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

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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
• IT Infrastructure
• User Support
• Cybersecurity
• Software Development
• Online Services
• Records Management

Fiscal Year 2025 Budget

Function	FYE 2025 Budget / Staff
• IT Infrastructure • User Support • Cybersecurity	• $3.3 Million • 12 Full Time Staff
• Software Development • Online Services • Records Management	• $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.)

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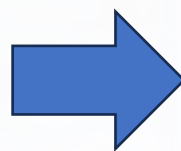
Functional Area	$/Year FTE / Year
Support of Legacy Systems	0
Development & Maintenance of New Systems	$4.3M 7 FTE
IT Cloud Infrastructure	$400K 3 FTE
TOTALS	**$4.7 M 10 FTE**

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

Agenda

◆ **Project Overview & Status**

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

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

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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

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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

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Performance Evaluation Process Overview

◆ 4-point Performance Rating Scale used across five (5) Executive Core Qualifications (ECQs for Executives) and Employee Performance Factors :

- o Outstanding
- o Successful ("Meets Standards")
- o Developing ("Needs Improvement")
- o 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   - Partnership
- Equity   - Transparency
- Integrity   - 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
Leading Change - Adaptability & Flexibility - Strategic Thinking - Innovation	**Thinks Creatively & Proactively** - Adaptability & Flexibility - Strategic Thinking - Innovation
Leading People - Fosters Teamwork - Equity, Inclusion & Belonging - Integrity. Transparency, & Trust	**Diversity, Equity, & Inclusion** - Equity, Inclusion, & Belonging - Environmental Justice
Results Driven - Delivers Results - Technical Competency	**Results Driven** - Execution of Assignments/Projects - Technical Competency
Business Acumen - Accountability & Responsibility - Business Acumen	**Models Integrity & Leadership** - Accountability & Responsibility - Excellence in Customer & Public Service - Integrity, Transparency, & Trust
Building Coalitions - Collaboration & Partnering - Environmental Justice - Effective Communications	**Fosters Teamwork & Partnering** - 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

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

Finance and Administration Committee

December 18, 2024

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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
• 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)	• 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

Economic Performance, Real GDP Change

Forecast

SF Bay Area — California — USA
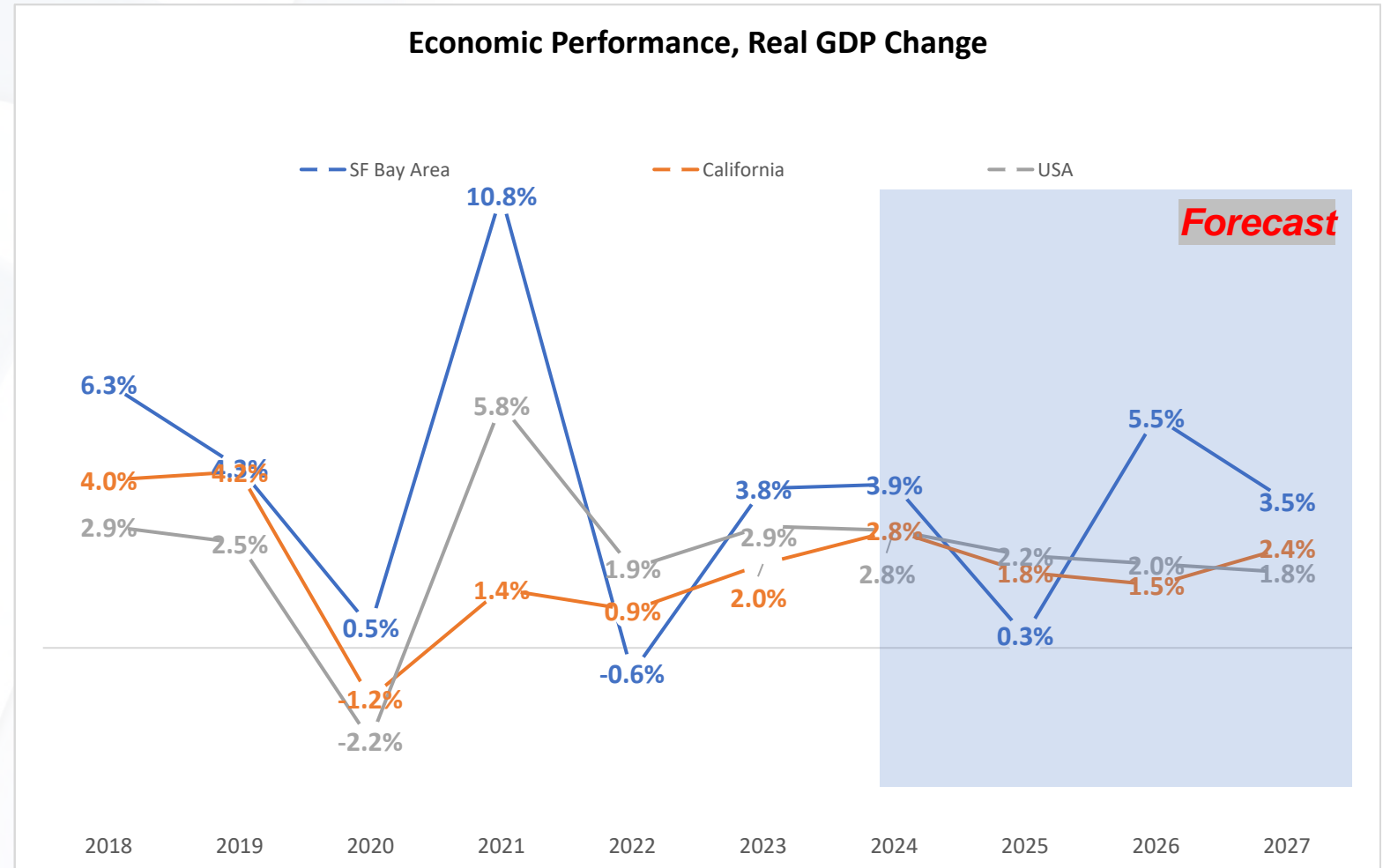
Sources: US Dept. of Commerce, BEA; Blue Chip Economic Indicators; CA Dept. of Finance

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%

INFLATION RATE, CPI-U

‒ ‒ SF Bay Area ‒ ‒ California ‒ ‒ USA

Forecast

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
SF Bay Area	3.9%	3.3%		3.3%	5.6%	3.6%	2.6%	2.6%	2.9%	3.0%
California	3.7%	3.0%	1.7%	4.3%	7.4%	3.9%	3.3%	2.7%	2.7%	2.7%
USA	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	3.1%	2.2%	2.2%	2.3%
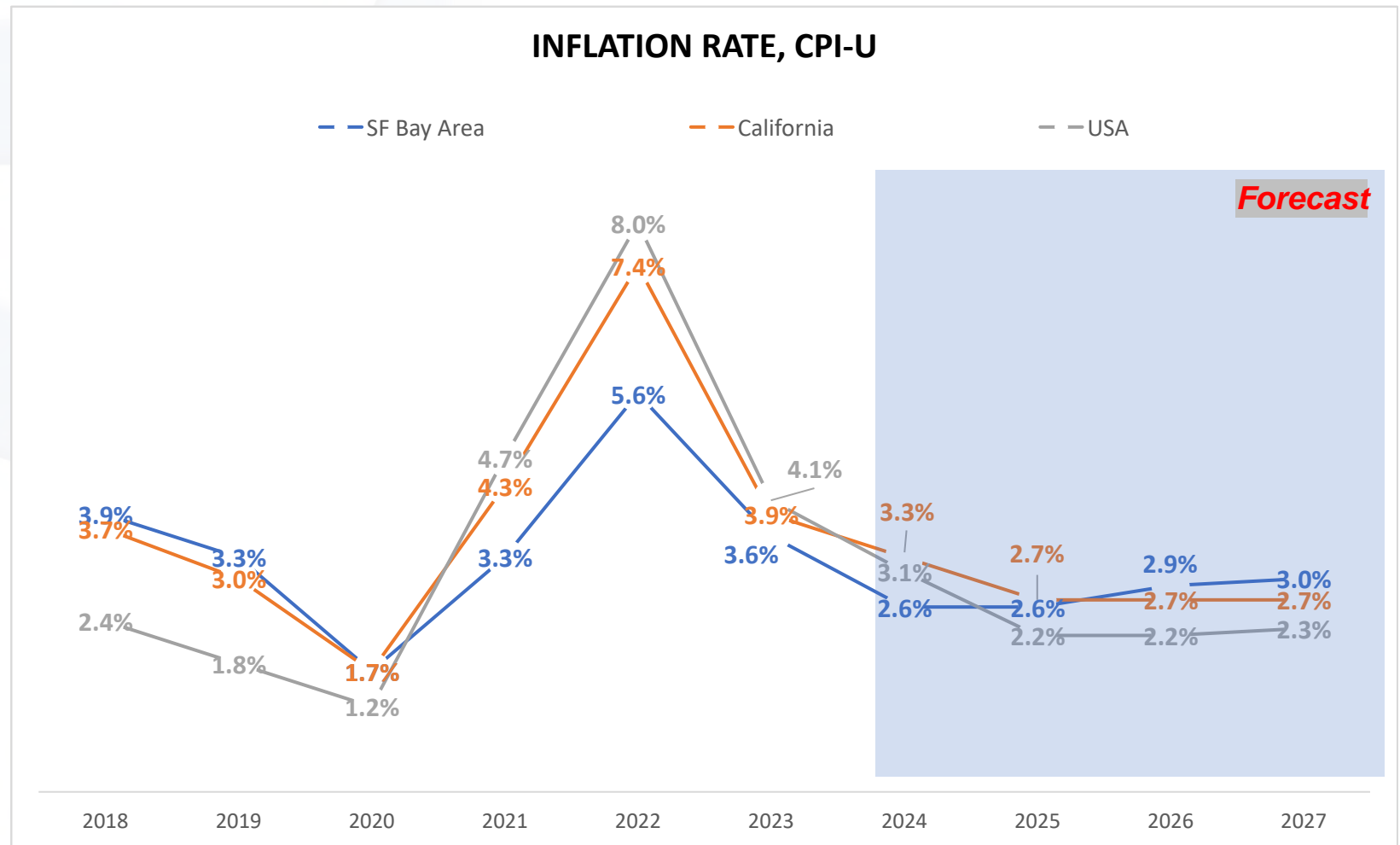
Sources: US Dept. of Labor, BLS; CA Dept. of Finance
CPI-U = Consumer Price Index for All Urban Consumers

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

UNEMPLOYMENT RATE

SF Bay Area — California — USA

forecast

SF Bay Area: 2.8%, 2.6%, 8.2%, 5.6%, 3.0%, 3.7%, 4.5%, 3.5%, 3.7%, 3.2%
California: 4.3%, 4.1%, 10.2%, 7.3%, 4.3%, 4.7%, 5.2%, 5.3%, 5.1%, 4.9%
USA: 3.9%, 3.6%, 6.7%, 3.9%, 3.5%, 4.0%, 4.3%, 4.4%, 4.2%, 4.0%

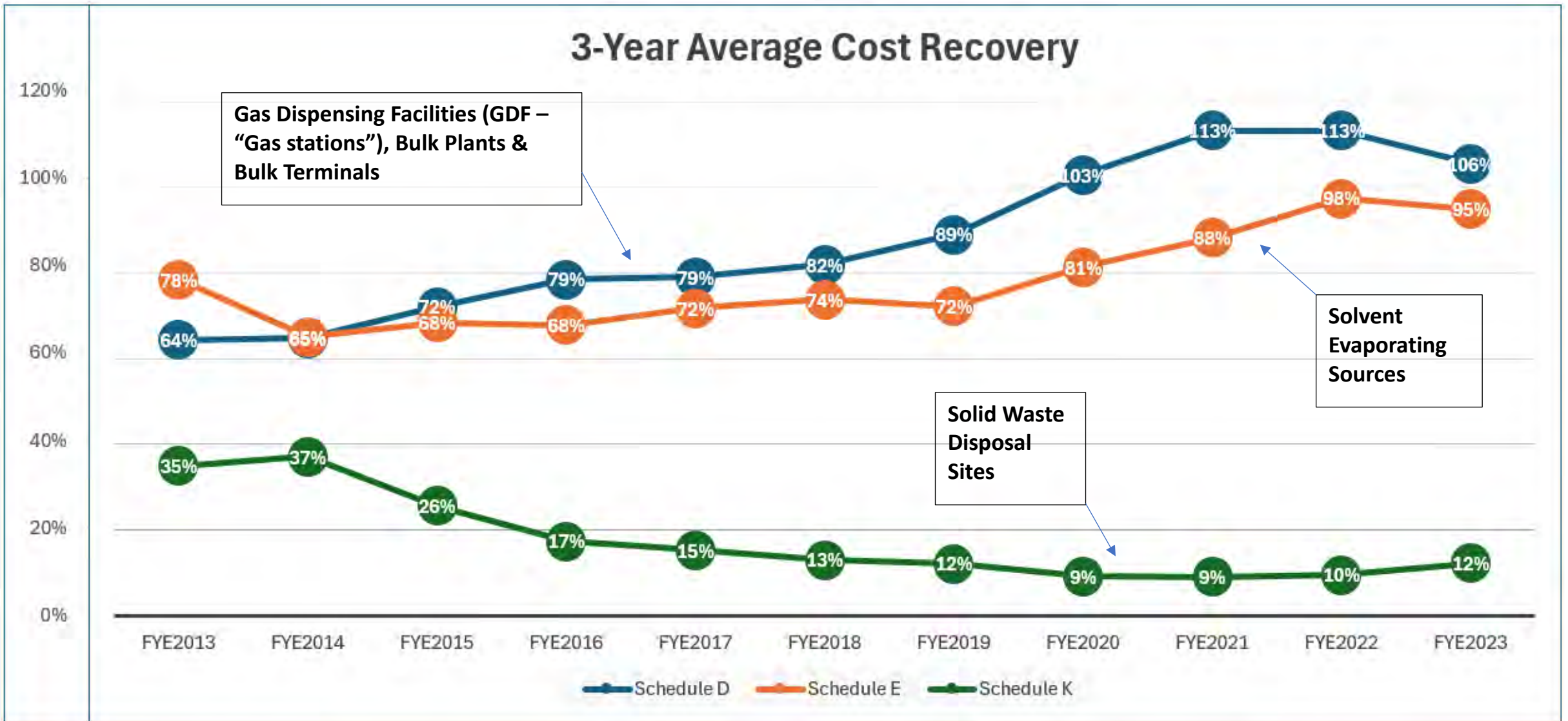2018 2019 2020 2021 2022 2023 2024 2025 2026 2027
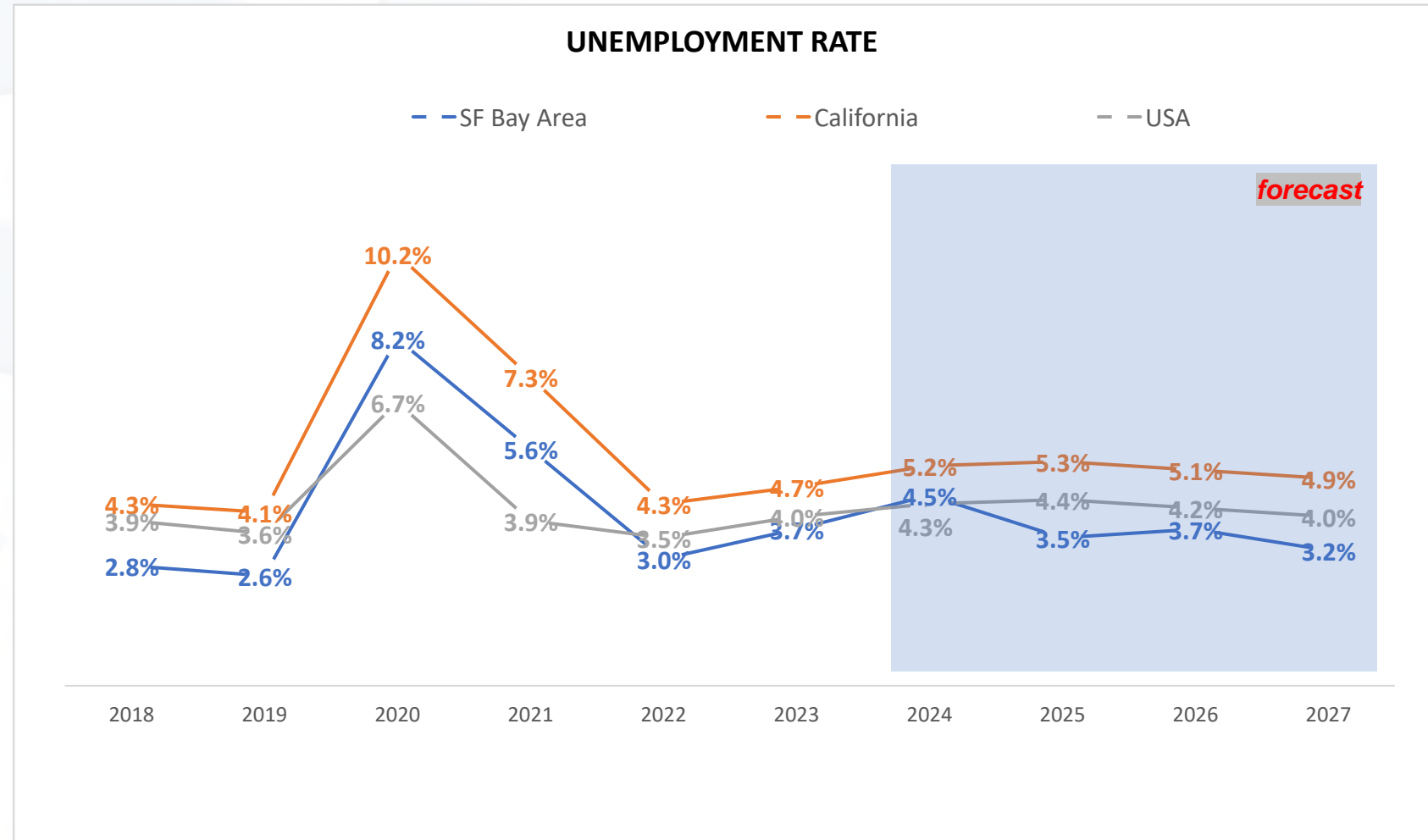
Sources: US Dept. of Labor, BLS; CA Dept. of Finance

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

3-Year Average Cost Recovery

Gas Dispensing Facilities (GDF – "Gas stations"), Bulk Plants & Bulk Terminals

Solvent Evaporating Sources

Solid Waste Disposal Sites

Schedule D — 64%, 65%, 72%, 79%, 79%, 82%, 89%, 103%, 113%, 113%, 106%
Schedule E — 78%, 65%, 68%, 68%, 72%, 74%, 72%, 81%, 88%, 98%, 95%
Schedule K — 35%, 37%, 26%, 17%, 15%, 13%, 12%, 9%, 9%, 10%, 12%

FYE2013, FYE2014, FYE2015, FYE2016, FYE2017, FYE2018, FYE2019, FYE2020, FYE2021, FYE2022, FYE2023

Schedule D   Schedule E   Schedule K

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