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DATE: March 18, 2010

TO: SJVUAPCD Governing Board

FROM: Seyed Sadredin, Executive Director/APCO

RE: **AUTHORIZE DISTRICT'S ECONOMIC ASSISTANCE INITIATIVE WITH MEASURES TO REMAIN IN EFFECT ON AN INDEFINITE BASIS**

RECOMMENDATION:

Authorize economic relief measures detailed in the attached Economic Assistance Initiative.

BACKGROUND:

In February 2009, your Board authorized the District's Economic Assistance Initiative that contained a number of temporary measures aimed at offering a helping hand to Valley businesses and municipalities that were experiencing economic distress. These measures were designed to provide a measure of economic relief to the businesses that we regulate and to the community as a whole without sacrificing environmental safeguards.

In September of 2009 your Board reauthorized these measures for an additional six months. Also in response to a request by Dr. Telles, your Board directed the Air Pollution Control Officer to assess the feasibility of extending some or all of these measures on a permanent basis. Today's recommendation will extend most of these measures on an indefinite basis.

DISCUSSION:

After careful analysis, the staff has concluded that many of the measures contained in Economic Assistance Initiative can be extended on a permanent basis without significant impact on District operations. In conducting this analysis we considered potential revenue losses and

possible increases in administrative costs. Implementation of the fiscal relief measures recommended for permanent consideration will result in some increase in the work associated with administration of the invoices, payments, contracts, and related computer programming changes. With adequate streamlining, this added work can be absorbed with existing staff.

The additional flexibility offered in relation to the payment of various fees will shift the timing for certain revenues received by the District. The District has demonstrated the ability to manage the variation in cash flow with appropriate adjustments in the time of purchase and outlays for appropriations already approved by your Board. No significant overall reductions in revenues over time are anticipated.

Given the success of these relief measures, selectively extending their applicability on a permanent basis to entities suffering economically hardship is justified. Therefore, the following measures are recommended for permanent consideration:

- **Provide businesses and municipalities with additional time to pay permit fees**
- **Offer installment payment plans for businesses and municipalities for specified fees**
- **Waive late fees: Allow a one-time late fee waiver for those with a good payment history for the prior five years**
- **Waive penalty for certain defaults on Proposition 1B grant contracts**
- **Provide additional time in incentive grant contracts for businesses failing to meet certain performance requirements due to economic hardship**
- **Priority-processing of grant applications for economically distressed businesses**

The feasibility of the above relief measures relating to the incentive grant programs have been enhanced due to our successful efforts to affect legislative and administrative changes at the state level. Working with other air districts we were successful in enacting new legislation that now allows the District to utilize unfulfilled funds in back-up emission reduction projects in the District, rather than having to return the funds to the state. The District also suggested to ARB that the state's minimum-usage requirements be modified to allow for extensions without the need for project-by-project concurrence by ARB. The ARB has agreed with our position and has proposed appropriate program language changes. In addition, ARB is proposing to also incorporate our suggestions to eliminate these provisions in future contracts, providing the grantee can comply with certain criteria relating to historical use and post-grant certifications of equipment-use.

For the reasons outlined below, the following measure is not recommended for permanent consideration:

- **Defer payment of Indirect Source Review mitigation fees to the time of occupancy**

Under this measure developers would be allowed to stagger disbursements by deferring payment until each unit in a development is sold and occupied. To date, no developer has proposed to take advantage of this measure during the 12-month implementation of the District's Economic Assistance Initiative. Implementation of this measure will also require significant administrative tracking and account reconciliation efforts by the District that may be cost prohibitive on long-term basis. Furthermore, delays in payments of mitigation fees would lead to escalating costs in available emissions reduction projects that may jeopardize the District's ability to secure mandated reductions in emissions. Given the lack of interest, significant administrative burden, and potential impediments in securing mandated reductions, this measure is not recommended for permanent consideration.

FISCAL IMPACT:

Implementation of the fiscal relief measures provided here does result in some increase in the work associated with administration of the invoices, payments, contracts, and related computer programming changes. This added workload has been relatively minor, streamlined to the extent possible, and absorbed with existing staff.

The additional flexibility offered in relation to the payment of various fees due to the District does shift the timing for certain revenues received by the District. The District has demonstrated the ability to manage the variation in cash flow with appropriate adjustments in the time of purchase and outlays for appropriations already approved by your Board. No significant overall reductions in revenues over time are anticipated.

Attachments:
District's Economic Assistance Initiative (1 page)

San Joaquin Valley Air Pollution Control District
Economic Assistance Initiative
(March 2010)

Additional time to pay permit renewal fees: Permit holders experiencing financial hardship will be given up to six months from their original due dates to pay their permit renewal fees. To receive this additional time, a permit holder must submit a written request to the Air Pollution Control Officer demonstrating financial hardship.

Installment payment plans for businesses and municipalities: Businesses and municipalities experiencing financial hardship may request installment payment plans for the following payments to the District:

- Compliance penalties
- Permit processing fees
- Indirect Source Review mitigation fees

Payment plans with terms of up to 12 months may be provided to businesses and municipalities experiencing financial hardship, upon approval of a written request demonstrating financial hardship submitted to the Air Pollution Control Officer.

Waive late fees: Allow a late fee waiver for those with a good payment history for the prior five years. Such a waiver may be provided once in a five-year period and only if the regulated entity has not been assessed penalties for non-payment during that five-year period, upon approval of a written request submitted to the Air Pollution Control Officer.

Waive penalty for certain defaults on Proposition 1B grant contracts: Waive the \$5,000 default penalty for businesses that abandon existing Proposition 1B contracts. New contracts will be constructed without the penalty language, but will instead provide for redistribution of the grant funds associated with an abandoned project.

Provide additional time in incentive grant contracts for businesses failing to meet certain performance requirements due to economic hardship: For businesses that fail to meet their existing contract's minimum equipment usage requirement due financial hardship, amend their contracts to allow more time to achieve the necessary reductions. To take advantage of this provision, a written request demonstrating financial hardship must be submitted to the Air Pollution Control Officer. Eliminate minimum usage requirements for future contracts meeting predetermined criteria.

Priority fund-disbursements to grant recipients experiencing financial hardship: For some businesses experiencing financial hardship, the grants offered by the District may offer a measure of relief. Among the projects that have been approved for funding, the District will place a priority on fund-disbursements to businesses that are experiencing financial hardship and request expedited processing.