

**FISCAL YEAR 2020
BAY AREA AIR QUALITY MANAGEMENT DISTRICT
PRESENTATION OF AUDIT RESULTS
TO THE
BUDGET AND FINANCE COMMITTEE**



April 21, 2021



Simpson & Simpson, LLP

AGENDA



- ❖ Auditor's Required Communication (SAS 114)
- ❖ Audit Results and Highlights of the Basic Financial Statements
- ❖ Audit Results and Highlights of the Single Audit
- ❖ Questions



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Auditor's Required Communications

SAS 114



1. *Our Responsibility under Generally Accepted Auditing Standards (GAAS)*

- Consider internal control to the extent necessary to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control
- Design and implement audit procedures based on our understanding of the District to gain reasonable, not absolute, assurance as to the absence of material misstatements in the financial statements
- Perform tests of compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts
- Opine on financial statements based on our audit



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Auditor's Required Communications

SAS 114 (continued)



2. *Significant Accounting Policies*

- ❑ The District's significant accounting policies are described in Note 1 to the financial statements and are in accordance with generally accepted accounting principles and consistent with industry practices and standards.
- ❑ The application of existing policies was not changed during the year.
- ❑ All significant transactions have been recognized in the financial statements in the proper period.



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Auditor's Required Communications

SAS 114 (continued)



3. *Management Judgments and Accounting Estimates*

- ❑ Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ from management's current judgments.

- ❑ The most sensitive estimates affecting the financial statements were:
 - Useful life of capital assets used for depreciation.
 - Liabilities for legal claims



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Auditor's Required Communications

SAS 114 (continued)



3. Management Judgments and Accounting Estimates (continued)

- Deferred outflows/inflows of resources, net pension liability, net OPEB liability, pension expense, and OPEB expense is based on estimates that are prepared by the CalPERS actuary based on information provided by participating employers, and MacLeod Watts, Inc. based on information provided by management.
- ❑ We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.



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Auditor's Required Communications

SAS 114 (continued)



4. *Corrected Misstatements*

All material proposed audit adjustments were recorded.

5. *Uncorrected Misstatements*

The effects of the uncorrected misstatements of the financial statements have been determined to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.



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Auditor's Required Communications SAS 114 (continued)



6. No Disagreements or Difficulties with Management

- There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report on the District's financial statements, nor were there significant difficulties in dealing with management in performing our audit.

7. No Consultations with Other Accountants

- To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of AU 625, *Reports on the Application of Accounting Principles*.



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Auditor's Required Communications

SAS 114 (continued)



8. *Management Representations*

- We have requested certain representations from management that are included in the management representation letter dated April 6, 2021.



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Audit Results and Highlights of the Basic Financial Statements



1. *Unmodified Opinion*

- Unmodified opinion with respect to the governmental activities and each major fund.

2. *Financial Highlights*

- Government-Wide Financial Statements
- Governmental Fund Financial Statements



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Audit Results and Highlights of the Basic Financial Statements (Continued)



2. Financial Highlights (continued)

A. Government-Wide Financial Statements

- ❑ Net position as of June 30, 2020 was \$208 million (excess of total assets plus deferred outflows over total liabilities plus deferred inflows), an increase of \$16.6 million due to an increase in Restricted Net Position for Air Quality Grants and decreases related to changes in the Net Pension Liability and Net OPEB valuations.



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Audit Results and Highlights of the Basic Financial Statements (Continued)



2. Financial Highlights (continued)

B. Government Funds Financial Statements

- ❑ Governmental combined fund balances as of June 30, 2020 increased from last year by \$16.6 million to \$244.5 million. The increase in fund balance is due primarily to an increase in the District's Restricted and Assigned Fund Balance for Air Quality Grants and Projects.
- ❑ The General Fund accounts for all the District's financial resources except those required to be accounted for in the Special Revenue Fund. The ending fund balance of \$82.5 million is carried over to the next fiscal year. Of this amount \$5.7 million was restricted, \$1 million was nonspendable, \$30.3 million was assigned/committed and the remaining \$45.5 million was unassigned.



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Audit Results and Highlights of the Single Audit



3. **Government Auditing Standards Opinion**

- Internal Control Over Financial Reporting
 - No material weaknesses
 - No significant deficiencies

- Compliance
 - No instances of noncompliance noted

4. **OMB Uniform Guidance Audit Opinion-Unmodified**

- Compliance
 - No instances of noncompliance noted

- Internal Control Over Compliance
 - No material weaknesses or significant deficiencies noted.



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Audit Results and Highlights of the Single Audit (Continued)



5. Follow-up on Prior Year Findings

- Prior Year Federal Award Finding F-2019-001's corrective action plan was Implemented.

6. Areas Brought to Management's Attention

- The management letter is to provide observations during the audit in areas where the internal control procedures can be strengthened.
- The comments were discussed with the individual departments who have agreed to our recommendations and provided management responses for improvements.



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Questions & Answers



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Thank You



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 5

Third Quarter Financial Report Fiscal Year Ending (FYE) 2021

**Administration Committee Meeting
April 21, 2021**

**Stephanie Osaze
Finance Manager
sosaze@baaqmd.gov**

Outcome



Provide a General Fund financial summary for the third quarter ending March 31, 2021



General Fund Reporting on 3rd Quarter financial results (July 1, 2020 – March 31, 2021):

- Revenues
- Expenditures
- Investments
- General Fund Balance and Outstanding Liabilities
- Purchasing Report

Requested Action



To receive and file the third quarter
financial summary report

3rd Quarter Results FYE 2021



Major Categories	FYE 2021 Budget	FYE 2021 Actual (as of 03/31/2021)	Percentage of Budgeted Revenues
County receipts	\$38,770,162	\$22,588,678	58%
Permit Fees	\$33,544,227	\$33,083,957	99%
Title V Permit Fees	\$5,085,389	\$4,764,507	94%
Asbestos Fees	\$1,625,000	\$3,013,245	185%
Toxic Inventory Fees	\$628,357	\$1,250,962	199%
Community Health Impact	\$1,000,000	\$309,513	31%
Penalties and Settlements	\$1,500,000	\$1,512,309	101%
Interest Revenue	\$832,711	\$500,670	60%
Total Revenues	\$82,985,846	\$67,023,840	81%

Revenue Comparison



Prior Year vs. Current Year

Major Categories	FYE 2020 (As of 03/31/2020)	FYE 2021 (As of 03/31/2021)	\$ DIFFERENCE
County receipts	\$21,562,911	\$22,588,678	\$1,025,767
Permit Fee receipts	\$34,224,833	\$33,083,957	(\$1,140,876)
Title V Permit Fees	\$5,373,763	\$4,764,507	(\$609,256)
Asbestos Fees	\$3,543,072	\$3,013,245	(\$529,826)
Toxic Inventory Fees	\$1,012,767	\$1,250,962	\$238,195
Community Health Impact	\$0	\$309,513	\$309,513
Penalties and Settlements	\$1,047,451	\$1,512,309	\$464,858
Interest Revenue	\$712,829	\$500,670	(\$212,160)
TOTAL REVENUES	\$67,477,625	\$67,023,840	(\$453,785)

3rd Quarter Results FYE 2021

General Fund - Expenditures



Major Categories	FYE 2021 Budget	FYE 2021 Actual (as of 03/31/2021)	Percentage of Budgeted Expenditures
* Personnel - Salaries	\$52,382,492	\$36,149,108	69%
* Personnel - Benefits	\$28,832,084	\$18,525,802	64%
Operational Services and Supplies	\$27,243,515	\$17,172,872	63%
Capital Outlay	\$4,236,448	\$3,021,616	71%
Total Expenditures	\$112,694,539	\$74,869,398	66%

*** Consolidated (Includes Special Funds)**

Expenditure Comparison

Prior Year vs. Current Year



Major Categories	FYE 2020 (As of 03/31/2020)	FYE 2021 (As of 03/31/2021)	\$ DIFFERENCE
*Personnel - Salaries	\$33,281,383	\$36,149,108	\$2,867,726
*Personnel - Benefits	\$16,842,041	\$18,525,802	\$1,683,762
Operational Services and Supplies	\$24,017,759	\$17,172,872	(\$6,844,887)
Capital Outlay	\$4,741,689	\$3,021,616	(\$1,720,073)
TOTAL EXPENDITURES	\$78,882,872	\$74,869,398	(\$4,013,473)

***Consolidated includes Special Funds**

3rd Quarter Results FYE 2021 (cont.)



Investments

Cash and Investments with County Treasury:

(Based on March 2021 Account Balance)

General Fund	\$87,973,981
TFCA	\$121,729,525
MSIF	\$50,774,585
Carl Moyer	\$83,819,333
CA Goods Movement	\$21,132,412
AQ Projects	\$1,604,829
Vehicles Mitigation	\$7,647,530
TOTAL	<u>\$374,682,195</u>

Fund Balance and Outstanding Liabilities



FUND BALANCES	6/30/2019 Audited	6/30/2020 Audited	6/30/2021 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	\$23,084,769	\$27,432,966	\$28,644,922
UNDESIGNATED	22,332,894	26,401,581	20,029,943
TOTAL UNDESIGNATED	\$22,332,894	\$26,401,581	\$20,029,943
TOTAL DESIGNATED & UNDESIGNATED	45,417,663	53,834,547	48,674,865
BUILDING PROCEEDS:	209,489	0	0
TOTAL FUND BALANCE	\$45,627,152	\$53,834,547	\$48,674,865
* Designated Fund Balances are subject to change at Board's discretion.			
OUTSTANDING LIABILITIES			
CalPERS Pension Retirement			86,309,901
Other Post Employment Benefits			18,368,386
Certificate of Participation Notes			21,556,670
TOTAL OUTSTANDING LIABILITIES			\$126,234,957

Purchasing Reporting Requirements



- **Section 4.3 of the Purchasing Procedures states:**
Recurring payments of routine business needs, such as utilities, licenses, office supplies, etc., that are more than **\$100,000** shall be presented in the Quarterly Financial Report.
- In an effort of full disclosure, list also includes benefit payments.



FYE 2021 Vendor Payments

Cumulative Vendor Payments in Excess of \$100,000 without Board Review

	VENDOR NAME	AMOUNT PAID (July 2020 - March 2021)	Explanation
1	Accountemps	140,013	Temporary Staffing Services
2	Acterra	104,030	Public Outreach & Other Services
3	Alliant Insurance Services	662,501	Various Business Insurance Policies
4	Bay Area Headquarters Authority	1,630,083	Shared Services & Common Areas
5	Benefits Coordinators Corp.	854,773	Life Insurance Plan & LTD Insurance
6	CA Public Employee Retirement System	6,286,616	Health Insurance Plan
7	CA Public Employee Retirement System	11,439,666	Retirement Benefits & 457 Supplemental Plan
8	CAPCOA	635,718	Pass through EPA grants
9	CDW Government	158,477	Computer equipment
10	Ceridian	121,192	Payroll Processing Services
11	Comcast Cable Communications	134,690	Ethernet Services
12	Cubic Transportation Systems	376,083	Clipper Transit Subsidy
13	Denovo Ventures LLC.	150,570	Financial system hosting & support services
14	Enterprise Fleet Services	498,842	Fleet Leasing and Maintenance services
15	EPlus Technology	270,751	Cisco computer network equipment warranty



FYE 2021 Vendor Payments

Cumulative Vendor Payments in Excess of \$100,000 without Board Review (cont.)

	VENDOR NAME	AMOUNT PAID (July 2020 - March 2021)	Explanation
16	Farella Bruan + Martell LLP	410,019	Legal consulting services
17	Flir Systems, Inc.	111,751	Optical gas imaging camera for inspections/investigations
18	Hartford Life Ins Co.	613,038	457 Supplemental Insurance
19	P&A Administrative Services	216,224	Flexible Spending & Cobra Benefit Services
20	Preferred Benefit Insurance	529,613	Dental Insurance Plan
21	Pacific Gas & Electric	136,812	Utility services
22	Sloan Sakai Yeung & Wong LLP	134,186	Human Resources Consulting Services
23	Wang Brothers Investment LLC	416,189	Richmond Site Lease
24	Verizon Wireless	168,538	Cell phone services

Feedback Requested/Prompt



No action needed



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 6

Continued Discussion of Proposed Budget for Fiscal Year 2021-2022

Administration Committee Meeting
April 21, 2021

Jeff McKay
Chief Financial Officer
jmckay@baaqmd.gov

Outcome



The Committee will continue review of the Fiscal Year Ending (FYE) 2022 Proposed Budget and consider recommendation to the Board of Directors

Outline



- Financial History/Trends
- Status of Current Fiscal Year 2020-2021
- Proposed Budget for Fiscal Year 2021-2022
- Next Steps

Requested Action



Request the Committee recommend that the Board of Directors:

1. Conduct Public Hearings on the FYE 2022 Proposed Budget; and
2. Adopt the FYE 2022 Proposed Budget.



Actions Taken During the Economic Downturn:

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

Financial History

Actual Reserves and Policy Trends

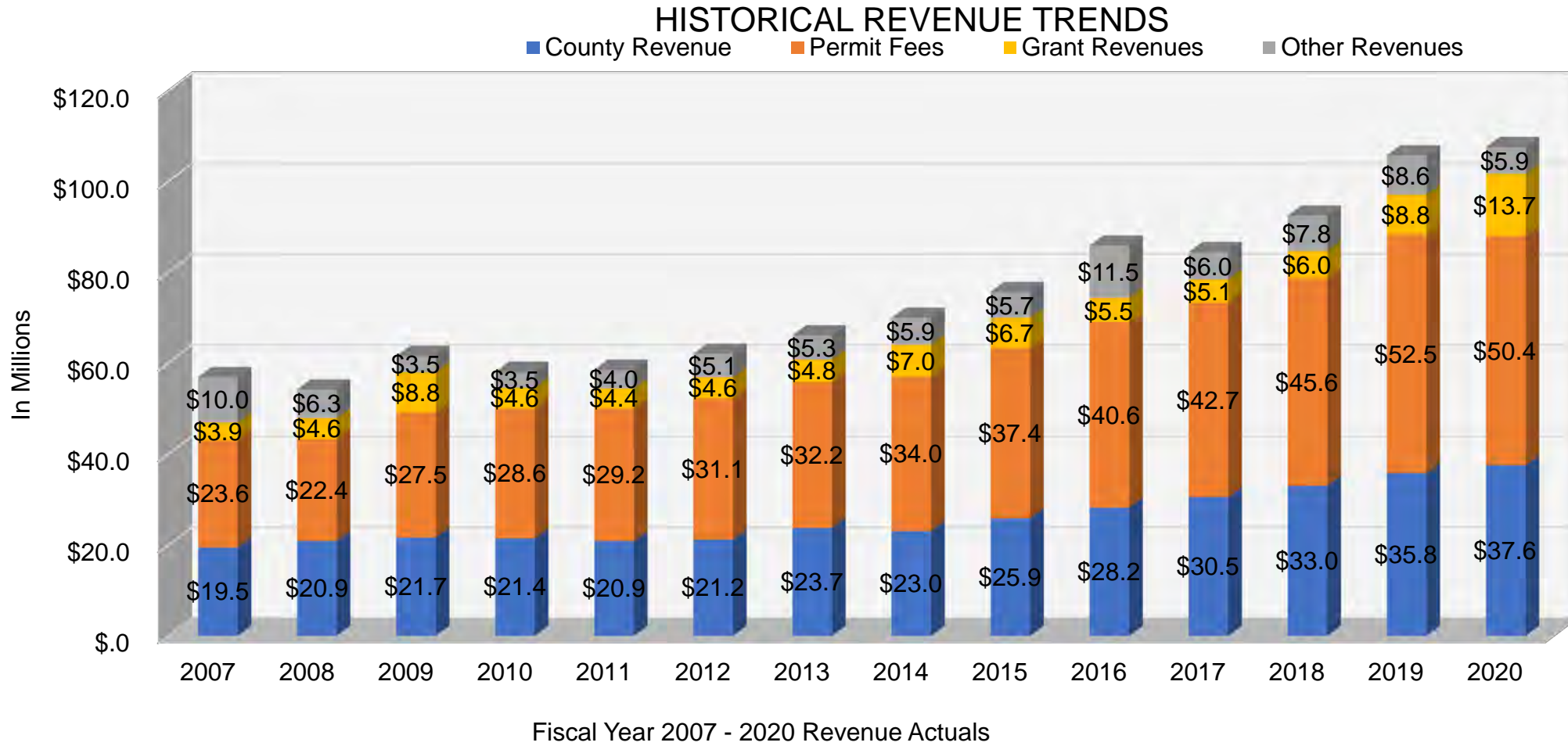


GENERAL FUND RESERVES COMPARED WITH POLICY



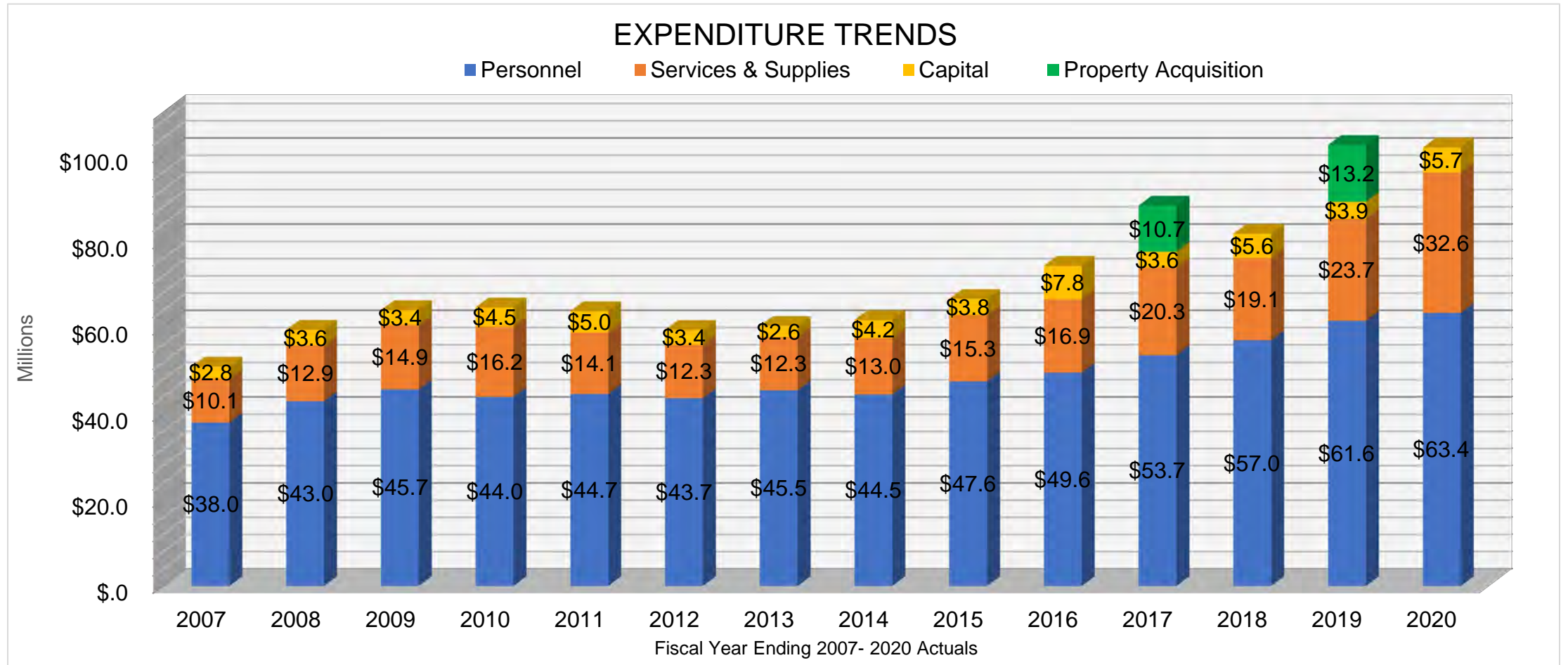
Financial History

General Fund Revenue Trends



Financial History

General Fund Expenditure Trends

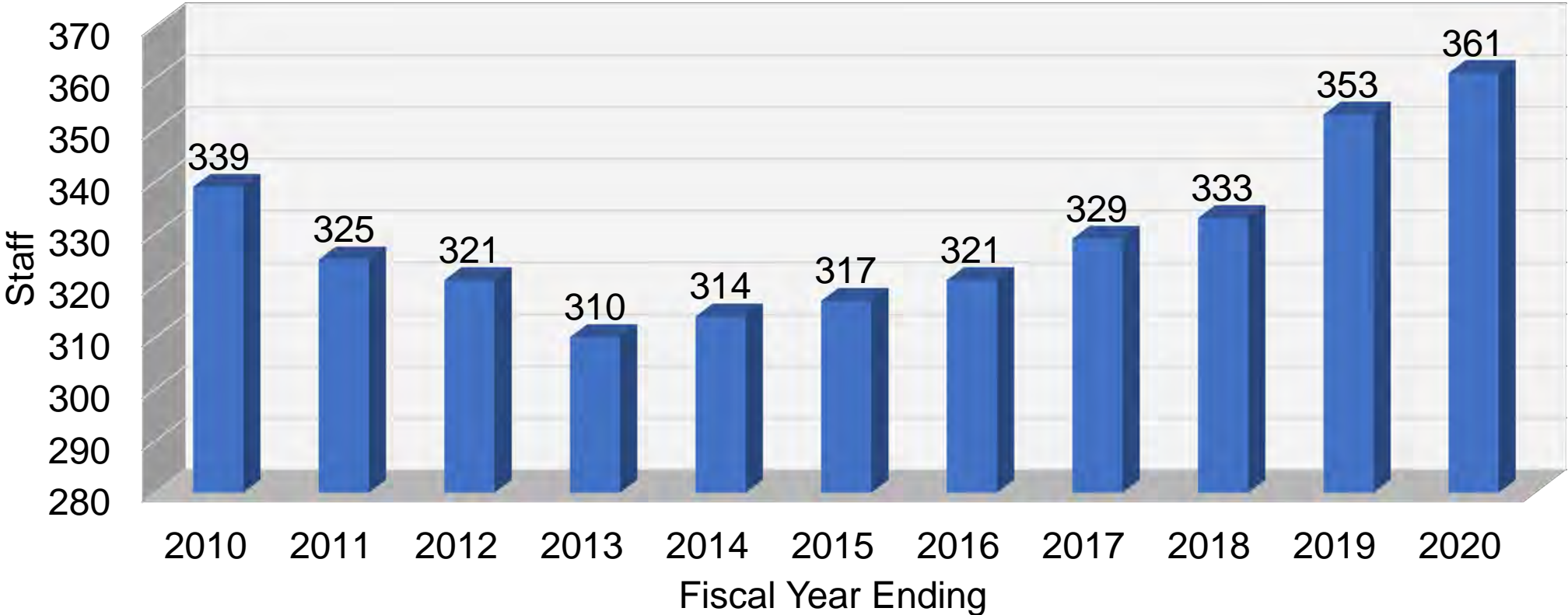


Financial History

Staffing Trends



AVERAGE FILLED SEATS BY FISCAL YEAR

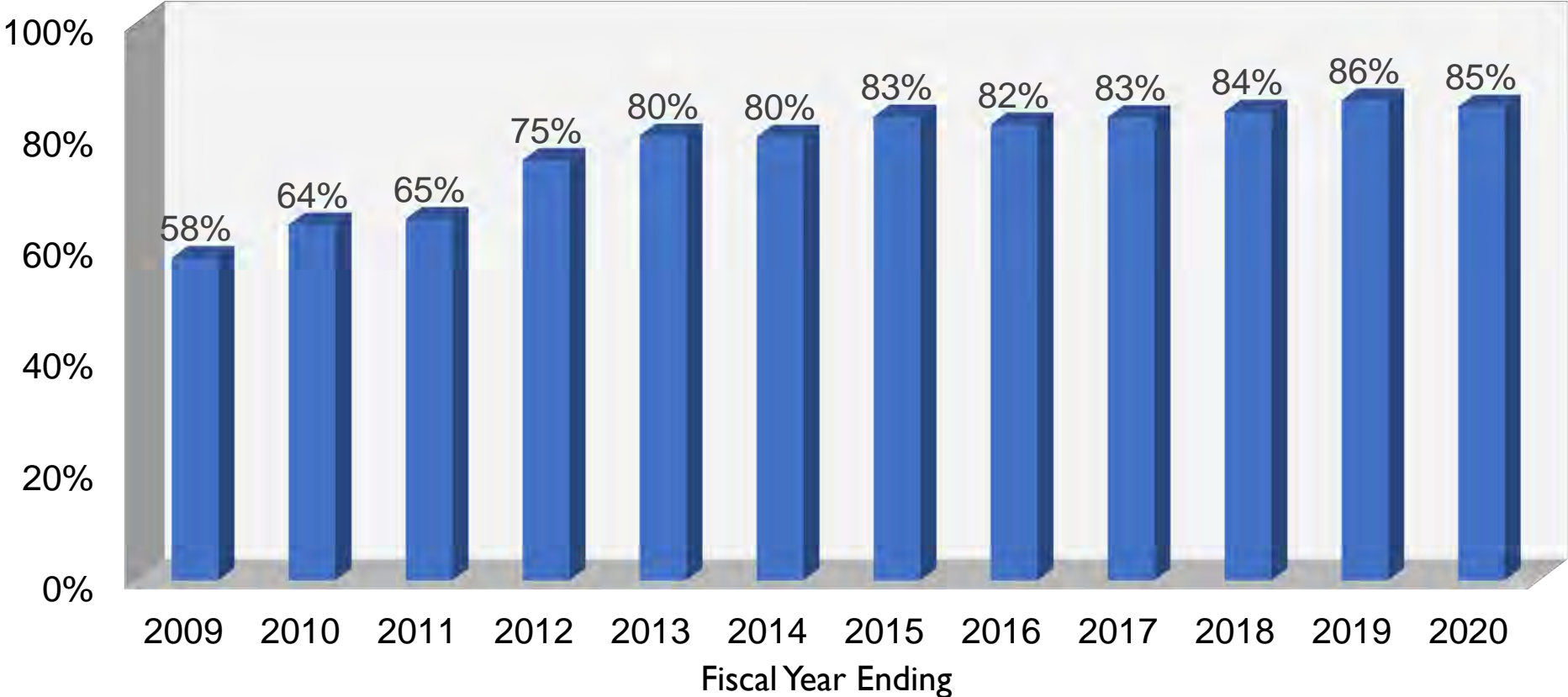


Financial History

Cost Recovery Trends



COST RECOVERY TRENDS USING A 3-YR AVERAGE



Financial History

Fees and Cost Recovery Overview



Cost Recovery Policy Established in FYE 2012:

- Air District can recover 100% of costs through fees
- 85% minimum cost recovery target
- 6% average annual fee increase
- Regulated community gains predictable fees
- Established Budget Advisory Group in 2020

Cost Recovery

Health and Safety Code 42311



A district board may adopt, by regulation, a schedule of annual fees for the evaluation, issuance, and renewal of permits to cover the cost of district programs related to permitted stationary sources authorized or required under this division that are not otherwise funded. The fees assessed under this section shall not exceed, for any fiscal year, the actual costs for district programs for the immediately preceding fiscal year with an adjustment not greater than the change in the annual California Consumer Price Index.

Cost Recovery & Fee Determination Process

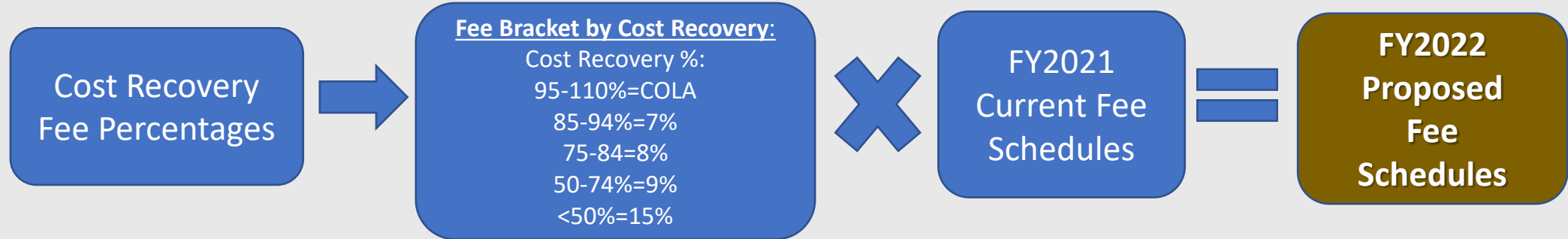
Step 1

- Determine the current cost recovery percentage by Fee Schedule:

$$\text{3-Year average* fee-related revenues} \div \text{3-Year average* fee-related expenses} = \text{Cost Recovery Fee Percentages}$$

Step 2

- Using the Cost Recovery Fee Percentages (result in Step 1), determine the Proposed Fee Schedules:



Step 3

- Determine the FY2022 Projected Revenue for the Proposed Budget

$$\text{FY2021 Projected Revenue by Fee Schedule} \times \text{Fee Bracket (from Step 2)} = \text{FY2022 Projected Revenue for the Proposed Budget}$$

*3-Year Average is based on actual fee-related revenues collected and expenses incurred for FY2018, FY2019, and FY2020

Possible Path to 100% Cost Recovery



- Continuation of Fee increases at the rate employed since the Cost Recovery Policy was adopted (approximately 6% blended rate) would achieve 100% Cost Recovery in approximately 6 years.
 - Assumes 3% inflation rate
 - Does not include differential treatment of fees

Current Fiscal Year Budget Overview



Actions taken to address COVID-19 Impacts:

- No Increase to the Air District's Existing Fee Schedules
- Projected 15% Reduction in Permit Fee revenue
- Projected 50% Reduction in Asbestos revenue
- Adoption of new fee schedule for Assembly Bill (AB) 617 program
- No increase to Services and Supplies budget for District programs
- Delay building improvements to the Richmond Office
- Use of \$5.2 million (M) of reserves to balance the budget

Current Fiscal Year Budget Overview (cont.)



General Fund 2020-2021 Budget: \$106.5 M

Included Use of Reserves \$5.2 M to balance the Budget

As of March 2021:

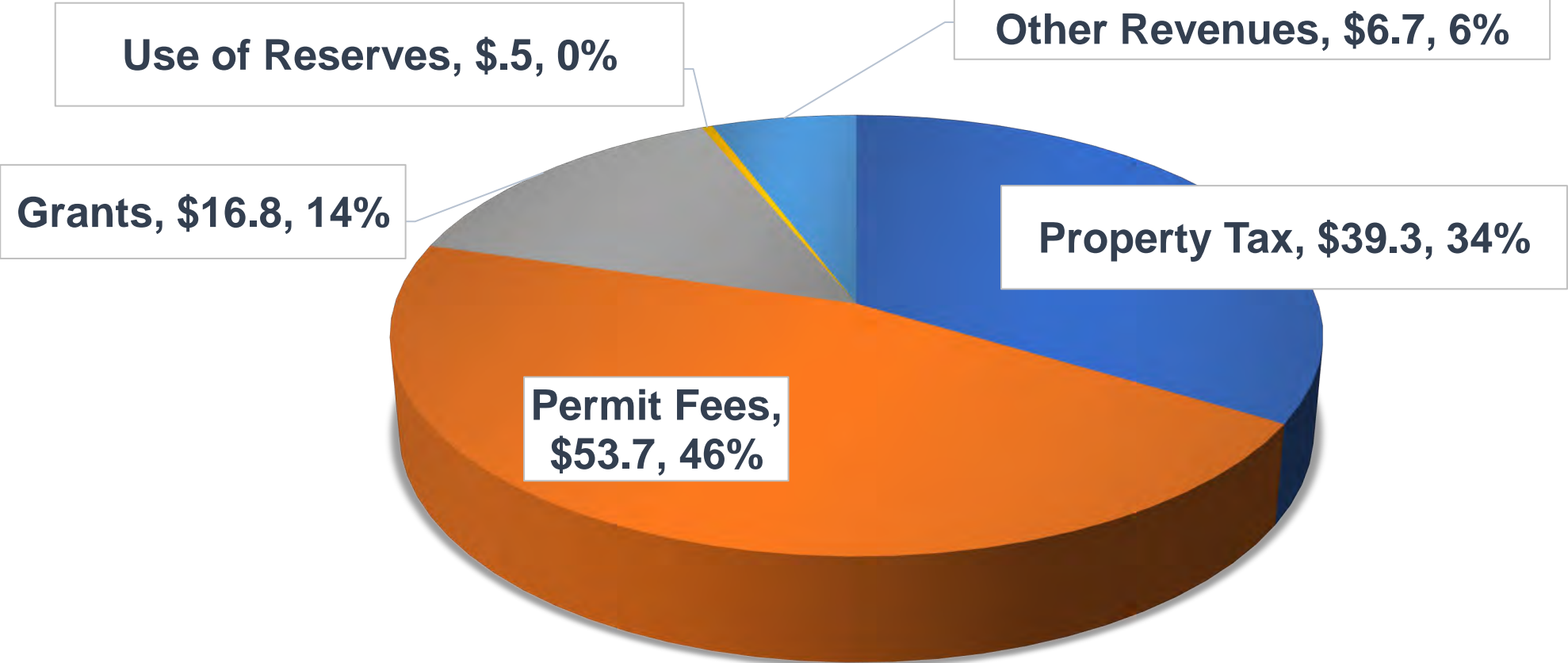
- ✓ Permit Fee revenue higher than initial projections
- ✓ Property Tax revenue on target
- ✓ Expenditures on target

Fiscal Year 2021-2022 Proposed Budget Overview



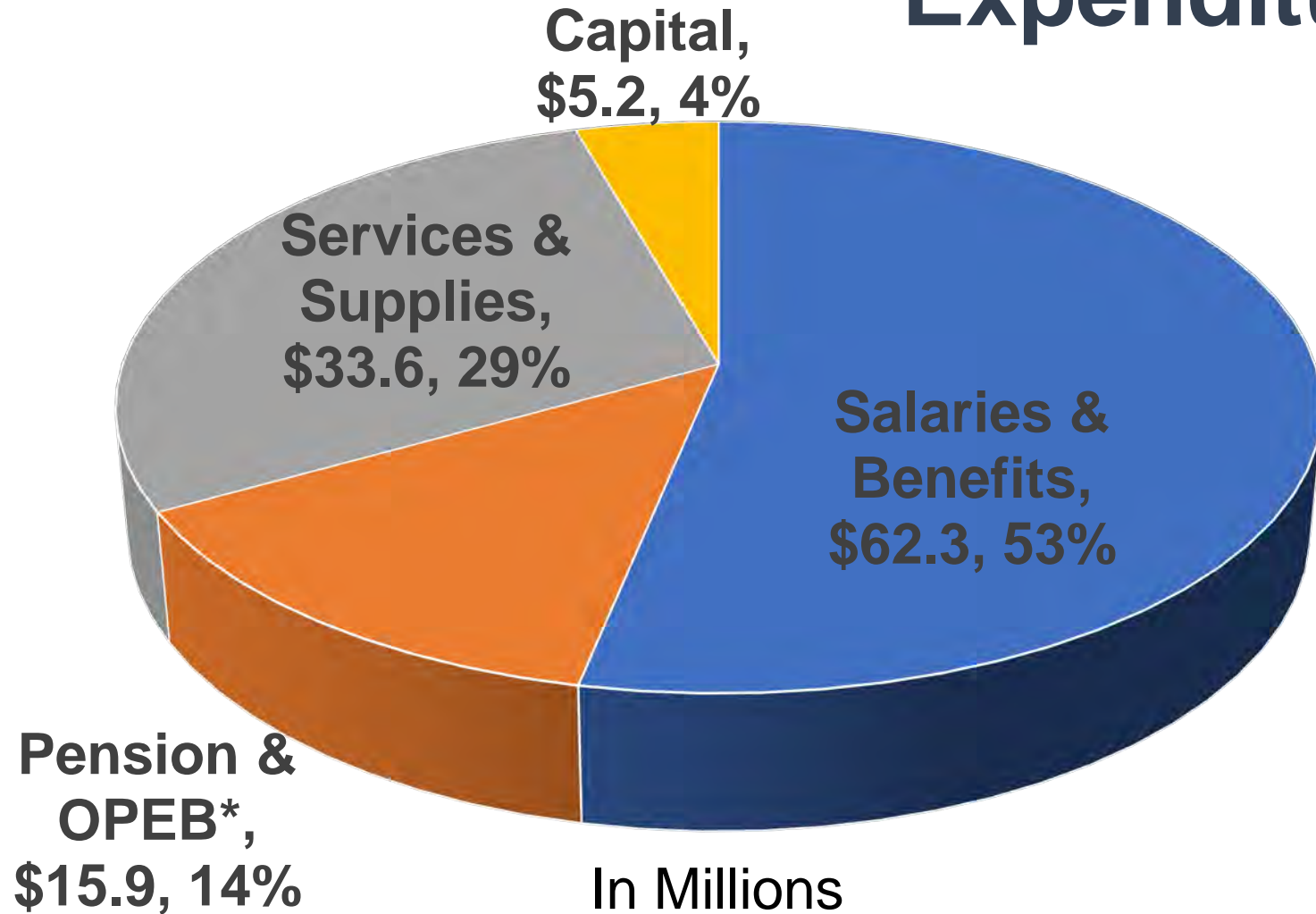
- \$117 M General Fund Budget
- Includes Use of Reserves \$0.5 M
- Continuation of Cost Recovery Policy
- New Fee schedule for Criteria Pollutants and Toxic Emissions Reporting (CTR fee)
- Staffing Level Increase: 415 to 441 Full Time Equivalent (FTE)
- Addresses Retirement Liabilities

Breakdown of FYE 2022 General Fund Revenues



In Millions

Breakdown of FYE 2022 General Fund Expenditures



*Other Post-Employment Benefits (OPEB)

Breakdown of \$10.5 M Budget Increase



BUDGETED SOURCES:	\$ (Million)
Increase to Property Taxes	0.6
Increased Revenue from Current Fees	7.7
Proposed Fee Increase	3.0
New Criteria Pollutant and Toxic Fees	1.3
Increase to Penalties/Settlements	1.3
Increase to Interest	0.8
Reduction to Special Fund Transfer	(1.3)
Other	0.4
Total Ongoing Sources	13.6
New Woodsmoke Incentive Grant	1.5
Reduction in Use of Reserves	(4.7)
Total One-time Sources	(3.1)
TOTAL BUDGETED SOURCES	10.5

Breakdown of \$10.5 M Budget Increase (cont.)



BUDGETED COSTS:

19 Additional General Fund Positions with Benefits	3.5
Increase in personnel costs for current authorized positions	1.3
Increase in CalPERS Required Unfunded Pension Payment	1.0
Increase in Capital Expenditures	0.5
Air Monitoring and Technology Program	2.4
Net Increase in Various District Programs (60)	2.5
Total Ongoing Costs	11.1
Vacancy Rate Adjustment from 2% to 5%	(2.6)
Woodsmoke Incentive Program	1.5
Continue Richmond Office Improvement	0.5
Total One-time Costs	(0.6)
TOTAL BUDGETED COSTS	10.5

New Staffing Request General Fund



Work Unit	Number of Staff	Funding Source	Budget Impact
Community Engagement	3	AB 617	535,106
Compliance & Enforcement	4	Fees	707,491
Engineering	4	Fees	777,983
Finance	3	General Fund	605,605
Meteorology and Measurement	4	Multiple	701,475
Rules	1	Fees	189,618
	19		3,517,278

New Staffing Request Grant Funded



Work Unit	Number of Staff	Funding Source	Budget Impact
Finance	1	Grant	162,808
Strategic Incentives	5	Grant	914,661
Technology Implementation Office	1	Grant	175,386
	7		1,252,855

Engineering Division Staffing Augmentation



- **Goal: Issue timely permits, reduce the permit backlog and implement mandated programs**
 - **AB 617 Criteria and Toxic Reporting:** Design and implement new emissions reporting requirements mandated by the California Air Resources Board, including leading the Uniform Emissions Inventory workgroups in support of the rule
 - **Regulation 11-18 Facility Risk Reduction:** Complete Health Risk Assessments and review Risk Reduction Plans to reduce risk impacts to the community
 - **Regulation 12-15 Petroleum Emissions Tracking:** Review and approve refinery emissions inventories. Track emissions and crude oil compositions characteristics over time
- **New or Enhanced Programs Driving the Request**
 - Provide technical expertise for developing new regulations to reduce
 - Toxic and Particulate Matter (PM) emissions in **AB 617** communities
 - Greenhouse gases, such as methane for **Climate Protection**
 - Staff positions were previously diverted to other programs in need
 - Staff positions were not provided for new initiatives: **Facility Risk Reduction and Petroleum Refinery Emissions Tracking**

Engineering Division

Staffing Augmentation (cont.)

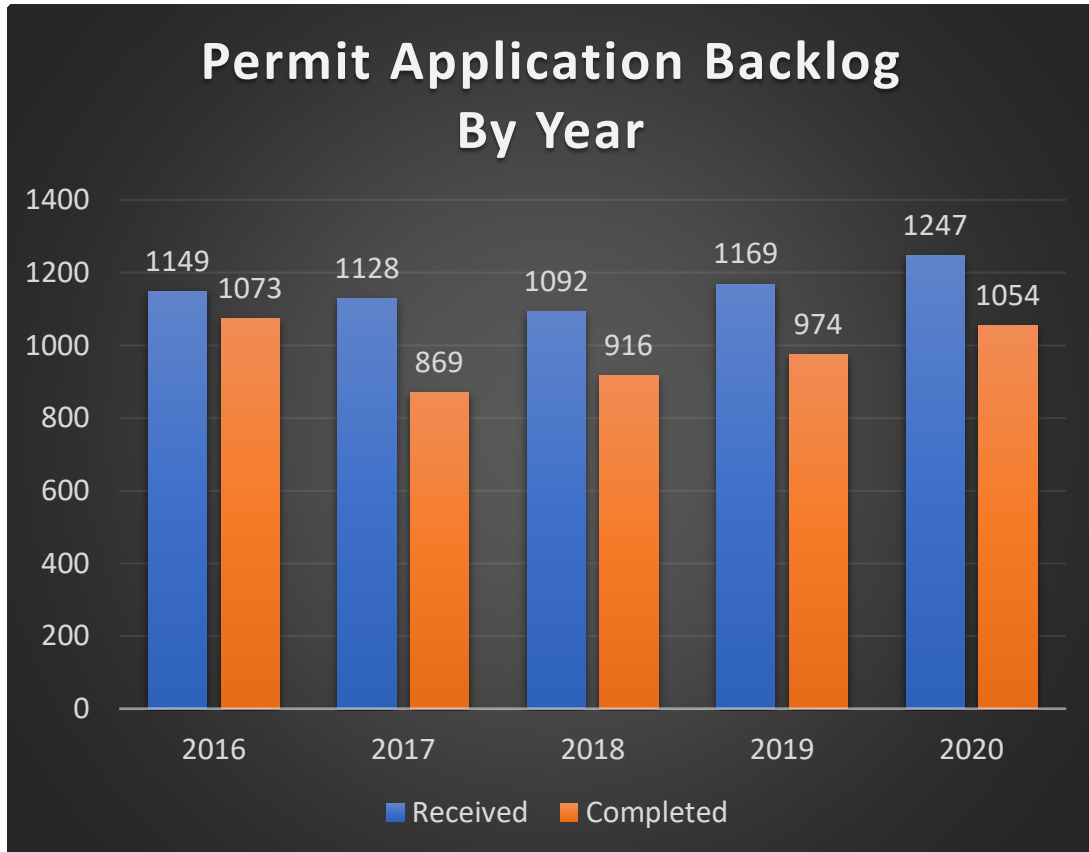


- **Support for Work Led Outside the Division** – The division provides technical support throughout the agency
 - Development of Stationary Source Criteria Pollutant and Toxic Air Contaminant inventories for local, state and federal initiatives and programs
 - Provide technical expertise and input for rule development including:
 - Toxic and Particulate Matter (PM) based rules in **AB 617** communities
 - Greenhouse gases, such as methane for **Climate Protection**
 - Implement adopted rules that require permitting
 - Support AB 617 community-based initiatives
 - Support community modeling
- **Coordinate with other divisions on permitting issues**
 - Compliance & Enforcement, Source Test, and Legal on permits and compliance
 - Assessment, Inventory and Modeling on emissions reporting for permitted facilities

Engineering: Staffing Needs



Need: Issue timely permits and reduce the permit backlog



Total applications in process: 931

- As of 3/22/2021 and excludes Authority to Construct

Staffing resources: Regulation 11-18 and 12-15 only

Fiscal Year	Reg. 12-15 Staff hours	Reg. 11-18 Staff hours
2018	2403	NA
2019	1801	2625
2020	5568	5951

Notes:

- Regulation 12-15 (Petroleum Refinery Emissions Tracking) – Adopted 4/20/2016
- Regulation 11-18 (Facility Risk Reduction) – Adopted 11/15/2017
- In 2020, approximately 6 FTEs were used for 11-18 and 12-15 work

Engineering Division Positions



<u>FTE</u>	<u>Position</u>	<u>Division/Office/Section</u>	<u>Funding</u>	<u>Goal (from prior slide)</u>
4	Manager (1) Engineer (3)	Engineering	Fees	Issue timely permits, reduce the permit backlog and implement mandated programs

Technology Implementation Office (TIO)

Staffing Augmentation



- **Goal: Meet electric vehicle (EV) incentive demand:** Increase capacity to keep up with increasing demand for electric vehicle incentive programs
 - improve accuracy, efficiency, and capacity to manage large volumes of applications, program awards, payments, and monitoring reports
 - increase outreach ability, equity focus, and program effectiveness
- **New or Enhanced Programs Driving the Request**
 - Increased demand and funding for the Clean Cars for All Program (CCFA)
 - Same staffing level from when the CCFA program began – CCFA has since increased from a \$5 M program to a \$27 M program
 - Small award amounts result in thousands of applicants and projects to manage
 - Additional CCFA funding is expected in the upcoming CA budget and Air District allocations
 - New CCFA funding includes administrative funding to support staff costs

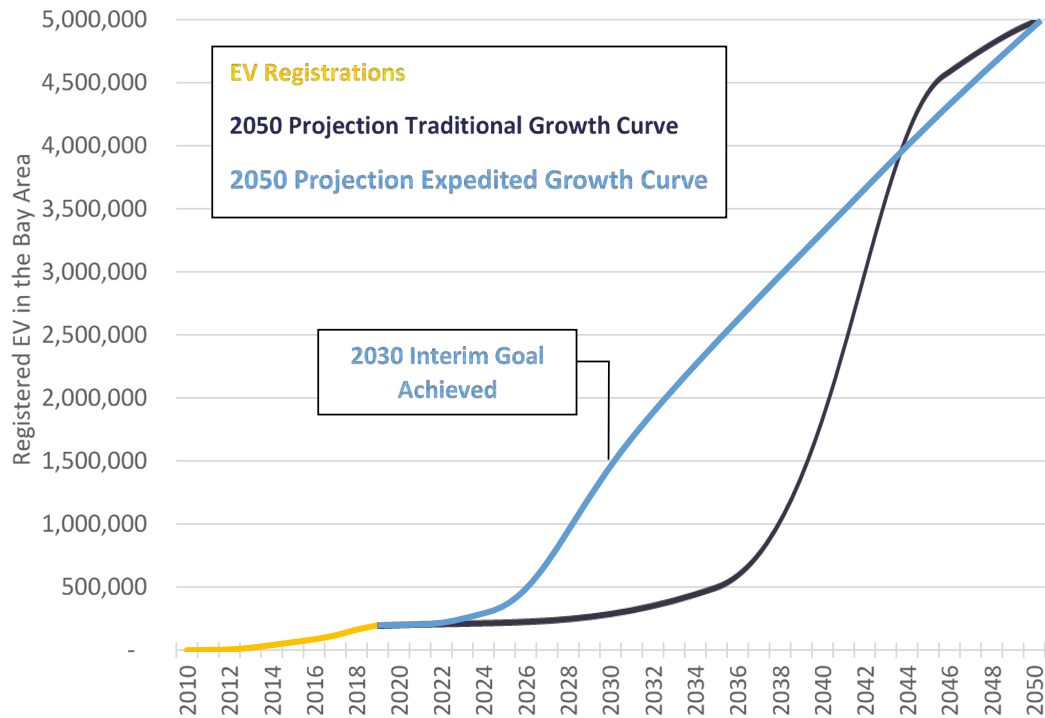
TIO – EVs: Need, Demand, and Growth



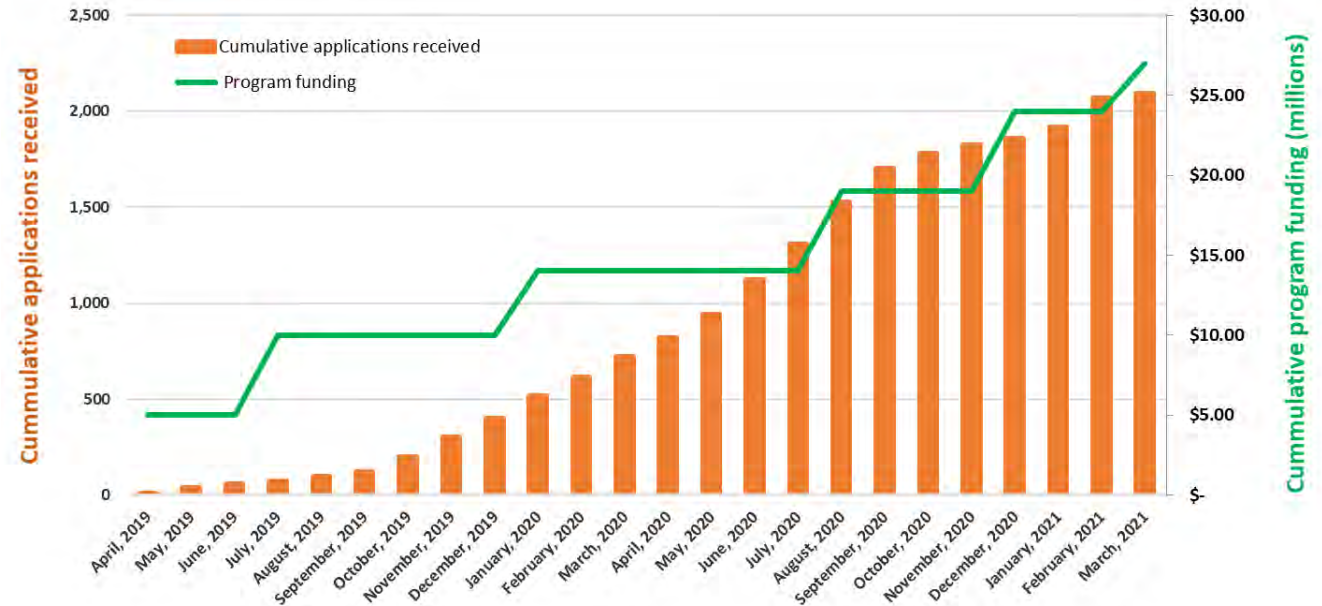
Need: Significant EV adoption needed to reach 2050 goal

Demand and Growth: Growing public interest in EV incentives and increasing program funding

Bay Area Zero-emission vehicle registrations/ projections



CCFA applications received and program funding



Technology Implementation Office Positions



<u>FTE</u>	<u>Position</u>	<u>Division/Office/Section</u>	<u>Funding</u>	<u>Goal</u> <u>(from prior slide)</u>
1	Staff Specialist (1)	Technology Implementation Office (TIO)	Grants	Meet EV Incentive Demand

Compliance & Enforcement Staffing Augmentation



- **Goal:** Provide **Enhanced Source Investigations/Audits** to ensure compliance with existing regulations for toxic and PM emission sources in AB 617 communities
 - Sub Goal: **Conduct complex Air District's stationary source investigations** beyond performing routine enforcement inspections
 - Sub Goal: **Conduct rule effectiveness audits and major source audits** at landfills, composting operations, petroleum refineries, metal shredding operations, power plants, in alignment with the AB 617 Enforcement Plan
 - Sub Goal: **Conduct in-depth investigations to determine the cause and corrective action following non-routine releases of air contaminant causing a major incident** in a timely manner resolving non-compliance and air quality issues

Compliance & Enforcement Staffing Augmentation



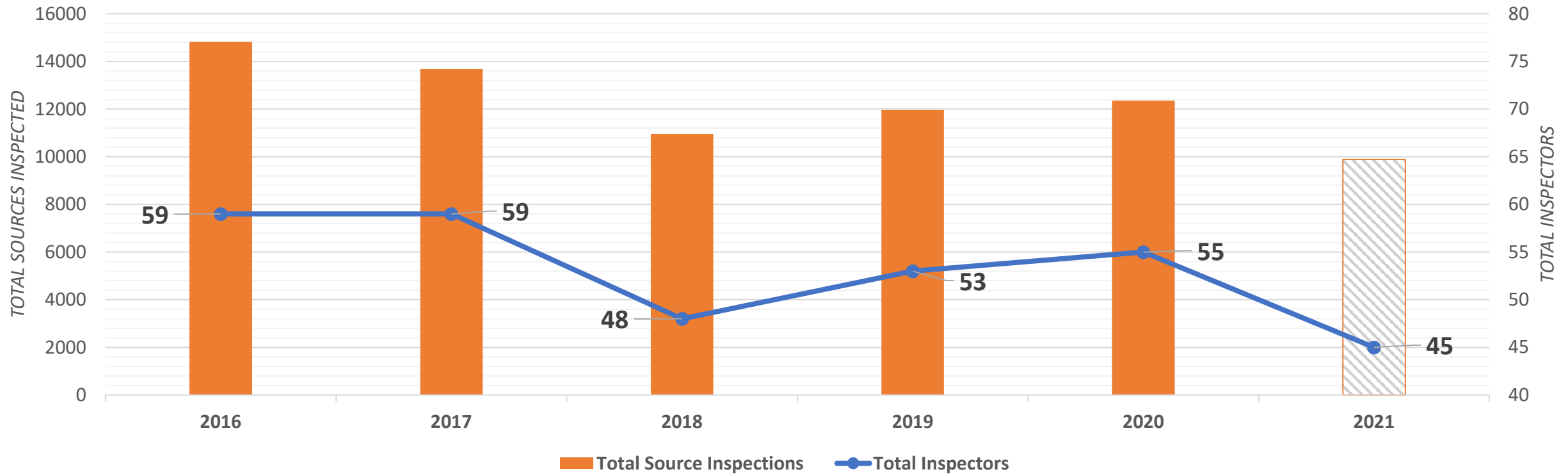
- **New or Enhanced Programs Driving the Request**
 - AB 617 Enforcement Plan
 - Enforcement initiative to participate in rule development in alignment with AB 617 expedited best available retrofit control technology (BARCT) in order to yield important emissions reduction benefits within these communities
 - Provide specialized expertise to Air District staff, counsel, the public and environmental justice communities to implement emission reduction plans in disadvantaged communities
 - Provide technical support for developing and enforcing new regulations to reduce greenhouse gas emissions
 - Provide additional assistance to facilities to comply with state CTR regulation

Compliance & Enforcement: Staffing Needs



Need: Restore previous staffing levels, meet increasing workload, increase inspection productivity

Annual Inspection Productivity vs. Annual Inspection Staff Levels



Compliance & Enforcement Positions



<u>FTE</u>	<u>Position</u>	<u>Division/Office/Section</u>	<u>Funding</u>	<u>Goal</u>
4	Senior Engineers (2) Air Quality Inspector I/II (2)	Compliance & Enforcement	Fees	Enhanced Source Investigations/Audits

Finance Division Staffing Augmentation

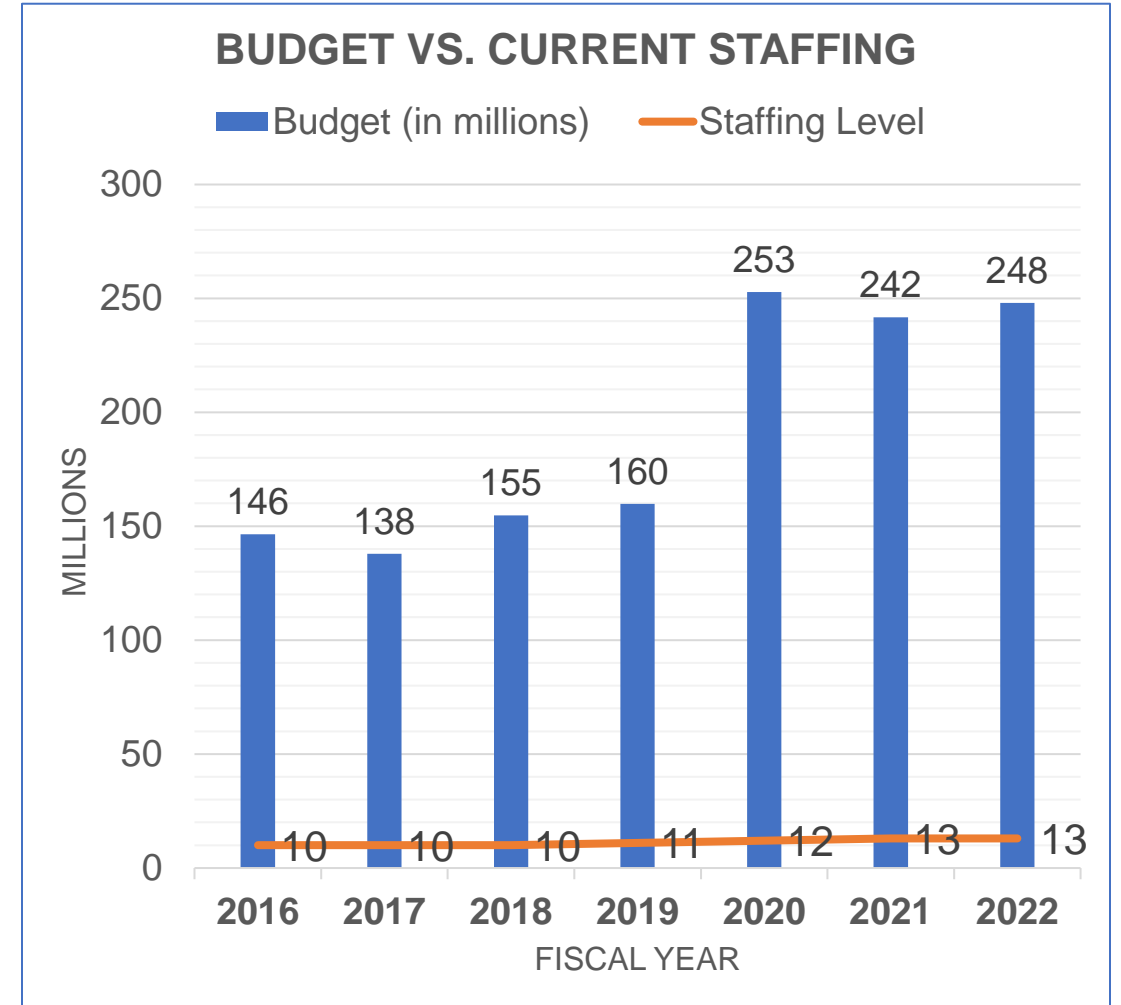
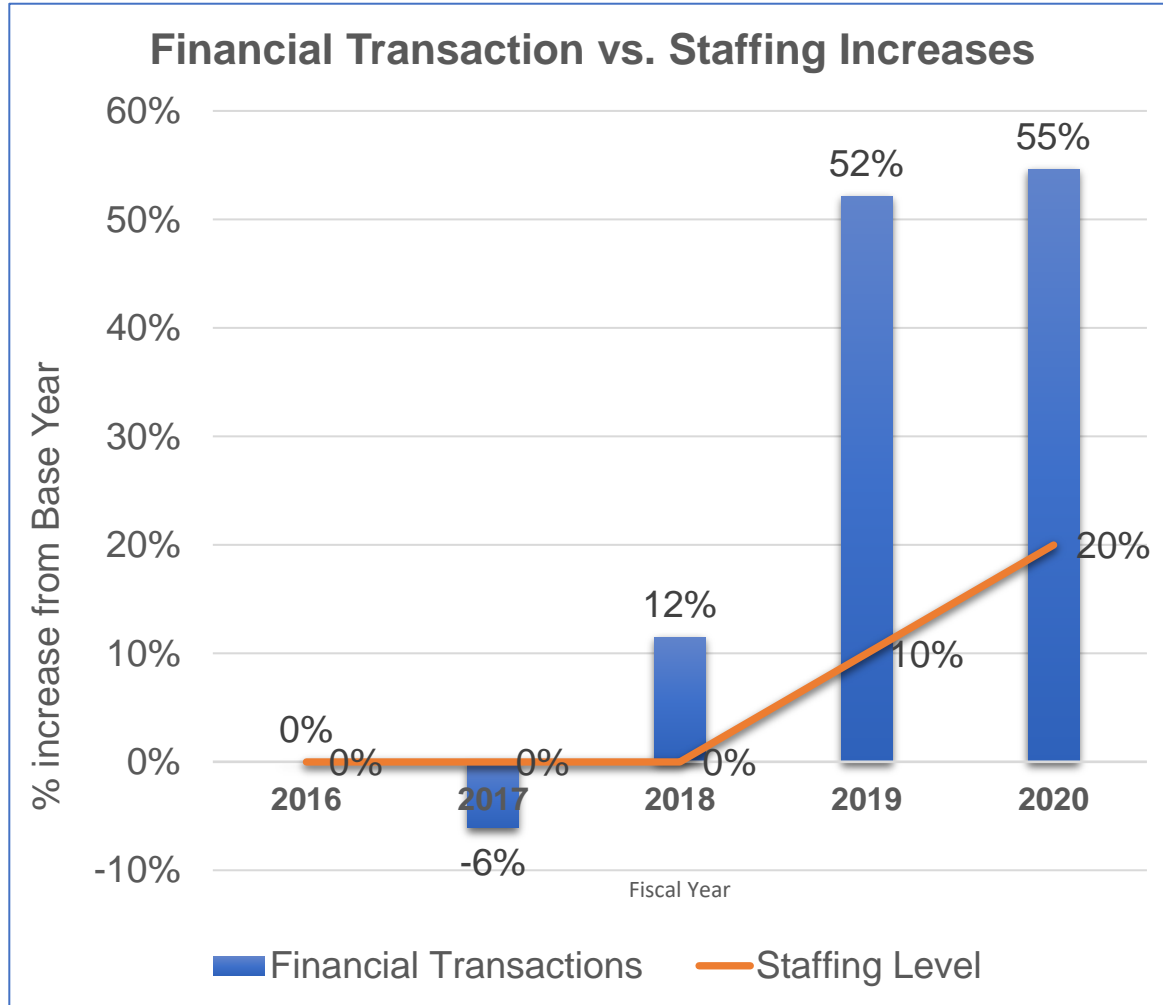


- **Goals: *Meet Service Delivery Demands and Statutory Timelines:*** Increased financial transaction and statutory reporting requirements for grant programs and financial audits
 - Service delivery demands: delays or risks to the processing of financial transactions; Improve response time to customer requests
 - Meet increasing demands of statutory financial reporting for grant programs and financial audits
- **New or Enhanced Programs Driving the Request**
 - Increased number of financial transactions and reporting responsibilities. Since 2016, the Air District's consolidated budget has grown from approximately \$140 M to \$240 M.
 - New and enhanced grant programs requiring more and in some cases; more frequent financial reporting
 - Additional financial reporting pronouncements required by Government Accounting Standards Board
 - Supports Finance Office restructure to improve oversight and increase effectiveness of its functions and responsibilities
 - Address succession planning for key finance functions

Finance: Staffing Needs



Need: Meet increasing workload, service delivery demands and statutory timelines



Finance Division Positions



<u>FTE</u>	<u>Position</u>	<u>Division/Office/Section</u>	<u>Funding</u>	<u>Goal</u> <u>(from prior slide)</u>
1	Specialist	Finance	Grants	Meet Service Delivery Demands and Statutory Timelines
3	Officer (1); Specialist (2)	Finance	General Fund	Meet Service Delivery Demands and Statutory Timelines

Community Engagement Staffing Augmentation



Increasing community participation in decision-making

- Inclusive community convenings and workshops require significant staff time

Broader AB 617 support

- Resources focus on W Oakland and Richmond/North Richmond/San Pablo
- Need staff in all AB 617 communities to foster partnerships
- Each new designation requires at least 1 FTE

Establish and Ongoing Support for Community Advisory Council

- Requested by community and high priority for Air District
- Staff needed to establish and provide ongoing support for Council

Establish and Ongoing Support for Community Benefit Fund

- Responds to ongoing community request that fines support community initiatives
- Staff needed to establish and provide ongoing support to get funds into the communities

Support Capacity Building for Staff and Community Groups

- Air District staff and stakeholders require capacity building for successful partnerships
- Additional staff are needed to support capacity building strategies

Community Engagement Staffing Augmentation (cont.)



- **Goal: Effective implementation of new and expanded programs**
 - Implement new **equity initiatives**
 - Ensure adequate geographic coverage throughout region
- **New or Enhanced Programs Driving the Request**
 - Community Advisory Council
 - Staff training in equity and Environmental Justice
 - **AB 617** expansion into additional communities
 - Community Engagement Guidelines including Youth Strategy

Community Engagement Positions



<u>FTE</u>	<u>Position</u>	<u>Division/Office/Section</u>	<u>Funding</u>	<u>Goal (from prior slide)</u>
3	Staff Specialist (3)	Community Engagement	AB 617 Implementation Grant	Equity Initiatives AB 617

Rules Division **Staffing Augmentation**



Advisory Council Particulate Matter (PM) Reduction Strategy Report

- Work with PM Design Team to develop near- and longer-term workplan to reduce particulate matter exposure in Bay Area
- Evaluate and implement strategies from the workplan to reduce PM
- Continue evaluation and implementation of community focused strategies from AB 617 Community Emissions Reductions Plans

Rules Division

Staffing Augmentation (cont.)



- **Particulate Matter Strategies:** Implement new strategies to reduce particulate matter
 - **Response to the Advisory Council:** Evaluate strategies to reduce particulate matter from various sources, such as residential wood burning, commercial cooking, and dust sources.
- **New or Enhanced Programs Driving the Request**
 - Advisory Council Particulate Matter Reduction Strategy Report

Rules Division Positions



<u>FTE</u>	<u>Position</u>	<u>Division/Office/Section</u>	<u>Funding</u>	<u>Goal</u> <u>(from prior slide)</u>
1	Senior Air Quality Engineer (1)	Rules Division	Fees	Particulate Matter Strategies

Strategic Incentives Division (SID) **Staffing Augmentation**



Goal – increase capacity and quality of work

- **AB 617 Communities:** Be responsive to requests for hyperlocal data and development of new grant program opportunities
- **Systems Development:** Develop tools to unify grant program data management systems and handle reporting requirements
- **Regulatory and Grant Deadlines:** Meet the mandatory deadline requirements for application review, contracting, project completion, reporting, and payment
- **New Funding Sources and Projects:** Address overall increase in workload from more project funding

Strategic Incentives Division Staffing Augmentation (cont.)



New and Enhanced Programs Driving the Request

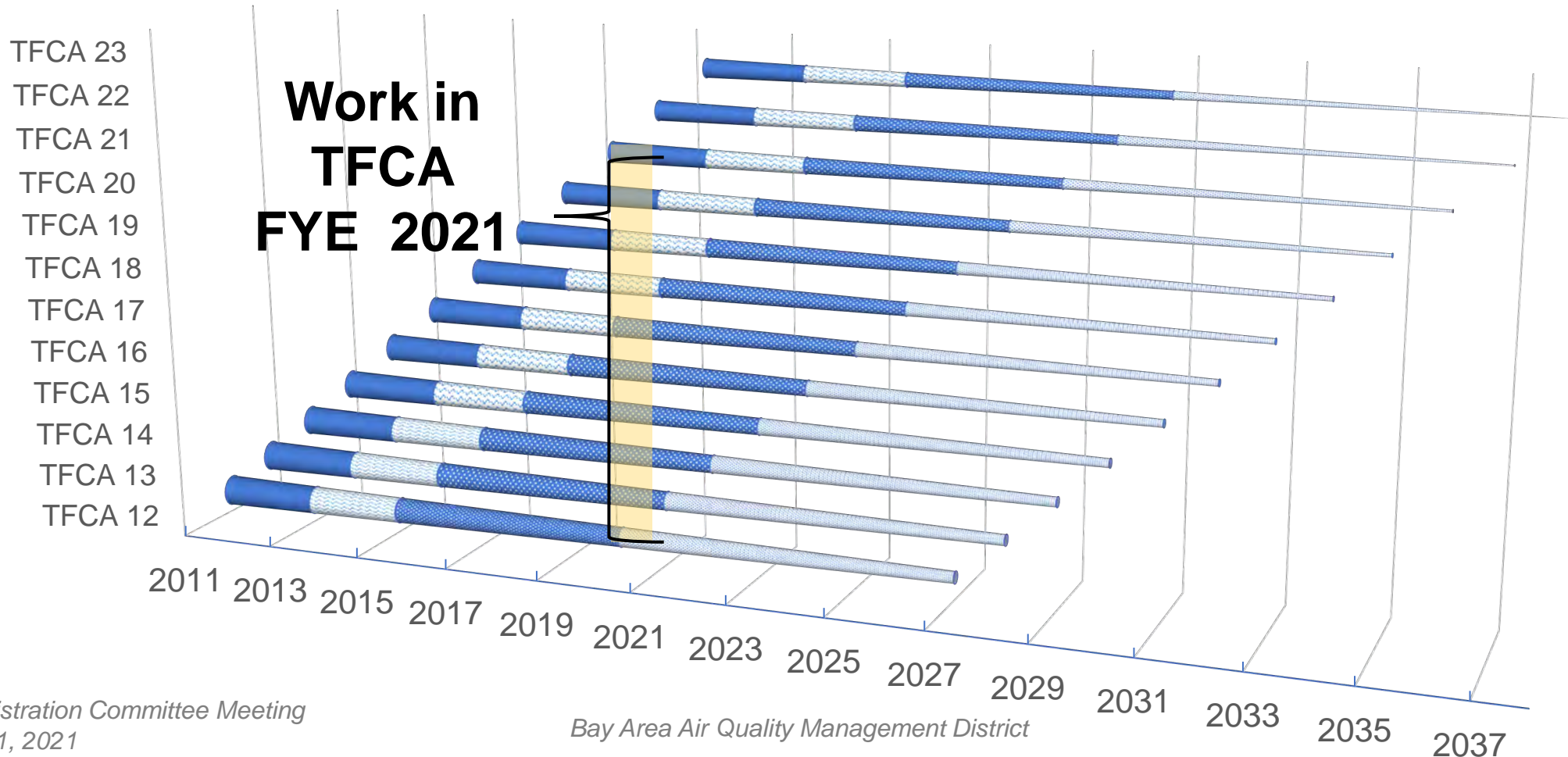
Funding Programs	Regulations and Initiatives
• AB 617 - Community Air Protection	• Diesel Free by 33
• Funding Agricultural Reduction Measures for Emission Reductions (FARMER)	• Truck AND Bus Rule
• VW Trust	• Drayage Truck Rule
• Woodsmoke	• Harbor Craft Rules
• Off-set Program	

Strategic Incentives Division Staffing Needs



Need: Meet increasing workload, service delivery demands, and statutory timelines

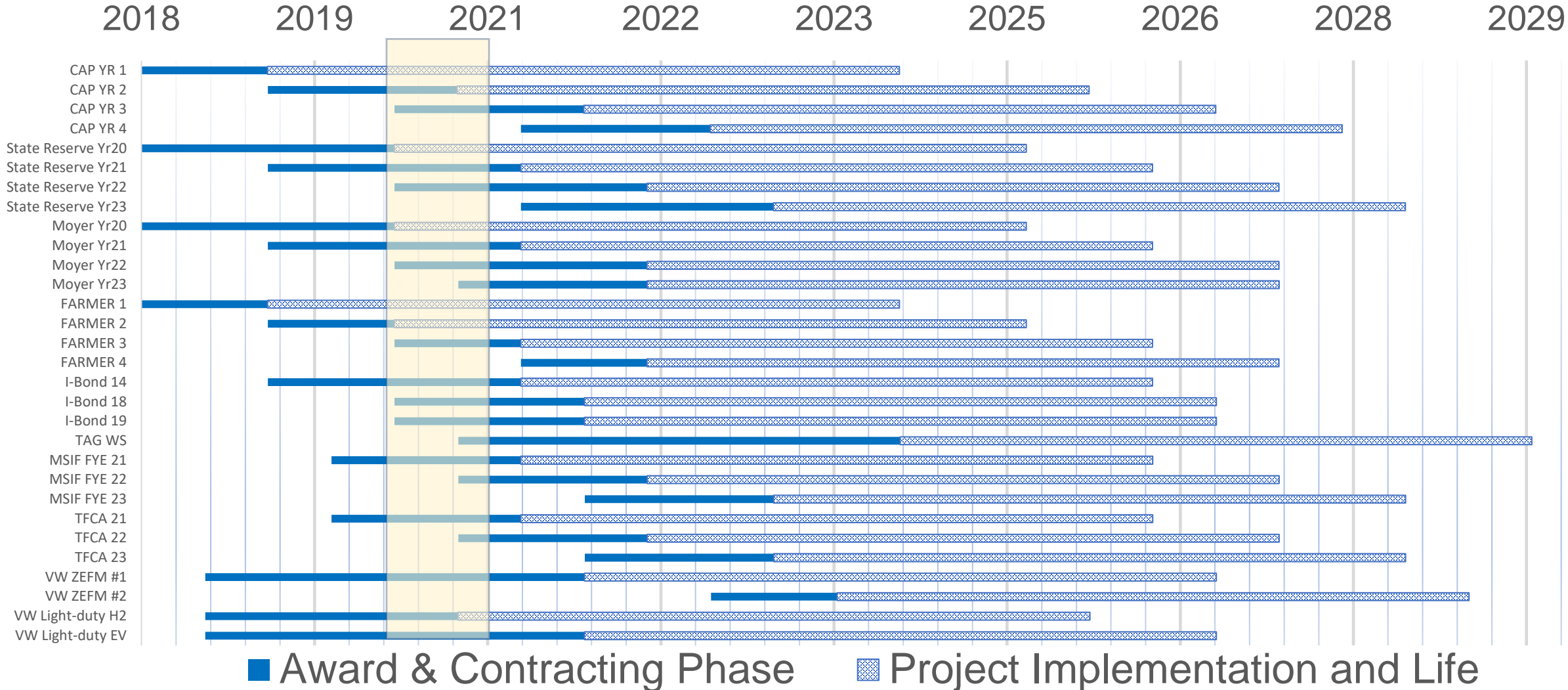
■ Award & Contracting ■ Project Implementation ■ Project Contracted Life ■ Record Retention



Strategic Incentives Division Staffing Needs (cont.)



Need: To address multi-year grant programs

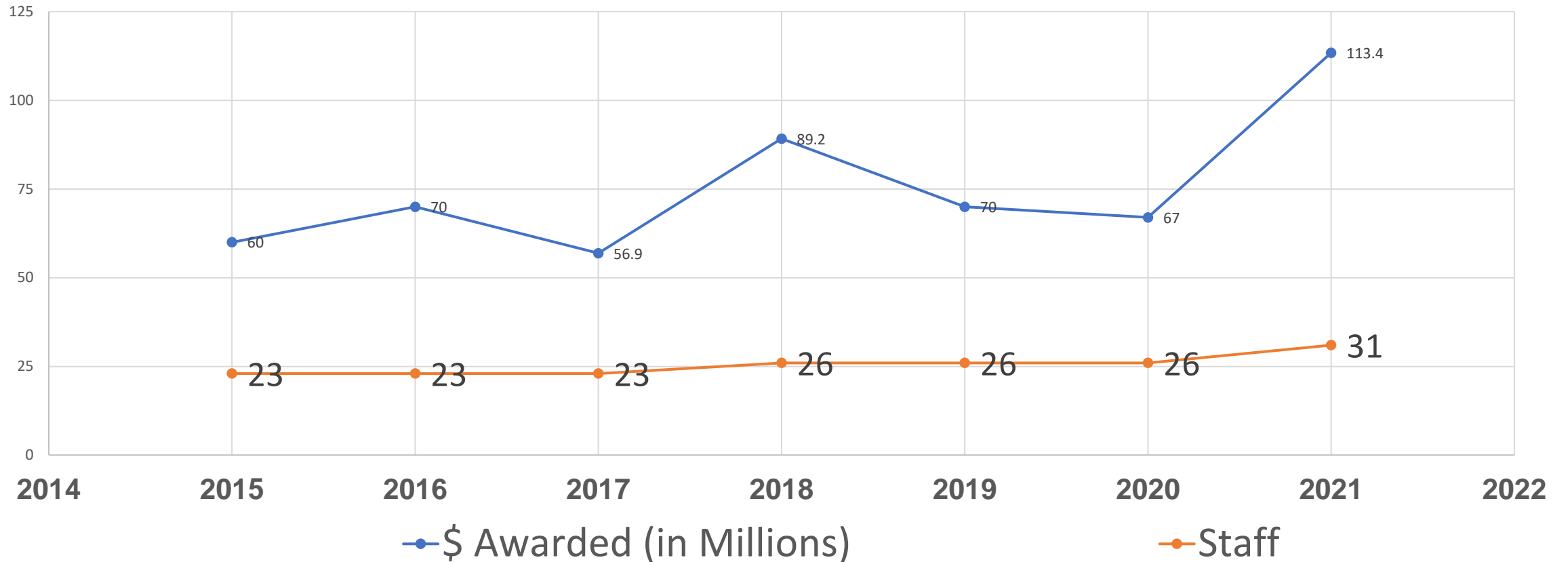


Strategic Incentives Division Staffing Needs (cont.)



Need: Meet increasing workload, service delivery demands, and statutory timelines

Project \$ vs. Staffing



Strategic Incentives Division Positions



<u>FTE</u>	<u>Position</u>	<u>Division/Office/ Section</u>	<u>Funding</u>	<u>Goal</u> <u>(from prior slide)</u>
1	Manager (1)	Strategic Incentives	Grants	AB 617 Communities Systems Development Regulatory and Grant Deadlines New Funding Sources and Projects
3	Staff Specialists (3)	Strategic Incentives	Grants	AB 617 Communities Regulatory and Grant Deadlines New Funding Sources and Projects
1	Assistant Staff Specialist	Strategic Incentives	Grants	Systems Development Regulatory and Grant Deadlines New Funding Sources and Projects

Meteorology and Measurement Staffing Augmentation



Sections Needing Augmentation		
Air Monitoring Operations	AMO	Operates Federally- and State-mandated air monitoring stations
Laboratory	LAB	Analyzes samples for enforcement action and required air monitoring
Source Test	ST	Conducts and reviews testing of emissions at industrial facilities
Ambient Air Quality Analysis	AAQA	Analyzes and interprets data, monitoring network evaluations

Meteorology and Measurement Staffing Augmentation (cont.)



- Workload increased, with stagnant or decreasing headcount
 - Efficiency improvements have been made and are ongoing
 - Since 2001, EPA audit findings cited lack of staff for mandated monitoring (AMO, LAB, AAQA)
 - More regulations, more complex analyses, and more rigorous review, while headcount stayed the same or decreased since 1990s (LAB, ST)
 - Increased focus on community-scale assessments and partnerships with community (AAQA)
 - Need to be responsive to increased wildfires, public interest in data, evolving technology, and emerging concerns (ALL)
- Help to avoid further delays and backlog
 - Staff covering up to 5 monitoring stations, which increases instrument and reporting downtime (AMO)
 - Monitoring network needs to be evaluated and updated to meet current needs (including community-focus, wildfires) (AMO, AAQA)
 - Limited source test capacity results in delays for permitting, rule development, and enforcement (ST)
 - Backlog in performing analyses on routinely collected laboratory samples and releasing data (LAB)

Meteorology and Measurement Staffing Augmentation (cont.)



- **Goals:**
 - **Monitoring Requirements:** Meet federal and state requirements; improve monitoring network to address current needs
 - **Required for Air District Functions:** Ensure accurate permitting and support enforcement of existing regulations; technical analyses and data to support rule development
 - **Community Support:** Communities have improved understanding of air quality and emissions from sources in their communities
- **New or Enhanced Programs Driving the Request**
 - Staff were previously diverted to AB 617, improving outdated monitoring data systems and other programs

Meteorology and Measurement Positions



<u>FTE</u>	<u>Position</u>	<u>Division/Office/Section</u>	<u>Funding</u>	<u>Goal</u> <u>(from prior slide)</u>
1	Air Quality Instrument Specialist	Air Monitoring Operations	Multiple	Monitoring Requirements
1	Air Quality Laboratory Technician	Laboratory	Fees	Monitoring Requirements
1	Principal Air Quality Instrument Specialist	Source Test	Fees	Required for Air District Functions; Community Support
1	Senior Air Quality Specialist	Ambient Air Quality Analysis	Multiple	Monitoring Requirements; Community Support

Capital Budget Detail



<u>Description</u>	<u>PGM</u>	<u>Amount</u>
One (1) Equipment for Advanced Testing & Training Laboratory	802	257,000
One (1) Air Quality Analyzer	802	360,685
Two (2) Air Quality Analyzers - PM2.5 equipment	802	49,026
Four (4) Source Test Analyzers	804	80,000
One (1) PM Field Testing Van	804	60,000
One (1) Computerized Gas Dilution System	807	20,400
One (1) Gas Calibration Setup for Mobile & Portable Monitoring Systems	810	25,000
One (1) Enhancements to Portable Monitoring System	810	32,000
One (1) Optical Gas Imaging Camera	403	100,000
HQE Seismic Retrofit and Security Assessment	707	500,000
Leasing of Additional Vehicles	710	50,000
Design and Prototype of new IT/Telecom Infrastructure	726	400,000
HQE Business Continuity Site Improvement	726	200,000
Replace Key End of Life Computer Networking Components	726	200,000
Public Permitting & Compliance Systems	125	2,853,347
Total Capital Expenditures		5,187,459

Funding of Retirement Liabilities



- **Medical Retirement (OPEB):**

- Obligation: \$72 M
- Funded: \$54 M (75%)
- Unfunded: \$18 M (25%)

- **Funding Policy: 90% Funded Level**

- Three-Year Target Date (FYE 2025)
- **\$4 M Annual Discretionary Funding**
- Redirect \$4 M Discretionary Funding to CalPERS Pension after reaching target funding level

- **CalPERS Retirement (Pension):**

- Obligation: \$341 M
- Funded: \$250 M (73%)
- Unfunded: \$91 M (27%)

- **Funding Policy: 90% Funded Level**

- 90% Target Date (FYE 2030)
- **\$1 M Annual Discretionary Funding**
- \$4 M Redirect Discretionary Funding from OPEB

Community Benefit Funding



- The proposed Community Benefit Fund would provide monetary resources for projects in impacted communities to reduce exposure to air pollution and address public health impacts.
- Similar to California Air Resources Board (CARB) Community Air Grants Program but not restricted to Assembly Bill 617 communities
- The Air District will fund the Community Benefit Fund with the initial \$1M...
- ...After which an estimated \$500,000 per year in penalty fees will be directed to the Community Benefit Fund.

Reserves Designations



GENERAL FUND RESERVES	
	\$M
Reserves Balance at June 30, 2020	54.0
<u>Less: Designations</u> *	
Community Benefits	-1.0
Pension Liability	-3.0
Woodsmoke Grants	-1.0
Revolving Loan Program	-3.4
AB 617 Staffing Contingency	-6.0
Pandemic Contingency	-10.0
Economic Contingency (20% of Budget)	-23.3
Total Designations	-47.7
<u>Less: Use of Reserves</u>	
Use to Balance FY2021 Budget	-5.2
Use to Balance FY2022 Budget	-0.5
Total Use of Reserves	-5.7
AVAILABLE GENERAL FUND RESERVES	0.6
<i>* Designations subject to change at Board's Direction</i>	

Fiscal Year 2021-2022 Proposed Budget Summary



- \$117 M General Fund Budget
- Includes Use of Reserves \$0.5 M for Richmond Improvements
- Amend Fee Schedule based on Proposed Fees
- New Fee Schedule for CTR
- Budgeted Position Increase to 441 FTE
- \$4 M Annual Contribution to OPEB
- \$1 M Annual Contribution to Pension

Next Steps



- April 7, 2021 – 1st Public Hearing on Proposed Fees
- April 21, 2021- Committee refers proposed budget to the Board of Directors
- May 5, 2021- 1st Public Hearing on Proposed Budget
- June 16, 2021 – 2nd Public Hearing and Adoption of the Proposed Fees and Budget

Feedback Requested/Prompt



Request the Committee recommend that the Board of Directors:

1. Conduct Public Hearings on the FYE 2022 Proposed Budget; and
2. Adopt the FYE 2022 Proposed Budget.



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 7

Summary of the 2020-2021 Spare the Air Winter Campaign

**Administration Committee Meeting
April 21, 2021**

**Kristine Roselius
Communications Director
kroselius@baaqmd.gov**

Outcome



To provide an update of the 2020-2021
Spare the Air winter campaign

Outline



- 2020-2021 Spare the Air Winter Campaign Summary
 - Winter Air Quality
 - Creative/Advertising
 - Media and Social Media
 - Door-to-Door Outreach
 - Survey Results
 - Enforcement Data
 - New Woodsmoke Reduction Program

Requested Action



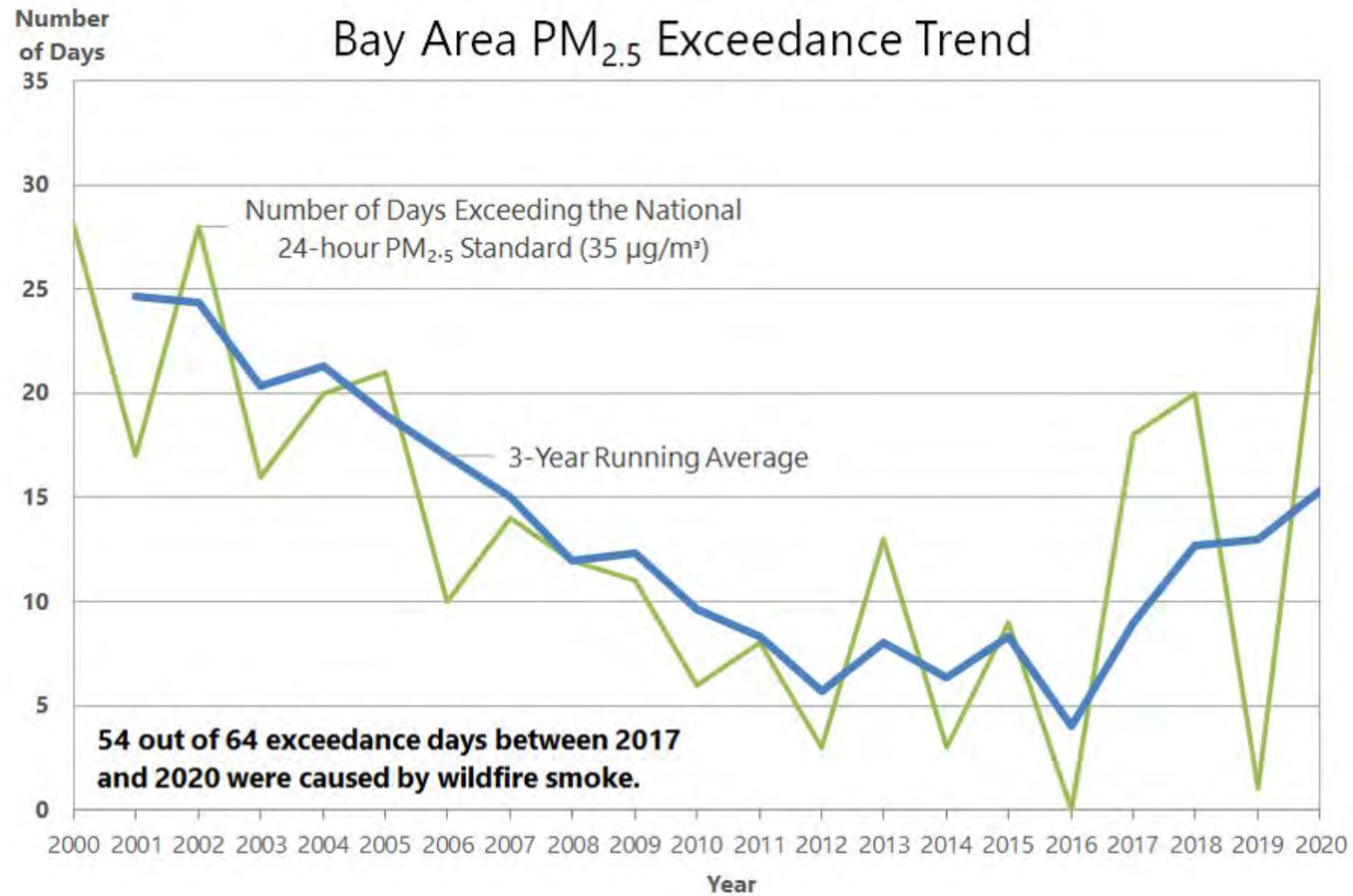
None; informational only

Winter PM_{2.5}



Year	Days > 35 µg/m³	Spare the Air Alerts
2014/2015	15	30
2015/2016	6	23
2016/2017	0	1
2017/2018	0	7
2018/2019	8	19
2019/2020	0	2
2020/2021	1	3

PM_{2.5} Trends



Creative Development



- New creative for 2020-2021 winter campaign
 - Continued focus on negative impacts of wood smoke on air quality and health
 - Incorporated new messaging aligned with ongoing impacts of COVID-19 pandemic
 - Two new concepts developed: “Smoke is Smoke” and “It’s Time”
 - TV and radio spots in multiple languages

Advertising



- November 2020 through February 2021 campaign
- Campaign elements
 - Broadcast and cable television
 - Broadcast and streaming radio
 - Out-of-Home (eco-posters, transit, banners)
 - Digital video and display ads
 - Multicultural media

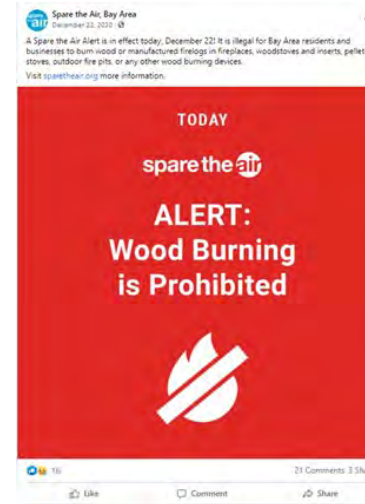


Media and Social Media



Media Outreach

- Targeted op eds
- In-language outreach
- Partnership with ALA
 - Interview series
 - Promote clean heating
 - Medical experts



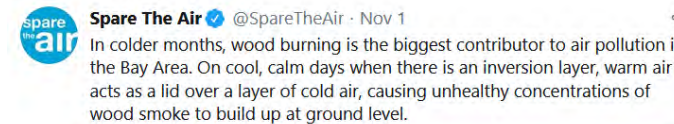
SPARE THE AIR ALERT Air District Extends Winter Spare the Air Through Tuesday

By Bay City News • Published December 20, 2020 • Updated on December 22, 2020 at 7:07 am

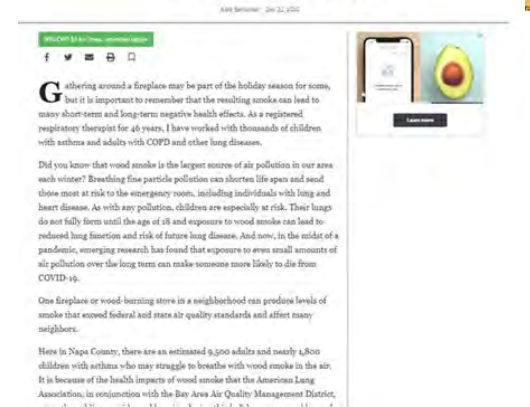


Social Media

- Focus on health impacts
- Alternatives to wood burning
- Alert notifications



It's time to shine a new light on your fireplace this holiday season



Door-to-Door Outreach



- 5,400 door hangers distributed
 - Santa Clara
 - Sausalito
 - Pleasant Hill
 - Hayward
 - Napa
 - Livermore (two neighborhoods)
 - San Carlos
- Partnered with WO EIP – West Oakland

The survey form is titled "Spare the Air Wood Burning Survey" and includes the Spare the Air logo and contact information (1-877-4NO-BURN, SpareTheAir.org). It contains 11 numbered questions about wood burning practices, awareness of regulations, and health impacts. The questions are as follows:

1. Do you currently own or use any of the following devices in your home?
 Wood Burning Fireplace Fire Pit Gas Fireplace
 Wood Stove Chimney None (If "None" skip to question 4)
2. Is it your only source of heat? Yes No
3. Do you burn wood, fire logs or pellets during the winter? Yes No
If yes, how often? _____
4. Have you received any information this year about Spare the Air Alerts?
 Yes No
If "yes," where did you hear or see this information? _____
5. Did you know it is illegal to burn firewood or fire logs when a Spare the Air Alert is in effect? Yes No
6. Are you aware that wood burning is the number one source of wintertime air pollution in the Bay Area? Yes No
7. Are you aware of the health impacts of wood burning? Yes No
If "yes," what have you heard? _____
8. This winter, do you expect to burn wood more often, less often, or about the same amount as last winter?
 More often Less often About the same Don't know
9. Would you consider NOT burning wood or otherwise reducing your wood burning during the winter season? Yes No
If "no," why not? _____
10. How long have you lived in this home? _____ Own Rent
11. Where and to whom should we send your gift card?
 Safeway Peet's Coffee

Address: _____

The poster features the Spare the Air logo at the top right. The main text reads "STOP BURNING IN OUR COMMUNITY" in large, bold letters. Below this, it says "All Wood Burning Negatively Impacts Everyone". The bottom section is titled "1 in 7" and lists "ASTHMA, LONG IRRITATION, LUNG DISEASE, PNEUMONIA, BRONCHITIS". To the left of this text, a cloud contains the words "GASES", "SOOT", "FINE PARTICLES", "dioxins", "carbon monoxide", and "Volatile Organic Compounds". The background shows a row of houses under a cloudy sky.

Survey Results



- **32%** of households reduced their wood burning
- **58%** heard, read or saw media stories about Spare the Air
- **55%** were aware of Spare the Air Alerts
- **82%** think there are negative health effects from wood smoke – all time high, up from 76% last season
- Air District and Spare the Air increased favorability - **58% and 69%**

Enforcement Data



	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
STA Alerts (Winter)	30	23	1	7	19	15	2	3
PM_{2.5} Excesses	15	6	0	0	8	8	0	1
Complaints	5,091	3,834	1,302	1,564	2,177	1,319	617	986
Info Packets	1,768	2,029	577	577	1,206	811	306	508
Violations	267	155	1	91	128	45	0	24
Exemptions	150	193 + 23 Seasonal	215 + 1 Seasonal	116 + 1 Seasonal	132 + 4 Seasonal	142 + 3 Seasonal	146	150

New Woodsmoke Reduction Program



Scrap and replace ~325 woodburning stoves and fireplace-inserts with electric heat pumps

- **\$2.1 M awarded to Air District** by EPA Targeted Airshed Grant
- **\$3K - \$7K per changeout**
- **Additional funding for low-income participants**

Tentative Schedule	
Phase 1 By Q4 2021	For residents in West Oakland and Richmond
Phase 2 By Q3 2022-2025	Expand to all Assembly Bill 617 and Community Air Risk Evaluation areas

Feedback Requested/Prompt



None. Questions?