



# Proposed Fiscal Year 2026-2027 Budget and Fee Regulation Amendments

## Finance & Administration Committee Meeting

March 18, 2026

Hyacinth Hinojosa, Deputy Executive Officer of Finance and Administration

Stephanie Osaze, Director of Finance

Fred Tanaka, Senior Manager, Engineering Division

Mark Gage, Principal Air Quality Engineer, Engineering Division

# Presentation Outline

---

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

# Recommended Action

---

Provide feedback and direction to staff regarding the Fiscal Year 2026-2027 Proposed Budget and Fee Regulation Amendments, or, if the Committee has no additional requests or direction, recommend to the Board of Directors that the Board adopt the Fiscal Year 2026-2027 Proposed Budget and Fee Regulation Amendments.

# Budget Highlights

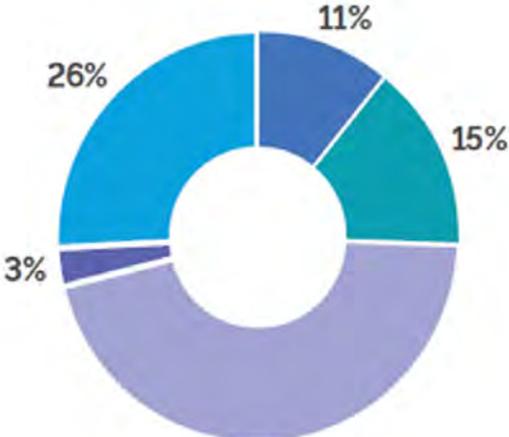
---

The Proposed Budget was developed with the following goals:

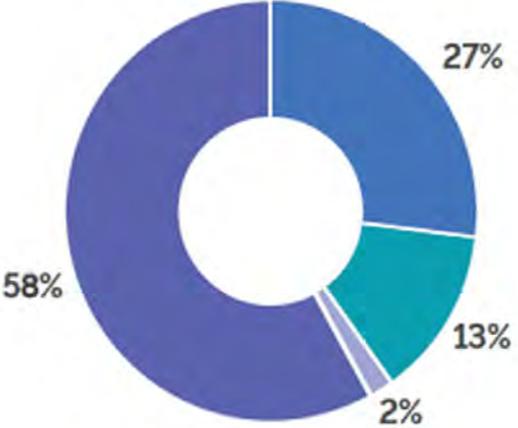
- Strengthen alignment to the Air District's 2024-2029 Strategic Plan and advance the Board of Directors (Board) priorities for FY 2026-2027
- Cost savings and strategic investments to ensure resources are deployed effectively to improve air quality, enhance public health, and foster stronger community partnerships
- Expansion of community driven funding programs and projects to impacted communities
- Refining the Air District organizational structure, separating the Science & Policy Service Area

# FY 2026-2027 All Funds Budget by Revenue and Expense Type

Revenue		(\$ Millions)	
Property Taxes	\$51.3	11%	
Permits/Fees	\$72.1	15%	
Grants	\$219.4	46%	
Other Revenue	\$12.0	3%	
Transfer From Reserves	\$121.9	26%	
<b>Total Revenue</b>	<b>\$476.6</b>		



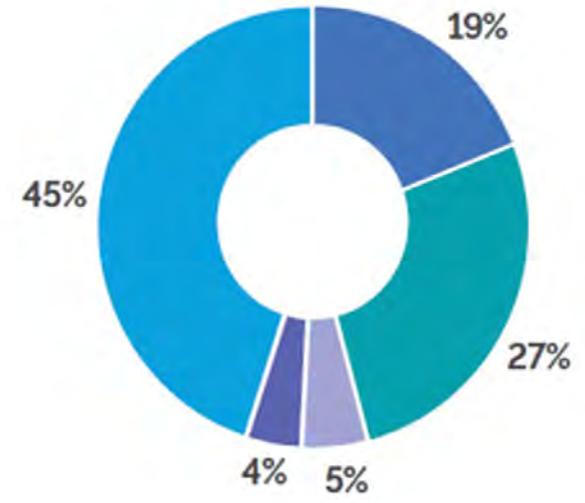
Expenditure		(\$ Millions)	
Salaries and Benefits	\$127.1	27%	
Services and Supplies	\$63.0	13%	
Capital	\$11.0	2%	
Distributions and Transfers	\$275.5	58%	
<b>Total Expenditure</b>	<b>\$476.6</b>		



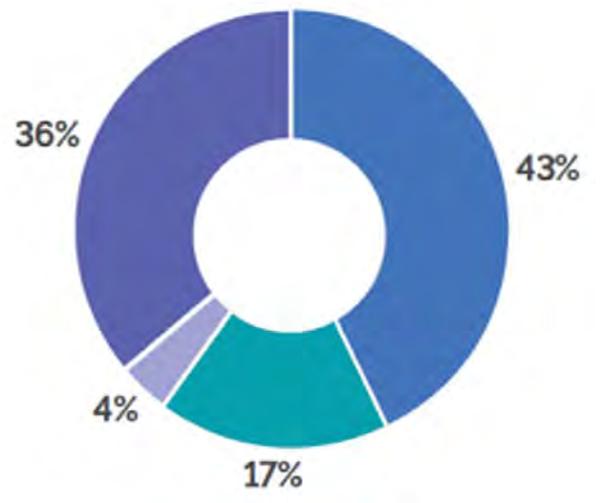
Percentages may not total 100%, and totals may not equal the sum of displayed line items due to rounding.

# FY 2026-2027 General Fund Budget by Type

Revenue		(\$ Millions)	
Property Taxes	\$51.3	19%	
Permits/Fees	\$72.1	27%	
Grants	\$13.5	5%	
Other Revenue	\$12.0	4%	
Transfer From Reserves *	\$121.9	45%	
<b>Total Revenue</b>	<b>\$270.8</b>		



Expenditure		(\$ Millions)	
Salaries and Benefits	\$117.1	43%	
Services and Supplies	\$45.7	17%	
Capital	\$10.7	4%	
Distributions and Transfers	\$97.3	36%	
<b>Total Expenditure</b>	<b>\$270.8</b>		



\* Includes Community Benefit Fund resources designated for Round 1 implementation of the Bay REPAIR program

Percentages may not total 100%, and totals may not equal the sum of displayed line items due to rounding.

# Financial Forecast

<b>General Fund</b>					
<b>Fiscal Year (FY) - Five Year Projection</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>FY 2029-30</b>	<b>FY 2030-31</b>
	(in Millions)				
Revenue	150.9	154.1	162.7	172.5	184.1
Expenditure	174.8	167.7	171.0	169.9	172.9
<b>Deficit/Surplus</b>	<b>-23.9</b>	<b>-13.6</b>	<b>-8.3</b>	2.6	11.2
Use of Community Benefit (g%) Reserves	3.8	2.8			
Use of General Fund Reserves	<b>-20.1</b>	<b>-10.8</b>	<b>-8.3</b>		
<b>Remaining Reserves</b>	<b>73.6</b>	<b>62.8</b>	<b>54.5</b>	<b>57.1</b>	<b>68.3</b>
<b>25% Minimum Reserve Policy</b>	<b>40.1</b>	<b>42.0</b>	<b>42.8</b>	<b>42.5</b>	<b>43.3</b>

- The Five-Year Forecast demonstrates the General Fund will draw from reserves in the short-term, the Air District remains financially stable and maintains compliance with its reserve policy
- Total revenues projected to grow, driven primarily by increases in permit and fee revenues and steady property tax growth
- Expenditure show slight fluctuations throughout the forecast period, reflecting adjustments for one-time costs and reductions in limited-term staffing.

# Budget Summary- Ongoing Investments

---

***\$13.6M Ongoing investments using reserves (based on prior Board approvals) include:***

- \$2.6M transfer from designated Schedule X reserves to support the Refinery Community Air Monitoring Program
- \$1.2M transfer from Limited Term Contract Employee (LTCE) staffing reserve designation to support existing 6 LTCE positions
- \$3.8M transfer from the Community Benefit Administrative Fund to support the Community Investments Office
- \$6.0M staffing investment to support 15 Full-Time Equivalent (FTE) and 14 LTCEs for the Permit Backlog Reduction Plan initially approved in September 2025

# Budget Summary- New Investments

***New investment from reserves***

***includes:***

- \$10.4M for one-time service and capital costs

	In Millions (\$)
<b>Capital</b>	
Air Monitoring Equipment	2.5
AI Permitting Enhancement	1.1
Open Air Data Portal	1.0
Website/Language access	0.7
Permit Ticketing System	0.3
Grant System	0.2
Source Test Equipment	0.2
Other	0.2
	<b>6.2</b>
<b>Services</b>	
Regulatory Development	1.0
Monitoring, Modeling, Data Systems	1.1
Legal Services	0.9
Facility & Maintenance	0.9
Other	0.3
	<b>4.2</b>

# Budget Summary- Other Considerations

---

***Separately, the budget also includes new investment from Community Benefit Fund reserves includes:***

\$116M from the community benefit fund to support Bay Reinvesting Penalties for Air Improvement and Resilience (Bay REPAIR) program for community-led investments for Benecia and Richmond and surrounding communities.

***Assumes a 12% Vacancy Rate***

***2.5% estimated increase to support employee salaries and benefits***

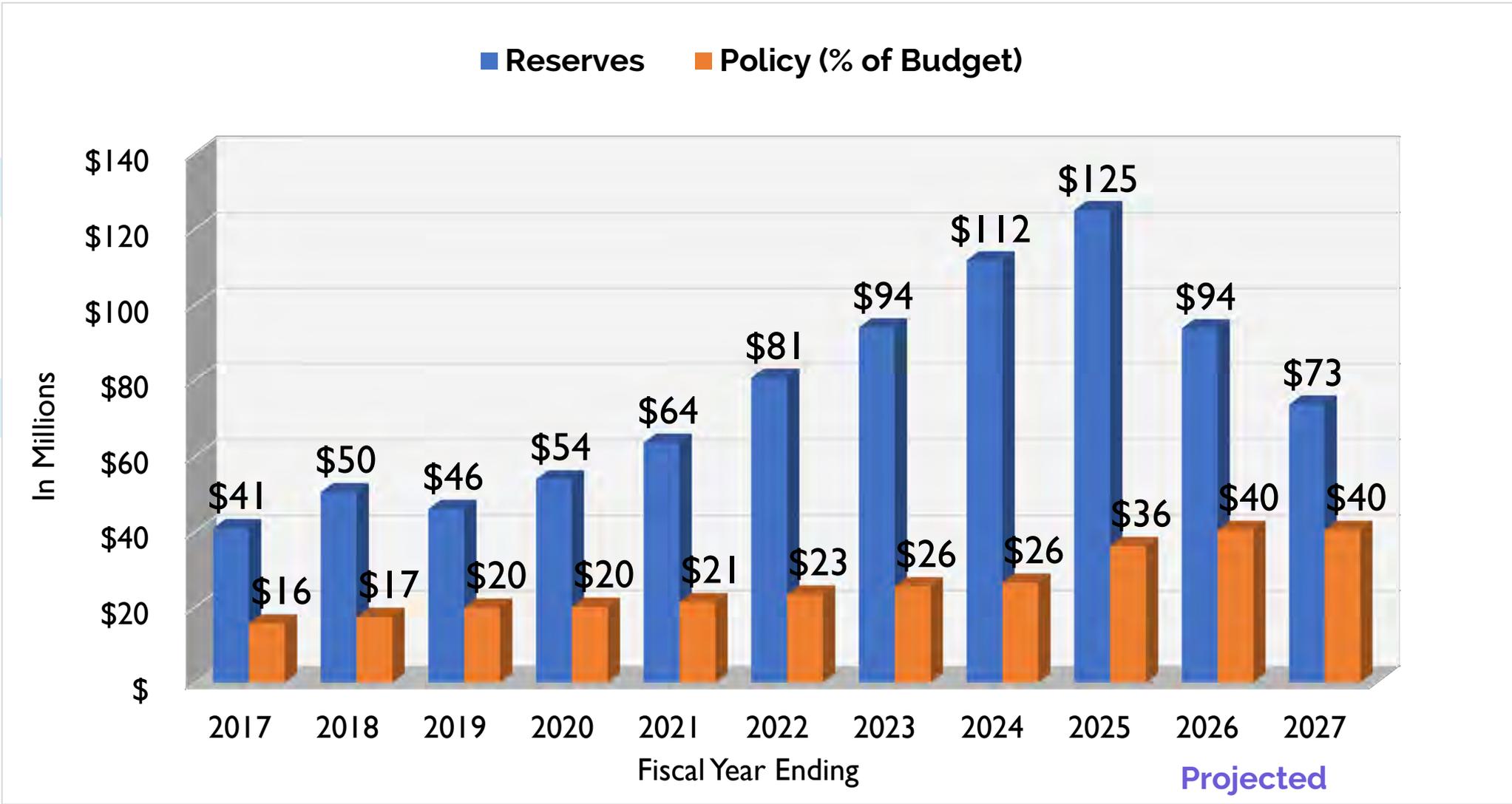
***Continuation of \$5M discretionary contributions to prefund Pension Trust***

# Budget Summary- Sources and Uses

General Fund Summary of Sources and Uses	
	FY 2026-27
<b>Sources</b>	
Operating Revenues	150,865,683
Operating Surplus Reserves	13,564,593
Designated Reserves	8,747,316
Undesignated Reserves	1,632,405
<b>Total Sources</b>	<b>174,809,997</b>
<b>Uses</b>	
Personnel Cost (net of vacancy rate)	117,124,956
Ongoing service & capital costs	47,321,444
One-Time service & capital costs	10,363,597
<b>Total Uses</b>	<b>174,809,997</b>

The proposed budget is balanced with use of Fiscal Year (FY) 2024-2025 operating surplus and reserves to support \$13.6 million (M) in ongoing investments and \$10.4M in new investments to meet strategic priorities.

# General Fund Reserves Trend



**Reserve Policy updated to a range of 25-35% of the General Fund Operating Budget**

- 20%: 2017 to 2025
- 25%: 2026 and 2027

# General Fund Reserve Proposed Designations and Uses

	FY 2026-2027 In Millions
<b>Projected Reserves Balance (June 30, 2026)</b>	<b>93.7</b>
<b>Contingency Designations*:</b>	
Assembly Bill 617 Staffing Contingency	4
Economic Contingency (25% of Budget)	40
Litigation Support Contingency	2
	<u>46</u>
<b>Long -Term Commitment Designations*:</b>	
Community Benefits	3
Information Technology Projects	1
Staffing Investment	10.5
Schedule X - Capital	0.2
Schedule X - Operating	2.3
	<u>17.0</u>
<b>Other Designations *</b>	
Air Toxic Study	4
Real property & Facility Projects	4
One-Time Professional Services	2
Woodsmoke (Enforcement)	0.2
Woodsmoke Program (Strategic Incentives)	0.5
	<u>10.4</u>
<b>Total Designated Reserves</b>	<b>73.5</b>

	FY 2026-2027 In Millions
<b>Use of Reserves to Balance the Operating Budget:</b>	<b>20.2</b>
<b>Ongoing Investments:</b>	
Permit Backlog Reduction Plan (15FTE & 14 LTCE)	6.0
6 Limited Term Contract Employee (LTCE) Staffing	1.2
Schedule X Capital and Operating costs	2.6
	<u>9.8</u>
<b>New Investments:</b>	
One-time capital & service cost	10.4
	<u>10.4</u>
<b>AVAILABLE GENERAL FUND RESERVES</b>	<b>0.0</b>
<b>COMMUNITY BENEFIT FUND - ADMIN PORTION</b>	
	<b>FY 2026-2027</b>
<b>Projected Available funding (9%)</b>	<b>6.6</b>
Staffing cost	2.0
Service cost	1.7
	<u>3.7</u>
<b>ENDING BALANCE</b>	<b>2.9</b>

\*Subject to change at Board's discretion

# Medical Retiree Plan Funding Status/Policy

## Medical Retirement Plan- Other Post Employment Benefits (OPEB):

### Funding Policy: **Target 90% Funded Level**

- 90% target was met in 2023
- 2025 actuarial valuation is in progress

### Plan Funded Summary:

- Obligation: \$79 M
- Funded: \$73 M
- Unfunded: \$6 M
- **92% funded**

## 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

## Pension Plan: California Pension Employers Retirement System (CalPERS)

### Funding Policy: **Target 90% Funded Level**

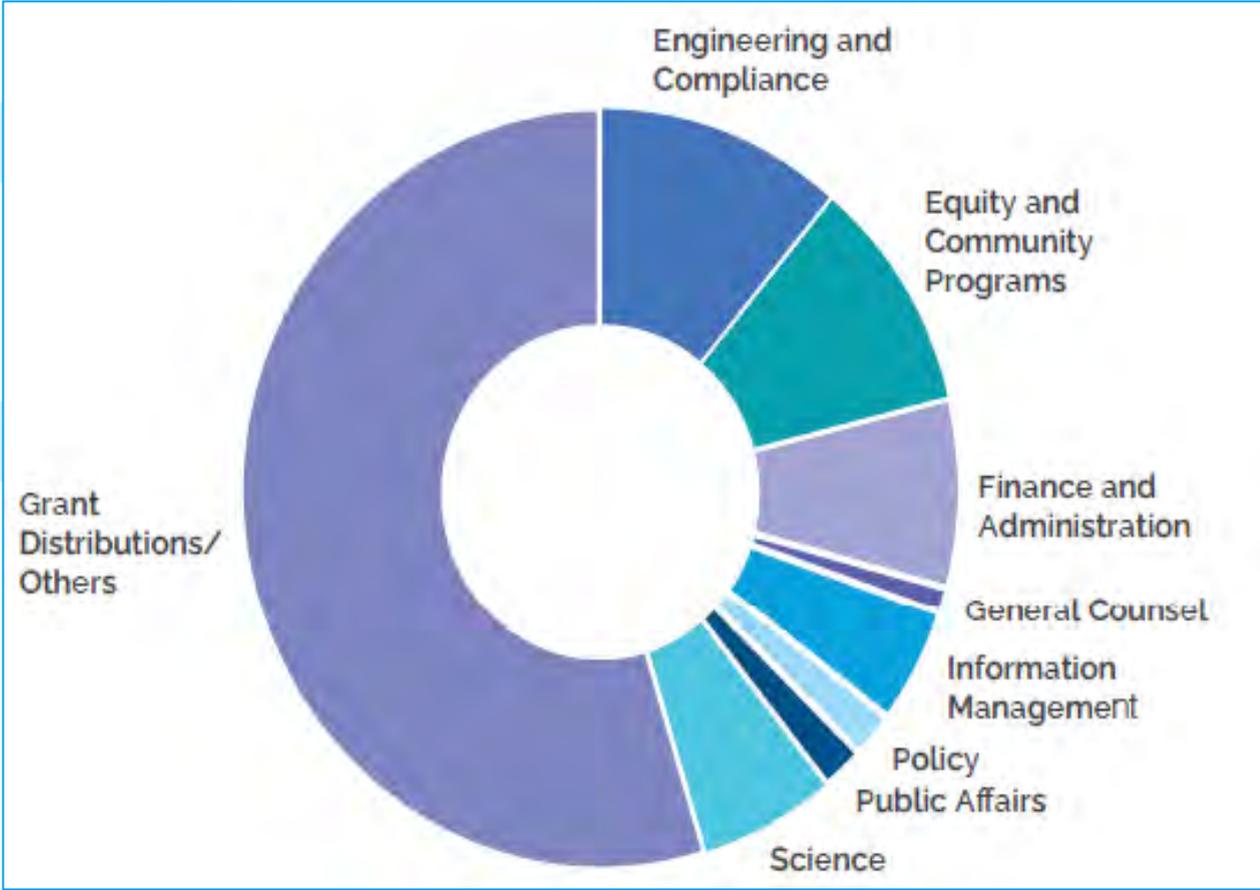
\$5M in annual discretionary contribution to accelerate funding target

- FY 2025-26 budget, Board approved an additional \$10M using reserves for a total of \$15M
- Funded level increase from 78% to 94% projected funding level by 2030

### Recommendation: Allocate \$5 M annual discretionary contribution to the Pension Plan

Fiscal Year	Actual	Projection (\$ in Millions)					
	2024	2025	2026	2027	2028	2029	2030
Accrued Liability	\$443	\$464	\$488	\$510	\$534	\$557	\$582
Market Value of Assets	328	363	384	407	429	453	477
115 Trust Assets	16	23	40	47	55	63	72
Unfunded Accrued Liability	99	78	64	56	50	41	33
<b>Funded Status (%)</b>	<b>78%</b>	<b>83%</b>	<b>87%</b>	<b>89%</b>	<b>91%</b>	<b>93%</b>	<b>94%</b>
Projections are based on funding policy and actuarial assumptions							
<b>Investment Return</b>							
Assumption	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Actual	9.5%	12.1%					

# FY 2026-2027 Budget by Service Area



Expenditure	(\$ Millions)	
Engineering and Compliance	\$50.4	11%
Equity and Community Programs	\$49.2	10%
Finance and Administration	\$38.8	8%
General Counsel	\$7.0	1%
Information Management	\$24.5	5%
Policy	\$10.7	2%
Public Affairs	\$11.8	2%
Science	\$26.9	6%
Grant Distributions/Others	\$257.3	54%
<b>Total Expenditure</b>	<b>\$476.6</b>	

Percentages may not total 100%, and totals may not equal the sum of displayed line items due to rounding.

# Service Area: Engineering & Compliance

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Compliance and Enforcement	\$17.1	\$21.0	\$21.1	\$22.1	99
Engineering	\$14.0	\$18.6	\$19.4	\$23.8	88
Source Test	\$3.7	\$4.5	\$4.5	\$4.5	16
<b>Service Area Total</b>	<b>\$34.8</b>	<b>\$44.1</b>	<b>\$45.0</b>	<b>\$50.4</b>	<b>204</b>

Totals may not equal the sum of displayed line items due to rounding.

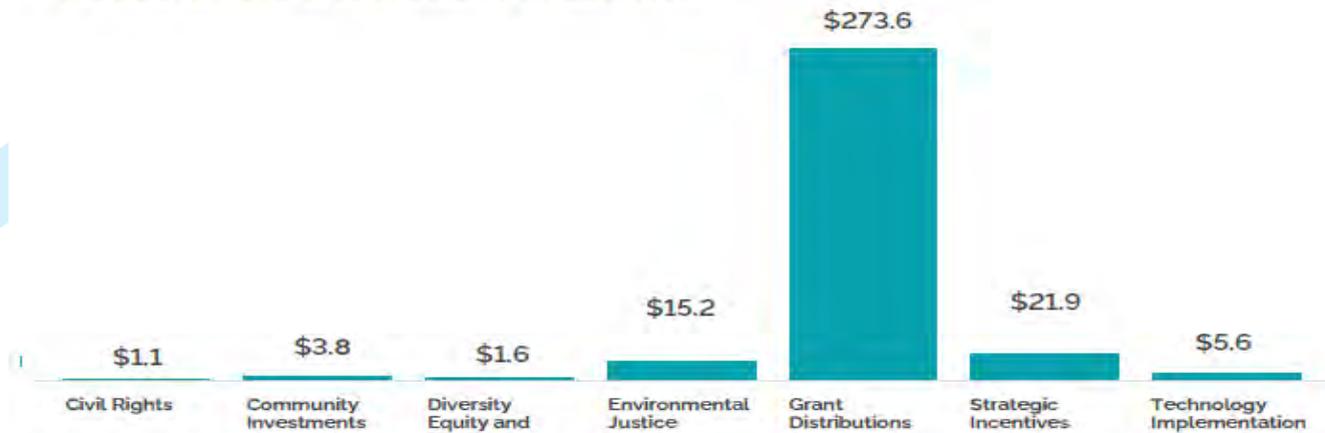
Enhance compliance and enforcement policies to prioritize high-impact inspections in communities overburdened by air pollution. (Strategy 1.5, 2.2, 2.4, 3.3, 3.4, 4.5, 4.10, 4.11)

Improve accessibility and transparency of the air quality complaint process to better respond to community concerns. (Strategy 2.1, 2.3, 2.5, 3.3, 3.4, 4.4, 4.7, 4.10, 4.11)

Implement Board-approved strategic staffing adjustments for the Engineering Division to improve timeliness, consistency, and transparency in permitting (Strategies 3.3, 4.1, 4.2, 4.3, 4.10, 4.11)

# Service Area: Equity & Community Programs

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Civil Rights	-	\$0.6	\$0.6	\$11	3
Community Investments	\$0.1	\$3.3	\$3.3	\$3.8	5
Diversity Equity and Inclusion	\$0.9	\$1.5	\$1.6	\$1.6	4
Environmental Justice	\$12.8	\$18.3	\$21.0	\$15.2	23
Grant Distributions	\$72.5	\$122.1	\$136.1	\$273.6	-
Strategic Incentives	\$9.2	\$21.7	\$23.5	\$21.9	35
Technology Implementation	\$3.7	\$5.6	\$6.4	\$5.6	11
<b>Service Area Total</b>	<b>\$99.1</b>	<b>\$173.2</b>	<b>\$192.5</b>	<b>\$322.8</b>	<b>82</b>

Totals may not equal the sum of displayed line items due to rounding.

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

Strengthen community engagement through the Environmental Justice Navigator Program to build relationships and trust. (Strategy 2.1)

Launch the Local Community Benefits Fund to reinvest penalty funds back into the communities where air quality violations occurred (Strategy 2.10)

# Service Area: Finance & Administration

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Administrative Resources	\$10.0	\$15.3	\$16.6	\$15.5	16
Board of Directors	\$0.6	\$0.6	\$0.8	\$1.2	-
Executive	\$7.2	\$6.4	\$7.2	\$6.0	14
Finance	\$4.3	\$5.4	\$5.5	\$5.5	18
Human Resources	\$7.9	\$8.1	\$8.6	\$10.6	12
<b>Service Area Total</b>	<b>\$30.0</b>	<b>\$35.8</b>	<b>\$38.7</b>	<b>\$38.8</b>	<b>61</b>

Totals may not equal the sum of displayed line items due to rounding.

Implement a comprehensive professional training plan encompassing onboarding, ongoing skills development, and environmental justice, leadership, and regulatory compliance training. (Strategy 3.6)

Advance asset planning to support mission delivery by ensuring facilities and fleet assets are aligned with long-term operational needs, workforce flexibility, and fiscal sustainability. (Strategy 4.11)

Improve procurement and contract management practices to increase efficiency, transparency, and alignment with Air District priorities. (Strategy 4.12)

# Service Area: General Counsel

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Legal

Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
Legal	\$5.6	\$6.3	\$7.6	\$7.0	19
<b>Service Area Total</b>	<b>\$5.6</b>	<b>\$6.3</b>	<b>\$7.6</b>	<b>\$7.0</b>	<b>19</b>

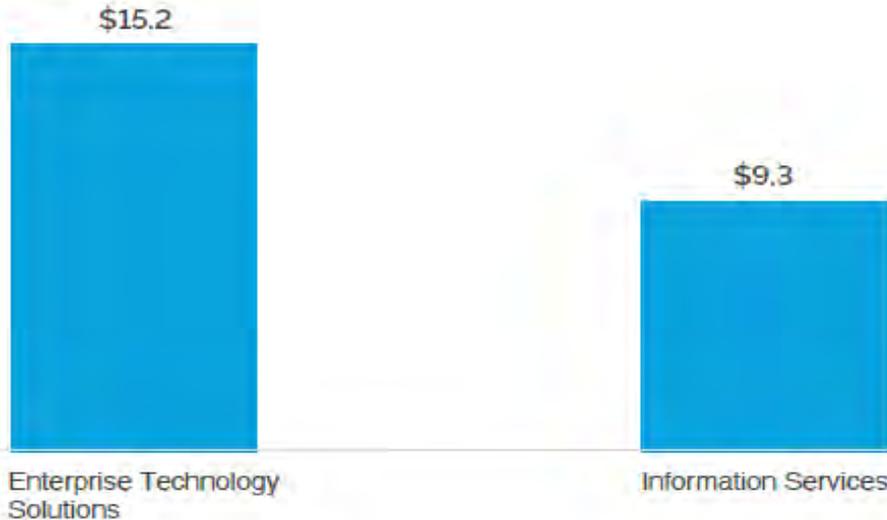
Adopt a new enforcement policy to hold violators accountable and ensure violations result in meaningful consequences. (Strategy 1.6)

Develop protocols to formalize how the Air District ensures compliance with civil rights laws in permitting. (Strategy 2.10)

Expand environmental justice legal training and professional development through implementation of the Environmental Justice Law Fellowship program. (Strategy 3.4)

# Service Area: Information Management

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Create online data portals to provide public access to comprehensive air quality, permitting and compliance data. (Strategy 2.3)

Streamline permitting and enforcement systems for greater transparency and operational efficiency. (Strategy 4.1)

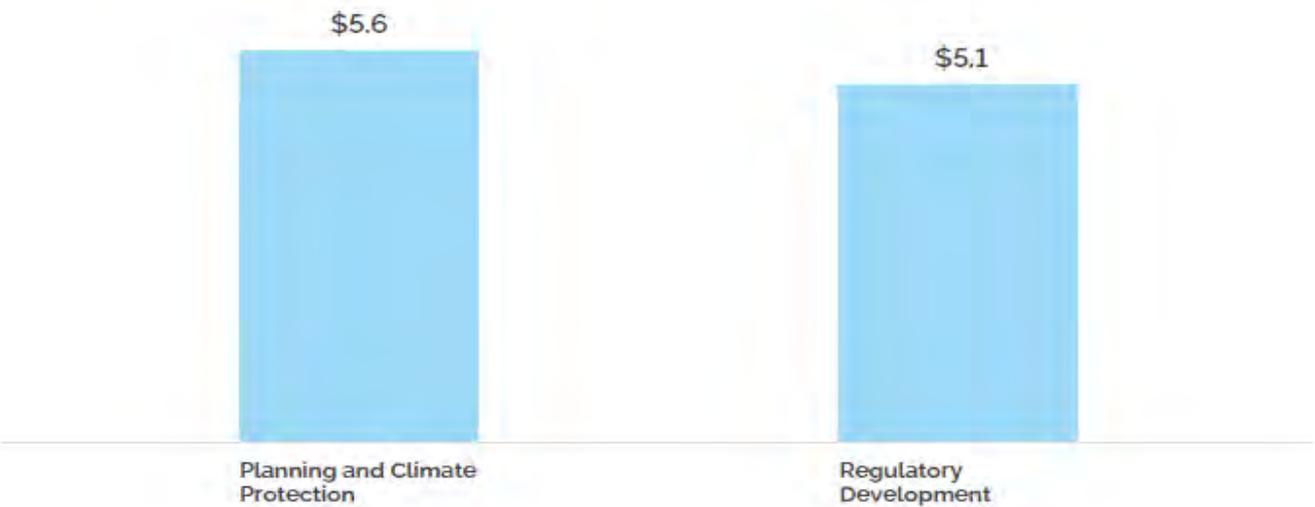
Develop improved grants management systems to increase accessibility for frontline communities. (Strategy 2.8)

Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Enterprise Technology Solutions	\$11.2	\$10.6	\$11.8	\$15.2	17
Information Services	\$6.3	\$7.2	\$8.7	\$9.3	16
<b>Service Area Total</b>	<b>\$17.6</b>	<b>\$17.8</b>	<b>\$20.6</b>	<b>\$24.5</b>	<b>34</b>

Totals may not equal the sum of displayed line items due to rounding.

# Service Area: Policy

FY 2026-27 EXPENDITURE (\$ MILLIONS)



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

Change approach to air quality (Strategy 1.1)

Advance innovative climate solutions and implement regional climate plans (Strategy 1.7)

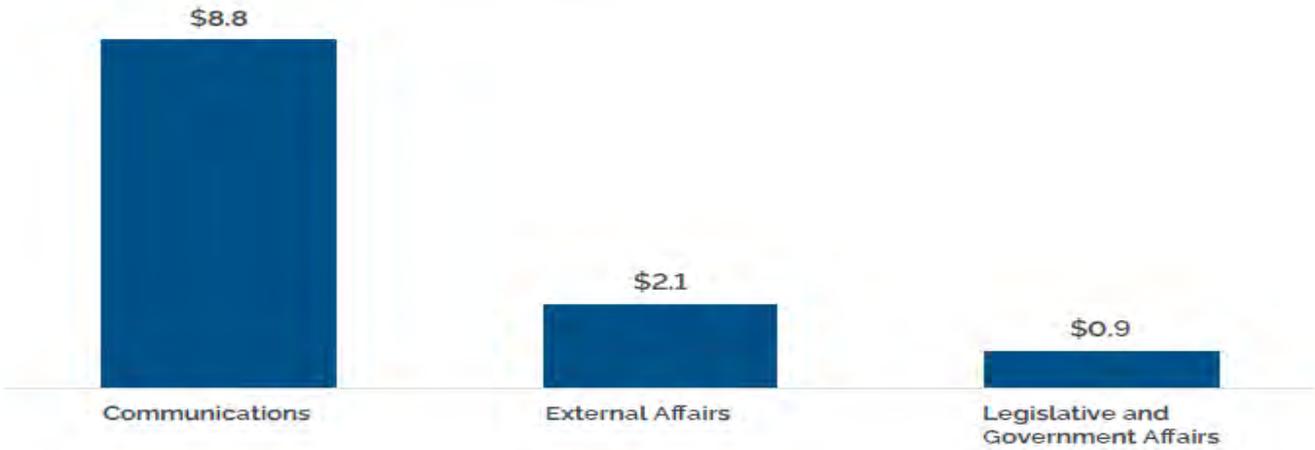
Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Planning and Climate Protection	\$4.4	\$4.7	\$5.7	\$5.6	21
Regulatory Development	\$2.6	\$4.4	\$5.0	\$5.1	16
<b>Service Area Total</b>	<b>\$7.1</b>	<b>\$9.1</b>	<b>\$10.7</b>	<b>\$10.7</b>	<b>38</b>

Totals may not equal the sum of displayed line items due to rounding.

# Service Area: Public Affairs

## Public Affairs Expenditure

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Communications	\$5.9	\$7.3	\$8.5	\$8.8	13
External Affairs	\$0.8	\$2.0	\$2.1	\$2.1	5
Legislative and Government Affairs	\$0.6	\$0.9	\$0.9	\$0.9	2
<b>Service Area Total</b>	<b>\$7.3</b>	<b>\$10.3</b>	<b>\$11.5</b>	<b>\$11.8</b>	<b>21</b>

Totals may not equal the sum of displayed line items due to rounding.

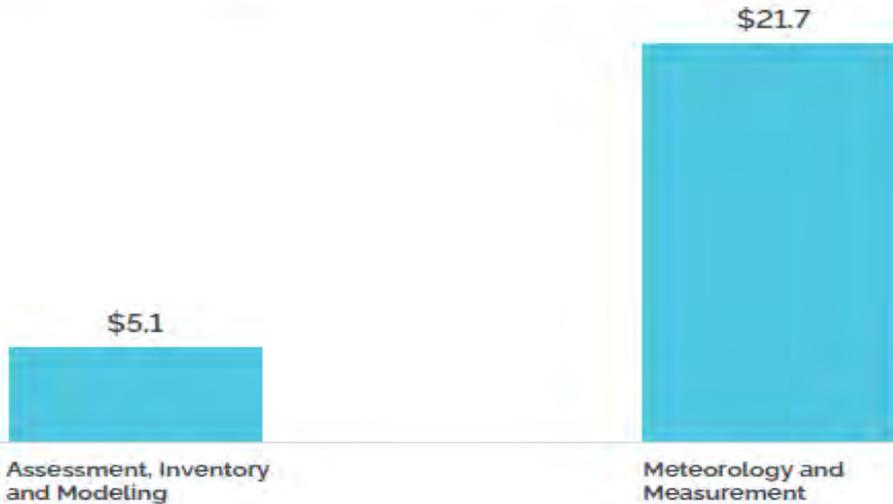
Enhance real-time public communication on air quality incidents to ensure accessibility and responsiveness. (Strategy 4.8)

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

Increase digital and social media outreach to support education on rulemaking, enforcement, and climate initiatives. (Strategy 4.7)

# Service Area: Science

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Assessment, Inventory and Modeling	\$3.8	\$4.2	\$4.4	\$5.1	19
Meteorology and Measurement	\$14.3	\$21.0	\$21.7	\$21.7	59
<b>Service Area Total</b>	<b>\$18.1</b>	<b>\$25.2</b>	<b>\$26.1</b>	<b>\$26.9</b>	<b>79</b>

Totals may not equal the sum of displayed line items due to rounding.

Conduct local assessments and exposure analysis to better understand the population exposure and health impacts of air pollutants in the Bay Area. (Strategy 2.4)

Work with communities overburdened by air pollution to conduct air monitoring and develop air dispersion modeling to improve understanding of local air quality, inter-regional emissions transport, and their impacts on the Bay Area’s air quality. (Strategy 2.7)

Upgrade air quality monitoring networks to improve reliability, efficiency, data quality, and accessibility (Strategy 4.4)

# Staffing Overview

---

- No new staffing positions proposed in the Fiscal Year 2026-2027 Budget
- Twenty-four (24) proposed reclassifications to support operational efficiency and needs. Net impact is approximately \$394,524

# Organizational Efficiency Add/Delete Positions

Service Area	Add/Delete Position	Division	Cost Impact
Engineering & Compliance	6	Compliance & Enforcement Engineering	\$199,475
Equity & Community Programs	5	Environmental Justice Strategic Incentives Technology Implementation Office	(\$19,141)
Finance & Administration	2	Administrative Resources	\$86,201
Information Management	8	Enterprise Technology Solutions Information Services	\$77,482
Public Affairs	1	Communication	19,655
Science	2	Assessment, Inventory & Modeling Meteorology & Measurements	\$30,852

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

**Total 394,524**

# B<sub>a</sub>REATHE Study: Bay Area Regional Evaluation of Air Toxics and Health Effects

---

- First comprehensive air toxics exposure study in the Bay Area
  - Monitor air toxics continuously and year-round at five (5) existing air monitoring locations
  - Include updated modeling and emission inventory
  - Evaluate regional exposure to air toxics and quantify associated cancer and noncancer risks
  - Identify sources driving these risks
- Proposed budget: \$4,100,000
- \$4.1 million placed in reserves and will come to the Board to approve expenditures
  - Continuous instruments: \$3,300,000
  - Services & supplies and contracts: \$500,000
  - Data purchase and consultant support: \$300,000
- Proposed timeline
- 2026-2027: Planning and preparation
  - 2027-2028: Measurements and modeling
  - 2028-2029: Data analysis and report writing

# Cost Recovery Background

---

- Air District has authority to assess fees to recover the reasonable costs of its regulatory 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 the true cost of the services provided, with a prohibition on increasing any existing fees for permits by more than 15% in any calendar year.

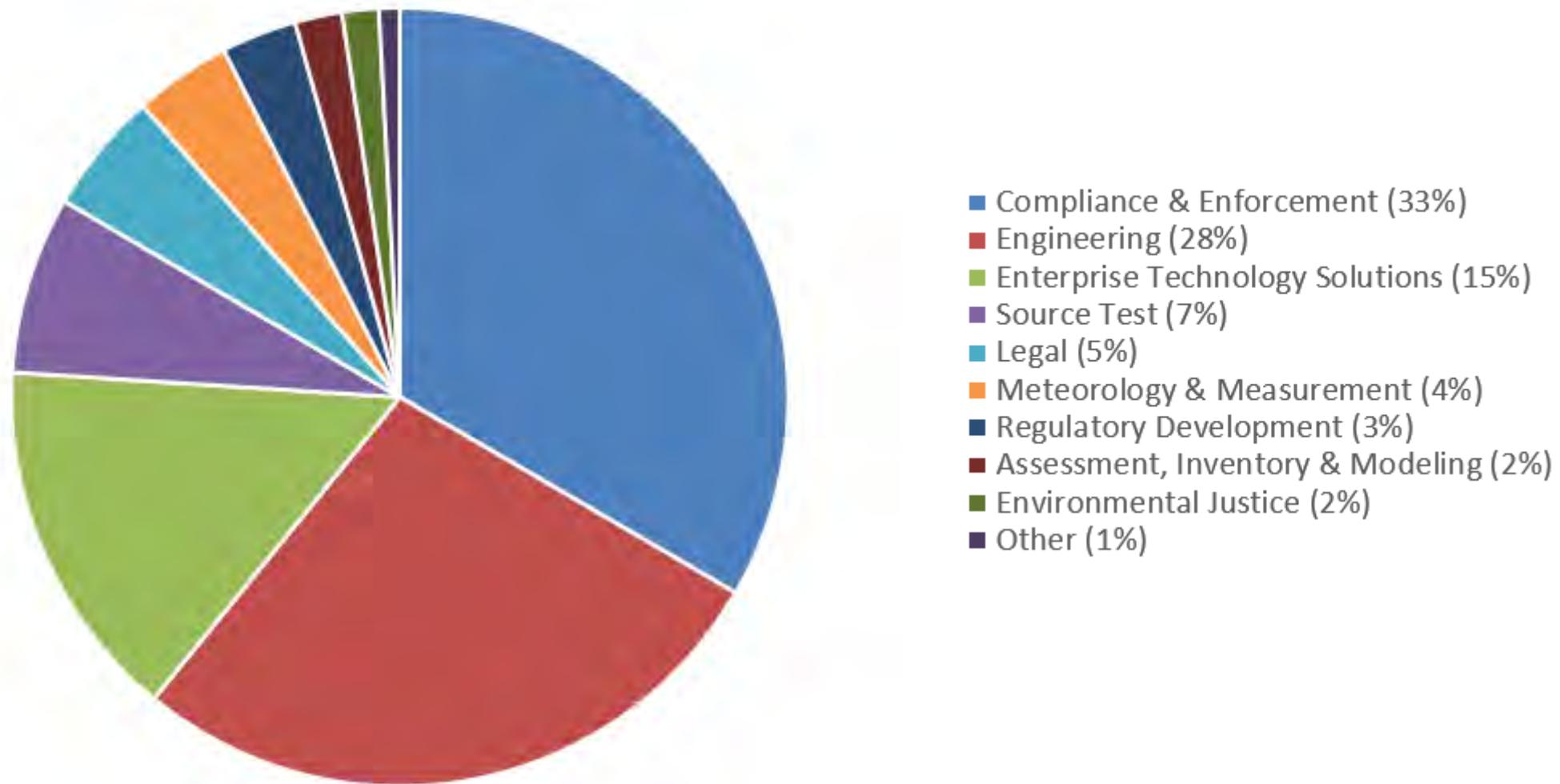
# Cost Recovery Background (cont.)

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

➤ This list is not exhaustive.

# Cost Recovery Background

Total Costs Assigned to Schedules



# 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 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025
<b>By Year</b>	63.8%	81.2%	83.0%	84.7%	83.2%	83.8%	85.9%	92.3%	87.7%	89.7%
<b>3-Year Average</b>		82.2%	81.9%	83.0%	83.6%	83.5%	84.3%	87.4%	88.7%	89.9%

# Cost Recovery Background: Trends (cont.)

FYE 2023 - 2025 Average Revenue	Number of Fee Schedules, (change from previous year)	Percentage of Fee Schedule Revenue
110% or more of costs	5 (NC)	18.6%
100 to <110% of costs	2 (+1)	34.9%
95 to < 100% of costs	2 (NC)	9.8%
75 to < 95% of costs	2 (NC)	15.0%
50 to < 75% of costs	5 (-1)	20.0%
25 to < 50% of costs	3 (NC)	0.8%
Less than 25% of costs	2 (NC)	0.9%

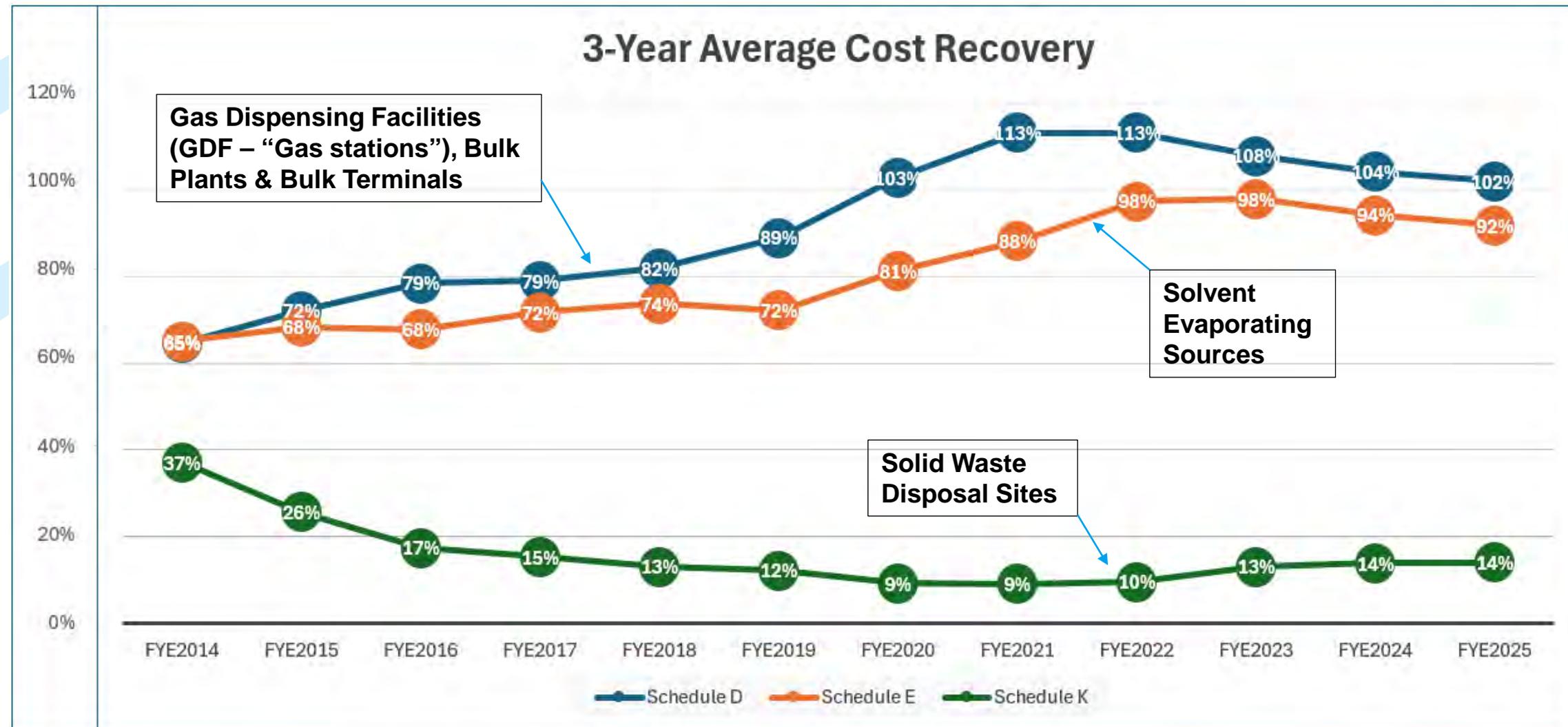
➤ Specific fee schedule cost recovery levels are published in the Cost Recovery reports

➤ Over 63% of fee schedule revenue is at least 95% recovered.

➤ Less than 2% of fee schedule revenue is grossly under-recovered.

NC = No change

# Cost Recovery Background: Trends Example



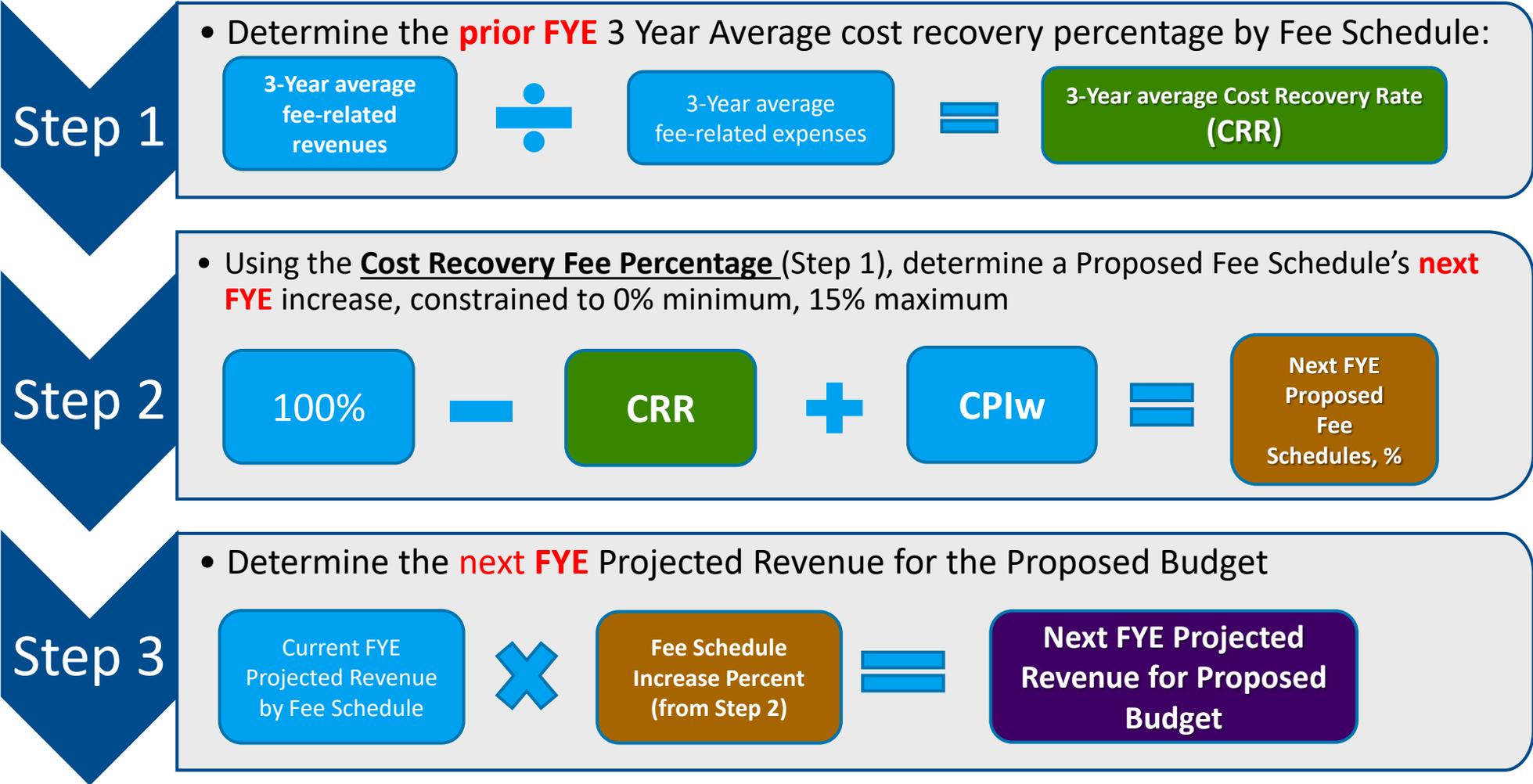
# Cost Recovery Strategies

At the December 17, 2025, Finance and Administration Committee meeting, the members were in favor of a smoother approach for schedules closer to 100% cost recovery.

Revenue from Fee Schedule (3-year average)	FYE 2025	FYE 2026	FYE 2027
110% or more of costs	-	-	-
100 to <110% of costs	CPIw	CPIw	CPIw
95 to < 100% of costs	+15%	CPIw	3.6% (CRR @ 98.70%)
85 to < 95% of costs	+15%	+15%	8.8% (CRR @ 93.55%)
75 to < 85% of costs	+15%	+15%	+15%
50 to < 75% of costs	+15%	+15%	+15%
Less than 50% of costs	+15%	+15%	+15%

CPIw = The annual Consumer Price Index of the previous year for Bay Area Urban Wage Earners and Clerical Workers

# Cost Recovery Background (cont.)



CRR = Cost recovery rate, 3-year average  
 CPIw = The annual Consumer Price Index of the previous year for Bay Area Urban Wage Earners and Clerical Workers

# Proposed Fee Regulation Amendments

Proposed Change in Fees	Fee Schedules	FY 2025 % of Fee Revenue
20% decrease	R	0.5
0% increase	B, C, D, L, N, T, X	44.4
2.3% increase (CPIw )	Section 300 fees, M, I	15.6
3.6% increase	G5	2.0
8.8% increase	E	6.1
15% increase	A, F, G1, G2, G3, G4, H, K, P, S, V*, W	31.4

**The weighted average of all proposed fee amendments is 5.7%**

\*Open Burning Operation Fee and Stubble Burn Operation Fee only

# Other Proposed Changes – General

---

- General clean-up (e.g., remove obsolete language, typos)
- Increase administrative fees in Section 300 by CPIw, excluding:
  - Permit transfer fee (Section 3-307)
  - Upfront public notice fee (Section 3-318.1)
- Increase Schedule M by CPIw.

# Other Proposed Changes – General

---

- 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 Gas Dispensing Facilities (GDF)
  - Increase the RAF by 15% in Schedule D.A.4.b consistent with existing GDFs for the same work.

# Other Proposed Changes – New Fee

---

## **New fee**

- Section 3-311.6 (Emission Reduction Credit Reissuance Fee) equal to the filing fee.

## **Discussion**

Before the Air District can honor an Emission Reduction Credit (ERC) certificate, the owner must surrender the ERC. Last year, the Air District received several requests where the applicant did not have the certificate and was not the contact of record. Considerable effort is required to verify ownership, especially when the facility is shutdown and the contact of record is not available.

# Other Proposed Changes – Fee Reduction

---

- Reduce Schedule R – Equipment Registration by 20%
  - Non-permitted dry cleaning machines, small combustion, small graphic arts operations, charbroilers
  - When facilities only have registered equipment, they are typically small businesses.

# Other Proposed Changes – Fee Removal

---

## Remove language

- Section 3-405.4.1.2 (Fees Not Paid, Reinstatement of Lapsed Permit to Operate)
- Section 3-405.5 (Fees Not Paid, Registration and Other Fees)

## Discussion

The current language imposes a total late fee of 25% if an invoice is not paid in full after 30 days (delinquent fee). By removing these subsections, there is only one late fee if the invoice is not paid in full by the invoice due date. The intent is to streamline the process of getting parties in compliance from a fee standpoint. Many facilities paying the delinquent fee were small businesses.

# Other Proposed Changes – Reclassification

---

## **Reclassify general miscellaneous sources in Schedule F**

- Move gasification/pyrolysis sources from Schedule F (General miscellaneous) to Schedule G1.

## **Discussion**

Source categories being charged Schedule F are reviewed against the level of effort. Schedule F (Miscellaneous – Unclassified) are charged when no other fee schedule applies. Schedule F has lower fees compared to most other fee schedules. Due to the complexity, regulatory agency interest, and public interest of these facilities, these projects often involve public workshops, legal discussion, increased enforcement, modeling, source testing and emissions verification.

# Impact on Large Facilities – Permit Renewal

## Petroleum Refineries

Annual Permit Fee Increase/Decrease (Fiscal Year Ending)							
	2025, % Fee Change		Renewal Fee	2026, % Fee Change		Renewal Fee	2027, Projected % Fee Change
	Predicted	Actual		Predicted	Actual		Proposed Budget
Chevron	8.5	9.3	\$5.0 million	9.7	9.5	\$5.5 million	6.3
Martinez Refining Co.	7.9	-0.2	\$5.7 million	4.4	3.2	\$5.9 million	7.0
Phillips 66	8.6	-6.2	\$2.8 million	3.8	-2.2	\$2.8 million	8.4
Tesoro (Marathon)	9.1	16.5	\$1.9 million	-1.6	8.0	\$2.0 million	6.2
Valero	9.0	4.3	\$3.5 million	13.7	4.6	\$3.8 million	7.0

# Impact on Small Facilities – Permit Renewal

Facility Type	Current Renewal Fee: Not OBC	Current Renewal Fee: OBC	Proposed Renewal Fee: Not OBC	Proposed Renewal Fee: OBC
Backup Engine* (Schedule B)	\$563	\$644	\$566 0.5%	\$647 0.5%
GDF “Gas Station”** (Schedule Da)	\$2,860	\$3,271	\$2,863 0.1%	\$3,270 0.1%
Auto Body Shop* (Schedule E)	\$1,378	\$1,576	\$1,491 7.6%	\$1,705 7.6%
Coffee Roaster (Schedule F)	\$1,076	\$1,231	\$1,220 11.8%	\$1,395 11.8%
Dry Cleaning Machine (Schedule R)	\$259	\$259	\$207 -20%	\$207 -20%

\*Minimum fee – Permit fees are greater for larger engines or higher solvent usage sources

OBC = Overburdened Community

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

# Budget & Fee Regulation Schedule

Description	Date
Finance and Administration Committee briefing	December 17, 2025
Public workshop for Regulation 3 amendments	February 26, 2026
Budget Workshop	March 10, 2026
Finance and Administration Committee briefing	March 18, 2026
Finance and Administration Committee briefing (If needed)	April 15, 2026
First public hearing on budget & Regulation 3 to receive testimony	April 29, 2026
Written comments on proposed amendments to Regulation 3 due	May 15, 2026
Second public hearing on budget and Regulation 3 to consider adoption	June 3, 2026
Budget and fee amendments effective, if adopted	July 1, 2026



# Recommended Action

---

Provide feedback and direction to staff regarding the Fiscal Year 2026-2027 Proposed Budget and Fee Regulation Amendments, or, if the Committee has no additional requests or direction, recommend to the Board of Directors that the Board adopt the Fiscal Year 2026-2027 Proposed Budget and Fee Regulation Amendments.

# Questions & Discussion

---

## **For more information:**

Stephanie Osaze | Director of Finance | [sosaze@baaqmd.gov](mailto:sosaze@baaqmd.gov)

Fred Tanaka | Engineering Manager | [ftanaka@baaqmd.gov](mailto:ftanaka@baaqmd.gov)