

FY 2018-2019

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

Public Consultation Meeting  
April 10, 2018



# 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 2017-18			FY 2018-19
	<u>Budget</u>	<u>Amended*</u>	<u>Estimate</u>	<u>Proposed</u>
<b>Revenue**</b>	\$147.0	\$157.7	\$150.4	\$162.6
<b>Program Cost</b>	<u>\$149.9</u>	<u>\$162.4</u>	<u>\$151.3</u>	<u>\$166.2</u>
<b>Change to Fund Balance</b>	<u>-\$2.9</u>	<u>-\$4.7</u>	<u>-\$0.9</u>	<u>-\$3.6</u>

\*Board approved changes through March 2018.

\*\*FY 2018-19 Proposed Revenue Budget includes a projected CPI fee increase of 3.4% with an additional 10.67% increase for Title V annual operating permit renewal and permit processing fees and an additional 4% for Non-Title V annual operating permit renewal and permit processing fees.

# Expenditure Comparison

## 2017-18 Budget vs. 2018-19 Proposal

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(\$ in millions)	FY 2017-18			FY 2018-19
	<u>Adopted</u>	<u>Amended*</u>	<u>Estimate</u>	<u>Proposed</u>
<b>Salaries &amp; Benefits</b>	\$119.8	\$123.2	\$115.0	\$134.2
<b>Services &amp; Supplies</b>	\$28.1	\$31.7	\$29.5	\$29.8
<b>Capital Outlays</b>	<u>\$2.0</u>	<u>\$7.5</u>	<u>\$6.8</u>	<u>\$2.2</u>
<b>Total</b>	<u>\$149.9</u>	<u>\$162.4</u>	<u>\$151.3</u>	<u>\$166.2</u>
<b>Staffing (FTEs)</b>	825.25	872		876.4

\*Board approved changes through March 2018

# FY 2018-19 Proposed Staffing Changes

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## Develop Programs

- Add: 2 AQ Specialists, 1 Contract Assistant, and 1 Senior Office Assistants
- Delete: 2 Transportation Plan Reviewers and 2 Office Assistants

## Air Monitoring

- Add: 1 AQ Instrument Specialist II, 2 AQ Specialist, 1 Program Supervisor, and 1 Sr. AQ Chemist

## Permitting

- Add: 1 Senior AQ Engineering Manager
- Delete: 1 Air Quality Specialist

## Advance Technology

- Add: 0.4 Assistant DEO/Science & Technology Advancement and 1 Program Supervisor
- Delete: 1 Staff Specialist

# FY 2018-19 Proposed Staffing Changes

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## Customer Service & Business Assistance

- Add: 1 Senior Public Info Specialist and 2 Public Affairs Managers
- Delete: 1 Staff Specialist, 1 Program Supervisor and 1 Community Relations Manager

## Compliance

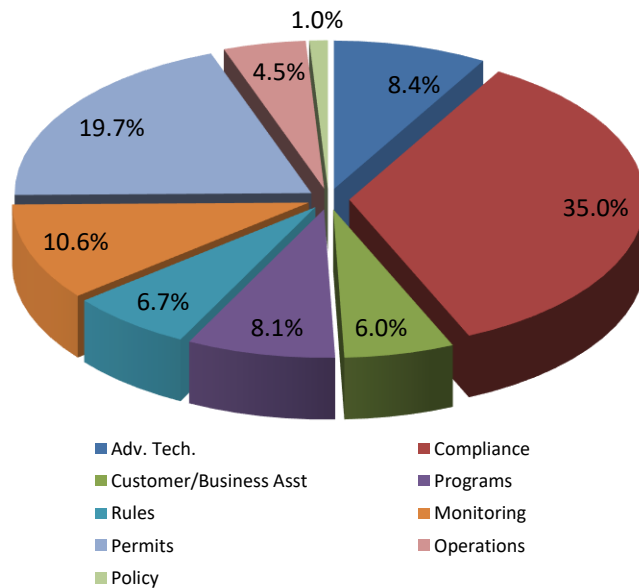
- Delete: 1 Investigations Manager and 1 Sr. Air Quality Engineer
- Add: 1 Source Test Manager

## Operational Support

- Add: 1 General Maintenance Worker
- Delete: 1 Mail/Subscription Services Clerk

# Expenditures by Activity

FY 2018-19 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

# Revenue Comparison

## 2017-18 Budget vs. 2018-19 Proposal

(\$ in millions)	FY 2017-18			FY 2018-19
	<u>Budget</u>	<u>Amended*</u>	<u>Estimate*</u>	<u>Proposed**</u>
Emission Fees	\$19.5	\$19.5	\$19.8	\$19.7
Annual Renewal Fees	\$53.1	\$53.1	\$51.4	\$57.3
Permit Processing Fees	\$19.6	\$19.6	\$18.1	\$19.9
Area Sources	\$2.2	\$2.2	\$2.2	\$2.3
Mobile Sources	\$28.2	\$28.2	\$26.2	\$30.6
Transportation Programs	\$0.9	\$0.9	\$0.9	\$1.0
Other	<u>\$23.5</u>	<u>\$34.2</u>	<u>\$31.8</u>	<u>\$31.8</u>
<b>Total</b>	<u>\$147.0</u>	<u>\$157.7</u>	<u>\$150.4</u>	<u>\$162.6</u>

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

\*\*FY 2018-19 Proposed Revenue Budget includes a CPI fee adjustment of 3.4%. with an additional 10.67% increase for Title V annual operating permit renewal and permit processing fees and an additional 4% for Non-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 2017-18 Estimate and 5 Year Projection

(\$ in millions)	FY 17-18 Estimated	FY 18-19 Projected	FY 19-20 Projected	FY 20-21 Projected	FY 21-22 Projected	FY 22-23 Projected
STAFFING		876.4	886	886	886	886
Revenues *	\$150.4	\$162.6	\$167.6	\$167.2	\$166.1	\$168.0
Program Costs	\$151.3	\$166.2	\$174.6	\$173.8	\$172.1	\$168.4
Change in Fund Balance	-\$0.9	-\$3.6	-\$7.0	-\$6.6	-\$6.0	-\$0.4
UNRESERVED FUND BALANCE (at Year-End)	\$44.2	\$40.6	\$33.6	\$27.0	\$21.0	\$20.6
% of REVENUE	29%	25%	20%	16%	13%	12%
<ul style="list-style-type: none"> <li>Includes projected CPI fee increase of 3.4% for FY 2018-19 with the second year of an additional fee increase approved by the Governing Board in June 2017, (10.67% for Title V annual operating permit renewal and permit processing fees and an additional 4% for non-Title V annual operating permit renewal). FY 19-20 includes CPI of 3% with the third year of the fee increase for Title V facilities approved in June 2017. FY 20-21, FY 21-22 and FY 22-23 have CPI fee increases of 2.9%, 2.9% and 2.8% respectively.</li> </ul>						

# Regulation III Fees - Background

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- Fees seek to recover costs of mandatory services, such as:
  - Permit Processing (new, modification/alteration, new operator, etc.)
  - Compliance Assurance (annual renewals and emissions fees)
  - Hearing Board
  - Source Tests and Lab Analysis
  - Plans
  - Transportation programs
  - Area Sources programs
  - “Toxic Hot Spots” program
- ~ 64% of agency revenues from Regulation III fees

# Proposed Amended Regulation (PAR) III

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- Proposed amendments to REG III consist of the following three (3) components:
  - CPI-Based Fee Increase
  - 10 Proposed Rule Amendments with New Fees or Fee Increases
  - 23 Proposed Amendments with No Fee Impacts and/or Administrative Changes:
    - Mostly clarifications, deletions, or corrections to existing rule language

# 3.4% CPI-Based Fee Increase

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- Pursuant to Rule 320 (adopted in 2010)
  - Based on % change in California CPI, from December 2016 to December 2017
  - SCAQMD Governing Board may choose to forego the CPI-based fee increase
- Applicable to all fee rates, except:
  - Fee rates set by state law
  - Rule 311(c) Air Quality Investment Program Fees
    - Fees pay for programs to reduce emissions and do not support the SCAQMD Budget
- Estimated to raise a total of ~\$3 million to cover cost of inflation

# New/Increased Fees Provide Necessary Cost Recovery for SCAQMD

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- Cost recovery to meet requirements of recently adopted rules and state mandates
  - H&SC Section 42705.6 & Rule 1180: Refinery-Related Community Air Monitoring System Annual O&M fees
  - RECLAIM Sunset: Facility Permit Reissuance Fee for converting RECLAIM Facility Permit to a Command-and-Control Facility Permit
  - Rule 1402: Potentially High Risk Level Facility Fees and Special Review Fees
  - Rule 1466: Notification Fees
- More specific cost recovery for other regulatory actions/services
  - Current rules do not provide cost recovery or provide insufficient cost recovery for other regulatory actions taken or services provided by SCAQMD

# Estimation of SCAQMD Staff Cost

- FY 2017-18 Burdened Hourly Rates
  - Salaries, benefits & overhead (e.g., share of utilities, insurance, payroll, systems, etc.).
- Example of hourly cost estimate:

Staff Position	Range of Staff Time Per Hour of Evaluation By Air Quality Engineer II			FY 2017-18 Hourly Burdened Rate		Range of Staff Cost Per Hour of Evaluation By Air Quality Engineer II*	
	100%	100%	x			\$105.69	=
Air Quality Engineer II	100%	100%	x	\$105.69	=	\$105.69	\$105.69
Senior Engineer	25.0%	35.0%	x	\$113.07	=	\$28.27	\$39.57
Supervising Engineer	16.0%	20.0%	x	\$121.17	=	\$19.39	\$24.23
Senior Enforcement Manager	16.0%	20.0%	x	\$135.15	=	\$21.62	\$27.03
Senior Office Assistant	16.0%	20.0%	x	\$68.83	=	\$11.01	\$13.77
<b>Total Cost</b>						<b>\$185.98</b>	<b>\$210.29</b>

\* Rounded to the second decimal place.

# New fees to recover costs associated with operating refinery-related community air monitoring system pursuant to Rule 1180

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- Requires affected petroleum refineries to pay an annual fee to SCAQMD for operating and maintaining refinery-related community air monitoring system(s) in communities near these refineries
  - O&M fees specified for each petroleum refinery
  - Fee amounts prorated based on annual cost estimate of \$435,543 per monitoring station with a permanent fixed monitoring location that measures all or most of the relevant pollutants and a total of 10.5 stations needed to provide adequate air monitoring coverage
  - The costs come from site maintenance (i.e. electricity, land/site lease), data validation, equipment maintenance, and technical/laboratory labor



# New fees to recover notification costs pursuant to Rule 1466

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- Adds a new fee for Rule 1466 notifications.
  - Rule 1466 requires a facility to notify the SCAQMD prior to beginning earth-moving activities and when ambient PM10 dust concentrations limits are exceeded.
  - The fee of \$62.92 per notification would recover costs in staff time to process the notifications and is identical to the amount charged for similar notifications pursuant to Rules 1149 and 1166.

# New fees for RECLAIM permit processing during and after transition out of the RECLAIM program

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- Adds a new Facility Permit Reissuance Fee:
  - Recovers SCAQMD costs to transition facilities exiting the RECLAIM program.
  - This process involves extensively changing device conditions, device emissions and requirements, RECLAIM monitoring, reporting and recordkeeping requirements, and other sections of the existing RECLAIM facility permits.
  - Initial Flat fee, plus T&M charge if applicable, based on estimated cost range of \$186-\$210/hour
  - Tiered fee rates by number of permitted RECLAIM NO<sub>x</sub> sources & differentiated by Title V status to correspond to staff's effort anticipated to be needed.
- Allows for optional voluntary conversion from a transitioned facility permit to conventional command and control equipment based permits
  - Change of condition fee rates in lieu of the permit modification fee rates to reflect staff's effort

# New fees to recover costs for periodic assessment of non-RECLAIM CEMS, FSMS, or ACEMS

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- Adds a new fee associated with SCAQMD's periodic assessments of non-RECLAIM monitoring systems
  - Same fee rates for period assessment of same monitoring systems required by RECLAIM
  - Minimum fee: \$907.51, plus \$172.01/hour for evaluation time spent in excess of 10 hours; up to a maximum of \$5,738.49
  - Minimum fee covers approximately 5.28 hours of evaluation hours by an Air Quality Engineer II which is at the low end of the average amount of time necessary to complete the evaluation.

# Increased fees to recover costs associated with voluntary certification programs of Clean Air Solvent (CAS) and Clean Air Choices Cleaner (CACC)

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- Increases voluntary certification fees to:
  - CAS -- \$1,503.77, with additional fees of \$135.77/hour for analysis/certification processing time in excess of 12 hours
  - CACC -- \$1,803.77 (including \$300.00 for a CACC-specific analysis performed by a contracting laboratory), with additional fees of \$135.77/hour for analysis/certification processing time in excess of 12 hours.
- These costs are associated with SCAQMD's personnel and services performed at a payor's voluntary discretion to use SCAQMD's personnel and services, as well as more expensive U.S. EPA requirements for test methods and calibrations.

# New fees to recover costs associated with annual renewal of Rule 1105.1, Rule 1118, and Rule 1123 compliance plans

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- Proposes new fees to recover costs for Rule 1105.1 (Reduction of PM10 and Ammonia Emissions from Fluid Catalytic Cracking Units), Rule 1123 (Refinery Process Turnarounds), and Rule 1118 (Flare Monitoring and Recording Plan) compliance plan reviews.
  - The new annual fee is identical for the annual review/renewal of other compliance plans: \$406.79 for non-Title V facilities and \$460.64 for Title V facilities in FY 2018-19.
  - Costs associated with SCAQMD's compliance verification inspections, audits, quarterly report reviewing, responding to notifications, responding to complaints, and investigating self-reported deviations.

## Potentially increased fees by billing actual cost invoiced to SCAQMD for public notice publication

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- Allows SCAQMD to bill the *actual cost invoiced* for public notice publication
  - A facility subject to public noticing requirement may elect to pay SCAQMD to arrange for publication of its public notice, or do so on its own
  - Current predetermined fees do not adequately provide for complete cost recovery if more than one newspaper notice is necessary

# New fees to recover costs associated with optional catalyst equivalency evaluation

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- Adds new fees for work performed on Catalyst Equivalency Evaluations
  - Without this proposal, facilities must submit a permit modification application every time they replace the catalyst on their SCR (potentially cost-savings)
  - Fee rates are consistent with staff's hourly rate in Rule 306(d) to recover costs for engineering evaluation time:
    - Non-Title V: \$155.80/hour
    - Title V: \$176.42/hour in FY 2018-19 and \$195.23/hour in FY 2019-20 and thereafter
    - Expected cost per evaluation: \$2,300 and \$3,000 (i.e., approximately 15 hours)

# New fees to recover costs associated with AB 2588 work for Potentially High Risk Level Facilities

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- Adds new fee for work undertaken by the AB 2588 program staff in determining Rule 1402 compliance for facilities designated as a Potentially High Risk Level Facility, as defined under Rule 1402
  - T&M fee: \$172.88/hour, up to a maximum of \$100,000 per year per facility (capped to provide cost certainty)
  - Additional to applicable state fees
  - Billed annually and due at the time of the AB 2588 annual billing
- Fee covers evaluation hours for document review, emissions estimation, prioritization, risk calculation, public notification, and risk reduction for facilities designated as a Potentially High Risk Level Facility.



# New Fees To Recover Costs Associated With AB2588 Work On Rule 1402 Related Special Reviews

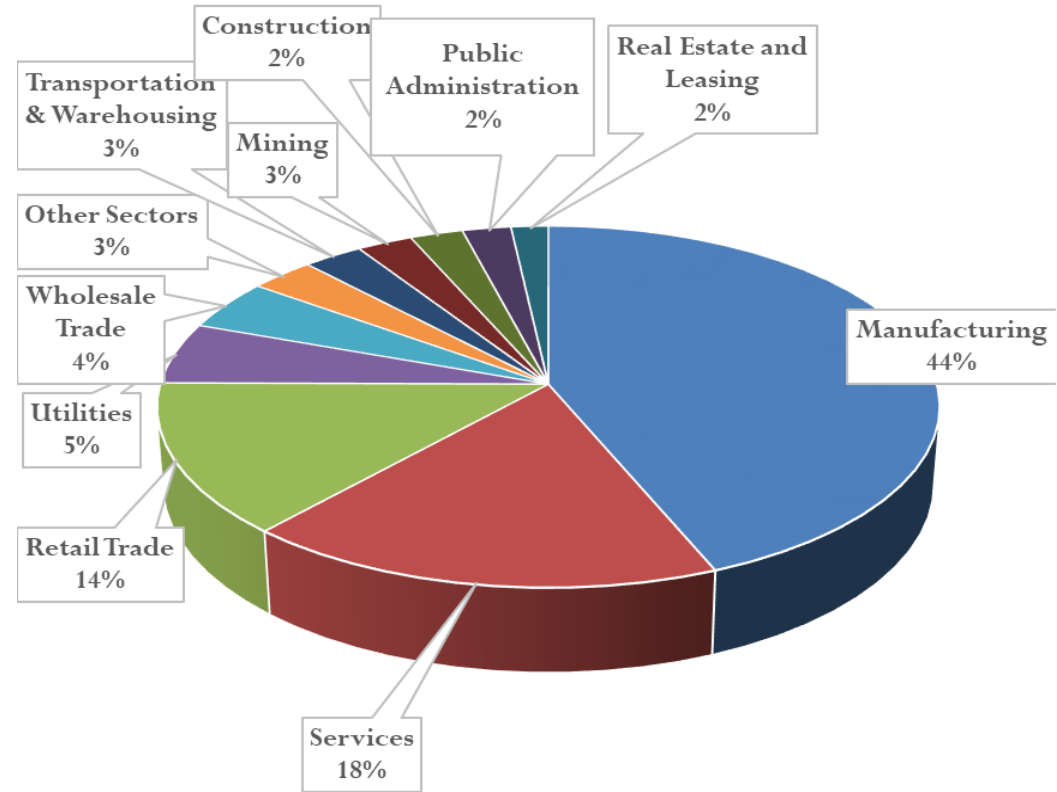
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- Recover costs through fees on ATIR and HRA preparation or revision
  - Add new fees for ATIR at \$150.62/hour
  - Increase fees for HRA from \$131.31/hour to \$150.62/hour, beyond CPI-based increase
- Recent increase in the number of ATIRs and HRAs requiring review by SCAQMD
  - Rule 1402 gives the EO the authority to reject a submitted ATIR or HRA and modify the revised ATIR or HRA and approve it as modified (in situations where the facility is not able to perform the task without errors or delays)
  - Many submitted documents require substantial modifications or revisions, resulting in increased time and effort by SCAQMD staff and/or the need to hire a qualified contractor

# Socioeconomic Impact Assessment of Rule 320 CPI-based Fee Increase

- Fee revenue estimates:
  - Total flat fees and emission-based fees are estimated at ~\$18 million
  - Total permit processing and permit renewal fees are estimated at ~\$60 million
- The combined amount of these fees currently paid by each industry is small relative to the industry's economic output (less than 0.01% overall).

Share of Fees by Sector



# Socioeconomic Impact Assessment of PAR III - Fees

## Summary of Fee Impacts

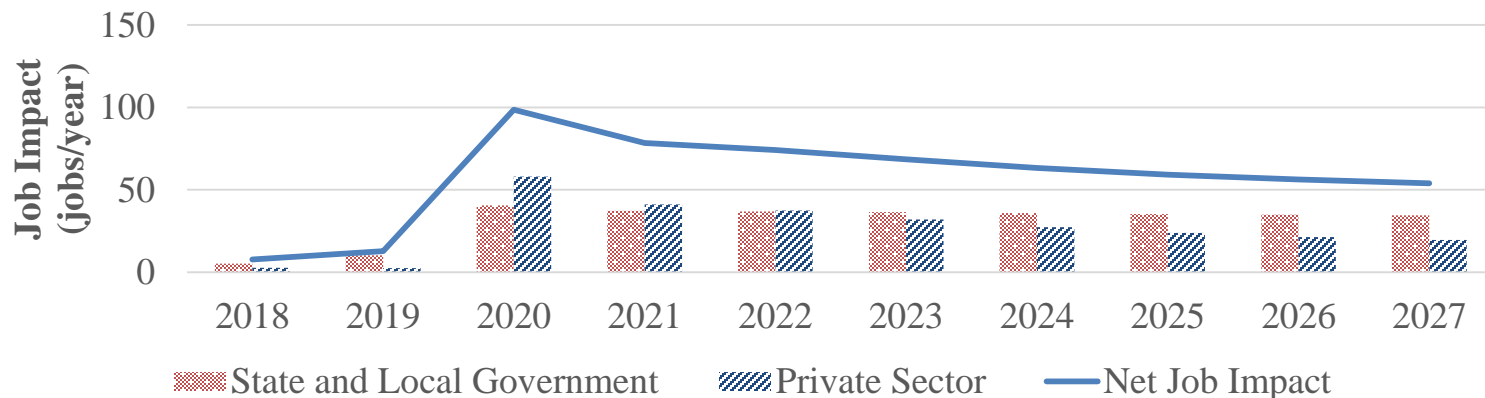
Proposed Amendment	FY 2018-2019	FY2019-2020	FY 2020-2021 and thereafter
Refinery-Related Community Air Monitoring System Annual O&M Fees	\$0	\$4,573,202	\$4,573,202
Rule 1466 Notification Fee	\$629	\$629	\$629
Facility Permit Reissuance Fees for RECLAIM Transition	\$874,953	\$831,636	\$0
Periodic Assessment Fees for an Existing Non-RECLAIM CEMS, FSMS, or ACEMS	\$9,075	\$9,075	\$9,075
CAS and CACC Certification Fees	\$11,301	\$11,301	\$11,301
Annual Review/Renewal Fee for Rule 1105.1, Rule 1118, and Rule 1123 Compliance Plans	\$5,528	\$6,117	\$6,117
Public Notice Publication Fees	\$31,000	\$31,000	\$31,000
Fees for Optional Catalyst Equivalency Evaluation	(Potential cost savings to facilities)		
AB2588 Potentially High Risk Level Facility Fees	\$300,000	\$300,000	\$300,000
AB2588 Special Review Fees	\$60,000	\$60,000	\$60,000
<b>Total</b>	<b>\$1,292,486</b>	<b>\$5,822,960</b>	<b>\$4,991,323</b>

- Petroleum refineries will incur 90% of the fee increase due to the Refinery-Related Community Air Monitoring System Annual O&M Fees.

# Socioeconomic Impact Assessment of PAR III - Fees

## Projected Job Impacts

- PAR III is estimated to lead to about 57 net job gains on average from 2018-2027.
  - Job gains in Local Government (including SCAQMD) and Professional, Technical, and Scientific Services.
  - Jobs foregone in Mining and Oil and Gas Extraction, Petroleum and Coal Products Manufacturing.
- This job impact is small relative to the regional economy, representing a change of less than 0.001%.



# FY 2018-19 Annual Budget Timetable

Estimated Date	Activity
March 15 <sup>th</sup>	Socioeconomic Impact Analysis available for public review and comment.*
Early April	FY 2018-19 Draft Budget & Work Program available for public review.
April 6 <sup>th</sup>	Budget Advisory Committee meeting. Presentation on FY 2018-19 Draft Budget & Work Program, CPI Fee Adjustment* and Proposed Amended Regulation (PAR) III – Fees. Comments/recommendations due April 10 <sup>th</sup> .
April 10 <sup>th</sup>	Public Consultation Meeting on FY 2018-19 Draft Budget & Work Program, CPI Fee Adjustment* and PAR III – Fees.
April 13 <sup>th</sup>	SCAQMD Governing Board Workshop on the FY 2018-19 Draft Budget & Work Program, CPI Fee Adjustment and PAR III – Fees.
April 13 <sup>th</sup>	Public Comments and Budget Advisory Committee Recommendations to Governing Board.*
May 4 <sup>th</sup>	Governing Board Meeting - FY 2018-19 Budget & Work Program, CPI Fee Adjustment* and PAR III - Fees.

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