FINAL STAFF REPORT

VENTURA COUNTY
AIR POLLUTION CONTROL DISTRICT

PROPOSED AMENDMENTS TO RULE 42
PERMIT FEES

APRIL 8, 2025

EXECUTIVE SUMMARY

Staff is proposing amendments to Rule 42 to annually increase the permit renewal fee rates over the next five (5) fiscal years, effective July 1, 2025, to recover the District's operating expenses and to rectify deficiencies caused by rounding. For fiscal years 2025-26, 2026-27, and 2027-28, renewal fee rates will increase annually by 5.0% or greater. For fiscal years 2028-29 and 2029-30, renewal fee rates will increase based on the changes in the CPI for the previous fiscal year (e.g., for fiscal year 2028-29, the CPI for fiscal year 2027-28 will be used). Additionally, staff is proposing to reduce the initial late fee from 30 percent to 15 percent of the renewal fee and to adjust permit application deposit and minimum processing fee to correctly reflect today's dollar value. Permitted facilities are not expected to incur any additional charges due to these adjustments.

Based on fiscal year 2024-25 Adopted Budget, the District is projected to operate at a net loss of approximately $560,000 for the year, and this trend is expected to persist due to various factors impacting the District's revenue and operational costs. Furthermore, the renewal fee rates for carbon monoxide (CO) are currently below their intended values, having remained at $10 per ton per year (ton/yr) and per pound per hour (lb/hr) since fiscal year 2011-12. The proposed fee adjustment will increase the revenue by approximately $150,000 per year for the next three (3) fiscal years, partially recovering the District's operating expenses.

Staff believes that the proposed fee schedule will effectively increase the district revenue while minimizing any major cost impact to permitted facilities. To help minimize the need for future permit renewal fee increases, staff will continue to explore and implement cost-cutting measures as appropriate. Staff will also continue to work on stabilizing and increasing the District's state and federal funding sources.

BACKGROUND

Introduction

The Ventura County Air Pollution District (VCAPCD or "District") operates a permitting program to ensure that equipment and processes across the county are operated in compliance with all air pollution rules and regulations. During the permitting process, fees are assessed pursuant to Rule 42 to recover the District's expenses in funding its various programs. Rule 42 requires permit holders and applicants to pay filing fees, processing fees, health risk assessment review fees, permit modification fees, and annual permit renewal fees.

The District has typically adjusted renewal fee rates and hourly service rates on an annual basis to reflect percentage increases in the California Consumer Price Index (CPI), as determined pursuant to California Revenue and Taxation Code Section 2212, in the preceding fiscal year. Table 1 below summarizes the annual increases in renewal fee rates since 2008. The annual increases ranged between 2.0% and 4.0% from 2009 to 2024, closely matching or frequently less than the increases in the CPI.

Table 1. Renewal Fee Rates Percentage Increase History

Amendment Year	% Increase	Amendment Year	% Increase
2008	8.0%	2017	2.5%
2009	3.5%	2018	2.0%
2010	None	2019	3.5%
2011	2.0%	2020	3.0%
2012	None	2021	1.7%
2013	3.0%	2022	4.0%
2014	None	2023	4.0%
2015	2.5%	2024	4.0%
2016	2.0%		

District Revenue and Expenditure for Fiscal Year 2024-25

The District's budgeted revenue for fiscal year[1] (FY) 2024-25 is approximately $8.7 million, primarily from state and federal grants, automobile registration fees, and permit fees. The District receives no property tax revenue or general fund revenue. Sources of operating revenue are illustrated in detail in Figure 1 below.

[1] A fiscal year begins July 1 and ends June 30.

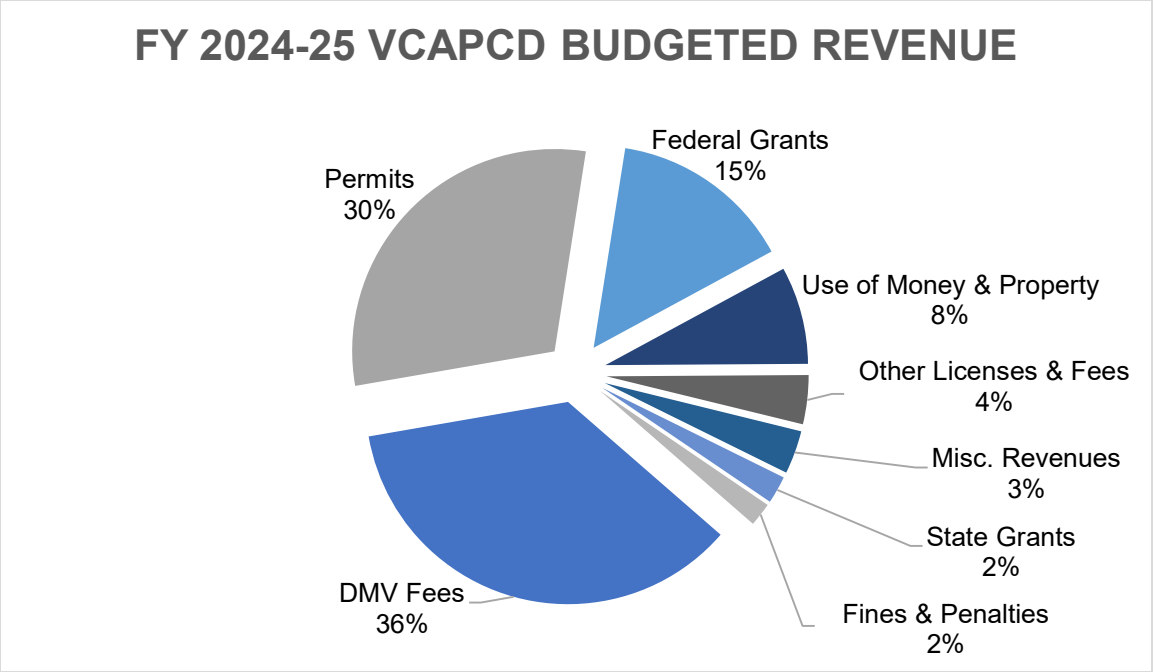

Figure 1. VCAPCD Budgeted Revenue for Fiscal Year 2024-25

The District's operating budget for FY 2024-25 is approximately $9.2 million, excluding pass-through funds which are spent directly on pollution control projects (e.g., Carl Moyer Memorial Air Quality Standards Attainment Program). About 75% of the operating budget is employee salaries and benefits, and the remaining 25% is distributed across various services, supplies, fixed assets, and a contingency fund.

As of July 1, 2024, the District's fund balance was sufficient to cover the projected net cost of approximately $560,000 in FY 2024-25. However, expenses are projected to further exceed revenue in the coming years, and thus renewal fee adjustments are necessary to ensure that the District remains financially stable. For example, based on FY 2023-24 actuals, the total stationary-related revenues were about $4.025 million, and the total cost associated with stationary sources and permitted facilities was $4.56 million. Therefore, the total stationary-related revenues were lower than the total stationary-related expenditure by approximately $535,000.

Carbon Monoxide (CO) Renewal Fee Rates

During a recent review of Rule 42, staff discovered that the renewal fee rates for carbon monoxide (CO) have remained at $10 per ton/yr and per lb/hr since FY 2011-12 despite the gradual increases in minimum renewal fees and renewal fee rates for other pollutants during this period. This lack of change in the CO fee inadvertently occurred because of the District's practice in rounding the fee rates to the nearest dollar. Annual percentage increases have not exceeded 5.0% since FY 2011-12; consequently, CO rates were repeatedly rounded down each year to $10 per ton/yr and per lb/hr. Staff assessed that the CO rates for FY 2024-25 would be approximately $14 per ton/yr and per lb/hr without any rounding. Restoring the CO rates to the proportionate values is important to the District to maintain financial stability. However, the District's priority is to ensure that no single facility would experience any major cost burden.

Staff believes that the proposed fee schedule will effectively increase the district revenue while minimizing any major cost impact to permitted facilities.

PROPOSED AMENDMENTS

Permit Renewal Fee (Section H)

Staff proposes to annually increase the permit renewal fee rates over the next five (5) fiscal years, effective July 1, 2025, through June 30, 2030.

For FY 2025-26, FY 2026-27, and FY 2027-28, the permit renewal fees will increase annually by 5.0% or greater, but less than 15% as required by the state law. Rates for CO will increase by $2 each year to recover funding from the prolonged rounding error. Rates for particulate matter (PM) will increase by $14 for FY 2025-26 to reflect the U.S. Environmental Protection Agency's (EPA) recent strengthening of the primary annual fine particulate matter (PM2.5) standard. For all other unspecified categories, the rates will increase by 5.0% each year, rounded up to the nearest dollar.

For FY 2028-29 and FY 2029-30, the permit renewal fee rates will increase based on the changes in the CPI for the previous fiscal year (e.g., for FY 2028-29, the CPI for FY 2027-28 will be used). The proposed changes are summarized in Figure 2 below. Complete renewal fee rate tables can also be found in Appendix A of the staff report.



Figure 2. VCAPCD Proposed Changes to Renewal Fee Rates

Approximately 80% of District permit holders are paying the minimum renewal fee for the "< 5 tons/yr" category. For such permit holders, adoption of the proposed amendments would result in a fee increase of $37 for FY 2025-26. Other facilities with higher permitted emissions would be subject to larger permit renewal fee increases. Adoption of this proposal would increase the District's revenue by approximately $150,000 per year for the next three (3) fiscal years.

To help minimize the need for future permit renewal fee increases, staff will continue to explore and implement cost-cutting measures as appropriate. Staff will also continue to work on stabilizing and increasing the District's state and federal funding sources.

Late Fee (Section H)

The District currently charges an initial late fee equal to 30% of the renewal fee to permit holders who did not submit their payments during the first 30-day period after the due date. For each additional 30-day period, or portion thereof, between the due date and the date of payment, the late fee increases by an amount equal to 10% of the renewal fee until it reaches a maximum amount equal to 100% of the renewal fee.

Staff proposes to reduce the initial late fee from 30% to 15% of the renewal fee to lessen the cost burden on facilities experiencing difficulties in timely submitting their payments. The late fee would still escalate by 10% each month, up to 100% of the renewal fee.

Permit Application Deposit (Section C)

The District introduced a $1,000 deposit requirement for permit applications in 1983 to minimize the District's losses on any withdrawn projects which demanded a considerable amount of time from the District. This deposit amount was later increased to $2,000 in 1986, but it has not been increased since then. Considering the increase in hourly rate from $54/hr in FY 1986-87 to $163/hr in FY 2024-25, staff proposes to increase the deposit amount from $2,000 to $5,000. Staff also added a provision to explicitly require a $2,000 deposit for permit applications for operations of portable equipment. It should be noted that the proposed changes to the deposit requirements will not incur any additional charges to permit applicants.

Minimum Processing Fee (Section B)

The District introduced a $250 minimum processing fee requirement in 1999 during its transition to exclusively using hourly rates for the processing fee assessment. This provision has largely become obsolete; $250 is equivalent to approximately one hour of staff time based on the current hourly rate of $163/hr and hourly multiplier factor of 1.3, whereas it was originally equivalent to approximately three hours of staff time based on the hourly rate of $63/hr and hourly multiplier factor of 1.3 in FY 1999-00. Therefore, staff proposes to increase the minimum processing fee from $250 to $500. It should be noted that the proposed increase in the minimum processing fee will rarely incur any additional charges to permit applicants, as staff typically spends more than three hours in processing an application.

COST-EFFECTIVENESS AND IMPACT ANALYSES

Cost-Effectiveness Analysis

California Health and Safety Code Section 40703 requires the District to consider and make public, in adopting any regulation, its findings related to the cost effectiveness of Air Quality Management Plan (AQMP) control measures. The proposed amendments to Rule 42 are not related to any control measure. Therefore, a cost-effectiveness analysis is not required for the proposed amendments.

In addition, California Health and Safety Code Section 40920.6 requires an incremental cost-effectiveness analysis for rules and regulations requiring Best Available Retrofit Control Technology (BARCT) and feasible control measures with multiple control options. The proposed amendments to Rule 42 are not related to BARCT requirements or any control measure. Therefore, an incremental cost-effectiveness analysis is not required for the proposed amendments.

Socioeconomic Impact Analysis

California Health and Safety Code Section 40728.5 requires the District to assess the socioeconomic impact of any rule adoption or amendment if air quality or emission limits are significantly affected. The proposed amendments to Rule 42 do not affect air quality or emission limits in Ventura County. Therefore, this analysis is not required for the proposed amendments.

Environmental Impacts of Methods of Compliance

California Public Resources Code Section 21159 requires the District to perform an environmental analysis of the reasonably foreseeable methods of compliance if the proposed rule or regulation requires "the installation of pollution control equipment, or a performance standard or treatment requirement…." The proposed amendments to Rule 42 are administrative in nature and do not involve pollution control equipment. Therefore, this analysis is not required for the proposed amendments.

California Environmental Quality Act (CEQA)

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

Analysis of Existing Air Pollution Control Requirements

California Health and Safety Code Section 40727.2(a) requires the District to provide a written analysis of existing air pollution control requirements applicable to the same equipment or source. The proposed amendments to Rule 42 do not include emission control standards. Therefore, this analysis is not required pursuant to California Health and Safety Code Section 40727.2(g).

PUBLIC ENGAGEMENT AND COMMENTS

Public Workshop

District staff held a public workshop on January 9, 2025, to discuss the proposed amendments to Rule 42. All permitted sources within the District's jurisdiction were notified of the workshop via written notification sent by U.S. Mail to the mailing address on record. The notice and draft rule language were also available on the District website. District staff did not receive any comments from the public prior to or at the workshop.

Advisory Committee

District staff held an Advisory Committee meeting on February 18, 2025, to discuss the proposed amendments to Rule 42. All permitted sources within the District's jurisdiction were notified of the Advisory Committee meeting via written notification sent by U.S. Mail to the mailing address on record. The notice and draft rule language were also available on the District's website. The Advisory Committee voted 10 to 2 to recommend the adoption of the proposed amendments to Rule 42. District staff did not receive any comments from the public prior to or at the Advisory Committee meeting.

Air Pollution Control Board Public Hearing

District staff has scheduled a public hearing for the Air Pollution Control Board to consider the adoption of the proposed amendments to Rule 42 on April 8, 2025. Staff published a public

notice in the newspaper and notified all permitted sources of a 30-day formal public comment period to be completed prior to the public hearing.

APPENDIX A

Table 1. Renewal Fee Rates for Air Contaminants

Air Contaminant	**FY 2024-2025** $ per Ton/Yr and $ per Lb/Hr	**FY 2025-2026** $ per Ton/Yr and $ per Lb/Hr	**FY 2026-2027** $ per Ton/Yr and $ per Lb/Hr	**FY 2027-2028** $ per Ton/Yr and $ per Lb/Hr
Reactive Organic Compounds (ROC)	$127.00	$134.00	$141.00	$149.00
Nitrogen Oxides (NOx)	$127.00	$134.00	$141.00	$149.00
Particulate Matter (PM)	$94.00	$108.00	$114.00	$120.00
Sulfur Oxides (SOx)	$61.00	$65.00	$69.00	$73.00
Carbon Monoxide (CO)	$10.00	$12.00	$14.00	$16.00
Other Pollutants	$94.00	$99.00	$104.00	$110.00

*The renewal fee rates will go into effect at the start of their corresponding Fiscal Year, which begins July 1 and ends June 30. The applicable fee rates are determined according to the start date of the annual permit.

Table 2. Minimum Renewal Fee

Category	**FY 2024-2025** Minimum Fee	**FY 2025-2026** Minimum Fee	**FY 2026-2027** Minimum Fee	**FY 2027-2028** Minimum Fee
< 5 tons/yr	$733.00	$770.00	$809.00	$850.00
≥ 5 tons/yr and < 10 tons/yr	$1,469.00	$1,543.00	$1,621.00	$1,703.00
≥ 10 tons/yr and < 15 tons/yr	$2,195.00	$2,305.00	$2,421.00	$2,543.00
≥ 15 tons/yr and < 20 tons/yr	$2,950.00	$3,098.00	$3,253.00	$3,416.00
≥ 20 tons/yr and < 25 tons/yr	$5,887.00	$6,182.00	$6,492.00	$6,817.00
≥ 25 tons/yr	$14,738.00	$15,475.00	$16,249.00	$17,062.00

*The renewal fee rates will go into effect at the start of their corresponding Fiscal Year, which begins July 1 and ends June 30. The applicable fee rates are determined according to the start date of the annual permit.