Attachment G

Staff Report for Rules 107, 301, and 306
(including comments and responses)

SACRAMENTO METROPOLITAN
AIR QUALITY MANAGEMENT DISTRICT

STAFF REPORT

Proposed Amendments

Rule 107 – Alternative Compliance

Rule 301 – Permit Fees – Stationary Source

Rule 306 – Air Toxics Fees

May 14, 2013

Prepared by:	David Yang Associate Air Quality Engineer
Reviewed by:	Kevin J. Williams, Ph.D. Program Coordinator
	Aleta Kennard Program Supervisor
Approved by:	Brigette Tollstrup Division Manager

INTRODUCTION

The District's overall mission is to achieve clean air goals by leading the region in protecting public health and the environment through innovative and effective programs, dedicated staff, community involvement, and public education. Control of pollution emitted by stationary sources is an essential part of that mission. Many stationary sources are subject to numerous federal, state and District regulations and are required to obtain permits to operate. These rules pertain to the District's stationary source program elements that evaluate permits applications to ensure compliance with air quality regulations, including necessary air pollution controls, and consider the impacts of toxic air contaminant emissions. The program also includes ongoing inspection and enforcement to maintain a high level of compliance.

Historically, state and federal grants have partially offset the cost of the stationary source permit and toxics programs. However, those revenues are required to support the unpermitted source element of the stationary source programs. Fees provide the majority of the support to the permit program. Fees are charged for the issuance and renewal of permits, source test observations and report evaluations. Title V federal operating permits (for the largest sources), air toxics emissions, and emission reduction credit banking have greater shortfalls in fee revenues.

The current fees do not fully cover costs and reserve funds have reached critically low levels. In fiscal year (FY) 13/14, reserve funds will run out and jeopardize the District's ability to meet its responsibilities.

Staff is proposing to amend three rules to increase fees to the level necessary to fully recover the cost of the stationary source program: Rule 107 – Alternative Compliance, Rule 301 – Permit Fees - Stationary Source, and Rule 306 – Air Toxics Fees.

BACKGROUND

The Sacramento Metropolitan Air Quality Management District is the agency with primary responsibility for achieving and maintaining clean air standards in Sacramento County. The District currently does not meet state and federal health standards for ozone, and state health standards for particulate matter with an aerodynamic diameter of 10 microns or less (PM10), and particulate matter with an aerodynamic diameter of 2.5 microns or less (PM2.5). Ozone is a strong irritant that adversely affects human health and damages crops and other environmental resources. As documented by the U.S. Environmental Protection Agency (EPA)[1], both short-term and long-term exposure to ozone can irritate and damage the human respiratory system, resulting in:

- decreased lung function;
- development and aggravation of asthma;
- increased risk of cardiovascular problems such as heart attacks and strokes;

[1] "Air Quality Criteria for Ozone and Related Photochemical Oxidants", U.S. EPA, February 2006.

- increased hospitalizations and emergency room visits; and
- premature deaths.

Particulate matter (PM) is a mixture of very small liquid droplets and solid particles. According to the EPA, health studies have linked exposure to particulate matter, especially fine particles, to several significant health problems, including:

- Increased respiratory symptoms, such as irritation of the airways, coughing, or difficulty breathing;
- Decreased lung function;
- Aggravated asthma;
- Development of chronic bronchitis;
- Irregular heartbeat;
- Nonfatal heart attacks;
- Premature death in people with heart or lung disease; and
- Increased risk of cardiovascular and cerebrovascular events in post-menopausal women.

State and federal laws require the District to attain the health standards for these nonattainment pollutants, maintain compliance with health standards for other pollutants, and protect the public from emissions of toxic air contaminants. Control of pollution from stationary sources is the primary function of the District[2]. The overall stationary source program consists of the following elements:

- Permit Program: develops and implements prohibitory rules affecting permitted sources, issues and enforces local air quality permits, updates permitted sources' emissions inventories, processes emission reduction credits (ERCs), maintains and updates the ERC bank registry, responds to public complaints at permitted sources, and supports the Sacramento County Business Environmental Resource Center (BERC). The permit program also implements the Title V operating permit program, which requires the District's largest emissions sources to obtain federally enforceable permits.
- Air Toxics Program: evaluates toxic-emitting facilities subject to the Air Toxics "Hot Spots" Information and Assessment Act[3].
- Unpermitted Source Program: develops and implements prohibitory rules affecting unpermitted sources including some consumer products, small commercial sources, residential or mobile sources; updates emissions inventories; conducts compliance activities and responds to public complaints at unpermitted facilities. The unpermitted source program also includes the activities related to Rule 421 – Mandatory Episodic Curtailment of Wood and Other Solid Fuel Burning, also known as the "Check Before You Burn" program.
- Portable Equipment Registration Program (PERP): inspects portable equipment registered with the California Air Resources Board (CARB) that operates in Sacramento County.

[2] California Health and Safety Code Section 40000.
[3] California Health and Safety Code Sections 44300-44394.

- Agricultural Burning and Engine Registration Programs: oversees the agricultural burn program implemented by Sacramento County Agricultural Commissioner and registers and inspects engines used in agricultural operations that are subject to the state Airborne Toxic Control Measure (ATCM) for Stationary Compression Ignition Engines[4].
- Asbestos Program: reviews and enforces plans that minimize the release of asbestos fibers during activities involving the removal, processing, handling and disposal of asbestos-containing materials.
- Basinwide Air Pollution Control Council (contract): provides the District's share of financial support to the Sacramento Valley Basinwide Air Pollution Control Council (BCC). The BCC is authorized by state law to develop the air basin's Smoke Management Plan, and works in conjunction with the local districts within the basin to minimize the air quality impacts of agricultural burning and to comply with state requirements for reducing rice straw burning.

A robust District stationary source program is essential to the local business community because it provides timely permits, standard environmental review, reduces the likelihood of state and federal interventions in local business permitting and compliance decisions, and allows the District to tailor air pollution control measures to meet local community needs. Local implementation maintains a level playing field for compliant businesses and provides quick responses to citizen complaints.

Funding for the stationary program is derived from fees established in District rules for activities related to stationary sources, CEQA mitigation funds, as well as discretionary funding from federal and state grants, and civil settlements. For the past several years, program revenues have not been sufficient to cover the program cost, and the District has been using the existing stationary source fund balance (i.e., a reserve account) to make up the differences. The stationary source fund balance has reached a critically low level and funding source from other District programs, such as funding for mobile source programs, is restricted and cannot be used to fund the stationary source program.

Fees must be increased to fully fund the stationary source program, restore the permit program and air toxics fund balances, and meet cash flow needs. Staff has performed a detailed analysis of program costs and revenues that form the basis of the fee proposal.

LEGAL MANDATES

Section 42300 of the California Health and Safety Code (HSC) authorizes the District to establish, by regulation, a permit system that requires any stationary source that may emit air contaminants to obtain a permit from the Air Pollution Control Officer. HSC Sections 42311 and 41080 authorize the District to adopt, by regulation, a fee schedule to cover the cost of District programs related to permitted stationary sources. HSC Section 42311 also authorizes annual fee adjustments based on changes in the Consumer Price Index (CPI), defined in Revenue and Taxation Code Section 2212 as the percentage change from April 1 of the prior year to April 1 of

[4] California Code of Regulations, Title 17, Section 93115.

the current year in the California Consumer Price Index for all items. Increases to existing fees are restricted by HSC Section 41512.7(b) to no more than 15% in any calendar year. In some cases, this 15% per year limit on fee increases precludes reaching full cost recovery with one fee adjustment. HSC Section 42311(a) states:

> "…*the fees assessed under this section shall not exceed, for any fiscal year, the actual costs for district programs for the immediately preceding fiscal year with an adjustment not greater than the change in the annual California Consumer Price Index…, for the preceding year. Any revenues received by the district pursuant to the fees, which exceed the cost of the programs, shall be carried over for expenditure in the subsequent fiscal year and the schedule of fees shall be changed to reflect that carryover."*

This statute requires an annual assessment of permit program costs and revenues and fee adjustments, if necessary, to ensure that the fee revenues do not exceed program costs. The proposed fees are based on our best cost and revenue projections at this time. The increase needed exceeds the 15% limit, therefore, increases are proposed for several fiscal years. If projected costs decline, or revenues increase, beyond our current projections, the proposed FY14/15 and later fee increases must be reduced to equal the revised projected costs.

For the Title V operating permit program, Title 40 of the Code of Federal Regulations Part 70.9 requires the District to establish a fee schedule that is sufficient to cover the Title V permit program cost. These costs include, but are not limited to, the cost to prepare generally applicable regulations or guidance regarding the permit program or its implementation or enforcement, to evaluate and act on Title V permit applications (initial permits, permit renewals, administrative amendments, and minor or significant modifications), to implement and enforce the program, to prepare emission inventories, and the general administrative costs of running the permit program.

HSC section 44380(a) requires the District, pursuant to CARB regulations, to adopt a fee schedule which recovers the District's costs to implement the Air Toxics "Hot Spots" Information and Assessment Act[5] and which assesses a fee upon the operator of every facility subject to the act.

REVENUE OVERVIEW

Fee rules or programs that support the stationary source programs include:

- Rule 301 – Permit Fees – Stationary Source, for the permit program, including Title V and emission reduction credit processing.
- Rule 107– Alternative Compliance, Section 401, has the fee for processing permit applications that request using emission reduction credits as an alternative to traditional rule compliance.

[5] HSC Sections 44300-44394.

- Rule 205 – Community Bank and Priority Reserve Bank Sections 312[6] and 313, emission reduction credit processing from the District's credit banks.
- Rule 306 – Air Toxics Fees, for the air toxics program.
- Rule 311 – Registration Fees for Agricultural Compression Ignition Engines for the agricultural engine registration program.
- Rule 304 – Plan Fees, for the asbestos program.
- PERP fee revenue.

The unpermitted source program is funded with state and federal grants, civil settlements, and CEQA mitigation fees revenues. These revenues are described below:

- EPA 105 Grant: Section 105 of the Federal Clean Air Act authorizes the EPA to provide grants to support state or local air pollution control agencies to implement air pollution control programs. These grants may be used to supplement funding to cover the stationary source program costs, but cannot be used to cover the cost associated with the Title V permitting program.
- CARB Subvention Money: HSC Sections 39801-39811 authorize CARB to provide money to help the local air districts to implement programs to reduce air contaminant emissions from stationary sources.
- Civil Settlements: Civil settlements are penalties received for violations of District rules and regulations. Most violations are resolved through the Mutual Settlement Program, a voluntary program designed to settle violations in lieu of filing an action in court to recover civil or criminal penalties pursuant to HSC Sections 42400-42402.
- CEQA Mitigation Fee Revenue: CEQA mitigation fees are received when project developers choose to pay fees in lieu of reducing emissions on site when emissions from land use projects exceed the air quality significance thresholds. These fees are then used to fund innovative projects that will result in emission reductions for Sacramento County. The District uses land use mitigation fee revenue on a temporary basis, to achieve emission reductions from the District's wood smoke programs[7].

The following figures show the revenues from the fee rules or programs and the discretionary revenues. From FY 07/08 to FY11/12, fee revenues and discretionary revenues remained fairly constant. Program costs will continue to increase with inflation. As such, the District will rely more heavily on the stationary source fund balance or will need to increase fees to cover the program costs because the District cannot be certain of the amounts that will be received from grants and settlements.

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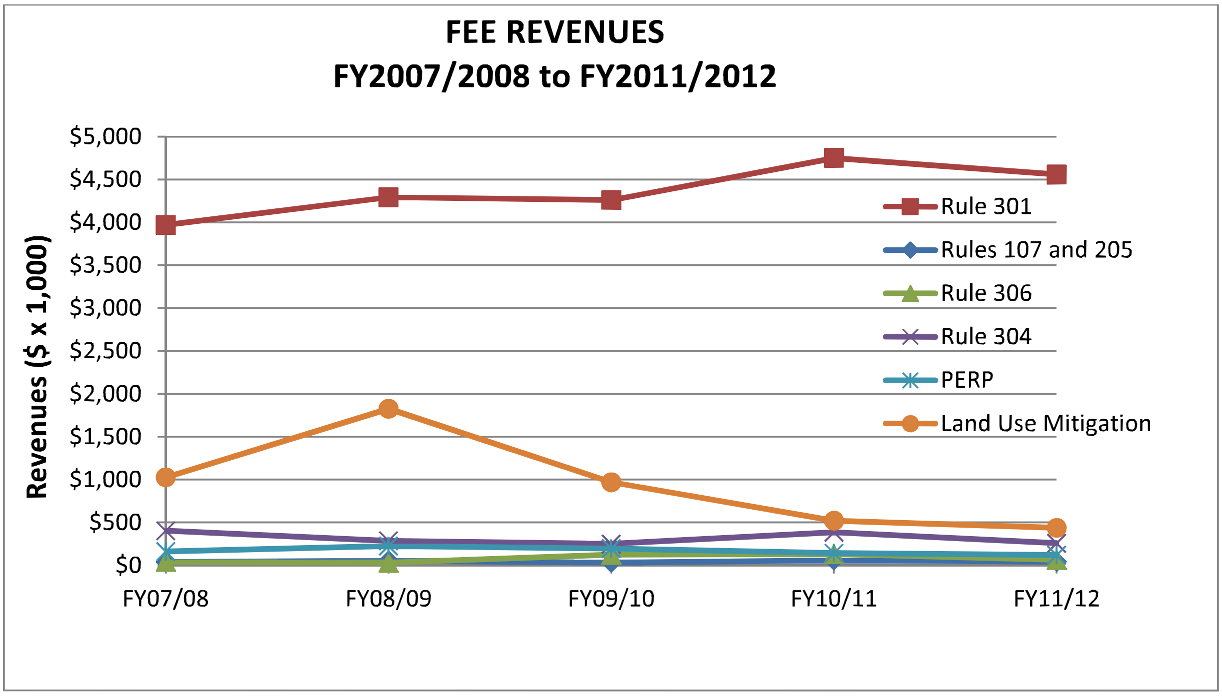
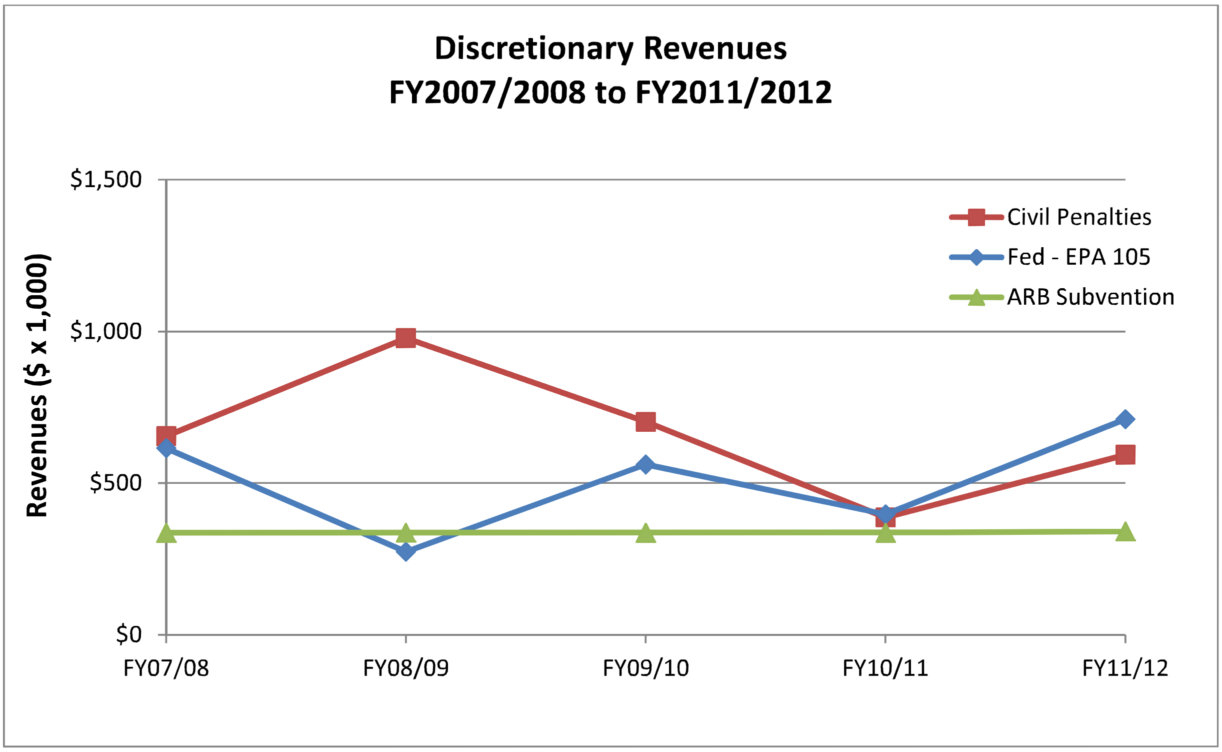
[6] Only the administrative fee for processing the loan application.
[7] The "Check Before You Burn" Program and the Wood Stove and Wood Fireplace Change Out Incentive Program.


FEE REVENUES
FY2007/2008 to FY2011/2012
Revenues ($ x 1,000)
$5,000
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
FY07/08
FY08/09
FY09/10
FY10/11
FY11/12
Rule 301
Rules 107 and 205
Rule 306
Rule 304
PERP
Land Use Mitigation


Discretionary Revenues
FY2007/2008 to FY2011/2012
Revenues ($ x 1,000)
$1,500
$1,000
$500
$0
FY07/08
FY08/09
FY09/10
FY10/11
FY11/12
Civil Penalties
Fed - EPA 105
ARB Subvention

FEE STUDY

In 2007, Staff hired an independent consultant to review the fees for the stationary source programs. The fee study was completed in 2009, and a copy is included in Appendix C. The study concluded that fee revenues were not sufficient to recover all program costs related to Rule 301, Title V, Rule 304, and Rule 306. The following table shows the program shortfalls for FY06/07, the fiscal year analyzed:

	Total Costs (FY06/07)	Total Revenues (FY06/07)	Program Shortfall
Rule 301 (excluding Title V)	$6,071,770	$3,949,458	$2,122,312
Title V	$115,652	$27,798	$87,854
Rule 304	$596,826	$274,150	$322,676
Rule 306	$131,104	$42,051	$89,053

The fee study cautioned that grant and settlement (discretionary) funding sources are not guaranteed to be available or sufficient in the long-term to support program costs. In addition, as the District adopts and implements new programs needed to meet state and federal mandates that do not have dedicated revenue streams, the District will need to fund those programs with discretionary revenues. To avoid exhausting limited discretionary revenue streams, the fee study recommended that the District fully recover the cost of the stationary source programs so that they can be supported without the need of revenue from other sources.

The fee study recommended several procedural changes to the District's implementation of the permit program that would not require fee rule amendments, such as charging emissions fees for all pollutants instead of just one pollutant for boilers, crematories, and engines, and charging source test fees for gasoline dispensing facilities (GDFs). In 2010, the District reviewed the fee rules and implemented these recommendations. In addition, the District reviewed the fee schedule and re-assigned standby engines from miscellaneous fee schedule to the engine fee schedule. These procedural changes increased revenues by approximately $430,000[8].

The fee study also recommended several changes that would require modifications to the fee rules. These changes included:

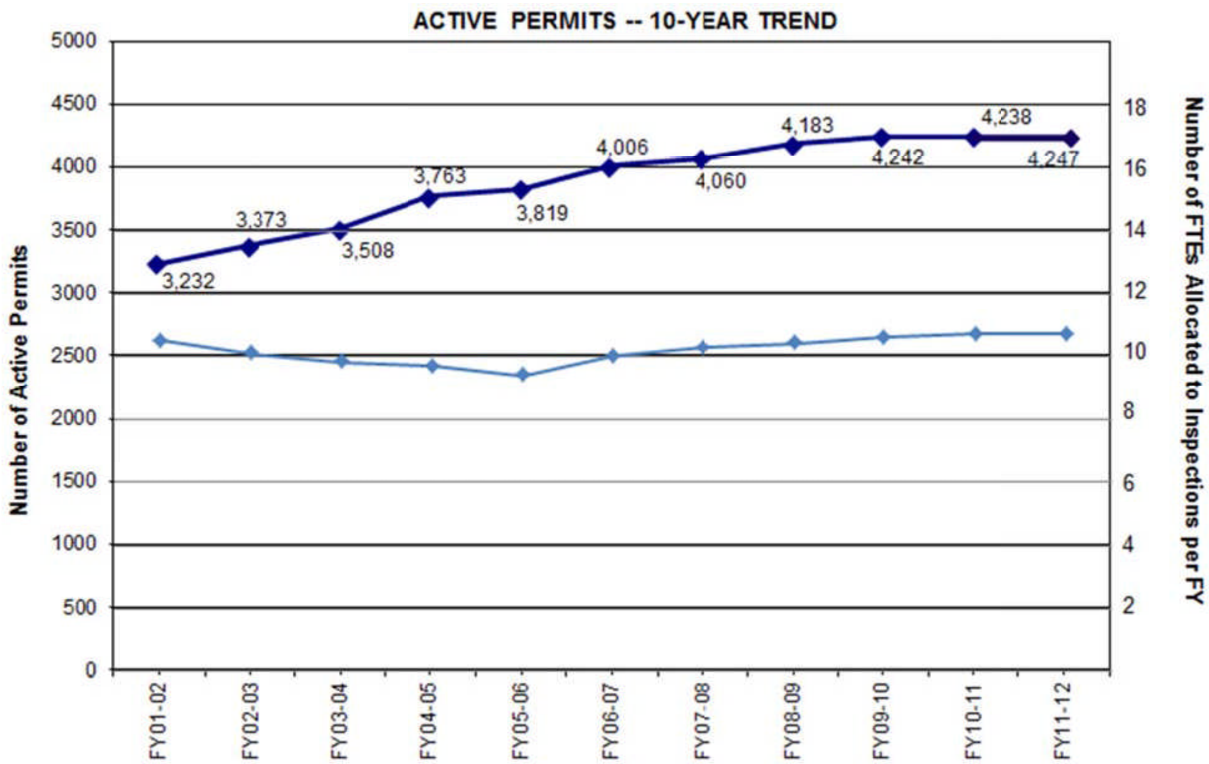
- Increase initial and renewal permit fees in Rule 301 to cover more of the permit program cost.
- Revise the hourly rate in Rule 301 to accurately capture all costs associated with the permit program cost.
- Implement a new annual Title V fee in Rule 301 to cover the activities that are not covered in the current Title V operating permit fees. The current Title V operating permit fees only recover the time spent processing Title V applications.
- Increase air toxics fee and add the authority to adjust fees in relations to the Consumer Price Index (CPI) in Rule 306.

[8] Letter to Board of Directors, Subject: Conduct a Public Heating and Adopt Resolution Approving Use of FY10/11 SMAQMD Proposed Budget pending approval of the Final Budget, May 27, 2010.

After the fee study was completed, Staff considered implementing the recommendations to amend rules to increase fees; however, Staff decided to defer the needed fee increases because local businesses were being adversely impacted by the downturn in the economy.

COST SAVING ACTIONS

We have taken several actions to avoid fee increases by improving program efficiencies and reducing cost. The District reduced staffing levels by approximately six staff positions in the stationary source program[9] since 2008. The employee association voluntarily waived the contracted cost of living adjustment for FY 09/10 and FY10/11, a minimum of 2% each year, to help minimize program cost increases. The current reduced Staff level is needed to effectively implement air quality programs. Since the last comprehensive fee increase in 2001, the District, CARB or EPA has adopted 79 rules or regulations requiring additional time to implement and enforce. In addition, the number of permits has increased as seen the following figure.



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9 Two inspectors, one permit engineer, one clerical, one program coordinator (40% allocated), and one administrative division manager (40% allocated).

Other changes to handle increased and more complex workload with reduced staff include:

- Staff has developed equipment-specific procedures manuals for common permitted stationary sources, including but not limited to boilers, internal combustion engines, automotive coating operations, and GDFs. Each manual outlines the regulatory requirements and information needed for each type of operation and are available to the public through the District's website. In addition, Staff has developed equipment-specific application forms, engineering evaluation templates, and permit templates for these common stationary sources. These manuals, forms, and templates are used by the District to streamline the application process. This process ensures that the applicant receives the permit in a timely manner so that there are no delays in any projects.
- Staff has improved inspection forms to reduce the time to fill and complete an inspection report. In addition, sources with multiple permits have been consolidated into a single inspection report to reduce writing repetitive information.
- Staff has developed expertise in areas such as GDFs, Title V operating permits, source test methodologies, soil vapor extraction operations, air toxics, and portable equipment, which allows for quicker inspections and reduction in training costs.
- The District has reduced travel and fuel cost by attending trainings locally or over the internet, conducting meetings via phone or internet, purchasing fuel-efficient hybrid vehicles, and reducing the number of vehicles in the District's fleet.
- Staff has arranged with other local government agencies to allow remote parking of District vehicles. This allows field Staff to be more efficient by beginning their day closer to the permitted facilities instead of coming into the office.
- The District has improved its data management, which allows quicker access to data and better data storage. This allows Staff to efficiently work on applications and/or permits by reviewing pertinent historic data from specific stationary sources. The improved data management also allows Staff to remotely access files, email, and other resources while away from the office, which reduces back and forth travel time.
- The District's working relationship with local building departments has streamlined the demolition/renovation asbestos plan process, which allows Staff to focus more resources on unnotified jobs where noncompliance with asbestos requirements is likely to be greater.
- The District has established an electronic payment system which is available on the District's website. This service expands the District's payment options to accept major credit cards and debit or pre-paid debit cards. It also reduces Staff time to process in-office payments.
- The District refinanced the mortgage for the building, lowering the indirect cost to the stationary source programs.
- The District reduced funding to the Business Environmental Resource Center (BERC).
- The District's public notification method for rule development has changed from paper-based mailing to electronic mailing. This change reduces Staff time in preparing a public notification and lowers the public notification cost because there are fewer resources involved (i.e. no printing services or stamps needed).

FEE RULE DISCUSSION AND SHORTFALLS

Permit Program: Rule 301, Permit Fees – Stationary Source establishes fees for processing new or modify existing permits, issuing and amending Title V permits, renewing local and Title V permits, processing ERC applications, and depositing or withdrawing ERCs from the District credit bank.

The last amendment to Rule 301 where fees were increased by more than the CPI[10] was in 2001[11], which increased fees by 15%. The amendment also added language which allows the Air Pollution Control Officer, with approval from the Board of Directors, to adjust fees annually (as part of annual budget process) to reflect the change in the CPI. The annual adjustment of fees is necessary to meet increased costs due to inflation, help maintain the District's level of service, and avoid later large fee increases. Since 2001, fees were annually adjusted by the CPI. In FY09/10 and FY11/12, the Board of Directors deferred a CPI adjustment for the fees because of the struggling economy at that time[12]. The CPI changes in FY09/10 and FY11/12 were 3% and 1.8%, respectively. Foregoing CPI increases for those two years makes the fees 4.9% percent lower in FY13/14 than they would be if the CPI increases had been approved. The CPI deferral contributed to the shortfalls in the stationary source program.

In FY13/14, the cost of the general permit program is approximately $5,210,000. Revenues from initial permit fees, renewal fees, source test fees, reinspection fees, ERC processing fees, and District ERC Bank loan renewal fees cover approximately 90% of the program cost, leaving a shortfall of approximately $495,000.

Title V Program: In addition to the local permits, the federal Clean Air Act requires federal operating permits, known as Title V permits, for our major sources that are subject to Rule 207 – Title V – Federal Operating Permit Program. These major sources pay both local permit fees and Title V permit fees. Title V fees are established in Rule 301.

Title V permits are typically renewed every five years. In the periods between the renewals, Title V permits may undergo three types of permit changes: administrative amendments, minor modifications or significant modifications. The current Title V fee assesses an hourly rate established in Section 308.12 of Rule 301 for the actual time spent on processing Title V permit renewals or permit changes. The hourly rate fee does not authorize including costs for other activities associated with the program, such as compliance inspections, enforcement activities, training, and reporting to EPA. Revenues from the Title V program vary from year to year depending on the number of permits modified and the number of sources renewing their Title V permits. To determine the shortfall for the Title V program, Staff used an annual average for Title V permit revenues based on the past five years from FY07/08 to FY11/12. The five-year average of revenues collected from the Title V fee is approximately $64,000. For FY13/14, this revenue was adjusted by the CPI and projected to be approximately $65,000. In FY13/14, the

[10] California Consumer Price Index for all items, in accordance with Revenue and Taxation Code Section 2212.
[11] Rule 301 was amended in 2005 to add fees for small units subject to Rule 411 – NOx from Boilers, Process Heaters and Steam Generators; however this amendment did not increase fees.
[12] No CPI adjustment was proposed for FY10/11 because the CPI change was 0%.

cost of the Title V operating permit program is approximately $186,000. The program shortfall is approximately $121,000, or 65% of the program cost.

Air Toxics Program: A provision of state law known as the Air Toxics "Hot Spots" Information and Assessment Act of 1987[13] requires toxic emissions sources to monitor and report toxic emissions, perform detailed health risk assessments for some facilities, and where toxic risks are high, take actions to mitigate those emissions. Some facilities, called core facilities[14], prepare their own unique health risk assessments that District Staff reviews and approves. District Staff performs health risk evaluations for some toxic sources known as industry-wide sources rather than requiring each source to prepare a location-specific risk assessment. Industry-wide sources include dry cleaners, gas stations, chrome plating facilities, and diesel engines[15]. Rule 306 establishes fees to recover the costs of the air toxics program from these sources. In FY13/14, there are 1,091 industry-wide facilities and 15 core facilities in the program, and each facility is required to pay a fee corresponding to its toxics category specified by the rule.

The last amendment to Rule 306 that impacted the District's portion of fees occurred in 1997, when the current fee schedules were established[16]. According to the Staff Report for the 1997 amendment, revenues collected at that time did not fully recover the cost of the air toxics program. Discretionary funds such as CARB subvention money were used to cover the fee revenue shortfall. In addition, Rule 306 does not include a CPI adjustment provision. As such, program cost has increased due to inflation, yet air toxic fees have remained the same for the past 16 years and CARB subvention monies are not available to support this program.

In future years, Staff anticipates the air toxic program revenues to decrease because the core facilities are expected to reduce their toxic emissions and will be re-categorized into lower paying fee categories. Core facilities in lower paying fee categories are not required to submit plans to reduce their toxics emissions, reports of air toxics emissions, or health risk assessments to the District for review and approval. As such, program cost will also decrease slightly since there will be less work associated with those facilities.

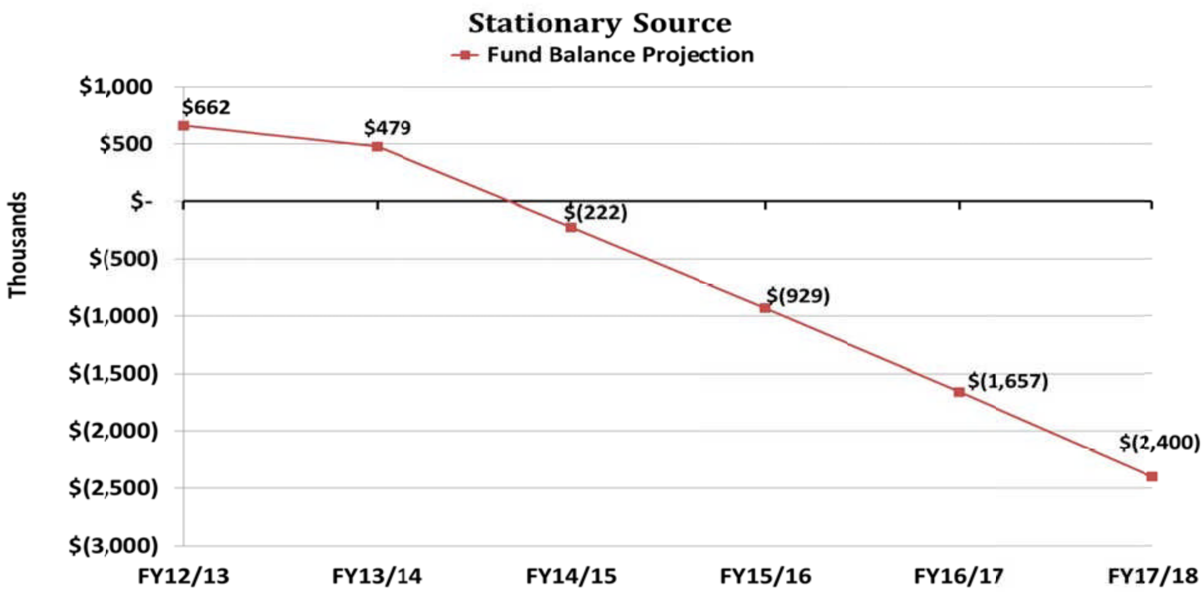
In FY13/14, the cost of the air toxics program is approximately $168,000. Projected revenue based on the number of facilities in the program is approximately $84,000, resulting in a revenue shortfall of approximately $84,000 or 50%. The projected revenues and program costs in future year will decrease and are shown in the following table:

	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
Program Cost	$168,490	$130,775	$133,632	$136,381	$140,339
Revenue	$84,216	$82,585	$82,585	$82,585	$82,585
% Shortfall	50%	37%	38%	39%	41%

[13] HSC Section 44300-44394.
[14] Facilities with toxic emissions that are meet specific toxic/risk thresholds.
[15] Diesel engine-only facilities are treated similar to industry-wide facilities as recommended in CARB's Staff Report for the Proposed Amendments to the Emission Inventory Criteria and Guidelines Report for the Air Toxics "Hot Spots" Program (p. 11 and 17).
[16] The 2003 amendment removed the State fee from the rule and now references the State regulation.

FUND BALANCE

Staff has continued to review and project the costs and revenues in the stationary source program. For the past several years, program revenues have not been sufficient to cover the program cost, and the District has been using stationary source fund balance to make up the differences. The following figure shows the consumption of the existing stationary source fund balance. As shown in the figure, the stationary source fund balance has reached a critically low level, and the District is projected to consume its remaining funds by the middle of FY 13/14.



The Government Finance Officers Association (GFOA) recommends that governmental agencies establish a formal policy for a fund balance. The GFOA also recommends that the fund balance should be, at minimum, no less than two months of operating revenues or expenditures[17]. Staff has considered the GFOA's recommendation and has developed a fund balance policy for a permit program fund balance, which includes the local permit program, Title V program, unpermitted source program, PERP and agricultural engine registration program, and for an air toxics program fund balance. The fund balances policy proposes that the fund balance is equivalent to three months of operating revenues or expenditures because it may take a maximum of three months to receive approval from the Board to remedy a financial problem. This policy will be presented to the Board for their approval.

Staff has implemented several procedural changes to increase revenues, many cost saving actions to be more efficient, and reduced the number of staff to maintain program cost in order to avoid fee increases. However, the District has reached a critical point and can no longer defer the needed fee increases recommended by the 2009 fee study.

[17] Government Finance Officers Association, Best Practice: Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009)(BUDGET and CAAFR), Approved by GFOA's Executive Board on October 2009.

PROPOSED AMENDMENTS

The significant proposed amendments for Rules 107, 301, and 306 are summarized below. For a detailed list of changes, see Appendix A.

Rule 107 – Alternative Compliance

Rule 107 allows the use of emission reduction credits as an alternative compliance option for business that might need additional time, or for various reasons want relief from specified requirements in the District's Regulation 4. Rule 107 requires the owner or operator of a stationary source requesting alternative compliance to submit an Authority to Construct application and pay an application processing fee. Rule 107 Section 401 has not been changed since adoption in 1996. The application processing fee is $91 per hour.

All alternative compliance applications require a new permit or revisions to an existing permit. Therefore, Staff proposes to move the alternative compliance application processing fee from Rule 107 to Rule 301. Staff will remove the application processing fee established in Rule 107 and instead reference the proposed application processing fee in Rule 301. Also, Staff is proposing to make other non-substantial changes, such as updating prohibitory rule titles in Rule 107.

Rule 301 – Permit Fees – Stationary Source

Staff is proposing the following significant amendments to Rule 301. The current fees, proposed fees for FY13/14 to FY17/18 (excluding Title V fees), and number of permits in each fee schedule are shown in Appendix B. A detailed summary of the stationary source program projected expenditures and revenues with the proposed fee increases for FY13/14 through FY17/18 are shown in Appendix E.

General (Local) Permit Program: Staff is proposing to increase all existing fees by 15% in FY13/14. This fee increase will restore approximately 10% of the needed permit program fund balance. Future fee increases are needed to maintain the District's current Staff level and fully restore the permit program fund balance. See below in section "Additional Fee Increases Starting FY14/15" for more details.

Change of Name: Staff is proposing a new fee for a change in name or operator where a change in ownership and/or location has not occurred. This fee is established to recover Staff's time to update the name for each permit to which the requested name change pertains in the District's database. Staff is proposing to add a name change fee to Section 307.2 of $66 for the first permit and $28 for each additional permit.

Source Test Fee for Gasoline Storage and Dispensing Equipment: Beginning in FY10/11, facilities with gasoline storage and dispensing equipment have been subject to a revised source test fee. Although the current fee in Rule 301 to observe a source test and review a source test report is $1,307, in May 2010, after consultation with District counsel, Staff notified gas dispensing facilities (GDFs) that the source test fee is too high relative to the time required for gasoline storage and dispensing equipment. The notice stated that the District will assess an annual source test fee based on the hourly rate established in Section 308.12 instead, using an average of 1.5 hours of work per year for underground tanks and an average of 0.75 hours of work per year for aboveground tanks. The current fee charged for an underground tank is $204 and for an aboveground tank is $102 based on an hourly rate of $136 per hour. Staff is proposing to include this in Rule 301 Section 308.7(b) as part of the renewal fee for GDFs. The proposed fees are $234 for underground tanks and $117 for aboveground tanks, 15% higher than the current fees based on the proposed hourly rate of $156 per hour.

Some GDFs, such as GDFs at marinas, are exempt from one part of the testing requirements (Phase II[18] vapor recovery). Currently, these facilities do not pay a fee for this review. Staff is proposing to establish a fee for sources that are required to perform source tests only for the transfer of gasoline into stationary storage containers (Phase I)[19] rather than having other fee payers subsidize that activity. Staff estimates an average time of 0.5 hours per facility, and is consequently proposing an annual source test fee of $78 for facilities subject only to Phase I requirements.

Time and Materials Labor Rate Fee: Rule 301 establishes two hourly rates for time and materials: $109 per hour in Section 308.11 for processing complex permit applications as specified in Section 301.1 and $136 per hour in Section 308.12 for processing permits for electrical generating equipment greater than 5 megawatts subject to fee schedule 8 (Section 308.9), observing multiple source tests exceeding 10 hours of review (Section 311), performing reinspections (Section 314), processing applications for new emission reduction credits (Section 315), and processing Title V permit applications (Section 313). For processing Title V permit applications, Staff is proposing to modify the fee structure. See “Title V Program Fee” below for further discussion.

Staff reviewed the hourly rates to determine if they were sufficient to recover the cost of one hour of Staff time provided to the applicant or permit holder. The hourly rate was determined by dividing the total stationary source permit program cost by the number of Staff in the stationary source program and the total number of hours worked per year by each Staff person. The total program costs include staff labor, services and supplies, building, vehicles and other administrative overhead costs. For FY13/14, the actual hourly rate needed is $169. See Appendix F for more information. However, because fee increases are capped at 15% per year, Staff is proposing to increase the hourly rates by 15%, to $125 in Section 308.11 and $156 in Section 308.12. Future fee increases are necessary to reach full cost recovery and to have a single hourly rate to recover Staff’s time and material cost for all types of projects. See below in section “Additional Fee Increases Starting FY14/15” for more details.

Title V Program Fee: Major sources[20] must obtain a Title V permit in addition to their local permits. That permit defines requirements subject to federal enforcement and provides an

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[18] Rule 449 – TRANSFER OF GASOLINE INTO VEHICLE FUEL TANKS
[19] Rule 448 – GASOLINE TRANSFER INTO STATIONARY STORAGE CONTAINERS
[20] A stationary source that has the potential to emit 25 tons or more per year of nitrogen oxides or volatile organic compounds, 100 tons or more per year of any other regulated air pollutant, 10 tons or more per year of any hazardous air pollutant or 25 tons or more per year of any combination of hazardous air pollutants.

expanded process for citizen review. Currently, the Title V operating permit fee is based on the actual time spent processing a permit application at an hourly rate specified in Rule 301 Section 308.12. The average annual revenue is approximately $64,000 over the past 5 years. The projected FY13/14 Title V program cost is $186,000. There is no fee, currently, to cover the costs for Title V annual activities, such as inspections, reporting, and training. Staff investigated Title V program fees in other air districts to identify other fee structures that would address this problem and eliminate the shortfall.

Only two districts have addressed this problem. South Coast Air Quality Management District (SCAQMD) uses a combination of hourly rate fees and flat-rate fees. The flat rate annual fee recovers annual costs of Title V activities. Bay Area Air Quality Management District (BAAQMD) uses flat fee rates for processing the different type of Title V applications, including an application fee, and set annual fees for on-going activities related to the Title V program and monitoring fees for facilities with continuous emissions monitors or parametric emission monitoring systems.

Staff proposes to adopt the BAAQMD fee structure, without the monitoring fee, as shown in the table below. Staff did not propose the SCAQMD fee structure because the hourly rate structure is difficult to implement consistently and requires extra effort to track staff hours; some Title V activities overlap with local permit activities; and the flat rate annual fee is the same for all sources and does not account for the complexity (number of permitted emission units or processes) of each Title V permit.

Type of Title V Application	Proposed SMAQMD Fee for FY13/14
Application Filing Fee*	$1,902 per application
Initial Title V Operating Permit	$1,841 per local permit
Title V Operating Permit Renewal	$801 per local permit
Significant Title V Permit Modification	$5,308 per local permit modified
Minor Title V Permit Modification	$2,700 per local permit modified
Administrative Title V Permit Amendment	$538 per application

*Application filing fee is required for each Title V application submitted.

Staff set the fee amounts using the following steps:

1. The BAAQMD fees were applied to the District's Title V permit activities that occurred in the 5-year period from FY07/08 to FY11/12.
2. The fee for each application type was increased by the same percentage until the annual average revenues based on the new fee structure equaled the annual average revenue during FY07/08 to FY11/12, approximately $64,000.
3. The proposed fees for FY13/14 were set by increasing each fee from Step 2 by 15%, the maximum allowed by HSC Section 41512.7.

If the fee structure and amounts were changed as proposed in the table above, Staff projects annual average revenues of approximately $74,000 in FY13/14 from the processing of Title V applications. The projected FY13/14 Title V program cost is $186,000. Only a portion of that cost, approximately $119,000, is associated with processing Title V applications. This cost includes the permitting Staff's time to process Title V applications and training of permitting Staff to process Title V applications. There is still a shortfall of approximately $45,000.

No fees exist for the non-permit processing activities, such as training, inspections, and reporting. Therefore, the cost for those activities will be used to establish an annual fee. The number of local permits is indicative of the duration and complexity of inspections and provides a useful surrogate to apportion training and other overall Title V program costs. There are 314 local permits to operate associated with Title V facilities. Staff proposes an annual Title V fee of $214 per local permit to operate to cover the cost of the annual activities, or $67,000 per year. Since no current fees are established to recover the on-going Title V activities, this fee will be considered a new fee and will not be restricted by the 15% maximum increase cap as specified in HSC Section 41512.7. In the future, when considering additional fee increases to fully cost recover the Title V program as a whole, all proposed Title V fees, including the annual fee, will be restricted by the 15% cap. Below is a breakdown of Title V program expenditures, revenues with the new fee structure, and program shortfall in FY13/14. See Appendix F for a detailed summary of the Title V program revenues with the proposed new fee structure.

	Expenditures (FY13/14)	Revenues (FY13/14) Proposed Fees	Program Shortfall
Application Processing	$118,835	$73,659	$45,176
On-going Annual Activities	$67,399	$67,196	$203
Total	$186,234	$140,855	$45,379

As seen above, a shortfall in revenues remains in the Title V program. To address this shortfall, Staff is proposing additional fee increases for all Title V fees in later years. See section "Additional Fee Increases Starting in FY14/15" below for more information.

<u>Alternative Compliance Application Processing Fee:</u> As mentioned above, Staff is proposing to remove the alternative compliance application processing fee from Rule 107 and add it to Rule 301 Section 316. The current $91 per hour fee has not been changed since 1996. Staff is proposing to increase the current hourly rate fee by 15% to $105 per hour because we consider the existing fee to be a permit fee and therefore, cannot be increased by more than 15%. The fee will be increased by 15% per year until reaching the actual hourly cost. See section "Additional Fee Increases Starting in FY14/15" below for more information. See Appendix G for the hourly rate calculations.

<u>Public Notification Fee:</u> Staff is proposing to add a public notification fee in Section 317 which requires the applicant to cover the cost of the public notifications, where required. Some common examples are public notifications for permit application for a stationary source within 1,000 feet of a K-12 school[21], applications for modifying or renewing Title V operating permits[22], and applications for banking emission reduction credits[23]. When an application is required to undergo a public notification, the District must publish the notice in a paper of general circulation regarding the approval or disapproval of an application. The local newspaper charges a fee for

[21] HSC Section 42301.6
[22] Rule 207, Title V Federal Operating Permit Program, Sections 403 and 408
[23] Rule 204, Emission Reduction Credits, Sections 404 and 406, and HSC Section 40713

publication. In the past, the District has absorbed the cost since the District did not have the authority to pass the fee to the applicant. There may also be additional staff costs to handle some public notification where unusually long meetings are necessary or an extensive number of comments are received. This amendment gives the District the authority to recover the cost by requiring the applicant to pay the actual publication cost and/or hourly rate fee.

Additional Fee Increases Starting in FY14/15: The fee increases discussed above do not reach full cost recovery, in some cases, because of the 15% per year cap on fee increases in state law. Therefore, fee increases in subsequent years are needed. The proposal specifies a maximum percent increase for each type of fee for each fiscal year to reach full cost recovery using current projections. Every year, Staff will review the expenditures and revenues for the permit program. If the revenues with the proposed fee increases for that year exceed the expenditures, then the APCO will implement a lower percent increase for that fiscal year as required by HSC Section 42311(a). Staff will notify the Board of the action to lower the fee increase below that specified in Rule 301. The following discusses each proposed fee increase in detail:

- Title V Program Fees: In FY13/14, Staff is proposing to modify the Title V operating permit fee structure, including adding an annual fee. However, this change will not fully recover the Title V program cost. As such, Staff is proposing all Title V fees increase by 15% each year in FY14/15 and FY15/16, and by 6.5% in FY16/17. As shown below, by FY16/17, revenues from Title V fees will be sufficient to fully recover the program cost. For FY17/18 and thereafter, fees will only need to be adjusted by the CPI to maintain program cost recovery.

	FY14/15	FY15/16	FY16/17
Program Cost	$189,614	$193,718	$197,681
Projected Revenues	$161,983	$186,281	$198,389
Program Shortfall	$27,631	$7,437	($708)

- Time and Material Labor Rates in Sections 308.11, 308.12 and Section 316: As discussed previously, the Time and Materials Labor rates do not reach full cost recovery with a single fee increase. The hourly rate necessary for full cost recovery is calculated based on the total stationary source permit program cost, the number of Staff associated with the permit program, and the number of hours worked by each Staff person. The current rates in Sections 308.11, for complex authority to construct applications, 308.12, for electrical generation applications, ERCs, reinspections, and source tests; and Section 316, for alternative compliance, are different. Therefore, the fee increases are different depending on the increase needed to reach full cost recovery. Six years of fee increase are needed for the alternative compliance application (Section 316) to reach full cost recovery. This is one year more than proposed in the workshop noticed version of Rule 301, but was discussed at the workshop. The proposed fee increases are shown in the following table.

Section		FY14/15	FY15/16	FY16/17	FY17/18	FY18/19
308.11	Percent Increase	15%	15%	12.3%	3.4%	CPI
	Hourly Rate Proposed	$144	$166	$186	$192	$196
308.12	Percent Increase	11.2%	4.3%	3.6%	3.4%	CPI
	Hourly Rate Proposed	$173	$180	$186	$192	$196
316	Percent Increase	15%	15%	15%	15%	6.7%
	Hourly Rate Proposed	$121	$139	$160	$184	$196
Hourly Rate Necessary for Full Cost Recovery		$173	$180	$186	$192	$196

- Source Test Fee for Gasoline Storage and Dispensing Facilities (GDFs) in Section 308.7(b): The proposed annual GDF source test fee assumed that the tests require actual staff time of 1.5 hours for underground storage tanks with Phase I and II vapor recovery systems, 0.75 hours for above ground storage tanks (Phase I and II), and 0.5 hours for Phase I only tanks. Using the proposed increase specified for Section 308.12, the FY14/15 and later proposed annual fees are:

Testing Requirements	Gasoline Storage Tank	FY14/15	FY15/16	FY16/17	FY17/18
Percent Increase		11.2%	4.3%	3.6%	3.4%
Phase I and II	Underground	$260	$271	$281	$291
Phase I and II	Aboveground	$130	$136	$141	$146
Phase I Only	All	$87	$91	$94	$97

- All other fees in Rule 301: All other fees, initial permit fees, renewal fees, emissions fees, permit condition revision fees, new change of name fees, duplicate permit fee, and source test fees, will reach full cost recovery with the proposed FY13/14 fee increases. In subsequent years, to maintain staff levels and restore the permit program fund balance, Staff is proposing to increase fees by 3.6% each year through FY17/18. This will immediately build a permit program fund balance to approximately three months of the permit program cost.

	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
Ending Fund Balance	$150,635	$383,601	$724,213	$1,171,235	$1,675,308
Fund Balance Goal	$1,544,946	$1,583,178	$1,615,992	$1,647,639	$1,692,758
% of Goal	10%	24%	45%	71%	99%

Rule 306 – Air Toxics Fees

In FY12/13, the air toxics program includes 18 core facilities and 1016 industry-wide facilities. Currently, the toxic fees recover 55% of the program costs. By FY14/15, four core facilities will no longer be subject to the air toxics program and fees because Staff expects their health risk assessments (HRA) to show a cancer risk less than 1 in a million and a hazard index less than 0.1. Three of the remaining 14 core facilities will only require 4-year reviews to update emissions, and consequently pay the lowest fee, $125, only once every 4 years. The other eleven core facilities will remain or be re-categorized in the fee category where their health risk assessment will show they have a cancer risk less than 10 in a million but greater or equal to 1 in a million and pay a fee ranging from $500 to $1,945. Staff is not proposing to increase fees for the core facilities.

The industry-wide category includes the majority of the facilities and demands the majority of Staff's time in the air toxics program. The current fee for this category is $60 per facility. This fee has remained the same for the past 16 years even though program costs have increased due to inflation. Our fees are low compared to the industry-wide fees in other air districts.

	SMAQMD Rule 306	SCAQMD Rule 307.1	SJVAPCD Rule 3110	YSAQMD Rule 4.9	PCAPCD Rule 610
Date of last fee increase	1/9/1997	7/1/2012	1/17/2008 (effective 7/1/2009)	4/8/1998	7/16/1998
Industry-wide Fee Category	$60	$117 or $156*	$100	$125	$90

*Diesel engine-only facilities are subject to $117 per facility; other industry-wide sources are subject to $156 per facility.

To fully recover the program cost, Staff is proposing to amend Rule 306 to increase fees for the industry-wide category to $116 in FY13/14. The following table shows the program cost, the projected revenues with the proposed fee increase to the industry-wide sources, and the total ending fund balance for each year for the air toxics program. In FY13/14, the proposed fee increases are not sufficient to fully fund the program, and the program shortfall is approximately $23,000. This shortfall is planned to be funded by the existing stationary source fund balance. No additional fee increase is needed starting in FY14/15 because program cost will decrease as less Staff time is needed to implement the air toxics program. The projected revenues decline from FY13/14 levels because of changes to core facilities to lower paying fee categories; however, the revenues will be sufficient to fully cover the program cost and build a fund balance dedicated to the air toxics program. By FY17/18, the air toxics program fund balance will be equivalent to three months of the program cost. Also, see Appendix H for a detailed summary of revenues with the proposed fee increases.

	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
Program Cost	$168,490	$130,772	$133,632	$136,381	$140,339
Revenue	$145,312	$143,681	$143,681	$143,681	$143,681
Ending Fund Balance	$(23,178)*	$12,909	$22,958	$30,257	$33,600
Fund Balance Goal	$42,123	$35,920	$35,920	$35,920	$35,920
% of Goal	0%	36%	64%	84%	94%

*This shortfall will be covered by the existing stationary source fund balance.

Staff is proposing to add a provision to authorize the APCO the authority to adjust fees for increase in the CPI similar to the provision established in Rule 301. Fees may be adjusted by the CPI if needed to meet program costs only when the adjustment is proposed as part of the budget and approved by the Board of Directors. As seen in the table above, the projected revenues will fully recover the program cost until after FY17/18.

Staff is also proposing to amend the category description for stationary sources that are subject to Fee Category 4. Currently, Fee Category 4 requires a stationary source to pay an annual fee if it has a prioritization score greater than 10 and does not have an approved HRA. The proposed amendment will require any stationary source where the APCO requires or reviews an HRA, regardless of its prioritization score, to pay the fee. This amendment will allow the District to recover the cost to review HRAs for stationary sources where the APCO has reason to believe that the source's toxic emissions may pose a significant risk to the surrounding area. If a facility voluntarily requests review of an HRA, that fee is due when the request is made.

Fee Increase Options for Rule 301 and Rule 306

Staff is proposing additional options for fee increases to be considered for adoption. The proposed changes for all changes in Rule 107, for the new fees for Change of Name, GDF Source Test and Title V program for FY13/14 in Rule 301, and for all changes except the industry-wide facility category fee in Rule 306 (as discussed above) will remain the same with all of the options. Each option is discussed below and the proposed fee increases for Rule 301 and Rule 306 for each option is summarized in the following table.

Option 1A: This is the option that was discussed earlier. This option immediately begins to restore fund balance and maintains current staff level.

Option 1B: This option also immediately begins to restore fund balance but also includes the Administrative Division Manager position in FY14/15. This position has been unfunded since 2010 when that Administrative Division Manager accepted the 2-year service credit incentive for early retirement. The cost of that incentive was fully recouped in FY11/12. Currently, the duties of this position have been delegated to the Program Coordination Division Manager.

Option 2A: This option delays restoring the fund balance and maintains Staff. This option increases most fees evenly for the next five years. This option lowers the initial fee increases in

FY13/14 substantially compared to Options 1A and 1B.
Option 2B: This option also delays restoring the fund balance but restores the Administrative Division Manager position in FY14/15.

	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	FY18/19
Rule 301:						
All fees except those noted below						
Option 1A	15%	3.6%	3.6%	3.6%	3.6%	CPI
Option 1B	15%	4.1%	4.1%	4.1%	4.1%	
Option 2A	6.9%	6.9%	6.9%	6.9%	6.9%	
Option 2B	7.2%	7.2%	7.2%	7.2%	7.2%	
Title V fees						
Option 1A or 2A	New	15%	15%	6.5%	CPI	CPI
Option 1B or 2B	Fees	15%	15%	7.5%		
Hourly Rate in Section 308.11						
Option 1A	15%	15%	15%	12.3%	3.4%	CPI
Option 1B	15%	15%	15%	14.1%	3.9%	
Option 2A	15%	15%	15%	14.7%	7.1%	
Option 2B	15%	15%	15%	15%	7.5%	
GDF Source Test Fees and Hourly Rate in Section 308.12						
Option 1A	15%	11.2%	4.3%	3.6%	3.4%	CPI
Option 1B	15%	11.8%	4.3%	4.6%	3.9%	
Option 2A	15%	7.3%	6.8%	7.0%	7.1%	
Option 2B	15%	7.3%	7.4%	7.5%	7.0%	
Hourly Rate in Section 316						
Option 1A	15%	15%	15%	15%	15%	6.7%
Option 1B	15%	15%	15%	15%	15%	8.9%
Option 2A	15%	15%	15%	15%	15%	12.7%
Option 2B	15%	15%	15%	15%	15%	13.8%
Rule 306:						
Industry-Wide Facility Fee						
Option 1A or 2A	$116	$116	$116	$116	$116	CPI
Option 1B or 2B	$118	$118	$118	$118	$118	

Option 3: This option is a bit of a hybrid option to immediately begin to restore the fund balance but allows sources to elect to defer part of the initial fee increases for FY13/14. It would be added on to either Option 1A or 1B. It allows sources to defer 7% of the total local permit renewal fee in FY13/14. The deferred amount will be assessed in FY14/15 with a deferral fee of 25% for the amount deferred. The deferral option is only authorized for local permit renewal fees (equipment fee and emissions fees). This option is the most difficult to administer because we must track each business' increase.

The following table shows the effect of the deferral option. Permitted sources electing to use this option will see an increase of 6.9% instead of 15% in FY13/14. The remaining portion of the fee increase will be deferred to FY14/15 where the permitted sources will see an increase of 12.4% instead of 3.6% for Option 1A and 12.9% instead of 4.1% for Option 1B, compared to what they would have paid in FY13/14 if had they not deferred a portion of their renewal fees. Proposed fee increases in FY15/16 through FY17/18 will be the same as when fees are not deferred.

Renewal Fees	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
Option 1A w/ Option 3	6.9%	12.4%	3.6%	3.6%	3.6%
Option 1B w/ Option 3	6.9%	12.9%	4.1%	4.1%	4.1%

Option 4A, 4B, 5A, and 5B: These options correspond to Options 1A, 1B, 2A and 2B if half of the program cost of the District ERC banks (Rule 205 - Community Bank and Priority Reserve Bank) is allocated to all permit holders (Option 3 for Rule 205 proposal). See the staff report for Rule 205 – Community Bank and Priority Reserve Bank for more information. The percent increase amount for these options will be slightly higher than for Options 1A, 1B, 2A, and 2B in order to recover the District ERC bank costs allocated to the permit program. The proposed fee increases for Rule 301 and Rule 306 for these options are summarized in the following table.

	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	FY18/19
Rule 301:						
All fees except those noted below Option 4A Option 4B Option 5A Option 5B	 15% 15% 7.2% 7.5%	 4.2% 4.7% 7.2% 7.5%	 4.2% 4.7% 7.2% 7.5%	 4.2% 4.7% 7.2% 7.5%	 4.2% 4.7% 7.2% 7.5%	CPI
Title V fees Option 4A or 5A Option 4B or 5B	 New Fees	 15% 15%	 15% 15%	 6.5% 7.5%	CPI	CPI
Hourly Rate in Section 308.11 Option 4A Option 4B Option 5A Option 5B	 15% 15% 15% 15%	 15% 15% 15% 15%	 15% 15% 15% 15%	 12.9% 14.1% 14.1% 15%	 4.5% 5% 7.6% 7.5%	CPI
GDF Source Test Fees and Hourly Rate in Section 308.12 Option 4A Option 4B Option 5A Option 5B	 15% 15% 15% 15%	 10.5% 11.2% 6.0% 7.3%	 4.3% 4.9% 7.5% 6.8%	 4.7% 4.6% 7.6% 7.5%	 4.5% 5% 7.1% 7.5%	CPI

	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	FY18/19
Hourly Rate in Section 316						
Option 4A	15%	15%	15%	15%	15%	8.4%
Option 4B	15%	15%	15%	15%	15%	10%
Option 5A	15%	15%	15%	15%	15%	12.7%
Option 5B	15%	15%	15%	15%	15%	13.8%
Rule 306:						
Industry-Wide Facility Fee						
Option 4A or 5A	$116	$116	$116	$116	$116	CPI
Option 5B or 5B	$118	$118	$118	$118	$118	

Option 6: This option is analogous to Option 3 and would be added on to either Option 4A or 4B. This option allows sources to defer 6.8%, instead of 7% in Option 3, of the total local permit renewal fee in FY13/14. The deferred amount will be assessed in FY14/15 with a deferral fee of 25% for the amount deferred. The deferred amount in this option is lower than in Option 3 because the amount paid by the sources electing to defer is higher.

The following table shows the effect of this deferral option. Permitted sources electing to use this option will see an increase of 7.2% instead of 15% in FY13/14. The remaining portion of the fee increase will be deferred to FY14/15, when the sources will see an increase of 12.7% instead of 4.2% for Option 4A and 13.2% instead of 4.7% for Option 4B. Proposed fee increases in FY15/16 through FY17/18 will be the same as when fees are not deferred.

Renewal Fees	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
Option 4A w/ Option 6	7.2%	12.7%	4.2%	4.2%	4.2%
Option 4B w/ Option 6	7.2%	13.2%	4.7%	4.7%	4.7%

EMISSIONS IMPACT

The proposed amendments to Rules 107, 301, and 306 will increase fees to recover the District's cost to administer the stationary source permit program and air toxics program. These amendments are administrative in nature and have no direct impacts on emissions or air quality.

SOCIOECONOMIC IMPACT /COST IMPACT

HSC Section 40728.5 requires a district to perform an assessment of socioeconomic impacts before adopting, amending, or repealing a rule that will significantly affect air quality or emission limitations. The District Board is required to actively consider the socioeconomic impact of the proposal and make a good faith effort to minimize adverse socioeconomic impacts. Proposed amendments to Rules 107, 301, and 306 are exempt from the requirements of this section because the proposed amendments do not affect air quality or emission limitations.

PRELIMINARY OUTREACH ON RULE CONCEPTS

Staff invited 31 businesses with District permits to an Industry Fee Task Force Meeting on January 31, 2013. These businesses were representative of the various permitted sources in Sacramento County. They included a local utility company, a school district, a hospital, manufacturing plants, major sources (with Title V permits), an automotive coating facility and gasoline dispensing facilities.

Prior to the meeting, the District received an email comment that opposed any fee increases. The commenter did not attend the meeting. At the meeting, Air Pollution Control Officer Larry Greene discussed in detail the District's current fiscal situation and the need for fee increases. The discussions also included Staff's proposal for fee increases for the local permit program and Title V program in Rule 301 and for the air toxics fee in Rule 306. Staff received several questions asking for more clarification of the District's funding sources and proposed fee increases and one comment suggesting that the proposed fee increase be spread over a period of time instead one large increase. After the meeting, Staff received one comment letter suggesting some administrative changes regarding the collection of fees.

Staff met individually with a source that was unable to attend the day of the meeting. This source expressed concern of the initial large fee increase in the first year and suggested that fees be increased evenly over the five-year period. Staff also discussed the fee increases with the Board of Director's Personnel and Budget Subcommittee on February 28, 2013.

Staff will consider all of the comments and questions in developing the proposed amendments to Rules 107, 301 and 306 for consideration by the Board of Directors in May 2013.

PUBLIC WORKSHOP

Staff held a public workshop to discuss the proposed amendments to Rules 301, 107, 205, and 306 on April 11, 2013. A public notice was mailed or emailed to interested parties, including all permitted stationary sources, and was posted on the District web site on March 20, 2013. The draft rules and staff report was made available for public review.

Staff received comments and questions concerning the proposed changes to the fee rules at the public workshop and received written comments from our larger sources. All comments and responses are included in Appendix I.

ENVIRONMENTAL REVIEW AND COMPLIANCE

Staff finds that the amendments to Rules 107, 301, and 306 are exempt from California Environmental Quality Act (CEQA). Public Resources Code Section 21080(b)(8) and Section 15273 of the State CEQA Guidelines provide that the adoption or amendments of fee rules are not subject to CEQA. To claim this exemption, the District must find that the amendments are for the purpose of meeting operating expenses. Amendments to Rules 107, 301 and 306 will increase fees to help recover the cost to implement the permit and air toxics programs.

REQUIRED FINDINGS

Finding	Finding Determination
Authority: The District must find that a provision of law or of a state or federal regulation permits or requires the District to adopt, amend, or repeal the rule.	The District is authorized to amend Rules 107, 301, and 306 by California Health and Safety Code (HSC) Sections 40001 and 40702. The District is authorized to increase fees to fully recover the District's costs by HSC Sections 41080 and 42311 for the permit program, HSC Section 44380(a) for the air toxics program, and 40CFR70.9 for the Title V program. [HSC Section 40727(b)(2)].
Necessity: The District must find that the rulemaking demonstrates a need exists for the rule, or for its amendment or repeal.	The proposed amendments to Rule 107, 301, and 306 are necessary to fully recover the District's cost to implement the permit program, Title V operating permit program, and air toxics programs. [HSC Section 40727(b)(1)].
Clarity: The District must find that the rule is written or displayed so that its meaning can be easily understood by the persons directly affected by it.	Staff has reviewed the proposed rule amendments and determined that they can easily be understood by the affected parties. In addition, the record contains no evidence that the persons directly affected by the rule cannot understand it. [HSC Section 40727(b)(3)].
Consistency: The rule is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations.	The proposed amendments to the rules do not conflict with and are not contradictory to existing statutes, court decisions, or state or federal regulations. [HSC Section 40727(b)(4)].
Non-Duplication: The District must find that either: 1) The rule does not impose the same requirements as an existing state or federal regulation; or (2) that the duplicative requirements are necessary or proper to execute the powers and duties granted to, and imposed upon the District.	The proposed amendments to the rule do not duplicate any existing state or federal laws or regulations. [HSC Section 40727(b)(5)].
Reference: The District must refer to any statute, court decision, or other provision of law that the District implements, interprets, or makes specific by adopting, amending or repealing the rule.	HSC Section 42311 for the permit program, HSC Section 44380(a) for the air toxics program, and 40CFR70.9 for the Title V program. [HSC Section 40727(b)(6)].
Additional Informational Requirements: In complying with HSC Section 40727.2, the District must identify all federal requirements and District rules that apply to the same equipment or source type as the proposed rule or amendments.	Rules 107, 301, and 306 establish fees to cover the cost to implement the District's permit program and air toxics program. The fees do not conflict with any federal requirements. [HSC Section 40727.2(g)].

REFERENCES

Bay Area Air Quality Management District, “Regulation 3 Fees,” June 6, 2012.

California Air Resources Board, “Staff Report: Initial Statement of Reasons for Proposed Rulemaking for the Proposed Amendments to the Emission Inventory Criteria and Guidelines Report for the Air Toxics ‘Hot Spots’ Program,” September 2006.

El Dorado County Air Quality Management District, “Rule 601 Stationary Source Fees,” July 19, 2005 (adjusted for CPI on July 1, 2009).

El Dorado County Air Quality Management District, “Rule 609 Hourly Rate,” July 19, 2005 (adjusted for CPI on July 1, 2009).

Government Finance Officers Association, “Best Practice: Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009) (Budget and CAAFR),” October 2009.

Placer County Air Pollution Control District, “Rule 601 Permit Fees,” December 9, 2010.

Placer County Air Pollution Control District, “Rule 610 Air Toxics ‘Hot Spots’ Fees” July 16, 1998.

San Joaquin Valley Air Pollution Control District, “Rule 3010 Permit Fee,” January 17, 2008 (effective after July 1, 2009).

San Joaquin Valley Air Pollution Control District, “Rule 3020 Permit Fee Schedules,” January 17, 2008 (effective after July 1, 2009).

San Joaquin Valley Air Pollution Control District, “Rule 3110 Air Toxics Fees,” January 17, 2008 (effective after July 1, 2009).

South Coast Air Quality Management District, “Rule 301 Permitting and Associated Fees,” May 7, 2010 (CPI increase updated on July 1, 2012).

South Coast Air Quality Management District, “Rule 307.1 Alternative Fees for Air Toxics Emissions Inventory,” May 7, 2010 (CPI increase updated on July 1, 2012).

U.S. EPA, “Air Quality Criteria for Ozone and Related Photochemical Oxidants (EPA 600/R-05-004aF), February 2006.

Yolo-Solano Air Quality Management District, “Rule 4.1 Permit Fees – Stationary Source” December 14, 2005 (cost recovery adjustment: July 1, 2012)

Yolo-Solano Air Quality Management District, “Rule 4.9 Air Toxics ‘Hot Spots’ Fees” April 8, 1998

APPENDIX A
LIST OF CHANGES TO RULE

Rule 107, Alternative Compliance

NEW SECTION NUMBER	EXISTING SECTION NUMBER	PROPOSED CHANGES
101.2	same	Corrected the title for the referenced Code Federal Regulations section.
102.1	same	Updated rule title.
102.2-102.3	same	Removed language referring to compliance timeline after March 1997 since this rule language is no longer relevant.
102.7-102.9	same	Updated rule titles.
102.11	102.10	Moved rule to be in sequential order.
102.10	102.11	Section renumbered.
102-Note	same	Since this rule was last amended, the referenced rules have been SIP approved except Rule 460. Added provision that SIP approval of Rule 107 does not constitute automatic SIP approval of changes to any of the listed prohibitory rules after the date of adoption of Rule 107.
401	same	Removed the fee and referenced the fee in Rule 301. Proposed amendment in Rule 301 added a new fee for processing alternative compliance application at a $105 per hour. See proposed changes to Rule 301.
406.1-406.2	same	Updated rule titles.
406.4	same	Updated rule titles.
501.2	same	Added process heaters and steam generators to clarify all units applicable to this requirement.

Rule 301, Permit Fees – Stationary Source

NEW SECTION NUMBER	EXISTING SECTION NUMBER	PROPOSED CHANGES
101	same	Added alternative compliance application fee to the purpose of the rule.
200	same	Added references to the definitions used in Rule 207, Title V – Federal Operating Permit Program.
202	N/A	Added new definition for “Change of Name” to specify an administrative name change on the permit where no other changes have occurred.
203-205	202-204	Sections renumbered.

NEW SECTION NUMBER	EXISTING SECTION NUMBER	PROPOSED CHANGES
206	N/A	Added new definition for "Initial Title V Operating Permit," consistent with Rule 207, for this new fee.
208	205	Moved the term "Permit Renewal Fee" to be in alphabetical order.
207	206	Section renumbered.
209	N/A	Added new definition for "Permit to Operate" consistent with Rule 201. This refers to the local, not Title V, permit.
210	N/A	Added new definition for "Permit to Operate-Modified" to specify local permits that have been modified and that will required the owner and operator to submit a significant or minor Title V permit modification application. Modified local permits are included when assessing fees for processing significant or minor Title V permit modification applications.
211	207	Section renumbered.
212	N/A	Added new definition for "Title V application" to specify an application submitted pursuant to Rule 207 for determining filing fee.
213	N/A	Added new definition for "Title V Operating Permit Renewal" to be consistent with Rule 207 and distinguish from local permit renewals.
300	same	All subsections have increased existing fees by 15%.
N/A	302.2	Deleted section. This section applies to boilers that need to comply with the NOx emission limits in Rule 411- NOx from Boilers, Process Heaters and Steam Generators. The last compliance date for these boilers was October 27, 2009; therefore, this fee is no longer applicable.
306.2	same	Added the phrase "and no increase in emissions or health risk" to ensure that the fee only covers simple permit modifications and excludes emission units that need to be evaluated for BACT and offsets, which entail more work. Added the phrase "or the initial permit fee in Section 308, whichever is lower" after the fee. This amendment will allow the District to charge the lower initial permit fee for a simple permit modification.
307	same	Added "NAME" to Section Title. New requirement for a change of name was added to this section.
307.1	307	Section renumbered into a subsection.
307.2	N/A	Added new fee for a change of name where a change of ownership has not changed. Change of name fee is $66 for the first permit and $28 for each additional permit.
308.3	same	Replaced "thousands" with "millions" to be consistent with the correct units in the table.
308.5	same	Added "crematory" to specify that crematories are subject to the fees in this section.

NEW SECTION NUMBER	EXISTING SECTION NUMBER	PROPOSED CHANGES
308.7	same	Section renumbered into subsections (a) and (b). Subsection (b) added new fee for observing source test and evaluating reports at facilities with gasoline storage and dispensing equipment. Fee for underground gas tank is $234 per facility (1.5 hours times the proposed hourly rate in Section 308.12). Fee for aboveground gas tank is $117 per facility (0.75 hours times the proposed hourly rate in Section 308.12). Fee for facility subject to only Phase I testing requirements is $78 (0.5 hours times the proposed hourly rate in Section 308.12). Implements existing policy established instead of higher source test fee in Section 311.
308.12	same	Removed reference to Section 313. Title V fees are no longer based on an hourly rate. Added Section 317 to authorize cost recovery for extraordinary time consuming public notifications.
311.1	311	Added language to clarify that source test fee in this section does not apply to gasoline dispensing facilities. Source test fee for gasoline dispensing facilities is proposed in Section 308.7(b).
313.1	313	Replaced the hourly rate fee structure with fee for service fee structure.
313.2	N/A	Added new Annual Title V fee of $214 per Permit to Operate. This fee covers the work not captured in Section 313.1.
314	same	Grammatical corrections.
316	N/A	Added fee for processing alternative compliance application at $105 per hour. This fee was originally established in $91 in Rule 107. When moving the fee to Rule 301, the fee was increased by 15%.
317	N/A	Added new fee that requires the applicant to pay for the actual cost for publication when public notification is required.
402	same	Grammatical corrections.
403	same	Added an exception to authorization to adjust fees for the Consumer Price Index. Fees will not be CPI-adjusted if fees are raised by the percent increase specified in the new Section 404.
404	N/A	Added percent fee increases for each type of fee for FY14-15 through FY 17/18. This section will sunset on July 24, 2018.

Rule 306, Air Toxics Fees

NEW SECTION NUMBER	EXISTING SECTION NUMBER	PROPOSED CHANGES
102	N/A	Added "Applicability" section to the rule. This section specifies the facilities that are subject to the fees in this rule.
202	N/A	Added new definition for "Approved Health Risk Assessment (HRA)" consistent with the requirement in the HSC Section 44362, e.g. as used in Section 301.1.
203-205	202-204	Sections renumbered.
206	N/A	Added new definition for "facility" consistent with HSC Section 44304.
N/A	205-210	Remove definitions for the fee categories. Each fee category is described in Section 301.
207-210	211-214	Sections renumbered.
211	215	Replaced "District's" with "California Air Pollution Control Officers Association Facility". Staff uses the prioritization guidelines developed by California Air Pollution Control Officers Association.
212-213	216-217	Sections renumbered.
214-215	218-219	Sections renumbered and removed acronyms.
216	220	Section renumbered and added "facility" in the definition to be consistent with the "Stationary Source" definition in Rule 202, New Source Review.
217	221	Section renumbered and added "health" to be consistent with the definition in the new Section 202.
301.1	same	Removed "classification and" to remove redundancy.
301.1(a)	same	Increased fee for industry-wide facility from $60 to $116.
301.1(c)	same	Modified the language to clearly describe the fee category.
301.1(d)	same	Modified the language to specify that for a stationary source where the APCO requires or reviews a HRA but it has not been approved to pay a fee according to the fee schedule. Also, added that a fee is due on request if a facility voluntarily requests the District to review a HRA (not required).
301.1(e) – (f)	same	Modified the language to clearly describe the fee categories.
301.2	301.2	Modified the language to clearly describe the fee category.
302	302	Removed "classification and" to remove redundancy.
402	402	Modified the language to remove redundant terms.
403	N/A	Added section to give APCO the ability to adjust fees relative to the CPI using the same process and index historically used in Rule 301 – PERMIT FEES – STATIONARY SOURCE. Limits increase to amount needed for full toxics program cost recovery.

APPENDIX B

TABLE OF FEE CHANGES FOR RULE 301
(Excluding Title V fees)

RULE 301 PROPOSED RENEWAL FEE INCREASES - OPTION 1A

		Current Fee	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	# of Permits*
SCHEDULE 1 ELECTRIC MOTOR (HP)								
LEVEL 1	<5	$326	$375	$389	$403	$418	$433	221
LEVEL 2	5 - <50	$654	$752	$779	$807	$836	$866	482
LEVEL 3	50 - <200	$1,307	$1,503	$1,557	$1,613	$1,671	$1,731	121
LEVEL 4	>200	$2,615	$3,007	$3,115	$3,227	$3,343	$3,463	87
SCHEDULE 2 FUEL BURNING (MMBTU/HR)								
LEVEL 1	<1	$163	$187	$194	$201	$208	$215	25
LEVEL 2	1 - <10	$326	$375	$389	$403	$418	$433	853
LEVEL 3	10 - <50	$654	$752	$779	$807	$836	$866	74
LEVEL 4	50 - <100	$1,307	$1,503	$1,557	$1,613	$1,671	$1,731	9
LEVEL 5	>100	$2,615	$3,007	$3,115	$3,227	$3,343	$3,463	20
SCHEDULE 3 ELECTRICAL ENERGY (KVA)								
LEVEL 1	<150	$654	$752	$779	$807	$836	$866	9
LEVEL 2	>=150	$2,615	$3,007	$3,115	$3,227	$3,343	$3,463	7
SCHEDULE 4 INCINERATOR (SQ FT)								
LEVEL 1	<10	$654	$752	$779	$807	$836	$866	3
LEVEL 2	10 - <40	$1,963	$2,257	$2,338	$2,422	$2,509	$2,599	23
LEVEL 3	40 - <100	$2,615	$3,007	$3,115	$3,227	$3,343	$3,463	2
LEVEL 4	>100	$3,270	$3,761	$3,896	$4,036	$4,181	$4,332	0
SCHEDULE 5 STORAGE CONTAINER (GALLONS)								
LEVEL 1	<40K	$654	$752	$779	$807	$836	$866	24
LEVEL 2	40K - <400K	$2,615	$3,007	$3,115	$3,227	$3,343	$3,463	7
LEVEL 3	>400K	$5,231	$6,016	$6,233	$6,457	$6,689	$6,930	21
SCHEDULE 6.a GASOLINE DISPENSING (NOZZLES)								
LEVEL 1	Phase II Exempt	$315	$362	$375	$389	$403	$418	41
LEVEL 2	< 7 Nozzles	$612	$704	$729	$755	$782	$810	209
LEVEL 3	8 Nozzles	$696	$800	$832	$864	$896	$928	105
	10 Nozzles	$870	$1,000	$1,040	$1,080	$1,120	$1,160	26
	12 Nozzles	$1,044	$1,200	$1,248	$1,296	$1,344	$1,392	108
	14 Nozzles	$1,218	$1,400	$1,456	$1,512	$1,568	$1,624	2
	16 Nozzles	$1,392	$1,600	$1,664	$1,728	$1,792	$1,856	11
	18 Nozzles	$1,566	$1,800	$1,872	$1,944	$2,016	$2,088	2
	20 Nozzles	$1,740	$2,000	$2,080	$2,160	$2,240	$2,320	3
	24 Nozzles	$2,088	$2,400	$2,496	$2,592	$2,688	$2,784	3
	30 Nozzles	$2,610	$3,000	$3,120	$3,240	$3,360	$3,480	2
	36 Nozzles	$3,132	$3,600	$3,744	$3,888	$4,032	$4,176	6
SCHEDULE 6.b GASOLINE DISPENSING (TANK)								
	Phase I only	$0	$78	$87	$91	$94	$97	4
	Underground Tanks	$204	$234	$260	$271	$281	$291	514
	Aboveground Tanks	$102	$117	$130	$136	$141	$146	
SCHEDULE 7 IC ENGINES (HP)								
LEVEL 1	<50	$163	$187	$194	$201	$208	$215	4
LEVEL 2	50 - <250	$326	$375	$389	$403	$418	$433	631
LEVEL 3	250 - <500	$654	$752	$779	$807	$836	$866	276
LEVEL 4	500 - <1000	$1,307	$1,503	$1,557	$1,613	$1,671	$1,731	219
LEVEL 5	>1000	$2,615	$3,007	$3,115	$3,227	$3,343	$3,463	306
SCHEDULE 9 MISC								
LEVEL 1	ALL	$654	$752	$779	$807	$836	$866	256
Total # of Permits:								**4716**
		Current Fee	**FY13/14**	**FY14/15**	**FY15/16**			**# of Permits**
RENEWAL EMISSION FEE FOR CO, NOX, ROG, SOX or TSP								
Any Pollutant	Schedule 6 (per ton)	$58	$67	$69	$71	$74	$77	518
Any Pollutant	All Other (per ton)	$60	$69	$71	$74	$77	$80	4198
Total # of Permits:								**4716**
* As of 3/20/2013								

RULE 301 PROPOSED INITIAL PERMIT FEE INCREASES - OPTION 1A

		Current Fee	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	
SCHEDULE 1 ELECTRIC MOTOR (HP)								
LEVEL 1	<5	$654	$752	$779	$807	$836	$866	
LEVEL 2	5 - <50	$1,307	$1,503	$1,557	$1,613	$1,671	$1,731	
LEVEL 3	50 - <200	$2,615	$3,007	$3,115	$3,227	$3,343	$3,463	
LEVEL 4	>200	$5,231	$6,016	$6,233	$6,457	$6,689	$6,930	
SCHEDULE 2 FUEL BURNING (MMBTU/HR)								
LEVEL 1	<1	$326	$375	$389	$403	$418	$433	
LEVEL 2	1 - <10	$654	$752	$779	$807	$836	$866	
LEVEL 3	10 - <50	$1,307	$1,503	$1,557	$1,613	$1,671	$1,731	
LEVEL 4	50 - <100	$2,615	$3,007	$3,115	$3,227	$3,343	$3,463	
LEVEL 5	>100	$5,231	$6,016	$6,233	$6,457	$6,689	$6,930	
SCHEDULE 3 ELECTRICAL ENERGY (KVA)								
LEVEL 1	<150	$1,307	$1,503	$1,557	$1,613	$1,671	$1,731	
LEVEL 2	>=150	$5,231	$6,016	$6,233	$6,457	$6,689	$6,930	
SCHEDULE 4 INCINERATOR (SQ FT)								
LEVEL 1	<10	$1,307	$1,503	$1,557	$1,613	$1,671	$1,731	
LEVEL 2	10 - <40	$3,924	$4,513	$4,675	$4,843	$5,017	$5,198	
LEVEL 3	40 - <100	$5,231	$6,016	$6,233	$6,457	$6,689	$6,930	
LEVEL 4	>100	$6,541	$7,522	$7,793	$8,074	$8,365	$8,666	
SCHEDULE 5 STORAGE CONTAINER (GALLONS)								
LEVEL 1	<40K	$1,307	$1,503	$1,557	$1,613	$1,671	$1,731	
LEVEL 2	40K - <400K	$5,231	$6,016	$6,233	$6,457	$6,689	$6,930	
LEVEL 3	>400K	$6,541	$7,522	$7,793	$8,074	$8,365	$8,666	
SCHEDULE 6 GASOLINE DISPENSING (NOZZLES)								
LEVEL 1	Phase II Exempt	$315	$362	$375	$389	$403	$418	
LEVEL 2	< 7 Nozzles	$1,223	$1,406	$1,457	$1,509	$1,563	$1,619	
LEVEL 3	8 Nozzles	$1,384	$1,592	$1,648	$1,704	$1,768	$1,832	
	10 Nozzles	$1,730	$1,990	$2,060	$2,130	$2,210	$2,290	
	12 Nozzles	$2,076	$2,388	$2,472	$2,556	$2,652	$2,748	
	14 Nozzles	$2,422	$2,786	$2,884	$2,982	$3,094	$3,206	
	16 Nozzles	$2,768	$3,184	$3,296	$3,408	$3,536	$3,664	
	18 Nozzles	$3,114	$3,582	$3,708	$3,834	$3,978	$4,122	
	20 Nozzles	$3,460	$3,980	$4,120	$4,260	$4,420	$4,580	
	24 Nozzles	$4,152	$4,776	$4,944	$5,112	$5,304	$5,496	
	30 Nozzles	$5,190	$5,970	$6,180	$6,390	$6,630	$6,870	
	36 Nozzles	$6,228	$7,164	$7,416	$7,668	$7,956	$8,244	
SCHEDULE 7 IC ENGINES (HP)								
LEVEL 1	<50	$326	$375	$389	$403	$418	$433	
LEVEL 2	50 - <250	$654	$752	$779	$807	$836	$866	
LEVEL 3	250 - <500	$1,307	$1,503	$1,557	$1,613	$1,671	$1,731	
LEVEL 4	500 - <1000	$2,615	$3,007	$3,115	$3,227	$3,343	$3,463	
LEVEL 5	>1000	$5,231	$6,016	$6,233	$6,457	$6,689	$6,930	
SCHEDULE 9 MISC								
LEVEL 1	ALL	$1,307	$1,503	$1,557	$1,613	$1,671	$1,731	
SCHEDULE 10 TIME AND MATERIALS LABOR RATE								
HOURLY RATE	ALL	$109	$125	$144	$166	$186	$192	
SCHEDULE 11 TIME AND MATERIAL LABOR RATE								
HOURLY RATE	ALL	$136	$156	$173	$180	$186	$192	
SOURCE TEST OBSERVATION AND EVALUATION REPORT								
Source Test (First 10 Hours)		$1,307	$1,503	$1,668	$1,751	$1,839	$1,922	
Additional Time (Per Hour)		$136	$156	$173	$182	$191	$200	
REVISIONS OF CONDITIONS WITH NO INCREASE								
		$654	$752	$779	$807	$836	$866	

APPENDIX C

FEE STRUCTURE STUDY
FINAL REPORT

APRIL 29, 2009

PUBLIC SECTOR

Sacramento Metropolitan Air Quality Management District

Fee Structure Study
Final Report

April 29, 2009

ADVISORY

AUDIT ▪ TAX ▪ ADVISORY

Table of Contents

Exhibits

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Introduction

Overview

The Sacramento Metropolitan Air Quality Management District's (District's) overall mission is to achieve clean air goals by leading the region in protecting public health and the environment through innovative and effective programs, dedicated staff, community involvement, and public education.

The District's work involves interaction with local, state, and federal government agencies; the business community; environmental groups; and private citizens.

The District is governed by a 14-member Board of Directors (the Board) composed of:

- All five Sacramento County Supervisors,
- Four members of the Sacramento City Council,
- One member representing each of the Cities of Citrus Heights, Elk Grove, Folsom, and Rancho Cordova, and
- One member representing the Cities of Galt and Isleton.

The Board reviews and approves all District rules, programs, and budgets.

Does the Executive Office of the District include:

- the APCO/Executive Director;
- the District Counsel;
- Legislative Liaison.

During the period of the review by KPMG LLP (KPMG), the District was organized into five divisions. Since the time of KPMG's review (after June 30, 2007), the Mobile Sources Division and Strategic Planning Division (including Communications office and Land Use Section) have been combined into one division. The merging of these two divisions will not have a significant impact on the allocation of administrative costs for the District. A discussion of the divisions is described below:

- The Administration Division provides fiscal oversight of the District's programs. This Division also handles contracts, human resource management, public information requests, and computer and telecommunication systems.
- The Land Use and Mobile Source Division includes the District's Communication Office, Land Use Section, and Mobile Source Section. The Communication Office provides public information, media support, and information outreach to the community. The Land Use Section provides air quality analysis and commentary on development projects within Sacramento County. The Mobile Source Section develops and implements market-based innovative programs to reduce emissions from on- and off-road mobile sources in Sacramento.
- The Program Coordination Division includes the Plan Coordination Section, which handles planning and emissions inventory. The Technical Services Section includes air monitoring, emission reduction credit (ERC) bank, and rule development.
- The Stationary Source Division includes the Permit Section, which handles local air quality permits, federal Title V permits, and the air toxics program. The Field Operations Section ensures compliance with permit conditions and District rules and regulations.

The District receives program revenue from a variety of sources, including:

- Stationary and area source air pollution permitting fees;
- Local Measure A sales tax;
- Motor vehicle registration fee surcharges;

- Environmental document preparation and processing fees;
- Asbestos removal plan fees;
- Variance petition fees;
- State toxics emission fees;
- Penalties and settlements;
- State and federal grant and subvention funds; and
- Emissions credit loan fees.

The District's programs include stationary and area source regulation and permitting, mobile source pollution reduction incentives, public outreach and education, the Spare the Air program, emission inventory and air quality planning, air monitoring, rule development, and emission credit banking.

The District is responsible for the development, implementation, monitoring, and enforcement of air pollution strategies in Sacramento County and its incorporated cities. The District is also responsible for the protection of the public's health and welfare through the enforcement of rules and regulations to reduce air pollution as stated in the Federal Clean Air Act and the California Clean Air Act.

Fee Authority

California law[1] establishes several different authorities to assess fees to recover the costs of operating local district air quality programs. The greatest fee revenues collected from District Rule 301 rely on the District's authority to establish and increase stationary source permit fee schedules granted by the California Health and Safety Code section 42311. The code states that:

"A district board may adopt, by regulation, a schedule of annual fees for the evaluation, issuance, and renewal of permits to cover the cost of district programs related to permitted stationary sources authorized or required under this division that are not otherwise funded. The fees assessed under this section shall not exceed, for any fiscal year, the actual costs for district programs for the immediately preceding fiscal year with an adjustment not greater than the change in the annual California Consumer Price Index, as determined pursuant to Section 2212 of the Revenue and Taxation Code, for the preceding year."

This authority is further limited to a 15 percent increase annually, as stated in California Health and Safety Code section 41512.7, for any district with an annual budget of $1,000,000 or more.

The Clean Air Act, Title V, 42 USCA Section 7661a (b) (3) requires the District to assess fees sufficient to recover the direct and indirect costs of operating the federal permit program. The Title V fees are a part of Rule 301.

The Study

General Information

The Contractor met with an internal working group of key District staff to coordinate the development of the study. District staff provided information concerning program costs, equipment/process information, fees, and emissions data. The study involved the following tasks:

A. Identify and document background and emerging issues related to the District's cost recovery of activities associated with District fees through interviews, document reviews, review of relevant statutes and regulatory authority, and other sources including District Rules 301, 304, 305, and 306.

B. Identify and document the complete costs associated with fee-related activities through a review of District financial and time-accounting data, employee interviews, and other collection methods as necessary. Consider direct costs, indirect costs, overhead, capital costs, and all other relevant costs. Develop and document a specific

[1] Health and Safety Code Section 40701.5, 40711, 41080, 41512 et. seq., 42311, and 44380.

methodology for analyzing the relationship between the costs of regulatory and associated fees on an annual basis for the following programs:

- Permitting
- Enforcement
- Alternative Compliance Permitting
- Emission Inventory
- Emission Reduction Credits
- Rule Development
- Air Monitoring
- Planning

C. Identify and document the past, current, and projected revenues associated with each Permit Fee Schedule and other fees. Link total relevant costs of activities to fee schedules. Provide a narrative and matrix/graph comparison of costs to revenue, including foreseeable future scenarios.

D. Identify and document factors that should be utilized in assessing the equity of individual fee schedules towards source categories and industries.

E. Develop and document recommendations for adjusting fees in the short-term (up to one year) and in the long-term (one to five years) as necessary to recover costs of current and foreseeable future fee-related activities in an equitable manner amongst fee payers. The recommendations should address fee adjustments to achieve full cost recovery.

The District has recently experienced growth in its regulatory responsibilities and program activity costs and requested a fee study to evaluate the existing fee structure and provide short- and long-term recommendations that would fully and equitably recover fee-related costs for the District. Changes in regulatory responsibilities of the District have been constant, long-term, and significant. The District is concerned that the cumulative increases in responsibility that carry with them increased costs be considered. The District requested that the fee study focus on the following:

- A cost comparison of program activities to the associated revenues received from eligible funding sources;
- An analysis of how the costs are apportioned among fee payers;
- A comparison of fee schedules to other air quality districts;
- A review and assessment of fee structure appropriation for all source categories;
- An exploration of alternative fee recovery opportunities; and
- A methodology for estimating costs that will provide the District with a tool for setting fees and planning budgets in the future.

Our Cost Recovery Approach

KPMG's approach was to utilize our Activity-Based Costing methodology to determine the cost for each service the District provides and develop equitable alternative revenue generation structures for the 10 programs identified in RFP No. 2006-026. The fundamental steps embodied in this approach were to:

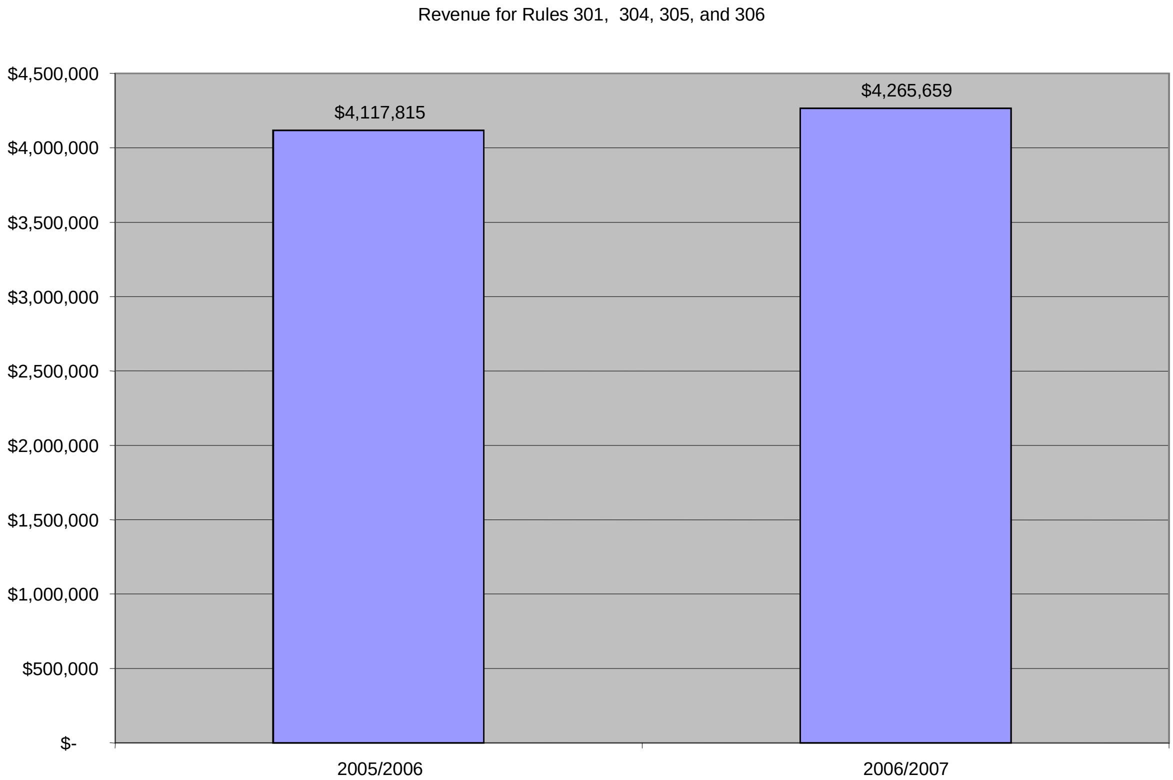
- Identify issues and regulations associated with District services;
- Identify and classify the services provided by District;
- Assess the cost of those services;
- Determine the existing revenue level for each service;
- Propose alternative revenue-generating structures that will align service costs with revenues;
- Perform project costs and revenues analysis; and
- Make process improvement recommendations.

In order to determine the appropriate rate structure to meet the District's financial needs in an equitable manner, KPMG utilized our standard "cost of service" analysis approach. Under this methodology, we identified current system inequities and inefficiencies and evaluated the District's success in achieving its current public policy goals under this system. This overview provided us with a basis for beginning our work.

Revenues

Revenue associated with Rules 301, 304, 305, and 306 increased slightly from Fiscal Year (FY) 2005/2006 to FY 2006/2007. This change was mainly due to an increase of $197,857 in initial permit revenue. Below is a graph (Graph 1) comparing revenue from FY 2005/2006 and FY 2006/2007.

Graph 1



The following table (Table 1) further details the Rule-related revenue by funding source for Rule 301. While there was an increase in revenue for Initial Permitting Fees and Renewal Permitting Fees, it was not enough of an increase to cover program costs. To make up for the gap between Rule-related revenue and program costs, the District has had to use funding from other sources. State Aid and Planning Services Revenue are two of the sources that have been used by the District to help offset the increased costs of Rule 301-related activities. This is discussed further in the Observations and Recommendations sections of the report.

Table 1: Rule 301 Revenues by Source

Revenue Source	**2005/2006**	**2006/2007**	**Difference**
Reinspections	$ 6,891	$ 7,203	$ 312
Title V Permit Fees (Exceptional Lic/Per per Compass)	$ 40,942	$ 27,798	$ (13,144)
Source Test	$ 61,830	$ 53,509	$ (8,321)
Initial Permit Fees	$ 691,705	$ 889,561	$ 197,857
Annual Permit Renewal Fees	$ 2,535,957	$ 2,563,156	$ 27,199
ERC Renewal	$ 9,300	$ 24,205	$ 14,905
State Aid - Other Misc. Programs	$ 336,020	$ 360,241	$ 24,221
Planning Services Charges	$ 43,655	$ 23,785	$ (19,870)
Total Revenue	**$ 3,726,300**	**$ 3,949,458**	**$ 223,158**

Current Fee Structure

The District currently has the authority to collect fees based on rules established and approved by the Board. As part of our review, we analyzed fees associated with the fee rules listed below:

- Permitting fees for Stationary Sources (Rule 301);
- Asbestos Plan fees (Rule 304);
- Environmental Document Preparation and Processing fees (Rule 305); and
- Air Toxics fees (Rule 306).

Permitting fees for Rule 301 make up the largest fee-related revenue source for the District and consist of the most complicated fee structures and schedules, so these fees were a major focus of our study. Permitting fees for Stationary Sources are divided into two fee categories: Initial permit fees and Renewal permit fees. Initial permits are required for any business or person to obtain an Authority to Construct/Permit to Operate before installing or operating new equipment or processes that may release or control air pollutants. Initial permit fees are a one-time fee that is collected prior to construction or operation. In addition to the Initial fees, an annual Renewal fee is collected to cover the cost of annual inspections. The Renewal fee is approximately half of the price of the Initial permit fee. The District has the authority to increase fees to cover the increasing costs of these inspections and the processing of the Initial permit applications.

Over the past 10 years, the District had one fee increase in FY 2001/2002 of 15 percent in an attempt to bridge the gap between program costs and revenue. At the same time, the District established an annual fee increase based on the Consumer Price Index. As part of our study, we compared the fee increases of the Sacramento Metropolitan Air Quality Management District (SMAQMD) to four other air quality districts. The fee increases identified by other districts were mostly adjustments based on changes to the CPI. The Monterey Bay APCD increased fees in 6 percent addition to the CPI adjustment for FYs 2005/2006 and 2006/2007. The Bay Area AQMD increased fees in each of the ten years reviewed, but their increases were not uniform across all fee schedules. San Joaquin Valley APCD has not had a fee increase in the ten years surveyed. South Coast AQMD instituted a 30 percent fee increase for their major fee categories of a three-year period (FY 2005/2006 to 2007/2008). Table 2 is a summary of the fee increases over the past ten years for the SMAQMD compared to the other districts surveyed.

Table 2: Summary of Fee Increases Compared to Other Districts

Summary of District Fee Increases					
	Monterey Bay APCD	Bay Area AQMD	San Joaquin Valley APCD	South Coast AQMD	Sac. Met. AQMD
Year	Increase Percentage	Increase Percentage	Increase Percentage	Increase Percentage	Increase Percentage
FY 1998/99	3.40%	3.10%	0.00%	3.00%	0.00%
FY 1999/00	3.80%	15.00%	0.00%	3.00%	0.00%
FY 2000/01	4.20%	4.30%	0.00%	3.00%	0.00%
FY 2001/02	6.50%	4.40%	0.00%	3.00%	15.00%
FY 2002/03	1.80%	5.30%	0.00%	3.00%	4.30%
FY 2003/04	3.30%	1.60%	0.00%	3.00%	2.80%
FY 2004/05	6.20%	3.00%	0.00%	3.00%	2.70%
FY 2005/06	8.00%	7.00%	0.00%	10.00%	1.70%
FY 2006/07	2.00%	8.50%	0.00%	10.00%	3.90%
FY 2007/08	3.40%	6.00%	0.00%	10.00%	4.20%
Sum of Increases	**42.60%**	**58.20%**	**0.00%**	**51.00%**	**34.60%**

With the exception of the San Joaquin Valley APCD, which has not had a fee increase[2], SMAQMD has had the fewest number of increases and the smallest cumulative increase in rates over the past 10 years. These increases have not been sufficient to allow the District to recover its permit-related costs as discussed in the Observations and Recommendations sections of the report.

[2] The San Joaquin Valley APCD did establish new fees for some equipment, such as an unpermitted registration fee, to help recover their enforcement activities costs for equipment that does not require permit.

Methodology

Direct Fee-Related Costs

To identify the full costs of the fee-related programs included in our study, we needed to be able to identify the direct activity costs associated with each program. These costs include both the direct personnel and direct nonpersonnel costs necessary to support each of the fee-related programs. Because the District does not track costs at a program level, we had to rely on the allocation methodology described in the Cost Allocation Methodology section below to distribute these direct costs down to the activities they support.

Indirect and Overhead Costs

In addition to direct costs, KPMG also identified the District's indirect and overhead costs supporting the fee-related programs. We then performed an analysis of all indirect and overhead costs and the activities of the District to identify the appropriate type of costs and level of services applicable to each of the fee-related programs. Again, as the District does not track costs at a program level, we had to allocate these indirect and overhead costs. Our methodology is documented in the Cost Allocation Methodology section of the report.

Cost Allocation Methodology

In order to allocate costs down to the divisions and the programs they support, KPMG had to develop a cost allocation methodology for the District. This methodology allowed us to determine the costs associated with the administration of the programs in our review. Because the District does not currently track expenses down to the program level, it was necessary for us to develop an allocation methodology that accurately distributed costs to the programs they support. Our methodology was developed through interviews with key personnel, the use of the FY 2006/07 General Ledger (G/L), the FY 2007/08 Annual Budget, and the utilization of other SMAQMD documents and reports.

Electronic versions of the FY 2006/07 G/L and FY 2007/08 Annual Budget were obtained from the Accounting Department. After gathering the expense information, we sorted and summarized the G/L by Order Number, which identifies individual transactions by Division, Funding Source, and Program. This sorting allowed us to identify expenses charged to each Division and to summarize all expenses into the following five categories:

- Administration;
- Mobile Sources;
- Program Coordination;
- Stationary Sources; and
- Strategic Planning.

All expense transactions are coded with multiple pieces of information; using the G/L Account, Allocation, and Order Number headings, we were able to group revenues and expenses. These titles were also instrumental in applying additional descriptions to transactions in order to further distinguish expenses. Because all Order Numbers and Allocation Numbers uniquely identify a division and type of expense, they can be used to properly identify expenses that were not coded with Divisional information. For example, in instances where the G/L Account or Divisional information was missing, or did not coincide with the other information presented, the Order Number could be used to determine the Division. Or, if the Order Number was missing, then the Allocation Number could be used. We used these unique identifiers to help us code all expenses incurred to the proper Division. After properly coding all expenses to their appropriate Divisions, we added categories (Payroll, Non Payroll, Other Expenses, etc.) to further aid in the allocation process. Once this information was added for each transaction, a pivot table was created to more effectively group transactions by Division and Account Expense Type.

Once expenses were sorted by Division and category, we were able to begin to allocate the administrative costs to the remaining four Divisions (Mobile Sources, Program Coordination, Stationary Sources, and Strategic Planning). These administrative costs are allocated to the divisions because they are considered indirect costs or costs that support the divisions' activities. Some administrative division costs that exclusively serve one division, such as salaries for the contract staff that support mobile source incentive program, are excluded from the allocation below and instead reflected in the division's expense allocation tables that follow, beginning with Table 6. Administrative costs were allocated based on total payroll costs for each division. We decided to use payroll costs for our allocation methodology based on interviews with District staff and our review of District overhead costs and how they support the divisions in the District. The total payroll costs for each division were then divided by the total payroll costs for the District (minus Administrative Payroll costs) to determine the percentage of total payroll costs for each division. We then used these percentages to allocate all Administrative Payroll costs to the four divisions as shown in Table 3 below.

Table 3: Administrative Payroll and Benefits Allocation

Account Type	Administration	Mobile Source	Program Coordination	Stationary Source	Strategic Planning	Grand Total
Payroll-Salary	$ 1,533,488	$ 899,237	$ 1,310,893	$ 2,204,655	$ 1,069,015	$ 7,017,288
Payroll-Benefits	$ 800,510	$ 241,955	$ 309,050	$ 531,151	$ 236,305	$ 2,118,971
Total Costs	**$ 2,333,998**	**$ 1,141,192**	**$ 1,619,942**	**$ 2,735,806**	**$ 1,305,319**	**$ 9,136,258**
Payroll Costs		$ 1,141,192	$ 1,619,942	$ 2,735,806	$ 1,305,319	$ 6,802,260
Percentage of Payroll		17%	24%	40%	19%	100%
Administrative Allocation		$ 391,567	$ 555,836	$ 938,713	$ 447,883	$ 2,333,999
Reallocated Total		**$ 1,532,758**	**$ 2,175,779**	**$ 3,674,519**	**$ 1,753,202**	**$ 9,136,258**

After we allocated the Administrative Payroll costs to the four divisions, we allocated all of the Administrative Expenses to the division. This allocation was done using the same percentages of total payroll costs used for the Administrative Payroll allocation above. This allocation is shown in Table 4.

Table 4: Administrative Expense Allocation

Account Type	Administration	Mobile Source	Program Coordination	Stationary Source	Strategic Planning	Grand Total
Fixed Assets	$ 6,908	-	$ 159,440			$ 166,348
Interfund Charges	$ 12,200	-		$ 368,762		$ 380,961
Non Payroll Expenses	$ 1,594,669	$ 9,284,375	$ 880,242	$ 268,708	$ 1,804,838	$ 13,832,832
	$ -					$ -
	$ -	$ -	$ -	$ -	$ -	$ -
Total Expenses	**$ 1,613,777**	**$ 9,284,375**	**$ 1,039,682**	**$ 637,470**	**$ 1,804,838**	**$ 14,380,141**
Total (-interfund ch.)	**$ 1,601,577**					
Allocation Percentage		17%	24%	40%	19%	100%
Administrative Allocation		$ 268,691	$ 381,412	$ 656,340	$ 307,335	$ 1,613,777
Reallocated Total		**$ 9,553,066**	**$ 1,421,094**	**$ 1,293,810**	**$ 2,112,172**	**$ 14,380,142**

We did a separate allocation for the Administrative Expenses coded under Other Expenses. These expenses are for interest expenses and leasing expenses. Since Mobile Sources does not share the facilities with the other divisions, it was excluded from the cost allocation. The results of this allocation are shown in Table 5.

Table 5: Other Expenses Allocation

Account Type	Administration	Program Coordination	Stationary Source	Strategic Planning	Grand Total
Other Expenses	$ 407,794				$ 407,794
Payroll Costs		$ 1,619,942	$ 2,735,806	$ 1,305,319	$ 5,661,068
Percentage of Payroll		29%	48%	23%	100%
Allocation Percentage		29%	48%	23%	100%
Other Expenses Allocation		$ 116,692	$ 197,073	$ 94,029	$ 407,794
Reallocated Total		**$ 116,692**	**$ 197,073**	**$ 94,029**	**$ 407,794**

Once we allocated all of the administrative costs to the remaining four divisions, we summarized the total expenses (Payroll and all other expenses) for each division. Because we were only concerned with costs associated with Program-related activities, we then separated out Program Coordination and Stationary Sources for further allocation as they are the two divisions that perform the work that is directly supported by the fee rules being studied. Table 6 details the divisional direct costs and the administrative payroll and expenses (indirect costs).

Table 6: Direct and Indirect Cost Allocation Summary

	Direct Costs			Indirect Costs			
Division	**Payroll**	**Expenses**	**Total**	**Admin. Payroll**	**Admin. Expenses**	**Other Expenses**	**Total**
Mobile Source	$ 1,141,192	$ 9,284,375	$ 10,425,566	$ 391,567	$ 268,691	$ -	$ 660,258
Program Coordination	$ 1,619,942	$ 1,039,682	$ 2,659,625	$ 555,836	$ 381,412	$ 116,692	$ 1,053,941
Stationary Source	$ 2,735,806	$ 637,470	$ 3,373,276	$ 938,713	$ 656,340	$ 197,073	$ 1,792,126
Strategic Planning	$ 1,305,319	$ 1,804,838	$ 3,110,157	$ 447,883	$ 307,335	$ 94,029	$ 849,246
Total Costs	$ 6,802,259	$ 12,766,365	$ 19,568,624	$ 2,333,999	$ 1,613,778	$ 407,794	$ 4,355,571

Stationary Sources Allocations

The Stationary Sources Division provides support to the following programs: Rule 301 (permitting program), 304 (asbestos program), and 306 (air toxic program). In order for us to allocate costs down to the program level, we had to be able to measure the amount of effort supporting each of these programs in the division. Because the District does not currently track time and expenses down to the program level, we had to use other methods to allocate costs. In order to apply these divisional expenses to the program level, KPMG used the FY 2007/08 Budget and Labor Distribution Report, which is tracked to the program level. Individual employee effort is estimated for their involvement in program-related activities in the Budget. We used the estimated level of effort for each employee and their budgeted salary to develop total budgeted payroll costs for each program. We then summarized the percentage of budgeted salaries related to total salaries for the division to determine the percentage attributable to each program. This percentage was used to calculate the amount of actual salaries (based on FY 2006/07 Payroll) attributable to each program. This detailed calculation can be seen in Exhibit 4.

After determining the percentage of actual salaries attributable to each program, we allocated all divisional costs down to each program. These costs (Division Expenses, Administrative Payroll, and Administrative Expenses) were allocated to each program based on the percentage of divisional salaries associated with each program. Once this allocation was done, we had an estimate of the total payroll and expenses for Stationary Sources for each program as shown in Table 7.

Table 7: Stationary Sources Allocation

Account Type	Stationary Source
Payroll	$ 2,735,806
Fixed Assets	$ -
Interfund Charges	$ 368,762
Non Payroll Expenses	$ 268,708
Other Expenses	$ -
Subtotal Stationary Source (Excluding Payroll)	$ 637,470
Subtotal Stationary Sources (Including Payroll)	3,373,276
Admin Payroll Allocation (includes overhead costs)	$ 938,713
Admin Expense Allocation	$ 656,340
Subtotal Admin Expense Allocation	$ 1,595,053
Other Expenses Allocation	$ 197,073
Total Stationary Source Expense	$ 5,165,403

	Payroll Allocation		**Expense Allocation**	**Admin Payroll Allocation**	**Admin Expense Allocation**	**Other Expense Allocation**	**Total**
Rule 301 (Includes Unpermitted Sources)	$ 2,230,193	82%	$ 519,657	$ 765,226	$ 535,040	$ 160,652	$ 4,210,768
Rule 304	$ 272,934	10%	$ 63,596	$ 93,649	$ 65,479	$ 19,661	$ 515,319
Rule 306	$ 69,438	3%	$ 16,180	$ 23,826	$ 16,659	$ 5,002	$ 131,104
Other Rules (PERP and Rule 302)	$ 163,241	6%	$ 38,037	$ 56,011	$ 39,163	$ 11,759	$ 308,211
	$ 2,735,806	100%	$ 637,470	$ 938,712	$ 656,341	$ 197,074	$ 5,165,402

Program Coordination Allocations

The allocation methodology used for the Program Coordination Division was very similar to the one used for Stationary Sources. We used the Labor Distribution Report from the FY 2007/08 Budget and discussions with Program Coordination management to determine the level of effort associated with support program activities for Rules 301 and 304 and all other Program Coordination activities. Divisional Expense, Administrative Payroll, and Administrative Expenses were then allocated to each program and activity based on the percentage of total salaries as shown in Table 8.

Table 8: Program Coordination Allocation

Account Type	Program Coordination
Payroll	$ 1,619,942
Fixed Assets	$ 159,440
Interfund Charges	$ -
Non Payroll Expenses	$ 880,242
Other Expenses	
Subtotal Program Coordination (Excluding Payroll)	$ 1,039,682
Subtotal Program Coordination (Including Payroll)	$ 2,659,624
Admin Payroll Allocation (includes overhead costs)	$ 555,836
Admin Expense Allocation	$ 381,412
Subtotal Admin Expense Allocation	$ 937,248
Other Expenses Allocation	$ 116,692
Total Program Coordination Expense	$ 3,713,565

	Payroll Allocation		**Expense Allocation**	**Admin Payroll Allocation**	**Admin Expense Allocation**	**Other Expenses Allocation**	**Less Offsetting Revenue**	**Total**
Rule 301	$ 814,524	50%	$ 522,763	$ 279,480	$ 191,778	$ 58,674	$ (6,218)	1,861,002
Rule 304	$ 35,555	2%	$ 22,819	$ 12,200	$ 8,371	$ 2,561		81,507
Other Program Costs (Planning, Emissions, Air Monitoring)	$ 769,863	48%	$ 494,100	$ 264,156	$ 181,263	$ 55,457		1,764,839
	$ 1,619,942	100%	$ 1,039,682	$ 555,836	$ 381,412	$ 116,692		$ 3,707,348

After we had allocated all divisional administration and expense costs down to the programs, we summarized the total costs by program as shown in Table 9.

Table 9: Summary of Program-Related Costs

	Stationary Sources	Program Coordination	Total
Rule 301	$ 4,210,768	$ 1,861,002	$ 6,071,770
Rule 304	$ 515,319	$ 81,507	$ 596,826
Rule 306	$ 131,104		$ 131,104
Other Rules (PERP and Rule 302)	$ 308,211		$ 308,211
Total Rule Expenses	**$ 5,165,402**	**$ 1,942,508**	**$ 7,107,911**
Other Program Costs (Planning, Emissions, Air Monitoring)		$ 1,764,839	$ 1,764,839
Total SS and PC Costs with Administrative Allocations	**$ 5,165,402**	**$ 3,707,347**	**$ 8,872,749**

Rule 301 Allocation

Because program activities for Rule 301 are separated into two different categories (Initial Permitting and Renewal Permitting) which both receive their own funding, it was necessary for us to allocate all program costs for Rule 301 down to these categories. Again, we used the Labor Distribution Report breakdown for Stationary Sources Division staff from the FY 2007/08 Budget to determine the level of effort associated with each activity under Rule 301. We then allocated all Stationary Sources and Program Coordination costs for Rule 301 based on the percentage of effort for each activity (initial vs. renewal) from the Labor Distribution Report for the Stationary Source Division. Each activity (Initial Permitting and Renewal Permitting) was allocated divisional expenses, administrative expenses, and administrative payroll costs. These costs and the allocation are shown in Table 10 below.

Table 10: Rule 301 Allocation

Rule 301 Payroll		
Stationary Sources	$	2,230,193
Program Coordination	$	814,524
Less ERC offsetting Revenue	$	(6,218)
Total Rule 301 Payroll Costs	$	3,038,499
Rule 301 Areas		
Direct Costs		
SS Permitting (Initial)	$	882,352
SS Field Ops (Renewal)	$	1,112,171
Total Direct	$	1,994,523
Rule 301 Support Services		
PC Permitting (Rule Development)	$	416,998
Reinspection		
SS Other	$	235,670
PC Other	$	391,308
Total 301 Support Services	$	1,043,976
Total Rule 301 Payroll Costs	$	3,038,499
Rule 301 Allocations		
Rule 301 SS Expenses	$	519,657
Rule 301 PC Expenses	$	522,763
Total	**$**	**1,042,420**
Rule 301 SS Admin Payroll	$	765,226
Rule 301 PC Admin Payroll	$	279,480
Total	**$**	**1,044,707**
Rule 301 SS Admin Expenses	$	535,040
Rule 301 PC Admin Expenses	$	191,778
Total	**$**	**726,818**
Rule 301 SS Other Expenses Allocation	$	160,652
Rule 301 PC Other Expenses Allocation	$	58,674
Total	**$**	**219,326**
Total Rule 301 Allocations	**$**	**3,033,271**
Total Rule 301 Costs	**$**	**6,071,770**

	Direct Salary	Expense Allocation Percentage	Rule 301 Support Services	Expense Allocation	Admin Payroll Allocation	Admin Expense Allocation	Other Expenses Allocation	Total Costs
Initial Permits	$ 882,352	44%	$ 461,842	$ 461,154	$ 462,165	$ 321,535	$ 97,027	$ 2,686,076
Renewal Permits	$ 1,112,171	56%	$ 582,134	$ 581,266	$ 582,541	$ 405,283	$ 122,299	$ 3,385,694
Total Costs	$ 1,994,523	100%	$ 1,043,976	$ 1,042,420	$ 1,044,707	$ 726,818	$ 219,326	$ 6,071,770

Comparison of Allocated Costs and Current Revenue

Rule 301

Based on our cost allocation model and the revenue figures provided by the District, there is a shortfall of $2.1 million between the costs and revenues for Rule 301 programs. This shortfall is mostly due to a large variance between initial permitting costs and initial permitting revenue. This variance accounts for roughly 75 percent of the $2.1 million shortfall. This is further illustrated in Table 11.

Table 11: Rule 301 Costs and Revenues Collected and Allocated

	Direct Salary	Expense Allocation Percentage	Total Costs
Permitting (Initial Permits)	$ 882,352	44%	$ 2,686,076
Field Ops (Renewal Permits)	$ 1,112,171	56%	$ 3,385,694
Total	**$ 1,994,523**	**100%**	**$ 6,071,770**
	Rule 301	**Permitting (Initial Permits)**	**Field Ops (Renewal Permits)**
Total Costs	**$ 6,071,770**	**$ 2,686,076**	**$ 3,385,694**
Revenue			
Reinspections	(7,203)		$ (7,203)
Title V Permit Fees (Exceptional Lic/Per per Compass)	(27,798)		$ (27,798)
Document/File Review	(53,509)	$ (23,672)	$ (29,837)
Initial Permit Fees	(889,561)	$ (889,561)	
Annual Permit Renewal Fees	(2,563,156)		$ (2,563,156)
Licenses/Permits - Other	(24,205)	$ (10,708)	$ (13,497)
State Aid - Other Misc. Programs	(360,241)	$ (159,366)	$ (200,875)
Planning Services Charges	(23,785)	$ (10,522)	$ (13,263)
Total Revenue	(3,949,458)	(1,093,829)	(2,855,629)
Total Costs (Less Revenue)	**$ 2,122,312**	**$ 1,592,247**	**$ 530,065**

In addition to the shortfall for initial permits, there is also a $530,000 difference between revenue collected and allocated to renewal fees and the total costs for renewal permits.

The renewal permit fees are divided into nine schedules. Each schedule is made up of numerous fee levels. We allocated total renewal costs from Table 11 to the Rule 301, Section 308 fee schedules based on the estimated level of effort required for each inspection multiplied by the number of permits for each schedule. We then compared the revenue and costs for renewal permits at the schedule level. The revenue figures in the table below are based on the number of permits in each schedule and level and the fees that should be collected for each permit (Schedule Fees, Emission Fees, Reinspection Fees, and Toxic Fees). The difference in total fee revenue between Table 11 and Table 12 is due to the difference in the fees that were actually collected (Table 11) and the fees that should have been collected based on the number of permits (Table 12). The results are shown in Table 12.

Table 12: Rule 301 Renewal Permit Costs and Revenue

Schedule	Percentage of Total Renewal Time	Cost By Schedule	Schedule Fees	Emissions Fees	Reinspection Fees	Toxics Fees	Total Fees	Difference of Cost and Revenue
Schedule 1	28.20%	$ 954,744	$ 751,042	$ 96,048	$ 3,211	$ 9,935	$ 860,236	$ (94,508)
Schedule 2	19.31%	$ 653,796	$ 289,490	$ 84,662	$ 123	$ 1,417	$ 375,692	$ (278,104)
Schedule 3	0.59%	$ 20,021	$ 20,751	$ 3,774	$ -	$ 95	$ 24,620	$ 4,599
Schedule 4	0.58%	$ 19,595	$ 39,778	$ 3,544	$ 241	$ -	$ 43,563	$ 23,968
Schedule 5	1.59%	$ 53,672	$ 128,047	$ 3,174	$ -	$ 11,509	$ 142,730	$ 89,058
Schedule 6	16.07%	$ 544,250	$ 429,949	$ 38,794	$ 3,260	$ 29,165	$ 501,168	$ (43,082)
Schedule 7	18.17%	$ 615,032	$ 305,551	$ 47,042	$ 118	$ 3,532	$ 356,243	$ (258,789)
Schedule 9	15.47%	$ 524,584	$ 377,160	$ 63,300	$ 723	$ 4,945	$ 446,128	$ (78,456)
Total	**100%**	**$ 3,385,694**	**$ 2,341,768**	**$ 340,338**	**$ 7,676**	**$ 60,598**	**$ 2,750,380**	**$ (635,314)**

Based on Table 12, the greatest revenue shortfalls appear to be associated with Schedules 1, 2, 6, 7, and 9. These schedules had the largest variance between costs and revenue when costs were allocated based on the estimated level of effort required for each inspection. Based on this analysis, it would appear that fees for Schedules 1, 2, 6, 7 and 9 are less than what would be required to cover renewal activity costs. A table detailing the revenues and costs of each schedule and level can be found in the Cost Allocation Model at the end of the report in Exhibit 4.

Title V Costs and Revenues

A portion of the costs and revenues included in the analysis of Rule 301 above is associated with the Title V Program. The Title V Program is a federally enforceable operating permit program established by the Clean Air Act. The Clean Air Act, Title V, 42 USCA Section 7661a (b) requires that fees recover the direct and indirect costs of operating the federal permit program. The specific fee requirements and costs to be included are defined in regulations promulgated by the Environmental Protection Agency at 40 CFR Part 71, Section 71.9. District costs associated with Title V include initial permitting, renewal permitting, modifications to existing permits, program monitoring, program administration, and District overhead costs. Fees associated with Title V are currently collected based on actual hours spent by SMAQMD staff. These fees are associated with initial permits, renewal permits, and modifications to existing permits. District costs associated with program monitoring, program administration, and District overhead costs are not currently being recovered. The costs and fee revenue of Title V Permits over the past five years are detailed in Table 13 below.

Table 13: Title V Costs and Revenue

Fiscal Year	Program Costs	Program Revenue	Difference of Cost and Revenue
02/03	$ 46,380	$ 57,920	$ 11,540
03/04	$ 54,911	$ 80,880	$ 25,969
04/05	$ 150,987	$ 47,972	$ (103,015)
05/06	$ 222,848	$ 40,942	$ (181,906)
06/07	$ 115,652	$ 27,798	$ (87,854)
Total	$ 590,778	$ 255,512	$ (335,266)

Based on the table above, the District has under-recovered its Title V costs over the past five fiscal years. As program costs have increased over the last few years, program revenue has decreased, creating a shortfall of roughly $340,000 over the past five years. In addition, the annual inspection costs and ongoing expenses associated with tracking changes in the national Title V regulations and policies are not currently being allocated to the program costs above, but would exacerbate the cost recovery problem. These costs are currently being allocated to Rule 301. Fees should be restructured to recover the costs for these activities as well as covering the 130 percent shortfall in current fee revenues.

Rule 304 Costs and Revenue

Fees associated with the Rule 304 asbestos program are for renovation and demolition, naturally occurring asbestos, fleet inventory reports, and applications. In addition to the costs associated with the processing of permits related to these fees, the District also incurs costs for policing the asbestos program. Table 14 below shows the cost of Rule 304 for the Stationary Sources and Program Coordination Divisions and the revenues generated by fees collected during our period (July 1, 2006 through June 30, 2007). These costs are detailed further in Exhibit 4, SMAQMD Cost Allocation Workbook, at the end of the report.

Table 14: Rule 304 Costs and Revenue

	Stationary Sources	Program Coordination	Total Costs	Revenue	Difference of Cost and Revenue
Rule 304	$ 515,319	$ 81,507	$ 596,826	274,150	(322,676)

Based on Table 14, the District is not collecting adequate revenue to support the asbestos program. According to SMAQMD staff, one of the reasons that program costs are exceeding revenues is that there are significant costs associated with policing the asbestos program that are not currently recovered by fees. This fee, authorized by H&S Code Section 41512.5, is not restricted by the 15 percent cap. Therefore, the plan fees should be increased to recover these additional costs.

Rule 305

Rule 305 fees are for environmental document preparation and processing. Fees associated with Rule 305 are currently charged based on actual hours spent preparing and processing environmental documents. During our period of study (July 1, 2006 through June 30, 2007), there were no costs identified with this program. As a result, we did not assess if the program is adequately recovering its costs. Please see Short-Term Recommendation #4 relating to the District's revision of hourly labor costs that will affect cost recovery under this rule.

Rule 306 Costs and Revenue

Rule 306 fees are Air Toxic fees charged to stationary sources to recover the costs of implementing the Air Toxics "Hot Spots" Information and Assessment provisions in state law[3]. These fees are assessed based on their sources, classification, and categorization. Table 15 shows the cost of Rule 306 for the Stationary Sources Division and the revenues generated by fees collected during our period (July 1, 2006 through June 30, 2007). These costs are detailed further in Exhibit 4, SMAQMD Cost Allocation Workbook, at the end of the report.

Table 15: Rule 306 Costs and Revenue

	Stationary Sources	Revenue	Difference of Cost and Revenue
Rule 306	$ 131,104	42,051	(89,053)

Based on this table, the District is not collecting adequate revenue to support the Air Toxic program. One of the reasons that program costs are exceeding revenues is that there is not a mechanism in Rule 306 to increase costs on an annual basis based on a Cost of Living Adjustment (COLA). As a result, as costs have increased from year to year, revenues have not increased to cover program costs.

[3] California Health and Safety Code Section 44300 et. seq.

Equity of Current Fee Schedules

This section addresses equity between fees collected through Rule 301, Stationary Source Permit Fees. One of the concerns of the District is whether permit fees charged to businesses are fair or "equitable" based on the current fee structure. Do fees accurately reflect the cost to the District of conducting inspections and other activities associated with issuing and renewing permits for the various business sectors? Each Rule 301 fee schedule may be used by one or more business sectors. A list of the sectors by fee schedule is listed in Table 15.1. In addition, within some of the fee schedules there are different fees assessed by equipment size. It is difficult to determine the equity of the current fee structure as it relates to the District's fee payers because the District does not currently track its time or expenses in great detail. Because time and effort are not tracked to the program, rule, schedule, or even permit level, it is difficult to determine how much effort is involved with each permit evaluation and inspection. This information would be necessary to compare different fees in the schedules and to determine if fees were being charged in line with the level of effort it takes to do the inspections. Until this level of tracking is instituted by the District, the District will be unable to accurately assess the equitability of the current fee structure.

In the absence of this information, equity conclusions are drawn from the information contained in Table 12 and Table 15.1. Our analysis of Rule 301 renewal costs and fees in the Comparison of Allocated Costs and Current Revenue section above contains more detailed information about which schedules appear to be recovering costs proportionate to the level of effort estimated to be involved in inspections and other permit-related activity. For schedules that are currently under-recovering costs, we have addressed this issue in the Short-Term Recommendations section.

Table 15.1: Equity Assessment for Business Sectors

Schedule	Schedule Title	Business Sectors	Revenue Shortfall
1	Electric Motor Horsepower	Abrasive blasting, all coating operations (e.g., autobody shops, printers, cabinet shops), construction materials (e.g., concrete plants, asphalt plants, and mining operations using electric motors)	$(94,508)
2	Fuel Burning	Boilers and water heaters used by a variety of commercial and industrial operations (e.g., dry cleaners, swimming pool heaters, space and water heaters in hotels and other commercial buildings), large-scale electrical power generation turbines, and bakeout ovens	$(278,104)
3	Electrical Energy	Chemical processing	$4,599
4	Incinerator	Crematories	$23,968
5	Stationary Containers	Gasoline bulk storage, solvent, and other chemical storage	$89,058
6	Gasoline Fueling	Retail-style gas stations	$(43,082)
7	Internal Combustion Engines	Mining operation engines, natural gas production wells, and various emergency uses (e.g., electricity production, utility water pumping, fire protection)	$(258,789)
9	Miscellaneous	Chrome plating, degreasers used in manufacturing operations, and various other equipment	$(78,456)

Results from Surveys of Other Districts

As part of our fee study, we were asked to survey four other air quality districts to gain a better understanding of how they address some of the issues facing the SMAQMD. These issues were focused around the fee structures used by other districts, revenue sources utilized by other districts, and how other districts cover program costs that are either unfunded or underfunded. We will mention a few of the results from the survey here. A summary of all the other districts' responses can be found in the Exhibits section after the report.

Our survey focused on the following areas:

- Emission fees;
- Activity fees (additional fees for special permit processing and renewals);
- Cost recovery for unpermitted sources;
- Revenue supporting public outreach;
- Per-capita fees;
- Small business discounts;
- Initial and renewal permit fees;
- Additional revenue sources for enforcement; and
- Collection of AB2588 fees.

Emission Fees

Responses to our question related to the percentage of permit revenue generated from emission fees varied greatly. Districts reported collecting from 0 percent to 68 percent of their permit fee revenue from emission fees. In addition, districts were divided as to whether the fees were based on actual emission versus potential to emit.

Activity Fees

Activity fees for most districts are charged on an hourly basis for actual time spent. There were some flat fee categories identified for a few activities. Please see Exhibit 3 for more detail.

Unpermitted Sources

Responses to this question varied. Please see Exhibit 3 for individual district responses.

Public Outreach

Most districts offset the cost of public outreach programs with fees collected through permitting and emissions.

Per-Capita Fees

Three of the four districts surveyed do not collect per-capita fees.

Small Business Discounts

Half of the districts surveyed offer small business discounts. These discounts are for the permit processing fees and not the renewal fees.

Initial and Renewal Permit Fees

Initial permit fees for two of the districts surveyed were based on an average amount of time required to inspect and approve a permit request. Renewal fees were only tied to initial fees for one of the four districts surveyed. They reported that renewal fees were generally half of the initial fees. For all other districts, there was no relationship between initial fees and renewals. Exhibit 3 contains additional information regarding the relationship of initial and renewal permit fees for each district surveyed.

Additional Revenue Sources for Enforcement

One of the districts surveyed reported collecting fees to support this program. The other districts support enforcement costs through emission fees, EPA 105 grants, subvention, interest income, and other general fund revenue derived from county property taxes.

Collection of AB2588 Fees

For all districts surveyed, these fees are collected on an annual basis.

Observations and Recommendations

Key Observations

Observation #1: Employee's time and effort is not tracked to a sufficient level to allow for a cost analysis for each of the Rule 301 schedules.

The only division of employee time between programs is done for budgeting purposes in a Labor Distribution report. Because actual employee time is not charged to a specific program or project code, it is very difficult to determine the level of time and effort involved in various activities. Without this type of information, it is very difficult to evaluate the costs related to various activities and to compare the actual costs associated with different schedules and fee levels or between fee programs—asbestos, permits, and toxics.

Observation #2: Fee revenue is not sufficient to recover all program costs related to Rule 301, Title V, Rule 304, and Rule 306.

Under the current fee structure, revenue generated by permit fees is insufficient to cover fee-related program costs. In FY 2006/2007, the District collected approximately $3.9 million in revenue for stationary sources under Rule 301 and Title V. Based on our cost allocation model, the District's costs associated with permitting activities under Rule 301 and Title V were approximately $6.1 million. This allowed for a shortfall of approximately $2.2 million between what is collected to support the programs, and what the programs actually costs. The direct cost shortfall for the Title V program was identified as approximately $88,000 for FY 2006/2007 as shown in Table 13. The Clean Air Act, Title V, 42 USCA Section 7661a (b) requires that fees charged are sufficient to recover the direct and indirect costs of operating the federal permit program. Fees for Rule 301 and Title V are not sufficient to cover program costs.

A similar situation exists for Rule 304 ($596,826 in program costs vs. $274,150 in program revenue resulting in a shortfall of $322,675) and Rule 306 ($131,104 in program costs vs. $42,051 in program revenue resulting in a shortfall of $89,053).

Observation #3: Revenue from other sources is being used to offset the difference between program costs and permit fee revenue.

In FY 2006/2007, the District used approximately $2.6 million from alternative revenue sources such as money collected through settlements and penalties, subvention, and federal aid through the Environmental Protection Agency to fund the difference between program costs and fee revenue. The problem with using these other revenue sources to fund the shortfall in fee revenues is that there is no guarantee that these other revenue sources will continue to be available in the long-term to support program costs. In addition, as District costs increase with inflation, these funding sources have been stable or declining. In addition, increases in staff costs when new rules are established to meet state and federal mandates are not accompanied with corresponding state or federal grants to pay for those activities. The District has the authority to charge for permits to fully cover the cost of these programs so that they can be supported without the need of revenue from other sources.

Observation #4: Two of the four districts surveyed charge for actual emission, one district charges based on potential to emit, and one district does not charge for emissions.

For the two districts that charge based on actual emissions, 15 percent to 18 percent of their permit revenue comes from emissions fees. The district that charges based on potential to emit receives 68 percent of its permit revenue from emission fees. SMAQMD currently charges based on actual emissions and recovers approximately 12 percent of its total permit revenue from emission fees. The original design of equipment and emissions fees was to recover 25 percent of the program costs with emissions fees and 75 percent of the program costs with equipment (schedule) fees. As the District establishes rules that require sources to reduce emissions, the District typically incurs increased costs to implement those rules, yet the emissions fee revenues to recover those costs are reduced.

Observation #5: The costs for compliance efforts for sources that do not require permits are borne by permitted sources.

Approximately 20 percent of the Field Operations Section of the Stationary Source Division is associated with inspecting unpermitted sources. In addition, approximately 0.85 FTE is expended providing compliance assistance and following up on complaints about unpermitted sources.

Short-Term Recommendations (in the next year)

Recommendation #1: The District should consider changing the way it charges for emission fees to allowing for separate charging for all pollutants.

The rules for emissions fees are already structured to allow for this type of fee structure, so this change could be implemented without a rule change. Based on our discussions with Stationary Source staff and our review of the documentation provided to us, we have determined that there are significant revenue increases that could be gained by making this type of change to the fee structure. Table 16 below details the potential increases in emission fees this recommendation could generate (this table was provided by the Stationary Sources Division).

Table 16: Potential Increase in Emission Fees

Potential Additional Renenues that Could be Generated by Charging for More Pollutants:

Option #1 - Include CO, ROG and PM10 in the emission fees for boilers, crematories, and engines:

	Revenues Before Changes		Revenues With Proposed Changes
Schedule Fees:	$2,557,475	**Schedule Fees:**	$2,557,475
Emissions Fees:	$401,330	**Emissions Fees:**	$675,136
NOR Fees	$4,350	**NOR Fees**	$4,350
Toxics Fees	$59,791	**Toxics Fees**	$59,791
	$3,022,946		$3,296,752

Additional Revenues Generated: $273,806

Option #2 - Include CO, ROG, SOx and PM10 in the emission fees for boilers, crematories, and engines:

	Revenues Before Changes		Revenues With Proposed Changes
Schedule Fees:	$2,557,475	**Schedule Fees:**	$2,557,475
Emissions Fees:	$401,330	**Emissions Fees:**	$783,720
NOR Fees	$4,350	**NOR Fees**	$4,350
Toxics Fees	$59,791	**Toxics Fees**	$59,791
	$3,022,946		$3,405,336

Additional Revenues Generated: $382,390

The revenue increase associated with Option #2 above would be equivalent to a 95 percent increase in emission fees ($382,390/$401,330 = 0.95). If this percentage increase is applied to all emission fees for renewal permits, the increase in revenue would have an immediate effect on the difference between schedule costs and fee revenue, reducing the revenue shortfall for renewal permits significantly. Table 17 illustrates the impact of the increase in emission fees based on the number of active permits and their associated fees as of June 30, 2007 and not on the actual revenue collected from renewal permits.

Table 17: Impact of Emission Fee Increase

Schedule	Cost By Schedule	Schedule Fees	Emissions Fees	Emission Fee Increase of 95%	Reinspection Fees	Toxics Fees	Total Fees	Difference of Cost and Revenue with Increase	Difference of Cost and Revenue without increase
Schedule 1	$ 954,744	$ 751,042	$ 96,048	$ 187,294	$ 3,211	$ 9,935	$ 951,482	$ (3,263)	$ (94,508)
Schedule 2	$ 653,796	$ 289,490	$ 84,662	$ 165,091	$ 123	$ 1,417	$ 456,121	$ (197,675)	$ (278,104)
Schedule 3	$ 20,021	$ 20,751	$ 3,774	$ 7,359	$ -	$ 95	$ 28,205	$ 8,185	$ 4,599
Schedule 4	$ 19,595	$ 39,778	$ 3,544	$ 6,911	$ 241	$ -	$ 46,930	$ 27,335	$ 23,968
Schedule 5	$ 53,672	$ 128,047	$ 3,174	$ 6,189	$ -	$ 11,509	$ 145,745	$ 92,073	$ 89,058
Schedule 6	$ 544,250	$ 429,949	$ 38,794	$ 75,648	$ 3,260	$ 29,165	$ 538,022	$ (6,227)	$ (43,082)
Schedule 7	$ 615,032	$ 305,551	$ 47,042	$ 91,732	$ 118	$ 3,532	$ 400,933	$ (214,099)	$ (258,789)
Schedule 9	$ 524,584	$ 377,160	$ 63,300	$ 123,435	$ 723	$ 4,945	$ 506,263	$ (18,321)	$ (77,675)
Total	$ 3,385,694	$ 2,341,768	$ 340,338	$ 663,659	$ 7,676	$ 60,598	$ 3,073,701	$ (311,993)	$ (635,314)

The emission fee increase would reduce the shortfall in scheduled revenues for renewal permit activities from $635,314 to approximately $312,000.

Recommendation #2: The District should consider charging for additional costs incurred due to complexities if initial permitting activity costs run over an established threshold of time.

Under the current fee structure, fee payers are typically charged a flat fee for the processing of their Initial Permit applications and the associated inspections. If, during the review of the application and within 30 days of the receipt of the application, the District determines that, due to complexities of the application, the permit processing will require significant effort, then Rule 301, Section 301 authorizes the Air Pollution Control Officer to charge the applicant an hourly rate. The District should consider utilizing this option more often for its more complex applications. It is our understanding that at the time of this report, hourly rate charges for Authority to Construct application reviews are rarely used. Rule 301 establishes 10 hours as the "established threshold." This recommendation should re-evaluate that 10-hour threshold using the updated hourly rate (Recommendation #5) and recommend an alternative minimum threshold. For example, if the minimum initial fee is $600 and the hourly rate is $200/hour, then the minimum hour threshold should be $600/$200 = 3 hours. This threshold should then be uniformly applied to all initial permit evaluations.

Recommendation #3: The District should consider increasing its fees for Stationary Source Permits (initial permits) so that the revenues collected can offset a larger portion of the Districts fee-related costs.

Based on the current fee structure, the District needs to consider increasing Stationary Source initial permit fees by the maximum of 15 percent each year for the next four years to better recover the baseline fees needed to support FY 2006/2007 expenses. This projection does not factor in the increased cost of permit related programs over that same four-year period (FY 2006/2007 costs held constant). It should be noted that increased District costs (including COLA) will have an effect on the calculations in this schedule and should be factored into this model when the associated costs and fees are known. Additionally, if Recommendation #5 is implemented and results in increases to the hourly rates charged, the calculations in Table 18 will be affected. Table 18 below demonstrates the impact of a 15 percent increase over the next four years.

Table 18: Projected Initial Permit Fee Revenue

	Fee Increase of 15% per year										
	2006/2007			2007/2008		2008/2009		2009/2010		2010/2011	
Revenue	**Current Costs**	**Current Revenue**	**Difference**	**Revenue**	**Difference**	**Revenue**	**Difference**	**Revenue**	**Difference**	**Revenue**	**Difference**
Initial Permit Fees	$ 2,686,076	889,561	(1,796,515)	1,022,995	(1,663,081)	1,176,444	(1,509,632)	1,352,911	(1,333,165)	1,555,848	(1,130,228)

Recommendation #4: The District should consider increasing its fees for Stationary Source Permits (renewal permits) so that the revenues collected can offset a larger portion of the District's fee-related costs.

The District should consider increasing the following renewal permit fees by the identified percentage per year for the required number of years to better recover renewal permit fee costs (Revenue fees in this table include the 95 percent emission fee increase identified in Recommendation #1 above). It should be noted that increased District costs (including COLA) and the increased number of permits each year will have an effect on the calculations in this schedule and should be factored into this model when the associated costs and fees are known.

Table 19: Projected Renewal Permit Fee Revenue with 95 percent Increase in Emission Fees

	Base Year			Year 1			Year 2			Year 3		
Schedule Number	Cost By Schedule (FY 2006/2007)	Total Fees	Difference of Cost and Revenue	Percentage Increase	Adjusted Fees	Net result of increase	Percentage Increase	Adjusted Fees	Net result of increase	Percentage Increase	Adjusted Fees	Net result of increase
Schedule 1	$ 954,744	$ 951,482	$ (3,263)	1%	$ 960,996	6,251.94	0%	-	-	0%	-	-
Schedule 2	$ 653,796	$ 456,121	$ (197,675)	15%	$ 524,539	(129,256.47)	15%	603,219.89	(50,575.61)	10%	663,541.88	9,746.38
Schedule 3	$ 20,021	$ 28,205	$ 8,185	0%	$ -	-	0%	-	-	0%	-	-
Schedule 4	$ 19,595	$ 46,930	$ 27,335	0%	$ -	-	0%	-	-	0%	-	-
Schedule 5	$ 53,672	$ 145,745	$ 92,073	0%	$ -	-	0%	-	-	0%	-	-
Schedule 6	$ 544,250	$ 538,022	$ (6,227)	1%	$ 543,403	(847.27)	0%	-	-	0%	-	-
Schedule 7	$ 615,032	$ 400,933	$ (214,099)	15%	$ 461,073	(153,959.25)	15%	530,233.76	(84,798.32)	15%	609,768.82	(5,263.26)
Schedule 8	$ 781	$ -	$ (781)	0%	$ -	-	0%	-	-	0%	-	-
Schedule 9	$ 523,803	$ 506,263	$ (17,540)	5%	$ 531,576	7,773.00	0%	-	-	0%	-	-

If the District does not elect to increase emission fees by the 95 percent identified in Recommendation #1 above, the following tables (Table 20 and 20a) would represent the fee increases and period required for fee recovery based on FY 2006/2007 costs.

Table 20: Projected Renewal Permit Fee Revenue Without 95 percent Increase in Emission Fees

	Base Year			Year 1			Year 2			Year 3		
Schedule Number	Cost By Schedule (FY 2006/2007)	Total Fees	Difference of Cost and Revenue	Percentage Increase	Adjusted Fees	Net result of increase	Percentage Increase	Adjusted Fees	Net result of increase	Percentage Increase	Adjusted Fees	Net result of increase
Schedule 1	$ 954,744	$ 860,236	$ (94,508)	11%	$ 954,862	117.48	0%	-	-	0%	-	-
Schedule 2	$ 653,796	$ 375,692	$ (278,104)	15%	$ 432,046	(221,749.70)	15%	496,852.67	(156,942.83)	10%	546,537.94	(107,257.57)
Schedule 3	$ 20,021	$ 24,620	$ 4,599	0%	$ -	-	0%	-	-	0%	-	-
Schedule 4	$ 19,595	$ 43,563	$ 23,968	0%	$ -	-	0%	-	-	0%	-	-
Schedule 5	$ 53,672	$ 142,730	$ 89,058	0%	$ -	-	0%	-	-	0%	-	-
Schedule 6	$ 544,250	$ 501,168	$ (43,082)	9%	$ 546,273	2,023.33	0%	-	-	0%	-	-
Schedule 7	$ 615,032	$ 356,243	$ (258,789)	15%	$ 409,679	(205,352.63)	15%	471,131.37	(143,900.71)	15%	541,801.07	(73,231.01)
Schedule 8	$ 781	$ -	$ (781)	0%	$ -	-	0%	-	-	0%	-	-
Schedule 9	$ 523,803	$ 446,128	$ (77,675)	15%	$ 513,047	(10,755.95)	3%	528,438.62	4,635.47	0%	-	-

Table 20a: Year 4 and 5 of Table 20

	Year 4			Year 5		
Schedule Number	Percentage Increase	Adjusted Fees	Net result of increase	Percentage Increase	Adjusted Fees	Net result of increase
Schedule 1	0%	$ -	$ -	0%	$ -	-
Schedule 2	15%	$ 628,519	$ (25,277)	5%	$ 659,945	6,149.06
Schedule 3	0%	$ -	$ -	0%	$ -	-
Schedule 4	0%	$ -	$ -	0%	$ -	-
Schedule 5	0%	$ -	$ -	0%	$ -	-
Schedule 6	0%	$ -	$ -	0%	$ -	-
Schedule 7	15%	$ 623,071	$ 8,039	0%	$ -	-
Schedule 8	0%	$ -	$ -	0%	$ -	-
Schedule 9	0%	$ -	$ -	0%	$ -	-

Recommendation #5: The District should revise its hourly rate calculation to more accurately capture all costs associated with its hourly rates.

Hourly rate calculations should include actual salary costs, fringe benefit costs, overhead costs, and administrative costs for the hourly employee classification being developed. These costs would then be divided by the number of hours the District determines to be acceptable for billing expectations. The District should consider developing one blended hourly rate to be used for all services rather than having a separate rate structure for each classification of employee. This would provide for greater simplification of the billing process and eliminate differences in costs based on the level of staff involved in the work. When recalculating hourly rates, the District may be limited in the amount of increases allowable each year due to the 15 percent cap on rate increases. This could result in multiple-year increases being necessary to fully recover hourly costs. When this rate revision is completed, and the Rule is amended, the District should also include a COLA increase in the Rule to keep pace with increasing salary costs.

Recommendation #6: Rule 304 (Asbestos Plan) fees should be increased to cover the shortfall between program costs and revenues.

Costs associated with the asbestos program are currently exceeding revenues by approximately $323,000. The District should revise its fee structure to better recover its program costs. The asbestos plan fees must be increased by 118 percent to fully recover the cost of this program. These fees are not subject to the 15 percent per year cap on increasing fees. The District may need to review its fee structure and determine if it can increase its fees to fully recover the costs of the asbestos program.

Recommendation #7: Rule 306 (Air Toxic Fees) should be increased to cover program costs and the fee structure should include annual COLA increases.

Rule 306 for the Air Toxic Fee program does not generate adequate fees to cover the cost of the program. The District should consider a one-time fee increase or a staggered fee increase over a couple of years to cover the costs of the program. Additionally, Rule 306 for the Air Toxic Fee program does not include a COLA increase. Implementing a COLA increase would help the District increase revenues in the future and help programs fees keep pace with increasing costs.

Recommendation #8: The District should consider changing from an actual emissions model to a potential to emit model.

The District should analyze the difference between charging the actual emission fees it currently charges and what would be charged in a potential-to-emit model. If the District would benefit from this change, then it should consider implementing it. During our survey of other air quality districts, we determined that two of the four districts surveyed charge based on actual emissions, and emission fees represented 15 percent to 18 percent of their permit revenue. One of the four districts charges based on potential to emit and it receives 68 percent of their permit revenue from emission fees. SMAQMD currently charges based on actual emissions and recovers approximately 12 percent of its total permit revenue from emission fees. Changing to a potential-to-emit model could significantly increase emission fee revenues.

In addition, eliminating the emissions fee and replacing it with a potential-to-emit fee would add the efficiency of a one-time calculation of the fee at the inception of the permit. Fees would initially be adjusted to account for the lost revenues due to the elimination of the emission fees. The elimination of the emission part of the equation could help avoid a reduction of the fees arbitrarily relative to costs that would occur from the fluctuations in the annual emission fees that are currently realized.

Additional Sources of Revenue Identified but not Explored

Recommendation #9: Source Test Fees could be implemented for Rule 301.

Source test fees are not currently charged for gas stations under Rule 301. An analysis of these estimated costs of tests indicated that the average review time was 1.5 hours per test, and approximately $145,000 in unrecovered costs during 2007. When amending Rule 301, the District should consider adding a section to allow for the charging of source test fees to gas stations to increase revenues and help recover the costs of these observing and reviewing these tests.

Recommendation #10: The District should consider implementing an annual Title V fee.

The District is not currently recovering program monitoring, administrative, and other overhead costs associated with the Title V program. The District should consider implementing an annual fee of fee increase for Title V to cover the costs associated with these activities.

Recommendation #11: The District should consider implementing a tracking system to more accurately track Title V program costs and adjust Title V fees to cover those costs.

The Title V Program is a federally enforceable operating permit program established by the Clean Air Act. The Clean Air Act, Title V, 42 USCA Section 7661a (b) requires that fees recover the direct and indirect costs of operating the federal permit program. The specific fee requirements and costs to be included are defined in regulations promulgated by the Environmental Protection Agency at 40 CFR Part 71, Section 71.9. As a result, the District should consider implementing a tracking system to better allow for tracking of Title V program costs so that it is able to recover these costs as required by the Clean Air Act and the Environmental Protection Agency guidelines.

Long-Term Recommendations (1 to 5 years)

Recommendation #12: The District should continue to track actual time and effort associated with permitting activities and should begin tracking actual time associated with other program and permit activities.

At the time of the study, the District had already begun to track employees' actual time spent performing permit-related activities. Employees are currently tracking their time associated with inspections of each permit. This tracking should be continued until the District has enough reliable data to assess the amount of time it takes to complete all of their permit-related activities. These data will allow the District to determine an average amount of inspection time for each type of permit. This average could then be translated into a cost of inspection using an established hourly rate. The District would then be able to compare this cost to the current fees charged for the permit and determine the equity of the existing fee structure.

The District should also implement a time accounting system for all staff performing program and rule-related activities to gain a better understanding of the total costs of programs and rules. These other activities represent overhead costs that should be attributed to the programs and rules they support, if possible.

Recommendation #13: The District should reassess the complexity of its fee structure and consider simplifying it.

After the District determines the cost associated with processing and inspecting each type of permit it issues it should consider simplifying its permitting fee structure. If the District gathers adequate data following Recommendation #11 above, it should be able to determine if the current fee structure is appropriate based on the actual time it takes to do an inspection. Several things should be considered: (1) whether it is appropriate to maintain the current structure that assumes that initial permit evaluations/inspections cost twice the annual inspection and (2) whether to add schedules for additional equipment types that are currently grouped within one schedule. This may result in more schedules but could minimize schedule levels to more accurately reflect the amount of time required.

Recommendation #14: The District should track employees' time and effort to allow for a cost analysis for each of the Rule 301 schedules.

The District has begun tracking this information. When sufficient data has been collected, the District should re-evaluate the fees schedules established in Rule 301.

Recommendation #15: The District should reassess the Cost Allocation Methodology in two or three years.

After the District has gathered sufficient activity and cost information (Recommendation #12 and #14), it should reassess its fee structure and compare actual costs incurred and average costs of rule-related activities and compare those costs to the current fee structure.

Exhibits

Exhibit 1: Fee Study Workplan

Task 1
Background and Authority Review

Workplan Step	Work Paper Number or Comment
Task 1 – Background and Authority Review KPMG will identify and document the relevant issues and relevant statutes, regulatory authorities, and district rules governing user fees. This review and analysis will be the backbone of the development of the user fees for the programs identified in the RFP. Additional background and relevant information will be identified through interviews with project key stakeholders and program managers and staff.	
Objective 1: Develop the scope and schedule of the study and gather basic documentation to become familiar with the Sacramento Metropolitan Air Quality Management District (SMAQMD).	
A. Gather documents related to the Fee Structure Study (The Study).	
B. Conduct an entrance conference with SMAQMD staff.	
C. Establish lines of communication between the project team, SMAQMD management and interested districts	
Objective 2: Gain an understanding of the function, goals and organizational structure of the SMAQMD.	
A. Review interview narratives prepared during the survey / scoping phase and determine which items identified are pertinent to our study. Document those items that appear appropriate and follow-up with the appropriate interviewee to confirm that these are in fact the appropriate criteria.	
B. Review documents gathered in step 1.1.A above.	
C. Conduct interviews with key staff to gain an understanding of the operation of the programs under review.	
Objective 3: Work to establish and document a detailed workplan for the performance study.	
A. Develop the study objectives and detailed work steps in line with the tasks defined in the Proposal.	

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Workplan Step	Work Paper Number or Comment
B. Submit the study objectives and detailed work steps to the Key Client Stakeholders for comment.	
C. Incorporate comments from the Stakeholders in the study objectives and finalize objectives and workplan.	
D. Develop the study program detailing specific steps to be conducted to meet the objectives identified.	
E. Present the study program to the Key Client Stakeholders for comments and approval.	
F. Incorporate comments from the Key Client Stakeholders and finalize the study program.	

Task 2
Program Costing

Study Step	Work Paper Number or Comment
Task 2 – P To identify the full costs of the fee-related programs included in this project, KPMG will identify the direct activity costs associated with each program. This will include identification of personnel and non personnel costs required to provide each of the fee-related programs. In addition to the direct costs, KPMG will identify SMAQMD costs not directly identified to perform the fee-related programs. We will perform an analysis of all costs and activities of SMAQMD to identify the appropriate type of costs and level of services applicable to each of the fee-related programs. KPMG will document specific allocation methodologies for each type of indirect costs allocated to the fee-related programs to be included in the user fee rate structure.	
Objective 1: Identify salary and wage costs associated with each program.	
A. Obtain copies of budgets, expenditures, and labor distribution reports associated with each program under review.	
B. Review information gathered above to gain an understanding of the salary and wage costs associated with each program under review.	
C. Conduct interviews with staff to determine which direct costs are associated with each fee permit rule.	
D. Develop a Process Workflow of the initial and renewal permit activity.	

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Study Step	Work Paper Number or Comment
E. Summarize total direct costs for each program and fee rule area under review.	
Objective 2: Identify the non-salary costs allocable to each program.	
A. Obtain copies of budgets, expenditures, and labor distribution reports associated with each program under review.	
B. Review information gathered above to gain an understanding of the non-salary costs associated with each program under review.	
C. Conduct interviews with staff to determine how to associate non-salary costs with each program.	
D. Summarize total non-salary costs for each program under review.	
Objective 3: Identify the overhead costs associated with each program.	
A. Obtain copies of budgets, expenditures, and labor distribution reports associated with each program under review.	
B. Review information gathered above to gain an understanding of the overhead costs associated with each program under review.	
C. Identify all overhead costs and develop an allocation methodology to assign all applicable overhead costs to all SMAQMD programs.	
D. Summarize total overhead costs for each program under review.	
Objective 4: Identify the capital costs and any other relevant costs associated with each program.	
A. Obtain copies of budgets, expenditures, and financial information for the district	
B. Review information gathered above to gain an understanding of the capital costs associated with each program under review.	
C. Summarize total capitol costs for each program under review, if applicable.	
Objective 5: Summarize all costs by department/function/program (Fee related vs. Non Fee related).	
A. Summarize all costs identified above into 5 separate divisions (Administrative and Facilities, Mobil Sources, Program Coordination, Stationary Sources, and Strategic Planning).	
B. Divide divisional costs between divisional	

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Study Step	Work Paper Number or Comment
administration, fee/permit/rule related costs, and other non fee/permit/rule related costs.	
C. Allocate District Administrative costs down to each divisional cost category.	
D. Allocate Divisional Administration costs down to the fee related and non fee related categories.	
E. Allocate all applicable Program Coordination costs in support of rule development to the Stationary Services Department fee related cost categories.	
F. Summarize all fee/permit/rule related costs by overhead and direct cost categories.	
Objective 6: Identify permit related activity costs by rule number and summarize costs down to the schedule level.	
A. Conduct interviews to determine which employees provide support under each rule category.	
A-1 Of the employees identified above, determine which are involved in Initial Permitting activities and Annual Renewal activities.	
B. Meet with department staff to determine if there are any costs associated with specific rule or fee areas (eg. specialized equipment that is only used in support of certain types of inspections) that should be charged directly to those rules or categories.	
C. Conduct interviews and use questionnaires to determine which employees conduct inspections associated with each fee schedule area and the amount of time and other costs associated with the inspections.	
D. Summarize direct labor and expense costs associated with each fee schedule.	
E. Allocate all other overhead and expense related costs to the fee schedule level based on total direct costs summarized above.	

Task 3
Identify Revenue

Study Step	Work Paper Number or Comment
Task 3 – Identify Revenue Working closely with SMAQMD, we will compile a projection of revenues to compare against permit related expenses. Revenues will be reviewed from the perspective that they are driven by costs. That is, the amount of revenue to be raised must be equal to the	

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Study Step	Work Paper Number or Comment
costs (operating and capital) for the corresponding period.	
Objective 1: Determine the current sources of available revenue utilized by the District and compare to prior years.	
A. Interview key staff members to identify current revenue sources and levels.	
B. Gather FY 06/07 revenue information by funding source.	
C. Obtain prior FY 05/06 revenue information by funding source.	
D. Compare current year revenue to prior year revenue and document any significant differences.	
Objective 2: Determine the appropriateness of each source of Revenue used to fund the programs under review.	
A. Interview key staff to determine revenue sources utilized to support program costs.	
B. Gather applicable rules and regulations related to revenue sources.	
C. Review rules and regulations related to revenue source and compare actual use of revenue to the acceptable uses identified in the rules and regulations.	
Task 3.1 – Review Additional Revenue Sources Further analysis of SMAQMD operations costs and revenues will yield information pertaining to possible sources of revenue that are not fully utilized under the existing fee structure. Again, using KPMG's analysis of cost of services approach and linking that to the present SMAQMD revenues, we will uncover any possible sources of revenue not being fully realized. Once these are identified, we will report on the revenue impact of these sources.	
Objective 1: Determine if there are additional funding sources available to the District.	
A. Interview staff to determine if any additional sources of revenue are available to the District	
B. Review current funding sources utilized by the district and compare them to available funding sources and identify any additional sources available.	
Task 3.2 – Compare Cost to Revenues KPMG will develop a matrix based on our previous	

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Study Step	Work Paper Number or Comment
analysis which will identify all expenditures by major category and revenue sources of the programs identified in the RFP. This matrix will identify current cost and use information as well as future scenarios to be used in future revenue modeling.	
Objective 1: Develop a matrix based on previous analysis identifying all expenditures by major category and revenue sources.	
A. Using the cost information obtained in task 2 above, create a matrix of costs identified by program and category.	
B. Review cost categories for appropriateness.	
Objective 2: Develop a matrix based on previous analysis identifying all revenue by major category and revenue sources.	
A. Using the revenue information obtained in task 3 above, create a matrix of revenue identified by program and category.	
B. Review revenue categories for appropriateness.	
Objective 3: Compare cost information and revenue information identified above to identify areas where costs and revenues do not match up.	
A. Observe cost and revenue comparisons in the matrix and identify areas where costs exceed revenue sources and if applicable, where revenue sources exceed costs.	
B. Summarize information obtained above into a matrix table for further analysis and review.	
C. Identify where fees recovered through permitting do not cover the expenses associated with the activities identified above.	

Task 4
Develop Fee Update Methodologies

Study Step	Work Paper Number or Comment
Task 4 – Develop Fee Updates Methodologies KPMG will develop recommendations for SMAQMD to periodically validate and update the user fee schedules with current information and future scenarios. The update methodology will take into consideration full cost recovery as well as maintaining equity among fee payers. These recommendations will be dependent on the events and information identified	

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Study Step	Work Paper Number or Comment
in the previous tasks.	
Objective 1: Identify fee revenue required by program/schedule necessary for fees to cover all costs associated with each program/schedule.	
A. Analyze deficits and surpluses in revenue by fee category identified in Task 3 above.	
B. Gather statistical information for the current number of permits sold by fee and price category.	
C. Based on the current number of permits sold, calculate the necessary per permit cost required to fully fund the programs based on current expenditures.	
Objective 2: Identify fee increase or decrease necessary to balance out program/schedule costs with revenue collected.	
A. Compare current fee revenue with revenue required to fully fund each program and identify the fee changes necessary for each program to be fully funded.	
Objective 3: Identify costs associated with the various levels of permits and compare them to the current fee structure.	
A. Interview staff involved with permit inspections for each fee schedule and determine the level of time and effort required on average to inspect each level of permit.	
B. Use information gathered above to determine the estimated cost for inspection of each level of permit.	
C. Compare the current fee structure to the costs associated with permit inspection above to determine where fees are not consistent with the effort required to inspect them.	
D. Document the results of step C above and summarize the differences between costs and fees.	
Objective 3: Develop a fee change plan that will allow for the increase/decrease of program fees in accordance with program fee change guidelines	
A. Based on fee increases and decreases necessary to fully fund each fee category, create a fee increase plan identifying the amount of fee increase necessary for each fee category to become self sufficient.	
B. Meet with District Staff to discuss the proposed fee increases and gain feedback.	

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Study Step	Work Paper Number or Comment
C. Adjust the proposed fee increases based on District Staff feedback.	

Task 5
Identify Operational Improvements

Study Step	Work Paper Number or Comment
Task 5 – Identify Operational Improvements Working closely with SMAQMD, during the identification of services and costs associated with each of the fee programs, we will identify duplicate costs or services that may lead to operational improvements including productivity, efficiency, and cost savings for SMAQMD's programs and services.	
Objective 1: Throughout the project, work with SMAQMD staff to identify opportunities for operational and process improvements.	
A. Identify opportunities for operational and process improvements.	
B. Communicate observed opportunities for improvement with SMAQMD staff.	
C. Document observed opportunities to improve the quality, productivity, efficiency, and effectiveness of the District's programs, operations and services.	

Study Task 6
Prepare Interim and Final Report

Study Step	Work Paper Number or Comment
Task 6 – Prepare Interim and Final Report Our recommendations will carefully consider the revenue adequacy and administrative simplicity guidelines. The recommended structures will be incorporated into the fee model to allow the comparison of existing and proposed structures on the revenues of the SMAQMD and fee payers. All pertinent data, calculations, evaluations, and projections used in the development of conclusions, and recommendations will be incorporated in a draft	

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Study Step	Work Paper Number or Comment
report for review by SMAQMD. Based upon comments, we will finalize and present the final report. The report will clearly set forth all underlying assumptions used in the development of forecasts, as well as identify data sources. KPMG is willing to present the results of our study to any group the SMAQMD deems appropriate. We have included two meetings and one presentation in our cost estimate and will attend additional meetings on a time and materials basis at the direction of SMAQMD. All visual aids used in our presentation will become the property of SMAQMD.	
Objective 1: Report preliminary findings (summarized by task) to SMAQMD.	
A. Develop and report preliminary findings to SMAQMD.	
B. Meet with SMAQMD staff to review findings for accuracy and validity.	
C. Make changes to findings based on SMAQMD staff input.	
D. Finalize preliminary finds and deliver them to SMAQMD	
Objective 2: Develop a draft report and deliver it to SMAQMD staff.	
A. Prepare and submit a draft report to SMAQMD staff.	
B. Discuss draft report with SMAQMD staff and gather comments on report content.	
C. Respond to comments regarding draft report and include responses in the final report.	
Objective 3: Develop a final report and deliver it to SMAQMD staff.	
A. Prepare and submit a final report to the SMAQMD.	
B. Discuss final report with SMAQMD staff at a project close out meeting.	

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Exhibit 2: Questionnaire for Other Districts

Fee Study - Other District Questions
October 10, 2007

In identifying potential approaches for the restructuring of fees for SMAQMD, KPMG is surveying selected Air Quality districts in an effort to address deficiencies within the current SMAQMD fee system. The following is a partial list of statutory provisions pertaining to fee authority that are used to support the current fee structure of SMAQMD. What other provisions, if any, are used to support the fee structure of your district?

> Health and Safety Code sections 40701.5 (general funding authority, including per capita fees), 41080(a) (may assess fees and permitted and other sources of air pollution subject to regulation by the district), 41081 (DMV fees), 41512 (sampling fees), 41512.5 (nonpermitted sources for costs connected to review and enforcement of plans) 41512.7 (15% cap) , 42311(a) (permit fees), 42311(f) (toxic fees), 42311(g) (area wide and indirect sources), 42311.2 (fee limits).

It is our aim to understand the rationale behind your fee structure in order to aid SMAQMD. Below are questions pertaining to specific areas of interest to SMAQMD. Please answer all questions as thoroughly as possible. If you have any questions or concerns, please contact Aaron Stewart with KPMG.

1. Emission fees
    - What percentage of total permit revenues is from emission fees?
    - Are fees assessed for potential emissions or actual emissions?
2. Activity fees - Are additional flat fees or other charges (such as applying an hourly rate) assessed for special permit processing/renewal activities? Below are some examples.
    - Issuing initial Title V permits, Title V renewals, inspections at Title V sources
    - Processing permits that trigger offset requirements
    - Processing permit as the lead agency under CEQA
    - Processing permits that require public noticing
    - Extending the authority to construct permit expiration date
    - Processing permits that include toxic air contaminant evaluations
    - Reviewing and observing source emissions testing
3. If additional hourly fees are assessed, are they subject to the 15% cap in HSC 41512.7? (30% for small districts)
4. What are the cost recovery mechanisms used to implement and enforce district rules that apply to unpermitted sources such as residential water heaters, architectural coatings, and adhesives?
5. What fees or revenues support the costs of public outreach (for new rule requirements not Spare the Air type programs), rule development, emission inventory, banking and processing emission reduction credits, and air monitoring activities?

6. How are per capita fees assessed (authorized by California Health and Safety Code Section 40701.5)?
7. Are special fees, discounted fees, or other mechanisms used to reduce fees for small businesses?
8. How do the fees for initial permitting relate, if at all, to renewal fees? For example are the renewal fees half the initial permitting fees.
9. What other revenue streams are used to support the permit/enforcement programs?
10. How are AB 2588 fees collected? Is it based upon an annual fee or when inventories are updated?

Exhibit 3: Results of Questionnaire

		AIR DISTRICT RESPONSES			
-	-	**The South Coast AQMD (AQMD)**	**MONTEREY BAY UNIFIED AIR POLLUTION CONTROL DISTRICT**	**SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT**	**Bay Area Air Quality Mangement Division**
1	**Emission fees**				
a	**What percentage of total permit revenues is from emission fees?**				
		Approximately 18% of AQMD's total General Fund revenues comes from emission fees.	68%	0%	Approximately 15% of BAAQMD permit fees are derived from emission fees.
b	**Are fees assessed for potential emissions or actual emissions?**				
		Actual emissions, for the largest emitters (4 tons/year or greater) for emissions above four tons and a flat rate (currently $99.09 per facility) assessed for up to four tons for all facilities.	Potential emissions but not at 100% operation. Adjustments are made for the expected operation of the equipment.	n/a	Emission fees are assessed based on actual emissions.
2	**Activity fees - Are additional flat fees or other charges (such as applying an hourly rate) assessed for special permit processing/renewal activities? Below are some examples.**				
		Yes, we assess additional fees (many on an hourly basis) for additional work such as expedited permit processing, health risk assessments, source testing, CEQA review, toxic assessment, public noticing requirements for Title V facilities	Yes. See Below.	For the majority of permit applications processed, District Rule 3010 requires only a flat application filling fee of $60. An additional hourly fee is charged only for certain categories of projects, for instance, those that are subject to a refined health risk assessment or a public notice process. Our Permit Services hourly rate for 2007 is $86.00 per hour. This is a weighted average labor rate which is updated annually by our Finance Department.	Additional flat fees are charged for processing various types of Title V permit applications. .
a	**Issuing initial Title V permits, Title V renewals, inspections at Title V sources**				
		See above.	Title V permit issuance/renewals are done on an hourly basis i.e. time actually spent. Title V inspections are included in fees no extra charge.	Title V permit processing is charged an hourly fee.	Fees for Title V public notices and Title V hearings are based on actual cost recovery. See BAAQMD Regulation 3, Schedule P for details
b	**Processing permits that trigger offset requirements**				
		See above.	Processing permits that trigger offsets/CEQA Lead/public notice are all charged at our base (average) rate which represents approximately 6 hrs engineering time. If the engineering time exceeds this amount additional time may be charged on an hourly basis.	N/A	N/A
c	**Processing permit as the lead agency under CEQA**				
		See above.	See above	CEQA Review	Fees for the District's activities as CEQA lead agency are based on actual cost recovery.
d	**Processing permits that require public noticing**				
		See above.	See above	ATC Projects – NSR & COC Noticing, ATC Projects - School Notices	Fees for public noticing for Title V and the Waters Bill are based on actual cost recovery. There are no additional fees for public notices required under NSR.
e	**Extending the authority to construct permit expiration date**				
		See above.	Extending ATC flat fee unless the operation has commenced in which case emission fee also applies.	ATC Projects – NSR & COC Noticing, ATC Projects - School Notices	The fee for extending an Authority to Construct is 50% of the initial fee for applying for a new A/C.
f	**Processing permits that include toxic air contaminant evaluations**				

		See above.	Processing permits that emit toxics - flat charge currently $150.	N/A	Additional fees are required for conducting toxic air contaminant evaluations. The specific fees are specified by source type in the various Fee Schedules in BAAQMD Regulation 3.
g	**Reviewing and observing source emissions testing**				
		See above.	Reviewing and observing source emissions testing - no charge.	N/A	No additional fees are assessed for reviewing or observing source tests
				Other activities that incure hourly charges are: Indirect Source Review Rule Processing, Refined HRA, and Voluntary Development Mitigation Contracts. Additionally, the District's permit renewal fees (Rule 3020) provide the funding to maintain an effective permitting and enforcement program. We are in the process of amending our fee rules which will consist of an immediate eight-percent increase in most District fees, followed by a second eight-percent increase in FY 09/10, and an expansion of the applicability of the permit application evaluation fee for all ATC/PTO applications so that the costs of application processing are directly recovered by the District via the assessment of an hourly fee. Anticipated adoption date is the 1st quarter of 2008.	
3	**If additional hourly fees are assessed, are they subject to the 15% cap in HSC 41512.7? (30% for small districts)**				
		AQMD fees are capped at CPI unless the AQMD Board makes a finding that increases above CPI are necessary to pay for the program costs. (cost recovery).	All our District generated fees are increased by the same percentage. We do not have separate percentages for various fee schedules.	Not sure we understand the question. Our hourly fees are recalculated each year based on labor costs. Annual increases have never been anywhere near the 15% statutory limit.	Hourly fees increase at a rate less than 15% per year.
4	**What are the cost recovery mechanisms used to implement and enforce district rules that apply to unpermitted sources such as residential water heaters, architectural coatings, and adhesives?**				
		We are currently working on a fee proposal that will recover the cost associated with architectural coatings. We do charge a source testing/lab analysis to manufactures for the testing of water heaters.	Cost recovery for regulation of unpermitted sources - none unless the ag registration program falls into this category.	The District's permit fees are supplemented by an annual EPA grant of approximately $1.9 million and an annual State Subvention of approximately $900,000.	The BAAQMD generally does not recover costs to implement and enforce District rules that apply to non-permitted sources. Registration fees have been proposed for non-permitted commercial charbroilers. Risk screening fees are assessed for exempt sources, if the facility requests the District to conduct a risk screen to support the exemption.
5	**What fees or revenues support the costs of public outreach (for new rule requirements not Spare the Air type programs), rule development, emission inventory, banking and processing emission reduction credits, and air monitoring activities?**				
		Those activities are supported by Emission Fee revenues.	General permit fees. Banking is charged on an hourly basis. AB2766 funds used for mobile source fraction of air monitoring activities. Public education outreach uses AB2766 funds.	In addition to the federal and state grants referred to in answer #4 above, the District utilizes DMV Surcharge Fee revenue to support eligible activities. Many of the activities listed in this question are partially supported by DMV Fees.	Permit fees support activities related to stationary source rule development, emissions inventory, banking and processing ERCs. Fees do not support air monitoring activities.
6	**How are per capita fees assessed (authorized by California Health and Safety Code Section 40701.5)?**				

		Does not apply to South Coast.	Cities and Counties are billed $0.23 per capita annually based on population figures issued by the California Dept. of Finance in May or each year.	The per capita fees assessed under CHSC 40701.5(b) do not apply to the SJVUAPCD. CHSC section 40701.5(c) specifically prohibits San Joaquin from collecting these fees.	The BAAQMD does not assess per capita fees under H&S Section 40701.5.
7	**Are special fees, discounted fees, or other mechanisms used to reduce fees for small businesses?**				
		Yes, the AQMD offers a 50% permit processing fee discount to small businesses who qualify under AQMD's definition of a small business. *Businesses with 10 or fewer employees and gross receipts of $500,000 a year or less.*	No specific discounts but we do charge a different rate for sources over 300 tons/year.	No. However, the District does have a Small Business Assistance Program to help small businesses understand and meet their air quality obligations.	Permit application fees for small businesses are reduced by 50%. No discount is given for renewal fees.
8	**How do the fees for initial permitting relate, if at all, to renewal fees? For example are the renewal fees half the initial permitting fees?**				
		The initial permit processing fee is based upon the average amount of time necessary to process that type of equipment or process. Standard processing fees are established for groups or types of equipment or processes and broken into eight categories (A through H). Renewal fees are much less and are designed to cover the cost of our compliance program.	The first years emissions fees are assessed at the time of initial permitting as part of the cost of the initial permit (other costs/charges are the average time to process and toxics). Subsequent year's emissions fees are the same as the initial emission fee.	Initial permitting fees are not generally related to the renewal fees.	Renewal fees are generally half the initial permitting fee. Initial permitting fees also include additional filing fees, and may include additional risk screening fees that don't apply to permit renewals.
9	**What other revenue streams are used to support the permit/enforcement programs?**				
		Emission fees can also be used to cover shortfalls in permit process and permit renewals.	EPA 105 grant, subvention, interest	These fees are collected by the district to recover the operating costs of its programs	Other than fees, general fund revenue derived from county property taxes are the major revenue stream used to support permit/enforcement programs, under H&S Section 40271.
10	**How are AB 2588 fees collected? Is it based upon an annual fee or when inventories are updated?**				
		Fees are billed once per year and are either a small flat fee for area wide sources such as gas stations or dry cleaners and facilities with at least one emergency standby diesel engine, or a larger fee based on health risk assessment categories.	Based on an annual fee for permits subject to the program	AB2588 fees are collected annually through the fee schedules in District Rule 3110.	AB 2588 fees are collected at the time of permit renewal which, in most cases, is on an annual basis.
	What other provisions, if any, are used to support the fee structure of your district?				
		The South Coast AQMD (AQMD) is also governed by H&S Code Chapter 5.5, beginning with Section 40400. Our fee authority is contained in Article 7 - Variances and Permits, beginning with Section 40500 and Article 8 - Financial Provision, beginning with Section 40520. Specifically, H&S Sections 40500.1, 40502, 40510,40510.5, 40510.7, 40511, 40512, 40522, 40522.5 and 40523. The AQMD, as do many other air districts, receives vehicle registration monies. The authority is covered under H&S Code Sections 44200-44257 and Motor Vehicle Code Section 9250.11	N/A	N/A	

Exhibit 4: Cost Allocation Model

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Cost Allocation Workbook
Total Expenses

	Division Name					
Account Type	**Admin**	**Mobile Source**	**Program Coordination**	**Stationary Source**	**Strategic Planning**	**Grand Total**
Payroll	$ 2,333,999	$ 1,141,192	$ 1,619,942	$ 2,735,806	$ 1,305,319	$ 9,136,258
Fixed Assets	$ 6,908		$ 159,440			$ 166,348
Interfund Charges	$ 12,200			$ 368,762		$ 380,961
Non Payroll Expenses	$ 1,594,669	$ 9,284,375	$ 880,242	$ 268,708	$ 1,804,838	$ 13,832,832
Other Expenses	$ 407,794					$ 407,794
Grand Total	$ 4,355,570	$ 10,425,566	$ 2,659,625	$ 3,373,276	$ 3,110,157	$ 23,924,194

Cost Allocation Workbook
Admin Payroll Allocation

G/L Account	Account Type	Administration	Mobile Source	Program Coordination	Stationary Source	Strategic Planning	Grand Total
10111000	Payroll-Salary	$ 1,471,603	$ 881,500	$ 1,286,327	$ 2,125,830	$ 1,011,437	$ 6,776,698
10112100	Payroll-Salary	$ 36,922	$ 1,231	$ 14,044	$ 59,898	$ 42,608	$ 154,703
10112200	Payroll-Salary				$ -		$ -
10112400	Payroll-Salary				$ 2,485		$ 2,485
10113200	Payroll-Salary	$ 4,650	$ 11,002	$ 4,740	$ 10,661	$ 11,013	$ 42,065
10114100	Payroll-Salary	$ 20,313	$ 5,504	$ 5,781	$ 5,781	$ 3,957	$ 41,337
10121000	Payroll-Benefits	$ 328,478	$ 90,391	$ 130,365	$ 215,918	$ 96,049	$ 861,201
10122000	Payroll-Benefits	$ 91,528	$ 63,505	$ 61,564	$ 114,858	$ 54,964	$ 386,419
10123000	Payroll-Benefits	$ 286,859	$ 85,340	$ 113,060	$ 193,980	$ 81,552	$ 760,791
10124000	Payroll-Benefits	$ 89,249					$ 89,249
10125000	Payroll-Benefits	$ 4,396	$ 2,719	$ 4,061	$ 6,396	$ 3,740	$ 21,312
	Total Costs	**$ 2,333,999**	**$ 1,141,192**	**$ 1,619,942**	**$ 2,735,806**	**$ 1,305,319**	**$ 9,136,258**
	Payroll Costs		$ 1,141,192	$ 1,619,942	$ 2,735,806	$ 1,305,319	$ 6,802,260
	Percentage of Payroll		17%	24%	40%	19%	100%
	Administrative Allocation		$ 391,567	$ 555,836	$ 938,713	$ 447,883	$ 2,333,999
	Reallocated Total		**$ 1,532,758**	**$ 2,175,779**	**$ 3,674,519**	**$ 1,753,202**	**$ 9,136,258**

Account Type	Administration	Mobile Source	Program Coordination	Stationary Source	Strategic Planning	Grand Total
Fixed Assets	$ 6,908		$ 159,440			$ 166,348
Interfund Charges	$ 12,200			$ 368,762		$ 380,961
Non Payroll Expenses	$ 1,594,669	$ 9,284,375	$ 880,242	$ 268,708	$ 1,804,838	$ 13,832,832
	$ -					$ -
	$ -	$ -	$ -	$ -	$ -	$ -
Total Expenses	**$ 1,613,777**	**$ 9,284,375**	**$ 1,039,682**	**$ 637,470**	**$ 1,804,838**	**$ 14,380,141**
Total (-interfund ch.)	**$ 1,601,577**					
Allocation Percentage		17%	24%	40%	19%	100%
Administrative Allocation		$ 268,691	$ 381,412	$ 644,140	$ 307,335	$ 1,601,577
Interfund Charge				$ 12,200		
Reallocated Total		**$ 9,553,066**	**$ 1,421,094**	**$ 1,293,810**	**$ 2,112,172**	**$ 14,380,142**

G/L Account	Account Type	Admin	Mobile Source	Program Coordination	Stationary Source	Strategic Planning	Grand Total
20200500	Non Payroll Expenses	$ 24,221		$ 8,978	$ 86,019	$ 9,145	$ 128,364
20202100	Non Payroll Expenses	$ (162)	$ -				$ (162)
20202200	Non Payroll Expenses	$ 688		$ 413	$ 103	$ 232	$ 1,436
20202202	Non Payroll Expenses	$ 335			$ (103)		$ 232
20202203	Non Payroll Expenses	$ 162					$ 162
20202300	Non Payroll Expenses	$ 2,218					$ 2,218
20202400	Non Payroll Expenses	$ 8,639	$ 369	$ 56		$ 6,973	$ 16,036
20202900	Non Payroll Expenses	$ 37,922	$ 11,852	$ 13,340	$ 12,337	$ 15,504	$ 90,954
20203500	Non Payroll Expenses	$ 6,867	$ 4,307	$ 8,501	$ 9,272	$ 2,974	$ 31,921
20203600	Non Payroll Expenses		$ 212	$ -		$ 715	$ 926
20203803	Non Payroll Expenses	$ 500		$ 67	$ -		$ 566
20203804	Non Payroll Expenses	$ 1,774				$ 49	$ 1,824
20203805	Non Payroll Expenses	$ 3,599	$ 153	$ 65	$ 2,949	$ 517	$ 7,282
20203807	Non Payroll Expenses					$ -	$ -
20203900	Non Payroll Expenses	$ 39,184	$ 8,382	$ 9,227	$ 15,676	$ 4,693	$ 77,162
20204400	Non Payroll Expenses		$ -				$ -
20204500	Non Payroll Expenses	$ 2,639	$ 56	$ 2,841	$ 95	$ 910	$ 6,542
20205100	Non Payroll Expenses	$ 86,130					$ 86,130
20206100	Non Payroll Expenses	$ 14,511	$ 165	$ 165	$ 15	$ 1,550	$ 16,406
20206500	Non Payroll Expenses				$ 1,437		$ 1,437
20207600	Non Payroll Expenses	$ 37,174	$ 453	$ 432	$ 4,943	$ 247	$ 43,250
20208100	Non Payroll Expenses	$ 870					$ 870
20208102	Non Payroll Expenses	$ 1					$ 1
20208500	Non Payroll Expenses	$ 8,904	$ 1,539	$ 7,412	$ 4,341	$ 3,058	$ 25,253
20210400	Non Payroll Expenses			$ -			$ -
20217100	Non Payroll Expenses	$ 201	$ 68,348	$ 15,656			$ 84,205
20218500	Non Payroll Expenses	$ -					$ -
20219100	Non Payroll Expenses			$ 9,431			$ 9,431
20219300	Non Payroll Expenses	$ 1,020					$ 1,020
20219700	Non Payroll Expenses	$ 2,164	$ 642	$ 1,844	$ 89	$ 840	$ 5,580
20220600	Non Payroll Expenses	$ (820)					$ (820)
20222600	Non Payroll Expenses	$ 1,721	$ 214	$ 98,587	$ 17,673		$ 118,196
20222700	Non Payroll Expenses	$ 45		$ 644	$ 8,098	$ 261	$ 9,047
20223600	Non Payroll Expenses	$ 20,655	$ 30			$ 26	$ 20,710
20226100	Non Payroll Expenses	$ 150					$ 150
20226200	Non Payroll Expenses	$ 32,261	$ 5,999				$ 38,260
20226400	Non Payroll Expenses	$ 5,147					$ 5,147

Cost Allocation Workbook
Admin Non Payroll Allocation

G/L Account	Account Type	Admin	Mobile Source	Program Coordination	Stationary Source	Strategic Planning	Grand Total
20226500	Non Payroll Expenses			$ -			$ -
20227500	Non Payroll Expenses	$ 41,135	$ 6,124	$ 1,790		$ 1,079	$ 50,129
20227501	Non Payroll Expenses	$ 0	$ (0)				$ 0
20227503	Non Payroll Expenses	$ 38					$ 38
20227504	Non Payroll Expenses	$ 128,130	$ 66		$ 6	$ 0	$ 128,203
20229100	Non Payroll Expenses	$ 1,430		$ 12,088	$ 241		$ 13,758
20229200	Non Payroll Expenses				$ -		$ -
20231300	Non Payroll Expenses		$ 743		$ 2,522		$ 3,265
20244300	Non Payroll Expenses	$ 2,165					$ 2,165
20250200	Non Payroll Expenses	$ 10,000					$ 10,000
20250500	Non Payroll Expenses	$ 52,699					$ 52,699
20250605	Non Payroll Expenses	$ 13					$ 13
20252100	Non Payroll Expenses	$ 189,332		$ 9,451			$ 198,783
20252200	Non Payroll Expenses	$ (0)					$ (0)
20253100	Non Payroll Expenses	$ 63,316					$ 63,316
20254400	Non Payroll Expenses	$ 16					$ 16
20259100	Non Payroll Expenses	$ 424,323	$ 9,148,916	$ 665,263	$ 77,910	$ 1,745,981	$12,062,393
20281100	Non Payroll Expenses	$ 57,669	$ 2,071	$ 4,500	$ 13,086	$ 830	$ 78,155
20281200	Non Payroll Expenses	$ (3,069)		$ 3,069			$ (0)
20281201	Non Payroll Expenses	$ 105,643	$ 5,586	$ 657		$ 1,068	$ 112,953
20281202	Non Payroll Expenses	$ 17,858	$ 5,012	$ 2,889	$ 1,800	$ 3,876	$ 31,436
20281203	Non Payroll Expenses	$ 21,327	$ 2,887	$ 526			$ 24,740
20281204	Non Payroll Expenses	$ 2,715					$ 2,715
20284100	Non Payroll Expenses				$ 1,773		$ 1,773
20289800	Non Payroll Expenses	$ 652	$ 152	$ 130	$ 433	$ 60	$ 1,428
20289900	Non Payroll Expenses	$ 331		$ 275	$ 7,423	$ 14	$ 8,043
20292100	Non Payroll Expenses	$ 566	$ 457	$ 1,622			$ 2,645
20292200	Non Payroll Expenses	$ 25,333	$ 9,437	$ 49	$ 4	$ 3,991	$ 38,814
20292300	Non Payroll Expenses	$ 2,268					$ 2,268
20292500	Non Payroll Expenses	$ 302				$ 72	$ 374
20292600	Non Payroll Expenses	$ 873	$ 206	$ 274	$ 566	$ 171	$ 2,090
20292900	Non Payroll Expenses	$ 1,821					$ 1,821
20293400	Non Payroll Expenses	$ 864					$ 864
20296200	Non Payroll Expenses	$ 815					$ 815
20298700	Non Payroll Expenses	$ 105,027					$ 105,027
20298900	Non Payroll Expenses	$ 2,356					$ 2,356
Grand Total		$1,594,670	$ 9,284,375	$ 880,242	$ 268,708	$ 1,804,838	**$13,832,832**
	Admin Burden %		17%	24%	40%	19%	100%
	Admin Allocation		$ 267,532	$ 379,767	$ 641,361	$ 306,009	$ 1,594,670

Cost Allocation Workbook
Admin Non Payroll Allocation

G/L Account	Account Type	Admin	Mobile Source	Program Coordination	Stationary Source	Strategic Planning	Grand Total
	Reallocated Totals		$ 9,551,907	$ 1,260,009	$ 910,070	$ 2,110,847	$13,832,832

Cost Allocation Workbook
Other Expense Allocation

Account Type	Administration	Program Coordination	Stationary Source	Strategic Planning	Grand Total
Other Expenses	$ 407,794				$ 407,794
Payroll Costs		$ 1,619,942	$ 2,735,806	$ 1,305,319	$ 5,661,068
Percentage of Payroll		29%	48%	23%	100%
Allocation Percentage		29%	48%	23%	100%
Other Expenses Allocation		$ 116,692	$ 197,073	$ 94,029	$ 407,794
Reallocated Total		**$ 116,692**	**$ 197,073**	**$ 94,029**	**$ 407,794**

* $257,670 is related to interest expense
** $150,000 is related to leasing (rent)

Cost Allocation Workbook
Admin Fixed Assets Allocation

G/L Account	Account Type	Admin	Mobile Source	Program Coordination	Stationary Source	Strategic Planning	Grand Total
43430300	Fixed Assets	$ 6,908		$ 159,440			$ 166,348
	Grand Total	$ 6,908		$ 159,440			**$ 166,348**
	Admin Burden %		17%	24%	40%	19%	
	Admin Allocation		$ 1,159	$ 1,645	$ 2,778	$ 1,326	$ 6,908
	Reallocated Totals		$ 1,159	$ 161,085	$ 2,778	$ 1,326	**$ 166,348**

Cost Allocation Workbook
Admin Interfund Allocation

Sum of Dollar Amount		Division Name		
G/L Account	**Account Type**	**Admin**	**Stationary Source**	**Grand Total**
50597900	Interfund Charges	$ 12,199.63	$ 368,761.72	$ 380,961.35
Grand Total		$ 12,199.63	$ 368,761.72	**$ 380,961.35**

* Interfund charges are a 100% Stationary Source charge

Account Type	Stationary Source
Payroll	$ 2,735,806
Fixed Assets	$ -
Interfund Charges	$ 368,762
Non Payroll Expenses	$ 268,708
Other Expenses	$ -
Subtotal Stationary Source (Excluding Payroll)	$ 637,470
Subtotal Stationary Sources (Including Payroll)	3,373,276
Admin Payroll Allocation (includes overhead costs)	$ 938,713
Admin Expense Allocation	$ 656,340
Subtotal Admin Expense Allocation	$ 1,595,053
Other Expenses Allocation	$ 197,073
Total Stationary Source Expense	$ 5,165,402

	Payroll Allocation		Expense Allocation	Admin Payroll Allocation	Admin Expense Allocation	Other Expense Allocation	Total
Rule 301 (Includes Unpermitted Sources)	$ 2,230,193	82%	$ 519,657	$ 765,226	$ 535,040	$ 160,652	$ 4,210,768
Rule 304	$ 272,934	10%	$ 63,596	$ 93,649	$ 65,479	$ 19,661	$ 515,319
Rule 306	$ 69,438	3%	$ 16,180	$ 23,826	$ 16,659	$ 5,002	$ 131,104
Other Rules (PERP and Rule 302)	$ 163,241	6%	$ 38,037	$ 56,011	$ 39,163	$ 11,759	$ 308,211
	$ 2,735,806	100%	$ 637,470	$ 938,713	$ 656,340	$ 197,073	$ 5,165,402

Account Type	Program Coordination
Payroll	$ 1,619,942
Fixed Assets	$ 159,440
Interfund Charges	$ -
Non Payroll Expenses	$ 880,242
Other Expenses	
Subtotal Program Coordination (Excluding Payroll)	$ 1,039,682
Subtotal Program Coordination (Including Payroll)	$ 2,659,624
Admin Payroll Allocation (includes overhead costs)	$ 555,836
Admin Expense Allocation	$ 381,412
Subtotal Admin Expense Allocation	$ 937,248
Other Expenses Allocation	$ 116,692
Total Program Coordination Expense	$ 3,713,565

	Payroll Allocation		Expense Allocation	Admin Payroll Allocation	Admin Expense Allocation	Other Expenses Allocation	Less Offsetting Revenue	Total
Rule 301	$ 814,524	50%	$ 522,763	$ 279,480	$ 191,778	$ 58,674	$ (6,218)	1,861,002
Rule 304	$ 35,555	2%	$ 22,819	$ 12,200	$ 8,371	$ 2,561		81,507
Other Program Costs (Planning, Emissions, Air Monitoring)	$ 769,863	48%	$ 494,100	$ 264,156	$ 181,263	$ 55,457		1,764,839
	$ 1,619,942	100%	$ 1,039,682	$ 555,836	$ 381,412	$ 116,692		$ 3,707,347

Cost Allocation Workbook
Rule Expenses

	Stationary Sources	Program Coordination	Total
Rule 301	$ 4,210,768	$ 1,861,002	$ 6,071,770
Rule 304	$ 515,319	$ 81,507	$ 596,826
Rule 306	$ 131,104		$ 131,104
Other Rules (PERP and Rule 302)	$ 308,211		$ 308,211
Total Rule Expenses	**$ 5,165,402**	**$ 1,942,508**	**$ 7,107,911**
Other Program Costs (Planning, Emissions, Air Monitoring)		$ 1,764,839	$ 1,764,839
Total SS and PC Costs with Administrative Allocations	**$ 5,165,402**	**$ 3,707,347**	**$ 8,872,750**

Rule 301 Payroll		
Stationary Sources	$	2,230,193
Program Coordination	$	814,524
Less ERC offsetting Revenue	$	(6,218)
Total Rule 301 Payroll Costs	$	3,038,499
	$	9,284,375
Rule 301 Areas		
Direct Costs		
SS Permitting (Initial)	$	882,352
SS Field Ops (Renewal)	$	1,112,171
Total Direct	$	1,994,523
Rule 301 Support Services		
PC Permitting (Rule Development)	$	416,998
Reinspection		
SS Other	$	235,670
PC Other	$	391,308
Total 301 Support Services	$	1,043,976
Total Rule 301 Payroll Costs	$	3,038,499
Rule 301 Allocations		
Rule 301 SS Expenses	$	519,657
Rule 301 PC Expenses	$	522,763
Total	**$**	**1,042,420**
Rule 301 SS Admin Payroll	$	765,226
Rule 301 PC Admin Payroll	$	279,480
Total	**$**	**1,044,707**
Rule 301 SS Admin Expenses	$	535,040
Rule 301 PC Admin Expenses	$	191,778
Total	**$**	**726,818**
Rule 301 SS Other Expenses Allocation	$	160,652
Rule 301 PC Other Expenses Allocation	$	58,674
Total	**$**	**219,326**
Total Rule 301 Allocations	**$**	**3,033,271**
Total Rule 301 Costs	**$**	**6,071,770**

	Direct Salary	Expense Allocation Percentage	Rule 301 Support Services	Expense Allocation	Admin Payroll Allocation	Admin Expense Allocation	Other Expenses Allocation	Total Costs
Initial Permits	$ 882,352	44%	$ 461,842	$ 461,154	$ 462,165	$ 321,535	$ 97,027	$ 2,686,076
Renewal Permits	$ 1,112,171	56%	$ 582,134	$ 581,267	$ 582,541	$ 405,283	$ 122,299	$ 3,385,694
Total Costs	$ 1,994,523	100%	$ 1,043,976	$ 1,042,420	$ 1,044,707	$ 726,818	$ 219,326	$ 6,071,770

	Revenue	
G/L Account	**Account Name**	
	Rule 301	
92929031	Reinspections	(7,203)
92929034	Title V Permit Fees (Exceptional Lic/Per per Compass)	(27,798)
92929035	Document/File Review	(53,509)
92929051	Initial Permit Fees	(889,561)
92929052	Annual Permit Renewal Fees	(2,563,156)
92929000	Licenses/Permits - Other	(24,205)
95956900	State Aid - Other Misc. Programs	(360,241)
96964100	Planning Services Charges	(23,785)
	Total Revenue Rule 301	(3,949,458)
	Rule 303	
92929053	Ag Burn Fees	(14,792)
	Total Revenue Rule 303	(14,792)
	Rule 304	
97979024	Geo Tech Cons	(1,306)
97979016	Asbestos Plan Fees	(272,844)
	Total Revenue Rule 304	(274,150)
	Rule 306	
97979020	State Toxics Emissions Fee	(42,051)
	Total Revenue Rule 306	(42,051)
	Total Rule Specific Revenue	(4,280,451)
	Other Rule Related Revenue	
93934000	Civil Settlements	(1,090,612)
94941000	Interest Income	(100,000)
95958900	Federal Aid - Health Programs	(1,400,000)
97979022	Variances	(3,098)
	Total Rule Related Revenue	(2,593,710)
	Total Program Supporting Revenue	(6,874,161)

Cost Allocation Workbook
Rule 301 Residual Costs

	Direct Salary	Expense Allocation Percentage	Total Costs
Permitting (Initial Permits)	$ 882,352	44%	$ 2,686,076
Field Ops (Renewal Permits)	$ 1,112,171	56%	$ 3,385,694
Total	**$ 1,994,523**	**100%**	**$ 6,071,770**
	Rule 301	**Permitting (Initial Permits)**	**Field Ops (Renewal Permits)**
Total Costs	**$ 6,071,770**	**$ 2,686,076**	**$ 3,385,694**
Revenue			
Reinspections	(7,203)		$ (7,203.00)
Title V Permit Fees (Exceptional Lic/Per per Compass)	(27,798)		$ (27,798.00)
Document/File Review	(53,509)	$ (23,671.72)	$ (29,837.28)
Initial Permit Fees	(889,561)	(889,561)	
Annual Permit Renewal Fees	(2,563,156)		(2,563,156)
Licenses/Permits - Other	(24,205)	$ (10,707.99)	$ (13,497.01)
State Aid - Other Misc. Programs	(360,241)	$ (159,366.18)	$ (200,874.82)
Planning Services Charges	(23,785)	$ (10,522.19)	$ (13,262.81)
Total Revenue	(3,949,458)	(1,093,829)	(2,855,629)
Total Costs (Less Revenue)	**$ 2,122,312**	**$ 1,592,247**	**$ 530,065**

Schedule	Percentage of Total Renewal Time	Cost By Schedule	Schedule Fees	Emissions Fees	Reinspection Fees	Toxics Fees	Total Fees	Difference of Cost and Revenue
Schedule 1	28.20%	$ 954,744	$ 751,042	$ 96,048	$ 3,211	$ 9,935	$ 860,236	$ (94,508)
Schedule 2	19.31%	$ 653,796	$ 289,490	$ 84,662	$ 123	$ 1,417	$ 375,692	$ (278,104)
Schedule 3	0.59%	$ 20,021	$ 20,751	$ 3,774	$ -	$ 95	$ 24,620	$ 4,599
Schedule 4	0.58%	$ 19,595	$ 39,778	$ 3,544	$ 241	$ -	$ 43,563	$ 23,968
Schedule 5	1.59%	$ 53,672	$ 128,047	$ 3,174	$ -	$ 11,509	$ 142,730	$ 89,058
Schedule 6	16.07%	$ 544,250	$ 429,949	$ 38,794	$ 3,260	$ 29,165	$ 501,168	$ (43,082)
Schedule 7	18.17%	$ 615,032	$ 305,551	$ 47,042	$ 118	$ 3,532	$ 356,243	$ (258,789)
Schedule 8	0.02%	$ 781	$ -	$ -	$ -	$ -	$ -	$ (781)
Schedule 9	15.47%	$ 523,803	$ 377,160	$ 63,300	$ 723	$ 4,945	$ 446,128	$ (77,675)
Total	**100%**	**$ 3,385,694**	**$ 2,341,768**	**$ 340,338**	**$ 7,676**	**$ 60,598**	**$ 2,750,380**	**$ (635,314)**

APPENDIX D

STATIONARY SOURCE PROGRAM
FY13/14 EXPENDITURES AND REVENUES WITHOUT PROPOSED FEE INCREASE

FY2013-2014 (FTE = 92.95)

Program	Budgeted Cost FY13/14 SSD Cost	PCD Cost	Total Cost	Projected Revenues Revenue	Amount	Cost Less Budgeted Revenues Amount	% short	Other Revenues Revenue	Amount	Cost Less Budgeted and Other Revenues Amount	%short	H&SC Section
Permitted Program Cost	$ 4,283,865	$ 925,814	$ 5,209,679	Total Permitted Revenues	$ 4,714,400	$ 495,279	10%	Total	$ -	$ 495,279	10%	§42311(a)
Enforcement Permit Related	$ 2,284,327			Reinspection Fees	$ 2,652							
Permitting	$ 1,541,731			Source Test Fees	$ 173,564							
Application Intake	$ 179,507			Initial Fees	$ 314,587							
BERC	$ 116,498			Renewal Fees	$ 4,172,411							
Floating Roof Tank Inspection	$ 6,500			SEED-Renewal Fees (Rule 205)	$ 45,150							
Rule Development		$ 572,879		ERC -Transfer of credit (Rule 301)	$ 5,036							
Emission Inventory		$ 111,516		Variance	$ 1,000							
ERC		$ 241,419										
Unallocated Admin	$155,302											
Title V Program	$ 186,234	$ -	$ 186,234	Title V fees	$ 65,140	$ 121,094	65%	Total	$ -	$ 121,094	65%	
Title V	$ 180,229			Title V fees	$ 65,140							
Unallocated Admin	$ 6,005											
Air Toxics Program	$ 168,490		$ 168,490	Toxic Emissions Fees	$ 84,216	$ 84,274	50%	Total	$ -	$ 84,274	50%	§44380
Air Toxics Program	$ 163,093			Toxic Emissions Fees	$ 84,216							
Unallocated Admin	$ 5,397											
Unpermitted program (Rule 421)	$ 176,192	$ 387,319	$ 563,511	Total Unpermitted Revenue (Rule 421)	$ 355,017	$ 208,494	37%	Total	$ 208,494	$ 0	0%	§42311(g), 41512.5
Rule 421 Related Activities	$ 176,192	$ 6,777		Land Use Mitigation	$ 355,017			Other Revenues	$ 208,494			
Rule 421 Related Activities - CO (Staff time)		$ 125,490										
Rule 421 Related Activities - CO (other prof services)		$ 255,051										
Unpermitted Program (Other)	$ 86,880	$ 469,119	$ 556,000	Total Unpermitted Revenues	$ 22,690	$ 533,310	96%	Total	$ 533,310	$ (0)	0%	§42311(g), 41512.5
Enforcement Not Permit Related	$ 70,696			Land Use Mitigation	$ 22,690			Other Revenues	$ 533,310			
Wood Smoke Program		$ 22,690										
Rule Development		$ 327,624										
Emission Inventory		$ 118,806										
Unallocated Admin	$ 16,184											
PERP	$ 214,938	$ -	$ 214,938	PERP	$ 110,000	$ 104,938	49%	Total	$ 104,938	$ 0	0%	§41752
PERP	$ 207,968			PERP	$ 110,000			Other Revenues	$ 104,938			
Unallocated Admin	$ 6,970											
Ag Engine Registration Program	$ 12,935	$ -	$ 12,935	Total Ag Engine Registration Revenues	$ 3,000	$ 9,935	77%	Total	$ 9,935	$ 0	0%	§42311(g), 41512.5
Ag Engine Program	$ 12,506			Ag Engine Registration Fee	$ 3,000			Other Revenues	$ 9,935			
Unallocated Admin	$ 429											
Asbestos Program	$ 456,470	$ -	$ 456,470	Total Asbestos Program Fee	$ 251,500	$ 204,970	45%	Total	$ 204,970	$ 0	0%	§42311(g), 41512.5
Asbestos Program	$ 442,423			NOA Asbestos Fees	$ 1,500			Other Revenues	$ 204,970			
Unallocated Admin	$ 14,047			Asbestos Plan Fees	$ 250,000							
Ag Burn Program	$ 81,800	$ -	$ 81,800	Ag Burn	$ 14,876	$ 66,924	82%	Total	$ 66,924	$ -	0%	
Ag Burn Program	$ 81,800			Ag Burn Permits	$ 14,876			Other Revenues	$ 66,924			
Basin Control Council -Cost	$ 21,250	$ -	$ 21,250		$ -	$ 21,250	100%	Total	$ 21,250	$ -	0%	
Basin Control Council	$ 21,250							Other Revenues	$ 21,250			
Total			$ 7,471,306	Total	$ 5,620,839	$ 1,850,468	25%		$ 1,149,821	$ 700,647	9%	

Other Projected Revenues	Total Budgeted				
Civil Penalties	$ 375,000				
State- ARB Subvention	$ 340,000				
Federal -EPA 105 Grant	$ 547,852	Other Unallocated Admin		Revenue Available	Remaining
Other Revenue (Total)	$ 1,262,852	$ 113,031		$ 1,149,821	$ (0)

Revenue Allocation: BCC, Ag Burn, Asbestos, Ag Engine, PERP, Unpermitted (other), Toxics, Title V, Permittec

Cost for Unpermitted program (Rule 421) is covered first by other revenues, if available, and then by land use mitigation fees.

Notes

1. Costs and revenues are based FY13/14 budgets.

3. Administrative costs are spread to all District programs as indirect costs. No admin costs are directly allocated in Stationary Source Program.

4. Portion of the indirect admin costs spread to the admin program is cover by DMV funds. The remaining portion, known as the unallocated admin costs, are spread to the other District programs (Stationary Source, Mobile, Land Use, Program Coordination). Portion of the unallocated admin not related to the Stationary Source Program is funded by other revenue streams .

5. BERC - 100% Permit Related from SSD. BERC is $116,498 in FY13/14. Assume no increase in future years.

6. Portions of ARB subvention money are dedicated to cover the cost of the following:

    1. $66,924 (equivalent to total program cost, $81,800, less the ag burn program revenues ,$14,876)for the Sacramento County Ag Commissioner's contract to operate the Ag Burn Program. No FTE is included.
    2. $21,250 paid to the Basinwide Air Pollution Control Council. No FTE is included.

7. ERC - 100% in Permitted Program Cost

8. Rule 421/Wood Smoke (PCD)

    Cost does not include incentive monies in the wood stove change out program.

Total Cost in FY13/14	$	29,467	0.17 FTE	
Rule 421 Portion	$	6,777	0.04 FTE	in unpermitted program (Rule 421)
Wood Smoke Program Portion	$	22,690	0.13 FTE	in unpermitted program

9. Emission Inventory, Time allocation.

    a. 40% allocated in permitted program cost
    b. 44% allocated in unpermitted program cost
    c. 16% allocated to other. This portion of emission inventory is work related to mobile sources which is funded by DMV funds.

10. Rule Development

    a. 64% allocated in permitted program cost based on past rule development.
    b. 36% allocated in unpermitted program cost based on past rule development.

11. Federal EPA105 Grant does not include PAMs.

12. Rule 421 related activities are temporary funded by LU mitigation.

13. NOA means naturally occurring asbestos.

14. BERC means Business Environmental Resource Center.

15. ERC means emission reduction credit.

16. CO means Communication Office.

17. PERP means Portable Equipment Registration Program.

APPENDIX E

STATIONARY SOURCE PROGRAM
PROJECTED EXPENDITURES AND REVENUES WITH PROPOSED FEE INCREASES
(FY13/14 TO FY17/18)

OPTION 1A: FY2013/2014 Maintain Staff Level (FTE = 92.95) and Restore Fund Balance

Program	Budgeted Cost FY13/14 SSD Cost	PCD Cost	Total Cost	Projected Revenues Revenue	Amount	Cost Less Budgeted Revenues Amount	% short	Other Revenues Revenue	Amount	Cost Less Budgeted and Other Revenues Amount	%short	H&SC Section
Permitted Program Cost	$ 4,479,879	$ 925,814	$ 5,405,693	Total Permitted Revenues	$ 5,405,693	$ (0)	0%	Total	$ -	$ (0)	0%	§42311(a)
Enforcement Permit Related	$ 2,284,327			Reinspection Fees	$ 2,652							
Permitting	$ 1,541,731			Source Test Fees	$ 196,262							
Application Intake	$ 179,507			Initial Fees	$ 355,728							
BERC	$ 116,498			Renewal Fees	$ 4,718,065							
Floating Roof Tank Inspection	$ 6,500			SEED-Renewal Fees (Rule 205)	$ 126,950							
Rule Development		$ 572,879		ERC Processing (Rules 205, 301)	$ 5,036							
Emission Inventory		$ 111,516		Variance	$ 1,000							
ERC		$ 241,419										
Unallocated Admin	$155,302											
Fund Balance	$ 196,014											
Title V Program	$ 186,234	$ -	$ 186,234	Title V fees	$ 140,855	$ 45,379	24%	Total	$ 45,379	$ (0)	0%	
Title V	$ 180,229			Title V fees	$ 140,855			Fund Balance	$ 45,379			
Unallocated Admin	$ 6,005											
AB2588 Program	$ 168,490		$ 168,490	Toxic Emissions Fees	$ 145,312	$ 23,178	14%	Total	$ -	$ 23,178	14%	§44380
AB2588	$ 163,093			Toxic Emissions Fees	$ 145,312							
Unallocated Admin	$ 5,397											
Unpermitted program (Rule 421)	$ 176,192	$ 387,319	$ 563,511	Total Unpermitted Revenue (Rule 421)	$ 355,317	$ 208,194	37%	Total	$ 208,194	$ 0	0%	§42311(g), 41512.5
Rule 421 Related Activities	$ 176,192	$ 6,777		Land Use Mitigation	$ 355,317			Other Revenues	$ 208,194			
Rule 421 Related Activities - CO (Staff time)		$ 125,490										
Rule 421 Related Activities - CO (other prof services)		$ 255,051										
Unpermitted Program (Other)	$ 86,880	$ 469,119	$ 556,000	Total Unpermitted Revenues	$ 22,690	$ 533,310	96%	Total	$ 533,310	$ (0)	0%	§42311(g), 41512.5
Enforcement Not Permit Related	$ 70,696			Land Use Mitigation	$ 22,690			Other Revenues	$ 533,310			
Wood Smoke		$ 22,690										
Rule Development		$ 327,624										
Emission Inventory		$ 118,806										
Unallocated Admin	$ 16,184											
PERP	$ 214,938	$ -	$ 214,938	PERP	$ 110,000	$ 104,938	49%	Total	$ 104,938	$ 0	0%	§41752
PERP	$ 207,968			PERP	$ 110,000			Other Revenues	$ 104,938			
Unallocated Admin	$ 6,970											
Ag Engine Registration Program	$ 12,935	$ -	$ 12,935	Total Ag Engine Registration Revenues	$ 3,200	$ 9,735	75%	Total	$ 9,735	$ 0	0%	§42311(g), 41512.5
Ag Engine Program	$ 12,506			Ag Engine Registration Fee	$ 3,200			Other Revenues	$ 9,735			
Unallocated Admin	$ 429											
Asbestos Program	$ 456,470	$ -	$ 456,470	Total Asbestos Program Fee	$ 251,000	$ 205,470	45%	Total	$ 205,470	$ 0	0%	§42311(g), 41512.5
Asbestos Program	$ 442,423			NOA Asbestos Fees	$ 1,000			Other Revenues	$ 205,470			
Unallocated Admin	$ 14,047			Asbestos Plan Fees	$ 250,000							
Ag Burn Program	$ 81,800	$ -	$ 81,800	Ag Burn	$ 14,876	$ 66,924	82%	Total	$ 66,924	$ -	0%	
Ag Burn Program	$ 81,800			Ag Burn Permits	$ 14,876			Other Revenues	$ 66,924			
Basin Control Council -Cost	$ 21,250	$ -	$ 21,250		$ -	$ 21,250	100%	Total	$ 21,250	$ -	0%	
Basin Control Council	$ 21,250							Other Revenues	$ 21,250			
Total			$ 7,667,320	Total	$ 6,448,943	$ 1,218,377	16%		$ 1,195,200	$ 23,177	0%	

	CPI	Additional Increase	Total Increase
FY13/14 Title V Increase		New fee structure	
FY13/14 Non-Title V Increase	2.00%	13.00%	15.00%
	Total Needed	**Starting**	**Ending**
Fund Balance - 301	$ 1,544,946	$0	$150,635
Fund Balance - 306	$ 42,123	$0	$ -

Other Projected Revenues	Total Budgeted
Civil Penalties	$ 375,000
State- ARB Subvention	$ 340,000
Federal -EPA 105 Grant	$ 547,852
Other Revenue (Total)	$ 1,262,852

Other Unallocated Admin: $ 113,031

Available Revenues: $ 1,149,821

Remaining Revenues: $ (0)

Revenue Allocation: BCC, Ag Burn, Asbestos, Ag Engine, PERP, Unpermitted (other), Unpermitted (Rule 421), Toxics, Title V, Permitted

Cost for Unpermitted program (Rule 421) is covered first by other revenues, if available, and then by land use mitigation.

OPTION 1A FY2014/2015 Maintain Staff Level (FTE = 92.95) and Restore Fund Balance

Program	Budgeted Cost FY14/15 SSD Cost	PCD Cost	Total Cost	Budgeted Revenues Revenue	Amount	Cost Less Budgeted Revenues Amount	% short	Other Revenues Revenue	Amount	Cost Less Budgeted and Other Revenues Amount	%short	H&SC Section
Permitted Program Cost	$ 4,659,233	$ 945,102	$ 5,604,335	Total Permitted Revenues	$ 5,604,335	$ (0)	0%	Total	$ -	$ (0)	0%	§42311(a)
Enforcement Permit Related	$ 2,328,634			Reinspection Fees	$ 2,949							
Permitting	$ 1,616,367			Source Test Fees	$ 211,387							
Application Intake	$ 183,253			Initial Fees	$ 368,534							
BERC	$ 116,498			Renewal Fees	$ 4,887,915							
Floating Roof Tank Inspection	$ 6,500			SEED-Renewal Fees (Rule 205)	$ 126,950							
Rule Development		$ 583,030		ERC Processing (Rules 205, 301)	$ 5,600							
Emission Inventory		$ 116,023		Variance	$ 1,000							
ERC		$ 246,049										
Unallocated Admin	$ 147,384											
Fund Balance -301	$ 260,596											
Title V Program	$ 189,614	$ -	$ 189,614	Title V fees	$ 161,983	$ 27,630	15%	Total	$ 27,630	$ 0	0%	
Title V	$ 183,963			Title V fees	$ 161,983			Fund Balance-301	$ 27,630			
Unallocated Admin	$5,651											
AB2588 Program	$ 143,681		$ 143,681	Toxic Emissions Fees	$ 143,681	$ 0	0%	Total	$ -	$ 0	0%	§44380
AB2588	$ 126,938			Toxic Emissions Fees	$ 143,681							
Unallocated Admin	$ 3,834											
Fund Balance - 306	$ 12,909											
Unpermitted program (Rule 421)	$ 179,583	$ 375,853	$ 555,436	Total Unpermitted Revenue (Rule 421)	$ 346,261	$ 209,175	38%	Total	$ 209,175	$ (0)	0%	§42311(g), 41512.5
Rule 421 Related Activities	$ 179,583	$ 6,912		Land Use Mitigation	$ 346,261			Other Revenues	$ 209,175			
Rule 421 Related Activities - CO (Staff time)		$ 127,890										
Rule 421 Related Activities - CO (other prof services)		$ 241,051										
Unpermitted Program (Other)	$ 87,327	$ 480,350	$ 567,677	Total Unpermitted Revenues	$ 23,140	$ 544,537	96%	Total	$ 544,537	$ (0)	0%	§42311(g), 41512.5
Enforcement Not Permit Related	$ 72,098			Land Use Mitigation	$ 23,140			Other Revenues	$ 544,537			
Wood Smoke		$ 23,140										
Rule Development		$ 333,349										
Emission Inventory		$ 123,862										
Unallocated Admin	$ 15,229											
PERP	$ 218,535	$ -	$ 218,535	PERP	$ 110,000	$ 108,535	50%	Total	$ 108,535	$ 0	0%	§41752
PERP	$ 211,977			PERP	$ 110,000			Other Revenues	$ 108,535			
Unallocated Admin	$ 6,559											
Ag Engine Registration Program	$ 13,147	$ -	$ 13,147	Total Ag Engine Registration Revenues	$ 3,200	$ 9,947	76%	Total	$ 9,947	$ 0	0%	§42311(g), 41512.5
Ag Engine Program	$ 12,744			Ag Engine Initial Permits	$ 3,200			Other Revenues	$ 9,947			
Unallocated Admin	$ 404			Ag Engine Renewals								
Asbestos Program	$ 464,043	$ -	$ 464,043	Total Asbestos Program Fee	$ 251,000	$ 213,043	46%	Total	$ 213,043	$ 0	0%	§42311(g), 41512.5
Asbestos Program	$ 450,825			NOA Asbestos Fees	$ 1,000			Other Revenues	$ 213,043			
Unallocated Admin	$ 13,218			Asbestos Plan Fees	$ 250,000							
Ag Burn Program	$ 81,800	$ -	$ 81,800	Ag Burn	$ 14,876	$ 66,924	82%	Total	$ 66,924	$ -	0%	
Ag Burn Program	$ 81,800			Ag Burn Permits	$ 14,876			Other Revenues	$ 66,924			
Basin Control Council -Cost	$ 21,250	$ -	$ 21,250		$ -	$ 21,250	100%	Total	$ 21,250	$ -	0%	
Basin Control Council	$ 21,250							Other Revenues	$ 21,250			
Total			$ 7,859,518	Total	$ 6,658,477	$ 1,201,041	15%		$ 1,201,041	$ 0	0%	

	CPI	Additional Increase	Total Increase
FY13/14 Title V Increase	2.00%	13.00%	15.00%
FY13/14 Non-Title V Increase	2.00%	1.60%	3.60%

	Total Needed	Starting	Ending
Fund Balance - 301	$ 1,583,178	$ 150,635	$ 383,601
Fund Balance - 306	$ 35,920	$ -	$ 12,909

Other Budgeted Revenues	Total Budgeted	Other Unallocated Admin	Available Revenues	Remaining Revenues
Civil Penalties	$ 375,000			
State- ARB Subvention	$ 340,000			
Federal -EPA 105 Grant	$ 547,852			
Other Revenue (Total)	$ 1,262,852	$ 89,441	$ 1,173,411	$ -

Revenue Allocation: BCC, Ag Burn, Asbestos, Ag Engine, PERP, Unpermitted (other), Unpermitted (Rule 421), Toxics, Title V, Permitted
Cost for Unpermitted program (Rule 421) is covered first by other revenues, if available, and then by land use mitigation.

OPTION 1A: FY2015/2016 Maintain Staff Level (FTE = 92.95) and Restore Fund Balance

Program	Budgeted Cost FY15/16: SSD Cost	Budgeted Cost FY15/16: PCD Cost	Budgeted Cost FY15/16: Total Cost	Budgeted Revenues: Revenue	Budgeted Revenues: Amount	Cost Less Budgeted Revenues: Amount	Cost Less Budgeted Revenues: % short	Other Revenues: Revenue	Other Revenues: Amount	Cost Less Budgeted and Other Revenues: Amount	Cost Less Budgeted and Other Revenues: %short	H&SC Section
Permitted Program Cost	$ 4,837,340	$ 965,031	$ 5,802,370	Total Permitted Revenues	$ 5,802,371	$ (0)	0%	Total	$ -	$ (0)	0%	§42311(a)
Enforcement Permit Related	$ 2,380,923			Reinspection Fees	$ 3,076							
Permitting	$ 1,651,776			Source Test Fees	$ 219,822							
Application Intake	$ 187,602			Initial Fees	$ 381,801							
BERC	$ 116,498			Renewal Fees	$ 5,063,880							
Floating Roof Tank Inspection	$ 6,500			SEED-Renewal Fees (Rule 205)	$ 126,950							
Rule Development		$ 594,973		ERC Processing (Rules 205, 301)	$ 5,841							
Emission Inventory		$ 118,444		Variance	$ 1,000							
ERC		$ 251,614										
Unallocated Admin	$ 145,990											
Fund Balance -301	$ 348,050											
Title V Program	$ 193,718	$ -	$ 193,718	Title V fees	$ 186,281	$ 7,438	4%	Total	$ 7,438	$ (0)	0%	
Title V	$ 188,121			Title V fees	$ 186,281			Fund Balance-301	$ 7,438			
Unallocated Admin	$ 5,597											
AB2588 Program	$ 143,681		$ 143,681	Toxic Emissions Fees	$ 143,681	$ 0	0%	Total	$ -	$ 0	0%	§44380
AB2588	$ 129,834			Toxic Emissions Fees	$ 143,681							
Unallocated Admin	$ 3,798											
Fund balance - 306	$ 10,049											
Unpermitted program (Rule 421)	$ 183,613	$ 378,882	$ 562,495	Total Unpermitted Revenue (Rule 421)	$ 371,816	$ 190,679	34%	Total	$ 190,679	$ 0	0%	§42311(g), 41512.5
Rule 421 Related Activities	$ 183,613	$ 7,071		Land Use Mitigation	$ 371,816			Other Revenues	$ 190,679			
Rule 421 Related Activities - CO (Staff time)		$ 130,760										
(other prof services)		$ 241,051										
Unpermitted Program (Other)	$ 88,828	$ 490,408	$ 579,236	Total Unpermitted Revenues	$ 23,673	$ 555,563	96%	Total	$ 555,563	$ (0)	0%	§42311(g), 41512.5
Enforcement Not Permit Related	$ 73,743			Land Use Mitigation	$ 23,673			Other Revenues	$ 555,563			
Wood Smoke		$ 23,673										
Rule Development		$ 340,085										
Emission Inventory		$ 126,650										
Unallocated Admin	$ 15,085											
PERP	$ 223,263	$ -	$ 223,263	PERP	$ 110,000	$ 113,263	51%	Total	$ 113,263	$ 0	0%	§41752
PERP	$ 216,767			PERP	$ 110,000			Other Revenues	$ 113,263			
Unallocated Admin	$ 6,497											
Ag Engine Registration Program	$ 13,429	$ -	$ 13,429	Total Ag Engine Registration Revenues	$ 3,200	$ 10,229	76%	Total	$ 10,229	$ (0)	0%	§42311(g), 41512.5
Ag Engine Program	$ 13,029			Ag Engine Initial Permits	$ 3,200			Other Revenues	$ 10,229			
Unallocated Admin	$ 400			Ag Engine Renewals								
Asbestos Program	$ 473,785	$ -	$ 473,785	Total Asbestos Program Fee	$ 251,000	$ 222,785	47%	Total	$ 222,785	$ 0	0%	§42311(g), 41512.5
Asbestos Program	$ 460,692			NOA Asbestos Fees	$ 1,000			Other Revenues	$ 222,785			
Unallocated Admin	$ 13,093			Asbestos Plan Fees	$ 250,000							
Ag Burn Program	$ 81,800	$ -	$ 81,800	Ag Burn	$ 14,876	$ 66,924	82%	Total	$ 66,924	$ -	0%	
Ag Burn Program	$ 81,800			Ag Burn Permits	$ 14,876			Other Revenues	$ 66,924			
Basin Control Council -Cost	$ 21,250	$ -	$ 21,250		$ -	$ 21,250	100%	Total	$ 21,250	$ -	0%	
Basin Control Council	$ 21,250							Other Revenues	$ 21,250			
Total			$ 8,095,029	Total	$ 6,906,897	$ 1,188,131	15%		$ 1,188,131	$ 0	0%	

	CPI	Additional Increase	Total Increase
FY13/14 Title V Increase	2.00%	13.00%	15.00%
FY13/14 Non-Title V Increase	2.00%	1.60%	3.60%

	Total Needed	Starting	Ending
Fund Balance - 301	$ 1,615,992	$383,601	$724,213
Fund Balance - 306	$ 35,920	$ 12,909	$ 22,958

Other Budgeted Revenues	Total Budgeted
Civil Penalties	$ 375,000
State- ARB Subvention	$ 340,000
Federal -EPA 105 Grant	$ 547,852
Other Revenue (Total)	$ 1,262,852

Other Unallocated Admin	Available Revenues	Remaining Revenues
$ 82,159	$ 1,180,693	$ -

Revenue Allocation: BCC, Ag Burn, Asbestos, Ag Engine, PERP, Unpermitted (other), Unpermitted (Rule 421), Toxics, Title V, Permitted
Cost for Unpermitted program (Rule 421) is covered first by other revenues, if available, and then by land use mitigation.

OPTION 1A: FY2016-2017 Maintain Staff Level (FTE = 92.95) and Restore Fund Balance

Program	Budgeted Cost FY16/17 SSD Cost	PCD Cost	Total Cost	Budgeted Revenues Revenue	Amount	Cost Less Budgeted Revenues Amount	% short	Other Revenues Revenue	Amount	Cost Less Budgeted and Other Revenues Amount	%short	H&SC Section
Permitted Program Cost	$ 5,023,035	$ 983,615	$ 6,006,650	Total Permitted Revenues	$ 6,006,650	$ 0	0%	Total	$ -	$ 0	0%	§42311(a)
Enforcement Permit Related	$ 2,429,622			Reinspection Fees	$ 3,187							
Permitting	$ 1,684,904			Source Test Fees	$ 227,736							
Application Intake	$ 191,563			Initial Fees	$ 395,546							
BERC	$ 116,498			Renewal Fees	$ 5,246,180							
Floating Roof Tank Inspection	$ 6,500			SEED-Renewal Fees (Rule 205)	$ 126,950							
Rule Development		$ 606,030		ERC Processing (Rules 205, 301)	$ 6,051							
Emission Inventory		$ 120,729		Variance	$ 1,000							
ERC		$ 256,855										
Unallocated Admin	$ 147,634											
Fund Balance -301	$ 446,314											
Title V Program	$ 198,389	$ -	$ 198,389	Title V fees	$ 198,389	$ (0)	0%	Total	$ -	$ (0)	0%	
Title V	$ 192,021			Title V fees	$ 198,389							
Unallocated Admin	$ 5,660											
Fund Balance-301	$708											
AB2588 Program	$ 143,681		$ 143,681	Toxic Emissions Fees	$ 143,681	$ (0)	0%	Total	$ -	$ (0)	0%	§44380
AB2588	$ 132,540			Toxic Emissions Fees	$ 143,681							
Unallocated Admin	$ 3,841											
Fund Balance - 306	$ 7,300											
Unpermitted program (Rule 421)	$ 187,398	$ 381,731	$ 569,129	Total Unpermitted Revenue (Rule 421)	$ 402,208	$ 166,921	29%	Total	$ 166,921	$ 0	0%	§42311(g), 41512.5
Rule 421 Related Activities	$ 187,398	$ 7,219		Land Use Mitigation	$ 402,208			Other Revenues	$ 166,921			
Rule 421 Related Activities - CO (Staff time)		$ 133,462										
(other prof services)		$ 241,051										
Unpermitted Program (Other)	$ 90,521	$ 499,767	$ 590,288	Total Unpermitted Revenues	$ 24,167	$ 566,121	96%	Total	$ 566,121	$ 0	0%	§42311(g), 41512.5
Enforcement Not Permit Related	$ 75,266			Land Use Mitigation	$ 24,167			Other Revenues	$ 566,121			
Wood Smoke		$ 24,167										
Rule Development		$ 346,323										
Emission Inventory		$ 129,277										
Unallocated Admin	$ 15,255											
PERP	$ 227,839	$ -	$ 227,839	PERP	$ 110,000	$ 117,839	52%	Total	$ 117,839	$ 0	0%	§41752
PERP	$ 221,270			PERP	$ 110,000			Other Revenues	$ 117,839			
Unallocated Admin	$ 6,570											
Ag Engine Registration Program	$ 13,704	$ -	$ 13,704	Total Ag Engine Registration Revenues	$ 3,200	$ 10,504	77%	Total	$ 10,504	$ (0)	0%	§42311(g), 41512.5
Ag Engine Program	$ 13,300			Ag Engine Initial Permits	$ 3,200			Other Revenues	$ 10,504			
Unallocated Admin	$ 404			Ag Engine Renewals								
Asbestos Program	$ 483,155	$ -	$ 483,155	Total Asbestos Program Fee	$ 251,000	$ 232,155	48%	Total	$ 232,155	$ 0	0%	§42311(g), 41512.5
Asbestos Program	$ 469,915			NOA Asbestos Fees	$ 1,000			Other Revenues	$ 232,155			
Unallocated Admin	$ 13,241			Asbestos Plan Fees	$ 250,000							
Ag Burn Program	$ 81,800	$ -	$ 81,800	Ag Burn	$ 14,876	$ 66,924	82%	Total	$ 66,924	$ -	0%	
Ag Burn Program	$ 81,800			Ag Burn Permits	$ 14,876			Other Revenues	$ 66,924			
Basin Control Council -Cost	$ 21,250	$ -	$ 21,250		$ -	$ 21,250	100%	Total	$ 21,250	$ -	0%	
Basin Control Council	$ 21,250							Other Revenues	$ 21,250			
Total			$ 8,335,885	Total	$ 7,154,171	$ 1,181,715	14%		$ 1,181,714	$ 1	0%	

	CPI	Additional Increase	Total Increase
FY13/14 Title V Increase	2.00%	4.50%	6.50%
FY13/14 Non-Title V Increase	2.00%	1.60%	3.60%

	Total Needed	Starting	Ending
Fund Balance - 301	$ 1,647,639	$ 724,213	$ 1,171,235
Fund Balance - 306	$ 35,920	$ 22,958	$ 30,258

Other Budgeted Revenues	Total Budgeted
Civil Penalties	$ 375,000
State- ARB Subvention	$ 340,000
Federal -EPA 105 Grant	$ 547,852
Other Revenue (Total)	$ 1,262,852

Other Unallocated Admin	Available Revenues	Remaining Revenues
$ 81,138	$ 1,181,714	$ -

Revenue Allocation: BCC, Ag Burn, Asbestos, Ag Engine, PERP, Unpermitted (other), Unpermitted (Rule 421), Toxics, Title V, Permitted

Cost for Unpermitted program (Rule 421) is covered first by other revenues, if available, and then by land use mitigation.

OPTION 1A: FY2017-2018 Maintain Staff Level (FTE = 92.95) and Restore Fund Balance

Program	Budgeted Cost FY17/18 SSD Cost	PCD Cost	Total Cost	Budgeted Revenues Revenue	Amount	Cost Less Budgeted Revenues Amount	% short	Other Revenues Revenue	Amount	Cost Less Budgeted and Other Revenues Amount	%short	H&SC Section
Permitted Program Cost	$ 5,208,547	$ 1,009,463	$ 6,218,010	Total Permitted Revenues	$ 6,218,010	$ 0	0%	Total	$ -	$ 0	0%	§42311(a)
Enforcement Permit Related	$ 2,497,028			Reinspection Fees	$ 3,295							
Permitting	$ 1,731,160			Source Test Fees	$ 235,679							
Application Intake	$ 196,940			Initial Fees	$ 409,786							
BERC	$ 116,498			Renewal Fees	$ 5,435,042							
Floating Roof Tank Inspection	$ 6,500			SEED-Renewal Fees (Rule 205)	$ 126,950							
Rule Development		$ 621,258		ERC Processing (Rules 205, 301)	$ 6,257							
Emission Inventory		$ 123,954		Variance	$ 1,000							
ERC		$ 264,251										
Unallocated Admin	$ 155,282											
Fund Balance-301	$ 505,140											
Title V Program	$ 203,424	$ -	$ 203,424	Title V fees	$ 202,357	$ 1,067	1%	Total	$ 1,067	$ (0)	0%	
Title V	$ 197,470			Title V fees	$ 202,357			Fund Balance-301	$ 1,067			
Unallocated Admin	$ 5,953											
AB2588 Program	$ 143,681		$ 143,681	Toxic Emissions Fees	$ 143,681	$ 0	0%	Total	$ -	$ 0	0%	§44380
AB2588	$ 136,299			Toxic Emissions Fees	$ 143,681							
Unallocated Admin	$ 4,040											
Fund Balance-306	$ 3,342											
Unpermitted program (Rule 421)	$ 192,696	$ 385,743	$ 578,439	Total Unpermitted Revenue (Rule 421)	$ 458,709	$ 119,730	21%	Total	$ 119,730	$ (0)	0%	§42311(g), 41512.5
Rule 421 Related Activities	$ 192,696	$ 7,424		Land Use Mitigation	$ 458,709			Other Revenues	$ 119,730			
Rule 421 Related Activities - CO (Staff time)		$ 137,268										
(other prof services)		$ 241,051										
Unpermitted Program (Other)	$ 93,409	$ 512,741	$ 606,150	Total Unpermitted Revenues	$ 24,853	$ 581,297	96%	Total	$ 581,297	$ (0)	0%	§42311(g), 41512.5
Enforcement Not Permit Related	$ 77,364			Land Use Mitigation	24853			Other Revenues	$ 581,297			
Wood Smoke		$ 24,853										
Rule Development		$ 354,915										
Emission Inventory		$ 132,973										
Unallocated Admin	$ 16,045											
PERP	$ 234,481	$ -	$ 234,481	PERP	$ 110,000	$ 124,481	53%	Total	$ 124,481	$ 0	0%	§41752
PERP	$ 227,571			PERP	$ 110,000			Other Revenues	$ 124,481			
Unallocated Admin	$ 6,910											
Ag Engine Registration Program	$ 14,106	$ -	$ 14,106	Total Ag Engine Registration Revenues	$ 3,200	$ 10,906	77%	Total	$ 10,906	$ (0)	0%	§42311(g), 41512.5
Ag Engine Program	$ 13,680			Ag Engine Initial Permits	$ 3,200			Other Revenues	$ 10,906			
Unallocated Admin	$ 425			Ag Engine Renewals								
Asbestos Program	$ 496,694	$ -	$ 496,694	Total Asbestos Program Fee	$ 251,000	$ 245,694	49%	Total	$ 245,694	$ 0	0%	§42311(g), 41512.5
Asbestos Program	$ 482,768			NOA Asbestos Fees	$ 1,000			Other Revenues	$ 245,694			
Unallocated Admin	$ 13,926			Asbestos Plan Fees	$ 250,000							
Ag Burn Program	$ 81,800	$ -	$ 81,800	Ag Burn	$ 14,876	$ 66,924	82%	Total	$ 66,924	$ -	0%	
Ag Burn Program	$ 81,800			Ag Burn Permits	$ 14,876			Other Revenues	$ 66,924			
Basin Control Council -Cost	$ 21,250	$ -	$ 21,250		$ -	$ 21,250	100%	Total	$ 21,250	$ -	0%	
Basin Control Council	$ 21,250							Other Revenues	$ 21,250			
Total			$ 8,598,035	Total	$ 7,426,685	$ 1,150,099	13%		$ 1,171,349	$ 0	0%	

	CPI	Additional Increase	Total Increase
FY13/14 Title V Increase	2.00%	0.00%	2.00%
FY13/14 Non-Title V Increase	2.00%	1.60%	3.60%

	Total Needed	Starting	Ending
Fund Balance - 301	$ 1,692,758	$1,171,235	$1,675,308
Fund Balance - 306	$ 35,920	$ 30,258	$ 33,600

Other Budgeted Revenues	Total Budgeted
Civil Penalties	$ 375,000
State- ARB Subvention	$ 340,000
Federal -EPA 105 Grant	$ 547,852
Other Revenue (Total)	$ 1,262,852

Other Unallocated Admin	Available Revenues	Remaining Revenues
$ 92,570	$ 1,170,282	$ -

Revenue Allocation: BCC, Ag Burn, Asbestos, Ag Engine, PERP, Unpermitted (other), Unpermitted (Rule 421), Toxics, Title V, Permitted
Cost for Unpermitted program (Rule 421) is covered first by other revenues, if available, and then by land use mitigation.

Notes

1. Costs and revenues are based FY13/14 budgets.
2. Costs are projected to increase by 2% each year (cost of living adjustments) until FY17/18.
3. Administrative costs are spread to all District programs as indirect costs. No admin costs are directly allocated in Stationary Source Program.

4. Portion of the indirect admin costs spread to the admin program is cover by DMV funds. The remaining portion, known as the unallocated admin costs, are spread to the other District programs (Stationary Source, Mobile, Land Use, Program Coordination). Portion of the unallocated admin not related to the Stationary Source Program is funded by other revenue streams .
5. BERC - 100% Permit Related from SSD. BERC is $116,498 in FY13/14. Assume no increase in future years.
6. Portions of ARB subvention money are dedicated to cover the cost of the following:
    1. $66,924 (equivalent to total program cost, $81,800, less the ag burn program revenues ,$14,876)for the Sacramento County Ag Commissioner's contract to operate the Ag Burn Program. No FTE is included.
    2. $21,250 paid to the Basinwide Air Pollution Control Council. No FTE is included.
7. ERC - 100% in Permitted Program Cost
8. Rule 421/Wood Smoke (PCD)

    Cost does not include incentive monies in the wood stove change out program.

Total Cost in FY13/14	$	29,467	0.17 FTE	
Rule 421 Portion	$	6,777	0.04 FTE	in unpermitted program (Rule 421)
Wood Smoke Program Portion	$	22,690	0.13 FTE	in unpermitted program

9. Emission Inventory, Time allocation.
    a. 40% allocated in permitted program cost
    b. 44% allocated in unpermitted program cost
    c. 16% allocated to other. This portion of emission inventory is work related to mobile sources which is funded by DMV funds.
10. Rule Development
    a. 64% allocated in permitted program cost based on past rule development.
    b. 36% allocated in unpermitted program cost based on past rule development.
11. Federal EPA105 Grant does not include PAMs.
12. Rule 421 related activities are temporary funded by LU mitigation.
13. NOA means naturally occurring asbestos.
14. BERC means Business Environmental Resource Center.
15. ERC means emission reduction credit.
16. CO means Communication Office.
17. PERP means Portable Equipment Registration Program.

APPENDIX F

TITLE V OPERATING PERMIT PROGRAM REVENUES WITH PROPOSED NEW FEE STRUCTURE

The current Title V fee assesses an hourly rate established in Section 308.12 of Rule 301 for the actual time spent on processing Title V permit renewals or permit changes. Because revenues from the Title V program vary from year to year depending on the number of permits modified and the number of sources renewing their Title V permits, Staff estimated an annual average for Title V permit revenues based on the past five years from FY07/08 to FY11/12. The five-year average of revenues collected from the Title V fee is approximately $64,000.

Staff is proposing to adopt the BAAQMD fee structure, without the monitoring fee. The proposed fee structure establishes fees for processing Title V permit applications and an annual fee for annual activities not directly related to the time spent processing Title V permit application. To determine all fees related to processing Title V applications, Staff first applied the proposed fee structure to the Title V permit activities that occurred in the 5-year period from FY07/08 to FY11/12. The proposed fees are set so the annual average revenue from the new fees is equal to the actual annual average revenues over the same time period, approximately $64,000. This is shown in the following table in the columns for “5-year total” and “Annual Average (permit)”.

The proposed fee amounts for FY13/14 were then set by increasing the existing fee amounts by 15%, which are shown on the following page in the bottom table. As a result, the projected revenues for FY13/14 for processing Title V permit applications increased by 15%, as shown in the following table in column “Annual average (permit)” to approximately $74,000.

For the annual activities not related to processing Title V application, Staff proposes to establish an annual fee based on the number of local permit to operates. There are 314 local permits to operate associated with Title V facilities. To cover the cost of the annual activities, $67,000 per year in FY13/14, the annual fee was proposed at $214 per permit to operate. The projected revenues from the annual fees are shown in the following table in the column “annual fee”.

For FY13/14, the following table shows the projected annual average permit fee revenues, the annual fees and the total Title V program revenues. The total revenue for FY13/14 ($141,000) is the total annual average revenues ($74,000) plus the total annual fees ($67,000). The proposed fees do not fully recover the program costs. A shortfall of $45,379 (24%) remains. Staff is proposing all Title V fees increase by 15% each year in FY14/15 and FY15/16, and by 6.5% in FY16/17. Since these is no increased proposed for FY17/18, the anticipated Title V revenues with the proposed increases are shown for FY14/15 to FY16/17. The proposed fees for FY14/15 to FY16/17 are shown on the following page in the bottom table.

Title V Permit Program Cost and Revenue with Proposed Fee Structure

		Actual Revenues		FY2013/2014			FY2014/2015	FY2015/2016	FY2016/2017
	no. of local permits	5-year total (FY07/08 - FY11/12)	Annual average (permit)	Annual average (permit)	Annual fee	Total	Total	Total	Total
Title V Facility 1	12	$20,293	$4,059	$4,667	$2,568	$7,235	$8,321	$9,569	$10,191
Title V Facility 2	22	$33,056	$6,611	$7,603	$4,708	$12,311	$14,158	$16,281	$17,339
Title V Facility 3	16	$12,805	$2,561	$2,945	$3,424	$6,369	$7,325	$8,423	$8,971
Title V Facility 4	7	$10,533	$2,107	$2,423	$1,498	$3,921	$4,509	$5,185	$5,522
Title V Facility 5	9	$13,960	$2,792	$3,211	$1,926	$5,137	$5,907	$6,793	$7,235
Title V Facility 6	3	$3,744	$749	$861	$642	$1,503	$1,729	$1,988	$2,117
Title V Facility 7	140	$103,702	$20,740	$23,851	$29,960	$53,811	$61,883	$71,166	$75,791
Title V Facility 8	16	$19,307	$3,861	$4,441	$3,424	$7,865	$9,044	$10,401	$11,077
Title V Facility 9	11	$17,475	$3,495	$4,019	$2,354	$6,373	$7,329	$8,429	$8,976
Title V Facility 10	5	$15,414	$3,083	$3,545	$1,070	$4,615	$5,308	$6,104	$6,500
Title V Facility 11	4	$6,562	$1,312	$1,509	$856	$2,365	$2,720	$3,128	$3,331
Title V Facility 12	20	$14,018	$2,804	$3,224	$4,280	$7,504	$8,630	$9,924	$10,569
Title V Facility 13	1	$2,350	$470	$541	$214	$755	$868	$998	$1,063
Title V Facility 14	6	$16,111	$3,222	$3,706	$1,284	$4,990	$5,738	$6,599	$7,028
Title V Facility 15	42	$30,927	$6,185	$7,113	$8,988	$16,101	$18,516	$21,294	$22,678
Total	314	$320,257	$64,051.40	$73,659	$67,196	$140,855	$161,983	$186,281	$198,389

Title V Program Cost	$175,948	$186,234	$189,614	$193,718	197,681
Program Shortfall	$111,897	$45,379	$27,631	$7,437	-$708

PROPOSED FEES FOR EACH FY

	FY13/14	FY4/15	FY15/16	FY16/17
Proposed Percent Increase	New Fees	15%	15%	6.50%
Administrative Amendment (per application)	$538	$618	$711	$757
Significant Modification (per permit modified)	$5,038	$5,793	$6,662	$7,096
Minor Modification (per permit modified)	$2,700	$3,105	$3,571	$3,803
Renewal (per permit)	$801	$921	$1,060	$1,128
Initial Permit (per permit)	$1,841	$2,117	$2,435	$2,593
Filing Fee (per application)	$1,902	$2,187	$2,515	$2,678
Annual Fee (per permit)	$214	$246	$283	$301

APPENDIX G
RULE 301 HOURLY RATE CALCULATIONS
(THRU FY17/18)

Currently, Rule 301 establishes two fee schedules with hourly rates: $109 per hour (Section 308.11) for processing complex permits and $136 per hour (Section 308.12) for processing permits for electrical generating equipment greater than 5 megawatts, observing multiple source tests exceeding 10 hours of review, performing reinspections, processing emission reduction credits, and processing Title V permit applications. (The proposed amendments will modify the Title V fee structure, and Title V fees will no longer rely on the hourly rate fee.)

The hourly rate is determined using the stationary source permit program costs, staff, services and supplies, building, vehicles and other administrative overhead costs shown in Appendix D and E. The hourly rate is calculated by the following equation:

$$\text{Hourly Rate (\$/hour)} = \begin{array}{c}\text{Total program cost}\\ \text{(\$/program)}\end{array} \times \frac{1}{\text{Total FTE in permit program}} \times \frac{1}{\text{Hour per year per FTE}}$$

Hour per FTE is the hours a full time employee can provide service in a year (less the holidays, vacations, and sick leaves). The hour per FTE is estimated to be 1350 hours and is based on the following billable hours calculation:

Billable Hours Calculation		
Hours	**Type**	**Description**
2080	Total hours	52 weeks X 40 hours/week
(160)	Vacation	Assumed 4 weeks per year includes floating holidays
(120)	Sick leave	Assumed use yearly accrual
(156)	Admin time	Assumed 3 hrs/week for meetings
(84)	Holiday	10.5 holidays/year
(120)	Training	Assumed average 3 weeks/year
(90)	All Other	Trying to factor on average parental leave etcetera
1350	Hours to use for billable time	

Below is the calculated hourly rate per fiscal year. In FY12/13, the current hourly rates are $109 per hour and $136 per hour. Staff is proposing to increase the hourly rate fee to the extent allowed by the HSC Section 41512.7(b).

Fiscal Year	Permit Program Cost	Full Time Employee	Hours by FTE	Hourly Rate
FY13/14	$5,405,693	23.71	1350	$169
FY14/15	$5,604,335	23.94	1350	$173
FY15/16	$5,802,370	23.94	1350	$180
FY16/17	$6,006,650	23.94	1350	$186
FY17/18	$6,218,010	23.94	1350	$192

APPENDIX H

AIR TOXICS PROGRAM
REVENUES WITH PROPOSED FEE INCREASE

OPTION A - Air Toxics Fees (Maintain Current Staff)

	No. of Facilities						Current Fees	Proposed Fees	Projected Revenues with Recommended Fee Increase (Increase Industry Wide Fee)				
	FY1213	FY1314	FY1415	FY1516	FY1617	FY1718			FY1314	FY1415	FY1516	FY1617	FY1718
Fee category 1: industry-wide													
industry-wide	1016	1091	1091	1091	1091	1091	$60	$116	$126,556	$126,556	$126,556	$126,556	$126,556
Fee catogory 2: Unprioritized													
simple facility							$555	$555					
intermediate facility	1						$755	$755					
complex facility							$1,055	$1,055					
Fee category 3: HRA greater than 1, less than 10, HI													
simple facility			1	1	1	1	$500	$500		$500	$500	$500	$500
intermediate facility			3	3	3	3	$972	$972		$2,916	$2,916	$2,916	$2,916
complex facility	1	7	7	7	7	7	$1,945	$1,945	$13,615	$13,615	$13,615	$13,615	$13,615
Fee category 4: Priorization greater than 10													
simple facility	1	1					$995	$995	$995				
intermediate facility	3	2					$1,995	$1,995	$3,990				
complex facility	4						$2,595	$2,595					
Fee category 5: HRA greater than 10 less than 50, HI													
simple facility							$8,400	$8,400					
intermediate facility							$8,900	$8,900					
complex facility	1						$9,500	$9,500					
Fee category 6: HRA greater than 50													
simple facility							$9,900	$9,900					
intermediate facility							$10,500	$10,500					
complex facility							$11,000	$11,000					
Prioritizing less than 10							Fee every 4 years	Fee every 4 year					
simple facility	7	5	3	3	3	3	$125	$125	$156	$94	$94	$94	$94
Total	1,034	1,106	1,105	1,105	1,105	1,105			$145,312	$143,681	$143,681	$143,681	$143,681

	Program Cost vs Revenue (Recommended Fee Increase)				
	FY1314	FY1415	FY1516	FY1617	FY1718
Program Cost	$ 168,490	$ 130,772	$ 133,632	$ 136,381	$ 140,339
Revenue	$ 145,312	$ 143,681	$143,681	$143,681	$143,681
% Shortfall	14%	-10%	-8%	-5%	-2%
Shortfall	$ (23,178)	$ 12,909	$ 10,049	$ 7,300	$ 3,342
				Fund balance total	$ 33,599
				Fund balance needed	$ 35,085

OPTION B - Air Toxics Fees (Restore Administrative Division Manager in FY14/15)

	No. of Facilities						Current Fees	Proposed Fees	Projected Revenues with Recommended Fee Increase (Increase Industry Wide Fee)				
	FY1213	FY1314	FY1415	FY1516	FY1617	FY1718			FY1314	FY1415	FY1516	FY1617	FY1718
Fee category 1: industry-wide													
industry-wide	1016	1091	1091	1091	1091	1091	$60	$118	$128,738	$128,738	$128,738	$128,738	$128,738
Fee catogory 2: Unprioritized													
simple facility							$555	$555					
intermediate facility	1						$755	$755					
complex facility							$1,055	$1,055					
Fee category 3: HRA greater than 1, less than 10, HI													
simple facility			1	1	1	1	$500	$500		$500	$500	$500	$500
intermediate facility			3	3	3	3	$972	$972		$2,916	$2,916	$2,916	$2,916
complex facility	1	7	7	7	7	7	$1,945	$1,945	$13,615	$13,615	$13,615	$13,615	$13,615
Fee category 4: Priorization greater than 10													
simple facility	1	1					$995	$995	$995				
intermediate facility	3	2					$1,995	$1,995	$3,990				
complex facility	4						$2,595	$2,595					
Fee category 5: HRA greater than 10 less than 50, HI													
simple facility							$8,400	$8,400					
intermediate facility							$8,900	$8,900					
complex facility	1						$9,500	$9,500					
Fee category 6: HRA greater than 50													
simple facility							$9,900	$9,900					
intermediate facility							$10,500	$10,500					
complex facility							$11,000	$11,000					
Prioritizing less than 10							Fee every 4 years	Fee every 4 year					
simple facility	7	5	3	3	3	3	$125	$125	$156	$94	$94	$94	$94
Total	1,034	1,106	1,105	1,105	1,105	1,105			$147,494	$145,863	$145,863	$145,863	$145,863

	Program Cost vs Revenue (Recommended Fee Increase)				
	FY1314	FY1415	FY1516	FY1617	FY1718
Program Cost	$ 168,490	$ 132,373	$ 135,280	$ 138,146	$ 142,049
Revenue	$ 147,494	$ 145,863	$145,863	$145,863	$145,863
% Shortfall	12%	-10%	-8%	-6%	-3%
Shortfall	$ (20,996)	$ 13,490	$ 10,583	$ 7,717	$ 3,814
				Fund balance total	$ 35,603
				Fund balance needed	$ 36,466

APPENDIX I
COMMENTS AND RESPONSES

SMAQMD INDUSTRY FEE TASK FORCE MEETING

Written Comments Received Prior to the Meeting

John Lane, Teichert (1/28/2013):

Comment #1: I would like to attend this meeting and understand better the District's intentions on this. As you can imagine, we too are impacted by the recession and revenue issues and further fee increases impact our viability. With only a 6 day notice of this meeting, I would like to ask that the District consider rescheduling so that people can arrange their schedules accordingly. I am currently committed to another meeting but will attempt to make other arrangements. If rescheduling is not possible, please send me any available materials to consider.

Response: Staff originally sent email invitations to all selected businesses on January 17, 2013 through an emailing system and later resent the email invitation through Microsoft Outlook on January 25, 2013. Staff did not receive many requests to reschedule the meeting and did not do so. However, Staff offered the commenter the opportunity to sit-down with Staff to go over the presentation and the fee proposal. A colleague of the commenter attended the meeting.

Lee Gamboa, Gamboa's Body and Frame (1/29/2013):

Comment #2: I will not be attending, but I will tell you my position: no new taxes/fees.

Response: Staff preformed a comprehensive review of the District's expenditures and revenues and determined that the revenues are not sufficient to cover program cost and the fund balance has reached a critically low level. Actions to increase fees are needed in FY13/14 to continue to maintain the reduced staff levels to provide timely permitting and complaint response to local businesses and the public and restore prudent fund balance.

Industry Fee Task Force Meeting
January 31, 2013

Attendee:
Rene Toledo, SMUD
Bob Braun, Huhtamaki Inc.
Erica Gonzalez, Aerojet
Pamela Vanderbilt, CH2M Hill (representing Sac County Airport)
Brain Lee, AMPAC Fine Chemicals
Justin Gorman, Proctor & Gamble
Becky Wood, Teichert
Mark Burch, EarthGrains
Kyle Deane, RagingWires Data Center

Questions/Comments:

Comment #3: Do you fund the air monitor stations?

Response: Yes, but it is not funded with stationary source-related funds.

Comment #4: Do you get subvention funds for any of this (air monitoring)?

Response: We receive CARB subvention funds, but we do not use it to fund the air monitoring program.

Comment #5: Are those numbers (for permit applications on slide “Permitting Section”) on an annual basis?

Response: Yes.

Comment #6: How come those numbers add up incorrectly? (On Slide “Workload Increase Due to New Rules and Regulations” for the number of federal regulations adopted.)

Response: The total number shown for federal regulations is incorrect. It should be 100 instead of 71 federal regulations adopted.

Comment #7: Is the hourly rate fee used as a credit for Title V permit fees?

Response: The current fee structure assesses the Title V permit fees at hourly rate for the actual time spent processing the Title V application. Staff is proposing to change the fee structure from an hourly rate to a flat fee schedule.

Comment #8: Is the hourly rate increased by 15% every year to FY17/18?

Response: No. The hourly rate may be increased up to 15% until FY17/18 to reach full cost recovery rate. Rule 301 has two different hourly rates: one for processing complex permits (schedule 10 currently at $109 per hour) and the other for processing Title V fees, ERCs, and re-inspections (schedule 11 currently at $136 per hour). Staff is also proposing to move the hourly rate to process alternative compliance applications from Rule 107 (currently at $91 per hour) to Rule 301. For this hourly rate, Staff is proposing another year of fee increases in order to reach full cost recovery. See the proposed rule language for the proposed fee increases for each of the hourly rate.

Comment #9: Why is SMAQMD moving away from an hourly rate to a flat rate for Title V fees? Hourly rate would give you the flexibility to charge where the work is done. Why not leave the hourly rate for permitting and establish a flat fee for enforcement/compliance?

Response: The current fee structure only recovers the cost to process Title V applications (administrative amendment, minor and significant modification, and 5-year permit renewal). It does not recover the cost for on-going activities such as Title V inspections and reporting to EPA or indirect activities such as reviewing new federal regulations (GHG tailoring rule) or responding to EPA's inquiries. Also, the current fee structure is difficult to implement consistently in part because the work to process local permit and Title V permit often overlaps and extra effort is involved to accurately track staff hours. The proposed flat rate fees will ensure that the District is consistently charging Title V fees for each type of Title V application. The proposal includes establishing a new proposed annual Title V fee for annual on-going and indirect activities.

Comment #10: Businesses appreciate an increase that spreads over time instead of a one-time large increase. Also, businesses would like to have certainty so businesses could plan for 5 years or so.

Response: Staff is bringing several options for fee increases to be considered by the District's Board of Directors. One of those options proposes the percent of fee increases be the same for the next five years for most fees, including initial permit and permit renewal fees.

Comment #11: Is there CPI on top of the fee increases?

Response: No. The fee increases include a CPI.

Written Comments Received After the Meeting

Rene Toledo, SMUD (2/6/2013):
Comment #12: For projects and/or applications subject to the hourly time and material labor rate fee (currently listed in Sections 308.11 and 308.12), please consider adding a monthly invoicing requirement to Section 400 of the rule. The monthly invoice could itemize the work completed by AQMD staff during the previous month and allow you to collect fees as a project is processed.

Response: Monthly invoicing will require additional Staff time that will add more direct costs to the programs. Staff does not think it is appropriate at this time to add more cost to the programs with revenue shortfalls.

Comment #13: Exclude Schedule 8 (5MW plus generators) from the fee deposit provision of Section 301.1, since fees would be collected on a monthly basis.

Response: Staff is not proposing to implement monthly invoices. See response to Comment #12.

Comment #14: Revise the fee rule to collect pollutant fees of PM10 instead of total suspended particulate (TSP), since BACT, offset, and major source trigger levels are based on PM10 (not TSP).

Response: The District has prohibitory rules regulating TSP, such as Rule 405 – DUST AND CONDENSED FUMES. Facility that emits TSP should be responsible for their emissions and pay the associate emission fees. As such, Staff is not changing the pollutant.

Comments from Meeting with Candice Longnecker, Granite Construction (2/21/13):

Comment #15: Over the last two years, the fees (for the Bradshaw facility) have slightly increased?

Response: The fee increases are due to the adjustment in CPI. Fees have not had a comprehensive increase since 2001.

Comment #16: Have the District considered a provision that provides discount for "good actors" (facility that has not received a Notice of Violation) or credits for a facility that is "going green" (reducing carbon footprint)?

Response: Staff did not consider a provision for "good actors". The renewal fees pay for two components of compliance work. The first component is the inspection of the facility. The second component, which is a benefit for compliant companies, ensures that the "bad actors" are not out there. By doing this, no company will be at a disadvantage. Staff did not considered giving credits for facilities that are "going green" because fees are used to support the local permit program, and the local permit program does not regulate greenhouse gas emission.

Comment #17: Granite has been discussing a new way to permit portable equipment through the District instead of through the state. By doing this, the facility will pay the permitting fees directly to the District to help implement and enforce the portable equipment program.

Response: Comment noted.

Comment #18: A 15% increase in the first year would be a huge burden on Granite. Granite understand that the District will need a fee increase and requests that the percent increase is spread more evenly over a period of time.

Response: See response to Comment #10.

PUBLIC WORKSHOP FOR RULES 301, 107, 205, AND 306

Note: A combined workshop was held for proposed amendments to Rule 301, Rule 107, Rule 205 and Rule 306. Only comments pertaining to the proposed amendments to Rule 301, Rule 107 and Rule 306 are shown below. Other comments made during the public workshop period will be added in the Staff Report for Rule 205.

Written Comments Received Prior to the Workshop

William Grow, Sacramento Regional County Sanitation District (3/21/2013):

Comment #19: When do the higher gees go into effect?

Response: The proposed amendments will be effective on the date of adoption. For Rule 306, Staff plans to bring the proposed changes to be considered for adoption at the May 23, 2013 Board hearing. For Rule 301 and Rule 107, State law requires two public hearings on these fee rule changes. Staff plans to bring the proposals to the District's Board of Directors on May 23, 2013 for the first public hearing. At the July 25, 2013 Board meeting, Staff will ask the Board to consider for adoption the final rule proposal.

Comment #20: For Air Toxics Hot Spots program, we were charged $95 per site. Where is this fee under the current regulations and what would be the new, higher fee under the proposed changes?

Response: The $95 toxics fee per facility is the fee for the industry-wide facility category. It is a combination of a District fee ($60) as specified in Rule 306 – Air Toxics Fees, Section 301.1(a) and State fee ($35) as specified in Title 17 of the California Code of Regulation, Sections 40700-40705. Here is a link to a summary of the State air toxics fees: http://www.arb.ca.gov/ab2588/2588feetable.htm. The industry-wide facility category includes gas dispensing facilities, dry-cleaners, chrome-platers, and diesel engine-only facilities. Staff is proposing to increase the District fee for industry-wide facility from $60 to $116 (for option 1A).

Public Workshop for Rule 301, Rule 107, Rule 205, and Rule 306
April 11, 2013

Attendee:
David Green, DMEA
Rene Toledo, SMUD
Michael Anderson, Sacramento County MSADWMR (Kiefer Landfill)
William Brunson, Apple Inc.
Yolanda Grigsby, Sacramento Area Sewer District
Steve Nebozuk, Sacramento Regional County Sanitation District
Jason Chu, SYAR Industries Inc.
Erica Gonzalez, Aerojet
Philip Meyer, City of Sacramento
Becky Wood, Teichert

Questions/Comments:

Comment #21: If the Board adopts the fee increases, when will they take effect?

Response: The fee increases will take effect immediately upon adoption. Also see response to Comment #19.

Comment #22: Do all of the penalty fees go back into the stationary source program?

Response: Yes.

Comment #23: Does the Board have the authority to increase penalty fees?

Response: Statutory limits for penalties are set in state law. However, the District, like many other California districts, has a Mutual Settlement Program (MSP) that includes calculations for determining the penalty for voluntary settlements of violations. In February 2013, the Board approved an amendment to the MSP calculation that effectively increased penalties by 25%.

Comment #24: Regarding the public notification fee, can you give examples of the cost for public notices? In Rancho Cordova, the cost for advertising is lower than for the Sacramento Bee.

Response: State law requires us to publish notices in a newspaper of general circulation within the District, so we put public notices in the Sacramento Bee. The cost for a typical legal classified ad is $150 – $200. In some cases, such as when a proposed source will emit toxic air contaminants within a 1,000-foot radius of a school, notices are sent by U.S. mail. This type of notice requires printing and postage, so the cost is much higher, ranging from $500 to $800. As discussed in the Staff Report, if noticing activities are extensive, Staff may also charge for Staff's time using the hourly rate in Section 308.12 of Rule 301.

Written Comments Received After the Public Workshop

Chelsea Westerberg, Aerojet (4/11/2013):

Comment #25: California manufacturers such as Aerojet face a disproportionate regulatory burden related to their competitors in other states. Data compiled by the California Manufacturing and Technology Association from government sources demonstrate a precipitous, sustained decline in the manufacturing sector over time and dismal job growth in California relative to other states.

Response: Of the top ten U.S. cities with the worst ozone pollution, nine are in California. The Sacramento area ranks sixth. There are greater demands to reduce air pollution than in other areas of the country. If we don't make required progress toward achieving air quality standards, EPA could impose sanctions that would impact businesses and suspend regional transportation funding. On the other hand, the Sacramento area meets the federal standard for fine particulate matter. Staff's effort to control sources, including unpermitted sources such as fireplaces and wood stoves, helped the region meet the federal health standard. As such, the District is not required to adopt additional control measures that would add costs to our permitted sources. To continue to avoid additional regulatory burden, the Sacramento area must remain in attainment. The proposed fee increases are needed for the District to continue effectively implementing the stationary source programs.

Comment #26: Regulatory agencies such as SMAQMD bear some responsibility for these trends and adding to the cumulative regulatory burden through imposition of higher fees, especially during a period of economic instability, will only make a bad situation worse.

Response: Staff understands the potential impacts that the fee increases may cause to the regulated community; however, the proposed fee increases are necessary to effectively implement the stationary source program to meet state and federal requirements and reduce emissions. Also see response to Comment #25.To better quantify the impacts of the propose fee increases, an independent firm is performing an economic impact analysis on the proposed fee increases. The results of the analysis will be included with the Board package for the May 23 Board hearing.

Comment #27: Some state environmental regulatory agencies are taking concrete actions to reduce the cost and administrative burdens their programs impose on the regulated community. For example, the Water Resources Control Board is making efforts to align resources. The Legislature adopted language to the State Budget requiring CARB to account for prior fee revenue income and expenditures and to forecast staffing, operations, and contract expenditures by major program area for the next fiscal cycle. The Brown administration has developed a program to assist businesses in navigating the permit requirements and offsetting the cost of doing business in California. The district's proposed fee increases are dramatically out of step with this state-level emphasis on controlling regulatory program costs and otherwise reducing burdens on the regulated community.

Response: As stated in the Staff Report, the District has implemented several procedural changes to increase revenues, many cost saving actions to improve efficiency, and has reduced 6 staff positions related to the stationary source program in order to avoid a fee increase since 2001. For this upcoming fiscal year, the District is projected to reach a critical point and can no longer defer the needed fee increases. A detailed breakdown of the expenditures and revenue without the proposed fee increases by stationary source program for FY13/14 can be seen in Appendix D. In addition, the District prepares a budget each year that goes through a public hearing process. The detailed budget shows past actual and upcoming expected revenues and expenditures for each of the District's program areas. Staff is proposing to increase fees to maintain a prudent level of services to the local business partners and the general public. These fee increases are also reflected in the FY13/14 budget that will be discussed at the May 2013 Board meeting.

Where District Staff has had the ability to avoid imposing fees, we have worked hard to do that. Specifically, we have done extensive work to avoid imposing Clean Air Act Section 185 fees on major sources like Aerojet. Section 185 fees for Aerojet would have been $204,170, and the total fees that would have been due from all major sources are over $4 million through 2011. We continue to work with EPA to formally terminate the Section 185 fee obligation. No additional fees were paid by our major sources to support our efforts on their behalf.

Comment #28: The SMAQMD has projected that the proposed fee increases will result in over a 70% increase in Aerojet's fees within the next three years. SMAQMD's proposed Rule 301 changes will impose a 15% increase in costs in FY13/14 for all of our 158 local permits, as well as new fees to support our Title V permit. The increases in Rule 301 alone would result in over a $56,000 increase in fees in FY13/14.

Response: The proposed fee increases in Rule 301 and Rule 205 (the subject of another Staff Report) will result in an increase of $56,000 in fees for Aerojet in FY13/14. The increases from Rule 301 changes will result in approximately $48,000. The majority of Aerojet's fee increase will come from the new annual Title V fees, or approximately $30,000. Aerojet is the most complex Title V facility in our District because it has more than 150+ local permits to operate. Because of the size of the facility, Staff spends numerous hours ensuring the facility complies with all local, state and federal rules and regulations.

Comment #29: Aerojet, as well as other companies in the District, not only need to comply with local SMAQMD rules, but also new vehicles rules imposed by CARB which have already resulted in a significant cost impact. These type of fee increases and compliance costs cannot be easily be passed on to our customers and will required further cost cutting measures and inhibit job growth within our Sacramento facility.

Response: Staff acknowledges the cost impacts from other regulatory agencies, but we are not able to analyze the impacts from those costs. Nonetheless, the District is faced with budgetary issues and needs to increase fees. Staff will analyze the economic impacts from these fee increases. See response to Comment #26.

In addition, the District identifies areas in the mobile source program to help reduce cost from the state's vehicle rules, especially for the larger sources. Millions of incentive dollars have been used to upgrade vehicles with retrofits of emission control devices or to replace vehicles. Furthermore, these incentive programs implemented by District have achieved many tons of emission reductions. Specifically, the reduction in particulate matter emissions has helped the region meet the federal health standard for fine particulate matter. If we did not meet this standard, the District would have been mandated to adopt further emission control measures to help attain the standard. Additional control measures would add increase costs to permitted sources in order to comply with the emission requirements.

Comment #30: Aerojet would like to request SMAQMD to consider an additional cost reduction measure with response to inspections by potentially reducing the number of inspections per year on processes/equipment that are consistently in compliances. Currently, all of our local permits are inspected once per year. From 2008 to date, SMAQMD inspectors have visited our site over 80 times and inspected over 150 permitted processes/equipment every year. During this period, Aerojet has not received any NOVs as a result of a SMAQMD inspection. Aerojet is proposing that the inspection frequency be reduced for permits or facilities that have remained in compliance for a specified period of time such as 5 years. Many of our permits have remained unchanged for many years and have always been in compliance. Due to the consistency of these permits, the majority of the administrative costs for SMAQMD to maintain these permits are presumably costs related to inspections. By reducing the amount of inspections done per year, the SMAQMD could save on staff time and labor costs associated with this process.

Response: The District has already, through staff reductions, reduced the percentage of inspections at facilities to the point that is critical to maintaining compliance rates. This inspection prioritization has already been made to address less frequent inspections for facilities that are more likely to be in compliance. Aerojet has had a number of violations at their facility in the last five years (although we recognize these are self-reported and not the result of inspections.) This, and being a Title V source, demands that all permitted units be subject to annual inspections at a minimum. Based on the size of the campus, the inspection cannot be completed in a single day, or for that matter, in a few days. As such, we are regularly at Aerojet to conduct inspections.

The District has recognized that there is a direct relationship between inspection frequency and compliance rates. We have found that less frequent inspections have resulted in more time allotted to handling the results of non-compliance, such as increased Notices of Violation and more time spent in court. The net benefit to the cost of the program of reduced inspections is therefore less than might be expected.

Tim Israel, County of Sacramento, Department of Waste Management and Recycling (4/15/2013):

Comment #31: The projected Title V fee revenues SMAQMD calculated appear to be underestimated. The projected revenues appear to account only for fees associated with the annual fee and the five year renewal. Revenues from the revision of local permits do not appear to be included in the SMAQMD estimate. DWMR requests that SMAQMD staff consider re-evaluation of the projected revenues taking into account the fees that will be charged for revisions to local permits and adjust the proposed Title V permit fees accordingly.

Response: Title V fee revenue projections for each Title V facility are based on the annual average for all past permitting activities that occurred from FY07/08 through FY11/12 and the new annual fee for Title V permits. Fee revenues from specific future Title V permit modifications were not considered because Staff was unable to project future applications to modify a Title V permit or the type of permit modification (administrative amendment or minor or significant modification). Kiefer Landfill had one permit renewal and one significant modification from FY07/08 through FY11/12. In this five-year period, the total of the fees paid was $19,307, or an annual average of $3,861. For these fee calculation purposes, if these same applications were submitted for the next five years, Kiefer will pay an annual average fee of $4,441 for permit renewal and modification, a 15% increase from the annual average fee, and a new annual Title V fee of $3,552, for a total of $7,993 in FY13/14.

Staff agrees with the estimates of fees noted in the comment letter, which are based on specific, anticipated permit actions for Kiefer Landfill over the next four years. The number of anticipated permit actions is significantly higher than the historical average that Staff used to estimate future Title V fees. Under the current hourly rate structure, Kiefer would also be assessed fees for Staff time spent on Title V permit actions that are greater than the historical average. The five-year historical average was used to estimate future fees because Staff cannot predict the specific number and type of future Title V applications from every Title V source or the actual amount of staff time that will be spent processing future Title V permit applications.

As stated in the Staff Report, if the revenues with the proposed fee increases for a specific year exceed the expenditures, then the APCO will implement a lower percent increase for that fiscal year as required by HSC Section 42311(a).

WRITTEN COMMENTS RECEIVED FOR MAY 23, 2013 BOARD HEARING

Nitin Patel, Maaco (April 25, 2013)

Comment #32: We strongly object to any fee increases, as it will impact us in this bad economy.

Response: See responses to Comments #2, 25, and 26.