

A photograph of the Golden Gate Bridge in San Francisco, California, viewed from a high vantage point on a hillside. The bridge's red-orange towers and suspension cables are prominent against a blue sky with light clouds. The water of the bay is visible below the bridge. The foreground shows a grassy hillside with some trees and a fence line.

AGENDA: 11A

# *Climate Protection Grant Program*

Board of Directors Meeting  
June 6, 2018

Abby Young  
Climate Protection Manager



# Climate Protection Grant Program

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*One-of-a-kind program provides a  
model for other air districts*

- Builds off past success
  - 2007 climate grants to local govts and non-profits
  - Launched key initiatives: Marin Clean Energy, BerkeleyFirst (PACE), 20 local climate action plans
- Supports public agencies in taking climate action to the next level



# Climate Protection Grant Program

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*\$4.5 million for public agencies to overcome key barriers to transition to zero carbon future*

- Unique approach:
  - Dual goal of supporting regional Clean Air Plan and local climate strategies
  - Focus on innovation and replicability
- Addressing critical funding gaps:
  - Reducing GHGs in existing buildings
  - Fostering innovative strategies across sectors

# Climate Protection Grant Program

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- \$4.5 million authorized in FYE 2018 budget
- Public agencies are eligible applicants
- Awards: between \$100,000 - \$300,000, with possible awards up to \$500,000
- Scoring criteria:
  - emission reductions
  - cost-effectiveness
  - strength of approach and budget
  - innovation and replicability
  - benefit to CARE and low-income communities

# Results

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## 17 Projects recommended for funding

- 9 projects reduce GHGs in existing buildings
- 8 projects foster innovative strategies
- Projects span 7 counties
- GHG emission reductions, at least (conservative estimates):
  - Near-term = 22,376 metric tons CO<sub>2</sub>e
  - Longer-term = 79,264 metric tons CO<sub>2</sub>e
- Co-benefits: indoor and outdoor air quality, financial savings, new markets for green technologies

# Kick-starting Regional Transformation

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## Decarbonizing Buildings

- Building market for low/no carbon technologies
- Changing behavior of homeowners, small businesses, technology vendors and contractors
- Training building inspectors and permit staff
- Implementing facilitating policies

## Innovative low-GHG strategies

- Using technology to reduce contamination in organic waste
- Reducing “super-GHGs” in corner markets and saving money for small businesses
- Developing a regional market for low-carbon concrete
- Creating designs and building specs for all-green rental units



# High Level Outcomes

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- Regional market transformation for low-carbon technologies
- Large-scale behavior change to influence purchasing power and emissions
- Air quality, cost of living and other co-benefits
- Public agency leadership to break down barriers to green technologies
- Stimulating creativity and innovation across sectors
- Highly replicable examples to spread influence beyond the Bay Area



BAY AREA  
AIR QUALITY  
MANAGEMENT  
DISTRICT

AGENDA: 12

# **Discussion of Space on the Eighth Floor of 375 Beale Street and Recommendation to Purchase**

**Board of Directors Meeting  
June 6, 2018**

Jeff McKay  
Chief Financial Officer





# PURCHASE OF EIGHTH FLOOR SPACE OUTLINE

- Use of Reserves
- Original Purchase of Condominium Unit
- Terms for Proposed Eighth Floor Purchase



# RESERVES DESIGNATIONS

## *FYE 2019 Proposed Budget*

<b><u>Proposed Designations for FYE 2019:</u></b>	<b>\$M</b>
Additional Purchase at 375 Beale	5
East Bay Real Estate	7
Napa/Sonoma Fireplace Replacement Grants	3
Woodsmoke Grants	1
<b>Total Designations</b>	<b>16</b>
<i>Economic Contingency (20% of budget)</i>	<b>19</b>
<b>TOTAL FYE 2019 RESERVES*</b>	<b>\$ 35</b>
<b><u>Use of Reserves in FYE 2019 Proposed Budget</u></b>	
Technology Implementation Office	\$ 4

\* Reserves are subject to change at Board's discretion. Reserves may be expended over a period of years (Includes Building Proceeds)



## ORIGINAL PURCHASE AT 375 BEALE ST

- Original Purchase of Condominium Unit
- 77,163 Rentable Square Feet (rsf)
- All of Floor 6 and 18,250 rsf on Floor 7
- \$385 / rsf fully furnished
- Total \$29.7 M
- \$9 M cash with the balance financed over 30 years

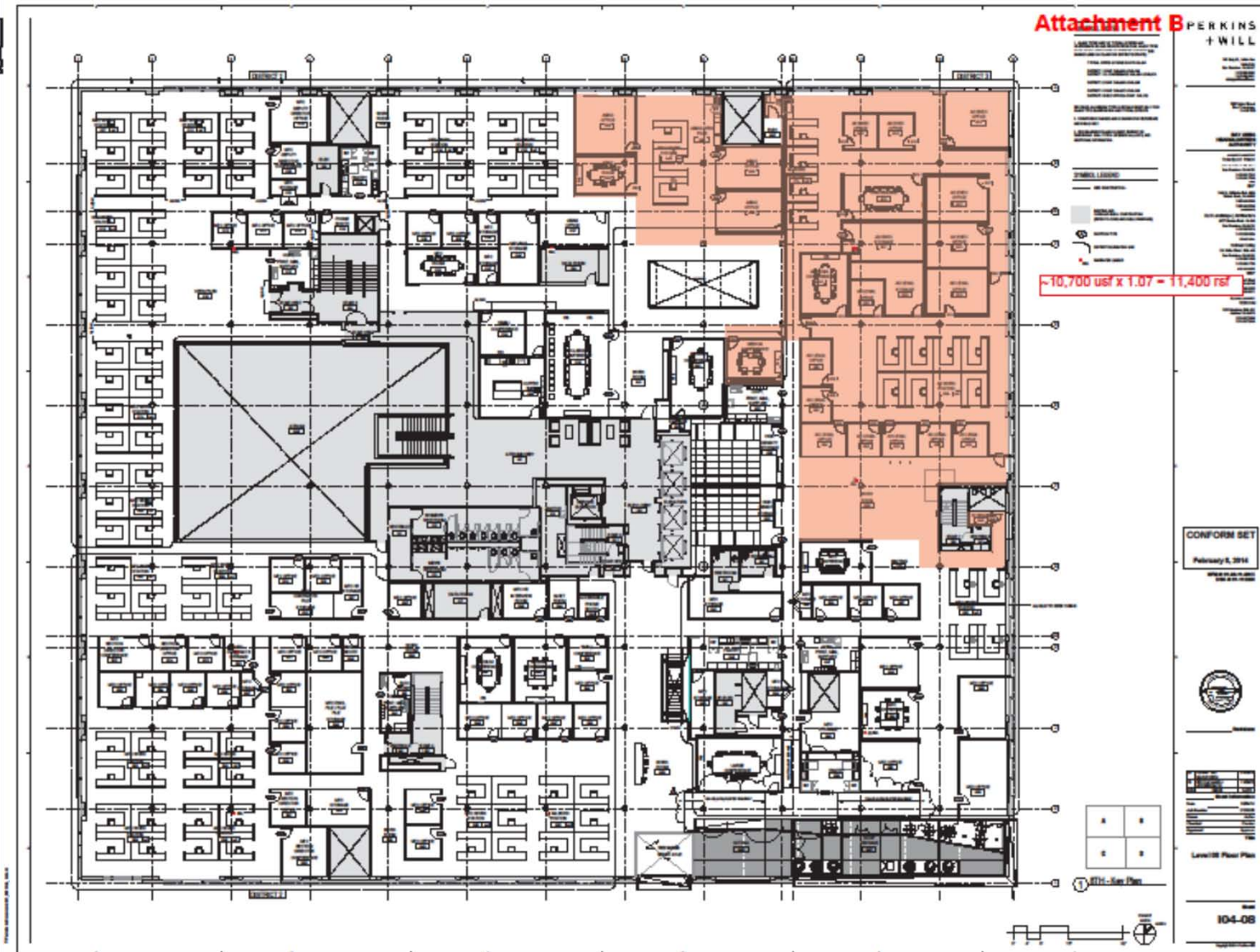


## EIGHTH FLOOR PURCHASE

- Addition to existing Condominium Unit 3
- Currently occupied by Air District
- 11,400 rsf
- Northeast corner of Floor 8
- \$385 / rsf fully furnished
- Total \$4.4 M
- Cash transaction



# PURCHASE OF EIGHTH FLOOR SPACE OUTLINE





## RECOMMENDATION

Recommend the Board of Directors approve the purchase of approximately 11,400 rentable square feet (rsf), but not more than 13,000 rsf, on the 8th Floor of 375 Beale Street, in substantially the form of Attachment A, Purchase and Sale Agreement (PSA) and Joint Escrow Instructions, at a price of \$385/rsf, with a total purchase price not to exceed \$5,005,000, and authorize the Executive Officer to negotiate and execute the PSA and Joint Escrow Instructions with the Bay Area Headquarters Authority, and to negotiate and execute amended Covenants, Conditions, and Restrictions.

AGENDA: 13

***Governor's Global Climate  
Action Summit  
BAAQMD Affiliated Event***

Board of Directors Meeting  
June 6, 2018

Lisa Fasano, Communications Officer

Abby Young, Climate Protection Manager

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# Governor's Global Climate Action Summit

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## Governor's purpose:

- Event: September 12-14 in San Francisco
- Importance of city, county and state leadership and action in achieving int'l climate goals
- Inspire public commitments, calls to action by government leaders, businesses and organizations
- Showcase innovative solutions to reducing GHG emissions

## What the event will look like:

- 15,000 attendees from government, business and civil society
- Main venue at Moscone Center
- "Affiliate" events" throughout SF, Bay Area and beyond





# BAAQMD Affiliated Forum

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## Bay Area Climate Leadership Forum

- High profile, local govt. focused event at 375 Beale
- Audience:
  - Mayors, elected officials from Bay Area and beyond
  - Regional business, civic affiliations, community leaders
- Focus-Bay Area climate innovation and leadership
- Public release of pledge to go diesel-free
- Goal: drive momentum toward region-wide diesel free solutions as catalyst promoting further action

# Forum Agenda

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- Opening “Mayors Roundtable”
  - Bay Area, California and international mayors
- Pledge presentation, signing, media event
- Community-based solutions
  - Business leaders, NGO’s
- Inspiring, high profile keynote speakers
- Afternoon reception

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# Diesel-free by 33

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*The **Diesel-free by 33** Pledge and Leadership Forum provide a perfect intersection between climate protection and reducing community exposure*

- Meets Governor's priorities:
  - Significant, public commitment to climate protection
  - Advances objectives of AB 617
- Achieves Air District's goals
  - Reduces an important source of GHG emissions (black carbon)
  - Reduces community exposure to particulate matter

# Diesel-free by 33

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We are requesting that Board Members:

1. Review and sign the Pledge
2. Encourage your councils, boards and city governments to sign and adopt Pledge goal
3. Become champions for the diesel free movement

In addition to strong Bay Area support for the Pledge, we are working to secure support across California, the U.S. and beyond.

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# Diesel-free by 33

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If you have questions, contact:

Lisa Fasano

Director of Communications

415-749-5170

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



BAY AREA  
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AGENDA: 14

# **Public Hearing to Consider Adoption of Proposed Amendments to Air District Regulation 3: Fees, and Approval of the Filing of a Notice of Exemption from the California Environmental Quality Act**

**Board of Directors Meeting  
June 6, 2018**

Jeff McKay  
Chief Financial Officer

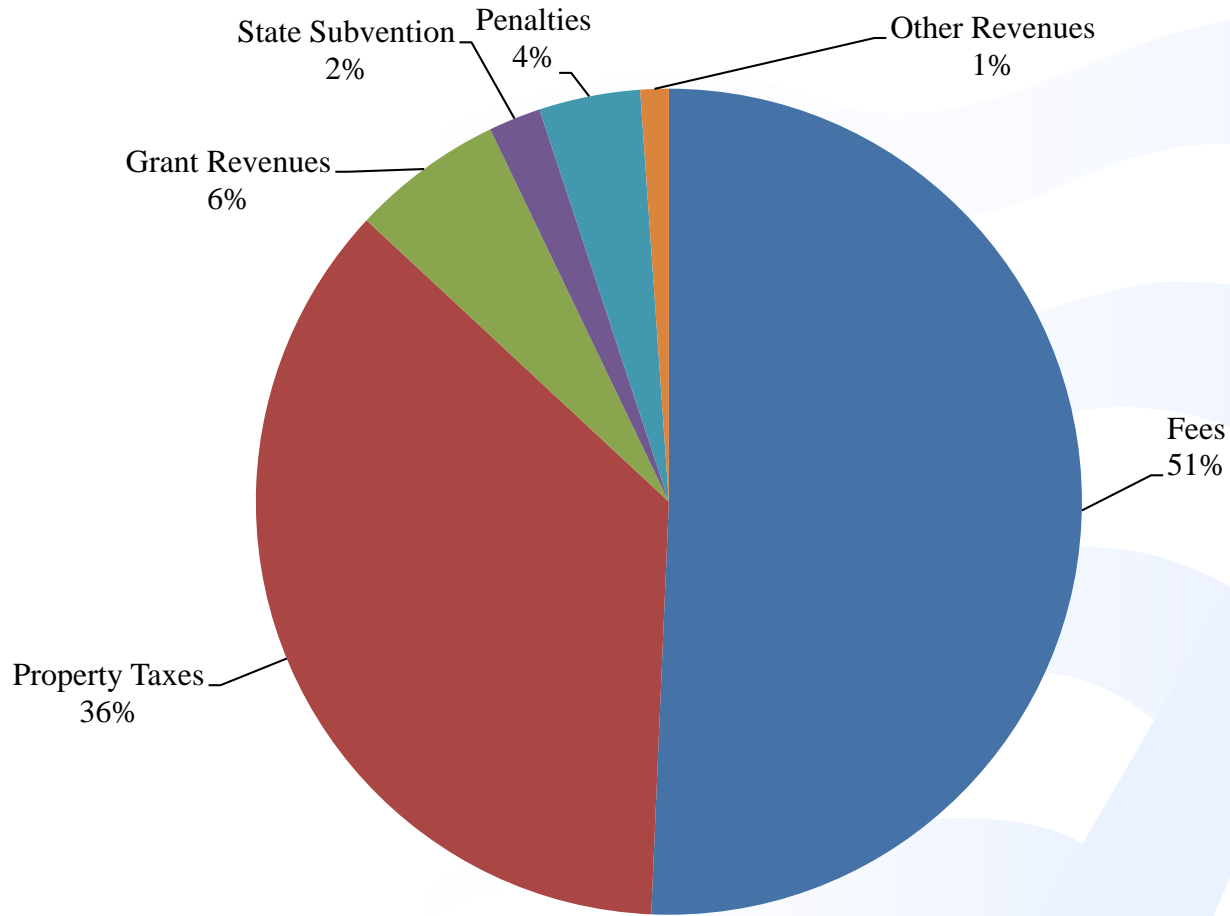


# Presentation Outline

1. Cost Recovery Background
2. Draft Fee Amendments
3. Public Comments Received
4. Impacts on Facilities
5. Rule Development Schedule



# Revenue Sources – Fiscal Year Ending (FYE) 2017





A photograph of the Golden Gate Bridge in San Francisco, California, spanning across the water. The bridge is a suspension bridge with two large towers and cables. The sky is blue and the water is a deep blue. In the foreground, there are some buildings and a walkway.

# Cost Recovery Background

- Air District has authority to assess fees to recover the reasonable costs of regulating stationary sources
- General policy to fully recover costs of regulatory program activities
- Set policy in 2012 of increasing cost recovery to 85%
- Fee amendments will be made in consideration of cost recovery analyses conducted at the fee schedule-level
- Air District will implement feasible cost containment measures



# Trends in Cost Recovery

- Fee revenue falls short of overall full cost recovery
  - FYE 2011: Cost recovery = 65%
  - FYE 2012: Cost recovery = 75%
  - FYE 2013: Cost recovery = 80%
  - FYE 2014: Cost recovery = 80%
  - FYE 2015: Cost recovery = 83%
  - FYE 2016: Cost recovery = 82%
  - FYE 2017: Cost recovery = 83%
- Cost recovery gap is filled by county tax revenue

# Proposed Changes to Fee Schedules

Revenue from Fee Schedule	Change in Fees	Fee Schedules
95 – 110% of costs	3.1% increase** (CPI-W*)	B, M, S, V
85 – 94% of costs	7% increase	F, G3, P, T
75 – 84% of costs	8% increase	D
50 - 74% of costs	9% increase	E, G1, H
Less than 50% of costs	15% increase**	A, G2, G4, I, K, R

\* The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increase from 2016 to 2017.

\*\* 2018 Matrix Consulting Group Cost Recovery & Containment Study recommendations.



# Proposed Changes to Fee Schedules

## ➤ Fee Schedules with 3.1% Increase

- Schedule B: Combustion of Fuels
- Schedule M: Major Stationary Source Fees
- Schedule S: Naturally Occurring Asbestos Operations
- Schedule V: Open Burning



# Proposed Changes to Fee Schedules

## ➤ Fee Schedules with 7% Increase

- Schedule F: Misc. Sources (storage silos, abrasive blasting)
- Schedule G-3: Misc. Sources (metal melting, cracking units)
- Schedule P: Major Facility Review Fees
- Schedule T: Greenhouse Gas Fees



# Proposed Changes to Fee Schedules

## ➤ Fee Schedules with 8% Increase

- Schedule D: Gasoline Transfer at Gasoline Dispensing Facilities, Bulk Plants & Terminals

## ➤ Fee Schedules with 9% Increase

- Schedule E: Solvent Evaporating Sources
- Schedule G-1: Misc. Sources (glass manufacturing, soil remediation)
- Schedule H: Semiconductor and Related Operations



# Proposed Changes to Fee Schedules

## ➤ Fee Schedules with 15% Increase

- Schedule A: Hearing Board Fees
- Schedule G-2: Misc. Sources (asphaltic concrete, furnaces)
- Schedule G-4: Misc. Sources (cement kilns, sulfur removal & coking units, acid manufacturing)
- Schedule I: Dry Cleaners
- Schedule K: Solid Waste Disposal Sites
- Schedule R: Equipment Registration Fees

# Other Proposed Amendments

## Schedule E: Solvent Evaporating Sources

- Revisions to directly calculate the fee based on the net amount of organic solvent processed.

## Schedule G-1: Miscellaneous Sources

- Clarify that sub-slab depressurization equipment is subject to Schedule F permit fees, not Schedule G-1 fees.



# Other Proposed Amendments

## Schedule N: Toxic Inventory Fees

- Update the “slope factor” to recover current costs and higher ARB AB2588 annual fees for FYE 2018.
- Delete the extra slope factor formulas in Schedule N.

# Other Proposed Amendments

## Schedule P: Major Facility Review Fees

- Clarify that Initial Fees do not apply to Title V Renewal applications.

## Specific Fees in Regulation 3

- Revisions to increase by 3.1% based on the CPI-W; filing fees, banking fees, public notice fees, exemption fee, permit renewal processing fees, etc.

# Other Proposed Amendments

## Fee Rate in Force

- Revise Section 3-302 to specify the fee rates applied are those in force when the applicant has provided all the information required for a complete permit application.

# Other Proposed Amendments

## Reduce Late Fees

- Revise Section 3-405 to reduce delinquent fees from 50% to 25% for facilities more than 30 days late on permit renewal invoice payment.
- Historically, this has been a burden mainly on small businesses.

## Regulation 11, Rule 18 HRA Review Fees

- Revise Section 3-342 to add new Regulation 11, Rule 18 HRA review fees to recover the cost of reviewing HRAs completed by District-approved consultants.

# Other Proposed Amendments

## Fees for Online Production System Transactions

- Add Section 3-418 to authorize the Air Pollution Control Officer to reduce the fees for transactions using the Air District's online production system to encourage its use.

# Public Comments Received

- **Feb. 20, 2018 Public Workshop**
  - Four attendees plus webcast audience
  
- **Comments received:**
  - **California Council on Environmental and Economic Balance (CCEEB)**
  
  - **Western States Petroleum Association (WSPA)**

# Public Comments Received

- **CCEEB High-Level Comments**
  - Align proposed amendments to Regulation 3 with proposed budget
  - Place greater focus on cost containment
  - Proposed amendments to Regulation 3 need greater transparency
  - Continue to work with stakeholders on providing clarity
  - Continue cost containment discussions

# Public Comments Received

- **WSPA High-Level Comments**
  - Code and track costs for specific programs
  - Minimize the use of general billing codes in favor of specific codes
  - Requests clear delineation between direct and indirect costs
  - Requests clarification on cost recovery for specific fee schedules
  - Minimize unnecessary work efforts and review permitting practices that may affect costs





# Impact on Small Businesses

➤ Proposed FYE 2019 fee increases:

Facility Type	Current Fees (prior to increase)	Proposed Fee Increase	Total Fees (post increase)
Gas Station	\$2,608	\$212	\$2,820
Dry Cleaner (permitted)	\$448	\$70	\$518
Dry Cleaner (registered)	\$225	\$34	\$259
Auto Body Shop	\$485	\$47	\$532
Back-up Generator	\$263	\$11	\$274

# Impact on Large Facilities: Petroleum Refineries

	Annual % Permit Fee Increase/Decrease (Fiscal Year Ending)					2018 Permit Fee
	2015	2016	2017	2018	2019 Projected	
Chevron	12.1	9.3	14.7	1.2	4.9	\$3.7 MM
Shell	12.4	5.8	15.0	10.0	4.9	\$3.4 MM
Phillips 66	9.3	3.4	14.6	2.2	5.5	\$1.6 MM
Valero	8.4	11.9	15.0	2.4	5.3	\$1.9 MM
Tesoro	13.0	21.7	13.3	-1.8	4.7	\$2.1 MM

# Impact on Large Facilities: Power Plants

	Annual % Permit Fee Increase/Decrease (Fiscal Year Ending)					2018 Permit Fee
	2015	2016	2017	2018	2019 Projected	
Delta Energy	16.9	12.6	4.8	-7.0	5.1	\$ 427,402
Los Medanos	15.0	15.0	4.8	7.3	5.2	\$ 350,726
Gateway	15.0	19.8	4.5	-7.6	5.0	\$ 295,930
Crockett Cogen	15.0	11.5	7.9	2.5	5.0	\$ 230,111



# Rule Development Schedule

- **February 20, 2018**
  - Public workshop
- **March 21, 2018**
  - Written comments due
- **March 28, 2018**
  - Budget & Finance Committee briefing
- **April 18, 2018**
  - Board of Directors first public hearing to receive testimony only
- **June 6, 2018**
  - Board of Directors second public hearing to consider adoption
- **July 1, 2018**
  - Proposed effective date of fee amendments



# Recommended Action

Recommend the Board of Directors consider adoption of a resolution to approve amendments to Air District Regulation 3: Fees that would become effective on July 1, 2018 and approve the filing of a California Environmental Quality Act (CEQA) Notice of Exemption.



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AGENDA: 15

# **Public Hearing to Consider Adoption of the Air District's Proposed Budget for Fiscal Year Ending (FYE) 2019**

**Board of Directors Meeting  
June 6, 2018**

Jeff McKay  
Chief Financial Officer



# FINANCIAL HISTORY

## Actions Taken During Downturn

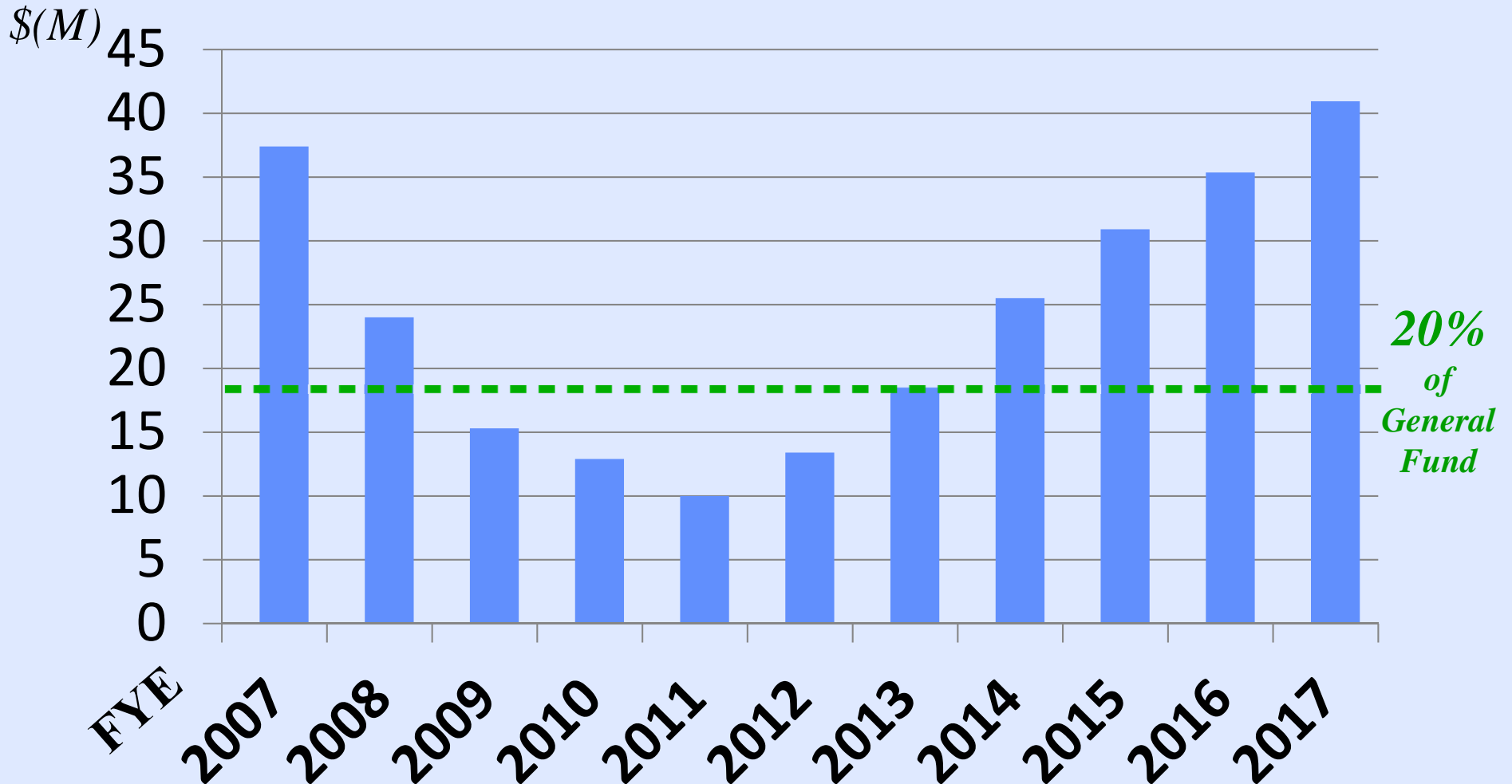
- Reserves Used for General Fund Expenditures
- Vacancies Unfilled (Staff Reduction Through Attrition)
- Postponed Expenditures
- Deferred Capital Investment
- Initiated Cost Recovery Policy
- Continued Funding of Retirement Liabilities



# FINANCIAL HISTORY

## Audited District Reserves

Excludes Building Proceeds

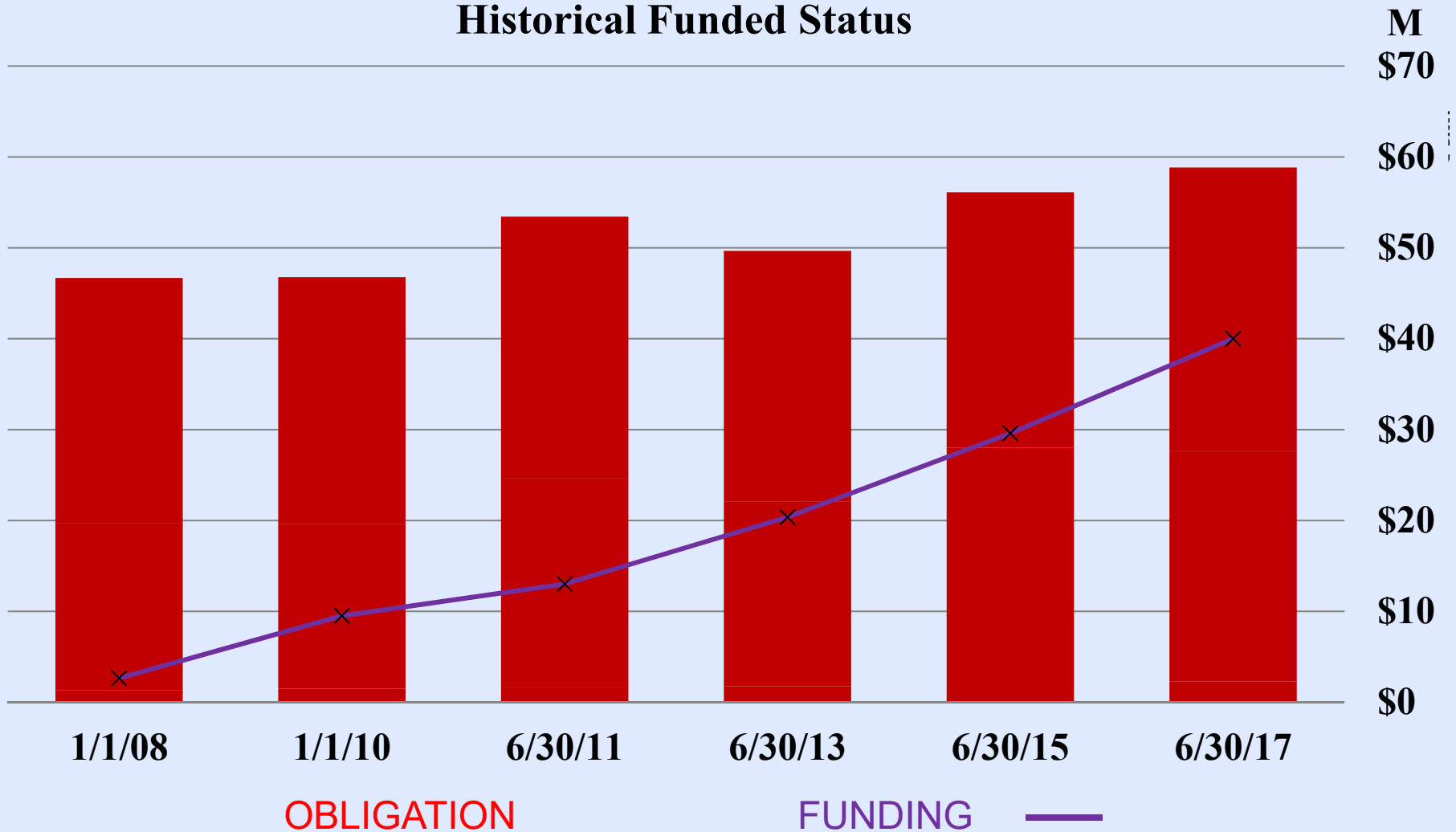






# MEDICAL RETIREMENT OTHER POST EMPLOYMENT BENEFITS (OPEB)

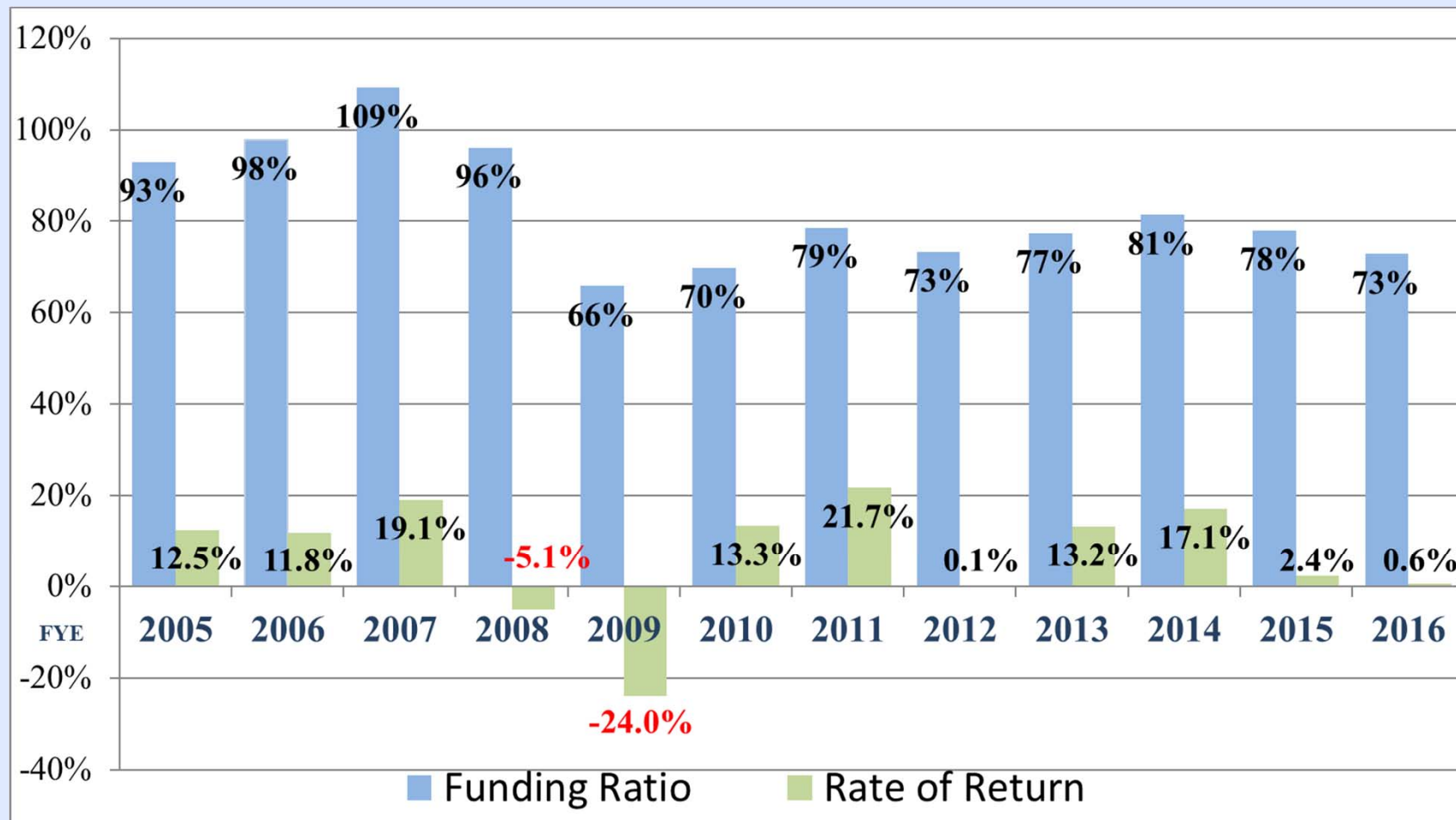
## Historical Funded Status





# CALPERS PENSION

## Historical Rate of Return and Funding Ratio



***2017 Rate of Return = 11.2%***



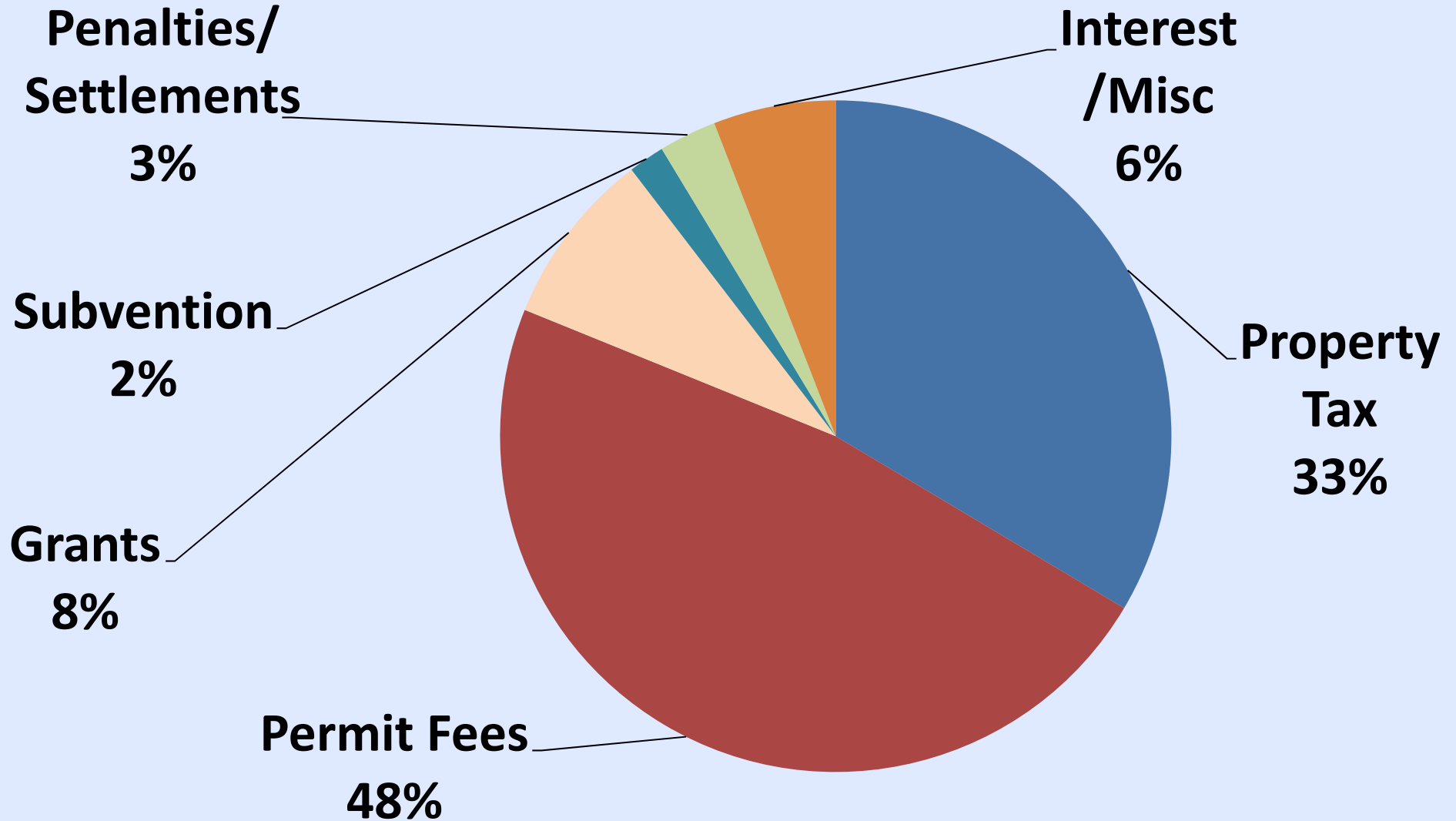
# FYE 2019 PROPOSED BUDGET Overview

- \$99.2 M General Fund Budget
- Includes Use of Reserves \$4.0 M
- Continuation of Cost Recovery Policy
- Staff Level: From 381 to 397 FTE
- Addresses Retirement Liabilities
- Includes 3.1% COLA



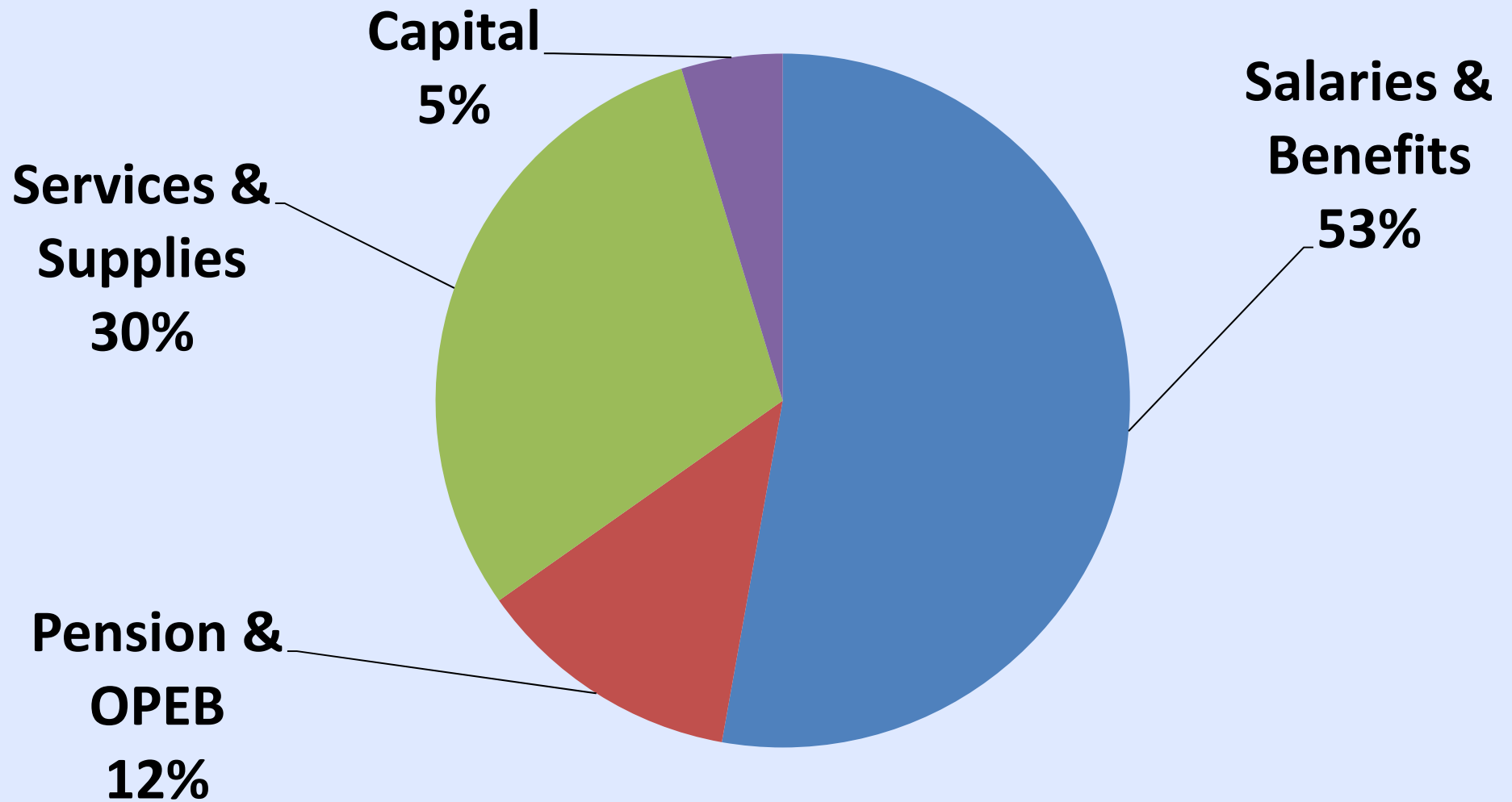
# GENERAL FUND REVENUE SOURCES

## FYE 2019 Proposed Budget





# GENERAL FUND EXPENDITURES FYE 2019 Proposed Budget





# RETIREMENT LIABILITIES

1. OTHER POST EMPLOYMENT BENEFITS (Medical OPEB)
2. PENSION RETIREMENT



# MEDICAL RETIREMENT PLAN

## OPEB Overview

- Other Post Retirement Benefit (OPEB)
  - Obligation: \$59 M
  - Funded: \$40 M (68%)
  - Unfunded: \$19 M (32%)
  
- FYE 2019 Employer Contribution: \$6.5 M
  - Pay Go Cost: \$2.5 M
  - Discretionary Contribution: \$4.0 M



# MEDICAL RETIREMENT PLAN Funding Policy Recommendation

## ➤ Current Funding Policy:

- 90% Funding Level, No Target Date
- FYE 2018 discretionary funding: \$4 M

## ➤ Recommended Funding Policy:

- Continuation of \$4 M discretionary funding
- Achieves full funding in approximately 3 years
- Redirect annual \$4 M to CalPERS Pension





# CALPERS PENSION PLAN

## Retirement Overview

### ➤ CalPERS Retirement

- Obligation: \$283 M
- Funded: \$207 M (73%)
- Unfunded: \$76 M (27%)

### ➤ FYE 2019 Employer Required Contribution: \$8.2 M

- Unfunded Liability Payment: \$4.9 M
- Normal Cost: \$3.3 M



# CALPERS PENSION PLAN Funding Policy Recommendation

- **Current Funding Policy:**
  - 90% Funding Level, No Target Date
  - FYE 2018 discretionary funding: \$1 M
  
- **Recommended Change to Funding Policy:**
  - Establish a 20 year target to reach 90% funding
  - Use 6.5% discount rate to calculate contribution
  - Continuation of \$1 M discretionary funding



# BUDGET SUMMARY FYE 2019

- Budget balanced
- Use of Reserves of \$4.0 M
- Budgeted positions increased to 397
- CalPERS Pension
  - Establish 20 year target to reach 90% funding
  - Use 6.5% discount rate to calculate contribution
  - Discretionary Contribution of \$1M
- Other Post-Employment Benefits (Medical):
  - Continuation of \$4 M Annual Discretionary Contribution
  - Reallocate \$4 M to CalPERS Pension upon achieving 90% funding level



## RECOMMENDATION

- Recommend the Board of Directors adopt the resolution to approve the Budget for the Fiscal Year Ending 2019 (FYE 2018-2019) and various budget related actions.
- Recommend the Board of Directors adopt a funding policy for CalPERS pensions to achieve 90% funding within 20 years.