

FY 2019-2020

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**Proposed Budget & Work Program  
and  
Proposed Amended Regulation (PAR)  
III - Fees**

Public Consultation Meeting  
April 9, 2019



# Agenda

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- General Fund Budget Summary
- Expenditure Comparison
- Proposed Staff Changes
- Expenditures by Activity
- Revenue Comparison
- Revenue and Expenditure Uncertainties
- Estimate & Five Year Projection
- Proposed Amendments to Regulation III
- Annual Budget Timetable

# General Fund Budget Summary

(\$ in millions)	FY 2018-19			FY 2019-20
	<u>Budget</u>	<u>Amended*</u>	<u>Estimate **</u>	<u>Proposed</u>
<b>Revenue ***</b>	\$162.6	\$167.5	\$165.5	\$170.9
<b>Program Cost</b>	<u>\$162.6</u>	<u>\$175.9</u>	<u>\$170.6</u>	\$170.9
<b>Change to Fund Balance</b>	<u>\$0.0</u>	<u>-\$8.4</u>	<u>-\$5.1</u>	<u>\$0.0</u>

\* Board approved changes through March 2019.

\*\* FY 2018-19 estimate includes potential April board actions for Heath Effects transfer and elevator replacement.

\*\*\* FY 2019-20 Proposed Revenue Budget includes a CPI fee adjustment of 3.5% with the third and final year of an additional 10.66% increase for Title V annual operating permit renewal and permit processing fees.

# Expenditure Comparison

## 2018-19 Budget vs. 2019-20 Proposal

(\$ in Millions)	FY 2018-19			FY 2019-20
	<u>Adopted</u>	<u>Amended*</u>	<u>Estimate</u>	<u>Proposed</u>
<b>Salaries &amp; Benefits</b>	\$132.9	\$134.5	\$129.2	\$141.7
<b>Services &amp; Supplies</b>	\$28.6	\$34.3	\$34.3	\$28.0
<b>Capital Outlays</b>	\$1.1	\$5.0	\$5.0	\$0.4
<b>Transfers Out</b>	<u>\$0.0</u>	<u>\$2.1</u>	<u>\$2.1</u>	<u>\$0.8</u>
<b>Total</b>	<u>\$162.6</u>	<u>\$175.9</u>	<u>\$170.6</u>	<u>\$170.9</u>
<b>Staffing (FTEs)</b>	876.4	938		939

\*Board approved changes through March 2019

# FY 2019- 20 Proposed Staffing Changes

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## Operational Support

- Add:
  - 1 Administrative Secretary - Legislative & Public Affairs/Media Office
  - 1 Deputy Executive Officer - Finance
  - 1 Deputy Executive Officer - Administrative & Human Resources
  - 1 Deputy Executive Officer - Information Management
  - 2 Supervising Office Assistant – Engineering & Permitting and Information Management
- Delete:
  - 1 Chief Administrative Officer - Finance
  - 1 Assistant Deputy Executive Officer - Finance
  - 1 Assistant Deputy Executive Officer - Administrative & Human Resources
  - 1 Assistant Deputy Executive Officer - Information Management
  - 2 Principal Office Assistant – Engineering & Permitting and Information Management

## Customer Services and Business Assistance

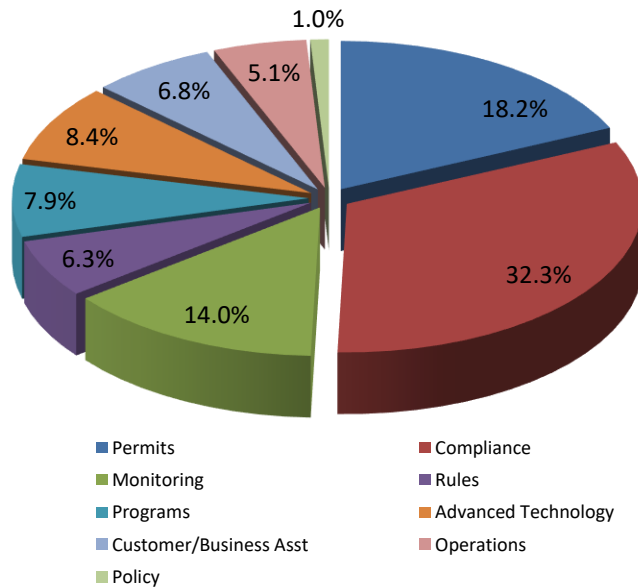
- Add:
  - 1 Program Supervisor – Legislative & Public Affairs/Media Office

## Develop Rules

- Title Change:
  - From Health Effects Officer to Director of Community Air Programs/Health Effects Officer

# Expenditures by Activity

FY 2019-20 Proposed Budget \*



Program	Activities
Compliance	Inspections, Investigations, PERP, Arch Coatings
Customer/Business Asst	Billings Services, Outreach, Public Records
Programs	AQMP, CEQA, Transportation
Rules	Rulemaking, Modeling
Monitoring	PM Sampling, Ambient Network/Air Analysis
Permits	Permit Processing/Services
Operations	Bldg Maint/Systems, Comp Ops, Fin, HR, Purchasing, Training
Policy	Outreach, Legislation, Advisory Groups/Governing Board
Adv.Tech	Mobile Sources/Carl Moyer, Clean Fuels, Prop 1B, MSRC

\* Expenditures are fully burdened

# Revenue Comparison

## 2018-19 Budget vs. 2019-20 Proposal

(\$ in millions)	FY 2018-19			FY 2019-20
<u>Revenue Type</u>	<u>Budget</u>	<u>Amended*</u>	<u>Estimate*</u>	<u>Proposed**</u>
Emission Fees	\$19.7	\$19.7	\$20.0	\$20.7
Annual Renewal Fees	\$57.3	\$57.3	\$56.2	\$59.3
Permit Processing Fees	\$19.9	\$19.9	\$18.8	\$20.6
Area Sources	\$2.3	\$2.3	\$2.3	\$2.3
Mobile Sources	\$30.6	\$30.6	\$26.0	\$28.2
Transportation Programs	\$1.0	\$1.0	\$1.0	\$1.0
Other	\$31.8	\$36.7	\$41.2	\$38.8
Total	<u>\$162.6</u>	<u>\$167.5</u>	<u>\$165.5</u>	<u>\$170.9</u>

\* Amended Budget and Estimate include Governing Board approved increases for federal grant revenues and one-time needs.

\*\* FY 2019-20 Proposed Revenue Budget includes a CPI fee adjustment of 3.5% with the third and final year of an additional 10.66% increase for Title V annual operating permit renewal and permit processing fees.

# Revenue & Expenditure Uncertainties

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- Federal Funding - EPA Grant Awards
- AB 617 Ongoing Funding
- Penalties/Settlements
- Retirement Cost Increases



# FY 2018-19 Estimate and 5 Year Projection

(\$ in millions)	FY 18-19 Estimated	FY 19-20 Proposed	FY 20-21 Projected	FY 21-22 Projected	FY 22-23 Projected	FY 23-24 Projected
STAFFING		939	939	939	939	939
Revenues *	\$165.5	\$170.9	\$175.1	\$175.0	\$176.1	\$178.4
Program Costs	\$170.6	\$170.9	\$180.7	\$184.0	\$185.0	\$179.2
Change in Fund Balance	-\$5.1	\$0.0	-\$5.6	-\$9.0	-\$8.9	-\$0.8
UNRESERVED FUND BALANCE (at Year-End)	\$49.7	\$49.7	\$44.1	\$35.1	\$26.2	\$25.4
% of REVENUE	30%	29%	25%	20%	15%	14%

- Includes projected CPI fee increase of 3.5% for FY 2019-20 with the third and final year of an additional fee increase 10.66% for Title V annual operating permit renewal and permit processing fees which was approved by the Governing Board in June 2017. FY 20-21, FY 21-22, FY 22-23 and FY 23-24 have projected CPI fee increases of 3.7%, 3.2%, 2.9% and 2.8% respectively.

FY 2019-2020

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# **Proposed Amended Regulation (PAR) III - Fees**

Public Consultation Meeting  
April 9, 2019



# Toxics Emissions Fees – Rule 301(e)

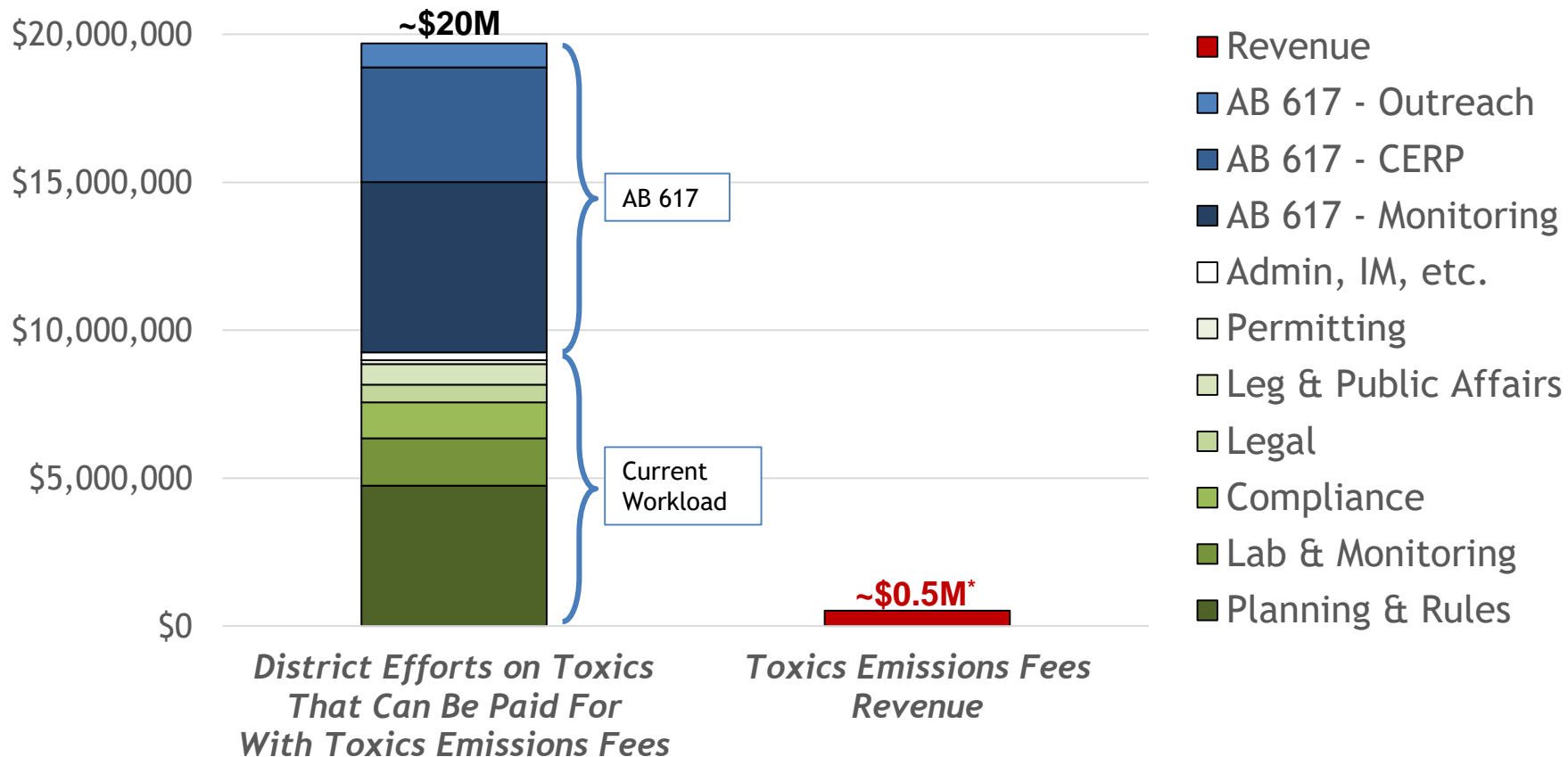
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- Proposed modifications to toxics emissions fees addresses two key issues
  1. Significant recent and anticipated upcoming District resources being allocated to addressing toxics emissions from stationary sources
    - Examples: toxic metals, fugitive hydrocarbons, new state health risk assessment guidance, AB 617
    - Currently level of toxics emissions fees collected does not cover this workload
  2. Structure of toxic emissions fees in Rule 301(e) does not correlate with recent and anticipated upcoming District workload
    - Workload most closely correlated to:
      - Toxicity of emissions from a facility, and
      - Complexity of emissions sources at a facility (e.g., # of devices)

# Toxic Emissions Fees – Issue 1

## Recent and Upcoming District Effort vs. Toxics Emissions Fees

*Subset of District Effort on Toxics vs. Toxics Emissions Fees*



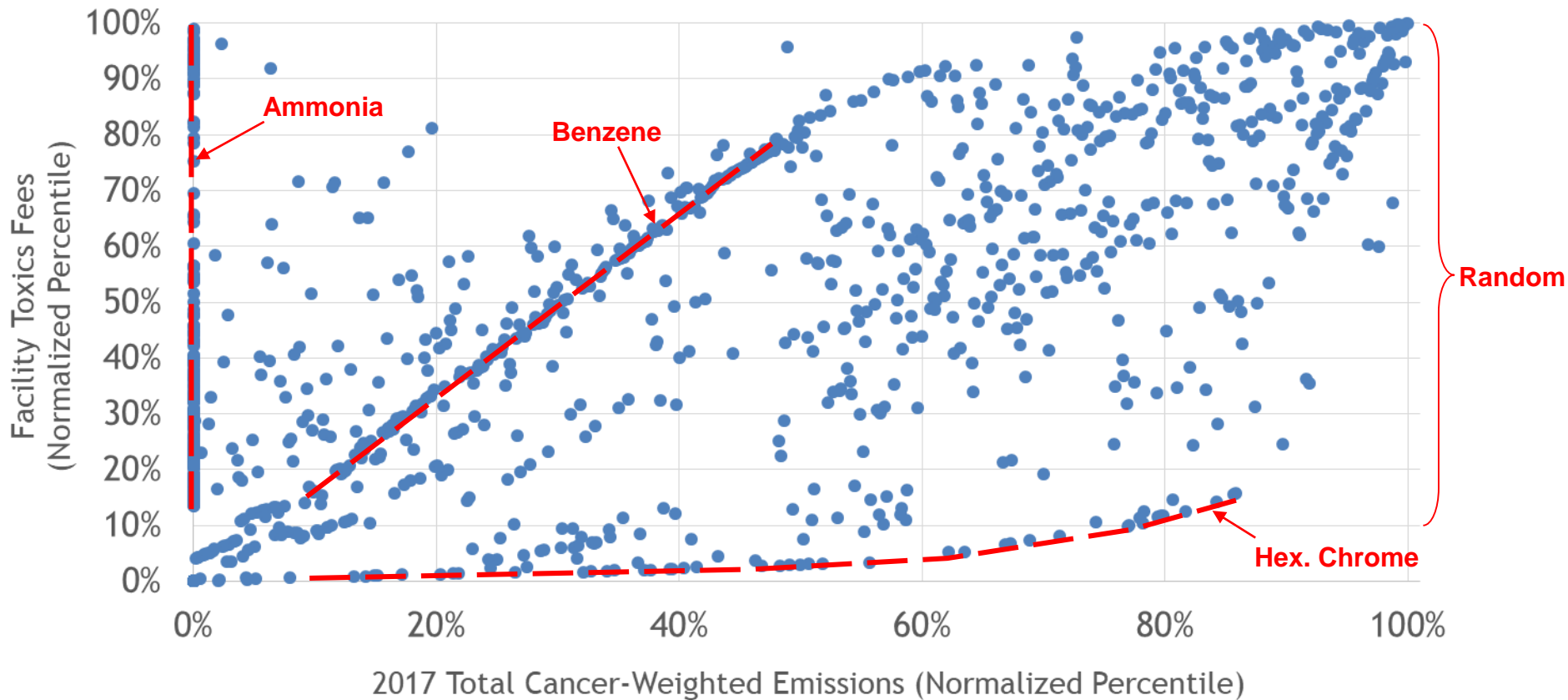
\*~\$20M collected for criteria pollutant emissions

# Toxic Emissions Fees – Issue 2

## Toxics Emissions Fee Structure




### Does Not Correlate with Workload

2017 Toxics Fees Paid by Each Facility vs. Toxics Emissions



# Proposed Toxics Emissions Fees

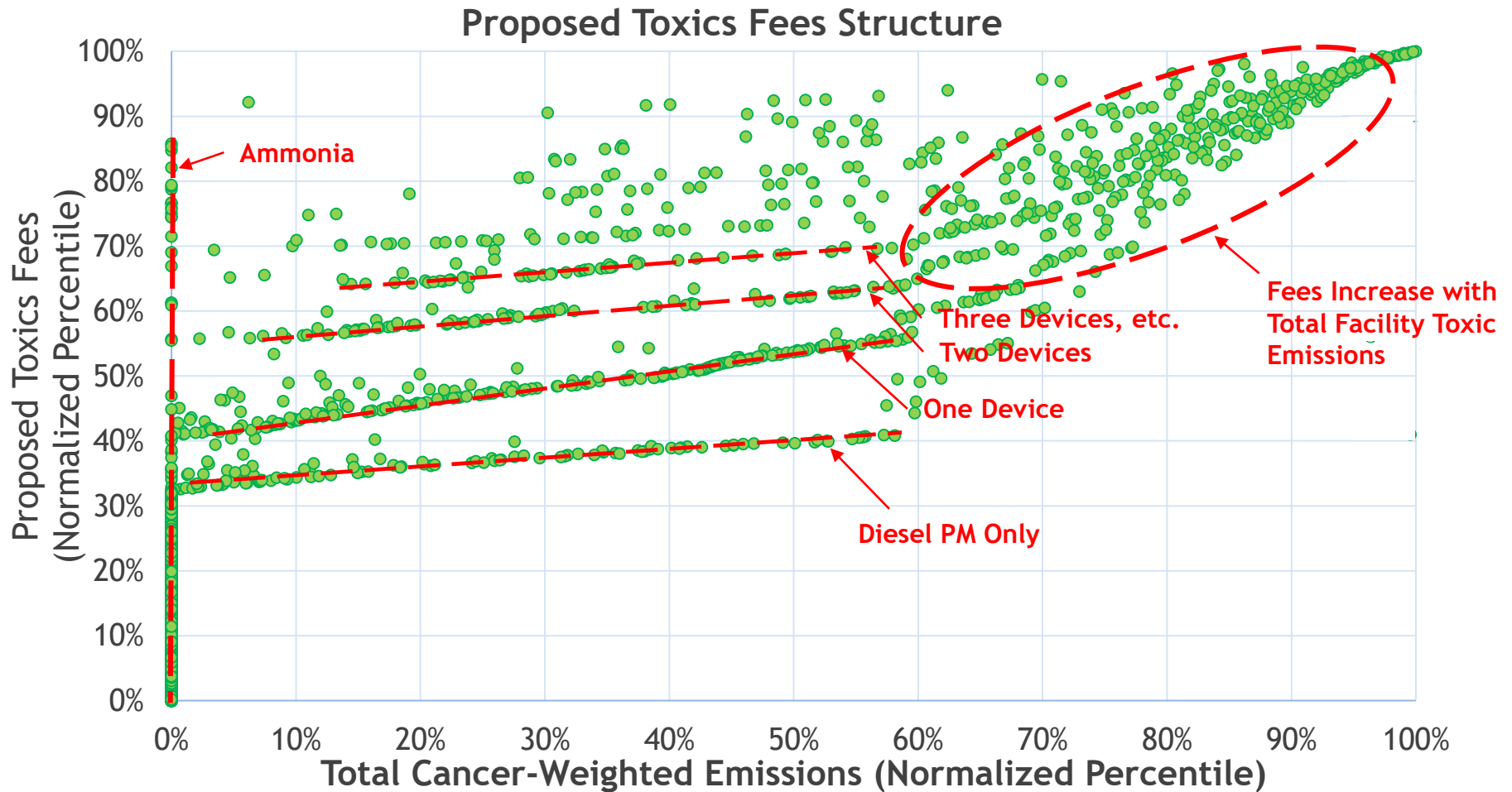
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- 1) Introduce a new Base Toxics Fee to recover costs for basic functioning of toxics reporting program (software + minimal staffing)  **\$0.1M**
  - \$78.03/facility if toxics reported
- 2) Introduce a new Flat Rate Device Fee to recover costs for staff toxics inventory work  **\$1.4M**
  - \$341.89 per permitted device with toxics emissions
  - Inventory workload highly correlated with number of devices
- 3) Introduce a new Cancer Potency-Weighted Fee to recover costs for staff enforcement and related efforts for higher toxicity facilities (AB 617, monitoring, source testing, rulemaking)  **\$3.4M**
  - \$10 per cancer potency-weighted pound of toxics emissions
  - Add Diesel PM to the list of 21 common toxics that require fees
  - Ammonia and ozone depleters would not change

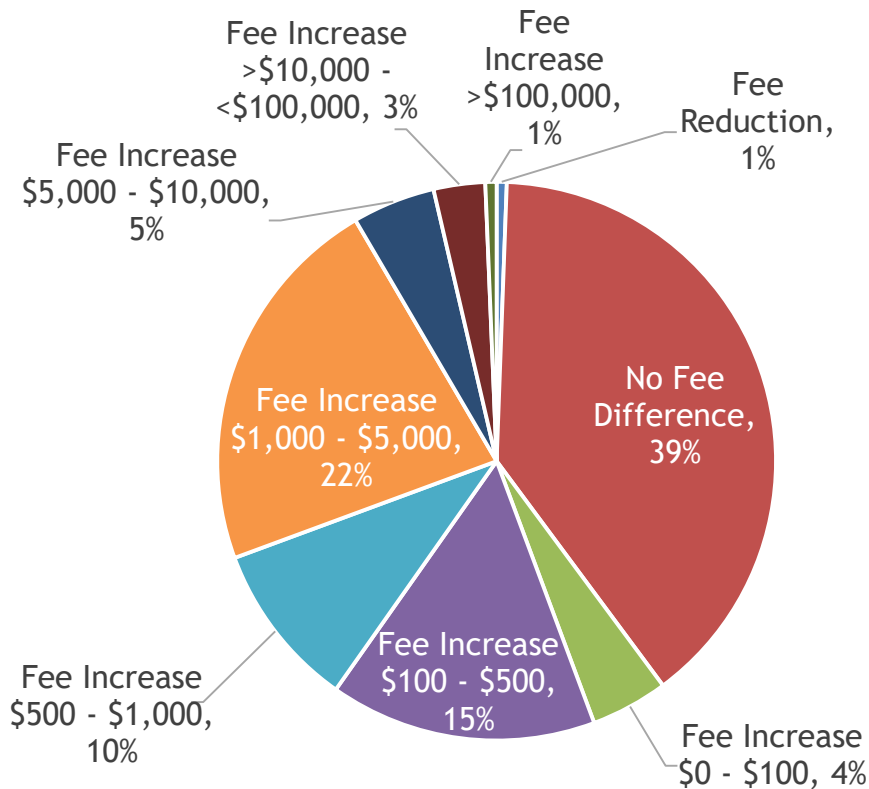
**\$4.9M\***

*\*-\$4.4M higher than current fees*

# Results: Toxic Emissions Fee Structure Would Now Correlate with Impact and Workload



# Toxic Emissions Fee Impact



Industry Sector	# of Facilities	Average Difference	Max Difference
<i>Refineries</i>	8	\$146,690	\$427,369
<i>Utilities</i>	126	\$5,667	\$182,228
<i>Waste Management</i>	61	\$5,214	\$160,368
<i>Transp. &amp; Warehousing</i>	46	\$4,553	\$46,325
<i>Education</i>	22	\$4,474	\$28,239
<i>Arts, Entertainment, &amp; Recreation</i>	8	\$3,278	\$13,440
<i>Health Care</i>	52	\$3,278	\$15,433
<i>Information Technology</i>	11	\$2,838	\$9,012
<i>Manufacturing</i>	653	\$1,828	\$211,092
<i>Mining and Oil/Gas Extraction</i>	89	\$1,754	\$15,481
<i>Wholesale Trade</i>	67	\$1,595	\$18,800
<i>Professional &amp; Technical Services</i>	24	\$1,490	\$13,805
<i>Public Administration</i>	29	\$1,444	\$8,167
<i>Construction</i>	24	\$883	\$5,695
<i>Retail Trade</i>	106	\$853	\$7,580
<i>Hotels &amp; Restaurants</i>	4	\$332	\$625
<i>Agriculture &amp; Forestry</i>	34	\$319	\$9,030
<i>Other</i>	176	\$76	\$4,111



# Toxic Emissions Fees

## Proposed Schedule

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- Increase in full proposed fees would begin January 1, 2021
  - Proposal would increase emissions fees revenue ~22%
    - Including both toxics and criteria pollutants
- Proposed phase in:

	January 1, 2020	January 1, 2021	January 1, 2022
Flat fee	No change other than typical CPI increase	\$78.03	\$78.03
Per device fee		\$170.95	\$341.89
Cancer potency-weighted fee (per lb.)		\$5.00	\$10.00

- Due to fluctuating nature of toxics work, staff will revisit fee level in future and propose rebalancing up or down as necessary

# Other Fees with Minor Revenue Impact

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- 301(x): Notification fees
  - Apply existing plan notification fee of \$65.12 to newly adopted Rule 1118.1
  - Impact: Average annual fee revenue +\$1,750
- 301(r) & (s): Clean Air Solvent (CAS) and Clean Air Choices Cleaners (CACC) recertification
  - Instead of full certification fee for renewal, proposing lower flat fee rate to cover lower staff costs for renewal compared to initial certification
  - Impact: Average annual fee revenue is projected at \$1,350 CAS and \$400 CACC
- Rule 301(w)(1), 301(w)(2)(A)(i), and 301(w)(3): Portable Equipment Registration Program (PERP)
  - Align fees with CARB's recently updated fee table to recover costs for District implementation of PERP
- Rule 309/306 Alignment
  - Correction of an administrative error that omitted Rule 309 plan inspection fees from the 3% increase in 2014 that applied to all other plan inspections in Rule 306
  - Increases Rule 309 filing and evaluation fees by \$7.16 due to equivalent workload for plan inspections in both rules

# Amendments with Fee Relief/Removal

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- 301(c) and 209: Change of owner/operator definition and fee cap of \$50,000
  - Impact: Fee relief benefits up to 23 facilities, streamlined processing allows for a lower cost-recovery derived from fees
- 308(c)(2)(F): Eliminate fee for worksite addition or deletion from a multi-site or geographic program for Rule 2202
  - Impact: <5 regulated entities per year pay this fee, loss of revenue expected to be <\$1,000.
- 301(v) and Table VI: Remove “Lead” from notifications, remove plan revision fee applying to an earlier end date, and reduce the notification of plan revision to \$25.00
  - Decrease in revenue is offset by improvement of staff efficiency
- 301(aa): Remove Delek Holdings Inc. as they are now exempt from Rule 1180
- 301(e)(8)(E): Remove late payment penalty for source tests that are submitted with annual emissions reports, but not yet approved

# Administrative Amendments With No Fee Impact

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- Rule 301(l)(16): Update reference for Rule 2002(f)(7) -> 2002(f)(8)
- Rule 301(e)(11)(C): Clarify that late installment fee surcharge is in 301(e)(10)(B) instead of more generally in (e)(10)
- Rule 301(n), Table VII: Establishes new ‘facility permit’ category for facilities exiting RECLAIM
- Rule 301(f)(1), (l)(10), (n)(7): Consolidates fee for certified copies of permits
- Rule 301(ac): Updates the fee rule to include a standard severability paragraph
  - Added after preliminary draft rule language was released

# FY 2019-20 Annual Budget Timetable

Estimated Date	Activity
March 15 <sup>th</sup>	Socioeconomic Impact Analysis available for public review and comment.*
Early April	FY 2019-20 Draft Budget & Work Program available for public review.
April 5 <sup>th</sup>	Budget Advisory Committee meeting. Presentation on FY 2019-20 Draft Budget & Work Program, CPI Fee Adjustment* and Proposed Amended Regulation (PAR) III –Fees.
April 9 <sup>th</sup>	Public Consultation Meeting on FY 2019-20 Draft Budget & Work Program, CPI Fee Adjustment* and PAR III – Fees. Public comments are due April 11 <sup>th</sup> .
April 12 <sup>th</sup>	SCAQMD Governing Board Workshop on the FY 2019-20 Draft Budget & Work Program, CPI Fee Adjustment and PAR III – Fees.
April 12 <sup>th</sup>	Public Comments and Budget Advisory Committee Recommendations to Governing Board.*
May 3 <sup>rd</sup>	Governing Board Meeting - FY 2019-20 Budget & Work Program, CPI Fee Adjustment* and PAR III - Fees.

\*Rule 320 – Automatic Adjustment Based on Consumer Price Index for Reg. III Fees