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DISTRICT

**AGENDA: 31**

# **Amendments to Regulation 3, Fees**

**Board of Directors Meeting  
June 5, 2024**

**Fred Tanaka  
Manager, Engineering Division  
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# Presentation Outcome



Provide information for consideration of the adoption of proposed Regulation 3 (Fees) Amendments for Fiscal Year Ending (FYE) 2025.

# Presentation Outline



- Rule Development Schedule
- Proposed Fee Amendments
- Cost Recovery Trends
- Overview of Public Comments
- Resolution and Recommendation

# Requested Action



Consider adoption of proposed amendments to Regulation 3, that would become effective on July 1, 2024.

# Budget and Rule Development: Schedule



Description	Date
Public workshop for Regulation 3 amendments	February 15, 2024
Written workshop comments on Regulation 3 due	March 18, 2024
Finance and Administration Committee briefing	March 20, 2024
Finance and Administration Committee briefing	April 17, 2024
First public hearing on budget & Regulation 3 to receive testimony	May 1, 2024
Written Public Hearing comments on Regulation 3 due	May 17, 2024
<b>Second public hearing on budget and Regulation 3 to consider adoption</b>	<b>June 5, 2024</b>
Budget and fee amendments effective, if adopted	July 1, 2024

# Proposed Amendments: Cost Recovery Impact



- Proposed amendments are dictated by the Board-approved Cost Recovery strategy and include other proposed amendments.
- Estimated budget increase is \$4.7 million compared to projected FYE 2023 revenues
- This strategy has a weighted fee schedule increase of **7.8 percent.**

# Proposed Amendments: Cost Recovery



- This effort is to recover reasonable costs from fee-based programs.
- Cost recovery analyzes revenue and costs looking at the previous 3 years.

Revenue from Fee Schedule (3-year average)	Change in Fees	Fee Schedules
Greater than 110% of costs	0% increase	C, L, N, R, T
100 to <110% of costs	3.3% increase (CPI-W)	D, I, M
Less than 100% of costs	15% increase	A, B, E, F, G1, G2, G3, G4, G5, H, K, P, S, V*, W

- CPI-W is the annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers.
- No facilities are currently charged Schedule I fees. Proposed increase is continued maintenance.
- Schedule M is not evaluated for cost recovery, but the proposed increase is based as a general fee.
- \*Marsh management fees only

# Proposed Amendments: Cost Recovery



## Fee Schedules with 3.3% increase

Schedule D: Gasoline Transfer at GDFs & Bulk Plants and Bulk Terminals  
Except the Risk Assessment Fee (RAF) for existing GDFs

Schedule I: Dry Cleaners (not registered machines & currently none are permitted)

Schedule M: Major Stationary Source Fees

## Fee Schedules with 15% increase

Schedule A: Hearing Board Fees

Schedule B: Combustion of Fuels (E.g., permitted boilers, engines, heaters,)

Schedule E: Solvent Evaporating Sources (E.g., permitted graphic arts, painting, wipe cleaning)



# Proposed Amendments: Cost Recovery



## Fee Schedules with 15% increase

- Schedule F: Misc. Sources (storage silos, abrasive blasting)
- Schedule G-1: Misc. Sources (e.g., glass manufacturing, soil remediation)
- Schedule G-2: Misc. Sources (e.g., asphaltic concrete, furnaces)
- Schedule G-3: Misc. Sources (e.g., metal melting, cracking units)
- Schedule G-4: Misc. Sources (e.g., cement kilns, sulfur removal & coking units)
- Schedule G-5: Misc. Sources (Refinery flares)
- Schedule H: Semiconductor and Related Operations
- Schedule K: Solid Waste Disposal Sites (e.g., Landfills)
- Schedule P: Major Facility Review Fees
- Schedule S: Naturally Occurring Asbestos Operations
- Schedule V: Open Burning – Marsh Management fees only
- Schedule W: Petroleum Refining Emissions Tracking Fees

# Proposed Amendments: Cost Recovery



## Specific fees in Section 300 are proposed to be increased by 3.3% (CPI-W)

- Section 302: New and modified source filing fees
- Section 311: Emission Banking Fees
- Section 312: Regulation 2, Rule 9 Alternative Compliance Plan fee
- Section 330: Fee for Renewing an Authority to Construct
- Section 327: Permit to Operate renewal fees
- Section 337: Exemption Fee
- Section 341: Fee for Risk Reduction Plan
- Section 342: Fee for Facility-Wide Health Risk Assessment
- Section 343: Fees for Air Dispersion Modeling
- Section 345: Evaluation of Plans, Regulation 6
- Section 346: Request for a Petition, Regulation 8
- Section 347: Evaluation of Reports, Organic Waste Recovery Sites

# Proposed Amendments: Schedules Not Being Increased



Fees and fee schedules that are not proposed for increase:

- Section 3-307: Transfers of Permits
- Schedule C: Stationary Storage Tanks of Organic Liquids Except the RAF
- Schedule L: Asbestos Operations
- Schedule N: Toxic Inventory Fees
- Schedule R: Equipment Registration Fees
- Schedule T: Greenhouse Gas Fees
- Schedule V: Open Burning except Marsh Management fees
- Schedule X: Major Stationary Source Community Air Monitoring Fees

# Proposed Amendments: Delete Obsolete Sections



## Subsection 320.1

The Toxic Inventory Fee for Small Businesses is no longer applicable.

## Section 322 and Schedule Q

Excavation of Contaminated Soil and Removal of Underground Storage Tank Operation work is no longer performed by the Air District.

## Section 335

The referenced Schedule U for Indirect Source Fees was deleted in 2023.

# Proposed Amendments: Clarifying Language



## Section 304.2 (Alteration: Schedule G Fees)

- Clarify fees charged for alterations involving Schedules G-3, G-4 and G-5 sources.

## Section 327 (Permit to Operate, Renewal Fees)

- Clarify language on proration applicability when new/modified sources are started up.

## Section 327.5 (Permit to Operate, Renewal Fees) and Section 331 (Registration Fees)

- Clarify no proration or refund of fees shuts downs before the expiration date.

## Schedule H – Semiconductor & Related Operations

- Clarify applicability of the minimum fee.

# Proposed Amendments: Alignment of Risk Assessment Fees



## Schedule C: Stationary Containers for the Storage of Organic Liquids

The base fee in Schedule C.2.a is proposed for a 3.3% increase.

## Schedule D.A: Gasoline Transfer at Gasoline Dispensing Facilities (GDFs)

For existing GDFs, the RAF is proposed for a 15% increase.

# Cost Recovery Trends: By Fee Schedule



2021 - 2023 Average Revenue	# of fee schedules
110% or more of costs	5
100 to <110% of costs	1
95 to < 100% of costs	2
75 to < 95% of costs	2
50 to < 75% of costs	5
25 to < 50% of costs	3
Less than 25% of costs	3*

- Specific fee schedule cost recovery levels are published in the Cost Recovery reports.
- \* Schedule I is omitted from the count because there are no facilities associated with that schedule since 8/2022.

# Cost Recovery Trends: Overall Cost Recovery



## Overall Cost recovery

	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023
<b>By Year</b>	63.8%	66.9%	76.1%	80.2%	79.5%	83.1%	81.4%	81.2%	83.0%	84.7%	83.2%	83.8%	85.9%	92.3%
<b>3-Year Average</b>			68.8%	73.6%	78.7%	80.8%	81.4%	82.2%	81.9%	83.0%	83.6%	83.5%	84.3%	87.4%

- Other funding sources have historically been used to close the cost recovery gap.



# Cost Recovery Trends: Board Actions and Policies



Timeline toward a 100% Cost Recovery target because the 85% target strategy would take a longer period to achieve.

Date	Description
April 2012	Board Resolution with a minimum 85% cost recovery target
February 2018	Cost Recovery Study finalized.
July 2021	Cost Recovery Study commenced, emphasizing 100% cost recovery target.
April 2022	Cost Recovery Study and Containment report presented to Finance & Administration Committee.
December 2022	Board adopted an updated Cost Recovery and Containment Policy, emphasizing 100% cost recovery target.

# Cost Recovery Trends: Cost Recovery Direction



Revenue from Fee Schedule (3-year average)	FYE 2022	Current
110% or more of costs	-	-
100 to <110% of costs	CPI-W*	CPI-W
95 to < 100% of costs	CPI-W	<b>+15%</b>
85 to < 95% of costs	+7%	<b>+15%</b>
75 to < 85% of costs	+8%	<b>+15%</b>
50 to < 75% of costs	+9%	<b>+15%</b>
Less than 50% of costs	+15%	+15%

- Effective changes based on Board's direction.
- \* This field was incorrectly marked as NULL at the May 1, 2024 Public Hearing presentation.
- 15 percent increase is the maximum allowed under state law.

# Cost Recovery Trends: Board Policies and Programs



Programs and associated fees that are not fee schedule specific.

- These fees are charged at permit renewal
- They have a greater impact on overall cost recovery
- No changes proposed

Fee Description	Adopted Year	Fee as a % of renewal fees	Applicability
AB 617 Community Health Impact	2020	5.7%	Title V facilities
AB 617 Criteria Pollutant and Toxic Air Contaminant Reporting (CTR)	2021	4.4%	All permitted facilities
Overburdened Community (OBC)	2022	15%	Permitted facilities in an overburdened community

# Overview of Public Comments Objection to Fee Increases



Comment: 1) There should be no fee increase (for dry cleaners). 2) Air District should operate with existing fees and resources. 3) Board should adopt more moderate fee increases.

- All dry cleaners are charged under Schedule R which has no proposed increase.
- Without fee increases, the work backlog will likely worsen and impede the ability to fulfill the agency's mission.
- Impact to small businesses is considered.
  - Continue to review the appropriateness of sources in Schedule F.
  - Review the definition of small business.
- Continue to implement efficiencies and cost containment strategies while ensuring that all facilities are paying their fair share.

# Overview of Public Comments: Level of Service/Staffing



Comment: Fee increases should be tied to a higher level of service.

- Cost recovery does not address level of service. It looks back at cost and revenues that have already occurred.
- The Air District is working to address fees, staffing and priorities when new/modified rules are adopted.
- Level of service is typically addressed in new staffing (budget process), reallocation of existing resources, and program efficiencies. The latter includes implementing recommendations from the management audit.

# Overview of Public Comments: Improve Cost Containment and Efficiency



Comment: Fees should not be increased until the implementation of the audit recommendations and action plan.

Identifying and implementing program improvements takes resources, including cost containment and efficiency strategies. These include:

- Audit timekeeping.
- Review and contain expenditures.
- Implement the action plan from the management audit.
- Increase usage of online tools.
- Add/improve functionality to the New Production System, “NPS”.
  - Legacy systems were deprecated in Quarters 2 and 3 of FYE 2024.
- Streamline processes when applicable.

# Overview of Public Comments: Possible Fee Reductions from the Online System



Comment: Will there be a reduction in fees with the launch of the new online permitting system?

- Section 418 allows for a reduction of fees when using the online system.
- Potential opportunities for fee reductions:
  - Submission of permit applications
  - Reporting of annual data updates
  - Invoice payments
    - In February 2024, the \$1 service fee was removed for eCheck payments.

# Overview of Public Comments: Notification of the process



Comment: 1) Who was notified? 2) How do we get included in the notification?

- About 10,600 notices of the rule development effort and workshop were distributed.
- Recipients were facility owners with active permits, owners of new facilities on Authority to Construct, asbestos contractors, open burn contacts, naturally occurring asbestos contacts, and interested parties.
- At the workshop, we informed interested parties to sign-up for rule development notifications on our website.



# Overview of Public Comments: Other



Comment: Rule development timing should be timed with industry budgets.

- Regulation 3 amendments are proposed in parallel with the Air District budget cycle.
- Companies have different budget planning schedules.

Comment: Need fee increases to be more predictable.

- The Cost Recovery Reports show trends for specific fee schedules. Fee schedules that are well below cost recovery are likely to be increased next year. Projections for average fee increases were provided in budget presentations.

Comment: Need to improve timing of response to comments:

- Schedule was amended to allow responses to be sent earlier.

# Overview of Public Comments: Other



Comment: Complying with permit requirements for subslab operations is costly.

- The Air District is open to discuss alternative strategies that satisfy compliance and protect public health.

Comment: Consider suspending Schedule X fees (Major Stationary Source Community Air Monitoring Fees) until community monitors are installed.

- These fees are part of a community monitoring plan and not specific to a site or monitor. There is considerable time and effort in the planning, coordination and procurement of equipment before monitors are installed.
- A monitoring station in Benicia near the Valero Refinery has been sited and constructed. Operation is scheduled to begin in June 2024.

# Resolution and Recommendation



Staff recommends that the Board adopt the proposed amendments to Regulation 3, effective July 1, 2024.



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**AGENDA: 32**

# **Second Public Hearing to Consider Adoption of the Air District's Proposed Budget for Fiscal Year 2024-2025**

**Board of Directors Meeting  
June 5, 2024**

**Stephanie Osaze  
Director of Finance  
[sosaze@baaqmd.org](mailto:sosaze@baaqmd.org)**

# Presentation Outcome



- Conduct second Public Hearing on the Fiscal Year 2024-2025 Air District Proposed Budget for public review and testimony.
- Adopt resolution to approved Fiscal Year Ending 2024-2025 Air District Proposed Budget and various budget related actions

# Presentation Outline



- Proposed Budget Summary
- Additional Budget information
- Recommendation

# Fiscal Year 2024-2025 Proposed Budget Summary



- \$ 291 million (M) Consolidated Budget, includes \$154 M General Fund Budget
- Use of Reserves includes:
  - \$6.8 M for one-time services and capital costs
  - \$2.9 M as initial staffing investment to support 19 Full-Time Equivalent (FTE), additional \$1 M from penalty assessment
- Continuation of Cost Recovery Policy (up to 15% where applicable)
- 4.5% General Wage Adjustment
- 7% Vacancy Savings
- \$5 M discretionary contributions to Prefund Pension Trust
- Authorize transfers from the Limited-Term Contract Employee (LTCE) Staffing reserve designation to fill limited-term positions

# Cost Containment Strategies



## Fiscal Controls

- Budgetary Controls & Monitoring
- Perform & Present Quarterly Budget Analysis

## Cost Savings/Efficiency

- Reduced long outstanding open purchase orders
- Decommissioned Legacy IT systems (IRIS/Databank)
- Changes in procurement practices (Re-bidding contracts)
- Hiring Limited Term Contract Employees
- Staffing Adjustments to improve operational needs
- Real Estate Consolidation
- Implementation of management audit recommendations



# Potential Actions to Address Budget Impact



- Assess the overall budget impacts (One-time or recurring)
- Update 5-year financial forecast & assumptions, if significant
  - Use of Reserves
  - Identify new revenue sources (i.e. grants)
  - Postponed non-essential expenditures
  - Deferred capital investments
  - Vacancies unfilled (Staff reduction through attrition)

# Summary of Budget Resolution Actions



- Carry forward encumbrances and appropriations
- Transfer unencumbered funds to undesignated reserves
- Approve reserve designations modifications and funding amounts
- Authorize budget transfers between specified accounts
- Authorize certain disposal of assets
- Approve salary schedule and benefit package
- Authorize transfer from LTCE Reserve Designation (up to \$1.8M)
- Approve funding to the Pension Prefund Trust (\$5M)
- Adopt the FY 2024-25 Proposed Budget (\$291M)

# Recommendation



Recommend the Board of Directors:

Adopt Resolution to approve the Fiscal Year 2024-25

Proposed Budget and related budget actions



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**AGENDA: 33**

# **Wildfire Season Preview and Wildfire Programs**

**Board of Directors Meeting  
June 5, 2024**

**Ranyee Chiang, Ph.D.  
Director, Meteorology &  
Measurement Division**

**[rchiang@baaqmd.gov](mailto:rchiang@baaqmd.gov)**

# Action Requested



- None – Informational Presentation

# Presentation Outline



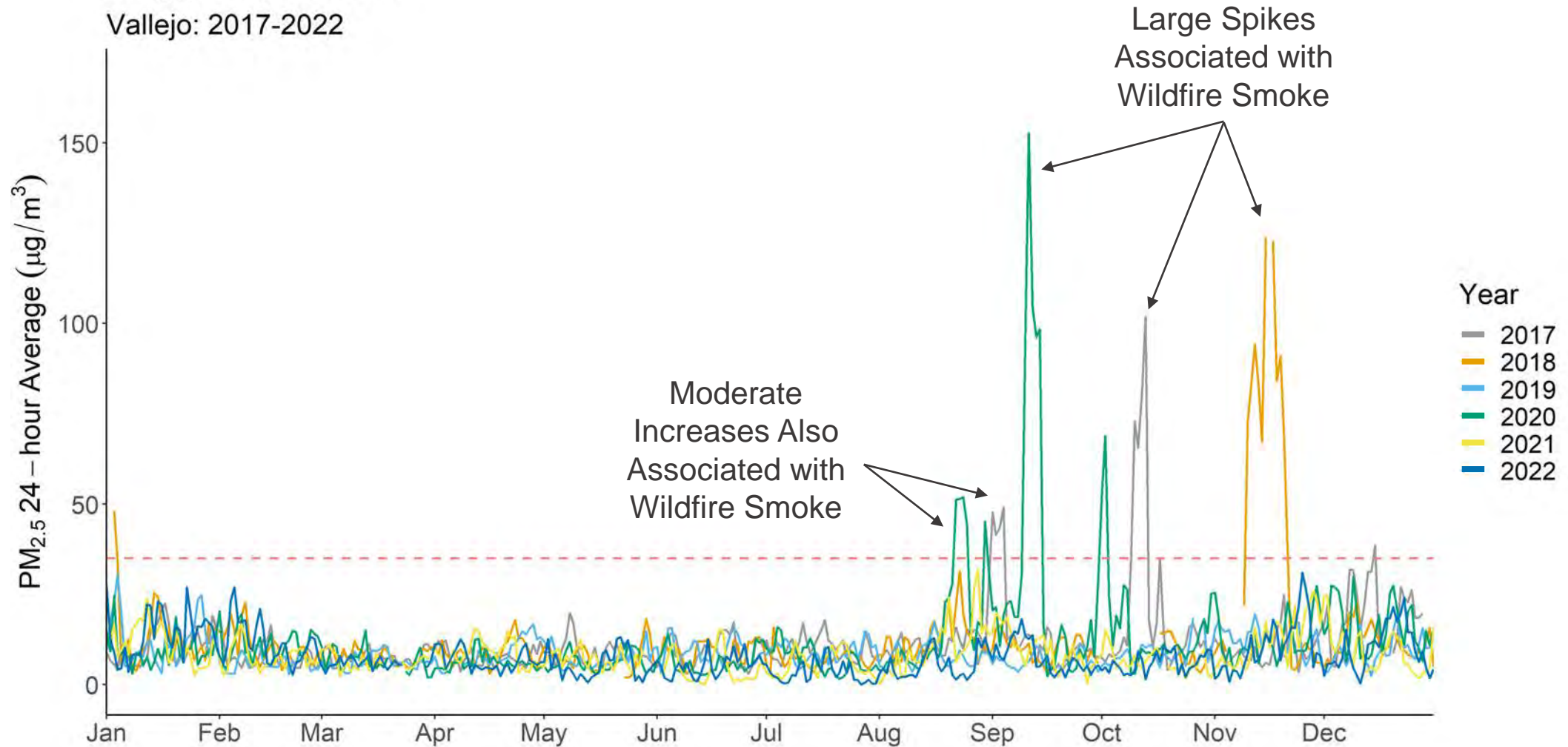
- Wildfire Impacts on Air Quality: Recent Trends
- 2024 Fire Season Outlook
- Air District Role During Wildfires
- Air District Programs for Wildfire Prevention and Mitigation of Impacts

# Wildfire Impacts on Air Quality



## PM<sub>2.5</sub> Daily Trends

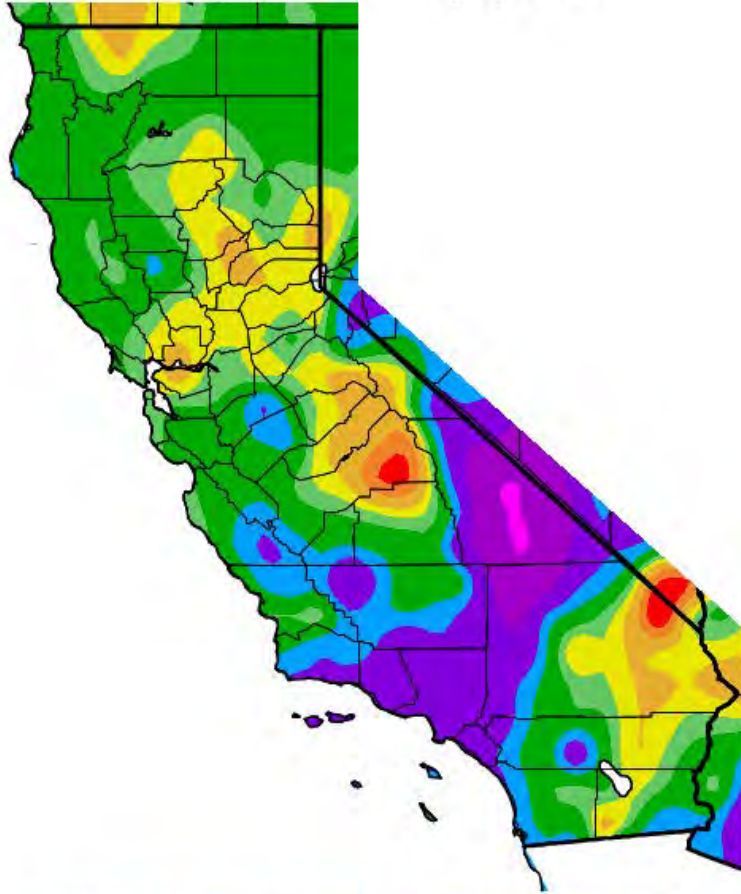
Vallejo: 2017-2022



# 2024 Fire Season Outlook



Percent of Average Precipitation (%)  
7/1/2023 – 5/5/2024



Generated 5/6/2024 at WRCC using provisional data.  
NOAA Regional Climate Centers

Normal to above-normal rainfall in the Bay Area (100% to 130% of July 1 to June 30 average, as of May 5, 2024) following a high rainfall year in 2022-23

Cool start to season because of increased onshore flow during May and June

High rainfall will lead to more potential fuel for fire (particularly grasses) during late summer and early fall.



# 2024 Fire Season Outlook



June - July



Northern California Geographic Coordination Center

“Below Normal” fire potential

August



“Normal” area-wide

Sep – Oct

Depends on severity of offshore wind events and when the next rainy season starts

# Air District Role During Wildfires

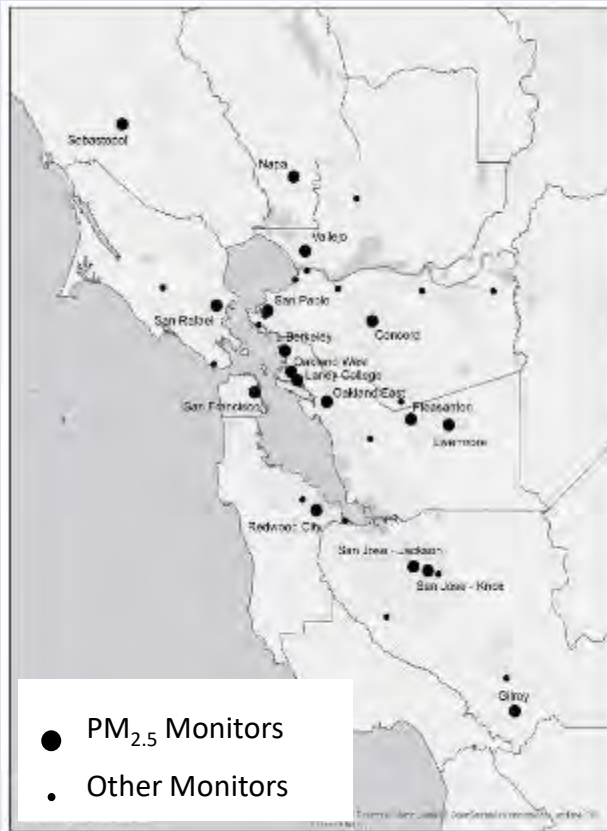


- Monitoring
- Forecasting
- Communications

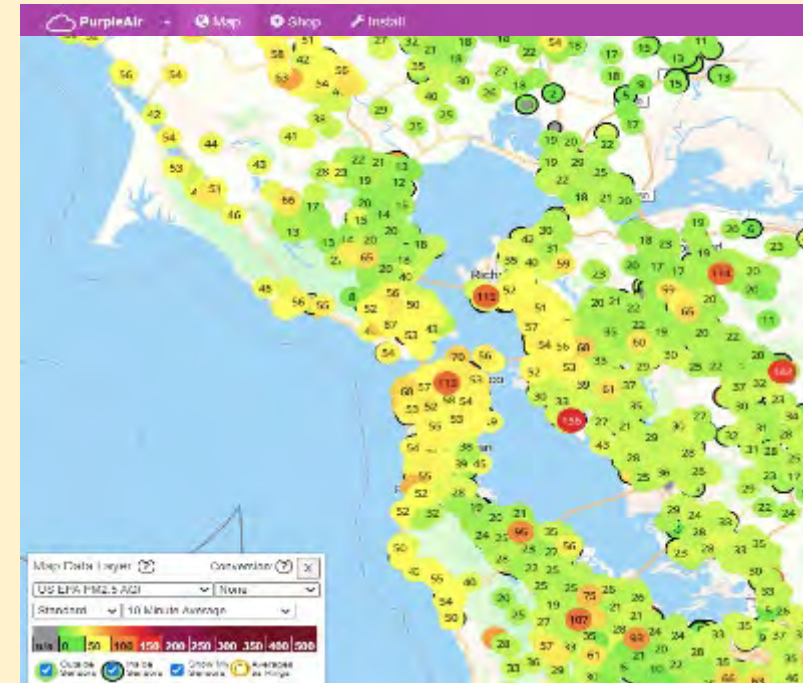
# Air Monitoring



## Air District Monitoring Network



## Air Sensors



Example: PurpleAir

# Air Quality Data Sites

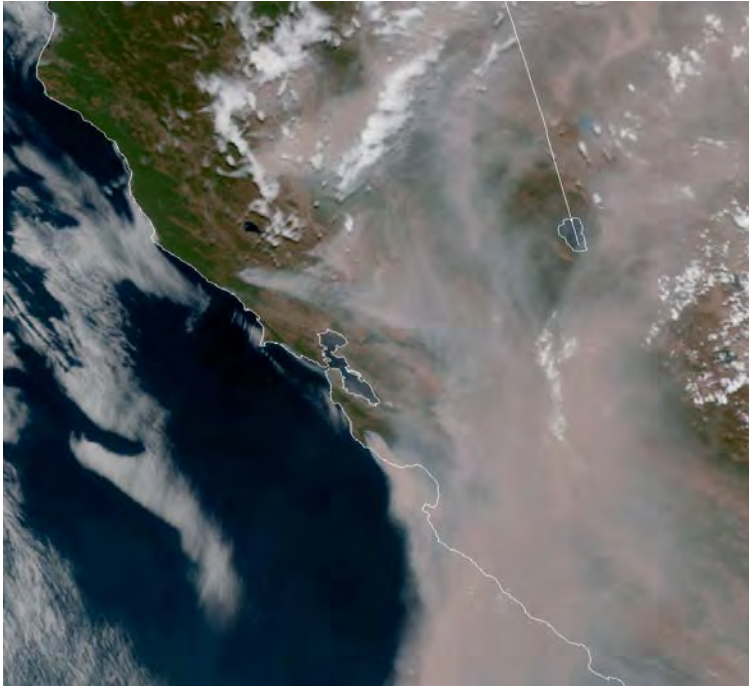


	<b>Air Quality Data Sites</b>	Accuracy & Quality Assurance	Sub-Hourly Air Quality	Hourly Air Quality	Block-by-Block Air Quality	Official AQI
	<b>Air District Website</b>	✓		✓		✓
	<b>PurpleAir</b>		✓	✓	✓	
	<b>Clarity OpenMap</b>			✓	✓	
	<b>AirNow</b>	✓		✓		✓
	<b>EPA Fire and Smoke Map</b> <i>(includes data from highly accurate Air District sites and less accurate low-cost sensors)</i>	✓		✓	✓	✓

# Air Quality Forecasting



**Air quality can change rapidly and varies from one location to another**



*August 19, 2020*

## How is a smoke forecast produced?

- Air quality data
- Weather and smoke models
- Satellite imagery and cameras
- Local geography and wind flow
- Marine layer depth

# US EPA's Updated Air Quality Index (AQI)



- Color-coded tool used to help inform the public about daily air quality and general health impacts
- EPA updated some of the breakpoints to reflect the change to the fine particulate matter (PM2.5) annual standard and the newest scientific information

AQI Value	Previous [ $\mu\text{g}/\text{m}^3$ ]	Current [ $\mu\text{g}/\text{m}^3$ ]
0, Good	0	0
50, Moderate	12	9
100, USG	35	35
150, Unhealthy	55	55
200, Very Unhealthy	150	125
300, Hazardous	250	225
500, Hazardous*	500	325

# Communications



- Significant Media Outreach & Response
- Social Media Wildfire Series & Meteorologist Video Updates
- Wildfire Safety Website, Infographics & Videos Series
- Messaging Coordination with Bay Area Health Officers & PIOs
- Major wildfire smoke incident email & text notifications



## DIY AIR CLEANER TO REDUCE WILDFIRE SMOKE INDOORS

MATERIALS	ASSEMBLY
	<ol style="list-style-type: none"><li>1. Check the filter for the direction of air flow, marked on side of filter.</li><li>2. Attach filter to back of box fan using duct tape to create a seal between fan and filter.</li><li>3. Run fan for 30 minutes to 1 hour to filter air in a standard size room. Do not run for too long or overnight, as this may cause overheating. Do not leave unattended.</li><li>4. Replace filters when dirty.</li></ol>

View the "How to Make an Emergency DIY Air Filter" video.  
<https://www.youtube.com/watch?v=XSNHdiEMGbA>



# Communications – 2024 Wildfire Season



- In-Person & Zoom Press Conferences/Briefings
- Promote Clean Air Centers & new website
- Explore New Partnerships
- Informative & Timely Charts/ Data Visualization
- Update Wildfire Preparedness Tips with ABAHO



**CREATE A CLEANER AIR SPACE**

**STAYING INDOORS WITH WINDOWS AND DOORS CLOSED IS THE BEST WAY TO PROTECT YOUR HEALTH.**

Weatherize your home in preparation for wildfires by sealing leaky windows and doors.

Avoid activities that create smoke or other particles indoors.

Choose a room that fits everyone and is comfortable to spend time in. Close windows and doors.

Upgrade to an HVAC system that allows for both heating and cooling and have the mechanism to switch to **RECIRCULATE** to prevent smoke from entering the space.

Purchase a non-ozone producing air purifier (HEPA) to create a cleaner air room or a MERV 13 or greater filter for your HVAC system.

During high heat and heavy smoke events, keep indoor air cool or run fans.

 **BAY AREA AIR QUALITY MANAGEMENT DISTRICT**



# Wildfire Preparedness Tips



Weatherize your home in preparation for wildfires by replacing or refurbishing leaky windows and doors; use caulking to seal openings.



Consider purchasing a non-ozone producing air purifier (HEPA) to create a cleaner air room in your home or a MERV 13 or greater filter for your heating and cooling system.



Make a plan to go to a cleaner air location if you are unable to seal your home or if dense smoke occurs during hot weather.



Concerned individuals should consult their health care provider for personalized recommendations.



Identify locations in your community that have cleaner filtered air spaces, such as Clean Air Centers, indoor shopping malls, local libraries, cooling centers, civic centers, or local government buildings.

# Mask Messaging



**Staying indoors with windows and doors closed is the best way to protect your health, if temperatures allow.**



**Masks are not a substitute for staying indoors and must be fitted properly for best protection.**



**If unable to visit a cleaner air center or a cooling center, those that must be outside for extended periods of time may benefit from using a tight fitting N95 mask to reduce their exposure.**

# Air District Programs for Wildfire Prevention and Mitigation of Impacts



- Reducing wildfire risk
- Air filtration initiatives

# Reducing Wildfire Risk



## Open Burn Program (Prescribed Burning)

- Planned, controlled burning of vegetation to achieve natural resource management goals
- 2022 - present: ~2200 acres burned; 60 prescribed fires exempted from fees

## Wildfire Prevention Chipping Pilot Program, \$300k

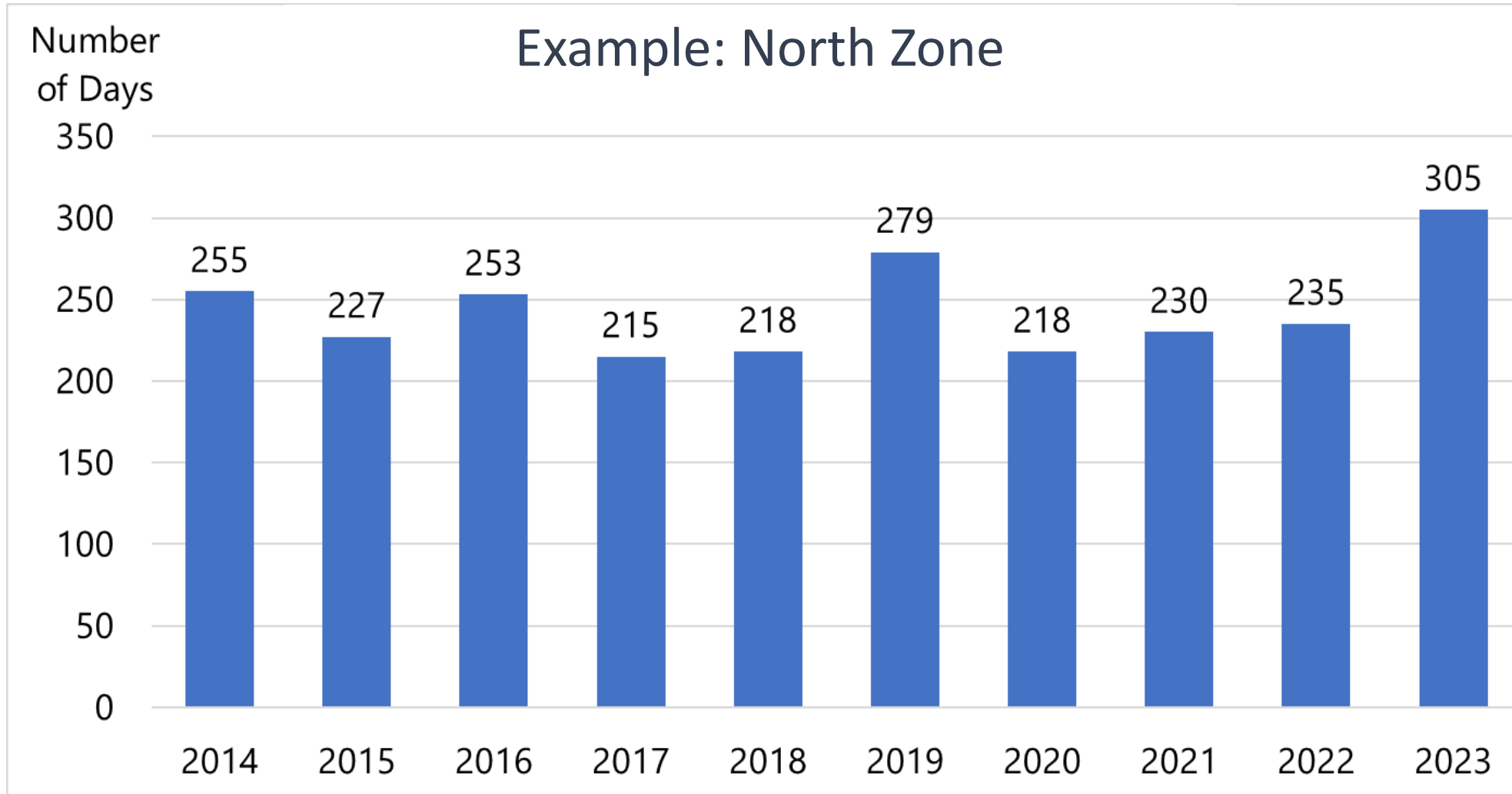
- Free chipping services to dispose of material that would otherwise be burned to help reduce fuel loads and wildfire risks
- 2022 - present: 25 jobs completed; ~\$118k remaining

# Summary of Smoke Management Plan Steps



- Land manager:
  - submits Smoke Management Plan 30 days in advance of the planned burn for Air District review and approval
  - secures burn permit from the local fire agency and/or CALFIRE
- Air District's forecasting services are available up to 96 hours (4 days) before a prospective burn day
- Final acreage/pile authorization is allocated by 8 am on the day of the burn

# Permissive Burns Days Per Year 2014-2023



# Clean Air Centers



- AB 836 (2019) - One time grant of \$3M from CARB to help create a network of publicly accessible facilities with high-efficiency air filtration systems for people who may not otherwise have access to clean air spaces during wildfire events.
- Status - Nearing completion of implementation phase with over 1,200 portable air cleaners delivered to 317 locations.
- Cities and Counties are responsible for operating and maintaining Clean Air Centers.
- CARB developing map of clean air centers across the state.



# Air Filtration Initiatives



- **Distributed 3600+ air filtration units and funded upgrades/maintenance to 16 school HVAC systems**
- **Types of locations:**
  - Evacuation centers, community centers, senior centers, schools, libraries, homes
- **In Partnership with:**
  - CARB, Counties, American Red Cross, Regional Asthma Management and Prevention Program, California Asthma Mitigation Partners, local health centers, James Cary Smith grantees and other Community Based Organizations
- Focus on AB 617 communities, overburdened communities, households with low-income, schools with high percentage of low-income students, clients with poorly controlled asthma







# Q & A