



BOARD OF DIRECTORS
FINANCE AND ADMINISTRATION COMMITTEE
December 18, 2024

BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

COMMITTEE MEMBERS

DAVINA HURT – CHAIR
MARGARET ABE-KOGA
DAVID HAUBERT
RAY MUELLER
MARK ROSS

LYNDA HOPKINS - VICE CHAIR
JUAN GONZÁLEZ III
TYRONE JUE
KATIE RICE

**MEETING LOCATION(S) FOR IN-PERSON ATTENDANCE BY
COMMITTEE MEMBERS AND MEMBERS OF THE PUBLIC**

**Bay Area Metro Center
1st Floor Board Room
375 Beale Street
San Francisco, CA 94105**

**Office of Alameda County Supervisor
David Haubert
4501 Pleasanton Avenue
Pleasanton, CA 94566**

**San Mateo County
Board of Supervisors Offices
500 County Center - 5th Floor
Redwood City, CA 94063**

**Santa Rosa Junior College Campus
Doyle Library, Room 148
1501 Mendocino Ave.
Santa Rosa, CA, 95401**

**San Leandro City Hall
835 E. 14th Street, 2nd Floor
San Leandro, CA 94577**

THE FOLLOWING STREAMING OPTIONS WILL ALSO BE PROVIDED

These streaming options are provided for convenience only. In the event that streaming connections malfunction for any reason, the Finance and Administration Committee reserves the right to conduct the meeting without remote webcast and/or Zoom access.

The public may observe this meeting through the webcast by clicking the link available on the air district's agenda webpage at www.baaqmd.gov/bodagendas.

Members of the public may participate remotely via Zoom at <https://bayareametro.zoom.us/j/88360255172>, or may join Zoom by phone by dialing (669) 900-6833 or (408) 638-0968. The Webinar ID for this meeting is: [883 6025 5172](https://bayareametro.zoom.us/j/88360255172)

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 a matter on the agenda will have two minutes each to address the Committee on that agenda item, unless a different time limit is established by the Chair. No speaker who has already spoken on an item will be entitled to speak to that item again.

The Committee welcomes comments, including criticism, about the policies, procedures, programs, or services of the District, or of the acts or omissions of the Committee. Speakers shall not use threatening, profane, or abusive language which disrupts, disturbs, or otherwise impedes the orderly conduct of a Committee meeting. The District is committed to maintaining a workplace free of unlawful harassment and is mindful that District staff regularly attend Committee meetings. Discriminatory statements or conduct that would potentially violate the Fair Employment and Housing Act – i.e., statements or conduct that is hostile, intimidating, oppressive, or abusive – is *per se* disruptive to a meeting and will not be tolerated.

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

WEDNESDAY, DECEMBER 18, 2024

10:00 AM

1. **Call to Order - Roll Call**

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

2. **Pledge of Allegiance**

CONSENT CALENDAR (Item 3)

The Consent Calendar consists of routine items that may be approved together as a group by one action of the Committee. Any Committee member or member of the public may request that an item be removed and considered separately.

3. **Approval of the Draft Minutes of the Finance and Administration Committee Special Meeting of November 6, 2024**

The Committee will consider approving the Draft Minutes of the Finance and Administration Committee Special Meeting of November 6, 2024.

ACTION ITEM(S)

4. **Update on the Air District's Information Services Programs and Recommendation of Proposed Software Development and Maintenance Contracts**

The Committee will review the Air District's information technology and services functions and will consider recommending to the Board of Directors that the Board approve contracts for software development and maintenance services with qualified fulfillment partners, ClearSparc, DVBE, and Oshyn, over a term of 18 months for a total combined not-to-exceed amount of \$4.371 Million. This item will be presented by Patricia Roman, Director of Software Development and John Chiladakis, Chief Technology Officer.

INFORMATIONAL ITEM(S)

5. Performance Evaluation System

The Committee will discuss the Air District's newly designed performance evaluation system. This presentation will outline the comprehensive review process initiated in 2023 to address system inefficiencies and integrate strategic priorities. Key updates include streamlined workflows, enhanced goal alignment with environmental justice and equity, and robust training initiatives to support increased communication and organizational effectiveness. This item will be presented by Chris Atkinson, Principal Consultant with CPS-HR.

6. Cost Recovery Strategy for Amendments to Regulation 3: Fees for Fiscal Year 2026

The Committee will consider and discuss the cost recovery strategy to amend Regulation 3 (Fees) for Fiscal Year Ending (FYE) 2026. One goal of this rule development effort is to improve towards 100% cost recovery for fee-based programs. This item will be presented by Fred Tanaka, Manager, Engineering Division.

OTHER BUSINESS

7. Public Comment on Non-Agenda Matters

Pursuant to Government Code Section 54954.3, members of the public who wish to speak on matters not on the agenda will be given an opportunity to address the Committee. Members of the public will have two minutes each to address the Committee, unless a different time limit is established by the Chair. The Committee welcomes comments, including criticism, about the policies, procedures, programs, or services of the District, or of the acts or omissions of the Committee. Speakers shall not use threatening, profane, or abusive language which disrupts, disturbs, or otherwise impedes the orderly conduct of a Committee meeting. The District is committed to maintaining a workplace free of unlawful harassment and is mindful that District staff regularly attend Committee meetings. Discriminatory statements or conduct that would potentially violate the Fair Employment and Housing Act – i.e., statements or conduct that is hostile, intimidating, oppressive, or abusive – is per se disruptive to a meeting and will not be tolerated.

8. 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)

9. Time and Place of Next Meeting

Wednesday, February, 26, 2025, at 1:00 p.m. at 375 Beale Street, San Francisco, CA 94105. The meeting will be in-person for the Finance and Administration Committee members and members of the public will be able to either join in-person or via webcast.

10. Adjournment

The Committee meeting shall be adjourned by the 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 Air 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, Suma Peesapati, at (415) 749-4967 or by email at spesapati@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

DECEMBER 2024

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Finance and Administration Committee	Wednesday	18	10:00 a.m.	1st Floor Board Room
Board of Directors Policy, Grants and Technology Committee	Wednesday	18	1:00 p.m.	1st Floor Board Room

JANUARY 2025

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Community Advisory Council Meeting - CANCELLED	Thursday	16	6:00 p.m.	1st Floor, Yerba Buena Room
Board of Directors Retreat	Wednesday	29	10:00 a.m.	California State University Maritime Academy Compass Rose Room 200 Maritime Academy Drive Vallejo, CA 94590

HL 12/11/2024 – 12:00 p.m.

G/Board/Executive Office/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Davina Hurt and Members
of the Finance and Administration Committee

From: Philip M. Fine
Executive Officer/APCO

Date: December 18, 2024

Re: Approval of the Draft Minutes of the Finance and Administration Committee Special Meeting of November 6, 2024

RECOMMENDED ACTION

Approve the Draft Minutes of the Finance and Administration Committee Special Meeting of November 6, 2024.

BACKGROUND

None.

DISCUSSION

Attached for your review and approval are the Draft Minutes of the Finance and Administration Committee Special Meeting of November 6, 2024.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Philip M. Fine
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Vanessa Johnson

ATTACHMENTS:

1. Draft Minutes of the Finance and Administration Committee Special Meeting of November 6, 2024

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

Finance and Administration Committee Special Meeting
Wednesday, November 6, 2024

DRAFT MINUTES

This meeting was webcast, and a video recording is available on the website of the Bay Area Air Quality Management District at www.baaqmd.gov/bodagendas

CALL TO ORDER

1. **Opening Comments:** Finance and Administration Committee (Committee) Chairperson, Davina Hurt, called the meeting to order at 11:49 a.m.

Roll Call:

Present, In-Person (Bay Area Metro Center (375 Beale Street, 1st Floor Board Room, San Francisco, California, 94105): Committee Chairperson Davina Hurt; and Directors Juan González III, Tyrone Jue, Katie Rice, and Mark Ross.

Present, In-Person Satellite Location (Office of Alameda County Supervisor David Haubert, Heritage House, 4501 Pleasanton Ave., Pleasanton, CA 94566): Director David Haubert.

Present, In-Person Satellite Location (San Mateo County Board of Supervisors Offices, 500 County Center - 5th Floor, Redwood City, CA 94063): Director Ray Mueller.

Absent: Committee Vice Chairperson Lynda Hopkins; and Director Margaret Abe-Koga.

2. **PLEDGE OF ALLEGIANCE**

CONSENT CALENDAR (ITEMS 3 – 7)

3. **APPROVAL OF THE DRAFT MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE MEETING OF OCTOBER 16, 2024**

The Committee considered approving the Draft Minutes of the Finance and Administration Committee Meeting of October 16, 2024.

4. **HEARING BOARD QUARTERLY REPORT: JULY THROUGH SEPTEMBER 2024**

The Committee received the Hearing Board Quarterly Report for the period of July 2024 through September 2024.

5. **PRELIMINARY ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2023-2024 AND FIRST QUARTER FINANCIAL REPORT FOR FISCAL YEAR 2024-2025**

The Committee received (i) the Air District’s preliminary annual financial results for Fiscal Year (FY) 2023-2024, which ended June 30, 2024; and (ii) the financial update for the first quarter of FY 2024-2025, which ended September 30, 2024.

6. **CONTRACT AMENDMENT WITH ROBERT HALF FOR TEMPORARY STAFFING**

The Committee considered recommending the Board of Directors authorize the Executive Officer/Air Pollution Control Officer (APCO) to amend the Professional Services Agreement with Robert Half Inc. to increase the total not-to-exceed dollar amount of the agreement by \$1,000,000, from \$1,000,000 to \$2,000,000, for staff augmentation to support the Air District’s Strategic Plan.

7. **ESTABLISHMENT OF A NEW CLASSIFICATION OF CIVIL RIGHTS OFFICER**

The Committee considered recommending the Board of Directors establish a new classification of Civil Rights Officer.

Public Comments on Items 3 – 7

No requests received.

Committee Comments on Items 3 – 7

None.

Committee Action on Items 3 – 7

Director Rice made a motion, seconded by Director Ross to **approve** the Consent Calendar, Items 3 through 7, inclusive; and the motion **carried** by the following vote of the Committee:

AYES: González, Haubert, Hurt, Jue, Mueller, Rice, Ross.
NOES: None.
ABSTAIN: None.
ABSENT: Abe-Koga, Hopkins.

ACTION ITEM

8. FISCAL YEAR ENDING (FYE) 2025 MID-YEAR BUDGET AND STAFFING ADJUSTMENTS

Arsenio Mataka, Deputy Executive Officer of Equity and Community Programs, Greg Nudd, Deputy Executive Officer of Science and Policy, and Hyacinth Hinojosa, Deputy Executive Officer of Finance and Administration, gave the staff presentation *Authorization of Fiscal Year Ending 2025 Mid-Year Budget and Staffing Adjustments*, including: requested motion; background; Equity and Community programs: organizational restructure; Community Investments Office – staffing request and fund amounts; Strategic Incentives Division – staffing request; Meteorology & Measurement Division – staffing request; refinery community monitoring; Community Air Monitoring program; new funding and staffing cost considerations; add and delete positions; and recommendation.

Public Comments

Public comments were given by Bob Brown, Western States Petroleum Association; Todd Osterberg, Chevron; Matt Reagan, Bay Area Council; Jan Warren, Interfaith Climate Action Network of Contra Costa County; and Jan Callaghan, Rodeo Citizens Association.

Committee Comments

The Committee and staff discussed the manner in which Community Investments Office staff assignments will be deployed; whether the proposed FYE 2025 Mid-Year Budget includes associated costs for recruitment outreach and marketing; anticipated challenges regarding the proposed funding for the creation of the Community Investments Office, which would be supported by a portion of penalty funds allocated for community benefits, under the Air District’s Policy on Funding Community Benefits from Penalty Funds; and whether the proposed position of “Civil Rights Officer” would be considered new work that is not currently being performed by Air District staff.

Committee Action

Director Jue made a motion, seconded by Director González to recommend the Board **approves** FYE 2025 mid-year budget and staffing adjustments to support operational improvements and the implementation of the Strategic Plan as follows:

1. Authorize the use of up to 9% of the Community Benefit penalty assessment funds for administrative costs to support the creation of the new Community Investment Office to implement the penalty policy and direct funds to impacted communities .
2. Authorize the use of Schedule X designated reserves to accelerate and improve the Community Air Monitoring Program in refinery communities.
3. Authorize the addition of three new FTEs and three new Limited- Term Contract Employees (LTCEs) for the Community Investments Office; three new FTEs for Meteorology & Measurement; and three new FTE for Strategic Incentives, all funded by new revenue sources.
4. Authorize reclassify vacant positions and transfers to support organizational operations.

The motion **carried** by the following vote of the Committee:

AYES: González, Haubert, Hurt, Jue, Mueller, Rice, Ross.
NOES: None.
ABSTAIN: None.
ABSENT: Abe-Koga, Hopkins.

OTHER BUSINESS

9. PUBLIC COMMENTS ON NON-AGENDA MATTERS

Public comments were given by Jan Warren, Interfaith Climate Action Network of Contra Costa County.

10. COMMITTEE MEMBER COMMENTS

None.

11. TIME AND PLACE OF NEXT MEETING

Wednesday, December 18, 2024, at 10:00 a.m. at 375 Beale Street, San Francisco, CA 94105. The meeting will be in-person for the Finance and Administration Committee members and members of the public will be able to either join in-person or via webcast.

12. ADJOURNMENT

The meeting was adjourned at 12:39 p.m.

Marcy Hiratzka
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
 Memorandum

To: Chairperson Davina Hurt and Members
 of the Finance and Administration Committee

From: Philip M. Fine
 Executive Officer/APCO

Date: December 18, 2024

Re: Update on the Air District's Information Services Programs and Recommendation of
 Proposed Software Development and Maintenance Contracts

RECOMMENDED ACTION

Recommend to the Board of Directors that the Board authorize the execution of contracts for software development and maintenance services in a total combined amount not to exceed \$4,371,000 over the 18-month period beginning February 2025 as listed in Table 1:

Table 1 Requested Authorization

Vendor	Procurement Method	Service Description	Not to Exceed for this Authorization
ClearSparc	RFQ# 2024-009	Software Design, Development, and DevOps Services	\$1,515,000
DVBE	RFQ# 2024-009	Software Development Supporting Services	\$2,232,000
Oshyn	RFQ# 2024-009	Software Documentation and Knowledge Transfer Services & Web Operations and System Development Services	\$624,000
			\$4,371,000

BACKGROUND

The Air District has been working toward the modernization and unification of its Information Technology (IT) systems as authorized by the Board of Directors in June 2024. This effort aims to enhance operational efficiency, transparency, and regulatory accountability in alignment with the Air District's overall strategic goals. Key results over the past year include:

- Unified Information Services into a cohesive operating unit encompassing Information Technology operations, user support, cybersecurity, software development, online services, and records management;
- Completed decommissioning and terminating contracts supporting legacy systems (Databank and IRIS) leading to operational cost savings and a reduced dependency on outdated vulnerable technologies;
- Migrated to cloud-based solutions, increasing system resilience and reducing costs; and
- Implemented advanced reporting systems for permitting and compliance, improving transparency and efficiency in regulatory processes.

This work has resulted in substantial cost savings of more than \$1.2 million per year, improved operations, and allowed the Air District to focus IT resources on efforts that directly support the overall Strategic Plan.

DISCUSSION

Overview of Information Services (IS) Functions

The Air District has unified various IT functions under a strategic framework driven by recommendations from management, financial, and IT security audits. This unified approach supports consistent progress and allows for comprehensive regular updates to the Finance and Administration Committee providing greater transparency.

Key accomplishments over the past six months, along with their alignment to the Air District's Strategic Goals, include:

- *Advance Environmental Justice – Community Transparency*
 - Notice of Violation eAlerts
 - Incident Alerts eAlerts
 - Air Quality Maps
- *Be Effective and Accountable – Enhancing Permit Tracking & Reporting Across Divisions*
 - Dashboard to provide transparency to address bottlenecks in processing
 - Capability to log the changes to permit status for the permitting engineer
 - Overdue status tracking and reporting for engineering management
 - Engineering, Legal, and Compliance teams now benefit from new Reports that unify data, enabling faster, more informed, and collaborative decision-making

- *Be Effective and Accountable* – Consistent & Resilient Enforcement Reporting
 - Regular Progress Updates: Weekly and quarterly status updates to executive management keep our enforcement initiatives focused and effective
 - Real-Time and Accurate Data: Automated reporting that provides instant access and improved reliability for enforcement activities
- *Be Effective and Accountable* – Finance System Upgrades
 - Removed \$1 electronic payment fee to encourage online payments
 - Increased capacity to process single payments up to \$30,000
 - Created the capability to pay by Automated Clearing House (ACH)
 - Created the capability to use one invoice to pay fees
- *Be Effective and Accountable*– Eliminate long-standing vendor dependencies
 - Switching maintenance vendors for the Air District website achieved an annual cost savings of \$677,000
 - Eliminating 4 of 6 software development vendor dependencies

This proposed contract authorization will enable the Air District to maintain and operate its core software systems over the 18-month period beginning February 2025, and allow for progress on select strategic deliverables, including enhancements to community reporting, permitting, compliance, billing, rule development operations, and website operations that support the Air District’s strategic goals. Included in the \$4.371 million request is approximately \$1.3 million dollars in software operations and support costs, leaving approximately \$3 million to allocate for the strategic deliverables listed below.

In addition, this authorization serves to eliminate vendor dependencies by phasing out four of the six vendors that the Air District has contracted with over the past 20 years for the My Air Online Project.

Specific strategic deliverables that support the Air District's *Strategic Plan* will include:

- *Achieve Impact*– Streamline upfront estimates for rule development operations
 - Develop a methodology, process and procedure that will standardize operational resource estimates for proposed air quality regulations
- *Advance Environmental Justice*
 - Develop a Title V Deviation Compliance Reporting Tool, followed by integration testing and alignment with community monitoring priorities
 - Redevelop the Complaint Management System with a community-focused interface for submissions
 - Develop a data collection system to acquire and securely retain community volunteer information for community air quality monitoring

- *Be Effective and Accountable*- Data Transparency
 - Lay the foundation for a comprehensive and user-friendly data portal that fosters accessibility and transparency. Finalize scope definition, build a pilot system, and implement search enhancements such as advanced filters and improved indexing
 - Enhance transparency by surfacing air quality geospatial data through the implementation of modern mapping tools for the Air District's website
- *Be Effective and Accountable* - Efficiency and modernization
 - Conduct procurement and manage project framework and requirements gathering for establishing a modern grants management system
 - Develop a dedicated communication platform for regulated entities to provide timely updates, share resources, and foster collaborative engagement
 - Implement a data governance framework with a governance board and regular audits to provide for compliance with regulatory standards, public access and modern change control
 - Develop and maintain comprehensive documentation for system architecture, configuration, workflows, and dependencies, ensuring clarity for troubleshooting, onboarding, and upgrades
 - Develop policy, governance and implement a proof-of-concept system to improve efficiency leveraging artificial intelligence
 - Provide staff with documentation, training, and knowledge transfer for systems implemented in recent years

Vendor Qualification

On August 19, 2024, the Air District issued Request for Qualifications (RFQ) 2024-009 for IT Consulting Services in the following categories:

- Software Development
- Web Content Management
- IT Project Management
- Software Documentation
- Knowledge Transfer

The Air District received forty-six (46) submissions under this procurement, and an evaluation panel of Air District staff qualified a total of nine (9) vendors across the various categories to form a qualified pool of vendors under which additional requests for proposals were solicited for the multiple deliverables listed under this authorization request. A panel of Air District staff evaluated the additional proposals, resulting in the authorization request for the recommended amounts listed in Table 1.

Contract Authorization Request

If approved, this authorization will allocate \$4,371,000 million over the 18-month period starting February 2025 to support information services software maintenance, operations, and the critical strategic deliverables described in this memo.

Table 1 Requested Authorization

Vendor	Procurement Method	Service Description	Not to Exceed for this Authorization
ClearSparc	RFQ# 2024-009	Software Design, Development, and DevOps Services	\$1,515,000
DVBE	RFQ# 2024-009	Software Development Supporting Services	\$2,232,000
Oshyn	RFQ# 2024-009	Software Documentation and Knowledge Transfer Services & Web Operations and System Development Services	\$624,000
			\$4,371,000

BUDGET CONSIDERATION/FINANCIAL IMPACT

\$3.18 million of the total amount required for these contracts are included in the Fiscal Year Ending (FYE) 2025 approved budget in Programs 125, 309, and 725. The remaining \$1.191 million will be expended conditionally upon approval of the funds for these programs in the FYE 2026 budget.

Respectfully submitted,

Philip M. Fine
Executive Officer/APCO

Prepared by: John Chiladakis
Reviewed by: Dr. Philip M. Fine

ATTACHMENTS:

1. ClearSparc Draft Contract 2024.228
2. DVBE Connect Draft Contract 2024.230
3. Oshyn Draft Contract 2024.229
4. Update on Air District IS Functions Presentation

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

MASTER SERVICES CONTRACT

CONTRACT NO. 2024.228

1. PARTIES – The parties to this Contract (“Contract”) are the Bay Area Air Quality Management District (“DISTRICT”) whose address is 375 Beale Street, Suite 600, San Francisco, CA 94105, and **ClearSparc** (“CONTRACTOR”) whose address is 2906 Colby Avenue, Everett, WA 98201.
2. RECITALS
 - A. DISTRICT is the local agency with primary responsibility for regulating stationary source air pollution in the Bay Area Air Quality Management District in the State of California. DISTRICT is authorized to enter into this Contract under California Health and Safety Code Section 40701. DISTRICT desires to contract with CONTRACTOR for Services as defined herein. DISTRICT is entering into this Contract based on CONTRACTOR’s stated qualifications to perform the Services.
 - B. CONTRACTOR designs, develops, manages, and maintains software systems.
 - C. All parties to this Contract have had the opportunity to have this contract reviewed by their attorney.
3. DEFINITIONS
 - A. “Purchase Order” shall mean the written or electronic document used by DISTRICT to track payments to CONTRACTOR under this Contract.
 - B. “Services” shall mean the services to be provided by CONTRACTOR hereunder as generally described in the General Description of Services, attached hereto as Attachment A and made a part hereof by this reference, and as specifically described in Task Orders issued pursuant to this Contract.
 - C. “Task Order” shall mean a written request by DISTRICT for specific services to be performed by CONTRACTOR.
4. PERFORMANCE REQUIREMENTS
 - A. CONTRACTOR is authorized to do business in the State of California. CONTRACTOR attests that it is in good tax standing with federal and state tax authorities.
 - B. CONTRACTOR agrees to obtain any and all required licenses, permits, and all other appropriate legal authorizations from all applicable federal, state and local jurisdictions and pay all applicable fees.
 - C. CONTRACTOR shall comply with all laws and regulations that apply to its performance under this Contract, including any requirements to disclose potential conflicts of interest under DISTRICT’s Conflict of Interest Code.
 - D. CONTRACTOR shall not engage in any performance of work during the term of this contract that is in direct or indirect conflict with duties and responsibilities set forth in the Scope of Work.
 - E. CONTRACTOR shall exercise the degree of skill and care customarily required by accepted professional practices and procedures.
 - F. CONTRACTOR shall ensure that any subcontractors, employees and agents performing under this Contract comply with the performance standards set forth in paragraphs A-E above.

5. TERM – The term of this Contract is from the date of execution of the Contract to July 31, 2026, unless further extended by amendment of this Contract in writing and signed by both parties, or terminated earlier. CONTRACTOR shall not submit any invoice for services performed under this Contract until the Contract is fully executed.

6. TERMINATION

- A. The DISTRICT may terminate this Contract at any time, at will, and without specifying any reason, by notifying CONTRACTOR in writing. The notice of termination shall specify the effective date of termination, which shall be no less than thirty (30) calendar days from the date of delivery of the notice of termination, as set forth in section 13, below, and shall be delivered in accordance with the provisions of section 13 below. Immediately upon receipt of the notice of termination, CONTRACTOR shall cease all services under this Contract, except such services as are specified in the notice of termination. CONTRACTOR shall deliver a final invoice for all remaining services performed but not billed, including any services specified in the termination notice, on or before ten (10) business days following the termination date.
- B. Either party may terminate this Contract for breach by the other party.
- i) Failure to perform any agreement or obligation contained in this Contract or failure to complete the services in a satisfactory manner shall constitute a breach of the Contract.
 - ii) The non-breaching party may terminate the Contract by delivery of a written notice of breach. The notice of breach shall specify the date of termination, which shall be no earlier than ten (10) business days from delivery of the notice of breach. In the alternative, at its sole discretion, the non-breaching party may require the breaching party to cure the breach. The notice of breach shall specify the nature of the breach and the date by which such breach must be cured.
 - iii) If CONTRACTOR fails to perform any obligation under this Contract, DISTRICT at its sole discretion, may perform, or cause the performance, of the obligation itself. In that event, DISTRICT shall deduct the costs to perform such obligation and any other costs to cure the breach from the payment otherwise due to CONTRACTOR for work performed under this Contract. DISTRICT's performance hereunder shall not be deemed a waiver or release of any obligation of, or default by, CONTRACTOR under this Contract.
 - iv) The notice of breach shall be provided in accordance with the notice requirements set forth in section 13.
 - v) The non-breaching party reserves all rights under law and equity to enforce this Contract and recover any damages.

7. INSURANCE

- A. CONTRACTOR shall maintain the following insurance:
- i) Workers' compensation and employers' liability insurance as required by California law or other applicable statutory requirements.
 - ii) Occurrence-based commercial general liability insurance or equivalent form with a limit of not less than one million dollars (\$1,000,000) each occurrence. Such insurance shall include DISTRICT and its officers, agents, and employees as additional insureds and shall be primary with respect to any insurance maintained by DISTRICT.
 - iii) Business automobile liability insurance or equivalent form with a limit of not less than one million dollars (\$1,000,000) each accident. Such insurance shall include coverage for owned, hired, and non-owned vehicles. If CONTRACTOR is a sole proprietor, CONTRACTOR may

meet this insurance requirement with personal automobile liability insurance carrying a business use endorsement or by demonstrating to the satisfaction of DISTRICT that business use is covered under the CONTRACTOR's personal automobile liability insurance. A CONTRACTOR using only rental vehicles in performing work under this Contract may meet this insurance requirement by purchasing automobile liability insurance in the required coverage amount from the rental agency.

- B. All insurance shall be placed with insurers acceptable to DISTRICT.
- C. Prior to commencement of work under this Contract, CONTRACTOR shall furnish properly-executed certificates of insurance for all required insurance. Upon request by DISTRICT, CONTRACTOR shall provide a complete copy of any required insurance policy. CONTRACTOR shall notify DISTRICT in writing thirty (30) days prior to cancellation or modification of any required insurance policy. Any such modifications are subject to pre-approval by DISTRICT.
- D. If CONTRACTOR fails to maintain the required insurance coverage set forth above, DISTRICT reserves the right either to purchase such additional insurance and to deduct the cost thereof from any payments owed to CONTRACTOR or to terminate this Contract for breach.

8. INDEMNIFICATION

- A. CONTRACTOR shall indemnify and hold DISTRICT, its officers, employees and agents harmless from and against any and all liability, loss, expense, including reasonable attorneys' fees, or claims for injury or damages arising out of the performance of this Contract but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of CONTRACTOR, its officers, agents, or employees.
- B. DISTRICT shall indemnify and hold CONTRACTOR, its officers, employees and agents harmless from and against any and all liability, loss, expense, including reasonable attorneys' fee, or claims for injury or damages arising out of the performance of this Contract but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of DISTRICT, its officers, agents, or employees.

9. AGREEMENT TO PROVIDE SERVICES

- A. CONTRACTOR hereby agrees to provide to DISTRICT, as DISTRICT may from time to time designate, such services as DISTRICT may order by Task Order, all in accordance with and subject to the terms, covenants and conditions of this Contract. DISTRICT agrees to pay for these services ordered by DISTRICT in accordance with and subject to the terms, covenants and conditions of this Contract.
- B. All Task Orders issued by DISTRICT to CONTRACTOR for services during the term of this Contract are subject to the provisions of this Contract as though fully set forth in such Task Order. In the event that the provisions of this Contract conflict with any Task Order issued by DISTRICT to CONTRACTOR, the provisions of this Contract shall govern. No other terms and conditions, including, but not limited to, those contained in CONTRACTOR's standard printed terms and conditions, on CONTRACTOR's order acknowledgment, invoices or otherwise, shall have any application to or effect upon or be deemed to constitute an amendment to or to be incorporated into this Contract, any Task Order, or any transactions occurring pursuant hereto or thereto, unless this Contract shall be specifically amended to adopt such other terms and conditions in writing by the parties.

- C. Notwithstanding any other provision of this Contract to the contrary, DISTRICT shall have no obligation to order or purchase any services hereunder and the placement of any Task Order shall be in the sole discretion of DISTRICT. Without limiting the generality of the foregoing, the actual quantity of services to be purchased hereunder shall be determined by DISTRICT in its sole discretion and shall not exceed \$1,515,000. This Contract is not exclusive. CONTRACTOR expressly acknowledges and agrees that DISTRICT may purchase at its sole discretion, services that are identical or similar to the services described in this Contract from any third party.
10. TASK ORDERS – Each Task Order will specify the following items, as relevant: specific services requested, schedule for services, location where services are to be performed (with contact person), and cost or estimated cost of services. Each Task Order issued under this Contract shall be made part of, and be incorporated into this Contract, and shall reference this Contract on the face of each Task Order. Should any Task Order not conform to or satisfy the terms of this Contract, CONTRACTOR shall have five (5) business days after receipt to reject the Task Order. By not rejecting the Task Order within five (5) business days, CONTRACTOR will have accepted the Task Order. Acceptance by CONTRACTOR is limited to the provisions of this Contract and the Task Order. No additional or different provisions proposed by CONTRACTOR or DISTRICT shall apply. In addition, the parties agree that this Contract and accepted Task Orders constitute a contract for services and satisfy all statutory and legal formalities of a contract.
11. PRICING, INVOICES, AND PAYMENT
- A. DISTRICT shall pay CONTRACTOR for all services ordered and provided in compliance with the terms and conditions of this Contract and with Task Orders issued under this Contract.
- B. CONTRACTOR shall submit original invoices to DISTRICT in form and substance and format reasonably acceptable to DISTRICT. Each invoice, including supporting documentation, must be prepared on CONTRACTOR's letterhead; must list DISTRICT's contract number, applicable Task Order Number and Purchase Order Number, and CONTRACTOR's Federal Employer Identification Number; and must be submitted to: Bay Area Air Quality Management District, 375 Beale Street, Suite 600, San Francisco, CA 94105, Attn: Patricia Roman.
- C. DISTRICT's payment of invoices shall be subject to the following limitations and requirements:
- i) Each invoice, including supporting documentation, shall include the period covered by the invoice, specify the total cost of the services for which the invoice is submitted, shall reference tasks completed, the hours associated with same, or percentage completion thereof, and the amount of charge claimed.
 - ii) DISTRICT shall not pay interest, fees, handling charges, or the cost of money on the Contract.
 - iii) DISTRICT shall pay CONTRACTOR within thirty (30) calendar days after approval by DISTRICT of an itemized invoice.
- D. Except as specifically set forth in Attachment A or in Task Orders under this Contract, DISTRICT shall not be responsible for any additional costs or expenses of any nature incurred by CONTRACTOR in connection with the provision of the services, including without limitation travel expenses, clerical or administrative personnel, long distance telephone charges, etc.
- E. CONTRACTOR represents, warrants and covenants that the prices, charges and fees for services set forth in this Contract (on the whole) are at least as favorable as the prices, charges and fees CONTRACTOR charges (on the whole) to other of its customers or clients for the same or substantially similar services provided under the same or substantially similar circumstances, terms, and conditions. If CONTRACTOR agrees or contracts with other clients or customers

similarly situated during the Term of this Contract, and offers or agrees to financial terms more favorable than those set forth herein (on the whole), CONTRACTOR hereby agrees that it will reduce the prices, charges and/or fees charged to DISTRICT in respect of the services hereunder to the most favorable rates received by those other clients or customers.

12. DISPUTE RESOLUTION – A party that disputes a notice of breach must first seek mediation to resolve the dispute in accordance with the provisions set forth below.
- A. Upon receipt of a notice of breach of contract, the party may submit a demand for mediation to resolve whether or not a breach occurred. The party must state the basis of the dispute and deliver the demand within ten (10) business days of the date of receipt of the notice of breach.
 - B. The mediation shall take place at DISTRICT’s office at 375 Beale Street, Suite 600, San Francisco, or at such other place as may be mutually agreed upon by the parties and the mediator.
 - C. The parties shall make good faith efforts to hold the mediation within thirty (30) days after receipt of the demand for mediation.
 - D. Each party shall bear its own mediation costs.
 - E. In the event the parties are unable to resolve the dispute, either party may file an action in a court of competent jurisdiction to enforce the Contract.
 - F. Maximum recovery under this section shall be limited to the total value of all Task Orders issued under this Contract. The mediation costs shall not reduce the maximum amount recoverable under this section.
13. NOTICES – All notices that are required under this Contract shall be provided in the manner set forth herein, unless specified otherwise. Notice to a party shall be delivered to the attention of the person listed below, or to such other person or persons as may hereafter be designated by that party in writing. Notice shall be in writing sent by e-mail or regular first class mail. In the case of e-mail communications, valid notice shall be deemed to have been delivered upon sending, provided the sender obtained an electronic confirmation of delivery. E-mail communications shall be deemed to have been received on the date of such transmission, provided such date was a business day and delivered prior to 4:00 p.m. PST. Otherwise, receipt of e-mail communications shall be deemed to have occurred on the following business day. In the case of regular mail notice, notice shall be deemed to have been delivered on the mailing date and received five (5) business days after the date of mailing.

DISTRICT: Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, CA 94105
Attn: Patricia Roman

CONTRACTOR: ClearSparc
2906 Colby Avenue
Everett, WA 98201
Attn: Jonathan Roselle

14. ADDITIONAL PROVISIONS – All attachment(s) to this Contract are expressly incorporated herein by this reference and made a part hereof as though fully set forth.

15. EMPLOYEES OF CONTRACTOR

- A. CONTRACTOR shall be responsible for the cost of regular pay to its employees, as well as cost of vacation leave, vacation replacements, sick leave, severance pay, and pay for legal holidays.
- B. CONTRACTOR, its officers, employees, agents, or representatives shall not be considered employees or agents of DISTRICT, nor shall CONTRACTOR, its officers, employees, agents, or representatives be entitled to or eligible to participate in any benefits, privileges, or plans, given or extended by DISTRICT to its employees.
- C. DISTRICT reserves the right to review the credentials to perform the services for any of CONTRACTOR's employees assigned herein and to disapprove CONTRACTOR's assignments. CONTRACTOR warrants that it will not employ any subcontractor(s) without prior written approval from DISTRICT.

16. CONFIDENTIALITY – In order to carry out the purposes of this Contract, CONTRACTOR may require access to certain of DISTRICT's confidential information (including trade secrets, inventions, confidential know-how, confidential business information, and other information that DISTRICT considers confidential) (collectively, "Confidential Information"). It is expressly understood and agreed that DISTRICT may designate in a conspicuous manner Confidential Information that CONTRACTOR obtains from DISTRICT, and CONTRACTOR agrees to:

- A. Observe complete confidentiality with respect to such information, including without limitation, agreeing not to disclose or otherwise permit access to such information by any other person or entity in any manner whatsoever, except that such disclosure or access shall be permitted to employees of CONTRACTOR requiring access in fulfillment of the services provided under this Contract.
- B. Ensure that CONTRACTOR's officers, employees, agents, representatives, and independent contractors are informed of the confidential nature of such information and to assure by agreement or otherwise that they are prohibited from copying or revealing, for any purpose whatsoever, the contents of such information or any part thereof, or from taking any action otherwise prohibited under this section.
- C. Not use such information or any part thereof in the performance of services to others or for the benefit of others in any form whatsoever whether gratuitously or for valuable consideration, except as permitted under this Contract.
- D. Notify DISTRICT promptly and in writing of the circumstances surrounding any possession, use, or knowledge of such information or any part thereof by any person or entity other than those authorized by this section. Take at CONTRACTOR's expense, but at DISTRICT's option and in any event under DISTRICT's control, any legal action necessary to prevent unauthorized use of such information by any third party or entity which has gained access to such information at least in part due to the fault of CONTRACTOR.
- E. Take any and all other actions necessary or desirable to assure such continued confidentiality and protection of such information during the term of this Contract and following expiration or termination of the Contract.
- F. Prevent access to such materials by a person or entity not authorized under this Contract.
- G. Establish specific procedures in order to fulfill the obligations of this section.

17. INTELLECTUAL PROPERTY RIGHTS – Title and full ownership rights to all intellectual property developed under this Contract shall at all times remain with DISTRICT, unless otherwise agreed to in writing.

18. PUBLICATION

- A. DISTRICT shall approve in writing any report or other document prepared by CONTRACTOR in connection with performance under this Contract prior to dissemination or publication of such report or document to a third party. DISTRICT may waive in writing its requirement for prior approval.
- B. Until approved by DISTRICT, any report or other document prepared by CONTRACTOR shall include on each page a conspicuous header, footer, or watermark stating "DRAFT – Not Reviewed or Approved by BAAQMD," unless DISTRICT has waived its requirement for prior approval pursuant to paragraph A of this section.
- C. Information, data, documents, or reports developed by CONTRACTOR for DISTRICT, pursuant to this Contract, shall be part of DISTRICT's public record, unless otherwise indicated. CONTRACTOR may use or publish, at its own expense, such information, provided DISTRICT approves use of such information in advance. The following acknowledgment of support and disclaimer must appear in each publication of materials, whether copyrighted or not, based upon or developed under this Contract.

"This report was prepared as a result of work sponsored, paid for, in whole or in part, by the Bay Area Air Quality Management District (District). The opinions, findings, conclusions, and recommendations are those of the author and do not necessarily represent the views of the District. The District, its officers, employees, contractors, and subcontractors make no warranty, expressed or implied, and assume no legal liability for the information in this report."

- D. CONTRACTOR shall inform its officers, employees, and subcontractors involved in the performance of this Contract of the restrictions contained herein and shall require compliance with the above.

19. AUDIT / INSPECTION OF RECORDS – If this Contract exceeds \$10,000, pursuant to California Government Code Section 8546.7, all records, documents, conditions and activities of CONTRACTOR, and its subcontractors, related to the services provided hereunder, shall be subject to the examination and audit of the California State Auditor and other duly authorized agents of the State of California for a period of three (3) years after final payment under this Contract. CONTRACTOR hereby agrees to make such records available during normal business hours for inspection, audit, and reproduction by any duly authorized agents of the State of California or DISTRICT. CONTRACTOR further agrees to allow interviews of any of its employees who might reasonably have information related to such records by any duly authorized agents of the State of California or DISTRICT. All examinations and audits conducted under this section shall be strictly confined to those matters connected with the performance of this Contract, including, but not limited to, the costs of administering this Contract.

20. NON-DISCRIMINATION – In the performance of this Contract, CONTRACTOR shall not discriminate in its recruitment, hiring, promotion, demotion, and termination practices on the basis of race, religious creed, color, national origin, ancestry, sex, age, marital status, sexual orientation, medical condition, or physical or mental disability and shall comply with the provisions of the California Fair Employment & Housing Act (Government Code Section 12900 et seq.), the Federal Civil Rights Act of 1964 (P.L. 88-352) and all amendments thereto, and all administrative rules and regulations issued pursuant to said Acts. CONTRACTOR shall also require each subcontractor performing services in

connection with this Contract to comply with this section and shall include in each contract with such subcontractor provisions to accomplish the requirements of this section.

21. PROPERTY AND SECURITY – Without limiting CONTRACTOR'S obligations with regard to security, CONTRACTOR shall comply with all the rules and regulations established by DISTRICT for access to and activity in and around DISTRICT's premises.
22. ASSIGNMENT – No party shall assign, sell, license, or otherwise transfer any rights or obligations under this Contract to a third party without the prior written consent of the other party, and any attempt to do so shall be void upon inception.
23. WAIVER – No waiver of a breach, of failure of any condition, or of any right or remedy contained in or granted by the provisions of this Contract shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies. Further, the failure of a party to enforce performance by the other party of any term, covenant, or condition of this Contract, and the failure of a party to exercise any rights or remedies hereunder, shall not be deemed a waiver or relinquishment by that party to enforce future performance of any such terms, covenants, or conditions, or to exercise any future rights or remedies.
24. ATTORNEYS' FEES – In the event any action is filed in connection with the enforcement or interpretation of this Contract, each party shall bear its own attorneys' fees and costs.
25. FORCE MAJEURE – Neither DISTRICT nor CONTRACTOR shall be liable for or deemed to be in default for any delay or failure in performance under this Contract or interruption of services resulting, directly or indirectly, from acts of God, enemy or hostile governmental action, civil commotion, strikes, lockouts, labor disputes, fire or other casualty, judicial orders, governmental controls, regulations or restrictions, inability to obtain labor or materials or reasonable substitutes for labor or materials necessary for performance of the services, or other causes, except financial, that are beyond the reasonable control of DISTRICT or CONTRACTOR, for a period of time equal to the period of such force majeure event, provided that the party failing to perform notifies the other party within fifteen calendar days of discovery of the force majeure event, and provided further that that party takes all reasonable action to mitigate the damages resulting from the failure to perform. Notwithstanding the above, if the cause of the force majeure event is due to party's own action or inaction, then such cause shall not excuse that party from performance under this Contract.
26. SEVERABILITY – If a court of competent jurisdiction holds any provision of this Contract to be illegal, unenforceable or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of them will not be affected.
27. HEADINGS – Headings on the sections and paragraphs of this Contract are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Contract.
28. COUNTERPARTS/FACSIMILES/SCANS – This Contract may be executed and delivered in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of

which together shall constitute the same contract. The parties may rely upon a facsimile copy or scanned copy of any party's signature as an original for all purposes.

- 29. GOVERNING LAW – Any dispute that arises under or relates to this Contract shall be governed by California law, excluding any laws that direct the application of another jurisdiction's laws. Venue for resolution of any dispute that arises under or relates to this Contract, including mediation, shall be San Francisco, California.

- 30. ENTIRE CONTRACT AND MODIFICATION – This Contract represents the final, complete, and exclusive statement of the agreement between the parties related to CONTRACTOR providing services to DISTRICT and supersedes all prior and contemporaneous understandings and agreements of the parties. No party has been induced to enter into this Contract by, nor is any party relying upon, any representation or warranty outside those expressly set forth herein. This Contract may only be amended by mutual agreement of the parties in writing and signed by both parties.

- 31. SURVIVAL OF TERMS – The provisions of sections 8 (Indemnification), 16 (Confidentiality), 17 (Intellectual Property Rights), and 18 (Publication) shall survive the expiration or termination of this Contract.

IN WITNESS WHEREOF, the parties to this Contract have caused this Contract to be duly executed on their behalf by their authorized representatives.

BAY AREA AIR QUALITY
MANAGEMENT DISTRICT

CLEARSPARC

By: _____
Philip M. Fine
Executive Officer/APCO

By: _____
Jonathan Roselle
Chief Executive Officer

Date: _____

Date: _____

Approved as to form:

By: _____
Alexander Crockett
General Counsel

Attachment A
General Description of Services

Pursuant to Task Orders issued under the Contract, CONTRACTOR will collaborate with DISTRICT's Agile teams to implement best practices, optimize workflows, and ensure seamless integration of tools and technologies. CONTRACTOR will address evolving technical requirements through innovative development and proactive system management

Key services include software design, software development, and development operations services. Deliverables may include, but are not limited to, professional services to design, develop, and enhance software systems that meet DISTRICT's goals.

DRAFT

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

MASTER SERVICES CONTRACT

CONTRACT NO. 2024.230

1. **PARTIES** – The parties to this Contract (“Contract”) are the Bay Area Air Quality Management District (“DISTRICT”) whose address is 375 Beale Street, Suite 600, San Francisco, CA 94105, and **DVBE Connect, Inc.** (“CONTRACTOR”) whose address is 400 Plaza Drive, Suite 102, Folsom, CA 95630.
2. **RECITALS**
 - A. DISTRICT is the local agency with primary responsibility for regulating stationary source air pollution in the Bay Area Air Quality Management District in the State of California. DISTRICT is authorized to enter into this Contract under California Health and Safety Code Section 40701. DISTRICT desires to contract with CONTRACTOR for Services as defined herein. DISTRICT is entering into this Contract based on CONTRACTOR’s stated qualifications to perform the Services.
 - B. CONTRACTOR manages and maintains software systems.
 - C. All parties to this Contract have had the opportunity to have this contract reviewed by their attorney.
3. **DEFINITIONS**
 - A. “Purchase Order” shall mean the written or electronic document used by DISTRICT to track payments to CONTRACTOR under this Contract.
 - B. “Services” shall mean the services to be provided by CONTRACTOR hereunder as generally described in the General Description of Services, attached hereto as Attachment A and made a part hereof by this reference, and as specifically described in Task Orders issued pursuant to this Contract.
 - C. “Task Order” shall mean a written request by DISTRICT for specific services to be performed by CONTRACTOR.
4. **PERFORMANCE REQUIREMENTS**
 - A. CONTRACTOR is authorized to do business in the State of California. CONTRACTOR attests that it is in good tax standing with federal and state tax authorities.
 - B. CONTRACTOR agrees to obtain any and all required licenses, permits, and all other appropriate legal authorizations from all applicable federal, state and local jurisdictions and to pay all applicable fees.
 - C. CONTRACTOR shall comply with all laws and regulations that apply to its performance under this Contract, including any requirements to disclose potential conflicts of interest under DISTRICT’s Conflict of Interest Code.
 - D. CONTRACTOR shall not engage in any performance of work during the term of this contract that is in direct or indirect conflict with duties and responsibilities set forth in the Scope of Work.
 - E. CONTRACTOR shall exercise the degree of skill and care customarily required by accepted professional practices and procedures.
 - F. CONTRACTOR shall ensure that any subcontractors, employees and agents performing under this Contract comply with the performance standards set forth in paragraphs A-E above.

5. TERM – The term of this Contract is from the date of execution of the Contract to July 31, 2026, unless further extended by amendment of this Contract in writing, and signed by both parties, or terminated earlier. CONTRACTOR shall not submit any invoice for services performed under this Contract until the Contract is fully executed.

6. TERMINATION

- A. The DISTRICT may terminate this Contract at any time, at will, and without specifying any reason, by notifying CONTRACTOR in writing. The notice of termination shall specify the effective date of termination, which shall be no less than thirty (30) calendar days from the date of delivery of the notice of termination, as set forth in section 13, below, and shall be delivered in accordance with the provisions of section 13 below. Immediately upon receipt of the notice of termination, CONTRACTOR shall cease all services under this Contract, except such services as are specified in the notice of termination. CONTRACTOR shall deliver a final invoice for all remaining services performed but not billed, including any services specified in the termination notice, on or before ten (10) business days following the termination date.
- B. Either party may terminate this Contract for breach by the other party.
- i) Failure to perform any agreement or obligation contained in this Contract or failure to complete the services in a satisfactory manner shall constitute a breach of the Contract.
 - ii) The non-breaching party may terminate the Contract by delivery of a written notice of breach. The notice of breach shall specify the date of termination, which shall be no earlier than ten (10) business days from delivery of the notice of breach. In the alternative, at its sole discretion, the non-breaching party may require the breaching party to cure the breach. The notice of breach shall specify the nature of the breach and the date by which such breach must be cured.
 - iii) If CONTRACTOR fails to perform any obligation under this Contract, DISTRICT at its sole discretion, may perform, or cause the performance, of the obligation itself. In that event, DISTRICT shall deduct the costs to perform such obligation and any other costs to cure the breach from the payment otherwise due to CONTRACTOR for work performed under this Contract. DISTRICT's performance hereunder shall not be deemed a waiver or release of any obligation of, or default by, CONTRACTOR under this Contract.
 - iv) The notice of breach shall be provided in accordance with the notice requirements set forth in section 13.
 - v) The non-breaching party reserves all rights under law and equity to enforce this Contract and recover any damages.

7. INSURANCE

- A. CONTRACTOR shall maintain the following insurance:
- i) Workers' compensation and employers' liability insurance as required by California law or other applicable statutory requirements.
 - ii) Occurrence-based commercial general liability insurance or equivalent form with a limit of not less than one million dollars (\$1,000,000) each occurrence. Such insurance shall include DISTRICT and its officers, agents, and employees as additional insureds and shall be primary with respect to any insurance maintained by DISTRICT.
 - iii) Business automobile liability insurance or equivalent form with a limit of not less than one million dollars (\$1,000,000) each accident. Such insurance shall include coverage for owned, hired, and non-owned vehicles. If CONTRACTOR is a sole proprietor, CONTRACTOR may meet this insurance requirement with personal automobile liability insurance carrying a business

use endorsement or by demonstrating to the satisfaction of DISTRICT that business use is covered under the CONTRACTOR's personal automobile liability insurance. A CONTRACTOR using only rental vehicles in performing work under this Contract may meet this insurance requirement by purchasing automobile liability insurance in the required coverage amount from the rental agency.

- B. All insurance shall be placed with insurers acceptable to DISTRICT.
- C. Prior to commencement of work under this Contract, CONTRACTOR shall furnish properly-executed certificates of insurance for all required insurance. Upon request by DISTRICT, CONTRACTOR shall provide a complete copy of any required insurance policy. CONTRACTOR shall notify DISTRICT in writing thirty (30) days prior to cancellation or modification of any required insurance policy. Any such modifications are subject to pre-approval by DISTRICT.
- D. If CONTRACTOR fails to maintain the required insurance coverage set forth above, DISTRICT reserves the right either to purchase such additional insurance and to deduct the cost thereof from any payments owed to CONTRACTOR or to terminate this Contract for breach.

8. INDEMNIFICATION

- A. CONTRACTOR shall indemnify and hold DISTRICT, its officers, employees and agents harmless from and against any and all liability, loss, expense, including reasonable attorneys' fees, or claims for injury or damages arising out of the performance of this Contract but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of CONTRACTOR, its officers, agents, or employees.
- B. DISTRICT shall indemnify and hold CONTRACTOR, its officers, employees and agents harmless from and against any and all liability, loss, expense, including reasonable attorneys' fee, or claims for injury or damages arising out of the performance of this Contract but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of DISTRICT, its officers, agents, or employees.

9. AGREEMENT TO PROVIDE SERVICES

- A. CONTRACTOR hereby agrees to provide to DISTRICT, as DISTRICT may from time to time designate, such services as DISTRICT may order by Task Order, all in accordance with and subject to the terms, covenants and conditions of this Contract. DISTRICT agrees to pay for these services ordered by DISTRICT in accordance with and subject to the terms, covenants and conditions of this Contract.
- B. All Task Orders issued by DISTRICT to CONTRACTOR for services during the term of this Contract are subject to the provisions of this Contract as though fully set forth in such Task Order. In the event that the provisions of this Contract conflict with any Task Order issued by DISTRICT to CONTRACTOR, the provisions of this Contract shall govern. No other terms and conditions, including, but not limited to, those contained in CONTRACTOR's standard printed terms and conditions, on CONTRACTOR's order acknowledgment, invoices or otherwise, shall have any application to or effect upon or be deemed to constitute an amendment to or to be incorporated into this Contract, any Task Order, or any transactions occurring pursuant hereto or thereto, unless this Contract shall be specifically amended to adopt such other terms and conditions in writing by the parties.
- C. Notwithstanding any other provision of this Contract to the contrary, DISTRICT shall have no obligation to order or purchase any services hereunder and the placement of any Task Order shall

be in the sole discretion of DISTRICT. Without limiting the generality of the foregoing, the actual quantity of services to be purchased hereunder shall be determined by DISTRICT in its sole discretion and shall not exceed \$2,232,000. This Contract is not exclusive. CONTRACTOR expressly acknowledges and agrees that DISTRICT may purchase at its sole discretion, services that are identical or similar to the services described in this Contract from any third party.

10. TASK ORDERS – Each Task Order will specify the following items, as relevant: specific services requested, schedule for services, location where services are to be performed (with contact person), and cost or estimated cost of services. Each Task Order issued under this Contract shall be made part of, and be incorporated into this Contract, and shall reference this Contract on the face of each Task Order. Should any Task Order not conform to or satisfy the terms of this Contract, CONTRACTOR shall have five (5) business days after receipt to reject the Task Order. By not rejecting the Task Order within five (5) business days, CONTRACTOR will have accepted the Task Order. Acceptance by CONTRACTOR is limited to the provisions of this Contract and the Task Order. No additional or different provisions proposed by CONTRACTOR or DISTRICT shall apply. In addition, the parties agree that this Contract and accepted Task Orders constitute a contract for services and satisfy all statutory and legal formalities of a contract.

11. PRICING, INVOICES, AND PAYMENT

- A. DISTRICT shall pay CONTRACTOR for all services ordered and provided in compliance with the terms and conditions of this Contract and with Task Orders issued under this Contract.
- B. CONTRACTOR shall submit original invoices to DISTRICT in form and substance and format reasonably acceptable to DISTRICT. Each invoice, including supporting documentation, must be prepared on CONTRACTOR's letterhead; must list DISTRICT's contract number, applicable Task Order Number and Purchase Order Number, and CONTRACTOR's Federal Employer Identification Number; and must be submitted to: Bay Area Air Quality Management District, 375 Beale Street, Suite 600, San Francisco, CA 94105, Attn: Patricia Roman.
- C. DISTRICT's payment of invoices shall be subject to the following limitations and requirements:
 - i) Each invoice, including supporting documentation, shall include the period covered by the invoice, specify the total cost of the services for which the invoice is submitted, shall reference tasks completed, the hours associated with same, or percentage completion thereof, and the amount of charge claimed.
 - ii) DISTRICT shall not pay interest, fees, handling charges, or the cost of money on the Contract.
 - iii) DISTRICT shall pay CONTRACTOR within thirty (30) calendar days after approval by DISTRICT of an itemized invoice.
- D. Except as specifically set forth in Attachment A or in Task Orders under this Contract, DISTRICT shall not be responsible for any additional costs or expenses of any nature incurred by CONTRACTOR in connection with the provision of the services, including without limitation travel expenses, clerical or administrative personnel, long distance telephone charges, etc.
- E. CONTRACTOR represents, warrants and covenants that the prices, charges and fees for services set forth in this Contract (on the whole) are at least as favorable as the prices, charges and fees CONTRACTOR charges (on the whole) to other of its customers or clients for the same or substantially similar services provided under the same or substantially similar circumstances, terms, and conditions. If CONTRACTOR agrees or contracts with other clients or customers similarly situated during the Term of this Contract, and offers or agrees to financial terms more favorable than those set forth herein (on the whole), CONTRACTOR hereby agrees that it will

reduce the prices, charges and/or fees charged to DISTRICT in respect of the services hereunder to the most favorable rates received by those other clients or customers.

12. DISPUTE RESOLUTION – A party that disputes a notice of breach must first seek mediation to resolve the dispute in accordance with the provisions set forth below.
- A. Upon receipt of a notice of breach of contract, the party may submit a demand for mediation to resolve whether or not a breach occurred. The party must state the basis of the dispute and deliver the demand within ten (10) business days of the date of receipt of the notice of breach.
 - B. The mediation shall take place at DISTRICT’s office at 375 Beale Street, Suite 600, San Francisco, or at such other place as may be mutually agreed upon by the parties and the mediator.
 - C. The parties shall make good faith efforts to hold the mediation within thirty (30) days after receipt of the demand for mediation.
 - D. Each party shall bear its own mediation costs.
 - E. In the event the parties are unable to resolve the dispute, either party may file an action in a court of competent jurisdiction to enforce the Contract.
 - F. Maximum recovery under this section shall be limited to the total value of all Task Orders issued under this Contract. The mediation costs shall not reduce the maximum amount recoverable under this section.
13. NOTICES – All notices that are required under this Contract shall be provided in the manner set forth herein, unless specified otherwise. Notice to a party shall be delivered to the attention of the person listed below, or to such other person or persons as may hereafter be designated by that party in writing. Notice shall be in writing sent by e-mail or regular first class mail. In the case of e-mail communications, valid notice shall be deemed to have been delivered upon sending, provided the sender obtained an electronic confirmation of delivery. E-mail communications shall be deemed to have been received on the date of such transmission, provided such date was a business day and delivered prior to 4:00 p.m. PST. Otherwise, receipt of e-mail communications shall be deemed to have occurred on the following business day. In the case of regular mail notice, notice shall be deemed to have been delivered on the mailing date and received five (5) business days after the date of mailing.

DISTRICT: Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, CA 94105
Attn: Patricia Roman

CONTRACTOR: DVBE Connect, Inc.
400 Plaza Drive, Suite 102
Folsom, CA 95630
Attn: Jack Batchelor

14. ADDITIONAL PROVISIONS – All attachment(s) to this Contract are expressly incorporated herein by this reference and made a part hereof as though fully set forth.
15. EMPLOYEES OF CONTRACTOR
- A. CONTRACTOR shall be responsible for the cost of regular pay to its employees, as well as cost of vacation leave, vacation replacements, sick leave, severance pay, and pay for legal holidays.

- B. CONTRACTOR, its officers, employees, agents, or representatives shall not be considered employees or agents of DISTRICT, nor shall CONTRACTOR, its officers, employees, agents, or representatives be entitled to or eligible to participate in any benefits, privileges, or plans, given or extended by DISTRICT to its employees.
 - C. DISTRICT reserves the right to review the credentials to perform the services for any of CONTRACTOR's employees assigned herein and to disapprove CONTRACTOR's assignments. CONTRACTOR warrants that it will not employ any subcontractor(s) without prior written approval from DISTRICT.
16. CONFIDENTIALITY – In order to carry out the purposes of this Contract, CONTRACTOR may require access to certain of DISTRICT's confidential information (including trade secrets, inventions, confidential know-how, confidential business information, and other information that DISTRICT considers confidential) (collectively, "Confidential Information"). It is expressly understood and agreed that DISTRICT may designate in a conspicuous manner Confidential Information that CONTRACTOR obtains from DISTRICT, and CONTRACTOR agrees to:
- A. Observe complete confidentiality with respect to such information, including without limitation, agreeing not to disclose or otherwise permit access to such information by any other person or entity in any manner whatsoever, except that such disclosure or access shall be permitted to employees of CONTRACTOR requiring access in fulfillment of the services provided under this Contract.
 - B. Ensure that CONTRACTOR's officers, employees, agents, representatives, and independent contractors are informed of the confidential nature of such information and to assure by agreement or otherwise that they are prohibited from copying or revealing, for any purpose whatsoever, the contents of such information or any part thereof, or from taking any action otherwise prohibited under this section.
 - C. Not use such information or any part thereof in the performance of services to others or for the benefit of others in any form whatsoever whether gratuitously or for valuable consideration, except as permitted under this Contract.
 - D. Notify DISTRICT promptly and in writing of the circumstances surrounding any possession, use, or knowledge of such information or any part thereof by any person or entity other than those authorized by this section. Take at CONTRACTOR's expense, but at DISTRICT's option and in any event under DISTRICT's control, any legal action necessary to prevent unauthorized use of such information by any third party or entity which has gained access to such information at least in part due to the fault of CONTRACTOR.
 - E. Take any and all other actions necessary or desirable to assure such continued confidentiality and protection of such information during the term of this Contract and following expiration or termination of the Contract.
 - F. Prevent access to such materials by a person or entity not authorized under this Contract.
 - G. Establish specific procedures in order to fulfill the obligations of this section.
17. INTELLECTUAL PROPERTY RIGHTS – Title and full ownership rights to all intellectual property developed under this Contract shall at all times remain with DISTRICT, unless otherwise agreed to in writing.
18. PUBLICATION
- A. DISTRICT shall approve in writing any report or other document prepared by CONTRACTOR in connection with performance under this Contract prior to dissemination or publication of such

report or document to a third party. DISTRICT may waive in writing its requirement for prior approval.

- B. Until approved by DISTRICT, any report or other document prepared by CONTRACTOR shall include on each page a conspicuous header, footer, or watermark stating "DRAFT – Not Reviewed or Approved by BAAQMD," unless DISTRICT has waived its requirement for prior approval pursuant to paragraph A of this section.
- C. Information, data, documents, or reports developed by CONTRACTOR for DISTRICT, pursuant to this Contract, shall be part of DISTRICT's public record, unless otherwise indicated. CONTRACTOR may use or publish, at its own expense, such information, provided DISTRICT approves use of such information in advance. The following acknowledgment of support and disclaimer must appear in each publication of materials, whether copyrighted or not, based upon or developed under this Contract.

"This report was prepared as a result of work sponsored, paid for, in whole or in part, by the Bay Area Air Quality Management District (District). The opinions, findings, conclusions, and recommendations are those of the author and do not necessarily represent the views of the District. The District, its officers, employees, contractors, and subcontractors make no warranty, expressed or implied, and assume no legal liability for the information in this report."

- D. CONTRACTOR shall inform its officers, employees, and subcontractors involved in the performance of this Contract of the restrictions contained herein and shall require compliance with the above.
19. AUDIT / INSPECTION OF RECORDS – If this Contract exceeds \$10,000, pursuant to California Government Code Section 8546.7, all records, documents, conditions and activities of CONTRACTOR, and its subcontractors, related to the services provided hereunder, shall be subject to the examination and audit of the California State Auditor and other duly authorized agents of the State of California for a period of three (3) years after final payment under this Contract. CONTRACTOR hereby agrees to make such records available during normal business hours for inspection, audit, and reproduction by any duly authorized agents of the State of California or DISTRICT. CONTRACTOR further agrees to allow interviews of any of its employees who might reasonably have information related to such records by any duly authorized agents of the State of California or DISTRICT. All examinations and audits conducted under this section shall be strictly confined to those matters connected with the performance of this Contract, including, but not limited to, the costs of administering this Contract.
20. NON-DISCRIMINATION – In the performance of this Contract, CONTRACTOR shall not discriminate in its recruitment, hiring, promotion, demotion, and termination practices on the basis of race, religious creed, color, national origin, ancestry, sex, age, marital status, sexual orientation, medical condition, or physical or mental disability and shall comply with the provisions of the California Fair Employment & Housing Act (Government Code Section 12900 et seq.), the Federal Civil Rights Act of 1964 (P.L. 88-352) and all amendments thereto, and all administrative rules and regulations issued pursuant to said Acts. CONTRACTOR shall also require each subcontractor performing services in connection with this Contract to comply with this section and shall include in each contract with such subcontractor provisions to accomplish the requirements of this section.

21. PROPERTY AND SECURITY – Without limiting CONTRACTOR’S obligations with regard to security, CONTRACTOR shall comply with all the rules and regulations established by DISTRICT for access to and activity in and around DISTRICT’s premises.
22. ASSIGNMENT – No party shall assign, sell, license, or otherwise transfer any rights or obligations under this Contract to a third party without the prior written consent of the other party, and any attempt to do so shall be void upon inception.
23. WAIVER – No waiver of a breach, of failure of any condition, or of any right or remedy contained in or granted by the provisions of this Contract shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies. Further, the failure of a party to enforce performance by the other party of any term, covenant, or condition of this Contract, and the failure of a party to exercise any rights or remedies hereunder, shall not be deemed a waiver or relinquishment by that party to enforce future performance of any such terms, covenants, or conditions, or to exercise any future rights or remedies.
24. ATTORNEYS’ FEES – In the event any action is filed in connection with the enforcement or interpretation of this Contract, each party shall bear its own attorneys’ fees and costs.
25. FORCE MAJEURE – Neither DISTRICT nor CONTRACTOR shall be liable for or deemed to be in default for any delay or failure in performance under this Contract or interruption of services resulting, directly or indirectly, from acts of God, enemy or hostile governmental action, civil commotion, strikes, lockouts, labor disputes, fire or other casualty, judicial orders, governmental controls, regulations or restrictions, inability to obtain labor or materials or reasonable substitutes for labor or materials necessary for performance of the services, or other causes, except financial, that are beyond the reasonable control of DISTRICT or CONTRACTOR, for a period of time equal to the period of such force majeure event, provided that the party failing to perform notifies the other party within fifteen calendar days of discovery of the force majeure event, and provided further that that party takes all reasonable action to mitigate the damages resulting from the failure to perform. Notwithstanding the above, if the cause of the force majeure event is due to party’s own action or inaction, then such cause shall not excuse that party from performance under this Contract.
26. SEVERABILITY – If a court of competent jurisdiction holds any provision of this Contract to be illegal, unenforceable or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of them will not be affected.
27. HEADINGS – Headings on the sections and paragraphs of this Contract are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Contract.
28. COUNTERPARTS/FACSIMILES/SCANS – This Contract may be executed and delivered in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same contract. The parties may rely upon a facsimile copy or scanned copy of any party’s signature as an original for all purposes.

29. GOVERNING LAW – Any dispute that arises under or relates to this Contract shall be governed by California law, excluding any laws that direct the application of another jurisdiction’s laws. Venue for resolution of any dispute that arises under or relates to this Contract, including mediation, shall be San Francisco, California.

30. ENTIRE CONTRACT AND MODIFICATION – This Contract represents the final, complete, and exclusive statement of the agreement between the parties related to CONTRACTOR providing services to DISTRICT and supersedes all prior and contemporaneous understandings and agreements of the parties. No party has been induced to enter into this Contract by, nor is any party relying upon, any representation or warranty outside those expressly set forth herein. This Contract may only be amended by mutual agreement of the parties in writing and signed by both parties.

31. SURVIVAL OF TERMS – The provisions of sections 8 (Indemnification), 16 (Confidentiality), 17 (Intellectual Property Rights), and 18 (Publication) shall survive the expiration or termination of this Contract.

IN WITNESS WHEREOF, the parties to this Contract have caused this Contract to be duly executed on their behalf by their authorized representatives.

BAY AREA AIR QUALITY
MANAGEMENT DISTRICT

DVBE CONNECT, INC.

By: _____
Philip M. Fine
Executive Officer/APCO

By: _____
Chris Haney
Chief Executive Officer

Date: _____

Date: _____

Approved as to form:

By: _____
Alexander Crockett
General Counsel

Attachment A
General Description of Services

Pursuant to Task Orders issued under the Contract, CONTRACTOR will collaborate with DISTRICT's Agile/Scrum development teams, program staff, and external partners to maintain and enhance DISTRICT's New Production System (NPS) and other core systems.

Key services include business analysis, quality assurance, user interface/user experience design, database management, and development operations, focusing on operational efficiency, accessibility, and infrastructure reliability. Deliverables may include, but are not limited to, detailed documentation, optimized workflows, testing frameworks, deployment processes, and performance metrics to ensure alignment with strategic goals and high system reliability.

DRAFT

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

MASTER SERVICES CONTRACT

CONTRACT NO. 2024.229

1. PARTIES – The parties to this Contract (“Contract”) are the Bay Area Air Quality Management District (“DISTRICT”) whose address is 375 Beale Street, Suite 600, San Francisco, CA 94105, and **Oshyn, Inc.** (“CONTRACTOR”) whose address is 10601 Walker Street, Suite 170, Cypress, CA 90630.
2. RECITALS
 - A. DISTRICT is the local agency with primary responsibility for regulating stationary source air pollution in the Bay Area Air Quality Management District in the State of California. DISTRICT is authorized to enter into this Contract under California Health and Safety Code Section 40701. DISTRICT desires to contract with CONTRACTOR for Services as defined herein. DISTRICT is entering into this Contract based on CONTRACTOR’s stated qualifications to perform the Services.
 - B. CONTRACTOR manages software systems and maintains and enhances web content platforms.
 - C. All parties to this Contract have had the opportunity to have this contract reviewed by their attorney.
3. DEFINITIONS
 - A. “Purchase Order” shall mean the written or electronic document used by DISTRICT to track payments to CONTRACTOR under this Contract.
 - B. “Services” shall mean the services to be provided by CONTRACTOR hereunder as generally described in the General Description of Services, attached hereto as Attachment A and made a part hereof by this reference, and as specifically described in Task Orders issued pursuant to this Contract.
 - C. “Task Order” shall mean a written request by DISTRICT for specific services to be performed by CONTRACTOR.
4. PERFORMANCE REQUIREMENTS
 - A. CONTRACTOR is authorized to do business in the State of California. CONTRACTOR attests that it is in good tax standing with federal and state tax authorities.
 - B. CONTRACTOR agrees to obtain any and all required licenses, permits, and all other appropriate legal authorizations from all applicable federal, state and local jurisdictions and to pay all applicable fees.
 - C. CONTRACTOR shall comply with all laws and regulations that apply to its performance under this Contract, including any requirements to disclose potential conflicts of interest under DISTRICT’s Conflict of Interest Code.
 - D. CONTRACTOR shall not engage in any performance of work during the term of this contract that is in direct or indirect conflict with duties and responsibilities set forth in the Scope of Work.
 - E. CONTRACTOR shall exercise the degree of skill and care customarily required by accepted professional practices and procedures.
 - F. CONTRACTOR shall ensure that any subcontractors, employees and agents performing under this Contract comply with the performance standards set forth in paragraphs A-E above.

5. TERM – The term of this Contract is from the date of execution of the Contract to July 31, 2026, unless further extended by amendment of this Contract in writing and signed by both parties, or terminated earlier. CONTRACTOR shall not submit any invoice for services performed under this Contract until the Contract is fully executed.

6. TERMINATION

- A. The DISTRICT may terminate this Contract at any time, at will, and without specifying any reason, by notifying CONTRACTOR in writing. The notice of termination shall specify the effective date of termination, which shall be no less than thirty (30) calendar days from the date of delivery of the notice of termination, as set forth in section 13, below, and shall be delivered in accordance with the provisions of section 13 below. Immediately upon receipt of the notice of termination, CONTRACTOR shall cease all services under this Contract, except such services as are specified in the notice of termination. CONTRACTOR shall deliver a final invoice for all remaining services performed but not billed, including any services specified in the termination notice, on or before ten (10) business days following the termination date.
- B. Either party may terminate this Contract for breach by the other party.
- i) Failure to perform any agreement or obligation contained in this Contract or failure to complete the services in a satisfactory manner shall constitute a breach of the Contract.
 - ii) The non-breaching party may terminate the Contract by delivery of a written notice of breach. The notice of breach shall specify the date of termination, which shall be no earlier than ten (10) business days from delivery of the notice of breach. In the alternative, at its sole discretion, the non-breaching party may require the breaching party to cure the breach. The notice of breach shall specify the nature of the breach and the date by which such breach must be cured.
 - iii) If CONTRACTOR fails to perform any obligation under this Contract, DISTRICT at its sole discretion, may perform, or cause the performance, of the obligation itself. In that event, DISTRICT shall deduct the costs to perform such obligation and any other costs to cure the breach from the payment otherwise due to CONTRACTOR for work performed under this Contract. DISTRICT's performance hereunder shall not be deemed a waiver or release of any obligation of, or default by, CONTRACTOR under this Contract.
 - iv) The notice of breach shall be provided in accordance with the notice requirements set forth in section 13.
 - v) The non-breaching party reserves all rights under law and equity to enforce this Contract and recover any damages.

7. INSURANCE

- A. CONTRACTOR shall maintain the following insurance:
- i) Workers' compensation and employers' liability insurance as required by California law or other applicable statutory requirements.
 - ii) Occurrence-based commercial general liability insurance or equivalent form with a limit of not less than one million dollars (\$1,000,000) each occurrence. Such insurance shall include DISTRICT and its officers, agents, and employees as additional insureds and shall be primary with respect to any insurance maintained by DISTRICT.
 - iii) Business automobile liability insurance or equivalent form with a limit of not less than one million dollars (\$1,000,000) each accident. Such insurance shall include coverage for owned, hired, and non-owned vehicles. If CONTRACTOR is a sole proprietor, CONTRACTOR may

meet this insurance requirement with personal automobile liability insurance carrying a business use endorsement or by demonstrating to the satisfaction of DISTRICT that business use is covered under the CONTRACTOR's personal automobile liability insurance. A CONTRACTOR using only rental vehicles in performing work under this Contract may meet this insurance requirement by purchasing automobile liability insurance in the required coverage amount from the rental agency.

- B. All insurance shall be placed with insurers acceptable to DISTRICT.
- C. Prior to commencement of work under this Contract, CONTRACTOR shall furnish properly-executed certificates of insurance for all required insurance. Upon request by DISTRICT, CONTRACTOR shall provide a complete copy of any required insurance policy. CONTRACTOR shall notify DISTRICT in writing thirty (30) days prior to cancellation or modification of any required insurance policy. Any such modifications are subject to pre-approval by DISTRICT.
- D. If CONTRACTOR fails to maintain the required insurance coverage set forth above, DISTRICT reserves the right either to purchase such additional insurance and to deduct the cost thereof from any payments owed to CONTRACTOR or to terminate this Contract for breach.

8. INDEMNIFICATION

- A. CONTRACTOR shall indemnify and hold DISTRICT, its officers, employees and agents harmless from and against any and all liability, loss, expense, including reasonable attorneys' fees, or claims for injury or damages arising out of the performance of this Contract but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of CONTRACTOR, its officers, agents, or employees.
- B. DISTRICT shall indemnify and hold CONTRACTOR, its officers, employees and agents harmless from and against any and all liability, loss, expense, including reasonable attorneys' fee, or claims for injury or damages arising out of the performance of this Contract but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of DISTRICT, its officers, agents, or employees.

9. AGREEMENT TO PROVIDE SERVICES

- A. CONTRACTOR hereby agrees to provide to DISTRICT, as DISTRICT may from time to time designate, such services as DISTRICT may order by Task Order, all in accordance with and subject to the terms, covenants and conditions of this Contract. DISTRICT agrees to pay for these services ordered by DISTRICT in accordance with and subject to the terms, covenants and conditions of this Contract.
- B. All Task Orders issued by DISTRICT to CONTRACTOR for services during the term of this Contract are subject to the provisions of this Contract as though fully set forth in such Task Order. In the event that the provisions of this Contract conflict with any Task Order issued by DISTRICT to CONTRACTOR, the provisions of this Contract shall govern. No other terms and conditions, including, but not limited to, those contained in CONTRACTOR's standard printed terms and conditions, on CONTRACTOR's order acknowledgment, invoices or otherwise, shall have any application to or effect upon or be deemed to constitute an amendment to or to be incorporated into this Contract, any Task Order, or any transactions occurring pursuant hereto or thereto, unless this Contract shall be specifically amended to adopt such other terms and conditions in writing by the parties.

- C. Notwithstanding any other provision of this Contract to the contrary, DISTRICT shall have no obligation to order or purchase any services hereunder and the placement of any Task Order shall be in the sole discretion of DISTRICT. Without limiting the generality of the foregoing, the actual quantity of services to be purchased hereunder shall be determined by DISTRICT in its sole discretion and shall not exceed \$624,000. This Contract is not exclusive. CONTRACTOR expressly acknowledges and agrees that DISTRICT may purchase at its sole discretion, services that are identical or similar to the services described in this Contract from any third party.
10. TASK ORDERS – Each Task Order will specify the following items, as relevant: specific services requested, schedule for services, location where services are to be performed (with contact person), and cost or estimated cost of services. Each Task Order issued under this Contract shall be made part of, and be incorporated into this Contract, and shall reference this Contract on the face of each Task Order. Should any Task Order not conform to or satisfy the terms of this Contract, CONTRACTOR shall have five (5) business days after receipt to reject the Task Order. By not rejecting the Task Order within five (5) business days, CONTRACTOR will have accepted the Task Order. Acceptance by CONTRACTOR is limited to the provisions of this Contract and the Task Order. No additional or different provisions proposed by CONTRACTOR or DISTRICT shall apply. In addition, the parties agree that this Contract and accepted Task Orders constitute a contract for services and satisfy all statutory and legal formalities of a contract.
11. PRICING, INVOICES, AND PAYMENT
- A. DISTRICT shall pay CONTRACTOR for all services ordered and provided in compliance with the terms and conditions of this Contract and with Task Orders issued under this Contract.
- B. CONTRACTOR shall submit original invoices to DISTRICT in form and substance and format reasonably acceptable to DISTRICT. Each invoice, including supporting documentation, must be prepared on CONTRACTOR's letterhead; must list DISTRICT's contract number, applicable Task Order Number and Purchase Order Number, and CONTRACTOR's Federal Employer Identification Number; and must be submitted to: Bay Area Air Quality Management District, 375 Beale Street, Suite 600, San Francisco, CA 94105, Attn: Patricia Roman.
- C. DISTRICT's payment of invoices shall be subject to the following limitations and requirements:
- i) Each invoice, including supporting documentation, shall include the period covered by the invoice, specify the total cost of the services for which the invoice is submitted, shall reference tasks completed, the hours associated with same, or percentage completion thereof, and the amount of charge claimed.
 - ii) DISTRICT shall not pay interest, fees, handling charges, or the cost of money on the Contract.
 - iii) DISTRICT shall pay CONTRACTOR within thirty (30) calendar days after approval by DISTRICT of an itemized invoice.
- D. Except as specifically set forth in Attachment A or in Task Orders under this Contract, DISTRICT shall not be responsible for any additional costs or expenses of any nature incurred by CONTRACTOR in connection with the provision of the services, including without limitation travel expenses, clerical or administrative personnel, long distance telephone charges, etc.
- E. CONTRACTOR represents, warrants and covenants that the prices, charges and fees for services set forth in this Contract (on the whole) are at least as favorable as the prices, charges and fees CONTRACTOR charges (on the whole) to other of its customers or clients for the same or substantially similar services provided under the same or substantially similar circumstances, terms, and conditions. If CONTRACTOR agrees or contracts with other clients or customers

similarly situated during the Term of this Contract, and offers or agrees to financial terms more favorable than those set forth herein (on the whole), CONTRACTOR hereby agrees that it will reduce the prices, charges and/or fees charged to DISTRICT in respect of the services hereunder to the most favorable rates received by those other clients or customers.

12. DISPUTE RESOLUTION – A party that disputes a notice of breach must first seek mediation to resolve the dispute in accordance with the provisions set forth below.
- A. Upon receipt of a notice of breach of contract, the party may submit a demand for mediation to resolve whether or not a breach occurred. The party must state the basis of the dispute and deliver the demand within ten (10) business days of the date of receipt of the notice of breach.
 - B. The mediation shall take place at DISTRICT’s office at 375 Beale Street, Suite 600, San Francisco, or at such other place as may be mutually agreed upon by the parties and the mediator.
 - C. The parties shall make good faith efforts to hold the mediation within thirty (30) days after receipt of the demand for mediation.
 - D. Each party shall bear its own mediation costs.
 - E. In the event the parties are unable to resolve the dispute, either party may file an action in a court of competent jurisdiction to enforce the Contract.
 - F. Maximum recovery under this section shall be limited to the total value of all Task Orders issued under this Contract. The mediation costs shall not reduce the maximum amount recoverable under this section.
13. NOTICES – All notices that are required under this Contract shall be provided in the manner set forth herein, unless specified otherwise. Notice to a party shall be delivered to the attention of the person listed below, or to such other person or persons as may hereafter be designated by that party in writing. Notice shall be in writing sent by e-mail or regular first class mail. In the case of e-mail communications, valid notice shall be deemed to have been delivered upon sending, provided the sender obtained an electronic confirmation of delivery. E-mail communications shall be deemed to have been received on the date of such transmission, provided such date was a business day and delivered prior to 4:00 p.m. PST. Otherwise, receipt of e-mail communications shall be deemed to have occurred on the following business day. In the case of regular mail notice, notice shall be deemed to have been delivered on the mailing date and received five (5) business days after the date of mailing.

DISTRICT: Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, CA 94105
Attn: Patricia Roman

CONTRACTOR: Oshyn, Inc.
10601 Walker Street, Suite 170
Cypress, CA 90630
Attn: Dan Pahomi

14. ADDITIONAL PROVISIONS – All attachment(s) to this Contract are expressly incorporated herein by this reference and made a part hereof as though fully set forth.

15. EMPLOYEES OF CONTRACTOR

- A. CONTRACTOR shall be responsible for the cost of regular pay to its employees, as well as cost of vacation leave, vacation replacements, sick leave, severance pay, and pay for legal holidays.
- B. CONTRACTOR, its officers, employees, agents, or representatives shall not be considered employees or agents of DISTRICT, nor shall CONTRACTOR, its officers, employees, agents, or representatives be entitled to or eligible to participate in any benefits, privileges, or plans, given or extended by DISTRICT to its employees.
- C. DISTRICT reserves the right to review the credentials to perform the services for any of CONTRACTOR's employees assigned herein and to disapprove CONTRACTOR's assignments. CONTRACTOR warrants that it will not employ any subcontractor(s) without prior written approval from DISTRICT.

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- A. Observe complete confidentiality with respect to such information, including without limitation, agreeing not to disclose or otherwise permit access to such information by any other person or entity in any manner whatsoever, except that such disclosure or access shall be permitted to employees of CONTRACTOR requiring access in fulfillment of the services provided under this Contract.
- B. Ensure that CONTRACTOR's officers, employees, agents, representatives, and independent contractors are informed of the confidential nature of such information and to assure by agreement or otherwise that they are prohibited from copying or revealing, for any purpose whatsoever, the contents of such information or any part thereof, or from taking any action otherwise prohibited under this section.
- C. Not use such information or any part thereof in the performance of services to others or for the benefit of others in any form whatsoever whether gratuitously or for valuable consideration, except as permitted under this Contract.
- D. Notify DISTRICT promptly and in writing of the circumstances surrounding any possession, use, or knowledge of such information or any part thereof by any person or entity other than those authorized by this section. Take at CONTRACTOR's expense, but at DISTRICT's option and in any event under DISTRICT's control, any legal action necessary to prevent unauthorized use of such information by any third party or entity which has gained access to such information at least in part due to the fault of CONTRACTOR.
- E. Take any and all other actions necessary or desirable to assure such continued confidentiality and protection of such information during the term of this Contract and following expiration or termination of the Contract.
- F. Prevent access to such materials by a person or entity not authorized under this Contract.
- G. Establish specific procedures in order to fulfill the obligations of this section.

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- A. DISTRICT shall approve in writing any report or other document prepared by CONTRACTOR in connection with performance under this Contract prior to dissemination or publication of such report or document to a third party. DISTRICT may waive in writing its requirement for prior approval.
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- D. CONTRACTOR shall inform its officers, employees, and subcontractors involved in the performance of this Contract of the restrictions contained herein and shall require compliance with the above.

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20. NON-DISCRIMINATION – In the performance of this Contract, CONTRACTOR shall not discriminate in its recruitment, hiring, promotion, demotion, and termination practices on the basis of race, religious creed, color, national origin, ancestry, sex, age, marital status, sexual orientation, medical condition, or physical or mental disability and shall comply with the provisions of the California Fair Employment & Housing Act (Government Code Section 12900 et seq.), the Federal Civil Rights Act of 1964 (P.L. 88-352) and all amendments thereto, and all administrative rules and regulations issued pursuant to said Acts. CONTRACTOR shall also require each subcontractor performing services in

connection with this Contract to comply with this section and shall include in each contract with such subcontractor provisions to accomplish the requirements of this section.

21. PROPERTY AND SECURITY – Without limiting CONTRACTOR'S obligations with regard to security, CONTRACTOR shall comply with all the rules and regulations established by DISTRICT for access to and activity in and around DISTRICT's premises.
22. ASSIGNMENT – No party shall assign, sell, license, or otherwise transfer any rights or obligations under this Contract to a third party without the prior written consent of the other party, and any attempt to do so shall be void upon inception.
23. WAIVER – No waiver of a breach, of failure of any condition, or of any right or remedy contained in or granted by the provisions of this Contract shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies. Further, the failure of a party to enforce performance by the other party of any term, covenant, or condition of this Contract, and the failure of a party to exercise any rights or remedies hereunder, shall not be deemed a waiver or relinquishment by that party to enforce future performance of any such terms, covenants, or conditions, or to exercise any future rights or remedies.
24. ATTORNEYS' FEES – In the event any action is filed in connection with the enforcement or interpretation of this Contract, each party shall bear its own attorneys' fees and costs.
25. FORCE MAJEURE – Neither DISTRICT nor CONTRACTOR shall be liable for or deemed to be in default for any delay or failure in performance under this Contract or interruption of services resulting, directly or indirectly, from acts of God, enemy or hostile governmental action, civil commotion, strikes, lockouts, labor disputes, fire or other casualty, judicial orders, governmental controls, regulations or restrictions, inability to obtain labor or materials or reasonable substitutes for labor or materials necessary for performance of the services, or other causes, except financial, that are beyond the reasonable control of DISTRICT or CONTRACTOR, for a period of time equal to the period of such force majeure event, provided that the party failing to perform notifies the other party within fifteen calendar days of discovery of the force majeure event, and provided further that that party takes all reasonable action to mitigate the damages resulting from the failure to perform. Notwithstanding the above, if the cause of the force majeure event is due to party's own action or inaction, then such cause shall not excuse that party from performance under this Contract.
26. SEVERABILITY – If a court of competent jurisdiction holds any provision of this Contract to be illegal, unenforceable or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of them will not be affected.
27. HEADINGS – Headings on the sections and paragraphs of this Contract are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Contract.
28. COUNTERPARTS/FACSIMILES/SCANS – This Contract may be executed and delivered in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of

which together shall constitute the same contract. The parties may rely upon a facsimile copy or scanned copy of any party's signature as an original for all purposes.

- 29. GOVERNING LAW – Any dispute that arises under or relates to this Contract shall be governed by California law, excluding any laws that direct the application of another jurisdiction's laws. Venue for resolution of any dispute that arises under or relates to this Contract, including mediation, shall be San Francisco, California.

- 30. ENTIRE CONTRACT AND MODIFICATION – This Contract represents the final, complete, and exclusive statement of the agreement between the parties related to CONTRACTOR providing services to DISTRICT and supersedes all prior and contemporaneous understandings and agreements of the parties. No party has been induced to enter into this Contract by, nor is any party relying upon, any representation or warranty outside those expressly set forth herein. This Contract may only be amended by mutual agreement of the parties in writing and signed by both parties.

- 31. SURVIVAL OF TERMS – The provisions of sections 8 (Indemnification), 16 (Confidentiality), 17 (Intellectual Property Rights), and 18 (Publication) shall survive the expiration or termination of this Contract.

IN WITNESS WHEREOF, the parties to this Contract have caused this Contract to be duly executed on their behalf by their authorized representatives.

BAY AREA AIR QUALITY
MANAGEMENT DISTRICT

OSHYN, INC.

By: _____
Philip M. Fine
Executive Officer/APCO

By: _____
Diego Rebosio
Chief Executive Officer

Date: _____

Date: _____

Approved as to form:

By: _____
Alexander Crockett
General Counsel

Attachment A
General Description of Services

Pursuant to Task Orders issued under the Contract, CONTRACTOR will collaborate with DISTRICT's Agile/Scrum development teams, program staff, and external partners to design, develop, and manage software systems while maintaining and enhancing web content platforms such as the New Production System (NPS) and DISTRICT's website, BAAQMD.gov.

Key services include software design, software development, development operations, web content management, project management, system delivery, software documentation, and knowledge transfer. Deliverables may include, but are not limited to, detailed technical and user documentation, streamlined workflows, testing frameworks, deployment processes, and performance metrics, ensuring operational efficiency, accessibility, and infrastructure reliability. By integrating expertise across these domains, CONTRACTOR will align deliverables with DISTRICT's strategic goals, driving continuous improvement and high system reliability.

DRAFT



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 4

Update on the Air District's Information Services Programs and Recommendation of Proposed Software Development and Maintenance Contracts

**Finance and Administration Committee Meeting
December 18, 2024**

**John Chiladakis
Chief Technology Officer
jchiladakis@baaqmd.gov**

**Patricia Roman
Director of Software Development
proman@baaqmd.gov**

Presentation Outline

- Overview of Air District Information Services Functions
- Recent Board Actions Focused on Efficiency
- Technology Development Over the Past Six Months
- Planned Technology Developments Over the Next Six Months
- Vendor Qualifications
- Funding Request for Contract Authorization

Overview of Air District Information Technology (IT) Functions

Function
<ul style="list-style-type: none">• IT Infrastructure• User Support• Cybersecurity
<ul style="list-style-type: none">• Software Development• Online Services• Records Management

Fiscal Year 2025 Budget

Function	FYE 2025 Budget / Staff
<ul style="list-style-type: none">• IT Infrastructure• User Support• Cybersecurity	<ul style="list-style-type: none">• \$3.3 Million• 12 Full Time Staff
<ul style="list-style-type: none">• Software Development• Online Services• Records Management	<ul style="list-style-type: none">• \$5.2 Million• 13 Full Time Staff

Overview of Air District Information System Functions – Governance

- Fulfillment of key recommendations from:
 - Management Audit
 - Financial Audit
 - IS Security Assessment
- Transition to unified operations
 - Efficiency, modernization, governance
- Updates provided every six months to the Committee
 - Prior update 6 months ago
 - Included authorization for modernization

Recent Board Actions: Modernization and Consolidation

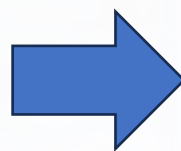
- Sacramento Data Center Shutdown
- Migration to Cloud
- Legacy Systems Shutdown (Databank and IRIS)

Functional Area	Cost Reduction \$/Year FTE / Year
Support of Legacy Systems	(\$200K) (6 FTE)
Replacement of Legacy Systems	(\$4.3M) (5 FTE)
IT Physical Infrastructure	(\$800K) (3 FTE)
TOTALS	(\$5.3 M) (14 FTE)

Recent Board Actions: Modernization and Consolidation (cont.)

- Sacramento Data Center Shutdown
- Migration to Cloud
- Legacy Systems Shutdown (Databank and IRIS)

Functional Area	\$/Year FTE / Year
Support of Legacy Systems	(\$200K) (6 FTE)
Replacement of Legacy Systems	(\$4.3M) (5 FTE)
IT Physical Infrastructure	(\$800K) (3 FTE)
TOTALS	(\$5.3 M) (14 FTE)



Functional Area	\$/Year FTE / Year
Support of Legacy Systems	0
Development & Maintenance of New Systems	\$4.3M 7 FTE
IT Cloud Infrastructure	\$400K 3 FTE
TOTALS	\$4.7 M 10 FTE

Strategic Plan Guides IT Development

• IT Objectives Aligned with Strategic Plan

- Support Environmental Justice (Goal 2):
 - Develop tools for equitable access to air quality data
- Enhance Community Engagement (Goal 2 and 4):
 - Interactive dashboards and real-time alerts
- Promote Transparency (Goal 2, 3 and 4):
 - Open data portals and streamlined reporting
- Drive Efficiency (Goal 1, 3, and 4):
 - Governance and continuous improvement
 - Streamline digital communication with regulated community
- Modernize IT Infrastructure: (Foundational, Goal 4)
 - Transition legacy systems to cloud platforms
 - Secure and rationalize systems
 - Explore artificial intelligence

• Air District's 2024- 2029 Strategic Goals

- Goal 1: Achieve Impact
- Goal 2: Advance Environmental Justice
- Goal 3: Foster Cohesion and Inclusion
- Goal 4: Be Effective Accountable and Customer-Oriented

Six-Month Progress Report – Software Development

Enhanced Community Transparency

- Notice of Violation Alerts
- Incident Alerts
- Air Quality Maps

Enhancing Permit Tracking & Reporting Across Divisions

- Dashboard to provide transparency where permit bottlenecks to Engineering
- The permit engineer can log the changes to permit status
- Overdue status tracking and reporting for engineering management
- Engineering, Legal, and Compliance teams now benefit from new Reports that unify data, enabling faster, more informed, and collaborative decision-making

Driving Consistent & Reliable Enforcement Reporting

- Regular Progress Updates: Weekly and quarterly updates keep our enforcement initiatives focused and effective
- Real-Time, Accurate Data: Automated reporting provides instant access and improved reliability for enforcement activities

Six-Month Progress Report – Software Development (cont.)

Finance System Upgrades

- Removed \$1 eCheck fee to encourage online payments
- Increased capacity to process single payments up to \$30,000
- Created the capability to pay by Automated Clearing House (ACH)
- Created the capability to use one invoice to pay fees

Accountability

- Completed Key Hiring
- Addressed Vendor Lock-in concerns by changing four of the six vendors
- Achieved annual cost savings of \$677,000 by switching to a new vendor for the Air District website

Strategic Deliverables for this Authorization

Achieve Impact – Streamline upfront estimates for rule development operations

- Develop a methodology, process and procedure that will standardize operational resource estimates for proposed air quality regulations

Advance Environmental Justice

- Develop a Title V Deviation Compliance reporting tool available for community access
- Redevelop the Complaint Management System with a community-focused interface for submissions
- Develop a data collection system to acquire and securely retain information for community air quality monitoring

Be Effective and Accountable - Data Transparency

- Deliver a pilot comprehensive and user-friendly data portal that fosters accessibility and transparency
- Surface relevant geospatial data through the implementation of mapping tools for the Air District's website

Be Effective and Accountable - Efficiency and modernization

- Develop a communication platform for regulated entities to provide timely updates, share resources, and foster collaborative engagement
- Implement a data governance framework to ensure compliance with regulatory standards
- Develop industry-standard technical documentation for systems
- Develop policy, governance, and implement a proof-of-concept system to improve efficiency by leveraging artificial intelligence
- Provide staff with documentation, training, and knowledge transfer for systems implemented in recent years

Vendor Qualification

- **Request for Quote (RFQ) Issued:** On August 19, 2024, the Air District released RFQ 2024-009 for IT consulting services in five categories
- **Submissions Received:** The Air District received 46 submissions and qualified nine vendors across the specified categories
- **Qualified Vendor Pool:** The nine vendors formed a pool for soliciting additional proposals for these strategic deliverables
- **Evaluation and Authorization:** A panel of Air District staff evaluated proposals, leading to the current authorization request detailed in Table 1 of the staff report

Funding and Budget Impact

- 18 Month contracts with status updates to the Committee every 6 Months
- Requesting \$4.371 Million across three vendors
 - \$1.5 Million for software maintenance and support
 - \$2.871 for new development and documentation
- \$3.18 Million of the \$4.371 Million required for these contracts are included in the Fiscal Year Ending (FYE) 2025 approved budget and designated for this purpose
- The additional \$1.191 Million will be expended conditionally upon approval of funds in the FYE 2026 budget

Funding Request

Recommend to the Board of Directors that the Board of Directors authorize the execution of contracts for software development and maintenance services in a total combined amount not to exceed \$4,371,000 million over 18 months as listed in the Table

Vendor	Procurement Method	Service Description	Not to Exceed for this Authorization
ClearSparc	RFQ# 2024-009	Software Design, Development, and DevOps Services	\$1,515,000
DVBE	RFQ# 2024-009	Software Development Supporting Services	\$2,232,000
Oshyn	RFQ# 2024-009	Software Documentation and Knowledge Transfer Services & Web Operations and System Development Services	\$624,000
			\$4,371,000

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Davina Hurt and Members
of the Finance and Administration Committee

From: Philip M. Fine
Executive Officer/APCO

Date: December 18, 2024

Re: Performance Evaluation System

RECOMMENDED ACTION

None; the Committee will discuss but no action is requested at this time.

BACKGROUND

In March 2023, the Air District undertook a review of its performance evaluation system to address challenges identified in the Employee Viewpoint Survey and through stakeholder feedback. Findings highlighted inefficiencies, unclear evaluation purposes, outdated competencies, and insufficient integration with strategic priorities.

CPS-HR Consulting was engaged to lead the review, conducted internal interviews and focus groups, as well as benchmarking with agencies such as the South Coast Air Quality Management District, the Metropolitan Transportation Commission, the Environmental Protection Agency (Region IX), and San Mateo County. Benchmarking revealed that while the Air District's efforts were ahead of the curve, opportunities existed to adopt best practices such as enhanced alignment with strategic goals, streamlined evaluation processes, and robust manager training.

The new performance evaluation system is designed to foster a culture of accountability, growth, and alignment with the Air District's Strategic Plan. By integrating employee goals with the organization's core values—such as environmental justice, equity, and transparency—the system ensures that individual contributions directly support the Air District's strategic objectives. It emphasizes professional development through clearer expectations, actionable feedback, and tailored competencies that reflect the complexity of modern environmental challenges. Moreover, the system's focus on ongoing engagement, quarterly check-ins, and transparent metrics reinforces organizational cohesion and advances the Air District's mission to create a more sustainable and equitable Bay Area.

DISCUSSION

The implementation of the new performance evaluation system follows a phased approach to ensure its effectiveness and alignment with the Air District’s strategic goals. This process began with a comprehensive review and benchmarking against leading practices in comparable agencies, resulting in actionable recommendations for improvement. The next phase involved designing the evaluation framework, updating competencies and ratings, and integrating technology enhancements to streamline workflows and improve accessibility. A robust training plan is central to the rollout, with tailored sessions for managers and employees focusing on using the system effectively, delivering constructive feedback, and aligning performance goals with organizational priorities. These efforts aim to build capacity, foster engagement, and ensure a smooth transition to the updated system. Key developments and milestones in the implementation are outlined below.

1. Enhanced Process Framework:

Benchmarking findings emphasized the importance of a clear purpose for evaluations that transcends administrative compliance to support professional growth and performance alignment. The new framework emphasizes aligning individual goals with organizational priorities such as environmental justice, equity, and cohesion. Additionally, separating goal-setting from evaluations addresses employee concerns about conflating developmental discussions with performance judgments.

2. Update Competencies and Ratings:

The new system introduces five Executive Core Qualifications (ECQs) tailored to leadership roles and competencies for all staff, grounded in Air District values. Ratings have been streamlined to a four-point scale—Outstanding, Successful, Developing, and Unsuccessful—simplifying performance distinctions while maintaining rigor. Updated competencies emphasize collaboration, innovation, and strategic alignment to ensure relevance across roles.

Table I: Summary of ECQs and Performance Factors

Executive Core Qualifications (ECQs)	Performance Factors
Leading Change	Thinks Creatively & Proactively
Leading People	Diversity, Equity & Inclusion
Results Driven	Results Driven
Business Acumen	Models Integrity, & Leadership
Building Coalitions	Fosters Teamwork & Partnering

3. Technology Improvements

Benchmarking revealed the need for user-friendly systems to support evaluation processes. The Air District is reconfiguring NEOGOV to include journaling features for year-round documentation, automated notifications to ensure compliance, and an integrated self-assessment module. This technology will enable managers and employees to track performance collaboratively, fostering ongoing engagement.

4. Training and Rollout Plan:

Insights from peer agencies underscore the value of training tailored to both evaluators and employees. The Air District's training program will include modules on delivering feedback, using the evaluation tool, and conducting quarterly check-ins. The phased rollout will begin with executives and unrepresented staff in early 2025, followed by confidential and represented employees later in the year, ensuring adjustments based on early feedback.

5. Feedback and Monitoring:

Lessons from benchmarking stressed iterative feedback during system rollout. The Air District plans to incorporate quarterly surveys and stakeholder discussions to refine processes and tools. These efforts will prioritize transparency and ensure the system remains adaptive to organizational needs.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Philip M. Fine
Executive Officer/APCO

Prepared by: Lisa Baker
Reviewed by: Hyacinth Hinojosa

ATTACHMENTS:

1. Crosswalk of Executive Core Qualifications and Performance Factors
2. BAAQMD Phase I Report - 12-2-24
3. BAAQMD Performance Evaluation Project Presentation

Bay Area Air Quality Management District – Performance Evaluation System

Executive Core Qualifications – Rating Evaluation System for DEOs, Directors, Officers

Performance Factors - Rating Evaluation System for managers, confidential, and all represented staff

Executive Core Qualifications (ECQs)	Employee Performance Factors
<p>Leading Change</p> <ul style="list-style-type: none"> ○ Adaptability and Flexibility ○ Strategic Thinking ○ Innovation 	<p>Thinks Creatively and Proactively</p> <ul style="list-style-type: none"> ○ Adaptability & Flexibility ○ Strategic Thinking ○ Innovation
<p>Leading People</p> <ul style="list-style-type: none"> ○ Fosters Teamwork and Partnering ○ Equity, Inclusion, and Belonging ○ Integrity, Transparency, & Trust 	<p>Diversity, Equity, Inclusion & Environmental Justice</p> <ul style="list-style-type: none"> ○ Equity, Inclusion, and Belonging ○ Environmental Justice
<p>Results Driven</p> <ul style="list-style-type: none"> ○ Delivers Results ○ Technical Competency 	<p>Results Driven</p> <ul style="list-style-type: none"> ○ Execution of assignments/projects ○ Technical Competency
<p>Business Acumen</p> <ul style="list-style-type: none"> ○ Accountability & Responsibility ○ Business Acumen 	<p>Models Integrity & Leadership</p> <ul style="list-style-type: none"> ○ Accountability & Responsibility ○ Excellence in Customer & Public Service ○ Integrity, Transparency, & Trust
<p>Building Coalitions</p> <ul style="list-style-type: none"> ○ Collaboration & Partnering ○ Environmental Justice ○ Effective Communication and Conflict Resolution 	<p>Fosters Teamwork and Partnering</p> <ul style="list-style-type: none"> ○ Collaboration & Partnering ○ Building Teams ○ Effective Communication and Conflict Resolution

Draft Report

Bay Area Air Quality Management District

Phase 1 - Performance Evaluation Process Review & Recommendations

December 2, 2024

PREPARED BY:

CPS HR Consulting

2450 Del Paso Rd, Suite 220

Sacramento, CA 95834

P: 916-263-3614

www.cpshr.us



Your Path to Performance

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See attached PDF for greater detail 35

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Executive Summary of Phase 1

This Executive Summary provides a brief overview of Phase 1 of the project, key findings, and the proposed approach to the subsequent phases.

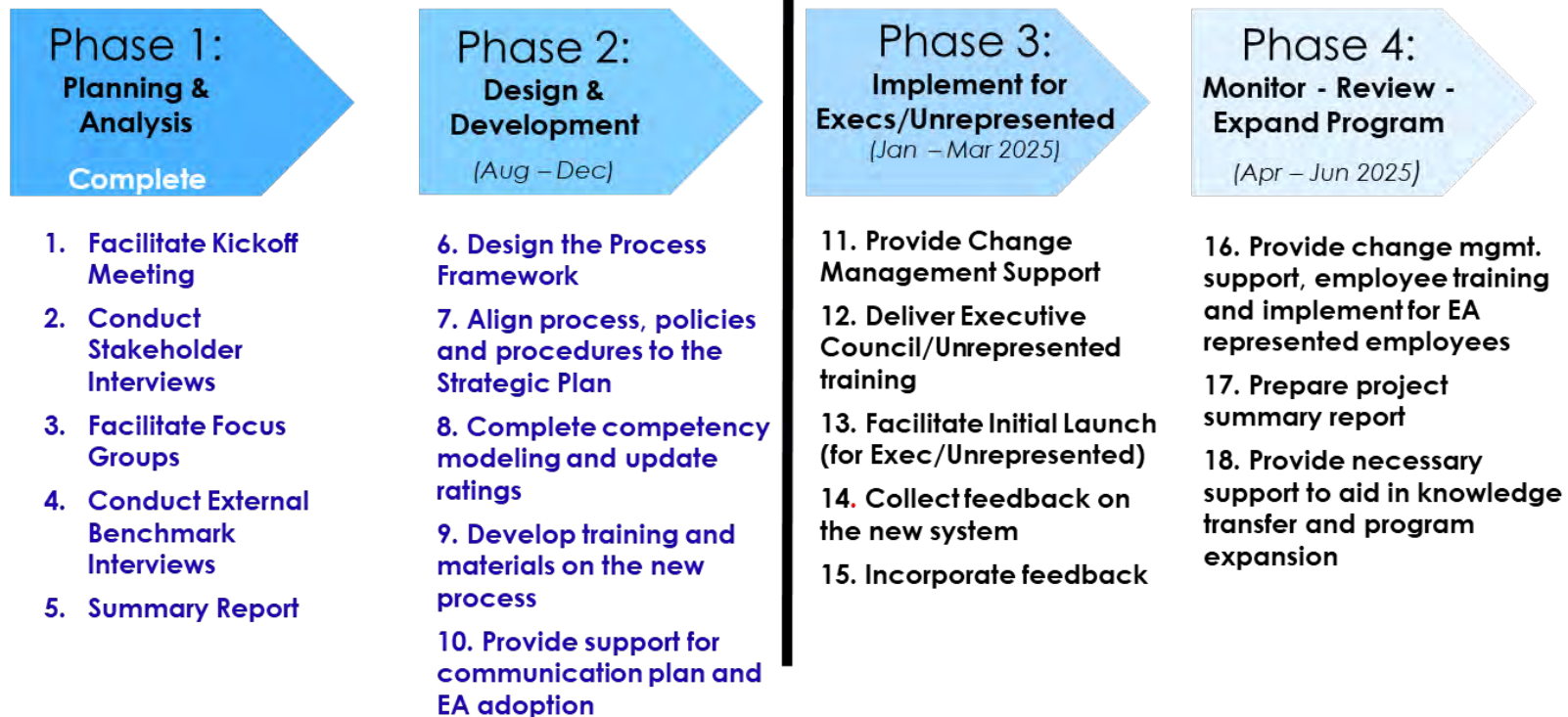
Phase 1:

- **Project Initiation and Management** – Kickoff meeting held with executive sponsors to align on expected project outcomes and approach. Ongoing meetings were conducted with the client project manager.
- **Data Collection: Interviews and Focus Groups** – Individual interviews and focus groups were held with Employees, Employee Association Representatives, Supervisors, Managers, and the Executive Leadership Team to identify what aspects of the current performance evaluation process were working and what needed improvement.
- **Issues Identification and Analysis** – Based on input gained during the stakeholder focus groups and interviews, a list of key challenges and potential solutions were identified. These issues were then analyzed and prioritized to define areas that would be addressed in the benchmarking interviews and ultimately drive the recommendations phase.
- **Benchmarking** – Four benchmarking interviews were conducted to understand how other organizations structured, implemented, and communicated their performance evaluation process to identify best practices and leverage lessons learned.
- **Recommendations & Considerations** – Based on the data analysis, recommendations were provided related to the key findings and project objectives. The table on page 14 shows the Phase 2 recommendations organized in alignment with the Project Roadmap.

Proposed Implementation Roadmap

This Implementation Roadmap outlines the key actions associated with each phase of the project with some tentative time frames. The report will present the information and recommendations following this framework.

Create and Implement a Performance Evaluation Process that facilitates high performance and encourages employee growth and development



Project Background

The objective of the Performance Evaluation Systems engagement is to assist the Air District and Human Resources Department in the review, design, and implementation of a new performance evaluation system to address concerns voiced by employees and management alike. Anecdotal feedback and the last two employee engagement surveys (the annual Employee Viewpoint Survey (EVS)) highlighted a lack of consistency and the need for improvement to the performance evaluation process.

This report summarizes the results from Phases 1 of the project. The scope of subsequent phases will be adjusted based on client needs and resources. A brief description of potential activities is presented here to show the lifecycle of the project.

Phase 1:

Planning/Analysis - During this phase, CPS-HR assessed and reviewed the Air District's current performance management philosophy, methodology, policies, procedures, processes, and practices.

The activities in this phase included:

- Identifying stakeholders and developing a consultation plan
- Reviewing the Air District's strategic plan and objectives
- Evaluating the current Air District performance management methodology, processes, system (IT), and policy to make recommendations for improvement or the development of a new process
- Developing a project plan and schedule, including change management and communication plans
- Identifying best practices in performance evaluations within the government sector
- Benchmarking the Air District's performance management process and performance indicators against four other relevant agencies
- Reviewing individual performance management evaluations
- Examining the links between performance management and employee motivation.

Phase 2:

Design and Development - In this phase, CPS-HR will design and develop the new performance management methodology, policies, procedures, processes, and practices. The tasks in this phase include, but are not limited to:

- Designing a framework for setting individual employee performance objectives aligned with the Air District's strategic plan
- Developing a new rating system

- Rewriting the existing policies and procedures for performance evaluations
- Reconfiguring NEOGOV, the current performance management technology, to make it more user friendly and effective
- Establishing Performance Factors and Executive Core Qualifications (ECQs) based on competencies to guide evaluation criteria
- Creating linkages between performance management and employee motivation
- Providing training materials on the new Air District performance management system and philosophy

Phase 3:

Implementation and Pilot – This phase will include subject matter consultation and assistance with communication plans, project management, training, roll out of Phase I for Executives and non-represented staff, facilitating change management activities, and reviewing/improving the link between performance management, motivation, and other people-related processes.

Phase 4:

Monitor, Review, and Expand Program - In this phase, CPS will provide a comprehensive report on the results and outcomes of the rollout of Phase I and facilitate the program’s expansion and adoption to represented staff, and a provide 2-3 months of support for the implementation, effective skills transfer, and guidance on conducting performance management.

Data Collection

Step One

Focus Groups and One-on-One Interviews

CPS conducted six focus groups (34 participants) with key stakeholders and five one-on-one leadership interviews to identify what was working well, challenges, and potential remedies for those challenges. Areas of inquiry included format, rating criteria and scales, technology, development activities, and the overall philosophy behind performance management. The focus group breakdowns and leadership interviews are shown below in Table 1.

Table 1 – Focus Group and Leadership Interview Participants

Focus Group	Participants
1 – Employees and EA Representatives	Adriana Kolev, Daniel Langmaid, Haley Downing, Liana Solis, Lina Patel
2 – Employees and EA Representatives	Luke Lim, Marcy Hiratzka, Mark Kiffe
3 – Supervisors	Chad White, Jessica DePrimo, Paul Grazzini, Tamiko Endow

4 – Managers	Abby Young, Daniel Meer, Fred Tanaka, Mairi Beacon, Minda Berbeco, Sonam Shah-Paul
5 – HR Team	Anitra Gibson, Joseph Huynh, Judy Yu, Regina Soo
6 – Executive Leadership	Greg Nudd, Lisa Baker, Lisa Fasano, Maricela Martinez, Song Bai, Stephanie Osaze, Viet Tran, Wendy Goodfriend,
One-on-One Leadership Interviews	Philip Fine, Hyacinth Hinojosa, John Chiladakis*, Carrie Schilling*, Lisa Baker*

* Due to scheduling conflicts, two executives were interviewed after the original onsite focus group.

The results of those interviews were summarized and presented to BAAQMD. The data collected and feedback from that presentation were used to design the benchmarking interview questions. The interview protocols are shown in Appendix A.

Summary of Findings

Positive Feedback

While most of our questions focused on challenges and areas for improvement, we did ask participants to identify any pieces of the process that were working well. It's important to acknowledge these positive areas and include them in our communication efforts to decrease the level of resistance to change. In instances where we are recommending changes to these areas, it's important to provide a clear and convincing argument (e.g., the importance of the narrative and behavioral examples documented in the evaluation process).

- **Value of Review Process: Employees see the review process as valuable, providing a formal channel for performance discussions.**

A recurring positive strength was the perceived value of the review process among individual contributors. Employees consistently emphasized that the performance evaluation process provides a formal and structured channel for meaningful performance discussions.

- **Information Transfer: The ability to transfer and review previous information is seen as beneficial.**

Another recurring positive piece of feedback was the ability to transfer and review previous performance information. This feature of the performance evaluation process is seen as highly beneficial by both employees and supervisors. Employees highlighted that the ability to transfer previous performance information ensures continuity in evaluations (such as when an employee moves from one supervisor to another). It provides valuable context for current reviews, allowing both employees and supervisors to see progress over time. This historical perspective helps in setting realistic goals and expectations based on past performance.

- **Notification Features: Automatic routing and notifications are helpful.**

Employees consistently highlighted the benefits of the automatic routing and notification features within the performance evaluation system.

- **Efficiency: The process doesn't require extensive narrative input.**

Employees also expressed that the current performance evaluation doesn't require extensive narrative input.

Top Challenges

Based on the interviews, several key themes emerged for further exploration and consideration (in the subsequent focus groups and benchmark interviews).

The table below highlights the main concerns expressed by the participants in each theme. For simplicity, the term "rater" will refer to the supervisor or manager who is responsible for completing the performance evaluation.

Table 8 – Focus Group and Interview Results – Top Challenges and Areas for Improvement

Theme	Challenge / Concern
<p>Establishing the Purpose & Value</p>	<ul style="list-style-type: none"> ○ Most participants view the performance evaluation system as a punitive, bureaucratic formality (focused on poor performance and disciplinary action) that ignores professional development ○ The only employee-centered value is for merit increases since there is no other connection to the mission or goals of the organization
<p>Technology/System: NEOGOV or tracking system</p> <p>[Many of the available features are not currently enabled or utilized]</p>	<ul style="list-style-type: none"> ○ The current configuration of the system is cumbersome and clunky ○ The system is rigid and doesn't allow for any modifications to make criteria more relevant ○ The frustration and inefficiencies add to the raters' administrative burden and wastes time ○ Many users expressed difficulties with accessing and retrieving information
<p>Goal Setting: Combined/Separate, ties to strategic plan, reflecting changing priorities</p>	<ul style="list-style-type: none"> ○ Many participants struggle with the goal setting portion of the evaluation. Making the rest of the evaluation contingent upon completing that section creates anxiety and resistance ○ There is no direct link between goals and performance expectations or with the strategic plan
<p>Process Elements: Competencies, criteria, rating scale, behavioral descriptions</p>	<ul style="list-style-type: none"> ○ Some of the competencies are outdated or irrelevant ○ There is disagreement over the clarity of the rating criteria and how to apply the rating scale. The distinction between meets and exceeds can be ambiguous (and not applied consistently across raters) ○ In many cases the behavioral descriptions of the rating scale do not address the complexity of the tasks at hand. ○ Several qualitative aspects of performance are ignored (task complexity, cross-functional/special assignments,

Theme	Challenge / Concern
	innovation, problem-solving, collaboration, teamwork, etc.)
Execution & Compliance: Time invested, frequency of conversations, hand-offs between supervisors, consequences for missed deadlines	<ul style="list-style-type: none"> ○ The current process is time-consuming and should be streamlined and/or simplified ○ The process allows raters to have just once conversation per year. Ongoing conversations are at the rater's discretion ○ There are too many handoffs between supervisors, which delays the completion ○ There are no consequences for not completing the evaluations (on time or at all). As a result, many FG participants had not received an evaluation for years
Consistency/Calibration: Across departments and raters	<ul style="list-style-type: none"> ○ There is currently no mechanism to ensure fairness or equity across raters. Some are harsh while others are lenient ○ Some raters add meaningful and relevant comments to support their ratings while others simply check the box and move on
Roles: Self-assessment, review process, feedback, training	<ul style="list-style-type: none"> ○ There is no opportunity for self-assessment. Employees feel their achievements are often overlooked or undervalued ○ There is little feedback or focus on development ○ Supervisors and managers aren't comfortable or well-prepared to manage performance, provide constructive feedback, and/or have difficult conversations
360° reviews: Use, purpose, results	<ul style="list-style-type: none"> ○ There is consistent interest in providing employees with a chance to deliver feedback to their supervisors/managers ○ Employees feel frustrated and disempowered when negative or disappointing peer and management practices are not noted or addressed ○ It's important that this feedback is confidential and used only for developmental purposes (no attachment to pay or promotions)

Step Two

Benchmarking Interviews

To understand how other agencies are designing and implementing their performance evaluation processes, the Air District was asked to identify and reach out to potential contacts for benchmarking interviews. Of the agencies contacted, four agreed to a one-on-one interview. The list of agencies, number of employees, interview participants, and their job titles are shown below.

Table 2 – Benchmark Study Participants

Organization	Name(s)	Title
Bay Area Metropolitan Transportation Commission (400)	Abbey Taunton and Leticia Rubalcava-Gomez	L&D Program Manager and HR/L&D Analyst
Environmental Protection Agency (District 9 – 850)	Amy Allen	Human Resources Officer
San Mateo County (5000 FT + 1500 Seasonal)	Michelle Kuka	Director of Human Resources
South Coast Air Quality Management District (1000)	Lisa Portillo	Human Resource Analyst

Benchmark Questions

Participants received the questions in advance to allow time to gather their thoughts on the strengths, challenges, and areas for improvement related to their current performance management process. The 10 main areas of interest are summarized below. Although not specifically addressed in the internal interviews and focus groups, the Air District leadership team agreed that Communication and Training would be added to the benchmark questions. The full interview protocol is shown in Appendix B.

Table 3 – Benchmark Questions

Topic	Key Areas of Interest
Overview	What's working well and areas for improvement
Technology / Systems	Software or databases used to track and store notes and completed evaluations
Goal Setting	Combined or separate from performance; Links to the Strategic Plan; How are priorities updated throughout the rating period
Process Elements	Competencies; Rating criteria and scales; Use of behavioral descriptions and detailed explanations
Timing	Frequency of reviews; Advance notice; Deadline reminders
Execution	Time invested; Frequency of conversations, Hand-offs between supervisors; Consequences for missed deadlines
Consistency/Calibration	How to ensure consistency across raters and departments
Process Roles	Role of self-assessment, supervisory, managerial, and HR reviews
360° reviews	Use of multi-rater evaluations (upward, peer, cross-functional teams); Purpose; How results are used
Communication and Training Best Practices	Frequency of communication; Most common training topics; Availability of HR resources

Summary of Benchmark Findings

Based on the results of the benchmarking interviews, the Air District is, in some ways, ahead of the curve in terms of improving its performance evaluation process. However, there are some individual components or approaches that can be considered as the Air District moves forward with process revisions.

Key findings related to each topic area are presented below. Items within each topic area have been numbered solely to facilitate any conversation about the table content and not meant to imply any rank order of importance.

Topic	Observations/Suggested changes addressed in recommendations and/or open to further consideration
Overview	<ol style="list-style-type: none"> 1. Work closely with HR to provide training, templates, and support/assistance 2. Purpose: Development, allow for feedback to encourage continued strong performance, provide feedback and document areas where employees are not meeting performance expectations, clarify expectations for both parties, promote on-going communications, and celebrate successes 3. Challenge: Finding ways to motivate those at the top salary step 4. HR involvement: lots of handholding and support versus no-touch where departments are responsible
Technology / Systems	<ol style="list-style-type: none"> 1. All on paper (cumbersome), pre-built templates to make it easier, automatic reminders and routing to ensure timely completion, use notes feature to collect information, share access with employees, collect feedback from others in the organization 2. Systems: Excel, Cornerstone, Workday, USA Performance, Tiny Pulse for check-in surveys 3. Tracking is important to monitor progress and send reminders automatically (and escalate as needed)
Goal Setting	<ol style="list-style-type: none"> 1. Goals are tied to the position 2. Goals are tied to KPIs (Key Performance Indicators) 3. Goals are for senior leaders and tied to the strategic plan and organizational/agency objectives 4. Change goals with an addendum attached – system shows the original goals, explanations are provided in the comments section of the evaluation
Process Elements	<ol style="list-style-type: none"> 1. Streamline the process to lessen the workload 2. Update the competencies, rating factors, and descriptions (remove attendance and hygiene) 3. Ratings: <ol style="list-style-type: none"> a. Remove any rating below “Meets Standard;” should be addressed with PIP (Performance Improvement Plan) prior to that so only 2 ratings: Effective and Distinguished (requires justification) b. Currently “Outstanding-Commendable-Satisfactory-Needs Improvement-Unacceptable” likely reduced to “Outstanding-Satisfactory-Needs Improvement” c. “Meets high expectations, Exceeds high expectations, Exceptional annual performance” d. 5-point scale that is difficult to explain and distinguish between ratings 4. Same general rating definition for all positions 5. Competencies: tailored to level in the organization and/or specific to the role, values, work habits, Executive Core Qualifications related to succession planning and long-range planning

Topic	Observations/Suggested changes addressed in recommendations and/or open to further consideration
	<ol style="list-style-type: none"> 6. Values: Hoping to add values to the evaluation, values are included 7. Self-assessment: Most do not include it because of the extra effort required, EPA offers it but only 10% take advantage 8. Six-month improvement plan following each promotion. Demotion if not achieved
Timing	<ol style="list-style-type: none"> 1. On anniversary – 30-day notice – manual reminders 2. Fiscal Year Oct - Sept 30 3. September 1- 15 unless hired between June and August, manual notice and reminders – 30-day notice – Separate timeline for Directors (2 months later) 4. Each Department sets schedule, no HR oversight, usually spreadsheets that are shredded at the end of each year, so the employee starts fresh
Execution	<ol style="list-style-type: none"> 1. Rewards are based on accomplishments, not ratings vs merit pay increases based on the ratings 2. Personal Development Plan approach replaces traditional performance evaluation – no ratings, frequent conversations and feedback, monthly surveys to ensure discussions occur 3. No database so always recreating the wheel, minimal tracking 4. Frequent communication regarding progress or improvement efforts 5. New Supervisor is hand-off: confer with previous supervisor, close out old form and start new, new supervisors complete the evaluation based on their experience
Consistency/ Calibration	<ol style="list-style-type: none"> 1. No calibration, run evaluations past HR for review (ensure ratings and comments are aligned), justify “outstanding” to manager for approval, neither tool or procedure dictates the use or need for comments, any guidelines are determined by the department (full autonomy)
Process Roles	<ol style="list-style-type: none"> 1. HR evaluates highest and lowest ratings 2. Appeal: Employee can add comments if they don’t agree, follow the escalation process with evidence to support their claim, escalate to next level manager with override authority, no formal process – only document the conversation and any changes, Civil Service Appeal Process for those rated “Below Standard” 3. Employee Association (EA) reaction, torn between simplicity and adding employee input
360° reviews	<ol style="list-style-type: none"> 1. Under consideration, working on a Skip Level Review with questions related to barriers, equity, psychological safety, etc.
Communication and Training Best Practices	<ol style="list-style-type: none"> 1. Communication: Frequent updates to leaders, Employee Association (EA), supervisors, and employees using various delivery methods (emails, meetings, texts, phone calls, staff meetings, focus on benefits and how it contributes to building the best agency, explain available support, don’t underestimate the fear and resistance 2. Training: In-person and self-paced online training available, office hours for questions, different versions for Supervisors and Employees (self-evaluation, creating templates and conversation guides, soft and technical skills (giving feedback, writing

Topic	Observations/Suggested changes addressed in recommendations and/or open to further consideration
	PERs and PIPs, difficult conversations, career development, documentation, role plays, resources available)

Phase 2 Recommendations (for each Roadmap Step)

The following recommendations are based on data collected throughout Phase One (interviews, focus groups, benchmark interviews) and industry best practices.

Phase 2 - Recommended Actions
Step #6: Design the Process Framework
1: Clearly communicate the purpose, philosophy, and value of the evaluations with an emphasis on growth and development
2: Ensure department and individual goals are in alignment with the strategic plan and departmental goals
Step #7: Align Processes, Policies, & Procedures with the Strategic Plan
#3: Enforce completion deadlines to ensure all employees have timely feedback
#4: Update policies and procedures related to employee signatures and how to address employee evaluation rating disagreements
#5: Separate goal setting from performance evaluation process (perhaps different times of the year)
#6: Provide clear examples of ratings and how to effectively use comments to promote development
#7: Document a clear linkage between each individual goal with a strategic goal, objective, or commitment to ensure alignment
#8: Include calibration discussions in training to ensure fair and consistent ratings; implement a managerial review process to oversee department-wide ratings
#9: Promote more frequent/informal coaching conversations by implementing a Quarterly Check-In process
#10: Reconfigure NEOGOV to better meet user needs
#11: Leverage NEOGOV routing and tracking features to streamline the process
#12: Add self-assessment to the evaluation process
#13: Develop and pilot an upward-feedback process for developmental purposes only and not attached to the Performance Evaluation process
Step #8: Update Competency Modeling & the Rating Scale

#14: Update the competency model and behavioral descriptors to reflect the complexity and collaboration inherent in the current work

#15: Modify the rating scale labels to more clearly define “Outstanding” and “Successful”

Step #9: Develop New Training & Materials

#15: Provide specific supervisory/ managerial training related to performance evaluations (e.g., setting goals and clear expectations, constructive feedback, difficult conversations, motivation, PIPs, alignment with Strategic Plan) to support raters

Step #10: Facilitate Employee Association (EA) Adoption

#16: Work closely with the EA to keep them updated and involved in the process to facilitate any proposed changes to ensure MOU adherence

Appendix A: Focus Group & Interview Questions

Bay Area Air Quality Management District: Performance Evaluation Review Questions

Thank you for agreeing to participate in this performance evaluation review study. We appreciate your time and are providing some details about the focus of our conversation for your review before the call. This is just a framework to guide the conversation and give you a chance to collect your thoughts. Our objective is to help the Air District and Human Resources Department in the review, design, and implementation of a new performance evaluation system. To that end, we are looking for your insight into the following questions:

Primary Questions

1. **What's working?** What is working well in the current performance evaluation process?
2. **What's not working?** What is not working well in the current performance evaluation process? What do you think are some of the root causes?
3. **What's needed?** What suggestions do you have for resolving those issues or challenges?

We have also identified the following areas of consideration that may be relevant for answering the three questions above and may deserve some discussion.

- **Evaluation Criteria:** Are the performance factors and evaluation criteria relevant and useful? Do they address organizational values? Do they focus solely on objective task completion, or consider how the work was accomplished (e.g., collaboratively or at the cost of relationships) or effort and growth shown by the employee?
- **Rating Scale:** Is it easy to understand and clearly defined? Does it clearly distinguish between performance levels?
- **Process:** Are there other components we'd want them to consider (e.g., data entry, documentation, development needs)?
 - Technology (NEOGOV)
 - Forms
 - Timeframe
 - Training received
- **Immediate Supervisor Role:** How does the supervisor or manager impact the effectiveness or efficiency of the process? What tools or resources would be helpful?
- **Feedback:** Is feedback timely, constructive, and actionable? If not, what are the obstacles?
- **Follow Up:** Are milestones identified? Are there regularly scheduled progress checks? Are support and resources made available?

Other Specific Questions

1. What are the biggest challenges or obstacles to implementing **your** recommendations?
2. What ONE change to the evaluation process would make the biggest difference?

Appendix B: Benchmarking Protocol

BAAQMD Performance Evaluation Benchmarking Questions

Thank you for agreeing to participate in this benchmarking effort. We appreciate your time and are providing our list of questions for your review before the call. Based on these questions, if you feel others should be on the call, please forward the invitation.

If you are willing to share a blank or redacted copy of your appraisal form a few days in advance, that would facilitate our discussion.

1. **Overview:**
 - a. Most positive aspects of your performance evaluation process?
 - b. Areas needing improvement?
 - c. How does your organization position the main purpose of the performance evaluation process? (*e.g., Tracking & Documentation, Performance Improvement, Growth & Development*)
 - d. How does your current system motivate (or de-motivate) employees?

2. **Technology/ System:**
 - a. What components of NEOGOV do you use for the performance appraisal process? OR How do you document your performance appraisals?
 - b. How do you track each employee's performance, progress, and goal attainment throughout the evaluation period? (Notes, spreadsheet, emails, file folder, NEOGOV, etc.)

3. **Goal Setting:**
 - a. Do you combine goal setting, performance evaluations, and development/improvement plans in one process or handle them separately? Why? Working/Not Working?
 - b. Are each employee's performance goals tied to the organization's strategic plan and priorities?
 - c. How do you handle changing goals or priorities throughout the year?
 - d. How do you document these changes to accurately reflect your expectations of the employee?

4. **Elements of the Process:**
 - a. Is your performance evaluation process based on competencies, values, KPIs, and/or other factors? Are the performance criteria job specific or organization wide? Would they be willing to share the criteria they use?
 - b. What is your rating scale? E.g., Below Standard, Meets Expectations, Exceeds Expectations
 - c. Do you have behavioral descriptions for each point on the rating scale (that describes what to look for to earn each score)? Are those descriptions tailored to the job and/or department? E.g., Safety for an office worker is very different than a lab or field employee.

5. **Timing:**
 - a. How frequently do you complete performance evaluations for each employee? Specific date, anniversary date, etc. Are there mid-year updates or progress checks? Do you have separate reviews for probationary employees and merit increases?
 - b. How much advance notice do you receive prior to the evaluation period? How many reminders do you get to complete the appraisals for your team?

6. **Execution:**
 - a. How much time (on average) do you spend preparing each employee's evaluation? What, if any, documentation do you review to help you determine their ratings?
 - b. How frequently do you meet with employees between evaluations to discuss performance or progress on goals? Is this mandated, highly recommended, left to each supervisor or manager?
 - c. How do you handle an employee's review if they have more than one supervisor during the evaluation period (promotion, transfer, new manager)?
 - d. How do you incorporate feedback from cross-departmental or matrixed assignments?
 - d. What are the consequences of not completing your assigned evaluations (on time)?

7. **Consistency/Calibration:**
 - a. What, if any, steps do you take to ensure the consistent application of ratings across supervisors, divisions, or departments (to minimize overly lenient or harsh ratings)?
 - b. Is there a guideline for the level of detail that should be included in each evaluation (e.g., comments to explain or support the rating)? Is that expectation assigned to all ratings or just the highest and lowest?
 - c. Is there a guideline (formal or informal), that dictates how many Below or Exceeds are acceptable?
 - d. What training or assistance was most helpful for you? (e.g., SMART Goals, expectations, constructive feedback, NEOGOV, Crucial Conversations)

8. **Role of Employee, Immediate Supervisor, and Manager**
 - a. Do you include an employee's self-assessment? At what point? What, if any, documentation do you ask for? How is their assessment weighed in the final evaluation?
 - b. At what point does the manager or Department Head review the evaluation? How does that input influence the final rating?
 - c. Do you have a specific structure or format for the feedback meeting? Is that organization wide or left to each supervisor?
 - d. If an employee disagrees with the final rating or comments, what recourse do they have?
 1. Where does Human Resources fit into the review process?

9. **Training & Communication Best Practices:**
 - a. Are there any best practices for communication or training that you would suggest?
 - b. What are the most popular, frequently requested, in-demand training topics?

10. **360° Review & Other Considerations:**
 - a. Does your organization have a 360 or upward feedback mechanism so employees and supervisors can evaluate their immediate supervisors? How is that information used? What feedback have you received on the value and implementation of the 360?

Appendix C: Detailed Notes from Benchmarking Interviews

The table below contains minimally edited notes from the benchmarking calls. The participants appear in alphabetical order and are color-coded for easy reference and comparison. Key concepts from these interviews have been incorporated into the recommendations.

Issue/Topic	Org	Findings
<p>Overview:</p> <ul style="list-style-type: none"> • Positive Aspects • Improvement Areas • Purpose • Motivation 	<p>AQMD</p>	<p>The current process allows managers to come to HR and use performance evaluation ahead of time, especially if there’s a need for improvement or training that needs to be incorporated in the career development section</p> <p>Managers and supervisors need a lot of guidance, and they come to HR them through training. HR has an organizational development HR analyst that helps identify change in different areas</p> <p>Identify training that they can incorporate in performance evaluation. Training from each employee and supervisors – LinkedIn learning, that they could take (Time Mgmt., Productivity, etc.)</p> <p>HR helps with career development discussions and activities</p> <p>Revising the whole performance evaluation form some feedback include too lengthy, and some categories don’t pertain to their areas or role (hygiene, etc.) Remove work habits, hygiene</p> <p>Purpose: A little weeding out – managers come to HR and there are performance issues to some probationary employees to address poor performance. Documentation through meeting with them, addressing their concerns and follow up emails</p> <p>Motivates: step placement salary – to increase their salary 8 steps should be satisfactory</p> <p>Demotivate: Employees who already maximize their promotions or salary appraisal</p> <p>Motivations- negotiated with Employee Association (EA), higher tuition benefits., maybe seminars, conferences, or training</p>

Issue/Topic	Org	Findings
	EPA	<p>Prior to switching to the USA Performance process, it is a paper process – everything is cumbersome to hold performance discussion in word document.</p> <p>Continuing to refine the program – building the templates- now template is built in to use USA performance- user friendly to use for discussion, expectations and requires managers to be engaged.</p> <p>Managers sometimes view creating templates as cumbersome.</p> <p>It is a Performance management and employee tool- employee to understand the expectation in their position and it require managers to support and advocate for their employee and to truly understand expectations in their position. It’s a way to help them be their best.</p> <p>Demotivates went from five tier system used to have 3,4,5. Before employees can be rated a 4, the agency decided that there is no middle. but now only 3 or 5 – tremendous heart burn.</p> <p>But now we do not base cash tax rewards on rating. <u>Rewards now are based on accomplishments not on their rating.</u></p>
	MTC	<p>Competency selection – large competency pool that grows with staff – whether you are organizational leader or supervisor or employee</p> <p>Don’t have negative rating – rating meeting expectations – not meeting expectation is outside the evaluation - meets, exceed, exceptional</p> <p>Documenting his efforts, his interventions should see the efforts</p> <p>Rubric outlines what said meets exceeds or exceptional-</p> <p>-overhauled the entire performance process- just 2023 – new competencies in place</p> <p>-employees asked to rate themselves and provide narratives to support it – remove the rating</p> <p>Purpose: Developing awareness- self-evaluation- focus on conversation that happens after the evaluation with the manager - celebrating accomplishment</p> <p>PE should not be a bad thing</p> <p>- self-evaluation always have self- assessment – this does not weigh in final calculation</p>

Issue/Topic	Org	Findings
		<p>Merit and PE- Our performance for merit increases is determined on your rating.</p> <p>Motivate: Send messaging, send reminders, remind about goal setting – no answer to this Motivation: neutral or slight uptick on motivation</p> <p>Robust tool system for performance management – easy for staff to follow PE- we build out training/ online self-paced courses specifics, version is updated</p> <p>Version for supervisor and employees own self evaluation</p>
	SMC	<p>2 separate PA processes: No requirement re: which to use. Some Employee Association (EA) members in each. They are trying to encourage more people to adopt the PDP since it's more focused on ongoing conversations and helping EEs get back on track if performance is falling short.</p> <ol style="list-style-type: none"> 1. Traditional – annual, written <ol style="list-style-type: none"> a. Often used for merit-based positions or based on the desire/need for documentation (e.g., funding. Also preferred by departments/supervisors that prefer a more formal and tangible process, so they have something for the employee personnel files. 2. Performance Development Program (PDP) – no annual review, ongoing 1:1 meetings (every 2 weeks recommended) to discuss goal setting, give feedback, surveyed monthly <p>Traditional – likely more motivating since it's concrete and uses a rating system PDP – more of an honor system, depends on openness and investment by supervisor. KH – motivated people will be motivated; others will let it slide</p>
<p>Technology:</p> <ul style="list-style-type: none"> • System • Documentation • Tracking 	AQMD	<p>Everything is paper – considering shifting to more electronic format – it is good that you could select competencies that related to your role.</p> <p>Admins track through spreadsheet – HR analyst review the performance evaluations. If it's outstanding the HR manager will review if it's outstanding and if unsatisfactory will need to talk to HR for rooms for improvement.</p>

Issue/Topic	Org	Findings
		<p>Need improvement – exceed or meet quota? None</p> <p>Probation six-month period (after each promotion) – give them performance improvement plan - if still not improving – demote</p> <p>Want it to be online electronically - I would love for this to be online electronically to where is it previously how we're at USC was. They were released evaluations like maybe or at two different times of the year where they would and so you had a deadline you get like you log into your system your evaluation is there it will give you a reminder when you need to. It kept the managers accountable too because it would I do myself evaluation.</p>
	EPA	<p>USA Performance can take notes, aside from FOI or litigation more on the objective Advise supervisors to have a separate note.</p> <p>Now we are using the USA performance shift to electronic process. Can have discussion on teams for remote employees. Managers and employees can look at the system at the exact same time. It is easy for employees to see their performance plans and build templates. It is user friendly.</p>
	MTC	<p>-Cornerstone, manages inhouse performance evaluation -fine fills most of needs, we can customize and do performance evaluation process -some functionality is not supported</p> <p>Notes – robust they support 1:1 conversations with notes on your system – can collect feedback from anyone in agency</p> <p>Built on positive feedback if constructive do it offline – allows you to have feedback on any topics – connect experiences Anytime feedback – positive feedback</p>
	SMC	<p>Traditional – Workday (not user friendly). Required a lot of customization. Allows EE to access the information. Easy to review information and goals. No goal or progress tracking.</p>

Issue/Topic	Org	Findings
		<p>PDP- use Tiny Pulse to compile results and provide coaching suggestions to supervisor. Includes areas for comments and suggestions (that are anonymously rolled up to Department Heads for action).</p> <p>In a perfect world, she would want a tracking system for more supervisory accountability.</p>
<p>Goal Setting:</p> <ul style="list-style-type: none"> • Combined or Separate • Tied to Strategic Plan • Changing / Updating Goals 	<p>AQMD</p>	<p>Listed separately but more of package. There are different sections for goal setting and current development, but when they go into that new year for the goal setting, it's more of a package.</p> <p>Goals depend on position – no, broader.</p> <p>When managers have those new goals set because of a different a new program, candidates fail or send an agenda to attach to the performance evaluation, letting us know that there are new goals, because this program came in and then just attach it to the PE system and then the employee will sign off in over two managers.</p>
	<p>EPA</p>	<p>Goals and performance are tied to senior leadership – tied to strategic plans and the expectations that they must meet their division goals.</p> <p>Employee- just the work that they do. Scientific agencies do something different and so that is what makes it hard as well to really get employees to understand the goals that are outlined in the strategic plan because they do not necessarily see how their work ties into the plan overall.</p>
	<p>MTC</p>	<p>We don't have formal goal setting tool events, tracking goals set by agency</p> <p>Our expectation our and our campaigns that are team offers is helping enable people to make those connections between evaluation is the past year goal setting is looking forward, right you're PE is where you're evaluating what you did in the last year and you're piloting moving forward,</p> <p>Focus on getting your KPI's indicators – changing and pivoting goals. Don't have those metrics</p> <p>Tied to Strat: -not developing values, mission, and vision – goal is to solidify and incorporate that in the process- not happening right now -</p>
	<p>SMC</p>	<p>Both methods should be discussing performance goals and development goals. Workday has a section. Rather than update goals, any changes are mentioned in the narrative for the</p>

Issue/Topic	Org	Findings
		year end evaluation (e.g., goal was changed from 25 to 15 because of project delays, met the revised goal of 15).
Process Elements: <ul style="list-style-type: none"> • Evaluation Criteria • Rating Scale • Behavioral Descriptions 	AQMD	<p>As of now just, job competencies and work habits – the competencies not sure where it came from. Outstanding, commendable, satisfactory, improvement needed and unacceptable. General definitions across the organization.</p> <p>Possible revisions: reduce to Outstanding, satisfactory, needs improvement to simplify, difficult to distinguish commendable and unacceptable needs to be handled immediately</p>
	EPA	<p>If the manager rates someone, Rating system five means distinguished narratives and justifications are needed from managers.</p> <p>Only 2 Ratings:</p> <p>Effective (3) – we have a definition of what effective means, and it is included in all the performance plans. It means you’ve delivered all you were expected to.</p> <p>Distinguished (5) – leadership has the ability to define it more what distinguished look like, but it really relies on the manager’s justification, where an employee has gone above and beyond. Top performer, superstar.</p> <p>The ratings system is for everyone, effective (no distinction for position).</p> <p>Give more flexibility to managers – There are no numbers/limitations on the number of distinguished and you just need more justification. Managers justified it to get employees to support it.</p> <p>There is no rating for below effective or needs improvement. That’s handled with PIP Same with the lower end, for below effective or needed improvement -If it if you mark someone below effective as needing improvement, then you must have justification and it can't just be that at the very end of a rating period that you're marking someone that way, like you must have, you will need Labor and employee relations. Employees must not be surprised. Work with HR/LER to determine how to proceed.</p>

Issue/Topic	Org	Findings
		<p>USA performance – not yet in place but considering having ability to have regional administrator is not the expert – proxy for her create plan – still on process.</p> <p>3 or 5 only - effective, distinguished, unsuccessful but no record Not aware of unsuccessful. That is usually a discussion with a leader before it even gets to the point of reviews here, so it is usually resolved already.</p> <p>Do you have behavioral descriptions for each point on the rating scale (that describes what to look for to earn each score)? Are those descriptions tailored to the job and/or department? E.g., Safety for an office worker is very different than a lab or field employee. SEE SECTION ABOVE RE: RATINGS</p> <p>We have GS 14 and GS 15 Supervisory template that you can just go in. We have a decision as an agency that GS14/15 supervisor is under ECQ (Executive Core Qualifications). Everybody is required to use it. And if you are in a branch that may need some additional performance expectations you can add those to the system. But we have the standard for all GS14/15 supervisors.</p> <p>ECQ- executive core qualifications – competencies that senior executives created that supervisors need to follow. Created requiring supervisors to have a long range of planning and wanting to go to succession and management planning.</p>
	MTC	<p>Values are included, but no KPIs (see12 competency model for reference) – Use meets high expectations, exceeds high expectations, exceptional annual performance do not have bell curve</p>
	SMC	<p>5 points rating scale – finds it difficult to distinguish between 2,3,4</p>
<p>Timing:</p> <ul style="list-style-type: none"> • Frequency • Dates 	AQMD	<p>The employee gets their performance evaluation on their anniversary.</p> <p>End of their anniversary date – sent out report to employees if they are due.</p> <p>Evaluation will be turned over after a month.</p>

Issue/Topic	Org	Findings
<ul style="list-style-type: none"> Notifications & Reminders 		<p>Before Lisa - Some cases let manager combine 2 years</p> <p>If on probation – still in my year will still get the same 6-month probation – if promoted will have new anniversary year.</p> <p>30 days advance notice. Work with senior admins- they will inform the manager – email reminders – notifications. All by hand, so heavy reliance on HR Admin/Analyst.</p>
	EPA	<p>Start of Fiscal year Oct 1st – September 30</p> <p>From Oct 1- November 1, they are issuing the performance plan for the fiscal year so you create the plan you issue it and then you have an initial discussion with the employee to say this is what your performance plan looks like. These are the expectations under all your critical elements. This is what you know, what the zero three and five really need. And then the manager signs the plan, and the employee signs the plan and all of that is documented in the system. Then we have discussions here and that happens in the month of April and that is when all managers are expected to have the yearly discussion with their employees to let them know how they are doing. These are then made sure they are updated. Then in November, we close the plan again. October- open and close the plan, having discussion. Then November-issue the plan again.</p>
	MTC	<p>always occurs September 1st - due on Sept 15 exceptions for hired between June- July and August – their first PE in February then will have another one in September – unique in small population</p> <p>First email beginning of August – advance notices of process, done manually, not using Cornerstone, regular systems emails, not effective</p> <p>Separate timeline for directors- busy completing other so their own due in couple months later</p>
	SMC	<p>Different for each department. No Corporate HR oversight (lack of bandwidth). They may ask their Department HR Manager for assistance at any point in the process. Department is responsible for tracking and compliance. They often use spreadsheets and create supervisory files (separate from personnel files) to collect notes, emails, work samples,</p>

Issue/Topic	Org	Findings
		training records, and kudos. Recommended, but not required. These files are shredded at the end of the year and the employee starts fresh.
<p>Execution:</p> <ul style="list-style-type: none"> • Preparation • Conversations • Rater Changes • Compliance 	<p>AQMD</p>	<p>Different amounts of time spent by raters – some managers documenting all year.</p> <p>Newer supervisor and managers – some 2 days to two weeks They often ask HR to review in advance (check for language, any red flags, etc.)</p> <p>They would like to see the past performance evaluations that take up a bit of time to find them and make them available (no database or library).</p> <p>Some departments have their own copies/ managers who have been in the company for a long time have their own copies – saved in one drive. Newer managers don't have that.</p> <p>Practice meeting along the way, conversations with managers, some have documentations, some have timeline, some just have verbal communication. Frequent communication seems to be the norm...not an issue, but there is no guideline or accepted practice.</p> <p>Left to each manager's devices, following up in email to continue conversations, word for checklist. Some track through email messages.</p> <p>Department they will work together.</p> <p>Just difficult conversations, the idea is to do their job duties to evaluate.</p>
	<p>EPA</p>	<p>If I have different job or promotion – if promotion closeout their because plan is associate with their new role. And so, you would close out the plan and you actually issue a rating like if it is a permanent change in position, then you close out.</p> <p>If permanent promotion – close the plan – rate them put them in new plan.</p> <p>Different position – hold the plan – create new plan 100-120 days.</p>

Issue/Topic	Org	Findings
		<p>If manager changes- not a closeout zero divisional leadership sits down with leaving manager to get feedback on employee, then combined with input from new supervisor for the remaining period.</p> <p>Constant communication, weekly or bi-weekly check-in with employee. It should not be surprising to employees if they are not meeting expectation.</p>
	MTC	<p>Performance appraisal – expectation is s new supervisor will complete the evaluation,</p>
	SMC	<p>If you change jobs or departments, your performance evaluation starts fresh. If your supervisor leaves (but is still in the org), they will be asked to contribute to your evaluation. If they are not available, your Manager will be tasked with your evaluation. If these don't work, you'll start fresh with the new supervisor.</p>
<p>Training:</p> <ul style="list-style-type: none"> • Classes • Materials • Assistance 	AQMD	<p>General performance management feedback</p> <p>Focusing on difficult conversations</p> <p>How to write PER</p> <p>Communications on how to talk to employees.</p>
	EPA	<p>Office Hours - Did training – every week encourage employees to ask questions, administrative questions. No specific agenda, just answer Qs</p> <p>Managers – 80-90 managers meeting- not taking notes might help it be less prescriptive. People follow written guidelines too stringently. Archived ppt for each meeting – EEs were asked to reach out to colleagues for notes (to encourage collaboration). When something is published, they follow it word for word rather than considering there are different expectations for each situation.</p> <p>Creating templates, Topic with managers, communications</p> <p>Training topics – training in general management – discussion on career development, resources available, difficult conversations.</p>

Issue/Topic	Org	Findings
	MTC	Term of tenure: require for everyone to attend training – recommend to everyone Training Provide downloadable conversation guide
	SMC	Don't make assumptions that supervisors have the skills or confidence to evaluate their teams. Popular/well-received topics: 1:1 meetings, performance discussion, sample agendas, documentation, difficult conversations, goal setting, creating Personal Improvement Plans, scenario role plays, etc.
Communication: <ul style="list-style-type: none"> • Purpose • Gain buy-In • Explain Benefits 	AQMD	Communication and training – weekly meeting with HRD Managers and supervisors- most are relatively new under 5 years Employees – tenured long time., create some issues, resist new methods and processes.
	EPA	HQ Communication was not effective, revamped it for the District. Met with EEs, mgrs, Employee Association (EA) to talk about benefits of the new system. Downplayed the punitive, tracking, and monitoring aspects. Communication started high level- communication strategy first to roll everything then regionally. Met with managers, Employee Association (EA) to communicate benefits of USA performance. Developed 10-page list of classes available
	MTC	No specific strategy
	SMC	No specific strategy
	Consistency / Calibration: <ul style="list-style-type: none"> • Monitoring 	AQMD

Issue/Topic	Org	Findings
<ul style="list-style-type: none"> • Feedback Guidelines • Implied Grading Curve 		<p>standing out as a true outstanding employee, the commendable unsatisfactory, that doesn't happen.</p> <p>No rule that someone can't get multiple outstanding ratings.</p>
	EPA	No calibration
	MTC	<p>HR teams read every single piece, still looking for consistencies</p> <p>-rating should be consistent with the narratives/ evidence if not kick it</p> <p>Level of Detail: Up to each person</p> <p>tool does not limit or require comments</p>
	SMC	Departments and raters have autonomy. Any monitoring, guidelines, or rater expectations are determined by department leadership.
<p>Process Roles:</p> <ul style="list-style-type: none"> • Self-Assessment • Manager and/or HR Reviews • Feedback Meeting • Employee Recourse 	AQMD	<p>No self-evaluation</p> <p>Employee is not part of the conversation- the current goal is to shorten the evaluation process.</p> <p>There is a section for employee comments where they give their feedback if they don't like the evaluation</p> <p>For the outstanding and for the need's improvement or unacceptable before they're able to even present us with employees, they have present to HR manager to make sure that we're all standing out as a true outstanding employee, the commendable unsatisfactory, that doesn't happen.</p> <p>It only comes to HR before the employee receives it. If outstanding or needs improvement, then HR is needed. Anything in between manager go ahead and send us.</p> <p>Only give the employee an hour before the meeting before they review it.</p> <p>Employee Association (EA): more willing to work to move forward</p>

Issue/Topic	Org	Findings
		<p>Other Employee Association (EA)s – we want to simplify the process – but they want to have more input.</p> <p>Complexities - we don't have those.</p> <p>When an employee disagrees with their performance rating, our organization follows a structured process to address the concern. If an employee feels that their performance rating is not accurate, they should start by discussing their concerns with their manager. During this conversation, the employee can present their perspective and any supporting evidence to explain their viewpoint.</p>
	EPA	<p>No self-assessment. Highly encouraged but not mandatory for employees but mandatory for senior executives. Only 10% take advantage of that option.</p> <p>Regardless of self- assessment – managers will rate what they remember the employee did. USA performance has an option for self-assessment. They can enter or paste in words.</p> <p>Not really tied to rating.</p> <p>and escalates it and they can ask someone else to review the rating. Some of these come from litigation several years ago.</p> <p>It used to be where a paper process where all this all of the regions would be put on a spreadsheet and given to division leadership and then division leadership would look at it and decide if that was the type that those were the ratings that could go forward and our attorneys came back and said that you cannot do something like that.</p> <p>Now with USA performance, if I am a Supervisor and I am the immediate, if the employee escalates, my manager is the secondary reader and the second in line to review. My manager either supports my readings or overrides my rating. My manager can issue the rating under the current USA Performance</p> <p>HR we do not oversee it is really to give guidance.</p>
	MTC	<p>Do not have protest process – conversation on implementing post evaluation comments for the employee</p>

Issue/Topic	Org	Findings
		No formal process but we have a record in event, conversation is occurring, adding conversation HR reviews each evaluation for consistency and appropriate language
	SMC	Self-Assessment is encouraged for both formats, but not required. Supervisor -à Reviewer (next level up) à (maybe) Department Head to gain a broader view. They all sign off before it's issue to the EE. Some issue a draft to the employee who has 10 days to respond. Sups are under no obligation to amend the evaluation. Once EEs get feedback: If they are Competent or above , they can attach an addendum to their personnel file with their comments/feedback. If they are Below Standards , they can use the Civil Service Appeal process. While Corporate HR doesn't police the process, HR Managers (for some departments) and EE & Labor Relations staff are available to help create and/or drafts, answer questions, guide, and role play. They also provide training .
360° Reviews: <ul style="list-style-type: none"> • Used • Value 	AQMD	Looking into that as we reevaluate the current evaluation process.
	EPA	Working on skip level review – have something in place on October 1 st . It will have consistent Qs re: barriers, equity, psych safety, etc. 360 review- we do not support them; we do not have system after employees get the feedback.
	MTC	No. Staff want and always ask for.
	SMC	No, many have asked. They tried an executive level pilot and it did not go well.
Job/Supervision Changes	AQMD	Work with previous supervisor if possible. Focus on accomplishments since the change.
	EPA	Work with previous supervisor if possible. Review previous materials.
	MTC	Work with previous supervisor if possible.
	SMC	If you change jobs or departments, your performance evaluation starts fresh. If your supervisor leaves (but is still in the org), they will be asked to contribute to your evaluation. If they are not available, your Manager will be tasked with your evaluation. If these don't work, you'll start fresh with the new supervisor.

Issue/Topic	Org	Findings
Final Comments	AQMD	NA
	EPA	Communication with employees is important. Need to gain buy-in and address resisters by: <ul style="list-style-type: none"> a) explaining the importance and benefits, b) supporting sups and managers and employees c) focusing on the connection to building the best agency.
	MTC	NA
	SMC	NA

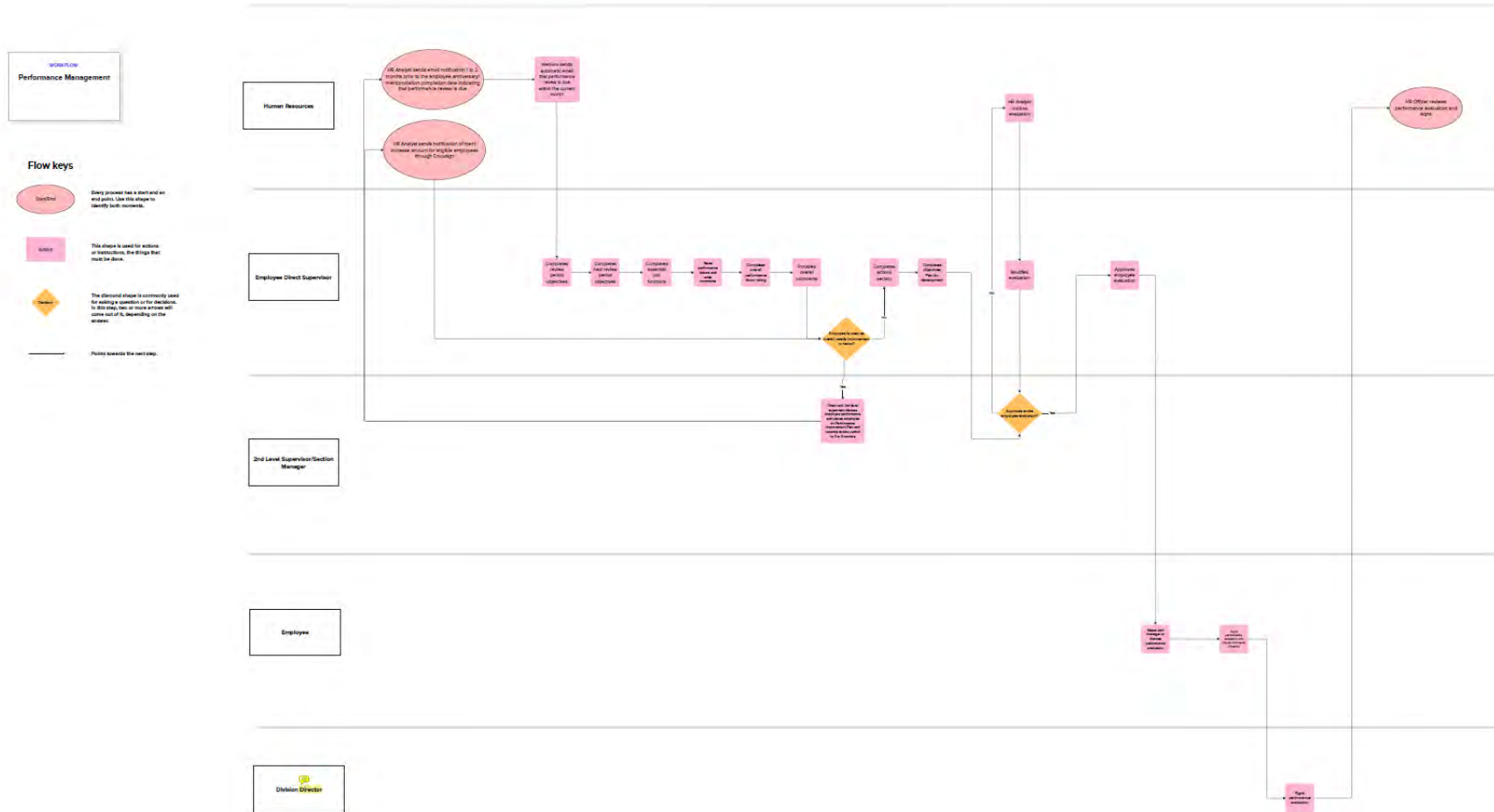
Appendix D: NEOGOV Reconfiguration Recommendations

Based on the issues raised by the focus group and interview participants, there are several about using NEOGOV. Based on CPS's understanding of the issues, it appears that many of the complaints can be resolved by working with NEOGOV to enable some functionality regarding single step logins, routing permissions, and automatic notifications. Once those features are enabled, BAAQMD can update its training materials to support the new process with screenshots, webinars, and training classes to support raters during the next evaluation cycle.

COMPLAINT / CHALLENGE	RESOLUTION
1. Functionality is outdated; not intuitive	Reconfiguration/ Enable Features
2. Not user friendly – daunting	Enable Features / Training
3. Difficult to set goals and metrics	Update Process, Provide Training
4. Data is deleted/ not saved or available later	Reconfiguration/ Enable Features
5. Cannot be modified (if performance factors or criteria don't make sense)	Update Competencies/Rating Criteria/Anchors
6. The library is a good idea but doesn't work effectively; clunky and cluttered	Reconfiguration / Update the Competencies/Anchors
7. Accessibility – multiple clicks and menus (difficult to get in and navigate, especially since you're usually in it once a year ...forget by the next time).	Enable Features / Training
8. Unfinished review notifications are lost/hidden in email and are not completed	Enable Features / Training
9. Determining completion criteria (dealing with late evaluations and automatic rating assignments)	Update Policy /Procedure in alignment with MOU
10. Requests/Suggestions: (Which of these can be addressed by changing the NEOGOV set up)?	
a. Ensure notes functionality is set up to track performance throughout the year	Enable Features/ Training
b. Integrate areas for improvement and development into Neo Gov so all info is in one place	Enable Features/ Training
c. Include accolades and collaboration (as a new performance factor or a separate section)?	Enable Features/ Training

<p>d. Allow employees to track their performance/accomplishments (and have that information available for the supervisor/manager to review)?</p>	<p>Grant Access / Enable Features/ Training</p>
<p>e. Separate the goal setting from the performance factor rating process (2 separate activities, perhaps be completed at different times rather than a precursor to the evaluation)</p>	<p>Update Procedure / Change Template</p>
<p>f. Pros and cons of replacing NEOGOV with fillable pdf for goal setting and performance evaluations? (What value does having this information in a database provide – given how the data is used/not used?)</p>	<p>Update goal setting process; separate the performance evaluations</p>

Appendix E: Current Performance Evaluation Process Map



See attached PDF for greater detail

Appendix F: Reference Materials from Benchmark Participants

Competency Model from the Metropolitan Transportation Commission



Behaviors

As part of your performance evaluation you'll think about how you demonstrate these Core Competencies. There are many ways they can show up in your work and behavior, but you'll be asked to select one of these:

- Is Responsible and Disciplined in Their Actions
- Brings Excellence and Shows Up
- Commits to Working as a Team
- Keeps Perspective and is Creative
- Owns Mistakes, Fixes and Learns from Them
- Problem Solves, Doesn't Problem Complain

Example

Core Competency: Values DEI and understanding others

Selection: Problem Solves, Doesn't Problem Complain

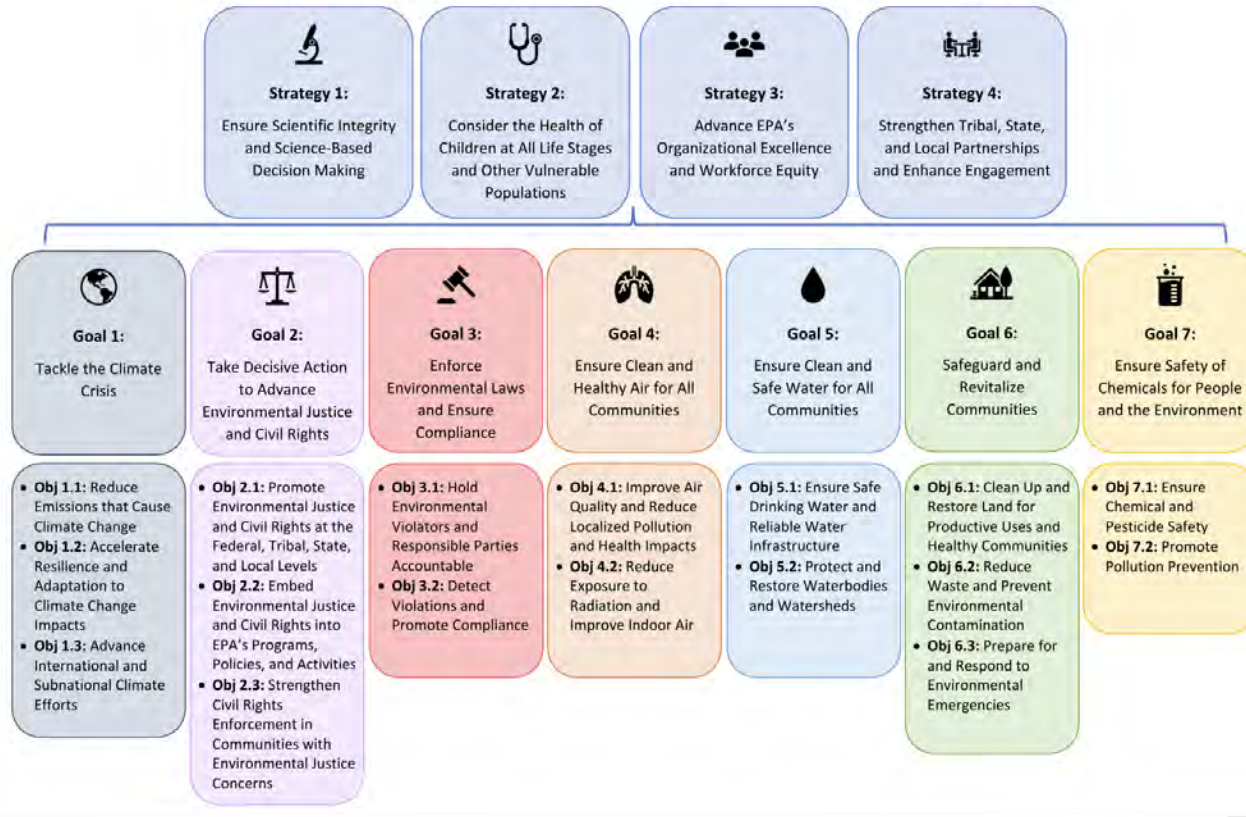
This means that you demonstrate the competency of Valuing DEI & Understanding Others by solving problems. This could be an accurate description if you solve problems by taking into account diverse perspectives, listening to others, and/or using Equity as a lens in your problem solving – all while minimizing complaints and using an understanding approach.

Strategic Plan from EPA – District 9

FY 2022-2026 EPA Strategic Plan Framework

Mission: To Protect Human Health and the Environment

Principles: Follow the Science, Follow the Law, Be Transparent, Advance Justice and Equity




San Mateo County Strategic Goals

Focusing on the Shared Vision 2025 goals and priorities places an emphasis on what is best for all of San Mateo County today and in the years to come. On January 29, 2013 the Board of Supervisors adopted nine **Community Impact Goals** and several preliminary community indicators to build performance dashboards that are used to align employee goals and track the performance of County programs and services toward achieving Shared Vision 2025 goals.

Healthy and Safe Community	<ul style="list-style-type: none"> • Reduce Crime • Increase Life Expectancy
Prosperous Community	<ul style="list-style-type: none"> • Improve Housing Affordability and Basic Needs • Close Education Achievement Gaps
Livable Community	<ul style="list-style-type: none"> • Make Transit More Accessible • Increase Community Engagement
Environmentally Conscious Community	<ul style="list-style-type: none"> • Reduce Greenhouse Gas Emissions • Conserve and Protect Natural Resources
Collaborative Community	<ul style="list-style-type: none"> • Responsive, Effective, and Collaborative Government

SHARED VISION 2025

Nine Community Impact Goals



Appendix G: About CPS HR Consulting

Report Contributors	
Chris Atkinson, MS	Project Manager
Kammy Haynes, Ph.D.	Project Consultant
Matthew Stegmeier	Project Consultant
Cassie Schanz	Project Consultant

CPS HR is an innovative, client-centered human resources and management consulting firm specializing in solving the unique problems and challenges faced by government and non-profit agencies. As a self-supporting public agency, we understand the needs of public sector clients and have served as a trusted advisor to our clients for more than 35 years. The distinctive mission of CPS HR is to transform human resource management in the public sector.

CPS HR offers clients a comprehensive range of competitively priced services, all of which can be customized to meet your organization's specific needs. We are committed to supporting and developing strategic organizational leadership and human resource management in the public sector. We offer expertise in the areas of classification and compensation, organizational strategy, recruitment and selection, and training and development.

CPS HR occupies a unique position among its competitors in the field of government consulting; as a Joint Powers Authority (JPA), whose charter mandates that we serve only public sector clients, we actively serve all government sectors including Federal, State, Local, Special Districts and Non-Profit Organizations. This singular position provides CPS HR with a systemic and extensive understanding of how each government sector is inter-connected to each other and to their communities. That understanding, combined with our knowledge of public and private sector best practices, translates into meaningful and practical solutions for our clients' operational and business needs.

With more than 80 full-time employees as well as 200+ project consultants and technical experts nationwide, CPS HR delivers breakthrough solutions that transform public sector organizations to positively impact the communities they serve.



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

Performance Evaluation: Process Evaluation, Design, and Development

December 2024

Agenda

- ◆ Project Overview & Status

- ◆ Process Evaluation Overview
 - » Internal Feedback
 - » Benchmark Interviews
 - » Areas for Improvement

- ◆ New Process Overview
 - » New Competencies/Ratings
 - » Training Concepts
 - » Next Steps

Create and Implement a Performance Evaluation Process that facilitates high performance and encourages employee growth and development

Phase 1: Planning & Analysis

Complete

1. Facilitate Kickoff Meeting
2. Conduct Stakeholder Interviews
3. Facilitate Focus Groups
4. Conduct External Benchmark Interviews
5. Summary Report

Phase 2: Design & Development

(Aug – Dec)

6. Design Process Framework
7. Align process, policies **and procedures to Strategic Plan**
8. Complete competency modeling and update ratings
9. Develop training and **materials on new process**
10. Provide support for **communication plan** and Employee Association adoption

Phase 3: **Implement** Executives/Unrepresented

(Jan – Mar 2025)

11. Provide Change Management Support
12. Deliver Executive Council/ Unrepresented training
13. Facilitate Initial Launch (for Executive/ Unrepresented)
14. Collect feedback on the new system
15. Incorporate feedback

Phase 4: Monitor - Review - Expand Program

(Apr – Jun 2025)

16. Provide change management support, employee training and implement for Employee Association represented employees
17. Prepare project summary report
18. Provide necessary support to aid in knowledge transfer and program expansion

Methodology - Data Collection

Internal Interviews and Focus Groups

Focus Groups and 1:1 interviews (N=38)

- Employees
- EA Representatives
- Supervisors
- Managers
- Executives



Benchmark Interview Participants

4 Outside Agencies (# employees)

Bay Area Metropolitan
Transportation Commission (400)

Environmental Protection Agency-
District 9 (850)

San Mateo County (5000
FTE + 1500 Seasonal)

South Coast Air
Quality Management District (1000)

Findings

- ◆ Too complex, too many areas to rate
- ◆ Current NEOGOV configuration is cumbersome and difficult to navigate
- ◆ Current Performance Factors are not relevant
- ◆ Employee perspectives are not included or considered
- ◆ Lack of ongoing performance feedback
- ◆ Performance evaluations are not focused on employee development

Areas for Improvement Addressed in the New Performance Evaluation System

1. Articulate a clear vision and purpose for performance planning and evaluations
2. Increase the connection between performance and strategic plan goals, strategies, and commitments
3. Conduct the goal setting and performance evaluation processes at different times
4. Include a self-assessment element to allow staff input
5. Improve the access to and functionality of NEOGOV

Areas for Improvements Addressed in the New Performance Evaluation System

6. Update performance factors to reflect current expectations and values
7. Streamline the number of ratings required
8. Clarify the evaluation process and rating scale to improve consistency across raters
9. Provide training and support to managers and staff

Performance Evaluation Process Overview

- ◆ Frequency & Timing: Annually
- ◆ Employee Self-Assessment prior to supervisors completing the evaluation
- ◆ Including a second-level review to address consistency across raters

Performance Evaluation Process Overview

- ◆ 4-point Performance Rating Scale used across five (5) Executive Core Qualifications (ECQs for Executives) and Employee Performance Factors :
 - Outstanding
 - Successful (“Meets Standards”)
 - Developing (“Needs Improvement”)
 - Unsuccessful (“Unacceptable”)
- ◆ Creating Performance Improvement Plans for any employees who do not average “Successful” or above to provide support
- ◆ Quarterly Check-In Questionnaires and meetings to promote effective feedback and employee development

Evaluation-Linking Performance to the Strategic Plan

Core Values:

- Environmental Justice
- Equity
- Integrity
- Partnership
- Transparency
- Trust

5-Year Goals:

Goal 1 – Achieve Impact

Goal 2 – Advance Environmental Justice

Goal 3 – Foster Cohesion & Inclusion

Goal 4 – Be Effective, Accountable & Customer-Oriented

EXECUTIVE CORE QUALIFICATIONS (ECQs)	EMPLOYEE PERFORMANCE FACTORS
<p>Leading Change</p> <ul style="list-style-type: none"> - Adaptability & Flexibility - Strategic Thinking - Innovation 	<p>Thinks Creatively & Proactively</p> <ul style="list-style-type: none"> - Adaptability & Flexibility - Strategic Thinking - Innovation
<p>Leading People</p> <ul style="list-style-type: none"> - Fosters Teamwork - Equity, Inclusion & Belonging - Integrity, Transparency, & Trust 	<p>Diversity, Equity, & Inclusion</p> <ul style="list-style-type: none"> - Equity, Inclusion, & Belonging - Environmental Justice
<p>Results Driven</p> <ul style="list-style-type: none"> - Delivers Results - Technical Competency 	<p>Results Driven</p> <ul style="list-style-type: none"> - Execution of Assignments/Projects - Technical Competency
<p>Business Acumen</p> <ul style="list-style-type: none"> - Accountability & Responsibility - Business Acumen 	<p>Models Integrity & Leadership</p> <ul style="list-style-type: none"> - Accountability & Responsibility - Excellence in Customer & Public Service - Integrity, Transparency, & Trust
<p>Building Coalitions</p> <ul style="list-style-type: none"> - Collaboration & Partnering - Environmental Justice - Effective Communications 	<p>Fosters Teamwork & Partnering</p> <ul style="list-style-type: none"> - Collaboration & Partnering - Building Teams - Effective Communications & Conflict Resolution

Key Training Concepts

- ◆ Overview of new NEOGOV configuration
 - » Leveraging the journaling feature to document performance, accomplishments, and discussions throughout the year
- ◆ Using rating prompts and scales fairly and consistently
- ◆ Incorporating Strategic Plan Goals, Strategies, and Commitments
- ◆ Integrating the employee self-assessment into supervisor ratings
- ◆ The importance of detailed comments to support ratings
- ◆ Delivering constructive feedback
- ◆ Facilitating the Quarterly Check-In meetings



Next Steps



- » Incorporate changes into HR Policy and Procedure
- » Develop and implement the communication plan
- » Develop and deliver training
- » Launch the new evaluation process for Execs/Unrepresented employees
- » Collect feedback to guide revisions to the forms, instructions, training materials

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Davina Hurt and Members
of the Finance and Administration Committee

From: Philip M. Fine
Executive Officer/APCO

Date: December 18, 2024

Re: Cost Recovery Strategy for Amendments to Regulation 3: Fees for Fiscal Year 2026

RECOMMENDED ACTION

None; the Committee will discuss but no action is requested at this time.

BACKGROUND

Air District staff develop recommended amendments to the Air District's fee regulation (Regulation 3) each year as part of the budget preparation process. In doing so, staff follow the Air District's Cost Recovery and Containment Policy for fee-based activity, which the Board of Directors adopted in its current version on December 7, 2022. The Cost Recovery and Containment Policy establishes a goal of increasing fee revenue sufficient to cover 100% of the costs of implementing the Air District's regulatory program. Progress towards this 100% cost recovery target is reported to the Board annually by staff and is periodically reviewed by outside consultants.

DISCUSSION

As staff develop draft amendments to specific fee schedules in Regulation 3 as part of the annual budget process, they evaluate potential fee increases in consideration of the 2021 Cost Recovery and Containment Study, 2022 Cost Recovery Report, and Board direction. To do so, they analyze the revenue and costs associated with each fee schedule for the previous three years. For Fiscal Years Ending (FYE) 2024 and 2025, staff recommended, and the Board approved fee increases with the following strategy:

- If the revenue from a fee schedule was 100% or more and less than 110% of costs, the fees in the schedule were increased by the annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W).
- If the revenue from a fee schedule was less than 100% of costs, the fees in the schedule were increased by 15%.

The Finance and Administration Committee’s discussion of this item will provide an opportunity for the Committee to weigh in on the cost recovery strategy before staff convene a workshop in February 2025 to discuss amendments to the fee schedules in Regulation 3 for FYE 2026. The briefing to this Committee on all proposed amendments to Regulation 3 is currently scheduled for March 19, 2025.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Philip M. Fine
Executive Officer/APCO

Prepared by: Fred Tanaka
Reviewed by: Pamela Leong and Dr. Meredith Bauer

ATTACHMENTS:

1. Proposed Strategy for Amendments to Regulation 3 Fees for FYE 2026 Presentation



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 6

Cost Recovery Strategy for Amendments to Regulation 3: Fees for Fiscal Year 2026

**Finance and Administration Committee
December 18, 2024**

**Fred Tanaka
Manager, Engineering Division
ftanaka@baaqmd.gov**

Presentation Outcome

- Consider and discuss the cost recovery strategy for Air District Regulation 3 (Fees) rule development process for Fiscal Year Ending (FYE) 2026

Presentation Outline

- Cost Recovery Background
- Economic Update and Forecast
- Cost Recovery Trends
- Cost Recovery Strategies
- Other Related Considerations
- Next Steps

Cost Recovery Background

- What is cost recovery?
 - The strategy to recovery costs from fee-based programs by the averaging data from the previous 3 years
 - The goal is to recover 100% of the costs from administering fee-based programs
 - The Board adopted the current Cost Recovery and Containment Policy in December 2022
- Why is cost recovery (analysis) necessary?
 - The variables impacting cost recovery change year to year
 - Several fee schedules are grossly under-recovered
 - By law, we cannot charge more in fees than the actual costs of the Air District's programs in the most recent fiscal year (plus inflation adjustment)

Cost Recovery Background

- What is fee recoverable work?

Example Activities Covered by Regulation 3 Fees	Example Activities Not Covered by Regulation 3 Fees
<ul style="list-style-type: none">• Permitting programs• Notification programs (asbestos, open burn)• Compliance assistance/enforcement of permitted and registered facilities• Source Testing at permitted facilities• Rule development for regulated industries• Emissions inventory from regulated industries• Other (e.g., Regulation 11-18 Health Risk Assessments)	<ul style="list-style-type: none">• Assembly Bill (AB) 617 Community Engagement & Outreach• Climate change work for non-permitted sources• Communications• Mobile sources• Planning• Rule development for non-permitted sources• Strategic Incentives – “Grants” (e.g., wood-burning device replacement, Carl Moyer Program, vehicle buy-back)

Cost Recovery Background (cont.)

- What is a fee schedule?
 - A list of fees that apply to specific activities, programs, or source types
 - Examples:
 - Activity based-fee schedule: Hearing Board, Asbestos Operations
 - Program based-fee schedule: Toxic Inventory Fees, Major Stationary Source Community Air Monitoring
 - Source type-fee schedule: Combustion of Fuels, Solvent Evaporating Sources
 - Fees can either be charged at the time of the activity or at permit renewal

Cost Recovery Background: Fee Schedules & Percent of Fee Schedule Revenue

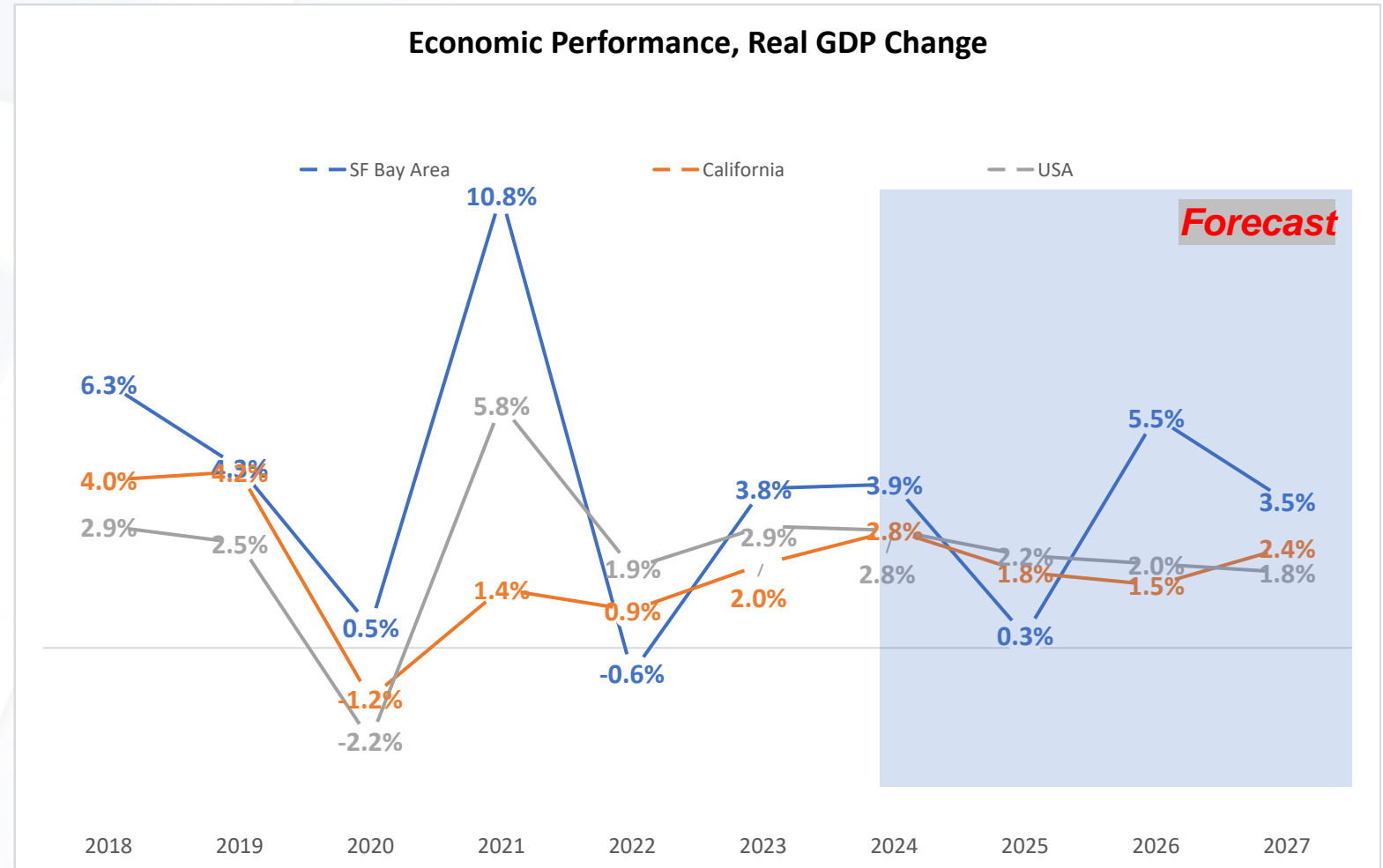
Fee Schedule	% rev	Fee Schedule	% rev
A - Hearing Board Fees	<1%	I - Dry Cleaners – Permitted	0%
B - Combustion of Fuels	16%	K - Solid Waste Disposal Sites	<1%
C - Stationary Containers for the Storage of Organic Liquids	5%	L - Asbestos Operations	8%
D - Gasoline Transfer at Gasoline Dispensing Facilities, Bulk Plants and Terminals	14%	N - Toxic Inventory Fees	3%
E - Solvent Evaporating Sources	6%	P - Major Facility Review Fees - Title V	15%
F - Misc. Sources: Unclassified	4%	R - Equipment Registration Fees	1%
G1 - Misc. Sources: e.g., compost operations, soil remediation	7%	S - Naturally Occurring Asbestos Operations	<1%
G2 - Misc. Sources: e.g., asphaltic concrete, furnaces	2%	T - Greenhouse Gas Fees	7%
G3 - Misc. Sources: e.g., metal melting, cracking units	2%	V - Open Burning	1%
G4 - Misc. Sources : e.g., cement kilns, sulfur removal & coking units	4%	W - Petroleum Refining Emissions Tracking Fees	<1%
G5 - Miscellaneous Sources: Refinery flares	1%	X - Major Stationary Source Community Air Monitoring	2%
H - Semiconductor and Related Operations	<1%		

• FYE 2023 Fee Schedule Revenue: \$44.7 million

Economic Update and Forecast:

Economic Performance – Real Gross Domestic Product Change

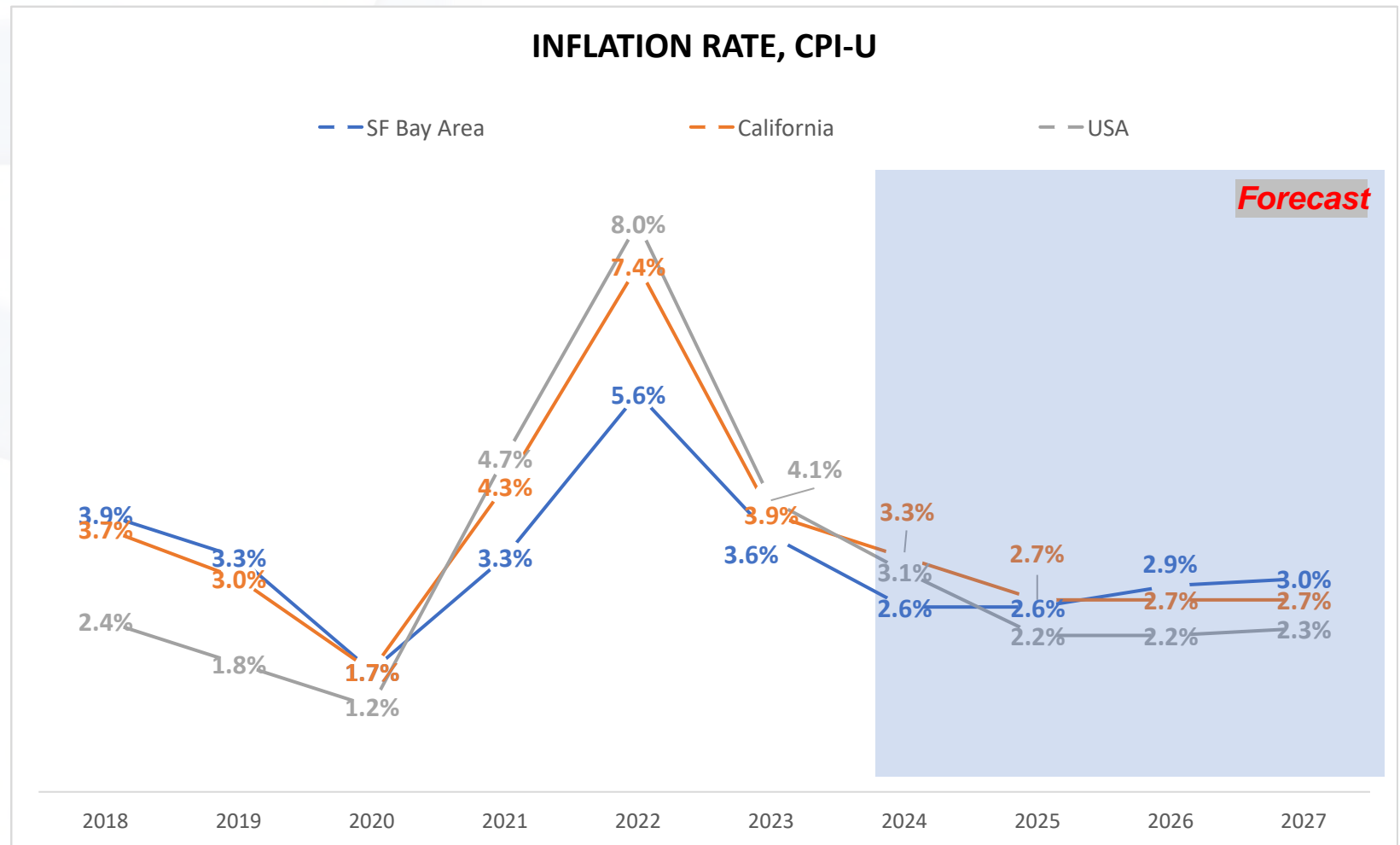
- 2024 USA Economic performance much better than forecast in 2023/early 2024
- CA close to US average
- Bay Area's economic performance is typical, with sharp ups and downs
- Forecast period has relatively high uncertainty for the actual path of economic performance, for the nation as well as CA and the Bay Area



Sources: US Dept. of Commerce, BEA; Blue Chip Economic Indicators; CA Dept. of Finance

Economic Update and Forecast: Inflation

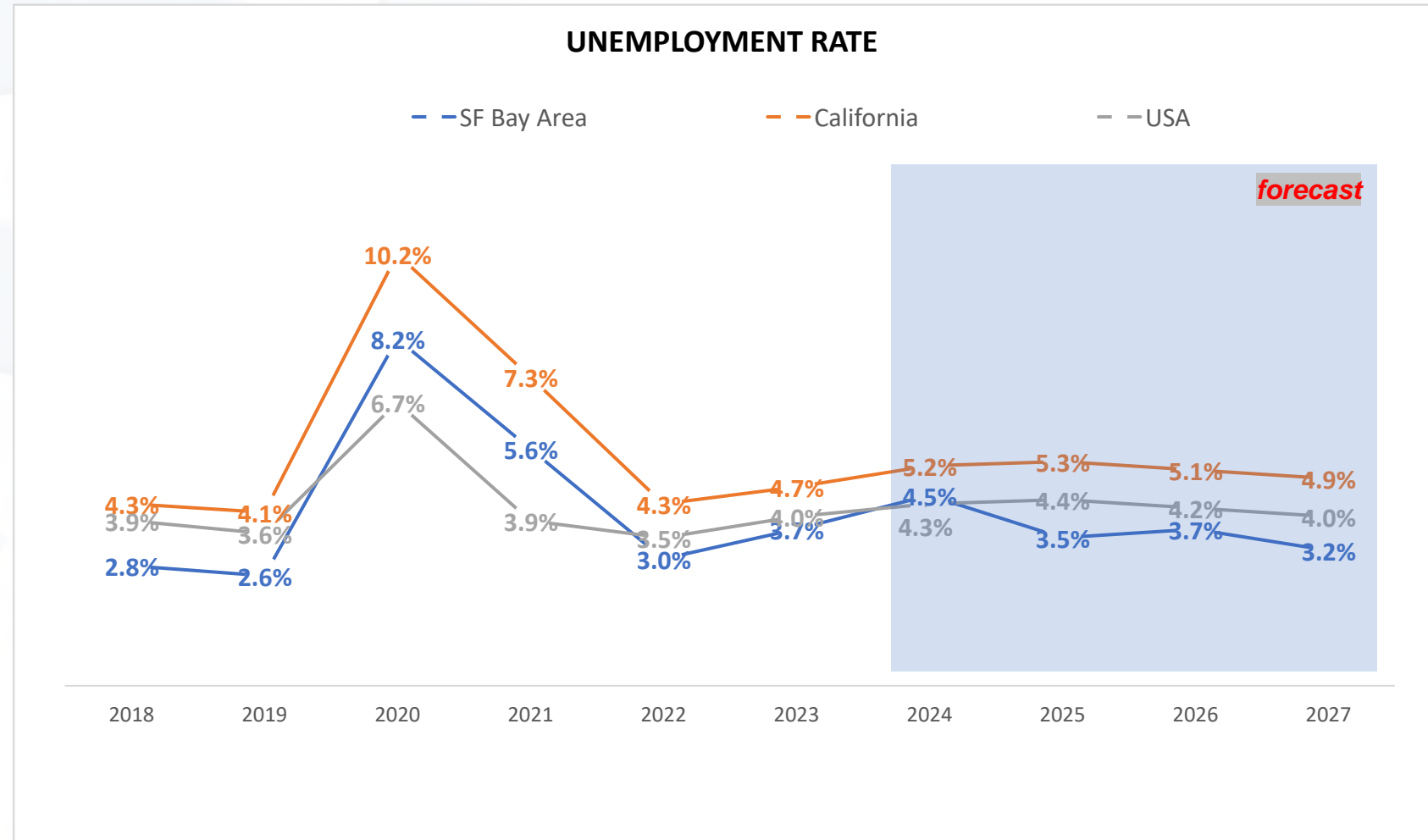
- Inflation has been harder to tame than to maintain economic growth
- While inflation has come down from the historic highs of 2022, it has stayed higher than planned due to “sticky” factors
- Inflation for CA and the Bay Area will remain higher than 2 percent (“low and stable”) for the forecast period, between 2.6% and 3.0%



Sources: US Dept. of Labor, BLS; CA Dept. of Finance
CPI-U = Consumer Price Index for All Urban Consumers

Economic Update and Forecast: Labor Force Changes – Unemployment Rate

- Unemployment rate is stable, although increased in the second half of 2024
- Uncertainty in the Labor Market for the forecast period for Bay Area relates to technology changes (rate, adoption, speed of change)
- Another labor market risk for Bay Area is continued high interest rates; may contribute to higher unemployment rate



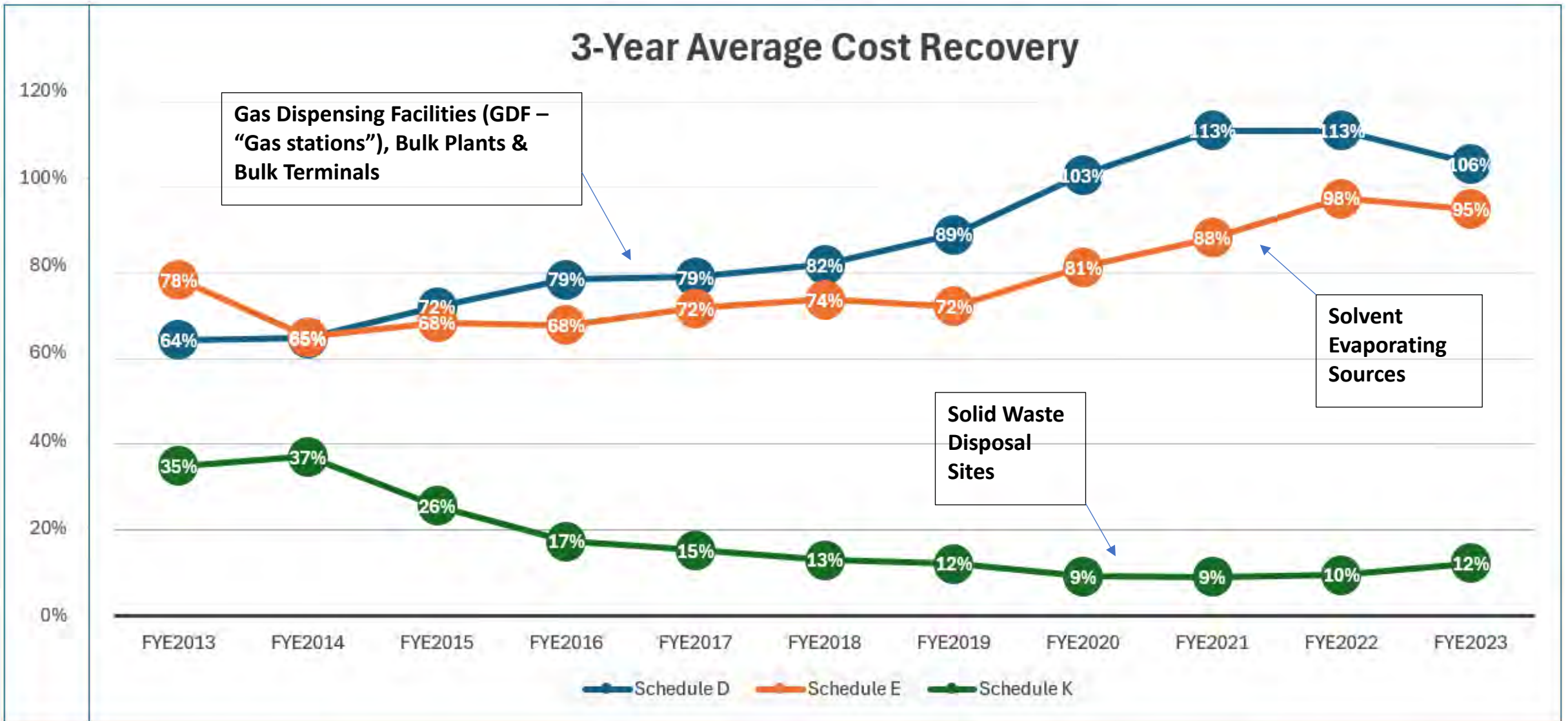
Sources: US Dept. of Labor, BLS; CA Dept. of Finance

Cost Recovery Trends: By Fee Schedule

2021 - 2023 Average Revenue	# of Fee Schedules	% Fee Schedule Revenue
110% or more of costs	5	24.4%
100 to <110% of costs	1	14.4%
95 to < 100% of costs	2	22.1%
75 to < 95% of costs	2	16.5%
50 to < 75% of costs	5	18.5%
25 to < 50% of costs	3	1.2%
Less than 25% of costs	3*	1.1%

- Specific fee schedule cost recovery levels are published in the Cost Recovery reports
- * Schedule I (Permitted dry cleaners) is omitted from the count because no facilities use that schedule since August 2022. All are registered

Cost Recovery Trends: Examples by Fee Schedule



Cost Recovery Trends

- Recently adopted fees not fee schedule specific
 - They have a greater impact on overall cost recovery

Fee Description	Adopted Year	Fee based on % of Renewal Fees	Applicability
AB 617 Community Health Impact	2020	5.7%	Title V facilities
AB 617 Criteria Pollutant and Toxic Air Contaminant Reporting (CTR)	2021	4.4%	All permitted facilities
Overburdened Community (OBC)	2022	15%	Permitted facilities in an overburdened community

Cost Recovery Trends: Overall

Historical Cost Recovery Trends



Cost Recovery Strategies: Historical

Revenue from Fee Schedule (3-year average)	FYE 2018	FYE 2019 & 2020	FYE 2021 (Covid)	FYE 2022	FYE 2023	FYE 2024
110% or more of costs	-	-	-	-	-	-
100 to <110% of costs	-	-	-	-	+15%	CPI-W*
95 to < 100% of costs	CPI-W*	CPI-W*	-	CPI-W*	+15%	+15%
85 to < 95% of costs	+7%	+7%	-	+7%	+15%	+15%
75 to < 85% of costs	+8%	+8%	-	+8%	+15%	+15%
50 to < 75% of costs	+9%	+9%	-	+9%	+15%	+15%
Less than 50% of costs	+9%	+15%	-	+15%	+15%	+15%

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

Cost Recovery Strategies: Options

- The current plan would follow Option 1, implemented since FYE 2024

Revenue from Fee Schedule (3-year average)	FYE 2025	FYE 2026 Option 1	FYE 2026 Option 2	FYE 2026 Option 3
110% or more of costs	-	-	-	-
100 to <110% of costs	CPI-W*	CPI-W*	CPI-W*	CPI-W*
95 to < 100% of costs	+15%	+15%	+10%	Higher of +5% or CPI-W
85 to < 95% of costs	+15%	+15%	+15%	+10%
75 to < 85% of costs	+15%	+15%	+15%	+15%
50 to < 75% of costs	+15%	+15%	+15%	+15%
Less than 50% of costs	+15%	+15%	+15%	+15%

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

Other Related Considerations

- Update definition for small business
 - A business with no more than 10 employees and gross annual income of no more than \$750,000 that is not an affiliate of a non-small business
 - Change would increase the eligibility of the application fee discount
- Continue to review fees and fee schedules assigned to source categories to improve balance and fairness
 - Sources of air pollution in Schedule F (General miscellaneous) for reclassification
 - Fee schedules that apply to small and large business with a disparity in resource expenditures
- Adjust cost recovery methodology to account for known future spikes
- Consider an optional fee for a complex project facilitator for permitting

Next Steps

- Use the cost recovery strategy as the basis for the Regulation 3 rule development process
- Continue to align with the Engineering Corrective Action Plan and the agency's Strategic Plan
 - Adjust for forward-looking cost recovery analysis
- Prepare for the rule workshop in February 2025

Next Steps: Budget and Rule Development Schedule

Description	Date
Finance and Administration Committee briefing	December 18, 2024
Public workshop for Regulation 3 amendments	Week of February 10, 2025
Written workshop comments on Regulation 3 due	March 12, 2025
Finance and Administration Committee briefing	March 19, 2025
Finance and Administration Committee briefing (Optional)	April 16, 2025
First public hearing on budget & Regulation 3 to receive testimony	May 7, 2025
Written public hearing comments on Regulation 3 due	May 17, 2025
Second public hearing on budget and Regulation 3 to consider adoption	June 4, 2025
Budget and fee amendments effective, if adopted	July 1, 2025

Questions and Discussion