Ventura County Air Pollution Control District
FINAL STAFF REPORT – February 29, 2008

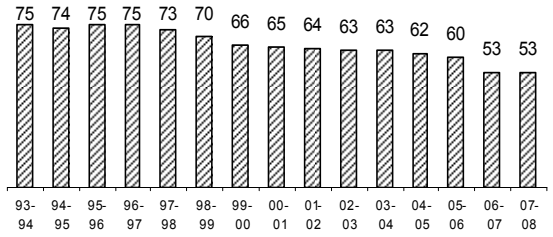
REVISIONS TO RULE 42
PERMIT FEES

BACKGROUND

Expenditures

The Air Pollution Control District (APCD) operating budget for fiscal year 2007-08 is approximately $8.0 million, excluding pass through funds. (Pass through funds are spent directly on pollution control projects). About 77 percent of the APCD's operating budget is employee salaries and benefits. Figure 1 below shows APCD staff size during each year since its peak in 1992.

Figure 1
Historical APCD Staff Size



Staffing cuts that occurred between 1997 and 2007 reflect lower workloads caused by completion of work mandated by the 1990 state and federal clean air act amendments, increases in efficiency due to low employee turnover, automation, changes in air toxics laws, and changes in trip reduction mandates. In 2006 and 2007, seven staff positions were eliminated, including two Senior Managers, one Instrument Technician, one Supervising Engineer, one Air Quality Engineer, one Public Information Specialist, and two Air Quality Specialists. In addition, one fiscal function and one administrative function was reclassified to a lower cost position to reduce labor costs.

To estimate future expenditures, staff assumed the staff size of 53 positions will be maintained and salaries and benefits will increase at a rate of 3.5 percent per year to account for inflation.

In addition, staff is making every effort to curtail expenditures on services and supplies.

Revenue

Projected operating revenue for fiscal year 2007-08 is approximately $7.6 million. APCD revenue comes from state and federal grants, automobile registration fees, and fees charged to sources of air pollution. Rule 42 sets the fee rates in the form of permit processing fees, filing fees, and annual permit renewal fees. The APCD receives no property tax revenue or general fund revenue. Figure 2 shows the sources of District operating revenue for fiscal year 2006-07.

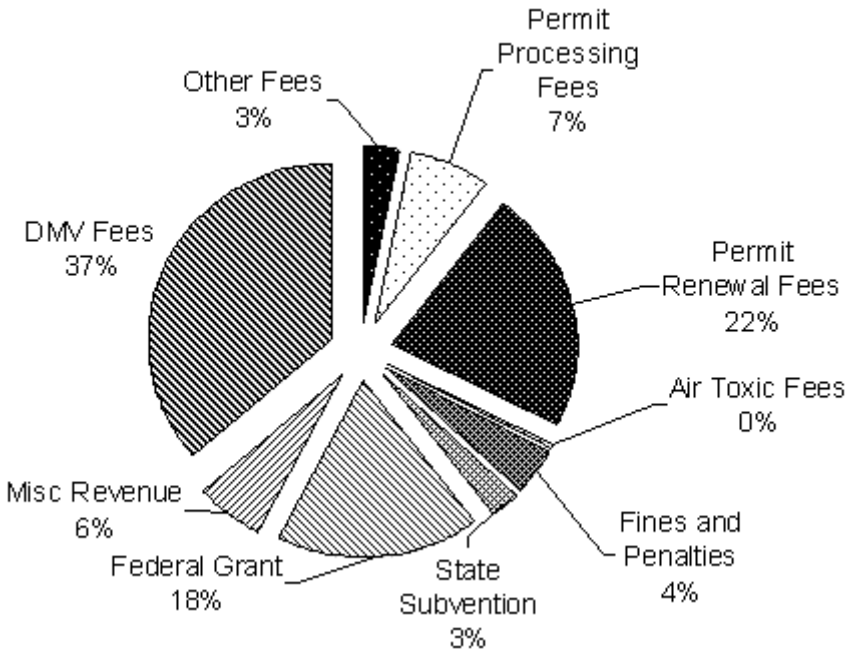
Permit renewal fees are charged annually to each source of air pollution that is required to have an APCD Permit to Operate. Most sources pay the minimum fee of $471.00 per year. Larger emission sources are charged in proportion to their "permitted emissions," calculated in tons per year and pounds per hour.

Projected Budget

It is projected that expenses will exceed revenue in fiscal year 2007-2008. The District's fund balance will absorb the additional cost. Given the current condition , staff projects that the fund balance will fall below the targeted range after 2013. Therefore, we are proposing to increase revenue by increasing permit renewal fee rates by 8.0 percent effective in fiscal year 2008-09. For most permit holders, adoption of this proposal will result in a fee increase of $38.00 per year.

Staff is proposing this fee increase because current budget projections show a decline in the District's fund balance over the next few years (Figure 3). This is due in part to cuts in our federal grant and to no expectation for an increase in state funding. While trying to contain costs, inflationary pressures continue to impact the cost of labor, service and supplies. At the current staffing level, staff must work with efficiency to provide a high quality and timely permitting service and to operate an effective air quality program. Additional state and federal mandates continue to be placed on the District without funding.

Figure 2
APCD Operating Revenue 2006-07



PROPOSED REVISIONS

Staff proposes to increase permit renewal fee rates by 8.0 percent effective in fiscal year 2008-09. Current and proposed renewal fee rates appear in Appendix A. For permit holders paying the minimum fee, adoption of this proposal will result in a fee increase of $38.00 per year.

The current operating fund balance is approximately $5.9 million. With no fee increases, the fund balance will fall below the targeted range in about three years, and left unchecked the fund balance will be depleted in about ten years.

As shown in Figure 3, an 8.0 percent renewal fee increase, effective at the beginning of fiscal year 2008-09, will help stabilize the District's fund balance.

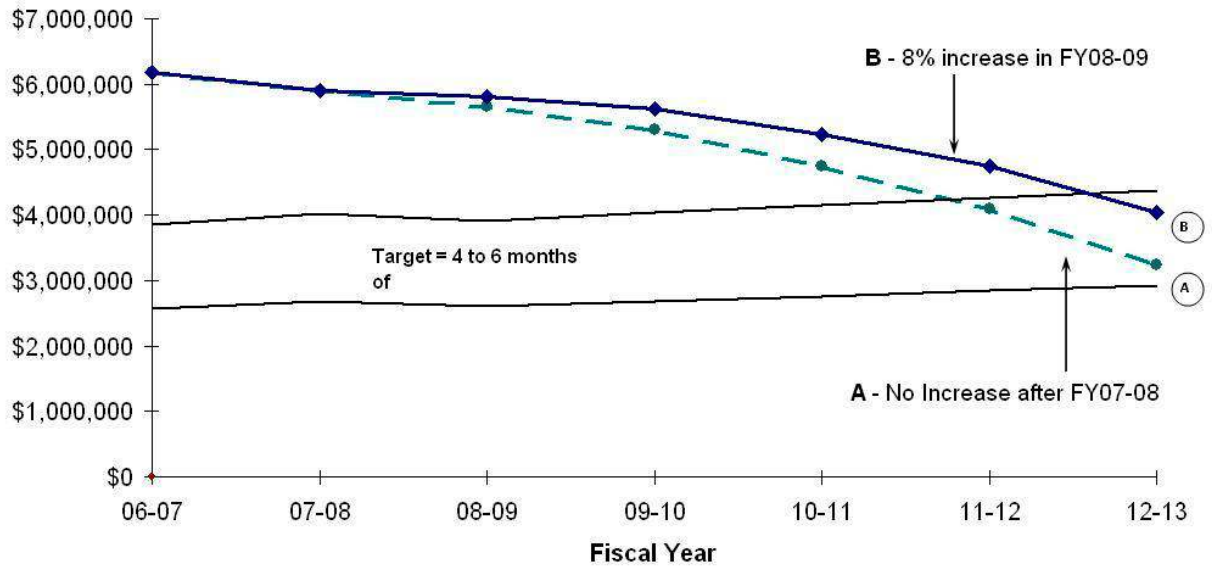
Discussion

Board Policy established a targeted range of 4 to 6 months operating expenses for the fund balance. Based on current operating expenses, the fund balance should therefore be stabilized between $2.7 million and $4.0 million. In addition, the fund balance policy prescribes a five-year revenue and expense projection to determine if additional fiscal resources are necessary to maintain an adequate fund balance.

The biggest financial challenge is the continuing increase in mandatory contributions to the County retirement fund. There have been no changes in employee retirement benefits to cause the higher contributions.

Staff's current proposal is for a single fee increase this year and does not include any future fee increases. New fund balance projections will be made annually to determine if fee rates must be adjusted. However, over the long term, periodic fee

Figure 3
Fund Balance Projections
as of 12/6/07



increases will probably be necessary to counter inflation's continual effect on the APCD's finances.

Staff will continue to work on stabilizing and increasing the District's state and federal funding sources. If successful, this could reduce the need for future fee increases.

Permit renewal fees are assessed annually in proportion to each permitted source's annual and hourly permitted emissions according to the fee rates in Section H of Rule 42. Sources with high permitted emissions pay higher renewal fees than sources with low permitted emissions. Most permit holders pay the current minimum annual fee of $471.00. Therefore, adoption of the proposed 8.0 percent fee increase will result in a fee increase of $38.00 per year for most permit holders. Facilities with higher permitted emissions will be subject to larger permit renewal fee increases (at 8.0 percent). Adoption of this proposal will increase APCD revenue by approximately $148,000 per year.

COST-EFFECTIVENESS AND IMPACT ANALYSES

Cost-Effectiveness

California Health and Safety Code § 40703 requires the APCD Board to consider and make public, in adopting a regulation, its findings relative to cost-effectiveness of Air Quality Management Plan (AQMP) control measures. The proposed revisions to Rule 42 are not related to any control measure. Therefore, a finding on cost-effectiveness is not required.

In addition, because BACT requirements and feasible control measures are not involved, an incremental cost-effectiveness analysis under Health & Safety Code Section 40920.6 is not required.

Socioeconomic Impact Analysis

California Health and Safety Code § 40728.5, which went into effect on January 1, 1992, requires that the APCD Board consider the socioeconomic impact of any new rule or amendment to an existing rule if air

quality or emission limits are affected. The proposed amendments to Rule 42 do not significantly affect air quality or emission limitations in Ventura County. Therefore, this analysis is not required.

Environmental Impacts Of Methods Of Compliance

California Public Resources Code § 21159 requires the District to perform an environmental analysis of the reasonably foreseeable methods of compliance if the proposed rule requires "the installation of pollution control equipment, or [specifies] a performance standard or treatment requirement..." The proposed revisions to Rule 42 are administrative in nature and involve no pollution control equipment. Therefore, an analysis is not required.

California Environmental Quality Act

The proposed revisions to Rule 42 are exempt from the California Environmental Quality Act (CEQA) pursuant to Public Resources Code § 21080(b)(8) and State CEQA Guidelines § 15273(a), Rates, Tolls, Fares, and Charges.

Analysis Of Existing Federal And District Regulations

California Health & Safety Code § 40727.2(a) requires districts to provide a written analysis of existing regulations prior to adopting, amending or repealing a regulation. Section 40727.2(a) states:

> In complying with Section 40727, the district shall prepare a written analysis as required by this section. In the analysis, the district shall identify all existing federal air pollution control requirements, including, but not limited to, emission control standards constituting best available control technology for new or modified equipment, that apply to the same equipment or source type as the rule or regulation proposed for adoption or modification by the district. The analysis shall also identify any of that district's existing or proposed rules and regulations that apply to the same equipment or source type, and all air pollution control requirements and guidelines that apply to the same equipment or source type and of which the district has been informed pursuant to subdivision (b).

The proposed revisions to Rule 42 include no emission control standards; therefore, the requirements of Health & Safety Code § 40727.2(a) are satisfied pursuant to Health & Safety Code § 40727.2(g).

MEETINGS AND COMMENTS

Public Workshop
January 31, 2008

The meeting had no attendees.

Advisory Committee
February 26, 2008

After discussion, the Advisory Committee failed to recommend the proposed revisions to Rule 42 to the Air Pollution Control Board with a vote of four yes, five no, and three abstentions.

Appendix A
Proposed Renewal Fees in Rule 42, Subsection H

The renewal fee shall be based on the following schedule plus annual CPI adjustments directed by the Board after 6/30/2000:

Air Contaminant	Dollars per Ton/Yr Effective Dates			Dollars per Lb/Hr Effective Dates	
	Through 6/30/2008	After 6/30/2008		Through 6/30/2008	After 6/30/2008
Reactive Organic Compounds (ROC)	$81.00	$87.50	+	$81.00	$87.50
Nitrogen Oxides (NOx)	$81.00	$87.50	+	$81.00	$87.50
Particulate Matter (PM)	$61.00	$66.00	+	$61.00	$66.00
Sulfur Oxides (SOx)	$41.00	$44.25	+	$41.00	$44.25
Carbon Monoxide (CO)	$ 8.50	$ 9.00	+	$ 8.50	$ 9.00
Other Pollutants	$61.00	$66.00	+	$61.00	$66.00

The permit renewal fee, however, shall not be less than a minimum fee calculated using the following method. Determine which pollutant among ROC, NOx, PM or SOx has the largest annual permitted emissions. Use the annual permitted emissions of that pollutant to determine the minimum fee from the following table. For a facility with no permitted emissions of any of these pollutants, the minimum fee shall be the lowest fee in the following table effective at the time of the permit renewal plus annual CPI adjustments directed by the Board after 6/30/2000.

Permitted Emissions	Minimum Renewal Fee Effective Dates	
	Through 6/30/2008	After 6/30/2008
Less than 5 tons/year	$ 471.00	$ 509.00
Less than 10 tons/year	$ 942.00	$1,017.00
Less than 15 tons/year	$1,412.00	$1,525.00
Less than 20 tons/year	$1,883.00	$2,034.00
Less than 25 tons/year	$3,767.00	$4,068.00
Equal to or more than 25 tons/year	$9,417.00	$10,170.00