

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT
ADVISORY COMMITTEE MEETING
February 23, 2016
MINUTES

Chair Sara Head convened the meeting at approximately 7:31 p.m.

I. Director's Report

Mike Villegas, Air Pollution Control Officer, began the Director's Report by introducing new Committee Member Ken Simons, representing Supervisor Foy's office.

Mr. Villegas stated the main issue to report is the new ozone standard from USEPA which was issued last October. They tightened the standard from the existing level of 75 parts per billion (ppb) averaged over eight hours down to 70 ppb. Many regulatory agencies were relieved to see the standard set at 70 ppb rather than 60 ppb which was the lower end of the range considered by USEPA. At 60 ppb the standard would be getting close enough to background that it would be very difficult to achieve the standard. With a 70-ppb standard, if they leave it there for a while we will be in pretty good shape. It is achievable in Ventura County but still quite a challenge in the South Coast Air Quality Management District.

Mr. Villegas stated we will need advanced transportation for the light duty and heavy duty vehicles. We will probably not achieve the standard if we do not see significant penetration of fuel cell or electric drive on the light duty side, somewhere around 15% of market share. We have done about all we can on the stationary side and it will take some changes in transportation.

Committee Member Paul Meehan stated that last meeting they were referred to a website by the American Lung Association (ALA) with a report card for air quality. Ventura County has always received a very poor grade. How does this relate to the standard? Mr. Villegas responded that it gets harder to get a passing grade each time USEPA tightens the standard. The unfortunate aspect of the ALA report is even areas where they attain the standard end up with D grades. The grading scale is so compressed that just about everyone gets a D or an F.

When you look at Ventura County's history with the 75-ppb standard, we had up to 175 days over the standard back in the 1970's and we were down to four days over the standard last year. So if we are still getting an "F", it doesn't show the public how dramatic the improvement in air quality has been both in days over the standard and the peak day concentration.

Committee Member Keith Moore asked how far we are from the standard at the present time. Mr. Villegas responded that our design value, based on preliminary data from 2015, is currently 77 ppb in Simi Valley. Mr. Chuck Thomas, Planning Rules and Incentives Manager with the District, noted that all other areas in Ventura County meet the 75-ppb standard based on preliminary 2015 data. Mr. Villegas stated we are currently working on the air quality management plan, which will go to our Board this year, to meet the 75-ppb standard. EPA has

not yet designated or classified the regions for the 70-ppb standard. The plan for the new standard will be due in the 2020-2021 time frame.

Mr. Moore asked what we will do to meet that standard. Mr. Villegas stated it will come down to big changes in mobile sources. The District does not have any jurisdiction to set emission limits on mobile sources. But we do have a significant amount of work we can do to make sure the charging infrastructure is available. We are working with both San Luis Obispo and Santa Barbara Counties on a three-county effort to make sure the infrastructure is there to support advanced-technology vehicles. Through the Carl Moyer incentive program we have replaced many sport fishing and commercial fishing vessel engines with low emission diesel engines which substantially reduce NOx and diesel particulate as a side benefit. We are also replacing large numbers of agricultural pump engines and farm tractors. The Carl Moyer program accounts for about 20% of all NOx reductions achieved in the District.

Mr. Meehan asked about the speed reduction incentive program for cargo ships in the Santa Barbara Channel. Mr. Villegas stated we will be working with the Santa Barbara County APCD again in 2016 on that program. Mr. Thomas noted the program had limited funding which ran out, so we need to find additional funding sources to resume the program.

Mr. Moore asked about the advanced technology transportation scheme. Mr. Villegas responded for light duty vehicles, we are looking at battery electric and fuel cell vehicles. The Air Resources Board also has the Sustainable Freight program which includes shore power at the port. Port Hueneme is planning to deepen the channel to bring in larger vessels. We are working with them to find funding to install what amounts to a longer extension cord for the larger vessels. The port also received a grant to extend the rail spur into the port, since it is much more efficient to move cargo on rail rather than trucks. We will be looking at ways to reduce emissions from the two locomotives used by Ventura County Railway to move cargo from the port to the Union Pacific line.

There was some discussion of what is needed to achieve the ozone standards. The final number of tons of pollution that must be reduced to meet the ozone standards has not yet been determined. When the modeling and air quality management plan are completed in the next few months we will know exactly what is needed to meet the 2008 ozone standard of 75 ppb. The plan to meet the 2015 standard of 70 ppb will not be completed until the 2021 time frame so we will not know how much pollution must be reduced until then.

The other current issue is the new power plant proposals. It is not really an air quality issue since the new turbines are so clean. It just comes down to whether it is appropriate to site a power plant on the beach. If the NRG proposal at the Oxnard location is rejected, we will likely see the Calpine proposal on Mission Rock Road move forward.

Lastly, we are spending an incredible amount of time just trying to issue relatively simple oil and gas development permits. There is a group in the county that has taken the approach that up to

40% to 60% of the current oil and gas reserves must stay in the ground to address climate change as some scientists believe. So just issuing a permit for 3 wells is taking a considerable amount of time.

Committee Member Joan Burns asked about the issue of organics and commercial compost regulations. She requested an update at the next meeting. Mr. Villegas stated we will be trying to move forward with that rule this year. Ms. Burns mentioned that with AB 1826 (Chesbro) there is a lot of pressure to get composting facilities permitted. Mr. Villegas stated when he talks to colleagues with the County Environmental Health Division everyone agrees we need to divert waste from landfills. We just can't create situations where we do that and then cause odor problems with the neighbors around the composting facility.

Committee Member Thomas Lucas stated he has been in the nursery business for 30 years and has always been mixing horse manure, green waste, shavings and soil. At his new location, he has a neighbor that continues to call in complaints. Environmental Health is now saying there are issues with practices he has been using for 30 years.

Mr. Moore asked about the NRG power plant project, and said he had heard it will only operate 2000 hours per year. He is curious why someone would make the investment for such equipment and use it so infrequently. Mr. Villegas responded that the turbine will be used to supplement renewables, not as a baseload plant. When the renewable generation is reduced due to a drop in wind or sunlight, the turbine would kick in to make up for the lost power. These new plants don't fit the classic definition of a peaker plant which would only be used a few times a year. Every time solar or wind drops off, that turbine is going to fill the little valley. So it will run more than a peaker but will not be base load.

The federal Clean Power Plan, which 29 states are suing the federal government to stop, had the vision to do something like California all across the country. Generate power with wind and solar supplemented with natural gas to fill in the low points in renewable production. Mr. Lucas noted that we buy much of our power from out of state. Mr. Villegas responded that we buy some from the Four Corners area which brings some coal-fired power into the state but it is a small percentage. Ms. Head noted we have drastically cut down the coal power with the shutdown of the Mojave plant and no longer importing from Utah. There was some discussion of what percentage of California's power comes from other states, such as hydropower from Oregon and to replace the loss of the San Onofre nuclear plant.

Mr. Moore asked about plans to implement desalination in Ventura County and the idea of using waste heat to desalinate water. Mr. Villegas stated we will work with the applicant and other regulatory agencies as soon as we receive a proposal.

That concludes the Director's Report.

II. Call to Order

Chair Sara Head called the meeting to order at approximately 7:54 p.m.

III. Roll Call

Present

Iftekhar Ali

Hugh McTernan

Joan Burns

Paul Meehan

Robert Cole

Keith Moore

Raymond Garcia

Richard Nick

Sara Head

Ken Simons

Kim Lim

Steven Wolfson

Thomas Lucas

Absent

Martin Hernandez

Alice Sterling (excused)

Randy Johnson

Staff

Mike Villegas

Chuck Thomas

Tyler Harris

Public

Larry Horner

Representing

TECOM Industries, Inc.

IV. Minutes

Ms. Head requested comments or changes to the minutes. Ms. Burns moved to approve the minutes and Mr. Lucas seconded the motion. The minutes were approved as written.

V. Committee Comment

Committee Member Hugh McTernan commented about the dredge in Ventura Harbor. He asked if the equipment had a temporary permit and Mr. Villegas stated it does. Mr. McTernan stated the dredge itself is pretty good, but they have a tender A-frame that is spewing black smoke like a fire. He guessed the dredge operates mostly in southern California, so he wondered if there is any possibility of cooperating with other agencies to reduce its emissions. Mr. Villegas stated he would look into it. Dredges are generally permitted to remove a certain amount of sand (based on gallons of diesel used). It could be a good multi-district project for the Carl Moyer program.

VI. Chair Report

There was no chair report.

VII. Public Comment

Ms. Head asked the only member of the public attending if he wished to make a comment on any matters not on the agenda. Mr. Larry Horner introduced himself and stated he is from Thousand Oaks and works for a manufacturing facility that manufactures antennas, TECOM Industries. He said their antennas are on Southwest Airlines, and if you use the internet on those airplanes that is what they do. He stated he is a quality engineer and he has been assigned to get involved in some of the environmental health standards and implementation of them in their facility. One of his assignments was to come to this meeting, introduce himself and see what the Committee does and if there is anything TECOM can do help with air quality.

Ms. Head expressed welcome from the committee and appreciation for his participation. She noted the lack of public participation reflected a lack of public concern about the agenda item.

VIII. Election of Officers

Ms. Head stated the first meeting each year has a standing agenda item to elect the committee chair and vice-chair for that year. She requested nominations. Committee Member Raymond Garcia nominated Sara Head to serve as chair for another year. Ms. Burns seconded the nomination. Ms. Head called for a vote and she was elected unanimously. Ms. Head stated she was pleased and honored to chair the committee again.

Ms. Head requested nominations for vice-chair. Mr. Meehan stated he is the current vice chair and Mr. Lucas stated he has held the position before and would be willing to do it again. Mr. McTernan nominated Mr. Meehan and Mr. Garcia seconded the nomination. Ms. Head called for a vote and Mr. Meehan was elected unanimously.

IX. Old Business

There was no old business.

X. New Business

Tyler Harris, Air Quality Engineer with the District, introduced himself and provided a presentation regarding proposed amendments to Rule 42 Permit Fees. As background, Mr. Harris provided the Health and Safety Code citation that authorizes air districts to impose fees to cover the cost of district operations. He also provided typical language in state legislation that denies funding from the state based on the ability of air districts to impose fees.

Just over 39% of operating revenue for the District comes from permit fees. The District receives no property tax revenue or general fund revenue from Ventura County. In this budget period, the District's budgeted operating expenses are \$8 million, while its budgeted revenue is \$7.6 million. Federal grant funding is expected to decrease slowly over time. Note the budgeted revenue does not include pass-through grant funding such as the Carl Moyer incentive program.

There was a question from the committee about the structural deficit. Mr. Villegas explained that we conservatively budget. For example, we include in the budget that a piece of monitoring equipment will likely fail, and that combined with other certain and possible expenses we come up with a number of about \$8 million. Historically we do not actually spend that amount. On the revenue side, we conservatively budget for things like hourly revenue for reviewing authority to construct applications. We also tend to be conservative on the fines from enforcement actions, so the revenue from fines often comes in higher than the budget. Because of this, we have often had net savings and have not been running a deficit.

There was general discussion of the budgeting process. The budget review falls to the Board Standing Committee, comprised of four board members, and it does not come before the Advisory Committee. The budget for fiscal year 2016-2017 (July to June) will not be complete and ready for review by the standing committee until April 2016. The actuarial study that determines the retirement contribution comes in March along with other information from the County regarding cost recovery for services. We are proposing the changes to permit fees now so they will go before the Board in April. Then we have time to issue invoices for the July 1 permit cycle so the new fees start at the beginning of the fiscal year.

We look back at the past history and run the budget projections for five years out. We consider that Congress is not going to increase our grant. The air grants are most likely going to be reallocated at some point in the future, so as our air gets cleaner we will receive less federal grant money. Currently in California there are air districts, like ours, that are not in attainment of federal standards that receive federal grant money. There are also districts, like Santa Barbara County APCD, that are in attainment of the federal standards and they also receive federal grant money. But other districts, such as Placer County and Yolo-Solano that are non-attainment and do not receive federal grant funds at all. When these issues are addressed, our piece of the pie is going to get smaller. This proposal will help us be ready for that.

If the federal ozone standard holds at 70 ppb for several cycles, we could become a leaner agency. What we are trying to do now is stay ahead of the curve. We built up a nice fund balance and one of the best things we can do is go out, purchase a building and get off the rent treadmill. That will save us between \$250,000 and \$300,000 annually. Once we have that building we own the real estate – it is an asset. If we stay here for ten years, we have a pile of rent receipts and no asset, but the money will still be gone.

We will be going to the Board in April to eliminate a position that was vacated due to retirement. We know we can handle the work internally by shuffling work assignments. That is why we

have been successful in building a fund balance where we can go purchase a building for cash and get off the rent treadmill. But when we look at the actuarial projections for the retirement funds, the assumptions on the rate of return are lower. This means we must pay more each year for the retirement costs. Retirement costs are just over 10% of our budget now and it is increasing.

Ventura County did not sign on to lifetime medical and there are a limited number of people that qualify for COLA (cost of living adjustment) after retirement. Not having those two factors is a significant help in keeping retirement costs down, even with the average lifespan increase from 72 years to 78.

Committee Member Steven Wolfson noted he had been hearing for a number of years that the revenue from federal grants and DMV fees would be going down. Mr. Villegas responded that the federal grant has been going down slightly. The DMV fees are based on the number of vehicles registered in Ventura County so it has been creeping up. However, the DMV fee revenue can only be used for motor-vehicle related programs. So carpooling and public outreach program staff can be funded with DMV fees. More than half of our inventory of pollutants comes from mobile sources so we can fund a large portion of our planning and monitoring programs' expenses with DMV revenue.

The permit fees are the most flexible for the available uses. They have to be related to stationary sources under Proposition 26 but that is really our mission here – to develop the air quality management plan (planning staff), come up with control measures for stationary sources (planning/rules staff), write those rules (rules staff), turn the rules into permits (permit staff) and inspect the facilities to confirm compliance (compliance staff).

Committee Member Iftekar Ali asked why we are proposing a 2% increase, when the increased revenue will not cover the budget deficit. Mr. Villegas stated what we want to do is conservatively and cautiously keep the fees growing by a slight amount. In this county we have a lot of small business. We don't have large manufacturers. You won't see oil producing facilities come in and argue about a 2% increase. The previous APCO was told not to increase fees for years. Then suddenly large increases were needed. The Board has told staff to do small increases over time because the only control we have on revenue is the permit fees. We are relying on the President and Congress for the federal grant revenue and Sacramento on the DMV fees. Mr. Ali noted the low number could be the reason no public attended the workshop or this meeting to protest the fee increase.

Mr. Wolfson asked how much revenue was generated from last year's fee increase. Mr. Villegas responded that it was in the \$50,000 range.

Mr. Harris continued with the presentation showing the District programs funded with permit fees. Staffing is approximately three quarters of the budgeted expenses. Staff level has come down due to lower workloads from the completion of work mandated by the 1990 amendments

to the state and federal Clean Air Acts. Other factors allowing staff reductions include automation, increases in efficiency, changes in air toxics laws, and changes in trip reduction mandates.

To estimate future expenses, staff assumed 50 positions will be maintained and salaries and benefits will increase 2% per year to account for inflation. The permit fees are the main source of funding for permitting, source testing, inspections, planning, emission inventory and rule development activities. Since permit fees are approximately 40% of the District's \$7.6 million total revenue, they account for about \$3 million in revenue. The proposed increase of 2% is intended to account for inflation.

Mr. Harris continued by describing the proposed rule change, which is a 2% increase in permit renewal fees effective July 1, 2016. The California Consumer Price Index (CPI) increased 1.1% from the last time the permit fees were adjusted in April 2015 through October 2015, the latest data available. The minimum annual renewal fee will increase by \$11 to \$576 per year and approximately two thirds of permitted sources pay the minimum fee. The fee increase will generate approximately \$47,000 in annual revenue, which will only cover a portion of the budgeted \$400,000 deficit.

Mr. Moore asked about monitoring, and why the monitoring program is not funded by permit fees. Mr. Villegas responded by explaining the separation of monitoring for compliance with permit conditions, which is handled by compliance inspectors, and ambient monitoring, which is handled by the District Monitoring Division. The District has five ambient monitoring stations: Simi Valley High School, Thousand Oaks High School, Rio Mesa High School, a fire station in Ojai and a site at a ranch in Piru. The ambient stations cannot tell where the pollution they are reading is coming from. They are there to determine if the air in those locations is healthful for the residents in those areas. So the money for ambient monitoring comes from the DMV fees – because more than half of the emissions in the county are from those types of sources – and the federal grant.

When Proposition 26 was passed, it said any time you increase your fees, there has to be a nexus to the fee payer. So the general public is definitely getting a benefit if you live in Simi Valley and you want to know what the air quality is in Simi Valley. We cannot say that the new or existing power plants, whose emissions are carried by the sea breeze, have a nexus with the monitor in Simi Valley. A nexus requires the fee payer to receive a benefit from the use of the fee. The permit is a benefit – they get to continue to operate. Our cost to ensure compliance with the permit is part of the permit. Permit fees can go to something you can tie back to the facility. But general monitoring of ambient air you cannot tie back to a specific facility so you cannot use the permit fees to fund the ambient monitoring program.

Some large emission sources have continuous emissions monitoring systems (CEMS) which the facilities use to demonstrate compliance with permit limits. For most other sources, we determine compliance based on throughput and emission factors. For an oil field, we look at the

amount of oil produced. Other types of businesses track different things – amount of paint applied at an auto body shop, amount of gasoline sold at a gas station, or solvent used in a degreaser. We can relate that throughput back to the facility emissions. Our compliance staff checks records to confirm the facilities are within limits.

Mr. Moore expressed concern about allocating costs of operations to the jobs required. Mr. Villegas responded that under statute we must show the nexus between the revenue from fees paid and the activities funded by that revenue. Mr. Moore said he would like to see that in the presentation. He would like to see what the costs are, the available revenue and why we need additional revenue. Then the committee could see if the additional amount generated by the proposed permit fee increase is enough to cover the costs.

Committee Member Ken Simons asked about the tonnage of pollutants permitted in the last several years, whether it has varied much, gone up or down. Mr. Villegas stated the permitted tonnage has gone down but in small increments. The control measures implemented in the late 1980's and the 1990's drove stationary source emissions down dramatically. Unfortunately, our Board decided in the 1970's the District should have fees based on emissions. Some other district boards set up fees based on equipment. When we set them on emissions and then drive emissions down with control measures we reduce our revenue. Mr. Simons agreed, saying it is similar to the reduced gasoline tax revenue due to higher mileage vehicles, even though they use the road more so repairs cost more money. He expressed concern that if we lose 2% of revenue due to reduced emissions, the 2% increase in fee rates might not be enough to cover inflation as well.

Mr. Villegas noted the state legislature passed a law about 15 years ago stating no district fees can increase more than 15% per year. This law had the effect of locking districts in to the fee system previously chosen, whether they are based on emissions or equipment. If the District makes a switch from one to the other, there will be winners and losers. The good news on revenue is we have done nearly all we can do to reduce emissions from stationary sources. So the revenue has leveled off. As technology improves, emissions come down a little but more facilities move in to the District so overall it has flattened out.

Every January we get a five-year projection which shows our fund balance, the impact of purchasing a building, shows upper and lower targets for the fund balance, and a 2-2.5% presumed fee increase. If the 2% increase keeps us level then we request that. If we need more, we adjust it upwards as needed.

A Committee Member asked about the current fund balance. Mr. Villegas responded we have \$13.6 million and the building purchase was estimated at \$8.5 million. There is a possibility that we can get an existing building at a lower cost. There was a brief discussion of the building requirements and availability.

Mr. Harris continued the presentation showing the tables of fees from the proposed rule amendments. He noted the fees are based on permitted emissions and not actual emissions. Fees are based on both tons per year and pounds per hour emission rates. This ensures the fees capture equipment like emergency engines that might be limited to 100 hours of operation per year but emit 50 pounds of NOx per hour. So their tons per year are low, but the 50 pounds per hour can have a significant impact for short term pollutant averaging times.

The minimum renewal fee rates are based on the highest single pollutant permitted annual emissions in tons per year. The fee calculated based on all pollutants emitted using the ton/year and pound/hour rates is compared to the applicable fee on this table. If the calculated fee is less than the minimum fee for that facility's highest single permitted annual emissions, the facility pays the minimum fee listed in this table. Just over two thirds of facilities in the District pay the minimum fee, which is currently \$565 per year and with the proposed increase will be \$576 per year.

Mr. Harris summarized the proposed revisions. The proposal would increase permit renewal fees by 2% effective July 1, 2016. The actual increase for most facilities will be \$11 per year. With that the presentation was concluded and opened up for questions.

Mr. Villegas stated the Board policy is to have between 6 months and 4 months of expenses held in reserve, although some Board Members believe it should be higher. Cities try to keep 15% of expenses in reserve, but for us it is 33%-50% since we are a smaller agency. Should something happen with the federal grant this would give us time to either downsize or do something to make up for the lost revenue. After the building purchase and targeting 6 months reserve, it looks like a series of 2% increases will do it. So that is what we moved forward with.

Consider what we accomplish as an agency. We manage to inspect each facility at a minimum of once per year. The Santa Barbara County District has the exact same staff. We have 840,000 population and they have just under 600,000. We go out to gasoline service stations and observe the source tests, because that is a significant source of both ROC and air toxics related to gasoline. The compliance rate in Ventura County was substantially better than the South Coast when the state audited the facilities.

Mr. Garcia made a motion to approve the proposed revisions to Rule 42 Permit Fees to increase renewal rates by 2%. Mr. McTernan seconded the motion. The Chair requested further discussion from the Committee.

Mr. Wolfson noted that after the purchase of the building the District will still have \$5 million in the surplus. It is minimal to make a 2% increase to the permit fees, but you have a 60% budget surplus. You have \$5 million versus budgeted revenue of \$7.6 million. That is a lot of surplus. Mr. Villegas agreed that it is a large surplus but noted that some Board Members think it should be higher.

Mr. Meehan asked for conjecture about why no one attended the public workshop. Is it just too small an increase and people don't care? Mr. Villegas stated he believes the small amount is the reason. Mr. Harris stated he received one phone call after he sent out the notices to all 1,500 facilities in the County. The person asked whether this meeting was open to the public and when Mr. Harris responded affirmatively the person hung up. Several committee members noted even the caller failed to appear here as well.

Mr. Lucas asked about the annual cost savings after purchasing a building. Mr. Villegas responded the estimated savings will be between \$250,000 and \$300,000 per year.

Ms. Burns asked about fees for source test oversight. Mr. Villegas confirmed that the District charges fees for source test observations. The revenue is not included in the permit fees but would be considered miscellaneous revenue.

Mr. Moore asked for additional explanation of how the fees are calculated. Mr. Harris displayed a spreadsheet to show the calculation method. He noted that the fees are all based on permitted emissions and not actual emissions, so even if a piece of equipment is not operated at all during the permit renewal period the fee remains the same.

Ms. Head asked if there were any comments from the public regarding the matter before the committee. The attending member of the public had no comment.

Ms. Head called the question and the motion passed with eleven "yes" votes and two "no" votes.

Mr. Villegas stated next time he proposes to raise the permit fees he will bring the preliminary 5-year budget projection to show the committee and help them understand the reasoning behind the fee increase.

XI. Adjournment

Having no further business, the chair adjourned the meeting at approximately 8:46 p.m.

Prepared by:

A handwritten signature in blue ink, appearing to read 'Tyler Harris', with a horizontal line extending to the right.

Tyler Harris
Air Pollution Control District Staff