

RECOMMENDED BUDGET

2017-2018



San Joaquin Valley
AIR POLLUTION CONTROL DISTRICT



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Supervisor Kristin Olsen

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Alexander C. Sherriffs, M.D.

Appointed by the Governor

Mayor Chris Vierra

City of Ceres

Seyed Sadredin

Executive Director / Air Pollution Control Officer

June 15, 2017

**San Joaquin Valley
Unified Air Pollution Control District**

2017-18 Recommended Budget

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June 15, 2017

Governing Board
San Joaquin Valley Unified Air Pollution Control District
1990 E. Gettysburg Avenue
Fresno, California 93726

Dear Board Members:

Attached is the Recommended Budget for the San Joaquin Valley Air Pollution Control District for July 1, 2017 to June 30, 2018. Policy guidance for the 2017-18 Budget was provided by your Board's Ad Hoc Subcommittee for Budget and Finance, which consisted of Vice Chair Supervisor Mendes, Mayor Ayers, Dr. Capitman, and Supervisor Olsen.

The Recommended Budget is crafted to provide adequate resources to fulfill the District's mission:

The San Joaquin Valley Air District is a public health agency whose mission is to improve the health and quality of life for all Valley residents through efficient, effective and entrepreneurial air quality management strategies. Our core values have been designed to ensure that our mission is accomplished through common sense.

As in previous years, this year's budget was developed using the zero-based budgeting approach. The narratives included as a part of this budget document describe the specifics of each department's functions and workload impacts, as well as efficiencies and streamlining measures being implemented.

The Recommended Budget is balanced, with adequate reserves and contingencies. The resources contained in the budget will enable the District to continue to provide excellent customer service, expedited processing of permit applications, and fulfill all state and federal mandates in a timely fashion.

Budget Highlights

- Total operating budget, excluding funds set aside for the purchase of the southern region office building, increased by 2%
- Significant increase in mandated workload absorbed through efficiency and streamlining with no increase in regular positions
- 7% salary savings through position control
- Strong public education and outreach
- Expeditious administration and use of emission reduction incentive funds in a wide range of applications (\$181.5 million)
- \$300,000 for Valley-specific scientific studies and air quality modeling
- Assistance to local municipalities in meeting clean-air and climate change mandates
- Reduce fees for facilities subject to the State's Air Toxics Hot Spots Act
- New Pension Stabilization Reserve Fund of \$1,250,000
- \$3,610,680 set aside for the southern region office building purchase

Workload and Staffing

In 2017-18, the District will experience significant workload increases in a number of areas which are summarized below:

Administration of Incentive Grants:

The administration of the District's large incentive program is highly labor intensive, even after intensive streamlining and efficiency efforts. Recognizing the fact that Valley businesses are already subject to some of the toughest air regulations in the nation, the Recommended Budget once again devotes significant resources to the District's voluntary incentive grant programs. These programs are central to the District's efforts to attain the ever-tightening federal ambient air quality standards as expeditiously as possible.

The 2017-18 Recommended Budget includes \$181.5 million for incentive-based programs with funding from various local, state, and federal sources. Through the Incentive Spending Plan in the Recommended Budget, this funding is allocated to a comprehensive portfolio of District incentive programs that provide funding to Valley residents, businesses, schools and municipalities for projects that reduce air pollution throughout the Valley. A great deal of staff time is allocated to these programs to develop grant program guidelines, conduct extensive outreach and assistance activities, review grant applications, conduct emissions reductions calculations, conduct on-site verification, and review grant claims to ensure timely payment.

The Recommended Budget includes more than \$38 million for community incentive programs including the Burn Cleaner woodstove replacement program, the REMOVE program to reduce vehicle trips, the Drive Clean rebate program and the award-winning Tune In Tune Up Vehicle repair and replacement programs. These community-level programs generate critical, cost-effective emission reductions while also providing ways for the general public to contribute to cleaning the air for all Valley residents. A

significant amount of staff time is spent in assisting Valley residents with these important programs and ensuring that these programs remain responsive to the needs of the public.

Additionally, the Recommended Budget includes more than \$121 million in incentive funding for programs aimed at accelerating the turnover of older, high-polluting heavy-duty diesel equipment with new, much cleaner technology including the agricultural irrigation pump, dairy feed mixer electrification, agricultural equipment, heavy duty truck, locomotive, and school bus replacement programs. Additionally, the Recommended Budget includes funding for an expanded agricultural equipment trade-up program that achieves even further reductions beyond the existing replacement program.

The Recommended Budget also includes more than \$20 million in funding for the demonstration and deployment of new zero and near-zero emissions technologies and related infrastructure. These programs are implemented in partnership with Valley public agencies through the Public Benefit Grants program or in partnership with other Valley entities through other programs including the Charge Up Program and Technology Advancement Program.

As directed by the Governing Board, the District will continue to implement a multi-faceted Cap and Trade action plan to ensure that the Valley is well positioned to take full advantage of and effectively compete for the numerous funding opportunities created under the Cap and Trade Program. Through this effort, the District will continue to work to ensure that the Valley receives its fair share of funding given the disproportionate number of disadvantaged communities in the San Joaquin Valley. This effort has been extremely successful to date with more than \$60 million in Cap and Trade funding recently directed towards the Valley for advanced technology demonstration and deployment projects and funding to support the District's successful light-duty vehicle replacement programs. This continuing effort includes strong advocacy with the legislature and state agencies and working with Valley entities to build capacity to compete for and effectively spend the dollars available. Implementing this action plan requires substantial staff resources to conduct outreach and advocacy, prepare numerous proposals for District-administered grant programs, develop new programs, assist Valley entities in preparing grant proposals, and secure and administer targeted block grants.

In addition to the work necessary to administer the above programs, the District will also spend a significant amount of staff resources in securing additional funding sources by preparing and submitting applications for new funding opportunities and exploring partnership opportunities with other agencies and organizations. Preparing grant applications requires significant staff resources, and many key state and federal grant opportunities will likely become available in 2017-18.

Air Quality Planning and Rule Development:

Due to the Valley's geography, topography, and meteorological conditions that trap air pollutants in our region, the Valley continues to exceed the latest federal ambient

air quality standards for ozone and PM_{2.5} even after imposing the toughest air regulations in the nation and having reduced emissions by over 80% from Valley businesses. The District is mandated under the Clean Air Act to develop and adopt several new attainment plans for particulate matter and ozone in the next few years. The preparation and development of these attainment plans requires significant work by the District to identify, assess, and craft new feasible and cost-effective measures to reduce air pollution from already well-regulated stationary sources. Furthermore, the District has to do the same for mobile sources under state and federal legal jurisdiction combined with advocacy to compel the state and federal governments to do their fair share.

A significant amount of work will be required in 2017-18 to prepare new PM_{2.5} and ozone attainment plans to address the 1997 PM_{2.5} standard, 2006 PM_{2.5} standard, and 2012 PM_{2.5} standard. In developing these plans, the District will need to conduct extensive research in close cooperation with Valley stakeholders to explore potential innovative control strategies. Development of these plans will involve extensive public engagement, including working closely with the Public Advisory Workgroup (PAW) which has been and will continue to meet on a regular basis to review and provide feedback on various components of the plan(s). The District will also continue to prioritize strategies that provide for maximum health benefits under its Health Risk Reduction Strategy. District staff will continue to collaborate extensively with ARB on refining the emission inventory and atmospheric modeling for these upcoming plans through use of the District's Air Quality Modeling Center.

Upon adoption of new attainment plans by your Board, the District will begin the process for developing multiple new emission control measures in 2017-18. Key areas of focus for rule development include boilers and steam generators, internal combustion engines, flares, glass manufacturing furnaces, conservation management practices, residential wood burning, and underfired charbroilers. Development of new rules will involve extensive public engagement and working closely with affected entities to devise innovative and creative measures that effectively reduce emissions in a cost-effective fashion.

Enforcement and Permitting:

OEHHA's revised guidance on performing health risk assessments is being incorporated into the District's implementation of the AB 2588 "Hot Spots" Program, resulting in significantly increased workload. Since the calculated health risk under the new methodologies is higher than previous estimates, the health risk of air toxics facilities subject to the AB 2588 Air Toxics "Hot Spots" Program must be reassessed. Under this health risk reassessment process, each facility is required to prepare a revised Toxic Emission Inventory Plan (TEIP) and a Toxic Emission Inventory Report (TEIR) in order to provide site-specific inventories of air emissions of toxic substances, which will introduce significant new workload to Technical Services this year and for several years to come. In implementing these new requirements, the District will follow the quadrennial emissions update process prescribed in AB 2588. It is estimated that thousands of additional facilities will require reassessment through a new prioritization process, of which a smaller subset will be required to perform risk assessments. In

2017-18, District staff will review approximately 400 facility-specific TEIPs and TEIRs, and will proceed with the health risk reassessment process for these facilities.

For the fiscal year period 2017-18, the District expects an increase of approximately 16% in workload related to Title V permit Minor Modification and Administrative Amendment applications compared to the number of similar applications for 2016-17, while the number of initial Title V and Title V renewal projects to be processed is expected to remain approximately the same. However, as discussed in more detail in the Efficiency and Streamlining section below, the impact of the projected workload increase related to Title V permitting will be offset due to significant streamlining efforts engaged in this area over the past years.

In 2017-18, as part of the PM2.5 plan development process, the District will bring its extensive emissions inventory experience to this increasingly important task, as the need for accuracy and finer detail grows in identifying emissions associated with source categories identified in this plan and for which emission reductions can be achieved. The District will also provide resources and extensive knowledge of control technologies to assist in the assessment of existing PM2.5 and NOx control measures and in the development of new PM2.5 and NOx control measures to be included in the plan.

In 2017-18, the District is expected to develop two different rule packages related to permitting. One rule amendment package will be to revise Rules 2201, 2520, and 2301 to eliminate the need for publication of public notices in local newspapers, and instead utilize electronic notification. This effort will result in a reduction in expenses related to publication of notices in newspapers and will reduce the time it takes to issue such permits. As discussed below, the other rule package will be to develop a program to implement the upcoming CARB oil and gas fugitive methane regulation. District implementation of this regulation will result in a beneficial service to our stakeholders.

The District will need to ensure facilities are complying with District rules that have compliance dates in Fiscal Year 2017-18, including: Rule 4307 – Boilers, Steam Generator, and Process Heaters – 2.0 MMBtu/hr to 5.0 MMBtu/hr, Rule 4311 – Flares, Rule 4320 – Advanced Emission Reduction Options For Boilers, Steam Generators, And Process Heaters Greater Than 5.0 MMBtu/hr, Rule 4354 – Glass Melting Furnaces, Rule 4570 – Confined Animal Facilities, Rule 4694 – Wine Fermentation and Storage Tanks, Rule 4702 – Internal Combustion Engines (Phase 2), Rule 4905 – Natural Gas-Fired Fan Type Central Furnaces, Rule 7070 – Perchloroethylene From Dry Cleaning Operations, and Rule 9410 – Employer Based Trip Reduction. These amended rules will require additional inspections, record review, and emission testing oversight.

The District is also finding it necessary to continue to review and comment on state efforts to implement AB 32, California's climate protection legislation, with an emphasis on eliminating regulatory overlap and implementing significant streamlining efforts. The state Air Resources Board has developed a new greenhouse gas regulation targeting methane emissions from the oil and gas industry. If adopted, ARB's proposed regulation will impose new requirements aimed at reducing methane emissions from

certain equipment used in oil and gas production operation. Incorporating the District's core values of efficiency, good government, and elimination of duplicative regulation, at the request of regulated stakeholders and California Air Resources Board, your Board has directed District staff to develop a program to implement and enforce this regulation locally. After adoption by ARB, and approval by the District Governing Board, the District would enter into an agreement with the ARB to implement and enforce the new regulation. The District's involvement in these activities is an opportunity to streamline duplicative regulatory requirements and provide a common-sense approach to implementing these new regulations that will provide for effective and efficient implementation at the local level. The recommended budget does not incorporate funding for this program. Budget and funding adjustments will be necessary, and will be brought to your Board for adoption after the District program is developed to implement this state regulation.

The District will be continuing to implement the Landfill Gas Control measure in 2017-18. The Landfill Gas Control measure will largely affect facilities already under permit with the District, and as such, the additional workload within the District's Compliance Department to implement this measure will be incremental and absorbed by existing staff. In addition, at the request of regulated stakeholders and California Air Resources Board, the District was asked and entered into a contract to perform initial enforcement of their Refrigerant Management Program due to the District's unparalleled level of customer service, streamlining and efficiency that local businesses are accustomed to when working with the District. Moving forward, ARB has indicated that they would like to enter into a Memorandum of Understanding to enforce the requirements on a permanent basis. The Refrigeration Management measure has the potential to be very labor intensive.

The District's innovative eTRIP Rule (Rule 9410, Employer Based Trip Reduction) was designed to reduce single occupancy vehicle work commutes at the Valley's larger employers. The final stages of rule requirements took effect recently and significant efforts have been made to date to ensure compliance with the rule. The initial focus was on providing compliance assistance and outreach to the affected work places. Ensuring compliance with this innovative rule continues to be paramount in the District's ongoing mission to protect public health and improve the Valley's air. During fiscal year 2017-18, the District will expand its outreach, compliance, and enforcement efforts necessary to implement and ensure compliance with the rule. The District is continuing to work with the facilities subject to the requirements by providing guidance and direction as well as assistance tools, such as new recordkeeping forms and compliance assistance bulletins. In addition, the District will devote additional resources to conducting on-site inspections to ensure compliance with the requirements of the rule.

Since its formation, the District has adopted and amended several rules relating to consumer products. Due to the ubiquitous nature of consumer products, the District has found that there are instances where non-compliant products are inadvertently or negligently sold within the Valley. The sales of these non-compliant products can have a significant impact on the Valley's ability to attain federal air quality standards.

Recently, several new mandates have been adopted, as well as existing mandates with annual reporting requirements. The District will be conducting additional outreach, compliance assistance and enforcement activities regarding consumer product rules and upcoming compliance deadlines, including those for District Rule 4905 (Natural Gas-Fired, Fan-Type Central Furnaces).

Air Monitoring:

The new federal nitrogen dioxide standard requires new near-roadway nitrogen dioxide monitors in counties with populations above one million be installed. The District only has two counties that exceed the one million population threshold, Fresno and Bakersfield. The Fresno near-road site came online in early 2016, and the Bakersfield near-road site is expected be online later this year. The new stations require considerable staff time to operate and maintain.

Air Quality Modeling and Neighborhood-by-Neighborhood Air Quality Reporting:

The District continues to conduct analysis needed for improving air quality forecasting tools to reflect the ongoing improvements in Valley air quality. Providing accurate and up-to-date air quality information to Valley residents is a top priority for the District. This is especially important during times when the Valley's unique geography, topography and meteorology overwhelm all clean-air measures and lead to high pollution concentrations that may be unhealthy for Valley residents. High pollution concentrations also occur during exceptional events, such as wildfires. Under these circumstances, the best course of action is to provide notifications to Valley residents so that sensitive individuals, in particular, can take precautions to minimize exposure.

To assist in the preparation of attainment plans for ever-tightening federal standards, significant resources will continue to be focused on the full utilization of the new state of the art Air Quality Modeling Center at the District. The expanded capabilities of the modeling center will continue to provide extensive computer resources that will allow the District to conduct complex air quality modeling. These models are critical to understanding the Valley's complex air quality and evaluating potential strategies as the District prepares numerous attainment plans in the coming years. Significant staff resources will be required to develop the in-house capacity necessary to fully utilize the resources available through the new modeling center.

In 2017-18, the District will also be utilizing the Air Quality Modeling Center to continue to develop the new online resource for Valley residents that provides air quality information on a neighborhood by neighborhood level. The District recently released the Web-based Archived Air Quality (WAAQ) system, which now provides the public access to historical air quality information at the neighborhood level. The Air Quality Modeling Center will also be used to develop the analytical tools and algorithms needed to provide real time air quality information to Valley residents on a neighborhood by neighborhood level basis. Providing air quality information on a real-time basis for such a large geographical area poses a number of challenges that must be met before launch. Furthermore, such a real-time reporting system must be able to take into account and make adjustments for unforeseen events that

may affect air quality in a particular neighborhood. Given the Valley's size, it will take considerable staff resources, computing power and internal quality assurance checks to guarantee the information's accuracy for the approximately 3,600 neighborhoods.

New Workload Absorbed through Efficiency and Streamlining

Historically, the District has absorbed the increased workload associated with unfunded state and federal mandates primarily through efficiency and streamlining efforts, without a commensurate increase in staffing. This has been accomplished through investment in automation, strict adherence to the zero-based budgeting approach, prudent management of resources, and application of efficient work practices and procedures. Some of the efficiency and streamlining measures employed by the District are highlighted below.

Automation through the use of information technology is instrumental in a number of initiatives pursued by the District to improve efficiency and quality of work. The continued implementation of the new automated air quality data/monitoring system will significantly reduce the amount of staff time required to perform quality assurance/control of air quality data. As staff become more familiar with the new air quality data management system and its capabilities, even more efficiencies with this system are expected this next year. Forecasting staff have developed and implemented several automated modules in the daily Air Quality Index and burn allocation routines that have significantly reduced the time spent on those tasks. Staff will continue to improve these routines in order to reduce time spent on forecasting.

In addition, the District is working with state and federal land management agencies to improve communications and facilitate communications to increase customer service and reduce time spent dealing with prescribed fires. The District will also be developing several new internet applications aimed at enhancing stakeholder access to District services and streamlining labor intensive internal processes. Examples of such online applications include: air pollution complaint submittals and asbestos notification submittals for demolition projects and portals that provide permitted stationary sources access to a variety of District records and billing information and provide grant applicants with a centralized location to submit and track their grant applications for air pollution reduction projects.

Additionally, the District will implement continued enhancements of its very successful automation of an interdepartmental communication system, called the "change order process," that the District uses to pass permitting information from the Compliance Department to the Permit Services Department, by including automatic permit-issuance for types of projects that do not require compliance inspection prior to issuance. The District continues to implement new computer programs which leverage tablet computers to further increase efficiency and reduce the paperwork time associated with preparing for inspections and completing the required inspection reports. Phase 1 of the project is completed and provides field staff with an efficient dashboard view of the

relevant information necessary to conduct an inspection. This program significantly streamlines the time necessary to prepare for inspections. Phase 2, the Consolidated Activity Tracking System, has also been completed and it allows field staff's work to now be assigned through the dashboard, significantly reducing the supervisory staff's time spent on assignment preparation and tracking. Phase 3 is currently in development and is focused on allowing the data captured during an inspection to be directly input into the various electronic databases used to track inspection activities.

In conjunction with the tablet computers, inspection staff has been equipped with smart phones which allowed the District to reduce the amount of equipment to maintain and support field staff. The smart phones effectively replaced turn-by-turn navigation devices and digital cameras. Use of the phone's digital cameras has resulted in significant time savings by utilizing the ability to send pictures directly from the phone via email. This feature has been utilized extensively for fireplace surveillance and compliance response where response time is critical. In addition to the streamlining of equipment needs, the new phones have enhanced efficiency by allowing ready access to email and streamlining the dispatch process for complaints and breakdowns.

The District will continue to refine its procedures for public workshops while still providing ample opportunity for public review. Streamlining measures will involve more utilization of video-teleconferencing (VTC) to reduce travel time to workshops. In accordance with the District's core value of open and transparent public processes, webcasting meetings, including live email communication by web participants, allows an additional means of public participation, while also reducing emissions from mobile sources. The District will continue to present major topics in person throughout the Valley, and utilize the District's VTC facilities for all public meetings. In order to better reach stakeholders in the Valley's environmental and community groups, the District will continue to present and solicit feedback at regularly scheduled meetings of the Citizen's Advisory Committee and Environmental Justice Advisory Group.

In 2017-18, additional forecasting tools will be created which will allow for the full automated retrieval of several different metrics, i.e., temperature, wind speed, wind direction, humidity, and other meteorology, with the click of one button, instead of the extensive time spent on retrieving this meteorological data from various websites. This automation tool, when completed, will result in a significant decrease in the time it takes to formulate the daily forecast.

The seemingly endless stream of new federal air quality monitoring mandates and the increasing demand for high-quality, real-time ambient air monitoring data results in dramatic increases in the workload within the District's air monitoring program each year. Aggressive efforts to automate air monitoring tasks and allow remote connection to air monitoring stations are essential to allow for mandates and monitoring data needs to be met without corresponding significant increases in program staffing. Without these efforts, meeting future mandates and demands will not be sustainable with existing staffing levels.

The District is continuing to develop and finalize new policies and procedures to improve consistency and efficiency within programs. Having current, detailed policies provides staff with answers to most common questions that arise and allows them to proceed quickly with their various tasks. Additionally, well-trained staff allows for improved operational efficiency and better customer service. The District will continue to provide staff with enhanced training opportunities to improve their technical skills and customer service.

The District will continue to empower staff through the STAR (Service Teamwork Attitude Respect) work culture, which has resulted in thousands of successfully implemented ideas for improving efficiency and service. As in past years, the District will also continue to strategically use temporary staffing to reduce costs, avoid excessive overtime, and address fluctuating workloads. The attached narratives for all District departments contain details on the myriad of efficiency and streamlining measures being implemented throughout the District.

Staffing Changes

The Recommended Budget contains adequate staffing to maintain an active and effective air quality regulatory program, a large and wide-ranging incentive grant program, and a comprehensive public education and outreach strategy.

This Recommended Budget includes reclassification of two Air Quality Engineers to two Air Quality Specialists. This proposed staffing change will be essential in assisting the District in accommodating new workload in the Air Toxic Program without increasing staff. With the District's long term commitment to streamlining and efficiency, this reduction in engineering staff will not impact the District's ability to continue providing outstanding service to Valley businesses and residents and issuing permits in a timely manner.

Research and Technology Advancement

The District continues its tradition of relying on sound science in formulating effective air quality management strategies. Consistent with this and in support of the District's Health Risk Reduction strategies aimed at maximizing and prioritizing public health benefits, the Recommended Budget includes \$300,000 specifically designated for health and scientific studies. Through these funds, the District anticipates designing and overseeing research studies in a number of important areas, including: emissions inventory for key area and mobile sources; studies in support of the Health Risk Reduction Strategy; localized ozone and PM2.5 monitoring field studies in support of the WAAQ system and neighborhood-by-neighborhood level air quality reporting systems; field studies to measure the impact of transboundary pollution to Valley floor ozone concentrations; and studies in support of rule and strategy development with focus on identifying effective strategies to reduce directly emitted PM2.5.

The Recommended Budget contains adequate staffing and financial resources to administer the District's Technology Advancement Program. Under this program the District will provide funding and engineering support to promote the development and advancement of new low-emissions technologies for mobile and stationary sources. Using existing and new incentive funding sources, this program will provide opportunities for new technology developers and entrepreneurs to compete for District funding of low-emissions technologies that work effectively in the San Joaquin Valley. The Technology Advancement Program will also enable the District to create public-private partnerships, including work with universities and other clean air agencies throughout the nation, to advance low-emissions technologies and build and expand local capacity for research and development in the San Joaquin Valley.

Strong Public Education and Outreach

The District's mission to protect public health by improving air quality in the San Joaquin Valley relies on the public's awareness and understanding of the District's air-quality improvement programs. Given the Valley's unique challenges with respect to meteorology, pass-through traffic and pollution transport from other regions, the ever-tightening federal air-quality mandates demand further reductions in emissions.

The Valley cannot meet these public health goals on the back of businesses alone. As Valley businesses continue to be subject to additional rounds of emissions-reduction rules, the role of the public becomes increasingly important in reaching federal standards. In the past few years, emissions from public behavior such as driving, residential wood burning and lawn-care maintenance have continued to be a key factor in the Valley's emissions inventory. Consequently, public acceptance of concepts such as alternative commute options, as well as specific clean-air strategies such as Check Before You Burn, the Air Alert program and Healthy Air Living, requires widespread lifestyle changes. Over the past nine years, your Board has placed a high priority on conducting an active and effective public education and outreach program. The District's comprehensive public education and outreach program is composed of numerous elements that are designed to allow the District to leverage opportunities to advance the following strategic objectives:

- Encourage and enlist the general public to do their part to reduce air pollution
- Empower and inform the public to protect themselves during episodes of poor air quality by providing them timely air quality information as well as scientific and comprehensible information on health effects of air pollution
- Provide accurate and objective information about Valley efforts to reduce air pollution, measurable results and achievements, and challenges that remain

The Recommended Budget includes resources to continue implementation of the District's successful comprehensive, multilingual outreach strategy that serves to motivate and enable Valley residents to take an active role in attaining the health-based air-quality standards, and provide information to help Valley residents take measures to avoid exposure to poor air quality.

Public enrollment in the Real-time Air Advisory Network (RAAN) continues to grow. This highly successful, well-publicized program pairs naturally with the Healthy Air Living Schools program and serves as a critical tool for managing outdoor activities by Valley school districts. The Recommended Budget includes funding to continue outreach to Valley schools through a partnership with a Valley non-profit. However, a full assessment of this program will be presented to your Board in June and implementation of this program may change as the District searches for ways to more effectively and efficiently enroll schools and the public in the program. The District will also continue to promote the newly developed tool, the RAAN widget, that will deliver air quality information directly to school websites for staff and parents to reference.

During 2016-17, the District started the first phase of development and testing of an electronic Real-time Electronic Air-quality Display (READ) that uses powerful and versatile LED panels to display real time air quality data from the RAAN system. The READ unit gathers updated data from the RAAN system every 30-60 seconds and displays updated real-time air quality data for the neighborhood in which it is located. In April 2017, your Board approved a pilot deployment phase of the READ units in selected schools around the Valley. In the upcoming year, the results and lessons learned from this pilot deployment will be used for further enhancement and full deployment Valley wide.

The District will build its presence on social media by continuing to provide quality content and developing additional forums for the District to engage stakeholders on more technical topics. The District will continue building upon the success of the winter 2016-17 Check Before You Burn and Burn Cleaner grant program. As in previous years, the District will implement a comprehensive multilingual outreach campaign to promote the *Check Before You Burn* Program and the *Healthy Air Living* programs. With the amendments to Rule 4901 (Residential Wood-burning Fireplaces and Wood-Burning Heaters) fully implemented, the District will continue to work to ensure that proper public education occurs to ensure understanding of the three burn status levels, proper registration of clean burning devices and public access to grant funding to upgrade older devices. Additionally, the District will work with community stakeholders, wood burning retailers, media partners and the public to reemphasize during the summer months the health hazards of wood smoke and the importance of individuals registering their devices prior to the start of the wood burning season.

Major Funding for Emission Reductions Incentive Grants

In 2017-18, the District expects to receive \$148.6 million from a variety of local, state, and federal sources for use in funding voluntary incentive-based emission reduction projects. Additionally, the District will have access to funds received prior to 2017-18 carried forward as reserved fund balance. These two sources will bring the total incentive funds available to the District in 2017-18 to \$181.5 million.

It is important to note that many incentive funding sources include provisions for a portion of the funds to be used for their administration. Administrative funds are

included in the District's Recommended Budget and are adequate to support the District's incentive grant programs without impacting stationary source fees.

District employees are not allowed to participate in any of the above incentive grant programs. However, in 2013, your Board approved a limited employee emission reduction incentive program. Under this program, employees are eligible to apply for incentive funding for electric lawnmowers, clean wood burning stoves and electric vehicles. In 2016-17, the entire appropriation was consumed with a current backlog of \$24,000. In the Recommended Budget, it is proposed that this program be funded once again at \$76,500 from additional salary savings.

Proposed Fee Reduction for Facilities Subject to State's Air Toxics Hot Spots Act

In adherence with the District's core values calling for continuous improvement and striving to efficiently use all resources and to minimize costs associated with District functions, the District has identified a number of streamlining and efficiency measures that reduce costs as the District worked to develop strategies to implement changes resulting from the new risk assessment methodologies developed by the state. Under these new methodologies more facilities became subject to annual Air Toxics Hot Spots plan and report requirements. Using the District's zero-based budgeting approach, this presented opportunities for better utilization of economies of scale and significant streamlining and efficiency improvements. These cost cutting measures that reduce the burden of compliance on industry and minimize program implementation costs for the District are summarized below:

- Customized, facility-specific, pre-populated Toxic Emissions Inventory Plan (TEIP) templates are available for all facilities
- Streamlined, customized, electronic information submittal processes for Toxic Emissions Inventory Reports (TEIRs)
- New "Small Single-Source Survey" category to significantly streamline process for facilities that have a common simple and single type of emissions unit
- Perform in-house applicability assessments utilizing information already on file
- Survey and determine program applicability for facilities with emissions less than 10 tons per year
- Web-based automated Hot Spots applicability screening tool for lower emitting facilities
- Other enhanced web-based information and resources designed to assist stakeholders, such as frequently asked question document, new air toxic profiles technical reference document, emissions calculators

The implementation of the efficiency measures described above will result in an estimated savings of 3,500 hours for the upcoming year, eliminating about 50% of the otherwise anticipated workload increase associated with this major reassessment of Valley facilities' health risk. This significant streamlining effort will enable staff to propose, later this year, a fee decrease for facilities subject to the AB2588 program.

Reserves and Contingencies

Section 12.15 of the District Administrative Code, adopted by your Board, establishes guidance for the funding level of the District's General Reserve. This section requires the annual Recommended Budget to include a General Reserve of no less than 10% of the District's operating revenues. For 2017-18, in accordance with Section 12.15, the General Reserve is established at \$4,700,000. The Recommended Budget also includes \$850,000 in Appropriation for Contingencies, \$523,000 in Building Maintenance Reserve, and \$550,000 in VTC and Telephone Reserve.

Over the past several years, your Board has placed a high priority on addressing rising pension costs and unfunded pension liability. As a first step, the District negotiated with employees to add a second retirement tier for new employees hired on or after July 31, 2012. During the most recent labor agreement negotiation in 2015, your Board and District employees took significant steps to reduce the District's future unfunded pension obligations by accelerating the move to an employee contribution of a 50% share of total normal retirement costs resulting in a reduction in employer contribution rate from 42.13% in 2015 to 36.91% for the 2017-18 year. Despite these efforts, the current unfunded liability remains high. In April 2017, the Governing Board received Kern County Employees' Retirement Association Comprehensive Annual Financial Report and Actuarial Valuation for the fiscal year ended June 30, 2016, indicating an unfunded actuarial accrued liability of \$62 million at a funded ratio of 59.6%. The Governing Board expressed interest in funding a reserve for potential deferment of the unfunded liability. Towards that end, the Recommended Budget establishes a new Pension Stabilization Reserve Fund of \$1,250,000 which equals 2% of the District's share of Kern County Employees' Retirement Association Unfunded Accrued Actuarial Liability (UAAL) as of June 30, 2016, and an additional annual contribution equivalent to 1% of the UAAL balance each year thereafter. The Pension Stabilization Reserve Fund can be utilized to fund the District's Employer Required Contribution in circumstances of large unexpected Retirement Rate increase or for funding District's UAAL. Future funding and utilization of the Pension Stabilization Reserve Fund will be at the Governing Board's discretion.

Upcoming Strategic Challenges

As we look to the future, emissions from Valley industries, businesses, farms and vehicles are at historically low levels. In 2016, the Valley experienced the region's cleanest air quality on record for PM2.5 and also recorded one of the best ozone seasons. While we can take pride in and appreciate the sacrifice by Valley businesses and residents that has made this possible, the challenges ahead may prove to be the most difficult ones yet in our journey towards meeting federal air quality standards. Having already reduced stationary source emissions by over 80% and mobile source emissions by nearly 60% despite significant economic and population growth over the past two decades, obtaining additional reductions in the timelines prescribed in the federal mandates will be extremely difficult if not impossible.

Recently adopted and newly proposed federal ambient air quality standards encroach on the Valley's background ozone and particulate matter concentrations. In response to these federal mandates, the District is preparing new attainment plans for PM2.5 and ozone. In crafting the new attainment plans, the District is exploring all feasible measures to further reduce stationary source emissions. New local measures being developed by the District to reduce NOx and directly emitted PM2.5 will be very costly to Valley residents and businesses. However, enormous reductions in NOx emissions from mobile sources are necessary even after implementing ambitious measures to reduce directly emitted PM2.5. The aggressive measures that have been identified by the District and Air Resources Board to further reduce PM2.5 and NOx emissions and are currently undergoing public review to assess feasibility and cost-effectiveness are not sufficient to bring the Valley into attainment prior to the deadlines prescribed in the federal Clean Air Act. Therefore, the District may not be able to craft an approvable plan that shows attainment by the applicable deadlines. This will expose the Valley's disadvantaged communities to devastating federal sanctions that are called for in the Clean Air Act.

The bulk of the District's energy and resources in the coming year will be spent on designing, adopting and implementing strong measures to reduce air pollution. Towards that end, the District will engage in a robust public participation effort soliciting input in recommendations from the Valley businesses and residents. The District working with Valley stakeholders will also leave no stone unturned in communicating the Valley's needs and challenges to our elected officials and policy makers at the state and federal level. As it is becoming more evident that the Valley cannot reach the federal health-based standards with local regulatory measures alone, these efforts will also include advocacy for funding and regulatory assistance from the state and federal government.

In the coming year, the District will also need to play an active role at the state level as the future of the state's Cap and Trade program will be deliberated and decided upon. To date the District has been able to successfully compete and receive significant dollars from Cap and Trade which have been invested in the Valley's communities with positive economic impact and with effectiveness in reducing local air pollution. Access to such funds can provide cost-effective reductions in emissions while minimizing the regulatory burden on Valley businesses. Valley elected officials and policymakers can play a key role in shaping the future of the Cap and Trade program. Finally, we cannot understate the devastating impact on the Valley's welfare and well-being if federal sanctions are imposed due to failure to meet unreasonable mandates. Therefore, the District will continue to educate Valley residents and policymakers of the potential impacts and seek their assistance in bringing about necessary changes.

I would like to express my gratitude to your Board's Ad-Hoc Subcommittee for their time in providing valuable guidance in the development of the Recommended Budget. I am also grateful for your Board's continued support for resources needed to sustain an active and effective air quality program.

I look forward to continuing and increasing our progress toward cleaner air for all Valley residents in 2017-18.

*SJVUAPCD Governing Board
Transmittal Letter for the 2017-18 Recommended Budget
June 15, 2017*

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Seyed Sadredin', with a stylized flourish at the end.

Seyed Sadredin
Executive Director/Air Pollution Control Officer

**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
BUDGET SUMMARY**

	Adjusted* FY 16-17	Estimated Actuals FY 16-17	Recommended FY 17-18	Budget/Budget		Budget/Actual		
				Increase (Decrease)	%	Increase (Decrease)	%	
APPROPRIATIONS								
Salaries & Benefits (before Salary Savings)	\$40,946,855	\$40,946,855	\$42,279,212	\$1,332,357	3%	\$1,332,357	3%	
Projected Salary Savings	(\$2,769,207)	(\$3,036,014)	(\$2,858,540)	(\$89,333)	3%	\$177,474	(6%)	
Salaries & Benefits (net of Salary Savings)	\$38,177,648	\$37,910,841	\$39,420,672	\$1,243,024	3%	\$1,509,831	4%	
Services & Supplies	\$6,260,046	\$6,008,164	\$5,993,448	(\$266,598)	(4%)	(\$14,716)	-	
Fixed Assets	\$1,933,274	\$1,560,241	\$5,627,198	\$3,693,924	191%	\$4,066,957	261%	
OPERATING APPROPRIATIONS	\$46,370,968	\$45,479,246	\$51,041,318	\$4,670,350	10%	\$5,562,072	12%	
Other Charges	\$25,000	\$126,897	\$247,700	\$222,700	891%	\$120,803	95%	
Incentive Programs	\$270,158,064	\$98,277,852	\$181,511,500	(\$88,646,564)	(33%)	\$83,233,648	85%	
Appropriation for Contingencies	\$850,000	-	\$850,000	-	-	\$850,000	-	
NON-OPERATING APPROPRIATIONS	\$271,033,064	\$98,404,749	\$182,609,200	(\$88,423,864)	(33%)	\$84,204,451	86%	
TOTAL APPROPRIATIONS	\$317,404,032	\$143,883,995	\$233,650,518	(\$83,753,514)	(26%)	\$89,766,523	62%	
REVENUES								
Stationary Revenue	\$30,168,097	\$32,142,915	\$32,211,657	\$2,043,560	7%	\$68,742	-	
Grant Revenue	\$2,965,000	\$3,046,747	\$2,965,000	-	-	(\$81,747)	(3%)	
DMV Surcharge Fees - District Portion	\$12,315,328	\$12,400,000	\$12,420,000	\$104,672	1%	\$20,000	-	
Administrative Revenues Earned	\$1,800,000	\$800,000	\$1,500,000	(\$300,000)	(17%)	\$700,000	88%	
Transferred to Non-Operating Revenue	(\$1,800,000)	(\$1,800,000)	(\$1,800,000)	-	-	-	-	
Fund Balance Used	\$922,543	(\$1,110,416)	\$5,294,661	\$4,372,118	474%	\$6,405,077	(577%)	
Reserves Released / (Increased)	-	-	(\$1,550,000)	(\$1,550,000)	-	(\$1,550,000)	-	
OPERATING REVENUE/FUNDING SOURCES	\$46,370,968	\$45,479,246	\$51,041,318	\$4,670,350	10%	\$5,562,072	12%	
Non-Operating Revenue	\$179,693,559	\$107,202,681	\$150,121,283	(\$29,572,276)	(16%)	\$42,918,602	40%	
Reimbursement for Administrative Revenues Earned	(\$1,800,000)	(\$800,000)	(\$1,500,000)	\$300,000	(17%)	(\$700,000)	88%	
Fund Balance / Reserves Released / (Increased)	\$93,139,505	(\$7,997,932)	\$33,987,917	(\$59,151,588)	(64%)	\$4,198,849	(525%)	
NON-OPERATING REVENUE/FUNDING SOURCES	\$271,033,064	\$98,404,749	\$182,609,200	(\$88,423,864)	(33%)	\$84,204,451	86%	
TOTAL REVENUE/FUNDING SOURCES	\$317,404,032	\$143,883,995	\$233,650,518	(\$83,753,514)	(26%)	\$89,766,523	62%	

RECOMMENDED POSITIONS 310 310 0

RESERVES

General Reserve	\$4,600,000	-	\$4,700,000	\$100,000	2%	\$4,700,000	-
Computer- VTC Equipment Reserve	\$350,000	-	\$550,000	\$200,000	57%	\$550,000	-
Long Term- Building Maintenance	\$523,000	-	\$523,000	-	-	\$523,000	-
Pension Stabilization Reserve Fund	-	-	\$1,250,000	\$1,250,000	-	\$1,250,000	-

**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
SCHEDULE OF ESTIMATED REVENUES**

	Adjusted* FY 16-17	Estimated Actuals FY 16-17	Recommended FY 17-18	Budget/Budget		Budget/Actual	
				Increase (Decrease)	%	Increase (Decrease)	%
OPERATING REVENUE							
STATIONARY SOURCE							
Permit Fees	\$17,686,972	\$17,863,558	\$17,968,298	\$281,326	2%	\$104,740	1%
Section 185- Non Attainment Fees -Rule 3170	\$955,000	\$880,970	\$847,280	(\$107,720)	(11%)	(\$33,690)	(4%)
Advanced Emission Reduction Options (AERO) Fees	\$6,718,275	\$6,867,737	\$6,862,529	\$144,254	2%	(\$5,208)	-
Settlements	\$2,575,000	\$3,875,000	\$2,500,000	(\$75,000)	(3%)	(\$1,375,000)	(35%)
Interest	\$1,180,100	\$1,455,400	\$1,480,800	\$300,700	25%	\$25,400	2%
Miscellaneous	\$52,750	\$50,250	\$52,750	-	-	\$2,500	5%
Residential Furnaces - Rule 4905	\$1,000,000	\$1,150,000	\$2,500,000	\$1,500,000	150%	\$1,350,000	117%
Total Stationary Non-Grant Operating Revenue	\$30,168,097	\$32,142,915	\$32,211,657	\$2,043,560	7%	\$68,742	-
GRANT REVENUE							
State Subvention	\$900,000	\$929,000	\$900,000	-	-	(\$29,000)	(3%)
EPA 105 Grant	\$2,000,000	\$2,000,000	\$2,000,000	-	-	-	-
EPA 103 Grant	\$65,000	\$117,747	\$65,000	-	-	(\$52,747)	(45%)
Total Grant Revenue	\$2,965,000	\$3,046,747	\$2,965,000	-	-	(\$81,747)	(3%)
Total Stationary Operating Revenue	\$33,133,097	\$35,189,662	\$35,176,657	\$2,043,560	6%	(\$13,005)	-
DMV Surcharge Fees - District	\$12,315,328	\$12,400,000	\$12,420,000	\$104,672	1%	\$20,000	-
Administrative Revenues Earned	\$1,800,000	\$800,000	\$1,500,000	(\$300,000)	(17%)	\$700,000	88%
Total Operating Revenue	\$47,248,425	\$48,389,662	\$49,096,657	\$1,848,232	4%	\$706,995	1%
Transfer to Non-Operating Revenue for Incentive Grants	(\$1,800,000)	(\$1,800,000)	(\$1,800,000)	-	-	-	-
Fund Balance Used	\$922,543	(\$1,110,416)	\$5,294,661	\$4,372,118	474%	\$6,405,077	(577%)
Reserves Released / (Increased)	-	-	(\$1,550,000)	(\$1,550,000)	-	(\$1,550,000)	-
Estimated Funding Sources - Operating	\$46,370,968	\$45,479,246	\$51,041,318	\$4,670,350	10%	\$5,562,072	12%
NON-OPERATING REVENUE							
Air Toxics - Pass Through	\$25,000	\$126,897	\$247,737	\$222,737	891%	\$120,840	95%
DMV Surcharge Fees - Pass Through	\$43,101,872	\$43,200,000	\$43,300,000	\$198,128	-	\$100,000	-
Carl Moyer Funds	\$8,300,000	\$16,658,534	\$8,500,000	\$200,000	2%	(\$8,158,534)	(49%)
VERA/ISR Mitigation Program	\$10,109,215	\$8,340,338	\$8,870,000	(\$1,239,215)	(12%)	\$529,662	6%
Proposition 1B Funding Program	\$4,154,600	\$10,058,015	\$32,100,215	(\$9,445,385)	(23%)	\$22,042,200	219%
DERA Program	\$2,100,128	\$890,687	\$1,408,873	(\$691,255)	(33%)	\$518,186	58%
School Bus Program	\$2,750,000	\$1,906,000	\$2,750,000	-	-	\$844,000	44%
Federal Diesel Emission Reduction Funding Program	\$5,438,654	\$1,227,500	\$8,869,121	\$3,430,467	63%	\$7,641,621	623%
Greenhouse Gas Mitigation Program	-	-	-	-	-	-	-
Miscellaneous Incentive Grant Funding	\$375,000	\$20,000	\$20,000	(\$355,000)	(95%)	-	-
Non-Operating Interest	\$516,800	\$478,500	\$601,100	\$84,300	16%	\$122,600	26%
Operating Revenues Funding Community & Other Incentives	\$1,800,000	\$1,800,000	\$1,800,000	-	-	-	-
CEC - Energy Efficiency Grant	\$300,000	\$139,886	\$95,400	(\$204,600)	(68%)	(\$44,486)	(32%)
Reimburse Operating for Administrative Revenues Earned	(\$1,800,000)	(\$800,000)	(\$1,500,000)	\$300,000	(17%)	(\$700,000)	88%
Administrative Fees - Incentive Programs	\$8,246,554	\$4,905,543	\$6,994,902	(\$1,251,652)	(15%)	\$2,089,359	43%
State Cap & Trade Funding	\$55,084,736	\$17,450,781	\$34,563,935	(\$20,520,801)	(37%)	\$17,113,154	98%
Total Non-Operating Revenue	\$177,893,559	\$106,402,681	\$148,621,283	(\$29,272,276)	(16%)	\$42,218,602	40%
Fund Bal. Used/Non-Adm Reserves Released/(Increased)	\$93,139,505	(\$7,997,932)	\$33,987,917	(\$59,151,588)	(64%)	\$41,985,849	(525%)
Adm Reserves Released / (Increased)	-	-	-	-	-	-	-
Estimated Funding Sources - Non-Operating	\$271,033,064	\$98,404,749	\$182,609,200	(\$88,423,864)	(33%)	-	86%
TOTAL REVENUE							
Estimated Financing Sources - Total	\$317,404,032	\$143,883,995	\$233,650,518	(\$83,753,514)	(26%)	\$89,766,523	62%

**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
TOTAL DISTRICT**

	Adjusted* FY 16-17	Estimated Actuals FY 16-17	Recommended FY 17-18	Budget/Budget		Budget/Actual	
				Increase (Decrease)	%	Increase (Decrease)	%
OPERATING APPROPRIATIONS							
SALARIES AND BENEFITS							
Regular Salaries	\$23,025,358	\$22,834,115	\$24,138,493	\$1,113,135	5%	\$1,304,378	6%
Temporary Help	\$817,842	\$813,753	\$858,795	\$40,953	5%	\$45,042	6%
On Call Pay	\$77,832	\$77,637	\$77,832	-	-	\$195	-
Overtime	\$284,580	\$283,159	\$299,561	\$14,981	5%	\$16,402	6%
Unemployment	\$81,234	\$80,825	\$81,460	\$226	-	\$635	1%
Retirement	\$9,878,978	\$9,829,581	\$9,917,389	\$38,411	-	\$87,808	1%
OASDI	\$406,112	\$404,082	\$424,712	\$18,600	5%	\$20,630	5%
Workers Compensation	\$251,655	\$250,400	\$254,425	\$2,770	1%	\$4,025	2%
Cafeteria Plan Benefits	\$3,088,438	\$3,072,997	\$3,099,583	\$11,145	-	\$26,586	1%
Long-Term Disability Insurance	\$59,483	\$59,186	\$62,154	\$2,671	4%	\$2,968	5%
Alternate Transportation Incentive	\$206,136	\$205,106	\$206,268	\$132	-	\$1,162	1%
TOTAL SALARIES AND BENEFITS	\$38,177,648	\$37,910,841	\$39,420,672	\$1,243,024	3%	\$1,509,831	4%
SERVICES AND SUPPLIES							
Safety Supplies & Equipment	\$20,310	\$19,904	\$18,000	(\$2,310)	(11%)	(\$1,904)	(10%)
Mobile Communications	\$135,132	\$118,949	\$129,072	(\$6,060)	(4%)	\$10,123	9%
Telephone Charges	\$112,400	\$89,921	\$100,600	(\$11,800)	(10%)	\$10,679	12%
Insurance	\$191,200	\$187,377	\$206,500	\$15,300	8%	\$19,123	10%
Equipment Maintenance	\$178,450	\$174,880	\$185,250	\$6,800	4%	\$10,370	6%
Vehicle Maintenance & Operations	\$228,900	\$224,322	\$217,300	(\$11,600)	(5%)	(\$7,022)	(3%)
Computer Maintenance	\$504,973	\$494,874	\$387,843	(\$117,130)	(23%)	(\$107,031)	(22%)
Video Conferencing Maintenance & Operations	\$97,480	\$95,530	\$99,030	\$1,550	2%	\$3,500	4%
Building Maintenance & Operations	\$269,200	\$258,273	\$249,300	(\$19,900)	(7%)	(\$8,973)	(3%)
Office Supplies	\$50,950	\$49,931	\$48,450	(\$2,500)	(5%)	(\$1,481)	(3%)
Computer Software & Supplies	\$88,316	\$86,551	\$82,028	(\$6,288)	(7%)	(\$4,523)	(5%)
Monitoring Station Supplies & Equipment	\$223,055	\$218,594	\$233,123	\$10,068	5%	\$14,529	7%
Postage	\$118,900	\$103,964	\$83,500	(\$35,400)	(30%)	(\$20,464)	(20%)
Printing	\$125,150	\$122,647	\$126,000	\$850	1%	\$3,353	3%
Professional & Specialized Services	\$2,368,196	\$2,245,960	\$2,311,775	(\$56,421)	(2%)	\$65,815	3%
Publications & Legal Notices	\$140,845	\$138,028	\$146,475	\$5,630	4%	\$8,447	6%
Rents & Leases	\$566,072	\$554,751	\$567,961	\$1,889	-	\$13,210	2%
Small Tools & Equipment	\$28,625	\$28,055	\$26,355	(\$2,270)	(8%)	(\$1,700)	(6%)
Special District Expense	\$162,465	\$159,216	\$145,125	(\$17,340)	(11%)	(\$14,091)	(9%)
Travel & Training	\$192,120	\$188,276	\$188,680	(\$3,440)	(2%)	\$404	-
Travel & Training - Boards	\$67,007	\$65,667	\$66,881	(\$126)	-	\$1,214	2%
Utilities	\$327,900	\$321,342	\$311,800	(\$16,100)	(5%)	(\$9,542)	(3%)
Audit Services	\$20,000	\$19,600	\$20,000	-	-	\$400	2%
Legal Services	\$42,400	\$41,552	\$42,400	-	-	\$848	2%
TOTAL SERVICES AND SUPPLIES	\$6,260,046	\$6,008,164	\$5,993,448	(\$266,598)	(4%)	(\$14,716)	-
FIXED ASSETS							
Office Improvements	\$40,000	\$39,200	\$40,000	-	-	\$800	2%
Facilities & Equipment	\$105,000	\$89,250	\$105,000	-	-	\$15,750	18%
Computer Equipment	\$784,104	\$756,172	\$798,498	\$14,394	2%	\$42,326	6%
Office Furniture / Equipment	\$25,000	\$24,501	\$25,000	-	-	\$499	2%
Office Machines	\$47,150	\$14,500	\$34,750	(\$12,400)	(26%)	\$20,250	140%
Telephone Systems	\$20,570	\$9,000	\$36,720	\$16,150	79%	\$27,720	308%
Detection Equipment	\$100,000	\$99,000	\$13,600	(\$86,400)	(86%)	(\$85,400)	(86%)
Automobiles	\$248,000	\$140,000	\$330,000	\$82,000	33%	\$190,000	136%
Audio / Visual Equipment	\$20,000	\$20,000	-	(\$20,000)	(100%)	(\$20,000)	(100%)
Safety Equipment	-	-	-	-	-	-	-
Video Conferencing System	\$25,950	\$25,431	\$25,950	-	-	\$519	2%
Air Monitoring Station Equipment	\$342,500	\$337,170	\$232,000	(\$110,500)	(32%)	(\$105,170)	(31%)
Air Monitoring Near Roadway Stations	-	-	-	-	-	-	-
Air Monitoring Automation/Remote Control Project	\$175,000	\$6,017	\$375,000	\$200,000	114%	\$368,983	6132%
Purchase of Southern Region Office Building	-	-	\$3,610,680	\$3,610,680	-	\$3,610,680	-
TOTAL FIXED ASSETS	\$1,933,274	\$1,560,241	\$5,627,198	\$3,693,924	191%	\$4,066,957	261%
TOTAL OPERATING APPROPRIATIONS	\$46,370,968	\$45,479,246	\$51,041,318	\$4,670,350	10%	\$5,562,072	12%

**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
TOTAL DISTRICT**

	Adjusted* FY 16-17	Estimated Actuals FY 16-17	Recommended FY 17-18	Budget/Budget		Budget/Actual		
				Increase (Decrease)	%	Increase (Decrease)	%	
NON-OPERATING APPROPRIATIONS								
OTHER CHARGES								
Air Toxic Pass Through	\$25,000	\$126,897	\$247,700	\$222,700	891%	\$120,803	95%	
Dairy CEQA - Pass Through	-	-	-	-	-	-	-	
TOTAL OTHER CHARGES	\$25,000	\$126,897	\$247,700	\$222,700	891%	\$120,803	95%	
INCENTIVE PROGRAMS								
DMV Surcharge Fees - Incentives	\$101,926,300	\$56,117,182	\$60,980,800	(\$40,945,500)	(40%)	\$4,863,618	9%	
Carl Moyer Program	\$15,288,800	\$10,128,550	\$8,703,700	(\$6,585,100)	(43%)	(\$1,424,850)	(14%)	
ISR and VERA'S	\$21,711,800	\$5,875,895	\$12,709,200	(\$9,002,600)	(41%)	\$6,833,305	116%	
Proposition 1B Funding Program	\$45,600,700	\$3,905,000	\$39,361,800	(\$6,238,900)	(14%)	\$35,456,800	908%	
School Bus Program	\$6,310,700	\$725,372	\$6,985,300	\$674,600	11%	\$6,259,928	863%	
Federal DERA/Designated Funding Program	\$7,538,728	\$2,144,067	\$10,278,000	\$2,739,272	36%	\$8,133,933	379%	
Community & Other Incentives Funded by Operating Reven	\$7,624,700	\$4,797,070	\$4,127,600	(\$3,497,100)	(46%)	(\$669,470)	(14%)	
Greenhouse Gas Mitigation Program	-	-	-	-	-	-	-	
GHG Support for Cities & Counties	\$250,000	-	\$250,000	-	-	\$250,000	-	
Miscellaneous Incentive Programs	\$1,027,700	\$490,810	\$20,000	(\$1,007,700)	(98%)	(\$470,810)	(96%)	
Energy Efficiency Grant	\$300,000	\$139,886	\$95,400	(\$204,600)	(68%)	(\$44,486)	(32%)	
Drought Relief Program	\$300,000	\$300,000	-	(\$300,000)	(100%)	(\$300,000)	(100%)	
State Cap & Trade Funding	\$62,278,636	\$13,654,020	\$37,999,700	(\$24,278,936)	(39%)	\$24,345,680	178%	
TOTAL INCENTIVE PROGRAMS	\$270,158,064	\$98,277,852	\$181,511,500	(\$88,646,564)	(33%)	\$83,233,648	85%	
Appropriation for Contingencies	\$850,000	-	\$850,000	-	-	-	-	
TOTAL NON-OPERATING APPROPRIATIONS	\$271,033,064	\$98,404,749	\$182,609,200	(\$88,423,864)	(33%)	\$84,204,451	86%	

ADMINISTRATION

FISCAL SUMMARY

	<u>Budgeted 2016-17</u>	<u>Recommended 2017-18</u>	<u>Increase/ (Decrease)</u>	
<u>Appropriations</u>				
Salaries and Benefits	9,534,306	9,933,984	399,678	4%
Services and Supplies	2,689,710	2,570,414	(119,296)	-4%
Fixed Assets	<u>272,549</u>	<u>4,018,608</u>	<u>3,746,059</u>	<u>1374%</u>
Total	<u>12,496,565</u>	<u>16,523,006</u>	<u>4,026,441</u>	<u>32%</u>

<u>Position Summary</u>	74	74
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FUNCTION

Administration is comprised of the executive management staff and several sub-departments that provide support services for the District’s core operations. For budgeting purposes, these functions are structured under General Administration, District Counsel, Personnel, Administrative Services, Information Technology Services, and Outreach and Communications.

General Administration

General Administration is responsible for the overall management of the District. Under policy direction of the Governing Board, the Executive Director/APCO and Deputy APCOs represent the Board’s interests and oversee the development and implementation of policies and procedures, formulation of policy alternatives and recommendations, overall management of personnel and resources, and development and implementation of air quality-related programs. Also included in General Administration is the Senior Policy Advisor who supports the Executive Director/APCO in advocacy efforts advancing Board-adopted legislative priorities and positions.

District Counsel

The District Counsel is the chief legal advisor to the Governing Board, the Executive Director/APCO, the three District Hearing Boards, and the San Joaquin Valleywide Air Pollution Study Agency. Under policy direction of the Governing Board, the District Counsel provides legal representation and advice in both litigation and general law matters.

Personnel and Operations Support

The District’s Personnel staff performs a full range of employee support activities for all departments. Specific program activities include recruitment, classification and pay, records management, legal compliance, labor relations, training, and

management/supervisory support. In addition, the Personnel department is responsible for minimizing risk to the District through employee benefits, workers' compensation, safety and wellness programs.

The District's Operations and Program Support (OPS) Division provides essential customer service to stakeholders and clerical support for District departments and operations. This group continues to assume and coordinate increased responsibilities from the operating departments ensuring that support type activities are handled in the most efficient and cost effective manner. OPS staff is integrated into various departments and provides front-desk reception services to the public. Additional department support functions include electronic document management, meeting scheduling and coordination of Public Records Requests processing.

Administrative Services and Incentives

Administrative Services (ADS) is responsible for all fiscal, grants management, and general services related functions of the District. All information about the grants section is included in the Strategies and Incentives Departmental budget narrative. The fiscal functions include preparation and control of the District's budget; responsibility for accounting and auditing all District revenues and expenditures; preparation of financial statements and related reports; and incentive and other grant financial management, including state and federal grant reporting. The general services functions of ADS include responsibility for facilities management, fleet management, purchasing, and risk management.

Information Technology Services

Information Technology Services (ITS) administers all computer-related functions of the District. These functions include strategic and tactical technology implementation planning; policy and procedures formulation; budget preparation and administration for the District's IT needs and services; project prioritization and resource management; hardware and software standards, specifications, training, support, maintenance, repair, and inventory; technology analysis and recommendations; and the Request for Proposal (RFP) and Request for Quote (RFQ) processes related to technology procurement.

ITS is also responsible for the above functions in: voice and video communication technology (e.g., telephone systems, mobile communications, and video teleconferencing), and facsimile technology (e.g., printers, copiers and fax machines).

Outreach and Communications

Outreach and Communications (OC) plans and implements strategies and tactics to meet the District's outreach and communication goals. As methods for disseminating messaging expand and become more sophisticated, the District embraces these changes and incorporates them into successful, proven outreach efforts. These strategies and tactics include designing and implementing comprehensive, multilingual, multimedia outreach campaigns that incorporate workshops and public events; coordinating an effective media relations program; responding to public inquiries via phone, email and Facebook messaging; writing and distributing newsletters, brochures and other outreach materials in both hard copy and electronic versions; conducting public presentations to promote clean

air; collaborating with local, state and federal agencies and stakeholders to further the District's mission; enhancing and strengthening the Healthy Air Living goals and messages; collaborating with other District departments to develop, implement and educate the public about rules, such as tightened wood-burning regulations; deploying state-of-the-art technological innovations such as the Real-time Air Advisory Network (RAAN) and Web-based Archived Air Quality (WAAQ) system that give stakeholders air-quality information; and working with other District departments to ensure they meet their communications and public affairs needs.

SIGNIFICANT IMPACTS TO 2017-18 BUDGET

New Workload

Personnel and Operations Support

The current federal Patient Protection and Affordable Care Act (healthcare reform) continues to impose new responsibilities on employers with regard to benefit administration, IRS reporting and legal compliance. The District expects additional changes over the next year and staff must actively monitor the ever-changing federal rules and regulations and will take steps to ensure District benefit programs comply with each approved component of healthcare reform. With our state's expanding and changing mandates in regards to employment regulations and required IRS reporting, the District must expect to utilize significant resources to research, evaluate and execute these changes.

The District's Personnel staff is responsible for minimizing risk to the District through employee benefits, workers' compensation, safety training and wellness programs. The District considers safety a priority, and is committed to providing employees with the tools and training necessary to complete their jobs safely and effectively. This year, the District established several performance-management goals and objectives that will focus on and promote continuous improvement in our current safety training and development programs. In regards to the wellness component, another goal for this year is to continue to support, maintain and expand the District's current employee wellness initiative, which will include development and implementation of additional components to the program.

In support of the District's STAR (Service, Teamwork, Attitude, Respect) work culture, the District plans to offer additional training programs to staff that will contribute to a positive environment, increase morale, and provide additional tools and resources that may allow staff to complete their duties more efficiently.

The District's OPS Division continues to take on increases in workload due to the support provided to all District departments, but will do so without adding additional staff to the program. This will be made possible by working to maximize efficiency through leveraging new technology and absorbing new functions into existing similar functions. This year, OPS will continue to search for opportunities to refine, streamline, and enhance the effectiveness of their work in all areas.

As the District continues the transition to complete electronic document storage and management, the support provided by the District's OPS division to other District departments continues to grow. During 2017-18, the workload in the District's electronic document management system (EDMS) is expected to increase significantly as new programs are transitioned from paper to electronic document storage and management. These projects include the back file conversion and day forward processing of Finance and Legal documents.

In addition to the routine duties of the OPS division, increased support for the District's robust incentive grant programs, the District's Compliance department, as well as increased permit application processing was necessary this past year and is expected to continue into the next fiscal year.

Administrative Services

The financial workload of the District remains high, in part due to the District's successful incentive grant programs. In conjunction with the expansion of these programs, the workload of the Administrative Services Division (ADS) Finance section (Finance) has both increased and changed. Sustained emphasis is placed on both developing workflow efficiencies and improving various elements of the District's financial infrastructure.

The Administrative Services department will continue to implement ever-changing state and federal rules and regulations and will take steps to ensure District accounting and reporting comply with accounting and financial management best practices. In addition, with changes and expansion of many state and federal mandates in regards to employment regulations and required IRS reporting, the District must expect to utilize significant resources to research, evaluate and execute these changes.

In 2016, the District successfully secured the Air Resources Board's Zero Emission Truck and Bus Pilot Commercial Deployment Projects competitive grant solicitation under the Low-Carbon Transportation Program. These projects help fund and deploy a variety of commercially available zero-emission truck and bus technologies for use in multiple modes of operation. The District worked extensively with public and private stakeholders to develop the projects and submit the grant applications. In addition to the applications directly submitted by the District, the District also assisted other Valley jurisdictions with their applications, utilizing our expertise and experience in administering similar successful projects. The Administrative Services Department will continue to work with the Incentives team and partnering agencies to administer and implement these projects.

During 2016, the District assumed some administrative responsibility from its partnering agency, Valley CAN, for processing payments to specific Tune In Tune Up and Enhanced Fleet Modernization Program vendors, including smog shops, car dealerships and other related vendors. Expansion of these successful programs has provided the District with additional State funding awarded during 2016, which will be implemented during the 2017-18 budget year.

Information Technology Services

Real-time Electronic Air-quality Display: In response to requests from Valley schools for a more flexible and cost-effective alternative to the Air Quality Flag Program, the District developed the Real-time Air Advisory Network (RAAN). The RAAN program, which is also more health protective than the Air Quality Flag Program, was developed to quickly inform schools when air pollution levels might impact student health if they were to engage in outdoor activity. With the Air Quality Flag Program, schools received the daily air quality forecast once a day via email and then raised the appropriate color flag on the school's flagpole. The same flag was displayed for the entire day, regardless of improvements or worsening of air quality during the day. However, RAAN links the public, school districts and individual schools directly to local air quality monitors via email, iPhone and text notifications on an hourly basis as air quality changes. In 2014, the Governing Board voted to move forward with deemphasizing the flag program and focus has been placed on the RAAN program as the District-sponsored outreach tool for students. Additionally, the Board requested that staff investigate the feasibility of schools installing and utilizing some type of visual indicator, such as an electronic billboard to communicate RAAN levels as they change throughout the day. As a result, the District has developed a prototype display device in-house and is now ready to engage schools to establish final design features and options.

During 2016-17, the District started the first phase of development and testing of an electronic Real-time Electronic Air-quality Display (READ) that uses powerful and versatile LED panels to display real time air quality data from the RAAN system. Each READ unit has a unique identification code that allows it to connect to the District's RAAN. The READ unit connects via a wired or wireless (Wi-Fi) network to the internet and then to RAAN and displays updated real-time air quality data for the neighborhood in which it is located, updating the data every 30-60 seconds. As directed by the Board, the District intends to build and deploy 20 READ units during the coming year as part of a pilot program at various schools in the valley. To date, all READ units have been built in-house, but consideration is being given to turning over the construction of the READ units to a third party if our analysis indicates this option to be cost effective and reliable. In the upcoming year, the results and lessons learned from this pilot deployment will be used for further enhancement and full deployment Valley wide.

Network Printer Upgrade Project: A large number of the District's network printers (approximately 25) have reached or exceeded their expected life cycles and the associated maintenance costs are increasing. The District will be replacing these printers with new printers that are energy efficient and will help reduce operational and maintenance costs. In addition, these replacements should contribute to the District's operational efficiency, due to reduced work interruptions and staff time spent on maintenance related activities.

Secure E-mail Solution: The District's Personnel and Finance departments occasionally have a need to communicate confidential information with applicants, vendors, financial institutions, and others outside the District via secure e-mail. There are different mechanisms available to transmit these e-mail communications when secured with encryption. The District is carefully investigating available options, with the goal of

deploying a secure e-mail communication mechanism this year that is simple to deploy and use for both the District and the receiving party, and is cost effective.

Air Monitoring Equipment Workload and Inventory Management System: The District is planning to implement an electronic Air Monitoring Workload and Inventory Management System for its air monitoring network that will allow the Air Monitoring Team to schedule and keep track of the numerous maintenance, repair, and calibration tasks associated with managing the air monitoring network, replacing several manual processes with more accurate and more efficient electronic processes. This system will allow the District to better track the necessary parts inventory levels needed for the maintenance of the network, and provide staff notifications when inventory stocks are running low so that a new order can be placed. The system will also provide enhanced asset information and tracking capabilities, assisting the team in managing the location and status of the large number of assets throughout the network.

Software Upgrade for the Permit Application System: One of the District's flagship enterprise software systems is used for permitting of stationary sources and associated processes. The Permit Application System (PAS) was developed with the Microsoft programming system called Visual Basic 6. Microsoft has informed us that it will stop supporting this technology platform soon, necessitating a review of alternate programming tool options in order to maintain support and needed functionalities to its permit related business processes. After this review, the District has decided it must convert the PAS application to the new Microsoft .Net (pronounced "dot-net") platform, a significant programming undertaking. This update will also provide opportunities to leverage the new platform for streamlining in the existing PAS application.

Outreach and Communications

In 2017-18, the District's core values, goals and mission will continue to be shared through enhanced public outreach and education. As always, the key focus will be to maximize the use of existing resources and technology to incorporate new outreach platforms and expand communication goals. The District will continue to partner with other organizations and Valley stakeholders to achieve these objectives without additional District resources.

Public enrollment in the Real-time Air Advisory Network (RAAN) continues to grow. This highly successful, well-publicized program enjoys huge participation by the Valley's school districts and pairs naturally with the Healthy Air Living Schools program. The Recommended Budget includes funding to continue outreach to Valley schools through a partnership with a Valley non-profit. However, a full assessment of this program will be presented to the Board in June and implementation of this program may change as the District searches for way to more effectively and efficiently enroll schools and the public in the program. The District will also continue to promote the newly developed tool, the RAAN widget, that will deliver air quality information directly to school websites for staff and parents to reference.

The District will continue to work collaborative with our local media partners to ensure that messaging surrounding the efforts to modernize the Clean Air Act are communicated clearly and accurately to the public. This effort includes ensuring that the public understand

the potential impact of sanctions should the District be unsuccessful in receiving assistance from the federal government in meeting the extremely stringent federal standards before the Valley.

A key focus of 2017-18 outreach will be to continue building upon the success of the winter Check Before You Burn and Burn Cleaner grant program. With the amendments to Rule 4901 (Residential Wood-burning Fireplaces and Wood-Burning Heaters) fully implemented, the District will continue to work to ensure that proper public education occurs to ensure understanding of the three burn status levels, proper registration of clean burning devices and public access to grant funding to upgrade older devices. Additionally, the District will work with community stakeholders, wood burning retailers, media partners and the public to reemphasize during the summer months the health hazards of wood smoke and the importance of individuals registering their devices prior to the start of the wood burning season.

Wildfires have the potential to generate tremendous emissions, causing elevated PM2.5 concentrations and ozone precursors. Air pollution generated from wildfires is enormous and well exceeds total industrial and mobile source emissions in San Joaquin Valley overwhelming all control measures resulting in periods of excessively high particulate matter and ozone concentrations. In 2017-18, the District will continue to work with land management agencies as we pursue a variety of strategies aimed at reducing wildfire emissions. As a part of this effort, the District will develop a targeted public education campaign to increase public awareness of the enormous damage to public health due to wildfires and build public support for increased prescribed burning that may help reduce the number and severity of future wildfires.

The District will continue to heavily promote RAAN beyond schools as the preeminent real-time air quality information tool in the Valley. With the launch of the latest version of RAAN, which allows resident to search for air quality information on a neighborhood by neighborhood basis, the tool has become even easier for resident to use. Through the continued promotion of the real-time neighborhood by neighborhood air quality project, the growth of mobile device options, video RAAN education tools and a revamped website portal, the RAAN system will expand to provide even more important air quality information to the public.

The District will continue to work with our advertising agency partner to promote key programs and messages through our comprehensive multi-lingual public education and outreach program, without an increase to contract funding over the previous year. The successful "One Change" campaign will continue to be utilized to build understanding of personal behavior and demonstrate the ease of voluntary public involvement. The agency will implement the summer Healthy Air Living campaign and the winter Check Before You Burn campaign, as well as promote grant programs, conferences and other outreach programs.

The District will be working with our advertising agency to improve the Health Air Living Partner program and how it relates to the eTRIP regulation. The District will be asking the

public and business community how to make the program stronger and more valuable to the Partners.

The District will leverage media placement funds to increase outreach dollars for programs such as the “Clean Green Yard Machines” lawn mower exchange program, “Burn Cleaner” wood-burning device change-out program, “Tune In Tune Up” vehicle repair program, “Drive Clean” electric vehicle rebate program and other grant programs.

The District recently redeveloped our children’s curriculum to be the more accessible Healthy Air Heroes kids’ kit. This free kit is available to parents and teachers and will be more integrated into our Healthy Air Living Schools program in the year ahead. The new kit is easier to use and less expensive to produce. The District redeveloped the materials in-house and will continue to work with our community partners to relaunch the tool Valley-wide in the next year.

The District will continue to expand its in-house production of previously outsourced key projects such as the Annual Report to the Community, Healthy Air Living kid’s calendar, videos that showcase stakeholder successes in air-quality management and other high-level, sophisticated projects. Additionally, the District will leverage these tools to support our presence on social media sites.

At the June 2017 Governing Board meeting, the Board will hear an assessment of the current Healthy Air Living Schools structure that relies on a non-profit partner to work with schools. The goal of the program is to enroll schools in the program and to have schools use the Real-time Air Advisory Network (RAAN) as the primary communication tool to inform schools in limiting students’ exposure to episodes of poor air quality. Currently, the District spends \$180,000 per year with a non-profit partner to run the program Valley-wide. Depending on the results of that assessment, District staff may take a larger role in running the program and therefore workload may increase. Although no changes are currently being proposed in the budget, action at the June Board meeting may result in mid-year budget alterations and a potential increase in staff.

Efficiency and Streamlining

Personnel and Operations Support

With the increase in workload, Personnel is consistently seeking out new ways to improve processes in order to create more efficiency. The internally designed and created Human Resource Management System (HRMS) program continues to streamline District Personnel functions. The program is compatible with current District standards and contains two modules beneficial to District-wide operations. The main module provides the necessary data management tools, reports and automation features to conduct the full suite of District Personnel functions. The second module is designed for use by District supervisors and managers and provides human resources information such as performance evaluation due dates, recruitment support with exam scoring, time sheet review and LIS reports to assist in preparation for zero-based budgeting analyses. This continues to be a significant improvement over the previous programs utilized to manage personnel functions.

The continued enhancements to the HRMS program have improved District efficiency by reducing labor hours, streamlining processes, automating report generation, and offering multi-user capability. Furthermore, the program enhanced internal controls to ensure accurate data entry and adherence to applicable District rules. The HRMS program will continue to streamline current District personnel processes in 2017-18, allowing staff to divert resources to continue to improve existing policies and standard operating procedures to enhance efficiency and consistency. Detailed policies and procedures assist staff by answering common questions, providing guidance on common situations that may arise while they are performing their duties, and ensuring staff is able to provide the highest level of customer service to the public and other District staff.

The District's OPS Division continues to find significant efficiencies in processing District business and communications. The centralized nature of the District's OPS functions and staff makes it possible to streamline operations through leveraging economies of scale and by allowing the shifting of resources between functions to cover cyclical workload changes. During 2017-18, the District will absorb the additional EDMS workload discussed above without additional staffing by continuing to increase the efficiency in EDMS processes using VirtualReScan (VRS) technology. VRS will continue to significantly decrease the amount of time necessary to scan documents into the EDMS system thus freeing up staff resources to conduct other activities. OPS staff will continue to cross train between departments and with Personnel. This will allow for increased support to the District as a whole while continuing to provide excellent customer service.

Administrative Services

As in past years, new technology and process improvements continue to support a growing financial and administrative workload. The District's budget is now fully compiled using internally developed software. Interim monthly budget reports are also generated completely electronically, saving significant staff time each month. The District continues to streamline processing and improve efficiency through the enhancements and improved utilization of internally developed financial software and through zero-based budget and workload analysis.

During 2016-17, the District began the design and development of a new Grants Management System, which will continue during 2017-18. While the burden of development and testing will be significant, the new software will improve internal controls and significantly streamline incentive application and payment processing, allowing Finance and Incentives staff to focus efforts on other important project review, accounting and reporting functions.

The Finance department has fully implemented the option to receive online electronic funds via e-checks, debit, and credit cards. The enhanced District online portal allows permitted facilities to view their current outstanding invoices, submit a payment, and receive their payment confirmation instantly. This new portal also provides further streamlining of the District's billing and accounts receivable function.

In response to new requirements under the Affordable Care Act the District transferred payroll processing to CompuPay, providing more opportunities for system customization

and automation of processing that has led to increased staff efficiency and data integrity. The new payroll administrator also provides an enhanced employee portal with resources, options, and reporting that were not available previously, providing better services to employees. Future enhancements will include integration with District's financial system that will automate tracking and recording of payroll costs.

The Administrative Services Division worked with various departments to conduct a comprehensive analysis of its fleet inventory. As a result of this detailed analysis, some efficiencies were identified which allowed for reducing the District's fleet by five vehicles, saving the District \$108,000 in 2016-17 and additional savings in future maintenance costs while providing the necessary number of vehicles for the District's operational needs.

During 2016, the Administrative Services Department was successful in implementing some facility related efficiency and cost control measures. Partnering with the City of Fresno and PG&E, the District retrofitted over 600 of its light fixtures in the Fresno Office building, at no cost to the District, which results in annual energy savings of more than 10% for this facility.

In addition, the District recently redesigned the Fresno office exterior landscape to a more environmentally friendly and drought tolerant design, which reduces landscaping maintenance costs by \$17,000 annually, as well as water usage going forward.

Information Technology Services

The District is committed to stay at the forefront of technology in order to provide exceptional customer service to the public and other stakeholders and to continually improve the District's efficiency and productivity in all departments.

During the upcoming year, the District will continue to implement new technology projects while ensuring that existing projects meet the Board's expectations and fulfill the District's commitments to continuous improvement and to provide the highest level of customer service to the public. Some of the new technology projects to be implemented this year are as follows:

Increased Capacity for Modelling Center: The District will increasingly utilize and rely on atmospheric modeling programs in the coming years to support research projects, rulemaking and air quality planning efforts, air pollution impact assessments, and more. The District will be seeking to implement methods and configuration steps for the modeling center to maximize the processes efficiencies and reduce times to run models with the new hardware.

New Online Portal for Grant Applicants: The District internally develops and supports several software applications in order to provide needed functionality for the District's business operations, and to provide the public the ability to do business with the District efficiently and effectively. One such program, the "Grant Management System" (GMS), had become outdated and cumbersome to use. The District is in the process of implementing the newly programmed and revamped GMS that not only will help the District process current air pollution emission reduction incentive grants applications much more

efficiently, but also will provide the needed flexibility to accommodate future business needs in the Grant program. Implementation of this system also enables an important next step – the addition of an online portal to be used by the public and businesses to file grant applications electronically and track their progress over the web, and to submit required annual reports. While the portal will be an optional system, the District expects most applicants to use it and to reap the benefits of faster grant application processing and general improvement from the current manual processes.

Enhancements to the Permitted Facility Online Portal: Over the past few years, the District has been developing an online portal for regulated facilities (the Permit Administration System Portal, or PASPort) to allow facility owners and operators access to electronic data and documents relating to their facility. In addition to being able to track applications and check their status, facilities have the ability to see virtually all facility related documents in the District's possession. More recently, the District has developed several report-submittal processes. This portal has been instrumental in streamlining processes and avoiding significant staff time in answering public information requests, by making information immediately available. In addition, PASPort is saving businesses and the District valuable time by migrating the reporting processes from manual to electronic online processes that are available 24 hours a day. Additional enhancements to PASPort planned for this year will allow businesses to submit several additional types of document as well as file variance requests.

New CEQA Connected Web Portal: The District gets a significant number of requests from land-use agencies throughout the Valley to provide input on air quality impacts and potential mitigation of proposed projects in accordance with the California Environmental Quality Act (CEQA). The District's process of providing feedback and comments has historically been paper based, and is labor and time intensive. The District has developed and released a web-based portal to provide public agencies and valley businesses the ability to request comments on proposed residential developments electronically, over the "CEQA Connected" website, and to receive instantaneous automated responses to such requests. This will result in immediate time savings and efficiency gains for District staff and the Valley's land-use agencies. In the meantime, the District will expand the capabilities of the system to be able to provide comments on simple industrial and mixed-use project proposals.

Deployment of Windows 10 Operating System: The District will be completing a workstation footprint upgrade project by the end of 2016-17 that will upgrade all District workstations to the Windows 10 platform and the Microsoft Office 2016 suite. This upgrade will provide staff the latest Windows productivity suite and office tools to serve the public as well as reduce maintenance and upkeep time associated with the older operating systems and office suites. In addition to the ongoing efficiencies gained due to this deployment, the upgrade to Windows 10 was postponed to allow a simultaneous upgrade to the MS Office 2016, saving about 500 plus hours of implementation time, versus performing the two upgrades separately.

Implementing the New OnBase Electronic Documents Management System: The District currently uses an Electronic Data Management System (EDMS) based on SIRE software.

Hyland Software has purchased the rights to the SIRE program, and will soon stop supporting it. As a result, the District has negotiated a non-cost upgrade to Hyland's own OnBase software and will be upgrading to this new program during the first half of 2017. This system allows the District to store documents electronically with instant access to these documents on an as needed basis. EDMS provides many direct and indirect benefits to the public and valley businesses in reducing paperwork, improving response time, enhanced application processes and communications between the District and the public. This upgrade will provide significant efficiency benefits to staff and the public through integration of the EDMS system into District programs in the coming years.

Server Infrastructure Upgrade to Windows 2012: The District is in the process of upgrading its infrastructure servers to the Windows 2012 platform and has a set of remaining servers that will be upgraded this year. This will simplify and reduce the time required for upkeep and maintenance, server applications, and security patches.

Outreach and Communications

The Outreach and Communication Department will continue to work to cross train staff with regard to the support of the Environmental Justice Advisory Group to find streamlining opportunities related to the allocation of staff resources.

Comprehensive and strategic public interaction and outreach will play a critical role in District activities. By continuing successful initiatives such as multilingual outreach; community-based education; increased presence on radio, print, web, social media and TV media outlets; multi-generational outreach programs such as the Healthy Air Living Schools activity kits and RAAN program; Environmental Justice strategy development; and collaborative partnerships which leverage resources, the District will continue to solidify its presence in the community and build an understanding with the public of everyone's role in improving air quality.

SUMMARY OF POSITIONS

<u>Title</u>	<u>2016/2017</u>	<u>2017/2018 Recommended</u>	<u>Increase/ Decrease</u>
Accountant I/II	4.0	4.0	0
Accounting Assistant I/II	5.0	5.0	0
Accounting Technician I/II	2.0	2.0	0
Air Quality Education Rep Bilingual I/II	1.0	1.0	0
Air Quality Education Rep I/II	2.5	2.5	0
Air Quality Education Web Specialist I/II	1.0	1.0	0
Assistant Counsel I/II	1.0	1.0	0
Audio Video Specialist I/II	.5	.5	0
Chief Communications Officer	1.0	1.0	0
Controller	1.0	1.0	0
Custodial Worker	1.0	1.0	0
Deputy APCO	3.0	3.0	0
Deputy Clerk to the Board	1.0	1.0	0
Director of Administrative Services	1.0	1.0	0
Director of Information Systems	1.0	1.0	0
Director of Personnel	1.0	1.0	0
District Counsel	1.0	1.0	0
Executive Director/APCO	1.0	1.0	0
Facilities Maintenance Specialist	1.0	1.0	0
General Services Foreman	1.0	1.0	0
Legal Technician (Conf)	1.0	1.0	0
Network Systems Analyst I/II	6.0	6.0	0
Office Assistant I/II	4.0	4.0	0
Office Services Manager I/II	2.0	2.0	0
Operations Support Supervisor	1.0	1.0	0
Personnel Administrator	1.0	1.0	0
Personnel Technician (Conf) I/II	1.0	1.0	0
Programmer/Analyst I/II	7.0	7.0	0
Public Education Administrator	1.0	1.0	0
Senior Accountant	2.0	2.0	0
Senior Air Quality Education Rep	1.0	1.0	0
Senior Network Systems Analyst	2.0	2.0	0
Senior Network Systems Analyst (Conf)	1.0	1.0	0
Senior Office Assistant	3.0	3.0	0
Senior Office Assistant (Conf)	1.0	1.0	0
Senior Personnel Analyst	1.0	1.0	0
Senior Policy Advisor	1.0	1.0	0
Senior Programmer Analyst	2.0	2.0	0
Supervising Accountant	2.0	2.0	0
Supervising Network Systems Analyst	1.0	1.0	0
Supervising Programmer/Analyst	2.0	2.0	0

SUMMARY OF POSITIONS

<u>Title</u>	<u>2016/2017</u>	<u>2017/2018 Recommended</u>	<u>Increase/ Decrease</u>
<u>TOTAL</u>	<u>74.0</u>	<u>74.0</u>	<u>0</u>

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Administration

	Adjusted* FY 16-17	Recommended FY 17-18	Budget/Budget	
			Increase (Decrease)	%
OPERATING APPROPRIATIONS				
SALARIES AND BENEFITS				
Regular Salaries	\$5,795,718	\$6,141,405	\$345,687	6%
Temporary Help	\$172,005	\$180,493	\$8,488	5%
On Call Pay	-	-	-	-
Overtime	\$87,610	\$92,306	\$4,696	5%
Unemployment	\$20,506	\$20,583	\$77	-
Retirement	\$2,467,222	\$2,497,151	\$29,929	1%
OASDI	\$99,591	\$105,104	\$5,513	6%
Workers Compensation	\$55,011	\$56,775	\$1,764	3%
Cafeteria Plan Benefits	\$772,495	\$774,883	\$2,388	-
Long-Term Disability Insurance	\$14,720	\$15,508	\$788	5%
Alternate Transportation Incentive	\$49,428	\$49,776	\$348	1%
TOTAL SALARIES AND BENEFITS	\$9,534,306	\$9,933,984	\$399,678	4%
SERVICES AND SUPPLIES				
Safety Supplies & Equipment	\$2,350	\$2,350	-	-
Mobile Communications	\$20,572	\$20,572	-	-
Telephone Charges	\$24,562	\$21,697	(\$2,865)	(12%)
Insurance	\$45,641	\$49,294	\$3,653	8%
Equipment Maintenance	\$38,820	\$39,947	\$1,127	3%
Vehicle Maintenance & Operations	\$33,400	\$23,500	(\$9,900)	(30%)
Computer Maintenance	\$150,647	\$128,904	(\$21,743)	(14%)
Video Conferencing Maintenance & Operations	\$97,480	\$99,030	\$1,550	2%
Building Maintenance & Operations	\$64,264	\$59,512	(\$4,752)	(7%)
Office Supplies	\$12,276	\$11,679	(\$597)	(5%)
Computer Software & Supplies	\$27,657	\$27,523	(\$134)	-
Monitoring Station Supplies & Equipment	-	-	-	-
Postage	\$18,700	\$14,700	(\$4,000)	(21%)
Printing	\$100,120	\$100,502	\$382	-
Professional & Specialized Services	\$1,577,136	\$1,518,235	(\$58,901)	(4%)
Publications & Legal Notices	\$1,700	\$1,700	-	-
Rents & Leases	\$43,565	\$45,741	\$2,176	5%
Small Tools & Equipment	\$5,943	\$5,966	\$23	-
Special District Expense	\$135,770	\$118,906	(\$16,864)	(12%)
Travel & Training	\$122,000	\$118,730	(\$3,270)	(3%)
Travel & Training - Boards	\$39,550	\$39,550	-	-
Utilities	\$65,157	\$59,976	(\$5,181)	(8%)
Audit Services	\$20,000	\$20,000	-	-
Legal Services	\$42,400	\$42,400	-	-
TOTAL SERVICES AND SUPPLIES	\$2,689,710	\$2,570,414	(\$119,296)	(4%)
FIXED ASSETS				
Office Improvements	\$40,000	\$40,000	-	-
Facilities & Equipment	\$31,236	\$25,902	(\$5,334)	(17%)
Computer Equipment	\$133,228	\$184,094	\$50,866	38%
Office Furniture / Equipment	\$5,967	\$5,967	-	-
Office Machines	\$11,254	\$9,247	(\$2,007)	(18%)
Telephone Systems	\$4,914	\$8,768	\$3,854	78%
Detection Equipment	-	-	-	-
Automobiles	-	\$108,000	\$108,000	-
Audio / Visual Equipment	\$20,000	-	(\$20,000)	(100%)
Safety Equipment	-	-	-	-
Video Conferencing System	\$25,950	\$25,950	-	-
Air Monitoring Station Equipment	-	-	-	-
Air Monitoring Near Roadway Stations	-	-	-	-
Air Monitoring Automation/Remote Control Project	-	-	-	-
Purchase of Southern Region Office Building	-	\$3,610,680	\$3,610,680	-
TOTAL FIXED ASSETS	\$272,549	\$4,018,608	\$3,746,059	1374%
TOTAL OPERATING APPROPRIATIONS	\$12,496,565	\$16,523,006	\$4,026,441	32%

COMPLIANCE

FISCAL SUMMARY

	<u>Budgeted 2016-17</u>	<u>Recommended 2017-18</u>	<u>Increase/ (Decrease)</u>	
<u>Appropriations</u>				
Salaries and Benefits	10,631,005	10,820,953	189,948	2%
Services and Supplies	1,241,464	1,193,312	(48,152)	-4%
Fixed Assets	<u>547,922</u>	<u>454,975</u>	<u>(92,947)</u>	<u>-17%</u>
 Total	 <u><u>12,420,391</u></u>	 <u><u>12,469,240</u></u>	 <u><u>48,849</u></u>	 <u><u>0%</u></u>
 <u>Position Summary</u>	 93	 93		

FUNCTION

The District's Compliance Department performs a full suite of enforcement and compliance assistance related activities to ensure compliance with District, state and federal rules and regulations. In addition, the Compliance Department processes applications, permits, registrations, and plans for gasoline dispensing facilities, wood burning heaters, permit exempt equipment, portable equipment, Conservation Management Practices plans, facility transfers of ownership and name changes, and renewals of Permits to Operate. The program objectives for the Compliance Department are set forth in federal and state law and the District's air quality attainment plans. In order to meet these program objectives, District staff perform inspections at approximately 9,200 permitted facilities and at approximately 6,400 agricultural operations, responds to approximately 3,000 public complaints, and verifies emissions reductions at thousands of locations where emission reduction incentive projects have been implemented. The major functions of the District's Compliance Department are as follows:

Inspections of Stationary Sources

The District performs thousands of comprehensive on-site inspections each year to ensure compliance with District requirements. These inspections are a key part to meeting clean air requirements and are required by the United States Environmental Protection Agency (EPA) and the California Air Resources Board (ARB) as part of Federal Title V, EPA 105 Grant, and State Subvention requirements. ARB recommends that the District maintain inspection frequencies of once per year for minor sources and quarterly for major stationary sources.

Under the District's variable inspection frequency policy, inspection frequencies are assigned considering various factors, including a source's compliance and complaint history, potential for air quality impact, frequency of equipment use, presence of toxic air contaminants, and potential for violations. Initial inspections of new and modified

operations are performed as well, and they allow the District to ascertain whether the associated equipment complies with District rules. This District service can alert the source to any discrepancy and prevent significant non-compliance periods.

Complaint Investigations

The District receives thousands of complaints each year for which timely responses and investigations of alleged sources of non-compliance are top priorities. Inspectors are on-call 24 hours per day and use automated voicemail and computer systems to facilitate the timely response to complaints in order to abate potential public nuisances. Along these same lines, the District added the ability to easily submit complaints, including video and photographs, online and through mobile smartphone applications. The District provides a bilingual (Spanish-English) telephone complaint line and also has the capability to utilize translation services to ensure that all communities and groups within the Valley are properly served.

Compliance Assistance

Since its inception, the Compliance Assistance program has emphasized an educational approach to help Valley businesses comply with a variety of air pollution regulations. Businesses and individuals throughout the Valley are provided with:

- **Individualized Assistance**
Personal, one-on-one help is provided to thousands of businesses and individuals to ensure they understand the District's requirements.
- **Compliance Assistance Bulletins**
Actively evaluate upcoming rule compliance dates and analyze compliance rates for various requirements and develop assistance bulletins that are sent to affected groups including, but not limited to, realtors, building departments, contractors, industrial and commercial facilities, and farmers.
- **Compliance School**
Training classes provide information on the topics of open burning, gasoline vapor recovery and wood burning fireplaces and wood burning heaters.
- **Gasoline Station Tester Training**
Ongoing training for contractors is provided for those wishing to perform vapor recovery tests within the District. A District rule requires testers be certified and ensures an adequate pool of qualified contractors from which stakeholders can select.
- **Asbestos Training**
Comprehensive assistance on asbestos regulations is provided to the public, building industry, building departments, fire departments, and realtors. Staff continues to spend considerable time providing one-on-one assistance, in addition to group trainings, to the regulated community.
- **Residential Wood Burning Heater Professional Training**
One-time training for individuals who either have a certification from the Fireplace Investigation Research and Education, Chimney Safety Institute of America, or the National Fireplace Institute (NFI) or has documentation demonstrating they are qualified to perform inspections, maintenance and cleaning activities on wood burning heaters.
- **Rule 4901 (Fireplace and Wood Burning Heater) Education**

Staff responds to public inquiries concerning the program, including providing compliance assistance brochures and one-on-one help to explain rule requirements and exemptions.

- **Rule 9410 (eTRIP)**
Staff assists in providing training to employers to be used in the implementation of successful eTRIP measures. In addition to this, staff provides customer service to employers subject to rule requirements and conducts onsite inspections to ensure compliance with the rule requirements. Staff also receives and reviews annual reports submitted that are required to be performed and submitted by subject employers.
- **Regulation VIII (Fugitive Dust) Education**
Staff organizes and conducts classroom training for all groups required to submit dust control plans for construction activities and provides ongoing training as needed.
- **Prescribed Burning Outreach**
The District meets periodically with the land managers of the USDA Forest Service, National Park Service, US Fish and Wildlife Service, Bureau of Land Management, California Department of Forestry and Fire Protection, and Southern California Edison Company in order to minimize impacts of smoke from prescribed burns and wildfires. Compliance staff participate on the daily "1 o'clock Call" during fire season to keep abreast of wildfire and prescribed burn activities throughout the area.
- **Access to Compliance Policies**
Compliance policies are available on the internet for stakeholders to review, comment on, and use to assist them with complying with District requirements. The internet is updated regularly with new or modified policies to ensure availability of current information.
- **Permit Stakeholder Meetings**
The District's Compliance Department continues to attend and give updates at these meetings as another way of providing compliance assistance. The District identifies upcoming rule requirements, provides clarification on rule and policy requirements, responds to industry inquiries, and provides updates in the meetings.

Emission Reduction Incentive Program Inspections

To ensure that the emission reduction projects funded by the District's incentive programs are real and permanent, the District monitors the pre-contract and post-contract performance of grant recipients. Thousands of field inspections are conducted to verify that equipment is appropriately controlled or replaced and that it is adequately maintained.

Incentive projects requiring compliance inspections include the replacement of older trucks with new, less polluting ones, school bus replacements, agricultural pump engine replacements, emissions controls on trucks, and other related control strategies. Each funded project requires a minimum of two initial inspections and several types of projects require ongoing inspections to assure emission reductions are realized for the life of the project.

Emissions Testing

District inspectors directly oversee hundreds of source tests conducted at stationary sources for the purpose of measuring air pollutants. District staff has three main tasks when overseeing source tests at stationary source sites. First they review the source test protocol prior to the test. District staff reviews the protocol to ensure the proper test is conducted and that the source test contractor has the proper equipment and certification to conduct the test. This service is beneficial to the source as it ensures the proper test is performed and eliminates any chance for additional testing due to improper methods. The second task is to witness the test to ensure the source test contractor follows the correct test procedures. Lastly, District staff reviews the source test results to ensure the data is properly reported and to act promptly on any compliance issues related to the testing.

In addition, the District utilizes its monitoring van and portable exhaust gas analyzers to assess the emissions from internal combustion engines, boilers, and other combustion devices to ensure they are operating according to specifications and complying with all requirements. This service can alert sources to compliance issues and result in prompt resolution.

The source testing program has expanded to include continuous long-term testing of new technology to verify it can meet strict air quality regulations. This service is invaluable for the development of new regulatory requirements and will assist industry in determining which control strategies work best.

Portable Equipment Registration and Inspections

The District runs a portable equipment registration program that allows operators within the San Joaquin Valley to register equipment whose primary function requires it to be moved on a routine basis. Operators submit registration applications that are closely reviewed and discussed with the operator to ensure that the manner the equipment is to be used is appropriate.

In addition to inspecting portable equipment registered in the District's portable equipment registration program, the District also inspects portable equipment registered in the State of California's registration program. There are several hundred portable equipment units that need inspection every year.

Examples of the types of portable equipment inspected include engines that power electrical generators, portable concrete batch plants, oil well service equipment, and engines that power sandblasting/painting operations. This equipment can move many times during the course of the year. Inspections are conducted at large storage yards or in the field when the equipment is in operation.

Gasoline Station Permitting, Inspecting and Testing Program

Gasoline stations, in aggregate, are one of the largest potential sources of volatile organic compounds in the Valley. A comprehensive and effective permitting, inspection and testing program is important to ensure the vapor recovery systems operate as designed and the Valley realizes the emission reductions anticipated in Rule 4621 (Gasoline Transfer Into Stationary Storage Containers, Delivery Vessels and Bulk Plants) and Rule 4622 (Gasoline Transfer into Motor Vehicle Fuel Tanks).

District staff continues to inspect gasoline station vapor recovery systems on a routine basis looking for torn hoses, damaged nozzles, and missing parts. However, during recent years there have been many changes in vapor recovery technology and state laws such that the simple visual inspections are no longer sufficient. More emphasis is now being placed on performance tests that evaluate gasoline station equipment effectiveness. As a result, the District implemented a gasoline dispensing tester certification and training program to ensure qualified third party contractors are available for operators of this equipment.

New state requirements continue to require gasoline stations to install additional equipment and are resulting in thousands of inspections. The District has had a significant outreach effort to alert stations to the new requirements.

Agricultural and Prescribed Burning

Agricultural burning in the San Joaquin Valley is closely regulated by the District. Legislation is phasing out such activity, but it is still allowed for a few crop types where there are no economically or technologically feasible alternatives to burning available. In accordance with state law, on a daily basis District staff determines when, how much, and where burning can occur.

District staff utilizes a sophisticated Smoke Management System (SMS) to determine the burn status. Air quality and meteorological conditions determine if burning is allowed. The SMS divides the Valley into over 100 zones. Each zone is analyzed and given a burn status and permissible burn acreage allocation. The goal of the SMS is to protect the public and prevent significant deterioration in air quality.

In order for a farmer to burn, they must first receive a District permit and must receive approval to burn each day they wish to do so. Field staff monitors burning to ensure only authorized materials are burned and that best management practices are followed to minimize smoke impacts to the public.

Prescribed burning by land management agencies is another activity regulated by the District. In accordance with Title 17 of the California Code of Regulations, the District reviews burn plans, provides burn authorizations, and monitors the fires. District staff also has an ongoing dialogue with land management agencies and other air districts to improve communication and cooperation among all parties. To this end, the District has been leading an effort at the state level to establish communication protocols between air districts and the land management agencies to ensure the smoke is well managed and its impact upon air quality and public health is reduced to the maximum extent feasible. These communication protocols are vital due to changes in federal policy on wildfires management. The District is concerned that wildfires managed under the new federal policy may have greater impacts on Valley residents. To address the concern over this potential, the District will have a greater presence during the fire season to help minimize smoke impacts. Staff will conduct additional inspections and coordinate more closely with land managers.

Mutual Settlement Program

The Mutual Settlement Program evaluates violations of District rules and reaches mutually agreed upon settlements within guidelines established by the California Health and Safety Code and federal law. The Mutual Settlement Program is centralized in the Fresno office in order to provide for independent review and valley-wide consistency in the settlement of over 3,000 Notices of Violation per year. The program settles over 95 percent of the cases without the need for referral to the District's legal department which greatly reduces costly litigation.

Continuous Emission Monitoring System Polling

Many stationary sources of air pollutants throughout the District are required to monitor their emissions with instruments known as Continuous Emissions Monitoring Systems (CEMS). While these instruments are invaluable in ensuring the facilities operate properly, it is very time consuming for inspectors to travel to each facility to review the records of the emissions. In an effort to better utilize existing resources, the District implemented an electronic CEMS Polling System. The District utilizes its computer system to automatically gather emissions data from the various companies' CEMS and to notify inspectors of potential emissions problems. Considerable resources have been spent transitioning to a newer, easier to use, more stable data acquisition system named Agilaire for CEMS data. This was done with the added benefit of having no impact on the stationary sources end.

Fugitive Dust Regulations

District fugitive dust rules require the submittal of dust control plans on residential developments when there will be ten acres or more of disturbed surface area and on non-residential developments when there will be five acres or more of disturbed surface area. To ensure that construction operators are able to comply with dust control requirements, District staff provides training classes for those required to submit dust control plans, and reviews each plan prior to the start of construction. A minimum of one field inspection is also required for each site.

In response to the drought emergency, state and federal water agencies have taken historically unprecedented emergency actions over the past 3 years in an attempt to safeguard remaining water supplies. These actions not only affect agricultural water users, which have borne much of the brunt of the drought to date, but for the first time in state history, will mandate that cities and towns across California reduce water to prescribed levels.

Under certain provisions for Regulation VIII, water is specifically required or is the only feasible method to ensure compliance. Examples include the requirement to pre-water an area prior to earthmoving activities or the requirement to limit visible dust emissions to no more than 20 percent opacity while conducting earthmoving activities. With the state mandate that cities and towns across California reduce water usage, it appears inconsistent with the state's water conservation goals if the District is requiring water for dust control for all construction/earthmoving activities.

Recognizing that reasonable actions to accommodate drought relief efforts in the Valley are imperative in averting the public health crisis faced by Valley residents and communities experiencing shortages of drinkable water, the District took steps to

implement changes to the District's enforcement policies regarding the water-dependent dust control requirements of Regulation VIII at agricultural and construction/earthmoving operations during the drought emergency. These steps allow both construction and agricultural operations that require the use of water for dust control, without a potential to create a nuisance and without effecting sensitive receptors, the ability to enter into a Mutual Settlement Agreement that would allow them to not have to use water, provided they pay a penalty in line with costs that would be incurred if they were using water for dust control. The relief offered under the settlement agreement is limited to periods outside of the Valley's peak particulate season.

Hearing Board Activities

Petitions for variances are received, reviewed, and researched by the District's Compliance Department staff. Each petition results in a written staff report and a presentation of the case to the applicable Hearing Board having jurisdiction. Staff also handles public noticing of the hearings, reports of Board decisions, and variance tracking to ensure sources comply with variances and other Hearing Board orders.

Permit-Exempt Equipment Registration

The District has developed and implemented an innovative Permit-Exempt Equipment Registration (PEER) rule, designed to minimize the overall workload required to achieve the emissions reductions expected of permit-exempt equipment through streamlined registration processes that fit well with the typically smaller and lower-emitting equipment to which it applies. The District issues several hundred permit-exempt equipment registrations each year, generating a savings of several thousand person hours when compared to typical permitting processes.

Conservation Management Practices Plans

The District, with strong coordination and cooperation with the Valley's agricultural representatives, implemented its innovative and nation-leading Conservation Management Practices (CMP) plan program in 2004-05, and is now responsible for regulating and updating approximately 6,000 CMP plans designed to decrease dust emissions from agricultural operations on farms, dairies, and other confined animal operations. Along with issuing and modifying the plans, the District performs inspections of agricultural facilities with CMPs and verifies that they are complying with the management plans that the operator selected and that they are recording and maintaining the necessary documentation.

SIGNIFICANT IMPACTS TO 2017-18 BUDGET

The increasing workload associated with the duties performed by the District's Compliance Department, as discussed below, are expected to be accommodated by continuing to implement streamlining and efficiency improvements in all areas.

New Workload

The District will need to ensure facilities are complying with District rules that have compliance dates in 2017-18, including: Rule 4307 – Boilers, Steam Generator, and Process Heaters – 2.0 MMBtu/hr to 5.0 MMBtu/hr; Rule 4311 – Flares; Rule 4320 – Advanced Emission Reduction Options For Boilers, Steam Generators, and Process

Heaters Greater Than 5.0 MMBtu/hr; Rule 4354 – Glass Melting Furnaces; Rule 4570 – Confined Animal Facilities; Rule 4694 – Wine Fermentation and Storage Tanks; Rule 4702 – Internal Combustion Engines (Phase 2); Rule 4905 – Natural Gas-Fired Fan Type Central Furnaces; Rule 7070 – Perchloroethylene From Dry Cleaning Operations; and Rule 9410 – Employer Based Trip Reduction. These amended rules will require additional inspections, record review, and emission testing oversight.

The District is also finding it necessary to continue to review and comment on state efforts to implement AB 32, California's climate protection legislation, with an emphasis on eliminating regulatory overlap and implementing significant streamlining efforts. The District will be continuing to implement the Landfill Gas Control measure in 2017-18. The Landfill Gas Control measure will largely affect facilities already under permit with the District, and as such, the additional workload within the District's Compliance Department to implement this measure will be incremental and absorbed by existing staff. In addition, at the request of regulated stakeholders and California Air Resources Board, the District was asked and entered into a contract to perform initial enforcement of their Refrigerant Management Program due to the District's unparalleled level of customer service, streamlining and efficiency that local businesses are accustomed to when working with the District. Moving forward, ARB has indicated that they would like to enter into a Memorandum of Understanding to enforce the requirement on a permanent basis. The Refrigeration Management measure has the potential to be very labor intensive.

Currently, ARB is developing a new regulation targeting GHG emissions from the oil and gas industry. If adopted, ARB's proposed regulation will impose new requirements aimed at reducing methane emissions from certain equipment used in oil and gas production operation. Incorporating the District's core values of efficiency, good government, and elimination of duplicative regulation, District staff may recommend to the Governing Board that the District implement and enforce this regulation. After adoption by ARB, and approval by the District Governing Board, the District would enter into an agreement with the ARB to implement and enforce the new regulation. The District's involvement in these activities is an opportunity to streamline duplicative regulatory requirements and provide a common-sense approach to implementing these new regulations that will provide a valuable service to Valley businesses.

Much of the oil production for the state comes from the Valley, as demonstrated by the thousands of pieces of equipment currently under permit with the District. The new regulation will require routine laboratory testing, routine third-party leak detection and repair at facilities not currently required to do so under existing District regulations, and emission controls on equipment not currently subject to any District rules (such as natural gas gathering and boosting stations, natural gas processing plants and natural gas transmission compressor stations). Implementation of this regulation is expected to result in a significant increase in initial and ongoing enforcement hours associated with the new facilities and equipment requiring inspection. The proposed budget does not incorporate funding for this program. Budget and funding adjustments will be necessary, and will be brought to the Governing Board for adoption after the District program is developed to implement this state regulation.

The District's innovative eTRIP Rule (Rule 9410 – Employer Based Trip Reduction) was designed to reduce single occupancy vehicle work commutes at the Valley's larger employers. The final stages of rule requirements took effect recently and significant efforts have been made to date to ensure compliance with the rule. The initial focus was on providing compliance assistance and outreach to the affected work places. Ensuring compliance with this innovative rule continues to be paramount in the District's ongoing mission to protect public health and improve the Valley's air. During fiscal year 2017-18, the District will expand its outreach, compliance, and enforcement efforts necessary to implement and ensure compliance with the rule. The District is continuing to work with the facilities subject to the requirements by providing guidance and direction as well as assistance tools, such as new recordkeeping forms and compliance assistance bulletins. In addition, the District will devote additional resources to conducting on-site inspections to ensure compliance with the requirements of the rule.

Since its formation, the District has adopted and amended several rules relating to consumer products. Due to the ubiquitous nature of consumer products, the District has found that there are instances where non-compliant products are inadvertently or negligently sold within the Valley. The sales of these non-compliant products can have a significant impact on the Valley's ability to attain federal air quality standards. Recently, several new mandates have been adopted, as well as existing mandates with annual reporting requirements. The District will be conducting additional outreach, compliance assistance and enforcement activities regarding consumer product rules and upcoming compliance deadlines, including those for District Rule 4905 – Natural Gas-Fired, Fan-Type Central Furnaces.

Efficiency and Streamlining Measures

Meeting new mandates without increasing staffing levels will require further streamlining of functions and continued improvements in efficiency. The District's Compliance Department has continued to develop new policies/procedures and amend existing policies/procedures to enhance consistency and efficiency. Providing detailed policies and Standard Operating Procedures (SOPs) assists staff by answering common questions and providing guidance on common situations that may arise while they are performing their duties. Detailed policies also help to ensure consistency among staff in all three regions. Furthermore, well-trained staff ensures the highest level of customer service to stakeholders. For this reason, the District is in the process of revamping its Compliance training program and will continue to provide staff with training opportunities that will improve their technical skills and customer service.

As part of inspection efficiency improvement, the District embarked on an effort aimed at reducing unnecessary redundancies with inspection paperwork. Inspection forms continue to be streamlined and refined to reduce time spent on paperwork. Furthermore, the District continues to expand the use of clerical and office-based support staff to process paperwork and perform other office-based duties to allow field-based inspection staff to remain in the field conducting inspections.

Tablet Computers and Smart Phones

All District inspection staff are equipped with tablet computers with wireless internet capability that allows for the completion and submittal of inspection reports during the

inspection, which reduces the time associated with paperwork and eliminates trips to the office for the purpose of turning in inspection reports. These devices have improved overall customer service as staff has ready access to District systems and has the ability to provide facilities with information from the field.

In conjunction with the tablet computers, inspection staff has been equipped with smart phones which allowed the District to reduce the amount of equipment to maintain and support field staff. The smart phones effectively replaced turn-by-turn navigation devices and digital cameras. The use of digital cameras has resulted in significant time savings by utilizing the ability to send pictures directly from the phone via email. This feature has been utilized extensively for fire hydrant surveillance and compliance response where response time is critical. The ability to send pictures from the field has also made grant inspections go more quickly, resulting in timely processing of the grant applications. It also allows field staff the ability to access and respond to work emails more quickly, increasing efficiency and customer service. Moving forward, the District is exploring avenues to develop applications on the phone that will further streamline field staff work, which has the potential to result in time savings.

In prior years, the District embarked on a multi-year, phased-in approach to implement new computer programs that will leverage the tablet computers to further increase efficiency and reduce the paperwork time associated with preparing for inspections and completing the required inspection reports. Phase 1 of this project has been completed and provides field staff with an efficient dashboard view of the relevant information necessary to conduct an inspection. This program significantly streamlines the time necessary to prepare for inspections. Phase 2, the Consolidated Activity Tracking System, has also been completed and it allows field staff's work to now be assigned through the dashboard, significantly reducing the supervisory staff's time spent on assignment preparation and tracking. The supervisors also use the system to assign work based on locations, further reducing field staff travel time. A new feature in the supervisor task assignment program, called the geo-assignment tracking tool, utilizes geocoding, which allows them to quickly add and adjust field staff assignments when necessary based on the exact location of the person at the time. This new feature allows supervisors to select assignments based on closest proximity and highest priority with minimal time on their part. As we continue to improve utilization of this tool, we will continue to increase efficiency by decreasing travel time and increasing the number of inspections. In accordance with the District's STAR work culture, supervisors and their staff continue to develop ideas and suggestions that have been implemented and are making this an even greater time efficiency tool. Phase 3 is currently in development and is focused on allowing the data captured during an inspection to be directly input into the various electronic databases used to track inspection activities. Currently the process requires numerous people to handle the electronic documents before they are actually entered in the District's electronic databases.

Global Positioning System in Field Staff Vehicles

The District continues to utilize the Global Positioning System (GPS) units installed in all field staff vehicles to increase inspector safety, efficiency, and accountability. With GPS, the District can ensure rapid and efficient deployment of staff to respond to

unforeseen events such as complaints from the public and equipment breakdowns at facilities. Currently, all complaints are assigned using GPS to ensure the quickest response time to increase the likelihood that District staff will be able to verify the complaint and to help resolve the matter. Furthermore, GPS allows supervisors and their staff to evaluate route planning to ensure that travel is performed in the most efficient way possible, and ensures staff accountability by providing supervisors with the ability to monitor activities.

Forward Looking Infrared Cameras

The District is also utilizing advanced emission detection equipment such as Forward Looking Infrared (FLIR) cameras to aid in conducting inspections at oil and gas production, processing and refining operations. The District continually looks for the opportunity to leverage new technologies such as FLIR to improve the overall quality and efficiency of inspections and investigations. The FLIR camera is able to capture optical imaging of volatile organic compound (VOC) leaks. Oil and gas production, processing, and refining operations have thousands of components that could potentially have fugitive VOC leaks. By using the FLIR camera, District staff will be able to quickly scan large areas, including inaccessible components, to prioritize leak detection efforts. If VOC leaks are observed with the FLIR camera, District staff is continuing to use VOC detection devices capable of taking quantitative measurements to determine whether a violation of District rules has occurred. The FLIR camera has enhanced the overall quality of the inspections and investigations by increasing the likelihood of detecting VOC leaks that may otherwise not have been found. Further, this technology is used to save time on routine follow-up inspections to verify compliance following equipment breakdowns. By finding and fixing the VOC leaks, this reduces overall exposure to potentially toxic compounds and explosive environments, which is a benefit to both public health and inspector safety.

Registration of Clean Burning Wood Burning Devices

Continuing in its trailblazing nature, the District was the first agency to develop a registration process for clean burning, EPA certified, wood burning fireplaces and wood burning heaters. The challenge was in finding a way to register thousands of devices in a manner that the District would be confident that the devices were, in fact, EPA certified and that they were being properly maintained to minimize emissions. The District developed an additional training process for professionals in the industry that, upon completion, allows them to be certified to conduct inspections of the equipment and to register clean burning wood burning devices with the District. To reduce data entry time for District staff, the registered professionals are required to use an online portal to register all wood burning devices. This information is automatically uploaded into District databases and the registered professional provides the home owner a copy of their registration. This streamlined approach has allowed the District to limit the time and District expense to administer the registration process so it is possible to offer this registration at minimal cost to the homeowner.

Electronic Submittal of Title V Reports

Recently, the EPA approved the District's first-of-its-kind electronic signature process for federal Title V facilities, which allows facilities to submit both Annual Compliance Certifications as well as Reports of Required Monitoring electronically. Use of the new

system will streamline the required reporting for both stakeholders and the District. The system will perform an automated initial review of the electronically submitted reports, which will save a significant amount of District time currently spent on this review.

Electronic Upload of Information Required by EPA

In 2012, the District was informed by EPA that they would be modernizing their Air Facility Subsystem (AFS), a system that state and local air pollution agencies are required to submit compliance and permit data for federally regulated stationary sources. The District's Information and Technology Services and Compliance Departments worked with EPA and their contractors to develop an innovative and efficient mechanism to transfer the required data electronically to the new system. The District leveraged its existing systems used to automate AFS reporting and worked out a new mechanism to exchange the data with the ICIS-Air system. The system will save the District thousands of hours of manual data entry and has been so successful that the EPA is using it as a model for other agencies looking to transfer data electronically into ICIS-Air. As is often the case, the District was the very first agency in the nation that was able to complete the electronic transfer of data successfully into the ICIS-Air system and was recognized by the EPA for this historic achievement.

Online Program for Regulated Facilities (PASPort)

The District has been devoting significant resources toward creating an information portal system for permitted facilities. The system, called PASPort, is a tool to allow the facilities to access all documents submitted for their facility as well as documents produced by the District for the facility. Looking for additional utility, the District has been focusing on ways to allow the user to submit documents directly through the portal. Currently, the facilities can submit 19 different types of required compliance reports through PASPort including but not limited to source testing, organic liquids storage tank cleaning notification, and continues emissions monitoring reports. In each case, the facility benefits in numerous ways, such as reduced postage and immediate confirmation that the documents were received by the District via email notification. This benefits the District because having these files electronically allows us to simply review and upload the document directly into District databases for management. When receiving paper copies, it requires going through an arduous and time consuming process necessitating the document being indexed and converted it into an electronic file to be uploaded.

In addition to this, the source is also able to submit initial equipment breakdowns report and/or deviations from permit requirements through the PASPort system as well. Once the equipment has been repaired or is again operating in compliance, the facility can complete the breakdown/deviation report in PASPort and submit it. Timely submittal is verified via email, an important service because of the requirement for this report to be submitted to the District within 10 days of repairing the equipment or within 10 days of discovering the deviation. District staff benefit from breakdowns and deviations being submitted through PASPort because the initial notification is normally handled by office staff and requires manual data entry and once the final breakdown/deviation report is submitted, it would require compliance staff to manually enter report contents into the District's database. Field staff and their supervisor are also notified via email that a breakdown has been received, allowing staff to quickly and efficiently respond

depending on the type of breakdown or deviation. Use of the PASPort eliminates the need for any manual data entry because data entered by the source is automatically uploaded into the District's tracking program. Considering the District receives approximately 900 breakdowns and deviations on an annual basis there is a significant time savings because, when handled without the PASPort system, each manual entry can take between 15-30 minutes (or longer for more complicated scenarios).

Online Submittal of Dust Control Plans

The District is also completing development of an online system for submitting dust control plans and will be using the same development processes to allow for the submittal of asbestos notifications electronically. The system has been designed so all required information must be completed before the submittal can be processed, which is the single biggest issue with the current process and requires time consuming follow up and tracking by compliance staff. In addition to reducing time by having completed plans, the system is also being designed that it will automatically generate the reports required. Report review will also be done electronically and the required response letters generated automatically based on the review results. An additional benefit is that all dust control plans will be easily available to staff in the field, for when they are performing site inspections or complaint investigations. When conducting complaint investigations tied directly to excess dust emissions, having the dust control plan and the contact information readily available can significantly reduce the time of non-compliance. Until this online process is completed, we have created email folders for plan submittal. Additionally, there is an existing process through which electronic payment can be made. This is an effective interim measure that eliminates the need to scan document copies that are able to quickly be uploaded for storage. We have received positive feedback from asbestos contractors, construction project managers, and consultants who appreciate using the new interim system and have expressed a strong desire to use the new system once completed.

Paperwork Streamlining

While it has always been a priority to turnaround paperwork associated with grant inspection projects for customer service reasons, we continue to look for ways to make this process more efficient. One such step was by generating and routing all inspection paperwork electronically to the grants staff for their processing and review. This has resulted in decreased staff time and grant money processing to the applicants in a more timely manner.

We have continued to identify paperless methods of processing permit renewals, gasoline dispensing permit applications, permit exempt equipment registrations, conservation management practices plans, and portable equipment registrations. We are seeing streamlining in the form of quicker review of work by supervising and senior staff, because the review is done electronically and any changes are tracked and minor changes corrected immediately. Once the evaluations are complete, staff is able to immediately upload the documents, which are then immediately available to everyone at the District. Previously, the documents would be printed out, and indexed into a filing system for manual scanning and uploading.

Source Test Observation

Several improvements have been made to the source test observation group, including updating the District's PAS system so that District staff can complete the entire source testing process within PAS. Previously, staff had relied on forms and letters saved to their computers; with the changes to PAS, they are now creating and emailing responses directly out of the PAS system, saving staff time and postage. Additionally, this decreases training time when bringing new staff into the source testing program.

Complaint Program

Improvements have been made to the District's Complaint program that allow complainants to submit complaints online and through the District's iPhone application. This process eliminates office staff from having to enter this information into the database manually. In addition to being able to submit the complaint in this manner, they are also able to quickly load pictures and video of the violations. District staff are then able to see exactly what and where the violation and can significantly reduce the amount of time necessary to locate the source of the complaint. Staff also have the capability of easily adding additional electronic documentation associated with complaints, eliminating the need for office staff to have to upload this information into the District's electronic file management system.

SUMMARY OF POSITIONS

<u>Title</u>	<u>2016/2017</u>	<u>2017/2018 Recommended</u>	<u>Increase/ Decrease</u>
Air Quality Assistant	7.0	7.0	0
Air Quality Compliance Manager	3.0	3.0	0
Air Quality Field Assistant	7.0	7.0	0
Air Quality Inspector I/II	42.0	42.0	0
Air Quality Specialist I/II	8.0	8.0	0
Director of Compliance	1.0	1.0	0
Office Assistant I/II	2.0	2.0	0
Senior Air Quality Inspector	10.0	10.0	0
Senior Air Quality Specialist	2.0	2.0	0
Senior Office Assistant	1.0	1.0	0
Supervising Air Quality Inspector	8.0	8.0	0
Supervising Air Quality Specialist	2.0	2.0	0
TOTAL	<u>93.0</u>	<u>93.0</u>	<u>0</u>

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Compliance

	Adjusted* FY 16-17	Recommended FY 17-18	Budget/Budget	
			Increase (Decrease)	%
OPERATING APPROPRIATIONS				
SALARIES AND BENEFITS				
Regular Salaries	\$6,327,402	\$6,527,958	\$200,556	3%
Temporary Help	\$175,717	\$184,564	\$8,847	5%
On Call Pay	\$77,832	\$77,832	-	-
Overtime	\$66,256	\$69,631	\$3,375	5%
Unemployment	\$23,442	\$23,478	\$36	-
Retirement	\$2,761,559	\$2,732,769	(\$28,790)	(1%)
OASDI	\$108,973	\$112,366	\$3,393	3%
Workers Compensation	\$113,991	\$113,994	\$3	-
Cafeteria Plan Benefits	\$897,618	\$899,210	\$1,592	-
Long-Term Disability Insurance	\$16,463	\$16,955	\$492	3%
Alternate Transportation Incentive	\$61,752	\$62,196	\$444	1%
TOTAL SALARIES AND BENEFITS	\$10,631,005	\$10,820,953	\$189,948	2%
SERVICES AND SUPPLIES				
Safety Supplies & Equipment	\$15,395	\$13,335	(\$2,060)	(13%)
Mobile Communications	\$67,339	\$67,339	-	-
Telephone Charges	\$40,370	\$36,970	(\$3,400)	(8%)
Insurance	\$57,360	\$61,950	\$4,590	8%
Equipment Maintenance	\$63,608	\$68,250	\$4,642	7%
Vehicle Maintenance & Operations	\$162,900	\$154,800	(\$8,100)	(5%)
Computer Maintenance	\$112,381	\$76,349	(\$36,032)	(32%)
Video Conferencing Maintenance & Operations	-	-	-	-
Building Maintenance & Operations	\$80,760	\$74,790	(\$5,970)	(7%)
Office Supplies	\$15,240	\$14,490	(\$750)	(5%)
Computer Software & Supplies	\$26,120	\$23,386	(\$2,734)	(10%)
Monitoring Station Supplies & Equipment	-	-	-	-
Postage	\$34,600	\$25,900	(\$8,700)	(25%)
Printing	\$12,990	\$12,720	(\$270)	(2%)
Professional & Specialized Services	\$100,586	\$100,905	\$319	-
Publications & Legal Notices	\$7,500	\$7,500	-	-
Rents & Leases	\$282,441	\$299,165	\$16,724	6%
Small Tools & Equipment	\$11,165	\$8,825	(\$2,340)	(21%)
Special District Expense	\$17,361	\$15,801	(\$1,560)	(9%)
Travel & Training	\$27,120	\$27,450	\$330	1%
Travel & Training - Boards	\$27,457	\$27,331	(\$126)	-
Utilities	\$78,771	\$76,056	(\$2,715)	(3%)
Audit Services	-	-	-	-
Legal Services	-	-	-	-
TOTAL SERVICES AND SUPPLIES	\$1,241,464	\$1,193,312	(\$48,152)	(4%)
FIXED ASSETS				
Office Improvements	-	-	-	-
Facilities & Equipment	\$19,944	\$30,805	\$10,861	54%
Computer Equipment	\$152,162	\$216,004	\$63,842	42%
Office Furniture / Equipment	\$7,500	\$7,500	-	-
Office Machines	\$14,145	\$10,050	(\$4,095)	(29%)
Telephone Systems	\$6,171	\$11,016	\$4,845	79%
Detection Equipment	\$100,000	\$13,600	(\$86,400)	(86%)
Automobiles	\$248,000	\$166,000	(\$82,000)	(33%)
Audio / Visual Equipment	-	-	-	-
Safety Equipment	-	-	-	-
Video Conferencing System	-	-	-	-
Air Monitoring Station Equipment	-	-	-	-
Air Monitoring Near Roadway Stations	-	-	-	-
Air Monitoring Automation/Remote Control Project	-	-	-	-
Purchase of Southern Region Office Building	-	-	-	-
TOTAL FIXED ASSETS	\$547,922	\$454,975	(\$92,947)	(17%)
TOTAL OPERATING APPROPRIATIONS	\$12,420,391	\$12,469,240	\$48,849	-

PERMIT SERVICES

FISCAL SUMMARY

	<u>Budgeted 2016-17</u>	<u>Recommended 2017-18</u>	<u>Increase/ (Decrease)</u>	
<u>Appropriations</u>				
Salaries and Benefits	10,765,434	11,124,925	359,491	3%
Services and Supplies	790,582	752,326	(38,256)	-5%
Fixed Assets	185,855	246,096	60,241	32%
 Total	 <u>11,741,871</u>	 <u>12,123,347</u>	 <u>381,476</u>	 <u>3%</u>

<u>Position Summary</u>	85	85
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FUNCTION

As mandated by state and federal law, the District is charged with the primary responsibility for the permitting of stationary sources of air contaminants. To fulfill this responsibility and other related duties, the Permit Services Department performs the following major functions:

Authorities to Construct and Permits to Operate

Before stationary sources of air pollution may construct or operate in the San Joaquin Valley, the appropriate air quality permits must be obtained. The permitting process involves two steps. The first step requires the applicant to submit project-specific information for evaluation in order for an Authority to Construct (ATC) permit to be issued. This process is critical because construction of new facilities or equipment, or modifications of existing equipment, may not legally commence until the ATC is issued by the District. District, state and federal regulations require the best possible pollution controls and mitigation for new and modified sources of air pollution. The second step, issuing the Permit to Operate, occurs after the applicant has installed the equipment as specified in the ATC and has demonstrated that the equipment complies with District rules and regulations.

Sources are aided in these steps through the District's Certification of Air Permitting Professionals (CAPP) program, the District's small business assistance offices, close coordination with various economic development organizations throughout the Valley, outreach at city and county building and planning agencies throughout the Valley, continuous efforts by District staff and management to implement efficiency gains, and on-going cooperative permit streamlining efforts with regulated industries.

In 2016, the District processed applications for and issued about 2,500 ATC permits for new and modified equipment and operations. Future permitting activity may increase as the

economy continues to recover.

Federally Mandated Operating Permits (Title V)

About 250 of the largest sources of air pollution are operating under federal Title V operating permits issued by the District. Title V does not impose any new emission standards or any new controls on emissions. It does, however, prescribe numerous detailed monitoring, recordkeeping, and reporting requirements for permits, and requires significantly increased administrative steps that must be met when issuing, renewing, or revising permits. In general, these latter requirements expand public and Environmental Protection Agency (EPA) participation in the permitting process for the largest emitters of air contaminants in the District.

The District's workload in this area continues to be significant. In 2016, the District issued 5,303 initial and renewal Title V permits for 72 facilities and processed 641 Title V permit modifications.

Emission Reduction Banking

The District administers an Emission Reduction Credit (ERC) banking program, the purpose of which is to allow sources to store credit for voluntary emission reductions for later use as offsets where allowed by District, state, and federal rules and regulations. This mechanism also allows sources to transfer emission reduction credits to other sources for use as offsets. The administration of deposits, transfers, and withdrawals from the bank is accomplished through the filing of a banking application. The District reviews banking applications to ensure reductions are real, permanent, quantifiable, surplus, and enforceable as mandated by state and federal regulations. In 2016, the District processed 224 ERCs applications. This level is expected to increase in 2017-18 as the related permitting activity increases with growth in the economy.

District's BACT Clearinghouse

Best Available Control Technology (BACT) is a key requirement of the District's New and Modified Stationary Source Review rule, Rule 2201, which is applicable to new or modified stationary sources. The process for determining BACT for each new project involves complex technical and cost-effectiveness analyses. To assist applicants in selecting appropriate control technology for new and modified sources and to guide staff in conducting the necessary analysis, the District maintains and updates a comprehensive BACT Clearinghouse.

The BACT Clearinghouse helps to expedite the permitting process by minimizing the need for lengthy project-specific BACT determinations. It also aids new project proponents in designing new or expanding facilities by outlining air pollution control requirements early in the process. In 2016, the District started an effort to update and improve this valuable permit-expediting tool. Work will continue in 2017-18 to update the District's BACT Clearinghouse as well as state and federal BACT databases, resulting in additional staff time savings when processing ATC applications.

Air Toxics Program

State and federal laws mandate a number of requirements aimed at reducing emissions of, and the risk associated with, hazardous (or toxic) air contaminants. Under state mandates, the District is required to enforce emissions standards established by Air Toxics Control Measures (ATCMs). Additionally, the state's Air Toxics Hot Spots Act requires the District to systematically inventory emissions of toxic air contaminants, assess the potential health risks to the public caused by toxic air emissions, notify the public of these potential health risks, and reduce the facility's risk to a level below significant. In 1990, amendments to the Federal Clean Air Act Title III, required EPA to promulgate regulations, called Maximum Achievable Control Technology (MACT) standards, for controlling toxic air contaminants. The District must implement all point-source MACT standards that apply to facilities within its jurisdiction.

The District's air toxics program integrates state and federal air toxics mandates and is designed to provide for cost effective implementation without duplication. As a result of these integrated efforts, there are currently no significant risk facilities identified under the Air Toxics Hot Spots program in the San Joaquin Valley.

As an additional part of its integrated air toxics program, to avoid the creation of new health risks, the District assesses the health risk associated with proposed increases in air toxic emissions through a Risk Management Review (RMR) process during permit processing. The District only approves permitting proposals that do not constitute a significant health risk. The District processed 683 RMRs in 2016.

In 2016-17, the District began implementing the revised guidelines for performing Health Risk Assessments. These risk evaluation processes were revised in 2015 as the District implemented the state Office of Environmental Health Hazard Assessment's (OEHHA's) revised Guidance on Preparation of Health Risk Assessments that was adopted by OEHHA in early March 2015. The District's health risk assessment processes and policies were updated accordingly and implemented July 1, 2015. This revised guidance was designed to incorporate the Governing Board's guidance to implement all of the OEHHA revisions to provide enhanced protection of children, and the public overall, while preventing unreasonable restrictions on permitting actions.

Criteria Pollutant Emissions Inventory

The District maintains an annual criteria pollutant inventory of emissions from stationary sources. The emissions inventory system contains data from two types of sources. One type is the Point Source inventory for which emissions data is maintained for specific permitted equipment. The other is the Area Source inventory which is made up of smaller sources that are grouped together and evaluated and reported by source category. The process includes the gathering of data from facilities and other information sources, calculating emissions, reporting the emissions to the California Air Resources Board (ARB), and associated quality assurance work.

In 2016, the District processed 5,607 emissions inventory statements and survey responses. The District continues to combine emissions inventory efforts with other emissions information gathering efforts, such as those required under Rules 3170, 4320,

and 4702, thus significantly reducing and streamlining the workload and paperwork requested from regulated sources.

In 2017-18, the District will continue to assist the state and District modelling staff by preparing and updating planning inventories that will be used in upcoming attainment plans. While this task will likely require continued devotion of District resources, the payoff in the longer term comes in the form of assurance that the District's planning efforts will be focused on the most critical sources of air pollution.

California Environmental Quality Act (CEQA)

The California Environmental Quality Act (CEQA) requires environmental impacts of a proposed project to be identified, assessed, and avoided or mitigated as feasible, if these impacts are significant. The District analyzes its own permitting and rule development actions, as well as project developers' and lead agencies' proposals, for compliance with CEQA. In 2016, District staff reviewed 2,044 CEQA documents, sent 345 comment letters to other CEQA lead agencies and prepared 143 CEQA project specific documents related to the District's rule adoption and permit processing.

Senate Bill 4 (Oil and Gas Well Stimulation)

In 2017-18, the District will continue implementation of the Senate Bill 4 (SB4) program associated with the reviewing and commenting of state Department of Conservation – Division of Oil, Gas and Geothermal Resources (DOGGR) permits for well drilling and stimulation activities, such as hydraulic fracturing, otherwise known as fracking. The bill requires DOGGR to promulgate regulations that require permits and reporting by companies that perform fracking or other types of oil and gas well stimulation techniques and requires DOGGR to enter into agreements regarding regulatory responsibilities with other involved agencies, including local air Districts. It is estimated that the District will receive and process 300 well drilling and stimulation applications.

Voluntary Emission Reduction Agreements (VERAs)

VERAs provide a mechanism under which project proponents can voluntarily enter into a contractual agreement with the District to mitigate their project's impacts on air quality. Once entered into, VERAs become legally enforceable mechanisms for achieving air quality mitigation.

Dollars provided by the project proponent are reinvested in the Valley to reduce emissions. Utilizing the District's highly successful incentive grant programs, the funds provided through VERAs are awarded to Valley businesses, residents, and municipalities to generate real and quantifiable reductions in emissions. The emission reductions secured through VERAs are "surplus" to existing regulations, achieving reductions earlier or beyond those required by regulations. Over the years, the District has built a reputation for excellence in the implementation of these programs, as highlighted in multiple audits by state agencies that lauded the District's incentive programs for their efficiency and effectiveness. The District's incentive programs have invested over \$1.6 billion in public and private funding for clean air projects reducing more than 130,000 tons of emissions.

Indirect Source Review (ISR)

District Rule 9510 - Indirect Source Review (ISR), was adopted by the District's Governing Board in 2005 to reduce the impacts of growth in emissions resulting from new land development in the San Joaquin Valley. The objective of the rule is to reduce emissions associated with construction and operational activities of development projects occurring within the San Joaquin Valley.

In 2016, the District received 223 ISR applications, which is the same number as the prior year, indicating that the housing development sector is continuing to recover from the 2007-2010 industry recession. Under the ISR rule, a project application review consists of assessing a project's potential emissions, quantifying mitigations proposed by the applicant, and assessing any required development mitigations and associated fees, if applicable. An annual report of ISR activity, and the emissions reductions generated by the program, is published by the District in the 4th quarter of each year.

Affordable Housing and Sustainable Communities Program

The Strategic Growth Council's (SGC) Affordable Housing and Sustainable Communities (AHSC) Program provides grants and affordable housing loans for compact transit-oriented development and related infrastructure and programs that reduce greenhouse gas (GHG) emissions. These projects increase the accessibility of housing, employment centers, and key destinations via low-carbon transportation options (walking, biking, transit), resulting in fewer vehicle miles traveled (VMT). The AHSC Program is funded by the Greenhouse Gas Reduction Fund (GGRF), which is part of the State's overall climate investment efforts to reduce GHGs as required by Assembly Bill 32.

The District is committed to providing technical assistance to any Valley stakeholder as necessary to complete AHSC applications. The District's service entails consultation regarding GHG emissions and associated mitigation measures, as well as quantification of GHGs according to the accepted methodologies. In 2016, the District provided comprehensive service to all stakeholders that requested assistance on these project assessments and submittals. Of these Valley projects, three were selected for funding, resulting in total awards of \$30 million. The projected workload for 2017-18 represents approximately 240 hours of staff time, consistent with the workload experienced in 2016-17.

Small Business Assistance (SBA)

The District operates an effective Small Business Assistance program to provide assistance to businesses that lack the resources or expertise needed to efficiently obtain air permits. District SBA engineers and specialists can be contacted in each office or by calling a District SBA hotline telephone number and can provide expert advice on technology options, application processes, and other air issues. The District's three SBA offices have responded to as many as 10,000 requests for assistance in a single year.

SIGNIFICANT IMPACTS TO 2017-18 BUDGET

The increasing workload associated with the duties performed by Permit Services, as discussed below, is expected to be accommodated by continuing to implement streamlining and efficiency improvements in all areas.

These additional streamlining measures will continue to enhance the District's reputation and tradition of having the most efficient permitting group of all air districts in California.

New Workload

Providing Support to Other Departments of the District

Strategies and Incentives Department

In 2016, the Permit Services Department continued to provide support to the Strategies and Incentives Department for maintaining and updating valley-wide emissions inventories used in the State Implementation Planning (SIP) processes used to identify areas of potential future emissions reductions. The District's effort is also designed to assist ARB in preparing and updating these SIP inventories to assure that the District's planning strategies are focused on the most critical sources of air pollution.

In 2017-18, the District will be working on three PM_{2.5} attainment plans that are being combined into a single planning document. As part of this process, the Permit Services Department will bring its extensive emissions inventory experience to this increasingly important task, as the need for accuracy and finer detail grows in identifying emissions associated with source categories identified in this plan and for which emission reductions can be achieved. The Permit Services Department will also provide resources and extensive knowledge of control technologies to assist in the assessment of existing PM_{2.5} and NO_x control measures and in the development of new PM_{2.5} and NO_x control measures to be included in the plan. Overall, the support provided to the Strategies and Incentives Department in the upcoming fiscal year is projected to increase by about 2,000 hours of Permit staff time compared to the actual time expended in 2016 to reach a total projected 4,500 hours in support to the Strategies and Incentives Department. As discussed in the next section of this narrative, several identified gains in efficiency are expected to free up additional resources that will be allocated to supporting other District departments.

Compliance Department

In 2017-18, the Permit Services/Technical Services Division will also be providing continued assistance to the Compliance Department regarding ISR. The coordination efforts will be focused on the following:

- Improving consistency of submittals of required Air Impact Assessment (AIA) by applicants prior to applying for final discretionary approval with the public agency
- Improving consistency of payment of any required offsite mitigation fees within 60 days of invoicing, to assure emissions reductions can be generated

- contemporaneously with the emissions increases caused by the development
- Providing more detailed and complete project information to Compliance staff allowing for more efficient resolution of compliance cases

Overall, the support to the Compliance department is expected to reach 1,940 hours compared to 1,600 hours in 2016, which represents a 340 hour increase in this area.

Providing Support to Other Agencies and Stakeholders

Ventura County Air Pollution Control District Permitting Assistance – In 2014, the District entered into a Memorandum Of Understanding (MOU) with the Ventura County Air Pollution Control District to assist this District in evaluating an application for a power plant to be located in Ventura County. As the District has significant experience and expertise in evaluating such applications, we will be able to provide a valuable service to the Ventura County APCD. In fact, based on the high quality work already done by District staff, the MOU was extended in 2015 to assist the Ventura Air Pollution Control District with the evaluation of a second power plant application which will be processed in 2017. The District will be reimbursed for staff time expended in evaluating this application.

Authority to Construct Permitting

In 2017-18, the Permit Services Department is expected to process 1,563 ATC projects, not counting gasoline-dispensing applications, a 14.0% increase compared to the 1,372 ATC projects received during 2016-17. While the number of projects to be processed is expected to increase, the Permit Services department is expecting an approximately 1,400 hour decrease in staff time relative to 2016-17 budgeted hours to process an equivalent number of ATC projects (1,500). This reduction in staff hours expended on ATC permitting is attributed to ongoing streamlining efforts, as discussed in the Efficiency and Streamlining section below.

Permitting Medium-Sized Wineries

The District started permitting large wineries in 2005. In 2017-18, the District will continue the efforts started in 2016-17 to bring existing medium-sized wineries under permit. The District will use its past experience with the permitting of large wineries since 2005 to streamline the application process for medium size wineries. In 2017-18, approximately 18 medium size wineries are expected to be permitted, with a total of approximately 1,000 wine fermentation and storage tanks. This new permitting effort, along with the outreach to these sources, will result in additional workload in 2017-18, budgeted at 320 hours.

Title V Permitting

In 2017-18, the District expects an increase in workload of approximately 16% related to Title V Permit Minor Modification and Administrative Amendment applications compared to the number of similar applications for 2016-17, while the number of initial Title V and Title V renewal projects to be processed is expected to remain approximately the same. However, as discussed in more detail in the Efficiency and Streamlining section below, the impact of the projected workload increase related to Title V permitting will be offset due to significant streamlining efforts engaged in this area over the past years.

Updates to the District's Best Available Control Technology (BACT) Clearinghouse

The District maintains a clearinghouse of BACT guidelines to streamline BACT determinations associated with issuing ATCs for new and modified equipment. Many of the District's BACT guidelines were last updated several years ago and must be updated to reflect the most current BACT requirements. The District expects to update approximately 25 BACT guidelines in 2017-18. This effort represents approximately 1,600 staff hours but will directly contribute to reducing ATC application processing time.

Permit Services Rule Development

In 2017-18 the District is expected to develop two different rule packages. One rule amendment package will be to revise Rules 2201, 2520, and 2301 to eliminate the need for publication of public notices in local newspapers, and instead utilize electronic notification. This effort will result in a reduction in expenses related to publication of notices in newspapers and will reduce the time it takes to issue such permits.

The other rule package will be to develop a program to implement the upcoming ARB oil and gas fugitive methane regulation. District implementation of this regulation will result in a beneficial service to our stakeholders.

These two rule making efforts are expected to require approximately 250 hours of staff time.

ERC Transaction Processing (ERC Withdrawals and Transfers of Ownership)

In 2017-18, the District is expecting a 16% increase in ERC transaction applications, consistent with the increased ATC permitting activity discussed above. While the ERC transaction processing activity does not represent a large amount of hours (approximately 700 hours budgeted for 2017-18), as discussed in the Efficiency and Streamlining section below, a significant effort to streamline and improve the ERC transaction process will take place in 2017-18, resulting in a no net increase in overall processing time for this activity, even though a 16% workload increase is expected.

Risk Management Review (RMR)

In July of 2015, the District began the implementation of a significant change in RMR methodologies. The changes were based on updated health risk assessment procedures from the state's Office of Environmental Health Hazard Assessment (OEHHA). The result of using these conservative and health protective modeling methodology decisions is that calculated risk has increased by about 2.4 times compared to the risk calculated for the same emissions by the District's prior methodologies. Therefore, more projects triggered Best Available Control Technologies for toxic air pollutants (T-BACT), and a greater number of projects required a refined Risk Management Review to better characterize the risk associated with the proposed new or modified equipment.

The increase in workload experienced as a result of the changes to the OEHHA guidance is expected to continue in 2017-18. However, as discussed in the Efficiency and Streamlining section below, the District has developed streamlined techniques to minimize the additional processing time that is required under the revised RMR methodology.

AB 2588 Air Toxics “Hot Spots” Information and Assessment Act

OEHHA’s revised guidance is also being incorporated into the District’s implementation of the AB 2588 Air Toxics “Hot Spots” Program. Since the calculated health risk under the new methodologies is higher than previous estimates, air toxics facilities subject to the AB 2588 “Hot Spots” Program are being reassessed. Under this health risk reassessment process, each facility is required to prepare a revised Toxic Emission Inventory Plan (TEIP) and a Toxic Emission Inventory Report (TEIR) in order to provide site-specific inventories of air emissions of toxic substances, which will introduce significant new workload to Technical Services this year and for several years to come. In implementing these new requirements, the District will follow the quadrennial emissions update process prescribed in AB 2588. It is estimated that thousands of additional facilities will require reassessment through a new prioritization process, of which a smaller subset will be required to perform risk assessments. In 2017-18, District staff will review approximately 400 facility-specific TEIPs and TEIRs, and will proceed with the health risk reassessment process for these facilities.

Without implementing streamlining measures, the significant workload increase due to the implementation of the Toxics “Hot Spots” Program plan would require approximately 14,500 staff hours in 2017-18. However, as described in the Efficiency and Streamlining section below, due to the intense District effort to develop tools and procedures, the expected workload is approximately 11,000 hours for the up-coming year, representing only a 3,800 hours increase compared to 2016 staff time spent in this area prior to the full implementation of the Toxics “Hot Spots” reassessment plan.

California Environmental Quality Act (CEQA)

CEQA requires environmental impacts of a proposed project be identified, assessed, and avoided or mitigated as feasible if these impacts are significant. Technical Services is likely to experience sustained or increased workload requirements in 2017-18. With the economy continuing to recover, a 2% increase in number of requests for comments or review under CEQA is projected for 2017-18, resulting in an increase of several hundred hours of staff processing time in order to maintain the same level of customer service. However, the new streamlining measures presented in the Efficiency and Streamlining section below will significantly minimize the increase in workload related to CEQA processing and commenting.

Voluntary Emission Reduction Agreements (VERAs)

In 2017-18, the overall time to process VERAs is projected to increase with growth in the number of expected new contracts and the growing complexity of new agreements. Under CEQA review, the District is encouraging the use of the VERAs to allow project proponents to mitigate air quality impacts of future projects.

In addition, previously approved VERAs require accurate tracking to ensure compliance with the terms of the contract and verify that the targeted emission reductions are achieved. Due to the increased workload associated with the VERA program, the District expects staff hours to increase from 225 hours utilized in calendar year 2016, to approximately 350 hours projected for 2017-18.

Indirect Source Review (ISR)

The District's Indirect Source Review (ISR) program, implemented under the first-of-its-kind Rule 9510 and designed to mitigate increases in emissions from development projects, is likely to see sustained or increased workload requirements in 2017-18 due to an increase in construction activity in the Valley. The District received 223 ISR applications in 2016 and, with the economy continuing to recover and stabilize, 230 ISR project applications are expected during the fiscal year 2017-18, representing a 3% increase in ISR processing activity.

Air Resources Board's Proposed Oil and Gas Methane Control Regulation

The District is also finding it necessary to continue to review and comment on state efforts to implement AB 32, California's climate protection legislation, with an emphasis on eliminating regulatory overlap and implementing significant streamlining efforts.

For example, the Air Resources Board has developed a new greenhouse gas regulation targeting methane emissions from the oil and gas industry. It will impose new requirements, beginning in 2018, aimed at reducing methane emissions from certain equipment used in oil and gas production operation. Both ARB and the affected industry requested that the District implement this new regulation in the San Joaquin Valley, rather than have the ARB do so. In the interest of eliminating duplicative regulation and incorporating the District's core values of efficiency and good government, the Governing Board has directed District staff to develop a program to implement and enforce this regulation locally. The District intends to enter into an agreement with the ARB, upon approval by the Governing Board, to implement and enforce the new regulation. The District's involvement in these activities is an opportunity to streamline duplicative regulatory requirements and provide a common-sense approach to implementing these new regulations that will provide for effective and efficient implementation at the local level.

It is estimated that approximately 2,900 Permits to Operate for existing permitted equipment will need to be updated to incorporate the requirements of this new regulation. Additionally, approximately 1,500 individual pieces of permit exempt equipment will be subject to the proposed ARB regulations. The new requirements for this equipment will be likely made enforceable through the District permitting or a Permit-Exempt Equipment Registration (PEER) process.

Initial implementation of this regulation is expected to result in approximately 8,725 hours of staff time beginning in 2017-18. Ongoing staff time to implement this regulation is expected to be much less at approximately 700 hours per year. The proposed budget does not incorporate funding for this program. Budget and funding adjustments will be necessary, and will be brought to the Governing Board for adoption, approximately midyear, after the District program is developed to implement this state regulation.

Efficiency and Streamlining

In order to effectively and efficiently handle an increasing workload, and in the interest of developing the best and most economical programs possible, the Permit Services

Department must and will continue its streamlining efforts.

The District's efforts to implement streamlined methodologies have significantly reduced the workload associated with all permitting activities, but the District has demonstrated the ability to continue to identify and implement new and innovative ways to improve efficiency. As a result, the District processes more permits per person than any other air district in California, without sacrificing the quality or health-protective nature of the permit evaluation process. In addition to continuing efforts in this area, the following specific streamlining efforts are to be undertaken in 2017-18:

ATC Processing

As mentioned above, while the District is expecting a 14% increase in the number of ATC projects to be processed in 2017-18 compared to the 2016-17 projection, the number of hours associated with this major function is expected to decrease by approximately 1,400 hours compared to the number of hours budgeted last year to process an equivalent number of ATC projects (i.e. 24,890 total hours budgeted for 2017-18 versus 26,315 hours budgeted for 2016-17). Over the years, the District has implemented many permit application streamlining measures designed to increase efficiency mostly through the development of templates, guidance documents, and various forms of automation. In 2017-18, Permit Services will continue to find new and innovative ways to improve efficiency by encouraging and taking advantage of staff-driven suggestions for improvement and efficiency. A major effort to proactively update the District's BACT clearinghouse will also contribute towards streamlining the processing of ATC applications. The District will also develop additional guidance and training materials to further reduce staff time to process permit applications.

Title V Permit Processing

Similar to the efforts put forth in ATC permit processing, the District has implemented many Title V streamlining measures over the years to increase efficiency. Most recently, the District has further streamlined the processing of Title V Minor Modification applications by leveraging the ATC application review that precedes most Title V minor modification applications. This streamlining effort which removes unnecessary steps, has already shown a great reduction in Title V minor modification application processing time, and is expected to result in an additional reduction of 950 hours in staff time expended (compared to 1950 hours in 2016-17).

Over the years, District staff has also developed new tools and new templates designed to streamline the Title V permit renewal process. These efforts have resulted in significant productivity gains: while an average of 70 hours was spent to process a Title V permit renewal in 2012-13, this processing time has been reduced to 54 hours per project in 2016. Further improvements are expected to occur in 2017-18, and it is expected that an average of approximately only 50 hours will be necessary to process a Title V permit renewal project. The District processes about 50 Title V permit renewal projects annually, so the 20 hour reduction in processing time per project results in an overall reduction of approximately 1,000 hours of staff time per year in performing the Title V permit renewal task.

Permit Services has also developed and continues to enhance a clearinghouse for previously approved Compliance Assurance Monitoring (CAM) plans similar to that used for BACT determinations. This tool provides permitting staff with a detailed template outline and permit conditions for various CAM plan options, which can significantly reduce processing time for all Title V Initial, Title V Renewal, and Title V Modification applications. These measures have resulted in significant efficiency improvements for all types of Title V application processing.

ERC Transaction Processing (ERC Withdrawals and Transfers of Ownership)

As mentioned above, the District is expecting a 16% increase in ERC transaction activity commensurate with the overall 14% increase ATC permitting activity. The impact of this increased ERC activity will be fully offset through the development of additional application processing templates, automation improvements in the District's Permits Administration System (PAS) program, and other guidance documents. This streamlining effort and gain in productivity is expected to represent an overall processing time reduction of approximately 200 to 300 hours per year.

Electronic Public Notification

In 2017-18, the District will propose to enhance and streamline permit public notification processes by replacing the specific requirement to publish in a newspaper with a far superior online electronic publication system. Currently, newspaper notices are available only for the one day that they are published in a newspaper, and the associated documents like the engineering evaluation or the draft permits must be acquired from the District separately. The proposed enhanced notification procedure will result in a more comprehensive web-posted notice package that will include project related documents. In addition, in lieu of a one-day publication in a newspaper, the public notice documents will be readily available to the public on the District website and retained online for an extended period of time. Since all notices will be bilingual (English/Spanish), the Valley's Spanish speakers will also have access to Spanish language public notifications for every project.

In addition to improving the outreach to the public, the proposed enhanced online electronic publication system will greatly contribute to streamlining the public notice process and will significantly reduce associated costs. The time to process a public notice for a permitting project will be reduced by 2 to 3 days, as that is the amount of lead-time currently required for newspapers to publish the notices. Additionally, by implementing electronic notifications, the District will be able to save approximately \$80,000 annually that is currently spent in newspaper publication fees.

Risk Management Review (RMR)

As discussed above the implementation of the changes to the District's Health Risk Assessment guidelines has resulted in increased facility calculated risks, requiring Technical Services to re-process and refine existing units' risk calculations.

The increase in workload experienced as a result of the changes to the OEHHA guidance is expected to continue in 2017-18. However, the District has developed streamlined techniques to minimize the additional processing time that is required under the revised

RMR methodology. Software, policy, and other processing tools have contributed to tremendous reductions in RMR processing time. These streamlining efforts will result in an estimated savings of approximately 500 hours for 2017-18. Therefore, despite the anticipated workload increase, no additional staffing is expected to be necessary to process RMRs. To date, the additional RMR activities discussed here have been implemented without discernable impact on Valley businesses' ability to receive timely permits.

AB 2588 Air Toxics "Hot Spots" Information and Assessment Act

The District's integrated Air Toxics Program fulfills the state Air Toxics "Hot Spots" mandates which are aimed at quantifying and assessing localized health risk, notifying affected residents, and reducing risk from facilities with high risk caused by emissions of air toxics.

Due to the recent revisions to the District's health risk assessment methodology discussed in the new workload section above, the District must reassess the potential health risk of each permitted facility under the Air Toxics "Hot Spots" Program.

To prepare for this reassessment, the District has identified, developed, and implemented a number of streamlining and efficiency measures. These measures will reduce the burden of compliance on industry and minimize program implementation costs for the District. These cost cutting measures are summarized below:

- Customized, facility-specific, pre-populated Toxic Emissions Inventory Plan (TEIP) templates are available for all facilities
- Streamlined, customized, electronic information submittal processes for Toxic Emissions Inventory Reports (TEIRs)
- New "Small Single-Source Survey" category to significantly streamline process for facilities that have a common simple and single type of emissions unit
- Perform in-house applicability assessments utilizing information already on file
- Survey and determine program applicability for facilities with emissions less than 10 tons per year
- Web-based automated "Hot Spots" applicability screening tool for lower emitting facilities
- Other enhanced web-based information and resources designed to assist stakeholders, such as frequently asked question document, new air toxic profiles technical reference document, emissions calculators

The implementation of the efficiency measures described above will result in an estimated savings of 3,500 hours for the upcoming year, eliminating about 50% of the otherwise anticipated workload increase associated with this major health risk reassessment.

Web-Based Annual Emissions Inventory

The District plans to implement improvements to the District's web-based annual emissions inventory surveys and submittals allowing for a greater number of facilities required to report annual emissions information to submit their emissions inventory data via the web.

The District recognizes that not all permit holders are interested in using this web-based process, but this electronic submittal system not only enhances facilities' own efficiencies, but also the District's overall performance.

Web-Based CEQA Streamlining System, "CEQA Connected"

The District receives approximately 2,000 California Environmental Quality Act (CEQA) requests for comment per year from Valley Lead Agencies. In 2014, the Board directed staff to assess interest in, develop, and execute a programmatic approach to increase the efficiency and effectiveness of the District's current processes used in fulfilling its obligation as a commenting agency under CEQA. The District reached out extensively through three workshops to Lead Agencies throughout the Valley in 2014 to propose the use of a programmatic approach with a web-based system. Based on responses from the attendees of the workshops and District surveys, significant interest in such a system was expressed.

The District began development of the web-based streamlining system, CEQA Connected, in 2015-16 and is expected to complete the development of this website functionality in 2017-18. Currently, the CEQA streamlining web-based system is operational for residential development projects, and serves as an instantaneous electronic alternative for Lead Agencies to easily request and receive comments from the District under CEQA. The District CEQA comment letters identify pertinent requirements, including applicable District rules and regulations, and provide project design elements that would reduce a project's impact on air quality. The new District CEQA website allows users to enter project-specific data online and immediately receive a detailed CEQA comment letter from the District.

This new web-based system results in the following improvements:

- Immediate project comment turnaround
- Incorporation of project design elements that reduce the project's impact on air quality
- Improved customer service to the entire development community

As a result, the overall time budgeted for CEQA commenting for 2017-18 is approximately 3,500 hours, which represents a 500 hours decrease compared to 2016 due to the increase in use of the District website, CEQA Connected, while the workload in this area is expected to grow by 2%.

SB4 (Oil and Gas Well Stimulation) Processing Templates

As discussed above, the District committed to reducing permitting and business bottlenecks with a guaranteed 14-day commenting turnaround time in the Memorandum of Agreement with DOGGR, while other Districts require a 45-day commenting period in their MOAs. Fiscal year 2016-17 was the first year of implementing this new program. The initial efficiency measures included CEQA commenting templates that expedited processing of these permit reviews. As a result, there was significant resource savings for SB4 applications processing. Due to the streamlined process, the projected staff hours for 2017-18 are not expected to exceed 100 hours, a 200 hours reduction compared to the 300 hours spent in 2016.

Voluntary Emission Reduction Agreements (VERAs)

Due to the increase in VERA workload, the District will implement the following measures in 2017-18:

- Continue to develop VERA software for project processing and tracking
- Create VERA contract templates with pre-approved language, another streamlining measure designed to reduce staff hours crafting custom contract language

These efficiency improvement measures will offset the workload increase expected in this area. Overall, despite the workload increase, the budgeted hours to process VERAs will remain at 350 hours, similar to the 2016 level.

Indirect Source Review (ISR)

As the economy continues to recover, the increase in projected workload benefits from the fact that the District's ISR software was updated in 2015, which resulted in significant processing efficiencies. The estimated savings per project is approximately 1 hour, which reduces the average ISR processing time from 10.5 to 9.5 hours per project.

PASPort Web-based Facility Portal

The District continues to develop the PASPort web-based facility portal. In 2014, the District released PASPort and made it available to all regulated facilities with the goal of providing quick, easy, 24-hour access to a facility's permit information and related documents. Through PASPort, each facility can track the progress of permit applications. They can also view and download facility's permits, applications, and related correspondence at any time. New features continue to be added to expand PASPort's capabilities, such as the ability to submit ATC applications and compliance source test reports electronically, view billing information, pay bills online, and allow user management features to allow a facility PASPort administrator to manage the access of other users.

The industry response to PASPort has been overwhelmingly positive, with more than 1,400 facilities participating, to date, representing a doubling of participating facilities in just one year. In 2017-18, PASPort will continue to be updated to include interactive online application forms, the ability to pay bills online as part of PASPort, the ability to view Conservation Management Plans, and a significant expansion of the types of compliance submittals that can be uploaded.

Non-Permitting Staff Duties

In addition to the processing of Authority to Construct applications and Title V projects, Permit Services staff spends multiple hours performing other duties not associated with permitting actions, such as attending staff meetings, preparing project files, and responding to questions. The District will continue its efforts to apply a similar focus and attention to the streamlining of these non-permitting staff duties as the department has traditionally applied to streamlining the permitting process. Every non-permitting hour freed up through this process becomes another hour to apply to processing permit applications, resulting in a double benefit.

Other Streamlining and Efficiency Actions

The District will also continue to work closely with stakeholders in efforts to find further gains in efficiency and productivity. District staff meets regularly with a permit stakeholder group that is comprised of industry representatives and other interested parties to get their ideas and input on a wide variety of issues related to decreasing the time and work associated with implementing the District's many programs. The District's goal is to streamline processes to reduce the resource needs for both the District and the regulated sources to implement air quality mandates while maintaining the highest levels of quality in the District's work product.

In addition, the following are just a few other streamlining measures the District is pursuing:

- Develop paperless workflow systems to maximize efficiency in processing permit applications
- Continue to work cooperatively with the Compliance Department to identify ways to improve service to permit holders
- Train staff to more accurately record time spent on various activities to allow management to better track staff time spent on specific activities, with the goal of finding additional streamlining opportunities

This Recommended Budget includes the reclassification of two Air Quality Engineers to two Air Quality Specialists. This proposed staffing change will be essential in assisting the District in accommodating new workload in the Air Toxic Program without increasing staff. With the District's long term commitment to streamlining and efficiency, this reduction in engineering staff will not impact the District's ability to continue providing outstanding service to Valley businesses and residents and issuing permits in a timely manner.

Perhaps most importantly, through ongoing comprehensive implementation of the District's Service Teamwork Attitude Respect (STAR) program, the District is continuously improving quality and program effectiveness and efficiency by implementing internally-generated process improvement suggestions from those who know the processes best – District staff. The department will vigorously pursue a continuation of the streamlining benefits realized through STAR suggestions.

SUMMARY OF POSITIONS

<u>Title</u>	<u>2016/2017</u>	<u>2017/2018 Recommended</u>	<u>Increase/ Decrease</u>
Air Quality Engineer I/II	38.0	36.0	-2.0
Air Quality Specialist I/II	13.0	15.0	2.0
Air Quality Technician I/II	1.0	1.0	0
Director of Permit Services	1.0	1.0	0
Office Assistant I/II	3.0	3.0	0
Permit Services Manager	3.0	3.0	0
Program Manager	1.0	1.0	0
Senior Air Quality Engineer	12.0	12.0	0
Senior Air Quality Specialist	4.0	4.0	0
Senior Office Assistant	1.0	1.0	0
Supervising Air Quality Engineer	6.0	6.0	0
Supervising Air Quality Specialist	2.0	2.0	0
TOTAL	<u>85.0</u>	<u>85.0</u>	<u>0</u>

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Permit Services

	Adjusted* FY 16-17	Recommended FY 17-18	Budget/Budget	
			Increase (Decrease)	%
OPERATING APPROPRIATIONS				
SALARIES AND BENEFITS				
Regular Salaries	\$6,773,690	\$7,106,783	\$333,093	5%
Temporary Help	-	-	-	-
On Call Pay	-	-	-	-
Overtime	\$67,188	\$70,615	\$3,427	5%
Unemployment	\$19,921	\$19,929	\$8	-
Retirement	\$2,872,671	\$2,890,060	\$17,389	1%
OASDI	\$101,631	\$106,326	\$4,695	5%
Workers Compensation	\$43,786	\$44,808	\$1,022	2%
Cafeteria Plan Benefits	\$813,843	\$813,843	-	-
Long-Term Disability Insurance	\$16,784	\$17,565	\$781	5%
Alternate Transportation Incentive	\$55,920	\$54,996	(\$924)	(2%)
TOTAL SALARIES AND BENEFITS	\$10,765,434	\$11,124,925	\$359,491	3%
SERVICES AND SUPPLIES				
Safety Supplies & Equipment	-	-	-	-
Mobile Communications	\$5,235	\$5,235	-	-
Telephone Charges	\$28,213	\$24,923	(\$3,290)	(12%)
Insurance	\$52,425	\$56,621	\$4,196	8%
Equipment Maintenance	\$44,805	\$45,699	\$894	2%
Vehicle Maintenance & Operations	-	-	-	-
Computer Maintenance	\$82,555	\$51,547	(\$31,008)	(38%)
Video Conferencing Maintenance & Operations	-	-	-	-
Building Maintenance & Operations	\$73,812	\$68,356	(\$5,456)	(7%)
Office Supplies	\$13,929	\$13,244	(\$685)	(5%)
Computer Software & Supplies	\$20,097	\$18,519	(\$1,578)	(8%)
Monitoring Station Supplies & Equipment	-	-	-	-
Postage	\$28,200	\$22,300	(\$5,900)	(21%)
Printing	\$6,800	\$7,239	\$439	6%
Professional & Specialized Services	\$62,430	\$63,691	\$1,261	2%
Publications & Legal Notices	\$108,605	\$115,279	\$6,674	6%
Rents & Leases	\$163,276	\$162,986	(\$290)	-
Small Tools & Equipment	\$6,252	\$6,279	\$27	-
Special District Expense	\$4,784	\$5,874	\$1,090	23%
Travel & Training	\$15,850	\$15,350	(\$500)	(3%)
Travel & Training - Boards	-	-	-	-
Utilities	\$73,314	\$69,184	(\$4,130)	(6%)
Audit Services	-	-	-	-
Legal Services	-	-	-	-
TOTAL SERVICES AND SUPPLIES	\$790,582	\$752,326	(\$38,256)	(5%)
FIXED ASSETS				
Office Improvements	-	-	-	-
Facilities & Equipment	\$26,911	\$28,651	\$1,740	6%
Computer Equipment	\$133,521	\$191,337	\$57,816	43%
Office Furniture / Equipment	\$6,855	\$6,855	-	-
Office Machines	\$12,928	\$9,185	(\$3,743)	(29%)
Telephone Systems	\$5,640	\$10,068	\$4,428	79%
Detection Equipment	-	-	-	-
Automobiles	-	-	-	-
Audio / Visual Equipment	-	-	-	-
Safety Equipment	-	-	-	-
Video Conferencing System	-	-	-	-
Air Monitoring Station Equipment	-	-	-	-
Air Monitoring Near Roadway Stations	-	-	-	-
Air Monitoring Automation/Remote Control Project	-	-	-	-
Purchase of Southern Region Office Building	-	-	-	-
TOTAL FIXED ASSETS	\$185,855	\$246,096	\$60,241	32%
TOTAL OPERATING APPROPRIATIONS	\$11,741,871	\$12,123,347	\$381,476	3%

STRATEGIES AND INCENTIVES

FISCAL SUMMARY

	<u>Budgeted 2016-17</u>	<u>Recommended 2017-18</u>	<u>Increase/ (Decrease)</u>	
<u>Appropriations</u>				
Salaries and Benefits	7,246,903	7,540,810	293,907	4%
Services and Supplies	1,538,290	1,477,396	(60,894)	-4%
Fixed Assets	926,948	907,519	(19,429)	-2%
 Total	 <u>9,712,141</u>	 <u>9,925,725</u>	 <u>213,584</u>	 <u>2%</u>

<u>Position Summary</u>	58	58
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FUNCTION

The San Joaquin Valley Air Basin is designated nonattainment for state and federal air quality standards for ozone and fine particulate matter (PM2.5). To attain the state and federal air quality standards by the legislated deadlines, the federal Clean Air Act and the California Clean Air Act require the District to develop attainment plans, adopt rules and regulations, and implement other programs to reduce emissions. New, rigorous federal standards for ozone and PM2.5 require an improved understanding of the atmospheric processes involved in pollutant formation, and will require new plans and innovative control measures to reach attainment. Additionally, the District's Governing Board has adopted policy direction that prioritizes employing air quality strategies that prioritize measures which provide for maximum health benefits, in addition to meeting federal air quality standards.

While the reductions in emissions being achieved through regulatory control measures are resulting in better Valley air quality, attainment with stringent federal health-based air quality standards cannot be achieved by stationary source regulations alone. The District's voluntary incentive programs complement regulatory control measures by providing much needed reductions from other source types, including motor vehicles, which the District has little or no direct authority to regulate. District incentive programs have a positive impact on air quality and are also highly successful due to the fact that participation is voluntary and the emission reductions are both highly cost-effective and surplus of the reductions required by the control measures. Recent audits conducted by the California Air Resources Board (ARB) and Department of Finance (DOF) confirmed

that the District's programs are fiscally sound and are "efficiently and effectively achieving their emission reduction objective."

Air Quality Plan Development

The District prepares long-range plans to attain and maintain state and federal air quality standards for ozone and particulate matter. In developing air quality plans, District staff members work closely with ARB staff, the agency responsible for the control of mobile source emissions; staff of the United States Environmental Protection Agency (EPA); members of environmental organizations; and representatives of industries that will be affected by the controls listed in the plans. These plans and the associated progress reports and supporting documents must meet all legal requirements, and must account for the needs of Valley citizens and industry. Developing air quality plans requires analyzing measured air quality and emission inventories, conducting atmospheric modeling, developing emission control strategies, and coordinating efforts with Valley transportation planning agencies, stakeholders, ARB, and EPA. The District develops its air quality plans in an open public process with numerous public meetings; the plans are then presented to the Governing Board for adoption. After Governing Board adoption, the District submits its air quality plans to ARB, who in turn approves and transmits the plans to EPA for incorporation in the State Implementation Plan (SIP). Federal planning requirements also include "Mid-Course Review," "Rate of Progress" and "Reasonable Further Progress" plans for ozone and particulate matter, and "Milestone Compliance Demonstration" reports for ozone to assure that the District and partnering agencies continue to reduce emissions as specified in the federal Clean Air Act.

Even after attainment plans are adopted by the Governing Board, District staff expends significant effort responding to requests from ARB and EPA for supporting plan information and preparing retrospective progress reports. Additionally, when EPA revises ambient air quality standards in response to federal Clean Air Act requirements, they set new attainment targets and plan submittal deadlines. Litigation against EPA over new air quality standards has historically caused significant delays and uncertainty in how the District was expected to plan for the new standards. Finally, when an area attains a federal air quality standard, the area must prepare, submit, and, at times, defend a Maintenance Plan designed to assure the area stays in attainment.

Rulemaking and Emission Control Strategy Development

The District develops new rules and rule amendments to achieve emission reductions pursuant to its air quality attainment plans. For decades, the District has adopted multiple generations of rules reducing emissions from the Valley's stationary sources, such as boilers, internal combustion engines, and turbines. In recent years, the District has also drafted rules addressing indirect sources (mobile sources from new development), wood-burning fireplaces, and employee vehicle trips. In developing new rules, District staff implements the Governing Board-approved Rule Development Procedures, and complies with the California Environmental Quality Act (CEQA) and other state laws regarding public hearings and economic analysis. During the development of each rule, staff works closely with ARB and EPA to satisfy state and

federal requirements, and solicits stakeholder comments at public workshops. Additionally, staff collaborates closely with affected businesses to gain a better understanding of regulatory economic impacts. Staff develops industry-wide cost estimates and provides this data to an economic consultant, who in turn prepares a regional economic impact analysis. As a result of the time needed for the full public review process and extensive analysis, major rule development projects may take more than one year to complete in order to produce rules that meet the District's air quality goals and provide cost-effective compliance options for affected businesses.

District staff is also responsible for the implementation of other innovative strategies adopted by the Governing Board, such as the Fast Track program and Health Risk Reduction Strategy. The Fast Track program established a non-regulatory approach to reducing emissions and expediting attainment of federal standards through a variety of innovative pollution control measures, such as the establishment of green contracting/procurement guidance, public funding for incentive grant programs, energy efficiency/conservation, and Healthy Air Living. In light of the latest air quality science and health research, the District's Health Risk Reduction Strategy established a policy position emphasizing the prioritization of strategies providing for maximum health benefits.

Air Quality Modeling and Monitoring Data Analysis

Air quality modeling uses highly complex computer programs, sophisticated computer hardware, and large databases to predict ambient pollution concentrations given future emission inventory and meteorological scenarios. These models bring together the science of emissions generation, meteorological transport, and atmospheric photochemistry in a "computerized laboratory" that can simulate air quality concentrations in the San Joaquin Valley. Many of the inputs and algorithms in these models were derived from the cutting-edge research performed through the San Joaquin Valleywide Air Pollution Study Agency.

In a general context, air quality modeling activities are fundamental to understanding the San Joaquin Valley's complex air quality problems. The District collaborates extensively with modelers from ARB, industry, academia, and other air districts on air quality research and modeling projects. In particular, the District has worked extensively with ARB on air quality analysis and modeling in support of attainment planning efforts. This collaboration will continue as the District continues to develop a number of air quality plans over the next few years.

In the context of the District's air quality plans, modeling is necessary to provide estimates for the quantities of emission reductions necessary to attain the federal air quality standards. These models are also highly valuable for estimating the contribution of ozone and PM precursor emissions from outside the District. Until recently, ARB conducted all SIP-related modeling for the District's air quality plans which required the District to rely solely on ARB for all modeling needs including acceptance of the results of the model runs. The continued utilization of the District's Air Quality Modeling Center will allow the District to conduct air

quality modeling in addition to what is being conducted by ARB and evaluate potential strategies as the District prepares numerous attainment plans.

District staff also assures that the overall design of the San Joaquin Valley's air monitoring network complies with state and federal regulations and prepares the Annual Air Monitoring Network Plan for submission to EPA, which includes technical analysis and documentation for any requested monitoring network modifications. Staff also develops Requests for Proposal and contracts for the construction of new air monitoring stations. Additionally, staff is responsible for the on-going quality assurance and certification of data collected from the District's monitoring stations, and the submission of the data to EPA's nationwide air quality database.

Air Quality Forecasting and Analysis

District staff provides a variety of air quality forecasting services, including providing daily Air Quality Index (AQI) forecasts, daily reporting of observed air quality levels, health advisory forecasts, declarations for the episodic curtailment provisions of Rule 4901 (Wood Burning Fireplaces and Wood Burning Heaters), and forecasts in support of the Smoke Management Program for agricultural and prescribed burns. Each day, District staff analyzes forecasted weather conditions using state-of-the-art tools, such as National Weather Service meteorology models, the District's lower air profilers, and District-customized meso-scale weather and statistical models. The District's Smoke Management Program is designed to minimize impacts of smoke on public health while addressing the open burn needs of agricultural operators and land managers. Staff continuously works on improvements of its forecasting tools supporting the burn allocation program and other forecast-dependent programs. Implementation of the mandatory residential wood burning curtailment provisions in Rule 4901 and the Smoke Management Program has raised the importance of accurate and timely air quality forecasts.

In addition to forecasts, District staff also conducts extensive analysis of air quality data generated from the District's network of air quality monitoring stations in support of planning efforts and to provide timely, accurate information to the public regarding air quality progress. Staff dedicates significant effort towards forecasting, measuring, and analyzing the weather conditions and emissions sources that cause sporadic, high concentrations of particulate matter and ozone concentrations. With adequate meteorological justification, pollution exceedances that can be attributed to unusual or overwhelming weather or wildfires can be classified as Exceptional Events, and be excluded from consideration as violations of a national ambient air quality standard. When this occurs, District staff prepares thorough examinations of the causes of these Exceptional Events, solicits public review, and submits the documentation to EPA. Under these circumstances, the District provides notifications to Valley residents so that sensitive individuals, in particular, can take precautions to minimize exposure.

Air Monitoring

The District operates a comprehensive ambient air monitoring program for criteria air pollutants in each of the eight counties of the Valley. The sophisticated equipment used

measures pollutants at very low levels. The equipment operates continuously and must be maintained to meet very strict state and federal criteria. It is critical that the District maintains this equipment as the data is extremely important in providing current air quality information to the public, and is utilized for a number of District programs.

The information gathered from the District's monitoring stations is reviewed for quality and completeness by District staff and then transmitted to EPA. Air quality data is used to determine the District's progress toward achieving state and federal air quality standards, to assess the benefits of control strategies, and to document air quality trends over long periods of time. Real-time air monitoring data is also used in daily air quality forecasts and Smoke Management Program forecasts.

Pollutants monitored include ozone, PM10 and PM2.5, nitrogen oxides, hydrocarbons, and carbon monoxide. In addition to routine monitoring, the District operates a network of five Photochemical Assessment Monitoring Stations (PAMS) focused on capturing volatile organic compounds (VOCs), which is an important precursor to the formation of ozone, and two atmospheric profilers that provide for enhanced forecasting and modeling. Lastly, the majority of these stations include meteorology equipment that measure a number of important atmospheric parameters.

The District currently has equipment at 25 stations located throughout each of the eight counties, comprised of numerous gas analyzers, particulate samplers, meteorological sensors, PAMS sampling units, and low air profilers. Most of this equipment runs continuously, must be calibrated, and must be maintained to meet strict requirements. Many of the stations are several years old and ongoing repairs are necessary to support new instruments and to assure a proper environment for the sensitive equipment.

Incentive Grant Program

District staff is responsible for the development, implementation, and on-going administration of a variety of incentive grant programs, including the Heavy-Duty Engine Program, Burn Cleaner Program, Drive Clean, Program, Public Benefit Grants Program, Enhanced Fleet Modernization Program (EFMP), and other incentive programs. Additionally, staff is responsible for ongoing administration of the District's Technology Advancement Program (TAP), implementation of the District's Cap and Trade Action Plan, the Smoking Vehicle Program, and other non-regulatory control strategies. Timeliness in the evaluation of grant applications and payment of claims is imperative to allow the District to obtain much needed emission reductions. Applicants expect quick turnaround times on their completed applications in order to install the new reduced-emission technologies in a timely manner. Failure to expend funds within specified time frames may result in the loss and return of unused funds.

The following is a list of all incentive grant fund revenues included in the Recommended Budget:

• DMV Surcharge Fees	\$43,300,000
• Carl Moyer Program	8,500,000
• ISR & Voluntary Mitigation Agreements	8,870,000
• Proposition 1B	32,100,215
• DERA Program	10,277,994
• School Bus Program	2,750,000
• Non-Operating Interest	601,100
• Misc. - Comm/Transfer	1,800,000
• State Cap and Trade Funds	34,563,935
• CEC Grants	95,400
• Miscellaneous Incentive Funds	<u>267,737</u>
 Total New Incentive Grant Funds	 <u>\$143,126,381</u>

Heavy-Duty Engine Program

The Heavy-Duty Engine Program is the District's largest and most successful incentive program. The Heavy-Duty Engine Program accepts applications for a wide variety of engines that power vehicles or equipment. Heavy-duty trucks, buses, and off-road engines are significant sources of nitrogen oxides (NOx), particulate matter (PM) and reactive organic gases (ROG) emissions within the San Joaquin Valley. Although the District does not have the authority to regulate vehicle tailpipe emissions, it can provide monetary incentives to reduce emissions from these sources. The program provides funding for equipment replacements, engine repowers, or retrofits that are cost-effective in reducing emissions. Emission reductions are obtained when the project applicant purchases vehicles and engines that are cleaner than required by regulatory emission standards or installs an emission certified retrofit device on an existing engine. Project types funded include, but are not limited to, on-road vehicles (heavy duty trucks, school buses, etc.), locomotives, off-road vehicles and equipment (construction, agricultural tractors, etc.), agricultural irrigation pump engines, forklifts, and engine idle reduction technology. During the first ten months of 2016-17, the District obligated over \$65 million in incentive funds through its various heavy-duty programs for over 1,000 engines/vehicles, and paid out over \$38 million in grant claims.

Proposition 1B – Goods Movement Emission Reduction Program: An important component of the Heavy-Duty Engine Program is the Goods Movement Emission Reduction Program, funded through Proposition 1B. This funding is allocated for reducing emissions from heavy duty diesel trucks operating in the Valley, locomotives and transport refrigeration units. This program requires a competitive application solicitation process. Emissions from every application submitted to the District for funding must be calculated and ranked by cost-effectiveness. Each eligible piece of equipment is then funded in order of cost-effectiveness until program funds are exhausted. There are also substantial monitoring, auditing and reporting requirements associated with these funds.

Truck Voucher Incentive Program: The truck voucher incentive program was the first of its kind when launched by the District recently as one of its newest incentive programs. The program is primarily focused on providing funding for truck replacements for small businesses that do not generally qualify for funding under the Proposition 1B or other programs. The program is designed to be streamlined, with close coordination of the application and verification process conducted with truck dealerships. District verification of all information submitted, as well as physical inspections of new and old vehicles, help ensure that the integrity of the program is maintained throughout the process.

Agricultural Equipment Replacement Program: The Agricultural Equipment Replacement Program funds the replacement of various types of older agricultural equipment with the latest generation certified equipment. District staff evaluates all applications for eligibility and emissions benefits and performs extensive monitoring to verify emissions reductions. This program has seen extensive interest and is one of the primary incentive programs operated by the District.

Lower Emission School Bus Program: The Lower Emission School Bus Program was created to reduce school children's exposure to cancer-causing and smog-forming pollution. By reducing exhaust emissions from old diesel school buses, the risk to one of our most sensitive groups, children, is greatly reduced. Any California public school district that owns and operates school buses in the San Joaquin Valley Air Basin, or any Joint Powers Authority (JPA) that directly provides transportation services to public school districts, is eligible to apply for funds. The School Bus Replacement Program offers incentive funding for the replacement and retrofit of high-emitting diesel school buses with new emission certified buses and clean filter technologies. In addition to funding projects in the San Joaquin Valley, the District has also been administering school bus programs for a number of neighboring and other small air districts throughout the state.

Burn Cleaner Program

The Burn Cleaner wood stove change-out incentive is a critical part of the strategy to address the effects of residential wood burning. The Burn Cleaner Program provides Valley residents with incentives to replace their old high-polluting devices, or modify their existing open hearths, with new, cleaner burning devices. Recent enhancements to the program, including increased incentive amounts, have resulted in steady participation by Valley residents during the most recent Check Before You Burn Season. During the first ten months of 2016-17, the District has issued over 2,300 vouchers for more than \$4.1 million.

Vanpool Voucher Incentive Program

The Vanpool Voucher Incentive Program provides subsidies to Valley residents to encourage participation in vanpools in lieu of single-occupancy vehicle commutes. The program targets residents who travel more than 20 miles one way for work. The Valley is a very expansive region and many residents commute long distances on a daily basis to their places of employment. For this reason, the program continues to see a steady

rate of participation as many riders benefit from the cost-savings of participating in a vanpool. During the first ten months of 2016-17, the District has issued over 32,000 vouchers for over \$1 million.

Drive Clean

The District encourages Valley residents to drive advanced clean vehicles, such as plug-in and plug-in hybrid electric vehicles, by providing rebates for the purchase or lease of an eligible vehicle through its Drive Clean Rebate Program. The rebate provided by the District can be combined with the rebate provided through the state's Clean Vehicle Rebate Project which results in the most attractive savings statewide. During the first ten months of 2016-17, the District has provided more than 1,700 rebates for over \$4.7 million.

Charge Up

The District launched the Charge Up Program on June 1, 2015 to not only support the investment made by many Valley residents who have already purchased advanced clean vehicles, but to also ensure the growth and viability of the technology in the region with necessary infrastructure. The program provides funding for Valley public agencies and businesses to purchase and install publically accessible electric vehicle chargers.

Vehicle Scrap, Repair, and Replacement

The District has offered a variety of incentives to encourage the early retirement of the highest polluting light-duty vehicles by encouraging the scrapping or repair of these vehicles. The State Bureau of Automotive Repair (BAR) currently has a statewide program that encourages the early retirement of vehicles that fail their smog check. As one of the newest District incentive programs targeting the highest-polluting light-duty vehicles, the District's Tune In Tune Up program, run in partnership with Valley Clean Air Now, has reached out to Valley residents in environmental justice communities who otherwise may not be able to afford costly emissions-related vehicle repairs. Through weekend events, participating residents could have their vehicles screened to determine if they qualified for emissions-related repairs at little to no cost to them. In 2015, funding from the Air Resources Board through the Enhanced Fleet Modernization Program (EFMP) and EFMP Plus Up has allowed the Tune In Tune Up program to provide incentives for the replacement of old high polluting vehicles with newer, cleaner, and more fuel efficient models. The vehicles repaired and replaced through Tune In Tune Up provide direct emissions benefits in low-income disadvantaged communities located throughout the Valley. In the first 10 months of 2016-17, the District sponsored 19 weekend events that provided funding for over 3,200 vehicle repairs and 300 vehicle replacements.

Public Benefit Grants Program

The Public Benefit Grant Program provides funding to Valley cities, counties and other public agencies for a wide variety of clean-air public-benefit projects that provide benefits to Valley residents. Eligible applicants are cities, counties, special districts (i.e. water districts, irrigation districts, etc.) and public educational institutions (i.e. school districts, community colleges, state universities, etc.) located within the geographic area

of the District. During the first ten months of 2016-17, the District approved over \$6.7 million in incentive funds through the Public Benefit Grants program.

Lawn Mower Replacement Program

The District has run a highly successful residential lawn mower replacement program for a number of years. The program is designed to operate as a rebate program and provides incentives for the replacement of old, high polluting gas powered lawnmowers with electric mowers. As a condition of receiving a rebate, this program requires verification that an old lawn mower has been destroyed.

REMOVE Program

The REMOVE Program provides incentives for projects that reduce motor vehicle emissions within the District, one of the largest sources of emissions not under the direct regulatory authority of the District. All projects must have a direct air quality benefit to the District, and include high-polluting vehicle scrappage, E-mobility (video-telecommunications), bicycle infrastructure, alternative fuel vehicle mechanics training, and public transportation subsidies. During the first ten months of 2016-17, the District obligated over \$258,000 in incentive funds through its various REMOVE programs for five projects.

Dairy Feed Mixer Electrification Program

The District is developing a new incentive program to provide funding for the purchase of electric dairy feed mixer equipment. This technology was successfully demonstrated under our Technology Advancement Program and is now commercially available. This program will provide incentives for the purchase of electric feed mixing technology that replaces diesel-powered equipment used in dairy operations with significant associated emission reductions. Each application will be evaluated against the specific criteria developed as a part of this program.

Technology Advancement Program

The District created the Technology Advancement Program (TAP) in late 2010 to encourage the development of advanced new emission reduction technologies in the Valley. The program provides funding for clean air technology advancement projects in several focus areas. In total, the District's Governing Board has approved 34 of the proposed projects for total funding of over \$11 million, with successful demonstrations of zero emissions yard trucks, electric composting, ultra-low NOx biogas engines, and other technologies.

Smoking Vehicle Program

The District also administers the Smoking Vehicle Program; a voluntary compliance program intended to inform drivers that their vehicle has been witnessed emitting excessive smoke and pollutants. Anonymous reports are received by the District's Smoking Vehicle telephone hotline, website, or through regular mail. Owners of the reported smoking vehicles are contacted via letter informing them that their vehicles were seen emitting excessive smoke, along with information on ways they could repair their vehicles.

SIGNIFICANT IMPACTS TO 2017-18 BUDGET

As detailed in the next section, the District anticipates an increase in workload in the planning, air monitoring, and incentive program functions, including the need to develop new attainment plans for ozone and PM2.5, development and adoption of rules to fulfill federal mandates and District commitments, and administration of additional incentive grant funding projects. The increased workload is expected to be accommodated with existing staff by continuing to implement streamlining and efficiency improvements in all areas. Additionally, efficiencies gained from the reorganization implemented in April 2014 will assist in addressing the impact of increased workload in 2017-18.

New Workload

Air Quality Plan Development; Rulemaking and Emission Control Strategy Development; and Air Quality Analysis

In addition to the many attainment plans that the District has already developed and implemented, the District is also mandated under the Clean Air Act to develop and adopt several new ozone and particulate plans in the next few years. Although each of these plans applies to a different specific air quality standard, ozone and particulate matter have common precursors, and many of the same control measures and strategies are likely to be required to expeditiously attain these standards.

A significant amount of work will be required in 2017-18 to prepare new PM2.5 and ozone attainment plans to address the 1997 PM2.5 standard, 2006 PM2.5 standard, and 2012 PM2.5 standard. In developing these plans, the District will need to conduct extensive research in close cooperation with Valley stakeholders to explore potential innovative control strategies. Development of these plans will involve extensive public engagement, including working closely with the Public Advisory Workgroup (PAW) which has been and will continue to meet on a regular basis to review and provide feedback on various components of the plan(s). The District will also continue to prioritize strategies that provide for maximum health benefits under its Health Risk Reduction Strategy. District staff will continue to collaborate extensively with ARB on refining the emission inventory and atmospheric modeling for these upcoming plans through use of the District's Air Quality Modeling Center.

The District will also continue to prioritize strategies that provide for maximum health benefits under its Health Risk Reduction Strategy. District staff will also continue to analyze the implications of new federal standards for oxides of nitrogen, oxides of sulfur, ozone, and particulate matter with respect to additional attainment plan requirements, potential implications to the District's air monitoring network, and impacts to other District programs.

Upon adoption of new attainment plans by the Governing Board, the District will begin the process for developing multiple new emission control measures in 2017-18. Key areas of focus for rule development include boilers and steam generators, internal combustion engines, flares, glass manufacturing furnaces, conservation management practices,

residential wood burning, and underfired charbroilers. Development of new rules will involve extensive public engagement and working closely with affected entities to devise innovative and creative measures that effectively reduce emissions in a cost-effective fashion.

In 2017-18, the District will also continue with the evaluation of potential amendments to Rule 4692 (Commercial Charbroiling) to assess additional emissions reductions from charbroiling operations through the installation of emissions control technologies at restaurants utilizing under-fired grills. Under-fired charbroiler technologies are still un-tested in real-life applications and need further evaluation and demonstration at Valley restaurants before these technologies can be considered in potential amendments to Rule 4692.

Technological feasibility issues and logistical issues such as the need to modify hoods and exhaust systems and reinforce roof supports in addition to the purchase, installation, maintenance, and labor costs must all be evaluated. Therefore, an important component of this ongoing evaluation is the on-site demonstration of emission control technologies at Valley restaurants to better understand the cost and feasibility of applying such technologies.

To assist in the preparation of attainment plans for ever-tightening federal standards, significant resources will continue to be focused on full utilization of the new state of the art Air Quality Modeling Center at the District. The expanded capabilities of the modeling center will continue to provide extensive computer resources that will allow the District to conduct complex air quality modeling. These models are critical to understanding the Valley's complex air quality and evaluating potential strategies as the District prepares numerous attainment plans in the coming years. Significant staff resources will be required to develop the in-house capacity necessary to fully utilize the resources available through the new modeling center.

Modeling staff will continue to focus their efforts in the coming year in ensuring the current modeling center hardware and software is optimized in its performance and fully operational. Staff will also continue to complete ongoing training to increase modeling skills and capabilities, and will conduct modeling of various potential scenarios to assist with the development of control strategies for the upcoming attainment plans.

In 2017-18, the District will also be utilizing the Air Quality Modeling Center to continue to develop the new online resource for Valley residents that provides air quality information on a neighborhood by neighborhood level. The District recently released the Web-based Archived Air Quality (WAAQ) system, which now provides the public access to historical air quality information at the neighborhood level. The Air Quality Modeling Center will also be used to develop the analytical tools and algorithms needed to provide real time air quality information to Valley residents on a neighborhood by neighborhood level basis. Providing air quality information on a real-time basis for such a large geographical area poses a number of challenges that must be met before launch. Furthermore, such a real-time reporting system must be able to take into account and make adjustments for unforeseen events that may affect air quality in a particular neighborhood. Given the Valley's size, it will take considerable staff resources, computing power and internal quality assurance checks to guarantee the information's accuracy for the approximately 3,600 neighborhoods.

The District continues its tradition of relying on sound science in formulating effective air quality management strategies. Consistent with this and in support of the District's Health Risk Reduction strategies aimed at maximizing and prioritizing public health benefits, the Recommended Budget includes \$300,000 specifically designated for health and scientific studies. Through these funds, the District anticipates designing and overseeing research studies in a number of important areas, including: emissions inventory for key area and mobile sources; studies in support of the Health Risk Reduction Strategy; localized ozone and PM2.5 monitoring field studies in support of the WAAQ system and neighborhood-by-neighborhood level air quality reporting systems; field studies to measure the impact of transboundary pollution to Valley floor ozone concentrations; and studies in support of rule and strategy development with focus on identifying effective strategies to reduce directly emitted PM2.5.

The Recommended Budget contains adequate staffing and financial resources to administer the District's Technology Advancement Program. Under this program the District will provide funding and engineering support to promote the development and advancement of new low-emissions technologies for mobile and stationary sources. Using existing and new incentive funding sources, this program will provide opportunities for new technology developers and entrepreneurs to compete for District funding of low-emissions technologies that work effectively in the San Joaquin Valley. The Technology Advancement Program will also enable the District to create public-private partnerships, including work with universities and other clean air agencies throughout the nation, to advance low-emissions technologies and build and expand local capacity for research and development in the San Joaquin Valley.

The District anticipates completing several Exceptional Events documents in 2017-18. These projects require a significant amount of data gathering, analysis, and modeling of meteorological and emissions parameters during recent wildfire and windblown dust pollution episodes, in order to demonstrate conclusively that the events were beyond the scope of the District's comprehensive, stringent control strategies. District staff is also responsible for coordinating the contracts with the laboratories that analyze the samples collected for the Photochemical Air Monitoring System (PAMS) program.

Air Monitoring

The new federal nitrogen dioxide standard requires new near-roadway nitrogen dioxide monitors to be installed in counties with populations above one million. The District only has two counties that exceed the one million population threshold, Fresno and Bakersfield. The Fresno near-road site came online in early 2016, and the Bakersfield near-road site is expected be online later this year. The new stations require considerable staff time to operate and maintain.

In addition to the new stations discussed above, the District will also evaluate other network modifications, including potential consolidation of sites. Potential changes will require extensive documentation and staff time.

Recent changes implemented by EPA and ARB are resulting in significant increased workload associated with the requirement to update and create numerous policies and procedures relating to the operation and maintenance of the District's air monitoring network. These new and updated policies are intended to ensure greater consistency in the operation of monitoring networks by local districts under ARB's monitoring umbrella.

The use of new technologies and efficiencies, such as the expansion of remote connection and automation capabilities, will enable more efficient operation of the air monitoring stations. The number of potential trips that staff will need to make to maintain a station and diagnose small problems with equipment will be significantly reduced. Additionally, the continued use of the new air quality data management system will also save significant staff time as the current labor intensive manual review and validation of air monitoring data will be greatly automated and streamlined, achieving more time savings for the program. These efforts to automate air monitoring tasks and allow remote connection to air monitoring stations are essential to absorb the new workload without corresponding significant increases in program staffing.

To provide expanded monitoring capability in support of special needs, the District is planning to develop a unit that will automate the exchange of filters used in gas analyzers throughout the air monitoring network. If successful, this unit will have the ability to adjust the sample line flowing through a dirty filter to a clean filter through an automated process, saving staff time currently used to travel to a site and complete this task manually. Additionally, the District is also planning to enhance its mobile monitoring capabilities through purchasing and constructing more compact equipment used to measure ozone and particulate matter. When developed, these mobile units can be used to measure air quality for emergency situations (e.g. wildfires, industrial fires), and can also be used to collect air monitoring data in areas of the Valley that have historically never been monitored. Data collected from these mobile units can also be used to augment neighborhood level data in support of the continued development of the WAAQ system and the neighborhood-by-neighborhood level Real-time Air Advisory Network (RAAN), and assist in parallel monitoring needed for making changes to the air monitoring network.

Incentive Grant Program

In 2017-18, the District expects to receive an additional \$143 million from a variety of local, state, and federal sources for use in funding voluntary incentive-based emission reduction projects. Additionally, the District will have access to funds received prior to 2017-18 carried forward as reserved fund balance. These two sources will bring the total incentive funds available to the District in 2017-18 to \$182 million.

A significant workload related to the District's incentive programs involves the funding of projects through the Proposition 1B Goods Movement Emission Reduction Incentive Program. Significant interest has been shown in this program, with the District receiving more than 2,000 applications for over \$100 million of requested funding during the program's most recent solicitations. While difficulties with the state budget caused a significant delay in funding early in the Proposition 1B Program's implementation, funds have more recently become available.

In addition to the ongoing work of processing and closing out the remaining funds from the previous round of funding, in 2017-18, the District will receive over \$32 million of Proposition 1B funds to be awarded to interested truck fleet owners and other eligible applicants for goods movement emission reduction projects through a competitive application solicitation process beginning in the late spring or early summer of 2017. This solicitation will include a comprehensive outreach campaign to ensure that the District receives maximum participation Valley-wide. Additionally, this solicitation will necessitate a complete overhaul of all District applications, forms, and associated program materials due to the increasing complexities of this program stemming from the implementation of ARB's statewide truck and bus regulation. With the implementation of this regulation and new state guidelines, more complex and labor-intensive project specific evaluation will be required. This added complexity will also necessitate working more closely with each fleet owner and truck operator to determine their potential eligibility for the program.

In addition to Proposition 1B, the District will also be continuing to implement its robust truck voucher incentive program in 2017-18. Given the substantial funding and increased demand for this program, significant staff time associated with application processing, monitoring, auditing, and reporting will be required.

The Recommended Budget includes another \$4.9 million for the Burn Cleaner program, with demand from Valley residents and corresponding workload remaining extremely high. Additionally, as we continue to refine the program, additional work will be required to update the program guidelines and associated materials, provide training to Valley retailers, amend agreements, and engage in a strong outreach campaign to continue to promote the Check Before You Burn program.

In addition to the District's award-winning Tune In, Tune Up repair program, the District implemented a vehicle replacement component program with Valley local funds. Based on the success of the District's vehicle replacement program, ARB provided the District an additional \$17.8 million in funding for the continued implementation of the Enhanced Fleet Modernization Program (EFMP) and the Plus Up (Plus Up) programs. The Plus Up portion of the program is designed to complement the EFMP Program and provide higher incentives for residents of disadvantaged communities to purchase advanced technology vehicles including hybrids, plug in hybrids, and battery electric. To date, participation in EFMP and Plus Up has been exclusively through attending a weekend event. In 2017, the District will be offering Valley residents the opportunity to apply online to retire and replace their old high emitting vehicle with a newer, cleaner vehicle. In combination with the weekend event process, the direct application method should result in a significant increase in the number of vehicles replaced in the District.

One of the largest components of the Heavy-Duty Engine Program is the agricultural equipment replacement program. This program is targeted at reducing emissions from off-road equipment and provides funding for equipment replacement, engine repowers, and engine retrofits that are cost-effective in reducing emissions. The District has seen a high level of interest from the agricultural sector in this program, and plans on

providing significant funds towards these cost-effective projects in 2017-18. In addition to the significant workload associated with increased outreach and processing of new applications, significant workload is also expected for the review and processing of grant claims and payments associated with the extensive funding provided in 2016-17.

The District has developed and is currently implementing the first-of-its-kind tractor reuse program with the goal of gaining additional emission reductions from replacing old, high-polluting tractors with newer tractors that have been replaced through the District's agricultural equipment replacement program. The design of the program is substantially complete; however, program implementation on a large scale will result in a significant additional workload in the upcoming year. The District was recently awarded an additional \$3 million from ARB to continue this important program.

For the past several years, the District has operated the Drive Clean Rebate Program to provide incentives for the purchase of advanced technology clean light-duty vehicles. More recently, the District has engaged in a planning effort to ensure that the Valley is well positioned and ready to respond to increasing availability of electric vehicles in the coming years. In addition, to encourage electric vehicle deployment, the District provides incentives for workplace and publically accessible charging stations through its Charge-Up Program. The expected increase in workload from this program will come from the research and development of this new funding component as well as a strong outreach component and program implementation activities.

The District continues to enter into Voluntary Emission Reduction Agreements (VERAs) to mitigate the increased emissions from development projects in the Valley. In addition to entering into VERAs aimed at reducing criteria emissions increases, the District has also entered into mitigation agreements with project proponents to mitigate greenhouse gas emissions through incentive programs. Funding from these various agreements will be utilized in the District's incentive programs to fund qualifying emission reduction projects. Additionally, with increased construction in the Valley, the District forecasts receiving additional Indirect Source Review (ISR) revenue. The District anticipates receiving nearly \$8.9 million of incentive funding through these programs. These mitigation programs will impact the District workload with increased application processing, contract administration, grant tracking requirements, and grant payments.

The District's Technology Advancement Program will continue to see significant activity in 2017-18, with over \$4.9 million funding for Valley-based technology demonstration projects. Substantial staff time will be required to administer ongoing demonstration projects, solicit and evaluate new project proposals, and execute agreements for new Board-approved demonstration projects.

The Recommended Budget includes \$150,000 to provide funding for support of voluntary Valley-wide projects for energy efficiency and HAL Partner recruitment, in close coordination with local jurisdictions, utilities, and other stakeholders.

In addition to the work to administer the above programs, the District will also spend a significant amount of staff resources in securing additional funding sources by preparing and submitting applications for new funding opportunities and exploring partnership opportunities with other agencies and organizations. Preparing grant applications requires significant staff resources, and several key grant opportunities will likely become available in 2017-18. Of particular importance will be the need to secure new funding made available through the state Cap and Trade program. As directed by the District Governing Board in May of 2015, the District will continue to implement the District's multi-faceted Cap and Trade action plan to ensure that the Valley is well positioned to take full advantage of, and effectively compete for, the numerous funding opportunities created under the Cap and Trade Program. Through these efforts during 2016-17, the District and its partners have secured over \$60 million in funding for various projects throughout the Valley. Staff will work with all participating project partners to implement and process these Cap and Trade funded projects.

It is important to note that many incentive funding sources include provisions for a portion of the funds to be used for their administration. Administrative funds are included in the District's Recommended Budget and are adequate to support the District's incentive grant programs without impacting stationary source fees.

Efficiency and Streamlining Measures

Plan Development, Rule/Emission Control Strategy Development, and Air Quality Analysis

In 2017-18, several streamlining initiatives will leverage computer automation and technology improvements to replace tasks currently or previously performed by staff. Automation through the use of information technology is instrumental in a number of initiatives pursued by the District to improve efficiency and quality of work. The continued implementation of the new automated air quality data/monitoring system will significantly reduce the amount of staff time required to perform quality assurance/control of air quality data. As staff become more familiar with the new air quality data management system and its capabilities, even more efficiencies with this system are expected this next year. Forecasting staff have developed and implemented several automated modules in the daily Air Quality Index and burn allocation routines that have significantly reduced the time spent on those tasks.

In 2017-18, additional forecasting tools will continue to be developed which will allow for the full automated retrieval of several important parameters needed to formulate air quality levels, i.e., temperature, pressure, wind speed, humidity, and other meteorology, with the click of one button, instead of the extensive time spent on retrieving this meteorological data from various websites. This automation tool, when completed, will result in a significant decrease in the time it takes to formulate the daily forecast. In addition, the program used by staff to disseminate the air quality forecast products is planned to be transitioned to a new desktop application to allow for a more efficient daily process, and also bring more ease in analyzing past forecasting decisions and burn declarations.

In 2015, the District's air quality forecasting and compliance staff worked with the California Air Resources Board (ARB) to create the ability to issue weather forecasts and approvals for prescribed burn projects in the same system where smoke management plans for burn projects are submitted and approved. Combining these processes into one centralized system simplifies the process for the District and land managers to submit plans and approvals to each other for proposed prescribed burn projects. Additionally, it streamlines the resources needed to organize and retain the necessary information to operate the prescribed burn program. This new approach was tested with a small number of burn projects in 2015, was expanded in 2016-17, and will continue to be used in 2017-18 to continue the gained efficiency in this program for the air quality forecasting and compliance staff.

In 2017-18, the District will continue to refine its procedures for public workshops while still providing ample opportunity for public review. Streamlining measures will involve more utilization of video-teleconferencing (VTC) to reduce travel-time to workshops. In accordance with the District's core value of open and transparent public processes, webcasting meetings allows an additional means of public participation, while reducing emissions from mobile sources. The District will continue to present major topics in-person throughout the Valley, and utilize the District's VTC facilities for all public meetings. In order to better reach stakeholders in the Valley's environmental and community groups, the District will continue to present and solicit feedback at regularly scheduled meetings of the Citizen's Advisory Committee and Environmental Justice Advisory Group.

To streamline the training of newer staff members, staff will continue utilizing web training seminars (webinars) where more than one person can participate, in order to save time, reduce travel, and maximize the number of people trained. Staff also attend in-office trainings on specific air quality issues, technologies, and sources hosted by the California Air Resources Board. In addition, to minimize the time spent by staff staying abreast of new policy, legislation, and guidance, when new information becomes available, one staff member reviews it and posts a summary to the District's intranet website. Other staff is then notified of the new posting, which enables more staff members to access pertinent information in a fraction of the normal time.

To better respond to an increasing and dynamic workload, significant cross-training of newer staff across a variety of job functions is being conducted. This cross-training assists in succession planning for key staff, and helps to better provide consistent customer service to our stakeholders, since there will be more staff able to assist in answering questions.

As the use of the internet has spread throughout the Valley's communities, the demand for paper documents, such as rules and plans, has dramatically decreased. The practice of using the District's website as the primary means of publishing large documents such as plans, rules, and air quality data continues to expand. This means of obtaining the documents has become widely accepted by stakeholders and reduces the up-front printing, postage, and administrative staff time costs to the District. In

addition, the District now notifies many stakeholders of workshops, hearings, and other advisories via e-mail. The e-mail notifications contain a hyperlink to the District web page for that project, and users are encouraged to download documents from the web page. The e-mail notifications have significantly reduced mailing and printing costs and staff processing time. To maintain effective communication with stakeholders who desire paper documents, the District has retained its hardcopy mailing function, and has developed programs to manage mailing list databases to avoid mailing duplicate copies to recipients.

Air Monitoring

The ongoing introduction of new ambient air quality monitoring mandates and the increasing demand for high-quality, real-time ambient air monitoring data results in dramatic increases in the workload within the District's air monitoring program each year. Aggressive efforts to automate air monitoring tasks and allow remote connection to air monitoring stations are essential to allow for mandates and monitoring data needs to be met without corresponding significant increases in program staffing. Without these efforts, meeting future mandates and demands will not be sustainable with existing staffing levels. In 2017-18, the District is proposing to continue its aggressive efforts in the areas of automation, remote connection and modernization by undertaking the following projects:

- Replacement of manual, labor intensive filter-based monitoring methods with continuous real-time methods, where appropriate, which do not require the frequent replacement and analysis of filters and the corresponding trips to the air monitoring stations; this also has a co-benefit as it provides timely data which can be used for forecasting and for public outreach through avenues such as the Real-Time Air Advisory Network (RAAN)
- Replacement of aging analyzers with newer "intelligent" models which incorporate remote connection capabilities to run diagnostic checks, to update/change configurations, and to evaluate operating parameters; this reduces trips to stations by allowing weekly and biweekly maintenance checks to be performed remotely, and facilitates timely completion of analyzer repairs by allowing the problem to be diagnosed remotely prior to visiting the station to affect the repair
- Replacement of aging support equipment such as calibrators and zero air generators with new models which enhance remote connection capabilities and which will decrease analyzer downtime and maintenance costs associated with operating older equipment
- Use of the new Data Management System (DMS) for the network which allows for automation of quality assurance/quality control (QA/QC) data analysis using data validation protocols with suspect data warnings
- Use of the new Data Acquisition System and Remote Control setup at stations which will allow for increased control and automation of station tasks (filter changes, calibrations, etc.) and will allow for the acquisition and uploading of analyzer operating parameters for use by the new DMS in automated QA/QC data analysis; the acquisition and uploading of analyzer operating parameters

also allows for pro-active maintenance work to ensure data completion and instrument availability mandates are met

- Complete the development and testing phase of an automated filter exchange mechanism for use at air monitoring sites measuring gaseous parameters; if proven to be successful, this unit will dramatically reduce the number of trips currently needed to handle this required task
- Purchase a variety of fixed assets that will streamline calibration processes and reduce staff time that are conducted on a routine basis throughout the year
- Reorganize equipment at all sites to allow for easier movement through the shelter and improved access to the equipment for repairs and maintenance
- Create or purchase software to catalog and track warehouse parts inventory, fixed assets at air monitoring stations, and regular maintenance and calibration tasks needing to be completed to properly maintain the network; this software will allow staff to catalogue and organize all spare parts being housed in storage, and be able to track when part inventory is low so that replacements can be ordered in a timely manner; this software will assist in streamlining repair and maintenance tasks, and reduce potential data loss by ensuring that parts will not run out when they are needed most; this system could also have the potential to track where parts are being used

In 2017-18, the District will also be continuing an effort to evaluate the current Air Monitoring Network to ensure that it is correctly suited to provide the information necessary to meet federal requirements and District and stakeholder objectives while avoiding duplicative monitoring. This effort to “right-size” the monitoring network will allow the District to efficiently and effectively meet air monitoring requirements and needs while controlling costs in the face of new ambient air quality monitoring mandates and the increasing demand for high-quality, real-time ambient air monitoring data.

Incentive Grant Program

Timeliness in the evaluation of incentive applications and payment of claims is imperative to allow the District to obtain much needed emission reductions within mandated state and federal timelines. Applicants expect quick turnaround times on their completed applications in order to install the new reduced-emission technologies in a timely manner. Failure to expend funds within specified time frames may result in the loss and return of unused funds.

The most critical tool utilized in the administration of the District’s voluntary incentive programs is the Grants Management System (GMS) database. This system tracks all activities related to the administration of all of our programs. During the upcoming year, a huge focus will be on completely revamping this system to allow District staff to more efficiently administer our programs through more effective use of technology. This includes moving towards a paperless electronic workflow, and enhanced reporting and tracking. Updating GMS will provide significant streamlining in all areas of grant program administration.

The District is continuing to develop and finalize new policies and procedures to improve consistency and efficiency within the incentive programs. Having detailed policies will provide staff with answers to most common questions that arise and will allow them to proceed quickly with their various tasks. Additionally, well-trained staff will allow for improved operational efficiency and better customer service. The District will continue to provide staff with enhanced training opportunities to improve their technical skills and customer service. The District is also in the process of finalizing a comprehensive database that will link all departments to increase the coordination and speed in processing incentive program applications.

Historically, the District has managed one of the most efficient grant processing programs in the state, as recognized by numerous independent audits. Most recently, ARB and DOF audits found the District's incentive programs as fiscally sound and "efficiently and effectively achieving their emission reduction objectives." District staff has implemented numerous operational efficiencies to expedite the application and contract process and will continually look for opportunities for streamlining.

The following highlights some of the streamlining and efficiency measures that the District will be implementing in the administration of its grant programs:

- Automation of grant process through the implementation of new technology, including the ability to receive online applications, and continued improvement of the District's custom grant management database
- Expansion of the District's Tune In Tune Up program to include online direct applications for the vehicle replacement program into the existing structure
- Continued enhancement and development of new grant program guidelines and materials to provide diverse grant programs through which to expend existing and new funding sources, while streamlining the process for applicants
- Continue to work closely with ARB to reduce administrative requirements under the Carl Moyer Program
- Development of templates and boilerplate contracts and supporting documentation to increase efficiency and consistency
- Consolidation of inspection procedures to provide enhanced customer service while reducing inspection staff time
- Expand use of various outreach options, including continued input from the Environmental Justice Advisory Group, and use of the District's website to make available program information and resources

Since all of the funds currently used for incentive programs and subsequent projects come from public funding sources, it is imperative that the District remains closely involved with guideline and parameter changes that may affect the implementation, distribution, and efficiency of these grants. For that reason, staff actively participates in ARB and EPA workshops, public meetings, board meetings, working groups, and committee meetings that directly affect operations.

The District will continue developing and enhancing campaigns designed to promote awareness and participation in grant programs such the Burn Cleaner Program and the Heavy Duty Engine Program. As in previous years, the District will implement a comprehensive multilingual outreach campaign to promote the Check Before You Burn Program and the Healthy Air Living programs. With the amendments to Rule 4901 (Residential Wood-burning Fireplaces and Wood-Burning Heaters) fully implemented, the District will work to ensure that the public is educated regarding the revised no burning thresholds, proper registration of clean burning devices, and grant funding opportunities for upgrading older wood burning devices.

SUMMARY OF POSITIONS

<u>Title</u>	<u>2016/2017</u>	<u>2017/2018 Recommended</u>	<u>Increase/ Decrease</u>
Air Quality Analysis and Research Supervisor	1.0	1.0	0
Air Quality Assistant	1.0	1.0	0
Air Quality Instrument Specialist I/II	1.0	1.0	0
Air Quality Instrument Tech I/II	6.0	6.0	0
Air Quality Specialist I/II	23.0	23.0	0
Director of Strategy & Incentives	1.0	1.0	0
Office Assistant I/II	2.0	2.0	0
Operations Support Supervisor	1.0	1.0	0
Program Manager	3.0	3.0	0
Senior Air Quality Instrument Tech	1.0	1.0	0
Senior Air Quality Specialist	10.0	10.0	0
Staff Technician I/II	2.0	2.0	0
Supervising Air Quality Instrument Tech	1.0	1.0	0
Supervising Air Quality Specialist	4.0	4.0	0
Supervising Atmospheric Modeler	1.0	1.0	0
TOTAL	<u>58.0</u>	<u>58.0</u>	<u>0</u>

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Strategies and Incentives

	Adjusted* FY 16-17	Recommended FY 17-18	Budget/Budget	
			Increase (Decrease)	%
OPERATING APPROPRIATIONS				
SALARIES AND BENEFITS				
Regular Salaries	\$4,128,548	\$4,362,347	\$233,799	6%
Temporary Help	\$470,120	\$493,738	\$23,618	5%
On Call Pay	-	-	-	-
Overtime	\$63,526	\$67,009	\$3,483	5%
Unemployment	\$17,365	\$17,470	\$105	1%
Retirement	\$1,777,526	\$1,797,409	\$19,883	1%
OASDI	\$95,917	\$100,916	\$4,999	5%
Workers Compensation	\$38,867	\$38,848	(\$19)	-
Cafeteria Plan Benefits	\$604,482	\$611,647	\$7,165	1%
Long-Term Disability Insurance	\$11,516	\$12,126	\$610	5%
Alternate Transportation Incentive	\$39,036	\$39,300	\$264	1%
TOTAL SALARIES AND BENEFITS	\$7,246,903	\$7,540,810	\$293,907	4%
SERVICES AND SUPPLIES				
Safety Supplies & Equipment	\$2,565	\$2,315	(\$250)	(10%)
Mobile Communications	\$41,986	\$35,926	(\$6,060)	(14%)
Telephone Charges	\$19,255	\$17,010	(\$2,245)	(12%)
Insurance	\$35,774	\$38,635	\$2,861	8%
Equipment Maintenance	\$31,217	\$31,354	\$137	-
Vehicle Maintenance & Operations	\$32,600	\$39,000	\$6,400	20%
Computer Maintenance	\$159,390	\$131,043	(\$28,347)	(18%)
Video Conferencing Maintenance & Operations	-	-	-	-
Building Maintenance & Operations	\$50,364	\$46,642	(\$3,722)	(7%)
Office Supplies	\$9,505	\$9,037	(\$468)	(5%)
Computer Software & Supplies	\$14,442	\$12,600	(\$1,842)	(13%)
Monitoring Station Supplies & Equipment	\$223,055	\$233,123	\$10,068	5%
Postage	\$37,400	\$20,600	(\$16,800)	(45%)
Printing	\$5,240	\$5,539	\$299	6%
Professional & Specialized Services	\$628,044	\$628,944	\$900	-
Publications & Legal Notices	\$23,040	\$21,996	(\$1,044)	(5%)
Rents & Leases	\$76,790	\$60,069	(\$16,721)	(22%)
Small Tools & Equipment	\$5,265	\$5,285	\$20	-
Special District Expense	\$4,550	\$4,544	(\$6)	-
Travel & Training	\$27,150	\$27,150	-	-
Travel & Training - Boards	-	-	-	-
Utilities	\$110,658	\$106,584	(\$4,074)	(4%)
Audit Services	-	-	-	-
Legal Services	-	-	-	-
TOTAL SERVICES AND SUPPLIES	\$1,538,290	\$1,477,396	(\$60,894)	(4%)
FIXED ASSETS				
Office Improvements	-	-	-	-
Facilities & Equipment	\$26,909	\$19,642	(\$7,267)	(27%)
Computer Equipment	\$365,193	\$207,063	(\$158,130)	(43%)
Office Furniture / Equipment	\$4,678	\$4,678	-	-
Office Machines	\$8,823	\$6,268	(\$2,555)	(29%)
Telephone Systems	\$3,845	\$6,868	\$3,023	79%
Detection Equipment	-	-	-	-
Automobiles	-	\$56,000	\$56,000	-
Audio / Visual Equipment	-	-	-	-
Safety Equipment	-	-	-	-
Video Conferencing System	-	-	-	-
Air Monitoring Station Equipment	\$342,500	\$232,000	(\$110,500)	(32%)
Air Monitoring Near Roadway Stations	-	-	-	-
Air Monitoring Automation/Remote Control Project	\$175,000	\$375,000	\$200,000	114%
Purchase of Southern Region Office Building	-	-	-	-
TOTAL FIXED ASSETS	\$926,948	\$907,519	(\$19,429)	(2%)
TOTAL OPERATING APPROPRIATIONS	\$9,712,141	\$9,925,725	\$213,584	2%

NON-OPERATING BUDGET

FISCAL SUMMARY

	<u>Budgeted 2016-17</u>	<u>Recommended 2017-18</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
<u>Appropriations</u>				
Other Charges	25,000	247,700	222,700	891%
Incentive Programs	270,158,064	181,511,500	(88,646,564)	-33%
Approp. for Contingencies	850,000	850,000	-	
 Total	<u>271,033,064</u>	<u>182,609,200</u>	<u>(88,423,864)</u>	<u>-33%</u>

FUNCTION

This budget unit has been established for those expenditures that are not related to the internal operations of the District and/or are not attributable to any specific program. The large majority of the appropriations in this budget unit are for the District’s incentive grant programs. This budget unit also contains the Appropriation for Contingencies account. Descriptions for each account, along with explanations for any significant changes for 2017-18, are included below.

OTHER CHARGES

Air Toxics - Pass Through

This appropriation represents that portion of the Toxic “Hot Spots” fees collected by the District on behalf of the state that is intended to reimburse the California Air Resources Board (ARB) and the Office of Environmental Health & Hazard Assessment (OEHHA) for their share of the costs associated with this program. These fees are forwarded to the state only after the cost of the District’s program has been recovered. The recommended appropriation of \$247,700 is significantly higher than the prior year due to the re-evaluation of approximately 300 facilities, which will result in an increase in fees collected.

INCENTIVE PROGRAMS

The 2017-18 Recommended Budget includes \$181,511,500 of appropriations for emission reduction incentive grants. The District expects that additional incentive funds will continue to be added to the 2017-18 Non-Operating Budget throughout the year with budget amendments brought to the Governing Board as additional funding is secured.

The following is the detail of the incentive program appropriations currently included in the 2017-18 Recommended Budget:

• DMV Surcharge Fees - Incentives	\$ 61,230,800
• Carl Moyer Program	8,703,700
• ISR & VERA	12,709,200
• Proposition 1B Funding Program	39,361,800
• School Bus Program	6,985,300
• Federal Funding	10,278,000
• Community & Other Incentives	4,127,600
• State Cap and Trade Funds	37,999,700
• Energy Efficiency Grant	95,400
• Miscellaneous Incentive Grants	<u>20,000</u>
Total Incentive Grants	<u>\$181,511,500</u>

DMV Surcharge Fees

This appropriation is funded by new DMV Surcharge Fee revenue in 2017-18 and by \$17,790,800 of DMV reserves. The District's DMV Surcharge sources available to appropriate are as follows:

• AB2766 \$4 per vehicle	\$ 650,000
• AB923 \$2 per vehicle	5,890,000
• SB709 \$1 per vehicle	2,900,000
• AB2522 \$12 per vehicle	34,000,000
• DMV Reserves	<u>17,790,800</u>
Total DMV Surcharge Fees	<u>\$ 61,230,800</u>

Depending on the source of the DMV Surcharge Fee revenue, the restrictions included with the enabling legislation, and the types of grant applications received by the District, these funds can be used in several of the District's programs.

Carl Moyer Program

This appropriation is based on the annual state allocation of Carl Moyer Program funds and unused amounts carried over from the prior year. The District receives about \$8 million annually. These funds are used predominantly in the Heavy-Duty Program and are granted in strict accordance with guidelines adopted by the Air Resources Board.

Indirect Source Review (ISR) and Voluntary Emission Reduction Agreements (VERAs)

This appropriation represents the estimate for incentive grant revenue available as the result of the District's ISR Rule and voluntary development mitigation agreements. Residential and commercial development projects provide these funds to offset emissions associated with projects. The Heavy-Duty Program and other programs, such as the District's Burn Cleaner Program, use these funds for quantifiable and enforceable projects that reduce surplus emissions of NOx and PM. The estimated revenues are expected to be

about \$8.9 million, which is a decrease of \$1.2 million to the budgeted revenues for the 2016-17 fiscal year.

Proposition 1B Funding

This appropriation includes \$32.1 million of Proposition 1B: Goods Movement Reduction Program funding. While difficulties with the State budget caused a delay in funding early in the Proposition 1B Program's implementation, funds have more recently become available with a significant amount of funds now becoming available in 2017-18. Funding from Proposition 1B will be used for specific advanced technology heavy-duty on-road vehicle projects providing funding for truck replacements, transport refrigeration units (TRUs), and locomotive replacements.

School Bus Program

This appropriation provides incentive funding for the retrofit and replacement of high-emitting diesel school buses. This program was established to reduce schoolchildren's exposure to cancer-causing and smog-forming pollution. Funding for FY 2017-18 appropriations is expected from both the California Air Resources Board and the federal government.

Federal Funding

This appropriation represents over \$8.4 million funding from the EPA Air Shed funds for Agricultural Tractor Replacement Program, Heavy-Duty Truck Replacement and the Burn Cleaner Program. In addition, the District will receive about \$475,000 in federal funding for the Technology Advancement Program.

State Cap and Trade Funding

Funding is for projects that generate reductions in greenhouse gas emissions with potential co-benefits of criteria pollutant reductions. Funding must provide significant benefit to disadvantaged communities. This appropriation represents \$38 million in incentive funding for the Enhanced Fleet Modernization Program (EFMP) and EFMP Plus-Up light-duty vehicle replacement programs, agricultural tractor trade-up pilot program, and several heavy-duty advanced technology vehicle demonstration projects.

Community & Other Incentives funded by Operating Revenues

This appropriation represents funding transferred from Operating Revenues to fund various incentive programs. The District is currently receiving annual revenue through both Rule 4320 (Advanced Emission Reduction Options for Boilers, Steam Generators, and Process Heaters Greater than 5.0 MMBtu/hr. and through Rule 3170 which implements Section 185 of the federal Clean Air Act). These revenues primarily provide the funding to transfer \$1.8 million in resources from the Operating Budget to the Non-Operating Budget for incentive programs, including the District's Technology Advancement Program and lawn and garden programs. The District may create new program components to complement existing ones.

Miscellaneous Incentive Programs

This appropriation includes Hearing Board funds and other qualified funds designated to various incentive projects.

APPROPRIATION FOR CONTINGENCIES

The purpose of the Appropriation for Contingencies Account is to provide a prudent safety net should the District encounter a reduction in revenue or an increase in expenditures caused by state or federal actions, or other unforeseen circumstances. The recommended appropriation for this account for 2017-18 is \$850,000, the same as recommended and adopted for 2016-17.

INCENTIVE SPENDING PLAN

BACKGROUND

The District operates one of the largest and most well-respected voluntary incentive programs in the state. With strong advocacy efforts at the state and federal levels, the District has seen a significant increase in incentive funding levels over the past several years, with a budgeted incentive program appropriation of \$25 million in the 2005-06 Budget, and a proposed incentive program appropriations of \$183 million in the 2017-18 Recommended Budget. The District’s voluntary incentive programs complement regulatory control measures by providing much needed reductions from source types that the District has little or no direct authority to regulate. District incentive programs have a positive impact on air quality and are also highly successful due to the fact that participation is voluntary and the emission reductions are both highly cost-effective and surplus of the reductions required by regulations.

Since the District’s inception in 1992, considerable funding has been expended in support of clean-air projects in the Valley, as summarized in the following table. These projects have achieved significant emissions reductions and corresponding air quality and health benefits. The District typically requires match funding of 30% – 70% from grant recipients. To date, grant recipients have provided over \$851 million in match funding, with a combined District and grant recipient funding investment of \$1.7 billion.

District Incentive Funding (\$)	Grant Recipient Match Funding (\$)	Emissions Reductions (tons)	Cost- effectiveness (\$/ton)
\$875,600,000	\$851,600,000	130,300	\$6,720

Over the past 24 years, the District has provided incentive funding to purchase, replace or retrofit thousands of pieces of equipment, including:

- 7,000 agricultural irrigation pump engines (~\$2,300/ton)
- 3,400 agricultural equipment replacements (~\$5,700/ton)
- 1,277 off-road equipment repowers (~\$5,900/ton)
- 6,100 heavy-duty trucks (~\$11,400/ton)
- 2,295 school bus retrofits (dedicated funding source –funding based on public health considerations rather than \$/ton cost effectiveness)
- 566 school bus replacements (dedicated funding source –funding based on public health considerations rather than \$/ton cost effectiveness)
- 4,298 lawnmower replacements (dedicated funding source –funding based on public health considerations rather than \$/ton cost effectiveness)
- 12,160 fireplace change-outs (dedicated funding source –funding based on public health considerations rather than \$/ton cost effectiveness)

- 124,644 commuter subsidies (~\$18,600/ton)
- 41 locomotive replacements/retrofits (~\$9,900/ton)
- 5,650 new alt fuel light duty vehicles Public & Private (~\$50,000 - \$150,000/ton)
- 1,520 vehicle retirements (car crushing) (~\$15,000-\$50,000/ton)
- 20,324 vehicle emissions repairs (~\$20,000/ton)
- 28 bicycle infrastructure projects (bike paths) (~\$17,000/ton)

INCENTIVE STRATEGY

Each of the funding sources administered by the District includes different guidelines and statutory requirements for the expenditure of those funds, but generally, the District currently considers the following factors when deciding how and where to spend our incentive funds:

Cost-effectiveness – An important influence when considering where to invest District funds, is determining which types of projects and programs will give the District the greatest return on its investment. This is typically represented in dollars per ton of emissions reduced. While cost-effectiveness is a primary factor, the District also considers the funding of projects that may not have the highest cost-effectiveness, but provide other benefits, such as the advancement of new technology, or community involvement (as described below).

Inventory of available projects – This factor is critical in all District incentive programs. To date, the District has been extremely successful in designing programs that have broad appeal and applicability across a wide variety of industries. The result has been that, for the last 10 years, the District has had a substantial backlog of eligible projects waiting funding. However, with the regulatory landscape changing, many of the past project categories that created the enormous backlog have come under regulation, making them, in most cases, ineligible for funding. As a result, the District must continue not only to work within the existing regulations to find cost-effective, surplus project categories but also to focus in areas in which a significant inventory of eligible projects still exists.

Required expenditure timeframes – Each funding source that the District administers generally requires obligation and expenditure by certain deadlines. These deadlines greatly impact our funding priorities and choice of projects. The District may prioritize a funding category over others due to the timeframe associated with a particular funding source. For instance, we may prioritize certain projects that we can reasonably expect to be completed prior to the deadline for that specific fund, over other projects of equal relevance or cost-effectiveness but with longer expected completion times. Again, the flexibility of this option works in concert with the dynamic nature of our programs and projects and numerous expenditure deadlines.

Upcoming regulatory deadlines – To ensure that the District's incentive programs obtain the maximum SIP creditable emission reductions, a thorough analysis of all local, state and federal regulations relating to our target categories is performed. In addition, the District works proactively with the regulating agencies during the rule development process to

understand the potential impacts of that rule on incentive projects and to ensure that opportunities for early incentive funding are maximized. These analyses determine which types of projects can be funded and for how long and also impacts the potential cost-effectiveness of certain categories.

Health benefits – In addition to seeking emissions reductions that provide benefit in attaining federal air quality standards, the District also seeks opportunities to incentivize projects that provide direct health benefits. For instance, the District’s Lower Emission School Bus Program is focused primarily on the localized toxic risk involved in children’s exposure to diesel particulates. While not the largest source of regional particulate pollution, replacing or retrofitting aging school buses has an enormous impact on the toxic risk of school transportation.

Promoting technology advancement – Given the immense challenge faced by the Valley in attaining federal air quality standards, funding projects that demonstrate and advance new emission reduction technologies are essential. The Board’s recent adoption of the Technology Advancement Program emphasizes the priority given to this area.

Environmental Justice – The District places a strong emphasis in providing funding in a manner that benefits environmental justice communities. The District has worked cooperatively with the Environmental Justice Advisory Group to understand the EJ issues in the District and craft programs that reduce emissions in these areas.

Community involvement/benefits – The District develops and administers programs with an emphasis on community involvement. Some examples of these are the Lawnmower Change-Out, Burn Cleaner, Transit Pass Subsidy, and the Polluting Automobile Scrap and Salvage Programs.

Statutory Constraints

The District derives its current incentive funding from a range of local, state and federal funding sources. These funding sources contain restrictions on the types of projects that may be funded, funding limitations, expenditure deadlines, and administrative approach for distribution. These requirements vary significantly from one funding source to another, resulting in a complex matrix of funding categories and program requirements. Some key examples include:

Proposition 1B Goods Movement - Funding for this program must be used on heavy duty trucks and locomotives. The program’s procedures require the use of an RFP process and that the most cost-effective projects are funded first.

Lower Emission School Bus - Funding for this program must be used on school bus replacements or retrofits. The program requires that all retrofits be funded and that the oldest buses are replaced first.

Carl Moyer - Funding is predominately used for heavy duty projects. The program has strict funding caps and cost-effectiveness requirements.

DMV Funds - Funding must primarily be used for on-road and off-road mobile sources. Portions of funds must follow State Carl Moyer and Lower Emission School Bus guidelines.

Advanced Emission Reduction Option (AERO) Funds – Funding is for emission reduction incentive projects. The Governing Board has discretion as to where to apply these funds.

Indirect Source Review (ISR) Funds and Voluntary Emission Reduction Agreement Funds (VERA) – Funding preference is given to projects within proximity to development projects.

State Cap and Trade Funds – Funding is for projects that generate reductions in greenhouse gas emissions with potential co-benefits of criteria pollutant reductions. Funding must provide significant benefit to disadvantaged communities. Cap and Trade funding is distributed to 13 different state agencies and each agency administers funding differently.

Federal Funding – Funding is for emission reduction incentive projects that reduce diesel emissions (NOx and PM). Some funding eligibility is restricted to the top 5 non-attainment air shed regions for ozone and particulate matter.

PROPOSED INCENTIVE SPENDING PLAN

Based on the above factors, the District proposes the below incentive program spending plan for the 2017-18 Budget. The actual spending in different project categories will depend on the cost-effectiveness and number of applications received for each category. Due to the economic circumstances and uncertain timing of several of the funding sources, the expenditure of the below funds may take more than one fiscal year to complete.

FY 17-18 Spending Plan

Community Incentives

Light Duty Vehicle Replacement	\$ 20,600,000
Burn Cleaner (residential woodburning)	4,964,200
Vehicle Scrap and Repair (Tune In Tune Up)	5,000,000
Drive Clean Rebate Program (passenger vehicles)	4,000,000
REMOVE	1,770,800
Vanpool Voucher Incentive Program	2,000,000
Residential Lawn and Garden	252,600
Miscellaneous Incentives	20,000

Goods Movement

Locomotives	19,500,000
TRU (Transport Refrigeration Units)	4,800,000
Truck/yard hostler Replacement	15,061,800

Heavy Duty Equipment Programs

Agricultural Equipment Replacement	24,016,500
Agricultural Irrigation Pumps	8,043,700
Off Road Repower/Replacement	2,000,000
Truck Voucher Program	17,876,500
Dairy Feed Mixer Electrification	4,000,000
ARB Ag Tractor Trade Up	975,800
ARB - SJV Transit Electrification Project	11,000,400
ARB - Green On-Road Linen Delivery	1,095,600
ARB - USPS Zero-Emission Delivery Truck	4,327,900

Advanced Transportation/Vehicles

Public Benefit Grants	12,000,000
Charge Up	3,000,000
EV Readiness Plan	95,400

School Bus Replacement and Retrofit

School Bus Replacement and Retrofit	2,000,000
Statewide School Bus Replacement and Retrofit	6,985,300

Regional Assistance

Greenhouse Gas Mitigation Assistance	250,000
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Technology Advancement

Technology Advancement Program	4,875,000
Zero-Emissions Commercial Lawn and Garden	1,000,000

\$ 181,511,500

Contingencies	850,000
Air Toxic	247,700

\$ 182,609,200

**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
TOTAL DISTRICT**

	Adjusted* FY 16-17	Estimated Actuals FY 16-17	Recommended FY 17-18	Budget/Budget		Budget/Actual		
				Increase (Decrease)	%	Increase (Decrease)	%	
NON-OPERATING APPROPRIATIONS								
OTHER CHARGES								
Air Toxic Pass Through	\$25,000	\$126,897	\$247,700	\$222,700	891%	\$120,803	95%	
Dairy CEQA - Pass Through	-	-	-	-	-	-	-	
TOTAL OTHER CHARGES	\$25,000	\$126,897	\$247,700	\$222,700	891%	\$120,803	95%	
INCENTIVE PROGRAMS								
DMV Surcharge Fees - Incentives	\$101,926,300	\$56,117,182	\$60,980,800	(\$40,945,500)	(40%)	\$4,863,618	9%	
Carl Moyer Program	\$15,288,800	\$10,128,550	\$8,703,700	(\$6,585,100)	(43%)	(\$1,424,850)	(14%)	
ISR and VERA'S	\$21,711,800	\$5,875,895	\$12,709,200	(\$9,002,600)	(41%)	\$6,833,305	116%	
Proposition 1B Funding Program	\$45,600,700	\$3,905,000	\$39,361,800	(\$6,238,900)	(14%)	\$35,456,800	908%	
School Bus Program	\$6,310,700	\$725,372	\$6,985,300	\$674,600	11%	\$6,259,928	863%	
Federal DERA/Designated Funding Program	\$7,538,728	\$2,144,067	\$10,278,000	\$2,739,272	36%	\$8,133,933	379%	
Community & Other Incentives Funded by Operating Rever	\$7,624,700	\$4,797,070	\$4,127,600	(\$3,497,100)	(46%)	(\$669,470)	(14%)	
Greenhouse Gas Mitigation Program	-	-	-	-	-	-	-	
GHG Support for Cities & Counties	\$250,000	-	\$250,000	-	-	\$250,000	-	
Miscellaneous Incentive Programs	\$1,027,700	\$490,810	\$20,000	(\$1,007,700)	(98%)	(\$470,810)	(96%)	
Energy Efficiency Grant	\$300,000	\$139,886	\$95,400	(\$204,600)	(68%)	(\$44,486)	(32%)	
Drought Relief Program	\$300,000	\$300,000	-	(\$300,000)	(100%)	(\$300,000)	(100%)	
State Cap & Trade Funding	\$62,278,636	\$13,654,020	\$37,999,700	(\$24,278,936)	(39%)	\$24,345,680	178%	
TOTAL INCENTIVE PROGRAMS	\$270,158,064	\$98,277,852	\$181,511,500	(\$88,646,564)	(33%)	\$83,233,648	85%	
Appropriation for Contingencies	\$850,000	-	\$850,000	-	-	-	-	
TOTAL NON-OPERATING APPROPRIATIONS	\$271,033,064	\$98,404,749	\$182,609,200	(\$88,423,864)	(33%)	\$84,204,451	86%	

**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
BUDGET SUMMARY**

Prior 3 Years and 2017-18 Recommended

	Adjusted 2014-15 @ 6/30/15	Adjusted 2015-16 @ 6/30/16	Adjusted 2016-17 @ 12/31/16	Recommended 2017-18
APPROPRIATIONS				
Salaries & Benefits (net of Salary Savings)	\$ 34,776,789	\$ 37,580,672	\$ 38,177,648	\$ 39,420,672
Services & Supplies	6,434,787	6,080,204	6,260,046	5,993,448
Fixed Assets	2,759,818	2,661,600	1,933,274	5,627,198
OPERATING APPROPRIATIONS	<u>43,971,394</u>	<u>46,322,476</u>	<u>46,370,968</u>	<u>51,041,318</u>
Other Charges	25,000	25,000	25,000	247,700
Incentive Contracts	225,973,507	243,658,678	270,158,064	181,511,500
Appropriation for Contingencies	350,000	850,000	850,000	850,000
NON-OPERATING APPROPRIATIONS	<u>226,348,507</u>	<u>244,533,678</u>	<u>271,033,064</u>	<u>182,609,200</u>
TOTAL APPROPRIATIONS	<u>\$ 270,319,901</u>	<u>\$ 290,856,154</u>	<u>\$ 317,404,032</u>	<u>\$ 233,650,518</u>
REVENUE				
Stationary Revenue	\$ 27,920,943	\$ 29,112,647	\$ 30,168,097	\$ 32,211,657
Grant Revenue	3,365,000	2,965,000	2,965,000	2,965,000
DMV Surcharge Fees - District Portion	10,600,000	10,900,000	12,315,328	12,420,000
Administrative Fees - Incentive Programs	2,100,000	1,800,000	1,800,000	1,500,000
Transfer to Non-Operating Revenue for Incentive Grants	(3,450,000)	(3,200,000)	(1,800,000)	(1,800,000)
Fund Balance Used	3,550,451	4,944,829	922,543	5,294,661
Reserves Released / (Increased)	(115,000)	(200,000)	-	(1,550,000)
OPERATING REVENUE/FUNDING SOURCES	<u>43,971,394</u>	<u>46,322,476</u>	<u>46,370,968</u>	<u>51,041,318</u>
Non-Operating Revenue	114,654,155	152,703,068	177,893,559	148,621,283
Fund Balance/Reserves Released	111,694,352	91,830,610	93,139,505	33,987,917
NON-OPERATING REVENUE/FUNDING SOURCES	<u>226,348,507</u>	<u>244,533,678</u>	<u>271,033,064</u>	<u>182,609,200</u>
TOTAL REVENUE/FUNDING SOURCES	<u>\$ 270,319,901</u>	<u>\$ 290,856,154</u>	<u>\$ 317,404,032</u>	<u>\$ 233,650,518</u>
<hr/>				
RECOMMENDED POSITIONS	307	310	310	310
<hr/>				
RESERVES				
General Reserve	\$ 4,400,000	\$ 4,600,000	\$ 4,600,000	\$ 4,700,000
Long-Term Building Maintenance	523,000	523,000	523,000	523,000
Computer-VTC Equipment Reserve	350,000	350,000	350,000	550,000
Pension Stabilization Reserve Fund	-	-	-	1,250,000

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
SCHEDULE OF ESTIMATED REVENUES
Prior 3 Years and 2017-18 Recommended

<u>ACCOUNT TITLE</u>	<u>2014-15 Adjusted Revenues @ 6/30/15</u>	<u>2015-16 Adjusted Revenues @ 6/30/16</u>	<u>2016-17 Adjusted Revenues @ 12/31/16</u>	<u>2017-18 Estimated Revenues</u>
OPERATING REVENUE				
STATIONARY SOURCE				
Permit Fees	\$ 16,939,956	\$ 17,588,887	\$ 17,686,972	\$ 17,968,298
Section 185 - Non Attainment Fees - Rule 3170	1,600,000	1,913,115	955,000	847,280
Advanced Emission Reduction Options (AERO) Fees	6,224,487	5,989,547	6,718,275	6,862,529
Settlements	2,500,000	2,500,000	2,575,000	2,500,000
Interest	604,000	904,000	1,180,100	1,480,800
Miscellaneous	52,500	217,098	52,750	52,750
Residential Furnaces - Rule 4905	-	-	1,000,000	2,500,000
Total Stationary Non-Grant Operating Revenue	27,920,943	29,112,647	30,168,097	32,211,657
GRANT REVENUE				
State Subvention	900,000	900,000	900,000	900,000
EPA 105 Grant	2,000,000	2,000,000	2,000,000	2,000,000
EPA 103 Grant	465,000	65,000	65,000	65,000
Total Grant Revenue	3,365,000	2,965,000	2,965,000	2,965,000
Total Stationary Operating Revenue	\$ 31,285,943	\$ 32,077,647	\$ 33,133,097	\$ 35,176,657
MOBILE SOURCE				
DMV Surcharge Fees - District	\$ 10,600,000	\$ 10,900,000	\$ 12,315,328	\$ 12,420,000
Administrative Fees - Incentive Programs	2,100,000	1,800,000	1,800,000	1,500,000
Total Operating Revenue	\$ 43,985,943	\$ 44,777,647	\$ 47,248,425	\$ 49,096,657
Transfer to Non-Operating Revenue for Incentive Grants	\$ (3,450,000)	\$ (3,200,000)	\$ (1,800,000)	\$ (1,800,000)
Fund Balance Used	3,550,451	4,944,829	922,543	5,294,661
Reserves Released / (Increased)	(115,000)	(200,000)	-	(1,550,000)
Estimated Funding Sources - Operating	\$ 43,971,394	\$ 46,322,476	\$ 46,370,968	\$ 51,041,318
NON-OPERATING REVENUE				
Air Toxics	\$ 25,000	\$ 25,000	\$ 25,000	\$ 247,737
DMV Surcharge Fees - Pass Through	41,046,000	44,960,000	43,101,872	43,300,000
Carl Moyer Funds	8,880,722	8,300,000	8,300,000	8,500,000
VERA/ISR Mitigation Program	6,664,513	5,179,542	10,109,215	8,870,000
DERA Program	3,457,253	2,393,883	2,100,128	1,408,873
Operating Revenues Funding Community Incentives	3,450,000	3,200,000	1,800,000	1,800,000
Proposition 1B Funding Program	40,000,000	46,000,000	41,545,600	32,100,215
School Bus Program	5,738,400	2,400,000	2,750,000	2,750,000
Federal Grants	1,429,031	5,996,205	5,438,654	8,869,121
Miscellaneous Incentive Grant Funding	70,000	20,000	375,000	20,000
Interest - Non-Operating	1,043,000	1,015,950	516,800	601,100
CEC - Energy Efficiency Block Grant	411,051	300,000	300,000	95,400
Reimburse Operating for Administrative Revenues Earned	(2,100,000)	(3,200,000)	(1,800,000)	(1,500,000)
Administrative Fees - Incentive Programs	4,539,185	6,112,752	8,246,554	6,994,902
State Cap & Trade Funding	-	29,999,736	55,084,736	34,563,935
Total Non-Operating Revenue	\$ 114,654,155	\$ 152,703,068	\$ 177,893,559	\$ 148,621,283
Fund Balance/Reserves Released	\$ 111,694,352	\$ 91,830,610	\$ 93,139,505	\$ 33,987,917
Estimated Funding Sources - Non-Operating	\$ 226,348,507	\$ 244,533,678	\$ 271,033,064	\$ 182,609,200
TOTAL REVENUE				
Estimated Financing Sources - Total	\$ 270,319,901	\$ 290,856,154	\$ 317,404,032	\$ 233,650,518

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Budget Comparison
Total District

Prior 3 Years and 2017-18 Recommended

DESCRIPTION	2014-15 Adjusted @ 6/30/15	2015-16 Adjusted @ 6/30/16	2016-17 Adjusted @ 12/31/16	2017-18 Recommended Appropriations
OPERATING APPROPRIATIONS				
SALARIES AND BENEFITS				
Regular Salaries	\$ 20,599,584	\$ 22,262,609	\$ 23,025,358	\$ 24,138,493
Temporary Help	699,548	801,300	817,842	858,795
On Call Pay	77,832	77,832	77,832	77,832
Overtime	259,249	259,102	284,580	299,561
Unemployment	93,847	88,492	81,234	81,460
Retirement	9,139,325	10,112,280	9,878,978	9,917,389
OASDI	359,056	372,473	406,112	424,712
Workers Compensation	234,771	232,718	251,655	254,425
Cafeteria Plan Benefits	3,057,672	3,111,758	3,088,438	3,099,583
Long-Term Disability Insurance	53,657	57,268	59,483	62,154
Alternate Transportation Incentive	202,248	204,840	206,136	206,268
TOTAL SALARIES AND BENEFITS	\$ 34,776,789	\$ 37,580,672	\$ 38,177,648	\$ 39,420,672
SERVICES AND SUPPLIES				
Safety Supplies & Equipment	\$ 21,094	\$ 19,640	\$ 20,310	\$ 18,000
Mobile Communications	128,312	125,952	135,132	129,072
Telephone Charges	133,240	122,350	112,400	100,600
Insurance	200,600	203,500	191,200	206,500
Equipment Maintenance	174,300	177,050	178,450	185,250
Vehicle Maintenance & Operations	241,600	236,000	228,900	217,300
Computer Maintenance	346,411	428,953	504,973	387,843
Video Conferencing Maintenance & Operations	106,173	93,500	97,480	99,030
Building Maintenance & Operations	250,380	268,100	269,200	249,300
Office Supplies	66,450	64,550	50,950	48,450
Computer Software & Supplies	104,075	88,456	88,316	82,028
Monitoring Station Supplies & Equipment	234,389	226,264	223,055	233,123
Postage	115,900	120,600	118,900	83,500
Printing	126,090	125,650	125,150	126,000
Professional & Specialized Services	2,607,246	2,256,863	2,368,196	2,311,775
Publications & Legal Notices	144,990	141,320	140,845	146,475
Rents & Leases	554,692	549,834	566,072	567,961
Small Tools & Equipment	28,510	28,065	28,625	26,355
Special District Expense	246,524	155,530	162,465	145,125
Travel & Training	192,120	192,120	192,120	188,680
Travel & Training - Boards	67,007	67,007	67,007	66,881
Utilities	286,284	326,500	327,900	311,800
Audit Services	20,000	20,000	20,000	20,000
Legal Services	38,400	42,400	42,400	42,400
TOTAL SERVICES AND SUPPLIES	\$ 6,434,787	\$ 6,080,204	\$ 6,260,046	\$ 5,993,448
FIXED ASSETS				
Office Improvements	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Facilities & Equipment	124,000	125,000	105,000	105,000
Computer Equipment	923,218	1,061,252	784,104	798,498
Office Furniture & Equipment	25,100	25,000	25,000	25,000
Office Machines	83,000	45,000	47,150	34,750
Telephone Systems	23,450	20,450	20,570	36,720
Detection Equipment	9,350	108,000	100,000	13,600
Automobiles	239,500	243,000	248,000	330,000
Audio / Visual Equipment	-	-	20,000	-
Air Monitoring Automation/Remote Control Project	465,000	35,000	175,000	375,000
Video Conferencing System	25,700	25,500	25,950	25,950
Air Monitoring Station Equipment	305,500	437,398	342,500	232,000
Air Monitoring Near Roadway Stations	496,000	496,000	-	-
Purchase of Southern Region Office Building	-	-	-	3,610,680
TOTAL FIXED ASSETS	\$ 2,759,818	\$ 2,661,600	\$ 1,933,274	\$ 5,627,198
TOTAL OPERATING APPROPRIATIONS	\$ 43,971,394	\$ 46,322,476	\$ 46,370,968	\$ 51,041,318

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Budget Comparison
Total District
Prior 3 Years and 2017-18 Recommended

DESCRIPTION	2014-15 Adjusted @ 6/30/15	2015-16 Adjusted @ 6/30/16	2016-17 Adjusted @ 12/31/16	2017-18 Recommended Appropriations
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NON-OPERATING APPROPRIATIONS

OTHER CHARGES

Air Toxic Pass Through	\$ 25,000	\$ 25,000	\$ 25,000	\$ 247,700
Dairy CEQA Pass Through	-	-	-	-
TOTAL OTHER CHARGES	\$ 25,000	\$ 25,000	\$ 25,000	\$ 247,700

INCENTIVE PROGRAMS

DMV Surcharge Fees - Incentives	\$ 100,453,734	\$ 101,064,930	\$ 101,926,300	\$ 60,980,800
Carl Moyer Heavy Duty Program	17,756,517	12,635,392	15,288,800	8,703,700
ISR and VERA's	11,189,390	8,653,332	21,711,800	12,709,200
Proposition 1B Funding Program	68,502,201	61,855,647	45,600,700	39,361,800
School Bus Program	7,342,753	4,907,415	6,310,700	6,985,300
Federal DERA/ Designated Funding Programs	4,886,284	8,064,474	7,538,728	10,278,000
Community Incentives	14,262,511	12,705,556	7,624,700	4,127,600
Greenhouse Gas Mitigation Program	-	-	-	-
GHG Support for Cities and Counties	250,000	250,000	250,000	250,000
Miscellaneous/Interest - Incentive Programs	419,066	324,896	1,027,700	20,000
Energy Efficiency Grant	411,051	347,300	300,000	95,400
Drought Relief Program	500,000	500,000	300,000	-
State Cap & Trade Funding	-	32,349,736	62,278,636	37,999,700
TOTAL INCENTIVE PROGRAMS	\$ 225,973,507	\$ 243,658,678	\$ 270,158,064	\$ 181,511,500
Appropriation for Contingencies	\$ 350,000	\$ 850,000	\$ 850,000	\$ 850,000
TOTAL NON-OPERATING APPROPRIATIONS	\$ 226,348,507	\$ 244,533,678	\$ 271,033,064	\$ 182,609,200

TOTAL APPROPRIATIONS

TOTAL DISTRICT APPROPRIATIONS	\$ 270,319,901	\$ 290,856,154	\$ 317,404,032	\$ 233,650,518
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San Joaquin Valley

AIR POLLUTION CONTROL DISTRICT

NORTHERN REGION

Serving San Joaquin, Stanislaus and Merced counties

4800 Enterprise Way, Modesto, CA 95356-8718

Tel: 209-557-6400 FAX: 209-557-6475

CENTRAL REGION (Main Office)

Serving Madera, Fresno and Kings counties

1990 East Gettysburg, Fresno, CA 93726-0244

Tel: 559-230-6000 FAX: 559-230-6061

SOUTHERN REGION

Serving Tulare and Valley air basin portion of Kern County

34946 Flyover Court, Bakersfield, CA 93308-9725

Tel: 661-392-5500 FAX: 661-392-5585

www.valleyair.org