



Fiscal Year 2022-23 Proposed Budget & Work Program

Public Consultation Meeting
April 5, 2022

Agenda:

- General Fund Budget Summary
- Expenditure Comparison
- Expenditures by Activity
- Revenue Comparison
- Revenue and Expenditure Uncertainties
- Estimate & Five-Year Projection
- Regulation III-Fees
- Annual Budget Timetable

General Fund Budget Summary

(\$ in millions)	Fiscal Year 2021-22			Fiscal Year 2022-23
	Adopted	Amended *	Estimate	Proposed
Revenue	\$179.9	\$184.6	\$180.9	\$189.2
Program Cost	<u>\$179.9</u>	<u>\$186.2</u>	<u>\$182.6</u>	<u>\$189.2</u>
Change to Fund Balance	<u>\$0.0</u>	<u>-\$1.6</u>	<u>-\$1.7</u>	<u>\$0.0</u>
* Board approved changes through February 2022.				

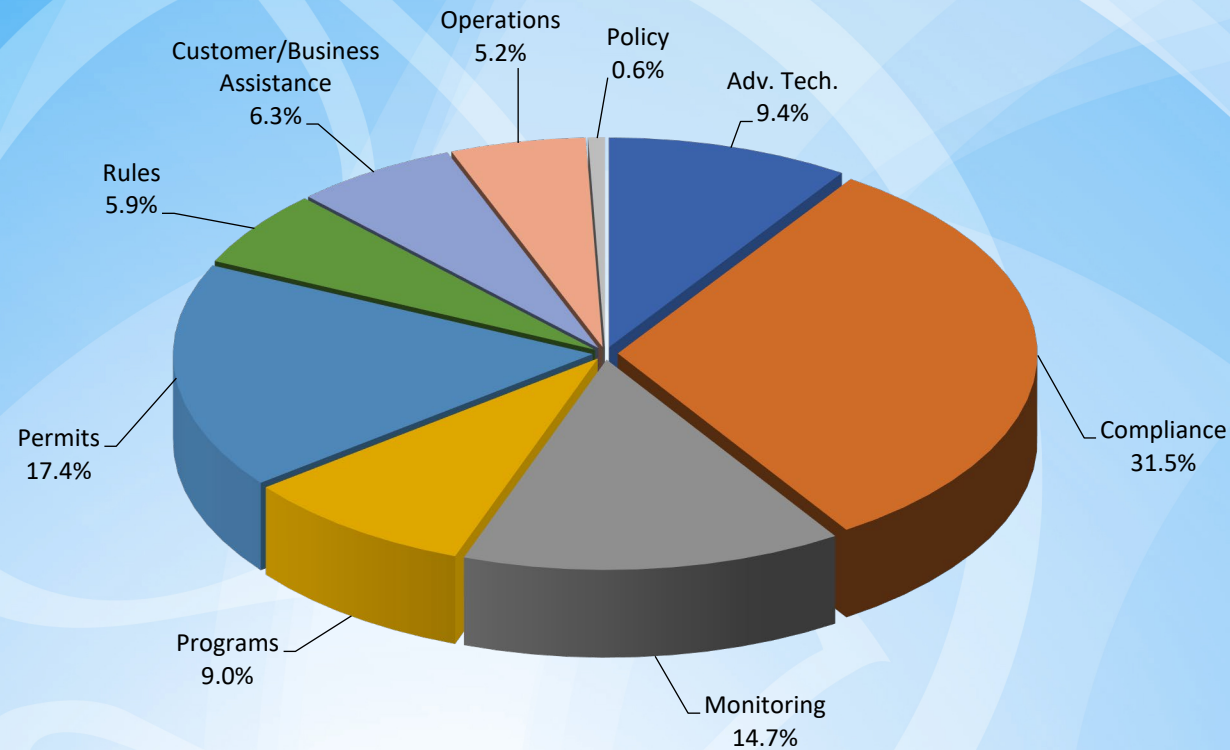
Expenditure Comparison

FY 2021-22 Budget vs. FY 2022-23 Proposal

(\$ in millions)	FY 2021-22			FY 2022-23
	<u>Adopted</u>	<u>Amended*</u>	<u>Estimate</u>	<u>Proposed</u>
Salaries & Benefits	\$146.2	\$146.8	\$145.3	\$154.7
Services & Supplies	31.0	35.0	32.9	29.6
Capital Outlays	1.9	3.6	3.6	2.1
Transfers Out	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>	<u>2.8</u>
Total	<u>\$179.9</u>	<u>\$186.2</u>	<u>\$182.6</u>	<u>\$189.2</u>
Staffing (FTEs)	957	959		970

* Board approved changes through February 2022.

FY 2022-23 Proposed Budget Expenditures by Activity



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

FY 2021-22 Budget vs. FY 2022-23 Proposal

(\$ in millions)	Fiscal Year 2021-22			Fiscal Year 2022-23
	<u>Budget</u>	<u>Amended*</u>	<u>Estimate</u>	<u>Proposed**</u>
Emission Fees	\$20.0	\$20.0	\$19.2	\$21.3
Annual Renewal Fees	64.0	64.0	65.5	68.9
Permit Processing Fees	16.1	16.1	16.9	17.3
Area Sources	2.1	2.1	2.0	2.2
Mobile Sources	32.5	32.5	28.7	32.9
Transportation Programs	0.9	0.9	0.9	1.0
Other ***	<u>44.3</u>	<u>49.0</u>	<u>47.7</u>	<u>45.6</u>
Total	<u>\$179.9</u>	<u>\$184.6</u>	<u>\$180.9</u>	<u>\$189.2</u>

* Amended Budget and Estimate includes Board approved increase through February 2022 for state/federal revenue, transfer from BP ARCO (WHAM) and R1180 reimbursements.

** FY 22-23 Proposed revenue include a 6.5% CPI fee increase.

*** Other Revenue includes revenues from Federal & State Grants, State Subvention, Penalties/Settlements, "Hot Spots", Interest, PERP, Hearing Board, Source Test/Lab Analysis, Leases, Subscriptions, and Misc.

Revenue & Expenditure Uncertainties

- Economic Impact of COVID-19
- Retirement Cost
- AB 617 Ongoing Funding
- Federal/State Funding
- Penalties/Settlements

FY 2021-22 Estimate and Five-Year Projection

(\$ in millions)	FY 21-22 Estimated	FY 22-23 Proposed	FY 23-24 Projected	FY 24-25 Projected	FY 25-26 Projected	FY 26-27 Projected
Authorized Staffing	959	970 *	970	970	970	970
Vacancy Rate	13%	11%	11%	11%	11%	11%
Funded Staffing	834	863	863	863	863	863
Revenues **	\$180.9	\$189.2	\$193.9	\$195.4	\$197.3	\$200.1
Program Costs	\$182.6	\$189.2	\$196.8	\$201.7	\$204.7	\$207.7
Changes in Fund Balance	\$(1.7)	\$-	\$(2.9)	\$(6.3)	\$(7.4)	\$(7.6)
Unreserved Fund Balance (at Year-End)	\$76.9	\$76.9	\$74.0	\$67.7	\$60.3	\$52.7
% of Revenue	43%	41%	38%	35%	31%	26%
* Includes 2 positions added by the Board in FY 2021-22 (BL 9/2021 #10) and FY 22-23 additions include 11 funded positions (8 are revenue offset).						
** CPI projections include the following: FY 22/23 – 6.5%; FY 23/24 - 3.8%; FY 24/25 - 3.0%; FY 25/26 - 3.1%; & FY 26/27 – 3.3%						

Annual CPI-Based Fee Increase (Rule 320)

- Rule 320 requires all applicable South Coast AQMD fees to be increased automatically every year based on previous year inflation
 - Upcoming automatic adjustment = 6.5%
 - Based on Dec 2020 - Dec 2021 percent change in California Consumer Price Index*
- Applicable to all fee rates except:
 - Fee rates set by state law
 - Rule 311(c) Air Quality Investment Program Fees
 - Rule 1180 Community Air Monitoring Annual O&M Fees
- Potential impacts of the CPI fee increase analyzed in the Rule 320 Draft Socioeconomic Impact Assessment
 - Released March 15, 2022
 - CPI Adjustment currently estimated to increase annual revenue by ~\$6.4 million

www.aqmd.gov/docs/default-source/planning/reg-iii/draft-socioeconomic-assessment-for-automatic-cpi-increase-2022-v2-1.pdf

* As defined by the California Department of Finance

Rule 301 Fee Reassessment: Restructured TAC Fees

- Board resolution required staff to report back to the Administrative Committee within one year of final phase-in
- Restructured TAC Fee Revenue:
 - ~\$500,000 of annual TAC fees revenue prior to TAC fee restructuring
 - ~\$4.8M originally projected upon final phase-in of restructured TAC fees
 - ~\$2.9M in actual revenue for Calendar Year 2020 TAC emissions
- 1.9M shortfall compared to the 2019 projected revenue
 - Primary factor: decreased emissions reported compared to historical levels
 - Secondary factor: fewer facilities subject to TAC fees in 2020 than originally projected

Rule 301 Fee Reassessment: Restructured TAC Fees

- District incurred an estimated \$19.5M in toxics related costs in FY 20-21
 - AB 617 implementation currently state funded
- District continues to seek out funding for toxics related work
 - State funding for AB 617
 - Cost Recovery for Major Incident Response
- Large number of permitted facilities will have new requirements to report toxic emissions under CARB's Criteria and Toxics Reporting (CTR) Regulation
 - Revenue impacts difficult to estimate given lack of emissions/activity data
- Staff is proposing no changes to TAC fees
 - Due to uncertainty of future revenue from CTR facilities
 - Expected to be reassessed again in CY 2024

Proposed Amendments with Fee Impacts

- Update Rule 1180 Community Air Monitoring Annual O&M Fees
 - Rule 301(aa)(4) requires fees to be reassessed every three years
 - First reassessment conducted December 2021
 - Rule 1180 Program is currently operating at a surplus of \$900,000
 - Cumulative shortfall of \$980,000 is projected by end of FY 24-25 despite current surplus
 - Due to costs of fully-staffed operations, hardware replacements, and inflation
 - These fees are not subject to annual CPI increase
 - Staff is proposing to phase in fee increase over next three years
 - 5.3% increase in FY 22-23, 2.2% in FY 23-24, 2.1% in FY 24-25
 - Projected total increase of \$418,000 upon full implementation in FY 24-25

Proposed Amendments with Fee Impacts

- Create new equipment category in Rule 301 for HEPA/ULPA Controlled Spray Booths
 - New category at higher fee rate than other spray booths, due to increased complexity
- Add three new plan types as subject to Rule 306 Plan Fees
 - Rule 1109.1 Plans
 - Rule 463 Floating Roof Tank Seal Certifications
 - Operation, Maintenance, and Monitoring Plans for Catalytic Cracking Units, Catalytic Reforming Units, and Sulfur Recovery Units
- Update permit fee for a subsequent application when a Permit to Construct has expired
- Remove fee exemption for Rule 1466 Notification Updates

Proposed Amendments to Regulation III – Summary of Fee Impacts

Proposed Amendment	FY 2022-23	FY 2023-24	FY 2024-25 and thereafter
Update Rule 1180 Community Air Monitoring O&M Fees	\$231,000	\$327,000	\$418,000
New Equipment Category for HEPA/ULPA Spray Booths	\$40,000	\$40,000	\$40,000
List Rule 1109.1 Plans as Subject to Annual Review Fees	\$5,000	\$5,000	\$5,000
List Plans Required by Federal Regulations for Refinery Related Equipment as Subject to Annual Review Fees	\$9,000	\$9,000	\$9,000
List Floating Roof Tank Seal Certifications as Subject to Plan Evaluation Fees	\$14,000	\$14,000	\$14,000
Update Permit Fee for a Subsequent Application When A Permit to Construct Expires	\$3,500	\$3,500	\$3,500
Remove Fee Exemption for Rule 1466 Notification Updates	\$28,000	\$28,000	\$28,000
Total	\$330,500	\$426,500	\$517,500

* Refineries expected to incur over 80% of expected cost increases

Proposed Amendments with Administrative Changes Only (No Fee Impacts)

- Transfer Monitoring and Sampling Fees in Rule 1480 to Rules 301 and 306
- Update two definitions in Rule 301(b)
- Clarify the fee rate from underpayment resulting from emissions related to a source test
- Clarify deadlines and late submittal surcharges for Clean Fuels Fees in Rule 301
- Extend the deadline to submit 2023 Annual Emission Reports and pay associated fees
 - To accommodate newly reporting CTR facilities

Fiscal Year 2022-23 Budget Timeline

Date	Activity
Tuesday, March 15 th	Socio Economic Report (CPI only) Posted
Thursday, March 31 st	Budget Document Completed/Posted
Friday, April 1 st	Budget Advisory Committee Meeting
Tuesday, April 5 th	Public Workshop
Friday, April 8 th	Admin Committee Presentation/Governing Board Workshop
Friday, April 15 th	Public Comments/BAC Recommendations due to Governing Board
Friday, May 6 th	Governing Board Meeting - Budget Adoption