apcd air pollution control district
SANTA BARBARA COUNTY

Agenda Item: H-1
4Agenda Date: May 16, 2024
Agenda Placement: Regular
Estimated Time: 15 Minutes
Continued Item: No

Board Agenda Item

TO: Air Pollution Control District Board

FROM: Aeron Arlin Genet, Air Pollution Control Officer

CONTACT: Kristina Aguilar, CPA, Administrative Division Manager, (805) 979-8288

SUBJECT: Fiscal Year (FY) 2024-25 Proposed Budget

RECOMMENDATION:

Consider the Fiscal Year 2024-25 Proposed Budget as follows:

1. Receive the Proposed Budget for Fiscal Year 2024-25;
2. Hold a public hearing to accept comments and provide direction to staff regarding changes desired by the Board; and
3. Schedule a budget adoption hearing for June 20, 2024.

DISCUSSION:

<u>Public Review and Board Adoption Process</u>

Your Board is requested to hold a public hearing to review the attached proposed District budget for FY 2024-25 and to provide the public with the opportunity to comment. A second public hearing must be held to adopt the budget and it is requested to be set for the next regularly scheduled Board meeting on June 20, 2024.

As required, the proposed budget was made available to all fee payers and to the general public at least 30 days in advance of this hearing. The proposed budget (Attachment A) was posted on the District's website for public review and notices were either mailed or e-mailed to 814 permit holders on March 29, 2024. Notices were also published in local newspapers on April 4, 2024. In addition, staff conducted a virtual public workshop on April 16, 2024 to explain the budget, answer questions, and receive input.

Major Factors Affecting the FY 2024-25 Budget

Long-Range Fiscal Strategy 2023-2028 – At the October 2023 Board Meeting, staff presented the Long-Range Fiscal Strategy 2023-2028 (Strategy) with the goal of ensuring the District has sufficient resources to accomplish its mission and mandates into the foreseeable future. In preparing this Strategy, the District conducted a thorough analysis of historical revenue and expenditures, as well as detailed projections over the next five years, carefully evaluating changes to revenue, impacts to workload, current cost-recovery mechanisms for fee-based programs, existing and projected staffing, and potential cost reductions and/or revenue enhancements. This analysis was performed in the context of maintaining core programs with existing staffing levels and factoring in reduced revenue due to changes in oil and gas activity throughout the region. Through this analysis, a budget deficit of approximately $400,000 (i.e., 4% of the District's annual operating budget) was forecasted in FY 2024-2025, increasing to a deficit of approximately $1.2 million in FY 2027-2028. To address the forecasted budget deficit, key recommendations were included in the Strategy to provide the District with long-term mechanisms to remain fiscally sound. At the October 19, 2023, meeting, your Board provided unanimous direction to proceed with the following recommendations: 1) develop a cost-recovery policy for fee-based programs; 2) consider changes to Rule 210 (Fees) and implement multi-year, phased-in fee increases; 3) adopt a fund balance policy; and 4) evaluate and implement staff retention measure(s). These recommendations are the core principles that guided staff in the development of the Fiscal Year 2024-25 budget.

Fee Revenue - In Fiscal Year 2023-24, the District conducted a Cost-Recovery and Fee Analysis Study (Fee Study) to determine the cost-recovery percentage achieved by the District using existing fees for the following stationary source programs: permitting, compliance, air quality planning, air toxics, source testing, agricultural diesel engine registration, and the Hearing Board. 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 results of the Fee Study showed that, overall, the District is only recovering 47% of its costs to implement those mandated fee-based programs. For the past 33 years, the District has deferred fee increases by adhering to fiscal principles that maximize efficiency and minimize costs. The District has annually adjusted fees only by applying the Consumer Price Index (CPI) and has not required across-the-board fee increases since 1991.

In October 2023, the District presented the results of the Fee Study to your Board as part of the Long-Range Fiscal Strategy 2023–2028. The Strategy included a suite of recommendations designed to provide the District with a long-term mechanism to stay fiscally sound. One of the recommendations was to adopt a Cost-Recovery Policy, which your Board formally adopted at the January 18, 2024 meeting. Another recommendation was to revise Rule 210 (Fees) to ensure better cost-recovery from the District's stationary source program and align permit fees with individual program costs.

The draft budget for FY 2024-2025 incorporates the proposed amendments to Rule 210 (Fees), which were presented to your Board on March 21, 2024. On May 16, 2024, your Board is scheduled to consider adoption of the proposed amendments to District Rule 210. If approved as presented, the District will increase the existing fee schedules up to 12% per year, beginning on July 1, 2024, until the schedule reaches 85% cost-recovery. In addition to the fee increase, the annual adjustment for the Consumer Price Index (CPI) will also be applied in FY 2024-25. The CPI for FY 2024-25 is 4.2%, but the total increase for each schedule will be limited to 15%, as required by the Health and Safety Code.

Pass-Through Grant Fund Revenue - The state Legislature, through the budget adoption process, continues to place a strong emphasis on the use of funding for voluntary emission-reduction programs through the network of local air districts. This action resulted in $2.7 million of new money for Santa Barbara County projects in FY 2024-25, approximately $275,000 less than the prior fiscal year. These funds will be used to continue expanding the reach of the grant programs, including the Carl Moyer, Community Air Protection, Funding Agricultural Replacement Measures for Emission Reductions (FARMER), Electrified Landscaping Equipment, and Wood Smoke Reduction programs. The grant funds help local businesses and organizations take advantage of cleaner technologies to secure immediate emission reductions. Project categories include agricultural and landscape equipment, marine vessels, school and transit buses, old passenger cars and trucks, and electric vehicle infrastructure. Throughout FY 2024-25, these one-time revenue sources will provide $300,427 in administrative funds to the District to implement the grant programs; a portion of these administrative funds will be used for grant administration for future years.

Historically the District has budgeted to spend all pass-through grant funds available each year. This includes current year revenue as well as prior years' encumbered projects to be paid for with fund balance. However, because pass-through revenues have increased over the last few years, this approach was inflating the District's budget. And when analyzing what grants are fully executed and paid each year, it was found that approximately 30% of what is budgeted every year was in fact spent. To better align the budget with actuals, the District has opted to change the approach for how to budget for pass-through grant expenditures and only budget what is likely to be paid out during the budget period. You'll see this change when reviewing the total budget amount, changes in fund balance as well as in the services and supplies line item under expenditures. See detail of pass-through revenue on page 22 of the attached document.

One-time Expenditure - Last year, the District budgeted to use a portion of fund balance to remodel the newly purchased office building in northern Santa Barbara County for our north county staff. With the anticipation of demolition and building renovations, $1.6 million was allocated in FY 2022-23; however, only approximately $225,000 was spent for building design and demolition by the end of June 2023. The leftover renovation budget of $1,375,000 was rolled over into the FY 2023-24 budget, along with another $625,000 to fully renovate the space. The District published a request to bid for construction of the remodel and found that construction costs had increased significantly. To bring this remodel to completion, the District is including an additional $1.3 million in this year's budget. When the office building is fully renovated, it will house the District's north county fleet, include a fully equipped monitoring lab for staff, and a space for the District to hold public workshops. The plan for the renovation includes resiliency for the District's IT/air monitoring networks, as well as sustainable building practices, with a goal of being a net-zero energy-efficient building. Fund balance reserves were used for the majority of the project, with operating revenue being proposed for the remainder of the project. The plan in future years will be to replenish the monies used from fund balance to levels appropriate for the District's size. Once the McCoy office building is occupied, it will result in an annual savings of $57,500 for rent in north county.

Salary and Benefits - The District negotiated a three-year agreement with the two employee bargaining units in FY 2022-23. The first year saw a cost-of-living adjustment (COLA) for District employees of 3.5%, which was effective August 18, 2022. The second and third years of that agreement provide District staff with a 2% COLA as of July 1, 2023 and July 1, 2024. This purposed budget includes the last COLA negotiated with the employee bargaining units; future union negotiations will begin later in FY 2024-25. Medical benefit costs increased substantially for District employees in 2024 (approximately 15%). Also included in the negotiations was a 4% increase toward medical benefits that is slated to start in January 2025. This equates to an additional $28 per month, per employee. And lastly, pension costs increased approximately 4%, or $72,000 from the prior year.

Proposed Budget Overview

- ***FY 2024-25 District Budget at a Glance***

The proposed FY 2024-25 budget is $13,743,730. This amount is $5,894,153 less than the adopted FY 2023-24 budget amount of $19,637,883, which is a decrease of 30%. This decrease is primarily associated with a change in the way the District is allocating grant funds during this fiscal year - to better represents grant funds that are expended on completed projects during FY 2024-25 and moves the remaining grant revenue to fund balance for future year expenditures. Pass-through funds make up 27% of the District's total budget. These pass-through funds have a specified use as defined by enabling legislation and cannot be used to cover District operations. To best illustrate the budget that falls within the District's purview to allocate, we've excluded the pass-through funds, and have a total operating budget of $9,948,726 (which is approximately 3% decrease from FY 2023-24). The summary tables on pages 22 and 23 in the attached budget document illustrate the operating revenues and expenses, with the exclusion of pass-through funds.

- ***Operating Revenues***

The proposed operating revenues of $9,948,726 represents a decrease of $309,528 compared to the FY 2023-24 total of $10,258,254. This decrease is primarily attributed to the North County office remodel coming to completion in FY 2024-25 and not having the need to pull out of fund balance to pay for the remodel. When looking at Operating Revenue without fund balance uses, there was actually an increase in operating revenue which is mainly due to the Rule 210 (Fees) changes as well as the CPI increase. When looking solely at the revenue piece, the District's operating revenue increased by approximately 15%.

- ***Operating Expenditures***

The FY 2024-25 operating budget of $9,948,726 represents a decrease of $309,528 compared to the FY 2023-24 amount of $10,258,254. This decrease is primarily attributed to the large one-time fixed asset expenditure for the office remodel that is currently taking place in FY 2023-24 and scheduled to be complete by December 2024. This savings is being offset by cost of living adjustments (COLA) that were negotiated with the two employee bargaining units in FY 2022-23 as mentioned above. Retirement contributions also saw an increase of 4% or roughly $72,000 in the salary and benefit category. Other fixed asset expenditures proposed for next fiscal year are in the monitoring section, to replace analyzers and monitoring equipment for all sites as needed, to stay up-to-date and use the best technology available. And lastly, the District's Compliance Division has budgeted to replace two aging vehicles with newer EV and/or Hybrid vehicles.

- ***Major Efforts during FY 2024-25:***

- Develop and implement an in-house cost-recovery tool to assist in calculating cost-recovery on a regular basis.
- Upon adoption, implement all provisions of revised District Rule 210 (Fees).
- Promote the redesign of the online permitted facilities map.

- Work with the District's Bilingual Team to translate compliance public information materials and compliance webpages to Spanish.
- Continue to implement Community Air Protection Program. Manage and oversee the remodel of the McCoy office building in north county.
- Conduct a five-year ambient air monitoring network assessment and submit to U.S. Environmental Protection Agency for approval.

In addition, other important core responsibilities will continue. Such activities include efforts to reduce emissions and educate the public through extensive outreach programs. Examples of these efforts include issuing permits, conduct inspections of permitted equipment, publish newsletters, improve computer automation services, and enhance our website.

Finally, to ensure that the District is working effectively, we will monitor success through impact and performance measures and use the information to improve the District's effectiveness and efficiency. These impact measures are included in the attached budget document.

Anticipated Adjustments to the Proposed Budget for June

The proposed budget will be modified based on staff recommendations and your Board's direction at the May hearing. Once the proposed budget is adopted at the scheduled June Board meeting, the adopted budget document will be published.

ATTACHMENT:

A. Fiscal Year 2024-25 Proposed Budget
B. Long-Range Fiscal Strategy Fiscal Years 2023-28

ATTACHMENT A

Fiscal Year 2024-25 Proposed Budget

May 16, 2024

Santa Barbara County Air Pollution Control District
Board of Directors

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

Proposed Budget

Fiscal Year 2024-25

Aeron Arlin Genet, Air Pollution Control Officer

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SANTA BARBARA COUNTY AIR POLLUTION CONTROL DISTRICT BOARD OF DIRECTORS

AIR POLLUTION CONTROL OFFICER'S BUDGET MEMORANDUM

May 16, 2024

The Governing Board of the Santa Barbara County Air Pollution Control District

Dear Chair Capps and Board Members:

The Fiscal Year (FY) 2024-25 Proposed Budget was prepared according to the policy framework and direction provided by the Board and the Air Pollution Control District Strategic Plan.

Budget Overview

This budget is planned for FY 2024-25, which runs from July 1, 2024, through June 30, 2025. The budget adoption process is specified in California Health and Safety Code Section 40131 and includes requirements for two public hearings and notification to all fee payers. In addition, the District conforms to the provisions of the County Budget Act of 2010, Revision 1, effective January 1, 2013, and starting with Government Code Section 29000.

Every year our budget process begins with the programming of revenues. The District projects total revenue from the previous year's actual revenues after making any known or anticipated adjustments. After revenues are forecasted, expenses (including salaries and benefits) are programmed to match revenues, thus making a balanced budget. Therefore, planned revenues cover all operational expenses. Periodic expenses (e.g., capital improvements) are paid through fund balance accounts (i.e., savings) specifically designated for those items.

The District's mission is to protect the people and environment of Santa Barbara County from the effects of air pollution.

The FY 2024-25 budget was built to ensure continued mission success and progress toward our vision: Clean Air.

The majority of the FY 2024-25 revenues will be generated by two sources: 1) funds earned by employees (predominately engineers and air quality specialists) who complete work products such as permits, inspections, evaluations, planning, and reviews for regulated sources, and 2) federal and state grants with uses prescribed by the agency providing the funds. The work products generated by grant funding are air quality monitoring, data acquisition, clean air plans, environmental planning documents, incentive programs, and public outreach. Expense line items are thoroughly reviewed each year to keep costs down.

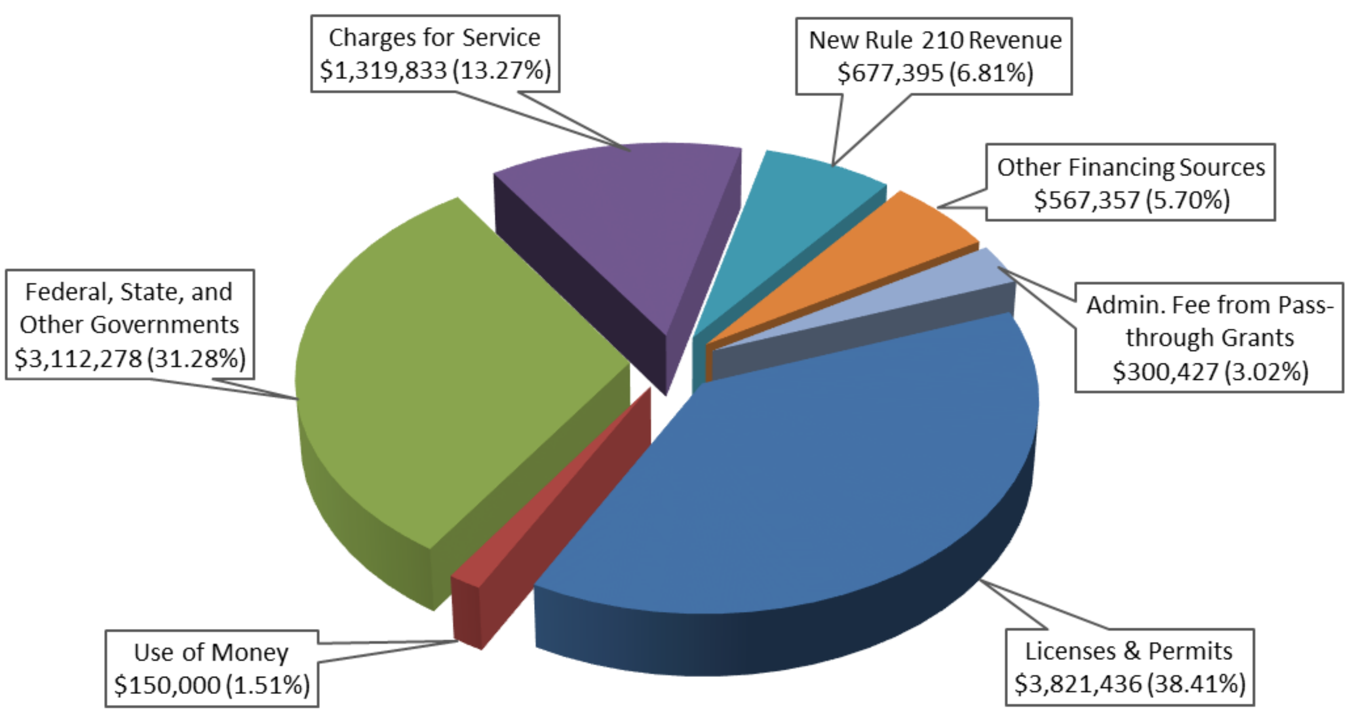
FY 2024-25 Budget at a Glance

The District's balanced proposed budget for FY 2024-25 totals $13,743,730, a 30% decrease from the current year's adopted budget. This decrease is primarily associated with a change in the way the District is allocating grant funds during this fiscal year - it better represents grant funds that are expended on completed projects during FY 2024-25 and moves the remaining grant revenue to fund balance for future year expenditures. This change is reflected in the total budget, changes in fund balance, and in the services and supplies line item under expenditures.

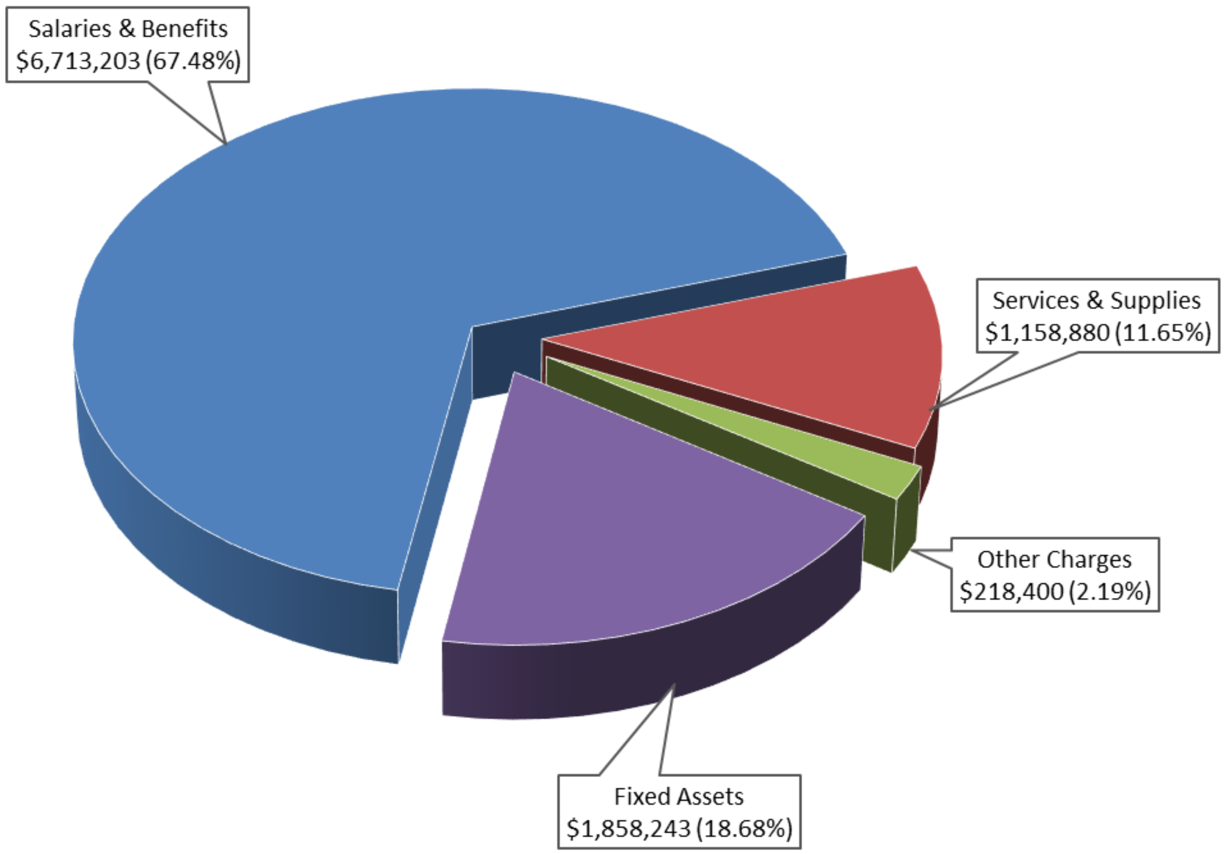
Almost 30% (i.e., 27.6% or $3,795,003) of the proposed budget are pass-through funds, which are received by a recipient government (District) and distributed to a third party for voluntary emission-reduction grant projects. These funds have specified uses and are not eligible to cover District operations. To best illustrate the budget that falls within the District's purview to cover operating expenses, the summary figures below depict the District Revenues and Expenditures with the exclusion of pass-through funds — a total operating revenue of $9,948,726 (an approximately 3% decrease from FY 2023-24). Expenditures continue to be dominated by salaries and benefits, which total $6,713,203. The proposed budget, and requested funding level, will provide the resources needed by the District to maintain core and mandated air quality programs.

The District is well-prepared for unforeseen expenses in that our fund balances provide an adequate reserve. Our fund balance total is forecasted to be $12,969,809, and of that total, $1,500,000 (or approximately 15% of the operating budget) has been set aside by our Board as strategic reserve to be used during a fiscal emergency.

Total Operating Revenue $9,948,726



Total Operating Expenditures $9,948,726



Revenue & Expenditure Changes

The total operating budget is estimated to decrease 3% ($309,528) compared to the current year (FY 2023-24). This decrease is primarily attributed to the North County office remodel coming to completion in FY 2024-25 and not pulling out of fund balance. To bring the North County office remodel to completion, a one-time expenditure of $1.3 million was included in the FY 2024-25 budget. Construction is scheduled to be complete in December 2024. The following outlines significant factors influencing the FY 2024-25 budget:

- **Long-Range Fiscal Strategy 2023 – 2028:**
  At the October 2023 Board Meeting, staff presented the Long-Range Fiscal Strategy 2023-2028 (Strategy)[1] with the goal of ensuring the District has sufficient resources to accomplish its mission and mandates into the foreseeable future. In preparing this Strategy, the District conducted a thorough analysis of historical revenue and expenditures, as well as detailed projections over the next five years, carefully evaluating changes to revenue, impacts to workload, current cost-recovery mechanisms for fee-based programs, existing and projected staffing, and potential cost reductions and/or

[1] The Long-Range Fiscal Strategy FY 2023 - 2028 starts on page 57 of this document.

revenue enhancements. This analysis was performed in the context of keeping in place core programs with existing staffing levels and factoring in reduced revenue due to changes in oil and gas activity. Through this analysis, a budget deficit of approximately $400,000 (i.e., 4% of the District's annual operating budget) was forecasted in FY 2024-2025, increasing to a deficit of approximately $1.2 million in FY 2027-2028. To address the forecasted budget deficit, key recommendations were included in the Strategy to provide the District with long-term mechanisms to stay fiscally sound. At the October 19, 2023, meeting, the Board provided unanimous direction to proceed with the following recommendations: 1) develop a cost-recovery policy for fee-based programs; 2) consider changes to Rule 210 and implement multi-year, phased-in fee increases; 3) adopt a fund balance policy; and 4) evaluate and implement staff retention measure(s). These recommendations are the core principles that guided staff in the development of the Fiscal Year 2024-25 budget.

Each budget cycle, the District conducts a five-year forecast to identify changes to the revenue and expenditures to ensure the agency is well positioned to move into a new era, beyond traditional revenue streams. The goal of this proactive approach is to safeguard the District's long-term stability and necessary resources to implement our mission and mandates.

- **Fee Revenues:**

  In Fiscal Year 2023-24, the District conducted a Cost-Recovery and Fee Analysis Study (Fee Study) to determine the cost-recovery percentage achieved by the District using existing fees for the following stationary source programs: permitting, compliance, air quality planning, air toxics, source testing, agricultural diesel engine registration, and the Hearing Board. 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 results of the Fee Study showed that, overall, the District is only recovering 47% of its costs to implement those mandated fee-based programs. For the past 33 years, the District has deferred significant fee increases by adhering to fiscal principles that maximize efficiency and minimize costs. The District has annually adjusted fees only by applying the Consumer Price Index (CPI) and has not required across-the-board fee increases since 1991.

  In October 2023, the District presented the results of the Fee Study to this Board as part of the Long-Range Fiscal Strategy 2023 – 2028 (Strategy). The Strategy included a suite of recommendations designed to provide the District with a long-term mechanism to stay fiscally sound. One of the recommendations was to adopt a Cost-Recovery Policy, which your Board formally adopted at the January 2024 meeting. Another recommendation was to revise Rule 210 to ensure better cost-recovery from the District's stationary source program and align permit fees with individual program costs.

The draft budget for FY 2024-2025 incorporates the proposed amendments to the fee schedule changes in Rule 210 that was presented at your Board meeting on March 21, 2024. On May 16, 2024, your Board is tentatively scheduled to consider adoption of the proposed amendments to District Rule 210. If approved as presented, the District will increase the existing fee schedules up to 12% per year, beginning on July 1, 2024, until the schedule reaches 85% cost-recovery. In addition to the fee increase, the annual adjustment for the Consumer Price Index (CPI) will also be applied in FY 2024-25. The CPI for FY 2024-25 is 4.2%, but the total increase for each schedule will be limited to 15%, as required by the Health and Safety Code.

- **Salaries and Benefits:**
  The District negotiated a three-year agreement with the two employee bargaining units in FY 2022-23. The first year saw a cost-of-living adjustment (COLA) for District employees of 3.5%, which was effective August 18, 2022. The second and third years of that agreement provide District staff with a 2% COLA as of July 1, 2023 and July 1, 2024. This purposed budget includes the last COLA negotiated with the employee bargaining units; future union negotiations will begin later in FY 2024-25. Medical benefit costs increased substantially for District employees in 2024 (approximately 15%). Also included in the negotiations was a 4% increase toward medical benefits that is slated to start in January 2025. This equates to an additional $28 per month, per employee. And lastly, pension costs increased approximately 4%, or $72,000 from the prior year.

- **Pass-Through Grant Fund Revenues:**
  The state Legislature, through the budget adoption process, continues to place a strong emphasis on the use of funding for voluntary emission-reduction programs through the network of local air districts. This action resulted in $2.7 million of new money for Santa Barbara County projects in FY 2024-25, approximately $275,000 less than the prior fiscal year. These funds will be used to continue expanding the reach of the grant programs, including the Carl Moyer, Community Air Protection, FARMER, Electrified Landscaping Equipment, and Wood Smoke Reduction programs. The grant funds help local businesses and organizations take advantage of cleaner technologies to secure immediate emission reductions. Project categories include agricultural and landscape equipment, marine vessels, school and transit buses, old passenger cars and trucks, and electric vehicle infrastructure. Throughout FY 2024-25, these one-time revenue sources will provide $300,427 in administrative funds to implement the grant programs; a portion of these administrative funds will be used for grant administration for future years.

  Historically the District has budgeted to spend all pass-through grant funds available each year. This includes current year revenue as well as prior years encumbered projects to be paid for with fund balance. However, because pass-through revenues have increased over the last few years, this approach was inflating the District's budget. And when analyzing what grants are fully executed and paid each year, it was found that about only 30% of what is budgeted every year is in fact spent. To better align the budget with actuals, the District has opted to change the approach for how to budget for pass-through grant expenditures and only budget what is likely to be paid during the budget period. You'll see this change when reviewing the total budget amount, changes in fund balance as well as in the services and supplies line item under expenditures. See detail of pass-through revenue on page 22 of this document.

- **One-time Expenditures Included in this Year's Budget:**
  Last year, the District budgeted to use a portion of fund balance to remodel the newly purchased office building in northern Santa Barbara County for our north county staff. With the anticipation of demolition and building renovations, $1.6 million was allocated in FY 2022-23; however, only approximately $225,000 was spent for building design and demolition by the end of June 2023. The leftover renovation budget of $1,375,000 was rolled over into the FY 2023-24 budget, along with another $625,000 to fully renovate the space . The District published a request to bid for construction of the remodel and found that construction costs had increased significantly. To bring this remodel to completion, the District is including an additional $1.3 million in this year's budget. When the office building is fully renovated, it will house the District's north county fleet and it will offer a fully equipped monitoring lab for staff, as well as a space for the District to hold public workshops. The plan for the renovation includes resiliency for the District's IT/air monitoring networks, as well as sustainable building practices, with a goal of being a net-zero energy-efficient building. Fund balance reserves were used for the majority of the project, with operating revenue being proposed for the remainder of the project. The plan in future years will be to replenish the monies used from fund balance to levels appropriate for the District's size.

Fund Balances

The District designates two categories of fund balances. Each category has "savings" accounts with monies set aside for specific purposes. The total fund balance amount for FY 2024-25 is forecasted to be $12,969,809 (approximately 130% of the total operating budget).

The District will be proposing a Fund Balance Policy to the Board at the June 20, 2024 meeting to recommend that the District establish a policy where the fund balance amount maintains or surpasses 20% of the operating budget, at any given time.

- **Restricted Funds:**
  Restricted fund balances are those where law prescribes use. These savings accounts are created by grant allocations received from federal and state agencies, such as the state's Carl Moyer Grant Program. Monies in these accounts are for multi-year grant programs that are managed by our Planning Division and pass through the District for qualified projects as defined by the funding source. Each year, the District strives to spend all these monies; however, based on the grant allocation process, it is common for residual funds to be carried into the next year's budget if some of the clean air projects aren't completed and paid out in this fiscal year. Because the District's pass-through funds have increased substantially over the last few years and due to the State of California needing to disburse

grant funds early, the District’s fund balance for restricted accounts is anticipated to be $10,160,665. This is a change in how the District accounts for pass through funds historically, to better represent the actual dollars that will be spent during the fiscal year.

- **Committed Funds:**
  Committed fund balances are monies set aside for specific categorized expenditures, such as capital replacement, retiree health subsidy, and the data acquisition system (DAS), which feeds hourly air quality information to the District website. In addition, within committed fund balances, there are discretionary dollars available for spending at planned intervals or when unforeseen circumstances arise requiring a withdrawal. Discretionary fund balances consist of our strategic reserve, re-evaluation fee cycle, and an account for unforeseen operational requirements. For FY 2024-25, committed fund balances designated as discretionary is $1,642,970.

Conclusion

The FY 2024-25 proposed budget represents thoughtful consideration of impacts, consequences, alternatives, and workforce levels. The District was optimistically cautious in generating a revenue forecast and total expenses by carefully deliberating the need for each expenditure. The District is well-positioned to address uncertainties by closely monitoring funding sources, our retirement plan, and actual expenditures, and is prepared to make timely resource allocation adjustments as warranted. Ongoing tracking of the District’s performance metrics and assessments made with each annual budget process is critical to assessing the effectiveness of the agency. With this budget, I am confident the District can meet our mission requirements throughout the year. We are committed to clean air and to protecting the health of the people and the environment.

Very Respectfully,

Aeron Arlin Genet
Air Pollution Control Officer

SANTA BARBARA COUNTY HISTORICAL AIR QUALITY

Ozone

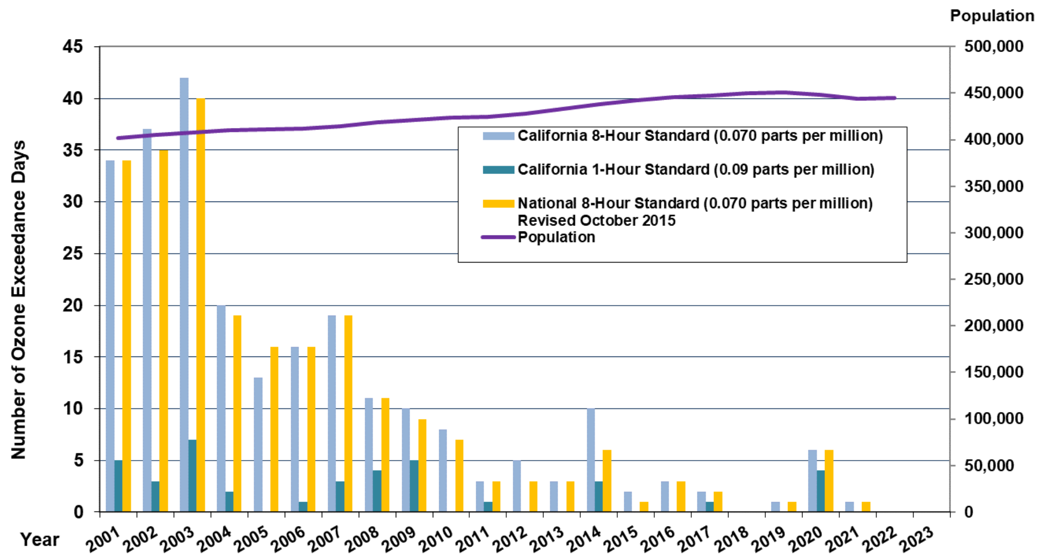
Ozone forms in the atmosphere when precursor pollutants such as nitrogen oxides (NOx) and reactive organic compounds (ROCs) undergo complex chemical reactions in the presence of sunlight. Factors that contribute to high ozone levels include intense and prolonged heat, and stagnant air. Santa Barbara County's air quality has historically violated ambient air quality standards for ozone that were established by the state and federal Clean Air Acts. Ozone concentrations above these standards adversely affect public health, diminish the production and quality of many crops, reduce visibility, and damage native and ornamental vegetation.

In 1970, when the District was formed, the air quality in Santa Barbara County did not meet the federal one-hour ozone standard. For 30 years, our efforts focused on attaining that standard. In August 2003, Santa Barbara County was officially designated as being in attainment for the federal 1-hour ozone standard. Furthermore, the United States Environmental Protection Agency (USEPA) has designated Santa Barbara County as being in attainment for the 2008 federal 8-hour ozone standard (0.075 parts per million). (The 8-hour standard replaced the previous federal 1-hour standard.) In December 2015, the USEPA strengthened the federal 8-hour ozone standard to 0.070 ppm; Santa Barbara County was designated as unclassifiable/attainment for the revised standard in April 2018.

The District has made tremendous progress toward meeting the two California ozone standards; a 1-hour standard of 0.09 ppm (established in 1988), and an 8-hour standard of 0.070 ppm (established in 2005). The number of recorded exceedances of these standards has trended down over time while population has increased, as demonstrated in the chart below. In fact, ozone measurements for the three-year data set from 2016 to 2018 were so low that the District was designated as being in attainment in 2020. Unfortunately, two measured values during 2019 during hot and stagnant conditions led to two violations of the 8-hour standard. In February 2021, the California Air Resources Board took action to redesignate Santa Barbara County as nonattainment for the state ozone standards, based on the three-year data set from 2017 to 2019. This setback highlights the challenges for the District and the state in meeting these standards given changing weather and climate patterns.

In 2022, the county once again measured no exceedances of the state and federal 8-hour ozone standards. The number of recorded annual exceedances continues to remain low, and in January 2023, the California Air Resources Board took action to designate Santa Barbara County as nonattainment-transitional for the state ozone standards, based on the three-year data set from 2019-2021.

Santa Barbara County Ozone Exceedance Days 2001-2023



Particulate Matter

The state and federal particulate matter (PM) air quality standards fall under two different size ranges — PM_{10}, which represents particles less than 10 microns in diameter, and $PM_{2.5}$, which represents particles less than 2.5 microns in diameter. Both PM_{10} and $PM_{2.5}$ are small enough to be inhaled; however, $PM_{2.5}$ particles can be inhaled more deeply into the lungs and can also enter the bloodstream, causing serious health effects.

Historically, the county has experienced regular exceedances of the state 24-hour PM_{10} standard. Santa Barbara County is designated attainment for the federal PM_{10} standard (150 $\mu g/m^3$) and nonattainment for the state PM_{10} standard (50 $\mu g/m^3$). Exceedances of the state standard typically occur during windy and/or dry conditions and occur more frequently in the northern portion of the county. During regional wind events, such as Santa Ana or Sundowner wind conditions, the entire county may experience elevated PM_{10} levels. In February 2024, USEPA strengthened the federal $PM_{2.5}$ annual standard from 12 $\mu g/m^3$ to 9 $\mu g/m^3$. The District is expected to be in attainment with the new standard once the designations are finalized

Santa Barbara County has historically experienced wildfires that cause high particle measurements in the form of both $PM_{2.5}$ (primarily related to smoke) and PM_{10} (primarily related to ash and post-fire re-entrainment of ash). In recent history, wildfire season has grown longer, leading to increased levels of exposure to PM more frequently and for longer periods of time. Wildfire events in other areas of California have also contributed to high PM levels in Santa Barbara County. While these events affect local air quality, the state and federal Clean Air Acts provide mechanisms for excluding unusually high values such as these from the data sets that are used to determine the region’s official attainment status for the applicable air quality standards. District staff continue to track these occurrences and collect and store information to support “exceptional events” demonstrations, when needed.

ABOUT THE DISTRICT

What is the District?

The District is an independent special district charged with protecting human health by improving and protecting Santa Barbara County's air quality. In 1970, the California Legislature gave local governments the primary responsibility for controlling air pollution from all sources except motor vehicles and consumer products. In response, the District was established to adopt measures to control local sources of pollution, issue permits, monitor air quality, maintain an inventory of pollution sources, and manage other pertinent activities. District staff members have expertise in engineering, chemistry, planning, environmental sciences, field inspection, air monitoring, public outreach, data processing, accounting, information technology, human resources, and administration.

The 13-member governing board of the District consists of the five County Board of Supervisors and one elected representative (a mayor or city councilmember) from each of the eight incorporated cities within the county.

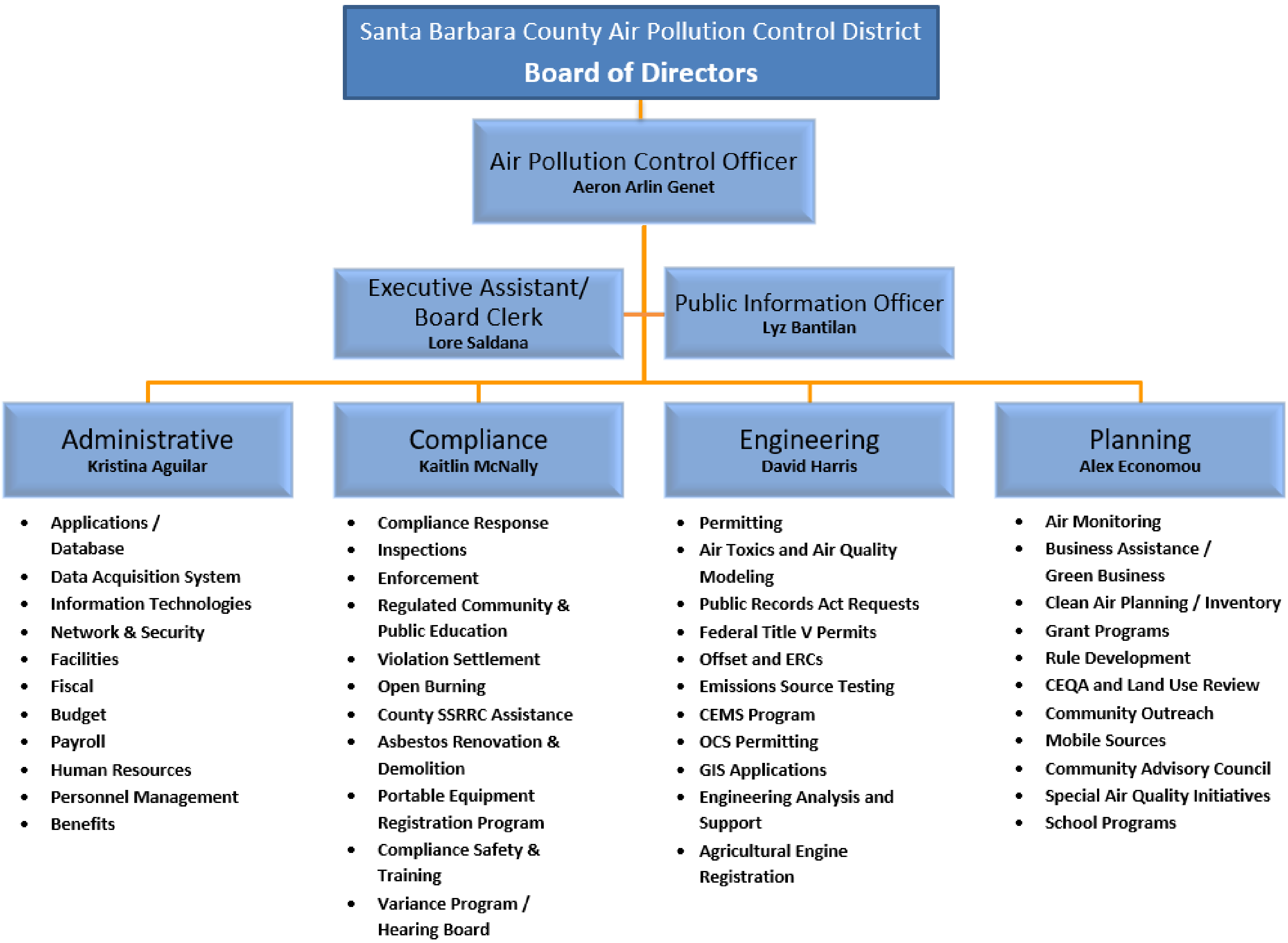
The District's Mission

The District's mission is to protect the people and the environment of Santa Barbara County from the effects of air pollution. We accomplish this mission by implementing state and federal air pollution control laws in order to attain all ambient air quality standards and to minimize public exposure to airborne toxins and nuisance odors. In carrying out this mission, the District always strives to demonstrate excellence and leadership in the field of air pollution control.

The District's mission is to protect the people and the environment of Santa Barbara County from the effects of air pollution.

Our goal is to provide consistent, high-quality, cost-effective professional services to the public and regulated community. In striving toward our goal, the District embraces the attributes of accessibility, accountability, diversity, equity, inclusivity, and transparency.

Organizational Chart



FY 2024-25 Job Class Table

Position Number	Classification Title	Adopted FY 2023-24	Additions / Deletions	Proposed FY 2024-25	Monthly Equivalent Salary Range (A-E)	Representation Unit
Funded Positions						
170	OFFICE TECHNICIAN	2.00		2.00	4525-5415	23
179	EXECUTIVE ASSISSTANT/BOARD CLERK	1.00		1.00	7342-8816	32
180/181	ACCOUNTING TECHNICIAN I/II	1.00		1.00	4468-6145	24
182	ACCOUNTING TECHNICIAN III	1.00		1.00	5891-7093	24
400/401	PERMIT TECHNICIAN I/II	1.00		1.00	5251-6900	28
435/436	AIR QUALITY ENGINEER I/II	1.00		1.00	7168-9474	28
437	AIR QUALITY ENGINEER III	4.00		4.00	8779-10574	28
438	DIVISION SUPERVISOR	4.00		4.00	9895-11907	32
453/454	AIR QUALITY SPECIALIST I/II	1.00		1.00	5994-7824	28
443	AIR QUALITY SPECIALIST III	10.00		10.00	7324-8806	28
445	PRINCIPAL MONITORING SPECIALIST	1.00		1.00	8058-9745	28
446	PUBLIC INFORMATION OFFICER	1.00		1.00	7362-8841	32
503	HUMAN RESOURCES ANALYST I/II	1.00		1.00	6966-9188	32
600	DIVISION MANAGER	4.00		4.00	11278-13583	43
670	AIR POLLUTION CONTROL OFFICER	1.00		1.00	20,244	41
TOTAL NUMBER OF FUNDED POSITIONS		**34.00**	**0.00**	**34.00**		
TOTAL NUMBER OF UNFUNDED POSITIONS		**11.00**	**0.00**	**11.00**		
TOTAL NUMBER OF POSITIONS		**45.00**	**0.00**	**45.00**		

The Job Classification Table (above) depicts the positions needed to meet the District's mission requirements. The 34 individuals who fill these positions are organized into four Divisions making up a dedicated District team of professionals. The District Staff Directory listing the employees filling these positions can be found at https://www.ourair.org/apcd/apcd-staff-directory/.

STRATEGIC PLAN

This section presents a strategic vision of the District for the future, including the programs and services to be provided, goals and objectives, the resources needed to achieve these goals, and metrics for success. Below are the priorities, goals, and objectives of the District.

Priority 1: Protection of Public Health through Air Quality Improvement

Goal: Continue to implement programs that directly reduce emissions.

Objectives:

- As necessary, adopt new rules and regulations that cost-effectively reduce emissions.
- Emphasize alternatives to “command-and-control” regulations, such as pollution prevention, incentives, and social responsibility.
- Develop partnership initiatives to introduce innovative or other low-polluting technologies in areas not currently regulated or where technology recipients agree to go beyond regulatory requirements.
- Involve the community in pollution-reduction efforts through grant programs, public education, and recognition of outstanding pollution-reduction efforts.
- Maintain a fair and consistent compliance program, with emphasis on educating the regulated community.
- Ensure a contribution by all emission sources toward emission reductions.
- Use penalties to act as a deterrent and to place emphasis on compliance.

Goal: Maintain a strong, science-based program.

Objectives:

- Place a high priority on staff training and professional advancement.
- Base decisions on well-documented data that has been subject to critical and open review.
- Maintain a sound and robust emission inventory and air quality monitoring system.
- Maintain and update the Clean Air Plans using the latest data and control techniques. Use the best available resources in developing programs, rules, and permit analyses.

Goal: Ensure that the District’s mission and actions are aligned and routinely reviewed.

Objectives:

- Maintain and periodically update the Strategic Plan.
- Develop and adopt annual goals and track progress.

Goal: Ensure adequacy of resources.

Objectives:

- Improve efficiency by taking advantage of technological advances and improving District systems and processes for improvements.
- Broaden the District's funding base by actively pursuing additional sources of revenue.
- Review our financial status to ensure financial stability.

Priority 2: Community Involvement

Goal: Involve the community in air quality protection.

Objectives:

- Initiate collaborative efforts and partnerships with the community around equity-based air quality and environmental goals.
- Offer timely information, in multiple languages, on air quality issues and upcoming events via the District's website, social media, and public information process.
- Provide the public with additional informational resources, including presentations and printed materials.
- Support the District's Community Advisory Council to provide input on rules and clean air plans and to foster open communication and a collaborative approach to air quality planning.
- Conduct workshops on new rules, plans, and the budget to obtain community input.
- Reach out to community partners and the media for additional opportunities to inform the public.
- Participate in community events.
- Support students and teachers in efforts to learn about air quality and the environment.

Priority 3: Continuously Improve Service

Goal: Maintain and improve relationships with all constituents.

Objectives:

- Keep the Board well-informed.
- Provide opportunities for public input on decisions affecting them.
- Train staff in customer service and reward good service.
- Survey constituents regarding the quality of service received.

- Tap employee expertise, reward high performance, and push decisions down to the lowest level at which they can be competently made.

Revenue Plan

REVENUE PLAN	Actual FY 2022-23	Adopted FY 2023-24	Est. Act. FY 2023-24	Proposed FY 2024-25
Licenses & Permits				
Evaluation Fees	$ 353,536	$ 358,031	$ 267,988	$ 411,356
Asbestos Notification Fees	113,393	86,752	106,459	90,717
Reevaluation Fees	906,857	1,237,452	1,303,585	1,103,060
Air Toxics (AB 2588)	3,615	3,468	3,433	3,433
Application Fees	138,579	140,000	178,940	161,000
Annual Emission Fees	789,030	796,846	786,715	710,818
Notice of Violation	468,725	275,000	410,442	286,550
Inspection Fees	29,525	27,246	27,246	99,086
Source Test Fees	99,340	123,029	144,781	118,021
DAS	335,205	261,554	261,554	272,539
Monitoring	565,347	540,161	540,161	562,857
Use of Money				
Interest	162,918	90,000	240,000	150,000
Federal, State, and Other Governments				
Federal - EPA Grant	646,494	670,400	718,160	754,500
Motor Vehicle $4	1,454,066	1,546,356	1,534,707	1,546,356
Motor Vehicle $2	838,419	773,178	767,354	773,178
State-PERP	52,625	55,330	54,769	73,282
State-ARB	411,509	355,546	528,870	448,492
Other Governments	266,756	267,000	267,000	289,648
Charges for Services				
Environmental Review	8,693	6,000	8,000	8,000
AQAP Fees	408,010	339,996	363,259	466,262
CARB Grant Programs	4,626,389	2,290,895	3,166,499	2,016,827
Reimbursable Charges	867,745	662,292	931,539	845,571
Miscellaneous Revenue	11,177	2,000	2,500	2,000
New Rule 210 Revenue				677,395
Revenue Total	13,557,953	10,908,532	12,613,961	11,870,948
Other Financing Sources				
Decrease in Fund Balance	106,669	8,729,351	2,050,000	1,872,782
Revenue Plan Total	$ 13,664,622	$ 19,637,883	$ 14,663,961	$ 13,743,730

Expenditure Plan

EXPENDITURE PLAN	Actual FY 2022-23	Adopted FY 2023-24	Est. Act. FY 2023-24	Proposed FY 2024-25
Expenditures				
Administration	$ 3,321,209	$ 5,365,631	$ 5,259,740	$ 4,997,031
Engineering	1,287,602	1,397,461	1,391,190	1,468,696
Compliance	1,362,412	1,330,339	1,312,284	1,536,422
Planning	4,259,709	11,544,452	4,022,302	5,741,581
Expenditure Total	10,230,931	19,637,883	11,985,516	13,743,730
Other Financing Uses				
Increase in Fund Balance	3,366,766	-	6,222,537	-
Expenditure Plan Total	$ 13,597,697	$ 19,637,883	$ 18,208,053	$ 13,743,730

Character of Expenditures

CHARACTER OF EXPENDITURES	Actual FY 2022-23	Adopted FY 2023-24	Est. Act. FY 2023-24	Proposed FY 2024-25
Expenditures				
Regular Salaries	$ 4,084,967	$ 4,347,764	$ 4,347,762	$ 4,491,383
Overtime	221	-	-	-
Benefits	1,951,285	2,106,649	2,106,649	2,221,819
Salaries & Benefits Total	6,036,472	6,454,413	6,454,412	6,713,203
Services & Supplies	3,525,184	10,824,870	3,150,861	4,953,884
Other Charges	178,641	186,600	212,044	218,400
Fixed Assets	490,634	2,172,000	2,168,200	1,858,243
Expenditure Total	10,230,931	19,637,883	11,985,516	13,743,730
Other Financing Uses				
Increase in Fund Balance	3,366,766	-	6,222,537	-
Expenditure Plan Total	$ 13,597,697	$ 19,637,883	$ 18,208,053	$ 13,743,730

Revenue Breakout by Category

TOTAL REVENUE	Adopted FY 2023-24	Proposed FY 2024-25	Budget to Budget Var.	% Budget to Budget Var.
Revenue Total	$ 10,908,532	$ 11,870,948	$ 962,416	8.8%
Use of Fund Balance	8,729,351	1,872,782	(6,856,569)	-78.5%
Revenue Plan Total	$ 19,637,883	$ 13,743,730	$ (5,894,153)	-30.0%

GRANTS/PASS THROUGH REVENUE	Adopted FY 2023-24	Proposed FY 2024-25	Budget to Budget Var.	% Budget to Budget Var.
Grant Revenues				
CARB Grants (Moyer and Other)	$ 2,290,895	$ 2,016,827	$ (274,068)	-12.0%
Motor Vehicle $2	773,178	773,178	-	0.0%
	3,064,073	2,790,005	(274,068)	-8.9%
Administrative portion of Grant				
Admin Fee- General Fund	(327,186)	(300,427)	26,759	-8.2%
Use of Grant Fund Balances	6,573,280	1,305,425	(5,267,855)	-80.1%
Revenue Plan Total	$ 9,310,168	$ 3,795,003	$ (5,515,165)	-59.2%

OPERATING REVENUE	Adopted FY 2023-24	Proposed FY 2024-25	Budget to Budget Var.	% Budget to Budget Var.
Operating Revenue	$ 7,844,459	$ 9,080,943	$ 1,236,484	15.8%
Pass-through Admin Fee	327,186	300,427	(26,759)	-8.2%
Grant Admin fee being used for future year's grant administration	(69,461)	-	69,461	0.0%
Use of operating fund balances	2,156,071	567,357	(1,588,714)	-73.7%
Total Operating Budget	$ 10,258,254	$ 9,948,726	$ (309,528)	-3.0%

Expenditure Breakout by Category

TOTAL EXPENDITURES	Adopted FY 2023-24	Proposed FY 2024-25	Budget to Budget Var.	% Budget to Budget Var.
Salaries and Benefits	$ 6,454,412	$ 6,713,203	$ 258,791	4.0%
Services and Supplies	10,824,871	4,953,884	(5,870,987)	-54.2%
Other Charges	186,600	218,400	31,800	17.0%
Capital Assets	2,172,000	1,858,243	(313,757)	-14.4%
Increase to Fund Balance	-	-	-	0.0%
Expenditure Total	$ 19,637,883	$ 13,743,730	$ (5,894,153)	-30.0%

GRANTS/PASS THROUGH EXPENDITURES	Adopted FY 2023-24	Proposed FY 2024-25	Budget to Budget Var.	% Budget to Budget Var.
Grant Expenditures				
Salaries and Benefits	$ -	$ -	$ -	
Services and Supplies	9,379,629	3,795,003	(5,584,626)	-59.5%
Other Charges	-	-	-	
Capital Assets	-	-	-	
Increase to Fund Balance	-	-	-	6552%
Grant Expenditure Total	$ 9,379,629	$ 3,795,003	$ (5,584,626)	-59.5%

OPERATING EXPENDITURES	Adopted FY 2023-24	Proposed FY 2024-25	Budget to Budget Var.	% Budget to Budget Var.
Operating Expenditures				
Salaries and Benefits	$ 6,454,412	$ 6,713,203	$ 258,791	4.0%
Services and Supplies	1,445,242	1,158,880	(286,362)	-19.8%
Other Charges	186,600	218,400	31,800	17.0%
Capital Assets	2,172,000	1,858,243	(313,757)	-14.4%
Increase to Fund Balance	-	-	-	0.0%
Total Operating Expenditures Budget	$ 10,258,254	$ 9,948,726	$ (309,528)	-3.0%

DISTRICT DIVISION SUMMARIES

The District operates with 34 staff in two office locations (one in Santa Barbara and one in Santa Maria) and is organized into four Divisions: Administrative, Engineering, Compliance, and Planning.

Administrative Division

Administrative includes administrative overhead, fiscal and executive services, human resources, and information technology services.

Administrative Overhead

Administrative Overhead represents agency-wide operational costs not attributable to any one program, such as building maintenance, janitorial services, lease costs, insurance, and utilities.

Fiscal and Executive Services

Fiscal and Executive Services is responsible for the activities of the Board of Directors and related committees. It is also responsible for the proper accounting and reporting of resources, and the administration of District facilities, fleet, and operations. In addition to payroll, payables, and receivables, Fiscal and Executive Services manages electronic timecard submittals and provides fiscal reports by department, project, activity, and permit number.

Human Resources

Human Resources is responsible for recruitment, employee and labor relations, benefits administration, classification and compensation, collaborative bargaining, workers' compensation, training, diversity, equity and inclusion, and compliance oversight for state and federal employment law requirements.

Public Information

The multi-lingual Public Information program includes production and distribution of printed and digital materials, videos, an electronic newsletter, and other educational materials; the program also includes maintenance and management of the District website and social media accounts. Our Public Information Officer maintains media relations and promotes awareness of District programs. During wildfires and other events that affect air quality, staff coordinate with local agencies to inform the public of air quality impacts.

Information Technology Services

Information Technology (IT) Services is responsible for managing, developing, operating, cyber security, training, and maintaining information systems at the District. Our systems include a computing network providing engineering and office automation, an integrated database system, and a data acquisition system to manage real-time air monitoring data from monitoring stations operated by the District and industry-operated monitoring stations, as well as data collection and verification of continuous emission monitoring of large facilities. Additionally, we program IT solutions that streamline our processes, creating cost reductions, timesaving efficiencies, and increased productivity.

Engineering Division

The Engineering Division provides initial and ongoing permitting, air toxics, and permit compliance services to applicants and operators of stationary sources of air pollution. The Division also coordinates all Public Records Act requests and supports lead agency requests for technical review of new projects. Permits are required for a broad range of activities, from small businesses such as dry cleaners to large petroleum production and mining operations. The Division manages permits for approximately 1,400 permitted or registered stationary facilities of small, medium, and large size, with a broad range of air pollution-emitting activities. The Division also is responsible for the emission offsets program, including the Emission Reduction Credit Source Register.

The District ensures that operators of such facilities abide by federal, state, and local air pollution laws and regulations. Larger facilities also require federal (Part 70) operating and Prevention of Significant Deterioration (PSD) permits in accordance with the federal Clean Air Act. Engineering Division staff also review detailed Plans and Reports from our larger sources, including the review of semi-annual Compliance Verification Reports from the Part 70 Sources.

Public Records Act Requests

The Engineering Division is responsible for coordinating the agency's response to all Public Records Act requests in a timely and transparent manner, often responding to the request the same day. The District routinely responds to approximately 125 requests per year.

Permitting

The review of new sources of pollution entails detailed engineering analyses of permit applications; evaluating applications for compliance with local, state, and federal rules and regulations; issuing the mandated authority to construct permits; and, if compliance with applicable air regulations and permit conditions is met, issuing the permits to operate. Reevaluations of existing permits, as required by law, are performed every three years to review the project descriptions, equipment lists, and conditions and to bring the permits current with any new or revised rules and regulations. Larger sources require federal operating permits in addition to the District's permitting requirements. The District also regulates and permits 15 federal Outer Continental Shelf (OCS) oil and gas offshore platforms under a delegation agreement with the USEPA. Engineering staff coordinate with other agencies to ensure that the permit holder complies with all permit conditions, applicable rules and regulations, performance standards, the California Health & Safety Code, and the federal Clean Air Act.

Air Toxics

The air toxics section includes implementation of the state's Air Toxics "Hot Spots" (AB 2588) Program, the review of applications to ensure no sources of significant toxic risk are permitted, and the tracking and implementing of requirements of state and federal air toxic regulations. Computer air quality modeling analyzes potential air quality impacts of proposed projects using highly specialized software, which simulate the movement and dispersion of air pollutants, including the preparation of health risk analyses in certain cases. This modeling is also used in our larger permit applications to ensure compliance with state and national Ambient Air Quality Standards and Increments. The "Hot Spots" Program requires businesses to develop and update an emission inventory of toxic air pollutants, and some businesses are required to perform a health risk assessment. The State of California develops Air Toxic Control Measures for categories of sources that emit toxic air contaminants, and the District implements these measures locally. The USEPA also develops air toxic control requirements, known as National Emission Standards for Hazardous Air Pollutants, and these are implemented locally by the District via a delegation agreement. We utilize GIS tools in our permitting and air toxics programs to ensure sensitive receptors (e.g., schools) are properly notified.

Permit Compliance

Once a District permit to operate is issued, Engineering Division staff provide ongoing support for the more detailed and complex data submittals, source test plans/reports, and continuous emissions monitoring plans/reports. This may also include site assessments in the field. The source testing function is the physical measurement of pollutants from emission points at a facility and is used to determine compliance with applicable rules and permit conditions. Staff also prepare compliance reports for input into USEPA's Integrated Compliance Information System, participate in the County's System Safety and Reliability Review Committee, review Breakdown Reports, oversee the District's Leak Detection and Repair (LDAR) program, develop tools to implement new and existing permit compliance programs, and review Part 70 Semi-Annual Compliance Verification Reports.

Compliance Division

The Compliance Division provides initial and ongoing inspection and enforcement services to applicants and operators of stationary sources of air pollution. Inspectors perform inspections at a broad range of operations, from small businesses such as dry cleaners to large petroleum production and mining operations. Facility inspections are performed at different frequencies based on the facility's potential to emit, actual emissions, and compliance history. All permitted facilities are inspected at least once every three years, with most inspections occurring more frequently (e.g., once per quarter, once every six months, once per year, or once every two years). The Division also performs random surveillance inspections; replies to public nuisance complaints regarding odors, smoke, and dust; implements the federal asbestos program; inspects equipment under the Statewide Portable Equipment Registration Program (PERP);

inspects local agricultural engine registrations; and in coordination with the Santa Barbara County Fire Department, implements our open burning programs (e.g., agricultural burns, prescribed burns). Compliance staff annually inspect approximately 600 permitted or registered stationary facilities of small, medium, and large size, with a broad range of air pollution-emitting activities.

Inspector Duties

The field inspectors verify compliance by conducting and documenting site inspections, reviewing records, accessing on-site monitoring data, and evaluating pollution levels. A large part of the inspector’s role is to educate the sources on what is required and expected of them; inspectors provide in-the-field compliance assistance and instruction. Compliance staff also respond to public complaints, prepare reports for variances and abatement orders heard before the District Hearing Board, manage the District’s mutual settlement program, manage the asbestos renovation and demolition compliance program, and manage the open burning and agricultural/prescribed burning programs (including direct coordination with the County/City Fire Departments). Compliance staff coordinate with the Engineering Division on the more technically complex sources, and with the Planning Division on telemetered monitoring data from in-plant monitors and ambient monitoring stations, clean air funding programs, and revisions to rules. We also coordinate with other agencies on topics that cover multiple jurisdictions, such as air quality complaints.

Enforcement and Mutual Settlement

Our enforcement function includes documenting non-compliance with the air quality requirements by writing Notices of Violation (NOVs). The primary goal is to get a source back into compliance with the applicable permit and rule requirements. The District typically attempts to settle violations directly with the source. The District will occasionally refer cases to the District Attorney’s office.

Variance Program

The District’s Hearing Board issues abatement orders and variances to stationary sources that currently are, or likely may become, out of compliance with local air district rules, regulations, or the Health and Safety Code. District inspectors perform some of the administrative functions of processing a variance, including providing the petition application; appearing as a party to the variance proceeding; preparing staff reports, when applicable; and following up to ensure that the increments of progress, emission limits and final compliance dates contained within the Variance order are met.

Planning Division

The Planning Division is responsible for planning and rule development, as well as coordinating with planning departments around the county. Planning also conducts outreach regarding the following: grant and incentive programs to promote clean air technologies, presentations for schools and community groups, and partnerships with local agencies and organizations. The Division reviews discretionary actions by the County and cities, provides comments on air quality issues, and is responsible for ensuring compliance with the California Environmental Quality Act (CEQA). Grants administered by the Division include incentives for electric vehicle infrastructure, and for replacing higher-emitting cars, school buses, on-road vehicles, agricultural engines, off-road equipment, and marine diesel engines with newer, cleaner engines or with electric vehicles. In addition, the Planning Division initiates and supports collaborative efforts to reduce emissions from unregulated sources, such as voluntary programs to reduce emissions from marine shipping (Protecting Blue Whales and Blue Skies), from residential wood-burning fireplaces or woodstoves (Woodsmoke Reduction Program), and from landscaping equipment (Landscape Equipment Electrification Fund). The Division is implementing legislative requirements and incentive programs associated with the state's AB 617 Community Air Protection program. The Planning Division also oversees the District's air monitoring network.

Planning

The Planning Division prepares clean air plans that map the path to improved air quality and form the basis for future rule development and permitting work. Clean air plans may be required by state and/or federal laws and generally include an inventory of the county's pollution sources, the status of the county's air quality, a detailed evaluation of proposed air pollution control measures, and forecasts of future air quality, including economic growth projections. The Planning Division establishes and maintains detailed emission inventories for clean air planning and invoicing of emission-based fees to support District programs.

Rule Development

Air quality-related rules are developed to protect human health and the environment of Santa Barbara County. Rules may be prescribed by the District's clean air plans to meet state and federal air pollution requirements, or by other legislative mandates. New and amended rules are analyzed for cost-effectiveness. Opportunities for public participation in the rule development process are extensive, involving public workshops, Community Advisory Council reviews, and public hearings before the District's Board of Directors.

Community Programs

The Planning Division initiates and supports collaborative efforts to reduce emissions from sources outside the District's regulatory purview. Staff participate in planning efforts for the use of zero-emission vehicles and alternative fuels and provide input on other community efforts to improve air quality and educate the public. Staff provide presentations at schools, businesses, and community events; develop and support partnerships around common interests with a range of organizations and agencies; and implement special outreach efforts and initiatives.

Land Use

District staff ensure that all permits, plans, rules, and programs of the District comply with CEQA. As a CEQA "responsible agency," we review the larger land development and planning policy documents and provide comments and recommendations for mitigation measures on the air quality analyses in other local agencies' environmental documents. District staff provide technical assistance to planning agencies around the county evaluating air quality impacts of proposed development. Staff also participate in statewide efforts to refine project-level tools for calculating air quality, health, and climate change impacts and mitigation measures. In addition, staff coordinate with Santa Barbara County Association of Governments (SBCAG) on the development and implementation of transportation control measures and regional transportation plans. Staff participate on SBCAG committees to evaluate transportation plans, projects, and funding proposals.

Grant and Incentive Programs

District grant and incentive programs promote the development, demonstration, and implementation of clean fuels and clean energy technologies to reduce air pollution through incentives to local businesses and industry. Staff initiate projects through government-industry partnerships and through leveraged funding. One example is an incentive program to reduce speeds of ocean-going vessels, through our Protecting Blue Whales and Blue Skies initiative. The District's portion of the funding generally comes from CARB under a variety of funding programs (e.g., Carl Moyer, FARMER, AB 617 Community Air Protection, Woodsmoke Reduction) and funds from the clean air surcharge on motor vehicle registration fees. Permit and emission-based fees are not used to fund these programs.

Air Monitoring

The Air Monitoring Section is responsible for measuring and reporting air pollution levels throughout the county. This is done via two networks of air quality monitoring stations. The urban network is funded and operated by the District to monitor air quality in urban or populated areas throughout the county. The District also receives federal funding to support urban air monitoring efforts. The regional and facility-specific network is funded and/or operated by certain large sources to monitor background and regional pollutant levels and the air quality in the vicinity of those major facilities. The monitoring staff maintain the air monitoring network, perform quality assurance reviews on data, analyze air quality levels, and submit required reports to CARB and the USEPA. This section also works to provide air quality information to the public, including real-time air quality data and forecasts. If any monitoring station shows pollution levels above certain thresholds, staff will work with the Public Information Officer to share the air quality information with the public.

Impact Measures

The information listed below is a summary of air quality metrics that are measured throughout the calendar year and pertain to the District's efforts to attain the state and federal ambient air quality standards.

Measure	Actual CY 2023	Goal CY 2024	Est. Actual CY 2024	Goal CY 2025
Number of days on which the state one-hour ozone standard is not met somewhere in Santa Barbara County	0	0	0	0
Number of days on which the federal eight-hour ozone standard is not met somewhere in Santa Barbara County	0	0	0	0
Number of days on which the state eight-hour ozone standard is not met somewhere in Santa Barbara County	0	0	0	0
Number of days on which the state PM_{10} standards are not met somewhere in Santa Barbara County	12	≤ 15	15	≤ 15
Number of days on which the federal $PM_{2.5}$ standard is not met somewhere in Santa Barbara County	0	0	0	0

CY = Calendar Year

FY 2023-24 Significant Accomplishments

Below is a listing of the significant accomplishments the District achieved throughout FY 2023-24:

- Completed a Cost-Recovery and Fee Analysis Study (Fee Study) to analyze the cost-of-service relationships that exist between the District and the regulated community in relation to facility/equipment fees for the permitting and compliance programs, air quality planning, air toxics programs, and source tests. The Fee Study showed that the District was not fully recovering costs for implementing the various fee-based programs and only recovered approximately 47% of its fee-related activity costs.
- Completed the District's Long-Range Fiscal Strategy Fiscal Years 2023-28 and received unanimous Board direction in support of the District's strategy measures.
- Obtained Board approval for the District's Cost-Recovery Policy of 85% overall recovery of regulatory program activity costs, and 100% cost recovery for new fees.
- Drafted proposed and presented to the Board revisions to District Rule 210 (Fees), with four major changes:
    1. Revise the rates for existing fees to achieve 85% cost recovery;
    2. Add new fees for specific services and categories of equipment that were not addressed by the existing version of the fee rule;
    3. Modify the administrative procedures (Governing Provisions); and
    4. Remove outdated fees and reorganize the rule text.
- Conducted stakeholder engagement for proposed District Rule 210 (Fees), including provided draft Rule 210 and Staff Report to more than 2,000 stakeholders; conducted a virtual public workshop; offered virtual meetings with District staff; provided a requested briefing to the Agricultural Advisory Committee; and presented at three Community Advisory Council (CAC) meetings, obtaining a unanimous recommendation that the District Board of Directors adopt the proposed amendments to District Rule 210(Fees).
- Completed installation and commissioning of a new $PM_{2.5}$ monitor in Carpinteria, which began operating in the third quarter of 2023.
- Implemented significant efficiencies with the District's electronic processes. A new employee performance review online solution was implemented. Migrated to Microsoft Teams Voice, which is Microsoft's cloud-based phone system add-on for Microsoft Office 365. It is a phone system only in the cloud, accessible from a mobile device or your computer, at any location. Also implemented was AdobeSign, allowing sources to submit certain forms online, where the data will automatically feed into the District's programs and databases.
- Continued the District's efforts on diversity & inclusion. The IDEAA (Inclusion, Diversity, Equity, Accountability, & Awareness) committee held multiple events and trainings throughout the year for District employees.

- Increased the number of District staff who are certified to be members of our internal Bilingual Team to help create public information materials in English and Spanish. There are seven individuals on the Bilingual Team, which is 17.5% of the District’s workforce.
- Performed 571 permitting actions in CY 2023.
- Performed 512 inspections in CY 2023.
- Responded to 260 air pollution complaints in CY 2023.
- Replied to 107 requests for information and provided 4,899 records under the Public Records Act during CY 2023.
- Maintained the number of people exposed to a cancer risk of 10 in a million or greater from permitted sources at zero.
- Executed $3.5 million in Clean Air Grant contracts.
- Disbursed $2.4 million in award funding to 37 Clean Air Grant projects that became operational in FY 2023-24.

Air Quality

Santa Barbara County air quality currently meets all federal and state ambient air quality standards, except for the state ozone standards and the state 24-hour and annual arithmetic mean standards for particulate matter (PM_{10}).

2023 Ozone Measurements

- During the 2023 calendar year, the state and federal 8-hour ozone standards were not exceeded, the same as in 2022.
- The state 1-hour ozone standard was not exceeded in 2023, the same as in 2022.

2023 Particulate Matter Measurements

- During the 2023 calendar year, the state 24-hour PM_{10} standard was exceeded on 12 days, an increase from seven days in 2022.
- The federal 24-hour PM_{10} standard was not exceeded in 2023, the same as in 2022.
- The federal 24-hour $PM_{2.5}$ standard was not exceeded in 2023, the same as in 2022.

FISCAL YEAR 2024-25
OPERATING BUDGETS BY DIVISION

Administrative Division

The Administrative Division expenses are allocated to the District's direct operating activities as an overhead allocation based upon direct billable salaries and benefits. The Administrative Division includes a Fiscal and Executive section, Human Resources, Public Information, and an Information Technology Section, which includes information technology services and data acquisition. Each section has costs associated with specific goals and objectives; and an Administrative Overhead section, which accumulates expenses that are not attributable to any specific district activity, such as rent, landscaping, janitorial, insurance, and utilities.

EXPENDITURE PLAN	Actual FY 2022-23	Adopted FY 2023-24	Est. Act. FY 2023-24	Proposed FY 2024-25
Operating Expenditures				
Administrative Overhead	$ 1,132,893	$ 3,371,276	$ 3,418,411	$3,016,547
Fiscal & Executive	1,213,799	900,180	906,698	872,068
Human Resources	110,234	146,342	145,554	160,092
Public Information	220,827	330,462	330,284	344,085
Information Technology	643,455	617,372	458,793	604,238
Operating Total	3,321,209	5,365,631	5,259,740	4,997,031
Other Financing Uses				
Increase in Fund Balance	70,788	-	-	-
Expenditure Plan Total	$ 3,391,996	$ 5,365,631	$ 5,259,740	$4,997,031

CHARACTER OF EXPENDITURES	Actual FY 2022-23	Adopted FY 2023-24	Est. Act. FY 2023-24	Proposed FY 2024-25
Operating Expenditures				
Regular Salaries	$ 1,292,297	$ 1,366,458	$ 1,366,456	$1,376,427
Overtime	221	-		-
Benefits	647,467	695,472	695,472	744,479
Salaries & Benefits Total	1,939,985	2,061,930	2,061,928	2,120,906
Services & Supplies	1,020,090	1,134,701	1,017,863	1,127,125
Other Charges	151,159	154,000	179,949	184,000
Fixed Assets	209,975	2,015,000	2,000,000	1,565,000
Operating Total	$ 3,321,209	$ 5,365,631	$ 5,259,740	$4,997,031

Significant Changes (FY 2023-24 Adopted to FY 2024-25 Proposed)

The FY 2024-25 operating total for the Administrative Division will decrease by $368,600 from the adopted 2023-24 budget, to $4,997,031.

Salaries and benefits increased $58,976, primarily due to the District negotiating a three-year agreement with the two employee bargaining units in FY 2022-23. The first year saw a cost-of-living adjustment (COLA) for District employees of 3.5%, which was effective August 18, 2022. The second and third years of that agreement provide District staff with a 2% COLA as of July 1, 2023 and July 1, 2024. This purposed budget includes the last COLA negotiated with the employee bargaining units; future union negotiations will begin later in FY 2024-25. Medical benefit costs increased substantially for District employees in 2024 (approximately 15%). Also included in the negotiations was a 4% increase toward medical benefits that is slated to start in January 2025. This equates to an additional $28 per month, per employee.

Services and supplies decreased by $7,576, or less than 1%. This decrease is due to less rent the District will have to pay because a portion of the office space in Santa Barbara is being relinquished back to the County. The total amount saved on rent will be approximately $28,000. This savings is being offset by an increase to our cost allocation charges from the County for the services they provide the District. Some accounts included in this category are equipment and equipment maintenance, building maintenance, office expenses, professional services, software, training, and travel, etc.

Other charges increased by $30,000, because of anticipated increases to the District's liability insurance premiums due to inflation and the economy.

Fixed assets decreased $450,000 from the previous fiscal year. Last year, the District had budgeted to use a portion of fund balance to remodel the newly purchased office building in northern Santa Barbara County for our north county staff. With the anticipation of demolition and building renovations, $1.6 million was allocated in FY 2022-23; however, only approximately $225,000 was spent for building design and demolition by the end of June 2023. The leftover renovation budget of $1,375,000 was rolled over into the FY 2023-24 budget, along with another $625,000 to fully renovate the space. The District published a request to bid for construction of the remodel and found that construction costs had increased significantly. To bring this remodel to completion, the District is including an additional $1.3 million in this year's budget. The fixed asset budget also includes the purchase of equipment for the District's data acquisition system (DAS).

FY 2024-25 Goals and Objectives

Fiscal and Executive Section

1. Develop a Cost-Recovery tool that can be used in-house to calculate cost recovery on a regular basis.
2. Assist other divisions with Rule 210 implementation.
3. Continue to oversee the North County office remodel to completion, with a possible move-in date in the middle of the fiscal year.

Human Resources Section

4. Continue to expand on diversity, equity, and inclusion training for all staff. Including adding a page to our website to focus on the District's efforts regarding DE&I.
5. Review the structural integrity of the agency as well as recruitment processes.

Public Information

6. Use the District's communication tools to increase agency awareness and awareness of air quality issues, and significantly increase the number of Santa Barbara County residents who subscribe to our bilingual air quality news and who follow our social media accounts.
7. Increase outreach to Spanish-speaking and Mixteco-speaking individuals through meetings with various community groups and conduct outreach to underserved communities pursuant to the AB 617 Community Air Protection Program and increase the number of Spanish webpages on the District's website.
8. Promote the redesigned Permitted Facilities Map to the public.

Information Technology Section

9. Continue to research and migrate District applications and databases to the Cloud.
10. Work closely with contractor during construction of new server room at McCoy property location and make sure all IT aspects are covered (e.g., wiring, security, etc.) during the remodel process.

Fiscal and Executive Services

Purpose Statement: Fiscal and Executive Services provide executive, clerical, fiscal, and facilities support to all APCD staff and fulfill the financial reporting needs of the public and the regulated community.

FY 2023-24 Significant Accomplishments

- Successfully developed and presented the Long-Range Fiscal Strategy to the Board.
- Created a cost-recovery policy.

- Developed a fund balance policy.
- Completed the financial audit for FY 2022-23 with no audit findings.
- Successful implementation of the budget – exceeding revenue and lower-than-budgeted expenditures.
- Successfully started construction remodel on the North County office. Construction completion is tentatively set for December 2024.
- Successfully met the Maintenance of Effort requirement for the District's USEPA 105 grant. This allowed the District to continue to receive the annual federal grant funding of approximately $500,000.

Recurring Performance Measures

Measure	Actual FY 2022-23	Goal FY 2023-24	Est. Actual FY 2023-24	Goal FY 2024-25
Percent of actual revenue received to revenue budgeted	106.0%	100%	115.6%	100%
Percent of actual expenditures to expenditures budgeted	60.7%	100%	61.0%	100%
Total federal maintenance of effort (MOE) above/(below) previous year MOE + $1	$2,517,761	≤ $1	≤ $1	≤ $1

Human Resources

Purpose Statement: Human Resources is responsible for recruitment and selection of employees, labor relations, benefits administration, classification and compensation, collaborative bargaining, workers' compensation, training, and compliance oversight for state and federal employment law requirements. These human resources benefits and labor relations services ensure organizational equity to meet the changing needs of the District and its staff.

FY 2023-24 Significant Accomplishments

- Conducted 8 recruitments.
- Successfully completed the reporting requirements for the health care reform mandates.
- Administered District safety training program in compliance with OSHA regulations.
- Managed District workers' compensation program, with one claim reported for the year.
- Managed and provided comprehensive Human Resources programs and services for the District and its employees.

- Continued the District's efforts on diversity & inclusion. The IDEAA (Inclusion, Diversity, Equity, Accountability & Awareness) committee held multiple events and trainings throughout the year for District employees.
- Implemented all new legislation as it became effective January 1, 2024. This included extra-help sick leave, cannabis discrimination law, reproductive loss leave, etc. to make sure the District put new processes into place to adhere to these new laws.

Public Information

Purpose Statement: In order for meaningful public participation to occur, outreach to the media and community members is key. We are committed to maintaining multiple communication channels for the exchange of easy-to-understand air quality information on issues occurring throughout Santa Barbara County.

FY 2023-24 Significant Accomplishments

- Issued more than 30 news releases regarding District news, air quality alerts, and prescribed burns, and promoted media coverage of District issues and news.
- Participated in media interviews on local air quality issues and District programs.
- Continued to share instructions about how to protect against wildfire smoke by creating "clean air rooms." Worked with schools on understanding air quality alerts and air quality data to best guide decision-making about outdoor activities for students during wildfire smoke events; and participated in responder calls and meetings.
- Working with community partners and providing bilingual outreach, distributed limited number of replacement air filters in Guadalupe to participants in the Clean Air Rooms Pilot Program.
- Increased the number of District staff who are certified to be members of our internal Bilingual Team to help create public information materials in English and Spanish.
- Continued to attract new social media followers and subscribers to our listservs for news, air quality alerts, and prescribed burn information.
- Assisted other divisions in conducting stakeholder engagement for proposed District Rule 210 (Fees), including provided draft Rule 210 and Staff Report to more than 2,000 stakeholders; conducted a virtual public workshop; offered virtual meetings with District staff; provided a requested briefing to the Agricultural Advisory Committee; and presented at three Community Advisory Council (CAC) meetings.
- On track to complete the redesign of the online Permitted Facilities Map tool to better match the aesthetics and functionality of the District's redesigned website.
- Reached 836 students through the District's Clean Air Ambassadors (CAA) program visits to K-3 classrooms.
    - Provided air quality presentations to community and industry groups, partner agencies, and classrooms.

- Reached 50 students through an in-person class presentation at a University of California, Santa Barbara Environmental Law class.

Recurring Performance Measures

Measure	Actual FY 2022-23	Goal FY 2023-24	Est. Actual FY 2023-24	Goal FY 2024-25
Stakeholder Engagement Items				
E-newsletter	1	4	3	4
News releases (includes Alerts and Prescribed Burns)	41	30	30	30
Public notices	18	10	10	12
Social media posts	1,130	1,200	1,200	1,300
Air quality alert subscribers	2,300	4,600	2,500	3,500
Community Programs				
Schools outreach/ class visits (including CAA)	85	30	116	120

Information Technology Services

Purpose Statement: The Information Technology Services (ITS) is responsible for the management, development, operation, training, and maintenance of information systems. These systems include a network of computers providing engineering and office automation, an integrated database system, and a data acquisition system to manage real-time air monitoring data from monitoring stations operated by the District and industry-run monitoring stations, as well as emission data from large facilities. The ITS staff develop innovative IT solutions to create operational efficiencies that reduce costs and increases productivity.

Two programs make up Information Systems: the Data Acquisition System (DAS) and the Local Area Network (LAN.)

FY 2023-24 Significant Accomplishments

Automated Data Acquisition (DAS) Program

- Provided reliable operation of the Data Acquisition System in support of program goals.
- The DAS system uptime exceeded 97%, Backups were 100%, and Data Acquisition exceeded 90%.

- Ongoing improvements of function and efficiencies of the DAS system and the support of the monitoring sites.

Local Area Network (LAN)

- Provided a highly reliable computing system for the District in support of the District's business. Due to increased remote work during the pandemic, all staff now use laptops.
- Recruited and onboarded an IT Intern, a first for the Division. The intern assists with the help desk and any other IT related tasks for the District.
- Continued to increase IT system security whenever feasible.
- Hardware and software systems were upgraded or replaced as necessary keeping in line with our goal of providing reliable and cost-effective information systems.
- Provided ongoing support and enhancements for the payroll, accounting, Integrated Database System, and the telecommuting program.
- Successfully met with data wiring contractors and put together a plan for all data cables at the new north county office building.

Recurring Performance Measures

Measure	Actual FY 2022-23	Goal FY 2023-24	Est. Actual FY 2023-24	Goal FY 2024-25
Network uptime	>97%	97%	>97%	97%
APCD website uptime	>99%	100%	>99%	100%
Data Acquisition System (DAS) valid data acquisition rate	>97%	97%	>97%	97%

Engineering Division

The Engineering Division is composed of the Permitting Section, Air Toxics Section, and Permit Compliance Section. The programs that these Sections operate have costs associated with specific goals and objectives. The Division also includes an administrative overhead function that accumulates expenses not attributable to any specific Division activity, such as management and supervision of staff, facilitating staff development and training opportunities, budget management and tracking, and goal and policy implementation.

EXPENDITURE PLAN	Actual FY 2022-23	Adopted FY 2023-24	Est. Act. FY 2023-24	Proposed FY 2024-25
Operating Expenditures				
Administrative Overhead	$ 250,199	$ 372,464	$ 371,886	$ 389,163
Permitting & Air Toxics	1,037,403	1,024,997	1,019,304	1,079,532
Operating Total	1,287,602	1,397,461	1,391,190	1,468,696
Other Financing Uses				
Increase in Fund Balance	-	-	-	-
Expenditure Plan Total	$1,287,602	$1,397,461	$ 1,391,190	$1,468,696

CHARACTER OF EXPENDITURES	Actual FY 2022-23	Adopted FY 2023-24	Est. Act. FY 2023-24	Proposed FY 2024-25
Operating Expenditures				
Regular Salaries	$ 889,856	$ 965,913	$ 965,913	$1,013,592
Overtime				-
Benefits	392,540	417,518	417,518	439,324
Salaries & Benefits Total	1,282,396	1,383,431	1,383,431	1,452,916
Services & Supplies	4,208	11,530	6,011	13,280
Other Charges	998	2,500	1,748	2,500
Fixed Assets	-	-	-	-
Operating Total	$1,287,602	$1,397,461	$ 1,391,190	$1,468,696

Significant Changes (FY 2023-24 Adopted to FY 2024-25 Proposed)

The FY 2024-25 operating total for the Engineering Division increased by $71,235 from the adopted FY 2023-24 budget, to $1,468,696.

Salaries and benefits increased $69,485, primarily due to the District negotiating a three-year agreement with the two employee bargaining units in FY 2022-23. The first year saw a cost-of-living adjustment (COLA) for District employees of 3.5%, which was effective August 18, 2022. The second and third years of that agreement provide District staff with a 2% COLA as of July 1, 2023 and July 1, 2024. This purposed budget includes the last COLA negotiated with the employee bargaining units; future union negotiations will begin later in FY 2024-25. Medical benefit costs increased substantially for District employees in 2024 (approximately 15%). Also included in the negotiations was a 4% increase towards medical benefits that is slated to start in January 2025. This equates to an additional $28 per month, per employee.

Services and Supplies increased $1,750 due to an increase in training and travel costs to allow additional engineers to attend the Engineering CAPCOA meetings.

Other charges had no change from the prior year. This category includes fuel costs for the Engineering Division's fleet vehicle. Fixed assets had no change from the previous year; there are no anticipated fixed asset purchases planned for FY 2024-25.

FY 2024-25 Goals and Objectives

1. Cross-train Engineering Division staff to ensure continuity of operations.
2. Upon adoption, implement all provisions of revised Rule 210, including development and implementation of a new cost-recovery tool.

Permitting Section

3. Continue to automate permit application forms to streamline the transfer of data into the District's permitting database.
4. Continue working with the Planning Division to implement requirements of AB 617 Community Air Protection Program, including Criteria Pollutant and Toxics Emission Reporting (CTR) requirements for permitted sources and the automation of the uploading of this data to CARB's reporting database.

Permit Compliance Section

5. Continue working with Compliance Division to automate additional permit compliance and annual report forms to streamline the transfer of data into the District's permit compliance database.
6. Complete program to integrate and streamline the review of continuous emissions monitoring system (CEMS) data into the District's permit compliance database.

Air Toxics Section

7. Continue the AB 2588 Toxics "Hot Spots" process for the 23 high-priority sources currently under review.

Permitting, Air Toxics, and Permit Compliance

Purpose Statement: We issue technically rigorous and effective permits to new and existing stationary sources and ensure each project complies with all applicable local, state, and federal air quality requirements. We strive to protect the public from the exposure to significant levels of air toxics and inform and educate the public about emissions to which they may be exposed. We operate technically sound and thorough Permit Compliance programs, and we provide transparent and timely responses to Public Records Act requests for information.

FY 2023-24 Significant Accomplishments

- Completed 571 permitting actions during CY 2023.
- Issued 9 Part 70 federal operating permit renewals during CY 2023.
- Reviewed 84 emissions source tests during CY 2023.
- Replied to 107 requests for information and provided 4,899 records under the Public Records Act during CY 2023.
- Recruited and onboarded an Engineering Intern, the first for the Division in more than 15 years.
- Gathered engineering data for the *Cost-Recovery and Fee Analysis Study*, including internal time-tracking information and workload information associated with the different compliance activities, and reviewed the results of Matrix Consulting Group's analysis.
- Together with the Compliance and Planning Divisions, drafted the proposed revisions to District Rule 210 (Fees) including new fee calculations, rule reorganization, and rule language cleanup.
- Implemented AdobeSign electronic annual reporting forms for two source types (gas stations and emergency/standby engines), sending 239 annual report forms by e-mail rather than mailed hard copy (over 20% of total annual reports).
- On track to complete the redesign of the online Permitted Facilities Map tool to better match the aesthetics and functionality of the District's redesigned website.
- Developed and published three new modeling guideline protocol documents.
- Completed review of two AB 2588 Air Toxics "Hot Spots" program Air Toxics Emissions Inventory Plans (ATEIPs) and three Air Toxics Emissions Inventory Reports (ATEIRs).
- Worked with Planning Division staff to implement Best Available Retrofit Control Technology (BARCT) requirements through permit modifications for two AB 617 Industrial Facilities (Pacific Coast Energy Company – Orcutt Hill and ExxonMobil – Las Flores Canyon).

- Completed updates to the District's *Advisory on Air Quality and Cannabis Operations* document and cannabis permitting webpage and materials.
- Provided substantive air quality health risk and ambient standards review and analyses to the County for multiple proposed development projects.

Recurring Performance Measures

Measure	Actual FY 2022-23	Goal FY 2023-24	Est. Actual FY 2023-24	Goal FY 2024-25
Permit Processing				
Percent of Authority to construct permit applications reviewed for completeness within 30 days of receipt	100%	100%	100%	100%
Percent of authority to construct permits issued within 180 days of application completeness	97%	100%	98%	100%
Percent of permit to operate annual scheduled reevaluation renewals completed within the year	94%	90%	90%	90%
Compliance				
Percent of complete review of all Part 70 major source compliance verification reports within 120 days	41%	50%	55%	50%
Source Testing				
Percent of source test reports reviewed within 60 days	99%	90%	99%	90%
Public Records Act Information Request Response				
Percent of requests initially responded to within 10 days of receipt	100%	98%	100%	98%

Compliance Division

The Compliance Division includes Inspection and Enforcement programs, and has costs associated with specific goals and objectives for these programs. The Division also includes an Administrative Overhead function that accumulates expenses not attributable to any specific Division activity, such as management and supervision of staff, facilitating staff development and training opportunities, budget management and tracking, and goal and policy implementation.

EXPENDITURE PLAN	Actual FY 2022-23	Adopted FY 2023-24	Est. Act. FY 2023-24	Proposed FY 2024-25
Operating Expenditures				
Administrative Overhead	$ 364,344	$ 304,175	$ 304,586	$ 456,770
Compliance & Enforcement	998,068	1,026,164	1,007,698	1,079,652
Operating Total	1,362,412	1,330,339	1,312,284	1,536,422
Other Financing Uses				
Increase in Fund Balance	-	-	-	-
Expenditure Plan Total	$1,362,412	$1,330,339	$1,312,284	$1,536,422

CHARACTER OF EXPENDITURES	Actual FY 2022-23	Adopted FY 2023-24	Est. Act. FY 2023-24	Proposed FY 2024-25
Operating Expenditures				
Regular Salaries	$ 806,441	$ 839,915	$ 839,915	$ 880,692
Overtime				-
Benefits	409,075	439,350	439,350	450,600
Salaries & Benefits Total	1,215,516	1,279,265	1,279,265	1,331,292
Services & Supplies	13,267	31,074	16,096	32,130
Other Charges	14,693	20,000	16,923	18,000
Fixed Assets	118,936	-	-	155,000
Operating Total	$1,362,412	$1,330,339	$1,312,284	$1,536,422

Significant Changes (FY 2023-24 Adopted to FY 2024-25 Proposed)

The FY 2024-25 operating total for the Compliance Division increased by $206,083 from the adopted FY 2023-24 budget, to $1,536,422.

Salaries and benefits increased $52,027, primarily due to the District negotiating a three-year agreement with the two employee bargaining units in FY 2022-23. The first year saw a cost-of-living adjustment (COLA) for District employees of 3.5%, which was effective August 18, 2022. The second and third years of that agreement provide District staff with a 2% COLA as of July 1, 2023 and July 1, 2024. This purposed budget includes the last COLA negotiated with the employee bargaining units; future union negotiations will begin later in FY 2024-25. Medical benefit costs increased substantially for District employees in 2024 (approximately 15%). Also included in the negotiations was a 4% increase toward medical benefits that is slated to start in January 2025. This equates to an additional $28 per month, per employee.

Services and Supplies increased by $1,056, due to the small increase for training and travel for Compliance staff as well as a minimal increase to professional services for sampling and laboratory services for the asbestos program.

Other charges decreased by $2,000. This decrease can be attributed to reduced fuel costs because the District has incorporated more hybrid or fully electric vehicles into its fleet.

Fixed assets increased by $155,000 from the previous year. Two vehicles within the District fleet are proposed to be replaced with newer hybrid or fully electric vehicles in FY 2024-25. The Compliance Division also included the fixed asset purchase of a new Toxic Vapor Analyzer.

FY 2024-25 Goals and Objectives

1. Upon adoption, implement all provisions of revised District Rule 210 (Fees), including development and implementation of a new cost-recovery tool.
2. Work with the Bilingual Team to translate more compliance public information materials and compliance webpages to Spanish.
3. Continue to automate Compliance letters to streamline the generation of these documents.
4. Continue working with the Engineering Division to automate annual report forms to streamline the transfer of data into the District's database.
5. Continue to cross-train Compliance Division staff to ensure continuity of operations.
6. Update 10% of the Compliance Policy and Procedures.

Compliance and Enforcement

Purpose Statement: We equitably enforce all rules and regulations to ensure air pollution control requirements are being met, to motivate and educate those we regulate to comply with air pollution laws, to protect human health and the environment, and to promote regulatory equity in the marketplace. We strive to protect the public from air quality nuisance situations and inform and educate the public about emissions to which they may be exposed.

FY 2023-24 Significant Accomplishments

- Performed 512 inspections during CY 2023.
- Responded to and documented 260 air pollution complaints during CY 2023.
- Reviewed 499 renovation/demolition projects for Asbestos NESHAP applicability, including 189 asbestos notifications, during CY 2023.
- Performed the administrative functions for seven variance petitions during CY 2023.
- Reviewed and approved Smoke Management Plans for eight prescribed burns, totaling 563.13 acres, that were conducted during CY 2023. There were no air quality exceedances associated with these prescribed burns.
- Reviewed and updated 10% of the Compliance Policies & Procedures.
- Successfully onboarded and trained one new Compliance inspector and one new Compliance intern.
- Worked with the Engineering Division to complete AdobeSign electronic annual reporting forms for two source types (gas stations and emergency/standby engines), sending 239 annual report forms by e-mail rather than mailed hard copy.
- Completed updates to the District's *Advisory on Air Quality and Cannabis Operations* document and cannabis permitting webpage and materials. Initiated cannabis compliance surveillance.
- Gathered compliance data for the *Cost-Recovery and Fee Analysis Study*, including internal time-tracking information and workload information associated with the different compliance activities, and reviewed the results of Matrix Consulting Group's analysis.
- Together with the Engineering and Planning Divisions, drafted the proposed revisions to District Rule 210 (Fees), including new fee calculations, rule reorganization, and rule language cleanup.
- On track to complete the redesign of the online Permitted Facilities Map tool to better match the aesthetics and functionality of the District's redesigned website.

Recurring Performance Measures

Measure	Actual FY 2022-23	Goal FY 2023-24	Est. Actual FY 2023-24	Goal FY 2024-25
Inspections				
Percent of citizen complaints about air pollution responded to				
- within 3 hours	88%	90%	86%	90%
- within 24 hours	95%	95%	94%	95%
Percent of Part 70 facilities inspected	90%	100%	80%	100%
Percent of permitted facilities inspected within the last 3 fiscal years	93%	100%	90%	100%
Percent of initial settlement agreements sent within 90 days of NOV issuance	34%	60%	40%	60%
Percent of settlement agreements finalized within 1 year of NOV issuance for NOVs issued in the prior fiscal year	56%	60%	60%	60%

Planning Division

The Planning Division includes the following program groups, which have costs associated with specific goals and objectives: Air Quality Planning, Community Programs, Land Use, Grants and Incentives, Rule Development, and Air Monitoring. The Division also includes an Administrative Overhead function that accumulates expenses not attributable to any specific division activity, such as management and supervision of staff, facilitating staff development and training opportunities, budget management and tracking, and goal and policy implementation.

EXPENDITURE PLAN	Actual FY 2022-23	Adopted FY 2023-24	Est. Act. FY 2023-24	Proposed FY 2024-25
Operating Expenditures				
Administrative Overhead	$ 221,746	$ 455,274	$ 453,047	$ 476,676
Air Monitoring	792,924	706,286	687,269	721,144
Air Quality Planning	263,426	253,627	253,812	288,192
Rule Development	81,868	101,085	102,685	105,833
Community Programs	56,029	108,795	87,312	87,556
Land Use	233,839	282,033	284,653	286,222
Grants and Incentives Program	2,609,878	9,637,353	2,153,524	3,775,959
Operating Total	4,259,709	11,544,453	4,022,302	5,741,581
Other Financing Uses				
Increase in Fund Balance	3,295,979	-	6,222,537	-
Expenditure Plan Total	$7,555,687	$ 11,544,453	$ 10,244,839	$ 5,741,581

CHARACTER OF EXPENDITURES	Actual FY 2022-23	Adopted FY 2023-24	Est. Act. FY 2023-24	Proposed FY 2024-25
Operating Expenditures				
Regular Salaries	$1,096,372	$ 1,175,478	$ 1,175,478	$ 1,220,673
Overtime	-			-
Benefits	502,204	554,308	554,308	587,416
Salaries & Benefits Total	1,598,576	1,729,787	1,729,787	1,808,089
Services & Supplies	2,487,621	9,647,566	2,110,891	3,781,349
Other Charges	11,790	10,100	13,424	13,900
Fixed Assets	161,722	157,000	168,200	138,243
Operating Total	$4,259,709	$ 11,544,453	$ 4,022,302	$ 5,741,581

Significant Changes (FY 2023-24 Adopted to FY 2024-25 Proposed)

The FY 2024-25 operating total for the Planning Division will decrease by $5,802,871 from the adopted FY 2023-24 budget to $5,741,581, due to the decrease of expending grant funds from this and prior year funds.

Salaries and benefits increased $78,303, primarily due to the District negotiating a three-year agreement with the two employee bargaining units in FY 2022-23. The first year saw a cost-of-living adjustment (COLA) for District employees of 3.5%, which was effective August 18, 2022. The second and third years of that agreement provide District staff with a 2% COLA as of July 1, 2023 and July 1, 2024. This purposed budget includes the last COLA negotiated with the employee bargaining units; future union negotiations will begin later in FY 2024-25. Medical benefit costs increased substantially for District employees in 2024 (approximately 15%). Also included in the negotiations was a 4% increase toward medical benefits that is slated to start in January 2025. This equates to an additional $28 per month, per employee.

Services and supplies decreased by $5,866,217 due to grants/pass-through activities. Historically, the District would include the previous fiscal years unspent grant funds and roll those unspent funds into the current year. It's very common each year that residual funds from prior years be carried into the next year's budget if some of the clean air projects aren't completed and paid out in the current fiscal year. The District has four years to spend these funds on specific projects. For this budget cycle, the District decided to only include a dollar amount that is more in line with actuals each year. That way the budget is not inflated for expenditures that may not come to fruition during the year. These grant funds are to be used as pass-through to continue expanding the reach of the grant programs, including the Carl Moyer, Community Air Protection, FARMER, Electrified Landscaping Equipment, and Wood Smoke Changeout programs. The grant funds help local businesses and organizations take advantage of cleaner technologies to secure immediate emission reductions. Project categories include agricultural equipment, woodstove changeouts, marine vessels, school and transit buses, old passenger cars and trucks, electrifying landscaping equipment, and electric vehicle infrastructure.

Other charges had an increase of $3,800 from the previous year due to an increase in fuel usage.

Fixed Assets decreased by $18,757. This decrease is due to the monitoring section needing fewer equipment replacements next year. The monitoring section will continue to replace analyzers and monitoring equipment for all sites as needed, to stay up-to-date and use the best technology available.

FY 2024-25 Goals and Objectives

1. Continue to implement requirements of AB 617 Community Air Protection Program including outreach, grant projects, and Criteria Pollutant and Toxics Emission Reporting (CTR) requirements.

Air Quality Planning

2. Streamline and automate input of facility information into the District's database for emission inventory reporting; work with Engineering Division to implement CARB's statewide reporting regulation.

3. Assess countywide trends of PM exceedances and develop recommendations to reduce PM emissions in order to reach the state PM_{10} standard.

Rule Development

4. Develop and adopt rules as required by state and federal mandates.
5. Upon adoption, help coordinate and implement the new and modified fee schedules and provisions from District Rule 210 (Fees).

Grants and Incentives Program

6. Implement a new cycle of grant funding awarded by the state legislature in 2023 (e.g., Carl Moyer, FARMER, and AB 617 Community Air Protection).

Air Monitoring

7. Conduct a five-year ambient air monitoring network assessment and submit to USEPA for approval.

Air Quality Planning

Purpose Statement: We develop, implement, and track clean air plans that comply with state and federal air quality planning mandates in order to protect the people and the environment of Santa Barbara County. The District works with the U.S. Environmental Protection Agency, California Air Resources Board, and Santa Barbara County Association of Governments to facilitate a coordinated and efficient effort to clean the air. We promote local dialogue and consensus by meeting with our Community Advisory Council during the development of clean air plans in order to address concerns of business, industry, environmental groups, and the public. Staff prepare emission inventory data required for air quality attainment planning and to invoice for emission-based fees that allow the District to continue programs that achieve clean air goals.

FY 2023-24 Significant Accomplishments

- Reviewed, updated, and submitted to CARB quality-assured 2022 criteria and toxic pollutant stationary source emissions data for inclusion on their Pollution Mapping Tool, as outlined in the AB 197 Emission Inventory District Grant.
- Developed and adopted a PM_{10} mitigation plan for wildfires, pursuant to USEPA's 2016 Exceptional Events Rule.
- Gathered Planning data for the *Cost-Recovery and Fee Analysis Study*, including internal time-tracking information and workload information associated with the

different compliance activities, and reviewed the results of Matrix Consulting Group's analysis.

- Successfully onboarded and trained one new Planning intern.
- On track to complete the redesign of the online Permitted Facilities Map tool to better match the aesthetics and functionality of the District's redesigned website.

Recurring Performance Measures

Measure	Actual FY 2022-23	Goal FY 2023-24	Est. Actual FY 2023-24	Goal FY 2024-25
Submit emissions inventory data to the California Air Resources Board each year	7/29/2022	8/1/2023	8/1/2023	8/1/2024
Process emissions inventory data submitted by sources for fee invoices each year	6/8/2023	5/31/2024	5/31/2024	5/31/2025

Rule Development

Purpose Statement: In order to implement air quality-related measures identified in clean air plans and other legislative mandates, and to protect human health and the environment of Santa Barbara County, we develop new and modified rules and regulations and prepare them for adoption by the District Board.

FY 2023-24 Significant Accomplishments

- Together with Engineering Division staff, worked extensively with industry on the AB 617 BARCT requirements for both Miscellaneous Combustion Units and Stationary Gas Turbines. For both projects, it was determined that new District rules were no longer necessary since the BARCT requirements were incorporated directly into the facility's Permit to Operate. These determinations effectively completed all of the rule development activities associated with the AB 617 schedule that was adopted by the District Board on December 20, 2018.
- Together with Engineering and Compliance Divisions, conducted a rule development proceeding for a comprehensive update to District Rule 210 (Fees) including new fee calculations, rule organization, and rule language cleanup. Conducted stakeholder engagement for the proposed rule, including provided draft Rule 210 and Staff Report to more than 2,000 stakeholders; conducted a virtual public workshop; offered virtual meetings with District staff; provided a requested briefing to the Agricultural Advisory Committee; and presented at three Community Advisory Council (CAC) meetings, obtaining a unanimous recommendation that the District Board of Directors adopt the proposed amendments to District Rule 210 (Fees).

- Performed a preliminary evaluation on potential changes to District Rule 1303, Part 70 Operating Permits to comply with new federal mandates. Rule amendments associated with this project are anticipated to be brought before the District Board in June 2024.

Recurring Performance Measures

Measure	Actual FY 2022-23	Goal FY 2023-24	Est. Actual FY 2023-24	Goal FY 2024-25
Number of draft rule projects released for public review	2	2	3	1

Community Programs

Purpose Statement: The District provides the community with assistance and information about air quality and health and the District's programs, rules, and services through our community outreach programs. We encourage the entire community to work together for clean air in Santa Barbara County.

FY 2023-24 Significant Accomplishments

- Collaborated with partners to conduct a Vessel Speed Reduction (VSR) incentive program for emission-reduction and whale-protection benefits in the Southern California Region and the San Francisco Bay Area. The partners recognized the 33 shipping companies that participated in the 2023 VSR program by promoting their achievements through outreach campaigns, media coverage, social media, and web advertisements in prominent shipping, business, and logistics media outlets. For more information on the program, visit www.bluewhalesblueskies.org.
- Urged the passage of AB 953 (Connolly and Hart) and AB 2298 (Hart) which would create a statewide voluntary vessel speed reduction program for the California coast.
- Deployed additional low-cost air quality sensors at District monitoring stations and community partner locations, for a total of 49 sensors, to provide air quality trends and additional real-time air quality information to the public.
- Developed a multi-year strategic plan for the Central Coast Clean Cities Coalition (C5). To help guide the development of the coalition strategic plan, District staff formed a working group composed of C5 Board members and local stakeholders with diverse experience across the transportation sector. The strategic planning process resulted in a revised mission statement for the coalition as well as the development of a new vision statement, core values, and strategic goals.

Land Use

Purpose Statement: District staff review major environmental and planning documents to ensure that air quality impacts of land development projects are correctly assessed and all feasible measures to reduce air pollution from these projects are considered. We review all District activities such as clean air plans, rules, and regulations, and permits to ensure that our activities do not result in adverse impacts to the environment. We participate in the local transportation planning process and review transportation projects to ensure that transportation policies and projects do not weaken air quality improvements.

FY 2023-24 Significant Accomplishments

- Prepared and reviewed CEQA and NEPA documents for projects in a variety of roles (as lead agency, responsible agency, or commenting agency).
- Assisted other agencies, consultants, and project proponents in the preparation of air quality impact analyses for CEQA documents for a variety of land use project types.
- Continued to work with land use agencies and interested parties on options for local mitigation of greenhouse gas emissions.
- Participated in committees and work groups related to land use review and air quality impact assessment and mitigation, including the Subdivision/Development Review Committees of Santa Barbara County and Goleta, and SBCAG's Technical Transportation Advisory Committee, Technical Planning Advisory Committee, and Joint Technical Advisory Committee.
- Participated in a CAPCOA workgroup to update and move the CalEEMod emissions estimation model to an online platform.
- Completed updates to the District's *Advisory on Air Quality and Cannabis Operations* document and cannabis permitting webpage and materials.

Recurring Performance Measures

Measure	Actual FY 2022-23	Goal FY 2023-24	Est. Actual FY 2023-24	Goal FY 2024-25
Percent of CEQA reviews completed within 30 days for all environmental documents and land use projects	96% of 93	100% of 140	100% of 108	100% of 140

Grants and Incentives Program

Purpose Statement: We demonstrate innovative, voluntary ways of reducing air pollution in Santa Barbara County in order to further the District's mission. We foster government and industry cooperation and support local businesses by providing incentives to aid in the implementation of low-emissions technologies. Grant and incentive programs are alternatives to the traditional regulatory approach that secure significant emissions reductions and increase flexibility for businesses and public health benefits to the community.

FY 2023-24 Significant Accomplishments

- Executed CARB grant agreements for Carl Moyer Program Year 25 and 26, Carl Moyer Program Year 26 State Reserve, FARMER Year 6, Community Air Protection Year 6 and Year 7 incentive and implementation Funds, and Woodsmoke Reduction Program funds.
- Awarded the grants to replace the following old, high-emitting diesel-fueled equipment with cleaner emission technologies:
    - 26 tractor replacements (25 diesel-powered; one (1) electric-powered),
    - Two (2) agricultural rough terrain diesel-powered forklifts,
    - Five (5) marine vessel main engine repowers.
- Awarded a grant for one (1) electric school bus to help school districts expand their fleet with zero-emission buses.
- Issued grants to partially fund the purchase/installation of 57 electric vehicle charging ports with Level 2 charging capability, six (6) electric vehicle charging ports with Level 3 charging capability, and two (2) electric meters for shore power (21 charging ports in North County and 56 charging ports in South County).
- Purchased and scrapped 51 vehicles under the Old Car Buy Back Program.
- Continued working with the Center for Sustainable Energy, California Energy Commission, and regional partners to implement the California Electric Vehicle Infrastructure Project (CALeVIP) rebate program for electric vehicle charging stations. So far, more than $3.1 million of the project funds have been issued across the South Central Coast region.

Recurring Performance Measures

Measure	Actual FY 2022-23	Goal FY 2023-24	Est. Actual FY 2023-24	Goal FY 2024-25
NO_x, ROC, and PM emissions reduced from signed grant agreement projects (tons).	261	125	162	212
Average cost effectiveness for all grant program funded projects ($/ton)	$27,204	$23,944	$23,489	<$33,000

Air Monitoring

Purpose Statement: We operate a county wide ambient air monitoring network to determine the relationship between our air quality and the federal and state air quality standards by comprehensively and accurately documenting the urban, regional, and source-specific pollutant concentrations. Information is gathered to allow for sound decisions by policymakers, the public, and the District in our combined efforts to protect public health.

FY 2023-24 Significant Accomplishments

- Operated or provided oversight for the collection of high-quality ambient air quality data from monitoring stations throughout the county.
- Performed deployments of temporary particulate monitors for five prescribed burns to inform the public about potential air quality impacts.
- Published the 2022 Annual Air Quality Report on the District's website.
- Continued equipment and parts replacement according to schedule.
- Passed all performance audits and met minimum data collection rates.
- Submitted and received USEPA approval of our 2023 Annual Air Monitoring Network Plan.
- Completed installation and commissioning of a new $PM_{2.5}$ monitor in Carpinteria to help evaluate particulate levels in the area.
- Continued running a $PM_{2.5}$ monitor at our Santa Ynez monitoring station to help evaluate particulate levels in the area. Submitted a request letter to USEPA to designate this station as a SLAMS station.

- Began addressing USEPA's findings from their Technical Systems Audit (TSA) of the District's air monitoring program.

Recurring Performance Measures

Measure	Actual FY 2022-23	Goal FY 2023-24	Est. Actual FY 2023-24	Goal FY 2024-25
Collect 80%/90% valid data for air quality/meteorological measurements.	91%/93%	100%/100%	100%/100%	100%/100%

ATTACHMENT B

Long-Range Fiscal Strategy
Fiscal Years 2023-28

May 16, 2024

Santa Barbara County Air Pollution Control District
Board of Directors

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

Long-Range Fiscal Strategy

Fiscal Years 2023-28

Table of Contents

EXECUTIVE SUMMARY

The goal of the Long-Range Fiscal Strategy (Strategy) Fiscal Year (FY) 2023-28 is to ensure the Santa Barbara County Air Pollution Control District (District) has sufficient resources to accomplish its mission and mandates into the foreseeable future. In preparing this Strategy, the District carefully evaluated changes to revenue, impacts to workload, current cost-recovery mechanisms for fee-based programs, existing and projected staffing, and potential cost reductions and/or revenue enhancements.

Five years ago, the District brought before the Board of Directors its FY 2018-19 budget. In preparing that budget, the District conducted its first long-range fiscal outlook. That additional step was spurred by the 2015 Plains All American 901 pipeline rupture, which shut down oil and gas facilities dependent on the pipeline for distribution; as a result, the District's revenue from fees associated with annual emission, source testing, monitoring, and reimbursable labor collected from affected oil industry were reduced. Compounding matters, in 2016, Venoco quitclaimed two state land leases and filed for bankruptcy.

The District, anticipating that continued decreased oil and gas activity would have ongoing revenue implications, assumed a fiscally conservative position and received Board support for organizational changes. Those changes — referred to throughout this document as the FY 2018-19 reorganization — included the following measures: 1) implementing streamlining and efficiency measures, 2) reducing the number of full-time positions from 43 to 34, through a mix of retirements and permanently not filling select vacant positions, 3) restructuring agency leadership and Air Quality Specialist positions to serve multiple functions across divisions, and 4) administering equity pay adjustments to ensure staff are compensated at a competitive rate in the employee marketplace. The District's successful implementation of the FY 2018-19 reorganization resulted in long-term savings with expenditure levels kept relatively flat, while managing continued workload increases.

Through that FY 2018-19 reorganization process, the District committed to evaluating its fiscal stability every five years. This Strategy is the next phase of that commitment. In preparing the Strategy, the District conducted a thorough analysis of historical revenue and expenditures, as well as detailed projections over the next five years. This analysis was performed in the context of keeping in place core programs with existing staffing levels and factoring in reduced revenue due to changes in oil and gas activity. These assumptions forecast a budget deficit of approximately $400,000 (i.e., 4% of the District's annual operating budget) in FY 2024-2025, increasing to a deficit of approximately $1.2 million in FY 2027-2028. Developing this Strategy also involved conducting a Cost Recovery and Fee Analysis Study (Fee Study), to analyze the District's cost-recovery metric for fee-based work. That Fee Study found that the District's fees only cover 47% of the time and materials associated with fee-based work, leaving approximately $2.3 million annually unrecovered by fee-paying sources.

Despite prudent budgeting and prior efficiency efforts, today's challenges require additional measures to safeguard the District's financial health and long-term ability to continue fulfilling its mission. Historically, the District has deferred significant fee increases by adhering to fiscal principles that maximize efficiency and minimize costs. The District has annually adjusted fees only by applying the Consumer Price Index (CPI) and has not required across-the-board fee increases since 1991 — more than 32 years ago.

After careful evaluation of all aspects mentioned above, recommendations in this Strategy will provide the District with a long-term mechanism to stay fiscally sound. The District's recommendations for the next five years include: 1) develop a cost-recovery policy for fee-based programs; 2) implement multi-year, phased-in fee increases; 3) adopt fund balance policy; and 4) implement staff retention measure(s).

Today's Challenges

With the FY 2018-19 reorganization, the District was able to stave off raising fees on regulated industry beyond the annual CPI. Today, the District faces new challenges related to its fiscal stability, with revenues projected to decrease due to changes in the oil and gas sector — in addition to rising costs related to pension contributions and health benefits for staff. Simultaneously, workload and unfunded mandates continue to grow, and the staffing crunch being felt by other agencies is similarly affecting the District. These three overarching challenges are explained in detail below.

Fiscal Stability

The oil and gas industry has historically experienced cycles of growth and contraction due to price volatility, market demands, product transportation methods, and technological innovations. However, in recent years, other factors have contributed to accelerated declines in the District's revenues from local oil and gas activity. The 2015 Plains All American 901 pipeline rupture, coupled with the Phillips 66 Santa Maria Refinery closure in early 2023, has continued to have far-reaching effects on oil and gas production in Santa Barbara County. In the last five years, revenue from fees paid by the oil and gas industry has declined, and the District anticipates a loss of approximately $785,000 in revenue over the next five years.

In addition, on the expenditure side, salary and benefits have increased over the past five years, even with the decrease in the number of full-time employees. From modest cost-of-living adjustments, retirement contributions, and District-paid health benefits, the District has experienced a total increase of $972,500, or 18%, in salary and benefits, and anticipates these trends will continue to increase an average of 4% each year.

In response, the District hired Matrix Consulting Group to conduct the Fee Study to determine the cost-recovery percentage achieved by the District using existing fees for the following programs: permitting, compliance, air quality planning, air toxics, source testing, agricultural diesel engine registration, and the hearing board. The current fee structure was established when the District was created, based upon other similar Air Pollution Control Districts. 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 results of the Fee Study show that, overall, the District is only recovering 47% of its costs to implement those mandated programs. This is due, in part, to the historical reliance on large sources — such as oil and gas facilities — to shoulder the bulk of the fees, a common practice historically used by other air districts as well. More detailed information on the Fee Study is found in the *Results of the Fee Study* section.

Workload Management

Despite changing and threatened revenue streams, the District's workload continues to grow. When the District was formed in 1970, the primary pollutant of concern was ozone. In the five decades since, Santa Barbara County has seen great improvements in ozone levels. However, the last 50 years have also brought forth new air pollution challenges, with an increasing focus on particulate matter and air toxics, as well as greenhouse gases, which contribute to climate change. Climate change is expected to lead to more wildfires — resulting in more particulate matter — and higher temperatures, resulting in elevated ozone levels. Underpinning many ongoing and new mandated programs, too, is the growing emphasis on environmental justice. Once the District attains the ozone standard, it must juggle the hard work of maintaining air quality standards while addressing these other challenges.

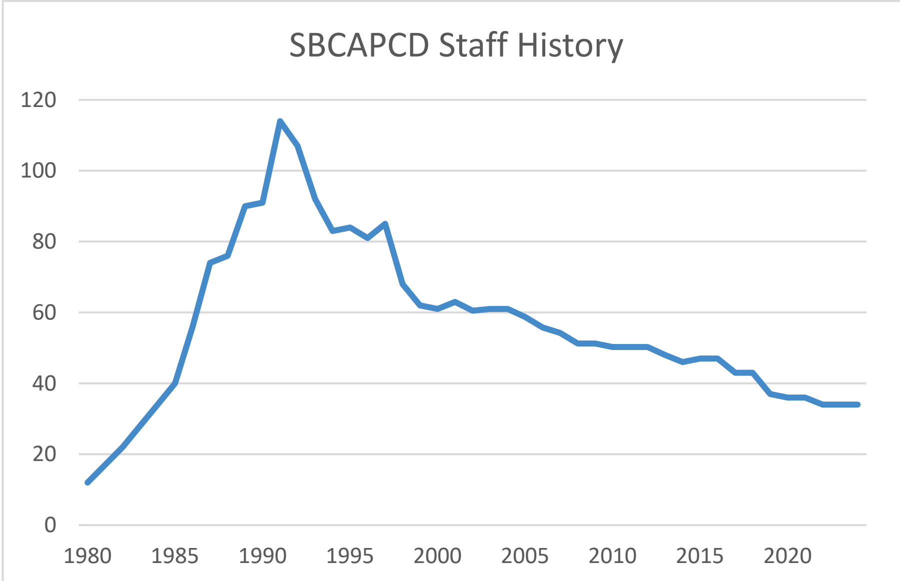
With only 34 staff, each staff member has a full workload with many and varied assignments. While the District has seen decreases in workload for some mandated programs — such as permitting and related ozone planning and rulemaking efforts related to offshore oil platforms — it has not been proportional to revenue decreases. At the same time, there has been a dramatic increase in workload related to, but not limited to, the following mandated State programs: AB 2588 Air Toxics Hot Spots, AB 32 greenhouse gas regulations, and AB 617 Community Air Protection. In addition to increasing mandates, the District's administrative overhead role with grant and incentive programs continues to grow; these programs provide a great benefit to businesses and communities and serve a critical role in reducing emissions from sources outside of the agency's regulatory authority. However, all these workload increases have insufficient funding to cover the associated costs.

At current staffing levels, growing mandates have prevented completion of lower-priority work that could provide important local air quality benefits. For example, the District's surveillance inspection program — an important tool to ensure a level playing field for compliance — is not mandated, requires a lot of staff time to equitably apply, and is easy to be pushed aside when staff resources are tight. The District prides itself on providing excellent customer service to the public and regulated businesses, but current staffing levels sometimes mean unavoidable delays. For example, over the last five years, while the District has remained within its performance parameters for completing permit actions, the overall time it takes for these actions has increased.

The District has undertaken extensive efficiency measures over the past several years to increase productivity with reduced staff, such as in-house database automation and paperless systems. The District will need to expand additional streamlining and automation tools to keep up with anticipated workload increases. However, implementing additional efficiency measures also requires substantial staff time and investment before the benefits are realized.

Staff Retention

The District is currently operating with its leanest workforce since the 1980s. In the last five years, the District has also been challenged with a high rate of staff turnover: each year, almost four full-time employees — approximately 11% of its workforce — leave the District.



This turnover consumes the agency's time and resources for recruitment and training, and due to the small size of the District, detracts from the entire agency's ability to accomplish the workload. It takes a year to evaluate whether a new employee will pass probation. Over the last five years, the average tenure of staff who pass probation but leave the District for other opportunities has been two years.

The District's current workforce also has a lower average tenure than what the District has historically experienced, due to retirements of long-serving staff and those positions being filled by individuals starting their careers. Since the FY 2018-19 reorganization, the District has seen eight retirements totaling more than 200 years of service, with an average District tenure of 25 years. Looking forward, 15% of District staff — who each have more than 30 years of experience — are of retirement age. The average number of years of service is currently nine, with 41% of staff having less than five years of service.

In the wake of the COVID-19 pandemic, the cost of living in Santa Barbara County has skyrocketed above what were already-high levels compared to other areas of California. U.S. News & World Report recently named Santa Barbara the fifth-most expensive place to live in the nation[2]. Average home prices have increased by 26% in Santa Maria and 16% in Santa Barbara in the last two years[3]. As of April 2023, the median home price was $597,500 in Santa Maria, and $1,785,500 in Santa Barbara. The rental market is seeing even more drastic increases; in the last two years, the average rent for a two-bedroom apartment has increased by 45% in Santa Maria and 40% in Santa Barbara[4].

Those economic realities present another complication for staff recruitment and retention. Together, all issues mentioned above emphasize the importance of both succession planning and maintaining and enhancing retention measures so that the District can remain a competitive employer, minimize turnover

[2] 25 Most Expensive Places to Live in the U.S. in 2023-2024 | U.S. News (usnews.com)
[3] Santa Maria Housing Market: House Prices & Trends | Redfin and Santa Barbara Housing Market: House Prices & Trends | Redfin
[4] Average Rent in Santa Barbara, CA and Cost Information - Zumper and Average Rent in Santa Maria, CA and Cost Information - Zumper

and the associated workload disruption, and encourage continued service by staff as their institutional knowledge and experience grows.

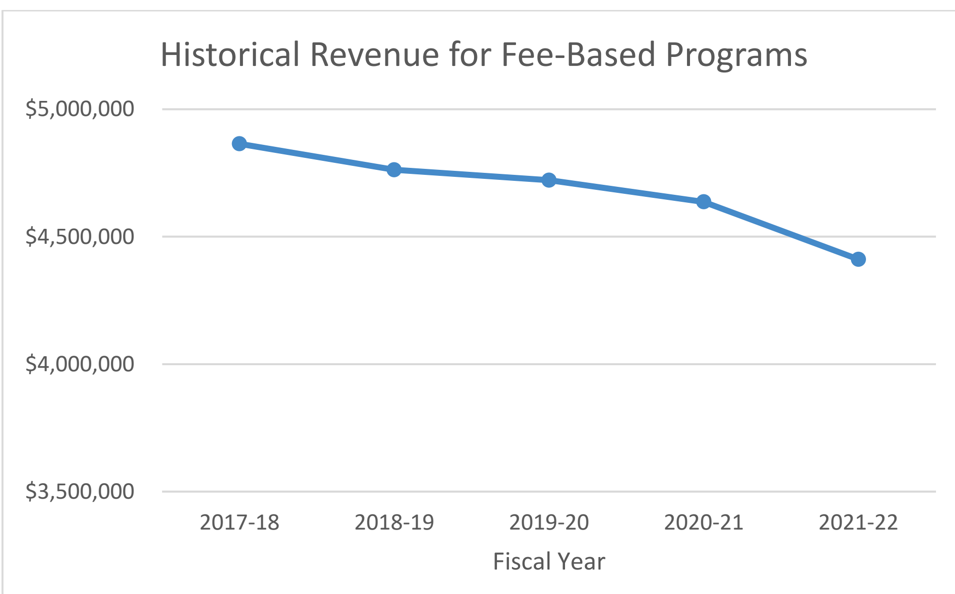
Despite numerous cost-cutting measures implemented by the District in the past five years, further strategies are now needed to address the expected impacts from decreasing revenues, increasing mandates, and ongoing staffing challenges.

Revenue Overview

The purpose of this FY 2023-28 Long-Range Fiscal Strategy is to evaluate the existing and projected future staffing and financial resources of the District, and to identify potential revenue enhancements and/or cost reductions to ensure fiscal stability and continued capacity to accomplish the agency's mission and mandates.

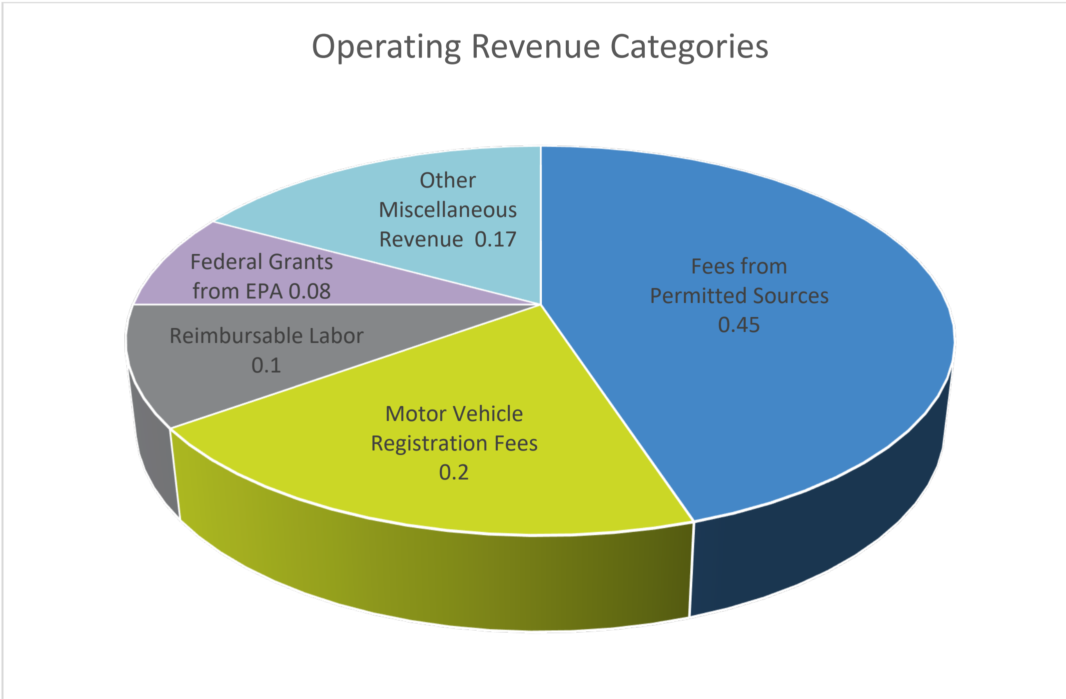
Long-Term Revenue Trends

California law and the Health and Safety Code provide the District with the ability to fund its activities through a combination of Permit Fees, which are the scope of the Fee Study; Grants; Subventions; Penalties; and Vehicle Registration surcharges. All revenue streams cover mandated programs and non-mandated programs that provide public health benefits and contribute to local communities.
Below is a graph that shows the revenue trend over the last five years for many of the District's fee-based programs, including permitting and compliance, air quality planning, air toxics, source testing, and hearing board fees — all of which were analyzed in the Fee Study. The chart shows that, over the last five years, the District has experienced an overall reduction in fee revenue of approximately 10%. This is mainly due to the decrease in oil and gas activities. Due to this decrease, over the next five years, the District's conservative projection is a continued revenue reduction of approximately $785,000.



This expected revenue reduction is two-pronged: 1) reduced oil and gas activity, and 2) as further explained in the *Results of the Fee Study* section, the District is under-recovering fee-based revenue. Looking at the District's operating revenue, fees from permitted sources typically provide approximately

45% of the District's total operating revenue. Motor vehicle registration fees comprise another 20% of the operating revenue, reimbursable labor work account for 10%, and various other revenue streams account for the remaining 25%.



The various other revenue streams used for operations, captured under "Other Miscellaneous Revenue" and "Federal Grants from EPA" in this chart, include:

- Federal EPA Section 103 and 105 grants;
- Portable Equipment Registration Program (PERP) monies from the State;
- Subvention grant funds from CARB; and
- Smaller grants that help fund specific programs. (Examples include Prescribed Burns, Oil & Gas regulation, E-BAM cache, and the AB 617 program implementation.)

These other revenue streams are only received when funds are available through the state or federal governments. Over the last five years, these revenue streams have contributed approximately $3 million annually to the District.

Despite the cost-recovery shortfall in fees, the District has operated with a balanced budget because other revenue sources have filled the gaps in our various fee-funded programs. Ultimately, this practice is not sustainable, and the District should not be relying on these other revenue sources to subsidize permitting and compliance work. Of note, the California State Auditor has stated that while Air Districts have the discretion to utilize vehicle registration revenues for fee-related services, they should utilize those funds to help offset mobile emissions and improve air quality through those programs rather than subsidize permit holders.

The last noteworthy revenue category is pass-through grant funds, which are received by the District to distribute to third parties for voluntary emission-reduction projects. The grant funds help local businesses and organizations replace old diesel engines with cleaner technologies. Grant funds are also used to expand electric vehicle (EV) infrastructure and technologies, and for incentive programs to replace gas-powered landscaping equipment with electric options. These funds have specified uses and are not eligible to cover District operations. These pass-through grants come with administrative funds to help with the District's implementation, yet these funds are often not enough to fully cover implementation costs. On average, over the last five years, the District has received approximately $275,000 annually for grant administration; however, it costs the District approximately $520,000 annually to administer the programs.

Results of the Fee Study

The District issues permits for stationary sources of air pollution, and charges fees for those permits. For long-term fiscal stability, these permit fees should cover the costs related to staff's work in the permitting program and not be subsidized by other revenue sources. This Fee Study, finalized in May 2023, was conducted to determine the cost-recovery percentage of the District's existing fee schedule. The Fee Study did not evaluate all sources of District revenue for cost recovery. Specifically, the Fee Study excluded annual emissions fees, DAS and monitoring fees, reimbursable labor charges, the asbestos program, and revenue from various grant sources.

The Fee Study analyzed the cost-of-service relationships that exist between the District and the regulated community in relation to facility/equipment fees for the permitting and compliance programs, air quality planning, air toxics programs, and source tests. The results of the study provide a tool for understanding current service levels, the cost recovery for those services, and what fees for service can be legally charged.

The Fee Study shows that the District is not fully recovering costs for implementing the various fee-based programs and is under-recovering costs for these programs by approximately $2.3 million per year — a cost-recovery percentage of only 47%. The largest contribution to the deficit is fees related to permitting and compliance programs. Detailed Fee Study results by fee schedule are shown below.

Annual Cost Recovery Analysis Provided by Matrix Consulting

Fee Schedule	Revenue at Current Fee[5]	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%

[5] 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.

Agricultural Diesel Engines	$24,360	$70,701	($46,341)	34%
TOTAL	**$2,072,763**	**$4,386,460**	**($2,313,697)**	**47%**

Other notable findings from the Fee Study include:

- $628,000 annual shortfall from Fuel-Burning Equipment fees,
- $468,000 annual shortfall from Minimum Permit Reevaluation Fees, and
- $485,000 annual shortfall from Gasoline-Dispensing Facility fees.

Many air districts' fee schedules work, by design, in a progressive fashion. Larger sources of air pollution — such as oil and gas industry sources — pay higher fees than smaller sources, based on the size and quantity of equipment they install and the mass of pollutants they emit. In some cases, the fees collected from larger sources may have historically offset some cost-recovery shortfalls from the fees collected from most smaller sources. Therefore, the recent and projected loss of several larger sources is anticipated to create a disproportionate loss of revenue due to the progressive nature of the District's fee structure; other air districts have experienced similar disruption in recent years. If the agency's fee schedules are maintained at current levels, the District will continue to experience even larger fee revenue shortfalls and more difficulty balancing budgets in the future.

For the District to ensure ongoing fiscal equity and sustainability, it is important that the fees charged cover — but not exceed — the costs for implementing the services provided. The results of the Fee Study show the District is not adequately recovering fees for the cost of its work across the majority of its fee-funded programs, and changes to both fee schedules and operating practices are necessary.

EXPENDITURE OVERVIEW

District Workforce and Workload

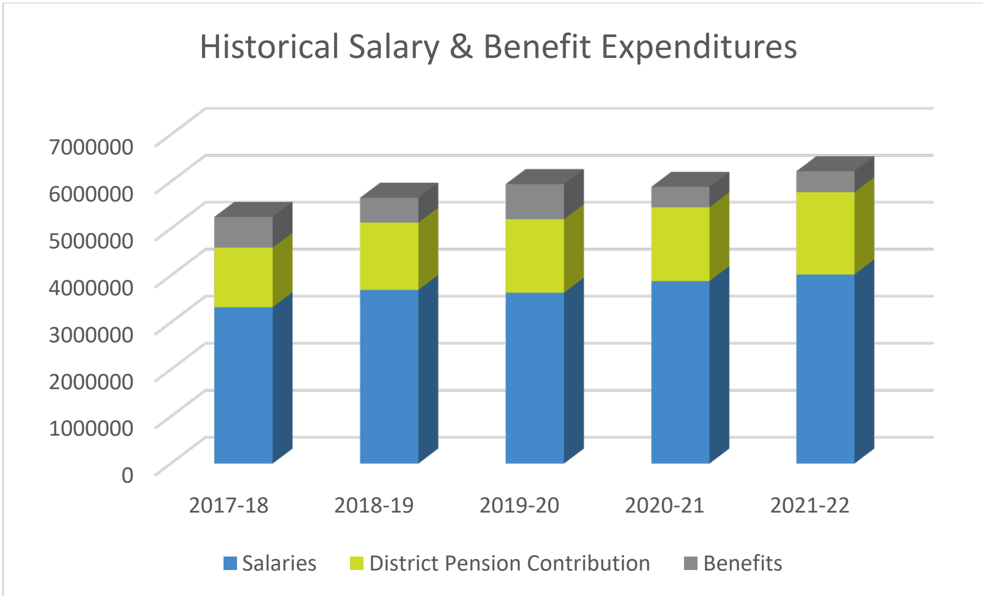
District operating expenditures pay for goods and services needed to run the District efficiently. Examples of these expenditures are employee salaries, retirement contributions, medical benefits, and worker's compensation insurance. Services and Supplies is another expenditure group and includes things such as utilities, rent, legal fees, training, travel, office expenditures, and repairs and maintenance to equipment. Lastly, there are "other expenditures," covering the District's fleet costs, liability insurance premiums, and any other miscellaneous expenditures that might not be captured in the categories above.

The District currently employs 34 permanent, full-time staff, plus temporary part-time college interns and extra-help employees who work on specific projects. In implementing the FY 2018-19 reorganization, the District streamlined all program areas to accommodate the rising workload amid ongoing budget constraints. These efforts have significantly improved efficiency, but staff workload remains high. Further staff reductions would mean significant impacts to the execution of core programs and customer service and place the District in a precarious position during unexpected air pollution challenges.

Long-Term Expenditure Trends

Each year, District expenditures are programmed to match revenues, making a balanced budget. Therefore, planned revenues cover all operational expenses. Periodic expenses (e.g., capital improvements) are paid through fund balance accounts (i.e., savings) specifically designated for those items.

Salary and benefit expenditures have increased over the past five years, even with the decrease in staff. Salaries have increased by approximately 11% due to modest cost-of-living adjustments, and the District's retirement contribution has increased almost 40%. District-paid health benefits are also on the rise — a 17% increase over the last five years. The District anticipates these trends to continue, where salary and benefit expenditures continue to increase, on average, 4% each year.

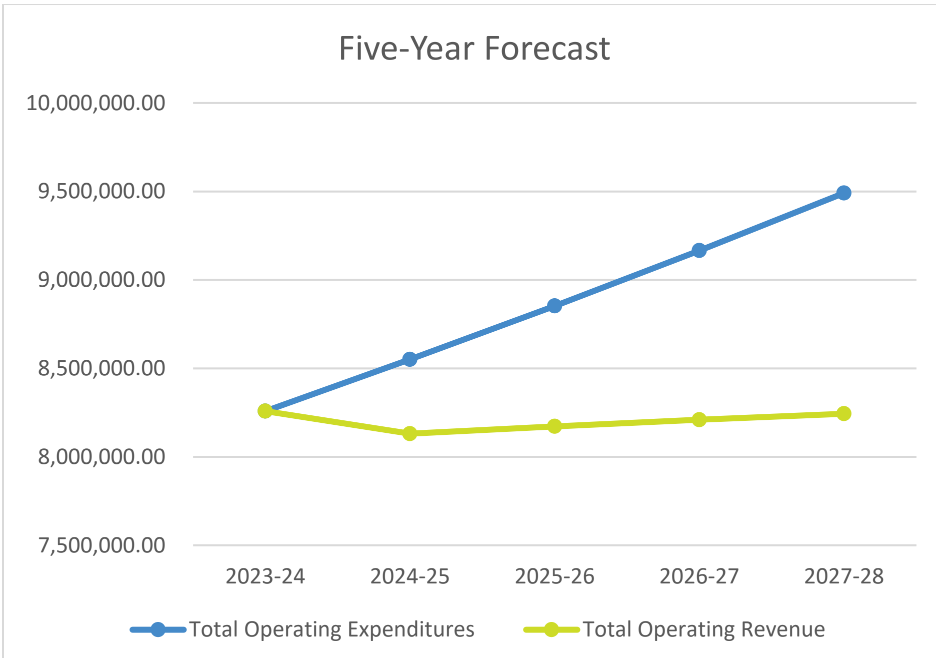


The Services and Supplies (S&S) category has remained steady over the last five years, with a minor increase of less than 1% and an average total of $3.8 million per year, which includes pass-through grant funds. When looking solely at operating expenditures over the last five years, the District has decreased S&S expenditures by almost 15%. The District anticipates ongoing expenditures to remain steady over the next five years with minor fluctuations (including a 2% increase factor to capture any utility increases). For the implementation of future efficiency measures, additional S&S funds will be needed.

However, even with ongoing streamlining and cost-cutting over the past several years, the District finds itself reaching the point of diminishing returns where further significant cuts would seriously impede the agency's ability to accomplish its mission, comply with mandates, and meet its customer service goals. While the District is committed to continuing to explore additional efficiency measures, embarking on such measures requires significant up-front staff time and resources, and efficiency measures alone would not be sufficient to prevent future budget shortfalls. Moving forward, consideration of any further significant expenditure reductions should take the following into account: 1) Air quality and public health protection must be maintained consistent with state and federal mandates and in alignment with the District's Strategic Plan, and 2) Essential facilities, infrastructure, and equipment must be maintained at reasonable levels.

STRATEGIES TO ENSURE FINANCIAL & OPERATIONAL STABILITY

As summarized in the two sections above, it is anticipated that the District will face a shortfall in operational revenue in the near future. The chart below represents the forecasted revenue and expenditures over the next five years. This is considered a base case scenario that incorporates projected reductions in oil and gas activity associated with the known decommissioning of some of the oil and gas platforms off the coast of Santa Barbara County.



Expenditures were calculated using the following assumptions:

- Maintaining the existing 34 full-time staff,
- 4% increase annually for salaries, pension costs, benefits,
- 2% increase for Services and Supplies, and
- 3% increase in all other expenditures, which covers insurance premiums and fleet costs.

Assumptions for revenue were based on historical values related to general revenue increases (1.24%) as well as annual CPI increases (2.92%). Illustrated in the chart above, if the District continues to operate without any fee increases, operating expenditures will surpass operating revenue by approximately $400,000 in FY 2024-25 (i.e., a deficit of 4% of total operating budget) and will grow to a shortfall of more than $1.2 million by FY 2027-28.

As the District moves forward, the District will continue to place high reliance on expanded use of efficiency strategies, such as electronic permit application submittals and annual emissions inventory data. The District also plans to expand cross-training of staff to better address workload demands within and among divisions. In addition to continued efficiency efforts, the proposed strategies outlined below will be integral to the District's financial and operational stability.

Adopt and Implement Cost-Recovery Policy for Fee-Based Programs

To ensure the District's time and materials are accounted for when processing permits and working with sources, the implementation of a cost-recovery policy will ensure that the District has a long-term mechanism to stay fiscally sound. The District's historical approach for only implementing the CPI has not provided the necessary cost-recovery mechanism. Prior to conducting the Fee Study, the District's intent was to secure cost-recovery close to 100% for the services and time required to manage the permit and compliance programs. The Fee Study showed that the District's operations currently fall well below the target of 100% cost-recovery. For many air districts, a standard policy is to reach 85% cost-recovery. While 100% cost recovery would be ideal, it could be difficult and burdensome to achieve.

The California Health & Safety Code provides air districts with the authority to adopt fee schedules to cover the costs to implement a stationary source permitting program. Increases in fees are required to be capped at 15% per year. With that Health & Safety Code restriction, continued application of CPI adjustments, and the significant gap between the current cost-recovery of 47% to the recommended metric of 85%, it will take a multi-year, phased-in approach for the agency to reach its cost-recovery goal. This phased-in approach would also ease the transition for regulated industry.

The goal of reaching an 85% cost-recovery could be accomplished by applying a certain percent increase over multiple years. The higher the percentage, the sooner the target of 85% could be achieved (e.g., 15% increase per year would reach 85% over 5 years, 10% increase per year over 10 years, and 5% increase per year over 15 years).

District staff are recommending a phased-in fee increase of 10% per year over the next 10 years. Over the five-year outlook of this Long-Range Fiscal Strategy, the cost recovery would increase from the current 47% level to 66% cost recovery in FY 27-28.

Consider Potential Changes to Rule 210

In analyzing the District's Fee Rule (Rule 210), it became clear that there are several areas where the current fee schedule does not provide a mechanism for the District to recover costs for associated work. To address these shortfalls, the following new fees are currently being evaluated and will be presented during a public workshop prior to adoption: Part 70 application filing fee, minimum permit evaluation fee, partial permit transfer fee, confidential information handling fee, Interim Permit Approval Program (IPAP) fee, annual emergency standby diesel-engine fee, annual gas station fee, cannabis facility/equipment fees, Health Risk Assessment (HRA) screening fee, school notice fee, ERC processing fee, and CEQA fees. In addition, expansion of applicability to the existing Air Toxics fees and Air Quality Planning fees is also being evaluated to ensure these fees allow the District to recover its costs for implementing the associated programs. By modifying Rule 210 to include new fee categories, and expanding the applicability for two existing fee categories, the District would be able to secure fees from sources whose work is currently subsidized by other non-permit revenue sources. The estimated increase in revenue from these potential changes to Rule 210 is approximately $700,000 in FY 24-25, increasing to approximately $770,000 in FY 27-28 due to the application of CPI adjustments.

Adopt Fund Balance Policy at 15% - 20% of Operating Budget

The District proposes to create and adopt a fund balance policy. A fund balance policy establishes minimum reserve levels to ensure stable services, meet future needs, and protect against financial instability. According to the Government Finance Officers Association (GFOA), the recommended best practice is the general fund reserve account should be no less than what will meet the average cash flow needs of the District for no less than 60 days. Based on this best practice, a policy set at 15 - 20% of the District’s operating budget, approximately $1,500,000 - $2,000,000, will establish an appropriate level to meet the demands of the District during periods when revenues are not available. This policy is important to continue the fiscal health of the District.

Approve Staff Retention Measure

Due to the District’s size and structure, there are limited promotional opportunities after a certain point of employment. The District proposes to evaluate longevity strategies for employees who reach milestone years of service with the goal of retaining staff who have grown in their position and become efficient at carrying out essential workload. The implementation of the staff retention measure could add additional expenditures in FY 2025-26, increasing the overall deficit.

STAFF RECOMMENDATIONS

These above-mentioned strategies will be brought before the District Board of Directors for consideration according to the following timelines:

- **Adopt Cost-Recovery Policy for Fee-Based Programs**: By January 2024, bring a policy back to your Board for consideration that would be phased in over a number of years. If approved, Rule 210 fee increases would occur over 10 years and be included in the annual budget process.

- **Consider Potential Changes to Rule 210**: A public workshop and Community Advisory Council meeting would occur before changes are brought to your Board. Two Board meetings will be required and are expected to occur within Fiscal Year 2023-24.

- **Adopt Fund Balance Policy at 15-20% Operating Budget:** Within Fiscal Year 2023-24, a policy will be brought back to your Board with the proposed budget for FY 2024-25.

- **Approve Staff Retention Measure(s):** To be determined; measure(s) will need to be negotiated with the District's represented employee bargaining units during the normal collective bargaining process, which is scheduled for early 2025.