BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Cost Recovery Study

March 30, 2005

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Board of Directors
Bay Area Air Quality Management District
939 Ellis Street
San Francisco, CA 94109

Ladies and Gentlemen:

We are pleased to provide you with our Cost Recovery Study, which compares the costs of program activities to the associated revenues received. We have also documented our methodology so that the District will have a tool for setting fees and planning budgets in future years. This document incorporates comments received from the District, as well as the Cost Recovery Steering Committee on our earlier draft report dated March 9, 2005.

We have not audited or reviewed the financial information supplied by management and, accordingly, do not express an opinion or other form of assurance on the financial information used.

We appreciate the courtesy and cooperation shown to us by the Cost Recovery Steering Committee, the Board of Directors, and District management and staff throughout the Cost Recovery Study.

Very truly yours,

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Executive Summary

The primary goal of this Cost Recovery Study is to provide the Bay Area Air Quality Management District (District) with sound guidance and specific recommendations regarding cost recovery from the District's regulatory programs. This Study compares the costs of program activities to the associated revenues received from eligible funding sources, and analyzes how these costs are apportioned amongst fee-payers. In addition, the Study documents a methodology for estimating costs that will provide the District with a tool for setting fees and planning budgets in future years. These analyses may be used by the District to determine whether any modifications should be made to the District's fee structure and other components of the revenue stream to recover the reasonable costs of District programs as allowed under State Law, taking into account the equity of the fee schedules on impacted source categories, industries and small businesses.

The District is responsible for protecting public health and the environment by achieving and maintaining health-based federal and state ambient air quality standards and reducing public exposure to toxic air contaminants in the nine County Bay Area region. The District's activities in this regard are primarily funded by regulatory fees and county property taxes.

The District has commissioned Stonefield Josephson, Inc. (SJ) to conduct a cost recovery study to assess the cost and revenue balance, and to make recommendations for the District to consider in addressing any imbalances, taking into account any regulatory restrictions or changing source revenue.

SJ has four key findings, and a variety of short and long-term recommendations. These findings and recommendations are summarized here, and discussed in more detail in Section 8.

Key Findings

Key Finding #1: Permit and other fee revenue is not sufficient to recover costs of programs related to permitted stationary sources.

From an overall analysis of permit and other fee revenue less direct and indirect costs of the programs funded by their fees, there is a revenue shortfall (Appendix A describes permit and other fee categories). In other words, fee revenue received during a fiscal year does not cover both actual direct costs and allocated indirect costs of programs related to permitted sources.

Three years of data were analyzed in the course of this review: fiscal years 2002, 2003, and 2004. In each year, after allocation of direct and indirect costs, there was a fee revenue shortfall. For years analyzed, fee revenues were not even sufficient to cover <u>direct</u> costs (see Exhibit I). This was a consistent finding with the KPMG Study, even though permit fee revenues have increased each year since that report was completed.

The Cost Study also analyzed whether there is a revenue shortfall by permit fee schedule. This was the first time this type of analysis has been conducted at the District. It was noted that of 17 different fee schedules for which cost recovery could be analyzed, few of the component fee schedules had fee revenue contributions exceeding total cost (i.e. more revenue than direct cost and allocated indirect cost). The remaining schedules had revenue shortfalls (see Exhibit J).

Key Findings (Continued)

Key Finding #2: Property taxes are being used to offset the difference between program costs, and permit and other fee revenue.

Regulatory program direct and indirect costs exceeded fee revenue by approximately $13 million in fiscal year 2004 (see Exhibit J). While no formal policy is in place, the District has been funding the fee revenue shortfalls by the use of property tax revenues allocated to the District from the state. This approach is allowed by State law.

Because property taxes are being used to close this gap, our understanding is that the District staff and Board of Directors will consider addressing this policy matter in a variety of ways, including:

- Use property taxes to close the gap in the same manner as is currently used;
- Raise fees in a phased manner and use a smaller portion of the District's property tax revenues to close the gap;
- Raise fees in a phased manner such that property tax revenue is no longer used to close the gap.

Under State law, property tax is allocated to the District based on a formula. Property tax revenue is expected to remain slightly higher in FY 2004/05 at $15.9 million and will remain fairly steady at $15.9 million in FY 2006/07.

Key Finding #3: Even if Cost of Living increases are applied each year to all fees, they will not be sufficient to close the gap that exits between permit revenue and permit-related costs.

Revenue shortfalls before property tax offset will not be covered by Cost of Living Adjustment (COLA) increases alone. Since 1999, the gap between permit fee revenue and permit-related costs has increased. This has occurred even though there have been COLA adjustments annually for all permit and other fee schedules, with one year having an additional fee increase which approached the maximum amount allowed under the law. The current year deficit between costs and revenue, after allocation of direct and indirect expenses, is $13 million (see Exhibit J). Even with COLA increases, it would take many years to eliminate the deficit, assuming no increase in costs, which is not a realistic expectation. The reality is that the District would never close the revenue gap on COLA increases alone, as costs can be expected to increase at least at a rate similar to the COLA.

Of course, the gap between revenue and costs could also be decreased by cost saving measures and program efficiencies. While an analysis of whether the District's program costs could be reduced while still maintaining effective regulatory programs was beyond the scope of this Study, the District should continue to seek out ways to increase efficiency and decrease costs as much as possible.

Key Findings (Continued)

Key Finding #4: The billing codes developed for timesheets are not adequate to fully assess the gap in certain areas.

The District began completing billing code specific timesheets in 1999. A series of billing codes were developed for staff to choose from in allocating their time. While these codes represent an excellent start in the District's effort to allocate costs and track time, a review of these codes indicates that there are an inadequate number of billing codes for some programs.

In addition to establishing billing codes for existing programs that do not already have a code, the District may want to establish new billing codes for new regulatory programs that will need staff resources in the near future.

Establishment of new billing codes will help the District differentiate between permit fee and non-permit fee related costs and will also enhance understanding of time and effort expended in each of these categories. All of this will serve to improve the District's ability to determine if fee revenue is sufficient to offset costs.

Methodology used for this Study

In assessing the program costs as well as revenues associated with the District's 2001, 2002, 2003, and 2004 regulatory programs, SJ reviewed four years of revenue data, and three years of full cost data (2002, 2003,and 2004). SJ developed a methodology using time sheet data to allocate direct and indirect costs to individual revenue sources. Two of the three air districts that were benchmarked for this study used this same methodology. It should be noted that different methods of allocating indirect costs could yield a different result. Therefore, the results from use of this methodology are intended as a discussion tool for management and the Board of Directors.

Time sheet data was used for the same three years of costs studied. This allowed the District, to understand by revenue source, the relationship of annual revenues received to annual direct and indirect costs incurred.

It should be noted that direct costs are costs specific to the revenue source to which they are related. Indirect costs are non-program related costs such as human resource costs, management costs, and IT costs. These infrastructure costs are necessary to run the District, and as such are allocated to the various revenue sources. Please see Section 4 for a detailed description of direct and indirect costs.

Short and Long Term Recommendations

This Study contains the following recommendations intended to assist the District in addressing the imbalance between fee revenue and costs. These recommendations are categorized as follows:

1. Short Term Recommendations (issues the District could address in the next 4 months to 1 year)
2. Long Term Recommendations (issues the District could address in the next 1-5 years)

All of these recommendations are discussed in detail in Section 8 of this Study, and are intended to provide the District with implementable ideas for securing fee revenue, tracking costs, and utilizing time sheet information.

Short Term Recommendations

Short Term Recommendation #1
If the District and Board of Directors elect to narrow the gap between permit fees and costs, they should consider increasing fees by more than the COLA to increase revenue.

Short Term Recommendation #2
The District should consider evaluating the maximum and minimum thresholds and limits contained in permit fees to address revenue shortfalls as well as equity issues.

Short Term Recommendation #3
The District should improve its method of accounting for time spent on Title V activities, particularly in Divisions other then the Engineering Division.

Short Term Recommendation #4
The District should explore possible cost savings on activities outsourced.

Short Term Recommendation #5
The District should consider a "split" in time allocated for AB 2588 emission inventory activities.

Short Term Recommendation #6
The District should develop an "exceptions or edits" program for managers to use in tracking/analyzing costs or staff time on the time sheets.

Short Term Recommendation #7
The District should develop a cost allocation formula for assessing outside agencies when cost recovery is allowed.

Short Term Recommendation #8
The District should adequately track the time spent on grant-related activities.

Short Term Recommendation #9
The District should amend the time keeping system to allow staff to save billing codes used in the recent past, rather than having to scroll through each time and make a selection.

Short Term Recommendation #10
The District on an annual basis should review program billing codes to be sure all revenue and non-revenue sources have proper codes to utilize on the time sheet.

Short Term Recommendation #11
The District should offer appropriate staff training to affirm the importance of time keeping and accurate data capture.

Short Term Recommendation #12
The District should tighten its accounting controls to increase the detail under which fee revenue can be tracked. Furthermore, the Administrative Services Division should provide additional monthly reports and document processes to enhance operations and communications between the Administrative Services Division and the District's operating divisions.

Long Term Recommendations

Long Term Recommendation #1
The District should develop and implement an installment plan payment option for small business.

Long Term Recommendation #2
The District should consider establishing a fee for requested extensions of an Authority to Construct.

Long Term Recommendation #3
The District should consider establishing a fee for changing conditions for Authorities to Construct while they are on extension.

Long Term Recommendation #4
The District should consider establishing a fee for making a Potential to Emit determination for a facility.

Long Term Recommendation #5
The District should estimate the time and effort needed to incorporate AB 2588 fees into the permits for diesel back up generators, and use this estimate as a factor in establishing a fee to recover these costs.

Long Term Recommendation #6
The District should re-examine its definition for small business, and make adjustments accordingly to reflect revenue as well as equity issues.

Long Term Recommendation #7
The District should improve upon the information it has on the size of facilities receiving permits (small or large). This will help in addressing the max/min permit fee issue, as well as equity.

Long Term Recommendation #8
The District should make changes to permit policies and fees as unanticipated issues that effect costs are discovered.

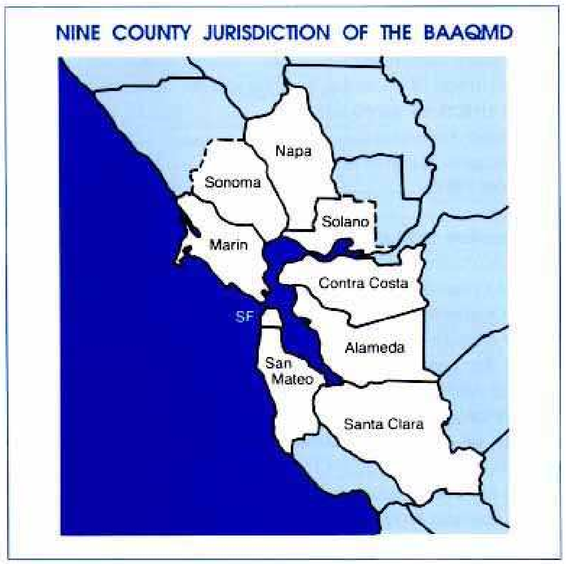
Long Term Recommendation #9
The District should consider increasing certain fees assessed for those facilities involved in Hearing Board proceedings.

Long Term Recommendation #10
The District should develop a program to estimate where revenue shortfalls may occur on an ongoing basis.

Introduction

Bay Area Air Quality Management District Overview

The District was created by the California legislature in 1955, and is charged with achieving clean air to protect the public's health and the environment in the San Francisco Bay Area: Contra Costa, Alameda, Marin, Napa, San Mateo, Santa Clara, the western half of Solano, and the southern half of Sonoma counties. The map below indicates the area of the District's jurisdiction:



The District's **Mission Statement** is as follows:

> "The Bay Area Air Quality Management District is committed to achieving clean air to protect the public's health and the environment."

The District's stated **Goals** are as follows:

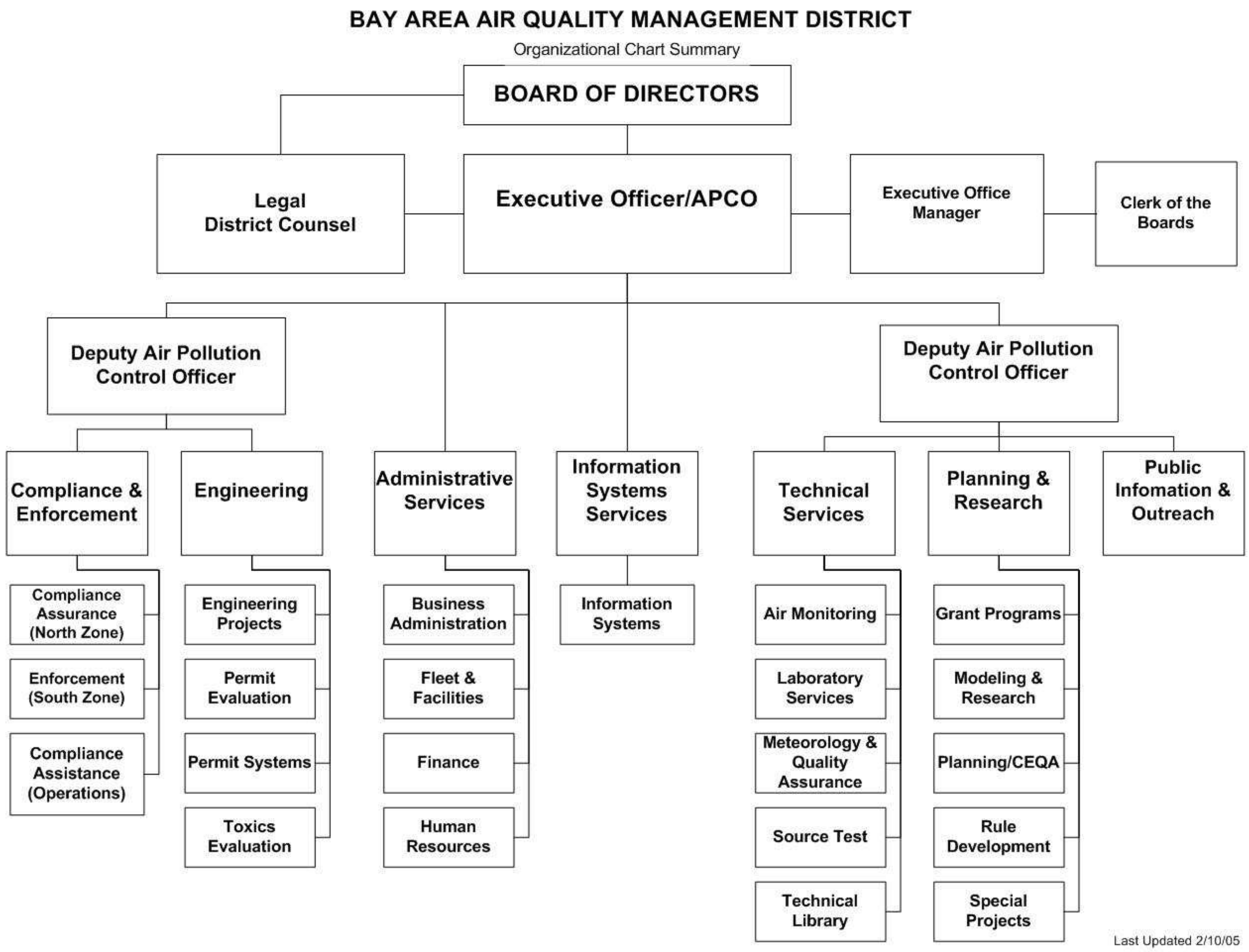
- Attain and maintain air quality standards
- Increase public awareness of positive air quality choices
- Improve staff/management relations to promote teamwork, excellence, and job satisfaction
- Develop and implement protocol and policies for environmental justice

Fulfilling the mission involves reducing air pollution emissions from all sources of regulated air pollutants. In accordance with State law, the District's primary regulatory focus is on stationary sources (i.e., non-mobile sources) of air pollution. Achieving clean air involves a variety of approaches, including:

- Developing state and federal plans to attain health-based air quality standards
- Developing regulations, plans, and policies to reduce air pollution
- Issuing permits to stationary sources of air pollution in the Bay Area
- Enforcing and overseeing compliance with applicable regulations
- Partnering with communities, businesses, and other governmental agencies for educational and emission reduction purposes
- Administering various grants to encourage clean transportation and reduce vehicle trips

Bay Area Air Quality Management District Overview (Continued)

Working to improve Bay Area air quality is a staff of approximately 350 Full Time Equivalent (FTEs). The District's organization chart is shown below.



The agency is organized into seven Divisions, plus the Legal and Executive offices. Each Division is further organized into programs. Each program has a budget, and is funded by one or more specific revenue stream identified in the budget.

District programs are funded primarily by fees, property taxes, and government grants and subventions. The District remains one of the few air districts in California to continue to receive property taxes. When the District was formed in 1955, operations were entirely funded through property taxes. In 1970, the California Air Resources Board and U.S. Environmental Protection Agency provided grant funding to the District. After the passage of Proposition 13, the District qualified as a "special district" and became eligible for AB-8 funds, which currently make up the county revenue portion of the budget.

Property taxes comprise approximately one-third of total District revenue. Another third is derived from fees, of which permit fees are by far the largest component. The California Health and Safety Code (HSC) allows the District to assess stationary source permit fees and to recover the full cost of programs relating to these sources (HSC 42311(a)). See Exhibit A for a breakdown of revenue by source for fiscal years 2002, 2003, and 2004.

Bay Area Air Quality Management District Overview (Continued)

The District issues permits for many types of stationary sources operating within its boundaries. The District adopted its first permitting regulation on July 1, 1972, and its first regulatory fee in 1977. The District currently regulates:

- 6,318 Permitted Facilities
- 2,637 Gasoline Stations
- 3,700 Diesel Back Up Generators
- 22,631 Permitted Sources of Air Pollution

A listing of all fee schedules can be found in Appendix A.

Summary of Cost Recovery Study Approach

The District issued a public request for proposals for an outside contractor to conduct this Cost Recovery Study in August 2004 (RFP #2004-019). In October 2004 the District approved a contract to retain the independent accounting firm of Stonefield Josephson, Inc. to conduct the Cost Recovery Study (hereinafter "Study").

Note: The scope, background, and approach below are the same version provided to the District in November 2004 (verb tense reflects the future focus SJ had prior to the start of the project).

Scope

The Study is designed to compare the costs of program activities to the revenues received from associated funding sources and analyze how costs are apportioned amongst the fee-payers. A methodology will be documented as a result of this Study that will assist the District in allocating estimated costs (direct and indirect) to various activities so that appropriate fees levels can be established in accordance with State law. The District would also like information that can be used in apportioning costs between and among source categories with due regard for a myriad of relevant factors including but not limited to the emissions burden created by a source and the size of a business.

Also, as a result of performing this Study the District wishes SJ to make specific recommendations as appropriate on fee adjustments on both a short-term and long-term basis. If in the course of conducting this Study, SJ observes opportunities to improve the quality, productivity, efficiency and effectiveness of District's programs, the District would like to have those opportunities documented as well.

Background

The District previously commissioned a Cost Recovery Study, which was completed in 1999 by KPMG. The KPMG Study recommended an activity-based costing model, which has been implemented. Also, as a result of that Study, a time keeping system has been implemented by the District. Both of these changes has improved the District's ability to track costs by programs/activities. The District, because of changes in the regulatory environment and decreases in non-fee based revenue sources, believes a new Cost Recovery Study should be performed to update their understanding of the relationships betweens activity costs and fee revenues.

Summary of Cost Recovery Study Approach (Continued)

Cost Recovery Study Approach

In presenting the following Cost Recovery Study Design, SJ used the deliverables within each "work statement – task" in the Request for Proposals as the project milestones for the study design. All deliverables are underlined for easy reference.

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:

- Review of key District published and regulatory reference materials at District library.
- Benchmarking with three other Districts to determine:
    - Quantity and type of fee based revenue.
    - Methodology for permit fee increases.
    - Fee and other income budget approach.
    - Indirect expense allocation methodology and percentages.
- Interview of District Staff:
    - Management
        - Identification of key District issues.
        - Difficulties with available information in fulfilling needs.
    - Specific Program Managers
        - Understanding of detailed revenue and expense numbers from their perspective.
        - Understanding time recording as used by the program employees.
    - Various employees to understand data collection procedures.
- Finance/Accounting
    - Review detail of the grouping of general ledger accounts in the various budgets by program for Actual vs. Budgeted, Actual vs. Actual, and Budgeted vs. Budgeted information, for differences in groupings, if any.
    - Review allocations used between departments for shared expenses.
    - Review indirect expense allocation, if used, and how computed.
    - Development of a schedule to allocate revenue from a single fee source or fee schedule to the program level and the billing code level.
    - Development of a methodology to detail cost accounting allocation of an expense type to single fee source, if possible.
- Interview Key Stakeholders:
    - Identification of key District issues.
    - Difficulties with available information in fulfilling needs.

Summary of Cost Recovery Study Approach (Continued)

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

- Download time sheet data for the period of the Study.
  - Download of time sheet data by period by employee, job description, by program, and by activity for the period of the Study.
  - Summarize financial data into direct and indirect expense categories.
  - Review for anomalies in data and determine if further allocations should be made.
  - Re-interview various Program Managers and executive staff, if necessary.
  - Verification of detailed trial balance data provided by the District to externally audited data, or to financial information submitted to auditors if period unaudited.
- Using detailed trial balance data provided by District, allocate financial data to various permit fees and other revenue sources.
- Direct expenses using the following priority of allocation:
  - Specific identification of expenses.
    - Allocation based on management identified assumptions, if supportable.
    - Allocation based upon gross revenue if no other method is supportable. (labor hours used)
  - Indirect expenses, overhead, capital costs and other relevant costs to be allocated by category developing a fair/supportable allocation method.
- Determine if other available and reliable financial information can further break down information.

Develop and document a specific methodology for analyzing the relationship between the costs of regulatory programs and associated fees on annual basis:

After initial review of financial data accumulated in previous section, interviews with staff and results of benchmarking, SJ will be able to determine a specific method to use on an annual basis for allocating costs of the regulatory programs to the associated fees.

- Narrative, graphs and matrices will be used as well as summary financial tables to present this information.

Identify and document 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 that clearly shows the comparison of costs to revenues, including foreseeable future scenarios.

- For the past 5 years, SJ will document revenues for each permit fee revenue and other fees, if available. For the past 3 years SJ will link direct, indirect, overhead and capital costs, etc. to the revenue sources. (Only 4 years of data available)

Summary of Cost Recovery Study Approach (Continued)

- SJ, after consultation with District management, will document to the extent possible, the District's preliminary projection of future revenue associated with each permit fee schedule as well as other revenue, understanding that these projections are preliminary as the District had not commenced its formal budget process for the next fiscal year.
- Develop a matrix/graph that clearly shows the comparison of costs to revenues.
- SJ will analyze the costs the District incurs and the revenues received, and will develop a model that enables the District to identify and understand the size of the gap(s) between fees and costs.

Identify and <u>document factors that should be utilized in assessing the equity of fee schedules</u> towards impacted source categories, industries, and small businesses.

- In addition to identifying and analyzing gaps between revenue and costs, SJ will identify and document factors and considerations regarding the equity of the District's fee schedules. Key input in identifying these factors will come from District executive staff and program managers.

Develop and d<u>ocument recommendations for adjusting fees in the short-term (from four months to one year) and long-term (one to five years)</u> as necessary to recover costs of current and foreseeable future fee-related activities in an equitable manner amongst fee payers. The recommendations should address the following scenarios: 1) fee adjustments to achieve full cost recovery, and 2) fee adjustments to achieve equity amongst fee payers while maintaining the current degree of cost recovery. The District and its governing board will consider these recommendations, along with other factors that they deem appropriate, in determining whether fees should be adjusted.

SJ will develop various scenarios so that the District can evaluate adjustment scenarios under the following assumptions:

- Fees should provide for full cost recovery.
- Fees adjustments should be fairly allocated between and among source categories while maintaining the current degree of cost recovery.

SJ will develop proposals and recommendations consistent with regulatory and statutory requirements. SJ will also review current legislative changes as they relate to the District's fees and revenues, as well as other proposed changes to District revenue sources.

<u>Document observed opportunities to improve the quality, productivity, efficiency and effectiveness</u> of the District's programs, operations and services:

- SJ as a result of the procedures employed in the above sections will make observations and recommendations to the District of perceived possible improvements to the District's programs, services, and operations.

<u>Analyze initial feedback from Management and Steering Committee and prepare final report.</u>

Revenues, Fees, and Costs

Background

State law authorizes local and regional air quality management districts, like the Bay Area Air Quality Management District, to assess fees to generate revenue to cover costs associated with air quality programs. The primary fee authority is set forth in HSC 42311(a), which provides that the District may adopt a schedule of fees for the evaluation, issuance, and renewal of permits to stationary sources. The District currently receives approximately one-third of its general fund operating budget from these fees.

In 1977, the District's governing board approved the District's first fee for permit related activity. Since that time, the Board has adopted fees for a variety of permitted operations, including combustion, refinery, chemical, semiconductor, and many others.

In 1998, the BAAQMD commissioned KPMG to conduct a Cost Recovery Study ("KPMG Study"). The purpose of the KPMG Study was to determine if fee revenues were sufficient to offset the costs of programs related to permitted stationary sources (and other fee-paying categories). The KPMG Study, completed in February 1999, concluded that the answer was "no".

According to KPMG, several factors contributed to this conclusion:

- Fee rates had not kept up with inflation
- The District's fee structure was out of date and does not contribute to full cost recovery
- County revenues and fund balances have been used in the past to offset the misalignment between fee revenues and costs, masking the full extent of revenue shortfalls
- The costs of performing regulatory activities have changed

During interviews with staff, and in reviewing documents relevant to the current Cost Recovery Study efforts, we conclude that the District has taken positive steps to address these factors, and has implemented many of the recommendations put forth in the KPMG Study.

Since 1999, the District has addressed the cost recovery issue in the following ways:

1. Adopted a fee schedule in 2000 to increase fees by 15% across the board;
2. Increased fees annually thereafter to keep pace with inflation;
3. For fiscal year 2005, increased annual Title V fees by 20%, significantly increased Title V application fees, and added a new processing fee for the renewal of permits to operate;
4. Adopted best practices for capital planning and budgeting, and is attempting to recover capital costs associated with fee-related activities;
5. Developed and implemented a timekeeping system for all staff;
6. Developed a listing of billing codes applicable to the work staff is doing;
7. Enhanced the quality and type of timekeeping data available to managers; and
8. Reestablished its fund balance or "general reserve" to adequate levels in the short term and near future.

Stonefield Josephson, Inc., in conducting this most recent Cost Recovery Study, will look to update the KPMG Study as a basis for revising fee schedules in the future. This Study will be a more robust study than the KPMG Study, and will utilize new methodologies available. This Study will focus on determining whether a gap still exists between program costs and fee revenues, and if so, the size of this gap.

Legal Authority

The basic statutory authority relating to the establishment of fee schedules is set forth in the California Health and Safety Code section 42311. The District is authorized to:

- Recover the costs of programs related to permitted stationary sources
- Recover the costs of programs related to area-wide and indirect sources of regulated emissions
- Establish fees to recover the costs of certain hearing board proceedings

Section 41512.7 of the HSC limits increases in existing fees to 15% in any calendar year. We are advised by District legal counsel that District fee authority is expansive. It is intended to provide air districts with the means to carry out air quality programs related to permitted stationary sources without taxpayer funding. The measure of the revenues that may be recovered through stationary source permit fees is the full cost of all programs related to these sources, including all direct program costs and a commensurate share of indirect program costs unless otherwise funded.

We are further advised by District legal counsel that in accordance with general provisions of State law – primarily limitations on taxation added to the State Constitution by Proposition 13 in 1978 and related legislative enactments - it is the responsibility of the District to demonstrate that the fees do not exceed the reasonable cost of providing service or regulatory function for which the fee is charged and that the basis for determining the amount of the fee allocated to individual sources bears a fair and reasonable relation to the benefits provided to the fee-payer or contribution to the overall problem being addressed.

Revenues

Revenues from all sources have increased since the fiscal 1998 cost study level of $26.9 million to $44.1 million for fiscal 2004 or 64% in seven years. Fees have increased from $10.4 million to $18.7 million, or approximately 80% in the same period. Property Tax revenues have increased 61% during this period as well, from $9.5 million to $15.3 million with all other revenue sources increasing from $7.0 million to $10.1 million or 44%. This is an overall annual increase in fee revenue of 11.6%. The District for the most part, other than a 15% increase in fiscal 2000 has been increasing permit revenue primarily on a COLA basis. Therefore, the additional fee revenue increases over COLA are primarily due to increases in the numbers of permits issued. Increases in property taxes have been the direct result of the real estate boom in Northern California where valuations on sold residences have skyrocketed. Due to a two-year decrease in the percentage of property tax funds allocated to the District, which will be offset by increases in property tax values, property tax funds available are projected not to increase over the next two fiscal years. Increases in other revenue sources are the result of additional grants and other funded initiatives such as Title V. See Exhibit B for overall revenue by year.

Fees

As noted above, fee revenues have increased annually. The District has typically increased all fee schedules by the same percent increase. No ongoing financial reporting mechanism exists that allows the District to compare permit fee revenues by fee schedule to the direct and indirect costs of the related activities. This Study is the first structured engagement to show permit revenue and program activity costs by individual fee schedule. See Exhibit C for a graphical representation of permit fee revenue by source by year.

Costs

Direct Costs

Direct costs were allocated by billing codes to the various revenue codes as well as to individual fee schedules. For three years reviewed by SJ there was a permit and other fee revenue shortfall after allocating direct costs for Permits and Other Fees; in other words, permit and other fee revenue did not cover direct costs for permit activities. See page 17 for a definition of direct costs.

In fact, there were shortfalls for the majority of fee schedules for all three years after allocating direct costs. These shortfalls also increased every year. See Exhibit E for a graphical representation, and Exhibit J for the computations.

In viewing the exhibits relating to this topic, it is evident that there are discrepancies from one year to the next in certain categories, and that some of these are quite large. Discussions with District staff indicate that this is normal, and to be anticipated. Discrepancies result from a variety of cost and revenue factors, including: changes in regulations, and shifting resources within a Division. As an example, drycleaners, and solvent evaporation sources appear to remain fairly consistent. Title V and gasoline dispensing facilities appear to have quite a bit of variability.

Indirect Costs

Indirect costs were allocated to the various revenue sources based on the total hours of direct labor. This was consistent with all other benchmarked air districts that allocated indirect costs. For all 3 years reviewed by SJ there was a greater revenue shortfall after allocating indirect costs for Permits and Other Fees; in other words, revenue did not cover direct and indirect costs. See page 17 for a definition of indirect costs.

Again, there were also greater revenue shortfalls for the majority of fee schedules for all three years after allocating indirect costs. These shortfalls also increased every year. See Exhibit E for a graphical representation, and Exhibit J for the computations.

Net Contribution (Usage)

A shortfall of revenue by an activity is a usage by that activity. When there is excess revenue over allocated costs by an activity it is a contribution activity. There was a consistency between activities that had usages in the KMPG Study and in the SJ Study. However, even though fee revenue has increased since the KPMG Study was completed, the amount of the revenue shortfall also increased annually for those programs. Thus, a cost of living increase is not sufficient to decrease the revenue gaps for those programs. SJ has computed multiple scenarios for closing the revenue gap and the amount of time that the scenario will take to close the revenue gap.

Net Contribution (Usage) (Continued)

See Exhibit E for contributions (usages) by permit and other fee schedules after allocation of direct expenses only, by year. See Exhibit G for a comparison of the KMPG Study findings to the SJ Study fiscal 2004 findings. See Exhibit F for results of the various revenue increase scenarios in attempting to close the revenue gap on both a direct cost allocation basis only and a fully absorbed basis (including indirect costs allocations).

Revenue Projections

A review of documents provided by the District for this Study, including the most recent budget (Fiscal 2005) provides assistance and insight into District revenue projections for the largest sources of revenue including:

- Permit and other fees
- Property tax

Permit and Other Fee revenue

Permit and other fees will remain the District's largest single source of revenue. Under the existing permit fee schedules, this revenue source is expected to increase modestly in the next two years from a current budgeted level of $16.2 million in FY 2004/05, to $17.1 million in FY 2006/07.

Property taxes

Property tax revenue is allocated based on a specific formula (CA Health and Safety Code 40271), and is dependent on the overall economic health and vitality of the region. County revenue is expected to remain slightly higher in FY 2004/05 at $15.9 million, and will remain fairly steady at $15.9 million in FY 2006/07, even with the 10% formula decrease in funding over the next two fiscal years.

See Exhibit H – Projected Revenue – The District's FY 2004/05 approved budget provides additional detail on these revenue sources, as well as projections for other smaller sources of revenue.

Methodology for Analyzing the Relationship Between Costs and Fees

SJ was engaged to determine what direct and indirect costs should be allocated to specific revenue sources. As this information was not previously calculated by the District, a methodology had to be developed. Key assumptions in this regard related to revenue allocation to specific fee sources and the development of a methodology to allocate direct and indirect costs.

In assessing the program costs, as well as revenues associated with the District's 2001, 2002, 2003, and 2004 regulatory programs, SJ reviewed four years of revenue data, and three years of full cost data (2002, 2003, and 2004). SJ developed a methodology using time sheet data to allocate direct and indirect costs to individual revenue sources.

Based on our professional judgment and knowledge of industry best accounting practice, along with interviews with other air districts, SJ determined that indirect costs/general resources should be allocated on the basis of full time employees (FTE). However, the District does not have a system of identifying FTEs to each program and/or department. SJ concluded using employee hours worked would be equivalent to FTEs. Two of the three air districts that were benchmarked for this study used this same methodology. It should be noted that different methods of allocating indirect costs could yield a different result. Therefore, the results from us of this methodology are intended as a discussion tool for District management and the Board of Directors.

Time sheet data was used for the same three years of costs studied. This allowed the District to understand by revenue source, the relationship of annual revenues received to annual costs incurred.

<u>Process Adopted</u>

Summary of costs reviewed, including: direct costs, indirect costs, overhead, capital costs, and all other relevant costs

> The essence of the Study was the identification of 'cost' and its relationship with the revenues, and to arrive at a conclusion regarding whether costs were being fully recovered. SJ followed a cost accounting approach in which all the expenditures (costs) that were directly/specifically related to a particular revenue source were identified as a 'direct cost' – the major component of direct cost was the labor hours (for the purposes of our Study and findings, we ignored the TFCA program, because it is an independently funded program and does not utilize any resources from the general fund).
>
> Indirect costs are not specific to a particular program or billing code and are therefore generally allocated on a reasonable basis (in our case we used the total hours approach for such an allocation). Since the District was not on a full accrual basis of accounting during the period of the Study, the capital outlays were treated as expenditures and allocated to various programs/billing codes on the basis of total hours.

Process Adopted (Continued)

Definitions of the terms direct and indirect costs are as follows:

Direct costs are defined as labor and related payroll costs which are allocated to specific revenue sources based on the labor hours charged to those revenue sources via the time keeping system. Detail of time by employee by day, by hour, or fraction thereof is recorded by both program and billing code detail. There is a specific matrix developed by SJ and the District, which assigns time charges to each program and billing code to either a specific revenue source (direct cost) or to a non-revenue or mission source (indirect cost). This allows direct costs to be allocated to a revenue source on a level of efforts basis.

Indirect costs are defined as labor and related payroll costs which are not allocated to specific revenue sources as the nature of their costs are not revenue dependent and are of a general and administrative nature. In addition, indirect costs, other than labor, are not significantly revenue source related, and include, as an example, rent, supplies, and capital outlays. The only exception to services and supplies being indirect in nature are services and supplies related to TCFA, which have been allocated to TCFA directly. TCFA is included in other revenue and sources.

SJ relied on the audited financial statements for the purposes of obtaining the direct labor cost, indirect costs and capital outlays for the fiscal years 2002 and 2003. Audited financial statements were not available for the fiscal year 2004, so we relied on the general ledger numbers provided to us by the District's Administration Division.

Summary of all fees evaluated

SJ was specifically engaged to perform a Study on the revenue/cost correlation for regulated stationary sources; however, to better understand and analyze the scenarios (considering that eventually the agency might consider increasing the permit fees etc.), we also studied the trends related to other revenue sources as well. The revenue and costs trends that came out as a result of our Study were generally consistent with those indicated in the KPMG Study.

We specifically evaluated the permit fees (Schedules B through K and Schedules M, and P). Our Study shows that revenues under certain schedules more than covered the cost and also contributed to offsetting the deficit on the other schedules.

The District's accounting system does not have a basis for identifying permit fees by schedule (please see our short term recommendation 12); the Engineering Division has records of the billings by fee schedules. We used the Engineering Division's data/information as the basis for arriving at the permit fee for each schedule. We used the total permit fee per financial statements and extrapolated the engineering estimates on a pro-rata basis.

Property tax contributions from the counties play a major funding role for the agency as approximately 35% of the revenues are from property taxes. We understand that no other air district receives a contribution out of the property tax revenues from counties.

Process Adopted (Continued)

Recent changes at the state level have affected the District's property tax revenue. As a result of these changes, the District realized a 10% decrease in property tax revenue in 2004. In 2005, this decreased funding level remains in place. In 2006, this revenue stream is expected to revert back to the level it was prior to the cuts. This revenue stream is affected by property values and the local economy.

Full description of the methodology used to analyze the relationship between costs and fees

At a broad level we identified the hours charged to general resources (billing codes 00 and 01) by department; we then discussed this with the departmental managers/supervisors to make sure that these hours were appropriate. Any differences were identified and corrected.

SJ took the corrected hours from the time sheet data (please see sample time sheet at AppendixD) and assigned the corrected actual hours to the various billing codes under the program, as suggested by the managers/supervisors. In certain departments, SJ relied on the managers' estimates of the percentage of time/hours spent by an employee under various billing codes. This re-assignment of hours from one to another billing code was based on the assumption that the total hours within the program did not change. SJ also confirmed this fact with the various division managers. This gave SJ the actual hours spent under each billing code.

The actual hours under each program also included the hours charged to billing codes 00 and 01; these hours were then re-allocated to the other billing codes on a pro-rata basis. This gave SJ the total hours for each of the programs, including an allocation of the non-billable hours that were earlier charged to general resources/overhead. This process effectively distributed the indirect labor hours to various programs/billing codes.

SJ then obtained the actual payroll expenses under each program for each year (from the budget) and then an hourly rate was established for each program for each year (by dividing the total payroll expenses with the total hours).

The total hours obtained were used for any allocations of indirect costs to the various programs on a pro-rata basis. This way, all the indirect costs and capital outlays got distributed to the various billing codes/programs.

The District's time sheet data do not allow for the determination of costs associated with Schedule M: Major Stationary Source Fees, or Section 3-312: Emission Caps and Alternative Compliance Plans. In order to provide for more meaningful comparisons of costs and revenues for facilities that pay these fees, the revenue collected under these fees was allocated into the appropriate source category-based fee schedules. Schedule M revenue was allocated based on a source-level analysis of the emission rates of pollutants contributing to fees under this Schedule (i.e., organic compounds, sulfur oxides, nitrogen oxides, and PM_{10}). Section 3-312 revenue was allocated based on a source-level analysis of the sources within an alternative compliance plan that contribute to fees under this Section. The predominant source categories that pay Schedule M fees are combustion sources (Schedule B) and large miscellaneous industrial sources (Schedule G4). The predominant source categories that pay Section 3-312 fees are combustion sources (Schedule B), storage tanks (Schedule C), and miscellaneous industrial sources (Schedule G1).

Equity Issues Relating to Permit Fees

There are a variety of factors and criteria to consider in assessing equity in developing fee schedules. The issue of equity ultimately is one of policy and should be addressed and decided upon by the governing board. We have identified a number of factors and criteria the Board may want to consider in the process:

1. Fairness
2. Reasonableness
3. Stability

Regulatory fees are established to recover the costs of programs and activities associated with the fee-payer. The more time and effort spent on the part of the District should translate into higher fees. Other factors such as the level of emissions also should be reflected in overall fees.

When we look at all of the sources contained within a given fee schedule, we can see that certain schedules are "imbalanced". As an example, the storage tank schedule, and schedules G-3 and G-4, have sources that are paying more than the time and effort the District spends on their evaluation. Larger, more complex sources are included in these three schedules. This imbalance does not exist for many other schedules.

The District has adjusted for equity in fee schedules periodically over the years. A review of direct costs for fee schedules indicates that large sources are subsidizing small sources in some cases. Examples are noted above. In other cases, the District is using property tax revenue to help "close the gap" created by insufficient revenue. The decision on whether (and how) to continue these policies rests with the Board of Directors.

Stability is important to government agencies like the District, as well as the regulated community. All parties have a strong interest in knowing in advance what the applicable fees will be. This allows them to plan and budget accordingly.

Under the umbrella of the criteria noted above, there are a variety of more specific equity-related factors the District may want to consider in developing fee schedules. While this is not an exhaustive list, it is intended to provide the District with options and ideas. This list is not in any order of priority.

More specific criteria

- Ability to pay
  The "ability to pay" is an equity issue for the small businesses in the Bay Area. This issue relates to the size of the facility, as well as the economic burden the fee will have on the facility.
- Administrative permit effort
  The administrative efforts required to permit small facilities are similar to that of larger facilities. Examples of this are diesel back up generators and gasoline stations where risk calculations are a routine part of the engineering evaluation. These all require similar time and effort. In addition, the application itself requires administrative "set up" and this is similar, regardless of size. An awareness of this factor is important.

Equity Issues Relating to Permit Fees (Continued)

- Environmental benefit
  Permit actions and permit related activity must ultimately benefit air quality. Establishing fees that are below actual costs is sometimes the most appropriate way to encourage the necessary reductions to occur. Typically these programs are short-term in nature, so the “loss” to the District in terms of cost is not always long-term.
- Emission fees
  Emission fees are one example of an equity-based fee. Increasing the $/ton of regulated emissions as necessary to cover decreased revenue or increase in related costs so that revenue stays the same is one way to ensure continued equity in this area.
- Payment installment plan
  The District does not offer a payment installment plan. Many small businesses may not be able to pay their fees all at once. Offering payment options is another aspect to equity.
- Maximum and minimum levels
  Many fee schedules have “maximum” and “minimum” levels. These levels may have the desired effect of increasing the number of facilities applying for permits, and thus improving compliance. They may also have the effect of reducing revenue. This issue, like many included in this list, is one of balance. This balance is set by the District, and can be reviewed and changed at any time.
- COLA increases vs. % increases
  Increasing all permit fee schedules annually by the COLA, and increasing those fee schedules that have a large cost/revenue gap by more than the COLA is one practical way to address an equity issue.
- Establishment of an hourly rate
  Determining an hourly rate and process for charging for services requested that are not covered under an existing fee schedule. The District offers some permit-related services for free because there is not a process or fee in place.
- Small business definition
  The District may want to examine the definition of small business as it relates to permit fees. This also relates to the economic impact of the permit fee on the facility.

SJ offers one additional observation. Currently, the District has no mechanism to determine the “ability to pay”; either by permit fee schedule type, or within permit fee schedules. To use this as a criterion in the future, the District should give strong consideration to defining this criterion, and accelerate the collection of the necessary data so it can be objectively applied.

Emerging Issues

One of the requirements in the District's Cost Recovery Study RFP is to identify emerging issues related to the District's cost recovery of activities associated with District fees. Identification of these issues will assist the District in understanding future resource needs, and provide a foundation for estimating future costs. This is by no means an exhaustive review, and is intended as a summary of the issues identified through the following:

- Staff interviews conducted for this Study
- Reviewing all reference materials provided by the District
- Reviewing 2004 accomplishments provided by each Division
- Review of the District's 2004 Goals and Objectives

Each issue is identified and briefly summarized. There is no particular priority or order to this list.

1. <u>Community Air Risk Evaluation</u>
   The "CARE" program will enable the District to determine cumulative health risks to a given community from exposure to toxic air contaminants, and to develop air quality policy based on these findings. This program will be the foundation for many discussions with communities, especially those near large industrial complexes.

2. <u>JD Edwards Financial System</u>
   This system was installed mid-2004, concurrent with the beginning of FY2003/04 and automates many District finance-related operations.

3. <u>Air Quality Complaint Program</u>
   The enhancement of this Enforcement and Compliance program was completed in 2004, and full implementation is underway. This program is a key part of the District's service/response to the community.

4. <u>Homeland Security BioWatch Network</u>
   This monitoring network is now in place and operational. This network is an integral part of a national network.

5. <u>2005 Ozone Strategy</u>
   38 air quality control measures, and 21 further study measures are included in this strategy. A strong public outreach component will provide a forum for full discussion of these measures.

6. <u>Ozone and Particulate Matter Standards</u>
   Staff will be looking to the future to determine how to attain and maintain all federal and state air quality standards. Specific control measures will be identified in air quality plans. In a planned and deliberative manner, these control measures will become regulations, for which there may or may not be associated fees.

7. <u>State Budget</u>
   Continued close monitoring of the State budget will continue to be a priority in 2005. The recent reduction in the property tax revenue the District receives, and the anticipated reduction again in 2005 will be tracked and addressed as necessary. Mobile source incentive funding included in the budget will also be monitored and addressed as appropriate.

Emerging Issues (Continued)

8. Climate Change

   Recent CARB regulatory activity in this area will provide an opportunity for discussion, policy, and program development at a local and state level.

9. Fleet Rule Authority

   With the large contribution to emissions in the Bay Area from motor vehicles, the District will closely track the fleet rule authority of local air districts.

10. Air Toxic Control Measures

    CARB is adopting more ATCMs. This will result in increased permitting and enforcement activity for local air districts, including the District.

11. Area-wide Sources

    There will be increased resources needed for area-wide sources (ex: architectural coatings, aqueous solvent cleaning), particularly in the Compliance and Enforcement Division.

12. Gasoline Dispensing Facilities

    Recent CARB Enhanced Vapor Recovery (EVR) requirements affecting GDFs will result in increased permitting activity needed to amend existing permits. Inspection activity in this sector will follow on this effort. These requirements will be phased in over several years.

13. Green Business Program

    The District became more involved in Green Business programs in 2004, and this work is expected to expand in 2005.

14. Diesel Backup Generators

    An additional 1000-2000 existing diesel back up generators are expected to be permitted in the next 1-2 years along with approximately 300 new generators on an ongoing basis. In all, an estimated 7000 diesel engines will require permits and have to comply with a new ATCM adopted by CARB. This will require significant District resources.

15. Auto Parts Washers

    A focused outreach effort for this sector began in 2004 and is expected to continue through 2005. Compliance assistance is one of the primary goals of this program.

16. High Priority Violators/Increased Federal Reporting Requirements

    The District will be providing detailed information to EPA for high priority violators, which generally include major facilities (Title V and Synthetic Minors).

17. Title V Permits

    With many of these permits newly issued, future work will focus on enforcement of permit conditions, evaluation of “deviations” from permit conditions, updating and renewal of permits based on changes in applicable requirements and changes at facilities, and permit streamlining including the implementation of a Title V database management system.

18. Truck Idling Program

    A new program enacted legislatively in 2004, the District will be enforcing truck idling limits at the Port of Oakland.

Emerging Issues (Continued)

19. Permit Fee Payment

    With many smaller businesses entering the permit system, a payment installment plan may allow for fee payment over time. This type of program may be explored.

20. MACT Standards

    MACT standards will be incorporated into Title V permits. As MACT standards for smaller sources (e.g., chrome platers, auto body shops) are adopted by EPA, permits for these facilities will need to be evaluated.

21. Toxics New Source Review Rule

    The District will be transitioning from an Air Toxics NSR policy, to an Air Toxics NSR rule. The new rule will include a series of program updates and enhancements.

22. AB2588 Toxic "Hot Spot" Program

    The requirements of the AB 2588 program will need to be met by thousands of facilities with permitted diesel back up generators and other diesel engines.

23. Website

    Enhancement of the interface with the permit applicant, increased automation, and availability of permit-related information on the web will be some of the 2005 website issues.

Observed Opportunities for District Program Improvements

While in the course of conducting this Cost Recovery Study, SJ made several observations regarding District programs, operations, and services. While the discussion of these observations is a deliverable for this Study, it was by no means the focus. The focus of this Study was to determine if permit and other fee revenue is sufficient to recover costs.

While not exhaustive, the following is a summary of the observations and issues SJ came away with in 1) reviewing all documents relevant to this Study, and 2) talking with the various stakeholders involved with the Study.

Our observations are not listed in any particular order or priority.

1. The District is faced routinely with new, unplanned activities that consume a fair amount of staff time and resources. As a service agency, the District must accommodate and address these issues. There are various ways the District can choose to respond to these issues, and each has its own set of cost factors:
    a. The District can redirect existing staff to these efforts
    b. The District can outsource the resources needed (this is normally cost-effective for short-term issues only)
    c. The District can hire additional staff

   Being aware of the resource need as well as the cost to address it, and communicating with all parties involved with addressing the issue will help resolve the issue in the most cost-effective manner.

Observed Opportunities for District Program Improvements (Continued)

2. Many Divisions have specific performance criteria. Examples of this include time frames for:
   a. Evaluating permits
   b. Responding to complaints
   c. Conducting compliance inspections
   d. Resolving notices of violation
   e. Issuing burn and air quality forecasts

   Performance criteria at the District are generally based on time-lines (i.e. Does the District evaluate permits within the time frame guidelines it has established?). SJ generally found that all Divisions are conducting their work within the time frames established.

3. Evaluating performance based on the ability to meet prescribed time lines is important. The District may want to consider expanding these performance criteria beyond time lines. Essentially, the time lines established allow the District to measure effectiveness, not efficiency. Developing simple and objective criteria to measure efficiency is a reasonable next step. This will link to cost recovery efforts, as the District will be able to evaluate whether costs have increased due to additional work, or to efficiency issues.

Findings and Recommendations

This section details all of the findings and recommendations for this Cost Recovery Study, and is organized in the same manner as the Executive Summary in the following manner:

- Key Findings and Recommendations
- Short Term Recommendations
- Long Term Recommendations

In developing the key findings, and short and long term recommendations, SJ interviewed a variety of stakeholders, including the Steering Committee, District staff, and other air districts. The Steering Committee was comprised of representatives from industry, environmental, and professional associations. District staff interviews included representatives of management and staff from all Divisions including: Executive Office, Hearing Board, Legal, Engineering, Compliance and Enforcement, Information System Services, Technical Services, Planning and Research, and Public Information and Outreach. Key representatives from three other air districts (Sacramento Metro AQMD, San Joaquin Valley Unified APCD, and South Coast AQMD) were interviewed to learn more about their permit fee related activities, and their time keeping practices, policies and procedures. A complete listing of all stakeholders can be found in Appendix C. A summary of interviews of other air districts can be found in Appendix B. In addition, many documents were reviewed (see Appendix E for a complete listing of all documents). All of this information provided background, context, and issues relating to the District's fees, activities, timekeeping, and related program costs.

Key Findings and Recommendations

Key Finding #1: Permit fee revenue is not sufficient to recover costs of programs related to permitted stationary sources

From an overall analysis of permit and other fee revenue less direct and indirect costs of the programs funded by their fees, there is a revenue shortfall (Appendix A describes permit and other fee categories). In other words, fee revenue received during a fiscal year does not cover both actual direct costs and allocated indirect costs of programs related to permitted sources.

Three years of data were analyzed in the course of this review: fiscal years 2002, 2003, and 2004. In each year, after allocation of direct and indirect costs, there was a fee revenue shortfall. For the three years analyzed, fee revenues were not even sufficient to cover direct costs (see Exhibit I). This was a consistent finding with the KPMG Study, even though permit fee revenues have increased each year since that report was completed.

The Cost Study also analyzed whether there is a revenue shortfall by permit fee schedule. This was the first time this type of analysis has been conducted at the District. It was noted that of 17 different fee schedules for which cost recovery could be analyzed, few of the component fee schedules had fee revenue contributions exceeding total cost (i.e. more revenue than direct cost and allocated indirect cost). The remaining schedules had revenue shortfalls (see Exhibit J).

Key Finding #2: Property taxes are being used to offset the difference between program costs, and permit fee revenue

Regulatory program direct and indirect costs exceeded revenue by approximately $13 million in fiscal year 2004 (see Exhibit J). While no formal policy is in place, the District has been funding the permit revenue shortfalls by the use of property tax revenues allocated to the District from the state. This approach is allowed by State law.

Because property taxes are being used to close this gap, the District staff and Board of Directors will consider addressing this policy matter in a variety of ways, including:

- Use property taxes to close the gap in the same manner as is currently used;
- Raise fees in a phased manner and use a smaller portion of the District's property tax revenues to close the gap;
- Raise fees in a phased manner such that property tax revenue is no longer used to close the gap

Under State law, property tax is allocated to the District based on a formula. Property tax revenue is expected to remain slightly higher in Fiscal 2005 at $15.9 million and will remain fairly steady at $15.9 million in Fiscal 2006.

Key Findings and Recommendations (Continued)

Key Finding #3: Even if Cost of Living increases are applied each year to all fees, they will not be sufficient to close the gap that exists between permit revenue and permit-related costs.

Revenue shortfalls will not be eliminated by COLA increases alone. Since 1999, the gap between permit fee revenue and permit-related costs has increased. This has occurred even though there have been COLA adjustments annually to all permit and other fee schedules since 1999, and some years have included additional fee increases that have approached the maximum allowed under the law (15%).

The current year gap is as follows:

- 1999 $ 7 million gap between permit and other fee revenue and costs
- 2004 $13 million gap between permit and other fee revenue and costs (see Exhibit J)

Even with COLA increases to all fee schedules annually, it would take many years to eliminate the deficit, assuming no increase in costs, which is not a realistic expectation.

The 1999 Cost Recovery Study the District commissioned proved a useful first step. However, there had been no studies prior to this, so there was no basis for KPMG to compare the size of the gap, and no basis upon which to assess the rate at which the gap was changing. There also had been few fee increases for many years prior to 1999 (the largest one occurred in 1991, and many years had no increases).

The 1999 KPMG Study was able to identify gaps and shortfalls for permit fee revenue. Since billing code specific time sheet data was not available, this information was obtained through detailed staff interviews. Since 1999, the District has been completing billing code specific time sheets and SJ was able to use and evaluate this data for this Study. With this newly available data and information, SJ was able to identify the size and nature of the gaps.

Of course, the gap between revenue and costs could also be decreased by cost saving measures and program efficiencies. While an analysis of whether the District's program costs could be reduced while still maintaining effective regulatory programs was beyond the scope of this Study, the District should continue to seek out ways to increase efficiency and decrease costs as much as possible.

In reaching this recommendation, SJ offers the following observation: For every dollar of direct expense at the District, there is an expenditure of approximately $.50 in indirect costs. Although this figure includes public outreach programs, this percentage appears worthy of further study. SJ recommends the District research the component of the public outreach programs, so that the ratio of direct to indirect expenses can be fully evaluated.

Key Findings and Recommendations (Continued)

Key Finding #4: The billing codes developed for timesheets are not adequate to fully assess the gap in certain areas.

The District began completing billing code specific timesheets in 1999, in response to a recommendation from the KPMG Cost Recovery Study. A series of program and billing codes were developed for staff to choose from in allocating their time. While these codes represent an excellent start in the District's effort to allocate costs and track time, a review of these codes indicates that there are an inadequate number of billing codes for some programs.

There are several existing activities for which there is no billing code, including:

- Paint spray booths
- Outside Enforcement actions/investigations
- Auto Parts Outreach
- High Priority Violators
- Area-wide source complaints
- Incidents/upsets/major episodes

Some of these programs are funded by permit fee revenue, while others are funded by general revenue, such as property tax. All of these programs are long-term in nature.

In addition to establishing billing codes for existing programs, the District may want to consider establishing billing codes for new regulatory programs that are known to need staff resources in the near future. A listing of new billing codes the District may want to consider is attached to this section, entitled "Potential new billing codes".

Establishing a billing code for some or all of these activities, whether they are existing or new, will help the District differentiate between permit fee and non-permit fee related costs, and will also enhance understanding of the time and effort expended in each of these categories. All of this will serve to improve the District's ability to determine if fee revenue is sufficient to offset costs.

Additional information and detail concerning new billing codes, staff training on billing codes, and possible use by management in using timesheet summaries can be found in Section 8 of this Study.

Short and Long Term Recommendations

The purpose of this section is to provide the District with readily implementable ideas for securing fee revenue, tracking costs, and utilizing timesheet information.

For both the short and long term recommendations, the recommendation is listed in the header, followed by the finding and/or basis for the recommendation in the text immediately following. In certain cases, additional section(s) of this Study are referenced which provide additional detail on the issue.

Short and Long Term Recommendations (Continued)

Short Term Recommendations

Short Term Recommendation #1

If the District and Board of Directors should elect to narrow the gap between permit fees and costs, the District should consider increasing fees by more than the COLA to increase revenue.

In reviewing permit fee revenue and costs, it is clear that overall permit fee revenue is not sufficient to cover costs.

Permit and other fee revenue for the years analyzed in this Study are as follows:

- 2002 $17.5 million
- 2003 $18.0 million
- 2004 $18.7 million

It is also clear that some Permit Fee Schedules have a larger "gap" than others. Refer to Exhibit E, Contributions (Usages) by Permit Fee Scheduled by Year. Raising all permit fees by the COLA for the foreseeable future will not be sufficient to close the gap created by insufficient revenue. The District may want to consider one of the following options:

- Raise fees on programs with revenue shortfalls a fixed percent per year, and raise other fees by the COLA only
- Raise all fees by a fixed percent per year; e.g., 5%, 15% (maximum)
- Raise all fees by the COLA plus a percentage to be determined such as 2% or 3%, etc.
- Redistribute how fees are paid
- A combination of the above

Please see Exhibit F for an illustration of the amount of time it will take to close the gap using various scenarios.

Short Term Recommendation #2

The District should consider evaluating the maximum and minimum thresholds and limits contained in permit fees to address revenue shortfalls as well as equity issues.

SJ has reviewed the max/min limits set forth in each of the permit fee schedules. This issue has also been discussed with various stakeholders. The establishment of a "minimum" fee level recognizes that there is a minimum amount of time, or level of effort, needed to evaluate the permit in question. The minimum fee is set to recoup some of these costs, with awareness that small businesses may not be able to fully pay even the minimum fee. As an example, in order to motivate compliance with a new requirement and to ensure that permit applications are filed, the District may knowingly set a fee that is less than necessary to recoup costs. This type of effort becomes more costly if this service continues for long periods of time with no increase in minimums.

Short and Long Term Recommendations (Continued)

The maximum fee level is established with the recognition that the level of effort needed by the District is less than would have been paid by the applicant had there been no limit. It was also established with the recognition that some large sources that "hit the max" limit, may not actually translate into more work for District staff. An example of this is a large power plant. These facilities have higher emissions, and complex permits. If new continuous emission monitoring technology is installed, it may mean less time for engineers and inspectors monitoring compliance. Using a monitor, compliance with emission standards is simple and straightforward to determine.

To help address the gap, or shortfall, between permit fee revenue and costs, the District may want to consider two options:

1. Raising the minimum permit fee for some or all schedules
2. Raising the maximum permit fee for some or all schedules

A modeling analysis was performed by the District for Schedule B, Fuel Combustion. The maximums and minimums were changed to see what revenue change would result. While this effort is an excellent first step and shows a potential revenue increase, additional work is needed before any conclusions are drawn.

Short-term Recommendation #3

The District should improve its method of accounting for time spent on Title V activities, particularly in Divisions other than the Engineering Division.

Determining accurate Title V costs is difficult because this program is so integrated with permits. Therefore, it is difficult to determine what the increase in activity and costs are due to this program. In the Engineering Division, it is easier to differentiate this time because there are two types of permits staff works on 1) Title V, and 2) all other types of permits. Therefore, when a permit engineer completes a time sheet, it is easier for them to determine how they spent their time.

Other Divisions are also involved in the Title V program. In the Compliance and Enforcement Division, field staff as well as the office staff are engaged in enforcing the requirements of the permit at the facility. In the Technical Services Division, staff is engaged in conducting source tests, reviewing continuous emission monitoring information, and performing laboratory analyses for these facilities. In the Office of Legal Counsel, Title V work is conducted in the course of work done reviewing proposed permits, investigating violations, and in preparing for Hearing Board cases. The Public Information & Outreach Division prepares and posts press releases and other related materials for Title V permits.

The work of these other Divisions is closely integrated with work they would have otherwise done for the facility. Because the Title V program allows the District to establish fees to fully recover the cost of this program, it is recommended that all District staff be mindful of when they are performing Title V work, and to reflect this on their timesheets.

Training and the establishment of more Title V specific billing codes can assist in this area.

Short and Long Term Recommendations (Continued)

Short Term Recommendation #4

The District should explore possible cost savings on activities outsourced.

The District does not outsource very many activities. All core activities are performed in-house. One activity that is outsourced is the mailing of public notices required under HSC 42301.6 (notifications regarding sources located near schools).

This activity has increased dramatically with the permitting of diesel back up generators. Diesel particulate has been designated a toxic air contaminant in California, and the new generator permitting requirements are triggering an increased workload in this area. Therefore, the number of mailings has increased.

Periodically, the District should “shop around” for this service to determine if costs could be decreased in this area.

Short Term Recommendation #5

The District should consider a “split” in time allocated for AB 2588 emission inventory activities.

AB 2588 involves updating emission inventories for permitted sources of toxic air contaminants. The District updates these inventories through annual data requests that are filled out by subject facilities. These annual update documents are reviewed by the permit engineer assigned to the plant prior to their entry into the Data Bank. This activity is reflected in the District’s budget in Program 502 (Permit Renewals – Activity 1b), along with the closely related activity for updating the non-toxics emissions inventory.

It is difficult (or in some cases impossible) to distinguish between updating activities for toxics and non-toxics emissions inventories, and therefore, staff involved in these activities have been instructed to use permit fee (rather than AB 2588) billing codes.

The timesheet data therefore do not provide a full accounting of activities related to the AB 2588 program. District staff is aware of this issue, and has conducted an analysis of time spent on the AB 2588 program. Based on this analysis, the District has found that specific AB 2588 activity can be estimated at 20% of the total Program 502 activity. This is consistent with the estimate used by District staff in budget estimates.

SJ recommends that a “split” be made for the time spent on total emission inventory related activities, and that 20% of this time be allocated to the AB 2588 program.

Short Term Recommendation #6

The District should develop an “exceptions or edits” program for managers to use in tracking costs or staff time on the time sheets.

Short and Long Term Recommendations (Continued)

Timesheets are completed by all staff every two weeks. Supervisors and Managers review these timesheets and sign off prior to submittal and entry into the time keeping database. Timesheet summaries are prepared for each program, and forwarded to the appropriate Program Manager for review.

SJ recommends that a summary time sheet analysis be prepared each quarter. This summary will be by program code for each employee. Unexpected variances of time sheet billing codes among employees with similar job responsibilities should be reviewed and corrected as necessary. Manager time should also be reallocated to specific time codes as necessary.

If an exception type reporting mechanism is desired, a default time allocation per activity can be developed and any employee who's time is +/- 10% from the default would print out for manager review.

SJ noted many instances where allocations were not complete or were incorrect. SJ had to re-interview staff to complete and/or correct time coding.

Time sheet data is critical in assisting the District in determining which permit fee revenue schedules are adequately reimbursed for expended costs. Ongoing management and staff training are important to emphasize the importance of this data. Numerous supervisory personnel were not aware of this importance as they stated they had no ongoing use of time sheet data.

Short Term Recommendation #7

The District should develop a cost allocation formula for assessing outside agencies when cost recovery is allowed.

Numerous District staff indicated that there was no mechanism to bill for requested services that were not covered by any existing fee sources. Now that the District has the ability to determine a fully burdened cost (direct and indirect) for a variety of programs, an hourly rate should be determined, a bill prepared, and a mechanism for forwarding the information to the accounting department for inclusion in their financial reporting system.

Short Term Recommendation #8

The District should adequately track the time spent on grant-related activities

The District receives federal, state, and special grants. Federal grants include the EPA 105 and EPA 103 grants, and the state grant is called the state subvention.

The District also received funds from the DMV registration program, and this grant is called the Transportation Fund for Clean Air (TFCA).

Time spent and allocated to grant activity is entered correctly by staff if there is a billing code to choose from. A review of the billing codes indicates that there is not a billing code for the state subvention grant. Therefore, staff does not have this as a choice for allocating their time when completing a time sheet. The addition of this billing code, combined with staff training on new billing codes will address this issue.

Short and Long Term Recommendations (Continued)

Short Term Recommendation #9

The District should amend the time keeping system to allow staff to save billing codes used in the recent past, rather than having to scroll through each time and make a selection.

In the course of our interviews, SJ found that many staff would like the time keeping procedure made easier to use. As an example, many staff members are involved in a variety of activities, and their involvement in these activities is long-term (i.e., they are involved in these same activities week after week). Because they cannot save program or billing code combinations, staff must scroll through the list of billing codes to select all of their activities, and they've got to go through this process every two weeks.

If there was a way staff could save the billing codes they have used in the most recent past, (i.e., those they have used in the last month or two), this would allow them easy and quick access to the right codes. This would result in a more streamlined time keeping process.

We also heard from staff that it is easier to enter a "general" billing code, than it is to enter a more specific billing code. This is because it takes "more clicks of the mouse" to scroll through all the nested billing codes to select the right one. By establishing a process to allow staff to save billing codes, fewer staff will be tempted to simply enter the "general" code, and the allocation of staff time to particular activities will be more accurate.

Annual training of staff on this issue will also help address the issue of proper staff time allocations.

Short Term Recommendation #10

The District, on an annual basis, should review program billing codes to be sure all revenue sources have proper codes to utilize on the time sheet.

The District should review all program billing codes on an annual basis to ensure that all types of staff activities are captured. This will provide the District the opportunity to make changes and adjustments as necessary to keep current with any new activities that have arisen during the year.

Management may want to consider more specific billing codes relating to their policy-related activities. This will enhance the District's ability to allocate indirect costs.

In addition, the District may want to consider updating billing codes more frequently if a new, unplanned activity necessitates District resources. This is especially important if the District realizes a new revenue source during the year.

Short Term Recommendation #11

The District should offer annual training to affirm the importance of time keeping and accurate data capture.

The District should offer annual training of all staff and management to affirm the importance and relevance of time keeping. Program managers must consistently apply the District's policies on time sheet data capture in order for the District to assess costs.

Short and Long Term Recommendations (Continued)

Short Term Recommendation #12

The District should tighten its accounting controls to increase the detail under which fee revenue can be tracked. Furthermore, the Administrative Services Division should provide additional monthly reports and document processes to enhance operations and communications between the Administrative Services Division and the District's operating divisions.

Currently, the District does not appear to utilize the tools at its disposal to provide the operational divisions with formal, easily accessed, on demand, operational data that is of a financial nature. There is a financial component to many of the operations at the District.

For example, revenue is tracked in the general ledger under the category of Permits and Other Fees. Operationally, there is a need for revenue to be tracked by permit fee schedule type. If accounting would record each fee invoice with a sub-code indicating fee schedule type, this would make tracking much easier.

As the District continues to improve efficiency in its operational areas, it is important that the administrative systems and account for and track these changes.

Long Term Recommendations

Long Term Recommendation #1

The District should develop and implement an installment plan payment option for small business.

The District does not offer any type of installment plan payment option. Currently, the fee for services is due in full upon receipt of the bill. This is the case for all types of services the District offers, including evaluating a new/modified permit application, renewing an operating permit, changing an operating permit condition, changing the location of a facility, and many other services.

The District currently offers a fee discount for small business. The new/modified fee assessed via the appropriate schedule in Regulation 3, Fees, is reduced to reflect the small business status of the facility. The annual renewal fee, and any other fee the small business needs to pay are not discounted.

Some small businesses may not be able to pay their fee all at once. The establishment of an installment plan payment option for certain types of fees would provide small businesses with an optional payment option they may want or need. This option may result in more small businesses applying for necessary permits, and could increase overall compliance rates in some areas.

Long Term Recommendation #2

The District should consider establishing a fee for requested extensions of an Authority to Construct.

Short and Long Term Recommendations (Continued)

District Regulation 2-1-407, Permit Expiration, states "an authority to construct shall expire two years after the date of issuance, unless substantial use of the authority has begun. However, an authority to construct may be renewed one time for an additional two years, subject to meeting the current BACT and offset requirements of Regulation 2-2-301, 302, and 303, upon receipt of a written request from the applicant and written approval thereof by the APCO prior to the expiration of the initial authority to construct."

Currently, the District does not charge a fee for the time and effort needed to extend an authority to construct. This work involves determining if the BACT (Best Available Control Technology) requirements have changed for the source(s) during the previous two years. Given the strong pace of technological advancements to reduce air pollution emissions in many areas, there is a strong possibility that the control requirements for the source(s) may change. This review, which is primarily conducted by permit engineers, may result in changes to the control requirements for the sources in question.

By establishing a fee for requested extensions of an authority to construct, the District takes a step forward in closing the gap between permit fee revenue and costs.

Long Term Recommendation #3

The District should consider establishing a fee for changing conditions for Authorities to Construct while they are on extension.

This recommendation builds on Long Term Recommendation #2. Once the authority to construct has been extended, the permit engineer continues to monitor all applicable regulations and control requirements for the source(s) included in the authority to construct. If any of these requirements change, the operating conditions included in the existing authority to construct will need to be reviewed. In many cases (possibly all cases) some of these permit conditions will need to be changed.

In addition, the facility may request a change in permit conditions included in the authority to construct. There are many examples of what this change may involve, including: a change in the hours per day a facility wants to operate, a change in the type of solvent used, or the type equipment used. There are many other examples.

Currently, the District does not charge a fee for the time and effort needed to change permit conditions for authorities to construct while they are on extension. The time and effort needed to change these permit conditions is typically performed by permit engineers. By establishing a fee for changing conditions for authorities to construct while they are on extension, the District takes an additional step forward in closing the gap between permit fee revenue and costs.

Long Term Recommendation #4

The District should consider establishing a fee for making a Potential to Emit determination for a facility.

The Title V permitting program for major facilities is based on the potential to emit of the facility. Potential to emit is defined in Regulation 2-1-217, Potential to Emit, and is "the maximum capacity of a source or facility to emit a pollutant based on its physical and operational design…"

Short and Long Term Recommendations (Continued)

Facilities that have a potential to emit in excess of the established threshold are subject to the permitting requirements of Title V. Facilities who choose to limit their potential to emit by imposing facility-wide federally enforceable permit conditions have their potential to emit limited to below the threshold levels for a major facility, and are not subject to the requirements of Title V.

The Title V program is relatively new, and many facilities are choosing to limit their potential to emit to a level below the established threshold, thereby eliminating their need to obtain a Title V permit.

The work involved in making a potential to emit determination is largely done by the permit engineer, and can be quite involved. The engineer must review the potential to emit for all sources of air pollution emissions at the facility, and determine if this potential exceeds the Title V threshold.

By establishing a fee for making a potential to emit determination for a facility, the District takes an additional step forward in closing the gap between permit fee revenue and costs.

Long Term Recommendation #5

The District should estimate the time and effort needed to incorporate AB 2588 fees into the permits for diesel back up generators, and use this estimate as a factor in establishing a fee to recover these costs.

The District's AB 2588 program is firmly established and is designed to assess, regulate, and monitor the emissions of toxic air contaminants that have been identified by the State of California. The AB 2588 fee schedule is a formula, and is based on the District's, as well as CARB's costs. The formula is established to collect the amount of money needed for both agencies to cover their costs. The formula is based on the quantity and toxicity of emissions. There is a minimum fee that has been established for all facilities subject to AB 2588 based on toxicity-weighted emissions.

More recently, within the past several years, the District began permitting diesel back up generators. This large effort has resulted in the permitting of over five thousand diesel back up generators. More diesel generators have been permitted than the total number of retail gasoline stations, auto body shops, and drycleaners combined.

Diesel particulate matter has been designated as a toxic air contaminant by the state of California. At some point, the District will need to incorporate AB 2588 program requirements into the existing diesel back up generator permitting program.

At some point, the District will want to estimate the time and effort needed to undertake this integration, and establish a reasonable fee.

Long Term Recommendation #6

The District should re-examine its definition for small business, and make adjustments accordingly to reflect revenue as well as equity issues.

The District's existing definition for small business can be found in Regulation 3-209, Small Business, and is defined as "A business with no more than 10 employees and gross annual income of no more than $500,000 that is not an affiliate of a non-small business."

Short and Long Term Recommendations (Continued)

Currently, small businesses receive a discount on their new and modified permit fees. As stated in regulation 3-302.1, "An applicant who qualifies as a small business shall pay one half of the filing fee and, if the source falls under Scheduled B, C, D.3, E, F, H, I, or K, one half of the initial fee and the full permit to operate fee."

A review of the small business definition would provide the District with an opportunity to review its policy towards small business from both a fee as well as equity standpoint. The District may wish to consider a small business permit fee discount, and if so, what the level of this discount should be.

Long Term Recommendation #7

The District should improve upon the information it has on the size of facilities receiving permits (small or large). This will help in addressing the max/min permit fee issue, as well as equity.

The District has comprehensive and detailed information regarding air pollution emissions from all sources at many facilities in the Bay Area. There is much less information available on the size of these facilities.

As addressed above, the District offers discounts to small business for certain permit fees. In reviewing the various specific permit fee schedules, it is difficult to fully understand the mix of sources subject to the fee. Most schedules have a mix of large and small sources that are subject to the fee, but there is not much detail on this. This lack of information makes it more difficult to assess whether the fee level is appropriate, and whether equity issues are being addressed in an appropriate manner.

By obtaining additional and relevant information from the facilities that have permits with the District, a clearer path will be illuminated to address fee and equity issues. This information may involve, as an example, coding whether a permit engineer is working on a *small* boiler, rather than simply a boiler.

Having said this, our interviews with District staff indicate that most engineering and enforcement staff work on a variety of small and large sources. More time will be needed if additional time codes are required. This balance should be set by District management.

Long Term Recommendation #8

The District should make changes to permit policies and fees as they are discovered.

It is clear from the stakeholder interviews that the District experiences large, unanticipated issues that require lots of staff time and resources. As an agency that provides a service, this is to be expected.

Short and Long Term Recommendations (Continued)

Examples of unplanned activities in the recent past that have required resources include:

- The California energy crisis in 2000 resulted in the construction of several new base load and peaking power plants in the bay area. Many plants were evaluated for permits, but were not constructed. The response to the energy crisis involved staff resources from many District Divisions.
- The California energy crisis necessitated the use of diesel back up generators, which had been used minimally in the past. This use resulted in the development of the diesel back up generator permitting program that is now firmly established at the District.

There are many other examples. It generally appears that the District's Engineering Division experiences one or two large, unplanned "challenges" each year that relate to permitting activity. Depending on the nature of the issue, these can take 6 months to several years to fully evaluate and resolve.

As these issues are discovered, the District should make changes to its permit policies and fees. A good example of this are the Title V fee adjustments made in 2004. The District monitored this new program, became aware of discrepancies, and implemented changes to address the issue. This is an excellent model for other types of issues.

Long Term Recommendation #9

The District should consider increasing certain fees assessed for those facilities involved in Hearing Board proceedings.

A review of applicable Hearing Board fee schedules, as well as stakeholder interviews, have led SJ to recommend the District consider several changes to its Hearing Board fees. As stated in Regulation 3-301, Hearing Board Fees, "Applicants for variances or appeals or those seeking to revoke or modify variances or abatement orders or to rehear a Hearing Board decision shall pay the applicable fees, including excess emission fees, set forth in Schedule A."

Fee changes the District may want to consider raising with the Hearing Board include:

- Increasing the fee charged for excess emissions
- Reviewing the fee for small business (staff resources are the same, regardless of size)
- Receiving reimbursement for publishing public notices in the newspaper from small business and third parties. Currently, only large businesses pay for this notice
- Fully recover the cost of the court reporter from large businesses, and charge small businesses a portion of this expense. Currently, large businesses pay $114/day, and small businesses pay zero. The actual cost of the court reporter is $200-300/day.

Short and Long Term Recommendations (Continued)

Long Term Recommendation #10

The District should develop a program to estimate where revenue shortfalls may occur.

The District should consider developing a revenue program, by source type, that illustrates the effect of increasing permit fees using a combination of percentage increases and cost of living, and taking into account whether the permit revenue source as of 2004 is at a revenue shortfall. The methodology that SJ has developed can be used by the District if there are adequate internal sources available (or re-allocable) to use this financial tool.

By exploring a series of options, the District will be in a better position to make decisions about changes to permit fee schedules.

Potential New Billing Codes

Based on staff interviews, a review of timesheet information, existing billing codes, and emerging issues, the following list of new billing codes are recommended for the District to consider adding to its current list of billing codes. It is further recommended that staff attend training to become familiar with these new codes and their relevance to their work and timekeeping efforts.

These codes are referenced and discussed in Key Finding #4.

Billing codes are not listed in any particular order.

1. Truck idling program – This is a new program requiring staff resources, mostly in the Compliance and Enforcement Division.
2. Green Business program – In this new program, inspectors visit new developments and assist them in understanding air quality issues relating to the development (increased traffic, construction equipment, etc).
3. Enhanced Vapor Recovery – Changes in the near future to this program will require resources from the Engineering, and Compliance/Enforcement Divisions. Recommend adding a new code now in preparation for increased activity in this area.
4. Paint Spray Booths – Compliance/Enforcement Division spends resources on this source category, and no billing code is available to account for time.
5. Outside enforcement actions/investigations – The District staff assists outside agencies (e.g., District Attorneys request assistance in processing a violation). Recommend adding a billing cost for this investigative work, as well as a cost allocation formula for assessing outside agencies when cost recovery is allowed.
6. Auto Parts Washers – A focused outreach effort for this sector began in 2004 and is expected to continue through 2005.
7. High Priority Violators – The District will be providing detailed information to EPA for high priority violators. Recommend 1) adding a new billing code, or 2) adding a “sub-code” to the existing EPA 105 Grant code if this is a chargeable activity to the grant.

Potential New Billing Codes (Continued)

8. CARE – The Community Air Risk Evaluation program will enable the BAAQMD to provide additional services to communities.
9. Area-wide source complaints – This activity is general in nature (e.g., tar pot odor complaints, dusty street complaints). Recommend adding a sub-category to the General Code to more accurately identify staff time spent on this.
10. Title V deviations – Changes in Title V permits are requested, and these "deviations" are administrative and do not require a permit. Recommend looking at this issue and determining if a new type of Title V code is needed. An example of this is a change in coating used, where the VOC content of the new coating is less than the original.
11. Incidents or major episodes – Resources are needed "around the clock" to assist in investigating major incidents and episodes. Some of these result in a notice of violation, while others do not. Tracking of this time would allow for more accurate cost recovery if a penalty were collected.

Looking to the Future and Next Steps

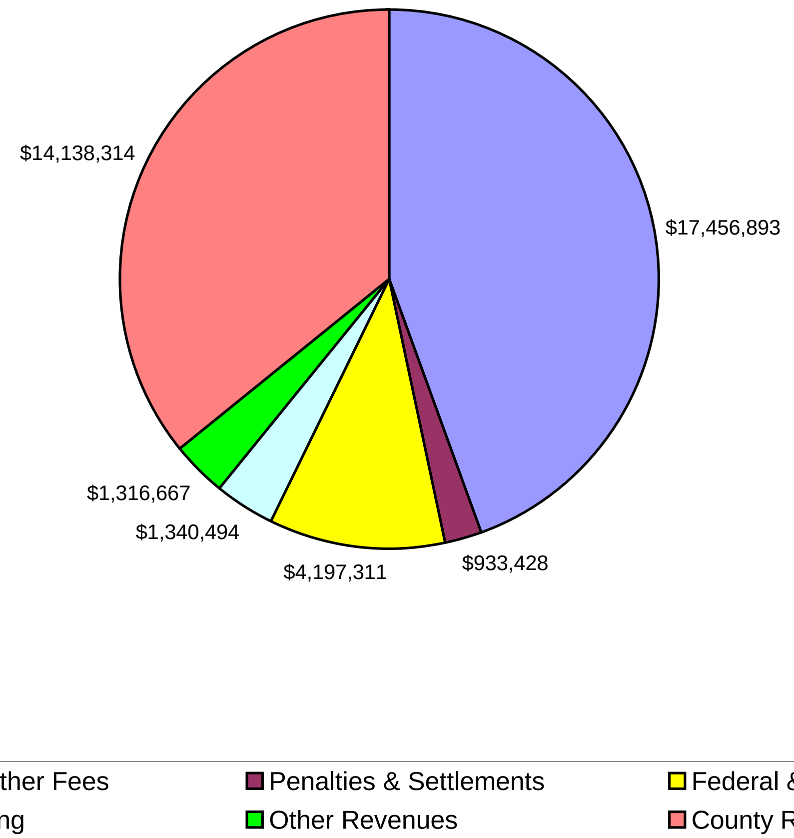
The Short and Long Term recommendations discussed in this Study illuminate the path for next steps and future action.

The following is a summary of the issues the District may want to follow up on and address in the future.

- Development of new general ledger sub-accounts to allow detailed tracking of permit fees by schedule on an on-going basis. Included in this effort are the following steps:
    - Development of new billing codes for activities that currently do not have a billing code
    - Time sheet training seminars
    - Training for management on the use of time sheet summaries
    - Training for management on how to use "edits" and "exceptions" for time sheets
- Staff training on how to use the SJ model to provide management quarterly and annual information regarding revenue gaps.
- Conduct an "abbreviated" Cost Recovery Study periodically (every 1-2 years) to assess progress made on cost recovery.
- Further study on the fee equity issue, and the collection of size-related data for facilities
- Automatic and electronic submittal of data (from permit updates, permit application submittals, monitoring data) should be encouraged.
- Exploring how to build in incentives and mechanisms to encourage and implement continuous improvement in District operations.
- Evaluating the outsourcing of certain District activities, especially for those instances where there is an unplanned, short-term need for additional resources.

EXHIBITS

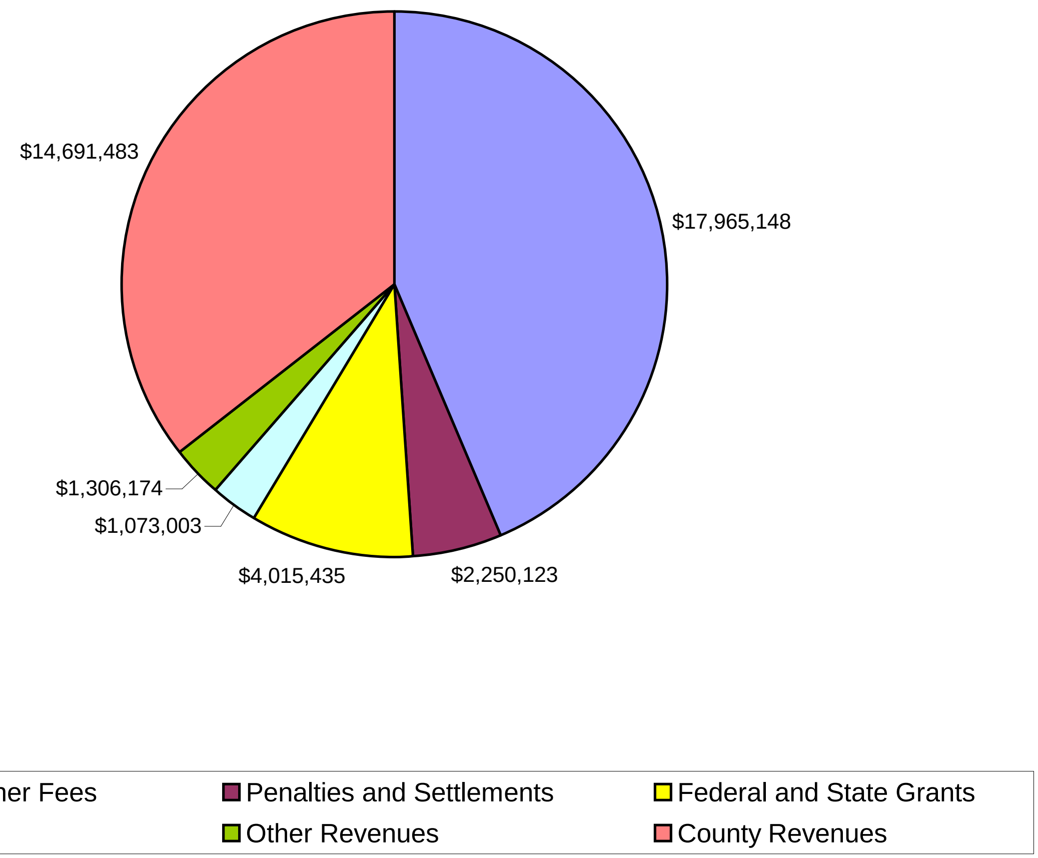
General Fund Revenue by Source - Fiscal Year 2002
($ 39,335,747)



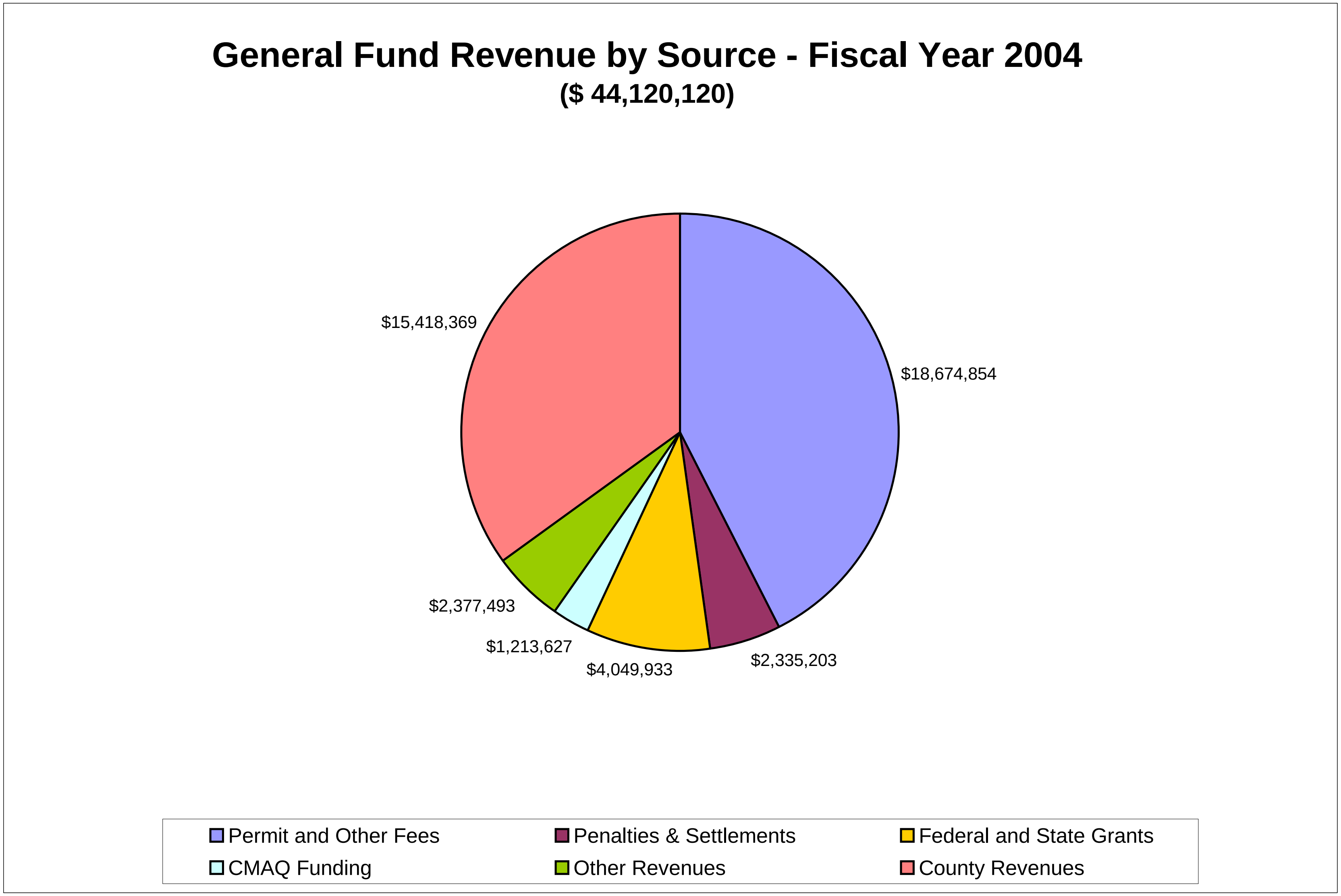
Does not include TFCA revenue $ 4,674,481 and cost recovery $ 458,847.

General Fund Revenue by Source - Fiscal Year 2003

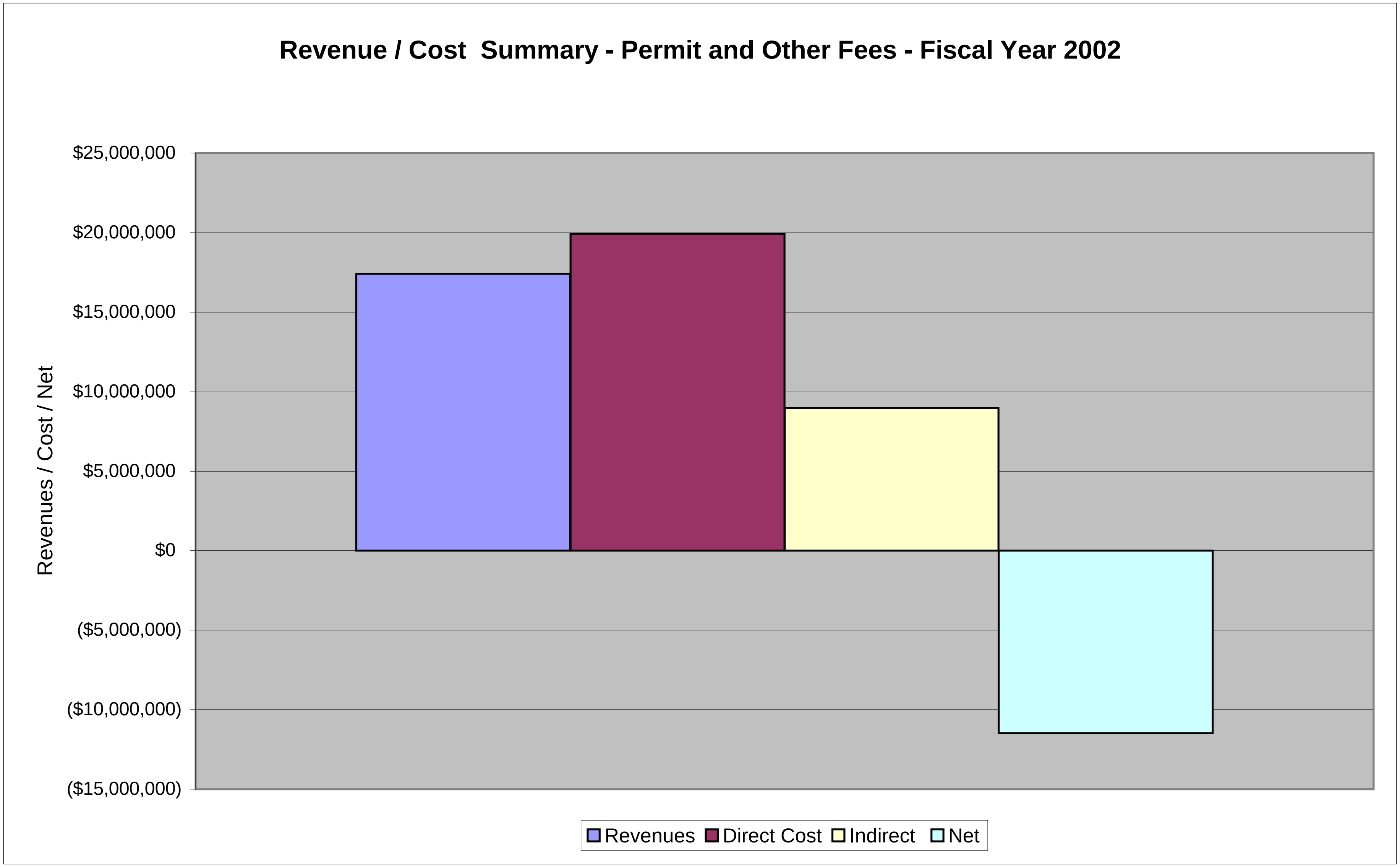
($ 41,274,366)

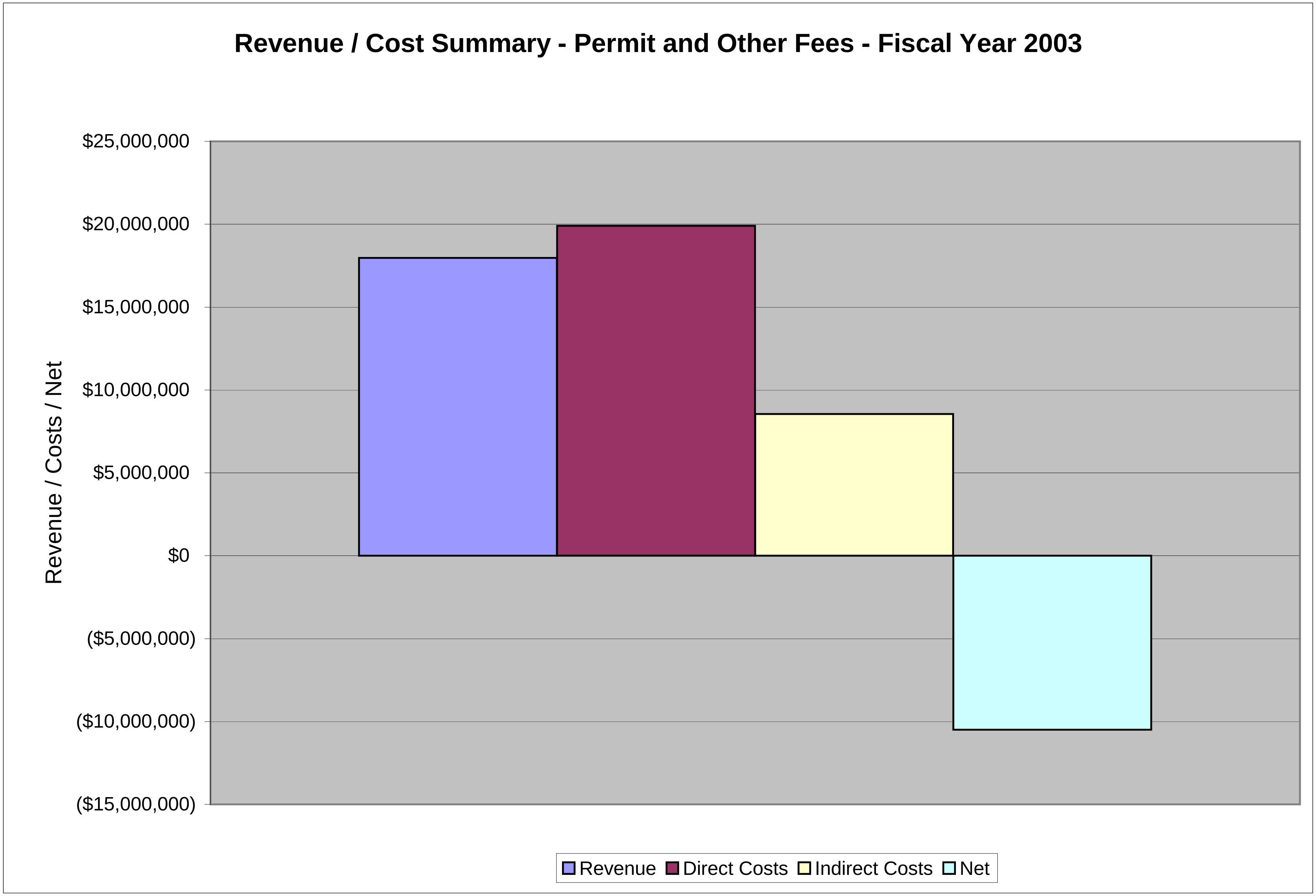


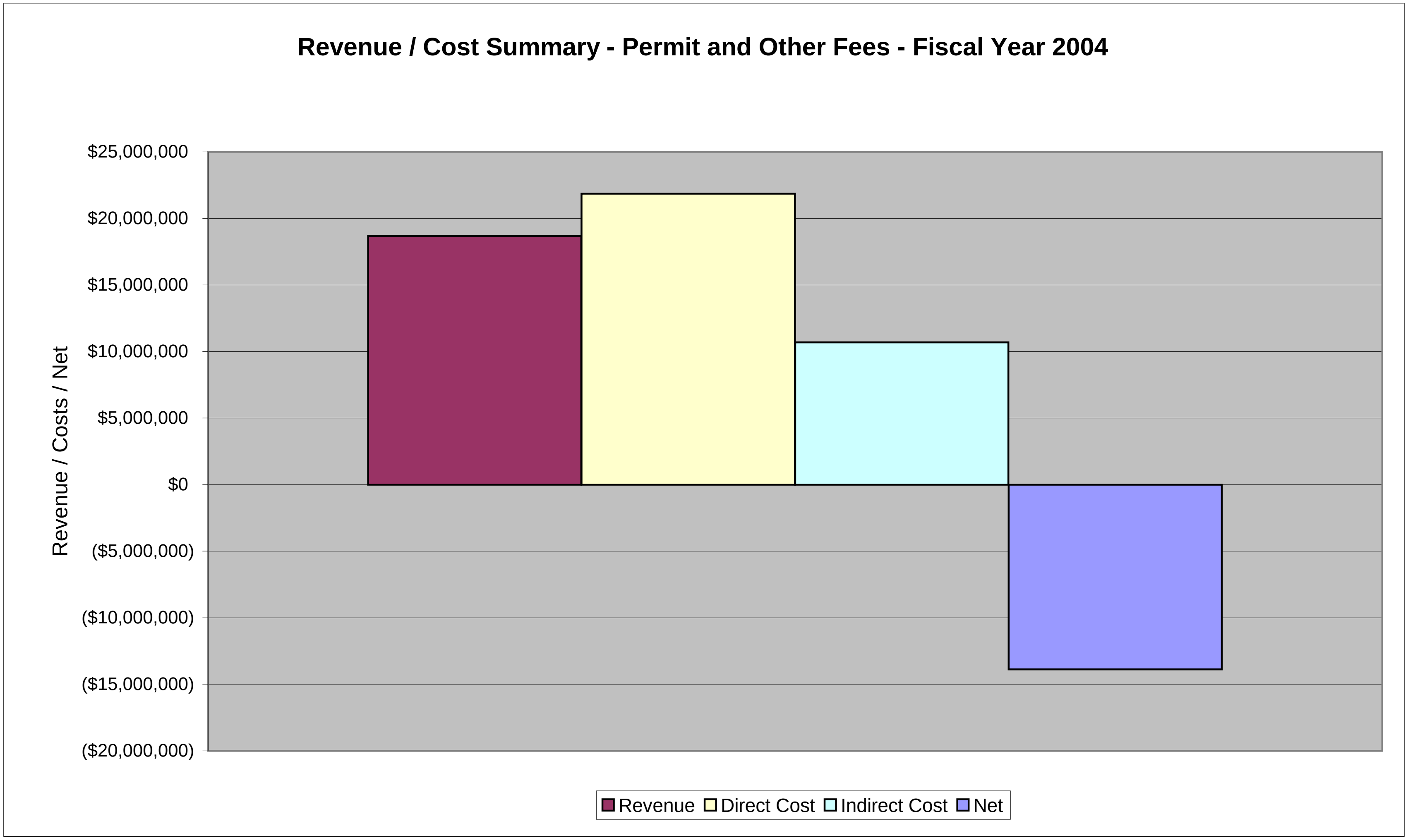
Does not include TFCA revenue $ 4,442,467 and cost recovery $ 494,920.

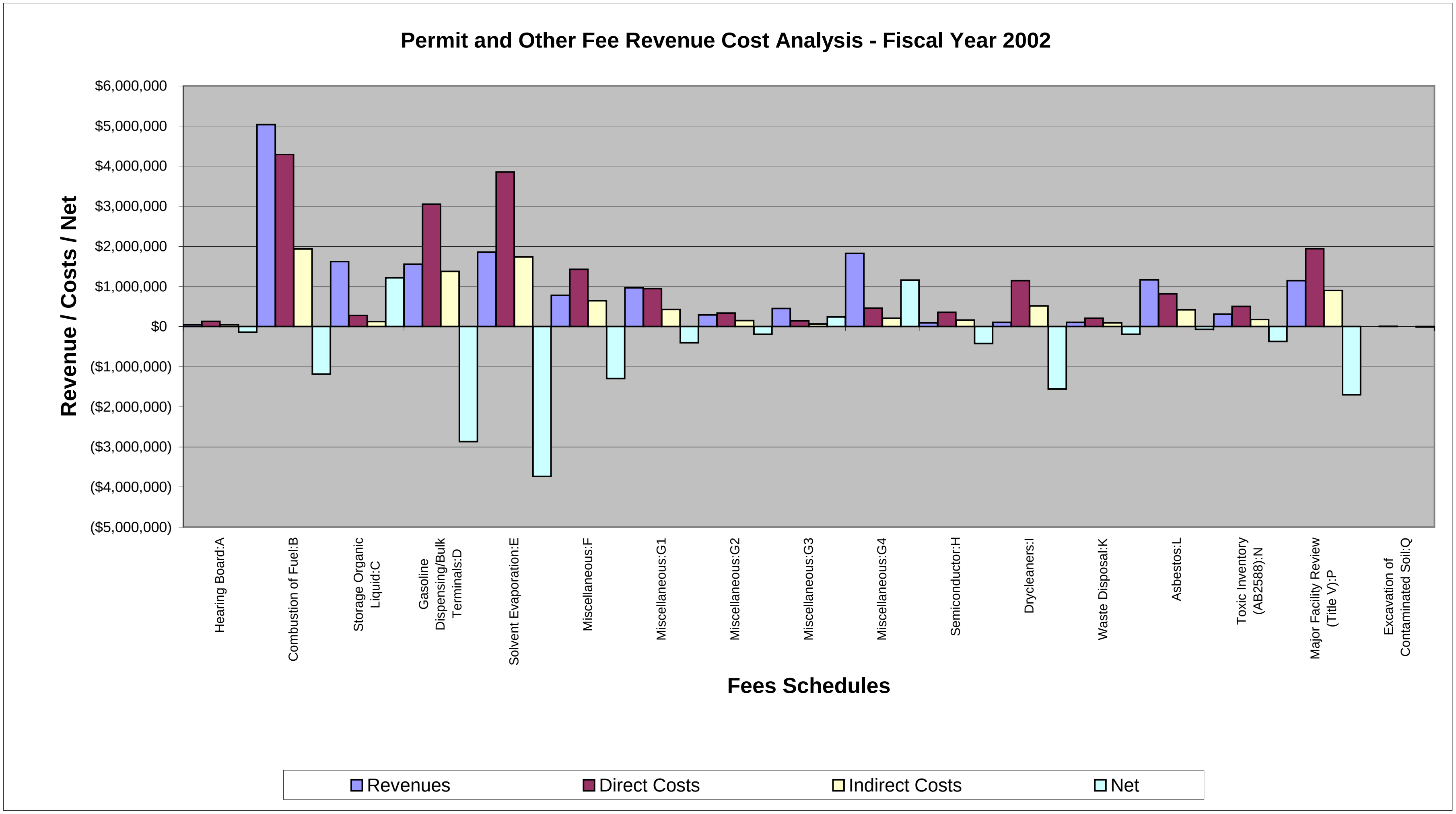


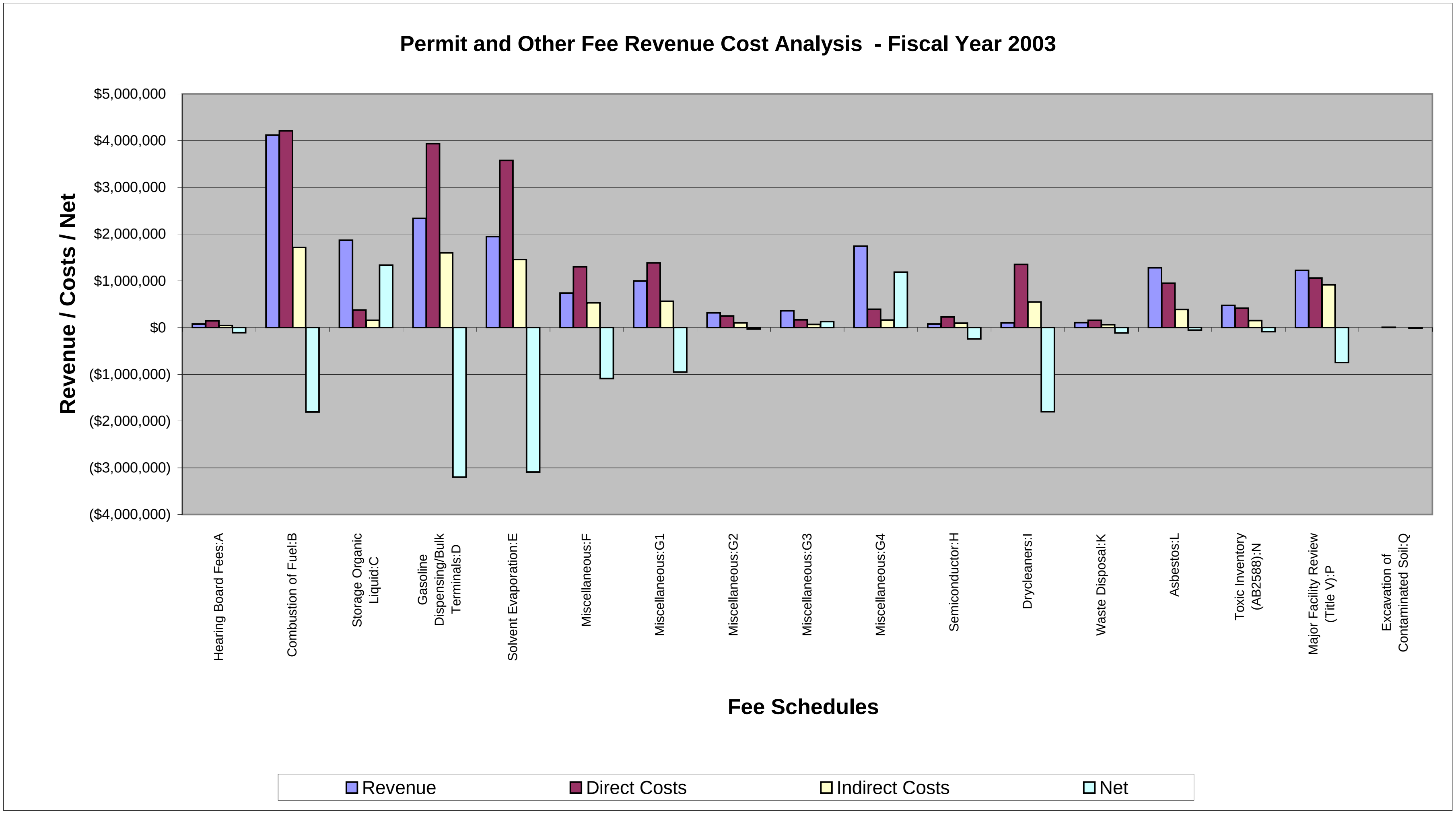
Does not include TFCA revenue and cost recovery. Based on unaudited amounts.


Revenue / Cost Summary - Permit and Other Fees - Fiscal Year 2002
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
($5,000,000)
($10,000,000)
($15,000,000)
Revenues / Cost / Net
Revenues
Direct Cost
Indirect
Net


Revenue / Cost Summary - Permit and Other Fees - Fiscal Year 2003
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
($5,000,000)
($10,000,000)
($15,000,000)
Revenue / Costs / Net
Revenue
Direct Costs
Indirect Costs
Net


Revenue / Cost Summary - Permit and Other Fees - Fiscal Year 2004
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
($5,000,000)
($10,000,000)
($15,000,000)
($20,000,000)
Revenue / Costs / Net
Revenue
Direct Cost
Indirect Cost
Net


Permit and Other Fee Revenue Cost Analysis - Fiscal Year 2002
Revenue / Costs / Net
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
($1,000,000)
($2,000,000)
($3,000,000)
($4,000,000)
($5,000,000)
Hearing Board:A
Combustion of Fuel:B
Storage Organic Liquid:C
Gasoline Dispensing/Bulk Terminals:D
Solvent Evaporation:E
Miscellaneous:F
Miscellaneous:G1
Miscellaneous:G2
Miscellaneous:G3
Miscellaneous:G4
Semiconductor:H
Drycleaners:I
Waste Disposal:K
Asbestos:L
Toxic Inventory (AB2588):N
Major Facility Review (Title V):P
Excavation of Contaminated Soil:Q
Fees Schedules
Revenues
Direct Costs
Indirect Costs
Net


Permit and Other Fee Revenue Cost Analysis - Fiscal Year 2003
Revenue / Costs / Net
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
($1,000,000)
($2,000,000)
($3,000,000)
($4,000,000)
Hearing Board Fees:A
Combustion of Fuel:B
Storage Organic Liquid:C
Gasoline Dispensing/Bulk Terminals:D
Solvent Evaporation:E
Miscellaneous:F
Miscellaneous:G1
Miscellaneous:G2
Miscellaneous:G3
Miscellaneous:G4
Semiconductor:H
Drycleaners:I
Waste Disposal:K
Asbestos:L
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Excavation of Contaminated Soil:Q
Fee Schedules
Revenue
Direct Costs
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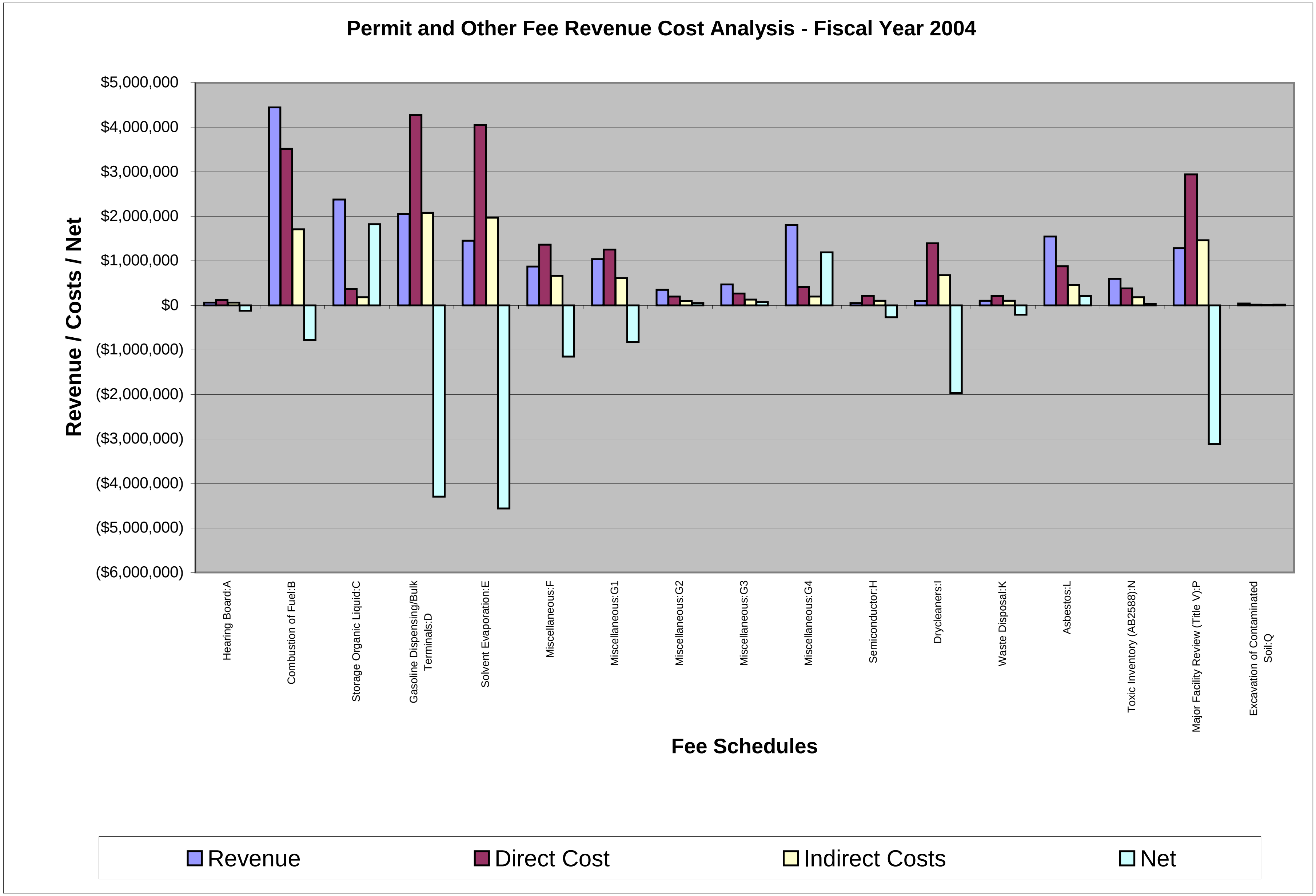

Permit and Other Fee Revenue Cost Analysis - Fiscal Year 2004
Revenue / Costs / Net
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
($1,000,000)
($2,000,000)
($3,000,000)
($4,000,000)
($5,000,000)
($6,000,000)
Hearing Board:A
Combustion of Fuel:B
Storage Organic Liquid:C
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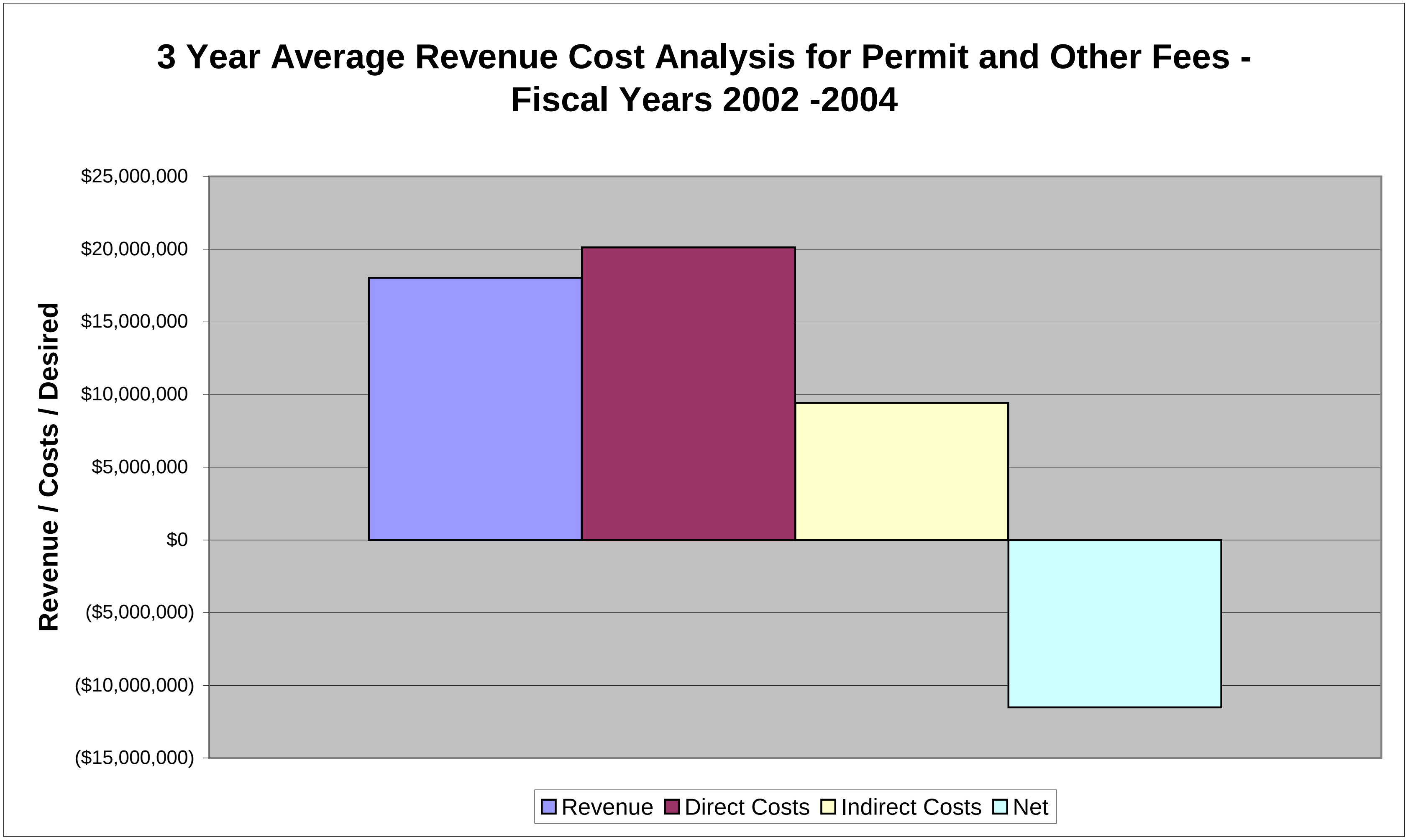
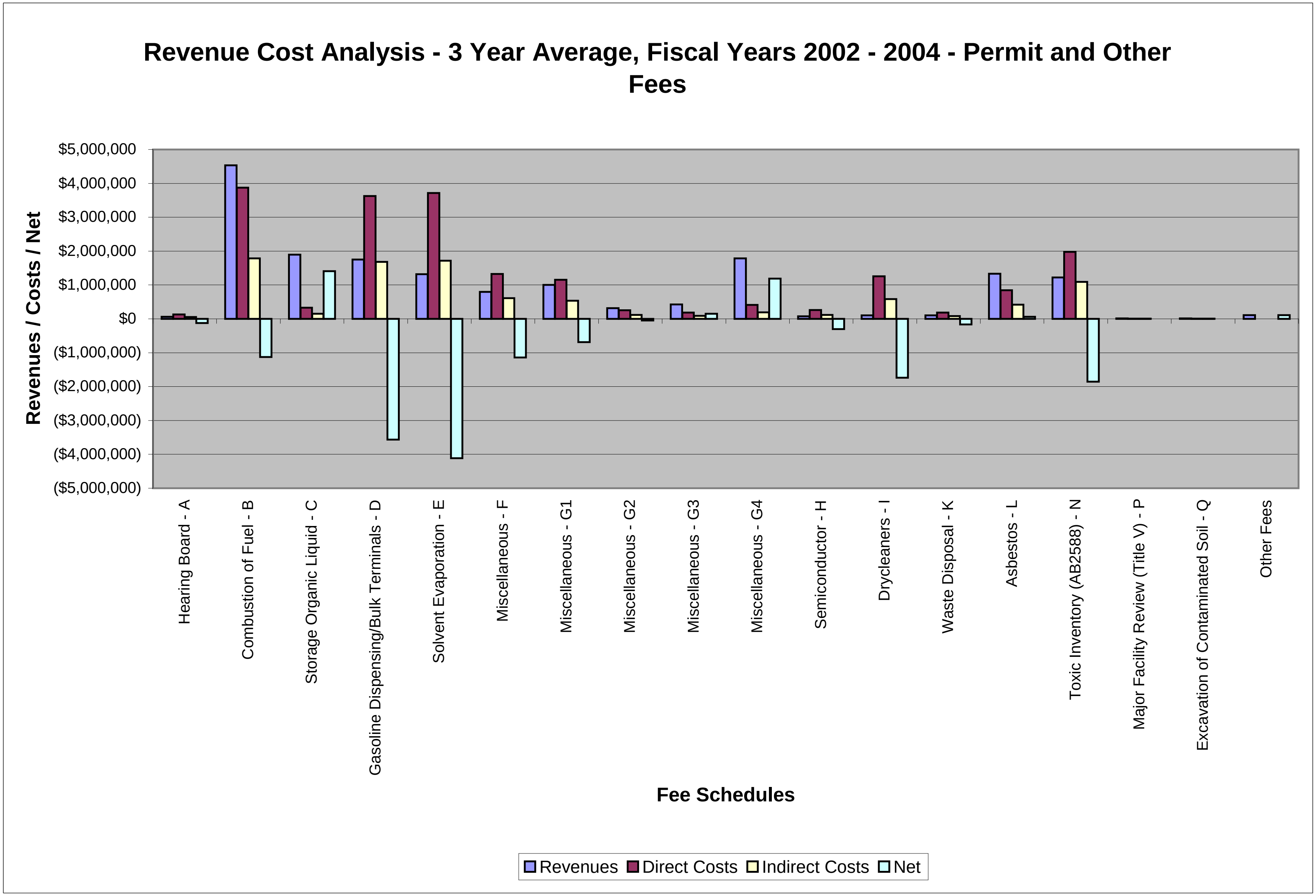
Solvent Evaporation:E
Miscellaneous:F
Miscellaneous:G1
Miscellaneous:G2
Miscellaneous:G3
Miscellaneous:G4
Semiconductor:H
Drycleaners:I
Waste Disposal:K
Asbestos:L
Toxic Inventory (AB2588):N
Major Facility Review (Title V):P
Excavation of Contaminated Soil:Q
Fee Schedules
Revenue
Direct Cost
Indirect Costs
Net


3 Year Average Revenue Cost Analysis for Permit and Other Fees - Fiscal Years 2002 -2004
Revenue / Costs / Desired
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
($5,000,000)
($10,000,000)
($15,000,000)
Revenue
Direct Costs
Indirect Costs
Net



Revenue Cost Analysis - 3 Year Average, Fiscal Years 2002 - 2004 - Permit and Other Fees
Revenues / Costs / Net
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
($1,000,000)
($2,000,000)
($3,000,000)
($4,000,000)
($5,000,000)
Hearing Board - A
Combustion of Fuel - B
Storage Organic Liquid - C
Gasoline Dispensing/Bulk Terminals - D
Solvent Evaporation - E
Miscellaneous - F
Miscellaneous - G1
Miscellaneous - G2
Miscellaneous - G3
Miscellaneous - G4
Semiconductor - H
Drycleaners - I
Waste Disposal - K
Asbestos - L
Toxic Inventory (AB2588) - N
Major Facility Review (Title V) - P
Excavation of Contaminated Soil - Q
Other Fees
Fee Schedules
Revenues
Direct Costs
Indirect Costs
Net

Contributions (Usages) by Permit and Other Fees After Direct Cost Allocations Only
For Fiscal Years - 2002, 2003 and 2004

Permit and Other Fee (Usages):

		2002	2003	2004
Hearing Board	A	(86,384)	(65,272)	(61,471)
Combustion of Fuel	B		(93,469)	
Storage Organic Liquid	C			
Gasoline Dispensing/Bulk Terminals	D	(1,496,452)	(1,596,924)	(2,220,686)
Solvent Evaporation	E	(1,997,298)	(1,632,519)	(2,594,984)
Miscellaneous	F	(648,835)	(560,150)	(488,890)
Miscellaneous	G1		(388,102)	(218,298)
Miscellaneous	G2	(39,167)		
Miscellaneous	G3			
Miscellaneous	G4			
Semiconductor	H	(262,047)	(151,503)	(161,951)
Drycleaners	I	(1,042,997)	(1,251,865)	(1,295,509)
Waste Disposal	K	(99,993)	(49,963)	(106,270)
Asbestos	L			
Toxic Inventory (AB2588)	N	(194,572)		
Major Facility Review (Title V)	P	(798,516)		(1,654,410)
Soil Aeration Landfills	Q	(7,129)	(5,771)	
Other Fees				
Total Permit and Other Fee (Usages)		(6,673,390)	(5,795,538)	(8,802,470)

Permit and Other Fee Contributions:

		2002	2003	2004
Hearing Board	A			
Combustion of Fuel	B	746,447		929,251
Storage Organic Liquid	C	1,342,898	1,490,754	2,004,487
Gasoline Dispensing/Bulk Terminals	D			
Solvent Evaporation	E			
Miscellaneous	F			
Miscellaneous	G1	21,024		
Miscellaneous	G2		67,185	148,604
Miscellaneous	G3	305,082	193,935	203,768
Miscellaneous	G4	1,363,948	1,345,637	1,389,206
Semiconductor	H			
Drycleaners	I			
Waste Disposal	K			
Asbestos	L	349,775	333,010	666,060
Toxic Inventory (AB2588)	N		64,318	213,741
Major Facility Review (Title V)	P		169,841	
Soil Aeration Landfills	Q			25,045
Other Fees		47,023	189,205	103,087
Total Permit and Other Fee Contributions		4,176,197	3,853,886	5,683,248
Net Permit and Fee (Usages) Covered by Other Sources		(2,497,193)	(1,941,652)	(3,119,221)

Information from Exhibit J

Permit and Other Fees Recovery Timeline (after allocation of Direct and Indirect Costs) with Varying Fee Increase Assumptions

Year	***COLA Increase***		***5% Increase in Permit Fees***		***10% Increase in Permit Fees***		***15% Increase in Permit Fees***	
	Gap	Recovery	Gap	Recovery	Gap	Recovery	Gap	Recovery
2004	($8,373,156)		($8,373,156)		($8,373,156)		($8,373,156)	
2005	(8,523,262)	(150,106)	(8,230,230)	142,926	(7,743,107)	630,049	(7,255,984)	1,117,172
2006	(8,694,359)	(171,097)	(8,069,487)	160,743	(7,022,172)	720,935	(5,926,145)	1,329,839
2007	(7,943,541)	750,818	(7,170,527)	898,960	(5,284,723)	1,737,449	(3,434,873)	2,491,272
2008	(8,094,468)	(150,927)	(6,964,295)	206,232	(4,334,788)	949,935	(1,559,100)	1,875,773
2009	(8,248,263)	(153,795)	(6,737,021)	227,274	(3,261,770)	1,073,018	643,469	2,202,569
2010	(8,404,980)	(156,717)	(6,487,449)	249,572	(2,052,827)	1,208,943	3,222,715	2,579,246
Net Recovery in 6 years		($31,824)		$1,885,707		$6,320,329		$11,595,871
Recovery trend		Negative		Positive		Positive		Positive
Average gap recovery from 2004		($5,304)		$314,285		$1,053,388		$1,932,645
Years to positive cash flows from 2010		Never		20.64		1.95		
Year for first positive cash flow		Never		2031		2012		2009

Assumptions

1. The projections are based on actual (unaudited) numbers from 2004. ($13,812,094 per Exhibit J less $ 5,438,938 property tax allocation)
2. Costs - direct and indirect - increased by COLA (assumed at current year rate of 1.9%).
3. County Revenues would not change in 2005 and 2006, the property tax base would increase due to inflation to cover those amounts.
4. County Revenue would increase by 10% over 2006 as temporary roll back ends and it would increase by COLA adjustments (1.9%) in subsequent years.

Permit and Other Fees Recovery Timeline (after allocation of Direct Costs Only) with Varying Fee Increase Assumptions

Year	***COLA Increase***		***5% Increase in Permit Fees***		***10% Increase in Permit Fees***		***15% Increase in Permit Fees***	
	Gap	Recovery	Gap	Recovery	Gap	Recovery	Gap	Recovery
2004	($3,119,221)		($3,119,221)		($3,119,221)		($3,119,221)	
2005	(3,175,055)	(55,834)	(3,065,882)	53,339	(2,884,656)	234,565	(2,703,117)	416,104
2006	(3,238,874)	(63,819)	(3,006,098)	59,785	(2,616,094)	268,561	(2,207,636)	495,481
2007	(2,959,035)	279,839	(2,671,218)	334,879	(1,968,872)	647,222	(1,279,546)	928,090
2008	(3,015,257)	(56,222)	(1,949,989)	721,229	(1,614,869)	354,003	(580,786)	698,760
2009	(3,072,547)	(57,290)	(1,496,422)	453,568	(1,215,189)	399,680	239,690	820,476
2010	(3,130,925)	(58,378)	(1,441,054)	55,368	(764,840)	450,349	1,200,441	960,751
Net Recovery in 6 years		($11,704)		$1,678,167		$2,354,381		$4,319,662
Recovery trend		Negative		Positive		Positive		Positive
Average gap recovery from 2004		($1,951)		$279,694		$392,397		$719,944
Years to positive cash flows from 2010		Never		5.15		1.95		
Year for first positive cash flow		Never		2016		2012		2009

Assumptions

1. The projections are based on actual (unaudited) numbers from 2004 ($ 3,119,221 per Exhibit J).
2. Costs (only direct costs considered) increased by COLA (assumed at current year rate of 1.9%).

Comparison of Results - KPMG Findings and Stonefield Josephson Findings
Year 1998 to Year 2004

	KPMG Cost Study 1998 basis					Stonefield Josephson, Inc. Cost Study 2004 basis					
	Revenues		Expenditures		Variance	Revenues		Expenditures		Variance	Overall Variance
PERMIT FEES	38.79%	10,421,280	56.06%	17,110,000	(6,688,720)	42.46%	18,734,405	82.15%	32,546,499	(13,812,094)	7,123,374
New and Modified	4.57%	1,228,412	10.58%	3,230,000	(2,001,588)	6.77%	2,986,399	5.32%	2,107,642	878,757	(2,880,345)
Permit Renewals	22.57%	6,062,799	36.73%	11,210,000	(5,147,201)	34.24%	15,106,333	65.72%	26,036,468	(10,930,135)	5,782,934
B Combustion		1,588,644		1,560,000	28,644		4,445,693		5,226,498	(780,805)	809,449
C Storage Tanks		1,281,841		1,050,000	231,841		2,376,113		552,349	1,823,764	(1,591,923)
D Bulk Plants / Terminals		555,408		1,060,000	(504,592)		2,050,586		6,348,405	(4,297,818)	3,793,226
E Solvent Evaporation		852,427		3,220,000	(2,367,573)		1,453,456		6,017,207	(4,563,752)	2,196,179
F Miscellaneous		491,985		2,010,000	(1,518,015)		873,549		2,024,997	(1,151,448)	(366,567)
G1 General		132,742		250,000	(117,258)		1,036,799		1,865,453	(828,654)	711,396
G2 General		103,610		80,000	23,610		346,709		294,445	52,265	(28,655)
G3 General		264,916		80,000	184,916		471,339		397,691	73,647	111,269
G4 General		579,499		660,000	(80,501)		1,800,568		611,408	1,189,160	(1,269,661)
H Semiconductors		105,350		80,000	25,350		50,162		315,264	(265,102)	290,452
I Dry Cleaners		87,699		1,040,000	(952,301)		96,946		2,069,610	(1,972,664)	1,020,363
K Waste Disposal		18,678		120,000	(101,322)		104,413		313,140	(208,726)	107,404
Facility Fees	11.65%	3,130,067	8.75%	2,670,000	460,067	2.91%	1,284,934	11.11%	4,402,389	(3,117,455)	3,577,522
M Major Sources		2,062,598		780,000	1,282,598		0		0	0	1,282,598
P Title V		653,749		1,180,000	(526,251)		1,284,934		4,402,389	(3,117,455)	2,591,204
District Toxics		215,455		630,000	(414,545)					0	(414,545)
Bubble Emission		198,265		80,000	118,265					0	118,265
OTHER FEES	4.46%	1,199,416	6.78%	2,070,000	(870,584)	7.83%	3,453,678	5.32%	2,107,642	1,346,036	(2,216,620)
A Hearing Board		13,225		650,000	(636,775)		59,552		182,243	(122,691)	(514,084)
L Asbestos		797,201		800,000	(2,799)		1,544,972		1,337,629	207,344	
N Toxic Inventory (AB 2588)		375,000		540,000	(165,000)		593,347		561,596	31,751	
Q Soil Aeration		13,990		20,000	(6,010)		42,180		26,174	16,006	
California Environmental Quality Act		0		60,000	(60,000)		1,213,627		0	1,213,627	(1,273,627)
COUNTY REVENUE	35.26%	9,471,590	12.19%	3,720,000	5,751,590	34.95%	15,418,369	0.00%	0	15,418,369	(9,666,779)
Business Sustaining				960,000	(960,000)					0	(960,000)
Public At Large				2,470,000	(2,470,000)					0	(2,470,000)
Other Agencies				290,000	(290,000)					0	(290,000)
STATE SUBVENTIONS	4.89%	1,313,592	4.39%	1,340,000	(26,408)	3.96%	1,748,051	1.33%	526,920	1,221,131	(1,247,539)
FEDERAL GRANT	4.51%	1,212,299	10.22%	3,120,000	(1,907,701)	5.22%	2,301,882	16.22%	6,425,002	(4,123,120)	2,215,419
CONTRACTS	1.01%	271,477	1.51%	460,000	(188,523)	1.83%	809,129	0.02%	9,185	799,944	(988,467)
PENALTIES	3.28%	882,124	0.46%	140,000	742,124	5.29%	2,335,203	0.00%		2,335,203	(1,593,079)
INTEREST	0.54%	145,823	0.00%		145,823	1.32%	580,374	0.00%		580,374	(434,551)
OTHER REVENUES (Copies, Service Fees, Subscriptions etc.)	0.43%	115,642	0.20%	60,000	55,642	3.06%	1,350,203	0.35%	136,795	1,213,408	(1,157,766)
	100.00%	26,865,593	100.00%	30,520,000	(3,654,407)	100.00%	44,120,120	100.00%	39,617,845	4,502,275	(8,156,682)

Projected District Revenue Excerpt from BAAQMD Approved Budget
For Fiscal Year 2004-2005
Appendix F

Exhibit H

	FY02-03 Actual Program Expenditures	FY03-04 Approved Program Budget	FY04-05 Proposed Program Budget	FY05-06 Proposed	FY06-07 Proposed
County Revenue					
Alameda	$2,702,890	$2,825,000	$2,895,600	$2,378,152	$2,404,852
Contra Costa	$1,842,168	$1,900,000	$1,947,500	$1,990,300	$2,036,100
Marin	$735,344	$755,000	$773,800	$789,200	$804,900
Napa	$467,902	$465,000	$476,600	$487,000	$497,200
San Francisco	$1,956,207	$2,050,000	$2,101,200	$2,147,000	$2,194,600
San Mateo	$1,944,451	$2,350,000	$2,408,700	$2,488,300	$2,530,000
Santa Clara	$3,920,948	$4,020,000	$4,120,775	$4,203,100	$4,285,300
Solano	$364,504	$402,000	$412,000	$421,000	$430,000
Sonoma	$757,069	$760,000	$779,000	$790,000	$807,100
Total County Revenue	$14,691,483	$15,527,000	$15,915,175	$15,694,052	$15,990,052
Other General Fund Revenue					
Operating, New and Modified Permit Fees	$15,166,852	$15,296,130	$16,259,800	$16,517,000	$17,198,000
Title V Permit Fees	$1,029,580	$1,040,000	$1,588,700	$1,300,000	$1,510,000
Asbestos Fees & Soil Aeration	$1,281,805	$1,276,000	$1,300,200	$1,350,600	$1,402,000
AB 2588 Income	$406,716	$750,000	$640,000	$652,000	$665,000
Hearing Board Fees (Variances)	$80,195	$35,000	$37,000	$41,000	$75,000
Penalties and Settlements	$2,250,123	$1,700,000	$1,750,000	$1,760,000	$1,800,000
Federal Grant (103 Grant)/Supplemental Grants	$336,945	$776,065	$1,120,300	$863,000	$187,500
Federal Grant (105 Grant)	$1,912,511	$1,415,000	$1,407,000	$1,410,000	$1,425,000
CMAQ Funding	$1,073,003	$1,228,400	$1,228,400	$1,231,000	$1,235,000
State Subvention	$1,765,979	$1,863,870	$1,863,870	$1,864,000	$1,864,000
Interest Income	$610,222	$475,000	$490,000	$500,000	$512,000
California Energy Commission/Carl Moyer Grant	$250,000	$285,000			
Miscellaneous/Consulting Revenue	$433,243	$375,000	$175,000	$185,000	$190,000
trict Service Revenue	$12,709	$15,000	$10,000	$10,000	$10,000
otal Other General Fund Revenue	$26,609,883	$26,530,465	$27,870,270	$27,683,600	$28,073,500
Transfers In					
Reserve for Best of Breed			$1,600,000		
Reserve for PERS Super Funding			$486,637	$400,000	$400,000
TFCA Indirect Cost Recovery	$494,920	$564,610	$618,725	$625,000	$635,000
Reserve for Contingency/General Reserve Funding		$403,325			
Total County, Other General Fund Revenue & Transfers In	$41,796,286	$43,025,400	$46,490,807	$44,402,652	$45,098,552
Transportation Fund for Clean Air (TFCA) Revenue					
TFCA Administrative Costs*	$759,838	$950,853	$974,244	$985,000	$998,000
TFCA Project Funding	$3,682,629	$5,007,264	$5,189,671	$5,315,000	$5,435,000
Total TFCA Revenue	$4,442,467	$5,958,117	$6,163,915	$6,300,000	$6,433,000
Fund Balance Transfers					
Transfer from/(to) General Reserve	($4,519,822)	($4,848)			
Total Fund Balance Transfers	($4,519,822)	($4,848)			
Grand Total Revenue and Fund Balance Transfers	$41,718,931	$48,978,670	$52,654,722	$50,702,652	$51,531,552

* TFCA Administrative costs are calculated on total TFCA funds that are received from the DMV and administered by Program 606.

Bay Area Air Quality Management District
Detail Revenue Cost Analysis, All Revenue Sources - Fiscal Year 2002

Revenue Sources	Operating New/Mod Permit Fees	Title V Permit Fees	Asbestos Fees	Soil Aeration Landfills	AB 2588 Income	Hearing Board Fees	Sub-Total Permit and Other Fees	Other Revenue Sources **	Totals
Revenues	$ 14,763,514	$ 1,121,568	$ 1,164,497	$ 770	$ 311,824	$ 47,360	$ 17,409,533	$ 27,059,542	$ 44,469,075
Direct Costs									
Direct Labor	16,499,692	1,944,274	814,722	7,899	506,396	133,744	19,906,726	6,895,155	$ 26,801,881
Direct Costs #								3,053,644	$ 3,053,644
Total Direct Costs	16,499,692	1,944,274	814,722	7,899	506,396	133,744	19,906,726	9,948,799	29,855,525
Contribution / (Usage)	(1,736,178)	(822,706)	349,775	(7,129)	(194,572)	(86,384)	(2,497,193)	17,110,743	14,613,550
Indirect Costs									
Indirect Labor	1,034,836	125,160	52,447	508	32,599	8,610	1,254,159	396,990	1,686,612
Services and Supplies	6,047,681	735,582	346,669	2,903	137,832	38,873	7,309,539	2,698,688	9,969,502
Capital Outlay	345,588	42,034	19,810	166	7,876	2,221	417,695	154,215	571,910
Total Indirect Costs	7,428,104	902,776	418,925	3,577	178,306	49,704	8,981,393	3,249,892	12,228,024
Total Costs	23,927,796	2,847,050	1,233,647	11,476	684,702	183,448	28,888,119	13,198,691	42,083,549
Net Contribution / (Usage)	**$ (9,164,282)**	**$ (1,725,482)**	**$ (69,150)**	**$ (10,706)**	**$ (372,878)**	**$ (136,088)**	**$(11,478,586)**	**$ 13,860,851**	**$ 2,385,526**
Total Cost / Revenue Ratio	1.62	2.54	1.06	14.90	2.20	3.87	1.66	0.49	0.95

\# Specific direct costs were minimal to the overall presentation (except for TFCA); therefore, these were included with Services and Supplies.
** Includes TFCA.

Bay Area Air Quality Management District
Detail Revenue Cost Analysis, All Revenue Sources - Year 2003

	Permits and Other Fees	Hearing Board Fees	Penalities & Settlements	Federal and State Grants	CMAQ Funding	Prescribed Burning	Other Revenues	TFCA	Property Tax Revenue	Total
Revenues	**$ 17,884,953**	**$ 80,195**	**$ 2,250,123**	**$ 4,015,435**	**$ 1,073,003**	**$ -**	**$ 1,306,174**	**$ 4,937,387**	**$ 14,691,483**	**$ 46,238,753**
Direct Costs										
Direct Labor	18,851,887	145,467	0	6,278,578	0	0	26,048	1,516,208	0	26,797,278
Direct Costs / Expenses #								3,244,345		3,244,345
Total Direct Costs	18,851,887	145,467	0	6,278,578	0	0	26,048	4,760,553	0	30,041,623
Overages / (Shortages)	**(966,934)**	**(65,272)**	**2,250,123**	**(2,263,143)**	**1,073,003**	**0**		**176,834**	**14,691,483**	**16,197,130**
Indirect Costs										
Indirect Labor	1,104,283	1	1	353,709	1	1	1,471	85,417	1	1,509,648
Services and Supplies	6,992,972	42,108	0	1,606,185	0	0	24,703	475,721	0	9,120,099
Capital Outlay	444,791	2,678	0	102,162	0	0	1,571	30,258	0	580,088
Total Indirect Cost	8,542,046	44,787	1	2,062,056	1	1	27,746	591,396	1	11,209,835
Net Contribution / (Usage)	**$ (9,508,980)**	**$ (110,059)**	**$ 2,250,122**	**$ (4,325,199)**	**$ 1,073,002**	**$ (1)**	**$ (27,746)**	**$ (414,563)**	**$ 14,691,482**	**$ 4,987,295**

\# Specific direct costs were minimal to the overall presentation (except in case of TFCA), therefore, these costs have been included with Services and Supplies.

Bay Area Air Quality Management District
Detail Revenue Cost Analysis, All Revenue Sources - Year 2004

Revenue Sources	Operating New/Mod Permit Fees	Title V Permit Fees	Asbestos Fees	Soil Aeration Landfills	AB 2588 Income	Hearing Board Fees	SubTotal Permit and Other Fees	Other Revenue Sources**	Total
Revenues	$ 15,209,420	$ 1,284,934	$ 1,544,972	$ 42,180	$ 593,347	$ 59,552	$ 18,734,404	$ 25,385,715	$ 44,120,120
Direct Costs									
Direct Labor	17,517,606	2,939,344	878,912	17,135	379,606	121,023	21,853,626	5,197,456	25,881,491
Direct Costs #									
Total Direct Costs	17,517,606	2,939,344	878,912	17,135	379,606	121,023	21,853,626	5,197,456	25,881,491
Overages / (Shortages)	(2,308,187)	(1,654,410)	666,060	25,045	213,741	(61,471)	(3,119,222)	20,188,259	18,238,628
Indirect Costs									
Indirect Labor	1,112,407	186,655	55,813	1,088	24,106	7,685	1,387,754	330,050	1,717,804
Services and Supplies	7,151,748	1,232,496	389,048	7,678	152,454	51,694	8,985,118	2,620,117	11,605,235
Capital Outlays	254,706	43,895	13,856	273	5,430	1,841	320,001	93,314	413,315
									0
Total Indirect Costs	8,518,861	1,463,046	458,717	9,039	181,990	61,220	10,692,873	3,043,481	13,736,354
Total Costs	26,036,468	4,402,389	1,337,629	26,174	561,596	182,243	32,546,499	8,240,938	39,617,845
Net Contribution / (Usage)	**$ (10,827,048)**	**$ (3,117,455)**	**$ 207,344**	**$ 16,006**	**$ 31,751**	**$ (122,691)**	**$ (13,812,094)**	**$ 17,144,777**	**$ 4,502,275**
Costs / Revenue Ratio	***1.71***	***3.43***	***0.87***	***0.62***	***0.95***	***3.06***	***1.74***	***0.32***	***0.90***

\# Specific direct costs were minimal to the overall presentation (except in case of TFCA), therefore, these costs have been included with Services and Supplies.

** Includes TCFA

Bay Area Air Quality Management District
Detail Permit and Other Fee Revenue Cost Analysis - Fiscal Year 2002

Permit Sources	Hearing Board:A	Combustion of Fuel:B	Storage Organic Liquid:C	Gasoline Dispensing/Bulk Terminals:D	Solvent Evaporation:E	Miscellaneous:F	Miscellaneous:G1	Miscellaneous:G2	Miscellaneous:G3	Miscellaneous:G4
Permit Schedules	A	B	C	D	E	F	G1	G2	G3	G4
Revenues	$ 47,360	$ 3,592,359	$ 1,488,308	$ 1,548,945	$ 1,750,020	$ 656,538	$ 802,429	$ 217,166	$ 432,738	$ 746,914
Allocation of Schedule M Rev.		1,309,167	64,004		93,096	116,370	107,643	69,822	11,637	1,076,426
Allocation of Reg. 3 - 312		136,387	68,193	5,175	14,004	7,002	57,843	7,002	7,002	1,827
Total Revenues	47,360	5,037,913	1,620,505	1,554,120	1,857,120	779,910	967,914	293,990	451,377	1,825,167
Direct Costs										
Direct Labor	133,744	4,291,466	277,607	3,050,572	3,854,418	1,428,745	946,890	333,157	146,295	461,218
Total Direct Costs	133,744	4,291,466	277,607	3,050,572	3,854,418	1,428,745	946,890	333,157	146,295	461,218
Overage / (Shortages)	(86,384)	746,447	1,342,898	(1,496,452)	(1,997,298)	(648,835)	21,024	(39,167)	305,082	1,363,948
Indirect Costs										
Indirect Labor	8,610	269,154	17,411	191,327	241,743	89,609	59,388	20,895	9,175	28,927
Services and Supplies	38,873	1,572,964	101,752	1,118,135	1,412,771	523,682	347,066	122,113	53,622	169,052
Capital Outlay	2,221	89,885	5,815	63,895	80,731	29,925	19,833	6,978	3,064	9,660
Total Indirect Costs	49,704	1,932,003	124,978	1,373,357	1,735,246	643,216	426,287	149,986	65,862	207,639
Net Contribution / (Usage)	**$ (136,088)**	**$ (1,185,557)**	**$ 1,217,920**	**$ (2,869,809)**	**$ (3,732,544)**	**$ (1,292,051)**	**$ (405,263)**	**$ (189,153)**	**$ 239,220**	**$ 1,156,309**

Permit Sources	Semiconductor:H	Drycleaners:I	Waste Disposal:K	Asbestos:L	Major Stationary Source:M	Toxic Inventory (AB2588):N	Major Facility Review (Title V):P	Excavation of Contaminated Soil:Q	Alternate Emission Plan (Bubble):Reg 3-312	Other Fees	Total
Permit Schedules	H	I	K	L	M	N	P	Q	Reg 3-312		
Revenues	$ 93,867	$ 105,455	$ 43,867	$ 1,164,497	$ 2,909,260	$ 311,824	$ 1,145,758	$ 770	$ 304,435	$ 47,023	$ 17,409,533
Allocation of Schedule M Rev.			61,094		(2,909,260)						0
Allocation of Reg. 3 - 312									(304,435)		0
Total Revenues	93,867	105,455	104,961	1,164,497	0	311,824	1,145,758	770	0	47,023	17,409,533
Direct Costs											
Direct Labor	355,914	1,148,452	204,955	814,722		506,396	1,944,274	7,899			19,906,726
Total Direct Costs	355,914	1,148,452	204,955	814,722	0	506,396	1,944,274	7,899	0	0	19,906,726
Overage / (Shortages)	(262,047)	(1,042,997)	(99,993)	349,775	0	(194,572)	(798,516)	(7,129)	0	47,023	(2,497,193)
Indirect Costs											
Indirect Labor	22,322	72,029	12,854	52,447		32,599	125,160	508			1,245,549
Services and Supplies	130,454	420,946	75,123	346,669		137,832	735,582	2,903			7,270,666
Capital Outlay	7,455	24,054	4,293	19,810		7,876	42,034	166			415,474
Total Indirect Costs	160,231	517,029	92,270	418,925	0	178,306	902,776	3,577	0	0	8,981,393
Net Contribution / (Usage)	**$ (422,279)**	**$ (1,560,027)**	**$ (192,263)**	**$ (69,150)**	**$ -**	**$ (372,878)**	**$ (1,701,292)**	**$ (10,706)**	**$ -**	**$ 47,023**	**$ (11,478,586)**

Bay Area Air Quality Management District
Detail Permit and Other Fee Revenue Cost Analysis - Fiscal Year 2003

Fee Sources	Hearing Board Fees:A	Combustion of Fuel:B	Storage Organic Liquid:C	Gasoline Dispensing/Bulk Terminals:D	Solvent Evaporation:E	Miscellaneous:F	Miscellaneous:G1	Miscellaneous:G2	Miscellaneous:G3	Miscellaneous:G4	Semiconductor:H	Drycleaners:I	Waste Disposal:K	Asbestos:L	Major Stationary Source:M	Toxic Inventory (AB2588):N	Major Facility Review (Title V):P	Excavation of Contaminated Soil:Q	Alternate Emission Plan (Bubble):Reg 3-312	Other Fees	Total
Fee Schedules	A	B	C	D	E	F	G1	G2	G3	G4	H	I	K	L	M	N	P	Q	Reg 3-312		
Revenues	$ 80,195	$ 2,766,299	$ 1,739,825	$ 2,335,012	$ 1,846,340	$ 626,693	$ 839,272	$ 244,277	$ 340,161	$ 741,115	$ 75,872	$ 98,712	$ 47,097	$ 1,281,805	$ 2,695,562	$ 477,109	$ 1,227,226	$ -	$ 313,371	$ 189,205	$ 17,965,148
Allocation of Schedule M		1,213,003	59,302		86,258	107,822	99,736	64,693	10,782	997,358			56,607		(2,695,562)						0
Allocation of Reg 3- 312		140,390	70,195	5,327	14,415	7,208	59,540	7,208	7,208	1,880									(313,371)		0
Total Revenues	80,195	4,119,692	1,869,322	2,340,339	1,947,013	741,723	998,548	316,178	358,151	1,740,353	75,872	98,712	103,704	1,281,805	0	477,109	1,227,226	0	0	189,205	17,965,148
Direct Costs																					
Direct Labor	145,467	4,213,161	378,568	3,937,264	3,579,532	1,301,873	1,386,650	248,993	164,215	394,716	227,375	1,350,578	153,667	948,795		412,791	1,057,385	5,771			19,906,800
																					0
Total Direct Costs	145,467	4,213,161	378,568	3,937,264	3,579,532	1,301,873	1,386,650	248,993	164,215	394,716	227,375	1,350,578	153,667	948,795	0	412,791	1,057,385	5,771	0	0	19,906,800
Overage / (Shortages)	(65,272)	(93,469)	1,490,754	(1,596,924)	(1,632,519)	(560,150)	(388,102)	67,185	193,935	1,345,637	(151,503)	(1,251,866)	(49,963)	333,010	0	64,318	169,841	(5,771)	0	189,205	(1,941,652)
Indirect Costs																					
Indirect Labor	0	215,057	19,324	200,978	182,718	66,454	70,782	12,710	8,382	20,148	11,606	68,940	7,844	47,913		23,255	156,834	325			1,113,272
Services and Supplies	42,108	1,408,385	126,551	1,316,182	1,196,596	435,201	463,541	83,235	54,895	131,949	76,009	451,482	51,369	318,260		121,581	714,017	2,135			6,993,497
Capital Outlay	2,678	90,224	8,107	84,317	76,656	27,880	29,695	5,332	3,517	8,453	4,869	28,923	3,291	20,243		7,733	45,415	136			447,469
Total Indirect Costs	44,786	1,713,666	153,982	1,601,477	1,455,970	529,535	564,018	101,277	66,794	160,550	92,485	549,346	62,504	386,416	0	152,569	916,266	2,596	0	0	8,554,238
Net Contribution / (Usage)	**$ (110,058)**	**$ (1,807,135)**	**$ 1,336,772**	**$ (3,198,401)**	**$ (3,088,489)**	**$ (1,089,685)**	**$ (952,120)**	**$ (34,092)**	**$ 127,141**	**$ 1,185,087**	**$ (243,988)**	**$ (1,801,211)**	**$ (112,467)**	**$ (53,406)**	**$ -**	**$ (88,251)**	**$ (746,425)**	**$ (8,367)**	**$ -**	**$ 189,205**	**$ (10,495,890)**

Bay Area Air Quality Management District
Detail Permit and Other Fee Revenue Cost Analysis - Fiscal Year 2004

Permit Sources	**Hearing Board:A**	**Combustion of Fuel:B**	**Storage Organic Liquid:C**	**Gasoline Dispensing/Bulk Terminals:D**	**Solvent Evaporation:E**	**Miscellaneous:F**	**Miscellaneous:G1**	**Miscellaneous:G2**	**Miscellaneous:G3**	**Miscellaneous:G4**	**Semiconductor:H**	**Drycleaners:I**	**Waste Disposal:K**	**Asbestos:L**	**Major Stationary Source:M**	**Toxic Inventory (AB2588):N**	**Major Facility Review (Title V):P**	**Excavation of Contaminated Soil:Q**	**Alternate Emission Plan (Bubble):Reg 3-312**	**Other Fees**	**Total**
Permit Schedule	**A**	**B**	**C**	**D**	**E**	**F**	**G1**	**G2**	**G3**	**G4**	**H**	**I**	**K**	**L**	**M**	**N**	**P**	**Q**	**Reg 3-312**		
Revenues	$59,552	$2,994,358	$2,231,956	$2,044,429	$1,345,127	$750,635	$861,989	$269,628	$451,549	$738,498	$50,162	$96,946	$44,257	$1,544,972	$2,864,586	$593,347	$1,284,934	$42,180	$362,213	$103,087	$18,734,405
Allocation of Schedule M		1,289,064	63,021		91,667	114,583	105,990	68,750	11,458	1,059,897			60,156		(2,864,586)						-
Allocation of Reg 3- 312		162,271	81,136	6,158	16,662	8,331	68,820	8,331	8,331	2,173									(362,213)		-
Total Revenues	59,552	4,445,693	2,376,113	2,050,586	1,453,456	873,549	1,036,799	346,709	471,339	1,800,568	50,162	96,946	104,413	1,544,972	-	593,347	1,284,934	42,180	-	103,087	18,734,405
Direct Costs																					
Direct Labor	121,023	3,516,442	371,626	4,271,273	4,048,440	1,362,439	1,255,096	198,105	267,571	411,362	212,113	1,392,455	210,684	878,912	0	379,606	2,939,344	17,135	0	0	21,853,626
Total Direct Costs	121,023	3,516,442	371,626	4,271,273	4,048,440	1,362,439	1,255,096	198,105	267,571	411,362	212,113	1,392,455	210,684	878,912	0	379,606	2,939,344	17,135	0	0	21,853,626
Overage / (Shortages)	**(61,471)**	**929,251**	**2,004,487**	**(2,220,686)**	**(2,594,984)**	**(488,890)**	**(218,298)**	**148,604**	**203,768**	**1,389,206**	**(161,951)**	**(1,295,509)**	**(106,270)**	**666,060**	**0**	**213,741**	**(1,654,410)**	**25,045**	**0**	**103,087**	**(3,119,221)**
Indirect Costs																					
Indirect Labor	7,685	223,302	23,599	271,235	257,085	86,518	79,701	12,580	16,991	26,122	13,470	88,424	13,379	55,813		24,106	186,655	1,088			1,387,754
Serivice and Supplies	51,694	1,435,625	151,720	1,743,792	1,652,818	556,230	512,406	80,879	109,239	167,943	86,597	568,485	86,014	389,048		152,454	1,232,496	7,678			8,985,118
Capital Outlay	1,841	51,129	5,403	62,104	58,864	19,810	18,249	2,880	3,890	5,981	3,084	20,246	3,063	13,856		5,430	43,895	273			320,001
Total Indirect Costs	61,220	1,710,056	180,723	2,077,132	1,968,768	662,558	610,357	96,339	130,121	200,046	103,151	677,155	102,456	458,717	0	181,990	1,463,046	9,039	0	0	10,692,873
Net Contribution / (Usage)	**($122,691)**	**($780,805)**	**$1,823,764**	**($4,297,818)**	**($4,563,752)**	**($1,151,448)**	**($828,654)**	**$52,265**	**$73,647**	**$1,189,160**	**($265,102)**	**($1,972,664)**	**($208,726)**	**$207,344**	**$0**	**$31,751**	**($3,117,455)**	**$16,006**	**$0**	**$103,087**	**($13,812,094)**

APPENDICES

Applicable Fee-Related Regulations and Schedules

Citation	**Description of Fee**
2-6-402	Any facility subject to the requirements of Regulation 2, Rule 6 – Major Facility Review pursuant to EPA Title V. shall pay any applicable fees specified in District Regulation 3, Fees, including Schedule P.
3-203	Filing fee: A fixed fee for each source in an authority to construct
3-204	Initial fee: The fee required for each new or modified source based on the type and size of the source. The fee is applicable to new and modified sources seeking to obtain an authority to construct. Operation of a new or modified source is not allowed until the permit to operate fee is paid.
3-207	Permit to operate fee: The fee required for the annual renewal of a permit to operate or for the first year of operation of a new or modified source which received an authority to construct. Annual fees are listed in Schedules B, C, D, E, F, H, I, and K. This fee is applicable to all sources required to obtain permits to operate in accordance with District regulations. After the expiration of the initial permit to operate, the permit to operate shall be renewed on a yearly basis.
3-301	Hearing Board Fees: Applicants for variances or appeals, or for those seeking to revoke or modify variances or abatement orders, shall pay the applicable fees set forth in Schedule A.
3-302	Fees for New and Modified Sources: Applicants for authorities to construct and permits to operate new sources shall pay a filing fee of $259 per source plus the initial fee and the permit to operate fee given in Schedules B, C, D, E, F, H, I, or K.
3-303	Back Fees: An applicant required to obtain a permit to operate existing equipment in accordance with District regulations shall pay back fees equal to the permit to operate fees given in the appropriate Schedule prorated from the effective date of permit requirements.
3-306	Change in Conditions: If an applicant applies to change the conditions on an existing authority to construct or permit to operate, the applicant will pay fees equal to the filing fee.
3-308	Change in Location: An applicant who wishes to move an existing source which has a permit to operate shall pay the filing fee, the initial fee, and permit to operate fee if the move is not on the same facility.
3-309	Duplicate Permit: An applicant for a duplicate permit to operate shall pay a fee of $52 per permit.
3-310	Fee for Constructing Without a Permit: An applicant for an authority to construct and a permit to operate a source which has been constructed without an authority to construct may pay the fees for new construction pursuant to 3-302, any back fees pursuant to 3-303, and a late fee equal to 100% of the initial fee.
3-311	Banking: Any applicant who wishes to bank emissions for future use shall pay a filing fee of $259 per source plus the initial fee given in Schedules B, C, D, E, F, H, I, or K. Where more than one of these schedules is applicable to a source, the fee paid shall be the highest of the applicable schedules. Any applicant for the withdrawal of banked emissions shall pay a fee of $259.

Citation	**Description of Fee (Continued)**
3-312	Emission Caps and Alternative Compliance Plans: Any facility which elects to use an alternative compliance plan contained in Regulation 8 ("bubble") to comply with a District emission limitation or to use an annual or monthly emission limit to acquire a permit in accordance with the provisions of Regulation 2, Rule 2, shall pay an additional annual fee equal to 15% of the total plant permit to operate fee. Any facility which elects to use an AECP contained in Regulation 2, Rule 9, shall pay a fee of $654 for each source included in the AECP, not to exceed $6542.
3-315	Costs of Environmental Documentation: An applicant for an authority to construct a project for which the District is a lead agency under the California Environmental Quality Act (CEQA) shall pay, in addition to the fees required under 3-302 and in any applicable schedule, the District's costs of performing all environmental evaluation required pursuant to the CEQA, the District's costs in preparing any environmental study or Environmental Impact Report (including the costs of any outside consulting assistance which the District may employ in connection with the preparation of any such study or report), as well as the District's reasonable internal costs (including overhead) of processing and reviewing the required environmental documentation.
3-317	Asbestos Operation Fees: After July 1, 1988, persons submitting a written plan, as required by Regulation 11, Rule 2, Section 401, to conduct an asbestos operation shall pay the fee given in Schedule L.
3-318	Public Notice Fee, Schools: An applicant for an authority to construct or permit to operate subject to the public notice requirements of Regulation 2-1-412 shall pay, in addition to the fees required under Section 3-302 and in any applicable schedule, a fee to cover the expense of preparing and distributing the public notices to the affected persons specified in Regulation 2-1-412, as follows: a fee of $2000 per application and, the District's cost exceeding $2000 for preparing and distributing the public notice.
3-319	Major Stationary Source Fees: Any major stationary source emitting 100 tons per year of organic compounds, sulfur oxides, nitrogen oxides, or PM_{10} shall pay a fee based on Schedule M. The fee is in addition to permit and other fees otherwise authorized to be collected from such facilities and shall be included as part of the annual permit renewal fees.
3-320	Toxic Inventory Fees: Any stationary source that emits one or more potentially toxic air pollutants (listed in Schedule N) in quantities above a minimum threshold level shall pay an annual fee based on Schedule N. This fee will be in addition to permit to operate and other fees otherwise authorized to be collected from such facilities. 320.1: An applicant who qualifies as a small business under Regulation 3-209 shall pay a Toxic Inventory Fee as set out in Schedule N up to a maximum fee of $5,953 per year.
3-322	Aeration of Contaminated Soil and Removal of Underground Storage Tank Operation Fees: Persons submitting a written notification for a given site to conduct either aeration of contaminated soil or removal of underground storage tanks as required by Regulation 8, Rule 40, Section 401, 402, 403 or 405 shall pay a fee based on Schedule Q.

Citation	Description of Fee (Continued)
3-323	Pre-Certification Fees: An applicant seeking to pre-certify a source, in accordance with Regulation 2, Rule 1, Section 415, shall pay the filing fee, initial fee, and permit to operate fee given in the appropriate schedule.
3-327	Permit to Operate, Renewal Fees: After the expiration of the initial permit to operate, the permit to operate shall be renewed on an annual basis or other time period as approved by the APCO. The fee required for the renewal of a permit to operate is the permit to operate fee listed in Schedules B, C, D, E, F, H, I, and K, prorated for the period of coverage. In addition to the permit to operate fees for the sources at a facility, the facility shall also pay a processing fee at the time of renewal as follows: $50 for facilities with one permitted source, including gasoline dispensing facilities, $100 for facilities with 2-5 permitted sources, $200 for facilities with 6-10 permitted sources, $300 for facilities with 11-15 permitted sources, $400 for facilities with 16-20 permitted sources, and $500 for facilities with more than 20 permitted sources.
3-328	OHEHHA Risk Assessment Review: Any facility that submits a health risk assessment to the District in accordance with Sec 44361 of the HSC shall pay any fee requested by OEHHA for reimbursement of that agency's costs incurred in reviewing the risk assessment.
3-408	Permit to Operate Valid for 12 Months: A permit to operate is valid for 12 months from the date of issuance or other time period as approved by the APCO.
3-411	Advance Deposit of Funds: The APCO may require that at the time of the filing of an application for an Authority to Construct for a project for which the District is a lead agency under the CEQA, the applicant shall make an advance deposit of funds, in an amount to be specified by the APCO, to cover the costs which the District estimates to incur in connection with the District's performance of its environmental evaluation and the preparation of any required environmental documentation. In the event the APCO requires such an estimated advance payment to be made, the applicant will be provided with a full accounting of the costs actually incurred by the District in connection with the District's performance of its environmental evaluation and the preparation of any required environmental documentation.
3-413	Toxic "Hot Spots" Information and Assessment Act Revenues: No later than 120 days after the adoption of this regulation, the APCO shall transmit to the CARB, for deposit into the Air Toxics "Hot Spots" Information and Assessment Fund, the revenues determined by CARB to be the District's share of statewide Air Toxics "Hot Spot" Information and Assessment Act expenses.
3-415	Failure to Pay - Further Actions: The APCO may take the following actions when an applicant or owner/operator fails to pay the specified fees: 415.1: Issuance of a Notice to Comply. 415.2: Issuance of a Notice of Violation. 415.3: Revocation of an existing permit to operate. 415.4: The withholding of any other District services.

Citation	Description of Fee (Continued)
3-416	Adjustment of Fees: The APCO or designees may, upon finding administrative error by District staff in the calculation, imposition, noticing, invoicing, and/or collection of any fee set forth in this rule, rescind, reduce, increase, or modify the fee. A request for such relief from an administrative error, accompanied by a statement of why such relief should be granted, must be received within two years from the date of payment.

Schedule of Fees

Note: Those fees that are permit fees are noted “P”. Those that are non-permit fees are noted “N”.

Citation	Description of Fee
Schedule A	Hearing Board Fees (N)
Schedule B	Combustion of Fuel (P)
Schedule C	Stationary Containers for the Storage of Organic Liquids (P)
Schedule D	Gasoline Transfer at Gasoline Dispensing Facilities, Bulk Plants and Terminals (P)
Schedule E	Solvent Evaporating Sources (P)
Schedule F	Miscellaneous Sources (P)
Schedule G-1	See Schedule F, Miscellaneous Source Fees (P)
Schedule G-2	See Schedule F, Miscellaneous Source Fees (P)
Schedule G-3	See Schedule F, Miscellaneous Source Fees (P)
Schedule G-4	See Schedule F, Miscellaneous Source Fees (P)
Schedule H	Semiconductor and Related Operations (P)
Schedule I	Dry Cleaners (P)
Schedule K	Solid Waste Disposal Sites (P, except section 3)
Schedule L	Asbestos Operations (N)
Schedule M	Major Stationary Source Fees (P)
Schedule N	Toxic Inventory Fees (N)
Schedule O	Employer Trip Reduction Fees (deleted 1999)
Schedule P	Major Facility Review Fees (P)
Schedule Q	Aeration of Contaminated Soil and Removal of Underground Storage Tanks (N)

Comparison with Other Districts
Summary Information based on Interviews with
Sacramento, South Coast, and San Joaquin Valley Air Districts

Question	Sacramento Metro AQMD	San Joaquin Valley Unified APCD	South Coast AQMD
What is the total number of FTEs at your District, and the size of your operating budget.	84 FTEs, $17.5M budget (includes Moyer and DMV grants)	271 FTEs, $27M, plus $10M for Moyer and DMV grants	754 FTEs, $102M (does not include Moyer or DMV grants)
How many permitted facilities are within your jurisdiction?	1800 permitted facilities	7000 permitted facilities	28,000 permitted facilities
Besides permit fees and grants, does your District have any other sources of revenue?	Re-inspection fee, land use mitigation fee, planning services fee	The District administers CMAQ funds from the COG.	Emission fees
Does your District's budget include penalties as a revenue source?	Yes	Yes, approximately $1M received annually	Yes, approximately $4M received annually
Are any of your core programs outsourced?	No	No	The annual collection of emission data from industry is outsourced.
Does your District assign costs to specific activities?	Yes, the District operates with a Program Budget, and assigns costs to each program.	The District is moving in this direction, but currently only assigns costs to the DMV program.	The District operates with a Program Budget and assigns costs to each program.
What method do you use to calculate indirect cost allocation?	FTEs are used for this calculation.	The Administration Division costs are a certain percentage of the budget, and this percentage is used to allocate indirect costs.	FTEs are used for this calculation.
What are the general trends for your permit fee revenue for the past 5 years?	The general trend is upward. All permit fees are increased by the COLA annually.	The general trend is downward. The District has raised permit fees once in the past 12 years, and this increase was 5%.	The trend is fairly flat, with a recent rise due to the reduction of a permit backlog. Permit fees are generally increased by the COLA annually.
Do you charge an hourly rate for any type of work done by the District?	An hourly rate is charged for permit-related work that exceeds a certain base level. All Title V work is charged to the facility based on hours worked.	An hourly rate is charged for: preparing and sending out public notices, Title V applicability determinations, and work done reviewing CEQA documents.	An hourly rate is charged for a few unique situations, including: reviewing CEM data for a large facility, and reviewing a Health Risk Assessment.

Question	Sacramento Metro AQMD	San Joaquin Valley Unified APCD	South Coast AQMD
Do you base permit fees on equipment size and type, or, on staff time needed to evaluate and issue the permit?	Both. The existing fee schedules are based on size and type of equipment, as well as a certain base level of effort from staff. Effort that goes beyond this is charged to the facility on an hourly basis.	Fee schedules are based on size and type of equipment. If certain special work is needed then staff time is tracked and billed on an hourly rate.	A set fee hs been established for each type of equipment. This fee is based on previous work done where it was determined how much time it took staff to process the permit.
How does your District 1) allocate and 2) track costs for permit-related activities?	Permit costs are allocated and tracked generally. Time spent on each permit fee schedule is not tracked, except for Title V which is tracked more specifically.	Permit costs are allocated and tracked generally.	Permit costs are allocated and tracked generaly. Time spent on each permit fee schedule is not tracked.
How does your District know how much it costs to evaluate permits?	Staff completes time sheets every 2 weeks using permit-related billing codes. Managers review time sheets. System is electronic.	Staff completes time sheets daily using permit-related billing codes. Managers review time sheets System is electronic.	Staff completes time sheets every 2 weeks using permit-related billing codes. Managers review timesheets. System is electronic.

Stakeholders involved in the Cost Recovery Study

Stonefield Josephson Inc. received direction, advice, data, information, and comment from a large and varied group of stakeholders. The usefulness of this Study is enhanced by the active participation of these individuals. Stakeholders included representatives from the Cost Recovery Study Steering Committee, Internal BAAQMD Oversight group, BAAQMD staff, and staff of the Sacramento Metro AQMD, San Joaquin Valley Unified APCD, and South Coast AQMD. Stonefield Josephson Inc. wishes to acknowledge the participation of the following individuals:

Steering Committee

Dennis Bolt – Western States Petroleum Association
WSPA is a non-profit trade association that represents approximately 30 companies that account for the bulk of petroleum exploration, production, refining, transportation and marketing in the six western states of Arizona, California, Hawaii, Oregon, and Washington. WSPA is dedicated to ensuring that Americans continue to have reliable access to petroleum and petroleum products through policies that are socially, economically and environmentally responsible. They believe the best way to achieve this goal is through better understanding of the relevant issues by government leaders, the media, and the general public. Dennis Bolt is the Bay Area Senior Coordinator for WSPA.

Margaret Bruce – Silicon Valley Leadership Group
SVLG is organized to involve principal officers and senior managers of member companies in a cooperative effort with local, regional, state and federal government officials to address major public policy issues affecting the economic health and quality of life in Silicon Valley. Currently, SVLG addresses the following five core issues: affordable housing, comprehensive transportation, reliable energy, quality education, and a sustainable environment. Margaret Bruce is the Director of Environmental Programs.

Fred Glueck – Independent General Contractor
Fred Glueck owns and operates demolition and abatement companies. He is a member of the Advisory Council of the Bay Area Air Quality Management District. The purpose of the Advisory Council is to advise and consult with the Board of Directors and the Air Pollution Control Officer. This includes studying and making recommendations on specific matters referred to the Council from the Board of Directors or the APCO including the technical, social, economic and environmental aspects of issues.

John Holtzclaw, Ph.D. – Sierra Club
The Sierra Club is a national organization dedicated to the preservation and expansion of the world's parks, wildlife, and wilderness areas. The Sierra Club is made up of more than 700,000 people devoted to the exploration, enjoyment, and protection of the natural environment.
Dr. Holtzclaw is a Senior Policy Advisor for the Sierra Club and a member of the District's Advisory Council.

Steering Committee (Continued)

Mary Ortendahl – Economic Development Alliance for Business
EDAB is a public/private partnership serving the East San Francisco Bay. It was founded in 1990 to establish the East Bay as a world-recognized location to grow businesses, attract capital and create quality jobs via a professional, globally competitive, economic development delivery system. EDAB's mission is to be the region's driving force of collaborative leadership that leverages the strengths of its private and public sector membership to retain and attract businesses, promote sustainable development, address infrastructure challenges and build economic prosperity and social equity. Mary Ortendahl is the Director of Regulatory Affairs.

Marti Russell – Peninsula Dry Cleaning Association
The Peninsula Dry Cleaners Association is a local organization devoted primarily to the professional concerns and advancement in the industry; providing a variety of benefits, including educational workshops, update employee information, current rules and regulations, legislative issues, social networking and newsletter publication. The organization is made up of primarily of small, family-owned businesses. Marti Russell is a California Air Resources Board State certified Instructor for Environmental Training, and Director of the Peninsula Dry Cleaners Association.

Cindy Tuck – California Council for Environmental and Economic Balance
CCEEB is a statewide coalition of California business, labor and public leaders who work together to advance collaborative strategies for a sound economy and a healthy environment. Its membership includes a broad spectrum of business sectors, organized labor, and key public and civic leaders. Members share the mission of creating a California where harmonizing economic growth and environmental protection is not only a vision, but a reality. Cindy Tuck serves as the General Counsel of CCEEB.

Internal BAAQMD Oversight Committee

Neel Advani	Clerk of the Boards' Office
Brian Bateman	Engineering Division
Dan Belik	Planning and Research Division
Peter Hess	Executive Office
Jim Hesson	Technical Services Division
Tomasina Mayfield	Compliance and Enforcement Division
Ron Raimondi	Administrative Services Division
Luna Salaver	Public Information and Outreach
Adan Schwartz	District Counsel Office
Joe Slamovich	Engineering Division
Tom Story	Information Systems Services

Additional District staff who participated in this Study

Jack Broadbent	Executive Officer
Renee Dupras	Administrative Services Division
Janet Glasgow	Compliance and Enforcement Division
Victor Morales	Engineering Division
Kathleen Walsh	District Counsels' Office
Kelly Wee	Compliance and Enforcement Division

Air Districts Interviewed

Barbara Crawford	Sacramento Metro Air Quality Management District
Rick Pearce	South Coast Air Quality Management District
Fred Bates	San Joaquin Valley Unified Air Pollution Control District

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT EMPLOYEE TIMESHEET

NAME ______________________ EMP# ____________

SECT. ______________________

Pay Period Ending

Timesheet Due Date

Leave Description (specify date and time of leave indicated below):

15 min. = .25
30 min. = .50
45 min. = .75

		PAID LEAVE										UNPAID LEAVE	
WEEK	WEEK-ENDING DATE	FLOAT	HOLIDAY	ANNUAL LEAVE	SICK	FAMILY SICK	BLOOD DONATION	JURY DUTY	Bereavement	Management	Workers Comp	Family Care Medical Leave	Other Leave Without Pay
1ST													
2ND													
	TOTAL												

SUMMARY OF TIME ACCOUNTABLE TO PROGRAMS

PGM#	PCT. TIME	PGM#	PCT. TIME
		TOTAL %	

PAYROLL USE ONLY:

TOTAL

I certify that the above information is accurate and complete.

Employee's Signature | Date

I have reviewed and approved this timesheet.

Supervisor's Signature | Date

BILLING CODES

01 - General Resources	Non-billable
02 - EPA Activities	Billable
03 - TFCA(Admn.&Proj.)	Billable
TITLE V - See Below	Billable
06 - Asbestos	Billable
07 - AB2588	Billable
08 - Permitted Sources	Billable
09 - School Bus Retrofit	Billable
10 - Subvention	Billable
11 - Soil Aeration	Billable
12 - EPA 103 Grant	Billable
15 - Backup Generators	Billable

Existing Sources/New & Modified Sources

21/51 - I.C. Engines
22/52 - Turbines
23/53 - Heaters & Boilers
24/54 - Other Combustion
25/55 - Storage Tanks
26/56 - Bulk Plants/Terminals
27/57 - GDF
28/58 - Auto Body
80 - TITLE V GENERAL
81 - TITLE V HEARING BOARD
82 - TITLE V LEGAL REVIEW

29/59 - Printing
30/60 - Coating
31/61 - Solvent Cleaning
32/62 - Other Solvent Evaporation
33/63 - Misc. Sources (other than G)
34/64 - G1 Sources
35/65 - G2 Sources
36/66 - G3 Sources

37/67 - G4 Sources
38/68 - Semiconductor
39/69 - Dry Cleaners
40/70 - Solid Waste Disposal Sites

Date last modified: 05/03/04

Premium Pay Codes	
HP	Hazard Pay
OT	Overtime
SD	Standby Duty
CB	Call Back
DP	Differential
SDF	Shift Differ'l

Other Paid Leave Codes	
CT	Comp Time
ML	Military Leave
JD	Jury Duty
BV	Bereavement
WC	Worker's Compensation
FS	Family Sick
O	Other (describe below)

Unpaid Leave Codes	
LWOP	Leave W/0 Pay
FCM	Family Care Medical

NAME EMP#

SECT. Permit Services Division

5/1/2004 Pay Period Ending Date

5/3/2004 Timesheet Due Date

15 min. = .25
30 min. = .50
45 min. = .75

Day	Date	502-08	504-08	506-05	501-51	501-54	501-61	501-64	Regular	Holiday Worked	Premium Pay Code	Premium Pay Hours	Comp Time	PP/Comp Pgm/BCs	Float	Holiday	Annual	Sick	Other ** Code	Other ** Hours	Unpaid Leave Code*	Unpaid Leave Hours
	Program#-Billing Code	TIME ACCOUNTING BY PROGRAM							HOURS WORKED						PAID LEAVE						UNPAID LEAVE	
SUN	4/18			Title V	Engines	Combust	Sol	G1														
MON	4/19	1.00	1.00	7.00					9.00													
TUES	4/20	1.00	1.00	7.00					9.00													
	4/21	1.00	1.00	7.00					9.00													
THURS	4/22	1.00	1.00	7.00					9.00													
FRI	4/23	1.00	1.00	6.00					8.00													
SAT	4/24																					
SUN	4/25																					
MON	4/26	1.00	1.00		7.00				9.00													
TUES	4/27	1.00	1.00		7.00				9.00													
WED	4/28	1.00	1.00		1.75				3.75								3.50		O	1.75		
THURS	4/29	1.00	1.00		1.00				3.00								3.00	3.00				
FRI	4/30																					
SAT	5/1																					
TOTAL		9.00	9.00	34.00	16.75				68.75								6.50	3.00		1.75		

GRAND TOTAL HOURS EARNED 80.00

OT	
CB	
DP	
SDF	
SD	
HP	

Total Paid Leave 11.25

CT	
ML	
JD	
BV	
WC	
FS	
O	1.75

LWOP	
FCM	

Account for time worked by Program and Billing Code, using 5-digit number, e.g., 502-27 = "Permit Renewals-Existing GDF"

›GRAM CODES:

BILLING CODES:

01 - General Resources
02 - EPA 105 Activities
03 - TFCA (Admin.&Proj)
05 - Title V
06 - Asbestos
07 - AB 2588
08 - Permitted Sources
09 - School Bus Retrofit
10 - Subvention
11 - Soil Aeration
12 - EPA 103 grant
15 - Backup Generators

If additional space is
programs, use Page :

Existing Sources/New & Modified Sources

21/51 - I.C. Engines
22/52 - Turbines
23/53 - Heaters & Boilers
24/54 - Other Combustion
25/55 - Storage Tanks
26/56 - Bulk Plants/Terminals
27/57 - GDF
28/58 - Auto Body
29/59 - Printing
30/60 - Coating
31/61 - Solvent Cleaning
32/62 - Other Solvent Evaporation
33/63 - Misc. Sources (other than G)
34/64 - G1 Sources
35/65 - G2 Sources
36/66 - G3 Sources
37/67 - G4 Sources
38/68 - Semiconductor
39/69 - Dry Cleaners
40/70 - Solid Waste Disposal Sites

EARNINGS / LEAVE DESCRIPTION (specify date and time of leave indicated above):

EA steward. Time authorized by MOU Article XIII, Section 13.03.

I certify that the above information is accurate and complete.

Employee's Signature Date

I have reviewed and approved this timesheet, including the previously approved overtime.

Supervisor's Signature Date

p:\library\forms\TIMEEMP2004.XLS
Date last modified: 09/02/03

Billing Code Data-YTD

06/13/04 to 10/02/04

Billing Code	Name	Hours	Salaries	% of Hours
01	General Resources	49,922.43	$1,807,863	29.81%
08	Permitted Sources	36,725.80	$1,329,816	21.93%
02	EPA 105 Activities	10,606.90	$381,582	6.33%
03	TFCA	9,673.47	$346,468	5.78%
27	Existing GDF	7,210.10	$241,880	4.31%
05	Title V	6,780.75	$265,669	4.05%
80	TITLE V GENERAL	6,636.75	$246,244	3.96%
06	Asbestos	5,037.60	$163,749	3.01%
39	Existing Dry Cleaners	2,829.34	$92,926	1.69%
28	Existing Auto Body	2,778.08	$91,422	1.66%
33	Existing Misc. Sources (other than G)	2,221.25	$77,630	1.33%
21	Existing I.C. Engines	2,121.50	$72,637	1.27%
57	New & Modified GDF	2,038.00	$68,267	1.22%
51	New & Modified I.C. Engines	2,017.25	$84,203	1.20%
12	EPA 103 Activities	1,907.50	$65,640	1.14%
34	Existing G1 Sources	1,622.50	$64,999	0.97%
30	Existing Coating	1,570.00	$57,114	0.94%
23	Existing Heaters & Boilers	1,246.50	$48,281	0.74%
10	Enhanced Enforcement Activities-Subvention	1,240.50	$47,653	0.74%
26	Existing Bulk Plants/Terminals	910.50	$31,787	0.54%
60	New & Modified Coating	853.75	$35,289	0.51%
29	Existing Printing	851.75	$29,619	0.51%
64	New & Modified G1 Sources	838.50	$34,642	0.50%
07	AB2588	822.25	$31,483	0.49%
31	Existing Solvent Cleaning	801.50	$27,648	0.48%
37	Existing G4 Sources	646.75	$25,392	0.39%
52	New & Modified Turbines	643.25	$27,000	0.38%
15	Backup Generators	578.00	$20,792	0.35%
62	New & Modified Other Solvent Evaporation	543.00	$21,974	0.32%
24	Existing Other Combustion	542.00	$19,800	0.32%
25	Existing Storage Tanks	524.50	$20,184	0.31%
63	New & Modified Misc. Sources (other than G)	445.50	$17,757	0.27%
40	Existing Solid Waste Disposal Sites	434.00	$16,073	0.26%
22	Existing Turbines	371.00	$15,595	0.22%
58	New & Modified Auto Body	365.25	$14,267	0.22%
35	Existing G2 Sources	305.50	$11,692	0.18%
54	New & Modified Other Combustion	304.25	$12,924	0.18%
36	Existing G3 Sources	278.00	$11,108	0.17%
61	New & Modified Solvent Cleaning	269.75	$10,232	0.16%
59	New & Modified Printing	236.50	$9,685	0.14%
38	Existing Semiconductor	218.50	$7,175	0.13%
68	New & Modified Semiconductor	213.50	$8,857	0.13%
32	Existing Other Solvent Evaporation	195.50	$6,851	0.12%
69	New & Modified Dry Cleaners	191.67	$6,699	0.11%
13	BioWatch Monitoring	170.00	$7,246	0.10%
55	New & Modified Storage Tanks	161.50	$6,207	0.10%
00	INCORRECT BILLING CODE	160.00	$3,438	0.10%
70	New & Modified Solid Waste Disposal Sites	126.50	$5,631	0.08%
56	New & Modified Bulk Plants/Terminals	89.00	$3,561	0.05%
53	New & Modified Heaters & Boilers	83.00	$3,494	0.05%
66	New & Modified G3 Sources	38.00	$1,411	0.02%
11	Soil Aeration	26.50	$669	0.02%
41	Existing Aeration of Contam. Soils	20.00	$650	0.01%
98	EA	12.75	$414	0.01%
65	New & Modified G2 Sources	9.00	$365	0.01%
67	New & Modified G4 Sources	2.00	$97	0.00%

Billing Code	Name		Hours	Salaries	% of Hours
09	Monterey Contract		0.50	$24	0.00%
		Totals:	167,469.64	$6,061,776.54	100.00%

Function / Activities	Program	Operating New/Mod Permit Fees	Title V Permit Fees	Asbestos Fees	Soil Aeration Landfills	AB 2588 Income	Hearing Board Fees	Penalities & Settlemnts	Federal Grants (103 Grt)	Federal Grants (105 Grt)	CMAQ Funding	Prescribed Burning	State Subvention	Interest Income	Calif Energy Comm	Carl Moyer Grant	Misc Consultng Revenue	Direct Service Revenue	Property Tax Revenue Counties	TFCA Code # 3&4	Billing Code # 15	Totals
Billing codes included ⟶		8, 21 to 71	5,80 to 82	6	11								16									
Accounting	101	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Building Maintenance	102	2,033	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,033
Communications	103	215	0	0	0	0	0	0	0	5,492	0	0	0	0	0	0	0	0	0	0	0	5,707
Executive	104	6,076	0	0	0	1,676	0	0	0	4,085	0	0	0	0	0	0	0	0	0	0	0	11,837
Payroll	106	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Benefits Administration	107	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchasing	108	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Training	109	690	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	690
Vehicle Maintenance	110	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Employee Relationship	111	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Records Management	112	3,868	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,871
Environmental Justice	113	2,964	568	0	0	0	0	0	41	53	0	0	(5)	0	0	0	0	0	0	2	0	3,622
Board of Directors	121	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hearing Board	122	35	0	0	0	0	1,906	0	0	5	0	0	0	0	0	0	0	0	0	0	0	1,946
Advisory Council	123	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal Council	201	1,986	2,416	0	14	227	0	0	0	400	0	0	0	0	0	0	0	0	0	0	0	
Hearing Board Proceedings	202	1,974	69	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Penalties Enforcement and Settlement	203	2,804	226	213	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Litigation	205	522	450	0	0	7	0	0	0	395	0	0	0	0	0	0	0	0	0	0	0	
Public Infromation and Outreach	301	1,200	600	0	0	0	0	0	0	5,101	0	0	0	0	0	0	0	0	0	0	0	
Control Programs / BAYCAP	303	(4)	0	0	0	0	0	0	71	535	0	0	(50)	0	0	0	0	0	0	5,968	0	
Spare the Air CMAQ	305	0	0	0	0	0	0	0	1,131	1,838	0	0	0	0	0	0	0	0	0	0	0	
Enforcement	401	51,068	5,812	4,348	25	37	0	0	0	3,640	0	0	0	0	0	0	47	0	0	0	0	
Compliance Assistance and Operations	402	18,363	417	7,299	16	0	0	0	0	1,953	0	0	0	0	0	0	0	0	0	0	0	
Compliance Assurance	403	41,317	6,791	3,985	37	28	0	0	6	2,551	0	0	0	0	0	0	0	0	0	14	0	
Incident Response	404	1,025	761	2	0	0	0	0	0	6	0	0	0	0	0	0	0	0	0	0	0	
Field Engineering	405	9,825	170	109	0	0	0	0	0	31	0	0	0	0	0	0	0	0	0	0	0	
Permit Evaluations	501	48,648	2,107	0	0	168	0	0	0	298	0	0	0	0	0	0	0	0	0	0	0	
Permit Renewals	502	5,570	185	0	0	102	0	0	45	16	0	0	0	0	0	0	0	0	0	0	0	
Air Toxics	503	5,691	1,771	0	0	2,622	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	
Permit Operations	504	12,040	2,297	0	0	1,722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Permit Streamlining	505	6,003	785	80	0	164	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Title V	506	798	9,027	0	0	0	0	0	0	8	0	0	0	0	0	0	0	0	0	0	0	9,833
Source Inventories	601	4,865	5	0	0	0	0	0	5	5,535	0	0	0	0	0	0	0	0	0	0	0	
Air Qualities Plan	602	375	0	0	0	0	0	0	20	2,399	0	0	(1)	0	0	0	0	0	0	0	0	2,793
Central California Air Quality Studies	603	1,238	0	0	0	0	0	0	2	822	0	0	0	0	0	0	0	0	0	0	0	2,062
Air Quality Modelling	604	6,300	0	0	0	0	0	0	0	4,809	0	0	0	0	0	0	0	0	0	0	0	11,109
Mobile Source Measures	605	3,050	0	0	0	0	0	0	0	320	0	0	0	0	0	0	253	0	0	9	0	
Rule Development	611	6,510	39	0	51	0	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	
Information Systems	705	21,070	0	918	0	0	0	0	0	(24)	0	0	0	0	0	0	0	0	0	0	0	
Computer Operations and Telecommunications	706	0	0	0	0	0	0	0	0	8,757	0	0	0	0	0	0	0	0	0	0	0	
Technical Library	801	905	0	0	0	0	0	0	989	0	0	0	0	0	0	0	0	0	0	0	0	
Ambient Air Monitoring	802	3,071	(3)	2	0	0	0	0	7,671	23,806	0	0	(21)	0	0	0	0	0	0	0	0	
Laboratory	803	686	0	41	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Source Test	804	20,792	1,599	0	0	0	0	0	2	5	0	0	0	0	0	0	0	0	0	0	0	22,398
Meteorology	805	2,954	(30)	0	0	0	0	0	1,240	3,880	0	0	(129)	0	0	0	0	0	0	254	0	8,169
Quality Assurance	807	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Intermittant Control Programs (TFCA)	303T	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Smoking Vehicle Program (TFCA)	304T	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,321	0	7,321
Transportation Fund for Clean Air (TFCA)	606T	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vehicle Buy-Back (TFCA)	612T	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal Counsel - Enhanced Enforcement Activities	204	0	0	0	0	0	0	0	0	0	0	0	2,747	0	0	0	0	0	0	0	0	
Enforcement - Enhanced Enforcement Activities	406	0	0	0	0	0	0	0	0	0	0	0	10,636	0	0	0	0	0	0	0	0	10,636
Technical - Enhanced Enforcement Activities	808	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transportation Fund for Clean Air	606	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11,038	0	
Vehicle Buy-Back	612	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,296	0	1,296
Environmental Justice	302	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recruitment and Training	114	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Engineering Special Projects (earlier 405)	507	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
Community Air Risk Evaluation	508	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mobile Source Grants	607	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical Divn. - Enhanced Enforcement Activities	808	0	0	0	0	0	0	0	0	0	0	0	4,991	0	0	0	0	0	0	0	0	4,991
EA Release Time	888	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals		296,524	36,066	16,998	142	6,758	1,906	0	11,226	76,723	0	0	18,168	0	0	0	300	0	0	25,902	0	490,714
Total unallocated Genral Resources Hours	31,589																					
Further allocation of Unallocated Hours		19,088	2,322	1,094	9	435	123	0	723	4,939	0	0	1,170	0	0	0	19	0	0	1,667	0	31,589
Total hours to be used for allocation of Indirect Expenses		*315,613*	*38,388*	*18,092*	*151*	*7,193*	*2,029*	*0*	*11,949*	*81,662*	*0*	*0*	*19,338*	*0*	*0*	*0*	*319*	*0*	*0*	*27,569*	*0*	*522,303*

List of all Documents Reviewed

Many useful and relevant documents were provided for SJ to review for the Cost Recovery Study. A listing of all documents, and a brief description of each is summarized below:

BAAQMD

Documents referenced in the Cost Recovery Request for Proposal

There are 12 documents the District provided as reference materials for this Cost Recovery Study. The documents reviewed are as follows:

1. CA Health and Safety Code
2. District Regulation 3, Fees
3. District Regulation 2, Permits
4. Staff reports to Regulation 2 and 3 amendments from 1997 – 2003
5. Annual Goals and Objectives for 2001, 2002, 2003
6. District Financial Audits for past 4 years
7. BAAQMD Program Budgets for past 5 years
8. Bay Area Clean Air Plans, 1994, 1997, 2000
9. Time Accounting Data from the Payroll System
10. Invoice Data by fee schedule
11. District memorandum referencing legal principles applicable to fees
12. BAAQMD Cost Recovery Study, KPMG, 1999

1. CA Health and Safety Code

There are 2 relevant sections to the H&S Code. Section 40200 establishes the BAAQMD as a regulatory agency. More relevant to this Study are sections 42311 – 42315, which provide regulatory authority to assess fees. Relevant portions of this law include:

- 42311 – "A District Board may adopt… 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 the actual costs for district programs for the immediately preceding fiscal year with an adjustment not greater than the change in the CA CPI…". This section does not preclude "the district from recovering, through its schedule of annual fees, the estimated reasonable costs of district programs related to permitted stationary sources".
- 42311.1 – "A District shall not adopt or impose fees that exceed actual district administrative costs for processing or enforcing permits applicable."

Documents referenced in the Cost Recovery Request for Proposal (Continued)

2. **District Regulation 3, Fees, including Fees Assessment Schedules and Information (Schedules A through Q)**
   This regulation establishes fees to be charged for Hearing Board filings, for permits, banking, experimental exemptions, renewal of permits, costs of environmental documentation, asbestos operations, air toxics inventories and soil excavation and underground tank removals. All fee-related requirements are contained in a section of Regulation 3. Fees for specific activities can be found in the Schedules attached to Reg 3. As an example, Schedule B states the fees necessary for operations involving "Combustion of Fuel".

3. **District Regulation 2, Permits**
   This regulation sets forth the procedure for obtaining an Authority to Construct and Permit to Operate a piece of equipment in the Bay Area. This regulation establishes a process for:

   - All types and sizes of equipment
   - New equipment as well as modifications to existing equipment
   - Regulation 3, Fees, is referenced in Regulation 2.

   The basic instructions for what needs to be done, and when, are outlined in this regulation. While there are no fees included in this regulation, fees are specifically identified in Regulation 3.

4. **Staff reports for Regulation 2 and 3 recent modifications**
   SJ reviewed staff reports for permit fee increases adopted during the past 5 years. In the past 5 years, fees increased by the CPI. This past year, the increase equaled the CPI, plus several fees went up by an additional amount. The most notable increase was for the Title V permit program.

5. **Annual Goals and Objectives**
   All goals and objectives for each of the District Division have been provided for the past 3 years. A review of these indicates that each Division has specific goals to meet, and has developed activities in line with achieving these goals. A specific "lead" has been identified in each Division with each activity. These activities are measurable with progress tracked on a regular basis both within the Division, as well as at the Executive and Board level.

6. **Financial Audits**
   Financial Audit Reports for the past four years were reviewed. For 2004, audited results were not available and unaudited results were used.

Documents referenced in the Cost Recovery Request for Proposal (Continued)

7. **BAAQMD Program Budget**
The District has had a Program Budget in place for over 5 years. SJ has reviewed the District's budget for the past 5 years. Each Division has responsibility for all programs relevant to their part in the overall mission of the District. Within each program, there is a full accounting of the following:

- FTEs
- Salary and benefits for all FTEs in the program
- Projected expenses for services and supplies
- Contribution to Capital budget items (ex: computers, vehicles)
- Revenue sources that fund the program (note: each source is apportioned according to the amount it is anticipated to fund the Program)
- Key priorities and activities for the program are listed, along with the expenditure to meet the goal or achieve the result. The revenue source for each activity is also indicated.

8. **Bay Area Clean Air Plans**
The fundamental charge to the District is to attain ambient air quality standards for all criteria pollutants. The Clean Air Plans are a blueprint for how the District intends to achieve and maintain clean air for the nine Bay Area counties. Plans to achieve the federal as well as state standards have been developed and lay out the path to cleaner air. Each Division at the District has a part in this overarching goal.

9. **Time Accounting Data from the Payroll System**
Time accounting forms are completed bi-weekly by all District staff, using program and billing codes. Data is entered into the system where it is summarized and tracked. This effort began in 2000, in response to a recommendation in the KPMG Cost Recovery Study.

10. **Invoice data by fee schedule**
Permit engineers in the Engineering Division are responsible for calculating the fee associated with each permit application received. The total permit fee is the total of several fees, including: filing fee, late fee, specific "schedule" fee, and any others". The specific type and nature of each of these fees in entered into a database, which is maintained by the ISS Division.

11. **District memorandum referencing legal principles**
Two memorandum were prepared for use in this Study:

    - "Scope of program costs recoverable through stationary source permit fees"
    - "Legal Authority for district fee schedules"

12. **BAAQMD Cost Recover Study, 1999**
The KPMG Cost Recovery Study, conducted in 1999 was the first independent evaluation of costs and revenues at the District. This review resulted in a series of financial and programmatic recommendations for the near and long term. The Study concluded that District was not fully recovering their costs through fees.

Additional District Documents and Materials

1. **Goals and Objectives**
   Goals and Objectives were reviewed for all District Divisions including: Administrative Services, Engineering, Compliance and Enforcement, Technical Services, Planning/Rules/Research, Public Information and Outreach, and Information System Services. Goals and Objectives for 2000, 2001, 2002, and 2003 were reviewed. Each document contained the following information:

   - Specific Outputs and Deliverables
   - Delivery or Due Date
   - Lead staff

2. **Accomplishments and Future Challenges**
   The "2004 Accomplishments and Future Challenges" prepared by each Division was reviewed for this Cost Recovery Study.

Other Documents Reviewed

SJ interviewed three other air districts in association with this Study. The following documents were provided by the Sacramento Metro AQMD, San Joaquin Valley Unified APCD, and South Coast AQMD:

- 2004-2005 Operating Budget
- Sample timesheet
- List of billing codes used for timesheets
- Fee regulation(s)

These documents were reviewed by SJ for this Study.