

REVISIONS TO RULE 42 – PERMIT FEES

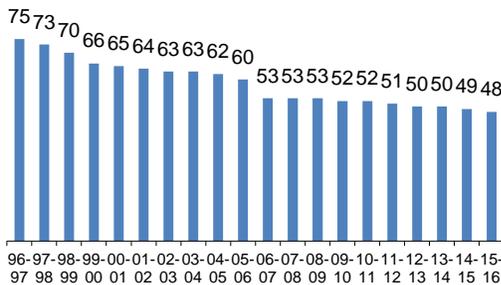
BACKGROUND

Expenditures

The Air Pollution Control District (APCD or District) operating budget for fiscal year 2015-16 is approximately \$8.0 million, excluding pass through funds and contingency funds. (Pass through funds are spent directly on air pollution control projects such as the District's Carl Moyer Memorial Air Quality Standards Attainment Program). For the past several years, actual expenditures have come in below budgeted amounts. In part, this is due to conservative budgeting practices. About 76 percent of the APCD's operating budget is employee salaries and benefits.

Figure 1 below shows APCD staff size during each year since its peak in 1996.

Figure 1
Historical APCD Staff Size



Staff reductions that occurred between 1997 and 2006 reflect lower workloads caused by completion of work mandated by the 1990 state and federal clean air act amendments, increases in efficiencies, automation, changes in air toxics laws, and changes in trip reduction mandates.

To estimate future expenditures, staff assumed a target staff size of 50 positions will be maintained and salaries and benefits will increase at a rate of 2.0 percent per year to account for inflation.

Revenue

Current budgeted revenue for fiscal year 2015-16 is approximately \$7.6 million. For the past several

years, actual revenue has exceeded budgeted amounts. This can also be partially attributed to conservative budgeting practices. APCD revenue comes from state and federal grants, automobile registration fees, and fees charged to sources of air pollution. The APCD receives no property tax revenue or general fund revenue. Figure 2 shows the APCD's sources of operating revenue for fiscal year 2015-16.

Rule 42 sets fee rates in the form of permit processing fees, filing fees, and annual permit renewal fees. Permit renewal fees are charged annually to each source of air pollution large enough to be required to have an APCD Permit to Operate. Most sources pay the current minimum fee of \$565 per year. Larger emission sources are charged in proportion to their "permitted emissions," calculated in tons per year and pounds per hour.

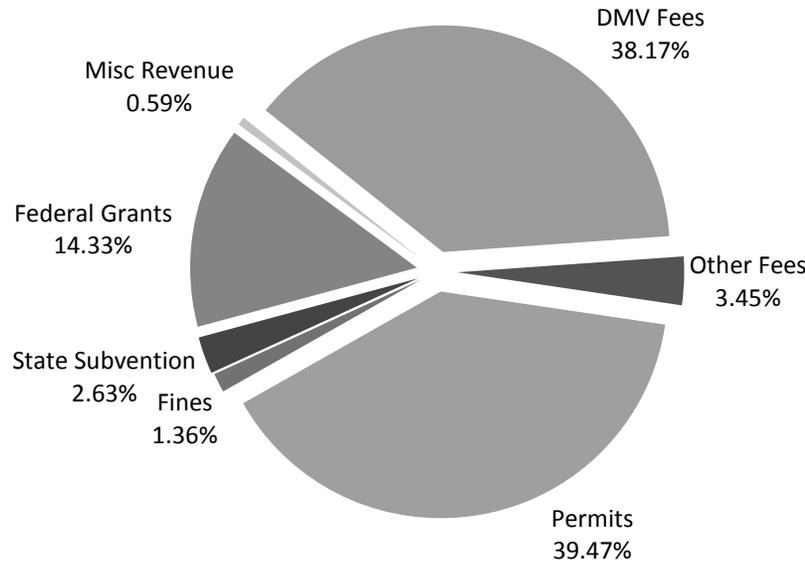
The other fee rules implement miscellaneous fees that constitute the 3.45% of revenue shown as "other fees" in Figure 2.

Budget and Proposed Revision

Staff's current proposal is a single, one-time permit renewal fee rate increase of 2.0 percent effective July 1, 2016. Permit renewal fees were increased in 2015 by 2.5 percent. The California consumer price index (CPI) has gone up 1.1 percent from the last time these fee rates were adjusted in April 2015 through October 2015, the most recent data available when this rule revision was proposed. For most permit holders, adoption of this proposal will result in a fee increase of \$11.00 per year.

While the District's fund balance is well above the targeted range, staff is proposing to increase permit renewal fees by a small amount now to avoid the need for a much larger increase in the future. Further, the federal grant from the U.S. Environmental Protection Agency (EPA) has been gradually decreasing, reducing federal funding to the District. This decrease in federal funding is expected to continue in the future.

Figure 2
APCD Operating Revenue
Fiscal Year 2015-2016



PROPOSED REVISIONS

Staff proposes to increase the permit renewal fee rates in Section H of Rule 42 by 2.0 percent (rounded to the nearest whole dollar), effective July 1, 2016. The proposed rate tables are shown in Appendix A. For permit holders paying the minimum fee, adoption of this proposal would result in a fee increase of \$11.00 per year.

Discussion

Permit Renewal Fees

Staff's proposal to increase permit renewal fee rates by 2.0 percent is greater than the 1.1-percent increase in the California Consumer Price Index (CPI) that occurred between April 2015 and October 2015. This was the most recent CPI data available when the rule revision was developed and was obtained from the California Department of Industrial Relations' Division of Labor Statistics and Research.

This proposal will fully compensate for the total 1.1 percent increase in the CPI that occurred from the last time these fees were adjusted in April 2015 through October 2015. The excess increase beyond the CPI will partially compensate for the reduced funding from EPA grants.

Permit renewal fees are assessed annually in proportion to each permitted source's annual and hourly permitted emissions according to the fee rates in Section H of Rule 42. Sources with high permitted emissions pay higher renewal fees than sources with low permitted emissions. Most permit holders pay the current minimum annual fee of \$565.00.

Therefore, adoption of the proposed fee increase would result in a fee increase of \$11.00 per year, bringing the minimum annual renewal for most permit holder to \$576. Facilities with higher permitted emissions would be subject to larger permit renewal fee increases. Adoption of this proposal would increase APCD revenue by approximately \$47,000 per year.

To help minimize the need for future permit renewal fee increases, staff will continue to explore and implement cost-cutting measures as appropriate. Staff will also continue to work on stabilizing and increasing the District's state and federal funding sources.

Fund Balance

Board policy established a targeted range of 4 to 6 months operating expenses for the fund balance. Based on current operating expenses, the fund balance should therefore be stabilized between \$2.7 million and \$4.0 million. In addition, the fund balance policy prescribes a five-year revenue and expense projection to determine if additional fiscal resources are necessary to maintain an adequate fund balance.

The current (unaudited) fund balance as of June 30, 2015, is \$13.6 million. The District plans to use approximately \$8.6 million of the fund balance to purchase a building to serve as the District office.

The fund balance is not expected to fall below the targeted range or be completely depleted in the near future.

Staff's current proposal is for a single, one-time permit renewal fee rate increase this year and does not include any future fee rate increases. New fund balance projections will be made annually to determine if fee rates must be adjusted. However, over the long term, periodic fee increases will likely be necessary to counter inflation's continual effect on the APCD's finances.

PUBLIC MEETINGS AND COMMENTS

Public Workshop

Staff scheduled a public workshop to present the proposed rule revisions to the public on February 4, 2016. Staff notified all permitted sources in the District by sending a meeting notice with the subject matter, date and time of the workshop to each source on January 22, 2016. In addition, notice of the workshop was posted on the District web page on January 27, 2016. Staff held the workshop at the appointed date and time but no industry representatives or members of the public attended the workshop.

Staff received no written comments from the public before the workshop.

Advisory Committee

Staff presented the proposed rule revisions to the District Advisory Committee on February 23, 2016. Notification of the Advisory Committee meeting was included in the same mailing to all permitted sources as the public workshop notice. One industry representative attended the workshop but did not express opposition or support for the proposed revisions. The Advisory Committee voted to recommend the proposed revisions to Rule 42 Permit Fees be adopted by the Air Pollution Control Board. The vote was eleven in favor and two opposed.

Staff received no written comments from the public before or after the Advisory Committee meeting. No changes to the proposed rule amendments have been made after the Advisory Committee meeting on February 23, 2015.

COST-EFFECTIVENESS AND IMPACT ANALYSES

Cost-Effectiveness

California Health & Safety Code § 40703 requires the APCD Board to consider and make public, in adopting a regulation, its findings relative to cost-effectiveness of Air Quality Management Plan (AQMP) control measures. The proposed revisions to Rule 42 are not related to any control measure. Therefore, a finding on cost-effectiveness is not required.

In addition, because Best Available Control Technology BACT requirements and feasible control measures are not involved, an incremental cost-

effectiveness analysis under Health & Safety Code § 40920.6 is not required.

Socioeconomic Impact Analysis

California Health & Safety Code § 40728.5, which went into effect on January 1, 1992, requires that the APCD Board consider the socioeconomic impact of any new rule or amendment to an existing rule if air quality or emission limits are affected. The proposed amendments to Rule 42 do not affect air quality or emission limitations in Ventura County. Therefore, this analysis is not required.

Environmental Impacts of Methods of Compliance

California Public Resources Code § 21159 requires the District to perform an environmental analysis of the reasonably foreseeable methods of compliance if the proposed rule requires "the installation of pollution control equipment, or [specifies] a performance standard or treatment requirement..." The proposed revisions to Rule 42 are administrative in nature and do not involve pollution control equipment. Therefore, an analysis is not required.

California Environmental Quality Act

The proposed revisions to Rule 42 are exempt from the California Environmental Quality Act (CEQA) pursuant to Public Resources Code § 21080(b)(8) and State CEQA Guidelines § 15273(a), Rates, Tolls, Fares, and Charges.

Analysis of Existing Federal and District Regulations

California Health & Safety Code § 40727.2(a) requires districts to provide a written analysis of

existing regulations prior to adopting, amending or repealing a regulation. § 40727.2(a) states:

In complying with § 40727, the district shall prepare a written analysis as required by this section. In the analysis, the district shall identify all existing federal air pollution control requirements, including, but not limited to, emission control standards constituting best available control technology for new or modified equipment, that apply to the same equipment or source type as the rule or regulation proposed for adoption or modification by the district. The analysis shall also identify any of that district's existing or proposed rules and regulations that apply to the same equipment or source type, and all air pollution control requirements and guidelines that apply to the same equipment or source type and of which the district has been informed pursuant to subdivision (b).

The proposed revisions to Rule 42 include no emission control standards; therefore, the requirements of Health & Safety Code § 40727.2(a) are satisfied pursuant to Health & Safety Code § 40727.2(g).

Appendix A
 Proposed Renewal Fees in Rule 42, Subsection H

<u>Air Contaminant</u>	<u>Dollars per Ton/Yr</u>			<u>Dollars per Lb/Hr</u>	
	<u>Effective Dates</u>			<u>Effective Dates</u>	
	<u>Through 6/30/2016</u>	<u>After 6/30/2016</u>		<u>Through 6/30/2016</u>	<u>After 6/30/2016</u>
Reactive Organic Compounds (ROC)	<u>\$98.00</u>	<u>\$100.00</u>	+	<u>\$98.00</u>	<u>\$100.00</u>
Nitrogen Oxides (NOx)	<u>\$98.00</u>	<u>\$100.00</u>	+	<u>\$98.00</u>	<u>\$100.00</u>
Particulate Matter (PM)	<u>\$73.00</u>	<u>\$74.00</u>	+	<u>\$73.00</u>	<u>\$74.00</u>
Sulfur Oxides (SOx)	<u>\$48.00</u>	<u>\$49.00</u>	+	<u>\$48.00</u>	<u>\$49.00</u>
Carbon Monoxide (CO)	<u>\$10.00</u>	<u>\$10.00</u>	+	<u>\$10.00</u>	<u>\$10.00</u>
Other Pollutants	<u>\$73.00</u>	<u>\$74.00</u>	+	<u>\$73.00</u>	<u>\$74.00</u>

The permit renewal fee, however, shall not be less than a minimum fee calculated using the following method. Determine which pollutant among ROC, NOx, PM or SOx has the largest annual permitted emissions. Use the annual permitted emissions of that pollutant to determine the minimum fee from the following table. For a facility with no permitted emissions of any of these pollutants, the minimum fee shall be the lowest fee in the following table effective at the time of the permit renewal plus annual [Consumer Price Index] CPI adjustments directed by the Board after 6/30/2000.

<u>Permitted Emissions</u>	<u>Minimum Renewal Fee</u>	
	<u>Through 6/30/2016</u>	<u>After 6/30/2016</u>
Less than 5 tons/year	<u>\$ 565.00</u>	<u>\$ 576.00</u>
Less than 10 tons/year	<u>\$1,130.00</u>	<u>\$1,153.00</u>
Less than 15 tons/year	<u>\$1,689.00</u>	<u>\$1,723.00</u>
Less than 20 tons/year	<u>\$2,270.00</u>	<u>\$2,315.00</u>
Less than 25 tons/year	<u>\$4,529.00</u>	<u>\$4,620.00</u>
Equal to or more than 25 tons/year	<u>\$11,339.00</u>	<u>\$11,566.00</u>