



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 5

Amendments to Regulation 3, Fees

**Finance & Administration Committee Meeting
March 20, 2024**

**Fred Tanaka
Manager, Engineering Division
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Presentation Outcome



Update the Finance & Administration Committee on proposed Regulation 3 (Fees) Amendments for Fiscal Year 2025.

Presentation Outline



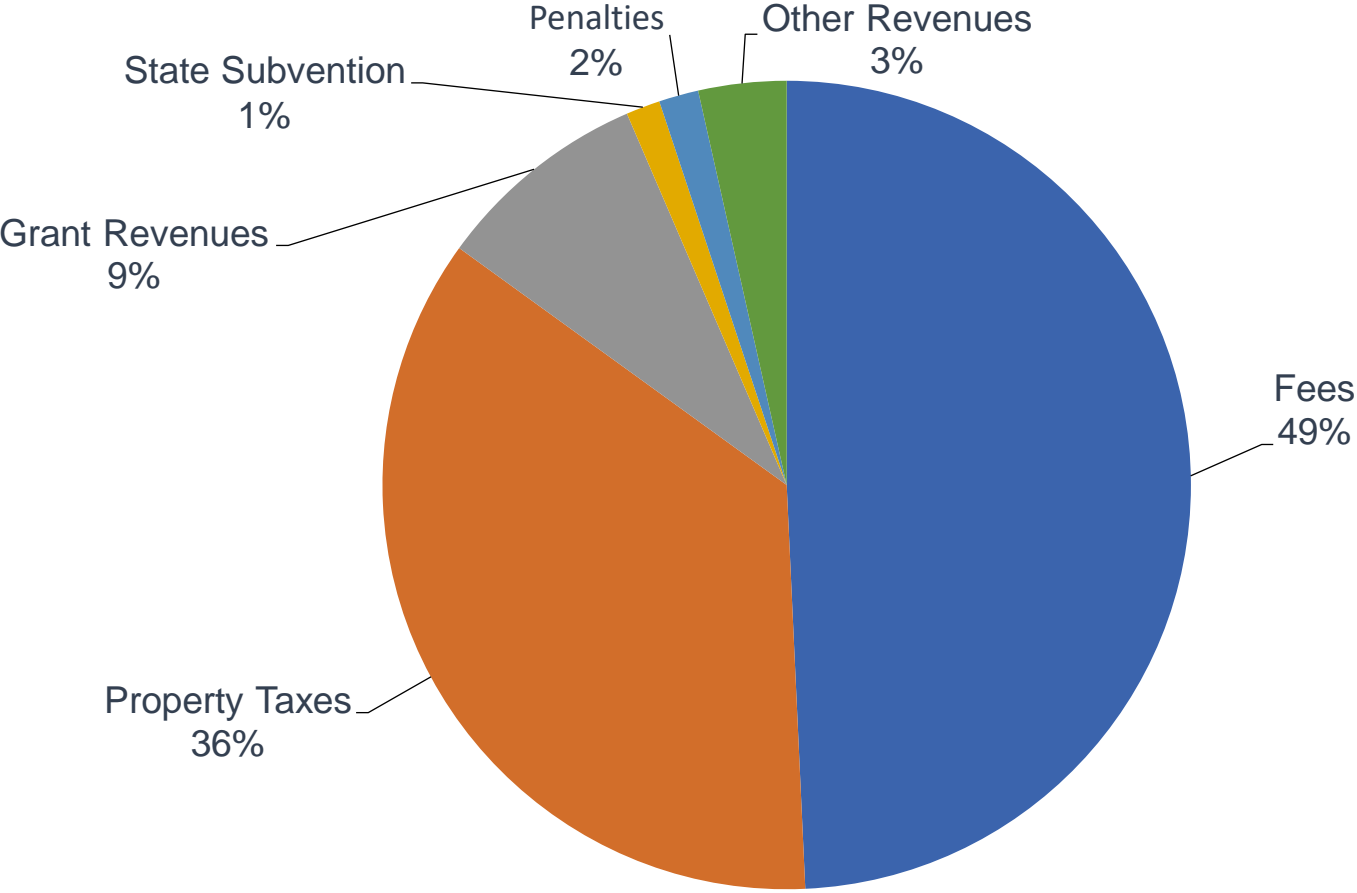
- Cost Recovery Background
- Proposed Fee Amendments
- Rule Development Schedule
- Summary of Public Comments
- Questions

Requested Action



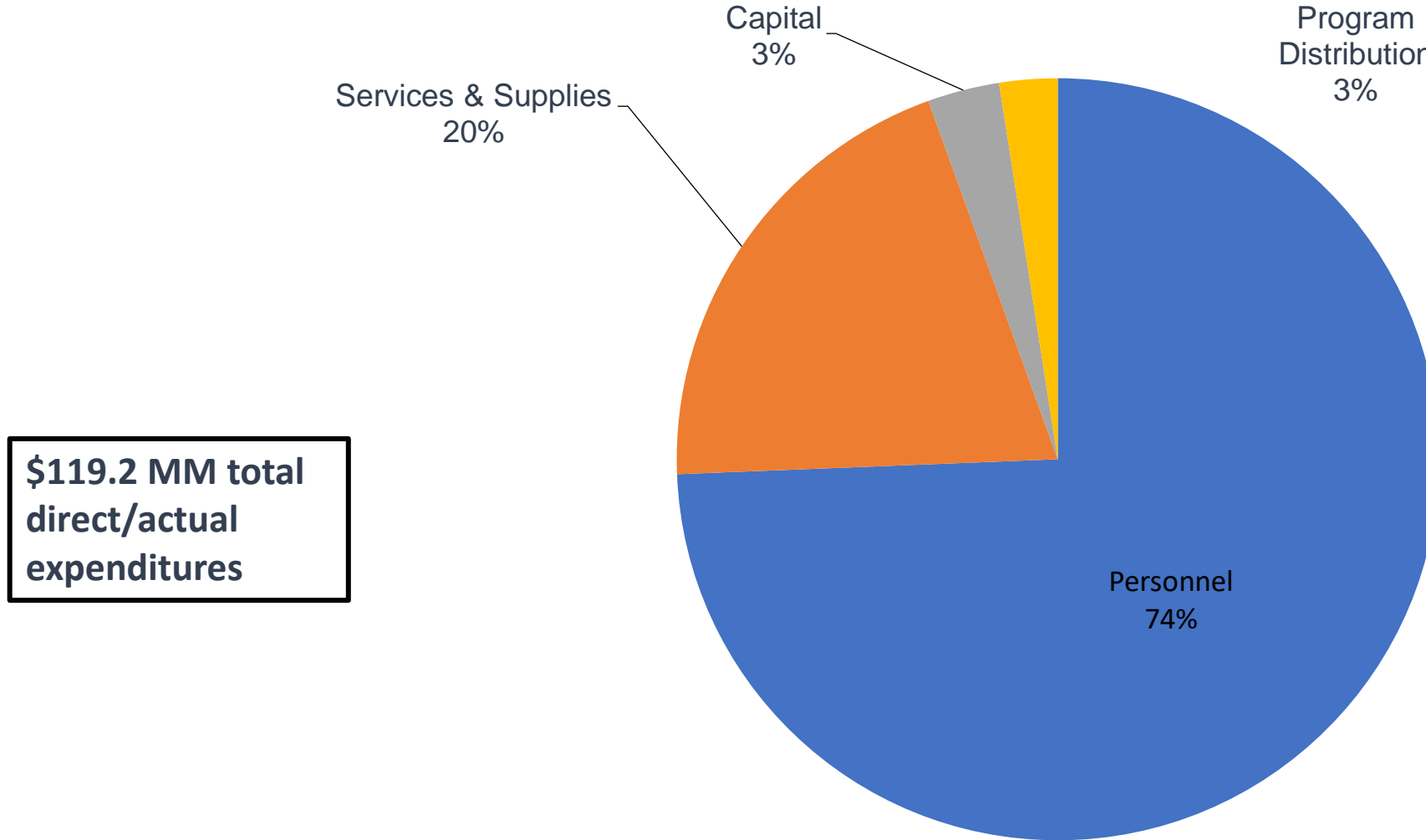
This is an action item for the Finance and Administration Committee to consider recommending that the Board of Directors adopt the proposed Regulation 3 amendments for Fiscal Year Ending 2025.

Agency-wide Revenue Sources – Fiscal Year Ending (FYE) 2023



\$126.7 MM total revenue excludes pass through funds

Expenditures by Type – Fiscal Year Ending (FYE) 2023



Cost Recovery Background



- Air District has authority to assess fees to recover the reasonable costs from fee-based programs.
- Board of Directors set goals to improve cost recovery levels.
- The overall cost recovery trends are:
 - FYE2011: 65.0%
 - FYE2020: 84.5%
 - FYE2021: 83.7%
 - FYE2022: 84.5%
 - FYE2023: 90.9%
- Cost recovery is not a static target.

Cost Recovery Background (cont.)



Cost Recovery Impacts – Revenue

- New fees and fee changes
- Facilities, sources, emissions and operational changes
- Number of notifications and applications

Cost Recovery Impacts – Expenses

- New and enhanced programs/rules
- Efficient use of resources
- Shifts in priorities
- Staffing levels

Cost Recovery Background (cont.)



Typical Work in Fee-Based Programs – Direct Costs

- Permitting and notification programs
- Compliance and Enforcement of permitted and registered facilities
- Compliance assistance to permitted and registered facilities
- Source Testing at permitted facilities
- Rule development for regulated industries
- Emissions inventory from permitted and registered facilities
- Other (e.g., Regulation 11-18 Health Risk Assessments)

Cost Recovery Background (cont.)



Cost Recovery vs. Work Backlog

- Cost recovery analyzes past revenue and cost data from existing staff.
- Cost recovery does not account for work backlog or level of service.
- Cost recovery does not account for required/future resource needs.
- A fee schedule's cost recovery rate does not reflect whether adequate resources exist or the effective use of those resources.

Cost Recovery Background (cont.)



Step 1

Determine the current cost recovery percentage by Fee Schedule:

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

Step 2

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

$$\text{Cost Recovery Fee Percentages} \rightarrow \begin{array}{l} \text{Fee Adjustments by Schedule:} \\ \text{Cost Recovery \%:} \\ \geq 110\%=0\% \\ 100 \text{ to } <110\%=\text{COLA} \\ <100\%=15\% \end{array} \times \text{FYE2023 Current Fee Schedules} = \text{FYE2024 Proposed Fee Schedules}$$

Proposed Changes to Fee Schedules – Cost Recovery



- Increase any fee schedule recovering less than the fully recovered rate by the following:
 - Schedules recovering 100% but less than 110%
 - There is no increase on schedules with a cost recovery rate of at least 110%.
- Estimated budget increased by \$4.9 million compared to projected FYE2023 revenues
- This strategy has a weighted fee schedule increase of **7.8 percent.**

Draft Fee Amendments: Proposed Changes to Fee Schedules



Revenue from Fee Schedule	Change in Fees	Fee Schedules
100 to <110% of costs	3.3% increase*	D, I, M**, T
Less than 100% of costs	15% increase	A, B, E, F, G1, G2, G3, G4, G5, H, K, P, S, V***, W

* The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increase.
 ** Schedule M is not evaluated for cost recovery, but the proposed increase is based as a general fee.
 ***Marsh burning fees only

Proposed Fee & Fee Schedule Changes



Fee Schedules with 3.3% increase

Schedule D: Gasoline Transfer at GDFs & Bulk Plants and Bulk Terminals
Except the Risk Assessment Fee (RAF) for existing GDFs

Schedule I: Dry Cleaners (not registered machines)

Schedule M: Major Stationary Source Fees

Schedule T: Greenhouse Gas Fees

Fee Schedules with 15% increase

Schedule A: Hearing Board Fees

Schedule B: Combustion of Fuels (E.g., permitted boilers, engines, heaters,)

Schedule E: Solvent Evaporating Sources (E.g, permitted graphic arts, painting, wipe cleaning)

Proposed Fee & Fee Schedule Changes (cont.)



Fee Schedules with 15% increase

- Schedule F: Misc. Sources (storage silos, abrasive blasting)
- Schedule G-1: Misc. Sources (e.g., glass manufacturing, soil remediation)
- Schedule G-2: Misc. Sources (e.g., asphaltic concrete, furnaces)
- Schedule G-3: Misc. Sources (e.g., metal melting, cracking units)
- Schedule G-4: Misc. Sources (e.g., cement kilns, sulfur removal & coking units)
- Schedule G-5: Misc. Sources (Refinery flares)
- Schedule H: Semiconductor and Related Operations
- Schedule K: Solid Waste Disposal Sites (e.g., Landfills)
- Schedule P: Major Facility Review Fees
- Schedule S: Naturally Occurring Asbestos Operations
- Schedule W: Petroleum Refining Emissions Tracking Fees

Proposed Fee & Fee Schedule Changes (cont.)



Fee Schedules with 0 to 15% increase

Schedule V: Open Burning

- Marsh Management: 15% increase
- All other burn fees: 0% increase

Specific fees in Section 300 are proposed to be increased by 3.3% (CPI-W)

- Section 302: New and modified source filing fees
- Section 311: Emission Banking Fees
- Section 312: Regulation 2, Rule 9 Alternative Compliance Plan fee
- Section 330: Fee for Renewing an Authority to Construct
- Section 327: Permit to Operate renewal fees
- Section 337: Exemption Fee

Proposed Fee & Fee Schedule Changes (cont.)



Specific fees in Section 300 are proposed to be increased by 3.3% (CPI-W)

- Section 341: Fee for Risk Reduction Plan
- Section 342: Fee for Facility-Wide Health Risk Assessment
- Section 343: Fees for Air Dispersion Modeling
- Section 345: Evaluation of Plans, Regulation 6
- Section 346: Request for a Petition, Regulation 8
- Section 347: Evaluation of Reports, Organic Waste Recovery Sites

Schedules Not Being Increased



Fees and fee schedules that are not proposed for increase:

- Section 3-307: Transfers of Permits
- Schedule C: Stationary Storage Tanks of Organic Liquids Except the RAF
- Schedule L: Asbestos Operations
- Schedule N: Toxic Inventory Fees
- Schedule R: Equipment Registration Fees (E.g., Certain dry cleaning machines, small combustion, small graphic arts operations)
- Schedule X: Major Stationary Source Community Air Monitoring Fees

Other Proposed Amendments



The following section and schedule are proposed for deletion:

Proposal #1 – Deletion of Subsection 320.1

Section 320.1: Maximum Toxic Inventory Fee for Small Businesses for applications

Proposal #2 – Deletion of Section 322 and Schedule Q

Fees from Section 322 and Schedule Q: Excavation of Contaminated Soil and Removal of Underground Storage Tank Operation

Rationale: Obsolete

Other Proposed Amendments (cont.)



Section 304.2 (Alteration: Schedule G Fees)

- Clarifying language on fees charges for alterations involving sources subject to Schedules G-3, G-4 and G-5. Current wording is clumsy.

Section 327 (Permit to Operate, Renewal Fees)

- Clarifying language on proration applicability when new/modified sources are started up off schedule from the permit anniversary.

Other Proposed Amendments (cont.)



Section 327.5 (Permit to Operate, Renewal Fees) and Section 331 (Registration Fees)

- There is no proration or refund of fees if a source or operation shuts down before the expiration date.
- Adding clarifying language in line with current practice.

Other Proposed Amendments (cont.)



Schedule C: Stationary Containers for the Storage of Organic Liquids

To align calculation for the RAF with the filing fee in Section 3-302, the base fee in Schedule C.2.a is proposed for a 3.3% increase.

Schedule D.A: Gasoline Transfer at Gasoline Dispensing Facilities

The RAF for existing GDFs is proposed for a 15% increase in Schedule D.A.4.b. This will improve alignment of the RAF fee already being charged to new GDFs for the same work.

Other Proposed Amendments (cont.)



Schedule H – Semiconductor & Related Operations

Clarify applicability

- If a specific solvent cleaning or coating operation is not defined, the minimum fee applies.
- This is the Air District's current practice.

Impact on Large Facilities: Power Plants



	Annual Permit Fee Increase/Decrease (Fiscal Year Ending)							
	2023, % fee change		2023 Renewal fee	2024, % fee change		2024 Renewal fee		2025, <i>Projected</i> % fee change
	Predicted	Actual		Predicted	Actual			Proposed budget
Crockett Cogen	15	21	\$349,200	7.3	NA	Not yet invoiced	9.4	
Delta Energy	15	16	\$704,100	12	NA	Not yet invoiced	7.6	
Gateway Station	13	8.8	\$517,600	12	NA	Not yet invoiced	8.4	
Los Medanos	15	26	\$656,700	12	NA	Not yet invoiced	7.6	

Impact on Large Facilities (cont.): Petroleum Refineries



Annual Permit Fee Increase/Decrease (Fiscal Year Ending)							
	2023, % fee change		2023 Renewal fee	2024, % fee change		2024 Renewal fee	2025, Projected % fee change
	Predicted	Actual		Predicted	Actual		Proposed budget
Chevron	17.7	18	\$4.5 million	8.1	1.0	\$4.5 million	8.5
Martinez Refining Co.	17.8	37	\$5.5 million	8.9	4.7	\$5.7 million	7.9
Phillips 66	22.5	11	\$2.7 million	8.5	9.6	\$3.0 million	8.6
Tesoro	21.2	-26	\$1.9 million	-1.0	-21.6	\$1.6 million	9.1
Valero	12.9	8.1	\$2.9 million	9.4	12.2	\$3.4 million	9.0

Impact on Small Businesses – Renewal Fees & Impact



Facility Type	Current fee: Not OBC	Current fee: OBC	Proposed: Not OBC	Proposed : OBC
Backup Engine* (Sch. B)	\$489	\$559	\$547 10.6%	\$626 10.6%
Gas Station** (Sch. Da)	\$2,692	\$3,079	\$2,781 3.2%	\$3,180 3.2%
Auto Body Shop (Sch. E)	\$1,067	\$1,220	\$1,212 12.0%	\$1,386 12.0%
Coffee Roaster (Sch. F)	\$839	\$960	\$950 11.7%	\$1,087 11.7%

*Minimum fee – Permit fees are greater for larger engines.

**Common configuration with 6 islands with 3-triple product nozzles

Budget and Rule Development Schedule



Description	Date
Public workshop for Regulation 3 amendments	February 15, 2024
Written workshop comments on Regulation 3 due	March 18, 2024
Finance and Administration Committee briefing	March 20, 2024
Finance and Administration Committee briefing, if needed	April 17, 2024
First public hearing on budget & Regulation 3 to receive testimony	May 1, 2024
Written Public Hearing comments on Regulation 3 due	May 17, 2024
Second public hearing on budget and Regulation 3 to consider adoption	June 5, 2024
Budget and fee amendments effective, if adopted	July 1, 2024

Summary of Public Comments



Here is a summary of the comments received since the workshop:

- Concern for increasing fees at dry cleaning facilities
- There should be no fee increases and the Air District should use resources more efficiently.
- Permit costs are high for sub-slab depressurization systems that are gone in 1 to 3 months.
- Consider suspending Schedule X fees until community monitors are installed (Western States Petroleum Association)
- Companies with May/June budgeting cannot budget for significant fee increases. (Phillips 66 Refinery)
- A comment that a few facilities may not have received workshop notice in the mail (Phillips 66 Refinery)
- Will fees eventually be reduced due to New Production System going live? (California Council for Environmental and Economic Balance, Resource Recovery Coalition of California)
- Request response to comments sooner than last year. (CCEEB, RRCC)

Feedback Requested/Prompt



Request the Committee consider recommending that the Board of Directors adopt the proposed Regulation 3 amendments for Fiscal Year Ending 2025.



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AGENDA: 6

Review of Reserves for Economic Contingency and Recommendation to Revise Policy

**Finance and Administration Committee
Meeting
March 20, 2024**

**Leonid Bak
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Presentation Outcome



The Committee will consider recommending to the Board of Directors a revision of the funds allocation target for economic contingency reserve.

Presentation Outline



- History of Economic Contingency Reserves Management at the Air District and Outline of Best Practices
- Staff Recommendation to Revise Economic Contingency Reserves Allocation

Presentation Requested Action



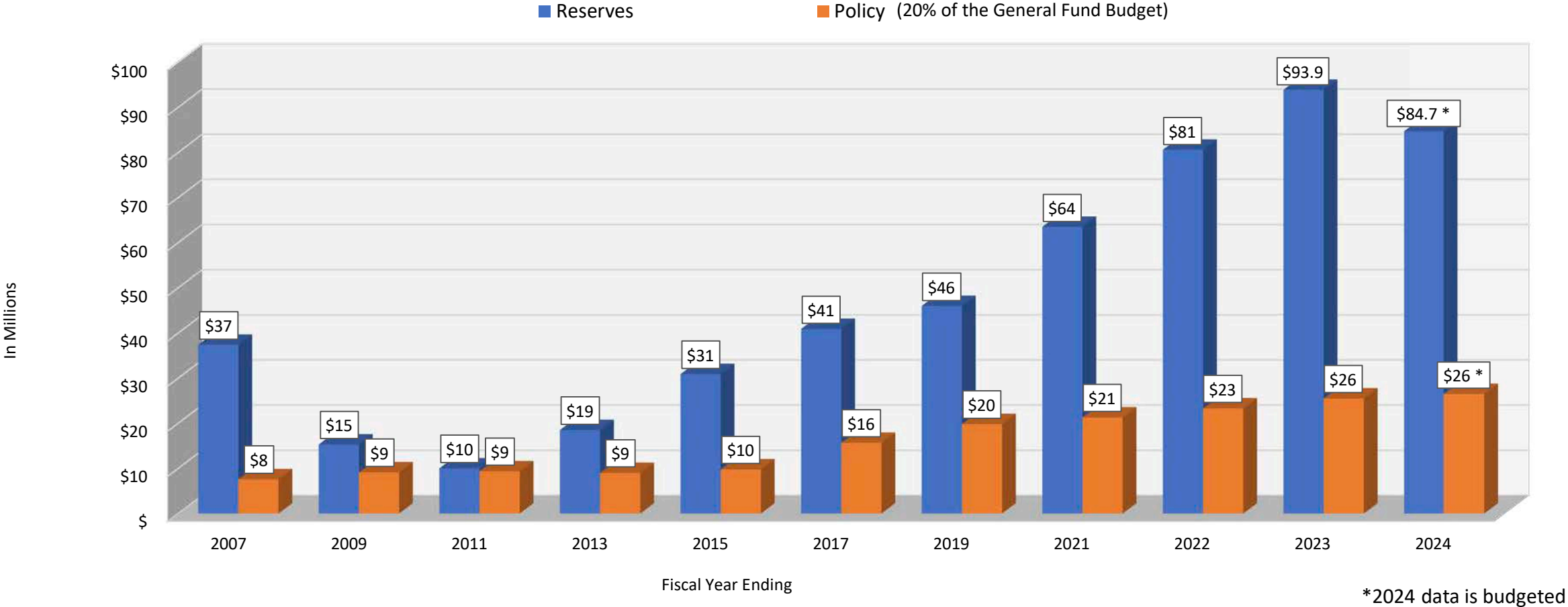
Consider recommending to the Board of Directors to adopt a revised economic contingency reserves policy

Definition and Advice for Reserves



- **The need for a formal reserve policy:** Articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time period.
- **The goal of the reserves policy:** Reserve funds provide protection from risk.
- **The appropriate level of reserves:** The reserve should be based on an analysis of the types of risk the agency is trying to manage with reserves.
 - ***Government Finance Officers Association (GFOA) also recommends including the maximum level of reserves in the reserves policy*** – BAAQMD policy does not currently formally specify the range of reserves (min/max) nor the maximum level.
- **Acceptable use of reserves.** Reserves are meant to address unexpected, nonrecurring costs.
- **Unrestricted fund balance above formal policy requirement** – No formal policy currently (since there no ceiling on reserves).

Air District's General Fund Reserves: Actual vs. Minimum Policy Requirement



*2024 data is budgeted

Comparison of Select California Air District's Reserves



Select California Air Districts' Reserves		
Air District	Reserves Policy	Actual Reserves
Bay Area AQMD	20% of the GF budget	69% of total revenue
South Coast AQMD	20% of total revenue	40% of total revenue
San Diego APCD	2 months of operating expenditures	33.5% of total (all funds) budget
Sacramento Metropolitan AQMD	120 days (min. 60 days) of general fund expenditures	61% of general fund budget
Monterey Bay ARD	25% of operating budget	76% of general fund budget
San Joaquin Valley Unified APCD	20% of operating expenditures	72.1% of operating expenditures

Air District's Reserves Needs – Risks and Commitments



- GFOA's Fund Balance Target analysis (an analytical exercise to account for risks and commitments) recommends the Air District maintain an economic contingency reserve fund between 17 and 25 percent of the general fund budget.
 - Initial assessment results in a low to moderate composite score for reserves management based on solely on the balance of risks assessment.
 - Adjusted final score lessens the need for reserves above the minimum (adjustment factor takes into account size of the area served, budget practices, borrowing capacity, political support and outsider perception).
- However, Air District's cash flow analysis indicates a somewhat higher short-term requirement for reserves: operational needs require at least 22 percent to be set aside for reserves (front-loaded at the beginning of the fiscal year).

Summary and Conclusions



1. Air District's **reserves levels are high and sufficient to address economic contingencies**
2. A recommended improvement is to **set a range for reserves (min/max), instead of minimum required**
3. BAAQMD is **not an outlier** in reserves management practices (compared to other Air Districts in CA)
4. Neither counties nor other California Air Districts have **policies on excess reserves**
5. Greater specificity on **acceptable uses of reserves may be useful** (with caveats)
6. GFOA's Fund Balance Target analysis recommends **reserves between 17 and 25 percent** of the general fund budget
7. Air District's cash flow analysis requires slightly higher reserves for short-term operational needs (min. 22 percent of the general fund budget)

Recommendation



Consider recommending the Board of Directors that the Board adopt the following revision to the economic contingency reserves policy:

- **Allocate a minimum of 25 percent and a maximum of 35 percent of the general fund budget for economic contingency reserve**
- **Discuss plan for investments of excess reserves in the current Budget development process**



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AGENDA: 7

Air District's Proposed Budget for Fiscal Year 2024- 2025

**Finance and Administration Committee Meeting
March 20, 2024**

**Stephanie Osaze
Director of Finance
sosaze@baaqmd.org**

Presentation Outcome



The Committee will review and consider the Fiscal Year (FY) 2024-2025 Proposed Budget and will consider recommending to the Board of Directors for adoption.

Presentation Outline



- Budget Highlights
- Financial Forecast & Key Assumptions
- Overview of the Proposed Budget/Service Areas
- Recommendation

Budget Highlights



- Restructured Budget Message
- Executive Officer Message
- Budget in Brief
 - Proposed Budget by Revenue & Expenditure type
 - Proposed Budget by Service Areas
- Proposed Fees and Proposed Budget First Public Hearing Date is aligned

Financial Forecast – FYE 2025 -2029



Five Year General Fund Financial Forecast

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
REVENUE	Budget	Projected	Projected	Projected	Projected
Property Tax	\$46,306,873	\$48,159,148	\$50,085,514	\$52,088,935	\$54,172,492
Permits/Fees	\$66,980,182	\$73,195,145	\$80,345,698	\$89,343,845	\$99,734,006
Grant Revenues	\$8,517,210	\$3,397,207	\$5,006,779	\$5,056,847	\$5,107,415
AB617 Funding	\$11,985,752	\$11,300,000	\$9,000,000	\$9,000,000	\$9,000,000
Other Revenue	\$9,555,620	\$9,611,176	\$9,667,288	\$9,723,961	\$9,781,200
Transfer from Special Funds	\$1,414,855	\$1,443,153	\$1,472,016	\$1,501,456	\$1,531,486
TOTAL REVENUE	\$144,760,493	\$147,105,830	\$155,577,295	\$166,715,043	\$179,326,600
(Use of)/Transfer to Reserves	(\$9,693,058)	(\$3,494,027)	\$175,491	\$4,977,259	\$11,230,319
EXPENDITURES					
Personnel Expenditures	\$103,606,450	\$109,574,261	\$113,555,696	\$119,054,755	\$124,559,591
Services and Supplies	\$43,652,176	\$37,369,086	\$38,116,468	\$38,878,797	\$39,656,373
Capital Expenditures	\$7,194,925	\$3,656,509	\$3,729,640	\$3,804,232	\$3,880,317
TOTAL EXPENDITURE	\$154,453,550	\$150,599,856	\$155,401,804	\$161,737,784	\$168,096,281
General Fund Reserves					
Beginning Balance	\$84,685,523	\$74,992,465	\$71,498,439	\$71,673,930	\$76,651,189
(Use of)/Transfer to Reserves	(\$9,693,058)	(\$3,494,027)	\$175,491	\$4,977,259	\$11,230,319
Ending Balance	\$74,992,465	\$71,498,439	\$71,673,930	\$76,651,189	\$87,881,508
20% Minimum Reserve Policy	\$28,953,000	\$29,422,000	\$31,081,000	\$32,348,000	\$33,620,000

Key Assumptions – Revenue and Expenditure



Key Expenditure Assumptions

- **Personnel**
 - costs do not assume any new staffing beyond 491, which includes additional 19 FTEs
 - A 3-4% annual general wage adjustment is also projected for the forecast period.
 - 7% vacancy rate in FYE 2025, gradually decreasing to 6%, 2026 and about 5% in 2027-29.
- **Services and Supplies** costs are projected to drop in 2026 to adjust for one-time costs and remain stable, with an inflationary increase of approximately 2-3% for 2027-29.
- **Capital Expenditures** are expected to drop in 2026 to adjust for one-time capital needs and remain level in 2027-2029, with only an inflationary increase.
- **General Fund Reserves** are expected to stay above the minimum policy level.

Key Revenue Assumptions

- **Property Tax** is expected to grow at approximately 4%
- **Permit Fee** revenues will continue to follow the Air District's cost recovery policy to 100%. Revenue is expected to grow approximately 8 to 10% during the forecast period. The projected cost recovery at the end of the forecast period is 89%.
- **Grant Revenues** in the General Fund are expected to drop in 2026 to adjust for one-time EPA grant funding and remain stable through the forecast period.
- **Assembly Bill 617** funding of \$11 million in 2025 and 2026 and \$9.0 million is expected to continue for the next 3 years.
- **Other Revenues** mainly account for penalties, state subvention, and interest income. These revenues are expected to remain stable.

Fiscal Year 2024-2025 Proposed Budget Summary



- \$ 291 M Consolidated Budget, includes \$154 M General Fund Budget
- Use of Reserves includes:
 - \$6.8 M for one-time services and capital costs
 - \$2.9 M as initial staffing investment to support 19 Full-Time Equivalent (FTE), additional \$1 M from penalty assessment
- Continuation of Cost Recovery Policy (up to 15% where applicable)
- 4.5% General Wage Adjustment
- 7% Vacancy Savings
- Authorize transfers from the Limited-Term Contract Employee (LTCE) Staffing reserve designation to fill limited-term positions

FY 2025 Budget by Rev/Exp Type

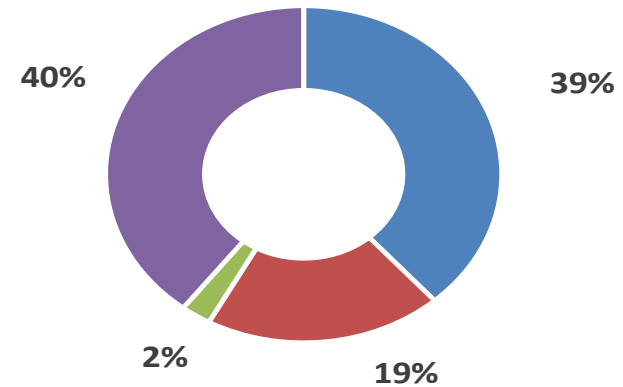
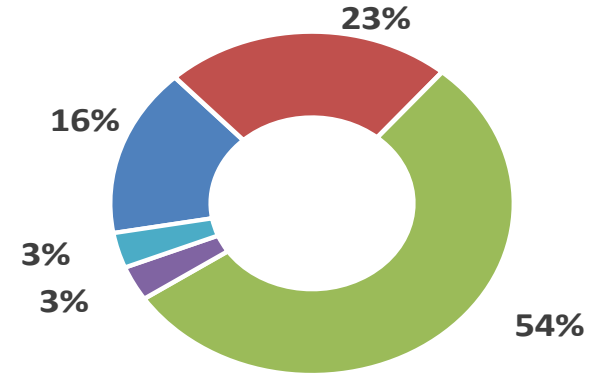


REVENUES AND EXPENDITURES BY TYPE

Revenues		(\$ Millions)	
Property Taxes	\$46.3	16%	
Permits/Fees	\$67.0	23%	
Grants	\$158.6	54%	
Other Revenue	\$9.6	3%	
Transfer From Reserves	\$9.7	3%	
Total Revenues	\$291.1		

Expenditures			
Salaries & Benefits	\$112.1	39%	
Services & Supplies	\$56.6	19%	
Capital	\$7.2	2%	
Distributions & Transfer	\$115.3	40%	
Total Expenditures	\$291.1		

ALL FUNDS



General Fund Reserve Designations



General Fund Reserves (In Millions)	
<u>FY 2024-2025</u>	
Projected Reserves Balance (June 30, 2024)	84.6
Less Designations:*	
AB617 Staffing Contingency	-9
Community Benefits	-3
Economic Contingency (20% of Budget)	-29
Incident Monitoring Program	-1
Limited Term Contract Employee (LTCE) Staffing	-1.8
Outside Counsel Litigation Support	-2
Richmond Improvements (HQE)	-1
Technology Implementation Office	-2.8
Schedule X	-6.1
Wildfire Mitigation	-1
Woodsmoke Program (SID)	-0.5
Total Designations	-57.2
Less Use of Reserves to Balance the FY 2025 Budget:	
Short-Term Staffing Investment	-2.9
To fund one-time capital & service costs	-6.8
Total Use of Reserves (FY 2025 Budget)	-9.7
AVAILABLE GENERAL FUND RESERVES	17.7

*Designations subject to change at Board's Direction

Summary of 2025 \$16.6 M Budget Increase



BUDGETED SOURCES COMPARED TO FY 2024 Adopted Budget:		\$ (Million)
Increase to property tax		1.4
Increase to permit fees		3.8
Increase in penalty assessment		1.0
Increase in other revenues		0.5
	Total Ongoing Sources	6.7
Increase in grant revenues		5.4
Increase in use of reserves		4.4
	Total One-time Sources	9.8
	TOTAL BUDGETED SOURCES	16.6
BUDGETED COSTS COMPARED TO FY 2024 Adopted Budget:		\$ (Million)
Increase in 19 New FTEs		3.9
Increase in mid-year staffing for AB 617		1.6
Increase in other personnel costs		7.6
Increase in CalPERS pension payment		1.8
Increase in vacancy savings		(1.2)
	Total Ongoing Costs	13.6
Increase in mid-year LTCEs for AB617		1.4
Increase in one-time services & capital		1.6
	Total One-time Costs	3.0
	TOTAL BUDGETED COSTS	16.6

Capital Considerations by Division



Capital Type	Division	Cost by Division	
Computer & Network	Administrative Division	\$	500,000
Computer & Network	Enterprise Technology Solutions	\$	510,000
Computer & Network	Meteorology & Measurements	\$	263,000
Computer & Network	Strategic Incentives	\$	500,000
Lab & Monitoring Equipment	Meteorology & Measurements	\$	2,181,925
Office Equipment	Enterprise Technology Solutions	\$	100,000
Office Equipment	Meteorology & Measurements	\$	40,000
Production System	Enterprise Technology Solutions	\$	3,100,000
TOTAL COST		\$	7,194,925

Funding Status and Policy for Medical & Pension Plans



- **Medical Retirement (OPEB):**

- Obligation: \$79 M
- Funded: \$73 M
- Unfunded: \$6M

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

- Current Funding Level at 92%*
- Redirect \$4 M Annual Discretionary Funding to CalPERS Pension after reaching target funding level

* Actuarial valuation funded status decreased from 103% funded in 2021 to 92% in 2023

- **CalPERS Retirement (Pension):**

- Obligation: \$401 M
- Funded: \$288 M
- Unfunded: \$113 M
- Prefund Trust: \$11M

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

- Current Funding Level at 74%**
- \$1 M Annual Discretionary Funding
- \$4 M Redirect Discretionary Funding from OPEB

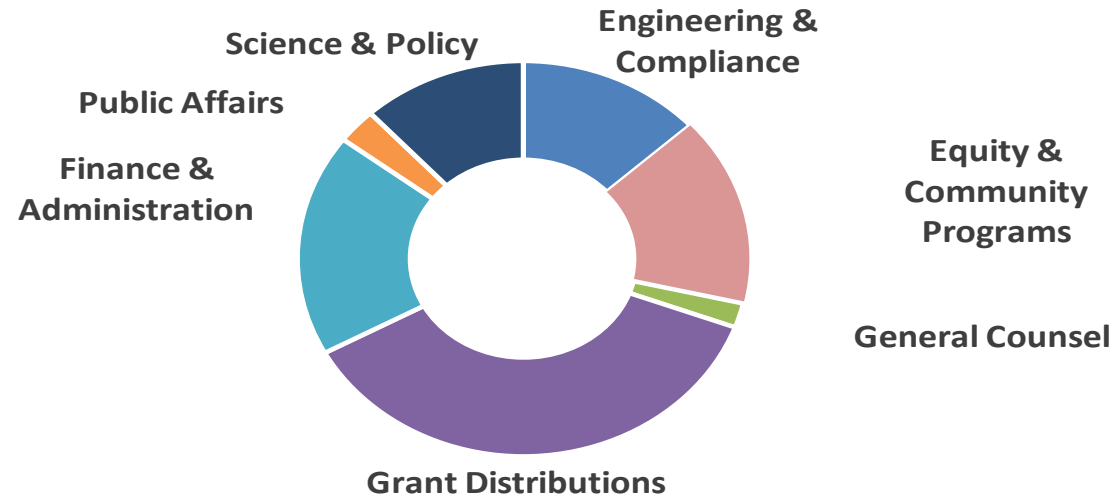
** Includes investment in California Employers' Pension Prefunding Trust (CEPPT)

FY 2025 Budget by Service Area



EXPENDITURES BY SERVICE AREA

ALL FUNDS

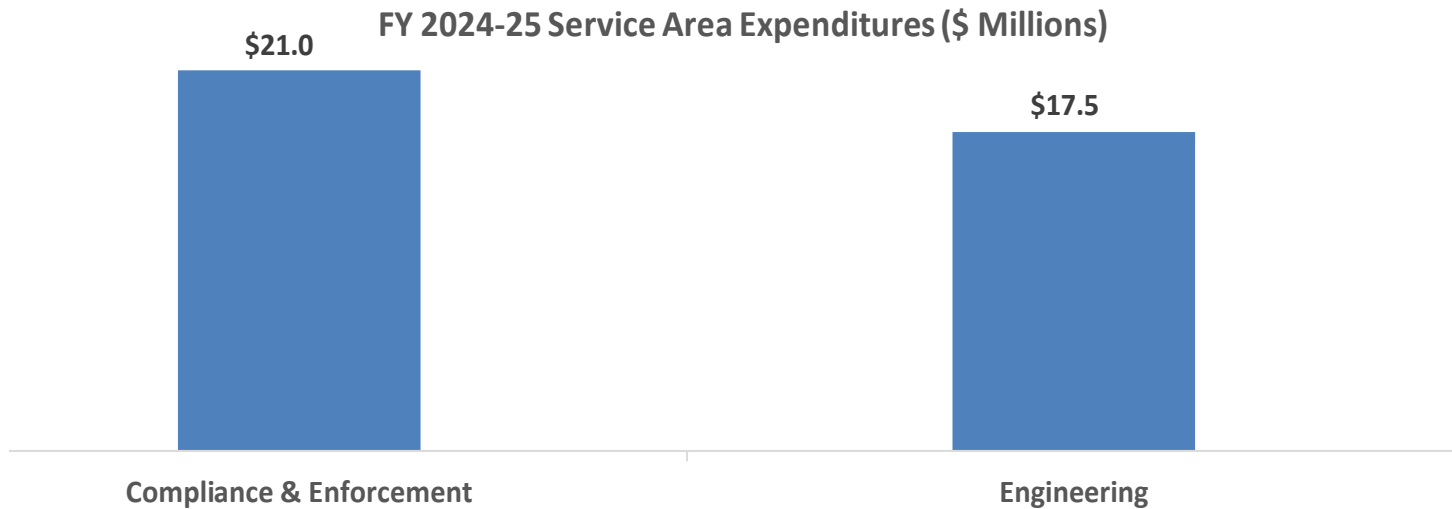


FY 2024-2025

Total All Funds Expenditures Budget \$291.1 Million

Expenditures		
Engineering & Compliance	\$38.5	13%
Equity & Community Programs	\$44.9	15%
General Counsel	\$5.8	2%
Grant Distributions	\$106.0	36%
Finance & Administration	\$53.1	18%
Public Affairs	\$8.3	3%
Science & Policy	\$34.4	12%
Total	\$291.1	

Service Area: Engineering & Compliance



Implement Regulation 11-18 for toxic air contaminants.

Ensure robust enforcement against polluters.

Develop Targeted Inspection Policy for overburdened areas.

Update Incident Response Policy for better coordination.

Integrate Environmental Justice into permitting.

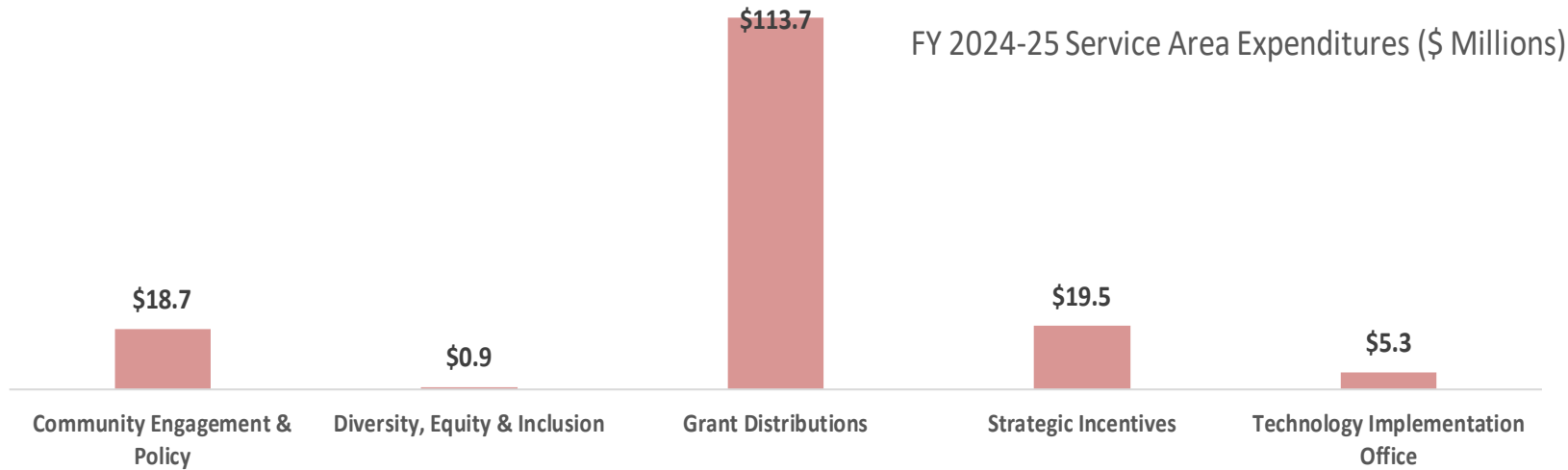
Execute Permit Process Improvement Plan for better service.

10 additional FTE for Engineering and Compliance & Enforcement

Expenditures	FY 2022-23 Actuals	FY 2023-24 Approved	FY 2023-04 Amended	FY 2024-25 Proposed	FY2024-25 Change	FY2024-25 FTE
Compliance & Enforcement	\$6.6	\$17.7	\$17.8	\$21.0	\$3.2	99
Engineering	\$6.3	\$15.3	\$16.6	\$17.5	\$2.2	79
Service Area Total	\$12.9	\$33.0	\$34.4	\$38.5	\$5.5	178



Service Area: Equity and Community Programs



Allocate \$35M for upgrading equipment in VW program for impacted communities.

Propose \$30M for zero-emission projects, with 80% for priority communities.

Incentivize landscapers to switch to zero-emissions tech.

Collaborate with CARB to update incentive program guidelines.

Establish fund to remediate emissions from ocean vessels in impacted areas.

Allocate \$2M for woodsmoke reduction, prioritizing affected communities.

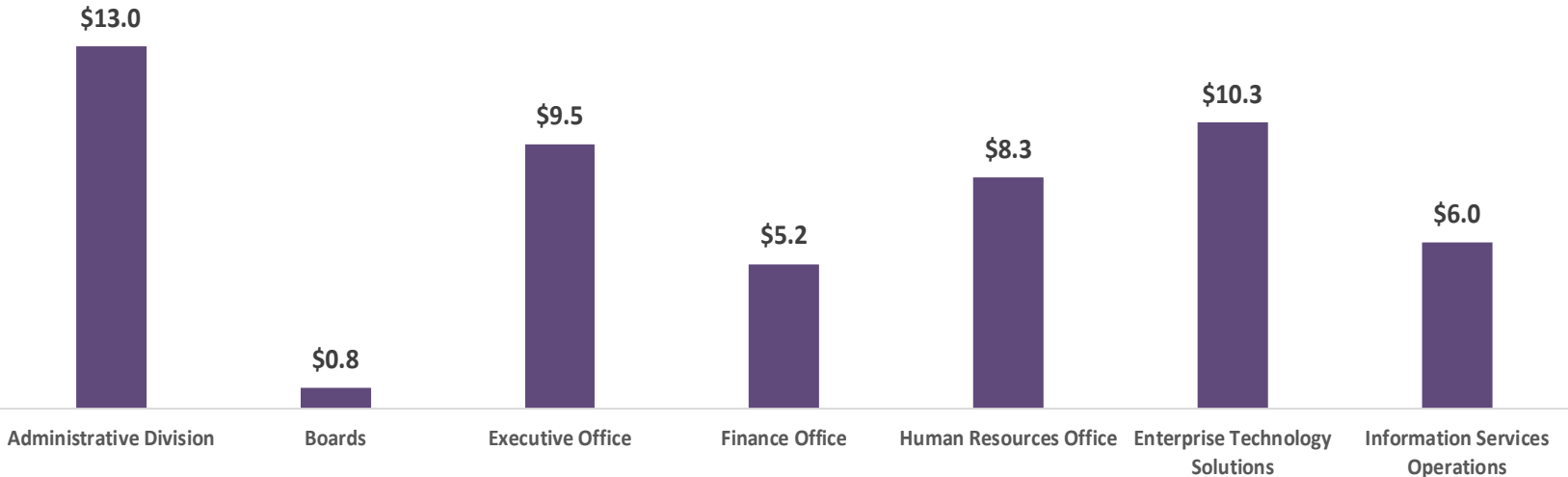
1 additional FTE for Strategic Incentives

Expenditures	FY 2022-23 Actuals	FY 2023-24 Approved	FY 2023-04 Amended	FY 2024-25 Proposed	FY2024-25 Change	FY2024-25 FTE
Community Engagement & Policy	\$5.2	\$15.0	\$18.8	\$18.7	\$3.8	17
Diversity, Equity & Inclusion	\$0.4	\$0.9	\$1.0	\$0.9	\$0.0	3
Grant Distributions	\$55.9	\$110.3	\$94.3	\$113.7	\$3.4	
Strategic Incentives	\$5.4	\$15.5	\$16.4	\$19.5	\$4.0	33
Technology Implementation Office	\$3.5	\$4.0	\$7.0	\$5.3	\$1.3	11
Service Area Total	\$70.4	\$145.6	\$137.5	\$158.1	\$12.5	64

Service Area: Finance & Administration



FY 2024-25 Service Area Expenditures (\$ Millions)



Modernize IT infrastructure for resilience.

Implement Grants Management system for efficient grants.

Launch new performance management system.

Conduct comprehensive real estate strategy.

Provide technology assets for community communication.

Enhance My Air Online systems for efficiency.

4 Additional FTE in HR, IT & ADMIN

Expenditures	FY 2022-23 Actuals	FY 2023-24 Approved	FY 2023-04 Amended	FY 2024-25 Proposed	FY2024-25 Change	FY2024-25 FTE
Administrative Division	\$7.4	\$12.6	\$13.5	\$13.0	\$0.4	15
Boards	\$0.2	\$1.2	\$1.2	\$0.8	(\$0.4)	2
Executive Office	\$4.4	\$9.0	\$10.1	\$9.5	\$0.5	26
Finance Office	\$2.3	\$5.1	\$5.3	\$5.2	\$0.1	18
Human Resources Office	\$3.2	\$7.5	\$7.7	\$8.3	\$0.8	10
Enterprise Technology Solutions	\$6.9	\$8.8	\$12.1	\$10.3	\$1.5	9
Information Services Operations	\$2.1	\$6.8	\$7.8	\$6.0	(\$0.8)	16
Service Area Total	\$26.5	\$50.9	\$57.7	\$53.1	\$2.1	96

Service Area: General Counsel



FY 2024-25 Service Area Expenditures (\$ Millions)



Assess penalties for full legal consequences.

Enhance enforcement in overburdened communities.

Provide legal support for community plans.

Assist in civil rights compliance in permitting.

Establish Environmental Justice Fellowship Program.

Support compliance in permitting program.

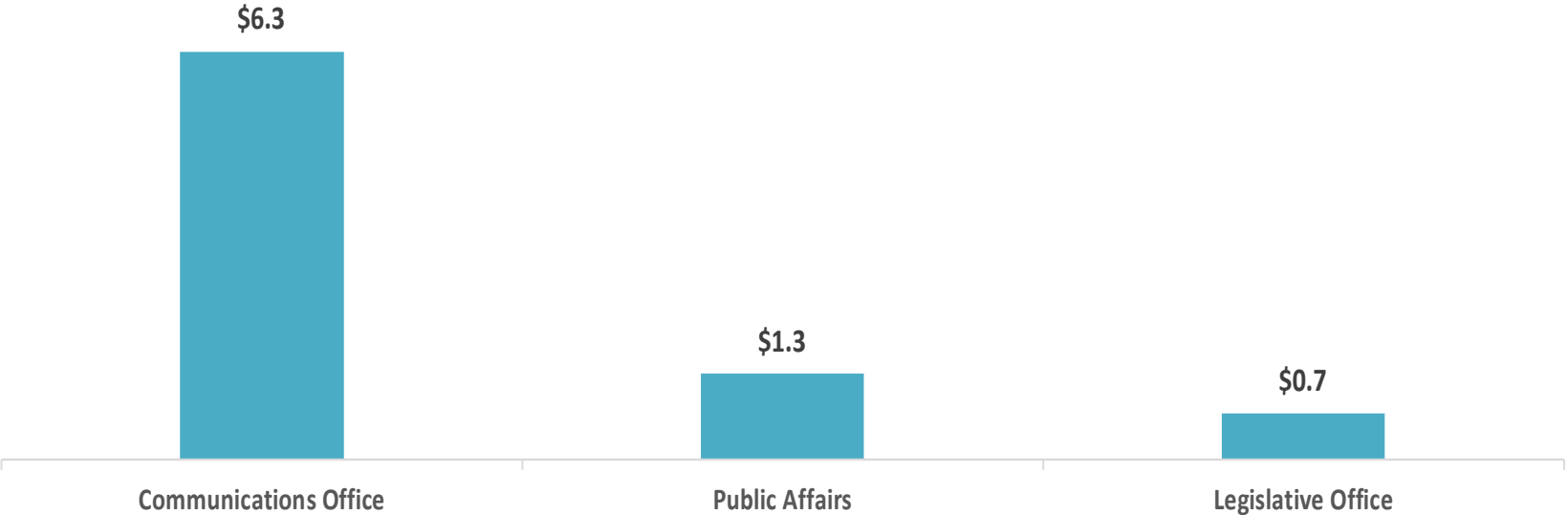
1 additional FTE for Legal Services

Expenditures	FY 2022-23 Actuals	FY 2023-24 Approved	FY 2023-04 Amended	FY 2024-25 Proposed	FY2024-25 Change	FY2024-25 FTE
General Counsel	\$2.1	\$5.2	\$5.9	\$5.8	\$0.7	17
Service Area Total	\$2.1	\$5.2	\$5.9	\$5.8	\$0.7	17

Service Area: Public Affairs



FY 2024-25 Service Area Expenditures (\$ Millions)



Communicate air quality incidents to media.

Forge partnerships with counties for messaging.

Implement Public Notification Tool for incidents.

Expand Spare the Air messaging on TikTok.

Conduct Air District rebranding.

Develop internal communications program

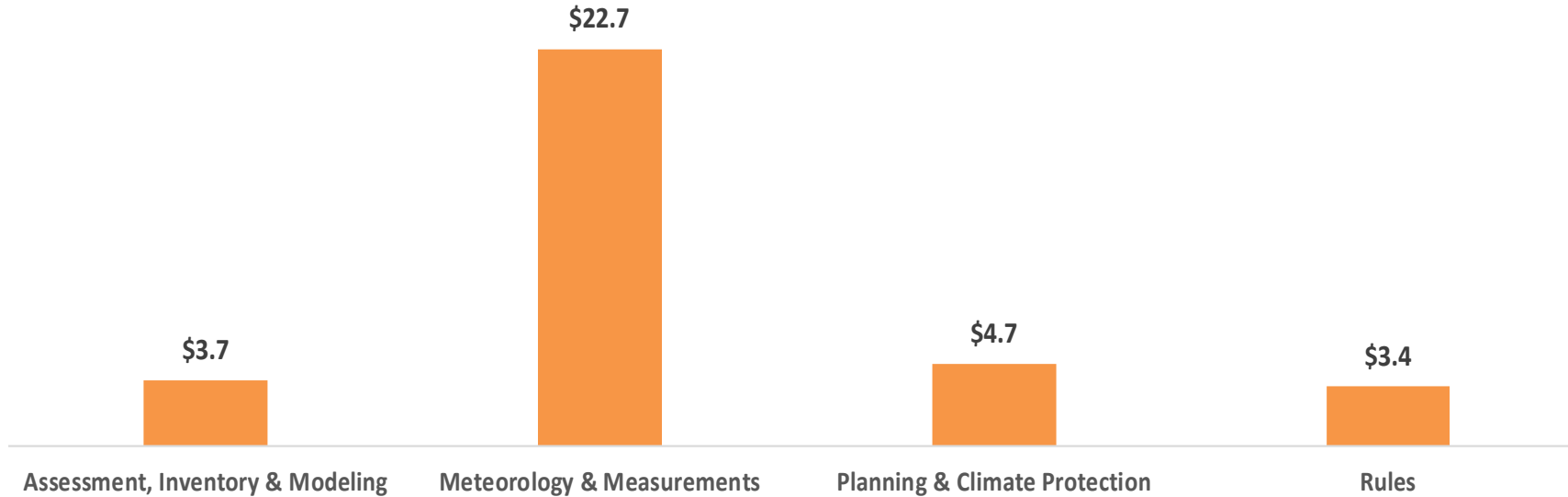
1 Additional FTE for Communications

Expenditures	FY 2022-23 Actuals	FY 2023-24 Approved	FY 2023-04 Amended	FY 2024-25 Proposed	FY2024-25 Change	FY2024-25 FTE
Communications Office	\$5.2	\$6.7	\$9.5	\$6.3	(\$0.4)	8
Public Affairs	\$0.6	\$1.1	\$1.4	\$1.3	\$0.2	3
Legislative Office	\$0.4	\$0.7	\$0.7	\$0.7	\$0.1	2
Service Area Total	\$6.1	\$8.5	\$11.6	\$8.3	(\$0.2)	13

Service Area: Science & Policy



FY 2024-25 Service Area Expenditures (\$ Millions)



Complete rulemaking for emission reduction.

Develop control strategies for impacted areas.

Develop health risk methodology.

Conduct community-partnered monitoring projects.

Review monitoring network for accuracy.

Develop new particulate matter measurement network.

2 additional FTE for Rules and Meteorology & Measurements

Expenditures	FY 2022-23 Actuals	FY 2023-24 Approved	FY 2023-04 Amended	FY 2024-25 Proposed	FY2024-25 Change	FY2024-25 FTE
Assessment, Inventory & Modeling	\$2.7	\$3.8	\$4.0	\$3.7	(\$0.1)	18
Meteorology & Measurements	\$8.3	\$19.5	\$20.4	\$22.7	\$3.2	72
Planning & Climate Protection	\$2.8	\$4.5	\$5.5	\$4.7	\$0.2	21
Rules	\$1.4	\$2.5	\$3.0	\$3.4	\$0.9	12
Service Area Total	\$15.3	\$30.3	\$32.9	\$34.4	\$4.2	123

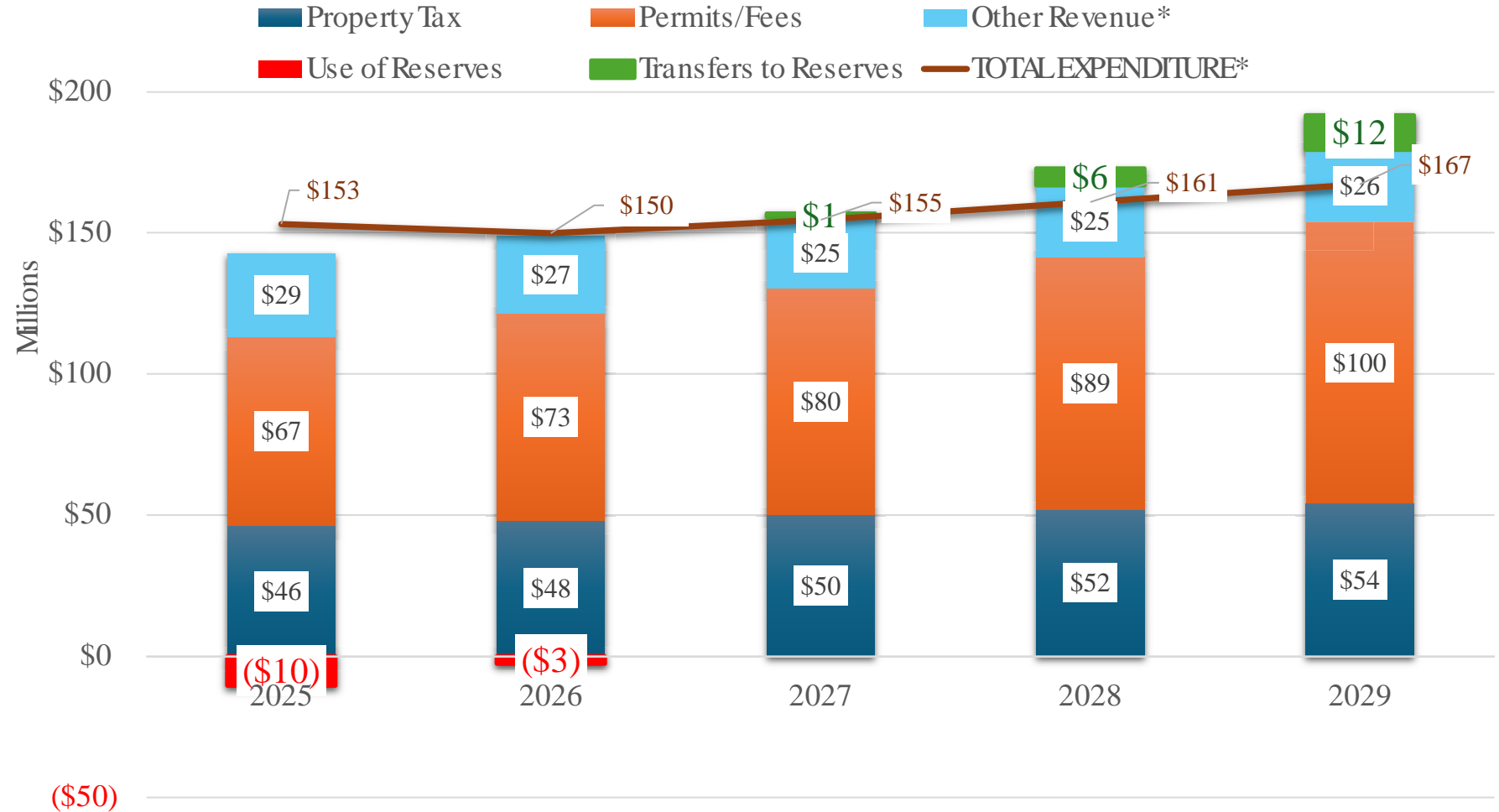
Projected Funding to Support Additional Positions



FY25-29 Budget - 5 Year Forecast

Using the 5-Year Forecast:

- Cost of 19 additional FTEs will be covered by Use of Reserves for FY 2025 and FY 2026
- Steady increase in property tax and permit revenues will begin to support the cost of the additional 19 FTEs beginning FY 2027



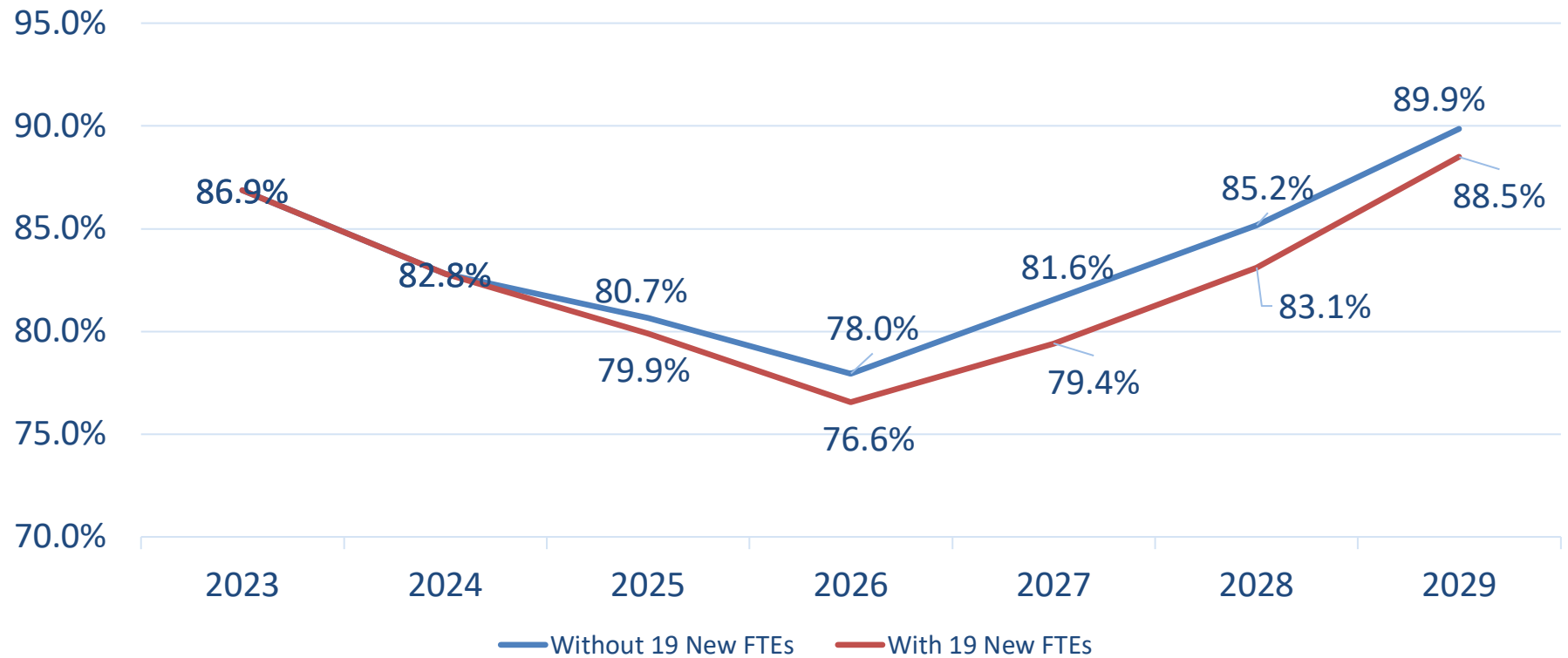
(\$50)

Impact of Cost Recovery with the 19 New FTEs



Impact on Cost Recovery of 19 Extra FTEs

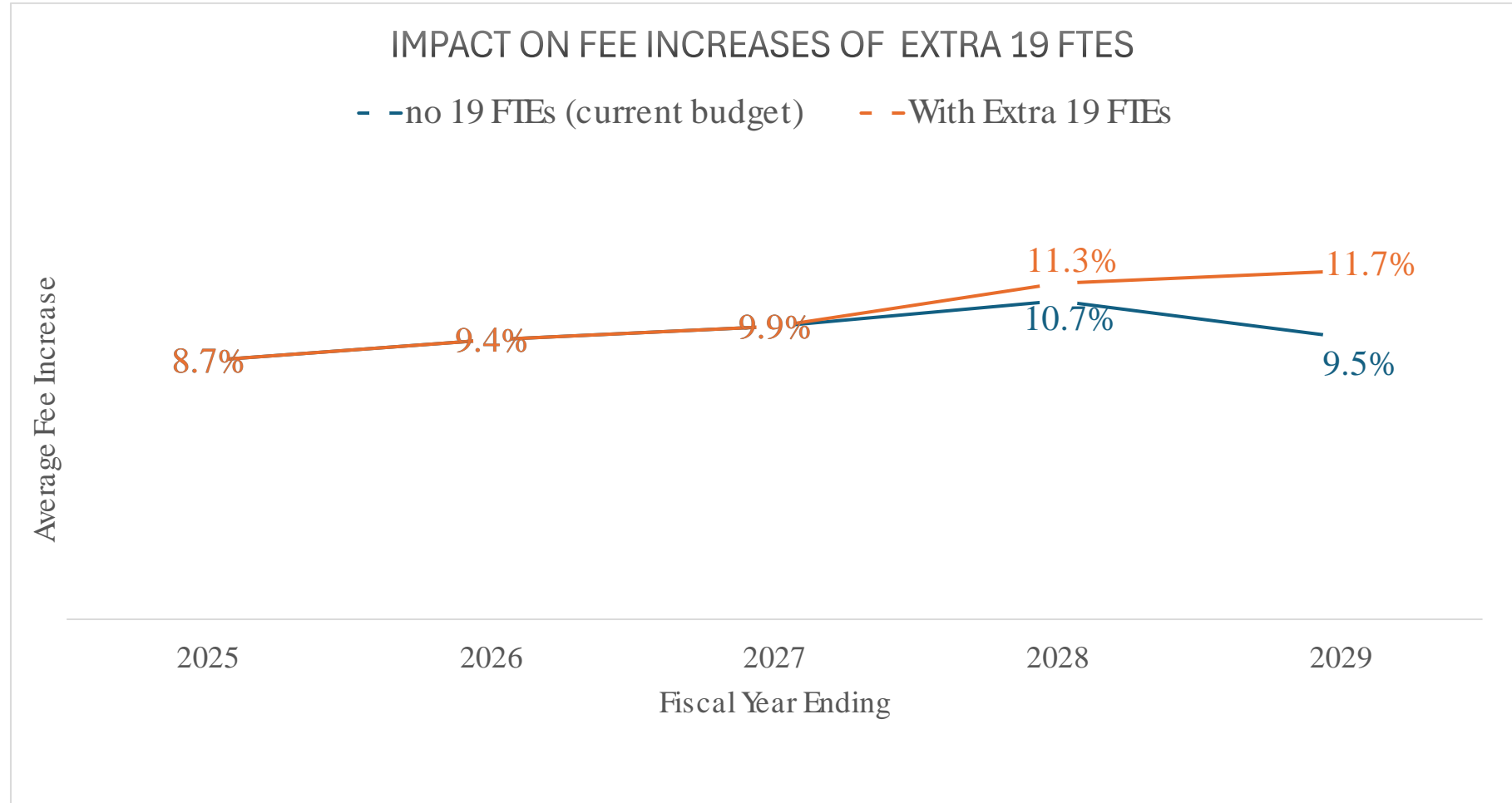
- Cost Recovery slightly dips between 1% - 2% annually



Impact on Fee Increases with 19 New FTEs (cont.)



- Impact on Average the Fee increases is expected to remain relatively the same until 2028 and 2029



FY25 New 19 FTE Cost Considerations



Division	New FTE	Annual Cost
Compliance & Enforcement	5	\$952,745
Engineering	5	\$1,094,412
HR, Admin, IT	4	\$698,707
General Counsel	1	\$290,125
Meteorology & Measurement	1	\$206,562
Communications	1	\$260,744
Rules	1	\$260,744
Strategic Incentives	1	\$206,562

Total \$3,970,601

FYE 2025 Staffing Adjustments



Division/Office	Reclassification	Annual Impact
Meteorology & Measurements	2	(55,303)
Human Resources	1	20,737
Finance	1	(32,534)
Enterprise Technology Solutions	1	6,409
Information Service Operations	1	-
Executive	1	(8,738)

Total Cost Savings = (\$69,429)

Budget and Rule Development Schedule



Description	Date
Public workshop for Regulation 3 amendments	February 15, 2024
Finance and Administration Committee briefing	March 20, 2024
Finance and Administration Committee briefing, if needed	April 17, 2024
First public hearing on Budget & Regulation 3 to receive testimony	May 1, 2024
Written Public Hearing comments on Regulation 3 due	May 17, 2024
Second public hearing on budget and Regulation 3 to consider adoption	June 5, 2024
Budget and fee amendments effective, if adopted	July 1, 2024

Recommendation



The Executive Officer/APCO requests that the Finance and Administration Committee recommend that the Board of Directors:

1. Conduct public hearings on the FY 2024-2025 Proposed Budget; and
2. Adopt the FY 2024-2025 Proposed Budget and staffing recommendations



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 8

Corrective Action Plan to Implement the Recommendations from the Engineering Performance Audit

**Finance and Administration Committee
March 20, 2024**

Pamela Leong
Engineering Division Director
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Meredith Bauer
**Deputy Executive Officer for
Engineering and Compliance**
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Presentation Outcome



- Review a proposed Corrective Action Plan to address the December 2024 Engineering Audit's Recommendations
- Recommend the Board of Directors (i) authorize the Corrective Action Plan to implement recommendations from the Engineering Audit Report and (ii) direct the Executive Officer/APCO to report progress to the Finance and Administration Committee in six months.

Requested Action



Recommend the Board of Directors (i) authorize the Corrective Action Plan to implement recommendations from the Engineering Audit Report and (ii) direct the Executive Officer/APCO to report progress to the Finance and Administration Committee in six months.

Presentation Outline



- Background
 - Engineering Audit History
 - Review of Key Audit Findings
- Audit Recommendations
- Corrective Actions
 - Approach and Timing
 - Action Plans
- Recommended Action

History



- On December 20, 2023, the Finance and Administration Committee heard the Engineering Audit Report on the Air District's Permit Process.
- The Audit Report calls for 7 broad recommendations to address multiple findings.
- After hearing the report, the Finance and Administration Committee directed staff to develop this action plan to address the recommendations within 90 days.

Key Audit Findings



- Timeliness/Backlog: Permit applications are not always processed in a timely manner and a backlog exists.
- Tracking: Engineering does not track all information necessary to assess efficiency of permitting processes, identify resource needs, and ensure facilities are properly permitted.
- Resource Management
 - Staffing: hiring freeze, attrition, training, loss of institutional knowledge
 - Workload: Insufficient resources for workload, increase in non-core activities, inefficiencies in permit processing and delinquent application accounts
- Cost Recovery: Opportunities exist to enhance current fee schedule to better recover costs.

Audit Recommendations Timeliness/Backlog



1. Develop a plan to address the permit application backlog.

Factors contributing to the backlog identified in Audit Report

- New/resource-intensive rules and programs (e.g., Rules 11-18 and 12-15, AB617, BUGs)
- Complex sources (refineries, new technologies, composting)
- Non-core duties doubled in the past five years (over 10% of workload)
- Staffing

Excerpt: “Develop a plan to address the permit application backlog. As part of this plan, the Division should consider the use of contractors and/or retired annuitants to supplement its existing staffing resources.”

Audit Recommendations

Tracking – Permit Process/Bottlenecks



2. Track permit process and payments

- (a) Ensure overall and interim permit processing steps are tracked in NPS
- (b) Ensure payments are tracked and accounts receivable information readily available in NPS
- (c) Create reports at aggregate and facility level to track efficiency, bottlenecks, and payments – these should be available to Division management
- (d) Identify information needed by management to oversee permitting activities and develop standardized reports
- (e) Identify and correct erroneous and corrupted data that was migrated from legacy systems and is currently recorded in the New Production System

Excerpt: “Work with the My Air Online team to ensure the New Production System records processing time data on both core and interim permit processing steps, outstanding accounts receivable information is readily available at the facility and aggregate level and reports necessary for management to assess permit process efficiency, identify bottlenecks, and assess the timeliness of payments are developed and available to Division management. As part of this, management should identify information it needs to oversee permitting activities and work with the My Air Online team to develop standardized reports with the required information. In addition, the Division should continue to work with the My Air Online team to identify and correct erroneous and corrupted data that was migrated from legacy systems and is currently recorded in the New Production System.”

Audit Recommendations

Tracking – Permit Process/Bottlenecks (cont'd)



6 (a) (ii). Identify permitting process inefficiencies and bottlenecks and implement process improvements to address the root-cause of the inefficiencies identified, including dependencies outside the Division.

Audit Recommendations Tracking - Accounts



2. Track permit process and payments

- (b) Ensure payments are tracked and accounts receivable information readily available in NPS
- (c) Create reports at aggregate and facility level to track efficiency, bottlenecks, and payments – these should be available to Division management

6 (b) Track, identify, and collect payments for delinquent accounts

Excerpt: “Track and identify delinquent accounts and work with the Compliance and Enforcement Division to enforce permitting requirements and collect amounts owed. Once the true number and amount of delinquent accounts is identified, the Air District may want to consider the use of a third-party collector to help the Air District collect past due amounts.”

Audit Recommendations Tracking – Management Time



3. Track total hours worked by management on permits and account for time in cost recovery allocations

Excerpt: “Work with the Human Resources Office to determine the feasibility of tracking the total hours worked by management within existing systems. If this is not feasible, management should develop an alternative process to track actual time spent to ensure it has a full understanding of resource needs and where staff are spending their time. This analysis should be used to refine cost recovery for these positions to ensure the appropriate percentage of costs are attributed to each program.”

Audit Recommendations

Resource Management: Staffing and Workload



4. Create a new job classification for an entry-level position for the Division

Excerpt: “Work with Air District management and Human Resources to implement a new job classification for entry level position for the Division.”

5. Review/update workload prioritization process

Excerpt: “Review existing permit and workload prioritization processes to assess whether procedures should be updated to better align with Division priorities and current practices.”

Audit Recommendations

Resource Management: Staffing and Workload (cont'd)



6. Assess resource needs to meet workload demands and core activities after tracking and efficiency measures have been implemented
 - (a) Assess impact of non-core activities and consider transferring non-core activities where possible
 - (i) Assess whether current staffing can implement work from newly adopted programs

Excerpt: “Once the Division has the data it needs to assess permit process efficiency and determine current workload and resource needs, management should: Review existing resources and determine whether resources are sufficient to not only meet workload demands, but also perform all core activities.

- (a) As part of this review, management should also review time spent by Division staff and management on non-core activities and assess the impact these activities have on resources, whether the responsibility should be transferred to another area within the Air District, and the Division’s ability to meet existing workload demands and perform core functions.
 - (i) Management should review previously requested staffing that was not approved from newly adopted programs to check if the estimates are up to date to fully implement the work.”

Audit Recommendations

Cost Recovery



7. Re-evaluate/update (as needed) Cost Recovery and Containment Policy and fee schedules

Excerpt: “Work with executive management, District Counsel, and the Board to re-evaluate the existing Cost Recovery and Containment Policy and fee schedules to determine whether they should be adjusted to better align practices with the intent of Air District leadership.”

Audit Recommendations Summary



Finding(s)	Recommendation(s)
Timeliness/backlog	<ol style="list-style-type: none"> 1. Develop a backlog plan 2. Improve tracking 6(a)(1). Assess resource needs (including staffing) 6(a)(ii). Identify/resolve bottlenecks
Tracking: Permit Process and Bottlenecks	<ol style="list-style-type: none"> 2(a). Track permit process steps 2(c). Create reports for efficiency, bottlenecks, and payments 2(d). Develop standardized reports for management 2(e). Identify/correct erroneous data migrated to NPS 6(a)(ii). Identify/resolve bottlenecks
Tracking: Management Time	<ol style="list-style-type: none"> 3. Track and account for management time spent on permit program
Tracking: Accounts	<ol style="list-style-type: none"> 2(b). Track payments in NPS 2(c). Create reports for efficiency, bottlenecks, and payments 6(b). Track, identify, and collect payments for delinquent accounts
Resource Management: Staffing and Workload	<ol style="list-style-type: none"> 4. Create a new job classification for an entry-level position for the Division 5. Review/update workload prioritization process 6. Assess resource needs to meet workload demands 6(a). Assess/transfer non-core activities 6(a)(i). Assess whether current staffing can implement work from newly adopted programs
Cost Recovery	<ol style="list-style-type: none"> 7. Re-evaluate/update (as needed) Cost Recovery and Containment Policy and fee schedules

Corrective Actions Recent Progress



Staffing

- Hired 4 Knowledgeable Retirees – process/oversee overdue complex applications
- Job Classification Studies started with HR – recommend entry level engineer
- 'Continuous' recruitment for the Air Quality Engineer I/II position
- Annual participation in College Summer Intern Program and Career Fairs

Efficiencies

- Enforce Permit Streamlining Policy and Title V Policies
- Completed realignment of facility assignments to take advantage of specialized knowledge
- Pilot updated Permit Handbook with new source categories and CEQA guidance in 2Q2024

Tracking

- MyAirOnline tools
- Spreadsheets as a 'stop gap' for Health Risk Assessments and Public Notices
- Legacy Databank staff trained and proficient in to run queries and write reports in MyAirOnline

Corrective Action Approach and Timeline



Dependencies that Affect Corrective Action Timing

- Strategic plan
- Compensation/Classification Study
- Rule development schedule
- NPS upgrade schedule

Phase 1: Planning

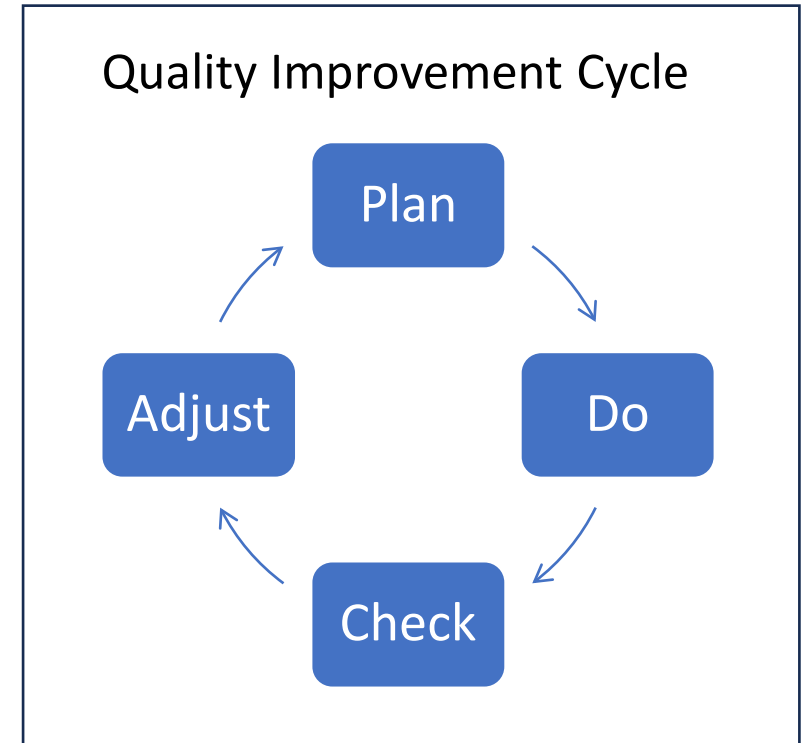
- Next 6 months
- Develop plans for backlog reduction, tracking, staffing, work prioritization, cost recovery
- Create metrics to report progress to Board
- Continue on-going improvements (e.g., NPS upgrades, efficiency measures, etc.) and complete concrete near-term recommendations

Phase 2: Implementation and Tracking

- End of 2024 - 2027

Phase 3: Adjust and Maintain

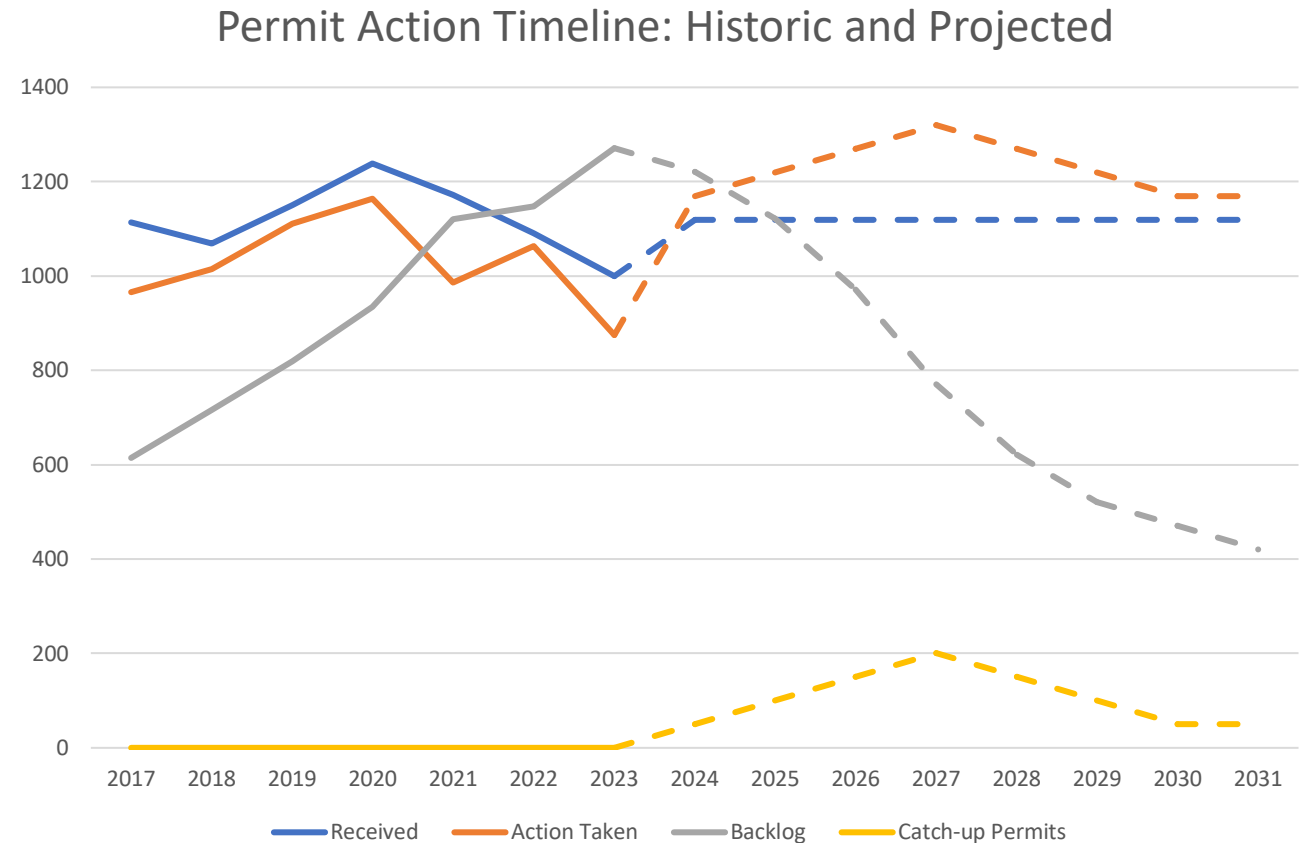
- 2028-2029+



Corrective Action Timing 5-year Backlog Reduction Schedule



Year	Total NSR Actions	Extra Actions	Above 2017 Baseline
2024	1169	50	607
2025	1219	100	507
2026	1269	150	357
2027	1219	200	157
2028	1219	150	7



Action Plan Timeliness/Backlog



Finding:	Timeliness/backlog		Phase 1 - Plan			Phase 2 - Implement			Phase 3 -Adjust	
Audit Rec. No.	Planned Action	complete	Q2 2024	Q3 2024	Q4 2024	2025	2026	2027	2028	2029
1	Staff will develop a comprehensive backlog reduction plan									
1,2	Staff will create standard metrics to report progress to the Board									
1	Staff will create a list of backlogged permits and identify the action(s) and timeline to take final action									
1	Staff will finalize action on backlogged permits									
1, 6(a)(i)	Staff will assess resource-intensive programs and identify opportunities for efficiencies, which may require rule amendments (e.g., 2-5, 12-15, 11-18, BUGs, BACT, composting)									
1	Staff will develop a rule amendment plan, including a timeline									
1	In consultation with the Board of Directors, staff will develop policy updates and/or rule amendments for Rule 11-18, Rule 12-15, Rule 2-5, BUGs, BACT, and composting, along with others that may be identified in the rule amendment plan									
1, 5, 6	Staff will create project teams for complex sources to have more streamlined coordination									
1, 6(a)(ii)	Staff will initiate a procurement for outside project management services to develop internal coordination tools and efficiency measures									

Action Plan Timeliness/Backlog (cont'd)



Finding:	Timeliness/backlog		Phase 1 - Plan			Phase 2 - Implement			Phase 3 -Adjust	
Audit Rec. No.	Planned Action	complete	Q2 2024	Q3 2024	Q4 2024	2025	2026	2027	2028	2029
1	Staff will implement efficiency measures based on tracking corrective actions									
1, 2, 6(a)(ii)	Staff will evaluate external causes of permit delays (e.g., applicant, school notifications, CEQA, EIR) and develop a plan to address the impact on permit timelines									
1, 2, 6(a)(ii)	Staff will identify and resolve bottlenecks in the permit process based on metrics and reports developed through the tracking corrective actions									
1	Staff will complete revisions of the Permit Handbook and managers will work with staff to ensure Air District policies are efficiently implemented									
1	Staff will enhance and expand customer service tools on the permit process (e.g., tools for complete submittals, status checker, dispute resolution)									
1, 6(a)(i)	Staff will develop backlog reduction and maintenance staffing plans based on workload corrective actions									

Action Plan

Tracking – Permit Process/Bottlenecks



Finding:	Tracking: Permit Process and Backlog		Phase 1 - Plan		Phase 2 - Implement			Phase 3 -Adjust		
Audit Rec. No.	Planned Action	complete	Q2 2024	Q3 2024	Q4 2024	2025	2026	2027	2028	2029
2(a)	Staff will map out key permit process steps, including those in other Divisions and by external entities, and known bottlenecks									
2(a), 2(c), 2(d)	Staff will initiate a procurement for outside project management services to develop standard tracking metrics and reports									
2(a), 2(c), 2(d)	Staff will develop a project plan to systematically build internal tracking tools and routine reports to management									
2(a), 2(c), 2(d)	To the extent possible, staff will build tracking and reporting tools in NPS. If needed, staff will initiate RFQ for services to build the necessary tools, in consultation with the Board of Directors.									
1, 2(a)	Staff will enhance and expand tools for applicants to track the status of individual permits									
1, 6(a)(ii)	Staff will initiate a procurement for outside project management services to develop an internal coordination plan									

Action Plan

Tracking – Permit Process/Bottlenecks (cont'd)



Finding:	Tracking: Permit Process and Backlog	complete	Phase 1 - Plan			Phase 2 - Implement			Phase 3 -Adjust	
			Audit Rec. No.	Planned Action	Q2 2024	Q3 2024	Q4 2024	2025	2026	2027
2(a), 6(a)(ii)	Based on the internal coordination plan, staff will integrate key information from other Divisions into NPS (e.g., source test status, NOVs, AB617 community, unresolved/past enforcement actions), incorporate HRA process information and steps, and track title V permits									
1, 2(c), 6(a)(ii)	Staff will identify bottlenecks in the permit process based on metrics and reports developed through the tracking updates and create de-bottlenecking recommendations									
1, 6(a)(ii)	In consultation with Legal and Source Test, staff will explore options to expedite current AC permits that are awaiting source test approval									
2(e)	Staff will identify and correct erroneous data that was migrated to NPS									

Action Plan Tracking - Management Time



Finding:	Tracking: Management Time		Phase 1 - Plan		Phase 2 - Implement			Phase 3 -Adjust		
Audit Rec. No.	Planned Action	complete	Q2 2024	Q3 2024	Q4 2024	2025	2026	2027	2028	2029
3	In consultation with the Human Resources Office and Finance Division, staff will develop a process to track time spent by management on permit program									
3	Management will track time spent on permit program, in alignment with the new process									

Action Plan Tracking - Accounts



Finding:	Tracking: Accounts		Phase 1 - Plan		Phase 2 - Implement			Phase 3 - Adjust		
Audit Rec. No.	Planned Action	complete	Q2 2024	Q3 2024	Q4 2024	2025	2026	2027	2028	2029
2(b), 2(c), 6(b)	Staff will identify delinquent accounts									
6(b)	In consultation with Legal and Compliance and Enforcement, staff will determine how to expeditiously achieve compliance									
2(b), 2(c), 6(b)	In consultation with Legal and Compliance and Enforcement, staff will create and implement a standard procedure to quickly address applications with delinquent fees									

Action Plan

Resource Management: Staffing and Workload



Finding:	Resource Management - Staffing and Workload		Phase 1 - Plan			Phase 2 - Implement			Phase 3 -Adjust	
Audit Rec. No.	Planned Action	complete	Q2 2024	Q3 2024	Q4 2024	2025	2026	2027	2028	2029
1, 6	Staff will hire retired annuitants									
1, 6	In consultation with Human Resources and the Employee Association, staff will develop a backlog reduction staffing plan that will consider, among other things, the use of contractors (per audit recommendation)									
1,6	Based on the backlog reduction staffing plan, in consultation with the Board, staffing levels will be adjusted in order to reduce the backlog to 2017 levels within 5 years (i.e., 2029)									
4, 6	In consultation with Human Resources, staff will identify hiring barriers (e.g., intro-level job classification)									
6, 6(a)(i)	Staff will develop long-term staffing plan (maintenance level) based on rule/policy updates, tracking data, and efficiency/de-bottlenecking measures									
6	In order to maintain adequate staffing and retain institutional knowledge, staff will develop a retention plan									
5,6	To increase efficiency, effectiveness, expertise, and consistency, staff will develop a training and collaboration plan									

Action Plan

Resource Management: Staffing and Workload (cont'd)



Finding: Audit Rec. No.	Resource Management - Staffing and Workload Planned Action	complete	Phase 1 - Plan		Phase 2 - Implement			Phase 3 -Adjust		
			Q2 2024	Q3 2024	Q4 2024	2025	2026	2027	2028	2029
6, 6(a)	Staff will assess non-core activities and, based on strategic planning priorities, develop a plan address their impact on the permit backlog									
5	Use strategic plan and tracking information to develop a prioritization process that utilizes staffing resources to meet Air District priorities									
5	Utilize tracking data to identify resource-intensive sources and develop a plan to efficiently and effectively manage projects									
1, 5, 6	Staff will create project teams for complex sources to have more streamlined coordination									
5	Staff will initiate early coordination on sensitive projects, which will be identified based on strategic planning priorities and in consultation with Legal and C&E									
6(a)(ii)	In consultation with Rules and Planning, staff will develop a process to identify unexpected impacts of new programs on permit processing, which should happen in early stages of program development									

Action Plan Cost Recovery



Finding:	Cost Recovery		Phase 1 - Plan		Phase 2 - Implement			Phase 3 -Adjust		
Audit Rec. No.	Planned Action	complete	Q2 2024	Q3 2024	Q4 2024	2025	2026	2027	2028	2029
7	Staff will initiate RFQ for service to provide a report on cost recovery methods used by other agencies and options for the Air District to consider.									
7	In consultation with the Board of Directors, consider updates to the cost recovery methodology for the Air District based on findings from the cost recover report, and that consider time spent by management and on legal and enforcement cases									
7	In consultation with Finance and the NPS Team, identify opportunities to streamline fee payment and tracking to ensure the Air District receives timely and adequate fees									
7	The NPS team will develop a plan for implementing fee payment and tracking improvements in NPS									
7	To the extent possible, staff will build fee streamlining tools in NPS. If needed, staff will initiate RFQ for services to build the necessary tools, in consultation with the Board of Directors.									

Requested Action



Recommend the Board of Directors (i) authorize the Corrective Action Plan to implement recommendations from the Engineering Audit Report and (ii) direct the Executive Officer/APCO to report progress to the Finance and Administration Committee in six months.



Q&A