



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
ADMINISTRATION COMMITTEE

COMMITTEE MEMBERS

CINDY CHAVEZ – CO-CHAIR
KAREN MITCHOFF – VICE CHAIR
JOHN BAUTERS
ERIN HANNIGAN
KATIE RICE
BRAD WAGENKNECHT

CAROLE GROOM – CO-CHAIR
MARGARET ABE-KOGA
RICH CONSTANTINE
TYRONE JUE
MARK ROSS

**THIS MEETING WILL BE CONDUCTED UNDER PROCEDURES AUTHORIZED BY
EXECUTIVE ORDER N-29-20 ISSUED BY
GOVERNOR GAVIN NEWSOM**

- **THE PUBLIC MAY OBSERVE THIS MEETING THROUGH THE WEBCAST BY CLICKING THE LINK AVAILABLE ON THE AIR DISTRICT’S AGENDA WEBPAGE AVAILABLE AT**

www.baaqmd.gov/bodagendas

- **THE PUBLIC MAY PARTICIPATE REMOTELY VIA ZOOM AT THE FOLLOWING LINK OR BY PHONE**

<https://bayareametro.zoom.us/j/82509464095>

(669) 900-6833 or (408) 638-0968

WEBINAR ID: 825 0946 4095

- **THOSE PARTICIPATING BY PHONE WHO WOULD LIKE TO MAKE A COMMENT CAN USE THE “RAISE HAND” FEATURE BY DIALING “*9”. IN ORDER TO RECEIVE THE FULL ZOOM EXPERIENCE, PLEASE MAKE SURE YOUR APPLICATION IS UP TO DATE**

**WEDNESDAY
FEBRUARY 17, 2021
9:30 A.M.**

AGENDA

1. CALL TO ORDER - ROLL CALL

PLEDGE OF ALLEGIANCE

PUBLIC MEETING PROCEDURE

The Committee Chair shall call the meeting to order and the Clerk of the Boards shall take roll of the Committee members.

This meeting will be webcast. To see the webcast, please visit www.baaqmd.gov/bodagendas at the time of the meeting. Closed captioning may contain errors and omissions and are not certified for their content or form.

***Public Comment on Agenda Items** The public may comment on each item on the agenda as the item is taken up. Members of the public who wish to speak on matters on the agenda for the meeting, will have three minutes each to address the Committee. No speaker who has already spoken on that item will be entitled to speak to that item again.*

CONSENT CALENDAR (ITEMS 2-5)

Staff/Phone (415) 749-

2. APPROVAL OF THE MINUTES OF APRIL 15, 2020

Clerk of the Boards/5073

The Committee will consider approving the attached draft minutes of the Ad Hoc Building Oversight Committee meeting of April 15, 2020.

3. APPROVAL OF THE MINUTES OF OCTOBER 5, 2020

Clerk of the Boards/5073

The Committee will consider approving the attached draft minutes of the Personnel Committee meeting of October 5, 2020.

4. APPROVAL OF THE MINUTES OF OCTOBER 21, 2020

Clerk of the Boards/5073

The Committee will consider approving the attached draft minutes of the Executive Committee meeting of October 21, 2020.

5. **APPROVAL OF THE MINUTES OF NOVEMBER 23, 2020**
Clerk of the Boards/5073

The Committee will consider approving the attached draft minutes of the Budget and Finance Committee meeting of November 23, 2020.

6. **HEARING BOARD QUARTERLY REPORT: OCTOBER 2020 – DECEMBER 2020**
Valerie Armento
Hearing Board Chair

The Committee will receive the Hearing Board Quarterly Report for the period of October 2020 through December 2020.

7. **ADVISORY COUNCIL RECRUITMENT**
G. Nudd/4786
gnudd@baaqmd.gov

The Committee will receive an update on the Advisory Council recruitment.

8. **SECOND QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING (FYE) 2021**
S. Osaze/4771
sosaze@baaqmd.gov

The Committee will receive an update on the Air District's financial results for the second quarter of the Fiscal Year Ending 2021.

9. **AIR DISTRICT FINANCIAL PLAN OVERVIEW**
J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive an overview on the Air District's Financial Plan.

10. **UPDATE ON SPARE THE AIR ADVERTISING AND MESSAGING CAMPAIGNS**
K. Roselius/4647
kroselius@baaqmd.gov

The Committee will receive an update on the Spare the Air advertising and messaging campaigns, and consider recommending the Board of Directors approve Allison+Partners as the contractor for the Spare the Air campaign and authorizing the Executive Officer/APCO to execute a contract with them, in an amount not to exceed \$1,950,000 per contract year, during Fiscal Year Ending (FYE) 2022 and FYE 2023, and \$2,019,000 for FYE 2024.

11. **PROPOSED CONTRACT EXTENSION FOR CLIMATE TECH FINANCE PROGRAM**

D. Tang/8726
dtang@baaqmd.gov

The Committee will consider recommending the Board of Directors authorize the Executive Officer/APCO to negotiate and execute an agreement with the California Infrastructure Economic Development Bank (IBank) to continue support for loans and loan guarantees under the Air District Climate Tech Finance Program.

12. **AD HOC GOVERNANCE COMMITTEE – NEXT STEPS**

Chairperson, Cindy Chavez

J. Broadbent/5052
jbroadbent@baaqmd.gov

The Committee will receive an update on the next steps for the Ad Hoc Governance Committee.

13. **PUBLIC COMMENT ON NON-AGENDA MATTERS**

Members of the public who wish to speak on matters not on the agenda for the meeting, will have three minutes each to address the Committee.

14. **COMMITTEE MEMBER COMMENTS**

Any member of the Committee, 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).

15. **TIME AND PLACE OF NEXT MEETING**

Wednesday, March 17, 2021, at 9:30 a.m., via webcast, pursuant to procedures authorized by Executive Order N-29-20 issued by Governor Gavin Newsom.

16. **ADJOURNMENT**

The Committee meeting shall be adjourned by the Committee Chair.

CONTACT:

MANAGER, EXECUTIVE OPERATIONS
375 BEALE STREET, SAN FRANCISCO, CA 94105
vjohnson@baaqmd.gov

(415) 749-4941
FAX: (415) 928-8560
BAAQMD homepage:
www.baaqmd.gov

- 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 District's offices at 375 Beale Street, Suite 600, San Francisco, CA 94105, at the time such writing is made available to all, or a majority of all, members of that body.

Accessibility and Non-Discrimination Policy

The Bay Area Air Quality Management District (Air District) does not discriminate on the basis of race, national origin, ethnic group identification, ancestry, religion, age, sex, sexual orientation, gender identity, gender expression, color, genetic information, medical condition, or mental or physical disability, or any other attribute or belief protected by law.

It is the Air District's policy to provide fair and equal access to the benefits of a program or activity administered by Air District. The Air District will not tolerate discrimination against any person(s) seeking to participate in, or receive the benefits of, any program or activity offered or conducted by the Air District. Members of the public who believe they or others were unlawfully denied full and equal access to an Air District program or activity may file a discrimination complaint under this policy. This non-discrimination policy also applies to other people or entities affiliated with Air District, including contractors or grantees that the Air District utilizes to provide benefits and services to members of the public.

Auxiliary aids and services including, for example, qualified interpreters and/or listening devices, to individuals who are deaf or hard of hearing, and to other individuals as necessary to ensure effective communication or an equal opportunity to participate fully in the benefits, activities, programs and services will be provided by the Air District in a timely manner and in such a way as to protect the privacy and independence of the individual. Please contact the Non-Discrimination Coordinator identified below at least three days in advance of a meeting so that arrangements can be made accordingly.

If you believe discrimination has occurred with respect to an Air District program or activity, you may contact the Non-Discrimination Coordinator identified below or visit our website at www.baaqmd.gov/accessibility to learn how and where to file a complaint of discrimination.

Questions regarding this Policy should be directed to the Air District's Non-Discrimination Coordinator, Terri Levels, at (415) 749-4667 or by email at tlevels@baaqmd.gov.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

375 BEALE STREET, SAN FRANCISCO, CA 94105

FOR QUESTIONS PLEASE CALL (415) 749-4941

EXECUTIVE OFFICE: MONTHLY CALENDAR OF AIR DISTRICT MEETINGS

FEBRUARY 2021

Board of Directors Administration Committee	Wednesday	17	9:30 a.m.	Webcast only pursuant to Executive Order N-29-20
Board of Directors Community Equity, Health & Justice Committee – (Rescheduled for February 19, 2021 at 1:00 p.m.)	Wednesday	17	1:00 p.m.	Webcast only pursuant to Executive Order N-29-20
Board of Directors Legislative Committee	Wednesday	17	1:00 p.m.	Webcast only pursuant to Executive Order N-29-20
Board of Directors Community Equity, Health & Justice Committee	Friday	19	1:00 p.m.	Webcast only pursuant to Executive Order N-29-20
Board of Directors Mobile Source & Climate Impacts Committee	Thursday	25	9:30 a.m.	Webcast only pursuant to Executive Order N-29-20

MARCH 2021

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Meeting	Wednesday	3	9:30 a.m.	Webcast only pursuant to Executive Order N-29-20
Board of Directors Community Equity, Health & Justice Committee	Thursday	4	9:30 a.m.	Webcast only pursuant to Executive Order N-29-20
Board of Directors Stationary Source & Climate Impacts Committee	Monday	15	9:00 a.m.	Webcast only pursuant to Executive Order N-29-20
Board of Directors Administration Committee	Wednesday	17	9:30 a.m.	Webcast only pursuant to Executive Order N-29-20
Board of Directors Legislative Committee	Wednesday	17	1:00 p.m.	Webcast only pursuant to Executive Order N-29-20
Board of Directors Mobile Source & Climate Impacts Committee	Thursday	25	9:30 a.m.	Webcast only pursuant to Executive Order N-29-20

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairpersons Cindy Chavez and Carole Groom and Members
of the Administration Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 11, 2021

Re: Approval of the Minutes of April 15, 2020

RECOMMENDED ACTION

Approve the attached draft minutes of the Ad Hoc Building Oversight Committee (Committee) meeting of April 15, 2020.

DISCUSSION

Attached for your review and approval are the draft minutes of the Ad Hoc Building Oversight Committee meeting of April 15, 2020.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Vanessa Johnson

Attachment 2A: Draft Minutes of the Committee Meeting of April 15, 2020

AGENDA 2A – ATTACHMENT

Draft Minutes – Ad Hoc Building Oversight Committee Meeting of April 15, 2020

Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, California 94105
(415) 749-5073

DRAFT MINUTES

Summary of Board of Directors
Ad Hoc Building Oversight Committee Meeting
Wednesday, April 15, 2020

This meeting was conducted under procedures authorized by executive order N-29-20 issued by Governor Gavin Newsom. Members of the committee participated by teleconference.

1. CALL TO ORDER – ROLL CALL

Ad Hoc Building Oversight Committee (Committee) Chairperson, Mark Ross, called the meeting to order at 9:18 a.m.

Present: Chairperson Mark Ross; Vice Chairperson David Canepa; and Directors Teresa Barrett, Pauline Russo Cutter, Scott Haggerty, Liz Kniss, Karen Mitchoff, Jim Sperring, and Shamann Walton.

Absent:None.

Also Present: Board Chair Rod Sinks.

2. APPROVAL OF THE MINUTES OF SEPTEMBER 18, 2019

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Director Sperring made a motion, seconded by Director Haggerty, to approve the minutes of September 18, 2019; and the motion carried by the following vote of the Committee:

AYES: Barrett, Cutter, Haggerty, Kniss, Mitchoff, Ross, Sinks, Sperring.
NOES: None.
ABSTAIN: None.
ABSENT: Canepa and Walton.

3. CONSIDER RECOMMENDING THE BOARD OF DIRECTORS AUTHORIZE EXECUTION OF CONTRACTS FOR ARCHITECTURAL PLANNING AND SEISMIC UPGRADE WORK AT THE RICHMOND, LAKESIDE DRIVE BUILDING

Dr. Jeff McKay, Chief Financial Officer, gave the staff presentation *Lakeside Drive, Richmond Phase 2*, including: Phase 1 completed; Phase 2 next steps; budget considerations and financial impact; and recommended action.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed whether the Air District has considered how this space will function during the COVID-19 pandemic; and whether the seismic upgrade cost of \$1.5 million is part of the architectural planning and design cost.

Committee Action

Director Haggerty made a motion, seconded by Director Cutter, to authorize the Executive Officer/Air Pollution Control Officer to execute contracts with Brereton Architecture + Interiors and Cushman & Wakefield to plan and design approximately 31,000 square feet of the Richmond, Lakeside Drive building, in an amount not to exceed \$315,000, and to obtain bids to seismically upgrade the Richmond, Lakeside Drive building; and the motion carried by the following vote of the Committee:

AYES:	Barrett, Canepa, Cutter, Haggerty, Kniss, Mitchoff, Ross, Sinks, Spring, Walton.
NOES:	None.
ABSTAIN:	None.
ABSENT:	None.

4. PUBLIC COMMENT ON NON-AGENDA MATTERS

No requests received.

5. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS

None.

6. TIME AND PLACE OF NEXT MEETING

At the conclusion of the meeting, it was announced that the next meeting would be at the Call of the Chair. After the meeting adjourned, the Ad Hoc Building Oversight Committee became part of the Administration Committee, which would first meet on Wednesday, February 17, 2021, at 9:30 a.m., via webcast, pursuant to procedures authorized by Executive Order N-29-20 issued by Governor Gavin Newsom.

7. ADJOURNMENT

The meeting adjourned at 9:36 a.m.

Marcy Hiratzka
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairpersons Cindy Chavez and Carole Groom and Members
of the Administration Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 11, 2021

Re: Approval of the Minutes of October 5, 2020

RECOMMENDED ACTION

Approve the attached draft minutes of the Personnel Committee (Committee) meeting of October 5, 2020.

DISCUSSION

Attached for your review and approval are the draft minutes of the Personnel Committee meeting of October 5, 2020.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Vanessa Johnson

Attachment 3A: Draft Minutes of the Committee Meeting of October 5, 2020

AGENDA: 3A – ATTACHMENT

Draft Minutes – Personnel Committee Meeting of October 5, 2020

Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, California 94105
(415) 749-5073

DRAFT MINUTES

Summary of Board of Directors
Personnel Committee Meeting
Monday, October 5, 2020

This meeting was conducted under procedures authorized by executive order N-29-20 issued by Governor Gavin Newsom. Members of the committee participated by teleconference.

1. CALL TO ORDER – ROLL CALL

Personnel Committee (Committee) Chairperson, Jim Sperring, called the meeting to order at 9:04 a.m.

Present: Chairperson Jim Sperring; Committee Vice Chairperson Brad Wagenknecht; and Directors Teresa Barrett, Cindy Chavez, Scott Haggerty, David Hudson, Tyrone Jue, Nate Miley, Karen Mitchoff, Katie Rice.

Absent: Director Carole Groom.

Also Present: Board Chairperson Rod Sinks.

2. APPROVAL OF THE MINUTES OF MAY 27, 2020

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Director Mitchoff made a motion, seconded by Director Hudson to approve the minutes of May 27, 2020; and the motion carried by the following vote of the Committee:

AYES: Hudson, Jue, Miley, Mitchoff, Sperring.
NOES: None.
ABSTAIN: None.
ABSENT: Barrett, Chavez, Groom, Haggerty, Rice, Sinks, Wagenknecht.

3. CONDUCT INTERVIEWS AND CONSIDER RECOMMENDING BOARD OF DIRECTORS APPROVAL OF CANDIDATES FOR APPOINTMENT TO THE AIR DISTRICT’S HEARING BOARD

Rex Sanders, Chief Administrative Officer, gave the staff presentation *Conduct Interviews and Consider Recommending Appointment to the Hearing Board*, including: overview; background; members; recruitment; and interviews and discussion.

NOTED PRESENT: Directors Chavez and Rice were noted present at 9:11 a.m.; Director Haggerty was noted present at 9:20 a.m.; and Board Chair Sinks, Committee Vice Chair Wagenknecht, and Director Barrett were noted present at 9:30 a.m.

The Committee conducted interviews with the following Hearing Board member candidates:

- Elham Sakhac
- Danny Cullenward
- Richard Burnett
- Rebecca Skinner
- Barbara Coler
- Qian Tan
- Debra McDonald
- Natasha Fooman
- Amelia Timbers
- Terry Trumbull
- Barbara Toole O’Neil
- David Conrad

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed consistent absences of alternate Hearing Board members; whether individuals who have previously served as Hearing Board members should be considered again; and the vacancy in the Alternate member’s seat in the Attorney category, should Danny Cullenward’s be appointed as a principal member.

Committee Action

Vice Chair Wagenknecht made a motion, seconded by Director Jue, to recommend the Board’s approval of the appointment of David Conrad as Medical Alternate; the motion carried by the following vote of the Committee:

- AYES: Barrett, Chavez, Haggerty, Hudson, Jue, Miley, Mitchoff, Rice, Sinks, Sperring, Wagenknecht.
- NOES: None.
- ABSTAIN: None.
- ABSENT: Groom.

Vice Chair Wagenknecht made a motion, seconded by Director Jue, to recommend the Board’s approval of the appointment of:

1. The appointment of Danny Cullenward as Public category Principal;
2. The appointment of Barbara Toole O’Neil as Public category Principal;
3. The appointment of Amelia Timber as Public category Alternate; and
4. The appointment of Qian Tan as Public category Alternate.

The motion carried by the following vote of the Committee:

AYES: Barrett, Chavez, Haggerty, Hudson, Jue, Miley, Mitchoff, Rice, Sinks, Spering, Wagenknecht.
NOES: None.
ABSTAIN: None.
ABSENT: Groom.

4. PUBLIC COMMENT ON NON-AGENDA MATTERS

No requests received.

5. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS

None.

6. TIME AND PLACE OF NEXT COMMITTEE MEETING

At the conclusion of the meeting, it was announced that the next meeting would be at the Call of the Chair. After the meeting adjourned, the Personnel Committee became part of the Administration Committee, which would first meet on Wednesday, February 17, 2021, at 9:30 a.m., via webcast, pursuant to procedures authorized by Executive Order N-29-20 issued by Governor Gavin Newsom.

7. ADJOURNMENT

The meeting adjourned at 11:52 a.m.

Marcy Hiratzka
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairpersons Cindy Chavez and Carole Groom and Members
of the Administration Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 11, 2021

Re: Approval of the Minutes of October 21, 2020

RECOMMENDED ACTION

Approve the attached draft minutes of the Executive Committee (Committee) meeting of October 21, 2020.

DISCUSSION

Attached for your review and approval are the draft minutes of the Executive Committee meeting of October 21, 2020.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Vanessa Johnson

Attachment 4A: Draft Minutes of the Committee Meeting of October 21, 2020

AGENDA 4A – ATTACHMENT

Draft Minutes – Executive Committee Meeting of October 21, 2020

Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, California 94105
(415) 749-5073

DRAFT MINUTES

Summary of Board of Directors
Executive Committee Meeting
Wednesday, October 21, 2020

This meeting was conducted under procedures authorized by executive order N-29-20 issued by Governor Gavin Newsom. Members of the committee participated by teleconference.

1. CALL TO ORDER – ROLL CALL

Executive Committee (Committee) Chairperson, Rod Sinks, called the meeting to order at 9:00 a.m.

Roll Call:

Present: Committee Chairperson Rod Sinks; Committee Vice Chair Cindy Chavez; and Directors John Bauters, John Gioia, Scott Haggerty, David Hudson, Tyrone Jue, Karen Mitchoff, Katie Rice, Jim Spering, and Brad Wagenknecht.

Absent: None.

Also Present: None.

2. APPROVAL OF THE MINUTES OF JULY 29, 2020

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Director Hudson made a motion, seconded by Director Mitchoff, to **approve** the minutes of July 29, 2020; and the motion carried by the following vote of the Committee:

AYES: Bauters, Gioia, Haggerty, Hudson, Jue, Mitchoff, Rice, Sinks, Spring, Wagenknecht.
NOES: None.
ABSTAIN: None.
ABSENT: Chavez.

3. HEARING BOARD QUARTERLY REPORT: JULY – SEPTEMBER 2020

NOTED PRESENT: Vice Chair Chavez was noted present at 9:05 a.m.

Valerie Armento, Hearing Board Chairperson, presented Item 3, noting that no hearings have been held in 2020 thus far.

Public Comments

No requests received.

Committee Comments

None.

Committee Action

None; receive and file.

4. BAY AREA REGIONAL COLLABORATIVE (BARC) UPDATE

Allison Brooks, Executive Director of BARC, gave the presentation *BARC Work Plan Update*, including: BARC Work Plan updates; Remote Work study, initial findings, and pre-COVID-19 trends; Assembly Bill (AB) 617: West Oakland; building electrification; and cumulative emissions savings from all-electric new construction.

Public Comments

Public comments were given by Jed Holtzman, 350 Bay Area.

Committee Comments

The Committee and staff discussed the pushback that the Metropolitan Transportation Commission received for its Plan Bay Area telecommute strategy that projects a permanent increase in the number of Bay Area residents that work from home, one or more days per week, and whether BARC’s Remote Telework Study takes into consideration the number of minority workers who continue to have to commute for work; whether BARC’s building electrification work analyzes health impacts to air pollutants; the concern that telecommuting only benefits one demographic

group and is not equitable, and the suggestion of creating focus groups to address this; whether the environmental justice community has been involved in BARC’s remote work discussions; and whether Bay Area vehicle travel reduction goals consider the Executive Order N-79-20, which bans the sale of new gas-powered cars and trucks by 2035.

Committee Action

None; receive and file.

5. ADVISORY COUNCIL UPDATE

Stan Hayes, Chairperson of the Air District’s Advisory Council, gave the presentation *Particulate Matter (PM) Strategy – Status Update*, including: PM strategy, PM Symposium, milestones, findings, and schedule; PM Strategy Report; and next steps.

Public Comments

Public comments were given by Jed Holtzman, 350 Bay Area.

Committee Comments

None.

Committee Action

None; receive and file.

6. STATUS UPDATE FOR THE PRODUCTION SYSTEM OFFICE

Damian Breen, Deputy Air Pollution Control Officer (APCO) of Technology, introduced Blair Adams, Information Systems Officer, and Anja Page, Online Services Assistant Manager, who gave the staff presentation *Status Update for the Production System Office*, including: My Air Online - key objectives; permitting and compliance system – current features in production and recent accomplishments; remaining legacy features – permitting system and enforcement and compliance; triple bottom line – people, profit, pollution; website – recent accomplishments; web streaming; Cut the Commute; website usage; team velocity; legacy transition roadmap summary; and budget – past actuals and future estimated.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed the history of this system and the opinion that it is costly and not as efficient as it could have been; the opinion that programs are too difficult to find on the Air District’s website; and the request for links to presentations and staff reports on Air District meeting agendas.

Committee Action

None; receive and file.

7. REQUEST TO AMEND THE FISCAL YEAR ENDING (FYE) 2021 BUDGET TO INCREASE STAFFING

Dr. Jeff McKay, Chief Financial Officer, gave the staff presentation *Request to Amend the Fiscal Year Ending (FYE) 2021 Budget to Increase Staffing*, including: background; five positions; FYE 2021 Approved Budget overview; actual reserves and policy; funding requirements: fees cost recovery; reserves projections; staffing trend-filled positions; and recommendation.

Public Comments

Public comments were given by Jed Holtzman, 350 Bay Area.

Committee Comments

The Committee and staff discussed the observation that ongoing costs should ideally have corresponding ongoing revenue streams, and perhaps improved budget practices are needed; and whether the Air District should expand contracts with non-profit organizations that are based in communities in which the Air District plans to build capacity for emissions reductions, prior to building that capacity.

Committee Action

Director Bauters made a motion, seconded by Director Mitchoff, to recommend that the Board **amends** the FYE 2021 budget to include funds for five of the ten full-time regular positions that the Board previously approved, and that the Budget and Finance Committee considers the reinstatement of the Air District’s Cost Recovery Policy in July 2021; and the motion carried by the following vote of the Committee:

- AYES: Bauters, Chavez, Gioia, Haggerty, Jue, Mitchoff, Rice, Sinks, Spring, Wagenknecht.
- NOES: None.
- ABSTAIN: None.
- ABSENT: Hudson.

8. WILDFIRE AIR QUALITY RESPONSE PROGRAM UPDATE

Jack P. Broadbent, Executive Director/APCO, introduced Wayne Kino, Deputy APCO of Operations, who gave the staff presentation *Wildfire Qir Quality Response Program Update*, including: overview; comparisons; wildfire events; Wildfire Air Quality Response program strategy; proposed new program measure; and program element concepts.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed the suggestion of forming a working group composed of fire chiefs, medical doctors, public health leaders, and environmental justice representatives to discuss methods of wildfire prevention; how power shut offs can affect indoor air quality of residences; the need to decrease the fuel load in Napa County; the suggestion of forming a working group to focus on the most vulnerable populations and their housing stock; and the need to prioritize groups of vulnerable people, as the Air District cannot help everyone at the same time.

Committee Action

None; receive and file.

9. PUBLIC COMMENT ON NON-AGENDA MATTERS

No requests received.

10. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS

None.

10. TIME AND PLACE OF NEXT MEETING

At the conclusion of the meeting, it was announced that the next meeting would be at the Call of the Chair. After the meeting adjourned, the Executive Committee became part of the Administration Committee, which would first meet on Wednesday, February 17, 2021, at 9:30 a.m., via webcast, pursuant to procedures authorized by Executive Order N-29-20 issued by Governor Gavin Newsom.

11. ADJOURNMENT

The meeting adjourned at 11:06 a.m.

Marcy Hiratzka
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairpersons Cindy Chavez and Carole Groom and Members
of the Administration Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 11, 2021

Re: Approval of the Minutes of November 23, 2020

RECOMMENDED ACTION

Approve the attached draft minutes of the Budget and Finance Committee (Committee) meeting of November 23, 2020.

DISCUSSION

Attached for your review and approval are the draft minutes of the Budget and Finance Committee meeting of November 23, 2020.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Vanessa Johnson

Attachment 5A: Draft Minutes of the Committee Meeting of November 23, 2020

AGENDA: 5A – ATTACHMENT

Draft Minutes – Budget and Finance Committee Meeting of November 23, 2020

Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, California 94105
(415) 749-5073

DRAFT MINUTES

Summary of Board of Directors
Budget and Finance Committee Meeting
Monday, November 23, 2020

This meeting was conducted under procedures authorized by executive order N-29-20 issued by Governor Gavin Newsom. Members of the committee participated by teleconference.

1. CALL TO ORDER – ROLL CALL

Budget and Finance Committee (Committee) Chairperson, Carole Groom, called the meeting to order at 9:30 a.m.

Present: Committee Chairperson Carole Groom; Vice Chair John Bauters; and Directors Margaret Abe-Koga, David Canepa, Cindy Chavez, Pauline Russo Cutter, David Hudson, Tyrone Jue, Karen Mitchoff, Mark Ross, and Brad Wagenknecht.

Absent: None.

Also Present: Board Chairperson Rod Sinks.

2. APPROVAL OF THE MINUTES OF SEPTEMBER 30, 2020

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Vice Chair Bauters made a motion, seconded by Board Chair Sinks, to approve the Minutes of September 30, 2020; and the motion carried by the following vote of the Committee:

AYES: Abe-Koga, Bauters, Canepa, Cutter, Groom, Hudson, Jue, Mitchoff, Ross, Sinks, Wagenknecht.
NOES: None.
ABSTAIN: None.
ABSENT: Chavez.

3. FOURTH QUARTER FINANCIAL REPORT - FISCAL YEAR ENDING (FYE) 2020

Dr. Jeff McKay, Chief Financial Officer, introduced Stephanie Osaze, Finance Manager, who gave the staff presentation *Fourth Quarter Financial Report Fiscal Year Ending (FYE) 2020*, including: overview; 4th Quarter results FYE 2020; revenue and expenditure comparisons (prior versus current year); General Fund expenditures; investments; funding balance and outstanding liabilities; purchasing reporting requirements; and FYE 2020 vendor payments.

Public Comments

No requests received.

Committee Comments

None.

Committee Action

None; receive and file.

4. FIRST QUARTER FINANCIAL REPORT – FYE 2021

Ms. Osaze gave the staff presentation *First Quarter Financial Report FYE 2021*, including: overview; 1st Quarter results FYE 2021; revenue and expenditure comparisons (prior versus current year); General Fund expenditures; investments; fund balances and outstanding liabilities; purchasing reporting requirements; and FYE 2021 vendor payments.

NOTED PRESENT: Director Chavez was noted present at 9:44 a.m.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed how much of the Air District’s fleet runs on alternative fuel or electric; how the Air District budgeted for asbestos fees in FYE 2021, and the fact that asbestos fees are currently exceeding what was anticipated; and whether the expenditure of “Personnel – Benefits” includes the new positions in the requested staffing increase (see Agenda Item 5).

Committee Action

None; receive and file.

5. REQUEST TO AMEND THE FISCAL YEAR ENDING (FYE) 2021 BUDGET TO INCREASE STAFFING

Jack P. Broadbent, Executive Officer/Air Pollution Control Officer, Dr. McKay, and Leonid Bak, Economist, gave the staff presentation *Request to Amend FYE 2021 Budget to Increase Staffing*, including: U.S. labor force composition and racial makeup; U.S. employment recovery past COVID pandemic; impact on workers by occupation and educational attainment; background; community engagement and equity staffing augmentation; nine positions; FYE 2021 approved budget overview; actual reserves and policy; funding requirements: fees cost recovery; staffing trend-filled positions; and recommendation.

Public Comments

Public comments were given by Frances Keeler, California Council for Environmental and Economic Balance; and Jed Holtzman, 350 Bay Area.

Committee Comments

The Committee and staff discussed projection of job loss in California, based on ethnicity, industry, and job type; the number of Bay Area residents that are working from home due to the pandemic; whether the Air District should expand its contracts with non-profit organizations that are based in communities in which the Air District plans to build capacity for emissions reductions, prior to building that capacity; concerns about increasing Air District staffing without increasing fees (in consideration of the pandemic); the nature of the new positions that are being requested; the request for a presentation to the Board about this issue, and the suggestion that Air District staff explains how some of the new positions will be critical to advancing equity and community engagement; whether there are vacancies within the budgeted 405 positions and why adding nine more positions does not affect the FYE 2021 Budget; the suggestion of offering Air District employees Cost of Living Adjustments less frequently; the concern that Assembly Bill 617 efforts have taken priority over rulemakings, and whether that trend should be reversed; the fact that maintenance of staffing in the range of 405 to 414 full-time equivalent requires either a reinstatement of the Cost Recovery Policy or a reduction in Service and Supply expenditures; the number of full-time equivalent Air District staff positions for the Calendar Year of 2019 and how much the Air District had budgeted for those positions; and why four additional positions being requested for the Community Engagement group were not included in the discussion at the October 10, 2020 Executive Committee meeting.

Committee Action

Director Chavez made a motion, seconded by Director Mitchoff, to recommend that the Board **amends** the FYE 2021 budget to increase staffing by adding nine positions, bringing the total of full-time equivalent to 414; and the motion carried by the following vote of the Committee:

AYES: Abe-Koga, Bauters, Canepa, Chavez, Cutter, Groom, Jue, Mitchoff, Ross, Sinks, Wagenknecht.
NOES: Hudson.
ABSTAIN: None.
ABSENT: None.

6. FUNDING FOR OTHER POST-EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

Dr. McKay gave the staff presentation, *Funding for Other Post-Employment Benefit (OPEB) Obligations*, including: background; medical retirement OPEB; medical retirement plan; actual reserves and policy; General Fund reserves; and recommendation.

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Director Hudson made a motion, seconded by Director Cutter, to recommend that the Board **approves** the transfer of the \$4 million allocated to OPEB in the approved FYE 2021 Budget to the existing OPEB investment trust; and the motion carried by the following vote of the Committee:

AYES: Abe-Koga, Bauters, Canepa, Cutter, Groom, Hudson, Jue, Mitchoff, Ross, Sinks, Wagenknecht.
NOES: None.
ABSTAIN: None.
ABSENT: Chavez.

7. PUBLIC COMMENT ON NON-AGENDA MATTERS

No requests received.

8. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS

None.

9. TIME AND PLACE OF NEXT MEETING

At the conclusion of the meeting, it was announced that the next meeting would be at the Call of the Chair. After the meeting adjourned, the Budget and Finance Committee became part of the Administration Committee, which would first meet on Wednesday, February 17, 2021, at 9:30 a.m., via webcast, pursuant to procedures authorized by Executive Order N-29-20 issued by Governor Gavin Newsom.

10. ADJOURNMENT

The meeting adjourned at 10:52 a.m.

Marcy Hiratzka
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairpersons Cindy Chavez and Carole Groom and Members
of the Administration Committee

From: Chairperson Valerie J. Armento, Esq., and
Members of the Hearing Board

Date: February 11, 2021

Re: Hearing Board Quarterly Report: October 2020 – December 2020

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

This report covers the second calendar quarter (October - December) of 2020.

- Held no hearings;
- Processed two orders; and
- Collected a total of \$9,124.00 in variance/appeal filing fees.

Below is a detail of Hearing Board activity during the same period:

Location: San Mateo County, City of South San Francisco

Docket: 3724 – Air Pollution Control Officer (APCO) vs. E & S Auto Collision, Inc., et al – Accusation

Regulation(s): Regulation 2, Rule 1 (Permits, General Requirements)

Synopsis: Respondents own and operate a facility in South San Francisco, California, where they conduct auto body coating operations, for which they must hold a District Permit to Operate pursuant to District Regulation 2, Rule 1. Respondents were conducting operations without a valid or current District permit, despite their knowledge that they must hold a permit to do so. They had not had a permit since December 2017. Complainant sought an order that Respondents cease violating District Regulation 2, Rule 1 within 15 days from the effective date, either by obtaining a current and valid permit, or ceasing their auto body coding operations until they obtain a District permit to do so.

Status: Accusation filed on October 29, 2020; hearing scheduled for December 8, 2020; hearing continued to January 19, 2021.

Location: Alameda County, City of Fremont

Docket: 3725 – Appeal of Tesla, Inc., from Permit Conditions Contained in Authority to Construct for Permit Application 30523 – *Appeal*

Regulation(s): Regulation 2, Rule 2, Section 301 (Permits, New Source Review, Best Available Control Technology Requirement); Permit Condition 27327, Part 4

Synopsis: This matter concerns an Appeal filed by Tesla, Inc. of an Authority to Construct permit issued by Respondent, the APCO of the Bay Area Air Quality Management District (BAAQMD), on October 13, 2020. The Authority to Construct permit was issued by the APCO in response to Tesla's application to install two new aluminum melting furnaces, which was administratively designated Application No. 30523. Specifically, Tesla appealed two emission limitations (of oxides of nitrogen (“NOx”) and carbon monoxide (“CO”) to 9 pounds per day), set forth in Part 4 of Condition 27327, specified in the Authority to Construct for Application 30523. The APCO included these 9 lb/day emission limits for NOx and CO to ensure that the furnaces’ emissions remain below the level at which they would trigger the “Best Available Control Technology” requirement in District Regulation 2-2-301. Regulation 2-2-301 requires that any new source that will have the potential to emit 10 pounds or more of certain specified pollutants, including NOx and CO, must implement the Best Available Control Technology, or “BACT,” to control emissions of those pollutants.

Tesla wanted to obtain its permit in a very short time frame and was willing to agree to keep emissions below 10 lb/day so that these furnaces would not be subject to the BACT requirement in Regulation 2-2-301. If the sources will have the potential to emit 10 lb/day or more, then BACT would be triggered and Air District staff would need to undertake a detailed review of available control technologies, what type of control technologies and emissions limits have been achieved at other similar sources, and whether it would be technologically feasible and cost-effective to achieve an even more stringent level of control. This is an in-depth engineering analysis that necessarily takes a substantial amount of time to complete, and if District staff had to conduct such an analysis it would take longer to review the application and issue the permit. The APCO therefore understood that Tesla would agree to keep emissions below 10/lb/day so as to avoid triggering the BACT requirement and this more detailed and time-consuming level analysis. Tesla said it did not agree to this BACT Avoidance approach and that it was not aware that the APCO was intending to include these 9 lb/day BACT avoidance limits until the Authority to Construct was issued. Further, Tesla did not receive the engineering analysis until October 21, 2020, eight days after the issuance of the Authority to Construct. Tesla contended that the APCO should have conducted the BACT analysis, and should have agreed that emissions control equipment and corresponding NOx and CO emissions limits that Tesla proposed in Application 30523 reflect the Best Available Control Technology and should be approved.

The Parties agreed that instead of litigating their dispute, the best way forward was for the Hearing Board to remand the matter for the APCO to undertake further analysis, conducting the full BACT analysis that Tesla requested, and render a revised decision on Application 30523. Based on this analysis, the APCO could determine whether the emissions control equipment and corresponding NOx and CO emissions limits Tesla has proposed in Application 30523 do in fact satisfy the BACT

requirement and comply with District Regulation 2-2-301. The APCO would then be in a position to approve or deny Tesla's application as compliant or non-compliant with District regulations. Should Tesla be dissatisfied with the APCO's decision, Tesla would then be able to appeal that decision to the Hearing Board, and at that point, the Hearing Board would have a full and complete record on which to review any remaining questions about what is required by Regulation 2-2-301 for this particular project.

Status: Appeal filed on November 12, 2020; hearing scheduled for January 12, 2021

Appeal-related fees collected this quarter: \$6,086.00 (filing fee)

Location: Santa Clara County; City of San Jose

Docket: 3726 – Equilon Enterprises LLC dba Shell Oil Products US – Request for Emergency Variance

Regulation(s): Regulation 8, Rule 5, Section 322 (Organic Compounds, Storage of Organic Liquids, Secondary Seal Requirements)

Synopsis: Shell SJ Terminal (Applicant) operates a bulk storage petroleum product terminal in San Jose, California. At that location, "Tank 60" is an internal floating roof tank with a capacity of 252,000 gallons storing Transmix (a gasoline/ethanol/diesel mixture). The tank is equipped with a mechanical shoe primary seal and single wiper secondary seal, **which, the Applicant claimed in this application, were installed in 2000.** The tank operator has implemented an Enhanced Monitoring Program per Reg 8-5-411 that includes Tank 60. The Enhanced Monitoring Program requires the secondary seal to be inspected on a quarterly basis, and if a violation is found, the facility is granted up to a 48-hour repair period per the limited exemption in Reg 8-5-119.2.3.

On November 30, 2020, during a visual inspection, facility representatives discovered a tear/gap (1.5- to 2-foot section) on the secondary seal of Tank 60 in violation of Reg 8-5-322.1. Applicant's inspection report indicates that moisture and/or staining was present adjacent to the missing portion of the secondary seal. Having discovered a tear in the secondary seal at approximately 11:50 a.m. on November 30, 2020, Applicant immediately arranged for a repair to be made, but was unable to complete the repair within the 48-hour period allowed by Regulation 8-5-119.2.3 because the tank's floating roof was too low to conduct the repair at the time the broken seal was discovered. Applicant was unable to raise the floating roof until after a pipeline delivery began at 5:30 a.m. on December 2, 2020, which the Applicant claimed was the earliest possible delivery time. The Applicant claimed that no faster alternative to remedy the tear was available at the time.

On December 2, 2020, Applicant sought an emergency variance from the requirements of Regulation 8-5-322's Secondary Seal Requirements and to repair the secondary seal at Tank 60 outside of an allowed 48-hour repair window.

Status: Application filed on December 2, 2020; Air District Compliance and Enforcement Division recommendation that the emergency variance be denied filed on December 8, 2020;

Hearing Board recommendation that the emergency variance be denied filed on December 9, 2020; Order Denying Emergency Variance filed on December 15, 2020.

Requested Period of Variance: December 2, 2020 to December 31, 2020

Estimated Excess Emissions: None

Variance-related fees collected this quarter: \$1,519.00 (filing fee)

Location: Santa Clara County; City of San Jose

Docket: 3727 – Equilon Enterprises LLC dba Shell Oil Products US – Request for Emergency Variance

Regulation(s): Regulation 8, Rule 5, Section 322 (Organic Compounds, Storage of Organic Liquids, Secondary Seal Requirements)

Synopsis: Shell SJ Terminal (Applicant) operates a bulk storage petroleum product terminal in San Jose, California. At that location, “Tank 60” is an internal floating roof tank with a capacity of 252,000 gallons storing Transmix (a gasoline/ethanol/diesel mixture). The tank is equipped with a mechanical shoe primary seal and single wiper secondary seal, **which, the Applicant claimed in this application, were installed in 2012.** The tank operator has implemented an Enhanced Monitoring Program per Reg 8-5-411 that includes Tank 60. The Enhanced Monitoring Program requires the secondary seal to be inspected on a quarterly basis, and if a violation is found, the facility is granted up to a 48-hour repair period per the limited exemption in Reg 8-5-119.2.3.

On November 30, 2020, during a visual inspection, facility representatives discovered a tear/gap (1.5- to 2-foot section) on the secondary seal of Tank 60 in violation of Reg 8-5-322.1. Applicant’s inspection report indicates that moisture and/or staining was present adjacent to the missing portion of the secondary seal. Having discovered a tear in the secondary seal at approximately 11:50 a.m. on November 30, 2020, Applicant immediately arranged for a repair to be made, but was unable to complete the repair within the 48-hour period allowed by Regulation 8-5-119.2.3 because the tank’s floating roof was too low to conduct the repair at the time the broken seal was discovered. Applicant was unable to raise the floating roof until after a pipeline delivery began at 5:30 a.m. on December 2, 2020, which the Applicant claimed was the earliest possible delivery time. The Applicant claimed that no faster alternative to remedy the tear was available at the time.

On December 17, 2020, Applicant sought a (second) emergency variance (as Docket No. 3726 was denied) from the requirements of Regulation 8-5-322 (Secondary Seal Requirements), presumably because it exceeded the 48-hour grace period for repairs allowed by Regulation 9-5-119 (Limited Exemption, Repair Period). **The emergency variance application for Docket No. 3727 was a revised version of the emergency variance application for Docket No. 3726.** Both were reviewed by the same Hearing Board member. The two principal differences between the two applications were: 1) Due to an apparent miscommunication between Applicant and BAAQMD staff, the BAAQMD staff response to the earlier application erroneously put the age of

Tank 60's secondary seal at about 20 years, when in fact it is only about 8 years old; and 2) BAAQMD staff recommended that the Hearing Board deny the earlier application and grant the present application.

Status: Application filed on December 17, 2020; Air District Compliance and Enforcement Division recommendation that the emergency variance be granted filed on December 21, 2020; Hearing Board recommendation that the emergency variance be denied filed on December 30, 2020; Order Denying Emergency Variance filed on December 30, 2020.

Requested Period of Variance: December 2, 2020 from 9:00 a.m. to 11:59 p.m.

Estimated Excess Emissions: None

Variance-related fees collected this quarter: \$1,519.00 (filing fee)

Respectfully submitted,

/s/ Valerie J. Armento

Valerie J. Armento, Esq.
Chair, Hearing Board

Prepared by: Marcy Hiratzka
Reviewed by: Vanessa Johnson

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairpersons Cindy Chavez and Carole Groom and Members
of the Administration Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 11, 2021

Re: Advisory Council Recruitment

RECOMMENDED ACTION

None; receive and file.

BACKGROUND

The Air District is completing a recruitment to fill seven (7) seats of the Air District's Advisory Council. California Health and Safety Code Section 40262 states the Advisory Council, "shall consist of the following: (a) The chair of the bay district board, who shall serve as an ex officio member. (b) Seven members who shall be skilled and experienced in the fields of air pollution, climate change, or the health impacts of air pollution. Members shall be selected to include a diversity of perspectives, expertise, and backgrounds."

The recruitment was initially posted in late June 2020. In November 2020, the Air District provided an update on the recruitment process to the Ad Hoc Committee on Equity, Access, and Inclusion. Per feedback from the community and Ad Hoc Committee members, the Air District continued to actively recruit diverse candidates, particularly those in the fields of health care, non-profit organizations, and environmental justice organizations. The Advisory Council recruitment will close on February 17, 2021.

DISCUSSION

In the coming weeks, the Air District will work together with a panel of community advocates to review qualified candidates. The Administration Committee will consider qualified candidates and the feedback of the community advocates at the March 17, 2021 meeting. Thereafter, the Air District will present the selection of candidates to the Board of Directors for final consideration.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Sonam Shah-Paul
Reviewed by: Greg Nudd

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairpersons Cindy Chavez and Carole Groom and Members of the Administration Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 11, 2021

Re: Second Quarter Financial Report – Fiscal Year Ending (FYE) 2021

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 2020-2021 fiscal year. The following information summarizes those results.

GENERAL FUND: STATEMENT OF REVENUES – Comparison of Prior Year Quarter Actual and Current Year Budget to Actual

REVENUE TYPE	2nd QTR FY 2020	2nd QTR FY 2021	Fiscal Year (FY) 2021 - % of BUDGETED REVENUE
County Receipts	\$13,552,606	\$15,815,602	41%
Permit Fee Receipts	\$28,170,205	\$29,440,963	88%
Title V Permit Fees	\$4,868,477	\$3,541,768	70%
Asbestos Fees	\$2,434,061	\$2,070,767	127%
Toxic Inventory Fees	\$931,143	\$952,220	152%
Community Health Impact	\$0	\$0	0%
Penalties and Settlements	\$809,355	\$1,025,884	68%
Interest Income	\$712,829	\$500,670	60%
Total Revenue	\$51,478,674	\$53,347,874	64%

GENERAL FUND: STATEMENT OF EXPENDITURES - Comparison of Prior Year Quarter Actual and Current Year Budget to Actual

EXPENDITURE TYPE	2nd QTR FY 2020	2nd QTR FY 2021	FY 2021 - % of BUDGETED EXPENDITURES
Personnel - Salaries*	\$22,493,982	\$24,222,686	46%
Personnel - Benefits*	\$13,029,166	\$14,476,235	50%
Operational Services /	\$14,245,822	\$11,180,306	41%
Capital Outlay	\$3,781,477	\$2,530,750	60%
Total Expenditures	\$53,550,447	\$52,409,977	47%

* Consolidated (includes Special Funds)

CASH INVESTMENTS IN COUNTY TREASURY – Account Balances as of Second Quarter

CASH/INVESTMENTS	2nd QTR FY 2020	2nd QTR FY 2021
General Fund	\$76,302,779	\$63,496,674
Transportation Fund for Clean Air (TFCA)	\$108,280,696	\$122,234,438
Mobile Source Incentive Fund (MSIF)	\$43,474,469	\$49,217,388
Carl Moyer	\$56,491,138	\$79,081,580
CA Goods Movement	\$8,874,074	\$21,134,331
AQ Projects	\$3,138,014	\$1,600,145
Vehicles Mitigation	\$3,773,168	\$2,478,540
Total	\$300,334,336	\$339,243,094

FUND BALANCES	6/30/2019	6/30/2020	6/30/2021
	Audited	Projected	Projected
DESIGNATED: *			
Economic Contingency	\$19,084,769	\$20,082,966	\$21,294,922
Napa/Sonoma Fireplace Replacement Grant	\$1,000,000	0	0
Pension & Post Employment Liability	\$2,000,000	\$3,000,000	\$3,000,000
Technology Implementation Office	0	\$3,350,000	\$3,350,000
Woodsmoke Grant	\$1,000,000	\$1,000,000	\$1,000,000
Total Designated Reserves	\$23,084,769	\$27,432,966	\$28,644,922
Undesignated Fund Balance	\$22,332,894	\$27,173,496	\$18,801,858
TOTAL DESIGNATED & UNDESIGNATED	\$45,417,663	\$54,606,462	\$47,446,780
Building Proceeds	\$209,489	0	0
TOTAL FUND BALANCE	\$45,627,152	\$54,606,462	\$47,446,780
* Designated Fund Balances are subject to change at Board's discretion.			
OUTSTANDING LIABILITIES			
CalPERS Pension Retirement			\$86,309,901
Other Post- Employment Benefits			\$18,840,854
Certificate of Participation Notes			21,556,670
TOTAL OUTSTANDING LIABILITIES			\$123,234,957

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 present recurring payments for routine business needs, such as utilities, licenses, office supplies and the like, more than, or accumulating to more than \$100,000 for the fiscal year. In addition, this report includes all of the vendors receiving payments in excess of \$100,000 under contracts that have not been previously reviewed by the Board. In addition, staff will report on vendors that undertook work for the Air District on several projects that individually were less than \$100,000, but cumulatively exceed \$100,000.

Below is a list of vendors with cumulative payments made through the third quarter of 2020-21 fiscal year that exceeded \$100,000 and meets the reporting criteria noted above. All expenditures have been appropriately budgeted as a part of the overall Air District budget for Fiscal Year 2020-21.

	VENDOR NAME	AMOUNT PAID (July 2020 - Dec 2020)	Explanation
1	Accountemps	\$110,028	Temporary Staffing Services
2	Alliant Insurance Services	\$662,377	Various Business Insurance Policies
3	Bay Area Headquarters Authority	\$963,976	Shared Services & Common Areas
4	Benefits Coordinators Corp.	\$574,854	Life Insurance Plan & LTD Insurance
5	CA Public Employee Retirement System	\$3,494,216	Health Insurance Plan
6	CA Public Employee Retirement System	\$9,587,929	Retirement Benefits & 457 Supplemental Plan
7	CAPCOA	\$587,854	Pass through EPA grants
8	Cubic Transportation Systems	\$254,171	Clipper Transit Subsidy
9	Denovo Ventures LLC.	\$105,799	Financial system hosting & support services
10	Enterprise Fleet Services	\$332,675	Fleet Leasing and Maintenance services
11	Hartford Life Ins Co.	\$480,971	457 Supplemental Insurance
12	P&A Administrative Services	\$126,547	Flexible Spending & Cobra Benefit Services
13	Preferred Benefit Insurance AD	\$367,005	Dental Insurance Plan
14	Wang Brothers Investment LLC	\$272,974	Richmond Site Lease
15	Verizon Wireless	\$110,342	Cell phone services

BUDGET CONSIDERATION/FINANCIAL IMPACT

None; receive and file.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze
Reviewed by: Jeff McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairpersons Cindy Chavez and Carole Groom and Members
of the Administration Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 11, 2021

Re: Air District Financial Plan Overview

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Staff will present the Air District's annual Financial Plan (Plan). The Plan is a prelude to the upcoming Fiscal Year 2022 budget and provides an overview of historical financial trends and describes key assumptions and policies. These inputs are used to develop a five-year financial forecast for the Plan.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze

Reviewed by: Jeffrey McKay

Attachment 9A: Air District 2021 Financial Plan



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

2021 FINANCIAL PLAN

GENERAL FUND

FIVE YEAR FISCAL FORECAST: 2022-2026

DRAFT

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TABLE OF CONTENTS

INTRODUCTION AND PURPOSE	5
HISTORICAL FINANCIAL CONDITION/TRENDS.....	5
Historical Reserves.....	5
Historical Revenues.....	6
Historical Expenditures	8
CURRENT FINANCIAL OUTLOOK.....	9
ECONOMIC OUTLOOK	10
External Trends – United States.....	10
External Trends – California.....	14
Regional Economy of the Bay Area.....	14
FINANCIAL FORECAST	17
Key Revenue Assumptions.....	18
Key Expenditure Assumptions	18
OUTSTANDING LIABILITIES.....	19
Pension Retirement Benefits	19
Other Post-Employment Benefits (OPEB).....	21
ALTERNATIVE Strategy for Pension Liabilities.....	22
CERTIFICATION OF PARTICIPATION NOTES (COPS).....	22
FINANCIAL POLICIES.....	23

TABLE OF TABLES

Table 1 Five-Year General Fund Financial Forecast	18
---	----

TABLE OF FIGURES

Figure 1 General Fund Reserves Compared with Policy	6
Figure 2 Historical Revenue Trends	6
Figure 3 Cost Recovery	7
Figure 4 Historical Expenditure Trends.....	8
Figure 5 Breakdown of Revenues and Expenditures in FYE 2019.....	9
Figure 6 United States Economic Growth.....	11
Figure 7 US Labor Market	114

Figure 8 California’s Economy – Real GDP Growth between 1999 - 2019115

Figure 9 Bay Area County Property Assessments, 2020 – 202115

Figure 10 Bay Area Residential Construction Permits, 2019 vs 202016

Figure 11 Bay Area Unemployment Rates.....17

Figure 12 CALPERS Funding History.....20

Figure 13 CALPERS Unfunded Status21

Figure 14 OPEB Historical Funded Status22

DRAFT

INTRODUCTION AND PURPOSE

The Financial Plan (the Plan) is provided as a prelude to the development of the Bay Area Air Quality Management District's (Air District's) annual budget. A key component of the Plan is a description of the current economic environment and its short and long-term anticipated impacts to the Air District's fiscal condition. The Plan provides an overview of historical financial trends and describes key assumptions and policies. These inputs are used to develop a five-year financial forecast. The forecast is not a budget, but rather, a projection of the Air District's financial health based on key assumptions and factors. The forecast can help to flag future challenges and opportunities allowing the Air District to be proactive in planning actions as it develops and adopts a budget for the coming year. Management of fiscal resources enables maintenance of service levels while achieving the Air District's priorities, goals and objectives.

HISTORICAL FINANCIAL CONDITION/TRENDS

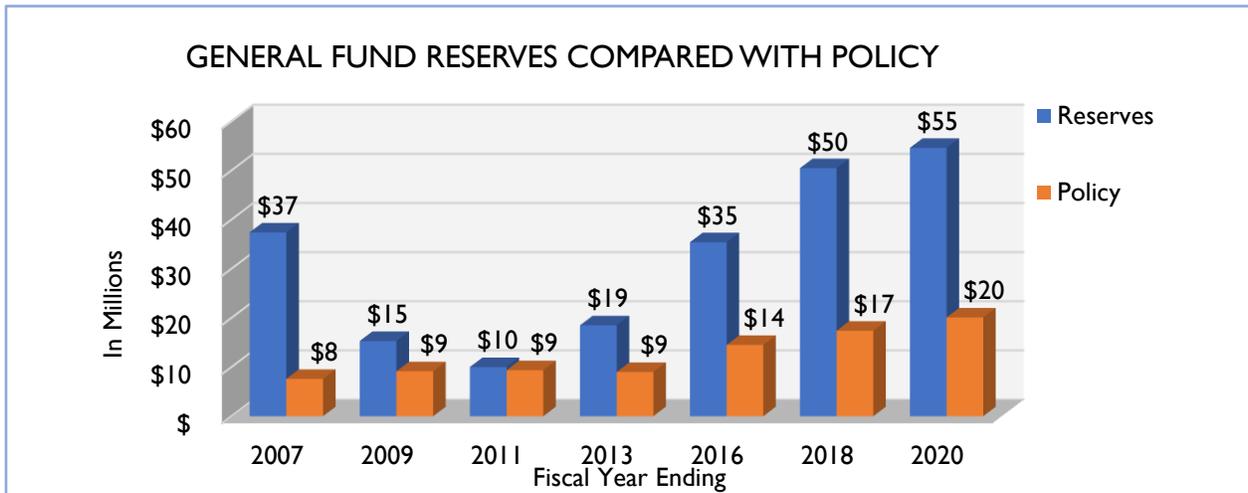
The General Fund is the primary operating fund used to sustain the business of the Air District. It accounts for revenues, expenditures, and reserves. This section provides an overview of the Air District's financial condition and actions taken to address financial challenges since the 2008 recession. The recession caused many local public agencies to lay-off a substantial portion of their work force and even drove some to file bankruptcy. However, through sound fiscal management and a combination of various measures, the Air District was able to minimize service impacts and avoid lay-offs. One measure used to temporarily meet operational needs was a draw down from the General Fund reserves.

HISTORICAL RESERVES

Reserves set aside funds to weather unanticipated economic conditions or the impact of natural events. Reserves are an important measure of financial stability and provide flexibility to temporarily mitigate financial challenges.

Figure 1 illustrates the impact to the General Fund reserve when it was used to meet operational needs during the economic downturn. In 2007 before the economic downturn, reserves were \$37 million, substantially higher than the 2007 reserve policy of 15% of the General Fund Operation Budget. When reserves were used temporarily to meet operating needs, they dipped significantly, almost reaching the minimum reserve policy level of \$9 million in 2011. Since 2011, reserves have been replenished and are almost back to the 2007 levels, meeting the current minimum reserve policy of 20% of General Fund Operating Budget. This experience illustrates that while the Air District has a minimum reserve policy, it is important to strive to remain above the policy level to weather events such as the 2008 Great Recession.

Figure 1 General Fund Reserves Compared with Policy



In addition to use of reserves, the following measures were utilized during the 2008 economic downturn:

1. Unfilled Vacancies
2. Postponed Expenditures
3. Deferred Capital Investment
4. Initiated Cost Recovery Policy for Permit Fees

HISTORICAL REVENUES

The General Fund’s two major revenue sources are Property Tax and Permit Fees. These two sources generally reflect the Bay Area’s changing economic conditions and largely dictate the Air District’s ability to control and manage growth. **Figure 2** provides a historical trend of General Fund revenues in the period between 2007 to 2020.

Figure 2 Historical Revenue Trends



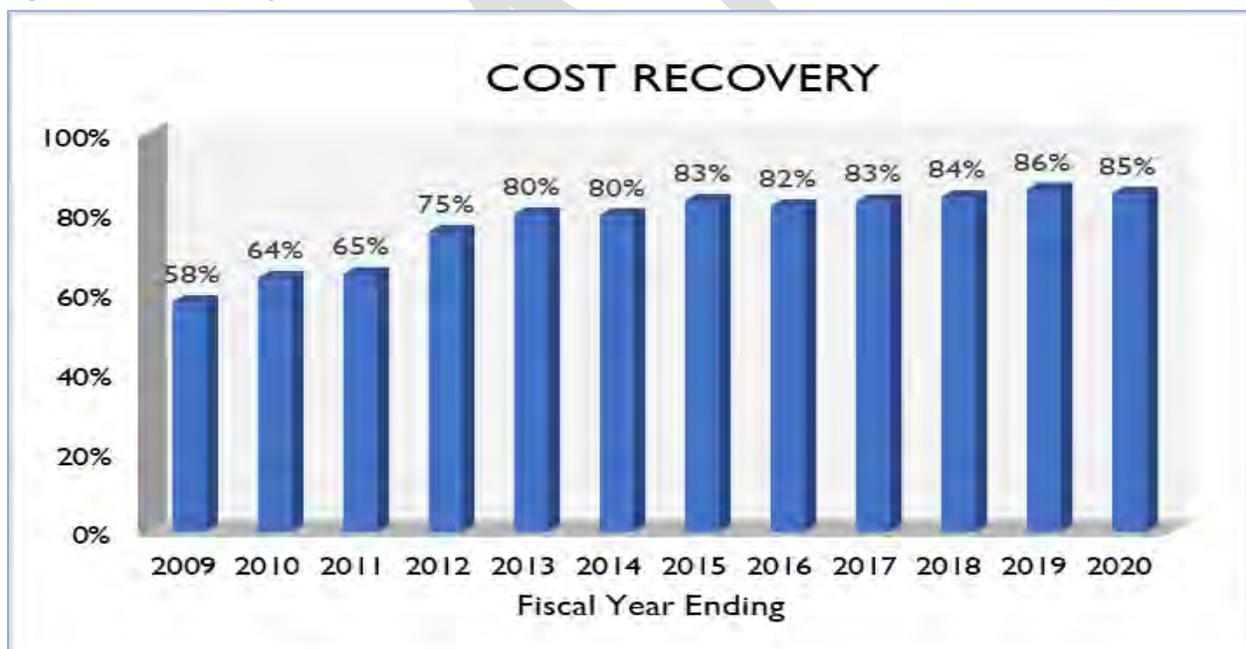
Property Tax is the second largest General Fund revenue source. This source is not controlled by the Air District but is rather administered by the nine Bay Area Counties. It is distributed annually to the Air District using a State law prescribed formula.

As Figure 2 illustrates, property tax revenue growth is relatively stable. Unlike permit fees, there is a lag in response to changing economic conditions in the real estate market. In 2009 and 2010 property tax was relatively stable, decreasing slightly in 2011 due to the 2008 recession, with a three-year lag.

Permit Fees are the largest General Fund revenue source and are sensitive to the level of economic activity in the Bay Area. In 2008, permit fees dipped slightly due to the economic downturn. Some of this impact was offset by amending the fee schedule through fee increases, resulting in higher permit fee revenues.

State law authorizes the Air District to assess fees to generate revenue to recover 100% of reasonable costs of regulatory program activities for stationary sources of air pollution. Annually, the Air District can review and amend fees to cover associated costs.

Figure 3 Cost Recovery



In 2009, the Air District was only recovering 58% of its costs. In 2020, the cost recovery level was 85%. This was accomplished using a prescribed formula to review and amend the fee schedule annually pursuant to the adoption of a Cost Recovery Policy. The policy established an 85% minimum cost recovery target. More favorable economic conditions, resulting in higher fees collected by the District, and the implementation of the cost recovery policy, permit fee revenue has experienced significant growth since 2009 as shown in **Figure 3**.

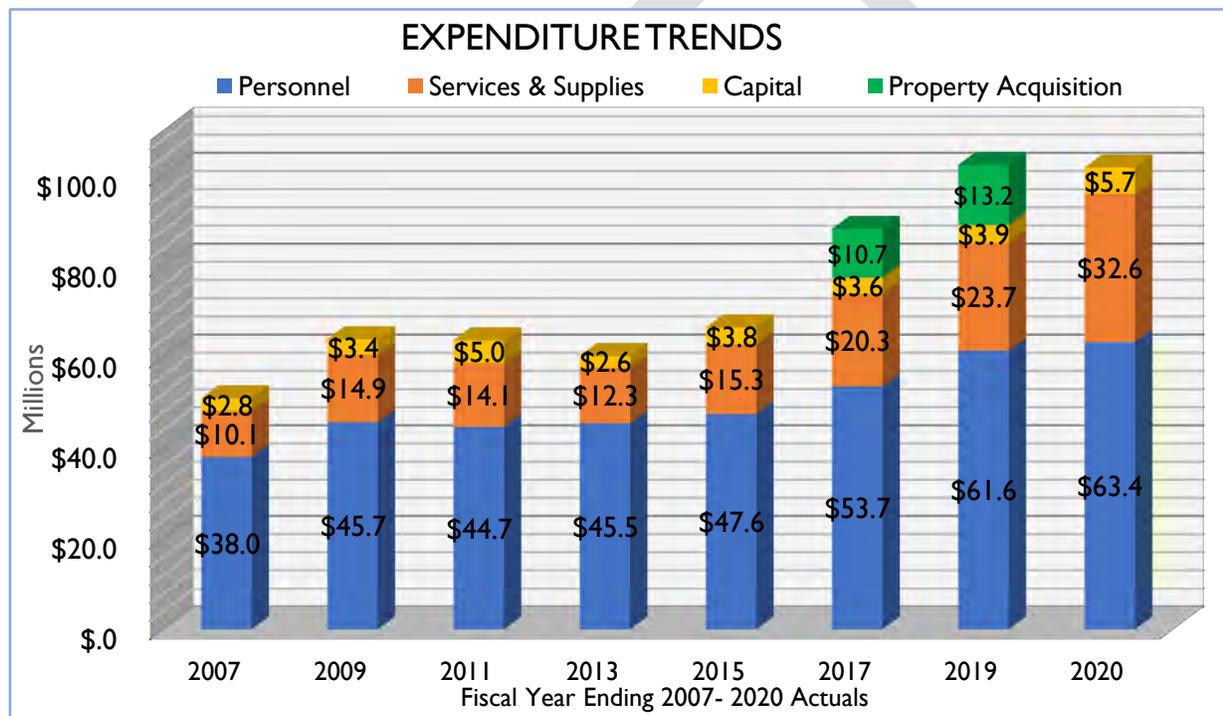
Grant Revenues represents various federal and state grants used to support the air monitoring program and public outreach. This category fluctuates based on available grant funding.

Miscellaneous Revenues include other state funding such as subvention, interest and penalties and settlements and one-time revenues. This category also fluctuates based primarily on the amount and timing of penalties and settlements.

HISTORICAL EXPENDITURES

The General Fund’s two major expenditures are Personnel (includes benefits) and Services & Supplies. Figure 4 provides a historical trend of actual General Fund expenditures from 2007 to 2020.

Figure 4 Historical Expenditure Trends



Personnel costs include salaries, taxes and benefits. Benefits includes health premiums, pension and other post-employment benefit contributions. This category dipped slightly in 2011 and remained relatively steady until 2017, when the Air District experienced increased staffing levels and a steep rise in pension contributions to CalPERS. Since 2017, the Air District has increased staffing levels to meet its demand for the implementation of Assembly Bill 617 and increased workload in other programs.

Services and Supplies costs are primarily contract services, with various office supplies representing the balance. This category fluctuates from year to year. It increased significantly in 2017 and 2018 due to several new and enhanced programs (such as the Clean Air Plan Implementation and Technology Improvement Office Programs); including one-time costs

associated with the move to the Air District’s new headquarters. In 2020, the spike in this category resulted from one-time costs associated with a settlement payment and the Air District’s shared costs with Metropolitan Transit Commission (MTC) on the improvements to the first-floor retail space (Temescal) at the Beale Street Headquarters. The agreement will allow the two agencies to share any revenue generated from the retail space. Due to Covid-19, the space is currently vacant.

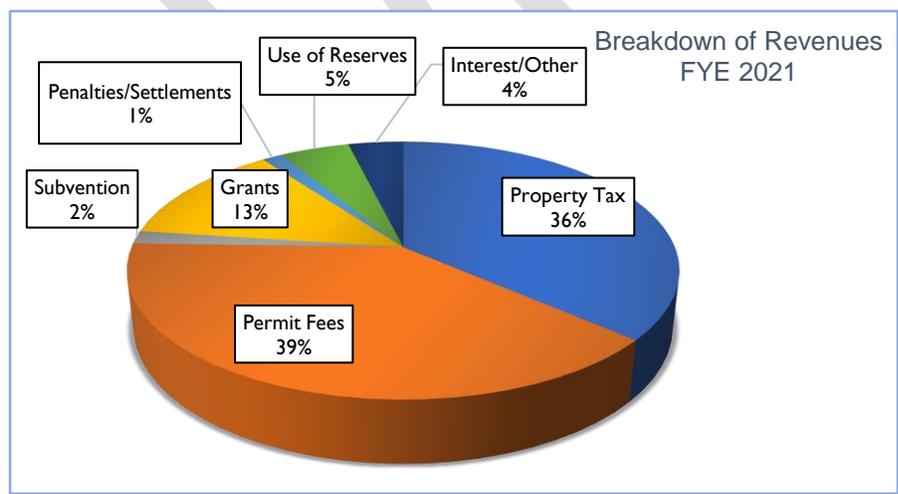
Capital costs fluctuate based on the timing of capital equipment purchase and replacement. Majority of the capital expenditures over the past years are related to the implementation of the Air District’s billing new billing system, New Production System (NPS).

Property Acquisition accounts for purchase of real estate. In 2017, a down payment of \$10.7 million went towards the purchase of the Air District’s Beale Street headquarters. The Air District will continue to make annual payments to pay down its remaining obligation of \$18.5 million. In 2019, the Air District purchased \$4M in additional space at its Beale Street location and acquired a new office building located in Richmond, California for approximately \$9.0M.

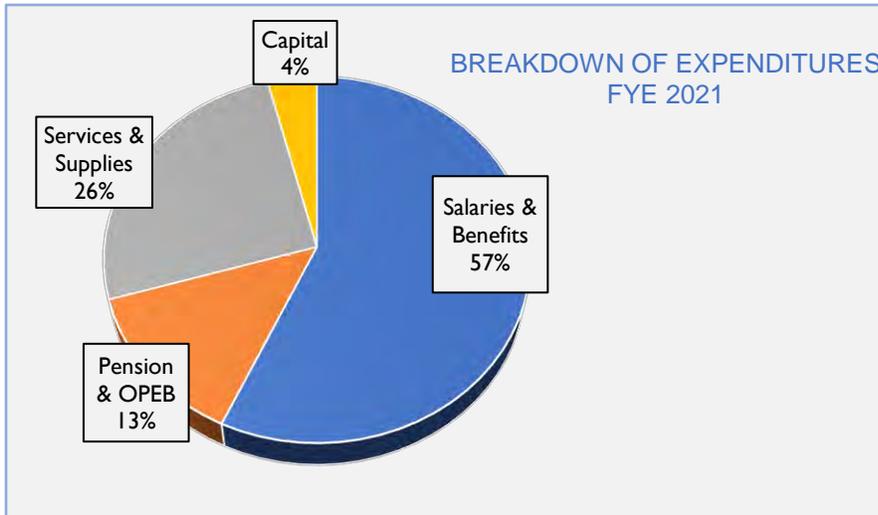
CURRENT FINANCIAL OUTLOOK

Currently, the Air District is in good financial health. The Air District has been able to adopt balanced annual budgets, while establishing and maintaining a healthy General Fund reserve by being fiscally prudent and establishing sound fiscal policies. Figure 5 provide a breakdown of the projected Revenues and Expenditures for the current fiscal year. The Fiscal Year 2021 General Fund Adopted Budget was \$106.5 million, which includes a one-time \$5 million transfer from reserves to address expected decline in revenues owing to COVID-19 economic impacts on permitted sources. As a service-driven agency, salaries and benefits (including Pension and Medical) are the largest components of expenditure, representing 65% of the total. The adopted budget maintained a staffing level of 415 FTEs, an increase of 10 FTEs over the prior year.

Figure 5 Breakdown of Revenues and Expenditures in FYE 2021



Permit Fees and Property Tax account for 75% of the FY 2021 General Fund Budget. *Current projection is expected to exceed initial budget.*



The two major General Fund Expenditures are Salaries/Benefits and Services/Supplies totaling 70% of the projected budget for the fiscal year ending 2021. *The budget is expected to be on target with projections.*

ECONOMIC OUTLOOK

EXTERNAL TRENDS – UNITED STATES

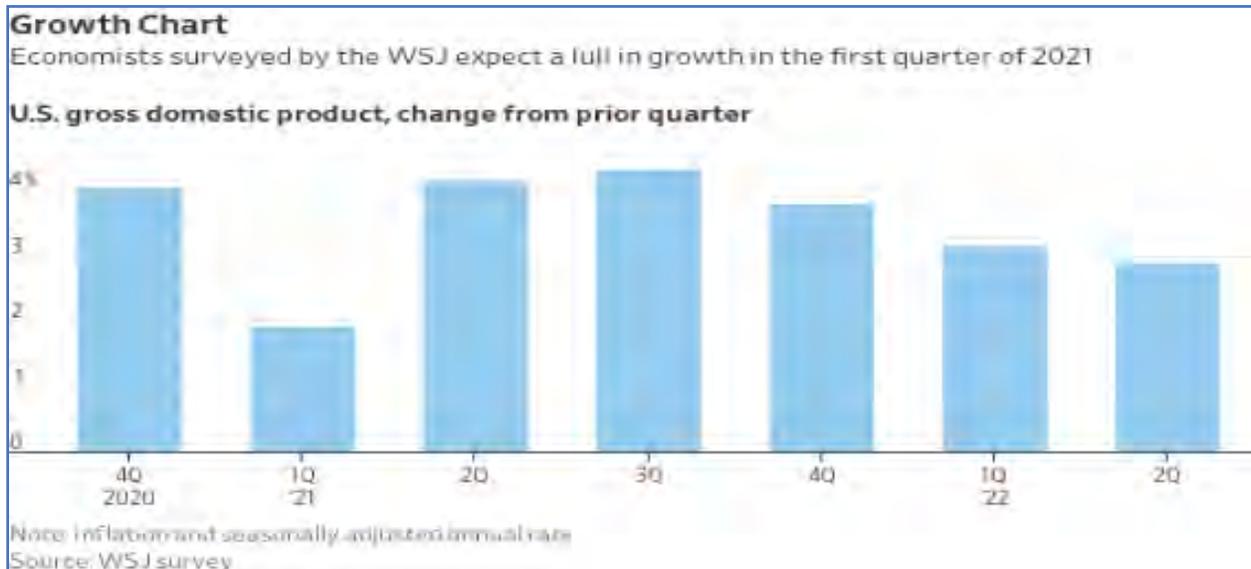
The U.S. economy headed into 2020 on solid footing, with growth settling back to the roughly 2% pace that has prevailed during the decade-old economic expansion. However, the global pandemic has severely disrupted economic growth of the country because the lockdowns shut down economic activity in every corner of the United States. Gross domestic product—the value of all goods and services produced across the economy—as a result of lockdowns, plunged by over 33% in the 2nd quarter of 2020.

Most economists expected the sudden recession to last much longer than one quarter. However, the administration maintained the view that the country’s economy would rebound just as quickly as it declined, in a V-shaped form, with the high growth seen in the 3rd and 4th quarters of 2020. The economy did recover by over 32% in 2020Q3, and the current estimates of 2020Q4 are about 7-8% growth, however, the pace of recovery has slowed towards the end of 2020 due to the still significant impacts from Covid-19. Initial projections by the economists were centered on a sharp economic decline for the full year in 2020. Recent estimates point to a much more benign decline of about 3% in 2020 because of the strong recovery in 2020 Q3 and Q4.

Economic expansion during 2021 is expected to continue at a relatively fast pace. The US economy should grow in 2021 by about 5.3%. At the same time, because of the significant monetary transfers to the population during 2020, the financial stimulus, savings by population are at extraordinarily high levels. These savings may point to higher spending once the economy is open and running at pre-Covid levels. Delayed spending, if realized, will bring higher inflation, at least temporarily. However, neither the US Federal Reserve Bank nor US Treasury see a significant

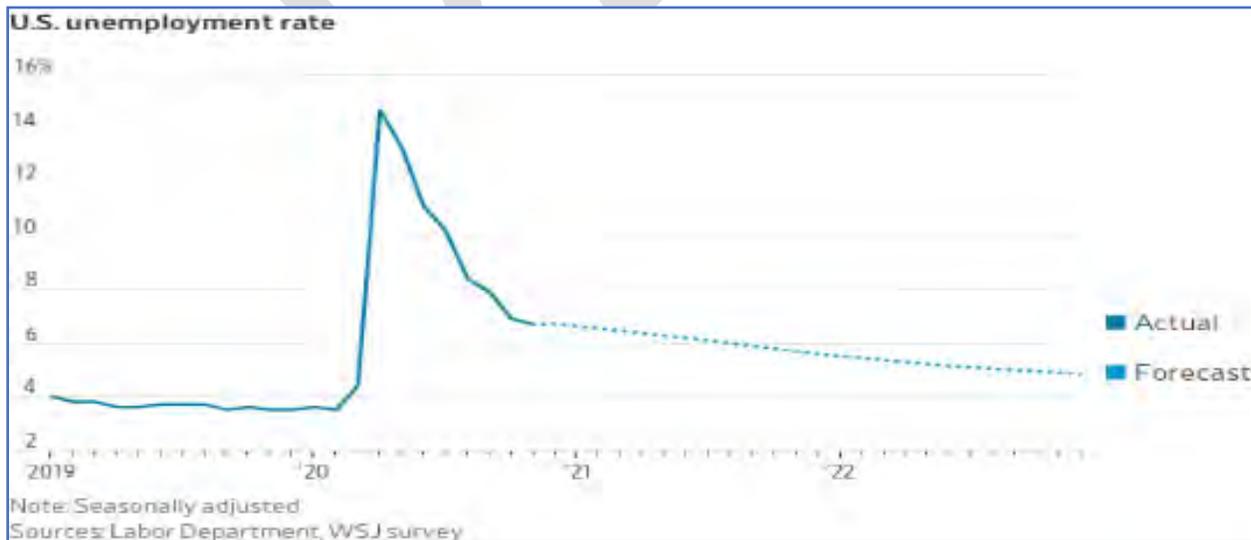
increase in inflation, with 2021 averaging a rate of inflation of about 2.5%. **Figure 6** shows US economic performance over the last decade and a forecast out to 2025.

Figure 6 United States: Economic Growth is Expected to Stay Robust...

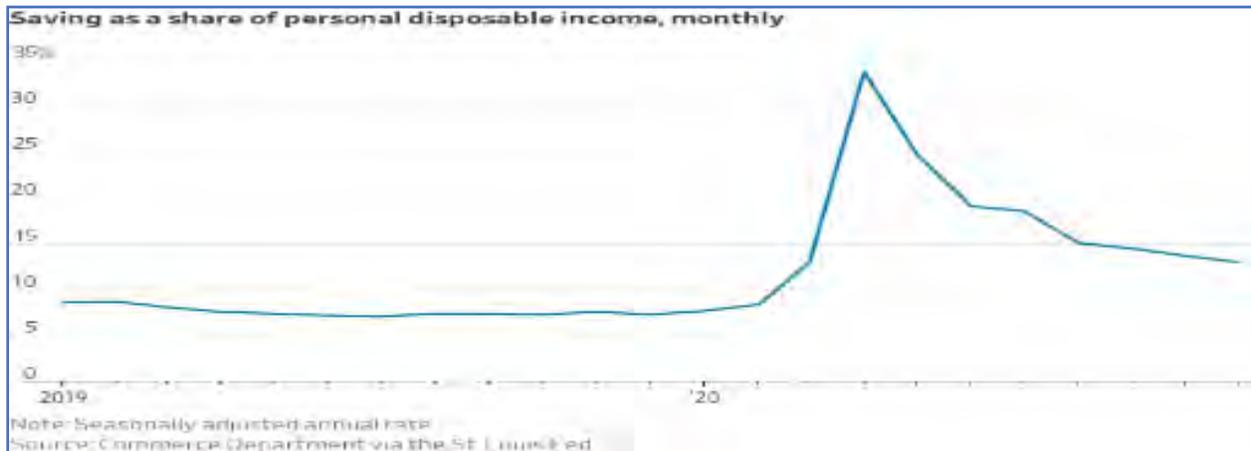


Source: WSJ Survey of Economists, Blue Chip Indicators

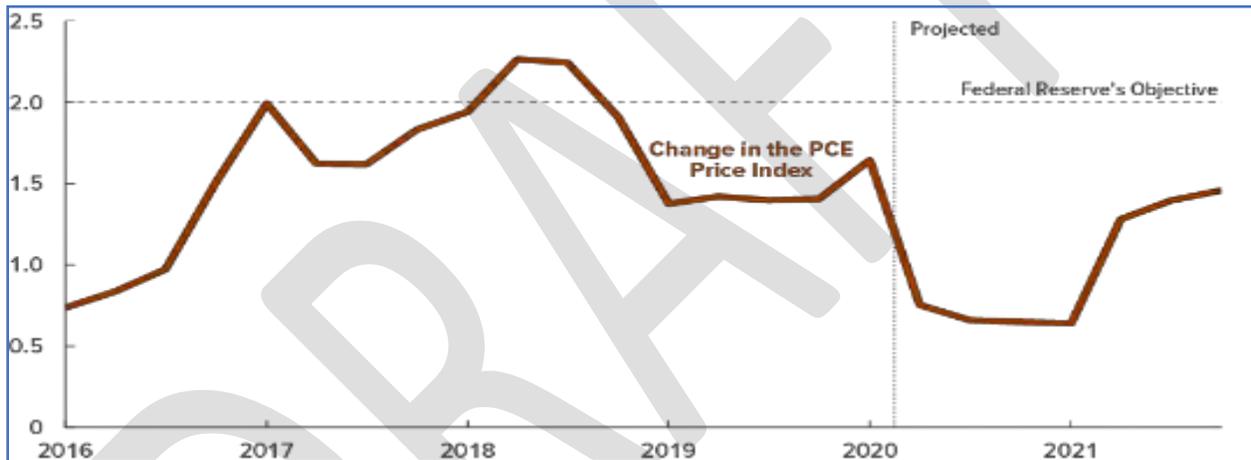
...as employment recovers. However, the nation's unemployment rate will not decline to the pre-pandemic levels until 2023



Saving has dramatically increased during 2020...



...although inflation is expected to remain subdued

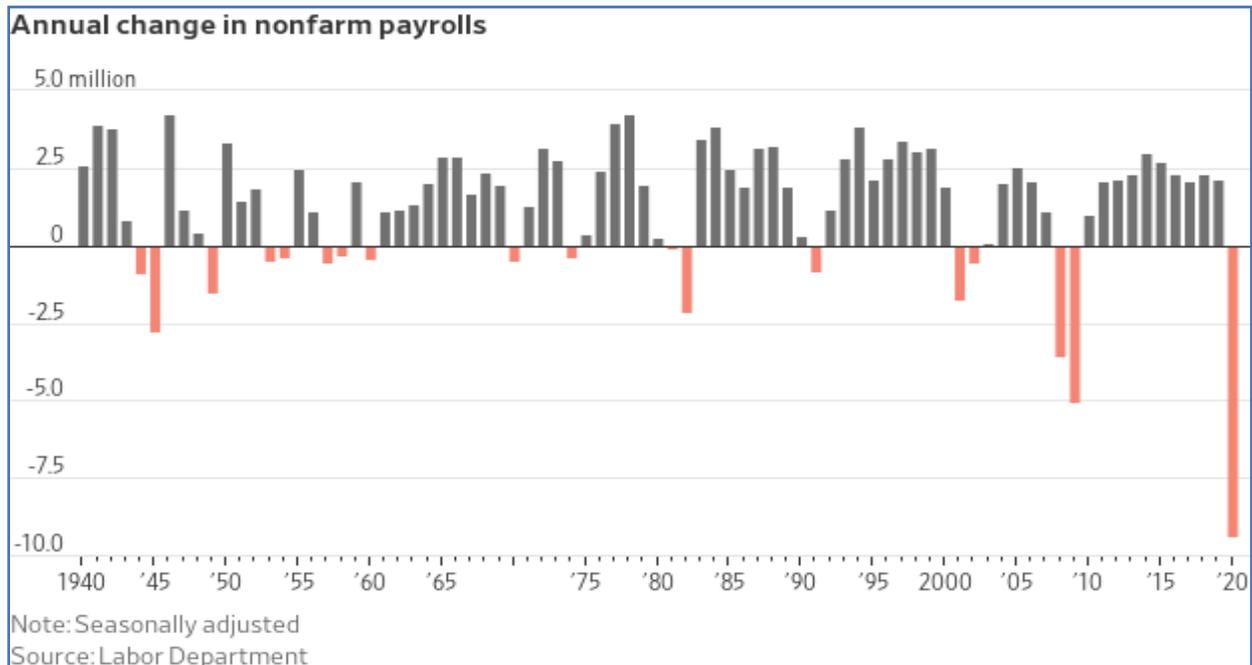


Inflation remains below the Federal Reserve's long-run objective through the end of 2021 because the demand for certain goods and services continues to be low.

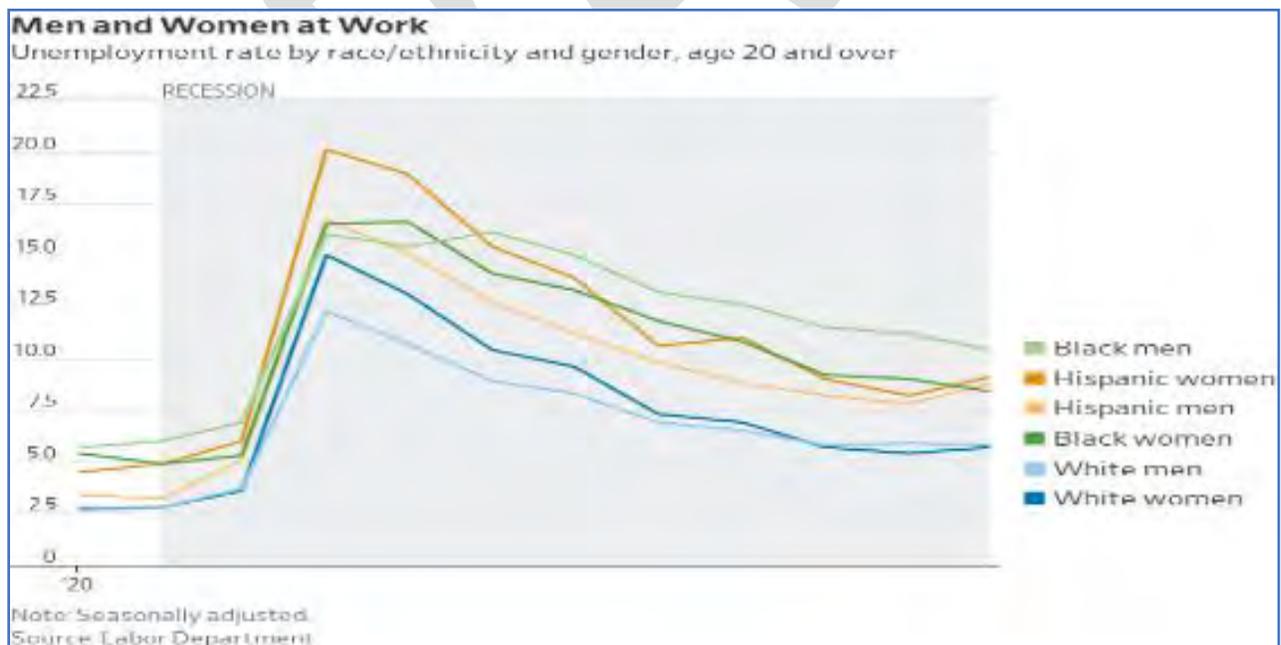
Federal Reserve projects inflation to average about 2.2% over the next 10 years.

Encouraging news in the national labor market point to continued recovery, as **Figure 7** shows, with December jobs report showing that only leisure and hospitality sector still experiencing serious problems.

Figure 7 US Labor Market



Looking at racial disparities in the labor market, it is worth pointing to the sharply rising jobless numbers among Hispanic men and women, even as the rates for other racial/ethnic groups continue declining.

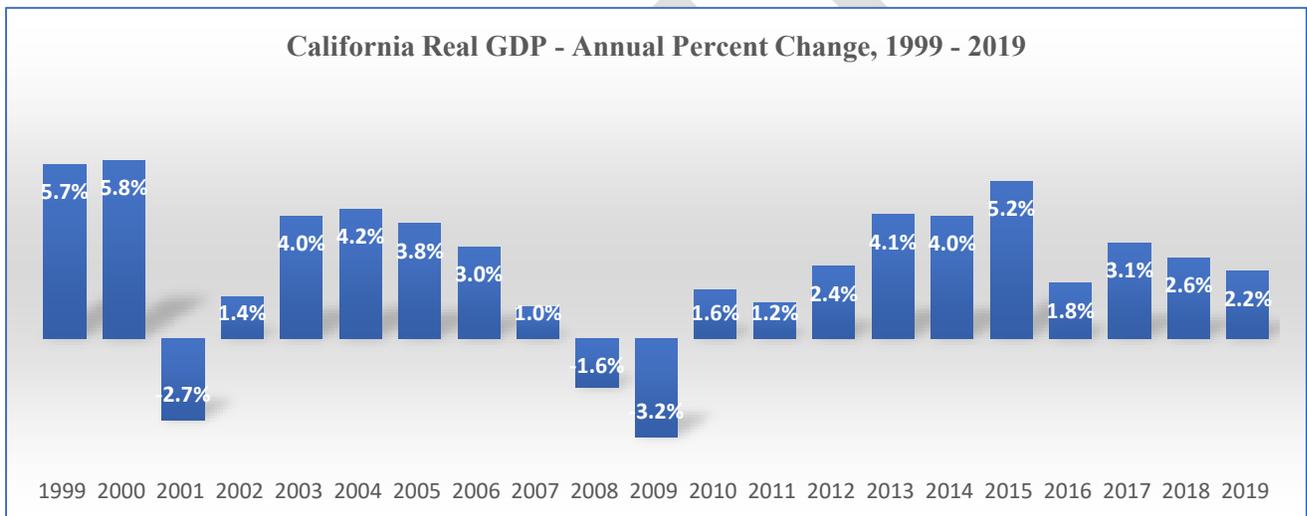


EXTERNAL TRENDS – CALIFORNIA

Risks to the California Economy have been building up even before Covid-19 struck the state. Housing prices made living in California unaffordable for many, resulting in out-migration to cheaper areas of the country. Extended lockdowns have brought many sectors of the economy in California to a standstill. Jobs in hospitality and retail, along with other jobs in the services industries, with heavy client-facing roles, have been affected especially hard. The out-migration trend has accelerated in 2020, especially from the Bay Area.

While the full impact of Covid-19 on the state economy is still not certain and final, what is clear is that it will take longer for California to recover from this crisis than the average in the nation.

Figure 8 California's Economy – Real GDP Growth between 1999 - 2019



Source: Bureau of Economic Analysis, US Department of Commerce; State of California Department of Finance

REGIONAL ECONOMY OF THE BAY AREA

Regionally, the Bay Area economy has performed remarkably well, growing by about 4.3% annually between 2014 – 2017. The Bay Area economy has been a leader in the United States in growth of GDP per capita. The very high productivity of about \$80,000 per person owes much to the high concentration of technology industries in the area.

However, even though the economy has become more diverse in recent years, it continues to rely heavily on technology sector. To this end, many non-technology industries expand in the Bay Area by supporting the high technology industries (for example, both finance and manufacturing are tied to the performance of the high-tech sector). This concentration of industries focused on one area (technology) leads to an uneven and unpredictable economic performance for the entire

region, with sharper peaks during times of economic growth and lower valleys in a recession – compared to other, more economically diversified regions, not dependent on a single industry.

The economic boom in the Bay Area, driven by the technology companies is likely not sustainable. As Covid-19 related lockdowns lingered, there has been an important population shift away from the cities, given that many in the technology sector can work remotely.

Most counties in the Bay Area benefitted from higher real property prices, both for commercial and residential properties. However, as both workers and companies relocate elsewhere, there would need to be a new reason for a new influx of companies and workers.

In the near term, economic growth is expected to stay steady in the Bay Area, although likely not as robust as over the past 10 years. Despite comparatively high office and retail vacancy rates and mounting problems with commercial properties due to Covid-19, increases on the residential side should compensate these negative impacts in the short term (1-2 years).

As Figure 9 shows, real property assessments increased across the Bay Area at a far higher pace than the typical long-run average of 2% per year, although assessments are likely to decline over the next few years. Based on recent trends and on expectations of slower, but steady economic growth over the next few years, most likely impact to the Air District’s budget from Covid-related changes in county property taxes would range from -2% to +3%, with the central tendency around 0 to slightly positive, compared with previous projections.

Figure 9 Bay Area County Property Assessments, 2020 – 2021

<i>Aggregate Bay Area Counties 2020-2021 Property Assessments</i>	
	<i>Percent Increase Over Prior Year</i>
Alameda	6.80
Contra Costa	4.88
Marin	4.64
Napa	5.30
San Francisco	7.63
San Mateo	7.02
Santa Clara	6.87
Solano	4.94
Sonoma	4.60
Bay Area Average Increase	5.85

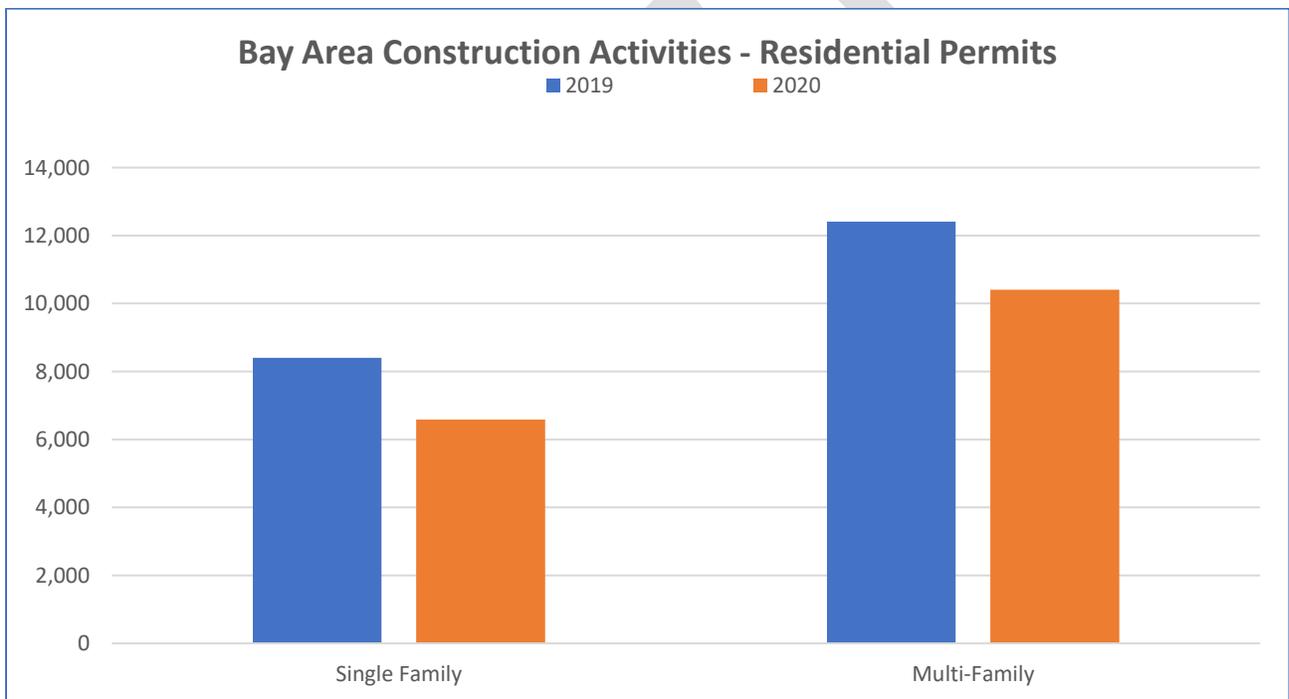
Source: Santa Clara County Assessor’s Annual Report, 2020

Bay Area Residential Construction permits declined by over 18% per year (based on year-to-date data from November 2020 vs. November 2019). Permits for single family homes declined even more, by nearly 22% per year, as shown in Figure 10.

In comparison, statewide, residential construction activity was down 2%, compared with November 2019, although construction is rebounding strongly in the second half of 2020.

However, both statewide and in the Bay Area, non-residential (commercial) construction activity is very weak, with no signs of recovery. The numbers for non-residential construction are well below both recent averages as well as what was normal levels in 2019.

Figure 10 Bay Area Residential Construction Permits, 2019 vs 2020



Source: US Census

Jobs recovery is underway in the Bay Area, even though it started later than in other areas around the country and in the state. Unemployment rates have been falling over the past few months.

However, risks to the jobs recovery remain: especially, the ones related to the successful containment of the virus as well efforts to bring back jobs lost for good due to the pandemic. It may take longer to return to the pre-Covid unemployment rates in the Bay Area, also in large part depending on how smooth and complete the return of workers to locations in the city would be. If large numbers of workers stay remote for a long time, there may be a longer-term shift in the services and hospitality industries.

Figure 11 Bay Area Unemployment Rates

Unemployment Rates						
Metro Area	Feb 20	Apr 20	July 20	Aug 20	Sept 20	Oct 20
Oakland	3.0%	14.2%	12.2%	9.5%	9.2%	7.9%
San Francisco	2.2%	12.1%	10.3%	7.9%	7.7%	6.5%
San Jose	2.7%	12.0%	9.5%	7.3%	7.0%	6.0%
Santa Rosa	2.8%	14.5%	10.0%	7.5%	7.2%	6.2%
Napa	3.2%	16.1%	10.6%	8.0%	7.5%	6.6%
Vallejo	3.9%	15.1%	12.5%	9.8%	9.6%	8.5%
San Rafael	2.3%	11.2%	9.0%	6.8%	6.5%	5.4%
Bay Area	2.7%	13.1%	10.8%	8.3%	8.0%	6.9%

Source: State of California Employment Development Department (Seasonally Adjusted).
 Analysis: Stephen Levy, Director of the Center for Continuing Study of the California Economy; Bay Area Council Economic Institute

FINANCIAL FORECAST

The Air District prepares a Five-Year Financial Forecast for the General Fund to project its long-term financial health based on revenue and expenditure trends, policy decisions, assumptions and expectations. The Five-Year Forecast allows the Air District to assess the current environment and respond to changes.

Table 1 Five-Year General Fund Financial Forecast

Five Year General Fund Financial Forecast						
	FYE 2021 Budget	FYE 2022 Projected	FYE 2023 Projected	FYE 2024 Projected	FYE 2025 Projected	FYE 2026 Projected
REVENUES						
Property Tax	\$38,770,162	\$39,545,565	\$40,731,932	\$41,953,890	\$43,212,507	\$44,508,882
Permits/Fees	\$41,623,723	\$51,563,887	\$53,110,804	\$54,704,128	\$56,345,251	\$58,035,183
Grant Revenues	\$4,601,447	\$4,601,447	\$4,637,462	\$4,673,838	\$4,710,577	\$4,747,682
AB 617 Funding	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
Other Revenues	\$4,618,711	\$5,539,018	\$5,613,938	\$5,690,346	\$5,768,271	\$5,847,744
	\$98,614,043	\$110,249,917	\$113,094,136	\$116,022,202	\$119,036,606	\$122,139,492
Transfer from Special Funds	\$2,700,886	\$1,200,886	\$1,224,904	\$1,249,402	\$1,274,390	\$1,299,878
Use of/(Transfer to) Fund Balance	\$5,159,682	\$ (2,784,363)	\$ (1,172,858)	\$ (794,443)	\$ (1,976,092)	\$ (1,708,142)
TOTAL REVENUES	\$106,474,611	\$108,666,440	\$113,146,181	\$116,477,161	\$118,334,904	\$121,731,227
EXPENDITURES						
Personnel & Benefits (net Pension/OPEB)	\$57,597,447	\$58,626,446	\$60,364,957	\$62,084,690	\$63,854,422	\$65,701,635
Retirement Pension (Pension)	\$10,763,501	\$12,191,219	\$13,899,868	\$14,627,137	\$13,806,492	\$15,419,748
Other Post Employment Benefits (OPEB)	\$6,633,700	\$6,010,525	\$6,051,372	\$6,098,651	\$6,148,160	\$5,201,799
Services and Supplies	\$27,243,515	\$27,601,802	\$28,381,713	\$29,129,447	\$29,897,849	\$30,687,505
Capital Expenditures	\$4,236,448	\$4,236,448	\$4,448,270	\$4,537,236	\$4,627,981	\$4,720,540
TOTAL EXPENDITURES	\$106,474,611	\$108,666,440	\$113,146,181	\$116,477,161	\$118,334,904	\$121,731,227

Table 1 shows the projected 2021 Adopted General Fund Budget, with the projected budgets for the next five years. Overall, projected expenditures slightly exceed projected revenues for FYE 2021 to account for reduction to permit/fee revenues due to impacts from COVID-19. The Air District continues to monitor this revenue source and anticipates revenues will be higher than initially projected in June 2020 when the budget was adopted by the Board. FYE 2022-2026 shows projected revenues being higher than projected expenditures; showing an operating surplus ranging from \$794K to 2.8M during this period. All operating surplus are added to the General Fund Reserves projected balance. There are several key assumptions in developing the revenue and expenditure projections for the Five-Year Financial Forecast. ***These assumptions are expected to change during the FYE 2022 budget process.***

KEY REVENUE ASSUMPTIONS

1. **Property Tax** is expected to grow at a slower rate given the current economic conditions. The Bay Area is experiencing a slow-down in construction; however, the housing market continues to grow. The five-year forecast assumes continued growth of approximately 2% in revenues for year 2022 and only a 2-3% inflationary growth in years 2023 through 2026.
2. **Permit Fee** revenues may increase by approximately 5% in year 2022 mainly from the implementation of new fees related to AB617 and CTR. The Air District will continue to assess the impacts of permit revenues from COVID-19. The increase is projected to grow by 2-3% thereafter during the five-year forecast because of the Air District's Cost Recovery policy, which allows the Air District to increase its fee schedule to recover costs for permit related activities. The average cost recovery level of 85% is expected to slightly drop in the next year due in part to the new and enhanced program costs. Projections suggest attainment of the 85% cost recovery policy level before the end of the five-year forecast, as implementation of new and enhanced programs continues, and costs begin to level out.
3. **Grant Revenues** are shown as stable through 2026. However, changes to this assumption would be unsurprising.
4. **Assembly Bill 617** funding of \$9.0 million from the State continues for the next 5 years.
5. **Other Revenues** mainly account for penalties, State subvention, and interest income. These revenues are expected to remain stable.

KEY EXPENDITURE ASSUMPTIONS

1. **Personnel** costs are projected include 9 additional FTEs. *This will change in the budget process.* A 3% annual cost of living adjustment is also projected for the five-year period to account for a slight increase in health premiums, and the filling of some open positions. Some increase in staffing level is anticipated for FYE 2022-2026 as the Air District continues to address staffing needs for core programs. This projection assumes a 3% vacancy rate in 2022, gradually decreasing to 2% by 2026.
2. **Retirement Pension** costs are rising due to recent discount rate reduction by CalPERS and escalating unfunded liability payments. The forecast assumes implementation of the Air

District’s approved policy to make discretionary payments to CalPERS to reduce the unfunded actuarial liability (UAL).

3. **Other Post-Employment Benefits (OPEB)** for retiree medical benefits are projected to reach District’s 90% funded policy goal by FYE 2026. After that, the \$4.0 million in discretionary funding will shift towards the CalPERS Pension Plan to reduce the UAL.
4. **Services and Supplies** costs are projected to level off, assuming only an inflationary increase of approximately 2-3%.
5. **Capital Expenditures** are expected to remain level, with only an inflationary increase.
6. **General Fund Reserves** are used to fund one-time costs, and to cover temporary revenue shortfalls. Reserves are expected to stay above the minimum policy level ensuring continuation of the Air District’s operations, should another economic downturn occur.

OUTSTANDING LIABILITIES

The Air District currently provides a retirement pension benefit plan through the California Public Employee Retirement Systems (CalPERS), and contracts with California Employers’ Retiree Benefit Trust (CERBT) to prefund its OPEB obligations. As of the most recent valuation dates, the Air District’s unfunded liabilities are as follows:

	Liability	Funded	Unfunded	% Funded
Pension	\$341 M	\$250 M	\$91 M	73%
OPEB	\$72 M	\$54 M	\$18 M	75%

PENSION RETIREMENT BENEFITS

The Air District provides a defined benefit pension plan to eligible retirees and employees through the California Pension Employee Retirement System (CalPERS). There are two separate retirement formulas provided to employees:

1. Classic Employees. For its Classic employees, the Air District has a “2.5% at 55” plan; under which employees retiring at age 55 will receive 2.5% of their single highest year of “regular” pay for each year of service. Classic employees are those hired by a local agency before January 1, 2013 or were hired from another CalPERS agency with a break in service of six months or less. The plan receives both employer and employee normal cost contributions. As of date, the employee normal rate is 7% of the employee salary and the employer rate is 8.966% of employee salary.
2. PEPRA Employees. Effective January 1, 2013, the Public Employees’ Pension Reform Act (PEPRA) created a new retirement tier benefit formula to reduce costs and liabilities for state and local agency members in the CalPERS system. Employees hired after January 1, 2013 are considered PEPRA employees and does not meet the definition of a classic member have a “2.0% at 62” plan; under which employees retiring at age 62 will receive 2.0% of the average of their three highest years of regular pay for each year of service. As

of date, the employee normal rate is 6.75% of the employee salary and the employer rate is 8.966% of employee salary.

Figure 12 CALPERS Funding History

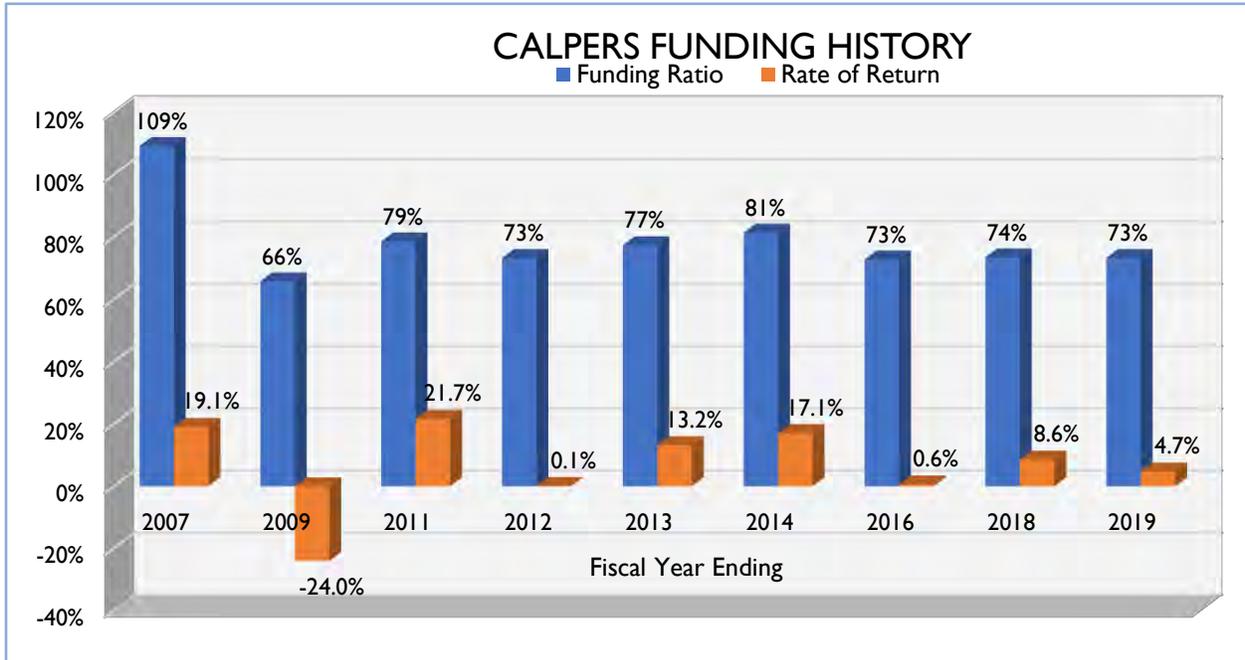
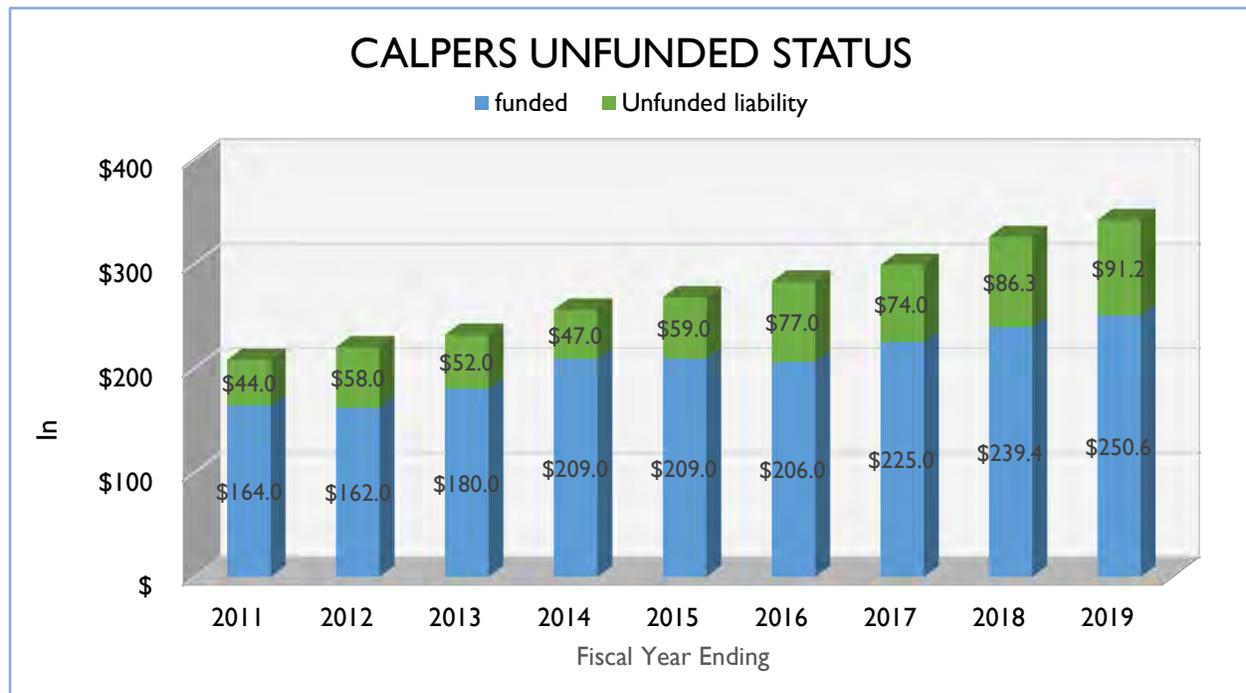


Figure 12 provides a historical rate of return and funding status of the Air District’s pension plan with CalPERS. In 2007, the plan was “super-funded” and required no employer or employee contributions. In 2008 and 2009, at the beginning of the economic downturn, the plan experienced negative returns which reduced the funded status to as low as 66%. As a result, the plan became underfunded and a large unfunded liability is now being recognized. Not only were the annual contributions for the Air District and employees normal cost reinstated, but the Air District as the employer must make additional contributions towards closing the gap for this significant unfunded liability.

Figure 13 CALPERS Unfunded Status

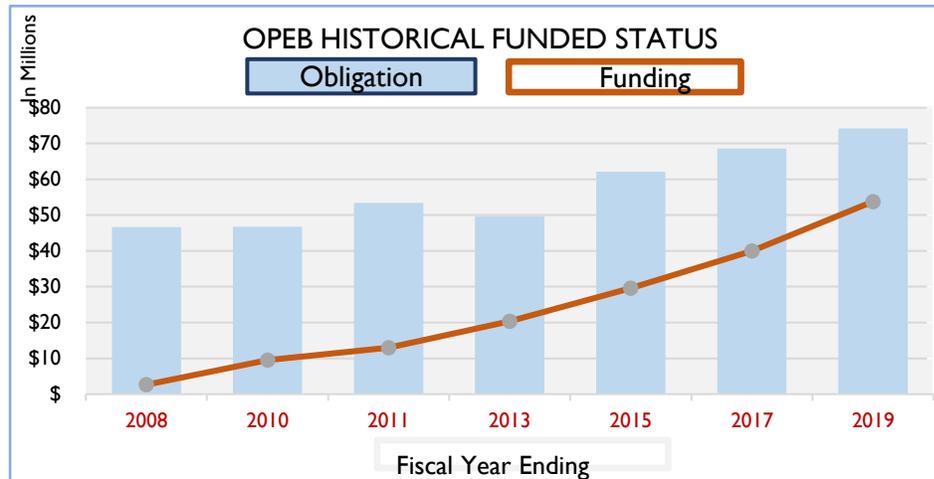


The 2019 actuarial valuation report shows a total funded obligation of \$250 million: leaving an unfunded liability of \$91 million shown in Figure 13. The total required employer contribution for fiscal year 2020 was \$9.4 million, which includes the \$5.6 million UAL payment. The Air District plans to address the unfunded liability pursuant to the Pension policy noted in the Financial Policies Section of this document.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to pension, the Air District provides continuation of medical, dental, vision, and life insurance coverage to its retired employees. These benefits vary based on retirees’ date of hire, years of PERS service, and coverage level selected. Figure 14 below shows the funding history for the Air District’s OPEB Plan based on the most recent actuarial valuation report dated June 30, 2019. An actuarial valuation report is prepared every other year, the valuation report will be performed for the period dated June 30, 2021.

Figure 14 OPEB Historical Funded Status



Prior to 2008, the Air District made annual “pay as you go” payments. These payments only covered the current benefit payments due and payable. They did not account for the dollars required to fund the plan for current plan

members and past vested plan members. While employers are not required to fund the plan, it was strongly recommended that these benefits should be funded as they are earned.

In 2008, the Air District Board approved a plan to start prefunding OPEB and over the last 10-years, these annual discretionary contributions took the plan from 0% funded in 2008 to 75% funded in 2019. Based on the most recent actuarial valuation; the plan’s unfunded liability is estimated at \$18 million. The total employer contribution for fiscal year 2020 was \$6.8 million, which includes the \$4.0 million discretionary funding pursuant to the OPEB policy noted in the Financial Policies Section of this document.

ALTERNATIVE STRATEGY FOR PENSION LIABILITIES

The Air District’s current unfunded liabilities for both the OPEB and Pension plans total \$109 million.

District’s Current Policy was approved by the Board in June 2018. It will be possible to shift the \$4 million in discretionary funds from OPEB once the 90% funded target is reached. Those funds can then be directed to further pay down the unfunded liability in the CalPERS Pension Plan.

In an effort, to address the unfunded liabilities for pension, staff has recommended several investment options which was presented to the Budget & Finance Committee (Committee) in late 2020. Staff anticipates the Committee will refer to the Board its recommendation in 2021.

CERTIFICATION OF PARTICIPATION NOTES (COPS)

In 2013, the Air District issued \$30M in COPs to finance its new headquarters at 375 Beale Street in partnership with Metropolitan Transportation Commission (MTC) through a private purchase with Bay Area Headquarters Authority (BAHA). In May 2017, the Air District closed escrow and acquired approximately 75,000 square feet of office space. As a part of this

acquisition, the Air District prepaid \$10.7M towards the purchase, leaving the remaining balance to be paid annually.

Under the terms of the financing lease/sublease agreement between BAHA and the Air District, total monthly payments have been predetermined. The total annual payments and interest rate caps to pay down the COPs are as follows:

Predetermined payments:	
<u>Year</u>	<u>Annual Payments</u>
1-10	\$1.2 Million
11-30	\$1.37 Million

30-Year variable rate structure with preset interest rate caps:	
<u>Year</u>	<u>Caps</u>
1-5	3.20%
6-10	4.20%
11-30	5.20%

The interest rate is based on Securities Industry and Financial Market Association (SIFMA) rate plus 1.2%. The estimated principal and interest payments remaining is \$21,556,670 based on the June 30, 2020 SIFMA rate.

FINANCIAL POLICIES

Financial policies provide a shared understanding of how the Air District will develop its financial practices and manage its resources. These policies were established by prior Boards using best practices and industry standards to guide the Air District’s decision-making process. Listed below are Board approved financial policies.

1. Reserve Policy

In 2016, the Air District amended its reserve policy, raising it from 15% to 20% of General Fund operating budget. The Air District’s minimum reserve balance of 20% of the General Fund Operating Budget is intended to address financial emergencies, litigations and one-time operating and capital needs.

2. Cost Recovery Policy

In 2012, the Board approved a Cost Recovery Policy providing for annual amendments to the fee schedules. The annual fee schedule amendments are intended to achieve an 85% cost recovery goal.

3. Pension Policy

In 2016, the Board adopted a policy setting a target funding level of 90%. In 2018, this policy was revised to establish a target date of 20 years to reach a 90% funding level. It also designated \$1 million annually to accelerate funding of the liability. As a part of this action, the Air District will identify alternative investment options for the \$1 million in annual discretionary funding, and present to the Budget and Finance Committee before the end of 2019.

4. Other Post-Employment Benefit (OPEB) Policy

In 2008, the Board approved prefunding of its OPEB plan through a 115-trust with the California Employers Retirement Benefit Trust (CERBT). The Air District discretionary contributions have accelerated through the years and as a result, the current annual discretionary funding is \$4 million. In 2016, the Board approved a policy to set a target funding level of 90%, with no target date. In 2018, the policy was revised to achieve target funding in 3 years. Upon reaching the full funding level, the \$4 million discretionary funding may be redirected to the CalPERS pension plan.

DRAFT

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairpersons Cindy Chavez and Carole Groom and Members of the Administration Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 11, 2021

Re: Update on Spare the Air Advertising and Messaging Campaigns

RECOMMENDED ACTION

The Committee will consider recommending Board of Directors approve Allison+Partners as the selected contractor for the Spare the Air Campaigns, Advertising, Communications, and Evaluation Services.

The Committee will also consider recommending the Board of Directors authorize the Executive Officer/APCO to execute a contract with Allison+Partners, in an amount not to exceed \$1,950,000 per contract year, during Fiscal Year Ending (FYE) 2022 and FYE 2023, and \$2,019,000 for FYE 2024, to be broken down as follows:

- Spare the Air Summer Campaign
 - Advertising \$600,000
 - Media Relations \$200,000
 - Social Media \$75,000
 - Employer Program \$200,000
 - Public Opinion Surveys \$50,000

- Spare the Air Winter Campaign
 - Advertising \$600,000
 - Media Relations \$100,000
 - Social Media \$75,000
 - Public Opinion Surveys \$50,000
 - In-Language Option Surveys \$69,000 (3rd year of contract only)

BACKGROUND

The Air District's Communications Office relies on contractors to assist with various aspects of its advertising and outreach programs. The Communications Office recently completed a Request for Proposal (RFP) process to solicit responses for the following services: Advertising, Media Relations, Social Media, Public Opinion Surveys, and Employer Outreach services.

- **Advertising Services:** To develop professional quality broadcast, print, digital advertising, and educational materials for the Spare the Air campaigns.
- **Media/Public Relations Services:** To provide media relations services to promote activities through the media that support the Spare the Air campaigns.
- **Social Media Services:** To provide social media strategies, including concept development, writing, design, production, and technical services.
- **Public Opinion Survey Services:** To measure the effectiveness of the Air District's Spare the Air Summer and Winter campaigns, and assess public behavior patterns/change.
- **Employer Outreach Services:** To notify Bay Area employers of the Commuter Benefits Program requirements, encourage employers in the Spare the Air Employer Program to sign the Cut the Commute Pledge, educate their employees about air quality, notify them when a Spare the Air Alert is called, and change commute behaviors to benefit air quality.

DISCUSSION

The RFP for Spare the Air Advertising, Communications, and Evaluation Services was released on December 7, 2020. The RFP was posted on the Air District website for three weeks and sent to various media relations and advertising firms in the Bay Area.

Eleven proposals were received from the following firms:

- Allison+Partners
- Bastion Elevate LLC
- BMWL
- Built by PN Industries, Inc.
- Creative Digital Agency, Inc.
- Hearst Bay Area
- Kamrin Communications, LLC
- Next Steps Marketing
- Prosio Communications
- Sensis
- School of Thought

A panel of three Air District staff and one Metropolitan Transportation Commission staff, performed a thorough evaluation of proposals and conducted interviews based on the six evaluation criteria outlined in the RFP:

Expertise	30
Skill	20
Approach	20
Cost	15
Local/Green	10
References	5
Total Points	100

EVALUATION

The panel members’ scores were averaged, and the average scores were summed for each bidder. Interviews were conducted for the top four proposals. The tables below list the RFP evaluation criteria and show each firm’s average score for the proposal evaluations and the interviews.

RFP Proposal and Interview Scores – Spare the Air Advertising/Messaging Campaigns

Firm	Proposal / 100 pts	Interview / 100 pts	Total / 200 pts
Allison+Partners	91 pts	91.50 pts	182.50 pts
Creative Digital Agency, Inc.	77.38 pts	86 pts	163.38 pts
Prozio Communications	80.63 pts	79.50 pts	160.13 pts
Next Steps Marketing	81.88 pts	71.75 pts	153.63 pts

Allison+Partners received the highest combined score of 182.50 for the proposal and interview evaluation.

Firms not selected for interviews received the following scores for their proposals:

Company	Score
Bastion Elevate LLC	51.87
BMW	51.38
Built by PN Industries, Inc.	45.13
Hearst Bay Area	60.50
Kamrin Communications, LLC	44.50
School of Thought	58.50
Sensis	55.12

BUDGET CONSIDERATION/FINANCIAL IMPACT

Funding for this contract comes from the following sources:

- Spare the Air Every Day
 - Congestion Mitigation Air Quality (CMAQ) - \$925,000 per contract year FYE 2022-24
 - Transportation Fund for Clean Air (TFCA) - \$200,000 per contract year FYE 2022-24

- Spare the Air Winter
 - General Revenue - \$825,000 per contract year FYE 2022 and FYE 2023
 - General Revenue - \$894,000 per contract year FYE 2024

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Kristina Chu
Reviewed by: Kristine Roselius

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairpersons Cindy Chavez and Carole Groom and Members
of the Administration Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 11, 2021

Re: Proposed Contract Extension for Climate Tech Finance Program

RECOMMENDED ACTION

Recommend Board of Directors authorize the Executive Officer/APCO to negotiate and execute an agreement with the California Infrastructure and Economic Development Bank (IBank) to continue to support loans and loan guarantees under the Air District's Climate Tech Finance program.

BACKGROUND

Climate Tech Finance is the Air District's first loan program, with the aim of reducing greenhouse gases by accelerating the adoption of climate technologies. The program offers two financing vehicles: loan guarantees to improve access to credit for climate technology developers, and direct loans to improve local government access to capital when buying greenhouse gas-lowering technologies. These financial products are offered through a partnership with the California Infrastructure and Economic Development Bank (IBank).

On August 1, 2018, the Air District Board of Directors authorized the Executive Officer to enter into an agreement with IBank not to exceed \$4,185,000 to fund the loan program. Subsequently, the Air District launched the Climate Tech Finance program and executed outreach and engagement with over 1,000 Bay Area organizations to identify potential loan projects. From that outreach, the program has funded two loan guarantee projects, approved eight more projects for funding, and developed a pipeline of several dozen near-term climate projects.

The loan guarantee projects that Climate Tech Finance has funded are:

- SW/TCH Maritime, a hydrogen fuel cell ferry that will service passengers between San Francisco and Oakland. The project is estimated to reduce 2,000 tons of greenhouse gases per year. The Air District has encumbered \$250,000 to support this loan worth \$5,000,000 over a five-year term.
- Gridscape Solutions, a provider of renewable microgrids for public and private sector buildings. The project is estimated to reduce 2,200 tons of greenhouse gases per year. The Air District has encumbered \$100,000 to support this \$1,000,000 one-year line of credit.

Together, the Air District committed \$350,000 to support these loans totaling \$6,000,000, a leverage ratio of over 17 to 1.

The Climate Tech Finance program has also approved eight additional projects for funding, all loan guarantees. The companies supported by these loan guarantees are currently in discussions with banks to execute their respective loans.

- A company scaling up production of integrated residential battery systems
- A demand-response software to provide low-carbon grid stability
- A company scaling up deployment of battery-boosted electric vehicle chargers
- An in-road energy recovery system at toll gates
- An energy-efficient cooling technology for data centers
- A project to produce concrete from low-carbon aggregate
- An ultracapacitor technology to improve energy storage performance
- A company deploying solar-powered electric vehicle chargers

If the banks approve the above projects, the total Air District commitment to guarantee these loans would be approximately \$1.7 million. By leveraging additional assets through its partnership with IBank, the Air District’s \$1.7 million commitment would be supporting an additional \$20 million in total loan value.

Staff have also had discussions on 43 more specific climate projects in the Bay Area actively seeking financing. In total, the program has identified over \$500 million in demand for climate loans in the Bay Area.

To build on this progress, especially among loan guarantee projects, staff would like to extend its agreement with IBank to continue supporting the Climate Tech Finance program.

DISCUSSION

Under the existing agreement, both IBank and the Air District participate in Climate Tech Finance projects in the following way:

Table 1 – Key Terms of Existing Agreement with IBank

	<i>IBank Participation</i>	<i>Air District Participation</i>
Direct Loans for Public Sector	<ul style="list-style-type: none"> • Up to \$30M • 2-3% interest 	<ul style="list-style-type: none"> • Contribute up to \$1M or 25% of loan • 0% interest to reduce overall rate • Allocated \$3M (Fiscal Year Ending [FYE] 2019)
Loan Guarantees for Small Businesses	<ul style="list-style-type: none"> • Up to \$2.5M • Up to 80% guarantee 	<ul style="list-style-type: none"> • Up to 10% additional guarantee • Allocated \$1M (FYE 2019)

In 2019, IBank reduced the maximum loan guarantee in its standard programs from \$2.5 million to \$1 million. However, IBank retained the \$2.5 million maximum exclusively for Climate Tech Finance projects.

Staff would like to extend its agreement with IBank with two substantive changes to the terms:

- **Increase Air District participation in loan guarantees.** Building on the progress and success of Climate Tech Finance loan guarantees, staff would like to make all funds in the agreement available for either loans or loan guarantees.

Staff would also like to maintain the \$2.5 million loan guarantee maximum for loan guarantee projects. To do so, for guarantees from \$1 million to \$2.5 million, IBank would guarantee up to \$1.5 million, while the Air District would guarantee up to \$1 million. For loan guarantees of \$1 million or less, IBank would continue to guarantee up to 80 percent and the Air District up to 10 percent, per the original terms. Staff expect an even split between projects that will secure a \$1 million loan guarantee and those that will exceed \$1 million.

- **Allow the Air District to leverage funds for its portion of loan guarantees.** Currently, the Air District encumbers 100 percent of its portion of a guarantee. Staff propose allowing the Air District to leverage its guarantee funds up to a ratio of 2 to 1. That means when a loan guarantee is executed, the Air District would encumber 50 percent of its portion of that guarantee. This allows the program to execute twice as many loan guarantees; staff are projecting 3-5 guarantees per year with existing funds.

The Air District's leverage rate would be disclosed to lenders as part of the loan guarantee process. The disclosure would state that if the Air District's entire guarantee portfolio defaulted in full, only 50 percent of the guarantee amount would be paid to the lender. For context, IBank is currently leveraging its loan guarantee funds at approximately a 5 to 1 ratio and is allowed to leverage as high as 10 to 1.

The loan guarantee process would not change. Upon execution of a guarantee, Air District funds are encumbered but not transferred. Transfer of funds occurs only in the event of loan default and after loan recovery efforts. Historically, IBank's loan guarantee default rates have been less than 3 percent of loans and less than 1 percent of loan volume.

Apart from these proposed amendments, the key terms of the agreement would remain unchanged, including:

- Total value of agreement remains at \$4,185,000 as approved and allocated in FYE 2019.
- The Air District portion of direct loans is repaid in five years or less.
- The Air District portion of losses in loans and loan guarantees is borne by the Air District.
- The total liability of the Air District under the agreement shall not exceed the total amount of the Air District's outstanding loans and loan guarantees made under the agreement or an amount not to exceed \$4,185,000, whichever is less.

- The Air District may terminate the program with 30 days advance notification; remaining unallocated funds are not committed to IBank programs.

Additionally, staff will continue to regularly report to the Air District Board of Directors on executed loan guarantee projects. For direct loans to the public sector, staff will report to the Air District Board of Directors before loans are executed.

BUDGET CONSIDERATION/FINANCIAL IMPACT

Funding for the IBank agreement was allocated as part of the Board-approved FYE 2019 budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Derrick Tang

Reviewed by: Damian Breen, Jeff McKay, and Anthony Fournier

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairpersons Cindy Chavez and Carole Groom and Members
of the Administration Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 11, 2021

Re: Ad Hoc Governance Committee – Next Steps

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

The Board Chair and Executive Officer/APCO will provide an update of the Ad Hoc Governance Committee.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Vanessa Johnson