

Title V Fee Committee 2018-2020 Fee Negotiations

Date/Time/Location: The Title V Fee Committee met at the DNREC, Grantham Lane Large Conference Room, December 9, 2016, 10:00am – 12:00pm

Attendees: See attachment

Purpose:

- Provide an update on the management review project;
- Reach an Agreement on the \$3.2 million revenue requirement (2018-2020);
- TV Fee Committee (Chamber) to present their feedback on Revenue Requirements and Carryover Balance; and
- TV Fee Committee (Chamber) presents additional recommended enhancements to the TV program.

Discussion:

- Contractor provided update on management review project.
 - Letters have been sent to the target states. VA & MD expressed interest. NJ expressed an interest to DAQ.?
 - Plan is to spend two days with each state interviewing staff using the questions developed after interviewing DAQ staff. MD scheduled for December. Hope to interview VA around the beginning of January.
 - Acknowledged running a little behind schedule but still thinks having a draft report at the end of January is achievable.
- Reviewed Oct 27, 2016 Meeting slides to confirm the agreement with \$3.2 million annual revenue requirement.
 - Discussed “contractual” costs and defined the category consistent with the Footnote 2 in the annual report and slides.
 - TV Fee Committee agreed with DAQ’s \$3.2 million annual revenue requirement
 - DAQ indicated that the Chemours Edgemoor facility was closing and was factored into the revised revenue projections. A committee member asked if the facility was eligible to receive emission credits if they canceled their permit.
 - In a follow-on discussion, DAQ indicated a facility has a year from the date of the permit cancelation to apply for their emission credits. However, DAQ will research and confirm this provision and report at the next meeting.
- The Committee reviewed the Chamber’s Fee and Carryover Proposal which included:
 - Fee History – Proposed – Chamber Review
 - Predicted Summary 2016 Chamber Review – this file looks at the previous costs and projects the predicted cost of the program (note that the yellow is the average and includes a 2.5% C.O.L.A.)
 - Fee Categories - Proposed
 - Cycle Comparison Raw Data
 - Final List 2018-2020 Chamber Review
- The Chamber agreed to keep the user and base fee structures the same as the 2015 -2017 legislation.

- Considering the potential risk and historical activity in the account the chamber does not think \$3.2 million carryover balance is warranted.
 - The Chamber recommended increasing the annual fee credit from \$300k to \$450k per year for the next six years.
 - This will reduce the carryover from \$4.4 million (2015) to \$2.4 million by 2020 and \$1.1M by 2023.
- Continued discussion on the target carryover balance provided the following inputs:
 - Previously, DAQ proposed a carryover balance of \$3.2M (approximately ½ of DAQ’s Total operating budget or the TV annual revenue).
 - Although previous agreements supported a one-year cushion, the Chamber reiterated that the historical activity in the account and the current financial climate did not support the \$3.2M carryover.
 - The Chamber representative again brought up the concern that with current budget difficulties state-wide, the carryover balance will be a very attractive source of funds for DNREC or outside sources.
 - The Chamber prefers to protect the monies through fee credits, to eligible facilities, to reduce the risk.
 - The entire Committee hopes that recommendations from TV Management Review project will result in efficiencies and cost savings.
 - DAQ reminded the members that due to timing of Management Review Project, implementation of recommendations/efficiencies will take considerable time.
 - DAQ further noted that a rapid reduction of carryover balance will limit the available funds to implement any of the recommendations.
 - In general discussions about succession planning and future salary costs, the Chamber expects future salary costs will be reduce with new staff compensated at lower rates.
 - However, DAQ suggested that selective market trends across the state indicate a probable increase in base salaries for environmental engineers. As a result, future selective market increases may offset the salary savings from senior staff members retiring or separating from state service.
- December 8, 2016, the Chamber submitted several recommended improvements, proposed Fee changes and permit process changes in their Talking Points document (posted on website). Initial discussion on these recommendations identified the need for further review.
 - DAQ will review these proposals and provide more detail feedback at follow-on meetings.
- Bob Zimmerman, representing the DNREC Secretary, notified the Chamber that the Department has withdrawn \$477,900.00 from the carryover balance. This transaction is a reimbursement for the subsidy provided by DNREC during the 2006 -2007 TV program funding shortfalls.
 - Bob Zimmerman further explained that the reimbursement funds would be used for Department LEAN initiatives and technology improvements.
 - Several Chamber members expressed concerns with the significant delay in repayment. They stressed that it’s been over ten years since the subsidy was provided.
- During continued discussions regarding the carryover balance, the Chamber asked if any other Divisions in the Department maintained a one-year carryover balance.
 - Bob Zimmerman indicated that there was recommendation for all Divisions to try to build a surplus equivalent to one year’s operating costs. However, due to limited funding sources for

other programs, that goal has not been achieved by most Divisions. The Director indicated the following:

- DAQ is unique in that it is highly fee funded.
 - The one-year target is primarily due to any legislation approval challenges.
 - Failure to enact new legislation prior to the new fee cycle results in our inability to collect fees and therefore negatively impact our revenue until resolution is made.
 - The current & historic legislation includes language that precludes DAQ from collecting fees after a certain date absent new legislation.
 - The Chamber and DAQ agree that the language should be removed or revised to allow for continuance of fee collection using the current fee structure until a new fee structure is passed.
 - Additionally, the carryover is also useful for any transition period that may result from a change to the source universe that could result from changes implemented by the new presidential administration.
- The Chamber also acknowledged that part of the reason for the carryover balance was to handle the flux associated with grant monies.
- Bob Zimmerman provided more detail on the refocus on the LEAN process as well as the e-Permitting potential.
 - Initially done back in 2006 time frame. Changes were implemented as a result to some permitting process improvements. However, failed to focus on management involvement and some of those efficiencies have since been lost.
 - Refocus on the previous efforts and will put emphasis on management involvement to better insure continued success as well as identification of continuous improvement opportunities.
 - E-Permitting may be a project undertaken at the Department level to address permitting across multi-media within the Department.
 - Divisions will have to contribute their fair share of money to fund this effort.
 - Additional Chamber questions or comments:
 - The Chamber asked for a potential list of reinvestment ideas.
 - Understanding the LEAN focus and Department level improvement efforts, the Chamber prefers to keep TV funds dedicated to TV program enhancements.
 - Chamber asked if the carryover balance was accruing interest.
 - DAQ will verify the account structure.

Agreement/Action Items: DAQ will accomplish the follow:

- Post documents from this meeting including meeting minutes on the website.
- Provide committee a TV Account activity report highlighting any subsidy related to Grants or other funding sources as well as verifying the account structure as it relates to interest.
- Provide permitting data on Regulation 1102.
- Provide update on Regulation 1102 permit fee increases.
- On or about Jan 30, 2017, provide actual 2016 facility hours and a summary of other support hours.
- Provide a summary of the process for emission credits as it relates to facilities that close and cancel their permits.
- Provide a list of potential reinvestment ideas.
- On or about Jan 30, 2017, provide the actual 2016 carryover balance??
- Schedule a meeting the 1st week of February to discuss the TV Management Review draft report

- Schedule a 2nd meeting a week later to discuss the information provided by DAQ and to come to an agreement on a target carryover balance

The meeting concluded at approximately 12:00pm