



BAY AREA  
AIR QUALITY  
MANAGEMENT  
DISTRICT

BOARD OF DIRECTORS  
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

CAROLE GROOM – CHAIRPERSON  
HAL BROWN  
ERIC MAR  
GAYLE UILKEMA  
SHIRLEE ZANE

ASH KALRA – VICE CHAIRPERSON  
SCOTT HAGGERTY  
MARK ROSS  
BRAD WAGENKNECHT

WEDNESDAY  
MARCH 23, 2011  
1:00 P.M.

4TH FLOOR CONFERENCE ROOM  
939 ELLIS STREET  
SAN FRANCISCO, CA 94109

**TELECONFERENCE LOCATION:**

575 Administration Drive, Room 100A, Santa Rosa, CA 95403 (707) 565-2241

**AGENDA**

1. **CALL TO ORDER - ROLL CALL**
2. **PUBLIC COMMENT PERIOD** *(Public Comment on Non-Agenda Items Pursuant to Government Code § 54954.3) Members of the public are afforded the opportunity to speak on any agenda item. All agendas for regular meetings are posted at District headquarters, 939 Ellis Street, San Francisco, CA, at least 72 hours in advance of a regular meeting. At the beginning of the regular meeting agenda, an opportunity is also provided for the public to speak on any subject within the Board's authority. Speakers will be limited to three (3) minutes each.*
3. **APPROVAL OF MINUTES OF FEBRUARY 23, 2011**
4. **SUMMARY OF 2011 COST RECOVERY AND CONTAINMENT STUDY** **B. Bateman/4653**  
[bbateman@baaqmd.gov](mailto:bbateman@baaqmd.gov)  
  
*The Matrix Consulting Group, the firm contracted by the District to complete the 2011 Cost Recovery and Containment Study, will provide a summary of their recently completed report on fee revenue and associated program activities.*
5. **FISCAL YEAR ENDING (FYE) 2012 FEE PROPOSAL** **B. Bateman/4653**  
[bbateman@baaqmd.gov](mailto:bbateman@baaqmd.gov)  
  
*Staff will present a summary of draft amendments to the District's fee regulation for the upcoming fiscal year.*
6. **DISCUSSION OF PROPOSED BUDGET FOR FISCAL YEAR 2011/2012** **J. McKay/4629**  
[jmckay@baaqmd.gov](mailto:jmckay@baaqmd.gov)  
  
*The Committee will discuss the proposed budget for Fiscal Year 2011/2012.*
7. **COMMITTEE MEMBER COMMENTS/ OTHER BUSINESS**  
*Any member of the Board, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2).*

8. **TIME AND PLACE OF NEXT MEETING – APRIL 28, 2011 AT 11:00 A.M.**

9. **ADJOURNMENT**

**CONTACT EXECUTIVE OFFICE - 939 ELLIS STREET SF, CA 94109**

**(415) 749-5130**  
**FAX: (415) 928-8560**  
**BAAQMD homepage:**  
**[www.baaqmd.gov](http://www.baaqmd.gov)**

- To submit written comments on an agenda item in advance of the meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- To request special accommodations for those persons with disabilities notification to the Clerk's Office should be given at least 3 working days prior to the date of the meeting, so that arrangements can be made accordingly.
- Any writing relating to an open session item on this Agenda that is distributed to all, or a majority of all, members of the body to which this Agenda relates shall be made available at the District's offices at 939 Ellis Street, San Francisco, CA 94109, at the time such writing is made available to all, or a majority of all, members of that body. Such writing(s) may also be posted on the District's website ([www.baaqmd.gov](http://www.baaqmd.gov)) at that time.

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
**939 ELLIS STREET, SAN FRANCISCO, CALIFORNIA 94109**  
**(415) 771-6000**

**EXECUTIVE OFFICE:**  
**MONTHLY CALENDAR OF DISTRICT MEETINGS**

**MARCH 2011**

| <b><u>TYPE OF MEETING</u></b>   | <b><u>DAY</u></b> | <b><u>DATE</u></b> | <b><u>TIME</u></b> | <b><u>ROOM</u></b>  |
|---|-------------------|--------------------|--------------------|---|
| <b>Board of Directors Regular Meeting</b><br><i>(Meets 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i> | Wednesday         | 16                 | 9:45 a.m.          | Board Room  |
| <b>Joint Policy Committee</b>   | Friday            | 18                 | 10:00 a.m.         | Metro Center Auditorium<br>101 Eighth Street<br>Oakland, CA 94612 |
| <b>Board of Directors Budget &amp; Finance Committee</b> <i>(At the Call of the Chair)</i>                              | Wednesday         | 23                 | 1:00 p.m.          | 4 <sup>th</sup> Floor<br>Conf. Room                               |
| <b>Board of Directors Mobile Source Committee</b> <i>(Meets 4<sup>th</sup> Thursday each Month)</i>                     | Thursday          | 24                 | 9:30 a.m.          | 4 <sup>th</sup> Floor<br>Conf. Room                               |
| <b>Board of Directors Personnel Committee</b> <i>(At the Call of the Chair)</i>   | Monday            | 28                 | 1:00 p.m.          | 4 <sup>th</sup> Floor<br>Conf. Room                               |

**APRIL 2011**

| <b><u>TYPE OF MEETING</u></b>   | <b><u>DAY</u></b> | <b><u>DATE</u></b> | <b><u>TIME</u></b>                          | <b><u>ROOM</u></b>                  |
|---|-------------------|--------------------|---|-------------------------------------|
| <b>Board of Directors Public Outreach Committee</b> <i>(At the Call of the Chair)</i>                                   | Monday            | 4                  | 9:30 a.m.                                   | 4 <sup>th</sup> Floor<br>Conf. Room |
| <b>Board of Directors Legislative Committee</b> <i>(At the Call of the Chair)</i>                                       | Monday            | 4                  | Immediately<br>Following<br>Public Outreach | 4 <sup>th</sup> Floor<br>Conf. Room |
| <b>Board of Directors Regular Meeting</b><br><i>(Meets 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i> | Wednesday         | 6                  | 9:45 a.m.                                   | Board Room                          |
| <b>Board of Directors Executive Committee</b> <i>(At the Call of the Chair)</i>   | Monday            | 11                 | 9:30 a.m.                                   | 4 <sup>th</sup> Floor<br>Conf. Room |
| <b>Advisory Council Meeting</b>   | Wednesday         | 13                 | 9:00 a.m.                                   | Board Room                          |
| <b>Board of Directors Regular Meeting</b><br><i>(Meets 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i> | Wednesday         | 20                 | 9:45 a.m.                                   | Board Room                          |
| <b>Board of Directors Mobile Source Committee</b> <i>(Meets 4<sup>th</sup> Thursday each Month)</i>                     | Thursday          | 28                 | 9:30 a.m.                                   | 4 <sup>th</sup> Floor<br>Conf. Room |
| <b>Board of Directors Budget &amp; Finance Committee</b> <i>(At the Call of the Chair)</i>                              | Thursday          | 28                 | Immediately<br>Following<br>Mobile Source   | 4 <sup>th</sup> Floor Conf. Room    |

## MAY 2011

| <u>TYPE OF MEETING</u>  | <u>DAY</u> | <u>DATE</u> | <u>TIME</u> | <u>ROOM</u>                         |
|---|------------|-------------|-------------|-------------------------------------|
| <b>Board of Directors Regular Meeting</b><br><i>(Meets 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i> | Wednesday  | 4           | 9:45 a.m.   | Board Room                          |
| <b>Board of Directors Regular Meeting</b><br><i>(Meets 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i> | Wednesday  | 18          | 9:45 a.m.   | Board Room                          |
| <b>Board of Directors Budget &amp; Finance Committee</b> <i>(At the Call of the Chair)</i>                              | Wednesday  | 25          | 1:00 p.m.   | 4 <sup>th</sup> Floor<br>Conf. Room |
| <b>Board of Directors Mobile Source Committee</b> <i>(Meets 4<sup>th</sup> Thursday each Month)</i>                     | Thursday   | 26          | 9:30 a.m.   | 4 <sup>th</sup> Floor<br>Conf. Room |

HL – 3/15/11 (11:05 a.m.)

P/Library/Forms/Calendar/Calendar/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT  
Memorandum

To: Chairperson Groom and Members of the  
Budget and Finance Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: March 15, 2011

Re: Budget and Finance Committee Draft Meeting Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of February 24, 2011.

DISCUSSION

Attached for your review and approval are the draft minutes of the February 24, 2011 Budget and Finance Committee meeting.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Bay Area Air Quality Management District  
939 Ellis Street  
San Francisco, California 94109  
(415) 749-5000

**DRAFT MINUTES**

Summary of Board of Directors  
Budget & Finance Committee Meeting  
11:00 a.m., Thursday, February 24, 2011

**Call to Order - Roll Call:** Chairperson Carole Groom called the meeting to order at 11:00 a.m.

**Present:** Chairperson Carole Groom, and Directors Eric Mar (arrived after roll call), Mark Ross, and Shirlee Zane

**Also Present:** Board Chairperson Tom Bates

**Absent:** Directors Hal Brown, Scott Haggerty, Gayle Uilkema, Brad Wagenknecht

**Public Comment Period:** There was no public comment.

**Approval of Minutes of January 26, 2011** – Deferred to later in the meeting.

**Presentation of the FYE 2010 Audit**

Peggy Vande Voolen, Gilbert Associates, Inc., presented the District's Financial Audit Report for 2009/2010, summarized the required communications in management's financial reporting and disclosure process which include internal controls, scope and timing of the audit, and results to assist the Committee in overseeing management's financial reporting and disclosure process. She stated there were no difficulties encountered with management and their representations.

Accounting policies are described in the footnotes of the financial statements. There were no new accounting policies in 2010 associated with the audit; however, next year there will be GASB 54 which changes the fund balance presentation, and she noted staff is in the process of implementing the changes. Accounting estimates are embodied in financial statements and those most significant related to capital assets, useful life and depreciation expense. The liability associated with OPEB is another estimate based on determined numbers and compensated absences and other estimates. They evaluated these estimates and feel that the resources management used to determine them is valid.

Ms. Vande Voolen reported on corrected and uncorrected misstatements which relate to governmental accounting and recording receipts of revenue. She stated one adjustment related to a timing of when the District records permit fee receipts in terms of revenue and its availability period. Additionally, there were a couple of minor adjustments that were passed on which they felt materially were not stated in the financial statements. One related to an accounts payable accrual and an adjustment that governments make for fair market value for the county pool. This adjustment was not needed because of its fluctuation. The other adjustment was that an estimated claims liability accrual was not posted.

Regarding other audit findings or issues, there were no new comments and the follow-up on prior year comments are included in the Management Letter. One related to GASB 54 in terms of the District evaluating this, which has been done, and the write-off's for setting up allowances for some of the outstanding receivables.

Ms. Vande Voolen then reviewed a summary of components of the financial statements and single audit report in the Management Letter. There is a clean opinion in the Management Letter, and she indicated that the financial statement does a two-year comparison. Additionally included are government-wide financial statements and funding statements. She reviewed OPEB accounting policies, which are reflected in the financial statements beginning at page 30. She referred to page 34; a schedule of funding status for the last two years. Assets were valued at \$7.3 million and accrued liability is \$46.7 million, for an unfunded liability of \$39 million. She noted this does not take into consideration the \$2 million in the Trust in 2009.

Director Zane asked for an explanation of the District addressing its unfunded liabilities. Mr. McKay reported the District began looking at its unfunded liabilities 4 years ago and recognizing a plan should be created, started setting aside \$2 million a year. The District is approaching 20% funded, and the current plan is to continue with this process, with an estimate that liabilities will be completely funded in 20 years at this pace.

Director Ross questioned how the District compares with other agencies in its unfunded accrued liability in relation to payroll, and Ms. Vande Voolen stated the District is within relative range.

Ms. Vande Voolen continued her presentation and said required supplementary information could be found on pages 34 and budget to actual comparisons, on pages 35-37. A schedule of expenditures for the TFCA, MSIF, and Carl Moyer Program is found on page 38. Other bound documents presented to the Committee include the single audit report and federal and state components related to the TFCA Fund. There is a clean opinion on the single audit. A schedule of expenditures is identified on page 1 as well as a summary of the \$5.4 million in federal expenditures in the audit year.

Committee Comments/Discussion:

Chairperson Bates questioned what the District should be concerned about in terms of funds and activities. Ms. Vande Voolen said their firm is working with many agencies on their internal controls in addressing furloughs and lay-off's. For the District, they evaluate the audit from a risk perspective every year. The District does not have a lot of long-term debt other than compensated absences and is in a good position.

Director Zane noted previous Board discussion on declining property taxes in the Bay Area and questioned the impact to the District. Ms. Vande Voolen stated this was not part of the scope of their work, and Mr. Broadbent acknowledged that property taxes are flat and this has had an impact on counties, as well as on the District.

Public Comment: None

**Committee Action:** None; Informational only.

**Results of Security Contract Request for Proposals (RFP)**

Strategic Facilities Planning Manager, Mary Ann Okpalaugo, gave an overview of staff's recommendation on a contract for lobby security, stating the contract for lobby security expires this year, and the District issued a Request For Proposal (RFP) for lobby security on October 21, 2010. The RFP deadline for proposal submittal was November 22, 2010, 8 proposals were

received and a panel was assembled to review proposals. Proposals were scored based on criteria and the top 3 firms were invited back for interviews on December 13, 2010, which included Cypress Private Security, U.S. Security, and Securitas.

Based on final interviews, scoring and total points, Cypress Private Security is being recommended for the awarding of the contract for lobby security. She said staff recommends the Committee recommend that the Board of Directors authorize the Executive Officer/APCO to enter into contract with Cypress Private Security for a term of twelve months, with the option of extending the contract for two additional years.

Committee Comments/Questions:

Chairperson Groom questioned and confirmed the cost of the contract is not to exceed \$171,151 for a 12-month term, with discretion to renew up to two years.

Director Zane clarified that the District had been paying approximately \$198,000 under the U.S. Security contract. The recommendation would lower cost and improve security. She suggested the District follow-up and conduct a six-month review of the new firm.

**Committee Action:** Director Ross made a motion to recommend that the Board of Directors authorize the Executive Officer/APCO to enter into contract with Cypress Private Security in the amount not to exceed \$171,151, for a term of twelve months, with the option of extending the contract for two additional years; Director Mar seconded the motion; carried unanimously without objection.

Public Comment: None

**Air District Financial Overview**

Deputy APCO, Jeff McKay presented an overview of financial challenges projected for FYE 2011 in revenue compared to budget, stating staff projects being \$1 million less in revenues, specifically from permit revenues:

- Property Taxes ahead of budget \$0.2 M
- Grant revenue is CARB dependent: \$0.0 M
- Permit Fees will Decrease in the amount of:- \$1.1 M
- Penalties will Decrease in the amount of: - \$0.1 M
- **TOTAL** - **\$1.0 M**

He said staff is identifying how to address the drop in revenue from what is budgeted through vacancies, and he presented a distribution of vacancies by division, positions, vacancies, and overall percentage.

Mr. Broadbent explained that the Technical Division conducts the District's air monitoring, laboratory, source testing, and he voiced concern in these vacancies due to statutory requirements. The District is attempting to conduct cross training of field staff, and this work is on-going as part of cost savings efforts.

Committee Comments/Questions:

Director Zane questioned whether the District is at risk of penalties due to vacancies given vacancies in key positions. Mr. Broadbent discussed the need for improvements to quality assurance in air monitoring, and is transitioning to recruit for a Quality Assurance Officer. Ms. Roggenkamp added that the Technical Services Division is looking at increased efficiencies in how it operates the District's meteorological and air monitoring networks and laboratory work.

Director Zane referred to the projection of decreased penalties and asked staff to monitor the correlation this has with 13% in Enforcement Division vacancies. Chairperson Groom indicated, however, there are reduced numbers of violations and less enforcement deficits and some balancing occurs. Mr. Bunger agreed that compliance is better for larger facilities, but enforcement field staff is needed for smaller facilities, and hopefully the District will come in close to the \$100,000 in reduced penalties.

Director Mar questioned and confirmed with Mr. Broadbent that there is opportunity, given negotiations and discussions with the Employees Association, for Technical Division to pool resources and cross train Enforcement inspection staff. He noted these types of positions are highly technical, and staff is optimistic that this pilot could result in success in a variety of areas of the District.

Chairperson Bates encouraged the Employees Association to work with and be flexible with the District, recognizing positions are not always one-for-one, but some requirements for special knowledge. There is also the opportunity for in-house job education and growth.

Mr. McKay continued and presented the \$15 million services and supplies budget and opportunities to streamline programs with the largest funding. He presented percentages of each division, associated program funding, and potential savings opportunities in Planning, Communications and Outreach, and Technical Services.

Director Zane expressed support to reconsider funding event sponsorships. Chairperson Bates requested staff further develop a plan to determine reductions in programs, and Mr. Broadbent noted staff will identify and review remaining budgeted funds in the last four months of the fiscal year and lay the foundation and framework for the next budget year.

Chairperson Groom suggested cuts be looked at in regarding to the District's strategic and long-range goals. Ms. Roggenkamp added that staff will look at cuts in services and supplies during its budget development process for next year, except for the area of CEQA guidelines which Mr. Broadbent noted may need to be expanded.

Director Mar requested that Lennar settlement funds and any youth outreach funding stays in the Bayview Hunters Point area. Ms. Roggenkamp noted that the Public Outreach Committee will hear a recommendation of these funds at an upcoming meeting.

Director Ross questioned and confirmed that air quality planning and rule development funds includes development of the emissions inventory, modeling, developing control measures, working with other agencies, and some outside technical assistance. Mr. Broadbent added that the District must develop a state implementation plan due in 2012, and a significant amount of work and funding goes into analysis of the transport of particulates.

Director Zane cited valuable inroads from the Spare the Air campaigns in terms of educating the public, and hoped the District would not significantly reduce the campaign given its successes. Ms. Roggenkamp noted the Winter Spare the Air season is just about to end with very few Spare the Air days called. There may be excess funds as a result. Ms. Fasano added that the coming year is the 20 year anniversary of Spare the Air.

Chairperson Bates suggested continuing to scrutinize and being smart about reductions while also examining revenues to determine the overall strategy. He confirmed that review of the District's fee schedule will be taken up next month. Mr. Broadbent reported also that 85% of costs are salaries and benefits and management has begun the process of opening up the

Employee Association contract. The relocation of District headquarters is also geared to save money.

Chairperson Groom hoped for flexible and successful negotiations in what are difficult economic times and recognized the high caliber of District employees.

Mr. McKay summarized his presentation with the identification of efficiency savings. Further savings may affect program delivery and staff will continue to work to identify opportunities.

Public Comment: None

**Committee Action:** None; Informational only.

**Committee Member Comments:**

Chairperson Bates asked that staff provide highlights of the District's financial strategy at the next Board of Directors meeting, and Chairperson Groom agreed to highlight the item under her Chair Report of the meeting.

Chairperson Groom presented the next three proposed meeting dates and asked Committee members to confirm their availability with staff.

**Approval of Minutes of January 26, 2011:**

**Committee Action:** Chairperson Bates made a motion to approve the minutes of January 26, 2011; Director Ross seconded the motion; unanimously approved without objection.

**Time and Place of Next Meeting:** At the Call of the Chair.

**Adjournment:** The meeting adjourned at 11:59 a.m.

Lisa Harper  
Clerk of the Boards

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

## Memorandum

To: Chairperson Groom and Members  
of the Budget and Finance Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: March 15, 2011

Re: Summary of 2011 Cost Recovery and Containment Study

RECOMMENDED ACTION

Receive and file.

BACKGROUND

The District has the authority to collect fees in order to recover the reasonable costs of activities involved in regulating stationary source of air pollution. It is therefore important that analyses be conducted from time-to-time to determine if assessed fees result in the collection of a sufficient and appropriate amount of revenue in comparison to the costs of related regulatory program activities.

In 1999, a comprehensive review of the District's fee structure and revenue was completed by KPMG Peat Marwick LLP. That study concluded that fee revenue did not nearly recover the full costs of program activities. In response to this study, an across-the-board fee increase of 15 percent (the maximum allowed by law) was adopted, and this was followed by a series of annual fee increases (most of which were Cost of Living Adjustments intended to keep pace with inflation). The District also implemented a detailed employee time accounting system to improve the ability to track costs by program activities.

In 2005, Stonefield Josephson, Inc. completed an updated analysis of cost recovery for the District based on the detailed time accounting data. This study concluded that overall fee revenue remained well below the point of full cost recovery. The study also provided cost recovery results at the level of each individual fee schedule. This information was used by staff to develop annual fee increases the magnitude of which varied based on the degree of cost recovery for a particular schedule (rather than using an "across-the-board" approach).

In September 2010, staff hired Matrix Consulting Group to complete an updated analysis of cost recovery that could be used in developing fee amendments for FYE 2012 and beyond. This study also included a review of the District's current cost containment strategies, and provided recommendations to improve the management of the District's costs and the quality of services provided to stakeholders. A four-member Stakeholder Advisory Group provided input on preparation of the study, including the development of the Request for Proposals, contractor selection, and review of the draft study.

## DISCUSSION

Matrix Consulting Group has recently completed the 2011 Cost Recovery and Containment Study. A copy of the report has been provided for the Committee's review. The consultants will discuss the study at the Committee meeting scheduled for March 23, 2011.

## BUDGET CONSIDERATION/FINANCIAL IMPACT

No budget impact.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Brian Bateman  
Reviewed by: Jeffrey McKay

**Cost Recovery and Containment Study**

**BAY AREA AIR QUALITY MANAGEMENT  
DISTRICT**

**FINAL REPORT**



**March 9, 2011**

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## **INTRODUCTION AND SUMMARY**

In October 2010, the Matrix Consulting Group initiated the Cost Recovery and Containment Study of the Bay Area Air Quality Management District (the District). The primary goal of the study is to provide the District with guidance and opportunities for improvement regarding its organization, operation, and cost recovery / allocation practices, including the following primary objectives:

- Compare the costs of permit-related program activities to the associated revenues received from permit funding sources, and analyze how these costs are apportioned amongst fee-payers.
- Review the District's methodology for allocating costs, describing the nature of cost increases, and recommend strategies to contain costs.
- Assist the District to enhance the methodology and allocate estimated costs (direct and indirect) to various activities so that appropriate fee levels can be established.
- Identify the District's current cost containment strategies and develop opportunities for improvement regarding permitting processes and the quality of services provided to stakeholders.

Overall, the study may be used to determine whether any modifications should be made to the District's current operation and fee structures. The next section summarizes the key activities the project team conducted to complete the project, followed by a summary of key results and opportunities for improvement.

### **A. INTRODUCTION**

This comprehensive report includes the results of various efforts undertaken by the Matrix Consulting Group to meet the District's goals and objectives, which is summarized on the following page:

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
**Cost Recovery and Containment Study**

| Chapter | Study Area                  | Key Objective  |
|---------|-----------------------------|--|
| 1       | Cost Allocation Plan        | The project team identified the appropriate and reasonable allocations of actual FY 2009 / 2010 expenditures from the District's administrative programs to all District operating programs and sections. The primary objective of this Full-Cost Allocation Plan is to spread costs from administrative programs and in doing so, the District can both better understand its full cost of providing specific services to the community, and also generate organizational awareness regarding indirect (overhead) costs associated with operations. |
| 2       | Cost of Services / User Fee | The project team analyzed the cost of service relationships that exist between fees for service activities involving the following divisions: Engineering Division, Compliance & Enforcement Division, Planning, Rules & Research Division and the Technical Services Division. The results of this assessment provide a tool for understanding current service levels, the cost and demand for those services, and what fees for service can and should be charged.   |
| 3       | Permitting and Enforcement  | The project team conducted an assessment of the organization, operation, and management related to the permitting and enforcement processes (i.e., the fee generating activities) to identify opportunities for improvement regarding both internal management and operations, to enhance how the District works with the regulated community, as well as opportunities to improve overall customer service.   |

To address the areas above and complete the assessment of the District fees, costs, permitting and enforcement processes, the project team conducted a number of activities, summarized as follows:

- Held project kick-off meetings with key District managers and staff to understand and confirm the overall scope of work, project goals and objectives, and schedule.
- Conducted individual interviews with key administrative and financial personnel to understand the current fee schedules, structures and cost allocation methodologies used.
- Conducted individual interviews with District managers and staff to understand the overall roles and responsibilities of permitting and enforcement personnel and to obtain perceptions regarding current organizational and operational challenges.
- Collection and review of financial information such as time reports, expenditure reports, staffing levels, and budget documents.

- Collection and review of “as-is” and “to-be” business process maps which were developed as part of the design, development, and implementation process for the new Production System.
- Collection and review of workload information from Databank / IRIS, including raw data extraction relating to permit processing and inspections to understand overall service levels and performance.
- Conducted external stakeholder group interviews to understand their level of satisfaction regarding their interactions and collaboration with the District, including the identification of improvement opportunities.

During the course of the study, the Matrix Consulting Group collaborated with the key District managers to review and discuss deliverables.

## **B. SUMMARY OF KEY RESULTS AND IMPROVEMENT OPPORTUNITIES**

While there are a number of specific issues and opportunities for improvement contained in this report, the following points highlight the key results of this Cost Recovery and Containment Study.

### **(1) The District is Recovering Approximately 62% of its Fee-Related Activity Costs, which Means the District Provides an Annual Subsidy to Fee Payers for Services.**

Overall, this Cost of Services Study concluded that the District under-recovers its costs by approximately \$16.8 million per year providing its *fee-related* services. Within this context, the District is over-collecting for some fee activities, while under-collecting for others. For example, the District is collecting 330% of its fees related to Stationary Containers for Organics Liquids Storage staff review activities, as well as 122% for its G-4 Miscellaneous Source, and 119% cost recovery for Greenhouse Gas fee-related activities. On the other hand, the District is collecting 7% of its costs related to Dry Cleaners, 26% of its costs related to Solid Waste Disposal Sites, 42% of its costs for

Solvent Evaporating Sources, and 43% cost recovery for fees associated with Major Facility Review (Title V). The Matrix Consulting Group recommends the following:

- **Adopt a Formal Cost Recovery Policy.** The project team recommends that the Board adopt a formalized, district-wide cost recovery policy for the fee services included in this Study. Whenever a cost recovery policy is established at less than 100% of the full cost of providing services, a known gap in funding is recognized and may then potentially be recovered through other revenue sources.
- **Adopt an Annual Fee Update / Increase Mechanism.** The project team recommends the District perform a complete update of its User Fee Study on a periodic basis. In general, 3 to 5 years for fee and rate studies is considered a best management practice. The purpose of a comprehensive update is to completely revisit the analytical structure, service level estimates and assumptions applied in the previous study, and to account for any major shifts in cost components, operations and organizational structures.

The detailed findings per fee type also provide District managers and supervisors insights relating to how they allocate staff resources, including opportunities to re-allocate staffing according to cost recovery performance. For example, with the District spending approximately \$1.3 Million on review activities related to the Dry Cleaner fee-type, but collecting only \$85,000, there may be opportunities to streamline / automate this process in order to reduce costs.

**(2) Although the District has Implemented a Number of Cost Containment Strategies, there exists Further Opportunities to Enhance Processes and Technology to Improve Internal Operations and Customer Service.**

To reduce or stabilize expenditures, the District has implemented various types of cost containment strategies, including the maintenance of a vacancy rate, reduction of service and supply budgets, increased employee contributions to retirement accounts, and others. Within this context, the project team conducted an assessment of the general organization and operations of the permitting and enforcement processes.

The assessment identified a number of strengths, as well as opportunities for improvement, summarized by the following points:

- **Continue Implementation of the new Production System.** The project team found that the current Databank / IRIS does not meet many of the best practices regarding permit management. After review of process mapping and discussions with staff, the new Production System should continue to be designed and implemented to include additional web-based features, enhanced automation capabilities for managers and staff, and additional opportunities for electronic submission of information and data (to reduce any manual and paper-based processes).
- **Enhance Permit Processing Management Practices.** The project team recommends the District implement further business practices to enhance how applications are assigned, reviewed, monitored, and managed, including the implementation of automated case management tools to improve the timeliness of application processing, increased transparency and awareness with the applicants regarding cycle time objectives, etc.
- **Continue to Provide Tools and Resources to Applicants.** The project team recommends the District continue to enhance the online / web-based capabilities regarding permit application submission, including opportunities for electronic data transfer (e.g., for emissions data), utilization of smart forms, and ability for applicants to view the status of their application online.

As such, the project team recognizes that the design, development, and implementation of the new Production System (to replace its legacy permit information management system) may significantly modernize and enhance how the District operates and provides services to its customers, thus facilitating cost containment through increased efficiency and effectiveness.

# **1. FULL COST ALLOCATION PLAN**

The Matrix Consulting Group has prepared this Full Cost Allocation Plan (CAP) for the Bay Area Air Quality Management District (BAAQMD). This chapter presents a summary of the comprehensive analysis undertaken to identify appropriate and reasonable allocations of Actual Fiscal Year 2009-10 expenditures from the District's administrative (central service) programs to all District operating programs, and sections.

The primary objective of a Full-Cost Allocation Plan is to spread costs from administrative programs, generally called "Central Service Departments" to those programs, and/or cost centers that receive services from the administration in support of conducting their operations. In doing so, an organization can both better understand its full cost of providing specific services to the community, and also generate organizational awareness regarding indirect (overhead) costs associated with operations.

## **A. METHODOLOGY**

This plan was compiled in accordance with Generally Accepted Accounting Principles, and is also based on many of the methods of indirect cost allocation defined by the federal Office of Management and Budget's (OMB) Circular A-87.

According to Circular A-87, costs appropriated to receivers of administrative services must be:

- Necessary and reasonable
- Reflective of benefit received
- Determined by allocation “bases” that relate to benefit received

In addition, Circular A-87 defines a method for allocating indirect costs called the double-step down allocation method, which utilizes two “steps” or “passes” to fully allocate costs. The double-step down procedure is reflected in this plan, and ensures that the benefit of services between Central Service programs are recognized first, before final allocations to receivers of services are made. For example:

- **First Step:** The Finance Department’s expenses are allocated to other central service programs such as Human Resources, Information Technology, etc., as well as to Receiving Programs.
- **Second Step:** Distributes Central Service program expenses and first step allocations to the Receiving Programs only.

It should be noted that there are two types of cost allocation plans. This plan is a Full Cost Allocation plan. The second form of Cost Allocation Plan is known as an OMB A-87 Compliant Plan. An OMB-Compliant Plan is generally concerned with the use of the resulting cost allocations to develop, submit, and secure approval for State and Federal claims. For example, OMB-Compliant allocations could be used to reimburse indirect costs associated with the administration of State and/or Federal grants. An OMB-Compliant plan is far more sensitive in terms of recovering administrative costs within the framework of the specific federal requirements outlined in OMB A-87.

The following is a summary of key study processes for development of a Full Cost Allocation Plan:

- Meet with BAAQMD administrative staff to customize the structure of the plan
- Identify / classify Central Service, versus Receiving programs, and sections

- Determine the major services or “functions” provided by each Central Service program
- Allocate the staff and program costs of each Central Service program to its functions based on staff time estimates or time card records
- Discuss and determine the most reasonable and equitable basis for distribution of costs associated with each function
- Collect allocation basis data and statistics, populate the analytical model, and calculate results
- Review, revise, and finalize results with the organization
- Discuss implementation strategies
- Provide final documentation and present results

In summary, key project details for the BAAQMD cost plan are as follows: Cost figures are based on Fiscal Year 2009-10 actual expenditures, the allocation methodology is Full Cost, not Circular OMB A-87 Compliant, and the results presented in this plan were derived using a double “step-down” allocation process.

## **B. READING THE PLAN**

The following summarizes the separate schedules of the Cost Allocation Plan, which can be used as a guide for navigation and review:

- **Summary Schedule A – Allocated Costs by Program:** Lists Central Service programs on one axis, and Receiving programs on the other. Shows how much was allocated from each Central Service program to each Receiving program. Summarized with unallocated and direct billed entries and produces a grand total for each axis. Also adds in roll forwards, if any, to give a true picture for each Receiving program.
- **Summary Schedule C – Summary of Allocated Costs:** Recaps first Central Service program expenditures, and then Receiving program allocations.
- **Summary Schedule D – Detail of Allocated Costs:** This report is very similar to Schedule A. It lists Central Service programs on one axis, and Receiving programs on the other. The data is the amount allocated from the Central Service program to the Receiving program. The difference between Schedules D and A is

that A lists only the expenses allocated directly from itself to each Receiving program, and doesn't track the amounts back to where they originated from. For example, suppose the Finance Department is allocating its expenses out to other departments, including the Receiving department of the Planning Department. Some of the allocations from the Finance Department will be directly allocated to Planning, but other monies may be allocated first to another Central Service department such as Human Resources, and then from there allocated to Planning. Schedule A simplifies the processing by showing the part of the allocation to Planning from Finance. While this presents a true picture of how much of a total allocation Planning received, it does not accurately reflect how much of Planning's allocation originated in the Finance Department. Schedule D tracks allocations through from their origin. Thus the allocation that went to Planning via the Human Resources department would show in Schedule D as coming from the Finance Department. This is important in cases where reimbursement from the federal government is determined by which administrative overhead department the allocated overhead costs can come from.

- **Summary Schedule E – Summary of Allocation Bases:** Recaps the source and basis for each function of each Central Service program. For example, if the Building Maintenance function of the Facilities Management Department allocates by square footage, then the basis for the allocation of that function shown on this schedule would be square footage, and the source would potentially be blueprints of the building, or square footage records.
- **Detail Reports:** There is one set of reports for each Central Service program in the plan. The reports show an aggregate picture of the programs' expenses, a function-by-function breakdown of the expenses, each function's allocation, and an allocation summary. Each set of Detail Reports contains:
  - **Costs to be Allocated:** This is a summary of the programs' expenditures. It lists the total of the direct expenditures, a recap of the incoming expenses, and arrives at a total this program encumbers on each pass of allocations.
  - **Costs by Function:** Shows the detail of the direct expenditures, adds in incoming allocations, and breaks total costs down by function. It also demonstrates how the G&A (General and Administrative) column is reallocated, and also subtotals for each pass of allocations. Here, unallocated functions are dropped from the Plan's calculations.
  - **Function Allocations:** For each allocable function, this report shows the Receiving programs that costs are allocated to, reduces the first step down allocation amount by direct billings, and shows the amount of allocations per pass.

- **Allocation Summary:** Shows a summary list of each function’s allocation, and a representative percentage of how much is allocated to each Receiving program.

It is important to note that summary Schedules A and E are the optimal documents for beginning review of the Cost Allocation Plan and are included as Appendices in this report. Schedule A provides a summary of results and “bottom-line” picture of the analysis. The reviewer may then refer to the Detail Reports if more information on how allocations shown on Summary Schedule A were derived. Schedule E provides a summary of the allocation methodology applied to each central service program. Schedules C and D were provided to the District under separate cover.

### **C. NARRATIVES FOR EACH CENTRAL SERVICE PROGRAM**

For each Central Service program in this Plan, the following provides a summary of each Program, a description of the program’s major functions, and a description of how costs associated with each function were allocated.

#### **(1) Executive Office**

Under the leadership and direction of the Executive Officer / APCO and the Board of Directors, the Executive Office guides the Bay Area Air Quality Management District in meeting its mission of protecting and improving public health, air quality, and the global climate through regulation, incentives, and education. The Executive Office consists of four programs: Executive Office, Board of Directs, Hearing Board, and Advisory Council. For purposes of this study, the Hearing Board was not allocated. Costs associated with each program are allocated to Receiving Programs, as follows:

- **104 Executive Office** – represents costs associated with the administration and direction of district programs. These costs have been allocated based upon the number of staff per Program / Section.

- **121 Board of Directors** – represents costs associated with the overall administration of activities of the Board of Directors. These costs have been allocated based upon the number of staff per Program / Section.
- **123 Advisory Council** – represents costs associated with advising and consulting with the Board of Directors and Executive Office, as well as making recommendations and reports on matters that affect both policy and the legislative agenda. These costs have been allocated based upon the number of staff per Program / Section.

**(2) Legal Services Division**

The District Counsel provides legal advice, counseling and representation to the Board of Directors and its Committees, the Executive Officer / APCO, District staff, and the Advisory Council in the execution of their respective statutory mandates and responsibilities. The District Counsel also represents, or manages outside counsel, representing the District in all litigation involving the District and in matters before the District's Hearing Board. The Legal Services Division consists of four programs: Legal Counsel, Hearing Board Proceedings, Penalties Enforcement & Settlement, and Litigation. Costs associated with each program are allocated to Receiving Programs, as follows:

- **201 Legal Counsel** – represents costs associated with advising, counseling, and assisting the Board of Directors, the Executive Officer / APCO, and District staff on all legal matters related to the District's clean air mission and operations. These costs have been broken down into three functions, and allocated as follows:
  - **Permitted Sources** – costs are allocated based upon the permitted source revenue per program for FY 2010.
  - **Direct Support** – costs are allocated based upon the percentage of direct time spent in support of Programs / Sections.
- **202 Hearing Board Proceedings** – represents costs associated with representing the District in all proceedings involving variances, orders of abatement, permit appeals and permit revocations before the District's Hearing Board. These costs have been allocated directly to Permit Renewals.

- **203 Penalties Enforcement & Settlement** – represents costs associated with removing the economic benefit from, and providing a credible and effective deterrence to, violations of District Rules by reaching settlements or pursuing penalty enforcement actions fairly and consistently. These costs have been broken down into three functions, and allocated as follows:
  - **District Wide Support** – costs are allocated based upon the number of staff per Program / Section.
  - **Permitted Sources** – costs are allocated based upon the permitted source revenue per program for FY 2010.
  - **Direct Support** – costs are allocated based upon the percentage of direct time spent in support of Permit Renewals and Title V.
  
- **205 Litigation** – represents costs associated with representing and overseeing the District representation in State and Federal courts. These costs have been broken down into three functions, and allocated as follows:
  - **District Wide Support** – costs are allocated based upon the number of staff per Program / Section.
  - **Permitted Sources** – costs are allocated based upon the permitted source revenue per program for FY 2010.
  - **Direct Support** – costs are allocated based upon the percentage of direct time spent in support of Permit Renewals and Title V.

**(3) Communications & Outreach Office**

The Communications Office develops and delivers public information messages through the media and public events to support the District's priority programs. The Communications Office strives to increase public awareness, encourage behavior change and understanding of the roles that the public, business community and District play in reducing air pollution. The Communications and Outreach Office consists of two sections: Public Information and Community Outreach. Costs associated with each program are allocated to Receiving Programs, as follows:

- **301 Public Information** – represents costs associated with acting as the District’s main point of contact with the public and media, and developing effective clean air partnerships with non-profit organizations. These costs have been broken down into three functions, and allocated as follows:
  - **District Wide Support** – costs are allocated based upon the number of staff per Program / Section.
  - **Permitted Sources** – costs are allocated based upon the permitted source revenue per program for FY 2010.
  - **Direct Support** – costs are allocated based upon the percentage of direct time spent in support of Programs / Sections.
  
- **302 Community Outreach** – represents costs associated with facilitating the implementation of the District’s community outreach objectives. These costs have been broken down into three functions, and allocated as follows:
  - **District Wide Support** – costs are allocated based upon the number of staff per Program / Section.
  - **Permitted Sources** – costs are allocated based upon the permitted source revenue per program for FY 2010.
  - **Direct Support** – costs are allocated based upon the percentage of direct time spent in support of Programs / Sections.

**(4) Administrative Services Division - Human Resources**

The Human Resources Office is responsible for personnel matters including payroll and benefits, labor and employee relations, recruitment and testing, processing personnel actions, employee performance appraisal and recognition programs, organizational development and training, health and safety compliance, workers compensation and special events coordination. The Human Resources Office consists of five programs: Payroll, Benefit Administration, Organizational Development, Employment Relations, and Recruitment & Testing. Costs associated with each program are allocated to Receiving Programs, as follows:

- **106 Payroll** – represents costs associated with administering payroll for District employees and processing benefit payments. These costs have been allocated based upon the number of staff per Program / Section.
- **107 Benefit Administration** – represents costs associated with administering benefits programs for District employees. These costs have been allocated based upon the number of staff per Program / Section.
- **109 Organizational Development** – represents costs associated with providing appropriate workplace learning and organization development to increase organizational effectiveness and results through training and development activities. These costs have been allocated based upon the number of classes provided per Program / Section.
- **111 Employment Relations** – represents costs associated with providing management and staff support in the area of employment relations. These costs have been allocated based upon the number of staff per Program / Section.
- **114 Recruitment & Testing** – represents costs associated with conducting recruitment and testing for external and internal candidates to fill vacant positions. These costs have been allocated based upon the number of recruitments per Program / Section.

**(5) Administrative Services Division – Finance Office**

The Finance Office oversees Accounts Payable, Accounts Receivable, Budgeting, the annual audit of the financial statements, as well as other core functions, and ensures that proper accounting, internal controls and accurate and timely reporting requirements are met. The Finance Office consists of the Accounting Program, and costs associated with this program are allocated to Receiving Programs, as follows:

- **701 Accounting** – represents costs associated with maintaining the fiscal stewardship and financial accountability of the District. These costs have been allocated based upon the number of staff per Program / Section.

**(6) Administrative Services Division – Strategic Facilities Planning Office**

The Strategic Facilities Planning Office is responsible for the day to day operations of Air District facilities, security, safety, and maintenance. The Strategic

Facilities Planning Office consists of the Strategic Facilities Program, and costs associated with this program are allocated to Receiving Programs, as follows:

- **702 Strategic Facilities** – represents costs associated with the planning, security, safety, and maintenance of existing equipment. These costs have been allocated based upon the occupied square footage per Program / Section.

**(7) Administrative Services Division – Business Office**

The Business Office is responsible for contracts, purchasing, non-workers compensation risk management and office support services. The Business Office consists of two programs: Communications and Purchasing. Costs associated with these programs are allocated to Receiving Programs, as follows:

- **703 Communications** – represents costs associated with maintenance of the day-to-day communication and reproduction operations of the District. These costs have been allocated based upon the number of staff per Program / Section.
- **708 Purchasing** – represents costs associated with providing for the purchasing of equipment and supplies, and negotiating lease and service contracts. These costs have been allocated based upon the number of purchase orders per program / section.

**(8) Administrative Services Division – Vehicle Maintenance**

The Vehicle Maintenance section includes the maintenance of the District's 152 vehicle fleet, and the operation of the garage facilities. Costs associated with the Vehicle Maintenance Section are allocated to Receiving Programs, as follows:

- **710 Vehicle Maintenance** – represents costs associated with fleet maintenance and garage facilities. These costs have been allocated based upon the number of vehicles per Program / Section.

**(9) Administrative Services Division – Technical Library**

The Technical Library provides materials and information on air quality and related subjects to staff and the public as its primary function. The Librarian selects, orders, and processes books, reports, periodicals, and electronic media, and keeps staff

informed of library acquisitions. Costs associated with the Technical Library are allocated to Receiving Programs, as follows:

- **801 Technical Library** – represents costs associated with providing current and archival information and reference assistance on matters relating to air quality and environment to staff, other environmental agencies, libraries, students and the general public. These costs have been allocated based upon the number of staff per Program / Section.

**(10) Information Services Division**

The Information Services Division is comprised of three programs that provide various types of operational support and services to all District staff, and directly to members of the regulated community that use District on-line technologies. These programs are: Information Management Records and Content, Information Systems Software Development, and Information Technology Engineering & Operations. Costs associated with the Technical Library are allocated to Receiving Programs, as follows:

- **712 Information Management Records & Content** – represents costs associated with providing archival and retrieval services for the District's records produced by various Divisions in both their physical and digital versions, as well as supporting and maintaining the District's web presence through its multiple sites. These costs have been allocated based upon the percentage of labor identified using fee schedules per Program / Section.
- **725 Information Systems Software Development** – represents costs associated with providing design, development, implementation and support of business systems that embody the District business process. These costs have been allocated based upon the percentage of labor identified using fee schedules per Program / Section.
- **726 Information Technology Engineering & Operations** – represents costs associated with providing computer and telecommunications infrastructure as well as providing service and support for all staff. These costs have been allocated based upon the number of staff per Program / Section.

## **2. USER FEES AND COSTS OF SERVICES**

This chapter presents the results of the Cost of Services (User Fee) Study conducted by the Matrix Consulting Group for the Bay Area Air Quality Management District (BAAQMD). Division 26 of the Health and Safety Code created the California Clean Air Act. Under this regulation, the BAAQMD is responsible for protecting public health and the environment by achieving and maintaining state and national ambient air quality standards and reducing the risk of public exposure to toxic air contaminants in the region, which represents nine counties within the District. The Matrix Consulting Group analyzed the cost of service relationships that exist between fees for service activities involving the following divisions: Engineering Division, Compliance & Enforcement Division, Planning Rules & Research Division and the Technical Services Division. The results of this Study provide a tool for understanding current service levels, the cost and demand for those services, and what fees for service can and should be charged.

The methodology employed by the Matrix Consulting Group is a widely known and accepted “bottom up” approach to cost analysis, where time spent per fee type is determined for each program budgeted within a division. Once time spent for a fee activity is determined, all applicable costs are then considered in the calculation of the “full” cost of providing each service. The following table provides an overview of the types of costs applied in establishing the “full” cost of services provided by each Division included in this Study:

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
**Cost Recovery and Containment Study**

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| <b>Cost Component</b>                     | <b>Description</b>  |
|---|---|
| <b>Direct</b>                             | Fiscal Year 2009/10 actual salaries, benefits and allowable expenditures.   |
| <b>Division Overhead</b>                  | Division administration / management and clerical support   |
| <b>District-wide Overhead</b>             | District costs associated with central service costs such as payroll, human resources, budgeting, District management, etc. These costs are established through the Full Cost Allocation Plan performed by the Matrix Consulting Group (provided under separate cover). |
| <b>Supporting (Cross) Division Review</b> | Where applicable, direct and indirect costs associated with division support  |

Together, the cost components in the table above comprise the calculation of the total “full” cost of providing any particular service, whether a fee for that service is charged or not.

The work accomplished by the Matrix Consulting Group in the analysis of the proposed fees for service involved the following steps:

- **Division Staff Interviews:** The project team interviewed staff in each division regarding their needs for clarification to the structure of existing fee items, as well as their time reported activities.
- **Data Collection:** Data was collected for each item, including, time reports, expenditure reports and staffing levels for the FY 2009/10 fiscal year and were entered into the Matrix Consulting Group’s analytical software model.
- **Cost Analysis:** The full cost of providing each service included in the analysis was established. Cross-checks such as revenue reports and allocation of not more than 100% of staff resources to both fee and non-fee related activities assured the validity of the data used in the Study.
- **Review and Approval of Results with District Staff:** District Management have reviewed and approved these documented results.

A more detailed description of user fee methodology, as well as legal and policy considerations are provided in subsequent sections of this chapter.

**A. SUMMARY OF RESULTS AND RECOMMENDATIONS**

Overall, this Cost of Services Study concluded that the District under-recovers its costs by approximately \$16.8 million per year providing *fee-related* services. While the detailed documentation of the Study will show an over-collection in certain fees types, and an undercharge for others, overall, the District is providing an annual subsidy to fee payers for all services included in the analysis.

The display of the cost recovery figures shown in this report are meant to provide a basis for policy development discussions among District Management and the Board of Directors, and do not represent a recommendation for where or how the Board should take action. The setting of the “rate” or “price” for services, whether at 100 percent full cost recovery or lower, is a decision to be made only by the Board, often with input from District staff and the community. The Matrix Consulting Group strongly recommends that the District use the information contained in this report to discuss, adopt, and implement a formal Cost Recovery Policy for the District, and also to implement a mechanism for the annual update of fees for service.

**(1) Adopt a Formal Cost Recovery Policy**

The Matrix Consulting Group strongly recommends that the Board adopt a formalized, district-wide cost recovery policy for the fee services included in this Study. Whenever a cost recovery policy is established at less than 100% of the full cost of providing services, a known gap in funding is recognized and may then potentially be recovered through other revenue sources. The following table presents typical cost recovery percentages seen in other jurisdictions, predominantly municipal and county jurisdictions:

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
**Cost Recovery and Containment Study**

| Department                           | Typical Cost Recovery %  |
|--------------------------------------|--|
| Administration                       | Varies   |
| Building and Safety/Code Enforcement | 80 - 100%  |
| Planning (Administrative Costs Only) | 40 - 80%   |
| Public Works/Engineering             | Land Development – 80-100%,<br>Encroachment Permits 40 - 80%   |
| Fire                                 | Building Plan Review – 80-100%,<br>Uniform Fire Code Permits - 20 – 60%<br>Annual Fire Safety Inspections 0 - 100% |

Information presented in the table above is based on the Matrix Consulting Group’s experience in analyzing local government’s operations across the United States, and reflects the *typical results* of cost recovery analysis, not typical policy decisions made by local adopting authorities. In fact, very few jurisdictions have adopted formal cost recovery policies at the division / service level. The Matrix Consulting Group considers a formalized cost recovery policy for various fees for service an industry Best Management Practice.

**(2) Adopt an Annual Fee Update / Increase Mechanism**

The Matrix Consulting Group recommends the District perform a complete update of its User Fee Study on a periodic basis. In general, 3 to 5 years for fee and rate studies is considered a best management practice. The purpose of a comprehensive update is to completely revisit the analytical structure, service level estimates and assumptions applied in the previous study, and to account for any major shifts in cost components, operations and organizational structures.

In between comprehensive updates, the District could utilize published industry economic factors such as CPI or other regional factors to update the cost calculations established in the Study on an annual basis. Alternatively, the District could also

consider the use of its own anticipated labor cost increases such as step increases, benefit enhancements, or cost of living raises. The latter example provides a more realistic reflection than a CPI, given the fact that labor costs generally comprise the majority of cost calculations for a jurisdiction. Use of an automatic increase mechanism based on the District's own labor costs also provides a factor that is specific to it and its operations, rather than one that is specific to a region or industry as a whole. Utilizing an annual increase mechanism would ensure that the District receives appropriate fee and revenue increases that reflect growth in costs.

## **B. LEGAL FRAMEWORK AND POLICY CONSIDERATIONS**

A "user fee" is a charge for services provided by a governmental agency to a public citizen, entity or group. In California, several constitutional laws such as Propositions 13, 4 and 218, State Government Codes 66014 and 66016, and more recently the Attorney General's Opinion 92-506 set the parameters under which the user fees typically administered by local government are established and administered. Specifically, California State Law, Government Code 66014(a), stipulates that user fees charged by local agencies, "...may not exceed the estimated reasonable cost of providing the service for which the fee is charged", and under Prop 218, thus does not constitute a special tax, which requires voter approval. In addition and specific to an air district, Division 26 of the Health and Safety Code, section 42311 identifies what costs for pollution control programs related to permitted stationary sources may be included in the fees that an air district may charge. This regulation authorizes the District to recover costs of the full range of programs and activities related to air quality assessment and planning, control measure development, rulemaking and implementation, compliance

assistance and enforcement, as well as permitting and the various administrative tasks necessary to support these activities. The District fee authority is intended to provide air districts the means to carry out air quality programs related to permitted stationary sources without tax-payer funding.

**(1) General Principles and Philosophies Regarding User Fees**

Air quality districts, as well as local governments are providers of many types of regulatory services to their communities. While all services provided are beneficial to constituents, some services can be classified as globally beneficial to all citizens, while others provide more of a direct benefit to a specific group, business or individual in the course of business operations. The following table provides examples of services provided by air quality districts and local government within a continuum of the degree of community benefit received:

| <b>Services that Provide General “Global” Community Benefit</b>   | <b>Services that Provide Both “Global” Benefit and also a Specific Group or Individual Benefit</b>                                    | <b>Services that Provide a Primary Benefit to an Individual or Group, with less “Global” Community Benefit</b>  |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Achieving &amp; Maintaining Clean Air</li> <li>• Public Safety (Police)</li> </ul> | <ul style="list-style-type: none"> <li>• Clean Air and a safe working environment</li> <li>• Fire Suppression / Prevention</li> </ul> | <ul style="list-style-type: none"> <li>• Operating Permit for stationary sources (issued by BAAQMD)</li> <li>• Planning and Zoning Review</li> <li>• Building Permit</li> </ul> |

Funding for air quality districts, as well as local government is obtained from a myriad of revenue sources such as taxes, fines, grants, special charges, user fees, etc. In the table above, services in the “global benefit” section tend to be funded primarily through voter approved tax revenues. In the middle of the table, one typically finds a mixture of taxes, user fee, and other funding sources. Finally, in the “individual / business / group benefit” section of the table, lie the services provided by the district and local government that are typically funded almost entirely by user fee revenue.

The following are two central concepts regarding the establishment of user fees:

- **Fees should be assessed according to the degree of individual or private benefit gained from services.** For example, the processing and approval of a permit to operate or building permit will generally result in monetary gain to the applicant. Whereas, a program, such as the Intermittent Control Program, which includes public education and other efforts to entice the public to take public transportation and rideshare as an effort to reduce emissions benefits the community as a whole, and
- **A profit making objective should not be included in the assessment of user fees.** In fact, California laws require that the charges for service be in direct proportion to the costs associated with providing those services. Once a charge for service is assessed at a level higher than the actual cost of providing a service, the term “user fee” no longer applies. The charge then becomes a tax subject to voter approval, per Prop 218.

Therefore, it is commonly accepted that user fees are established at a level that will recover up to, and not more than, the cost of providing a particular service.

## **(2) General Policy Considerations Regarding User Fees**

Undoubtedly, there are programs, circumstances, and services that justify a subsidy from a tax based or alternative revenue source. However, it is essential that jurisdictions prioritize the use of revenue sources for the provision of services based on the continuum of benefit received and funding ability.

Within the services that are typically funded by user fees, the Matrix Consulting Group recognizes several reasons why District staff or the Board may not advocate the full cost recovery of services. The following factors are key policy considerations in setting fees at less than 100 percent of cost recovery:

- **Limitations posed by an external agency.** The State or other agency will occasionally set a maximum, minimum, or limit the jurisdiction’s ability to charge a fee at all. Examples include Transportation Permits commonly issued by Public Works departments or charging for time spent copying and retrieving public documents, such as in the Communications and Outreach Division.

- **Encouragement of desired behaviors.** Keeping fees for certain services below full cost recovery may provide better compliance from the community. For example, if the cost to register a piece of equipment is higher than the cost of the equipment itself, many applicants will avoid equipment registration with the District.
- **Encourage participation for individuals or groups.** Policy makers may decide to fully subsidize or set fees at a level that will enhance participation of the community, such as Spare the Air Days, whereby the cost of public transportation is free in order to encourage participation.
- **Benefit received by user of the service and the community at large is mutual.** Many services that directly benefit a group or individual equally benefit the community as a whole, for examples, the Vehicle Buy-Back and Spare the Air.

The Matrix Consulting Group recognizes the need for policy that intentionally subsidizes certain activities. The primary goals of a User Fee Study are to provide a fair and equitable basis for determining the costs of providing services, and assure that the District is in compliance with State law.

Once the full cost of providing services is known, the next step is to determine the “rate” or “price” for services at a level which is up to, and not more than the full cost amount. The Board is responsible for this decision, which often becomes a question of balancing service levels and funding sources. The placement of a service or activity within the continuum of benefit received may require extensive discussion and at times fall into a “grey area”. However, with the resulting cost of services information from a User Fee Study, the Board can be assured that the adopted fee for service is reasonable, fair, and legal.

### **C. USER FEE STUDY METHODOLOGY**

The Matrix Consulting Group utilizes a cost allocation methodology, commonly known and accepted as the “bottom-up” approach to establishing User Fees. The term

means that several cost components are calculated for each fee or service. These components then build upon each other to comprise the total cost for providing the service. The components of a full cost calculation are typically as follows:

| <b>Cost Component</b>   | <b>Description</b>  |
|---|---|
| <b>Direct</b>   | Salaries, benefits and allowable departmental expenditures.   |
| <b>Division Overhead</b>  | Division administration / management and clerical support.  |
| <b>District-wide Overhead</b>   | District costs associated with central service costs such as payroll, human resources, budgeting, District management, etc. Established for this Study through a separate Cost Allocation Plan analysis performed by the Matrix Consulting Group.         |
| <b>Cross-Division Support</b>   | Costs associated with review or assistance in providing specific services. For example, costs performed by the Technical Services Division are included as an applicable cost toward the fees for service that are initiated in the Engineering Division. |
| <b>Planning, Research, Policy, and Systems Update and Maintenance</b> | Examples often include: regulations updates and enforcement, and technology costs.  |

The general steps utilized by the project team to determine allocations of cost components to a particular fee or service are:

- Develop time allocation for each service included in the study;
- Calculate the direct cost attributed to each time allocation;
- Utilize the program specific allocation of staff time to establish an allocation basis for cost components;
- Distribute the appropriate amount of the other cost components to each fee or service based on the staff time allocation basis, or other reasonable basis.

The result of these allocations provides detailed documentation for the reasonable estimate of the actual cost of providing each service. The following are critical points about the use of time reporting and the validity of cost allocation models.

**(1) Staff Time Reports are a Measure of Service Levels Required to Perform a Particular Service**

One of the key study assumptions utilized in the “bottom up” approach is the use of time reports for the provision of each fee related service. Utilization of time reports is a reasonable and defensible approach, especially since these records were developed as an after the fact accounting of time. The project team worked closely with District staff in reviewing and validating the time reports for accuracy.

The Matrix Consulting Group agrees that while the use of time reports by program for each fee category is not as accurate, as tracking time by each permit or fee for service, it is the best alternative available for setting a standard level of service for which to base a jurisdiction’s fees for service, and it meets the requirements of California law.

The alternative to allocating time by program for each permit type is actual time tracking, often referred to billing on a “time and materials” basis for each permit. Except for in the case of anomalous or sometimes very large and complex projects, the Matrix Consulting Group believes this approach not to be cost effective or reasonable for the following reasons:

- Accuracy in time tracking is compromised by the additional administrative burden required to track, bill, and collect for services in this manner;
- Additional costs are associated with administrative staff’s billing, refunding, and monitoring deposit accounts;
- Customers often prefer to know the fees for services in advance of applying for permits or participating in programs;
- Applicants may begin to request assignment of faster or less expensive personnel to their project;
- The District can better predict revenue streams and staff needs using

standardized time reporting and allocation of costs by program to fee types and anticipated permit volumes.

Situations arise where the size and complexity of a given project warrants time tracking and billing on a “time and materials” basis. However, the Matrix Consulting Group discourages this practice whenever possible.

## **(2) Cross Checks Ensure the Validity of our Analytical Model**

In addition to the collection of time reporting data by program for each fee or service type included in the User Fee Study, staff data for the total number of hours are also a critical component. By collecting data on the total hours available by program for each fee or service, a number of analyses are performed which not only provide useful information regarding allocation of staff resources, but also provide valuable cross checks that ensure the validity of each cost allocation model. This includes assurance that 100% of staff resources are accounted for and allocated to a fee for service, or “other non fee” related category. Since there are no objectives to make a profit in establishing user fees, it is very important to ensure that services are not estimated at a level that exceeds actual resource capacity. If at least and not significantly more than 100% of staff resources are accounted for, then no more than 100% of costs associated with providing services will be allocated to individual services in the Study.

## **D. RESULTS**

The motivation behind a cost of services (User Fee) analysis is for the Board of Directors and District Staff to maintain services at a level that is both accepted and effective for the community served, and also to maintain control over the policy and management of these services. Discussion of results in this section is intended as a summary of extensive and voluminous cost allocation documentation produced during

the Study. The full analytical results were provided to District staff under separate cover from this summary report. In addition, the appendix to this report also includes more detailed cost calculation results:

- **On an annualized basis:** the project team utilized total activity costs to project annual subsidies and revenue impacts associated with the implementation of fee for service at full cost recovery levels.

It should be noted that the results presented in this report are not a precise measurement. In general, the a cost of service analysis takes a “snapshot in time”, where the most current fiscal year of actual expenditures cost information is compared to the most current actual fiscal year of revenue and workload data available. Workload data may then be adjusted to reflect “reasonable and defensible” estimates for purposes of analysis.

For contextual purposes, it is important to note that fee revenue (~\$27 Million) equates to approximately 25% of grand total revenue, transfers, grant program distributions and projects funding for the District – while County revenue (~\$20 Million) equates to approximately 20% of grand total District funding. The table on the following page presents a summary of results by Fee Type for the District.

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| Fee Name  | Revenue at Current Fee - Annual (\$) | Total Cost - Annual (\$) | Surplus / (Deficit) - Annual (\$) | Current Cost Recovery Percentage |
|---|--------------------------------------|--------------------------|-----------------------------------|----------------------------------|
| A - HEARING BOARD   | 4,192                                | 213,992                  | (209,799)                         | 2%                               |
| B - COMBUSTION OF FUEL  | 7,059,240                            | 8,485,182                | (1,425,942)                       | 83%                              |
| C - STATIONARY CONTAINERS FOR ORGANIC LIQUIDS STORAGE             | 2,282,518                            | 691,094                  | 1,591,424                         | 330%                             |
| D - GASOLINE TRANSFER - DISPENSING FACILITIES, PLANTS & TERMINALS | 3,202,560                            | 7,448,119                | (4,245,559)                       | 43%                              |
| E - SOLVENT EVAPORATING SOURCES                                   | 1,882,721                            | 4,489,739                | (2,607,018)                       | 42%                              |
| F - MISCELLANEOUS SOURCES   | 1,408,313                            | 1,833,989                | (425,676)                         | 77%                              |
| G-1   | 1,516,868                            | 2,602,102                | (1,085,234)                       | 58%                              |
| G-2   | 399,468                              | 1,249,964                | (850,496)                         | 32%                              |
| G-3   | 374,199                              | 894,545                  | (520,346)                         | 42%                              |
| G-4   | 2,025,581                            | 1,663,200                | 362,381                           | 122%                             |
| G-5   | 489,940                              | 682,754                  | (192,814)                         | 72%                              |
| H - SEMICONDUCTOR AND RELATED OPERATIONS                          | 98,257                               | 280,489                  | (182,232)                         | 35%                              |
| I - Dry Cleaners  | 85,504                               | 1,295,065                | (1,209,561)                       | 7%                               |
| K - SOLID WASTE DISPOSAL SITES                                    | 184,793                              | 723,962                  | (539,169)                         | 26%                              |
| L - ASBESTOS OPERATIONS   | 1,674,660                            | 2,687,613                | (1,012,953)                       | 62%                              |
| N - TOXIC INVENTORY (AB 2588)                                     | 628,865                              | 764,234                  | (135,369)                         | 82%                              |
| P - MAJOR FACILITY REVIEW (Title V)                               | 2,774,573                            | 6,457,780                | (3,683,207)                       | 43%                              |
| R - EQUIPMENT REGISTRATION  | 34,129                               | 231,266                  | (197,137)                         | 15%                              |
| S - NATURALLY OCCURRING ASBESTOS OPERATIONS                       | 12,492                               | 460,984                  | (448,492)                         | 3%                               |
| T - GREENHOUSE GAS  | 1,222,929                            | 1,030,822                | 192,107                           | 119%                             |
|   |                                      |                          |                                   |                                  |
| <b>Total</b>  | <b>27,361,802</b>                    | <b>44,186,894</b>        | <b>(16,825,092)</b>               | <b>62%</b>                       |

FY 2009/10 Actual Expenditures, FY 2009/10 Revenue

## **E. CONCLUSION**

The Bay Area Air Quality District engaged the Matrix Consulting Group to determine the total cost of services provided to its citizens and businesses for all District fee activities. To calculate the total cost of the District's fee services, Matrix Consulting Group employed both a widely accepted and defensible methodology, as well as the experience and input of District staff to complete the necessary data collection and discussion to complete the analysis. District leaders can now use this information to make informed decisions and set its fees to meet the fiscal and policy goal objectives of the District.

Overall, this Cost of Services Study concluded that the District under-recovers its costs by approximately \$16.8 million per year providing its *fee-related* services. While the detailed documentation of the Study will show an over-collection in some areas or certain fees, and an undercharge for others, overall, the District is providing an annual subsidy to fee payers for all services included in the analysis.

The project team recommends the District try to recover as much of the fee service costs as is feasible. For most fee related services, the Matrix Consulting Group recommends setting fees at as close to 100% cost recovery as possible. However, as discussed in previous sections of this chapter, several policy factors often warrant adoption of fee levels at less than 100%.

### **3. PERMITTING AND ENFORCEMENT PROCESSES**

In order to assess the permitting and enforcement processes and identify opportunities for improvement, the project team developed a set of performance measures, which are called “best management practices,” against which to assess the District. These performance measures have been derived from the project team's collective experience and represent the following ways to identify departmental strengths as well as improvement opportunities:

- Statements of "effective practices" based on the study team's experience in evaluating operations in other local governments or “industry standards” from other research organizations.
- Identification of whether and how the District meets the performance targets.
- Identification of the opportunity for improvement.

While the focus of this study was to identify issues, it is important to note the Bay Area Air Quality Management District has a number of organizational and operational strengths (identified in this assessment), as well as implemented a number of strategies in order to contain its costs over the past several years, including such strategies as the following:

- The filling only of critical positions / vacancies
- Maintenance of a 10% vacancy rate by leaving open positions through attrition
- Reduction of service and supply budgets by 10% during FY 2010 / 2011, and a target of 15% for FY 2011 / 2012
- Increased employee contribution to retirement accounts
- Reduction of the unfunded liability associated with other costs for retiree health care obligations.

Additionally, the District is currently engaged in a major initiative with the design, development, and implementation of the new Production System (to replace its legacy permit information management system) that will significantly modernize and enhance how the District operates and provides services to its customers. The following subsections provide the results of this assessment and identify numerous opportunities which may lead to more efficient and effective operations, as well as a higher quality of customer service.

**(1) Permit Information System**

| <b>PERMIT INFORMATION SYSTEM</b>   |   |  |
|--|---|--|
| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b>   |
| 1. The permit information system is web-based – the system provides internal users access to data and functions via a web-browser. |   | The current information management system, Data Bank / IRIS, is not web-based. The District, however, should be designing and implementing a new permit information management system (i.e., the “Production System”) that is web-based, allowing access from any computer terminal. |
| 2. The permit information system provides online permit applicant access for tracking applications/permits via the Internet.       | The District publishes a monthly report on its website on what major permits were issued.   | Current District permit applicants do not have the access to online information regarding the status of their respective permit application. The new Production System should be designed and / or implemented with online capabilities.   |
| 3. The permit information system lists the status of pending permit applications for internal management purposes.                 | The District staff runs regular internal reports from Data Bank / IRIS to view permit application status, including when the permit application was received, completed, whether it has been assigned, etc. | The new Production System should be designed and / or implemented to readily provide web-based capabilities to see the status of permit applications.  |

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| <b>PERMIT INFORMATION SYSTEM</b>  |   |  |
|---|---|--|
| <b>Best Management Practice</b>   | <b>Strengths</b>  | <b>Opportunities For Improvement</b>   |
| 4. The permit information system includes an integrated wireless product; users can access the system via a wireless interface. Users (e.g., inspectors) can enter data into a PDA or laptop while in the field and upload data to the automated permit information system wirelessly or through hot/active sync. |   | Data Bank / IRIS does not have wireless capabilities. With the implementation of the Production System, the District should utilize wireless interfaces and capabilities, especially for the field inspectors, in order to view permit history, update comments, etc.  |
| 5. The permit information system uses a standard non-propriety database (e.g., Microsoft SQL Server) as its primary relational database management system (RDBMS).  | IRIS utilizes SQL.  | The current Data Bank / IRIS system is utilizing a dated mainframe for data (HP 3000 / 9000) and custom in-house code for data management.<br><br>The new Production System should utilize a relational database management system (such as Oracle).   |
| 6. The permit information system has a centralized client server topology model, with software deployment files in a MSI format (e.g., Microsoft Windows Installer installation package file) to provide better corporate deployment and a standard format for component management.                              |   | The new Production System should utilize a centralized client server to standardize operations and management (e.g., system updates).  |
| 7. The permit information system is fully integrated with other enterprise systems used by the agency (such as the financial accounting system).  | There is some level of integration between the permit system, the inspection system, and the enterprise-wide financial system (JD Edwards) through nightly data transfers for invoicing and updating of files and accounts. | Data Bank / IRIS are not fully integrated with other District information management systems (i.e., the financial system and the inspector / enforcement system).<br><br>The new Production System should be designed and / or integrated with the disparate systems to promote consistency and efficiency among the operating units (i.e., permitting, invoicing, and inspections). |

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| <b>PERMIT INFORMATION SYSTEM</b>   |  |  |
|--|--|--|
| <b>Best Management Practice</b>  | <b>Strengths</b>   | <b>Opportunities For Improvement</b>   |
| 8. The permit information system has robust GIS integration – the system allows for display of all data via a GIS data browser. The system has bi-directional capabilities that will allow the user to manage data on the GIS which in turn updates the permitting system without duplicate data entry   | The District utilizes electronic mapping for certain functions and activities, such as geo-coding new facilities in order to coordinate and assign facilities, while the Toxics Section utilizes GIS mapping for modeling.         | The Production System should be designed and / or implemented to support GIS capabilities.   |
| 9. The permit information system contains the ability to QA/QC data input into the application. This includes the capacity to minimize staff inputting inaccurate information into various activity fields, through such tools as data input “masks”, or templates that force the user to adhere to a prescribed character format or pull-down list. | The District utilizes smart forms for the internal combustion engines, but most of the forms have limited or no automated QA / QC capabilities.  | The new Production System should be designed and / or implemented with automated features that minimize manual data input errors (i.e., utilizing, smart forms, automated fee calculations, standard permit conditions, etc.).   |
| 10. The permit information system has the ability to stamp which user has either created or modified an activity record.   | Data Bank / IRIS provides the ability for staff to log the date and time of permit application receipt, and there are hierarchal security and access levels in place (e.g., only certain positions have access and update rights). | Data Bank / IRIS has a limited audit trail for each permit application showing the date, time, and specific staff member who handled the permit application folder. Data Bank / IRIS also has a limited audit trail for modification of data in the system (e.g., time, date, personnel stamp, etc.).<br><br>The new Production System should be designed and / or implemented with audit trail capabilities, which specifically track the user and types of changes made to a record (including date and time), including capturing the identification of all staff who was assigned to that permit application during its lifetime (i.e., the current system does not track when permit is re-assigned). |

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| <b>PERMIT INFORMATION SYSTEM</b>  |   |  |
|---|---|--|
| <b>Best Management Practice</b>   | <b>Strengths</b>  | <b>Opportunities For Improvement</b>   |
| 11. The permit information system contains scheduling capabilities. This capability is based upon a tie-in from the system to the existing email / calendar vendor (i.e., Microsoft's Outlook). |   | The new Production System should be designed and / or implemented to integrate with email and calendar systems, which, for example, can facilitate such features as automatic emails to supervisors regarding overdue permit applications.   |
| 12. The permit information system has the ability to automatically notify staff and the permit applicant of any status change to their permit applications or renewals.                         |   | Data Bank / IRIS has limited capabilities to notify of status changes.<br><br>The new Production System should be designed and / or implemented with these automated auditing features.  |
| 13. The permit information system enables applicants to submit their permit applications and renewals online.   | For registration of certain types of equipment, the District allows for electronic and online submittal and fee payment capabilities from its website.  | Data Bank / IRIS does not support online submission of permit applications. The new Production System should be designed and / or implemented with electronic submittal capabilities for both permit applications and renewals.  |
| 14. The permit information system provides applicants with the relevant electronic permit application and renewal forms online.   | For registration of certain types of equipment, the District allows for online renewal capabilities. Additionally, permit application forms are available on the website which can be printed out and completed (but not submitted electronically). | Data Bank / IRIS are not a web-based system which supports automated submissions, and does not support the electronic receipt of data from the facilities (e.g., such as emissions information during the renewal process). Currently, permit holders must contact the District to retain copies of update questionnaires or permit invoices.<br><br>The new Production System should be designed and / or implemented to allow online submission for high volume source categories, such as for auto-body shops, dry cleaners, etc. |
| 15. The permit information system links to on-line access to electronic versions of applicable and current agency permit regulations from within the automated permit information system.       | The District website provides electronic PDF copies of various policies, procedures, forms, applications, etc.  |  |

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| <b>PERMIT INFORMATION SYSTEM</b>   |   |  |
|--|---|--|
| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b>   |
| 16. The permit information system has the capability through table-driven fee schedules to perform mathematical computations for varied fee calculations, eliminating the need to manually calculate permit fees outside of the permit software. | The District permit renewal fees/invoices are generated automatically.  | Data Bank / IRIS does not automatically generate fees for permit applications (as the fee calculations are currently done manually).<br><br>The new Production System should be designed and / or implemented for automated fee calculations based on emissions and other factors (requiring the system to be table driven). |
| 17. The permit information system contains functionality to process electronic payments.   | The District allows for registrations, and corresponding renewals, of certain types of equipment to be paid online. | The Production System should be designed and / or implemented to allow for online payments, especially for “smaller” applicants that meet certain criteria, who should be allowed to automatically pay for permits at time of online submittal (thus limiting processing time and manual involvement by District staff).     |
| 18. The permit information system supports the capability to debit charges against fee deposits and later display the payment components.  |   | The Production System should be integrated with JD Edwards and the invoicing process to automatically adjust invoice amounts.  |
| 19. The permit information system supports the issuance of receipts for permit application payments.   | For the renewal process, the Permit to Operate is generated showing respective fee amount.                          | Data Bank / IRIS does not have receipt issuance capabilities.<br><br>The new Production System should be designed and / or implemented (with JD Edwards integration) to support receipt issuance.  |
| 20. The permit information system supports the on-line storage of permit application comments, corrections, and annotations.   | Data Bank / IRIS have a comments field (e.g., for status updates).  | Data Bank / IRIS does not support web-based storage of information on each permit application file, such as scanned documents or images, etc.<br><br>The new Production System should be designed and / or implemented to electronically store information related to the application (including engineer comments, etc.).   |

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| <b>PERMIT INFORMATION SYSTEM</b>   |   |  |
|--|---|--|
| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b>   |
| <p>21. The permit information system supports the automatic integration of common / standard permit conditions based on permit application / source type.</p>  | <p>In hard copy form, the District does have a series of standard permit conditions / templates for common sources. Data Bank / IRIS users can query on this information to find it, but its not automatically shown or populated based on the permit application type.</p> | <p>The new Production System should be designed and / or implemented to store approved template permit conditions for reference by engineers, inspectors, and other pertinent staff. The system should automatically assign the permit conditions based on source type.</p>  |
| <p>22. The permit information system enables users to attach digital (i.e., MS Word or scanned hard copy) documents and images/pictures to any activity or permit, or to add a "pointer tag" to a document/image to tell the system where the document is located. These files are stored in a centralized network location.</p> | <p>Permit applications stored on NEKO and Peelle systems are accessible to staff from their computer terminals.</p>   | <p>The District should have a consolidated and centralized document archive.</p> <p>The new Production System should be designed and / or implemented to upload and store necessary scanned and other electronic documents for permit applications.</p>  |
| <p>23. The permit information system operates according to business tasks and rules defined by the agency to automatically assign permit applications (based on such criteria as type, staff workload, etc.)</p>   | <p>If the facility is already assigned to an engineer, the current system will automatically assign a new permit application based on the facility number.</p>  | <p>Data Bank / IRIS does not make automatic assignment of permit applications (this is manually checked and will be assigned based on whether it is a new facility).</p> <p>The new Production System should provide automated assignment and routing of permit applications (based on both qualitative and quantitative factors) in order to promote better time management and workload balancing among staff.</p> <p>Additionally, the new Production System should be configurable to allow managers to set cycle time objectives (i.e., number of days from permit application submittal) that are different from the regulatory dates.</p> |

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| <b>PERMIT INFORMATION SYSTEM</b>  |   |   |
|---|---|---|
| <b>Best Management Practice</b>   | <b>Strengths</b>  | <b>Opportunities For Improvement</b>  |
| 24. The permit information system automatically populates applicant fields if the applicant data already exists in the system.  | Data Bank currently populates facility contact information (contact name, facility address, and contact address) for AC / PO letters, annual update requests, and billing invoices.                         | Data Bank / IRIS does not store and / or automatically populate applicant information.<br><br>The new Production System should be designed and / or implemented to utilize more “auto-populating” capabilities.   |
| 25. The permit information system enables the management of the agency to perform permit application routing, tracking and monitoring from start to finish, including the date received, the date assigned to a staff member for review, the date the 1 <sup>st</sup> , 2 <sup>nd</sup> , etc. review was completed by such staff, the date the comments and corrections were sent to the permit applicant, the date that the permit application was returned to the agency for 2 <sup>nd</sup> , 3 <sup>rd</sup> , etc. review by the permit applicant, etc. | Data Bank / IRIS capture various data elements, including Application Number, Site Number, Received Date, Project Title, Employee Identification Number, Date of Completion, Type, Result, and Result Date. | Data Bank / IRIS does not support management processes to fully understand the activity, date, and assigned staff through the lifecycle of the permitting process.<br><br>The new Production System should be designed and / or implemented to track and manage all tasks and activities throughout the lifecycle of the permitting process, and should generally have an adequate number of descriptors to promote case management and ability of managers to identify the exact status of a permit application. |
| 26. The permit information system is utilized to accept permit applications upon receipt, assign application numbers, route permit applications to other divisions for review, maintain corrections, maintain conditions of approval, issue permits, etc.   | The District utilizes a “To” process which forwards / assigns (per the system) the permit application.  | Data Bank / IRIS does not automatically generate application numbers or assign permits based on permit application type.<br><br>The new Production System should be designed and / or implemented for automated routing and tracking features.  |
| 27. The permit information system enables all of the agency divisions involved in the permit process to enter/edit and retrieve data.   |   | Data Bank / IRIS allow only a limited number of users to have access to the same permit application, and does not support District-wide access to the permit application simultaneously.<br><br>The new Production System should be designed and / or implemented to allow for enterprise wide access.  |

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| <b>PERMIT INFORMATION SYSTEM</b>  |   |   |
|---|---|---|
| <b>Best Management Practice</b>   | <b>Strengths</b>  | <b>Opportunities For Improvement</b>  |
| 28. The permit information system generates usable project management reports so that managers and supervisors can monitor levels of service and staff performance. | Data Bank / IRIS provide for some key information that allow managers and supervisors to obtain and print out (e.g., to identify which permit applications have not yet been assigned, to monitor staff performance, etc.). | The new Production System should be designed and / or implemented with more comprehensive and integrated “dashboards” to support the proactive management of permit applications and processes, including staff caseload balance and activity levels. |
| 29. The permit information system enables staff to input information from all pertinent divisions and sections.   |   | The new Production System should be designed and / or implemented to allow for all divisions; for example, Technical Services, to input source test results, and Toxics to enter risk screening results and data.                                     |
| 30. The permit information system assigns a unique number to each piece of equipment/source to track historical data.   | Data Bank / IRIS does track a unique number for each piece of facility equipment.   | The new Production System should be designed and / or implemented to identify each piece of equipment/source and its respective historical and emissions data.  |

**(2) Permit Fee and Cost Recovery**

| <b>PERMIT FEE AND COST RECOVERY</b>   |   |   |
|---|---|---|
| <b>Best Management Practice</b>   | <b>Strengths</b>  | <b>Opportunities for Improvement</b>  |
| 31. A formal cost recovery policy has been developed and adopted by the agency.   | The District regularly prepares a Cost Recovery Report that compares the costs with the revenue and indicates the shortfall or subsidy. | The target for cost recovery is approved annually by the Board of Directors based on year-to-year staff proposals; however, a more formalized cost recovery policy or directive (e.g., 75% of total relevant costs) should be memorialized to effectuate the budget planning process, as well as to assist with resource planning and deployment.   |
| 32. The fees associated with permits are evaluated annually and adjusted as necessary to maintain compliance with the adopted cost recovery policy.   | Permit fees are adjusted annually based on results of the cost recovery report.   | The District should implement a formal policy that clearly defines the level of subsidy that the District is trying to achieve.   |
| 33. The agency has conducted a formal permit fee study within the last 5 years to ensure individual fees charged are (1) appropriate and in proportion to the staff time required for review and processing; and (2) at a level sufficient to cover full cost of services provided (or level of cost recovery adopted by policy). | Formal fee studies were conducted in 1999, 2005, and, currently, for 2010.  | The District is limited by the Health and Safety Code Section 41512.7 that limits the amount that the fees can be increased in any one year by 15%; therefore, if the District sets a recovery policy at 75% recovery, it could increase fees incrementally until the policy level has been reached.<br><br>As such, the District should develop policies and procedures that define what the appropriate and sufficient levels are for staff time and cost recovery. |
| 34. The cost allocation and fee methodologies are made public to promote transparency with financial-related information.   | The District publishes cost and fee information on its website.   |   |

**(3) Permit Processing Management**

| <b>PERMIT PROCESSING MANAGEMENT</b>  |   |   |
|--|---|---|
| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b>  |
| <p>35. The agency has developed Specific, Measureable, Achievable, Time-bound and Realistic (SMART) performance metrics for the processing of permits.</p> | <p>The District reports out on a number of metrics, which are primarily workload based vs. performance based. Some key outcome measures tracked and published by the District include compliance rates for source tests (i.e., refineries, Title V facilities, gasoline tanks, gasoline-dispensing facilities, etc.).</p> | <p>The District should establish outcome and performance-based metrics regarding permit processing and timeliness, and publish to the public, as well as for internal performance management to monitor staff workload and activity.</p> <p>Some permit metrics include:</p> <ul style="list-style-type: none"> <li>• Total number of days to develop a permit (from receipt of the permit application to permit issuance).</li> <li>• Number of days the permit clocked is stopped (when the District is waiting for re-submittals on an incomplete application).</li> <li>• Percentage of permit applications received that are incomplete.</li> <li>• Number of iterations of information requests.</li> </ul> |
| <p>36. The agency utilizes information system to manage the length of calendar time required for permit application review.</p>                            |   | <p>The District does not utilize a automated permit information system to proactively manage caseload assignment, review, and the monitoring of case status, including:</p> <ul style="list-style-type: none"> <li>• Cycle time objectives set for the length of time for completion of permit applications.</li> <li>• Collection of actual processing time using the automated permitting system to enable comparisons to these targets.</li> </ul>   |

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| <b>PERMIT PROCESSING MANAGEMENT</b>  |   |  |
|--|---|--|
| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b>   |
| 37. The agency uses a “case manager” in the permit operation for the processing of permit applications. The case manager is the single point of contact for the permit applicant and responsible for the coordination of the processing of the permit by all of the agency’s Divisions. The case manager is responsible for the processing of the permit from “cradle to grave.” | The District utilizes an assigned staff (typically an engineer or technician) for the major facilities, who serves as the liaison for that facility throughout the permitting and review process. |  |
| 38. The permit applicant is informed of the name of their case manager within five workdays of submittal of their permit application.  | The District sends a notification letter to the applicant when an application is assigned.  | The District should formalize a “five-day” policy and track it within the permit information management system to ensure permit applicants are being informed in a timely manner.  |
| 39. The permit applicant is informed of the cycle time objectives for action on an application when the application is submitted.  | The District permit timelines are identified in Regulation 1, Rule 1, which is available on the web-site.   | At time of submittal, each permit applicant should be informed (via writing or email, etc.) of the expected permit review timelines.   |
| 40. The case manager contacts the permit applicant at the beginning of the processing of the permit to expedite further communication during the permit development process.   | The engineers will contact the applicant regarding application fees or other information needed.  | The District should formalize the policy of contacting the permit applicant (for proactive communication beyond calling for missing information), and updating the permit case management system to reflect this activity was completed. |
| 41. A monthly report is generated for the General Manager reporting actual vs. planned performance against these cycle time objectives.  |   | The District should track performance statistics more regularly (e.g., bi-weekly) by unit managers / supervisors to track activity and performance.<br><br>The District should publish these performance reports to the website.         |

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| <b>PERMIT PROCESSING MANAGEMENT</b>   |   |   |
|---|---|---|
| <b>Best Management Practice</b>   | <b>Strengths</b>  | <b>Opportunities For Improvement</b>  |
| <p>42. Permit checklists have been developed for the various types of permit application submittals to enable the agency staff to focus their attention on the relevant aspects of permit application review and assure uniformity among staff.</p> | <p>The District publishes a Permit Handbook which documents the key elements for evaluating many types of device categories.</p>  | <p>The institution of templates would streamline permit processing. There are templates for smaller facilities, such as gas stations; however, most other facilities / sources do not have templates. The District should work to re-evaluate and develop templates for all possible high volume source categories.</p>   |
| <p>43. Permit applications are checked at the counter upon submittal for initial completeness and rejected if missing basic application item based upon rigorous criteria/checklist for accepting and rejecting applications.</p>                   | <p>The District has developed a "Completeness Determination Checklist;" however, it is not utilized for acceptance / rejection during initial permit application submittal.</p> | <p>Currently, all permit applications are accepted, assigned, and routed – and are deemed complete (or incomplete) by the assigned engineer. Additionally, Data Bank / IRIS defaults the application to "complete" after a certain number of working days (which could happen either if the Engineer reviews and determines it is complete, or if the Engineer does not do anything at all). Essentially, the District should implement a policy that all engineers must physically update the case if deemed complete or not.</p> <p>Based on permit data, up to 60% of applications are incomplete, requiring additional time for processing and staff review.</p> <p>The District should establish a policy and process to review applications at time of submittal, and reject if incomplete. As such, the new Production System should be designed / implemented to reject permit applications that are not submitted with minimum requirements. Additionally, the data forms and wizards should be implemented so that pertinent data is received in the initial submittal.</p> |

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| <b>PERMIT PROCESSING MANAGEMENT</b>  |  |   |
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| <b>Best Management Practice</b>  | <b>Strengths</b>   | <b>Opportunities For Improvement</b>  |
| 44. If modeling is required for a complete permit application, a copy of the permit application is given to the agency's modeling section as soon as the permit application is received so that the modeler and permit engineer are working under similar cycle timelines. |  | <p>The new Production System should be designed / implemented to identify those applications which may require risk screening analyses, and route as necessary to the modeler for simultaneous review.</p> <p>The electronic permit application should allow multiple staff the ability to review an application at the same time.</p>  |
| 45. Each case manager has desktop PC access to GIS and to the automated permit information system.   | Staff has access to Data Bank / IRIS, as well as to the new Production System for permit information.  |   |
| 46. Permit staff have written procedures or procedures manual for permit application acceptance, processing, report writing, conditions, etc.  | The District has developed the Permit Handbook, providing general permitting guidelines, including determination of completeness and descriptions of permit requirements for sources of air pollution. | <p>The Permit Handbook (dated 2006) should be comprehensively updated (to also reflect the new and best practice business processes supported by the Production System).</p> <p>Additionally, the District should develop comprehensive "how to" procedures for key business processes (renewals, emissions data usage, etc.) in order to better standardize processes among staff.</p> |

| <b>PERMIT PROCESSING MANAGEMENT</b>   |   |  |
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| <b>Best Management Practice</b>   | <b>Strengths</b>  | <b>Opportunities For Improvement</b>   |
| 47. The agency uses a pre-permit application process to provide guidance to the applicant <u>for all large applications.</u> (i.e., Title V permit applications).   | The District provides opportunities for pre-application meetings. | The District should formalize the process of each engineer having pre-permit application meetings for large applications, and should include discussions regarding: <ul style="list-style-type: none"> <li>• Appropriate air quality permit application materials for the proposed construction or operating permit.</li> <li>• Appropriate emissions control measures.</li> <li>• Possible permit conditions of approval.</li> <li>• Answering questions staff may have regarding the source's emission calculations.</li> <li>• Anticipated timeline for permit application processing.</li> </ul> |
| 48. The permit applicant is required to submit electronic versions of their emissions calculations spreadsheet (if available) at the same time the permit application is submitted, to enable permit engineer review of the calculations. |   | The District should expand opportunities that allow electronic submission of data from facilities.   |
| 49. A standing inter-division joint review committee is utilized to review permit applications and determine conditions of approval.  |   | The District should implement regular meetings among the divisions to review template conditions and rule applicability. This will improve consistency and standardization among staff when dealing with the permit applicants.  |

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| <b>PERMIT PROCESSING MANAGEMENT</b>  |   |   |
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| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b>  |
| 50. Permit applicants, or their representatives, are invited to meet with the case manager and other necessary staff to discuss their application if it will be deemed incomplete at the deadline established in the corresponding regulation. The case manager informs the applicant face-to-face about basic problems, if any, with the application, preliminary findings, basic conditions that might be imposed, and timing for processing of the application. | The District utilizes “incomplete” letters to the applicant, and meets with the permit applicant at the respective applicant’s request. |   |
| 51. The agency has developed standard conditions of approval for the issuance of permits.  |   | The District does not have readily available a checklist of standards to determine whether a source can receive a permit.<br><br>The District should integrate standard and template conditions into the Production System. |
| 52. The standard conditions of approval utilized by all of the divisions in the review of permit applications are documented in an on-line library of conditions integrated into the automated permit information system.  |   | The District should integrate the conditions of approval within the Production System based on business rules and application types in order to expedite the review process.  |
| 53. The permit holder should be informed of the applicable rules and regulations of their permitted device(s).   |   | The new Production System should be designed / implemented to inform the permit holder of the applicable rules and regulations.   |

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| <b>PERMIT PROCESSING MANAGEMENT</b>  |   |   |
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| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b>  |
| 54. The agency has developed written policies on prioritization of permits; i.e., first-in, first-out, how to manage backlogs, and when and how to use consultants to supplement agency staff.   | The District assigns permit applications to staff based on availability, expertise, and workload.   | The District should develop policies and procedures regarding the prioritization and “triaging” of permit applications.   |
| 55. The permit operation has developed a formal written routing matrix that identifies what types of air permit applications will be routed to what divisions under what circumstances.  |   | To support the consistent routing of permit applications, the District should develop a routing matrix which identifies the divisions or units that will be required to review the permit application.  |
| 56. The District has streamlined the number of sections that are routed air permit applications. The number of hand-offs have been minimized by reducing the number of staff that are routed the permit for evaluation, typing, data entry, etc. | The District has implemented a tracking system for applications that are reviewed by different divisions.   | The District currently utilizes various functional units during permit application processing, including resources from the Toxics Evaluation Section, Permit Evaluation Section, Permit Systems Section, and Engineering Projects Sections.<br><br>With the implementation of the new Production System, the District will achieve greater efficiencies during the review process (e.g., less data entry, less manual review and routing, etc.). |
| 57. The agency uses a standard template to describe the specific information that is missing in the initial permit application submittal that prevents the permit application from being deemed complete.  | The District has published a “Completeness Determination Checklist,” which outlines the required items in order for the permit application to be deemed complete. |   |

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| <b>PERMIT PROCESSING MANAGEMENT</b>  |   |  |
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| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b>   |
| 58. The agency has facility permitting process for permitting the entire facility. The agency issues a single permit for an entire facility, generally with conditions and emissions limitations for specific pieces of equipment.   | The District utilizes a single federal operating permit for each major facility.  |  |
| 59. Staff is organized by industry type that they serve. Permit applications for complex facilities are handled within the industry group, therefore reducing problems with multiple contacts.   | District permitting staff has specialized groups for some industry types. A technical contact list is posted on the District web-site for the public to contact the Engineering Division for specific topics and source categories. |  |
| 60. The agency issues a decision to approve or deny a permit for an authority to construct specifications within 7 calendar days, medium sources within 30 calendar days, and large sources within 60 calendar days of the permit application being deemed complete  | The target for the District is 35 calendar days for most application types from the date of complete application determination, and 60 days for larger applications that trigger public comment.                                    | The new Production System should be designed / implemented that allows online application submission and receipt of the respective permit for the smaller, routine applications. |
| 61. The agency has implemented a training and certification program for the private sector personnel, in order to establish a pool of professionals who can certify businesses as being in compliance with agency rules and regulations. If these certified professionals conduct permit evaluations for some sources, staff only needs to check the work, rather than perform the evaluation. Inspections by certified professionals would need to be periodically checked. |   | The District should explore a program to utilize certified private sector personnel to certify businesses, especially in relation to the more complex projects.                  |

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| <b>PERMIT PROCESSING MANAGEMENT</b>   |  |  |
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| <b>Best Management Practice</b>   | <b>Strengths</b>   | <b>Opportunities For Improvement</b>   |
| <p>62. The agency has established a program to certify private environmental professionals to prepare permit applications. The agency provides expedited review of permit applications prepared by certified professionals. The agency also conducts an audit program to determine whether requirements for the preparation of applications have been followed, and will perform decertification of certified professionals under specified conditions.</p>   |  | <p>The District should explore a program of certified environmental professionals to prepare permit applications for businesses, and in turn the review process may be expedited by receiving complete applications initially.</p> |
| <p>63. The agency has established formal BACT guidelines that provide standard procedures for conducting determinations. Source categories have been predefined, and procedures of evaluation and cost effectiveness calculations are presented in a district guideline document. The procedures not only require consideration of controls deemed to be achieved in practice, but also the consideration of alternative basic equipment and alternative fuels. In addition, consideration must also be given to identify potentially feasible controls that are more stringent than controls currently achieved in practice.</p> | <p>The District has published comprehensive BACT / TBACT guidelines which are available on the website related to combustion sources, petroleum industry, organic liquid storage tanks, coating sources, solvent cleaning sources, electronic / semiconductor industry, waste processing industry, soil / water remediation sources, toxic sources, etc.</p> |  |

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| <b>PERMIT PROCESSING MANAGEMENT</b>   |   |   |
|---|---|---|
| <b>Best Management Practice</b>   | <b>Strengths</b>  | <b>Opportunities For Improvement</b>  |
| 64. The agency has streamlined toxics screening by developing a method to screen projects that do not pose unacceptable risks and do not need a comprehensive health risk assessment.   | The District has defined various emissions triggers that result in the need for toxics screening.           |   |
| 65. If applicable, the California Environmental Quality Act (CEQA) review for permit applications is conducted / coordinated by the case manager within the permit operation, the same case manager responsible for the engineering analysis of the permit application.   | The assigned engineer is responsible for conducting / facilitating the CEQA review for permit applications. |   |
| 66. The agency has identified permit-related decisions for certain types of facilities to be ministerial, and therefore exempt from CEQA. This includes projects that: 1) have no significant environmental impacts for all environmental media; 2) comply with local, State, and federal air quality rules, regulations, and laws; and 3) are not unique so permit operation and other agency staff can evaluate them through the agency's manual of procedures. | The District has defined criteria for CEQA exemption.   | The District should evaluate and expand additional permit types that could be deemed ministerial, and should continue to focus resources on activities that are adding value. |
| 67. The agency requires a CEQA applicability checklist form as part of the permit application package. Every applicant is required to complete and submit this form regardless of equipment type.   | The District utilizes a CEQA checklist.   |   |

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| <b>PERMIT PROCESSING MANAGEMENT</b>   |  |   |
|---|--|---|
| <b>Best Management Practice</b>   | <b>Strengths</b>   | <b>Opportunities For Improvement</b>  |
| 68. CEQA air quality guidelines are current and include thresholds of significance.   | The District's CEQA Guidelines include recommended air quality significant thresholds.                       |   |
| 69. The agency provides an online fee calculator to determine and calculate the permit applicants' permit fees.   |  | The District should provide an online tool for permit applicants to determine the applicable fees. This will improve the standardization and consistency of fee calculations and reduce errors.<br><br>The new Production System should be designed / implemented to calculate preliminary fees at time of submittal. |
| 70. The agency has consolidated permit processing for Title V and non-Title V permits.  | The District has consolidated some of the staff and review process for both Title V and non-Title V permits. | All permits are regardless of their complexity have the same level of review. The District should evaluate the appropriate level of review for all permit types. For large permits (e.g. Title V), review assignments should be established so that staff can focus on specific parts of the permit.                  |
| 71. The agency's permit staff evaluate applications for BACT, offset, toxics, source test and public notification issues immediately to get the applicant working on long lead time problems up front rather than thirty days or more into the process. |  | The new Production System should be designed / implemented with various features (or capabilities) to identify the applicable triggers for review (based on the application type or source category).   |
| 72. The agency has established consolidated facility permits. These permits replace the previous practice of issuing an individual permit for each "emissions unit."  | The District utilizes a single permit for the facilities that have multiple pieces of stationary sources.    | The new Production System should be designed and / or implemented to include all Authorities to Construct, Permits to Operate and registered equipment in a single document.  |

| <b>PERMIT PROCESSING MANAGEMENT</b>                                |   |   |
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| <b>Best Management Practice</b>                                    | <b>Strengths</b>  | <b>Opportunities For Improvement</b>  |
| 73. The accounts receivable functions are appropriately organized. | Fees for a permit application are calculated by the assigned permit engineer. Annual update/permit renewal fees are generated automatically by Data Bank. | <p>Permit engineers are currently required to collect permit application and renewal fees that have not been submitted on time.</p> <p>Permit engineers should be responsible for determining the amount of fees due for a permit application, however, fee collection should be the responsibility of accounts receivable staff.</p> |

**(4) Minor Permit Processing**

| <b>MINOR PERMIT PROCESSING</b>  |                  |   |
|---|------------------|---|
| <b>Best Management Practice</b>   | <b>Strengths</b> | <b>Opportunities For Improvement</b>  |
| 74. The agency has triaged its permitting system and process so that it focuses more regulatory permitting and compliance / enforcement staff hours on those facilities with higher tons of emissions per year. |                  | <p>There is limited performance management data to track the staff time allocated to various types / sizes of facilities (i.e., by amount of emissions).</p> <p>The District should implement protocols to allow for time-tracking of workload by staff related to major initiatives (e.g., permit processing, application review, etc.), as well as to the relative amount of emissions.</p> |

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| <b>MINOR PERMIT PROCESSING</b>   |   |   |
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| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b>  |
| 75. The agency has developed “permit exemptions” that allows low emitting sources to be exempt from the air permit process if they meet defined criteria / performance standards. The exemption allows the facilities to operate and construct as long as compliance with the defined criteria / performance standards is achieved. The exempt facilities are subject to compliance / enforcement inspection to assure compliance with the defined criteria / performance standards. | The District has developed various policies for equipment exemption (e.g., Powder and Radiation Cured Coating Operations, etc.).  | The district should review and update the permit exemptions in regulation 2, rule 1. Over the years the permit exemption levels do not reflect the guiding principles. Smaller emitting sources have had to obtain permits. |
| 76. The agency has identified source categories that are exempt from agency permitting requirements based upon low emissions, and the CAPCOA NSR Task Force recommendations, and published this list of source categories on their web site.   | The District allows for applicants to register certain types of equipment (which meet specific criteria) and operate without a Permit to Operate. The types of equipment exempt from the permit process includes agricultural diesel engines, portable equipment, char broilers, etc. | The district should review and update rules, regulations and policies regarding exempt, registered and permitted devices.   |
| 77. The agency does not require air modeling for issuance of minor source permits.   | The District does not require air modeling for issuance of minor source permits.  |   |
| 78. The agency has a pre-certification program that is used when the equipment meets all permitting requirements.  | The District has the Accelerated Permit Program   |   |

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| <b>MINOR PERMIT PROCESSING</b>   |  |   |
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| <b>Best Management Practice</b>  | <b>Strengths</b>   | <b>Opportunities For Improvement</b>  |
| 79. The agency has established an Equipment Certification program that allows equipment manufacturers to have their equipment certified voluntarily by the district to assure compliance with agency rules and regulations.  | Per District Regulation 2-1-415, the District allows for the opportunity for permit applicants to pre-certify sources. |   |
| 80. Once the Equipment Certification evaluation is completed and if the results are satisfactory, the agency transfers the equipment information to the permit information system and a "certified equipment permit" is issued for that make and model of equipment.                   |  | The District should integrate the list of per-certified and / or exempt types of equipment with the permit information management system. |
| 81. The agency offers expedited permitting for commonly used equipment.  | The District provides for a limited exemption Accelerated Permitting Program under its Regulation 2-1-106.             |   |
| 82. The agency has consolidated the authority to construct and operate into a single permit process of certain small sources.  | The District allows for online registration of certain types of equipment.   |   |
| 83. The agency participates in the State-wide registration of portable equipment. Businesses are able to register portable internal combustion engines with the California Air Resources Board and operate them in any California air district without having to obtain local permits. | The District participates in the state-wide program.   |   |

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| <b>MINOR PERMIT PROCESSING</b>   |  |   |
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| <b>Best Management Practice</b>  | <b>Strengths</b>   | <b>Opportunities For Improvement</b>  |
| 84. The agency does not require annual renewal of permits for low emission industries. The permits must, instead, be renewed every five years. The agency still performs annual inspections and, if necessary, modifies the permit, and fees are still charged annually. | The District requires permits to be renewed annually, with back-up generator permits on a 2-year cycle (if no other equipment types are at that facility). For low emissions facilities and equipment, the District should utilize 5-year permit renewal cycles to limit staff time. | For low emissions facilities and equipment, the District should implement multi-year permits for additional categories. This process should be phased-in to allow for any adjustments as necessary. |

**(5) Tools and Resources Available to Applicants**

| <b>TOOLS AND RESOURCES AVAILABLE TO APPLICANTS</b>   |   |   |
|--|---|---|
| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b>                                  |
| 85. The agency's website includes information on how to apply for an air permit, and include targeted information for specific industry sectors.   | The District has an extensive amount of information on its website, including general information on organization and operations, as well as tools to assist applicants on the permitting process (e.g., forms, rules and regulations, permit handbook and guidelines, etc.). | The District should review and update all documentation periodically. |
| 86. The agency has developed permit application guides for specific source categories which document all forms and information that must be submitted with a permit application and posts this information online. | The District has published its Permit Handbook online, and includes such items as checklists for application completion.  | The District should review and update all documentation periodically. |
| 87. The agency has developed template spreadsheets for emissions calculations and made the templates available online.   | The District has emission calculation spreadsheets built into the Permit Handbook for many sources categories.  |   |

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| <b>TOOLS AND RESOURCES AVAILABLE TO APPLICANTS</b>   |  |   |
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| <b>Best Management Practice</b>  | <b>Strengths</b>   | <b>Opportunities For Improvement</b>  |
| 88. The agency publishes the names of staff members online, including phone numbers and email addresses.   | The District has the names, contact information, section within the organization, for all its employees available online.                  |   |
| 89. The agency has clearly identified online the most common types of permit processing issues.  | The District posts Frequently Asked Questions to guide applicants through the process and minimize the possibility of errors or emissions. |   |
| 90. The agency has provided a clear description online of the most common reasons for it to deem permits incomplete after submittal.                     |  | The District should post examples on its website of reasons why applicants are deemed incomplete. |
| 91. The agency has developed computer-based tutorials regarding how to complete permit applications.   |  | The District should implement computer-based tutorials for how to complete applications.          |
| 92. The agency actively performs outreach to the regulated community on the air permitting process through targeted newsletters or electronic bulletins. | District operating divisions perform outreach to the regulated community, as well as to the public on a regular basis.                     |   |
| 93. The agency actively performs outreach to the regulated community for any air quality rule changes.   | The District publishes memos and other communications regarding changes in rules and regulations.  |   |
| 94. The agency has established a small business assistance program for small business stationary sources.  | The District has established various small business programs and initiatives, including for compliance assistance.                         |   |

**(6) Air Quality Rules and Regulations**

| <b>AIR QUALITY RULES AND REGULATIONS</b>  |   |   |
|---|---|---|
| <b>Best Management Practice</b>   | <b>Strengths</b>  | <b>Opportunities For Improvement</b>  |
| 95. Up-to-date air quality rules and regulations are available that are easy for staff to interpret and understand that includes an index to make sections of the ordinance easy to locate. | The District has published its Rules and Regulations on its website, showing both the adopted and amended dates.  | The Rules and Regulations should be comprehensively integrated and indexed to allow for easier navigation (i.e., PDF).  |
| 96. The air quality rules and regulations regulate from the "general" to the "specific".  | The regulations begin with the provisions and definitions that related to all District regulations, followed by regulations governing authorities to construct and permits to operate, then by how fees are established.  |   |
| 97. Regulations applying to all regulated industries are in one place in the air quality rules and regulations.   | Regulation 1: General Provisions and Definitions are included within one section, which apply to all District regulations.  |   |
| 98. Administrative provisions in the air quality rules and regulations are grouped in one section.  | Regulation 1: General Provisions and Definitions are included within one section, which apply to all District regulations. Additionally, the respective sections have a "General" introduction and "Definitions" section. |   |
| 99. Terms, definitions and measurements are clearly articulated and grouped/illustrated in one location.  |   | All of the terms, definitions, and measurements are not located and illustrated in one section, but throughout the rules and regulations as appropriate.<br><br>The District should standardize definitions among the different rules (e.g. VOC is different among the different Regulation 8 rules). |

| <b>AIR QUALITY RULES AND REGULATIONS</b>  |   |   |
|---|---|---|
| <b>Best Management Practice</b>   | <b>Strengths</b>  | <b>Opportunities For Improvement</b>  |
| 100. The air quality regulations are prescriptive (specifying what is expected), rather than proscriptive (specifying what is prohibited), as much as possible.   | Although there is language which specifies applicant expectations, there is also language which identifies what the applicant “cannot” do.  |   |
| 101. Tables and lists are effectively used (are preferred over text), and appear on the same or a following page as the accompanying text.  |   | The District should place the rules and regulations in tabular (or matrix) format for ease of organization or navigation. |
| 102. The air quality regulations provide purpose statements for each section as needed.   | After clicking on the PDF section of the regulation / rule, there is a “General” and “Definition” section.  |   |
| 103. The air quality regulations chapter and section titles are descriptive.  | The District provides a general explanation of each regulation / rule as on-line text.  |   |
| 104. The air quality regulations provide references in a consistent manner (e.g., italics) to: <ul style="list-style-type: none"> <li>• Any defined word in the air quality regulations;</li> <li>• Other related provisions in the air quality regulations;</li> <li>• Relevant adopted policies or interpretations outside the air quality regulations; and</li> <li>• Provides references to dates of revisions within each chapter or section, as appropriate.</li> </ul> | The Rules and Regulations language does not include any specialized or unique font when making references to particular sections. Additionally, the District should utilize hyperlinks to any reference documents or rules. |   |
| 105. All of the air quality regulations sections, titles and paragraphs are numbered or lettered.   | Each regulation and rule includes a bold number reference and bold title.   |   |

| <b>AIR QUALITY RULES AND REGULATIONS</b>   |                  |   |
|--|------------------|---|
| <b>Best Management Practice</b>  | <b>Strengths</b> | <b>Opportunities For Improvement</b>  |
| 106. The format of the air quality regulations permits the addition of new Articles within Sections in a logical manner. |                  | The District should revisit the numbering sequence to eliminate any gaps, and to facilitate the ease of adding regulations or amending existing regulations.  |
| 107. There is a clearly identified method to memorialize and subsequently codify air quality Interpretations.            |                  | The rules and regulations should include a section which has codified the interpretations made and approved by the Board, that is easy to understand and identify.  |
| 108. Air quality interpretations are fully integrated into the air quality regulations not less than once a year.        |                  | Based on amended dates, many of the rules and regulations have not been updated for many years. The District should implement the policy to integrate interpretations of the air quality regulations every 12 months. |

**(7) Compliance and Enforcement**

| <b>COMPLIANCE AND ENFORCEMENT</b>  |                  |  |
|--|------------------|--|
| <b>Best Management Practice</b>  | <b>Strengths</b> | <b>Opportunities For Improvement</b>   |
| 109. The permit information system enables users to enter the results of compliance and enforcement inspections including the name of the inspector, the data of inspection, the results of the inspection, inspection notes, etc. |                  | Data Bank / IRIS are not fully integrated with the inspections information management system.<br><br>The new Production System should be designed and / or implemented for full integration with the inspector management system (which also provides inspectors insights regarding permit history, conditions of approval, etc.). |

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
**Cost Recovery and Containment Study**

| <b>COMPLIANCE AND ENFORCEMENT</b>   |                  |   |
|---|------------------|---|
| <b>Best Management Practice</b>   | <b>Strengths</b> | <b>Opportunities For Improvement</b>  |
| <p>110. The new information system will include an integrated wireless product; users can access the system via a wireless interface. Users can enter data into a PDA/Tablet or laptop while in the field and upload data to the automated enforcement information system wirelessly.</p>   |                  | <p>The new Production System should be designed and / or implemented with online capabilities for field inspectors. This will decrease the amount of manual data entry and enhance efficiency.</p>  |
| <p>111. The information system has robust GIS integration – the system allows for display of all data via a GIS data browser. The system will have bi-directional capabilities that will allow the user to manage data on the GIS which in turn updates the enforcement system without duplicate data entry. GPS enabled PDA/Tablet will provide automated data entry and locations of permitted equipment.</p>                                 |                  | <p>The Production System should be designed and /or implemented to support automated GPS capabilities. Highly accurate facility and/or equipment locations will allow improved health risk modeling. Current notebook computers with wireless cards do not have GPS capability.</p> |
| <p>112. The information system contains the ability to QA/QC of data input for the permit application. This includes the capacity to minimize staff inputting inaccurate information into various activity fields, through such tools as data input “masks”, or templates that force the user to adhere to a prescribed character format or pull-down list. Field collection of throughput data based on results of compliance inspections.</p> |                  | <p>The new Production System should be designed and / or implemented with automated features that minimize data input errors (i.e., utilizing smart forms,).</p>  |

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
**Cost Recovery and Containment Study**

| <b>COMPLIANCE AND ENFORCEMENT</b>  |   |                                      |
|--|---|--------------------------------------|
| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b> |
| <p>113. Incentive programs help industry reduce emissions. Field staff conducting grant required inspections prior to funding approval provides efficiencies versus office staff traveling to field locations for inspections.</p> | <p>The Air District implements a variety of incentive programs that help fleet operators offset the cost of purchasing low-emission vehicles, re-powering old polluting heavy duty diesel engines with cleaner, lower-emission engines, and installing emission control devices that reduce particulates and NOx. These incentives are available for a wide variety of on-road and off-road equipment. In addition, one program focuses specifically on school buses. The District also operates a vehicle buy-back program to provide financial incentives to remove the oldest, most polluting light-duty vehicles from our roadways.</p> |                                      |
| <p>114. Compliance assistance programs include a full range of educational and technical assistance programs which provide a basis for self-inspection programs and help companies ensure compliance.</p>                          | <p>The District's compliance assistance activities include a full range of educational and technical assistance programs such as a Compliance Hotline, Courtesy Facility Reviews, a Speakers Bureau, Industry Compliance Schools, and the publication of Policy and Procedure Guidelines which provide a basis for self-inspection programs. The Division works with individual companies, industry groups, trade associations, small business assistance programs, and green business programs to promote self-compliance with air regulations.</p>  |                                      |

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
**Cost Recovery and Containment Study**

| <b>COMPLIANCE AND ENFORCEMENT</b>   |   |  |
|---|---|--|
| <b>Best Management Practice</b>   | <b>Strengths</b>  | <b>Opportunities For Improvement</b>   |
| 115. The agency routinely conducts inspections and audits to ensure compliance with applicable federal, state and agency regulations. | The Inspection Program routinely conducts inspections and audits to ensure compliance with applicable federal, state and District regulations. Source categories include refineries, chemical plants, semiconductor manufacturing facilities, dry cleaners, ink and coating operations, gasoline dispensing facilities, as well as asbestos demolition and renovation. The District also regulates any other activities which result in the emission of an air contaminant which interfere with attainment and maintenance of health-based air quality standards, or which may cause a public nuisance. |  |
| 116. Interagency coordination allows for multi-media inspection and actions to best utilize facility and agency resources.            | The District participates in interagency environmental task force programs to coordinate District compliance activities with other County/State governmental agencies.  |  |
| 117. Major air pollution/accidental releases are high priority for response.  | The Air District responds to major air pollution incidents on a high priority within minutes of notification, provide technical assistance and support to first response agencies during and after incidents. Incident reports are posted on the web for public/media agencies information within 24 hours.   | The District should make an independent assessment of the emissions impact of the event. |

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
**Cost Recovery and Containment Study**

| <b>COMPLIANCE AND ENFORCEMENT</b>  |   |                                      |
|--|---|--------------------------------------|
| <b>Best Management Practice</b>  | <b>Strengths</b>  | <b>Opportunities For Improvement</b> |
| 118. Air pollution complaints from the public are received 24/7 and investigated promptly.   | The District receives over 6,000 air pollution complaints every year from members of the public. Members of the public are keenly aware of air pollution events in their communities and often act as the first observers of air quality problems to the Air District. Satisfactory resolution of complaints is one of the most important and challenging objectives of Air District staff. Air pollution complaints are received 24/7 and investigated promptly. |                                      |
| 119. Refinery inspection programs have specially-trained group of refinery inspectors that conduct compliance inspections, investigate air pollution violations check air pollution monitoring equipment and respond to air pollution incidents. | Refinery inspection programs have designated refinery inspectors.   |                                      |
| 120. Public exposure to toxic asbestos fibers is minimized by regulating asbestos demolition and renovations companies and construction/grading of naturally occurring asbestos.   | The District's asbestos regulation addresses companies performing demolition/renovations in single family houses and construction grading using Best Available Control Technology for toxic air contaminants. The District has a dedicated inspection staff to administer and enforce the rule.   |                                      |

**APPENDIX A: SUMMARY OF EXTERNAL  
STAKEHOLDER COMMENTS**

**SUMMARY OF EXTERNAL STAKEHOLDER COMMENTS**

As part of the Cost Recovery and Containment Study, the Matrix Consulting Group conducted focus groups / interviews with external stakeholders on December 13, 2010 and December 14, 2010, including members from the California Council for Environmental and Economic Balance and the Western States Petroleum Association. The purpose of the meetings was to obtain insights regarding the quality of interactions with the Bay Area Air Quality Management District, relating to personnel, operations and processes, and technology.

The following table highlights the key themes and paraphrased comments regarding strengths, challenges, and / or opportunities for improvement regarding their respective interactions and experiences.

| <b>Category</b>   | <b>Key Issues</b>  | <b>Key Opportunities for Improvement</b>   |
|---|--|--|
| <p><b>People</b><br/> Feedback regarding overall quality of interaction with District personnel</p> | <ul style="list-style-type: none"> <li>• Personnel sometimes go “overboard” with their analyses, and spend a lot of time on issues which may have little emissions impact.</li> <li>• There is a lack of consistency among engineers, and they each have different approaches and interpretations on standards and permit conditions.</li> <li>• There is a lack of consistency among inspectors.</li> <li>• Personnel have gone away from judgment, and seem go above and beyond the stated regulations.</li> </ul> | <ul style="list-style-type: none"> <li>• Personnel should be more consistent with analytical approaches, interpretations, etc.</li> <li>• Personnel should not be spending a lot of time on small issues.</li> <li>• The inspectors need to have a better understanding of the scope of what they need to be collecting (they seem to be asking for much more information than necessary)</li> </ul> |

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**  
**Cost Recovery and Containment Study**

| Category  | Key Issues  | Key Opportunities for Improvement   |
|---|---|---|
| <p><b>Process</b></p> <p>Feedback regarding overall operations and business processes</p>     | <ul style="list-style-type: none"> <li>• The timeliness for smaller permit applications is good, however, for the larger ones there are “mixed results”</li> <li>• It does not appear that communication / integration occurs between Inspections and Engineering, the “internal departments don’t talk”</li> <li>• It is not clear how the District calculates emissions – there is a lack of connection between data being sent in and the invoice being received.</li> <li>• The District seems to have the same level of scrutiny whether they are large emitters or small emitters.</li> <li>• It appears that we have to permit every project twice (new sources review permit and Title V permit), so we have 2 permit applications and 2 permit fees we are paying.</li> <li>• Old information and files seem to get lost, and will have to re-submit the same information.</li> <li>• There seems to be a tendency to place a lot of permit conditions that are duplicative of regulations.</li> </ul> | <ul style="list-style-type: none"> <li>• The District should obtain external stakeholder input and feedback during the rule making and development process.</li> <li>• They need to enhance their internal efficiencies, including improving their ability to triage and streamlining workflow.</li> <li>• There needs to be more internal consistency and more standardization.</li> <li>• The data and reports needed by the District should be consolidated, as we currently send in different types of data in various different days.</li> <li>• The District needs to minimize the amount of hard-copies handled.</li> <li>• There should not be additional monitoring or extra reporting requirements that are not providing value.</li> </ul> |
| <p><b>Technology</b></p> <p>Feedback regarding information technology tools and resources</p> | <ul style="list-style-type: none"> <li>• It is difficult to find information on the website</li> <li>• There does not seem to be a lot of automation with the current system.</li> </ul>  | <ul style="list-style-type: none"> <li>• The District should communicate to the external stakeholders of any changes of information on its website (e.g., for documents, etc.).</li> <li>• The District needs the capacity and ability to receive electronic data transfers and reports from the facilities.</li> <li>• A big advantage would be the ability to file permit applications online so it is not processed or tracked manually.</li> <li>• There should be a way of modeling emissions that does not follow the standard approach.</li> </ul>   |

## **APPENDIX B: SCHEDULE A AND E**

**Bay Area Air Quality Management District**

**Allocated Costs by Department**

Central Service Departments

|   | <u>122 Hearing Board</u> | <u>303 Intermittent Control Programs</u> | <u>305 Spare the Air (CMAQ)</u> | <u>401 Enforcement</u> | <u>402 Compliance Assistance &amp; Operations</u> | <u>403 Compliance Assurance</u> | <u>501 Permit Evaluation</u> | <u>502 Permit Renewals</u> |
|---|--------------------------|--|---------------------------------|------------------------|---|---------------------------------|------------------------------|----------------------------|
| 104 Executive Office                                | \$2,883                  | \$8,218                                  | \$7,425                         | \$209,554              | \$150,299   | \$314,584                       | \$201,337                    | \$25,591                   |
| 121 Board of Directors                              | \$367                    | \$1,039                                  | \$940                           | \$26,505               | \$19,011  | \$39,790                        | \$25,466                     | \$3,237                    |
| 123 Advisory Council                                | \$93                     | \$272                                    | \$246                           | \$6,932                | \$4,972   | \$10,407                        | \$6,660                      | \$846                      |
| 201 Legal counsel                                   |                          |  |                                 |                        |   |                                 |                              | \$1,099,981                |
| 202 Hearing Board Proceedings                       |                          |  |                                 |                        |   |                                 |                              | \$410,996                  |
| 203 Penalties Enforcement & Settlement              | \$343                    | \$968                                    | \$874                           | \$24,663               | \$17,689  | \$37,024                        | \$23,696                     | \$767,447                  |
| 205 Litigation                                      | \$384                    | \$1,105                                  | \$998                           | \$28,182               | \$20,213  | \$42,307                        | \$27,077                     | \$126,265                  |
| 301 Public Information                              | \$1,037                  | \$28,697                                 | \$2,683                         | \$75,717               | \$54,307  | \$113,666                       | \$72,747                     | \$16,648                   |
| 302 Community Outreach                              | \$881                    | \$24,355                                 | \$2,266                         | \$63,972               | \$45,883  | \$96,034                        | \$61,463                     | \$14,097                   |
| 106 Payroll   | \$355                    | \$1,010                                  | \$914                           | \$25,776               | \$18,488  | \$38,696                        | \$24,766                     | \$3,148                    |
| 107 Benefit Administration                          | \$2,287                  | \$6,526                                  | \$5,896                         | \$166,400              | \$119,348   | \$249,800                       | \$159,874                    | \$20,321                   |
| 109 Organizational Development                      |                          |  |                                 |                        | \$160,017   |                                 |                              |                            |
| 111 Employment Relations                            | \$760                    | \$2,169                                  | \$1,960                         | \$55,311               | \$39,671  | \$83,033                        | \$53,142                     | \$6,754                    |
| 114 Recruitment & Testing                           |                          |  |                                 | \$15,045               | \$75,228  |                                 |                              |                            |
| 701 Accounting                                      | \$2,602                  | \$7,399                                  | \$6,685                         | \$188,674              | \$135,324   | \$283,240                       | \$181,276                    | \$23,041                   |
| 702 Strategic Facilities                            | \$4,980                  | \$13,865                                 | \$6,656                         | \$80,855               | \$52,506  | \$105,650                       | \$163,261                    | \$28,943                   |
| 703 Communications                                  | \$860                    | \$2,450                                  | \$2,213                         | \$62,471               | \$44,807  | \$93,782                        | \$60,022                     | \$7,629                    |
| 708 Purchasing                                      | \$4,294                  | \$4,865                                  | \$7,727                         | \$35,485               | \$30,048  | \$16,312                        | \$3,147                      |                            |
| 710 Vehicle Maintenance                             |                          |  |                                 | \$238,868              | \$150,398   | \$309,644                       |                              |                            |
| 801 Technical Library                               | \$113                    | \$317                                    | \$287                           | \$8,094                | \$5,805   | \$12,150                        | \$7,777                      | \$988                      |
| 712 Information Management Records & Content        | \$13,242                 |  |                                 | \$74,158               | \$74,158  | \$77,690                        | \$87,400                     | \$88,283                   |
| 725 Information Systems Software Development        | \$59,138                 |  |                                 | \$331,173              | \$331,173   | \$346,943                       | \$390,311                    | \$394,253                  |
| 726 Information Technology Engineering & Operations | \$3,751                  | \$10,703                                 | \$9,671                         | \$272,925              | \$195,750   | \$409,716                       | \$262,222                    | \$33,329                   |
| Subtotal  | <u>\$98,370</u>          | <u>\$113,958</u>                         | <u>\$57,441</u>                 | <u>\$1,990,760</u>     | <u>\$1,745,095</u>                                | <u>\$2,680,468</u>              | <u>\$1,811,644</u>           | <u>\$3,071,797</u>         |
| Proposed Costs                                      | \$98,370                 | \$113,958                                | \$57,441                        | \$1,990,760            | \$1,745,095                                       | \$2,680,468                     | \$1,811,644                  | \$3,071,797                |

Bay Area Air Quality Management District

Allocated Costs by Department

| Central Service Departments                         | <u>503 Air Toxics</u> | <u>504 Permit Operations</u> | <u>506 Title V</u> | <u>507 Engineering Special Projects</u> | <u>601 Source Inventories</u> | <u>602 Air Quality Plans</u> | <u>603 Air Quality Modeling Support</u> | <u>604 Air Quality Modeling &amp; Research</u> |
|---|-----------------------|------------------------------|--------------------|---|-------------------------------|------------------------------|---|--|
| 104 Executive Office                                | \$66,968              | \$66,607                     | \$48,009           | \$60,480                                | \$37,053                      | \$32,872                     | \$20,112                                | \$39,647                                       |
| 121 Board of Directors                              | \$8,470               | \$8,425                      | \$6,073            | \$7,650                                 | \$4,686                       | \$4,157                      | \$2,544                                 | \$5,015  |
| 123 Advisory Council                                | \$2,215               | \$2,204                      | \$1,588            | \$2,000                                 | \$1,226                       | \$1,087                      | \$665                                   | \$1,312  |
| 201 Legal counsel                                   | \$37,800              | \$267,210                    | \$234,647          |   |                               |                              |   |  |
| 202 Hearing Board Proceedings                       |                       |                              |                    |   |                               |                              |   |  |
| 203 Penalties Enforcement & Settlement              | \$12,723              | \$40,527                     | \$229,977          | \$7,118                                 | \$4,360                       | \$3,869                      | \$2,367                                 | \$4,666  |
| 205 Litigation                                      | \$9,948               | \$15,316                     | \$15,529           | \$8,134                                 | \$4,983                       | \$4,421                      | \$2,705                                 | \$5,332  |
| 301 Public Information                              | \$24,560              | \$25,813                     | \$19,009           | \$21,853                                | \$13,388                      | \$12,086                     | \$7,267                                 | \$14,326                                       |
| 302 Community Outreach                              | \$20,751              | \$21,817                     | \$16,068           | \$18,463                                | \$11,311                      | \$10,212                     | \$6,140                                 | \$12,103                                       |
| 106 Payroll   | \$8,238               | \$8,193                      | \$5,906            | \$7,439                                 | \$4,558                       | \$4,043                      | \$2,474                                 | \$4,877  |
| 107 Benefit Administration                          | \$53,177              | \$52,891                     | \$38,123           | \$48,025                                | \$29,422                      | \$26,102                     | \$15,970                                | \$31,483                                       |
| 109 Organizational Development                      |                       | \$80,009                     |                    | \$40,004                                | \$40,004                      |                              |   |  |
| 111 Employment Relations                            | \$17,676              | \$17,581                     | \$12,672           | \$15,963                                | \$9,780                       | \$8,677                      | \$5,308                                 | \$10,464                                       |
| 114 Recruitment & Testing                           | \$30,091              |                              |                    |   |                               | \$30,091                     |   |  |
| 701 Accounting                                      | \$60,295              | \$59,971                     | \$43,226           | \$54,454                                | \$33,360                      | \$29,596                     | \$18,108                                | \$35,697                                       |
| 702 Strategic Facilities                            | \$58,822              | \$53,931                     | \$46,807           | \$36,642                                | \$25,179                      | \$17,459                     | \$18,013                                | \$21,372                                       |
| 703 Communications                                  | \$19,964              | \$19,857                     | \$14,312           | \$18,030                                | \$11,046                      | \$9,799                      | \$5,996                                 | \$11,819                                       |
| 708 Purchasing                                      | \$7,440               | \$6,010                      | \$7,727            | \$2,861                                 | \$1,145                       | \$286                        | \$5,438                                 | \$5,724  |
| 710 Vehicle Maintenance                             |                       |                              |                    |   |                               |                              | \$8,847                                 |  |
| 801 Technical Library                               | \$2,586               | \$2,573                      | \$1,855            | \$2,336                                 | \$1,431                       | \$1,270                      | \$777                                   | \$1,531  |
| 712 Information Management Records & Content        | \$88,283              | \$88,283                     | \$88,283           | \$88,283                                | \$27,368                      |                              | \$13,242                                | \$16,773                                       |
| 725 Information Systems Software Development        | \$394,253             | \$394,253                    | \$394,253          | \$394,253                               | \$122,218                     |                              | \$59,138                                | \$74,908                                       |
| 726 Information Technology Engineering & Operations | \$87,219              | \$86,750                     | \$62,528           | \$78,769                                | \$48,257                      | \$42,812                     | \$26,194                                | \$51,637                                       |
| Subtotal  | <u>\$1,011,479</u>    | <u>\$1,318,221</u>           | <u>\$1,286,592</u> | <u>\$912,757</u>                        | <u>\$430,775</u>              | <u>\$238,839</u>             | <u>\$221,305</u>                        | <u>\$348,686</u>                               |
| Proposed Costs                                      | \$1,011,479           | \$1,318,221                  | \$1,286,592        | \$912,757                               | \$430,775                     | \$238,839                    | \$221,305                               | \$348,686                                      |

Bay Area Air Quality Management District

Allocated Costs by Department

| Central Service Departments                         | <u>605 Mobile Source Measures</u> | <u>608 Climate Protection</u> | <u>609 Community Air Risk Evaluation (CARE)</u> | <u>611 Rule Development</u> | <u>802 Ambient Air Monitoring</u> | <u>803 Laboratory</u> | <u>804 Source Test</u> | <u>805 Meteorology</u> |
|---|-----------------------------------|-------------------------------|---|-----------------------------|-----------------------------------|-----------------------|------------------------|------------------------|
| 104 Executive Office                                | \$26,167                          | \$27,969                      | \$22,707  | \$40,873                    | \$117,573                         | \$41,882              | \$94,577               | \$46,279               |
| 121 Board of Directors                              | \$3,310                           | \$3,537                       | \$2,873   | \$5,170                     | \$14,871                          | \$5,297               | \$11,963               | \$5,854                |
| 123 Advisory Council                                | \$866                             | \$926                         | \$751   | \$1,353                     | \$3,889                           | \$1,385               | \$3,129                | \$1,531                |
| 201 Legal counsel                                   |                                   |                               |   |                             |                                   |                       |                        |                        |
| 202 Hearing Board Proceedings                       |                                   |                               |   |                             |                                   |                       |                        |                        |
| 203 Penalties Enforcement & Settlement              | \$3,079                           | \$3,292                       | \$2,673   | \$4,811                     | \$13,837                          | \$4,930               | \$11,131               | \$5,447                |
| 205 Litigation                                      | \$3,519                           | \$3,762                       | \$3,053   | \$5,497                     | \$15,812                          | \$5,632               | \$12,719               | \$6,224                |
| 301 Public Information                              | \$9,455                           | \$10,106                      | \$8,204   | \$14,768                    | \$42,482                          | \$15,133              | \$34,173               | \$16,722               |
| 302 Community Outreach                              | \$7,988                           | \$8,538                       | \$6,932   | \$12,478                    | \$35,892                          | \$12,786              | \$28,872               | \$14,128               |
| 106 Payroll   | \$3,219                           | \$3,440                       | \$2,793   | \$5,027                     | \$14,463                          | \$5,152               | \$11,634               | \$5,693                |
| 107 Benefit Administration                          | \$20,779                          | \$22,209                      | \$18,031  | \$32,456                    | \$93,361                          | \$33,257              | \$75,101               | \$36,749               |
| 109 Organizational Development                      |                                   | \$40,004                      |   |                             |                                   |                       | \$40,004               |                        |
| 111 Employment Relations                            | \$6,906                           | \$7,382                       | \$5,993   | \$10,788                    | \$31,033                          | \$11,055              | \$24,963               | \$12,216               |
| 114 Recruitment & Testing                           |                                   |                               |   |                             | \$15,045                          | \$15,045              |                        |                        |
| 701 Accounting                                      | \$23,560                          | \$25,182                      | \$20,445  | \$36,801                    | \$105,858                         | \$37,709              | \$85,153               | \$41,668               |
| 702 Strategic Facilities                            | \$22,393                          | \$24,733                      | \$22,542  | \$42,533                    | \$79,493                          | \$28,943              | \$56,441               | \$22,053               |
| 703 Communications                                  | \$7,800                           | \$8,338                       | \$6,770   | \$12,185                    | \$35,050                          | \$12,486              | \$28,195               | \$13,797               |
| 708 Purchasing                                      | \$4,293                           | \$4,006                       | \$11,160  | \$4,006                     | \$205,182                         | \$61,812              | \$167,409              | \$30,620               |
| 710 Vehicle Maintenance                             |                                   |                               |   |                             | \$141,551                         |                       | \$132,705              | \$88,470               |
| 801 Technical Library                               | \$1,011                           | \$1,081                       | \$877   | \$1,578                     | \$4,541                           | \$1,618               | \$3,653                | \$1,787                |
| 712 Information Management Records & Content        | \$3,531                           | \$31,782                      | \$26,485  | \$67,096                    | \$5,297                           | \$39,728              | \$83,869               | \$24,720               |
| 725 Information Systems Software Development        | \$15,771                          | \$141,931                     | \$118,276                                       | \$299,633                   | \$23,655                          | \$177,414             | \$374,541              | \$110,391              |
| 726 Information Technology Engineering & Operations | \$34,080                          | \$36,427                      | \$29,574  | \$53,233                    | \$153,127                         | \$54,548              | \$123,178              | \$60,275               |
| Subtotal  | <u>\$197,727</u>                  | <u>\$404,645</u>              | <u>\$310,139</u>                                | <u>\$650,286</u>            | <u>\$1,152,012</u>                | <u>\$565,812</u>      | <u>\$1,403,410</u>     | <u>\$544,624</u>       |
| Proposed Costs                                      | \$197,727                         | \$404,645                     | \$310,139                                       | \$650,286                   | \$1,152,012                       | \$565,812             | \$1,403,410            | \$544,624              |

Bay Area Air Quality Management District

Allocated Costs by Department

Central Service Departments

|   | <u>807 Air<br/>Monitoring<br/>Instrument<br/>Performance<br/>Evaluation</u> | <u>809 BioWatch<br/>Monitoring</u> | <u>307 Carl Moyer<br/>Program<br/>Administration</u> | <u>310 Mobile<br/>Source Incentive<br/>Fund Admin.</u> | <u>312 Vehicle<br/>Buy-Back<br/>Program</u> | <u>311 Carbon<br/>Offset Fund</u> | <u>313 Grant<br/>Program<br/>Development</u> | <u>322 California<br/>Goods Movement<br/>Bond-School Bus<br/>Admin.</u> |
|---|---|------------------------------------|--|--|---|-----------------------------------|--|---|
| 104 Executive Office                                | \$31,285  | \$648                              | \$28,186   | \$35,250   | \$1,226                                     | \$2,090                           |  |   |
| 121 Board of Directors                              | \$3,957   | \$82                               | \$3,565  | \$4,458  | \$155                                       | \$264                             |  |   |
| 123 Advisory Council                                | \$1,035   | \$21                               | \$932  | \$1,166  | \$41  | \$69                              |  |   |
| 201 Legal counsel                                   |   |                                    | \$761  |  |   |                                   |  |   |
| 202 Hearing Board Proceedings                       |   |                                    |  |  |   |                                   |  |   |
| 203 Penalties Enforcement & Settlement              | \$3,682   | \$76                               | \$3,317  | \$4,149  | \$144                                       | \$246                             |  |   |
| 205 Litigation                                      | \$4,207   | \$87                               | \$3,791  | \$4,741  | \$165                                       | \$281                             |  |   |
| 301 Public Information                              | \$11,304  | \$234                              | \$10,185   | \$12,736   | \$443                                       | \$756                             |  |   |
| 302 Community Outreach                              | \$9,550   | \$198                              | \$8,604  | \$10,761   | \$374                                       | \$638                             |  |   |
| 106 Payroll   | \$3,849   | \$80                               | \$3,467  | \$4,336  | \$151                                       | \$257                             |  |   |
| 107 Benefit Administration                          | \$24,843  | \$515                              | \$22,381   | \$27,991   | \$973                                       | \$1,660                           |  |   |
| 109 Organizational Development                      |   |                                    | \$40,007   |  |   |                                   |  |   |
| 111 Employment Relations                            | \$8,258   | \$171                              | \$7,440  | \$9,304  | \$324                                       | \$552                             |  |   |
| 114 Recruitment & Testing                           | \$30,091  |                                    | \$15,050   |  |   |                                   |  |   |
| 701 Accounting                                      | \$28,168  | \$584                              | \$25,377   | \$31,738   | \$1,103                                     | \$1,882                           |  |   |
| 702 Strategic Facilities                            | \$20,820  | \$1,361                            | \$6,912  | \$3,934  | \$1,085                                     | \$595                             | \$2,233                                      | \$1,424   |
| 703 Communications                                  | \$9,327   | \$193                              | \$8,403  | \$10,508   | \$366                                       | \$624                             |  |   |
| 708 Purchasing                                      | \$31,193  | \$286                              | \$22,321   | \$9,443  | \$3,720                                     |                                   |  | \$572   |
| 710 Vehicle Maintenance                             |   |                                    |  |  |   |                                   | \$8,847                                      |   |
| 801 Technical Library                               | \$1,208   | \$25                               | \$1,089  | \$1,361  | \$48  | \$81                              |  |   |
| 712 Information Management Records & Content        | \$2,650   |                                    |  |  |   |                                   |  |   |
| 725 Information Systems Software Development        | \$11,828  |                                    |  |  |   |                                   |  |   |
| 726 Information Technology Engineering & Operations | \$40,747  | \$845                              | \$36,710   | \$45,910   | \$1,596                                     | \$2,723                           |  |   |
| Subtotal  | <u>\$278,002</u>  | <u>\$5,406</u>                     | <u>\$248,498</u>                                     | <u>\$217,786</u>                                       | <u>\$11,914</u>                             | <u>\$12,718</u>                   | <u>\$11,080</u>                              | <u>\$1,996</u>  |
| Proposed Costs                                      | \$278,002   | \$5,406                            | \$248,498  | \$217,786  | \$11,914                                    | \$12,718                          | \$11,080                                     | \$1,996   |

Bay Area Air Quality Management District

Allocated Costs by Department

| Central Service Departments                         | <u>323 California<br/>Goods Movement<br/>Bond-Grants<br/>Admin.</u> | <u>304 Smoking<br/>Vehicle Program</u> | <u>306 Intermittent<br/>Control Programs</u> | <u>308<br/>Transportation<br/>Fund for Clean<br/>Air Admin.</u> | <u>Subtotal</u>     | <u>Direct Billed</u> | <u>Unallocated</u> | <u>Total</u>        |
|---|---|--|--|---|---------------------|----------------------|--------------------|---------------------|
| 104 Executive Office                                | \$60,696  | \$27,249                               | \$37,917                                     | \$41,666  | \$1,975,879         |                      |                    | \$1,975,879         |
| 121 Board of Directors                              | \$7,677   | \$3,447                                | \$4,796                                      | \$5,270   | \$249,921           |                      |                    | \$249,921           |
| 123 Advisory Council                                | \$2,008   | \$901                                  | \$1,255                                      | \$1,379   | \$65,362            |                      |                    | \$65,362            |
| 201 Legal counsel                                   |   |  |  |   | \$1,640,399         |                      | \$16,569           | \$1,656,968         |
| 202 Hearing Board Proceedings                       |   |  |  |   | \$410,996           |                      |                    | \$410,996           |
| 203 Penalties Enforcement & Settlement              | \$7,143   | \$3,207                                | \$4,462                                      | \$4,904   | \$1,258,841         |                      |                    | \$1,258,841         |
| 205 Litigation                                      | \$8,163   | \$3,665                                | \$5,100                                      | \$5,604   | \$404,921           |                      | \$9,600            | \$414,521           |
| 301 Public Information                              | \$21,931  | \$36,303                               | \$108,385                                    | \$15,055  | \$872,179           |                      |                    | \$872,179           |
| 302 Community Outreach                              | \$18,529  | \$30,784                               | \$91,971                                     | \$12,719  | \$737,558           |                      |                    | \$737,558           |
| 106 Payroll   | \$7,466   | \$3,352                                | \$4,665                                      | \$5,125   | \$243,050           |                      |                    | \$243,050           |
| 107 Benefit Administration                          | \$48,197  | \$21,637                               | \$30,109                                     | \$33,085  | \$1,568,979         |                      |                    | \$1,568,979         |
| 109 Organizational Development                      | \$40,004  |  |  | \$40,004  | \$520,057           |                      |                    | \$520,057           |
| 111 Employment Relations                            | \$16,020  | \$7,192                                | \$10,008                                     | \$10,997  | \$521,523           |                      |                    | \$521,523           |
| 114 Recruitment & Testing                           |   |  |  | \$30,091  | \$255,777           |                      |                    | \$255,777           |
| 701 Accounting                                      | \$54,649  | \$24,533                               | \$34,139                                     | \$37,514  | \$1,779,011         |                      |                    | \$1,779,011         |
| 702 Strategic Facilities                            | \$2,828   | \$6,167                                | \$8,336                                      | \$11,314  | \$1,101,081         |                      |                    | \$1,101,081         |
| 703 Communications                                  | \$18,094  | \$8,123                                | \$11,304                                     | \$12,421  | \$589,041           |                      |                    | \$589,041           |
| 708 Purchasing                                      | \$343,402   | \$858                                  | \$572  | \$19,459  | \$1,058,823         |                      |                    | \$1,058,823         |
| 710 Vehicle Maintenance                             |   |  |  |   | \$1,079,330         |                      |                    | \$1,079,330         |
| 801 Technical Library                               | \$2,344   | \$1,052                                | \$1,465                                      | \$1,609   | \$76,318            |                      |                    | \$76,318            |
| 712 Information Management Records & Content        |   |  |  |   | \$1,110,604         |                      |                    | \$1,110,604         |
| 725 Information Systems Software Development        |   |  |  |   | \$4,959,707         |                      |                    | \$4,959,707         |
| 726 Information Technology Engineering & Operations | \$79,052  | \$35,489                               | \$49,384                                     | \$54,266  | \$2,573,397         |                      |                    | \$2,573,397         |
| Subtotal  | <u>\$738,203</u>  | <u>\$213,959</u>                       | <u>\$403,868</u>                             | <u>\$342,482</u>  | <u>\$25,052,754</u> |                      | <u>\$26,169</u>    | <u>\$25,078,923</u> |
| Proposed Costs                                      | \$738,203   | \$213,959                              | \$403,868                                    | \$342,482   | \$25,052,754        |                      | \$26,169           | \$25,078,923        |

Summary of allocation basis

| <u>Department</u>                            | <u>Basis of allocation</u>   |
|--|--|
| 104 - 104 Executive Office                   |  |
| 1.003 District Wide Support                  | Number of Staff per Program / Section                              |
| 121 - 121 Board of Directors                 |  |
| 2.003 District Wide Support                  | Number of Staff per Program / Section                              |
| 123 - 123 Advisory Council                   |  |
| 3.003 District Wide Support                  | Number of Staff per Program / Section                              |
| 201 - 201 Legal counsel                      |  |
| 4.003 Permitted Sources                      | FY 10 Permitted Sources Revenue per Program                        |
| 4.004 Direct Support                         | Percentage of Time Spent in Support of Programs / Sections         |
| 202 - 202 Hearing Board Proceedings          |  |
| 5.003 Direct Support                         | Direct Allocation to Permit Renewals                               |
| 203 - 203 Penalties Enforcement & Settlement |  |
| 6.003 District Wide Support                  | Number of Staff per Program  |
| 6.004 Permitted Sources                      | FY 10 Permitted Sources Revenue per Program                        |
| 6.005 Direct Support                         | Percentage of Time Spent in Support of Permit Renewals and Title V |
| 205 - 205 Litigation                         |  |
| 7.003 District Wide Support                  | Number of Staff per Program / Section                              |
| 7.004 Permitted Sources                      | FY 10 Permitted Sources Revenue per Program                        |
| 7.005 Direct Support                         | Percentage of Time Spent in Support of Permit Renewals and Title V |
| 301 - 301 Public Information                 |  |
| 8.003 District Wide Support                  | Number of Staff per Program / Section                              |
| 8.004 Permitted Sources                      | FY 10 Permitted Sources Revenue per Program                        |
| 8.005 Direct Support                         | Percentage of Time Spent in Support of Programs / Sections         |
| 302 - 302 Community Outreach                 |  |
| 9.003 District Wide Support                  | Number of Staff per Program / Section                              |
| 9.004 Permitted Sources                      | FY 10 Permitted Sources Revenue per Program                        |
| 9.005 Direct Support                         | Percentage of Time Spent in Support of Programs / Sections         |
| 106 - 106 Payroll                            |  |
| 10.003 District Wide Support                 | Number of Staff per Program / Section                              |
| 107 - 107 Benefit Administration             |  |
| 11.003 District Wide Support                 | Number of Staff per Program / Section                              |

Summary of allocation basis

| <u>Department</u>   | <u>Basis of allocation</u>                         |
|---|--|
| 109 - 109 Organizational Development                      |  |
| 12.003 District Wide Support                              | Number of Classes Provided per Program / Section   |
| 111 - 111 Employment Relations                            |  |
| 13.003 District Wide Support                              | Number of Staff per Program / Section              |
| 114 - 114 Recruitment & Testing                           |  |
| 14.003 District Wide Support                              | Number of Recruitments per Program / Section       |
| 701 - 701 Accounting                                      |  |
| 15.003 District Wide Support                              | Number of Staff per Program / Section              |
| 702 - 702 Strategic Facilities                            |  |
| 16.003 Maintenance  | Square Footage by Program / Section                |
| 703 - 703 Communications                                  |  |
| 17.003 District Wide Support                              | Number of Staff per Program / Section              |
| 708 - 708 Purchasing                                      |  |
| 18.003 District Wide Support                              | Number of Purchase Orders per Department / Program |
| 710 - 710 Vehicle Maintenance                             |  |
| 19.003 District Wide Support                              | Number of Vehicles per Program / Section           |
| 801 - 801 Technical Library                               |  |
| 20.003 District Wide Support                              | Number of Staff per Program / Program              |
| 712 - 712 Information Management Records & Content        |  |
| 21.003 District Wide Support                              | Percent Labor in Fee Schedules                     |
| 725 - 725 Information Systems Software Development        |  |
| 22.003 District Wide Support                              | Percent Labor in Fee Schedules                     |
| 726 - 726 Information Technology Engineering & Operations |  |
| 23.003 District Wide Support                              | Number of Staff per Program / Section              |

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

## Memorandum

To: Chairperson Groom and Members  
of the Budget and Finance Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: March 15, 2011

Re: Summary of Draft Fee Amendments for Fiscal Year Ending 2012

RECOMMENDED ACTION

Receive and file.

BACKGROUND

Staff develops amendments to the District's fee regulation as a part of the budget preparation process. Over the five year period Fiscal Year Ending 2006 – 2010, fees were increased by an average of 9 percent. These fee increases were adopted to meet budgetary needs so that the District could continue to effectively implement and enforce its regulatory programs, and to gradually move toward more complete recovery of the costs of these program activities. For the current FYE 2011, the District scaled back its cost recovery efforts, in recognition of the impacts of the economic downturn on fee-payers, and adopted an overall fee increase of 5.5 percent.

In September 2010, the District contracted with Matrix Consulting Group to complete an updated Cost Recovery and Containment Study. This study has recently been completed and indicates that fee revenue remains well below the point of full cost recovery. A copy of this study has been provided to committee members, and it will be discussed at the upcoming committee meeting scheduled for March 23, 2011.

DISCUSSION

Review of fee revenue received in the current fiscal year to date indicates that actual fee revenue is tracking below budgeted projections by approximately 4 percent which, if extrapolated to the end of the fiscal year, would represent a shortfall of \$1.2 million. This decrease in fee revenue is caused primarily by a greater than expected reduction in permit applications submitted, particularly for projects involving large capital outlays, and a reduction in reported business activity and emissions levels, upon which some fees are based. Until the signs of an economic recovery become more certain, staff believes that it is prudent to assume that business activity will continue at current levels through the next fiscal year.

Staff has prepared draft fee amendments that would increase overall fee revenue by approximately 5 percent, or \$1.54 million, from current budgeted levels. Based on the current shortfall between budgeted and actual fee revenue (and the assumption that

business activity will remain at current levels through the next fiscal year) fee rates will need to be increased by an average of 10 percent to reach this revenue target. With these fee increases, and with rigorous cost containment measures included in the budget for the next fiscal year, modest use of reserve accounts is still expected to be needed.

Staff has developed the draft fee amendments based on the results of the recently completed Cost Recovery and Containment Study. Existing fee schedules would be amended as follows:

- (1) no change for fee schedules that are recovering greater than 89% of costs,
- (2) a 2% cost of living increase in registration fees (all of which have been established in recent years based on considerations of cost recovery),
- (3) a 10% increase in
  - (a) fee schedules that are recovering 70 – 89% of costs, and
  - (b) other administrative fees such as permit application filing fees,
- (4) a 12% increase in fee schedules that are recovering 50 – 69% of costs, and
- (5) a 14% increase in fee schedules that are recovering less than 50% of costs.

An additional new fee is proposed for registered diesel engines that elect to comply under an Alternative Compliance Plan (ACP). An ACP provision is being developed into a new District rule covering agricultural diesel engines. The proposed one-time fee for engines covered under an ACP would be \$129.

Staff will provide the committee with additional details regarding the draft fee amendments at the committee meeting on March 23, 2011. A summary of public comments received to date, including those made at a public workshop held on March 14, 2011, will also be provided.

#### BUDGET CONSIDERATION/FINANCIAL IMPACT

The draft fee amendments are expected to increase fee revenue in FYE 2012 by approximately 5 percent from FYE 2011 budgeted levels, or \$1.54 million. This revenue has been included in the draft FYE 2012 budget. Even with these fee increases, the District will likely need to make modest use of its reserve funds in FYE 2012.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Brian Bateman  
Revised by: Jeffrey McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT  
Memorandum

To: Chairperson Groom and Members  
of the Budget and Finance Committee

From: Jack P. Broadbent  
Executive Officer/APCO

Date: March 15, 2011

Re: Discussion of Proposed Budget for Fiscal Year 2011/2012

RECOMMENDED ACTION:

The Executive Officer/APCO requests that the Budget and Finance Committee review the proposed Budget for Fiscal Year 2011/2012, and make any recommendations for further discussions to be held during the April 27, 2011 Budget and Finance Committee meeting. This will allow staff the necessary time to make the changes for the second review by the Committee and the first public hearing date set for May 4, 2011.

BACKGROUND

At the March 16, 2011 regular Board of Directors meeting, the Fiscal Year 2011/2012 Proposed Budget document was referred to the Budget and Finance Committee for review at the Committee's March 23, 2011 meeting.

DISCUSSION

Staff will present the proposed budget for Fiscal Year 2011/2012. The proposed budget is balanced, with the General Fund Revenues, Transfers-In from the Designated Reserves for PERS and the Reserve for Economic Uncertainties, along with TFCA Revenues, Indirect Cost Recovery, and Mobile Source Incentive Revenues totaling \$72.4 million. Proposed consolidated expenditures are \$72.4 million, excluding grant program distributions. Proposed capital requests are \$2.1 million. The proposed budget does not include an FTE increase.

Staff will publish, prior to March 30, 2011, a notice to the general public that the first of two public hearings on the budget will be conducted on May 4, 2011 and that the second hearing will be conducted on June 15, 2011. Staff requests that the Budget and Finance Committee complete its review and take action on the proposed budget at the April 27, 2011 Budget and Finance Committee meeting. This will allow staff the necessary time required to amend, if necessary, the budget for the first public hearing to be held on May 4, 2011.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

The proposed consolidated budget for FY 2011/2012 is \$72,360,101 and is a balanced budget with the inclusion of \$895,000 from the Reserve for Economic Uncertainties.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: David Glasser, Finance Manager  
Reviewed by: Jack M. Colbourn, Director Administrative Services