



South Coast
AQMD

South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • www.aqmd.gov

ADMINISTRATIVE COMMITTEE MEETING

Committee Members

Dr. William A. Burke, Chair
Council Member Ben Benoit, Vice Chair
Council Member Judith Mitchell
Council Member Michael Cacciotti

**January 17, 2020 ♦ 10:00 a.m. ♦ Conference Room CC-8
21865 Copley Drive, Diamond Bar, CA 91765**

Teleconference Locations

| | |
|-------------------------|-----------------------|
| 11461 West Sunset Blvd. | Caltrans |
| The Brentwood Room 1 | 100 South Main St. |
| Los Angeles, CA 90049 | Los Angeles, CA 90012 |
| | Room #01.038 |

(The public may attend at any location listed above.)

Call-in for listening purposes only is available by dialing:

Toll Free: 866-244-8528

Listen Only Passcode: 5821432

In addition, a webcast is available for viewing and listening at:

<http://www.aqmd.gov/home/library/webcasts>

AGENDA

Members of the public may address this body concerning any agenda item before or during consideration of that item (Gov't. Code Section 54854.3(a)). Please provide a Request to Address the Committee card to the Committee Secretary if you wish to address the Committee on an agenda item. If no cards are available, please notify South Coast AQMD staff or a Board Member of your desire to speak. All agendas for regular meetings are posted at South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California, at least 72 hours in advance of the regular meeting. Speakers may be limited to three (3) minutes each.

CALL TO ORDER

DISCUSSION ITEMS – Items 1 through 6:

1. Board Members' Concerns (***No Motion Required***)
Any member of the Governing Board, on his or her own initiative may raise a concern to the Administrative Committee regarding any South Coast AQMD items or activities.

Dr. William A. Burke
Committee Chair

- | | | | |
|----|---|--|------------|
| 2. | Chairman's Report of Approved Travel (<i>No Motion Required</i>) | Dr. Burke | pg. 1 |
| 3. | Report of Approved Out-of-Country Travel (<i>No Motion Required</i>) | Wayne Nastri Executive Officer | |
| 4. | Review February 7, 2020 Governing Board Agenda | Wayne Nastri | pgs. 2-9 |
| 5. | Approval of Compensation for Board Member Assistant(s)/ Consultant(s) (Any material, if submitted, will be distributed at the meeting.) (<i>Motion Requested if Proposal Made</i>) | Dr. Burke | |
| 6. | Status Report on Major Ongoing and Upcoming Projects for Information Management (<i>No Motion Required</i>) <i>Information Management is responsible for data systems management services in support of all South Coast AQMD operations. This action is to provide the monthly status report on major automation contracts and planned projects.</i> | Ron Moskowitz Chief Information Officer, Information Management | pgs. 10-19 |

ACTION ITEMS – Items 7 through 11:

FEBRUARY ITEMS

- | | | | |
|----|--|--|------------|
| 7. | Establish List of Prequalified Vendors to Provide Computer, Network, Printer, Hardware and Software, and Audio Visual Equipment (<i>Motion Requested</i>) <i>On November 1, 2019, the Board approved the release of a Request for Qualifications and Quotations (RFQQ) to prequalify vendors for computer, network, printer, hardware and software, and audio visual equipment. As a result of successful responses to this RFQQ, eight vendors were identified as capable of providing these products. This action is to approve these eight vendors to provide these products for a two-year period. Funds (\$300,000) for these purchases are included in Information Management FY 2019-20 Budget.</i> | Ron Moskowitz | pgs. 20-22 |
| 8. | Approve Indemnification Agreement with Tesoro Refining and Marketing (<i>Motion Requested</i>) <i>This is to approve the Executive Officer entering an agreement whereby Tesoro will indemnify the South Coast AQMD for costs of litigation. The South Coast AQMD has been served with a lawsuit filed by Communities for a Better Environment challenging an Addendum issued by the Executive Officer under the California Environmental Quality Act in November, 2019. The Addendum was the CEQA document required to update the 2017 CEQA analysis for Tesoro's Los Angeles Refinery Integration and Compliance Project. The update was required because Tesoro has proposed certain changes to its project as compared to the Title V permit issued in June 2017. Under Rule 301, the permit applicant or permit holder must indemnify the South Coast AQMD for costs of litigation, but the Administrative Committee must first approve entering into the indemnification agreement.</i> | Barbara Baird Chief Deputy Counsel | pgs. 23-24 |
| 9. | Recognize Revenue, Transfer and Appropriate Funds, Approve Positions, Issue Solicitations and Purchase Orders, and Execute Contracts and Agreements for Mid-Year Budget Adjustments | Sujata Jain Chief Financial Officer, Finance | pgs. 25-30 |

(Motion Requested)

South Coast AQMD is expected to receive up to \$20 million for AB 617 continued implementation. Additional resources of \$3,061,582 are needed in the FY 2019-20 Budget to enable the implementation of critical projects and programs. These actions are to: (1) Recognize revenue up to \$20 million for AB 617 implementation into the General Fund; (2) Appropriate \$3,061,582 from the General Fund Undesignated (Unassigned) Fund Balance into the FY 2019-20 and/or FY 2020-21 General Fund Budget for several key projects; (3) Transfer \$1,000,000 from the General Fund Undesignated (Unassigned) Fund Balance to the Infrastructure Improvement Fund (02); (4) Transfer up to \$30,794 from the AB 134 Community Air Protection Fund (77) into the FY 2019-20 General Fund Budget for administrative costs; (5) Approve the addition of positions from the General Fund; and (6) Issue solicitations and purchase orders and execute contracts and agreements for Mid-Year Budget Adjustments.

10. Receive and File Annual Report on 457 Deferred Compensation Plan ***(Motion Requested)***
South Coast AQMD sponsors an IRS-approved 457 deferred compensation program for its employees. The Annual Report addresses the Board's responsibility for monitoring the activities of the Deferred Compensation Plan Committee and ensuring the Committee carries out its fiduciary duties and responsibilities under the Committee Charter. Staff will also summarize the history and performance of the firms that have provided services for South Coast AQMD. This action is to receive and file the Annual Report.

John Olvera
DEO, Administrative
& Human Resources

pgs. 31-75

11. Appropriate Funds and Amend Contract for Consultant Services for South Coast AQMD's Environmental Justice Outreach and Initiatives ***(Motion Requested)***
The current contract with Lee Andrews Group, Inc., for environmental justice efforts conducted for the Environmental Justice Community Partnership expires on March 29, 2020. The contract includes an option for two one-year extensions. Based on the firm's effective performance during their current contract, this action is to approve a one-year extension of the consultant's contract in the amount of \$160,000 for Calendar Year 2020.

Derrick J. Alatorre
DEO, Legislative,
Public Affairs &
Media

pgs. 76-78

WRITTEN REPORT:

12. Local Government & Small Business Assistance Advisory Group Minutes for the November 8, 2019 Meeting
(No Motion Required)
Attached for information only are the Local Government & Small Business Assistance Advisory Group minutes for the November 8, 2019 meeting.

Derrick J. Alatorre

pgs. 79-83

OTHER MATTERS:

13. Other Business
Any member of the Committee, or its staff, on his or her own initiative or in response to questions posed by the public, may ask a question for clarification, may make a brief announcement or report on his or her own activities, provide a

Dr. Burke

reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter, or may take action to direct staff to place a matter of business on a future agenda. (Govt Code Section 54954.2)

14. **Public Comment**

At the end of the regular meeting agenda, an opportunity is provided for the public to speak on any subject within the Committee's authority that is not on the agenda. Speakers may be limited to three (3) minutes each.

15. **Next Meeting Date:** February 14, 2020 at 10:00 a.m.

ADJOURNMENT

Document Availability

All documents (i) constituting non-exempt public records, (ii) relating to an item on an agenda for a regular meeting, and (iii) having been distributed to at least a majority of the Committee after the agenda is posted, are available prior to the meeting for public review at the South Coast AQMD, Public Information Center, 21865 Copley Drive, Diamond Bar, CA 91765.

Americans with Disabilities Act

The agenda and documents in the agenda packet will be made available, upon request, in appropriate alternative formats to assist persons with a disability (Govt. Code Section 54954.2(a)). Disability-related accommodations will also be made available to allow participation in the Administrative Committee meeting. Any accommodations must be requested as soon as practicable. Requests will be accommodated to the extent feasible. Please contact Nancy Velasquez at 909-396-2557 from 7 a.m. to 5:30 p.m. Tuesday through Friday, or send the request to nvelasquez@aqmd.gov.



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Item 2

BOARD MEETING DATE: February 7, 2020

REPORT: Administrative Committee

SYNOPSIS: The Administrative Committee met January 17, 2020 and reviewed the proposed agenda for the February 7, 2020 Board meeting. The Committee also discussed various issues detailed in the Committee report. The next Administrative Committee meeting is February 14, 2020, at 10:00 a.m., in CC-8.

RECOMMENDED ACTION:
Approve this report.

Dr. William A. Burke, Chair
Administrative Committee

NV

Attendance:

[Will be inserted subsequent to the January 17, 2020 Administrative Committee meeting.]

Administrative Committee Discussion Items:

[Will be inserted subsequent to the January 17, 2020 Administrative Committee meeting.]

Report on Board Member Travel Authorized by the Chairman at the January 17, 2020 Administrative Committee meeting:

| DATE | TRAVELER | DESTINATION | PURPOSE |
|-------------------|--------------------------------|----------------|--|
| March 25-27, 2020 | Council Member Judith Mitchell | Sacramento, CA | Mayor Mitchell will attend the monthly CARB Board Meeting as the South Coast AQMD Board Representative.. |



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Item 4

1/10/20 4:40 PM

A G E N D A

MEETING, FEBRUARY 7, 2020

A meeting of the South Coast Air Quality Management District Board will be held at 9:00 AM, in the Auditorium at South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California.

Questions About an Agenda Item

- The name and telephone number of the appropriate staff person to call for additional information or to resolve concerns is listed for each agenda item.
- In preparation for the meeting, you are encouraged to obtain whatever clarifying information may be needed to allow the Board to move expeditiously in its deliberations.

Meeting Procedures

- The public meeting of the South Coast AQMD Governing Board begins at 9:00 a.m. The Governing Board generally will consider items in the order listed on the agenda. However, any item may be considered in any order.
- After taking action on any agenda item not requiring a public hearing, the Board may reconsider or amend the item at any time during the meeting.

Questions About Progress of the Meeting

- During the meeting, the public may call the Clerk of the Board's Office at (909) 396-2500 for the number of the agenda item the Board is currently discussing.

The agenda and documents in the agenda packet will be made available upon request in appropriate alternative formats to assist persons with a disability. Disability-related accommodations will also be made available to allow participation in the Board meeting. Any accommodations must be requested as soon as practicable. Requests will be accommodated to the extent feasible. Please telephone the Clerk of the Boards Office at (909) 396-2500 from 7:00 a.m. to 5:30 p.m. Tuesday through Friday.

All documents (i) constituting non-exempt public records, (ii) relating to an item on the agenda, and (iii) having been distributed to at least a majority of the Governing Board after the agenda is posted, are available prior to the meeting for public review at the South Coast Air Quality Management District Clerk of the Board's Office, 21865 Copley Drive, Diamond Bar, CA 91765.

The Agenda is subject to revisions. For the latest version of agenda items herein or missing agenda items, check the South Coast AQMD's web page (www.aqmd.gov) or contact the Clerk of the Board, (909) 396-2500. Copies of revised agendas will also be available at the Board meeting.

A webcast of the meeting is available for viewing at:
<http://www.aqmd.gov/home/news-events/webcast>

Cleaning the air that we breathe...

CALL TO ORDER

- Pledge of Allegiance
- Opening Comments: William A. Burke, Ed.D., Chair
Other Board Members
Wayne Nastri, Executive Officer
- Swearing in of Reappointed Board Member Larry McCallon **Burke**
- Swearing in of Newly Appointed Board Member Carlos Rodriguez **Burke**

Staff/Phone (909) 396-

CONSENT CALENDAR (Items 1 through XX)

Note: Consent Calendar items held for discussion will be moved to Item No. XX

10813. Approve Minutes of January 10, 2020 Board Meeting **Thomas/2500**
10744. Set Public Hearings March 6, 2020 to Consider Adoption of and/or Amendments to South Coast AQMD Rules and Regulations **Nastri/3131**

Budget/Fiscal Impact

10817. Amend and Execute Contracts to Perform Data Collection of Zero Emissions Heavy-Duty Infrastructure **Miyasato/3249**

In November 2018, the Board approved an award of \$44,839,686 for the Volvo Low Impact Green Heavy Transport Solutions (LIGHTS) project. The Board also approved a \$1,096,658 contract with University of California Riverside (UCR) CE-CERT to perform data collection, analysis and reporting for the Volvo LIGHTS project. UCR had planned to subcontract data collection for infrastructure to CALSTART, Inc., but it was subsequently determined that UCR's business services group is unable to subcontract services. These actions are to amend a contract with UCR CE-CERT reducing the amount to \$836,258 and to execute a contract with CALSTART, Inc., in an amount not to exceed \$260,400 from the GHG Reduction Projects Special Revenue Fund (67) for data collection, analysis and reporting for the Volvo LIGHTS project. (Reviewed: Technology Committee, January 24, 2020; Recommended for Approval)

10825. **Recognize U.S. EPA Funds for Heavy-Duty Diesel to Near-Zero Emission Natural Gas Truck Replacement Projects** **Miyasato/3249**
- South Coast AQMD received two U.S. EPA Diesel Emissions Reductions Act (DERA) funding awards to replace on-road heavy-duty diesel trucks with near-zero emission natural gas-powered trucks. In July 2019, the board recognized \$1,500,000 for Clean Energy's Market Acceleration Program (MAP). Subsequently, U.S. EPA notified staff that an additional \$789,581 in FY-19 DERA funds was awarded to the MAP project. In November 2019, U.S. EPA recognized a revision to an approved project from FY-18 providing \$1,601,523 for the Low NOx Goods Movement Truck Replacement project. These actions are to recognize \$789,581 in FY-19 DERA funds for the MAP program and \$1,601,523 in FY-18 DERA funds for the Low NOx Goods Movement Truck Replacement program to the Clean Fuels Program Fund (31) and to reimburse the General Fund for administrative costs up to \$282,620 to implement both projects. (Reviewed: Technology Committee, January 24, 2020; Recommended for Approval)
10869. **Recognize Revenue, Transfer and Appropriate Funds, Approve Positions, Issue Solicitations and Purchase Orders, and Execute Contracts and Agreements for Mid-Year Budget Adjustments** **Jain/2804**
- South Coast AQMD is expected to receive up to \$20 million for AB 617 continued implementation. Additional resources of \$3,061,582 are needed in the FY 2019-20 Budget to enable the implementation of critical projects and programs. These actions are to: 1) Recognize revenue up to \$20 million for AB 617 implementation into the General Fund; 2) Appropriate \$3,061,582 from the General Fund Undesignated (Unassigned) Fund Balance into the FY 2019-20 and/or FY 2020-21 General Fund Budget for several key projects; 3) Transfer \$1,000,000 from the General Fund Undesignated (Unassigned) Fund Balance to the Infrastructure Improvement Fund (02); 4) Transfer up to \$30,794 from the AB 134 Community Air Protection Fund (77) into the FY 2019-20 General Fund Budget for administrative costs; 5) Approve the addition of positions for the General Fund; and 6) Issue solicitations and purchase orders and execute contracts and agreements for Mid-Year Budget Adjustments. (Reviewed: Administrative Committee, January 17, 2020, Recommended for Approval)
10855. **Provide Computer, Network, Printer, Hardware and Software, and Audio Visual Equipment** **Moskowitz/3329**
- On November 1, 2019, the Board approved the release of an RFQQ to prequalify vendors for computer, network, printer, hardware and software and audio visual equipment. As a result of successful responses to this RFQQ, eight vendors were identified as capable of providing these products. This action is to approve these eight vendors to provide these products for a two-year period. Funds (\$300,000) for these purchases are included in the Information Management FY 2019-20 Budget. (Reviewed: Administrative Committee, January 17, 2020; Recommended for Approval)

10859. Appropriate Funds and Amend Contract for Consultant Services for South Coast AQMD's Environmental Justice Outreach and Initiatives **Alatorre/3122**

The current contract with Lee Andrews Group, Inc., for environmental justice efforts conducted for the Environmental Justice Community Partnership, expires on March 29, 2020. This contract includes an option for two one-year extensions. Based on the firm's effective performance during their current contract, this action is to approve the one-year extension of the consultant's contract in the amount of \$160,000 for Calendar Year 2020. (Reviewed: Administrative Committee, January 17, 2020; Recommended for Approval)

10886. Approve Contract Modifications as Approved by MSRC **McCallon**

Action Item/No Fiscal Impact

10815. Renew South Coast AQMD's Membership in CaFCP for Calendar Year 2020 and Receive and File California Fuel Cell Partnership Executive Board Meeting Agenda and Activity Updates **Miyasato/3249**

The South Coast AQMD has been a member of the California Fuel Cell Partnership (CaFCP) since 2000. These actions are to renew South Coast AQMD's membership in the CaFCP in an amount not to exceed \$70,000 for Calendar Year 2020 and cofund 50 percent of the CaFCP Southern California Regional Coordinator position in an amount not to exceed \$50,000 from the Clean Fuels Program Fund (31). This action is to also receive and file the CaFCP Executive Board Meeting Agenda for October 16, 2019, and Activity Updates for the second and third quarters of 2019. (Reviewed: Technology Committee, January 24, 2020; Recommended for Approval)

Items XX through XX - Information Only/Receive and File

10845. Legislative, Public Affairs, and Media Report **Alatorre/3122**

This report highlights the December 2019 outreach activities of the Legislative, Public Affairs and Media Office, which includes: Major Events, Community Events/Public Meetings, Environmental Justice Update, Speakers Bureau/Visitor Services, Communications Center, Public Information Center, Business Assistance, Media Relations and Outreach to Business and Federal, State and Local Government. (No Committee Review)

10747. Hearing Board Report **Prussack/2500**

This reports the actions taken by the Hearing Board during the period of December 1 through December 31, 2019. (No Committee Review)

10836. Civil Filings and Civil Penalties Report **Gilchrist/3459**

This reports the monthly penalties from December 1, 2019 through December 31, 2019, and legal actions filed by the General Counsel's Office from December 1, 2019 through December 31, 2019. An Index of South Coast AQMD Rules is attached with the penalty report. (Reviewed: Stationary Source Committee, January 24, 2020)

10800. Lead Agency Projects and Environmental Documents Received **Nakamura/3105**

This report provides a listing of CEQA documents received by the South Coast AQMD between December 1, 2019 and December 31, 2019, and those projects for which the South Coast AQMD is acting as lead agency pursuant to CEQA. (Reviewed: Mobile Source Committee, January 24, 2020)

10771. Rule and Control Measure Forecast **Fine/2239**

This report highlights South Coast AQMD rulemaking activities and public hearings scheduled for 2020. (No Committee Review)

10856. Status Report on Major Ongoing and Upcoming Projects for Information Management **Moskowitz/3329**

Information Management is responsible for data systems management services in support of all South Coast AQMD operations. This action is to provide the monthly status report on major automation contracts and planned projects. (Reviewed: Administrative Committee, January 17, 2020)

10785. Receive and File Annual Report on 457 Deferred Compensation Plan **Olvera/2309**

South Coast AQMD sponsors an IRS-approved 457 deferred compensation program for its employees. The Annual Report addresses the Board's responsibility for monitoring the activities of the Deferred Compensation Plan Committee and ensuring the Committee carries out its fiduciary duties and responsibilities under the Committee Charter. This action is to receive and file the Annual Report. (Reviewed: Administrative Committee, December 13, 2019 and January 17, 2020)

XX. Items Deferred from Consent Calendar

BOARD CALENDAR

- | | | | |
|--------|---|-----------------------|---------------|
| 10820. | Administrative Committee (Receive & File) | Chair: Burke | Nastri/3131 |
| 10765. | Legislative Committee | Chair: Mitchell | Alatorre/3122 |
| 10753. | Mobile Source Committee (Receive & File) | Chair: Burke | Fine/2239 |
| 10787. | Mobile Source Air Pollution Reduction Review Committee (Receive & File) | Board Liaison: Benoit | Berry/2363 |
| 10826. | Technology Committee (Receive & File) | Chair: Buscaino | Miyasato/3249 |
| 10858. | California Air Resources Board Monthly Report (Receive & File) | Board Rep: Mitchell | Thomas/2500 |

Staff Presentation/Board Discussion

- | | | |
|--------|--|----------------|
| 10843. | Status Report on Regulation XIII - New Source Review | Dejbakhsh/2618 |
|--------|--|----------------|

This report presents the federal preliminary determination of equivalency for January 2018 through December 2018. As such, it provides information regarding the status of Regulation XIII – New Source Review in meeting federal NSR requirements and shows that South Coast AQMD's NSR program is in preliminary compliance with applicable federal requirements from January 2018 through December 2018. (Reviewed: Stationary Source Committee, January 24, 2020)

PUBLIC HEARING

- | | | |
|--------|---|---------------|
| 10857. | Determine That Proposed Amendments to Rule 1107 – Coating of Metal Parts and Products, Are Exempt from CEQA and Amend Rule 1107 | Nakamura/3105 |
|--------|---|---------------|

Rule 1107 was adopted in 1979 and last amended in 2006 and establishes VOC limits for most metal coatings operations. Proposed Amended Rule 1107 will be amended to be consistent with Reasonably Available Control Technology requirements as recommended in U.S. EPA's Control Techniques Guidelines for Miscellaneous Metal and Plastic Parts Coatings (September 2008). Proposed Amended Rule 1107 revises exemptions, adds work practices for coating-related activities, updates test methods, removes obsolete provisions, and adds clarifications. This action is to adopt the Resolution: 1) Determining that the proposed amendments to Rule 1107 – Coating of Metal Parts and Products, are exempt from the requirements of the California Environmental Quality Act, and 2) Amending Rule 1107 – Coating of Metal Parts and Products. (Reviewed: Stationary Source Committee, January 24, 2020)

PUBLIC COMMENT PERIOD – (Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3)

BOARD MEMBER TRAVEL – (No Written Material)

Board member travel reports have been filed with the Clerk of the Boards, and copies are available upon request.

CLOSED SESSION - (No Written Material)

Gilchrist/3459

ADJOURNMENT

*****PUBLIC COMMENTS*****

Members of the public are afforded an opportunity to speak on any agenda item before consideration of that item. Please notify the Clerk of the Board, (909) 396-2500, if you wish to do so. All agendas are posted at South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California, at least 72 hours in advance of the meeting. At the end of the agenda, an opportunity is also provided for the public to speak on any subject within the South Coast AQMD's authority. Speakers will be limited to a total of three (3) minutes for the Consent Calendar and Board Calendar and three (3) minutes or less for other agenda items.

Note that on items listed on the Consent Calendar and the balance of the agenda any motion, including action, can be taken (consideration is not limited to listed recommended actions). Additional matters can be added and action taken by two-thirds vote, or in the case of an emergency, by a majority vote. Matters raised under the Public Comment Period may not be acted upon at that meeting other than as provided above.

Written comments will be accepted by the Board and made part of the record, provided 25 copies are presented to the Clerk of the Board. Electronic submittals to cob@aqmd.gov of 10 pages or less including attachment, in MS WORD, PDF, plain or HTML format will also be accepted by the Board and made part of the record if received no later than 5:00 p.m., on the Tuesday prior to the Board meeting.

ACRONYMS

| | |
|---|--|
| AQ-SPEC = Air Quality Sensor Performance Evaluation Center | NESHAPS = National Emission Standards for Hazardous Air Pollutants |
| AQIP = Air Quality Investment Program | NGV = Natural Gas Vehicle |
| AQMP = Air Quality Management Plan | NOx = Oxides of Nitrogen |
| AVR = Average Vehicle Ridership | NSPS = New Source Performance Standards |
| BACT = Best Available Control Technology | NSR = New Source Review |
| BARCT = Best Available Retrofit Control Technology | OEHA = Office of Environmental Health Hazard Assessment |
| Cal/EPA = California Environmental Protection Agency | PAMS = Photochemical Assessment Monitoring Stations |
| CARB = California Air Resources Board | PEV = Plug-In Electric Vehicle |
| CEMS = Continuous Emissions Monitoring Systems | PHEV = Plug-In Hybrid Electric Vehicle |
| CEC = California Energy Commission | PM10 = Particulate Matter \leq 10 microns |
| CEQA = California Environmental Quality Act | PM2.5 = Particulate Matter \leq 2.5 microns |
| CE-CERT = College of Engineering-Center for Environmental Research and Technology | RECLAIM=Regional Clean Air Incentives Market |
| CNG = Compressed Natural Gas | RFP = Request for Proposals |
| CO = Carbon Monoxide | RFQ = Request for Quotations |
| DOE = Department of Energy | RFQQ=Request for Qualifications and Quotations |
| EV = Electric Vehicle | SCAG = Southern California Association of Governments |
| FY = Fiscal Year | SIP = State Implementation Plan |
| GHG = Greenhouse Gas | SOx = Oxides of Sulfur |
| HRA = Health Risk Assessment | SOON = Surplus Off-Road Opt-In for NOx |
| LEV = Low Emission Vehicle | SULEV = Super Ultra Low Emission Vehicle |
| LNG = Liquefied Natural Gas | TCM = Transportation Control Measure |
| MATES = Multiple Air Toxics Exposure Study | ULEV = Ultra Low Emission Vehicle |
| MOU = Memorandum of Understanding | U.S. EPA = United States Environmental Protection Agency |
| MSERCs = Mobile Source Emission Reduction Credits | VOC = Volatile Organic Compound |
| MSRC = Mobile Source (Air Pollution Reduction) Review Committee | ZEV = Zero Emission Vehicle |
| NATTS =National Air Toxics Trends Station | |

DRAFT

BOARD MEETING DATE: February 7, 2020

AGENDA NO.

REPORT: Status Report on Major Ongoing and Upcoming Projects for Information Management

SYNOPSIS: Information Management is responsible for data systems management services in support of all South Coast AQMD operations. This action is to provide the monthly status report on major automation contracts and planned projects.

COMMITTEE: Administrative, January 17, 2020, Reviewed

RECOMMENDED ACTION:
Receive and file.

Wayne Nastri
Executive Officer

RMM:MAH:XC:agg

Background

Information Management (IM) provides a wide range of information systems and services in support of all South Coast AQMD operations. IM's primary goal is to provide automated tools and systems to implement Board-approved rules and regulations, and to improve internal efficiencies. The annual Budget and Board-approved amendments to the Budget specify projects planned during the fiscal year to develop, acquire, enhance, or maintain mission-critical information systems.

Summary of Report

The attached report identifies each of the major projects/contracts or purchases that are ongoing or expected to be initiated within the next six months. Information provided for each project includes a brief project description and the schedule associated with known major milestones (issue RFP/RFQ, execute contract, etc.).

Attachment

Information Management Status Report on Major Ongoing and Upcoming Projects During the Next Six Months

ATTACHMENT
February 7, 2020 Board Meeting
Information Management Status Report on Major Ongoing and
Upcoming Projects During the Next Six Months

| Project | Brief Description | Estimated Project Cost | Completed Actions | Upcoming Milestones |
|--------------------------------------|--|-------------------------------|--|---|
| Office 365 Implementation | Acquire and implement Office 365 for South Coast AQMD staff | \$350,000 | <ul style="list-style-type: none"> • Pre-assessment evaluation and planning completed • Board approved funding on October 5, 2018 • Developed implementation and migration plan • Acquired Office 365 licenses • Implemented Office 365 email (Exchange) and migrated all users • Trained staff in Office 365 Pro Plus desktop software | <ul style="list-style-type: none"> • Implement Office 365 internal website (SharePoint) and migrate existing content |
| Permitting System Automation Phase 1 | New Web application to automate the filing of permit applications with immediate processing and issuance of permits for specific application types: Dry Cleaners, Gas Stations and Automotive Spray Booths | \$694,705 | <ul style="list-style-type: none"> • Automated 400A form filing, application processing, and online permit generation for Dry Cleaner, Automotive Spray Booth and Gas Station Modules deployed to production • Enhanced processing of school locations with associated parcels • Deployed upgraded GIS Map integration and enhanced sensitive receptor identification and distance measurement work | <ul style="list-style-type: none"> • Continue Phase 1.1 project outreach support |

| Project | Brief Description | Estimated Project Cost | Completed Actions | Upcoming Milestones |
|--------------------------------------|---|------------------------|---|---|
| Permitting System Automation Phase 2 | Enhanced Web application to automate filing of permit applications, Rule 222 equipment and registration for IC engines; implement electronic permit folder and workflow for internal South Coast AQMD users | \$525,000 | <ul style="list-style-type: none"> • Board approved initial Phase 2 funding December 2017 • Phase 2 project startup and detail planning completed May 2018 • Business process model approved • Board approved remaining Phase 2 funding October 5, 2018 • Permitting Automation Workflow/Engineer shadowing/interviewing completed • Report outlining recommendations for automation of Permitting Workflow completed • Development of application submittals and form filing of the first nine of 32 400-E forms • Application submittals and form filing for 23 types of equipment under Rule 222 ready for User Testing • Deployment to production of top three most frequently used R222 forms: Negative Air Machines, Small Boilers, and Charbroilers | <ul style="list-style-type: none"> • Complete User Testing for first nine 400-E forms • Deployment of remaining twenty three R222 forms to production |

| Project | Brief Description | Estimated Project Cost | Completed Actions | Upcoming Milestones |
|--|---|--|---|--|
| Information Technology Review Implementation | Complete Board requested Information Technology review and initiate work on implementation of key recommendations | \$75,000 (funding included in \$350,000 Office 365 implementation project) | <ul style="list-style-type: none"> • Initiated Implementation Planning and Resource Requirements for key recommendations • Completed Microsoft Project Plan training for all IM Managers, Supervisors and Secretaries • Established internal Information Technology Steering Committee, members and charter • Configured and deployed Project Management software for IM team | <ul style="list-style-type: none"> • Office 365 deployment |
| Permit Application Status and Dashboard Statistics | New Web application to allow engineers to update intermediate status of applications; create dashboard display of status summary with link to FIND for external users | \$100,000 | <ul style="list-style-type: none"> • Board approved funding December 2017 • Project startup and detail planning completed • Development of Release 1 and application search module completed • User testing for data capture and user reports modules completed • Internal deployment of application for engineers to populate application related data completed • Enhancements requested by users | <ul style="list-style-type: none"> • Continue user data input for all open applications • Deploy of external application (and link to FIND) for regulated community to view application related data |
| Document Conversion Services | Document Conversion Services to convert paper documents stored at South Coast AQMD facilities to electronic storage in OnBase | \$83,000 | <ul style="list-style-type: none"> • Released RFQ October 5, 2018 • Approved qualified vendors January 4, 2019 • Executed purchase orders for scanning services • Converted over 1,207,500 rule administrative record documents | <ul style="list-style-type: none"> • Convert over 2,000,000 contract documents |

| Project | Brief Description | Estimated Project Cost | Completed Actions | Upcoming Milestones |
|--|--|------------------------|--|---|
| Replace Your Ride (RZR) | New Web application to allow residents to apply for incentives to purchase newer, less polluting vehicles | \$301,820 | <ul style="list-style-type: none"> • Phase 2 Fund Allocation, Administration and Management Reporting modules deployed and in production • Final Phase 2 user requested enhancements: VIN Number, Case Manager, Auto e-mail and document library updates deployed to production • Phase 3 moved to production • Implemented Electric Vehicle Service Equipment and other requested modifications | <ul style="list-style-type: none"> • Implementation of RZR and PeopleSoft Financial integration module |
| South Coast AQMD Mobile Application Enhancements | Enhancement of Mobile application with addition of advance notification, alternative fuel station search, media integration, infrastructure for hourly migration, and performance improvements | \$100,000 | <ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Code development of Phase 1, alternative fuel, media integration, and performance improvements completed • User Acceptance Testing of Phase 1 completed | <ul style="list-style-type: none"> • Deployment to App stores |

| Project | Brief Description | Estimated Project Cost | Completed Actions | Upcoming Milestones |
|---------------------------------------|---|-------------------------------|--|---|
| Legal Division New System Development | Develop new web-based case management system for Legal Division to replace existing system | \$500,000 | <ul style="list-style-type: none"> • Task order issued, evaluated and awarded • Project charter finalized • Business Process Model completed • Sprint 1, 2 and 3 functional and system design completed • Testing of Sprints 1–3: NOVs, MSPAP, settlements, civil and small claims completed • Sprint 4 functional and design requirements: criminal, bankruptcy, non-NOV cases and check registers completed • Sprint 5 functional and design requirements–investigative assignments completed | <ul style="list-style-type: none"> • Deployment to IM servers and User Testing for Sprints 1-5 modules • OnBase and finance integration • Sprint 6 development: reports and data migration |
| Flare Event Notification – Rule 1118 | Develop new web-based application to comply with Rule 1118 to improve current flare notifications to the public and staff | \$100,000 | <ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Requirement gathering and design for Sprint 1, 2, and 3 completed • Sprint 4, Public Portal implementation, completed • Major incident notification deployed • Refinery user training completed • Application demo completed • Deployed to production on December 12, 2019 including major incident reporting on public portal | <ul style="list-style-type: none"> • Phase II (administrative and reporting pages) development |

| Project | Brief Description | Estimated Project Cost | Completed Actions | Upcoming Milestones |
|---|--|------------------------|--|---|
| VW Environmental Mitigation Action Plan Project | Develop a web application for Zero-Emission Class 8 Freight and Port Drayage Truck Project & Combustion Freight and Marine Project, and incentive programs, and maintain a database that will be queried for reporting to CARB | \$355,000 | <ul style="list-style-type: none"> • Project charter document released • Task order issued, evaluated and awarded • Requirement gathering and design for Phase 1 application acceptance completed • System development for Phase 1 completed • Phase 1 User Acceptance Testing completed • Phase 1 Beta testing completed • Deployed to production successfully after December Board approval | <ul style="list-style-type: none"> • Developing ranking and reporting systems in the admin module • Form creation for Class 8 |
| AQ-SPEC Cloud Platform | Develop a cloud-based platform to manage and visualize data collected by low-cost sensors | \$385,500 | <ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Business requirements gathering completed • System architecture, data storage, and design data ingestion completed • Data transformations, calculations, and averaging completed • Dashboards, microsites, data migration completed • Release 2 User Acceptance Testing completed | <ul style="list-style-type: none"> • Deployment to production |

| Project | Brief Description | Estimated Project Cost | Completed Actions | Upcoming Milestones |
|--|---|-------------------------------|--|---|
| PeopleSoft Electronic Requisition | South Coast AQMD is implementing electronic requisition for PeopleSoft Financials. This will allow submittal of requisitions online, tracking multiple levels of approval, electronic archival, pre-encumbrance of budget, and streamlined workflow | \$75,800 | <ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Requirement gathering and system design completed • System setup and code development and user testing for Information Management completed • System setup and code development and User Acceptance Testing completed for AHR (Administrative and Human Resources) | <ul style="list-style-type: none"> • Deployment to IM and AHR divisions • Integrated User Testing for other divisions |
| Data Cable Infrastructure Installation | Vendor to install a full, turnkey data cable infrastructure system with the latest technical specifications that can provide connectivity and a broader network bandwidth | \$273,125 | <ul style="list-style-type: none"> • Released RFP July 12, 2019 • Board approved funding on October 4, 2019 • Executed contract | <ul style="list-style-type: none"> • Complete implementation February 28, 2020 |
| Prequalify Vendor List for PCs, Network Hardware, etc. | Establish list of prequalified vendors to provide computer, network, and printer hardware and software, and to purchase desktop computer hardware upgrades | \$300,000 | <ul style="list-style-type: none"> • Released RFQQ November 1, 2019 | <ul style="list-style-type: none"> • Approve Vendors List February 7, 2020 |

| Project | Brief Description | Estimated Project Cost | Completed Actions | Upcoming Milestones |
|---|---|-------------------------------|--|---|
| Annual Emission Reporting (AER) enhancement | AER is used by facilities to report annual emissions. Substantial enhancements are required to meet the requirements for Rule 301 changes and AB 617 | \$275,800 | <ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Business requirements gathering completed • System architecture and system design completed • Development of Phase 1 completed • Phase 1 moved to production to begin January 1 reporting period • Phase 2 Development completed | <ul style="list-style-type: none"> • Phase 2 move to production |
| Rule 1403 Enhancements | The Rule 1403 web application automates the Rule 1403 notification process. Enhancements to the system are now required to streamline the process and to meet the new rule requirements | \$68,575 | <ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Business requirements gathering completed • Development of Phase 1 completed • Development of Phase 2 completed • System Integration Testing and User Acceptance Testing completed | <ul style="list-style-type: none"> • System deployment to production |

Projects that have been completed within the last 12 months are shown below.

| Completed Projects | |
|--|-------------------|
| Project | Date Completed |
| Annual Emissions Reporting System | December 31, 2019 |
| Rule 1180 Fence Line Monitoring web site | December 31, 2019 |
| Online filing of Rule 222 – Negative Air Machines, Small Boilers, and Charbroilers modules | December 13, 2019 |
| Flare Notification System | December 12, 2019 |
| Volkswagen Environmental Mitigation Application Filing Portal | December 7, 2019 |
| CLASS Database Software Licensing and Support | November 30, 2019 |
| Office 365 Suite Implementation of File Storage (OneDrive for Business) | November 22, 2019 |
| Ingres Database Migration to Version 11 | August 23, 2019 |
| Renewal of OnBase Software Support | July 15, 2019 |
| Telecommunications Service | July 15, 2019 |
| AB 617 – Community Monitoring Data Display Web Application | July 9, 2019 |
| Online filing of Rule 1415 – Reduction of Refrigerant Emissions System | June 5, 2019 |
| South Coast AQMD Mobile Application for Android devices | May 30, 2019 |
| Renewal of HP Server Maintenance & Support | April 30, 2019 |
| Implementation of Enterprise Geographic Information System (EGIS) Phase II | March 11, 2019 |
| FIND (Facility INformation Detail) upgrade | February 21, 2019 |

DRAFT

BOARD MEETING DATE: February 7, 2020

AGENDA NO.:

PROPOSAL: Establish List of Prequalified Vendors to Provide Computer, Network, Printer, Hardware and Software, and Audio Visual Equipment

SYNOPSIS: On November 1, 2019, the Board approved the release of a Request for Qualifications and Quotations (RFQQ) to prequalify vendors for computer, network, printer, hardware and software, and audio visual equipment. As a result of successful responses to this RFQQ, eight vendors were identified as capable of providing these products. This action is to approve these eight vendors to provide these products for a two-year period. Funds (\$300,000) for these purchases are included in Information Management FY 2019-20 Budget.

COMMITTEE: Administrative, January 17, 2020; Recommended for Approval

RECOMMENDED ACTION:

Approve list of prequalified vendors in the Attachment for a two-year period to provide computer, network, printer, hardware and software, and audio visual equipment.

Wayne Nastri
Executive Officer

RMM:MH:RP:hlp

Background

On November 1, 2019 South Coast AQMD released Request for Qualifications and Quotations (RFQQ) #Q2020-04 for computer, network, printer, hardware and software, and audio visual equipment. The purpose of this RFQQ was to invite eligible vendors to submit quotations for eight categories, consisting of: 1) computer equipment (desktop and file server); 2) parts (desktop and file server); 3) software (desktop and network); 4) printers; 5) printer parts; 6) network LAN/WAN equipment; 7) desktop computer hardware upgrade systems; and 8) audio visual equipment. Vendors could bid on any or all, of the categories. The recommended vendors resulting from this RFQQ were used to compile a prequalified vendor list. Purchase orders may be placed with any or all of the vendors on the prequalified vendor list. This prequalified vendor list will be in effect for a period of two years, and will expire on February 7, 2022. Orders for equipment purchased under this RFQQ will be placed with the vendors who are determined to be the most advantageous to the South Coast AQMD at the time of

placing the order. It is expected that product orders will be placed throughout the duration of the qualification period. Consideration will be given to cost advantage, technical superiority, length of warranty, and services provided.

Outreach

In accordance with South Coast AQMD's Procurement Policy and Procedure, a public notice advertising the RFQQ and inviting bids was published in the Los Angeles Times, the Orange County Register, the San Bernardino Sun, and Riverside County's Press Enterprise newspapers to leverage the most cost-effective method of outreach to the South Coast Basin.

Additionally, potential bidders may have been notified utilizing South Coast AQMD's own electronic listing of certified minority vendors. Notice of the RFQQ has been emailed to the Black and Latino Legislative Caucuses and various minority chambers of commerce and business associations, and placed on the Internet at South Coast AQMD's website (<http://www.aqmd.gov>).

Bid Evaluation

Eighty-four copies of the RFQQ were mailed out and eight vendors responded when final bidding closed at 1:00 p.m. on December 4, 2019. Of the eight complete responses, one is nero-zero compliant; two are women-owned business enterprises; four are minority-owned business enterprises; six are local business enterprises; and three are small business enterprises. All eight bids met the minimum requirements specified in the RFQQ and are recommended for prequalification in the appropriate categories.

The Attachment lists the eight vendors prequalified to provide computer, network, printer, hardware and software, and audio visual equipment.

The evaluation panel consisted of four staff from Information Management: a Systems and Programming Supervisor, two IT Supervisors and a Senior Information Technology Specialist. Of the four panelists, two are Asian-Pacific Islanders, two are Hispanic, and all are male.

Resource Impacts

Funds for the purchase of desktop, computer, and hardware upgrade systems are included in the FY 2019-20 Budget.

Attachment

List of Prequalified Vendors for Computer, Network, Printer, Hardware and Software, and Audio Visual Equipment.

ATTACHMENT A

List of Prequalified Vendors for Computer, Network, Printer, Hardware and Software, and Audio Visual Equipment

| | Vendor | Cat 1 | Cat 2 | Cat 3 | Cat 4 | Cat 5 | Cat 6 | Cat 7 | Cat 8 |
|---|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1 | CDW Government LLC | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 2 | Nth Generation Computing | Yes | Yes | No | No | No | No | No | No |
| 3 | PCMG, Inc | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 4 | Peacock Systems | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 5 | JPK Micro Supply, INC | No | Yes | Yes | No | No | No | Yes | No |
| 6 | California Integrated Solutions, INC | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No |
| 7 | Communication Supply Corporation | No | No | No | No | No | Yes | No | No |
| 8 | Golden Star Technology | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes |

Categories of Supplies and Services:

1. Computer Systems
2. Computer Parts
3. Computer Software
4. Printers
5. Printer Parts/Accessories
6. Network Equipment
7. Desktop Computer Hardware Upgrade Systems
8. Audio Visual Equipment

ADDENDUM TO INDEMNIFICATION AGREEMENT**BETWEEN THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
AND TESORO REFINING & MARKETING COMPANY LLC- LOS ANGELES
REFINERY****REGARDING INDEMNITY FOR COSTS ASSOCIATED WITH CLAIMS ARISING
FROM THE LOS ANGELES REFINERY INTEGRATION AND COMPLIANCE
PROJECT**

This ADDENDUM is made and entered into this _____ day of January 2020, by and between the SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT (“South Coast AQMD”) and the Tesoro Refining & Marketing Company LLC (“Tesoro”).

RECITALS

WHEREAS, on August 18, 2017, the South Coast AQMD and Tesoro entered into an indemnification agreement (“Indemnification Agreement”) for all costs and attorneys’ fees incurred by the South Coast AQMD for work relating to the defense of the Los Angeles Refinery Integration and Compliance Project (“Project”), under the terms and conditions set forth in the Indemnification Agreement;

WHEREAS, the Indemnification Agreement’s paragraph seven (7) allows for a written amendment to the Indemnification Agreement if the amendment is signed by both the South Coast AQMD and Tesoro;

WHEREAS, in a letter dated December 16, 2019, Communities for a Better Environment commented on the South Coast AQMD’s Draft Title V permits associated with the Project;

WHEREAS, on December 18, 2019, the South Coast AQMD was served with a Verified Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief (“Lawsuit”), Los Angeles Superior Court Case No. 19STCP05239, challenging the November 2019 Addendum to the Project’s 2017 Final Environmental Impact Report; and

WHEREAS, on December 19, 2019, Executive Officer Wayne Nastri was also served with the Lawsuit.

AGREEMENT

NOW, THEREFORE, IT IS MUTALLY AGREED between South Coast AQMD and Tesoro that, subject to the Indemnification Agreement's terms and conditions:

The Indemnification Agreement's terms remain in effect; and

That Tesoro will reimburse the South Coast AQMD for all costs and attorneys' fees associated with the Lawsuit.

IN WITNESS THEREOF, the Parties have executed this Agreement by their duly authorized representatives as of the date set forth below their respective signatures

Tesoro

DATED: _____ By: _____

South Coast AQMD

DATED: _____ By: _____

DRAFT

Item 9

BOARD MEETING DATE: February 7, 2020

AGENDA NO.

PROPOSAL: Recognize Revenue, Transfer and Appropriate Funds, Approve Positions, Issue Solicitations and Purchase Orders, and Execute Contracts and Agreements for Mid-Year Budget Adjustments

SYNOPSIS: South Coast AQMD is expected to receive up to \$20 million for AB 617 continued implementation. Additional resources of \$3,061,582 are needed in the FY 2019-20 Budget to enable the implementation of critical projects and programs. These actions are to: (1) Recognize revenue up to \$20 million for AB 617 implementation into the General Fund; (2) Appropriate \$3,061,582 from the General Fund Undesignated (Unassigned) Fund Balance into the FY 2019-20 and/or FY 2020-21 General Fund Budget for several key projects; (3) Transfer \$1,000,000 from the General Fund Undesignated (Unassigned) Fund Balance to the Infrastructure Improvement Fund (02); (4) Transfer up to \$30,794 from the AB 134 Community Air Protection Fund (77) into the FY 2019-20 General Fund Budget for administrative costs; (5) Approve the addition of positions from the General Fund; and (6) Issue solicitations and purchase orders and execute contracts and agreements for Mid-Year Budget Adjustments.

COMMITTEE: Administrative, January 17, 2020; Recommended for Approval

RECOMMENDED ACTIONS:

1. Recognize, upon receipt, up to \$20 million from CARB into the General Fund for continued AB 617 implementation, including administrative costs, and authorize the Executive Office to accept terms and conditions of the grant award from CARB;
2. Appropriate \$3,061,582 from the General Fund Undesignated (Unassigned) Fund Balance to the FY 2019-20 and/or FY 2020-21 General Fund Budgets as listed in Tables 1-4;
3. Transfer \$1,000,000 from the General Fund Undesignated (Unassigned) Fund Balance to the Infrastructure Improvement Fund (02);
4. Transfer up to \$30,794 from the AB 134 Community Air Protection Fund (77) into the FY 2019-20 General Fund Budget to reimburse the General Fund for administrative costs;
5. Approve the addition of 3 new positions as listed in Table 1; and
6. Authorize the Executive Officer to issue solicitations and, based on results, issue purchase orders and execute contracts in accordance with South Coast AQMD Procurement Policy and Procedure for items listed in Tables 3-4.

Background

This Board letter recognizes revenues for continued AB 617 implementation and addresses a mid-year budget adjustment including resource requests related to Infrastructure, Salaries, Service and Supplies and Capital Outlays.

Major elements of AB 617 include: accelerated BARCT rulemaking, statewide consistent emission reporting, air monitoring in communities, and community emission reduction plans. In January 2018, the Board approved 36.5 new positions, \$400,000 for contracts, \$865,000 for capital outlays, and \$1,460,000 for other services and supplies for initial work for AB 617, based on first-year AB 617 funding for South Coast AQMD. In December 2018, the Board approved additional 47 new staff positions, reassignment of 0.5 FTE and upgrade to 5 additional positions for the AB 617 program. AB 617 requires community emission reduction programs based on monitoring and other data. For FY 2019-20, CARB has allocated South Coast AQMD at least \$20 million as our portion of the state funding for the community monitoring and emission reduction plan elements. Additional funding is being considered and will be recognized in a subsequent Board letter.

The FY 2019-20 Annual Budget included continued cost recovery initiatives and cost reduction efforts, including no or minor increases in Services and Supplies expenditures and an increased vacancy rate. The reductions in the FY 2019-20 budget included decreases in Services and Supplies (2.4 percent) and Capital Outlays (63.7 percent) when compared to the FY 2018-19 adopted budget. South Coast AQMD ended FY 2018-19 with revenues exceeding expenses by \$3.3M, \$13.0M over the FY 2018-19 Amended Budget. In addition, since the FY 2019-20 Budget was adopted, several key projects with budget needs have been identified, including fleet vehicle replacement and information technology and infrastructure improvements.

Current grant funding levels are significantly greater than levels just a few years ago and are anticipated to continue increasing over the next few years. As such, a Financial Analyst (partially funded with AB134 and AB617 administrative funds) is needed to accommodate increased grants management and reporting activity as well as respond to requests from auditors and various units within South Coast AQMD. A Senior Information Technology Specialist is needed to perform advanced work, and support various conference center and audio-visual functions within the department and provide technology solutions. A Senior Public Information Specialist is needed to support environmental justice activities.

The South Coast AQMD headquarters building is 28 years old and in critical need of improvements, upgrades, repairs and replacements of various infrastructure and systems. There are several key projects that staff have identified such as a parking deck renovation; upgrades and repairs to the heating, ventilation, air conditioning and refrigeration equipment; the replacement of the atrium's roof as well as the roof at the Child Care Center; the replacement of the cafeteria pollution control system; and the repair and re-sealing of the parking lot asphalt. The total cost estimate for these items exceeds several million dollars, and will be part of near- and long-term infrastructure planning for these projects.

The status of the current fleet necessitates the replacement of older, high-mileage, and high-cost vehicles with newer, safer vehicles that will improve driver safety, reliability, and reduce maintenance costs and repairs.

Various information technology initiatives require the upgrade of hardware and operating system software as they are nearing the end of their useful life and will no longer be supported by the vendors. Applications need to be built or enhanced to provide real-time or improved air quality reports to the public.

Proposal

These actions are to recognize an additional \$20 million into the General Fund from CARB for AB 617 Year 2 implementation.

Staff is also seeking Board approval to appropriate \$3,061,582 from the General Fund Undesignated (Unassigned) Fund Balance to the FY 2019-20 and/or FY 2020-21 General Fund Budgets as listed in Tables 1-4. These actions will provide the necessary funding of:

- \$256,582 in Salaries and Employee Benefits for three staff positions (including \$61,588 funded by AB 134 and AB 617);
- \$1,000,000 to the Infrastructure Improvement Fund (02) to provide funding for some of the critical building infrastructure improvement projects;
- \$580,000 for Service and Supplies; and
- \$1,225,000 for Capital Outlays.

Benefits to South Coast AQMD

The Year 2 funding for AB 617 implementation will allow South Coast AQMD to fulfill the legislative directives, which will result in benefits to environmental justice communities, and to the entire region.

Providing additional funding for FY 2019-20 and/or FY 2020-21 will allow staff to fully implement critical projects and programs, including setting aside funds for future infrastructure, the purchase of information technology hardware and software, source testing automation, monitoring and compliance efforts, system maintenance efforts and fleet vehicle replacement.

Resource Impacts

The General Fund Undesignated (Unassigned) Fund Balance position as of June 30, 2019 is sufficient to allow the proposed appropriation of funds and still meet the Board's Unreserved Fund Balance Policy of a minimum of 20 percent of revenues for this fiscal year.

Staff continues to monitor and assess resource needs and available funding for AB 617.

Attachments

A. Tables – 4

ATTACHMENT A

Table 1

Proposed FY 2019-20 Funding Appropriations for Staffing Additions & Changes

| Org Unit | Position Title | FTEs | Amount |
|-----------------|---------------------------------------|-------------|-------------------|
| FIN | Financial Analyst | 1 | \$ 92,382* |
| IM | Sr. Information Technology Specialist | 1 | 79,205 |
| LPAM | Sr. Public Information Specialist | 1 | 84,995 |
| | Total | 3 | \$ 256,582 |

Note: Appropriation is for January – June 2020

**This position is equally funded by AB 134, AB 617 and the General Fund)*

Table 2

Proposed FY 2019-20 Transfer to Special Revenue Fund

| Transfer to Funds | Amount |
|--------------------------|---------------------|
| Infrastructure Fund (02) | \$ 1,000,000 |
| Total | \$ 1,000,000 |

Table 3

Proposed FY 2019-20 and/or FY 2020-21 Additional Budget Adjustments Services & Supplies Major Object

| Org Unit | Account/Description | Amount |
|-----------------|---|-------------------|
| IM | 68100 – Office Expense (server hardware & operating system upgrade - \$280,000; work station/laptop replacements - \$200,000; cellphone replacement - \$100,000) | \$ 580,000 |
| | Total | \$ 580,000 |

Note: Listed expenditures may be appropriated in the Capital Outlays Major Object as warranted.

Table 4

**Proposed FY 2019-20 and/or FY 2020-21 Additional Budget Adjustments
Capital Outlays Major Object**

| Description | Org Unit | Account | Qty | Estimated Amount | Action |
|---|---------------------|----------------|------------|-----------------------------|-----------------------------------|
| Fleet Vehicles | AHR | 77000 | 15 | \$ 450,000 | RFP/RFQ |
| Special Monitoring Website | IM | 77000 | 1 | 80,000 | Already Approved Vendors |
| Application for Hourly Forecast Model | IM | 77000 | 1 | 200,000 | Already Approved Vendors |
| Advisories and Emergency Notifications | IM | 77000 | 1 | 150,000 | Already Approved Vendors |
| Mobile App Enhancements | IM | 77000 | 1 | 60,000 | Already Approved Vendors |
| Source Tests Automated System | IM | 77000 | 1 | 250,000 | Already Approved Vendors |
| Van | LPAM | 77000 | 1 | 35,000 | RFQ/ Cooperative Purchasing |
| Total | | | | \$ 1,225,000 | |

Note: Listed expenditures may be appropriated in the Services and Supplies Major Object as warranted.

DRAFT

BOARD MEETING DATE: February 7, 2020

AGENDA NO.

PROPOSAL: Receive and File Annual Report on 457 Deferred Compensation Plan

SYNOPSIS: South Coast AQMD sponsors an IRS-approved 457 deferred compensation program for its employees. The Annual Report addresses the Board's responsibility for monitoring the activities of the Deferred Compensation Plan Committee and ensuring the Committee carries out its fiduciary duties and responsibilities under the Committee Charter. Staff will also summarize the history and performance of the firms that have provided services for South Coast AQMD. This action is to receive and file the Annual Report.

COMMITTEE: Administrative, December 13, 2019 and January 17, 2020;
Recommended for Approval

RECOMMENDED ACTION:
Receive and file Annual Report.

Wayne Nastri
Executive Officer

AJO:mm

Background

South Coast AQMD sponsors and administers a 457 deferred compensation program for its employees. The Deferred Compensation Plan ("Plan") is administered by Massachusetts Mutual Life Insurance Company (MassMutual), a retirement services, asset management and insurance firm. State law governs the fiduciary requirements for the operation and investment of 457 plans sponsored by governmental entities. South Coast AQMD Governing Board (Board) serves a fiduciary role, subject to the duties and obligations under Article XVI, Section 17 of the California Constitution.

To meet its fiduciary responsibilities, the Board, at the time it established South Coast AQMD's 457 Plan, also established a Deferred Compensation Plan Committee

(“Committee”) to oversee the administration of the Plan. On May 2, 2008, the Board approved the Deferred Compensation Plan Committee Charter, formalizing the fiduciary duties and responsibilities of the Committee. The four members of the Deferred Compensation Plan Committee are the Chief Financial Officer, the Deputy Executive Officer/Administrative and Human Resources, the Human Resources Manager for employee benefits, and the General Counsel.

In addition to the retirement plan administrator, South Coast AQMD utilizes the services of an independent, third-party consulting firm, Benefit Financial Services Group (BFSG), to provide services to the Plan as a fiduciary under a Registered Investment Advisor agreement.

Summary of Report

The Committee meets on a quarterly basis to review the Plan’s design, investment options, asset allocation, and demographics, and to make changes as necessary. During the 2018-19 fiscal year period, the Committee placed one fund on the Watch List due to relative underperformance and removed another fund from the Watch List due to improved performance, replaced several target date fund models, added a new index fund category, replaced three specialty funds with an index fund for each respective sector, and replaced one small cap fund.

In addition, the Committee voted to adopt revisions to the Investment Policy Statement, and to extend the current contract with BFSG for one additional year.

As of June 30, 2019, the Plan has:

- 985 participants (employees and retirees);
- Approximately \$185 million in assets; and
- Outperformed the 3-, 5- and 10-year performance benchmarks.

The Annual Report provides detailed information regarding Plan Assets/Demographics and Plan Performance.

Proposal

Staff recommends the Board receive and file the 457 Deferred Compensation Plan Annual Report to the Board for FY 2018-19.

Attachment

457 Deferred Compensation Plan Annual Report for FY 2018-19



ANNUAL REPORT TO THE BOARD

**REPORT PERIOD: JULY 2018 -
JUNE 2019**

South Coast Air Quality Management District
457 Deferred Compensation & 401 (a)
Defined Contribution Plans

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SECTION I

EXECUTIVE SUMMARY

Executive Summary

South Coast Air Quality Management District ("South Coast AQMD") maintains a governmental 457(b) Deferred Compensation Plan and 401(a) Defined Contribution Plan (collectively, the "Plan") for the benefit of eligible employees. South Coast AQMD's Deferred Compensation Plan was adopted on January 1, 1987. South Coast AQMD's 401(a) Plan was adopted on January 1, 2017.

South Coast AQMD's Deferred Compensation Plan Committee ("Committee"), officially chartered in May 2008, and whose members are appointed by South Coast AQMD's Governing Board, meets on a regular basis to review the Plan's design, investment options, asset allocation/demographics, and to make changes as necessary. Current membership includes the Chief Financial Officer of Finance, General Counsel, the Deputy Executive Officer of Administrative and Human Resources, and a Human Resources Manager.

The Plan is administered by Massachusetts Mutual Life Insurance Company ("Mass Mutual"), a retirement services, asset management and insurance firm. MassMutual provides recordkeeping and administration services to more than 3,300 governmental plans, with over \$21 billion in total assets, as of December 31st, 2018. MassMutual has been administering 457 plans since 1979 and has an S&P credit rating of AA+ (as of May 28, 2019).

In addition to the retirement plan administrator, SCAQMD utilizes the services of Benefit Financial Services Group ("BFSG"). BFSG is a third-party consulting firm that provides services to the Plan as a fiduciary under a Registered Investment Advisor agreement. Their consulting services include investment analysis, review and recommendation of investment options offered in the Plan, fiduciary compliance assistance to Committee members and Plan cost benchmarking. BFSG has been providing services to the Plan since 2007.

The Plan was established to provide a retirement savings program for the employees of SCAQMD and is maintained for the exclusive purpose of benefiting the Plan participants and their beneficiaries. The Plan is also intended to operate in accordance with all applicable state and federal laws and regulations.

While Plan participants are ultimately responsible for their own investment decisions, the Committee endeavors to provide an appropriate range of investment options, allowing participants to invest in accordance with their own time horizons, risk tolerance, and retirement goals.

SECTION II

YEAR IN REVIEW

2018/2019 Year in Review

Items addressed and adopted by the Committee during the year are as follows:

Plan Updates

| Meeting Date | Item | Update |
|-------------------|--|--|
| December 12, 2018 | Investment Policy Statement ("IPS") | The Committee unanimously agreed to adopt proposed revisions to the IPS. |
| March 29, 2019 | BFSG Consulting Agreement | The Committee unanimously agreed to extend the current contract with BFSG for deferred compensation consulting services for one more year. |
| June 4, 2019 | Plan Expense Reimbursement Account ("PERA") Review | The Committee unanimously agreed to continue using the balance in the PERA to pay outstanding qualified Plan-related expenses until the account is depleted. |

2018/2019 Year in Review

Items addressed and adopted by the Committee during the year are as follows:

Investment Menu

| Meeting Date | Item | Update |
|--------------------|---------------------------|--|
| September 12, 2018 | Watch List | The Committee unanimously agreed to remove MFS International New Discovery from the watch list due to improved performance. |
| | Fund Change | The Committee unanimously agreed to add Vanguard Emerging Markets Stock Index to the Plan. This change was effective December 3, 2018. |
| | Custom Target Date Models | The Committee unanimously agreed to adopt new custom target date models to replace the current asset allocation models that could not be replicated on the new MassMutual platform. BFSG were appointed as the 3(38) Investment Manager for the new custom target date models. |
| March 29, 2019 | Watch List | The Committee unanimously agreed to add Vanguard Selected Value to the Watch List due to underperformance relative to peers. |
| | Fund Changes | The Committee unanimously agreed to replace MFS Utilities with Vanguard Utilities Index, and to replace Neuberger Berman Sustainable Equities with Vanguard FTSE Social Index. The Committee unanimously agreed, with Mr. Richards abstaining, to replace Invesco Real Estate with Vanguard Real Estate Index. These changes were effective June 17, 2019. |
| | Share Class Change | The Committee unanimously agreed to replace American Beacon Small Cap Value Inst with American Beacon Small Cap Value R6. This change was effective June 17, 2019. |

SECTION III

PLAN ASSETS / DEMOGRAPHICS

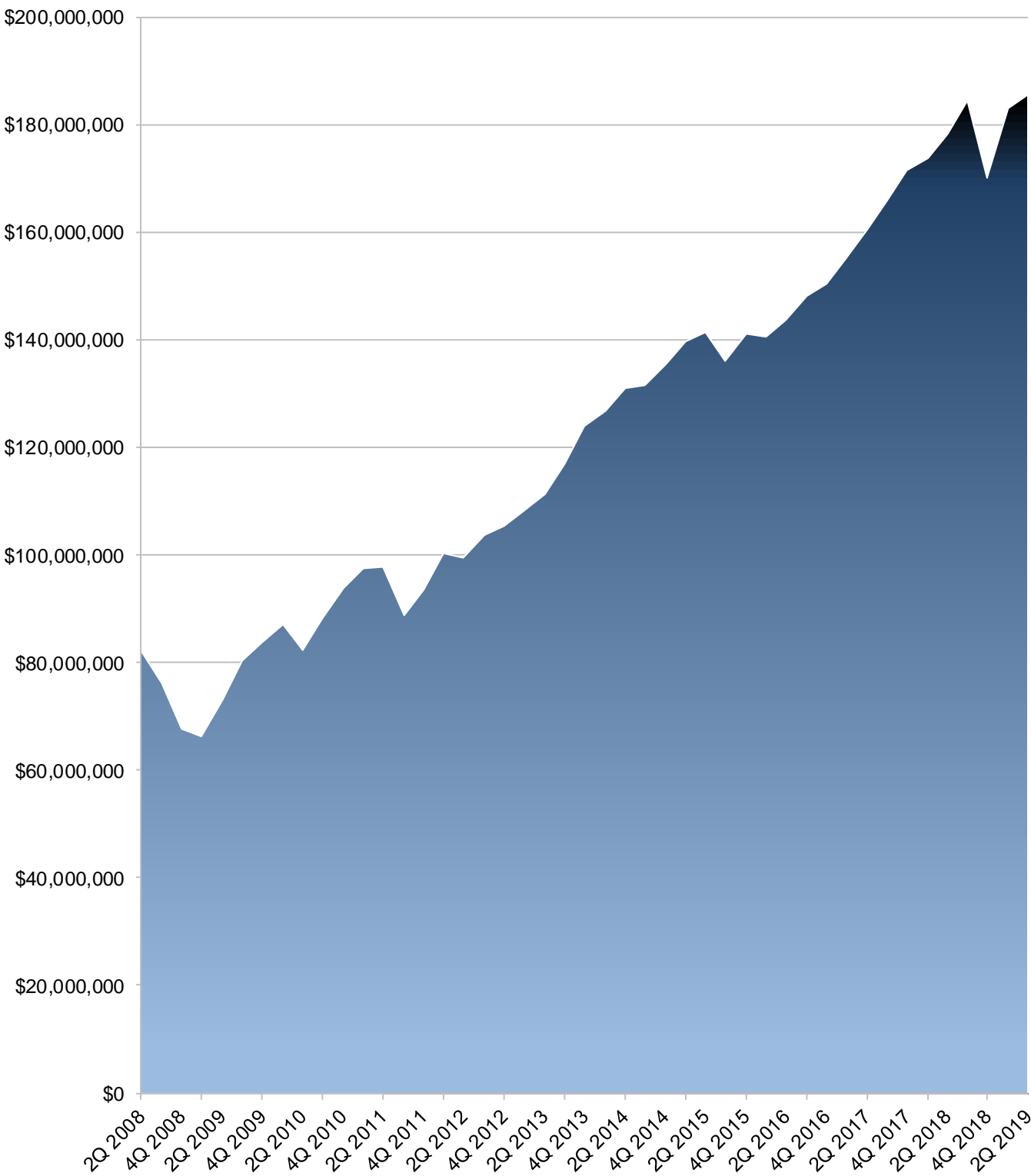
Plan Assets (Combined) / Demographics as of June 30, 2019

| Investment Option | % of Plan Assets | Participants | Plan Assets |
|--|------------------|--------------|----------------------|
| Guaranteed Interest Account | 46.29% | 653 | \$85,625,036 |
| T. Rowe Price Blue Chip Growth I | 11.94% | 460 | \$22,076,079 |
| American Funds Fundamental Invs R6 | 7.35% | 232 | \$13,595,832 |
| Hartford MidCap Y | 4.64% | 369 | \$8,587,535 |
| Vanguard Institutional Index I | 4.36% | 217 | \$8,068,127 |
| Hartford Dividend and Growth R5 | 3.72% | 364 | \$6,886,988 |
| Hartford International Opportunities R5 | 2.54% | 388 | \$4,690,055 |
| Invesco Equity and Income A | 2.23% | 121 | \$4,124,580 |
| Hartford Healthcare R5 | 2.10% | 99 | \$3,889,216 |
| Goldman Sachs Small Cap Gr Insights Inv | 1.98% | 322 | \$3,670,851 |
| Metropolitan West Total Return Bd I | 1.87% | 241 | \$3,457,456 |
| T. Rowe Price Retirement 2045 | 1.66% | 88 | \$3,077,106 |
| Vanguard Selected Value Inv | 1.32% | 293 | \$2,441,199 |
| T. Rowe Price Retirement 2035 | 1.21% | 34 | \$2,233,007 |
| American Beacon Small Cap Value R6 | 1.04% | 291 | \$1,927,960 |
| Vanguard Total Bond Market Index Adm | 0.96% | 163 | \$1,780,827 |
| Vanguard Mid Cap Index Admiral | 0.93% | 135 | \$1,714,052 |
| MFS International New Discovery A | 0.90% | 116 | \$1,658,478 |
| Vanguard Small Cap Index Adm | 0.71% | 124 | \$1,309,462 |
| Vanguard Utilities Index Adm | 0.67% | 81 | \$1,246,019 |
| Vanguard Developed Markets Index Admiral | 0.38% | 83 | \$695,563 |
| Vanguard Real Estate Index Admiral | 0.32% | 54 | \$591,688 |
| Vanguard FTSE Social Index Admiral | 0.22% | 44 | \$405,894 |
| T. Rowe Price Retirement 2025 | 0.14% | 17 | \$249,745 |
| Vanguard Small Cap Value Index Admiral | 0.10% | 124 | \$183,635 |
| T. Rowe Price Retirement 2050 | 0.10% | 16 | \$182,156 |
| DFA US Large Cap Value I | 0.09% | 43 | \$166,336 |
| T. Rowe Price Retirement 2040 | 0.06% | 5 | \$111,127 |
| T. Rowe Price Retirement 2055 | 0.05% | 5 | \$89,196 |
| T. Rowe Price Retirement 2030 | 0.04% | 2 | \$72,328 |
| T. Rowe Price Retirement 2060 | 0.04% | 11 | \$70,536 |
| T. Rowe Price Retirement 2020 | 0.02% | 5 | \$31,050 |
| Vanguard Emerging Mkts Stock Idx Adm | 0.02% | 3 | \$28,785 |
| T. Rowe Price Retirement 2015 | 0.01% | 3 | \$14,338 |
| T. Rowe Price Retirement 2010 | 0.00% | 1 | \$3,896 |
| Total | 100.00% | 985 | \$184,956,139 |

Note: Total excludes Self-Directed Brokerage Account and loan balances

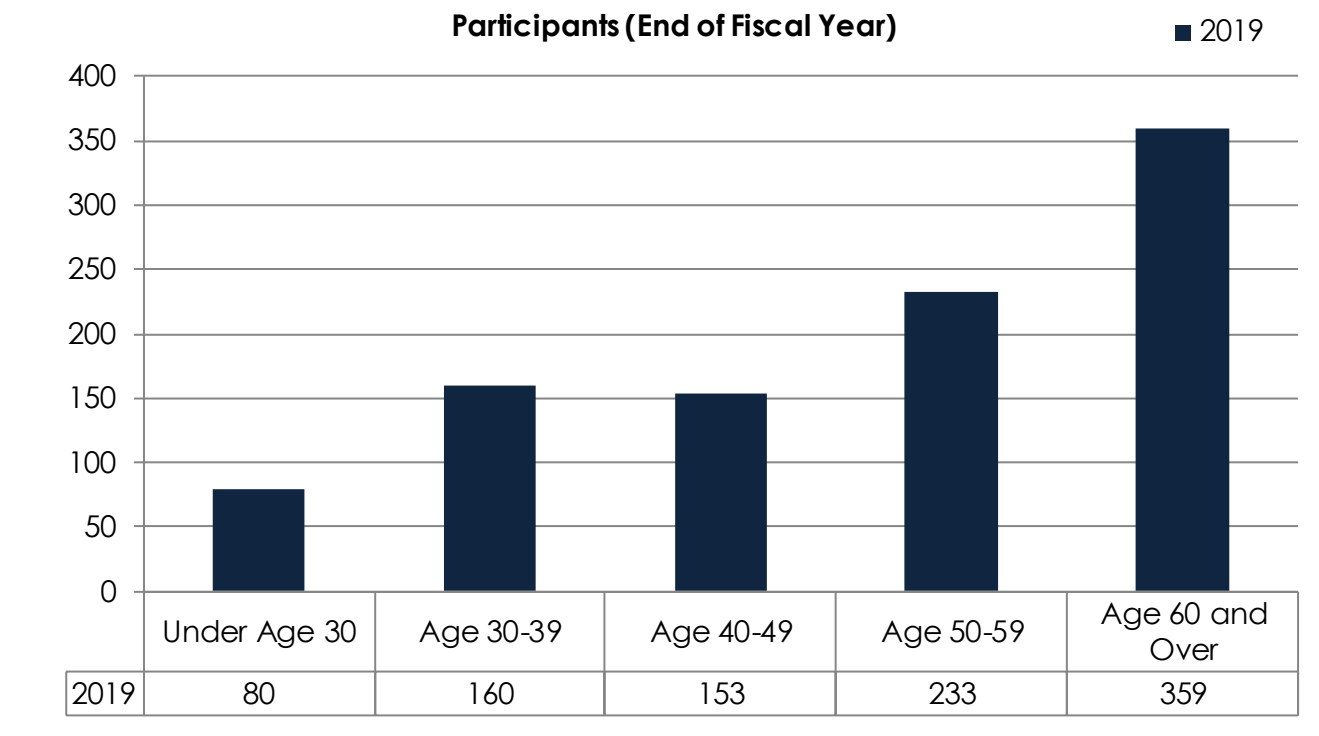
Plan Assets / Demographics

Growth of Plan Assets

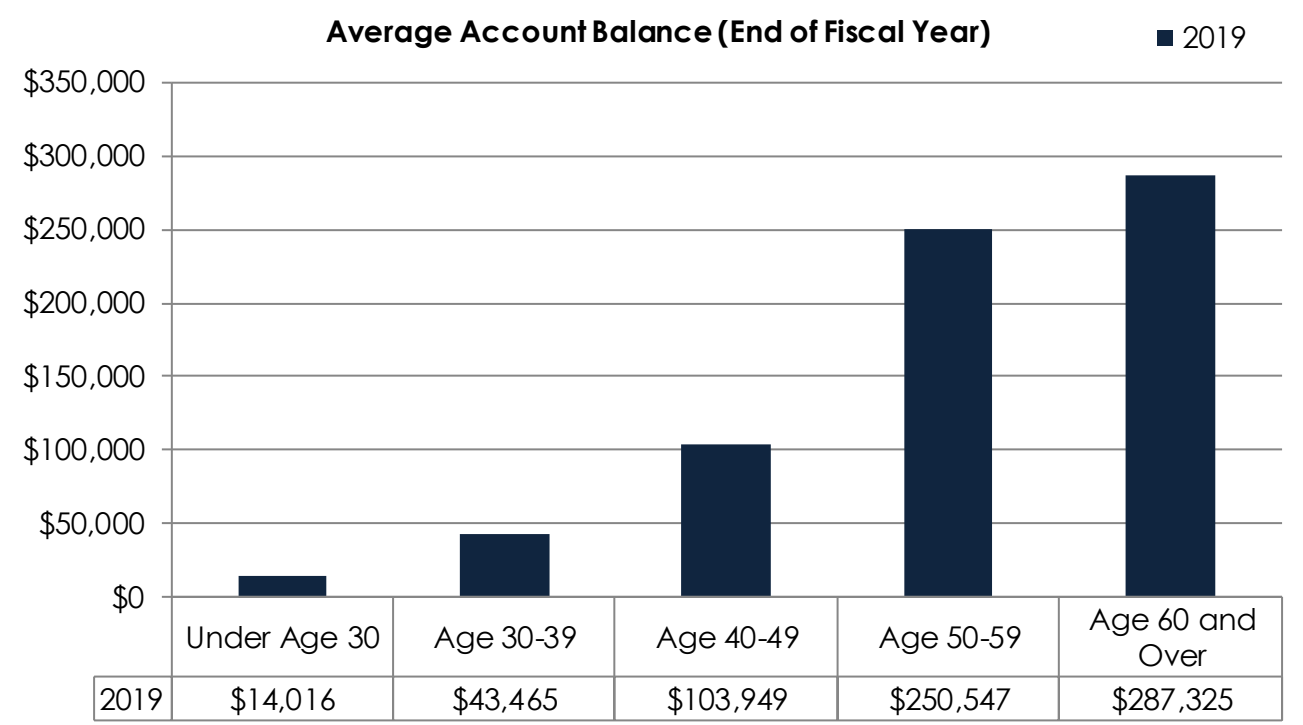


Plan Assets / Demographics

Plan Participants by Age



Average Account Balance by Age



Plan Assets / Demographics

Annual Net Cash Flow –YTD 2019

| QUARTER ENDING | 2019 | | | | YTD |
|------------------------|------------------|---------------------|----------------|---------------|---------------------|
| | March 31st | June 30th | September 30th | December 31st | Jan 1st - Dec 31st |
| Cash Flow | | | | | |
| Beginning Market Value | \$170,072,234 | \$183,074,206 | | | \$170,072,234 |
| Contributions | \$2,160,412 | \$2,315,617 | | | \$4,476,029 |
| Withdrawals | -\$1,709,724 | -\$3,995,084 | | | -\$5,704,808 |
| Net Loan Activity | \$95,537 | -\$45,584 | | | \$49,953 |
| Fees | -\$35,728 | -\$37,988 | | | -\$73,716 |
| NET CASH FLOW | \$510,497 | -\$1,763,039 | | | -\$1,252,542 |
| Change in Value | \$12,191,791 | \$4,229,828 | | | \$16,421,619 |
| Other Activity | \$299,684 | \$35,665 | | | \$335,349 |
| Ending Market Value | \$183,074,206 | \$185,576,660 | | | \$185,576,660 |

Annual Net Cash Flow - 2018

| QUARTER ENDING | 2018 | | | | YTD |
|------------------------|------------|-----------|---------------------|---------------------|---------------------|
| | March 31st | June 30th | September 30th | December 31st | Jan 1st - Dec 31st |
| Cash Flow | | | | | |
| Beginning Market Value | | | \$0 | \$184,563,415 | \$0 |
| Contributions | | | \$1,018,884 | \$1,814,111 | \$2,832,996 |
| Withdrawals | | | -\$681,356 | -\$3,779,985 | -\$4,461,341 |
| Net Loan Activity | | | -\$1,412,461 | \$62,778 | -\$1,349,683 |
| Fees | | | -\$25,031 | -\$36,840 | -\$61,871 |
| NET CASH FLOW | | | -\$1,099,963 | -\$1,939,936 | -\$3,039,899 |
| Change in Value | | | \$2,089,423 | -\$12,551,245 | -\$10,461,822 |
| Net Transfers | | | \$183,573,954 | \$0 | \$183,573,954 |
| Ending Market Value | | | \$184,563,415 | \$170,072,234 | \$170,072,234 |

Note: Assets transferred to MassMutual's "REFLEX" platform in July 2018.

SECTION IV

PLAN PERFORMANCE

Weighted Portfolio Return versus Custom Benchmark

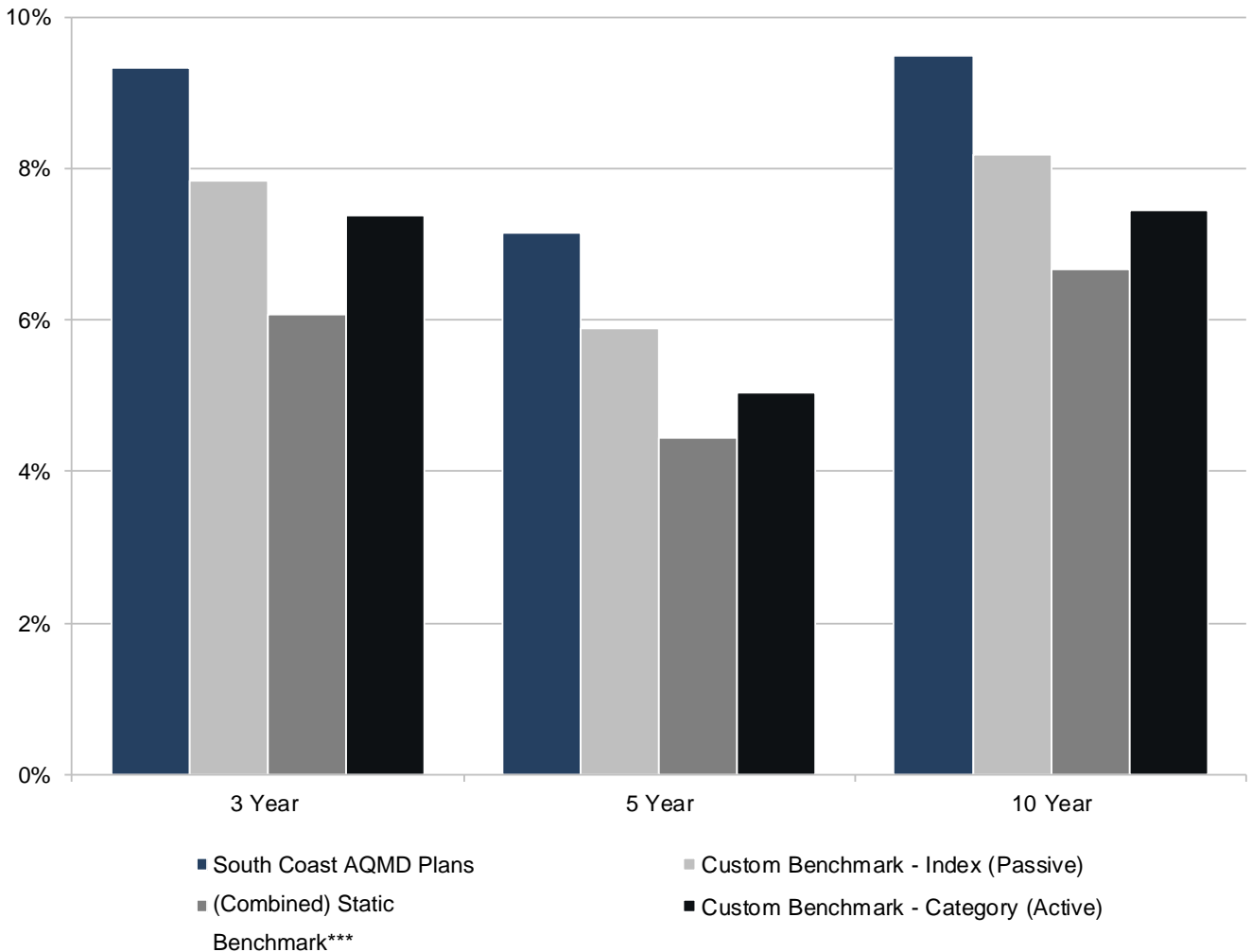
| Performance as of June 30, 2019 | 3 Month | 1 Year | Annualized Returns | | | 3 YR Std Dev | 3 YR Sharpe | Expense Ratio* | Net Expense** |
|--|--------------|--------------|--------------------|--------------|--------------|-----------------|----------------|-------------------|------------------|
| | | | 3 Year | 5 Year | 10 Year | | | | |
| South Coast AQMD Plans (Combined) | 2.34% | 5.92% | 9.34% | 7.15% | 9.49% | 6.22 | 1.23 | 0.63 | 0.66 |
| Custom Benchmark - Index (Passive) | 2.42% | 5.99% | 7.83% | 5.88% | 8.18% | 6.07 | 1.03 | N/A | N/A |
| Static Benchmark*** | 3.37% | 7.18% | 6.08% | 4.45% | 6.67% | 4.93 | 0.93 | N/A | N/A |
| Custom Benchmark - Category (Active) | 2.30% | 4.85% | 7.38% | 5.04% | 7.44% | 6.11 | 0.96 | 0.81 | N/A |

*Custom expense ratio represents the weighted expense (based upon current allocation) of Institutional and Retirement share classes in each asset category.

**Net Expense equals the Plan's weighted expense ratio plus 8 Bps levelized fee, minus revenue sharing reimbursement.

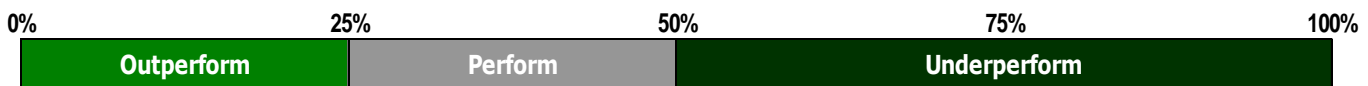
***Static Benchmark is comprised of 60% in Vanguard Total Bond Index and 40% in Vanguard Total World Stock Index.

Annualized Returns



Individual Fund Ranking (Per Investment Policy Statement Evaluation Criteria)

| Investment Name | Quarterly Ranking | | | |
|---|-------------------|------|------|------|
| | 2Q19 | 1Q19 | 4Q18 | 3Q18 |
| Intermediate Core-Plus Bond Metropolitan West Total Return Bd I | 18 | 15 | 15 | 16 |
| Allocation--50-70% Equity Invesco Equity and Income A | 56 | 55 | 59 | 48 |
| Large Value DFA US Large Cap Value I | 6 | 4 | 4 | 3 |
| Hartford Dividend and Growth R5 | 3 | 4 | 4 | 6 |
| Large Blend American Funds Fundamental Invs R6 | 13 | 7 | 4 | 8 |
| Large Growth T. Rowe Price Blue Chip Growth I | 0 | 0 | 1 | 0 |
| Mid Value Vanguard Selected Value Inv | 34 | 42 | 43 | 31 |
| Mid Growth Hartford MidCap Y | 27 | 20 | 17 | 12 |
| Small Value American Beacon Small Cap Value R6 | 12 | 13 | 12 | 8 |
| Small Growth Goldman Sachs Small Cap Gr Insights Inv | 48 | 41 | 34 | 28 |
| Foreign Large Equity Hartford International Opportunities R5 | 34 | 33 | 43 | 30 |
| Foreign Small/Mid Equity MFS International New Discovery A | 28 | 28 | 29 | 42 |
| Healthcare Hartford Healthcare R5 | 51 | 51 | 50 | 39 |
| Target Date Series T. Rowe Price Retirement Series | 12 | 13 | 16 | 17 |
| Average Rank | 24 | 28 | 28 | 26 |
| Plan Weighted Rank (Reweighted) | 18 | 17 | 17 | 15 |



Note: Average and Plan-Weighted Average rankings shown above reflect the actual funds offered in the Plan (and their respective weightings) during the applicable quarter.

SECTION V

APPENDIX



**South Coast
Air Quality Management District**

21865 Copley Drive, Diamond Bar, CA 91765
(909) 396-2000, www.aqmd.gov

BOARD MEETING DATE: September 7, 2018

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on Wednesday, September 12, 2018 at 2:00pm at South Coast AQMD headquarters in Diamond Bar. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

Mr. John Olvera – Asst. Deputy Executive Officer/Admin and Human Resources

Mr. Bill Richards – Human Resources Manager

Mr. Bayron Gilchrist – General Counsel

Committee Members Absent

Ms. Sujata Jain - Asst. Deputy Executive Officer/Finance

Guests

Dario Gomez, MassMutual

Darren Stewart, Benefit Financial Services Group (“BFSG”)

Aksana Munoz, BFSG

Call to Order

Chair Olvera called the meeting to order at 2:04 pm.

ACTION ITEMS:

- 1. Approval of Prior Meeting Minutes (Administrative):** The Committee members in attendance reviewed and unanimously approved the minutes of the June 6, 2018 meeting.
- 2. 457 and 401(a) Plan Quarterly Investment Review (Fiduciary) - 2nd Quarter 2018 (Fiduciary):** The Committee members in attendance reviewed and unanimously approved the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan (the “Plan”) for the quarter ending June 30, 2018.

Mr. Stewart provided an overview of the economy and the capital markets during the quarter to provide context to the performance of the investment options in the Plan. He further provided a quantitative and qualitative review of the funds offered in the Plan, in accordance with the Evaluation Methodology criteria set forth in the Plan’s Investment Policy Statement (“IPS”). The following noteworthy funds were discussed in more detail.

Neuberger Berman Socially Responsive is currently on the Watch List due to performance-related issues and a change in fund management. The fund, which is now categorized by Morningstar as a large cap blend fund, has performed well relative to the index benchmark and category peers. During the quarter, the fund benefited from an underweight in consumer staples and strong stock selection in the financial sector. This position also helped to offset losses from its technology underweight. The Evaluation Methodology score improved in the last three quarters,

from 56 (“underperform”) to 26 (“perform”). After discussion, the Committee members in attendance unanimously agreed to keep the fund on the Watch List.

Vanguard Selected Value trailed the Russell Mid Cap Value Index and category peers for the quarter and one-year periods, largely due to a deep-value tilt. An overweight to the underperforming industrials and financials sectors also detracted from performance for the quarter, as did an underweight to energy. A significant underweight to the real estate sector benefited performance for the one-year period. The fund performance remains strong across all other measured time periods noted in the Report.

MFS International New Discovery is currently on the Watch List due to short-term underperformance. The fund outperformed both the benchmark index and category peers for the quarter, one-, and 3-year periods. An overweight to emerging markets detracted from performance during the quarter, but strong stock selection within the sector was additive. An overweight to United Kingdom also contributed to recent performance. The fund serves as a strong downside protector as shown by its down capture ratio. As a result of its improved performance, BFSG proposed removing the fund from the Watch List. The Committee members in attendance unanimously agreed.

MFS Utilities is currently on the Watch List due to performance-related issues. The fund outperformed both the benchmark index and category peers for the quarter and one-year periods. Strong stock selection in energy was additive to recent performance. The fund continues to trail both benchmarks on a 3-and 5-year basis. After discussion, the Committee members in attendance unanimously agreed to keep the fund on the Watch List.

Based on participant allocations as of June 30, 2018, the Plan performed in-line with its custom active and passive benchmarks for the quarter and outperformed both benchmarks across all other measured time periods noted in the Report. The funds take slightly more risk, as measured by 3-year standard deviation, though participants are rewarded for the additional risk, as measured by 3-year Sharpe ratio. The Plan-weighted expense ratio remains competitive relative to the category average, at 62 basis points versus the category at 90 basis points.

The Committee reviewed the revenue received by MassMutual for recordkeeping and administrative services. The annual revenue per participant was approximately \$113, based on the assets as of June 30, 2018. It was noted that the reason the revenue per participant appears to be on the high end of the range is because the bids used to benchmark the market segment, from the 2015 RFI, were lower than the current recordkeeper, as they did not include the favorable crediting rate of the current general account. The Committee will continue to monitor fees on an ongoing basis.

The Committee members in attendance reviewed and unanimously approved the Retirement Plan Quarterly Investment Review (the “Report”) for the South Coast AQMD 401(a) Plan (the “Plan”) for the quarter June 30, 2018. Based on participant allocations as of June 30, 2018, the Plan performed in-line with its custom active and passive benchmarks for the quarter and outperformed both benchmarks across all other measured time periods noted in the Report. The Plan-weighted expense ratio remains competitive relative to the category average, at 70 basis points versus the category at 91 basis points.

- 3. Fund Search Analysis (Fiduciary):** BFSG prepared a Fund Search analysis of available investment options in the emerging market category for the Committee’s consideration. Each investment option was reviewed in accordance with the Investment Policy Statement criteria, which included performance, risk-adjusted performance, style consistency, and expense, as well as qualitative criteria. After review and discussion, the Committee members in attendance unanimously agreed to make the following changes in the 457 and 401(a) Plans:

- Add Vanguard Emerging Markets Stock Index as a passive option in the emerging market category.

MassMutual will facilitate these changes as soon as administratively possible.

- 4. Model Portfolios (Fiduciary):** It was noted that the current custom asset allocation models, as constructed, cannot be replicated on the new MassMutual platform. As a result, BFSG prepared and distributed a Target Date Models presentation, which included BFSG’s model construction methodology and proposed asset allocation. The Committee discussed how utilization of the target date models could provide additional clarity to participants and make for easier investment decisions. After discussion, the Committee members in attendance unanimously agreed to adopt the new custom target date models and appoint BFSG as the 3(38) Investment Manager. MassMutual will work on implementing the target date models and updating the current Service Agreement as necessary. Participants would need to opt into the target date model. MassMutual will make sure it is communicated accordingly as part of ongoing employee education sessions.
- 5. Investment Policy Statement (Fiduciary):** The Committee reviewed potential changes to the current Investment Policy Statement (“IPS”). BFSG will bring an updated IPS for possible adoption at the next meeting.

DISCUSSION ITEMS:

- 6. The 457 Plan – Transition to new MassMutual Platform “Reflex” (Fiduciary):** Mr. Gomez informed the Committee that the transition of the 457 and OBRA Plans was completed in July. He recapped the benefits of utilizing the new platform,

including an improved participant website, enhanced automation to reduce SCAQMD's administrative responsibilities, and the ability to utilize fee levelization.

- 7. Quarterly Review - 457 and 401(a) Plans (Fiduciary).** The Committee was provided with a copy of the Q2 2018 Quarterly Review for both Plans. The Review of both Plans included the following information for the quarter ending June 30, 2018: assets, contributions, distributions, rollovers, loans, and plan participation.
- 8. Quarterly Reimbursement Calculation (Fiduciary):** The Committee received and filed the quarterly reimbursement calculation provided by MassMutual for the quarter ending June 30, 2018.

OTHER MATTERS:

- 10. Other Business** – There was no other business.
- 11. Public Comments** – There were no public comments.

Adjournment - The meeting adjourned at 3:30 p.m.



**South Coast
Air Quality Management District**

21865 Copley Drive, Diamond Bar, CA 91765
(909) 396-2000, www.aqmd.gov

MEETING DATE: December 12, 2018

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on Wednesday, December 12, 2018 at 3:00 pm at South Coast AQMD headquarters in Diamond Bar. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

Mr. John Olvera – Asst. Deputy Executive Officer/Admin and Human Resources

Mr. Bill Richards – Human Resources Manager

Mr. Bayron Gilchrist – General Counsel

Ms. Sujata Jain - Asst. Deputy Executive Officer/Finance

Committee Members Absent

None

Guests

Dario Gomez, MassMutual

Darren Stewart, Benefit Financial Services Group (“BFSG”)

Aksana Munoz, BFSG

Call to Order

Chair Olvera called the meeting to order at 3:10 pm.

ACTION ITEMS:

1. **Approval of Prior Meeting Minutes:** The Committee reviewed and unanimously approved the minutes of the September 12, 2018 meeting.
2. **457 and 401(a) Plan Quarterly Investment Review - 3rd Quarter 2018:** The Committee reviewed and unanimously approved the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plan”) for the quarter ending September 30, 2018.

Mr. Stewart provided an overview of the economy and the capital markets during the quarter to provide context to the performance of the investment options in the Plan. He further provided a quantitative and qualitative review of the funds offered in the Plan, in accordance with the Evaluation Methodology criteria set forth in the Plan’s Investment Policy Statement (the “IPS”). The following noteworthy funds were discussed in more detail.

Invesco Equity and Income underperformed both the benchmark index and category peers for the quarter and one-year periods, due in part to its value-oriented tilt. An overweight to financials and consumer discretionary also detracted from recent performance. The fund’s large cash position and poor stock selection within the consumer discretionary sector weighed on performance during the quarter. Intermediate- and long-term performance remain strong.

American Funds Fundamental Investors underperformed on a quarter and one-year basis relative to its benchmark index and category peers. The underperformance was largely due to a traditionally high allocation to non-US equities and an overweight to the energy sector. On a longer-term basis, fund performance continues to rank in the top third relative to peers.

Neuberger Berman Sustainable Equity is currently on the Watch List due to performance-related issues. The fund underperformed its large blend category peers during the quarter. Recent underperformance was attributable to an overweight in international stock of 13% relative to a 3% weight for the category, and an underweight in technology. Poor stock selection in the technology sector also detracted from performance during the quarter. The fund has historically trailed its peers in up markets but has been a strong performer in volatile and declining markets. After discussion, the Committee unanimously agreed to keep the fund on the Watch List to monitor its performance.

Vanguard Selected Value significantly trailed its benchmark index and peers for the quarter and one-year periods measured in the Report. The underperformance was in large due to poor stock selection in the materials and technology sectors. Positions in gold and semiconductors were among the greatest detractors. The fund maintains a strong down capture ranking relative to its peers, which should be additive during volatile markets. Long-term performance remains strong. Mr. Stewart noted fund performance has improved since the end of the reporting period.

Hartford International Opportunities underperformed for the quarter and one-year periods relative to its benchmark index and category peers. Poor stock selection, particularly in the information technology, consumer discretionary, and energy sectors, was a primary detractor from performance. The fund's overweight to China and global trade concerns have adversely affected several of its holdings. On a long-term basis, fund performance remains strong.

Vanguard Emerging Markets Stock Index was added to the Plan on December 3, 2018.

MFS Utilities, which is currently on the Watch List, underperformed both the benchmark index and category peers during the quarter. A large overweight to the energy sector added to the fund's one-year outperformance. The same positioning detracted from performance during the quarter as energy stocks pulled back from a large run up earlier this year. Mr. Stewart noted Maura Shaughnessy, who has managed this fund since its 1992 inception, will retire in August 2019. The fund will be then run by Claud Davis and Scott Walker, who were comanagers on the fund since 2014 and 2017, respectively. In light of this development and the fund's performance-related issues, BFG proposed to bring an analysis of available alternates in the utilities sector for the Committee's review and consideration to the

next meeting. The Committee agreed and asked BFSG to also prepare a search for the other two sector funds in the Plan. BFSG agreed. In the meantime, the fund will remain on the Watch List.

Performance of the T. Rowe Price Retirement Funds was also reviewed. The Funds performed in-line and/or outperformed their respective benchmarks for the quarter and one-year periods. On a long-term basis, the series remain a top performer.

Based on participant allocations as of September 30, 2018, the Plan trailed its custom active and passive benchmarks for the quarter and outperformed both benchmarks across all other measured time periods noted in the Report. The funds take slightly more risk, as measured by 3-year standard deviation, though participants are rewarded for the additional risk, as measured by 3-year Sharpe ratio. The Plan-weighted expense ratio remains competitive relative to the category average.

The Committee reviewed the revenue received by MassMutual for recordkeeping and administrative services. The annual revenue per participant was approximately \$116 based on the assets as of September 30, 2018. It was noted that the reason the revenue per participant appears to be on the high end of the range is because the bids used to benchmark the market segment, from the 2015 Request for Information (“RFI”), were lower than the current recordkeeper, as they did not include the favorable crediting rate of the current general account. The Committee will continue to monitor fees on an ongoing basis.

3. **Plan Expense Reimbursement Account Dissolution:** The Committee discussed the utilization of the Plan’s Expense Budget Account (the “EBA”), which was established during the transition to the new MassMutual platform back in July 2018. Mr. Gomez reminded the Committee that the annual reimbursement from the 457 Plan is being produced via a 0.02% asset charge in addition to the 0.06% required recordkeeping asset charge. He noted the revenue credit may be used to pay qualified plan-related expenses. The District may at any time request a reimbursement payment to offset plan expenses. Any unused amount in the EBA will be automatically allocated back to participant accounts before the last day of the Plan year. Mr. Gomez will provide an update on the account activity on a regular basis.

The Committee then reviewed the remaining balance in the Plan’s reimbursement account and unanimously agreed to use the balance to pay qualified plan-related expenses until the account is depleted.

4. **Investment Policy Statement:** The Committee reviewed the revised Investment Policy Statement (IPS), a copy of which was sent by BFSG to each Committee

member prior to this meeting. After discussion, the Committee unanimously agreed to adopt the revisions to the IPS proposed by BFSG, with a few minor changes.

DISCUSSION ITEMS:

5. **Quarterly Review - 457 and 401(a) Plans.** Mr. Gomez presented the Q3 2018 Quarterly Review for both Plans to the Committee. His presentation included the following information for the quarter ending September 30, 2018: assets, rollovers, loans, Plan participation, and demographic statistics. Participant diversification and interactions with the Mass Mutual website and call centers were also reviewed and discussed.
6. **Quarterly Reimbursement Calculation:** The Committee received and filed the quarterly reimbursement calculation provided by MassMutual. Mr. Gomez noted the quarterly revenue shown was prorated based on the 26 days in the third quarter due to the Plan's transition to a fee leveling arrangement effective July 27, 2018. Mr. Gomez advised this report will no longer be available as the Expense Budget Account has been established for the Plan.

OTHER MATTERS:

7. **Other Business** – There was no other business.
8. **Public Comments** – There were no public comments.

Adjournment - The meeting adjourned at 4:45 p.m.



**South Coast
Air Quality Management District**

21865 Copley Drive, Diamond Bar, CA 91765
(909) 396-2000, www.aqmd.gov

MEETING DATE: March 29, 2019

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on Wednesday, March 29, 2019 at 2:00 pm at South Coast AQMD headquarters in Diamond Bar. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

Mr. John Olvera – Asst. Deputy Executive Officer/Admin and Human Resources

Mr. Bill Richards – Human Resources Manager

Mr. Bayron Gilchrist – General Counsel

Ms. Sujata Jain - Asst. Deputy Executive Officer/Finance

Committee Members Absent

None

Guests

Dario Gomez, MassMutual (by phone)

Darren Stewart, Benefit Financial Services Group (“BFSG”)

Aksana Munoz, BFSG

Call to Order

Chair Olvera called the meeting to order at 2:05 pm.

ACTION ITEMS:

1. **Approval of Prior Meeting Minutes:** The Committee reviewed and unanimously approved the minutes of the December 12, 2018 meeting.
2. **457 and 401(a) Plan Quarterly Investment Review – 4th Quarter 2018:** The Committee reviewed and unanimously approved the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plan”) for the quarter ending December 31, 2018.

Mr. Stewart provided an overview of the economy and the capital markets during the quarter to provide context to the performance of the investment options in the Plan. He further provided a quantitative and qualitative review of the funds offered in the Plan, in accordance with the Evaluation Methodology criteria set forth in the Plan’s Investment Policy Statement (the “IPS”). The following noteworthy funds were discussed in more detail.

Invesco Equity and Income underperformed both the passive benchmark and category peers for the quarter. A significant overweight to financials and energy weighed on recent performance. Management maintains a value-tilted portfolio, which detracted from performance for the quarter and one-year periods. The fund positioned to perform well in rising markets as shown by its up capture ratio.

Vanguard Selected Value performed in-line with its active benchmark but trailed its passive benchmark for the quarter. Historically, the fund has performed better in

down-markets and its overweight in cash and gold-related stocks should have been beneficial. However, poor stock selection in industrials and technology as well as an underweight to real estate and utilities offset the defensive positions. The fund trailed both benchmarks on a one, 3- and 5-year basis. After review and discussion, the Committee unanimously agreed to place the fund on the Watch List due performance-related issues.

Hartford International Opportunities underperformed both the index benchmark and category peers for the quarter. An overweight to China and poor stock selection weighted on results during the period. On a long-term basis, fund performance remains strong.

The Committee reviewed and discussed performance of the funds that are currently on the Watch List, Neuberger Berman Sustainable Equity and MFS Utilities. The Neuberger Berman fund, which has been on the Plan's Watch List since December 2015, performed in line with the index benchmark and category peers for the quarter. An overweight to technology and an underweight to utilities weighed on recent results. Performance across all other measured time periods was noted as being average. The MFS Utilities fund trailed both benchmarks for the quarter, one-, 3- and 5-year periods. The underperformance was largely due to the fund's significant overweight to the energy sector. An analysis of available alternatives in both categories will be reviewed later in the meeting. In the meantime, the Committee unanimously agreed to keep both funds on the Watch List.

Performance of the T. Rowe Price Retirement Funds was reviewed. The Funds slightly underperformed their respective benchmarks for the quarter. Performance over the 3-, 5- and 10-year periods ranks in the top quartile relative to peers.

Based on participant allocations as of December 31, 2018, the Plan outperformed the equally-weighted active and passive benchmarks across all measured time periods noted in the Report. The Plan demonstrated better risk-adjusted returns than the active benchmark, as measured by 3-year Sharpe ratio, and had a lower expense ratio than the category average.

The Committee reviewed the revenue received by MassMutual for recordkeeping and administrative services. The annual revenue per participant was approximately \$107 based on Plan assets as of December 31, 2018. It was noted that the reason the revenue per participant appears to be on the high end of the range is because the bids used to benchmark the market segment, from the 2015 Request for Information ("RFI"), were lower than the current recordkeeper, as they did not include the favorable crediting rate of the current general account. The Committee will continue to monitor the recordkeeping fees on an ongoing basis.

3. Fund Search Analysis:

For the Committee's review and consideration, BFSG prepared and presented a Fund Search consisted of alternative investment options in the socially responsible, real estate, utilities, and healthcare categories. Each investment option was reviewed in accordance with the Plan's Investment Policy Statement criteria, which included performance, risk-adjusted performance, style consistency, and expense, as well as qualitative criteria.

After review and discussion, the Committee unanimously agreed to make the following changes to the Plan's fund line-up:

- Keep the Hartford Healthcare fund in the Plan;
- Remove MFS Utilities. Add Vanguard Utilities Index. Map all assets and future contributions from the MFS fund to the Vanguard index;
- Remove Neuberger Berman Sustainable Equities. Add Vanguard FTSE Social Index. Map all assets and future contributions from the Neuberger fund to the Vanguard index.

The Committee unanimously voted, with Mr. Richards abstaining, to make the following change in the real estate category:

- Remove Invesco Real Estate. Add Vanguard Real Estate Index. Map all assets and future contributions from the Invesco fund to the Vanguard index.

4. Share Class Review: To assist the Committee with fulfilling its fiduciary responsibilities, BFSG prepared and presented a Share Class Analysis ("Analysis") for review and consideration. The Analysis demonstrated efficient ways to reduce the expense ratios of certain funds in the Plan such that the participants would benefit from the lower costs. After discussion, the Committee unanimously agreed to move forward with the following share class change:

- American Beacon Small Cap Value Inst will be removed. All assets and future contributions will be mapped to American Beacon Small Cap Value R6.

MassMutual will facilitate this request as soon as administratively possible.

5. BFSG Consulting Agreement Expiration

The Committee unanimously agreed to extend the current contract with BFSG for deferred compensation consulting services for one more year. The consulting fees will remain the same.

DISCUSSION ITEMS:

- 6. Quarterly Review.** Mr. Gomez presented the Quarterly Review report for the quarter ending December 31, 2018. The Committee reviewed a quarter-by-quarter comparison of the following Plan statistics: assets, contributions, rollovers, distributions, loan utilization, asset allocation, and other Plan-related participant activity. Additionally, Mr. Gomez provided an update on MassMutual's financial wellness program, MapMyFinances, which enables participants to make more informal decisions about their finances at every life stage. The program will be available to Plan participants in May 2019. The 401(a) Plan activity for the reporting quarter was also reviewed.

The Committee reviewed the remaining balance in the Plan's reimbursement account. The Committee will continue to use the balance to pay qualified Plan-related expenses until the account is depleted.

OTHER MATTERS:

- 7. Other Business** – There was no other business.
- 8. Public Comments** – There were no public comments.

Adjournment - The meeting adjourned at 4:05 p.m.



**South Coast
Air Quality Management District**

21865 Copley Drive, Diamond Bar, CA 91765
(909) 396-2000, www.aqmd.gov

MEETING DATE: June 4, 2019

REPORT: Deferred Compensation Plan Committee

SYNOPSIS: The Deferred Compensation Plan Committee met on Wednesday, June 4, 2019 at 2:00 pm at South Coast AQMD headquarters in Diamond Bar. The following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

A. John Olvera, Chair
Deferred Compensation Plan

AJO:RH:tc

Committee Members Present

Mr. John Olvera – Asst. Deputy Executive Officer/Admin and Human Resources

Mr. Bayron Gilchrist – General Counsel

Ms. Sujata Jain - Asst. Deputy Executive Officer/Finance

Committee Members Absent

Mr. Bill Richards – Human Resources Manager

Guests

Dario Gomez, MassMutual (by phone)

Darren Stewart, Benefit Financial Services Group (“BFSG”)

Aksana Munoz, BFSG

Call to Order

Chair Olvera called the meeting to order at 2:10 pm.

ACTION ITEMS:

- 1. Approval of Prior Meeting Minutes:** The Committee reviewed and unanimously approved the minutes of the March 29, 2019 meeting.
- 2. 457 and 401(a) Plan Quarterly Investment Review – 1st Quarter 2019:** The Committee reviewed and unanimously approved the Retirement Plan Quarterly Investment Review (the “Report”) for the 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plan”) for the quarter ending March 31, 2019.

Mr. Stewart provided an overview of the economy and the capital markets during the quarter to provide context to the performance of the investment options in the Plan. He further provided a quantitative and qualitative review of the funds offered in the Plan, in accordance with the Evaluation Methodology criteria set forth in the Plan’s Investment Policy Statement (the “IPS”). The following noteworthy funds were discussed in more detail.

Invesco Equity and Income had a strong quarter outperforming both the index benchmark and category peers during the period. An overweight to foreign equities was additive to recent performance. An overweight to the Financials and Energy sectors also contributed to performance during the quarter. Management maintains a value-tilted portfolio, which detracted from performance over the one-year period. The fund’s current share class shares 55 basis points in revenue, which was a detractor from its overall net performance. It was noted that this share class is the most efficient and it would not be in the best interest of participants to change to a cheaper option.

Vanguard Selected Value, which is currently on the Watch List, slightly underperformed for the quarter due to a large cash position and poor stock selection in Healthcare. The fund held a large out-of-benchmark position in Cigna, which declined more than 15% on political pressure regarding health plans. The fund's style purity has detracted from performance as many of its peers have increased allocations to growth-oriented holdings. After discussion, the Committee unanimously agreed to keep the fund on the Watch List.

Hartford International Opportunities outperformed both benchmarks during the quarter. The main contributors to recent performance were an overweight to China and Healthcare, and an underweight to Technology. On a long-term basis, fund performance remains strong.

The previously agreed upon fund and share class changes are scheduled to occur on June 17, 2019.

Other items reviewed in the Report include performance of the T. Rowe Price Retirement Funds, point-in-time Plan-level performance, and the recordkeeping fees paid to MassMutual.

- 3. Plan Expense Reimbursement Account Balance Review:** The Committee reviewed the remaining balance in the Plan's reimbursement account. As of the end of April, the balance in the account was approximately \$14,000. After review and discussion, the Committee unanimously agreed to continue using the balance to pay any outstanding qualified Plan-related expense until the account is depleted.

DISCUSSION ITEMS:

- 4. Quarterly Review:** Mr. Gomez presented the Quarterly Review report for the quarter ending March 31, 2019. The Committee reviewed a quarter-by-quarter comparison of the following statistics for the 457 Plan: assets, contributions, rollovers, distributions, loan utilization, and other Plan-related participant activity. The Plan overall participation rate increased quarter-over-quarter from 76% to 79%. Plan demographic statistics and asset allocation were reviewed.

Mr. Gomez reviewed and discussed MassMutual's financial wellness program, MapMyFinances, which has been recently rolled out to participants. It was noted the tool can be utilized during the upcoming open enrollment.

The Committee reviewed the activity in the Expense Budget Account (the "EBA") which was set up when the 457 Plan transitioned to the new platform at MassMutual, Reflex. Once the remaining balance in the Plan Expense Reimbursement Account is depleted, the balance in the EBA can be used to pay

qualified Plan-related expense. MassMutual will reallocate any unused balance in the account back to participants automatically at the end of the year.

The 401(a) Plan activity for the reporting quarter was also reviewed.

OTHER MATTERS:

5. Other Business – There was no other business.

6. Public Comments – There were no public comments.

Adjournment - The meeting adjourned at 3:30 p.m.

INVESTMENT POLICY STATEMENT

**South Coast Air Quality Management District
457 DEFERRED COMPENSATION &
401(a) DEFINED CONTRIBUTION PLAN**

Adopted at the December 12, 2018 meeting

Purpose of the Investment Policy Statement

This statement establishes the policies and objectives for the South Coast Air Quality Management District 457 Deferred Compensation Plan and the 401(a) Defined Contribution Plan (collectively the “Plan”). It outlines and prescribes a prudent and acceptable investment philosophy and sets out the investment management procedures that are designed to assist the Plan Sponsor, South Coast Air Quality Management District (the “District”) and the Deferred Compensation Plan Committee (the “Committee”) appointed by the District in the discharge of the fiduciary duties imposed by them under the State of California Constitution, Government Code, and where the California legal provisions are not developed follow the fiduciary duties imposed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). This statement is not intended to and shall not be deemed to expand the fiduciary duties of the District or the Committee or to create duties that do not exist under the State of California Constitution, Government code and ERISA.

Purpose of the Plan

The Plan was established for the purpose of providing a retirement savings program for certain employees of the District who have adopted the Plan. The assets of the Plan are held for the exclusive purpose of providing benefits to the Plan participants and their beneficiaries and defraying reasonable expenses of administering the Plan. The Plan is intended to operate in accordance with all applicable state and federal laws and regulations.

Pursuant to the election of the District, assets of the Plan are subject to the investment direction of the participants or their beneficiaries. The Plan is intended to be consistent with the provisions of the Government Code section 53213.5 as it relates to the Department of Labor regulations issued pursuant to Section 404(c) of the Employee Retirement Income Security Act of 1974.

The goal of the Plan is to provide a framework for participants to establish a savings and investment program for their retirement. While Plan participants are ultimately responsible for their own investment decisions, the Committee will endeavor to provide a broad range of investment alternatives, allowing participants to invest in accordance with their own time horizons, risk tolerance and retirement goals.

Policy Goals

It is the Policy of the Investment Committee to ensure to the greatest extent feasible that the Plan shall:

- a) Encourage maximum participation by District employees and retirees
- b) Include funds such that participants with no special background or interest in investing are encouraged to achieve an age-appropriate diversification between equity and non-equity funds; and
- c) Reduce costs to participants

Statement of Responsibilities

The following parties associated with the Plan shall discharge their respective responsibilities in accordance with all applicable fiduciary standards of Article XVI, §17 of the California Constitution, Government Code section 53213.5 and Section 404(a) of ERISA as follows: (1) for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan; (2) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims; (3) in accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with the provisions of the State of California Constitution, Government Code and ERISA.

- a) Deferred Compensation Plan Committee: The members of the Committee have been appointed by the District to act as the “Investment Fiduciary.” The Committee, as the primary Investment Fiduciary, is responsible for investment and management of Plan Assets, and the selection of services related to those functions. The Committee shall be responsible for the Plan level investment selection process, as set forth in this Investment Policy Statement, but is not responsible for the individual fund performance and does not guarantee positive investment results.
- b) Investment Consultant: The Investment Consultant is a co-fiduciary of the Plan charged with the responsibility of advising the Committee on investment policy, advising on the selection of investment managers, providing performance analysis and monitoring services. The Investment Consultant shall provide assistance to the Committee for the Plan level investment selection process, as set forth in this Investment Policy Statement, but is not responsible for the individual fund performance and does not guarantee positive investment results.

Investment Choices

The Committee will endeavor to offer investment options for each of the selected asset classes as set forth in Appendix A, unless under the circumstances it is determined not prudent to do so. The Committee recognizes that options chosen for a specific asset class may drift from time to time and will address these variations as needed. These options shall be sufficient to provide participants and beneficiaries with a reasonable opportunity to:

- a) materially affect the potential return on amounts in their accounts with respect to which they are permitted to exercise control and the degree of risk to which such amounts are subject;
- b) choose from a minimum of three core investment alternatives, (i) each of which is diversified; (ii) each of which has materially different risk and return characteristics; (iii) which in the aggregate enable participants and beneficiaries to achieve a portfolio with aggregate risk and return characteristics at any point within the range normally appropriate for participants and beneficiaries; and (iv) each of which when combined with investments in the other alternatives tends to minimize through diversification the overall risk of a participant’s or beneficiary’s portfolio;

- c) diversify the investment of the accounts of participants and beneficiaries so as to minimize the risk of large losses, taking into account the nature of the Plan and the size of participants' or beneficiaries' accounts.

All investment choices will be publicly available mutual funds, collective investment trusts, separate accounts or similar vehicles. All investments being offered will fluctuate in value with market conditions and, when redeemed, may be worth more or less than the amount originally invested. Each of the chosen investment options is designed to follow a specific stated investment objective as outlined in Appendix A.

In addition, the Plan will offer participants a series of Strategic Asset Allocation Models (the "Models") designed for various risk profiles and expected retirement dates. The Plan's Investment Consultant shall have discretionary authority in developing and maintaining the allocations of the Models limited to utilization of investments offered directly to participants through the Plan. The Investment Consultant shall provide performance benchmarking against similar investment options on a quarterly basis and notify the Committee within 90 day of any allocation changes.

Performance Measurement Standards

The Committee shall evaluate all Plan investments against appropriate peer groups and index benchmarks as outlined in Appendix A on the performance measurement standards outlined in Appendix B. The Committee intends to use independent discretion and judgment in determining whether any investments are prudent and suitable for the Plan and its participants and beneficiaries, and while the evaluation criteria outlined in Appendix B is intended for guidance, it is not determinative.

The Committee shall have the authority to establish, modify, amend or adjust acceptable performance measurement standards by which each investment option is to be evaluated.

Investment Option Removal Procedure

The Committee shall maintain a "Watch List" for investment options that are not meeting the qualitative and quantitative criteria outlined in Appendix B. An investment option will be placed on the "Watch List" when the Committee determines that the option selected for the Plan fails to meet the criteria set forth in the performance measurement standards for a period of time to be determined by the Committee. The Committee may also remove an investment option for any reason it deems necessary.

Final selection, replacement and/or removal of an investment option from the line-up shall be completed only after conducting a thorough review of the identified investment option. In the event of a fund replacement, the Asset Allocation Models will be changed accordingly if the designated asset class is represented in the models.

If the Committee decides that an investment option should be eliminated and replaced with an appropriate alternative option, the following principles are among those that may be applied:

- The costs and fees of replacing an investment option should be identified and evaluated.
- Deleting an investment option or replacing it will not involve a prohibited transaction (e.g., there will be no conflicts of interest).

Should an investment option replacement or elimination be necessary, the Committee intends to satisfy the requirements for a qualified change as defined in ERISA Section 404(c)(4) by mapping the assets from the option replaced or eliminated to an alternative with reasonably similar characteristics, when available, and by mapping only the accounts of those participants who do not provide instructions contrary to the mapping instructions before the effective date.

Committee Review of Investment Performance Reports

Upon receipt of the Report by the Committee, copies will be provided to each of the Committee members to review and comment. While it is anticipated that the Committee will meet on a quarterly basis to discuss the Report, the Committee members may alternatively confer through individual conversations, conference calls, and other forums.

Investment Option Administrative Expenses

The Committee intends to operate the Plan under a level fee arrangement such that certain service provider costs, as determined by the Committee and permissible by law, are directly charged to Plan assets and allocated to participant accounts in a manner to be determined by the Committee so that an equitable fee rate applies to all participants.

To the extent investment options are offered in the Plan that generate revenue that would otherwise be used to offset service provider costs, such revenue will be refunded to those participant accounts from which the revenue was generated. Accordingly, the Committee may select share classes that are the least expensive after consideration of the revenue credit, unless using such share classes would increase the expense ratio in a way that may deter participant investment in the fund. Due to regular fluctuations in the expense ratio and revenue amounts, the Committee may periodically review the investment options offered in the Plan for more efficient share classes, but changes will only be made when the differential is material or an equally efficient share class with a lower expense ratio is available.

The fiduciaries of the Plan shall monitor the fees charged to the Plan and the participants, in accordance with all applicable fiduciary standards. This accounting and monitoring of fees shall be conducted at least annually. In the event fees are determined to be above average or not deemed reasonable for the services provided, the Committee may attempt to negotiate with the Plan's current service provider or evaluate alternate vendors.

Review and Revisions

The Committee reserves the right to amend the Investment Policy Statement at any time. Ordinarily, it is expected that this Statement will be amended to reflect such changes; however, formal amendment is not required.

APPENDIX A

Following is a list of the asset classes and their respective benchmarks used in evaluating investment options. Each investment option is compared to the respective Morningstar Category as the peer group and a widely accepted index. Mutual funds with a passive strategy will be benchmarked against the index which management attempts to track.

| Asset Class | Peer Group | Index |
|--|---|--|
| Fixed/Stable Value | Stable Value Category | N/A |
| Intermediate Bond | Intermediate Term Bond Category | Barclays U.S. Aggregate Bond Index |
| Balanced | Allocation: 50% - 70% Equity Category | 40% Barclays U.S. Aggregate Bond Index/60% S&P 500 Index |
| Large Cap Value | Large Cap Value Category | Russell 1000 Value Index |
| Large Cap Blend | Large Cap Blend Category | Standard & Poor's 500 Index |
| Large Cap Growth | Large Cap Growth Category | Russell 1000 Growth Index |
| Mid Cap Value | Mid Cap Value Category | Russell Mid Cap Value Index |
| Mid Cap Growth | Mid Cap Growth Category | Russell Mid Cap Growth |
| Small Cap Value | Small Cap Value Category | Russell 2000 Value Index |
| Small Cap Growth | Small Cap Growth Category | Russell 2000 Growth Index |
| Foreign Large Cap Value, Large Cap Blend, Large Cap Growth | Foreign Large Cap Equity Category | MSCI ACWI ex USA Index |
| Foreign Small / Mid Value, Foreign Small / Mid Growth | Foreign Small / Mid Cap Equity Category | MSCI ACWI ex USA Small Index |
| Specialty - Healthcare | Healthcare Category | S&P 500 Sector/Health Care Index |
| Specialty - Real Estate | Real Estate Category | Wilshire U.S. REIT Index |
| Specialty - Utilities | Utilities Category | S&P 500 Sector/Utilities |
| Target Date Funds | Morningstar Target Date Category Series | S&P Target Date Series Index |

APPENDIX B

Investment Option Evaluation Methodology

Quantitative Criteria

1. Average trailing returns (3, 5 and 10 year) – Total returns are evaluated over different periods of time to analyze performance over various business cycles. .
2. Average rolling returns (3, 5, and 10 year) – Returns shall be evaluated over rolling 1 year periods to determine how consistently the fund manager performed against his peers in a variety of market cycles.
3. Average Sharpe Ratio (3, 5 and 10 year) – Sharpe Ratio shall be evaluated to determine the funds overall efficiency. The Sharpe Ratio is calculated by dividing the annualized return in excess of the risk free Treasury Bill by the standard deviation for that same time frame.
4. Average Up Capture Ratio (3, 5 and 10 year) – The percentage of an index return captured during up market cycles, referred to as Up Capture Ratio, shall be evaluated.
5. Average Down Capture Ratio (3, 5 and 10 year) – The percentage of an index return captured during down market cycles, referred to as Down Capture Ratio, shall be evaluated.
6. Style Consistency to the benchmark – The use of equally-weighted criteria ensures that the funds selected for the plan continue to operate and perform as expected within their appropriate asset class.

Equity funds: Average R^2 (3, 5 and 10 year), current style dispersion and 3 year average style consistency

Bond funds: Average R^2 (3, 5 and 10 year) and current average credit quality

7. Expense Ratio – The current expense ratio shall be compared as a percentage to the appropriate category average.

A fund's overall score from the above listed criteria is ranked against its respective category peer group as an initial indication as to whether a fund is outperforming, performing or underperforming. If a fund's score ranks in the top quartile (0 - 25%) it receives an "Outperform", if the score ranks in the 2nd quartile (26 - 50%) it receives a "Perform" and if the score ranks in the bottom half of the peer group it receives an "Underperform" (51 - 100%).

Qualitative Criteria

In addition to the above quantitative criteria, many additional qualitative factors will be monitored to determine the potential exposure to risk that may make a fund unsuitable as a

retirement plan investment option. The additional factors to be monitored include, but are not limited to, the following:

- Change in fund philosophy
- Change in fund manager
- Individual holding concentrations
- Economic sector concentrations
- Performance volatility as measured by standard deviation
- Portfolio turnover
- Manager tenure
- Asset base
- Average market capitalization

DRAFT

BOARD MEETING DATE: February 7, 2020

AGENDA NO.

PROPOSAL: Appropriate Funds and Amend Contract for Consultant Services for South Coast AQMD Environmental Justice Outreach and Initiatives

SYNOPSIS: The current contract with Lee Andrews Group, Inc., for environmental justice efforts conducted for the Environmental Justice Community Partnership expires on March 29, 2020. The contract includes an option for two one-year extensions. Based on the firm's effective performance during their current contract, this action is to approve a one-year extension of the consultant's contract in the amount of \$160,000 for Calendar Year 2020.

COMMITTEE: Administrative, January 17, 2020; Recommended for Approval

RECOMMENDED ACTIONS:

1. Appropriate \$160,000 from the BP ARCO Settlement Project Fund (46) to the Legislative, Public Affairs & Media FY 2019-20 Budget, Services and Supplies Major Object, Professional & Specialized Services account; and
2. Authorize the Chairman to execute a one-year extension of the contract with Lee Andrews Group, Inc. at the current contract amount of \$160,000.

Wayne Nastri
Executive Officer

DA:FW:AR:jf

Background

In February of 2015, the Chairman of the Governing Board, Dr. William Burke, launched the Environmental Justice Community Partnership (EJCP), to strengthen South Coast AQMD's relationships with stakeholders in environmental justice communities, in an effort to help clean the air. In October of 2015, Lee Andrews Group Inc. (LA Group) was contracted to support EJCP outreach efforts. Throughout 2019, LA Group supported South Coast AQMD in coordinating the following:

1. **Four (4) Meetings for the Environmental Justice Community Partnership Advisory Council:** The Advisory Council assisted with the creation and implementation of the Clean Air Ranger Education (CARE) Program and Inter-Agency Task Force that addresses the needs of environmental justice communities in Los Angeles, Orange, Riverside, and San Bernardino counties. LA Group supported South Coast AQMD with identifying and recruiting individuals to be part of the Advisory Council, coordinating meeting logistics, and implementing members' feedback into the execution of multiple events.
2. **Four (4) School Assemblies for the CARE Program:** The assemblies provided elementary school students, located in environmental justice communities, information on air quality and the health effects of air pollution. The assembly presentations incorporated an interactive experiment, provided examples of things students could do to help clean the air, and an opportunity to ask questions. The CARE Program assists in fostering South Coast AQMD's relationships with school district officials, students, and families. Schools have the option to keep air quality flags and families are left with packets on South Coast AQMD programs. LA Group supported South Coast AQMD with each assembly by assisting with the script, identifying schools, reaching out to principals, coordinating walkthroughs and assisting throughout the presentations.
3. **Four (4) Meetings for the Inter-Agency Task Force:** The Four Task Force meetings were held in Los Angeles to work with environmental justice leaders and executives from multiple federal, state, and local government agencies to work together on creating a public directory on who to contact for environmental complaints, planning an inter-agency staff training, and creating an internal inter-agency directory for government staff. LA Group supported South Coast AQMD with coordinating the logistics of each meeting by identifying venue locations, managing registration, and sourcing vendors. LA Group also provided updates to Task Force participants in-between meetings.
4. **One (1) Environmental Justice Bus Tour:** Staff led approximately 40 students from Urban Planning Classes at California State University Los Angeles on a bus tour of environmental justice areas in Boyle Heights and near the Port of Long Beach. The tour provided a clear example of the environmental justice challenges facing those communities and provided insight into some of the technology solutions to those challenges. LA Group supported South Coast AQMD with coordinating the logistics of the tour, such as identifying venue locations and seeking guest speakers.
5. **One (1) Environmental Justice Conference:** The half-day conference engaged stakeholders from impacted communities, academic researchers, health professionals, and others focused on the need to protect and improve the region's

air quality. LA Group supported South Coast AQMD with the logistics of the event and sourcing of vendors. LA Group also helped identify potential speakers, breakout session topics, panelists, and sponsors.

LA Group effectively collaborated with South Coast AQMD staff in executing the different requirements of the contract for the Environmental Justice Community Partnership, and as a result, helped advance the South Coast AQMD Board's environmental justice interests and policies.

In summary, the LA Group is an effective consulting team for South Coast AQMD. Their event planning skills strengthen the South Coast AQMD's ability to support the Board's environmental justice priorities. At this critical point in time, it is important that the momentum on stakeholder partnerships with environmental justice groups continue in the coming year as we work towards achieving clean air in disadvantaged communities, consistent with South Coast AQMD's mission and goals.

Proposal

The contract with the LA Group expires on March 29, 2020. South Coast AQMD staff is extremely satisfied with the performance of the firm and recommends the Board retain them for Calendar Year 2020. The present contract, based on a competitive selection process, has an option for up to two one-year extensions that may be exercised at the Board's discretion pursuant to the original RFP. This proposal is to approve the first one-year extension for the contract.

Resource Impacts

Sufficient funding will exist for this contract upon the transfer of \$160,000 from the BP ARCO Settlement Project Fund (46) to the Legislative, Public Affairs & Media FY 2019-20 Budget, Services and Supplies Major Object, Professional & Specialized Services account.



South Coast Air Quality Management District

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Item 12

LOCAL GOVERNMENT & SMALL BUSINESS ASSISTANCE ADVISORY GROUP FRIDAY, NOVEMBER 8, 2019 MEETING MINUTES

MEMBERS PRESENT:

Council Member Ben Benoit, LGSBA Chairman (Board Member)
Mayor Pro Tempore Rachelle Arizmendi, City of Sierra Madre
Paul Avila, P.B.A. & Associates
Geoffrey Blake, Metal Finishers of Southern California
Todd Campbell, Clean Energy
John DeWitt, JE DeWitt, Inc.
Eddie Marquez, Roofing Contractors Association
Rita Loof, RadTech International
Council Member Carlos Rodriguez, City of Yorba Linda
David Rothbart, Los Angeles County Sanitation Districts

MEMBERS ABSENT:

Supervisor V. Manuel Perez (Board Member)
Supervisor Janice Rutherford (Board Member)
Felipe Aguirre
LaVaughn Daniel, DancoEN
Bill LaMarr, California Small Business Alliance
Mayor Cynthia Moran, City of Chino Hills

OTHERS PRESENT:

Ruthanne Taylor Berger, Board Member Consultant (*Benoit*)

SOUTH COAST AQMD STAFF:

Derrick Alatorre, Deputy Executive Officer
Sarah Rees, Ph.D., Asst. Deputy Executive Officer
Nancy Feldman, Principal Deputy District Counsel
Lisa Tanaka O'Malley, Sr. Public Affairs Manager
Vicky White, Technology Implementation Manager
De Groeneveld, Sr. Information Technology Specialist
Elaine-Joy Hills, Air Quality Specialist
Van Doan, Air Quality Specialist

Agenda Item #1 - Call to Order/Opening Remarks

Chair Ben Benoit called the meeting to order at 11:30 a.m.

Agenda Item #2 – Approval of September and October, 2019 Meeting Minutes/Review of Follow-Up/Action Items

Chair Benoit called for approval of the September 13 and October 11, 2019 meeting minutes. Roll call was initiated and the minutes were approved unanimously.

Mr. David Rothbart asked for clarification on the process to provide recommendations as a group. Ms. Nancy Feldman replied that was an action item and a response will be provided during discussion of agenda item #3.

Agenda Item #3 – Review of Follow Up/Action Items

Ms. Lisa Tanaka O'Malley provided responses to the October 11, 2019 action items. She stated that the September 13, 2019 minutes were revised and just approved. She indicated that staff provided Mr. Felipe Aguirre with an update on South Coast Air Quality Management District's (South Coast AQMD) participation on the Exide Community Advisory Committee.

Ms. Feldman provided a response to the October 11, 2019 action item regarding procedures for providing input to the Governing Board (GB). She referenced the mission statement on the Local Government & Small Business Assistance Advisory Group (LGSBA) charter and stated the group is authorized to provide input on the implementation of the Air Quality Management Plan (AQMP) and a host of other things within the jurisdiction of South Coast AQMD. Ms. Feldman further stated that the charter does not include the process to provide such input; however, it does call for monthly reports to the Administrative Committee (AC). She recommended that the group provide input through the AC to be forwarded to the GB for consideration. She indicated that the input could be provided in the form of a letter or a memo adopted through an action by this group or appear before the AC during the public comment period.

Mr. Carlos Rodriguez stated that this discussion began when SoCalGas provided a public comment recommending the formation of an ad hoc working group to address the asphalt policy in Rule 1403. He added that there was consensus amongst the members of this group to support that recommendation and encourage staff to consider it. Mr. Rodriguez asked what the process is for the group to provide recommendation when there is unanimous consensus to support a public request, similar to this situation. Ms. Feldman replied that input may be provided to the AC; however, if an item comes up during public comment, it would instigate this body to take formal action by requesting it to be agendaized for the following meeting, where the body could determine the form to advance the recommendation, either by sending a representative to the AC meeting or adopting a written document that was previously prepared. Mr. Rodriguez referenced the SoCalGas example and asked if the body must follow this process as there is a compelling public comment and he wanted to express support. Ms. Feldman replied yes, and it must comply with the Brown Act, allowing the public to provide comments. Mr. Rodriguez stated that he is looking for a way to timely provide input. Chair Benoit agreed that items need to be agendaized for formal actions and stated that there are three GB members on this advisory group and could convey the messages to the GB.

Ms. Rita Loof referenced a memo that was adopted by the GB (11/13/98) regarding advisory committees creating consensus and stated that there is a general process to provide input through the board committee, but no specific steps. Ms. Feldman agreed that the detailed steps in the process are missing;

however, she indicated that Chair Benoit provided the most expeditious method to provide input, which is to communicate through any GB member in attendance at the meeting. Ms. Feldman reiterated that if this group wants to make a statement as a body, then the item must be agendaized so that the group could determine the content of the statement and how it should be conveyed.

Mr. Rothbart asked if it is appropriate to propose a motion to get to consensus. Ms. Feldman replied that the votes establish consensus. For example, by taking a vote for a representative to report to the next committee or GB meeting will establish consensus to move forward.

Mr. John DeWitt asked if the group puts a resolution together 72 hours before this meeting, then it could be discussed at this meeting. Ms. Feldman replied that would be an item to be voted on to determine consensus.

3Agenda Item #4 – Cap & Trade Overview

Dr. Sarah Rees provided an overview on California's Cap & Trade Program to reduce Greenhouse Gas (GHG) emissions.

Mr. Paul Avila referenced the Chinese model and asked if the cap is dropped if production decreases. Dr. Rees replied that in a mass-based system, if a company exceeds its emissions allocation in a given year, it will have to purchase credits to offset that exceedance. On the other hand, if a company produces less than its emissions allocation, it will generate credits. In a Chinese rate-based system, there isn't a difference if the amount of steel produced per ton of GHG is the same, although the total production is less. The rate-based system doesn't have a cap on total production and is targeted to increase the production efficiency, not to reduce GHG emissions.

Mr. Avila asked if the credits auction is international or domestic. Dr. Rees replied that they are joint auctions with the province of Quebec. Mr. Avila asked if trading in the secondary market is permissible between different industries. Dr. Rees replied that trading in the secondary market is between private entities covered in the program and trading between different industries is permissible. Mr. Avila stated that there are different valuations. Dr. Rees agreed that there are different valuations and stated that carbon is priced higher in the secondary market due to demands.

Mr. Rodriguez asked for examples of the prices. Dr. Rees stated that at the most recent auction in August of this year, carbon was traded at \$17.15 per ton. Mr. Rodriguez asked what the price was in the secondary market. Dr. Rees replied that it is approximately \$1 more in the secondary market.

Mr. DeWitt referenced the slide on offsets and asked if the Multiple Air Toxics Study (MATES) program or a computer model was used to determine if emissions targets were met. Dr. Rees replied that the evaluation method for the forestry project is different than traditional methods used by South Coast AQMD. Mr. DeWitt asked if it is a computer program and not an actual air measurement. Dr. Rees replied that it is not an actual monitor measurement; it is a model. Mr. DeWitt inquired if the modeling results reflect reality. Dr. Rees replied that the concept of offset projects is very controversial. It is something that many oppose because they don't think the emissions reductions are real. Many of those projects involve carbon sequestration, which is the concept of carbon removed from the atmosphere, but are not destroyed. For example, in forestry offsets, theoretically the carbon could be released back into the atmosphere in the future. In California, there is a limit of 8% on the use of offsets and will be reduced and phased out. Mr. DeWitt asked if the effectiveness of any of the mitigation programs are determined using actual air measurements or only computer modeling programs. Dr. Rees

indicated that South Coast AQMD doesn't monitor GHG emissions; however, there are atmospheric measurements for GHG emissions, which is ambient carbon dioxide (CO₂), but is not tied to those regulatory programs.

Mr. Avila asked if one is allowed to purchase excess credits and retire them to help clean the air. Dr. Rees replied yes, and retirement would result in emissions reduction.

Mr. Avila inquired if there are financial audits conducted, assuming an annual report is submitted. Dr. Rees replied there are no annual reports; however, there are quarterly auction reports and triennial compliance reports, which are subject to third party audits.

Mr. Rodriguez asked if the emissions caps are standardized or vary with different facilities. Dr. Rees replied that the facilities are given a cap based on what is projected to generate and the cap declines over time. Mr. Rodriguez asked if there is a variation in the cap between different industries. Dr. Rees indicated that the initial cap is dependent on each facility's emissions. Mr. Rodriguez requested for examples of emissions caps for different industries. Dr. Rees stated that a facility must emit more than 25 metric tons of CO₂/year to be covered under this program. California gives the facility 90% of that and they are responsible to cover the remaining 10%.

Mr. DeWitt asked how many of the 450 entities have left. Dr. Rees stated that information may be available on California Air Resources Board's (CARB) website. She further stated that there are other economic forces that could influence a facility of this magnitude to relocate.

Ms. Loof asked for the average cost for a facility. Dr. Rees replied that the cost depends on how much a facility emits. The price per ton is low and will increase if the demand increases. Ms. Loof referenced a CARB announcement stating that the target was met ahead of schedule and asked for more information. Dr. Rees stated that CARB set a target to meet 1990's GHG levels by 2020 and that target has been met, possibly due to both the Cap & Trade Program and economic downturn in late 2000's.

Mr. Rothbart asked for an update on South Coast AQMD's efforts to obtain additional funding from the State for emissions reductions. Mr. Alatorre stated that South Coast AQMD has received funding allocations; however, there are competing interests and limited amounts to be allocated.

Mr. Geoffrey Blake asked if it is possible for a company to bank credits for future use in anticipation of price increase. Dr. Rees replied that banking is allowed; however, there are limits on how long they could be banked for. Mr. Blake further asked how long credits could be banked for. Dr. Rees responded that it used to be 3 years, but will double check.

Mr. DeWitt asked why South Coast AQMD has not asked the advisory group for assistance with bills. Mr. Alatorre replied that South Coast AQMD can educate the group, but is not allowed to ask the group to support or oppose a bill.

Agenda Item #5 – Assembly Bill (AB) 617 Incentives

Ms. Vicki White presented on incentives offered through Assembly Bill (AB) 617.

Mr. Avila asked if the funds are real money. Ms. White replied yes.

Mr. Blake asked what percentage of the funds have been allocated. Ms. White replied that all funds for AB 134 (year 1) have been allocated and will provide examples of projects for year 2 later in the presentation.

Ms. Rachelle Arizmendi referenced the AB 134 timeline and asked if anything is being done to ensure that applicants are on schedule and if there are any punitive measures. Ms. White replied that these are voluntary programs and don't have any punitive measures. The projects are closely monitored and the funds could be reallocated if the projects are incomplete.

Mr. Rodriguez referenced the list of incentive projects and asked if the projects consisted of private or public sectors. Ms. White replied that the applicants are primarily private entities, but public entities are welcomed to apply.

Agenda Item #6 –Monthly Report on Small Business Assistance Activities

No comments.

Agenda Item #7 - Other Business

Ms. Loof followed up on a previous request for a presentation on Rule 219 – Equipment Not Requiring a Written Permit Pursuant to Regulation II. Mr. Alatorre stated that it will be presented at a future meeting.

Agenda Item #8- Public Comment

No comments.

Agenda Item #9 – Next Meeting Date

The next regular Local Government & Small Business Assistance Advisory Group meeting is scheduled for Friday, December 13, 2019 at 11:30 a.m.

Adjournment

The meeting adjourned at 12:56 p.m.