



Bay Area Program Review and DOF Audit

Tess Sicat

Programs That Were Reviewed



- Carl Moyer Memorial Air Quality Standards Attainment Program (Moyer) - \$80 Million
- Community Air Protection Program Incentives (CAP) - \$148 million
- Funding Agricultural Replacement Measures for Emission Reductions (FARMER) - \$8 million
- Proposition 1B Goods Movement Emission Reduction Program (GMERP) - \$36.3 million
- Clean Cars 4 All (CC4A) - \$19.2 million
- Volkswagen Environmental Mitigation Trust for California (VW) - \$10 million
- Low Carbon Transportation Incentives and Air Quality Improvement Program (LCTI) - \$2.7 million
- Lower Emission School Bus Program (LESBP)

Commendable Efforts



- Responsiveness and Diligence
- Adaptability During COVID-19
- Effective Use of Program Flexibilities
- First district to be reviewed by this method

Mitigation

CARB supports Bay Area's proactive mitigation of the Fiscal Review finding.

No remittance of \$1.1 million to CARB.



Moving Forwards

CARB will work closely with Bay Area to implement the review recommendations, offering continued guidance and support for success.



Conclusion

Thank you for advancing air quality and public health—your impact is felt locally and statewide.





California Air Resources Board's 2025 Incentive Program Review and Department of Finance Fiscal Compliance Audit

Finance and Administration Committee

November 19, 2025

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Strategic Incentives

Outline

- California Air Resources Board (CARB) 2025 Incentive Program Review
 - Presentation will be given by CARB staff
- The California Department of Finance (DOF) fiscal compliance audit of the Air District's implementation of the CARB air pollution reduction incentive programs
 - Background
 - Results and recommendations

Fiscal Compliance Audit Background

- The DOF completed the fiscal compliance audit
- Objective: Determine whether the incentive programs' revenues, expenditures, and resulting balances as of June 30, 2022, for the incentive programs followed applicable grant agreements, program guidelines, and statutes
- Report issued in February 2025

Fiscal Compliance Audit Background

Incentive programs included for fiscal years 2016-2022:

1. Carl Moyer Memorial Air Quality Standards Attainment Program
2. Community Air Protection Incentives
3. Funding Agricultural Replacement Measures for Emission Reductions
4. Clean Cars 4 All
5. Low Carbon Transportation Incentives Program and Air Quality Improvement Program
6. Volkswagen Environmental Mitigation Trust for California

Fiscal Compliance Audit Results

The fiscal compliance review resulted in two findings with recommendations:

Finding #1: Unallowable method used to recover employee Paid Time Off (PTO).

Recommendation A: Collaborate with CARB to revise the fringe benefit allocation to include PTO when accrued, ensuring appropriate benefit charges to respective incentive programs and fiscal years, and addressing \$1,135,812 in questioned costs.

Response: After consultation with independent audit firm and Government Accounting Standards Board (GASB), our PTO method is in compliance with Generally Accepted Accounting Principles and is consistent with the other larger air districts. CARB confirmed that the Air District is not required to reimburse the \$1,135,812 in PTO costs.

Fiscal Compliance Audit Results (cont.)

Finding #1

Recommendation B: Develop and implement procedures to ensure PTO-related labor costs charged to incentive program grants comply with grant requirements and Generally Accepted Accounting Principles (GAAP).

Response: The Air District will continue to work collaboratively with CARB to ensure full compliance with grant agreements and applicable accounting standards and establish written procedures on when and how PTO are allocated to grant programs.

Fiscal Compliance Audit Results (cont.)

Finding #2: Grant match funding requirements were not met within the grant period.

Project Background:

- Low Carbon Transportation/Air Quality Improvement Program
- Approximately \$2.8 million
- Pilot project to build 11 first-generation electric trucks
- Challenges included: Deployment, operations, pandemic, and shelter-in place

Fiscal Compliance Audit Results (cont.)

Finding #2 (continued)

Recommendation A: Collaborate with CARB to ensure grant deliverables and outcomes are achieved through data collection, monitoring, and documentation, ensuring CARB has a complete record of achieved fiscal and program benefits, including match funding requirements.

Recommendation B: Develop and implement procedures to ensure match requirements and deliverables are achieved within specified timelines or amend grant terms and timelines in accordance with the grant agreement.

Fiscal Compliance Audit Results (cont.)

Finding #2

Response:

- Air District increased meetings and reporting in response to challenges
- Approval was given by CARB to consider expenses incurred after agreement term as project match
- Air District will develop process to flag projects for invoking Force Majeure clause

Questions & Discussion

For more information:

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Preliminary Annual Financial Report for Fiscal Year 2024-2025

Finance and Administration Committee

November 19, 2025

Jun Pan

Finance Manager

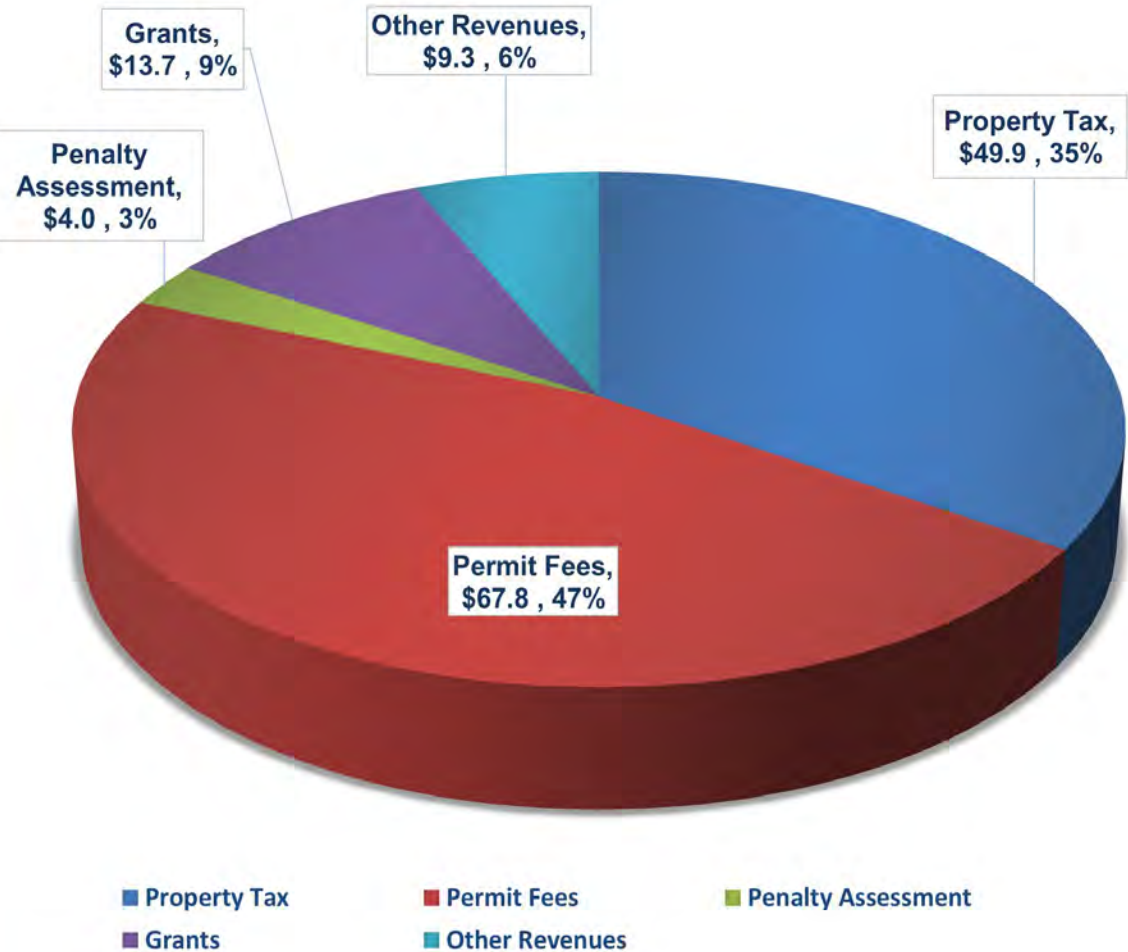
Finance Division

Presentation Outline

Provide a preliminary annual financial update which covers activities for the fiscal year ending (FYE) June 30, 2025

- Revenues
- Expenditures
- Cash and Investment Summary

FYE 2025 General Fund Revenue Overview



FYE 2025 (as of 6/30/2025) General Fund Revenues	in Millions	% of Total
Property Tax	\$49.9	34%
Permit Fees	\$67.8	47%
Penalty Assessment	\$4.0	3%
Grants	\$13.7	9%
Other Revenues	\$9.3	6%
Total	\$144.7	100%

General Fund Revenue – Budget vs Actual

(In Millions \$)

Categories	FYE 2025 Adopted Budget	FYE 2025 Amended Budget	FYE 2025 Actual (as of 6/30/2025)	Percentage of Amended Budget
Property Tax	\$46.3	\$46.3	\$49.9	108%
Permit Fees*	\$67.0	\$67.0	\$67.8	101%
Penalty Assessment	\$4.0	\$4.0	\$4.0	100%
Grants (includes Assembly Bill 617)	\$20.5	\$20.6	\$13.7	67%
Other Revenues	\$5.6	\$5.6	\$9.3	167%
Total Revenues	\$143.3	\$143.4	\$144.7	101%

* Permit Fees				
Application & Renewal Fees	\$46.8	\$46.8	\$48.6	104%
Title V Permit Fees	\$8.1	\$8.1	\$7.0	86%
Asbestos Fees	\$3.7	\$3.7	\$3.7	102%
Toxic Inventory Fees	\$1.3	\$1.3	\$1.6	122%
Community Health Impact Fees	\$1.2	\$1.2	\$1.3	109%
Criteria Toxic Reporting Fees	\$1.7	\$1.7	\$1.8	109%
Greenhouse Gas Fees	\$3.9	\$3.9	\$3.5	90%
Other Fees	\$.4	\$.4	\$.4	92%
Total Permit Fees	\$67.0	\$67.0	\$67.8	101%

- Overall, revenue is in line with budget
- Property tax revenues were favorable and exceeded the budget
- Permit fees are on target
- Less grant revenues recognized than initially projected
- Other revenues are greater due to higher more interest received during the year

General Fund Revenue Comparison

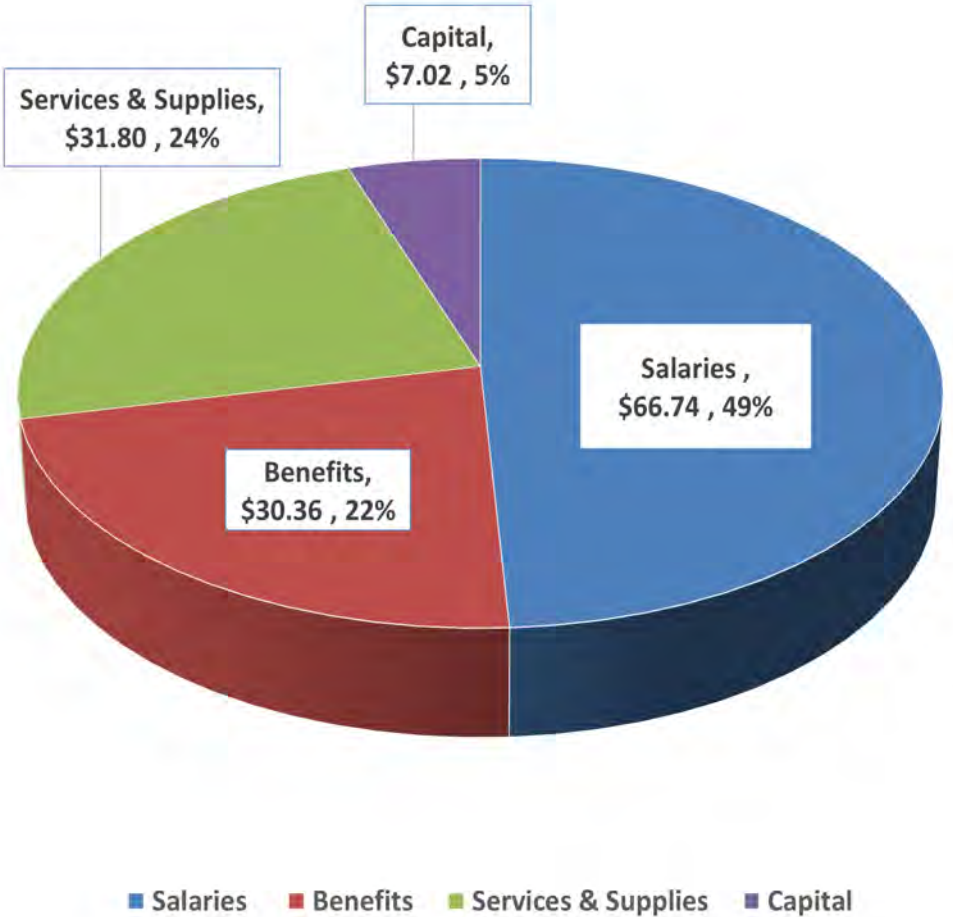
Prior Year vs. Current Year (In Millions \$)

Major Categories	FYE 2023 (As of 6/30/2023)	FYE 2024 (As of 6/30/2024)	FYE 2025 (As of 6/30/2025)	\$ DIFF FY25 - FY24
Property Tax	\$45.2	\$47.5	\$49.9	\$2.4
Permit Fees*	\$64.1	\$61.7	\$67.8	\$6.1
Penalty Assessment	\$2.0	\$3.1	\$4.0	\$1.0
Grants (includes Assembly Bill 617)	\$13.1	\$12.5	\$13.7	\$1.2
Other Revenues	\$4.9	\$7.9	\$9.3	\$1.4
Total Revenues	\$129.4	\$132.6	\$144.7	\$12.1

*Permit Fees	(As of 6/30/2023)	(As of 6/30/2024)	(As of 6/30/2025)	\$ DIFFERENCE
Application & Renewal Fees	\$45.3	\$43.2	\$48.6	\$5.4
Title V Permit Fees	\$7.4	\$6.7	\$7.0	\$.3
Asbestos Fees	\$3.8	\$3.6	\$3.7	\$.1
Toxic Inventory Fees	\$1.3	\$.7	\$1.6	\$.8
Community Health Impact Fees	\$1.2	\$1.2	\$1.3	\$.1
Criteria Toxic Reporting Fees	\$1.7	\$1.8	\$1.8	\$.1
Greenhouse Gas Fees	\$3.0	\$4.2	\$3.5	(\$\$.7)
Other Fees	\$.3	\$.3	\$.4	\$.0
Total Permit Fees	\$64.1	\$61.7	\$67.8	\$6.1

- Overall, FYE 2025 revenue increased by \$12 M over the prior year
- Property tax and permit fee increase consistent with market and approved fee rate adjustment
- Grant revenue activities increased over the prior year
- Other revenues higher due to increase in interest income

FYE 2025 General Fund Expenditure Overview



FY 2025 (as of 6/30/2025) General Fund Expenditures	in Millions	% of Total
Salaries	\$66.74	49%
Benefits	\$30.36	22%
Services & Supplies	\$31.80	23%
Capital	\$7.02	5%
Total	\$135.92	100%

General Fund Expenditure – Budget vs Actual

(In Millions \$)

Major Categories	FYE 2025 Adopted Budget	FYE 2025 Amended Budget	FYE 2025 Actual (as of 6/30/2025)	Percentage of Amended Budget
Personnel - Salaries	\$70.6	\$70.6	\$66.7	95%
Personnel - Benefits	\$33.0	\$33.0	\$30.4	92%
Operational Services and Supplies	\$43.5	\$58.0	\$31.8	55%
Capital Outlay	\$7.2	\$11.9	\$7.0	59%
TOTAL	\$154.3	\$173.5	\$135.9	78%

*Consolidated Personnel Salaries & Benefits				
Personnel - Salaries	\$76.5	\$76.5	\$72.3	95%
Personnel - Benefits	\$35.6	\$35.6	\$32.6	91%
Total	\$112.1	\$112.1	\$104.9	94%

- Amended budget includes carryover of FYE 2024 encumbrances as authorized by the FYE 2025 Budget Resolution
- Total expenditures represents 78% of the amended budget
- Salaries and benefits are consistent with the budgeted projections
- Actual services/supplies and capital expenses are lower due to the timing of payments for services rendered

*Consolidated includes both General Fund and Special Fund

Expenditures Comparison

Prior Year vs. Current Year (In Millions \$)

Major Categories	FYE 2023 (As of 6/30/2023)	FYE 2024 (As of 6/30/2024)	FYE 2025 (As of 6/30/2025)	\$ DIFF FY25 - FY24
Personnel - Salaries	\$54.6	\$58.8	\$66.7	\$7.9
Personnel - Benefits	\$30.0	\$27.5	\$30.4	\$2.9
Operational Services and Supplies	\$28.0	\$29.1	\$31.8	\$2.7
Capital Outlay	\$3.6	\$4.3	\$7.0	\$2.7
Total Expenditures	\$116.3	\$119.6	\$135.9	\$16.3
*Consolidated Personnel Salaries & Benefits				
Personnel - Salaries	\$59.4	\$64.1	\$72.3	\$8.2
Personnel - Benefits	\$31.2	\$29.0	\$32.6	\$3.6
Total Consolidated	\$90.6	\$93.1	\$104.9	\$11.8

*Consolidated includes both General Fund and Special Fund

- Salary expenses are higher in FYE 2025 due to general wage adjustments and more filled positions
- Benefit expenses are higher in 2025 due to increases in health premiums, pension contributions, and additional new hires
- Capital costs are higher due to Information Technology infrastructure and lab equipment purchases

Cash and Investment Summary

Cash and Investments with County Treasury		Description/Purpose
<i>(Based on June 2025 Account Balance)</i>		
	<i>(In Million \$)</i>	
General Account	\$113.5	General Operation
Local & Regional Community Benefit Account	\$109.6	Penalty Assessment Community Benefits
Restricted Account	\$27.9	Section 115 Prefunding Pension Trust & Debt Service
Total General Fund	\$251.0	
Special Funds	\$504.3	<i>Grant Funds</i>
Total	\$755.3	

Cash and Investment Summary (cont.)

- Air District's total cash balance is \$755.3 million. It represents 8.4% of the \$9 billion in the San Mateo County Investment Pool
- Net earning rate on 06/30/25 is 3.917%. The portfolio's average maturity is 2.28 year
- The General Fund cash balance totals \$251 million and supports general operations, local and regional programs, the Section 115 prefund pension trust, and debt service obligations
- Special Revenue Fund has \$504.3 million balance for various projects and grant specific

Cash and Investment Summary (cont.)

Special Funds (Grant Funds):		Description/Purpose
TFCA \$157.9 Transportation for Clean Air		On-Road Vehicles Emission Reduction (projects including: zero-emission trucks, school and transit buses, light- and heavy-duty charging infrastructure, vehicle buy-back, Clean Cars 4 All, Spare the Air, and pass through funding for local transportation agencies through the 40% County Program Manager Fund)
MSIF \$90.7 Mobile Source Incentive Fund		On-Road Projects & Vehicles buy back; used as match for state funds and to supplement (see Carl Moyer)
Carl Moyer \$152.0		Community Investment Programs (scrap and replacement of trucks; buses; agricultural, construction, cargo-handling, and airport ground support equipment; marine vessels; rail vehicles; transportation refrigeration units; infrastructure; and vehicle buy-back programs. CAP funds may additionally be used to support other eligible projects that reduce exposure to diesel particulate and air toxics)
Good Movement \$21.0		Emission Reduction Programs (Projects eligible for Goods Movement I-Bond Funding; in 2025 is now limited to Transportation Refrigeration Units)
Air Quality Projects \$1.5		Bike share projects and other grants projects (Eligibility is specific to each source and using other approved grant program guidelines to supplement and/or match other state and local grant sources)
Vehicles Mitigation \$81.2		Volkswagen Environmental Mitigation Trust (Light-duty charging stations and zero-emissions port, freight, and marine projects, including marine vessels, forklifts, cargo-handling equipment, and shore power projects.)
Total Special Funds \$504.3		

Questions & Discussion

For more information:

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