

**Air Pollution Control District Governing Board**  
San Diego County Air Pollution Control District  
**AGENDA ITEM # 02**

**DATE:** May 7, 2021

**TO:** Air Pollution Control District Governing Board

**SUBJECT:**

**DIRECT THE INTERIM AIR POLLUTION CONTROL OFFICER TO IMPLEMENT THE RECOMMENDED COST RECOVERY SCENARIO 4**

**REQUESTED ACTION:**

1. Find that the requested action is exempt from the requirements of the California Environmental Quality Act pursuant to CEQA Guidelines section 15273 because the fee adjustments that could result from the implementation of Scenario 4 would be used for meeting actual District operating expenses and costs, purchasing supplies and equipment, or meeting the financial reserve needs of the District, as described in the attached Cost Recovery and Fee Analysis Consolidated Report – April 2021.
  
2. Direct the Interim Air Pollution Control Officer to implement a regulatory process, which includes industry and community partners, to amend Rules 40 and 42 consistent with “Scenario 4” as described in the Cost Recovery and Fee Analysis Consolidated Report.

**OVERVIEW:**

The District hired Matrix Consulting Group to conduct a cost recovery study of its permitting and other services. The results of this study provide the District with a tool for understanding current service levels and the cost and demand for those services. In order for the District to help achieve cost recovery for its services there are several options that the District can pursue. The Cost Recovery and Fee Analysis Report identifies and evaluates five different scenario options related to current and future cost recovery levels. The five scenarios range from no changes to targeted increases in fees for permits and other services. Based on the scenarios evaluated, the Matrix Consulting Group recommends that the District implement scenario 4.

Report Excerpt:

“.....this scenario [4] immediately increases [permit] fee-related revenue, but provides a phased fee increase approach, allowing for a more targeted approach for fee increases by lower fee increases for [permit] renewal fees (affecting a majority of District permit holders) and higher fee increases for new [permit] applications and application modifications. As such, this approach combines advantages for both internal (District) and external (fee payers) stakeholders...”

Today’s request is to direct the Interim Air Pollution Control Officer to implement a regulatory process, which includes industry and community partners, to amend Rules 40 and 42 consistent with “Scenario 4” as described in the Cost Recovery and Fee Analysis Consolidated Report.

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### **FISCAL IMPACT:**

If approved, this request will result in additional revenues up to \$1.4 million per fiscal year, which would result in increasing the District's cost recovery percentage for its stationary source permit program from the current 66% to 78% and would reduce annual revenue deficits from \$3.9 million to \$2.6 million, thereby reducing the District's reliance on vehicle registration revenue to support its stationary source permit-related services.

### **ENVIRONMENTAL STATEMENT:**

The proposed action is exempt from the requirements the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15273, which exempts projects that involve the establishment or modification of charges by public agencies for the purpose of meeting operating expenses, purchasing supplies and equipment, or meeting financial reserve needs, as described in the attached Cost Recovery and Fee Analysis Consolidated Report – April 2021. Because the requested action is for the Board to provide direction on the approach to future increases in fees for permitting and other services to meet ongoing District operating costs, including employee wage rates and fringe benefits, supplies and equipment, and financial reserve needs, this action is not subject to CEQA.

### **PREVIOUS RELEVANT BOARD ACTIONS:**

NA

### **ADVISORY GROUP ACTIONS:**

NA

### **ATTACHMENT(S):**

Attachment A – Cost Recovery and Fee Analysis Consolidated Report (April 2021)

### **BACKGROUND:**

The District operates a regionwide permitting program to control and reduce air pollution emissions from stationary (fixed) sources pursuant to federal and State law. Rule 40 sets the fees for District permitting and other services where the costs of providing those services are not otherwise recovered via other sources of revenue. Similarly, Rule 42 sets the fees for petitioning the District Hearing Board for various actions such as permit appeals and temporary variances from air pollution control requirements.

The District conducts an annual review of its fees to ensure that all appropriate costs are reflected. Currently, the costs for the District's permitting program are partially offset by vehicle registration revenues. In July 2020, the California State Auditor conducted an audit of the District and identified that it was utilizing vehicle registration revenues to offset fees for permit-related services. The auditor recommended that the District conduct a thorough evaluation of its fees charged to permit holders to determine their fair share of costs associated with those services.

To help implement the auditor’s recommendations, the District hired Matrix Consulting Group to conduct a Cost Recovery Study. It identifies several options that the District can pursue to further achieve cost recovery. The Cost Recovery and Fee Analysis Report provides the Board with five different scenario options related to affecting the current and future cost recovery levels. The five scenarios range from no changes to targeted increases in fees for permits and other services.

**SUBMITTED BY:**

Robert Reider – Interim Air Pollution Control Officer

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