BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
REGULAR MEETING

FEBRUARY 1, 2017

A meeting of the Bay Area Air Quality Management District Board of Directors will be held at 9:45 a.m. in the 1st Floor Board Room at the Air District Headquarters, 375 Beale Street, San Francisco, California 94105.

Questions About an Agenda Item

The name, telephone number and e-mail of the appropriate staff Person to contact for additional information or to resolve concerns is listed for each agenda item.

Meeting Procedures

The public meeting of the Air District Board of Directors begins at 9:45 a.m. The Board of Directors generally will consider items in the order listed on the agenda. However, any item may be considered in any order.

After action on any agenda item not requiring a public hearing, the Board may reconsider or amend the item at any time during the meeting.

This meeting will be webcast. To see the webcast, please visit http://www.baaqmd.gov/about-the-air-district/board-of-directors/resolutionsagendasminutes at the time of the meeting.

Public Comment Procedures

Persons wishing to make public comment must fill out a Public Comment Card indicating their name and the number of the agenda item on which they wish to speak, or that they intend to address the Board on matters not on the Agenda for the meeting.

Public Comment on Non-Agenda Matters, Pursuant to Government Code Section 54954.3 For the first round of public comment on non-agenda matters at the beginning of the agenda, ten persons selected by a drawing by the Clerk of the Boards from among the Public Comment Cards indicating they wish to speak on matters not on the agenda for the meeting will have three minutes each to address the Board on matters not on the agenda. For this first round of public comments on non-agenda matters, all Public Comment Cards must be submitted in person to the Clerk of the Boards at the location of the meeting and prior to commencement of the meeting. The remainder of the speakers wishing to address the Board on non-agenda matters will be heard at the end of the agenda, and each will be allowed three minutes to address the Board at that time.

Members of the Board may engage only in very brief dialogue regarding non-agenda matters, and may refer issues raised to District staff for handling. In addition, the Chairperson may refer issues raised to appropriate Board Committees to be placed on a future agenda for discussion.

Public Comment on Agenda Items After the initial public comment on non-agenda matters, the public may comment on each item on the agenda as the item is taken up. Public Comment Cards for items on the agenda must be submitted in person to the Clerk of the Boards at the location of the meeting and prior to the Board taking up the particular item. Where an item was moved from the Consent Calendar to an Action item, no speaker who has already spoken on that item will be entitled to speak to that item again.

Up to ten (10) speakers may speak for three minutes on each item on the Agenda. If there are more than ten persons interested in speaking on an item on the agenda, the Chairperson or other Board Member presiding at the meeting may limit the public comment for all speakers to fewer than three minutes per speaker, or make other rules to ensure that all speakers have an equal opportunity to be heard. Speakers are permitted to yield their time to one other speaker; however no one speaker shall have more than six minutes. The Chairperson or other Board Member presiding at the meeting may, with the consent of persons representing both sides of an issue, allocate a block of time (not to exceed six minutes) to each side to present their issue.

BOARD OF DIRECTORS REGULAR MEETING AGENDA

WEDNESDAY
FEBRUARY 1, 2017
9:45 A.M.

BOARD ROOM
1ST FLOOR

<u>CALL TO ORDER</u> **Chairperson, Liz Kniss**

1. **Opening Comments**
   Roll Call
   Pledge of Allegiance

   The Chair shall call the meeting to order and make opening comments. The Clerk of the Boards shall take roll of the Board members. The Chair shall lead the Pledge of Allegiance.

<u>PUBLIC COMMENT ON NON-AGENDA MATTERS</u>

2. **Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3**

   For the first round of public comment on non-agenda matters at the beginning of the agenda, ten persons selected by a drawing by the Clerk of the Boards from among the Public Comment Cards indicating they wish to speak on matters not on the agenda for the meeting will have three minutes each to address the Board on matters not on the agenda. For this first round of public comments on non-agenda matters, all Public Comment Cards must be submitted in person to the Clerk of the Board at the location of the meeting and prior to commencement of the meeting.

<u>CONSENT CALENDAR</u> (ITEMS 3 – 5) **Staff/Phone (415) 749-**

3. Minutes of the Special Board of Directors Meeting/Retreat of January 18, 2017
   Clerk of the Boards/5073

   The Board of Directors will consider approving the draft minutes of the Special Board of Directors Meeting/Retreat of January 18, 2017.

4. Board Communications Received from January 18, 2017 through January 31, 2017
   J. Broadbent/5052
   jbroadbent@baaqmd.gov

   A copy of communications directed to the Board of Directors received by the Air District from January 18, 2017 through January 31, 2017, if any, will be at each Board Member's place.

5. Extension of Contracts for Website Development and Maintenance **J. Broadbent/5052**
jbroadbent@baaqmd.gov

The Board of Directors will consider authorizing the Executive Officer/APCO to execute a contract amendment with Avant Page, Claytablet, ExactTarget, Rackspace, Sitecore, & Malinda Lai in an amount not to exceed $153,964 for backend website content management system integration, customization and infrastructure support.

COMMITTEE REPORTS

6. Report of the **Budget and Finance Committee** Meeting of January 25, 2017
CHAIR: C. Groom **J. Broadbent/5052**
jbroadbent@baaqmd.gov

The Committee received the following reports:

A) Air District Financial Audit Report – Fiscal Year Ending 2016

1) *None; receive and file.*

B) Second Quarter Financial Report – Fiscal Year Ending 2017

1) *None; receive and file.*

C) Overview of Current Fiscal Year Ending 2017

1) *None; receive and file.*

7. Report of the **Mobile Source Committee** Meeting of January 26, 2017
CHAIR: K. Mitchoff **J. Broadbent/5052**
jbroadbent@baaqmd.gov

The Committee received the following reports:

A) Projects and Contracts with Proposed Grant Awards over $100,000

1) *Approve Carl Moyer Program (CMP) projects with proposed grant awards over $100,000 as shown in Attachment 1; and*

2) *Authorize the Executive Officer/APCO to enter into agreements with applicants for the recommended projects.*

B) Overview of Transit and Shuttle Trends in the Bay Area

1) *None; receive and file.*

C) Update on Efforts to Further Reduce Emissions at the Port of Oakland

1) *None; receive and file.*

8. Report of the **Stationary Source Committee** Meeting of January 30, 2017

CHAIR: J. Gioia **J. Broadbent/5052**

jbroadbent@baaqmd.gov

The Committee will receive the following report:

A) Rule Development Updates

1) None; receive and file.

9. Report of the **Ad Hoc Building Committee** Meeting of February 1, 2017

CHAIR: L. Kniss **J. Broadbent/5052**

jbroadbent@baaqmd.gov

The Committee will receive the following report:

A) 375 Beale Street Acquisition: Transfer of Funds

1) Recommend that the Board of Directors authorize the transfer of $9 M from General Fund reserves to complete the purchase of the Air District's portion of 375 Beale Street.

PUBLIC COMMENT ON NON-AGENDA MATTERS

10. **Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3**

Speakers who did not have the opportunity to address the Board in the first round of comments on non-agenda matters will be allowed three minutes each to address the Board on non-agenda matters.

BOARD MEMBERS' COMMENTS

11. *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)*

OTHER BUSINESS

12. Report of the Executive Officer/APCO

13. Chairperson's Report

14. Time and Place of Next Meeting:

    Wednesday, February 15, 2017, at 375 Beale Street, San Francisco, CA 94109 at 9:45 a.m.

15. Adjournment

    The Board meeting shall be adjourned by the Board Chair.

CONTACT:

MANAGER, EXECUTIVE OPERATIONS **(415) 749-5016**
375 BEALE STREET, SAN FRANCISCO, CA 94105 **FAX: (415) 928-8560**
mmartinez@baaqmd.gov **BAAQMD homepage:**
www.baaqmd.gov

- To submit written comments on an agenda item in advance of the meeting. Please note that all correspondence must be addressed to the "Members of the Board of Directors" and received at least 24 hours prior, excluding weekends and holidays, in order to be presented at that Board meeting. Any correspondence received after that time will be presented to the Board at the following meeting.

- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.

- 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 375 Beale Street, Suite 600, San Francisco, CA 94105, at the time such writing is made available to all, or a majority of all, members of that body.

Accessibility and Non-Discrimination Policy

The Bay Area Air Quality Management District (Air District) does not discriminate on the basis of race, national origin, ethnic group identification, ancestry, religion, age, sex, sexual orientation, gender identity, gender expression, color, genetic information, medical condition, or mental or physical disability, or any other attribute or belief protected by law.

It is the Air District's policy to provide fair and equal access to the benefits of a program or activity administered by Air District. The Air District will not tolerate discrimination against any person(s) seeking to participate in, or receive the benefits of, any program or activity offered or conducted by the Air District. Members of the public who believe they or others were unlawfully denied full and equal access to an Air District program or activity may file a discrimination complaint under this policy. This non-discrimination policy also applies to other people or entities affiliated with Air District, including contractors or grantees that the Air District utilizes to provide benefits and services to members of the public.

Auxiliary aids and services including, for example, qualified interpreters and/or listening devices, to individuals who are deaf or hard of hearing, and to other individuals as necessary to ensure effective communication or an equal opportunity to participate fully in the benefits, activities, programs and services will be provided by the Air District in a timely manner and in such a way as to protect the privacy and independence of the individual. Please contact the Non-Discrimination Coordinator identified below at least three days in advance of a meeting so that arrangements can be made accordingly.

If you believe discrimination has occurred with respect to an Air District program or activity, you may contact the Non-Discrimination Coordinator identified below or visit our website at www.baaqmd.gov/accessibility to learn how and where to file a complaint of discrimination.

Questions regarding this Policy should be directed to the Air District's Non-Discrimination Coordinator, Rex Sanders, at (415) 749-4951 or by email at rsanders@baaqmd.gov.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
375 BEALE STREET, SAN FRANCISCO, CALIFORNIA 94105
FOR QUESTIONS PLEASE CALL (415) 749-5016 or (415) 749-4941

EXECUTIVE OFFICE:
MONTHLY CALENDAR OF AIR DISTRICT MEETINGS

JANUARY 2017

TYPE OF MEETING	DAY	DATE	TIME	ROOM
Board of Directors Stationary Source Committee *(Meets on the 3rd Monday of each Month)* -	**Monday**	**30**	**9:30 a.m.**	**1st Floor Board Room**

FEBRUARY 2017

TYPE OF MEETING	DAY	DATE	TIME	ROOM
Board of Directors Ad Hoc Building Oversight Committee Meeting *(At the Call of the Chair)*	**Wednesday**	**1**	**9:30 a.m.**	**1st Floor Board Room**
Board of Directors Regular Meeting *(Meets on the 1st & 3rd Wednesday of each Month)*	**Wednesday**	**1**	**9:45 a.m.**	**1st Floor Board Room**
Advisory Council Meeting *(At the Call of the Chair)*	**Monday**	**6**	**10:00 a.m.**	**1st Floor Board Room**
Board of Directors Regular Meeting *(Meets on the 1st & 3rd Wednesday of each Month)*	**Wednesday**	**15**	**9:45 a.m.**	**1st Floor Board Room**
Board of Directors Executive Committee *(Meets on the 3rd Monday of each Month)* **- CANCELLED**	**Monday**	**20**	**9:30 a.m.**	**1st Floor Board Room**
Board of Directors Stationary Source Committee *(Meets on the 3rd Monday of each Month)* **- CANCELLED**	**Monday**	**20**	**10:30 a.m.**	**1st Floor Board Room**
Board of Directors Budget & Finance Committee *(Meets on the 4th Wednesday of each Month)*	**Wednesday**	**22**	**9:30 a.m.**	**1st Floor, Yerba Buena Room #109**
Board of Directors Mobile Source Committee *(Meets on the 4th Thursday of each Month)*	**Thursday**	**23**	**9:30 a.m.**	**1st Floor Board Room**

MARCH 2017

TYPE OF MEETING	DAY	DATE	TIME	ROOM
Board of Directors Regular Meeting *(Meets on the 1st & 3rd Wednesday of each Month)*	**Wednesday**	**1**	**9:45 a.m.**	**1st Floor Board Room**
Board of Directors Regular Meeting *(Meets on the 1st & 3rd Wednesday of each Month)*	**Wednesday**	**15**	**9:45 a.m.**	**1st Floor Board Room**
Board of Directors Climate Protection Committee *(Meets on the 3rd Thursday of every other Month)*	**Thursday**	**16**	**9:30 a.m.**	**1st Floor Board Room**
Board of Directors Executive Committee *(Meets on the 3rd Monday of each Month)*	**Monday**	**20**	**9:30 a.m.**	**1st Floor Board Room**
Board of Directors Stationary Source Committee *(Meets on the 3rd Monday of each Month)*	**Monday**	**20**	**10:30 a.m.**	**1st Floor Board Room**
Board of Directors Budget & Finance Committee *(Meets on the 4th Wednesday of each Month)*	**Wednesday**	**22**	**9:30 a.m.**	**1st Floor, Yerba Buena Room #109**
Board of Directors Mobile Source Committee *(Meets on the 4th Thursday of each Month)*	**Thursday**	**23**	**9:30 a.m.**	**1st Floor Board Room**

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Liz Kniss and Members of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 18, 2017

Re: Minutes of the Board of Directors Special Meeting / Retreat of January 18, 2017

RECOMMENDED ACTION

Approve the attached draft minutes of the Board of Directors Special Meeting / Retreat of January 18, 2017.

DISCUSSION

Attached for your review and approval are the draft minutes of the Board of Directors Special Meeting / Retreat of January 18, 2017.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Maricela Martinez

Attachment 3A: Draft Minutes of the Board of Directors Special Meeting / Retreat of January 18, 2017.

Bay Area Air Quality Management District
Computer History Museum, Hahn Auditorium
1401 N. Shoreline Boulevard, Mountain View, CA 94043
(415) 749-5073

Board of Directors Special Meeting / Retreat
Wednesday, January 18, 2017

DRAFT MINUTES

Note: Audio recordings of the meeting are available on the website of the Bay Area Air Quality Management District at http://www.baaqmd.gov/about-the-air-district/board-of-directors/resolutionsagendasminutes

CALL TO ORDER:

1. **Opening Comments:** Chairperson Liz Kniss welcomed everyone to the Computer History Museum and called the meeting to order 10:00 a.m.

Roll Call:

Present: Chairperson Liz Kniss; Secretary Katie Rice; and Directors Teresa Barrett, David J. Canepa, Cindy Chavez, John Gioia, Carole Groom, Scott Haggerty, Tyrone Jue, Rebecca Kaplan, Doug Kim, Nate Miley, Karen Mitchoff, Jan Pepper, Mark Ross, Rod Sinks, and Jim Spering.

Absent: Vice Chair Dave Hudson; and Directors John Avalos, Pauline Russo Cutter, Eric Mar, Pete Sanchez, Brad Wagenknecht, and Shirlee Zane.

2. PUBLIC COMMENT ON NON-AGENDA MATTERS

Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3

Public comments were made by the following speakers:

Tom Lewis, East County NAACP; Fa Yu, Milpitas resident; Gary Latshaw, Cupertino resident; Janet Stromberg, 350 Bay Area; Janet Pygeorge, Rodeo Citizens Association; Nancy Reiser, Crockett-Rodeo United to Defend the Environment; Aihua Zhu, Milpitas resident; Betty Shih, Milpitas resident; Paula Wallis, Bay Area for Clean Environment; Jed Holtzman, 350 Bay Area; Andres Soto, Communities for a Better Environment (CBE); Roger Lin, CBE; Dr. Heather Kuiper; Laura Gracia, CBE; Ganesh Rama, Milpitas resident; and Robyn Chenm Milpitas resident.

NOTED PRESENT: Director Jue was noted present at 10:06 a.m.; Director Rice was noted present at 10:11 a.m.; and Director Ross was noted present at 10:14 a.m.

COMMENDATIONS / PROCLAMATIONS / AWARDS

3. **Recognition of Outgoing Board Member, Warren Slocum**

The Board of Directors recognized outgoing Board Member, Warren Slocum, who was replaced by new San Mateo County Supervisor, David Canepa.

CONSENT CALENDAR (ITEMS 4-8)

4. **Minutes of the Regular Board of Directors Meeting of December 7, 2016**
5. **Board Communications Received from December 7, 2016 through January 17, 2017**
6. **Air District Personnel on Out-of-State Business Travel**
7. **Notices of Violation Issued and Settlements in Excess of $10,000 in the month of December 2016**
8. **Consider Amending Job Descriptions for the Engineer, Inspector, and Administrative Analyst Classification Series**

Public Comments:

No requests received.

Board Comments:

None.

Board Action:

Director Chavez made a motion, seconded by Secretary Rice, to **approve** the Consent Calendar Items 4 through 8, inclusive; and the motion **carried** by the following vote of the Board:

AYES:	Barrett, Canepa, Chavez, Gioia, Groom, Haggerty, Jue, Kaplan, Kim, Kniss, Miley, Mitchoff, Pepper, Rice, Ross, Sinks, and Spering.
NOES:	None.
ABSTAIN:	None.
ABSENT:	Avalos, Cutter, Hudson, Mar, Sanchez, Wagenknecht, and Zane.

COMMITTEE REPORTS

9. **Report of the Legislative Committee Meeting of December 12, 2016**

Legislative Committee Vice Chair Mitchoff read the following Committee report:

The Legislative Committee met on Monday, December 12, 2016, and approved the minutes of March 30, 2015, October 26, 2015, March 21, 2016, and June 27, 2016. The Committee then discussed the review of the 2016 Legislative year. Finally, the Committee discussed the potential 2017 Legislative agenda. The consensus of the members' present was to recommend that the Board of Directors authorize staff to:

1. *Pursue and support legislation seeking to reform CalEnviroScreen as means of distribution of state revenues; and*
2. *Support legislative efforts relative to reformulating penalties for air quality violations.*

The next meeting of the Committee is at the Call of the Chair. This concludes the Chair's report of the Legislative Committee.

Public Comments:

No requests received.

Board Comments:

None.

Board Action:

Director Mitchoff made a motion, seconded by Director Kaplan, to **approve** the recommendations of the Legislative Committee; and the motion **carried** by the following vote of the Board:

AYES:	Barrett, Canepa, Chavez, Gioia, Groom, Haggerty, Jue, Kaplan, Kim, Kniss, Miley, Mitchoff, Pepper, Rice, Ross, Sinks, and Spering.
NOES:	None.
ABSTAIN:	None.
ABSENT:	Avalos, Cutter, Hudson, Mar, Sanchez, Wagenknecht, and Zane.

10. **Report of the Mobile Source Committee Meeting of December 15, 2016**

Mobile Source Committee Chair Haggerty read the following Committee report:

The Committee met on Thursday, December 15, 2016 and approved the minutes of October 27, 2016. The Committee reviewed and discussed the staff presentation; Projects and Contracts with Proposed Grant Awards Over $100,000. The Committee recommends the Board approve:

1. *Carl Moyer Program projects with proposed grant awards over $100,000 as shown in Attachment 1; and*
2. *Authorization of the Executive Officer/Air Pollution Control Officer to enter into agreements with applicants for the recommended projects.*

The Committee then reviewed and discussed the staff presentation Fiscal Year Ending 2015 Transportation Fund for Clean Air Audit Report Results. The Committee finally reviewed and discussed the staff presentation Fiscal Year Ending 2016 Report On Transportation Fund for Clean Air Regional Fund Expenditures and Effectiveness. The next meeting of the Mobile Source Committee will be held on Thursday, January 26, 2017, at 9:30 a.m., at the Bay Area Air Quality Management District Office, 375 Beale Street, San Francisco, California 94105.I move that the Board approve the Mobile Source Committee recommendations. This concludes the Chair Report of the Mobile Source Committee.

Public Comments:

No requests received.

Board Comments:

None.

Board Action:

Director Haggerty made a motion, seconded by Director Groom, to **approve** the recommendations of the Mobile Source Committee; and the motion **carried** by the following vote of the Board:

AYES:	Barrett, Canepa, Chavez, Gioia, Groom, Haggerty, Jue, Kaplan, Kim, Kniss, Miley, Mitchoff, Pepper, Rice, Ross, Sinks, and Spering.
NOES:	None.
ABSTAIN:	None.
ABSENT:	Avalos, Cutter, Hudson, Mar, Sanchez, Wagenknecht, and Zane.

11. **Report of the Budget and Finance Committee Meeting of December 16, 2016**

Budget and Finance Committee Vice Chair Rice read the following Committee report:

The Committee met on Wednesday, December 16, 2016. Lacking a quorum, a consensus of the Committee members present postponed the approval of the minutes of March 23, 2016 and April 27, 2016 until the January 18, 2017 Board meeting. The Committee reviewed and discussed the staff presentation Fourth Quarter Preliminary Financial Report - Fiscal Year Ending 2016. The Committee then reviewed and discussed the staff presentation First Quarter Financial Report - Fiscal Year Ending 2017. The Committee finally reviewed and discussed the staff presentation 375 Beale Street Acquisition Update. The next meeting of the Budget and Finance Committee will be held on Wednesday, January 25, 2017, at 9:30 a.m., at the Bay Area Air Quality Management District office, 375 Beale Street, San Francisco, CA 94105. I move that the Board approve the recommendation to approve the minutes of March 23, 2016 and April 27, 2016, which is supported by the consensus of Budget and Finance Committee members present on December 16, 2016. This concludes the Chair Report of the Budget and Finance Committee.

Public Comments:

No requests received.

Board Comments:

None.

Board Action:

Secretary Rice made a motion, seconded by Director Pepper, to **approve** the recommendations of the Budget and Finance Committee; and the motion **carried** by the following vote of the Board:

AYES:	Barrett, Canepa, Chavez, Gioia, Groom, Haggerty, Jue, Kaplan, Kim, Kniss, Miley, Mitchoff, Pepper, Rice, Ross, Sinks, and Spering.
NOES:	None.
ABSTAIN:	None.
ABSENT:	Avalos, Cutter, Hudson, Mar, Sanchez, Wagenknecht, and Zane.

BOARD OF DIRECTORS RETREAT

12. Opening Comments

Jack Broadbent, Executive Officer / Air Pollution Control Officer (APCO), gave an overview of the retreat presentation, explaining the topics that would be covered.

A. State of the Air District, Air Quality Summary, and the Proposed Regulatory Agenda for 2017

Mr. Broadbent presented the following slides: Air District background; state of the Air District; Bay Area air quality concerns; ozone exceedance trends - 1980 to present; Particulate Matter (PM) 2.5 exceedance trends - 2000 to present; toxic air contaminants; Community Air Risk Evaluation (CARE) maps; health benefits of cleaner air; Bay Area greenhouse gas (GHG) emissions trends - 1990-2050; and 2017 regulatory agenda.

Public Comments:

Public comments were made by Jed Holtzman, 350 Bay Area.

Board Comments:

The Board and staff discussed the importance of remembering that high-risk is still prevalent in the Bay Area, despite the general trend of declining pollutant levels over the last several decades; how current deficiencies in the CalEnviroScreen tool may be exacerbated by groundwater contamination requirements in the future, and possible alliances with other Air Districts who feel that disadvantaged communities within their jurisdictions are being unfairly overlooked; the differences between proposed Rule 12-16 (refinery emissions cap) and Rule 13-1 (refinery carbon intensity limits), which of the two is more viable and worth the District resources, and whether or not the Stationary Source Committee is the appropriate body to facilitate this discussion with the public; staff's prior commitments to rulemaking schedules and the public's response to the District's 2017 regulatory agenda; whether or not the District's Advisory Council will begin to formally consider how to reduce carbon emissions.

B. Air District Administrative Overview

Dr. Jeff McKay, Deputy APCO, presented the following slides: financial summary - recent history; financial summary - topics for Fiscal Year Ending (FYE) 2018 budget; staffing update; and purchase of 375 Beale Street.

NOTED PRESENT: Director Miley was noted present at 11:52 a.m.

Public Comments:

Public comments were made by Jed Holtzman, 350 Bay Area.

Board Comments:

The Board and staff discussed the Board's dissatisfaction of the fact that electric vehicle charging stations have not yet been installed at 375 Beale Street, how the District's electric fleet is currently being charged, the status of the installation, what can be done to accelerate the installation; and how pending issues that have yet to be resolved may affect the District's impending purchase of additional space at 375 Beale Street.

The meeting was adjourned for lunch at 12:07.

The meeting commenced at 12:29.

C. Clean Air Plan and Climate Protection Strategy (OUT OF ORDER, ITEM 12-D)

Mr. Broadbent introduced Henry Hilken, Director of Planning and Climate Protection, who presented the following slides: critical challenges; what is this plan?; climate challenge in the Bay Area; healthy air for all Bay Area residents; where do we want to be in 2050?; how does this plan get us there?; priority actions; input into this plan; Bay Area leadership; and next steps.

Public Comments:

Public comments were made by Janet Stromberg and Jed Holtzman, 350 Bay Area.

Board Comments:

The Board and staff discussed new programs that will be needed to reach the State's 2030 goal; why the Bay Area's projections differ from the State's projections; the District's guidance document, *Planning Healthy Places,* which provides recommended best practices for reducing exposure and emissions from local sources of air pollutants; strategies to reduce the emissions of on-road heavy-duty trucks between now and 2023, when the California Air Resources Board will require that nearly all trucks and buses will need to have 2010 model year engines or equivalent; the information that is captured in the table in Appendix C, page 6, *Reductions in Annual Cases, "Then" to "Now" Including an Eighty Percent Confidence Interval*; the need for staff-recommended implementation strategies; how to involve other regional organizations; the feasibility of matching funds and an incentive structure for participating institutions; the importance of communicating the public health and economic co-benefits of the policies in this document, in order to dispute claims from the members of the business community, and that California is becoming uncompetitive; the difference between *production*-based and *consumption*-based GHG emissions inventory; whether or not analyzing 85 strategies to reduce multi-pollutants is realistic, or if the number needs to be reduced, and the need to know how much impact each strategy will have; the need for revisions to make this document more interactive for residents; how the District can get involved in the Sharing Economy; how this document may be used as a forum for developing municipal policies and community choice aggregation agencies; the need to increase the emphasis of carpooling and including electric vehicle charging stations at rental properties and affordable housing; the number of public and private electric vehicle charging stations that the District has helped finance; the Advisory Council's review of this document; and staff's projections on how the Trump administration could impact climate policy.

D. Technology Implementation Office (ITEM 12-C)

Mr. Broadbent introduced Damian Breen, Deputy APCO, who presented the following slides: the vision; the need; why implementation versus development; TIO mission statement and concepts; examples of implementation projects; and next steps.

Public Comments:

No requests received.

Board Comments:

The Board and staff discussed who advised the District on this new office and how to begin the recruitment process; whether or not the District's current structure is equipped to properly integrate this office, or if increased collaboration with the science and technology industries will be needed; the resource need and projected rate of return for the District; how the District can work with the Metropolitan Transportation Commission to reduce vehicle emission levels, given the success of the sharing economy; the need to prioritize methane reduction; and the valuable feedback that county and city planners can provide regarding the development of this office.

E. Update on Community Programs

Jean Roggenkamp, Deputy Executive Officer, introduced David Ralston and Luz Gomez, Public Engagement Managers, who presented the following slides: engagement within our diverse communities; advisory bodies and community listening session; community stakeholder meetings; resource teams; Pittsburg – Freedom Breathers; Marin/Napa – Strategic Incentives Division investments; James Cary Smith Community Grants Program; Oakland – Rose Foundation/Bay Localize/Emilia Zapata Street Academy; Richmond/Rich City Rides; regional engagement efforts; 2016 Youth for the Environment and Sustainability Conference; Cumulative Impact Forum; Climate Forward and Clean Air open houses; public participation plan – CARE to community air risk engagement; next steps on the road; community science partnerships – Bay Area Near Roadway Study; Kyoto USA – Bay Area school partnerships; vegetative buffer project – Brookfield School; and engaging for a difference: before and after.

Public Comments:

No requests received.

Board Comments:

The Board and staff discussed the District's efforts to travel around the Bay Area's nine counties to listen to and engage with the public; the need for staff to work with Board members to better determine the most ideal locations to hold open houses; the need for staff and the Board members from Santa Clara County to reach out to the new Mayor and city staff of Milpitas regarding the District's efforts and programs; and the status of the public's ability to file complaints online.

F. Upcoming Committee Assignments and Goals

Chair Kniss reported that she and District staff finalized the Board Committee assignments and that Board members may request revisions.

Public Comments:

No requests received.

Board Comments:

None.

PUBLIC COMMENT ON NON-AGENDA MATTERS

13. **Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3**

No requests received.

14. **Board Member Comments**

Director Gioia announced that he was reappointed by the Contra Costa County Board of Supervisors to serve on the District's Board of Directors for another four-year term, ending in June 2021.

OTHER BUSINESS

15. **Report of the Executive Officer / APCO**

Mr. Broadbent's update on the ozone seasons of 2016 has been posted on the District's website.

16. **Chairperson's Report**

Chair Kniss welcomed Belmont Vice Mayor, Doug Kim, to the Board, announced that Suisun City Mayor, Pete Sanchez, has been appointed to the Board, and congratulated Director Canepa, Director Chavez, Director Gioia, Director Groom, Director Lee, Director Sinks, Director Spering, and Director Zane for their reappointments to the Board.

17. Time and Place of Next Meeting

Wednesday, February 1, 2017, at 375 Beale Street, San Francisco, CA 94109 at 9:45 a.m., at 9:45 a.m.

18. Adjournment

The meeting adjourned at 2:18 p.m.

Marcy Hiratzka
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Liz Kniss and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 18, 2017

Re: Board Communications Received from January 18, 2017 through January 31, 2017

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Copies of communications directed to the Board of Directors received by the Air District from January 18, 2017, through January 31, 2017, if any, will be at each Board Member's place at the February 1, 2017, Board meeting.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Maricela Martinez

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Liz Kniss and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 24, 2017

Re: Extension of Contracts for Website Development and Maintenance

RECOMMENDATION

Recommend the Board of Directors authorize the Executive Officer/APCO to execute contract amendments with the following vendors in the amounts listed below:

Vendor	Amount	Service Description
Avant Page	$43,145	Language translation for public website content.
Claytablet	$16,110	Language translation software for transmission, editing and managing content.
ExactTarget	$18,200	Automation and analytics software for email, mobile, social and online communications.
Rackspace	$32,499	Infrastructure as a Service (IaaS) cloud computing providing virtualized computing for Data Management System, SiteCore and related services.
Sitecore	$22,898	Web Content Management (WCM) system for the District's public website.
Malinda Lai	$21,113	Website content management system and infrastructure support.
TOTAL	**$153,964**	

BACKGROUND

Air District staff is recommending semi-annual contract amendments for vendors assisting with Website Development and Maintenance in order to meet the fiscal year end 2017 goals.

DISCUSSION

Website Development and Maintenance

The Website Development and Maintenance Program team is dedicated to the effective management of the Districts publically facing website (www.baaqmd.gov).

Since the move to the new building, the web team has been focused on the production rollout of: a fleet management module for the Bay Area Headquarter Authority, continuous language translation (Spanish, Mandarin, Tagalog and Vietnamese), creation of an Azure cloud migration plan, expand and collapse functionality to improve access to tabular information, automated webcast publishing to minimize posting lag for archived videos, expansion feature to improve access to calendar events, a greenhouse gas program section including tabular access to data available for download as well as numerous backend improvements to facilitate maintenance and support (i.e. video streaming, publishing workflow, site editor roles, tag management and comment forms)

Improvements planned for completion by the end of the calendar year include; increasing the update frequency of new permit notifications from weekly to daily as well as to deploy new functionality to allow for email notification self-subscription by district or county as well as spare the air 'alert' map integration.

In the first half of the 2017 calendar year, the Website Development and Management Program aims to complete the following:

- SiteCore website management system upgrade to support language failover.
- Preparatory plan for Azure infrastructure migration and consolidation.
- Incorporation of new table features throughout the website to facilitate access to information.
- ExactTarget integration to allow website users to sign up for push notifications of website updates.
- Timeline feature to centralize access to new policy documentation throughout their evolution.

In order to continue progress on the Website enhancement portion of the Website Development and Maintenance program, staff is recommending the continued use of proven vendors' familiar with Air District systems for the second half of Fiscal Year End (FYE) 2017.

Vendor	Type of Services	Initial Contract	Procurement Method
AvantPage	Language translation for public website content.	FYE 2015	Selected the firm and resources through a formal bid process via RFP.
ClayTablet	Language translation software for transmission, editing and managing content.	FYE 2015	Through an industry analysis and an informal bid process, staff determined that only ClayTablet provides the services necessary to meet needs of the Air District. Single Source Memo.

ExactTarget	Automation and analytics software for email, mobile, social and online communications.	FYE 2012	Through an industry analysis and an informal bid process, staff considered services from three different vendors and determined that only Exact Target was able to meet needs of the Air District. Single Source Memo.
Rackspace	Infrastructure as a Service (IaaS) cloud computing providing virtualized computing for Data Management System, SiteCore and related services.	FYE 2012	Selected the firm and resources through an industry analysis and an informal bid process.
Sitecore	Web Content Management (WCM) system for the District's public website.	FYE 2009	Selected the firm and resources through an industry analysis and a formal bid process.
Malinda Lai	Website content management system and infrastructure support.	FYE 2006	Procurement occurred prior to the tenure of the web current team.
Scope: Infrastructure, support and maintenance of the public website including language translate and push communications to District constituents.			
NB. Contracts for the Website Development and Maintenance program are currently reviewed in six-month increments, and request board authorizations for extensions as needed. These requests typically are accompanied with a Website Development and Maintenance status update to the Executive Committee and/or full Board. We anticipate a request for additional authorizations in approximately six months, which will be accompanied with another status update.			

BUDGET CONSIDERATION/FINANCIAL IMPACT

Funding for the vendor contract recommendations is included in the FYE 2017 budget and will be funded from the Website Development and Maintenance (#309) program.

Respectfully Submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jaime A. Williams
Reviewed by: Damien Breen

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Liz Kniss and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 18, 2017

Re: Report of the Budget and Finance Committee Meeting of January 25, 2017

RECOMMENDED ACTION

The Budget and Finance Committee (Committee) received only informational items and will have no recommendations of approval by the Board of Directors (Board).

BACKGROUND

The Committee met on Wednesday, January 25, 2017, and received the following reports:

A) Air District Financial Audit Report - Fiscal Year Ending 2016;

B) Second Quarter Financial Report – Fiscal Year Ending 2017; and

C) Overview of Current Fiscal Year Ending 2017

Chairperson Carole Groom will provide an oral report of the Committee meeting.

BUDGET CONSIDERATION/FINANCIAL IMPACT

A) None. Funding for the Auditors' report is included in the FYE 2017 Budget.

B) None; and

C) None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Maricela Martinez

Attachment 6A: 12/16/16 – Budget and Finance Committee Meeting Agenda #4
Attachment 6B: 12/16/16 – Budget and Finance Committee Meeting Agenda #5
Attachment 6C: 12/16/16 – Budget and Finance Committee Meeting Agenda #6

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson David E. Hudson and Members of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 10, 2017

Re: Air District Financial Audit Report for Fiscal Year Ending 2016

RECOMMENDED ACTION

None; receive and file.

BACKGROUND

Pursuant to the Section II.2.1 of the Administrative Code, the District is required to have an annual independent financial audit. The Independent Auditors, Gilbert Associates, Inc. completed the Financial Audit Report of the Air District's Financial Statements for the Fiscal Year Ending 2016. The Independent Auditors also completed the Financial Audit Report of the OMB Circular A-133 and Transportation Fund for Clean Air Compliance Reports for the Fiscal Year Ending 2016.

DISCUSSION

The District's independent auditors completed their audit of the District's financial records and activities for the year ended June 30, 2016 and issued an "unqualified opinion" or clean opinion on the financial statements. Attached are the audit reports being presented along with a brief summary:

1. ***Basic Financial Statements***
   The statements are prepared in conformity with generally accepted accounting principles generally accepted. The purpose of the statements is to convey financial information to external customers/users. The statements report the District's annual operations and demonstrate financial compliance with legal requirements. The report on the basic financial statements is unqualified with no reportable conditions, no instances of non-compliance, and no financial statement findings noted.

2. ***OMB Circular A-133 and Transportation Fund for Clean Air Compliance Report***
   This report addresses the auditors' consideration of the District's internal control over financial reporting, and results of auditor's tests of Districts compliance with provisions of laws, regulations, contract and grant agreements, and other areas in accordance with *Government Auditing Standards.* The report also addressed compliance with applicable

Health and Safety Codes for allocation of Transportation Funds for Clean Air. As noted on page 9 of the Schedule of Audit Findings and Questioned Costs, there were no federal compliance findings or financial statement findings.

A member of the independent audit firm, Gilbert Associates, Inc. will be at the meeting to present audited reports to the Committee.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None. Funding for the Auditors' report is included in the FYE 2017 Budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze
Reviewed by: Rex Sanders

Attachments:
1) Financial Statements with Independent Auditor's Report for the Year Ended June 30, 2016

2) OMB Circular A-133 and Transportation Fund for Clean Air Compliance Report for Year Ended June 30, 2016

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2016

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Gilbert Associates, Inc.
CPAs and Advisors
Relax. We got this.℠

To the Board of Directors
Bay Area Air Quality Management District
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bay Area Air Quality Management District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bay Area Air Quality Management District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Required Supplementary Information section, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Transportation Fund for Clean Air (TFCA) Program, Mobile Source Incentive Program, Carl Moyer Program, & Other Programs – Schedule of Expenditures (Schedule) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 20, 2016

This discussion and analysis of the Bay Area Air Quality Management District (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the accompanying basic financial statements.

A. Financial Highlights

In June 2016, the Bay Area Air Quality Management District relocated its headquarters and operations to the Bay Area Metro Center located at 375 Beale Street. To finance ownership interest of its portion of the new facility, the District issued $30,000,000 in 2013 through a private placement of taxable Certificates of Participation Notes (COPs) with the Bay Area Headquarters Authority. The Air District is currently leasing its office space until the completion of the CC&R's and Condominium Plan. Further information can be found on page 30.

The following are some key financial highlights for the current fiscal year:

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows at the close of the fiscal year 2015-16 by $146,114,314 (net position).

The District's net position increased by $24,908,940 from fiscal year 2014-15 due primarily to increased assets from program revenues and capital assets offset by a reduction in deferred inflows related to the accounting of net pension liabilities in the government-wide financial statements for Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

The District's governmental funds reported a fund balance of $211,654,783. The entire fund balance of the Special Revenue Fund in the amount of $114,330,298 is reserved for air quality grants and projects. The entire Capital Projects Fund of $29,684,881 represents the investment activities for the 2013 COPs. The $67,639,604 General Fund balance consists of $25,481,321 representing the assigned fund balance, $4,132,339 restricted, $10,218,833 committed or nonspendable and the remaining balance of $27,807,111 unassigned.

Table 1 presents the General Fund detail of fund balances as of June 30, 2016, and June 30, 2015.

Table 1. General Fund Balances as of June 30, 2016 and 2015

Category	General Fund June 30, 2016	General Fund June 30, 2015	Increase/ (Decrease)
Fund Balances:			
Nonspendable:			
Prepaid Expenses	$ 718,833	$ 91,475	$ 627,358
Restricted:			
Air Quality Grants and Projects	1,049,949	2,173,856	(1,123,907)
Post-Employment Benefits	3,082,390	2,953,191	129,199
Committed:			
Self-Funded Worker's Compensation	1,000,000	1,000,000	
Future acquisitions of 375 Beale Street	8,500,000	8,500,000	
Assigned:			
Building and Facilities	5,168,200	5,668,200	(500,000)
PERS Funding	600,000	800,000	(200,000)
Post-Employment Benefits	1,000,000	1,000,000	
Capital Equipment	2,727,100	2,867,100	(140,000)
Other Assigned	4,500,000		
Air Quality Grants and Projects	11,486,021	8,376,107	3,109,914
Unassigned:	27,807,111	25,145,307	2,661,804
Total Fund Balance	**$ 67,639,604**	**$ 58,575,236**	**$ 4,564,368**

B. Overview of the Financial Statements

This discussion and analysis is designed to serve as an introduction to the District's basic financial statements. The District's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes required and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District.

B. Overview of the Financial Statements, Continued

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. They provide information about the activities of the District as a whole and present a longer-term perspective of the District's finances. Government-wide financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities owed by the District, and deferred inflows of resources on a full accrual basis. The difference between the assets held and deferred outflows of resources, and the liabilities owed and deferred inflows of resources, is reported as *Net Position*. The net position total is comparable to total stockholder's equity presented on the balance sheet of a private enterprise. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Net Position as of June 30, 2016 is presented on page 13.

The Statement of Activities reports the net cost of the District's activities by category and is also prepared on a full accrual basis. Under the full accrual basis of accounting, revenues and expenses are recognized as soon as the underlying event occurs, regardless of the timing of the related cash flows. The focus of the Statement of Activities is on the cost of various work programs performed by the District. The statement begins with a column that identifies the total cost of these programs followed by columns that summarize the District's program revenues by major category. The difference between expenses and revenues represents the net cost or benefit of the District's work programs. General revenues are then added to the net cost/benefit to calculate the change in net position. The Statement of Activities is presented on page 14.

All of the District's activities are governmental in nature and no business-type activities are reported in these statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Bay Area Air Quality Management District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For governmental activities, these statements tell how these services were financed in the short-term and what is left over for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's major funds. The District maintains three governmental funds; the General Fund, Special Revenue Fund and Capital Projects Fund.

B. Overview of the Financial Statements, Continued

Governmental Funds

Governmental fund financial statements consist of the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances. Both are prepared using the modified accrual basis of accounting.

Balance Sheets prepared under the modified accrual basis of accounting have a short-term emphasis and, for the most part, measure and account for cash and other assets that can be easily converted to cash. Specifically, cash and receivables that are deemed collectible within a very short period of time are reported on the balance sheet. Capital assets such as land and buildings are not reported in governmental fund financial statements. Fund liabilities include amounts that will be paid within a very short period of time after the end of the fiscal year. Long-term liabilities such as outstanding bonds are not included. The difference between a fund's total assets, deferred outflow of resources, total liabilities, and deferred inflows of resources represents the fund balance. The unassigned portion of fund balance represents the amount available to finance future activities. The District's governmental funds balance sheets can be found on page 15.

The Statement of Revenues, Expenditures, and Changes in Fund Balance include only revenues and expenditures that were collected in cash or paid with cash during the fiscal year or very shortly after the end of the fiscal year. The governmental funds Statements of Revenues, Expenditures, and Changes in Fund Balances can be found on page 17.

Since a different basis of accounting is used to prepare these statements, reconciliation is required to facilitate the comparison between the government-wide statements and the fund financial statements. The reconciliation of the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position is on page 16. The reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities can be found on page 18.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 to 40.

Required and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Air District's retirement pension liabilities held by California Public Employees Retirement System (PERS), other post-employment benefit (OPEB) liabilities, general fund and special revenue fund budget comparison schedules, and TFCA and Carl Moyer program expenditures on pages 41 to 47.

C. Government-Wide Financial Analysis

The government-wide financial analyses focus on net position and changes in net position of the District's governmental activities. Table 2 below shows a condensed Statement of Net Position as of June 30, 2016 compared to the fiscal year ended June 30, 2015.

Table 2. Statement of Net Position as of June 30, 2016 and June 30, 2015

	Governmental Activities June 30, 2016	Governmental Activities June 30, 2015	Increase/ (Decrease)
Current & Other Assets	$ 230,128,605	$ 218,302,557	$ 11,826,048
Capital Assets	29,310,870	23,767,303	5,543,567
Total Assets	**259,439,475**	**242,069,860**	**17,369,615**
Deferred Outflows of Resources	5,365,344	4,268,315	1,097,029
Current Liabilities	19,778,043	25,021,202	(5,243,159)
Noncurrent Liabilities	92,444,318	85,864,363	6,579,955
Total Liabilities	**112,222,361**	**110,885,565**	**1,336,796**
Deferred Inflows of Resources	6,468,144	14,247,236	(7,779,092)
Net Position			
Invested in Capital Assets	27,104,084	23,255,744	3,848,340
Restricted	118,462,637	111,886,360	6,576,277
Unrestricted net position	547,593	(13,936,730)	14,484,323
Total Net Positions	**$ 146,114,314**	**$ 121,205,374**	**$ 24,908,940**

At June 30, 2016 the District's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources by $146,114,314, an increase of $24,908,940 over the previous fiscal year.

As a result of GASB 68, the District is required to report its deferred outflows/inflows and pension liability related to its pension plan with CalPERS. The $24.9 million increase in net position is due to a cumulative net increase of $18.5 million in Total Assets and Deferred Outflows offset by a cumulative decrease in Total Liabilities and Deferred Outflows of $6.5 million. Additional information can be found on pages 38.

C. Government-Wide Financial Analysis, Continued

As noted earlier, total net position may serve over time as a useful indicator of the District's financial position. Restricted net position is to be used for specific programs and purposes according to legal terms and conditions. The remaining portion of the District's net position is unrestricted and at the end of the fiscal year had a balance of $547,593 which is a direct result of reporting the District's pension obligation related to GASB 68.

Table 3 below provides changes in net position for the fiscal year ending June 30, 2016 compared with the fiscal year ended June 30, 2015.

Table 3. Statement of Activities for Fiscal Years 2015-16 and 2014-15

	Governmental Activities FY 2015-16	Governmental Activities FY 2014-15	Dollar Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenues:				
TFCA/MSIF DMV Fees	$ 37,750,566	$ 36,914,007	$ 836,559	2%
Carl Moyer	11,204,627	8,851,906	2,352,721	27%
California Goods Movement Revenue	3,042,705	7,532,704	(4,489,999)	-60%
Permit Fees	37,369,120	33,637,139	3,731,981	11%
State Subvention	1,726,549	1,723,225	3,324	0%
Federal Grants	5,544,615	6,326,543	(781,928)	-12%
Penalties & Variance Fees	6,133,501	2,744,150	3,389,351	124%
Asbestos Fees	3,869,468	3,247,403	622,065	19%
Interest Revenue	800,086	303,750	496,336	163%
Other Rvenues	677,045	730,670	(53,625)	-7%
State Grants	885,916	578,683	307,233	53%
Special Environmental Projects	7,665	12,948	(5,283)	-41%
County Apportionments	28,218,285	25,859,398	2,358,887	9%
Total Revenues	**137,230,148**	**128,462,526**	**8,767,622**	7%
Expenses:				
General Government	67,863,055	62,992,005	4,871,050	8%
TFCA/MSIF, CMP, & Other programs	40,907,327	51,012,636	(10,105,309)	-20%
California Goods Movement Program	3,498,005	7,976,332	(4,478,327)	-56%
Debt Service	52,821	74,108	(21,287)	-29%
Total Expenses	**112,321,208**	**122,055,081**	**(9,733,873)**	-8%
Change in Net Position	**24,908,940**	**6,407,445**	18,501,495	289%
Net Position-beginning of year	**121,205,374**	**174,699,065**	**(53,493,691)**	-31%
Cumulative effect of change in accounting principles		**(59,901,136)**	**59,901,136**	
Net Position-ending of year	**$ 146,114,314**	**$ 121,205,374**	**$ 24,908,940**	21%

C. Government-Wide Financial Analysis, Continued

Governmental Activities

The objective of the Statement of Activities is to report the full cost of providing government services during the fiscal year. The format also permits the reader to ascertain the extent to which each function is either self-financing or draws funds from the general funds of the government.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year 2015-2016. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

Governmental functions of the District are predominately supported by fees, property taxes, subvention, grants, and penalties and settlements. The penalties and settlements are one-time revenues which are over and above the regular revenues directly related to the programs. The primary governmental activities of the District are: to advance clean air technology, ensure compliance with clean air rules, develop programs to achieve clean air, develop rules to achieve clean air, monitor air quality, permit review and Special Revenue Fund activities.

At June 30, 2016, the District's governmental activities reported ending net position of $146,114,314, an increase of $24,908,940 in comparison to the prior year. The primary reason for this increase is a result of increased program revenues and acquisition of capital assets; offset by the reduction in deferred inflows due to GASB 68 pension accounting.

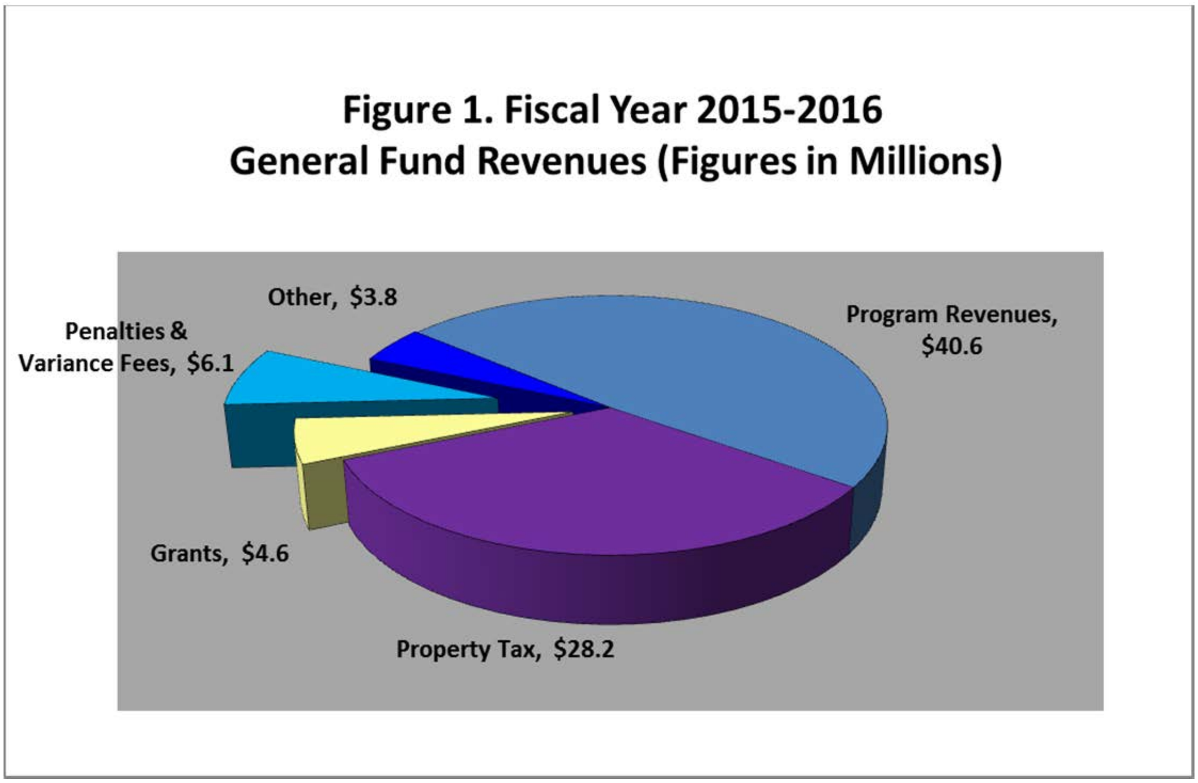
- Overall governmental revenues are $137,230,148; an increase of $8,767,622 from the prior year. The primary reason for the increase is due to growth in property tax valuations and permitting fees related to increased construction activities in the Bay Area. In addition, the District received a large settlement payment in the current year.

- Overall governmental expenditures are $112,321,208; a decrease of $9,733,873 over the prior year. The primary reason for this decrease is due to less grant program activities in the current year as compared to the prior year. TFCA/MSIF had less program distribution for projects in the current year and the Goods Movement program received less funding for projects in 2016 from the State of California.

- The cumulative effect of change in accounting principles of $59,901,136 is related to the first year of implementation for GASB 68; which required restatement of Beginning Net Position for pension liabilities in the prior year. For further information please see pages 33-37.

D. General Fund Financial Analysis

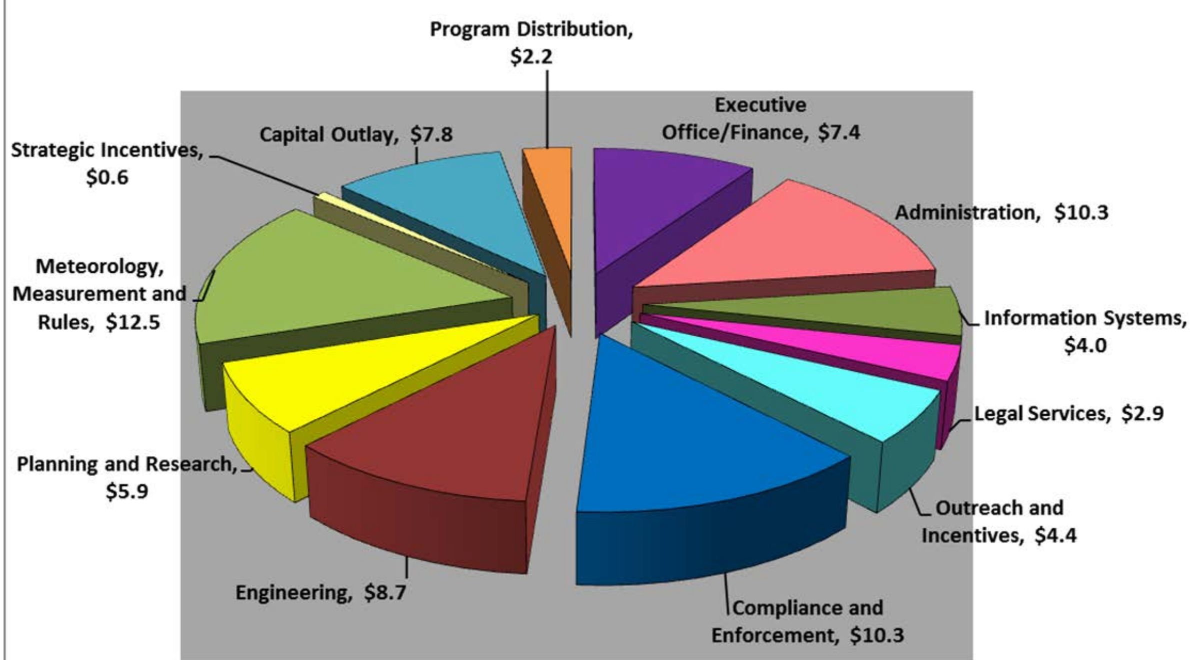
Figure 1 below provides a pie chart of the District's General Fund revenues (net of other financing sources) for fiscal year 2015-2016. The General Fund received total revenue of $83,392,632 in fiscal year 2015-16, an increase of $9,339,877 over fiscal year 2014-15. This increase is mainly comprised of increased revenues of $3.5 million in permit, asbestos, and other related fees resulting in an average rate increase of approximately 6.4% over the prior year, as well as, increased economic activities; $3.4 million in penalties. The remaining $2.4 million increase is related positive growth in construction and housing activities leading to significant increases in property tax revenue. Program Revenues include: Permit, AB2588, Title V, and Asbestos fees. Program revenues are the largest General Fund revenue source in fiscal 2015-16 ($40.6 million), followed by Property Tax ($28.2 million), Grants ($4.6 million), Penalties ($6.1 million), and Other revenues ($3.8 million).



D. General Fund Financial Analysis, Continued

Figure 2 below provides a graph of General Fund operating expenditures (net of other financing uses and debt service) for fiscal year 2015-16. General Fund operating expenditures totaled $77,352,239 which is an increase of $10,080,753 over fiscal year 2014-15. This increase resulted from a combined increase of purchase of parking structure; IT infrastructure equipment related to 375 Beal Street and personnel & benefit cost associated cost of living adjustment and increased premiums. General Fund expenditures represent the District's general government operating costs categorized into the following operating divisions: Compliance and Enforcement ($10.3 million), Engineering ($8.7 million), Administration ($10.3 million), Information Systems ($4.0 million), Meteorology, Measurements and Rules ($12.5 million), Executive Office & Finance ($7.4 million), Planning & Research ($5.9 million), Outreach & Incentives ($4.4 million), Strategic Incentives ($0.6 million) and Legal Services ($2.9 million). Program Distribution ($2.2 million) is not an operating division, but rather a category capturing expenditure used for special projects. General Fund operating revenues exceeded operating expenditures by $6,040,393 in fiscal year 2015-16.

Figure 2. Fiscal Year 2015-2016 General Fund Expenditures (Figures in Millions)



D. General Fund Financial Analysis, Continued

The General Fund is the operating fund of the District and at the end of the fiscal year, the total fund balance of the General Fund was $67.6 million. The assigned fund balance was $25.5 million, committed $9.5 million, restricted $4.1 million, non-spendable $0.7 million, and the remaining $27.8 million is unassigned. The unassigned fund balance represents 35.9% of the total General Fund expenditures, while the total fund balance represents 87.3% of the total fund expenditures. The District has available funds for unanticipated emergencies.

The FY 2015-16 adopted budget as compared to the actual expenditures and revenues reflects an increase in appropriations of $5.6 million and an increase in revenues of $14.3 million. The changes to the budget appropriations were the result of Governing Board actions, and carryover of unspent funds from FY 2014-15. The increase in actual revenues resulted from a significant penalty settlement, and increased economic activities related to property tax receipts and permitting fees.

E. Capital Assets

Capital assets include land, buildings, laboratory equipment, air monitoring stations, computers, office furniture and District fleet vehicles. As of June 30, 2016 the District's investment in capital assets was $29.3 million net of accumulated depreciation. This was an increase of $5.5 million from the prior year and mainly relates to purchase of parking structure at 435 Bryant Street and IT related infrastructure at 375 Beale Street and other satellite office locations.

F. Capital Projects Fund

In fiscal year 2014, a Capital Projects Fund was established to account for financial resources that are specifically related to the acquisition of the District's new office space noted on page 4. At June 30, 2016, the Capital Projects Fund reported a balance of $29,684,881 which represents the net proceeds being held in trust from issuing $30,000,000 through a private placement of taxable Certificates of Participation with the Bay Area Headquarters Authority. The Certificates will be held in an escrow account until acquisition of the new office space expected in 2017. The escrow account will pay interest due during the escrow period using the interest earned from the proceeds. Additional information can be found on pages 30-31 of the notes to the financial statements.

G. Economic Factors and Next Year's Budget

The District receives approximately 35% of its General Fund revenue from property taxes levied in nine Bay Area counties and 49% from permit fees charged to local businesses. Consequently, District revenues are impacted by changes in the state and local economy. The District takes a fiscally conservative approach to its budget and it strives to balance its budget within available current revenues. In an effort to recover a greater share of the costs of maintaining air quality, the District increased its permitting fees by approximately 6% in FY 2016-17. The District will continue to focus on long term financial planning to ensure the vitality and effectiveness of its programs.

H. Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Stephanie Osaze, Finance Manager, at 375 Beale Street, Suite 600, San Francisco, CA 94105.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 58,342,025
Restricted cash and cash equivalents	156,130,934
Receivables	12,070,622
Due from other governments	2,729,413
Prepaids, deposits, and other current assets	855,611
Capital assets:	
Non-depreciable	3,780,590
Depreciable, net	25,530,280
Total capital assets	29,310,870
Total assets	259,439,475
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS	5,365,344
LIABILITIES	
Accounts payable	2,562,128
Accrued liabilities	2,310,807
Other current liabilities	355,586
Unearned revenue	11,166,189
Long-term liabilities:	
Due within one year:	
Compensated absences, current	3,000,000
Capital lease obligation, current	383,333
Due in more than one year:	
Compensated absences, noncurrent	1,181,813
Certificates of participation	30,000,000
Other postemployment benefits	4,839,742
Capital lease obligation, noncurrent	1,508,334
Net pension liability	54,914,429
Total liabilities	112,222,361
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS	6,468,144
NET POSITION	
Net investment in capital assets	27,104,084
Restricted for air quality grants and projects	115,380,247
Restricted for post-employment benefits	3,082,390
Unrestricted net position	547,593
Total net position	$ 146,114,314

See accompanying notes to financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (Expense) Revenue and Change in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Primary government	$ 67,863,055	$ 47,964,863	$ 8,301,358	$ (11,596,834)
California Goods Movement program	3,498,005		1,928,957	(1,569,048)
Interest	52,821			(52,821)
TFCA/MSIF, CMP, & other programs:				
TFCA/MSIF & other program distribution	29,702,700		38,720,036	9,017,336
Carl Moyer Program	11,204,627		11,204,627	
Total TFCA/MSIF, CMP, & other programs	40,907,327		49,924,663	9,017,336
Total governmental activities	$ 112,321,208	$ 47,964,863	$ 60,154,978	(4,201,367)
General revenues:				
County apportionment				28,218,285
Investment income not restricted for a specific program				800,086
Other				91,936
Total general revenues				29,110,307
Change in net position				24,908,940
Net position-beginning of year				121,205,374
Net position-end of year				$ 146,114,314

See accompanying notes to financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 58,342,025			$ 58,342,025
Restricted cash and cash equivalents	3,082,390	$ 123,363,663	$ 29,684,881	156,130,934
Receivables	4,803,536	7,267,086		12,070,622
Due from other governments	2,729,413			2,729,413
Due from other funds	4,664,091			4,664,091
Prepaids, deposits, and other assets	855,611			855,611
Total assets	$ 74,477,066	$ 130,630,749	$ 29,684,881	$ 234,792,696
LIABILITIES				
Accounts payable	$ 1,667,900	$ 894,228		$ 2,562,128
Accrued liabilities	2,310,807			2,310,807
Due to other funds		4,664,091		4,664,091
Other liabilities	355,586			355,586
Unearned revenue	424,057	10,742,132		11,166,189
Total liabilities	4,758,350	16,300,451		21,058,801
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	2,079,112			2,079,112
FUND BALANCES				
Nonspendable:				
Prepaid items	718,833			718,833
Restricted:				
Air quality grants and projects	1,049,949	114,330,298		115,380,247
Postemployment benefits	3,082,390			3,082,390
Capital projects			$ 29,684,881	29,684,881
Committed:				
Future acquisition of 375 Beale Street	8,500,000			8,500,000
Self-funded workers' compensation	1,000,000			1,000,000
Assigned:				
PERS funding	600,000			600,000
Postemployment benefits	1,000,000			1,000,000
Building and facilities	5,168,200			5,168,200
Capital equipment	2,727,100			2,727,100
Air quality grants and projects	11,486,021			11,486,021
Other assigned	4,500,000			4,500,000
Unassigned	27,807,111			27,807,111
Total fund balances	67,639,604	114,330,298	29,684,881	211,654,783
Total liabilities, deferred inflows of resources, and fund balances	$ 74,477,066	$ 130,630,749	$ 29,684,881	$ 234,792,696

See accompanying notes to financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

RECONCILIATION OF THE
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

Total fund balances - total governmental funds	$ 211,654,783
Capital assets used in governmental activities are not current assets or financial resources and therefore are not reported in the governmental funds.	29,310,870
Other long-term assets (receivables) are not available to pay for current-period expenditures and therefore, are reported as unavailable revenue in the funds.	2,079,112
The liabilities below are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(4,181,813)
Certificates of participation	(30,000,000)
Other postemployment benefits	(4,839,742)
Capital lease obligation	(1,891,667)
Net pension liability	(54,914,429)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources are reported as follows:	
Deferred outflows of resources related to pensions	5,365,344
Deferred inflows of resources related to pensions	(6,468,144)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 146,114,314

See accompanying notes to financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
TFCA / MSIF DMV fees		$ 37,750,566		$ 37,750,566
Permit fees	$ 36,732,188			36,732,188
County apportionment	28,218,285			28,218,285
California Goods Movement revenue		3,042,705		3,042,705
Carl Moyer Program		11,204,627		11,204,627
Federal grants	4,624,057	920,558		5,544,615
Penalties and variance fees	6,133,501			6,133,501
Asbestos fees	3,869,468			3,869,468
State subvention	1,726,549			1,726,549
State grants	837,004	48,912		885,916
Other revenues	677,045			677,045
Interest and investment gain (loss)	566,870		$ 233,216	800,086
Special environmental projects	7,665			7,665
Total revenues	83,392,632	52,967,368	233,216	136,593,216
EXPENDITURES				
General government:				
Program distribution	2,211,130			2,211,130
Executive office and finance	7,398,665			7,398,665
Administration	10,337,347			10,337,347
Information systems	4,041,243			4,041,243
Legal services	2,854,399			2,854,399
Outreach and incentives	4,396,121			4,396,121
Compliance and enforcement	10,340,643			10,340,643
Engineering	8,650,232			8,650,232
Planning and research	5,860,323			5,860,323
Meteorology, measurement and rules	12,461,643			12,461,643
Strategic incentives division	642,090			642,090
TFCA/MSIF, Carl Moyer, & other programs:				
Program distribution		28,623,852		28,623,852
Smoking vehicle		117		117
Intermittent control		1,352,343		1,352,343
TFCA administration		1,080,408		1,080,408
Vehicle buy-back		6,759,267		6,759,267
Mobile source incentive		494,512		494,512
Regional bikeshare		1,232,156		1,232,156
CarSharing incentive		48,644		48,644
Regional electric vehicle deployment		264,791		264,791
Enhanced mobile source inspection		1,260,673		1,260,673
California Goods Movement Program & other programs:				
Grant administration		621,202		621,202
Truck Program/LESBP		2,909,443		2,909,443
Debt Service:				
Principal	383,333			383,333
Interest	16,045		36,776	52,821
Capital outlay	7,759,025			7,759,025
Total expenditures	77,352,239	44,647,408	36,776	122,036,423
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,040,393	8,319,960	196,440	14,556,793
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	2,275,000			2,275,000
Transfers in	748,975			748,975
Transfers (out)		(748,975)		(748,975)
Total other financing source (uses)	3,023,975	(748,975)		2,275,000
NET CHANGE IN FUND BALANCES	9,064,368	7,570,985	196,440	16,831,793
BEGINNING FUND BALANCES	58,575,236	106,759,313	29,488,441	194,822,990
ENDING FUND BALANCES	$ 67,639,604	$ 114,330,298	$ 29,684,881	$ 211,654,783

See accompanying notes to financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

RECONCILIATION OF THE
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 16,831,793
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capitalized expenditures are added back to fund balance	7,759,025
Depreciation expense is deducted from fund balance	(2,204,462)
Net book value of capital asset disposals is deducted from fund balance	(10,996)
Certain receivables recognized in the government-wide statements in previous years have been deemed uncollectible and must be written off to expense. Receivables written off were for:	
Permit and other miscellaneous fees	(21,118)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	636,932
The amounts below included in the statement of activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Change in the liability for compensated absences	124,682
Change in the liability for other postemployment benefits	969,557
Change in the liability for capital lease obligation	(1,891,667)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual employer contributions was:	2,715,194
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 24,908,940

See accompanying notes to financial statements.

1. REPORTING ENTITY AND SIGNIFIGANT ACCOUNTING POLICIES

A. Reporting Entity

The Bay Area Air Quality Management District (District) was created by the California legislature in 1955. The District's structure, operating procedures and authority are established by Division 26 of the California Health and Safety Code.

The District's jurisdiction is limited principally to policing non-vehicular sources of air pollution within the Bay Area, primarily industry pollution and burning. Any company wishing to build or modify a facility in the Bay Area must first obtain a permit from the District to ensure that the facility complies with all applicable rules.

The District also acts as the program administrator for Transportation Fund for Clean Air (TFCA) funds and Mobile Source Incentive funds (MSIF) derived from Assembly Bill 434 and Assembly Bill 923, respectively. TFCA and MSIF funding comes from a $4 and $2 surcharge, respectively, on motor vehicles registered within the District's boundaries. TFCA funding may only be used to fund eligible projects that reduce motor vehicle emissions and support the implementation of the transportation and mobile source control measures in the 1994 Clean Air Plan. All projects must fall within the categories listed in State Law (Health and Safety Code Section 44241).

The Health and Safety Code requires the District to pass-through no less than 40% (forty percent) of the TFCA revenues raised within a particular county to that county's eligible, designated Program Manager. The remaining 60% (sixty percent) is for Regional Fund grants and is being allocated to projects on a competitive basis. Projects are evaluated using the District's Board adopted evaluation and scoring criteria. The District may receive reimbursement from TFCA funds, not to exceed 5% (five percent) of total funds, for administration of the program. TFCA activities are accounted for in the District's Special Revenue Fund.

The District includes seven counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, and Santa Clara; and portions of two other counties: Southwestern Solano and Southern Sonoma. The District is governed by a 22 (twenty-two) member Board of Directors that includes representatives from all of the above counties.

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

B. Basis of Presentation

Government-wide Statements – The Statement of Net Position and the Statement of Activities display information about the primary government (District). Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational needs of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted resources are available for use, it is the District's policy to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications – committed, assigned, and then unassigned fund balances.

Fund Financial Statements – The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column.

C. Funds Presented

The District's major governmental funds are required to be identified and presented separately in the fund financial statements. The District reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – This Fund is used by the District to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund was established by the District to account for financial resources that are specifically intended for the acquisition of the District's new office space.

D. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 (ninety) days after year end, with the exception of revenues related to CMAQ Spare the Air, which are included in revenue if received within seven months after year end. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place.

Imposed non-exchange transaction revenues result from assessments imposed on non-governmental entities, including individuals (other than assessments imposed on exchange transactions), and the revenues are recognized in the period when use of the resources is required or first permitted. District-imposed non-exchange transactions are the TFCA/MSIF DMV fees, Permit fees, Title V Permit fees, Asbestos fees, Penalties and Variance fees, and Settlements.

Government-mandated non-exchange transactions result from one level of government providing resources to another level of government and requiring the recipient to use the resources for a specific purpose. Voluntary non-exchange transactions result from agreements entered into voluntarily by the parties thereto. Both types of non-exchange transaction revenues are treated in the same manner. Revenues are recognized when all applicable eligibility requirements are met. District transactions of both types include the Carl Moyer program, Lower Emission School Bus program, State Subvention, EPA federal grants, DHS federal grants, CMAQ Spare the Air grants, other grants, California Goods Movement program, Shore Power program, and various agreements with the nine Counties served by the District.

Those revenues susceptible to accrual are taxes, intergovernmental revenues, interest, charges for services, fines and penalties, and license and permit revenues.

Under the modified accrual basis, revenue from exchange and non-exchange transactions must meet both the “measurable” and “available” criteria to be recognized in the current period. On governmental fund financial statements, receivables that will not be collected within the availability period have been offset with unavailable revenue. Unearned revenue arises when assets are received before the revenue recognition criteria have been satisfied. Grants received before eligibility requirements have been satisfied are recorded as unearned revenue in the governmental fund financial statements (see Note 6).

E. Compensated Absences

The District’s policies provide compensation to employees for certain absences, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on any special event beyond the control of the District and its employees is accrued as employees earn those benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in a period in which such services are rendered or in which such events take place.

The District’s liability for compensated absences is recorded in the Statement of Net Position. District employees are allowed to accrue no more than four hundred and sixty hours of vacation as of the end of the calendar year. In the event of termination, the employees are reimbursed for all accumulated vacation at the time of separation from the District.

There are no restrictions regarding the accumulation of sick leave. On termination, employees are not paid for accumulated sick leave, but the accumulated sick leave is counted as service credit by the CalPERS pension plan administered by the State of California.

F. Pensions

The District participates in the Bay Area Air Quality Management District Miscellaneous Plan (the Plan), an agent multiple-employer defined benefit pension plan maintained by the California Public Employees' Retirement System (CalPERS). For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the Plan, and additions to/deductions from the Plan's fiduciary net position, have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

G. Use of Management Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

H. Receivables

During the course of normal operations, the District carries various receivable balances for taxes, interest, and permitting operations. The District considers receivables to be fully collectible; accordingly no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations when that determination is made. During the year ending June 30, 2016, management deemed $21,118 of outstanding receivables to be uncollectible.

I. Capital Assets

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting general capital assets at $5,000. Donated capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings, grounds & improvements	15-20 Years
Equipment	5-15 Years

J. Deferred Outflows/Deferred Inflows

In addition to assets, the financial statements report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension plan after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources. Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, and differences between projected and actual investment earnings. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 10 for further details related to these pension deferred outflows and inflows. In the fund financial statements, the District reports unavailable revenues as a deferred inflow of resources.

K. Net Position / Fund Balance

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt, if any, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

The governmental fund statements utilize a fund balance presentation. Fund balances are categorized as nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable Fund Balance – This category presents the portion of fund balance that cannot be spent because it is either not in a spendable form or it is legally or contractually required to be maintained intact.

Restricted Fund Balance – This category presents the portion of the fund balance that is for specific purposes stipulated by constitution, external resource providers, or enabling legislation.

Committed Fund Balance – This category presents the portion of the fund balance that can be used only for the specific purposes determined by a formal action (Resolution) of the District's highest level of decision making authority. For the District, this level of authority lies with the Board of Directors.

Assigned Fund Balance – This category presents the portion of the fund balance that is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. For the District, balances can be assigned by management or through the budget process. Other assigned balance represents amounts intended to be used for a Wood Burning Device and for Abatement Technology.

Unassigned Fund Balance – This category presents the portion of the fund balance that does not fall into restricted, committed, or assigned and are spendable.

L. Current Year GASB Implementation

For the year ended June 30, 2016, the District implemented GASB Statement No. 72 (GASB 72), Fair Value Measurement Application. The primary objective of GASB 72 is to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Note 2 includes certain disclosures required under GASB 72 as of June 30, 2016.

M. Future GASB Statement Implementation

In June of 2015, the GASB issued GASB Statement 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the year ended June 30, 2018. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net OPEB liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 75 is required to be implemented retroactively and will require a restatement of beginning net position.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Investments

The District pools cash from multiple sources and funds so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

Cash, cash equivalents, and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	$ 58,342,025
Restricted cash and cash equivalents	156,130,934
Total cash, cash equivalents, and investments	$ 214,472,959

Cash, cash equivalents, and investments as of June 30, 2016, consist of the following:

Cash and investments in San Mateo Pooled Fund Investment Program	$ 181,705,688
Cash, cash equivalents, and investments with fiscal agent	32,767,271
Total cash and cash equivalents	$ 214,472,959

Cash in County Treasury

The District is a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code under the oversight of the Treasury of the County of San Mateo (the Treasury). The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

The District earns interest on a proportionate basis with all other investors. Interest is credited directly to the District's account on a quarterly basis. The pooled fund is collateralized at 102% by San Mateo County, but not specifically identified to any one depositor or in the District's name.

The District reports its investment in the County Pool at the fair value amount provided by the County. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the District by the California Government Code Section 53601 or the Treasury investment policy, which was adopted by the District, whichever is more restrictive. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Government Agency / Sponsored Enterprise Securities	7 years	100%	40%
U.S. Treasury Obligations	7 years	100%	100%
Asset-Backed Securities	5 years	20%	5%
Banker's Acceptances	180 days	15%	5%
Commercial Paper	270 days	40%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Collateralized Certificates of Deposit	1 year	15%	5%
Repurchase Agreements	92 days	100%	100%
Mutual Funds	N/A	10%	5%
Corporate Bonds, Medium-Term Notes, & Covered Bonds	5 years	30%	5%
Local Agency Investment Funds (LAIF)	N/A	Up to state limit	None

Investments Authorized by Debt Agreements

The District's cash, cash equivalents, and investments with fiscal agent in the Capital Projects Fund in the amount of $29,684,881 represent unspent proceeds of the 2013 Certificates of Participation at June 30, 2016, which are restricted for specific purposes under terms of the trust agreement.

Investments of debt proceeds held by the trustee are governed by provisions of the trust agreement, rather than the general provisions of the California Government Code or the District's investment policy.

Derivative Investments

The District did not directly enter into any derivative investments, and the County Pool was not holding derivative investments at June 30, 2016.

Disclosures Related to Interest Rate Risk and Credit Risk

Generally, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and the District's investment policy limit the District's investments in banker's acceptances, commercial paper, negotiable certificates of deposit, collateralized certificates of deposit, and repurchase agreements to the rating of A1/P-1/F-1 or better by two of the three nationally recognized rating services (Standard & Poor's, Moody's Investors Service, or Fitch Ratings). Corporate securities are required to have a rating of AA or better at the time of purchase, aside from 25% of total corporate securities, which can have a rating of A. U.S. government securities are required to have a rating of AA, long-term, or A-1, short-term, or better by two of the three rating services. Asset-backed securities are required to have a rating of AAA or higher by two of the three rating services.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District's cash, cash equivalents, and investments were categorized as follows at June 30, 2016:

	Ratings			
	Moody's	**S&P**	**Maturities**	**Fair Value**
Money market	Not Rated	Not Rated	Current	$ 29,684,881
AIG fixed annuity	Not Rated	Not Rated	Current	3,082,390
Investments in San Mateo Pooled Fund Investment Program	Aa1/P-1	AA/A-1	1.06 years	181,705,688
Total cash, cash equivalents, and investments				$ 214,472,959

Restricted Cash, Cash Equivalents, and Investments

The District's restricted cash, cash equivalents, and investments are $156,130,934 at June 30, 2016.

Included in this restricted balance is $29,684,881 for the 2013 Certificates of Participation unspent proceeds, $123,363,663 restricted for air quality grants and projects, and $3,082,390 restricted for postemployment benefits.

Fair Value Measurement

GASB 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The investment in San Mateo Pooled Fund Investment Pool is subject to fair value measurement; however, it is not subject to the fair value hierarchy. The money market funds are classified as Level 1 because they are traded on the active market. The AIG Fixed Annuity is classified as Level 3 of the fair value hierarchy because it is a contract with AIG related to the restricted portion of OPEB funding.

3. RECEIVABLES

At June 30, 2016, the District had the following accounts receivable:

General Fund:		
Permit and other fees	$ 3,688,449	
County apportionments	866,694	
Interest	134,086	
Other	114,307	
Total General Fund		$ 4,803,536
Special Revenue Fund:		
TFCA DMV fees	4,677,951	
MSIF DMV fees	2,309,239	
Interest	279,896	
Total Special Revenue Fund		7,267,086
Total Accounts Receivable		$ 12,070,622

4. INTERFUND TRANSACTIONS

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. At June 30, 2016, the General Fund was owed $4,664,091 by the Special Revenue Fund.

With Board approval, resources are transferred from one fund to another. The purpose of the majority of transfers is to move approved administrative revenue charged to restricted programs in the Special Revenue Fund to the General Fund. Interfund transfers for the year ended June 30, 2016 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Special Revenue Fund	$ 748,975

5. CAPITAL ASSETS

The District's capital assets were comprised of the following at June 30, 2016:

	Balance at 7/1/2015	Additions	Deletions	Transfers	Balance at 6/30/2016
Non-depreciable assets:					
Land		$ 1,018,521			$ 1,018,521
Construction in progress	$ 6,448,049	2,473,849		$ (6,159,829)	2,762,069
Total non-depreciable assets	6,448,049	3,492,370		(6,159,829)	3,780,590
Depreciable assets:					
Building and grounds	207,868	1,548,196			1,756,064
Leasehold improvements	2,901,708	6,621			2,908,329
Computers and network equipment	7,091,038	2,275,000			9,366,038
Production system	10,422,314			6,159,829	16,582,143
Motorized equipment	750,167	39,297	$ (219,921)		569,543
Lab and monitoring equipment	8,579,068	391,618			8,970,686
Furniture and other equipment	3,669,802	5,923			3,675,725
Total depreciable assets	33,621,965	4,266,655	(219,921)	6,159,859	43,828,528
Accumulated depreciation:					
Building and grounds	129,236	65,668			194,904
Leasehold improvements	2,695,091	10,114			2,705,205
Computers and network equipment	3,688,836	459,479			4,148,315
Production system	320,361	694,821			1,015,182
Motorized equipment	682,283	5,306	(208,925)		478,664
Lab and monitoring equipment	6,555,631	566,393			7,122,024
Furniture and other equipment	2,231,273	402,681			2,633,954
Total accumulated depreciation	16,302,711	2,204,462	(208,925)		18,298,248
Total depreciable assets, net	17,319,254	2,062,193	(10,996)	6,159,829	25,530,280
Total capital assets, net	$ 23,767,303	$ 5,554,563	$ (10,996)	$	$ 29,310,870

Depreciation expense by function for capital assets for the year ended June 30, 2016, is as follows:

Primary Government:	
Executive office	$ 131,224
Administrative services	88,988
Legal services	70,599
Public information and outreach	51,327
Compliance enforcement	260,739
Engineering	223,164
Planning	162,306
Technical services	743,454
Information services	434,142
Strategic incentives	38,519
Total depreciation expense	$ 2,204,462

6. UNEARNED / UNAVAILABLE REVENUE

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Thus, the government-wide statement of net position and governmental funds offset cash received before the earning process is complete with a corresponding liability as unearned revenue.

Under the modified accrual basis of accounting, revenues are recognized when earned and susceptible to accrual. Revenues are considered susceptible to accrual if they are measurable and available to finance expenditures of the current period. Receivables not collected within the District's period of availability and therefore not considered available to liquidate liabilities of the current period are offset by a corresponding deferred inflow of resources as unavailable revenue in the governmental fund financial statements.

At June 30, 2016, components of unearned and unavailable revenues reported were as follows:

	Unearned Revenue	Unavailable Revenue	Total
General Fund:			
Permits and licenses		$ 2,079,112	$ 2,079,112
Carl Moyer Program Administration	$ 385,192		385,192
Lawn and Garden	38,865		38,865
Subtotal General Fund	424,057	2,079,112	2,503,169
Special Revenue Fund:			
GMB – Administration	391,127		391,127
GMB – On-Road Projects	3,847,572		3,847,572
Shore Power Projects	3,811,797		3,811,797
Carl Moyer Program	1,560,301		1,560,301
Retro Level 3	1,131,335		1,131,335
Subtotal Special Revenue Fund	10,742,132		10,742,132
Total unearned and unavailable revenue	$ 11,166,189	$ 2,079,112	$ 13,245,301

7. LONG-TERM LIABILITIES

On November 7, 2013, the District issued $30,000,000 through a private placement of taxable Certificates of Participation (Certificates) with Bay Area Headquarters Authority (BAHA) to finance its ownership interest of approximately 75,000 square feet of office space at 375 Beale Street. The Certificates will be held by the Bank of New York Mellon Trust Company, N.A., as Trustee, in an escrow account until acquisition of the premises by the District, expected sometime in 2017. The escrow account will pay interest due during the escrow period, at an annual rate of 0.247%, using proceeds of the Certificates. Upon acquisition date, the escrow period ends and the District will begin to make base rental payments under the terms of the sublease described below. The District may prepay the Certificates, all or in part, without penalty. The District agreed to contribute at least $8,500,000 from the sale of its 939 Ellis Street office building, payable at acquisition date at 375 Beale Street, which will go towards its debt obligation.

The District and BAHA have also entered into a financing lease/sublease arrangement whereby at the date of acquisition the District will lease its office space to BAHA and BAHA will then sublease office space back to the District to secure payment on the Certificates. Under the terms of the agreement, total monthly payments have been predetermined over a 30-year amortization period, and the amount of such payments that relates to interest will be calculated based on the index rate period of a five year duration with an applicable spread of 120 basis points or 1.20% per annum. Total payments of principal and interest are structured as follows:

Rental Term Years	Total Annual Payments	Total Payments
1 – 10	$ 1,200,000	$ 12,000,000
11 - 30	1,370,000	24,660,000
		$ 36,660,000

Upon payment of all rental payments under the term of the sublease agreement, the title of the office space will transfer to the District. As of the date of this report, the acquisition of Beale Street had not yet occurred and as a result, the Certificates are still being held in an escrow account.

The District moved into the premises at 375 Beale Street in June 2016, however, the Purchase Option has not yet been exercised because certain actions necessary to creating the condominium have not yet been completed. There is an understanding that until it becomes possible for the District to exercise the Purchase Option, any payments accrued from July 1, 2016, when lease payments started, through the acquisition date will be applied against the District's principle associated with the Certificates. Refer to Note 8 regarding the office lease agreement at 375 Beale Street.

A schedule of changes in general long-term debt for the year ended June 30, 2016, is shown below:

	Balance July 1, 2015,	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Governmental Activities					
Certificates of participation	$ 30,000,000			$ 30,000,000	
Compensated absences	4,501,562	$ 2,783,964	$ (2,979,031)	4,181,813	$ 3,000,000
Capital lease		2,275,000	(383,333)	1,891,667	383,333
Net pension liability	48,753,502	10,429,242	(4,268,315)	54,914,429	
OPEB liability	5,809,299	4,218,000	(5,187,557)	4,839,742	
Total	$ 89,064,363	$ 19,706,206	$ (12,818,236)	$ 95,827,651	$ 3,383,333

The long-term portion of compensated absences is liquidated by the General Fund and the long-term portion of the OPEB and net pension liabilities are liquidated by both the General Fund and the Special Revenue Fund. Certificates of participation will be partially liquidated with proceeds from the sale of 939 Ellis Street, held in the General Fund, and will be otherwise liquidated by the Capital Projects Fund.

Capital lease is related to hardware, software and services for IT infrastructure located at the new building at 375 Beale Street which includes but is not limited to servers, storage, Voice Over IP, computer networks, and security systems. The capital lease agreement had a total principal amount of $2,300,000 of which the District borrowed $2,275,000 with an annual payment of $383,333 over 6 years. The fair value of fixed assets purchased with the capital lease is $2,275,000. The capital lease expense during the year ended June 30, 2016 was 383,333.

8. OPERATING LEASES

Commitments under non-cancelable operating lease agreements for air-monitoring stations, vehicles, and office equipment provide for minimum annual rental payments as follows:

Year ended June 30,	
2017	$ 954,904
2018	746,563
2019	410,366
2020	296,959
2021	107,833
2022-2026	225,570
2027-2031	228,570
2032-2036	231,570
	$ 3,202,335

Air-monitoring station leases are renewable with minor escalations.

Rental expense for lease agreements above during the year ended June 30, 2016, was $1,461,582.

Additionally, the District sold its land and building at 939 Ellis Street on April 30, 2014. On the same date, the District entered a lease agreement with the new owners to lease the premises for a monthly rent of $91,925 through June 30, 2015. The lease allows for four 90-day extension periods through June 30, 2016, with monthly rent increasing to $114,906 on October 1, 2015. The District participated in this lease agreement until moving to the new premises in June 2016. Rental expense for the 939 Ellis Street building for the year ended June 30, 2016, was $1,309,484.

The office lease agreement for 375 Beale Street between the District and BAHA is dated April 19, 2012 which calls for monthly lease payments of $158,334 for an annual payment of $1,900,000. These will be the terms the District will follow until the Purchase Option has been exercised. The District did not start making rent payments at 375 Beale Street until July 1, 2016. Refer to Note 7 for additional information.

9. COUNTY APPORTIONMENT REVENUE

As a result of the passage of Proposition 13 in fiscal year 1979, the District no longer has the power to calculate property tax revenues due for each county. Instead, the District now receives remittances from the counties, which are calculated in accordance with Assembly Bill Number 8. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Property tax revenues are recognized by the District in the fiscal year they are assessed, provided that they become available as defined above.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term “unsecured” refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables in the fiscal year of levy, provided that they are collected within the fiscal year or within ninety days after year end.

County apportionment revenue recognized as of June 30, 2016, is as follows:

Alameda	$ 4,995,283
Contra Costa	3,231,216
Marin	1,342,632
Napa	926,228
Santa Clara	7,653,718
San Francisco	4,109,199
San Mateo	3,879,550
Solano	725,322
Sonoma	1,355,137
Total county apportionment revenue	$ 28,218,285

10. PENSION PLAN

Plan Description – All District employees are eligible to participate in the Bay Area Air Quality Management District Miscellaneous Plan (the Plan), an agent multiple-employer defined-benefit pension plan administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. CalPERS issues a publicly available report that includes a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found online at www.calpers.ca.gov.

Benefits Provided – Benefit provisions under the Plan are established by State statute and District resolution. The benefits are based on members' years of service, age, final compensation, and benefit formula. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPRA, the Plan has two benefit structures: 1) CalPERS Miscellaneous Employee "2% at 55" for members first hired prior to January 1, 2013, to perform CalPERS creditable activities (Classic members), and 2) CalPERS Miscellaneous Employee "2% at 62" for members first hired on or after January 1, 2013, to perform CalPERS creditable activities (PEPRA members). The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Classic members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits, while PEPRA members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%	1.000% - 2.500%
Required employee contribution rates	7.0%	6.25%
Required employer contribution rates	14.745%	14.745%

Employees Covered – At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

Inactive employees or beneficiaries currently receiving benefits	317
Inactive employees entitled to but not yet receiving benefits	92
Active employees	225
Total	634

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability – The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase(1)	3.2% - 12.2%
Investment Rate of Return(2)	7.65%
Mortality(3)	Derived using CalPERS' Membership Data

(1) Depending on age, service and type of employment
(2) Net of pension plan investment and administrative expenses, including inflation
(3) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, see the 2014 Experience Study on the CalPERS website.

Change in Assumption – GASB 68, states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.5% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount for administrative expense.

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report that can be obtained from CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the year ended June 30, 2018. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 – 10[a]	Real Return Years 11+[b]
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.55)%	(1.05)%
Total	100%		

[a] An expected inflation of 2.5% used for this period.
[b] An expected inflation of 3.0% used for this period.

Changes in the Net Pension Liability – The changes in the net pension liability for the Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balance at June 30, 2014	$ 257,597,346	$ 208,843,844	$ 48,753,502
Changes recognized for the measurement period:			
Service cost	4,405,494		4,405,494
Interest on the total pension liability	19,019,896		19,019,896
Changes of assumptions	(4,479,434)		(4,479,434)
Differences between expected and actual experience	(1,508,680)		(1,508,680)
Contributions - employer		4,268,315	(4,268,315)
Contributions - employee		2,372,392	(2,372,392)
Net investment income		4,871,767	(4,871,767)
Benefit payments, including refunds of employee contributions	(10,371,769)	(10,371,769)	
Administrative expense		(236,125)	236,125
Net changes	7,065,507	904,580	6,160,927
Balance at June 30, 2015	$ 264,662,853	$ 209,748,424	$ 54,914,429

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the District for the Plan, calculated using the discount rate for the Plan, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
District's net pension liability	$ 88,884,653	$ 54,914,429	$ 26,510,030

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2016, the District recognized pension expense of $2,650,150. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 5,365,344	
Change in assumptions		$ (3,359,575)
Differences between expected and actual experience		(1,131,510)
Net differences between projected and actual earnings on plan investments		(1,977,059)
Total	$ 5,365,344	$ (6,468,144)

$5,365,344 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	$ (2,811,746)
2017	(2,881,746)
2018	(2,881,744)
2019	2,177,092

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description – The District sponsors a single-employer defined benefit healthcare plan administered by CalPERS. The District provides medical, dental, vision, and life insurance benefits to eligible retirees. Benefit provisions are established in accordance with the Employee Association Memorandum of Understanding (MOU) for represented employees and as adopted by Board Resolution for all other employees who retire from the District on or after attaining age 50 with at least 5 (five) years of service.

The District established an irrevocable trust to prefund the other postemployment benefit annual required contribution by participating in the California Employers' Retiree Benefit Trust (CERBT) program during the fiscal year ended June 30, 2009. The funds in the CERBT are held in trust and administered by the California Public Employees' Retirement System (CalPERS) as an agent multiple-employer plan. The District's Other Postemployment Benefits (OPEB) financial statements will be included in the CalPERS Comprehensive Annual Financial Report (CAFR). Copies of the CalPERS' CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy – The District funds on a pay-as-you-go basis with additional discretionary funding payments as approved by the Board. The District paid health care and life insurance benefit contributions based on when insurance premium payments were made, which were $2,187,557 for the year ended June 30, 2016. The additional discretionary funding payment approved by the Board for the year ended June 30, 2016, was $3,000,000. During the year ended June 30, 2016, two hundred twelve (212) retirees participated in the health insurance plan, one hundred eight-six (186) retirees participated in the dental plan, one hundred sixty-eight (168) retirees participated in the vision plan, and one hundred sixty four (164) retirees participated in the life insurance plan.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

The CERBT fund, which is an IRC Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other postemployment benefits for retirees and their beneficiaries, (ii) investing contributed amounts and income therein, and (iii) disbursing contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other postemployment benefits in accordance with the terms of the District's OPEB plan.

Annual OPEB Cost and Net OPEB Obligation – The ARC was determined as part of the June 30, 2015 actuarial valuation. The ARC rate was 13.4% of annual covered payroll. For the year ended June 30, 2016, the District's annual other postemployment benefit cost (expense) is $4,218,000. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

Annual required contribution	$ 4,588,000
Interest on net OPEB obligation	409,000
Amortization of net OPEB obligation	(779,000)
Annual OPEB cost (expense)	4,218,000
Contributions made	(5,187,557)
Decrease in net OPEB obligation	(969,557)
Net OPEB obligation-beginning of year	5,809,299
Net OPEB obligation-end of year	$ 4,839,742

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016, and the two preceding years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	$ 5,283,000	90.1%	$ 6,486,150
6/30/15	$ 4,212,000	116.1%	$ 5,809,299
6/30/16	$ 4,218,000	123.0%	$ 4,839,742

Funded Status and Funding Progress – The funded status of the plan as of the most recent actuary valuation date, June 30, 2015, was as follows:

Actuarial accrued liability (AAL)	$ 62,103,000
Actuarial value of plan assets	29,149,000
Unfunded actuarial accrued liability (UAAL)	$ 32,954,000
Funded ratio (actuarial value of plan assets/AAL)	46.9%
Covered payroll (active plan members)	$ 32,674,000
UAAL as a percentage of payroll	100.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The schedule of funding progress included in the required supplementary information presents multiyear information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In the June 30, 2015, actuarial valuation, the Entry Age Normal (EAN) cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), an annual medical cost trend rate of 5.0% - 7.2%, dental and vision trend rate of 3%, Medicare Part B trend rate of $104.90, and an inflation assumption of 3%. The EAN cost method spreads plan costs for each participant from the entry date to the expected retirement date. Under the EAN cost method the plan's normal cost is developed as a level amount over the participant's working lifetime. The actuarial value of plan assets was $29,149,000. The plan's unfunded actuarial accrued liability is being amortized using the level percentage of pay method over 20 (twenty) years with 12 (twelve) years remaining as of June 30, 2016.

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District manages and finances these risks by purchasing commercial insurance and has a $1,000 to $10,000 deductible for general and special property liability with limits of $10 million and $350 million, respectively. The District has a $500,000 deductible for workers' compensation with a $1 million limit. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the District's commercial insurance coverages in any of the past three years.

As of June 30, 2016, the District had no material claims outstanding for general liability or for workers' compensation cases.

13. COMMITMENTS AND CONTINGENCIES

The District is subject to litigation arising in the normal course of business. In the opinion of the District's Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the District.

The District receives Federal and State grant funds. The amounts, if any, of the District's grant expenditures which may be disallowed upon audit by the granting agencies cannot be determined at this time, although the District expects any such amounts to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2011	$ 12,450,000	$ 53,436,000	$ 40,986,000	23.3%	$ 31,896,000	128.5%
6/30/2013	$ 19,636,000	$ 49,660,000	$ 30,024,000	39.5%	$ 32,085,000	93.6%
6/30/2015	$ 29,149,000	$ 62,103,000	$ 32,954,000	46.9%	$ 32,674,000	100.9%

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY AND RELATED RATIOS AS OF JUNE 30, 2016 LAST 10 YEARS*

Bay Area Air Quality Management District Miscellaneous Plan

	Measurement Date	
	2015	**2014**
Total pension liability		
Service cost	$ 4,405,494	$ 4,509,169
Interest	19,019,896	18,144,590
Changes of assumptions	(4,479,434)	0
Difference between expected and actual experience	(1,508,680)	0
Benefit payments, including refunds of employee contributions	(10,371,769)	(9,459,410)
Net change in total pension liability	7,065,507	13,194,349
Total pension liability – beginning	257,597,346	244,402,997
Total pension liability – ending (a)	$ 264,662,853	$ 257,597,346
Plan fiduciary net position		
Contributions – employer	$ 4,268,315	$ 3,815,653
Contributions – employee	2,372,392	2,622,951
Net investment income	4,871,767	31,178,442 (1)
Benefit payments, including refunds of employee contributions	(10,371,769)	(9,459,410)
Administrative Expense	(236,125)	0
Net change in fiduciary net position	904,580	28,157,636
Plan fiduciary net position – beginning	208,843,844	180,686,208
Plan fiduciary net position – ending (b)	$ 209,748,424	$ 208,843,844
District's net pension liability – ending (a) - ending (b)	$ 54,914,429	$ 48,753,502
Plan fiduciary net position as a percentage of the total pension liability	79.25%	81.07%
District's covered-employee payroll	$ 33,133,499	$ 32,010,647
District's net pension liability as a percentage of covered-employee payroll	165.74%	152.30%

(1) Net of administrative expenses.

Notes to Schedule:

Change of benefit terms – There were no changes to the benefit terms.
Changes in assumptions – During the measurement period ending June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct adjustment which previously reduced the discount rate for administrative expenses. There were no changes in assumptions during the measurement period ended June 30, 2014.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30, 2016
LAST 10 YEARS*

Bay Area Air Quality Management District Miscellaneous Plan

	Fiscal Year	
	2016	**2015**
Actuarially determined contribution	$ 5,365,344	$ 4,268,315
Contributions in relation to the actuarially determined contributions	(5,365,344)	(4,268,315
Contribution deficiency (excess)	$ 0	$ 0
District's covered-employee payroll	$ 34,119,169	$ 33,133,499
Contributions as a percentage of covered-employee payroll	15.73%	12.88%

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Permit fees	$ 29,175,000	$ 29,175,000	$ 31,350,081	$ 2,175,081
Title V permit fees	4,325,000	4,325,000	5,120,624	795,624
AB 2588 income	555,000	555,000	261,483	(293,517)
County apportionment	24,479,345	24,479,345	28,218,285	3,738,940
Federal grant - EPA	1,825,279	1,875,279	2,539,176	663,897
Federal grant - DHS	1,471,475	1,471,475	1,195,800	(275,675)
CMAQ Spare the Air	885,000	885,000	889,081	4,081
Penalties and variance fees	2,000,000	2,000,000	6,121,023	4,121,023
Hearing board fees	20,000	20,000	12,478	(7,522)
Asbestos fees	2,400,000	2,400,000	3,869,468	1,469,468
State subvention	1,722,000	1,722,000	1,726,549	4,549
State grants	544,838	939,537	837,004	(102,533)
Portable equipment registration program (PERP)	400,000	400,000	566,600	166,600
Special environmental projects		1,127,050	1,139,237	12,187
Interest	200,000	200,000	566,870	366,870
Miscellaneous	200,000	200,000	110,445	(89,555)
Total revenues	70,202,937	71,774,686	84,524,204	12,749,518
EXPENDITURES				
Executive office and finance	7,516,619	8,276,769	7,398,665	878,104
Administration	10,053,712	10,552,614	10,337,347	215,267
Information systems	4,852,183	5,032,184	4,041,243	990,941
Legal services	2,971,786	2,977,558	2,854,399	123,159
Outreach and incentives	4,316,785	5,160,868	4,396,121	764,747
Compliance and enforcement	11,877,806	11,913,892	10,340,643	1,573,249
Engineering	8,597,535	8,851,075	8,650,232	200,843
Planning and research	5,890,281	6,779,778	5,860,323	919,455
Meteorology, measurement and rules	12,266,905	13,163,178	12,461,643	701,535
Strategic incentives division	888,855	1,074,765	642,090	432,675
Program distribution		1,521,749	2,211,130	(689,381)
1% vacancy savings	(1,476,588)	(1,476,588)		(1,476,588)
Total current expenditures	67,755,879	73,827,841	69,193,836	4,634,005
Principal			383,333	(383,333)
Interest			16,045	(16,045)
Capital outlay	4,000,615	12,819,449	7,759,025	5,060,424
Total expenditures	71,756,494	86,647,290	77,352,239	9,295,051
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,553,557)	(14,872,604)	7,171,965	22,044,569
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease			2,275,000	2,275,000
Transfers in	303,585	303,585	748,975	445,390
NET CHANGE IN FUND BALANCE	$ (1,249,972)	$ (14,569,019)	10,195,940	$ 22,489,959
BEGINNING BUDGETARY FUND BALANCE			56,401,380	
ENDING BUDGETARY FUND BALANCE			$ 66,597,320	

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	**Final**	**(Budgetary Basis)**	**Positive (Negative)**
REVENUES				
TFCA/MSIF DMV fee	$ 44,880,438	$ 58,823,551	$ 28,942,667	$ (29,880,884)
CA Goods Movement revenue & other programs	7,996,315	2,204,290	4,012,175	1,807,885
Carl Moyer Program	10,501,931	12,591,070	11,204,627	(1,386,443)
AB 434/923 others	944,457	944,457	1,236,914	292,457
Total revenues	64,323,141	74,563,368	45,396,383	(29,166,985)
EXPENDITURES				
TFCA/MSIF, Carl Moyer, & other programs:				
Program distribution	35,923,743	47,331,421	28,623,969	18,707,452
Intermittent control	1,323,354	1,744,670	1,352,343	392,327
TFCA administration	1,219,328	1,615,932	1,080,408	535,524
Vehicle buy-back	7,244,998	8,345,318	6,759,267	1,586,051
Mobile source incentive	564,940	597,385	494,512	102,873
Regional BikeShare	6,289,304	7,484,279	1,232,156	6,252,123
CarSharing incentive program	104,966	151,328	48,644	102,684
Regional electric vehicle deployment	986,770	2,418,483	264,791	2,153,692
Enhanced mobile source inspection	1,724,966	1,725,806	1,260,673	465,133
California Goods Movement Program & other programs:				
Grant administration	1,037,187	1,073,656	621,202	452,454
Truck Program/LESBP	7,600,000	1,771,505	2,909,443	(1,137,938)
Total expenditures	64,019,556	74,259,783	44,647,408	29,612,375
EXCESS OF REVENUES OVER EXPENDITURES	303,585	303,585	748,975	445,390
OTHER FINANCING USES				
Transfers out	(303,585)	(303,585)	(748,975)	(445,390)
NET CHANGE IN FUND BALANCE	$	$		$
BEGINNING BUDGETARY FUND BALANCE				
ENDING BUDGETARY FUND BALANCE			$	

Budgetary Principles

Through the budget process, the Board of Directors sets the direction of the District. The annual budget assures the most efficient and effective use of the District's economic resources, and establishes the priority of objectives that are to be accomplished during the fiscal year.

The annual budget covers the period from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees, and other public agencies. In addition, it establishes the foundation of effective financial planning by providing resource allocation, performance measures and controls that permit the evaluation and adjustment of the District's performance.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

a) The Board of Directors adopts an annual budget by resolution prior to July 1 of each fiscal year. The annual budget indicates appropriations by fund and by program. The Board of Directors may also adopt supplemental appropriations during the year. At the fund level, expenditures may not legally exceed appropriations. The Air Pollution Control Officer (APCO) is authorized to transfer budgeted amounts between divisions and programs within any fund.

b) Budgets are adopted on a basis that is consistent with Generally Accepted Accounting Principles (GAAP) with the exception of recognition of certain revenues, as discussed below. Annual appropriated budgets are adopted for the General and Special Revenue funds.

c) Supplementary budgetary revenue and expenditure appropriations were adopted by the Board of Directors during the fiscal year. These supplemental appropriations have been included in the Budgeted Amounts - Final column of the Budgetary Comparison Schedules.

Reconciliation to the Statement of Revenues, Expenditures, and Changes in Fund Balances

The District's budgetary basis is consistent with Generally Accepted Accounting Principles (GAAP), with the exception of certain revenues that are recognized when earned in the GAAP-basis financial statements, but deferred until expended on the budgetary basis. Revenues in the Budget and Actual schedules have been presented on the budgetary basis to provide a more meaningful comparison of actual results with the budget. The following is a reconciliation between revenues on the budgetary basis and the GAAP basis reflected in the statement of revenues, expenditures, and changes in fund balance.

	General Fund	Special Revenue Fund
Revenues – Budgetary Basis	$ 84,524,204	$ 45,396,383
Revenue recognition adjustments	(1,131,572)	7,570,985
Revenues – GAAP Basis	$ 83,392,639	$ 52,967,368

SUPPLEMENTARY INFORMATION

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

TRANSPORTATION FUND FOR CLEAN AIR (TFCA) PROGRAM, MOBILE SOURCE INCENTIVE PROGRAM, CARL MOYER PROGRAM, & OTHER PROGRAMS
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2016

Programs	Salaries and Benefits	Services and Supplies	Program Distribution	Total
Program distribution			$ 28,623,852	$ 28,623,852
Smoking vehicle		$ 117		117
Intermittent control	$ 504,660	847,683		1,352,343
TFCA administration	903,877	176,531		1,080,408
Vehicle buy-back	31,131	6,728,136		6,759,267
Mobile source incentive	467,257	27,255		494,512
Regional BikeShare	52,167	1,179,989		1,232,156
CarSharing incentive program	48,644			48,644
Regional electric vehicle deployment	91,991	172,800		264,791
Enhanced inspection program	1,256,607	4,066		1,260,673
Total expenditures	$ 3,356,334	$ 9,136,577	$ 28,623,852	$ 41,116,763

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

UNIFORM GUIDANCE AND TRANSPORTATION FUND FOR CLEAN AIR COMPLIANCE REPORTS

FOR THE YEAR ENDED JUNE 30, 2016

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through / Grant Identifying Number	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Environmental Protection Agency:				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	PM99T08001-2	66.034		$ 157,794
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	PM99T08001-4	66.034		51,802
National Air Toxics Trend Study	XA00T63001-6	66.034		99,020
Total CFDA 66.034				308,616
Air Pollution Control Program Support	A00905615	66.001	$ 31,044	75,434
Air Pollution Control Program Support	A00905616	66.001	628,689	2,155,126
Total CFDA 66.001			659,733	2,230,560
Total U.S. Environmental Protection Agency			659,733	2,539,176
U.S. Department of Homeland Security:				
Homeland Security Biowatch Program	2006-ST-91-2	97.091		1,195,800
U.S. Department of Transportation:				
Passed through California Department of Transportation:				
Highway Planning and Construction	CML-6297(003)	20.205		889,081
Highway Planning and Construction	CML-6297(006)	20.205		920,558
Total CFDA 20.205 and U.S. Department of Transportation				1,809,639
Total Expenditures of Federal Awards			$ 659,733	$ 5,544,615

See accompanying notes to schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the Bay Area Air Quality Management District (the District). The District's reporting entity is defined in Note 1 of the District's basic financial statements. Expenditures of federal awards received directly from federal agencies, as well as expenditures of federal awards passed through other governmental agencies, are included in the SEFA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – Funds received under the various grant programs have been recorded within the general fund and the special revenue fund of the District. The accompanying SEFA is presented using the modified accrual basis of accounting for expenditures that are accounted for in the general fund and the special revenue fund, which are both governmental funds, as described in Note 1 of the District's basic financial statements.

Relationship to Financial Statements – Federal award expenditures reported in the accompanying SEFA agree, or can be reconciled, in all material respects, to amounts reported in the District's basic financial statements.

Catalog of Federal Domestic Assistance (CFDA) – The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant or contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

3. PASS-THROUGH ENTITIES' IDENTIFYING NUMBERS

When federal awards are received from a pass-through entity, the SEFA indicates, if assigned, the identifying grant or contract number that has been assigned by the pass-through entity.

4. INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND THE TRANSPORTATION FUND FOR CLEAN AIR (TFCA) PROGRAM

Independent Auditor's Report

To the Board of Directors
Bay Area Air Quality Management District
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Bay Area Air Quality Management District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Fund for Clean Air (TFCA) funds allocated to and received by the District were expended in conformance with applicable statutes, rules, and regulations of the Health and Safety Code Sections 44220 through 44225 and 44229 through 44242. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 20, 2016

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Board of Directors
Bay Area Air Quality Management District
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited the Bay Area Air Quality Management District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of the District as of and for the year ended June 30, 2016, and have issued our report thereon dated December 20, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 20, 2016

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	✓ No
Significant deficiencies identified?	____ Yes	✓ None Reported
Noncompliance material to financial statements noted?	____ Yes	✓ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	✓ No
Significant deficiencies identified?	____ Yes	✓ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	✓ No

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
97.091	Homeland Security Biowatch Program

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000	
Auditee qualified as low-risk auditee?	✓ Yes	____ No

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

SECTION III - FEDERAL COMPLIANCE

There were no federal compliance findings reported.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

There were no findings in the prior year.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson David Hudson and Members of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 10, 2017

Re: Second Quarter Financial Report – Fiscal Year Ending 2017

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Finance staff will present an update on the Air District's preliminary financial results for the second quarter of the 2016-17 fiscal year. The following information summarizes those results.

GENERAL FUND BUDGET: STATEMENT OF REVENUES – Comparison of Prior Quarter Actual and Current Year Budget to Actual

REVENUE TYPE	2ND QTR FY 2016	2ND QTR FY 2017	FY 2017 - % of REVENUE
County Receipts	$10,715,794	$9,368,886	35%
Permit Fee Receipts	$24,271,513	$23,338,734	70%
Title V Permit Fees	$3,661,749	$3,516,484	75%
Asbestos Fees	$1,905,610	$2,114,919	81%
Toxic Inventory Fees	$245,472	$220,884	56%
Penalties and Settlements	$5,082,455	$2,313,493	105%
Miscellaneous Revenues	$178,177	$117,230	59%
Interest Revenues	$54,867	$64,024	43%
Total Revenue	$46,115,638	$41,054,654	58%

GENERAL FUND: STATEMENT OF EXPENDITURES - Comparison of Prior Quarter Actual and Current Year Budget to Actual

EXPENDITURE TYPE	2ND QTR FY 2016	2ND QTR FY 2017	FY 2017 - % of EXPENDITURES
Personnel - Salaries*	$17,560,317	$18,031,742	48%
Personnel - Fringe Benefits*	$10,340,740	$10,556,796	55%
Operational Services /	$9,097,380	$8,415,521	39%
Capital Outlay	$4,339,071	$1,714,298	43%
Total Expenditures	$41,337,509	$38,718,357	47%

**Consolidated (includes Special Funds)*

CASH INVESTMENTS IN COUNTY TREASURY – Account Balances as of 2nd Quarter

CASH/INVESTMENTS	2ND QTR FY 2016	2ND QTR FY 2017
General Fund	$53,426,060	$63,975,487
TFCA	$72,924,265	$84,300,652
MSIF	$30,643,303	$34,418,112
Carl Moyer	$8,669,025	$6,232,847
CA Goods Movement	$8,540,921	$8,958,517
Bike Share	$2,230,961	$1,061,153
Total	$176,434,534	$198,946,769

FUND BALANCES	6/30/2015 Audited	6/30/2016 Audited	6/30/2017 Projected
Reserve for Capital Equipment Contingency	$1,000,000	$1,360,000	$860,000
Reserve for Economic Contingency	$10,114,309	$15,159,959	$15,754,025
Reserve for IT-Desktop Equipment	$500,000	$0	$0
Reserve for IT- Event Response	$500,000	$500,000	$500,000
Reserve for Pension & Post Employment Liability	$1,800,000	$1,600,000	$800,000
Reserve for Tech- Meteorological Network Equipment	$417,100	$417,100	$417,100
Reserve for Tech- Mobile Monitoring Instruments	$450,000	$450,000	$450,000
Reserve for GHG Abatement Technology Study	$0	$1,500,000	$1,500,000
Reserve for Worker's Comp Self -Funding	$1,000,000	$1,000,000	$1,000,000
Total Designated Reserves	$15,781,409	$21,987,059	$21,281,125
Undesignated Fund Balance	$15,122,475	$13,366,286	$13,366,286
TOTAL RESERVES	**$30,903,884**	**$35,353,345**	**$34,647,411**
Building Proceeds	$14,168,200	$4,668,200	$4,668,200
TOTAL FUND BALANCE	**$45,072,084**	**$40,021,545**	**$39,315,611**
UNFUNDED LIABILITIES (Based on 2015 Actuarial Valuation Report)			
CalPERS Pension Retirement			$59,242,771
Other Post- Employment Benefits			$32,954,000
TOTAL UNFUNDED LIABILITIES			**$92,196,771**

VENDOR PAYMENTS

In accordance with provisions of the Administrative Code, Division II Fiscal Policies and Procedures - Section 4 Purchasing Procedures: 4.3 Contract Limitations, staff is required to present recurring payments for routine business needs such as utilities, licenses, office supplies and the like, more than, or accumulating to more than $100,000 for the fiscal year. In addition, this report includes all of the vendors receiving payments in excess of $100,000 under contracts that have not been previously reviewed by the Board. In addition, staff will report on vendors that undertook work for the Air District on several projects that individually were less than $100,000, but cumulatively exceed $100,000.

Below is a list of vendors with cumulative payments made through the second quarter of 2016-2017 fiscal year that exceeded $100,000 and meets the reporting criteria noted above.

All expenditures have been appropriately budgeted as a part of the overall Air District budget for Fiscal Year 2016-17.

VENDOR NAME	AMOUNT PAID (July-Dec 2016)	Explanation
Alliant Insurance Services	$434,067	Various Business Insurance Policies
Benefits Coordinators Corp.	$430,708	Life Insurance Plan & LTD Insurance
CA Public Employee Retirement System	$2,385,929	Health Insurance Plan
CA Public Employee Retirement System	$6,017,400	Retirement Benefits & 457 Supplemental Plan
CAPCOA	$643,742	Pass through EPA grants
Cubic Transportations Systems	$205,582	Clipper Transit Subsidy
Employee Benefit Specialists	$177,831	Medical & Dependent Care Flexible Spending Plan
Enterprise Fleet Services	$264,658	Fleet Leasing and Maintenance services
Hartford Life Ins Co.	$291,006	Supplemental Insurance
Preferred Benefit Insurance AD	$333,295	Dental Insurance Plan

BUDGET CONSIDERATION/FINANCIAL IMPACT

None; receive and file.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze
Reviewed by: Jeff McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson David Hudson and Members of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 10, 2017

Re: Overview of Current Fiscal Year Ending 2017

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Staff will provide an overview of the current fiscal year. The overview will include a discussion of the strategies employed during the FYE 2017 budget cycle and implications for the coming FYE 2018 budget process.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None; receive and file.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeff McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Liz Kniss and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 18, 2017

Re: Report of the Mobile Source Committee Meeting of January 26, 2017

RECOMMENDED ACTION

The Mobile Source Committee (Committee) recommends the Board of Directors' approval of the following items:

A) Projects and Contracts with Proposed Grant Awards over $100,000;

1) Approve Carl Moyer Program (CMP) projects with proposed grant awards over $100,000 as shown in Attachment 1; and

2) Authorize the Executive Officer/APCO to enter into agreements with applicants for the recommended projects

B) Overview of Transit and Shuttle Trends in the Bay Area

1) None; receive and file; and

C) Update on Efforts to Further Reduce Emissions at the Port of Oakland

1) None; receive and file

BACKGROUND

The Committee met on Thursday, January 26, 2017, and received the following reports:

A) Projects and Contracts with Proposed Grant Awards over $100,000;

B) Overview of Transit and Shuttle Trends in the Bay Area; and

C) Update on Efforts to Further Reduce Emissions at the Port of Oakland

Chairperson Karen Mitchoff will provide an oral report of the Committee meeting.

BUDGET CONSIDERATION/FINANCIAL IMPACT

A) None. Through the CMP and MSIF, the Air District distributes "pass-through" funds to the public agencies and private entities on a reimbursement basis. Administrative costs for these programs are provided by each funding source;

B) None; and

C) None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Aloha Galimba
Reviewed by: Maricela Martinez

Attachment 7A: 01/26/17 – Mobile Source Committee Meeting Agenda #4
Attachment 7B: 01/26/17 – Mobile Source Committee Meeting Agenda #5
Attachment 7C: 01/26/17 – Mobile Source Committee Meeting Agenda #6

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Karen Mitchoff and Members
of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 5, 2017

Re: Projects and Contracts with Proposed Grant Awards over $100,000

RECOMMENDATIONS

Recommend Board of Directors:

1. Approve Carl Moyer Program (CMP) projects with proposed grant awards over $100,000 as shown in Attachment 1; and

2. Authorize the Executive Officer/APCO to enter into agreements with applicants for the recommended projects.

BACKGROUND

The Bay Area Air Quality Management District (Air District) has participated in the Carl Moyer Program (CMP), in cooperation with the California Air Resources Board (ARB), since the program began in fiscal year 1998-1999. The CMP provides grants to public and private entities to reduce emissions of oxides of nitrogen (NOx), reactive organic gases (ROG) and particulate matter (PM) from existing heavy-duty engines by either replacing or retrofitting them. Eligible heavy-duty diesel engine applications include on-road trucks and buses, off-road equipment, marine vessels, locomotives, and stationary agricultural pump engines.

Assembly Bill 923 (AB 923 - Firebaugh), enacted in 2004 (codified as Health and Safety Code Section 44225), authorized local air districts to increase their motor vehicle registration surcharge up to an additional $2 per vehicle. The revenues from the additional $2 surcharge are deposited in the Air District's Mobile Source Incentive Fund (MSIF). AB 923 stipulates that air districts may use the revenues generated by the additional $2 surcharge for projects eligible under the CMP.

On March 16, 2016, the Board of Directors (Board) authorized Air District participation in Year 18 of the CMP, and authorized the Executive Officer/APCO to execute Grant Agreements and amendments for projects funded with CMP funds or MSIF revenues, with individual grant award amounts up to $100,000.

CMP projects with grant award amounts over $100,000 are brought to the Mobile Source Committee for consideration at least on a quarterly basis. Staff reviews and evaluates the grant applications based upon the respective governing policies and guidelines established by the ARB and/or the Board.

DISCUSSION

The Air District started accepting project applications for the CMP Year 18 funding cycle on July 11, 2016. The Air District had approximately $11 million available for CMP projects from a combination of MSIF and CMP funds for the Year 18 cycle. Project applications are accepted and evaluated on a first-come, first-served basis.

As of January 5, 2017, the Air District received 40 project applications for the CMP Year 18 cycle. Of the applications that were evaluated between November 21, 2016, and January 5, 2017 one eligible project has a proposed grant award over $100,000. This project will replace two diesel marine engines and reduce over 0.45 tons of NOx, ROG and PM per year. Staff recommends the allocation of $156,000 for this project from a combination of CMP funds and MSIF revenues. Attachment 1, Table 1, provides additional information on this project.

Attachment 2, lists all of the eligible Year 18 projects that have been received by the Air District as of January 5, 2017, and summarizes the allocation of funding by equipment category, and county. This list also includes the Voucher Incentive Program (VIP) on-road replacement projects awarded since the last Committee update. Approximately 52% of the funds have been awarded to projects that reduce emissions in highly impacted Bay Area communities. Attachment 3 summarizes the cumulative allocation of CMP, MSIF, and VBB funding since 2009 (more than $128 million awarded to 784 projects).

BUDGET CONSIDERATION / FINANCIAL IMPACT

None. Through the CMP and MSIF, the Air District distributes "pass-through" funds to public agencies and private entities on a reimbursement basis. Administrative costs for these programs are provided by each funding source.

Respectfully submitted,

Jack P. Broadbent
Executive Director/APCO

Prepared by: Anthony Fournier
Reviewed by: Damian Breen

Attachment 1: Projects with grant awards greater than $100,000 (evaluated 11/21/16 – 1/5/17)
Attachment 2: Summary of all Year 18 CMP/ MSIF and VIP approved and eligible projects (evaluated 8/30/16 – 1/5/17)
Attachment 3: Summary of program distribution by county and equipment category for CMP, MSIF, VBB, and VIP funding since 2009.

AGENDA 4 - ATTACHMENT 1

Table 1 - Summary of Carl Moyer Program/ Mobile Source Incentive Fund projects with grant awards greater than $100k (Evaluated between 11/21/16 and 1/5/17)

Project #	Applicant name	Equipment category	Project description	Proposed contract award	Total project cost	Emission Reductions (Tons per year)			County
						NOx	ROG	PM	
18MOY31	Sean Marcus Hodges (Charter fishing)	Marine	Replacement of two diesel marine main engines	$ 156,000.00	$ 196,134.52	0.437	-0.011	0.027	Marin
	1 Projects			**$ 156,000.00**		**0.437**	**-0.011**	**0.027**	

AGENDA 4 - ATTACHMENT 2

Summary of all Yr 18 CMP, MSIF and VIP approved/ eligible projects (between 8/30/16 and 1/5/17)

Project #	Equipment category	Project type	# of engines	Proposed contract award	Applicant name	Emission Reductions (Tons per year)			Board approval date	County
						NOx	ROG	PM		
18MOY10	Ag/ off-road	Equipment replacement	3	$ 117,165.00	Pina Vineyard Management , LLC.	0.361	0.049	0.021	11/16/2016	Napa
18MOY7	Ag/ off-road	Equipment replacement	1	$ 71,800.00	Walter Hansel Winery & Vineyards LLC	0.174	0.031	0.015	APCO	Sonoma
18MOY5	Ag/ off-road	Equipment replacement	1	$ 34,550.00	Corey J Coggins (Farmer)	0.103	0.018	0.004	APCO	San Mateo
18MOY9	Off-road	Equipment replacement	1	$ 20,700.00	Silicon Roadways, Inc.	0.086	0.016	0.007	APCO	Alameda
18MOY15	Off-road	Equipment replacement	1	$ 85,200.00	Keith J. Gale General Engineering, Inc.	0.545	0.056	0.020	APCO	Solano
18MOY13	Ag/ off-road	Equipment replacement	1	$ 95,530.00	Robert and Julia Marsh (Farmer)	0.667	0.070	0.024	APCO	San Mateo
18MOY17	Off-road	Equipment replacement	1	$ 85,000.00	SF Recovery, Inc.	0.823	0.099	0.035	APCO	San Francisco
18MOY14	Marine	Engine replacement	2	$ 130,000.00	Reel Time Charters, LLC	0.875	0.005	0.032	TBD	San Francisco
18MOY23	Off-road	Equipment replacement	1	$ 72,800.00	Columbia Electric, Inc.	0.366	0.052	0.023	APCO	Alameda
18MOY25	Off-road	Equipment replacement	1	$ 64,000.00	Iron House Sanitary District	0.379	0.046	0.016	APCO	Contra Costa
18MOY12	Ag/ off-road	Equipment replacement	1	$ 35,000.00	Mazzetta Dairy	0.086	0.002	0.006	APCO	Sonoma
18MOY20	Ag/ off-road	Equipment replacement	2	$ 97,520.00	Wight Vineyard Management, Inc.	0.221	0.046	0.021	APCO	Napa
18MOY26	Ag/ off-road	Equipment replacement	1	$ 165,230.00	Saturnino Del Castillo (Farmer)	0.799	0.084	0.028	TBD	Solano
18MOY19	Marine	Engine replacement	2	$ 230,000.00	Sport Fishing Enterprises, LLC	0.681	0.000	0.037	TBD	Alameda
18MOY2	Ag/ off-road	Equipment replacement	1	$ 35,325.00	Nick Leras Vineyards	0.169	0.029	0.011	APCO	Sonoma
18MOY27	Ag/ off-road	Equipment replacement	2	$ 89,060.00	Balletto Ranch, Inc.	0.453	0.081	0.039	APCO	Sonoma
18MOY31	Marine	Engine replacement	2	$ 156,000.00	Sean Marcus Hodges (Charter fishing)	0.437	-0.011	0.027	TBD	Marin
18MOY28	Ag/ off-road	Equipment replacement	1	$ 34,000.00	Pina Vineyard Management , LLC.	0.075	0.015	0.007	APCO	Napa
18MOY36	Ag/ off-road	Equipment replacement	1	$ 49,900.00	Donald R Hardin Trust	0.134	0.024	0.009	APCO	Napa
17MOY66	Ag/ off-road	Equipment replacement	1	$ 39,545.00	Dirt Farmer & Company, A California Corporation	0.105	0.032	0.010	APCO	Sonoma
18MOY35	Ag/ off-road	Equipment replacement	1	$ 16,200.00	Cortina Vineyard Management	0.022	0.013	0.003	APCO	Napa
18MOY33	Ag/ off-road	Equipment replacement	1	$ 44,225.00	M. German & Son Partnership	0.154	0.031	0.014	APCO	Solano
VIP282	VIP	Truck Replacement	1	$ 10,000.00	Cornel Roman/ Camelia Roman	0.400	0.000	0.010	APCO	Alameda
VIP283	VIP	Truck Replacement	1	$ 15,000.00	Javier De La Torre	0.300	0.010	0.000	APCO	Yolo
VIP284	VIP	Truck Replacement	1	$ 30,000.00	J/W Sanchez Trucking, Inc.	0.600	0.010	0.000	APCO	Alameda
VIP285	VIP	Truck Replacement	1	$ 40,000.00	Phieu Hung Nguyen	0.870	0.010	0.000	APCO	Alameda
VIP287	VIP	Truck Replacement	1	$ 45,000.00	Manuel Rivera DBA JJC Trucking	0.900	0.010	0.000	APCO	San Joaquin
VIP288	VIP	Truck Replacement	1	$ 45,000.00	Thanh Duc Nguyen	0.890	0.010	0.000	APCO	Alameda
	28	**Projects**	**35**	**$ 1,953,750.00**		**11.674**	**0.836**	**0.420**		

AGENDA 4 - ATTACHMENT 2

Figure 1: CMP/ MSIF Funding Distribution by Equipment Category as of 1/5/17

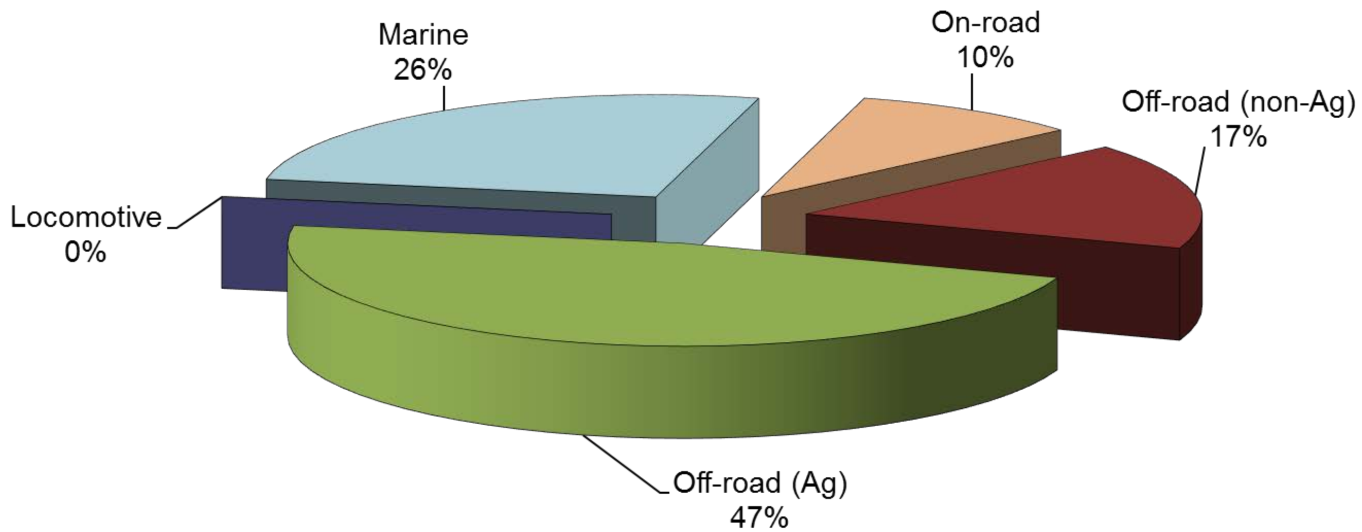
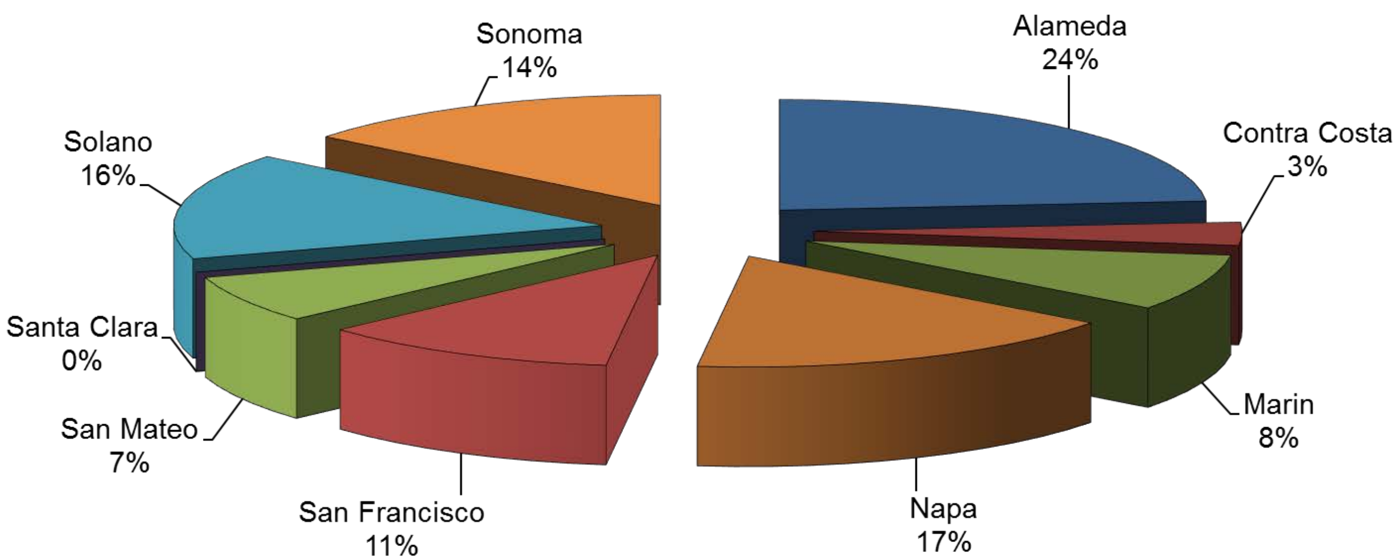


Figure 2: CMP/ MSIF Funding Distribution by County as of 1/5/17



AGENDA 4 - ATTACHMENT 3

Figure 3: CMP, MSIF, VBB and VIP funding since 2009 by equipment category

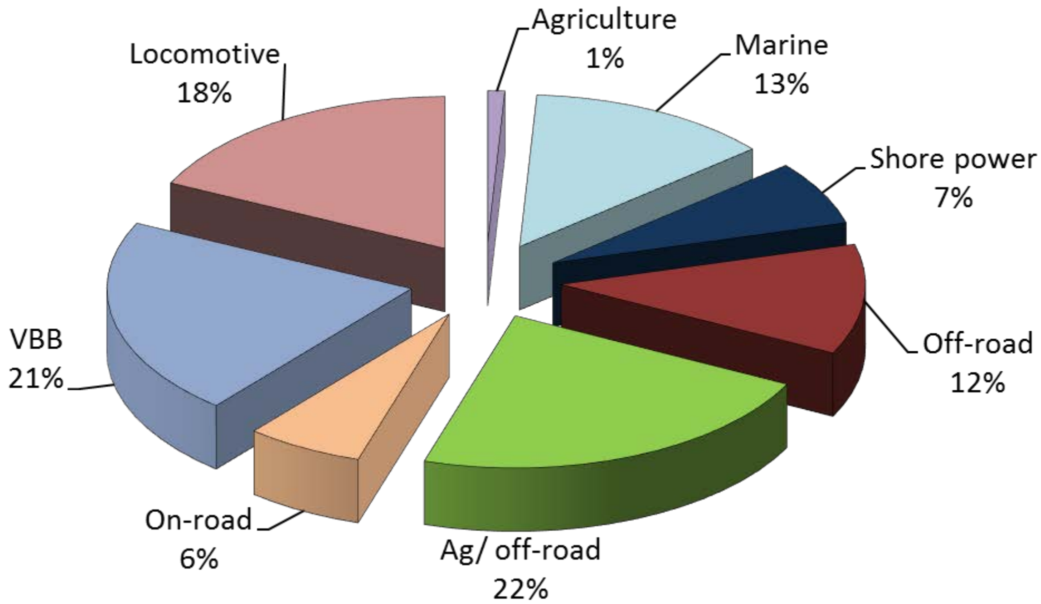
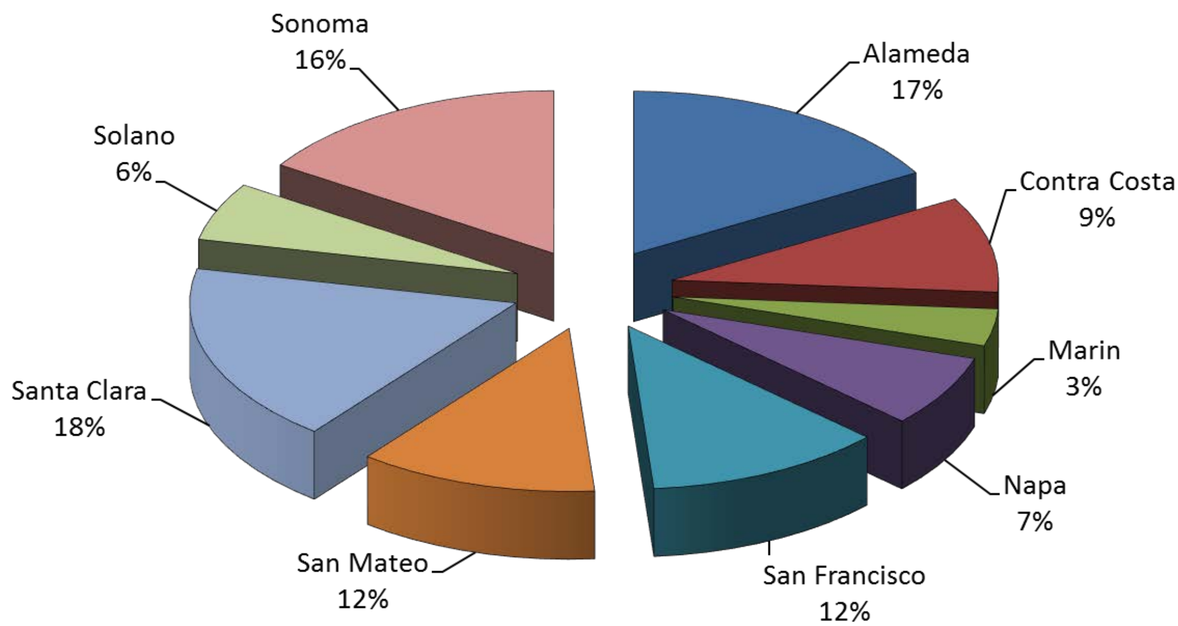


Figure 4: CMP, MSIF, VBB and VIP funding since 2009 by county



BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Karen Mitchoff and Members
of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 13, 2017

Re: Overview of Transit and Shuttle Trends in the Bay Area

RECOMMENDATION

None; receive and file.

BACKGROUND

The Bay Area's public transportation system is run by 25 different transit operators, which provide a range of services from local bus and regional rail to municipal paratransit. These operators carry nearly 1.7 million passengers every day throughout the region at an estimated cost of approximately $2.5 billion per year. While transit ridership has been increasing since the end of the recent recession in 2011, it has still yet to return to the all-time high seen in 2000 during the dot-com boom. In addition, per capita transit ridership has decreased 12% region-wide over the last 25 years. Over the last year several transit operators, most notably BART and Caltrain, have recorded small drops in ridership. At the same time, local public transit has been augmented and complemented by the emergence of privately operated employer-based commuter shuttles and on-demand services (e.g. Lyft and Uber).

As a means to reduce emissions from single occupancy vehicles, the Bay Area Air Quality Management District (Air District) has offered grant funding to public transit agencies who provide first- and last-mile shuttle services that connect passengers during commute hours between mass-transit and employment centers. In the past five years, the Air District has awarded approximately $3.5 million in Transportation Fund for Clean Air (TFCA) funding to 7 to 10 projects each year, most of which are projects that have been awarded funds annually for 10 or more years. However, over time, the air quality benefits of these projects have lessened as the region's light-duty vehicle fleet has become cleaner at a faster rate than medium- and heavy-duty vehicles used in shuttle service. As such, some of the shuttle and ridesharing services are becoming less effective at reducing emissions and improving air quality, hence less able to meet the cost-effective eligibility requirements of the TFCA funds.

The Air District has also worked to expand options for improving commute options for Bay Area employees through its Bay Area Commuter Benefits Program, which was jointly implemented by the Air District and Metropolitan Transportation Commission (MTC), and signed into law by Governor Edmund G. Brown, Jr. in 2016. This program mandates that larger businesses (those with 50 or more employees) provide at least one type of commuter benefit to their employees, which includes the option to provide free or low-cost employer-provided shuttle services.

DISCUSSION

In 2016, MTC and the Bay Area Council conducted the Bay Area Shuttle Census, which collected data from FYE 2013 to 2015 on the following: 1) shuttle fleet ridership across the Bay Area; 2) number of vehicles in the shuttle fleet; 3) capacity of vehicles in the shuttle fleet; 4) total vehicle-miles traveled of the shuttle fleet; and 5) county of origin and destination of each shuttle route. For the purpose of the Shuttle Census, shuttle service is defined as *regularly scheduled transportation services in large multi-passenger vehicles operating as either last-mile connections or serving longer routes between more distant regions of the Bay Area*.

The Bay Area Shuttle Census represents the first attempt to gather information on shuttle services to better understand the role public and private shuttle services play in the Bay Area's transportation system. These shuttle services are sponsored by employers, institutions, nonprofits, and local jurisdictions. Overall the results of the first Shuttle Census show that if shuttles collectively were treated as one transit system, they would represent the seventh largest transit system in the Bay Area in terms of ridership. In reality, shuttles are likely an even larger part of the transportation system as the first Shuttle Census was not able to capture data from all shuttle services. From FYE 2013 to 2015, ridership on shuttles included in the Shuttle Census increased by over 45% while the size of the shuttle fleet increased by 62%.

At the January 26th meeting, the Committee will receive an informational update from Air District staff, along with representatives from the MTC and the Bay Area Council, who will provide a summary of transit, shuttle trends, and findings from the Bay Area Shuttle Census.

BUDGET CONSIDERATION / FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Linda Hui and William Bacon (MTC)
Reviewed by: Karen Schkolnick

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Karen Mitchoff and Members
of the Mobile Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 13, 2017

Re: Update on Efforts to Further Reduce Emissions at the Port of Oakland

RECOMMENDATION

None; receive and file.

BACKGROUND

The Port of Oakland (Port) is the fifth largest container port in the United States and the second largest in the State of California behind the combined ports of Los Angeles and Long Beach. Established in 1927, the Port is home to 18 ship berths, 36 container cranes, two rail yards, approximately 500 pieces of cargo handling equipment and approximately 2,500 trucks. In 2016, the Port moved 2.37 million 20-foot equivalent units (TEU) in to and out of the Bay Area. This flow of containers is associated with over $600 billion in goods that are linked to approximately 32% of the jobs in the Bay Area.

The Port and former Oakland Army Base redevelopment project (OAB) border the West Oakland and in 2008, the California Air Resources Board (ARB) in partnership with the Bay Area Air Quality Management District (Air District) conducted a health risk assessment (HRA) to determine what emission sources were contributing to poor air quality in that community. That HRA indicated that the health risk from toxic air pollution (primarily diesel particulate matter, or DPM) in West Oakland was three times higher than any other community in the Bay Area. Based on the results of the HRA, the Air District Board of Director's instructed staff to utilize all available options at its disposal to reduce this health risk. The Air District in partnership with the ARB, United States Environmental Protection Agency, Port, industry, and local community instituted policies and actions which:

- Devised the Marine Air Quality Improvement Plan which targets an 85% reduction in DPM emissions by 2020;
- Instituted and enforced regulations on drayage trucks, harbor craft, off-road equipment, oceangoing vessels and cargo handling equipment;
- Instituted and enforced a noncompliant truck ban under the Port's authority;
- Performed real-time monitoring of emissions in the West Oakland community;
- Invested $33 million in grant funding to initially retrofit 1,319 trucks and to subsequently replace an additional 627 trucks;
- Invested $24.5 million to install shore side power at 15 berths at the Port.

These efforts, in combination with implementation of ARB regulations requiring emissions reductions from cargo handling equipment, drayage trucks, refrigerated transportation units, oceangoing vessels, harbor craft and ships at berth, have significantly reduced DPM emissions from marine operations (by possibly as much as 76% according to latest inventory produced by the Port). Additionally, ARB regulations have led to significant emissions reductions from on-road truck traffic using the highways surrounding the West Oakland community.

While this is good news, the science around the health risk posed by DPM has changed significantly since 2008. Recent changes to the guidelines governing the assessment of health risk, developed by the California Office of Environmental Health Hazard Assessment (OEHHA), have increased the health risk from DPM by a factor of approximately 3 to 4 times of those originally used in the 2008 HRA. This means that while DPM emissions have been reduced significantly, remaining emissions have a greater impact on the community's health than previously believed.

DISCUSSION

Recognizing that: 1) there is an increased health risk from DPM; 2) the numbers of equipment needed to move that cargo at the Port and OAB are projected to increase in line with cargo volume increases; and 3) that the Air District's Community Air Risk Evaluation (CARE) current regional risk projections show that West Oakland remains the most highly impacted community in the Bay Area relative to exposure to toxic air contaminants; Air District staff initiated an inquiry during summer 2016 to assess how emissions might be further reduced from Port maritime operations.

This effort includes updating the equipment inventories for the Port, trying to understand what may be developed at OAB, reviewing the planning frameworks at the local, state and federal levels to determine how an equipment replacement project integrates with those plans, examining how the authorities of the various regulatory agencies (Port, City of Oakland, ARB, etc.) might be used to reduce emissions, looking at initiatives at other California ports and conducting a comprehensive evaluation of feasible technologies that can employed to get further emissions reductions. The Air District has also met with representatives from the City of Oakland, Port, ARB, Metropolitan Transportation Commission, Alameda County Transportation Commission, industry, and other stakeholders for their input into this process and to gather information needed to complete its assessment.

In conjunction with this effort, the Air District is also working to update its projections for health risk in the region by conducting research into truck emissions at the Port and on Bay Area highways in conjunction with the ARB and UC Berkeley, by utilizing new equipment inventory information, and new OEEHA guidelines. We are projecting this work to be completed in 2017.

At the January 26th meeting, the Committee will receive an informational update on the Air District's efforts to date and its next steps to complete this assessment. This project is anticipated to be completed over the next few months, at which point, staff will return to the Committee to share its recommendations and key findings from this comprehensive inquiry.

BUDGET CONSIDERATION / FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Karen Schkolnick
Reviewed by: Damian Breen

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Liz Kniss and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 18, 2017

Re: Report of the Stationary Source Committee Meeting of January 30, 2017

RECOMMENDED ACTION

The Stationary Source Committee (Committee) will receive only an informational item and will have no recommendations of approval by the Board of Directors.

BACKGROUND

The Committee will meet on Monday, January 30, 2017, and receive the following report:

A) Rule Development Updates

Chairperson John Gioia will provide an oral report of the Committee meeting.

BUDGET CONSIDERATION/FINANCIAL IMPACT

A) None

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Maricela Martinez

Attachment 8A: 1/30/17 - Stationary Source Committee Meeting Agenda #4

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson John Gioia and Members of the Stationary Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 24, 2017

Re: Rule Development Updates

RECOMMENDED ACTION

Staff recommends that the Stationary Source Committee discuss Rules 12-16, 11-18, and 13-1 at the Committee meeting on January 30, 2017.

BACKGROUND

On October 15, 2014, the Board of Directors approved Resolution Number 2014-07 directing staff to develop strategies to reduce emissions from petroleum refineries. Specifically, the resolution directed staff to continue development of Regulation 12, Rule 15: Petroleum Refining Emissions Tracking ("Rule 12-15") to track and monitor refinery emissions; to develop Regulation 12, Rule 16 ("Rule 12-16") to set emissions thresholds and mitigate potential emissions increases; and to develop additional rules to reduce emissions from refineries by 20% by 2020, or as much as feasible.

Staff worked with interested stakeholders and released proposed regulatory language and staff reports for four refinery emission reduction rules, Rule 12-15 and Rule 12-16 in October of 2015. In December of 2015, the Board of Directors adopted three refinery emission reduction rules/rule amendments (Regulation 6, Rule 5: Fluid Catalytic Cracking Units; Regulation 8, Rule 18: Equipment Leaks; and Regulation 11, Rule 10: Cooling Towers). Regulation 12, Rule 15 along with an additional refinery emission reduction measure, Regulation 9, Rule 14, Coke Calcining were adopted by the Board on April 20, 2016. Together, these rules are estimated to reduce criteria pollutants by more than 15%. Staff received a significant number of comments on proposed Rule 12-16, and determined that a different approach was necessary in order to address the concerns of stakeholders, including affected industry and interested community groups. In order to address the localized impacts from toxic air contaminants for stationary sources, staff accelerated development of a new rule, Regulation 11, Rule 18: Reduction of Risk from Air Toxic Emissions at Existing Facilities ("Rule 11-18"). This rule focuses on reducing health risk from facilities throughout the Bay Area, including refineries, to the lowest achievable levels.

At the July 20, 2016 Board meeting, the Board of Directors directed staff to conduct a full regulatory analysis of two options and evaluate them in one Environmental Impact Report (EIR), to address concerns about the impact of emissions from refineries: Rule 11-18 and the Enforceable Numeric Caps option proposed by CBE and associated organizations renamed to Regulation 12, Rule 16; Petroleum Refining Facility-wide Emissions Limits ("Rule 12-16"). Staff presented a timeline for this effort culminating in Board consideration of the rules in May 2017.

At the Board of Directors Retreat on January 18, 2017 staff included Regulation 13, Rule 1: Refinery Carbon Intensity Cap on the Regulatory Agenda for 2017. Rule 13-1 would address GHG and associated combustion emissions from refineries, and is the first step in a broader strategy to reduce GHG and other combustion emissions from Bay Area facilities. The Board discussed this proposal and its relationship to 12-16 and 11-18, and asked that it be discussed at the Stationary Source Committee meeting scheduled for January 30, 2017. A Rule 13-1 concept paper is attached.

Rule 12-16 and Rule 11-18 are on track for Board consideration in May 2017. Staff anticipates that Rule 13-1 will be ready for Board consideration in August 2017. A brief description of these three draft rules is provided below.

Regulation 12, Rule 16: Petroleum Refining Facility-Wide Emissions Limits:
At the July 20th meeting, the Board of Directors directed staff to develop regulatory language that represents a proposal by environmental advocacy organizations to limit specific emissions from petroleum refining facilities and three support facilities using numeric limits on GHG, particulate matter (PM), oxides of nitrogen (NOx) and sulfur dioxide (SO_2) at levels consistent with recent operations. Staff have been working closely with CBE to reflect their proposal. Staff has identified a number of legal and technical issues regarding this draft rule and discussed these issues with the organizations. The organizations have indicated that they do not want to make any changes to their proposal in order to address these concerns.

Regulation 11, Rule 18: Reduction of Risk from Air Toxic Emissions at Existing Facilities:
In order to address concerns regarding health impacts for communities located near refineries and other facilities, staff is developing a rule that would significantly reduce toxic emissions from sources such as refineries, metal melting facilities, and stationary diesel generators. Rule 11-18 would apply to all facilities whose emissions of toxic air contaminants may result in a significant risk to nearby residents and workers. Rule 11-18 would achieve significant reductions of toxic air contaminants by setting a cap on the allowable risk for facilities across the Bay Area. Air District staff would perform Health Risk Assessments (HRAs) to identify risk levels at facilities with potential to exceed the cap and then require appropriate measures to reduce risk to acceptable levels.

Regulation 13, Rule 1: Refinery Carbon Intensity Cap:
Rule 13-1 would be the first step in the Air District's strategy to reduce combustion emissions across the region. Combustion of fossil fuels results in emissions of GHG, NO_X, SO_2 and PM. Rule 13-1 would cap GHG emissions from Bay Area refineries at a level consistent with their current, full-capacity operation. It would also require Bay Area refineries to implement cost-effective efficiency projects. The rule would not interfere with Cap-and-Trade or the gasoline market because it would cap GHG emissions at a level consistent with current maximum production capacity and it would allow for refineries to increase production as long as the carbon intensity of the refinery (CO_2e emitted per barrel of crude oil processed) does not increase. Rule 13-1 would prevent refineries from switching over to heavier, more sulfurous crude oil, such as

Canadian tar sands crude, because doing so would significantly increase a refinery's carbon intensity.

DISCUSSION

Staff continues to have significant concerns regarding legal and technical issues with Rule 12-16. The resources necessary to work on Rule 12-16 have delayed other rule development that would address particulate matter, greenhouse gases, permitting, and additional refinery emission reduction rules toward the goal of reducing emissions by 20%.

Staff believes that a better approach to addressing the concerns of the community groups is through Rule 11-18 and Rule 13-1. Rule 11-18 will reduce health risk associated with localized emissions of toxic air contaminants, which are not addressed by Rule 12-16. Regulation 13-1 would reduce emissions of GHG by requiring that efficiency projects be implemented, where feasible, and prevent GHG emissions from significantly increasing in the future by requiring that carbon intensity baselines not be exceeded. It would also address legal and technical issues raised by staff regarding Rule 12-16.

Staff believes that adoption of Rule 11-18 and Rule 13-1, along with the adopted and upcoming refinery emission reduction rules, would meet the goal stated in the Board's Resolution Number 2014-07 of October 2014 by reducing emissions of criteria pollutants, GHG and toxic air contaminants.

BUDGET CONSIDERATIONS/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Eric Stevenson
Reviewed by: Jean Roggenkamp

Attachment 4A: Concept Paper – Rule 13-1: Refinery Carbon Intensity Cap

Concept Paper - Rule 13-1: Refinery Carbon Intensity Cap

Updated: Jan. 23, 2017

Background and Purpose:
Refineries are the largest stationary sources of combustion emissions in the Air District. When fossil fuels are burned, they generate greenhouse gases (GHG) and criteria pollutants such as particulate matter (PM), nitrogen dioxide (NO_X), and sulfur dioxide (SO_2). Combustion emissions from refineries will need to be addressed in order attain and maintain ambient air quality standards and to meet Air District and statewide goals for reducing GHG emissions.

Regulation 13, Rule 1 would serve as the initial step in an effort to limit and reduce combustion emissions in the Bay Area. The goals of the rule are as follows:

1. Require refineries is to implement cost-effective energy efficiency measures to reduce combustion emissions.

2. Ensure refinery combustion emissions do not increase on a per-barrel basis, using GHG emissions as an indicator. This would prevent significant increases in combustion emissions due to process and feedstock changes such as making a wholesale switch to heavier and more sulfurous feedstocks (e.g. crude oil from Canadian tar sands).

This would be the first rule in a new Regulation 13. Future rules under Regulation 13 will address other significant sources of combustion emissions, such as cement kilns, using methods specifically designed for those sources.

Rule Concept:

1. Cap each refinery at a level consistent with full-capacity operation for current equipment configuration and recent crude slate.

2. After one year, the level of the cap would be reduced by an amount consistent with the expected benefits of cost-effective energy efficiency measures that the refineries identified in 2011 energy audits required by the Air Resources Board.

3. Refinery-specific caps would be expressed in the form of carbon dioxide equivalent per barrel of crude oil processed (CO_2e/barrel). These carbon intensity calculations must account for all emissions that are generated by the refining process including those associated with imported power or purchased hydrogen.

4. The method for calculating the caps are specified in the rule, but not the caps themselves. The carbon intensity will be published by the Air District during implementation and annually as part of a compliance report prepared by the Air District.

Please contact Greg Nudd, Rule Development Manager, gnudd@baaqmd.gov with any questions.

5. The carbon intensity caps can be adjusted upward if necessary to comply with state, federal, or BAAQMD regulatory mandates.

6. Rule would sunset should ARB adopt a rule that is at least as stringent.

7. The adoption resolution would direct staff to re-visit the rule if Bay Area refineries export more than 10% of their finished products for three years in a row. (At that point, we may want to look at an international benchmark for carbon intensity and ensure that there is a net benefit for the environment if petroleum products are manufactured locally.)

Please contact Greg Nudd, Rule Development Manager, gnudd@baaqmd.gov with any questions.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Liz Kniss and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/Air Pollution Control Officer

Date: January 18, 2017

Re: Report of the Ad Hoc Building Oversight Committee Meeting of February 1, 2017

RECOMMENDED ACTION

The Ad Hoc Building Oversight Committee (Committee) may recommend the Board of Directors' approval of the following item:

A) 375 Beale Street Acquisition: Transfer of Funds:

1) Recommend that the Board of Directors authorize the transfer of $9 M from General Fund reserves to complete the purchase of the Air District's portion of 375 Beale Street.

BACKGROUND

The Committee will meet on Wednesday, February 1, 2017, and will receive the following report:

A) 375 Beale Street Acquisition: Transfer of Funds

Chairperson Liz Kniss will provide an oral report of the Committee meeting.

BUDGET CONSIDERATION/FINANCIAL IMPACT

A) Air District General Fund Reserves will be reduced by $9 M.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Maricela Martinez

Attachment 9A: 2/1/17 – Ad Hoc Building Oversight Committee Meeting Agenda #4

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Liz Kniss and Members
of the Ad Hoc Building Oversight Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 23, 2017

Re: 375 Beale Street Acquisition: Transfer of Funds

RECOMMENDED ACTION

Recommend that the Board of Directors authorize the transfer of $9 M from General Fund reserves to complete the purchase of the Air District's portion of 375 Beale Street.

BACKGROUND

The Bay Area Air Quality Management District (Air District) currently inhabits 375 Beale Street under the terms of a Lease with an Option to Purchase.

DISCUSSION

The Air District and BAHA structured the terms of the Air District's acquisition to provide flexible timing for the purchase. Therefore, the Air District is currently able to occupy the building under a lease while waiting to complete the purchase.

In addition, the Air District may have an opportunity to purchase a larger portion of the Facility than was originally contemplated. If this purchase is approved, it would occur as a second transaction, subsequent to the initial purchase. This second transaction is expected to be a cash transaction as opposed to a financed transaction.

BUDGET CONSIDERATIONS/FINANCIAL IMPACTS

Air District General Fund Reserves will be reduced by $9 M.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeff McKay