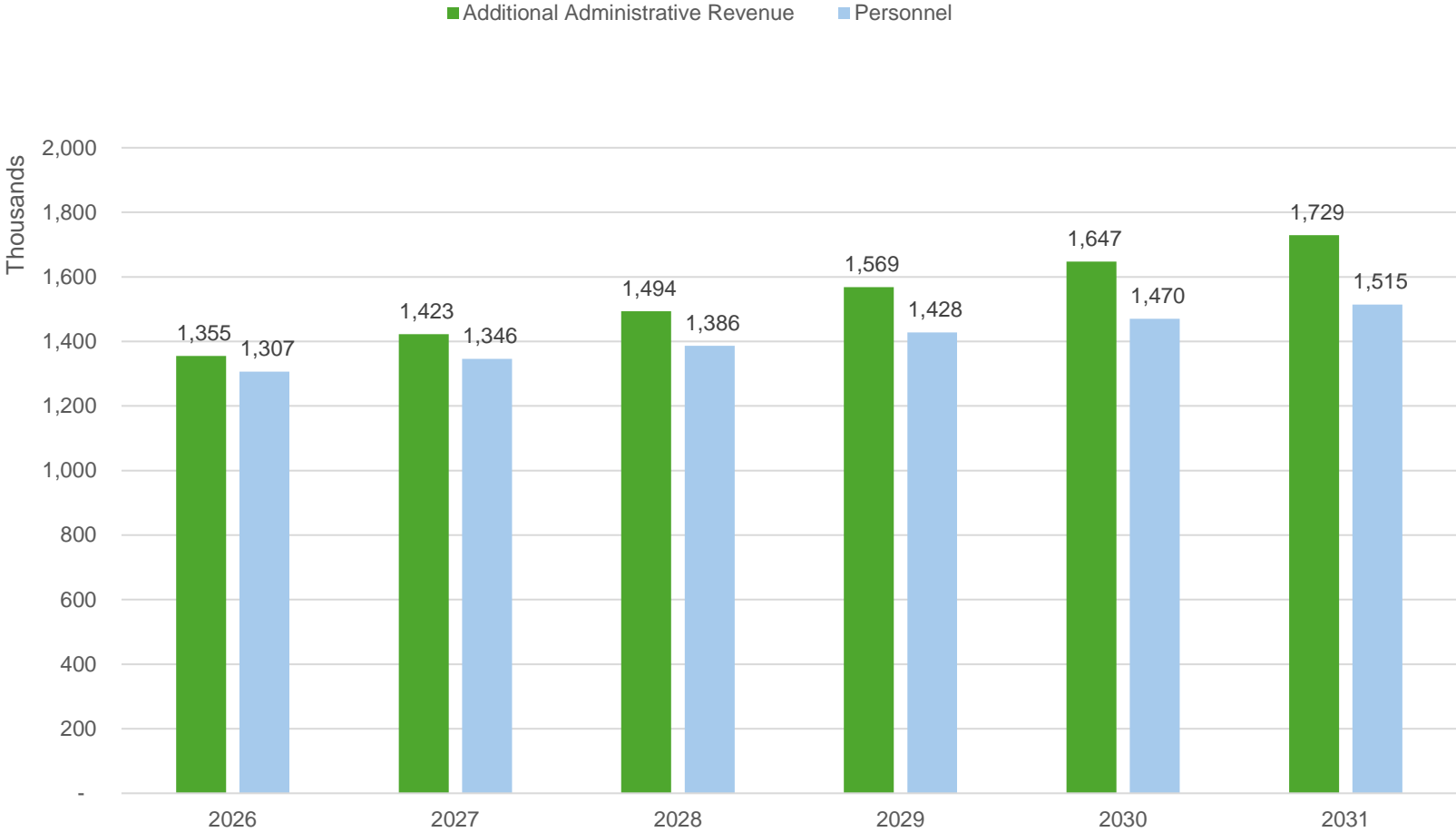
- Engage with local leaders, businesses, and community-based organizations to prioritize fund allocation
- Design programs that ensure that penalty funds are distributed effectively and align with community needs
- Manage the resulting programs and associated grants/contracts across multiple Bay Area communities

Total \$629,423

Community Air Protection (CAP) Administrative Funding

- California Air Resources Board funding CAP raised from 6.25% to 12.5%
- Generates approximately \$1.3M in additional overhead funding
- Able to support a total of 7 new direct and indirect positions

Increased administrative overhead cap limit (CAPP)



California Air Protection Admin Overhead - Staffing

Division	New FTE	Annual Cost	Justification
Administrative Services	1	\$181,642	Risk Management, Increase Procurement Capacity
Environmental Justice	1	\$181,642	Community Outreach
External Affairs	2	\$565,914	Regional Support, Community Engagement
Human Resources	1	\$180,655	Increase recruitment capacity
Enterprise Technology Solutions	2	\$399,264	In-house expertise

Total \$1,306,487

Shifting from Professional Services to Support Staffing and Efficiency

Division	New FTE	Annual Cost	Justification
Engineering	1	\$187,969	Permit backlog reduction
Human Resources	1	\$230,405	Learning and Development, Increase recruiting capacity
Information Services Operations	1	\$199,632	Increase internal staff capacity and Strategic Plan implementation
Legal	1	\$251,618	Grants and Contract support

Total \$869,624

Additional Staffing Request Based on Other Cost Savings

Division	New FTE	Annual Cost	Justification
Rules	3	\$633,042	Support indirect source rulemaking
Legal	1	\$251,618	Support indirect source rulemaking

Total \$884,660

Facility-Funded Pilot

Division	New FTE	Annual Cost	Justification
Engineering	2	\$536,226	Engineering Program Managers- Timely Permits

Total \$536,226

Accessing Designated Reserves for LTCE – Staffing

Division	New FTE	Annual Cost	Justification
Environmental Justice	1	\$180,655	Community Outreach
External Affairs	1	\$180,655	Regional Support/Community Engagement
Human Resources	1	\$212,180	Internal Civil Rights, Equal Employment Opportunity, Mediations
Information Services	1	\$268,113	Strategic Plan Implementation, Project Management

Total \$841,603

Organizational Efficiency Add/Delete Positions

Current Position	New Position	Division	Cost Impact
Director	Deputy Executive Officer	Information Management	\$126,210
Senior Advanced Project Advisor	Manager	Environmental Justice	\$7,963
Accountant	Senior Accountant	Finance	\$14,200
Staff Specialist (LTCE)	Assistant Staff Specialist (LTCE)	Technology Innovations Office	(\$33,445)
Air Quality Engineer	Senior Air Quality Specialist	Compliance & Enforcement	\$9,634
Assistant Air Quality Specialist	Senior Air Quality Specialist	Compliance & Enforcement	\$51,343

Additional organization efficiency of position transfers between divisions are noted in staff memo and Appendix F of the budget

Total \$175,905

Cost Recovery Background

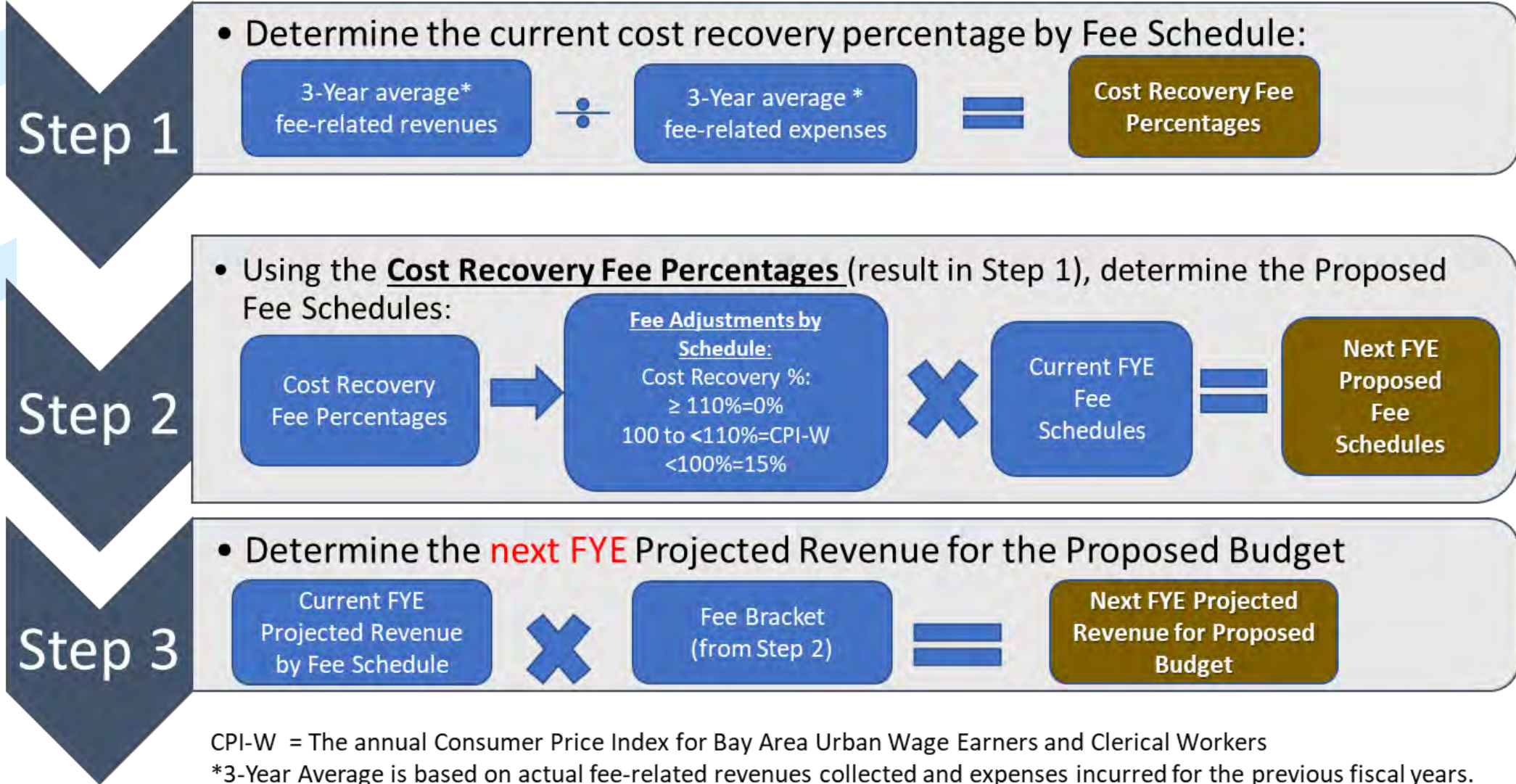
- Air District has authority to assess fees to recover the reasonable costs from fee-based programs.
- In December 2022, the Board set a goal of 100% cost recovery for fee-based activity.
- Factors for Cost recovery constantly change.
- By law, we are limited to increasing permit fees to their true cost rate.

Cost Recovery Background (cont.)

Covered by Regulation 3 Fees	Not Covered by Regulation 3 Fees
<ul style="list-style-type: none">• Permitting programs• Notification programs (asbestos, open burn)• Compliance assistance/enforcement of permitted and registered facilities• Source Testing at permitted facilities• Rule development for regulated industries• Emissions inventory from regulated industries• Other (e.g., Regulation 11-18 Health Risk Assessments)	<ul style="list-style-type: none">• Assembly Bill 617 Community Engagement & Outreach• Ambient Air Monitoring• Climate change work for non-permitted sources• Communications• Mobile sources• Planning• Rule development for non-permitted sources• Strategic Incentives – “Grants” (e.g., wood-burning device replacement, Carl Moyer Program, vehicle buy-back)

➤ This list is not exhaustive.

Cost Recovery Background (cont.)



Cost Recovery Limitations

- Facilities or programs that are below cost recovery are not paying their fair share.
- Reaching 100% cost recovery for some fee schedules may take several years.
- Cost recovery analyzes past revenue and cost data.
- Cost recovery does not account for work backlog or level of service.
- Cost recovery does not account for required/future resource needs.
- A fee schedule's cost recovery rate does not reflect whether adequate resources exist.
- The gap in cost recovery is closed with other revenue sources.

Cost Recovery Background: Trends

Overall Cost Recovery

	FYE 2010	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024
By Year	63.8%	81.4%	81.2%	83.0%	84.7%	83.2%	83.8%	85.9%	92.3%	87.7%
3-Year Average		81.4%	82.2%	81.9%	83.0%	83.6%	83.5%	84.3%	87.4%	88.7%

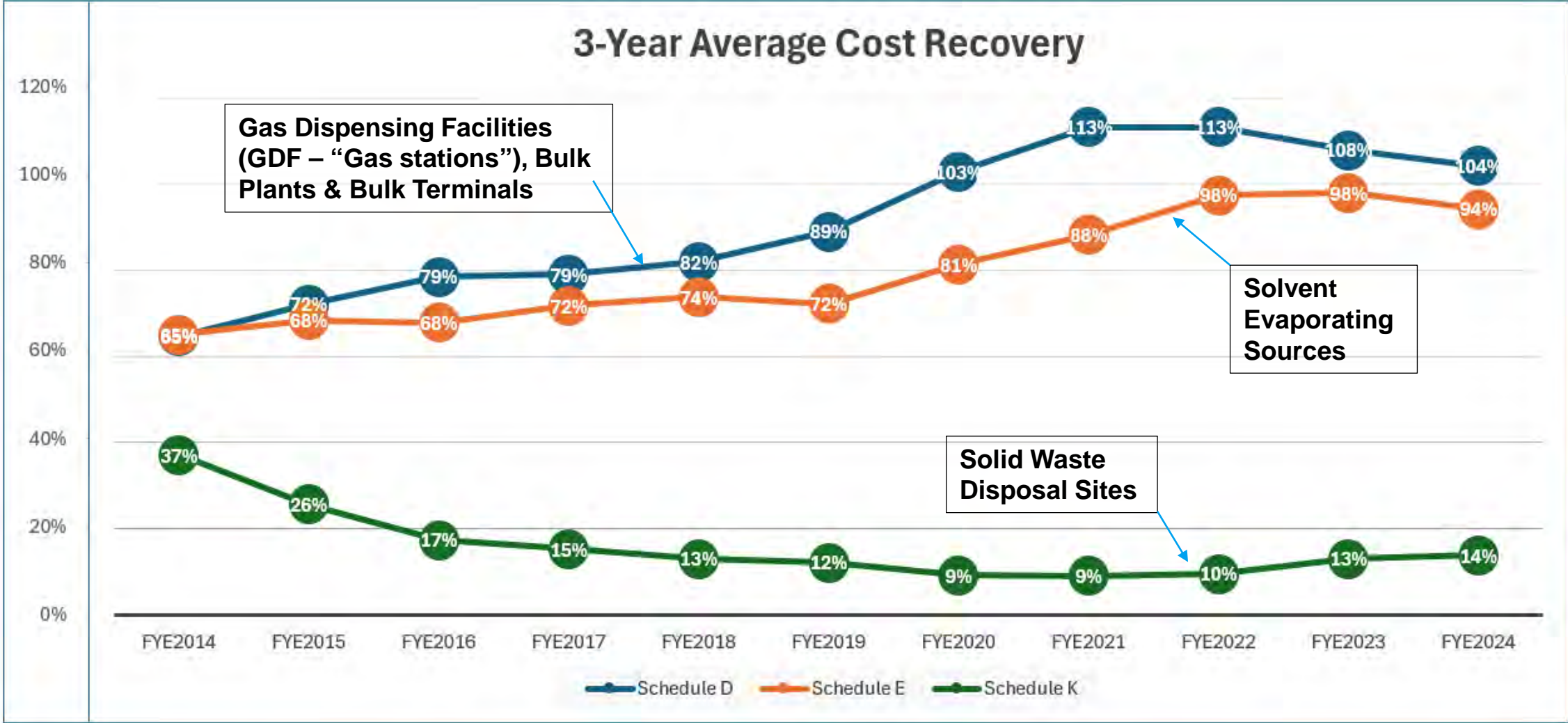
Cost Recovery Background: Trends (cont.)

2022 - 2024 Average Revenue	Number of Fee Schedules (Change from 2024)	Percent of Fee Schedule Revenue
110% or more of costs	5 (NC)	21.7
100 to <110% of costs	2 (+1)	32.4
95 to < 100% of costs	0 (-2)	7.0
75 to < 95% of costs	3 (+1)	15.1
50 to < 75% of costs	6 (+1)	21.7
25 to < 50% of costs	3 (NC)	1.3
Less than 25% of costs	2 (-1)	0.7

- Specific fee schedule cost recovery levels are published in the Cost Recovery reports.

NC = No change

Cost Recovery Background: Trends Example



FYE 2023 updated with actual data since last year's presentation

Cost Recovery Strategies

Staff presented options at the December 18 Finance and Administration Committee meeting. The committee direction was to stay the course on the cost recovery strategy.

Revenue from Fee Schedule (3-year average)	FYE 2025	FYE 2026 Option 1	FYE 2026 Option 2	FYE 2026 Option 3
110% or more of costs	-	-	-	-
100 to <110% of costs	CPI-W*	CPI-W*	CPI-W*	CPI-W*
95 to < 100% of costs	+15%	+15%	+10%	Higher of +5% or CPI-W
85 to < 95% of costs	+15%	+15%	+15%	+10%
75 to < 85% of costs	+15%	+15%	+15%	+15%
50 to < 75% of costs	+15%	+15%	+15%	+15%
Less than 50% of costs	+15%	+15%	+15%	+15%

Proposed Fee Regulation Amendments

Proposed Changes to Fee Schedules for Cost Recovery

Revenue from Fee Schedule	Change in Fees	Fee Schedules	% of Fee Schedule Revenue
110% or more of costs	0%	C, L, N, R, T, V (except Marsh Management), X	21.7%
100 to <110% of costs	CPI-W 2.8% increase	B, D	32.4%**
Less than 100% of costs	15% increase	A, E, F, G1, G2, G3, G4, G5, H, K, P, S, V (Marsh Management fees only), W	45.9%

*Increase of non-cost recovery administrative fees in Section 300, Schedule I and Schedule M by CPI-W.

**Includes Schedule M

Small Business Definition

3-209: **Small Business:** A business with no more than 10 employees and gross annual income of no more than \$750,000 that is not an affiliate of a non-small business.

Current impact

- Have reduced fees at the Hearing Board.
 - Fee differences range from 50% to 92% compared to non-small businesses.
- May qualify for some reduced permit application fees.
- These are one-time fees.

Small Business Definition – Comparison

Agency	Effective	Maximum Number of Employees	Gross Receipts Limit	Applicability
Bay Area	June 2010	10	\$750,000	<ul style="list-style-type: none"> • Discounts on some permit application fees • Lower Hearing Board fees
South Coast	January 2020	10 or a not-for-profit training center	\$500,000	<ul style="list-style-type: none"> • Discounts on some permit application fees • Lower Hearing Board fees • Lower rates of other fees. • No surcharge for operating without a permit
San Joaquin	2017	10	\$750,000	<ul style="list-style-type: none"> • No discount for permit applications • Lower Hearing Board excess emission fees • Potentially lower annual Air Toxic fees*

South Coast is the most comparable application in its use of the Small Business definition.

*Gross receipts increased to \$1 million for the facility AND \$5 million for California operations

Recommendation

Staff recommends updating the gross receipts limit to \$1,500,000

Other Changes

- Schedule C – Stationary Containers for the Storage of Organic Liquids
 - Align calculation for the Risk Assessment Fee (RAF) consistent with other schedules.
- Schedule D.A – Gasoline Transfer at GDFs
 - Increase the RAF by 15% in Schedule D.A.4.b consistent with existing GDFs for the same work.
- Update out-of-date reference in Schedule B, Part 5.
- General language clean up

Impact on Large Facilities

Petroleum Refineries

Annual Permit Fee Increase/Decrease (Fiscal Year Ending)							
	2024, % Fee Change			2025, % Fee Change			2026, Projected % Fee Change
	Predicted	Actual	2024 Renewal Fee	Predicted	Actual	2025 Renewal Fee	Proposed Budget
Chevron	8.1	1.6	\$4.5 million	8.5	9.3	\$5.0 million	9.7
Martinez Refining Co.	8.9	4.7	\$5.7 million	7.9	-0.2	\$5.7 million	4.4
Phillips 66	8.5	9.6	\$3.0 million	8.6	-6.2	\$2.8 million	3.8
Tesoro	-1.0	-21.6	\$1.5 million	9.1	16.5	\$1.9 million	-1.6
Valero	9.4	12.2	\$3.4 million	9.0	4.3	\$3.5 million	13.7


Impact on Small Facilities

Facility Type	Current Renewal Fee: Not OBC	Current Renewal Fee: OBC	Proposed Renewal Fee: Not OBC	Proposed Renewal Fee: OBC
Backup Engine* (Schedule B)	\$547	\$626	\$613 10.7%	\$701 10.7%
GDF "Gas Station"*** (Schedule Da)	\$2,781	\$3,180	\$2,859 2.7%	\$3,270 2.7%
Auto Body Shop* (Schedule E)	\$1,212	\$1,386	\$1,378 12.1%	\$1,576 12.1%
Coffee Roaster (Schedule F)	\$950	\$1,087	\$1,076 11.7%	\$1,231 11.7%
Dry Cleaning Machine (Schedule R)	\$259	\$259	\$259 0%	\$259 0%

*Minimum fee – Permit fees are greater for larger engines

**Common configuration with 6 islands with 3-triple product nozzles

Budget & Fee Regulation Schedule

Description	Date
Finance and Administration Committee briefing – Cost Recovery Strategy	December 18, 2024
Public workshop for Fee Regulation amendments	February 14, 2025
Written workshop comments on Fee Regulation due	March 17, 2025
Finance and Administration Committee briefing 	March 19, 2025
Public Workshop on Budget and Fee Regulation	Early April
<i>Finance and Administration Committee briefing (if needed)</i>	<i>April 16, 2025</i>
First public hearing on budget & Fee Regulation to receive testimony	May 7, 2025
Written public hearing comments on proposed Fee Regulation due	May 16, 2025
Second public hearing on budget and Fee Regulation to consider adoption	June 4, 2025
Budget and fee amendments effective, if adopted	July 1, 2025

Recommended Action

Staff is requesting feedback and direction on the proposed budget and fee amendments.

If the Committee has no additional requests or direction, staff recommend that the Committee provide a recommendation to the Board to:

1. Conduct the public hearings on the FY 2025-2026 Proposed Budget; and
2. Adopt the FY 2025-2026 Proposed Budget and Fee Amendments with proposed staffing recommendations.

Questions

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