

Air Pollution Control District Governing Board
San Diego County Air Pollution Control District
AGENDA ITEM # 1

DATE: May 21, 2021

TO: Air Pollution Control District Governing Board

SUBJECT:

DIRECT THE INTERIM AIR POLLUTION CONTROL OFFICER TO IMPLEMENT COST RECOVERY SCENARIO 6 AND SCHEDULE A REGULATORY PROCESS CONSISTENT WITH TIMELINE B

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 6 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 Cost Recovery and Fee Analysis Consolidated Report – April 2021 and the Cost Recovery Taskforce Presentation – May 21, 2021.
2. Direct the Interim Air Pollution Control Officer to implement a regulatory process, which includes industry and community partners, to amend Rules 40 (Permit and Other Fees) and 42 (Hearing Board Fees) consistent with Scenario 6 as recommended by the Cost Recovery Taskforce and described in the Cost Recovery Taskforce Presentation – May 21, 2021.
3. Direct the Interim Air Pollution Control Officer to schedule the regulatory process consistent with proposed Timeline B.

OVERVIEW:

On May 7, 2021, the Air Pollution Control District Governing Board formed a Cost Recovery Taskforce (CRT) consisting of Board Members Gomez, Medina, and Shu. The CRT was directed to work with District staff and Matrix Consulting Group to identify a preferred cost recovery scenario and return to the Board on May 21, 2021 with a recommendation for adoption.

The CRT met on May 11 and May 13, 2021, and focused on the following four areas:

1. Cost recovery background information review;
2. Full cost recovery achievement as soon as feasible;
3. FY 2021-22 revenue and cost recovery projected impacts; and
4. FY 2021-22 revenue and cost recovery monitoring to help inform future policy decisions.

The CRT requested District staff and Matrix Consulting Group to develop a modified scenario 4 (presented on May 7, 2021) whereby both Permit Application Fees and Permit Renewal Fees would increase by 15%. Based on the analysis, a new Scenario 6 was developed to accommodate the CRT's request. Scenario 6 results in a projected annual revenue increase of \$1.4M, reflecting an overall 18% increase in revenue across all fee categories.

The CRT recommends that the Board adopt Scenario 6. Accordingly, 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 6 as described in the Cost Recovery Taskforce Presentation – May 21, 2021.

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In addition, the CRT requested District staff to propose an accelerated timeline for implementation of the fee amendments. Accordingly, two additional timeline options have been developed for consideration. Timeline B is recommended, as it would accelerate implementation of the fee amendments by one month while still allowing time for the District to conduct a public workshop to further inform stakeholders and gather additional input during the regulatory process to amend Rules 40 and 42.

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. Additionally, the accelerated implementation timeline will result in cost recovery more quickly, thereby strengthening the District's financial position.

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 Cost Recovery and Fee Analysis Consolidated Report – April 2021 and the Cost Recovery Taskforce Presentation – May 21, 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:

At the May 7, 2021, meeting of the Air Pollution Control District Governing Board, the Board formed a Cost Recovery Taskforce (CRT) consisting of Board Members Shu, Gomez, and Medina. The CRT was directed to work with District staff and Matrix Consulting Group to identify a preferred cost recovery scenario and return to the Board on May 21, 2021, with a recommendation for adoption.

ADVISORY GROUP ACTIONS:

The Cost Recovery Taskforce expressed unanimous support for the adoption of Scenario 6 during their meeting on May 13, 2021.

ATTACHMENT(S):

Attachment A – Taskforce Presentation – May 21, 2021
Attachment B – Regulatory Process Timelines A, B, and C

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. District 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

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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.

The District hired Matrix Consulting Group to conduct a Cost Recovery Study. The Cost Recovery and Fee Analysis Report provides the Board with scenario options related to affecting the current and future cost recovery levels. On May 7, 2021, the Air Pollution Control District Governing Board formed a Cost Recovery Taskforce (CRT) consisting of Board Members Shu, Gomez, and Medina. The CRT was directed to work with District staff and Matrix Consulting Group to identify a preferred scenario and return to the Board on May 21, 2021, with a recommendation for adoption.

SUBMITTED BY:

Robert Reider – Interim Air Pollution Control Officer

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