Proposed Amendments to Regulation III (Fees)

February 17, 2015
Air District Responsibilities

• To attain air quality standards, the District is required by State and Federal Clean Air Acts to:
  – Run permitting program for stationary sources of emissions (state and feds responsible for mobile source emissions: cars, trucks, trains, etc.)
  – Adopt rules and implement programs to reduce emissions from stationary sources
  – Ensure sources comply with all applicable rules

• Revenue to fund these programs:
  – District Fees (Regulation III, Fees)
  – Funds from Department of Motor Vehicles
  – State and Federal Grants
District Governing Board Mandate: Fiscally Conservative Principles

- Leverage technology to minimize need for staffing resources
- Find innovative ways to streamline legally-required processes to improve service and reduce related operating costs
- Identify situations where fees charged don’t cover the costs, and adjust accordingly to avoid subsidizing by other fee-payers
- Result: only 2 across the board fee increases since 1992 (in 1997 and 2007).
Incorporating Increased Workload

• Programs implemented by District, and their complexity, has grown tremendously

• Where possible, establish new fees to cover new programs:
  – Title V Permitting
  – Indirect Source Review
  – Registration of wood-burning heaters

• Incorporating increased workload only possible with intensive attention to streamlining and efficiency
New Mandates and Additional Workload

- 5 new ozone and PM attainment plans due next 2 years
- More permitting and enforcement work for federal Title V and PSD sources
- New state enhanced vapor recovery requirements for gasoline tanks – over 800 facilities
- Assist business in meeting AB32 requirements
- Develop major rules (Residential Wood Burning, Commercial Charbroiling, Residential Furnaces, Permit Exemptions, New Source Review)
- Increased workload for CEQA and ISR as land development economy improves
New Mandates and Additional Workload (cont’d)

- Pursue new grant dollars for incentive funds
- Implement new incentive programs as receive grant funds
- Implement enhancements to District’s outreach program
- Design and oversee research in four significant areas
- Develop new web and mobile applications to enhance service and outreach
- Develop new in-house capacity for air quality modeling
- Update guidance documents for land use agencies
- Additional outreach to schools to encourage participation in RAAN
New Mandates and Additional Workload (cont’d)

- Implement plan to engage schools and communities for ideas to reduce vehicle emissions at schools
- Expand RAAN to provide neighborhood level information
- Implement plan to deploy cleaner vehicles in Valley
- Local jurisdiction energy efficiency assistance
- Regional energy efficiency measure leveraging
- Energy efficiency/weatherization in environmental justice communities
- Small business energy efficiency education/outreach
- Agricultural energy efficiency program/incentives
New Mandates and Additional Workload (cont’d)

• Install automation systems in air monitoring network
• Expand air monitoring network to meet federal mandates: siting analysis and installation of 4 new near roadway monitoring stations
• Implement changes to District’s Risk Management Strategy due to changes in Cal/EPA’s risk guidelines
• Implement mandates of Affordable Health Care Act (health care for temporary workers)
Examples of Efficiency Measures Implemented

- Employee STAR suggestion program (implemented 1000’s of efficiency and improvement suggestions)
- Implementing paperless document management for all District programs
- Advanced training and cross training for efficiency and flexible workload distribution
- **Tablet computers and web based forms for field inspectors**
- GPS in field vehicles for efficiency and safety
- Automated submittal and review of facility reports
- Electronic handling of public information requests
- On-line complaint portal system
Examples of Efficiency Measures Implemented (cont’d)

- Combining future air quality plans for multiple pollutants
- More public information on website
- Work with stakeholders to streamline permitting
- Streamlined registration in lieu of permitting for some equipment
- Migration to virtual computer servers
- Automation for implementing grant programs
- **Use of web to collect emission inventory data**
- Web based employment application system
- Improved accounting structure and streamlined grant reporting
Examples of Efficiency Measures Implemented (cont’d)

- Implemented enhanced online payment options
- Enhanced labor information system to better account for labor hours expended and streamline payroll processing
- Strategic use of temporary staff
- Internally developed budget computer program reduces budget development time
- Internally developed human resources computer program to increase efficiency of human resource functions
- Reorganization of air monitoring team for better coordination with air quality analysis team
Examples of Efficiency Measures Implemented (cont’d)

• Reorganization of grants program to streamline and coordinate with finance team
• Shifted permitting of gas stations, and other processes, to enable permitting by inspection team
• Automation of air monitoring functions
• Smart phone implementation for field inspectors to speed up processes and eliminate other hardware
• Grant Application Web Portal
• New finance electronic document system for invoices and contracts
• Implementing paperless workflow systems
Examples of Efficiency Measures Implemented (cont’d)

- Online Facility Permit Portal to allow facilities to research and retrieve more information related to their facility
- Local Modeling Center to avoid delays in plan development
- Implemented streamlined computer programming systems
- Computer system updates to enhance data transfer speed
- Significant automation of Air Quality Index and Agricultural Burn Allocation daily updates
- Grant program guidelines with pre-specified criteria to minimize post-application processing work
Lowest Fees

- Lowest administrative overhead and lowest permit fees amongst air districts in Calif.
- Independent audit by air quality activists:
  - District spent 76% less than other districts on salaries and benefits per ton of emissions reduced from stationary sources
  - District management and administrative cost as percentage of operating budget >20% below average
Comparison with other Air Districts

• Other air districts have increased their fees multiple times over the last several years
• Significant cumulative difference in fee increases amongst districts
• Historical permit fee increases in past 16 years:
  – Bay Area 144.0%
  – South Coast 55.5%
  – Sacramento 49.9%
  – San Joaquin Valley 16.6%
Necessity of proposed increase

- Decades of intensive and pervasive efforts to minimize costs
- Increases in operating costs due to inflation, now operating in deficit mode
- Shortfall of approximately $2 million per year
- Governing Board: pursue targeted approach to increasing fees by looking first for functions where the costs are not being fully recovered
Proposed Fee Increases

- Proposal to increase fees in 3 areas not currently self supporting
  - Open burning
  - Hearing boards
  - Asbestos removal
- Also, increase most other fees by 4.8% starting in fiscal year 2015/16 and an additional 4.4% starting in fiscal year 2016/17
Fee Rules Not Being Amended

• No hourly fees are increased, such as those in:
  – Rule 3010, hourly engineering evaluation and air quality impact analysis fees
  – Rule 3100, hourly fee for assessing California Environmental Quality Act documents

• Rule 3170 Federally Mandated Ozone Nonattainment Fee
  – Linked to federal law, adjusted by CPI

• Rule 3901 Fees for Registration of Wood Burning Heaters
  – Recently adopted, expected to cover costs
Agricultural Burning Fees

- District Rule 3040
- Agricultural burning is regulated by the District
- Burn permit and daily approval is required
- Streamlined Smoke Management System
  - Sophisticated system manages allocation across 100 zones
  - Significant cost savings – downsizing of necessary staffing levels
  - Receive authorization through automated phone system, District’s web site, or call center operator
Agricultural Burning Fees (cont’d)

- Highest levels of customer service
  - Operate Smoke Management Call Center 7 days per week to assist with burn permit and allocation issues
  - Individualized assistance to thousands of permit holders
  - Leveraging technology to streamline authorization and inspection process
  - Expedited inspection turnarounds (<10 days)
  - Education approach to aid in understanding and compliance with regulations
  - Compliance Assistance materials to advise permit holders of changes to regulations
Agricultural Burning Fees (cont’d)

- Costs to administer exceed revenues by $448,000 per year
- Analysis discovered costs not proportionally allocated across permit holders under current system (Fees capped at 3 locations)
- District proposing a fee of $36 per location to more equitably allocate costs across permit holders
Hearing Board Fees

• District Rule 3030
• Hearing Boards hear requests for variances, permit appeals, and abatement orders
• Revenue used to offset the required public noticing of hearings, Hearing Board Member stipends & costs of administering the program
• Program costs exceed revenues by $87,000 per year
Hearing Board Fees  (cont’d)

• Increase filing fees by 4.8% in fiscal year 2015/16 and 4.4% in fiscal year 2016/17

• Add excess emission fee component of $2.50 per pound of excess emissions (capped at $3,000 for small business or $7,500 for other petitioners)

• Variances with excess emissions require additional staff hours
  – Calculate/verify emission calculations
  – Evaluate mitigation measures
  – Conduct health risk assessments
  – Model ambient air quality impacts
Asbestos Removal Fees

• District Rule 3050
• Demolition and renovation notifications required by federal asbestos NESHAP program
• District delegated to enforce this program
  – Compliance Assistance/Consultations
  – Inspections
  – Demolition/Renovation Release Processing
• Costs to administer program exceed revenues by $115,000 per year
• Increase removal fees by 37% to remedy this shortfall
General Fee Increase

• After addressing shortfalls in specific programs discussed above, remaining deficit over $1.3 million per year

• Increase fees by 4.8% in fiscal year 2015/16 and 4.4% in fiscal year 2016/17
  – District Rules 3010, 3020, 3060, 3070, 3110, 3120, 3135, 3140, 3147, 3150, 3155, 3160, 3180 and 3190

• Result in approximately $586,000 and $563,000 in additional annual revenue, respectively
General Fee Increase (cont’d)

- Continued implementation of intensive operational streamlining necessary to achieve additional efficiencies to balance costs and revenues
- Will continue commitment to cutting costs utilizing technology, process streamlining, and much more
- District will continue to have the lowest fees of any major air district in state
Comparison of Annual Permit Renewal Fee (in dollars)

<table>
<thead>
<tr>
<th>Air District</th>
<th>150 hp IC engine</th>
<th>550 hp IC engine</th>
<th>2 Nozzle Gas Station</th>
<th>16 Nozzle Gas Station</th>
<th>Paint Spraying Operation in Booth</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Joaquin Valley (current)</td>
<td>117.00</td>
<td>479.00</td>
<td>68.00</td>
<td>554.00</td>
<td>87.00</td>
</tr>
<tr>
<td>San Joaquin Valley (effective 7/1/15)</td>
<td>123.00</td>
<td>502.00</td>
<td>72.00</td>
<td>581.00</td>
<td>92.00</td>
</tr>
<tr>
<td>San Joaquin Valley (effective 7/1/16)</td>
<td>129.00</td>
<td>524.00</td>
<td>76.00</td>
<td>607.00</td>
<td>96.00</td>
</tr>
<tr>
<td>South Coast</td>
<td>341.76</td>
<td>1224.04</td>
<td>202.08</td>
<td>1616.64</td>
<td>341.76</td>
</tr>
<tr>
<td>Sacramento Metro</td>
<td><strong>376.00</strong></td>
<td><strong>1508.00</strong></td>
<td><strong>706.00</strong></td>
<td><strong>1600.00</strong></td>
<td><strong>754.00</strong></td>
</tr>
</tbody>
</table>
Additional Proposal for Rule 3010

• Clarify that hourly evaluation fees for processing of permits under Sections 3.1 and 3.2 of Rule 3010 are payable based on the time spent regardless of the application’s eventual disposition:

Every applicant who files an application for an Authority to Construct or a Permit to Operate with the District shall pay an engineering evaluation fee for the processing of the application. issuance of an Authority to Construct or Permit to Operate.

• Avoids potential confusion when a permit is not issued
Next Steps...

2/17 – 3/3:
Public comment period

3/17 – 3/31:
Public comment period

3/17:
Publication of proposed rule package to District web page

4/16/15:
Governing Board Public Hearing
Comment Deadline

March 3 at 5:00 PM

Contact: Dave Warner
By Mail: San Joaquin Valley APCD
1990 E Gettysburg Avenue
Fresno, CA 93726
Phone: (559) 230-6000
Fax: (559) 230-6061
Email: dave.warner@valleyair.org
Questions/Comments

Please come to podium
State name and affiliation

Webcast participants can email written questions/comments while the webcast is operational: webcast@valleyair.org