




air pollution control district
SANTA BARBARA COUNTY

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Board Agenda Item

TO: Air Pollution Control District Board

FROM: Aeron Arlin Genet, Air Pollution Control Officer 

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SUBJECT: Consideration of a District Cost Recovery Policy

RECOMMENDATION:

Approve and authorize the District's Cost Recovery Policy.

DISCUSSION:

The Santa Barbara County Air Pollution Control District (District) has the primary authority for the control of air pollution from all sources, other than emissions from motor vehicles, located in the County of Santa Barbara, in accordance with the provisions of Health & Safety Code §39002 and 40000. The District is responsible for implementing and enforcing various local, state, and federal air quality regulatory requirements that apply to non-vehicular sources.

The District is authorized to assess fees to regulated entities for the purpose of recovering the reasonable costs to implement the regulatory program activities. These authorities include those provided in the California Health and Safety Code §42311, 42364, and 44380. The District's fees fall within the categories provided in Section 1(e) of Article XIII C of the California Constitution, which indicates that charges assessed to regulated entities to recover regulatory program activity costs, and charges assessed to cover the cost of conferring a privilege or providing a service, are not taxes.

The District analyzes whether assessed fees result in the collection of sufficient revenue to recover the costs of related program activities. Over the last 24 months, District staff conducted these analyses for the first time with an independent contractor, Matrix Consulting Group (Matrix). The independent study was finalized in May 2023. In that study, Matrix recommended that the District adopt a Cost Recovery Policy. The fee study and cost recovery review revealed that District fee revenue falls short of recovering the costs of related program activities.

Aeron Arlin Genet, Air Pollution Control Officer

The District's independent fee report (2023 Cost Recovery and Fee Analysis Report, Air Pollution Control District of Santa Barbara County, May 2023) concluded that in Fiscal Year Ending 2023, the District recovered approximately 47% of its fee-related activity costs. This resulted in an under-recovery of costs (i.e., a cost recovery gap), and a subsidy to fee payers, of approximately \$2.2 million.

The District has not had a fee increase, other than the Consumer Price Index, since 1991. The District's cost recovery gap is an issue that needs to be addressed. On October 19, 2023 a five-year Long-Range Fiscal Strategy was presented to your Board, in order to discuss increasing fee revenue to begin to correct the gap.

To move towards closing the gap, the District recommends amendments to its fee regulation over the next several years, in conjunction with the adoption of the District budget, to increase overall recovery of regulatory program activity costs to 85%. Proposed amendments to specific fee schedules will be made in consideration of cost recovery analyses, conducted at the fee schedule level, to coincide with the fee study. As allowed by law, any proposed regulatory measures where a new fee(s) or fee amendment(s), will be designed to recover 100% of activity costs and regulatory program implementation costs concurrent with rule adoption.

The District is currently in the process of creating a tool that will allow the District to continue to analyze the extent to which fees recover regulatory program activity costs, both on an overall basis, and by fee schedules. An independent review of the District cost recovery analyses will be periodically completed, as needed, by a qualified District contractor and will be updated on a regular basis by District staff using a consistent methodology.

The District's Board of Directors has not adopted a policy to recover regulatory program activity costs previously and therefore a policy is now recommended.

FINANCIAL IMPACT:

There are no direct fiscal impacts with adoption of a cost recovery policy for the District. However, with the adoption of this policy, certain fees will be increased annually to get the District to an 85% cost recovery. The increase in these fees annually will produce increased revenue. These increases will be included in the District's budget annually and brought to your Board for consideration and adoption in May and June of each year.

ATTACHMENTS:

- A. Cost Recovery Policy
- B. 2023 Cost Recovery and Fee Analysis Report

ATTACHMENT A

Cost Recovery Policy

January 18, 2024

Santa Barbara County Air Pollution Control District
Board of Directors

260 San Antonio Road, Suite A
Santa Barbara, California 93110



Santa Barbara County Air Pollution Control District

2023 Cost Recovery Policy

BACKGROUND

In accordance with the provisions of Health & Safety Code sections 39002 and 4000, the Santa Barbara County Air Pollution Control District (District) has the primary authority for the control of air pollution from all stationary sources of air emissions located in Santa Barbara County.

The District is responsible for the enforcement of local air pollution control rules, the state's non-vehicular air pollution regulations, and certain federal air pollution laws that have been delegated to local agencies. The District is also responsible for adopting and implementing air quality plans that seek to achieve and maintain the health-based state and federal ambient air quality standards. The primary method to regulate and control air pollution created by industrial and institutional sources and commercial businesses is through the issuance of stationary source permits.

In accordance with District Rule 210 and California Health and Safety Code sections 42311, 42364, and 44380, fees are assessed to stationary sources to fund the work performed for the District's programs. This includes stationary source permitting and inspection, complaint investigations, enforcement activities, air quality planning, emission inventory calculations, control measure development, control of air toxic contaminants, land use commenting, and air monitoring.

The District's fees fall within the categories provided in Section 1(e) of Article XIII C of the California Constitution, which indicates that charges assessed to regulated sources to recover regulatory program activity costs, and charges assessed to cover the cost of conferring a privilege or providing a service, are not taxes.

The District has adopted, and periodically amends, a fee rule for the purpose of recovering regulatory program activity costs, and this rule with its various fee schedules is used to allocate costs to fee payers in a manner that bears a fair or reasonable relationship to the payer's burden on, or benefits received from, regulatory activities.

The District analyzes whether assessed fees result in the collection of sufficient revenue to recover the costs of related program activities. District staff conducted these analyses for the first time with an independent contractor, Matrix Consulting Group, over the last 24 months. The independent fee study (2023 Cost Recovery and Fee Analysis Report, Air Pollution Control District of Santa Barbara County, May 2023) was finalized in May 2023. The fee study and cost-recovery review revealed that District fee revenue falls short of recovering the costs of related program activities.

The District's independent fee study concluded that in Fiscal Year Ending (FYE) 2023, the District recovered approximately 47% of its fee-related activity costs, resulting in an under-recovery of costs (i.e., a cost-recovery gap), and a subsidy to fee payers, of approximately \$2.2 million.

PURPOSE

The District has not had a fee increase, other than the Consumer Price Index, since 1991. The District's cost-recovery gap is an issue that needs to be addressed, and a five-year fiscal strategy has been proposed in order to increase fee revenue and correct that gap.

Once adopted by the District's Board of Directors, this policy will guide the District in its efforts to increase overall recovery of regulatory program activity costs. The District will continue its ongoing efforts to use staff and resources in the most efficient way to reduce costs while implementing the stationary source program.

In addition to fee revenue, the District receives revenue from other local, state, and federal programs, and a large portion of this revenue has historically been used on an annual basis to fill the cost-recovery gap.

Other revenues that the District receives, to the extent that they are not needed to fill the cost-recovery gap, can be used to fund initiatives or programs that may further the District's mission but that lack a dedicated funding source.

POLICY

- (1) In order to ensure that the costs of its regulatory programs remain reasonable, the Santa Barbara County Air Pollution Control District (District) should continue to implement feasible cost-control measures, including the use of appropriate best management practices, without compromising the District's effective implementation and enforcement of applicable regulatory requirements.
- (2) Analysis of Cost Recovery – The District should continue to analyze the extent to which fees recover regulatory program activity costs, both on an overall basis, and at the level by fee schedules. The District's cost-recovery should be evaluated on a regular basis by District staff using a consistent methodology and an independent review of the District cost-recovery analyses should be completed, as needed, by a qualified District contractor.
- (3) Cost Recovery Goals – It is the general policy of the District, except as otherwise noted below, that the costs of regulatory program activities be fully recovered by assessing fees to regulated entities. To move toward this goal, the District should amend its fee rule over the next several years, in conjunction with the adoption of the District budget, in a manner sufficient to increase overall recovery of regulatory program activity costs to 85%. Proposed amendments to specific fee schedules should also be made in consideration of cost-recovery analyses conducted at the fee schedule-level. Proposed fee amendments should include fee-recoverable work that is currently not being charged a fee. As allowed by law, any proposed regulatory measures that also propose new fees or fee amendments will be designed to recover 100% of activity costs and regulatory program implementation costs concurrent with rule adoption, unless the Board of Directors determines that a portion of those costs should be covered by other revenue.

ATTACHMENT B

2023 Cost Recovery and Fee Analysis Report

January 18, 2024

Santa Barbara County Air Pollution Control District
Board of Directors

260 San Antonio Road, Suite A
Santa Barbara, California 93110

Cost Recovery and Fee Analysis

AIR POLLUTION CONTROL DISTRICT OF SANTA
BARBARA COUNTY

FINAL REPORT

May 2023

matrix 
consulting group

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1. Introduction and Executive Summary

The Matrix Consulting Group was retained by the Air Pollution Control District of Santa Barbara County (District) to conduct a cost recovery and fee analysis of the District's existing fees for service. The following report summarizes the findings and conclusions associated with the District's current cost recovery and full cost recovery.

Project Background and Overview

The District has never conducted a formal cost of services study. Its current fee structure was established when the District was created, based upon other similar Air Pollution Control Districts. The District does annually increase (as appropriate) its fees based upon an established Consumer Price Index (CPI) factor. The District has undergone significant operational, organizational, and staffing changes. As such the purpose of this study was to review the existing fee schedule and ensure that it appropriately captures the variety of services provided by the District.

The Matrix Consulting Group analyzed the cost-of-service relationships that exist between the District and its customers in relation to Facility / Equipment fees for the Permitting and Compliance programs, Air Quality Planning, Air Toxics Programs, Source Tests, and Registration and Renewal of Agricultural Diesel Engines. The results of this study provide the District with a tool for understanding current service levels, the cost and demand for those services, and what fees for service can be legally charged.

State law and the Health and Safety Code provides the District with the ability to fund its activities through a combination of Grants, Subventions, Permit Fees (scope of this analysis), penalties, and Vehicle Registration surcharges.

The display of the cost recovery figures shown in this report are meant to provide a basis for policy development discussions among Board members and District staff, and do not represent a recommendation for where or how the Board should act. The setting of the "rate" or "price" for services, whether at 100 percent full cost recovery or lower, is a policy decision to be made only by the Board, with input from District staff and the regulated community.

Project Methodology

The methodology employed by the Matrix Consulting group is a widely accepted "bottom up" approach to cost analysis, where time spent per unit of fee activity is determined for

each position within a Division or Program. Once time spent for a fee activity is determined, all applicable District costs are then considered in the calculation of the “full” cost of fee-related services provided by the District:

Table 1: Cost Components Overview

Cost Component	Description
Direct	Fiscal Year 2022/23 Budgeted salaries, benefits, and allowable expenditures.
Indirect	Departmental and districtwide administration and clerical support.

Together the cost components in the table above comprise the calculation of the total “full” cost of providing a particular fee-related activity. For example, the full cost to permit and inspect an air pollution emitting device (e.g., baghouse) powered by an electric motor using the Schedule A.2. per electric horsepower fee consists of a review of 0.10 hours (6 minutes) by Air Quality Engineer, 0.03 hours (2 minutes) by Eng. Mgr. / Supervisor, 0.10 hours (6 minutes) by Compliance Air Quality Specialist, and 0.03 hours (2 minutes) by Compliance Mgr. / Supervisor. The time estimates for each position are multiplied by their respective fully burdened hourly rates (\$161.50 for Air Quality Eng., \$201.63 for Eng. Mgr. / Supv., \$178.32 for Compliance Air Quality Spec., and \$224.52 for Compliance Supv. / Mgr.) to arrive at the full cost of \$45.28. This is the level of detail that was collected for every single fee included in this study.

The work accomplished by the Matrix Consulting Group in the analysis of the fees for service involved the following steps:

- **Conducted Interviews with Staff:** The project team interviewed District staff across all programs and activities regarding the services that they provide, the level of service associated with fees, and ensuring that time estimates are appropriate.
- **Collected Data:** Data was collected for each permit / service, including internal time tracking information and workload information associated with the different activities. In addition, budgeted costs and staffing levels for FY22/23 were entered into the Matrix Consulting Group’s analytical software model.
- **Calculated the Full Cost of Services:** Utilizing the data collected, fully burdened hourly rates were calculated and multiplied by the time estimates to determine the full cost associated with each fee-related service.

- **Reviewed Results with Staff:** The project team reviewed the results of the analysis with supervisory and managerial staff to ensure that there was review and approval of these documented results.

A more detailed description of user fee methodology and legal regulations are provided in subsequent chapters of this report.

Summary of Findings

When comparing the prior 3 years of workload information against the FY23 budgeted full cost of District fee-related activities, the District is under-recovering by approximately \$2.3 million per year. The following table shows by Fee Schedule, the revenue at current fee, the total annual cost, the resulting difference, and the cost recovery percentage.

Table 2: Annual Cost Recovery Analysis

Fee Schedule	Revenue at Current Fee ¹	Total Annual Cost	Annual Surplus / (Deficit)	Cost Recovery %
A – Equipment / Facility	\$1,157,439	\$1,923,856	(\$766,417)	60%
B-1 Air Quality Planning	\$344,135	\$428,347	(\$84,212)	80%
B-2 Air Toxics	\$113,970	\$259,352	(\$145,382)	44%
C – Source Testing	\$105,321	\$178,882	(\$73,561)	59%
F - Miscellaneous	\$327,537	\$1,525,322	(\$1,197,785)	21%
Agricultural Diesel Engines	\$24,360	\$70,701	(\$46,341)	34%
TOTAL	\$2,072,763	\$4,386,460	(\$2,313,697)	47%

The \$2.3 million reflects a cost recovery level of 47% for the programs funded by the fee schedules. The largest sources of this shortfall are Schedules F (\$1.2 million) and Schedule A (\$766,000). This under-recovery is primarily associated with three fee categories:

- Schedule A.3 - Fuel Burning Equipment – per 1 million BTU / hr. – annual shortfall of \$628,000 and a per unit shortfall of \$700.
- Schedule F.2 - Minimum PTO / Reevaluation Fee – annual shortfall of \$468,000 and a per unit shortfall of \$2,646.
- Schedule F.3 – Yearly PTO Reevaluation Fee – Motor Vehicle Fueling Facilities Equipped with Phase II Vapor Recovery Systems per nozzle – annual shortfall of \$485,000 and a per unit shortfall of \$540.

¹ The Revenue at Current Fee is calculated by taking the 3 year average of workload information (FY19, FY20, and FY21) and multiplying it by the FY22 fee rate.

The shortfalls noted are being funded through other revenue sources available at the District. The results of this study show on a fee-by-fee or line-by-line basis the current fee and the full cost calculated through this study. The results of this analysis provide the District with guidance on how to right-size their fees to ensure that each service unit is set at an amount that does not exceed the full cost of providing that service and which does not rely on revenue subsidies.

Future Considerations for Cost Recovery Policy and Updates

The Matrix Consulting Group recommends that the District use the information contained in this report to discuss, adopt, and implement a formal Cost Recovery Policy, and a mechanism for the annual update of fees for service.

1 Adopt a Formal Cost Recovery Policy

The Matrix Consulting Group strongly recommends that the Board adopt a formalized, individual cost recovery policy for each service area included in this Study. Whenever a cost recovery policy is established at less than 100% of the full cost of providing services, a known gap in funding is recognized and may then potentially be recovered through other revenue sources. The Matrix Consulting Group considers a formalized cost recovery policy for various fees for service an industry Best Management Practice.

For most Air Control Districts, a standard target cost recovery policy is to achieve and maintain 85% cost recovery. While it is ideal to target 100% cost recovery, due to changing regulations, permitting environments, and costs, it is difficult to achieve that. Therefore, it is being recommended that through this analysis, the District adopt a formal target policy identifying its Board agreed upon cost recovery target.

2 Adopt an Annual Fee Update / Increase Mechanism

The purpose of a comprehensive update is to completely revisit the analytical structure, service level estimates and assumptions applied in the previous study, and to account for any major shifts in cost components or organizational structures. The Matrix Consulting Group believes it is a best management practice to perform a focused programmatic update of the fees every 3 to 5 years by utilizing current revenue and expenditure data coupled with up-to-date programmatic goals and objectives.

In between focused programmatic updates, the District should continue its practice of utilizing published industry economic factors such as the California Consumer Price Index (CPI) as noted by the California Health and Safety Code Section 42311, which enables the District to update the cost calculations established in the Study on an annual basis. Utilizing an annual increase mechanism would ensure that the District receives

appropriate fee and revenue increases that reflect growth in costs and minimize major cost increases from year to year.

3 Other Fees

There are certain fees that have not been evaluated in this cost of services study as those fees are not service or time-based, or the programs are evolving. For those programs and fees, the District should consider evaluating them at a later date. For example, the District plans to undergo changes for the Asbestos program in the near future, as such those fees should be evaluated, once all changes have been implemented.

4 Cost Increases

The cost of services study is a snapshot in time. Future cost recovery considerations must take into account potential cost increases not due to annual cost increases, but rather items such as staffing changes or process changes that may impact the time it takes to conduct activities.

2. Legal Framework

A “user fee” is a charge for service provided by a governmental agency to a public citizen or group. In California, several constitutional laws such as Propositions 13, 4, and 218, State Government Codes 66014 and 66016, and more recently Prop 26 and the Attorney General’s Opinion 92-506 set the parameters under which the user fees typically administered by local government are established and administered. Specifically, California State Law, Government Code 66014(a), stipulates that user fees charged by local agencies “...may not exceed the estimated reasonable cost of providing the service for which the fee is charged”.

In addition to these propositions and legal government codes, the District’s fees are specifically subject to the California Health and Safety Code. The following table summarizes the key Health and Safety Codes and their fee and revenue related regulations:

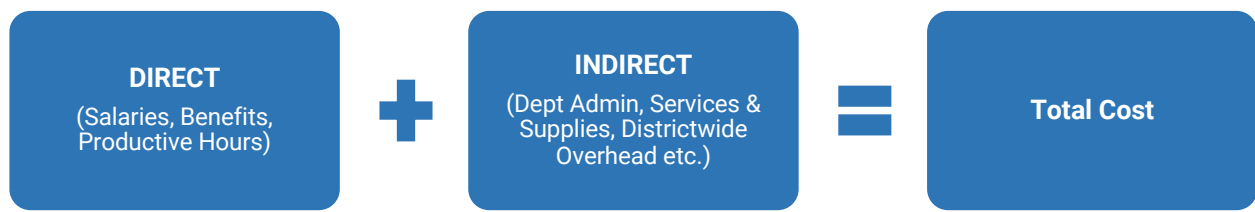
Table 3: California Health and Safety Code Regulations

CA H&SC	Description
40701.5	Provides the District with the ability to fund its activities through a combination of Grants, Subventions, Permit Fees (scope of this analysis), penalties, and Vehicle Registration surcharges.
41512	Provides the District with the ability to set fees (after a public hearing) to recover the costs associated with evaluation, sampling, calculations, and report preparation for sources that have emissions provided fees do not exceed the cost of providing those services.
41512.7(b)	Provides language that enables the District to increase individual fees for service for permit to operate and authority to construct permits by no more than 15% per year.
42311	This section enables the District to establish fees for renewal, evaluation, and issuance of permits for stationary sources, nonvehicular sources emitting toxic air contaminants, and hearing board fees, provided they do not exceed the cost of providing those services. Additionally, the District can increase these fees every year based upon the California CPI.

As the table demonstrates, there are several codes that are applicable to Air Pollution District fees. Ultimately, these codes reiterate the regulations from Proposition 26 and 218, in that the District is limited to the cost associated with providing these services as it is setting its fees. Therefore, it is critical to ensure that as the costs are being calculated for this analysis, they incorporate all costs (direct and indirect) associated with providing the fee-related services. The regulations do also potentially limit the increase of fees to no more than 15% per year, which doesn’t affect cost calculation but affects fee setting.

3. Cost Recovery Methodology

The Matrix Consulting Group utilizes a cost allocation methodology commonly known and accepted as the “bottom-up” approach to establishing User Fees. The term means that several cost components are calculated for each fee or service. These components then build upon each other to comprise the total cost for providing the service. The following chart describes the components of a full cost calculation:



The general steps utilized by the project team to determine allocations of cost components to a particular fee or service are:

- Calculate fully burdened hourly rates by position, including direct & indirect costs.
- Develop time estimates for each service included in the study.
- Distribute the appropriate amount of the other cost components to each fee or service based on the staff time allocation basis, or another reasonable basis.

The results of these allocations provide detailed documentation for the reasonable estimate of the actual cost of providing each service. The following subsections discuss the fully burdened hourly rates calculated and the time estimates utilized.

Fully Burdened Hourly Rates

Fully burdened hourly rates are one of the two key factors of the full cost calculated, and are comprised of the following key components:

- **Direct Cost:** This consists of the salaries, benefits, and productive hours associated with each position. The salaries and benefits are the actual salaries and benefits budgeted for each position at the District. The productive hours are a calculation to reduce the billable hours from 2,080 (standard full-time hours) to the hours which are available to be billed for. This includes reduction for items such as sick leave, vacation, holidays, and trainings. Based upon review of District staff

labor agreements, the total productive hours calculated for the District are 1,646 hours. The 1,646 hours represents a billable percentage of 79%, which is within the range typically seen for local government at 72-82%.

- **Supplies and Services Overhead:** This overhead refers to the non-personnel budgeted items for each program or division that are necessary for the employees to be productive. This includes costs such as internal service charges for vehicles, technology costs, minor equipment, training expenses, and general office equipment. There is a unique overhead associated with each program, as each program has their own services and supplies costs. The costs for each program are divided by the total billable hours in each program to calculate the supplies and services overhead per hour.
- **Departmental Overhead:** This consists of the costs associated with all other activities associated with fee-related programs that are not considered billable. This includes the costs associated with managerial and clerical staff, as well as the non-billable time associated with fee-related staff. The goal of the program is to be recovered through fees, as such the costs should be considered as overhead to fees. The departmental overhead, like the supplies and services overhead is unique to each program, as there are different staffing allocations to each program and activity.
- **Districtwide Overhead:** This cost component reflects the costs associated with Fiscal and Executive, Human Resources, Public Information, and Information Technology. These are all programs and activities that provide support to the District's fee and non-fee related programs. The costs associated with these programs are allocated to the different District programs based upon the FTE and budgeted expenditures associated with each program. The total overhead costs for each program are unique and divided by the total available hours for each program to calculate the districtwide overhead per hour for each staff position.

Together these cost components result in fully burdened hourly rates, which are reflective of the total cost to the District for each position. It is important to note that this rate is *NOT* meant to be reflective of actual pay to District staff, but rather reflects the cost associated with that employee, which includes salaries, benefits, supervisory support, services and supplies, and overall districtwide support. The fully burdened hourly rate is utilized in conjunction with time estimates to calculate the full cost of service.

Time Studies

One of the key study components utilized in the “bottom up” approach is the use of timecard data along with supplemental time estimates, as needed, for the provision of each fee related service. Timecard data, where available, reflects actual staff time spent in the various programs funded by the fee schedule. Where timecard data was unavailable or incomplete, utilization of time estimates is a reasonable and defensible approach, especially since experienced staff members who understand service levels and processes unique to the District developed these estimates.

The project team worked closely with District staff in developing time assumptions with the following criteria:

- Estimates were based on actual timecard data where available.
- Estimates are representative of average times for providing services for those fee schedules for which timecard data was unavailable or incomplete. Estimates for extremely difficult or abnormally simple projects are not factored into this analysis.
- Estimates reflect the time associated with the position or positions that typically perform a service.
- Estimates provided by staff are reviewed and approved by the division / department and involve multiple iterations before the Study is finalized.
- Estimates are reviewed by the project team for “reasonableness” against their experience with other agencies.
- Estimates were not based on time in motion studies¹, as they are not practical for the scope of services and time frame for this project.

The Matrix Consulting Group notes that while the use of time estimates is not perfect, it is the best alternative available for setting a standard level of service for which to base a jurisdiction’s fees for service and meets the requirements of California law.

¹ Time in Motion studies refers to a type of process in which staff time is measured utilizing a stopwatch and each task is timed separately through the course of the project. This is not typically feasible for most services as due to the time span over which the services are provided.

4. Detailed Results

The motivation behind a cost of services (User Fee) analysis is for the District Board and Program staff to maintain services at a level that is both accepted and effective for the community, and to maintain control over the policy and management of these services.

The results presented in this report are not a precise measurement. In general, a cost-of-service analysis takes a “snapshot in time”, where a fiscal year of adopted budgeted cost information is compared to the same fiscal year of revenue, and workload data available. Changes to the structure of fee names, along with the use of time estimates allow only for a reasonable projection of shortfalls and revenue. Consequently, the Board and Program staff should rely conservatively upon these estimates to gauge the impact of implementation going forward.

Discussion of results in the following sections is intended as a summary of extensive and voluminous fee study documentation produced during the Study. Each chapter includes detailed cost calculation results for each major permit category including the following:

- **“Per Unit” Results:** comparison of the full cost of providing each unit of service to the current fee for each unit of service (where applicable).
- **Annualized Results:** utilizing the volume of activity, estimates of annual shortfalls and revenue impacts were projected.

The full analytical results were provided to District staff under separate cover from this summary report.

5. A – Facility / Equipment Description

Fees for the issuance of Authority to Construct (ATC) and Permit to Operate (PTO) permits are based on the number and size of the equipment included in each project. These permit issuance fees are primarily covered by Fee Schedule A. These fees are intended to cover the cost of staff time associated with reviewing and issuing new permits, conducting reevaluations of existing permits, and conducting initial and ongoing compliance inspections. The following subsections discuss per unit and annual results.

Per Unit Results

The full cost calculated for each service includes direct staff costs, departmental overhead, and districtwide overhead. The following table details the name, current fee, full cost calculated, and the difference associated with Facility / Equipment Fee Schedule.

Table 4: Cost Per Unit Results – Facility / Equipment Description / Fee Schedule

Fee Name	Unit	Current Fee	Total Cost Per Unit	Difference
1.a. Miscellaneous per equipment	Each	\$79.76	\$109.01	(\$29.25)
1.b. Minimum Permit fee if only miscellaneous equipment	Each	\$496.00	\$1,079.21	(\$583.21)
2. Electric Motor				
Per total rated horsepower	Each	\$41.35	\$45.28	(\$3.93)
Minimum Fee	Each	\$79.24	\$87.35	(\$8.11)
Maximum Fee	Each	\$8,006.06	\$8,767.72	(\$761.66)
3. Fuel Burning Equipment				
Per 1 million Btu/hour input (max design fuel consumption)	Each	\$598.34	\$1,298.62	(\$700.28)
Minimum Fee	Each	\$79.24	\$173.10	(\$93.86)
Maximum Fee	Each	\$8,006.06	\$17,375.87	(\$9,369.81)
4. Electrical Energy				
Per KVA rating in 10's	Each	\$8.04	\$21.38	(\$13.34)
Minimum Fee	Each	\$79.24	\$210.68	(\$131.44)
Maximum Fee	Each	\$8,006.06	\$21,286.65	(\$13,280.59)
5. Incinerator				
Per square feet of inside cross-sectional area	Each	\$99.70	\$130.06	(\$30.36)
Minimum Fee	Each	\$79.24	\$104.04	(\$24.80)
Maximum Fee	Each	\$4,002.08	\$5,220.53	(\$1,218.45)
6. Stationary Container				
Per 1,000 gallons	Each	\$4.57	\$5.00	(\$0.43)
Minimum Fee	Each	\$79.24	\$87.26	(\$8.02)
Maximum Fee	Each	\$4,002.08	\$4,378.59	(\$376.51)
7. Dry Cleaning Equipment Fee	Each	\$79.76	\$4,768.42	(\$4,688.66)
8. Motor Vehicle Gasoline Fueling Facilities				
Per Phase II vapor recovery system nozzle (NSR Mods)	Each	\$45.87	\$80.81	(\$34.94)
Min. Fee (for a Facility with a Phase II VRS)	Each	\$318.87	\$561.72	(\$242.85)
10. Rock Crusher Fee, Per Device	Each	\$79.76	\$219.77	(\$140.01)
11. Stacker Belt Fee, Per Stacker Belt	Each	\$79.76	\$57.52	\$22.24

Other than the Stacker Belt Fee, every fee in this section shows an under-recovery. The most significant shortfalls on a permit equipment basis relates to 'Fuel Burning Equipment' at \$700 per 1 million BTU, as such the Maximum Fee for that category shows a \$9,000 shortfall. The remaining fees also have shortfalls ranging from a low of \$0.43 per 1,000 gallons to a high of \$13,281 – maximum fee for Electrical Energy.

Annual Results

In addition to the per unit analysis, the project team also collected information regarding the annual implications of the full cost calculated. For each fee associated with the Facility / Equipment Description / Fee Schedule, the following table shows the three (3) year² average volume, the revenue at current fee, the total annual cost, and the difference.

Table 5: Annual Results – Facility / Equipment Description / Fee Schedule

Fee Name	Annual Volume	Revenue at Current Fee	Revenue at Full Cost	Difference
1.a. Miscellaneous per equipment	1,442	\$114,987	\$157,157	(\$42,170)
1.b. Minimum Permit fee if only miscellaneous equipment	4	\$2,149	\$4,677	(\$2,527)
2. Electric Motor				
Per total rated horsepower	7,515	\$310,731	\$340,263	(\$29,532)
3. Fuel Burning Equipment				
Per 1 million Btu/hour input	896	\$536,312	\$1,163,995	(\$627,683)
4. Electrical Energy				
Per KVA rating in 10's	20	\$158	\$420	(\$262)
5. Incinerator				
Per square feet of inside cross-sectional area	67	\$6,680	\$8,714	(\$2,034)
6. Stationary Container				
Per 1,000 gallons	29,206	\$133,470	\$145,970	(\$12,500)
7. Dry Cleaning Equipment Fee	2	\$160	\$9,537	(\$9,377)
8. Motor Vehicle Gasoline Fueling Facilities				
Per Phase II Vapor Recovery System Nozzle	181	\$8,318	\$14,653	(\$6,335)
Facilities w/out Phase II Vapor Recovery Nozzle	2	\$1,196	\$1,818	(\$621)
10. Rock Crusher Fee, Per Device	15	\$1,196	\$3,297	(\$2,100)
11. Stacker Belt Fee, Per Stacker Belt	9	\$744	\$537	\$208
TOTAL		\$1,157,439	\$1,923,856	(\$766,417)

When comparing average annual revenues to project full costs, the District shows a shortfall and associated subsidy of approximately \$766,000. The primary source of this subsidy relates to Fuel Burning Equipment at \$628,000.

² Volume is based on an average of FY19, FY20, and FY21 annual permit workload.

6. B-1 Air Quality Planning

The District’s Planning Division is responsible for implementing several air quality planning programs. The Air Quality Planning (AQP) fee is used for ozone planning, PM planning, rule development, coordination efforts with planning departments around the county, marine shipping initiatives, mobile source planning, promotion of zero emission vehicle technology and infrastructure, implementing control measures, maintaining the District’s emission inventory, oversight of the District’s air monitoring network, AB 197 and AB 617 implementation, the Vessel Speed Reduction Program, as well as conducting outreach for grant and incentive programs to promote clean air technologies, presenting at school and community groups, and partnering with local agencies and organizations. The Division reviews discretionary actions by the County and cities, and provides comments on air quality issues, including being responsible for ensuring compliance with the California Environmental Quality Act (CEQA). More recently, the Division has implemented legislative requirements and incentives associated with the state’s AB 617 Community Air Protection program. The following subsections discuss any proposed modifications, the per unit results, and the annual results.

This fee was historically known as the Air Quality Attainment Plan (AQAP) fee. It is important to note that this fee is based on tonnage. The fee can be based on either permitted levels or actual levels, depending upon the date the facility was first permitted. In FY21/22, this fee applied to 44 facilities with potential or actual emissions of 10 tons per year or more of either ROG or NOx. Short term projections indicate a decrease of AQP fees of about 30% with longer term projections indicating a further 20% reduction as emissions continue to decrease. As such, there is expected to be a significant decline in the revenues received for this activity.

Per Unit Results

The full cost calculated for each service includes direct staff costs, departmental overhead, and districtwide overhead. The following table details name, current fee, full cost calculated, and the difference associated with Air Quality Planning.

Table 6: Cost Per Unit Results – Fee for Air Quality Planning

Fee Name	Unit	Current Fee	Total Cost Per Unit	Difference
0 to ≤ 10 tons per year	per ton	\$0.00	\$0.00	\$0
> 10 to ≤ 25 tons per year	per ton	\$61.82	\$77.07	(\$15.25)
> 25 to ≤ 100 tons per year	per ton	\$93.71	\$115.60	(\$21.89)
> 100 tons per year	per ton	\$123.66	\$154.13	(\$30.47)

The District is currently under-recovering for all Air Quality Planning categories, ranging from a low of \$15 for '> 10 to ≤ 25 tons per year' to a high of \$30 for '> 100 tons per year'.

Annual Results

In addition to the per unit analysis, the project team also collected information regarding the annual implications of the full cost calculated. For each fee associated with Air Quality Planning, the following table shows the three (3) year³ average volume, the revenue at current fee, the total annual cost, and the difference.

Table 7: Annual Results – Fee for Air Quality Planning

Fee Name	Annual Volume	Revenue at Current Fee	Revenue at Full Cost	Difference
> 10 to ≤ 25 tons per year	226.85	\$14,024	\$17,483	(\$3,459)
> 25 to ≤ 100 tons per year	494.23	\$46,314	\$57,132	(\$10,818)
> 100 tons per year	2,294.98	\$283,798	\$353,732	(\$69,935)
TOTAL		\$344,135	\$428,347	(\$84,212)

Overall, Air Quality Planning fee services show an annual shortfall of approximately \$84,000, with the largest impact (\$70,000) coming from the '> 100 tons per year' category.

³ Volume is based on an average of FY19, FY20, and FY21 annual permit workload.

7. B-2 Air Toxics Program

The Air Toxics function includes implementation of the state’s Air Toxics “Hot Spots” (AB 2588) Program, the review of applications to ensure no new sources of significant health risk are permitted, and the tracking and implementation of requirements of state and federal air toxic regulations. The California Air Resources Board (CARB) develops Air Toxic Control Measures for categories of sources that emit toxic air contaminants, and the District implements these measures locally. The United States Environmental Protection Agency (EPA) also develops air toxic regulations, known as National Emission Standards for Hazardous Air Pollutants, and these are implemented locally by the District via a delegation agreement. The air toxics programs help ensure that residents, businesses, and sensitive receptors (e.g., schools, daycares, hospitals, etc.) are properly protected. The following subsections discuss the proposed modifications to this section, the detailed per unit results, and the annual revenue impact.

The Air Toxics Program fee schedule is based on pounds of emission per year. The District doesn’t currently assess fees for Air Toxics Programs with less than 2,000 pounds per year. However, similar to the AQP fee, because the structure is based on emissions, as emission decline the total revenue associated with these fees is expected to decline. There are estimates of approximately a 15% decline in the short-term and another 12% decline in the long-term, resulting in a significant overall revenue decline.

Per Unit Results

The full cost calculated for each fee-based service includes direct staff costs, departmental overhead, and districtwide overhead. The following table details the name, current fee, full cost calculated through this study, and the difference for each fee associated with the Air Toxics Program.

Table 8: Cost Per Unit Results – Air Toxics Program

Fee Name	Unit	Current Fee	Total Cost Per Unit	Difference
> 2,000 pounds per year	per pound	\$0.39	\$0.89	(\$0.50)

The current per pound fee shows a \$0.50 shortfall.

Annual Results

In addition to the per unit analysis, the project team also collected information regarding the annual implications of the full cost calculated. For each fee associated with Air Toxics

Programs, the following table shows the three (3) year⁴ average volume, the revenue at current fee, the total annual cost, and the difference.

Table 9: Annual Results – Air Toxics Program

Fee Name	Annual Volume	Revenue at Current Fee	Revenue at Full Cost	Difference
> 2,000 pounds per year	292,231	\$113,970	\$259,352	(\$145,382)
TOTAL		\$113,970	\$259,352	(\$145,382)

The shortfall for this fee category (\$145,000) is due to the per unit shortfall of \$0.50 per pound, given that the District monitors nearly 300,000 pounds annually.

⁴ Volume is based on an average of FY19, FY20, and FY21 annual permit workload.

8. C – Source Tests Under Schedule A

Source Testing is the in-stack measurement of the actual emissions released from an equipment unit. Engineering Division staff are responsible for implementing the District's Source Test Program. Approximately 10% of permitted facilities are required to perform source testing. Staff review source test plans and reports as well as observe onsite testing. The following subsections discuss any proposed modifications, the per unit results, and the annual results.

Per Unit Results

The full cost calculated for each service includes direct staff costs, departmental overhead, and districtwide overhead. The following table details the name, current fee, full cost calculated through this study, and the difference for each fee associated with Review, Observation, and Evaluation of Source Tests for Equipment Evaluated Under Section A.

Table 10: Cost Per Unit Results – Review, Observation, and Evaluation of Source Tests

Fee Name	Unit	Current Fee	Total Cost Per Unit	Difference
Boiler or Heater	Each	\$2,044.36	\$3,442.65	(\$1,398.29)
Piston type engine				
one engine	Each	\$2,044.36	\$3,442.65	(\$1,398.29)
each additional engine	Each	\$544.48	\$958.60	(\$414.12)
Thermal oxidizer	Each	\$2,044.36	\$3,637.54	(\$1,593.18)
Wet scrubber (gaseous)	Each	\$2,044.36	\$3,783.31	(\$1,738.95)
Wet scrubber (particulate)	Each	\$2,722.49	\$4,720.13	(\$1,997.64)
Baghouse	Each	\$2,722.49	\$4,720.13	(\$1,997.64)
Gas Turbine	Each	\$2,722.49	\$4,720.13	(\$1,997.64)
Heater Treater	Each	\$2,722.49	\$4,038.81	(\$1,316.32)
Other	Each	\$2,722.49	\$4,720.13	(\$1,997.64)

All the fees relating to Source Tests show an under-recovery. The largest shortfall of \$1997.64 per unit relates to 'Wet scrubber (particulate)', 'Baghouse', 'Gas Turbine', and 'Other'.

Annual Results

In addition to the per unit analysis, the project team also collected information regarding the annual implications of the full cost calculated. For each fee associated with Source

Tests, the following table shows the three (3) year⁵ average volume, the revenue at current fee, the total annual cost, and the difference.

Table 11: Annual Results – Review, Observation, and Evaluation of Source Tests

Fee Name	Annual Volume	Revenue at Current Fee	Revenue at Full Cost	Difference
Boiler or Heater	27.00	\$55,198	\$92,952	(\$37,754)
Piston type engine				
One engine	5.00	\$10,222	\$17,213	(\$6,991)
Each additional engine	7.00	\$3,811	\$6,710	(\$2,899)
Thermal oxidizer	6.00	\$12,266	\$21,825	(\$9,559)
Wet scrubber (gaseous)	1.00	\$2,044	\$3,783	(\$1,739)
Baghouse	1.00	\$2,722	\$4,720	(\$1,998)
Gas Turbine	4.00	\$10,890	\$18,881	(\$7,991)
Heater Treater	2.00	\$5,445	\$8,078	(\$2,633)
Other	1.00	\$2,722	\$4,720	(\$1,998)
TOTAL		\$105,321	\$178,882	(\$73,561)

The District's annual shortfall related to Source Tests is approximately \$74,000. This deficit is primarily due to the Boiler or Heater Source Test category. The per unit shortfall for that category is approximately \$1,400 and coupled with 27 annual tests, it results in a \$38,000 shortfall.

⁵ Volume is based on an average of FY19, FY20, and FY21 annual permit workload.

9. Schedule F

This section of the fee schedule captures miscellaneous fees as well as Hearing Board fees. The following subsections discuss any proposed modifications, the detailed per unit results, and the annual results.

Per Unit Results

The full cost calculated for each service includes direct staff costs, departmental overhead, and districtwide overhead. The following table details the name, current fee, full cost calculated through this study, and the difference for each fee associated with Schedule F.

Table 12: Cost Per Unit Results – Schedule F

Fee Name	Unit	Current Fee	Total Cost Per Unit	Difference
1. ATC/PTO filing fee, per application	Each	\$456.00	\$925.05	(\$469.05)
2. Minimum PTO reevaluation fee	Each	\$496.00	\$3,141.73	(\$2,645.73)
3. Yearly PTO reevaluation fee – motor vehicle fueling facilities equipped with Phase II vapor recovery systems, per nozzle	Per Nozzle	\$27.91	\$568.22	(\$540.31)
4. Additional reinspection fee for motor vehicle fueling facilities equipped with Phase II vapor recovery systems, per nozzle	Per Nozzle	\$27.91	\$568.22	(\$540.31)
5. Fee for change in production rate	Per Permit	\$496.00	\$940.78	(\$444.78)
6. Fee for administrative change	Per Permit	\$496.00	\$932.92	(\$436.92)
9. Annual Atmospheric Acidity Protection Program fee	Per Source	\$696.00	\$846.70	(\$150.70)
10. Annual California Clean Air Act fee	Per Source	\$696.00	\$846.70	(\$150.70)
11. Fee for written determination of permit exemption	Flat	\$696.00	\$1,307.18	(\$611.18)
12. Hearing Board Fees				
12.a. Filing Fee (Fixed Fee Permit)				
Emergency variance				
Length of variance is 15 days or less	Each	\$117.00	\$1,894.06	(\$1,777.06)
Length of variance is more than 15 days	Each	\$236.00	\$1,894.06	(\$1,658.06)
Interim variance	Each	\$275.00	\$2,083.47	(\$1,808.47)
90-day variance	Each	\$1,494.00	\$3,030.50	(\$1,536.50)
Regular variance	Each	\$1,494.00	\$3,788.13	(\$2,294.13)
Additional fee for variance more than 3 months	Per Month	\$547.19	\$757.63	(\$210.44)
12.b. Filing Fee (Reimbursable Permit)				
Emergency variance	Each	\$117.00	\$1,894.06	(\$1,777.06)
Interim variance	Each	\$686.00	\$2,083.47	(\$1,397.47)
90-day variance	Each	\$686.00	\$3,030.50	(\$2,344.50)
Regular variance	Each	\$686.00	\$3,788.13	(\$3,102.13)
12.c. Permit appeal filing fee, per petition	Per Petition	\$794.00	\$3,788.13	(\$2,994.13)
12.d. Permit appeal hearing time, after first day (two hours)	Each	\$398.13	\$378.81	\$19.32
12.e. Excess emission fee, per ton	Per Ton	\$319.09	\$284.11	\$34.98

All but two fees associated with Schedule F show a per unit shortfall. These shortfalls range from a low of \$150 for 'Annual Atmospheric Acidity Protection Program' and 'Annual California Clear Air Act', to a high of \$3,102 for 'Filing Fee (Reimbursable Permit) – Regular Variance'. Both the 'Permit appeal hearing time, after first day' and 'Excess emission fee, per ton' fees show surpluses of \$19 and \$35, respectively.

Annual Results

In addition to the per unit analysis, the project team also collected information regarding the annual implications of the full cost calculated. For each fee associated with Schedule F, the following table shows the three (3) year⁶ average volume, the revenue at current fee, the total annual cost, and the difference.

Table 13: Annual Results – Schedule F

Fee Name	Annual Volume	Revenue at Current Fee	Revenue at Full Cost	Difference
1. ATC/PTO filing fee, per application	339	\$154,584	\$313,593	(\$159,009)
2. Minimum PTO reevaluation fee	177	\$87,792	\$556,087	(\$468,295)
3. Yearly PTO reevaluation fee – motor vehicle fueling facilities equipped with Phase II vapor recovery systems, per nozzle	898	\$25,049	\$509,976	(\$484,927)
5. Fee for change in production rate	2	\$827	\$1,568	(\$741)
6. Fee for administrative change	8	\$4,133	\$7,774	(\$3,641)
11. Fee for written determination of permit exemption	31	\$21,808	\$40,958	(\$19,150)
12. Hearing Board Fees				
12.a. Filing Fee (Fixed Fee Permit)				
Emergency variance				
Length of variance is 15 days or less	5	\$585	\$9,470	(\$8,885)
Length of variance is more than 15 days	1	\$236	\$1,894	(\$1,658)
Interim variance	7	\$1,925	\$14,584	(\$12,659)
90-day variance	5	\$7,470	\$15,153	(\$7,683)
Regular variance	1	\$1,494	\$3,788	(\$2,294)
Additional fee for variance more than 3 months	27	\$14,774	\$20,456	(\$5,682)
12.b. Filing Fee (Reimbursable Permit)				
Interim variance	4	\$2,401	\$7,292	(\$4,891)
90-day variance	3	\$1,715	\$7,576	(\$5,861)
Regular variance	4	\$2,744	\$15,153	(\$12,409)
TOTAL		\$327,537	\$1,525,322	(\$1,197,785)

The District's annual shortfall associated with Schedule F is approximately \$1.2 million. The largest contributor to this shortfall is the 'Minimum PTO reevaluation' at roughly \$468,000 annually.

⁶ Volume is based on an average of FY19, FY20, and FY21 annual permit workload.

10. 213-A Agricultural Diesel Engines

This section of the fee schedule is specific to the registration of Agricultural Diesel Engines. The following subsections discuss the proposed modifications, the detailed per unit results, and the annual results.

Per Unit Results

The full cost calculated for each service includes direct staff costs, departmental overhead, and districtwide overhead. The following table details the name, current fee, full cost calculated through this study, and the difference for each fee associated with Registration and Renewal of Agricultural Diesel Engines.

Table 14: Cost Per Unit Results – Registration and Renewal of Agricultural Diesel Engines

Fee Name	Unit	Current Fee	Total Cost Per Unit	Difference
213-A. Registration and Registration Renewal of Agricultural Diesel Engines	Each	\$280.00	\$812.65	(\$532.65)

The ‘Registration and Registration Renewal of Agricultural Diesel Engines’ has a calculated per unit shortfall of \$532.65.

Annual Results

In addition to the per unit analysis, the project team also collected information regarding the annual implications of the full cost calculated. For each fee associated with Registration and Renewal of Agricultural Diesel Engines, the following table shows the three (3) year⁷ average volume, the revenue at current fee, the total annual cost, and the difference.

Table 15: Annual Results – Registration and Renewal of Agricultural Diesel Engines

Fee Name	Annual Volume	Revenue at Current Fee	Revenue at Full Cost	Difference
213-A. Registration and Registration Renewal of Agricultural Diesel Engines	87	\$24,360	\$70,701	(\$46,341)

The District’s annual shortfall related to Registration and Renewal of Agricultural Diesel Engines is roughly \$46,000.

⁷ Volume is based on an average of FY19, FY20, and FY21 annual permit workload.