

RECOMMENDED BUDGET

2012-2013



San Joaquin Valley
AIR POLLUTION CONTROL DISTRICT

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Stanislaus County

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Councilmember Oliver L. Baines III

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Councilmember Sally Bomprezzi

City of Madera

Councilmember Harold Hanson

City of Bakersfield

Supervisor Raymond A. Watson

Kern County

Seyed Sadredin

Executive Director / Air Pollution Control Officer

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

2012-13 Recommended Budget

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GOVERNING BOARD

May 17, 2012

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Seyed Sadredin
Executive Director
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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, 2012 to June 30, 2013. Policy guidance for the 2012-13 Budget was provided by your Board's Ad Hoc Subcommittee for Budget and Finance consisting of Supervisor O'Brien, Supervisor Worthley, Councilmember Hanson, Councilmember Baines and Vice Mayor Barwick.

As in previous years, this year's budget was developed using the zero-based budgeting approach. The recommended budget is balanced with adequate reserves and contingencies. The resources contained in the budget will enable the District to continue to provide excellent customer service, expedited processing of permit applications, and to fulfill all state and federal mandates in a timely fashion.

Budget Highlights

- No fee rate increase
- Significant increase in workload absorbed with existing staff through efficiency and streamlining – no staffing increase
- 7% salary savings
- Maintains lowest permit fees and administrative overhead
- Operating expenditures decrease by 1%
- Automation and remote control for the air monitoring network
- Strong public education and outreach
- Helping hand to local municipalities in meeting clean-air and climate change mandates
- Valley-specific health and scientific studies
- Expeditious administration and use of emission reduction incentive funds in a wide range of applications
- \$8 million in funding for air pollution control technology advancement
- Incorporates fiscal impact from the Tentative Agreement with employees pending final approval by the Governing Board
- Balanced budget with adequate reserves and contingencies

The narratives included as a part of this budget document describe the specifics of each department's functions, workload impacts, as well as efficiencies and streamlining measures.

Workload and Staffing

In 2012-13, the District will experience significant workload increases in a number of areas which are summarized below:

A significant portion of the District's new workload for 2012-13 is related to the administration of high levels of funding which have been secured for emissions reduction incentive grant programs. Great interest has been shown in the Goods Movement Emissions Reduction program, with the District receiving 3,300 applications for \$165 million of funding during the program's second solicitation. While difficulties with the State budget caused a delay in funding early in the Proposition 1B Program's implementation, funds have more recently become available, with the District expecting to have nearly \$54 million of funding available in 2012-13. In addition to Proposition 1B, the District will also be implementing several truck voucher incentive programs in 2012-13. The District will also receive approximately \$31 million in incentive funds in 2012-13 through recently adopted motor vehicle fees. These new funds will be used to fund a variety of incentive programs aimed at reducing emissions from mobile sources of emissions throughout the Valley.

With the recent adoption of the Public Benefits Grant Program, the District will be providing funding to Valley cities, counties, and other public agencies for a variety of advanced transportation and infrastructure projects. Additionally, funds will be used to provide a variety of incentives for Valley residents to reduce emissions, through programs including the Lawn Mower Replacement Program, Drive Clean, Burn Cleaner Program, and PASS vehicle replacement and repair programs.

One relatively new component of the District's Heavy-Duty Engine Incentive Program is the mobile agricultural equipment replacement program. This program is targeted at reducing emissions from off-road equipment including tractors and harvesters. The District has seen a high level of interest from the agricultural sector in this program, and the District plans on providing significant funds towards these cost-effective projects in 2012-13.

The District's Technology Advancement Program is expected to grow with \$3 million in projects approved for funding thus far in 2011-12 and \$8 million proposed in 2012-13. The District expects to see significant activity in this important program through the solicitation and contracting of a variety of technology advancement projects. Substantial staff time will be required to administer approved projects, revise program requirements, solicit applications, evaluate applications, and contract new projects.

The District continues to enter into Voluntary Emission Reduction Agreements (VERAs) to assist developers in mitigating the increased emissions from development projects in the Valley. Funding from these various agreements will be utilized in the District's

incentive programs to fund qualifying emission reduction projects. Additionally, with increased construction in the Valley, the District projects receiving \$1.2 million in Indirect Source Review (ISR) revenue. Revenue from these various mitigation programs coupled with existing reserves provide almost \$9 million in funding and will impact the District workload with increased application processing, contract administration, grant tracking requirements, and grant payments.

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. The District expects to receive approximately \$5.4 million in incentive funding through Rule 4320 in 2012-13.

The District will continue to seek opportunities to assist neighboring air districts with managing their program funds as a means of achieving emission reductions that benefit our region as a whole. In 2011-12, the District managed the Lower Emission School Bus Program funds for eighteen neighboring and other air districts throughout the state. Additionally, the District was selected by the State Air Resources Board (ARB) to operate a new school bus retrofit effort for the entire state.

To further the Regional Energy Efficiency Strategy, the District proposes to include \$150,000 to fund regional energy efficiency and conservation projects and services in the Valley, in close coordination with local jurisdictions, utilities, and other stakeholders. The District will also be implementing a number of the non-regulatory "Fast Track" measures, such as green purchasing and alternate energy, that your Board has adopted to help expedite attainment of air quality standards in the Valley.

In addition to the above-described workload increase associated with new funding and program requirements, the District will also spend a significant amount of staff resources 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 2012-13 through AB 118 and other state and federal funding sources.

The District will also have significant workload on the regulatory front in implementing and enforcing previously adopted measures and the design, adoption, and implementation of new air quality plans and permitting activities.

In 2012-13, the District will finish the work on design and adoption of the next PM_{2.5} attainment plan and will then shepherd the plan through the state and federal approval process with ARB and EPA. In 2012-13, the District will also begin the preliminary work on the design of the attainment plan for the 2008 eight-hour ozone standard. Development of these new attainment plans will involve refining the emission inventory and atmospheric modeling for the new standards and extensive research and collaboration with Valley stakeholders to explore potential control strategies. The

District 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.

In 2012-13, the District will need to provide significant technical oversight for a variety of Study Agency and other research efforts scheduled for implementation in 2012-13. These research efforts comprise the final phases of the Central California Ozone Study (CCOS) and the California Regional Particulate Air Quality Study (CRPAQS), and will provide key information needed to further the District's understanding of ozone and particulates. Additionally, the District is also proposing to conduct additional research through local funding to further develop policy-relevant air quality science, including research to help further the development of a risk-based attainment strategy.

One significant project funded through the Study Agency will be the establishment of a new Air Quality Modeling Center at the District. This new center will provide extensive air quality computer modeling resources that will allow the District to conduct complex air quality modeling currently only being performed by the State Air Resources Board. These models are critical to understanding the Valley's air quality and evaluating potential strategies. Significant staff resources will be required to develop the in-house capacity necessary to fully utilize the resources available through the new center.

In relation to state and federal permitting mandates, a great deal of the District's new workload will be in the form of processing permit applications for facilities newly subject to Title V permitting requirements. Furthermore, the additional facilities now subject to the Title V mandates will significantly increase administrative and reporting requirements. Staff expects as many as 150 additional facilities to obtain their initial Title V permits in 2012-13, a 50% increase in the total number of Title V facilities in the District. One result of the increase of Title V facilities will be a continuation of the dramatic increase in Title V permit modification applications processed that began in 2011-12. The District expects approximately 3,500 Title V modification applications per year once the balance of the new Title V permits been issued.

The District will also be implementing a new permitting program, Prevention of Significant Deterioration (PSD), in 2012-13. Until now, the federal EPA has been responsible for implementing this federal permitting program for major sources of attainment pollutants. The corresponding one to two person per year increase in workload for PSD permitting is expected to be accommodated without increasing staff by streamlining PSD permitting through integration with the District's existing permitting processes, and increased efficiencies in other areas.

In addition to the normal permitting and compliance workload associated with new and modifying sources of air pollution, several District rules adopted or amended recently contain compliance deadlines in 2012-13, including Rule 4354, for glass melting furnaces; Rule 4566, for green waste composting operations; Rule 4684, for polyester resin operations; Rule 4702, relating to internal combustion engines; Rule 4625, for wastewater separators; Rule 4352, for solid fueled boilers; and Rule

4320, relating to boilers, steam generators and process heaters. The impacts of these rules on permitting workload will be felt in 2012-13 as equipment operators file applications and other documents to meet compliance deadlines. These new and amended rules will also require additional compliance assistance, outreach, inspections, record review, and emission testing oversight.

The District is responsible for implementing a Climate Change Action Plan to assist Valley businesses and municipalities in meeting the state and federal climate change mandates, and will be establishing a new banking program for recognition of voluntary Greenhouse Gas (GHG) emission reduction efforts. In addition, the District will continue implementing Valley-wide guidance to land-use agencies and other permitting regulators on addressing GHG concerns through the CEQA process, including developing Best Performance Standards for GHG emissions-emitting equipment, processes, and residential and commercial developments. Also, the District will be working with the Valley cities and counties to develop GHG emissions inventories, and related policies and procedures to encourage consistency in these efforts throughout the region. The District's initial effort to generate a community-wide GHG emissions inventory, with the County of Kern, was extremely successful, and resulted in a high standard for future GHG emissions inventory efforts throughout the state. The District has begun working with the Kings County Association of Governments to prepare a county-wide GHG emissions inventory for Kings County, and other counties and cities are expected to also take advantage of District assistance with their GHG emissions inventories in the coming budget year.

As requested by Valley businesses, the District will be actively implementing two state GHG control measures in 2012-13, Landfill Gas Control and Refrigeration System Management. These new GHG-related tasks have been and will continue to be labor intensive. However, the District's involvement is an opportunity for streamlining and common-sense implementation of AB 32 mandates, such that significant dividends in reduced workload will be realized for many years to come.

The District will continue updating two major air quality planning guidance documents for Valley land-use agencies this year: 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.

As has been the case in prior years, a significant workload is expected in the Air Monitoring Program. The District is coordinating the final stages of the relocation of the Bakersfield station, formerly located on Golden State Boulevard, to the Bakersfield Municipal Airport. Considerable resources will be needed to operate and maintain the Bakersfield Municipal Airport station once it is back online. In addition, the Merced Coffee, Fresno Sierra Sky Park and Lebec stations will need to be relocated in the near future. In addition to the relocations, the new federal nitrogen dioxide standard requires that four new near-roadway nitrogen dioxide

monitors (to be located in Bakersfield, Fresno, Modesto, and Stockton) be installed and operated by no later than January 1, 2013. 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.

In 2012-13, public education and outreach will continue to play a major role in furthering the District's goals and mission. 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. The District will also be expanding efforts to recruit municipalities and businesses as Healthy Air Living Partners to help spread the District's clean air message.

New Workload Absorbed through Efficiency and Streamlining

Despite a significant increase in mandates, the 2012-13 Recommended Budget does not propose to increase staffing or increase fees. Through strict adherence to the zero-based budgeting approach and with the design and implementation of new efficiency and streamlining measures, the additional workload will be absorbed without an increase in staffing. The 2012-13 Recommended Budget contains adequate staffing to maintain an active and effective air quality regulatory program and a comprehensive public education and outreach strategy.

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. The following is a summary of efficiency and streamlining measures that will be employed in 2012-13:

Several streamlining initiatives will leverage computer automation and technology improvements to replace tasks currently or previously performed by staff. New paperless workflow systems will be implemented for accounts payable and accounts receivable and compliance inspection activities. Enhanced use of web-based compliance inspection forms will further streamline the inspection process and will feed into the District's new paperless workflow system that will efficiently move documents from inception through approval to their final placement in the District's Electronic Document Management System.

Additional process automation will be accomplished through the expanded use of the web to collect emission inventory data; automated review of facility compliance reports; online grant applications, and continued improvement of the District's custom grant management database. The District will also be developing an automated tracking system for building demolitions and new hardware and software to enhance document

sharing. A new system is also being developed to allow facility operators to review information related to their permitted facilities online.

The implementation of a new automated air quality data/monitoring system will significantly reduce the amount of staff time required to perform quality assurance/control of air quality data. Computer automation of air monitoring systems will cut travel time for air monitoring staff, allowing existing staff to maintain and operate the District's ever-expanding air monitoring network.

The District's internet site and its 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 2012-13 fiscal year, the District will continue to expand its internet site, making even more District information available to stakeholders and the general public. In addition, the intranet, which provides District policies, procedures, and electronic tools directly to staff, will also be expanded.

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. E-mail notifications significantly reduce mailing and printing costs and staff processing time.

Experience and knowledge of the intricacies of the Title V permitting program make it possible for the District to identify, develop, and implement streamlining opportunities. However, in recognition of the lack of air quality benefit to the Title V permitting program the District will also be attempting to gain federal EPA approval of our local permitting program as a "Title-V equivalent" program. If successful, nearly all of the workload associated with issuing, renewing and modifying Title V permits will be avoided.

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

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

In support of streamlining efforts, the District proposes to reclassify three positions as follows: changing a Senior Office Assistant to an Operations Support Supervisor to better coordinate Office Assistant activities spread throughout the main office and provide back up to the Clerk to the Boards position; moving an Air Quality Technician to an Air Quality Inspector I, a more versatile classification to allow increased utilization for compliance assistance and technical functions; and reclassifying an Administrative Analyst to a Supervising Air Quality Education Representative in order to improve the coordination and supervision of the District's diverse outreach activities

Research and Technology Advancement

The District continues its tradition of relying on sound science in formulating effective air quality management strategies. Consistent with this and in support of the District's risk-based approach aimed at maximizing and prioritizing public health benefits, the 2012-13 Recommended Budget, includes \$330,000 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 2012-13 Recommended Budget 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

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 2012-13, the Healthy Air Living (HAL) initiative will continue to be promoted with a focus 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 component to the Employer Based Trip Reduction Rule.

The District will continue to promote and expand the Real-Time Air Advisory Network (RAAN) with Valley schools with an additional focus on promoting its use by the general public. The RAAN is an evolution of the successful Air Quality School Flag program, which informs schools of daily air quality forecasts. The RAAN allows school officials to

make more precise and timely decisions on whether or not to restrict outdoor activities including sports. While the initial scope of the project was focused on schools, the District is expanding the network to be a resource for health professionals, emergency response teams and other concerned constituencies. The District will further the episodic "Air Alert" program to educate Valley residents about the potential for one-hour ozone violations during the summer months. This program will encourage voluntary behavior change during those days when an exceedance of the standard is expected.

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, and RAAN program; Environmental Justice strategy development; and collaborative partnerships which leverage resources; the presence of the Air District will be solidified in the community and the District will be able to build an understanding of the public role in improving air quality.

Major Funding for Emission Reductions Incentive Grants

In 2012-13, the District expects to receive an additional \$86,092,460 from a variety of local, state, and federal sources for use in funding voluntary incentive-based emission reduction projects. Additionally, the District will have access to funds received prior to 2012-13 carried forward as reserved fund balance. These two sources will bring the total incentive funds available to the District in 2012-13 to \$184,329,460.

It is important to note that many incentive funding sources include provisions for a portion of the funds to be used for their administration. Administrative funds are included in the District's 2012-13 Recommended Operating Budget and are adequate to support the District's incentive grant programs without impacting stationary source fees.

Reserves and Contingencies

Section 12.15 of the District Administrative Code, adopted by your Board, establishes guidance for the funding level of the District's General Reserve. This section requires the annual Recommended Budget to include a General Reserve of no less than 10% of the District's operating revenues. For 2012-13, in accordance with Section 12.15, the General Reserve is established at \$4,100,000. The Appropriation for Contingencies remains unchanged at \$850,000, and consistent with previous budgets, the District's Major Building Maintenance Reserve is funded by \$65,000. The 2012-13 Recommended Budget also funds a VTC and Telecom Reserve for the second year to replace both these critical systems, which are due for replacement in the next few years. This reserve is funded with \$750,000.

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

*SJVUAPCD Governing Board
Transmittal Letter for the 2012-13 Recommended Budget
May 17, 2012*

I look forward to continuing and increasing our progress toward cleaner air for all Valley residents in 2012-13.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Seyed Sadredin", with a long horizontal flourish extending to the right.

Seyed Sadredin
Executive Director/Air Pollution Control Officer

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

	Adjusted* FY 11-12	Estimated Actuals FY 11-12	Recommended FY 12-13	Budget/Budget		Budget/Actual		
				Increase (Decrease)	%	Increase (Decrease)	%	
APPROPRIATIONS								
Salaries & Benefits (before Salary Savings)	\$33,050,949	\$33,050,949	\$34,702,949	\$1,652,000	5%	\$1,652,000	5%	
Projected Salary Savings	(\$2,208,498)	(\$2,375,607)	(\$2,356,295)	(\$147,797)	7%	\$19,312	(1%)	
Salaries & Benefits (net of Salary Savings)	\$30,842,451	\$30,675,342	\$32,346,654	\$1,504,203	5%	\$1,671,312	5%	
Services & Supplies	\$7,074,178	\$6,582,695	\$6,346,900	(\$727,278)	(10%)	(\$235,795)	(4%)	
Fixed Assets	\$3,635,085	\$3,506,694	\$2,433,708	(\$1,201,377)	(33%)	(\$1,072,986)	(31%)	
OPERATING APPROPRIATIONS	\$41,551,714	\$40,764,731	\$41,127,262	(\$424,452)	(1%)	\$362,531	1%	
Other Charges	\$25,000	\$25,000	\$25,000	-	-	-	-	
Incentive Programs	\$243,396,281	\$113,556,998	\$184,329,460	(\$59,066,821)	(24%)	\$70,772,462	62%	
Appropriation for Contingencies	\$850,000	-	\$850,000	-	-	\$850,000	-	
NON-OPERATING APPROPRIATIONS	\$244,271,281	\$113,581,998	\$185,204,460	(\$59,066,821)	(24%)	\$71,622,462	63%	
TOTAL APPROPRIATIONS	\$285,822,995	\$154,346,729	\$226,331,722	(\$59,491,273)	(21%)	\$71,984,993	47%	
REVENUES								
Stationary Revenue	\$29,913,600	\$31,619,921	\$31,118,480	\$1,204,880	4%	(\$501,441)	(2%)	
Grant Revenue	\$3,040,000	\$2,926,000	\$2,989,000	(\$51,000)	(2%)	\$63,000	2%	
DMV Surcharge Fees - District Portion	\$10,100,000	\$10,100,000	\$10,100,000	-	-	-	-	
Administrative Revenues Earned	\$3,060,600	\$2,785,500	\$2,187,100	(\$873,500)	(29%)	(\$598,400)	(21%)	
Transferred to Non-Operating Revenue	(\$5,200,000)	(\$5,148,000)	(\$5,403,360)	(\$203,360)	4%	(\$255,360)	5%	
Fund Balance Used	\$2,804,540	\$2,346,110	\$951,042	(\$1,853,498)	(66%)	(\$1,395,068)	(59%)	
Reserves Released / (Increased)	(\$2,167,026)	(\$3,864,800)	(\$815,000)	\$1,352,026	(62%)	\$3,049,800	(79%)	
OPERATING REVENUE/FUNDING SOURCES	\$41,551,714	\$40,764,731	\$41,127,262	(\$424,452)	(1%)	\$362,531	1%	
Non-Operating Revenue	\$146,030,300	\$105,125,709	\$89,948,112	(\$56,082,188)	(38%)	(\$15,177,597)	(14%)	
Reimbursement for Administrative Revenues Earned	(\$3,060,600)	(\$2,785,500)	(\$2,187,100)	\$873,500	(29%)	\$598,400	(21%)	
Fund Balance / Reserves Released / (Increased)	\$101,301,581	\$11,241,789	\$97,443,448	(\$3,858,133)	(4%)	\$86,201,659	767%	
NON-OPERATING REVENUE/FUNDING SOURCES	\$244,271,281	\$113,581,998	\$185,204,460	(\$59,066,821)	(24%)	\$71,622,462	63%	
TOTAL REVENUE/FUNDING SOURCES	\$285,822,995	\$154,346,729	\$226,331,722	(\$59,491,273)	(21%)	\$71,984,993	47%	
RECOMMENDED POSITIONS								
	308		308	-				
RESERVES								
General Reserve	\$4,000,000	-	\$4,100,000	\$100,000	3%	\$4,100,000	-	
Computer- VTC Equipment Reserve	\$750,000	-	\$1,500,000	\$750,000	100%	\$1,500,000	-	
Long Term- Building Maintenance	\$378,000	-	\$443,000	\$65,000	17%	\$443,000	-	

* Adjusted Budget as of 2/29/2012

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

	Adjusted* FY 11-12	Estimated Actuals FY 11-12	Recommended FY 12-13	Budget/Budget		Budget/Actual		
				Increase (Decrease)	%	Increase (Decrease)	%	
OPERATING REVENUE								
STATIONARY SOURCE								
Permit Fees	\$15,600,600	\$15,371,421	\$16,875,980	\$1,275,380	8%	\$1,504,559	10%	
Section 185- Non Attainment Fees -Rule 3170	\$6,000,000	\$6,000,000	\$6,000,000	-	-	-	-	
Advanced Emission Reduction Options (AERO) Fees	\$5,366,000	\$5,366,000	\$5,366,000	-	-	-	-	
Settlements	\$2,500,000	\$4,500,000	\$2,500,000	-	-	(\$2,000,000)	(44%)	
Interest	\$395,000	\$322,000	\$324,000	(\$71,000)	(18%)	\$2,000	1%	
Miscellaneous	\$52,000	\$60,500	\$52,500	\$500	1%	(\$8,000)	(13%)	
Total Stationary Non-Grant Operating Revenue	\$29,913,600	\$31,619,921	\$31,118,480	\$1,204,880	4%	(\$501,441)	(2%)	
GRANT REVENUE								
State Subvention	\$899,000	\$900,000	\$900,000	\$1,000	-	-	-	
EPA 105 Grant	\$2,091,000	\$1,961,000	\$2,024,000	(\$67,000)	(3%)	\$63,000	3%	
EPA 103 Grant	\$50,000	\$65,000	\$65,000	\$15,000	30%	-	-	
Total Grant Revenue	\$3,040,000	\$2,926,000	\$2,989,000	(\$51,000)	(2%)	\$63,000	2%	
Total Stationary Operating Revenue	\$32,953,600	\$34,545,921	\$34,107,480	\$1,153,880	4%	(\$438,441)	(1%)	
DMV Surcharge Fees - District	\$10,100,000	\$10,100,000	\$10,100,000	-	-	-	-	
Administrative Revenues Earned	\$3,060,600	\$2,785,500	\$2,187,100	(\$873,500)	(29%)	(\$598,400)	(21%)	
Total Operating Revenue	\$46,114,200	\$47,431,421	\$46,394,580	\$280,380	1%	(\$1,036,841)	(2%)	
Transfer to Non-Operating Revenue for Incentive Grants	(\$5,200,000)	(\$5,148,000)	(\$5,403,360)	(\$203,360)	4%	(\$255,360)	5%	
Fund Balance Used	\$2,804,540	\$2,346,110	\$951,042	(\$1,853,498)	(66%)	(\$1,395,068)	(59%)	
Reserves Released / (Increased)	(\$2,167,026)	(\$3,864,800)	(\$815,000)	\$1,352,026	(62%)	\$3,049,800	(79%)	
Estimated Funding Sources - Operating	\$41,551,714	\$40,764,731	\$41,127,262	(\$424,452)	(1%)	\$362,531	1%	
NON-OPERATING REVENUE								
Air Toxics - Pass Through	\$25,000	\$25,000	\$25,000	-	-	-	-	
DMV Surcharge Fees - Pass Through	\$30,237,200	\$28,380,000	\$39,137,800	\$8,900,600	29%	\$10,757,800	38%	
Carl Moyer Funds	\$8,455,500	\$8,181,529	\$8,050,000	(\$405,500)	(5%)	(\$131,529)	(2%)	
VERA/ISR Mitigation Program	\$2,984,000	\$1,427,449	\$1,957,500	(\$1,026,500)	(34%)	\$530,051	37%	
Proposition 1B Funding Program	\$75,000,000	\$50,797,431	\$20,000,000	(\$55,000,000)	(73%)	(\$30,797,431)	(61%)	
DERA Program	\$2,536,325	\$83,460	-	(\$2,536,325)	(100%)	(\$83,460)	(100%)	
School Bus Program	\$1,147,375	-	\$1,450,000	\$302,625	26%	\$1,450,000	-	
Federal Diesel Emission Reduction Funding Program	\$10,429,900	\$5,376,495	\$7,800,000	(\$2,629,900)	(25%)	\$2,423,505	45%	
Greenhouse Gas Mitigation Program	-	-	-	-	-	-	-	
Miscellaneous Incentive Grant Funding	\$832,800	\$302,249	-	(\$832,800)	(100%)	(\$302,249)	(100%)	
Non-Operating Interest	\$2,277,300	\$1,213,096	\$434,200	(\$1,843,100)	(81%)	(\$778,896)	(64%)	
Operating Revenues Funding Community & Other Incentives	\$5,200,000	\$5,148,000	\$5,403,360	\$203,360	4%	\$255,360	5%	
CEC - Energy Efficiency Grant	\$3,844,300	\$2,299,478	\$1,859,600	(\$1,984,700)	(52%)	(\$439,878)	(19%)	
Reimburse Operating for Administrative Revenues Earned	(\$3,060,600)	(\$2,785,500)	(\$2,187,100)	\$873,500	(29%)	\$598,400	(21%)	
Administrative Fees - Incentive Programs	\$3,060,600	\$1,891,522	\$3,830,652	\$770,052	25%	\$1,939,130	103%	
Total Non-Operating Revenue	\$142,969,700	\$102,340,209	\$87,761,012	(\$55,208,688)	(39%)	(\$14,579,197)	(14%)	
Fund Bal. Used/Non-Adm Reserves Released/(Increased)	\$101,301,581	\$11,241,789	\$97,443,448	(\$3,858,133)	(4%)	\$86,201,659	767%	
Adm Reserves Released / (Increased)	-	-	-	-	-	-	-	
Estimated Funding Sources - Non-Operating	\$244,271,281	\$113,581,998	\$185,204,460	(\$59,066,821)	(24%)	-	63%	
TOTAL REVENUE								
Estimated Financing Sources - Total	\$285,822,995	\$154,346,729	\$226,331,722	(\$59,491,273)	(21%)	\$71,984,993	47%	

* Adjusted Budget as of 2/29/2012

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

	Adjusted* FY 11-12	Estimated Actuals FY 11-12	Recommended FY 12-13	Budget/Budget		Budget/Actual	
				Increase (Decrease)	%	Increase (Decrease)	%
OPERATING APPROPRIATIONS							
SALARIES AND BENEFITS							
Regular Salaries	\$19,458,953	\$19,354,500	\$19,596,739	\$137,786	1%	\$242,239	1%
Temporary Help	\$596,416	\$592,702	\$746,418	\$150,002	25%	\$153,716	26%
On Call Pay	\$77,832	\$77,442	\$77,832	-	-	\$390	1%
Overtime	\$409,588	\$407,320	\$259,633	(\$149,955)	(37%)	(\$147,687)	(36%)
Unemployment	\$74,917	\$74,490	\$103,635	\$28,718	38%	\$29,145	39%
Retirement	\$7,371,665	\$7,331,659	\$8,199,894	\$828,229	11%	\$868,235	12%
OASDI	\$347,673	\$345,675	\$349,123	\$1,450	-	\$3,448	1%
Workers Compensation	\$210,799	\$209,668	\$218,693	\$7,894	4%	\$9,025	4%
Cafeteria Plan Benefits	\$2,045,002	\$2,033,784	\$2,542,341	\$497,339	24%	\$508,557	25%
Long-Term Disability Insurance	\$68,538	\$68,092	\$71,274	\$2,736	4%	\$3,182	5%
Alternate Transportation Incentive	\$181,068	\$180,010	\$181,072	\$4	-	\$1,062	1%
TOTAL SALARIES AND BENEFITS	\$30,842,451	\$30,675,342	\$32,346,654	\$1,504,203	5%	\$1,671,312	5%
SERVICES AND SUPPLIES							
Safety Supplies & Equipment	\$18,530	\$18,465	\$18,409	(\$121)	(1%)	(\$56)	-
Mobile Communications	\$132,080	\$130,755	\$141,443	\$9,363	7%	\$10,688	8%
Telephone Charges	\$114,822	\$113,093	\$107,202	(\$7,620)	(7%)	(\$5,891)	(5%)
Insurance	\$187,245	\$187,064	\$187,801	\$556	-	\$737	-
Equipment Maintenance	\$193,758	\$191,936	\$197,227	\$3,469	2%	\$5,291	3%
Vehicle Maintenance & Operations	\$213,562	\$212,353	\$223,200	\$9,638	5%	\$10,847	5%
Computer Maintenance	\$261,789	\$259,550	\$302,706	\$40,917	16%	\$43,156	17%
Video Conferencing Maintenance & Operations	\$250,787	\$248,771	\$248,691	(\$2,096)	(1%)	(\$80)	-
Building Maintenance & Operations	\$304,830	\$295,644	\$266,288	(\$38,542)	(13%)	(\$29,356)	(10%)
Office Supplies	\$70,991	\$69,210	\$69,300	(\$1,691)	(2%)	\$90	-
Computer Software & Supplies	\$91,487	\$90,110	\$95,760	\$4,273	5%	\$5,650	6%
Monitoring Station Supplies & Equipment	\$239,612	\$238,123	\$237,897	(\$1,715)	(1%)	(\$226)	-
Postage	\$154,240	\$144,933	\$141,646	(\$12,594)	(8%)	(\$3,287)	(2%)
Printing	\$126,419	\$124,480	\$134,846	\$8,427	7%	\$10,366	8%
Professional & Specialized Services	\$3,107,825	\$2,701,495	\$2,436,505	(\$671,320)	(22%)	(\$264,990)	(10%)
Publications & Legal Notices	\$255,000	\$250,124	\$191,380	(\$63,620)	(25%)	(\$58,744)	(23%)
Rents & Leases	\$483,463	\$476,207	\$465,370	(\$8,093)	(4%)	(\$10,837)	(2%)
Small Tools & Equipment	\$61,447	\$54,066	\$45,252	(\$16,195)	(26%)	(\$8,814)	(16%)
Special District Expense	\$311,519	\$286,399	\$278,934	(\$32,585)	(10%)	(\$7,465)	(3%)
Travel & Training	\$138,020	\$137,968	\$188,120	\$50,100	36%	\$50,152	36%
Travel & Training - Boards	\$64,870	\$64,019	\$68,457	\$3,587	6%	\$4,438	7%
Utilities	\$251,777	\$248,627	\$268,066	\$16,289	6%	\$19,439	8%
Audit Services	\$27,705	\$27,151	\$20,000	(\$7,705)	(28%)	(\$7,151)	(26%)
Legal Services	\$12,400	\$12,152	\$12,400	-	-	\$248	2%
TOTAL SERVICES AND SUPPLIES	\$7,074,178	\$6,582,695	\$6,346,900	(\$727,278)	(10%)	(\$235,795)	(4%)
FIXED ASSETS							
Office Improvements	\$215,552	\$213,397	\$40,000	(\$175,552)	(81%)	(\$173,397)	(81%)
Facilities & Equipment	\$25,000	\$24,516	\$98,002	\$73,002	292%	\$73,486	300%
Computer Equipment	\$863,299	\$845,844	\$713,678	(\$149,621)	(17%)	(\$132,166)	(16%)
Office Furniture / Equipment	\$53,113	\$48,619	\$25,006	(\$28,107)	(53%)	(\$23,613)	(49%)
Office Machines	\$117,657	\$113,867	\$55,800	(\$61,857)	(53%)	(\$58,067)	(51%)
Telephone Systems	\$140,235	\$135,379	\$138,103	(\$2,132)	(2%)	\$2,724	2%
Detection Equipment	\$17,853	\$17,585	\$14,650	(\$3,203)	(18%)	(\$2,935)	(17%)
Automobiles	\$572,219	\$560,774	\$304,700	(\$267,519)	(47%)	(\$256,074)	(46%)
Audio / Visual Equipment	-	-	-	-	-	-	-
Safety Equipment	-	-	-	-	-	-	-
Air Monitoring Automation/Remote Control Project	\$450,000	\$450,000	-	(\$450,000)	(100%)	(\$450,000)	(100%)
Video Conferencing System	\$350,974	\$344,850	\$347,769	(\$3,205)	(1%)	\$2,919	1%
Air Monitoring Station Equipment	\$829,183	\$751,863	\$696,000	(\$133,183)	(16%)	(\$55,863)	(7%)
TOTAL FIXED ASSETS	\$3,635,085	\$3,506,694	\$2,433,708	(\$1,201,377)	(33%)	(\$1,072,986)	(31%)
TOTAL OPERATING APPROPRIATIONS	\$41,551,714	\$40,764,731	\$41,127,262	(\$424,452)	(1%)	\$362,531	1%

* Adjusted Budget as of 2/29/2012

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

	Adjusted* FY 11-12	Estimated Actuals FY 11-12	Recommended FY 12-13	Budget/Budget		Budget/Actual		
				Increase (Decrease)	%	Increase (Decrease)	%	
NON-OPERATING APPROPRIATIONS								
OTHER CHARGES								
Air Toxic Pass Through	\$25,000	\$25,000	\$25,000	-	-	-	-	
Dairy CEQA - Pass Through	-	-	-	-	-	-	-	
TOTAL OTHER CHARGES	\$25,000	\$25,000	\$25,000	-	-	-	-	
INCENTIVE PROGRAMS								
DMV Surcharge Fees - Incentives	\$48,152,100	\$17,328,964	\$69,460,400	\$21,308,300	44%	\$52,131,436	301%	
Carl Moyer Program	\$37,422,350	\$22,411,036	\$22,549,200	(\$14,873,150)	(40%)	\$138,164	1%	
ISR and VERA'S	\$7,493,070	\$3,269,915	\$8,827,700	\$1,334,630	18%	\$5,557,785	170%	
Proposition 1B Funding Program	\$76,160,300	\$32,760,000	\$53,647,900	(\$22,512,400)	(30%)	\$20,887,900	64%	
School Bus Program	\$45,967,938	\$27,314,831	\$2,850,000	(\$43,117,938)	(94%)	(\$24,464,831)	(90%)	
Federal DERA/Designated Funding Program	\$14,312,786	\$6,318,056	\$7,800,000	(\$6,512,786)	(46%)	\$1,481,944	23%	
Community & Other Incentives Funded by Operating Rever	\$5,433,859	\$619,825	\$14,600,660	\$9,166,801	169%	\$13,980,835	2256%	
Greenhouse Gas Mitigation Program	-	-	-	-	-	-	-	
GHG Support for Cities & Counties	\$250,000	-	\$250,000	-	-	\$250,000	-	
Miscellaneous Incentive Programs	\$4,300,500	\$1,234,944	\$2,484,000	(\$1,816,500)	(42%)	\$1,249,056	101%	
CEC - Energy Efficiency Grant	\$3,903,378	\$2,299,427	\$1,859,600	(\$2,043,778)	(52%)	(\$439,827)	(19%)	
TOTAL INCENTIVE PROGRAMS	\$243,396,281	\$113,556,998	\$184,329,460	(\$59,066,821)	(24%)	\$70,772,462	62%	
Appropriation for Contingencies	\$850,000	-	\$850,000	-	-	-	-	
TOTAL NON-OPERATING APPROPRIATIONS	\$244,271,281	\$113,581,998	\$185,204,460	(\$59,066,821)	(24%)	\$71,622,462	63%	

* Adjusted Budget as of 2/29/2012

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ADMINISTRATION

FISCAL SUMMARY

	Budgeted 2011-12	Recommended 2012-13	Increase/ (Decrease)	
<u>Appropriations</u>				
Salaries and Benefits	7,186,639	7,433,369	246,730	3%
Services and Supplies	2,803,985	2,815,532	11,547	0%
Fixed Assets	973,545	621,874	(351,671)	(36%)
Total	10,964,169	10,870,775	(93,394)	(1%)
<u>Position Summary</u>	69	69		

FUNCTION

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

General Administration

General Administration 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 and the Senior Policy Advisor who supports the APCO in advocacy efforts advancing Board-adopted legislative priorities and positions.

District Counsel

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

Personnel

Personnel 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, Personnel is responsible for minimizing risk to the District through employee benefits, workers' compensation, and wellness programs.

Personnel 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

Administrative Services (ADS) 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 for and auditing all District revenues and expenditures; preparation of financial statements and related reports and incentive and other grant financial management, including state and federal grant reporting. The general services functions of ADS include: responsibility for facilities management, fleet maintenance, purchasing, and risk management.

Information Technology Services

Information Technology Services (ITS) administers all computer, voice and video communication technology (e.g. telephone systems, mobile communications, and video teleconferencing); and facsimile technology (e.g. copiers and fax machines) functions of the District. ITS responsibilities include: strategic and tactical planning; policy and procedures formulation; budgeting and administration of District technology; project prioritization and resource management; hardware and software standards, specifications, training, support, maintenance, repair, and inventory; technology analysis and recommendations; and technology procurement.

Outreach and Communications

Outreach and Communications (OC), plans and implements strategies to meet the District's outreach and communication goals. 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; further developing and strengthening the Healthy Air Living goals and messages; collaborating with other District departments to develop and implement rules such as 9410 which directly affect the broader public; maximizing technology to give stakeholders real time air quality information in innovative ways to promote sound decisions; and working with other divisions to ensure they meet their communications and public affairs needs

SIGNIFICANT IMPACTS TO 2012-13 BUDGET

Personnel

The 2012-13 fiscal year is expected to be particularly busy and challenging for Personnel. These challenges will be met utilizing existing staff and technology improvements implemented in 2011-12. The following activities detail some of the additional workload expected in 2012-13.

The recent decertification of the Service Employees International Union (SEIU) and the appointment of the San Joaquin Valley Air Pollution Control District's Employee Association (SJVAPCDEA) as the exclusive representative for employees within the General and Supervisory Bargaining units have impacted workload associated with District labor negotiations. Working with the Employee Association, the District continues to actively engage in the labor negotiation process seeking measures to minimize increasing pension costs and obligations while providing fair and competitive compensation for employees.

The District is awaiting the outcome of pending state legislation that may directly impact employees and their pension plans. The proposed legislation would create a separate pension program for future employees that, among other things, would increase the retirement age for collecting full benefits, shift some retirement to defined contribution plans and require current public workers to boost their pension contributions. The District will be monitoring this situation, evaluating its impact and maintaining compliance with any changes to the law regarding pensions. The District will also be implementing other changes in State legislation including the California Fair Employment and Housing Act's new pregnancy disability provisions.

The passage of the federal Patient Protection and Affordable Care Act (healthcare reform) continues to impose significant new responsibilities on employers with regard to benefit administration and legal compliance. District staff actively monitors the ever-changing federal rules and regulations and will take steps to ensure that District benefit programs are in compliance with each approved component of the Act.

During the 2012-13 fiscal year, the District expects an increase in recruitments due to an increasing number of staff eligible to retire and due to an improving economy, both of which could result in an increase in vacancies. The District's new recruitment software program, NEOGOV, was implemented mid 2011-12 to streamline and automate the District's hiring process. NEOGOV more efficiently tracks the recruitment process and allows managers and supervisors to more easily review related documents online, making the process more efficient and secure. This software is a key component to the District's ability to provide more and better recruitment services without an increase in staffing.

Additionally, the District continues the second year of its community service program. While minimal staff time and resources has been associated with this effort, the District provides oversight in monitoring the activities associated with these community projects, ensuring that the program is successful, supporting the selected projects, and ensuring that staff complies with the established program parameters.

Administrative Services

The financial workload of the District continues to increase, pacing the expansion of the District's successful incentive grant programs. Despite this, staffing will remain level as the District continues to absorb workload through new efficiencies gained from the use of improved technology and work flow processes. Midway through 2011-12, the District reorganized staffing slightly and reclassified four positions to better reflect the required workload and skillsets needed to improve financial operations. This realignment will provide a significant benefit for 2012-13 and beyond. Other recent improvements will assist workload as well. As an example, this is the second year the Recommended Budget was assembled utilizing internally developed software which continues to be enhanced providing further efficiencies. The District has implemented new banking services including making deposits electronically. In addition, the District recently began taking payments on-line. This new service provides permit holders and others the option to conveniently pay fees using a credit or debit card. It also assists in the further streamlining of our billing and accounts receivable function.

During fiscal year 2012-13, continued emphasis will be placed on developing efficiencies and improving the District's financial infrastructure. The District has been developing new payroll and leave tracking software and anticipates having its payroll and leave tracking functions almost entirely automated during the fiscal year. In addition to improving internal controls, it will significantly decrease staff time necessary to process payroll. Time savings created by this automation will be allocated to important accounting and reporting functions for the District's expanding grant programs.

The District will continue to promote efficiencies through increased utilization of both the District's financial software and its Grants Management System (GMS). During 2012-13, District financial documents including invoices and contracts are scheduled to be scanned and made accessible through the financial software. This will allow these documents to be retrieved immediately, expediting internal functions and improving access to records during audits.

The District's Operations and Program Support staff (OPS) provide important clerical support for District operations and programs. This group continues to assume and coordinate increased responsibilities from the operating departments ensuring that support type activities are handled in the most efficient and cost effective manner. As one example, this section centrally indexes, scans and files all departmental documents into the District's electronic document management system (EDMS). The 2012-13 Recommended Budget proposes reclassifying one OPS Senior Office Assistant position to a second Operations Support Supervisor position. OPS staff is spread throughout various departments and work at the reception counter, and in the EDMS area. This change will allow better supervision and coordination of OPS staff and of the various functions performed by OPS staff throughout the central facility. This reclassification will also allow for improved backup to the Deputy Clerk of the Boards position who supports the Governing Board and other boards and committees.

Information Technology Services

Several key information technology projects will be conducted in support of District goals over the next year. Staffing for this purpose is proposed at the 2011-12 level. The District is pursuing projects including: adding functionality to the District's web site to improve service and information available to the public via the Internet; expanding the District's electronic document management system to include Mutual Settlement and Accounts Receivable/Accounts Payable documents; updating the District's data transfer and reporting capabilities to meet the requirements of the Environmental Protection Agency's (EPA) upgraded Aerometric Information Retrieval System (AIRS); implementing changes to the District's Employee Trip Reduction Incentive Program (eTRIP) to provide facility reporting capabilities; and improving the District's Real-Time Air Quality Advisory Network (RAAN) to provide improved mobile phone functionality.

Over the past few years, the District has used the Internet to streamline operations and improve customer service. Some examples of these efforts include: the Smoke Management System, Permit Application Forms available on the District's web site, credit card invoice payments, and the recent Governing Board Agenda Automation Project. Over the next year the District will be improving its Internet connection speed and adding even more customer service-oriented features. These online features include: grant applications, grant program statistics and reports, emissions inventory report submittals, and available electronic invoicing directly to permitted facilities via email.

The District's EDMS has been in operation since 2005 and has streamlined operations in Permit Services, Strategies and Incentives, and Compliance. Over the next year the District will add EDMS functionality for accounts receivable and accounts payable operations in Finance, and for the Mutual Settlement area in the Compliance Department. This new functionality will improve District efficiency and help District staff meet public information requests more quickly.

One of the key responsibilities of the District is to collect air quality data and forward it to the EPA for analysis. The EPA's computerized AIRS program supports this reporting and analysis function. EPA is in the process of upgrading this program to be more efficient and to accept more complete air quality data. The District will be modifying its existing AIRS data transfer program to meet the changing requirements of EPA's system.

The District launched eTRIP in 2009 with the goal of improving air quality in the San Joaquin Valley through a cooperative partnership with local employers that encourages air-friendly practices (like carpooling). The initial automation focus of the eTRIP project was to make local employers aware of the program, communicate their responsibilities under the program, and allow them to electronically register with the District. The upcoming phase of the project will provide local employers with the ability to report on their activities and progress through a convenient District-hosted web site.

During 2012 the District expanded the target audience of its Real-time Air Advisory Network (RAAN) from a school-oriented audience to include the general public. While the public voiced its appreciation for RAAN, there were requests to increase the number of mobile

phone platforms supported and to provide a map-based user interface with improved real-time air alert notification capabilities. Adding these features will increase the District's public outreach and help keep valley residents informed with the latest air quality information.

Outreach and Communications

In fiscal year 2012-13, the District's goals and mission will continue to be shared through enhanced public outreach and education. As always, the key focus will again be to do more with less and maximize the use of existing resources and technology to reach new goals.

While no additional staff is requested, the 2012-13 Recommended Budget proposes reclassifying an Administrative Analyst position to a Supervising Air Quality Education Representative. This will allow for more vertical oversight and supervision of the outreach team while providing a higher level for decision making. Toward that end, the Supervising Air Quality Education Representative will be equipped to make higher level judgment calls with regard to media management and employee workload associated with the planned outreach activity outlined below.

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 programs will be leveraged to build Valley-wide involvement and some existing programs will be strengthened without any additional staff.

The District will increase the number of public subscriptions to the Real-time Air Advisory Network (RAAN) while working with schools to further encourage participation in the Air Alert program and the anti-idling initiative. Although RAAN is an evolution of the District's successful Air Quality School Flag program which informs schools of daily air quality forecasts, the District's collaboration with schools is changing. The 2012-13 Recommended Budget includes \$96,000 to conduct outreach to the schools on a wide variety of issues through a District partner. The intent is to launch an open Request for Proposal process and work hand-in-hand with advocacy groups to build better understanding and involvement from school partners.

Additionally, the marquee Healthy Air Living program will continue to grow as it is now a key part of the eTRIP rule (Rule 9410). With major web enhancement launched in early 2012, the program is now better suited to help Valley employers understand and comply with the eTRIP rule while focusing all Valley residents on their role in reaching our air quality goals.

The District will once again enter into an advertising agency contract to promote key programs and messages. The successful "one change" campaign will again be utilized to build understanding of personal behavior and demonstrate the ease of voluntary public involvement. In addition to implementing the summer Healthy Air Living campaign and the winter, Check Before You Burn campaign, the agency will also work with District staff to promote grant programs, conferences and smaller outreach programs such as the For REEL video contest.

Every Valley resident must take a 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, and RAAN 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 an understanding with the public of everyone’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
Assistant Counsel I/II	1	1	0
Senior Policy Advisor	1	1	0
Accounting Manager	1	1	0
Finance Manager	1	1	0
Senior Project Manager	1	0	-1
Program 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
Supervising Air Quality Education Rep	0	1	+1
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	2	2	0
Administrative Analyst I/II	1	0	-1
Programmer Analyst I/II	7	7	0
Network Systems Analyst I/II	6	6	0
Accountant I/II	2	4	+2
Air Quality Education Rep I/II	4	2.5	-1.5
Air Quality Education Rep Bilingual I/II	0	1	1
Audio Video Specialist I/II	0	.5	+.5
Operations Support Supervisor	1	1	0
Legal Technician - C	1	1	0
Accounting Technician I/II	2	3	1
General Services Technician I/II	1	1	0
Personnel Technician I/II - C	1	1	0

SJVUAPCD 2012-13 Recommended Budget
ADMINISTRATION

Maintenance Worker	0	0	0
Facilities Maintenance Specialist	1	1	0
Senior Office Assistant	3	3	0
Senior Office Assistant - C	1	1	0
Word Processing Specialist I/II	1	0	-1
Accounting Assistant I/II	5	3	-2
Office Assistant I/II	<u>4</u>	<u>4</u>	<u>0</u>
TOTAL	<u>69</u>	<u>69</u>	<u>0</u>

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Administration

	Adjusted* FY 11-12	Recommended FY 12-13	Budget/Budget	
			Increase (Decrease)	%
OPERATING APPROPRIATIONS				
SALARIES AND BENEFITS				
Regular Salaries	\$4,579,179	\$4,561,454	(\$17,725)	-
Temporary Help	\$62,081	\$82,230	\$20,149	32%
On Call Pay	-	-	-	-
Overtime	\$124,621	\$78,976	(\$45,645)	(37%)
Unemployment	\$16,230	\$23,865	\$7,635	47%
Retirement	\$1,735,364	\$1,902,900	\$167,536	10%
OASDI	\$74,683	\$74,578	(\$105)	-
Workers Compensation	\$41,353	\$45,425	\$4,072	10%
Cafeteria Plan Benefits	\$496,720	\$606,722	\$110,002	22%
Long-Term Disability Insurance	\$15,914	\$16,146	\$232	1%
Alternate Transportation Incentive	\$40,494	\$41,073	\$579	1%
TOTAL SALARIES AND BENEFITS	\$7,186,639	\$7,433,369	\$246,730	3%
SERVICES AND SUPPLIES				
Safety Supplies & Equipment	\$2,282	\$2,100	(\$182)	(8%)
Mobile Communications	\$27,514	\$29,515	\$2,001	7%
Telephone Charges	\$23,707	\$21,999	(\$1,708)	(7%)
Insurance	\$41,949	\$42,072	\$123	-
Equipment Maintenance	\$34,019	\$34,085	\$66	-
Vehicle Maintenance & Operations	\$29,724	\$20,900	(\$8,824)	(30%)
Computer Maintenance	\$83,674	\$114,516	\$30,842	37%
Video Conferencing Maintenance & Operations	\$247,687	\$247,138	(\$549)	-
Building Maintenance & Operations	\$67,750	\$59,654	(\$8,096)	(12%)
Office Supplies	\$16,138	\$15,758	(\$380)	(2%)
Computer Software & Supplies	\$22,281	\$25,455	\$3,174	14%
Monitoring Station Supplies & Equipment	-	-	-	-
Postage	\$30,632	\$28,988	(\$1,644)	(5%)
Printing	\$98,638	\$104,142	\$5,504	6%
Professional & Specialized Services	\$1,545,348	\$1,528,267	(\$17,081)	(1%)
Publications & Legal Notices	\$15,000	\$15,000	-	-
Rents & Leases	\$52,835	\$48,740	(\$4,095)	(8%)
Small Tools & Equipment	\$8,394	\$6,102	(\$2,292)	(27%)
Special District Expense	\$259,117	\$226,845	(\$32,272)	(12%)
Travel & Training	\$69,580	\$121,080	\$51,500	74%
Travel & Training - Boards	\$41,000	\$41,000	-	-
Utilities	\$46,611	\$49,776	\$3,165	7%
Audit Services	\$27,705	\$20,000	(\$7,705)	(28%)
Legal Services	\$12,400	\$12,400	-	-
TOTAL SERVICES AND SUPPLIES	\$2,803,985	\$2,815,532	\$11,547	-
FIXED ASSETS				
Office Improvements	\$215,552	\$40,000	(\$175,552)	(81%)
Facilities & Equipment	\$6,751	\$26,395	\$19,644	291%
Computer Equipment	\$245,504	\$135,818	(\$109,686)	(45%)
Office Furniture / Equipment	\$12,830	\$5,602	(\$7,228)	(56%)
Office Machines	\$32,766	\$12,225	(\$20,541)	(63%)
Telephone Systems	\$31,430	\$30,965	(\$465)	(1%)
Detection Equipment	-	-	-	-
Automobiles	\$82,463	\$23,100	(\$59,363)	(72%)
Audio / Visual Equipment	-	-	-	-
Safety Equipment	-	-	-	-
Air Monitoring Automation/Remote Control Project	-	-	-	-
Video Conferencing System	\$346,249	\$347,769	\$1,520	-
Air Monitoring Station Equipment	-	-	-	-
TOTAL FIXED ASSETS	\$973,545	\$621,874	(\$351,671)	(36%)
TOTAL OPERATING APPROPRIATIONS	\$10,964,169	\$10,870,775	(\$93,394)	(1%)

* Adjusted Budget as of 2/29/2012

Compliance Department

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COMPLIANCE

FISCAL SUMMARY

	Budgeted 2011-12	Recommended 2012-13	Increase/ (Decrease)	
<u>Appropriations</u>				
Salaries and Benefits	8,930,843	9,414,303	483,460	5%
Services and Supplies	1,739,212	1,714,280	(24,932)	(1%)
Fixed Assets	2,233,531	1,416,607	(816,924)	(37%)
Total	12,903,586	12,545,190	(358,396)	(3%)

<u>Position Summary</u>	97	97
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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 9,200 industrial and commercial facilities and at approximately 6,400 agricultural operations, maintains 24 air monitoring stations, responds to over 2,500 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 voicemail system to facilitate the timely response to complaints in order to abate potential public nuisances. The District provides a bilingual (Spanish-English) telephone complaint line and also has the capability to utilize translation services to ensure that all communities and groups within the Valley are properly served.

Compliance Assistance

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

- **Individualized Assistance**
Personal, one-on-one help is provided to thousands of businesses and individuals to ensure they understand the District's requirements.
- **Compliance Assistance Bulletins**
Bulletins on various topics are sent to groups including, but not limited to, realtors, building departments, contractors, industrial and commercial facilities, and farmers.
- **Compliance School**
A two-hour training class provides information on the topics of open burning and gasoline 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 ensures an adequate pool of qualified contractors from which stakeholders can select.
- **Asbestos Training**
Comprehensive assistance on asbestos regulations is provided to the public, building industry, building departments, fire departments, and realtors. Staff continues to spend considerable time providing one-on-one assistance 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 one-on-one help to explain rule requirements and exemptions.
- **Regulation VIII (Fugitive Dust) Education**
Staff organizes classroom training for all groups required to submit dust control plans for construction activities and provides ongoing training as needed.

- **Prescribed Burning Outreach**
The District meets periodically with the land managers of the USDA Forest Service, National Park Service, US Fish and Wildlife Service, Bureau of Land Management, California Department of Forestry and Fire Protection, and Southern California Edison Company in order to minimize impacts of smoke from prescribed burns and wildfires.
- **Access to Compliance Policies**
Compliance policies are available on the Web for stakeholders to review, comment on, and use to assist them with complying with District requirements. The Web is updated regularly with new or modified policies to ensure availability of current information.
- **Permit Streamlining Meetings**
The District's Compliance Department continues to attend these meetings as another way of providing compliance assistance. The District 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 information gathered from the District's monitoring stations is reviewed for quality and completeness by District staff and then transmitted to EPA. Air quality data is used to determine the District's progress toward achieving state and federal air quality standards, to assess the benefits of control strategies, and to document air quality trends over long periods of time. Real-time air monitoring data is also used in daily air quality forecasts and Smoke Management Program forecasts.

Pollutants monitored include ozone, PM10 and PM2.5, nitrogen oxides, hydrocarbons, and carbon monoxide. In addition to routine monitoring, the District operates a network of 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 24 stations located throughout each of the eight counties. In total there are 38 gas analyzers, 35 particulate samplers, 20 sets of meteorological sensors, 16 PAMS sampling 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 reviews the source test results to ensure the data is properly reported and to act promptly on any compliance issues related to the testing.

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

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

Portable Equipment 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 4621 (Gasoline Transfer Into Stationary Storage Containers, Delivery Vessels And Bulk Plants) and Rule 4622 (Gasoline Transfer Into Motor Vehicle Fuel Tanks).

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

New state requirements continue to require gasoline stations to install additional equipment and are resulting in thousands of 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. Legislation is phasing out such activity, but it is still allowed for a few crop types where there are no economically or technologically feasible alternatives to burning available. In accordance with state law, on a daily basis District staff determines when, how much, and where burning can occur.

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

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

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

Mutual Settlement Program

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

Continuous Emission Monitoring System Polling

Many stationary sources of air pollutants throughout the District are required to monitor their emissions with instruments known as Continuous Emissions Monitoring Systems (CEMS). While these instruments are invaluable in ensuring the facilities operate properly, it is very time consuming for inspectors to travel to each facility to review the records of the emissions. In an effort to better utilize existing resources, the District implemented an electronic CEMS Polling System. The District utilizes its computer system to automatically gather emissions data from the various companies' CEMS and to notify inspectors of potential emissions problems. 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 the District's Compliance Department staff. Each petition results in a written staff report and a presentation of the

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

SIGNIFICANT IMPACTS TO 2012-13 BUDGET

Despite a significant increase in workload, the 2012-13 Recommended Budget for the District's Compliance Department does not include an increase in regular positions. As detailed in the following section, in 2012-13 the Compliance Department will experience major increases in 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 the approval by the EPA of the permitting rules associated with the District's "extreme" ozone non-attainment classification and with greenhouse gasses (GHG). The implementation of these rules will result in approximately 150 existing sources now being considered "major sources" subject to Title V permitting over the next two years and approximately 600 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. Furthermore, the additional facilities now subject to the Title V program will significantly increase the workload of the District's Compliance Department as the Title V program requires more frequent inspections and adds additional layers of reporting to the EPA. In an effort to manage the workload increase, a new electronic reporting and review system will be implemented to reduce the additional paperwork burden for both external stakeholders and internal District staff. Furthermore, the 2012-2013 Recommended Budget reclassifies one Air Quality Technician position to an Air Quality Inspector position to address the increase in inspections associated with the Title V program requirements.

In addition to the number of sources now requiring new Title V or District operating permits, a number of recently adopted or amended District rules will also have compliance requirements implemented in 2012-13, including: Rule 4311 – Flares, Rule 4320 – Advanced Emission Reduction Options For Boilers, Steam Generators, And Process Heaters Greater Than 5.0 MMBtu/hr, Rule 4352 – Solid Fuel Fired Boilers, Steam Generators, And Process Heaters, Rule 4402 – Crude Oil Production Sumps, Rule 4565 – Biosolids, Animal Manure, And Poultry Litter Operations, Rule 4566 – Organic Material Composting Operations, Rule 4570 – Confined Animal Facilities, Rule 4605 – Aerospace Assembly And Component Coating Operations, Rule 4621 – Gasoline Transfer Into Stationary Storage Containers, Delivery Vessels, And Bulk Plants, Rule 4625 – Wastewater Separators, Rule 4682 – Polystyrene, Polyethylene, And Polypropylene

Products Manufacturing, Rule 4684 – Polyester Resin Operations, Rule 4702 – Internal Combustion Engines (Phase 2), Rule 7070 – Perchloroethylene From Dry Cleaning Operations, and Rule 9410 – Employer Based Trip Reduction. These new and amended rules will require additional inspections, record review, and emission testing oversight.

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. The District will be actively implementing two state GHG control measures in 2012-13, Landfill Gas Control and Refrigeration Management. The Landfill Gas Control measure will largely affect facilities already under permit with the District, and as such, the additional workload within the District's Compliance Department to implement this measure will be incremental and absorbed by existing staff. The Refrigeration Management measure has the potential to be very labor intensive. The District's current level of involvement is focused on outreach and providing compliance assistance. At the request of regulated stakeholders, the District is working with the California Air Resources Board to enter into an agreement to implement the program on a local level to ensure the customer service, streamlining and common-sense implementation that local businesses are accustomed to when working with the District. To accommodate this potential workload, the District has budgeted for one temporary Air Quality Field Assistant, which will only be filled should an agreement be reached for the District to implement the Refrigeration Management measure.

As has been the case in prior years, a significant workload increase is expected in the Air Monitoring Program. The District is coordinating the final stages of the relocation of the Bakersfield station, formerly located on Golden State Boulevard to the Bakersfield Municipal Airport. Considerable resources will be needed to operate and maintain the Bakersfield Municipal Airport station once it is back online. In addition the Merced Coffee, Fresno Sierra Sky Park, and Lebec stations will need to be relocated in the near future.

In addition to the relocations discussed above, the new federal nitrogen dioxide standard requires four new near-roadway nitrogen dioxide monitors (to be located in Bakersfield, Fresno, Modesto, and Stockton) be installed and operated by no later than January 1, 2013. All indications are that this is the beginning of a trend and EPA is likely to require additional near-roadway monitors for other pollutants in the near future as well. 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.

The District estimates that each of the four new required near-roadway nitrogen dioxide monitoring stations will cost in excess of \$200,000 for initial construction/setup and \$45,000 per year for operation and maintenance, which includes labor, rent, utilities, and spare parts. Despite the fact that siting and construction of the new monitoring stations will take a minimum of 12 to 18 months, the District has not included funds for these new stations in this budget as the EPA and ARB have not yet provided monies to implement the new near-roadway monitoring network. The District's existing Clean Air Act (CAA) Section 105 grant funds are already fully expended to operate the existing federally-required air monitoring network. The Valley is currently in nonattainment for both the

ozone and PM2.5 National Ambient Air Quality Standards (NAAQS) and already operates one of the most extensive air monitoring networks in the nation. Diverting current Section 105 grant funds from the operation and maintenance of the existing monitoring network to construct the new nitrogen dioxide near-roadway monitors could affect the District's ozone and particulate attainment strategies. Given the costs associated with establishing four new near-roadway monitoring stations by January 1, 2013, additional federal and/or state funding is necessary in order to satisfy the requirements prescribed by the new nitrogen dioxide NAAQS. Recently, the District was able to secure a commitment from EPA to provide funding for two of the four required near-roadway monitoring stations. Once the funding is finalized, the District will come back to your Board to amend the budget to allocate the funds to allow the construction of the newly mandated stations.

The additional workload in the air monitoring program will be absorbed by existing staff. The use of new technologies and efficiencies, such as the expansion of remote connection and automation capabilities will enable more efficient operation of the air monitoring stations. The number of potential trips that staff will need to make to maintain a station and diagnose small problems with equipment will be significantly reduced.

The District's 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. District 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 continue to play a major role in the outreach and compliance assistance efforts necessary to implement the District's 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 functions and continued improvements in efficiency. The District's Compliance Department has continued to improve existing, and develop new, policies and standard operating procedures (SOPs) to enhance consistency and efficiency. Providing detailed policies and SOPs assists staff by answering common questions and providing guidance on common situations that may arise while they are performing their duties. Detailed policies also help to ensure consistency among staff in all three regions. Furthermore, well-trained staff ensures the highest level of customer service to stakeholders. For this reason, the District is in the process of revamping its Compliance training program and

will continue to provide staff with training opportunities that will improve their technical skills and customer service.

Implementation and Leveraging of New Technologies in Inspection Programs:

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 streamlined and refined to reduce time spent on paperwork. Furthermore, the District continues to expand the use of clerical and office-based support staff to process paperwork and perform other office-based duties to allow field-based inspection staff to remain in the field conducting inspections.

In addition to the streamlining of traditional paper-based inspection forms, the District is currently taking steps to totally eliminate these paper-based forms through the use of electronic forms on tablet computers. Currently two-thirds of the inspection staff has been equipped with tablet computers, which allow the completion of inspection report forms while conducting the inspection. Once the inspection is completed, staff can then submit the report electronically to be reviewed, approved and archived in the District's electronic filing system. The tablet computers reduce the time associated with paperwork and eliminate trips to the office for the purpose of turning in inspection reports. In turn, the tablets will significantly increase field time, which allows for additional inspections to accommodate increases in workload.

The remaining one-third of the District's inspection staff will be equipped with tablet computers in short order, and during fiscal year 2012-13 the District will embark on implementing a new computer program, which will leverage the tablet computers to further increase efficiency and reduce the paperwork time associated with preparing for inspections and completing the required inspection reports.

As described above, one of the keys to meeting the new and existing mandates with minimal or no increases in staffing levels is the implementation and leverage of new technologies. Additional new technologies being developed for the District's Compliance Department include:

- A consolidated assignment tracking program designed to track assignment deadlines is expected to be further expanded in fiscal year 2012-13 to increase its utility for staff.
- Continued enhancements to the District's Compliance Department intranet site give staff centralized and convenient access to rules, policies, and forms.
- An automated reporting and report handling system that will reduce paperwork for both external stakeholders and internal District staff.

The District continues to utilize the Global Positioning System (GPS) units installed in all field staff vehicles to increase inspector safety, efficiency, and accountability. With GPS, the District can ensure rapid and efficient deployment of staff to respond to unforeseen events such as complaints from the public and equipment breakdowns at facilities. Furthermore, GPS

allows supervisors and their staff to evaluate route planning to ensure that travel is performed in the most efficient way possible, and ensures staff accountability by providing supervisors with the ability to monitor activities.

Air Monitoring Automation, Remote Connection, and Modernization:

The seemingly endless stream of new ambient air quality monitoring mandates and the increasing demand for high-quality, real-time ambient air monitoring data results in dramatic increases in the workload within the District's air monitoring program each year. Aggressive efforts to automate air monitoring tasks and allow remote connection to air monitoring stations are essential to allow for mandate and monitoring data needs to be met without corresponding significant increases in program staffing. Without these efforts, meeting future mandates and demands will not be sustainable with existing staffing levels. In fiscal year 2012-13, the District will continue its aggressive efforts in the areas of automation, remote connection and modernization by undertaking the following projects:

- Replacement of manual, labor intensive filter-based monitoring methods with continuous real-time methods, where appropriate, which do not require the frequent replacement and analysis of filters and the corresponding trips to the air monitoring stations. This also has a co-benefit as it provides timely data which can be used for forecasting and for public outreach through avenues such as the Real-Time Air Advisory Network (RAAN).
- Replacement of aging analyzers with newer "intelligent" models which incorporate remote connection capabilities to run diagnostic checks, to update/change configurations, and to evaluate operating parameters. This reduces trips to stations by allowing weekly and biweekly maintenance checks to be performed remotely, and facilitates timely completion of analyzer repairs by allowing the problem to be diagnosed remotely prior to visiting the station to affect the repair.
- Replacement of the outdated Data Management System (DMS) for the network with a new system which allows for automation of quality assurance/quality control (QA/QC) data analysis using data validation protocols with suspect data warnings. Significant time is currently spent manually performing QA/QC data analysis as the existing DMS does not include the capability to automate portions of the process. Furthermore, a new DMS will allow the removal of manual strip chart recorders, which will eliminate maintenance and manual QA/QC data analysis needs for the data recorded by the strip chart recorders.
- Replacement of the Data Acquisition System and Remote Control setup at stations with a new system which will allow for increased control and automation of station tasks (filter changes, calibrations, etc...) and will allow for the acquisition and uploading of analyzer operating parameters for use by the new DMS in automated QA/QC data analysis. The acquisition and uploading of analyzer operating parameters also allows for pro-active maintenance work to ensure data completion and instrument availability mandates are met.

The District is currently in the process of launching a pilot project at the District's Air Monitoring Automation and Remote Connection laboratory located in the central region office. This

project will allow the implementation and fine tuning of the automation and remote connection solution in a controlled environment prior to being rolled out to actual air monitoring stations. This will ensure that the project is completed while minimizing the potential for air monitoring data interruptions.

In fiscal year 2012-13, the District will also be undertaking an effort to evaluate the current Air Monitoring Network to ensure that it is correctly suited to provide the information necessary to meet federal requirements and District and stakeholder objectives while avoiding duplicative monitoring. This effort to “right-size” the monitoring network will allow the District to efficiently and effectively meet air monitoring requirements and needs while controlling costs in the face of new ambient air quality monitoring mandates and the increasing demand for high-quality, real-time ambient air monitoring data.

Implementation and Leveraging of New Worldwide Web Internet Applications:

The District’s continued investment in information technology and automation has played a key role in enhancing the District’s efficiency, productivity, and customer service. In fiscal year 2012-13, the District will be evaluating several new internet applications aimed at enhancing stakeholder access to District services and streamlining labor intensive internal processes. Examples of such online applications include: air pollution complaint submittal, asbestos notification submittal for demolition projects, facility breakdown and Title V deviation submittal, duct control plan submittals, equipment start-up notifications, a gasoline vapor recovery performance testing portal, and a stationary source testing portal.

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 evaluated and implemented.

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	1	1	0
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	2	2	0
Air Quality Inspector I/II	41	42	+1
Air Quality Specialist I/II	3	3	0
Air Quality Instrument Technician	6	6	0
Air Quality Field Assistant	8	8	0
Air Quality Technician	1	0	-1
Air Quality Assistant	7	6	-1
Senior Office Assistant	0	1	+1
Office Assistant I/II	<u>2</u>	<u>2</u>	<u>0</u>
TOTAL	<u>97</u>	<u>97</u>	<u>0</u>

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

	Adjusted* FY 11-12	Recommended FY 12-13	Budget/Budget	
			Increase (Decrease)	%
OPERATING APPROPRIATIONS				
SALARIES AND BENEFITS				
Regular Salaries	\$5,518,188	\$5,573,734	\$55,546	1%
Temporary Help	\$199,831	\$226,833	\$27,002	14%
On Call Pay	\$77,832	\$77,832	-	-
Overtime	\$85,208	\$54,003	(\$31,205)	(37%)
Unemployment	\$24,582	\$32,970	\$8,388	34%
Retirement	\$2,110,111	\$2,376,206	\$266,095	13%
OASDI	\$102,093	\$101,087	(\$1,006)	(1%)
Workers Compensation	\$108,709	\$109,692	\$983	1%
Cafeteria Plan Benefits	\$627,307	\$784,671	\$157,364	25%
Long-Term Disability Insurance	\$19,712	\$20,581	\$869	4%
Alternate Transportation Incentive	\$57,270	\$56,694	(\$576)	(1%)
TOTAL SALARIES AND BENEFITS	\$8,930,843	\$9,414,303	\$483,460	5%
SERVICES AND SUPPLIES				
Safety Supplies & Equipment	\$16,248	\$16,309	\$61	-
Mobile Communications	\$96,208	\$96,413	\$205	-
Telephone Charges	\$42,499	\$39,928	(\$2,571)	(6%)
Insurance	\$59,272	\$59,145	(\$127)	-
Equipment Maintenance	\$90,340	\$93,310	\$2,970	3%
Vehicle Maintenance & Operations	\$183,838	\$202,300	\$18,462	10%
Computer Maintenance	\$84,451	\$90,433	\$5,982	7%
Video Conferencing Maintenance & Operations	\$1,300	\$629	(\$671)	(52%)
Building Maintenance & Operations	\$97,574	\$83,865	(\$13,709)	(14%)
Office Supplies	\$22,377	\$21,730	(\$647)	(3%)
Computer Software & Supplies	\$24,689	\$26,000	\$1,311	5%
Monitoring Station Supplies & Equipment	\$239,604	\$237,897	(\$1,707)	(1%)
Postage	\$53,287	\$50,751	(\$2,536)	(5%)
Printing	\$12,739	\$16,625	\$3,886	31%
Professional & Specialized Services	\$177,917	\$156,575	(\$21,342)	(12%)
Publications & Legal Notices	\$7,200	\$7,200	-	-
Rents & Leases	\$282,122	\$270,256	(\$11,866)	(4%)
Small Tools & Equipment	\$41,564	\$27,621	(\$13,943)	(34%)
Special District Expense	\$39,601	\$40,973	\$1,372	3%
Travel & Training	\$32,470	\$32,520	\$50	-
Travel & Training - Boards	\$23,870	\$27,457	\$3,587	15%
Utilities	\$110,042	\$116,343	\$6,301	6%
Audit Services	-	-	-	-
Legal Services	-	-	-	-
TOTAL SERVICES AND SUPPLIES	\$1,739,212	\$1,714,280	(\$24,932)	(1%)
FIXED ASSETS				
Office Improvements	-	-	-	-
Facilities & Equipment	\$4,738	\$20,247	\$15,509	327%
Computer Equipment	\$344,087	\$336,995	(\$7,092)	(2%)
Office Furniture / Equipment	\$15,962	\$7,875	(\$8,087)	(51%)
Office Machines	\$35,579	\$16,062	(\$19,517)	(55%)
Telephone Systems	\$44,463	\$43,178	(\$1,285)	(3%)
Detection Equipment	\$17,853	\$14,650	(\$3,203)	(18%)
Automobiles	\$489,756	\$281,600	(\$208,156)	(43%)
Audio / Visual Equipment	-	-	-	-
Safety Equipment	-	-	-	-
Air Monitoring Automation/Remote Control Project	\$450,000	-	(\$450,000)	(100%)
Video Conferencing System	\$1,910	-	(\$1,910)	(100%)
Air Monitoring Station Equipment	\$829,183	\$696,000	(\$133,183)	(16%)
TOTAL FIXED ASSETS	\$2,233,531	\$1,416,607	(\$816,924)	(37%)
TOTAL OPERATING APPROPRIATIONS	\$12,903,586	\$12,545,190	(\$358,396)	(3%)

* Adjusted Budget as of 2/29/2012

Permit Services Department

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PERMIT SERVICES

FISCAL SUMMARY

	<u>Budgeted 2011-12</u>	<u>Recommended 2012-13</u>	<u>Increase/ (Decrease)</u>	
<u>Appropriations</u>				
Salaries and Benefits	10,267,613	10,673,547	405,934	4%
Services and Supplies	777,891	777,139	(752)	0%
Fixed Assets	<u>252,668</u>	<u>238,734</u>	<u>(13,934)</u>	<u>(6%)</u>
Total	<u><u>11,298,172</u></u>	<u><u>11,689,420</u></u>	<u><u>391,248</u></u>	<u><u>3%</u></u>
<u>Position Summary</u>	96	96		

FUNCTION

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

Authorities to Construct and Permits to Operate

Before stationary sources of air pollution may construct or operate in the San Joaquin Valley, the appropriate air quality permits must be obtained. The permitting process involves two steps. The first step requires the applicant to submit project-specific information for evaluation in order for an Authority to Construct (ATC) permit to be issued. This process 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 continuous and cooperative permit streamlining efforts with regulated industries.

During the calendar year 2011, the District processed applications and issued over 5400 ATC permits for new and modified equipment and operations, approximately at the average of the past four years.

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 nearly 300 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 monitoring, recordkeeping, and reporting requirements for permits and for administration that must be met when issuing, renewing, or revising permits. In general, these latter requirements expand public and Environmental Protection Agency (EPA) participation in the permitting process for the largest emitters of air contaminants in the District.

The District's workload in this area is rapidly growing. In 2010, the District processed approximately four times more initial and renewal Title V permit applications as in 2009 (46 facilities with 2,245 permits), and doubled the Title V permit modifications processed, for a total of 470. In 2011, the growth in Title V permit processing continued at this rapid pace, and the District processed 3262 new and renewed Title V permits at 57 facilities and 2203 Title V permit modifications.

For 2012-13, we expect to issue Title V permits to an additional 70 facilities that are newly subject to Title V under our "extreme" ozone nonattainment status. In addition, approximately 80 additional facilities will be subject to Title V permitting due to new federal greenhouse gas permitting requirements. These increasing numbers will, in turn, result in long-term increases in workload renewing and modifying these Title V permits.

Emission Reduction Banking

The Permit Services Department is responsible for administering the District's Emission Reduction Credit (ERC) bank. The purpose of this bank is to allow sources to store credit for voluntary emission reductions for later use as offsets where allowed by District, state, and federal rules and regulations. This mechanism also allows sources to transfer emission reduction credits to other sources for use as offsets. The administration of deposits, transfers, and withdrawals from the bank is accomplished through the filing of a banking application. The District reviews banking applications to ensure reductions are real, permanent, quantifiable, surplus, and enforceable as mandated by state and federal regulations. The District issued or transferred ownership of 352 ERCs in 2011.

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 2012-13, the District will continue to update and maintain this valuable permit-expediting tool.

Permit-Exempt Equipment Registration

The District developed the Permit-Exempt Equipment Registration (PEER) rule, Rule 2250, in 2006, and began implementing this 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 the four years since implementation, the District has issued over 600 permit-exempt equipment registrations. When compared to typical permitting processes, this is a savings of approximately 4,000 person-hours.

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 nearly 7,000 CMP plans designed to decrease dust emissions from agricultural operations on farms, dairies, and other confined animal operations. This year the District processed 401 applications for CMP plans on farms and dairies.

Air Toxics Program

State and federal laws mandate a number of requirements aimed at reducing emissions of, and the risk associated with, hazardous (or toxic) air contaminants. Under state mandates, the District is required to enforce emissions standards established by Air Toxics Control Measures (ATCMs). Additionally, the state's Air Toxics Hot Spots Act requires the District to systematically inventory emissions of toxic air contaminants, assess the potential health risks to the public caused by toxic air emissions, notify the public of these potential health risks, and reduce the facility's risk to a level below significant. In 1990, amendments to the Federal Clean Air Act, Title III, required EPA to promulgate regulations for controlling toxic air contaminants, called Maximum Achievable Control Technology (MACT) standards. The District must implement all point-source 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. 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 only approves permitting proposals that do not constitute a significant health risk. The District processed 874 RMRs in 2011.

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 the emissions to the California Air Resources Board (ARB), and associated quality assurance work.

In 2011, the District's emissions inventory team processed nearly 3252 point 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 2011, this team reviewed 1392 CEQA documents.

In addition, the District's CEQA team began implementing the first comprehensive policy in the state addressing greenhouse gases (GHGs) in CEQA environmental assessments. 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 238 ISR applications in 2011, an 80% increase over 2010. 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.

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.

SIGNIFICANT IMPACTS TO 2012-13 BUDGET

The Permit Services Department is expected to face a significant increase in workload in 2012-13, as detailed below. However, the Recommended Budget for 2012-13 does not include an increase in Permit Services positions. The additional workload will be absorbed with existing staff through efficiency improvements and enhanced automation. These additional streamlining measures will continue to enhance the District's reputation and tradition of having the most efficient permitting group of all air districts in California.

New Workload

A great deal of the District's new workload in the Permit Services Department will be in the form of processing permit applications for facilities newly subject to Title V permitting requirements. These existing facilities are now subject to Title V for two reasons: either

they have the potential to emit more than 10 tons of NO_x or VOC and are therefore now considered major sources under the “extreme” ozone nonattainment NSR requirements, or they have significant greenhouse gas emissions (over 100,000 tons per year) and are therefore major sources under the federal EPA’s GHG “Tailoring Rule.” Combined, staff expects as many as 150 additional facilities to obtain their initial Title V permits in 2012-13, a 50% increase in the total number of Title V facilities in the District.

One result of the increase of Title V facilities will be a continuation of the dramatic increase in Title V permit modification applications processed that began in 2011-12. The District expects approximately 3,500 Title V modification applications per year once the full compliment of new Title V permits has been issued.

While the District’s streamlined methodologies, combined-permit program for Title V requirements, and local permitting requirements have significantly reduced the associated workload for Title V permitting projects, these are complex projects that require large amounts of staff time and will therefore add significant resource demands in 2012-13.

Overall, this Title V permitting area will be responsible for the largest portion of the Permit Services workload increase in 2012-13. Handling this workload increase without an increase in staff will only be possible with considerable attention to streamlining, for which the District must rely heavily on its very experienced and effective team of Title V processing engineers, supervisors, and managers. It is this team’s experience and knowledge of the intricacies of the Title V permitting program that makes it possible for the District to anticipate identifying, developing, and implementing streamlining opportunities. However, in recognition of the lack of air quality benefit to the Title V permitting program the District will also be attempting to gain federal EPA approval of its local permitting program as a “Title-V equivalent” program. See more details below, under “Efficiency and Streamlining Measures”. If successful, nearly all of the workload associated with issuing, renewing and modifying Title V permits will be avoided.

The Permit Services Department will also be implementing a new permitting program called Prevention of Significant Deterioration (PSD) in 2012-13. Until now, the federal EPA has been responsible for implementing this federal permitting program for major sources of attainment pollutants. However, EPA’s permitting resources have been seriously taxed with new responsibilities, to the extent that PSD permitting is not being performed by EPA in a timely manner, and they have requested that the District accept delegation of the program. The District’s permitting experience and proven streamlining capabilities are very likely to result in a more expeditious permitting process. The District expects to implement PSD permitting about the beginning of 2012-13, upon EPA approval of the rule into the State Implementation Plan. The corresponding one to two person-year increase in workload is expected to be accommodated without increasing staff through streamlining PSD permitting with the District’s existing permitting processes, and increased efficiencies in other areas as well, as discussed below.

Continued significant new workload is also expected as the District implements the latest version of New and Modified Stationary Source Review Rule, Rule 2201, as more projects

are considered “major” under federal rules, triggering more complex and lengthier application processes.

In addition to the normal permitting workload associated with new and modifying sources of air pollution, several District rules adopted or amended recently contain compliance deadlines in 2012-13, including Rule 4354, for glass melting furnaces; Rule 4566, for green waste composting operations; Rule 4684, for polyester resin operations; Rule 4702, relating to internal combustion engines; Rule 4625, for wastewater separators; Rule 4352, for solid fueled boilers; and Rule 4320, relating to boilers, steam generators and process heaters. The impacts of these rules on Permit Services workload will be felt in 2012-13 as equipment operators file applications and other documents to meet compliance deadlines.

The Permit Services Department is also responsible for implementing the District’s Climate Change Action Plan (CCAP), including establishing a new banking program for recognition of voluntary GHG reduction efforts, through modifications to Rule 2301 adopted in January 2012. These modifications will result in a number of applications to bank voluntary GHG reduction in 2012-13. In addition, the District will continue implementing Valley-wide guidance to land-use agencies and other permitting regulators on addressing GHG concerns through the CEQA process, including developing Best Performance Standards for GHG emissions-emitting equipment, processes, and residential and commercial developments. Also, 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’s initial effort to generate a community-wide GHG emissions inventory, with the County of Kern, was extremely successful, and resulted in a high standard for future GHG emissions inventory efforts throughout the state. The District has begun working with the Kings County Association of Governments to prepare a county-wide GHG emissions inventory for Kings County, and other counties and cities are expected to also take advantage of District assistance with their GHG emissions inventories in the coming budget year.

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. The District will be actively implementing two state GHG control measures in 2012-13, Landfill Gas Control and Refrigeration System Management. These new GHG-related tasks have been and will continue to be labor intensive. However, the District’s involvement is an opportunity for streamlining and common-sense simplification of AB 32 implementation, such that significant dividends in reduced workload will be realized for many years to come.

The District will continue updating two major air quality planning guidance documents for Valley land-use agencies this year: 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 focused on permit and other application processing activities. As a result, the District processes more permits per person than any other air district in California. In addition to continuing efforts in this area, the following specific streamlining efforts to be undertaken in 2012-13 are:

- Seek an equivalency determination from EPA that acknowledges our long-standing local permitting program is as protective of air quality as the federal Title V permitting program, and modify our permitting program to avoid unnecessary permitting associated with Title V. While achieving EPA approval in this area is likely to be a daunting task, the potential payback in reduced person-hours is well worth the effort.
- Enhance this past year's very successful automation of an interdepartmental communication system, called the "change order process," that the District uses to pass permitting information from the Compliance Department to the Permit Services Department, by including automatic permit-issuance for types of projects that do not require prior compliance inspection.
- Build on the District's successful GHG/CEQA approach of developing Best Performance Standards for commonly permitted equipment, removing GHG/CEQA as an impediment to simple projects, and greatly streamlining the CEQA process for significant projects.
- Continue efforts begun last year to apply the same kind of focus and attention to streamlining of non-permitting staff duties that the department has traditionally applied to streamlining the permitting process. Every non-permitting hour freed up through this process becomes another hour to apply to processing permit applications.
- Improve, expand, and increase the use of the District's new web-based annual emissions inventory surveys and submittals.
- Initiate implementation of a web-based facility account that will provide permitted stationary sources access to a variety of District records and billing information. The eventual build-out of this system will allow facilities to access permitting and enforcement records, print permits, access and pay invoices, and much more, significantly reducing District staff time to provide these services.
- Reduce application processing errors and related rework through additional training and automation.
- 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 to implement air quality mandates while maintaining the highest levels of quality in the District's work product. Several additional streamlining initiatives are anticipated to be implemented in the coming year, including:

- An analysis of changes to permit structure to make the permit more uniform and structured for ease of use and understanding.
- An assessment of any remaining permitting inconsistencies and potential solutions.

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

As a result of these efficiency and streamlining efforts, the department will be able to handle the expected increased workload without increasing District 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	13	13	0
Supervising Air Quality Specialist	3	3	0
Senior Air Quality Specialist	5	5	0
Air Quality Engineer I/II	39	39	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>96</u>	<u>96</u>	<u>0</u>

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Permit Services

	Adjusted* FY 11-12	Recommended FY 12-13	Budget/Budget	
			Increase (Decrease)	%
OPERATING APPROPRIATIONS				
SALARIES AND BENEFITS				
Regular Salaries	\$6,670,682	\$6,725,911	\$55,229	1%
Temporary Help	\$92,644	\$57,972	(\$34,672)	(37%)
On Call Pay	-	-	-	-
Overtime	\$131,260	\$83,190	(\$48,070)	(37%)
Unemployment	\$22,146	\$29,427	\$7,281	33%
Retirement	\$2,500,363	\$2,771,891	\$271,528	11%
OASDI	\$108,557	\$105,106	(\$3,451)	(3%)
Workers Compensation	\$42,074	\$43,587	\$1,513	4%
Cafeteria Plan Benefits	\$620,999	\$776,189	\$155,190	25%
Long-Term Disability Insurance	\$23,352	\$23,580	\$228	1%
Alternate Transportation Incentive	\$55,536	\$56,694	\$1,158	2%
TOTAL SALARIES AND BENEFITS	\$10,267,613	\$10,673,547	\$405,934	4%
SERVICES AND SUPPLIES				
Safety Supplies & Equipment	-	-	-	-
Mobile Communications	\$2,788	\$7,263	\$4,475	161%
Telephone Charges	\$32,812	\$30,608	(\$2,204)	(7%)
Insurance	\$58,057	\$58,536	\$479	1%
Equipment Maintenance	\$46,301	\$46,869	\$568	1%
Vehicle Maintenance & Operations	-	-	-	-
Computer Maintenance	\$45,110	\$47,396	\$2,286	5%
Video Conferencing Maintenance & Operations	\$1,200	\$623	(\$577)	(48%)
Building Maintenance & Operations	\$94,955	\$82,999	(\$11,956)	(13%)
Office Supplies	\$21,918	\$21,507	(\$411)	(2%)
Computer Software & Supplies	\$32,064	\$31,382	(\$682)	(2%)
Monitoring Station Supplies & Equipment	\$8	-	(\$8)	(100%)
Postage	\$42,398	\$40,332	(\$2,066)	(5%)
Printing	\$8,792	\$9,744	\$952	11%
Professional & Specialized Services	\$31,434	\$27,123	(\$4,311)	(14%)
Publications & Legal Notices	\$117,400	\$128,780	\$11,380	10%
Rents & Leases	\$143,923	\$141,258	(\$2,665)	(2%)
Small Tools & Equipment	\$7,753	\$7,794	\$41	1%
Special District Expense	\$8,019	\$7,210	(\$809)	(10%)
Travel & Training	\$19,270	\$19,270	-	-
Travel & Training - Boards	-	-	-	-
Utilities	\$63,689	\$68,445	\$4,756	7%
Audit Services	-	-	-	-
Legal Services	-	-	-	-
TOTAL SERVICES AND SUPPLIES	\$777,891	\$777,139	(\$752)	-
FIXED ASSETS				
Office Improvements	-	-	-	-
Facilities & Equipment	\$7,704	\$30,825	\$23,121	300%
Computer Equipment	\$151,549	\$137,486	(\$14,063)	(9%)
Office Furniture / Equipment	\$14,500	\$7,794	(\$6,706)	(46%)
Office Machines	\$33,663	\$19,896	(\$13,767)	(41%)
Telephone Systems	\$43,401	\$42,733	(\$668)	(2%)
Detection Equipment	-	-	-	-
Automobiles	-	-	-	-
Audio / Visual Equipment	-	-	-	-
Safety Equipment	-	-	-	-
Air Monitoring Automation/Remote Control Project	-	-	-	-
Video Conferencing System	\$1,851	-	(\$1,851)	(100%)
Air Monitoring Station Equipment	-	-	-	-
TOTAL FIXED ASSETS	\$252,668	\$238,734	(\$13,934)	(6%)
TOTAL OPERATING APPROPRIATIONS	\$11,298,172	\$11,689,420	\$391,248	3%

* Adjusted Budget as of 2/29/2012

Strategies and Incentives Department

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STRATEGIES AND INCENTIVES

FISCAL SUMMARY

	<u>Budgeted 2011-12</u>	<u>Recommended 2012-13</u>	<u>Increase/ (Decrease)</u>	
<u>Appropriations</u>				
Salaries and Benefits	4,457,357	4,825,435	368,078	(8%)
Services and Supplies	1,753,093	1,039,949	(713,144)	(41%)
Fixed Assets	<u>175,341</u>	<u>156,493</u>	<u>(18,848)</u>	<u>(11%)</u>
Total	<u><u>6,385,791</u></u>	<u><u>6,021,877</u></u>	<u><u>(363,914)</u></u>	<u><u>(6%)</u></u>
<u>Position Summary</u>	46	46		

FUNCTION

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

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

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 representatives of industries that will be affected by the controls listed in the plans. These plans and the associated progress reports and supporting documents must meet all legal requirements, and must account for the needs of Valley citizens and industry. Developing air quality plans requires analyzing measured air quality and emission inventories, conducting atmospheric modeling, developing emission control strategies, and coordinating efforts with Valley transportation planning agencies, stakeholders, ARB, and EPA. The District develops its air quality plans in an open public process with 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 socio-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 a variety of significant innovative pollution control measures, such as the establishment of green contracting/procurement guidance, public funding for incentive grant programs, energy efficiency/conservation, and Healthy Air Living.

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 through the San Joaquin Valleywide Air Pollution Study Agency.

In a general context, air quality modeling activities are fundamental to understanding the San Joaquin Valley's perplexing air quality problems. District 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.

District 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 Grant Program Functions

District staff is responsible for the development, implementation, and on-going administration of a variety of incentive grant programs, including the Heavy-Duty

Engine Program, the REduce MOtor Vehicle Emissions II (REMOVE) Program, and other incentive programs. Additionally, staff is responsible for ongoing administration of the District's Technology Advancement Program (TAP), the Smoking Vehicle Program, and other innovative control strategies. Timeliness in the evaluation of grant applications and payment of claims is imperative to allow the District to obtain much needed emission reductions. Applicants expect quick turnaround times on their completed applications in order to install the new reduced-emission technologies in a timely manner. Failure to expend funds within specified time frames may result in the loss and return of unused funds.

The following is a list of all incentive grant fund revenues included in the 2012-13 Recommended Budget:

• DMV Surcharge Fees	\$39,137,800
• Carl Moyer Program	8,050,000
• ISR & Voluntary Mitigation Agreements	1,957,500
• Proposition 1B	20,000,000
• School Bus Program	1,450,000
• Federal Designated Funding	7,800,000
• Non-Operating Interest	434,200
• AERO (Rule 4320) & Section 185 (Rule 3170)	5,403,360
• Energy Efficiency Grants	<u>1,859,600</u>
 Total New Incentive Grant Funds	 <u>\$ 86,092,460</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 (NOx), particulate matter (PM) and reactive organic gases (ROG) emissions within the San Joaquin Valley. Although the District does not have the authority to regulate vehicle tailpipe emissions, it can provide monetary incentives to reduce emissions from these sources. The program provides funding for equipment replacements, engine repowers, or retrofits that are cost-effective in reducing emissions. Emission reductions are obtained when the project applicant purchases vehicles and engines that are cleaner than required by 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 2011-12, the District obligated \$58 million in incentive funds through its various heavy-duty programs for 792 engines/vehicles, and paid out over \$38 million in payments.

Proposition 1B: An important component of the Heavy-Duty Engine Program is the Goods Movement Emission Reduction Program, funded through Proposition 1B. This program requires a competitive application solicitation process. Emissions from every piece of equipment that is submitted to the District for funding must be calculated and 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.

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

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

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

REMOVE Program

The REMOVE Program provides incentives for specific projects that will reduce motor vehicle emissions within the District. The purpose of the REMOVE 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 2011-12, the District obligated \$1.7 million in incentive funds through its various REMOVE programs for 176 projects.

Polluting Automobile Scrap and Salvage: This innovative program provides a variety of incentives to encourage the early retirement of the highest polluting light-duty vehicles by encouraging the scrapping or repair of these vehicles. The State Bureau of Automotive Repair (BAR) currently has a statewide program that encourages the early retirement of vehicles that fail their smog check. The PASS repair program is a relatively new addition to the District's incentive programs, with the District sponsoring 15 well-attended events since the launch of the program in 2011.

Drive Clean!: During 2011-12, the District revamped its incentive program aimed at encouraging Valley residents to drive advanced clean vehicles, establishing a new incentive structure that provides a variety of incentives for electric and other alternative-fueled vehicles. Additionally, in addition to clean vehicle rebates, Drive Clean! includes incentives that cover a portion of the charging infrastructure cost associated with electric vehicles.

Public Benefit Grants Program

The Public Benefit Grant Program is another recent addition to the District's incentive programs, and provides funding to Valley cities, counties and other public agencies for a wide variety of clean-air public-benefit projects that provide benefits to Valley residents. Eligible applicants are cities, counties, special districts (i.e. water districts, irrigation districts, etc.) and public educational institutions (i.e. school districts, community colleges, state universities, etc.) located within the geographic area of the SJVAPCD. This program has been successful since opening in Fall 2011, with over \$2 million already provided for a variety of projects.

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.

Lawn Mower Replacement Program

The District has run a highly successful lawn mower replacement for a number of years, providing over \$70,000 in incentives thus far to replace lawn mowers in 2011-12. The program is designed to operate through either events or mail order, and includes verification that an old lawn mower has been replaced.

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.

Technology Advancement Program

The District created the Technology Advancement Program (TAP) in late 2010 to encourage the development of advanced new emission reduction technologies in the Valley. The program provides funding for clean air technology advancement projects in several focus areas. During 2011-12, the District approved \$3 million in funding for a wide variety of mobile source, renewal energy, and waste to energy technology advancement projects.

SIGNIFICANT IMPACTS TO 2012-13 BUDGET

Despite a significant increase in workload, the 2012-13 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 develop new attainment plans for PM2.5, development and adoption of 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 Plan Development; Rulemaking and Emission Control Strategy Development; and Air Quality Analysis Functions

For air quality plans, new work includes significant effort to develop the next PM2.5 and ozone attainment 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. Development of these new attainment plans will require extensive research and

cooperation with Valley stakeholders to explore potential control strategies, including the development of a risk-based strategy that focuses on maximizing the health benefits to Valley residents. 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. 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.

In 2012-13, the District will need to provide significant technical oversight for a variety of Study Agency and other research efforts scheduled for implementation in 2012-13. These research efforts comprise the final phases of the Central California Ozone Study (CCOS) and the California Regional Particulate Air Quality Study (CRPAQS), and will provide key information needed to further the District's understanding of ozone and particulates. Additionally, the District is also proposing to conduct additional research through local funding to further develop policy-relevant air quality science, including research to help further the development of a risk-based attainment strategy. District staff will be overseeing nearly \$1.3 million in research projects through local and Study Agency funding in 2012-13.

One significant project funded through the Study Agency will be the establishment of a new Air Quality Modeling Center at the District. This new center will provide extensive air quality computer modeling resources that will allow the District to conduct complex air quality modeling currently only being performed by the State Air Resources Board. These models are critical to understanding the Valley's air quality and evaluating potential strategies. Significant staff resources will be required to develop the in-house capacity necessary to fully utilize the resources available through the new center. Additionally, significant staff resources will be required to perform air quality modeling.

The District continues to conduct analysis needed for improving air quality forecasting tools to reflect the ongoing improvements in Valley air quality. The District anticipates completing several Exceptional Events documents in 2012-13. 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.

The District will develop a number of emission control strategies in 2012-13 to achieve additional emissions reductions, particularly under the new plan being

developed to address PM2.5. These control strategies may include amended regulations, new incentive programs, and other innovative emission control strategies. To further the Regional Energy Efficiency Strategy, the District proposes to include \$150,000 to fund regional energy efficiency and conservation projects and services in the Valley, in close coordination with local jurisdictions, utilities, and other stakeholders.

Incentive Programs

The most significant workload related to the District's incentive programs involves the funding of projects through the Proposition 1B Goods Movement Emission Reduction Incentive Program. Significant interest has been shown in this program, with the District receiving 3,300 applications for \$165 million of funding during the program's second solicitation. While difficulties with the State budget have caused a significant delay in funding early in the Proposition 1B Program's implementation, funds have more recently become available, with the District expecting to have nearly \$54 million of funding available in 2012-13. 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. In addition to Proposition 1B, the District will also be implementing several truck voucher incentive programs in 2012-13. Given the substantial funding and demand for these programs, significant staff time associated with application processing, monitoring, auditing, and reporting will be required.

A relatively new component of the Heavy-Duty Engine Program is the agricultural equipment replacement program. This program is targeted at reducing emissions from off-road equipment, and provides funding for equipment replacements, engine repowers, or engine retrofits that are cost-effective in reducing emissions. The District has seen a high level of interest from the agricultural sector in this program, and the District plans on providing significant funds towards these cost-effective projects in 2012-13. This program will impact the District workload with increased outreach efforts, application processing, contract administration, grant tracking requirements, and grant payments.

The District will receive approximately \$31 million in incentive funds in 2012-13 through recently adopted motor vehicle fees. These new funds will be used to fund a variety of incentive programs, including the replacement of school buses and trucks. With the recent adoption of the Public Benefits Grant Program, the District will be providing significant funding to Valley cities, counties, and other public agencies for a variety of advanced transportation and infrastructure projects. Additionally, these funds will be used to provide a variety of incentives for Valley residents to reduce emissions, through programs including the Lawn Mower Replacement Program, Drive Clean!, Burn Cleaner Program, and PASS vehicle replacement and repair programs. Administration of these new funds will impact the District's workload with increased program development, contract

administration, grant tracking requirements, grant payments, and additional reporting.

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. Funding from these various agreements will be utilized in the District's incentive programs to fund qualifying emission reduction projects. Additionally, with increased construction in the Valley, the District projects receiving \$1.2 million in Indirect Source Review (ISR) revenue. These various mitigation programs will impact the District workload with increased application processing, contract administration, grant tracking requirements, and grant payments.

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. The District expects to receive approximately \$5.4 million in incentive funding through Rule 4320 in 2012-13.

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 2011-12, the District managed the Lower Emission School Bus Program funds for eighteen neighboring and other air districts throughout the state. Additionally, the District was selected to operate a new school bus retrofit for the entire state.

The District's Technology Advancement Program is expected to grow in 2012-13, with \$3 million in projects approved for funding thus far in 2011-12. The District expects to see significant activity in this important program through the solicitation and contracting of a variety of technology advancement projects, with \$3 million of projects approved for funding in 2011-12. Substantial staff time will be required to administer approved projects, revise program requirements, solicit applications, evaluate applications, and contract new projects.

In addition to the above new workload associated with new 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 2012-13 through AB 118 and other state and federal funding sources.

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

The recent merger of the former ERIP and Planning departments into the Strategies and Incentives Department is expected to reduce the impact of increased workload in 2012-13.

Examples of efficiency and strategic improvements resulting from the merger which will continue to be realized in 2012-13 include:

- Maximizing available staff 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 2012-13.

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

In 2011-12, as part of restructuring efforts to consolidate functions and increase efficiency, the plan development and rule/emission control strategy development functions were combined under one supervisor and section. This restructuring allows staff to work on a variety of related functions as needed to satisfy various attainment planning, rulemaking, and other mandates.

Additionally, in 2012-13, several streamlining initiatives will leverage computer automation and technology improvements to replace tasks currently or previously performed by staff. The implementation of a new automated air quality data/monitoring system will significantly reduce the amount of staff time required to perform quality assurance/control of air quality data. 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.

In 2012-13, 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. The District will continue to present major topics in-person throughout the Valley, and utilize the District's VTC facilities for all public meetings. Additionally, the District will continue to 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, the District 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.

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.

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. 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.

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 in the State, as recognized by numerous independent audits. District staff has implemented numerous operational efficiencies to expedite the application and contract process and will continually look for opportunities for streamlining. Through these efficiencies, the District is not proposing additional regular staffing in 2012-13, despite the increased projected workload in 2012-13. The District proposes to continue utilizing temporary staffing to process applications in a timely manner during projected peak activity periods, including the processing of new motor vehicle surcharge funds. If additional staffing is required to process additional grant funding projected in 2012-13, the District would bring any proposals for new staffing for Board consideration at future board hearings.

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

- Face-to-face interaction with potential applicants and stakeholders aimed at guiding applicants through the process to enhance customer service while reducing subsequent staff time

- Process automation through implementation of new technology, including the ability to receive online applications, and continued improvement of the District's custom grant management database
- 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
- 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
- Continue to utilize the District's website to make available program information and resources, while continuing to provide outstanding individual customer service to stakeholders
- Development of templates and boilerplate contracts and supporting documentation

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
Program Manager	2	2	0
Supervising Air Quality Engineer	0	0	0
Supervising Air Quality Specialist	5	5	0
Senior Air Quality Engineer	0	0	0
Senior Air Quality Specialist	10	10	0
Air Quality Engineer I/II	0	0	0
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	0	-1
Operations Support Supervisor	0	1	+1
Office Assistant I/II	<u>2</u>	<u>2</u>	<u>0</u>
TOTAL	46	46	0

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Strategies and Incentives

	Adjusted* FY 11-12	Recommended FY 12-13	Budget/Budget	
			Increase (Decrease)	%
OPERATING APPROPRIATIONS				
SALARIES AND BENEFITS				
Regular Salaries	\$2,690,904	\$2,735,640	\$44,736	2%
Temporary Help	\$241,861	\$379,383	\$137,522	57%
On Call Pay	-	-	-	-
Overtime	\$68,499	\$43,464	(\$25,035)	(37%)
Unemployment	\$11,959	\$17,373	\$5,414	45%
Retirement	\$1,025,827	\$1,148,897	\$123,070	12%
OASDI	\$62,340	\$68,352	\$6,012	10%
Workers Compensation	\$18,663	\$19,989	\$1,326	7%
Cafeteria Plan Benefits	\$299,976	\$374,759	\$74,783	25%
Long-Term Disability Insurance	\$9,560	\$10,967	\$1,407	15%
Alternate Transportation Incentive	\$27,768	\$26,611	(\$1,157)	(4%)
TOTAL SALARIES AND BENEFITS	\$4,457,357	\$4,825,435	\$368,078	8%
SERVICES AND SUPPLIES				
Safety Supplies & Equipment	-	-	-	-
Mobile Communications	\$5,570	\$8,252	\$2,682	48%
Telephone Charges	\$15,804	\$14,667	(\$1,137)	(7%)
Insurance	\$27,967	\$28,048	\$81	-
Equipment Maintenance	\$23,098	\$22,963	(\$135)	(1%)
Vehicle Maintenance & Operations	-	-	-	-
Computer Maintenance	\$48,555	\$50,361	\$1,806	4%
Video Conferencing Maintenance & Operations	\$600	\$301	(\$299)	(50%)
Building Maintenance & Operations	\$44,552	\$39,770	(\$4,782)	(11%)
Office Supplies	\$10,558	\$10,305	(\$253)	(2%)
Computer Software & Supplies	\$12,454	\$12,923	\$469	4%
Monitoring Station Supplies & Equipment	-	-	-	-
Postage	\$27,923	\$21,575	(\$6,348)	(23%)
Printing	\$6,250	\$4,335	(\$1,915)	(31%)
Professional & Specialized Services	\$1,353,126	\$724,540	(\$628,586)	(46%)
Publications & Legal Notices	\$115,400	\$40,400	(\$75,000)	(65%)
Rents & Leases	\$4,583	\$5,116	\$533	12%
Small Tools & Equipment	\$3,736	\$3,735	(\$1)	-
Special District Expense	\$4,782	\$3,906	(\$876)	(18%)
Travel & Training	\$16,700	\$15,250	(\$1,450)	(9%)
Travel & Training - Boards	-	-	-	-
Utilities	\$31,435	\$33,502	\$2,067	7%
Audit Services	-	-	-	-
Legal Services	-	-	-	-
TOTAL SERVICES AND SUPPLIES	\$1,753,093	\$1,039,949	(\$713,144)	(41%)
FIXED ASSETS				
Office Improvements	-	-	-	-
Facilities & Equipment	\$5,807	\$20,535	\$14,728	254%
Computer Equipment	\$122,159	\$103,379	(\$18,780)	(15%)
Office Furniture / Equipment	\$9,821	\$3,735	(\$6,086)	(62%)
Office Machines	\$15,649	\$7,617	(\$8,032)	(51%)
Telephone Systems	\$20,941	\$21,227	\$286	1%
Detection Equipment	-	-	-	-
Automobiles	-	-	-	-
Audio / Visual Equipment	-	-	-	-
Safety Equipment	-	-	-	-
Air Monitoring Automation/Remote Control Project	-	-	-	-
Video Conferencing System	\$964	-	(\$964)	(100%)
Air Monitoring Station Equipment	-	-	-	-
TOTAL FIXED ASSETS	\$175,341	\$156,493	(\$18,848)	(11%)
TOTAL OPERATING APPROPRIATIONS	\$6,385,791	\$6,021,877	(\$363,914)	(6%)

* Adjusted Budget as of 2/29/2012

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NON-OPERATING BUDGET

FISCAL SUMMARY

	<u>2011-12</u>	<u>2012-13</u>	<u>(Decrease)</u>	<u>%</u>
<u>Appropriations</u>				
Other Charges	25,000	25,000	-	
Incentive Programs	243,396,281	184,329,460	(59,066,821)	(24%)
Approp. for Contingencies	<u>850,000</u>	<u>850,000</u>	<u>-</u>	
 Total	 <u><u>244,271,281</u></u>	 <u><u>185,204,460</u></u>	 <u><u>(59,066,821)</u></u>	 <u><u>(24%)</u></u>

FUNCTION

This budget unit has been established for those expenditures that are not related to the internal operations of the District and/or are not attributable to any specific program. The large majority of the appropriations in this budget unit are for the District's incentive grant programs. This budget unit also contains the Appropriation for Contingencies account. Descriptions for each account, along with explanations for any significant changes for 2012-13, 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 \$25,000 is based on historical average.

INCENTIVE PROGRAMS

The 2012-13 Recommended Budget includes \$184,239,460 of appropriations for emission reduction incentive grants. This is a decrease of \$59 million or 24% from the 2011-12 Adjusted Budget at the end of February. The change between budget years is due to larger reserves available at the beginning of 2011-12 that will be expended during the year, reducing reserve balances left to carry into 2012-13 and to less Proposition 1B revenue expected in 2012-13. It is expected that additional incentive funds will continue to be added to the 2012-13 Non-Operating Budget throughout the year with budget amendments brought to the Governing Board as additional funding is secured.

The following is the detail of the incentive program appropriations currently included in the 2012-13 Recommended Budget:

• DMV Surcharge Fees - Incentives	\$ 69,460,400
• Carl Moyer Program	22,549,200
• ISR & VERA	8,827,700
• Proposition 1B Funding Program	53,647,900
• School Bus Program	2,850,000
• Federal Funding	7,800,000
• Community & Other Incentives	14,600,660
• GHG Support for Cities & Counties	250,000
• Miscellaneous Incentive Grants	2,484,000
• CEC Energy Efficiency Grants	1,859,600
Total Incentive Grants	<u>\$184,329,460</u>

DMV Surcharge Fees

This appropriation is funded by DMV Surcharge Fee revenue in 2012-13 and by \$30,322,600 of DMV reserves. For 2012-13, the Recommended Budget includes receiving the new DMV Surcharge, of \$12 per vehicle, authorized by AB 2522, for the first full year. Receiving this fee a full year and the availability of higher reserves account for the increase in DMV appropriations. The District's DMV Surcharge sources available to appropriate are as follows:

• AB2766 \$4 per vehicle	\$ 300,000
• AB923 \$2 per vehicle	5,038,800
• SB709 \$1 per vehicle	2,599,000
• AB2522 \$12 per vehicle	31,200,000
• DMV Reserves	<u>30,322,600</u>
• Total DMV Surcharge Fees	<u>\$ 69,460,400</u>

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

Carl Moyer Program

This appropriation is based on the annual state allocation of Carl Moyer Program funds and unused amounts carried over from the prior year. 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. The continuing poor economy is responsible for an expected 5% decrease in new Carl Moyer funding for 2012-13. This and lower expected reserves carried into 2012-13 account for the decrease in appropriations in 2012-13.

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

This appropriation represents the estimate for incentive grant revenue available as the result of the District's ISR Rule and voluntary development mitigation agreements. These funds are provided by residential and commercial development projects to offset emissions associated with the projects. Funds are used in the Heavy-Duty Program and other programs. ISR Program funds are utilized for quantifiable and enforceable projects that reduce surplus emissions of NOx and PM. The lower estimate for new revenue in 2012-13 reflects the current economic forecast for development projects in the Valley. However, the total amount appropriated increases in 2012-13 due to higher reserve balances available at the beginning of the year.

Proposition 1B Funding

This appropriation includes \$20 million of estimated remaining revenue for the current phase of Proposition 1B: Goods Emission Reduction Program funding expected in 2012-13 as well as a \$33,647,900 million unexpended balance in Proposition 1B funding expected to carry over. The Proposition 1B reserve balance carried into 2012-13 is significant due to the late receipt of significant amounts of prior funding and the time it takes to solicit and contract projects. 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.

School Bus Program

This appropriation provides incentive funding for the retrofit of high-emitting diesel school buses. This program was established to reduce school children's exposure to cancer-causing and smog-forming pollution. Funding for FY 2012-13 appropriations is expected from both the California Air Resources Board and the federal government. Lower Emissions School Bus (LESB) funding received in the past has expired and is no longer available, accounting for a significant reduction in 2012-13 appropriations.

Federal Diesel Emission Reduction Funding

This appropriation is for federal funding provided specifically for reducing diesel emissions within the District. For 2012-13, this funding is made up of two different grants: \$.4 million of Technology Advancement Program funding and \$7.4 million of emission reduction funding. About \$5 million of the diesel emission reduction portion of this funding remains subject to congressional approval. 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 is currently receiving annual revenue through both Rule 4320 (Advanced Emission Reduction Options for Boilers, Steam Generators, and Process Heaters Greater than 5.0 MMBtu/hr and through Rule 3170 which implements Section 185 of the federal Clean Air Act). These revenues primarily provide the funding to transfer \$5.4 million in resources from the Operating Budget to the Non-Operating Budget for incentive programs. This transfer is combined with reserves remaining from FY 2011-12 to be used in the District's Community Incentive programs. The District may create new program components to complement existing ones.

GHG Support for Cities and Counties

Funding for this appropriation is provided by AB2766 DMV Surcharge Fee reserves. 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.

Energy Efficiency & Conservation Grants

Consistent with the District's Regional Energy Efficiency Strategy adopted in 2009-10, the District 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. The District continues to coordinate and administer the balance of this grant for the various jurisdictions. In addition, the District will receive funding from the California Energy Commission to assist with state-wide electric vehicle readiness planning.

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 2012-13 is \$850,000, the same as recommended and adopted for 2011-12.

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

	Adjusted* FY 11-12	Estimated Actuals FY 11-12	Recommended FY 12-13	Budget/Budget		Budget/Actual		
				Increase (Decrease)	%	Increase (Decrease)	%	
NON-OPERATING APPROPRIATIONS								
OTHER CHARGES								
Air Toxic Pass Through	\$25,000	\$25,000	\$25,000	-	-	-	-	
Dairy CEQA - Pass Through	-	-	-	-	-	-	-	
TOTAL OTHER CHARGES	\$25,000	\$25,000	\$25,000	-	-	-	-	
INCENTIVE PROGRAMS								
DMV Surcharge Fees - Incentives	\$48,152,100	\$17,328,964	\$69,460,400	\$21,308,300	44%	\$52,131,436	301%	
Carl Moyer Program	\$37,422,350	\$22,411,036	\$22,549,200	(\$14,873,150)	(40%)	\$138,164	1%	
ISR and VERA'S	\$7,493,070	\$3,269,915	\$8,827,700	\$1,334,630	18%	\$5,557,785	170%	
Proposition 1B Funding Program	\$76,160,300	\$32,760,000	\$53,647,900	(\$22,512,400)	(30%)	\$20,887,900	64%	
School Bus Program	\$45,967,938	\$27,314,831	\$2,850,000	(\$43,117,938)	(94%)	(\$24,464,831)	(90%)	
Federal DERA/Designated Funding Program	\$14,312,786	\$6,318,056	\$7,800,000	(\$6,512,786)	(46%)	\$1,481,944	23%	
Community & Other Incentives Funded by Operating Rever	\$5,433,859	\$619,825	\$14,600,660	\$9,166,801	169%	\$13,980,835	2256%	
Greenhouse Gas Mitigation Program	-	-	-	-	-	-	-	
GHG Support for Cities & Counties	\$250,000	-	\$250,000	-	-	\$250,000	-	
Miscellaneous Incentive Programs	\$4,300,500	\$1,234,944	\$2,484,000	(\$1,816,500)	(42%)	\$1,249,056	101%	
CEC - Energy Efficiency Grant	\$3,903,378	\$2,299,427	\$1,859,600	(\$2,043,778)	(52%)	(\$439,827)	(19%)	
TOTAL INCENTIVE PROGRAMS	\$243,396,281	\$113,556,998	\$184,329,460	(\$59,066,821)	(24%)	\$70,772,462	62%	
Appropriation for Contingencies	\$850,000	-	\$850,000	-	-	-	-	
TOTAL NON-OPERATING APPROPRIATIONS	\$244,271,281	\$113,581,998	\$185,204,460	(\$59,066,821)	(24%)	\$71,622,462	63%	

* Adjusted Budget as of 2/29/2012

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

Prior 3 Years and 2012-13 Recommended

	Adjusted 2009-10 @ 6/30/10	Adjusted 2010-11 @ 6/30/11	Adjusted 2011-12 @ 2/28/12	Recommended 2012-13
APPROPRIATIONS				
Salaries & Benefits (net of Salary Savings)	\$ 28,260,100	\$ 30,505,078	\$ 30,842,451	\$ 32,346,654
Services & Supplies	5,606,000	5,898,300	7,074,178	6,346,900
Fixed Assets	2,031,900	2,179,800	3,635,085	2,433,708
OPERATING APPROPRIATIONS	<u>35,898,000</u>	<u>38,583,178</u>	<u>41,551,714</u>	<u>41,127,262</u>
Other Charges	30,000	30,000	25,000	25,000
Incentive Contracts	118,382,506	118,524,513	243,396,281	184,329,460
Appropriation for Contingencies	850,000	850,000	850,000	850,000
NON-OPERATING APPROPRIATIONS	<u>119,262,506</u>	<u>119,404,513</u>	<u>244,271,281</u>	<u>185,204,460</u>
TOTAL APPROPRIATIONS	<u>\$ 155,160,506</u>	<u>\$ 157,987,691</u>	<u>\$ 285,822,995</u>	<u>\$ 226,331,722</u>

REVENUE

Stationary Revenue	\$ 16,963,200	\$ 23,422,800	\$ 29,913,600	\$ 31,118,480
Grant Revenue	2,982,500	3,032,000	3,040,000	2,989,000
DMV Surcharge Fees - District Portion	10,100,000	10,100,000	10,100,000	10,100,000
Administrative Fees - Incentive Programs	4,387,733	6,498,984	3,060,600	2,187,100
Transfer to Non-Operating Revenue for Incentive Grants	-	(5,200,000)	(5,200,000)	(5,403,360)
Fund Balance Used	1,359,167	1,627,147	2,804,540	951,042
Reserves Released / (Increased)	105,400	(897,753)	(2,167,026)	(815,000)
OPERATING REVENUE/FUNDING SOURCES	<u>35,898,000</u>	<u>38,583,178</u>	<u>41,551,714</u>	<u>41,127,262</u>
Non-Operating Revenue	115,431,406	111,526,013	142,969,700	87,761,012
Fund Balance/Reserves Released	3,831,100	7,878,500	101,301,581	97,443,448
NON-OPERATING REVENUE/FUNDING SOURCES	<u>119,262,506</u>	<u>119,404,513</u>	<u>244,271,281</u>	<u>185,204,460</u>
TOTAL REVENUE/FUNDING SOURCES	<u>\$ 155,160,506</u>	<u>\$ 157,987,691</u>	<u>\$ 285,822,995</u>	<u>\$ 226,331,722</u>

RECOMMENDED POSITIONS

	309	308	308	308
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RESERVES

General Reserve	\$ 3,500,000	\$ 3,840,000	\$ 4,000,000	\$ 4,100,000
Long-Term Building Maintenance	408,000	313,000	378,000	443,000
Computer-VTC Equipment Reserve	-	-	750,000	1,500,000

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
SCHEDULE OF ESTIMATED REVENUES
Prior 3 Years and 2012-13 Recommended

<u>ACCOUNT TITLE</u>	<u>2009-10 Adjusted Revenues @ 6/30/10</u>	<u>2010-11 Adjusted Revenues @ 6/30/11</u>	<u>2011-12 Adjusted Revenues @ 2/28/12</u>	<u>2012-13 Estimated Revenues</u>
OPERATING REVENUE				
STATIONARY SOURCE				
Permit Fees	\$ 13,967,700	\$ 15,147,700	\$ 15,600,600	\$ 16,875,980
Section 185 - Non Attainment Fees - Rule 3170	-	-	6,000,000	6,000,000
Advanced Emission Reduction Options (AERO) Fees	-	5,400,000	5,366,000	5,366,000
Settlements	2,500,000	2,500,000	2,500,000	2,500,000
Interest	465,000	316,200	395,000	324,000
Miscellaneous	30,500	58,900	52,000	52,500
Total Stationary Non-Grant Operating Revenue	16,963,200	23,422,800	29,913,600	31,118,480
GRANT REVENUE				
State Subvention	882,000	882,000	899,000	900,000
EPA 105 Grant	1,950,000	2,000,000	2,091,000	2,024,000
EPA 103 Grant	150,500	150,000	50,000	65,000
Total Grant Revenue	2,982,500	3,032,000	3,040,000	2,989,000
Total Stationary Operating Revenue	\$ 19,945,700	\$ 26,454,800	\$ 32,953,600	\$ 34,107,480
MOBILE SOURCE				
DMV Surcharge Fees - District	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000
Administrative Fees - Incentive Programs	4,387,733	6,498,984	3,060,600	2,187,100
Total Operating Revenue	\$ 34,433,433	\$ 43,053,784	\$ 46,114,200	\$ 46,394,580
Transfer to Non-Operating Revenue for Incentive Grants	-	\$ (5,200,000)	\$ (5,200,000)	\$ (5,403,360)
Fund Balance Used	1,359,167	1,627,147	2,804,540	951,042
Reserves Released / (Increased)	105,400	(897,753)	(2,167,026)	(815,000)
Estimated Funding Sources - Operating	\$ 35,898,000	\$ 38,583,178	\$ 41,551,714	\$ 41,127,262
NON-OPERATING REVENUE				
Air Toxics	\$ 30,000	\$ 30,000	\$ 25,000	\$ 25,000
EPA 103 Grant Revenue	-	-	-	-
DMV Surcharge Fees - Pass Through	9,250,000	9,036,956	30,237,200	39,137,800
Carl Moyer Funds	11,803,130	12,474,512	8,455,500	8,050,000
Dairy CEQA - Pass Through	-	-	-	-
VERA/ISR Mitigation Program	6,736,180	3,037,000	2,984,000	1,957,500
DERA Program	8,929,749	-	2,536,325	-
Operating Revenues Funding Community Incentives	-	5,200,000	5,200,000	5,403,360
Proposition 1B Funding Program	45,000,000	45,000,000	75,000,000	20,000,000
Lower Emission School Bus Program	15,525,000	22,517,583	1,147,375	1,450,000
Federal Grants	7,500,000	9,897,467	10,429,900	7,800,000
Miscellaneous Incentive Grant Funding	1,507,600	380,295	832,800	-
Greenhouse Gas Mitigation Program	-	3,000,000	-	-
VRRRM for PASS	2,985,200	-	-	-
Interest - Non-Operating	2,356,853	952,200	2,277,300	434,200
CEC - Energy Efficiency Block Grant	3,807,694	-	3,844,300	1,859,600
Administrative Fees - Incentive Programs	-	-	-	1,643,552
Total Non-Operating Revenue	\$ 115,431,406	\$ 111,526,013	\$ 142,969,700	\$ 87,761,012
Fund Balance/Reserves Released	\$ 3,831,100	\$ 7,878,500	\$ 101,301,581	\$ 97,443,448
Estimated Funding Sources - Non-Operating	\$ 119,262,506	\$ 119,404,513	\$ 244,271,281	\$ 185,204,460
TOTAL REVENUE				
Estimated Financing Sources - Total	\$ 155,160,506	\$ 157,987,691	\$ 285,822,995	\$ 226,331,722

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Budget Comparison
Total District
Prior 3 Years and 2012-13 Recommended

DESCRIPTION	2009-10 Adjusted @ 6/30/10	2010-11 Adjusted @ 6/30/11	2011-12 Adjusted @ 2/28/12	2012-13 Recommended Appropriations
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OPERATING APPROPRIATIONS

SALARIES AND BENEFITS

Regular Salaries	\$ 18,572,800	\$ 19,489,400	\$ 19,458,953	\$ 19,596,739
Temporary Help	590,700	563,600	596,416	746,418
On Call Pay	77,900	77,900	77,832	77,832
Overtime	260,100	334,600	409,588	259,633
Unemployment	75,400	70,200	74,917	103,635
Retirement	5,814,800	7,134,800	7,371,665	8,199,894
OASDI	332,500	336,100	347,673	349,123
Workers Compensation	166,000	181,100	210,799	218,693
Cafeteria Plan Benefits	2,140,400	2,066,778	2,045,002	2,542,341
Long-Term Disability Insurance	67,400	69,500	68,538	71,274
Alternate Transportation Incentive	162,100	181,100	181,068	181,072
TOTAL SALARIES AND BENEFITS	\$ 28,260,100	\$ 30,505,078	\$ 30,842,451	\$ 32,346,654

SERVICES AND SUPPLIES

Safety Supplies & Equipment	\$ 17,100	\$ 15,300	\$ 18,530	\$ 18,409
Mobile Communications	121,900	134,800	132,080	141,443
Telephone Charges	122,100	114,700	114,822	107,202
Insurance	172,000	185,800	187,245	187,801
Equipment Maintenance	207,300	189,300	193,758	197,227
Vehicle Maintenance & Operations	236,800	217,000	213,562	223,200
Computer Maintenance	182,800	214,500	261,789	302,706
Video Conferencing Maintenance & Operations	220,000	246,800	250,787	248,691
Building Maintenance & Operations	284,300	299,200	304,830	266,288
Office Supplies	85,500	68,900	70,991	69,300
Computer Software & Supplies	73,800	89,600	91,487	95,760
Monitoring Station Supplies & Equipment	170,300	235,700	239,612	237,897
Postage	198,900	167,100	154,240	141,646
Printing	150,400	139,100	126,419	134,846
Professional & Specialized Services	2,006,600	2,124,600	3,107,825	2,436,505
Publications & Legal Notices	162,600	185,500	255,000	191,380
Rents & Leases	394,550	459,200	483,463	465,370
Small Tools & Equipment	51,600	59,800	61,447	45,252
Special District Expense	260,900	289,000	311,519	278,934
Travel & Training	139,800	138,100	138,020	188,120
Travel & Training - Boards	53,300	58,800	64,870	68,457
Utilities	230,500	247,500	251,777	268,066
Audit Services	17,200	18,000	27,705	20,000
Legal Services	45,750	-	12,400	12,400
TOTAL SERVICES AND SUPPLIES	\$ 5,606,000	\$ 5,898,300	\$ 7,074,178	\$ 6,346,900

FIXED ASSETS

Office Improvements	\$ 51,300	\$ 205,000	\$ 215,552	\$ 40,000
Facilities & Equipment	-	-	25,000	98,002
Computer Equipment	667,200	676,600	863,299	713,678
Office Furniture & Equipment	38,900	26,500	53,113	25,006
Office Machines	47,900	48,000	117,657	55,800
Telephone Systems	139,400	141,500	140,235	138,103
Detection Equipment	33,500	11,300	17,853	14,650
Automobiles	307,000	320,000	572,219	304,700
Air Monitoring Automation/Remote Control project	-	-	450,000	-
Video Conferencing System	339,100	344,700	350,974	347,769
Air Monitoring Station Equipment	407,600	406,200	829,183	696,000
TOTAL FIXED ASSETS	\$ 2,031,900	\$ 2,179,800	\$ 3,635,085	\$ 2,433,708

TOTAL OPERATING APPROPRIATIONS

	\$ 35,898,000	\$ 38,583,178	\$ 41,551,714	\$ 41,127,262
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SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
Budget Comparison
Total District
Prior 3 Years and 2012-13 Recommended

DESCRIPTION	2009-10 Adjusted @ 6/30/10	2010-11 Adjusted @ 6/30/11	2011-12 Adjusted @ 2/28/12	2012-13 Recommended Appropriations
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NON-OPERATING APPROPRIATIONS

OTHER CHARGES

Air Toxic Pass Through	\$ 30,000	\$ 30,000	\$ 25,000	\$ 25,000
Dairy CEQA Pass Through	-	-	-	-
TOTAL OTHER CHARGES	\$ 30,000	\$ 30,000	\$ 25,000	\$ 25,000

INCENTIVE PROGRAMS

DMV Surcharge Fees - Incentives	\$ 11,099,500	\$ 8,889,656	\$ 48,152,100	\$ 69,460,400
Carl Moyer Heavy Duty Program	12,844,483	13,016,512	37,422,350	22,549,200
ISR and Development Mitigation Contracts	7,291,780	9,390,800	7,493,070	8,827,700
Proposition 1B Funding Program	45,675,000	45,576,200	76,160,300	53,647,900
Lower Emission School Bus Program	16,050,100	22,853,783	45,967,938	2,850,000
Federal Grants	7,500,000	9,897,467	14,312,786	7,800,000
Community Incentives	550,000	5,200,000	5,433,859	14,600,660
Greenhouse Gas Mitigation Program	-	3,010,400	-	-
GHG Support for Cities and Counties	-	250,000	250,000	250,000
DERA Funded Programs	8,929,749	-	-	-
VRRRM for PASS	2,985,200	-	-	-
Miscellaneous/Interest - Incentive Programs	1,649,000	439,695	4,300,500	2,484,000
CEC - Energy Efficiency & Conservation Block Grant	3,807,694	-	3,903,378	1,859,600
TOTAL INCENTIVE PROGRAMS	\$ 118,382,506	\$ 118,524,513	\$ 243,396,281	\$ 184,329,460

Appropriation for Contingencies	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000
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TOTAL NON-OPERATING APPROPRIATIONS	\$ 119,262,506	\$ 119,404,513	\$ 244,271,281	\$ 185,204,460
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TOTAL APPROPRIATIONS

TOTAL DISTRICT APPROPRIATIONS	\$ 155,160,506	\$ 157,987,691	\$ 285,822,995	\$ 226,331,722
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San Joaquin Valley

AIR POLLUTION CONTROL DISTRICT

Northern Region

Serving San Joaquin, Stanislaus and Merced counties

4800 Enterprise Way, Modesto, CA 95356-8718

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

Central Region (Main Office)

Serving Madera, Fresno and Kings counties

1990 E. Gettysburg Avenue, Fresno, CA 93726-0244

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

Southern Region

Serving Tulare and Valley air basin portions of Kern counties

34946 Flyover Court, Bakersfield, CA 93308-9725

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

www.valleyair.org