SLO COUNTY apcd | Air Pollution Control District
San Luis Obispo County

TO: Board of Directors, Air Pollution Control District

FROM: Gary E. Willey, Air Pollution Control Officer

DATE: November 10, 2021

SUBJECT: Review of Proposed APCD 2022-2026 Fiscal Plan

SUMMARY

The District is updating its Fiscal Plan for Board consideration and adoption. The 2022-2026 Fiscal Plan evaluates historical and projected future APCD expenditures and revenue in the context of the adopted Strategic Action Plan (SAP) and current fiscal constraints, and identifies fiscal strategies needed to ensure the District has sufficient resources to accomplish our mission and mandates into the foreseeable future.

RECOMMENDATION

That your Board consider the proposed APCD Fiscal Plan 2022-2026 and either adopt it at today's hearing or give direction to staff on finalizing it for adoption at the January 26, 2022 Board of Directors meeting.

DISCUSSION

The APCD Board of Directors (Board) adopted its first Fiscal Plan in January 2005 to address significant fiscal challenges facing the District due to rising costs and declining revenue. The Plan has been updated three times since then, for 2009, 2013, and 2017; this is the fourth update of the Plan. The purpose of the Fiscal Plan is to carefully evaluate the existing and projected future staffing and financial resources of the District, and to identify potential cost reductions and/or revenue enhancements needed to ensure fiscal stability and the ongoing capacity to accomplish our mission and mandates.

The last two updates of our Fiscal Plan (2013 and 2017) dealt with the predicted closure and aftermath of the aging Morro Bay Power Plant (MBPP) and the associated loss of nearly $280,000 in permit revenue. Several expenditure reduction and revenue enhancement strategies were adopted by your Board to ensure the agency remained fiscally viable, including deferred filling of vacant positions, reduced use of contract help, a substantial reorganization of the agency structure and operations, and creation of a lower-level position to be filled upon retirement of senior staff. Those strategies resulted in significant, long-term cost savings with expenditure levels kept relatively flat and increased revenues to successfully overcome the loss of the MBPP permit revenue, while still maintaining healthy reserve funds. While prudent budgeting and prior Fiscal Plan measures have helped the District control cost growth, the planned closure of the Phillips 66 refinery in 2023 and associated loss of $550,000 in permit fees requires implementation of additional fiscal strategies to ensure the District's financial health.

In preparing the attached 2022-2026 Fiscal Plan update, a thorough analysis of historical revenue and expenditures was conducted, as well as detailed projections of expected future revenue and expenses over the next five years. This analysis was performed in the context of the adopted APCD Strategic Action Plan (SAP) and new mandates to be implemented that are known or reasonably foreseeable. The base expenditure projections shown in the proposed Plan assume existing staffing levels during this period, along with retirements of several senior staff; base revenue projections assume the Phillips 66 refinery closure in 2023, no permit fee increases, and most other revenues rising at historical rates. These assumptions forecast a budget deficit of approximately $320,000 in FY 2022-2023, increasing to about $1,000,000 in FY 2025-2026. The proposed Plan provides additional specific details of the expenditure and revenue projections that form the basis for this Plan and the financial outlook for the APCD over the next five years. Staff worked closely with the Board-appointed Fiscal Plan subcommittee to review the projections and develop the proposed strategies.

OTHER AGENCY INVOLVEMENT

Staff consulted with the California Air Resources Board and Federal Environmental Protection Agency to identify upcoming mandates and new programs that must be implemented within the timeframe covered by the Plan and associated funding sources. Staff also consulted with other air districts on their fee rate histories.

FINANCIAL CONSIDERATIONS

Fiscal projections for the next five years show that implementation of the suggested cost-cutting measures, a comprehensive restructuring of Rule 302 fees to improve equity among ratepayers, modest rate increases to improve the cost recovery ratio for services, along with the use of reserve funds will be sufficient to balance expected expenditures with projected revenues over this period.

FISCAL PLAN 2022 – 2026

San Luis Obispo County Air Pollution Control District

TABLE OF CONTENTS

FISCAL PLAN 2022-2026

Introduction **3**
Fiscal Policies, Goals and Objectives **3**
Policies 3
Goals and Objectives 3
Analysis of Recent Historical Fiscal Trends **4**
Long-Term Expenditure Trends 4
Long-Term Revenue Trends 4
District Staff Resources and Workload Expectations in the Next Five Years **5**
Projections of Future Expenditures and Revenue **6**
Strategies to Ensure Fiscal Viability **6**
Criteria Used to Select and Evaluate Potential Strategies 7
Strategies Recently Adopted and Implemented 7
Potential Strategies for Future Adoption 8
Strategy Recommendations and Implementation Schedule **11**
Summary **12**
Contingency Measure **13**
Appendix 1 – Past Fiscal Strategies Evaluated by Staff **14**

Introduction

The APCD Board of Directors (Board) adopted its first Fiscal Plan in January 2005 to address significant fiscal challenges facing the District due to rising costs and declining revenue. The Plan has been updated three times since then, in 2008, 2012 and 2017; this is the fourth update of that plan. The purpose of the Fiscal Plan is to carefully evaluate the existing and projected future staffing and financial resources of the District, and to identify potential cost reductions and/or revenue enhancements needed to ensure fiscal stability and the ongoing capacity to accomplish our mission and mandates.

In preparing the Plan, an analysis of historical revenue and expenditures was conducted and detailed projections of expected future revenue and expenses over the next five years prepared. This was performed in the context of the adopted APCD Strategic Action Plan (SAP) and new mandates to be implemented that are known or reasonably foreseeable. Our fiscal projections and measures proposed in this plan were reviewed in detail by the Board's Ad-hoc Fiscal Plan subcommittee.

This edition of the Fiscal Plan will address the loss of significant revenue expected to occur in 2023 when the Phillips 66 Refinery on the Nipomo Mesa is scheduled to close.

Fiscal Policies, Goals and Objectives

The policies, goals and objectives listed below are intended to guide the fiscal planning process for the District and provide a framework for decision-making in considering expenditure reductions or revenue enhancements:

Policies

The following fiscal management policies will be followed by the District:

- Internal accounting controls will be used to track revenue and expenditures with general oversight by the County Auditor-Controller-Treasurer-Tax Collector.
- Financial status reports will be compiled and presented to the Board at every regularly scheduled Board meeting.
- Annual audits will be performed in accordance with standard accounting principles to verify and ensure that appropriate fiscal management procedures are being followed.
- State and other grant funds received by the District to implement grant programs for local emission reduction projects will be held in trust accounts that are maintained and tracked separately from District operating funds.

Goals and Objectives

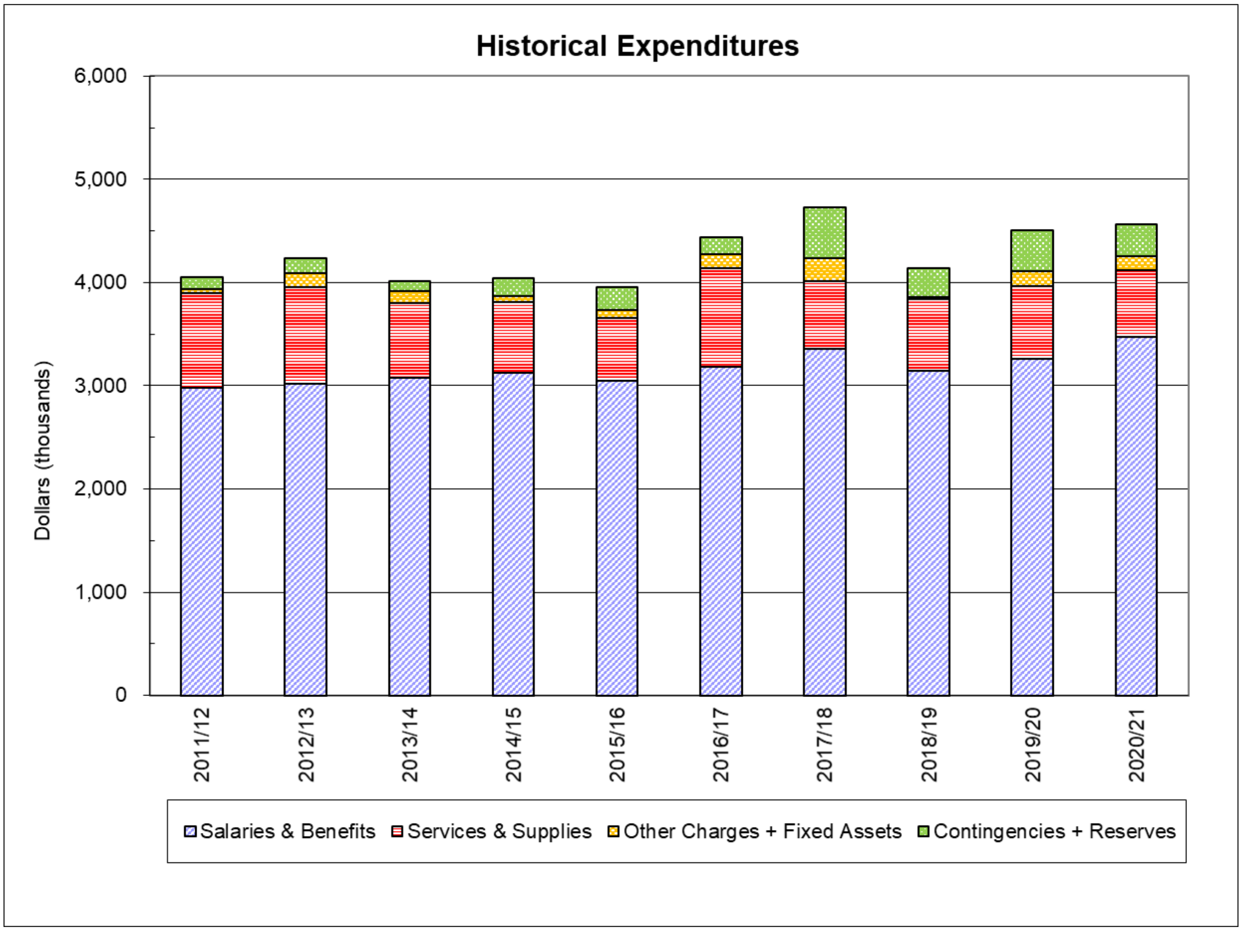
The following goals and objectives represent the intended direction for District fiscal management over the next five years:

- The budget presented to the Board each fiscal year shall have balanced revenue and expenditures.
- District reserves should be maintained at no less than 20% of the annual budget.
- Proposed budget expenditures should reflect Strategic Action Plan priorities, as well as maintenance of core services and programs.
- Streamlining and productivity enhancement should be ongoing efforts to ensure that public dollars are spent efficiently and cost-effectively.
- A diversified revenue stream should be sought to enhance fiscal stability and reduce reliance on revenue sources subject to economic variability.
- Cost recovery for program implementation should be achieved wherever feasible.

Analysis of Recent Historical Fiscal Trends

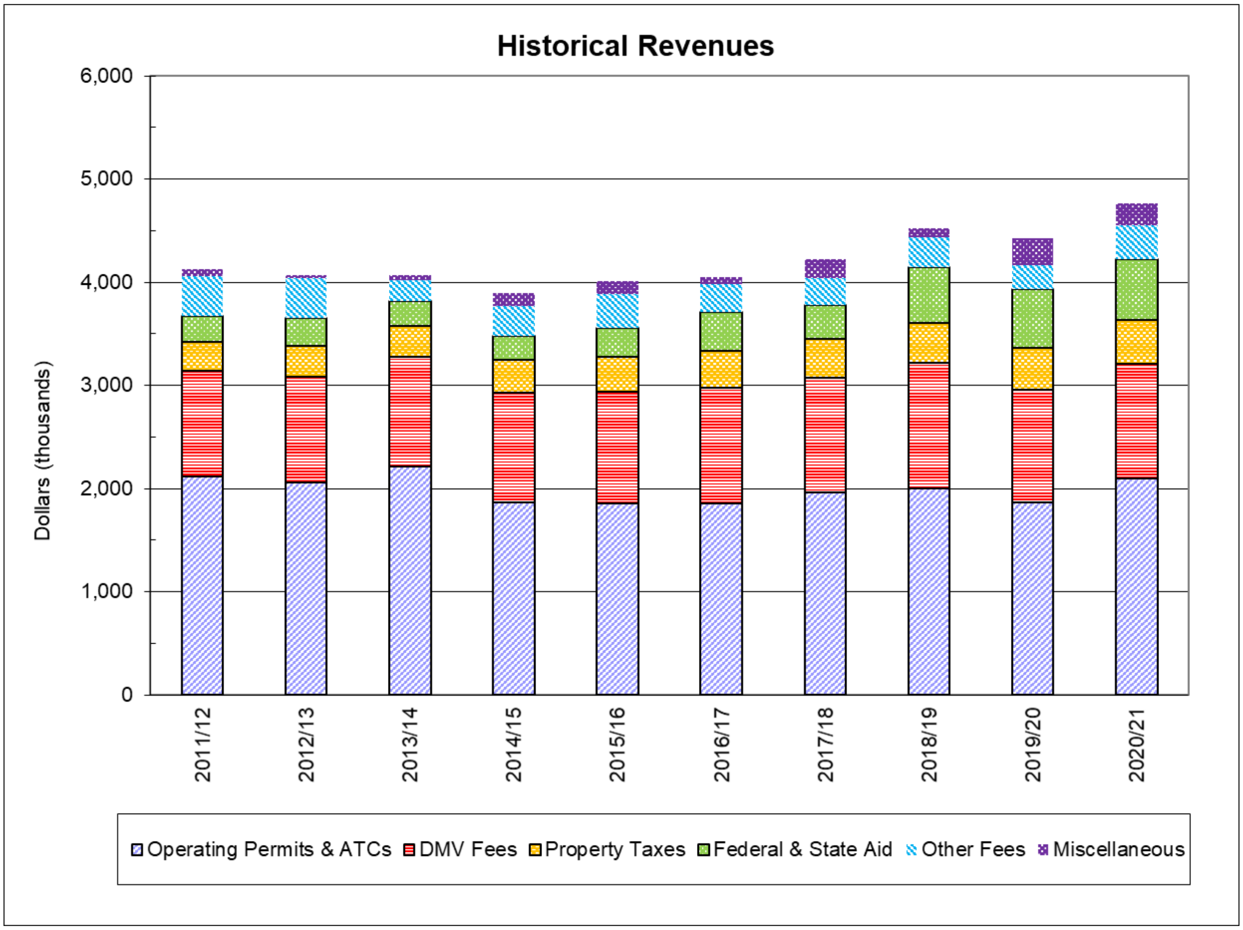
Long-Term Expenditure Trends

Over the last decade, APCD operational expenses have increased by an average of 1.3% per year, from about $4.1 million in Fiscal Year (FY) 2011-2012 to $4.6 million in FY 2020-2021, as shown in the chart below. This is primarily due to cost of living, merit and inequity adjustments to salaries and benefits, rising pension costs, and increased workers' compensation insurance; actual staffing levels did not increase during this period. The District has also incurred significant expenditures including outside contractors to assist with the Oceano Dunes particulate matter studies and rule development, as well as attorney expenses to defend litigation against Rule 1001 and related compliance enforcement. Nonetheless, through various cost-cutting measures implemented by the District, total expenditures have been kept relatively flat over the past 10 years.



Long-Term Revenue Trends

The chart below shows historical revenue received over the past 10 years. Fees from permitted sources typically provide between 36-38% of District revenue. Motor vehicle registration fees add another 18-20%, with property taxes contributing about 7% annually; various other sources make up the balance. A 3.3% decrease in all District fees earned over this period were offset over this period by a 17.4% increase in vehicle registration and property tax revenue. Adjustments to the APCD permit fee schedule and hourly labor rate normally occur periodically to ensure fees help cover District costs for permit services, and that this cost recovery moves toward an equitable allocation among the regulated industries. However, during this 10-year period, only a single increase of 3.75% was implemented in 2016, as the District attempted to avoid placing additional financial impacts on local regulated businesses through cost-control methods.



District Staff Resources and Workload Expectations in the Next Five Years

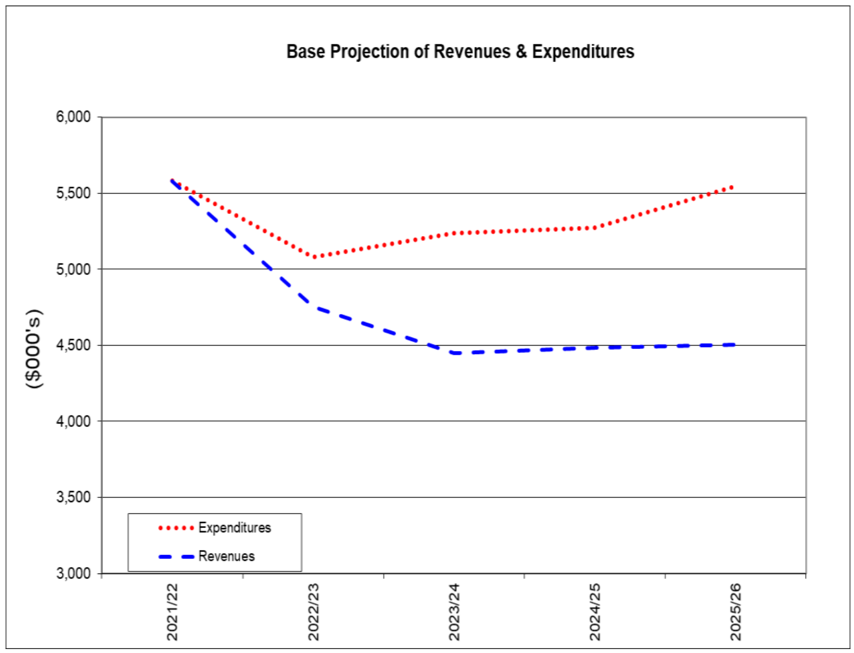
The District currently employs 21 permanent, full time equivalent (FTE) staff, plus a temporary part-time student intern. Twenty-two 22 FTEs are allocated in the current budget, as the position for a recently retired senior Air Quality Specialist has been held open pending completion of this Fiscal Plan.

Through streamlining and automation, the District has reduced staffing levels to below where they were 28 years ago, when 23.5 FTE staff plus several contractors were employed. While we have decreased staff positions, staff workload in many program areas has risen dramatically since then. This is due to implementation of new programs related to: detailed public-facing facility emission data, state climate protection programs, increased administrative overhead for grant programs, and a large increase in compliance inspections mandated by the state.

In the process of implementing the Strategic Action Plan, first adopted by the Board in 2004 and updated since, staff have initiated a wide range of streamlining measures in all program areas to accommodate the continuously rising workload amid ongoing budget constraints. These efforts, along with the reorganization described above, have significantly improved our efficiency, allowing us to maintain a high level of performance for critical core programs, while continuing to meet our mandate to protect and enhance public health; staff workload overall, however, remains high. Our ability to absorb the loss of more than one FTE would likely result in a significant performance drop in both core programs and unexpected air pollution challenges.

Projections of Future Expenditures and Revenue

The last two updates of our Fiscal Plan (2013 and 2017) dealt with the planned closure and aftermath of the aging Morro Bay Power Plant (MBPP) and the associated loss of nearly $280,000 in permit revenue. Several expenditure reduction and revenue enhancement strategies adopted by your Board to ensure the agency remained fiscally viable, including deferred filling of vacant positions, reduced use of contract help, a substantial reorganization of the agency structure and operations, and creation of a lower-level position to be filled upon retirement of senior staff. Those strategies resulted in significant, long-term cost savings with expenditure levels kept relatively flat and increased revenues to overcome the loss of the MBPP permit revenue, while maintaining a healthy reserve fund. However, with the closure of the Phillips 66 Refinery and loss of approximately $550,000 in permit revenue, further possible expenditure cuts are now limited without severely affecting services.



The expenditures projected in this chart assume existing staffing levels with minor increases for cost-of-living adjustments, merit increases, and promotions. The higher expenditure and revenue levels in FY 2021-2022 reflect large capital expenses deferred from FY 2020-2021 and one-time grant-funded projects. Future expenditure projections assume retirement of seven senior staff during this period and filling those positions at lower levels. Future revenue projections assume the Phillips 66 Refinery closure in 2023, no permit fee increases, and most other revenues rising at historical rates. These assumptions forecast a budget deficit of approximately $320,000 in FY 2022-2023, increasing to about $1,000,000 in FY 2025-2026.

Strategies to Ensure Fiscal Viability

As described above, over the past five years the District has exercised consistent fiscal restraint by restructuring and implementing cost control measures for numerous expenditure categories. As a result, the District's final adopted budget increased by only 6.0% from FY 2016-2017 to FY 2021-2022, and we continue to look for ways to contain and/or reduce expenditures. However, in the face of ongoing streamlining and cost-cutting over the past several years, the District finds itself reaching the point of diminishing returns where further cuts will begin to seriously impede our ability to function effectively in accomplishing our mission and complying with state and federal mandates.

Thus, while prudent budgeting and prior Fiscal Plan measures implemented over the past ten years has helped the District control cost growth, the planned closure of the Phillips 66 Refinery in 2023 and associated revenue loss requires implementation of additional fiscal strategies over the next five years to ensure the District's financial health. The Board appointed four of its members to a Fiscal

Plan Subcommittee to work with staff in evaluating potential fiscal measures prior to bringing them to the full Board for consideration and approval. The following describes the criteria used by staff in evaluating potential strategies and presents measures recommended by staff and the Board Fiscal Plan Subcommittee for implementation.

Criteria Used to Select and Evaluate Potential Strategies

The criteria used to develop and rank the implementation strategies identified in this section are shown below for both expenditure reductions and revenue enhancements:

Criteria for Expenditure Reductions:

- Public health protection must be maintained at a level consistent with state and federal mandates.
- Any cuts made must be balanced, ensure essential services are retained, and align with priorities in the Strategic Action Plan.
- Cuts should be real, feasible and within APCD's ability to implement independently and not contingent on authority or actions by other agencies.
- Essential facilities, infrastructure and equipment must be maintained at reasonable levels.

Criteria for Revenue Enhancements:

- New revenue sources should be long-term and sustainable.
- Full cost recovery for district program implementation should be a priority.
- Fees should keep pace with inflation and must be equitable and reasonable to support public health protection.
- Use of reserves considered to fund certain expenditures and short-term deficits.

Strategies Recently Adopted and Implemented

Reorganization and Consolidation of APCD Operational Functions: Staff proposed and implemented a substantial reorganization of the agency structure and operations upon retirement of our Compliance and Monitoring Division Manager in 2014. The Engineering and Compliance programs were combined into one division under the existing Engineering Division Manager, and the Air Monitoring section was moved under the existing Fiscal and Administrative Division Manager (moved to the Planning and Grants Division Manager in 2020). As a result, one management position was eliminated and replaced by an entry level position, an existing Compliance staff was promoted to supervisor to assist with program and personnel oversight, and new operational practices were developed and implemented that substantially streamlined agency operations. In anticipation of the retirement of a senior engineer in 2018, a new entry-level Engineering and Compliance Technician position was created and filled at a substantially lower cost than the senior engineer. These changes continue to result in significant, long-term cost savings for APCD.

Refill Positions Vacated by Senior Staff at Lower Entry Levels Where Possible: The median age of APCD staff is currently 54, with an average employment tenure at the agency of about 12 years**.** Thus, the majority of our staff are seasoned professionals at journeyman levels of their career, with over half our staff currently eligible for retirement. Of these, we expect 7 senior staff to retire within the next five years, and up to 11 retirements overall within the next 10 years. We intend to continue filling most positions vacated through retirement at lower entry levels, which will provide considerable future salary savings. Also, with pension reforms in place, most retiring long-term "Tier 1" pension level employees will be replaced by newer "Tier 3" hires, which ensures further long-term cost savings to the agency.

Potential Strategies for Future Adoption

As discussed, the APCD budget projections for the next five years show a significant loss of permit revenue due to the closure of the Phillips 66 Refinery; this the biggest challenge to the District's future financial health. Resulting deficits will need to be mitigated by cost-cutting measures and revenue enhancements. Use of the strategies described below would be sufficient to fill that gap.

<u>Staff Reduction</u>: A senior-level Air Quality Specialist-III staffer in the Planning, Monitoring, and Grants Division recently retired from the District. While this vacant position has been held open pending the completion of this Fiscal Plan, several other staff were cross-trained to temporarily assume the duties performed by the outgoing staffer. While elimination of this position will not improve the cost recovery rate of the Engineering and Compliance Division's permit program, which will incur a significant permit revenue loss from the Phillips 66 Refinery closure, it will greatly help close the overall resulting budget gap for the District. Reducing the total staffing level to 21 FTEs will be the lowest level it has been since 1993.

<u>Proposal</u>: Eliminate an AQS-III position from the Planning, Monitoring, and Grants Division that is currently vacant due to a retirement. Cross-train and spread the duties performed by this position over several other staff. To help mitigate the added workload for each staffer, certain project reviews or other tasks may be eliminated or reduced in scope for the Planning, Monitoring, and Grants Division.

<u>Estimated Cost Savings:</u> A total of about $734,000 in salary savings would be realized through FY 2025-2026.

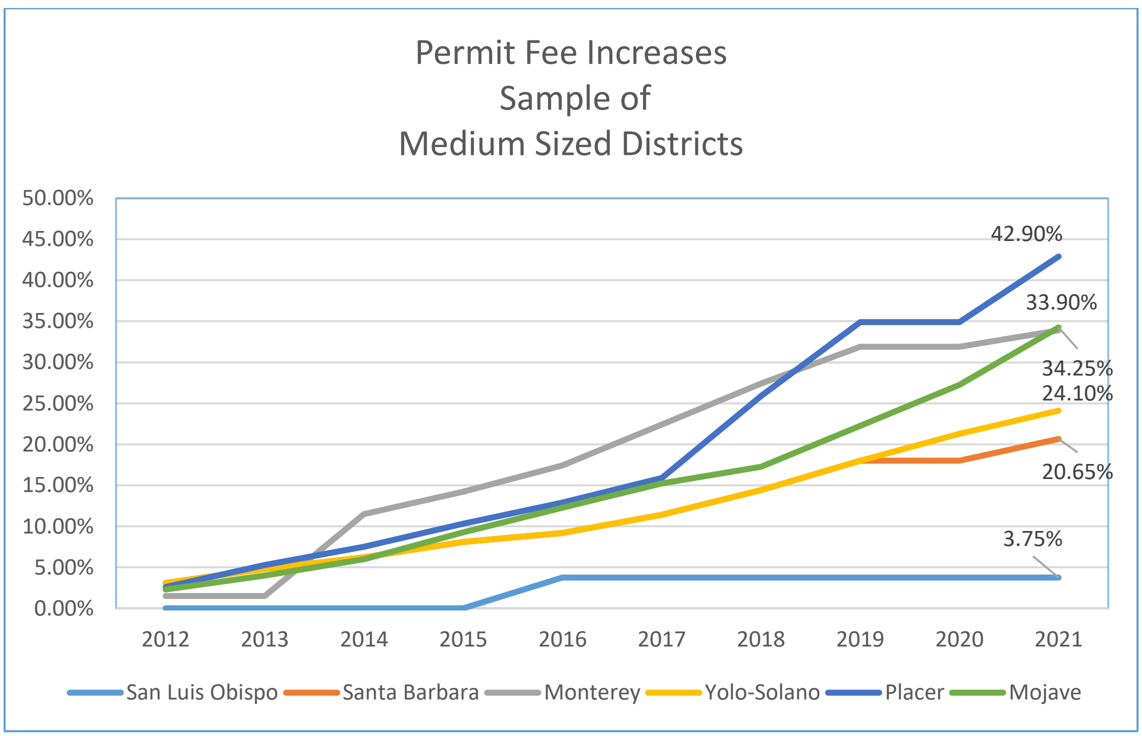
<u>Permit Program Cost Recovery: Fee Increases on Specific Permitted Sources and integration of annual CPI adjustments for cost recovery</u>: Permit fees are adopted by the Board and constitute about 38-40% of total District revenue in any given year. Historically, the Phillips 66 Refinery has contributed approximately 30% of all stationary source fees collected, but has not actually required that proportion of District staff time to permit and monitor for compliance. The Phillips 66 Refinery in essence has subsidized the fees paid by smaller sources, which do not recover the costs associated with overseeing their compliance. Due to the 2023 planned closure of the Phillips 66 Refinery and associated revenue loss, the District reviewed the permit program and identified specific sources that currently have fees disproportionately below the level needed to achieve cost recovery for the compliance and permitting oversight they require. These specific sources include toxic sources with increased state-mandated toxic reporting requirements such as large diesel engines, electrolytic plating operations, gasoline dispensing facilities, and coating operations such as autobody painting, adhesive and metal coating; oil and gas production and processing facilities requiring state Greenhouse Gas Regulation reporting and oversight; sandblasting, rock and sand crushing, screening and production facilities, and concrete batch plants with fugitive emissions. Adjustment of these permit fees levels the playing field, with permitted sources subject to a more equitable distribution of permit program costs.

The District identified other areas of the permit program where cost recovery can be improved. These areas include asbestos remediation projects with multiple structures, large-scale soil decontamination/remediation projects, cannabis manufacturing and processing, major source decommissioning projects, and the agricultural burn permit program. This subset of permit program revenues, with the exception of agricultural burn permits, varies widely from year to year and is often project driven. Agricultural engine registration cost disparities were also noted, with registration fees in neighboring Santa Barbara County 22% higher than San Luis Obispo County, despite equipment operation within both counties. Adjustment of these registration fees would provide consistency across both counties.

Finally, the District proposes an increase in the hourly rate charged for engineering evaluation and permit processing. This increase in rate will reflect changes in labor costs and actual costs incurred by the District in evaluating permit applications.

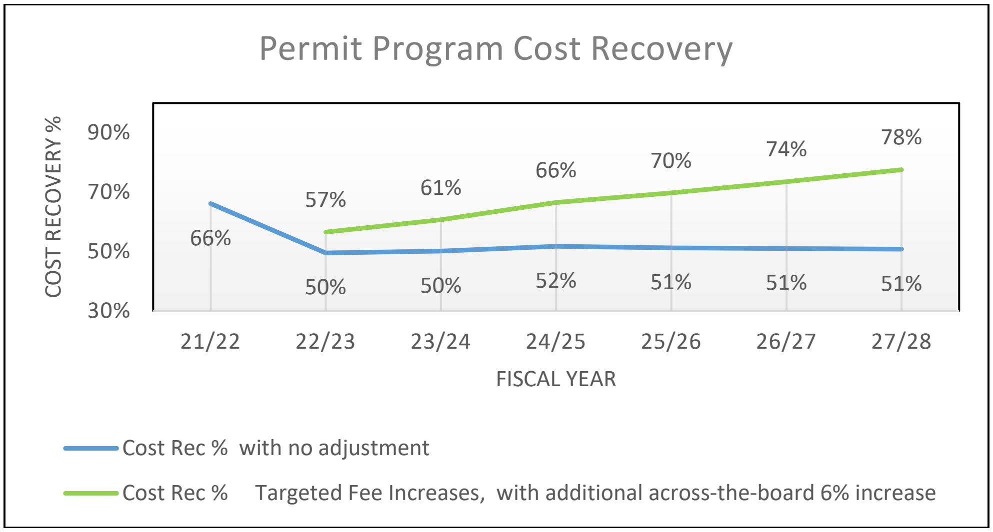
Targeted permit program fee increases are subject to separate Board approval and adoption outside of the Fiscal Plan and must go through a separate public workshop process to receive input from the affected permitted sources. In addition, state law allows a maximum 15% increase in fees each year for existing permit fees. Prior to the 2008 recession, permit fees were typically adjusted annually according to the Consumer Price Index (CPI), historically between 3-5%, with periodic higher adjustments to specific source categories to approach full cost recovery. However, to limit financial burdens on local businesses during difficult economic times, over the past ten years only one fee increase of 3.75% was proposed by staff and adopted by the Board. This fee increase has not kept pace with the cost of administering the permitting program, despite streamlining efforts.

Current estimates for cost recovery of the permitting program indicate a current recovery rate of 68%. Permit revenue losses of about $550,000 from the Phillips 66 Refinery closure in FY 2022-2023 are expected to reduce cost recovery even further to approximately 50%. Comparatively, during this same ten-year period that the District adopted one fee increase totaling 3.75%, Districts of similar size increased permitting fees between approximately 21% and 43%, with some Districts implementing annual CPI increases to maintain cost recovery. The compounded correlating CPI increase for this same ten-year period was 21%.



<u>Proposal</u>:
The District plans a targeted restructure of permit fees in FY 2022-2023, following the required public workshop process and Board approval and adoption of changes to correct disproportional payment of permit program costs. In addition to the targeted increases to specific sources, a 6% across-the-board increase in permit fees for all sources is proposed. This includes a CPI adjustment and additional increase, not to exceed a total increase of 6%. Beginning in FY 2023-2024, annual fee increases of up to 6%, including CPI will be applied through the term of this Fiscal Plan (FY 2025-2026).

At that time, permit program cost recovery is expected to reach 74%, narrowing the gap between the permit program cost recovery rate of 50% expected with the loss of Refinery revenue and the Board identified goal of 95% permit program cost recovery.



<u>Estimated Annual Revenue</u>: For FY 2022-2023 the targeted fee restructuring, and labor rate increase is estimated to increase revenue by approximately $111,000. Coupled with an across-the-board fee increase of 6% equaling about $95,000, total estimated FY 2022-2023 fee revenue is expected to increase by $206,000. Annual fee increases of 6% in FY 2023-2024 through FY 2025-2026 are expected to result in annual revenue increases of $106,000, $117,000, and $129,000 respectively.

<u>Utilize District Reserves</u>: This is a short-term fix to fund potential budget gaps anticipated to occur during the implementation period of this plan. Reserve funds are maintained for use in the event of emergencies and unexpected expenditures, as well as large planned future capital expenditures. Under Board direction, the District has worked hard to conserve resources and funding over the past decade to build our reserves for short-term use to mitigate the closure of major permitted sources (Morro Bay Power Plant, Diablo Canyon Nuclear Power Plant, Phillips 66 Refinery) and to weather economic downturns. The District currently maintains total reserves of approximately $3.0 million, about 54% of our annual budget.

<u>Proposal</u>: Use reserves to fund the cost of certain anticipated expenditures, such as retiring employee leave payouts and facility maintenance projects, and to defray revenue deficits to allow the proposed permit program changes to gradually improve the rate and equity of permit program cost recovery over time. Coupled with cost-cutting measures and improved cost recovery strategies, this use of reserves will be adequate to balance the District's budget through 2025-2026. Remaining reserves are estimated to end at approximately 40% of budget, still well above the 20% of budget policy established by the Board.

<u>Estimated Annual Revenue</u>: A total of about $742,000 in reserve funds would be utilized from FY 2023-2024 through FY 2025-2026 (FY 2023-2024 $288,000, FY 2024-2025 $170,000, FY 2025-2026 $284,000) and be drawn from various reserve accounts.

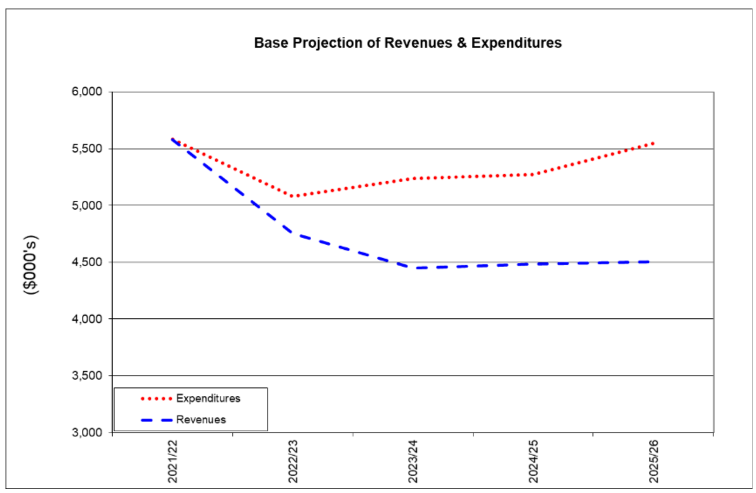
Strategy Recommendations and Implementation Schedule

Based on the evaluation of individual measures and direction from the Board Fiscal Plan Subcommittee, the following table identifies fiscal strategies proposed for adoption, along with estimated implementation timelines.

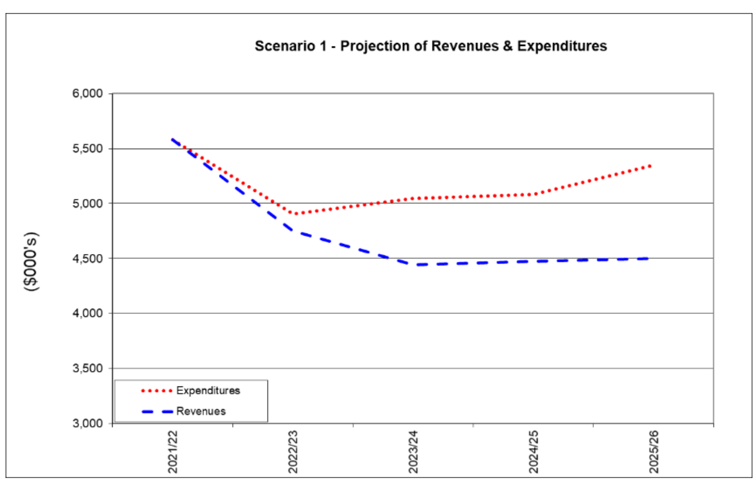
Fiscal Plan 2022-2026 Recommended Strategies	Projected Year 1 Cost Savings	Projected Savings 2025-2026	Proposed Start Year
Eliminate Air Quality Specialist-III position	$176,000	$190,000	2022-2023
	Projected Year 1 Revenue	**Projected Revenue 2025-2026**	**Proposed Start Year**
Rule 302 comprehensive restructuring	$111,000	$120,000	2022-2023
Use of Salary Reserve to fund retiree leave payouts	$121,000	$95,000	2023-2024
Rule 302 CPI provision & combined permit fee/CPI maximum increase of 6.0%	$95,000	$447,000	2022-2023
Use of Reserves to fund remaining budget gaps	$167,000	$189,000	2023-2024

Adoption of these strategies will help ensure that District staffing and financial resources remain adequate to accomplish the highest priority state and federal mandates, Strategic Action Plan measures, and other Board-adopted goals and objectives through FY 2025-2026. Each measure listed would have to be brought back to the Board for individual consideration and adoption prior to implementation. The following charts show the projected effect of implementing each recommended strategy.

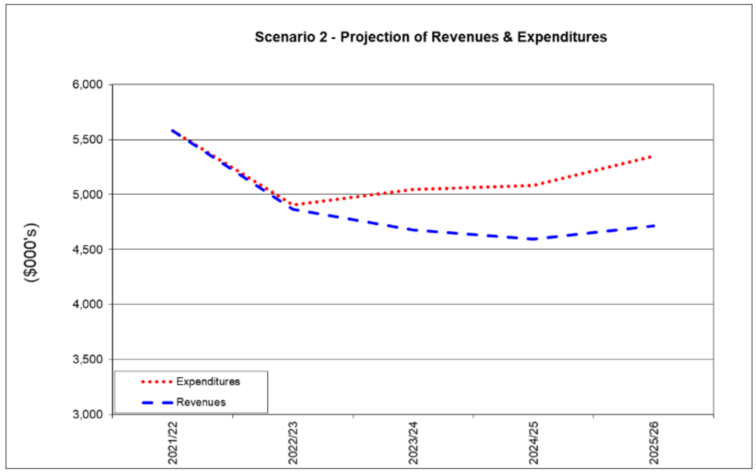
The first chart shows the gap between revenue and expenses projected over the next five years without implementing any of the recommended strategies.



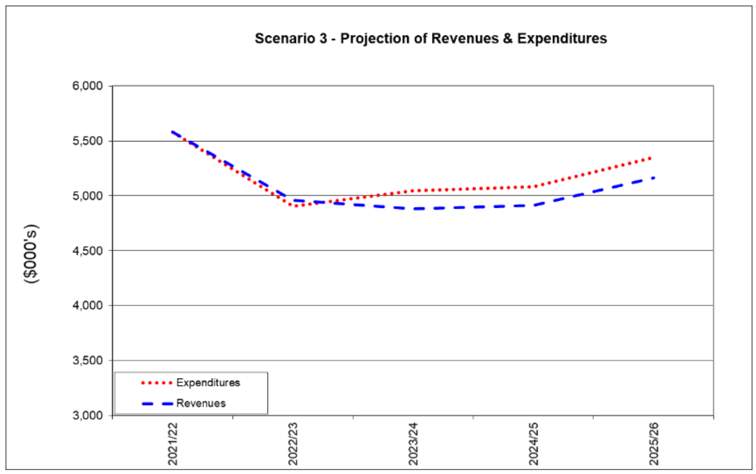
Scenario 1 shows the projected effect of eliminating one Air Quality Specialist-III from the position allocation.



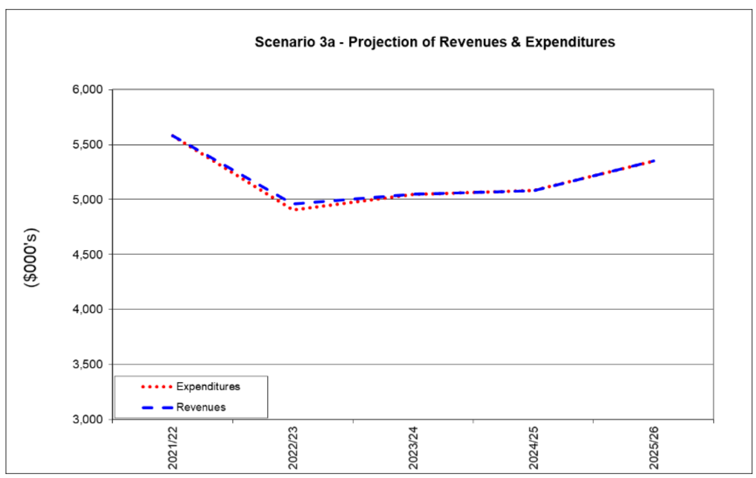
Scenario 2 shows Scenario 1 plus the projected effect of a comprehensive restructuring of Rule 302 and using Salary Reserves to fund leave payouts for retirements anticipated during this period.



Scenario 3 shows Scenario 2 plus the projected effect of adding a CPI provision to Rule 302 and implementing maximum combined rate increases not to exceed 6.0% from FY 2022-23 through FY 2025-26, to work toward improved cost recovery of the permit program.



Scenario 3a shows Scenario 3 plus the projected effect of using reserves to fund the remaining budget gaps for FY 2023-24 through FY 2025-26. Budgets are fully balanced and reserves remain healthy.



Summary

Projections of revenue and expenditures over the next five years show the closure of the Phillips 66 Refinery will have a substantial impact on long-term revenues of the District. Despite numerous cost-cutting Fiscal Plan measures implemented over the past ten years resulting in significant, long-term cost savings for APCD, further strategies are now needed to address this issue. We believe implementation of the cost-cutting measures and revenue enhancement strategies proposed in this Fiscal Plan will preserve the financial health of the agency, ensuring APCD finances are balanced between now and FY 2025-2026, while maintaining program implementation at a level needed to accomplish critical state and federal mandates and Board-directed priorities identified in the District's Strategic Action Plan

Contingency Measure

In the event a significant, unexpected ongoing increase in costs or decrease in revenue occurs in the next 5 years that is not adequately addressed by the recommended strategies above, an available contingency measure is presented for consideration and potential implementation, if needed.

Per Capita Fee for Local Jurisdictions: California Health & Safety Code section 40701.5 requires air districts, whose expenses are not fully met by other sources of revenue, to charge a per capita fee to all jurisdictions with a seat on the District Board. The District provides a variety of important services to local jurisdictions including over $2,000,000 per year in grant funding of community and local business emission reduction projects; consulting with local agencies on operations and activities that generate pollutant emissions; responding to smoke, odor, and nuisance complaints; evaluating air quality impacts of new development; sponsoring public events; and conducting education and outreach on public health issues. Many of these services would have to be reduced or eliminated in the event future District revenues are not sufficient to fund operations. A per capita fee could be collected annually and adjusted based on the Consumer Price Index (CPI); this could be implemented over time to give jurisdictions time to adjust to the new expense, for instance, a rate of $0.25 per capita the first year, $0.50 per capita the second year, and so on until a rate of $1.00 per capita was reached in the fourth year. According to the 2020 U.S. Census, San Luis Obispo County had a population of approximately 282,000 people, so a rate of $1.00 per capita would currently generate $282,000 annually without imposing a significant burden on any one jurisdiction. For example, the city of Arroyo Grande, with a population of 18,441 and a FY 2021-2022 General Fund budget of $19.2 million, would contribute $18,441 annually under this program. The District regularly provides far more in the form of grants to local businesses and services to the communities served by each jurisdiction than the cost of the per capita fee.

Proposal: Consider the assessment of a $1.00 per capita fee on all jurisdictions in the county with a seat on the APCD Board, to be collected annually. The fee could be implemented gradually over time and would be adjusted annually by the CPI.

Estimated Revenue: Approximately $282,000 per year, adjusted based on population and current annual CPI.

Appendix 1 – Past Fiscal Strategies Evaluated by Staff

The strategies below were proposed by staff in developing the Fiscal Plans adopted by the Board in 2005, 2009, 2012, and 2017.

Fiscal Strategies Incorporated in 2005, 2009, 2012, and 2017 Fiscal Plans
* Implement credit card payment system for permit fees and civil penalties.
* Decrease activities where we cannot recover costs; increase cost recovery for other programs (grants, small permitted sources).
* Allocate interest earned from grant fund accounts to district operations to cover grant administration costs.
* Allocate a 15% management fee on all non-state funded grants to cover cost of administration.
* Service vehicles based on mileage rather than time since last service.
* Contract with independent Counsel for legal services instead of County Counsel.
* Discontinue the MOVER grant program.
* Require permits and fees for backyard and agricultural burning to recover costs of administering the program.
* Charge for APCD review of projects with Naturally Occurring Asbestos.
* Discontinue office bottled water service and use water filter on kitchen refrigerator.
* Reduce overnight travel to attend ARB, CAPCOA, and other outside agency meetings – participate by conference call when possible.
* Eliminate weekend standby duty to save standby and overtime labor costs.
* Institute policy to reduce paper waste by printing less; review documents online, save important e-mails electronically, etc.
* Let each employee know how much their phone usage costs each month (and possibly their ranking in expense as compared to the other employees) to increase awareness and encourage more cost-effective use of phone.
* Apply for grants for computer and air monitoring hardware, software, and office equipment upgrades.
* Charge permit holders travel expense for re-test or extra support needed beyond typical renewal activities.
* Defer refilling retiring receptionist position for at least one year.
* Permit winery fermentation process.
* Track staff time involved in NOVs, Mutual Settlements, etc. and recover all costs. If settlement or violation is minor, consider a warning system instead of NOV to save staff time to process with minimal recovery.