



BAY AREA  
AIR QUALITY  
MANAGEMENT  
DISTRICT

## BOARD OF DIRECTORS REGULAR MEETING

February 6, 2013

A meeting of the Bay Area Air Quality Management District Board of Directors will be held at 9:45 a.m. in the 7<sup>th</sup> Floor Board Room at the Air District Headquarters, 939 Ellis Street, San Francisco, California.

### Questions About an Agenda Item

The name, telephone number and e-mail of the appropriate staff Person to contact for additional information or to resolve concerns is listed for each agenda item.

### Meeting Procedures

The public meeting of the Air District Board of Directors begins at 9:45 a.m. The Board of Directors generally will consider items in the order listed on the agenda. However, any item may be considered in any order.

After action on any agenda item not requiring a public hearing, the Board may reconsider or amend the item at any time during the meeting.

This meeting will be webcast. To see the webcast, please visit <http://www.baaqmd.gov/The-Air-District/Board-of-Directors/Agendas-and-Minutes.aspx> at the time of the meeting.

## Public Comment Procedures

Persons wishing to make public comment must fill out a Public Comment Card indicating their name and the number of the agenda item on which they wish to speak, or that they intend to address the Board on matters not on the Agenda for the meeting.

**Public Comment on Non-Agenda Matters, Pursuant to Government Code Section 54954.3** For the first round of public comment on non-agenda matters at the beginning of the agenda, ten persons selected by a drawing by the Clerk of the Boards from among the Public Comment Cards indicating they wish to speak on matters not on the agenda for the meeting will have three minutes each to address the Board on matters not on the agenda. For this first round of public comments on non-agenda matters, all Public Comment Cards must be submitted in person to the Clerk of the Boards at the location of the meeting and prior to commencement of the meeting. The remainder of the speakers wishing to address the Board on non-agenda matters will be heard at the end of the agenda, and each will be allowed three minutes to address the Board at that time.

Members of the Board may engage only in very brief dialogue regarding non-agenda matters, and may refer issues raised to District staff for handling. In addition, the Chairperson may refer issues raised to appropriate Board Committees to be placed on a future agenda for discussion.

**Public Comment on Agenda Items** After the initial public comment on non-agenda matters, the public may comment on each item on the agenda as the item is taken up. Public Comment Cards for items on the agenda must be submitted in person to the Clerk of the Boards at the location of the meeting and prior to the Board taking up the particular item. Where an item was moved from the Consent Calendar to an Action item, no speaker who has already spoken on that item will be entitled to speak to that item again.

Up to ten (10) speakers may speak for three minutes on each item on the Agenda. If there are more than ten persons interested in speaking on an item on the agenda, the Chairperson or other Board Member presiding at the meeting may limit the public comment for all speakers to fewer than three minutes per speaker, or make other rules to ensure that all speakers have an equal opportunity to be heard. Speakers are permitted to yield their time to one other speaker; however no one speaker shall have more than six minutes. The Chairperson or other Board Member presiding at the meeting may, with the consent of persons representing both sides of an issue, allocate a block of time (not to exceed six minutes) to each side to present their issue.

# BOARD OF DIRECTORS REGULAR MEETING AGENDA

**WEDNESDAY  
FEBRUARY 6, 2013  
9:45 A.M.**

**BOARD ROOM  
7TH FLOOR**

## **CALL TO ORDER**

Opening Comments  
Roll Call  
Pledge of Allegiance

Chairperson, Ash Kalra  
Clerk of the Boards

## **PUBLIC COMMENT ON NON-AGENDA MATTERS**

### **Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3**

*For the first round of public comment on non-agenda matters at the beginning of the agenda, ten persons selected by a drawing by the Clerk of the Boards from among the Public Comment Cards indicating they wish to speak on matters not on the agenda for the meeting will have three minutes each to address the Board on matters not on the agenda. For this first round of public comments on non-agenda matters, all Public Comment Cards must be submitted in person to the Clerk of the Board at the location of the meeting and prior to commencement of the meeting.*

## **CONSENT CALENDAR (ITEMS 1 – 7)**

Staff/Phone (415) 749-

1. Minutes of the Board of Directors Special Meeting and Retreat of January 16, 2013  
Clerk of the Boards

2. Board Communications Received from January 16, 2013 through February 5, 2013  
J. Broadbent/5052  
[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

*A list of communications directed to the Board of Directors received by the Air District from January 16, 2013 through February 5, 2013, if any, will be at each Board Member's place.*

3. Quarterly Report of California Air Resources Board Representative - Honorable Ken Yeager  
J. Broadbent/5072  
[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

4. Air District Personnel on Out-of-State Business Travel  
J. Broadbent/5052  
[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

*In accordance with Section 5.4 (b) of the Air District's Administrative Code, Fiscal Policies and Procedures Section, the Board is notified of Air District personnel, if any, who have traveled on business out-of-state in the preceding month.*

5. Notification of Fiscal Year 2013 Budget Account Transfer  
J. Broadbent/5072  
[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

*In accordance with Division II, Section 3.3 of the Air District's Administrative Code, requires Board of Directors notification of transfer of personnel from one budget program to another from one expenditure class to another.*

6. New Information Technology Officer Job Classification and Salary J. Broadbent/5052

[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

*The Board of Directors will consider approving the new job classification title of Information Technology Officer with the annual salary range of 156M (starting at \$137,777 and ending at \$167,469).*

7. Extension of Contracts for Security Services

J. Broadbent/5072

[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

*Board of Directors will consider authorizing Executive Officer/APCO to execute two year contract extensions with Security Management Group International for an additional dollar amount not to exceed \$528,887.52 and a two year contract extension with Admiral Security for an additional dollar amount not to exceed \$384,505.60*

## **COMMITTEE REPORTS AND RECOMMENDATIONS**

8. Report of the **Budget and Finance Committee** Meeting of January 23, 2013

CHAIR: C. Groom

J. Broadbent/5052

[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

*The Committee met on January 23, 2013. A report of the meeting will be provided.*

9. Report of the **Mobile Source Committee** Meeting of January 24, 2013

CHAIR: S. Haggerty

J. Broadbent/5052

[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

*The Committee met on January 24, 2013, and recommends Board of Directors' approval of the following items(s):*

### **Projects with Proposed Grant Awards over \$100,000**

1. *Approve Transportation Fund for Clean Air (TFCA) Program projects with proposed grant awards over \$100,000.*
2. *Authorize the Executive Officer/APCO to enter into agreements for the recommended TFCA Program projects.*

### **Matching Funds for Carl Moyer Program Year 15 and United States Department of Energy (DOE) Alternative Fuels Project**

1. *Adopt a resolution authorizing the Executive Officer/APCO to execute all necessary agreements with the California Air Resources Board (ARB) relating to the Air District's receipt of Carl Moyer Program funds for fiscal year 2012-2013 (Program Year 15).*
2. *Allocate \$5 million in Mobile Source Incentive Funding to provide the required match funding and additional monies for projects eligible for funding under the Carl Moyer Program.*
3. *Adopt a resolution authorizing the Executive Officer/APCO to allocate \$100,000 in Transportation Fund for Clean Air monies to provide required match funding for a \$1 million DOE Alternative Fuels Project.*

## **Selection of a Contractor for a Lawn Mower Replacement Program**

1. *Approve the selection of Black & Decker, a contractor to assist the Bay Area Air Quality Management District (Air District) in the implementation of a lawn mower replacement program under a grant from the California Air Resources Board (ARB).*
2. *Authorize the Executive Officer/APCO to enter into all necessary agreements with Black & Decker to implement the program funded by the ARB not to exceed \$364,050.*

### **CLOSED SESSION**

#### **10. EXISTING LITIGATION (Government Code Section 54956.9(a))**

*Pursuant to Government Code Section 54956.9(a), a need exists to meet in closed session with legal counsel to consider the following case(s):*

**California Building Industry Association v. Bay Area AQMD**, Alameda County Superior Court, Case No. RG-10548693; California Court of Appeal, First Appellate District, Case No. A135335.

**Lehigh Southwest Cement Company v. Bay Area AQMD**, Santa Clara County Superior Court, Case No. 112CV236602.

### **OPEN SESSION**

#### **PUBLIC COMMENT ON NON-AGENDA MATTERS**

##### **Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3**

*Speakers who did not have the opportunity to address the Board in the first round of comments on non-agenda matters will be allowed three minutes each to address the Board on non-agenda matters.*

#### **BOARD MEMBERS' COMMENTS**

*Any member of the Board, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2)*

#### **OTHER BUSINESS**

11. Report of the Executive Officer/APCO
12. Chairperson's Report
13. Time and Place of Next Meeting is Wednesday, February 20, 2013, 939 Ellis Street, San Francisco, California 94109 at 9:45 a.m.
14. Adjournment

**CONTACT EXECUTIVE OFFICE - 939 ELLIS STREET SF, CA 94109**

**(415) 749-5130**  
**FAX: (415) 928-8560**  
**BAAQMD homepage:**  
[www.baaqmd.gov](http://www.baaqmd.gov)

- To submit written comments on an agenda item in advance of the meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- To request special accommodations for those persons with disabilities. Notification to the Executive Office should be given at least 3 working days prior to the date of the meeting so that arrangements can be made accordingly.
- Any writing relating to an open session item on this Agenda that is distributed to all, or a majority of all, members of the body to which this Agenda relates shall be made available at the Air District's headquarters at 939 Ellis Street, San Francisco, CA 94109, at the time such writing is made available to all, or a majority of all, members of that body. Such writing(s) may also be posted on the Air District's website ([www.baaqmd.gov](http://www.baaqmd.gov)) at that time.

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
**939 ELLIS STREET, SAN FRANCISCO, CALIFORNIA 94109**  
**(415) 749-4963**

**EXECUTIVE OFFICE:**  
**MONTHLY CALENDAR OF DISTRICT MEETINGS**

**FEBRUARY 2013**

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
<b>Board of Directors Executive Committee</b> <i>(Meets on the 3<sup>rd</sup> Monday of each Month)</i> – CANCELLED AND RESCHEDULED TO MONDAY, FEBRUARY 25, 2013	Monday	4	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Stationary Source Committee</b> <i>(Meets on the 3<sup>rd</sup> Monday of each Month)</i> – CANCELLED - THE NEXT MEETING WILL BE HELD ON MONDAY, MARCH 18, 2013	Monday	4	10:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Regular Meeting</b> <i>(Meets on the 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	6	9:45 a.m.	Board Room
<b>Board of Directors Personnel Committee</b> <i>(Meets At the Call of the Chair)</i>	Monday	11	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Advisory Council Regular Meeting</b> <i>(Meets on the 2<sup>nd</sup> Wednesday of each Month)</i>	Wednesday	13	9:00 a.m.	Board Room
<b>Board of Directors Executive Committee</b> <i>(Meets on the 3<sup>rd</sup> Monday of each Month)</i> - CANCELLED DUE TO HOLIDAY	Monday	18	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Stationary Source Committee</b> <i>(Meets on the 3<sup>rd</sup> Monday of each Month)</i> - CANCELLED DUE TO HOLIDAY	Monday	18	10:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Regular Meeting</b> <i>(Meets on the 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	20	9:45 a.m.	Board Room
<b>Board of Directors Mobile Source Committee</b> <i>(Meets on the 4<sup>th</sup> Thursday of each Month)</i> – RESCHEDULED FROM THURSDAY, FEBRUARY 28, 2013	Thursday	21	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Executive Committee</b> <i>(Meets on the 3<sup>rd</sup> Monday of each Month)</i> – RESCHEDULED FROM MONDAY, FEBRUARY 18, 2013	Monday	25	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Budget &amp; Finance Committee</b> <i>(Meets on the 4<sup>th</sup> Wednesday of each Month)</i>	Wednesday	27	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Mobile Source Committee</b> <i>(Meets on the 4<sup>th</sup> Thursday of each Month)</i> – CANCELLED AND RESCHEDULED TO THURSDAY, FEBRUARY 21, 2013	Thursday	28	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room

## MARCH 2013

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
<b>Board of Directors Regular Meeting</b> <i>(Meets on the 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	6	9:45 a.m.	Board Room
<b>Advisory Council Regular Meeting</b> <i>(Meets on the 2<sup>nd</sup> Wednesday of each Month)</i>	Wednesday	13	9:00 a.m.	Board Room
<b>Board of Directors Executive Committee</b> <i>(Meets on the 3<sup>rd</sup> Monday of each Month)</i>	Monday	18	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Stationary Source Committee</b> <i>(Meets on the 3<sup>rd</sup> Monday of each Month)</i>	Monday	18	10:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Regular Meeting</b> <i>(Meets on the 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	20	9:45 a.m.	Board Room
<b>Board of Directors Budget &amp; Finance Committee</b> <i>(Meets on the 4<sup>th</sup> Wednesday of each Month)</i>	Wednesday	27	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Mobile Source Committee</b> <i>(Meets on the 4<sup>th</sup> Thursday of each Month)</i>	Thursday	28	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room

## APRIL 2013

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
<b>Board of Directors Regular Meeting</b> <i>(Meets on the 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	3	9:45 a.m.	Board Room
<b>Advisory Council Regular Meeting</b> <i>(Meets on the 2<sup>nd</sup> Wednesday of each Month)</i>	Wednesday	10	9:00 a.m.	Board Room
<b>Board of Directors Executive Committee</b> <i>(Meets on the 3<sup>rd</sup> Monday of each Month)</i>	Monday	15	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Stationary Source Committee</b> <i>(Meets on the 3<sup>rd</sup> Monday of each Month)</i>	Monday	15	10:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Regular Meeting</b> <i>(Meets on the 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	17	9:45 a.m.	Board Room
<b>Board of Directors Budget &amp; Finance Committee</b> <i>(Meets on the 4<sup>th</sup> Wednesday of each Month)</i>	Wednesday	24	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Mobile Source Committee</b> <i>(Meets on the 4<sup>th</sup> Thursday of each Month)</i>	Thursday	25	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room



**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

Memorandum

To: Chairperson Ash Kalra and Members  
of the Board of Directors

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 22, 2013

Re: Minutes of the Board of Directors Special Meeting/Retreat of January 16, 2013

RECOMMENDED ACTION

Approve the attached draft minutes of the Board of Directors Special Meeting/Retreat of January 16, 2013.

DISCUSSION

Attached for your review and approval are the draft minutes of the Board of Directors Special Meeting/Retreat of January 16, 2013.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Sean Gallagher  
Reviewed by: Ana Sandoval

Attachments

Bay Area Air Quality Management District  
200 East Santa Clara Street  
San Jose, CA 95113  
(415) 749-5000

Board of Directors Special Meeting/Retreat  
Wednesday, January 16, 2013

## **DRAFT MINUTES**

### **CALL TO ORDER**

Outgoing Chairperson John Gioia called the meeting to order at 10:03 a.m.

### **ROLL CALL**

Present: Chairperson John Gioia; Vice Chairperson Ash Kalra; Secretary Nate Miley; and Directors Susan Adams, Carole Groom, Scott Haggerty, David E. Hudson, Eric Mar, Mary Piepho, Mark Ross, Jim Spering, Brad Wagenknecht and Ken Yeager.

Absent: Directors John Avalos, Tom Bates, Susan Garner, Susan Gorin, Jennifer Hosterman, Carol L. Klatt, Liz Kniss, Edwin M. Lee and Shirlee Zane.

**OPENING COMMENTS:** None.

### **PUBLIC COMMENT ON NON-AGENDA MATTERS:**

Chairperson-Elect Kalra introduced Mayor Chuck Reed, City of San Jose, who welcomed the Board of Directors.

### **PLEDGE OF ALLEGIANCE**

Mayor Reed led the Pledge of Allegiance.

### **COMMENDATIONS/PROCLAMATIONS/AWARDS**

Outgoing Chairperson Gioia commented on the work of the Air District in 2012.

Chairperson-Elect Kalra recognized Outgoing Chairperson Gioia for his outstanding leadership as Chair of the Board of Directors in 2012.

NOTED PRESENT: Director Mar was noted present at 10:12 a.m.

Outgoing Chairperson Gioia passed the gavel to Chairperson-Elect Kalra.

Chairperson Kalra postponed recognition of outgoing Directors Garner and Hosterman.

**CONSENT CALENDAR (ITEMS 1 – 4)**

- 1. Minutes of the Board of Directors Regular Meeting of December 19, 2012;**
- 2. Board Communications Received from December 19, 2012, through January 15, 2013;**
- 3. Air District Personnel on Out-of-State Business Travel; and**
- 4. Notice of Violations Issued and Settlements in excess of \$10,000 in December 2012.**

Board Comments: None.

Public Comments: None.

Board Action: Director Groom made a motion to approve Consent Calendar Items 1, 2, 3 and 4; Director Gioia seconded; and the motion was unanimously approved without objection.

**BOARD OF DIRECTORS RETREAT**

**5. Opening Comments**

Chairperson Kalra expressed his gratitude for the Air District and its leadership and staff, as well as the opportunity to participate and contribute, and addressed the Board regarding the work ahead in 2013.

Board Comments: None.

Public Comments: None.

Board Action: None; informational only.

**6. State of the Air District**

Jack Broadbent, Executive Officer/Air Pollution Control Officer (APCO), gave the staff presentation State of the Air District, including an overview of the retreat, a summary of the overall message, state of the District, air quality summary, administrative overview and key policy initiatives.

Board Comments: None.

Public Comments: None.

Board Action: None; informational only.

**7. Upcoming Committee Assignments and Goals**

Chairperson Kalra made introductory comments and summarized the proposed 2013 Board Committee assignments and goals for the upcoming year.

Board Comments:

The Board discussed the proposed assignments.

Public Comments: None.

Board Action: None; informational only.

## **8. Air Quality Summary**

Jean Roggenkamp, Deputy APCO (DAPCO), gave the staff presentation Air Quality Summary, including a summary of air quality issues, fine particulate matter (PM<sub>2.5</sub>), ozone exceedance trends and attainment status, needed reductions in particulate matter and a review of a control program, a look at methods of addressing local air quality, and emerging issues in air quality.

Director Haggerty asked, regarding slide #13, PM<sub>2.5</sub> Exceedance Trends 2000 to Present, how the Bay Area compares to other major metropolitan areas and the national trend, which questions were answered by Ms. Roggenkamp and Mr. Broadbent. Director Haggerty requested that staff prepare a written comparison of the same.

Director Piepho suggested, regarding slide #18, Addressing Local Air Quality, that while the wood smoke program has positively changed the quality it has negatively affected the Air District dialogue with some of the public and more should be done in regards to outreach. Chairperson Kalra agreed.

Directors Haggerty and Hudson suggested ways to more effectively engage the public when issuing Winter Spare the Air alerts.

Ms. Roggenkamp concluded the staff presentation.

### Board Comments:

Director Miley asked about the jurisdiction of the Air District over indoor air quality, which questions were answered by Ms. Roggenkamp and Mr. Broadbent.

Director Spring commended efforts relative to local planning guidance and cautioned against moving toward the regulation of indoor air quality without first doing exhaustive research to avoid unintended consequences.

Director Yeager encouraged targeted work in the area of indoor air quality and asked about near roadway monitoring, which questions were answered by Ms. Roggenkamp.

Director Adams noted the importance of air quality as a component of transit-oriented development.

Director Mar stated that a look to indoor air quality is an important one and asked about black carbon, which question was answered by Ms. Roggenkamp.

Director Piepho asked about the terms “attainment”, “non-attainment” and “unclassified,” used in slide #15, Attainment Status, which questions were answered by Ms. Roggenkamp.

Chairperson Kalra made a closing statement.

Public Comments:

Andy Katz, Breathe California, addressed the Board regarding the absence of the indirect source rule in the Air District agenda for 2013, to commend the Air District on its response to the Chevron refinery incident, and to suggest the Air District become involved in the regulation of indoor air quality.

Board Action: None; informational only.

**9. Administrative Overview**

Jeffrey McKay, DAPCO, gave the staff presentation Administrative Overview, including the fiscal outlook, financial summary, update on purchase of 390 Main Street, current activities relative to 390 Main Street, needs of the Air District, yearly headquarters costs and next steps.

Board Comments:

Director Haggerty asked about the current cost estimate for 390 Main Street and the status of the condominium agreement, which questions were answered by Messrs. Broadbent, McKay and Bunger.

Director Piepho asked about the sale of 939 Ellis Street and the operating budget at 390 Main Street, which questions were answered by Mr. McKay.

Director Adams asked how building upgrades at 390 Main Street are being handled among the agencies, which questions were answered by Messrs. McKay and Broadbent.

Mr. Broadbent commended the leadership of Mr. McKay during the last several years of difficult financial times.

Public Comments: None.

Board Action: None; informational only.

**10. Key Policy Initiatives**

Mr. Broadbent gave the staff presentation Key Policy Initiatives, including a summary of key policy initiatives and a 2013 regulatory agenda.

Board Comments:

Director Wagenknecht asked about the correlation between agricultural burning and incident response, which questions were answered by Mr. Broadbent.

Director Adams asked about Air District outreach to and collaboration with communities with agricultural burning issues, which questions were answered by Mr. Broadbent and Ms. Roggenkamp.

Public Comments: None.

Board Action: None; informational only.

**11. Production System and Website Project Update**

Mr. Broadbent gave the initial staff presentation Production System & Website Project Update, through slide # 37, Progress, including a project overview and update.

Mr. Broadbent introduced Jaime Williams, Director of Information Systems Services, who continued the staff presentation through slide #44, Progress, including further details on progress to date.

Mr. Broadbent concluded the staff presentation, including the integrated program solution.

Board Comments:

Director Adams expressed her support for more online capabilities and asked about payment of fees, which questions were answered by Mr. Broadbent.

Public Comments: None.

Board Action: None; informational only.

**PUBLIC COMMENT ON NON-AGENDA MATTERS:** None.

**BOARD MEMBERS' COMMENTS:**

Director Spring commended the chairmanship of Director Gioia, the work of Air District staff and today's presentation.

Director Piepho asked for additional information relative to any conferences of interest that staff recommends.

**OTHER BUSINESS**

**12. Report of the Executive Officer/APCO:**

Mr. Broadbent presented an update on the Winter PM<sub>2.5</sub> Season.

**13. Chairperson's Report:** None.

**14. Time and Place of Next Meeting:**

Wednesday, February 6, 2013, Bay Area Air Quality Management District Office, 939 Ellis Street, San Francisco, California 94109 at 9:45 a.m.

**15. Adjournment:** The Board meeting adjourned at 12:04 p.m.

Sean Gallagher  
Clerk of the Boards

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

Memorandum

To: Chairperson Ash Kalra and Members  
of the Board of Directors

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 31, 2013

Re: Board Communications Received from January 16, 2013 through February 5, 2013

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

A list of communications directed to the Board of Directors received by the Air District from January 16, 2013 through February 5, 2013, if any, will be at each Board Member's place at the February 6, 2013 Board meeting.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Vanessa Johnson  
Reviewed by: Ana Sandoval



**Matthew Rodriguez**  
Secretary for  
Environmental Protection

# Air Resources Board

**Mary D. Nichols, Chairman**  
1001 I Street • P.O. Box 2815  
Sacramento, California 95812 • [www.arb.ca.gov](http://www.arb.ca.gov)



**Edmund G. Brown Jr.**  
Governor

TO: Members of the Board of Directors

FROM: Honorable Ken Yeager  
Board Member 

DATE: January 8, 2013

SUBJECT: QUARTERLY REPORT OF MY ACTIVITIES AS AN AIR RESOURCES BOARD MEMBER

---

The list below summarizes my activities as an Air Resources Board member from October 1 through December 31, 2012:

## October Activities

- 11<sup>th</sup> Air Resources Board staff briefings
- 18<sup>th</sup> Air Resources Board Meeting, Sacramento

## November Activities

- 15<sup>TH</sup> Air Resources Board Meeting, Sacramento

## December Activities

No Activity in December

Attachments: Public Agendas

*The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.*

California Environmental Protection Agency



**LOCATION:**



Air Resources Board  
1001 I Street, 2nd Floor  
Byron Sher Auditorium  
Sacramento, California 95814  
<http://www.calepa.ca.gov/EPAbldg/location.htm>

This facility is accessible by public transit. For transit information, call:  
(916) 321-BUSS, website <http://www.sacrt.com/>  
(This facility is accessible to persons with disabilities.)

**PUBLIC MEETING  
AGENDA**

**October 18, 2012**

**[Webcast](#)**

**TO SUBMIT WRITTEN COMMENTS ON AN AGENDA  
ITEM IN ADVANCE OF THE MEETING SUBMIT TO:**

**Air Resources Board  
Attn: Clerk of the Board  
1001 I Street, 23rd Floor  
Sacramento, California 95814**

---

**October 18, 2012**

**9:00 a.m.**

**CONSENT CALENDAR:**

The following item on the consent calendar will be voted on by the Board immediately after the start of the public meeting, unless removed from the consent calendar either upon a Board member's request or if someone in the audience wishes to speak on it.

**Consent Item #   Agenda Topic**

- 12-7-1      Public Meeting to Consider Approval of the 2012 PM2.5 Emission Inventory Submittal to the State Implementation Plan for the Chico Planning Area**  
*Staff will present to the Board a required State Implementation Plan (SIP) revision for the Butte County PM2.5 nonattainment area. This area now meets the federal 24-hour PM2.5 standard.*  
[Proposed Resolution with Attachment](#)      [More Information](#)

**DISCUSSION ITEMS:**

**Note:** The following agenda items may be heard in a different order at the Board meeting.

**Agenda Item # Agenda Topic**

- 12-7-2      Public Hearing to Consider Amendments to the California Consumer Products Regulation Pertaining to Automotive Windshield Washer Fluid Products**  
*Staff will present to the Board proposed amendments to the Consumer Products Regulation to clarify and redefine areas of the State where automotive windshield washer fluid products with higher volatile organic compound (VOC) content can be sold. These products are needed to provide anti-freeze protection in areas that routinely experience freezing temperatures during the winter months.*  
[Staff Presentation](#)      [More Information](#)
- 12-7-4      Update to the Board on the Smog Check Program**  
*Staff will present an update on California's Smog Check Program which is undergoing significant changes in response to AB 2289 (Eng, Chapter 258, Statutes of 2010). The presentation will also include an update on the Bureau of Automotive Repair's two Vehicle Retirement programs administered by the Bureau, the Consumer Assistance Program (CAP) and the Enhanced Fleet Modernization Program (EFMP).*  
[Staff Presentation](#)      [More Information](#)
- 12-7-5      Update to the Board on the Air Resource Board's "Gear Up For Clean Truck Month" Campaign**  
*Staff will update the Board on the activities of the "Gear Up for Clean Truck Month" campaign conducted in August 2012. This multi-agency statewide campaign was a coordinated outreach and enforcement effort designed to visibly demonstrate ARB's commitment to achieving full compliance with the suite of heavy-duty diesel regulations.*  
[Staff Presentation](#)      [More Information](#)
- 12-7-6      Cap and Trade Implementation Update**  
*Staff will provide a brief update on cap-and-trade program implementation.*  
[Staff Presentation](#)      [More Information](#)

**CLOSED SESSION– LITIGATION**

**The Board will hold a closed session, as authorized by Government Code section 11126(e), to confer with, and receive advice from, its legal counsel regarding the following pending or potential litigation:**

*Pacific Merchant Shipping Association v. Goldstene, U.S. District Court (E.D. Cal. Sacramento),*

*Case No. 2:09-CV-01151-MCE-EFB.*

*POET, LLC, et al. v. Goldstene, et al., Superior Court of California (Fresno County),  
Case No. 09CECG04850; plaintiffs appeal, Court of Appeal No. F064045.*

*Rocky Mountain Farmers Union, et al. v. Goldstene, U.S. District Court (E.D. Cal. Fresno),  
Case No. 1:09-CV-02234-LJO-DLB; interlocutory appeal, U.S. Court of Appeal, Ninth Circuit Nos. 09-CV-02234 and 10-CV-00163.*

*American Fuels and Petrochemical Manufacturing Association, et al. v. Goldstene, et al., U.S. District Court (E.D. Cal. Fresno) Case No. 1:10-CV-00163-AWI-GSA; interlocutory appeal, U.S. Court of Appeal, Ninth Circuit Nos. 09-CV-02234 and 10-CV-00163.*

*Association of Irrigated Residents, et al. v. California Air Resources Board, Superior Court of California (San Francisco County), Case No. CPF-09-509562.*

*Association of Irrigated Residents, et al. v. U.S. E.P.A., 2011 WL 310357 (C.A.9), (Feb. 2, 2011).*

*California Dump Truck Owners Association v. California Air Resources Board, U.S. District Court (E.D. Cal. Sacramento) Case No. 2:11-CV-00384-MCE-GGH.*

*Engine Manufacturers Association v. California Air Resources Board, Sacramento Superior Court,  
Case No. 34-2010-00082774.*

*Citizens Climate Lobby and Our Children's Earth Foundation v. California Air Resources Board,  
San Francisco Superior Court, Case No. CGC-12-519554.*

---

**OPPORTUNITY FOR MEMBERS OF THE BOARD TO COMMENT ON MATTERS OF INTEREST**

Board members may identify matters they would like to have noticed for consideration at future meetings and comment on topics of interest; no formal action on these topics will be taken without further notice.

**OPEN SESSION TO PROVIDE AN OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD ON SUBJECT MATTERS WITHIN THE JURISDICTION OF THE BOARD**

Although no formal Board action may be taken, the Board is allowing an opportunity to interested members of the public to address the Board on items of interest that are within the Board's jurisdiction, but that do not specifically appear on the agenda. Each person will be allowed a maximum of three minutes to ensure that everyone has a chance to speak.

**TO SUBMIT WRITTEN COMMENTS ON AN AGENDA ITEM IN ADVANCE OF THE MEETING SUBMIT TO:**

**Air Resources Board  
Attn: Clerk of the Board  
1001 I Street, 23rd Floor  
Sacramento, California 95814**

**IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT THE CLERK OF THE BOARD**

1001 I Street, 23rd Floor, Sacramento, CA 95814, (916) 322-5594

ARB Homepage: <http://www.arb.ca.gov>

---

**To request a special accommodation or language needs for any of the following:**

- An interpreter to be available at the hearing.
- Have documents available in an alternate format or another language.
- A disability-related reasonable accommodation.

Please contact the Clerk of the Board at (916) 322-5594 or by facsimile at (916) 322-3928 as soon as possible, but no later than 7 business days before the scheduled Board hearing. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

**Para solicitar alguna comodidad especial o necesidad de otro idioma para alguna de las siguientes:**

- Un intérprete que esté disponible en la audiencia
- Tener documentos disponibles en un formato alterno u otro idioma.
- Una acomodación razonable relacionados con una incapacidad.

Por favor llame a la oficina del Secretario del Consejo de Recursos Atmosféricos al (916) 322-5594 o envíe un fax al (916) 322-3928 no menos de 7 días laborales antes del día programado para la audiencia. Para el Servicio Telefónico de California para Personas con Problemas Auditivos, ó de teléfonos TDD pueden marcar al 711.

**SMOKING IS NOT PERMITTED AT MEETINGS OF THE CALIFORNIA AIR RESOURCES BOARD**

---

[Back to Board Meetings and Other Information Page](#)

**LOCATION:**



Air Resources Board  
1001 I Street, 2nd Floor  
Byron Sher Auditorium  
Sacramento, California 95814  
<http://www.calepa.ca.gov/EPAbldg/location.htm>

**\*REVISED (11/6/12)**

**PUBLIC MEETING  
AGENDA**

**November 15, 2012**

**[Webcast](#)  
[Board Book](#)**

This facility is accessible by public transit. For transit information, call: (916) 321-BUSS, website <http://www.sacrt.com/> (This facility is accessible to persons with disabilities.)

**TO SUBMIT WRITTEN COMMENTS ON AN AGENDA ITEM IN ADVANCE OF THE MEETING SUBMIT TO:**

**Air Resources Board  
Attn: Clerk of the Board  
1001 I Street, 23rd Floor  
Sacramento, California 95814**

---

**November 15, 2012  
9:00 a.m.**

**CONSENT CALENDAR:**

The following item on the consent calendar will be voted on by the Board immediately after the start of the public meeting, unless removed from the consent calendar either upon a Board member's request or if someone in the audience wishes to speak on it.

**Consent Item #   Agenda Topic**

- 12-8-1      Public Hearing to Consider Approval of the Proposed State Implementation Plan Revision for Federal Nitrogen Dioxide Standard Infrastructure Requirements**  
*Staff will present to the Board for approval the infrastructure State Implementation Plan (SIP) for the federal nitrogen dioxide standard that was revised in 2010. The infrastructure SIP describes the resources, programs, and authority the State has in place to*

*address the revised standard.*

[Proposed Resolution](#)   [More Information](#)

## **DISCUSSION ITEMS:**

**Note:** The following agenda items may be heard in a different order at the Board meeting.

### **Agenda Item #   Agenda Topic**

**\*THIS ITEM HAS BEEN POSTPONED UNTIL THE DECEMBER 6, 2012 BOARD MEETING**

**12-8-2      Update to the Board on AB 32**

*Staff will provide a brief update to the Board on AB 32 implementation.*

[More Information](#)   [Staff Presentation](#)

**12-8-3      Public Hearing to Consider Amendments to the New Passenger Motor Vehicle Greenhouse Gas Emission Standards for Model Years 2017-2025 to Permit Compliance Based on Federal Greenhouse Gas Emissions Standards and Additional Minor Revisions to the LEV III and ZEV Regulations**

*Staff will present amendments to California's regulations to control greenhouse gases from new passenger vehicles, to allow manufacturers to demonstrate compliance in the 2017 through 2025 model years based on compliance with the national greenhouse gas regulations in these years. Staff will also present additional minor revisions to the LEV III and ZEV regulations.*

[More Information](#)   [Staff Presentation](#)

**12-8-4      Report to the Board on the State Implementation Plan Overview**

*Staff will provide an overview of State Implementation Plans (SIP) and the SIP development efforts currently underway.*

[More Information](#)   [Staff Presentation](#)

**12-8-6      Update to the Board on the 2012 Air Quality and Climate Change Legislation**

*Staff will provide an overview of air quality and climate change legislation from the second year of the 2011-2012 legislative session.*

[Staff Presentation](#)

**CLOSED SESSION– LITIGATION**

**The Board will hold a closed session, as authorized by Government Code section 11126(e), to confer with, and receive advice from, its legal counsel**

**regarding the following pending or potential litigation, and as authorized by Government Code sections 1126(a):**

*Pacific Merchant Shipping Association v. Goldstene, U.S. District Court (E.D. Cal. Sacramento), Case No. 2:09-CV-01151-MCE-EFB.*

*POET, LLC, et al. v. Goldstene, et al., Superior Court of California (Fresno County), Case No. 09CECG04850; plaintiffs appeal, Court of Appeal No. F064045.*

*Rocky Mountain Farmers Union, et al. v. Goldstene, U.S. District Court (E.D. Cal. Fresno), Case No. 1:09-CV-02234-LJO-DLB; interlocutory appeal, U.S. Court of Appeal, Ninth Circuit Nos. 09-CV-02234 and 10-CV-00163.*

*American Fuels and Petrochemical Manufacturing Association, et al. v. Goldstene, et al., U.S. District Court (E.D. Cal. Fresno) Case No. 1:10-CV-00163-AWI-GSA; interlocutory appeal, U.S. Court of Appeal, Ninth Circuit Nos. 09-CV-02234 and 10-CV-00163.*

*Association of Irrigated Residents, et al. v. California Air Resources Board, Superior Court of California (San Francisco County), Case No. CPF-09-509562.*

*Association of Irrigated Residents, et al. v. U.S. E.P.A., 2011 WL 310357 (C.A.9), (Feb. 2, 2011).*

*California Dump Truck Owners Association v. California Air Resources Board, U.S. District Court (E.D. Cal. Sacramento) Case No. 2:11-CV-00384-MCE-GGH.*

*Engine Manufacturers Association v. California Air Resources Board, Sacramento Superior Court, Case No. 34-2010-00082774.*

*Citizens Climate Lobby and Our Children's Earth Foundation v. California Air Resources Board, San Francisco Superior Court, Case No. CGC-12-519554.*

*Consideration of a personnel matter.*

---

**OPPORTUNITY FOR MEMBERS OF THE BOARD TO COMMENT ON MATTERS OF INTEREST**

Board members may identify matters they would like to have noticed for consideration at future meetings and comment on topics of interest; no formal action on these topics will be taken without further notice.

**OPEN SESSION TO PROVIDE AN OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD ON SUBJECT MATTERS WITHIN THE JURISDICTION OF THE BOARD**

Although no formal Board action may be taken, the Board is allowing an opportunity to interested members of the public to address the Board on items of interest that are within the Board's jurisdiction, but that do not specifically appear on the agenda. Each person will be allowed a maximum of three minutes to ensure that everyone has a chance to speak.

**TO SUBMIT WRITTEN COMMENTS ON AN AGENDA ITEM IN ADVANCE OF THE MEETING SUBMIT TO:**

**Air Resources Board  
Attn: Clerk of the Board**

**1001 I Street, 23rd Floor  
Sacramento, California 95814**

**IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT THE CLERK OF THE BOARD**

1001 I Street, 23rd Floor, Sacramento, CA 95814, (916) 322-5594

ARB Homepage: <http://www.arb.ca.gov>

---

**To request a special accommodation or language needs for any of the following:**

- An interpreter to be available at the hearing.
- Have documents available in an alternate format or another language.
- A disability-related reasonable accommodation.

Please contact the Clerk of the Board at (916) 322-5594 or by facsimile at (916) 322-3928 as soon as possible, but no later than 7 business days before the scheduled Board hearing. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

**Para solicitar alguna comodidad especial o necesidad de otro idioma para alguna de las siguientes:**

- Un intérprete que esté disponible en la audiencia
- Tener documentos disponibles en un formato alternativo u otro idioma.
- Una acomodación razonable relacionados con una incapacidad.

Por favor llame a la oficina del Secretario del Consejo de Recursos Atmosféricos al (916) 322-5594 o envíe un fax al (916) 322-3928 no menos de 7 días laborales antes del día programado para la audiencia. Para el Servicio Telefónico de California para Personas con Problemas Auditivos, ó de teléfonos TDD pueden marcar al 711.

**SMOKING IS NOT PERMITTED AT MEETINGS OF THE CALIFORNIA AIR RESOURCES BOARD**

---

[Back to Board Meetings and Other Information Page](#)



**LOCATION:**



South Coast Air Quality Management District  
Auditorium  
21865 E. Copley Drive  
Diamond Bar, California 91765-4182

**REVISED 12/03/12  
PUBLIC MEETING  
AGENDA**

**December 6, 2012**

**Webcast**

This facility is accessible by public transit. For transit information, call: (800) 743-3463, <http://foothilltransit.org> (This facility is accessible to persons with disabilities.)

**TO SUBMIT WRITTEN COMMENTS ON AN  
AGENDA ITEM IN ADVANCE OF THE MEETING  
GO TO:**

<http://www.arb.ca.gov/lispub/comm/bclist.php>

**December 6, 2012**  
**9:00 a.m.**

**CONSENT CALENDAR:**

The following item(s) on the consent calendar will be voted on by the Board immediately after the start of the public meeting, unless removed from the consent calendar either upon a Board member's request or if someone in the audience wishes to speak on it.

**Consent Item # Agenda Topic**

**12-9-1      Public Hearing to Consider the Approval of the San Diego 8-Hour Ozone State Implementation Plan Redesignation Request and Maintenance Plan**

*Staff will present to the Board the San Diego Air Pollution Control District's Redesignation Request and Maintenance Plan for the 1997 8-hour Ozone National Ambient Air Quality Standard. The District demonstrates that San Diego County now meets the*

*standard and qualifies for redesignation to attainment.*

[Proposed Resolution](#)    [More Information](#)

**12-9-2    PM2.5 Emissions Inventory Submittal for the San Francisco Bay Area to Meet State Implementation Plan Requirements for Clean Data Areas**

*Staff will present to the Board the PM2.5 emissions inventory for the San Francisco Bay Area PM2.5 nonattainment area. This area now meets the revised federal 24-hour PM2.5 standard. The emissions inventory fulfills the State Implementation Plan requirements for clean data areas.*

[Proposed Resolution](#)    [More Information](#)

## **DISCUSSION ITEMS:**

**Note:** The following agenda items may be heard in a different order at the Board meeting.

### **Agenda Item**

**#**

### **Agenda Topic**

**12-9-3**

#### **Research Update**

*Staff from the Research Division will provide an update of recent research highlights.*

[More Information](#)    [Staff Presentation](#)

**12-9-4**

#### **Public Meeting to Consider 9 Research Proposals**

*Staff will present nine research proposals to the Board that were developed based on the Board-approved FY 2012-2013 Annual Research Plan.*

1) *“Measuring Real-World Emissions from the On-Road Heavy-Duty Truck Fleet,” University of California, Berkeley, \$450,000, Proposal No. 2745-275.*

2) *“Evaluating the Benefits of Light Rail Transit,” University of California, Irvine, \$200,000, Proposal No. 2746-275.*

3) *“Life Cycle Assessment and Co-Benefits of Cool Pavements,” Lawrence Berkeley National Laboratory, \$550,000, Proposal No. 2748-275.*

4) *“Improving Detection of Particulate Matter Emissions for Certification of Advanced Clean Cars (CRC Project E-99, ‘Very*

*Low PM Measurements’),” University of California, Riverside, \$100,000, Proposal No. 2749-275.*

5) *“Improving Chemical Mechanisms for Ozone and Secondary Organic Carbon,” University of California, Davis, \$450,024, Proposal No. 2751-275.*

6) *“Advanced Plug-in Electric Vehicle Travel and Charging Behavior,” University of California, Davis, \$650,000, Proposal No. 2753-275.*

7) *“New Car Buyers’ Valuation of Zero-Emission Vehicles,” University of California, Davis, \$575,000, Proposal No. 2744-275.*

8) *“Identifying Urban Designs and Traffic Management Strategies that Reduce Air Pollution Exposure,” University of California, Los Angeles, \$388,001, Proposal No. 2754-275.*

9) *“Measuring Real-World Emissions from the On-Road Passenger Fleet,” University of Denver, Colorado, \$75,000, Proposal No. 2755-275.*

[More Information](#)    [Staff Presentation](#)

## **12-9-5      AB 32 Update**

*Staff will update the Board on activities to implement AB 32, including results of the November auction to implement the Cap and Trade Regulation, and development of the 2013 Update to the Scoping Plan.*

[More Information](#)    [Staff Presentation](#)

## **12-9-6      2012 Haagen-Smit Clean Air Awards**

*The recipients of the 2012 Haagen-Smit Clean Air Awards will be announced. The Board annually presents the Haagen-Smit Clean Air Awards to esteemed persons in the air quality community – scientists, legislators, professors, activists, business leaders, and others who have made significant contributions toward improving air quality and public health.*

[More Information](#)    [Staff Presentation](#)

## **CLOSED SESSION**

**The Board will hold a closed session, as authorized by Government Code section 11126(e), to confer with, and receive advice from, its legal counsel regarding the following pending or potential litigation:**

*POET, LLC, et al. v. Goldstene, et al., Superior Court of California (Fresno County), Case No. 09CECG04850; plaintiffs' appeal, Court of Appeal No. F064045.*

*Rocky Mountain Farmers Union, et al. v. Goldstene, U.S. District Court (E.D. Cal. Fresno), Case No. 1:09-CV-02234-LJO-DLB; interlocutory appeal, U.S. Court of Appeal, Ninth Circuit Nos. 09-CV-02234 and 10-CV-00163.*

*American Fuels and Petrochemical Manufacturing Associations, et al. v. Goldstene, et al., U.S. District Court (E.D. Cal. Fresno) Case No. 1:10-CV-00163-AWI-GSA; interlocutory appeal, U.S. Court of Appeal, Ninth Circuit Nos. 09-CV-02234 and 10-CV-00163.*

*Association of Irrigated Residents, et al. v. U.S. E.P.A., 2011 WL 310357 (C.A.9), (Feb. 2, 2011).*

*California Dump Truck Owners Association v. California Air Resources Board, U.S. District Court (E.D. Cal. Sacramento) Case No. 2:11-CV-00384-MCE-GGH.*

*Engine Manufacturers Association v. California Air Resources Board, Sacramento Superior Court, Case No. 34-2010-00082774.*

*Citizens Climate Lobby and Our Children's Earth Foundation v. California Air Resources Board, San Francisco Superior Court, Case No. CGC-12-519554.*

*California Chamber of Commerce et al. v. California Air Resources Board et al., Sacramento Superior Court, Case No. 34-2012-80001313.*

---

## **OPPORTUNITY FOR MEMBERS OF THE BOARD TO COMMENT ON MATTERS OF INTEREST**

Board members may identify matters they would like to have noticed for consideration at future meetings and comment on topics of interest; no formal action on these topics will be taken without further notice.

## **OPEN SESSION TO PROVIDE AN OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD ON SUBJECT MATTERS WITHIN THE JURISDICTION OF THE BOARD**

Although no formal Board action may be taken, the Board is allowing an opportunity to interested members of the public to address the Board on items of interest that are within the Board's jurisdiction, but that do not specifically appear on the agenda. Each person will be allowed a maximum of three minutes to ensure that everyone has a chance to speak.

## **TO SUBMIT WRITTEN COMMENTS ON AN AGENDA ITEM IN ADVANCE OF THE MEETING GO TO:**

<http://www.arb.ca.gov/lispub/comm/bclist/php>

## **ONLINE SIGN-UP:**

You can sign up online in advance to speak at the Board hearing when you submit an electronic

Board item comment. For more information go to:

<http://www.arb.ca.gov/board/online-signup.htm>

**IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT THE CLERK OF THE BOARD:**  
**1001 I Street, 23rd Floor, Sacramento, CA 95814**  
**(916) 322-5594**  
**ARB Homepage: <http://www.arb.ca.gov>**

---

### **SPECIAL ACCOMMODATION REQUEST**

Special accommodation or language needs can be provided for any of the following:

- An interpreter to be available at the hearing;
- Documents made available in an alternate format or another language;
- A disability-related reasonable accommodation.

To request these special accommodations or language needs, please contact the Clerk of the Board at (916) 322-5594 or by facsimile at (916) 322-3928 as soon as possible, but no later than 7 business days before the scheduled Board hearing. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Comodidad especial o necesidad de otro idioma puede ser proveído para alguna de las siguientes:

- Un intérprete que esté disponible en la audiencia.
- Documentos disponibles en un formato alterno u otro idioma;
- Una acomodación razonable relacionados con una incapacidad.

Para solicitar estas comodidades especiales o necesidades de otro idioma, por favor llame a la oficina del Consejo al (916) 322-5594 o envíe un fax a (916) 322-3928 lo más pronto posible, pero no menos de 7 días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.

**SMOKING IS NOT PERMITTED AT MEETINGS OF THE CALIFORNIA AIR RESOURCES BOARD**

---

[Back to Board Meetings and Other Information Page](#)

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

Memorandum

To: Chairperson Ash Kalra and Members  
of the Board of Directors

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 22, 2013

Re: District Personnel on Out-of-State Business Travel

RECOMMENDED ACTION:

None; receive and file.

BACKGROUND

In accordance with Section 5.4 (b) of the District's Administrative Code, Fiscal Policies and Procedures Section, the Board is regularly notified when District personnel have traveled on out-of-state business.

The report covers the out-of-state business travel for the period January 1, 2013 through January 31, 2013. Out-of-state travel is reported in the month following travel completion.

DISCUSSION

No activity to report during this period.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: David Glasser  
Reviewed by: Jack M. Colbourn

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

Memorandum

To: Chairperson Ash Kalra and Members  
of the Board of Directors

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 25, 2013

Re: Notification of Fiscal Year 2013 Budget Account Transfer

RECOMMENDED ACTION:

None; receive and file.

BACKGROUND:

The Administrative Code, Division II, Section 3.3 Account Transfers requires Board of Directors notification of transfer of personnel from one budget program to another or from one expenditure class to another budget.

DISCUSSION

The Air District projects \$487,424 in salary savings due to three vacancies in the Information Services Division. The Air District does not currently plan to fill these vacancies before the end of the fiscal year. The Air District will transfer the \$487,424 to expenditure class 53300, Professional Services.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

None.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: David Glasser  
Reviewed by: Jack M. Colbourn

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
Memorandum

To: Chairperson Ash Kalra and  
Members of the Board of Directors

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 17, 2013

Re: Approve New Information Technology Officer Job Classification and Salary

RECOMMENDATION:

Recommend Board of Directors approve the new job classification title of Information Technology Officer with the annual salary range of 156M (starting at \$137,777 and ending at \$167,469).

DISCUSSION

The Information Technology Officer will provide leadership in integrating Air District processes with appropriate technologies. The Information Technology Officer will be responsible for developing project specific information technology initiatives within the Air District. This individual will be able to provide lead support in all information technology-related special projects.

The Air District will be using a currently budgeted vacant manager position to fill the Information Technology Officer position. Including benefits, the annual personnel costs for the budgeted vacant manager position is approximately \$194,170. The annual personnel costs for the newly created Information Technology Officer position are approximately \$234,456.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

Including benefits, this new Information Technology Officer position will increase annual Fiscal Year Ending 2013 personnel costs by \$16,920.00.

Respectfully Submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Rex Sanders  
Reviewed by: Jack M. Colbourn



## INFORMATION TECHNOLOGY OFFICER

### **DEFINITION**

Under executive direction, provides lead direction on information technology projects by integrating District processes with the appropriate technologies; develops information technology initiatives within the organization; provides direction in all information technology-related issues in support of information system special projects; performs related work as assigned.

### **DISTINGUISHING CHARACTERISTICS**

This single position class is a management level specialized position. The incumbent integrates District processes with appropriate technology and leads technology-related special projects in support of District operations. The incumbent is accountable for providing direction in enterprise wide strategic information system goals and objectives and for furthering District goals and objectives within general policy guidelines. This class is distinguished from Director of Information Services in that the latter has managerial responsibility for a division of the District.

### **EXAMPLES OF DUTIES (Illustrative Only)**

Leads the execution of information technology projects for information technology platforms, partnerships, and external relationships.

Provides lead support to the District's information technology team; guides information technology research and development and project management.

Monitors major information technology industry changes to recommend District technology upgrades.

Establishes technical standards and ensures adherence to them for information systems related projects..

Provides technical and managerial direction to District staff and contractors on specific projects.

Represents the District at meetings with the public, industry and other agencies.

Develops technical and policy issues and recommendations to the District Board of Directors and executive management staff.

### **QUALIFICATIONS**

#### **Knowledge of:**

Computer systems technology, computer operations, and network management information systems analysis, design, and implementation methodologies and practices.

Operating systems and data base management systems.

Project management principles and methods.

Principles and techniques used to evaluate and modify work processes in support of new or modified computer applications.

Applicable District, state and federal laws, rules and regulations.

Principles and practices of effective public relations.

Methods and techniques of research, statistical analysis, modeling and report presentation.

## **INFORMATION TECHNOLOGY OFFICER**

**February 2013**

**PAGE 2 OF 3**

### **Skill in:**

Interpreting technology and market trends as a foundation for technology and product roadmaps.

Maintaining knowledge of current technological developments and practices related to operating systems, software and project management.

Interpreting, explaining and applying District rules and regulations and state and federal laws.

Representing the District effectively in contacts with the public, industry and other agencies.

Analyzing complex technical, scientific and administrative problems, evaluating alternative solutions and adopting effective courses of action.

Establishing and maintaining effective working relationships with those contacted in the course of the work.

Preparing clear and concise recommendations, reports, correspondence and other written materials.

Exercising sound independent judgment within policy guidelines.

### **Ability to:**

Understand and explain technological issues and their effects on District information systems operations.

Understand state and federal laws affecting District policy.

Evaluate current technological developments and practices for applicability to District information systems operations.

Balance multiple demands and deadlines effectively.

Manage technological initiatives.

### **Other Requirements**

Must possess a valid California driver's license and meet the automobile insurability requirements of the District.

### **Education and Experience**

A typical way to obtain the knowledge and skills is:

Equivalent to graduation from a four year college or university with major coursework in information systems management, computer science, or a closely related field and five years of management experience in the field of information systems and computer operations.

### **Working Conditions and Physical Demands**

Work is performed in an office environment with limited exposure to conditions such as dust, fumes, odors, or noise. It involves occasional travel by car requiring the ability to see colors of traffic signs and notice and react to traffic, pedestrian and road conditions. Physical demands include the ability to use a computer for several hours a day, telephone and other electronic communication devices. Also, occasionally lifting boxes weighing 20 to 30 pounds, walking, standing, bending and reaching.

### **FLSA Exempt**

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

Memorandum

To: Chairperson Ash Kalra and Members  
of the Board of Directors

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 30, 2013

Re: Extension of Contracts for Security Services

RECOMMENDED ACTION:

Recommend the Board of Directors authorize the Executive Officer/APCO to:

1. Execute a contract amendment with Security Management Group International (SMGI) for an additional two years and an additional dollar amount not to exceed \$528,887.52; and
2. Execute a contract amendment with Admiral Security for an additional two years and an additional dollar amount not to exceed \$384,505.60.

BACKGROUND

Staff released two Requests for Proposals (RFPs) on August 18, 2011 to solicit proposals for front security services. On September 29, 2011, the Board approved the selection of SMGI for a one year contract to provide security services for the front lobby of 939 Ellis Street and of Admiral Security for outdoor armed security on Willow Street behind the Air District building. Each contract was approved for one year, with the option to extend for two (2) additional years at the discretion of the Air District.

DISCUSSION

Front desk security is provided twenty-four hours a day by SMGI with an annual cost of \$264,443.76, for a two year total of \$528,887.52. Armed security services are provided on Willow Street from 4 a.m. – 8 a.m. and 4 p.m. – 8 p.m. by Admiral Security with an annual cost of \$192,252.80, for a two year total of \$384,505.60.

To date, both vendors have provided satisfactory services, therefore staff recommends extending both contracts for an additional two years through 2014 in the amounts stated above.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

Total budget impact for both contracts over two years will be \$913,393.12. Funding for these services is included in Program 702 in the budget for Fiscal Year ending 2013, and will be included in the draft FYE 2014 budget.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Mary Ann Okpalaugo  
Approved by: Jack M. Colbourn

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

Memorandum

To: Chairperson Ash Kalra and Members  
of the Board of Directors

From: Jack P. Broadbent  
Executive Officer/Air Pollution Control Officer

Date: January 24, 2013

Re: Report of the Budget and Finance Committee Meeting of January 23, 2013

RECOMMENDED ACTION

The Budget and Finance Committee recommended Board of Directors' approval of the following items:

- A) None. Information item, receive and file.
- B) None. Information item, receive and file.
- C) None. Information item, receive and file.
- D) None. Information item, receive and file.

BACKGROUND

The Committee met on Wednesday, January 23, 2013. The Committee received the following reports:

- A) Air District Financial Audit Report for Fiscal Year Ending (FYE) 2012
- B) Second Quarter Financial Report – Fiscal Year 2012-13
- C) Air District Financial Overview
- D) Update on the Joint Regional Agency Co-location at 390 Main Street

Attached are the staff reports presented in the Budget and Finance Committee packet.

Chairperson Carole Groom will give an oral report of the meeting.

BUDGET CONSIDERATION/FINANCIAL IMPACT

A) None. Funding for the Auditors' report was included in the FYE 2012 Budget.

B) None.

C) None.

D) None.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Sean Gallagher

Reviewed by: Ana Sandoval

Attachments

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

## Memorandum

To: Chairperson Carole Groom and Members  
of the Budget and Finance Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 8, 2013

Re: Air District Financial Audit Report for Fiscal Year Ending 2012

RECOMMENDED ACTION

None; receive and file.

BACKGROUND

The Independent Auditors, Gilbert Associates, Inc., completed the Financial Audit Report of the Air District's Financial Statements for the Fiscal Year Ending 2012. The Independent Auditors also completed the Financial Audit Report of the OMB Circular A-133 and Transportation Fund for Clean Air Compliance Reports for the Fiscal Year Ending 2012.

DISCUSSION***Financial Statements***

The Independent Auditors' Report confirms that the Air District's Financial Statements "...present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bay Area Quality Management District as of June 30, 2012, and the respective changes in the financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America."

The report on the basic financial statements is unqualified with no reportable conditions, no instances of non-compliance, and no financial statement findings noted. The Auditors' report also included a review of the District's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, grant agreements, and other areas in accordance with *Government Auditing Standards*.

***OMB Circular A-133***

The Report on compliance in accordance with *OMB Circular A-133* states "In our opinion, the Air District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012."

BUDGET CONSIDERATION/FINANCIAL IMPACT

None. Funding for the Auditors' report was included in the FYE 2012 Budget.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: David Glasser

Reviewed by: Jack M. Colbourn

- Attachments: 1) OMB Circular A-133 and Transportation Fund for Clean Air Compliance Report for Year Ended June 30, 2012
- 2) Financial Statements with Independent Auditor's Report for the Year Ended June 30, 2012



**BAY AREA AIR QUALITY  
MANAGEMENT DISTRICT**

**OMB CIRCULAR A-133 AND  
TRANSPORTATION FUND FOR CLEAN AIR  
COMPLIANCE REPORTS**

**FOR THE YEAR ENDED JUNE 30, 2012**

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

FOR THE YEAR ENDED JUNE 30, 2012

---

## TABLE OF CONTENTS

	<u>PAGE</u>
Schedule of Expenditures of Federal Awards	1
Notes to the Schedule of Expenditures of Federal Awards	2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and the Transportation Fund for Clean Air (TFCA) Program	3
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	5
Schedule of Audit Findings and Questioned Costs	7
Status of Prior Year Findings and Questioned Costs	9

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through / Grant Identifying Number	Federal CFDA Number	Federal Expenditures
<b>U.S. Environmental Protection Agency:</b>			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	PM98977301-6	66.034	\$ 210,442
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	PM98977301-8	66.034	71,125
National Air Toxics Trend Study	XA00T63001-0	66.034	104,557
Lead NAAQS Airport Study	XA00T76401	66.034	<u>116,755</u>
Subtotal CFDA 66.034			<u>502,879</u>
Air Pollution Control Program Support	A00905612	66.001	2,102,306
Exchange Network EPA	OS-83466001-0	66.608	<u>72,403</u>
Total U.S. Environmental Protection Agency			<u>2,677,588</u>
<b>U.S. Department of Homeland Security:</b>			
Homeland Security Biowatch Program	2006-ST-91-2	97.091	<u>1,066,469</u>
Total U.S. Department of Homeland Security			<u>1,066,469</u>
<b>U.S. Department of Energy:</b>			
Conservation Research and Development	DE-EE005588	81.086	<u>51,998</u>
Total U.S. Department of Energy			<u>51,998</u>
<b>U.S. Department of Transportation:</b>			
Passed through California Department of Transportation:			
Highway Planning and Construction	CML-6297(003)	20.205	529,125
Highway Planning and Construction	CML-6297(006)	20.205	<u>38,128</u>
Total U.S. Department of Transportation			<u>567,253</u>
Total Expenditures of Federal Awards			<u>\$ 4,363,308</u>

See accompanying notes to schedule of expenditures of federal awards.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

---

### 1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the Bay Area Air Quality Management District (the District). The District's reporting entity is defined in Note 1 of the District's basic financial statements. Expenditures of federal awards received directly from federal agencies, as well as expenditures of federal awards passed through other governmental agencies, are included in the SEFA.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** – Funds received under the various grant programs have been recorded within the general fund and the special revenue fund of the District. The accompanying SEFA is presented using the modified accrual basis of accounting for expenditures that are accounted for in the general fund and the special revenue fund, which are both governmental funds, as described in Note 1 of the District's basic financial statements.

**Relationship to Financial Statements** – Federal award expenditures reported in the accompanying SEFA agree, or can be reconciled, in all material respects, to amounts reported in the District's basic financial statements.

**Catalog of Federal Domestic Assistance (CFDA)** – The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant or contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

### 3. PASS-THROUGH ENTITIES' IDENTIFYING NUMBERS

When federal awards are received from a pass-through entity, the SEFA indicates, if assigned, the identifying grant or contract number that has been assigned by the pass-through entity.

### 4. PASS-THROUGH AWARDS

Federal assistance provided to subrecipients is treated as expenditures when it is paid to the subrecipient and is summarized as follows:

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Air Pollution Control Program Support	66.001	\$ 645,000



**Gilbert Associates, Inc.**  
CPAs and Advisors

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS* AND THE  
TRANSPORTATION FUND FOR CLEAN AIR (TFCA) PROGRAM**

**To the Board of Directors  
Bay Area Air Quality Management District  
San Francisco, California**

We have audited the financial statements of the governmental activities and each major fund of the Bay Area Air Quality Management District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

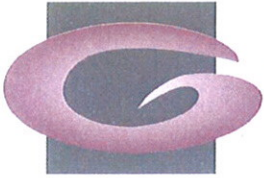
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Fund for Clean Air (TFCA) funds allocated to and received by the District were expended in conformance with applicable statutes, rules, and regulations of the Health and Safety Code Sections 44220 through 44225 and 44229 through 44242. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, District management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**December 13, 2012**



Gilbert Associates, Inc.  
CPAs and Advisors

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

**Independent Auditor's Report**

**To the Board of Directors  
Bay Area Air Quality Management District  
San Francisco, California**

**Compliance**

We have audited the Bay Area Air Quality Management District's (the District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and each major fund of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with audit standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.



**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**December 13, 2012**



# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

---

### SECTION I - SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes     No

Significant deficiencies identified? \_\_\_\_\_ Yes     None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     No

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes     No

Significant deficiencies identified? \_\_\_\_\_ Yes     None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? \_\_\_\_\_ Yes     No

#### Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.001 20.205 66.034	Air Pollution Control Program Support Highway Planning and Construction Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act, National Air Toxics Trend Study, and Lead NAAQS Airport Study

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as low-risk auditee?  Yes    \_\_\_\_\_ No

# **BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

## **SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012**

---

### **SECTION II - FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings reported.

### **SECTION III - FEDERAL COMPLIANCE**

There were no federal compliance findings reported.

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

---

There were no findings in the prior year.

**BAY AREA AIR QUALITY  
MANAGEMENT DISTRICT**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S  
REPORT**

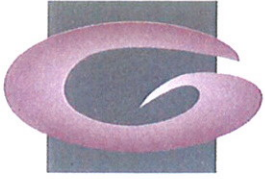
**FOR THE YEAR ENDED  
JUNE 30, 2012**

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## TABLE OF CONTENTS

---

	<u>PAGE</u>
<b>FINANCIAL STATEMENTS:</b>	
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information) .....</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities.....	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	14
Reconciliation of the Fund Balances - Total Governmental Funds with the Statement of Net Assets.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	16
Reconciliation of the Net Change in Fund Balances - Total Governmental Funds to the Statement of Activities .....	17
Notes to Financial Statements .....	18
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedules of Funding Progress .....	35
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual -- General Fund .....	36
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual -- Special Revenue Fund .....	37
Notes to Required Supplementary Information.....	38
<b>SUPPLEMENTARY INFORMATION:</b>	
Transportation Fund for Clean Air (TFCA) Program, Mobile Source Incentive Program, Carl Moyer Program, & Other Programs -- Schedule of Expenditures .....	39



Gilbert Associates, Inc.  
CPAs and Advisors

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Bay Area Air Quality Management District  
San Francisco, California**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bay Area Air Quality Management District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bay Area Air Quality Management District, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to

Management's Discussion and Analysis and the Required Supplementary Information section in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Transportation Fund for Clean Air (TFCA) Program, Mobile Source Incentive Program, & Carl Moyer Program – Schedule of Expenditures (Schedule) is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**December 13, 2012**

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

This discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the accompanying basic financial statements.

### A. Financial Highlights

The assets of the District exceeded its liabilities at the close of fiscal year 2011-12 by \$140,695,454 (net assets). Of this amount, \$6,775,410 could be used to finance the District's daily operations without legal or legislative constraints (unrestricted assets); \$112,098,264 was restricted to specific uses (restricted assets); and \$21,821,780 was invested in capital assets. Net assets increased by \$13,499,503 from fiscal year 2010-11.

The District's governmental funds reported a fund balance of \$128,475,474. The entire fund balance of the Special Revenue Fund in the amount of \$103,695,868 is reserved for air quality grants and projects. The General Fund balance consists of \$11,778,465 representing the assigned fund balance, \$3,548,009 unassigned, and the remaining balance of \$9,453,132 restricted, committed or nonspendable. Table 1 presents the General Fund detail of fund balances as of June 30, 2012, and June 30, 2011.

**Table 1. General Fund Balances as of June 30, 2012, and 2011**

Category	General Fund June 30, 2012	General Fund June 30, 2011	Increase/ (Decrease)
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid Expenses	\$ 50,736	\$ 499,436	\$ (448,700)
<b>Restricted:</b>			
Air Quality Grants and Projects	5,059,478	5,140,654	(81,176)
Post-Employment Benefits	3,342,918	3,176,169	166,749
<b>Committed:</b>			
Self-Funded Worker's Compensation	1,000,000	1,000,000	-
Air Quality Projects	-	488,164	(488,164)
<b>Assigned:</b>			
Building and Facilities	4,075,756	4,075,756	-
PERS Funding	1,500,000	1,500,000	-
Post-Employment Benefits	2,000,000	2,000,000	-
Radio Replacement	75,000	75,000	-
Capital Equipment	1,219,818	1,219,818	-
Air Quality Grants and Projects	2,907,891	3,243,585	(335,694)
<b>Unassigned:</b>	3,548,009	-	3,548,009
<b>Total Fund Balance</b>	<u>\$ 24,779,606</u>	<u>\$ 22,418,582</u>	<u>\$ 2,361,024</u>



# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

---

### **B. Overview of the Financial Statements**

This discussion and analysis is designed to serve as an introduction to the District's basic financial statements. The District's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes required and other supplementary information in addition to the basic financial statements.

#### **Government-wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. They provide information about the activities of the District as a whole and present a longer-term perspective of the District's finances. Government-wide financial statements include the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets reports all assets held and all liabilities owed by the District on a full accrual basis. The difference between the assets held and the liabilities owed is reported as *Net Assets*. The net assets total is comparable to total stockholder's equity presented on the balance sheet of a private enterprise. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Net Assets as of June 30, 2012 is presented on page 12.

The Statement of Activities reports the net cost of the District's activities by category and is also prepared on a full accrual basis. Under the full accrual basis of accounting, revenues and expenses are recognized as soon as the underlying event occurs, regardless of the timing of the related cash flows. The focus of the Statement of Activities is on the cost of various work programs performed by the District. The statement begins with a column that identifies the total cost of these programs followed by columns that summarize the District's program revenues by major category. The difference between expenses and revenues represents the net cost or benefit of the District's work programs. General revenues are then added to the net cost/benefit to calculate the change in net assets. The Statement of Activities is presented on page 13.

All of the District's activities are governmental in nature and no business-type activities are reported in these statements.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

---

### B. Overview of the Financial Statements, Continued

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Bay Area Air Quality Management District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For governmental activities, these statements tell how these services were financed in the short-term and what is left over for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's major funds. The District maintains two governmental funds; the General Fund and the Special Revenue Fund.

#### Governmental Funds

Governmental fund financial statements consist of the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances. Both are prepared using the modified accrual basis of accounting.

Balance Sheets prepared under the modified accrual basis of accounting have a short-term emphasis and, for the most part, measure and account for cash and other assets that can be easily converted to cash. Specifically, cash and receivables that are deemed collectible within a very short period of time are reported on the balance sheet. Capital assets such as land and buildings are not reported in governmental fund financial statements. Fund liabilities include amounts that will be paid within a very short period of time after the end of the fiscal year. Long-term liabilities such as outstanding bonds are not included. The difference between a fund's total assets and total liabilities represents the fund balance. The unreserved and undesignated portion of fund balance represents the amount available to finance future activities. The District's governmental funds balance sheets can be found on page 14.

The Statement of Revenues, Expenditures and Changes in Fund Balance include only revenues and expenditures that were collected in cash or paid with cash during the fiscal year or very shortly after the end of the fiscal year. The governmental funds Statements of Revenue, Expenditures and Changes in Fund Balance can be found on page 16.

Since a different basis of accounting is used to prepare these statements, reconciliation is required to facilitate the comparison between the government-wide statements and the fund financial statements. The reconciliation of the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets is on page 15. The reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities can be found on page 17.

#### Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 to 34.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

### B. Overview of the Financial Statements, Continued

#### Required and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the pension plan actuarial information, other post-employment benefit (OPEB) liabilities, governmental funds budget comparison schedules, TFCA and Carl Moyer program expenditures, and the California Public Employees Retirement System (PERS) Schedule of Funding Progress on pages 35 to 39.

### C. Government-Wide Financial Analysis

The government-wide financial analyses focus on net assets and changes in net assets of the District's governmental activities. Table 2 below shows a condensed Statement of Net Assets as of June 30, 2012 compared to the fiscal year ended June 30, 2011.

**Table 2. Statement of Net Assets as of June 30, 2012 and June 30, 2011**

	Governmental Activities June 30, 2012	Governmental Activities June 30, 2011	Increase/ (Decrease)
Current & Other Assets	\$ 183,074,088	\$ 147,059,377	\$ 36,014,711
Capital Assets	<u>21,821,780</u>	<u>20,037,137</u>	<u>1,784,643</u>
<b>Total Assets</b>	<b><u>204,895,868</u></b>	<b><u>167,096,514</u></b>	<b><u>37,799,354</u></b>
Current Liabilities	56,475,805	32,169,607	24,306,198
Noncurrent Liabilities	<u>7,724,609</u>	<u>7,730,956</u>	<u>(6,347)</u>
<b>Total Liabilities</b>	<b><u>64,200,414</u></b>	<b><u>39,900,563</u></b>	<b><u>24,299,851</u></b>
Net Assets:			
Invested in Capital Assets	21,821,780	20,037,137	1,784,643
Restricted	112,098,264	100,165,973	11,932,291
Unrestricted	<u>6,775,410</u>	<u>6,992,841</u>	<u>(217,431)</u>
<b>Total Net Assets</b>	<b><u>\$ 140,695,454</u></b>	<b><u>\$ 127,195,951</u></b>	<b><u>\$ 13,499,503</u></b>

As noted earlier, total net assets may serve over time as a useful indicator of the District's financial position. At June 30, 2012 the District's assets exceeded its liabilities by \$140,695,454, an increase of \$13,499,503 over the previous fiscal year.

Restricted net assets are to be used for specific programs and purposes according to legal terms and conditions. The remaining portion of the District's net assets is unrestricted and may be used to meet the District's obligations in carrying out its day-to-day operations.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

### C. Government-Wide Financial Analysis, Continued

Table 3 below provides changes in net assets for the fiscal year ending June 30, 2012 compared with the fiscal year ended June 30, 2011.

**Table 3. Statement of Activities for Fiscal Years 2011-12 and 2010-11**

	Governmental Activities <u>FY 2011-12</u>	Governmental Activities <u>FY 2010-11</u>	Dollar Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Revenues:</b>				
TFCA/MSIF DMV Fees	\$ 36,445,874	\$ 32,388,846	\$ 4,057,028	13%
Carl Moyer	5,057,518	6,770,108	(1,712,590)	-25%
California Goods Movement Revenue	15,927,132	6,130,408	9,796,724	160%
Other Grants	100,820	-	100,820	
Permit Fees	24,657,585	24,385,783	271,802	1%
Title V Permit Fees	3,675,922	3,087,921	588,001	19%
State Subvention	1,717,061	1,720,716	(3,655)	0%
Spare the Air Grant (CMAQ)	529,125	1,097,392	(568,267)	-52%
Federal Grants (EPA)	2,677,588	1,839,376	838,212	46%
Federal Grants (Homeland Security)	1,066,469	980,686	85,783	9%
Penalties & Variance Fees	2,271,025	1,798,851	472,174	26%
Hearing Board Fees	31,331	23,945	7,386	31%
AB 2588 Income	570,853	606,249	(35,396)	-6%
Asbestos Fees	2,187,704	1,894,419	293,285	15%
Interest Revenue	275,688	323,043	(47,355)	-15%
Other Grants	1,080,086	894,100	185,986	21%
AB434 Others	691,177	370,028	321,149	87%
Miscellaneous Revenue	16,844	99,045	(82,201)	-83%
Special Environmental Projects	43,410	50,772	(7,362)	-15%
County Apportionments	21,180,149	20,856,785	323,364	2%
<b>Total Revenues</b>	<b><u>120,203,361</u></b>	<b><u>105,318,473</u></b>	<b><u>14,884,888</u></b>	<b>14%</b>
<b>Expenses:</b>				
General Government	57,230,285	56,871,101	359,184	1%
TFCA/MSIF, CMP, & Other programs	30,180,968	35,463,866	(5,282,898)	-15%
California Goods Movement Program	16,283,233	6,529,184	9,754,049	149%
Capital Outlay	3,448,530	4,971,094	(1,522,564)	-31%
<b>Total Expenses</b>	<b><u>107,143,016</u></b>	<b><u>103,835,245</u></b>	<b><u>3,307,771</u></b>	<b>3%</b>
<b>Change in Net Assets before</b>				
<b>Extraordinary Item</b>	13,060,345	1,483,228	11,577,117	781%
Recovery of Lehman Brothers loss	439,158	-	439,158	
<b>Change in Net Assets</b>	<b>13,499,503</b>	<b>1,483,228</b>	<b>12,016,275</b>	<b>810%</b>
<b>Net Assets Beginning</b>	<b><u>127,195,951</u></b>	<b><u>125,712,723</u></b>	<b><u>1,483,228</u></b>	<b>1%</b>
<b>Net Assets, Ending</b>	<b><u>\$ 140,695,454</u></b>	<b><u>\$ 127,195,951</u></b>	<b><u>\$ 13,499,503</u></b>	<b>11%</b>

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

---

### C. Government-Wide Financial Analysis, Continued

#### Governmental Activities

The objective of the Statement of Activities is to report the full cost of providing government services during the fiscal year. The format also permits the reader to ascertain the extent to which each function is either self-financing or draws funds from the general funds of the government.

The Statement of Activities presents information showing how the District's net assets changed during the FY 2011-2012. All changes in net assets are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

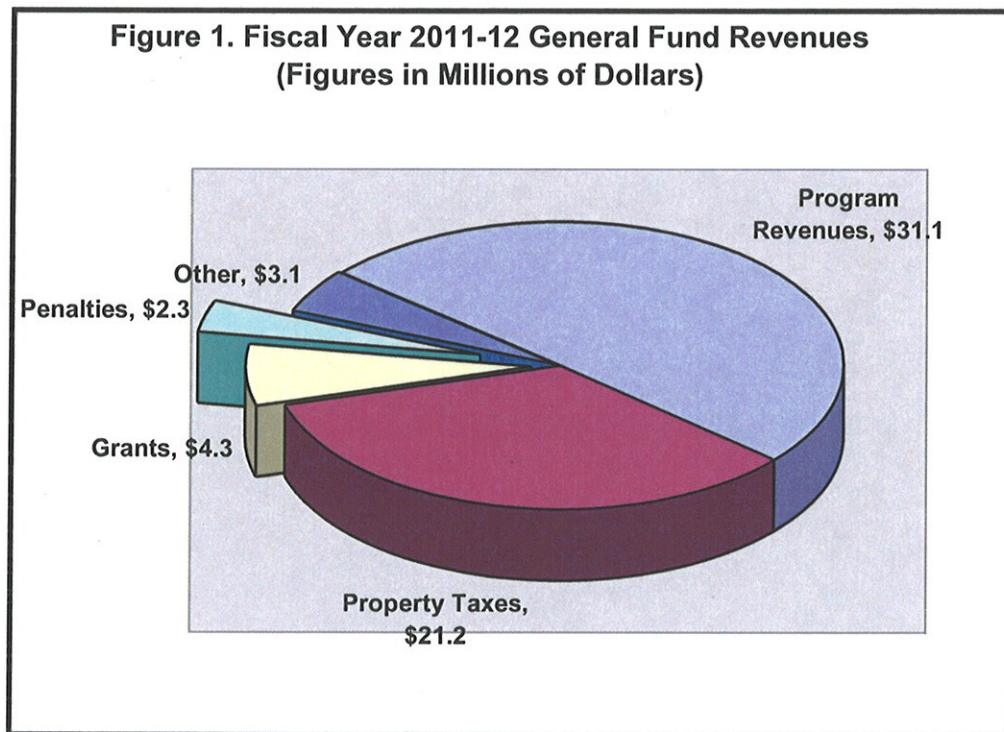
Governmental functions of the District are predominately supported by fees, property taxes, subvention, grants, and penalties and settlements. The penalties and settlements are one-time revenues which are over and above the regular revenues directly related to the programs. The primary governmental activities of the District are: to advance clean air technology, ensure compliance with clean air rules, develop programs to achieve clean air, develop rules to achieve clean air, monitor air quality, permit review and Special Revenue Fund activities.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

### D. General Fund Financial Analysis

Figure 1 below provides a pie chart of the District's General Fund revenues for fiscal year 2011-2012. The General Fund received total revenue of \$61,988,484 in fiscal year 2011-12, an increase of \$3,096,839 over fiscal year 2010-11. Program Revenues include: Permit, AB2588, Title V, and Asbestos fees. Program revenues were the largest General Fund revenue source in fiscal 2011-12 (\$31.1 million), followed by Property Tax (\$21.2 million), Grants (\$4.3 million), Penalties (\$2.3 million), and Other revenues (\$3.1 million).



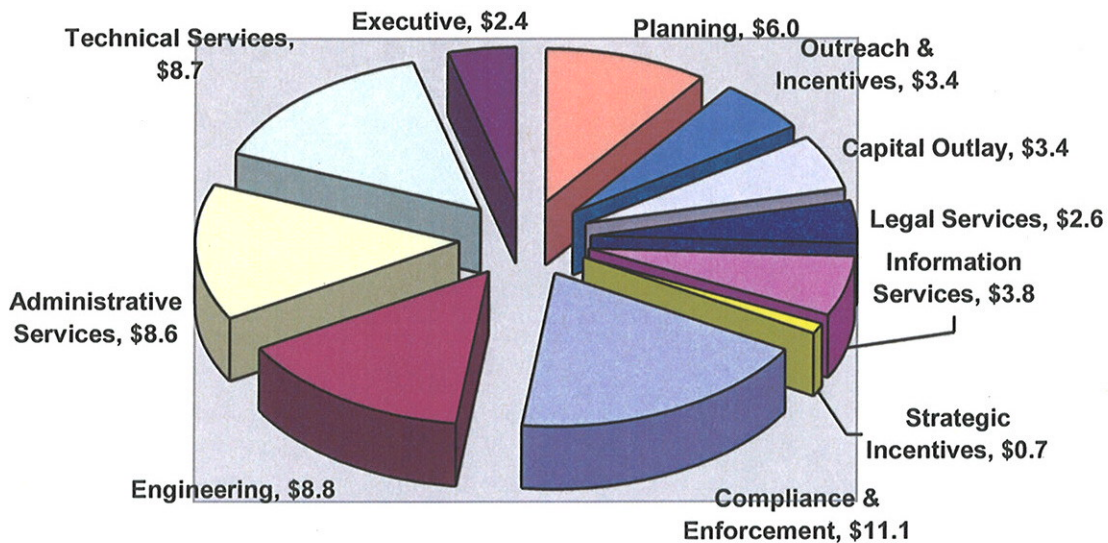
# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

### D. General Fund Financial Analysis, Continued

Figure 2 below provides a graph of General Fund expenditures for fiscal year 2011-12. General Fund expenditures totaled \$60,123,789 which is a decrease of \$3,694,042 over fiscal year 2010-11. General Fund expenditures represent the District's general government operating costs categorized into the following operating divisions: Compliance and Enforcement (\$11.1 million), Engineering (\$8.8 million), Administrative Services (\$8.6 million), Information Services (\$3.8 million), Technical Services (\$8.7 million), Executive (\$2.4 million), Planning (\$6.0 million), Outreach & Incentives (\$3.4 million), Strategic Incentives (\$0.7 million) and Legal Services (\$2.6 million). The District also incurred (\$3.4 million) of Capital Outlay expenditures in fiscal year 2011-12. General Fund revenue exceeded expenditures by \$1,864,695 in fiscal year 2011-12.

**Figure 2. Fiscal Year 2011-12 General Fund Expenditures (Figures in Millions)**



Total General Fund revenue increased by \$3.1 million or 5.3% compared with the prior fiscal year, primarily due to an increase in Program revenues of \$1.9 million, an increase in Penalties of \$0.5 million, and an increase in Property Taxes of \$0.3 million. General Fund Expenditures decreased by \$3.7 million or (5.8)% compared to the prior year, primarily from decreases in funding to Information Services of \$1.4 million, Capital Outlay of \$1.6 Million and Administrative Services of \$0.6 million.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

---

### **D. General Fund Financial Analysis, Continued**

The General Fund is the operating fund of the District and at the end of the fiscal year, the total fund balance of the General Fund was \$24.8 million. The assigned fund balance was \$11.8 million, committed \$1.0 million, restricted \$8.4 million, and nonspendable \$0.05 million. One measure of the General Fund's liquidity is the comparison of both assigned fund and total fund balances to total expenditures. The assigned fund balance represents 19.6% of the total General Fund expenditures, while the total fund balance represents 41.2% of the total fund expenditures.

The FY 11-12 adopted budget as compared to the actual expenditures reflects a decrease in appropriations of \$1.0 million. The changes to the budget were the result of Governing Board actions, and carryover of unspent funds from FY 2010-11.

### **E. Capital Assets**

As of June 30, 2012 the District's investment in capital assets was \$21.8 million net of accumulated depreciation. Capital assets include land, buildings, laboratory equipment, Air monitoring stations, computers, office furniture and District fleet vehicles.

### **F. Economic Factors and Next Year's Budget**

The District receives approximately 34% of its General Fund revenue from property taxes levied in nine Bay Area counties and 50% from permit fees charged to local businesses. Consequently, District revenues are impacted by changes in the state and local economy. The District takes a fiscally conservative approach to its budget and it strives to balance its budget within available current revenues. In an effort to recover a greater share of the costs of maintaining air quality, the District increased its permitting fees by approximately 4.6% in FY 2011-12. The District will continue to focus on long term financial planning to ensure the vitality and effectiveness of its programs.

### **G. Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David Glasser, Finance Manager at 939 Ellis Street, San Francisco, CA 94109.



# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2012

---

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 15,816,674
Restricted cash and cash equivalents	154,503,254
Receivables	9,627,392
Due from other governments	2,959,192
Prepays, deposits and other current assets	167,576
Capital assets:	
Non-depreciable	10,256,576
Depreciable, net	<u>11,565,204</u>
Total capital assets	<u>21,821,780</u>
Total assets	<u>204,895,868</u>
<b>LIABILITIES</b>	
Accounts payable	1,647,964
Accrued payroll	1,513,243
Other current liabilities	62,854
Unearned revenue	50,683,094
Long-term liabilities:	
Due within one year	2,568,650
Due in more than one year	<u>7,724,609</u>
Total liabilities	<u>64,200,414</u>
<b>NET ASSETS</b>	
Invested in capital assets	21,821,780
Restricted for air quality grants and projects	108,755,346
Restricted for post-employment benefits	3,342,918
Unrestricted net assets	<u>6,775,410</u>
Total net assets	<u>\$ 140,695,454</u>

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Primary government	\$ 60,678,815	\$ 33,923,601	\$ 6,584,558	\$ (20,170,656)
California Goods Movement program	<u>16,283,233</u>		<u>15,927,132</u>	<u>(356,101)</u>
TFCA/MSIF, CMP, & other programs:				
TFCA/MSIF & other program distribution	25,123,450		37,237,871	12,114,421
Carl Moyer Program	<u>5,057,518</u>		<u>5,057,518</u>	
Total TFCA/MSIF, CMP, & other programs	<u>30,180,968</u>		<u>42,295,389</u>	<u>12,114,421</u>
Total governmental activities	<u>\$ 107,143,016</u>	<u>\$ 33,923,601</u>	<u>\$ 64,807,079</u>	<u>(8,412,336)</u>
General revenues:				
County apportionment				21,180,149
Investment income not restricted for a specific program				275,688
Other				<u>16,844</u>
Total general revenues				<u>21,472,681</u>
Change in net assets before extraordinary item				13,060,345
Extraordinary item:				
Recovery of Lehman Brothers loss				<u>439,158</u>
Change in net assets				13,499,503
Net assets-beginning of year				<u>127,195,951</u>
Net assets-end of year				<u>\$ 140,695,454</u>

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,816,674		\$ 15,816,674
Restricted cash and cash equivalents	3,342,918	\$ 151,160,336	154,503,254
Receivables	3,173,614	6,453,778	9,627,392
Due from other governments	2,959,192		2,959,192
Due from other funds	3,447,635		3,447,635
Prepays, deposits and other assets	167,576		167,576
Total assets	\$ 28,907,609	\$ 157,614,114	\$ 186,521,723
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,421,800	\$ 226,164	\$ 1,647,964
Accrued payroll	1,513,243		1,513,243
Due to other funds		3,447,635	3,447,635
Other liabilities	62,854		62,854
Deferred revenue	1,130,106	50,244,447	51,374,553
Total liabilities	4,128,003	53,918,246	58,046,249
Fund balances:			
Nonspendable:			
Prepaid expenses	50,736		50,736
Restricted:			
Air quality grants and projects	5,059,478	103,695,868	108,755,346
Postemployment benefits	3,342,918		3,342,918
Committed:			
Self-funded workers' compensation	1,000,000		1,000,000
Assigned:			
PERS funding	1,500,000		1,500,000
Postemployment benefits	2,000,000		2,000,000
Building and facilities	4,075,756		4,075,756
Radio replacement	75,000		75,000
Capital equipment	1,219,818		1,219,818
Air quality grants and projects	2,907,891		2,907,891
Unassigned	3,548,009		3,548,009
Total fund balances	24,779,606	103,695,868	128,475,474
Total liabilities and fund balances	\$ 28,907,609	\$ 157,614,114	\$ 186,521,723

See accompanying notes to financial statements.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## RECONCILIATION OF THE FUND BALANCES - TOTAL GOVERNMENTAL FUNDS WITH THE STATEMENT OF NET ASSETS JUNE 30, 2012

---

Amounts reported for governmental activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:

Total fund balances - total governmental funds	\$ 128,475,474
Capital assets used in governmental activities are not current assets or financial resources and therefore are not reported in the governmental funds.	21,821,780
Other long-term assets (receivables) are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds.	691,459
The liabilities below are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	(4,218,990)
OPEB obligation	<u>(6,074,269)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 140,695,454</u></b>

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
TFCA / MSIF DMV fees		\$ 36,445,874	\$ 36,445,874
Carl Moyer Program		5,057,518	5,057,518
Permit fees	\$ 24,665,229		24,665,229
Title V permit fees	3,675,922		3,675,922
Asbestos fees	2,187,704		2,187,704
Penalties and variance fees	2,271,025		2,271,025
Hearing board fees	31,331		31,331
State subvention	1,717,061		1,717,061
AB 434/923 others		691,177	691,177
AB 2588 income	570,853		570,853
Special environmental projects	43,410		43,410
Federal grant - EPA	2,677,588		2,677,588
Federal grant - DHS	1,066,469		1,066,469
CMAQ Spare the Air	529,125		529,125
Portable equipment registration program (PERP)	485,771		485,771
Interest	275,688		275,688
County apportionment	21,180,149		21,180,149
California Goods Movement revenue	-	15,927,132	15,927,132
Other grants	594,315	100,820	695,135
Miscellaneous	16,844		16,844
Total revenues	61,988,484	58,222,521	120,211,005
<b>EXPENDITURES</b>			
General government:			
Program distribution	701,704		701,704
Executive office	2,356,988		2,356,988
Finance and administration	8,555,306		8,555,306
Information systems	3,811,513		3,811,513
Legal services	2,573,340		2,573,340
Outreach and incentives	3,383,934		3,383,934
Compliance and enforcement	11,120,770		11,120,770
Engineering	8,755,881		8,755,881
Planning and research	6,016,606		6,016,606
Technical services	8,715,308		8,715,308
Strategic incentives division	683,909		683,909
TFCA/MSIF, Carl Moyer, & other programs:			
Program distribution		26,766,568	26,766,568
Smoking vehicle		540,390	540,390
Intermittent control		789,737	789,737
TFCA administration		944,825	944,825
Mobile source incentive		337,725	337,725
Regional bikeshare		170,775	170,775
CarSharing incentive		12,725	12,725
Regional electric vehicle deployment		557,537	557,537
California Goods Movement Program:			
Grant administration		1,200,267	1,200,267
Truck Program/LESBP		14,998,083	14,998,083
Capital outlay	3,448,530		3,448,530
Total expenditures	60,123,789	46,318,632	106,442,421
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	1,864,695	11,903,889	13,768,584
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	392,248		392,248
Transfers (out)		(392,248)	(392,248)
Total other financing source (uses)	392,248	(392,248)	
<b>EXTRAORDINARY ITEM</b>			
Recovery of Lehman Brothers loss	104,081	335,077	439,158
<b>NET CHANGE IN FUND BALANCES</b>	2,361,024	11,846,718	14,207,742
<b>BEGINNING FUND BALANCES</b>	22,418,582	91,849,150	114,267,732
<b>ENDING FUND BALANCES</b>	\$ 24,779,606	\$ 103,695,868	\$ 128,475,474

See accompanying notes to financial statements.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## RECONCILIATION OF THE NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

---

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS**      \$ 14,207,742

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capitalized expenditures are added back to fund balance	3,448,530
Depreciation expense is deducted from fund balance	(1,652,470)
Loss on disposal of capital assets is deducted from fund balance	(11,417)

Certain receivables recognized in the government-wide statements in previous years have been deemed uncollectible and must be written off to expense. Receivables written off were for:

Permit and other miscellaneous fees	(68,335)
-------------------------------------	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (7,644)

The amounts below included in the Statement of Activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences	(39,874)
OPEB obligation	<u>(2,377,029)</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**      \$ 13,499,503

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

---

### 1. REPORTING ENTITY AND SIGNIFIGANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Bay Area Air Quality Management District (District) was created by the California legislature in 1955. The District's structure, operating procedures and authority are established by Division 26 of the California Health and Safety Code.

The District's jurisdiction is limited principally to policing non-vehicular sources of air pollution within the Bay Area, primarily industry pollution and burning. Any company wishing to build or modify a facility in the Bay Area must first obtain a permit from the District to ensure that the facility complies with all applicable rules.

The District also acts as the program administrator for Transportation Fund for Clean Air (TFCA) funds and Mobile Source Incentive funds (MSIF) derived from Assembly Bill 434 and Assembly Bill 923, respectively. TFCA and MSIF funding comes from a \$4 and \$2 surcharge, respectively, on motor vehicles registered within the District's boundaries. TFCA funding may only be used to fund eligible projects that reduce motor vehicle emissions and support the implementation of the transportation and mobile source control measures in the 1994 Clean Air Plan. All projects must fall within the categories listed in State Law (Health and Safety Code Section 44241).

The Health and Safety Code requires the District to pass-through no less than 40% (forty percent) of the TFCA revenues raised within a particular county to that county's eligible, designated Program Manager. The remaining 60% (sixty percent) is for Regional Fund grants and is being allocated to projects on a competitive basis. Projects are evaluated using the District's Board adopted evaluation and scoring criteria. The District may receive reimbursement from TFCA funds, not to exceed 5% (five percent) of total funds, for administration of the program. TFCA activities are accounted for in the District's Special Revenue Fund.

The District includes seven counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, and Santa Clara; and portions of two other counties: Southwestern Solano and Southern Sonoma. The District is governed by a 22 (twenty-two) member Board of Directors that includes representatives from all of the above counties.

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

#### B. Basis of Presentation

**Government-wide Statements** – The Statement of Net Assets and the Statement of Activities display information about the primary government (District). Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

---

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational needs of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted resources are available for use, it is the District's policy to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications – committed, assigned, and then unassigned fund balances.

**Fund Financial Statements** – The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column.

### C. Funds Presented

The District's major governmental funds are required to be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to 10% (ten percent) of the total. The District reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Fund** – This Fund is used by the District to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes.

### D. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 (ninety) days after year end, with the exception of revenues related to CMAQ Spare the Air, which are included in revenue if received within seven months after year end. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds.



# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

---

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place.

Imposed non-exchange transaction revenues result from assessments imposed on non-governmental entities, including individuals (other than assessments imposed on exchange transactions), and the revenues are recognized in the period when use of the resources is required or first permitted. District-imposed non-exchange transactions are the TFCA/MSIF DMV fees, Permit fees, Title V Permit fees, Asbestos fees, Penalties and Variance fees, and Settlements.

Government-mandated non-exchange transactions result from one level of government providing resources to another level of government and requiring the recipient to use the resources for a specific purpose. Voluntary non-exchange transactions result from agreements entered into voluntarily by the parties thereto. Both types of non-exchange transaction revenues are treated in the same manner. Revenues are recognized when all applicable eligibility requirements are met. District transactions of both types include the Carl Moyer program, Lower Emission School Bus program, State Subvention, EPA federal grants, DHS federal grants, CMAQ Spare the Air grants, other grants, California Goods Movement program, Shore Power program, and various agreements with the nine Counties served by the District.

Those revenues susceptible to accrual are taxes, intergovernmental revenues, interest, charges for services, fines and penalties, and license and permit revenues.

Under the modified accrual basis, revenue from exchange and non-exchange transactions must also be "available" before it can be recognized.

Deferred revenue arises when potential revenues do not meet both the "measurable" and "available" criteria for revenue recognition in the current period. On governmental fund financial statements, receivables that will not be collected within the availability period have been offset with deferred revenue. Deferred revenue also arises when the government receives monies before it has a legal claim to them, including resources received before time requirements are met, or grant monies received prior to incurring qualifying expenditures. (see Note 6)

### **E. Compensated Absences**

The District's policies provide compensation to employees for certain absences, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on any special event beyond the control of the District and its employees is accrued as employees earn those benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in a period in which such services are rendered or in which such events take place.

The District's liability for compensated absences is recorded in the Statement of Net Assets. District employees are allowed to accrue no more than four hundred and sixty hours of vacation as of the end of the calendar year. In the event of termination, the employees are reimbursed for all accumulated vacation at the time of separation from the District.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

---

There are no restrictions regarding the accumulation of sick leave. On termination, employees are not paid for accumulated sick leave, but the accumulated sick leave is counted as service credit by the CalPERS pension plan administered by the State of California.

### F. Use of Management Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### G. Receivables

During the course of normal operations, the District carries various receivable balances for taxes, interest and permitting operations. The District considers receivables to be fully collectible; accordingly no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations when that determination is made. During the year ending June 30, 2012, management deemed \$68,335 of outstanding receivables to be uncollectible.

### H. Capital Assets

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting general capital assets at \$5,000. Donated capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings, grounds & improvements	15-20 Years
Equipment	5-15 Years

### I. Net Assets / Fund Balance

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets, restricted, and unrestricted.

Invested in Capital Assets – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt, if any, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the District not restricted for any project or other purpose.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

---

The governmental fund statements utilize a fund balance presentation. Fund balances are categorized as restricted, committed, assigned, and unassigned.

Nonspendable Fund Balance – This category presents the portion of fund balance that cannot be spent because it is either not in a spendable form or it is legally or contractually required to be maintained intact.

Restricted Fund Balance – This category presents the portion of the fund balance that is for specific purposes stipulated by constitution, external resource providers or enabling legislation.

Committed Fund Balance – This category presents the portion of the fund balance that can be used only for the specific purposes determined by a formal action (Resolution) of the District's highest level of decision making authority. For the District, this level of authority lies with the Board of Directors.

Assigned Fund Balance – This category presents the portion of the fund balance that is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. For the District, balances can be assigned by management or through the budget process.

Unassigned Fund Balance – This category presents the portion of the fund balance that does not fall into restricted, committed, or assigned and are spendable.

### **J. Future GASB Statement Implementation**

In June of 2012, the GASB issued GASB Statement 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, with required implementation for the District during the June 30, 2015 fiscal year-end. GASB 68 is an amendment of GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers*. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 is required to be implemented retroactively and will require a restatement of beginning net assets.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

---

### 2. CASH AND INVESTMENTS

#### Cash and Investments

The District pools cash from all sources and funds so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

Cash and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 15,816,674
Restricted cash and cash equivalents	<u>154,503,254</u>
Total cash and cash equivalents	<u>\$ 170,319,928</u>

Cash and cash equivalents as of June 30, 2012, consist of the following:

Cash and investments in San Mateo Pooled Fund Investment Program	\$ 166,977,010
Cash and investments with fiscal agent	<u>3,342,918</u>
Total cash and cash equivalents	<u>\$ 170,319,928</u>

#### Cash in County Treasury

The District is a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code under the oversight of the Treasury of the County of San Mateo (the Treasury). The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

The District earns interest on a proportionate basis with all other investors. Interest is credited directly to the District's account on a quarterly basis. The pooled fund is collateralized at 102% by San Mateo County, but not specifically identified to any one depositor or in the District's name.

The District reports its investment in the County Pool at the fair value amount provided by the County. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the District by the California Government Code Section 53601 or the Treasury investment policy, which was adopted by the District, whichever is more restrictive. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Government Agency / Sponsored			
Enterprise Securities	7 years	100%	40%
U.S. Treasury Obligations	7 years	100%	100%
Asset-Backed Securities	5 years	20%	5%
Banker's Acceptances	180 days	15%	5%
Commercial Paper	270 days	40%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Collateralized Certificates of Deposit	1 year	15%	5%
Repurchase Agreements	92 days	100%	100%
Mutual Funds	N/A	10%	5%
Corporate Bonds, Medium-Term Notes & Covered Bonds	5 years	30%	5%
Local Agency Investment Funds (LAIF)	N/A	Up to state limit	None

### Derivative Investments

The District did not directly enter into any derivative investments, and the County Pool was not holding derivative investments at June 30, 2012.

### Disclosures Related to Interest Rate Risk and Credit Risk

Generally, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and the District's investment policy limit the District's investments in banker's acceptances, commercial paper, negotiable certificates of deposit, collateralized certificates of deposit, and repurchase agreements to the rating of A1 or better by Standard & Poor's, or P-1 or better by Moody's Investors Service. Corporate securities and U.S. government securities are required to have a rating of AA or better by Standard & Poor's, or A or better for Moody's Investors Service. Asset-backed securities are required to have a rating of AAA or higher by both Standard & Poor's and Moody's Investors Service.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The District's cash and investments were categorized as follows at June 30, 2012:

	Ratings		Maturities	Fair Value
	Moody's	S&P		
AIG fixed annuity	Not Rated	Not Rated	Current	\$ 3,342,918
Investments in San Mateo Pooled Fund Investment Program	Aa2	AA-	1.6 years	166,977,010
Total cash and investments				\$ 170,319,928

### 3. RECEIVABLES

At June 30, 2012, the District had the following accounts receivable:

<b>General Fund:</b>				
Permit and other fees	\$	2,415,968		
County apportionments		661,250		
Interest		27,340		
Other		69,056		
Total General Fund			\$	3,173,614
<b>Special Revenue Fund:</b>				
TFCA DMV fees		4,134,455		
MSIF DMV fees		2,013,958		
Interest		305,365		
Total Special Revenue Fund				6,453,778
<b>Total Accounts Receivable</b>			\$	<b>9,627,392</b>

### 4. INTERFUND TRANSACTIONS

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. At June 30, 2012, the General Fund was owed \$3,447,635 by the Special Revenue Fund.

With Board approval, resources are transferred from one fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Interfund transfers for the year ended June 30, 2012 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Special Revenue Fund	\$ 392,248

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 5. CAPITAL ASSETS

The District's capital assets were comprised of the following at June 30, 2012:

	<b>Balance at 7/1/2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance at 6/30/2012</b>
Non-depreciable assets:					
Land	\$ 214,608				\$ 214,608
Construction in progress	10,912,014	\$ 1,165,273		\$ (2,035,319)	10,041,968
Total non-depreciable assets	11,126,622	1,165,273		(2,035,319)	10,256,576
Depreciable assets:					
Building and grounds	9,359,697	49,275		270,530	9,679,502
Leasehold improvements	2,847,646				2,847,646
Computers and network equipment	5,163,677	1,237,546		1,764,789	8,166,012
Motorized equipment	1,319,560		\$ (136,462)		1,183,098
Lab and monitoring equipment	6,975,603	612,804	(91,879)		7,496,528
Furniture and other equipment	1,669,628	383,632			2,053,260
Total depreciable assets	27,335,811	2,283,257	(228,341)	2,035,319	31,426,046
Accumulated depreciation:					
Building and grounds	6,556,530	308,637			6,865,167
Leasehold improvements	2,682,953	2,391			2,685,344
Computers and network equipment	1,798,952	489,160			2,288,112
Motorized equipment	1,211,919	25,062	(129,639)		1,107,342
Lab and monitoring equipment	5,181,054	546,870	(87,285)		5,640,639
Furniture and other equipment	993,888	280,350			1,274,238
Total accumulated depreciation	18,425,296	1,652,470	(216,924)		19,860,842
Total depreciable assets, net	8,910,515	630,787	(11,417)	2,035,319	11,565,204
Total capital assets, net	\$ 20,037,137	\$ 1,796,060	\$ (11,417)	\$	\$ 21,821,780

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Depreciation expense by function for capital assets for the year ended June 30, 2012, is as follows:

Primary Government:		
Executive office	\$	35,822
Administrative services		120,931
Legal services		30,460
Public information and outreach		15,510
Compliance enforcement		247,849
Engineering		125,846
Planning		109,665
Technical services		597,411
Information services		265,411
Strategic incentives division		<u>103,565</u>
Total depreciation expense	\$	<u>1,652,470</u>

### 6. DEFERRED REVENUE

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Thus, the government-wide statement of net assets and governmental funds defer revenue recognition for resources that have been received at year-end, but not yet earned. Assets recognized before the earning process is complete are offset by a corresponding liability as unearned revenues. Under the modified accrual basis of accounting, revenues are recognized when earned and susceptible to accrual. Revenues are considered susceptible to accrual if they are measurable and available to finance expenditures of the current period. Thus, governmental funds defer revenue recognition for revenues not considered available to liquidate liabilities of the current period.

At June 30, 2012, components of deferred and unearned revenues reported were as follows:

	Deferred Revenue		
	Unearned	Unavailable	Total
<b>General Fund:</b>			
Permits and licenses		\$ 691,459	\$ 691,459
Carl Moyer Program Administration	\$ 438,647		438,647
Subtotal General Fund	<u>438,647</u>	<u>691,459</u>	<u>1,130,106</u>
<b>Special Revenue Fund</b>			
CARB/GMB - Lower Emission School Bus Program	879,623		879,623
GMB – On-Road Projects	38,974,215		38,974,215
BART	149,717		149,717
Shore Power Projects	1,954,333		1,954,333
Carl Moyer Program	<u>8,286,559</u>		<u>8,286,559</u>
Subtotal Special Revenue Fund	<u>50,244,447</u>		<u>50,244,447</u>
Total unearned and deferred revenue	<u>\$ 50,683,094</u>	<u>\$ 691,459</u>	<u>\$ 51,374,553</u>



# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 7. LONG-TERM LIABILITIES

A schedule of changes in general long-term debt for the year ended June 30, 2012, is shown below:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>	<u>Non</u> <u>Current</u>
<b>Governmental Activities</b>						
Compensated Absences	\$ 4,179,116	\$ 2,711,257	\$ (2,671,383)	\$ 4,218,990	\$ 2,568,650	\$ 1,650,340
OPEB	<u>3,697,240</u>	<u>4,982,000</u>	<u>(2,604,971)</u>	<u>6,074,269</u>		<u>6,074,269</u>
Total	<u>\$ 7,876,356</u>	<u>\$ 7,693,257</u>	<u>\$ (5,276,354)</u>	<u>\$ 10,293,259</u>	<u>\$ 2,568,650</u>	<u>\$ 7,724,609</u>

The long-term portion of compensated absences is liquidated by the General Fund and the long-term portion of OPEB is liquidated by both the General Fund and the Special Revenue Fund.

### 8. OPERATING LEASES

Commitments under non-cancelable operating lease agreements for air-monitoring stations, vehicles and office equipment provide for minimum annual rental payments as follows:

<u>Year ended June 30,</u>	
2013	\$ 793,497
2014	614,209
2015	462,145
2016	354,084
2017	319,205
2018 - 2022	<u>154,296</u>
	<u>\$ 2,697,436</u>

Air-monitoring station leases are renewable with minor escalations.

Rental expense for lease agreements for the year ended June 30, 2012, was \$1,121,290.

### 9. COUNTY APPORTIONMENT REVENUE

As a result of the passage of Proposition 13 in fiscal year 1979, the District no longer has the power to calculate property tax revenues due for each county. Instead, the District now receives remittances from the counties, which are calculated in accordance with Assembly Bill Number 8. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Property tax revenues are recognized by the District in the fiscal year they are assessed, provided that they become available as defined above.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxes to personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables in the fiscal year of levy, provided that they are collected within the fiscal year or within ninety days after year end.

County apportionment revenue recognized as of June 30, 2012, is as follows:

Alameda	\$ 3,721,814
Contra Costa	2,539,307
Marin	1,092,121
Napa	740,739
Santa Clara	5,445,417
San Francisco	3,106,933
San Mateo	2,916,475
Solano	545,594
Sonoma	<u>1,071,749</u>
Total county apportionment revenue	<u>\$ 21,180,149</u>

### 10. PENSION PLAN

All District employees are eligible to participate in a pension plan offered by the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined-benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability retirement benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. The District's employees participate in the CalPERS Miscellaneous Employee "2% at 55" Plan (Plan). Benefit provisions under the Plan are established by State statute and District resolution. Benefits are based on years of credited service, equal to one year of full-time employment. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS, and the District must contribute the amounts specified by CalPERS. The District also contributes employees' contributions to CalPERS. The Plan's provisions and benefits in effect at June 30, 2012, are summarized as follows:

Benefit vesting schedule	5 years of service
Benefit payments	Monthly for life
Retirement age	55
Monthly benefits, as % of annual salary	1.426% - 2.0%
Required employee contribution rates	7.000%
Required employer contribution rates	11.025%

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

CalPERS determines contribution requirements using a modification of the Entry Age Normal Cost Method. Under this method, the District's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the District must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The District uses the actuarially determined percentages of payroll to calculate and pay contributions to CalPERS. This results in no net pension obligations or unpaid contributions. The required contributions and related rates for the past three years ended June 30 were as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 5,112,411	100%	0
6/30/2011	\$ 5,069,670	100%	0
6/30/2012	\$ 5,038,023	100%	0

Funded Status and Funding Progress – The funded status of the plan as of the most recent valuation date of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 208,697,558
Actuarial value of plan assets	<u>184,503,500</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 24,194,058</u>
Funded ratio (actuarial value of plan assets/AAL)	88.4%
Covered payroll (active plan members)	\$ 31,492,142
UAAL as a percentage of payroll	76.8%

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.5% is assumed, including inflation at 2.75% and an annual production growth of 0.25%. Annual salary increases are assumed to vary by duration of service and range from 3.30% to 14.20%. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over 20 (twenty) years. Investment gains and losses are accumulated as they are realized and amortized over a rolling 30 (thirty) year period. The schedule of funding progress included in the required supplemental information presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Audited annual financial statements and ten year trend information are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

---

### 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description – The District sponsors a single-employer defined benefit healthcare plan administered by CalPERS. The District provides medical, dental, vision, and life insurance benefits to eligible retirees. Benefit provisions are established in accordance with the Employee Association Memorandum of Understanding (MOU) for represented employees and as adopted by Board Resolution for all other employees who retire from the District on or after attaining age 50 with at least 5 (five) years of service.

The District established an irrevocable trust to prefund the other postemployment benefit annual required contribution by participating in the California Employers' Retiree Benefit Trust (CERBT) program during the fiscal year ended June 30, 2009. The funds in the CERBT are held in trust and administered by the California Public Employees' Retirement System (CalPERS) as an agent multiple-employer plan. The District's Other Postemployment Benefits (OPEB) financial statements will be included in the CalPERS Comprehensive Annual Financial Report (CAFR). Copies of the CalPERS' CAFR may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy – The District funds on a pay-as-you-go basis with additional discretionary funding payments as approved by the Board. The District paid health care and life insurance benefit contributions based on when insurance premium payments were made, which were \$1,604,971 for the year ended June 30, 2012. The additional discretionary funding payment approved by the Board for the year ended June 30, 2012, was \$1,000,000. During the year ended June 30, 2012, one hundred seventy-five (175) retirees participated in the health insurance plan, one hundred forty-six (146) retirees participated in the dental plan, one hundred twenty-seven (127) retirees participated in the vision plan, and one hundred forty-one (141) retirees participated in the life insurance plan.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

The CERBT fund, which is an IRC Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other postemployment benefits for retirees and their beneficiaries, (ii) investing contributed amounts and income therein, and (iii) disbursing contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other postemployment benefits in accordance with the terms of the District's OPEB plan.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Annual OPEB Cost and Net OPEB Obligation – The ARC was determined as part of the January 1, 2011, actuarial valuation. The ARC rate was 15.5% of annual covered payroll. For the year ended June 30, 2012, the District’s annual other postemployment benefit cost (expense) is \$4,982,000. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District’s net OPEB obligation to the plan:

Annual required contribution	\$ 5,085,000
Interest on net OPEB obligation	177,000
Amortization of net OPEB obligation	<u>(280,000)</u>
Annual OPEB cost (expense)	4,982,000
Contributions made	<u>(2,604,971)</u>
Increase in net OPEB obligation	2,377,029
Net OPEB obligation-beginning of year	<u>3,697,240</u>
 Net OPEB obligation-end of year	 <u>\$ 6,074,269</u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012, and the two preceding years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$ 5,278,000	63.8%	\$ 2,329,367
6/30/11	\$ 4,837,000	71.7%	\$ 3,697,240
6/30/12	\$ 4,982,000	52.3%	\$ 6,074,269

Funded Status and Funding Progress – The funded status of the plan as of the most recent actuary valuation date, June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 53,436,000
Actuarial value of plan assets	<u>12,450,000</u>
 Unfunded actuarial accrued liability (UAAL)	 <u>\$ 40,986,000</u>
Funded ratio (actuarial value of plan assets/AAL)	23.3%
Covered payroll (active plan members)	\$ 31,826,000
UAAL as a percentage of payroll	128.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress included in the required supplemental information presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

---

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, the Entry Age Normal (EAN) cost method was used. The actuarial assumptions included a 7.26% investment rate of return (net of administrative expenses), an annual medical cost trend rate of 5%, dental and vision trend rate of 3%, Medicare Part B trend rate of \$115.40, and an inflation assumption of 3%. The EAN cost method spreads plan costs for each participant from the entry date to the expected retirement date. Under the EAN cost method the plan's normal cost is developed as a level amount over the participant's working lifetime. The actuarial value of plan assets was \$12,450,000. The plan's unfunded actuarial accrued liability is being amortized using the level percentage of pay method over 20 (twenty) years with 16 (sixteen) years remaining as of June 30, 2012.

### 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District manages and finances these risks by purchasing commercial insurance and has a \$1,000 to \$5,000 deductible for general and special property liability with limits of \$10 million and \$350 million, respectively. The District has a \$400,000 deductible for workers' compensation with a \$1 million limit. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the District's commercial insurance coverages in any of the past three years.

As of June 30, 2012, the District had no material claims outstanding for general liability or for workers' compensation cases.

### 13. COMMITMENTS AND CONTINGENCIES

The District is subject to litigation arising in the normal course of business. In the opinion of the District's Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the District.

The District receives Federal and State grant funds. The amounts, if any, of the District's grant expenditures which may be disallowed upon audit by the granting agencies cannot be determined at this time, although the District expects any such amounts to be immaterial.

# **BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012**

---

In April 2012, the District executed a 30 year Lease Agreement with the Bay Area Headquarters Authority for new offices for the District at 390 Main Street, in San Francisco, California. The offices will replace the District's current facility at 939 Ellis Street. Upon occupancy the District will be responsible for a base rent of \$158,334 per month plus a share of common area expenses. Occupancy is expected during the fiscal year ending June 2014. Additionally, Lease Agreement allows for the District to purchase these offices under a condominium ownership structure during the first 10 years of the lease.

### **14. EXTRAORDINARY ITEM**

On September 15, 2008, Lehman Brothers Holdings Inc. (Lehman Brothers) declared bankruptcy. This bankruptcy had a direct, negative impact on the County Pool's investments in an amount of approximately \$155 million as of September 30, 2008. After extensive consultation with the County's financial advisors and legal counsel, the County Treasurer decided to retain the Lehman securities, but mark their value down to zero and carry the securities as nonperforming assets. For the quarter ended September 30, 2008, the County charged all pool participants' accounts a one-time expense based on their average daily cash balances to reflect the reduction in value. The District's portion of this charge resulted in a loss on investments of \$1,720,955 in the fiscal year ending June 30, 2009.

In March of 2012, Lehman Brothers exited bankruptcy and made an initial payment to creditors on April 17, 2012. The County Pool received \$9,332,132 in this initial distribution, and the District's share of this recovery was \$439,158. The second distribution from the Lehman Brothers distribution occurred in October 2012 and will be included in revenue for the year ending June 30, 2013.

**REQUIRED SUPPLEMENTARY INFORMATION**



# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## SCHEDULES OF FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2012

### PENSION PLAN

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$165,731,347	\$183,968,592	\$18,237,245	90.1%	\$30,918,810	59.0%
6/30/2010	174,434,353	195,962,333	21,527,980	89.0%	31,962,067	67.4%
6/30/2011	184,503,500	208,697,558	24,194,058	88.4%	31,492,142	76.8%

### OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ 3,474,247	\$ 48,377,000	\$44,902,753	7.2%	\$31,823,042	141.1%
1/1/2010	7,354,000	46,760,000	39,406,000	15.7%	31,826,000	123.8%
6/30/2011	12,450,000	53,436,000	40,986,000	23.3%	31,826,000	128.8%

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Permit fees	\$ 26,320,000	\$ 26,320,000	\$ 24,665,229	\$ (1,654,771)
Title V permit fees	3,030,000	3,030,000	3,675,922	645,922
Asbestos fees	1,771,000	1,771,000	2,187,704	416,704
Penalties and variance fees	1,500,000	1,500,000	2,271,025	771,025
Hearing board fees	20,000	20,000	31,331	11,331
State subvention	1,718,169	1,718,169	1,717,061	(1,108)
AB 2588 income	724,000	724,000	570,853	(153,147)
Special environmental projects	81,132	4,452,855	542,150	(3,910,705)
Federal grant -EPA	1,609,260	2,570,154	2,677,588	107,434
Federal grant - DHS	1,260,136	1,260,136	1,066,469	(193,667)
CMAQ Spare the Air	305,000	305,000	529,125	224,125
Other grants	411,772	611,772	664,315	52,543
Portable equipment registration program (PERP)	200,000	200,000	485,771	285,771
Interest	275,598	275,598	275,688	90
County apportionment	21,018,016	21,018,016	21,180,149	162,133
Miscellaneous			16,844	16,844
Total revenues	<u>60,244,083</u>	<u>65,776,700</u>	<u>62,557,224</u>	<u>(3,219,476)</u>
<b>EXPENDITURES</b>				
Executive office	2,518,460	2,469,718	2,356,988	112,730
Finance and administration	9,678,767	9,580,162	8,555,306	1,024,856
Information systems	4,623,217	3,527,741	3,811,513	(283,772)
Legal services	2,596,019	2,658,493	2,573,340	85,153
Outreach and incentives	3,404,940	4,650,099	3,383,934	1,266,165
Compliance and enforcement	11,640,304	11,617,135	11,120,770	496,365
Engineering	9,085,624	9,213,169	8,755,881	457,288
Planning and research	6,376,645	7,216,601	6,016,606	1,199,995
Technical services	8,344,831	9,853,672	8,715,308	1,138,364
Program distribution		4,571,723	701,704	3,870,019
Strategic incentives division	685,875	712,585	683,909	28,676
Total current expenditures	<u>58,954,682</u>	<u>66,071,098</u>	<u>56,675,259</u>	<u>9,395,839</u>
Capital outlay	2,129,544	3,448,530	3,448,530	
Total expenditures	<u>61,084,226</u>	<u>69,519,628</u>	<u>60,123,789</u>	<u>9,395,839</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(840,143)</u>	<u>(3,742,928)</u>	<u>2,433,435</u>	<u>6,176,363</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in			392,248	(392,248)
Transfers out	(54,393)	(54,393)		54,393
Total other financing sources	<u>(54,393)</u>	<u>(54,393)</u>	<u>392,248</u>	<u>(337,855)</u>
<b>EXTRAORDINARY ITEM</b>				
Recovery on Lehman Brothers Loss			104,081	104,081
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (894,536)</u>	<u>\$ (3,797,321)</u>	<u>2,929,764</u>	<u>\$ 5,942,589</u>
<b>BEGINNING BUDGETARY FUND BALANCE</b>			<u>16,789,764</u>	
<b>ENDING BUDGETARY FUND BALANCE</b>			<u>\$ 19,719,528</u>	

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>REVENUES</b>				
TFCA/MSIF DMV fee	\$ 44,174,997	\$ 42,904,450	\$ 24,629,156	\$ (18,275,294)
Carl Moyer Program	8,235,440	11,278,100	5,057,518	(6,220,582)
AB 434/923 others			691,177	691,177
CA Goods Movement Revenue	14,930,356	22,200,005	15,897,132	(6,302,873)
Other grants			100,820	100,820
Total revenues	67,340,793	76,382,555	46,375,803	(30,006,752)
<b>EXPENDITURES</b>				
TFCA/MSIF, Carl Moyer, & other programs:				
Program distribution	42,052,310	43,448,887	26,766,568	16,682,319
Smoking vehicle	573,250	588,857	540,390	48,467
Intermittent control	965,889	1,013,858	789,737	224,121
TFCA administration	1,325,019	1,625,723	944,825	680,898
Mobile source incentive	558,295	569,549	337,725	231,824
Regional BikeShare	3,302,196	3,302,197	170,775	3,131,422
CarSharing Incentive Program	168,266	168,267	12,725	155,542
Regional Electric Vehicle Deployment	3,220,677	3,220,677	557,537	2,663,140
California Goods Movement Program:				
Grant administration	1,162,284	1,248,032	1,200,267	47,765
Truck Program/LESBP	14,067,000	21,250,901	14,998,083	6,252,818
Total expenditures	67,395,186	76,436,948	46,318,632	30,118,316
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	(54,393)	(54,393)	57,171	111,564
<b>OTHER FINANCING USES</b>				
Transfers in	54,393	54,393		(54,393)
Transfers out			(392,248)	(392,248)
Total other financing uses	54,393	54,393	(392,248)	(446,641)
<b>EXTRAORDINARY ITEM</b>				
Recovery on Lehman Brothers Loss			335,077	335,077
<b>NET CHANGE IN FUND BALANCE</b>	\$	\$	\$	\$
<b>BEGINNING BUDGETARY FUND BALANCE</b>			\$	
<b>ENDING BUDGETARY FUND BALANCE</b>			\$	

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2012

### Budgetary Principles

Through the budget process, the Board of Directors sets the direction of the District. The annual budget assures the most efficient and effective use of the District's economic resources, and establishes the priority of objectives that are to be accomplished during the fiscal year.

The annual budget covers the period from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. In addition, it establishes the foundation of effective financial planning by providing resource allocation, performance measures and controls that permit the evaluation and adjustment of the District's performance.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a) The Board of Directors adopts an annual budget by resolution prior to July 1 of each fiscal year. The annual budget indicates appropriations by fund and by program. The Board of Directors may also adopt supplemental appropriations during the year. At the fund level, expenditures may not legally exceed appropriations. The Air Pollution Control Officer (APCO) is authorized to transfer budgeted amounts between divisions and programs within any fund.
- b) Budgets are adopted on a basis that is consistent with Generally Accepted Accounting Principles (GAAP), with the exception of recognition of certain revenues, as discussed below. Annual appropriated budgets are adopted for the General and Special Revenue funds.
- c) Supplementary budgetary revenue and expenditure appropriations were adopted by the Board of Directors during the fiscal year. These supplemental appropriations have been included in the Budgeted Amounts - Final column of the Budgetary Comparison Schedules.

### Reconciliation to the Statement of Revenues, Expenditures and Changes in Fund Balances

The District's budgetary basis is consistent with Generally Accepted Accounting Principles (GAAP), with the exception of certain revenues that are recognized when earned in the GAAP-basis financial statements, but deferred until expended on the budgetary basis. Revenues in the Budget and Actual schedules have been presented on the budgetary basis to provide a more meaningful comparison of actual results with the budget. The following is a reconciliation between revenues on the budgetary basis and the GAAP basis reflected in the statement of revenues, expenditures and changes in fund balance.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Revenues – Budgetary Basis	\$ 62,557,224	\$ 46,375,803
Revenue recognition adjustments	<u>(568,740)</u>	<u>11,846,718</u>
Revenues – GAAP Basis	<u>\$ 61,988,484</u>	<u>\$ 58,222,521</u>

## **SUPPLEMENTARY INFORMATION**

# BAY AREA AIR QUALITY MANAGEMENT DISTRICT

## TRANSPORTATION FUND FOR CLEAN AIR (TFCA) PROGRAM, MOBILE SOURCE INCENTIVE PROGRAM, CARL MOYER PROGRAM, & OTHER PROGRAMS SCHEDULE OF EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2012

---

<u>Programs</u>	<u>Salaries and Benefits</u>	<u>Services and Supplies</u>	<u>Program Distribution</u>	<u>Total</u>
Program distribution			\$ 26,766,568	\$ 26,766,568
Smoking vehicle	\$ 244,174	\$ 296,216		540,390
Intermittent control	371,543	418,194		789,737
TFCA administration	627,697	317,128		944,825
Regional BikeShare	132,064	38,711		170,775
CarSharing Incentive Program	12,725			12,725
Regional Electric Vehicle Deployment	125,837	431,700		557,537
Mobile source incentive	<u>316,309</u>	<u>21,416</u>		<u>337,725</u>
Total expenditures	<u>\$ 1,830,349</u>	<u>\$ 1,523,365</u>	<u>\$ 26,766,568</u>	<u>\$ 30,120,282</u>

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

## Memorandum

To: Chairperson Carole Groom and Members  
of the Budget and Finance Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 9, 2013

Re: Second Quarter Financial Report – Fiscal Year 2012-13

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Finance staff will present an update on the Air District's financial results for the second quarter of the 2012-13 fiscal years. The following information summarizes those results.

GENERAL FUND BUDGET: STATEMENT OF REVENUEComparison of Budget to Actual Revenue

County receipts	\$	10,932,327	(52%) of budgeted revenue.
Permit Fee receipts	\$	18,487,649	(77%) of budgeted revenue.
Title V Permit Fees	\$	2,959,114	(80%) of budgeted revenue.
Asbestos Fees	\$	1,193,645	(66%) of budgeted revenue.
Toxic Inventory Fees	\$	378,661	(54%) of budgeted revenue.
Penalties and Settlements	\$	570,481	(34%) of budgeted revenue.
Miscellaneous Revenue	\$	41,540	(29%) of budgeted revenue.
Interest Revenue	\$	100,872	(49%) of budgeted revenue

**GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES**

Comparison of Budget to Actual Expenditures

· Personnel - Salaries	\$ 13,997,536	(45%) of budgeted expenditures.
· Personnel - Frienge Benefits	\$ 7,065,873	(53%) of budgeted expenditures.
· Operational Services and Supplies	\$ 6,829,107	(50%) of budgeted expenditures.
· Capital Outlay	\$ 906,064	(55%) of budgeted expenditures

Cash and Investments in County Treasury:

( Based on the December 2012 Account Balance)

General Fund	\$41,521,079
TFCA	\$63,683,804
MSIF	\$37,405,551
Carl Moyer	\$7,449,702
CA Goods Movement	\$38,248,563
	<u>\$188,308,699</u>

Investments Held as:

( Based on the November 2012 Account Balance)

Fixed Income Investments	53% of total investment pool
Short Term Investments	47% of total investment pool

**FUND BALANCES**

	<u>6/30/2011</u> <u>Audited</u>	<u>6/30/2012</u> <u>Audited</u>	<u>6/30/2013</u> <u>Projected</u>
Imprest Cash	\$ -	-	-
Building and Facilities	4,075,756	4,075,756	3,711,210
PERS Funding	1,500,000	1,500,000	1,365,836
Radio Replacement	75,000	75,000	68,292
Capital Equipment	1,219,818	1,219,818	1,110,714
Post-Employment Benefits	2,000,000	2,000,000	1,821,116
Worker's Compensation	1,000,000	1,000,000	910,557
Economic Uncertainties	130,660	130,660	118,973
<b>TOTAL SPECIAL RESERVES</b>	<u>\$ 10,001,234</u>	<u>\$ 10,001,234</u>	<u>\$ 9,106,698</u>
<b>UNDESIGNATED</b>	<u>9,528</u>	<u>3,441,554</u>	<u>4,358,208</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 10,010,762</u>	<u>\$ 13,442,788</u>	<u>\$ 13,464,906</u>



## VENDOR PAYMENTS

In accordance with provisions of the Administrative Code, Division II Fiscal Policies and Procedures - Section 4 Purchasing Procedures: 4.3 Contract Limitations, staff is required to provide the Board a listing of all of the vendors receiving payments in excess of \$70,000 under contracts that have not been previously reviewed by the Board. Prior Air District practice does not bring payments for recurring routine business costs such as utilities, licenses, office supplies and the like, before the Board, except as part of the Air District budget. The current practice now is to list such payments over \$70,000 in a quarterly financial report. The purpose is to increase the information flow to the Board and to maintain committee efficiency.

As a related practice, staff will report on vendors that undertook work for the Air District on several projects that individually were less than \$70,000, but cumulatively now total in excess of \$70,000. There were no vendors that meet this criterion during this period.

## BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: David Glasser  
Reviewed by: Jack M. Colbourn

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

Memorandum

To: Chairperson Carole Groom and Members  
of the Budget and Finance Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 15, 2013

Re: Air District Financial Overview

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Staff will review the status of the current fiscal year. The review will include a discussion of the strategies employed during the FYE 2013 budget cycle. Implications for the coming FYE 2014 budget process will also be reviewed.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Jeffrey McKay

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

Memorandum

To: Chairperson Carole Groom and Members  
of the Budget and Finance Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 18, 2013

Re: Update on the Joint Regional Agency Co-location at 390 Main Street

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Staff will present an update on the status of the acquisition of 390 Main Street. The update will focus on the status of costs and financing for the Air District's portion of the building.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Jeffrey McKay

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
Memorandum

To: Chairperson Ash Kalra and Members  
of the Board of Directors

From: Jack P. Broadbent  
Executive Officer/Air Pollution Control Officer

Date: January 24, 2013

Re: Report of the Mobile Source Committee Meeting of January 24, 2013

**RECOMMENDED ACTION**

The Mobile Source Committee recommends Board of Directors' approval of the following items:

- A) Projects with Proposed Grant Awards over \$100,000:
1. Approve Transportation Fund for Clean Air (TFCA) Program projects with proposed grant awards over \$100,000, with the exception of Projects 12R09, 12R10, 12R11 and 12R17, which were tabled for further review and discussion.
  2. Authorize the Executive Officer/Air Pollution Control Officer (APCO) to enter into agreements for the recommended TFCA projects.
- B) Matching Funds for Carl Moyer Program (CMP) Year 15 and United States Department of Energy (DOE) Alternative Fuels Project:
1. Adopt a resolution authorizing the Executive Officer/APCO to execute all necessary agreements with the California Air Resources Board (ARB) relating to the Air District's receipt of CMP funds for fiscal year 2012-2013 (Program Year 15).
  2. Allocate \$5 million in Mobile Source Incentive Funding (MSIF) to provide the required match funding and additional monies for projects eligible for funding under the CMP.
  3. Adopt a resolution authorizing the Executive Officer/APCO to allocate \$100,000 in TFCA monies to provide required match funding for a \$1 million DOE Alternative Fuels Project.

C) Selection of a Contractor for a Lawn Mower Replacement Program:

1. Approve the selection of Black & Decker, a contractor to assist the Bay Area Air Quality Management District (Air District) in the implementation of a lawn mower replacement program under a grant from the ARB.
2. Authorize the Executive Officer/APCO to enter into all necessary agreements with Black & Decker to implement the program funded by the ARB not to exceed \$364,050.

D) None; informational item, receive and file.

BACKGROUND

The Committee met on Thursday, January 24, 2013. The Committee received the following reports:

- A) Projects with Proposed Grant Awards over \$100,000
- B) Matching Funds for CMP Year 15 and DOE Alternative Fuels Project
- C) Selection of a Contractor for a Lawn Mower Replacement Program
- D) Port Truck Program Update

Attached are the staff reports presented in the Committee packet.

Chairperson Scott Haggerty will provide an oral report of the Committee meeting.

BUDGET CONSIDERATION/FINANCIAL IMPACT

- A) None. Through the CMP, MSIF and TFCA, the Air District distributes “pass-through” funds to public agencies and private entities on a reimbursement basis. Administrative costs for both programs are provided by each funding source.
- B) None. Through the CMP, MSIF, TFCA and DOE grant programs, the Air District distributes “pass-through” funds to public agencies and private entities on a reimbursement basis. Administrative costs for all programs are provided by each funding source.
- C) None. The Air District match and administrative funding for these projects comes from the MSIF and Air Quality Improvement Program.
- D) None. The Air District receives funding for the administration of these programs as part of the TFCA and California Goods Movement Bond programs.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Sean Gallagher

Reviewed by: Ana Sandoval

Attachments

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

## Memorandum

To: Chairperson Scott Haggerty and Members  
of the Mobile Source Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 15, 2013

Re: Projects with Proposed Grant Awards over \$100,000

**RECOMMENDATIONS**

Recommend the Board of Directors:

1. Approve Transportation Fund for Clean Air (TFCA) Program projects with proposed grant awards over \$100,000.
2. Authorize the Executive Officer/APCO to enter into agreements for the recommended TFCA Program projects.

**BACKGROUND**

The Bay Area Air Quality Management District (Air District) has participated in the Carl Moyer Program (CMP), in cooperation with the California Air Resources Board (ARB), since the program began in fiscal year 1998/1999. The CMP provides grants to public and private entities to reduce emissions of oxides of nitrogen (NOx), reactive organic gases (ROG) and particulate matter (PM) from existing heavy-duty engines by either replacing or retrofitting them. Eligible heavy-duty diesel engine applications include on-road trucks and buses, off-road equipment, marine vessels, locomotives, stationary agricultural pump engines and forklifts.

Assembly Bill 923 (AB 923 - Firebaugh), enacted in 2004 (codified as Health and Safety Code Section 44225), authorized local air districts to increase their motor vehicle registration surcharge up to an additional \$2 per vehicle. The revenues from the additional \$2 surcharge are deposited in the Air District's Mobile Source Incentive Fund (MSIF). AB 923 stipulates that air districts may use the revenues generated by the additional \$2 surcharge for projects eligible for grants under the CMP.

Since 1991, the Transportation Fund for Clean Air (TFCA) program has funded projects that achieve surplus emission reductions from on-road motor vehicles. Sixty percent (60%) of TFCA funds are awarded directly by the Air District to eligible programs implemented directly by the Air District (Spare the Air Program) and through a grant program known as the Regional Fund that is allocated on a competitive basis to eligible projects proposed by project sponsors. Funding for this program is provided by a \$4 surcharge on motor vehicles registered within the

San Francisco Bay Area as authorized by the California State Legislature. The statutory authority for the TFCA and requirements of the program are set forth in California Health and Safety Code Sections 44241 and 44242.

On March 7, 2012, the Board of Directors authorized Air District participation in Year 14 of the CMP, and authorized the Executive Officer/APCO to execute Grant Agreements and amendments for projects funded with CMP funds or MSIF revenues, with individual grant award amounts up to \$100,000. On November 18, 2009, the Air District Board of Directors authorized the Executive Officer/APCO to execute Grant Agreements and amendments for projects funded with TFCA funds, with individual grant award amounts up to \$100,000.

CMP and TFCA projects with grant award amounts over \$100,000 are brought to the Committee for consideration at least on a quarterly basis. Staff reviews and evaluates the grant applications based upon the respective governing policies and guidelines established by the ARB and/or the Air District's Board of Directors.

## DISCUSSION

### ***Carl Moyer Program***

No Carl Moyer Program applications requesting individual grant awards over \$100,000 are being recommended for approval at this time.

### ***TFCA***

On October 17, 2012, the Board approved TFCA Fiscal Year Ending 2013, Regional Fund policies for Shuttle, Ridesharing and Vanpool Projects and allocated up to \$4 million for these project types. The Air District opened a call for projects on October 19, 2012, and held a grant applications workshop in San Francisco on October 31, 2012. Project applications are evaluated based on cost-effectiveness and 60% of funding is reserved for projects in Highly Impacted Communities (HIC) as defined in the Air District's CARE Program, in Priority Development Areas (PDA) and that reduce greenhouse gasses (GHG).

As of November 19, 2012, the Air District had received 16 project applications. Of the applications that were evaluated between November 19, 2012 and January 9, 2013, a total of eight projects were determined to meet all Board approved policies. Of these, six eligible projects are proposed with individual grant awards over \$100,000; including one project recommended for a reduced award amount in order to meet TFCA Regional Fund cost-effectiveness criteria. These projects will result in the reduction of over 71 tons of NO<sub>x</sub>, ROG and weighted PM per year. Staff recommends awarding \$3,289,900 to these projects from TFCA funds. Attachment A to this staff report provides additional information on these projects.

Attachment B, lists six additional eligible projects that have proposed individual grant awards under \$100,000; with three projects recommended for reduced award amounts in order to meet TFCA Regional Fund cost-effectiveness criteria. These projects will be awarded \$229,920 and will result in the reduction of over 3 tons of NO<sub>x</sub>, ROG and weighted PM per year.



In total, the projects listed in Attachments A and B will result in the reduction of approximately 75 tons of NOx, ROG and weighted PM per year at a cost of \$3,519,820. These projects will also reduce an estimated 10,390 tons of GHGs and approximately 32% of the funds are for projects that reduce emissions in highly impacted Bay Area communities.

Finally, four projects are not recommended for funding based on the fact they are either not cost-effective at any dollar amount, are duplicative of existing transit service or do not meet the requirement of providing last-mile connector service. A listing of the projects not-recommended for funding is included in Attachment C.

BUDGET CONSIDERATION / FINANCIAL IMPACT

None. Through the CMP, MSIF and TFCA, the Air District distributes “pass-through” funds to public agencies and private entities on a reimbursement basis. Administrative costs for both programs are provided by each funding source.

Respectfully submitted,

Jack P. Broadbent  
Executive Director/APCO

Prepared by: Avra Goldman  
Reviewed by: Damian Breen

- Attachment A: FYE 2013 Recommended TFCA Shuttle, Ridesharing, and Vanpool Projects
- Attachment B: Summary of FYE 2013 TFCA Approved Projects Under \$100K
- Attachment C: Summary of FYE 2013 TFCA Projects Not Recommended Funding

ATTACHMENT A: FYE 2013 Recommended TFCA Shuttle, Ridesharing, and Vanpool Projects

Project #	Project Sponsor	Proposed Project Title	TFCA Regional Funds Requested	Proposed Award	PUL (Yrs.)	C-E	ROG (tpy)	Nox (tpy)	Weighted PM (tpy)	CO2 (tpy)	County	Project Type
12R12	Associated Students, San Jose State University	SJSU Ridesharing & Trip Reduction	\$ 120,000	\$ 120,000	1	\$ 23,833	0.64	1.51	2.88	2,674	REG	Regional Ridesharing
12R13	Metropolitan Transportation Commission	511 Ridesharing	\$ 1,000,000	\$ 1,000,000	1	\$ 41,759	7.28	7.75	8.91	9,423	REG	Regional Ridesharing
12R14	Peninsula Corridor Joint Powers Board	Caltrain Shuttles	\$ 1,000,000	\$ 1,000,000	1	\$ 44,273	6.05	6.18	10.35	7,594	SM	Existing Shuttle Service
12R15	Santa Clara Valley Transportation Authority	ACE Shuttles	\$ 960,000	\$ 960,000	1	\$ 54,655	4.35	5.05	8.17	648	SC	Existing Shuttle Service
12R16	The Presidio Trust	Shuttle PresidiGo	\$ 100,000	\$ 100,000	1	\$ 86,101	0.31	0.32	0.53	305	SF	Existing Shuttle Service
12R17	Livermore Amador Valley Transit	Shuttle Route 10	\$ 899,400	\$ 109,900	2	\$ 89,943	2.26	-4.18	3.14	678	ALA	Existing Shuttle Service
<b>Total</b>			<b>\$ 4,079,400</b>	<b>\$ 3,289,900</b>			<b>71.5</b>	<b>20.89</b>	<b>16.63</b>	<b>33.98</b>		<b>21,322</b>

PUL = Project Useful Life

C-E = Cost Effectiveness

TPY = Tons Per Year

ATTACHMENT B: Summary of FYE 2013 TFCA Approved Projects Under \$100K

Project #	Project Sponsor	Proposed Project Title	TFCA Regional Funds Requested	Proposed Award	PUL (Yrs.)	C-E	ROG (tpy)	Nox (tpy)	Weighted PM (tpy)	CO2 (tpy)	County	Project Type
12R06	San Joaquin Regional Rail Commission	Shuttle Route 53	\$ 44,000	\$ 44,000	1	\$ 62,067	0.32	0.31	0.63	483	ALA	Existing Shuttle Service
12R07	City of Redwood City	Midpoint Caltrain Shuttle	\$ 20,000	\$ 20,000	1	\$ 85,523	0.06	0.05	0.12	63	SM	Existing Shuttle Service
12R08	San Joaquin Regional Rail Commission	Shuttle Route 54	\$ 50,000	\$ 50,000	1	\$ 88,384	0.24	0.20	0.48	348	ALA	Existing Shuttle Service
12R09	Livermore Amador Valley Transit	Shuttle Route 1A/1B	\$ 141,395	\$ 27,400	2	\$ 89,729	0.14	-0.16	0.13	33	ALA	Existing Shuttle Service
12R10	City of Alameda Public Works Dept.	Shuttle Estuary Crossing	\$ 190,000	\$ 47,500	2	\$ 89,613	0.16	0.09	0.28	139	ALA	Existing Shuttle Service
12R11	The City of Richmond, CA	Shuttle Richmond Circular + Marina Bay	\$ 300,000	\$ 41,020	1	\$ 89,924	0.16	0.04	0.25	(27)	CC	Existing Shuttle Service
<b>Total</b>			<b>\$ 745,395</b>	<b>\$ 229,920</b>			<b>1.08</b>	<b>0.53</b>	<b>1.89</b>	<b>1,039</b>		

PUL = Project Useful Life

C-E = Cost Effectiveness

TPY = Tons Per Year

ATTACHMENT C: Summary of FYE 2013 TFCA Projects Not Recommended Funding

Project Sponsor	Proposed Project Title	TFCA Regional Funds Requested	PUL (Yrs.)	C-E	ROG (tpy)	Nox (tpy)	Weighted PM (tpy)	CO2 (tpy)	County	Project Type
San Francisco Sheriff's Department*	San Bruno Jail	\$ 27,620	1	\$ (62,050)***	-0.08	-0.31	-0.05	-12	SF	Existing Shuttle Service
San Francisco Municipal Transportation Agency**	82X	\$ 1,378,718	2	\$ 422,009	0.92	0.82	1.55	1115	SF	Existing Shuttle Service
The City of San Ramon, CA*	Bishop Ranch	\$ 207,900	1	\$ 1,142,334	0.07	-0.18	0.30	-371	CC	Pilot Shuttle Service
City of Oakland**	Broadway "B"	\$ 354,605	1	\$ 81,485	1.26	1.12	1.97	1483	ALA	Existing Shuttle Service

\*Route does not meet the TFCA FYE 2012 Criteria of last-mile connector service.

\*\*Route does not meet the TFCA FYE 2012 Criteria - Duplication of Service.

\*\*\*Not cost effective at any dollar amount

PUL = Project Useful Life

C-E = Cost Effectiveness

TPY = Tons Per Year

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

## Memorandum

To: Chairperson Scott Haggerty and Members  
of the Mobile Source Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 9, 2013

Re: Matching Funds for Carl Moyer Program Year 15 and United States Department of Energy (DOE) Alternative Fuels Project

**RECOMMENDATIONS**

Recommend the Board of Directors:

1. Adopt a resolution authorizing the Executive Officer/APCO to execute all necessary agreements with the California Air Resources Board (ARB) relating to the Air District's receipt of Carl Moyer Program funds for fiscal year 2012-2013 (Program Year 15).
2. Allocate \$5 million in Mobile Source Incentive Funding to provide the required match funding and additional monies for projects eligible for funding under the Carl Moyer Program.
3. Adopt a resolution authorizing the Executive Officer/APCO to allocate \$100,000 in Transportation Fund for Clean Air monies to provide required match funding for a \$1 million DOE Alternative Fuels Project.

**BACKGROUND**

The Bay Area Air Quality Management District (Air District) has participated in the Carl Moyer Program (CMP), in cooperation with the ARB, since the program began in fiscal year 1998/1999. The CMP provides grants to public and private entities to reduce emissions of oxides of nitrogen (NOx), reactive organic gases (ROG) and particulate matter (PM) from existing heavy-duty engines by either replacing or retrofitting them. Eligible heavy-duty diesel engine applications include trucks and buses, mobile off-road equipment, marine vessels, locomotives, stationary agricultural pump engines, and forklifts.

Assembly Bill 923 (AB 923 - Firebaugh), enacted in 2004 (codified as Health and Safety Code Section 44225), authorized local air districts to increase their motor vehicle registration surcharge up to an additional \$2 per vehicle. The revenues from the additional \$2 surcharge are deposited in the Air District's Mobile Source Incentive Fund (MSIF). AB 923 stipulates that air districts may use the revenues generated by the additional \$2 surcharge for projects eligible for grants under the CMP.

On December 5, 2012, the Board of Directors (Board) acted to accept a \$1 million grant from the DOE for a statewide initiative to advance alternative fuel markets (DOE Alternative Fuels Project). The DOE grant was awarded from the Clean Cities Program to advance alternative fuel markets by eliminating barriers to the deployment of alternative fuel vehicles (AFV) and infrastructure at California workplaces and in California fleets.

## DISCUSSION

### ***Carl Moyer Program***

The Air District has submitted an application to ARB requesting \$9,629,840 in funding for the implementation of the Year 15 (FY 2012/ 2013) CMP funding cycle. Up to 5% of the total funds awarded to the Air District will be used to pay for administrative expenses related to the implementation of the CMP. As part of the application, the Air District has proposed the commitment of \$1,450,000 in matching funds for Year 15. Staff is therefore requesting the Board meet this required match and expand the program for additional eligible emissions reductions projects by allocating \$5 million in MSIF funds.

Upon board approval, Staff plans to begin accepting CMP Year 15 applications during the summer of 2013. Project applications will be accepted and evaluated on a first-come, first-served basis until all funds have been allocated. Also, in accordance with the authorization granted to the Executive Officer/APCO on February 4, 2009, projects with individual grant awards up to \$100,000 will be executed by the Executive Officer/ APCO, and reported to the Mobile Source Committee (MSC) on at least a quarterly basis. Eligible projects with individual grant awards over \$100,000 will also be brought to the MSC for consideration at least quarterly.

ARB requires districts to use the 2011 CMP Guidelines to award Year 15 CMP funds. The guidelines require all projects to achieve a cost-effectiveness of \$17,080 or less per ton of reduced emissions in order to be eligible to receive funding. Year 15 funding must be obligated to eligible projects by June 30, 2014, and expended by June 30, 2015, and per AB 1390, 50% of all funding provided must be awarded to projects in impacted communities. The process that will be used for identifying and prioritizing CMP Year 15 projects with the most significant exposure (“impacted communities”) will be similar to the process used for the previous CMP funding cycles with priority being given to projects that reduce emissions in communities that will be determined based on new analysis provided by the Community Air Risk Evaluation (CARE) program.

### ***DOE Alternative Fuels Project***

The DOE Alternative Fuels Project is a statewide effort to develop templates and best practices for permitting AFV refueling infrastructure, collaborate with colleges on first responder training, promote workplace electric vehicle (EV) charging, and to work with fleets to implement petroleum reduction strategies.

Subsequent to the Board's action on December 5, 2012, DOE requested an additional resolution allocating \$100,000 in matching funds for this project. Staff had planned to request these monies as part of a larger alternative fuels program that will be rolled out this summer, pending

Committee approval. However, based on the DOE's requirement, staff is now requesting that the Committee recommend that the Board allocate \$100,000 in match monies from the Transportation Fund for Clean Air (TFCA) for an Air District Program which will provide:

- \$16,666 in funding to the regions three (3) Clean Cities Coalitions (San Francisco, East Bay and Silicon Valley) to fund training and outreach on materials developed by the grant to local employers and fleets, and
- \$50,000 to the Air District to cover staff costs for the execution of the grant.

It is expected that the efforts to promote alternative fuel vehicles under this grant and the larger deployment program will result in the replacement of hundreds of alternative fuel partial zero and zero emissions vehicles. Therefore, this project meets the requirements of Board adopted TFCA policies and is cost-effective below the \$90,000 per ton of emissions reduced cap.

#### BUDGET CONSIDERATION / FINANCIAL IMPACT

None. Through the CMP, MSIF, TFCA and DOE grant programs the Air District distributes "pass-through" funds to public agencies and private entities on a reimbursement basis. Administrative costs for all programs are provided by each funding source.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Anthony Fournier  
Reviewed by: Damian Breen

Attachment A: Resolution accepting Carl Moyer Program funds from ARB  
Attachment B: Resolution authorizing the Executive Officer/Air Pollution Control Officer to provide \$100,000 in matching funds for one contract with the United States Department of Energy

AGENDA: 5 - ATTACHMENT A

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

**RESOLUTION No. 2013 -**

**A Resolution Accepting Carl Moyer Program Funds  
from the California Air Resources Board**

WHEREAS, California Health and Safety Code Division 26, Part 5, Chapter 9, empowers the California Air Resources Board (ARB) to allocate Carl Moyer Program funds to local air quality districts to provide financial incentives to both the public and private sector to implement eligible projects to reduce emissions from on-road, marine, locomotive, agriculture, and off-road engines;

WHEREAS, California Health and Safety Code section 44287, authorizes ARB to provide an air district with funds if that district provides matching funds in an amount established by ARB;

WHEREAS, the Bay Area Air Quality Management District (District) submitted an application to ARB requesting \$9,629,840 in Carl Moyer Program funds to implement the Carl Moyer Program for the fiscal year (FY) 2012-2013 (Year 15) cycle;

WHEREAS, the District proposed to commit up to \$1,450,000 in matching funds as part of the FY 2012-2013, (Year 15) Carl Moyer Program cycle, in accordance with the requirements of California Health and Safety Code section 44287;

WHEREAS, ARB has authorized a grant to the District to implement the Carl Moyer Program Year 15, upon approval by the Board of Directors to accept such grant of funds;

WHEREAS, ARB will award the a grant in the amount of as much as \$9,629,840, with the District-required match of up to \$1,450,000.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors hereby approves the District's continued participation in the Carl Moyer Program and acceptance of the FY 2012-2013, Carl Moyer Program funds, to be awarded to eligible projects in accordance with the ARB Carl Moyer Program guidelines.

BE IT FURTHER RESOLVED, the District will provide the required matching funds by allocating local motor vehicle surcharge revenues to eligible emission reduction projects that qualify for Carl Moyer Program matching purposes.



BE IT FURTHER RESOLVED, the Executive Officer/Air Pollution Control Officer is hereby authorized and empowered to execute on behalf of the District grant agreements with ARB and all other necessary documents to implement and carry out the purposes of this resolution.

The foregoing resolution was duly and regularly introduced, passed and adopted at a regular meeting of the Board of Directors of the Bay Area Air Quality Management District on the Motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, on the \_\_\_\_ day of \_\_\_\_\_, 2013, by the following vote of the Board:

AYES:

NOES:

ABSENT:

---

Ash Kalra  
Chairperson of the Board of Directors

ATTEST:

---

Carole Groom  
Secretary of the Board of Directors

AGENDA: 5 - ATTACHMENT B

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

**RESOLUTION NO. 2013-\_\_\_\_\_**

**A Resolution**

**Authorizing the Executive Officer/Air Pollution Control Officer to provide \$100,000 in matching funding for One Contract with the United States Department of Energy**

WHEREAS, the Air District has been awarded a grant by the United States Department of Energy (DOE) for up to \$1.0 million to advance alternative fuel markets by eliminating barriers to the deployment of alternative fuel vehicles and infrastructure at California workplaces and in California fleets;

WHEREAS, funds have been made available through the DOE Office of Energy Efficiency and Renewable Energy (EERE);

WHEREAS, the Air District is an eligible project sponsor for DOE funds;

WHEREAS, DOE requires the Air District to provide 10% matching funds for the grant;

WHEREAS, the Air District Board of Directors acted on December 5, 2013, to authorize the acceptance of this funding, but prior to notification from DOE that matching funds would be required;

WHEREAS, Resolution 2012-12 adopted by the Board of Directors on December 5, 2012 included a recital that no matching funds would be required and did not include authorization for a contribution of matching funds;

WHEREAS, the Board of Directors wishes to rescind Resolution 2012-12 and replace it with this resolution authorizing matching funds and again authorizing the Executive Officer to enter into the grant contract.

NOW, THEREFORE, BE IT RESOLVED that the Air District is an eligible sponsor of DOE-funded projects.

BE IT FURTHER RESOLVED that there is no pending or threatened litigation that might in any way adversely affect the proposed DOE grant contract, or the ability of the Air District to deliver such project.

BE IT FURTHER RESOLVED that the Board of Directors hereby rescinds Resolution 2012-12.

BE IT FURTHER RESOLVED that the Board of Directors authorizes the acceptance of EOE EERE funds and commits to comply with DOE requirements.

BE IT FURTHER RESOLVED that the Board of Directors authorizes the Executive Officer or designee to enter into a grant contract with DOE on behalf of the Air District to advance alternative fuel markets by eliminating barriers to the deployment of alternative fuel vehicles and infrastructure at California workplaces and in California fleets.

BE IT FURTHER RESOLVED that the Board of Directors authorizes the Executive Officer or designee to provide \$100,000 in Transportation Fund for Clean Air monies to support Air District staff and contractor costs to match the grant funding provided by DOE.

The foregoing resolution was duly and regularly introduced, passed and adopted at a regular meeting of the Board of Directors of the Bay Area Air Quality Management District on the Motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, on the \_\_\_\_ day of \_\_\_\_\_, 2013 by the following vote of the Board:

AYES:

NOES:

ABSENT:

---

Ash Kalra  
Chair of the Board of Directors

ATTEST:

---

Carole Groom  
Secretary of the Board of Directors

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

## Memorandum

To: Chairperson Scott Haggerty and Members  
of the Mobile Source Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: December 27, 2012

Re: Selection of a Contractor for a Lawn Mower Replacement Program

RECOMMENDATIONS

Recommend the Board of Directors:

1. Approve the selection of Black & Decker, a contractor to assist the Bay Area Air Quality Management District (Air District) in the implementation of a lawn mower replacement program under a grant from the California Air Resources Board (ARB)
2. Authorize the Executive Officer/APCO to enter into all necessary agreements with Black & Decker to implement the program funded by the ARB not to exceed \$364,050

BACKGROUND

Lawn mower replacement programs provide a streamlined approach to reduce emissions by replacing existing gasoline lawn mowers with cordless, zero-emission equipment. Replacement programs provide real emission benefits by providing lawn mower owners the incentivized option of purchasing a cordless, zero-emission mower instead of higher polluting gasoline equipment. Zero-emission lawn mowers are not required by regulation, so all emissions reduced by equipment “change outs” are surplus.

The Air District submitted a proposal to the ARB to implement a lawn mower replacement program under ARB’s Air Quality Improvement Program (AQIP) in early 2011 and was awarded a grant of \$182,025. The Air District’s Board of Directors subsequently passed Resolution No. 2011-05 on May 4, 2011, allocating \$182,025 in match funding from the Mobile Source Incentive Funds (MSIF). Therefore, the total funding available for this program is \$364,050.

In order to implement the program, staff issued an initial Request for Proposals (RFP) on January 12, 2012, seeking a contractor(s) to assist with its implementation. As part of that process staff received a proposal from RW Direct-WORX to operate the program which was recommended by the Committee and approved by the Board on July 30, 2012. However, on October 1, 2012, following extensive contract negotiations, RW Direct-WORX informed the Air District that they were no longer interested in conducting the program.

## DISCUSSION

In response to RW Direct-WORX withdrawal, the Air District reissued an RFP on October 23, 2012, seeking a contractor(s) to assist with the implementation of the Lawn Mower Replacement Program. The RFP invited proposals from cordless electric mower manufacturers, cordless electric mower merchants, and other companies that could provide on a turn-key basis a range of services, including all customer interfacing aspects of the Program. The RFP contained all of the requirements in the Carl Moyer Guidelines including the details regarding customer registration, used-mower turn-in and recycling, hazardous materials disposal, new-mower sales and service, advertising, and required data and reports to the Air District. The RFP also stated that the timeline for completion of the Program is the spring/summer of 2013, and the expenditure deadline for ARB funds is June 30, 2013.

The RFP closed on November 26, 2012, and the Air District received one (1) application from Black & Decker Company (Black & Decker). Black & Decker managed lawn mower replacement programs for the Air District from 2004 to 2006 and for the South Coast Air Quality Management District from 2009-2012; in addition to nine (9) other lawn mower replacement programs nationwide. Their proposal provides eligible applicants the choice of two (2) Black & Decker electric lawn mowers, the CM1836 and CM1936, which would cost eligible participants \$100 and \$180 respectively, when used with the program's \$145 rebate. Both lawn mowers have 30 day satisfaction guarantees and two (2) year warranties and Black & Decker has service centers in Hayward, San Francisco, Berkeley and Pittsburg. Black & Decker proposed to hold up to four (4) local events to conduct exchanges from mid-March to the end of May, 2013, if approved as contractor for this program.

## BUDGET CONSIDERATION / FINANCIAL IMPACT

None. The Air District match and administrative funding for these projects comes from the MSIF and AQIP program.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Joseph Steinberger  
Reviewed by: Damian Breen

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
Memorandum

To: Chairperson Scott Haggerty and Members  
of the Mobile Source Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: January 9, 2013

Re: Port Truck Program Update

**RECOMMENDATION**

None; receive and file.

**BACKGROUND**

In December of 2007, the California Air Resources Board (ARB) approved a regulation to reduce emissions from drayage trucks operating at California's ports and intermodal rail yards. The first phase of the regulation went into effect on December 31, 2009, and Phase 2 of the regulation goes into effect on December 31, 2013. A summary of the regulation's compliance requirements is shown in Table 1.

**Table 1: ARB Drayage Truck Regulation Compliance Schedule**

Phase	Date	Engine Model Years (MY)	Regulation requirement
<b>Phase 1</b>	12/31/09	1993 and older	Prohibited from operation as a drayage truck
		1994 – 2003	Install a Level 3 retrofit device
	12/31/11	2004	Install a Level 3 retrofit device
	12/31/12	2005 and 2006	Install a Level 3 retrofit device
<b>Phase 2</b>	12/31/13	1994 – 2006	Meet 2007 * engine emissions standards

\* Trucks with 2007-2009 model year engines are compliant through 2022. Trucks with 2010 and newer engines are fully compliant

As part of this report, the Committee will be updated on the Bay Area Air Quality Management District's (Air District) continued efforts to assist port truck drivers in reducing their emissions ahead of the interim Phase 1 and Phase 2 regulatory deadlines.

**DISCUSSION**

Table 2 contains data from the ARB Drayage Truck Registry database, and describes the population of trucks calling on Northern California ports by engine model year, those trucks eligible for funding under the various grant programs administered by the Air District since 2009 and those trucks already compliant with Phase 2 of ARB's regulation.

**Table 2: Drayage truck population as of November 2011**

Engine MY	Compliant until	# of Drayage trucks in Northern CA <sup>1</sup>	# of trucks that received grant funds	Grant funds contracted/expended
1994-2003 (w/ retrofits)	12/31/13	1,700	1,319 retrofits	\$15,586,534 <sup>2</sup>
			708 contracted	\$19,230,000 <sup>3</sup> contracted
2007 – 2009	12/31/22	1,400	203	\$10,150,000 <sup>2</sup>
2010 +	Fully compliant	500		
<b>Total</b>		<b>3,600</b>	<b>2,230</b>	<b>\$44,966,534</b>

**Notes:**

1. Trucks registered in the ARB Drayage Truck Registry (DTR) with zip codes North of Fresno.
2. Funding sources for the Air District’s Year 1 port truck funding program: TFCA (\$5 million), Port (\$5 million), ARB Prop 1B (\$13,835,133), and DERA (~\$2 million)
3. I-Bond Year 3 funding

Since 2009, the Air District has implemented several incentive programs to reduce emissions from port trucks in the Bay Area. Over the past four years these programs have awarded approximately \$45 million to port truck owners in Northern California reducing over forty tons of PM<sub>2.5</sub> emissions in West Oakland. An independent UC Berkley study has also confirmed that these programs in combination with the ARB regulation have cut port truck pollution in this community by half.

***Port trucks with Engine Model Year 2004, 2005 and 2006***

However, port trucks with 2004, 2005 and 2006 model year engines (see Table 3) were not eligible to receive grant funding from these programs. These trucks are newer, have lower emissions, and have had more time than the older port trucks (1994-2003 MY trucks) to prepare for the regulatory compliance requirements that went into effect at the end of 2011 and 2012. Based on the lack of funding for the 2004-2006 trucks, the Board of Directors (Board) directed staff to design a program(s) to provide grant funds to help replace these trucks.

**Table 3: Drayage truck population as of November 2011**

Engine MY	Compliant until	# of Drayage trucks in Northern CA <sup>1</sup>	# of trucks that received grant funds	Grant funds contracted/expended
2004 (w/ retrofits)	12/31/13	700	4	\$40,000
2005 & 2006	12/31/12	2,200	TBD <sup>2</sup>	TBD <sup>2</sup>
<b>Total</b>		<b>2,900</b>	<b>4</b>	<b>\$40,000</b>

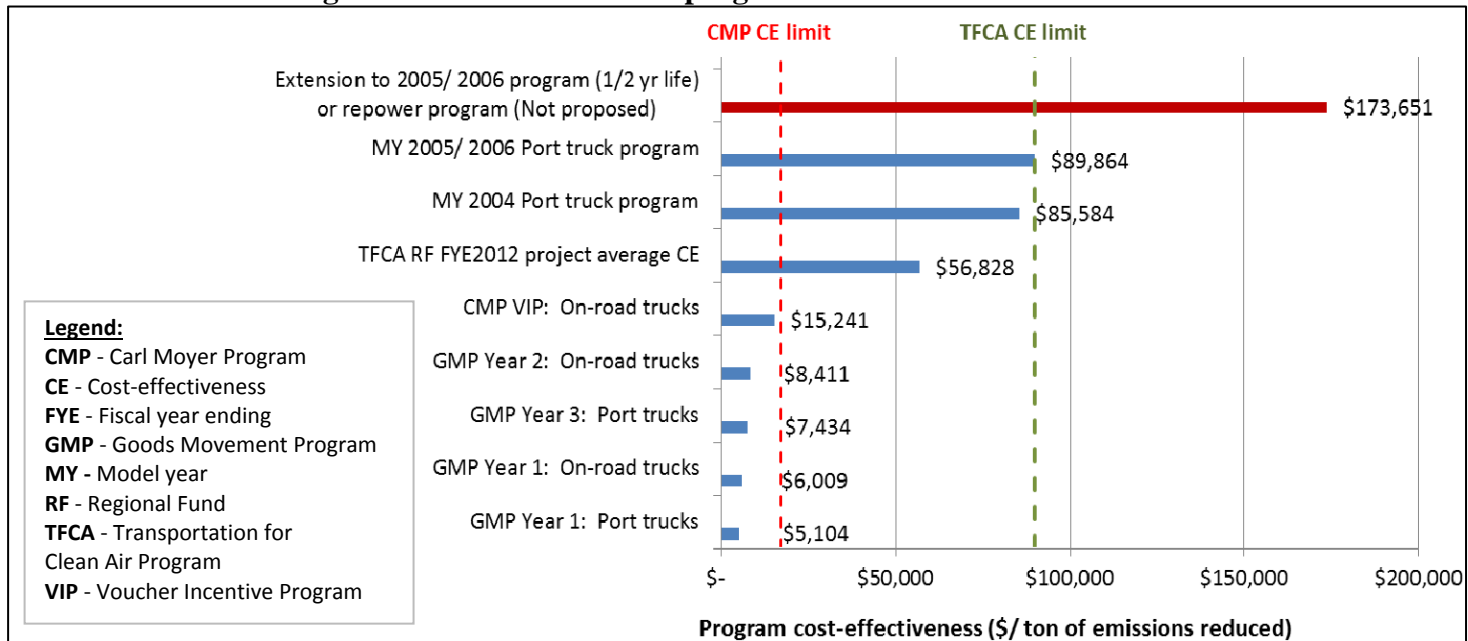
**Notes:**

1. Trucks registered in the ARB Drayage Truck Registry (DTR) with zip codes North of Fresno.
2. 87 applications received, projects are being placed under contract by Air District staff.

Between December 2011 and March 2012, the Board approved two programs to provide grant opportunities for the engine model year 2004, 2005/ 2006 port trucks registered in the Bay Area. These programs were funded by a combination of \$2 million in TFCA Regional Funds, and \$1.43 million in Alameda County TFCA Program Manager Funds. As part of the programs, Port truck owners were eligible to combine a \$10,000 grant for replacing their existing trucks with the old truck’s trade-in value. That combination was targeted to provide similar levels of funding to that being offered by other Air District port truck replacement programs. Cascade Sierra Solutions (CSS) contracted with the Air District to assist with program implementation, the sale of new trucks and to ensure the program could achieve required emissions reductions by ensuring that the old trucks traded-in remained out-of-state for the period of five years.

The \$10,000 grant award amount offered by the programs was the maximum amount eligible under the \$90,000 cost-effectiveness limit established by the Board of Directors for the TFCA program. By way of comparison, Figure 1, shows the cost-effectiveness of the 2004 and 2005/2006 port truck programs compared to the Air District’s other truck replacement grant programs.

**Figure 1: Air District Grant program Cost-effectiveness since 2009**



Despite extensive outreach by the Air District, the Port of Oakland and CSS, only four (4) projects were completed under the 2004 program and the 2005/2006 port truck programs accepted only 87 project applications between August 16, 2012 and September 28, 2012. The low number of applications is believed to be a result of truck owners having changed their operations to go into over-the-road service or having found better deals on higher emitting, lower cost trucks compliant with ARB regulations but ineligible for funding under ARB and Air Districts grant programs.



## *Exploration of Additional Opportunities to Reduce Port Drayage Truck Emissions*

At the December 3, 2012, Committee meeting staff was directed to look into the possibility of further reducing emissions from port drayage trucks by providing funding for an engine repower program. An engine repower replaces an existing engine in a truck with an engine that is newer and cleaner. These projects are generally cheaper than truck replacement projects and are an acceptable compliance method for ARB regulations.

Based on the Committee's direction, Staffs found that repowers have recently (within the last six months) become available for 2005/2006 trucks that enable them to meet the emission standards required by ARB as part of Phase 2 of its drayage truck regulation. These repowers are generally within the \$25,000-\$30,000 cost range and while these repowers have been available, fewer than 40 have been completed to date. In determining whether or not such repowers could be feasible and cost-effective, staff looked at what would be necessary for a truck to: 1) meet current ARB regulatory requirements for port service and 2) the cost-effectiveness of such projects based on a grant of \$10,000 towards the cost of repowering a port truck.

In order for the Air District not to be "paying for compliance," an existing 2005/2006 truck in port service would be required to have installed a retrofit device. This is a highly unlikely scenario given the fact that retrofit devices cost upwards of \$15,000 and would be good for only one year (12/31/2013 - when ARBs Phase 2 requirements go into effect). Staff believes it is highly likely that faced with such a cost, a port trucker would have either replaced the vehicle with a Phase 2 compliant engine model year 2007 truck or have left port service.

Additionally, a program that would offer \$10,000 towards the cost of repowering a port truck has very poor cost-effectiveness. Even with this low dollar amount, because of the proximity of the ARB Phase 2 compliance deadline, there is insufficient surplus emissions from projects to allow them to comply with the \$90,000 per ton of emissions reduced cost-effectiveness cap for TFCA funding (see Figure 1). At even higher funding amounts the program would become even less cost effective. Additionally, based on the uptake of these repowers to date and staff's experience in the performance of similar projects, it is unlikely that a large percentage of port truckers would choose this option even in the presence of available grant funding. Therefore, staff is not recommending the implementation of a repower program at this juncture.

### BUDGET CONSIDERATION / FINANCIAL IMPACT

None. The Air District receives funding for the administration of these programs as part of the TFCA and I-Bond programs.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Anthony Fournier  
Reviewed by: Damian Breen