

RECOMMENDED BUDGET

2010-2011



San Joaquin Valley
AIR POLLUTION CONTROL DISTRICT



Supervisor Tony Barba, Chair

Kings County

Supervisor J. Steven Worthley, Vice Chair

Tulare County

Councilmember David G. Ayers

City of Hanford

Supervisor Judith G. Case

Fresno County

Supervisor Ronn Dominici

Madera County

Henry J. Forman, Ph.D.

Appointed by Governor

Mayor Ann Johnston

City of Stockton

Councilmember Mike Lane

City of Visalia

Councilmember Randy Miller

City of Taft

Supervisor Michael G. Nelson

Merced County

Supervisor William O'Brien

Stanislaus County

Supervisor Leroy Ornellas

San Joaquin County

John G. Telles, M.D.

Appointed by Governor

Councilmember Chris Vierra

City of Ceres

Supervisor Raymond A. Watson

Kern County

Seyed Sadredin

Executive Director / Air Pollution Control Officer

June 17, 2010

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

2010-11 Recommended Budget

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San Joaquin Valley

AIR POLLUTION CONTROL DISTRICT



HEALTHY AIR LIVING™

GOVERNING BOARD

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Councilmember, City of Ceres

Raymond A. Watson
Supervisor, Kern County

Seyed Sadredin
Executive Director
Air Pollution Control Officer

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www.valleyair.org

May 20, 2010

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

Dear Board Members:

Attached is the Recommended Budget for the San Joaquin Valley Air Pollution Control District for July 1, 2010 to June 30, 2011. Policy guidance for the 2010-11 Budget was provided by your Board's Ad Hoc Subcommittee for Budget and Finance.

The 2010-11 Recommended Budget contains adequate resources to support the District's current and future workload. In 2010-11, the District will face a significant increase in workload associated with new state and federal mandates, and a major increase in retirement costs. The 2010-11 Recommended Budget is balanced and contains adequate funding for reserves and contingencies. The 2010-11 Recommended Budget was developed in adherence with the following guiding principles:

- Provide excellent customer service
- Absorb additional workload through enhanced efficiency and streamlining without an overall increase in staffing
- Timely and satisfactory fulfillment of all state and federal mandates
- Expedited processing of permit applications
- Maintain an active and effective enforcement program
- Keeping permit fees low with high efficiency and productivity
- Assist Valley cities and counties with the implementation of new climate change mandates
- Expand scientific and research capabilities at the District and throughout the Valley for technology advancement
- Conducting Valley-specific health and scientific studies
- Administer a robust and strategic voluntary emissions reduction incentives grants management program
- Maintain a strong public education and outreach program

As in the previous year, this year's budget was developed using the zero-based budgeting approach.

Budget Highlights

The narratives included as a part of the attached budget document describe the specifics of each department's functions, workload impacts, efficiencies and streamlining measures, and any requests for additional resources. The following are some of the more significant highlights of the 2010-11 Recommended Budget:

- A significant increase in workload without staffing increases
- Reorganization providing for immediate and future cost-reductions
- Net reduction of one position
- 6% salary savings
- Over 16% increase in Employer Retirement Contribution Rate
- Over \$105 million in new funding for emissions reduction incentive grants
- Continued expansion of the District's air monitoring network
- Funding and staffing for Valley specific scientific studies and support for Valley projects for technology advancement
- Multifaceted and comprehensive multi-lingual public education and outreach
- Technical and financial support to assist cities and counties with climate change mandates (SB375, AB32, and CEQA)
- Stable revenues with adequate funding for reserves and contingencies

Workload and Staffing

The District will experience major workload increases in a number of areas in 2010-11. A significant increase in permitting and enforcement work will be mandated as a result of recent approval by EPA of the permitting rules associated with the District's "extreme" non-attainment classification. More permitting projects will be considered "major" under federal rules, triggering more complex and lengthier application processes.

Approximately 350 additional facilities will now be considered "major sources" and will be required to apply for Title V permits beginning in 2010-11. An additional 600 farms and dairies will be required to apply for and obtain operating permits for the first time. Furthermore, in 2010-11 the District will experience a significant peak in Title V permit renewal projects for over 100 existing Title V facilities. Finally, the District will experience a significant increase in permitting and enforcement work related to the implementation phase of ten recently adopted rules including Rule 9410 (Employer Based Trip Reduction).

The climate change mandates will result in additional workload for the District. In 2010-11, the District will implement the Board-approved Valley-wide guidance to land-use agencies and other permitting regulators on addressing greenhouse gas emissions through the California Environmental Quality Act (CEQA), including developing Best Performance Standards for a number of process and equipment categories, and residential and commercial developments. The District will also be working extensively with local county and city planning departments to implement SB 375, a state law designed to provide some CEQA relief to developments that meet certain greenhouse gas emission reduction criteria established through a regional planning process. In addition, the District will be working with cities and counties to

develop necessary greenhouse gas emissions inventories, modeling tools, and related policies and procedures to encourage consistency in these efforts throughout the Valley.

In 2010-11 the District will begin to update two major guidance documents for Valley land-use agencies: the "Guide for Assessing and Mitigating Air Quality Impacts" and "Air Quality Guidelines for General Plans." These documents provide critical assistance to local land-use agencies in addressing air quality considerations in their planning and land-use efforts, and must be updated periodically to maintain pace with the changing air quality conditions in the San Joaquin Valley.

During 2010-11 the District will procure and maintain several new monitoring instruments and stations to be added to the District's network as required in the most recent federally mandated annual Air Monitoring Network Plan. Furthermore, considerable resources will be needed to operate and maintain the Tranquility, Porterville, and relocated Hanford stations which came online during this past year. Additionally, the Bakersfield Golden State monitoring station is currently in the process of being relocated and the Merced Coffee, Sierra Sky Park, and Lebec stations will need to be relocated in the near future. The new stations and relocations require considerable staff time to find the proper location, finalize lease agreements, upgrade the station, find suitable building contractors, and install and calibrate equipment.

To fulfill the District's commitments under the *2007 Ozone Plan* and the *2008 PM2.5 Plan*, the District must develop and present for adoption nine new rule amendments in 2010-11. Additionally, the District is required to conduct ten control measure feasibility studies that could lead to emission inventory improvements, future rule development projects, or strategic application of incentive funds. Furthermore, in 2010-11 new work will include the development of a Mid-Course Review for the *2008 PM2.5 Plan* and a California Clean Air Act Annual Progress Report for ozone. The District will also need to collaborate extensively with ARB on refining the emission inventory and atmospheric modeling for the next iteration of the ozone and PM2.5 plans, which will be designed to meet the latest health-based federal air quality standards. District staff will also continue to analyze the implications of new federal standards for nitrogen dioxide, lead, ozone, and particulate matter.

Finally, in 2010-11, the District will see a significant increase in work as a result of receiving additional incentive grant funding from a variety of local, state and federal sources. With recent successful bond sales at the state level, the District expects to receive the previous year and current year funds allocated under proposition 1B for goods movement and school buses. Other funding sources include recent and new awards received by the District under the American Recovery and Reinvestment Act of 2009 (ARRA), Diesel Emission Reduction Act (DERA), AB 118 funding, the class action lawsuit settlement with Unocal, Advanced Emission Reduction Options (AERO) emission fees, and federal designated funding for the District. All together, the District will be responsible for administering a total of \$ 230,672,000 in grants from existing and new funding sources.

In addition to the above mentioned increases in workload, in 2010-11 the District will accommodate existing workload associated with the fulfillment of current and ongoing District commitments and obligations, and the applicable state and federal mandates. The 2010-11 Recommended Budget contains adequate staffing resources to maintain an active and effective air quality regulatory program and a comprehensive public education and outreach strategy.

Efficiency and Streamlining

With the Governing Board's guidance and support, the District has a tradition of exemplary execution of new mandates and programs with minimal or no increase in staffing. This has been accomplished through investment in automation, prudent management of resources, and application of efficient work practices and procedures. This pattern will continue in 2010-11 as the District workload continues to increase as detailed above. In fact, the 2010-11 Recommended Budget results in a net reduction of one regular position.

The 2010-11 Recommended Budget reflects a recent reorganization, in which the former Emission Reductions Incentive Program was merged with the former Planning Department. This change, which occurred in March of 2010, provided an immediate reduction in salary and benefit costs by eliminating one executive management position. It will also help the District avoid future cost increases by better positioning the District to absorb increases in workload. This consolidation also eliminated the need for an existing Planning Manager position. The 2010-11 Recommended Budget proposes that this position be reclassified to a Senior Project Manager reporting directly to the Executive Director/APCO and providing high-level technical support to all District departments. This will allow for a more efficient means of providing support to multiple departments with minimum staffing.

Also in light of a ten-fold increase in the District's incentive grant funding over the past few years, the District's finance group is being reorganized with the addition of a Finance Manager position to provide capacity to more efficiently process emission reduction incentive grants. In another organizational change, one Management Analyst position is being transferred from the Personnel Department to the Compliance Department to provide more direct management support for operational activities within the Compliance Department without having to increase overall staffing at the District.

The 2010-11 Recommended Budget eliminates the Administrative Secretary position which currently provides direct support for the Executive Director/APCO. Responsibilities to assist the Executive Director/APCO will be assumed more efficiently by the support staff pool within the Administrative Services Division.

Your Board's investment in automation is also enabling the District to absorb new workload. Computer automation of air monitoring systems is cutting travel time for air monitoring staff, allowing existing staff to maintain and operate the District's ever-expanding air monitoring network. Continued implementation of our Electronic

Document Management System is eliminating thousands of paper files, and making needed information instantly available to office and field staff throughout the Valley through our computer network. In our Compliance Department, inspectors will carry "Tablet PCs" loaded with inspection check sheets, eliminating the need for inspectors to write and submit detailed written reports. The District's Grants Management System, a new District computer program, allows staff in all departments to track grant-related activities from the time a grant application is first received through the filing of the District inspector's reports verifying that the emission reductions have occurred.

The District's internet site and our internal District intranet have dramatically changed the way we provide and communicate information, and are a key part of our efforts to streamline operations and improve efficiency. During the 2010-11 fiscal year, we plan to continue to expand our internet site making even more District information available to stakeholders and the general public. We are also continuing to expand our intranet, which provides District policies, procedures, and electronic tools directly to staff.

Even in this age of high technology and automation, having a highly motivated, service-oriented, well-trained staff is still the best route to operational efficiency. In 2010-11 we will continue to provide extensive staff training and guidance. We will continue to implement our Service*Teamwork*Attitude*Respect (STAR) employee suggestion program, which has resulted in thousands of successfully implemented ideas for improving efficiency and service over the past few years.

The attached narratives for all District departments contain details on the myriad of efficiency and streamlining measures being implemented throughout the District.

Significant Increase in Employer Retirement Contribution Rate

The District participates in the Kern County Employees Retirement Association (KCERA). We have been notified that the 2010-11 employer contribution will increase by over 16%. The rate increase combined with increases in the District's salary base equates to an approximate \$1,320,000 overall increase in the District's retirement costs. Rate increases are anticipated to continue over the next several years as market losses incurred in 2008 are factored into employer rate calculations.

Such escalations in contribution rates over time are not sustainable. The District is exploring options to control or reduce future exposure by the District. Towards that end, the District is in the process of retaining the services of an actuarial firm to quantify potential savings that may be realized through a variety of legally permissible actions such as reduced benefits for new employees and/or an increase in the employees' contribution rate. Cost cutting measures may be implemented in the future pending successful amendments to labor bargaining agreements as necessary.

6% Salary Savings

The appropriations for salaries and benefits included in the 2010-11 Recommended Budget have been reduced by 6% in anticipation of the savings generated through position control and management of vacant positions. This savings amount will be

closely monitored throughout 2010-11 and vacancies will be managed to insure that the 6% salary saving is achieved.

Continued Expansion of the District's Air Monitoring Network

Currently the District has equipment at 22 stations located in the eight counties we serve. The District's 2009 Air Monitoring Network Plan identified the need for several new monitoring instruments and stations to be added to the District's network. As a result, staff is coordinating the location and contractor selection for a new monitoring station in Manteca, as well as the completion of the new Madera monitoring station and the relocation of the monitoring station formerly located on Golden State Boulevard in Bakersfield.

Scientific and Research Capabilities

The District has a long tradition of relying on sound science in formulating effective air quality management strategies. Consistent with that tradition, the 2010-11 Recommended Budget includes \$315,000 specifically designated for health and scientific studies. It is anticipated these funds will be used for Valley-specific health studies with UCSF-Fresno, UC Merced, and the Central Valley Health Policy Institute at CSUF; continued scientific studies in conjunction with the Study Agency in support of rule development activities; and computerized air quality modeling to support development of future attainment plans.

The 2010-11 Recommended Budget also contains adequate staffing and financial resources to administer the District's Technology Advancement Program (TAP). Under this program the District will provide funding and engineering support to promote the development and advancement of new low-emissions technologies for mobile and stationary sources. Using existing and new incentive funding sources, TAP will provide opportunities for new technology developers and entrepreneurs to compete for District funding of low-emissions technologies that work effectively in the San Joaquin Valley. TAP will also enable the District to create public-private partnerships, including work with universities and other clean air agencies throughout the nation, to advance low-emissions technologies and build and expand local capacity for research and development in the San Joaquin Valley.

Strong Public Education and Outreach

In 2010-11, the Outreach and Communications (OC) Division will continue to play a major role in furthering the District's goals and mission through enhanced public outreach and education. Promoting public participation in measures aimed at reducing Valley air pollution will be a top priority for both the summertime and wintertime public education campaigns. During 2010-11, the Healthy Air Living (HAL) initiative will be promoted with a focus placed on our HAL Partner Program. Under this program, the District will recruit businesses, municipalities, and other Valley organizations to partner with the District in promoting air friendly behavior by their employees and operations. As such, Healthy Air Living will be a key to the launch of the recently adopted Employer Base Trip Reduction Rule.

In 2010-11, the District will also complete the design and begin the implementation phase of the Real-Time Air Advisory Network (RAAN) for Valley schools. RAAN is composed of two primary elements: (1) An email-based communication network that provides a real-time email notification to schools when local concentrations of PM 2.5 or ozone reach concentrations in the unhealthy range of the Air Quality Index, and (2) updated outdoor activity guidelines for students. RAAN is designed to both complement and supplement the current voluntary Air Quality Flag Program by providing schools with greater flexibility and accuracy in their management of outdoor activities. RAAN may also provide a more workable option for schools that are not participating in the Flag program. RAAN is scheduled to be operational on August 1, 2010.

Major Funding for Emission Reductions Incentive Grants

The following is a recap of the new incentive grant funds included in the 2010-11 Recommended Budget:

• Proposition 1B	\$45,000,000
• Lower Emission School Bus Program	21,952,765
• DMV Surcharge Fees	9,036,956
• Carl Moyer Program	10,001,400
• Federal Diesel Earmark Grant	6,750,000
• Greenhouse Gas Mitigation Program	3,000,000
• AERO (Rule 4320)	5,200,000
• ISR & Voluntary Mitigation Agreements	3,037,000
• Miscellaneous Incentive Grant Funding	115,000
• Non-Operating Interest	<u>952,200</u>
Total Incentive Grants	<u>\$105,045,321</u>

In addition to the new funding sources cited above, the District will have access to funds from recently and previously approved funding sources. This will bring the total incentive funds available to the District in 2010-11 to a total of \$ 230,672,000.

It is important to note that these sources of incentive funds include provisions for a portion of the funds to be used for administration support. These administrative funds are adequate to support the District's incentive grant programs with no impact to stationary source fees.

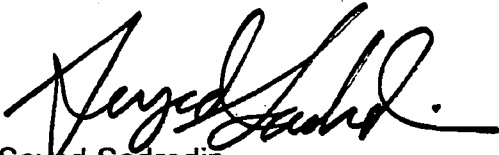
General Reserve and Contingencies

Section 12.15 of the District Administrative Code, adopted by your Board, establishes guidance for the funding level of the District's General Reserve. Section 12.15 requires the annual recommended budget to include a General Reserve of no less than 10% of the District's operating revenues. For 2010-11, the General Reserve will be established at \$3,840,000 in accordance with Section 12.15. The Appropriation for Contingencies will remain unchanged at \$850,000.

I would like to express my gratitude to your Board's ad-hoc sub-committee consisting of Supervisor Worthley, Supervisor Case, and Dr. Forman for their time in providing valuable guidance in the development of the Recommended Budget. I am also grateful for your Board's continued support for resources needed to sustain an active and effective air quality program.

I look forward to continuing and increasing our progress toward cleaner air for all Valley residents in 2010-11.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Seyed Sadredin". The signature is fluid and cursive, with a prominent initial "S" and a long, sweeping underline.

Seyed Sadredin
Executive Director/Air Pollution Control Officer

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

	Adjusted * FY 09-10	Recommended FY 10-11	Increase (Decrease)
APPROPRIATIONS			
Salaries & Benefits (before Salary Savings)	29,729,300	32,261,738	2,532,438
Projected Salary Savings	(1,469,200)	(1,756,660)	(287,460)
Salaries & Benefits (net of Salary Savings)	<u>28,260,100</u>	<u>30,505,078</u>	<u>2,244,978</u>
Services & Supplies	5,606,000	5,898,300	292,300
Fixed Assets	2,031,900	2,014,800	(17,100)
OPERATING APPROPRIATIONS	<u>35,898,000</u>	<u>38,418,178</u>	<u>2,520,178</u>
Other Charges	30,000	30,000	-
Incentive Programs	109,882,963	112,073,821	2,190,858
Appropriation for Contingencies	850,000	850,000	-
NON-OPERATING APPROPRIATIONS	<u>110,762,963</u>	<u>112,953,821</u>	<u>2,190,858</u>
TOTAL APPROPRIATIONS	<u>146,660,963</u>	<u>151,371,999</u>	<u>4,711,036</u>
REVENUE			
Stationary Revenue	16,963,200	23,422,800	6,459,600
Grant Revenue	2,982,500	3,032,000	49,500
DMV Surcharge Fees - District Portion	10,100,000	10,100,000	-
Administrative Fees - Incentive Programs	4,387,733	6,759,440	2,371,707
Transferred to Non-Operating Revenue	-	(5,200,000)	(5,200,000)
Fund Balance Used	1,359,167	1,627,147	267,980
Reserves Released / (Increased)	105,400	(1,323,209)	(1,428,609)
OPERATING REVENUE/FUNDING SOURCES	<u>35,898,000</u>	<u>38,418,178</u>	<u>2,520,178</u>
Non-Operating Revenue	106,931,863	105,075,321	(1,856,542)
Fund Balance/Reserves Released	3,831,100	7,878,500	4,047,400
NON-OPERATING REVENUE/FUNDING SOURCES	<u>110,762,963</u>	<u>112,953,821</u>	<u>2,190,858</u>
TOTAL REVENUE/FUNDING SOURCES	<u>146,660,963</u>	<u>151,371,999</u>	<u>4,711,036</u>

RECOMMENDED POSITIONS	309	308	(1)
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RESERVES			
General Reserve	3,500,000	3,840,000	340,000
Long-Term Building Maintenance	408,000	473,000	65,000

* Adjusted 09/10 Budget as of 2-28-10

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

<u>ACCOUNT TITLE</u>	<u>2009-10 BUDGETED * REVENUES</u>	<u>2010-11 BUDGETED REVENUES</u>	<u>INCREASE / (DECREASE)</u>	
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OPERATING REVENUE

STATIONARY SOURCE

Permit Fees	13,967,700	15,147,700	1,180,000	8%
Advanced Emission Reduction Options (AERO) Fees	-	5,400,000	5,400,000	
Settlements	2,500,000	2,500,000	-	
Interest	465,000	316,200	(148,800)	-32%
Miscellaneous	30,500	58,900	28,400	93%
Total Stationary Non-Grant Operating Revenue	16,963,200	23,422,800	6,459,600	38%

GRANT REVENUE

State Subvention	882,000	882,000	-	
EPA 105 Grant	1,950,000	2,000,000	50,000	3%
EPA 103 Grant	150,500	150,000	(500)	0%
Total Grant Revenue	2,982,500	3,032,000	49,500	2%

Total Stationary Operating Revenue	19,945,700	26,454,800	6,509,100	33%
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DMV Surcharge Fees - District	10,100,000	10,100,000	-	
Administrative Fees - Incentive Programs	4,387,733	6,759,440	2,371,707	54%

Total Operating Revenue	34,433,433	43,314,240	8,880,807	26%
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Transfer to Non-Operating Revenue for Incentive Grants	-	(5,200,000)	(5,200,000)	
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Fund Balance Used	1,359,167	1,627,147		
Reserves Released / (Increased)	105,400	(1,323,209)		

Estimated Funding Sources - Operating	35,898,000	38,418,178		
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NON-OPERATING REVENUE

Air Toxics	30,000	30,000	-	
DMV Surcharge Fees - Pass Through	9,250,000	9,036,956	(213,044)	-2%
Carl Moyer Funds	11,803,130	10,001,400	(1,801,730)	-15%
VERA Mitigation Program	6,736,180	3,037,000	(3,699,180)	-55%
Proposition 1B Funding Program	45,000,000	45,000,000	-	
DERA Program	7,223,100	-	(7,223,100)	-100%
Lower Emission School Bus Program	15,385,000	21,952,765	6,567,765	43%
Federal Diesel Emission Reduction Funding Program	7,500,000	6,750,000	(750,000)	-10%
Greenhouse Gas Mitigation Program	-	3,000,000	3,000,000	100%
Miscellaneous Incentive Grant Funding	1,507,600	115,000	(1,392,600)	-92%
Non-Operating Interest	2,496,853	952,200	(1,544,653)	-62%
Operating Revenues Funding Community & Other Incentives	-	5,200,000	5,200,000	100%

Total Non-Operating Revenue	106,931,863	105,075,321	(1,856,542)	-2%
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Fund Balance Used / Reserves Released	3,831,100	7,878,500		
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Estimated Funding Sources - Non-Operating	110,762,963	112,953,821		
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TOTAL REVENUE

Estimated Financing Sources - Total	146,660,963	151,371,999		
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* Adjusted 09/10 Budget as of 2-28-10

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
2010-11 Recommended Budget
Total District

ACCOUNT NUMBER	2009-10 ADJUSTED APPROPRIATIONS	2010-11 RECOMMENDED	INCREASE (DECREASE)	
DESCRIPTION				
OPERATING APPROPRIATIONS				
SALARIES AND BENEFITS				
Regular Salaries	\$ 18,572,800	\$ 19,489,400	916,600	5%
Temporary Help	590,700	638,600	47,900	8%
On Call Pay	77,900	77,900	-	0%
Overtime	260,100	259,600	(500)	0%
Unemployment	75,400	70,200	(5,200)	-7%
Retirement	5,814,800	7,134,800	1,320,000	23%
OASDI	332,500	336,100	3,600	1%
Workers Compensation	166,000	181,100	15,100	9%
Cafeteria Plan Benefits	2,140,400	2,066,778	(73,622)	-3%
Long-Term Disability Insurance	67,400	69,500	2,100	3%
Alternate Transportation Incentive	162,100	181,100	19,000	12%
TOTAL SALARIES AND BENEFITS	\$ 28,260,100	\$ 30,505,078	2,244,978	8%
SERVICES AND SUPPLIES				
Safety Supplies & Equipment	\$ 17,100	\$ 15,300	(1,800)	-11%
Mobile Communications	121,900	134,800	12,900	11%
Telephone Charges	122,100	129,700	7,600	6%
Insurance	172,000	185,800	13,800	8%
Equipment Maintenance	207,300	189,300	(18,000)	-9%
Vehicle Maintenance & Operations	236,800	217,000	(19,800)	-8%
Computer Maintenance	182,800	214,500	31,700	17%
Video Conferencing Maintenance & Operations	220,000	246,800	26,800	12%
Building Maintenance & Operations	284,300	299,200	14,900	5%
Office Supplies	85,500	68,900	(16,600)	-19%
Computer Software & Supplies	73,800	89,600	15,800	21%
Monitoring Station Supplies & Equipment	170,300	235,700	65,400	38%
Postage	198,900	177,100	(21,800)	-11%
Printing	150,400	139,100	(11,300)	-8%
Professional & Specialized Services	2,006,600	2,124,600	118,000	6%
Publications & Legal Notices	162,600	185,500	22,900	14%
Rents & Leases	394,550	434,200	39,650	10%
Small Tools & Equipment	51,600	59,800	8,200	16%
Special District Expense	260,900	289,000	28,100	11%
Travel & Training	139,800	138,100	(1,700)	-1%
Travel & Training - Boards	53,300	58,800	5,500	10%
Utilities	230,500	247,500	17,000	7%
Audit Services	17,200	18,000	800	5%
Legal Services	45,750	-	(45,750)	-100%
TOTAL SERVICES AND SUPPLIES	\$ 5,606,000	\$ 5,898,300	292,300	5%
FIXED ASSETS				
Office Improvements	\$ 51,300	\$ 40,000	(11,300)	-22%
Computer Equipment	667,200	676,600	9,400	1%
Office Furniture & Equipment	38,900	26,500	(12,400)	-32%
Office Machines	47,900	48,000	100	0%
Telephone Systems	139,400	141,500	2,100	2%
Detection Equipment	33,500	11,300	(22,200)	-66%
Automobiles	307,000	320,000	13,000	4%
Video Conferencing System	339,100	344,700	5,600	2%
Air Monitoring Station Equipment	407,600	406,200	(1,400)	0%
TOTAL FIXED ASSETS	\$ 2,031,900	\$ 2,014,800	(17,100)	-1%
TOTAL OPERATING APPROPRIATIONS	\$ 35,898,000	\$ 38,418,178	\$ 2,520,178	7%

**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
2010-11 Recommended Budget
Total District**

ACCOUNT NUMBER	DESCRIPTION	2009-10 ADJUSTED APPROPRIATIONS	2010-11 RECOMMENDED	INCREASE (DECREASE)
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NON-OPERATING APPROPRIATIONS

OTHER CHARGES

Air Toxic Pass Through	\$ 30,000	\$ 30,000	-	0%
Dairy CEQA - Pass Through	-	-	-	0%

TOTAL OTHER CHARGES	30,000	30,000	-	
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INCENTIVE PROGRAMS

DMV Surcharge Fees - Incentives	11,099,500	8,889,656	(2,209,844)	-20%
Carl Moyer Heavy Duty Program	12,844,483	10,543,400	(2,301,083)	-18%
ISR and Development Contract Mitigation Programs	7,227,700	9,390,800	2,163,100	30%
Proposition 1B Funding Programs	45,675,000	45,576,200	(98,800)	0%
Lower Emission School Bus Program	15,910,100	22,288,965	6,378,865	40%
Federal Diesel Earmark Grant	7,500,000	6,750,000	(750,000)	-10%
Community & Other Incentives Funded by Operating Revenues	550,000	5,201,900	4,651,900	846%
Greenhouse Gas Mitigation Program	-	3,010,400	3,010,400	0%
GHG Support for Cities & Counties	-	250,000	250,000	0%
Miscellaneous Incentive Grants	9,076,180	172,500	(8,903,680)	-98%

TOTAL INCENTIVE PROGRAMS	\$ 109,882,963	\$ 112,073,821	\$ 2,190,858	2%
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Appropriation for Contingencies	\$ 850,000	\$ 850,000	-	0%
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TOTAL NON-OPERATING APPROPRIATIONS	\$ 110,762,963	\$ 112,953,821	2,190,858	2%
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TOTAL APPROPRIATIONS

TOTAL DISTRICT APPROPRIATIONS	\$ 146,660,963	\$ 151,371,999	\$ 4,711,036	3%
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ADMINISTRATION

FISCAL SUMMARY

	<u>Budgeted 2009-10</u>	<u>Recommended 2010-11</u>	<u>Increase/ (Decrease)</u>	
<u>Appropriations</u>				
Salaries and Benefits	6,463,100	7,059,462	596,362	9%
Services and Supplies	2,592,750	2,619,600	26,850	1%
Fixed Assets	601,800	654,500	52,700	9%
 Total	 <u>9,657,650</u>	 <u>10,333,562</u>	 <u>675,912</u>	 <u>7%</u>
 <u>Position Summary</u>	 70	 69	 -1	

FUNCTION

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

General Administration

The General Administration Division has responsibility for the overall management of the District. Under policy direction of the Governing Board, the Executive Director/APCO and the Deputy APCO represent the Board's interests and oversee the development and implementation of policies and procedures, formulation of policy alternatives and recommendations, overall management of personnel and resources, and development and implementation of air quality-related programs. Also included in General Administration are the Health Science Advisor who provides technical support and expert advice to the APCO in addressing health related issues on a scientific basis, the Senior Policy Advisor who supports the APCO in advocacy efforts advancing Board-adopted legislative priorities and positions and the Senior Project Manager who provides high-level technical support to the APCO and to other District departments.

District Counsel

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

Personnel

The Personnel Division performs the full range of personnel support activities for all departments. Specific program activities include: recruitment, classification and pay, records management, legal compliance, labor relations, training, and management/supervisory support. In addition, the Division is responsible for minimizing risk to the District through employee benefits, workers' compensation, and wellness programs.

The Personnel Division has also taken a lead role in the development and implementation of the STAR (Service, Teamwork, Attitude, Respect) work culture program and both internal and external Healthy Air Living program activities.

Administrative Services

The Administrative Services Division is responsible for all fiscal and general services related functions of the District, oversight of the District clerical staff, records management, and oversight of the Clerk of the Boards function. The fiscal functions include preparation and control of the District's budget; responsibility for accounting and auditing all District revenues and expenditures; preparation of financial statements and related reports and incentive grant financial management, including state and federal grant reporting. The general service functions include: responsibility for facilities management, fleet maintenance, purchasing, and risk management.

Information Technology Services

The Information Technology Services Division administers all computer-related functions of the District. These functions include: strategic and tactical planning; policy and procedures formulation; information technology budget preparation and administration; project prioritization and resource management; hardware and software standards, specifications, training, support maintenance, repair, and inventory; technology analysis and recommendations; and the Request for Proposal and Request for Quote process related to technology procurement.

The Division is also responsible for voice and video communication technology (e.g. telephone systems, mobile communications, and video teleconferencing); facsimile technology (e.g. copiers and fax machines); and archival file management.

Outreach and Communications

The Outreach and Communications Division plans and implements strategies to meet the District's outreach and communication goals. The Division continues to expand District outreach activities and communication strategies while working to leverage outreach dollars with potential partners to maximize the District's messages. These strategies include designing and implementing comprehensive, multi-lingual, multi-media outreach campaigns; coordinating an effective media relations program; responding to public inquiries; writing and distributing newsletters, brochures and other outreach materials; conducting public presentations to promote clean air; collaborating with local, state and federal agencies and stakeholders to further the District's mission; and working with other divisions to ensure their communication and public affair needs are met.

SIGNIFICANT IMPACTS TO 2010-11 BUDGET

General Administration

The 2010-11 Recommended Budget eliminates the Administrative Secretary position which currently provides direct support for the Executive Director/APCO. Responsibilities to assist the Executive Director/APCO will be assumed more efficiently by the support staff pool within the Administrative Services Division.

The 2010-11 Recommended Budget reflects a recent reorganization, in which the former Emission Reductions Incentive Program Department was merged with the former Planning Department. This consolidation eliminated the need for an existing Planning Manager position. The 2010-11 Recommended Budget proposes that this position be reclassified as a Senior Project Manager reporting directly to the Executive Director/APCO and providing high-level technical support to all District departments. This will allow for a more efficient means of providing support to multiple departments with minimum staffing.

Personnel

The 2010-11 Recommended Budget reflects the transfer and reclassification of one Administrative Analyst position from the Personnel Division to a Management Analyst position in the Compliance Department. Until recently, the Personnel Division was responsible for administering a centralized, District-wide safety program. This included safety inspections, committees, training, and legal compliance. In April 2010, the majority of these duties were transferred to the Compliance Department, with a few duties moving to the Facilities Section of Administrative Services. This transition was a natural fit since most of the District's safety needs and potential exposure are associated with the field aspect of the Compliance Department and with the District's three facilities.

While the Administrative Analyst position provided other personnel support services such as worker's compensation administration, medical monitoring, and general management support, through efficiencies and automation it is expected that existing staff can sufficiently provide service to both internal and external customers.

Occasionally, it is necessary to evaluate the equity of salaries between the various classifications and, where merited, make appropriate adjustments. Recently an evaluation of the Personnel Technician classification was performed. The outcome of this evaluation indicated that the Personnel Technician, a confidential classification, is currently compensated at a range lower than justified based on comparable work performed by similar classifications in the District. The 2010-11 Recommended Budget reflects an equity adjustment of 5% that corrects the salary range of the Personnel Technician classification to that equivalent to the current Accounting Technician classification.

Administrative Services

The workload of the Administrative Services (ADS) Finance Division has increased in relation to the expansion of the incentive grant programs over the last few years. For several years Finance absorbed much of this workload through efficiencies gained from the use of improved technology and work flow processes. However, Finance has yet to be able to adequately address potential improvements to several key financial and accounting processes where long-term efficiencies can be leveraged and where important improvements can be made to enhance customer service.

During 2010-11, greater emphasis will be placed on developing efficiencies and improving the District's financial infrastructure. To facilitate this and to better manage the increased workload, the Recommended Budget proposes to reclassify the existing Controller position to a lower level Manager position and to add one additional lower level Manager position. This adjustment provides necessary, hands on, technical and professional leadership over the broad spectrum of financial activities performed at the District, including grant management. This change to the organization will enhance staff productiveness, quality of work and both internal and external customer service.

The ADS Finance Division will continue to promote efficiencies through increased utilization of both the District's newly implemented financial software and grants management program as well as through evaluation and implementation of software to assist with the development and administration of the District's operating and significant non-operating budgets.

Due to the proposed elimination of the Administrative Secretary position, ADS Operations Support staff will provide administrative support to the Executive Director/APCO, absorbing the additional workload with existing staff. The ADS Facility Maintenance staff is absorbing some safety related workload due to the transfer of one Administrative Analyst position from the Personnel Division to a Management Analyst position in the Compliance Department.

The Recommended Budget includes appropriations to temporarily promote a Facilities Maintenance Worker to a Facilities Maintenance Specialist position for 2010-11. This classification performs light construction work and is paid at a rate above the Maintenance Worker classification. This temporary promotion is necessary to allow a District staff person to perform cost effective repair and safety upgrades to the District's many air monitoring stations and to its three facilities that can not be performed under the Maintenance Worker classification. After work is completed on the air monitoring stations and other facilities, the upgraded staff person will resume their normal responsibilities and pay at the lower classification.

The Recommended Budget also proposes reclassification of the two Administrative Analyst positions in the Modesto and Bakersfield offices to Office Services Managers. While this reclassification does not change the duties or the salary range for these positions, the new title and job description more accurately describe the managerial classification and the work performed by these positions.

Information Technology Services

The Information Technology Services (ITS) Division will be conducting several key projects in support of District operational objectives over the next year. These projects include: creating the eTRIP Registration System to assist businesses with registration and participation in the District's Employer Based Trip Reduction Program - otherwise known as Rule 9410; implementing the Real-time Air Advisory Network (RAAN) for Valley schools; upgrading the District's Labor Information System to provide enhanced management information; converting Compliance field staff computers from laptops to tablets; and implementing new electronic document management systems in the Strategy and Incentives Department.

The District recently passed Rule 9410 to encourage employer-based trip reduction. ITS will be creating a specific web page and eTRIP Registration System to assist businesses with registering their site information with the District. Later in the year, ITS will be augmenting that program to help employers identify specific actions that they are taking to positively impact air quality. As a result of these programs, the District will be able to measure and track the overall impact that collective employer efforts are making on air quality in the San Joaquin Valley.

Recently, school district representatives have requested the Air District provide real-time air quality information so they can take appropriate actions to protect student health. To support the accomplishment of this objective, ITS will be implementing the Real-Time Air Advisory Network (RAAN) with Valley schools. This system will send any participating school a notification email when air quality in their area reaches critical thresholds. In addition, the email will provide a link to real-time air quality information that will help the school make more informed decisions to protect the health of their students.

Over the past few years the District has focused on obtaining large pools of grant funding to support incentivized air quality improvement projects. The District faces outside scrutiny on how grant funds are distributed and the work effort required to support the programs. To help with tracking work effort, ITS will be augmenting the existing Labor Information System (LIS) to provide more detailed information. This project will also reduce the manual effort necessary to process payroll data.

ITS will be completing a project to upgrade all field Compliance staff from laptop computers to tablet computers. The goal of this project is to provide field staff with technology that they can more effectively use at the inspection site. While laptops have helped increase field staff efficiency, they were bulky to carry into inspection sites. The new tablets will increase efficiency by allowing more forms-based processing, and will improve customer service by giving field staff improved ability to access and produce needed electronic information for their customers.

The District's existing electronic document management system (EDMS) will be expanded to include Strategy and Incentives Department documents. The goal of these projects is to increase District efficiency and capacity for processing grants and creating plans and rules.

With the recent upgrades in place for the telephone system and the video teleconferencing system, it is apparent that the technologies involved with supporting the District's telecommunication systems are converging with computer technologies. Therefore, the 2010-11 Recommended Budget combines the job classification of Communication Systems Analyst and Network Systems Analyst under a new Network Systems Analyst classification. The salary range for the new classification remains the same. This modification will provide improved staff coverage, easier recruitments, and better opportunities for career advancement for existing Communication Systems Analysts.

Outreach and Communications

In 2010-11, the Outreach and Communications (OC) Division will continue to play a major role in furthering the District's goals and mission through enhanced public outreach and education while maintaining current staffing and overall expenditures. The key focus of the Division will again be to do more with less and maximize existing resources and technology to reach new goals.

As air quality continues to be a key issue for Valley residents, comprehensive multi-lingual outreach serves to not only educate Valley residents and stakeholders on the activities of the District, but it also enables residents to take a proactive role in improving air quality. This year several new programs will be launched and some existing programs will be strengthened without additional staff.

The marquee Healthy Air Living program will continue to grow as it is now a key tool in implementing the eTRIP rule (Rule 9410). During 2010-11, the Healthy Air Living (HAL) initiative will be promoted with a focus placed on the District's HAL Partner Program. Under this program, the District will recruit businesses, municipalities, and other Valley organizations to partner with the District in promoting air friendly behavior by their employees and institutions.

Additionally, the District will pilot the Real-Time Air Advisory Network (RAAN) with Valley schools. The RAAN is an evolution of the successful Air Quality School Flag program which informs schools of daily air quality forecasts. The RAAN will allow school officials to make more precise and timely decisions on restricting outdoor activities including sports. While the initial scope of the project is focused on schools, the district plans to expand the network to be a resource for health professionals, emergency response teams and other concerned constituencies.

The District will once again enter into an advertising agency contract to promote key programs and messages. Promoting public participation in measures aimed at reducing Valley air pollution will be a top priority for both the summer and wintertime public education campaigns. The successful "One Change" campaign will again be utilized to build understanding of personal behavior and demonstrate the ease of voluntary public involvement. In the current economic climate the District negotiated another one-year contract with Jeffery Scott Advertising (JSA). The District was able to secure a total campaign cost equal to that of the 2009-10 campaign, with a \$15,000 increase in package value.

The District firmly believes that every Valley resident must take some level of ownership and make personal decisions to address the challenges presented by federal mandates and health study information. In an effort to continue to increase this level of community ownership, the District will use existing outreach dollars to work collaboratively with stakeholder groups to leverage funds to, in many cases, double the outreach dollars allocated to any one program or event such as the lawn mower program or the "Check Before You Burn" program.

Comprehensive and strategic public interaction and outreach will play an ever increasing role in the activities of the District. By continuing successful initiatives such as multilingual outreach; community-based education; increased presence on radio, print, web and TV media outlets; multi-generational outreach programs such as the Curriculums, CSUF class, and Flag Program; Environmental Justice strategy development; and collaborative partnerships which leverage resources, the District will be able to solidify its presence in the community and build understanding of the public's role in improving air quality.

SUMMARY OF POSITIONS

<u>Title</u>	<u>Current</u>	<u>Recommended</u>	<u>Increase/ Decrease</u>
Executive Director/APCO	1	1	0
Deputy APCO	1	1	0
District Counsel	1	1	0
Chief Communications Officer	1	1	0
Director of Administrative Services	1	1	0
Director of Information Systems	1	1	0
Director of Personnel	1	1	0
Planning Manager	1	0	-1
Assistant Counsel I/II	1	1	0
Controller	1	0	-1
Senior Policy Advisor	1	1	1
Accounting Manager	0	1	+1
Finance Manager	0	1	+1
Senior Project Manager	0	1	+1
Supervising Programmer/Analyst	1	1	0
Health Science Advisor	1	1	0
Personnel Administrator	1	1	0
Senior Programmer Analyst	2	2	0
Supervising Accountant	1	1	0
Supervising Network Systems Analyst	1	1	0
Senior Personnel Analyst	1	1	0
Senior Network System Analyst	2	2	0
Senior Network System Analyst - C	1	1	0
Senior Accountant	1	1	0
Senior Air Quality Ed Representative	1	1	0
Deputy Clerk to the Boards	1	1	0
Office Services Manager	0	2	+2
Administrative Analyst I/II	4	1	-3
Programmer Analyst I/II	7	7	0
Communication Systems Analyst I/II	2	0	-2
Network Systems Analyst I/II	4	6	+2
Accountant I/II	2	2	0
Air Quality Ed Representative I/II	4	4	0
Operations Support Supervisor	1	1	0
Legal Technician	1	1	0
Administrative Secretary	1	0	-1
Accounting Technician I/II	2	2	0
General Services Technician I/II	1	1	0
Personnel Technician I/II	1	1	0
Maintenance Worker	1	0	-1

SJVUAPCD 2010-11 Recommended Budget
ADMINISTRATION

Facilities Maintenance Specialist	0	1	+1
Senior Office Assistant	3	3	0
Senior Office Assistant - C	1	1	0
Word Processing Specialist I/II	1	1	0
Accounting Assistant I/II	5	5	0
Office Assistant I/II	<u>4</u>	<u>4</u>	<u>0</u>
TOTAL	<u>70</u>	<u>69</u>	<u>-1</u>

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
2010-11 Recommended Budget
Administration

ACCOUNT NUMBER	DESCRIPTION	2009-10 ADJUSTED APPROPRIATIONS	2010-11 RECOMMENDED	INCREASE (DECREASE)
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SALARIES AND BENEFITS				
Regular Salaries		\$ 4,314,000	\$ 4,598,200	284,200 7%
Temporary Help		64,500	66,200	1,700 3%
On Call Pay		-	-	- 0%
Overtime		34,300	41,600	7,300 21%
Unemployment		16,500	15,700	(800) -5%
Retirement		1,360,600	1,676,300	315,700 23%
OASDI		71,400	72,600	1,200 2%
Workers Compensation		30,900	36,300	5,400 17%
Cafeteria Plan Benefits		518,900	495,662	(23,238) -4%
Long-Term Disability Insurance		15,100	16,700	1,600 11%
Alternate Transportation Incentive		36,900	40,200	3,300 9%
TOTAL SALARIES AND BENEFITS		\$ 6,463,100	\$ 7,059,462	596,362 9%
SERVICES AND SUPPLIES				
Safety Supplies & Equipment		\$ 7,000	\$ 2,100	(4,900) -70%
Mobile Communications		20,500	23,600	3,100 15%
Telephone Charges		37,800	25,800	(12,000) -32%
Insurance		172,000	185,800	13,800 8%
Equipment Maintenance		37,000	32,700	(4,300) -12%
Vehicle Maintenance & Operations		38,900	24,000	(14,900) -38%
Computer Maintenance		71,400	75,400	4,000 6%
Video Conferencing Maintenance & Operations		220,000	246,800	26,800 12%
Building Maintenance & Operations		62,300	74,800	12,500 20%
Office Supplies		23,600	23,100	(500) -2%
Computer Software & Supplies		16,500	22,100	5,600 34%
Monitoring Station Supplies & Equipment		-	-	- 0%
Postage		32,100	25,100	(7,000) -22%
Printing		115,400	105,500	(9,900) -9%
Professional & Specialized Services		1,240,100	1,266,200	26,100 2%
Publications & Legal Notices		18,000	15,000	(3,000) -17%
Rents & Leases		40,500	45,300	4,800 12%
Small Tools & Equipment		10,000	9,800	(200) -2%
Special District Expense		214,100	235,200	21,100 10%
Travel & Training		67,500	69,800	2,300 3%
Travel & Training - Boards		35,600	41,000	5,400 15%
Utilities		49,500	52,500	3,000 6%
Audit Services		17,200	18,000	800 5%
Legal Services		45,750	-	(45,750) -100%
TOTAL SERVICES AND SUPPLIES		\$ 2,592,750	\$ 2,619,600	26,850 1%
FIXED ASSETS				
Office Improvements		\$ 51,300	\$ 40,000	(11,300) -22%
Computer Equipment		107,300	171,100	63,800 59%
Office Furniture & Equipment		8,600	6,000	(2,600) -30%
Office Machines		10,200	10,600	400 4%
Telephone Systems		31,300	32,600	1,300 4%
Detection Equipment		-	-	- 0%
Automobiles		54,000	49,500	(4,500) -8%
Audio/Visual Equipment		-	-	- 0%
Vehicle Radio Equipment		-	-	- 0%
Video Conferencing System		339,100	344,700	5,600 2%
Air Monitoring Station Equipment		-	-	- 0%
Electronic Document Management Project		-	-	- 0%
Central Region Parking Lot Project		-	-	- 0%
Central Region Office Modification		-	-	- 0%
TOTAL FIXED ASSETS		\$ 601,800	\$ 654,500	52,700 9%
TOTAL CURRENT YEAR APPROPRIATIONS		\$ 9,657,650	\$ 10,333,562	675,912 7%

COMPLIANCE

FISCAL SUMMARY

	<u>Budgeted 2009-10</u>	<u>Recommended 2010-11</u>	<u>Increase/ (Decrease)</u>	
<u>Appropriations</u>				
Salaries and Benefits	8,133,400	8,836,736	703,336	9%
Services and Supplies	1,501,550	1,455,300	(46,250)	-3%
Fixed Assets	<u>1,120,200</u>	<u>1,007,100</u>	<u>(113,100)</u>	<u>-10%</u>
 Total	 <u>10,755,150</u>	 <u>11,299,136</u>	 <u>543,986</u>	 <u>5%</u>
 <u>Position Summary</u>	 96	 97	 +1	

FUNCTION

The District's Compliance Department ensures that sources of air pollution subject to the District rules and regulations comply with applicable requirements. The program objectives for the Compliance Department are set forth in federal and state law and the District's air quality attainment plans. In order to meet these program objectives, District staff performs inspections at approximately 8,000 industrial and commercial facilities and at over 6,400 agricultural operations, maintains 22 air monitoring stations, responds to over 2,000 public complaints, and verifies emissions reductions at hundreds of locations where emission reduction incentive projects have been implemented.

The major functions of the Compliance Department are as follows:

Inspections of Stationary Sources

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

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

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

Complaint Investigations

The District receives thousands of complaints each year for which timely responses and investigations of alleged sources of non-compliance are top priorities. Inspectors are on-call 24 hours per day and use an automated answering system and cellular telephones to respond to complaints quickly in order to abate potential public nuisances. The District provides a bilingual (Spanish-English) telephone complaint line and also has the capability to utilize the Language Line Services to ensure that all communities and groups within the Valley are properly served.

Compliance Assistance

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

- **Individualized Assistance**
Personal, one-on-one help is provided to thousands of businesses and individuals to ensure they understand the District's requirements.
- **Compliance Assistance Bulletins**
Bulletins on various topics are sent to groups including, but not limited to, realtors, building departments, vapor recovery facilities, contractors, owners of boilers and internal combustion engines, and farmers.
- **Compliance School**
A two-hour training provides information on the topics of open burning and vapor recovery. In addition, informational packets and a take-home training exam are available for fireplace burning.
- **Gasoline Station Tester Training**
Ongoing training for contractors is provided for those wishing to perform vapor recovery tests within the District. A District rule requires testers be certified and insures an adequate pool of qualified contractors.
- **Asbestos Training**
Comprehensive assistance on asbestos regulations is provided to the public, building industry, building departments, fire departments, and realtors. Staff continues to spend considerable time providing one-on-one assistance to the regulated community with asbestos inquiries.
- **Rule 4901 (Fireplace and Wood Burning Heater) Education**
Staff responds to public inquiries concerning the program, including providing compliance assistance brochures and exemptions from curtailment days due to financial hardship.
- **Regulation VIII (Fugitive Dust) Education**
Staff organizes classroom training for all groups required to submit dust control plans for construction activities and will provide ongoing training as needed.

- **Prescribed Burning Outreach**
The District meets periodically with the land managers of the USDA Forest Service, National Park Service, US Fish and Wildlife Service, Bureau of Land Management, California Department of Forestry and Fire Protection, and Southern California Edison Company in order to minimize impacts of smoke from prescribed burns and wildfires.
- **Access to Compliance Policies**
Additional compliance policies continue to be placed on the Web for stakeholders to review, comment, and to assist them with complying with District requirements.
- **Permit Streamlining Meetings**
The District continues to attend these meetings as another way of providing compliance assistance. Compliance responds to industry inquiries and provides updates in the meetings.

Emission Reduction Incentive Program Inspections

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

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

Air Monitoring

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

The District's 2009 Air Monitoring Network Plan identified the need for several new monitoring instruments and stations to be added to the District's network. As a result, staff is coordinating the location and contractor selection for a new monitoring station in Manteca, as well as the completion of the new Madera monitoring station and the relocation of the monitoring station formerly located on Golden State Boulevard in Bakersfield.

The information gathered from the District's monitoring stations is reviewed for quality by District staff and then transmitted to EPA. Air quality data is used to determine the District's progress toward achieving state and federal air quality standards, to assess the benefits of

control strategies, and to document air quality trends over long periods of time. Real-time air monitoring data is also used in daily air quality forecasts and Smoke Management Program forecasts.

Pollutants monitored include ozone, PM10 and PM2.5, nitrogen oxides, hydrocarbons, and carbon monoxide. In addition to routine monitoring, the District operates a network of six Photochemical Air Monitoring System (PAMS) stations and two atmospheric profilers that provide for enhanced forecasting and modeling. Lastly, many of these stations include meteorology equipment.

The District currently has equipment at 22 stations located in each of the eight counties. In total there are 74 gas analyzers, 29 particulate samplers, 105 meteorological sensors, 16 PAMS units, and two low air profilers. Most of this equipment runs continuously, must be calibrated, and must be maintained to meet strict requirements. Many of the stations are several years old and ongoing repairs are necessary to support new instruments and to assure a proper environment for the sensitive equipment.

Emissions Testing

District inspectors directly oversee hundreds of source tests conducted at stationary sources for the purpose of measuring air pollutants. ARB recommends all tests be observed and evaluated by District staff. With new rule requirements, there has been an increase in the number of source tests. To meet the increased demand, changes to District policy were made, including the allowance of third party source testing contractors to test over longer periods. This program has been streamlined through policy and procedural changes such that staff traditionally working entirely in this program now assists with other programs where the workload has increased.

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

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

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

Portable Equipment Inspections

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

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

Gasoline Station Inspecting and Testing Program

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

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

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

Agricultural and Prescribed Burning

Agricultural burning in the San Joaquin Valley is closely regulated by the District. Recent legislation is phasing out such activity, but it is still allowed for some crops. In accordance with state law, District staff determines when, how much, and where burning can occur daily.

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

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

Prescribed burning by land management agencies is another activity regulated by the District. In accordance with Title 17, the District reviews burn plans, provides burn authorizations, and monitors the fires. Compliance staff also has an ongoing dialogue with land management agencies and other air districts to improve communication and cooperation among all parties. These activities help to ensure the smoke is well managed and its impact upon air quality and public health is reduced to the maximum extent feasible.

Due to a recent change in federal policy on how to manage and when to extinguish wildfires, the District is concerned that smoke from wildfires may have a greater impact on Valley residents. To address this, the District will have a greater presence during the fire season to help minimize smoke impacts. Staff will conduct additional inspections and coordinate more closely with land managers.

Mutual Settlement Program

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

Continuous Emission Monitoring System Polling

Many stationary sources of air pollutants throughout the District are required by law to monitor their emissions with instruments known as Continuous Emissions Monitoring Systems (CEMS). While these instruments are invaluable in ensuring the facilities operate properly, it is very time consuming for inspectors to travel to each facility to review the records of the emissions. In an effort to better utilize existing resources, the District implemented an electronic CEMS Polling System. The District utilizes its computer system to automatically gather emissions data from the various companies' CEMS and to notify inspectors of potential emissions problems. Approximately 70 facilities are currently being polled in this highly successful program.

Fugitive Dust Regulations

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

Hearing Board Activities

Petitions for variances are received, reviewed, and researched by Compliance Department staff. Each petition results in a written staff report and a presentation of the case to the

applicable Hearing Board having jurisdiction. Compliance staff also handles public noticing of the hearings, reports of Board decisions, and variance tracking to ensure sources comply with variances and other Hearing Board orders.

SIGNIFICANT IMPACTS TO 2010-11 BUDGET

Despite a significant increase in workload, the 2010-11 Recommended Budget for the Compliance Department does not include an increase in regular positions. As detailed in the following section, in 2010-11 the Compliance Department will experience major new workload resulting from new federal mandates through EPA rulemaking, ambient air quality monitoring, and the implementation of recently adopted District rules and regulations. The new workload will be absorbed with existing staff through further streamlining of Compliance Department functions and continued improvements in efficiency.

New Workload

The District's Compliance Department workload will continue to increase dramatically, with a significant increase expected due to recent approval by the EPA of the permitting rules associated with the District's "extreme" non-attainment classification. The implementation of these rules will result in approximately 350 existing sources now being considered "major sources" subject to Title V permitting and approximately 600 existing farms and dairies now being required to obtain operating permits for the first time as their emissions will be above the permitting level of 50% of the new lower major source thresholds. Significant outreach and compliance assistance will be necessary to successfully integrate these sources into the Title V and District permitting systems, respectively. As in past years, this additional workload will be handled by existing staff using new technologies and efficiencies.

In addition to the number of sources now requiring new Title V or District operating permits, a number of recently adopted or modified rules will also have requirements implemented in 2010-11, including Rule 4308 – Boilers, Steam Generators, and Process Heaters (0.075 MMBtu/hr to 2.0 MMBtu/hr), Rule 4311 – Flares, Rule 4320 – Advanced Emission Reduction Options for Boilers, Steam Generators, and Process Heaters Greater Than 5.0 MMBtu/hr, Rule 4601 – Architectural Coatings, Rule 4602 – Motor Vehicle Assembly Coatings, Rule 4603 – Surface Coating of Metal Parts And Products, Plastic Parts and Products, and Pleasure Crafts, Rule 4653 – Adhesives, Rule 4682 – Polystyrene, Polyethylene, and Polypropylene Products Manufacturing, Rule 4684 – Polyester Resin Operations, Rule 4692 – Commercial Charbroiling, Rule 7011 – Chrome Plating and Chromic Acid Anodizing Facilities, Rule 7070 – Perchloroethylene from Dry Cleaning Operations, and Rule 9410 – Employer Based Trip Reduction. These new rules will require additional inspections, record review, and emission testing oversight.

As has been the case in prior years, a significant workload increase is expected in the Air Monitoring Program. The District's annual Air Monitoring Network Plan identified the need for several new monitoring instruments and stations to be added to the District's network, including new stations in Manteca and Madera. Furthermore, considerable resources will be needed to operate and maintain the Tranquility, Porterville, and

relocated Hanford stations which came online during this past year. New state and federal requirements will also require additional monitoring over the next several years, including the potential for up to four new near-road nitrogen dioxide monitors to be located in Bakersfield, Fresno, Modesto, and Stockton. The District is working with ARB, our partner in air monitoring within the San Joaquin Valley Air Basin, to lessen the resource burden of these new federal mandates. The Bakersfield Golden State monitoring station is currently in the process of being relocated and the Merced Coffee, Sierra Sky Park, and Lebec stations will need to be relocated in the near future. The new stations and relocations require considerable staff time to find the proper location, finalize lease agreements, upgrade the location, find suitable building contractors, and install and calibrate equipment. This additional workload will be handled by existing staff using new technologies and efficiencies, such as the expansion of the remote connection and automation capabilities which will enable more efficient operation of the air monitoring stations by reducing the number of potential trips that staff will need to respond to a station to maintain the station and diagnose small problems with equipment.

During the end of 2009-10, the Compliance Department took on numerous safety and training related functions that were previously performed by the District's Personnel Division. As these functions dealt primarily with staff assigned to the Compliance Department, it was a natural fit to transfer these duties. In order to ensure the necessary skills and resources were present within Compliance to carry out these new functions, one member of the District's Personnel Division was transferred to the Compliance Department in the capacity of a Management Analyst. In addition to the functions transitioned with this position into Compliance, several new and enhanced duties identified as necessary and essential to proper program administration were consolidated and assigned to this position. In 2010-11, Compliance will continue to carry out these functions for the District.

The Compliance Department will continue to play a major role in the execution of the District's Healthy Air Living initiative with a concerted outreach effort focused on the Healthy Air Living Business Partner program. Compliance staff interacts with thousands of businesses each year which creates a great opportunity to educate a significant number of people about Healthy Air Living. As part of each interaction, staff discusses Healthy Air Living, hands out brochures, and directs people to the Healthy Air Living website. Staff asks each business if they would like a more detailed presentation of Healthy Air Living from the District. When requested, a manager or supervisor meets with the source to discuss the program in more detail and assist with setting up a Healthy Air Living program that fits their operation.

Similar to the role played in the District's Healthy Air Living initiative, the Compliance Department will play a major role in the outreach and compliance assistance efforts necessary to implement the District's newly adopted Employer Based Trip Reduction (eTRIP) rule. As it does with Healthy Air Living, the Compliance Department will leverage its field staff resources to interact with hundreds of employers that are subject to the requirements of the eTRIP rule and assist them in complying with the requirements.

Efficiency and Streamlining Measures

Meeting new mandates with existing staffing will require further streamlining of Compliance functions and continued improvements in efficiency. As part of efforts to improve inspection efficiency, the District embarked on an effort aimed at reducing unnecessary redundancies with inspection paperwork. Inspection forms continue to be refined to reduce time spent on paperwork. The continued use of clerical staff to handle paperwork and other office duties as opposed to field staff, will allow for additional inspections of new sources.

The centralized organizational structure for vapor recovery inspection staff continues to help the District achieve its goals for this program. A prior analysis showed that less time should be spent with vapor recovery inspections and more time on inspections at NO_x sources. Staff that traditionally worked entirely within this program has been assisting with other types of inspections. Due to issues related to new state requirements with enhanced vapor recovery for gasoline dispensing facilities, the use of vapor recovery inspection staff on other inspections was limited. It is expected that starting in 2010-11, more time can be spent on other inspections, thereby making the Department more efficient.

One of the other keys to meeting the new and existing mandates with a minimal increase in staffing levels will be the implementation and improvement of new technologies. New technologies being developed for the Compliance Department include:

1. A new assignment program designed to track assignment deadlines is expected to be further expanded in 2010-11 to increase its utility for staff
2. Continued enhancements to the Compliance Department intranet have given field staff better access to rules, policies, and forms
3. An automated reporting and report handling system that will reduce paperwork for both the regulated sources and District staff

The District installed Global Positioning System (GPS) units in field staff vehicles to increase inspector safety, efficiency, and accountability. With GPS, we will know staff's location and can track their whereabouts. If an unsafe situation arises, office staff knows where to deploy staff or send emergency vehicles. Increased efficiency will be realized by more rapid deployment of staff to unforeseen issues. Events like public complaints, requests from fire departments, air monitoring staff requests, and inspections of source equipment failures are unforeseen. When these events do occur, supervisors will know who is in close proximity. Response times will be quicker and travel time will be reduced, thereby increasing efficiency. As for accountability, GPS will assure that staff is at appropriate locations and completing daily assignments. GPS will also reduce staff time spent reporting and documenting their location and site visits and allow for additional inspection time.

Another efficiency tool being developed is the use of tablet computers. These devices will allow inspection staff to fill out inspection forms while conducting inspections. Once completed, staff will email the report to their supervisor who in turn will review it and send it to the District electronic filing system. The tablets will significantly reduce paperwork and office

time, and will significantly increase field time, which will allow for additional inspections in areas where workload is increasing.

The Department has continued to improve existing policies to enhance consistency and efficiency. Having more detailed policies gives staff answers to most questions that arise and allows them to proceed quickly with tasks at hand. Detailed policies will also ensure consistency among staff in all three regions. Better-trained inspectors will allow for improved inspections and better service to regulated stakeholders. For this reason, the District will continue to provide staff with training that will improve their technical skills and customer service.

Air monitoring staff has been equipped with laptop computers that will allow them to perform needed diagnostics and maintenance from wherever they happen to be in the field, thus significantly eliminating trips and reducing their travel time. In addition, printers will be added to stations, so that reports can be printed and reviewed in the field, thereby decreasing travel time further by allowing for on-site review and potential prompt attention to analyzer problems.

By implementing an improved training and certification program for non-District testing contractors, District staff will be able to spend less time observing tests at gasoline dispensing facilities. The time saved will enable staff to provide better training for facility owners and operators and to assist with other program inspections.

As in past years, temporary positions are being proposed to assist in some areas of responsibility until new technologies and efficiency measures that will eliminate the need for additional staffing have been fully implemented and evaluated.

SUMMARY OF POSITIONS

<u>Title</u>	<u>Current</u>	<u>Recommended</u>	<u>Increase/ Decrease</u>
Director of Compliance	1	1	0
Air Quality Compliance Manager	3	3	0
Management Analyst I/II	0	1	+1
Supervising Air Quality Inspector	8	8	0
Supervising Air Quality Specialist	1	1	0
Supervising Air Quality Instrument Technician	1	1	0
Senior Air Quality Inspector	11	11	0
Senior Air Quality Specialist	1	1	0
Senior Air Quality Instrument Technician	1	1	0
Air Quality Inspector I/II	42	42	0
Air Quality Specialist I/II	3	3	0
Air Quality Instrument Technician	7	7	0
Air Quality Field Assistant	8	8	0
Air Quality Assistant	5	5	0
Senior Office Assistant	2	2	0
Office Assistant I/II	2	2	0
TOTAL	<u>96</u>	<u>97</u>	<u>+1</u>

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PERMIT SERVICES

FISCAL SUMMARY

	<u>Budgeted 2009-10</u>	<u>Recommended 2010-11</u>	<u>Increase/ (Decrease)</u>	
<u>Appropriations</u>				
Salaries and Benefits	8,954,800	9,926,160	971,360	11%
Services and Supplies	598,700	623,600	24,900	4%
Fixed Assets	190,800	222,600	31,800	17%
 Total	 <u>9,744,300</u>	 <u>10,772,360</u>	 <u>1,028,060</u>	 <u>11%</u>
 <u>Position Summary</u>	 94	 94		

FUNCTION

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

Authorities to Construct and Permits to Operate

The permitting process involves two steps. The first step requires the applicant to submit project-specific information for evaluation in order for an Authority to Construct (ATC) permit to be issued. This process can be fairly lengthy and is critical because construction of new facilities or equipment, or modifications of existing equipment, may not legally proceed until the ATC is issued by the District. The second step, issuing the Permit to Operate, occurs after the applicant has installed the equipment as specified in the ATC and has demonstrated that it complies with District rules and regulations. Sources are aided in these steps through the District's Certification of Air Permitting Professionals (CAPP) program, the District's small business assistance offices, close coordination with various economic development organizations throughout the Valley, outreach at city and county building and planning agencies throughout the Valley, and continued cooperative permit streamlining efforts with regulated industries.

During the calendar year 2009, the District processed applications for and issued over 6,600 ATC permits for new and modified equipment and operations, a 47% increase over the prior year.

Federally Mandated Operating Permits (Title V)

In 1996, the District began full implementation of the federal Title V operating permits program. The District has now issued Title V permits to 197 major sources of air pollution. Title V does not impose any new emission standards or any new controls on emissions. It does, however, prescribe numerous detailed administrative, monitoring, and reporting requirements that must be met when issuing, renewing, or revising permits. In general, these requirements expand public and Environmental Protection Agency (EPA) participation in the permitting process for the largest emitters of air contaminants in the District.

In 2009, The District processed initial and renewal Title V permit applications for 14 facilities with 431 permits and processed 284 Title V permit modifications.

Emission Reduction Banking

Permit Services is responsible for administering the District's Emission Reduction Credit (ERC) bank. The purpose of this bank is to allow sources to store emission reduction credits for later use as offsets where allowed by District, state, and federal rules and regulations. This mechanism also allows sources to transfer emission reduction credits to other sources for use as offsets. The administration of deposits, transfers, and withdrawals from the bank is accomplished through the filing of a banking application. The District reviews banking applications to ensure reductions are real, permanent, quantifiable, surplus, and enforceable as mandated by state and federal regulations. The District issued or transferred ownership of 307 ERCs in 2009.

District's BACT Clearinghouse

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

The BACT Clearinghouse expedites the permitting process by minimizing the need for lengthy project-specific BACT determinations. It also aids new project proponents in designing new or expanding facilities by outlining air pollution control requirements early in the process. In 2009, the District began a process of updating BACT policies and procedures that will improve the reliability and usefulness of the BACT Clearinghouse to the industries and District staff that use it. This process will be completed in 2010.

Permit-Exempt Equipment Registration

In 2006, the District developed the Permit-Exempt Equipment Registration (PEER) rule, Rule 2250, and began implementing this new program in 2008-09. The PEER rule is designed to minimize the overall workload required to achieve the emissions reductions expected of permit-exempt equipment, through streamlined registration processes that fit well with the typically smaller and lower-emitting equipment to which it applies. In its

second year of implementation, the District issued 231 permit-exempt equipment registrations, at a savings of about 1,500 person-hours when compared to typical permitting processes.

Conservation Management Practices Plans

The District implemented its innovative Conservation Management Practices (CMP) plan program in 2004-05, and is now responsible for regulating and updating over 6,000 CMP plans designed to decrease dust emissions from agricultural operations on farms, dairies, and other confined animal operations. This year the District processed 950 applications proposing modifications to existing CMP plans on farms and dairies.

Air Toxics Program

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

The District's air toxics program, to the extent possible, integrates state and federal air toxics mandates and is designed to provide for cost effective implementation without duplication. To accomplish this, the District adopted two air toxic control regulations in 2008, updates to Rules 7070 and 7011, addressing state and federal requirements for perchloroethylene from dry cleaners and chrome emissions from chrome plating operations, respectively, and then reached out to affected facilities and helped them comply with the new requirements.

As a part of its integrated air toxics program, the District assesses the health risk associated with proposed increases in air toxic emissions through a Risk Management Review (RMR) process, and denies proposals that constitute a significant health risk. The District processed 817 RMRs in 2009.

Small Business Assistance

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

Criteria Pollutants Emissions Inventory

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

In 2009, the District's emissions inventory team processed over 2800 point source inventories and 30 area source inventories.

California Environmental Quality Act (CEQA) and Indirect Source Review (ISR)

The District's CEQA group analyzes District actions and project developers' proposals for compliance with the California Environmental Quality Act (CEQA). In 2009, this team reviewed 1680 CEQA documents.

In addition, the District's CEQA team developed and began implementing the first comprehensive policy on addressing greenhouse gases (GHGs) in CEQA environmental assessments in the state. In addition to implementing this policy for District permitting projects, the District provided parallel guidance to permit-issuing agencies throughout the San Joaquin Valley, assisting them in their efforts to address GHGs under CEQA.

The Indirect Source Review (ISR) group reviewed 232 ISR applications in 2009. This review includes assessing a project's potential emissions, quantifying mitigations proposed by the applicant, and assessing development mitigation fees. An annual report of ISR activity, and the emissions reductions generated by the program, is published by the District in April of each year.

SIGNIFICANT IMPACTS TO 2010-11 BUDGET

Despite a significant increase in workload, the 2010-11 Recommended Budget for the Permit Services Department does not include an increase in regular positions. As detailed in the next section, Permit Services is anticipating a significant workload increase in many program areas in the coming year. The additional workload will be absorbed with existing staff through permit processing efficiency improvements and enhanced automation. These additional streamlining measures will enhance the District's tradition of having the most efficient permitting group of all air districts in California.

New Workload

In addition to the normal permitting workload associated with new and modifying sources of air pollution, several District rules were adopted or amended recently, most notably Rule 4320, relating to boilers, steam generators and process heaters; Rule 4311, for flares; Rule

4603, for painting operations; Rule 4570, confined animal feeding operations; and Rule 4702 and 4703 for NOx emissions from reciprocating and turbine engines, respectively. The impacts from these rules on Permit Services workload will be felt in 2010-11 as equipment operators file applications to meet compliance deadlines.

Significant new workload is expected as the District implements its recently-revised New and Modified Stationary Source Review Rule, Rule 2201. The impacts will take place in three significant areas:

- More projects will be considered “major” under federal rules, triggering more complex and lengthier application processes.
- Approximately 350 existing sources that will now be considered “major sources” of air pollution under this new rule must submit Title V applications, the first of which will be due in 2010-11.
- Approximately 600 existing farms and dairies will be required to apply for and obtain operating permits for the first time in 2010-11, as their emissions will be above the permitting level of 50% of the new lower major source thresholds.

The District will be organizing timely and extensive outreach efforts to inform and assist those affected by these changes. While these efforts will be very labor intensive, the return on that investment will be an informed set of regulated sources and significantly streamlined application processes, reducing overall effort required to implement these changes.

The District will also be conducting workshops and developing a number of new rules and rule revisions this coming budget year. The District must adopt approvable revisions to Rule 2201, New and Modified Stationary Source Review; Rule 2020, Exemptions; and Rule 3170, Federally Mandated Ozone Nonattainment Fee; all of which must be modified to avoid federal sanctions.

In addition, the District has a significant peak in Title V permit renewal projects for this coming year, and must process Title V renewal applications for over 100 facilities before the end of 2010-11. While the District’s streamlined methodologies and combined-permit program for Title V requirements and local requirements have significantly reduced the associated workload, these are complex projects that require large amounts of staff time and will therefore add significant resource demands in 2010-11.

The Permit Services Department is responsible for implementing the District’s Climate Change Action Plan (CCAP), including establishing a banking program for recognition of voluntary GHG reduction efforts and implementing Valley-wide guidance to land-use agencies and other permitting regulators on addressing GHG concerns through the CEQA, including developing Best Performance Standards for GHG emissions-emitting equipment, processes, and residential and commercial developments.

The District will also be working extensively with local county and city planning departments to help them understand and implement SB 375, a state law designed to provide some CEQA relief to developments that meet certain GHG-reduction criteria established through a regional planning process. In addition, the District will be working with cities and

counties to develop GHG emissions inventories, and related policies and procedures to encourage consistency in these efforts throughout the Valley.

The District is also finding it necessary to review and comment on state efforts to implement AB 32, California's climate protection legislation, with an emphasis on eliminating regulatory overlap and implementing significant streamlining efforts. Many of the measures that the ARB is planning will rely heavily on District involvement in implementing and enforcing new regulations, so early attention to these matters is critical. These new GHG-related tasks have been and will continue to be labor intensive. However, a clear need exists to address opportunities for streamlining and common-sense simplification at these early days of AB 32 implementation, such that significant dividends in reduced workload will be realized for many years to come.

Permit Services will be preparing 57 new and updated area-source emissions inventories. In addition, Permit Services is assisting the Strategy and Incentives Department and ARB in updating many existing inventory categories for upcoming PM2.5 attainment modeling efforts. While the District is confident that our involvement in these projects is a necessary and important step that will significantly improve the quality and usefulness of the results, both projects are adding significantly to expected workload.

The District will continue updating two major guidance documents for Valley land-use agencies: the "Guide for Assessing and Mitigating Air Quality Impacts" and "Air Quality Guidelines for General Plans." These documents provide critical assistance to local land-use agencies in addressing air quality considerations in their planning and land-use efforts, and must be updated periodically to maintain pace with the changing air quality conditions in the San Joaquin Valley, and the ever-improving understanding of the causes of those conditions.

Efficiency and Streamlining Measures

In order to effectively and efficiently handle this increased workload without increasing staffing resources, the Permit Services Department will continue its streamlining efforts.

In the past, streamlining efforts have been focused on permit and other application processing activities. As a result, this District processes more permits per person than any other air district in California. In addition to continuing efforts in this area, focus will be placed on an additional streamlining area this year identifying non-permitting, discretionary activities that do not add significant value to services provided. While this analysis will certainly find additional areas where efforts and activities are not fully aligned with District service priorities, thus far the following specific streamlining efforts to be undertaken in 2010-11 are:

- Automate an interdepartmental communication system, called the "change order process," that the District uses to pass permitting information from the Compliance Department to the Permit Services Department.
- Add additional public information to the District website to reduce hours spent addressing individual public information requests.

- Increase the use of new web-based annual emissions inventory surveys and submittals.
- Reduce application processing errors and related rework through additional training and automation.
- Further streamline commenting functions related to CEQA.
- Eliminate redundant or unnecessary review of subordinate work product.

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

Additionally, through ongoing comprehensive department-wide implementation of the District's Service Teamwork Attitude Respect (STAR) program, the Permit Service Department is continuously improving and streamlining program effectiveness and efficiency by implementing internally-generated process improvement suggestions. Permit Services will vigorously pursue a continuation of the streamlining benefits realized through STAR.

As a result of these efficiency and streamlining efforts, Permit Services will be able to handle the significantly increased workload without increasing staffing levels.

SUMMARY OF POSITIONS

<u>Title</u>	<u>Current</u>	<u>Recommended</u>	<u>Increase/ Decrease</u>
Director of Permit Services	1	1	0
Permit Services Manager	4	4	0
Supervising Air Quality Engineer	6	6	0
Senior Air Quality Engineer	12	12	0
Supervising Air Quality Specialist	3	3	0
Senior Air Quality Specialist	5	5	0
Air Quality Engineer I/II	38	38	0
Air Quality Specialist I/II	19	19	0
Air Quality Technician I/II	1	1	0
Air Quality Assistant	1	1	0
Senior Office Assistant	1	1	0
Office Assistant I/II	<u>3</u>	<u>3</u>	<u>0</u>
TOTAL	<u>94</u>	<u>94</u>	<u>0</u>

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
2010-11 Recommended Budget
Permit Services

ACCOUNT NUMBER	DESCRIPTION	2009-10		2010-11	
		ADJUSTED APPROPRIATIONS	RECOMMENDED	INCREASE (DECREASE)	
SALARIES AND BENEFITS					
	Regular Salaries	\$ 6,115,300	\$ 6,500,500	385,200	6%
	Temporary Help	-	110,400	110,400	0%
	On Call Pay	-	-	-	0%
	Overtime	114,300	114,300	-	0%
	Unemployment	20,900	21,300	400	2%
	Retirement	1,849,900	2,347,300	497,400	27%
	OASDI	98,200	103,900	5,700	6%
	Workers Compensation	30,000	35,700	5,700	19%
	Cafeteria Plan Benefits	653,800	614,760	(39,040)	-6%
	Long-Term Disability Insurance	22,900	22,900	-	0%
	Alternate Transportation Incentive	49,500	55,100	5,600	11%
	TOTAL SALARIES AND BENEFITS	\$ 8,954,800	\$ 9,926,160	971,360	11%
SERVICES AND SUPPLIES					
	Safety Supplies & Equipment	\$ -	\$ -	-	0%
	Mobile Communications	3,300	3,300	-	0%
	Telephone Charges	17,500	20,500	3,000	17%
	Insurance	-	-	-	0%
	Equipment Maintenance	47,500	43,500	(4,000)	-8%
	Vehicle Maintenance & Operations	-	-	-	0%
	Computer Maintenance	27,700	29,600	1,900	7%
	Video Conferencing Maintenance & Operations	-	-	-	0%
	Building Maintenance & Operations	88,750	90,500	1,750	2%
	Office Supplies	20,300	15,800	(4,500)	-22%
	Computer Software & Supplies	24,000	28,500	4,500	19%
	Monitoring Station Supplies & Equipment	-	-	-	0%
	Postage	50,700	33,900	(16,800)	-33%
	Printing	11,100	11,000	(100)	-1%
	Professional & Specialized Services	17,800	19,800	2,000	11%
	Publications & Legal Notices	63,200	91,200	28,000	44%
	Rents & Leases	124,550	132,100	7,550	6%
	Small Tools & Equipment	13,100	12,700	(400)	-3%
	Special District Expense	9,100	8,400	(700)	-8%
	Travel & Training	20,100	19,100	(1,000)	-5%
	Travel & Training - Boards	-	-	-	0%
	Utilities	60,000	63,700	3,700	6%
	Audit Services	-	-	-	0%
	TOTAL SERVICES AND SUPPLIES	\$ 598,700	\$ 623,600	24,900	4%
FIXED ASSETS					
	Office Improvements	\$ -	\$ -	-	0%
	Computer Equipment	121,800	158,000	36,200	30%
	Office Furniture & Equipment	11,800	7,600	(4,200)	-36%
	Office Machines	14,700	14,600	(100)	-1%
	Telephone Systems	42,500	42,400	(100)	0%
	Detection Equipment	-	-	-	0%
	Automobiles	-	-	-	0%
	Audio/Visual Equipment	-	-	-	0%
	Vehicle Radio Equipment	-	-	-	0%
	Video Conferencing System	-	-	-	0%
	Air Monitoring Station Equipment	-	-	-	0%
	TOTAL FIXED ASSETS	\$ 190,800	\$ 222,600	31,800	17%
	TOTAL CURRENT YEAR APPROPRIATIONS	\$ 9,744,300	\$ 10,772,360	\$ 1,028,060	11%

STRATEGY AND INCENTIVES

FISCAL SUMMARY

	<u>Budgeted 2009-10</u>	<u>Recommended 2010-11</u>	<u>Increase/ (Decrease)</u>	
<u>Appropriations</u>				
Salaries and Benefits	4,708,800	4,682,720	(26,080)	-1%
Services and Supplies	913,000	1,199,800	286,800	31%
Fixed Assets	<u>119,100</u>	<u>130,600</u>	<u>11,500</u>	<u>10%</u>
 Total	 <u>5,740,900</u>	 <u>6,013,120</u>	 <u>272,220</u>	 <u>5%</u>
 <u>Position Summary</u>	 49	 48	 -1	

FUNCTION

The San Joaquin Valley Air Basin is designated nonattainment for state and federal air quality standards for ozone and fine particulate matter (PM2.5). To attain the state and federal air quality standards by the legislated deadlines, the federal Clean Air Act and the California Clean Air Act require the District to develop attainment plans, adopt rules and regulations, and implement other programs to reduce emissions. New, rigorous federal standards for ozone and PM2.5 require an improved understanding of the atmospheric processes involved in pollutant formation, and will require new plans and innovative control measures to reach attainment.

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

The 2010-11 Recommended Budget reflects a recent re-organization, in which the former Emission Reductions Incentive Program (ERIP) Department was merged with the former Planning Department into a new Strategy and Incentives

Department. This reorganization, which occurred in March of 2010, provided an immediate reduction in salary and benefit costs by eliminating one executive management position, the Director of Planning, and downgrading one Air Quality Engineer position to a Senior Air Quality Specialist. The reorganization will also help the District avoid future cost increases by better positioning the District to absorb anticipated increases in workload.

Both of the former departments, ERIP and Planning, had functions that were often cyclical in nature, which can now be better addressed by the combined department. The workload for the former ERIP group will potentially be very high at times in the 2010-11 fiscal year due to large increases in the amount of grant funding available, especially if delayed proposition 1B funds are received as expected. The workload from the former Planning Department is expected to peak in 2012 and 2013 with the development of new attainment plans for PM2.5 and ozone. These cyclical workloads will, to a significant extent, be leveled by combining the two groups.

In the long term, combining these two departments is also expected to increase overall operating efficiency and provide strategic benefits. Both of these former departments performed closely related technology advancement and program development activities, and the synergies resulting from the combination are expected to enhance overall productivity.

Air Quality Plan Development, Rulemaking and Emission Control Strategy Development, and Air Quality Analysis Functions

Air Quality Plan Development

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

“Reasonable Further Progress” plans for ozone and particulate matter, and “Milestone Compliance Demonstration” reports for ozone to assure that the District and partnering agencies continue to reduce emissions as specified in the federal Clean Air Act.

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

Rulemaking and Emission Control Strategy Development

The District develops new rules and rule amendments to achieve emission reductions pursuant to its air quality attainment plans. In recent years, District staff has drafted new rules and amendments addressing indirect sources, wood-burning fireplaces, wine fermentation, glass furnaces, and employee vehicle trips. In developing new and amended rules, District staff implements the Governing Board-approved Rule Development Procedures, and complies with the California Environmental Quality Act (CEQA) and other state laws regarding public hearings and economic analysis. During the development of each rule, staff works closely with ARB and EPA to satisfy state and federal requirements, and solicits stakeholder comments at public workshops. On rulemaking projects that implement Best Available Retrofit Control Technology (BARCT) as required in ozone plans and Best Available Control Measures (BACM) as required in particulate matter plans, staff collaborates closely with industry focus groups to gain a better understanding of regulatory economic impacts. Staff develops industry-wide cost estimates and provides this data to an economic consultant, who in turn prepares a regional economic impact analysis. As a result of the time needed for the public review process and the mandatory economic analysis, major rule development projects may take more than one year to complete in order to produce rules that meet the District’s air quality goals and provide cost-effective compliance options for affected businesses.

District staff is also responsible for the implementation of the Governing Board’s Fast Track program, which is designed as a non-regulatory approach to reducing emissions in order to expedite attainment of health-based pollutant standards. The Fast Track program has convened a balanced group of stakeholders that helped to develop several significant innovative pollution control measures such as increasing public funding for incentive grant programs, Short Sea Shipping, and Healthy Air Living.

Air Quality Modeling and Monitoring Data Analysis

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

In a general context, air quality modeling activities are fundamental to understanding the San Joaquin Valley's perplexing air quality problems. The District's air quality analysis staff provides technical support for the San Joaquin Valleywide Air Pollution Study Agency, which is responsible for coordinating basic research on air pollution in the Valley. District staff collaborates extensively with modelers from ARB, industry, academia, and other air districts on modeling projects. In particular, staff has worked extensively with ARB on air quality analysis and modeling to better characterize pollution transport from upwind air basins.

In the context of the District's air quality plans, modeling is necessary to provide estimates for the quantities of emission reductions necessary to attain the federal air quality standards. These models are also highly valuable for estimating the contribution of ozone and PM precursor emissions from outside the District. District modelers work closely with ARB staff to prepare the required modeling for the District's air quality plans. While ARB has considerably more modeling resources, the District does have the in-house capability to conduct detailed reviews of ARB's modeling results and to simulate gross cuts in the emissions inventory to provide rough approximations of reductions needed for ozone attainment using the same modeling systems as ARB and other air districts. Regarding particulate matter, the District currently has the ability to conduct "receptor" modeling. For District particulate matter plans, ARB has conducted "regional photochemical" modeling, which requires very robust, dedicated computing resources, and highly experienced operators and analysts.

Strategy and Incentives Department staff is also involved in several important aspects of the District's air monitoring strategy. The District's atmospheric scientists assure that the overall design of the San Joaquin Valley's air monitoring network complies with state and federal regulations, prepare the Annual Air Monitoring Network Plan for submission to EPA, and develop Requests for Proposal and contracts for the construction of new air monitoring stations. Additionally, the staff is responsible for the on-going quality assurance and certification of data collected from the District's monitoring stations, and the submission of the data to EPA's nationwide air quality database.

Air Quality Forecasting and Analysis

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

Because the Valley air basin was re-designated as a PM10 attainment area in 2008, in recent years, staff has dedicated significant effort to forecasting, measuring, and analyzing the weather conditions and emissions sources that cause sporadic, high concentrations of particulate matter. With adequate meteorological justification, pollution exceedances that can be attributed to unusual or overwhelming weather or wildfires can be classified as Exceptional Events, and be excluded from consideration as violations of a national ambient air quality standard. When this occurs, District staff prepares thorough examinations of the causes of these "Exceptional Events, solicits public review, and submits the documentation to EPA.

Incentive Program Functions

The recently merged department is responsible for the development, implementation, and on-going administration of all District incentive programs, including the Heavy-Duty Engine Emission Reduction Incentive Program (Heavy-Duty Engine Program), the REduce MOtor Vehicle Emissions II (REMOVE II) Program, and other incentive programs. Additionally, the Strategy and Incentives Department is responsible for ongoing administration of the District's Technology Advancement Program (TAP), the Smoking Vehicle Program, and other special programs aimed at fulfilling the District's mission. Timeliness in the evaluation of grant applications and payment of claims is imperative to allow the District to obtain much needed emission reductions. Applicants expect quick turnaround times on their completed applications in order to install the new reduced-emission technologies in a timely manner. Failure to expend funds within specified time frames may result in the loss and return of unused funds.

The following is a list of all incentive grant fund revenues included in the 2010-11 Recommended Budget:

• Proposition 1B	\$ 45,000,000
• Lower Emission School Bus	21,952,765
• Carl Moyer	10,001,400
• DMV Surcharge	9,036,956
• Federal Diesel Earmark	6,750,000
• ISR & Voluntary Mitigation	3,037,000
• AERO (Rule 4320)	5,200,000
• Greenhouse Gas Mitigation	3,000,000
• Misc. Incentive Grants	115,000
• Non-Operating Interest	952,200
Total Incentive Grants	<u>\$105,045,321</u>

Heavy-Duty Engine Program

The Heavy-Duty Engine Program is by far the District's largest and most successful incentive program. The Heavy-Duty Engine Program accepts applications for a wide variety of engines that power vehicles or equipment. Heavy-duty trucks, buses, and heavy-duty off-road engines are significant sources of nitrogen oxides (NO_x), particulate matter (PM) and reactive organic gases (ROG) emissions within the San Joaquin Valley. Although the District does not have the authority to regulate vehicle tailpipe emissions, it can provide monetary incentives to reduce emissions from these sources. The program provides funding for equipment replacements, engine repowers, or retrofits that are cost-effective in reducing emissions. Emission reductions are obtained when the project applicant purchases vehicles and engines that are cleaner than required by current emission standards or installs an emission certified retrofit device on an existing engine. Project types funded include, but are not limited to: on-road vehicles (heavy duty trucks, school buses, etc.), locomotives, off-road vehicles and equipment (construction, agricultural tractors, etc.), agricultural irrigation pump engines, forklifts, and engine idle reduction technology. During the first eight months of 2009-10, the District obligated over \$24 million in incentive funds for over 274 engines/vehicles and paid out over \$14 million in grant payments.

Proposition 1B: An additional and relatively new component of the Heavy-Duty Engine Program is the Proposition 1B Goods Movement Emission Reduction Program. The District is receiving additional funding from the State Goods Movement Emission Reduction Program, established by Proposition 1B. The guidelines prepared by ARB for this program will require the District to conduct a request for proposal process, which is different from the way grants are currently processed on a first-come, first-served basis. Emissions from every piece of equipment that is submitted to the District for funding must be calculated and the proposals must be ranked by cost-effectiveness. Each eligible piece of

equipment will then be funded in order of cost-effectiveness until the program funds are exhausted. There are also substantial monitoring, auditing and reporting requirements associated with these funds.

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

REMOVE II Program

The REMOVE II Program provides incentives for specific projects that will reduce motor vehicle emissions within the District. The purpose of the REMOVE II Program is to assist the District in satisfying the requirements of the California Clean Air Act. This is accomplished by allocating funds to cost-effective projects that have the greatest motor vehicle emission reductions resulting in long-term impacts on air pollution problems in the Valley. All projects must have a direct air quality benefit to the District. Eligible project types include high-polluting vehicle scrappage, E-mobility (video-telecommunications), light- and medium-duty vehicle purchase, bicycle infrastructure, alternative fuel vehicle mechanics training, public transportation and commuter vanpool subsidies. During the first eight months of 2009-10, the District awarded approximately \$174,000 to over 14 grant projects resulting in the payment of over \$104,645 in grant funds.

Polluting Automobile Scrap and Salvage: This innovative program provides \$2 million of total incentive funds to encourage the early retirement of the highest polluting light-duty vehicles. This program will permanently remove hundreds of high polluting vehicles from the Valley's roads. The State Bureau of Automotive Repair (BAR) currently has a statewide program that encourages the early retirement of vehicles that fail their smog check. During the first eight months of 2009-10, the Polluting Automobile Scrap and Salvage (PASS) Program awarded approximately \$833,900 and permanently removed 499 high emitting vehicles from District roads.

Smoking Vehicle Program

The District also administers the Smoking Vehicle Program; a voluntary compliance program intended to inform drivers that their vehicle has been

witnessed emitting excessive smoke and pollutants. Anonymous reports are received by the District's Smoking Vehicle telephone hotline, website, or through regular mail. Owners of the reported smoking vehicles are contacted via letter informing them that their vehicles were seen emitting excessive smoke, along with information on ways they could repair their vehicles. During the first eight months of 2009-10, 251 smoking vehicle reports were received and processed by the District.

Burn Cleaner Program

The Burn Cleaner Wood Stove Change-Out Program is offered to help Valley residents upgrade their current wood-burning devices and open fireplaces to cleaner devices to alleviate the problem of particulates, which cause significant health impacts to Valley residents during the fall and winter months. The District offers a financial incentive to any interested resident and an additional incentive to low-income residents through a streamlined voucher program that involves partnering with interested retailers. Since kicking off this program in January of this year, the District has awarded \$177,950 in vouchers for the replacement of 297 wood-burning devices.

SIGNIFICANT IMPACTS TO 2010-11 BUDGET

Despite a significant increase in workload, the 2010-11 Recommended Budget for the Strategies and Incentives Department does not include an increase in regular positions. As detailed in the next section, the District anticipates an increase in workload resulting from the need to conduct research in preparation for new attainment plans for PM2.5 and ozone, development and adoption of amended rules to fulfill federal mandates and District commitments, and administration of additional incentive grant funding projects. The recent reorganization through the merger of the Planning and ERIP departments will enable the District to absorb this additional workload without an increase in staffing.

New Workload

Air Quality Planning

Following the typical cycle of air quality plan development and implementation, District staff will implement the Governing Board's commitments for rulemaking and control measure feasibility studies that were scheduled for 2010-11. Specifically, staff is committed to present nine amended rules to the Governing Board, as listed in the *2007 Ozone Plan* and the *2008 PM2.5 Plan* and as identified by recent EPA rulemaking action. The rules include emission controls for organic waste composting, adhesives, and internal combustion engines, and EPA-mandated amendments to the rules for solid-fuel-fired boilers, steam-enhanced well vents, polyester resins, and aerospace parts coatings. As always, staff will also provide timely customer service to accommodate urgent regulatory adjustments needed by stakeholders, or rule amendments mandated by new

state or federal laws. Staff will also conduct ten control measure feasibility studies that could lead to emission inventory improvements, future rule development projects, or or strategic application of incentive funds. These studies will address conservation management plans, wine fermentation and storage, bakery ovens, dryers, pesticide fumigation operations, lime kilns, heavy oil test stations, asphalt paving and roofing materials, and indirect source review. In addition to the literature research and stakeholder contacts needed to support the feasibility studies, staff may recommend having consultants conduct field research to verify the effectiveness for measures that appear promising but currently lack scientific information. For example, District staff will work with stakeholders on a field study to gather emission control information from dairy silage piles and feed bunkers.

For air quality plans, new work includes the development of a Mid-Course Review for the *2008 PM2.5 Plan* and a California Clean Air Act Annual Progress Report for ozone. Additionally, EPA is expected to take action on the District's *2007 Ozone Plan* and *2008 PM2.5 Plan*, which may trigger more extensive revisions to the currently active plans. District staff will need to collaborate extensively with ARB on refining the emission inventory and atmospheric modeling for the next iteration of the ozone and PM2.5 plans, which will be designed to meet the latest health-based federal air quality standards. District staff will also continue to analyze the implications of new federal standards for nitrogen dioxide, lead, ozone, and particulate matter from several perspectives, including attainment strategy development, the District's air monitoring network, and air quality analysis and forecasting.

District staff will need to provide significant technical support for the final phases of the Central California Ozone Study (CCOS), the California Regional Particulate Air Quality Study (CRPAQS), and for the field study for CALNEX 2010, a National Oceanic and Atmospheric Administration (NOAA)/ARB collaboration investigating the nexus of climate change and ozone air quality in California. The District continues to conduct analysis needed for improving air quality forecasting tools to reflect the ongoing improvements in Valley air quality. Federal timelines require that the District complete five Exceptional Events documents in 2010-11. These projects require a significant amount of data gathering, analysis, and modeling of meteorological and emissions parameters during recent wildfire and windblown dust pollution episodes, in order to demonstrate conclusively that the events were beyond the scope of the District's comprehensive, stringent control strategies. District staff is also responsible for coordinating the contracts with the laboratories that analyze the samples collected for the Photochemical Air Monitoring System (PAMS) program.

District staff is responsible for coordinating and ensuring implementation of the District's Fast Track program. Responsibilities include fulfilling commitments in the Board's Dual Path Ozone Strategy for measures including energy conservation, alternative energy generation, green contracting/green fleets, and

heat island mitigation. District staff will continue to make substantial contributions to the Healthy Air Living (HAL) program through outreach to potential partners in the government, university, and non-profit sectors, and coordinating the preparation of the District's Annual Report on air quality, control measure implementation, grant funding, permitting, and compliance efforts.

Incentive Programs

The most significant workload increase in the District involves the funding of projects through the Proposition 1B Goods Movement Emission Reduction Incentive Program. This relatively new funding source will result in a substantial increase in the number of projects being processed. While difficulties with the State budget have caused a significant delay in funding since 2008-09, the District expects to receive approximately \$38 million during 2009-10, and approximately \$83 million in funding for this program during 2010-11. Significant interest has been shown in this program, with \$135 million of applications competing for approximately \$38 million of available funds. In addition to continuing to process these first year applications in 2010-11, the District will open one additional application solicitation in 2010-11, which is expected to generate an even greater number of additional applications. The guidelines adopted by ARB require the District to perform a substantial evaluation of each piece of equipment that is submitted during a request for proposal process before contracts are awarded. Significant monitoring, auditing, and reporting requirements will also be increased as a result of this funding source and the level of interest in the program.

The District is also expecting to receive significant funding for the Lower Emission School Bus Program, which has seen delayed funding since 2008-09. The District is expecting to receive approximately \$21,952,765 in 2010-11. This relatively new funding source will result in a substantial increase in the number of projects being processed. Significant interest has been shown in this program, with \$74 million of applications competing for approximately \$39 million in available funds.

An additional significant workload increase for the District is associated with additional federal funding secured for the purpose of reducing diesel emissions in the District. This additional funding will result in a substantial increase in the number of projects being processed in the Heavy-Duty Engine Program, and will significantly impact the District workload with increased staff resources required for application processing and administration, including extensive reporting to EPA. A portion of this increase is due to funding made available and received under the American Recovery and Reinvestment Act of 2009 (ARRA), with awards totaling \$7.2 million in 2009-10. Additionally, the District received other federal funds totaling approximately \$7.5 million in 2009-10, and expects to receive an additional \$7.5 million in federal funds during 2010-11.

A relatively new component of the Heavy-Duty Engine Program is the off-road Fleet Accelerated Surplus Turnover (FAST) Program. This program is targeted at reducing emissions from off-road equipment, and aims to achieve enhanced emission reductions beyond those required by the state off-road regulation. The FAST Program provides funding for equipment replacements, engine repowers, or engine retrofits that are cost-effective in reducing emissions. With the state off-road regulation recently being revised due to the economic downturn, the District intends to more aggressively pursue reductions in emissions from off-road equipment in 2010-11. This program will significantly impact the District workload with increased outreach efforts, application processing, contract administration, grant tracking requirements, and grant payments.

The District expects to enter into an agreement in 2009-10 to receive approximately \$3 million in funds in fiscal years 2010-11 and 2011-12 to operate a new vehicle repair component, in addition to existing vehicle scrap options, under the District's Polluting Automobile Scrap and Salvage (PASS) Program. Launching this new program will add significant new workload to the District in the areas of program development and ongoing implementation.

The District continues to enter into Voluntary Emission Reduction Agreements (VERAs) to mitigate the increased emissions from development projects in the Valley. In addition to entering into VERAs aimed at reducing criteria emissions increases, the District has also entered into mitigation agreements with the California Attorney General and project proponents to mitigate greenhouse gas emissions through incentive programs. The District expects to see significant increases in funding for greenhouse gas emissions mitigation, with an expected \$3 million in funding in 2010-11. Funding from these various agreements will be utilized in the District's incentive programs to fund qualifying emission reduction projects. Late in 2009-10, approximately \$6 million of Indirect Source Review (ISR) revenue became available. These funds had previously been unavailable for several years pending resolution of lawsuits targeting the District's ISR rule. These various mitigation programs will impact the District workload with increased application processing, contract administration, grant tracking requirements, grant payments, and program development for new and modified components that may need to be expanded as this new revenue source becomes available.

District Rule 4320 (Advanced Emission Reduction Options for Boilers, Steam Generators, and Process Heaters Greater than 5.0 MMBtu/hr) provides a compliance option for affected sources that allows the payment of an emission reduction fee to be used by the District to generate emissions reductions. This fee will be required by no later than July 1, 2010, and will generate significant additional incentive funds and subsequent new workload in 2010-11. The District expects to receive approximately \$5 million in additional incentive funding through Rule 4320 in 2010-11.

The District was awarded grant funding from ARB in 2009-10 through funds made available under AB 118 for the implementation of lawn mower and ultra-terrain agricultural vehicle replacement programs. The District expects to receive approximately \$1.6 million in funding for these programs, which will impact the District workload in the areas of program development, application processing, claims processing, and ongoing reporting/administration of the programs.

The District will continue to seek out opportunities to assist neighboring air districts with managing their program funds as a means of achieving emission reductions that benefit our District. In addition to managing the Lower Emission School Bus Program funds for five adjacent air districts (East Kern, Mariposa, Great Basin, Tuolumne, Calaveras), Moyer Program funding from the Great Basin Air District will also be managed by the District in 2010-11. During 2009-10, the District also assisted the Antelope and Imperial Valley Air Districts by offering to utilize the unexpended portion of their Moyer funds in this District. The District will also manage the Lower Emission School Bus Program funds for a number of small air districts throughout the state.

Consistent with the District's Regional Energy Efficiency Strategy adopted in 2009-10, the District has secured \$5 million in Energy Efficiency and Conservation Block Grant Program (EECBG) funds for a number of small jurisdictions in the Valley for energy efficiency projects. Administration of this grant program will impact the District's workload with increased program development, contract administration, grant tracking requirements, grant payments, and extensive state and federal reporting.

The District created the Technology Advancement Program (TAP) in late 2009-10, which will impact the District's workload in multiple departments, including the Strategy and Incentives Department. As a related component of the TAP, the District will be administering the charbroiler incentive program in 2010-11 in order to advance charbroiler emissions control technologies. The new TAP will increase District workload in the areas of program development, application evaluation, and other activities associated with the ongoing administration of the TAP.

In addition to the above new workload associated with increased funding and program requirements, the District will also spend a significant amount of staff resource in securing additional funding sources by preparing and submitting applications for available funding opportunities; and exploring partnership opportunities with other agencies and organizations. Preparing grant applications requires significant staff resources, and several key grant opportunities will likely become available in 2009-10 through AB 118 and the American Recovery and Reinvestment Act of 2009 (Federal Stimulus Bill).

ARB recently completed significant updates to the Carl Moyer Program Guidelines. The updates will necessitate revisions to the District's existing

incentive program and will require substantial staff resources to accomplish. The new and more stringent guidelines and reporting requirements have been put into place by the District and ARB to ensure that public funds are being spent appropriately on projects that reduce quantifiable emission reductions. The new and enhanced accountability in the incentive programs will ensure that the benefits of these emission reductions are realized. Due to these new requirements, District staff will be conducting additional project audits with applicants currently under contract. In 2010-11, this will result in the audit of approximately 90 projects (over 270 individual pieces of equipment) that are nearing the end of their contract term.

Staff from the Strategy and Incentives Department and Compliance Departments will also conduct audits of projects that fail to meet the requirements of their contract. Specific requirements that will be evaluated include, but are not limited to, usage requirements (higher and lower) and failing to report. For example, it is estimated that approximately 120 individual pieces of equipment will need to be audited for failing to report. District staff works closely with projects that are identified as failing to meet their contract requirements. In certain cases where the usage requirements were not met, contract terms have been extended to allow additional time for the grantee to complete the contract. There have also been cases when the District has recovered all or a portion of the funds for reallocation to new projects.

It is important to note that several sources of incentive funds include provisions for a portion of the funds to be used for administration support. These administrative funds are adequate to fully support grant administration with no impact to stationary source fees.

Efficiency and Streamlining Measures

In March of 2010, the former Emission Reductions Incentive Program (ERIP) Department was merged with the former Planning Department into a new Strategy and Incentives Department. Both former departments were heavily involved in technology advancement and strategic program development activities, and an overall synergy and increase in efficiency is expected with the merger. Examples of these efficiency and strategic improvements as a result of the merger include:

- Maximizing available staff resources in the newly merged department to meet the cyclical nature of air quality plan/rule development and incentive program implementation
- Enhancing the development of the District's long-term air quality attainment plans and strategies, including strategic SIP-creditable incentive programs and other innovative emissions reduction measures

- Improving the District's coordination of air quality research, including implementation of the new Technology Advancement Program
- Improving the coordination and implementation of various innovative measures and strategies, including the Regional Energy Efficiency Strategy, and other Fast Track measures

In addition to the strategic benefits in efficiency gained by the merger, additional efficiency and streamlining measures in each of the function areas are expected to reduce the impact of increased workload in 2010-11.

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

In 2010-11, the District will continue to refine its procedures for public workshops while still providing ample opportunity for public review. Streamlining measures will involve more utilization of video-teleconferencing to reduce travel-time to workshops. In accordance with the District's Economic Assistance Initiative, webcasting meetings allows an additional means of public participation, while reducing emissions from mobile sources. Staff will continue to present major topics in-person throughout the Valley, and utilize the District's VTC facilities for all public meetings. Additionally, staff will continue to prudently limit the number of identical workshops presented in each phase of the public review process. In order to better reach stakeholders in the Valley's environmental and community groups, Department staff provides mini-workshop sessions at regularly scheduled meetings of the Environmental Justice Advisory Group. This has reduced the need to hold separate community workshops at night, while offering the potential for enhanced communication with knowledgeable stakeholders.

Another streamlining measure that adds value to District projects and cross-trains staff, is to routinely obtain assistance from other District departments. For example, the engineering staff of the Permit Services Department can provide timely technical and analytical support for the development of rules and regulations, while at the same time broaden the knowledge base on new rules and regulations through other departments.

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

In an effort to provide consistent and efficient service to the public and regulated industry, the District is also continuing its process of reviewing and updating all departmental procedures with the objective of having them all critically reviewed,

and updated as necessary, every two years. This ongoing effort also identifies any procedures that need to be newly documented and will help further enhance ongoing staff training. The results of this review effort are up-to-date and streamlined processes and products that reflect the changing needs of the communities served by the District.

The Department is also implementing plans for the succession of key staff members through cross-training of newer staff for those job functions. In addition to providing continuity, succession planning will help better provide consistent customer service to our stakeholders, since there will be more staff able to assist in answering questions. Another streamlining function being implemented is the continuing improvement of the Department's intranet website. All critical departmental procedures and forms are posted electronically on the intranet which ensures consistency and efficiency from staff.

Several current streamlining initiatives leverage computer automation and technology improvements to replace tasks currently or previously performed by staff. Forecasting staff has developed and implemented several automated modules in their daily Air Quality Index and burn allocation routines that have significantly reduced the time spent on those tasks. Staff will continue to improve these routines in order to reduce time spent on forecasting. In addition, forecasting staff is working with state and federal land management agencies to improve communications and facilitate communications to increase customer service and reduce time spent dealing with prescribed fires. District staff will evaluate the time-saving potential of the new ARB Prescribed Fire Incident Reporting System, which is intended to effectively communicate prescribed fire information and help air districts review and approve land managers' burn plans, and reduce the potential for wildfires. The District has also set up procedures to reduce hours spent in gathering and archiving data needed to support the meteorological analysis of Exceptional Events.

As the use of the internet has spread throughout the Valley's communities, the demand for paper documents, such as rules and plans, has decreased over time. The practice of using the District's website as the primary means of publishing large documents such as plans, rules, and air quality data continues to expand. This means of obtaining the documents has become widely accepted by stakeholders and reduces the up-front printing, postage and administrative staff time costs to the District. In addition, the District now notifies many stakeholders of workshops, hearings, and other advisories, via e-mail. The e-mail notifications contain a hyperlink to the District web page for that project, and users are encouraged to download documents from the web page. The e-mail notifications have significantly reduced mailing and printing costs and staff processing time. To maintain good communications with stakeholders who desire paper documents, the District has retained its hardcopy mailing function, and has developed programs to manage mailing list databases to avoid mailing duplicate copies to recipients.

Incentive Programs

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

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

Historically, the District has managed one of the most efficient grant processing programs with minimal administrative costs. District staff has implemented numerous operational efficiencies to expedite the application and contract process and will continually look for opportunities for streamlining. The following highlights some of the streamlining and efficiency measures that the District employs in processing grant applications:

- Face-to-face interaction with potential applicants aimed at guiding applicants through the process to enhance customer service while reducing subsequent staff time
- Process automation, online applications, improved guidance documents, and emission calculation methodology will be accomplished on an on-going basis
- Comprehensive database that will link departments to increase the coordination and speed in processing grant program applications, scheduled for completion in 2009-10
- Consolidated inspection procedures aimed at providing enhanced customer service while reducing inspection staff time
- Streamlined application materials that reduce the amount of time necessary to complete the process
- Governing Board granting Executive Director/APCO authority to make administrative changes to the incentive programs, approve projects, and sign contracts over \$20,000 with Governing Board chair signature
- New policies and procedures are being developed to improve consistency and efficiency with the grant programs to address the new funding sources and their associated guideline requirements
- Conducting public workshops and informational meetings to allow public input and provide information to stakeholders

- New documents are being placed on the District's website to assist applicants
- The District's website will remain a focal point for providing this information, but staff will continue to provide outstanding individual customer service to stakeholders
- The continued utilization of temporary employees will assist the District to process applications in a timely manner during periods of increased activity
- Development of templates and boilerplate contracts and supporting documentation

In addition to processing applications and administrating grant projects, staff is heavily involved in public outreach and education, including: incentive program education, equipment dealer and third party training, public consultation meetings, community informational meetings and public workshops.

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

SUMMARY OF POSITIONS

Title	Current	Recommended	Increase/ Decrease
Director of Strategy and Incentives	1	1	0
Director of Planning	1	0	-1
Program Manager	1	1	0
Air Quality Planning Manager	1	1	0
Supervising Air Quality Engineer	1	1	0
Supervising Air Quality Specialist	4	4	0
Senior Air Quality Engineer	1	1	0
Senior Air Quality Specialist	9	10	+1
Air Quality Engineer I/II	2	1	-1
Air Quality Specialist I/II	22	22	0
Staff Technician I/II	2	2	0
Air Quality Assistant	1	1	0
Senior Office Assistant	1	1	0
Office Assistant I/II	<u>2</u>	<u>2</u>	<u>0</u>
TOTAL	49	48	-1

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
2010- 11 Recommended Budget
Strategy and Incentives Program

ACCOUNT NUMBER	DESCRIPTION	2009-10		2010-11	
		ADJUSTED APPROPRIATIONS	RECOMMENDED	INCREASE (DECREASE)	
SALARIES AND BENEFITS					
Regular Salaries		\$ 2,944,400	\$ 2,907,500	(36,900)	-1%
Temporary Help		258,800	210,100	(48,700)	-19%
On Call Pay		-	-	-	0%
Overtime		58,300	50,500	(7,800)	-13%
Unemployment		12,700	11,200	(1,500)	-12%
Retirement		949,800	1,065,800	116,000	12%
OASDI		67,100	58,900	(8,200)	-12%
Workers Compensation		16,300	16,900	600	4%
Cafeteria Plan Benefits		364,300	322,420	(41,880)	-11%
Long-Term Disability Insurance		10,900	10,500	(400)	-4%
Alternate Transportation Incentive		26,200	28,900	2,700	10%
TOTAL SALARIES AND BENEFITS		\$ 4,708,800	\$ 4,682,720	(26,080)	-1%
SERVICES AND SUPPLIES					
Safety Supplies & Equipment		\$ -	\$ -	-	0%
Mobile Communications		4,900	5,600	700	14%
Telephone Charges		7,600	12,600	5,000	66%
Insurance		-	-	-	0%
Equipment Maintenance		28,600	25,100	(3,500)	-12%
Vehicle Maintenance & Operations		-	-	-	0%
Computer Maintenance		40,600	41,900	1,300	3%
Video Conferencing Maintenance & Operations		-	-	-	0%
Building Maintenance & Operations		59,000	62,700	3,700	6%
Office Supplies		17,600	11,500	(6,100)	-35%
Computer Software & Supplies		12,900	14,200	1,300	10%
Monitoring Station Supplies & Equipment		-	-	-	0%
Postage		73,400	70,800	(2,600)	-4%
Printing		11,000	9,000	(2,000)	-18%
Professional & Specialized Services		517,300	797,200	279,900	54%
Publications & Legal Notices		71,800	72,100	300	0%
Rents & Leases		-	5,000	5,000	0%
Small Tools & Equipment		7,100	7,000	(100)	-1%
Special District Expense		4,400	5,200	800	18%
Travel & Training		16,700	16,700	-	0%
Travel & Training - Boards		-	-	-	0%
Utilities		40,100	43,200	3,100	8%
Audit Services		-	-	-	0%
TOTAL SERVICES AND SUPPLIES		\$ 913,000	\$ 1,199,800	286,800	31%
FIXED ASSETS					
Office Improvements		\$ -	\$ -	-	0%
Computer Equipment		81,700	94,500	12,800	16%
Office Furniture & Equipment		6,500	5,100	(1,400)	-22%
Office Machines		8,200	7,900	(300)	-4%
Telephone Systems		22,700	23,100	400	2%
Detection Equipment		-	-	-	0%
Automobiles		-	-	-	0%
Audio/Visual Equipment		-	-	-	0%
Safety Equipment		-	-	-	0%
Vehicle Radio Equipment		-	-	-	0%
Video Conferencing System		-	-	-	0%
Air Monitoring Station Equipment		-	-	-	0%
TOTAL FIXED ASSETS		\$ 119,100	\$ 130,600	11,500	10%
TOTAL CURRENT YEAR APPROPRIATIONS		\$ 5,740,900	\$ 6,013,120	\$ 272,220	5%

NON-OPERATING BUDGET

FISCAL SUMMARY

	<u>Budgeted 2009-10</u>	<u>Recommended 2010-11</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
<u>Appropriations</u>				
Other Charges	30,000	30,000	-	
Incentive Programs	109,882,963	112,073,821	2,190,858	2%
Approp. for Contingencies	850,000	850,000	-	
Total	110,762,963	112,953,821	2,190,858	2%

FUNCTION

This budget unit has been established for those expenditures that are not related to the internal operations of the District and/or are not attributable to any specific program. The large majority of the appropriations in this budget unit are for the District's incentive grant programs. This budget unit also contains the Appropriation for Contingencies account. Descriptions for each account, along with explanations for any significant changes for 2010-11, are included below.

OTHER CHARGES

Air Toxics - Pass Through

This appropriation represents that portion of the Toxic Hot Spots fees collected by the District on behalf of the state that is intended to reimburse the California Air Resources Board (ARB) and the Office of Environmental Health & Hazard Assessment (OEHHA) for their share of the costs associated with this program. These fees are forwarded to the state only after the cost of the District's program has been recovered. The recommended appropriation of \$30,000 is based on an estimate provided by OEHHA.

INCENTIVE PROGRAMS

The 2010-11 Recommended Budget includes \$112,073,821 of appropriations for emission reduction incentive grants. This is an increase of \$13.5 million or 14% over the 2009-10 Recommended Budget and an approximate \$2.2 million increase compared with the 2009-10 Adjusted Budget at the end of February; it is expected that additional incentive funds

will continue to be added to the 2010-11 Budget throughout the year with budget amendments brought to the Governing Board as the exact amounts of these grants are known.

The following is the detail of the incentive program appropriations currently included in the 2010-11 Recommended Budget:

• DMV Surcharge Fees - Incentives	\$ 8,889,656
• Carl Moyer Program	10,543,400
• ISR & VERA	9,390,800
• Proposition 1B Funding Program	45,576,200
• Lower Emission School Bus Program	22,288,965
• Federal Diesel Earmark Grant	6,750,000
• Community & Other Incentives	5,201,900
• Greenhouse Gas Mitigation	3,010,400
• GHG Support for Cities & Counties	250,000
• Miscellaneous Incentive Grants	<u>172,500</u>
Total Incentive Grants	<u>\$112,073,821</u>

DMV Surcharge Fees

This appropriation represents the total estimate for DMV Surcharge Fee revenue available in 2010-11 for incentive grants. There are three distinct sources of DMV Surcharge Fees as follows:

• AB2766 \$4 per vehicle	\$ 600,521
• AB923 \$2 per vehicle	2,761,575
• SB709 \$1 per vehicle	<u>5,527,560</u>
Total DMV Surcharge Fees	<u>\$ 8,889,656</u>

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

Carl Moyer Program

This appropriation is based on the annual state allocation of Carl Moyer Program funds. These funds are used predominantly in the Heavy-Duty Program and must be granted in strict accordance with guidelines adopted by the Air Resources Board.

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

This appropriation represents the estimate for incentive grant revenue generated in 2010-11 as the result of the District's ISR Rule and Voluntary Development Mitigation Agreements. These funds will be provided by residential and commercial development projects to offset emissions associated with projects. Funds will be used in the Heavy-Duty Program and other programs. ISR Program funds will be utilized for quantifiable and

enforceable projects that reduce surplus emissions of NOx and PM. The estimate for 2010-11 reflects the current economic forecasts for development projects in the Valley.

Proposition 1B Funding

This appropriation represents the estimate for the current phase incentive funding available from the Proposition 1B: Goods Emission Reduction Program. Funding from Proposition 1B will be used for specific heavy-duty on-road vehicle projects providing funding for engine repowers, engine retrofits, truck replacements as well as new purchases and for locomotive repowers.

Lower Emission School Bus Program

This appropriation provides incentive funding for the replacement and retrofit of high-emitting diesel school buses with new emission certified buses and clean filter technologies. This program was created to reduce school children's exposure to cancer-causing and smog-forming pollution. Any school district that owns and operates school busses in the San Joaquin Valley Air Basin, or any Joint Powers Authority that directly provides transportation services to public school districts, is eligible to apply for these funds. In addition to funding projects in the San Joaquin Valley, the District will also be administering the Lower Emission School Bus Program funds for a number of neighboring and other small air districts throughout the state.

Federal Diesel Earmark Grant

This appropriation is for federal funding provided specifically for reducing diesel emissions in the District. These funds will be used in the District's Heavy-Duty Program.

Community & Other Incentives funded by Operating Revenues

This appropriation represents funding transferred from Operating Revenues to fund various incentive programs. The District expects to receive at least \$5 million in new revenue through Rule 4320 (Advanced Emission Reduction Options for Boilers, Steam Generators, and Process Heaters Greater than 5.0 MMBtu/hr) in 2010-11, significantly increasing the amount of funding available to transfer from Operating Revenues for incentives. Funding will be used in the District's existing incentive programs, such as the Heavy-Duty Program, to generate emission reductions. The District may also create new program components to complement existing ones.

Greenhouse Gas Mitigation

The District has entered into mitigation agreements with the California Attorney General and project proponents to mitigate greenhouse gas emissions through incentive programs. Funding from these various agreements will be utilized in District incentive programs such as the Heavy-Duty and REMOVE programs to fund qualifying emission reduction projects. This is a new source of incentive funding in 2010-11.

GHG Support for Cities and Counties

Funding for this appropriation is provided by AB2766 DMV Surcharge Fee revenue. With the passage of SB375, San Joaquin Valley transportation planning agencies, cities, and counties will be required to develop alternative land-use scenarios and calculate their

associated greenhouse gas impacts. In order to accomplish this they will need to develop enhanced modeling tools that are more sensitive to changes in land-use patterns. The District is appropriating funding to assist in scenario development and to supplement and enhance transportation modeling tools.

Miscellaneous Incentive Grants

The funding for this appropriation is derived from hearing board cases and other miscellaneous sources and will be used in the District's existing incentive programs such as the Heavy-Duty and REMOVE programs.

APPROPRIATION FOR CONTINGENCIES

The purpose of the Appropriation for Contingencies Account is to provide a prudent safety net should the District encounter a reduction in revenue or an increase in expenditures caused by state or federal actions, or other unforeseen circumstances. The recommended appropriation for this account for 2010-11 is \$850,000, the same as recommended and adopted for 2009-10.

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
2010-11 Recommended Budget
Non-Operating

ACCOUNT NUMBER	DESCRIPTION	2009-10 ADJUSTED APPROPRIATIONS	2010-11 RECOMMENDED	INCREASE (DECREASE)	
NON-OPERATING APPROPRIATIONS					
OTHER CHARGES					
8010	Air Toxic Pass Through	30,000	30,000	-	
8580	Dairy CEQA - Pass Through	-	-	-	
TOTAL OTHER CHARGES		30,000	30,000	-	
INCENTIVE PROGRAMS					
8150	DMV Surcharge Fees - Incentives	11,099,500	8,889,656	(2,209,844)	-20%
8200	Carl Moyer Program	12,844,483	10,543,400	(2,301,083)	-18%
8450	ISR and VERA's	7,227,700	9,390,800	2,163,100	30%
8525	Proposition 1B Funding Program	45,675,000	45,576,200	(98,800)	0%
8550	Lower Emission School Bus Program	15,910,100	22,288,965	6,378,865	40%
8575	Federal Diesel Earmark Grant	7,500,000	6,750,000	(750,000)	-10%
8600	Community & Other Incentives Funded by Operating Revenues	550,000	5,201,900	4,651,900	846%
8601	Greenhouse Gas Mitigation Program	-	3,010,400	3,010,400	
8602	GHG Support Projects for Cities & Counties	-	250,000	250,000	
8603	Miscellaneous Incentive Programs	9,076,180	172,500	(8,903,680)	-98%
TOTAL INCENTIVE PROGRAMS		109,882,963	112,073,821	2,190,858	2%
9991	Appropriation for Contingencies	850,000	850,000	-	
TOTAL NON-OPERATING APPROPRIATIONS		110,762,963	112,953,821	2,190,858	2%

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

Prior 3 Years and 2010-11 Recommended

	Adjusted 2007-08 @ 6/30/08	Adjusted 2008-09 @ 6/30/09	Adjusted 2009-10 @ 2/28/10	Recommended 2010-11
APPROPRIATIONS				
Salaries & Benefits (net of Salary Savings)	25,250,400	27,017,900	28,260,100	30,505,078
Services & Supplies	4,895,400	5,618,000	5,606,000	5,898,300
Fixed Assets	1,931,100	2,532,069	2,031,900	2,014,800
OPERATING APPROPRIATIONS	<u>32,076,900</u>	<u>35,167,969</u>	<u>35,898,000</u>	<u>38,418,178</u>
Other Charges	436,000	152,000	30,000	30,000
Incentive Contracts	69,210,004	110,270,734	109,882,963	112,073,821
Appropriation for Contingencies	637,000	478,631	850,000	850,000
NON-OPERATING APPROPRIATIONS	<u>70,283,004</u>	<u>110,901,365</u>	<u>110,762,963</u>	<u>112,953,821</u>
TOTAL APPROPRIATIONS	<u>102,359,904</u>	<u>146,069,334</u>	<u>146,660,963</u>	<u>151,371,999</u>
REVENUE				
Stationary Revenue	13,553,100	16,545,000	16,963,200	23,422,800
Grant Revenue	2,722,000	3,410,500	2,982,500	3,032,000
DMV Surcharge Fees - District Portion	9,800,000	10,094,000	10,100,000	10,100,000
Administrative Fees - Incentive Programs	2,259,900	3,988,700	4,387,733	6,759,440
Transfer to Non-Operating Revenue for Incentive Grants	-	-	-	(5,200,000)
Fund Balance Used	3,741,900	2,074,900	1,359,167	1,627,147
Reserves Released / (Increased)	-	(1,316,500)	105,400	(1,323,209)
OPERATING REVENUE/FUNDING SOURCES	<u>32,076,900</u>	<u>34,796,600</u>	<u>35,898,000</u>	<u>38,418,178</u>
Non-Operating Revenue	66,019,704	109,888,734	106,931,863	105,075,321
Fund Balance/Reserves Released	4,263,300	1,384,000	3,831,100	7,878,500
NON-OPERATING REVENUE/FUNDING SOURCES	<u>70,283,004</u>	<u>111,272,734</u>	<u>110,762,963</u>	<u>112,953,821</u>
TOTAL REVENUE/FUNDING SOURCES	<u>102,359,904</u>	<u>146,069,334</u>	<u>146,660,963</u>	<u>151,371,999</u>
RECOMMENDED POSITIONS	291	311	309	308
RESERVES				
General Reserve	3,000,000	3,500,000	3,500,000	3,840,000
Long-Term Building Maintenance	235,000	343,000	408,000	473,000

**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
SCHEDULE OF ESTIMATED REVENUES
Prior 3 Years and 2010-11 Recommended**

ACCOUNT TITLE	2007-08 Adjusted Revenues @ 6/30/08	2008-09 Adjusted Revenues @ 6/30/09	2009-10 Adjusted Revenues @ 2/28/10	2010-11 Estimated Revenues
OPERATING REVENUE				
STATIONARY SOURCE				
Permit Fees	10,363,700	13,523,000	13,967,700	15,147,700
Advanced Emission Reduction Options (AERO) Fees	-	-	-	5,400,000
Settlements	2,770,000	2,500,000	2,500,000	2,500,000
Interest	360,000	465,000	465,000	316,200
Miscellaneous	59,400	57,000	30,500	58,900
Total Stationary Non-Grant Operating Revenue	13,553,100	16,545,000	16,963,200	23,422,800
GRANT REVENUE				
State Subvention	882,000	882,000	882,000	882,000
EPA 105 Grant	1,800,000	2,378,000	1,950,000	2,000,000
EPA 103 Grant	40,000	150,500	150,500	150,000
Total Grant Revenue	2,722,000	3,410,500	2,982,500	3,032,000
Total Stationary Operating Revenue	16,275,100	19,955,500	19,945,700	26,454,800
MOBILE SOURCE				
DMV Surcharge Fees - District	9,800,000	10,094,000	10,100,000	10,100,000
Administrative Fees - Incentive Programs	2,259,900	3,988,700	4,387,733	6,759,440
Total Operating Revenue	28,335,000	34,038,200	34,433,433	43,314,240
Transfer to Non-Operating Revenue for Incentive Grants	-	-	-	(5,200,000)
Fund Balance Used	3,741,900	2,074,900	1,359,167	1,627,147
Reserves Released / (Increased)	-	(1,316,500)	105,400	(1,323,209)
Estimated Funding Sources - Operating	32,076,900	34,796,600	35,898,000	38,418,178
NON-OPERATING REVENUE				
Air Toxics	36,000	32,000	30,000	30,000
EPA 103 Grant Revenue	200,000	-	-	-
DMV Surcharge Fees - Pass Through	10,148,700	9,717,400	9,250,000	9,036,956
Carl Moyer Funds	11,356,300	11,237,300	11,803,130	10,001,400
Dairy CEQA - Pass Through	200,000	120,000	-	-
ISR And Development Mitigation Contracts	17,462,700	16,648,000	6,736,180	3,037,000
School Bus Retrofit Program	163,871	-	-	-
School Bus Replacement Program	-	-	-	-
DERA Program	-	-	7,223,100	-
Operating Revenues Funding Community Incentives	-	-	-	5,200,000
Proposition 1B Funding Program	5,415,000	38,503,500	45,000,000	45,000,000
Great Basin APCD Program	-	-	-	-
Lower Emission School Bus Program	20,714,933	27,050,534	15,525,000	21,952,765
Federal Diesel Earmark Grant	-	5,000,000	7,500,000	6,750,000
Miscellaneous Incentive Grant Funding	50,000	50,000	1,507,600	115,000
Greenhouse Gas Mitigation Program	-	-	-	3,000,000
Interest - Non-Operating	272,200	1,530,000	2,356,853	952,200
Total Non-Operating Revenue	66,019,704	109,888,734	106,931,863	105,075,321
Fund Balance/Reserves Released	4,263,300	1,384,000	3,831,100	7,878,500
Estimated Funding Sources - Non-Operating	70,283,004	111,272,734	110,762,963	112,953,821
TOTAL REVENUE				
Estimated Financing Sources - Total	102,359,904	146,069,334	146,660,963	151,371,999

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Budget Comparison
Total District
Prior 3 Years and 2010-11 Recommended

ACCOUNT NUMBER	DESCRIPTION	2007-08 Adjusted @ 6/30/08	2008-09 Adjusted @ 6/30/09	2009-10 Adjusted @ 2/28/10	2010-11 Recommended Appropriations
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OPERATING APPROPRIATIONS					
SALARIES AND BENEFITS					
Regular Salaries	\$ 16,166,800	\$ 17,770,200	\$ 18,572,800	\$ 19,489,400	
Temporary Help	507,900	590,700	590,700	638,600	
On Call Pay	77,900	77,900	77,900	77,900	
Overtime	249,700	315,700	260,100	259,600	
Unemployment	70,700	83,300	75,400	70,200	
Retirement	5,330,200	5,114,700	5,814,800	7,134,800	
OASDI	277,300	328,200	332,500	336,100	
Workers Compensation	210,100	186,800	166,000	181,100	
Cafeteria Plan Benefits	2,166,500	2,321,300	2,140,400	2,066,778	
Long-Term Disability Insurance	57,700	65,100	67,400	69,500	
Alternate Transportation Incentive	135,600	164,000	162,100	181,100	
TOTAL SALARIES AND BENEFITS	\$ 25,250,400	\$ 27,017,900	\$ 28,260,100	\$ 30,505,078	
SERVICES AND SUPPLIES					
Safety Supplies & Equipment	\$ 28,000	\$ 16,400	\$ 17,100	\$ 15,300	
Mobile Communications	108,300	104,000	121,900	134,800	
Telephone Charges	120,600	142,300	122,100	129,700	
Insurance	173,200	189,100	172,000	185,800	
Equipment Maintenance	124,800	180,900	207,300	189,300	
Vehicle Maintenance & Operations	214,500	198,700	236,800	217,000	
Computer Maintenance	128,400	168,000	182,800	214,500	
Video Conferencing Maintenance & Operations	157,000	246,200	220,000	246,800	
Building Maintenance & Operations	174,000	249,100	284,300	299,200	
Office Supplies	88,500	98,500	85,500	68,900	
Computer Software & Supplies	71,900	71,900	73,800	89,600	
Monitoring Station Supplies & Equipment	88,200	163,300	170,300	235,700	
Postage	166,200	169,200	198,900	177,100	
Printing	128,400	147,400	150,400	139,100	
Professional & Specialized Services	2,016,100	2,159,600	2,006,600	2,124,600	
Publications & Legal Notices	138,100	162,900	162,600	185,500	
Rents & Leases	257,400	334,600	394,550	434,200	
Small Tools & Equipment	57,800	57,800	51,600	59,800	
Special District Expense	241,200	349,500	260,900	289,000	
Travel & Training	129,700	139,800	139,800	138,100	
Travel & Training - Boards	50,600	53,300	53,300	58,800	
Utilities	196,900	198,300	230,500	247,500	
Audit Services	15,600	17,200	17,200	18,000	
Legal Services	20,000	-	45,750	-	
TOTAL SERVICES AND SUPPLIES	\$ 4,895,400	\$ 5,618,000	\$ 5,606,000	\$ 5,898,300	
FIXED ASSETS					
Office Improvements	\$ 51,300	\$ 51,300	\$ 51,300	\$ 40,000	
Computer Equipment	449,900	545,300	667,200	676,600	
Office Furniture & Equipment	92,700	43,400	38,900	26,500	
Office Machines	65,100	47,900	47,900	48,000	
Telephone Systems	146,600	146,600	139,400	141,500	
Detection Equipment	20,200	24,000	33,500	11,300	
Automobiles	321,700	324,500	307,000	320,000	
Safety Equipment	-	-	-	-	
Video Conferencing System	156,100	380,000	339,100	344,700	
Air Monitoring Station Equipment	227,500	666,369	407,600	406,200	
Electronic Document Management Project	-	-	-	-	
Bakersfield Office Relocation	-	302,700	-	-	
Proposition 1B - Building Expansion Project	400,000	-	-	-	
TOTAL FIXED ASSETS	\$ 1,931,100	\$ 2,532,069	\$ 2,031,900	\$ 2,014,800	
TOTAL OPERATING APPROPRIATIONS	\$ 32,076,900	\$ 35,167,969	\$ 35,898,000	\$ 38,418,178	

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Budget Comparison
Total District
Prior 3 Years and 2010-11 Recommended

ACCOUNT NUMBER	DESCRIPTION	2007-08 Adjusted @ 6/30/08	2008-09 Adjusted @ 6/30/09	2009-10 Adjusted @ 2/28/10	2010-11 Recommended Appropriations
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NON-OPERATING APPROPRIATIONS				
OTHER CHARGES				
Air Toxic Pass Through	\$ 36,000	\$ 32,000	\$ 30,000	\$ 30,000
Dairy CEQA Pass Through	200,000	120,000	-	-
EPA 103 Grants	200,000	-	-	-
DMV Surcharge Fees - Study Agency	-	-	-	-
TOTAL OTHER CHARGES	\$ 436,000	\$ 152,000	\$ 30,000	\$ 30,000
INCENTIVE PROGRAMS				
DMV Surcharge Fees - Incentives	12,002,300	10,750,600	11,099,500	8,889,656
Carl Moyer Heavy Duty Program	12,517,300	11,543,100	12,844,483	10,543,400
Traffic Congestion Relief Program	-	-	-	-
School Bus Retrofit Program	409,071	-	-	-
ISR and Development Mitigation Contracts	17,614,100	16,648,000	7,291,780	9,390,800
Proposition 1B Funding Program	5,415,000	38,503,500	45,675,000	45,576,200
Lower Emission School Bus Program	20,714,933	27,050,534	16,050,100	22,288,965
Federal Diesel Earmark Grant	-	5,000,000	7,500,000	6,750,000
Community Incentives	-	310,000	550,000	5,201,900
SJV Blueprint Project	250,000	-	-	-
Greenhouse Gas Mitigation Program	-	-	-	3,010,400
GHG Support for Cities and Counties	-	-	-	250,000
DERA Funded Programs	-	-	7,223,100	-
Miscellaneous/Interest - Incentive Programs	287,300	465,000	1,649,000	172,500
TOTAL INCENTIVE PROGRAMS	\$ 69,210,004	\$ 110,270,734	\$ 109,882,963	\$ 112,073,821
Appropriation for Contingencies	\$ 637,000	\$ 478,631	\$ 850,000	\$ 850,000
TOTAL NON-OPERATING APPROPRIATIONS	\$ 70,283,004	\$ 110,901,365	\$ 110,762,963	\$ 112,953,821

TOTAL APPROPRIATIONS				
TOTAL DISTRICT APPROPRIATIONS	\$ 102,359,904	\$ 146,069,334	\$ 146,660,963	\$ 151,371,999