BOARD OF DIRECTORS MEETING Board of Supervisors Chambers 700 H Street - Suite 1450 Sacramento, California



AIR QUALITY MANAGEMENT DISTRICT

AGENDA

Thursday

January 23, 2025

9:00 AM

DIRECTORS

Chair Patrick Kennedy Vice-Chair Sarah Aquino

Rich Desmond Roger Dickinson Eric Guerra Patrick Hume

Caity Maple Porsche Middleton Sergio Robles Rosario Rodriguez Dr. David Sander Phil Serna Mai Vang

ANNOUNCEMENTS

Members of the public may participate in the meeting in-person, by video conference via Zoom, conference line, and by submitting written comments electronically by email at boardclerk@airquality.org.

Comments submitted will be delivered to the Board of Directors by staff. Public comments regarding matters under the jurisdiction of the Board of Directors will be acknowledged by the Chairperson during the meeting. Public comments will be accepted live until the adjournment of the meeting, distributed to the Board of Directors, and included in the record.

Submit public comments via email to: boardclerk@airquality.org

Zoom Meeting Link: https://us06web.zoom.us/j/86884266153?pwd=bLKH9ZeoGHAKAOh1aUv0X3u6AzlbnS.1

Meeting ID: 868 8426 6153 Passcode: 500162

Call In Number (669) 900-6833 (408) 638-0968

Teleconference Locations: Citrus Heights City Hall, 6360 Fountain Square Dr, Citrus Heights, CA 95621 Folsom City Hall, 50 Natoma St, Folsom, CA 95630 Sacramento City Hall, 915 I Street, 5th Floor, Room 5229, Sacramento, CA 95814

CALL TO ORDER/ROLL CALL

PLEDGE OF ALLEGIANCE

BOARD CLERK ANNOUNCEMENTS

BROWN ACT

CONSENT CALENDAR

1. October 24, 2024 Board of Directors Meeting Minutes

Recommendation: Approve the October 24, 2024 Board of Director Meeting Minutes.

- Appointment of Hearing Board Attorney Member
 Recommendation: Pass a motion appointing Darrel Woo as the Hearing Board attorney
 - Recommendation: Pass a motion appointing Darrel Woo as the Hearing Board attorney member for a 3-year term beginning January 28, 2025, and ending January 27, 2028.
- 3. Amendment to the AiriA Software Solution Contract with Woodard and Curran Inc.
 - Recommendation: Authorize the Executive Director/Air Pollution Control Officer to amend the contract with Woodard and Curran, Inc. to increase the contract amount by \$474,800 for a new not to exceed amount of \$1,589,876; and in consultation with District Counsel, make minor revisions so long as the action is consistent with the purpose of the contract and does not increase the maximum amount authorized by the Board.
- 4. Annual Report on Entities Receiving over \$250,000 from the Low-Emission Vehicle Incentive Program

Recommendation: Receive and file the annual report identifying individuals and organizations that received more than \$250,000 in incentive funding from the District within the previous five years under the Low-Emission Vehicle Incentive Program (LEVIP).

- 5. Fiscal Year 2023-2024 Annual Comprehensive Financial Report and Single Audit
 - Recommendation: Adopt a resolution accepting 1) the Sacramento Metropolitan Air Quality Management District's Annual Comprehensive Financial Report for the Fiscal Year (FY) ended June 30, 2024, and 2) the letter to the Board of Directors titled Auditor's Communication to Those Charged with Governance.
- Quarterly Contracts Report (October 2024 December 2024)
 Recommendation: Receive and file a report on certain contracts executed by the Air Pollution Control Officer under the Non-Incentive Purchasing Authority for the quarter October 2024 – December 2024.

DISCUSSION CALENDAR

7. Selection of Chair and Vice Chair of the Board of Directors of the Sacramento Metropolitan Air Quality Management District

Recommendation: Pass a motion appointing a Chair and Vice Chair of the Board of Directors of the Sacramento Metropolitan Air Quality Management District for a two-year term for the calendar years 2025 through 2026.

8. Appointment of Board Members to the Sacramento Metropolitan Air Quality Management District Budget and Personnel Committee

Recommendation: Pass a motion selecting and appointing two Board members in addition to the Chair, Vice-chair and Past Chair to the Budget and Personnel Committee.

- Agricultural Burn and Smoke Management Program and Biomass Utilization Update Recommendation: Receive and file a presentation on the Agricultural Burn and Smoke Management Program.
- 10. Climate Heat Impact Response Program Updates Recommendation: Receive and file a presentation to update the Board of Directors on the Climate Heat Impact Response Program and expected funding allocations.
- Regional Collaboration for Ambient Air Monitoring Recommendation: Inform the Board of a Memorandum of Understanding (MOU) with Yolo-

Solano Air Quality Management District (YSAQMD) to assist with regional air monitoring efforts during deployment of their air monitoring staff.

AIR POLLUTION CONTROL OFFICER'S REPORT

12. Air Pollution Control Officer Presentation

Recommendation: Receive and file a presentation from the Air Pollution Control Officer.

BOARD IDEAS, COMMENTS AND AB 1234 REPORTS

PUBLIC COMMENT

ADJOURN

Agenda Revision: This agenda may be revised. A final agenda will be posted on the website (www.airquality.org) and at the meeting site 72 hours in advance of the meeting. Materials submitted within 72 hours of the meeting and after distribution of the agenda packets will be made available on the Sac Metro Air District website subject to staff's ability to post the documents prior to the meeting. The order of the agenda items are listed for reference and may be taken in any order deemed appropriate by the Board of Directors. The agenda provides a general description and staff recommendation; however, the Board of Directors may take action other than what is recommended.

Testimony: The Board of Directors welcomes and encourages participation in Board meetings. When it appears there are several members of the public wishing to address the Board on a specific item, at the outset of the item the Chair of the Board will announce the maximum amount of time that will be allowed for presentation of the testimony. Matters under the jurisdiction of the Board and not on the posted agenda may be addressed by the general public immediately prior to the close of the meeting. The Board limits testimony on matters not on the agenda to three minutes per person and not more than 15 minutes for a particular subject.

<u>Meeting Broadcast</u>: The meeting is videotaped in its entirety and will be cablecast without interruption on Metro Cable 14, the Government Affairs Channel and will be webcast at https://metro14live.saccounty.gov. This morning's meeting is being cablecast live and will be rebroadcast on Saturday, January 25, 2025 at 2:00 p.m. on Channel 14.

<u>Closed Captioning</u>: Metro Cable now provides closed captioning of the Sac Metro Air District Board meetings for the deaf and hard of hearing community. The captioning will be available on both the live and playback broadcasts on the Metro Cable television channel (Channel 14).

Assisted Listening: Assisted listening devices are available for use by the public. Please see the Clerk of the Board for further information.

Board Action: The Board of Directors may take action on any of the items listed on this agenda.

Information: Full staff reports are available for public review on the District's website (www.airquality.org), including all attachments and exhibits, or for public inspection at the District's office at 777 12th Street, Suite 300, Sacramento, CA. Copies of items prepared by staff and distributed for the first time at the meeting will be available at the back of the meeting room or may be obtained from the Board Clerk. Copies of items that were not prepared by staff may be obtained after the meeting from the Clerk. Materials related to an item on this Agenda submitted to Sac Metro Air District after distribution of the agenda packet are available for public inspection in the Clerk of the Board's office during normal business hours. For information regarding this agenda, please contact Salina Martinez, Clerk of the Sac Metro Air District Board of Directors, at 279-207-1164.

Meeting Date: 1/23/2025 Report Type: CONSENT CALENDAR Report ID: 2025-0123-1.



Title: October 24, 2024 Board of Directors Meeting Minutes

Recommendation: Approve the October 24, 2024 Board of Director Meeting Minutes.

Rationale for Recommendation: Meeting minutes serve as the official record of the actions and decisions made during board or committee meetings. It is the Board of Directors' practice to approve the minutes at a subsequent Board meeting. The minutes from the October 2024 Board meeting are provided as Attachment A for the Board's review and approval. All approved Board resolutions from that meeting are also attached.

Contact: Salina Martinez, Administrative Supervisor/Clerk of the Board, 279-207-1164

Presentation: No

ATTACHMENTS:

Attachment A: October 24, 2024 BOD Meeting Minutes Resolution No. 2024-020 SIP Revision to Address Contingency Measure Requirements for the 2008 and 2015 8-Hour Ozone NAAQS Resolution No. 2024-021 Rule 489 Greenwaste Composting Operations Resolution No. 2024-022 Rule 490 Liquefied Petroleum Gas Transfer and Dispensing

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/15/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/14/2025

Attachment A

SACRAMENTO METROPOLITAN



MINUTES

BOARD OF DIRECTORS Sacramento Metropolitan Air Quality Management District 700 H Street, Suite 1450 Sacramento, California

Thursday

October 24, 2024

9:00 AM

DIRECTORS

Chair Patrick Kennedy Vice-Chair Sarah Aquino

Rich Desmond Sue Frost Eric Guerra Patrick Hume Caity Maple Porsche Middleton Kevin Papineau Sergio Robles Phil Serna Donald Terry Shoun Thao Mai Vang

ANNOUNCEMENTS

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Submit public comments via email to: boardclerk@airquality.org

Zoom Meeting Link: https://us06web.zoom.us/j/87314130035?pwd=pTxA45BE35JssyS9bsq2AAvu2Zgaab.1

Meeting ID: 873 1413 0035 Passcode: 101299

Call In Number (669) 900-6833 (408) 638-0968

Teleconference Locations:

Sacramento City Hall, 915 I Street, Room 5100, Sacramento, CA 95814

CALL TO ORDER/ROLL CALL

Meeting was called to order.

Directors Present: Sarah Aquino, Rich Desmond, Sue Frost, Patrick Hume, Patrick Kennedy, Kevin Papineau, Phil Serna, Donald Terry, Shoun Thao, and Mai Vang.

Directors Absent: Eric Guerra, Caity Maple, Porsche Middleton, and Sergio Robles.

PLEDGE OF ALLEGIANCE

SPECIAL PRESENTATIONS

1. Board Member Service Recognition

CONSENT CALENDAR

<u>ACTION:</u> Sarah Aquino Moved /Rich Desmond Seconded

Ayes: Sarah Aquino, Rich Desmond, Sue Frost, Patrick Hume, Patrick Kennedy, Kevin Papineau, Phil Serna, Donald Terry, Shoun Thao, and Mai Vang.

Absent: Eric Guerra, Caity Maple, Porsche Middleton, and Sergio Robles.

 September 26, 2024 Board of Directors Meeting Minutes Recommendation: Approve the September 26, 2024 Board of Director Meeting Minutes.

Approved

- 3. Contract Amendment with Bruns Auri Inc. for the Our Community CarShare Program
 - Recommendation: Authorize the Executive Director/Air Pollution Control Officer to amend the contract with Bruns Auri Inc. to: 1) increase the contract amount by \$60,000 for a new not to exceed amount of \$285,000, 2) extend the term through June, 30 2026, and 3) in consultation with District Counsel, make minor revisions so long as the action is consistent with the purpose of the contract and does not increase the maximum amount authorized by the Board.

Authorized

4. Hearing Board Vacancy Notification

Recommendation: Receive and file an informational report notifying the Board that one Hearing Board member term expires January 27, 2025.

Received and Filed

- 5. Incentive Contracts Under the Low Emission Vehicle and Infrastructure Program, (LEVIP)
 - Recommendation: Authorize the Executive Director/Air Pollution Control Officer to execute the following agreements under the Low Emission Vehicle Incentive Program (LEVIP) and, in consultation with District Counsel, make any minor revisions to the contracts necessary to fully implement their intent, provided they remain within the specified funding limits:
 - 1. Sacramento Regional Transit District (SacRT) SACHUB: Not to exceed \$4,000,000
 - 2. SacRT H2: Not to exceed \$3,000,000
 - 3. Community Resource Project Louise Perez Community Center Mobility Hub: Not to exceed \$1,800,000

- 4. Penske Truck Leasing LLC: Not to exceed \$1,268,685
- 5. Mitra EV Inc.: Not to exceed \$1,400,000
- 6. Sacramento Municipal Utilities District (SMUD): Not to exceed \$2,000,000
- 7. Black Oak Mine Unified School District (BOMUSD): Not to exceed \$1,534,546

Authorized

- 6. Contract Amendment with Experis US LLC for Project Management Support of the Enterprise Software Custom-build Solution (AiriA)
 - Recommendation: Authorize the Executive Director to amend the contract with Experis US, LLC, and in consultation with District Counsel, make minor revisions so long as the action is consistent with the purpose of the contract and does not increase the maximum amount authorized by the Board, to continue providing ongoing project management services for the implementation of the District's custom-built enterprise software solution known as AiriA. The amendment will: 1) increase the contract amount by \$306,300, for a new not to exceed amount of \$500,000, 2) extend the contract until June 30, 2026, and 3) update the Scope of Services.

Authorized

 Quarterly Contracts Report (July 2024 – September 2024)
 Recommendation: Receive and file a report on certain contracts executed by the Air Pollution Control Officer under the Non-Incentive Purchasing Authority for the quarter July 2024 – September 2024.

Received and filed

PUBLIC HEARINGS

- 8. Contingency Measures for the 2008 and 2015 Ozone Standards: Revisions to the State Implementation Plan (SIP), Rule 489 Greenwaste Composting Operations, and Rule 490 Liquefied Petroleum Gas Transfer and Dispensing
 - Recommendation: Conduct a public hearing to adopt the 2008 and 2015 ozone standard contingency measures. This includes the revision to the State Implementation Plan (SIP) and the adoption of Rules 489 (Greenwaste Composting Operations) and 490 (Liquefied Petroleum Gas Transfer and Dispensing). Determine that these actions are exempt from the California Environmental Quality Act (CEQA) and direct staff to forward all necessary supporting documentation to the California Air Resources Board (CARB) for submittal to the U.S. Environmental Protection Agency (EPA).

Marc Cooley, Monitoring, Planning & Rules Division gave a presentation on

Contingency Measures for the 2008 and 2015 Ozone Standards: Revisions to the State

Implementation Plan (SIP), Rule 489 - Greenwaste Composting Operations, and Rule

409 - Liquefied Petroleum Gas Transfer and Dispensing.

Public Hearing was opened and closed.

Mr. Evan Edgar, California Compost Coalition, attended and gave public comment.

Resolution No. 2024-020

Resolution No. 2024-021

Resolution No. 2024-022

<u>ACTION:</u> Donald Terry Moved /Sarah Aquino Seconded

Ayes: Sarah Aquino, Rich Desmond, Sue Frost, Patrick Hume, Patrick Kennedy, Kevin Papineau, Phil Serna, Donald Terry, Shoun Thao, and Mai Vang.

Absent: Eric Guerra, Caity Maple, Porsche Middleton, and Sergio Robles.

9. Air Toxics "Hot Spots" Program Annual Report (AB 2588)

Recommendation: Conduct a public hearing for the Air Toxics "Hot Spots" Program Annual Report (AB 2588) and receive and file the report.

Matt Baldwin, Engineering and Compliance Division, gave a presentation on Air Toxics" Hot Spots" Program Annual Report (AB2588).

Public Hearing was opened and closed with no comment.

DISCUSSION CALENDAR

10. Greenfield Development in the Context of Achieving Air Quality and Climate Goals

Recommendation: Receive and file a presentation on greenfield development in the context of achieving air quality and climate goals.

Paul Philley, Transportation and Climate Change Division and Dov Kadin, Sacramento Area Council of Governments, gave a presentation on Greenfield Development in the Context of Achieving Air Quality and Climate Goals.

Received and filed

BOARD IDEAS, COMMENTS AND AB 1234 REPORTS

PUBLIC COMMENT

ADJOURN

RESOLUTION NO. 2024 – 020

Adopted by the Sacramento Metropolitan Air Quality Management District Board of Directors

SIP REVISION TO ADDRESS CONTINGENCY MEASURE REQUIREMENTS FOR THE 2008 AND 2015 8-HOUR OZONE NAAQS

BACKGROUND:

- A. The Sacramento Metropolitan Air Quality Management District ("District") is within the Sacramento Federal Nonattainment Area (SFNA) classified as a "severe" nonattainment area for the 2008 primary National Ambient Air Quality Standard (NAAQS) for ozone and "serious" nonattainment for the 2015 primary NAAQS for ozone.
- B. The air districts of the SFNA, which is comprised of Sacramento and Yolo counties, western portions of El Dorado and Placer counties, the southern portion of Sutter County, and the northeastern portion of Solano County, requested a voluntary reclassification to a "severe" nonattainment area for the 2015 NAAQS, and this request is pending U.S. Environmental Protection Agency (EPA) action.
- C. Sections 172(c)(9) and 182(c)(9) of the federal Clean Air Act (CAA) require states and districts in areas classified as "serious" ozone nonattainment or worse to revise their State Implementation Plans (SIPs) to require contingency measures that take effect if an area fails to attain the ozone NAAQS by the attainment date or fails to make reasonable further progress towards attainment.
- D. In March 2023, EPA released the "Draft Guidance on the Preparation of State Implementation Plan Provisions that Address the Nonattainment Area Contingency Measure Requirements for Ozone and Particulate Matter," which interprets the CAA requirements for contingency measures.
- E. On June 15, 2023, the EPA disapproved the contingency measures element of the "Sacramento Regional 2008 NAAQS 8-Hour Ozone Attainment and Reasonable Further Progress (RFP) Plan," adopted November 16, 2017, as modified by the "2018 Updates to the California State Implementation Plan," adopted October 25, 2018, for the Sacramento Metropolitan Nonattainment Area with respect to the 2008 ozone NAAQS, because the plan did not include specific measures to be triggered upon a failure to attain or to meet an RFP milestone.
- F. On October 26, 2023, the California Air Resources Board forwarded the "Sacramento Regional 2015 NAAQS 8-Hour Ozone Attainment and RFP Plan" to EPA for final review and approval.
- G. In the plan for the 2015 ozone NAAQS, the SFNA air districts committed to amending their architectural coating rules as contingency measures and to further evaluate additional contingency measures based on EPA's guidance once the guidance becomes final.
- H. Although EPA has not yet finalized the guidance, the SFNA must utilize the draft guidance to meet EPA's timelines for adopting contingency measures, as failure to satisfy this

requirement, due to the disapproval of the plan for the 2008 ozone NAAQS, will result in an increase of the offset ratio and loss of federal highway funds.

- Staff performed an analysis, consistent with EPA's draft contingency measure guidance, identifying the contingency measures necessary to satisfy the EPA requirements for volatile organic compound (VOC) contingency measures for both the 2008 and 2015 8-hour ozone NAAQS and a reasoned justification for not committing to any oxides of nitrogen (NOx) measures.
- J. The Board of Directors of the Sacramento Metropolitan Air Quality Management District (Board) has determined that once the air districts of the SFNA adopt or amend rules that implement the contingency measures identified in this SIP revision and submit them to EPA, the SFNA will meet the requirements of CAA Sections 172(c)(9) and 182(c)(9).
- K. The Board evaluated the proposed SIP revision to determine whether it is exempt from the California Environmental Quality Act (CEQA) as an action by a regulatory agency for the protection of the environment (Class 8 Categorical Exemption, Section 15308, State CEQA Guidelines) and because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment (Section 15061(b)(3), State CEQA Guidelines).
- L. The District published a notice on September 23, 2024, inviting public comment on the proposed plan revision and providing a 30-day period to submit written comments in accordance with CAA Section 110(I) and Title 40 of the Code of Federal Regulations (CFR), Section 51.102(d).
- M. The Board conducted a public hearing on October 24, 2024, and considered public comment on the proposed SIP revision in accordance with CAA Section 110(I) and 40 CFR 51.102(a).

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE BOARD OF DIRECTORS RESOLVES AS FOLLOWS:

- Section 1. The SIP revision is exempt from CEQA.
- Section 2. Approves the SIP revision, as shown in the attached Exhibit A.
- Section 3. Directs Staff to forward the SIP revision and all necessary supporting documents to the California Air Resources Board for submittal to U.S. EPA as a revision to the California SIP to help satisfy the requirements of CAA Sections 110, 172, 182, and 40 CFR Part 51.
- Section 4. Exhibit A is attached to and incorporated into this Resolution.

ON A MOTION by Director <u>Donald Terry</u>, seconded by Director <u>Sarah Aquino</u>, the foregoing resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District on October 24, 2024, by the following vote:

Ayes: Sarah Aquino, Rich Desmond, Sue Frost, Patrick Hume, Patrick Kennedy, Kevin Papineau, Phil Serna, Donald Terry, Shoun Thao, and Mai Vang.

Noes:

Abstain:

Absent: Eric Guerra, Caity Maple, Porsche Middleton, and Sergio Robles.



Air District Date: 2024.11.06 13:45:58 -08'00'

Clerk, Board of Directors Sacramento Metropolitan Air Quality Management District

Exhibit A

SACRAMENTO FEDERAL OZONE NONATTAINMENT AREA AIR QUALITY MANAGEMENT DISTRICTS

STATE IMPLEMENTATION PLAN REVISION FOR THE 2008 AND 2015 8-HOUR OZONE NATIONAL AMBIENT AIR QUALITY STANDARD FOR THE SACRAMENTO FEDERAL NONATTAINMENT AREA

Proposed Contingency Measures and Reasoned Justification

September 23, 2024

Prepared by:Marc Cooley
Associate Air Quality Engineer
Sacramento Metropolitan Air Quality Management DistrictApproved by:El Dorado County Air Quality Management District
Feather River Air Quality Management District

Peatner River Air Quality Management District Placer County Air Pollution Control District Sacramento Metropolitan Air Quality Management District Yolo-Solano Air Quality Management District

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INTRODUCTION

The El Dorado County Air Quality Management District (EDCAQMD), Feather River Air Quality Management District (FRAQMD), Placer County Air Pollution Control District (PCAPCD), Sacramento Metropolitan Air Quality Management District (SMAQMD), and Yolo-Solano Air Quality Management District (YSAQMD) are local regulatory air quality agencies with the primary responsibility for meeting and maintaining federal air quality health standards through adopting and enforcing air quality areawide, indirect and stationary source programs, air monitoring and planning as well as for administering air quality improvement grant programs and for the Sacramento Federal Ozone Nonattainment Area (SFNA). The SFNA region includes Sacramento and Yolo counties, the western portions of El Dorado and Placer counties, the southern portion of Sutter County, and the northeastern portion of Solano County.

In 2008 and 2015, the U.S. Environmental Protection Agency (EPA) promulgated a National Ambient Air Quality Standards (NAAQS) for Ozone (O_3) at a maximum daily 8-hour average of 75 parts per billion (ppb) for the 2008 standard and a maximum daily 8-hour average of 70 ppb for the 2015 standard. For the 2008 O_3 NAAQS, the SFNA did not meet the standard and is classified as a "severe" nonattainment area. For the 2015 O_3 NAAQS, the SFNA did not meet the standard and is classified and is classified as "serious" nonattainment area for the 2015 NAAQS. However, the SFNA air districts have requested a voluntarily reclassification to "severe" because additional time is needed to meet the standard. EPA is expected to take action to reclassify the SFNA.

The federal Clean Air Act (CAA) requires areas that are classified as nonattainment to develop State Implementation Plans (SIPs) that describes how the SFNA will attain the 2008 and 2015 O_3 standard through strategies that achieve air quality improvements. One requirement of the SIP is to include contingency measures. This document describes the CAA's requirements for contingency measures, the triggers, details of the contingency measures, and an infeasibility justification for nitrogen oxides (NOx) contingency measures. The CAA requires contingency measures to be implemented quickly if triggered when an area fails to make reasonable further progress (RFP) or attain the NAAQS by the attainment date. For the 2008 and 2015 O_3 NAAQS, the attainment dates are December 31, 2024, and August 3, 2033, respectively. Attainment of the 2008 and 2015 O_3 standards may be referenced by the attainment year, which is the last full O_3 season prior to the attainment date or years 2024 for the 2008 standard and 2032 for the 2015 standard.

The SFNA air districts have previously committed to adopting a contingency measure for architectural coatings in the 2015 O₃ NAAQS SIP. All SFNA air districts have adopted the architectural coatings contingency measure for both the 2008 and 2015 O₃ NAAQS. In addition to the already adopted SFNA contingency measures, the California Air Resources Board (CARB) adopted a California Smog Check Contingency Measure SIP revision¹ to help address the contingency measure requirements.

This document evaluates the additional need for contingency measures based on the requirements of EPA's Draft contingency measure guidance published in March 2023^2 for both the 2008 and 2015 O₃ NAAQS.

¹ California Smog Check Contingency Measure State Implementation Plan Revision. California Air Resources Board. October 23, 2023.

² 88 FR 17571. March 23, 2023.

BACKGROUND

Contingency Measures Requirements

Clean Air Act Sections 172 and 182³ require contingency measures to be implemented quickly if triggered when an area fails to make RFP or attain the NAAQS by the attainment date. The CAA specifies that SIPs must provide for contingency measures, defined in section 172(c)(9) as "specific measures to be undertaken if the area fails to make reasonable further progress, or to attain the national primary ambient air quality standard by the attainment date...." The CAA is silent though on the specific level of emission reductions that must come from contingency measures.

Over the last few years, multiple court decisions by the United States Court of Appeals for the Ninth Circuit (Ninth Circuit) and in other parts of the country have effectively disallowed the SIP-approved approach, which CARB, local air districts, and the rest of the country have historically used to meet contingency measure requirements.

As of 1992, in the absence of specific requirements for the amount of emission reductions required, EPA conveyed that the contingency measures should, at a minimum, ensure that an appropriate level of emissions reduction progress continues to be made if attainment of RFP is not achieved and additional planning by the State is needed⁴. Further, EPA ozone guidance states that "contingency measures should represent one year's worth of progress amounting to reductions of 3 percent of the baseline emissions inventory for the nonattainment area". EPA has accepted contingency measures that equal less than one year's worth of RFP when the circumstances fit under "EPA's long-standing recommendation that states should consider 'the potential nature and extent of any attainment shortfall for the area' and that contingency measures 'should represent a portion of the actual emissions reductions necessary to bring about attainment in the area."

Historically, EPA allowed contingency measure requirements to be met via excess emission reductions from ongoing implementation of adopted emission reduction programs, a method that CARB and local air districts have used to meet contingency measure requirements, and EPA has approved it in the past. In 2016, in Bahr v. EPA (Bahr), the Ninth Circuit determined EPA erred in approving a contingency measure that relied on an already-implemented measure for a nonattainment area in Arizona, thereby rejecting EPA's longstanding interpretation of section 172(c)(9). EPA staff interpreted this decision to mean that contingency measures must include a future action triggered by a failure to attain or failure to make RFP. This decision was applicable to the states covered by the Ninth Circuit. In the rest of the country, EPA still allowed contingency measures using their pre-Bahr stance.

In January 2021, in Sierra Club v. Environmental Protection Agency, the United States Court of Appeals for the D.C. Circuit, ruled that already implemented measures do not qualify as contingency measures for the rest of the country (Sierra Club). In response to Bahr and as part of the 75 ppb 8-hour ozone SIPs due in 2016, CARB developed the statewide Enhanced Enforcement Contingency Measure (Enforcement Contingency Measure) as a part of the 2018 Updates to the California State Implementation Plan to address the need for a triggered action as

³ 42 U.S.C. §7502 and §7511a

⁴ 57 FR 74. pp. 13510 & 13512. April 16, 1992

a part of the contingency measure requirement. CARB worked closely with EPA regional staff in developing the contingency measure package that included the triggered Enforcement Contingency Measure, a district triggered measure and emission reductions from implementation of CARB's mobile source emissions program. However, as part of the San Joaquin Valley 2016 Ozone Plan for 2008 8-hour Ozone Standard SIP action, EPA wrote in their final approval that the Enforcement Contingency Measures did not satisfy requirements to be approved as a "standalone contingency measure" and approved it only as a "SIP strengthening" measure. EPA did approve the district triggered measure and the implementation of the mobile reductions along with a CARB emission reduction commitment as meeting the contingency measure requirement for this SIP.

Subsequently, the Association of Irritated Residents filed a lawsuit against EPA for their approval of various elements within the San Joaquin Valley 2016 Ozone Plan for 2008 8-hour Ozone Standard, including the contingency measure. The Ninth Circuit issued its decision in Association of Irritated Residents v. EPA (AIR) that EPA's approval of the contingency element was arbitrary and capricious and rejected the triggered contingency measure that achieves much less than one year's worth of RFP. Most importantly, the Ninth Circuit said that, in line with EPA's longstanding interpretation of what is required of a contingency measure and the purpose it serves, together with Bahr, all reductions needed to satisfy the CAA's contingency measure requirements need to come from the contingency measure itself and the amount of reductions needed for contingency should not be reduced by the fact of surplus emission reductions from ongoing programs absent EPA formally changing its historic stance on the amount of reductions required.

Considering more recent court decisions^{5,6}, EPA released a draft contingency measure guidance in March 2023. The guidance interprets the court decisions to mean that triggered contingency measures must achieve the entirety of the required one year's worth of emission reductions on their own. The draft guidance proposes a new method for how to calculate one year's worth of progress needed for contingency and provides new clarification on the reasoned justification that would be needed for measures to be approved with a lesser amount of reductions. The guidance effectively reduces the amount of VOC reductions needed but adds an amount of NOx reductions needed. This analysis is based on the draft guidance⁷ published by EPA on March 23, 2023.

SFNA 2008 O3 NAAQS SIP

The SFNA air districts adopted the Sacramento Regional 2008 NAAQS 8-hour Ozone Attainment and Reasonable Further Progress Plan (2008 O_3 SIP) that address how the Sacramento region will attain the 2008 O_3 NAAQS. The 2008 O_3 SIP was submitted to CARB, and CARB approved and submitted it to EPA on December 18, 2017. Actions by EPA to approve or disapprove the 2008 O_3 SIP were delayed in part due to court decisions discussed previously. In collaboration with the SFNA air districts and other California air districts with nonattainment areas, CARB developed and adopted the 2018 Updates to the California State Implementation Plan (2018 SIP Update), to address the issues identified by the court findings.

A Final Rule was issued by the EPA in the Federal Register on October 22, 2021⁸, approving all revisions to the SIP except for the contingency measures revision where EPA deferred final action

⁵ Sierra Club v. Environmental Protection Agency, (D.C. Cir. 2021) 985 F.3d 1055.

⁶ Association of Irritated Residents v. U.S. Environmental Protection Agency, (9th Cir. 2021) 10 F.4th 937

⁷ Draft: Guidance on the Preparation of State Implementation Plan Provisions That Address the Nonattainment Area Contingency Measure Requirements for Ozone and Particulate Matter. U.S. Environmental Protection Agency. March 16, 2023

⁸ 86 FR 58581. October 22, 2021.

due to a court decision on approving SIP contingency measures. On June 15, 2023, EPA disapproved the SFNA SIP contingency measures because the 2008 O₃ SIP did not include measures that would be triggered if the area fails to attain the NAAQS by the attainment date or make reasonable further progress⁹. EPA's disapproval started a sanctions clock, which required the SFNA air districts to correct the contingency measure deficiencies and obtain full SIP approval within 18 months (by January 17, 2025); otherwise, the emission reduction credit offset ratio will increase to 2:1. If no corrections are made within 6 months of the increased offset ratio sanction, EPA must withhold highway funds to the nonattainment area. In addition, EPA must promulgate a Federal Implementation Plan (FIP) within 24 months of EPA's disapproval if the contingency measure deficiencies are not corrected.

The SFNA air districts propose to address the contingency measure deficiencies by adopting this SIP revision and contingency measures detailed in this document and submitting it to EPA. If EPA approves this SIP revision and the adopted contingency measures, the sanctions clock will end, and EPA will no longer be required to promulgate a FIP for the SFNA.

SFNA 2015 O3 NAAQS SIP

In Fall 2023, the SFNA air districts adopted the Sacramento Regional 2015 NAAQS 8-Hour Ozone Attainment & Reasonable Further Progress Plan. This plan was adopted by CARB on October 26, 2023, and forwarded to EPA for final review and approval¹⁰. In the plan, the SFNA air districts committed to amend their architectural coating rules to help meet the contingency measure requirements and to evaluate additional local control measures in accordance with EPA's guidance on contingency measures once the guidance is finalized. At the time of this document, the guidance has not been finalized but the SFNA will nonetheless need to evaluate contingency measures. This document evaluates the additional need for contingency measures based on the requirements of EPA's Draft contingency measure guidance.

ONE YEAR'S WORTH (OYW) OF PROGRESS

The contingency measure guidance specifies a calculation method for determining the necessary contingency measure emissions reductions for both VOC and NOx. The required reductions of VOC and NOx are referred to as "one year's worth (OYW) of progress." The guidance specifies the following calculation method to determine the OYW of progress:

 $\frac{(base \ year \ EI - attainment \ year \ EI)}{(attainment - base \ year)} \div base \ year \ EI \times attainment \ year \ EI = 0 YW \ of \ Progress$

For the SFNA, Tables 1 and 2 identify SFNA's OYW of progress required for VOC and NOx for both the 2008 and 2015 O_3 NAAQS. The SIP emission inventory for the 2008 O_3 NAAQS used CARB's California Emissions Projection Analysis Model (CEPAM) 2016, where the emissions forecasts were projected from a 2011 base year, and the 2015 O_3 NAAQS used CEPAM 2019, where the emissions forecasts were projected from a 2017 base year.

⁹ 88 FR 39179. June 15, 2023.

¹⁰ California Air Resources Board. Letter from Steven S. Cliff, Executive Officer to Martha Guzman. November 17, 2023.

Table 1: OYW of Progress for the SFNA for 2008 O₃ NAAQS					
Pollutant	Total SFNA 2008 SIP Inventory ^{11,12} (tpd)		OYW of Progress (tpd)		
	2011	2024	2024		
NOx	107.7	46.6	2.03		
VOC	111.6	82.9	1.64		

Table 2: OYW of Progress for the SFNA for 2015 O ₃ NAAQS				
Pollutant	Total SFNA 2015 SIP Inventory ¹³ (tpd)		OYW of Progress (tpd)	
	2017	2032	2032	
NOx	70.6	34.2	1.18	
VOC	96.6	79.9	0.92	

VOC CONTINGENCY MEAUSURES FOR THE 2008 AND 2015 O₃ NAAQS

The SFNA air districts have identified the VOC contingency measures to meet the required OYW of progress for both the 2008 and 2015 O_3 NAAQS. The VOC contingency measure reductions are provided by the already adopted SFNA air districts' architectural coating rules and CARB's Smog Check contingency measure, and local commitments to adopt or amend rules for composting operations, liquid petroleum gas transfer and dispensing, and solvent cleaning. For the purposes of showing that the SFNA has the emission reductions to meet OYW of Progress, the estimated emission reductions will be calculated for the attainment years, 2024 for the 2008 O_3 NAAQS and 2032 for the 2015 O_3 NAAQS, even though the emission reductions from contingency measures, if triggered, will not be realized in those years. For the 2008 O_3 NAAQS, the 2024 emissions reductions are calculated based on the emission inventory from CEPAM2016, and for the 2015 O_3 NAAQS, the 2032 emissions reductions are based the emission inventory from CEPAM2019. The already adopted and proposed SFNA commitments for VOC contingency measures are:

¹¹ California Air Resources Board. CEPAM: 2016 SIP - Standard Emission Tool, Emission Projections By Summary Category, Version 1.05 with External Adjustments, Sacramento Ozone Nonattainment Area Ozone, Base Year: 2012. Sacramento NAA Ozone Version 1.05. https://www.arb.ca.gov/app/emsinv/fcemssumcat/fcemssumcat2016.php. Updated February 16, 2017.

¹² California Air Resources Board. 2018 Updates to the California State Implementation Plan. Adopted: October 25, 2018.

¹³ California Air Resources Board. CEPAM: 2019 SIP - Standard Emission Tool, Emission Projections By Summary Category, Version 1.04 with External Adjustments, Sacramento Ozone Nonattainment Area, Base Year: 2017. https://www.arb.ca.gov/app/emsinv/fcemssumcat/fcemssumcat2016.php. Updated April 28, 2022.

Table 3: SFNA Commitments for Contingency Measures					
Contingency Measure by District	Rule(s)	Estimated 2024 VOC Reductions (tpd)	Estimated 2032 VOC Reductions (tpd)	Adoption Date	
		Architectural (
EDAQMD	215	0.002	0.003	Adopted July 16, 2024	
FRAQMD	3.15	0.001	<0.001	Adopted June 3, 2024	
PCAPCD	218	0.133	0.016	Adopted June 13, 2024	
SMAQMD	442	0.279	0.092	Adopted July 25, 2024	
YSAQMD	2.14	0.074	0.032	Adopted May 8, 2024	
		Compost	ing		
SMAQMD	None	0.092	0.092	Anticipated: October 2024	
YSAQMD	None	0.60	0.82	Anticipated:	
	Liquified	Potroloum Gas Tra	ansfer and Dispensin	December 2024	
SMAQMD	None	0.196	0.196	Anticipated: October 2024	
		Solvent Cle	aning		
PCAPCD	216/240	0.302	0.420	Anticipated October 2024	
Total SFNA VOC F	Reductions	1.679	1.672		
CARB Smog Chec Reduction	k ¹⁴ VOC	0.037	0.015	Adopted October 26, 2023	
Total SFNA VOC C	Commitment	1.716	1.687		
OYW for Progress	for VOC	1.64	0.92		

Consistent with the draft contingency measure guidance, the adopted and committed measures meet the OYW of progress for VOC emission reductions in the SFNA, and no other VOC contingency measures need be considered. The already adopted contingency measures include each of SFNA District's architectural coatings rules and the CARB Smog Check Contingency Measure, that includes a NOx reduction for the SFNA, in addition to the VOC amounts detailed in Table 3. For more details of the NOx reduction of the CARB Smog Check Contingency Measure see "CARB's Analysis of Additional Contingency Measures" section. The commitments for composting, Liquified Petroleum Gas (LPG) transfer and dispensing and solvent cleaning contingency measures are new or modified rules that are scheduled to be adopted by the dates shown in Table 3.

Detailed evaluations of the SFNA VOC contingency measures are included in Appendix A.

JUSTIFICATION OF LESS THAN OYW OF PROGRESS FOR NOX REDUCTIONS

The already adopted and committed VOC contingency measure will meet the OYW of progress for VOC; however, the SFNA air districts have not identified enough feasible NOx contingency measures. EPA's draft guidance allows for providing less than OYW of progress as long as it is

¹⁴ California Smog Check Contingency Measure State Implementation Plan Revision. California Air Resources Board. October 23, 2023. pp. 29-31.

supported by a reasoned justification¹⁵. The guidance provides nonattainment areas, such as the SFNA, that are seeking to satisfy the contingency measure requirement with less than OYW of progress, based on lack of feasible measures, to conduct and submit an "infeasibility justification." The infeasibility justification needs to show that for any remaining infeasible measures, the air agency must document why it reached the conclusion that each measure is infeasible, including whether the conclusion is based on technological or economic infeasibility.

Table 4 shows the SFNA NOx planning emissions inventory for the attainment years of 2024 for the 2008 O_3 NAAQS and 2032 for the 2015 O_3 NAAQS. For each of the largest sources of NOx the SFNA air districts evaluated NOx measures for those categories.

¹⁵ Draft: Guidance on the Preparation of State Implementation Plan Provisions That Address the Nonattainment Area Contingency Measure Requirements for Ozone and Particulate Matter. U.S. Environmental Protection Agency. March 16, 2023. pp.29-40

Table 4: SFNA NOx Planning Inventories					
Source Category	2024 SFNA NOx Emissions (tpd)	% of 2024 SFNA NOx Inventory	2032 SFNA NOx Emissions (tpd)	% of 2032 SFNA NOx Inventory	
010-ELECTRIC UTILITIES	,	3.01%	1.25	3.66%	
020-COGENERATION	1.40	0.02%	0.01	0.03%	
	0.01	0.02%	0.01	0.03%	
	0.05				
	1.46	3.13%	1.19	3.47%	
052-FOOD AND AGRICULTURAL PROCESSING	0.87	1.87%	0.72	2.10%	
	1.56	3.34%	1.78	5.20%	
099-OTHER (FUEL COMBUSTION)	0.52	1.12%	0.29	0.84%	
110-SEWAGE TREATMENT	0.00	0.00%	0.00	0.01%	
120-LANDFILLS	0.04	0.09%	0.05	0.16%	
130-INCINERATORS	0.02	0.05%	0.05	0.15%	
	0.00	0.00%	0.00	0.00%	
199-OTHER (WASTE DISPOSAL)	0.00	0.00%	0.00	0.01%	
210-LAUNDERING	0.00	0.00%	0.00	0.00%	
220-DEGREASING	0.00	0.00%	0.00	0.00%	
230-COATINGS AND RELATED PROCESS SOLVENTS	0.01	0.03%	0.01	0.04%	
240-PRINTING	0.01	0.01%	0.00	0.00%	
250-ADHESIVES AND SEALANTS	0.00	0.00%	0.00	0.00%	
299-OTHER (CLEANING AND SURFACE COATINGS)	0.00	0.00%	0.00	0.00%	
310-OIL AND GAS PRODUCTION	0.00	0.00%	0.00	0.01%	
320-PETROLEUM REFINING	0.00	0.00%	0.00	0.00%	
330-PETROLEUM MARKETING	0.01	0.02%	0.02	0.04%	
399-OTHER (PETROLEUM PRODUCTION AND MARKETING)	0.00	0.00%	0.00	0.00%	
410-CHEMICAL	0.17	0.38%	0.08	0.23%	
420-FOOD AND AGRICULTURE	0.02	0.04%	0.02	0.04%	
430-MINERAL PROCESSES	0.49	1.05%	0.40	1.17%	
440-METAL PROCESSES	0.01	0.02%	0.01	0.03%	
450-WOOD AND PAPER	0.05	0.10%	0.04	0.13%	
470-ELECTRONICS	0.00	0.00%	0.00	0.00%	
499-OTHER (INDUSTRIAL PROCESSES)	0.03	0.07%	0.03	0.08%	
510-CONSUMER PRODUCTS	0.00	0.00%	0.00	0.00%	
520-ARCHITECTURAL COATINGS AND RELATED PROCESS SOLVE	0.00	0.00%	0.00	0.00%	
530-PESTICIDES/FERTILIZERS	0.00	0.00%	0.00	0.00%	
540-ASPHALT PAVING / ROOFING	0.00	0.00%	0.00	0.00%	
610-RESIDENTIAL FUEL COMBUSTION	1.85	3.97%	1.82	5.32%	
620-FARMING OPERATIONS	0.00	0.00%	0.00	0.00%	
630-CONSTRUCTION AND DEMOLITION	0.00	0.00%	0.00	0.00%	
640-PAVED ROAD DUST	0.00	0.00%	0.00	0.00%	
645-UNPAVED ROAD DUST	0.00	0.00%	0.00	0.00%	
650-FUGITIVE WINDBLOWN DUST	0.00	0.00%	0.00	0.00%	
660-FIRES	0.01	0.03%	0.02	0.05%	
670-MANAGED BURNING AND DISPOSAL	0.29	0.62%	0.32	0.94%	
690-COOKING	0.00	0.00%	0.00	0.00%	
699-OTHER (MISCELLANEOUS PROCESSES)	0.00	0.00%	0.00	0.00%	
710 through 890 Mobile Source Categories	37.68	80.93%	26.04	76.22%	
Grand Total	46.55	100.00%	34.16	100.00%	

The significant source categories of NOx emissions in the SFNA are:

- 1. Mobile sources;
- 2. Residential fuel combustion (space and water heating, cooking, and wood burning fireplaces and stoves);
- 3. Electric utilities (turbines, internal combustion (IC) engines, and biomass boilers);
- 4. Food and agricultural processing (IC engines and boilers);
- 5. Manufacturing and industrial (boilers, dryers, ovens, space heaters, IC engines, and process heaters);
- 6. Service and commercial (boilers, dryers, ovens, space heaters and IC engines);
- 7. Mineral processing operations (ovens and asphaltic concrete dryers); and
- 8. Chemical manufacturing of plastics and synthetic organic fibers (ovens, dryers, and boilers);
- 9. Managed burning and disposal;
- 10. Oil and gas production (boilers and IC engines);
- 11. Waste gas flares Landfill, Sewage Treatment, and Incineration;
- 12. Wood and paper emissions (oven, dryer, process heaters); and
- 13. Other fuel combustion.

The largest source category of NOx in the SFNA is mobile sources, which is approximately 75 to 80% of the NOx emissions inventory. The SFNA air districts do not have the authority to reduce emissions from this category of emissions other than through incentive programs to encourage the use of cleaner technology. Consistent with EPA's conclusion for the San Joaquin Valley, the overwhelming amount of mobile source emissions for NOx significantly limits the ability for the SFNA to achieve OYW of NOx reductions from contingency measures¹⁶. Mobile sources generally fall under the jurisdiction of the federal government to establish controls, unless the state qualifies for and has obtained a waiver. California has obtained a waiver from the federal over some mobile sources, and CARB has evaluated opportunities for contingency measures in it program as part of California Smog Check Contingency Measure SIP revision¹⁷. Besides the Smog Check contingency measures (see "CARB's Analysis of Additional Contingency Measures" section). Further action is needed by EPA to adequately address the emissions from mobile sources.

Except for mobile sources, the other sources are stationary sources, and the NOx emission are from the combustion processes, such as internal combustion engines, boilers, water heaters, space heaters, furnaces, dryers, turbines, flares, fireplaces and woodstoves. Local air districts may adopt rules and regulations for these stationary sources. Each control measure for these stationary sources and its infeasibility as a contingency measure are summarized below in the "Infeasibility Justification of Local NOx Control Measures" section and discussed in Appendix B.

¹⁶ "EPA Source Category and Control Measure Assessment and Reasoned Justification Technical Support Document. Proposed Contingency Measures Federal Implementation Plan for the Fine Particulate Matter Standards for San Joaquin Valley, California." U.S. Environmental Protection Agency, Region IX. p. 8. July 2023.

¹⁷ California Smog Check Contingency Measure State Implementation Plan Revision. California Air Resources Board. October 23, 2023.

CARB's Analysis of Additional Contingency Measures

In CARB's California Smog Check Contingency Measure SIP Revision released on September 15, 2023¹⁸, CARB evaluated potential options for contingency measures within each of CARB's regulations consistent with EPA's draft contingency measure guidance if any additional contingency measures were feasible statewide. CARB identified the difficulties of contingency measures to provide large amount of reductions within two years of a triggering event for regulations that rely on accelerated turnover of older engines/trucks such as the In-Use Locomotive Regulation, advanced Clean Fleets, and Transportation Refrigeration Unit II. CARB concluded that due to the need for buildout of potential infrastructure upgrades and market-readiness of new equipment options are infeasible for contingency measure reductions.

Additionally, CARB's commitment to driving sources of air pollution in California to zero-emissions everywhere feasible as expeditiously as possible limits possibilities of contingency measures. One part of CARB's zero-emissions commitment is the recent rulemaking that will ban the sale of new gas furnace and water heaters in California starting in 2030 making contingency measure reductions in these categories infeasible.

At this time, CARB only identified the California Smog Check Contingency Measure. CARB did not identify any other feasible contingency measures. CARB's Smog Check Contingency Measure includes a NOx reduction of 0.077 tpd in 2024, and 0.047 tpd in 2032 for the SFNA. The Smog Check Contingency Measure was adopted on October 26, 2023.

Infeasibility of Transportation Control Measures

Vehicular emissions can be reduced through implementation of Transportation Control Measures (TCMs), which are strategies that reduce transportation-related air pollution and fuel use by reducing vehicle miles traveled and improving roadway operations¹⁹. TCMs may reduce vehicle trips, vehicle use, vehicle miles traveled, vehicle idling, or traffic congestion. In the SFNA, SACOG is the primary Metropolitan Planning Organization (MPO) for the greater Sacramento region (includes Sacramento, Yolo, Placer, El Dorado, Sutter, and Yuba Counties). SACOG provides transportation planning and funding for the region and has worked with local governments and the SFNA air districts to develop and implement TCMs. For example, one of the TCMs developed for the previous attainment plans for the SFNA is the Spare The Air program, a program that has achieved a high level of public awareness.

TCMs are not feasible contingency measures because TCMs have to be developed through the area's transportation planning process, which can take a significant amount of time and are funded to a large degree by the Federal Highway Administration and the Federal Transit Administration based on transportation improvement programs developed by the MPOs in the area. Therefore, given the time it would take to advance these projects through the planning and funding processes, TCMs are not a feasible contingency measure.

¹⁸ California Smog Check Contingency Measure State Implementation Plan Revision. California Air Resources Board. October 23, 2023. pp. 7-12.

¹⁹ "Transportation Control Measures – Information Document for Developing and Implementing Emissions Reductions Programs." U.S. Environmental Protection Agency. EPA-430-09-040. March 2011.

Infeasibility Justification of Local NOx Control Measures

The SFNA air districts evaluated local NOx control measures for each NOx emissions category for feasibility. The summary of the evaluations and the reasons for infeasibility are shown in Table 5; detailed infeasibility justifications for each NOx measure are included in Appendix B. The identified NOx control measures are disqualified as contingency measures due to:

- 1) The infeasibility of achieving NOx reductions within one or two years of a triggering event. For any permitted source that would be subject to control measures requiring equipment replacement or retrofit, the time to apply for and obtain permits (permitting within in the SFNA requires both a pre-construction and operating (post-construction) permits), perform engineering/design evaluation, and purchase, install, and test replaced or retrofitted equipment in less than 2 years of a triggering event to obtain meaningful reductions within 2 years is not feasible. For point-of-sale measures, the required turnover of existing units makes reductions negligible within 2 years of a triggering event; and/or
- 2) Control measures are already committed as part of the State SIP Strategy;
- 3) Control measures are not cost-effective; and/or
- 4) No other most stringent controls were identified.

Table 5: Evaluated NOx Contingency Measures						
Control Measure	ontrol Measure Opportunity for Reductions Infeasibility Reasons					
Asphaltic Concrete	Identified lower NOx emission limits identified in SCAQMD Rule 1147.1 adopted in 2021.	Infeasible of achieving reductions within the contingency measure time period and not cost effective within the SFNA.				
Boilers	Identified lower limits in SCAQMD Rule 1146.1 and San Joaquin Valley Unified Air Pollution Control District (SJVUAPCD) Rules 4306 and 4320.	Infeasible of achieving reductions within the contingency measure time period and not cost effective within the SFNA.				
Biomass Boilers	No other more stringent controls were identified	No other more stringent controls were identified				
Furnaces (Residential)	Identified "point of sale" NOx limits and potential reductions from requiring electrification of new units.	Infeasible of achieving reductions due to point-of-sale mechanism for this category. The required turnover of existing units makes reductions negligible within 2 years of a triggering event. In addition, CARB has committed as part of the 2022 State SIP Strategy to adopt by 2025 a zero-emission standard for new gas furnace in California, disqualifying this measure as a				
IC Engines	Identified lower limits in SCAQMD Rule 1110.2.	contingency measure. Infeasible of achieving reductions within the contingency measure time period and not cost effective within the SFNA.				

Managed Burning and Disposal	Identified agricultural crop burn ban in SJVAPCD open burning rule, Rule 4103.	Infeasible of achieving reductions due to high costs to implement similar burn ban.
Miscellaneous Combustion	Identified lower limits in SCAQMD Rule 1147.	Infeasible of achieving reductions within the contingency measure time period and not cost effective within the SFNA.
Water Heaters (Residential) – Less than 1 mmBtu/hr	Identified lower limits in BAAQMD, which recently adopted zero emission regulations for furnaces and water heaters starting in 2027 for water heaters and 2029 for space heaters.	Infeasible of achieving reductions within the contingency measure time period due to the point-of-sale mechanism for this category. The required turnover of existing units makes reductions negligible within 2 years of a triggering event. In addition, CARB has committed as part of the 2022 State SIP Strategy to adopt by 2025 a zero-emission standard for new gas water heater in California, disqualifying this measure as a contingency measure.
Turbines	Identified more stringent limits identified in SCAQMD and SJVUAPCD.	Infeasible of achieving reductions within the contingency measure time period.
Waste Gas Flares	Identified controls consistent with SJVUAPCD Rule 4311 to reduce emissions from flaring operations.	Infeasible of achieving reductions within the contingency measure time period and not cost effective within the SFNA.

PUBLIC OUTREACH/COMMENTS

The districts of the SFNA held a public workshop on September 18, 2024, to discuss the proposed SIP revision for the 2008 and 2015 O_3 NAAQS. No comments were received at the workshop. A notice for the workshop was sent by e-mail to interested parties, including the affected sources and all those who have requested planning and rulemaking notices, and published on the air districts' website. In addition, each contingency measure will conduct a separate public workshop to discuss specific changes in the measure.

ENVIRONMENTAL REVIEW

In this SIP revision, the District is not proposing to adopt any changes to air district rules. Staff has determined that the adoption of this Contingency Measure Analysis SIP revision is exempt from the California Environmental Quality Act (CEQA) as an action by a regulatory agency for the protection of the environment (Class 8 Categorical Exemption, Section 15308, State CEQA Guidelines) and because it can be seen with certainty that there is no possibility that the activity in question may have a significant adverse effect on the environment (Section 15061(b)(3), State CEQA Guidelines).

CONCLUSION

Staff is proposing to submit for SIP approval the contingency measure analysis and the contingency measures as specified in Table 3 to satisfy the contingency measure requirements for the 2008 and 2015 O_3 NAAQS. This analysis also demonstrates the lack of achievable NOx contingency measures consistent with the infeasibility analysis allowed by EPA's Draft Contingency Measure Guidance.

REFERENCES

California Air Resources Board. *California Smog Check Contingency Measure State Implementation Plan Revision.* Sacramento, CA. September 15, 2023.

California Air Resources Board. *CEPAM:* 2016 SIP – Standard Emission Tool, Emission Projections By Summary Category, Base Year: 2012. https://www.arb.ca.gov/app/emsinv/fcemssumcat/fcemssumcat2016.php. Sacramento: California Air Resources Board. Updated February 16, 2017.

California Air Resources Board. *CEPAM:* 2019 SIP – Standard Emission Tool, Emission Projections By Summary Category, Base Year: 2017. https://www.arb.ca.gov/app/emsinv/fcemssumcat/fcemssumcat2016.php. Sacramento: California Air Resources Board. Updated April 28, 2022.

Draft Guidance on the Preparation of State Implementation Plan Provisions That Address the Nonattainment Area Contingency Measure Requirements for Ozone and Particulate Matter, Federal Register 88:56 (March 23, 2023) p. 17571.

"Implementation of the 2015 National Ambient Air Quality Standards for Ozone: Nonattainment Area State Implementation Plan Requirements", Federal Register 83:234 (December 6, 2018) p. 62998.

U.S. Environmental Protection Agency, Region IX. *EPA Proposed Contingency Measures Technical Support Document. Proposed Contingency Measures Federal Implementation Plan for the Fine Particulate Matter Standards for San Joaquin Valley, California.* San Fransisco, CA. July 23.

U.S. Environmental Protection Agency. *Transportation Control Measures – Information Document for Developing and Implementing Emissions Reductions Programs.* EPA-430-09-0404. March 2011.

APPENDIX A SFNA COMMITMENTS FOR VOC CONTINGENCY MEASURES

Based on EPA's Draft Contingency Measure Guidance, the SFNA air districts has identified VOC reductions from feasible contingency measures in the SFNA to meet OYW of Progress for VOC for both the 2008 and 2015 O_3 NAAQS. The VOC contingency measures are shown in the table below. Further discussion is provided below.

Table A-1: SFNA Commitments for Contingency Measures					
Contingency Measure by District	Rule(s)	Estimated 2024 VOC Reductions (tpd)	Estimated 2032 VOC Reductions (tpd)	Adoption Date	
		Architectural C	oatings	•	
EDAQMD	215	0.027	0.003	Adopted July 16, 2024	
FRAQMD	3.15	0.001	<0.001	Adopted June 3, 2024	
PCAPCD	218	0.133	0.016	Adopted June 13, 2024	
SMAQMD	442	0.279	0.092	Adopted July 25, 2024	
YSAQMD	2.14	0.074	0.032	Adopted May 8, 2024	
		Composti	ng		
SMAQMD	None	0.083	0.083	Anticipated: October 2024	
YSAQMD	None	0.60	0.82	Anticipated: October 2024	
	•	LPG Transfer and I	Dispensing	·	
SMAQMD	None	0.196	0.196	Anticipated: October 2024	
		Solvent Clea	ning		
PCAPCD	216/240	0.302	0.420	Anticipated: October 2024	
Total SFNA VOC I	Reductions	1.679	1.672		
CARB Smog Cheo Reduction	ck ²⁰ VOC	0.037	0.015	Adopted October 26, 2023	
Total SFNA VOC I	Reduction	1.719	1.687		
OYW of VOC		1.64	0.92		

Architectural Coatings (Adopted by All Air District)

Architectural coatings include interior and exterior house coatings, stains, industrial maintenance coatings, concrete/masonry sealers, traffic marking coatings, and many other coating products. Architectural coatings are typically applied at industrial, commercial, and residential facilities by painting professionals and residential consumers. The air district rules for architectural coatings establish maximum VOC content categories for specific categories of architectural coatings and prohibits the application of coatings that exceed the VOC limits.

This adopted control measure, based on the 2019 California Air Resources Board Suggested Control Measure (SCM), lowered the VOC limits for some architectural coatings, improved definitions for many categories, established new VOC content limits for colorants, and removed some coating categories no longer relevant. This contingency measure has already been adopted by all air districts of the SFNA.

²⁰ Ibid. pp. 29-31.

Each architectural coating rule in the SFNA includes provisions that, if triggered, would automatically establish the more stringent requirements, consistent with the 2019 SCM. The contingency measure trigger date is the effective date of a final EPA rule finding that the SFNA fails to meet reasonable further progress in a milestone year or attain the standard by the attainment date of the 2008 or 2015 ozone NAAQS.

Composting Operations (SMAQMD and YSAQMD)

Composting is a biological process where organic material is decomposed by microorganisms under controlled conditions in the presence of oxygen to produce a compost material that can be used to reintroduce nutrients into the soil. Composting is a three-stage process that begins as soon as appropriate materials are combined and piled together. After two to four months of composting, the material becomes finished compost. The initial stage of the process is referred to as active composting, followed by curing or finishing, and finally storage and/or processing of composted products. Emissions during the first 15 days of the active phase period account for a majority (87%) of the total integrated VOC emissions²¹. Two composting methods are used: static pile composting and turned windrow composting.

Static pile composting is characterized by infrequent turning, which is similar to backyard composting but on a larger scale. The material is placed into piles, where it decomposes over an extended period of time with little or no mixing during the composting process. Therefore, it is crucial to construct the pile to the appropriate size, with the material being thoroughly blended and having a moisture content and porosity to allow adequate aeration through the composting process.

The predominant method of greenwaste composting is the turned windrow composting, where materials are moved with a front-end loader into long piles called windrows. Aeration is achieved both by natural advection and mechanically turning the piles with a front-end loader or a windrow turner. Temperature, moisture content and oxygen concentration are maintained to optimize and hasten decomposition.

Currently, no district in the SFNA has a rule covering this source category. The proposed composting contingency measures in SMAQMD and YSAQMD will be new rules that include automatic contingency measure triggering mechanisms.

Potential controls

This contingency measure will regulate emissions of volatile organic compounds (VOC) from new and existing composting operations. The contingency measure requirements will require best management practices for composting facilities, consistent with SCAQMD Rule 1133.3 – Emission Reductions from Greenwaste Composting Operations. The best management practices include covering (with screened or unscreened finished compost) on each active phase compost pile within 24 hours of formation, the application of water as necessary to the top of the compost pile within six hours prior to turning (such that the top half of the pile is wet to a depth of three inches), or allows use of an alternative mitigation measure that achieves emissions reductions of at least 40 percent by weight of VOC emissions for combined cover and water application (including measures such as enclosures, aerated static piles, or other emission control devices). Under the contingency measure requirements, two composting facilities

²¹ SCAQMD. "Final Staff Report: Proposed Amended Rule 1133.1 – Chipping and Grinding Activities and Proposed Rule 1133.3 – Emission Reductions from Greenwaste Composting Operations." July 2011. p. 9.

in the SFNA (one located in the SMAQMD and one located in the YSAQMD) would be subject to this contingency measure requirements.

Composting Emissions Inventory

EIC codes	District	Description	VOC Inventory for Composting Contingency Measure (tpd)	
			2024	2032
330-319-0120-0000	SMAQMD	COMPOSTING	0.252	0.251
199-190-0010-0000 410-436-5800-0000	YSAQMD	COMPOSTING	4.48*	5.59*
	•	Total	4.73	5.84

* YSAQMD has two permitted composting facilities.

Composting Emission Reductions

EIC codes	District	Description	VOC Reduction for Compostin Contingency Measure (tpd)	
			2024	2032
330-319-0120-0000	SMAQMD	COMPOSTING	0.083	0.083
199-190-0010-0000 410-436-5800-0000	YSAQMD	COMPOSTING	0.6**	0.82**
	·	Total	0.683	0.903

**One permitted facility will be subject to this contingency control measure. The other permitted facility has recently moved their operation and is already subject to requirements more stringent than the requirements specified in this control measure.

Feasibility

The SCAQMD amendments to Rule 1133.1 & 1133.3 estimated a cost-effectiveness of \$1,340 per ton of VOC reduction (\$0.67 per pound of VOC reduced). To adjust this to 2031 dollars, the cost-effectiveness is \$2,158 per ton of VOC reduced (\$1.08 per pound of VOC reduced).

The contingency measure is cost-effective and feasible within the contingency measure time period as the controls are based on best management practices and do not require equipment changes.

Liquified Petroleum Gas (LPG) Transfer and Dispensing (SMAQMD)

LPG consists of propane, propylene, butane, and butylene and is used in numerous applications as fuel for automobiles, barbeques, engines, forklifts, space heaters, trucks, agricultural and industrial equipment, and in chemical processing operations. LPG is a colorless, odorless, and non-toxic gas that is compressed and stored as a liquid. LPG is about 1.5 times heavier than air in the vapor state and is

considered a volatile organic compound (VOC). LPG is commonly referred to as propane when used for domestic heating. LPG is produced during the production and processing of natural gas and crude oil and is stored as a liquid under moderate pressure. LPG is transported to multiple destinations through a series of transfer operations between storage facilities, rail cars, tanker trucks/trailers, bobtails and dispensing into tanks and cylinders. Fugitive emissions are released into the atmosphere during the LPG transfer and dispensing operations.

After LPG is produced, it is transported to multiple destinations through a series of storage facilities, rail cars, tank trucks, bobtails, and various size cylinders. There are three sources of fugitive emissions during each LPG transfer or dispensing event; 1) leaks from the equipment used to transfer the LPG, 2) entrapped liquid and vapor in the connector housings that is released to the atmosphere upon disconnection, and 3) liquid and vapor released from the open fixed liquid level gauge (FLLG) used to vent the tank and prevent overfilling.

Currently, no district in the SFNA has a rule covering this source category.

Potential controls

This contingency measure is based on adopting the requirements of South Coast AQMD Rule 1177 – Liquefied Petroleum Gas Transfer and Dispensing. Identical requirements are included in Ventura County APCD Rule 74.33. The contingency measure will reduce emissions from LPG through two methods: decreasing the size of the orifice on the fixed liquid level gauge (FLLG), which is opened during the filling of LPG cylinders, and by using low emission connectors that reduce the amount of LPG entrapped in the connector housing. Using a FLLG with a smaller orifice reduces the fugitive emissions by about 50%, while using low-emission connectors reduces the fugitive emissions by varying amounts, depending on the type of LPG transfer and size of the connectors.

LPG Transfer and Dispensing Emissions Inventory

EIC codes	Description	VOC Inventory for Control Measures (tpd)	
		2024	2032
330-319-0120-0000	LPG TRANSFER AND DISPENSING LOSSES	0.5693	0.5693
	Total	0.5693	0.5693

LPG Transfer and Dispensing Emissions Reductions

EIC codes	Description	VOC Inventory for Control Measures (tpd)	
		2024	2032
330-319-0120-0000	LPG TRANSFER AND DISPENSING LOSSES	0.196	0.196
	Total	0.196	0.196

Feasibility

The contingency measure is cost-effective and feasible within the contingency measure time period as the controls are based on best management practices and do not require equipment changes. Both SCAQMD and VCAPCD implemented the rule within one year (SCAQMD effective date was one year and VCAPCD effective date was less than six months).

Solvent Cleaning (PCAPCD)

Solvents are used in many cleaning operations including cleaning of products during manufacturing processes; cleaning of surfaces prior to application of coatings, adhesives, sealants, or inks; cleanup of application equipment; cleaning for repair and maintenance; and cleaning of tools and work surfaces. Cleaning may be performed using degreasers, or outside degreasers using wipe cleaning or other means. VOCs are emitted from the evaporation of organic solvents.

PCAPCD Rule 240, Surface Preparation and Cleanup, reduces emissions from cleaning operations from hand-wiping type cleaning and degreasing operations. Currently, Rule 240 requires that solvents used in most cleaning applications contain 50 g/l or less of VOC, with higher limits for special operations such as cleaning of electrical/electronic components (100 g/l) and medical devices (800 g/l). This VOC limit applies on the surface prep and cleanup activities that are not regulated by other existing district VOC rules. For example, metal parts and products, wood coating operations, automotive refinishing, and etc. all currently have a lower VOC limit (25 g/l) for surface preparation and cleanup.

PCAPCD Rule 216, Organic Solvent Cleaning and Degreasing Operations, reduces emissions from degreasers. Rule 216 requires cold cleaners and vapor degreases to meet specific design requirements. Currently, Rule 216 requires non-vapor degreasers use solvents with a VOC content of 50 grams per liter or less.

Potential controls

The following rules were reviewed and compared to PCAPCD's Rule 240 and 216:

- SMAQMD Rule 466 and 454
- SCAQMD Rules 1122 and 1171
- SJVUPACD Rules 4661, 4662, and 4663
- BAAQMD Rule 8-4
- VCAPCD Rules 74.6 and 74.6.1
- SDAPCD Rules 67.6.1 and 67.6.2

The rules referenced above set a VOC limit for general wipe cleaning and degreasing at 25 g/l. The contingency measure will implement a 25 g/l for general wipe cleaning and degreasing in PCACPD Rules 216 and 240.

Emission Inventory

The following table summarizes the VOC emissions from related EIC categories subject to PCAPCD Rule 216 and 240 requirements for 2024 and 2032 for the 2008 and 2015 O₃ NAAQS, respectively:

EIC Category	Description	VOC Inventory for Control Measure (tpd)	
	•	2024	2032
220- 204- 0500- 0000	COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – PETROLEUM NAPTHA	0.2641	0.2824
220- 204- 3008- 0000	COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – ACETONE	0.0049	0.0000
220- 204- 3022- 0000	COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) ALCOHOLS	0.0338	0.0349
220- 204- 3083- 0000	COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – CFC'S	0.0045	0.0046
220- 204- 3176- 0000	COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – GLYCOL ETHERS	0.0029	0.0030
220- 204- 3204- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – KETONES	0.0005	0.0006
220- 204- 3246- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) METHYLENE DICHLORIDE	0.0000	0.0000
220- 204- 3333- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – TERPENES	0.0151	0.0156
220- 204- 3339- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – TOLUENE/XYLENE	0.0012	0.0012
220- 204- 3344- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – TCA	0.0000	0.0000
220- 204- 8106- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – BLENDS	0.1030	0.1099
220- 206- 3083- 0000	206-VAPOR DEGREASING (BATCH, CONVEYOR) – CFC'S	0.0019	0.0019
220- 206- 3107- 0000	206-VAPOR DEGREASING (BATCH, CONVEYOR) – DICHLOROFLUOROETHANE	0.0002	0.0003
220- 206- 3301- 0000	206-VAPOR DEGREASING (BATCH, CONVEYOR) – PERFLUOROCARBONS	0.0006	0.0000
220- 206- 3344- 0000	206-VAPOR DEGREASING (BATCH, CONVEYOR) – TRICHLOROETHANE	0.0000	0.0000
220- 208- 0500- 0000	208-HANDWIPING – PETROLEUM NAPTHA	0.0754	0.0806
220- 208- 3022- 0000	208-HANDWIPING – ALCOHOLS	0.0711	0.0734
220- 208- 3083- 0000	208-HANDWIPING – CFC'S	0.0005	0.0006
220- 208- 3176- 0000	208-HANDWIPING – GLYCOL ETHERS	0.0152	0.0156
220- 208- 3204- 0000	208-HANDWIPING – KETONES	0.0538	0.0556
220- 208- 3246- 0000	208-HANDWIPING – METHYLENE CHLORIDE	0.0000	0.0000
220- 208- 3339- 0000	208-HANDWIPING – TOLUENE/XYLENE	0.0140	0.0144
220- 208- 3344- 0000	208-HANDWIPING – 1,1,1, TRICHLOROEHTANE	0.0000	0.0000
220- 208- 8104- 0000	208-HANDWIPING – PURE UNSPECIFIED	0.0108	0.0112
220- 208- 8106- 0000	208-HANDWIPING – DEGREASING SOLVENTS – BLENDS	0.0335	0.0350
230- 240- 8300- 0000	240-THINNING AND CLEANUP SOLVENT USES – THINNING & CLEANUP SOLVENTS – COATINGS UNSPECIFIED	0.0144	0.0294
240- 995- 8000- 0000	995-OTHER – SOLVENTS (UNSPECIFIED)	0.1450	0.1304
520- 522- 8310- 0000	522-THINNING AND CLEANUP SOLVENTS – ADDITIVES	0.0047	0.0055
520- 522- 8350- 0000	522-THINNING AND CLEANUP SOLVENTS – CLEANUP SOLVENTS (UNSPECIFIED	0.1259	0.1439
	Total	0.997	1.0501

Emission Reductions

Lowering the VOC emission limit from 50 g/l to 25 g/l in both Rule 216 and 240 consistent with the other local air district's rules will produce an approximate 50% reduction in VOC's for the EIC categories listed below.

EIC Category	Description	VOC/ROG Emission Reductions for Control Measure (tpd)	
		2024	2032
220- 204- 0500- 0000	COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – PETROLEUM NAPTHA	0.1056	0.1129
220- 204- 3008- 0000	COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – ACETONE	0.0020	0.0000
220- 204- 3022- 0000	COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) ALCOHOLS	0.0135	0.0140
220- 204- 3083- 0000	COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – CFC'S	0.0018	0.0018
220- 204- 3176- 0000	COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – GLYCOL ETHERS	0.0012	0.0012
220- 204- 3204- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – KETONES	0.0002	0.0002
220- 204- 3246- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) METHYLENE DICHLORIDE	0.0000	0.0000
220- 204- 3333- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – TERPENES	0.0060	0.0062
220- 204- 3339- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – TOLUENE/XYLENE	0.0005	0.0005
220- 204- 3344- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – TCA	0.0000	0.0000
220- 204- 8106- 0000	204-COLD CLEANING (BATCH, CONVEYOR, SPRAY GUN) – BLENDS	0.0412	0.0440
220- 206- 3083- 0000	206-VAPOR DEGREASING (BATCH, CONVEYOR) – CFC'S	0.0019	0.0007
220- 206- 3107- 0000	206-VAPOR DEGREASING (BATCH, CONVEYOR) – DICHLOROFLUOROETHANE	0.0002	0.0001
220- 206- 3301- 0000	206-VAPOR DEGREASING (BATCH, CONVEYOR) – PERFLUOROCARBONS	0.0006	0.0000
220- 206- 3344- 0000	206-VAPOR DEGREASING (BATCH, CONVEYOR) – TRICHLOROETHANE	0.0000	0.0000
220- 208- 0500- 0000	208-HANDWIPING – PETROLEUM NAPTHA	0.0000	0.0323
220- 208- 3022- 0000	208-HANDWIPING – ALCOHOLS	0.0000	0.0294
220- 208- 3083- 0000	208-HANDWIPING – CFC'S	0.0000	0.0002
220- 208- 3176- 0000	208-HANDWIPING – GLYCOL ETHERS	0.0000	0.0063
220- 208- 3204- 0000	208-HANDWIPING – KETONES	0.0000	0.0222
220- 208- 3246- 0000	208-HANDWIPING – METHYLENE CHLORIDE	0.0000	0.0000
220- 208- 3339- 0000	208-HANDWIPING – TOLUENE/XYLENE	0.0000	0.0058
220- 208- 3344- 0000	208-HANDWIPING – 1,1,1, TRICHLOROEHTANE	0.0000	0.0000
220- 208- 8104- 0000	208-HANDWIPING – PURE UNSPECIFIED	0.0000	0.0045

EIC Category	Description	VOC/ROG Emission Reductions for Control Measure (tpd)	
		2024	2032
220- 208- 8106- 0000	208-HANDWIPING – DEGREASING SOLVENTS – BLENDS	0.0134	0.0140
230- 240- 8300- 0000	240-THINNING AND CLEANUP SOLVENT USES – THINNING & CLEANUP SOLVENTS – COATINGS UNSPECIFIED	0.0058	0.0118
240- 995- 8000- 0000	995-OTHER – SOLVENTS (UNSPECIFIED)	0.0580	0.0522
520- 522- 8310- 0000	522-THINNING AND CLEANUP SOLVENTS – ADDITIVES	0.0000	0.0022
520- 522- 8350- 0000	522-THINNING AND CLEANUP SOLVENTS – CLEANUP SOLVENTS (UNSPECIFIED	0.0504	0.0576
	Total	0.3022	0.4200

Feasibility

The contingency measure is technically feasible and cost-effective. Manufacturers are currently required to meet the solvent coating limit proposed in this control measure for several other major air districts within the State. Given that such solvents are already available in the market, the cost-effectiveness associated with this control measure is assumed \$0/ton.

California Smog Check Contingency Measure (Adopted by CARB)

On October 26, 2023, CARB adopted the California Smog Check Contingency Measure State Implementation Plan Revision and transmitted it to EPA on November 13, 2023. The California Smog Check Contingency Measure SIP Revision addresses SIP contingency measure requirements of the federal CAA for certain areas designated as nonattainment of the NAAQS within the State, including the SFNA.

Several exemptions are provided by the California Smog Check program. In 2017, the California Health and Safety code was amended to exempt vehicles up to eight model years old rather than six model years old. To reduce emissions, California will eliminate this exemption in areas of the state that are nonattainment, including the SFNA, when triggered as a contingency measure.

The contingency measure is technically feasible and cost-effective and has already been adopted by CARB.

APPENDIX B INFEASIBILITY OF NOX CONTINGENCY MEASURES

Based on EPA's Draft Contingency Measure Guidance, there are no achievable NOx reductions from feasible local contingency measures in the SFNA to meet the OYW of Progress for NOx. A small amount of NOx contingency measure reductions will come from the CARB Smog Check Program but the SFNA air districts have not identified any specific NOx measures. No measures were identified due to one or more of the following reasons: meaningful emission reductions cannot be achieved within two years of the triggering event, no more stringent requirements or more stringent requirements already committed by the state, and/or high cost effectiveness. Cost effectiveness for the analyzed measures were calculated to 2031 dollars.

The following SFNA source categories, which were derived from the SFNA emission inventory categories, were evaluated to determine if there were feasible contingency measures:

- Asphaltic Concrete
- Boilers
- Biomass Boilers
- Furnaces (Residential)
- Internal Combustion Engines
- Managed Burning and Disposal
 Miscellaneous
- Turbines
- Waste Gas Flares

CombustionWater Heaters (Residential)

Asphaltic Concrete

Asphaltic concrete, or hot-mix pavement material, is produced in both continuous and batch plants; some of the latter are portable. The process involves heating aggregate in a rotary dryer to approximately 300 °F and mixing it with melted asphalt cement refined from petroleum. This measure targets NOx emissions from the burners used to heat the dryer.

Relevant Emission Inventory

The emissions inventory associated with asphaltic concrete operations is shown in the table below:

District	EIC	Category	NOx Invento categor 2024	•
EDCAQMD	None	N/A	N/A	N/A
FRAQMD	None	N/A	N/A	N/A
PCAPCD	430-424-7006-0000	Asphaltic Concrete Production	0.076	0.065
SMAQMD	430-424-7006-0000	Asphaltic Concrete Production	0.061	0.035
YSAQMD	430-424-7006-0000	Asphaltic Concrete Production	0.093	0.079

Potential controls

SCAQMD Rule 1147, SJVUAPCD Rule 4309 and Ventura County Air Pollution Control District (VCAPCD) Rule 74.34, require asphalt manufacturing operations meet 40 ppm NOx @ 3% O₂. In 2021, SCAQMD adopted Rule 1147.1, NOx Reductions from Aggregate Dryers, that requires asphaltic concrete dryers to meet 30 ppm NOx @ 3% O₂. The more stringent limits in SCAQMD Rule 1147.1 allowed sources that were meeting the current Rule 1147 emissions limits of 40 ppm NOx to continue using their existing burners until the burner is 32 years of age or January 1, 2023, whichever is later.

To meet the lower NOx limits for this source category, the equipment must be replaced or retrofitted with cleaner technology equipment.

PCAPCD Analysis

PCAPCD does not have an applicable control rule for this industrial process. Currently, only one facility is permitted in Placer County. The permit requires the NOx emission concentration from facility's aggregate drum dryer to meet 36 ppmvd @ 3% O₂. This permit requirement is lower than the other existing asphaltic concrete production rule with 40 ppmvd @ 3% O₂. SCAQMD estimated a cost-effectiveness of \$46,000 per ton of NOx for units to meet 30 ppmvd @ 3% O₂, which is not cost effective in Placer County.

SMAQMD Analysis

Rule 419 was amended in 2018 requiring asphalt manufacturing operations to meet the 40 ppm NOx emissions limit. To amend Rule 419 and lower the limits from 40 ppm to 30 ppm NOx would, under a similar compliance schedule as SCAQMD Rule 1147.1, would possibly have until 2050 to continue to use upgraded burners. The five asphalt plant burners in Sacramento have initial operation years of 2012, 2015, 2020, 2021, and 2021. All these units are currently meeting at least 40 ppm NOx. Assuming these burners are allowed to operate for 32 years from installation,

this measure would not result in any contingency measure reductions for the 2015 NAAQS timeline of 2032.

In addition to the infeasible timelines for equipment turnover within the contingency measure twoyear period, SCAQMD estimated a cost-effectiveness of \$46,000/ton of NOx reduced for units already meeting 40 ppm to comply with 30 ppm²². These costs are more expensive than current SMAQMD's thresholds and are cost-prohibitive for adoption in Sacramento County.

YSAQMD Analysis

The permits for the applicable sources operating in the YSAQMD were reviewed. Currently, each of the permits has NOx limits of 0.012 lb/MMBtu for the dryers used in the production process, which is equivalent to 100 ppm @ 3% O2. A rule like SCAQMD Rule 1147 or SJVUAPCD Rule 4309 would require these sources to meet lower NOx limits of 40 ppm at 3% O2.

YSAQMD estimated a cost-effectiveness of ~\$33,000/ton of NOx reduced for units to meet 30 ppm. These costs are more expensive than current YSAQMD thresholds and is cost prohibitive for adoption.

Reasons for infeasibility

Generally, operation of these types of equipment requires an air district permit. To comply with the lower NOx limits, a permitted source would need time to perform engineering/design evaluation for the replacement or retrofitted equipment, apply for and obtain pre-construction permit, purchase and obtain the equipment or retrofit from a manufacturer or distributor, complete the installation or retrofit, perform source test of new or retrofitted equipment, and obtain an operating (post-construction) permit. Thus, the time to complete all listed tasks in less than 2 years of a triggering event to obtain meaningful reductions within 2 years is not feasible. In addition, the costs for this source category, as discussed above, are cost prohibitive for adoption in the SFNA.

Boilers – 1 mmBtu/hr or greater

Boilers and process heaters are used to provide hot water and steam for a variety of industrial and commercial applications, including space heating, food processing, garment laundering, and equipment sterilization. Manufacturing operations use process heaters to heat materials or equipment during the manufacturing process. The equipment burners can be fired on solid, liquid, or gaseous fuels. NOx emissions are generated from the combustion of the fuel.

SFNA Emissions Inventories

²² SCAQMD. Final Staff Report Proposed Rule 1147.1 – NOx Reductions from Aggregate Dryers. August 2021. p. 4-2.

EDCAQMD Inventory:

District	EIC	Category	NOx Inve source ca (tp	ategories od)
			2024	2032
EDCAQMD	060-995-0110-0000	Service and Commercial – Other– Natural Gas	0.012	0.017

FRAQMD Inventory:

District	EIC	Category	NOx Inver source ca (tp	tegories
			2024	2032
FRAQMD	060-995-0110-0000	Service and Commercial – Other– Natural Gas	0.001	0.002

PCAPCD Inventory:

District	EIC	Category	NOx Inventory for source categories (tpd)			
			2024	2032		
PCAPCD	050- 005- 0110- 0000	Manufacturing and Industrial – Boilers – Natural gas	0.009	0.018		
PCAPCD	050- 005- 0124- 0000	Manufacturing and Industrial – Boilers – Propane	0	N/A		
PCAPCD	050- 010- 0110- 0000	Manufacturing and				
PCAPCD	060- 005- 0110- 0000	Service and Commercial – Boilers – Natural gas	0.021	0.051		
PCAPCD	060- 005- 0124- 0000	Service and Commercial- Boilers – Propane	0.002	0.006		
PCAPCD	060- 005- 0218- 0000	Service and Commercial- Boilers – Lignite	0	0		
		Total	0.039	0.084		

SMAQMD Inventory:

District	EIC	Category	NOx Inventory for source categories (tpd)			
			2024	2032		
SMAQMD	030-010-0100-0000	Oil and Natural Gas Production – Process Heaters – Gaseous Fuel	0	0		
SMAQMD	050-005-0110-0000	Manufacturing and Industrial – Boilers – Natural gas	0.020	0.022		
SMAQMD	050-005-0124-0000	Manufacturing and Industrial – Boilers – Propane	0.004	0.004		
SMAQMD	050-005-1220-0000	Manufacturing and Industrial – Boilers – Distillate Oil	0.002	0		
SMAQMD	050-010-0110-0000	Manufacturing and Industrial – Process Heaters – Natural gas	0.005	0.010		
SMAQMD	050-995-0110-0000	Manufacturing and Industrial – Other – Natural Gas	0.034	N/A		
SMAQMD	050-995-0120-0000	Manufacturing and Industrial – Other – LPG	0.033	0.033		
SMAQMD	050-995-0200-0000	Manufacturing and Industrial – Other – Solid Fuel (Unspecified)	0.001	0		
SMAQMD	050-995-1000-0000	Manufacturing and Industrial – Other – Liquid Fuel (Unspecified)	0	0.001		
SMAQMD	050-995-1500-0000	Manufacturing and Industrial – Other – Residual Oil	0	0		
SMAQMD	052-005-0110-0000	Food and Agricultural Processing – Boilers – Natural Gas	0.009	0.017		
SMAQMD	052-010-0110-0000	Food and Agricultural Processing – Process Heaters – Natural Gas	0.003	0.004		
SMAQMD	060-005-0110-0000	Service and Commercial – Boilers – Natural gas	0.005	0.002		
SMAQMD	060-005-0144-0000	Service and Commercial – Boilers – Sewage Gas	0.002	0.001		
SMAQMD	060-005-1220-0000	Service and Commercial – Boilers – Distillate Oil	0	0		
SMAQMD	060-995-0110-0000	Service and Commercial – Other – Natural Gas	0.240	0.218		
SMAQMD	060-995-0110-0005	Service and Commercial – Other – Natural Gas < 1 MMBtu/hr	0.125	0.079		

SMAQMD	060-995-0120-0000	Service and Commercial – Other – LPG	0.039	0.054
SMAQMD	060-995-1220-0000	Service and Commercial – Other – Distillate Oil	0.001	0
		Totals	0.523	0.445

YSAQMD Inventory:

District	EIC	Category	NOx Inventory for source categories (tpd)		
			2024	2032	
YSAQMD	010-005-0110-0000	Electric Utilities – Boilers – Natural Gas	0	0	
YSAQMD	030-010-0100-0000	Oil and Natural Gas 030-010-0100-0000 Production – Process Heaters – Gaseous Fuel		0	
YSAQMD	050-005-0110-0000	Manufacturing and Industrial – Boilers – Natural gas	0.011	0.015	
YSAQMD	050-005-0243-0000	Manufacturing and Industrial – Boilers – Refuse Derived Fuel	0	0	
YSAQMD	050-010-0110-0000	Manufacturing and Industrial – Boilers – Natural gas	0.014	0.013	
YSAQMD	050-010-0120-0000	Manufacturing and Industrial – Process Heaters – Liquid Petroleum Gas	0.013	0.001	
YSAQMD	050-010-0130-0000 Manufacturing and Industrial Gas		0	0	
YSAQMD	050-010-1224-0000	Manufacturing and Industrial		N/A	
YSAQMD	050-995-0110-0000	Manufacturing and Industrial – Other – Natural Gas	0.443	0.469	
YSAQMD	050-995-1220-0000	Manufacturing and Industrial – Other – Distillate Oil		0.001	
YSAQMD	052-005-0110-0000	Food and Agricultural Processing – Boilers – Natural Gas	0.103	0.106	
YSAQMD	052-010-0110-0000	Food and Agricultural Processing – Process Heaters – Natural Gas	0.020	0.017	
YSAQMD	052-010-0120-0000	Food and Agricultural Processing – Process Heaters – Liquefied Petroleum Gas	0.004	0.004	
YSAQMD	052-010-1224-0000	Food and agricultural Processing – Process Heaters – Distillate Oil #2	0	0	
YSAQMD	060-005-0110-0000	Service and Commercial – Boilers – Natural gas	0.092	0.070	

YSAQMD	060-005-0124-0000	Service and Commercial – Boilers – Propane	0	N/A
YSAQMD	060-010-0110-0000	Service and Commercial – Process Heaters – Natural Gas	0.005	0.003
YSAQMD	060-010-0130-0000	Service and Commercial – Process Heaters – Process Gas	0	N/A
YSAQMD	060-995-0110-0000	Service and Commercial – Other – Natural Gas	0.835	0.813
YSAQMD	060-995-0120-0000	Service and Commercial – Other – LPG	0	N/A
YSAQMD	060-995-1220-0000	Service and Commercial – Other – Distillate Oil	0.001	0.001
		Totals	1.541	1.513

Potential controls

The table below compares NOx emission limits in SCAQMD Rules 1146.1 and 1146 and SJVUAPCD Rules 4306 and 4320 to SFNA rules. Emissions of NOx can be reduced using combustion controls, which modify the combustion characteristics, or using post-combustion controls, such as nonselective catalytic reduction (NSCR) and selective catalytic reduction (SCR). The most stringent limits are shown in bold.

		SJVUAPCD Rule 4320 (enhanced)	N/A		5 ppm	otherwise	5 except for	Schools,	digester	gas,	thermal fluid	heaters (9	ppmv)	2.5 ppm	Oilfield	steam	generators,	Refinery	units,	process	heaters, low	usage: 5	ppm	2.5	2.5
	nvd @ 3% O ₂	SJVUAPCD Rule 4306	A/N		7 ppm	otherwise	9 ppm							7 ppm										5	5
	NOx Emission Limit, ppmvd @ 3% O ₂	SCAQMD Rule 1146	N/A		7 ppm	otherwise	9 ppm							lf >12	mdd	today: 5	ppm with	SCR	≤ 12 ppm:	7 ppm	(firetube);	otherwise	6	5	5
SFNA Boiler Rule Comparison Chart	NOX Emis	SCAQMD Rule 1146.1	7 ppm (firetube); otherwise 9	(12 for atmospheric)	N/A									N/A										N/A	N/A
r Rule Com		2.27/2.45	30		15									6										6	6
FNA Boile	SMAQMD Rule 411		30		15									6										6	6
S	47 CD 47		20		30									30										30	30
		FRAQMD Rule 3.21	20		30									30										30	30
		EDCAQMD Rule 229	Not permitted	_	30	_	_	_		_	_	_		30	_	_	_	_	_		_	_		30	N/A
		Unit Rating, mmBtu/hr	>2 to <5		5 to 20									>20 to 75										>75 to 110	>110

Lower NOx limits for some boilers are feasible as shown in SCAQMD and SJVUAPCD, however the specific use cases and the total amount of reductions achieved are based on the preamendment emission limits. Specifically, each district within the SFNA has specific scenarios to determine the feasibility of rule amendments, and the scenarios for each district are discussed below.

SMAQMD Analysis

Using source-specific data and based on cost information in the SJVUAPCD staff report for Rules 4306 and 4320 and the SCAQMD staff reports for Rules 1146 and 1146.1, the cost effectiveness of each SMAQMD boiler category is discussed below in ton of NOx reduced:

- For boilers > 75 mmBtu/hr, the actual usage for these boilers is about 10% of capacity, making a cost-effectiveness for this category cost prohibitive at over ~\$270,000 per ton of NOx reduced.
- For boilers from > 20 mmBtu/hr to less than 75 mmBtu/hr, the cost-effectiveness of the SJVUAPCD limit of 2.5 ppm is approximately \$58,195 per ton of NOx reduced. At a higher limit of 7 ppm, the cost-effectiveness is prohibitive at ~\$274,444 per ton of NOx reduced.
- For boilers from > 5 mmBtu/hr to less than 20 mmBtu/hr, the cost-effectiveness of the SJVUAPCD limit of 5 ppm is approximately \$115,438 per ton of NOx reduced. At a higher limit of 7 ppm, the cost-effectiveness is prohibitive at ~\$184,066 per ton of NOx reduced.
- For boilers from > 2 mmBtu/hr to less than 5 mmBtu/hr, the cost effectives of the SCAQMD limit of 9 ppm is approximately \$61,627 per ton of NOx reduced.

For each boiler size range, using source specific data, in SMAQMD, the overall cost effectiveness of a boiler rule is cost-prohibitive and infeasible.

EDCAQMD Analysis

There is only one source (with two boilers) in El Dorado County in the nonattainment area to which the >5 mmBtu/hr portion of the rule would apply, and a new replacement boiler (as the existing boilers cannot be retrofitted to meet the standard) is several thousand dollars, and the maximum reduction would be 0.0104 tpd. Additionally, using the cost information in the SJVUAPCD staff report for Rules 4306 and 4320 and the SCAQMD staff reports for Rules 1146 and 1146.1, the overall cost-effectiveness of is \$103,234 per ton of NOx reduced. The proposed measure is not cost-effective.

FRAQMD Analysis

There are three boilers in the south Sutter County portion of the SFNA above 1 million BTU/hr. The boilers are rated at 1.01 million BTU/hr, 1.2 million BTU/hr, and 1.5 million BTU/hr. None of the boilers would be subject to the SCAQMD Rules 1146.1 and 1146 or SJVUPACD Rules 4306 and 4320 because those limits are effective at 2 million BTU/hr and above. SCAQMD Rule 1146.2 was adopted in June of 2024 and does not require emission reductions from existing boilers of this size until 2031. The SCAQMD Rule 1146.2 also exempts boilers with low usage (under 3,000 therms per year) from meeting the zero-emission standards. Two of three boilers in south Sutter County would qualify for the low-usage exemption and would not be required to meet the zero-emission standards after 2031. Additionally, the cost-effectiveness would be \$152,000 or greater for this size of units per ton of NOx reduced. The proposed measure is not cost-effective.

PCAPCD Analysis

PCAPCD Rule 231 sets a NOx limit at 30 ppm for units that are 5 million Btu and greater, and Rule 247 sets a NOx limit at 20 ppm for boilers and heaters with a heat rating from 75,000 Btu to less than 5 million Btu. Since natural gas boilers and heaters from 75,000 Btu to 2 million Btu already meet the SCAQMD requirement, and since there are no boilers or heaters in the district's inventory which exceed 20 million Btu, emission reductions can only be claimed from units ranging from greater than 2 million to 20 million Btu. The cost effectiveness for implementing this control measure is based on cost information in the SJVUAPCD staff report for Rule 4320 and the SCAQMD staff reports for Rules 1146 and 1146.1. The cost effective for this control measure is \$134,640 per ton of NOx reduced. Adoption of more stringent limits would not be cost effective in Placer County.

YSAQMD Analysis

Rule 2.27 was last revised in 2019, with requirements for boilers with rated heat input greater than 20 million British thermal units per hour (MMBtu/hr) to limit NOx concentrations to 9 volumetric parts per million (ppmv) at 3 % oxygen (O_2) and for boilers with rated heat input greater than or equal to 5 MMBtu/hr up to 20 MMBtu/hr to limit NOx concentrations to 15 ppmv @ 3% O_2 . Rule 2.27 requires implementation of these emission reductions by December 31, 2023. Annualized costs over 25 years for boilers 20 million Btu/hour or greater to retrofit to achieve a 9 ppmv NOx emissions limit at 3% O_2 were calculated to be between \$33,336 and \$247,492. Annualized costs over 10 years for boilers 5 million Btu/hour or greater to retrofit to achieve a 15 ppmv NOx emissions limit at 3% O_2 were calculated to be between \$11,849 and \$97,913. At the time of the amendment to Rule 2.27, the Staff Report concluded that any additional emission reductions would not be cost effective, and would, therefore, not be cost effective as RACM as these costs would be incrementally additive to the costs already incurred.

Reasons for infeasibility

Generally, operation of these types of equipment requires an air district permit. To comply with the lower NOx limits, a permitted source would need time to perform engineering/design evaluation for the replacement or retrofitted equipment, apply for and obtain pre-construction permit, purchase and obtain the equipment or retrofit from a manufacturer or distributor, complete the installation or retrofit, perform source test of new or retrofitted equipment, and obtain an operating (post-construction) permit. Thus, the time to complete all listed tasks in less than 2 years of a triggering event to obtain meaningful reductions within 2 years is not feasible. In addition, the costs for this source category, as discussed above, are cost prohibitive for adoption in the SFNA.

Boilers – Biomass

Biomass boilers are very similar to conventional boilers to provide hot water and steam for a variety of industrial and commercial applications. Different than the conventional boilers, biomass boilers work by burning organic materials (not from fossil fuels), such as agricultural crop residues, barks, lawn, yard and garden chippings, leaves, tree and brush pruning, logs, and wood chips. NOx emissions are generated from the combustion of biomass materials. In the SFNA, the only biomass boilers are located in Placer and Yolo Counties.

Relevant Emission Inventory

District	EIC	Category	NOx Inventory for source categories (tpd)			
			2024	2032		
PCAPCD	010-005-0254-0000	Electric Utilities – Boilers – Wood/Bark Waste	0.779	0.614		
YSAQMD	010-005-0254-0000	Electric Utilities – Boilers – Wood/Bark Waste	0.347	0.267		

The emissions inventory associated with biomass boilers is shown in the table below:

Potential controls

PCAPCD Rule 233 regulates the NOx emissions generated from biomass boilers that have a heat input less than 500 million Btu per hour. NOx emissions from biomass boilers are measured by a continuous emission monitoring system (CEMS) installed in the stack. Currently, PCAPCD Rule 233 limits NO_x emission to 115 ppmv corrected to 12% CO₂ for any 3-hour rolling average and 68 ppmv corrected to 12% CO₂ for a 24-hour block average. PCAPCD Rule 233 limit of 68 ppm at 12% is approximately equal to 90 ppm corrected to 3% O₂ on a 24-hour block average²³. This is consistent with YSAQMD Rule 2.43 limit that limits NOx emissions to 90 ppm @ 3% O2 on a 24-hour rolling average from biomass boilers. YSAQMD's rule applies to any biomass boiler that has a heat input of more than 5 million Btu per hour.

PCAPCD Analysis

No other more stringent controls were identified.

YSAQMD Analysis

. No other more stringent controls were identified.

Reasons for infeasibility

No other more stringent controls were identified.

Furnaces (Residential)

Residential heating accounts for a large fraction of residential energy consumption. The majority of residential furnaces uses natural gas as fuel, which produces NOx during the combustion process.

Relevant Emission Inventory

The emissions inventory associated with residential furnaces is shown in the tables below:

²³ Technical Support Document for EPA's Notice of Rulemaking for the California State Implementation Plan. Placer County Air Pollution Control District's Rule 233, Biomass Boilers. United States Environmental Protection Agency, Region 9. July 2011.

District	EIC	Category	NOx Inventory for source categories (tpd)		
			2024	2032	
EDCAQMD	610-606-0110-0000	Residential Fuel Combustion – Natural Gas Space Heating	0.004	0.039	
EDCAQMD	610-606-1220-0000	Residential Fuel Combustion – Distillate Oil Space Heating	0.003	0.003	
FRAQMD	610-606-0110-0000	Residential Fuel Combustion – Natural Gas Space Heating	0.001	0.001	
FRAQMD	610-606-1220-0000	Residential Fuel Combustion – Distillate Oil Space Heating	0	0	
PCAPCD	610-606-0110-0000	Residential Fuel Combustion – Natural Gas Space Heating	0.055	0.129	
PCAPCD	610-606-1220-0000	Residential Fuel Combustion – Distillate Oil Space Heating	0.004	0.003	
SMAQMD	610-606-0110-0000	Residential Fuel Combustion – Natural Gas Space Heating	0.394	0.384	
SMAQMD	610-606-1220-0000	Residential Fuel Combustion – Distillate Oil Space Heating	0.001	0.001	
YSAQMD	610-606-0110-0000	Residential Fuel Combustion – Natural Gas Space Heating	0.084	0.073	
YSAQMD	610-606-1220-0000	Residential Fuel Combustion – Distillate Oil Space Heating	0	0	

Potential controls

Several California districts regulate these units at "point of sale." That is, only units certified to meet the district's NOx standard may be sold or installed. SJVUAPCD and SCAQMD both require a NOx standard of 14 ng of NOx per Joule of heat output that began to phase in starting in 2015. Recent amendments to SCAQMD and SJVUAPCD rules allowed for additional compliance time; however, as of 2023, these district rules do not provide additional compliance time to meet 14 ng/J.

The lower end of thermal efficiencies for new units is approximately 80%. On the basis of heat output, pre-control units are estimated to emit 49.5 ng of NOx per Joule of heat output. Therefore, after all older units are eventually replaced with new units that meet the 14 ng/J standard, a NOx emission reduction of 72% may be expected. Units have been shown to be cost-effective and in use in many other air districts, including the most stringent limits in SCAQMD and SJVUAPCD.

In 2023, BAAQMD adopted rules requiring zero emissions for furnaces manufactured after January 1, 2029.

In the 2022 State SIP Strategy, CARB committed to develop and adopt by 2025 a zero-emission standard for space heaters, which includes furnaces, in California starting in 2030. On May 29,

2024, CARB held a public workshop to discuss proposed zero-emissions space and water heater standards²⁴.

No districts within the SFNA have a rule covering this source category.

Reasons for infeasibility

A residential furnace is assumed to have a lifetime of 20 years. Each year, then, 5% of the units are expected to be replaced. However, due to the time required for turnover of existing units, a rule would not be feasible as a contingency measure. Per EPA guidance, contingency measures should be measures that would result in the projected emission reductions within a year of the triggering event or within two years with proper justification. A new rule covering devices not currently subject to District rules and regulations would most likely require a two-year phase in to inform the public and allow manufacturers and distributors to prepare the marketplace with lower emission devices. In addition, the units manufactured prior to the effective date of rule amendments would be allowed to be sold thereby reducing any potential reductions in the first two years. This conclusion is consistent with EPA's conclusion for SJVUAPCD FIP that no meaningful reductions would occur within the two-year timeframe needed for contingency measures²⁵. In addition to the timeline constraints, any CARB adopted standards that would achieve emission reductions for this category would preclude any district rules for contingency measure reductions.

Internal Combustion Engines

Internal combustion (IC) engines are used in a wide variety of applications, including electrical power generation, liquid pumping, gas compression, mobile equipment, and vehicles. NOx is generated in IC engines from both the oxidation of nitrogen in the air (thermal NOx) and from the oxidation of fuel-bound nitrogen (fuel NOx).

SFNA Emissions Inventories

The emissions inventory associated with IC engines is shown in the table below:

EDCAQMD Inventory

District	EIC	Category	NOx Inventory for source categories (tpd)			
			2024	2032		
EDCAQMD	050-040-1200-0000	Manufacturing and Industrial, IC Reciprocating Engines – Diesel/Distillate Oil	0.022	0.020		
EDCAQMD	052-042-1200-0010	Food and Agricultural Processing, Irrigation IC Engines – Natural Gas	0.003	0.002		

²⁴ California Air Resources Board. Zero-Emission Space and Water Heater Standards. https://ww2.arb.ca.gov/ourwork/programs/building-decarbonization/zero-emission-space-and-water-heater-standards/meetings-workshops
²⁵ Ibid. p. 50.

EDCAQMD	052-042-1200-0011	Food and Agricultural Processing, Irrigation IC Engines, Stationary – Diesel/Distillate Oil	0.003	0.002
EDCAQMD	099-040-1200-0000	Other Fuel Compression, Compressors, Rich-Burn – Natural Gas	0.038	0.010
		Totals	0.066	0.034

FRAQMD Inventory:

District	EIC	IC Category		entory for ategories od)
			2024	2032
FRAQMD	030-304-0110-0000	Oil and Natural Gas Production, I.C. Reciprocating Engines, Natural Gas	0.004	0.001
FRAQMD	099-040-1200-0000	Other (Fuel Combustion) I.C. Reciprocating Engines, Diesel/Distillate Oil (Unspecified)	0.001	0
Totals			0.005	0.001

PCAPCD Inventory:

District	EIC	Category	source c	entory for ategories od)
			2024	2032
PCAPCD	050-040-0012-0000	Manufacturing and Industrial, IC Reciprocating Engines – Unspecified Fuel	0	0
PCAPCD	050-040-0110-0000	Manufacturing and Industrial, IC Reciprocating Engines – Natural Gas	0	0
PCAPCD	050-040-0124-0000	Manufacturing and Industrial, IC Reciprocating Engines – Propane	0	0
PCAPCD	050-040-1100-0000	Manufacturing and Industrial, IC Reciprocating Engines – Gasoline	0.003	N/A
PCAPCD	050-040-1200-0000	Manufacturing and Industrial, IC Reciprocating Engines – Diesel/Distillate Oil	0.014	0.010
PCAPCD	052-040-0124-0000	Food & Ag, IC Reciprocating Engines – Propane	0	0
PCAPCD	060-040-0110-0000	Service and Commercial, IC Reciprocating Engines – Landfill Gas	0	0

PCAPCD	060-040-0124-0000	Service and Commercial, IC Reciprocating Engines – Propane	0.001	0.001
PCAPCD	060-040-0142-0000	Service & Commercial, IC Engines – Landfill Gas	0.019	N/A
PCAPCD	060-040-1200-0000	Service and Commercial, Compressors, Lean-Burn – Natural Gas	0.007	
PCAPCD	099-040-1200-0000	Other Fuel Compression, Compressors, Rich-Burn – Natural Gas	0.091	
		Totals	0.141	0.011

SMAQMD Inventory:

District	EIC	Category		entory for gories (tpd)
			2024	2032
SMAQMD	010-040-0142-0000	Electric Utilities, IC Engines – Landfill Gas	0.221	0.183
SMAQMD	030-307-0110-0000	Oil and Natural Gas Production, Compressors, Lean-Burn – Natural Gas	0.001	0
SMAQMD	030-309-0110-0000	Oil and Natural Gas Production, Compressors, Rich-Burn – Natural Gas	0.003	0.002
SMAQMD	050-040-0012-0000	Manufacturing and Industrial, IC Reciprocating Engines – Unspecified Fuel	0.041	0.002
SMAQMD	050-040-0110-0000	Manufacturing and Industrial, IC Reciprocating Engines – Natural Gas	0.161	0.014
SMAQMD	050-040-0120-0000	Manufacturing and Industrial, IC Reciprocating Engines – LPG	0	0
SMAQMD	050-040-0124-0000	Manufacturing and Industrial, IC Reciprocating Engines – Propane	0	0.003
SMAQMD	050-040-1200-0000	Manufacturing and Industrial, IC Reciprocating Engines – Diesel/Distillate Oil	0.009	0.015
SMAQMD	052-042-0110-0000	Food and Agricultural Processing, Irrigation IC Engines – Natural Gas	0.055	0.069
SMAQMD	052-042-1200-0010	Food and Agricultural Processing, Irrigation IC Engines, Stationary – Diesel/Distillate Oil	0.040	0.057
SMAQMD	060-040-1200-0000	Service and Commercial, IC Reciprocating Engines – Diesel/Distillate Oil	0.006	0.035

SMAQMD	099-040-1200-0000	Other Fuel Combustion, IC Reciprocating Engines – Diesel/Distillate Oil	0.354	0.191
	Totals		0.891	0.571

YSAQMD Inventory:

District	EIC	Category	NOx Inventory for source categories (tpd)	
			2024	2032
YSAQMD	010-040-0110-0000	Electric Utilities – I.C. Reciprocating Engines – Natural Gas	0.001	0.001
YSAQMD	010-040-0142-0000	Electric Utilities, IC Engines – Landfill Gas	0.041	0.071
YSAQMD	010-040-1200-0000	Electric Utilities, IC Engines – Diesel/Distillate Oil	0.007	0.003
YSAQMD	030-040-0110-0000	Oil and Gas Production – IC Engines – Natural Gas	0.022	0.008
YSAQMD	030-040-1200-0000	Oil and Gas Production – IC Engines – Diesel/Distillate Oil	0.002	0.003
YSAQMD	030-307-0100-0000	Oil and Gas Production – Compressors Lean Burn – Gaseous Fuel	0.002	0.001
YSAQMD	030-307-0110-0000	Oil and Natural Gas Production, Compressors, Lean-Burn – Natural Gas	0.001	0.001
YSAQMD	030-309-0100-0000	Oil and Gas Production – Compressors, Rich Burn – Gaseous Fuel	0.012	0.009
YSAQMD	030-309-0110-0000	Oil and Natural Gas Production, Compressors, Rich-Burn – Natural Gas	0.004	0.003
YSAQMD	050-040-0110-0000	Manufacturing and Industrial, IC Reciprocating Engines – Natural Gas	0.001	0.009
YSAQMD	050-040-1200-0000	Manufacturing and Industrial, IC Reciprocating Engines – Diesel/Distillate Oil	0.003	0.016
YSAQMD	052-040-0110-0000	Food and Agricultural Processing – IC Engines – Natural Gas	0	0
YSAQMD	052-040-1200-0000	Food and Agricultural Processing – IC Engines – Diesel/Distillate Oil	0	0
YSAQMD	052-042-1200-0010	Food and Agricultural Processing, Irrigation IC Engines, Stationary – Diesel/Distillate Oil	0.207	0.168

YSAQMD	060-040-0110-0000	Service and Commercial, IC Reciprocating Engines – Landfill Gas	0.000	0.001
YSAQMD	060-040-1200-0000	Service and Commercial, Compressors, Lean-Burn – Natural Gas	0.005	0.052
YSAQMD	060-040-1412-0000	Service and Commercial – IC Engines – Keronaptha Jet Fuel	0.001	0
YSAQMD	060-045-0110-0000	Service and Commercial – IC Engines – Natural Gas	0.001	0.007
YSAQMD	Service and Commer		0	0
YSAQMD	099-040-1200-0000	Other Fuel Compression, Compressors, Rich-Burn – Natural Gas	0.081	0.017
		Totals	0.391	0.370

Potential controls

Emissions of NOx can be reduced using combustion controls, which modify the combustion characteristics, or using post-combustion controls, such as nonselective catalytic reduction (NSCR) and selective catalytic reduction (SCR). SCAQMD Rule 110.2, Emissions from Gaseous and Liquid-Fuel Engines, requires landfill and digester gas-fired engines to meet 11 ppm NOx @ $15\% O_2$.

EDCAQMD Analysis

Rule 233 would not apply to two agricultural EIC codes listed above. Of the permitted prime power engines in El Dorado County, there are 12 stationary engines (not portable) that would be subject to the SCAQMD rule. Two engines are very large cogenerators capable of using diesel or natural gas, one engine is natural gas, and the others are diesel powered. Staff performed a detailed review of these permits and determined, given the low use limits of these engines and the best available emission control devices for each respective engine, the emissions reductions would be minimal and not cost-effective.

FRAQMD Analysis

All permitted engines within FRAQMD portion of the nonattainment area are emergency standby engines and not subject to this analysis or any identified control strategies.

PCAPCD Rule 242 Analysis

PCAPCD Rule 242 regulates NOx emissions from stationary IC engines. Currently, 17 prime engines in the Placer County nonattainment area are subject to Rule 242; 2 are diesel-fueled, 7 are landfill gas-fueled, 7 are natural gas fueled, and 1 is propane-fueled. The combined NOx emissions from these 17 permitted prime engines are about 0.0352 tpd. Although the adoption of NOx emission limits consistent with SCAQMD Rule 110.2 would reduce NOx emissions from these 17 prime engines, this control measure is not considered cost-effective (~\$71,400 per ton of NOx reduced).

SMAQMD Rule 412 Analysis

SMAQMD Rule 412 regulates only stationary IC engines rated 50 brake horsepower (bhp) that are located at major sources of NOx with exemptions provided for emergency standby. Staff performed a detailed review of the permits and source test results for all applicable IC engines within the SMAQMD jurisdiction. The engines that would generate nearly all reductions are all landfill gas-fueled engines that could be subject to 11 ppm NOx. Due to the specific conditions of the source, the pretreatment of siloxanes from the gas stream is necessary to implement an SCR system without destroying the system. The removal of the siloxanes would result in cost prohibitive controls. It is estimated, based on SCAQMD calculations, the cost of controls for these engines is \$42,118 per ton of NOx reduced. The cost of controls is above the SMAQMD BACT cost effectiveness thresholds and is not cost-effective for the SMAQMD to adopt.

YSAQMD Rule 2.32 Analysis

YSAQMD Rule 2.32 applies to all stationary IC engines that are rated 50 bhp or greater with exceptions provided for emergency standby and engines operated less than 200 hours per calendar year. Staff performed a detailed review of the permits and source test results for all applicable IC engines within the YSAQMD jurisdiction. YSAQMD determined that as many as 23 engines could achieve reductions but due to the cost of controls, this measure is above the range of YSAQMD BACT cost effectiveness thresholds and is not cost-effective for YSAQMD to adopt. Similar conditions for landfill gas-fueled engines are applicable in YSAQMD. It is estimated based on SCAQMD calculations, the cost of controls for this control measure is between \$57,760 and \$97,354 per ton of NOx reduced.

Reasons for infeasibility

As identified, the costs of controls for this source category are cost prohibitive for adoption in the SFNA. Furthermore, the time needed to upgrade equipment within the contingency measure period to achieve reductions in the second year is infeasible.

Operation of internal combustion engines requires an air district permit. To comply with the lower NOx limits, a permitted source would need time to perform engineering/design evaluation for the replacement or retrofitted equipment, apply for and obtain pre-construction permit, purchase and obtain the equipment or retrofit from a manufacturer or distributor, complete the installation or retrofit, perform source test of new or retrofitted equipment, and obtain an operating (post-construction) permit. Thus, the time to complete all listed tasks in less than 2 years of a triggering event to obtain meaningful reductions within 2 years is not feasible. In addition, consistent with

EPA's analysis for the SJVUAPCD Contingency Measure FIP, the installation of SCR is technologically infeasible within the two-year contingency measure timeframe²⁶.

Managed Burning and Disposal

Managed burning and disposal consists of agricultural burning, range improvement burning, forest management, weed abatement, and non-agricultural open burning. Agricultural open burning is used to dispose of agricultural materials (e.g., pruning and orchard removals), reduce post-harvest field residue, prevent the spread of disease, and control weeds and pests. Non-agricultural open burning is used for land clearance, forest management, and range improvements. NO_x and VOC emissions are the result of combustion.

SFNA Emissions Inventories

The emissions inventory associated with managed burning and disposal is shown in the tables below:

NOx Inventory for EIC source categories (tpd) District Category 2024 2032 Managed Burning and EDCAQMD 670-660-0262-0000 Disposal – Agricultural 0.000 0.000 Burning – Prunings Managed Burning and EDCAQMD 670-664-0200-0000 Disposal - Range 0.000 0.002 Improvement Managed Burning and EDCAQMD 670-666-0200-0000 Disposal – Forest 0.001 0.036 Management Managed Burning and EDCAQMD 670-668-0200-0000 **Disposal – Weed Abatement** 0.000 0.000 Managed Burning and EDCAQMD Disposal – Non-Agricultural 670-670-0200-0000 0.000 0.000 Open Burning Totals 0.002 0.038

EDCAQMD Inventory

²⁶ U.S. EPA. EPA Source Category and Control Measure Assessment and Reasoned Justification Technical Support Document. Proposed Contingency Measures Federal Implementation Plan for the Fine Particulate Matter Standards for San Joaquin Valley, California. July 2023. p. 29.

FRAQMD Inventory:

District	EIC Category		NOx Inventory for source categories (tpd)	
			2024	2032
FRAQMD	670-660-0262-0000	Managed Burning and Disposal – Agricultural Burning – Prunings	0.008	0.016
FRAQMD	670-662-0262-0000	Managed Burning and Disposal – Agricultural Burning – Field Crops	0.057	0.046
FRAQMD	670-666-0200-0000	Managed Burning and Disposal – Forest Management	0.000	0.000
FRAQMD	670-668-0200-0000	Managed Burning and Disposal – Weed Abatement	0.012	0.016
FRAQMD	670-670-0200-0000	Managed Burning and Disposal – Non-Agricultural Open Burning	0.009	0.009
FRAQMD	670-670-0200-0000	Managed Burning and Disposal – Other	0.000	0.000
		Totals	0.086	0.087

PCAPCD Inventory:

District	EIC	Category	NOx Inve source cate	ntory for gories (tpd)
			2024	2032
PCAPCD	670-660-0262-0000	Managed Burning and Disposal – Agricultural Burning – Prunings	0.000	0.018
PCAPCD	670-662-0262-0000	Managed Burning and Disposal – Agricultural Burning – Field Crops	0.020	0.004
PCAPCD	670-664-0200-0000	Managed Burning and Disposal – Range Improvement	0.000	0.001
PCAPCD	670-666-0200-0000 Managed Burning and bisposal – Forest Management		0.011	0.009
PCAPCD	670-668-0200-0000	Managed Burning and Disposal – Weed Abatement	0.000	0.000
PCAPCD	670-670-0200-0000	Managed Burning and Disposal – Non-Agricultural Open Burning	0.001	0.001
		Totals	0.032	0.034

SMAQMD Inventory:

District	EIC	EIC Category		ntory for gories (tpd)
			2024	2032
SMAQMD	670-660-0262-0000	Managed Burning and Disposal – Agricultural Burning – Prunings	0.007	0.0023
SMAQMD	670-662-0262-0000	Managed Burning and Disposal – Agricultural Burning – Field Crops	0.026	0.0142
SMAQMD	670-664-0200-0000	Managed Burning and Disposal – Range Improvement	0.008	0.0042
SMAQMD	670-666-0200-0000	Managed Burning and		0.0002
SMAQMD	670-668-0200-0000	Managed Burning and Disposal – Weed Abatement	0.001	0.0005
SMAQMD	670-670-0200-0000	Managed Burning and Disposal – Non-Agricultural Open Burning	0.015	0.0148
SMAQMD	670-995-0240-0000	Managed Burning- Other	0.000	0.0000
		Totals	0.058	0.036

YSAQMD Inventory:

District	EIC	Category		entory for gories (tpd)
			2024	2032
YSAQMD	670-660-0262-0000	Managed Burning and Disposal – Agricultural Burning – Prunings	0.020	0.046
YSAQMD	670-662-0262-0000	Managed Burning and Disposal – Agricultural Burning – Field Crops	0.040	0.047
YSAQMD	670-664-0200-0000	Managed Burning and Disposal – Range Improvement	0.042	0.000
YSAQMD	670-666-0200-0000	Managed Burning and Disposal – Forest Management	0.000	0.000
YSAQMD	670-668-0200-0000	Managed Burning and Disposal – Weed Abatement	0.006	0.032
YSAQMD	670-670-0200-0000	Managed Burning and Disposal – Non-Agricultural Open Burning	0.020	0.000
		Totals	0.109	0.125

Potential controls

SJVAPCD Rule 4103 will eliminate nearly all agricultural burning with some exceptions by 2025. As an alternative to burning, agricultural waste materials can be chipped and ground. By switching from agricultural burning to chipping and grinding of materials, an overall reduction in NOx emission can be realized. To achieve this goal in SJVAPCD, a significant amount of incentive funding is being provided by the SJVAPCD and the State of California.

For other types of managed burning and disposal, prescribed burning and range improvement, staff did not identify any more stringent provisions in other districts' rules. These programs have a proven record of reducing wildfire severity and therefore, have implications for public safety.

SFNA Rules for Open Burning

Within the SFNA, the air districts have rules and programs that manage agricultural burning through managed burn programs that reduce burning on days forecasted to be poor air quality days. To conduct burning within the SFNA, a valid burn permit must be issued by the corresponding district to minimize the impact of open burning.

District	Rule	Title
EDCAQMD	300	Open Burning
FRAQMD	Regulation 2.0	Open Burning
PCAPCD	302	Agricultural Waste Burning Smoke Management
SMAQMD	407	Open Burning
	501	Agricultural Burning
YSAQMD	6.1	Agricultural Burning

Reasons for infeasibility

Due to the extremely high costs to the agricultural sector to eliminate agricultural burning and the significant incentive dollars needed to achieve this, the SFNA does not consider an elimination of agricultural burning feasible within the SFNA. The SJVAPCD received \$178.2 million to incentivize the agricultural industry to eliminate burning by 2025²⁷. The SFNA does not have access to these resources for a similar measure.

Consistent with the SCAQMD infeasibility analysis for the Coachella Valley²⁸, due to the high incremental cost to require chipping and grinding, SJVAPCD provides incentives ranging from \$300/acre to \$1,300 per acre depending on the crop and whether soil incorporation is included. The limited extent of agricultural burning in the SFNA combined with the high-cost alternatives suggest that this measure is economically infeasible and would have an inconsequential impact on air quality. Additional reductions beyond the current managed burn programs within the SFNA would require significant monetary incentives resulting in negligible NOx reductions.

²⁷ San Joaquin Valley Air Pollution Control District. Item Number 10: Accept and Appropriate \$178,200,000 in State Funding and Approve Enhancements to Alternative to Agricultural Open Burning Incentive Program. August 19,2021.

²⁸ South Coast Air Quality Management District. *Final Staff Report Coachella Valley Contingency Measure SIP Revision for the 2008 8-Hour Ozone Standard.* pp.4-151 – 4-157.

Miscellaneous Combustion

Miscellaneous combustions devices are considered the devices that are not otherwise controlled by other district rules such as dryers, dehydrators, heaters, kilns, furnaces, crematories, incinerators, heated pots, cookers, roasters, heated tanks, evaporators, distillation units, afterburners, degassing units, vapor incinerators, catalytic or thermal oxidizers, and remediation units.

Within the SFNA, only SMAQMD has a rule covering this source category. SMAQMD Rule 419, NOx from Miscellaneous Combustion Units, applies to all gaseous and liquid fuel-fired miscellaneous combustion units with a total rated heat input capacity of 5 million Btu/hr or greater that are not subject to other district NOx rules, such as boilers, IC engines, turbines, or water heaters.

Relevant Emission Inventory

EDCAQMD Inventory

District	trict EIC codes Category		NOx Inventory for source categories (tpd)	
		202		2032
EDCAQMD	050-995-0110-0000	Manufacturing and Industrial – Other – Natural Gas	0.007	0.007
EDCAQMD	050-995-1220-0000	Manufacturing and Industrial – Other – Distillate Oil	0.005	0.006
EDCAQMD	060-995-0110-0000	Service and Commercial – Other – Natural Gas	0.012	0.009
EDCAQMD	430-995-7000-0000	Mineral Process – Other – Mineral and Metal Products	0.019	0.016
		Totals	0.043	0.038

FRAQMD Inventory

District	EIC codes	Category	NOx Inve source cate	
FRAQMD	050-995-0110-0000	Manufacturing and Industrial – Other – Natural Gas	0.014	0.015
FRAQMD	060-995-0110-0000	Service and Commercial – Other – Natural Gas	0.001	0.003
		Totals	0.015	0.018

PCAPCD Inventory

District	EIC codes	Category	NOx Inventory for source categories (tpd)			
			2024	2032		
PCAPCD	050-012-0110-0000	Manufacturing and Industrial – Oven Heaters – Natural Gas	0.004	0.004		
PCAPCD	050-995-0110-0000	Manufacturing and Industrial – Other – Natural Gas	0	0		
PCAPCD	050-995-1220-0000	Manufacturing and Industrial – Other – Distillate Oil	0.012	0.015		
PCAPCD	060-995-0110-0000	Service and Commercial – Other – Natural Gas	0.036			
PCAPCD	060-995-0120-0000	Service and Commercial – Other – LPG	N/A	0.024		
PCAPCD	060-995-1220-0000	Service and Commercial – Other – Distillate Oil	0	0.025		
PCAPCD	430-995-7000-0000	Mineral Process – Other – Mineral and Metal Products	0.043	0.040		
PCAPCD	430-995-7012-0000	Mineral Process – Other – 0.007 Bricks		0.005		
PCAPCD	430-995-7020-0000	Mineral Process – Other – Ceramics	0.002	0		
PCAPCD	430-995-7022-0000	Mineral Process – Other – Clay	0.004	0.003		
	Totals 0.108 0.152					

SMAQMD Inventory

District	EIC codes	Category	NOx Inventory for source categories (tpd)	
			2024	2032
SMAQMD	050-012-0110-0000	Manufacturing and Industrial – Oven Heaters – Natural Gas	0.003	0.002
SMAQMD	050-995-0110-0000	Manufacturing and Industrial – Other – Natural Gas	0.034	0.037
SMAQMD	050-995-0120-0000	Manufacturing and Industrial – Other – LPG	0.003	0.033
SMAQMD	060-995-0110-0000	Service and Commercial – Other – Natural Gas	0.240	0.218
SMAQMD	060-995-0110-0005	Service and Commercial – Other – Natural Gas <1mmBtu/hr	0.125	0.079
SMAQMD	060-995-1220-0000	Service and Commercial – Other – LPG	0.039 0.054	
SMAQMD	060-995-1220-0000	Service and Commercial – Other – Distillate Oil	0.001	
SMAQMD	430-995-7000-0000	Mineral Process – Other – Mineral and Metal Products	0.156	0.136

District	EIC codes	Category	NOx Inve source cate	
			2024	2032
SMAQMD	430-995-7012-0000	Mineral Process – Other – Bricks	0.025	0.018
SMAQMD	430-995-7020-0000	Mineral Process – Other – Ceramics	0	0
SMAQMD	430-995-7022-0000	Mineral Process – Other – Clay	0.003	0.002
		Totals	0.629	0.579

YSAQMD Inventory

District	EIC codes	Category	NOx Inventory for source categories (tpd)	
			2024	2032
YSAQMD	050-012-0110-0000	Manufacturing and Industrial – Oven Heaters – Natural Gas	0	0.002
YSAQMD	050-995-0110-0000	Manufacturing and Industrial – Other – Natural Gas	0.443	0.469
YSAQMD	050-995-1220-0000	Manufacturing and Industrial – Other – Distillate Oil	0.001	0.001
YSAQMD	060-995-0110-0000	Service and Commercial – Other – Natural Gas	0.835	0.813
YSAQMD	060-995-1220-0000	Service and Commercial – Other – LPG	0	
YSAQMD	060-995-1220-0000	Service and Commercial – Other – Distillate Oil	0.001	
YSAQMD	430-995-7000-0000	Mineral Process – Other – Mineral and Metal Products	0	0
YSAQMD	430-995-7012-0000	Mineral Process – Other – Bricks	0 0	
YSAQMD	430-995-7022-0000	Mineral Process – Other – Clay	0	0
		Totals	1.28	1.29

Potential controls

The requirements for these miscellaneous combustion sources are based on SCAQMD Rule 1147 – NOx Reductions from Miscellaneous Sources. The control measure establishes NOx emission limits that depend on the type of device and the process temperature. The NOx limits can be achieved by using low NOx burners. Compliance timelines for existing in-use equipment depend on the age of the equipment. Equipment with less than 1 lb/day of emissions would not be subject to the requirements until modification or replacement of the equipment.

SCAQMD amended Rule 1147 in 2022 that requires some units to meet lower limits than previously required. However, units that were already complying with the rule have up to 32 years of burner use.

EDCAQMD Analysis

Infeasible due potential costs (approximately \$34,750 per ton of NOx reduced), and timeline concerns to design, permit, and install new equipment.

FRAQMD Analysis

Infeasible due to costs, (approximately \$34,750 per ton of NOx reduced), and timeline concerns to design, permit, and install new equipment.

PCAPCD Analysis

Infeasible due to costs (approximately \$34,750 per ton of NOx reduced), and timeline concerns to design, permit, and install new equipment.

SMAQMD Analysis

SMAQMD Rule 419 is consistent with other air district rules requiring 40 ppm NOx @ 3 % O₂; however, the rule could be expanded to cover additional smaller in-use equipment. Expanding the applicability to smaller in-use equipment will not achieve any emission reductions within the two-year contingency measure timeframe. SCAQMD Rule 1147 applicability for in-use units allowed an extended compliance schedule of 15 years old. A similar compliance schedule in the SFNA is not likely to obtain emission reductions within the two-year contingency measure timeframe.

For units already complying with Rule 419, a similar compliance schedule to SCAQMD, of 32 years of burner use, will not obtain emission reductions within the contingency measure timeframe. Many of the units in the SMAQMD were retrofitted in 2019 thru 2022. Furthermore, the estimated cost effectiveness for these small units within SMAQMD is estimated to be \$40,809 per ton of NOx reduced based on information from the 2008 staff report for SCAQMD Rule 1147.

YSAQMD Analysis

Infeasible due to costs and timeline concerns. Estimated cost effectiveness of \$39,082/ton of NOx reduced.

Reasons for infeasibility

Generally, operation of these types of equipment requires an air district permit. To comply with the lower NOx limits, a permitted source would need time to perform engineering/design evaluation for the replacement or retrofitted equipment, apply for and obtain pre-construction permit, purchase and obtain the equipment or retrofit from a manufacturer or distributor, complete the installation or retrofit, perform source test of new or retrofitted equipment, and obtain an operating (post-construction) permit. Thus, the time to complete all listed tasks in less than 2 years of a triggering event to obtain meaningful reductions within 2 years is not feasible.

In addition to timeframe infeasibility, the cost-effectiveness of a measure similar to SCAQMD Rule 1147 is considered to be cost prohibitive within the SFNA air districts.

Water Heaters (Residential) – Less than 1 mmBtu/hr

Water heaters and small boilers predominantly burn natural gas and are used to heat water and generate steam. These units are used in a variety of applications, including in homes, restaurants, retail stores, schools, hotels and office buildings. In SMAQMD Rule 414 and YSAQMD Rule 2.37, NOx emissions from water heaters and boilers rated less than 1 mmBtu/hr are "point-of-sale" rules that that applies to the manufacture and sale of new units as well as new installations.

Relevant Emission Inventory

The emissions inventory associated with residential water heaters is shown in the table below:

District	EIC	Category	2024 Emissions (tpd)	2032 Emissions (tpd)
EDCAQMD	610-608-0110-0000	Residential Fuel Combustion – Natural Gas Water Heating	0.015	0.076
FRAQMD	610-608-0110-0000	Residential Fuel Combustion – Natural Gas Water Heating	0.003	0.003
PCAPCD	610-608-0110-0000	Residential Fuel Combustion – Natural Gas Water Heating	0.024	0.251
SMAQMD	610-608-0110-0000	Residential Fuel Combustion – Natural Gas Water Heating	0.201	0.151
YSAQMD	610-608-0110-0000	Residential Fuel Combustion – Natural Gas Water Heating	0.171	0.115

Potential controls

The table below identifies each of the SFNA air districts rules for residential water heaters. For SMAQMD and YSAQMD, the lowest NOx emission limits are already in effect (excluding electrification).

District	Rule	Emissions Limit (ng/J)
EDCAPD	No Rule	None but due to California requirements in surrounding areas it
		is assumed all current residential water heaters meets 40 ng/J
FRAQMD	3.23	40 ng/J - mobile home water heaters
		14 ng/J – all other units
PCAPCD	246	40 ng/J only for <75,000 Btu/hr
SMAQMD	414	10 ng/J for <75,000 Btu/hr (40 ng/J for mobile home)
		14 ng/J for 75,000 to < 1 million Btu/hr (excluding Pool/Spa)
YSAQMD	2.37	10 ng/J for <75,000 Btu/hr (40 ng/J for mobile home)
		14 ng/J for 75,000 to < 1 million Btu/hr (excluding Pool/Spa)

Another potential control for residential water heaters is requiring electrification. BAAQMD recently adopted zero emission regulations for furnaces and water heaters for units manufactured in 2027 for water heaters and 2029 for space heaters essentially setting a limit 0 ng/J. The CARB

2022 State SIP Strategy includes a Zero-Emission Standard for Space and Water Heaters measure to be adopted by 2025. This control measure specifies that beginning in 2030, 100 percent of sales of new space and water heaters would need to meet zero emission standard²⁹. The state strategy would, therefore, preclude any local strategy and no contingency measure reductions would not be achieved within the two-year timeframe³⁰.

Reasons for infeasibility

Consistent with the conclusions for Residential Furnaces, due to the time required for turnover of existing units, additional controls of units are not feasible as a continency measure and meaningful reductions would not be achieved within the two-year timeframe needed for contingency measures³¹. In addition to the timeline constraints, any CARB adopted standards that would achieve emission reductions for this category would preclude any district rules for contingency measure reductions.

<u>Turbines</u>

Gas turbines use exhaust gases from the combustion of gaseous or liquid fuels to spin the turbine blades, driving a shaft and producing mechanical power. In most stationary applications, the shaft is coupled to an electrical generator, which converts the mechanical power into electricity. Gas turbines systems are classified as either simple cycle or combined cycle. In a simple cycle system, heat from the hot exhaust gases is not recovered. In a combined cycle system, heat from the exhaust gases is used to produce steam, which passes through a steam turbine, producing additional power.

Emissions Inventory

The emissions inventories associated with turbines is shown in the tables below. No associated inventory or EIC codes for turbines are located in EDCAQMD or FRAQMD.

PCAPCD Inventory

District	EIC codes Category		NOx Inventory for source categories (tpd)	
			2024	2032
PCAPCD	010-045-0110-0000	Electric Utilities – IC Turbine Engines – Natural Gas	0.039	0.006
PCAPCD	010-045-1200-0000	Electric Utilities – IC Turbine Engines – Diesel/Distillate Oil	0	N/A
PCAPCD	060-045-1200-0000	Service and Commercial – IC Turbine Engines – Diesel/Distillate Oil	0	N/A
Totals			0.039	0.006

²⁹ California Air Resources Board. Zero-Emission Space and Water Heater Standards. https://ww2.arb.ca.gov/ourwork/programs/building-decarbonization/zero-emission-space-and-water-heater-standards/meetings-workshops

³⁰ Ibid. p. 50.

³¹ Ibid. p. 50.

SMAQMD Inventory

District	EIC codes	Category	NOx Inventory for source categories (tp	
				2032
SMAQMD	010-045-0110-0000	Electric Utilities – IC Turbine Engines – Natural Gas	0.310	0.334
SMAQMD	010-045-1200-0000	Electric Utilities – IC Turbine Engines – Diesel/Distillate Oil	0	N/A
SMAQMD	020-045-0110-0000	Cogeneration – IC Turbine Engines	0	N/A
SMAQMD	050-045-1200-0000	Manufacturing and Industrial – IC Turbine Engines	0	
SMAQMD	060-045-1412-0000	Service and Commercial – IC Turbine Engines – Jet Fuel	0 N/A	
Totals			0.310	0.334

YSAQMD Inventory

District	EIC codes	Category	NOx Inventory for source categories (tpd)	
			2024	2032
YSAQMD	010-045-0110-0000	Electric Utilities – IC Turbine Engines – Natural Gas	0.002	0.001
YSAQMD	010-045-1200-0000	Electric Utilities – IC Turbine Engines – Diesel/Distillate Oil	0	N/A
YSAQMD	020-045-0110-0000	Cogeneration – IC Turbine Engines – Natural Gas	0	0
YSAQMD	030-045-0110-0000	Oil and Gas Production – IC Turbine Engines	0.003	0.002
YSAQMD	050-045-1200-0000	Manufacturing and Industrial – IC Turbine Engines	N/A	0.001
YSAQMD	052-045-1200-0000	Food and Agricultural Processing – IC Turbine Engines	N/A	0
YSAQMD	060-045-0110-0000	Service and Commercial – IC Turbine Engines – Natural Gas	0.001	0.007
YSAQMD	060-045-0146-0000	Service and Commercial – IC Turbine Engines – Digester Gas	N/A	0.001
YSAQMD	060-045-1200-0000	Service and Commercial – IC Turbine Engines – Diesel/Distillate Oil	0	N/A
YSAQMD	060-045-1412-0000	Service and Commercial – IC Turbine Engines – Jet Fuel	0	N/A
Totals			0.006	0.012

Potential controls:

More stringent limits are in effect in SCAQMD Rule 1134 and SJVUAPCD Rule 4703 than those required in the SFNA. The table below shows a comparison of the limits in the rules.

	NOx Emission Limit for Gaseous Fuel, ppmvd @ 15% O ₂				
		PCAPCD	YSAQMD	SCAQMD Rule	
	SMAQMD	Rule 250	2.34	1134 (Amended	SJVUAPCD
Unit Rating	Rule 413 /			2019)	Rule 4703
≥0.3 to <2.9 MW	42	42	42	2.5	9
a≥2.9 to <10 MW	42	25	42	2.5	9
and		-			_
<877 hr/yr					
operation					
≥2.9 to <10 MW	25	25	25	2.5	8
and					
≥877 hr/yr					
operation					
≥10 MW (no	42	9	9	2.5	5
SCR) and					25 (if <200 hr/yr)
<877 hr/yr					
operation					
≥10 MW (no	15	9	9	2.5	5
SCR) and					
≥877 hr/yr					
operation					
≥10 MW (w/	42	9	9	2.5	5
SCR) and					25 (if <200 hr/yr)
<877 hr/yr					
operation					
≥10 MW (w/	9	9	9	2.5	5
SCR) and					
≥877 hr/yr					
operation	40				_
≥60 MW	42	9	9	2	5
Combined Cycle					25 (if <200 hr/yr)
<877 hr/yr					
operation ≥60 MW	15 (20	15 (no	9	2	5
Combined Cycle	15 (no SCR)	15 (no SCR)	Э	2	Э
≥877 hr/yr	9 (w/ SCR)	9 (w/SCR)			
operation		S (WISCK)			
	1				

The lower limits of SCAQMD and SJVUAPCD are feasible and considered cost effective. No source specific turbines were identified in EDCAQMD or FRAQMD.

PCAPCD Analysis

The total NOx emissions from gas turbine operations are less than 0.006 tpd in 2032. Infeasible as a contingency measure because this control measure will result in minimal emission reductions.

SMAQMD Analysis

A review of the permits for the stationary gas turbines in SMAQMD shows that about half the existing turbines in Sacramento County could require retrofit to meet the lower SCAQMD NOx emission limits resulting in additional emission reductions. SCAQMD estimated a NOx reduction of 87.5%; however, further analysis of District permits found an estimated reduction of 25%. Infeasible as a contingency measure because achieving emissions reductions with retrofit technology (SCR) within 2 years is technologically infeasible for this category.

YSAQMD Analysis

A review of the permit for the stationary gas turbines in YSAQMD shows that the existing turbines could require retrofit to meet the lower SCAQMD NOx emission limits resulting in additional emission reductions. The current permit limit for the permitted turbines is 3.0 ppmv @ 15% O₂. Reducing the emission limit for these turbines to those in SCAQMD Rule 1134 would result in emission reductions of approximately 17%. Infeasible due to minimal reductions (0.0002 tpd of NOx reduced) and timeline concerns to design, permit, and install new equipment with retrofit SCR technology.

Reasons for infeasibility:

The potential contingency measures for this category would involve requiring installation of SCR on additional units or modification of SCR. In 2018, the SCAQMD provided approximately 6 years for compliance with new limits for combustion turbines in SCAQMD in Rule 1135. SCAQMD recently (February 22, 2023) proposed to revise Rule 1135 to provide an additional 3 months for compliance. SCAQMD Rule 1134 provides 24-36 months from issuance of a permit to construct to meet revised emission limits.

To comply with the lower NOx limits, a permitted source in the SFNA would need time to perform engineering/design evaluation for the replacement or retrofitted equipment, apply for and obtain pre-construction permit, purchase and obtain the equipment or retrofit from a manufacturer or distributor, complete the installation or retrofit, perform source test of new or retrofitted equipment, and obtain an operating (post-construction) permit. Thus, the time to complete all listed tasks in less than 2 years of a triggering event to obtain meaningful reductions within 2 years is not feasible.

Waste Gas Flares – Landfill, Sewage Treatment, and Incineration

Waste gas flares are used to reduce VOC emissions by incineration. In some applications, they are used for continuous control, and in other instances, may be used as safety devices during emergency situations. The combustion process produces NOx, which is emitted as a secondary pollutant.

Relevant Emission Inventory

District	EIC	Category	NOx Inventory for source categories (tpd)	
			2024	2032
EDCAQMD	120-132-0136-0000	Flares – Waste Gas	0.006	0
FRAQMD	None	N/A	N/A	N/A
PCAPCD	120-132-0136-0000	Flares – Waste Gas	0.010	0.010
SMAQMD	120-132-0136-0000	Flares – Waste Gas	0.025	0.033
SMAQMD	130-132-0136-0000	Flares – Waste Gas	0.003	0.003
YSAQMD	110-132-0146-0000	Flares – Digester Gas	0.002	0.011
YSAQMD	130-132-0136-0000	Flares – Waste Gas	0	0

The emissions inventory associated with waste gas flares is shown in the table below:

No districts within the SFNA have a rule covering this source category.

Potential controls

The controls identified for flares are based on SJVAPCD Rule 4311. SJVAPCD Rule 4311 controls emissions from flares by requiring flare minimization plans, extensive monitoring and record keeping, and submitting reports of planned and unplanned activities. In the December 2020 rule amendments, SJVAPCD further limit emission from flares by:

- 1. Removing the exemption for flares located at stationary sources with potentials to emit of less than 10 tons per year of VOC and less than 10 tons per year of NOx;
- 2. Curtailing the exemption for flares operated at municipal solid waste landfills for flares that combust less than 2000 MMscf of landfill gas per calendar year and that have ceased accepting waste; and
- 3. Adding performance standards that require Ultra Low NOx flaring technologies for operators of flares exceeding annual capacity through thresholds.

Reasons for infeasibility

The reduction in flaring operations has been shown to be feasible in SJVUAPCD by driving sources to reduce flaring operations. The removal of the exemptions in SJVAPCD's December 2020 would make similar sources in the SFNA be subject to the requirements in SJVAPCD Rule 4311. SJVUAPCD estimated the cost effectiveness of its rule amendments to be approximately \$100,000 per ton of NOx removed. The cost effectiveness is estimated to be similar in the SFNA. Due to the high cost-effectiveness, this measure is not considered feasible in the SFNA.

In addition, it is infeasible for reductions to occur within the contingency measure 2-year period. In SJVUAPCD 2020 amendments to their flare rule, the rule allowed sources up to three years to meet the emission limits. Sources that were able to limit annual throughput to levels below newly specified thresholds were given 1.5 years to meet these requirements, but this action did result in reductions because these facilities were likely already operating below the threshold.

Operation of flares requires an air district permit. To comply with the emission limits and similar requirements in SJVUAPCD's rule, a permitted source would need time to perform engineering/design evaluation for the control technology, apply for and obtain pre-construction permit, purchase and obtain the control technology from a manufacturer or distributor, complete

the installation or retrofit, perform source test, and obtain an operating (post-construction) permit. Thus, the time to complete all listed tasks in less than 2 years of a triggering event to obtain meaningful reductions within 2 years is not feasible.

RESOLUTION NO. 2024 – 021

Adopted by the Sacramento Metropolitan Air Quality Management District Board of Directors

RULE 489 – GREENWASTE COMPOSTING OPERATIONS

BACKGROUND:

- A. The Board of Directors (Board) of the Sacramento Metropolitan Air Quality Management District (District) is authorized by Sections 40001, 40702, and 41010 of the California Health and Safety Code (HSC) to adopt, amend or repeal rules and regulations [HSC Section 40727(b)(2)].
- B. The District is within an area designated nonattainment for the 2008 and 2015 8-hr ozone National Ambient Air Quality Standards.
- C. The Board has determined that a need exists to adopt Rule 489 to fulfill the contingency measure requirements of Clean Air Act Sections 172(c)(9) and 182(c)(9) [HSC Section 40727(b)(1)].
- D. The Board has determined that the meaning of Rule 489 can be easily understood by the persons affected by it [HSC Section 40727(b)(3)].
- E. The Board has determined that Rule 489 is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations [HSC Section 40727(b)(4)].
- F. The Board has determined that Rule 489 does not duplicate any existing state or federal regulations [HSC Section 40727(b)(5)].
- G. The Board has determined that Rule 489 implements the requirements of CAA Section 172(c)(9) and 182(c)(9), and HSC Sections 40150 and 40600 [HSC Section 40727(b)(6)].
- H. The Board has considered a written analysis for Rule 489 in Staff's Statement of Reasons [HSC Section 40727.2].
- I. The Board has maintained records of the rulemaking proceedings [HSC Section 40728].
- J. The Board held a duly noticed public hearing on October 24, 2024, and considered public comments on Rule 489 [HSC Sections 40725 and 40726 and 40 CFR 51.102].
- K. The Board has considered the socioeconomic impacts of Rule 489 in Staff's Statement of Reasons [HSC Section 40728.5].
- L. The Board evaluated Rule 489 to determine whether it is exempt from the California Environmental Quality Act (CEQA) as an action by a regulatory agency for protection of the environment (Class 8 Categorical Exemption, §15308 State CEQA Guidelines) and as an action in which it can be seen with certainty that there is no possibility that the activity may have a significant adverse effect on the environment (§15061(b)(3), State CEQA Guidelines).
- M. The modifications deleting the authority to approve alternative compliance options do not impact the emission reduction levels achieved under the published version of the rule or sources affected by the rule because (i) alternatives would have had to meet the same

emission level limits as the rule measures, (ii) there are no known alternative compliance options, and (iii) other districts that have similar provisions have never invoked the provisions.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE BOARD OF DIRECTORS **RESOLVES AS FOLLOWS:**

- Section 1. The proposed Rule 489 is exempt from CEQA.
- Section 2. Approves RULE 489 - GREENWASTE COMPOSTING OPERATIONS, as presented to the Board today in replacement of Exhibit A.
- Section 3. Determines that Rule 489 is effective at the time specified in the Rule.
- Section 4 Determines that the revisions to the publicly noticed version of the rule are not so substantial as to significantly affect the meaning of the proposed rule.
- Section 5. Directs Staff to forward Rule 489 and all necessary supporting documents to the California Air Resources Board for submittal to U.S. EPA as a revision to the California State Implementation Plan.
- Section 6. Rule 489 as presented to the Board today be incorporated into this Resolution.

ON A MOTION by Director <u>Donald Terry</u>, seconded by Director <u>Sarah Aquino</u>, the foregoing resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District on October 24, 2024, by the following vote:

Sarah Aguino, Rich Desmond, Sue Frost, Patrick Hume, Patrick Kennedy, Kevin Aves: Papineau, Phil Serna, Donald Terry, Shoun Thao, and Mai Vang.

Noes:

Abstain:

Absent: Eric Guerra, Caity Maple, Porsche Middleton, and Sergio Robles.

ATTEST: Salina MartineZDN: CN = Salina Martinez email = smartinez@airquality.org C = AD O = Sac

Digitally signed by: Salina Martinez Metro Air District Date: 2024.11.06 13:10:49 -08'00'

Clerk, Board of Directors Sacramento Metropolitan Air Quality Management District

RULES AND REGULATIONS

RULE 489 – GREENWASTE COMPOSTING OPERATIONS Adopted 10-24-2024

[This rule will be effective on the effective date of an EPA final rulemaking that conditions described in Clean Air Act Sections 172(c)(9) and 182(c)(9) have occurred in the District regarding the 2008 or 2015 8-Hour Ozone National Ambient Air Quality Standards.]

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100 GENERAL

- 101 **PURPOSE:** To limit the emission of volatile organic compounds (VOC) occurring during greenwaste composting operations.
- 102 **APPLICABILITY:** Except as provided in Sections 110 and 111, this rule applies to the owner/operator of any greenwaste composting operation that produces active or finished compost from greenwaste by itself or greenwaste in combination with manure.
- 103 **SEVERABILITY:** If any section, subsection, sentence, clause, phrase, or portion of this rule is, for any reason, held invalid, unconstitutional, or unenforceable by any court of competent jurisdiction, such portion is deemed as a separate, distinct, and independent provision, and such holding does not affect the validity of the remaining portions thereof.
- 110 **EXEMPTION MINOR COMPOSTING FACILITIES:** This rule does not apply to the following composting facilities, provided that the operation is not subject to the Local Enforcement Agency notification or permit regulations pursuant to Title 14 Division 7, Chapter 3.1, Section 17857.1 of the California Code of Regulations:
 - 110.1 Community composting;
 - 110.2 Nursery composting;
 - 110.3 Backyard composting; and
 - 110.4 Recreational facility composting.
- 111 **EXEMPTION OPERATIONS SUBJECT TO OTHER DISTRICT RULES:** The requirements of this rule do not apply to any composting facility subject to the requirements of Rule 496 LARGE CONFINED ANIMAL FACILITIES.

200 DEFINITIONS

- 201 **ACTIVE COMPOST**: Any material that is in the process of being rapidly decomposed and is biologically unstable. Active compost generates temperature of at least 122 degrees Fahrenheit during decomposition. Active compost includes, but is not limited to, pathogenreduced mulch.
- 202 **ACTIVE PHASE:** The phase of the greenwaste composting process that begins when organic waste materials are mixed together for composting and lasts a minimum of 22 days under uncontrolled conditions or until the compost has a Solvita[®] Maturity Index of five or greater measured pursuant to Section 501.2.a.
- 203 **BACKYARD COMPOSTING:** Any composting conducted by a household including, but not limited to, single family residences, condominiums, duplexes, or apartment buildings.
- 204 **COMPOSTING FACILITY:** A source that is required to obtain a District permit for composting operations in pursuant to District Rule 201, General Permit Requirements.
- 205 **COMMUNITY COMPOSTING:** Any composting conducted by a residential neighborhood association using feedstock generated within the residential neighborhood to produce compost for the neighborhood's use.
- 206 **COMPOSTING:** A process in which solid organic waste materials are decomposed in the presence of oxygen through the action of bacteria and other microorganisms.
- 207 **COMPOSTING OVERS:** The oversized woody materials that do not decompose in a typical composting cycle and are screened out of finished product at the end of composting. Composting overs have been through a pathogen reduction process outlined in Title 14, Section 17868.3 of the California Code of Regulations.

- **CURING PHASE:** The phase of the greenwaste composting process that begins immediately after the end of the active phase of composting and lasts a minimum of 40 days or until the compost has a Solvita[®] Maturity Index of seven or the product respiration rate is below ten milligrams of oxygen consumed per gram of volatile solids per day as measured by direct respirometry, pursuant to Section 501.2.b.
- **FINISHED COMPOST:** A humus-like material and/or compost overs that result from the controlled biological decomposition of organic waste materials and is biologically stable. Both the active and curing phases of the greenwaste composting are required to achieve this product.
- **GREENWASTE:** Any organic waste material generated from gardening, agriculture, or commercial or municipal landscaping activities including, but not limited to, grass clippings, leaves, tree and shrub trimmings, and plant remains.
- **GREENWASTE COMPOSTING:** Any composting of greenwaste by itself or with a mixture with up to 20 percent manure, per pile volume basis.
- **LOCAL ENFORECEMENT AGENCY:** The local agency with authority to enforce state laws pertaining to the storage, processing and disposal of solid waste, including permitting and enforcement for composting facilities.
- **NURSERY COMPOSTING:** Any composting conducted at a nursery to produce compost for on-site use.
- **ORGANIC WASTE:** Any organic waste material that includes greenwaste, woodwaste, or manure, or a mixture thereof.
- **OWNER/OPERATOR:** Any person who owns, leases, or operates a greenwaste composting operation.
- **PILE:** Any composting material that is heaped together.
- **RECREATIONAL FACILITY COMPOSTING:** Any composting conducted at parks, arboretums and other recreational facilities using feedstock generated on-site to produce compost for on-site use
- **SOLVITA® MATURITY INDEX:** An index that defines the stage where compost exhibits resistance to further decompositions, as tested by the Solvita® Maturity Test pursuant to Section 501.2.a.
- **TEST METHODS FOR THE EXAMINATION OF COMPOSTING AND COMPOST** (TMECC): The test methods published by the U.S. Composting Council Research and Education Foundation.
- **THROUGHPUT:** The weight of organic waste material to be processed, as it is received by a facility, prior to treatment at the receiving location. Throughput includes the weight of moisture present in the organic waste material at the time it is received at a facility.
- 221 VOLATILE ORGANIC COMPOUND (VOC): For the purposes of this rule, "volatile organic compound" has the same meaning as in Rule 101 GENERAL PROVISIONS AND DEFINITIONS.
- **WINDROW:** Any organic waste material that is placed in an elongated pile for composting.
- **WOODWASTE:** Any lumber and the woody material portion of mixed demolition and mixed construction wastes. Woodwaste also includes the large wood materials of curbside

greenwaste or mixed greenwaste that is screened or unscreened, such as tree trimmings, branches, tree trunks, stumps, and limbs exceeding two inches in any dimension.

300 STANDARDS

- 301 **OPERATION REQUIREMENTS GREENWASTE COMPOSTING OPERATIONS:** Effective one year after the effective date of this rule, an owner/operator of a composting facility must comply with the following requirements:
 - 301.1 Chip or grind, as necessary, and use greenwaste for on-site composting as allowed by the Local Enforcement Agency or within 10 days, whichever is earlier.
 - 301.2 Cover each active phase pile with screened or unscreened finished compost within 24 hours of initial pile formation such that the top is at least six inches thick, and the pile must not be turned for the first seven days of the active phase of composting, unless Section 301.5 applies.
 - 301.3 For the first 15 days after initial pile formation for the active phase period of composting, within six hours before turning, apply water as necessary to the surface area of each active phase pile such that the top one half of the pile is wet at a depth of at least three inches. Alternatively, the owner/operator may apply water during turning using a windrow turner which is equipped with an operating water spraying technology during the entire windrow turning process.
 - a. "Wet" must be determined using a squeeze ball test pursuant to Section 501.1.
 - 301.4 If a rain event occurs prior to watering the pile within 6 hours before turning and the pile is wet to a depth of three inches, the owner/operator may turn the pile without adding additional water. If the top half of the pile is dry to a three-inch depth, apply additional water pursuant to Section 301.3.
 - 301.5 If the pile needs to be turned within the first seven days for managing temperature or pathogen reduction pursuant to Title 14 Division 7, Chapter 3.1 Section 17868.3 of the California Code of Regulations, the owner/operator does not need to reapply the screened or unscreened finished compost cover and will apply water pursuant to Section 301.3 for the first 15 days of the active phase.

400 ADMINISTRATIVE REQUIREMENTS (NOT APPLICABLE)

500 MONITORING AND RECORDKEEPING

501 **TESTING PROCEDURES**:

- 501.1 **SQUEEZE BALL TEST:** The squeeze ball test must be conducted by taking a sample of the compostable material from the top half of the pile, at least 3 inches below the outer surface. The material must be squeezed into a ball using hand pressure and wearing a protective glove. There should be at least enough water to form a ball when compressed, but the ball may break when tapped. If the ball crumbles upon release of the hand pressure, additional water must be applied to the windrow prior to turning until the material passes the ball squeeze ball test.
- 501.2 **COMPOST MATURITY:** The following test methods are incorporated herein by reference and will be used to test composting phase subject to provisions of this rule:
 - a. TMECC 05.08-E Solvita[®] Maturity Index (April 7, 2002)
 - b. TMECC 05.08-A Specific Oxygen Update Rate (April 7, 2002)
- 502 **RECORDKEEPING:** The owner/operator of a composting facility subject to this rule, must maintain the following records:
 - 502.1 Watering requirements:
 - a. Date and time the waste organic material from the windrow was tested for compliance.
 - b. Windrow squeeze ball test result and, if applicable, all corrective action taken.
 - c. Date and time the windrow was turned.

- 502.2 Active composting cover:
 - a. Date and time each windrow was initially formed for the active phase and the time when finished compost cover was applied to each windrow.
 - b. Date and time each windrow was turned during the active phase and the time when finished compost cover was applied to each windrow.
- 502.3 Throughput records:
 - a. Date the organic waste material arrives on site.
 - b. Type of organic waste material received on site.
 - c Weight (in wet tons) of each type of organic waste material received on site.
- 502.4 Records must be maintained on site for a continuous 5-year period and submitted to the Air Pollution Control Officer by March 15 of each year for the previous calendar year. The submittal must be in electronic format.

RESOLUTION NO. 2024 – 022

Adopted by the Sacramento Metropolitan Air Quality Management District Board of Directors

RULE 490 – LIQUEFIED PETROLEUM GAS TRANSFER AND DISPENSING

BACKGROUND:

- A. The Board of Directors (Board) of the Sacramento Metropolitan Air Quality Management District (District) is authorized by Sections 40001, 40702, and 41010 of the California Health and Safety Code (HSC) to adopt, amend or repeal rules and regulations [HSC Section 40727(b)(2)].
- B. The SMAQMD is within an area designated nonattainment for the 2008 and 2015 8-hr ozone National Ambient Air Quality Standards.
- C. The Board has determined that a need exists to adopt Rule 490 to fulfill the contingency measure requirements of Clean Air Act Sections 172(c)(9) and 182(c)(9) [HSC Section 40727(b)(1)].
- D. The Board has determined that the meaning of Rule 490 can be easily understood by the persons affected by it [HSC Section 40727(b)(3)].
- E. The Board has determined that Rule 490 is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations [HSC Section 40727(b)(4)].
- F. The Board has determined that Rule 490 does not duplicate any existing state or federal regulations [HSC Section 40727(b)(5)].
- G. The Board has determined that Rule 490 implements the requirements of CAA Section 172(c)(9) and 182(c)(9), and HSC Sections 40150 and 40600 [HSC Section 40727(b)(6)].
- H. The Board has considered a written analysis for Rule 490 in Staff's Statement of Reasons [HSC Section 40727.2].
- I. The Board has maintained records of the rulemaking proceedings [HSC Section 40728].
- J. The Board held a duly noticed public hearing on October 24, 2024, and considered public comments on Rule 490 [HSC Sections 40725 and 40726 and 40 CFR 51.102].
- K. The Board has considered the socioeconomic impacts of Rule 490 in Staff's Statement of Reasons [HSC Section 40728.5].
- L. The Board evaluated Rule 490 to determine whether it is exempt from the California Environmental Quality Act (CEQA) as an action by a regulatory agency for protection of the environment (Class 8 Categorical Exemption, §15308 State CEQA Guidelines) and as an action in which it can be seen with certainty that there is no possibility that the activity may have a significant adverse effect on the environment (§15061(b)(3), State CEQA Guidelines).

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE BOARD OF DIRECTORS RESOLVES AS FOLLOWS:

- Section 1. The proposed Rule 490 is exempt from CEQA.
- Section 2. Approves RULE 490 LIQUEFIED PETROLEUM GAS TRANSFER AND DISPENSING, shown in the attached Exhibit A.
- Section 3. Determines that Rule 490 is effective at the time specified in the Rule.
- Section 4. Directs Staff to forward Rule 490 and all necessary supporting documents to the California Air Resources Board for submittal to U.S. EPA as a revision to the California State Implementation Plan.
- Section 5. Exhibit A is attached to and incorporated into this Resolution.

ON A MOTION by Director <u>Donald Terry</u>, seconded by Director<u>Sarah Aquino</u>, the foregoing resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District on October 24, 2024, by the following vote:

Ayes: Sarah Aquino, Rich Desmond, Sue Frost, Patrick Hume, Patrick Kennedy, Kevin Papineau, Phil Serna, Donald Terry, Shoun Thao, and Mai Vang.

Noes:

- Abstain:
- Absent: Eric Guerra, Caity Maple, Porsche Middleton, and Sergio Robles.



Clerk, Board of Directors Sacramento Metropolitan Air Quality Management District

RULES AND REGULATIONS

RULE 490 – LIQUEFIED PETROLEUM GAS TRANSFER AND DISPENSING Adopted 10-24-24

[This rule will be effective on the effective date of an EPA final rulemaking that conditions described in Clean Air Act Sections 172(c)(9) and 182(c)(9) have occurred in the District regarding the 2008 or 2015 8-Hour Ozone National Ambient Air Quality Standards.]

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100 GENERAL

- **PURPOSE:** To limit the emission of volatile organic compounds (VOC) from the transfer and dispensing of liquefied petroleum gas (LPG).
- **APPLICABILITY:** This rule applies to the transfer or dispensing of LPG from any cargo tank, stationary or portable storage tank, or cylinder into any other cargo tank, stationary or portable storage tank, or cylinder.
- **SEVERABILITY:** If any section, subsection, sentence, clause, phrase, or portion of this rule is, for any reason, held invalid, unconstitutional, or unenforceable by any court of competent jurisdiction, such portion is deemed as a separate, distinct, and independent provision, and such holding does not affect the validity of the remaining portions thereof.
- **EXEMPTION SMALL LPG CONTAINERS:** This rule does not apply to the transfer of LPG into any container with a water capacity of less than 4 gallons.
- **EXEMPTION RECREATIONAL VEHICLES:** The requirements of Sections 301 and 302 do not apply to any LPG containers that are specifically dedicated and installed for use on recreational vehicles.

200 DEFINITIONS

- **BOBTAIL TRUCK:** Any vehicle equipped with a cargo tank without a trailer and is used to deliver propane.
- **BUBBLE TEST:** A test application of a soap solution, detergent, aerosol spray or similar material that produces visible bubbles at the site of any potential LPG vapor leak source and is observed for bubbles.
- **CARGO TANK:** Any container used to transport LPG and is either mounted on a conventional truck chassis or is an integral part of a cargo transporting vehicle, such as a bobtail, mobile fueler, or railroad tank car.
- **CONNECTOR:** Any component, including an adapter, hose, fitting, valve or coupling used in association with the transfer of LPG from one container to another and is disconnected following completion of an LPG transfer or dispensing activity.
- **CONTAINER:** Any vessel, including cylinders, stationary or portable tanks, and cargo tanks, used for the transportation or storage of LPG.
- **CYLINDER:** Any container designed, constructed, tested, and marked in accordance with the U.S. Department of Transportation (DOT) specifications, Title 49, Code of Federal Regulations or in accordance with a valid DOT special permit.
- **FILL BY WEIGHT:** The filling of an LPG container without using of a Fixed Liquid Level Gauge and monitoring the fill level by weighing the filled container to prevent overfilling to no more than the maximum rated capacity.
- **FITTING:** Any machine component, piping, tubing, or fixture that attaches to larger parts or is used to connect two or more larger parts.
- **FIXED LIQUID LEVEL GAUGE (FLLG):** A liquid level indicator, also called a bleeder valve or outage gauge, that uses a positive shutoff vent valve to indicate that the liquid level in a container being filled has reached the point at which the indicator communicates with the liquid.

- 210 **LIQUID TIGHT:** Any visible liquid leak rate not exceeding three drops per minute or exhibiting a visible liquid mist.
- 211 **LOW EMISSION FLLG:** A fixed liquid level gauge with a number 72 orifice size (0.025 inch) or physical configuration that results in an equivalent or lower emissions rate that is tested and demonstrated using a method approved in writing by the Air Pollution Control Officer.
- 212 **LIQUEFIED PETROLEUM GAS (LPG):** An organic compound having a vapor pressure not exceeding that allowed for commercial propane, which is composed predominantly of the following hydrocarbons, either by themselves or as mixtures: propane, propylene, butane (normal butane or isobutane) and to a lesser extent butylene, and that is stored and transported under pressure in a liquid state.
- 213 **LPG BULK LOADING FACILITY:** An LPG transfer and dispensing facility where the primary function is to store LPG for further distribution and has one or more stationary storage tanks with a water capacity of 10,000 gallons or more.
- 214 **LPG LOW EMISSION CONNECTOR:** Any component, including an adapter, hose, fitting, valve, or coupling used to transfer LPG from one container to another and is designed to result a maximum emission release of four cubic centimeters of LPG when disconnected.
- 215 **LPG TRANSFER AND DISPENSING FACILITY:** A mobile fueler, or a stationary facility consisting of one or more stationary storage tanks and associated equipment which receives, stores, and either transfers or dispenses LPG to stationary storage tanks, cargo tanks, or portable storage tanks.
- 216 LPG VAPOR RECOVERY OR EQUALIZATION SYSTEM: A system installed on an LPG mobile fueler or railroad tank car that facilitates the transfer of liquid LPG and allows for the collection and recovery of LPG vapors displaced or emitted from the stationary storage tank or cargo tank when LPG is transferred to or from the mobile fueler or the railroad tank car.
- 217 **LPG VAPORS:** The organic compounds in vapor form as well as the entrained liquid LPG displaced during LPG transfer and dispensing operations.
- 218 **MOBILE FUELER:** Any cargo tank, tanker truck or trailer, including a bobtail truck, which is used to transport LPG stored in an onboard cargo tank.
- 219 **OWNER/OPERATOR:** Any person who owns, leases, or operates any stationary facility or mobile fueler subject to the requirements of this rule.
- 220 **PORTABLE CYLINDER:** A container designed, constructed, tested, and marked in accordance with U.S. Department of Transportation (DOT) specifications Title 49, Code of Federal Regulations or in accordance with a valid DOT special permit. Examples of portable cylinders that contain LPG include those used with small hand torches, forklifts, barbeque grills, and agricultural weed burners.
- 221 **PORTABLE STORAGE TANK:** A container or portable cylinder designed to be easily moved by hand or hand truck (dolly) without mechanical assistance, as opposed to a container or stationary tank designed for stationary installations.
- 222 **RAILROAD TANK CAR:** A mounted cargo tank designated for transport over rail.
- 223 **RECREATIONAL VEHICLE:** Any vehicle or trailer used strictly for noncommercial leisure activities, and is equipped with living space and amenities found in a home.

- 224 **STATIONARY STORAGE TANK:** A container that is used for the storage of LPG, including, but not limited, for residential, commercial, or industrial usage, and includes containers constructed in accordance with the American Society of Mechanical Engineers Code.
- 225 **VALVE:** A device that regulates or isolates the fluid flow in a pipe, tube, tank, or conduit by means of an external actuator.
- 226 **VAPOR TIGHT:** A condition under which the concentration of total organic compounds from any LPG connector does not exceed 10,000 ppm above background, as determined pursuant to Section 501.
- 227 VOLATILE ORGANIC COMPOUND (VOC): For the purposes of this rule, "volatile organic compound" has the same meaning as in Rule 101 GENERAL PROVISIONS AND DEFINITIONS.

300 STANDARDS

- 301 **LPG BULK LOADING FACILITIES:** Effective one year after the effective date of this rule, no person at an LPG bulk loading facility may transfer, allow the transfer, or provide equipment used to transfer LPG from any cargo tank to a stationary tank located at the facility or from any stationary storage tank to a cargo tank unless the all the following conditions are met:
 - 301.1 An LPG vapor recovery or equalization system, capable of recovering all LPG vapors, is used during the transfer process. The LPG vapor recovery or equalization system is maintained and operated according to the specifications of the system manufacturer.
 - 301.2 All vapor return lines and liquid lines are properly connected between the cargo tank and the stationary storage tank so that associated connectors are maintained in a vapor tight and liquid tight condition during LPG transfer.
 - 301.3 The transfer hose assembly, which includes the hose, fittings, and gaskets, is properly maintained in order to maintain vapor tight conditions.
- 302 LPG TRANSFER AND DISPENSING FACILITIES: Effective one year after the effective date of this rule, no person may transfer LPG at an LPG transfer and dispensing facility from any stationary storage tank, cargo tank, or cylinder into any stationary storage tank, cargo tank, or vehicle fuel tank unless the transfer is made under the following conditions, as applicable:
 - 302.1 Each stationary storage tank must meet one or both of the following conditions:
 - a. All stationary storage tank FLLGs are closed during LPG transfer, using a filling technology that monitors the maximum fill level without use of an FLLG; or
 - b. The tank is equipped only with low emission FLLGs as follows:
 - 1. Whenever a tank is put into or taken out of service, the tank is equipped only with low emission FLLGs prior to returning the tank to service.
 - 2. Except as provided in Section 302.1(b)(3), all stationary storage tanks must be equipped with low emission FLLGs no later than 18 months after the effective date of this rule.
 - 3. Notwithstanding Section 302.1(b)(2), if the owner/operator demonstrates through documentation prior to 18 months after the effective date of this rule that the stationary storage tank being filled is equipped with an FLLG that cannot be retrofitted with a low emission FLLG in a safe manner without relocation of the stationary storage tank, the stationary storage tank must be equipped with a low emission FLLG no later than 48 months after the effective date of this rule. Such documentation must be

submitted to the Air Pollution Control Officer no later than 48 months after the effective date of this rule.

- 302.2 Each cargo tank, if equipped with FLLGs, must meet one or both of the following conditions:
 - a. All cargo tank FLLGs are closed while being filled using a filling technology that monitors the maximum fill level without the use of an FLLG; or
 - b. The cargo tank is equipped only with low emission FLLGs as follows:
 - 1. If a cargo tank is purchased as new or manufactured after the effective date of this rule, it must be equipped only with low emission FLLGs.
 - 2. When a cargo tank is evacuated, it must be equipped only with low emission FLLGs prior to returning to service.
 - 3. All cargo tanks must be equipped only with low emission FLLGs no later than 60 months after the effective date of the rule.
- 302.3 Each container that is a cylinder or portable storage tank must meet one or both of the following conditions:
 - a. The cylinder or portable storage tank FLLG is closed during LPG transfer using a fill by weight technique or an alternative technology that monitors the maximum fill level without the use of the FLLG; or
 - b. The cylinder or portable storage tank is equipped with a low emission FLLG no later than 18 months after the effective date of this rule.
- 302.4 Each LPG transfer from one container to any other container is made using LPG low emission connectors that are liquid tight and vapor tight, except when actively connecting or disconnecting the connector.
- 303 **LEAK DETECTION AND REPAIR PROGRAM:** Effective one year after the effective date of this rule, the owner/operator of an LPG bulk loading facility or an LPG transfer and dispensing facility must implement a leak detection and repair program, including but not limited to the following requirements:
 - 303.1 <u>Daily Physical Leak Check:</u> On a daily basis, physically check all connectors involved with the transfer for evidence of leakage, such as the presence of odorant, hissing, or staining.
 - 303.2 <u>Bubble Test or EPA Method 21 Inspection:</u> Inspect all LPG connectors during LPG transfers using the bubble test or EPA Method 21 at least once every 90 days, or if the time between the fillings is greater than 90 days, during or upon completion of the transfer of LPG. Visible bubbles when using the bubble test or a total organic compound concentration greater than 10,000 ppmv when using EPA Method 21 constitute a leak.
 - 303.3 <u>Employee Training:</u> Conduct a periodic training program for any employee involved in the maintenance or operation of LPG transfer. The training program must incorporate written training procedures, training frequency, scheduled training dates, and written record of the dates and training provided for each employee.
 - 303.4 <u>Leak Repair:</u> Remove from service and tag any connector identified as leaking pursuant to Section 303.1 or 303.2. The connector may not be put back into service until the leaky connector is repaired or replaced, and re-inspected for leaks. The owner/operator must keep a written record of all leaks found pursuant to Section 502.2. Leaks identified by the owner/operator that are removed from service, tagged, repaired or replaced, re-inspected, and documented will not be considered violations of this rule.
- 304 **MOBILE FUELER OR RAILROAD CARGO TANK MAINTENANCE:** Effective one year after the effective date of this rule, the owner/operator of a mobile fueler or railroad cargo tank equipped with an LPG vapor recovery or equalization system must operate the system in accordance with the manufacturer's specifications and perform system maintenance in accordance with the manufacturer's schedule.

400 ADMINISTRATIVE REQUIREMENTS

- 401 **INITIAL LOW EMISSION CONNECTOR INVENTORY SUBMITTAL FOR BULK LOADING FACILITIES**: By July 1 after the end of the first full calendar year that the requirements in Section 302 are in effect, the owner/operator of an LPG bulk loading facility must submit to the Air Pollution Control Officer (APCO) an end-of-year inventory, for the prior calendar year, of all low emission connectors installed at the facility and those installed on facility-owned or leased LPG mobile fuelers associated with the transfer or storage of LPG. The inventory submittal must include the specific transfer or storage equipment involved and the manufacturer and identification or part number of all low emission connectors. In addition, any connectors installed at the facility or on facility-owned or facility-leased mobile fuelers that are not low emission must be identified. The submittal must be in electronic format.
- 402 ANNUAL SUBMITTAL OF LOW EMISSION FLLG INSTALLATIONS FOR BULK LOADING FACILITIES: Beginning July 1 after the end of the first full calendar that the requirements in Section 302 are in effect and ending after five consecutive annual submittals: By July 1 each year, the owner/operator of an LPG bulk loading facility must submit to the APCO an end-of-year inventory, for the prior calendar year, of all facility containers, including all facility-owned or leased mobile fuelers associated with the transfer and storage of LPG, that are equipped with one or more low emission FLLGs. The inventory submittal must include a summary, by size and classification, and include the associated number of installed low emission FLLGs. The submittal must be in electronic format.

500 MONITORING AND RECORDKEEPING

501 **TEST METHOD – LEAK CONCENTRATIONS:** If Method 21 is used to comply with Section 303.2 instead of the bubble test, leak concentrations of total organic compounds must be determined using United States Environmental Protection Agency Reference Method 21, with an appropriate analyzer calibrated with methane. The analyzer must be calibrated before inspection on the day of inspection.

502 **RECORDKEEPING**:

- 502.1 The owner/operator of an LPG bulk loading facility or an LPG transfer and dispensing facility subject to the requirements of Section 301 or 302 must maintain purchase and installation records of all low emission FLLGs and low emission connectors installed to comply with this rule including component name, part ID number, quantity purchased, and component manufacturer.
- 502.2 The owner/operator of an LPG bulk loading facility or an LPG transfer and dispensing facility must maintain a maintenance log of all leaks found. The maintenance log must include the type of leak, location of leak, date and time leak discovered, date and time leak repaired, name of person who performed the repair and their employer's name and phone number, leaking connector name (part ID name, part number, and part manufacturer), and description of the repair.
- 502.3 The owner/operator of a mobile fueler or a railroad tank car subject to the requirements of Section 304 must maintain on-site maintenance records of the vapor recovery or equalization system and a copy of the manufacturer's maintenance schedule.
- 502.4 Records must be maintained on site for a continuous 5-year period and submitted to the Air Pollution Control Officer by July 1 of each year for the previous calendar year. The submittal must be in electronic format.

Meeting Date: 1/23/2025 Report Type: CONSENT CALENDAR Report ID: 2025-0123-2.



Title: Appointment of Hearing Board Attorney Member

Recommendation: Pass a motion appointing Darrel Woo as the Hearing Board attorney member for a 3-year term beginning January 28, 2025, and ending January 27, 2028.

Rationale for Recommendation: Section 40800 of the California Health and Safety Code requires that the Board of Directors establish and maintain a hearing board. The hearing board consists of five members: one attorney, one professional engineer, one medical professional, and two members of the general public. Each member is appointed by the Board of Directors for a three-year term. The attorney member position is expiring at the end of this month, necessitating this action to fill the position.

Contact: Virginia Muller, Clerk of the Hearing Board (279) 207-1138

Presentation: No

ATTACHMENTS:

Attachment A: Application and Reappointment Letter Attachment B: Hearing Board Details

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/16/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/16/2025

Discussion / Justification:

There were two applicants for the attorney position, Darrel Woo, the incumbent, and Jessica Baldwin (Attachment A). Both applicants are qualified for the position, but staff is recommending that Darrel Woo be reappointed. He has the confidence of the other board members, having recently been selected by them to serve as the Hearing Board chair. In addition, his experience will prove valuable in case of any contentious decisions arise in the future.

The term for the attorney member will commence upon Board approval on January 28, 2025, and end on January 27, 2028.

Upcoming Hearing Board member vacancy:

The Public Member No. 1 term expires July 24, 2025. Recruitment for this vacancy should begin in April 2025.

Hearing Board Structure and Authority

The Sac Metro Air District Hearing Board is a quasi-judicial panel that provides limited relief from District regulations as authorized by state law. Operating independently of the Board of Directors, the five-member panel includes a medical professional, a professional engineer, an attorney, and two public representatives.

The Hearing Board meets monthly or on an as needed basis to review petitions for variances, abatement orders, and certain appeals related to permits, emission reduction credits, and pollution control plans. It cannot modify rules, exempt businesses from rules, review violation notices, or grant variances for public nuisance violations, such as odor or health threats. Please refer to Attachment B for additional details on the Hearing Board and its processes.

Person ID: 17598715

Received: 11/16/24 3:54 PM

Attachment A

		EMPLOYMENT APPLICATI	ON		
SACRAMENTO METROP	OLITAN SACE	AMENTO METROPOLITAN AIR (
DISTRICT				Received: 11/16/24 3:54 PM	
777 12th Street, 3rd				For Official Use Only:	
		Sacramento, Californi		QUAL:	
		(279) 207-112 http://www.airguality.org/Abou	3 t llo/Employment	DNQ:	
				<pre>DExperience</pre>	
AIR QUAL	ITV	Baldwin, Jennif	er	□Training	
AIR QUAL	19	IO PUBLIC SERVICE OPPORTUN		□Other:	
MANAGEMENT DIS	TRICT	ATTORNEY MEM			
		PERSONAL INFORMATIC	DN .		
POSITION TITLE:			EXAMID#:		
PUBLIC SERVICE OPPORTUN	ITY: HEARING BO	ARD ATTORNEY MEMBER	1910		
NAME: (Last, First, Middle)			SOCIAL SECURITY NUM	BER:	
Baldwin, Jennifer			N/A		
ADDRESS: (Street, City, Sta	te/Province, Zip/P	ostal Code)	EMAIL ADDRESS:		
1231 33rd Street, Sacramer	ito, California 9581	6	j_reita@yahoo.com		
HOME PHONE:			NOTIFICATION PREFER	= N CE:	
831-295-2562			Email		
DRIVER'S LICENSE:	DRIVER'S LICEN		LEGAL RIGHT TO WORK IN THE UNITED STATES?		
■ Yes □ No	State: CA Numb	er: B3366715	■ Yes □ No		
What is your highest level	of education?				
Doctorate					
PREFERENCES					
WHAT TYPE OF JOB ARE Y					
Regular					
TYPES OF WORK YOU WILL ACCEPT:					
Full Time					
SHIFTS YOU WILL ACCEPT	:				
Day					
		EDUCATION			
DATES:		SCHOOL NAME:			
From: 8/2002 To: 5/2005		University of California, Davis			
LOCATION: (City, State/Province) DID YOU GRADUATE?		DID YOU GRADUATE?	DEGREE RECE	IVED:	
Davis , California ■Yes □No		Professional			
MAJOR:					
Law					
DATES:		SCHOOL NAME:			
From: 9/1998 To: 6/1999		Stanford University			
LOCATION: (City, State/Pr	ovince)	DID YOU GRADUATE?	DEGREE RECE	IVED:	
Palo Alto, California		■Yes □No	Master's		
MAJOR:					
Journalism					

DATES: From: 9/1994 To: 5/1998	SCHOOL NAME: Swarthmore College	
LOCATION:(City, State/Province) Swartjhmore , Pennsylvania	DID YOU GRADUATE? ■Yes □No	DEGREE RECEIVED: Bachelor's
MAJOR: Spanish and Political Science		UNITS COMPLETED: 64 - Semester

WORK EXPERIENCE				
DATES:	EMPLOYER:	POSITION TITLE:		
From: 2/2023 To: Present	Delta Stewardship Council	Attorney		
ADDRESS: (Street, City, State/Province, Zip/Po	ostal Code)	COMPANY URL:		
715 P Street, Sacramento, California, 95814		www.deltacouncil.ca.gov		
SUPERVISOR:	MAY WE CONTACT THIS EMPLOYER?			
Jorge Aguilar - Chief Counsel	□Yes ■No			
HOURS PER WEEK:	# OF EMPLOYEES SUPERVISED:			
40	0			
DUTIES: Ensures compliance with the Bagley-Keene Open Meeting Act, reviews staff reports, reviews and drafts proposed legislation, and reviews rulemaking packages for consistency with the Administrative Procedure Act and applicable statutes, reviews and redacts California Public Records Act requests. Acts as primary staff and board counsel to the Delta Plan Interagency Implementation Committee. Areas of law include, among others, environmental, administrative, transparency, and political reform.				
REASON FOR LEAVING: Current position				
DATES:	EMPLOYER:	POSITION TITLE:		
From: 7/2022 To: 2/2023	State Treasurer's Office	Attorney		

ADDRESS: (Street, City, State/Province, Zip/P 915 Capitol Mall, Sacramento, California, 9581		
MAY WE CONTACT THIS EMPLOYER?		
□Yes ■No HOURS PER WEEK:	# OF EMPLOYEES SUPERVISED:	
40	0	
DUTIES: Acted as primary board/staff counsel to the Ca California School Finance Authority, California I Blue Ribbon Commission. Also served as the pr and Securities Management Division. Being prin California Public Records Act requests, ensured regulatory agreements, reviewed staff reports, legislation, reviewed rulemaking packages for co	imary counsel for the State Treasurer's Office I nary counsel, approved contracts and interage compliance with the Bagley-Keene Open Meeti researched and provided advice for investment	Credit Allocation Committee, and CalAccount nvestments Division and Centralized Treasury ncy agreements, reviewed and redacted ng Act, reviewed bond documents, reviewed ts documents, reviewed and drafted proposed
approved press releases and publications. Area reform, and financial services.	s of law included, among others, tax, administr	ative, public contracts, transparency, political
REASON FOR LEAVING: Job offer		
DATES:	EMPLOYER:	POSITION TITLE:
From: 10/2021 To: 7/2022	State Energy Resources Conservation and Development Commission	Attorney
ADDRESS: (Street, City, State/Province, Zip/P 715 P Street, Sacramento, California, 95814	ostal Code)	
MAY WE CONTACT THIS EMPLOYER? □Yes ■No		1
HOURS PER WEEK: 40	# OF EMPLOYEES SUPERVISED: 0	
data management; enforcement proceedings; a Reports to ensure consistency with the Californ ordinances. Draft legal memos for CEC commis Assigned as co-lead for the Chief Counsel Office technologies, assigned as lead for an Applicatio amend for power plants, assigned as lead for m Analyze and draft responses to applications for appliance efficiency and power plant violations. Areas of law worked in include CEQA, Warren-A Procedure Act, Uniform Trade Secrets Act, air of REASON FOR LEAVING: Return to prior attorney position DATES:	ia Environmental Quality Act and other environ sioners on legislation, executive orders, and ex e's legislation review team, assigned as co-lead in for Certification of a power plant, assigned as nultiple petitions to amend for power plants, an confidentiality and Public Records Act requests Conduct training on the Public Records Act and Aquist Act, California Public Records Act, Bagley Juality, greenhouse gas emissions, constitutional EMPLOYER:	ew all sections of Environmental Impact mental laws and local and regional isting state laws and local ordinances. for rulemakings for water efficiency s lead for multiple staff-approval petitions to d attend CEC board meetings as staff counsel. Review staff enforcement letters for d legislation for the Chief Counsel's Office. V-Keene Open Meeting Act, Administrative al law, federal energy law, and public utilities.
From: 9/2020 To: 10/2021	State Treasurer's Office	Attorney COMPANY URL:
ADDRESS: (Street, City, State/Province, Zip/P 915 Capitol Mall, Sacramento, California, 9581 MAY WE CONTACT THIS EMPLOYER? PYes ■No	4	www.treasurer.ca.gov
HOURS PER WEEK: 40	# OF EMPLOYEES SUPERVISED: O	
Transportation Financing Authority, California D Also served as the primary counsel for the Stat Management Division. Being primary counsel, a Records Act requests, ensured compliance with agreements, reviewed staff reports, researched Treasurer's advisory adhoc committee, reviewe Administrative Procedure Act and applicable sta among others, environmental, administrative, p	e Treasurer's Office Investments Division and C approved contracts and interagency agreements the Bagley-Keene Open Meeting Act, reviewed I and provided advice for investments documen d and drafted proposed legislation, reviewed ru atutes, and reviewed and approved press releas	al Investment Advisory Board, and CalSavers. Centralized Treasury and Securities s, reviewed and redacted California Public bond documents, reviewed regulatory ts, drafted demand letters, advised the ilemaking packages for consistency with the ses and publications. Areas of law included,
REASON FOR LEAVING: Job offer		
DATES: From: 8/2011 To: 9/2020	EMPLOYER: Office of Legislative Counsel	POSITION TITLE: Deputy Legislative Counsel
ADDRESS: (Street, City, State/Province, Zip/P 925 L Street, Suite 400, Sacramento, Californi	a, 95814	COMPANY URL: www.legislativecounsel.ca.gov
SUPERVISOR: Mark Terry - Deputy Legislative Counsel IV	MAY WE CONTACT THIS EMPLOYER? PYes ■No	
HOURS PER WEEK: 40	# OF EMPLOYEES SUPERVISED: 0	

Jennifer Baldwin

D	U	Т	Ι	E	S	:

Drafted legislation, wrote opinions, and advised members of the Legislature as the subject matter expert in air resources, primarily dealing with AB 32 implementation, and other environmental areas.

On a daily basis assess applicable federal and state constitutional issues for each assigned request. The issues range from taxes and fees to interstate commerce and federal preemption. Also, research applicable statutory and regulatory laws to ensure consistency. Drafted legislation, wrote opinions, and advised members of the Legislature as the subject matter expert in air resources, surface mining, open meetings and public records, and land use. Worked extensively in education, CEQA, local government, elections, taxation, public contracts. Reviewed and approved other attorneys' work, worked with support staff to improve existing policies, led new deputy training sessions, mentored interns and new attorneys, selected to serve as the 1-year liaison to the California Council on Science and Technology fellows, served on the recognition committee, organized meet-and-greet meetings with legislative committee staff, attended legislative committee hearings, selected to attend the National Conference on State Legislatures.

Each request is required to comply with office-determined grammar and style rules.

Each request also contains a Legislative Counsel Digest, which is a summary of what is existing law and how the proposed bill would change existing law.

Engage in intensive communications with clients, especially for complex bill requests. This may include attending stakeholder meetings, meeting with individual elected legislators to discuss concerns, and attending legislative hearings.

REASON FOR LEAVING: Job offer

DATES:	EMPLOYER:	POSITION TITLE:
From: 2/2009 To: 6/2011	California Assembly	Committee Consultant
ADDRESS: (Street, City, State/Province, Zip/P	ostal Code)	COMPANY URL:
1020 N Street, Sacramento, California, 95814		www.assembly.ca.gov
MAY WE CONTACT THIS EMPLOYER?		
□Yes ■No		
HOURS PER WEEK:	# OF EMPLOYEES SUPERVISED:	
35	0	
DUTIES:	·	
	e analysis, drafted legislation, and advised mem	
county governance, public contracts, public-priv		
Attended weekly committee hearings and briefe	ed legislators and their staff on the bills regardi	ng the committee's agenda.
REASON FOR LEAVING:		
Elected to return to prior attorney position.		
DATES:	EMPLOYER:	POSITION TITLE:
From: 9/2005 To: 2/2009	Office of Legislative Counsel	Deputy Legislative Counsel
ADDRESS: (Street, City, State/Province, Zip/P		COMPANY URL:
925 L Street, Suite 400, Sacramento, Californi	a, 95814	www.legislativecounsel.ca.gov
PHONE NUMBER:	MAY WE CONTACT THIS EMPLOYER?	
(916) 341-8000	□Yes ■No	
HOURS PER WEEK:	# OF EMPLOYEES SUPERVISED:	
40	0	
DUTIES:	·	
Drafted legislation, wrote opinions, and advise		
meetings, elections, taxation, public contracts,	public health, and elementary and secondary e	ducation.
REASON FOR LEAVING:		
Job offer		

CERTIFICATES AND LICENSES

TYPE:
California State Bar
LICENSE NUMBER:
238445

ISSUING AGENCY: California State Bar

Skills

Nothing Entered For This Section

ADDITIONAL INFORMATION

Volunteer Experience

Voluntary Legal Services Program of Northern California -- Employment Law Clinic and Debt Collection Defense Clinic Volunteer Experience

Served on the events committee for California Women in Energy, a nonpartisan group that promotes leadership and education for women in all sectors of the energy field.

REFERENCES				
REFERENCE TYPE:	NAME:	POSITION:		
Professional	William Chan	Deputy Legislative Counsel		
ADDRESS: (Street, City, State/Province, Zip/P				
925 L Street, Suite 400, Sacramento, California	a 95814			
EMAIL ADDRESS: PHONE NUMBER:				
william.chan@legislativecounsel.ca.gov	(916) 341-8204			
REFERENCE TYPE:	NAME:	POSITION:		
Professional	Derek Chernow	Western Regional Director, Coalition for		
		Community Solar Access		

ADDRESS: (Street, City, State/Province, Zip/Postal Code)

EMAIL ADDRESS:	PHONE NUMBER:
	(310) 710-0306

Agency-Wide Questions

- List any relatives employed by Sac Metro Air District or serving on its Board of Directors. Matthew Baldwin
- Have you previously worked for the Sac Metro Air District? No
- Have you ever been dismissed or fired from a position for any reason? No
- 4. Have you ever resigned from or quit a position while (a) under investigation, (b) after being informed disciplinary action would be taken against you, or (c) during an appeal from a disciplinary action? No
- 5. Have you ever been dismissed or told you would not receive permanent or continued employment during any type of probationary or trial period on the job?
- No
- 6. How did you learn of this job opportunity? Word of Mouth

Job Specific Supplemental Questions

1. Please describe any experience or education that directly relates to air quality, also describe any experience on Boards.

I have been a licensed and practicing attorney with the State of California for the past 19 years. The first 15 years I was an attorney with the Office of Legislative Counsel, which is the state agency that serves as the attorneys for the Legislature. Starting in November 2011 and through mid-2020, I was the lead subject-matter expert for all legislation dealing with air resources. I drafted countless bills as well as about 15 informal and formal legal opinions specific to air resources. I was assigned to all drafts in Divisions 25.5 and 26 of the Health and Safety Code as well as consulted with other attorneys on their bills that touched upon the State Air Resources Board or air pollution control and air quality management districts. Many of my drafts required research on federal laws, such as the Clean Air Act, in addition to ensuring compliance with federal and state constitutional provisions, such as procedural due process. When I transferred to the State Treasurer's Office, I was assigned to the California Pollution Control Financing Authority in addition to other divisions and state boards, commissions, and authorities that the State Treasurer oversees. I reviewed applications for consistency with applicable state environmental laws, including assertions made by applicants on their pending and issued local air district permits. I also was named a designee for two different state governing bodies that the State Treasurer serves on ex officio: California Competes and the California Housing Finance Agency.

While at the California Energy Commission, I reviewed staff's draft environmental impact reports and represented staff at hearings. I cleaned up the boiler plate background staff was using for every environmental impact report as portions were factually incomplete. At the Delta Stewardship Council, I am the only attorney of the three who has an environmental law background, and, among other things, I take the time to help staff better understand the different mandates of state and local air quality agencies with respect to overlapping jurisdictions in the Delta.

2. Please list professional, trade or business associations held which relate to the Hearing Board category for which you are applying.

I am an active member of the State Bar. I also am an ongoing member of the California Lawyers Association's sections for public law and environmental law.

As mentioned earlier, the State Treasurer named me as a designee to the governing boards of California Competes and the California Housing Finance Agency.

3. Please list any relevant accomplishments, publications or awards.

I received several internal awards at the Office of Legislative Counsel for my work on numerous air resources legislation.

4. The Hearing Board meets the 3rd Thursday of each month at 4:00 p.m. as needed and occasionally as needed. Do you have any commitments which would prevent you from meeting the attendance requirements of the Hearing Board?

No

No officer or employee of the District may be a member of the District Hearing Board (Cal. Health and Safety C. Sec 40803). Do you or does any member of your immediate family work for the Air District or hold a position that might conflict with your duties for the Board?

Yes

5

6. If you answered "Yes" to question # 5, please explain:

My husband has worked as an air quality engineer in the Engineering and Compliance Division for nine years.

7. Applicants are required by state law and District requirements to file a financial disclosure statement as part of the appointment process. Do you have any objections to this requirement?

No

The following terms were accepted by the applicant upon submitting the online application:

By clicking on the 'Accept' button, I certify under penalty of perjury that every statement I have made in this application is true and complete to the best of my knowledge.

I understand that applications that do not list related job experience in the "Employment History/Work Experience" section will be considered incomplete and will be rejected. A resume or answers to supplemental questions will not substitute for the information required in that section. A resume is also not a substitute for answering the supplemental application questions. The application must show all the relevant education and experience qualifying me for the position, and applications may be rejected if incomplete. I understand a cover letter is required, and a resume is not an acceptable substitute for a cover letter.

I further understand that any false, incomplete or incorrect answers may result in my disqualification from the examination process or dismissal from employment with the Sacramento Metropolitan Air Quality Management District.

I authorize the employers and educational institutions identified on this application to release any information they may have concerning my employment or education to the Sacramento Metropolitan Air Quality Management District.

I understand that I will have to produce documentation verifying identity and employment eligibility in the U.S.

I understand that I may be required to verify any and all information given on this application.

I understand that this completed application is the property of the Sacramento Metropolitan Air Quality Management District and will not be returned.

I understand the Sacramento Metropolitan Air Quality Management District may contact prior employers and other references.

I understand that I must notify Human Resources of any changes in my name, address, or phone number.

This application was submitted by Jennifer Baldwin on 11/16/24 3:54 PM

Signature______

Date_____

Jennifer Baldwin Hearing Board Applicant for Attorney Member

(1) Please describe any experience or education that directly relates to air quality, also describe any experience on Boards.

I have been a licensed and practicing attorney with the State of California for the past 19 years. The first 15 years I was an attorney with the Office of Legislative Counsel, which is the state agency that serves as the attorneys for the Legislature. Starting in November 2011 and through mid-2020, I was the lead subject-matter expert for all legislation dealing with air resources. I drafted countless bills as well as about 15 informal and formal legal opinions specific to air resources. I was assigned to all drafts in Divisions 25.5 and 26 of the Health and Safety Code as well as consulted with other attorneys on their bills that touched upon the State Air Resources Board or air pollution control and air quality management districts. Many of my drafts required research on federal laws, such as the Clean Air Act, in addition to ensuring compliance with federal and state constitutional provisions, such as procedural due process.

When I transferred to the State Treasurer's Office, I was assigned to the California Pollution Control Financing Authority in addition to other divisions and state boards, commissions, and authorities that the State Treasurer oversees. I reviewed applications for consistency with applicable state environmental laws, including assertions made by applicants on their pending and issued local air district permits. I also was named a designee for two different state governing bodies that the State Treasurer serves on ex officio: California Competes and the California Housing Finance Agency.

While at the California Energy Commission, I reviewed staff's draft environmental impact reports and represented staff at hearings. I cleaned up the boiler plate background staff was using for every environmental impact report as portions were factually incomplete.

At the Delta Stewardship Council, I am the only attorney of the three who has an environmental law background, and, among other things, I take the time to help staff better understand the different mandates of state and local air quality agencies with respect to overlapping jurisdictions in the Delta.

(2) Please list professional, trade or business associations held that relate to the Hearing Board category for which you are applying.

I am an active member of the State Bar. I also am an ongoing member of the California Lawyers Association's sections for public law and environmental law.

As mentioned earlier, the State Treasurer named me as a designee to the governing boards of California Competes and the California Housing Finance Agency.

(3) Please list any relevant accomplishments, publications or awards.

I received several internal awards at the Office of Legislative Counsel for my work on numerous air resources legislation.

(4) The Hearing Board meets the 3rd Thursday of each month at 4:00 p.m. as needed and occasionally as needed. Do you have any commitments which would prevent you from meeting the attendance requirements of the Hearing Board?

I do not have any commitments that would prevent me from meeting the attendance requirements of the Hearing Board.

(5) No officer or employee of the District may be a member of the District Hearing Board (Cal. Health and Safety C. Sec 40803). Do you or does any member of your immediate family work for the Air District or hold a position that might conflict with your duties for the Board?

Yes, a member of my immediate family works for the Air District.

(6) If you answered "Yes" to question #5, please explain:

My husband has worked as an air quality engineer in the Engineering and Compliance Division for nine years.

(7) Applicants are required by state law and District requirements to file a financial disclosure statement as part of the appointment process. Do you have any objections to this requirement?

No, I do not have any objections to filing a financial disclosure statement.

Jennifer Baldwin

(831) 295-2562, j_reita@yahoo.com

Legal Experience

Delta Stewardship Council, Sacramento

Feb. 2023 -present

Senior Attorney

Ensured compliance with the Bagley-Keene Open Meeting Act, reviewed staff reports, reviewed and drafted proposed legislation, and reviewed rulemaking packages for consistency with the Administrative Procedure Act and applicable statutes, reviewed and redacted California Public Records Act requests. Acted as primary staff and board counsel to the Delta Plan Interagency Implementation Committee. Areas of law included, among others, environmental, administrative, transparency, and political reform.

State Treasurer's Office, Sacramento Sept. 2020 – Oct. 2021; July 2022 - Feb. 2023 Senior Attorney Acted as primary staff and board counsel to the independent state boards, commissions, and authorities that the State Treasurer chairs, including directly assigned to California Pollution Control Financing Agency, California Alternative Energy and Advanced Transportation Financing Authority, California Debt and Investment Advisory Commission, Local Investment Advisory Board, California Health Facilities Financing Authority, California Educational Facilities Authority, California School Finance Authority, California Debt Limit Allocation Committee, California Tax Credit Allocation Committee, CalAccount Blue Ribbon Commission, and CalSavers. Also served as the primary counsel for the State Treasurer's Office Investment Division and Centralized Treasury and Securities Management Division. Being primary counsel, approved contracts and interagency agreements, reviewed and redacted California Public Records Act requests, ensured compliance with the Bagley-Keene Open Meeting Act, reviewed bond documents, reviewed regulatory agreements for a sales and use tax program, reviewed staff reports, researched and provided advice for investments documents, drafted demand letters, advised the Treasurer's advisory adhoc committee, reviewed and drafted proposed legislation, reviewed rulemaking packages for consistency with the Administrative Procedure Act and applicable statutes, and reviewed and approved press releases and publications. Areas of law included, among others, environmental, administrative, public contracts, transparency, political reform, and financial services.

California Energy Commission, Sacramento October 2021 – July 2022 Senior Attorney

Assigned to the Advisory and Compliance Unit in the Chief Counsel's Office with primary assigned legal subjects being staff counsel for the Siting, Transmission, and Environmental Division; agency-wide data management; enforcement proceedings; and federal and regional energy issues. Draft and review all sections of Environmental Impact Reports to ensure consistency with the California Environmental Quality Act and applicable environmental law and local and regional ordinances and plans. Draft legal memos for CEC commissioners on legislation, executive orders, and existing state laws and local ordinances. Assigned as co-lead for the Chief Counsel Office's legislation review team, assigned as co-lead for two rulemakings for water efficiency technologies, assigned as lead for an Application for Certification of a power plant, assigned as lead for multiple staff-approval petitions to amend for power plants, assigned as lead for multiple petitions to amend for power plants, and attend CEC board meetings as staff counsel. Analyze and draft responses to applications for confidentiality and California Public Records Act requests. Review staff enforcement letters for appliance efficiency and power plant violations. Conduct training on the California Public Records Act and legislation for the Chief Counsel's Office. Areas of law worked in include CEQA, Warren-Alquist Act, California Public Records Act, Administrative Procedure Act, Uniform Trade Secrets Act, air quality, greenhouse gas emissions, constitutional law, federal energy law, and public utilities.

Office of Legislative Counsel, Sacramento Sept 2005 – Mar 2009; June 2011 – Sept 2020 *Deputy Legislative Counsel*

Drafted legislation, wrote opinions, and advised members of the Legislature as the subject matter expert in air resources, surface mining, open meetings and public records, and land use. Worked extensively in education, CEQA, local government, elections, taxation, public contracts. Reviewed and approved other attorneys' work, worked with support staff to improve existing policies, led new deputy training sessions, mentored interns and new attorneys, selected to serve as the 1-year liaison to the California Council on Science and Technology fellows, served on the recognition committee, organized meet-and-greet meetings with legislative committee staff, attended legislative committee hearings, selected to attend the National Conference on State Legislatures.

Assembly Local Government Committee, Sacramento March 2009 – June 2011 *Consultant* Analyzed bills, drafted legislation, and advised members of the Legislature in the areas of city and county governance, public contracts, public-private partnerships, Public Records Act, Brown Act, and state mandates.

Education

University of California, Davis, School of Law, J.D., 2005

Editor in Chief, *Journal of Juvenile Law & Policy*; Trial Practice Honors Board; semifinalist intra-school mock trial competition; King Hall Legal Foundation; Asian Pacific American Law Students Association; La Raza; Editor-at-Large, *The Advocate*; California Political Attorneys Association

Stanford University, M.A. Journalism, 1999

Pat and Rowland Rebele Internship Award; partial tuition scholarship

Swarthmore College, B.A. Political Science and Spanish, Latin American Studies Concentration, 1998 Ford Foundation Diversity News Grant; Dow Jones Newspaper Fund; co-founder for online student news publication; varsity badminton; junior varsity lacrosse; college radio station; interned at Legal Aid Society

Volunteer Involvement

Sacramento Lacrosse, Assistant Coach, Sacramento Nonprofit, club youth lacrosse	Dec. 2023 – present
Sacramento Soccer Alliance, Board Member, Sacramento Nonprofit, competitive youth soccer	April 2023 – present
BSA Scouting, Den Leader, Merit Badge Counselor, Sacramento Program volunteer	Aug. 2020 – present
Women in Energy, Events Committee, Sacramento Nonprofit, educational group that connects female energy professionals in California	April 2014 – Oct 2016

References are not expressly required as part of this position's application but may be provided upon request.

Law Offices of Darrel "H" Woo & Associates

15 Reef Court

Sacramento, CA 95831

Virginia Muller

Clerk of the Hearing Board

SMAQMD

777 12th Street, 3rd Floor

Sacramento, CA 95834-

Dear Virginia:

Thank you for notifying me that my term of office to the Hearing Board expires July 24, 2016.

This letter confirms that I am interested in continuing to serve on the Hearing Board for another term. Please accept this letter as that request to be reappointed to the Hearing Board. Additionally, please find enclosed a current resume.

Thank you in advance for your consideration.

Darrel "H

SMAQMD Hearing Board Member

Enclosure

SACRAMENTO METROPOLITAN

MAY 182016

AIR QUALITY MANAGEMENT DISTRICT DARREL "H" WOO California State Bar #170300

PO Box 221644 Sacramento, CA 95822

15 REEF COURT SACRAMENTO, CA 95831

HOME PHONE: (916) 424.5574 BUSINESS PHONE: (916) 201.3192

PROFESSIONAL EXPERIENCE:

January 2015 to present

Law Office of Darrel "H" Woo and Associates

1999 to December 30, 2014

Senior Attorney California Department of Insurance Government Law Bureau

Deputized with Custodian of Records and Agent for Service of Process responsibilities. Provide first level of defense and response on all civil complaints and subpoenas filed against the Department and Commissioner. Receive and process all California Public Record (aka Freedom of Information) Act requests. Review confidentiality agreements between California and various states and organizations, such as the National Association of Insurance Commissioners, and draft reciprocal confidentiality agreements. Provide advice and counsel on confidentiality, privilege and public material and matters. Provide advice and analysis on Open Meeting Laws.

Provide advice and counsel on electronic commerce related activities. Provide advice and counsel on legal issues and policies intended to bring the Department of Insurance into the "cyber" 21st Century. Represent the department's Legal Division on the Governor's multi-departmental E-Government Task Force, with emphasis on the issues of privacy and confidentiality. Provide legal advise on matters related to privacy, secrecy and confidentiality.

Deputized with Custodian of Records and Agent for Service of Process responsibilities. Provide first level of defense and response on all civil complaints filed against the Department and Commissioner. Receive and process all California Public Record (aka Freedom of Information) Act requests. Review confidentiality agreements between California and various states and organizations, such as the National Association of Insurance Commissioners, and draft reciprocal confidentiality agreements. Provide advice and counsel on confidentiality, privilege and public material and matters. Provide advice and analysis on Open Meeting Laws.

Assist in negotiation of district agricultural association contracts.

Provide advice and counsel on contract termination requirements process and for contract parties who are either not performing or otherwise breaching their contracts with the District Agricultural Associations.

Participate as member of an industry task force preparing guidelines for the acquisition of major sponsorship funds for fairs throughout the state. Participate as alternate agency member to a Joint Powers Authority.

Provide review and comment on the adequacy of District Agricultural Association Board meetings, consistent with Bagley-Keene Act requirements. Review and comment on District Agricultural Association by-laws. Ensure proper administration of Fair Political Practices Commission filing requirements.

Together with the Attorney General, represent the agency in litigation. Recommend and advise the Director regarding the positions to be taken in litigation.

1985-1996

Energy Facility Siting Planner II California Energy Commission

Plan, organize and direct professional staff engaged in analysis of power plant site certification. Review interrogatories and testimony and prepare staff expert witnesses for testimony at regulatory hearings. Represent the California Energy Commission before federal, state and local agencies, community and interest groups and provide testimony at hearings and meetings regarding energy siting issues of statewide, regional, and specific site significance. Interpret and implement state and federal health and safety as well as other environmental regulations contained in the California Health and Safety, and Public Resources Codes.

Responsibilities also included providing staff technical evaluation and testimony of thermal electric generating facilities in the area of safety and reliability. Evaluation, examination and analysis in the areas of safety include: fire protection; storage and handling of flammable, toxic, or otherwise hazardous materials; plant and construction worker safety; and facility security.

Other assignments have included: 1) the development of regulatory guidelines and regulations and criteria for assessment for other safety critical energy facilities, e.g., Liquefied Natural Gas (LNG) terminals; 2) providing staff technical support in the areas of disposition of radioactive material, including low-level waste, spent fuel rods, high-level waste, providing assistance to the Secretary of Resources in developing siting criteria for low-level waste disposal, transportation of radioactive materials, nuclear power plant decommissioning, fixed and mobile security and safeguards, and power plant safety.

Member, 2002 to present

City of Sacramento Planning Commission – Commissioner, 2004 thru 2009, Chairman 2008, 2009; Vice-Chair 2007

City of Sacramento Park and Recreation Commission - Commissioner, 2010

Asian Pacific State Employees Association – Past President, 1982-1983

Save Our Corner, member and Environmental Law advisor, 2003

Health For All –Counsel, 2005 - 2006

Locke Management Association Board of Directors, 2009

Locke Foundation Board of Directors, 2009

Citizenship And Law Related Education Center, Moot Court Justice and former Attorney Coach

Adjunct Professor of Law, Lincoln Law School of Sacramento, 2001 to present:

Applied Legal Reasoning and First Year Legal Writing, Lincoln Law School of Sacramento

SACRAMENTO METROPOLITAN



Kathrine Pittard District Counsel

November 4, 2024

Darrel H. Woo SMAQMD Hearing Board 15 Reef Court Sacramento, CA 95831 E-mail: <u>darrelwoo@gmail.com</u>

Re: Sac Metro Air District HEARING BOARD

Dear Mr. Woo:

Your term of office as the Attorney Hearing Board Member for the District expires on January 27, 2025. You are eligible for reappointment to the Hearing Board.

In compliance with recruitment procedures established by the Board of Directors, an announcement of the expiring term was included as an informational item in the October 2024 Board of Directors agenda and a Public Notice has been published in two (2) local newspapers. Notice of the upcoming vacancy has also been sent to various city and county organizations within the District and to other various agencies for publication of the notice. A copy of that notice is enclosed for your review.

If you are interested in being reappointed, please sign this letter below, and return it to the District. Your consideration in this matter is greatly appreciated.

Sincerely,

Alberto Ayala, PhD, MSE Executive Director and Air Pollution Control Officer

cc: Virginia Muller

I wish to be considered for reappointment to the Hearing Board of the Sacramento Metropolitan Air Quality Management District.

Darrel H. Woo, Attorney at Law

Enclosure: Public Service Opportunity (Attorney Member)

777 12th Street, Ste. 300 • Sacramento, CA 95814 Tel: 279-207-1122 • Toll Free: 800-880-9025 AirQuality.org

Attachment B

SACRAMENTO METROPOLITAN



Sac Metro Air District Hearing Board Excerpt from 7/25/2019 Board of Directors Meeting

Section 40800 of the California Health and Safety Code requires that the Board of Directors establish and maintain a hearing board. The Hearing board consists of five members: one attorney, one professional engineer, one medical professional, and two members of the general public. Each member is appointed by the Board of Directors for a three-year term.

The Hearing Board meets monthly or on an as needed basis, to hear and decide petitions for variances from District rules, regulations, and permit requirements. This Board also hears petitions for abatement orders and appeals of permitting decisions and emission reduction credit determinations made by the Air Pollution Control Officer. Below is a description of common Hearing Board actions.

<u>Variances</u>

To grant a permit variance, the Hearing Board must make 6 findings. These include findings that:

- 1. Due to conditions beyond the facility's control, requiring compliance would result in an arbitrary or unreasonable taking of property, or the practical closing or elimination of a business;
- 2. The closing or taking would be without a corresponding air quality benefit; and
- 3. The facility has given consideration to curtailing operations in lieu of a variance.

The Hearing Board may impose conditions on the variance that are in addition to the requirements imposed by law or regulation, so long as the conditions are not more onerous than the applicable requirements. Conditions are generally aimed at reducing excess emissions during the variance period. Any variances that will be in effect for more than a year must include increments of progress detailing the steps to be taken to achieve compliance. Variances, except for emergency variances, must be publicly noticed, and the variance hearing is open to the public, which can offer comments and oppose the petition. Emergency variances may be heard by the Board Chair or designee, and may be granted "for good cause." The District regulations restrict emergency variances to breakdowns of pollution control equipment and related equipment.

The District must forward the permit variance Findings and Orders to the Air Resources Board (ARB), which may revoke or modify the variance if it determines the variance does not meet the terms of the Health and Safety Code. ARB must hold a public hearing before revoking or modifying the Variance Findings and Orders.

The Hearing Board is also authorized to issue product variances for manufacturers of products that cannot meet regulatory requirements. The findings and process are similar to those for permit variances, but there is no requirement to forward the Findings and Orders to the ARB.

1 | Page

Abatement Petitions

In contrast to variances, which are filed by facilities seeking penalty relief, abatement petitions are enforcement actions filed by the District, seeking to limit or eliminate operations at a facility violating one or more legal requirements. The District and source may also stipulate to the issuance of an abatement order. In a stipulated proceeding, the source does not admit to the existence of a violation, but agrees to change its operations in the manner requested by staff. The Hearing Board must provide 30-days public notice prior to holding a hearing on the Abatement Petition.

There is no requirement to submit the Abatement Order to the ARB. If a source against whom an Order has been issued wishes to challenge the Order, they must file an action in the Sacramento County Superior Court.

The Health and Safety Code was amended in 2018 to authorize the Air Pollution Control Officer to issue an Interim Order if a facility's activities pose an imminent and substantial endangerment to public health, welfare, or the environment. Interim Orders are effective upon notice to the facility, but if the facility challenges the Order, the APCO must hold a public hearing before the Hearing Board as soon as possible and no later than 30 days after receipt of the challenge. District staff previously summarized these new provisions for the Board of Directors in October 2018, shortly after they were adopted by the legislature.

Permit and Emission Reduction Credit Appeals

Permit and emission reduction credit appeals are rare. Staff works hard with permit applicants to craft conditions that implement required standards without unduly impinging on operations or adding to project costs. Members **of** the public can also file appeals to the issuance of a permit if they believe the permit does not adequately protect the public.

Facilities may apply to the District for emission reduction credits if they shut down an emission source or reduce emissions below required levels. Credits may be used to offset emissions from new sources of air pollution or changes in operation. If the District refuses to issue emission reduction credits, or approves fewer credits than an applicant requested, the decision can be appealed to the Hearing Board. The District will only issue credits for actual emission reductions that are "surplus," meaning that the applicant has reduced emissions beyond the level required by existing regulations, and that the credits are real, enforceable, quantifiable, and permanent. Meeting Date: 1/23/2025 Report Type: CONSENT CALENDAR Report ID: 2025-0123-3.



Title: Amendment to the AiriA Software Solution Contract with Woodard and Curran Inc.

Recommendation: Authorize the Executive Director/Air Pollution Control Officer to amend the contract with Woodard and Curran, Inc. to increase the contract amount by \$474,800 for a new not to exceed amount of \$1,589,876; and in consultation with District Counsel, make minor revisions so long as the action is consistent with the purpose of the contract and does not increase the maximum amount authorized by the Board.

Rationale for Recommendation: The District is asking the Board to approve this contract amendment with Woodard and Curran, Inc., the developer of the District's new software solution (AiriA), to allow for: (1) improvements to the system that will enhance the customer and staff experience and allow for more efficient work, (2) development of critical additional system elements not in the original project scope that were subsequently identified as state-mandated program requirements, and (3) improved development of upcoming modules through enhanced scoping and vetting of proposed technical solutions.

The original contract with Woodard and Curran, Inc. began July 25, 2022, and will terminate July 24, 2031, unless extended. The Software as a Service (SaaS) support phase will commence upon completion of the implementation phase. This amendment exceeds the District's \$200,000 purchasing authority and requires Board approval.

Contact: Amy Roberts, Division Director, Engineering & Compliance (916) 825-6840

Presentation: No

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/15/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/14/2025

Discussion / Justification:

The District's AiriA solution represents a significant step forward in modernizing operations. Designed to enhance staff workflows and public engagement, AiriA integrates numerous air quality programs into a unified platform. The system enables process automation, a public-facing online portal for submitting applications and fee payments, and improved data accessibility.

The initial project scope included multiple phases to gradually incorporate the District's various programs into AiriA. This umbrella-approach to incorporating a majority of air quality programs into one software solution is vital to connecting data amongst work groups, reducing redundancy, and having one place to search and find important air quality information. A phased approach was necessary due to the complexity and sheer volume of air quality data and programs involved and the workload challenges such an undertaking represents.

Over the past two plus years of Phase 1 development, modules were successfully created for permitting, compliance and billing. However, during implementation, it became evident that an expansion of the original scope of work was going to be necessary to maximize system effectiveness:

1. Enhanced Functionality: Some features not included in the initial development phase were identified as critical for improving the user experience and operational efficiency.

2. **New Modules:** Regulatory requirements, such as the California Air Resources Board's (CARB) Criteria & Toxics Reporting regulation, necessitate new system capabilities to track and report emission data.

3. **Improved Development Processes**: Additional resources are required to refine the scoping and design of future system modules to ensure optimal results.

This amendment supports these enhancements and positions AiriA to deliver greater efficiency, transparency, and accessibility across District programs. The additional funding reflects the necessary investment in a robust solution that meets evolving operational and regulatory requirements.

Financial Considerations: The amendment will increase the original contract amount by \$474,800 for a new not to exceed amount of \$1,589,876. Funding is included in the approved Fiscal Year (FY) 24/25 budget. Continuation of the contract beyond the current FY will be subject to the availability of sufficient funds in the budget adopted for the applicable FY.

Meeting Date: 1/23/2025 Report Type: CONSENT CALENDAR Report ID: 2025-0123-4.





Title: Annual Report on Entities Receiving over \$250,000 from the Low-Emission Vehicle Incentive Program

Recommendation: Receive and file the annual report identifying individuals and organizations that received more than \$250,000 in incentive funding from the District within the previous five years under the Low-Emission Vehicle Incentive Program (LEVIP).

Rationale for Recommendation: The District's Purchasing Policies require the Executive Director/Air Pollution Control Officer to provide an annual report to the Board of Directors identifying all recipients of more than \$250,000 in incentive funding from the District over the previous five years under the LEVIP.

Over the past five years, 54 participants have executed one or more contracts, each receiving \$250,000 or more directly from the LEVIP or indirectly from the Sacramento Emergency Clean Air Transportation Program. The participant list is attached as Exhibit A.

Contact: Mike Neuenburg, Transportation and Climate Change Program Supervisor, 916-531-1119

Presentation: No

ATTACHMENTS:

Exhibit A - Participants Receiving Over \$250,000

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/15/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/14/2025

Discussion / Justification:

The Transportation Section within the District's Transportation and Climate Changes Division administers the LEVIP, which funds projects operating within the Sacramento Federal Non-Attainment Area (SFNA). This area includes Sacramento and Yolo counties, and portions of Sutter, Placer, Solano, and El Dorado counties.

The LEVIP has received administrative and project funding from agencies such as United States Environmental Protection Agency and the California Air Resources Board. These funds support initiatives throughout California that may periodically operate within the SFNA. Funded projects include:

- Zero emission vehicle purchases
- Engine repowering and fleet modernization
- Compressed natural gas and electric infrastructure development
- Emission reduction retrofits

Emissions Impact: Over the last 26 years, the District has approved approximately 8,500 incentive projects for on-road and off-road equipment, including agricultural irrigation pumps and locomotives, as well as infrastructure development. These projects have achieved estimated emission reductions of 10 tons per day (tpd) of oxides, nitrogen, and one tpd of toxic diesel particulate matter within the SFNA.

LEVIP Participants receiving \$250,000 or more in the past five years.

Name	Total Funding	Name	Total Funding
Aaron J. Beaver	\$686,201.00	New Bern Transport Corporation	\$3,400,000.00
Aggas Enterprises Inc.	\$694,568.71	New Hope Dairy, LLC	\$257,858.00
Bay Area Air Quality Management District	\$2,230,000.00	PHE, Inc.	\$353,633.20
Black Oak Mine Unified School District	\$394,920.00	Ray Yeung	\$403,890.00
Bottling Group, LLC	\$1,386,300.00	Raymond Joe Yeung	\$687,933.00
Brian J. Kneppel	\$295,995.00	Reamer Farms Inc.	\$535,590.00
City of Auburn	\$252,690.00	Rescue Union School District	\$300,000.00
City of Sacramento	\$1,391,774.00	Ronnie Kubo	\$793,820.00
Clean Energy	\$1,947,396.00	Roseville Joint Union High School District	\$400,000.00
Community Resource Project, Inc.	\$854,441.67	Sacramento City Unified School District	\$444,064.00
County of Sacramento - Waste Management	\$857,252.51	San Juan Unified School District	\$2,112,225.00
Dan Best Ranch Inc.	\$320,320.00	Shasta Linen Supply, Inc.	\$500,000.00
Daniel Diaz	\$1,427,990.00	Silverdale Farms, Inc.	\$335,434.00
David Vierra	\$380,984.00	SiteOne Landscape Supply LLC	\$326,984.01
Devine & Son Trucking Co., Inc.	\$300,000.00	Southgate Recreation & Park District	\$563,824.14
Dry Creek Joint Elementary School District	\$510,096.00	Sutter Health	\$458,734.00
Eddie S. Demelo	\$308,902.00	Teresa D. Vitoria	\$300,809.60
Elk Grove Milling, Inc.	\$259,080.00	TF Farms, LLC	\$475,502.00
Elk Grove Unified School District	\$6,987,911.00	TH Mello & Sons Dairy	\$498,262.00

Galt Joint Union Elementary School District	\$325,960.00	The Demeter Corporation	\$463,062.00
Green Technical Education & Employment	\$1,247,134.31	Twin Rivers Unified School District	\$14,052,821.68
Jace Vierra	\$675,634.00	Union Pacific Railroad Company	\$3,000,000.00
James Hardesty Farms	\$368,456.00	University of California, Davis	\$552,176.00
Joe Avis Farms LLC	\$1,000,000.00	Vacaville Unified School District	\$300,000.00
KLM Ranches Inc.	\$347,146.00	Washington Unified School District	\$496,000.00
Loren Bledsoe	\$298,610.60	Winters Joint Unified School District	\$300,000.00
M&C Bliss Enterprises Inc	\$258,297.71	Zipcar, Inc.	\$1,762,692.75

Meeting Date: 1/23/2025 Report Type: CONSENT CALENDAR Report ID: 2025-0123-5.



Title: Fiscal Year 2023-2024 Annual Comprehensive Financial Report and Single Audit

Recommendation: Adopt a resolution accepting 1) the Sacramento Metropolitan Air Quality Management District's Annual Comprehensive Financial Report for the Fiscal Year (FY) ended June 30, 2024, and 2) the letter to the Board of Directors titled Auditor's Communication to Those Charged with Governance.

Rationale for Recommendation: The FY 2023-2024 Annual Comprehensive Financial Report (ACFR), prepared by Sacramento Metropolitan Air Quality Management District (District) staff and audited by Eide Bailly LLP (Auditor), presents the financial position and results of operations of the District. The annual audit of the District's financial statements fulfills requirements of State and Federal funding sources; satisfies State statute, best business practices, and due diligence requirements; and ensures the amounts and disclosures contained in the District's financial statements are presented fairly, conform with Generally Accepted Accounting Principles and are free of material misstatements.

The Auditor issued an unmodified opinion on the financial statements for the year ended June 30, 2024. The Auditor's report on Compliance for the Major Federal Program contained a qualified opinion. The basis for that opinion was a noncompliance with reporting requirements. The report stated that except for the reporting noncompliance, the District complied, in all material respects, with the federal Uniform Guidance requirements. A corrective action plan for the noncompliance in reporting will be completed by March 31, 2025.

It is the Board's responsibility to monitor the financial position of the District. Acceptance of the audited financial statements, which reflect the financial health of the District, is consistent with this responsibility.

Contact: Patricia Kepner, Controller, 279-207-1134

Presentation: No

ATTACHMENTS:

Resolution: Fiscal Year 2023-2024 ACFR Exhibit A - ACFR Year Ended June 30, 2024 Exhibit B - Auditor's Communication to Those Charged with Governance

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/15/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/14/2025

Discussion / Justification:

The Auditor appropriately prepared and submitted the following: 1) an opinion on whether the District's financial statements are presented fairly and conform with Generally Accepted Accounting Principles, 2) a report on internal control over financial reporting and compliance and other matters based on an audit of the financial statements, 3) an opinion on the compliance of each major federal program and schedule of expenditures of federal awards with the laws, regulations, and terms of conditions of the federal assistance awards, and 4) a letter titled Auditor's Communication to Those Charged with Governance.

The Auditor expressed an unmodified opinion, sometimes referred to as a "clean" audit opinion, on the District's financial statements for the year ended June 30, 2024. There were no significant deficiencies and no material weaknesses in the internal controls over financial reporting identified by the auditors. There were no prior year findings.

The Auditor issued a qualified opinion in the Report on Compliance for the Major Federal Program due to a reporting noncompliance issue related to sub-awards under the Targeted Airshed Grant. Specifically, the District did not submit required reports for these sub-awards to the Federal Funding Accountability and Transparency Act Sub-award Reporting System. Despite this issue, the Auditor concluded that, except for the reporting noncompliance, the District complied in all material respects with the Federal Uniform Guidance requirements.

There were two material weaknesses noted by the Auditor in the report on Compliance for the Major Federal Program. For context, a material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. The first finding was the reporting noncompliance noted above. The second finding related to a lack of evidence that the District verified that the grant subrecipients (neighboring air districts) were not suspended, debarred or otherwise excluded from participating in the program. Corrective action plans for these findings will be implemented by March 31, 2025. There were no prior year findings for the federal program compliance audit.

Additionally, the Auditor has provided a letter titled "Auditor's Communication to Those Charged with Governance" as required by General Accepted Auditing Standards. This letter serves to notify the Board of Directors of any unusual or difficult circumstances or practices encountered during the audit, the measures taken by the audit firm to ensure its independence, upcoming financial pronouncements, and other matters not presented in the audit reports.

The above-referenced documents are attached as exhibits to this report's resolution as follows:

- Exhibit A. Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2024
- Exhibit B. Auditor's Communication to Those Charged with Governance

The District is pleased to report that the auditors informed staff that there were no overarching issues noted during the audit, and overall, the District qualified as a low-risk auditee under the Uniform Guidance.

The District is proud to announce that it has once again been honored with the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023, and included it in the current ACFR. Furthermore, the District will seek consideration for the same prestigious award in the upcoming year for the ACFR in this report.

RESOLUTION NO. 2025 – XXXX

Adopted by the Sacramento Metropolitan Air Quality Management District Board of Directors

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024

BACKGROUND:

- A. The Sacramento Metropolitan Air Quality Management District (District) prepared its Annual Comprehensive Financial Report, inclusive of the financial statements and the notes to the financial statements, to present the District's financial condition and the results of its activities for the fiscal year ended June 30, 2024.
- B. Eide Bailly LLP (Auditor), an independent auditing firm competitively selected by the District, audited the District's Fiscal Year 2023/2024 financial statements in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.
- C. The Auditor prepared and submitted three individual audit reports, which are included within the Annual Comprehensive Financial Report, and a letter as follows: 1) an opinion on whether the District's financial statements are presented in conformity with Generally Accepted Accounting Principles; 2) an opinion on the compliance of each major federal program and schedule of expenditures of federal awards with laws, regulations, and the terms and conditions of the federal assistance awards; 3) an opinion on internal control over financial reporting and on compliance and other matters based on an audit of financial statements, and 4) the letter titled Auditor's Communication with Those Charged with Governance.
- D. The Auditor rendered its unmodified opinion in the Independent Auditors' Report that the financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2024, in conformity with Generally Accepted Accounting Principles.
- E. The Auditor issued a qualified opinion in the Report on Compliance for the Major Federal Program due to the District's noncompliance with reporting requirements for subrecipients under the Targeted Airshed Grant.
- F. In the Auditor's opinion, except for the reporting noncompliance, the District complied, in all material respects with the Federal program compliance requirements.
- G. There were no significant deficiencies and no material weaknesses in the internal controls over financial reporting identified by the Auditor for the fiscal year ended June 30, 2024.
- H. There were two material weaknesses noted by the Auditor in the Report on Compliance for the Major Federal Program for which corrective action will be implemented by March 31, 2025.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE BOARD OF DIRECTORS RESOLVES AS FOLLOWS:

- Section 1. The Annual Comprehensive Financial Report prepared for the Fiscal Year Ended June 30, 2024, attached hereto as Exhibit A, and the letter titled Auditor's Communication with Those Charged with Governance, attached hereto as Exhibit B, are accepted.
- Section 2. Exhibits A and B are attached hereto and are a part of this resolution.

ON A MOTION by Director ______, seconded by Director ______, the foregoing resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District on January 23, 2025, by the following vote:

Ayes:

Noes:

Abstain:

Absent:

ATTEST:

Clerk, Board of Directors Sacramento Metropolitan Air Quality Management District

Exhibit A

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2024 Sacramento Metropolitan Air Quality Management District Sacramento, California This page intentionally left blank

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2024

Sacramento Metropolitan Air Quality Management District Sacramento, California

SACRAMENTO METROPOLITAN



Prepared by the Administrative Services Division Finance Section in Conjunction with District Staff

> **Division Director** Megan Shepard

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Introductory Section

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SACRAMENTO METROPOLITAN



December 17, 2024

LETTER OF TRANSMITTAL

Honorable Chair, Governing Board, and Residents of the Sacramento Metropolitan Air Quality Management District

We are pleased to present the Annual Comprehensive Financial Report (Annual Report) of the Sacramento Metropolitan Air Quality Management District (District) for the year ended June 30, 2024, which includes an independent auditor's report. This Annual Report is submitted in compliance with state law, which requires local governments to publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The District assumes full responsibility for the completeness and accuracy of the information presented in this report, based upon a comprehensive internal control framework that was established for this purpose. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The District asserts to the best of its knowledge and belief that this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Eide Bailly LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2024, are free of material misstatement. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the District financial statements for the fiscal year ended June 30, 2024, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is located at the front of the financial section of this report.

The District's independent financial statement audit was part of a broader, federally mandated "Single Audit" designed to meet the Federal grantor agencies' special needs. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the audited government's internal controls and compliance with legal requirements, including special emphasis on Federal award compliance.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this Letter of Transmittal and should be read in conjunction with it.

Profile of the District

The District is a public health agency. It is one of five large air quality management districts out of a total of 35 local or regional air agencies in California. It is responsible for monitoring air pollution within the Sacramento region and for programs to reduce ambient air and climate pollution concentrations to meet

777 12th Street, Ste. 300 • Sacramento, CA 95814 Tel: 279-207-1122 • Toll Free: 800-880-9025 AirQuality.org health-based ambient air quality standards established by the state and federal governments. The District also actively pursues actions to reduce greenhouse gas emissions to meet local, state, and federal decarbonization commitments. The U.S. Environmental Protection Agency (EPA) has designated the District as a part of the Sacramento Federal Ozone Nonattainment Area (SFNA), which is comprised of all of Sacramento and Yolo Counties, the eastern portion of Solano County, the southern portion of Sutter County and the western slopes of El Dorado and Placer Counties up to the Sierra crest. Thus, the SFNA includes four other local air districts. Roughly 63% of the SFNA's population falls within the District's boundaries.

		Population			
County	SFNA portion of the County	County ¹	SFNA/County ²	County in SFNA/Total SFNA ³	
El Dorado	157,285	187,285	84%	6.3%	
Placer	400,786	410,706	98%	16.0%	
Sacramento	1,581,831	1,581,831	100%	63.1%	
Solano	140,626	446,745	31%	5.6%	
Sutter	3,193	98,151	3%	0.1%	
Yolo	222,381	222,381	100%	8.9%	
Total	2,506,102	2,947,099	-	100.0%	
1					

Population in Sacramento Federal Ozone Nonattainment Area

¹ The county population data is based on the 2023 California Department of Finance Population Estimates and Components of Change by County (Table E-6) <u>https://dof.ca.gov/Forecasting/Demographics/Estimates/</u>. It represents the population estimate as of July 2023.

² The SFNA/County population percentages are based on the 2020 Census Data, which was downloaded from:

https://www2.census.gov/programssurveys/decennial/2020/data/01-Redistricting File--PL 94-171/California/ on 02/10/2022.

³ Percentage values are rounded to one decimal point.

Air quality in the SFNA is designated nonattainment for the federal National Ambient Air Quality Standards (NAAQS) for ozone. The region is also administratively designated nonattainment for the particulate matter NAAQS, although technically the short-term PM2.5 and PM10 standards have been met and maintained. A redesignation to attainment is expected once the requirement for a maintenance plan for each standard is completed. However, EPA has recently promulgated a new, more stringent annual PM2.5 standard. Thus, similar to various regions around the country, the District has begun the nonattainment designation analysis for EPA for the Sacramento region. This is the first step in a multiyear process to develop a new air quality management plan necessary for the Sacramento region to meet the new PM2.5 standard. A combination of many active sources of smog-precursor emissions, poor atmospheric ventilation, a capping temperature inversion, bordering mountains, and plenty of sunny days act to enhance smog formation and effectively trap pollutants in the Sacramento Valley Basin. Climate change is only making these conditions more challenging. The District Board approved a regional State Implementation Plan (SIP) for the 2008 ozone NAAQS, which projects attainment by 2024. The District and SFNA partners are in the process of completing the attainment demonstration for EPA, which when approved will be a monumental achievement for Sacramento. The SIP was submitted to the EPA in 2018 and is awaiting final approval. But the NAAQS are not static. A new ozone NAAQS is already in effect. Thus, the District is leading the development of a new SIP for the 2015 ozone NAAQS, which was submitted to the EPA in November 2023. The required maintenance plans for the PM standards are in development.

Air and climate pollution emissions in the Sacramento region come from mobile, stationary, and areawide sources. The largest contributor is the transportation sector - motor vehicles, trucks, airplanes, locomotives, and other fossil fuel combustion engines. State and federal regulations coupled with local financial incentive programs for fleet modernization will help reduce pollution emissions, improve our air quality in the region, and help comply with the standards. To accomplish its mission, the District implements a broad range of programs and strategies to combat air and climate pollution. From the development of clean air rules and enforcement of industrial emission permits to land use planning and deployment of millions of dollars in public funding for incentives for clean air projects, the annual budget serves as the foundation for the District's financial planning and controls. The Governing Board is required to adopt an annual budget by July 1st of each fiscal year. The budget is organized by fund and division and is adopted on a budgetary basis that includes encumbrances and expenditures. All annual appropriations lapse at fiscal year-end to the extent they have not been expended or encumbered. Amendments to increase the budget must be approved by the Governing Board.

The District maintains budgetary controls through both signature authority and automated budget verification. The objective of these controls is to ensure compliance with the annual appropriated budget approved by the Governing Board. As reflected in the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Factors Affecting Financial Condition

This section contains information useful in assessing the District's economic condition and includes a discussion of the local economy, long-term financial planning, and major initiatives that may have a significant impact on revenues or expenditures.

Local Economy

The Sacramento regional economy continues to move from a government-based job market to a more diverse economic base. Economic indicators for the region rebounded post-pandemic and inflation was at 3.8% in 2023, down from 7.4% in 2022. A relatively high rate of home building, modest population growth, and expanding job opportunities result in a positive outlook over the next five years.

Sacramento County's population was approximately 1.6 million at the end of 2023. The county is expected to expand at an average rate of 0.43% per year from 2024 to 2028. This growth is mainly attributable to new residents many from the Bay Area, primarily attracted to the area due to affordable housing and job opportunities.

Sacramento County is becoming an emerging hub for technology firms largely because corporations like Intel, Apple, HP, Penumbra, and Oracle, already have prominent infrastructure in the region. Employment in the manufacturing and transportation industries has grown consistently since 2015; moderate growth in these industries is forecast over the next five years. The professional and business services sector will create a major share of future jobs in Sacramento County over the next several years, with an expected annual growth rate of 2.2%. Finally, the three largest sectors of the job market - government, education, and healthcare - are projected to show gains through 2028.

The 2023 annual unemployment rate in Sacramento County averaged 3.9%, a decrease from 7.0% in 2022. The latest published economic forecast by the California Department of Transportation for Sacramento County expects the unemployment rate to increase to 4.5% in 2024. An unemployment rate of below 5.0% indicates a fully employed workforce in the region.

The economic forecast indicates relative stability in revenue from permit and other fees for the District; with Board approval however, continued growth in fee revenue is anticipated because of Consumer Price Index adjustments to help keep pace with rising costs and other fee increases to ensure full cost recovery for services.

Long-term Financial Planning

Management presents a five-year financial forecast in the budget that elevates potential internal, external, and programmatic pressures that could affect revenues and expenditures. This forecast identifies a funding gap between revenues and expenditures, which will require attention by the District. The imbalance is due primarily to the rising costs of doing business, such as employee services and capital expenditures outpacing current revenue increases, new state mandates that are not adequately funded, and a legacy lack of full cost-recovery for many of the District's programs.

To address the projected funding gap in prior years, the District streamlined operations, scaled back some activities, held vacancies open, and "right-sized" funding for professional services and collaborations, resulting in a return of approximately \$4.2 million to the District's General Fund at the end of fiscal year 2022-2023 (FY22/23). Going forward, the District is anticipated to be fully staffed and will work closely with the Board of Directors to implement new funding solutions necessary to attain full cost recovery, ensure the integrity of the District's clean air efforts to enable the region to remain eligible for federal transportation funding and continue to implement state low-carbon development and greenhouse gas emission reduction programs. Fortunately, the financial reserves in the General Fund will bridge the necessary support for near-term operations until long-term fund stability is achieved.

General Fund

The District's General Fund receives revenue from a variety of sources, including permit fees paid by stationary pollution sources (e.g., local private and public entities with equipment or operations that emit air pollution at certain levels; automobile registration fees collected by the State of California Department of Motor Vehicles (DMV) and distributed to air districts for motor vehicle emission reduction programs; federal, local government and state subvention funds; and local sales tax. The General Fund does not receive property tax support as is the case for some air districts.

There are a few anticipated changes that may have a moderate to significant impact on revenues over the five-year forecast. To inform a full-cost recovery policy and address the ongoing issue of unfunded mandates, a fee study will be initiated shortly to guide a potential permit fee increase. In addition, an increase in the ceiling for administrative costs for the Carl Moyer vehicle incentives program and the AB 617 Community Air Protection (CAP) program for several air districts is in process. These increases will provide additional funds to implement both programs more effectively, support applicants, and select projects that have the highest impact and/or offer the highest emission reductions for disadvantaged communities. Staff will continue to advocate for measures that can bring additional funding to the District and the region for clean transportation projects.

Expenditures for the General Fund are expected to gradually increase to address recurring expenses such as rising labor costs, long-term pension liabilities, and non-recurring capital improvement expenditures, most notably the rehabilitation and replacement of several aging regulatory ambient air monitoring stations. The ambient air quality monitoring network is critical District infrastructure and a part of a national network. Improvements are planned for various monitoring stations over the next few years to remain in compliance with applicable federal requirements. The network is also an important foundation for additional localized monitoring under the AB 617 CAP, with a new mobile air monitoring laboratory recently added to the existing air monitoring network as part of the District's AB 617 efforts.

Internal Service Fund

The District Headquarters (Covell Building) is the primary asset in the Internal Service Fund and has historically been a very stable fund. The headquarters building is about 38,000 square feet and a portion of the building previously was leased to a third-party tenant. The District's tenant vacated the building

when their lease agreements expired in fiscal year 2023/2024 (FY23/24). Given the tenant vacancy along with the anticipated changing needs for the use of space due to a new hybrid (remote and onsite) work model, the District completed a comprehensive building assessment of several alternatives. With Board support, the District plans to sell the current headquarters and lease or purchase a smaller headquarters facility, which is better suited for our hybrid-work arrangement.

As a result, this fund may experience short-term volatility due to 1) a period of extended reduced rental income given the termination of tenant leases while a potential buyer is identified, and/or 2) enhanced liquidity from the sale of an asset.

Special Revenue Fund

The Special Revenue Fund serves to track restricted revenue sources, primarily various emission technology and community air protection incentive grants from state programs like Carl Moyer and CAP. While these programs have been long-standing state priorities and are supported with special funds rather than the general funds, these programs will fluctuate with the state budget. Thus, given the significant budget deficits the state has been facing in recent years, the long-term viability of these programs is part of the annual state budget process. In the next two to three years, the fund is stable due to funds being encumbered in previous fiscal years. Longer term, the state budget woes and whether alignment with climate and community priorities remain will determine the future. Another challenge for the District is that these grants rarely cover the full cost of implementation, forcing the use of local funding sources to cover the shortfall. However, the continuation and/or expansion of programs supported by local funding will directly depend on the availability of DMV and sales tax revenue until such time that the percentage of the grant allowed for program administration is adjusted. There are no capital expenditures associated with this fund.

While the forecasted fiscal year 2025/2026 (FY25/26) California State budget deficit is significant, the District will continue to proactively manage grant revenues to reduce the potential for funding gaps and ensure emission reductions are achieved as quickly as possible. No significant reduction in State grant disbursements for District programs is anticipated in FY24/25, however, future reductions are possible given the constraints described above.

Major Initiatives

The FY24/25 District Budget was approved on May 23, 2024, and includes funding for mission-critical programs such as attainment of the NAAQS, advancing the region's decarbonization efforts, and the CAP program. In addition, the District was awarded funding for the next phase of the AB 617 CAP effort to support the transition of the South Sacramento-Florin community to a Community Emission Reduction Program (CERP) beginning in late 2024. The District will work in partnership with the Community Steering Committee to design, develop, and deliver a CERP to the state within the two-year timeline.

The budget also included funding to replace two of the District's major software applications (Permitting/Compliance and Transportation Incentives), and various shadow systems into a single enterprise-level solution we are calling AiriA to improve efficiencies, accuracy, customer service, and lower operating costs. Process improvement is expected to coincide with this software implementation and the inclusion of best practices wherever possible to optimize software utilization. The project development began in 2022 and is expected to last an additional 18-24 months. The initial software development and implementation expense is non-recurring; however, there will be ongoing costs for annual maintenance fees.

Another new key project for the District in FY24/25 is the Climate Pollution Reduction Grant (CPRG). CPRG is an EPA program funded by the Inflation Reduction Act for local actions that reduce greenhouse gases and associated criteria and toxic air pollution, create green jobs that strengthen the transition to a low-carbon economy, and provide tangible benefits to communities impacted by environmental injustice. The District served as the lead agency for the seven-county Sacramento-Roseville-Folsom Metropolitan Statistical Area under a federal designation. As such, the District was awarded \$1 million to develop three required deliverables – a Priority Climate Action Plan, a Comprehensive Climate Action Plan, and a Status Report. While unfortunately, the region did not receive any IRA funding for the implementation of identified CPRG strategies, entities represented in the 29-member steering committee have agreed to continue the collaboration.

Other important initiatives include expanding regional partnerships, enhancing performance management in the hybrid work environment, and relocating the District's Headquarters.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the District for the FY22/23 Annual Report. In addition to receiving the award for the Annual Report, the District also received the Distinguished Budget Presentation Award for its FY24/25 Budget Book. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports and budgets. This Annual Report will also be submitted to GFOA to determine its eligibility for the certificate as it is believed to also meet the requirements of the program.

The preparation of the Annual Report was made possible by the dedicated services of the finance and management staff of the District's Administrative Services Division. These members of the staff specifically have our sincere appreciation for their contributions to the work and preparation of this report.

We also would like to recognize our Governing Board for their leadership and support, and to all employees of the District who continue to improve operations to accomplish the District's mission in a fiscally responsible manner.

Respectfully submitted,

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Alberto Ayala, PhD, MSE Executive Director and Air Pollution Control Officer

Megan Shepard Administrative Services Division Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento Metropolitan Air Quality Management District California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2023

Christophen P. Morrill

Executive Director/CEO

Board of Directors

Patrick Kennedy, Chair Chair Sacramento County Board of Supervisors

Sarah Aquino, Vice-Chair

Vice Mayor City of Folsom

Rich Desmond Supervisor Sacramento County Board of Supervisors

Sue Frost Supervisor

Sacramento County Board of Supervisors

Eric Guerra Council Member City of Sacramento

Patrick Hume Supervisor Sacramento County Board of Supervisors

> **Caity Maple** Vice Mayor City of Sacramento

Porsche Middleton Council Member City of Citrus Heights

Kevin Papineau Council Member City of Galt

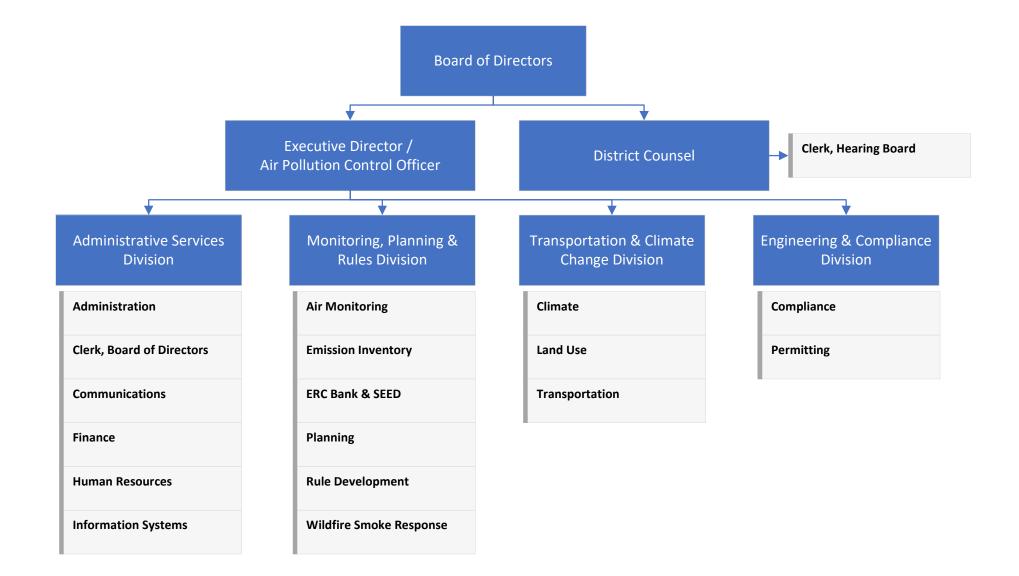
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> > **Shoun Thao** Council Member City of Sacramento

> > **Mai Vang** Council Member City of Sacramento



Financial Section



CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors Sacramento Metropolitan Air Quality Management District Sacramento, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in the net OPEB liability and related ratios, the schedule of OPEB contributions, the schedule of proportionate share of the net pension liability, and the schedule of pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance GAAS. In our opinion, the budgetary schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ide Sailly LLP

Sacramento, California December 17, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's Annual Comprehensive Annual Financial Report (ACFR) provides a narrative overview and analysis of the District's financial activities for the fiscal year (FY) that ended June 30, 2024. Please read this document in conjunction with the transmittal letter located in the introductory section and the District's financial statements which follow this discussion.

Financial Highlights

- The District's overall net position at June 30, 2024 was \$101.2 million, an increase of about \$27.4 million or 37.2 percent over the prior fiscal year.
- Government-wide assets increased by \$25.6 million primarily due to the timing of grant revenues and a resulting increase in cash and cash equivalents.
- Total government-wide liabilities decreased by \$1.5 million mainly due to a reduction in accounts payable and accrued liabilities and long-term debt for the FY 2023-24 offset by an increase in the net pension liability.
- Government-wide deferred outflows of resources were consistent with the prior year and deferred inflows decreased by \$332,000 primarily related to pensions.
- The FY 2023-24 General Fund revenues exceeded expenditures by \$6.6 million. This is mainly attributable to the timing of state grant revenues.

Overview of Financial Statements

The District's ACFR is comprised of three components: 1) government-wide financial statements 2) fund financial statements, and 3) footnotes and required supplementary information.

Government-wide Financial Statements

The government-wide financial statements provide readers with the overall financial position and activities of the District. These financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position reports all assets held, liabilities owed, and deferred inflows/outflows of resources of the District. Over time, increases or decreases in net position may serve as an indicator of whether the District's financial position is improving or deteriorating.

The Statement of Activities includes all current year revenues and expenses regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as earned but unused vacation leave. In the Statement of Activities, the air quality management functions are categorized as Business Compliance, Air Monitoring, Sustainable Land Use, Clean Transportation and Mobility Innovation, and Community Health Protection.

The District reports the Proprietary Fund as an Internal Service Fund since the main source of revenue for the fund is from an internal source rather than external sources.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are reported as governmental activities in the governmentwide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity's near-term financing requirements.

Because the governmental funds focus on near-term financing requirements, it is useful to compare the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary funds. The District uses the Covell Building Fund to account for the operation and maintenance of the District's building. Proprietary fund financial statements are presented on a full accrual basis, the same basis as the government-wide financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, the District also presents certain supplementary information and a statistical section that covers revenue, expenditure, and fund balance trends for the past 10 years. Furthermore, the District presents a Schedule of Expenditures of Federal Awards (SEFA) in the Federal Award Section. The SEFA, under Uniform Guidance (2 CFR 200), is a supplemental schedule to the financial statements that a non-federal entity is required to produce when it is subject to the single audit requirement. The single audit requirement is triggered when the federal expenditures reported on the SEFA exceed \$750,000 or more over the non-federal entity's fiscal year. The District meets the single audit criteria and is responsible for arranging for the audit, preparing the appropriate financial statements, taking corrective action on audit findings (if any), and providing the auditor with access to all information required to perform the audit.

Government-wide Financial Analysis

This section provides an analysis of the government-wide financial statements including long-term and short-term information about the District's overall financial condition. The following table is a summary of the District's overall net position as of June 30, 2024 and 2023.

Condensed Statement of Net Position (in thousands)

	Governmental Activities			
	2024		2023	
Assets and Deferred Outflows of Resources				
Current and Other Assets	\$	110,657	\$	85,306
Capital and Other Non-Current Assets		5,074		4,873
Total Assets		115,732		90,179
Deferred Outflows of Resources		8,609		8,563
Liabilities and Deferred Inflows of Resources				
Current Liabilities		3,664		6,327
Non-Current Liabilities		18,598		17,445
Total Liabilities		22,261		23,772
Deferred Inflows of Resources		912		1,244
Net Position				
Net Investment in Capital Assets		3,770		3,351
Restricted		99,640		72,382
Unrestricted		(2,243)		(2,006)
Total Net Position	\$	101,167	\$	73,727

Total assets increased by \$25.6 million or 28.3 percent over the prior year, mainly due to a \$25.3 million increase in cash and cash equivalents. The increase in cash and cash equivalents relates to the timing of state grant revenues in FY 2023-24. Excess funds are invested in the Local Area Investment Fund and the California Asset Management Program.

- Capital Assets increased by \$201,000 primarily due to the acquisition of new fleet vehicles, software, and lab equipment.
- Deferred outflows of resources increased by about \$46,000, primarily related to OPEB.
- Total liabilities decreased by \$1.5 million mainly because of a \$3.0 million decrease in accounts payable offset by an increase of \$1.5 million in net pension liability.
- Deferred inflows of resources decreased by approximately \$332,000 from the prior year, primarily due to a reduction in deferred inflows related to pensions.
- The net position of the District totaled \$101.2 million as of the end of FY 2023-24 and increased approximately \$27.4 million or 37.2 percent over FY 2022-23.

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The largest portion of the District's net position at June 30, 2024, \$99.6 million, consists of resources subject to external restrictions on how they may be used. An additional \$3.8 million of the total net position reflects its net investment in capital assets (e.g., land, buildings, equipment, subscriptions and leases, less any related debt used to acquire those assets that is still outstanding). The unrestricted portion of the District's net position is a deficit of \$2.2 million related mainly to the net pension liability.

As noted above, the District's total net position increased by about \$27.4 million during the current fiscal year. Of this amount, \$27.3 million of the increase relates to the restricted net position, and roughly \$237,000 is associated with a decrease in the unrestricted net position. The increase in the restricted net position is due to additional intergovernmental grant revenue received in the current year that will be disbursed in subsequent years. Net investment in capital assets increased roughly \$419,000 year-over-year mainly due to net capital asset acquisitions and a reduction in long-term debt related to a capital asset.

The following schedule shows revenues by major source, expenses by function, and changes in net position for the fiscal years ended June 30, 2024, and June 30, 2023.

	Governmental Activities			
	2024		2023	
Revenues				
Program revenues:				
Charges for Services	\$	10,616	\$	10,297
Operating Grants and Contributions		54,171		19,635
General Revenues:				
DMV		4,987		5,122
Sales tax		2,624		2,570
Grants - not restricted to specific activities		362		364
Investment income (a)		3,893		1,505
Total Revenues		76,653		39,493
Expenses				
Business Compliance		9,709		8,513
Air Monitoring		8,171		5,022
Sustainable Land Use		1,863		2,021
Clean Transportation and Mobility Innovation		27,336		20,885
Community Health Protection		2,059		1,992
Interest on Long-Term Debt		55		70
Unallocated Depreciation		19		22
Total Expenses		49,213		38,525
Change in Net Position		27,440		968
Beginning Net Position		73,727		72,759
Net Position - Ending Balance	\$	101,167	\$	73,727

Condensed Statement of Net Activities (in thousands)

(a) Investment Income includes a Fair Market Value Adjustment per GASB 31.

Revenues for total governmental activities were \$76.7 million and increased by \$37.2 million or 94.1% over the prior year primarily due to 1) the timing of grant revenue received in the year restricted for air quality projects that will be disbursed in subsequent years and 2) investment income. The grants are generally multi-year agreements with funds received in one year and project disbursements made over several years often resulting in significant fluctuations in year-over-year revenues and expenses.

Overall expenses for governmental activities of \$49.2 million increased by \$10.7 million mainly due to 1) increases in special revenue fund grant disbursements of \$5.2 million attributable to the timing of clean air technology incentive program payments, and 2) higher federal grant pass-through expenditures with sub-recipients of \$2.6 million. In addition, employee services expenses increased by \$1.8 million due to filling previously vacant positions, a cost-of-living adjustment of 3.6%, an increase in net pension costs of \$477,000, and higher health insurance costs. Finally, professional services expenses increased by \$388,000 to support federal grant programs, and information systems expenditures were higher by \$327,000 primarily related to the development of a new software solution that will replace two legacy systems used by the District.

Financial Analysis of the Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with financerelated legal requirements.

Governmental Funds

The District has two governmental funds, the General and Special Revenue Funds. Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial requirements.

The General Fund is the District's chief operating fund. At the end of FY 2023-24, the total fund balance of the General Fund was \$27.7 million, an increase of \$6.8 million over the prior year. The Nonspendable Fund Balance represents prepaid expenses that increased by roughly \$53,000 from the prior year. The Restricted Fund Balance increased by \$6.3 million from the prior year mainly due to state grants. Assigned Fund Balance increased by \$350,000 year-over-year and is used to set aside funds for a projected budgetary deficit in FY 2024-25. The Unassigned Fund Balance increased by \$131,000 from the prior year.

As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total General Fund expenditures. Overall, the total fund balance represents approximately 104.6% of the total FY 2023-24 General Fund expenditures. The growth of the fund balance over the prior year is mainly attributable to the timing of state grant revenues that will be used in subsequent fiscal periods. In addition, over the past several years the increase in fund balance has been intentional to address potential economic downturns or other unanticipated factors and to implement District priorities for which near-term structural deficits are projected.

The Special Revenue total fund balance as of June 30, 2024 increased by \$21.0 million over the prior year. This increase was due to grant incentive revenue received by the fund in the current year being higher than the incentive disbursements in FY 2023-24. As previously noted, due to the multi-year nature of the Special Revenue fund grants, fluctuations normally occur in year-over-year revenues and expenses and the resulting net change in fund balance.

Proprietary Fund

The Proprietary Fund (Covell Building Fund) is classified as an Internal Service Fund since almost all of the fund's revenue is derived from rent paid by the District. The net income of the fund is included as an offset to expenses in the current year's Statement of Activities.

Net income from the Proprietary Fund increased the District's net position on June 30, 2024, by \$629,000, consistent with the increase in the prior year. Highlights for the FY 2023-24 Proprietary Fund results are as follows:

- Operating revenues from the building totaled \$1.3 million and decreased \$82,000 from the prior year mainly due to a third-party tenant vacating the building at the end of the lease term. These revenues represent rental and parking income.
- Operating expenses for the building were \$681,000 for the year, slightly less than the prior fiscal period.
- The District made a principal payment of \$355,000 in FY 2023-24 for the Certificates of Participation. Next year, the principal payment will be \$370,000.

Budgetary Highlights

General Fund revenues were \$8.0 million more than the Approved FY 2023-24 Budget primarily due to the timing of the receipt of state grant revenues, additional permit revenues, and higher investment income.

Expenditures for the General Fund were less than planned by \$1.3 million mainly due to position vacancies, reduced spending on both professional services and a software solution project, fewer disbursements to federal grant subrecipients, and capital project deferrals. These variances were offset by a less-than-plan administrative credit related to the Special Revenue fund incentive grants.

Capital Assets and Debt Administration

Capital Assets

At the end of FY 2023-24, the District's net investment in capital assets for its governmental activities was \$5.1 million (net of accumulated depreciation/amortization), an increase of \$201,000 from the prior year. This investment in capital assets includes land, building, office equipment, laboratory equipment, vehicles, software, subscriptions, leases and air monitoring stations. The total investment in capital assets for the current fiscal year was \$881,000. Additional information on capital assets can be found in Note 4 under the Notes to the Basic Financial Statements section.

Long-term Debt

At the end of FY 2023-24, the District had outstanding bonds secured by lease payments made to the trustee. The total debt outstanding as of June 30, 2024, was \$1.2 million. Based on the current payment schedule, these bonds will be paid off by the end of FY 2026-27. Additional information on long-term liabilities can be found in Note 6 under the Notes to the Basic Financial Statements section.

Next Year's Budget

General Fund revenues for the FY 2024-25 are budgeted to decrease by approximately \$6.2 million from the actual FY 2023-24 amounts, with a decline expected mainly in state grant revenues. The expected state grant revenues decrease of \$6.1 million is due to the timing of the receipt of grant funds.

FY 2024-25 expenditures for the General Fund are expected to increase by \$3.5 million over the actual amounts expended in FY 2023-24. The budget anticipates an increase of \$2.1 million for salaries and benefits reflecting 1) the addition of FTEs in late FY 2023-24 and the plan to add additional positions in FY 2024-25 to support increased grant and operating activities and 2) a cost-of-living adjustment for overall wages of 3.6%. Services and Supplies are expected to increase by \$2.3 million, primarily for expenditures related to professional services to support increased grant activities and higher disbursements to federal grant sub-recipients.

The budget anticipates an increase in capital spending of \$349,000 mainly related to construction improvements for an air monitoring station, air monitoring equipment, and replacement vehicles for the District's fleet. Finally, inter-fund grant administrative credits (offsets to expense) are planned to increase by \$1.1 million over the FY 2023-24 actual credits. Overall, a \$3.1 million use of fund balance for the General Fund is budgeted for FY 2024-25.

Economic Factors

As of June 30, 2024, foreseeable economic or political conditions that may influence the financial position of the District include cost increases for goods and services due to continued inflation, increases in retirement rates, and decreases in the CalPERS discount rate. The effects, if any, of these events are not calculable at this time. However, the recent inflationary economic environment may continue to increase the cost of services and supplies in the near term.

Regarding revenues, the District is anticipating state and federal intergovernmental funding to stay relatively constant over the next few years. Measure A sales tax revenue is expected to increase by about 2.0% annually in the near term. However, it is unclear what effects inflation might have on the local economy and related impacts on government and consumer spending.

The forecasted FY 2024-25 California State budget deficit is significant. The District proactively manages grant revenues to reduce the potential for funding gaps and ensure emission reductions are achieved as quickly as possible. While no significant reduction in State grant disbursements for District programs is anticipated in FY 2024-25, future reductions are possible. Finally, at the federal level, a reduction in grant funding could occur as a result of policy changes in the new administration.

The District's multi-year forecast continues to show some significant funding gaps between revenues and expenses. The imbalance is due primarily to rising costs of doing business, such as employee services and capital expenditures outpacing revenue increases, new state mandates that are not adequately funded, and a legacy of a lack of full cost recovery for many of the District's programs. Staff will continue to work with the Board of Directors into FY 2024-25 and beyond to identify additional funding strategies.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information may be emailed to <u>finance@airquality.org</u> or be addressed to:

Sac Metro Air District Attn: Finance Department 777 12th Street, Suite 300 Sacramento CA 95814 **Basic Financial Statements**

	Governmental Activities
Assets	
Current Assets:	
Cash and cash equivalents	\$ 105,073,062
Restricted cash and cash equivalents	428,519
Receivables	5,010,205
Prepaids	145,428
Total current assets	110,657,214
Non-Current Assets:	
Capital assets	
Capital assets not being depreciated	1,242,989
Capital assets, net of accumulated depreciation	3,831,443
Total capital assets	5,074,432
Total non-current assets	5,074,432
Total assets	115,731,646
Deferred Outflows of Resources	
Deferred outflows related to pensions	7,331,002
Deferred outflows related to OPEB	1,277,835
Total deferred outflows of resources	8,608,837
Liabilities	
Current Liabilities:	
Accounts payable and accrued liabilities	1,485,746
Accrued wages and benefits payable	629,297
Compensated absences - due within one year	1,104,252
Subscription liability - due within one year	69,790
Certificates of participation - due within one year	374,907
Total current liabilities	3,663,992
Non-Current Liabilities:	
Deposits from others	500
Compensated absences - due in more than one year	407,779
Subscription liability - due in more than one year	72,847
Certificates of participation - due in more than one year	786,952
Net OPEB liability	1,543,385
Net pension liability	15,786,034
Total noncurrent liabilities	18,597,497
Total liabilities	22,261,489

	Governmental Activities
Deferred Inflow of Resources	
Deferred inflows related to pensions	\$ 765,056
Deferred inflows related to OPEB	147,351
Total deferred inflows of resources	912,407
Net Position	
Net investment in capital assets	3,769,936
Restricted for:	
Debt Service	428,519
Air Quality Programs	99,211,237
Unrestricted	(2,243,105)
Total net position	\$ 101,166,587

		_		Program	Reve	nues	R	et (Expense) evenue and Changes in let Position
Functions/Programs:		Expenses	Operating Charges for Grants and Services Contributions		Go	overnmental Activities		
Primary government: Governmental activities:								
Business Compliance Air Monitoring Sustainable Land Use Clean Transportation and	\$	9,708,609 8,171,455 1,863,074	\$	9,700,779 297,036 87,215	\$	189,857 5,934,705 9,809	\$	182,027 (1,939,714) (1,766,050)
Mobility Innovation Community Health Protection Interest on long-term debt Unallocated depreciation		27,336,208 2,059,295 55,183 19,001		3,263 527,498 - -		40,872,435 7,163,973 - -		13,539,490 5,632,176 (55,183) (19,001)
Total primary government	\$	49,212,825	\$	10,615,791	\$	54,170,779		15,573,745
	 9 (eneral revenue DMV Sales tax Grants - not re nvestment inc	strict	•	activ	ities		4,986,922 2,624,053 361,665 3,893,413
		Total g	enera	al revenue				11,866,053
	Ch	ange in net po	sitio	n				27,439,798
	Ne	et Position - be	ginni	ing				73,726,789
	Ne	et Position - en	ding				\$	101,166,587

	General	Special Revenue Fund	Total Governmental Funds
Assets		+ == oo= =	
Cash and equivalents Accounts receivable	\$ 25,859,324 3,649,871	\$ 75,825,746 529,403	\$ 101,685,070 4,179,274
Interest receivable	190,279	625,487	815,766
Prepaids	145,428		145,428
Total assets	\$ 29,844,902	\$ 76,980,636	\$ 106,825,538
Liabilities, Deferred Inflows and Fund Balance			
Liabilities			
Accounts payable and accrued liabilities	\$ 1,291,004	\$	\$ 1,454,885
Accrued wages and benefits payable	629,297	-	629,297
Total liabilities	1,920,301	163,881	2,084,182
Deferred inflows of resources			
Unavailable revenues	190,994		190,994
Fund Balance			
Nonspendable:			
Prepaids Restricted for:	145,428	-	145,428
Air Quality Programs	22,394,482	76,816,755	99,211,237
Assigned to:	, ,	, ,	, ,
Projected budgetary deficit	3,078,095	-	3,078,095
Unassigned	2,115,602		2,115,602
Total fund balances	27,733,607	76,816,755	104,550,362
Total liabilities and fund balances	\$ 29,844,902	\$ 76,980,636	\$ 106,825,538

Sacramento Metropolitan Air Quality Management District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2024

Fund balances - total governmental funds			\$ 104,550,362
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets at historical cost Accumulated depreciation	\$	4,719,270 (2,938,247)	\$ 1,781,023
Certain accounts and intergovernmental receivables are not available to pay for current-period expenditures and, therefore, are reflected as deferred inflows of resources in the governmental funds.			 190,994
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.			
Subscription liabilities Net pension liability Net OPEB Liability Compensated absences payable	((142,637) 15,786,034) (1,543,385) (1,512,031)	 (18,984,087)
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows on the statement of net position.			
Deferred outflows of resources relating to pensions Deferred outflows of resources relating to OPEB Deferred inflows of resources relating to pensions Deferred inflows of resources relating to OPEB		7,331,002 1,277,835 (765,056) (147,351)	 7,696,430
Internal service funds are used by management to charge the costs of certain activities to individual governmental funds. The assets and liabilities of the internal service fund is therefore included in governmental activities			
in the statement of net position.			5,931,865
Net position of governmental activities			\$ 101,166,587

	General	Special Revenue Fund	Total Governmental Funds
Revenues:	4		
Sales Tax	\$ 2,624,053	\$-	\$ 2,624,053
Fees and Licenses	9,967,646	-	9,967,646
Intergovernmental:			
Local Government	94,725	-	94,725
State	13,366,869	38,481,373	51,848,242
Federal	5,891,669	1,611,053	7,502,722
Fines, Forfeitures, and Penalties	374,177	5,700	379,877
Other	12,866	138,085	150,951
Investment income	808,549	2,989,153	3,797,702
Total revenues	33,140,554	43,225,364	76,365,918
Expenditures:			
Current:			
Business Compliance	9,174,663	-	9,174,663
Air Monitoring	7,921,353	-	7,921,353
Sustainable Land Use	1,774,083	-	1,774,083
Clean Transportation and	_)// //000		_)// .)000
Mobility Innovation	4,783,935	22,272,588	27,056,523
Community Health Protection	1,970,304	-	1,970,304
Debt Service:	1,570,504		1,570,504
Principal	76,037	-	76,037
Interest	2,083	-	2,083
Capital Outlay	818,667	-	818,667
Total expenditures	26,521,125	22,272,588	48,793,713
rotal expenditures	20,521,125	22,272,300	40,755,715
Excess of Revenues over Expenditures	6,619,429	20,952,776	27,572,205
Other Financing Sources (Uses)			
Subscription	218,674		218,674
Net change in fund balances	6,838,103	20,952,776	27,790,879
Fund balances, July 1, 2023	20,895,504	55,863,979	76,759,483
Fund balances, June 30, 2024	<u>\$ 27,733,607</u>	<u>\$ 76,816,755</u>	<u>\$ 104,550,362</u>

Sacramento Metropolitan Air Quality Management District

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

Year Ended June 30, 2024

Net change in fund balances - total governmental funds	\$ 27,790,879
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which depreciation expense exceeded capital outlays in the current period and other adjustments.	347,534
Revenues that are measurable but not available are deferred in the governmental funds under the modified accrual basis of accounting.	190,994
Debt service payments for principal payments are reported as expenditure in the government fund, but are not reported as expenses in the statement of activities.	
Subscription principal payments	76,037
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Changes in pension liabilities and related deferred outflows and inflows of resources Changes in OPEB liabilities and related deferred outflows and inflows of resources Compensated absences	(1,355,557) 45,775 (66,446)
The issuance of long-term debt provides current financial resources to governmental funds, but are not reported as revenues in the statement of activities.	
Subscription proceeds	(218,674)
The internal service funds are used by management to charge the costs of building space and expenses to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	629,256
Changes in net position of governmental activities	<u>\$ 27,439,798</u>

	Governmental Activities Internal Service Fund
Assets	
Current Assets: Cash and cash equivalents Restricted cash and cash equivalents Interest receivable	\$ 3,387,992 428,519 15,165
Total current assets	3,831,676
Non-Current Assets: Capital assets: Capital assets not being depreciated Capital assets being depreciated, net	1,086,652 2,206,757
Total capital assets	3,293,409
Total non-current assets	3,293,409
Total assets	7,125,085
Liabilities	
Current Liabilities: Accounts payable Certificates of participation - due within one year	30,861 374,907
Total current liabilities	405,768
Non-Current Liabilities: Deposits from others Certificates of participation - due in more than one year	500 786,952
Total noncurrent liabilities	787,452
Total liabilities	1,193,220
Net Position	
Net investment in capital assets Restricted for:	2,131,550
Debt Service	428,519
Unrestricted	3,371,796
Total net position	\$ 5,931,865

Operating Revenues:	Governmental Activities Internal Service Fund
Rental income Parking income Other	\$ 1,200,523 66,829 563
Total operating revenue	1,267,915
Operating Expenses: Repairs and maintenance costs Utilities, security and communications Management fees Parking lot operations Depreciation expense Other expense	76,078 135,004 110,354 180,434 175,735 3,664
Total operating expenses	681,269
Operating income	586,646
Non-Operating Revenues And Expenses: Investment income Interest expense	95,710 (53,100)
Total non-operating revenues (expenses)	42,610
Change in net position	629,256
Net Position, July 1, 2023	5,302,609
Net Position, June 30, 2024	\$ 5,931,865

	 overnmental Activities Internal ervice Fund
Cash flows from operating activities: Cash received from rental and parking activities Cash paid for goods and services	\$ 1,249,301 (503,440)
Net cash provided by operating activities	 745,861
Cash flows from capital and related financing activities: Principal paid on long-term debt Purchases of capital assets Interest paid on long-term debt	 (364,815) (29,970) (48,193)
Net cash used for capital and related financing activities	 (442,978)
Cash flows from investing activities: Investment income	 90,343
Net cash provided by investing activities	 90,343
Net increase in cash and cash equivalents	393,226
Beginning cash balance July 1, 2023	 3,423,285
Ending cash balance June 30, 2024	\$ 3,816,511
Reconciliation of operating income to net cash provided by operating activities: Operating income Adjustment to reconcile operating income to net cash provided by operating activities:	\$ 586,646
Depreciation expense Effects of changes in:	175,735
Decrease in receivables Increase in accounts payable (Decrease) in deposits with others (Decrease) in deferred inflows	 77,993 2,094 (22,647) (73,960)
Net cash provided by operating activities	\$ 745,861
Reconciliation of cash and cash equivalents to the statement of net position: Cash and investments Restricted cash and investments	\$ 3,387,992 428,519
Total cash and cash equivalents	\$ 3,816,511
Noncash investing, capital and financing activities:	 <u> </u>
Amortization of premium on long-term debt	\$ 4,907

Note 1 - Summary of Significant Accounting Policies

Accounting Policies

The Sacramento Metropolitan Air Quality Management District (District) accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December of 1959. In July of 1996, the Sacramento Metropolitan Air Quality Management District was created under Health and Safety Code Sections 40960 et. seq. to monitor, promote and improve air quality in the County of Sacramento. The District functions under the oversight of its fourteen-member Board of Directors, established and appointed pursuant to Health and Safety Code Section 40980. The District has no component units.

Basis of Presentation

Government-wide financial statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, represented by function.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, reconciliations, containing brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds, are included.

The government-wide statement of net position records all of the District's assets and liabilities including capital assets, long-term liabilities, and deferred inflows and deferred outflows of resources.

The government-wide statement of activities presents a comparison between total expenses and program revenues for each function or program of the District's governmental activities. Total expenses are those that are associated with or allocated to a service, program, or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

Fund financial statements

The focus of governmental fund financial statements is on major funds rather than reporting funds by activity type. The District has two major funds for reporting purposes: the General Fund and the Special Revenue Fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are the balance sheet, which includes current assets and liabilities, and the statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. The purchase of capital assets and long-term debt proceeds and payments are reflected as revenues and expenditures on these statements.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. District exchange transactions include the Proprietary Fund building rents and parking revenues and interest revenue.

Imposed non-exchange transaction revenues result from assessments imposed on nongovernmental entities, including individuals (other than assessments imposed on exchange transactions) and the revenues are recognized in the period when use of the resources is required or first permitted. District imposed non-exchange transactions include Stationary Source permit fees and renewals, Land Use Mitigation permits, planning service charges, SEED program fees, Title V permits, Agricultural Burning fees, Asbestos Plan Check fees, Air Toxics fees, variances, and settlements.

Government-mandated non-exchange transactions result from one level of government providing resources to another level of government and requiring the recipient to use the resources for a specific purpose. Voluntary non-exchange transactions result from agreements entered voluntarily by the parties thereto. Both types of non-exchange transaction revenues are treated in the same manner. Revenues are recognized when all applicable eligibility requirements are met. District transactions of both types include the Moyer program, State Subvention and Enforcement Grants, Goods Movement Emission Reduction Program (GMERP), Lower Emission School Bus Program (LESBP), Measure A Sales Tax, the DMV surcharge, Environmental Protection Agency Section 103 and 105 grants, Congestion Mitigation in Air Quality (CMAQ) grants, State Implementation Plan (Spare the Air), Targeted Air Shed and Climate Pollution Reduction grant, Community Air Protection incentive grants, and various agreements with Yolo/Solano Counties, El Dorado County and Placer County.

Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 90 days after year-end.

Expenses/Expenditures

The government-wide financial statements are presented using the accrual basis of accounting, where expenses are recognized at the time they are incurred. The focus of governmental fund accounting is short-term. Therefore, expenditures are recorded when paid. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first. Then, unrestricted resources are used as needed.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity or net position, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District reports the following major funds:

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

The **Special Revenue Fund** accounts for the resources accumulated and payments made primarily for restricted mobile source and community air protection incentive awards.

The District also reports the following fund type:

The **Proprietary Fund (Internal Service Fund)** reports the ownership and operational revenues and expenses of the District's building along with the long-term debt obligations.

Cash and Cash Equivalents

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Prepaids

Prepaids represent payments for services that will benefit periods beyond June 30, 2024. The District uses the consumption method of accounting for Prepaids. Under the consumption method, governments may initially report prepaid items they purchased as an asset and defer the recognition of the expenditure until the period the inventories and prepaid items are consumed or used.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Federally funded assets maintain a threshold of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 2 to 39 years. Land is not depreciated.

Right to use leased assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful lives of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the District's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful lives of the underlying asset using the straight-line method or the same method amortizing the debt. The amortization period varies from 2 to 3 years.

Compensated Absences

Accumulated unpaid employee vacation benefits and compensated time-off for certain employees in lieu of overtime compensation and/or working on holidays per bargaining agreements are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, a portion of sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. It is the deferred amounts related to pension and OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. It is the deferred amounts related to pension and OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is liquidated by the General Fund.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's CalPERS health program and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS health program. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net OPEB liability is liquidated by the General Fund.

Fund Balance

The District reports governmental fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (e.g., prepaid items) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: The Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors. A Board resolution serves as the highest level of commitment.

Assigned Fund Balance reflects amounts intended to be used only for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in other classifications. The General Fund is the only fund that reports an unassigned fund balance amount.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

Subscription liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by District.

Eliminations and Reclassifications

In the process of aggregating data for the government-wide statements, some amounts reported as inter-fund activity and balances in the fund financial statements, were eliminated or reclassified. Inter-fund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the government activities column. Interfund services provided and used are not eliminated in the process of consolidation.

Use of Estimates

Management is called upon to use estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

Implementation of New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. New standards applicable to the year ending June 30, 2024, are as follows:

GASB Statement No. 99 – *Omnibus 2022* – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in account and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. The District has determined this Statement did not have an impact on the financial statements.

GASB Statement No. 100 – Accounting Changes and Error Correction – In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Correction. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The District has determined this Statement did not have an impact on the financial statements.

Note 2 - Cash, Cash Equivalents, and Investments

Cash and Investments

As of June 30, 2024, cash and investments were reported in the accompanying financial statements as follows:

Statement of net position: Cash and cash equivalents Restricted cash and cash equivalents	\$ 105,073,062 428,519
Total cash and investments	\$ 105,501,581
Cash and investments as of June 30, 2024, consist of the following:	
Deposits	
Balance per bank	\$ 13,188,776
Less outstanding checks and deposits	(72,133)
Investment in Local Agency Investment Fund	66,280,864
Investment in California Asset Management Program	25,675,555
Investments with fiscal agent	428,519
Total cash and investments	\$ 105,501,581

Deposits

The carrying amount of the District's cash is covered by federal depository insurance up to \$250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110 percent of the excess government funds on deposit. This collateral must be in the form of government-backed securities.

Local Government Investment Pools

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF. The balance is available for withdrawal on demand and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The LAIF financial statements are available at the State Treasurer's Office website at www.treasurer.ca.gov. LAIF is not registered with the Securities and Exchange Commission and is not rated by the credit rating agencies.

The District also maintains an investment in the California Asset Management Program (CAMP) a California JPA established in 1989 by the treasurers and finance directors of several California agencies. It was created to provide professional investment services to California public agencies at a reasonable cost. The investment is maintained in the "Camp Pool" which is a short-term money market portfolio, which seeks to preserve principal, provide daily liquidity and earn a high level of income, consistent with its objectives of preserving principal. The District's Investment with CAMP as of June 30, 2024 was \$25,675,555 which approximates fair value.

Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with fiscal agents under the terms of certain debt issues. These moneys are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. At June 30, 2024, \$428,519 was held in reserve related to the District's Certificates of Participation (COP) and is invested in a 2a-7 Money Market Mutual Fund. This type of investment primarily invests in short term U.S. Treasury, government securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities), agency mortgage-backed securities, and short-term high quality municipal obligations that provide income exempt from federal and California state income tax and federal alternative minimum tax. The fund holds AAAm and Aaa-mf ratings from Standard & Poor's and Moody's, respectively.

Moneys in the COP's reserve will at all times be in the amount of the Reserve Requirement. The Reserve Requirement is defined as the lesser of (i) 10 percent of the original principal amount, (ii) an amount equal to the maximum annual Lease payment payable in a Certificate Year by the District, or (iii) 125 percent of the average annual lease payment.

Fair Value Measurement

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Deposits and withdrawals in governmental investment pools, such as LAIF and CAMP, are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The valuation of the 2a-7 Money Market Mutual funds held by fiscal agent for the COP's reserve is at one-dollar net asset value (NAV) per share.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the District by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address the maximum interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maturity	Percentage of Portfolio	Investment in One Issuer
U.S. Treasury Notes & Agency Obligations	5 years	100%	N/A
Supranational Obligations	5 years	30%	10%
Municipal Notes	5 years	80%	10%
Registered State Warrants	5 years	80%	10%
Bankers Acceptances	180 days	40%	10%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	180 days	30%	10%
CRA Bank Deposit/Certificates of Deposit	1 year	30%	10%
Repurchase Agreements	1 year	30%	10%
Reverse Repurchase Agreements	92 days	20%	10%
Medium-Term Corporate Notes	180 days	30%	10%
Collateralized Mortgage Obligations	180 days	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$75 million	100%
California Asset Management Program	N/A	100%	100%
Money Market Mutual Funds	N/A	20%	10%

Note 3 - Accounts Receivable

Accounts receivable consisted of the following as of June 30, 2024:

Governmental Funds:

Sales/Use Tax	\$ 361,085
Intergovernmental:	,
State	1,499,824
Federal	2,288,877
Local	16,213
Miscellaneous	13,275
Total	\$ 4,179,274

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

Governmental Activities:	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	
Capital assets, not being depreciated Land Construction in process	\$ 1,086,652 113,467	\$ - 42,870	\$ - _	\$ 1,086,652 156,337	
Total capital assets, not being depreciated	1,200,119	42,870		1,242,989	
Capital assets, being depreciated Building Right to use subscription IT assets Right to use leased vehicles Equipment	5,547,998 184,026 - 3,870,668	29,970 218,674 340,284 249,652	- (184,026) - (116,345)	5,577,968 218,674 340,284 4,003,975	
Total capital assets, being depreciated	9,602,692	838,580	(300,371)	10,140,901	
Less accumulated depreciation: Building Right to use subscription IT assets Right to use leased vehicles Equipment	(3,195,476) (113,604) - (2,621,068)	(175,735) (95,768) (51,043) (353,905)	- 184,026 - 113,115	(3,371,211) (25,346) (51,043) (2,861,858)	
Total accumulated depreciation	(5,930,148)	(676,451)	297,141	(6,309,458)	
Governmental activities capital assets, net	\$ 4,872,663	\$ 204,999	\$ (3,230)	\$ 5,074,432	

Depreciation/amortization expense was charged to the functions/programs of the governmental activities as follows:

Governmental Activities:	
Air Monitoring	\$ 481,715
Internal Service Fund	175,735
Unallocated	 19,001
Total depreciation/amortization expense	\$ 676,451

Depreciation/amortization expense held by the District's internal service fund is charged to various functions and programs based on their usage of the related assets.

Note 5 - Leases

During the current year, the District entered into several lease agreements as lessee for the use of vehicles. As of June 30, 2024, the value of the lease liability was \$0, as the District made upfront capital reduction payments substantially equal to the total payments due under the lease agreements. The leases have an interest rate of 5%. The total amount of right to use leased assets, and the related accumulated amortization on right to use leased assets was \$340,284 and \$51,043, as of June 30, 2024, respectively.

Note 6 - Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
Certificates of Participation Premium Compensated Absences	\$ 1,505,000 16,767 1,445,585	\$ - - 1,219,367	\$ (355,000) (4,908) (1,152,921)	\$ 1,150,000 11,859 1,512,031	\$ 370,000 4,907 1,104,252
Total	\$ 2,967,352	\$ 1,219,367	\$ (1,512,829)	\$ 2,673,890	\$ 1,479,159

Certificates of Participation

In March 2012, the District refunded the 2002 certificates with the 2012 certificates in the amount of \$4,350,000, with interest rates ranging from 3.00 percent to 4.00 percent. As of June 30, 2024, the principal balance outstanding was \$1,150,000. Proceeds included a bond premium which will be amortized over the life of the COPs. The agreement includes a provision that in the event of a default or breach, the trustee may declare all lease payments then remaining unpaid be immediately due and owing, without further demand.

The certificates mature as follows:

Year Ending June 30	Principal	Interest	Totals
2025	\$ 370,000	\$ 38,600	\$ 408,600
2026	385,000	23,500	408,500
2027	395,000	7,900	402,900
Total	1,150,000	70,000	1,220,000
Unamortized Premium	11,859		11,859
Total	\$ 1,161,859	\$ 70,000	\$ 1,231,859

For the year ended June 30, 2024, total interest expense for the COPs was \$53,100, and principal paid on the COPs was \$355,000. The COP's activity is recorded in the Internal Service Fund.

Note 7 - Subscription-Based Information Technology Arrangements (SBITAs)

The District has entered into a SBITA contract for Microsoft Office 365 software. As of June 30, 2024, the value of the subscription liability was \$142,637. The District is required to make annual principal and interest payments of \$79,038 through March 2026. The subscription liability was valued using a discount rate of 4.38% based on the District's incremental borrowing rate at the inception of the subscription. The total amount of right to use subscription asset, and the related accumulated amortization on right to use subscription asset was \$218,674 and \$25,346 as of June 30, 2024, respectively.

A summary of the changes in subscription IT liabilities during the year ended June 30, 2024 is as follows:

	ginning alance	Д	dditions	De	ductions	Ending Balance	-	e Within ne Year
Governmental Activities:								
Subscription IT liabilities	\$ -	\$	218,674	\$	(76,037)	\$ 142,637	\$	69,790
Total	\$ -	\$	218,674	\$	(76,037)	\$ 142,637	\$	69,790

Remaining principal and interest payments on subscriptions are as follows:

Years Ending June 30,	Principal		Interest	
2025	\$	69,790	\$	5,227
2026		72,847		2,127
	\$	142,637	\$	7,354

Note 8 - Risk Management/Claims Liabilities

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District is covered by commercial insurance purchased from independent third parties.

There have been no significant changes in insurance coverage and the District did not have any settlements that exceeded insurance coverage in any of the past three years.

During the fiscal year ended June 30, 2024, the District insured with the Special District Risk Management Authority (SDRMA) for general liability, errors and omissions, workers' compensation, and a variety of comprehensive coverage (See Note 9). The District also provides a selection of health insurance coverage and elective options for additional health related insurance coverage.

Note 9 - Jointly Governed Organization

The District is a member of the Special District Risk Management Authority (SDMRA), through a Joint Power Agreement (JPA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

SDRMA arranges for and provides property, liability, error and omissions, auto liability, crime and fidelity, workers' comp and boiler and machinery insurance to its members. SDRMA is governed by a seven-member Board of Directors. Directors are elected at-large from the membership to serve four-year terms. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SDRMA.

Condensed audited financial information of SDRMA for the year ended June 30, 2024, is as follows:

Total Assets	\$ 162,354,367				
Deferred Outflows of Resources	1,620,957				
Total Liabilities	78,404,034				
Deferred Inflows of Resources	384,924				
Net Position	\$ 85,186,366				
Total Revenues	\$ 107,500,542				
Total Expenses	104,002,777				
Total Non-Operating Income	10,167,398				
Net Income	\$ 13,665,163				

Complete audited financial statements for the JPA can be obtained by contacting SDRMA, 1112 I Street, Suite 300, Sacramento, California 95814.

Nature of Participation

Program	ctible per currence	Annual Coverage Limit
General Liability	\$ 500	\$5,000,000 Per Occurrence
Public Officials and Employees Errors and Omissions	\$ -	\$5,000,000 Per Occurrence/Annual Aggregate
Elected Officials Personal Liability	\$ 500	\$500,000 Per Occurrence/Annual Aggregate per each elected /appointed Board Member/Director
Employment Practices Liability	\$ -	\$5,000,000 Per Occurrence/General Aggregate
Employee Benefits Liability	\$ -	\$5,000,000 Per Occurrence/General Aggregate
Employee and Public Officials Dishonesty Coverage	\$ -	\$1,000,000 Per Occurrence
Auto Liability	\$ 1,000	\$5,000,000 Per Occurrence
Uninsured/Underinsured Motorist	\$ -	\$5,000,000 Each Accident
Property Coverage	\$ 1,000	\$800,000,000 Each Occurrence
Boiler and Machinery Coverage	\$ 1,000	\$100,000,000 Each Occurrence
Statutory Workers' Comp	\$ -	Statutory Per Occurrence
Cyber Coverage	\$ 50,000	\$750,000 - \$2,000,000 Annual Aggregate
Pollution Coverage	\$ 50,000	\$2,000,000 Blanket Limit per Pollution Condition

Note 10 - Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

Note 11 - Employee Retirement Systems

CalPERS

Plan Description

Effective July 1, 1996, all qualified employees began participating in the California Public Employee Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS issues a separate Annual Comprehensive Financial Report. CalPERS' audited financial statements are publicly available reports that can be found on CalPERS' website at https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

The benefits for public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. All qualified part-time and full-time employees of the District are required to participate in CalPERS. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with 5 years of total service are eligible to retire at age 50 or 52 (depending on the Plan) with statutorily reduced benefits.

The Plan's provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Prior to	On or after
Hire date:	January 1, 2013	January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of	5 years of
benefit vesting schedule	service	service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.75%
Required employer contribution rates	11.84%	7.68%
Final Compensation	36 months	36 months

Funding Policy

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1st following the notice of a change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30th by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's employer contributions to the Plan for the year ended June 30, 2024, were \$2,196,541.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2024, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan in the amount of \$15,786,034.

The District's net pension liability for the Plan is measured as of June 30, 2023 (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2024, was as follows:

	Miscellaneous
Proportion - June 30, 2022	0.3044%
Proportion - June 30, 2023	0.3157%
Change - Increase (Decrease)	0.0113%
Change - Increase (Decrease)	0.011378

For the year ended June 30, 2024, the District recognized pension expense of \$3,552,099. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		 Deferred Inflows of Resources	
Changes in assumptions Differences between expected and actual experience Net difference between projected and actual investment earnings	\$	953,074 806,436 2,555,901	\$ - 125,098 -	
Difference between employer's contributions and proportionate share of contributions Change in employer's proportion		- 819,050	639,958 -	
Pension contributions made subsequent to measurement date		2,196,541	 	
Total	\$	7,331,002	\$ 765,056	

\$2,196,541 reported as deferred outflows of resources relate to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,		
2025	\$	1,410,154
2026		929,161
2027		1,956,750
2028		73,340
Total	\$	4,369,405

Actuarial assumptions

For the measurement period ending June 30, 2023 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2022, total pension liability. The June 30, 2022, total pension liability was based on the following actuarial methods and assumptions:

Valuation Date Measurement Date Actuarial Cost Method	June 30, 2022 June 30, 2023 Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Investment Rate of Return	6.90%
Projected Salary Increase	Varies by entry age and service
Mortality rate table	Derived using CalPERS' membership data for all funds (1)

(1) The mortality table used was developed based on CalPERS-specific data. The table includes generational mortality improvements using Society of Actuaries Scale 80% of scale MP 2020 based on the November 2021 experience study report (based on CalPERS demographic data from 2001 to 2019) that can be found on the CalPERS website at https://www.calpers.ca.gov/page/forms-publications.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class	Target Allocation	Real Return(a)(b)
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Estate	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100%	

(a) an expected inflation of 2.30% is used for this period.

(b) figures are based on the 2021 Asset Liability Management study.

Discount Rate - The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and the contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Current		
	Discount Rate Discount Rate Dis 5.90% 6.90%		
Net Pension Liability	\$ 25,321,038	\$ 15,786,034	\$ 7,937,909

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

Note 12 - Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description. The District participates in an agent multi-employer defined benefit medical plan administered by the California Public Employees' Retirement System (CalPERS). The plan provides postemployment healthcare benefits to eligible retirees by contributing the minimum employer contributions (MEC) \$151 in calendar year 2024. An additional \$150 is contributed towards retiree health care costs based upon a Board approved employee contract. This coverage is available for employees who retire with the District on reaching normal retirement age.

The District has established an irrevocable trust to fund the OPEB Plan with the California Employers' Retiree Benefit Trust (CERBT).

The CERBT was established by Chapter 331 of the 1988 California Statutes, and employers elect to participate in the CERBT to pre-fund health, dental, and other non-pension postemployment benefits for their retirees and survivors. The CERBT has pooled administrative and investment functions, while separate employer accounts are maintained to prefund and pay for health care or other postemployment benefits in accordance with the terms of the participating employers' plans. There are three Board approved investment strategies for employers to choose from depending on their expected levels of return and volatility.

Benefits provided. The District provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Employees covered by benefit terms. At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	34
Active employees	95
Total	129

Contributions. The contribution rate is determined on an annual basis by an independent actuary. Employees are not required to contribute to the plan. The District's employer contributions to the Plan for the year ended June 30, 2024, were \$426,057.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial assumptions: Total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.80% per annum
Investment rate of return	5% per annum
Medical trend rates	8.00% in 2023, decreasing 0.25% per year to an ultimate
	rate of 4.5% for 2038 and later years
Mortality	General - SOA Pub-2010 General Total Dataset Headcount
	Weighted Mortality Table fully generational using Scale MP-
	2021.
	Surviving Spouse - SOA Pub-2010 Contingent Survivors Total
	Dataset Headcount Weighted Mortality Table fully
	generational using Scale MP-2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the OPEB plan's target asset allocation as of June 30, 2023, are summarized in the following table:

		Long-Term
	Target	Expected Real
Asset Class	Allocation	Rate of Return (a)
CERBT		
Global Equity	23%	N/A
Global Debt Securities	51%	N/A
Inflation assets	9%	N/A
Commodities	3%	N/A
REITs	14%	N/A
Total	100%	5.00%

(a) Consistent with the information provided as of the measurement date. Long-term expected real rate of return is not provided by asset class and therefore shown as N/A here.

Discount rate. The discount rate used to measure the total OPEB liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates through the CERBT under its investment allocation strategy 3. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

Change in the net OPEB liability for the measurement date June 30, 2023, is as follows:

		Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)	
Balances at June 30, 2023 Changes for the year:	\$ 4,421,872	\$ 2,948,332	\$ 1,473,540	
Service cost Interest	170,320 224,862	-	170,320 224,862	
Changes in assumptions	49,341	-	49,341	
Differences between expected and actual experience	(23,031)	-	(23,031)	
Contributions - employer Net investment income	-	306,405 46,080	(306,405) (46,080)	
Benefit payments Administrative expense	(192,247)	(192,247) (838)	- 838	
Net changes	229,245	159,400	69,845	
Balances at June 30, 2024	\$ 4,651,117	\$ 3,107,732	<u>\$ 1,543,385</u>	

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.0%) or 1-percentage-point higher (6.0%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	(4.00%)	(5.00%)	(6.00%)
Net OPEB liability	\$ 2,141,724	\$ 1,543,385	\$ 1,041,406

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (9.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	(1% Decrease 7.0% decreasing to 3.5%)	Healthcare Cost Trend Rates (8.0% decreasing to 4.5%)		1% Increase (9.0% decreasing to 5.5%)
Net OPEB liability	\$	1,051,025	\$	1,543,385	\$ 2,160,539

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the District recognized OPEB expense of \$453,185. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Οι	Deferred Itflows of esources	In	Deferred flows of esources
Differences between expected and actuarial experience Changes of assumptions Net difference between projected and actual earnings on	\$	55,476 473,465	\$	145,875 1,476
OPEB plan investments Contributions subsequent to measurement date		322,837 426,057		-
Total	\$	1,277,835	\$	147,351

Contributions made subsequent to the measurement date of \$426,057 that are recorded as a deferred outflow of resources will be recognized as a reduction of the net OPEB liability during the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,		
2025	\$	211,667
2026		128,156
2027		166,618
2028		60,905
2029		40,081
Thereafter		97,000
Total	\$	704,427

Required Supplementary Information June 30, 2024 Sacramento Metropolitan Air Quality Management District

Sacramento Metropolitan Air Quality Management District Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund – Budget to Actual

Year Ended June 30, 2024

	Budgetec	l Amounts		Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues: Sales Tax	\$ 2,590,825	\$ 2,590,825	\$ 2,624,053	\$ 33,228
Fees and Licenses	\$ 2,590,825 9,379,397	\$ 2,590,825 9,379,397	\$ 2,624,053 9,967,646	\$
Local Government	36,533	36,533	9,967,646 94,725	58,192
State	7,070,033	7,070,033	94,725 13,366,869	6,296,836
Federal	5,461,056	5,461,056	5,891,669	430,613
Fines, Forfeitures, and Penalties	350,000	350,000	374,177	24,177
Other	17,524	17,524	12,866	(4,658)
	17,524	191,865	808,549	(4,658) 616,684
Interest Income	191,805	191,805	808,549	010,084
Total revenues	25,097,233	25,097,233	33,140,554	8,043,321
Expenditures:				
Current:				
Business Compliance	9,779,544	9,779,544	9,174,663	604,881
Air Monitoring	8,662,707	8,662,707	7,921,353	741,354
Sustainable Land Use	2,018,435	2,018,435	1,774,083	244,352
Clean Transportation and				
Mobility Innovation	3,562,848	3,562,848	4,783,935	(1,221,087)
Community Health Protection	2,562,798	2,562,798	1,970,304	592,494
Debt Service:				
Principal	-	-	76,037	(76,037)
Interest	-	-	2,083	(2,083)
Capital Outlay	1,238,500	1,238,500	818,667	419,833
Total expenditures	27,824,832	27,824,832	26,521,125	1,303,707
Excess/(deficiency) of revenues				
over (under) expenditures	(2,727,599)	(2,727,599)	6,619,429	9,347,028
Other Financing Sources (Uses)				
Subscription		-	218,674	218,674
Net change in fund balances	\$ (2,727,599)	\$ (2,727,599)	\$ 6,838,103	\$ 9,565,702

Sacramento Metropolitan Air Quality Management District

Schedule of Revenues, Expenditures and Changes in Fund Balance Special Revenue Fund – Budget to Actual Year Ended June 30, 2024

				Variance with Final Budget
	Budgeted Amounts			Positive
	Original	Final	Actual	(Negative)
Revenues:				
State	\$ 26,585,809	\$ 26,585,809	\$ 38,481,373	\$ 11,895,564
Federal	3,450,000	3,450,000	1,611,053	(1,838,947)
Fines, Forfeitures, and Penalties	-	-	5,700	5,700
Other	66,438	66,438	138,085	71,647
Interest Income	738,135	738,135	2,989,153	2,251,018
Total revenues	30,840,382	30,840,382	43,225,364	12,384,982
Expenditures:				
Current:				
Clean Transportation and				
Mobility Innovation	29,032,269	29,032,269	22,272,588	6,759,681
Excess/(deficiency) of revenues				
over (under) expenditures	\$ 1,808,113	\$ 1,808,113	\$ 20,952,776	\$ 19,144,663

Sacramento Metropolitan Air Quality Management District

Schedule of Changes in the Net OPEB Liability and Related Ratios

Year Ended June 30, 2024

	2018	2019	2020
Total OPEB Liability Service cost Interest Differences between expected and actual experience Changes in assumptions Benefit payments, including refunds of	\$ 127,662 151,691	\$ 135,322 162,804	\$ 139,382 173,500
	-	-	332,851 172,321
member contributions	(87,179)	(116,408)	(131,420)
Net change in total OPEB liability Total OPEB liability – beginning	192,174 2,444,108	181,718 2,636,282	686,634 2,818,000
Total OPEB liability – ending (a)	\$ 2,636,282	\$ 2,818,000	\$ 3,504,634
Plan fiduciary net position Contributions – employer Net investment income Benefit payments, including refunds of member contributions Administrative expense	\$ 246,101 64,728 (87,179) (822)	\$ 248,588 84,654 (116,408) (939)	\$ 262,652 146,377 (131,420) (435)
Other expense		(2,386)	
Net change in plan fiduciary net position Plan fiduciary net position – beginning	222,828 1,580,888	213,509 1,803,716	277,174 2,017,225
Plan fiduciary net position – ending (b)	1,803,716	2,017,225	2,294,399
District's net OPEB liability – ending (a) – (b)	\$ 832,566	\$ 800,775	\$ 1,210,235
Plan fiduciary net position as a percentage of the total OPEB liability Covered-employee payroll District's net OPEB liability as a percentage of covered-employee payroll	68.42% \$ 9,196,130 9.05%	71.58% \$ 9,373,544 8.54%	65.47% \$ 9,708,765 12.47%
Measurement Date	June 30, 2017	June 30, 2018	June 30, 2019

* Fiscal year 2018 was the first year of implementation; therefore, only seven years are shown.

Sacramento Metropolitan Air Quality Management District Schedule of Changes in the Net OPEB Liability and Related Ratios Year Ended June 30, 2024

	2021		2022		2023		2024
\$	135,587 213,797	\$	138,934 223,724	\$	137,220 231,526	\$	170,320 224,862
	(22,785) -		(56,477) (2,214)		(96,220) 514,719		(23,031) 49,341
	(156,158)		(173,082)		(171,333)		(192,247)
	170,441 3,504,634		130,885 3,675,075		615,912 3,805,960		229,245 4,421,872
\$	3,675,075	\$	3,805,960	\$	4,421,872	\$	4,651,117
\$	323,364 145,998	\$	343,173 353,713	\$	327,336 (336,224)	\$	306,405 46,080
	(156,158) (1,139) -		(173,082) (920) -		(171,333) (795) -		(192,247) (838) -
	312,065 2,294,399		522,884 2,606,464		(181,016) 3,129,348		159,400 2,948,332
	2,606,464		3,129,348		2,948,332		3,107,732
\$	1,068,611	\$	676,612	\$	1,473,540	\$	1,543,385
\$	70.92% 9,827,349	\$	82.22% 10,257,608	\$	66.68% 10,453,736	\$	
	10.87%		6.60%		14.10%		12.97%
Ju	ne 30, 2020	Ju	ne 30, 2021	Ju	ne 30, 2022	Jı	une 30, 2023

	2018			2019	 2020
Actuarially determined contribution Contributions in relation to the actuarially	\$	221,719	\$	221,414	\$ 262,674
required contribution		(248,588)		(221,414)	 (262,674)
Contribution deficiency (excess)	\$	(26,869)	\$	-	\$ -
Covered-employee payroll	\$	9,373,544	\$	9,708,765	\$ 9,827,349
Contributions as a percentage of covered- employee payroll		2.65%		2.28%	2.67%

* Fiscal year 2018 was the first year of implementation; therefore, only seven years are shown.

Method and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level-percentage of payroll
Amortization period	10 years
Inflation	2.5% per annum
Healthcare cost trend rates	Actual 6.25%, decreasing by 0.25% per year to 4.5%
Salary increases	2.80% per annum, plus merit scale
Investment rate of return	5.0% per annum

2021			2022			2023	2024			
\$	269,898	\$	267,013		\$	233,501	\$	426,057		
	(269,898)		(267,013)			(233,501)		(426,057)		
\$		\$	-	;	\$	-	\$	-		
\$	10,257,608	\$ 10,453,736			\$ 2	11,902,248	\$	12,489,587		
	2.63%		2.55%			1.96%		3.41%		

Schedule of Proportionate Share of the Net Pension Liability

Year Ended June 30, 2024

	2015	2016	2017	2018
District's proportion of the net pension liability	0.1043%	0.2381%	0.2454%	0.2552%
District's proportionate share of the net pension liability (asset)	\$ 6,489,889	\$ 6,533,370	\$ 8,524,599	\$10,060,590
District's covered payroll	\$ 8,908,245	\$ 10,332,821	\$ 9,422,478	\$ 9,196,130
District's proportionate share of the net pension liability as percentage of covered payroll	72.85%	63.23%	90.47%	109.40%
Plan fiduciary net position as a percentage of the total pension liability	79.90%	79.89%	75.87%	75.39%
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017

<u>Changes in assumptions</u>: The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. In 2021, the discount rate was changed from 7.15 percent to 6.90 percent. In 2021, the demographic assumptions and inflation rate changed from 2.50 percent to 2.30 percent.

Schedule of Proportionate Share of the Net Pension Liability

Year Ended June 30, 2024

2019	2020	2021	2022	2023	2024
0.2574%	0.2673%	0.2789%	0.2699%	0.3044%	0.3157%
\$ 9,699,002	\$10,703,922	\$11,764,861	\$ 5,123,901	\$ 14,243,087	\$ 15,786,034
\$ 9,373,544	\$ 9,708,765	\$ 9,827,349	\$ 10,257,608	\$ 10,453,736	\$ 11,129,538
103.47%	110.25%	119.72%	49.95%	136.25%	141.84%
75.26%	75.26%	75.10%	88.29%	76.68%	76.21%
June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023

Sacramento Metropolitan Air Quality Management District Schedule of Pension Contributions

Year Ended June 30, 2024

	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 1,066,362	\$ 1,190,341	\$ 1,132,308	\$ 1,354,429
Contributions in relation to the actuarially determined contributions	(1,068,331)	(1,190,341)	(1,257,850)	(1,286,471)
Contribution deficiency (excess)	\$ (1,969)	\$-	\$ (125,542)	\$ 67,958
Covered payroll	\$10,332,821	\$ 9,422,478	\$ 9,196,130	\$ 9,373,544
Contributions as a percentage of covered payroll	11.99%	11.52%	12.02%	14.59%

2	2019	20	20	2021		2022		20	23	2024		
\$ 1,	443,386	\$ 1,67	70,845	\$ 1,882,196		\$ 1,828,366		\$ 2,024,793		\$ 2,196,541		
(1,	443,386)	(1,67	70,845)	(1,88	2,196)	(1,82	8,366)	(2,0)	24,793)	(2,1	.96,541)	
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
\$9,	708,765	\$ 9,82	27,349	\$10,25	7,608	\$10,45	3,736	\$11,1	29,538	\$12,4	89,587	
	14.87%	:	17.00%	1	8.35%	1	7.49%		18.19%		17.59%	

Note 1 - Budgetary Comparison Schedule

Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

On or before the last day in February of each year, all divisions of the District submit budget packages to the Administrative Services Division Director so that a budget may be prepared. The District notices and holds two public meetings as part of the Sacramento Metropolitan Air Quality Management District Board of Directors meetings in April and May. As required by air pollution control laws, noticing is done 30 days prior to the public hearing. The Board holds public hearings, and a final budget or continuing budget resolution must be prepared and adopted no later than June 30th.

The budget is prepared by fund, division, and program. Transfers of appropriations within a classification (e.g., employee services, services and supplies, capital expense, and transfers) or across classifications within the same fund may be made without Board approval. Board approval is required to amend the budget once it is adopted if there is a need to increase the expenditure budget. Transfers of appropriations between funds require Board approval as the legal level of budgetary control is the fund level.

Statistical Section June 30, 2024 Sacramento Metropolitan Air Quality Management District This page intentionally left blank

Statistical Section Overview

This part of the Sacramento Metropolitan Air Quality Management District's (District) annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicate about the District's overall financial health.

Please note that the District made changes to the activity types in FY 2019. As a result, some schedules will show four years of history with the previous activity types and a second schedule will contain six years of data with the new activity types for a total of 10 years of historical data. It was not feasible to restate prior years. In addition, it was determined in FY 2019 that the Proprietary Fund was more properly classified as an Internal Service Fund; in previous years the fund was shown as an Enterprise fund. Prior years have not been restated for this change in fund classification.

Financial Trends

The following schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time:

Schedule 1 - Net Position by Component - Last Ten Fiscal Years

Schedule 2 - Changes in Net Position - Last Ten Fiscal Year

Schedule 3 - Fund Balances of Governmental Funds - Last Ten Fiscal Years

Schedule 4 - Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years

Schedule 5 - General Government Expenditures by Major Object (Budgetary) - Last Ten Fiscal Years

Schedule 6 - General Government Expenditures by Major Object (Actual) - Last Ten Fiscal Years

Revenue Capacity

The following schedules present trend information to help the reader assess the District's own source revenue, permits and fees:

Schedule 7 - General Government Revenues by Source - Last Ten Fiscal Years Schedule 8 - Own Source Government Revenue - Last Ten Fiscal Years

Operating Information

The following schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs:

Schedule 9 - Demographic Information - Last Ten Years

- Schedule 10 DMV Registration (Autos and Trucks) Last Ten Years
- Schedule 11 Principal Employers Current and Ten Years Ago
- Schedule 12 District Staff Position List Last Ten Fiscal Years
- Schedule 13 Ratios of Outstanding Debt by Type Last Ten Fiscal Years
- Schedule 14 Capital Assets by Function/Program Last Ten Fiscal Years

Schedule 1 – Net Position by Component – Last Ten Fiscal Years (accrual basis of accounting) (unaudited) Year Ended June 30, 2024

	 2015		2016	2017	2018 (a)
Governmental Activities					
Net investment in capital assets	\$ 792,677	\$	1,111,788	\$ 1,196,123	\$ 1,170,111
Restricted	14,705,749		19,374,392	18,788,183	30,250,374
Unrestricted	(900,807)		(157,287)	605,026	(5,625,047)
Total governmental activities net position	14,597,619		20,328,893	20,589,332	25,795,438
Business-type Activities					
Net investment in capital assets	232,801		613,133	820,602	984,226
Restricted	418,340		416,382	416,575	420,495
Unrestricted	 1,331,412		1,190,967	1,142,715	1,575,033
Total business-type activities net position	1,982,553	1,982,553		2,379,892	2,979,754
Primary government					
Net investment in capital assets	1,025,478		1,724,921	2,016,725	2,154,337
Restricted	15,124,089		19,790,774	19,204,758	30,670,869
Unrestricted	 430,605		1,033,680	1,747,741	(4,050,014)
Total primary government net position	\$ 16,580,172	\$	22,549,375	\$ 22,969,224	\$ 28,775,192

Notes:

(a) Reflects the new accounting treatment for pension and health liability

(b) The Proprietary Fund was more properly classified as an Internal Service Fund for FY 2019 and is included in Governmental Activities component for FY2019 forward.

Source : Annual Comprehensive Financial Report-Statement of Net Position

Schedule 1 – Net Position by Component (continued) – Last Ten Fiscal Years (accrual basis of accounting) (unaudited) Year Ended June 30, 2024

2019 (b)	2020	2021	2022	2023	2024
\$ 2,245,913	\$ 2,745,363	\$ 3,151,636	\$ 3,243,373	\$ 3,350,896 \$	3,769,936
36,909,801	51,881,357	69,562,558	71,438,107	72,382,091	99,639,756
(3,921,835)	(2,768,037)	(4,302,216)	(1,922,255)	(2,006,198)	(2,243,105)
35,233,879	51,858,683	68,411,978	72,759,225	73,726,789	101,166,587
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,245,913	2,745,363	3,151,636	3,243,373	3,350,896	3,769,936
36,909,801	51,881,357	69,562,558	71,438,107	72,382,091	99,639,756
(3,921,835)	(2,768,037)	(4,302,216)	(1,922,255)	(2,006,198)	(2,243,105)
\$ 35,233,879	\$ 51,858,683	\$ 68,411,978	\$ 72,759,225	\$ 73,726,789 \$	101,166,587

Schedule 2 – Changes in Net Position – Last Ten Fiscal Years (a) (accrual basis of accounting) (unaudited) Year Ended June 30, 2024

		2015		2016		2017		2018
Expenses Governmental Activities Stationary source activities Mobile source activities	\$	5,918,050 14,884,085	\$	6,162,041 11,207,276	\$	6,222,368 11,561,366	\$	7,496,314 8,427,228
Program coordination activities Strategic planning activities Depreciation expense-unallocated		3,883,548 3,877,953 211,551		4,359,691 4,380,829 209,891		4,381,093 3,937,606 237,940		4,901,319 5,183,744 226,521
Total governmental activities	\$	28,775,187	\$	26,319,728	\$	26,340,373	\$	26,235,126
Business-type activities Building operations and obligations Total primary government expenses Program Revenues	\$ \$	697,804 29,472,991	\$ \$	715,125 27,034,853	\$ \$	877,284 27,217,657	\$ \$	454,367 26,689,493
Governmental Activities Charges for services	<u> </u>	0.440.004	¢	0.000.005	^	7 005 000	•	0.440.040
Stationary source activities Mobile source activities Program coordination activities Strategic planning activities	\$	6,440,801 106,376 265,185 140,712	Þ	6,692,235 153,178 89,163 242,084	\$	7,235,968 156,288 60,341 310,430	\$	8,140,016 155,097 154,767 315,248
Operating grants and contributions		140,712		242,004		510,450		515,240
Stationary source activities Mobile source activities Program coordination activities Strategic planning activities		- 13,910,787 1,442,936 643,422		- 15,076,802 1,438,170 643,422		- 8,932,391 1,438,170 643,422		- 13,690,540 1,596,487 643,422
Total governmental activities	\$	22,950,219	\$	24,335,054	\$	18,777,010	\$	24,695,577
Business-type activities Building operations and obligations Total primary government program revenues	\$ \$	888,592 23,838,811	\$ \$	943,891 25,278,945	\$ \$	1,018,795 19,795,805	\$ \$	1,025,568 25,721,145
Net (Expense) Revenue Government activities Business-type activities	\$	(5,824,968) 190,788		(1,984,674) 228,766		(7,563,363) 141,511		(1,539,549) 571,201
Total primary government net (expenses) revenue	\$	(5,634,180)	\$	(1,755,908)	\$	(7,421,852)	\$	(968,348)
General revenues Governmental activities Grants and subventions Interest	\$	6,808,183 25,241	\$	7,087,643 5,438	\$	7,347,831 81,700	\$	6,995,834 116,467
Gain on sale of capital assets Penalties/Settlements Transfers		16,270 569,708 -		- 622,868 -		- 394,272 -		- 496,575 -
Total governmental activities	\$	7,419,402	\$	7,715,949	\$	7,823,803	\$	7,608,876
Business-type activities Interest Transfers	\$	-	\$	9,163 -	\$	17,899 -	\$	28,661 -
Total business-type activities Total Primary government revenue	\$	7,973 7,427,375	\$	9,163 7,725,112	\$	17,899 7,841,702	\$	28,661 7,637,537
Change in net position Government activities	\$	1,594,434	\$	5,731,275	\$	260,439	\$	6,069,327
Business-type activities Total Primary government	\$	198,761 1,793,195	\$	237,929 5,969,204	\$	159,410 419,849	\$	599,862 6,669,189

Note:

(a) For the fiscal year ending 6/30/2019 activity categories were redefined. Therefore, this page includes the four-year period ending 6/30/2018. See next page for fiscal years subsequent to 6/30/2018

Source : Annual Comprehensive Financial Report-Statement of Activities

Schedule 2 – Changes in Net Position (continued) – Last Ten Fiscal Years (a) (accrual basis of accounting) (unaudited) Year Ended June 30, 2024

		2019		2020	2021		2022		2023		2024
Expenses											
Governmental Activities Business Compliance	\$	6.762.504	\$	6,863,473	\$ 7,542,903	\$	6.838,518	¢	8,534,841	\$	9,708,609
Air Monitoring	φ	3,649,645	φ	4,099,677	3,961,441	φ	3,445,578	φ	5,021,842	φ	9,700,009 8,171,455
Sustainable Land Use		2,344,711		2,459,163	2,625,410		1,998,722		2,021,329		1,863,074
Clean Transportation and		2,044,711		2,400,100	2,020,410		1,000,722		2,021,020		1,000,074
Mobility Innovation		18,821,767		18,993,969	14,136,285		8,071,082		20,884,866		27,336,208
Community Health Protection		2,065,860		2,249,228	2,177,038		1,833,853		1,992,262		2,059,295
Interest on long-term debt		103,843		94,544	85,350		75,931		69,885		55,183
Unallocated Depreciation		101,626		72,812	63,474		40,921		,		19.001
Total primary government	\$	33,849,956	\$	34,832,866	\$ 30,591,901	\$	22,304,605	\$	38,525,025	\$	49,212,825
Program Revenues											
Governmental Activities											
Charges for services											
Business Compliance	\$	7,553,612	\$	8,268,370	\$ 7,783,865	\$	8,366,030	\$	8,842,587	\$	9,700,779
Air Monitoring		486,231		506,363	207,691		320,017		754,480		297,036
Sustainable Land Use		72,934		153,625	75,977		263,316		261,527		87,215
Clean Transportation and											
Mobility Innovation		-		15,312	2		703		7,412		3,263
Community Health Protection		618,738		838,971	810,063		702,919		708,880		527,498
Operating grants and contributions											
Business Compliance		247,581		98,128	106,339		38,539		231,085		189,857
Air Monitoring		1,634,076		3,965,427	1,200,745		2,531,593		1,834,940		5,934,705
Sustainable Land Use		277,370		481,535	615,674		561,434				9,809
Clean Transportation and											
Mobility Innovation		20,182,390		27,888,607	27,650,746		5,762,695		14,215,221		40,872,435
Community Health Protection		829,551		827,702	734,325		938,774		792,715		7,163,973
Total primary government	\$	31,902,483	\$	43,044,040	\$ 39,185,427	\$	19,486,020	\$	27,648,847	\$	64,786,570
Net (Expense) Revenue											
Total primary government	\$	(1,947,473)	\$	8,211,174	\$ 8,593,526	\$	(2,818,585)	\$	(10,876,178)	\$	15,573,745
General revenues											
Grants and subventions	\$	7,308,273	\$	7,413,413	\$ 7,858,435	\$	7,835,266	\$	10,338,433	\$	7,972,640
Interest		730,405		1,007,653	98,516		(669,433)		1,505,308		3,893,413
Gain (loss) on disposal of capital assets		-		(7,436)	2,818		-		-		
Total general revenue	\$	8,038,678	\$	8,413,630	\$ 7,959,769	\$	7,165,833	\$	11,843,741	\$	11,866,053
	<u>^</u>	0.004.005	é	40.004.004	<u> </u>	*	4 0 4 7 0 4 2	<u>_</u>	007 500	<u>_</u>	07 400 700
Change in net position for the period	\$	6,091,205	\$	16,624,804	\$ 16,553,295	\$	4,347,248	\$	967,563	\$	27,439,798

Note:

(a) For the fiscal year ending 6/30/2019 activity categories were redefined. Therefore, this page includes the six-year period after 6/30/2018. See prior page for fiscal years previous to 6/30/2019.

Source: Annual Comprehensive Financial Report-Statement of Activities

Schedule 3 – Fund Balances of Governmental Funds – Last Ten Fiscal Years (modified accrual basis of accounting) (unaudited) Year Ended June 30, 2024

	2015 (a)	2016	2017	2018	2019
General Fund					
Nonspendable	\$ 155,110	\$ 171,675	\$ 190,202	\$ 402,380	\$ 152,580
Restricted	10,287,274	8,796,696	8,061,391	7,811,623	9,572,931
Assigned	320,000	320,000	320,000	320,000	2,607,673
Unrestricted	1,395,878	1,798,521	1,737,137	2,043,980	-
Total General Fund	\$ 12,158,262	\$ 11,086,892	\$ 10,308,730	\$ 10,577,983	\$ 12,333,184
Special Revenue Fund (b)					
Restricted	\$ 9,549,952	\$ 15,185,241	\$ 14,623,422	\$ 22,438,751	\$ 26,130,091
Total Special Revenue Fund	\$ 9,549,952	\$ 15,185,241	\$ 14,623,422	\$ 22,438,751	\$ 26,130,091

Notes:

(a) GASB Statement 54 replaced the categories that previously had been used to classify fund balance. This schedule reclassifies nonspendable from restricted per that statement.

(b) The Special Revenue Fund was previously referred to as the Emission Technology Fund

Source: Annual Comprehensive Financial Report- Balance Sheet - Governmental Funds

Schedule 3 – Fund Balances of Governmental Funds (continued) – Last Ten Fiscal Years (modified accrual basis of accounting) (unaudited) Year Ended June 30, 2024

2020	2021	2022	2023	2024
\$ 98,46	2 \$ 131,192	\$ 136,174	\$ 92,472	\$ 145,428
12,588,46	5 13,459,160	15,861,714	16,090,972	22,394,482
1,737,43	1 3,013,705	1,696,179	2,727,599	3,078,095
2,298,95	1,059,724	2,709,060	1,984,461	2,115,602
\$ 16,723,30	3 \$ 17,663,781	\$ 20,403,127	\$ 20,895,504	\$ 27,733,607
\$ 39,377,25	1 \$ 55,633,856	\$ 54,960,056	\$ 55,863,979	\$ 76,816,755
\$ 39,377,25	1 \$ 55,633,856	\$ 54,960,056	\$ 55,863,979	\$ 76,816,755

-	1
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Schedule 4 – Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years (a) (modified accrual basis of accounting) (unaudited) Year Ended June 30, 2024

	2015	2016	2017	2018
REVENUES				
Taxes	\$ 8,533,576	\$ 8,990,702	\$ 9,141,145	\$ 9,185,904
Intergovernmental	14,342,930	15,445,047	9,232,418	13,718,592
Licenses/Permits	7,416,470	7,646,441	8,001,079	8,395,134
Use of Money/Property	60,372	(31,188)	226,170	1,004,824
Total Revenue	\$ 30,353,348	\$ 32,051,002	\$ 26,600,812	\$ 32,304,454
EXPENDITURES				
Current:				
Stationary Sources	\$ 6,016,226	\$ 6,501,339	\$ 6,799,202	\$ 6,725,548
Mobile Source	14,932,141	11,367,756	11,916,194	8,048,476
Program Coordination	3,943,621	4,571,752	4,734,782	4,384,116
Strategic Planning	3,918,802	4,517,235	4,168,340	4,861,221
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	 239,283	529,002	322,275	200,510
Total Expenditures	\$ 29,050,073	\$ 27,487,084	\$ 27,940,793	\$ 24,219,871
Excess (Deficiency) of Revenue				
over Expenditures	\$ 1,303,275	\$ 4,563,918	\$ (1,339,981)	\$ 8,084,583
OTHER FINANCING SOURCES (USES)				
Gain on sale of capital assets	16,270	-	-	-
Net change in fund balances	\$ 1,319,545	\$ 4,563,918	\$ (1,339,981)	\$ 8,084,583

Note:

(a) For the fiscal year ending 6/30/2019 activity categories were redefined. Therefore, this page includes the fouryear period ending 6/30/2018.

See next page for fiscal years subsequent to 6/30/2018

Source : Annual Comprehensive Financial Report-Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds

Schedule 4 – Changes in Fund Balances of Governmental Funds (continued) – Last Ten Fiscal Years (a) (modified accrual basis of accounting) (unaudited) Year Ended June 30, 2024

	2019	2020	2021	2022	2023	2024
REVENUES						
Sales Tax	\$ 1,940,485	\$ 1,938,341	\$ 2,264,451	\$ 2,551,772	\$ 2,569,539	\$ 2,624,053
Intergovernmental	27,729,654	39,318,096	36,193,700	15,288,362	25,225,851	59,445,689
Fees and Licenses	8,109,883	8,823,399	8,484,401	8,765,312	9,799,466	9,967,646
Use of Money/Property	1,340,691	1,844,719	421,100	106,174	1,848,613	4,328,530
Total Revenue	\$ 39,120,713	\$ 51,924,555	\$ 47,363,652	\$ 26,711,620	\$ 39,443,469	\$ 76,365,918
EXPENDITURES						
Current:						
Business Compliance	\$ 6,771,994	\$ 6,579,044	\$ 7,334,384	\$ 7,868,485	\$ 8,220,645	\$ 9,174,663
Air Monitoring	3,545,919	3,798,537	3,698,370	3,687,463	4,860,572	7,921,353
Sustainable Land Use	2,347,083	2,383,320	2,571,041	2,226,768	1,959,275	1,774,083
Clean Transportation and						
Mobility Innovation	18,826,749	18,820,962	14,022,933	8,615,440	20,728,882	27,056,523
Community Health Protection	2,067,758	2,198,364	2,142,385	1,993,961	1,941,602	1,970,304
Debt Service:						
Principal	-	-	-	-	110,879	76,037
Interest	-	-	-	-	4,291	2,083
Capital Outlay	114,569	507,044	397,461	253,957	221,023	818,667
Total Expenditures	\$ 33,674,072	\$ 34,287,271	\$ 30,166,574	\$ 24,646,074	\$ 38,047,169	\$ 48,793,713
Excess (Deficiency) of Revenue						
over Expenditures	\$ 5,446,641	\$ 17,637,284	\$ 17,197,078	\$ 2,065,546	\$ 1,396,300	\$ 27,572,205
OTHER FINANCING SOURCES (US	SES)					
Subscription	, -	-	-	-	-	218,674
Net change in fund balances	\$ 5,446,641	\$ 17,637,284	\$ 17,197,078	\$ 2,065,546	\$ 1,396,300	\$ 27,790,879

Note:

(a) For the fiscal year ending 6/30/2019 activity categories were redefined. Therefore, this page includes the six-year period after 6/30/2018. See prior page for fiscal years previous to 6/30/2019.

Source : Annual Comprehensive Financial Report-Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds

Schedule 5 – General Fund Expenditures by Major Object (Budgetary) – Last Ten Fiscal Years (a) (budgetary basis) (unaudited) Year Ended June 30, 2024

Fiscal Year	Salaries & Benefits	Services & Supplies		Equipment/ Capital Assets		erfund Charges	Total	
14-15	\$ 13,018,613	\$ 6,742,313	\$	564,532	\$	-	\$	20,325,458
15-16	13,396,624	7,157,659		798,332		-		21,352,615
16-17	13,898,555	7,327,432		1,747,000		-		22,972,987
17-18	14,969,998	6,493,742		881,800		-		22,345,540
18-19	15,811,786	6,728,496		1,164,200		(1,947,586)		21,756,896
19-20	16,688,251	6,489,409		1,905,500		(2,116,371)		22,966,789
20-21	16,378,640	6,795,570		984,500		(1,721,108)		22,437,602
21-22	16,681,622	7,649,772		1,127,000		(1,332,812)		24,125,582
22-23	17,886,807	8,808,754		601,000		(2,117,830)		25,178,731
23-24	18,411,602	10,290,233		1,238,500		(2,115,503)		27,824,832

Note:

(a) The budgeted expenditures represent the adopted budget adjusted for Board approved amendments, if applicable, based on new or modified expenditures.

Source: Approved Budget General Fund 100-Summary of Revenues, Expenditures and Budgeted Fund Balances

Schedule 6 – General Fund Expenditures by Major Object (Actual) – Last Ten Fiscal Years (unaudited) Year Ended June 30, 2024

Fiscal Year	Salaries & Benefits			Equipment/ Capital Assets		Inte	erfund Charges	Total	
				•		•		•	
14-15	\$ 12,112,938	\$	4,858,855	\$	239,283	\$	-	\$	17,211,076
15-16	12,959,077		5,584,127		529,002		-		19,072,206
16-17	13,199,676		5,541,055		322,275		-		19,063,006
17-18	13,660,805		5,236,263		200,510		-		19,097,578
18-19	13,619,667		4,836,842		114,569		(1,513,730)		17,057,348
19-20	14,518,535		4,604,776		507,044		(1,249,271)		18,381,084
20-21	14,924,266		4,830,240		394,643		(1,420,507)		18,728,642
21-22	15,231,426		4,710,878		253,957		(1,442,924)		18,753,337
22-23	16,325,362		5,435,115		221,023		(909,730)		21,071,770
23-24	17,761,492		8,908,231		896,787		(1,045,385)		26,521,125

Source: Annual Comprehensive Financial Report- Budgetary Schedules at Legal Level of Budgetary Control - General Fund

Schedule 7 – General Fund Revenues by Source – Last Ten Fiscal Years (unaudited) Year Ended June 30, 2024

Fiscal Year	Taxes (a)	Intergovernmen tal (a)		Licenses/ Permits		Use of Money & Property		Other		Total	
14-15	\$ 6,283,412	\$	3,516,824	\$	7,416,470	\$	25,241	\$	-	\$	17,241,947
15-16	6,609,429		3,739,523		7,779,365		5,438		-		18,133,755
16-17	6,764,376		3,437,689		8,001,079		81,700		-		18,284,844
17-18	6,859,462		3,336,946		9,016,456		153,968		-		19,366,832
18-19	1,940,485		8,238,416		8,281,069		257,341		95,238		18,812,549
19-20	1,938,341		11,097,630		8,823,399		853,233		58,605		22,771,208
20-21	2,264,451		8,678,334		8,484,401		195,224		49,530		19,671,940
21-22	2,551,772		9,591,877		8,765,312		540,764		42,958		21,492,683
22-23	2,569,539		8,562,389		9,799,466		608,738		24,015		21,564,147
23-24	2,624,053		19,353,263		9,967,646		1,182,726		12,866		33,140,554

Note:

(a) Prior to FY 2019, the DMV surcharge was included in the Taxes revenue category. Starting in FY 2019, the DMV surcharge is more appropriately classified as Intergovernmental revenue

Source: Annual Comprehensive Financial Report - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (General Fund)

Schedule 8 – Own Source Government Revenue Base – Last Ten Fiscal Years (unaudited) Year Ended June 30, 2024

Year	Active Permits (a)	Actua	al Revenue (b)
2015 2016	4,346 4,344	\$	5,059,167 5,098,778
2017	4,397		5,622,626
2018 2019	4,411 4,461		6,393,690 6,197,766
2020 2021	4,437 4,434		7,231,406 6,977,427
2022 2023	4,446 4,425		7,045,970
2023	4,425		7,975,746 8,517,732

Notes:

(a) Stationary Source Data Base as of June 30. Active permits are Annual Renewal only.

(b) Annual permit revenue from Annual Report Working Trial Balance for FY 2015-2018.

Annual permit revenue from Revenue by Payment Type report from Tyler NW system for FY 2019 forward. NW Report on Receipts by Payment Code Report for the reporting FY with the following Status: Posted; Report Detail: Summary; Selected Payment Code(s): RNW (Air Toxics, Permit, Reinspection, Source Test & Title V)

Source: Sacramento Metropolitan Air Quality Management District internal systems

Schedule 9 – Demographic Information – Last Ten Fiscal Years (a) (unaudited) Year Ended June 30, 2024

Year	County Population	County Total Personal Income		ounty Per ita Income	County Unemployment Rate
2014	1,460,000	\$	61,654,690	\$ 42,229	8.9%
2015	1,478,000		65,486,553	44,303	7.3%
2016	1,497,000		70,110,138	46,845	6.0%
2017	1,514,000		72,878,458	48,122	5.4%
2018	1,531,000		76,832,120	50,197	4.6%
2019	1,541,000		80,969,087	52,544	3.8%
2020	1,552,000		85,775,621	55,266	3.7%
2021	1,559,000		90,908,707	58,307	9.3%
2022	1,589,000		98,241,828	61,829	7.0%
2023	1,588,000		98,105,641	61,775	3.9%

Notes: (a) Most recent information available

Source: County of Sacramento Annual Comprehensive Financial Report

– Schedule 10 – DMV Registrations (Autos & Trucks) Last Ten Years (a) (unaudited) Year Ended June 30, 2024

Year	Vehicles Registered (As o December 31)			
2014	1,208,025			
2015	1,274,248			
2016	1,313,152			
2017	1,300,939			
2018	1,317,994			
2019	1,357,361			
2020	1,358,137			
2021	1,374,965			
2022	1,342,137			
2023	1,344,026			

Notes: (a) Most recent information available

Source: California Department of Motor Vehicles <u>https://www.dmv.ca.gov/portal/dmv-research-reports/</u> Research & Development Data Dashborads --> Vehicles Registered By County

https://www.dmv.ca.gov/portal/dmv-research-reports/research-development-data-dashboards/vehicles-registered-by-county/

Sacramento Metropolitan Air Quality Management District Schedule 11 – Principal Employers – Current Year and Ten Years Ago (unaudited) Year Ended June 30, 2024

		201	4	2024						
Freelows	Employeee	Denk	Percentage of Total County	Employeee	Daula	Percentage of Total County				
Employer	Employees	Rank	Employment	Employees	Rank	Employment				
Private Industry	665,300	1	73.2%	835,600	1	75.0%				
State Government	114,700	2	12.6%	140,700	2	12.6%				
Local Government	104,700	3	11.5%	112,700	3	10.1%				
Federal Government	13,700	4	1.5%	14,700	4	1.3%				
Farm	10,700	5	1.2%	9,800	5	0.9%				
Total All Industries	909,100		100%	1,113,500		100%				

Source: https://www.labormarketinfo.edd.ca.gov/data/employment-by-industry.html Employment by Industry Data Geographical Areas-Sacramento MSA

Sacramento Metropolitan Air Quality Management District Schedule 12 – District Staff Position List– Last Ten Fiscal Years Year Ended June 30, 2024

	Full-Time Equivalent Employees as of June 30									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Classification										
Administrative Assistant I/II	2.0	2.0	2.0	-	-	-	-	-	-	
Administrative Specialist I/II				2.0	2.0	2.0	3.0	3.0	4.0	4.(
Administrative Supervisor/Clerk of the Board		-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.(
Air Pollution Control Officer /Executive Director		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Air Quality Engineer	1.0 19.5	20.5	20.5	20.5	19.5	19.5	15.5	16.5	19.0	19.0
Air Quality Engineer/Specialist/Planner	-	-	-	-	5.5	5.5	5.0	3.0	1.0	1.0
Air Quality Instrument Specialist I/II	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Air Quality Planner/Analyst	10.0	11.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Air Quality Specialist	18.6	18.6	18.6	19.6	18.6	18.6	18.6	19.6	21.6	21.6
Assistant Air Pollution Control Officer	-	-	1.0	1.0	-	-	-	-	-	
Clerical Services Supervisor	1.0	1.0	1.0	-	-	-	-	-	-	
Communications & Marketing Specialist	1.9	1.9	1.9	1.9	1.9	1.9	1.0	1.0	1.0	1.0
Controller		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
District Counsel	1.0 1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Division Manager	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Executive Assistant/Clerk to the Board	1.0	1.0	1.0	-	-	-	-	-	-	
Financial Analyst	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fiscal Assistant I/II	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	
Human Resource Assistant I/II	2.0	2.0	2.0	-	-	-	-	-	-	 I
Human Resource Technician I/II	-	-	-	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Human Resources Officer	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Information Systems Administrator	1.0	1.0	-	-	-	-	-	-	-	
Information Systems Analyst	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Information Systems Manager	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Legal Assistant I/II	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Office Assistant I/II	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Program Coordinator	12.0	12.0	12.0	-	-	-	-	-	-	
Program Manager	-	-	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Program Supervisor	5.0	5.0	5.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Senior Accountant	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Statistician		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Subtotal Funded Positions	1.0 94.0	96.0	97.0	98.0	99.5	99.5	94.1	94.1	97.6	97.6
Administrative/Legal Analyst	1.0	1.0	1.0	1.0	-	_	_	-	-	-
Air Quality Engineer	2.0	1.0	1.0	1.0	- 1.0	- 1.0	- 5.0	4.0	-	-
Air Quality Engineer/Specialist/Planner	- 2.0	-	-	-	-	-	0.5	4.0	-	-
Air Quality Planner/Analyst	1.0	-	-	1.0		-	-	-	-	-
Air Quality Specialist	2.0	2.0	1.0	1.0	1.0	1.0	1.0	2.0	-	-
Communication & Marketing Specialist	- 2.0	-	-	-	-	-	1.0	1.0		-
Human Resource Technician I/II	-	-	-	-	1.0	1.0	1.0	1.0	-	-
Information Systems Analyst	_	-		-	-	-	-	1.0	-	
Office Assistant I/II	1.0	1.0	1.0	-	-	-	-	-	-	-
Program Coordinator	1.0	1.0	1.0			-	-			
Program Supervisor	-	-	1.0	1.0	-	-	-	-	-	-
Subtotal Unfunded Positions	8.0	6.0	5.0	5.0	3.0	3.0	8.5	9.0	-	-
Total Funded + Unfunded Positions	102.0	102.0	102.0	103.0	102.5	102.5	102.6	103.1	97.6	97.6
Source: Approved/Amended Budget			_	-						
The Positions by Classification and Positions by Ope	erating Div	ision table	s previous	ly include	d unfunde	1 nositions	Beginnir	na with this	s budget o	vcle
FY22/23, only funded positions are included in the b	0						. Deginini	ig with the	, suugei U	yolo,

Schedule 13 – Ratios of Outstanding Debt by Type – Last Ten Fiscal Years (unaudited) Internal Service Fund Year Ended June 30, 2024

Fiscal Year	Certificate of Participation	Bond Premium		otal Primary overnment	Total Debt as a Percentage of Sacramento County Personal Income (a)	Total Debt Per Capita for Sacramento County (a)		
2015	\$ 3,980,000	\$	56,026	\$ 4,036,026	6.2%	2.73		
2016	3,705,000		51,118	3,756,118	5.4%	2.51		
2017	3,420,000		46,210	3,466,210	4.8%	2.29		
2018	3,125,000		41,305	3,166,305	4.1%	2.07		
2019	2,820,000		36,396	2,856,396	3.5%	1.85		
2020	2,505,000		31,489	2,536,489	3.0%	1.63		
2021	2,180,000		26,581	2,206,581	2.4%	1.42		
2022	1,850,000		21,674	1,871,674	1.9%	1.18		
2023	1,505,000		16,767	1,521,767	1.6%	0.96		
2024	1,150,000		11,859	1,161,859	(b)	(b)		

Notes

(a) See Schedule 9 (Demographic Information- Last Ten Years) for personal income and population data

(b) Not yet available

Schedule 14 – Capital Assets by Function/Program – Last Ten Fiscal Years (unaudited) Year Ended June 30, 2024

Function/Program	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Monitoring Air Quality Number of air monitoring stations (a)	11	11	9	9	8	7	7	6	6	6
Number of air monitoring instruments installed in the air monitoring stations to measure air quality (b)	89	88	82	82	75	74	74	69	69	71
Vehicles	19	23	23	23	23	22	21	21	21	21

Notes:

(a) In addition to the stations noted above, the District owns and operates an AB 617 portable air monitoring lab

(b) Currently, the AB617 lab is running 14 air monitoring instruments

Source: Program Supervisor - Program Coordination Division

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Federal Award Section June 30, 2024 Sacramento Metropolitan Air Quality Management District



CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors Sacramento Metropolitan Air Quality Management District Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

ide Sailly LLP

Sacramento, California December 17, 2024



CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors Sacramento Metropolitan Air Quality Management District Sacramento, California

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited Sacramento Metropolitan Air Quality Management District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Targeted Airshed Grant Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2024.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on the Targeted Airshed Grant Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Federal Financial Assistance Listing No. 66.956 Targeted Airshed Grant Program as described in finding number 2024-002 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

ide Sailly LLP

Sacramento, California December 17, 2024

U.S.Environmental Protection Agency Direct Programs Support -10/01/2023 - 09/30/2023 66.001 A 09903123 \$ 61.035 \$ - Air Pollution Control Program Support - 10/01/2023 - 09/30/2024 66.001 A 09903124 1,133,979 - - Total Assistance Listing No. 66.001 1,195,014 1,195,014 - - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2023 - 03/31/2024 66.034 PM 98T04201 157,794 - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2023 - 03/31/2024 66.034 PM 98T60001 41,496 - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2023 - 03/31/2024 66.034 XA 98T17601 161,046 - Climate Pollution Reduction Grants - 06/01/2023 - 06/30/2027 66.046 5D 98T74301 391,929 82,878 Targeted Airshed Grant Program - Targeted Airshed #1 - 05/01/2022 - 04/30/20267 66.956 TA98T10501 479,138 472,355 Targeted Airshed Grant Program - Targeted Airshed #2 - 05/01/2022 - 04/30/20267 66.956 <	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Air Pollution Control Program Support - 10/01/2022 - 09/30/2023 66.001 A 00903123 \$ 61,035 \$ - Air Pollution Control Program Support - 10/01/2023 - 09/30/2024 66.001 A 00903124 1,133,979 - Total Assistance Listing No. 66.001 1,195,014 - - - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2023 - 03/31/2024 66.034 PM 98T04201 157,794 - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2023 - 03/31/2024 66.034 PM 98T60001 41,496 - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/12/023 - 03/31/2024 66.034 XA 98T17601 161,046 - Total Assistance Listing No. 66.034 360,336 - - - - Od/15/2021 - 04/30/2026 66.956 TA98T10501 479,138 472,355 - Targeted Airshed Grant Program - Targeted Airshed #1 - 04/15/2021 - 04/30/20267 66.956 TA98T10501 2,362,433 2,358,306 - Total Assistance Listing No. 66.956 2,841,571 2,830,661					
Air Pollution Control Program Support - 10/01/2023 - 09/30/2024 66.001 A 00903124 1,133,979 - Total Assistance Listing No. 66.001 1,195,014 - - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2023 - 03/31/2024 66.034 PM 98T04201 157,794 - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2023 - 03/31/2024 66.034 PM 98T60001 41,496 - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2023 - 03/31/2024 66.034 PM 98T60001 41,496 - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2023 - 06/30/2027 66.034 XA 98T17601 161,046 - Total Assistance Listing No. 66.034 260,336 - - - - Climate Pollution Reduction Grants - 06/01/2023 - 06/30/2027 66.046 5D 98T74301 391,929 82,878 Targeted Airshed Grant Program - Targeted Airshed #1 - 04/15/2021 - 04/30/20267 66.956 TA98T30601 2,362,433 2,358,306 Total Assistance Listing No. 66.956 2,841,571 </td <td>-</td> <td>66 001</td> <td>A 00903123</td> <td>\$ 61.035</td> <td>\$</td>	-	66 001	A 00903123	\$ 61.035	\$
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Total U.S Department of Transportation 2,472,881 -	Highway Planning and Construction - SECAT Phase III	20.205	CML -6236 (020)	122,106	
	Total Assistance Listing No. 20.205			2,472,881	
Total Federal Financial Assistance \$ 7,261,731 \$ 2,913,539	Total U.S Department of Transportation			2,472,881	
	Total Federal Financial Assistance			\$ 7,261,731	\$ 2,913,539

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

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

Note 4 - Pass-Through Entities' Identifying Number

When federal awards were received from a pass-through entity, the Schedule will show, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the District has determined that no identifying number is assigned for the program, or the District was unable to obtain an identifying number from the pass-through entity.

Findings and Questioned Costs

Section I – Summary of Audi	tor's Results
FINANCIAL STATEMENTS	
Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified Significant deficiencies identified not considered to be material weaknesses	No None Reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major program: Material weaknesses identified Significant deficiencies identified not considered to be material weaknesses	Yes None Reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes
Identification of major programs:	
Name of Federal Program or Cluster	Federal Financial Assistance Listing
Targeted Airshed Grant Program	66.956
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

2024-001 Program: Targeted Airshed Grant Program Federal Financial Assistance Listing Number: 66.956 Federal Grantor: Environmental Protection Agency Award Year: 4/15/2021-4/30/2026; 5/1/2022-4/30/2027 Grant Award Number: TA98T10501; TA98T36001

Compliance Requirements: Procurement and Suspension and Debarment **Type of Finding:** Material Weakness in Internal Control over Compliance

Criteria:

2 CFR section 200.303(a), Internal Controls, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Title 2 CFR Section 200.214 of the Uniform Guidance states that the District must comply with 2 CFR part 180, which implements Executive Orders 12549 and 12689. The regulations in 2 CFR part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

The 2024 Compliance Supplement states:

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at https://www.sam.gov/SAM/, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition:

As a result of our testwork, we noted three (3) out of three (3) instances where there was no evidence that the District verified the entity was not suspended or debarred or otherwise excluded from participating in the transaction, prior to entering the contract. However, none of the payments in our sample were made to a suspended or debarred party.

Cause:

The District did not have policies and procedures in place to verify the entity was not suspended or debarred or otherwise excluded from participating in the transaction, prior to entering the contract.

Effect:

The District lacked documentation to support compliance with suspension and debarment requirements.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context/Sampling:

Suspension and debarment was applicable to 3 subrecipients. We tested all 3 subrecipients during the year.

Repeat Finding from Prior Years:

No.

Recommendation:

We recommend that the District implement procedures to retain documentation supporting compliance with major federal program compliance requirements regarding suspension and debarment.

Views of Responsible Officials:

Management agrees. See separately issued Corrective Action Plan.

2024-002 Program: Targeted Airshed Grant Program Federal Financial Assistance Listing Number: 66.956 Federal Grantor: Environmental Protection Agency Award Year: 4/15/2021-4/30/2026; 5/1/2022-4/30/2027 Grant Award Number: TA98T10501; TA98T36001

Compliance Requirements: Reporting

Type of Finding: Material Weakness in Internal Control over Compliance and Material Instance of Non-Compliance

Criteria:

Under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Condition:

During the period July 1, 2023 through June 30, 2024 no reports for subawards were filed with the FSRS that were \$30,000 or more in federal funds.

Cause:

Management was not aware of the filing requirement.

Effect:

No FFATA reports were filed during the period July 1, 2023 through June 30, 2024. Thus, the District did not comply with 2 CFR Part 170.

Questioned Costs:

None.

Context/Sampling:

Sampling not applicable since no reports were submitted. For the period July 1, 2023 through June 30, 2024, subrecipient expenditures totaled \$2,830,661.

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend the District implement policies and procedures to ensure the requirement FFATA reports are prepared and submitted to the Federal Funding Accountability and Transparency Act Subaward Reporting System in a timely manner.

Views of Responsible Officials:

Management agrees. See separately issued Corrective Action Plan.

None reported.



Exhibit B

1

CPAs & BUSINESS ADVISORS

December 17, 2024

To the Board of Directors Sacramento Metropolitan Air Quality Management District Sacramento, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (District) as of and for the year ended June 30, 2024, and have issued our report thereon dated December 17, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance

As communicated in our letter dated June 10, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the District complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the District's major federal program compliance, is to express an opinion on the compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance internal control over compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the District's internal control over compliance.

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We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 17, 2024. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated December 17, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are amounts related to the net pension liability and related deferred inflows of resources and deferred outflows of resources and the other post-employment benefits (OPEB) liability and related deferred inflows of resources and deferred outflows of resources.

Management's estimate of the net pension liability, related deferred inflows of resources and deferred outflows of resources, and disclosures are based on actuarial valuations and a proportionate share of the collective net pension liability of the California Public Employee's Retirement System (CalPERS) cost-sharing plan. We evaluated the key factors and assumptions used to develop management's estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimates of the OPEB liability, related deferred inflows of resources and deferred outflows of resources, and disclosures are based on actuarial valuations. We evaluated the key factors and assumptions used to develop management's estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's' financial statements relate to:

- As disclosed in Note 11 to the financial statements, the valuation of the District's net pension liability
 and related deferred outflows/inflows of resources are sensitive to the underlying actuarial assumptions
 used including, but not limited to, the investment rate of return and discount rate. As disclosed in Note
 11, a one percent increase or decrease in the discount rate has a material effect on the District's net
 pension liability.
- As disclosed in Note 12 to the financial statements, the valuation of the District's net OPEB liability and related deferred outflows/inflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return, discount rate, and the healthcare cost trend rate. As disclosed in Note 12, a one percent increase or decrease in the discount rate or healthcare cost trend rate has a material effect on the District's net OPEB liability.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We modified our auditor's report over the District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal 66.956 Targeted Airshed Grant Program as described in finding number 2024-002 for Reporting. As a result of the noncompliance, we modified our opinion on compliance and issued a qualified opinion on compliance with the program requirements.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 17, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the District's annual reports does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Directors, and management of the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

rde Bailly LLP

Sacramento, California

Meeting Date: 1/23/2025 Report Type: CONSENT CALENDAR Report ID: 2025-0123-6.



Title: Quarterly Contracts Report (October 2024 – December 2024)

Recommendation: Receive and file a report on certain contracts executed by the Air Pollution Control Officer under the Non-Incentive Purchasing Authority for the quarter October 2024 – December 2024.

Rationale for Recommendation: The District provides quarterly reports in compliance with the District's Purchasing Policies, which requires it to report on all non-incentive purchases for more than \$50,000 and less than \$200,000. Contracts exceeding \$200,000 require Board approval.

The attached report includes executed contracts and contract amendments covering October 1, 2024 through December 31, 2024. All budget authorization is included in the FY 24/25 Approved Budget or occurred at the time of contract/contract amendment approvals.

Contact: Megan Shepard, Director of Administrative Services (279) 207-1143

Presentation: No

ATTACHMENTS:

Attachment 1 - 2024 4th Quarter Report

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/15/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/14/2025

This is a quarterly report covering October 2024 through December 2024. The contracts for the 4th Quarter are listed below.

Contractor	Type of Agreement	Services	Amount	Term
Human Resources Strategies Inc. (2023-00000018-A)	Amendment	Classification and Compensation Study support services. Term extension of 14 months and funding increase of \$46,500.	\$68,800	32 months Terminates: 12/31/2025
Robert Half Inc. (2024-00000090)	New	Six temporary employees for data entry services.	\$199,999	1 year Terminates: 12/2/2025

2024 4th Quarter Report – Certain contracts under the Non-Incentive Purchasing Authority





Title: Selection of Chair and Vice Chair of the Board of Directors of the Sacramento Metropolitan Air Quality Management District

Recommendation: Pass a motion appointing a Chair and Vice Chair of the Board of Directors of the Sacramento Metropolitan Air Quality Management District for a two-year term for the calendar years 2025 through 2026.

Rationale for Recommendation: Under the Health and Safety Code Section 40981 et seq., and as outlined in the Sacramento Metropolitan Air Quality Management District Rules of Procedure for the Governing Body, the Board of Directors is required to elect a Chairperson and a Vice Chairperson from its membership. This election must occur at the first meeting of each odd-numbered calendar year, with the selected officers serving a term of two years.

Contact: Megan Shepard, Director of Administrative Services (279) 207-1143

Presentation: Yes

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/15/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/14/2025

Discussion / Justification:

Below is a listing of Chairperson and Vice Chairperson elections since 2005:

Term	Chair	Jurisdiction	Vice Chair	Jurisdiction
2023-2025	Patrick Kennedy	Sacramento County	Sarah Aquino	City of Folsom
2021-2023	Eric Guerra	City of Sacramento	Patrick Kennedy	Sacramento County
2019-2021	Eric Guerra	City of Sacramento	Sue Frost	Sacramento County
2017-2019	Donald Terry	City of Rancho Cordova	Eric Guerra	City of Sacramento
2015-2017	Steve Hansen	City of Sacramento	Donald Terry	City of Rancho Cordova
2013-2015	Phil Serna	Sacramento County	Steve Cohn	City of Sacramento
2011-2013	Jayna Karpinski-Costa	City of Citrus Heights	Phil Serna	Sacramento County
2009-2011	Sandy Sheedy	City of Sacramento	Darryl Clare	City of Galt
2007-2009	Roger Dickinson	Sacramento County	Sandy Sheedy	City of Sacramento
2005-2007	Jeff Starsky	City of Folsom	Roger Dickinson	Sacramento County

Meeting Date: 1/23/2025 Report Type: DISCUSSION / INFORMATION Report ID: 2025-0123-8.





Title: Appointment of Board Members to the Sacramento Metropolitan Air Quality Management District Budget and Personnel Committee

Recommendation: Pass a motion selecting and appointing two Board members in addition to the Chair, Vicechair and Past Chair to the Budget and Personnel Committee.

Rationale for Recommendation: The Budget & Personnel Committee hears matters related to District finances and human resources including contract negotiations, District budgets and personnel matters. In the past, the Budget and Personnel Committee has consisted of the Chair, Vice Chair, Past Chair and two additional Board members for a total of 5 members. The following board members were appointed to the Budget and Personnel Committee on January 26, 2023: Chair Patrick Kennedy, Vice-Chair Sarah Aquino, Directors Eric Guerra, Bobbie Singh-Allen and Donald Terry. Director Sergio Robles was appointed to replace Director Bobbie Singh-Allen on the Budget and Personnel Committee on February 22, 2024.

Contact: Megan Shepard, Director of Administrative Services (279) 207-1143

Presentation: Yes

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/15/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/14/2025





Title: Agricultural Burn and Smoke Management Program and Biomass Utilization Update

Recommendation: Receive and file a presentation on the Agricultural Burn and Smoke Management Program.

Rationale for Recommendation: This item is presented to the Board of Directors to provide an update on the District's Agricultural Burn and Smoke Management Program. The update highlights the program's current impact on agricultural growers within Sacramento County and its effect on District resources. Additionally, it explores opportunities for expanding alternatives to agricultural burning, paving the way for future phase-out considerations of the program.

Contact: Ashley Reynolds, Program Supervisor, 279-207-1166

Presentation: Yes

ATTACHMENTS:

Presentation: Agricultural Burn and Smoke Management Program and Biomass Utilization Update

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/15/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/17/2025

Discussion / Justification: Agricultural burning is the traditional practice used by commercial agricultural businesses to dispose of agricultural waste. However, because agricultural burning generates air pollution, it is subject to the California Air Resources Board's authority and regulated by local air districts. Burning is permitted only on days when it is expected to have minimal impact on air quality and local residents.

Historically, the Sac Metro Air District contracted with the Sacramento County Agricultural Commissioner's Office to administer the Agricultural Burn Permit Program. This included determining daily burn-day status, issuing permits to growers, approving and tracking burns, conducting site inspections, and responding to complaints.

The District assumed full responsibility for the program in 2021 and is now in its fourth fiscal year of oversight. The Agricultural Burn Program operates year-round and requires extensive evaluation of meteorological conditions, inter-agency coordination, and communication with fire agencies and neighboring air districts. While primarily administrative, the program also involves fieldwork, such as pre-inspecting burn piles and monitoring smoke impacts when necessary. Despite its importance, the program continues to face significant funding challenges.

The District acknowledges that agricultural burning remains a vital practice in our county due to the higher costs associated with alternatives to burning and the lack of financial incentives to adopt them. However, based on other regulatory bans on agricultural burning in neighboring air districts, we recognize that phasing out agricultural burning is a likely eventuality. As technology advances, alternatives become more cost-effective, and awareness of alternative beneficial uses for bio-resources grows, the transition to sustainable practices will gain

momentum.

SACRAMENTO METROPOLITAN



Agricultural Burn and Smoke Management Program and Biomass Utilization Update

Board of Directors Meeting January 23, 2025

Presenter: Ashley Reynolds, Program Supervisor

District Burning Programs



1. Open Burning

2. Recreational

Burning





3. Check Before You Burn 4. Agricultural Burning

SACRAMENTO METROPOLITAN



Air Quality and our Air Basin

- Sacramento Valley Basinwide Air Pollution Control Council (BCC)
 - Represents 9 Air Districts, 216 square miles
 - Basinwide Control Council (BCC): designated elected official from each district
 - Technical Advisory Committee (TAC): District APCOs
- Determines how much open biomass burning allowed in the Sacramento Valley Air Basin
 - Smoke Management Plan



SACRAMENTO METROPOLITAN



Smoke Management Program and Plan

- Coordination between Air Districts, CARB, Fire Agencies and Land Managers
- Goals:
 - Protect air quality
 - Minimize smoke impacts
 - Management of daily ag burn operations
- Sept Nov: Fall intensive burn season
- 2024 Fall Burn Results
 - 3% of acres burned were in Sac County
 - High number of acres burned in Sac Valley due to favorable conditions



WESTERN WEATHER GROUP	2021 Fall Agricultural Burn Program 8:00am File ⁵³⁰⁻³⁴²⁻¹⁷⁰⁰
SMP Coordinator Comments:	Tuesday November 30, 2021 8:00am
	Burn Day
Review daily information files Consider AM stability factor	Burn hours are set at 10am to 3pm Return unused acres to SMP Coordinator
Watch out for variable winds Check fields for fuel moisture	Report field observations to Coordinator Check downwind air quality levels

SACRAMENTO METROPOLITAN



Agricultural Burn Program Overview



Administration

Program governed by CARB & Smoke Management Plan



Burn Types

- Crop Residue Removal
- Orchard & Vineyard Waste
- Field Maintenance
- Prescribed Fires

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Maximized burning hours.
 Both priving on windy days.
 No burning where the path of shoke would impact risedways.
 An elle particular contactication, such as a solicitar indeployed, for instructions contact with your fire department.
Dag & Burning Geograms: When you ure finished to ming, consecutive face blance. For Desnie na eardient free many altres pile burned by calling (279) 553-86855 or avail <u>to minor? rincells cons</u>
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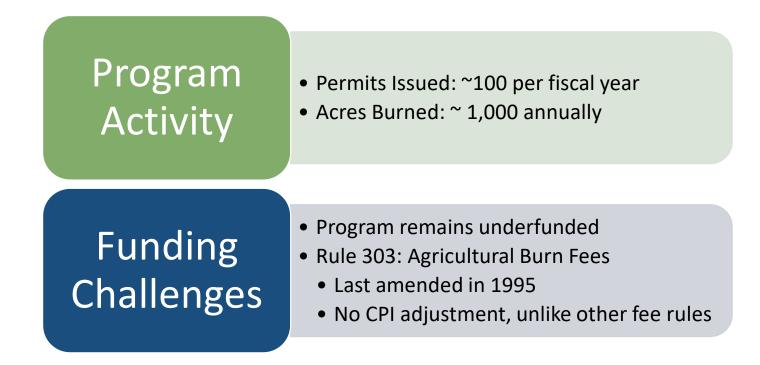
Daily Duties

- Issue permits
- Determine daily burn day status for Ag & Open Burning
- Approve Burn requests
- Inspections & Complaints

SACRAMENTO METROPOLITAN



Current Statistics & Challenges





SACRAMENTO METROPOLITAI

The Future of Agricultural Burning and Biomass



• San Joaquin Valley ag burning ban as of Jan 1, 2025

- Phase out began years ago
- State funding \$180 million to support incentives for growers
- Chipping and composting most used alternatives to burning
- Alternatives are not cost effective without support



Alternatives to Managed Burning are Needed for Air Quality

- Burn phase out could expand to other regions
- Important to press for alternatives (fuels, energy, other useful products)
- Biomass utilization supports many co-benefits





Improves Air Quality & Public Health



Reduces Climate Pollution



Drives Economic & Workforce Opportunities

SACRAMENTO METROPOLITAN



Advocacy for Biomass Utilization

Biomass Conferences



Climate Bond Letter

SACRAMENTO VALLEY

BASINWIDE AIR POLLUTION CONTROL COUNCIL Vire-Ch Chair.

Butte Column Feather River Glenn

June 21, 2020

The importable Res Allen Separat Distort 24 1021 O Street, Suite 0610 Satraments CA 95#12

The Hereprable Eduards Garris, Assemblymeniaer, District 16 1071 C Street Suite \$120 Satramenta, CA 95E14

Subject: Climate Bond funding request for a new Agricultural Biomask

Dear Senator Allen and Assemblymember Garcia.

We, the undersigned, representing nine air quality management and air who are members of The Sacramento Valley Basimakte Air Pollution C state climate bond include \$100 million to fund a new Aericultural Biolif biomatic including forestry. This new initiative should focus on the utility generated in Northern California's rich agricultural region, to produce it carbon and carbon negative biofuels, including green hydrogen. The BO actions pursuant to state law and related to stratke management in the key entity that allows multiple jurisdictions to collaborate an important that are central to the region's ability to achieve federal, date, and include would improve air quality by creating a critically needed and viable atta which is already being phased out in come parts of the state. Important economic and workforce development for California's both lance and sa participants in the state's rision energy transition.

The Sacramento Valley Air Basin is predominantly agricultural land that east and west edges of the region. Over the last five years, the Sacrange billion dollars in agricultural commodities, representing searly 10 perci-The Bioeconomy Development Opportunity Zone Initiative (600 Zone) become a potential BDO Zone given the evaluability of tens of thousant Zopes are economic tools that enable biomass-rich communities to task significant greenhouse gas (GHG) emission reductions. Traditionally, age material. Alternatives to burning have been primarily focused on chipped application, and off-site beneficial reuse. However, these have proven a Biomass to Bioenergy initiative is a win-win-win strategy that benefits a goals. This new initiative builds on the emission reductions from tradition fectinology developments of non-conduction biomess utilization for ear

Biomass Leg Advocacy

CITLE ALL FOR ALL

AGRICULTURAL BIOMASS UTILIZATION FOR CLEAN ENERGY BENEFITS

WHAT IS THE PROBLEM?

With nearly \$60 billion in cash receipts from the growing of hundreds of different commodities, California's agricultural industry is a major contributor to the state's economic growth. Northern California accounts for similarly 10% of this output. Biomass generated from ag crops has long been considered a waite biproduct stated for destruction through upon burning. Burning waste is economical and convenient relative to chipping. bredding, and mulching, which are practices made possible only with state funds to offset the higher custs. But burning creates patient and particle pollution and a barn is in effect in the San Joequin Valley. The state's carbon neutrality goels also include priorities for increased carbon storage and biomass utilization, but funding is needed to scale up projects.

WHAT IS THE SOLUTION?

There is a better way to utilize this ubiquitous and remewable resource that will result in significant air quality benefits, contribute to California's push toward clean energy alternatives, and provide increased prosperity to rune munities that need jobs and innovation the most Biomacs-to-fuels is a stable option for producing high-value Rauld and gaseous carbon-negative fuels. The Bioeconomy Development Opportunity Zune Initiative (BDO Zone) recently assessed Northern California as having tens of thousands of tons of agricultural relidue annually that can be converted into usable products like biochar and twologen, in essence, the region is ready for a new "biomass environ 20" that transitions the industry from conventional biomass energy combustion practices to mass sustainable approaches with the right legislative signals, supportive policies, and public and private investments to harness the potential apportunities. The solutions we are purving here for agricultural biomass are similarly viable and relevant for forest biomass

WHAT IS THE ASK?

To make the multiple benefits of biomats utilization a reality, significant public funding in the order of \$30 million is needed to advance and scale up biomass-based projects to support a robust bioerphomy in Northern California and accord the state.

State funding will also be a powerful indicator to private investors and will have a synergistic and leveraging effect AirQuality.org (279) 207-1122



SAC METRO **AIR DISTRICT**

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to further vital energy transition actions

- BCC and District advocacy in high gear
- **Biomass Conferences**
- Continued project tracking & info sharing
- Biomass project funding advocacy
 - Letters of support (Climate Bond letter)
 - Department of Conservation funding for biomass included in Climate Bond (Prop 4)
 - 2025 Advocacy: looking for \$50 million in additional support SACRAMENTO METROPOLITAN



Biomass-to-Fuel Opportunities

- **Biomass-to-fuels**: a growing opportunity in Northern California (EcoMotiv Project)
- Creating energy from biomass resources
- Using biomass to produce hydrogen fuel for zero-emission vehicles (light, medium & heavy-duty)
- Mobile gasification units: biofuels made near biomass resources

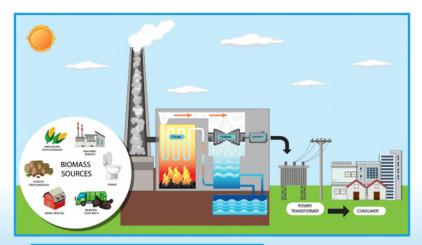




SACRAMENTO METROPOLITAN



ARCHES: Alliance for Renewable Clean Hydrogen Systems





- California Hydrogen Hub System public & private partnerships
- \$1.2 billion towards hydrogen hub projects statewide
- ARCHES focus on renewable energy

 generated from biomass
- Opportunities to use biomass to create clean hydrogen fuel for renewable energy and transportation

Thank You



Title: Climate Heat Impact Response Program Updates

Recommendation: Receive and file a presentation to update the Board of Directors on the Climate Heat Impact Response Program and expected funding allocations.

Rationale for Recommendation: This update will provide information to the Board of Directors on the California Air Resources Board Climate Heat Impact Response Program (CHIRP). The CHIRP was developed in 2021 in response to extreme heat events and the Governor's emergency orders that allowed power plants, back-up generators, and other sources of electricity to operate outside of permitted limits to alleviate pressure on the electrical grid and avoid statewide blackouts. The goal of the CHIRP is to offset harm to air quality from excess pollution generated during these heat events by providing funding to community projects. Sac Metro Air District is expected to receive funding from the CHIRP program in 2025. The District will be determining how best to use these funds for air quality projects using state guidelines currently under development.

Contact: Amy Roberts, Division Director, Engineering & Compliance (916) 825-6840

Presentation: Yes

ATTACHMENTS:

Presentation: Climate Heat Impact Response Program Updates

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/16/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/14/2025

Discussion / Justification: During the major heat event in June-July 2021 that threatened blackouts throughout California, the Governor issued an Emergency Proclamation that allowed emergency backup generators, power plants, and other equipment to operate outside of regulatory agency permit limits. The intent was to alleviate power needs on the electrical grid and thereby decrease the likelihood of electrical shortages that would require energy blackouts in the state. Allowing diesel engines, power plants and ships at berth to operate and pollute at higher than allowed for levels, the Governor's order included a provision requiring the California Air Resources Board (CARB) to develop a program that would provide funding to offset these excess emissions.

In Fall 2021, CARB introduced the Climate Heat Impact Response Program (CHIRP) and established a working group to take input from local air districts and other stakeholders to develop the CHIRP. The goal of the CHIRP is to offset harm to air quality and communities from excess pollution generated during the 2021 and future heat events by providing funding to community projects that would replace equipment with cleaner alternatives and projects that would make the energy grid more resilient in the future.

A second Governor's Emergency Proclamation was issued for a severe heat event in September 2022. A large data center in Sacramento operated 28 large diesel backup generators during this event in coordination with state agencies to provide additional power for the electrical grid. Sac Metro Air District was able to provide accurate data to CARB to demonstrate excess emissions occurred within its jurisdiction during the heat event

and were therefore qualified to receive CHIRP funding to mitigate these emissions. Independently, and along with other state air districts, the District advocated for CHIRP funding due to significant emissions that occurred from the data center operation.

Due due budget constraints, the state delayed securing and releasing any CHIRP funding for several years. Driven by continued local air district advocacy work, the California Energy Commission and CARB were able to secure CHIRP funding in late 2024. Sac Metro Air District is expected to receive funding from the CHIRP program sometime in 2025. The District will continue to work with state partners and determine how best to use these funds for air quality projects using state guidelines currently under development.

Financial Considerations: The District is expected to receive \$1,947,035 in CHIRP funding sometime in 2025. Funding will be expended per state guidelines.

Climate Heat Impact Response Program Updates

Board Meeting January 23, 2025

Presenter: Amy Roberts, Division Director

SACRAMENTO METROPOLITAN



Extreme Heat Events

- Governor Issued Executive Orders in 2021 and 2022
 - PURPOSE: alleviate pressure on the electrical grid and avoid blackouts
 - Allowed back-up generators & power plants to operate above permit limits
 - Allowed new power plants to be installed without all air pollution control equipment in place (Placer and Yuba Counties)

EXECUTIVE DEPARTMENT STATE OF CALIFORNIA

EXECUTIVE ORDER N-15-22

WHEREAS on August 31, 2022, I proclaimed a State of Emergency to exist in California due to an Extreme Heat Event, and issued emergency orders effective through September 7, 2022; and

WHEREAS the Extreme Heat Event is now forecasted to last through Friday, September 9, 2022, and will continue bringing dangerous and record-setting heat and temperatures to California; and

WHEREAS the Extreme Heat Event continues to place significant demand and strain on Catifornia's energy grid, with a load forecast of \$1,276 megawatts on September 6, 2022, which would set a new record from the previous high of \$0,270 megawatts on July 24, 2008; and

WHRERAS on September 3, 2022, the Collionia Independent System Operator (CASO) issued on Energy Emergency Alert 2 from 430 p.m. to 9,00 p.m. because al high loads and temperatures across the CASO grid and a forecasted on energy deficiency, with all available resources in use or forecasted to be in use, during those hours: and

WHEREAS recogniting the extraordinary need for energy conservation during the Extreme Heal Even, the Department of General Services taok: unprecedented measures on September 5, 2022, by placing dotsen of states office buildings into a low-power state income an "warm shuldown" beginning al 500 p.m., and reduced lighting and air conditioning boak in certains state office buildings al that time; and

WHEREAS Californians have already taken extraordinary actions to conserve energy during the critical evening hous in response to Flex Alerts and other calls for conservation, saving approximately 1,000 megawatts of power when it was most needed an September 5, 2022; and

WHEREAS even greater conservation efforts from all sectors are ded to respond to the greater load forecast on Sectember 6, 2022.

NWS High Temperature Forecast

to reduce the strain on nergy capacity during the Extreme and

f Gavernment Code section 8571, 1 is statutes and regulations specified delay the mitigation of the effects





Climate Heat Impact Response Program (CHIRP)

• 2021 Governor's Executive Order included requirement to mitigate emission increases with these priorities:



• CARB developed program guidelines in Fall 2021



2022 Heat Event and Impacts in Sacramento

- August 31 September 9, 2022
- Record heat throughout California • and western states
- Record use of electricity (52,061 MW) ۲
- **CAISO Grid Emergency**

Emergency Watch Days	Emergency Alert Days
4	6

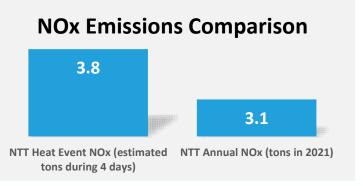
No rotating outages, but with a cost • for air quality and communities



2022 HEAT EVENT Sacramento Experience

Local Data Center (NTT)

- Operated over 4 days
- 28 out of their 53 total backup generators operated
 - > 80,000 Total Horsepower
 - 57 Total MW (of capacity)

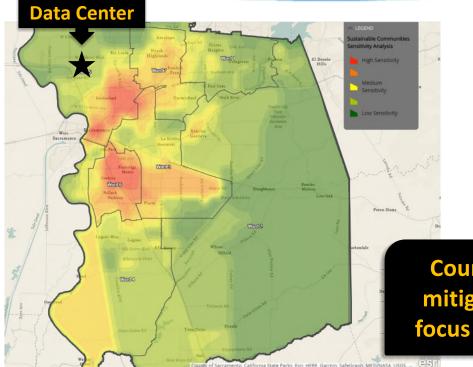


They generated more pollution in 4 days in 2022 than in all of 2021

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Board of Directors Regular Meeting - January 28, 2025

AIR QUALITY & COMMUNITY CONCERNS

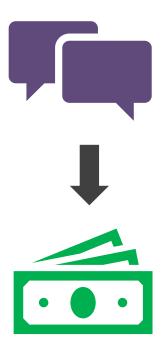


- These events are potential contributors to ozone production on hottest days of summer
- Diesel emissions & health risks
- Located northwest of sensitive communities

Counting on state funding to mitigate excess emissions and focus on affected communities.



Funding Delays & Recent Developments



- Consistent advocacy by Sac Metro Air District & CAPCOA Districts from 2021-2024
 - Multiple meetings with CARB, CEC, Governor's Office
 - Sac Metro provided accurate emissions data
 - Funding Delays: state budget and poor operational data
- CARB & CEC finally secured \$23 million
 - Covers heat events in 2021 and 2022
 - Expected CHIRP funding release in mid-2025
 - Sac Metro Air District will receive 8% of available funding (\$1.95 million)



Next Steps

- Working with state
- Still determining funding guidance
- Funding expected in 2025
- Priorities \rightarrow
 - Zero-emission electric solutions
 - Projects in disadvantaged communities
 - Energy storage projects
 - Replacement of diesel-fired backup generators (BUGs) to cleanest available technology – "electric power boxes"



Thank You

Board of Directors Regular Meeting - January 23, 2025 - 259



Title: Regional Collaboration for Ambient Air Monitoring

Recommendation: Inform the Board of a Memorandum of Understanding (MOU) with Yolo-Solano Air Quality Management District (YSAQMD) to assist with regional air monitoring efforts during deployment of their air monitoring staff.

Rationale for Recommendation: YSAQMD employs a single staff member to manage and operate its five air monitoring stations. This staff member will be on military deployment for approximately four months, leaving their air monitoring system without oversight.

To ensure continuity in regional air monitoring, the Sacramento Metro Air Quality Management District (District) will enter into an MOU with YSAQMD. During this period, the District will operate and maintain the YSAQMD air monitoring stations to ensure the collection of reliable and high-quality data essential to the Sacramento Federal Nonattainment Area (SFNA).

Contact: Mark Loutzenhiser - Division Director, Monitoring Planning and Rules, (916) 261-6414

Presentation: Yes

ATTACHMENTS:

Presentation: Regional Collaboration for Ambient Air Monitoring

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/16/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/14/2025

Discussion / Justification: YSAQMD operates five small air monitoring stations within the SFNA, which includes Sacramento County, Yolo County and portions of El Dorado, Placer and Solano counties. The data collected at these stations supports regulatory requirements, informs public health decisions, and ensures defendable evidence for compliance actions. Any lapse in monitoring could negatively impact regional air quality goals and federal compliance reporting. By temporarily assuming operations of YSAQMD's stations, the District ensures uninterrupted data collection and supports regional air quality objectives.

Financial Considerations: The MOU will provide for full cost recovery, including reimbursement for staff time and travel expenses. The District anticipates it will require 15-20 hours per week to run the YSAQMD stations. Most of this work will be conducted on an overtime basis to prevent disruption to the District's existing workloads.

Regional Collaboration for Ambient Air Monitoring

Board of Directors Meeting January 23, 2025

Presenter: Mark Loutzenhiser Director, Monitoring Planning and Rules

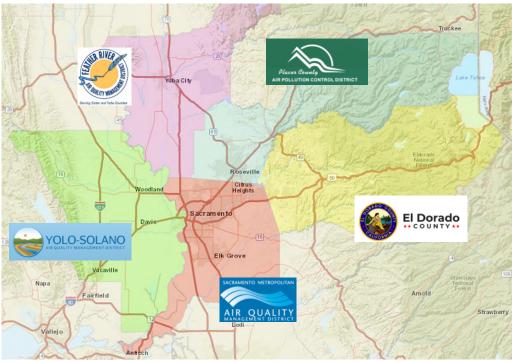


SACRAMENTO METROPOLITAN

Working together to achieve air quality goals



Sacramento region's 5 air districts



Regional Air Quality Boundaries

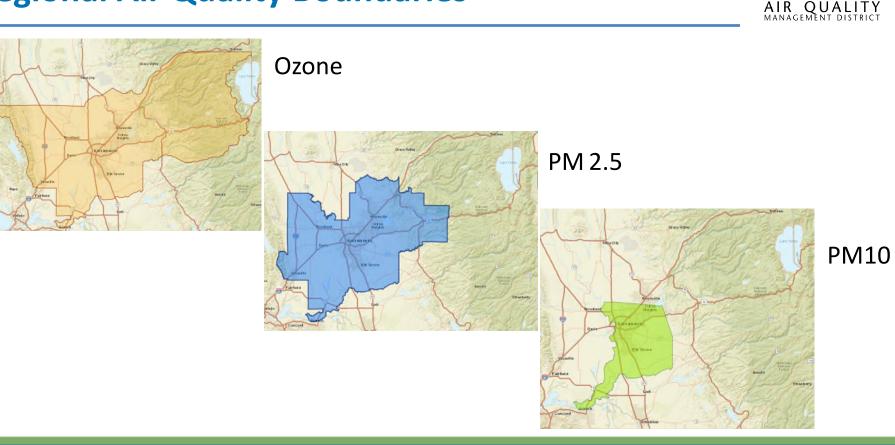


• US EPA

- Sets National Ambient Air Quality Standards for 6 "criteria" pollutants [ozone, particulate matter (PM), lead (Pb), carbon monoxide (CO), nitrogen dioxide (NO₂), and sulfur dioxide (SO₂)]
- Designation Process
 - EPA establishes geographic boundaries for <u>attainment</u> and <u>nonattainment</u> regions
- Different boundaries for different pollutants
 - Ozone (regional pollutant)
 - Fine particulate PM2.5 (transport but more localized)
 - Particulate PM10 (more localized)

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Regional Air Quality Boundaries



Why Do These Boundaries Matter?



- Regional Attainment Status
 - A region is designated in attainment of a standard based on air quality monitoring data within its boundaries
 - Boundaries ensure shared responsibility
- 5 air districts working as a team
 - "All for one, one for all"

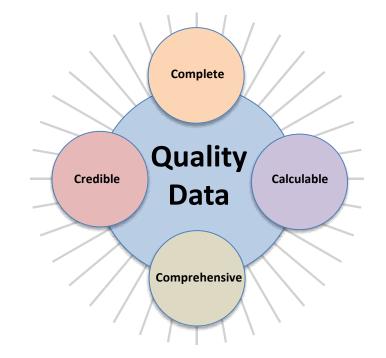


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AIR

Quality-assured data is fundamental

- Data integrity across the region is needed
- Reliable and valid data is essential to assess progress and compliance
- *"All hands on deck"* when data issues arise

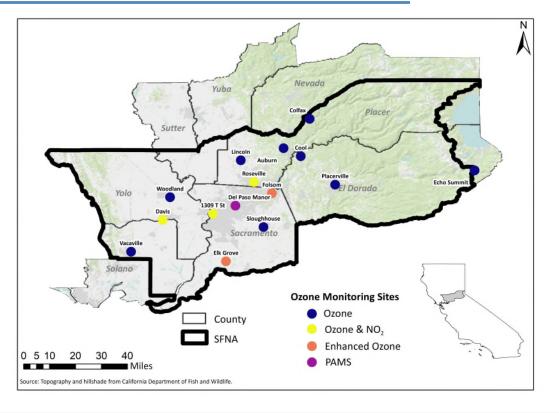


SACRAMENTO METROPOLITAN

Ozone monitoring network



Stations are operated and maintained by the local air district



SACRAMENTO METROPOLITAN Helping address a mission-critical gap

- Assistance for Yolo-Solano AQMD
- Four-month absence of air monitoring staff member due to military duty
- Critical gap in monitoring station services •
- Potentially compromising data collection and quality
- Putting ALL 5 districts at risk
- Sac Metro Air District staff temporarily helping with monitoring station duties

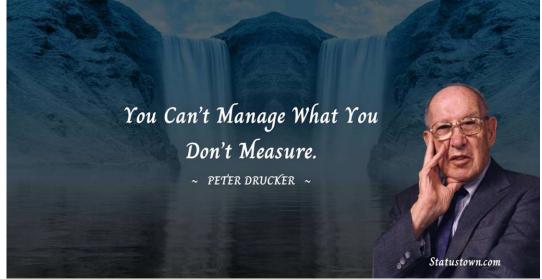




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Data is the basis of air quality management





Thank you

Meeting Date: 1/23/2025 Report Type: AIR POLLUTION CONTROL OFFICER'S REPORT Report ID: 2025-0123-12.



Title: Air Pollution Control Officer Presentation

Recommendation: Receive and file a presentation from the Air Pollution Control Officer.

Rationale for Recommendation: A primary responsibility of the Air Pollution Control Officer / Executive Director (APCO) is to keep the Board of Directors informed of important or incidental matters related to the Air District. Therefore, the APCO regularly presents to the Board during public meetings noteworthy items such as past successes, progress of current activities and future endeavors, updates regarding relevant legislation, anticipated media events, and material internal changes.

Contact: Alberto Ayala, Executive Director/Air Pollution Control Officer, 279-207-1122

Presentation: Yes

ATTACHMENTS:

Presentation: Air Pollution Control Officer Report Attachment A: Draft Avoided Emissions Bill

Approvals/Acknowledgements

Executive Director or Designee: Alberto Ayala, Report Approved 1/17/2025

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/17/2025

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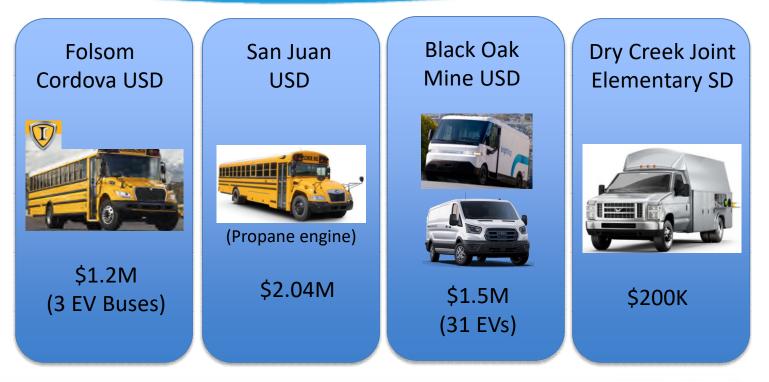


Air Pollution Control Officer Report

Board of Directors Meeting January 23, 2025

Board of Directors Regular Meeting - January 23, 2025 - 271

Investing in our Region's Transition to Sustainable Transportation Energy





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Board of Directors Regular Meeting - January 23, 2025 - 272

Investing in our Region's Transition to Sustainable Transportation Energy

Mitra EV, Inc. Sierra **Roseville Joint** City of Auburn Northern USD Railway (SNR) SCHOW NK \$236K \$15.6M (Fuel cell (5 EV Buses) \$70K \$940K locomotive)



Legislative Priority Agricultural Biomass Utilization & Avoided Carbon Emissions



Anna M. Caballero 14" Senae District SB XXX - Avoided Emissions jaconsideed/amended XX/XX/XX)

SUMMARY

This full would require CARD, Call we and the CEC to take specific steps to meck, hence, and quantify the evidences from the lowing or forest and gainchloral wate and to encouring beneficial use of those residues to help prevens withfines and avoid managed pile and lumning.

BACKGROUND

Wildfires and managed open air burning of forest and spricultural warm cause significant air and climate pollation, harming public health, agricultural productivity, and the state's progress in reducing carbon emissions. Over the past decade, California has adopted numerous policies to increase forest fuel semenal for wildfire mutgation and forest nationation, in well as policies to robust costs air human of agricultural waste. Progress in meeting these goals has heat day, however, in part hacana conversion of biomass residues to beneficial uses is more expensive and difficult to scale than open air huming. To increherate the pace of watte biomass utilization, is inrecensity to track, locate, and quantify the emissions from willfines and open barning in order to monorine the value of avaided emissions when water histman is innead converted to alternative heneficial products or lines.

PROBLEM

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SOLUTION

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southtability, provide consistency across programs, and remove incertainty. The full requires CARB in complexe has baseline emissions inventory for historic widdine, on catability as hfreypte model for avoided emissions, and to subjet a carbon

credit or offset password for blochar and other alternative produces, all of which will help to incorrivite the beneficial use of frames and agolutural residues in thornsources that world otherwise be burred with resultant air pollution issues.

 The hill requires CalFire to include a disposal plan for forest residues to rack the amount and location of prescribed fire needed and



AGRICULTURAL BIOMASS UTILIZATION

FOR CLEAN ENERGY BENEFITS

WHAT IS THE PROBLEM?

With many 360 billion in task morish from the growing of Judienski of different commodilies, Galfordin, argunalum id advards in a major carbonal or ter ter stark in exonemic speech. Nonemic Calimina accurates for approximately Tills at this service. Biomess generated from ag rapes has long bane considered a watte biprotect uind of advantance. Norably good browing Burning Watte is a constrained at watte biprotect uind of advantance of the provide service and the service of the service of the service of the service newlinely good watter onlying homes watter the term from table provides the fuelty carbonal earlying and watter on protection and as that is at least in the same based watter term and the provides of the service of the service of the service of the service of protect.

WHAT IS THE SOLUTION?

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WHAT IS THE ASK?

To make the multiple benefits of biomass utilizations a rearry, significant public funding in the order of 550 million in media to davance and social up biomass-based projects to support a instaut bioectoromy in Northern California and accurd the state.

investors and will have a synergistic and leveraging effect to further vital energy transition actions.



Author: Senator Caballero, Dist. 14

Sponsors:



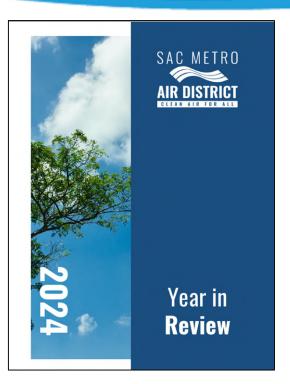


Collaborators:





2024 Year in Review & January Newsletter





As we welcome the new year, the Air District's accomplishments in 2024 highlight significant progress in air quality improvement, climate action, and community engagement across Sacramento County and the larger region. These accomplishments showcase our dedication to building a healthier, low-carbon future aligned with the state's air quality and climate goals.

2024 Accomplishments Highlights



Social Media Amplification 2025 Expanding Outreach on Platforms



@AQMD

@SacMetroAirDistrict

SacMetroAirDistrict

SACRAMENTO METROPOLITAN



Board of Directors Regular Meeting - January 23, 2025 - 276

Onboarding Resources



- For new & returning board members
- Important info about our agency processes, initiatives & programs
- Coming this quarter!



Thank you

Board of Directors Regular Meeting - January 23, 2025 - 278



Anna M. Caballero 14th Senate District SB XXX – Avoided Emissions (as introduced/amended XX/XX/XX)

SUMMARY

This bill would require CARB, CalFire and the CEC to take specific steps to track, locate, and quantify the emissions from the burning of forest and agricultural waste and to encourage beneficial use of those residues to help prevent wildfires and avoid managed pile and burning.

BACKGROUND

Wildfires and managed open air burning of forest and agricultural waste cause significant air and climate agricultural pollution, harming public health, productivity, and the state's progress in reducing carbon emissions. Over the past decade, California has adopted numerous policies to increase forest fuel removal for wildfire mitigation and forest restoration, as well as policies to reduce open air burning of agricultural waste. Progress in meeting these goals has been slow, however, in part because conversion of biomass residues to beneficial uses is more expensive and difficult to scale than open air burning. То accelerate the pace of waste biomass utilization, it is necessary to track, locate, and quantify the emissions from wildfires and open burning in order to monetize the value of avoided emissions when waste biomass is instead converted to alternative beneficial products or uses.

PROBLEM

State law (SB 901, Wood, 2018) requires a significant increase in forest fuel removal to mitigate wildfires and restore forest health. SB 901 also requires CARB to complete an analysis of historical emissions from wildfires to establish a baseline for emissions avoidance. Current law requires a 40 percent reduction in greenhouse gas emissions and a 50 percent reduction in anthropogenic black carbon emissions by 2030 (SB 32, Pavley, 2016 and SB 1383, Lara, 2016 respectively). To meet these requirements, it is essential to establish an emissions baseline as required by SB 901 and to track ongoing emissions from wildfires and managed pile and burn of both forest and agricultural waste. Current law (AB 1279, Muratsuchi) also sets a goal of

carbon neutrality by 2045. CARB's 2022 Climate Change Scoping Plan and other studies have all found that California will need to generate significant carbon negative emissions to achieve carbon neutrality and the Scoping Plan also found that conversion of biomass to energy with carbon capture and sequestration create an opportunity to achieve negative emissions. In addition, technology developments of noncombustion biomass utilization through gasification and pyrolysis for low-carbon biofuels, carbon storage in biochar, and other value streams provide new opportunities in bioenergy. To ensure that biomass utilization projects are maximizing emissions reductions, it is essential to develop a lifecycle analysis of emission reduction benefits from the alternatives to open burning and wildfires. Adopting a carbon credit or offset protocol for biochar carbon storage and potentially other wood products and value streams is necessary to promote alternatives to open air burning. And can assist agricultural production and ensure California can achieve its ambitious climate goals.

SOLUTION

The bill would address these issues in several ways:

- The bill establishes definitions of prescribed fire, managed pile and burn, forest and agricultural residues to ensure environmental sustainability, provide consistency across programs, and remove uncertainty.
- The bill requires CARB to complete the baseline emissions inventory for historic wildfire, to establish a lifecycle model for avoided emissions, and to adopt a carbon credit or offset protocol for biochar and other alternative products, all of which will help to incentivize the beneficial use of forest and agricultural residues as bioresources that would otherwise be burned with resultant air pollution issues.
- The bill requires CalFire to include a disposal plan for forest residues to track the amount and location of prescribed fire needed and

encourage alternatives to pile and burn of material that must be mechanically thinned.

• The bill requires the CEC to consider the value of biomass utilization for energy reliability, biofuels, emissions reductions, wildfire mitigation and other benefits in plans and reports related to energy planning, resource availability, and related issues.

SUPPORT

Placer County Air Pollution Control District(Sponsor) Sacramento Metropolitan Air Quality Management District (Sponsor)

CONTACT

Yarelyn Trujillo, Policy Analyst Yarelyn.Trujillo@asm.ca.gov | (916)651-4014

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An act to add Section 39741.6 to the Health and Safety Code, relating to air resources.





56843

BACKED

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) Millions of tons of forest and agricultural biomass are burned in California annually, including by wildfire, prescribed burns, and illegal burns.

(b) Wildfires are a growing source of air pollution that harm public health, including by increasing respiratory illnesses, heart disease, cancer, and premature death.

(c) Wildfires are also a growing source of climate pollution that, in some years, exceeds all of the carbon reductions achieved across the California economy.

(d) Existing law requires a 40-percent reduction in greenhouse gas emissions by 2030, a 50-percent reduction in anthropogenic black carbon emissions by 2030, and carbon neutrality to be achieved by 2045.

(e) The growing emissions from wildfires and prescribed burning of forest and agricultural biomass resources threaten California's ability to meet its climate goals.

(f) Forest and agricultural biomass are resources that can be used for beneficial purposes to create low-carbon fuel alternatives that increase electrical grid and energy reliability, create useful byproducts and new industries, and help support local workforce development in traditionally underinvested areas of the state.

(g) The 2022 Scoping Plan for Achieving Carbon Neutrality calls for increased forest fuel removal on 2,300,000 million acres annually but does not provide detailed analysis of the emissions that would be avoided if those biomass resources were used for beneficial purposes instead of burned, whether that be through unintentional wildfires, intentionally set illegal burns, or regulated burns approved through local air quality smoke management programs.

(h) Quantifying avoided emissions from wildfires and prescribed burns of biomass resources will facilitate biomass usage as called for in the state's Short-Lived Climate Pollutant Reduction Strategy,the California Forest Carbon Plan, and the State Air Resources Board's plan to phase out open burning of agricultural biomass resources in the San Joaquin Valley.

(i) The state should take action to incentivize alternative uses of biomass resources to reduce prescribed burning and illegal burns so that impacts from wildfires can be offset and necessary prescribed fires can take place at a level that does not compromise public health or progress on climate action.

SEC. 2. Section 39741.6 is added to the Health and Safety Code, to read:

39741.6. (a) For purposes of this section, the following definitions apply:

(1) "Agricultural biomass resources" means crop, orchard, vineyard, or other agricultural residues, and excludes crops grown for the purpose of producing energy and edible produce.

(2) "Âgricultural burning" has the same meaning as set forth in Section 39011.

(3) "Forest biomass resources" means material removed for wildfire mitigation, forest restoration projects, or the protection of public safety and infrastructure.

(4) "Prescribed fire" has the same meaning as set forth in Section 4464 of the Public Resources Code.

(b) The state board shall do all of the following:

(1) On or before January 1, 2027, finalize the development of the standardized system for quantifying direct carbon emissions and decay from fuel reduction activities for purposes of meeting the accounting requirements for Greenhouse Gas Reduction



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Fund expenditures and the historic baseline of greenhouse gas emissions from California's natural fire regime reflecting conditions before modern fire suppression, as required by Section 38535.

(2) On or before January 1, 2028, adopt a method of quantification or a lifecycle model for avoided carbon emissions, including, but not limited to, carbon dioxide, methane, and black carbon, from wildfire from the application of prescribed fire to forest biomass resources and agricultural biomass resources.

(3) (A) On or before January 1, 2028, develop a carbon credit or offset protocol for biochar and other beneficial carbon-removal products that result from the avoidance of megafires and prescribed fire using existing methodologies.

(B) The protocol shall, as appropriate, include the use of biochar for carbon sequestration, agricultural and forestry uses, construction and engineered materials, environmental remediation and water treatment, and other uses.

(c) The Department of Forestry and Fire Protection shall require all state-funded forest health projects to include an appropriate forest biomass resource disposal component that includes a scientifically based, verifiable method to determine the amount of biomass to be physically removed and the amount to be burned by prescribed fire.

(d) The State Energy Resources Conservation and Development Commission shall include the value proposition of using biomass for low- and negative-carbon liquid and gaseous fuels, including hydrogen, from noncombustible methods and other emerging and innovative approaches in relevant reports and other agency-sponsored documentation.



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LEGISLATIVE COUNSEL'S DIGEST

Bill No. as introduced, Caballero. General Subject: Air resources: carbon emissions: biomass.

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Existing law requires the State Air Resources Board, in consultation with the Department of Forestry and Fire Prevention, to develop a standardized system for quantifying the direct carbon emissions and decay from fuel reduction activities for purposes of meeting the accounting requirements for Greenhouse Gas Reduction Fund expenditures, as specified, and, in consultation with academic experts, a historic baseline of greenhouse gas emissions from California's natural fire regime reflecting conditions before modern fire suppression, on or before December 31, 2020.

This bill would require the state board, on or before January 1, 2027, to finalize the standardized system and historic baseline described above. The bill would require the state board, on or before January 1, 2028, to adopt a method of quantification or a lifecycle model for avoided carbon emissions, including, but not limited to, carbon dioxide, methane, and black carbon, from wildfire from the application of prescribed fire to forest biomass resources and agricultural biomass resources, and to develop a carbon credit or offset protocol for biochar and other beneficial carbon-removal products that result from the avoidance of megafires and prescribed fire using existing methodologies.

The bill would require the Department of Forestry and Fire Protection to require all state-funded forest health projects to include an appropriate forest biomass resource disposal component that includes a scientifically based, verifiable method to determine the amount of biomass to be physically removed and the amount to be burned by prescribed fire. The bill would require the State Energy Resources Conservation and Development Commission to include the value proposition of using biomass for lowand negative-carbon liquid and gaseous fuels, including hydrogen, from noncombustible methods and other emerging and innovative approaches in relevant reports and other agency-sponsored documentation.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

