



# 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  
Mayor Ben Benoit, Vice Chair  
Mayor Pro Tem Judith Mitchell  
Dr. Clark E. Parker, Sr.

**November 9, 2018 ♦ 10:00 a.m. ♦ Conference Room CC-8  
21865 Copley Drive, Diamond Bar, CA 91765**

### Teleconference Locations

11461 West Sunset Boulevard  
The Brentwood Room 1  
Los Angeles, CA 90049

Rolling Hills Estates City Hall  
4045 Palos Verdes Drive North  
Rolling Hills Estates, CA 90274

(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 SCAQMD staff or a Board Member of your desire to speak. All agendas for regular meetings are posted at District 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 8:

1. Board Members' Concerns (***No Motion Required***)  
*Any member of the Governing Board, on his or her own initiative may*

Dr. William A. Burke  
Committee Chair

*raise a concern to the Administrative Committee regarding any SCAQMD items or activities.*

- |    |   |  |                 |
|----|---|--|-----------------|
| 2. | Chairman's Report of Approved Travel ( <b>No Motion Required</b> )  | Dr. Burke  | pg. 1           |
| 3. | Report of Approved Out-of-Country Travel ( <b>No Motion Required</b> )  | Wayne Nastri<br>Executive Officer                |                 |
| 4. | Review December 7, 2018 Governing Board Agenda  | Wayne Nastri                                     | pgs. 2-12       |
| 5. | Approval of Compensation for Board Member Assistant(s)/ Consultant(s) (Any material, if submitted, will be distributed at the meeting.) ( <b>Motion Requested if Proposal Made</b> )  | Dr. Burke  |                 |
| 6. | Annual Audited Financial Statements for FY Ended June 30, 2018 ( <b>No Motion Required</b> )<br><i>This item transmits the annual audited financial statements of the SCAQMD. The SCAQMD has received an unmodified opinion (the highest obtainable) on its financial statements.</i>   | Sujata Jain<br>ADEO, Finance                     | pgs.<br>13-191  |
| 7. | SCAQMD's FY 2018-19 First Quarter ended September 30, budget vs. Actual (Unaudited) ( <b>No Motion Required</b> )<br><i>Staff will provide a comparison of budget vs. actual results for revenues and expenditures for the first quarter ended September 30, 2018.</i>  | Sujata Jain                                      | pgs.<br>192-195 |
| 8. | Status Report on Major Ongoing and Upcoming Projects for Information Management ( <b>No Motion Required</b> )<br><i>Information Management is responsible for data systems management services in support of all SCAQMD operations. This action is to provide the monthly status report on major automation contracts and planned projects.</i> | Ron Moskowitz<br>ADEO, Information<br>Management | pgs.<br>196-202 |

**ACTION ITEMS - Items 9 through 12:**

**DECEMBER ITEMS**

- |    |  |   |                 |
|----|--|---|-----------------|
| 9. | Transfer and Appropriate Funds, Recognize Revenue, Approve Positions, Issue Solicitations and Purchase Orders, and Execute Contracts and Agreements for Mid-Year Budget Adjustments, AB 617 Implementation, Volkswagen Mitigation Projects, and China Partnership for Cleaner Shipping; and Amend Salary Resolution ( <b>Motion Requested</b> )<br><i>Additional resources of \$4,436,328 are needed in the FY 2018-19 Budget to enable the implementation of critical projects and programs. In addition, SCAQMD is expected to receive up to \$20,000,000 for AB 617 implementation. These actions are to: (1) Appropriate \$3,611,776 from the Undesignated (Unassigned) Fund Balance as a budget restoration measure; (2) Appropriate an additional \$824,552 from the Undesignated (Unassigned) Fund Balance into the FY 2018-19 General Fund Budget for several key projects; (3) Recognize revenue up to \$20,000,000 for AB 617 into the General Fund and appropriate \$10,211,076 into the FY 2018-19 and/or 2019-20 General Fund Budgets; (4) Transfer \$421,390 from the Volkswagen (VW) Mitigation</i> | Jill Whynot<br>Chief Operating<br>Officer | pgs.<br>203-219 |
|----|--|---|-----------------|

*Fund (79) to the General Fund and appropriate \$421,390 for administrative costs into the FY 2018-19 Budget; (5) Approve the addition, reassignment and upgrade of positions for AB 617, VW Mitigation projects, and China Partnership for Cleaner Shipping; (6) Issue solicitations and purchase orders and execute contracts for Mid-Year Budget Adjustments, AB 617, VW Mitigation projects, and China Partnership for Cleaner Shipping; (7) Authorize the Executive Officer to enter into a Bailment Agreement with the National Park Service; and (8) Amend the Salary Resolution to revise the Assistant Deputy Executive Officer class title.*

- |     |   |   |                 |
|-----|---|---|-----------------|
| 10. | <p>Issue RFP for Engineering Consultant to Assess BARCT for Proposed Rule 1109.1 – NOx Emission Reductions for Refinery Equipment (<b>Motion Requested</b>)</p> <p><i>Staff is seeking an independent third party consultant with technical expertise and experience with NOx control equipment and emissions control technologies preferably in the refinery field. This action is to issue an RFP to solicit proposals for review of staff’s BARCT technology assessment, estimated emission reductions, and cost-effectiveness for NOx emitting equipment at petroleum refineries to support Proposed Rule 1109.1, in an amount not to exceed \$100,000. Sufficient funding is available in the General Fund (AB 617).</i></p> | Susan Nakamura<br>ADEO, Planning, Rule<br>Development & Area<br>Sources | pgs.<br>220-260 |
| 11. | <p>Execute Contract for Operation of Diamond Bar Headquarters Cafeteria (<b>Motion Requested</b>)</p> <p><i>The current contract for operation of the Diamond Bar headquarters cafeteria expires December 31, 2018. On June 1, 2018, the Board approved release of an RFP to solicit proposals from food service management firms interested in providing these services for the next three-year period. This action is to execute a no-cost contract with California Dining Services from January 1, 2019 to December 31, 2021.</i></p>  | John Olvera<br>ADEO, Administrative<br>& Human Resources                | pgs.<br>261-263 |
| 12. | <p>Issue RFP for Consultant Services for SCAQMD Environmental Justice Outreach and Initiatives (<b>Motion Requested</b>)</p> <p><i>This action is to issue an RFP to solicit proposals from individuals and organizations to provide assistance with community and stakeholder outreach efforts related to SCAQMD’s Environmental Justice Program, including but not limited to, the Environmental Justice Community Partnership Initiative, meetings and conference.</i></p>   | Derrick J. Alatorre<br>DEO, Legislative,<br>Public Affairs &<br>Media   | pgs.<br>264-300 |

**WRITTEN REPORT:**

- |     |   |                     |                 |
|-----|---|---------------------|-----------------|
| 13. | <p>Local Government &amp; Small Business Assistance Advisory Group Minutes for the September 14, 2018 Meeting<br/>(<b>No Motion Required</b>)</p> <p><i>Attached for information only are the Local Government &amp; Small Business Assistance Advisory Group minutes for the September 14, 2018 meeting.</i></p> | Derrick J. Alatorre | pgs.<br>301-304 |
|-----|---|---------------------|-----------------|

**OTHER MATTERS:**

14. Other Business

Dr. Burke

*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 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)*

15. 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.*

16. **Next Meeting Date:** December 14, 2018 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 Air Quality Management District, 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](mailto:nvelasquez@aqmd.gov).*



# South Coast Air Quality Management District

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

BOARD MEETING DATE: December 7, 2018

REPORT: Administrative Committee

SYNOPSIS: The Administrative Committee met November 9, 2018 and reviewed the proposed agenda for the December 7, 2018 Board meeting. The Committee also discussed various issues detailed in the Committee report. The next Administrative Committee meeting is December 14, 2018, 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 November 9, 2018 Administrative Committee meeting.]

**Administrative Committee Discussion Items:**

[Will be inserted subsequent to the November 9, 2018 Administrative Committee meeting.]

**Report on Board Member Travel Authorized by the Chairman at the November 9, 2018 Administrative Committee meeting:**

DATE	TRAVELER	DESTINATION	PURPOSE
November 15-16, 2018	Mayor Pro Tem Judith Mitchell	Sacramento, CA	Mayor Pro Tem Mitchell will attend the monthly CARB Board Meeting as the SCAQMD Board Representative.

11/2/18 3:50 PM

Item 4

## **DRAFT**

### **MEETING, DECEMBER 7, 2018**

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

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 Boards Office, 21865 Copley Drive, Diamond Bar, CA 91765.

Please note: This is a draft agenda and is subject to change.

## **CALL TO ORDER**

- Pledge of Allegiance
- Opening Comments: William A. Burke, Ed.D., Chair  
Other Board Members  
Wayne Nastri, Executive Officer

---

Staff/Phone (909) 396-

## **CONSENT CALENDAR (Items 1 through XX)**

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

- |        |  |                      |
|--------|--|----------------------|
| 10302. | Approve Minutes of November 2, 2018 Board Meeting  | <b>Garzaro/2500</b>  |
| 10304. | Set Public Hearings January 4, 2019 to Consider Adoption of and/or Amendments to SCAQMD Rules and Regulations  | <b>Nastri/3131</b>   |
| 10341. | Set Public Hearing January 4, 2019 to Determine that Proposed Amendments to Rule 1325 – Federal PM2.5 New Source Review Program Are Exempt from CEQA and Amend Rule 1325 | <b>Nakamura/3105</b> |

Rule 1325 establishes requirements for new and modified sources to ensure compliance with federal PM2.5 New Source Review requirements. Rule 1325 was recently amended in 2016 to expand the definition of “precursor” to include VOC and ammonia (NH3), as required under U.S. EPA’s 2016 implementation rule for PM2.5 State Implementation Plans and a court decision requiring states to regulate PM2.5 under the same part of the Federal Clean Air Act as PM10. The 2016 amendment expanded the definition of precursor, however, it did not expand the definition of “regulated NSR pollutant” to explicitly reference the PM2.5 precursors VOC and NH3. Proposed Amended Rule 1325 will address this deficiency by adding VOC and NH3 to the definition of “regulated NSR pollutant”. In addition, the proposed amendments will clarify rule language, remove outdated language and enhance formatting. This action is to adopt the Resolution: 1) Determining that the proposed amendments to Rule 1325 - Federal PM2.5 New Source Review Program are exempt from the California Environmental Quality Act, and 2) Amending Rule 1325 – Federal PM2.5 New Source Review Program. (Reviewed: Stationary Source Committee, November 16, 2018)

10321. **Set Public Hearing January 4, 2019 to Determine that Proposed Amendments to Rule 1403 - Asbestos Emissions from Renovation/Demolition Activities Are Exempt from CEQA and Amend Rule 1403** **Rees/2856**

Proposed amendments to Rule 1403 will provide revisions to enhance the clarity of the rule and align the requirements with the applicable U.S. EPA NESHAP and with other state and local agency regulations. This action is to adopt the Resolution: 1) Determining that the proposed amendments to Rule 1403 - Asbestos Emissions from Renovation/Demolition Activities are exempt from the requirements of the California Environmental Quality Act; and 2) Amending Rule 1403-Asbestos Emissions from Renovation/Demolition Activities. (Reviewed: Stationary Source Committee, November 16, 2018)

**Budget/Fiscal Impact**

10346. **Develop and Demonstrate Near-Zero and Zero Emissions Vehicles and Equipment at Ports** **Miyasato/3249**

The Port of Long Beach and its project partners have received \$50,000,000 in funding and the Port of Los Angeles and its project partners have received \$41,122,260 under CARB's Low Carbon Transportation Investments grant solicitation to demonstrate near-zero and zero emissions on-road, off-road and marine vehicles and equipment, including battery electric and hydrogen fuel cell trucks and supporting infrastructure. Total proposed projects costs are \$102,998,742 and \$82,547,024 for the Ports of Long Beach and Los Angeles, respectively. This action is to execute contracts from the Clean Fuels Program Fund (31) with the Port of Long Beach in an amount not to exceed \$500,000 and the Port of Los Angeles in an amount not to exceed \$1,000,000 for SCAQMD's project cost-share. (Reviewed: Technology Committee, November 16, 2018; Recommended for Approval)

10348. **Conduct Emissions Study on Use of Alternative Diesel Blends in Off-Road Heavy-Duty Engines and Amend SOON Provision Awards** **Miyasato/3249**

CARB has committed to adopting a low emission diesel (LED) measure in the State Implementation Plan to reduce NOx and particulate matter (PM) emissions from on-road and off-road vehicles. Renewable diesel and NOx-mitigated biodiesel show a potential for reductions up to 13 percent in NOx and 30 percent in PM. CARB is currently contributing \$932,499 in a \$1,353,499 study by the University of California Riverside (UCR) CE-CERT testing on and off-road diesel engines on a wide matrix of test fuels. Additional cost-share is proposed for this comprehensive study as follows: SCAQMD, \$261,000; U.S. EPA, \$150,000; and San Joaquin Valley APCD, \$10,000. This action is to execute a contract with UCR CE-CERT in an amount not to exceed \$261,000 from the Clean Fuels Program Fund (31). In addition, in November 2017, the Board approved SOON Provision awards. This action is to also amend awards under the SOON Provision. (Reviewed: Technology Committee, November 16, 2018; Recommended for Approval)



10339. **Execute Contract to Conduct Preliminary Cost and Economic Impact Analysis of Proposed Warehouse Indirect Source Rule** **Rees/2856**

Following Board direction from the May 2018 meeting, staff has begun formal rulemaking on a potential indirect source rule applicable to warehouses. An RFP was released on September 7, 2018 to assist staff in estimating a range of potential costs based on hypothetical rule scenarios and the resultant impacts on freight operations, such as potential cargo diversion from local warehouses to facilities in adjacent regions. This preliminary analysis will be a component of a more comprehensive socioeconomic analysis that will be brought to the Board when it considers this proposed rule for adoption. Using the prescribed evaluation criteria to consider cost and technical qualifications, [CONTRACTOR] received the highest overall score for its submitted proposal. This action is to execute a contract with [CONTRACTOR] in an amount not to exceed [CONTRACT AMOUNT]. Funding for this contract is available in the Planning, Rule Development and Area Sources FY 2018-19 Budget. (Reviewed: Mobile Source Committee, November 16, 2018; Recommended for Approval)

10333. **Issue RFP for Engineering Consultant to Assess BARCT for Proposed Rule 1109.1 – NOx Emission Reductions for Refinery Equipment** **Nakamura/3105**

Staff is seeking an independent third-party consultant with technical expertise and experience with NOx control equipment and emissions control technologies preferably in the refinery field. This action is to issue an RFP to solicit proposals for review of staff's BARCT technology assessment, estimated emission reductions, and cost-effectiveness for NOx emitting equipment at petroleum refineries to support Proposed Rule 1109.1, in an amount not to exceed \$100,000. Sufficient funding is available in the General Fund (AB 617). (Reviewed: Administrative Committee, November 9, 2018; Recommended for Approval)

10172. **Execute Contracts for Legislative Representation in Washington, D.C.** **Alatorre/3122**

Placeholder

10349. Issue RFP for Consultant Services for SCAQMD Environmental Justice Outreach and Initiatives **Alatorre/3122**

This action is to issue an RFP to solicit proposals from individuals and organizations to provide assistance with community and stakeholder outreach efforts related to SCAQMD's Environmental Justice Program, including but not limited to, the Environmental Justice Community Partnership Initiative meeting and conference. (Reviewed: Administrative Committee, November 9, 2018; Recommended for Approval)

10342. Execute Contract for Operation of Diamond Bar Headquarters Cafeteria **Olvera/2309**

The current contract for operation of the Diamond Bar headquarters cafeteria expires December 31, 2018. On June 1, 2018, the Board approved release of an RFP to solicit proposals from food service management firms interested in providing these services for the next three-year period. This action is to execute a no-cost contract with California Dining Services from January 1, 2019 to December 31, 2021. (Reviewed: Administrative Committee, November 9, 2018; Recommended for Approval)

10338. Transfer and Appropriate Funds, Recognize Revenue, Approve Positions, Issue Solicitations and Purchase Orders, and Execute Contracts and Agreements for Mid-Year Budget Adjustments, AB 617 Implementation, Volkswagen Mitigation Projects, and China Partnership for Cleaner Shipping; and Amend Salary Resolution **Whynot/3104**

Additional resources of \$4,436,328 are needed in the FY 2018-19 Budget to enable the implementation of critical projects and programs. In addition, SCAQMD is expected to receive up to \$20,000,000 for AB 617 implementation. These actions are to: (1) Appropriate \$3,611,776 from the Undesignated (Unassigned) Fund Balance as a budget restoration measure; (2) Appropriate an additional \$824,552 from the Undesignated (Unassigned) Fund Balance into the FY 2018-19 General Fund Budget for several key projects; (3) Recognize revenue up to \$20,000,000 for AB 617 into the General Fund and appropriate \$10,211,076 into the FY 2018-19 and/or 2019-20 General Fund Budgets; (4) Transfer \$421,390 from the Volkswagen (VW) Mitigation Fund (79) to the General Fund and appropriate \$421,390 for administrative costs into the FY 2018-19 Budget; (5) Approve the addition, reassignment and upgrade of positions for AB 617, VW Mitigation projects, and China Partnership for Cleaner Shipping; (6) Issue solicitations and purchase orders and execute contracts for Mid-Year Budget Adjustments, AB 617, VW Mitigation projects, and China Partnership for Cleaner Shipping; (7) Authorize the Executive Officer to enter into a Bailment Agreement with the National Park Service; and (8) Amend the Salary Resolution to revise the Assistant Deputy Executive Officer class title. (Reviewed: Administrative Committee, November 9, 2018; Recommended for Approval)

10197. Approve Contract Awards and Modifications Approved by MSRC **McCallon**

**Items XX through XX - Information Only/Receive and File**

10171. Legislative, Public Affairs, and Media Report **Alatorre/3122**

This report highlights the October 2018 outreach activities of the Legislative, Public Affairs and Media Office, which includes: Major Events, Community Events/Public Meetings, Environmental Justice Update, Business Assistance, Media Relations and Outreach to Business and Federal, State, and Local Government. (No Committee Review)

10343. Hearing Board Report **Prussack/2500**

This reports the actions taken by the Hearing Board during the period of October 1 through October 31, 2018. (No Committee Review)

10298. Civil Filings and Civil Penalties Report **Gilchrist/3459**

This reports the monthly penalties from October 1, 2018 through October 31, 2018, and legal actions filed by the General Counsel's Office from October 1, 2018 through October 31, 2018. An Index of District Rules is attached with the penalty report. (Reviewed: Stationary Source Committee, November 16, 2018)

10337. Lead Agency Projects and Environmental Documents Received by SCAQMD **Nakamura/3105**

This report provides, for the Board's consideration, a listing of CEQA documents received by the SCAQMD between October 1, 2018 and October 31, 2018, and those projects for which the SCAQMD is acting as lead agency pursuant to CEQA. (Reviewed: Mobile Source Committee, November 16, 2018)

10148. Rule and Control Measure Forecast **Fine/2239**

This report highlights SCAQMD rulemaking activities and public workshops potentially scheduled for 2019. (No Committee Review)

10335. Annual Audited Financial Statements for FY Ended June 30, 2018 **Jain/2804**

This item transmits the annual audited financial statements of the SCAQMD. The SCAQMD has received an unmodified opinion (the highest obtainable) on its financial statements. (Reviewed: Administrative Committee, November 9, 2018)

10344. 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 SCAQMD operations. This action is to provide the monthly status report on major automation contracts and planned projects. (Reviewed: Administrative Committee, November 9, 2018)

XX. Items Deferred from Consent Calendar

**BOARD CALENDAR**

- |  |                              |                       |
|--|------------------------------|-----------------------|
| 10251. Administrative Committee (Receive & File)                               | <b>Chair: Burke</b>          | <b>Nastri/3131</b>    |
| 10347. Investment Oversight Committee (Receive & File)                         | <b>Chair: Cacciotti</b>      | <b>Jain/2804</b>      |
| 10353. Mobile Source Committee (Receive & File)                                | <b>Chair: Parker</b>         | <b>Fine/2239</b>      |
| 10167. Legislative Committee   | <b>Chair: Mitchell</b>       | <b>Alatorre/3122</b>  |
| 10324. Refinery Committee (Receive & File)                                     | <b>Chair: Parker</b>         | <b>Fine/2239</b>      |
| 10309. Stationary Source Committee (Receive & File)                            | <b>Chair: Benoit</b>         | <b>Tisopulos/3123</b> |
| 10192. Technology Committee (Receive & File)                                   | <b>Chair: Buscaino</b>       | <b>Miyasato/3249</b>  |
| 10206. Mobile Source Air Pollution Reduction Review Committee (Receive & File) | <b>Board Liaison: Benoit</b> | <b>Minassian/2641</b> |
| 10323. California Air Resources Board Monthly Report (Receive & File)          | <b>Board Rep: Mitchell</b>   | <b>Garzaro/2500</b>   |

**Staff Presentation/Board Discussion**

10350. Proposed Approach to Address Hydrogen Fluoride Storage and Use at Petroleum Refineries **Fine/2239**

At the September 22, 2018 Refinery Committee meeting, staff was directed to develop a rule by May 2019, and consider utilization of a MOU with each refinery, to reduce the risk and consequences of a release of modified hydrogen fluoride (MHF). The proposed rule or MOU should include a possible phase-out of MHF if satisfactory mitigation and performance standards cannot be achieved. MHF is currently used at two refineries in the Basin: Torrance Refining Company Refinery (formally ExxonMobil Refinery) and Valero Wilmington Refinery. At the recommendation of the Refinery Committee, staff will present information on hydrogen fluoride use, health impacts, dispersion characteristics, and mitigation measures. Staff has been working with stakeholders on the development of Proposed Rule 1410 – Hydrogen Fluoride Storage and Use at Petroleum Refineries, and providing updates to the Refinery Committee since April 2017. Staff will also present concepts for mitigation requirements and a possible phase-out of MHF if proposed performance standards are not met. These concepts can be included in a rule or a MOU with each refinery. This action will seek Board direction to continue with this approach. (No Committee Review)

**PUBLIC HEARINGS**

10340. Certify Final Environmental Assessment and Adopt Rule 1118.1 - Control of Emissions from Non-Refinery Flares **Nakamura/3105**

Proposed Rule 1118.1 applies to RECLAIM and non-RECLAIM facilities that operate non-refinery flares located at landfills, wastewater treatment plants, oil and gas production facilities, organic liquid loading stations, and tank farms. The proposed rule will implement, in part, the 2016 Air Quality Management Plan Control Measure CMB-03 - Emission Reductions from Non-Refinery Flares and facilitate the transition of the NOx RECLAIM program to a command-and-control regulatory structure. Proposed requirements include NOx and VOC emission limits that reflect Best Available Retrofit Control Technology standards and a capacity threshold. Additionally, Proposed Rule 1118.1 establishes provisions for source testing, monitoring, reporting, recordkeeping, and provides exemptions for low-use and low-emitting flares. This action is to adopt the Resolution: 1) Certifying the Final Environmental Assessment for Proposed Rule 1118.1 - Control of Emissions from Non-Refinery Flares, and 2) Adopting Proposed Rule 1118.1 - Control of Emissions from Non-Refinery Flares. (Reviewed: Stationary Source Committee, October 19, and November 16, 2018)

10139. Certify Final Subsequent Environmental Assessment and Amend Rules 1146, 1146.1, 1146.2 and Adopt Rule 1100 **Nakamura/3105**

The adoption Resolution of the Final 2016 AQMP directed staff to achieve additional NOx emission reductions and to transition the RECLAIM program to a command-and-control regulatory structure as soon as practicable. Proposed Amended Rules 1146, 1146.1 and 1146.2 updates NOx emission limits for boilers, heaters, and steam generators applicable to these rules. The revised NOx emission limits represent Best Available Retrofit Control Technology and apply to RECLAIM and non-RECLAIM facilities. Proposed Rule 1100 - Implementation Schedule for NOx Facilities establishes the compliance schedule for equipment at RECLAIM facilities that are subject to Proposed Amended Rules 1146 and 1146.1. PAR 1146.2 includes the compliance schedule for equipment regulated under this rule. This action is to adopt the Resolution: 1) Certifying the Final Subsequent Environmental Assessment for Proposed Amended Rules 1146 - Emissions of Oxides of Nitrogen from Industrial, Institutional and Commercial Boilers, Steam Generators, and Process Heaters; 1146.1 - Emissions of Oxides of Nitrogen from Small Industrial, Institutional, and Commercial Boilers, Steam Generators, and Process Heaters; 1146.2 - Emissions of Oxides of Nitrogen from Large Water Heaters and Small Boilers and Process Heaters; and Proposed Rule 1100 - Implementation Schedule for NOx Facilities; 2) Amending Rules 1146, 1146.1, 1146.2; and 3) Adopting Rule 1100. (Reviewed: Stationary Source Committee, April 20 and October 19, 2018)

10314. Determine that Proposed Rule 1407.1 – Emissions of Toxic Air Contaminants from Chromium Alloy Melting Operations Is Exempt from CEQA and Adopt Rule 1407.1 (*Continued from November 2, 2018 Board Meeting*) **Nakamura/3105**

Proposed Rule 1407.1 is an information gathering rule that will require a one-time source test and submittal of information to quantify arsenic, cadmium, chromium, hexavalent chromium and nickel emissions from chromium alloy melting operations. Information obtained will be used to establish emission standards and other provisions. Proposed Rule 1407.1 also includes requirements for metals composition testing, recordkeeping, and reporting. This action is to adopt the Resolution: 1) Determining that Proposed Rule 1407.1 – Emissions of Toxic Air Contaminants from Chromium Alloy Melting Operations is exempt from the requirements of the California Environmental Quality Act; and 2) Adopting Rule 1407.1 – Emissions of Toxic Air Contaminants from Chromium Alloy Melting Operations. (Reviewed: Stationary Source Committee, September 21, 2018)

**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.

**CONFLICT OF INTEREST DISCLOSURES – (No Written Material)**

**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 SCAQMD 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 SCAQMD'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](mailto: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	OEHHA = 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	SCAG = Southern California Association of Governments
EV = Electric Vehicle	SIP = State Implementation Plan
FY = Fiscal Year	SOx = Oxides of Sulfur
GHG = Greenhouse Gas	SOON = Surplus Off-Road Opt-In for NOx
HRA = Health Risk Assessment	SULEV = Super Ultra Low Emission Vehicle
LEV = Low Emission Vehicle	TCM = Transportation Control Measure
LNG = Liquefied Natural Gas	ULEV = Ultra Low Emission Vehicle
MATES = Multiple Air Toxics Exposure Study	U.S. EPA = United States Environmental Protection Agency
MOU = Memorandum of Understanding	VOC = Volatile Organic Compound
MSERCs = Mobile Source Emission Reduction Credits	ZEV = Zero Emission Vehicle
MSRC = Mobile Source (Air Pollution Reduction) Review Committee	
NATTS =National Air Toxics Trends Station	



## Item 6

### DRAFT

BOARD MEETING DATE: December 7, 2018

AGENDA NO.

PROPOSAL: Annual Audited Financial Statements for FY Ended June 30, 2018

SYNOPSIS: This item transmits the annual audited financial statements of the SCAQMD. The SCAQMD has received an unmodified opinion (the highest obtainable) on its financial statements.

COMMITTEE: Administrative, November 9, 2018; Reviewed

#### RECOMMENDED ACTION:

Receive and file the SCAQMD's Comprehensive Annual Financial Report (CAFR) and Single Audit Reports for the FY ended June 30, 2018.

Wayne Nastri  
Executive Officer

SJ:av

---

#### **Background**

The audit of the SCAQMD financial statements, along with the Single Audit Reports for the Fiscal Year ended June 30, 2018, have been completed by BCA Watson Rice, LLP. SCAQMD has received an unmodified opinion on its financial statements. An unmodified opinion is the highest obtainable, assuring interested parties that SCAQMD's financial statements fairly present the agency's financial position.

#### **Attachments**

- The Comprehensive Annual Financial Report (CAFR), which includes the Independent Auditor's Report, was previously provided to Board Members and is available for public viewing at SCAQMD's library or website at <http://www.aqmd.gov/home/about/finance>.
- Single Audit Reports that include Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditor's Report on Compliance with Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance. Copies were previously provided to Board Members and are available in SCAQMD's library for public viewing.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT



FINAL COMMUNICATION WITH THE  
ADMINISTRATIVE COMMITTEE

AUDIT OF FISCAL YEAR 2018  
FINANCIAL STATEMENTS & SINGLE AUDITS

**November 9, 2018**



2355 Crenshaw Blvd. Suite 150  
Torrance, CA 90501  
PH 310.792.4640  
FX 310.792.4331

# Final Communication Agenda

2

- Opening Remarks and Introductions
- Financial Statements and Single Audit Results
- Financial Highlights
- Auditor's Required Communications
- Management Letter Comments
- Open Discussions and Questions

# Financial Statement Audit Results

3

- Governmental activities
  - Business-type activities
  - Blended component unit
  - Each major fund
  - Aggregate remaining fund
- 
- Material weaknesses – none noted
  - Significant deficiencies – none noted

# Single Audit Results

4

- Unmodified (“Clean”) Opinion – complied with OMB Compliance Supplement on each major federal program.
- Material weakness – none identified
- Significant deficiencies – none identified
  
- Unmodified (“Clean”) Opinion – fairly stated in all material respects in relation to the basic financial statements.

# Financial Highlights

5

- Total assets of SCAQMD exceeded its total liabilities at the end of FY 2017/18 by \$582.9 million (net position).
- SCAQMD's total net position increased from prior year by \$83.1 million. Most of the increase was due to increased revenues in long-term emission-reduction projects.
- SCAQMD's governmental funds reported combined ending fund balances of \$742.9 million, an increase of \$83.0 million in comparison to prior year.

# Financial Highlights (Continued)

6

- Actual revenues exceeded the final budget by \$5.1 million or 3.4% due to higher than anticipated Settlements revenue and Emission Fees revenue.
- Expenditure savings were \$11.1 million or 6.8% of final budget. The savings are attributed to salary savings from filling only critical vacant positions throughout the year and prudent purchase decisions and postponing contract work and fixed asset purchases.

# Required Communications

7

## MATTERS TO COMMUNICATE

**BCA Watson Rice's Responsibility Under Generally Accepted Auditing Standards**

**Whether material illegal acts were identified during the audit**

## RESPONSES

Conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* which provide reasonable  
– not absolute – assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. To gain a basic understanding of the internal control policies and procedures to design an effective and efficient audit approach.

There were no illegal acts identified during the audit.



# Required Communications (Continued)

8

MATTERS TO COMMUNICATE	RESPONSES
<b>Adoption of, or change in, accounting policies</b>	<p>Adopted GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" and GASB 85, "Omnibus 2017". See note 1F.</p> <p>Other significant accounting policies are described in note 1B of the financial statements.</p>
<b>Significant and unusual transactions</b>	None identified
<b>Alternative treatment discussed with management</b>	We did not discuss with management any alternative treatments with generally accepted accounting principles for accounting policies and practices related to material items during the audit period.
<b>Significant Issues Discussed with Management</b>	None

MATTERS TO COMMUNICATE	RESPONSES
<b>Major Issues Discussed with Management Prior to Retention</b>	None
<b>Disagreements with Management on Financial Accounting and Reporting Matters</b>	None
<b>Difficulties Encountered with Management in Performing the Audit</b>	We did not encounter any difficulties in dealing with management during the audit.
<b>Consultations with Other Accountants</b>	None that we are aware of relating to audit matters.
<b>Written Communications Between Management and Our Firm</b>	We requested certain representations from management which have been included in the management representation letter.
<b>Independence</b>	We are independent with respect to SCAQMD.

**MATTERS TO COMMUNICATE****RESPONSES****Management Judgments and Accounting Estimates**

We evaluated the key factors and assumptions used by management in making accounting estimates and judgments significant to the financial statements, and concluded that all estimates and judgments appeared reasonable.

**2018 Significant Adjustments and Transactions** There were only client proposed adjustments.

- There are no management letter comments.

# Open Discussions and 12 Questions



# Comprehensive Annual Financial Report

---

Year Ended  
June 30, 2018

South Coast Air Quality Management District  
Diamond Bar, California



## **MISSION STATEMENT**

SCAQMD's mission is to clean the air and protect the health of all residents in the South Coast Air District through practical and innovative strategies.

*South Coast*  
*Air Quality Management District*

Diamond Bar, California

Comprehensive Annual Financial Report  
Year Ended June 30, 2018

Prepared by:  
Finance Office  
Sujata Jain, Assistant Deputy Executive Officer



---

---

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT***

---

Comprehensive Annual Financial Report  
Year Ended June 30, 2018

---

**Table of Contents**

---

	<b>PAGE</b>
<b>INTRODUCTORY SECTION</b>	
Governing Board.....	i
Letter of Transmittal .....	ii
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting .....	ix
Organizational Chart.....	x
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis .....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	21
Statement of Activities.....	22
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	23
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position .....	24
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities.....	26
Proprietary Funds:	
Statement of Fund Net Position.....	27
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	28
Statement of Cash Flows .....	29
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	30
Statement of Changes in Fiduciary Net Position.....	31
Notes to the Basic Financial Statements.....	32

Required Supplementary Information:	
General Fund – Budget and Actual (Non-GAAP Budgetary Basis) Schedule .....	76
Schedule of SCAQMD's Proportionate Share of Net Pension Liability – Last 10 Fiscal Years .....	77
Schedule of SCAQMD's Contributions – Pensions – Last 10 Fiscal Years .....	78
Schedule of SCAQMD's Proportionate Share of Net OPEB Liability – Last 10 Fiscal Years .....	79
Schedule of SCAQMD's Contributions – OPEB – Last 10 Fiscal Years .....	80
Notes to Required Supplementary Information .....	81

Other Supplementary Information:	
Non-major Governmental Funds .....	83
Combining Balance Sheet .....	91
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance .....	101
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	111

**STATISTICAL SECTION:**

Schedule 1 – Net Position by Component – Last Ten Fiscal Years (accrual basis of accounting) .....	112
Schedule 2 – Changes in Net Position – Last Ten Fiscal Years – (accrual basis of accounting) .....	113
Schedule 3 – Fund Balances of Governmental Funds – Last Ten Fiscal Years – (modified accrual basis of accounting) .....	115
Schedule 4 – Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years – (modified accrual basis of accounting) .....	116
Schedule 5 – Expenditures by Major Object – General Fund (Budgetary Basis) – Last Ten Fiscal Years .....	117
Schedule 6 – Expenditures by Major Object – General Fund (GAAP Basis) – Last Ten Fiscal Years .....	118
Schedule 7 – Debt Capacity – Ratios of Outstanding Debt by Type – Last Ten Fiscal Years – (amounts expressed in thousands) .....	119
Schedule 8 – Revenues by Major Source – General Fund – Last Ten Fiscal Years .....	120
Schedule 9 – Revenues by Fee Source – General Fund – Last Ten Fiscal Years .....	121
Schedule 10 – Emission Fee Revenues – Last Ten Fiscal Years .....	122
Notes Associated with Financial Charts .....	123
Schedule 11 – Revenue Capacity – Largest Payers of Emission-Based Fees at a Single Location – Current Year and Ten Years Ago .....	126
Key Air Quality and Demographic Information Regarding the Region Included in the South Coast Air Quality Management District .....	127
Schedule 12 – South Coast Air Basin Smog Trend – Last Ten Calendar Years .....	128

Schedule 13 – Four-County Area Population – Last Ten Calendar Years .....	129
Schedule 14 – Los Angeles, Orange, Riverside, San Bernardino Counties, and State of California Civilian Employment – Last Ten Calendar Years .....	130
Schedule 15 – Vehicle Registrations (Automobiles and Trucks) for Four County Area – Last Ten Calendar Years .....	131
Schedule 16 – Full-time Equivalent SCAQMD Employees by Function/Program – Last Ten Fiscal Years .....	132
Schedule 17 – Operating Indicators by Function – Last Ten Fiscal Years .....	133
Schedule 18 – Capital Assets Statistics by Function/Program – Last Five Fiscal Years.....	134
Demographic and Miscellaneous Statistics .....	135

***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT***

***GOVERNING BOARD***

*June 30, 2018*

*WILLIAM A. BURKE, Ed.D*  
*Chairman*  
*Speaker of the Assembly Appointee*

*DR. CLARK E. PARKER, SR.*  
*Vice Chair*  
*Senate Rules Committee Appointee*

*MARION ASHLEY*  
*County of Riverside Representative*

*JUDITH MITCHELL*  
*County of Los Angeles*  
*Cities Representative*  
*Western Region*

*JOE BUSCAINO*  
*City of Los Angeles Representative*

*SHAWN NELSON*  
*County of Orange Representative*

*MICHAEL A. CACCIOTTI*  
*County of Los Angeles*  
*Cities Representative*  
*Eastern Region*

*BEN BENOIT*  
*County of Riverside*  
*Cities Representative*

*HILDA L. SOLIS*  
*County of Los Angeles Representative*

*DWIGHT ROBINSON*  
*County of Orange*  
*Cities Representative*

*JOSEPH K. LYOU, Ph.D.*  
*Governor's Appointee*

*JANICE RUTHERFORD*  
*County of San Bernardino Representative*

*LARRY MCCALLON*  
*County of San Bernardino*  
*Cities Representative*

*WAYNE NASTRI*  
*Executive Officer*



# South Coast Air Quality Management District

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

October 12, 2018

Chairman, Governing Board and Residents  
Of the South Coast Air Quality Management District

State law requires that local governments publish within nine months of the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of the South Coast Air Quality Management District (SCAQMD), Diamond Bar, California. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

SCAQMD's financial statements have been audited by BCA Watson Rice LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of SCAQMD for the fiscal year ended June 30, 2018 are free of material misstatements. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that SCAQMD's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditor's report is located at the front of the financial section of this report.

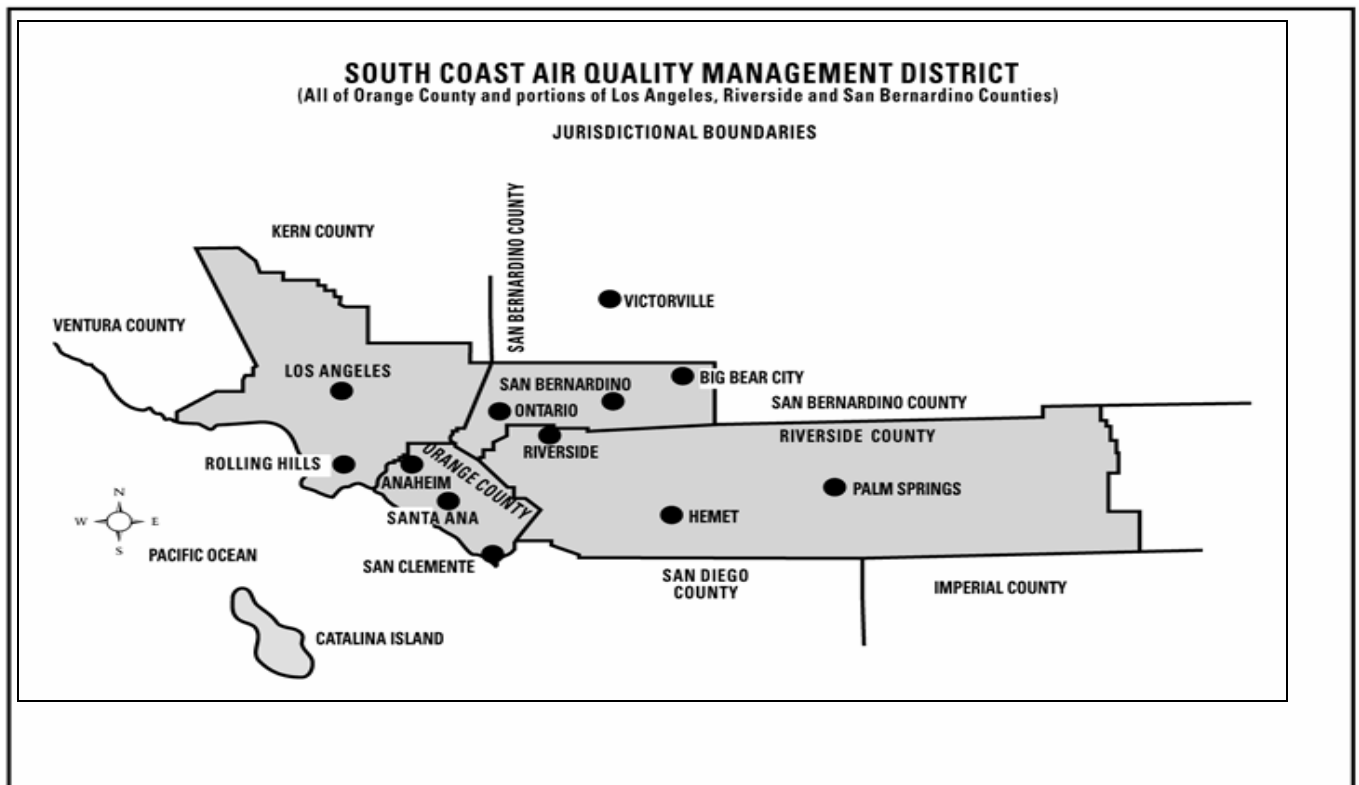
The independent audit of the financial statements of SCAQMD was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent

auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with special emphasis on internal controls and compliance with federal statutes, regulations, and terms and conditions involving the administration of Federal awards. These reports are available in SCAQMD's separately issued Single Audit Report.

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

### ***Profile of the South Coast Air Quality Management District***

The South Coast Air Quality Management District began operation on February 1, 1977 as a regional governmental agency established by the California Legislature pursuant to the Lewis Air Quality Management Act. SCAQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties, representing over 17 million residents. It succeeded the Southern California Air Pollution Control District and its predecessor four county air pollution control districts, of which the Los Angeles County Air Pollution Control District was the oldest in the nation, having been formed in 1947.



SCAQMD's Governing Board is composed of 13 members, including four members appointed by the Boards of Supervisors of the four counties in SCAQMD's jurisdiction, six members appointed by cities in SCAQMD's jurisdiction and three members appointed by the Governor, the Speaker of the State Assembly and the Rules Committee of the State Senate, respectively. The members appointed by the various Boards of Supervisors and cities consist of one member of the Board of Supervisors of Los Angeles, Orange, Riverside, and San Bernardino Counties, respectively, and a mayor or member of the city council of a city within Orange, Riverside and San Bernardino Counties. Los Angeles County cities have three representatives, one each from the western and eastern portions of the county and one member representing the City of Los Angeles. Each Board member serves a four year term. The Board appoints the agency's Executive Officer and General Counsel. The Executive Officer in turn appoints the heads of the various agency departments.

Southern California has the most serious air quality problem in the country. A combination of poor atmospheric ventilation, a capping temperature inversion, bordering mountains and sunny days act to enhance smog formation and effectively trap pollutants in the Basin. SCAQMD is responsible for monitoring air pollution within the Basin and for developing and administering programs to reduce air pollution levels below the health-based standards established by the state and federal governments.

SCAQMD provides a full range of air pollution control activities, including permitting, site inspection, air quality attainment planning, rule making, air quality monitoring and technology advancement. Government Accounting Standards Board Statement No. 61 requires that certain separate but related component units be included with SCAQMD for reporting purposes. This report includes the South Coast Air Quality Management District Building Corporation (Corporation) as a blended component unit. SCAQMD may impose its will on the component unit, including the ability to appoint, hire, reassign or dismiss management. There are also financial benefit/burden relationships between SCAQMD and the Corporation. For additional information, see Note 1 to the financial statements.

The annual budget serves as the foundation for SCAQMD's financial planning and control. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. SCAQMD's annual appropriated budgets are adopted for the General Fund. Budgets are adopted on a budgetary basis that includes encumbrances as expenditures. All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered. Amendments to increase the budget must be approved by the Governing Board. Budgets for Special Revenue Funds are not adopted due to the narrow focus (advance technology demonstration projects/emission reduction projects) and limited life of many of these special revenues. Expenditures from the Special Revenue Funds require Governing Board approval and are primarily related to contractual obligations with vendors and grantees. Administrative expenditures related to managing

and accounting for Special Revenue Fund projects are appropriated within the General Fund budget.

SCAQMD maintains budgetary controls through both signature authority and automated budget checking. The objective of these controls is to ensure compliance with specific special revenue fund appropriations and the annual appropriated budget approved by the Governing Board. SCAQMD maintains an encumbrance accounting system of purchase orders and contracts at the fund level as a means of accomplishing budgetary control. Open encumbrances are reported as committed fund balance at the end of the fiscal year. Purchase orders and contracts are reviewed to ensure that funds are available and that requests are properly authorized prior to being released or executed.

The accounting principles applied in reporting budgetary expenditures differ in some respects from the generally accepted accounting principles applied in the reporting of the financial statements. Reconciliation of these differences is presented in the Required Supplementary Information section of this report.

As reflected in the statements and schedules included in the financial section of this report, SCAQMD continues to meet its responsibility for sound financial management.

### ***Factors Affecting Financial Condition***

SCAQMD is a fee-supported agency and does not receive sales or property tax support. Approximately 75% of its General Fund revenue is derived from permit evaluation fees, annual permit renewal fees, emission fees, Hearing Board fees, Area Sources, Toxic Hot Spots, penalties and settlements, interest earnings, and other revenues. The remaining 25% of its General Fund revenue is derived from federal grants, state grants, California Air Resources Board (CARB) subvention funds, and motor vehicle fees.

To meet its program commitments, despite new federal and state mandates, increased workload complexity, and ongoing cost containment efforts, SCAQMD continues to streamline many of its operations. Compared to the fiscal year 1991-92 General Fund budget, the fiscal year 2017-18 General Fund budget reflects funded staffing levels that are approximately 25% below the 1991-92 level. The budgeted General Fund expenditures, when adjusted for inflation, are approximately 15% less than the 1991-92 period.

Government-wide revenues during this fiscal year decreased by 8.3% as compared to the prior fiscal year, primarily due to the winding down of Proposition 1B Goods Movement program and subsequent decrease in the revenue. General Fund revenues increased by 6.5% as compared to the prior fiscal year, primarily due to an increase in Title V and Non-title V fees by 10.67% and 4% respectively and CPI fee adjustment of 2.5%. Future changes in government-wide revenue are highly dependent on the timing of receipts and



continuation of state and federal grant funding, while General Fund revenues are expected to continue to remain generally stable through the following fiscal year due to the strengthening of the economic environment.

Government-wide expenses remained flat when compared to the prior fiscal year. General Fund expenditures increased by 5.3% as compared to the prior fiscal year, due to increased employee retirement plan contributions and slight salary increases. Future changes in government-wide expenses are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund expenditures are expected to increase through the following fiscal year due to the continued increases in employee retirement plan contributions.

### ***Long-term Financial Planning***

In addressing long-term program costs, SCAQMD has pursued actions over the past several years including legislative changes to the employee retirement plan, labor negotiations, and the use of one-time revenues to lower its long-term retirement costs and economically defease a portion of its current debt service. As part of the annual budget process, SCAQMD prepares a five year financial plan that demonstrates the commitment to meet future financial challenges and uncertainties while continuing to protect the health of the residents within the SCAQMD boundaries and remaining sensitive to business. During the current fiscal year and beyond, SCAQMD continues to look for cost savings and operational efficiencies as a means of balancing revenues and expenditures to ensure long term financial sustainability.

### ***Relevant Financial Policies***

In recent years, SCAQMD's Governing Board has made several policy decisions to meet future financial challenges and uncertainties while continuing to protect the health of the residents within the SCAQMD boundaries and remaining sensitive to business. These policy decisions include reducing debt, negotiating reductions in the cost of pensions, and reviewing and revising fee policies. In fiscal year 2012-13, debt associated with the Headquarters building was eliminated, while additional funds were set aside in fiscal year 2013-14 to pay for outstanding debt related to pension obligation bonds. Starting fiscal year 2017-18 employer pick-up of employee retirement plan contributions has been completely phased out and the entire employee contribution portion of the pension cost is picked up by employees. This was eliminated at the direction of the Governing Board and was part of a three-year labor agreement. Over the past decade and continuing, changes and reductions in pension benefits and costs have been successfully negotiated with the employees of SCAQMD as a means of curbing the cost of pensions and associated liabilities.

In fiscal year 2010-11, SCAQMD's Governing Board approved a rule which provides that certain fees be automatically adjusted effective July 1 of each year by the California Consumer Price Index for the preceding calendar year unless the Governing Board by rule decides not to implement such fee increase for a given year, either for all fees or for a specified fee or fees.

To more fully recover costs for certain SCAQMD activities, in fiscal year 2017-18 there was a 2.5% fee increase due to CPI. In June 2017, the Board approved fee increases for three fiscal years starting in FY 2017-18 through FY 2019-20. This approval included a Title V fee increase of 10.67% annually for the next three years, for an overall increase of 32%; and a non-Title V fee increase of 4% annually for the next two years, for an overall increase of 8%.

Additionally, the Governing Board adopted a fund balance policy for the General Fund so that an amount equal to at least 20% of General Fund revenues is maintained in the combination of Assigned and Unassigned General Fund Balance. The policy serves to mitigate current and future risks related to potential revenue shortfalls and/or unanticipated expenditures.

### ***Major Initiatives***

The mission of SCAQMD is to protect public health from air pollution with sensitivity to the impacts of its actions on the community, public agencies and businesses. To carry out this mission, SCAQMD has developed the following goals:

- I. Achieve clean air standards.
- II. Enhance public education and equitable treatment for all communities.
- III. Operate efficiently and transparently.

During fiscal year 2017-18, SCAQMD advanced many projects which were particularly important to achieving our mission and goals, including: emissions reductions as specified in the 2016 Air Quality Management Plan; conduct monitoring of at least ten facilities and reduce emissions from those found to have high toxics risk to the community; and support development of Cleaner Advanced Technology, development of enhanced emissions/ambient monitoring capabilities, increased communication between SCAQMD and all stakeholders, and internal business process improvement such as reducing the number of pending permit applications in the backlog.

### ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Coast Air Quality Management District for its Comprehensive Annual Financial Report

(CAFR) for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of our comprehensive annual financial report was made possible by the dedicated services of the accounting, financial services, and management staff of the Finance Office. These members have our sincere appreciation for the contribution made in the preparation of this report.

Recognition is also given to the Governing Board for their leadership and support and to all employees of SCAQMD who continue their work to accomplish SCAQMD's mission of protecting public health from air pollution with sensitivity to the impacts of its actions on the community and businesses.

Respectfully submitted,



Wayne Nastri  
*Executive Officer*



Sujata Jain, CPA  
*Assistant Deputy Executive Officer, Finance*



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**South Coast Air Quality  
Management District (AQMD)  
California**

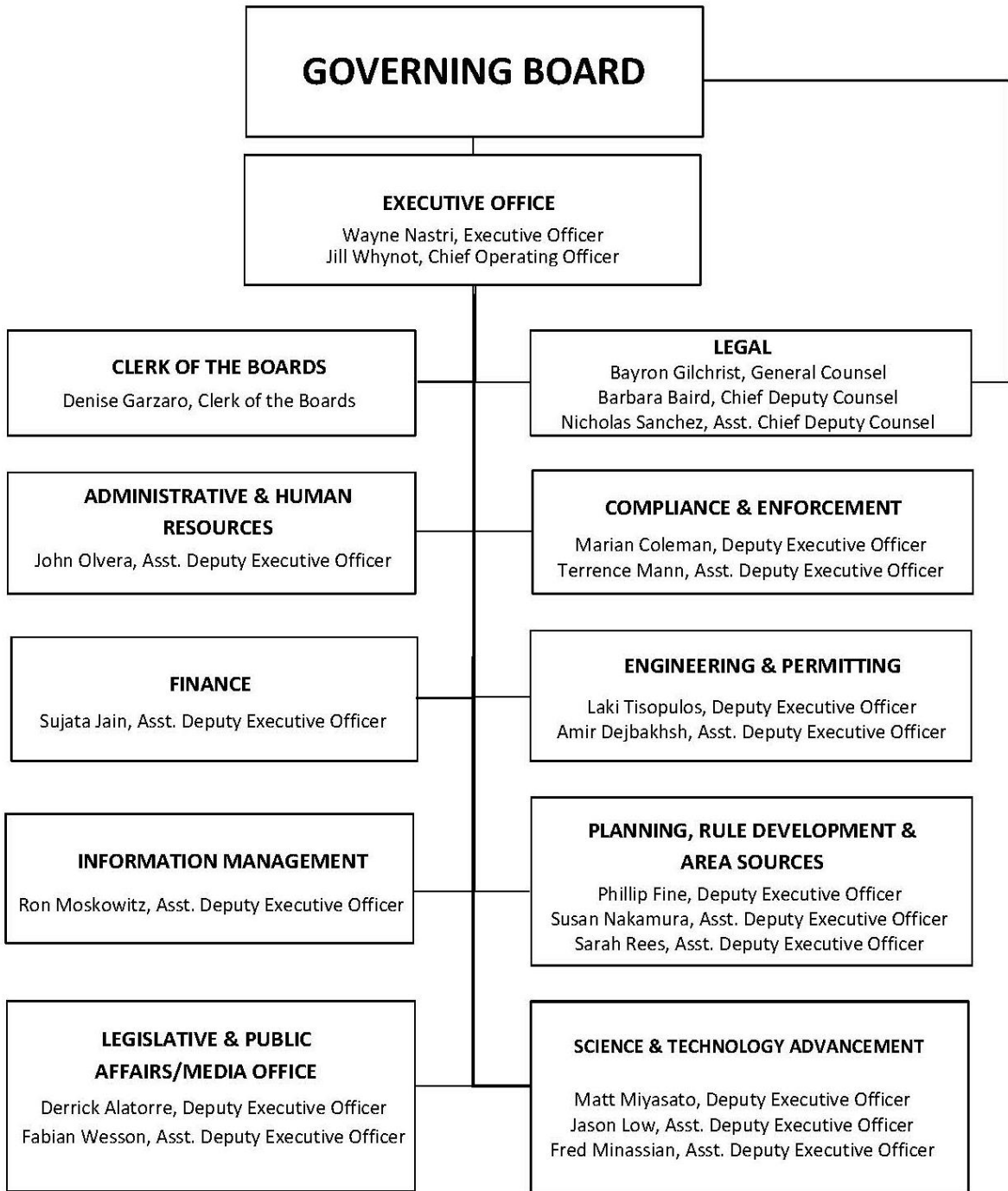
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

**South Coast Air Quality Management District, California  
Organizational Chart  
June 30, 2018**



## INDEPENDENT AUDITOR'S REPORT

The Governing Board of  
South Coast Air Quality Management District

### **Report on the Basic Financial Statements**

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the South Coast Air Quality Management District (SCAQMD), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the SCAQMD's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the SCAQMD, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

As discussed in note 1F to the financial statements, SCAQMD adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Statement No. 85, *Omnibus 2017* for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4-20 and 76-82, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SCAQMD's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 on our consideration of the SCAQMD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SCAQMD's internal control over financial reporting and compliance.

*BCA Watson Rice, LLP*

Torrance, California  
October 12, 2018



**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018**

As management of the South Coast Air Quality Management District (SCAQMD), we offer readers of SCAQMD's financial statements this narrative overview and analysis of the financial activities of SCAQMD for fiscal year ended June 30, 2018. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements, and the accompanying notes to those financial statements.

**A. Financial Highlights**

- Total assets and deferred outflows of resources of SCAQMD exceeded its total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$582.9 million (net position). Of this amount, the unrestricted net position is a deficit of \$129.7 million primarily due a net pension liability of \$214.1 million.
- SCAQMD's total restated net position increased from the prior year by \$83.1 million. Total revenues from all sources were \$331.1 million and total expenses for all functions/programs were \$248.0 million.
- As of the close of the fiscal year, SCAQMD's governmental funds reported combined ending fund balances of \$742.9 million, an increase of \$83.0 million in comparison to the prior year. Of the \$742.9 million combined ending fund balances, \$66.1 million represents the fund balance of the General Fund.
- Out of the general fund balance of \$66.1 million at the end of the fiscal year, \$56,684 was nonspendable, \$11.2 million was committed, \$7.2 million was assigned and \$47.5 million was unassigned, which is 32.1% of the general fund expenditures.
- SCAQMD's capital assets decreased by \$370,835 from the prior year.
- SCAQMD's long-term debt decreased by \$4.4 million or 10.6% of the long term debt outstanding.

**B. Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to SCAQMD's basic financial statements. SCAQMD's basic financial statements have three components: 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to the Basic Financial Statements. This report also contains supplementary information in addition to the basic financial statements.

In general, the purpose of financial reporting is to provide the external parties that read financial statements with information that will help them make decisions or draw conclusions about an entity. In order to address the needs of as many parties as reasonably possible, SCAQMD, in accordance with required reporting standards, presents government-wide financial statements and fund financial statements.

### **Government-wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of SCAQMD. These financial statements are constructed around the concept of a primary government and its component unit, excluding fiduciary funds. The financial statements of SCAQMD's fiduciary funds are not included in the government-wide financial statements because these funds cannot be used to finance SCAQMD's activities.

The government-wide financial statements are designed to provide readers with a broad overview of SCAQMD's finances in a manner similar to a private sector business. These financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position reports all assets and deferred outflows of resources held and liabilities and deferred inflows of resources owed by SCAQMD using the accrual basis of accounting which is similar to the accounting method used by most private sector companies. The difference between assets and liabilities is reported as net position. Over time increases or decreases in net position serve as a useful indicator of whether SCAQMD's financial position is improving or deteriorating.

The Statement of Activities presents information showing how SCAQMD's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as earned but unused vacation leave.

### **Fund Financial Statements**

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

## **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Non-financial assets such as land and building and long-term liabilities such as pension obligation bonds payable or long term liabilities that will not be paid with current assets are excluded. Such information on available spendable resources may be useful in evaluating SCAQMD's near-term financing requirements. The Basic Governmental Fund Statements can be found under the Fund Financial Statements section of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of SCAQMD's near-term financing decisions. Information from the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances is used to facilitate the comparison between governmental funds and governmental activities. The reconciliation between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position can be found under the Fund Financial Statements section. The reconciliation of the total change in fund balances for all governmental funds to the change in net position can also be found under that same section.

SCAQMD maintains 50 individual special revenue funds, one debt service fund, one capital projects fund, and a blended component unit in addition to the General Fund. Three of the special revenue funds are considered major funds. The information for the major special revenue funds is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund balances. Data for the other 47 non-major special revenue funds, debt service fund, capital projects fund and blended component unit are combined into a single, aggregated presentation. Individual fund data for each of the 47 non-major governmental funds, debt service fund, capital projects fund, and blended component unit, is reported in the Other Supplementary Information section of this report.

SCAQMD adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. This is presented in the Required Supplementary Information (RSI) section of this report. Also, presented in RSI are SCAQMD's

schedule of proportionate share of net pension liability, schedule of proportionate share of net OPEB liability, and schedules of contributions for pensions and OPEB.

### **Proprietary Funds**

When SCAQMD charges for Compressed Natural Gas (CNG) fuel, whether to outside customers or within SCAQMD, the transactions are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements only in more detail. A statement of cash flows, for instance, is presented at the fund financial statement level for proprietary funds but no equivalent statement is presented in the government-wide financial statements for either governmental activities or business-type activities.

SCAQMD's Proprietary Fund Financial Statements for the CNG Fueling Station are presented under the Fund Financial Statements section.

### **Fiduciary Funds**

Fiduciary Funds represent Agency Funds and Retirement Benefit Trust Fund which are custodial in nature and do not involve measurement of results of operations. SCAQMD's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These statements are excluded from SCAQMD's other financial statements because the resources of fiduciary funds, by definition, cannot be used to support SCAQMD's own programs. SCAQMD is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

SCAQMD's Fiduciary Fund Financial Statements for the Agency Funds and Retirement Benefit Trust Fund are presented under the Fund Financial Statements section.

### **Notes to the Basic Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents a RSI section concerning the General Fund's budgetary comparison schedule and budgetary reconciliation. Also included in RSI are SCAQMD's schedule of proportionate share of net pension liability, schedule of proportionate share of net OPEB liability, and schedules of contributions for pensions and OPEB.

Individual fund data for each of the non-major governmental funds is included in the Other Supplementary Information section.

The Statistical section provides readers with information covering financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information.

### C. Government-wide Financial Analysis

Our analysis focuses on the net position and changes in net position of SCAQMD's governmental and business-type activities.

The schedule below presents a condensed Statement of Net Position as of June 30, 2018 compared with the prior fiscal year.

**Net Position**  
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		TOTAL	
	FY 2017-18	FY 2016-17	FY 2017-18	FY 2016-17	FY 2017-18	FY 2016-17
Current and other assets	\$ 802,067	\$ 706,197	\$ -	\$ 1,253	\$ 802,067	\$ 707,450
Capital assets	35,756	36,127	-	-	35,756	36,127
Total assets	<u>837,823</u>	<u>742,324</u>	<u>-</u>	<u>1,253</u>	<u>837,823</u>	<u>743,577</u>
Deferred outflow of resources-pension	101,723	98,386	-	-	101,723	98,386
Deferred outflow of resources-OPEB	233	-	-	-	232	-
Total deferred outflow of resources	<u>101,956</u>	<u>98,386</u>	<u>-</u>	<u>-</u>	<u>101,956</u>	<u>98,386</u>
Other liabilities	61,954	49,092	-	-	61,954	49,092
Long-term liabilities	254,938	241,341	-	-	254,938	241,341
Total liabilities	<u>316,892</u>	<u>290,433</u>	<u>-</u>	<u>-</u>	<u>316,892</u>	<u>290,433</u>
Deferred inflow of resources-pension	39,614	48,253	-	-	39,614	48,253
Deferred inflow of resources-OPEB	360	-	-	-	360	-
Total deferred inflow of resources	<u>39,974</u>	<u>48,253</u>	<u>-</u>	<u>-</u>	<u>39,974</u>	<u>48,253</u>
Net Position:						
Net investment in capital assets	35,757	36,127	-	-	35,757	36,127
Restricted for:						
Restricted for long-term emission-reduction projects	676,857	607,439	-	-	676,857	607,439
Unrestricted	(129,701)	(141,541)	-	1,253	(129,701)	(140,288)
Total net position	<u>\$ 582,913</u>	<u>\$ 502,025</u>	<u>\$ -</u>	<u>\$ 1,253</u>	<u>\$ 582,913</u>	<u>\$ 503,278</u>

Note: Net position of fiscal year 2016-17 has not been restated to reflect the changes related to the implementation of GASB Statement No. 75 because certain information is not available.

As noted earlier, net position may serve over time as a useful indicator of SCAQMD's financial position. At the close of the most recent fiscal year, SCAQMD's assets exceeded liabilities by \$582.9 million.

The largest portion of SCAQMD's net position, \$676.9 million, represents resources that are subject to external restrictions on how they may be used. The revenue in special revenue funds is restricted to expenditures for specific purposes. Approximately \$35.8 million of SCAQMD's net position reflect its investment in

capital assets used by SCAQMD (e.g. land, buildings, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. SCAQMD uses these capital assets in carrying out its mission of protecting public health while being sensitive to the economic needs of local businesses. Consequently, these assets are not available for future spending. Although SCAQMD's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The debt service installment schedules for the 1995 and 2004 Pension Obligation Bonds will be fully paid by fiscal years 2022 and 2024, respectively.

The remaining portion of SCAQMD's net position of governmental activities, a deficit of \$129.7 million, is unrestricted. The deficit is mainly due to the net pension liability. At the end of the current fiscal year, SCAQMD had a negative balance in the unrestricted categories of net position and positive fund balance in restricted and net investment in capital asset category. The net position has a zero balance in the business-type activities.

The net position for governmental activities increased by \$84.4 million compared with the prior fiscal year. Most of the increase was due to revenues in long-term emission-reduction projects.

Program revenues decreased by approximately \$32.7 million, 9.5% change from the prior year. These are largely due to decrease of approximately \$44.6 million in state grants and \$4.2 million in federal grants of special revenue funds. These decreases were offset by increases of \$8.9 million in mobile sources/clean fuels of special revenue funds and \$6.1 million of stationary sources. General revenue increased by \$2.7 million, compared with the prior fiscal year, which is primarily attributed to an increase in penalties and settlements.

Expenses increased by \$7.5 million largely due to a higher amount paid for fiscal year 2017-18 develop rules to achieve clean air, monitoring air quality and timely review of permits as compared to fiscal year 2016-17.

A condensed Schedule of Changes in Net Position for the fiscal year ending June 30, 2018 compared with the prior fiscal year can be found on the following page.

**Changes in Net Position**  
(amounts expressed in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>TOTAL</u>	
	<u>FY 2017-18</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2016-17</u>
Revenues:						
Program Revenues:						
Fees and charges – stationary sources	\$ 100,355	\$ 94,280	\$ -	\$ -	\$ 100,355	\$ 94,280
Fees and charges – mobile sources	26,027	28,087	-	-	26,027	28,087
Operating grants and subventions	185,367	222,070	-	-	185,367	222,070
General Revenues:						
Grants and subventions – not restricted to specific programs	2,880	2,886	-	-	2,880	2,886
Interest	1,041	645	-	-	1,041	645
Penalties and settlements	14,316	11,512	-	-	14,316	11,512
Other revenues	1,154	1,621	-	-	1,154	1,621
CNG fuel sales	-	-	-	18	-	18
Total revenues	<u>331,140</u>	<u>361,101</u>	<u>-</u>	<u>18</u>	<u>331,140</u>	<u>361,119</u>
Expenses:						
Advance clean air technology	9,271	7,826	-	-	9,271	7,826
Ensure compliance with clean air rules	50,528	49,316	-	-	50,528	49,316
Customer service and business assistance	9,743	9,261	-	-	9,743	9,261
Develop programs to achieve clean air	8,637	11,335	-	-	8,637	11,335
Develop rules to achieve clean air	10,013	7,604	-	-	10,013	7,604
Monitoring air quality	20,822	17,857	-	-	20,822	17,857
Timely review of permits	33,302	31,520	-	-	33,302	31,520
Policy support	667	886	-	-	667	886
Interest on long-term debt	3,732	3,907	-	-	3,732	3,907
Long-term emission reduction projects	101,304	101,008	-	-	101,304	101,008
Other expenses	-	-	-	-	-	-
Total expenses	<u>248,019</u>	<u>240,520</u>	<u>-</u>	<u>-</u>	<u>248,019</u>	<u>240,520</u>
Increase/(Decrease) in net position, before transfers	83,121	120,581	-	18	83,121	120,599
Transfers	1,253	-	(1,253)	-	-	-
Increase/(Decrease) in net position	84,374	120,581	(1,253)	18	83,121	120,599
Net position beginning, as previously reported	502,025	381,444	1,253	1,235	503,278	382,679
Restatement of net positions	(3,486)	-	-	-	(3,486)	-
Net position ending, as restated	<u>\$ 582,913</u>	<u>\$ 502,025</u>	<u>\$ -</u>	<u>\$ 1,253</u>	<u>\$ 582,913</u>	<u>\$ 503,278</u>

Note: Net position beginning of fiscal year 2017-18 has been restated to reflect the changes related to the implementation of GASB Statement No. 75. Net position beginning of fiscal year 2016-17 has not been restated to reflect the changes related to the implementation of GASB Statement No. 75 because certain information is not available.

## **Governmental Activities**

The objective of the statement of activities is to report the full cost of providing government services for that year. The format also permits the reader to ascertain the extent to which each function is either self-financing or draws from the general funds of the government.

The Statement of Activities presents information showing how SCAQMD's net position changed during fiscal year 2018. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

The Statement of Activities distinguishes governmental activities from business type activities. Governmental activities of SCAQMD are predominantly supported by fees, grants, state subvention, penalties, and settlements. The penalties and settlements are one-time revenues which are over and above the regular revenues directly related to the programs. The primary governmental activities of SCAQMD are: Advance Clean Air Technology, Ensure Compliance with Clean Air Rules, Customer Service and Business Assistance, Develop Programs to Achieve Clean Air, Develop Rules to Achieve Clean Air, Monitoring Air Quality, Timely Review of Permits, Policy Support, and Long-Term Emission Reduction Projects.

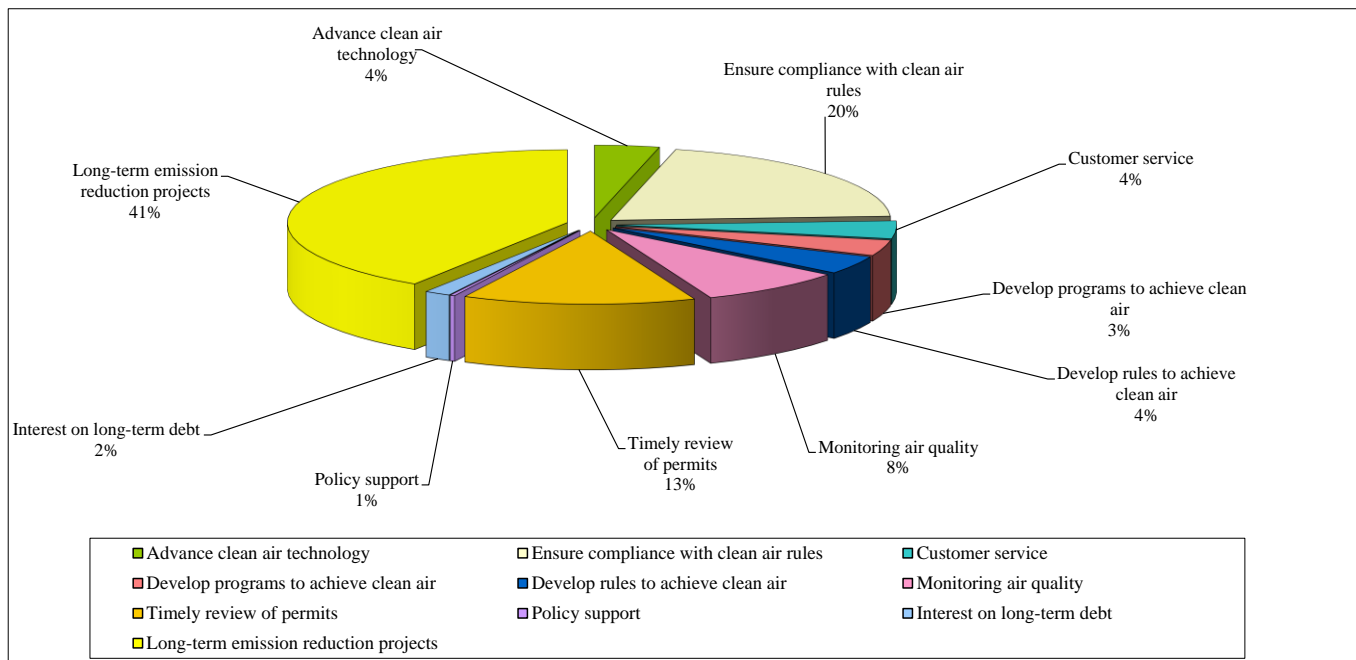
There was a decrease in program revenues in the Operating Grants and Subvention Revenues Sources. The program revenues in this revenue category are made up of revenues from mostly restricted revenue derived from federal and state funds. Following is an explanation of the significant revenue variances from fiscal year 2016-17 to fiscal year 2017-18:

- **Prop 1B Goods Movement Fund** – This fund was set up in fiscal year 2007-08 to receive funds from the voter approved bond funding under Proposition 1B to implement programs that reduce emissions from the movement of freight or “goods” along California’s trade corridors. In fiscal year 2017-18, this fund received \$34.5 million in state grants, a decrease of \$45.4 million as compared to prior year. The decrease was due to no new projects in fiscal year 2017-18 and existing projects were ongoing.

## **Business-type Activities**

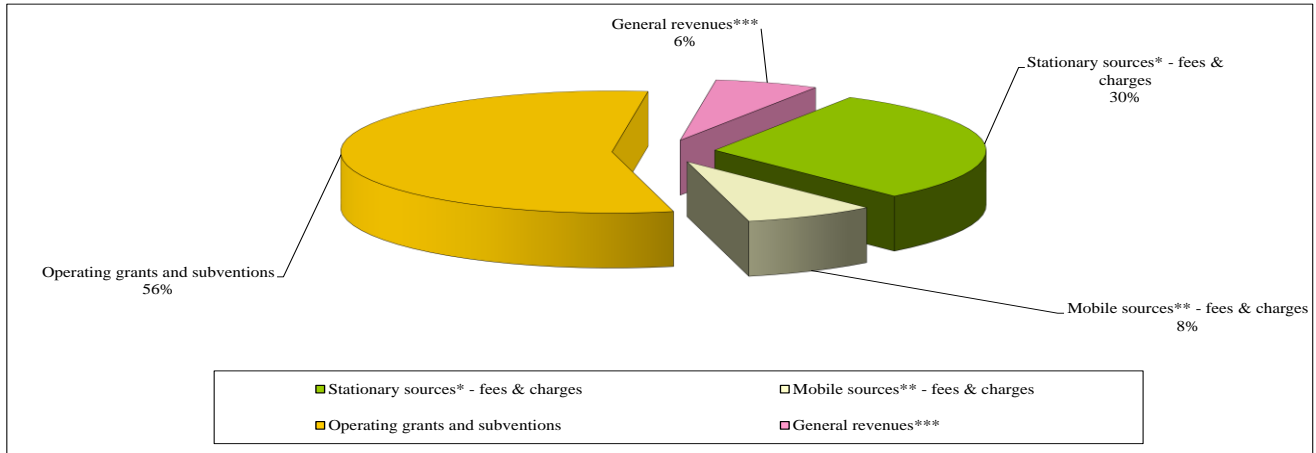
The Business-type Activities section reports transactions relating to the CNG fueling station. The CNG fueling station expenditures are reported on an accrual basis and are offset by sales. As of June 30, 2018 and 2017, the net position balances were \$0 and \$1,253,178, respectively. This fund being closed in fiscal year 2017-18 and the remaining fund balance were transferred to the capital project fund.





Activity	FY 17-18	FY 16-17	FY 15-16	FY 14-15	FY 13-14	FY 12-13
Advance clean air technology	\$ 9,271,026	\$ 7,825,599	\$ 7,119,417	\$ 5,539,607	\$ 6,212,087	\$ 6,857,959
Ensure compliance with clean air rules	50,528,522	49,316,129	45,622,680	43,252,162	48,813,991	47,417,956
Customer service	9,743,294	9,260,504	8,337,319	6,124,811	8,332,770	8,169,587
Develop programs to achieve clean air	8,636,784	11,335,498	10,444,147	9,727,624	11,147,303	12,317,470
Develop rules to achieve clean air	10,013,098	7,604,041	7,566,089	7,161,179	7,514,210	7,269,414
Monitoring air quality	20,822,380	17,856,869	16,028,394	13,197,801	14,969,083	14,265,601
Timely review of permits	33,301,565	31,520,083	27,891,070	24,431,059	27,821,032	28,621,527
Policy support	667,046	885,773	511,705	331,652	1,204,588	1,306,054
Interest on long-term debt	3,731,589	3,906,955	3,884,990	4,031,178	4,102,888	4,605,963
Long-term emission reduction projects	101,304,229	101,008,426	87,079,799	210,229,182	154,939,035	155,998,253
<b>Total</b>	<b>\$ 248,019,533</b>	<b>\$ 240,519,877</b>	<b>\$ 214,485,609</b>	<b>\$ 324,026,255</b>	<b>\$ 285,056,987</b>	<b>\$ 286,829,784</b>

Source: FY 2017-18 CAFR Statement of Activities



Source	FY 17-18	FY 16-17	FY 15-16	FY 14-15	FY 13-14	FY 12-13
Stationary sources* - fees & charges	\$ 100,354,910	\$ 94,279,518	\$ 89,264,511	\$ 88,120,829	\$ 87,160,484	\$ 85,439,616
Mobile sources** - fees & charges	26,026,673	28,087,131	25,743,988	24,526,008	24,307,527	23,535,070
Operating grants and subventions	185,367,622	222,070,040	122,424,397	149,766,034	164,053,936	173,309,732
General revenues***	20,644,444	16,664,194	10,148,573	14,043,695	23,570,233	15,202,920
<b>Total</b>	<b>\$ 332,393,649</b>	<b>\$ 361,100,883</b>	<b>\$ 247,581,469</b>	<b>\$ 276,456,566</b>	<b>\$ 299,092,180</b>	<b>\$ 297,487,338</b>

\*Stationary sources consist of refineries, power plants, manufacturing facilities and small businesses.

\*\*Mobile sources are motorized vehicles that typically include automobiles, trucks, aircraft, ships, trains, and self-propelled construction equipment.

\*\*\*General Revenues include Penalties/Settlements, Interest, and dollars that are not restricted to specific stationary source programs.

Source: FY 2017-18 CAFR Statement of Activities

The following schedule presents the cost of each SCAQMD program as well as each program's net cost (total cost less revenues generated by the activities):

## GOVERNMENTAL ACTIVITIES

### Net (Expense) Revenue (amounts expressed in thousands)

	<b><u>FY 2017-18</u></b>	
	<b><u>Total Cost of Program Activities</u></b>	<b><u>Net Cost of Program Activities</u></b>
Advance clean air technology	\$ 9,271	\$ (1,725)
Ensure compliance with clean air rule	50,528	(1,864)
Customer service and business assistance	9,743	(309)
Develop programs to achieve clean air	8,637	(208)
Develop rules to achieve clean air	10,013	(352)
Monitoring air quality	20,822	(367)
Timely review of permits	33,302	(591)
Policy support	667	(23)
Interest on long-term debt	3,732	(3,732)
Long-term emission reduction projects	101,304	72,901
Total	<b><u>\$ 248,019</u></b>	<b><u>\$ 63,730</u></b>

The program activities are described as follows:

- **Advance Clean Air Technology** – Identify technologies from anywhere in the world that may have application in reducing emissions from mobile and stationary sources in SCAQMD's jurisdiction. Promote development and assess the use of clean fuels and low-emitting technologies. Implement and administer state- and federal-funded programs for retrofitting, re-powering, or replacing diesel engines with newer and cleaner engines and projects to reduce air pollution associated with freight movement along California's trade corridors.
- **Ensure Compliance with Clean Air Rules** – Perform inspections, source tests, sample collection, the certification of Continuous Emission Monitoring Systems (CEMS), emissions audits, and respond to and resolve public complaints to ensure compliance with SCAQMD rules for existing major and small stationary sources of all pollutants.
- **Customer Service and Business Assistance** – Provide local government, business, and the public with access and input into the regulatory and policy processes of SCAQMD. Assist cities and others with AB 2766 projects. Interact with local, state and federal agencies and others to share air quality information, resolve jurisdictional questions, and implement joint programs. Implement comprehensive public information, legislative and customer service programs.

- **Develop Programs to Achieve Clean Air** – Develop a regional Air Quality Management Plan (AQMP) to achieve federal and state ambient air quality standards and to meet all other requirements of the federal and California Clean Air Acts. Analyze air quality data and provide an estimate of pollutant emissions by source category. Develop pollutant control strategies and project future air quality using computer models and statistical analysis of alternative control scenarios.
- **Develop Rules to Achieve Clean Air** – Develop emission reduction regulations for sulfur dioxide, nitrogen dioxide, organic gases, particulate matter, toxics, and other pollutants to implement the regional AQMP, Tanner Air Toxics Process (AB 1807), National Emission Standards for Hazardous Air Pollutants (NESHAPS), and Prevention of Significant Deterioration (PSD) requirements.
- **Monitoring Air Quality** – Operate and maintain within SCAQMD’s jurisdiction a network of air quality monitoring sites for ozone, nitrogen oxides, sulfur oxides, particulate matter, carbon monoxide and other pollutants to obtain data regarding public exposure to air contaminants. Analyze, summarize, and report air quality information generated from the monitoring sites. Prepare meteorological forecasts and models.
- **Timely Review of Permits** – Ensure timely processing of permits for new sources based on compliance with New Source Review and other applicable local, state and federal air quality rules and regulations.
- **Policy Support** – Provide support staff to the Governing Board, Board committees, and various advisory and other groups as well as ad hoc committees and Rule working groups. Monitor potential changes to state and federal legislation and budgets that may affect SCAQMD.
- **Interest on Long-Term Debt** – Identify the cost of borrowing on Pension Obligation Bonds to partially retire the Unfunded Actuarial Accrued Liability (UAAL) due to San Bernardino County Employees’ Retirement Association (SBCERA).
- **Long-term Emission Reduction Projects** – Generate funding for long-term projects that reduce emissions in the South Coast Air Basin. Funding for special funds activities are recognized when received and projects carried out may extend over multiple fiscal years.

**D. Financial Analysis of SCAQMD’s Funds**

As noted earlier, SCAQMD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Funds**

The focus of SCAQMD's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SCAQMD's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, SCAQMD's governmental funds reported combined ending fund balances of \$742.9 million, an increase of \$83.0 million in comparison with the prior year. Approximately 91.1% of these fund balances (\$676.9 million) constitutes the portion pertaining to special revenue funds. Expenditures under these funds are restricted for specific purposes. The long-term contractual commitments related to these special fund programs, such as replacement of diesel-fueled trucks, involve multiple-year spending.

- **The General Fund** is the operating fund of SCAQMD. At the end of the fiscal year, the total fund balance of the General Fund was \$66.1 million. The unassigned fund balance was \$47.5 million or 72.0% of the total fund balance; assigned was \$7.2 million or 10.9% of the total fund balance. The assigned amount represents SCAQMD's intended use of the financial resources in future periods. One measure of the General Fund's liquidity is the comparison of both assigned and unassigned fund balance to total expenditures. The assigned and unassigned fund balance represent 37.0% of total General Fund expenditures, while total fund balance represents 44.6% of the total General Fund expenditures. In the General Fund, the assigned and unassigned fund balance may serve as a useful measure of SCAQMD's net resources available for spending at the end of the fiscal year.

General Fund's revenues increased in fiscal year 2017-18 by \$9.6 million. This increase is primarily due to revenue increases from emission fees, annual renewal fees, and one time penalties and settlements.

Overall, General Fund's expenditures increased in fiscal year 2017-18 by \$7.5 million primarily due to higher salaries and employment benefits expenditures as compared to prior fiscal year. This is due primarily to increased retirement plan contribution and efforts to fill vacant positions.

Fund balance changes in other major governmental funds are noted below:

- **Mobile Sources Air Pollution Reduction Fund** – The fund balance increased compared with the prior year by \$5.8 million due to revenues exceeding expenditures in fiscal year 2017-18. Many of the contracts executed in this

special revenue fund are multi-year and the projects are often long-term and expenditures can vary significantly from year to year.

- **Carl Moyer Program (CMP) AB 923 Fund** – The fund balance increased by \$16.1 million due to revenues exceeding expenditures in fiscal year 2017-18. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary significantly from year to year.
- **Prop 1B Goods Movement Fund** – This fund was established to account for voter approved transportation bond dollars. The fund balance increased in fiscal year 2017-18 by \$24.3 million due to revenues exceeding expenditures in fiscal year 2017-18. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary significantly from year to year.

### **Proprietary Funds**

As noted earlier, SCAQMD's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail. A Statement of Cash Flows is included in the Proprietary Fund Statement.

## **E. General Fund Budgetary Highlights**

Overall, the fiscal year 2017-18 adopted budget represented a \$8.4 million (5.9%) increase in expenditures over the fiscal year 2016-17 adopted budget. The fiscal year 2017-18 adopted budget increased due to increases in retirement contribution rates, capital outlays, and contractual costs. In addition, the fiscal year 2017-18 adopted budget increased the funded staffing level by ten positions. On a budgetary basis, actual fiscal year 2017-18 General Fund revenues/transfers in exceeded expenditures/transfers out by \$8.8 million.

SCAQMD adopts an annual operating budget for the General Fund. During budget preparation, SCAQMD estimates its revenues using realistic but conservative methods so as to budget its expenditure appropriations and activities in a prudent manner. As a result, SCAQMD adopts budget amendments during the fiscal year to reflect availability of additional revenues for expansion of existing programs and any budget transfers between major accounts.

The fiscal year 2017-18 amended budget compared to the adopted budget reflected an increase in appropriations of \$14.1 million. The changes to the budget were the result of Governing Board actions that allocated additional funding after the budget was adopted. Also, changes can be attributed to Governing Board approved use of unassigned fund balance for program needs that were unknown at the time the budget was developed.

Additional funding was appropriated during fiscal year 2017-18 from the following:

EPA - \$2,050,000 for the following programs: Photochemical Assessment Monitoring Stations (PAMS), PM 2.5 Monitoring, Science to Achieve Results (STAR) research grant for low cost air monitoring sensors, the National Air Toxics Monitoring Program, Near Road NO<sub>2</sub> and enhanced particulate monitoring programs.

U.S. Government Enhanced Particulate Monitoring Program - \$281,000 to provide enhanced particulate monitoring support as part of a national monitoring program.

Clean Fuels Fund - \$1,418,000 to assist in conducting the fifth Multiple Air Toxics Exposure Study (MATES V).

Rule 1118 Mitigation Fund - \$2,140,000 to assist in conducting the fifth Multiple Air Toxics Exposure Study (MATES V).

Carl Moyer Program – \$ 562,000 of AB 134 funding for additional staff resources to handle the increased Carl Moyer Program workload.

BP ARCO Fund - \$289,000 for field, lab, air monitoring and analysis equipment, as well as, environmental justice outreach and initiatives.

Rule 1173 Mitigation Fund - \$831,000 for field monitoring and lab equipment.

Rainbow Transfer Recycling Inc. - \$40,000 for an air monitoring study at their facility to measure potential fugitive PM emissions.

Air Toxics Fund - \$79,000 for special monitoring/analysis, lab equipment and field equipment to address the increasing demand for monitoring hexavalent chromium (Cr6+).

AES Settlement Projects Fund - \$84,000 for air monitoring and laboratory analysis equipment.

CARB - \$3,930,000 of AB 617 funding to develop an air monitoring plan for the state and then select the highest priority locations for community air monitoring systems.

Designation for Permit Streamlining - \$975,000 for permitting system automation projects.

Unassigned Fund Balance - \$1,432,000 for specialized legal services, the development of a legal case management system and legislative consulting.

For fiscal year 2017-18, actual revenues exceeded the final budget by \$5.1 million or 3.4% and expenditure savings were \$11.1 million or 6.8%.

Actual revenue exceeded the final budget primarily due to higher than anticipated Settlements revenue and Emission Fees revenue. The amounts estimated for federal grants and clean fuels/mobile sources were lower due to the timing of the projects and grants that are reimbursed.

The expenditure savings can be primarily attributed to salary savings, which was a result of filling only critical vacant positions throughout the year. Additional significant savings were achieved through prudent purchase decisions and postponing contract work and fixed asset purchases.

## **F. Capital Assets and Debt Administration**

### **Capital Assets**

SCAQMD's investment in capital assets is mostly for its governmental activities. The book value was \$35.8 million (net of accumulated depreciation of \$90.6 million) as of June 30, 2018. This investment in capital assets includes land, buildings, laboratory equipment, air monitoring stations, intangible assets (internally generated software) and SCAQMD fleet vehicles. Depreciation on capital assets is recognized in the Government-wide financial statements.

Additional information on the capital assets can be found in Note V under the Notes to the Basic Financial Statements section.

### **Long-Term Debt**

At the end of the current fiscal year, SCAQMD had total long-term debt outstanding of \$37.3 million, including the current portion of \$5.4 million. The amount of \$22.9 million represents the Pension Obligation Bonds. The 1995 series issued in December 1995 (outstanding balance of \$2.0 million) and the 2004 series issued in June 2004 (outstanding balance of \$20.9 million) retired the Unfunded Actuarial Accrued Liability due to San Bernardino County Employees' Retirement Association as of June 30, 2004. Other long-term debt includes general liability claims and workers' compensation claims payable of \$1.1 million and compensated absences of \$13.3 million.

Additional information on SCAQMD's long-term debt can be found in Note VII under the Notes to the Basic Financial Statements section of this report.



## **G. Economic Factors and Next Year's Budget and Rates**

The fiscal year 2018-19 expenditure budget decreased by 0.8% compared to the fiscal year 2017-18 amended budget. The budget reflects a decrease of \$1.4 million in expenditures from the fiscal year 2017-18 Amended Budget and a \$12.8 million increase from the fiscal year 2017-18 Adopted Budget. The increase in expenditures from the fiscal year 2017-18 Adopted Budget can be mainly attributed to the following: an increase of 51 FTEs for grant funded programs, increases in retirement contribution rates, and cost increases associated with recent labor agreements which expire in December 2020.

In fiscal year 2018-19 revenues are projected to increase by approximately \$15.6 million from the fiscal year 2017-18 adopted budget. The increase in revenue can be attributed to a 3.4% CPI fee increase in most stationary source fees along with an additional fee adjustment to permit processing and annual operating permit renewal fees of 4% for Non-Title V facilities and 10.7% for Title V facilities. Also, the increase in revenue can be attributed additional grant funding for the AB 617 Community Air Protection Program. Nevertheless, in recent years, SCAQMD's revenues have not kept pace with program costs mainly due to increases in retirement rates as the result of market losses to the retirement system's investments.

Moreover, since fiscal year 1991-92, the SCAQMD has reduced staffing and program costs despite increased program requirements. The fiscal year 2018-19 expenditure budget is \$162.6 million and includes 876 authorized positions. Compared to fiscal year 1991-92, this reflects a reduction of 25% in authorized positions. Program costs, however, will exceed the fiscal year 1991-92 budget by \$49.6 million (approximately 44%). Using inflation-adjusted dollars, however, this year's budget request is 15% less than the budget approved in fiscal year 1991-92.

## **H. Requests for Information**

This financial report is designed to provide a general overview of SCAQMD's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, South Coast Air Quality Management District, 21865 Copley Drive, Diamond Bar, CA 91765-4182.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled cash	\$ 718,147,875	\$ -	\$ 718,147,875
Investments	49,801,412	-	49,801,412
Interest receivable	3,812,571	-	3,812,571
Due from other governmental agencies	23,570,822	-	23,570,822
Accounts receivable, net	6,678,107	-	6,678,107
Inventories	56,684	-	56,684
Capital assets not being depreciated:			
Land	8,829,792	-	8,829,792
Capital assets, net of accumulated depreciation:			
Buildings and improvements	12,873,568	-	12,873,568
Intangibles (software)	5,773,777	-	5,773,777
Equipment, vehicles and furniture	8,279,328	-	8,279,328
Total assets	<u>837,823,936</u>	<u>-</u>	<u>837,823,936</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow of resources-pension	101,722,762	-	101,722,762
Deferred outflow of resources-OPEB	232,715	-	232,715
Total deferred outflow of resources	<u>101,955,477</u>	<u>-</u>	<u>101,955,477</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	32,506,567	-	32,506,567
Interest payable	2,799,871	-	2,799,871
Salaries and benefits payable	6,144,533	-	6,144,533
Unearned revenue	20,503,308	-	20,503,308
Long term debt:			
Due within one year	5,353,301	-	5,353,301
Due in more than one year	31,974,359	-	31,974,359
Noncurrent liabilities:			
Net pension liability	214,076,570	-	214,076,570
Net OPEB liability	3,534,000	-	3,534,000
Total liabilities	<u>316,892,509</u>	<u>-</u>	<u>316,892,509</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow of resources-pension	39,614,060	-	39,614,060
Deferred inflow of resources-OPEB	360,000	-	360,000
Total deferred inflow of resources	<u>39,974,060</u>	<u>-</u>	<u>39,974,060</u>
<b>NET POSITION</b>			
Net investment in capital assets	35,756,464	-	35,756,464
Restricted for:			
Long-term emission-reduction projects	676,857,257	-	676,857,257
Unrestricted	(129,700,877)	-	(129,700,877)
Total Net Position	<u>\$ 582,912,844</u>	<u>\$ -</u>	<u>\$ 582,912,844</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees and Charges		Operating Grants and Subventions	Governmental Activities **	Business-Type Activities	Total
		Stationary Sources **	Mobile Sources				
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
Advance clean air technology	\$ 9,271,026	\$ -	\$ 7,463,855	\$ 82,510	\$ (1,724,661)	\$ -	\$ (1,724,661)
Ensure compliance with clean air rules	50,528,522	42,858,941	3,351,682	2,454,164	(1,863,735)	-	(1,863,735)
Customer service and business assistance	9,743,294	6,359,109	2,466,840	607,948	(309,397)	-	(309,397)
Develop programs to achieve clean air	8,636,784	4,279,183	3,495,353	654,047	(208,201)	-	(208,201)
Develop rules to achieve clean air	10,013,098	7,240,476	1,439,116	981,226	(352,280)	-	(352,280)
Monitoring air quality	20,822,380	7,272,424	7,641,605	5,541,738	(366,613)	-	(366,613)
Timely review of permits	33,301,565	31,869,097	-	841,085	(591,383)	-	(591,383)
Policy support	667,046	475,680	168,222	-	(23,144)	-	(23,144)
Interest on long-term debt	3,731,589	-	-	-	(3,731,589)	-	(3,731,589)
Long-term emission reduction projects *	101,304,229	-	-	174,204,904	72,900,675	-	72,900,675
Total governmental activities	248,019,533	100,354,910	26,026,673	185,367,622	63,729,672	-	63,729,672
<b>Business-type Activities:</b>							
CNG fueling station	31	-	-	-	-	(31)	(31)
Total business-type activities	31	-	-	-	-	(31)	(31)
<b>Total primary government</b>	\$ 248,019,564	\$ 100,354,910	\$ 26,026,673	\$ 185,367,622	63,729,672	(31)	63,729,641
<b>General Revenues **: </b>							
Grants and subventions - not restricted to specific stationary source programs					2,879,520	-	2,879,520
Interest					1,041,333	-	1,041,333
Penalties/ Settlement					14,316,145	-	14,316,145
Subscriptions					436	-	436
Other					1,153,863	-	1,153,863
Transfers					1,253,147	(1,253,147)	-
Total general revenues and transfers					20,644,444	(1,253,147)	19,391,297
Change in net position					84,374,116	(1,253,178)	83,120,938
Net position - July 1, 2017 as restated					498,538,728	1,253,178	499,791,906
Net position - June 30, 2018					\$ 582,912,844	\$ -	\$ 582,912,844

\* Long-term emission reduction projects consist of pass-through and/or one-time or limited duration funding sources that are restricted for specific programs such as Carl Moyer Program Fund, Clean Fuels Program Fund, Mobile Sources Air Pollution Reduction Fund and the Air Quality Investment Fund.

\*\* General Revenue and excess Stationary Source Fees are used to offset a portion of the Permit Processing shortfall.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2018**

<u>Assets</u>	General Fund	Mobile Sources Air Pollution Reduction Fund	CMP AB 923 Fund	Prop 1B Goods Movement Fund	Other Governmental Funds	Total
Cash and cash equivalents	\$ 64,042,677	\$ 84,046,954	\$ 147,021,633	\$ 129,045,814	\$ 293,990,797	\$ 718,147,875
Investments	14,950,190	9,979,815	9,940,750	-	14,930,657	49,801,412
Interest receivable	313,575	439,959	777,854	700,333	1,580,850	3,812,571
Due from other governmental agencies	5,578,105	2,831,371	4,718,952	-	10,442,394	23,570,822
Due from other funds	12,550,135	-	400,000	-	6,932,947	19,883,082
Accounts receivable, net	4,309,504	-	-	-	2,368,603	6,678,107
Inventories	56,684	-	-	-	-	56,684
Other assets	-	-	-	-	-	-
Total assets	<u>101,800,870</u>	<u>97,298,099</u>	<u>162,859,189</u>	<u>129,746,147</u>	<u>330,246,248</u>	<u>821,950,553</u>
<u>Deferred Outflow of Resources:</u>						
Deferred outflow of resources	-	-	-	-	-	-
Combined assets and deferred outflow of resources	<u>\$ 101,800,870</u>	<u>\$ 97,298,099</u>	<u>\$ 162,859,189</u>	<u>\$ 129,746,147</u>	<u>\$ 330,246,248</u>	<u>\$ 821,950,553</u>
<u>Liabilities, Deferred Inflow of Resources and Fund Balances</u>						
<u>Liabilities:</u>						
Accounts payable and accrued liabilities	\$ 6,548,385	\$ 1,610,474	\$ 2,786,716	\$ 1,200,000	\$ 20,360,992	\$ 32,506,567
Salaries and benefits payable	6,144,533	-	-	-	-	6,144,533
Due to other funds	2,548,838	743,366	691,864	1,973,625	13,925,389	19,883,082
Unearned revenue	20,503,308	-	-	-	-	20,503,308
Total liabilities	<u>35,745,064</u>	<u>2,353,840</u>	<u>3,478,580</u>	<u>3,173,625</u>	<u>34,286,381</u>	<u>79,037,490</u>
<u>Deferred Inflow of Resources:</u>						
Deferred inflow of resources	-	-	-	-	-	-
<u>Fund Balances:</u>						
Nonspendable	56,684	-	-	-	-	56,684
Restricted	-	94,944,259	159,380,609	126,572,522	83,260,920	464,158,310
Committed	11,237,530	-	-	-	51,447,457	62,684,987
Assigned	7,228,892	-	-	-	161,309,146	168,538,038
Unassigned	47,532,700	-	-	-	(57,656)	47,475,044
Total fund balances	<u>66,055,806</u>	<u>94,944,259</u>	<u>159,380,609</u>	<u>126,572,522</u>	<u>295,959,867</u>	<u>742,913,063</u>
Combined liabilities, deferred inflow of resources and fund balances	<u>\$ 101,800,870</u>	<u>\$ 97,298,099</u>	<u>\$ 162,859,189</u>	<u>\$ 129,746,147</u>	<u>\$ 330,246,248</u>	<u>\$ 821,950,553</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
June 30, 2018**

Total fund balances – total governmental funds \$ 742,913,063

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. These capital assets net of accumulated depreciation are reported in the Statement of Net Position as capital assets of SCAQMD as a whole. 35,756,465

Deferred outflows of resources are not current financial resources and therefore are not reported in the Governmental Fund Balance Sheet. 101,955,477

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (2,799,871)

Long-term liabilities and deferred inflows are not due and payable in the current period and accordingly are not reported as fund liabilities and deferred inflows. All liabilities and deferred inflows of resources, both current and long-term, are reported in the Statement of Net Position.

Net pension liability	(214,076,570)
Net OPEB liability	(3,534,000)
General liability	(135,000)
Workers' compensation	(960,000)
Compensated absences	(13,355,586)
Pension obligation bonds	(22,877,074)
Deferred inflows of resources related to pension and OPEB	(39,974,060)

Net position of governmental activities	\$ 582,912,844
---	----------------

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

	Mobile Sources		CMP	Prop 1B	Other	Total
	General Fund	Air Pollution Reduction Fund	AB 923 Fund	Goods Movement Fund	Governmental Funds	
<b>Revenues:</b>						
Emission fees	\$ 22,786,661	\$ -	\$ -	\$ -	\$ -	\$ 22,786,661
Annual renewal fees	52,182,769	-	-	-	-	52,182,769
Area Sources	2,293,947	-	-	-	-	2,293,947
Permit processing fees	19,538,295	-	-	-	-	19,538,295
Mobile sources/clean fuels	22,015,710	16,394,666	26,632,581	-	9,407,553	74,450,510
Air Toxics "Hot Spots"	2,538,246	-	-	-	-	2,538,246
Transportation programs	845,718	-	-	-	-	845,718
State subvention	3,939,075	-	-	-	-	3,939,075
Federal grant	7,949,213	-	-	-	3,938,120	11,887,333
State grant	5,319,196	-	-	34,493,190	43,289,490	83,101,876
Interest revenue	1,041,334	1,329,059	2,195,665	1,760,568	4,412,963	10,739,589
Lease revenue	147,660	-	-	-	-	147,660
Source test/analysis fees	663,011	-	-	-	-	663,011
Hearing Board fees	351,979	-	-	-	-	351,979
Penalties and settlements	14,316,145	-	-	-	1,485,310	15,801,455
Subscriptions	436	-	-	-	-	436
Other revenues	1,006,204	-	-	-	28,865,739	29,871,943
<b>Total revenues</b>	<b>156,935,599</b>	<b>17,723,725</b>	<b>28,828,246</b>	<b>36,253,758</b>	<b>91,399,175</b>	<b>331,140,503</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Salaries and employee benefits	115,342,430	-	-	-	-	115,342,430
Insurance	1,503,440	-	-	-	-	1,503,440
Rent	550,641	-	-	-	-	550,641
Supplies	3,375,314	-	-	-	-	3,375,314
Contract and special services	9,953,563	11,175,395	8,781,705	11,976,780	67,540,503	109,427,946
Maintenance	1,787,868	-	-	-	-	1,787,868
Travel and auto	1,107,393	-	-	-	-	1,107,393
Utilities	1,520,114	-	-	-	-	1,520,114
Communications	614,018	-	-	-	-	614,018
Uncollectible accounts	410,438	-	-	-	1,746	412,184
Other expenditures	1,172,337	743,366	-	-	80,515	1,996,218
Capital outlay	4,579,695	-	-	-	4,219	4,583,914
<b>Debt service:</b>						
Principal	2,432,798	-	-	-	1,000,000	3,432,798
Interest	3,756,716	-	-	-	-	3,756,716
<b>Total expenditures</b>	<b>148,106,765</b>	<b>11,918,761</b>	<b>8,781,705</b>	<b>11,976,780</b>	<b>68,626,983</b>	<b>249,410,994</b>
Excess (deficiency) of revenues over (under) expenditures before transfers	8,828,834	5,804,964	20,046,541	24,276,978	22,772,192	81,729,509
<b>Other Financing Sources (uses):</b>						
Transfers in	4,985,473	-	-	-	5,728,318	10,713,791
Transfers out	(250,000)	-	(4,000,000)	-	(5,210,644)	(9,460,644)
<b>Total other financing sources (uses)</b>	<b>4,735,473</b>	<b>-</b>	<b>(4,000,000)</b>	<b>-</b>	<b>517,674</b>	<b>1,253,147</b>
<b>Net change in fund balance</b>	<b>13,564,307</b>	<b>5,804,964</b>	<b>16,046,541</b>	<b>24,276,978</b>	<b>23,289,866</b>	<b>82,982,656</b>
Fund balances, July 1, 2017	52,491,499	89,139,295	143,334,068	102,295,544	272,670,001	659,930,407
Fund balances, June 30, 2018	\$ 66,055,806	\$ 94,944,259	\$ 159,380,609	\$ 126,572,522	\$ 295,959,867	\$ 742,913,063

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

Net change in fund balances – total governmental funds	\$ 82,982,656
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays recorded in the current period.	4,583,915
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(4,954,750)
Pension expense is reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources.	(27,852,330)
Pension contribution made by employer in current fiscal year reduce the net pension liability and do not require current resources.	25,341,034
OPEB expense is reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources.	(407,967)
OPEB contribution made by employer in current fiscal year reduce the net OPEB liability and do not require current resources.	232,715
Repayment of bond principal is an expenditure in the governmental funds. For SCAQMD as a whole, principal payments reduce the liabilities in the Government-wide Statement of Net Position and do not result in an expense in the Statement of Activities and Changes in Net Position.	3,432,798
Accrued interest expense on long-term debt is reported in the Government-wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in governmental funds. The amount represents the change in accrued interest from the prior year.	25,126
Long-term compensated absences and general liability/workers’ compensation claims are reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds. The following amounts represent the change from the prior year:	
Compensated absences	282,478
General and auto liability/workers’ compensation claims	708,441
	708,441
Change in net position of governmental activities	\$ 84,374,116

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018**

		Business-type Activities - Enterprise Funds
		CNG Fueling Station Fund
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$	-
Total current assets		-
Total assets		-
 <u>Liabilities</u>		
Current Liabilities:		
Accounts payable and accrued liabilities		-
Total liabilities		-
 <u>Net Position</u>		
Unrestricted		-
Total net position	\$	-



**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2018**

	Business-type Activities - Enterprise Funds
	CNG Fueling Station Fund
Operating revenues:	
Interest revenues	\$ -
Total operating revenues	-
Operating expenses:	
Cost of goods and services	31
Total operating expenses	31
Operating loss before transfer	(31)
Transfer out	(1,253,147)
Changes in net position	(1,253,178)
Total net position, July 1, 2017	1,253,178
Total net position, June 30, 2018	\$ -

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2018**

		Business-type Activities - Enterprise Funds
		CNG Fueling Station Fund
		<hr/>
<u>Cash Flows from Operating Activities:</u>		
Cash payment for goods and services	\$	(31)
Other operating revenues		8,838
		<hr/>
Net cash provided by operating activities		8,807
		<hr/>
<u>Cash Flows from Noncapital Financing Activities:</u>		
Transfer to other fund		(1,253,147)
		<hr/>
Net cash used by noncapital financing activities		(1,253,147)
		<hr/>
Net decrease in cash and cash equivalents		(1,244,340)
		<hr/>
Beginning cash balance, July 1, 2017		1,244,340
		<hr/>
Ending cash balance, June 30, 2018	\$	-
		<hr/> <hr/>
 <u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating income (loss)	\$	(31)
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease (increase) in interest receivable		8,838
Total adjustments		8,838
		<hr/>
Net cash provided by operating activities	\$	8,807
		<hr/> <hr/>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2018**

<u>Assets</u>	<u>Agency Funds</u>	<u>Retirement Benefit Trust Fund</u>
Cash and cash equivalents	\$ 153,423	\$ 28,436
Interest receivable	221	6,139
Due from other funds	-	-
	-	-
Total assets	\$ 153,644	34,575
<u>Liabilities</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 153,644	-
	-	-
Total liabilities	\$ 153,644	-
<u>Net Position</u>		
Net position held in trust for retirement benefit		34,575
Total net position		\$ 34,575

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2018**

	Retirement Benefit Trust Fund
<u>Additions:</u>	
Contribution	\$ -
Other revenues	-
Interest revenue	18,370
Total additions	18,370
 <u>Deductions:</u>	
Other expenditures	-
Total deductions	-
Change in net position	18,370
Net position held in trust for retirement benefits, July 1, 2017	16,205
Net position held in trust for retirement benefits, June 30, 2018	\$ 34,575

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. The Financial Reporting Entity**

The South Coast Air Quality Management District (SCAQMD) was established pursuant to the Lewis Air Quality Management Act on February 1, 1977, commencing at Section 40400 of the Health and Safety Code of the State of California. SCAQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino, and Riverside Counties. SCAQMD operates a network of air monitoring stations, analyzes air quality data and establishes maximum emission levels for stationary, commercial, and industrial facilities that are enforced through SCAQMD's permit system.

As defined by generally accepted accounting principles (GAAP) in the United States of America that are established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government and its component units, which are legally separate organizations. The financial statements of SCAQMD are prepared in accordance with GAAP.

The accompanying financial statements present the financial activities of SCAQMD (primary government) and its blended component unit, South Coast Air Quality Management District Building Corporation (Corporation), an entity for which SCAQMD is considered to be financially accountable. Legally separate from SCAQMD and as a tax-exempt entity, the Corporation is reported as a governmental fund.

The Corporation was incorporated as a nonprofit corporation under the laws of the State of California on September 21, 1978. The purpose of the Corporation is to finance the acquisition and improvement of a building complex/headquarters of SCAQMD. SCAQMD Governing Board approves the appointment of the Corporation's Board of Directors. SCAQMD has had significant transactions with the Corporation for the construction and improvement of SCAQMD's headquarters facility. It is legally separate from SCAQMD and a tax-exempt entity under Section 501(c)(4) of the Internal Revenue Code.

Separate financial statements for the Corporation may be obtained from SCAQMD's Finance Office located at 21865 Copley Drive, Diamond Bar, California 91765.

## **B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The basic financial statements of SCAQMD are composed of the following:

- Government-wide financial statements
- Governmental fund financial statements
- Notes to the basic financial statements

### **Government-wide Financial Statements**

The government-wide financial statements (Statement of Net Position and Statement of Activities) present summaries of governmental and business-type activities of SCAQMD as a whole, excluding fiduciary activities. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of SCAQMD's assets and liabilities including capital assets and long-term liabilities are included in the accompanying Statement of Net Position. Revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reporting them as expenditures. Proceeds of long-term debt are also recorded in the government-wide financial statements as a liability, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

The Statement of Activities demonstrates the degree to which the direct expenses of a given functional activity are offset by program revenues directly related to the functional activity. Direct expenses are those that are clearly identifiable with a specific functional activity.

The types of transactions reported as program revenues are reported in three categories: 1) fees and charges including stationary source fees from permitted facilities and mobile source fees from motor vehicle registrations; 2) operating grants and subventions that are in support of air pollution program activities; and 3) long-term emission reduction projects which include capital grants and contributions which are mostly restricted. Program expenses are subtracted from program revenues to present the net cost of each functional activity. Interest income and other miscellaneous items not properly included among program revenues are reported as general revenues.

SCAQMD's functional activities are broken down into the following ten categories:

- Advance clean air technology
- Ensure compliance with clean air rules
- Customer service and business assistance
- Develop programs to achieve clean air
- Develop rules to achieve clean air
- Monitoring air quality
- Timely review of permits
- Policy support
- Interest on long-term debt, and
- Long-term emission reduction projects

When both restricted and unrestricted resources are available for use, it is SCAQMD's policy to use restricted resources first within the restricted activities, then use the unrestricted resources as they are needed.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements.

### **Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34.

SCAQMD has presented all major funds that met those qualifications. These major funds are Mobile Sources Air Pollution Reduction Fund, Carl Moyer Program (CMP) AB 923 Special Revenue Fund, and Prop 1B Goods Movement Fund, in addition to the General Fund.

A reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences as a result of the integrated approach of GASB Statement No. 34 reporting.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are generally included in the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in

Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. They are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SCAQMD considers revenues to be available if they are collected generally within 90 days after year-end to be available to finance the expenditures accrued for the reporting period. The primary revenue sources which have been treated as susceptible to accrual by SCAQMD are as follows: emissions flat fees, permit fees, air toxics “Hot Spots” fees, and source test/analysis fees from stationary sources; clean fuels revenues from stationary sources; federal and state grants under grants and subventions and interest under general revenues. All other revenue items are recorded when received in cash. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for debt service expenditures, as well as expenditures related to compensated absences, which are recognized when payment is due.

Amounts expended to acquire capital assets are recorded as capital outlay expenditures in the year that resources were expended rather than recording them as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as fund liability. Amounts paid to reduce long-term indebtedness are reported as debt service expenditures.

### **Proprietary Fund Financial Statements**

Proprietary Fund financial statements include a Statement of Fund Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows. These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of SCAQMD’s enterprise fund are sales of CNG fuel. In fiscal year 2015-16, SCAQMD sold the CNG station and ceased to operate it. As of June 30, 2018, the remaining cash balances



were transferred out to the capital project fund and this proprietary fund was closed.

### **Fiduciary Fund Financial Statements**

Fiduciary Fund financial statements include a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These funds represent agency funds which are custodial in nature (assets equal liabilities) and do not involve the recording of revenues and expenses or the measurement of results of operations. The reporting focus is upon net position and changes in net position. Fiduciary funds also include the Retirement Benefits Trust Fund for LACERA OPEB (see fund type in Note 1C). These funds are accounted for in the accrual basis of accounting.

### **C. Fund Types and Major Funds**

As noted earlier, the funds designated as major funds are determined in accordance with GASB Statement No. 34.

SCAQMD reports the following major governmental funds:

General Fund – This is the primary operating fund of SCAQMD and is used to record transactions relating to its general business operations. It is also used to account for all revenues and expenditures that are not required to be accounted for in another fund.

Special Revenue Funds – These funds are used to record transactions applicable to specific revenue sources that are legally restricted to expenditures for specific purposes. The following are SCAQMD’s major special revenue funds:

- Mobile Sources Air Pollution Reduction Fund – Used to account for 30% of the revenue received by SCAQMD from the motor vehicle registration fees under the provisions of Sections 44243 and 44244 of the California Health and Safety Code. This money is used to provide grants to fund projects for the purpose of reducing air pollution from motor vehicles within the justification of the South Coast Air Quality Management District. Total projects to date amount to over \$441 million and over 14,100 tons of emissions reduced. This special fund was established in fiscal year 1992.
- Carl Moyer Program (CMP) AB 923 Fund - Established in fiscal year 2008 to provide additional funding for the Carl Moyer Program from an adjustment to the tire fee, and authorizes local air districts to increase motor vehicle

registration fees by up to \$2 for programs to reduce air pollution. AB 923 has expanded the Carl Moyer incentive program to include agricultural sources of air pollution as well as buses, cars and on and off-road equipment. The program targets nitrogen oxide hydrocarbon, and particulate matter pollution reductions. About \$4 million per year in AB 923 funds are used to fund projects as match requirement to the Carl Moyer Program.

- Prop 1B Goods Movement Fund - Established in fiscal year 2008 to account for voter approved transportation bond dollars. A portion of these were allocated to CARB and passed through to SCAQMD to implement programs that reduce emissions from movement of freight or “goods” along California’s trade corridors. Over \$500 million in goods movement projects have been and are being implemented within the SCAQMD.

SCAQMD reports the following major proprietary fund:

- Compressed Natural Gas (CNG) Fueling Station Fund - Established during fiscal year 2002 to administer all activities, transactions, and funding relating to the public and SCAQMD’s use of CNG fueling facilities at SCAQMD’s headquarters. The fueling station helps accommodate the growing number of alternative-fuel vehicle fleets. In fiscal year 2015-16, the CNG Station was sold.

SCAQMD also reports the following fiduciary fund types:

- Agency Funds - Used to account for funds due to others that are not accounted for in the other funds and acts as a temporary custodian.
  - 1) Accounting Agency Fund - Used to account for unidentified payments that require additional research before final disposition.
  - 2) 457 Plan Administration Revenue Sharing Fund - Used to account for funds that, the 457 plan administrator, transfers to SCAQMD as part of a revenue-sharing agreement. After applicable expenses are paid, residual funds are returned to the 457 plan administrator to be distributed among participants based on an approved formula.
- Retirement Benefit Trust Fund - Used to account for funds contributed by SCAQMD and interest earned on its principal for the payment of medical, dental and burial costs upon retirement of SCAQMD employees who are members of the Los Angeles County Employees Retirement Association

(LACERA). It operates as a cost-sharing multi-employer defined benefit Other Post Employment Benefit plan. Note X contains more information about SCAQMD's OPEB plans.

**D. Assets, Liabilities and Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash, Pooled Cash, and Investments**

Cash includes amounts to conduct daily operations of SCAQMD in demand deposits with the Los Angeles County Treasurer and various financial institutions. SCAQMD deposits virtually all of its cash with the Treasurer of the County of Los Angeles. SCAQMD's deposits, along with funds from other local agencies such as the county government, other school districts, and special districts, make up a pool, which the County Treasurer manages for investment purposes. Earnings from the pooled investments are allocated to participating funds based on average investments in the pool during the allocation period.

All SCAQMD-directed investments are to diversify SCAQMD's investments and are in compliance with SCAQMD's investment policy and Los Angeles County Treasury investment guidelines. The guidelines limit specific investments to United States Agency securities. The SCAQMD securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made. All SCAQMD investments are stated at fair value based on quoted market prices.

**2. Capital Assets and Depreciation**

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, which include land, equipment, vehicles, furniture, buildings and improvements, software and other intangible assets are reported at cost unless obtained by donation in which case the assets are recorded at the acquisition value at the date of receipt. Capital asset purchases with values of at least \$5,000 and with an expected useful life of three years or more are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Assets disposed of or no longer required for its existing use are removed from the records at actual or estimated cost.

Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the respective balance sheet. Property, plant, equipment, vehicles and furniture of SCAQMD are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-30
Equipment, vehicles and furniture	5-7
Software and Systems	3-5

**3. Inventories**

Inventories as determined by annual physical counts are valued at cost using the first-in/first-out (FIFO) method. They consist principally of office, computer, cleaning and laboratory supplies. The cost is recorded as an expense as inventory items are consumed.

**4. Compensated Absences**

Regular full-time employees accumulate earned but unused vacation time, sick leave, compensatory time, and other leave time. Certain restrictions apply with respect to the accumulation of leave time and its payment at termination. All vacation, sick leave, compensatory time, and other leave time are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirement.

**5. Self-Insurance**

SCAQMD is self-insured for general, automobile, and workers' compensation liabilities (See note VIII).

**6. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond

premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### **8. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to pensions, information about the fiduciary net position of the San Bernardino County Employees' Retirement Association (SBCERA) and Los Angeles County Employees' Retirement Association (LACERA) and additions to/deductions from SBCERA's fiduciary net position have been determined on the same basis as they are reported by SBCERA and LACERA. For this purpose, employer and employee contributions are recognized in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

**9. Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the LACERA's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value, which are derived from quoted market prices.

**10. Net Position and Fund Balance Classifications**

Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources on the government-wide financial statements. Net position is classified in the following categories:

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure and intangibles, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position

This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions enabling legislation.

Unrestricted Net Position

This category represents the residual net position of SCAQMD in excess of what can properly be classified in one of the other two categories mentioned above.

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise hierarchy that is based primarily on the extent to which SCAQMD is bound to honor constraints on the specific purposes for which amounts can be spent.

The fund balance classifications used in the governmental fund financial statements are as follows:

*Nonspendable* – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – amounts that can be spent only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Governing Board, as the highest level of decision-making authority, has the ability to commit fund balances through the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the Governing Board removes or modifies the use through the adoption of a subsequent resolution.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. SCAQMD’s adopted policy requires the Board to assign amounts to specific purposes.

*Unassigned* – this classification includes the residual fund balance for the General Fund. It also includes the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

When both restricted and unrestricted resources are available for use, it is SCAQMD’s policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, SCAQMD’s Governing Board approved policy is to use committed amounts first, followed by assigned and then unassigned.

The following schedule shows the details of the fund balances as of June 30, 2018:

**Major Governmental Funds**

	<u>General Fund</u>	<u>Mobile Sources Air Pollution Reduction Fund</u>	<u>CMP AB923 Fund</u>	<u>Prop 1B Goods Movement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Fund Balance</b>						
<b>Nonspendable:</b>						
Inventory	\$ 56,684	\$ -	\$ -	\$ -	\$ -	\$ 56,684
Total nonspendable	<u>56,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,684</u>
<b>Restricted:</b>						
Long term emission reduction projects	-	94,944,259	159,380,609	126,572,522	83,260,920	464,158,310
Total restricted	<u>-</u>	<u>94,944,259</u>	<u>159,380,609</u>	<u>126,572,522</u>	<u>83,260,920</u>	<u>464,158,310</u>
<b>Committed:</b>						
Advance clean air technology	662,118	-	-	-	-	662,118
Ensure compliance with clean air rules	2,539,328	-	-	-	-	2,539,328
Customer service and business assistance	894,664	-	-	-	-	894,664
Develop programs to achieve clean air	1,055,116	-	-	-	-	1,055,116
Develop rules to achieve clean air	442,929	-	-	-	-	442,929
Monitoring air quality	3,621,696	-	-	-	-	3,621,696
Timely review of permits	1,389,379	-	-	-	-	1,389,379
Policy support	632,300	-	-	-	-	632,300
Long term emission reduction projects	-	-	-	-	51,447,457	51,447,457
Total committed	<u>11,237,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,447,457</u>	<u>62,684,987</u>
<b>Assigned:</b>						
Long term emission reduction projects	-	-	-	-	161,309,146	161,309,146
For self insurance	2,000,000	-	-	-	-	2,000,000
For unemployment claims	80,000	-	-	-	-	80,000
For permitstreamlining	1,313,378	-	-	-	-	1,313,378
For enhanced compliance activity	883,018	-	-	-	-	883,018
For OPEB obligations	2,952,496	-	-	-	-	2,952,496
Total assigned	<u>7,228,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,309,146</u>	<u>168,538,038</u>
<b>Unassigned:</b>						
General Purpose	47,532,700	-	-	-	-	47,532,700
Long term emission reduction projects	-	-	-	-	(57,656)	(57,656)
Total unassigned	<u>47,532,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,656)</u>	<u>47,475,044</u>
<b>Total fund balances</b>	<u>\$ 66,055,806</u>	<u>\$ 94,944,259</u>	<u>\$ 159,380,609</u>	<u>\$ 126,572,522</u>	<u>\$ 295,959,867</u>	<u>\$ 742,913,063</u>



## E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. Actual results could differ from those estimates.

## F. Adoption of New GASB Pronouncements

### ***GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***

This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2017. SCAQMD adopted this statement as of June 30, 2018.

### **Restatement due to Change on Accounting Principle**

Net position as of July 1, 2017 has been restated for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adjustment to the beginning net position is presented below:

<b>Prior-Period Adjustment</b>		<b>Governmental Activities</b>
Net position, at beginning of year, as previously reported	\$	502,024,761
Setup of net OPEB liability (measurement date as of June 30, 2016)		(3,721,000)
Deferred outflows—SCAQMD’s contributions made during fiscal year 2017		234,967
Net position, at beginning of year, as restated	\$	<u>498,538,728</u>

### ***GASB Statement No. 81, Irrevocable Split-Interest Agreements***

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This Statement also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the

government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. This Statement did not have an impact on SCAQMD’s financial statements.

**GASB Statement No. 85, *Omnibus 2017***

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. SCAQMD adopted this statement as of June 30, 2018.

**GASB Statement No. 86, *Certain Debt Extinguishment Issues***

This Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This Statement did not have an impact on SCAQMD’s financial statements.

**II. CASH, POOLED CASH AND INVESTMENTS**

The following is a summary of the cash, pooled cash, and investments for the primary government (including fiduciary funds) at June 30, 2018:

	Primary Government
Cash on hand	\$ 1,323,739
Cash in bank	271,936
Pooled cash	716,734,059
Investments	49,801,412
Cash, pooled cash, and investments	<u>\$ 768,131,146</u>

**CASH**

At June 30, 2018, the carrying amount of SCAQMD’s bank deposits was \$271,936 and the bank balance was \$351,204. The entire amount was covered by Federal Deposit Insurance Corporation (FDIC). Management believes that SCAQMD is not exposed to

any significant credit risk related to cash in bank. Cash on hand consists of cash and checks not deposited as of June 30, 2018.

### **POOLED CASH**

SCAQMD's pooled cash and investments are held in the Los Angeles County Pooled Surplus Investment Fund Portfolio (PSI), the Los Angeles County Specific Purpose Investment Portfolio (SPI), and the State of California Local Agency Investment Fund (LAIF). Pooled cash and investments are held in accordance with California Government Code, SCAQMD Investment Policy, Los Angeles County Treasurer Investment Policy and LAIF Policies, Goals, and Objectives.

### **Los Angeles County Pooled Surplus Investment Fund Portfolio (PSI)**

SCAQMD is a voluntary participant in the Los Angeles County Pooled Surplus Investment Fund Portfolio (PSI), an external investment pool managed by the Los Angeles County Treasurer who reports on a monthly basis to its Board of Supervisors. Its Treasury Oversight Committee reviews and monitors its investment policy. The investment policy is governed by applicable California Government Code. Investments held are stated at fair value. The fair value of pooled cash is determined monthly and is based on current market prices.

### **Los Angeles County Specific Purpose Investment Portfolio (SPI)**

The Los Angeles County Specific Purpose Investment Portfolio (SPI) is managed by the Los Angeles County Treasurer and is used to purchase specific investments for SCAQMD. In accordance with California Government Code, SCAQMD adopts an investment policy annually that, among other things, authorizes types and concentrations of investments and maximum investment terms. On June 30, 2018, SPI are reported at fair market value.

The SCAQMD Investment Policy authorizes SCAQMD to invest in:

- U.S. Treasuries
- Federal agencies and U.S. government sponsored enterprises
- Los Angeles County Pooled Surplus Investment Portfolio
- State of California Local Agency Investment Fund
- Obligation of State of California or any other local agency within the state - permitted obligations will include bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency, or by a department, board, agency or authority of the state or local agency. Obligations of the State of California or other local agencies within the state must be rated in a rating category of "A" or its equivalent, or higher by a Nationally Recognized Statistical Rating Organizations (NRSRO).

- Shares of money market mutual funds – shall be limited to ratings of “AAA” by two (2) NRSROs or managed by an investment advisor registered with the Securities Exchange Commission with not less than five-years’ experience and with assets under management in excess of \$500 million and such investment may not represent more than 10% of the total assets in the money market fund.
- Bankers’ acceptances – with maximum maturities of 180 days must be issued by national or state-chartered banks or a state-licensed branch of a foreign bank. Eligible banker’s acceptance should have the highest rankings or the highest letter and number rating as provided for by the NRSRO.
- Negotiable certificates of deposit – with maximum maturities of five (5) years must be issued by national or state-chartered banks, a federal or state-licensed branch of a foreign bank, savings associations and state or federal credit unions. Negotiable CDs must be rated in a rating category of “A” or its equivalent by at least one (1) NRSRO.
- Commercial paper – Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph a or paragraph b; and may not represent more than 10% of the outstanding paper of the issuing corporation. Maximum maturities are 270 days.
  - a. The entity meets the following criteria:
    - i. Is organized and operating in the United States as a general corporation.
    - ii. Have total assets in excess of one billion dollars (\$1,000,000,000).
    - iii. Has debt other than commercial paper, if any, that is rated in a rating category of “A” or the equivalent by a NRSRO.
  - b. The entity meets the following criteria:
    - i. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
    - ii. Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
    - iii. Has commercial paper that is rated in a rating category of “A-1”, or the equivalent or higher, by at least two (2) NRSROs.
- Medium term maturity corporate securities – with maximum maturities of five (5) years shall be rated in a rating category of “A” or its equivalent or higher by a NRSRO.
- Mortgage securities or asset-backed securities – with maximum maturities of five (5) years shall be rated “AAA” or its equivalent or better by a nationally recognized rating service and issued by an issuer having a rating in the category of “AA” or its equivalent, or higher by a NRSRO for its long-term debt.
- Repurchase agreements – with maximum maturity of 30 days and must be collateralized by the U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily, entered into with broker-dealer which is a

recognized primary dealer and evidenced by a broker-dealer master purchase agreement signed by County Treasurer and approved by SCAQMD.

- Reverse purchase agreements – are not allowed except as part of investments in the County of Los Angeles Pooled Surplus Investment Portfolio and the State of California Local Agency Investment Fund.
- Variable and floating rate securities – with the maximum maturity of five (5) years are instruments that have a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate. Investments in floating rate securities must utilize commercially available U.S. denominated indices such as U.S. Treasury bills of Federal Funds. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes. Variable and Floating Rate Securities that are priced based on a single common index are not considered derivative securities.
- Obligations of Supranational Institutions – permitted obligations will include U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions identified in California Government Code Section 53601(q), which are eligible for purchase and sale within the U.S. Obligations of supranational institutions must be rated in a rating category of “AA” or its equivalent, or higher by a NRSRO.
- Derivative securities – not allowed as Special Purpose Investments.

### **State of California Local Agency Investment Fund (LAIF)**

SCAQMD is a voluntary participant in the State of California Local Agency Investment Fund (LAIF), an external investment pool that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California.

LAIF is part of the Pooled Money Investment Account (PMIA) and has oversight provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB Board members are the State Treasurer, Director of Finance and the State Controller. Additionally, LAIF has oversight by the Local Investment Advisory Board, which consists of five members, as designated by statute. The Chairman is the State Treasurer, who appoints the other four members to two-year terms.

The fair value of SCAQMD’s investment in this pool is reported in the accompanying financial statements at amounts based upon SCAQMD’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records of LAIF, which are recorded on an amortized cost basis.

The following table summarizes SCAQMD's cash and pooled cash and maturities at June 30, 2018:

	Investment Maturities			
	Fair Value	<1 Year	1-2 Years	2-3 Years
Cash:				
On hand	\$ 1,323,739	\$ -	\$ -	\$ -
In bank	271,936	-	-	-
Total cash	<u>1,595,675</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pooled cash:				
Los Angeles County				
Pooled Surplus Investment (PSI)	678,795,755	335,121,464	343,674,291	-
Local Agency				
Investment Fund (LAIF)	37,938,304	37,938,304	-	-
Total pooled cash	<u>716,734,059</u>	<u>373,059,768</u>	<u>343,674,291</u>	<u>-</u>
Total cash and pooled cash investments	\$ <u>718,329,734</u>	\$ <u>373,059,768</u>	\$ <u>343,674,291</u>	\$ <u>-</u>

## INVESTMENTS

SCAQMD's investments are comprised of the following as of June 30, 2018:

	Level 1	Level 2	Level 3
Negotiable certificates of deposits	\$ 49,801,412	-	-
Total investments	\$ <u>49,801,412</u>	<u>-</u>	<u>-</u>

SCAQMD categorized its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 is significant unobservable inputs.

SCAQMD has investments in Federal Farm Credit Banks (FFCB) in the Los Angeles County SPI which are classified as Level 1 as fair market value is determined by observables, unadjusted quoted market price in active or highly liquid and transparent market.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in interest rates. As a means of limiting its exposure to declines in fair value, the SCAQMD Investment Policy limits its investment portfolio of SPI with the County of Los Angeles to maturities of less than five years at time of purchase and the weighted average maturity of the SPI portfolio may not exceed three years.

### **Credit Risk**

Credit risk is the risk of default or the inability of an issuer of an investment to fulfill its obligation to the holder of the investment. SCAQMD mitigates its credit risk in the SPI portfolio generally by following its three primary investment objectives, in order of safety, liquidity, and yield. SCAQMD's Investment Policy further requires only permitted investments with specific credit quality requirements. The Los Angeles County PSI and the State of California LAIF are both unrated as to credit quality. The investments that are represented by SPI are held by the Los Angeles County Treasurer in SCAQMD's name and consist of negotiable certificates of deposits with credit ratings of A (Standard and Poors).

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a investments in a single issuer. SCAQMD's Investment Policy mitigates concentration of credit risk through diversification requirements so that no one type of issuer or issue will have a disproportionate impact on the portfolio. The investments that are represented by SPI consist of negotiable certificates deposit.

### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, SCAQMD will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that SCAQMD will not be able to recover the value of its investment securities that are in the possession of an outside party. SCAQMD's deposits are fully insured by the FDIC, pooled cash with the Los Angeles County PSI and the State of California LAIF are not subject to custodial credit risk, and the investments that are represented by SPI are held by the Los Angeles County Treasurer in the name of SCAQMD.

### III. DUE FROM OTHER GOVERNMENT AGENCIES AND ACCOUNTS RECEIVABLE

Due from other government agencies at June 30, 2018 consists of the following:

California Air Resources Board (CARB)	\$ 1,705,084
California Energy Commission (CEC)	2,226,482
Department of Energy	201,142
Department of Homeland Security (DHS)	555,297
Department of Motor Vehicles	
AB 2766, SB 1928, AB 923	16,504,156
Environmental Protection Agency (EPA)	
DERA Bus Administration	3,516
Section 105 Air Grant	1,825,345
STAR Grant	74,379
NEAR Road Monitoring	3,313
National Air Toxics Trend Station (NATTS)	31,243
Section 103 PM 2.5 Grant	255,941
Section 103 Community Scale Air Toxics Grant	135,739
TAS Grant Administration	<u>49,185</u>
Total	<u>\$ 23,570,822</u>

Accounts Receivable consists of the following at June 30, 2018:

Air Toxics "Hot Spots", Emission Fees, Permits, Annuals and Source Testing	\$ 6,247,615
Miscellaneous Receivables	
	<u>1,869,374</u>
Subtotal	8,116,989
Less: Allowance for Doubtful Accounts	<u>(1,438,882)</u>
Total	<u>\$ 6,678,107</u>



#### IV. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 12,550,135	AB1318 Mitigation Fees Fund	\$ 45,958
		Air Filtration Fund	55,583
		Community Air Protection AB 134 Fund	561,792
		Advanced Technology, Outreach & Education Fund	67,568
		Carl Moyer Program Fund	1,591,620
		Air Quality Investment Fund	18,961
		Prop 1B Goods Movement	1,573,625
		Carl Moyer Program AB 923 Fund	691,864
		Air Toxics Fund	3,002,558
		Mobile Sources Air Poll Reduct. Fund	743,366
		Clean Fuels Program Fund	4,197,240
	<u>\$ 12,550,135</u>		<u>\$ 12,550,135</u>
Clean Fuels Program Fund	\$ 4,638,208	Advanced Technology, Outreach & Education Fund	\$ 500,000
		Advanced Technology Goods Movement Fund	3,407,984
		Air Filtration Fund	476,125
		General Fund	254,099
	<u>\$ 4,638,208</u>		<u>\$ 4,638,208</u>
BP ARCO Settlement Fund	127,067	General Fund	127,067
Rule 1173 Mitigation Fee Fund	662		662
AES Settlement Projects Fund	1,218		1,218
Community Air Protection AB 134 Fund	504,136		504,136
Rule 1118 Mitigation Fund	1,661,656		1,661,656
	<u>\$ 2,294,739</u>		<u>\$ 2,294,739</u>
Carl Moyer Program AB923 Fund	400,000	Prop 1B Goods Movement	400,000
Total Receivables	<u>\$ 19,883,082</u>	Total Payables	<u>\$ 19,883,082</u>

The outstanding balances between funds result mainly from the time lag between the dates that: (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 250,000	\$ 250,000
Carl Moyer Program AB 923 Fund	-	4,000,000	4,000,000
Other Governmental Fund	4,985,473	225,171	5,210,644
Enterprise Fund	-	1,253,147	1,253,147
	<u>\$ 4,985,473</u>	<u>\$ 5,728,318</u>	<u>\$ 10,713,791</u>

SCAQMD's Governing Board approved the following:

- Transfer of \$831,000 from the Rule 1173 Mitigation Fee Special Revenue Fund to the General Fund for equipment in support of the emergency response program.
- Transfer \$160,000 from the BP ARCO Settlement Project Fund to the General Fund for services and supplies major object, professional & specialized services account.
- Transfer \$150,000 from the BP ARCO Settlement Project Fund to the General Fund for services and supplies major object, small tools, instruments, equipment account.
- Transfer \$3,485,143 from the Rule 1118 Mitigation Fund to the General Fund to support the MATES V enhanced monitoring program.
- Transfer \$100,000 from the Rule 1118 Mitigation Fund to General Fund for capital outlays major object to amend a contract with a Board-approved software development contractor for the update of the web-based flare event notification system.
- Transfer \$1,446,600 from the Clean Fuels Program Fund to the General Fund to support the MATES V program.
- Transfer \$1,475 from the HEROS II Special Revenue Fund to the General Fund for EFMP marketing and outreach efforts.
- Transfer \$20,000 from the Air Toxics Fund to the General Fund for the purchase of the portable wind systems.
- Transfer \$10,000 from the AES Settlement Projects to the General Fund for services and supplies major object, lab supplies account, to purchase up to 12 summa canisters for shoreline odor issues.
- Transfer \$250,000 from the General Fund to the Air Filtration Fund for supplemental environmental projects.
- Transfer \$4,000,000 from the Carl Moyer Program AB 923 Special Revenue Fund to the Voucher Incentive Program Fund to continue funding truck replacement projects on a first-come, first-served basis.
- Transfer total amount of \$193,000 to the General Fund for the weighing room upgrade and equipment purchases. Of the total amount, \$59,000 from Air Toxics Fund, \$75,000 from AES Settlement Projects Fund, and \$59,000 from BP ARCO Settlement Projects Fund.
- Board authorized to close out the following funds and transfer the residual balances to other funds:

<u>Closed Fund</u>	<u>Transfer Balances to</u>	<u>Amount</u>
Air Qualities Studies Fund	Health Effects Research Fund	\$ 16,533
Asthma and Brain Cancer Research Fund	Health Effects Research Fund	100,953
Clean Fuels Conference Fund	Clean Fuels Program Fund	103,777
Hydrogen Fueling Station	Clean Fuels Program Fund	3,907
CNG Fueling Station Enterprise Fund	Infrastructure Improvement Fund	1,253,147
Prop 1B Lower Emission School Bus Fund	General Fund	232

## V. CAPITAL ASSETS

In compliance with GASB Statement No. 34 reporting, SCAQMD has reported all capital assets in the Government-wide Statement of Net Position. Capital asset activities for the year ended June 30, 2018 were as follows:

	Balance June 30, 2017	Increase	Decrease	Balance June 30, 2018
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,829,792	\$ -	\$ -	\$ 8,829,792
Total capital assets not being depreciated	<u>8,829,792</u>	<u>-</u>	<u>-</u>	<u>8,829,792</u>
Capital Assets being depreciated:				
Buildings and improvements	78,542,243	59,521	-	78,601,764
Intangibles (software)	6,583,293	1,218,005	-	7,801,298
Equipment, vehicles and furniture	28,280,000	3,306,389	(491,854)	31,094,535
Total capital assets being depreciated	<u>113,405,536</u>	<u>4,583,915</u>	<u>(491,854)</u>	<u>117,497,597</u>
Governmental Activities:				
Less Accumulated Depreciation for:				
Buildings and improvements	(63,090,486)	(2,637,710)	-	(65,728,196)
Intangibles (software)	(1,624,654)	(402,867)	-	(2,027,521)
Equipment, vehicles and furniture	(21,392,888)	(1,914,173)	491,854	(22,815,207)
Total accumulated depreciation	<u>(86,108,028)</u>	<u>(4,954,750)</u>	<u>491,854</u>	<u>(90,570,924)</u>
Net capital assets being depreciated	27,297,508	(370,835)	-	26,926,673
Net capital assets, governmental activities	<u>\$ 36,127,300</u>	<u>\$ (370,835)</u>	<u>\$ -</u>	<u>\$ 35,756,465</u>
Business-type Activities:				
Compressed natural gas				
Fueling station	\$ -	\$ -	\$ -	\$ -
Total capital assets being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation	-	-	-	-
Net capital assets, business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended June 30, 2018, the depreciation expense of \$4,954,750 was charged to SCAQMD's functions/programs in the governmental activities as follows:

Advance clean air technology	\$ 252,217
Ensure compliance with clean air rules	1,686,663
Customer service and business assistance	354,091
Develop programs to achieve clean air	220,423
Develop rules to achieve clean air	197,197
Monitoring air quality	1,447,805
Timely review of permits	722,290
Policy support	<u>74,064</u>
Total depreciation expense	<u>\$4,954,750</u>

## VI. DEFERRED OUTFLOWS/DEFERRED INFLOWS OF RESOURCES, PENSION, AND OPEB

The following is a summary of deferred outflows of resources and deferred inflows of resources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Deferred outflows of resources – Pension (SBCERA) (see note IX for details)	\$ 101,681,462	\$ -
Deferred outflows of resources – Pension (LACERA) (see note IX for details)	41,300	-
Deferred inflows of resources – Pension (SBCERA) (see note IX for details)	-	39,614,060
Deferred outflows of resources – OPEB (LACERA) (see note X for details)	232,715	-
Deferred inflows of resources – OPEB (LACERA) (see note X for details)	-	360,000
<b>Total</b>	<b>\$ <u>101,955,477</u></b>	<b>\$ <u>39,974,060</u></b>

The following is a summary of pension and OPEB Balances:

	<b><u>SBCERA</u></b>	<b><u>LACERA</u></b>	<b><u>Total</u></b>
Pension:			
Net Pension liability	\$ 214,076,570	\$ -	\$ 214,076,570
Pension expense	27,845,330	7,000	27,852,330
Pension contributions made in fiscal year 2017-18	25,332,734	8,300	25,341,034
OPEB:			
Net OPEB liability	-	3,534,000	3,534,000
OPEB expense	-	407,967	407,967
OPEB contributions made in fiscal year 2017-18	-	232,715	232,715

## VII. LONG-TERM DEBT

The following is a summary of long-term obligation transactions of SCAQMD for the year ended June 30, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts Due</u> <u>in More Than</u> <u>One Year</u>
<b>Governmental Activities:</b>						
Claims payable:						
General liability	\$ 208,571	\$ 97,500	\$ 171,071	\$ 135,000	\$ 75,000	\$ 60,000
Workers' compensation	1,594,870	667,901	1,302,771	960,000	384,176	575,824
Compensated absences	13,638,064	1,402,667	1,685,145	13,355,586	1,341,015	12,014,571
Pension Obligation Bonds	<u>26,309,872</u>	<u>-</u>	<u>3,432,798</u>	<u>22,877,074</u>	<u>3,553,110</u>	<u>19,323,964</u>
Total	\$ <u>41,751,377</u>	\$ <u>2,168,068</u>	\$ <u>6,591,785</u>	\$ <u>37,327,660</u>	\$ <u>5,353,301</u>	\$ <u>31,974,359</u>

In prior years, claims payable and compensated absences have been liquidated primarily by the General Fund.

### **1995 Pension Obligation Bonds**

On December 1, 1995, SCAQMD, jointly with the County of San Bernardino, issued bonds to retire the Unfunded Actuarial Accrued Liability (UAAL) due to San Bernardino County Employees' Retirement Association (SBCERA). SCAQMD issued a \$34,261,896 aggregate principal amount to refund its portion of the obligation to SBCERA. The interest rates range from 5.68% to 7.72% with maturity date of August 1, 2021. The purpose of this refunding was to lower the cost to SCAQMD through the issuance of bonds at rates that are lower than those assessed by SBCERA and to restructure its debt service from an ascending to a level-debt-service schedule. At the time of refunding these changes were expected to result in estimated total gross debt service savings of \$20,151,420 through June 30, 2022. During the fiscal year ended June 30, 2018, \$597,798 in principal and \$2,467,202 in interest were paid on the bonds. The principal balance outstanding at June 30, 2018 amounted to \$1,982,074.

The annual payment requirements under the 1995 pension bond obligation are as follows:

<b>Year Ending</b>				
<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	
2019	\$ 553,110	\$ 2,511,890	\$ 3,065,000	
2020	511,640	2,553,360	3,065,000	
2021	475,443	2,589,557	3,065,000	
2022	<u>441,881</u>	<u>2,623,119</u>	<u>3,065,000</u>	
Total	\$ <u>1,982,074</u>	\$ <u>10,277,926</u>	\$ <u>12,260,000</u>	

### **Series 2004 Pension Obligation Bonds**

On June 29, 2004, SCAQMD issued and sold taxable pension obligation bonds to retire the Unfunded Actuarial Accrued Liability (UAAL) due to the SBCERA. At the time of issuance, it was estimated that the issuance and sale of \$47,030,000 was expected to result in estimated total gross debt service savings of \$22.4 million through August 1, 2023.

The Series 2004 Pension Obligation Bonds are payable on a parity with the 1995 Pension Obligation Bonds. SCAQMD may, from time to time, enter into supplemental indentures without the consent of the Bond Owners of the 1995 Bonds or Series 2004 Bonds for the purpose of providing for the issuance of additional series of Pension Obligation Bonds or to refund any other evidences of indebtedness of SCAQMD arising pursuant to the Retirement Law. The interest rates range from 4.75% to 5.93% with maturity date of August 1, 2023. During the fiscal year ended June 30, 2018, \$2,835,000 in principal and \$1,289,514 in interest were paid on the bonds. The principal balance outstanding at June 30, 2018 amounted to \$20,895,000.

The annual payment requirements under pension bond obligation, Series 2004, are as follows:

<b><u>Year Ending</u></b>		<b><u>Principal</u></b>		<b><u>Interest</u></b>		<b><u>Total</u></b>
<b><u>June 30</u></b>						
2019	\$	3,000,000	\$	1,125,400	\$	4,125,400
2020		3,175,000		950,622		4,125,622
2021		3,365,000		763,549		4,128,549
2022		3,565,000		563,242		4,128,242
2023		3,780,000		348,736		4,128,736
2024		<u>4,010,000</u>		<u>118,897</u>		<u>4,128,897</u>
Total	\$	<u>20,895,000</u>	\$	<u>3,870,446</u>	\$	<u>24,765,446</u>

### **Allocation of Interest Expenses**

Total interest expenses on long-term debt for the year ended June 30, 2018 amounted to \$3,731,588. These interest expenses on long-term debt are not meaningfully associated with individual functional activities. Hence, this is considered an indirect expense and should be reported in the Statement of Activities as a separate line.

## **VIII. RISK MANAGEMENT**

SCAQMD's risk management program is responsible for purchasing insurance when prudent and cost-effective, self-insuring other exposures to loss when feasible.

SCAQMD carries \$200 million of all-risk property insurance, with limits of \$100 million on business interruption and \$25 million on earthquake and flood coverage. The limits of liability for general claims is \$10 million. This coverage is supplemented by excess liability policies for boilers & machinery to a limit of \$100 million, and bodily injury/property damage/public officials' errors and emissions/employment practices liability/personal injury to \$15 million. Self-insured retention levels for excess liability is \$250,000. SCAQMD maintains \$25 million excess workers' compensation insurance for losses over \$750,000. In addition, SCAQMD maintains \$1 million automobile liability/physical damage coverage for hybrid and alternate fuel vehicles used for purposes other than fleet services. SCAQMD also maintains policies to protect against some criminal conduct and cyber-attacks.

As of June 30, 2018, \$135,000 and \$960,000, respectively, had been reserved for general liability claims and workers' compensation.

An appropriate amount has been recorded in the General Fund's financial statements to the extent that SCAQMD anticipates that these amounts will be paid from current resources. While the ultimate amount of losses incurred through June 30, 2018 is dependent on future development based upon information from the independent claims' administrator and others involved with the administration of the programs, SCAQMD management believes that the aggregate accrual is adequate to cover such losses.

No significant reduction in insurance coverage occurred during the last three fiscal years. Also, during this period, no claim settlement exceeded insurance coverage.

The following represents changes in the aggregate liabilities for claims of SCAQMD's general liability and workers' compensation for the years ended June 30, 2017 and 2018:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Totals</u>
Claims payable, July 1, 2016	\$ 50,000	\$ 1,266,129	\$ 1,316,129
Current year claims and changes in estimates	159,500	2,760,180	2,919,680
Claims payments	(929)	(2,431,439)	(2,432,368)
Claims payable, June 30, 2017	<u>\$ 208,571</u>	<u>\$ 1,594,870</u>	<u>\$ 1,803,441</u>
Claims payable, July 1, 2017	\$ 208,571	\$ 1,594,870	\$ 1,803,441
Current year claims and changes in estimates	(68,871)	667,901	599,030
Claims payments	(4,700)	(1,302,771)	(1,307,471)
Claims payable, June 30, 2018	<u>\$ 135,000</u>	<u>\$ 960,000</u>	<u>\$ 1,095,000</u>

## **IX. DEFINED BENEFIT PENSION PLANS**

### **San Bernardino County Employees' Retirement Association**

#### **Plan description**

SCAQMD participates in the San Bernardino County Employees' Retirement Association (SBCERA) pension plan - a cost-sharing multiple-employer defined benefit pension plan (the Plan). SBCERA administers the Plan which provides benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. SCAQMD only has general membership. Generally, those who become members prior to January 1, 2013 are Tier 1 members. All other members are Tier 2. An employee who is appointed to a regular position, whose service is greater than fifty percent of the full standard of hours required are members of SBCERA, and are provided with pension benefits pursuant to Plan requirements.

The Plan operates under the provisions of the California County Employees' Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by SBCERA's Board of Retirement (Board). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

SBCERA is a legally separate entity from SCAQMD, not a component unit, and there is no financial interdependency with the County of San Bernardino. For these reasons, the SCAQMD's comprehensive annual financial report excludes the SBCERA pension plan as of June 30, 2018. SBCERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, that can be obtained by writing SBCERA at, 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415-0014 or visiting the website at: [www.SBCERA.org](http://www.SBCERA.org).



## Benefits Provided

SBCERA provides retirement, disability, death and survivor benefits. The CERL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation and service credit as follows:

	General – Tier 1	General – Tier 2
<b>Final Average Compensation</b>	Highest 12 months	Highest 36 months
<b>Normal Retirement Age</b>	Age 55	Age 55
<b>Early Retirement: Years of service required and/or age eligible for</b>	Age 70 any years	Age 70 any years
	10 years age 50	5 years age 52
	30 years any age	N/A
<b>Benefit percent per year of service for normal retirement age</b>	2% per year of final average compensation for every year of service credit	2.5% per year of final average compensation for every year of service credit
<b>Benefit adjustments</b>	Reduced before age 55, increased after 55 up to age 65	Reduced before age 67
<b>Final Average Compensation Limitation</b>	Internal Revenue Code section 401(a)(17)	Government Code section 7522.10

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the members years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member's death.

## Contributions

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable, and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employee contribution rates for the fiscal year ended June 30, 2018 ranged between 8.45% and 14.24% for Tier 1 General members, 30 year General member are not required to pay any employee contribution. For Tier 2 General members, the contribution is 7.66%.

Employer contribution rates for the year ended June 30, 2018 are as follows:

	<b>Employer Contribution Rates</b>		<b>Paid by Employer for Employee</b>	
	<b>Tier 1 Members</b>	<b>Tier 2 Members</b>	<b>Tier 1 Members</b>	<b>Tier 2 Members</b>
<b>Actuarially Determined Required Contribution Percentages</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
SCAQMD members	34.93%	30.91%	0.00%-5.00%	0.00%

The required employer contributions and the amount paid to SBCERA by the SCAQMD for the year ended June 30, 2018 were \$25,332,734. The SCAQMD's employer contributions were equal to the required employer contributions for the year ended June 30, 2018.

### **Pension Liability**

At June 30, 2018, SCAQMD reported a net pension liability of \$214,076,570 for its proportionate share of the SBCERA's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The SBCERA's publicly available financial report provides details on the change in the net pension liability.

The SCAQMD's proportion of the net pension liability was based on the SCAQMD's contributions received by SBCERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of SBCERA's participating employers. At June 30, 2017, the SCAQMD's proportion was 8.123%, which was an increase of 0.037% from its proportion measured as of June 30, 2016.

### **Pension Expense and Deferred Outflows/Inflows of Resources**

For the fiscal year ended June 30, 2018, the SCAQMD recognized pension expense of \$27,845,330 for its proportionate share of SBCERA's pension expense. At June 30, 2018, the SCAQMD reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	<u>Deferred Outflows of Resources*</u>	<u>Deferred Inflows of Resources*</u>
Changes in proportion and differences between SCAQMD contributions and proportionate share of contributions	\$ 13,868,933	\$ 16,712,262
Changes in actuarial assumptions	54,706,890	-
Net difference between projected and actual earnings on pension plan investments	7,772,905	-
Differences between expected and actual experience	-	22,901,798
SCAQMD contributions paid to SBCERA subsequent to the measurement date	25,332,734	-
<b>Total</b>	<u>\$ 101,681,462</u>	<u>\$ 39,614,060</u>

\*See note VI for summary

The \$25,332,734 reported as deferred outflows of resources related to pensions resulting from SCAQMD's contributions to SBCERA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SBCERA pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
<b>2019</b>	\$ 5,784,629
<b>2020</b>	11,932,963
<b>2021</b>	11,236,266
<b>2022</b>	(1,009,103)
<b>2023</b>	7,245,532
<b>Thereafter</b>	1,544,381

### Actuarial Assumptions and Methods

The significant actuarial assumptions and methods used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2017
Actuarial experience study	3-year period ending June 30, 2016
Actuarial cost method	Entry age actuarial cost method
Actuarial assumptions:	
Investment rate of return <sup>(1)</sup>	7.25%
Inflation	3.00%
Projected Salary increases <sup>(2)</sup>	General: 4.5% to 14.50%
Cost of living adjustments	Contingent upon consumer price index with a 2.00% maximum
Administrative Expenses	0.70% of payroll

(1) Includes inflation of 3.00% and is net of pension investment expenses.

(2) Includes inflation of 3.00% per year, plus "across the board" real salary increases of 0.50% per year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the three year period of July 1, 2013 – June 30, 2016. Same assumptions are used in the June 30, 2017 and 2016 actuarial valuation.

For General employees, mortality rate is based on the Headcount-Weighted RP 2014 Healthy Annuitant Mortality Table projected generationally using the two-dimensional mortality improvement sale MP-2016.

### Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is 7.25%. SBCERA’s actuary prepares an analysis of the long-term expected rate of return on a triennial basis using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocations (approved by the SBCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table:

### SBCERA’s Long-Term Expected Real Rate of Return

		As of June 30, 2017 Valuation Date	
Asset Class	Investment Classification	Target Allocation(1)	Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap U.S. Equity	Domestic Common and Preferred Stock	8.00%	5.61%
Small Cap U.S. Equity	Domestic Common and Preferred Stock	2.00%	6.37%
Developed International Eq	Foreign Common and Preferred Stock	6.00%	6.96%
Emerging Market Equity	Foreign Common and Preferred Stock	6.00%	9.28%
U.S. Core Fixed Income	U.S. Government and Agency/Corporate Bonds	2.00%	1.06%
High Yield/Credit Strategies	Corporate Bonds/Foreign Bonds	13.00%	3.65%
Global Core Fixed Income	Foreign Bonds	1.00%	0.07%
Emerging Market Debt	Emerging Market Debt	6.00%	3.85%
Real Estate	Real Estate	9.00%	4.37%
International Credit	Foreign Alternatives	11.00%	6.75%
Absolute Return	Domestic Alternatives/Foreign Alternatives	13.00%	3.56%
Real Assets	Domestic Alternatives/Foreign Alternatives	5.00%	6.35%
Long/Short Equity	Domestic Alternatives/Foreign Alternatives	0.00%	0.00%
Private Equity	Domestic Alternatives/Foreign Alternative	16.00%	8.47%
Cash & Equivalents	Short-Term Cash Investment Funds	2.00%	(0.17)%
<b>Total</b>		<b><u>100.00%</u></b>	

(1) For actuarial purposes, target allocations only change once every three years based on the triennial actuarial experience study.

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made based on the actuarially determined rates based on the SBCERA Board's funding policy, which establishes the contractually required rate based on statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### **Sensitivity Analysis**

The following table presents the SCAQMD's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the SCAQMD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

**Sensitivity of Net Pension Liability to Changes in the Discount Rate**  
As of June 30, 2018

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
SCAQMD's proportionate share of the net pension liability	\$332,228,066	\$214,076,570	\$116,894,198

### **Pension Plan Fiduciary Net Position**

Detailed information about the SBCERA's fiduciary net position is available in a separately issued SBCERA comprehensive annual financial report. That report may be obtained on the Internet at [www.SBCERA.org](http://www.SBCERA.org); by writing to SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415; or by calling (909) 885-7980 or (877) 722-3721.

### **Payables to the Pension Plan**

The amount payable to SBCERA at June 30, 2018 for the legally required contribution is \$2,573,134.

### **Los Angeles County Employees' Retirement Association**

#### **Plan Description**

SCAQMD participates in the Los Angeles County Employees Retirement Association Pension Plan (the plan). (LACERA operates as a cost-sharing multiple-employer defined benefit plan.) As of June 30, 2018, SCAQMD had no

active members in this plan. For SCAQMD, LACERA is a closed plan which means no new members will be added to the plan. The Los Angeles County Employees' Retirement Association (LACERA) was established on January 1, 1938. It is governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL); and the regulations, procedures, and policies adopted by LACERA's Board of Retirement and Board of Investments. The Los Angeles County (County) Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members.

### **Benefits Provided**

Vesting occurs when a member accumulates five years' creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, as well as age at retirement and length of service as of the retirement date, according to applicable statutory formula. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service are required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

### **Contributions**

Members and employers contribute to LACERA based on rates recommended by an independent consulting actuary and adopted by the Board of Investments and the Los Angeles County Board of Supervisors. Contributory plan members are required to contribute between approximately 5 percent and 13 percent of their annual covered salary. Member and employer contributions received from the outside districts are considered part of LACERA's pension plan as a whole.

Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual prefunded contributions at actuarially determined rates. Rates for the contributory plan tiers for members who entered the Plan prior to January 1, 2013 are based upon age at entry to the Plan and plan type enrollment.

### Net Pension Liability

At June 30, 2018, the proportionate share of SCAQMD's Net Pension Liability was 0%. Updated procedures were used to roll-forward the total pension liability to the measurement dates of June 30, 2017.

### Pension Expense and Deferred Outflows/Inflows of Resources

For the fiscal year ended June 30, 2018, SCAQMD recognized pension expense of \$7,000 for its proportionate share of LACERA's pension expense. At June 30, 2018, SCAQMD reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	<u>Deferred Outflows of Resources*</u>	<u>Deferred Inflows of Resources*</u>
Changes in proportion and differences between SCAQMD contributions and proportionate share of contributions	\$ 33,000	\$ -
SCAQMD contributions paid to LACERA subsequent to the measurement date	8,300	-
<b>Total</b>	<u>\$ 41,300</u>	<u>\$ -</u>

\*See note VI for summary

The \$8,300 reported as deferred outflows of resources related to pensions resulting from SCAQMD's contributions to LACERA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LACERA pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
<b>2019</b>	\$7,000
<b>2020</b>	7,000
<b>2021</b>	7,000
<b>2022</b>	4,000
<b>2023</b>	4,000
<b>Thereafter</b>	4,000

### Actuarial Assumptions and Methods

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of the actuarial experience study for the period July 1, 2013 to June 30, 2016. LACERA's actuary performs an experience study every three years.

<u>Description</u>	<u>Method</u>
<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Individual Entry Age Normal
<b>Amortization Method</b>	
Level Percent or level dollar	Level percent
Closed, Open, or layered periods	Layered
Amortization Period for each layer	30 years
Amortization Growth Rate	3.25%
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	2.75%
<b>Investment Rate of Return</b>	7.38%
<b>Cost of Living Adjustments</b>	As noted in the June 30, 2016 actuarial valuation, with one modification: STAR COLA benefits are assumed to be substantively automatic at the 80% purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits.

The allocation of investment assets within the LACERA Defined Benefit Pension Plan (Plan) investment portfolio is approved by the Board of Investments, as outlined in the LACERA Investment Policy statement. The following table displays the Board of Investments approved asset allocation targets for the fiscal year ended June 30, 2017.

**LACERA's Target Allocation and Long-Term Expected Rate of Return**  
For the Year Ended June 30, 2017

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Rate of Return (Geometric)</u>
Global Equity	41.40%	5.70%
Fixed Income	27.80%	2.60%
Real Estate	11.00%	4.60%
Private Equity	10.00%	6.90%
Commodities	2.80%	1.60%
Hedge Funds	5.00%	3.10%
Other Opportunities	0.00%	4.50%
Cash	2.00%	-0.20%
<b>Total</b>	<b>100.00%</b>	<b>7.25%</b>



### Discount Rate

The investment rate of return assumption used for actuarial funding was 7.25% for the fiscal year ended June 30, 2017.

GASB 67 requires determination that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that SCAQMD contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity Analysis

The following presents the net pension liability, calculated using the discount rate of 7.38%, as well as SCAQMD's proportionate share of what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.38%) or 1 percentage point higher (8.38%) than the current rate (7.38%):

Sensitivity of Net Pension Liability to Changes in the Discount Rate  
As of June 30, 2017

	1.00% Decrease (6.38%)	Current Discount Rate (7.38%)	1.00% Increase (8.38%)
SCAQMD's proportionate share of the net pension liability	\$0	\$0	\$0

### Pension Plan Fiduciary Net Position

Detailed information about the LACERA's fiduciary net position is available in a separately issued LACERA comprehensive annual financial report. That report may be obtained on the Internet at [www.LACERA.com](http://www.LACERA.com); by writing to LACERA at 300 N. Lake Avenue, Suite 650, Pasadena, CA 91101; or by calling (626) 564-6000.

## X. OTHER POST EMPLOYMENT BENEFITS (OPEB)

### Plan Description

SBCERA does not provide any post-employment benefits to SCAQMD retirees. LACERA, however, in addition to providing pension benefits, essentially provides a comprehensive health care benefits program to its retirees that include several medical, dental, vision, and death benefits. LACERA administers a cost-sharing

multiple-employer defined benefit Other Post Employment Benefits (OPEB) on behalf of Los Angeles County and its participating agencies. SCAQMD is one of the participating agencies.

SCAQMD is subject under the April 20, 1982 agreement between the Los Angeles County and LACERA (County Agreement). In April 1982, the Los Angeles County adopted an ordinance pursuant to the County Employees Retirement Law of 1937 (CERL) that provided for a retiree health insurance program and death/burial benefits for retired employees and their eligible dependents. In 1982, the Los Angeles County and LACERA entered into an agreement whereby LACERA would administer the program subject to the terms and conditions of the agreement. In 1994, the Los Angeles County amended the agreement to continue to support LACERA's retiree insurance benefits program, regardless of the status of the active member insurance. In 2018, this agreement was further updated to specify the sharing of expenses between SCAQMD and LA County for SCAQMD retirees who also had LA County service credit.

LACERA is a closed plan to employees who were hired after December 31, 1979. Currently, there are 51 retirees covered by the benefit terms under the OPEB.

LACERA is a legally separate entity from SCAQMD, not a component unit, and there is no financial interdependency with the Los Angeles County. For these reasons, the SCAQMD's comprehensive annual financial report excludes the LACERA OPEB as of June 30, 2018. LACERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, which can be obtained by writing LACERA at 300 N. Lake, Pasadena, CA 91101 or visiting the website at: [www.LACERA.com](http://www.LACERA.com).

### **Benefits Provided**

LACERA OPEB program offers members choice of medical plan as well as dental /vision plans. Medical and dental/vision are provided through third-party insurance carriers with the participant's cost for medical and dental/vision insurance varying according to the years of retirement service credit, the plan selected, and the number of persons covered. There is a one-time lump-sum \$5,000 death/burial benefit payable to the designated beneficiary upon the death of a retiree.

### **Contributions**

SCAQMD and/or Los Angeles County and each retired employee participating in the OPEB contributes a portion of the total cost per month of the premium for the plan in which the retiree is enrolled according to the terms of the Retiree Health Care Program under the County Agreement. The portion of the premium to be paid by SCAQMD and/or the Los Angeles County is calculated based on the years of retirement service credit under the terms of the County Agreement, as they may change from time to

time. LACERA subsidizes the retiree’s cost starting at 10 years of service credit and up to a maximum of 100% for a member with 25 years of service credit with the County. LACERA, at its own discretion, may increase the premium to cover additional expenses.

**Net OPEB Liability**

At June 30, 2018, the net OPEB liability for its proportionate share of the collective net OPEB liability amounted to \$3,534,000. SCAQMD’s proportion of the collective total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions and was projected forward to the measurement date. At June 30, 2017, the SCAQMD’s proportion was 0.01335%, which was a decrease of 0.00061% from its proportion of 0.01396% measured at June 30, 2016.

**OPEB Expense and Deferred Outflows/Inflows of Resources**

For the fiscal year ended June 30, 2018, the SCAQMD recognized OPEB expense of \$407,967. As of June 30, 2018, SCAQMD’s reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources*</u>	<u>Deferred Inflows of Resources*</u>
Differences between projected and actual plan investment earnings	\$ -	\$ 6,000
Changes of assumptions	-	209,000
Changes in proportion	-	145,000
SCAQMD contributions paid to LACERA subsequent to the measurement date	232,715	-
Total	<u>\$ 232,715</u>	<u>\$ 360,000</u>

\*See note VI for summary

The \$232,715 reported as deferred outflows of resources related to OPEB resulting from SCAQMD’s contributions to LACERA subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>Year ended June 30:</u>	
<b>2019</b>	\$(46,000)
<b>2020</b>	(46,000)
<b>2021</b>	(46,000)
<b>2022</b>	(46,000)
<b>2023</b>	(44,000)
<b>Thereafter</b>	(132,000)

## Actuarial Assumptions and Methods

The significant actuarial assumptions and methods used to measure the total OPEB's liability are as follows:

Actuarial Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal, level percent of pay
Inflation	2.75%
Salary Increases	3.25%
Investment Rate of Return	6.66%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy and Disabled Annuitant mortality tables, and including projection for expected future mortality improvement using the MP-2014 Ultimate Projection Scale.

### Healthcare Cost Trend Rates:

	FY 2017 to FY 2018	FY 2018 to FY 2019	Ultimate
LACERA Medical Under 65	4.40%	6.70%	4.50%
LACERA Medical Over 65	4.60%	6.60%	4.50%
Part B Premiums	6.80%	7.70%	4.35%
Dental/Vision	2.00%	3.30%	3.70%
Weighted-average Trend	4.57%	6.50%	4.47%

The OPEB liability figures include the Excise Tax. This is based on the requirements of the Affordable Care Act (ACA) and the Consolidated Appropriations Act of 2016.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2016.

### Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target of asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table. The asset class return assumptions are presented on a real basis, after the effects of inflation, and all assumptions incorporate a base inflation rate assumption of 2.75%.

<b>As of June 30, 2017 Valuation Date</b>			
<b>Asset Class</b>	<b>Target Allocations</b>	<b>Expected Geometric Nominal Return (30 years)</b>	<b>Expected Geometric Real Return (30 years)</b>
Cash	11.20%	3.05%	0.31%
Short-term U.S. Bonds	7.28%	3.90%	1.14%
U.S. Equity	44.02%	6.44%	3.61%
Foreign Developed Equity	18.75%	6.87%	4.02%
Emerging Markets Equity	18.75%	7.68%	4.82%
<b>Total</b>	<b>100%</b>	<b>6.66%</b>	<b>3.81%</b>

### **Discount Rate**

The discount rate used to measure the total OPEB liability was 4.69%. The discount rate was developed using a depletion date projection, which included the following assumptions:

- The employers contribute the amount necessary to pay the current year benefits and the planned contribution amounts to the OPEB Trust, as described in governing board approved funding documents.
- Employees are not required to make contributions.
- Benefit payments are projected based on the actuarial assumptions and the current plan provisions.
- Members are assumed to terminate, retire, become disabled, or die according to the actuarial assumptions used for the July 1, 2016 OPEB valuation.
- All cash flows are assumed to occur on average halfway through the year.
- The employer's funding policies used to determine actuarially determined contributions do not change.
- The calculations include the Affordable Care Act Excise Tax in the liabilities and funding policies.
- The plan provisions do not change except if any material future changes have been agreed upon as of the measurement date.

Based on these assumptions, the OPEB plan's fiduciary net position was projected to not be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate based on the 20-year Bond Buyer Go index (municipal bond rate) as of June 2017, which was 3.58% as of June 30, 2017. The long-term expected rate of return was applied to projected benefit payments from 2017 to 2052 and the municipal bond rate was applied to the remaining periods. The resultant blended discount rate used to measure the total OPEB liability as of June 30, 2017 was 4.69%, an increase of 0.35% compared with 4.34% at June 30, 2016.

**Sensitivity of the SCAQMD’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the SCAQMD’s proportionate share of the net OPEB liability as well as what the SCAQMD’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.69%) or 1-percentage-point higher (5.69%) than the current rate:

	<u>1% Decrease (3.69%)</u>	<u>Current Discount Rate (4.69%)</u>	<u>1% Increase (5.69%)</u>
SCAQMD’s proportionate share of net OPEB liability	\$2,962,000	\$3,534,000	\$4,263,000

**Sensitivity of the SCAQMD’s Proportionate Share of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates**

The following presents the SCAQMD’s proportionate share of the net OPEB liability, calculated using the healthcare cost trend rates as reported on the July 1, 2016 OPEB Actuarial Valuation Health Cost Trend Assumptions with Excise Tax table, as well as what the net OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
SCAQMD’s proportionate share of net OPEB liability	\$2,860,000	\$3,534,000	\$4,436,000

**OPEB Plan Fiduciary Net Position**

Detail information about the LACERA’s fiduciary net position is available in a separately issued LACERA comprehensive annual financial report. That report may be obtained on the internet at [www.LACERA.com](http://www.LACERA.com); by writing to LACERA at 300 N. Lake, Pasadena, CA 91101; or by calling (626) 564-6000.

**Payable to the OPEB Plan**

The amount payable to LACERA at June 30, 2018 for the legally required contribution is \$21,196. At June 30, 2018, SCAQMD’s Retirement Benefit Trust Fund has a balance of \$34,575 to cover the OPEB costs.

## **XI. DEFERRED COMPENSATION PLAN**

SCAQMD offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

The deferred compensation plan monies are invested in various investment funds as selected by the participating employees. All amounts of compensation deferred under the plan and all income attributed to those amounts are held in trust for the exclusive benefit of plan participants and their beneficiaries.

Effective January 1, 1999, federal legislation requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. SCAQMD's deferred compensation administrator, Hartford Life Insurance Co., qualifies as the plan trustee to meet the federal requirements. In accordance with GASB Statement No. 32, SCAQMD no longer reports the plan assets and liabilities in its financial statements. As of June 30, 2018, investments with a fair value of \$178,206,210 are held in a trust.

## **XII. HEALTH REIMBURSEMENT ARRANGEMENT PLAN**

On December 4, 2009, SCAQMD's Governing Board approved the establishment of a Health Reimbursement Arrangement (HRA) plan for SCAQMD employees. This allows active employees to save on a tax-free basis for their future post-retirement health care costs. The Hartford serves as SCAQMD's HRA service provider. Currently, both SCAQMD and the SBCERA do not offer a health reimbursement program nor post-retirement health care to help the employees afford health care in retirement.

Initially, the program was made available to non-represented employees with the understanding that it could be expanded to cover represented employees, based on their approval. In compliance with the rules establishing the HRA, each defined group covered by the plan is required to establish its own criteria on what earnings would be contributed. As of June 30, 2018, Executive Officer, General Counsel and Designated Deputies were the eligible employee classifications that were set up and approved by SCAQMD. Contributions are 100% vacation and sick leave payouts at termination and/or compensation payout at termination per existing leave payment policy. Eligibility shall commence upon termination of employment on account of retirement (whether through disability or service).

## **XIII. COMMITMENTS**

### **Guaranteed Loans**

The Air Quality Assistance Fund (AQAF) was originally established to comply with state legislation which required SCAQMD to allocate a portion of the funds it receives as

penalties and settlements from violators of air pollution regulations and to provide financing assistance to small businesses that require financing in order to comply with SCAQMD requirements. This legislation was repealed on January 1, 1999. In June 2000, the Governing Board authorized staff to continue to use the funds to assist small businesses with an improved program for greater participation. Financing assistance includes guaranteeing or otherwise reducing the financial risks of lenders in providing financial assistance to small businesses. The funds are not used for direct loans to small businesses.

In June 2001, SCAQMD entered into an agreement with the California Pollution Control Financing Authority (CPCFA) to be an “independent contributor” to the California Capital Access Program (CalCAP). SCAQMD transferred \$100,000 to the CPCFA to cover borrower fees on any qualified small business CalCAP loans for air quality-related equipment or processes.

In October 2007, the Governing Board authorized the transfer of \$1 million to the Dry Cleaners Financial Incentives Grant Program to supplement the existing incentive grant programs. This incentive program assists dry cleaners in making early transitions from perchloroethylene (perc) to alternative cleaning technologies. AQAF’s fund balance amounted to \$1,612,311 at fiscal year ended June 30, 2018.

### **Operating Leases**

Rental expense for non-cancelable operating leases was \$310,426 for the year ended June 30, 2018. Future minimum lease payments under non-cancelable operating leases of SCAQMD total as follows:

<b>Year Ending June 30:</b>	<b><u>Amount</u></b>
2019	\$264,138
2020	266,594
2021	235,321
2022	<u>93,489</u>
Total	<u>\$859,542</u>

The lease for the office equipment expires in December 2021 while the lease of the South Bay satellite office expires in September 2021.

## **XIV. PENDING LITIGATION**

A number of other lawsuits and claims are pending against SCAQMD for alleged damages to persons and property and for other alleged liabilities arising out of its normal operations. SCAQMD’s management believes that any liability that may arise from the ultimate resolution of such legal actions will not have a material adverse impact on the financial position as of June 30, 2018.



	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Emission fees	\$ 19,480,550	\$ 19,480,550	\$ 22,786,661	\$ 3,306,111
Annual renewal fees	54,278,320	54,278,320	52,182,769	(2,095,551)
Area Sources	2,152,500	2,152,500	2,293,947	141,447
Permit processing fees	19,595,150	19,595,150	19,538,295	(56,855)
Mobile sources/clean fuels	28,199,250	28,199,250	25,180,955	(3,018,295)
Air toxics "Hot Spots"	2,488,380	2,488,380	2,538,247	49,867
Transportation programs	861,360	861,360	845,718	(15,642)
State subvention	3,945,090	3,945,090	3,939,075	(6,015)
Federal grant	6,452,560	8,783,649	7,949,213	(834,436)
Interest revenue	332,060	332,060	1,041,333	709,273
Lease revenue	136,540	136,540	147,660	11,120
Source test/analysis fees	774,900	774,900	663,011	(111,889)
Hearing Board fees	307,500	307,500	351,979	44,479
Penalties and settlements	5,000,000	5,000,000	14,316,145	9,316,145
Other revenues	920,470	5,469,922	3,160,590	(2,309,332)
Total revenues	\$ 144,924,630	\$ 151,805,171	\$ 156,935,598	\$ 5,130,427
<b>Expenditures:</b>				
Current:				
Salaries and employee benefits	\$ 119,860,494	\$ 123,246,774	\$ 115,425,019	\$ 7,821,755
Insurance	1,317,400	1,560,400	1,518,801	41,599
Rent	498,154	656,685	544,577	112,108
Supplies	1,902,640	2,871,978	2,701,411	170,567
Contract and special services	10,515,792	12,221,057	11,433,310	787,747
Maintenance	1,687,193	2,428,727	2,129,569	299,158
Travel and auto	864,520	1,143,968	1,107,393	36,575
Utilities	2,213,288	1,640,463	1,398,700	241,763
Communications	702,000	738,138	630,003	108,135
Uncollectible accounts	-	-	410,438	(410,438)
Other expenditures	2,177,194	2,554,278	2,077,288	476,990
Capital outlay	1,950,717	8,764,642	7,301,002	1,463,640
Debt service:				
Principal	2,432,798	2,432,798	2,432,798	-
Interest	3,756,716	3,756,716	3,756,716	-
Total expenditures	\$ 149,878,906	\$ 164,016,624	\$ 152,867,025	\$ 11,149,599
Excess (deficiency) of revenues over (under) expenditures	\$ (4,954,276)	\$ (12,211,453)	\$ 4,068,573	\$ 16,280,026
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 2,072,190	\$ 6,922,476	\$ 4,985,473	\$ (1,937,003)
Transfers out	-	(250,000)	(250,000)	-
Total other financing sources	\$ 2,072,190	\$ 6,672,476	\$ 4,735,473	\$ (1,937,003)
Net change in budgetary fund balances	\$ (2,882,086)	\$ (5,538,977)	\$ 8,804,046	\$ 14,343,023

## SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

### Schedule of SCAQMD's Proportionate Share of the Net Pension Liability Last 10 Fiscal Years\*

<b><u>SBCERA Pension Plan</u></b>	<b>Measurement Date**</b>				
	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
SCAQMD's proportion of the net pension liability	8.12%	8.09%	7.79%	6.45%	7.88%
SCAQMD's proportionate share of the net pension liability	\$ 214,076,570	\$ 199,589,723	\$ 151,441,343	\$ 109,655,281	\$ 156,371,863
SCAQMD's covered payroll	\$ 71,657,793	\$ 71,247,083	\$ 68,088,547	\$ 75,623,191	\$ 77,748,408
SCAQMD's proportionate share of the net pension liability as a percentage of its covered payroll	298.75%	280.14%	222.42%	145.00%	201.13%
SBCERA's fiduciary net position as a percentage of the total pension liability	74.94%	74.10%	79.33%	83.74%	76.28%

<b><u>LACERA Pension Plan</u></b>	<b>Measurement Date**</b>				
	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
SCAQMD's proportion of the net pension liability	0%	0%	0%	0%	0%
SCAQMD's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
SCAQMD's covered payroll	\$ 60,610	\$ 59,557	\$ 59,193	\$ 57,884	\$ 58,597
SCAQMD's proportionate share of the net pension liability as a percentage of its covered payroll	0%	0%	0%	0%	0%
LACERA's fiduciary net position as a percentage of the total pension liability	0%	0%	0%	0%	0%

\* Data for FY's ended June 30, 2008 through 2012 is not available in comparable format.

\*\* GASB Statement No. 68 requires this information to be presented as of the measurement date of the net pension liability, which is not the current fiscal year end.

## SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

### Schedule of SCAQMD's Contributions – Pensions Last 10 Fiscal Years\*

	Reporting Date**				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b><u>SBCERA Pension Plan</u></b>					
Contractually required contribution	\$ 25,332,734	\$ 23,319,256	\$ 21,089,956	\$ 19,384,858	\$ 18,060,910
Contributions in relation to the contractually required contributions	25,332,734	23,319,256	21,089,956	19,384,858	18,060,910
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCAQMD's covered payroll***	\$ 73,202,337	\$ 71,657,793	\$ 71,247,083	\$ 68,088,547	\$ 75,623,191
Contributions as a percentage of covered payroll	34.61%	32.54%	29.60%	28.47%	23.89%

	Reporting Date**				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b><u>LACERA Pension Plan</u></b>					
Contractually required contribution	\$ 8,300	\$ 11,000	\$ 13,000	\$ 14,000	\$ 14,000
Contributions in relation to the contractually required contributions	8,300	11,000	13,000	14,000	14,000
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCAQMD's covered payroll***	\$ 48,839	\$ 60,610	\$ 59,557	\$ 59,193	\$ 57,844
Contributions as a percentage of covered payroll	16.99%	18.15%	21.83%	23.65%	24.20%

\* Data for FY's ended June 30, 2009 through 2013 is not available in comparable format.

\*\* GASB Statement No. 68 requires this information to be presented as of the most recent fiscal year end.

\*\*\* Covered payroll is different from that shown in previously issued reports due to updated information.

## SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

### Schedule of SCAQMD's Proportionate Share of the Net OPEB Liability Last 10 Fiscal Years\*

	Measurement Date**	
	June 30, 2017	June 30, 2016
<b><u>LACERA OPEB Plan</u></b>		
SCAQMD's proportion of the collective net OPEB liability	0.01335%	0.01396%
SCAQMD's proportionate share of the collective net OPEB liability	\$3,534,000	\$3,721,000
SCAQMD's covered-employee payroll	\$60,610	\$59,557
SCAQMD's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	5830.72%	6247.80%
LACERA's fiduciary net position as a percentage of the total OPEB liability	0%	0%

\* Historical information is required only for measurement periods for which GASB 75 is applicable. Future year's information will be displayed up to 10 years as information becomes available.

\*\* GASB Statement No. 75 requires this information to be presented as of the measurement date of the net OPEB liability, which is not the current fiscal year end.

## SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

### Schedule of SCAQMD's Contributions - OPEB Last 10 Fiscal Years\*

<b><u>LACERA OPEB Plan</u></b>	<b>Reporting Date**</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Contractually required contribution	\$ 232,715	\$ 234,967
Contributions in relation to the contractually required contributions	(232,715)	(234,967)
Contributions deficiency (excess)	\$ -	\$ -
SCAQMD's covered-employee payroll	\$ 48,839	\$ 60,610
Contributions as a percentage of covered payroll	476.49%	387.67%

\* Historical information is required only for measurement periods for which GASB 75 is applicable. Future year's information will be displayed up to 10 years as information becomes available.

\*\* GASB Statement No. 75 requires this information to be presented as of the most recent fiscal year-end.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018**

**NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING**

SCAQMD has a comprehensive annual budget process which establishes goals and objectives and monitors expenditures associated with meeting those goals and objectives.

Up to and including the budget adoption hearing by SCAQMD's Governing Board, the public and the business community have several opportunities to participate in the budget process. These opportunities include: Budget Advisory Committee meetings made up of business and environmental representatives, a public workshop, a Governing Board workshop and a public hearing.

Following input from the public, Budget Advisory Committee, and Governing Board, the draft budget for fiscal year 2017-18 was prepared and subsequently adopted at the May 2017 meeting of the Governing Board. The fiscal year 2017-18 Adopted Budget and the final fee schedules became effective on July 1, 2017.

SCAQMD's annual budget is adopted for the General Fund at the Major Object levels of Salaries and Employee Benefits, Services and Supplies, Capital Outlays, and Building Remodeling. The Governing Board has delegated expenditure authority to the Executive Officer for all budgeted expenditures of \$75,000 or less within a major object. All appropriations to the budget and transfers between major objects must be approved by the Governing Board. Transfers within a major object are delegated to the Executive Officer. Monthly expenditure reports are issued to each Office. The Governing Board receives a General Fund Budget status report on a quarterly basis.

SCAQMD presents a comparison of annual budget to actual results for the General Fund. The budgeted expenditure amounts represent the adopted budget adjusted for Governing Board approved supplemental appropriations. The budgeted revenue amounts represent the adopted budget modified for Governing Board approved adjustments which were based upon new or additional revenue sources. Supplemental expenditure appropriations of \$14,137,718 and revenue adjustments of \$11,730,827 were approved by the Governing Board in fiscal year 2017-18.

## **NOTE 2 – GENERAL FUND BUDGETARY BASIS RECONCILIATION**

The General Fund Budgetary Basis under Required Supplementary Information presents comparisons of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing expenditures data on a budgetary basis differ from those used to present financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The basis of budgeting that differs from GAAP is modified accrual basis plus encumbrances. The following is a reconciliation of differences for the fiscal year ended June 30, 2018:

Expenditures and encumbrances (budgetary basis) at June 30, 2018	\$152,867,025
Add: payments on encumbrances open at July 1, 2017	3,700,570
Less: encumbrances open at June 30, 2018	<u>(8,460,830)</u>
Expenditures (GAAP basis) at June 30, 2018	<u>\$148,106,765</u>

A reconciliation of revenue is not presented since budgetary practices and GAAP do not differ with respect to revenue.

## **NOTE 3 – USE OF BUDGETARY FUND BALANCE**

When the fiscal year 2017-18 budget was adopted the Governing Board approved a budget that required \$2,882,086 of prior-year revenue from Unassigned Fund Balance. Mid-year adjustments appropriated \$975,000 from Assigned Fund Balance and a net of \$1,681,891 from Unassigned Fund Balance which resulted in a negative net change in budgetary fund balance of \$5,538,977.

## **NOTE 4 – FACTORS AFFECTING PENSION TRENDS SCAQMD’S PROPORTION**

As of the June 30, 2017 measurement date, SCAQMD’s proportionate share of SBCERA’s total net pension liability increased from 8.09% to 8.12%. The increase is primarily due to an increase in SCAQMD’s staffing levels and associated SBCERA-eligible compensation (“pensionable compensation” and “compensation earnable”) as compared against the net increase in total SBCERA-eligible compensation from all other SBCERA employers, resulting in an increase in proportionate share of net pension liability.

## **Non-major Governmental Funds**

### Special Revenue Funds:

- Air Quality Studies Fund - Used to account for contributions made by outside organizations to fund various air quality studies. An independent Planning Review Panel recommends the types of studies to be undertaken and the Executive Officer approves all studies prior to funding. The purpose of the studies is to quantify the cost effectiveness of air pollution control measures.
- Air Toxics Fund - Used to account for fees received from industrial toxic air emitters. These funds are spent on planning and performing health risk evaluations for the purpose of developing a toxic emissions inventory for the South Coast Air Basin.
- Advanced Technology, Outreach and Education Fund - Used to account for monies contributed by companies in lieu of paying fines for violating SCAQMD rules. Contributed amounts must be used to pay costs associated with SCAQMD-sponsored research and development in cleaner burning fuels and other advanced technologies and public outreach and education related to advanced technology and air pollution and its impacts.
- Air Quality Assistance Fund - Used to account for funds set aside for the purpose of underwriting, guaranteeing, or otherwise participating in the provision of financial assistance to small businesses as required by Section 40448.7 of the California Health and Safety Code. (This legislation was repealed by its own terms January 1, 1999). In June 2000, the Governing Board authorized staff to revise the program to increase participation of small businesses. Certain revisions, including participation in the California Capital Access Program (CalCAP) to assist small businesses, were implemented in June 2001.
- Air Quality Improvement Fund - Used to account for 40% of the revenue received by the SCAQMD from motor vehicle registration fees under the provisions of Sections 44243 and 44244 of the California Health and Safety Code. This money is distributed on a quarterly basis to cities and counties within the South Coast Air Basin to implement programs to reduce air pollution from motor vehicles.
- Clean Fuels Conference Fund - Used to account for monies received to fund all Clean Fuels related conferences. These conferences are held to facilitate the development of hydrogen-powered technologies, including motor vehicles, refueling infrastructure, and stationary applications.
- Air Quality Investment Fund – To account for revenue from employers with 250 or more employees at a worksite who are subject to Rule 2202. This revenue is used to



purchase emissions reductions credits to meet the required target. To date, \$47.9 million in projects have been awarded to purchase over 34,071 tons of emission reductions. Starting April 2017, this fund was used to process rebates for SCAQMD's Residential Electric Lawn Mower Rebate Program. By the end of 2017, \$71,900 rebates were processed. As of June 30, 2018, a total of 636 lawn mowers were exchanged with total emission reductions of 1.54 tons & \$135,650 total fund spent.

- RECLAIM AQIP - Established in fiscal year 2001 to separately account for the generation of NO<sub>x</sub> (Oxides of Nitrogen) credits at stationary and mobile sources for use by certain small or new RECLAIM (Regional Clean Air Incentives Market) participants. AQIP stands for Air Quality Investment Program.
- RECLAIM and Executive Order Mitigation - Established in fiscal year 2001 to account for mitigation fee payments made by power generators in lieu of emission offsets. Proceeds are used to generate RECLAIM Trading Credits (RTCs) to offset excess emissions.
- Rule 1121 Mitigation Fee Program - Established in fiscal year 2004 to issue program announcements for projects under the Rule 1121 Mitigation Fee Program. Under Rule 1121 - Control of Nitrogen Oxides (NO<sub>x</sub>) from Residential Type, Natural Gas Fired Water Heaters, emission mitigation fees are collected from water heater manufacturers to fund stationary and mobile source emission reduction projects targeted at offsetting NO<sub>x</sub> emission.
- Clean Fuels Program Fund - Established as a special revenue fund in fiscal year 2000 to account for contract activities and revenues of the Clean Fuels Program. These are activities associated with implementing Clean Fuels stationary source and mobile source research, development, demonstration and deployment projects approved by the Governing Board. Since 1988, the Clean Fuels Program has provided funds for 1,332 projects totaling \$219 million.
- Carl Moyer Program Fund – Established in fiscal year 1999 to account for activities related to the administration of state funds set aside for the replacement of diesel-powered vehicles with cleaner-technology vehicles. It has funded over 6,700 vehicles and about 30 infrastructure/charging stations, totaling over \$467 million. It provides incentive funds for the replacement of diesel-fueled on- and off-road vehicles such as refuse haulers, heavy duty trucks, transit and school buses, construction equipment, and marine vessels.
- Lower-Emission School Bus Fund – Established in fiscal year 2001 to administer state funds set aside in the South Coast Air Basin for the replacement and retrofit of high-emitting diesel-fueled school buses. Between fiscal years 2000 and 2017, \$280

million of Lower Emissions School Bus funds were spent on the replacement of school buses, and the retrofit of newer diesel buses with PM traps. In total, nearly 1600 old buses were replaced by brand new, primarily CNG school buses, and nearly 3,400 newer diesel school buses were retrofitted with PM traps.

- Zero Emission Vehicle Incentive Program - Established in fiscal year 2001 to administer the State funds set aside for the implementation of the Zero Emission Vehicle (ZEV) Incentive Program.
- AES Settlement Projects Fund - Established in fiscal year 2001 for the purpose of accounting for the one-time penalty settlement with AES Corporation for air pollution violations.
- Rule 1309.1 Priority Reserve Fund - Established in fiscal year 2001 to account for mitigation fees paid for Particulate Matter  $\leq 10$  microns (PM<sub>10</sub>) credits. Due to the state energy crisis in 2001, Rule 1309.1 was amended to allow new electric generating facilities temporary access to SCAQMD's Priority Reserve Account to offset their PM<sub>10</sub> emission increases provided that they meet specific criteria and pay appropriate mitigation fees.
- CARB ERC Bank Fund - Established in fiscal year 2001 to account for the proceeds from the issuance of the Emission Reduction Credits (ERCs) to natural gas turbine power plant peaker units. CARB established the ERC Bank for peaker power plants that need emission offsets to add new or expanded capacity. Proceeds from the issuance of these ERCs will fund emission reduction programs where the new or expanded facility is located.
- LADWP Settlement Fund - Established in fiscal year 2001 for the purpose of accounting for the monies received from the Los Angeles Department of Water and Power as part of the settlement agreement.
- State-Emissions Mitigation Fund - Established during fiscal year 2002 to account for the funds received from California Air Resources Board (CARB) to fund CARB selected projects on emission reductions within the South Coast Air Basin. This is in response to the Governor's statewide program to mitigate excess emissions from peaker power generation units to alleviate the power crisis in California.
- Natural Gas Vehicle Partnership Fund - Established during fiscal year 2002 for creation of the Natural Gas Vehicle Partnership to facilitate the advancement of natural gas vehicle technology and deployment. The contributions received from participating members are accounted for in this fund as well as the expenditures for activities and projects selected by the Partnership.

- State Backup Generators (BUG) Program Fund - Established in fiscal year 2003 to account for the funds received from CARB's Diesel-Fueled Electrical Backup Generator Emissions Mitigation Program. This program funds emission related projects as part of an ongoing effort to expeditiously reduce public exposure to air toxics and other pollutants.
- Asthma and Brain Cancer Research Fund - Established in fiscal year 2003 to assist in funding research projects relating to asthma and outdoor air quality and the potential link between air pollution and brain cancer.
- Dry Cleaners Financial Incentives Grant Program - Established in fiscal year 2003 to provide financial incentives to dry cleaners to purchase non-toxic alternative dry cleaning equipment.
- Rule 1173 Mitigation Fee Fund - Established in fiscal year 2004 to account for Rule 1173 mitigation fee payments to be used in funding air quality projects which directly benefit the community surrounding the facility. Amendments in December 2002 to Rule 1173 for Refineries and Chemical Plants established a mitigation fee payment provision relating to the release of Volatile Organic Compound (VOC) from an atmospheric Pressure Relief Device (PRD).
- Communities for Better Environment (CBE)/Our Children's Earth (OCE) Settlement Agreement Fund - Established in FY 2004 as part of the settlement agreement to fund PM<sub>10</sub> (Particulate Matter  $\leq$  10 microns) and/or NO<sub>x</sub> (Oxides of Nitrogen) reduction projects in disproportionately impacted areas.
- BP ARCO Settlement Projects Fund - Established in fiscal year 2005 to account for the \$25 million civil penalties received in 2005 as part of the settlement with BP ARCO for air pollution violations.
- Health Effects Research Fund - The Health Effects Research Fund was established in fiscal year 2008 to receive 20% of all penalty/settlement monies in excess of \$4 million recognized annually in SCAQMD's General Fund beginning in fiscal year 2009, subject to annual Board approval.
- CEQA Green House Gas Mitigation Fund - This fund was established in fiscal year 2009 under Rule 2702 for Green House Gas (GHG) emission reductions. It received \$1.5 million from Chevron Products Company to offset Green House Gas emission as part of its Product Reliability and Optimization (PRO+) Project Mitigation Monitoring Plan.

- TraPac School Air Filtration Fund - This fund was established in fiscal year 2011 and received \$6,000,000 from City of Los Angeles towards installation and maintenance of air filtration systems for schools in the Wilmington area that were impacted by the expansion of the TraPac Container Terminal Project.
- Emission Reduction and Outreach Fund - This fund was established in fiscal year 2010 due to a \$1,000,000 Supplemental Environmental Project Settlement. These funds are used to enhance compliance of emission reduction policies by providing source education and consumer education.
- Rule 1118 Mitigation Fund - Established in fiscal year 2010 to account for mitigation fees from petroleum refineries that exceed sulfur dioxide emission thresholds from flares and future Rule 1118 mitigation fees and to track the projects funded through these fees.
- Hydrogen Fueling Station Fund - Established in fiscal year 2011 to recognize co-funding from the Department of Energy-National Renewable Energy Laboratory, CARB and CEC, for the maintenance and operation of the City of Burbank hydrogen fueling station and for maintenance and data management services for the hydrogen fueling station at SCAQMD headquarters.
- HEROS II Fund - Established in fiscal year 2011, this fund is used to track funds received and expenditures for SCAQMD's vehicle scrap and replacement program. This voluntary program reduces emissions from high-emitting light and medium-duty vehicles in SCAQMD.
- EL Monte Park Project Settlement Fund - Established in fiscal year 2011 for the purpose of accounting for the monies received from Gregg Industries bankruptcy estate as part of a settlement agreement to finance the construction of park improvements in the City of El Monte.
- AB 1318 Mitigation Fees Fund - Created in fiscal year 2011 to account for revenue of \$53.3 million from a mitigation fee payment for the transfer of emission credits under AB 1318.
- Voucher Incentive Program (VIP) Fund - Established in fiscal year 2012 due to transfer of funds from the Carl Moyer Multidistrict funds originally recorded in Carl Moyer Program Fund, to separately administer the On-Road Heavy-Duty Vehicle Voucher Incentive Program.
- Advanced Technology Goods Movement Fund - Established in fiscal year 2012 to administer funds received through an agreement with Port of Los Angeles and Port of

Long Beach to fund projects consistent with the development and demonstration of zero emissions goods movement technologies, including the demonstration of Linear Synchronous Motor (LSM) technology to move cargo containers and the development of two discrete hybrid electric drive systems for heavy-duty vehicles.

- Rule 1470 Risk Reduction Fund – Established in fiscal year 2012 to help fund control equipment costs for public agencies, such as cities, counties, and schools, required to install control equipment on new emergency standby engines in order to comply with Rule 1470.
- Hydrogen Fueling Infrastructure Network Fund – Established in fiscal year 2014 to receive state and federal grant revenue earmarked for hydrogen infrastructure upgrades to support the expected role out of fuel cell cars in the next few years. In fiscal year 2014, the SCAQMD received an award for \$6.69 million from the California Energy Commission (CEC) to upgrade and refurbish existing hydrogen stations in the South Coast Air Basin. Three stations in Burbank, LAX and Torrance have been funded for upgrade through this grant, with these upgrades to be completed by mid 2018.
- Rule 1420.1 Special Revenue Fund – Established in fiscal year 2014 to account for monies received from Exide Technologies and Quemetco to finance the Multi-Metals continuous emission monitoring system (CEMS) and continuous Multi-Metals Ambient Air Monitoring Demonstration Programs.
- BP/SCAQMD Public Benefits Oversight Fund – Established to receive remaining unspent \$177,802 from the 2005 BP Settlement Agreement public benefits payments. Funds will continue to be expended through the approval of the BP/SCAQMD Public Benefits Oversight Committee.
- Rule 1304.1 Special Revenue Fund – Established in fiscal year 2016 to track the deposit of fees paid and the withdrawal of funds for approved projects, pursuant to Rule 1304.1 – Electrical Generating Facility Fee for Use of Offset Exemption.
- Green House Gas (GHG) Reduction Projects Special Revenue Fund – Established in fiscal year 2016 to account for the projects funded by CARB’s Low Carbon Transportation Green House Gas Reduction Fund Investments.
- ExxonMobil Settlement Projects Special Revenue Fund – Established in fiscal year 2016 for the purpose of accounting for the monies received pursuant to a settlement agreement with ExxonMobil for Supplemental Environmental Project (SEP).

- LADWP Variance Special Revenue Fund – Established in fiscal year 2017 to receive environmental fees from the Los Angeles Department of Water and Power as part of an SCAQMD Hearing Board variance. The variance allowed LADWP to burn diesel to 1) recommission and test the turbines, and 2) subsequently to operate them on diesel fuel, only if the natural gas supply to LADWP was curtailed by SoCal Gas.
- Air Filtration Special Revenue Fund – Established in fiscal year 2017, a Supplemental Environmental Project (SEP) agreement was executed between CARB and the Burlington Northern Santa Fe Railway Company (BANSF) to install air filtration systems at schools in an Environmental Justice community in the South Coast region.
- SoCal Gas Settlement Special Revenue Fund – Established in fiscal year 2017 to execute a contract with KORE Infrastructure Inc in an amount not to exceed \$1 million from the SoCal Gas Settlement Special Revenue Fund to cost-share the commercial field test project.
- Community Air Protection AB 134 Fund – Established in fiscal year 2018 to recognize AB 134 revenue from CARB. These funds are part of the \$250 million allocation to CARB from a 2017 Budget Act amendment. The funds are for implementation or pursuant to the Carl Moyer Memorial Air Quality Standards Attainment Program, except that up to 40% of the funds may be used for truck projects meeting the criteria of the Proposition 1B Goods Movement Program.
- Rule 1180 Special Revenue Fund – Established in fiscal year 2018 to account for the Rule 1180 initial and final payments for implementation of the community air monitoring stations near petroleum refineries.
- Prop 1B Funding – Lower Emission School Bus – Established in fiscal year 2010 to account for the cost of replacing and retrofitting public school buses in the South Coast Air Basin. The SCAQMD has spent \$71.2 million in Prop. 1B funds from CARB to purchase 467 Level 3 PM traps (Prop 1B funds only), and replace 470 pre-1987 school buses (Prop 1B and AB923 funds) with primarily new CNG school buses.

#### Capital Projects Fund

- Infrastructure Improvement Fund – Established in fiscal year 2013 to separately account for large-scale and/or multi-year infrastructure improvement projects.

Debt Service Fund - Established in 2009 to replace the terminated Guaranteed Investment Contract with the Municipal Bond Insurance Association (MBIA, Inc.) due

to changes in financial markets. This is used for the defeasance of a portion of SCAQMD's debt service on Pension Obligation Bonds.

Component Unit - SCAQMD Building Corporation – Established in fiscal year 1978 for the acquisition and improvement of SCAQMD headquarters. The SCAQMD. Building Corporation is a legally separate entity, but for financial statement purposes, it is shown as a blended component unit in the governmental funds.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

<u>Assets</u>	<u>Special Revenue</u>				
	<u>Air Quality Studies Fund</u>	<u>Air Toxics Fund</u>	<u>Advanced Technology Outreach &amp; Education Fund</u>	<u>Air Quality Assistance Fund</u>	<u>Air Quality Improvement Fund</u>
Cash and cash equivalents	\$ -	\$ 5,919,841	\$ 1,185,481	\$ 1,604,229	\$ 1,969,815
Investments	-	-	-	-	-
Interest receivable	-	26,418	6,574	8,082	15,296
Due from other governmental agencies	-	-	37,759	-	3,775,162
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	710,327	-	-	-
Other assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 6,656,586</b>	<b>\$ 1,229,814</b>	<b>\$ 1,612,311</b>	<b>\$ 5,760,273</b>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 445,259	\$ -	\$ -	\$ 5,744,977
Due to other funds	-	3,002,558	567,568	-	-
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>3,447,817</b>	<b>567,568</b>	<b>-</b>	<b>5,744,977</b>
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	662,246	-	15,296
Committed	-	476,410	-	-	-
Assigned	-	2,732,359	-	1,612,311	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>3,208,769</b>	<b>662,246</b>	<b>1,612,311</b>	<b>15,296</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 6,656,586</b>	<b>\$ 1,229,814</b>	<b>\$ 1,612,311</b>	<b>\$ 5,760,273</b>



**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

<u>Assets</u>	Special Revenue					
	Clean Fuels Conference Fund	Air Quality Investment Fund	Clean Fuels Program Fund	Carl Moyer Program Fund	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund
Cash and cash equivalents	\$ -	\$ 57,671,512	\$ 51,087,685	\$ 44,628,540	\$ 8,776,841	\$ 676,524
Investments	-	-	9,940,750	-	-	-
Interest receivable	-	290,238	249,228	244,102	48,190	3,706
Due from other governmental agencies	-	-	4,723,247	-	-	-
Due from other funds	-	-	4,638,208	-	-	-
Accounts receivable, net	-	48,276	600,000	-	-	-
Other assets	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 58,010,026</b>	<b>\$ 71,239,118</b>	<b>\$ 44,872,642</b>	<b>\$ 8,825,031</b>	<b>\$ 680,230</b>
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 498	\$ 1,689,556	\$ 218,865	\$ -	\$ -
Due to other funds	-	18,961	4,197,240	1,591,620	-	-
Unearned revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>19,459</b>	<b>5,886,796</b>	<b>1,810,485</b>	<b>-</b>	<b>-</b>
 Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	43,062,157	8,825,031	680,230
Committed	-	3,508,730	21,990,591	-	-	-
Assigned	-	54,481,837	43,361,731	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>57,990,567</b>	<b>65,352,322</b>	<b>43,062,157</b>	<b>8,825,031</b>	<b>680,230</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 58,010,026</b>	<b>\$ 71,239,118</b>	<b>\$ 44,872,642</b>	<b>\$ 8,825,031</b>	<b>\$ 680,230</b>

Continued

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

<u>Assets</u>	Special Revenue				
	AES Settlement Projects Fund	Rule 1309.1 Priority Reserve Fund	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund
Cash and cash equivalents	\$ 895,922	\$ 5,965,782	\$ 602,678	\$ 401,621	\$ 4,514,468
Investments	-	-	-	-	-
Interest receivable	5,053	36,479	3,301	2,200	24,728
Due from other governmental agencies	-	-	-	-	-
Due from other funds	1,218	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ 902,193</b>	<b>\$ 6,002,261</b>	<b>\$ 605,979</b>	<b>\$ 403,821</b>	<b>\$ 4,539,196</b>
 <b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 15,000	\$ 30,000	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>15,000</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
 <b>Fund Balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	4,539,196
Committed	11,200	1,402,039	-	-	-
Assigned	875,993	4,570,222	605,979	403,821	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>887,193</b>	<b>5,972,261</b>	<b>605,979</b>	<b>403,821</b>	<b>4,539,196</b>
<b>Total liabilities and fund balances</b>	<b>\$ 902,193</b>	<b>\$ 6,002,261</b>	<b>\$ 605,979</b>	<b>\$ 403,821</b>	<b>\$ 4,539,196</b>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

<u>Assets</u>	<u>Special Revenue</u>				
	<u>Natural Gas Vehicle Partner Fund</u>	<u>State BUG Program Fund</u>	<u>Asthma &amp; Brain Cancer Research Fund</u>	<u>Dry Cleaners Financial Incentives Grant Program Fund</u>	<u>Rule 1173 Mitigation Fee Fund</u>
Cash and cash equivalents	\$ 434,397	\$ 358,478	\$ -	\$ 488,771	\$ 2,794,445
Investments	-	-	-	-	-
Interest receivable	2,540	1,964	-	2,816	15,644
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	662
Accounts receivable, net	10,000	-	-	-	-
Other assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ <u>446,937</u></b>	<b>\$ <u>360,442</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>491,587</u></b>	<b>\$ <u>2,810,751</u></b>
 <u>Liabilities and Fund Balances</u>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 15,000	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>15,000</u></b>	<b>\$ <u>-</u></b>
 <b>Fund Balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	-	360,442	-	-	-
Committed	30,000	-	-	-	-
Assigned	416,937	-	-	476,587	2,810,751
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>\$ <u>446,937</u></b>	<b>\$ <u>360,442</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>476,587</u></b>	<b>\$ <u>2,810,751</u></b>
<b>Total liabilities and fund balances</b>	<b>\$ <u>446,937</u></b>	<b>\$ <u>360,442</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>491,587</u></b>	<b>\$ <u>2,810,751</u></b>

Continued

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

<u>Assets</u>	Special Revenue				
	CBE / OCE Settlement Agreement Fund	BP ARCO Settlements Project Fund	Health Effects Research Fund	CEQA Green House Gas Mitigation Fund	TraPac School Air Filtration Fund
Cash and cash equivalents	\$ 223,320	\$ 11,774,915	\$ 916,727	\$ 126,490	\$ 1,354,507
Investments	-	-	-	-	-
Interest receivable	-	67,370	5,028	715	7,419
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	127,067	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 223,320	\$ 11,969,352	\$ 921,755	\$ 127,205	\$ 1,361,926
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 117,791	\$ -	\$ -	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	117,791	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	1,361,926
Committed	-	616,576	-	-	-
Assigned	223,320	11,234,985	921,755	127,205	-
Unassigned	-	-	-	-	-
Total fund balances	223,320	11,851,561	921,755	127,205	1,361,926
Total liabilities and fund balances	\$ 223,320	\$ 11,969,352	\$ 921,755	\$ 127,205	\$ 1,361,926

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

<u>Assets</u>	Special Revenue				
	Emission Reduction and Outreach Fund	Rule 1118 Mitigation Fund	Hydrogen Fueling Station Fund	HEROS II Fund	El Monte Park Project Settlement Fund
Cash and cash equivalents	\$ 908	\$ 19,351,286	\$ -	\$ 8,007,983	\$ 903,071
Investments	-	-	-	-	-
Interest receivable	14	112,987	-	46,736	4,969
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	1,661,656	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ 922</b>	<b>\$ 21,125,929</b>	<b>\$ -</b>	<b>\$ 8,054,719</b>	<b>\$ 908,040</b>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 552,798	\$ 8,160
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>552,798</b>	<b>8,160</b>
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	7,501,921	-
Committed	-	-	-	-	881,272
Assigned	922	21,125,929	-	-	18,608
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>922</b>	<b>21,125,929</b>	<b>-</b>	<b>7,501,921</b>	<b>899,880</b>
<b>Total liabilities and fund balances</b>	<b>\$ 922</b>	<b>\$ 21,125,929</b>	<b>\$ -</b>	<b>\$ 8,054,719</b>	<b>\$ 908,040</b>

Continued

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

<u>Assets</u>	Special Revenue				
	AB 1318 Mitigation Fees Fund	Voucher Incentive Program VIP Fund	Advanced Technology Goods Movement Fund	Rule 1470 Risk Reduction Fund	Hydrogen Fueling Infrastructure Fund
Cash and cash equivalents	\$ 16,984,837	\$ 1,919,301	\$ 5,964,333	\$ 2,481,854	\$ 5,340,968
Investments	4,989,907	-	-	-	-
Interest receivable	102,136	9,958	41,410	13,594	33,034
Due from other governmental agencies	-	-	201,142	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	1,000,000	-	-
Other assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ 22,076,880</b>	<b>\$ 1,929,259</b>	<b>\$ 7,206,885</b>	<b>\$ 2,495,448</b>	<b>\$ 5,374,002</b>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,793,548	\$ 185,000	\$ 493,352	\$ -	\$ 2,469,921
Due to other funds	45,958	-	3,407,984	-	-
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>2,839,506</b>	<b>185,000</b>	<b>3,901,336</b>	<b>-</b>	<b>2,469,921</b>
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	1,744,259	-	-	2,904,081
Committed	16,632,397	-	1,877,140	-	-
Assigned	2,604,977	-	1,428,409	2,495,448	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>19,237,374</b>	<b>1,744,259</b>	<b>3,305,549</b>	<b>2,495,448</b>	<b>2,904,081</b>
<b>Total liabilities and fund balances</b>	<b>\$ 22,076,880</b>	<b>\$ 1,929,259</b>	<b>\$ 7,206,885</b>	<b>\$ 2,495,448</b>	<b>\$ 5,374,002</b>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

<u>Assets</u>	<u>Special Revenue</u>				
	Rule 1420.1 Special Revenue Fund	BP/SCAQMD Public Benefits Oversight Fund	Rule 1304.1 Special Revenue Fund	GHG Reduction Projects Special Revenue Fund	ExxonMobil Settlement Projects Special Revenue Fund
Cash and cash equivalents	\$ 91,069	\$ 146,026	\$ 7,521,194	\$ 5,512,442	\$ 2,829,285
Investments	-	-	-	-	-
Interest receivable	499	835	40,857	30,583	15,493
Due from other governmental agencies	-	-	-	1,705,084	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ 91,568</b>	<b>\$ 146,861</b>	<b>\$ 7,562,051</b>	<b>\$ 7,248,109</b>	<b>\$ 2,844,778</b>
 <u>Liabilities and Fund Balances</u>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 5,576,337	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,576,337</b>	<b>-</b>
 <b>Fund Balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	91,568	146,861	7,562,051	1,671,772	-
Committed	-	-	-	-	406,420
Assigned	-	-	-	-	2,438,358
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>91,568</b>	<b>146,861</b>	<b>7,562,051</b>	<b>1,671,772</b>	<b>2,844,778</b>
<b>Total liabilities and fund balances</b>	<b>\$ 91,568</b>	<b>\$ 146,861</b>	<b>\$ 7,562,051</b>	<b>\$ 7,248,109</b>	<b>\$ 2,844,778</b>

Continued

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

<u>Assets</u>	Special Revenue				
	LADWP Variance Special Revenue Fund	Air Filtration Special Revenue Fund	SoCal Gas Settlement Special Revenue Fund	Community Air Protection AB 134 Revenue Fund	Rule 1180 Special Revenue Fund
Cash and cash equivalents	\$ 1,525,516	\$ 2,127,091	\$ 1,187,571	\$ -	\$ 1,716,312
Investments	-	-	-	-	-
Interest receivable	8,342	14,187	6,426	-	-
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	504,136	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 1,533,858</u>	<u>\$ 2,141,278</u>	<u>\$ 1,193,997</u>	<u>\$ 504,136</u>	<u>\$ 1,716,312</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	-
Due to other funds	-	531,708	-	561,792	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>531,708</u>	<u>-</u>	<u>561,792</u>	<u>-</u>
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	1,114,387	175,000	-	-
Assigned	1,533,858	495,183	1,018,997	-	1,716,312
Unassigned	-	-	-	(57,656)	-
Total fund balances	<u>1,533,858</u>	<u>1,609,570</u>	<u>1,193,997</u>	<u>(57,656)</u>	<u>1,716,312</u>
Total liabilities and fund balances	<u>\$ 1,533,858</u>	<u>\$ 2,141,278</u>	<u>\$ 1,193,997</u>	<u>\$ 504,136</u>	<u>\$ 1,716,312</u>



**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

<u>Assets</u>	<u>Special Revenue</u>		<u>Capital Project</u>		Debt Service Fund	Component Unit SCAQMD Building Corporation	Total
	Prop 1B Lower Emission School Bus Fund	Infrastructure Improvement Fund	-	-			
Cash and cash equivalents	\$ -	\$ 3,694,785	\$ 2,120,157	\$ 191,819	\$ 293,990,797		
Investments	-	-	-	-	14,930,657		
Interest receivable	-	19,973	11,726	-	1,580,850		
Due from other governmental agencies	-	-	-	-	10,442,394		
Due from other funds	-	-	-	-	6,932,947		
Accounts receivable, net	-	-	-	-	2,368,603		
Other assets	-	-	-	-	-		
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 3,714,758</b>	<b>\$ 2,131,883</b>	<b>\$ 191,819</b>	<b>\$ 330,246,248</b>		
 <u>Liabilities and Fund Balances</u>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 4,930	\$ 20,360,992		
Due to other funds	-	-	-	-	13,925,389		
Unearned revenue	-	-	-	-	-		
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,930</b>	<b>34,286,381</b>		
 <b>Fund Balances:</b>							
Nonspendable	-	-	-	-	-		
Restricted	-	-	2,131,883	-	83,260,920		
Committed	-	2,325,295	-	-	51,447,457		
Assigned	-	1,389,463	-	186,889	161,309,146		
Unassigned	-	-	-	-	(57,656)		
<b>Total fund balances</b>	<b>-</b>	<b>3,714,758</b>	<b>2,131,883</b>	<b>186,889</b>	<b>295,959,867</b>		
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 3,714,758</b>	<b>\$ 2,131,883</b>	<b>\$ 191,819</b>	<b>\$ 330,246,248</b>		

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

	Special Revenue				
	Air Quality Studies Fund	Air Toxics Fund	Advanced Technology Outreach & Education Fund	Air Quality Assistance Fund	Air Quality Improvement Fund
<b>Revenues:</b>					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	1,147,246	-	-
State grant	-	-	-	-	-
Interest revenue	62	52,330	19,034	23,228	42,983
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<u>62</u>	<u>52,330</u>	<u>1,166,280</u>	<u>23,228</u>	<u>42,983</u>
<b>Expenditures:</b>					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	30,671	1,209,824	-	89,210
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	1,746	-	-	-
Other expenditures	-	23,629	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>56,046</u>	<u>1,209,824</u>	<u>-</u>	<u>89,210</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>62</u>	<u>(3,716)</u>	<u>(43,544)</u>	<u>23,228</u>	<u>(46,227)</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	<u>(16,533)</u>	<u>(543,529)</u>	<u>(9,000)</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(16,533)</u>	<u>(543,529)</u>	<u>(9,000)</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(16,471)</u>	<u>(547,245)</u>	<u>(52,544)</u>	<u>23,228</u>	<u>(46,227)</u>
Fund balances, July 1, 2017	<u>16,471</u>	<u>3,756,014</u>	<u>714,790</u>	<u>1,589,083</u>	<u>61,523</u>
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 3,208,769</u>	<u>\$ 662,246</u>	<u>\$ 1,612,311</u>	<u>\$ 15,296</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

	Special Revenue					
	Clean Fuels Conference Fund	Air Quality Investment Fund	Clean Fuels Program Fund	Carl Moyer Program Fund	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund
Revenues:						
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	9,407,553	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-	-
Federal grant	-	-	418,040	-	104,000	-
State grant	-	-	3,469,470	23,845,075	-	-
Interest revenue	-	715,582	895,164	593,651	135,294	10,300
Penalties and settlements	-	-	-	-	-	-
Other revenues	-	22,467,173	1,520,045	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>23,182,755</b>	<b>15,710,272</b>	<b>24,438,726</b>	<b>239,294</b>	<b>10,300</b>
Expenditures:						
Salaries and employee benefits	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Contract and special services	-	869,935	6,943,850	15,128,148	351,680	-
Maintenance	-	-	-	-	-	-
Travel and auto	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Communications	-	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-	-
Other expenditures	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>869,935</b>	<b>6,943,850</b>	<b>15,128,148</b>	<b>351,680</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures before transfers	-	22,312,820	8,766,422	9,310,578	(112,386)	10,300
Other financing sources (uses)						
Transfers in	-	-	107,684	-	-	-
Transfers out	(103,777)	-	(1,192,501)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(103,777)</b>	<b>-</b>	<b>(1,084,817)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(103,777)</b>	<b>22,312,820</b>	<b>7,681,605</b>	<b>9,310,578</b>	<b>(112,386)</b>	<b>10,300</b>
Fund balances, July 1, 2017	103,777	35,677,747	57,670,717	33,751,579	8,937,417	669,930
Fund balances, June 30, 2018	\$ -	\$ 57,990,567	\$ 65,352,322	\$ 43,062,157	\$ 8,825,031	\$ 680,230

Continued

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2018**

	Special Revenue				
	AES Settlement Projects Fund	Rule 1309.1 Priority Reserve Fund	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund
<b>Revenues:</b>					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	14,592	110,372	9,176	6,115	68,736
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<b>14,592</b>	<b>110,372</b>	<b>9,176</b>	<b>6,115</b>	<b>68,736</b>
<b>Expenditures:</b>					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	78,000	1,913,382	-	-	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>78,000</b>	<b>1,913,382</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures before transfers	(63,408)	(1,803,010)	9,176	6,115	68,736
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	(83,782)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(83,782)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(147,190)</b>	<b>(1,803,010)</b>	<b>9,176</b>	<b>6,115</b>	<b>68,736</b>
Fund balances, July 1, 2017	1,034,383	7,775,271	596,803	397,706	4,470,460
Fund balances, June 30, 2018	\$ 887,193	\$ 5,972,261	\$ 605,979	\$ 403,821	\$ 4,539,196

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

	Special Revenue				
	Natural Gas Vehicle Partner Fund	State BUG Program Fund	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Program Fund	Rule 1173 Mitigation Fee Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	7,137	5,458	377	8,072	45,625
Penalties and settlements	-	-	-	-	-
Other revenues	62,500	-	-	-	350,000
<b>Total revenues</b>	<b>69,637</b>	<b>5,458</b>	<b>377</b>	<b>8,072</b>	<b>395,625</b>
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	140,800	-	-	70,000	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>140,800</b>	<b>-</b>	<b>-</b>	<b>70,000</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures before transfers	(71,163)	5,458	377	(61,928)	395,625
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(100,953)	-	(830,338)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(100,953)</b>	<b>-</b>	<b>(830,338)</b>
<b>Net change in fund balances</b>	<b>(71,163)</b>	<b>5,458</b>	<b>(100,576)</b>	<b>(61,928)</b>	<b>(434,713)</b>
Fund balances, July 1, 2017	518,100	354,984	100,576	538,515	3,245,464
Fund balances, June 30, 2018	\$ 446,937	\$ 360,442	\$ -	\$ 476,587	\$ 2,810,751

Continued

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

	Special Revenue				
	CBE/OCE Settlement Agreement Fund	BP ARCO Settlements Project Fund	Health Effects Research Fund	CEQA Green House Gas Mitigation Fund	TraPac School Air Filtration Fund
<b>Revenues:</b>					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	-	190,770	13,481	2,171	20,624
Penalties and settlements	-	-	-	-	-
Other revenues	-	750	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>191,520</b>	<b>13,481</b>	<b>2,171</b>	<b>20,624</b>
<b>Expenditures:</b>					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	775,004	-	62,917	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>775,004</b>	<b>-</b>	<b>62,917</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures before transfers</b>	<b>-</b>	<b>(583,484)</b>	<b>13,481</b>	<b>(60,746)</b>	<b>20,624</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	117,486	-	-
Transfers out	-	(241,933)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(241,933)</b>	<b>117,486</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(825,417)</b>	<b>130,967</b>	<b>(60,746)</b>	<b>20,624</b>
Fund balances, July 1, 2017	223,320	12,676,978	790,788	187,951	1,341,302
Fund balances, June 30, 2018	\$ 223,320	\$ 11,851,561	\$ 921,755	\$ 127,205	\$ 1,361,926

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

	Special Revenue				
	Emission Reduction and Outreach Fund	Rule 1118 Mitigation Fund	Hydrogen Fueling Station Fund	HEROS II Fund	El Monte Park Project Settlement Fund
<b>Revenues:</b>					
Emission fees	\$ -	\$ -	\$ -	\$ -	-
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	13,205,000	-
Interest revenue	18	331,650	-	106,752	13,916
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	1,000	-
<b>Total revenues</b>	<b>18</b>	<b>331,650</b>	<b>-</b>	<b>13,312,752</b>	<b>13,916</b>
<b>Expenditures:</b>					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	17,818	-	8,983,182	19,850
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	5,341	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>17,818</b>	<b>5,341</b>	<b>8,983,182</b>	<b>19,850</b>
Excess (deficiency) of revenues over (under) expenditures before transfers	18	313,832	(5,341)	4,329,570	(5,934)
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	(1,923,487)	(3,907)	(1,475)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(1,923,487)</b>	<b>(3,907)</b>	<b>(1,475)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>18</b>	<b>(1,609,655)</b>	<b>(9,248)</b>	<b>4,328,095</b>	<b>(5,934)</b>
Fund balances, July 1, 2017	904	22,735,584	9,248	3,173,826	905,814
Fund balances, June 30, 2018	\$ 922	\$ 21,125,929	\$ -	\$ 7,501,921	\$ 899,880

Continued

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

	Special Revenue				
	AB 1318 Mitigation Fees Fund	Voucher Incentive Program VIP Fund	Advanced Technology Goods Movement Fund	Rule 1470 Risk Reduction Fund	Hydrogen Fueling Infrastructure Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	2,268,834	-	-
State grant	-	-	-	-	-
Interest revenue	363,933	17,893	142,380	37,788	-
Penalties and settlements	-	-	-	-	-
Other revenues	24,401	-	2,723,495	-	-
<b>Total revenues</b>	<b>388,334</b>	<b>17,893</b>	<b>5,134,709</b>	<b>37,788</b>	<b>-</b>
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	8,162,119	3,140,000	8,131,493	-	3,448,372
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	46,615
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>8,162,119</b>	<b>3,140,000</b>	<b>8,131,493</b>	<b>-</b>	<b>3,494,987</b>
Excess (deficiency) of revenues over (under) expenditures before transfers	(7,773,785)	(3,122,107)	(2,996,784)	37,788	(3,494,987)
Other financing sources (uses)					
Transfers in	-	4,000,000	-	-	-
Transfers out	(45,958)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(45,958)</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(7,819,743)</b>	<b>877,893</b>	<b>(2,996,784)</b>	<b>37,788</b>	<b>(3,494,987)</b>
Fund balances, July 1, 2017	27,057,117	866,366	6,302,333	2,457,660	6,399,068
Fund balances, June 30, 2018	\$ 19,237,374	\$ 1,744,259	\$ 3,305,549	\$ 2,495,448	\$ 2,904,081



**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

	Special Revenue				
	Rule 1420.1 Special Revenue Fund	BP/SCAQMD Public Benefits Oversight Fund	Rule 1304.1 Special Revenue Fund	GHG Reduction Projects Special Revenue Fund	ExxonMobil Settlement Projects Special Revenue Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	2,769,945	-
Interest revenue	1,388	2,553	114,578	86,095	43,079
Penalties and settlements	-	-	-	-	-
Other revenues	-	63	-	-	-
	<u>-</u>	<u>63</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,388</u>	<u>2,616</u>	<u>114,578</u>	<u>2,856,040</u>	<u>43,079</u>
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	42,214	-	7,200,364	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
	<u>-</u>	<u>42,214</u>	<u>-</u>	<u>7,200,364</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>42,214</u>	<u>-</u>	<u>7,200,364</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>1,388</u>	<u>(39,598)</u>	<u>114,578</u>	<u>(4,344,324)</u>	<u>43,079</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,388</u>	<u>(39,598)</u>	<u>114,578</u>	<u>(4,344,324)</u>	<u>43,079</u>
Fund balances, July 1, 2017	<u>90,180</u>	<u>186,459</u>	<u>7,447,473</u>	<u>6,016,096</u>	<u>2,801,699</u>
Fund balances, June 30, 2018	<u>\$ 91,568</u>	<u>\$ 146,861</u>	<u>\$ 7,562,051</u>	<u>\$ 1,671,772</u>	<u>\$ 2,844,778</u>

Continued

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

		Special Revenue				
		LADWP Variance Special Revenue Fund	Air Filtration Special Revenue Fund	SoCal Gas Settlement Special Revenue Fund	Community Air Protection AB 134 Revenue Fund	Rule 1180 Special Revenue Fund
Mobil Settlement						
jects Special						
Revenue Fund						
<b>Revenues:</b>						
-	Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
-	Mobile sources/clean fuels	-	-	-	-	-
-	Air Toxics "Hot Spots"	-	-	-	-	-
-	Federal grant	-	-	-	-	-
-	State grant	-	-	-	-	-
43,079	Interest revenue	23,230	37,328	18,096	-	-
-	Penalties and settlements	-	1,485,310	-	-	-
-	Other revenues	-	-	-	-	1,716,312
43,079	<b>Total revenues</b>	<b>23,230</b>	<b>1,522,638</b>	<b>18,096</b>	<b>-</b>	<b>1,716,312</b>
<b>Expenditures:</b>						
-	Salaries and employee benefits	-	-	-	-	-
-	Insurance	-	-	-	-	-
-	Rent	-	-	-	-	-
-	Supplies	-	-	-	-	-
-	Contract and special services	-	731,670	-	-	-
-	Maintenance	-	-	-	-	-
-	Travel and auto	-	-	-	-	-
-	Utilities	-	-	-	-	-
-	Communications	-	-	-	-	-
-	Uncollectible accounts	-	-	-	-	-
-	Other expenditures	-	-	-	-	-
-	Capital outlay	-	-	-	-	-
<b>Debt Service</b>						
-	Principal	-	-	-	-	-
-	Interest	-	-	-	-	-
-	<b>Total expenditures</b>	<b>-</b>	<b>731,670</b>	<b>-</b>	<b>-</b>	<b>-</b>
43,079	<b>Excess (deficiency) of revenues over (under) expenditures before transfers</b>	<b>23,230</b>	<b>790,968</b>	<b>18,096</b>	<b>-</b>	<b>1,716,312</b>
<b>Other financing sources (uses)</b>						
-	Transfers in	-	250,000	-	-	-
-	Transfers out	-	(55,583)	-	(57,656)	-
-	<b>Total other financing sources (uses)</b>	<b>-</b>	<b>194,417</b>	<b>-</b>	<b>(57,656)</b>	<b>-</b>
43,079	<b>Net change in fund balances</b>	<b>23,230</b>	<b>985,385</b>	<b>18,096</b>	<b>(57,656)</b>	<b>1,716,312</b>
2,801,699	Fund balances, July 1, 2017	1,510,628	624,185	1,175,901	-	-
2,844,778	Fund balances, June 30, 2018	<u>\$ 1,533,858</u>	<u>\$ 1,609,570</u>	<u>\$ 1,193,997</u>	<u>\$ (57,656)</u>	<u>\$ 1,716,312</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

	<u>Special Revenue</u>	<u>Capital Project</u>		<u>Component Unit</u>	
	Prop 1B Lower Emission School Bus Fund	Infrastructure Improvement Fund	Debt Service Fund	SCAQMD Building Corporation	Total
<b>Revenues:</b>					
Emission fees	\$ -	\$ -	\$ -	\$ -	-
Mobile sources/clean fuels	-	-	-	-	9,407,553
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	3,938,120
State grant	-	-	-	-	43,289,490
Interest revenue	-	47,474	33,173	1,305	4,412,963
Penalties and settlements	-	-	-	-	1,485,310
Other revenues	-	-	-	-	28,865,739
<b>Total revenues</b>	<b>-</b>	<b>47,474</b>	<b>33,173</b>	<b>1,305</b>	<b>91,399,175</b>
<b>Expenditures:</b>					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	-	-	-	67,540,503
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	1,746
Other expenditures	-	-	-	4,930	80,515
Capital outlay	-	4,219	-	-	4,219
Debt Service					
Principal	-	-	1,000,000	-	1,000,000
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>4,219</b>	<b>1,000,000</b>	<b>4,930</b>	<b>68,626,983</b>
<b>Excess (deficiency) of revenues over (under) expenditures before transfers</b>	<b>-</b>	<b>43,255</b>	<b>(966,827)</b>	<b>(3,625)</b>	<b>22,772,192</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	1,253,148	-	-	5,728,318
Transfers out	(232)	-	-	-	(5,210,644)
<b>Total other financing sources (uses)</b>	<b>(232)</b>	<b>1,253,148</b>	<b>-</b>	<b>-</b>	<b>517,674</b>
<b>Net change in fund balances</b>	<b>(232)</b>	<b>1,296,403</b>	<b>(966,827)</b>	<b>(3,625)</b>	<b>23,289,866</b>
Fund balances, July 1, 2017	232	2,418,355	3,098,710	190,514	272,670,001
Fund balances, June 30, 2018	\$ -	\$ 3,714,758	\$ 2,131,883	\$ 186,889	\$ 295,959,867

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2018**

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Accounting agency fund</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 106,409	\$ 378,570	\$ 346,627	\$ 138,352
Total assets	\$ 106,409	\$ 378,570	\$ 346,627	\$ 138,352
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 106,409	\$ 378,570	\$ 346,627	\$ 138,352
Total liabilities	\$ 106,409	\$ 378,570	\$ 346,627	\$ 138,352
 <u>457 Plan Admin Revenue Sharing Fund</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 15,026	\$ 70,745	\$ 70,700	\$ 15,071
Interest receivable	159	221	159	221
Total assets	\$ 15,185	\$ 70,966	\$ 70,859	\$ 15,292
<u>Liabilities</u>				
Accounts payable and accrued liabilities	15,185	\$ 70,821	\$ 70,714	\$ 15,292
Total liabilities	\$ 15,185	\$ 70,821	\$ 70,714	\$ 15,292
 <u>Total all agency funds</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 121,435	\$ 449,315	\$ 417,327	\$ 153,423
Interest receivable	159	221	159	221
Total assets	\$ 121,594	\$ 449,536	\$ 417,486	\$ 153,644
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 121,594	\$ 449,391	\$ 417,341	\$ 153,644
Total liabilities	\$ 121,594	\$ 449,391	\$ 417,341	\$ 153,644

# STATISTICAL SECTION

This part of SCAQMD's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosure, and required supplementary information says about SCAQMD's overall financial health.

## **Contents**

### Financial Trends

Four schedules contain information to help the reader understand how the government's financial performance and well-being have changed over time.

### Revenue Capacity

These schedules contain information to help the reader understand the concentration of SCAQMD's largest emission-based fee payers.

### Debt Capacity

This schedule presents information to help the reader assess the affordability of SCAQMD's current levels of outstanding debt. Please see footnote under Schedule 7.

### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which SCAQMD's financial activities take place.

### Operating Information

These schedules contain data to help the reader understand how the information in SCAQMD's financial report relates to the services SCAQMD provides and the activities it performs.

Source: Unless otherwise noted, the information in these schedules was derived from SCAQMD's comprehensive annual financial reports for the relevant year.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
Schedule 1  
Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Activities:</b>										
Net investment in capital assets	\$ 16,757,042	\$ 19,695,092	\$ 22,777,709	\$ 25,696,728	\$ 39,667,137	\$ 38,509,847	\$ 36,957,165	\$ 36,178,389	\$ 36,127,300	\$ 35,756,464
Restricted for pension assets	(10,334,764)	-	-	1,361,315	3,031,890	4,437,818	-	-	-	-
Restricted for debt service	-	-	-	-	-	-	-	-	-	-
Restricted for long-term emission-reduction projects	334,362,120	411,358,339	465,789,699	527,549,463	530,540,932	536,617,440	468,946,402	498,119,549	607,438,908	676,857,257
Unrestricted	47,061,292	50,318,195	34,536,706	29,529,812	21,554,913	29,264,960	(157,555,673)	(152,854,184)	(141,541,447)	(129,700,877)
Total governmental activities net position	<u>\$ 387,845,690</u>	<u>\$ 481,371,626</u>	<u>\$ 523,104,114</u>	<u>\$ 584,137,318</u>	<u>\$ 594,794,872</u>	<u>\$ 608,830,065</u>	<u>\$ 348,347,894</u>	<u>\$ 381,443,754</u>	<u>\$ 502,024,761</u>	<u>\$ 582,912,844</u>
<b>Business-type Activities:</b>										
Net investment in capital assets	\$ 51,664	\$ 4,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	191,356	242,921	370,087	525,078	746,994	875,849	1,123,954	1,235,284	1,253,178	-
Total business-type activities net position	<u>\$ 243,020</u>	<u>\$ 246,973</u>	<u>\$ 370,087</u>	<u>\$ 525,078</u>	<u>\$ 746,994</u>	<u>\$ 875,849</u>	<u>\$ 1,123,954</u>	<u>\$ 1,235,284</u>	<u>\$ 1,253,178</u>	<u>\$ -</u>
<b>Primary Government:</b>										
Net investment in capital assets	\$ 16,808,706	\$ 19,699,144	\$ 22,777,709	\$ 25,696,728	\$ 39,667,137	\$ 38,509,847	\$ 36,957,165	\$ 36,178,389	\$ 36,127,300	\$ 35,756,464
Restricted for pension asset	(10,334,764)	-	-	1,361,315	3,031,890	4,437,818	-	-	-	-
Restricted for debt service	-	-	-	-	-	-	-	-	-	-
Restricted for long-term emission-reduction projects	334,362,120	411,358,339	465,789,699	527,549,463	530,540,932	536,617,440	468,946,402	498,119,549	607,438,908	676,857,257
Unrestricted	47,252,648	50,561,116	34,906,793	30,054,890	22,301,907	30,140,809	(156,431,719)	(151,618,900)	(140,288,269)	(129,700,877)
Total primary government net position	<u>\$ 388,088,710</u>	<u>\$ 481,618,599</u>	<u>\$ 523,474,201</u>	<u>\$ 584,662,396</u>	<u>\$ 595,541,866</u>	<u>\$ 609,705,914</u>	<u>\$ 349,471,848</u>	<u>\$ 382,679,038</u>	<u>\$ 503,277,939</u>	<u>\$ 582,912,844</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**Schedule 2**  
**Changes in Net Position – Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental Activities:</b>										
Advance clean air technology	\$ 7,111,931	\$ 6,512,144	\$ 6,398,859	\$ 6,672,977	\$ 6,857,959	\$ 6,212,087	\$ 5,539,607	\$ 7,119,417	\$ 7,825,599	\$ 9,271,026
Ensure compliance with clean air rules	43,823,112	46,154,574	46,877,017	47,026,449	47,417,956	48,813,991	43,252,162	45,622,680	49,316,129	50,528,522
Customer service and business assistance	7,441,806	7,682,897	7,578,813	7,729,015	8,169,587	8,332,770	6,124,811	8,337,319	9,260,504	9,743,294
Develop programs to achieve clean air	10,216,378	10,861,040	11,780,948	12,130,832	12,317,470	11,147,303	9,727,624	10,444,147	11,335,498	8,636,784
Develop rules to achieve clean air	8,433,410	8,436,415	8,826,846	7,286,149	7,269,414	7,514,210	7,161,179	7,566,089	7,604,041	10,013,098
Monitoring air quality	14,067,041	14,239,509	15,093,093	15,930,225	14,265,601	14,969,083	13,197,801	16,028,394	17,856,869	20,822,380
Timely review of permits	26,205,282	28,530,507	28,045,891	27,241,449	28,621,527	27,821,032	24,431,059	27,891,070	31,520,083	33,301,565
Policy support	4,782,531	1,760,038	1,792,208	1,483,613	1,306,054	1,204,588	331,652	511,705	885,773	667,046
Interest on long-term debt	4,325,460	3,871,465	3,277,933	4,691,658	4,605,963	4,102,888	4,031,178	3,884,990	3,906,955	3,731,589
Long-term emission reduction projects	104,277,915	150,362,508	161,904,680	137,800,260	155,998,253	154,939,035	210,229,182	87,079,799	101,008,426	101,304,229
Total government'l activities expenses	<u>\$ 230,684,866</u>	<u>\$ 278,411,097</u>	<u>\$ 291,576,288</u>	<u>\$ 267,992,627</u>	<u>\$ 286,829,784</u>	<u>\$ 285,056,987</u>	<u>\$ 324,026,255</u>	<u>\$ 214,485,609</u>	<u>\$ 240,519,877</u>	<u>\$ 248,019,533</u>
<b>Business-type Activities:</b>										
CNG fueling station	\$ 210,120	\$ 165,557	\$ 150,418	\$ 135,805	\$ 189,518	\$ 264,221	\$ 168,769	\$ 117,675	\$ 128	\$ 31
Total business-type activities expenses	<u>210,120</u>	<u>165,557</u>	<u>150,418</u>	<u>135,805</u>	<u>189,518</u>	<u>264,221</u>	<u>168,769</u>	<u>117,675</u>	<u>128</u>	<u>31</u>
Total primary government expenses	<u>\$ 230,894,986</u>	<u>\$ 278,576,654</u>	<u>\$ 291,726,706</u>	<u>\$ 268,128,432</u>	<u>\$ 287,019,302</u>	<u>\$ 285,321,208</u>	<u>\$ 324,195,024</u>	<u>\$ 214,603,284</u>	<u>\$ 240,520,005</u>	<u>\$ 248,019,564</u>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Fees and Charges</b>										
Stationary sources	\$ 92,703,725	\$ 81,097,647	\$ 81,291,028	\$ 82,624,489	\$ 85,439,616	\$ 87,160,484	\$ 88,120,829	\$ 89,264,511	\$ 94,279,518	\$ 100,354,910
Mobile sources	24,128,436	23,728,238	22,512,790	23,384,894	23,535,070	24,307,527	24,526,008	25,743,988	28,087,131	26,026,673
Operating grants and subventions	141,967,816	252,182,003	216,422,579	213,332,401	173,309,732	164,053,936	149,766,034	122,424,397	222,070,040	185,367,622
Total governmental activities prog. revenues	<u>\$ 258,799,977</u>	<u>\$ 357,007,888</u>	<u>\$ 320,226,397</u>	<u>\$ 319,341,784</u>	<u>\$ 282,284,418</u>	<u>\$ 275,521,947</u>	<u>\$ 262,412,871</u>	<u>\$ 237,432,896</u>	<u>\$ 344,436,689</u>	<u>\$ 311,749,205</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule 2

Changes in Net Position – Last Ten Fiscal Years  
(accrual basis of accounting) (continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type Activities:										
CNG fueling station	\$ 169,917	\$ 169,510	\$ 273,531	\$ 290,796	\$ 411,434	\$ 393,076	\$ 416,874	\$ 229,005	\$ 18,022	\$ -
Total business-type activities prog. revenues	<u>169,917</u>	<u>169,510</u>	<u>273,531</u>	<u>290,796</u>	<u>411,434</u>	<u>393,076</u>	<u>416,874</u>	<u>229,005</u>	<u>18,022</u>	<u>-</u>
Total primary government prog. revenues	<u>\$ 258,969,894</u>	<u>\$ 357,177,398</u>	<u>\$ 320,499,928</u>	<u>\$ 319,632,580</u>	<u>\$ 282,695,852</u>	<u>\$ 275,915,023</u>	<u>\$ 262,829,745</u>	<u>\$ 237,661,901</u>	<u>\$ 344,454,711</u>	<u>\$ 311,749,205</u>
Net (Expense) Revenue										
Governmental activities	\$ 28,115,112	\$ 78,596,791	\$ 28,650,109	\$ 51,349,157	\$ (4,545,366)	\$ (9,535,040)	\$ (61,613,384)	\$ 22,947,287	\$ 103,916,812	\$ 63,729,672
Business-type activities	(40,203)	3,953	123,113	154,991	221,916	128,855	248,105	111,330	17,894	(31)
Total primary govnt net (expenses) revenue	<u>\$ 28,074,909</u>	<u>\$ 78,600,744</u>	<u>\$ 28,773,222</u>	<u>\$ 51,504,148</u>	<u>\$ (4,323,450)</u>	<u>\$ (9,406,185)</u>	<u>\$ (61,365,279)</u>	<u>\$ 23,058,617</u>	<u>\$ 103,934,706</u>	<u>\$ 63,729,641</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Grants and subventions not restricted										
to specific stationary source programs	\$ 2,934,513	\$ 2,926,440	\$ 2,918,779	\$ 2,890,117	\$ 2,889,099	\$ 2,889,884	\$ 2,887,831	\$ 2,885,047	\$ 2,885,535	\$ 2,879,520
Interest	1,962,431	976,434	832,444	529,031	343,206	461,444	339,005	435,773	644,574	1,041,333
Lease revenue	379,440	371,104	-	-	-	-	-	-	-	-
Penalties/settlement	9,469,694	10,346,122	7,348,657	4,906,391	11,562,529	17,959,410	8,733,773	5,704,685	11,511,570	14,316,145
Subscriptions	15,519	10,363	7,760	6,095	1,630	3,498	2,136	2,842	1,097	436
Other	34,828	298,683	1,631,518	1,352,418	406,456	2,255,997	2,080,950	1,120,226	1,621,419	1,153,863
Transfers	-	-	-	-	-	-	-	-	-	1,253,147
Total governmental activities	<u>\$ 14,796,424</u>	<u>\$ 14,929,145</u>	<u>\$ 12,739,158</u>	<u>\$ 9,684,052</u>	<u>\$ 15,202,920</u>	<u>\$ 23,570,233</u>	<u>\$ 14,043,695</u>	<u>\$ 10,148,573</u>	<u>\$ 16,664,195</u>	<u>\$ 20,644,444</u>
Business-type Activities										
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government revenue	<u>\$ 14,796,424</u>	<u>\$ 14,929,145</u>	<u>\$ 12,739,158</u>	<u>\$ 9,684,052</u>	<u>\$ 15,202,920</u>	<u>\$ 23,570,233</u>	<u>\$ 14,043,695</u>	<u>\$ 10,148,573</u>	<u>\$ 16,664,195</u>	<u>\$ 20,644,444</u>
Change in Net Position										
Governmental activities	\$ 42,911,536	\$ 93,525,936	\$ 41,389,267	\$ 61,033,209	\$ 10,657,554	\$ 14,035,193	\$ (47,569,689)	\$ 33,095,860	\$ 120,581,007	\$ 84,374,116
Business-type activities	(40,203)	3,953	123,113	154,991	221,916	128,855	248,105	111,330	17,894	(1,253,178)
Total primary government	<u>\$ 42,871,333</u>	<u>\$ 93,529,889</u>	<u>\$ 41,512,380</u>	<u>\$ 61,188,200</u>	<u>\$ 10,879,470</u>	<u>\$ 14,164,048</u>	<u>\$ (47,321,584)</u>	<u>\$ 33,207,190</u>	<u>\$ 120,598,901</u>	<u>\$ 83,120,938</u>



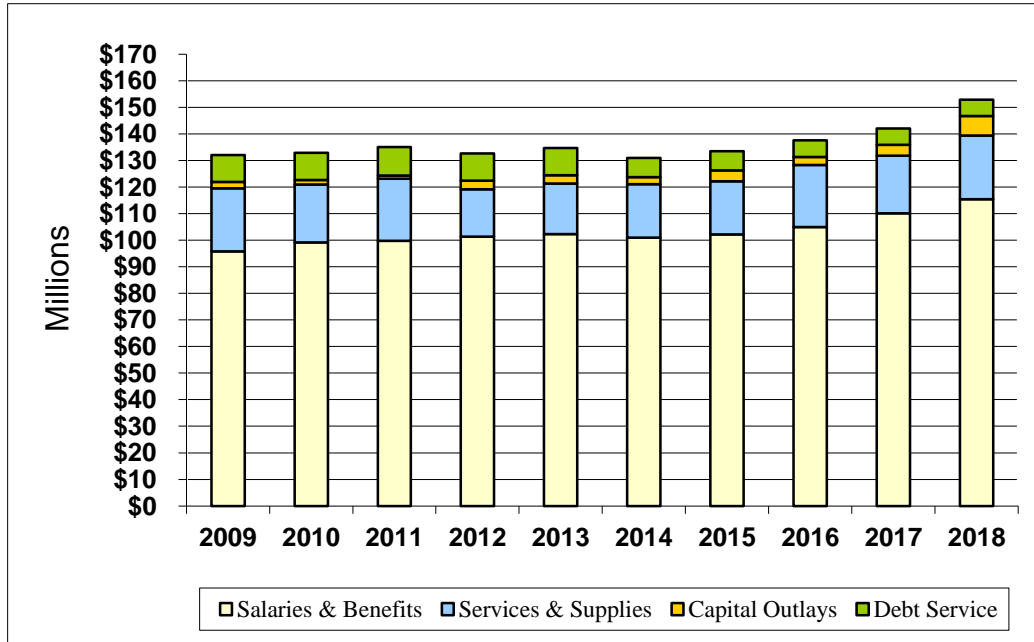
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
Schedule 3  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2009	2010	2011*	2012	2013	2014	2015	2016	2017	2018
<b>General Fund</b>										
Reserved	\$ 7,318,433	\$ 7,575,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	56,309,536	52,814,783	-	-	-	-	-	-	-	-
Nonspendable	-	-	50,315	73,043	71,968	66,703	73,463	65,731	63,688	56,684
Committed	-	-	8,928,629	6,594,167	6,552,287	5,845,485	6,533,505	6,917,075	7,382,453	11,237,530
Assigned	-	-	17,763,384	15,390,753	12,194,651	12,194,650	6,803,899	6,203,899	6,303,899	7,228,892
Unassigned	-	-	25,858,045	24,689,814	19,774,006	27,672,310	34,353,647	31,006,208	38,741,459	47,532,700
<b>Total general fund</b>	<b>\$ 63,627,969</b>	<b>\$ 60,390,245</b>	<b>\$ 52,600,373</b>	<b>\$ 46,747,777</b>	<b>\$ 38,592,912</b>	<b>\$ 45,779,148</b>	<b>\$ 47,764,514</b>	<b>\$ 44,192,913</b>	<b>\$ 52,491,499</b>	<b>\$ 66,055,806</b>
<b>All Other Governmental Funds</b>										
Reserved for encumbrances	\$ 130,688,267	\$ 186,009,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved for debt service	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	203,673,852	237,563,798	-	-	-	-	-	-	-	-
Restricted	-	-	26,138,656	191,730,455	331,962,118	335,633,672	283,454,187	311,026,727	412,358,550	464,158,310
Committed	-	-	174,297,108	127,200,107	29,141,240	65,757,643	59,667,932	63,076,528	54,549,958	51,447,457
Assigned	-	-	272,132,633	210,588,937	169,437,574	135,253,835	126,111,461	125,654,185	142,085,357	161,309,146
Unassigned	-	-	(6,778,697)	(1,970,036)	-	(27,710)	(287,178)	(3,518,332)	(1,554,957)	(57,656)
<b>Total all other governmental funds</b>	<b>\$ 334,362,119</b>	<b>\$ 423,572,940</b>	<b>\$ 465,789,700</b>	<b>\$ 527,549,463</b>	<b>\$ 530,540,932</b>	<b>\$ 536,617,440</b>	<b>\$ 468,946,402</b>	<b>\$ 496,239,108</b>	<b>\$ 607,438,908</b>	<b>\$ 676,857,257</b>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**Schedule 4**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
Emission fees	\$ 24,826,356	\$ 19,663,671	\$ 21,371,061	\$ 19,714,882	\$ 20,540,391	\$ 20,472,379	\$ 19,838,979	\$ 18,984,919	\$ 18,964,371	\$ 22,786,661
Annual renewal fees	43,285,892	41,191,933	41,342,340	42,189,557	43,056,220	44,260,635	45,759,738	47,592,793	48,930,776	52,182,769
Area Sources	1,226,651	1,445,715	2,503,791	2,808,927	2,132,263	2,819,001	2,573,959	2,226,172	2,090,207	2,293,947
Permit processing fees	20,396,188	16,316,076	16,007,058	15,658,916	17,210,640	16,945,777	16,668,485	17,239,759	20,729,207	19,538,295
Mobile sources / Clean fuels	66,087,019	65,843,960	63,704,363	69,689,913	67,441,546	69,688,940	70,953,981	73,011,225	75,104,035	74,450,510
Air Toxics "Hot Spots"	2,026,249	1,977,074	1,824,327	1,833,488	1,917,252	1,954,650	2,039,612	2,373,579	2,645,644	2,538,246
Transportation program	894,440	836,557	885,263	848,829	927,824	877,816	845,236	891,991	840,322	845,718
State subvention	3,994,067	3,986,029	3,978,200	3,949,672	3,948,646	3,949,439	3,947,386	3,944,602	3,945,090	3,939,075
Federal grant	12,544,767	13,620,752	15,543,549	27,508,859	19,468,654	23,713,303	32,939,310	11,521,785	15,399,372	11,887,333
State grant	74,017,124	165,001,635	87,403,616	128,099,308	101,432,241	80,762,239	60,717,715	38,050,172	125,988,646	83,101,876
Interest revenue	10,448,326	6,224,115	6,556,895	4,962,021	3,677,620	3,824,484	3,766,327	4,100,302	6,296,761	10,739,589
Lease revenue	379,440	371,104	380,431	281,284	140,739	133,916	141,878	141,195	156,204	147,660
Source test/analysis fees	579,607	486,075	636,822	759,784	790,824	697,133	746,399	683,328	734,258	663,011
Hearing Board fees	436,385	327,344	201,864	221,709	277,544	342,508	531,879	163,960	187,733	351,979
Penalties and settlements	9,469,694	11,346,122	7,348,657	6,006,391	11,642,529	17,959,410	8,733,773	8,475,935	11,511,570	15,801,455
Subscriptions	15,519	10,363	7,760	6,095	1,630	3,498	2,136	2,842	1,097	436
Other revenues	2,968,677	23,288,416	63,269,554	4,486,199	2,880,775	10,687,052	6,249,773	18,176,910	27,575,590	29,871,943
<b>Total revenues</b>	<b>\$ 273,596,401</b>	<b>\$ 371,936,941</b>	<b>\$ 332,965,551</b>	<b>\$ 329,025,834</b>	<b>\$ 297,487,338</b>	<b>\$ 299,092,180</b>	<b>\$ 276,456,566</b>	<b>\$ 247,581,469</b>	<b>\$ 361,100,883</b>	<b>\$ 331,140,503</b>
<b>Expenditures:</b>										
Salaries and employee benefits	\$ 95,793,414	\$ 99,192,010	\$ 99,773,382	\$ 101,364,885	\$ 102,289,888	\$ 101,023,768	\$ 102,127,845	\$ 104,908,690	\$ 110,044,224	\$ 115,342,430
Insurance	1,228,273	1,024,939	1,039,020	882,871	1,078,546	1,258,577	1,202,650	1,148,390	1,131,980	1,503,440
Rent	524,712	535,733	589,248	532,089	620,723	527,991	556,323	509,395	540,386	550,641
Supplies	3,035,346	2,997,815	2,600,630	2,371,901	2,894,275	2,647,163	2,588,866	2,519,673	3,035,619	3,375,314
Contract and special services	114,897,344	160,153,501	171,344,881	145,316,505	162,672,155	159,679,349	219,251,382	95,288,291	108,413,444	109,427,946
Maintenance	1,423,541	1,152,411	1,273,060	1,183,238	1,425,557	1,445,271	1,270,417	1,712,754	1,287,341	1,787,868
Travel and auto	746,705	694,696	707,050	791,042	753,860	739,784	783,720	703,392	877,137	1,107,393
Utilities	1,713,817	1,483,855	1,495,435	1,342,945	1,405,249	1,637,327	1,809,594	1,717,980	1,411,075	1,520,114
Communications	560,274	598,674	598,958	587,930	580,569	629,542	635,977	679,666	577,753	614,018
Uncollectible accounts	683,945	753,072	891,794	953,792	454,094	1,116,103	7,982	444,485	400,929	412,184
Other expenditures	691,833	1,303,225	2,767,725	2,544,090	2,179,367	4,578,992	1,665,715	3,004,689	2,023,075	1,996,218
Capital outlay	3,670,377	2,835,795	2,170,102	2,051,740	3,261,458	3,351,887	3,050,388	4,032,806	4,669,042	4,583,914
Debt service:										
Principal	8,695,000	9,165,000	10,090,000	10,250,000	18,177,007	3,099,025	3,159,384	3,235,598	3,331,010	3,432,798
Interest	4,442,290	4,073,116	3,540,602	2,945,639	4,857,985	4,094,658	4,031,995	3,954,555	3,863,482	3,756,716
<b>Total expenditures</b>	<b>\$ 238,106,871</b>	<b>\$ 285,963,843</b>	<b>\$ 298,881,886</b>	<b>\$ 273,118,666</b>	<b>\$ 302,650,733</b>	<b>\$ 285,829,437</b>	<b>\$ 342,142,238</b>	<b>\$ 223,860,364</b>	<b>\$ 241,602,497</b>	<b>\$ 249,410,994</b>
Excess (deficiency) of revenues over (under) expenditures	35,489,530	85,973,097	34,083,665	55,907,168	(5,163,395)	13,262,743	(65,685,672)	23,721,105	119,498,386	81,729,509
<b>Other financing sources (uses):</b>										
Transfer in	25,907,899	4,362,357	17,056,936	8,670,107	38,364,134	19,653,981	9,768,512	10,777,488	8,540,141	10,713,791
Transfer out	(25,907,899)	(4,362,357)	(17,056,936)	(8,670,107)	(38,364,134)	(19,653,981)	(9,768,512)	(10,777,488)	(8,540,141)	(9,460,644)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	1,253,147
<b>Net change in fund balances</b>	<b>\$ 35,489,530</b>	<b>\$ 85,973,097</b>	<b>\$ 34,083,665</b>	<b>\$ 55,907,168</b>	<b>\$ (5,163,395)</b>	<b>\$ 13,262,743</b>	<b>\$ (65,685,672)</b>	<b>\$ 23,721,105</b>	<b>\$ 119,498,386</b>	<b>\$ 82,982,656</b>
Debt service as a percentage of noncapital expenditures	5.6%	4.7%	4.6%	4.9%	7.7%	2.5%	2.1%	3.3%	3.0%	2.9%

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
 Schedule 5  
 Expenditures by Major Object  
 General Fund (Budgetary Basis)  
 Last Ten Fiscal Years



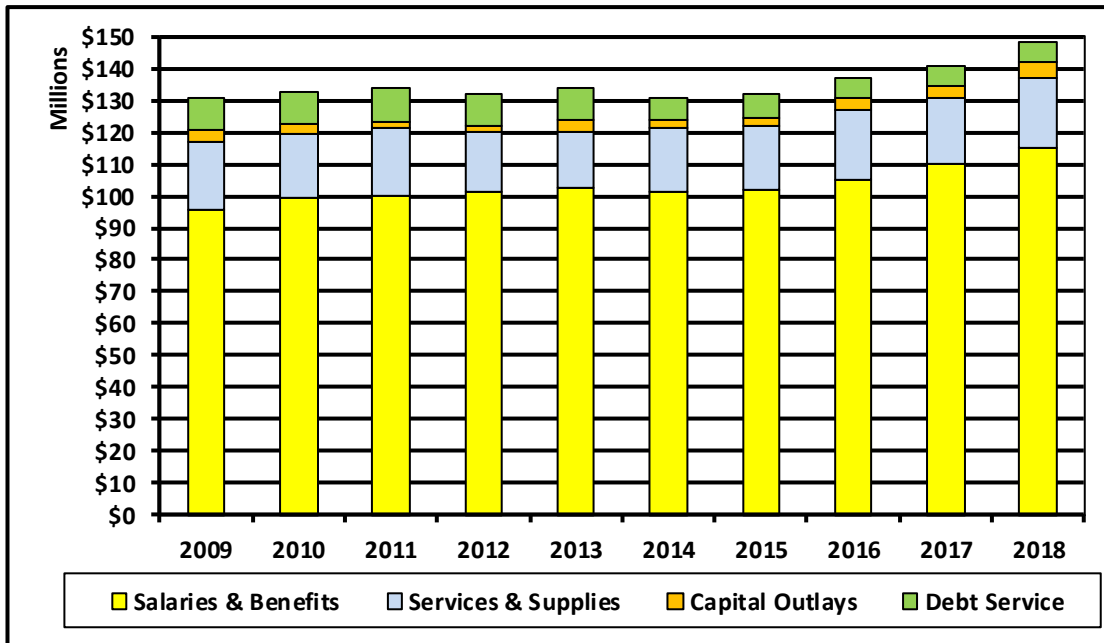
Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2009	95,793,414	23,732,428	2,409,605	10,137,290	132,072,737
2010	99,192,009	21,806,505	1,592,415	10,238,116	132,829,044
2011	99,773,382	23,397,710	1,198,178	10,630,602	134,999,872
2012	101,364,885	17,799,716	3,261,876	10,195,639	132,622,116
2013	102,289,888	19,052,813	3,053,754	10,219,978	134,616,433
2014	101,023,768	19,989,096	2,695,286	7,193,683	130,901,833
2015	102,127,842	20,074,713	4,031,026	7,191,379	133,424,960
2016	104,908,689	23,338,580	3,074,374	6,190,153	137,511,796
2017	110,077,989	21,757,613	4,037,890	6,194,492	142,067,984
2018	115,425,019	23,951,490	7,301,002	6,189,514	152,867,025

See Notes Associated with Financial Charts page 123

Source:

South Coast Air Quality Management District Audited Financial Statements

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
 Schedule 6  
 Expenditures by Major Object  
 General Fund (GAAP Basis)  
 Last Ten Fiscal Years



Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2009	95,793,414	21,227,874	3,670,377	10,137,290	130,828,955
2010	99,192,009	20,335,515	2,835,795	10,238,116	132,601,435
2011	99,773,382	21,403,118	2,170,102	10,630,602	133,977,204
2012	101,364,885	18,706,143	2,051,740	10,195,639	132,318,407
2013	102,289,888	18,066,145	3,261,458	10,219,978	133,837,469
2014	101,023,768	20,469,780	2,203,171	7,193,683	130,890,402
2015	102,127,845	19,683,561	2,910,271	7,191,379	131,913,056
2016	104,908,690	22,007,495	3,674,227	6,190,153	136,780,565
2017	110,040,224	20,903,669	3,455,686	6,194,492	140,594,071
2018	115,342,430	21,995,126	4,579,695	6,189,514	148,106,765

See Notes Associated with Financial Charts page 123

Source:

South Coast Air Quality Management District Audited Financial Statements

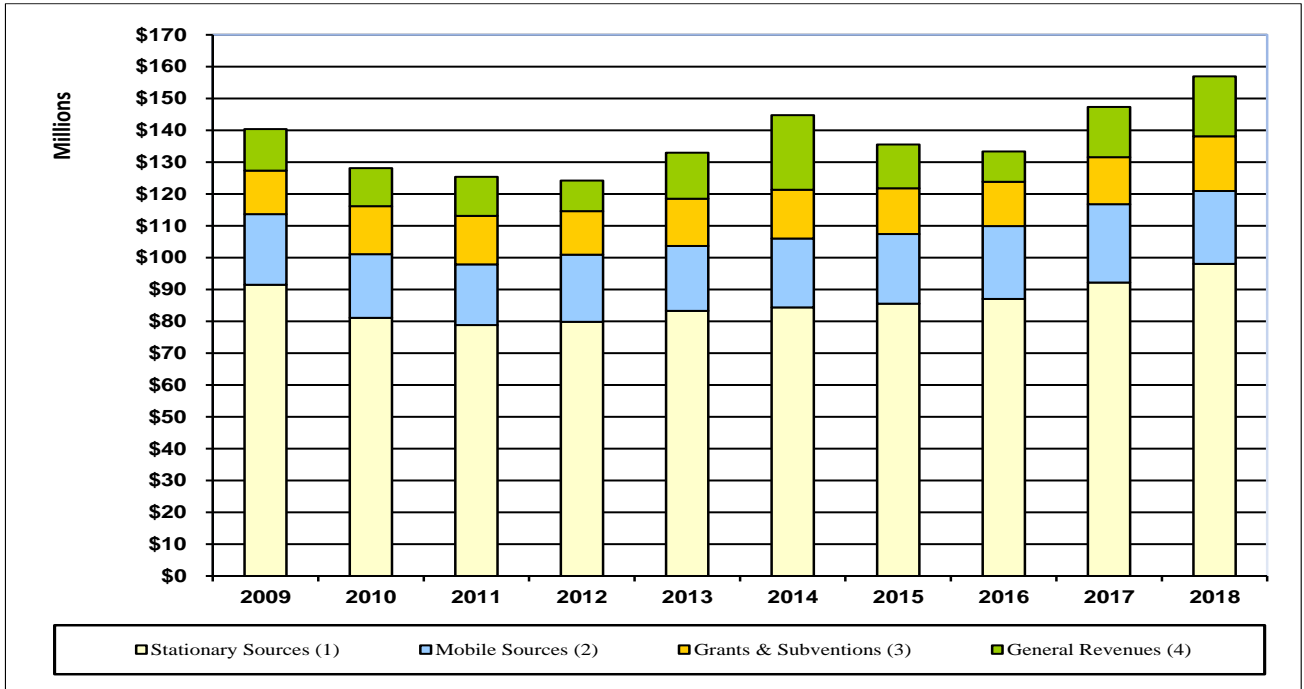
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
Schedule 7  
Debt Capacity  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(amounts expressed in thousands)

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Total Revenues (*)	Number of Customers	Per Customer
	Installment Sale Revenue Bonds	Pension Obligation Bonds				
2009	\$ 30,410	56,407	86,817	61.83%	28	3
2010	25,745	51,907	77,652	60.60%	28	3
2011	20,370	47,192	67,562	53.87%	28	2
2012	15,130	42,182	57,312	46.15%	28	2
2013	-	39,135	39,135	29.48%	28	1
2014	-	36,036	36,036	24.89%	27	1
2015	-	32,876	32,876	24.26%	27	1
2016	-	29,641	29,641	22.23%	27	1
2017	-	26,310	26,310	17.86%	26	1
2018	-	22,877	22,877	14.58%	27	1

The South Coast Air Quality Management District is a regional government and is not authorized to issue long-term debt (General Obligation Bonds). The Pension Obligation Bonds are refunding bonds of outstanding debt owed the San Bernardino County Employees' Retirement Association. The South Coast Air Quality Management District has no long-term debt limits.

(\*) These percentages are calculated using Total Revenues, Schedule 8.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
 Schedule 8  
 Revenues by Major Source  
 General Fund  
 Last Ten Fiscal Years



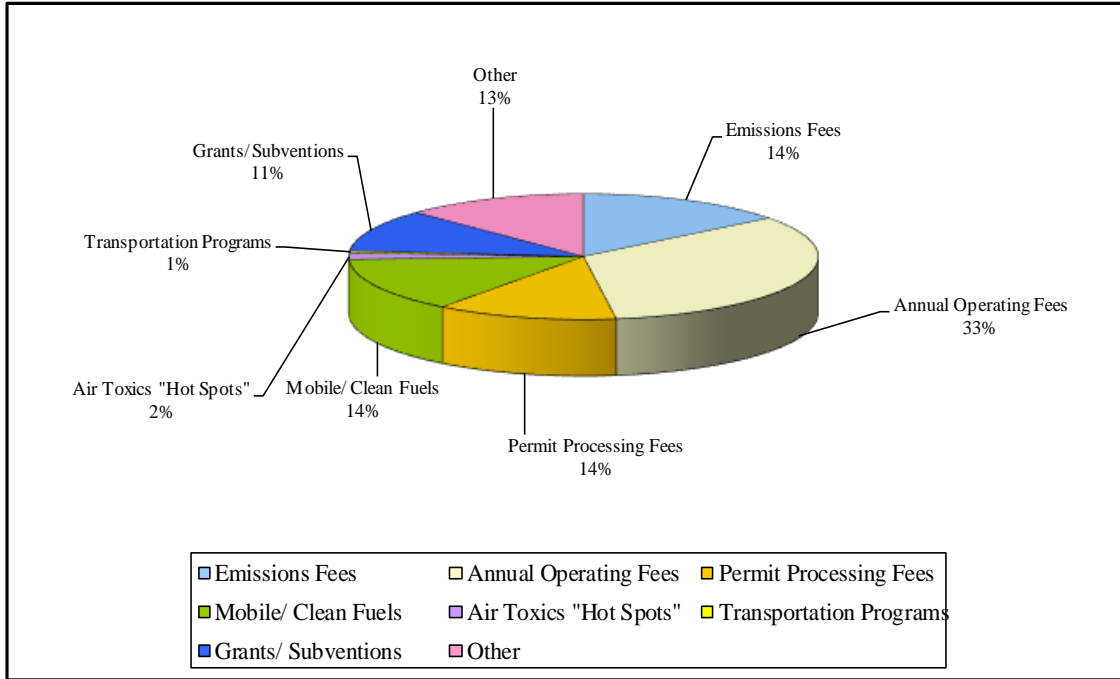
Year	Stationary Sources (1)	Mobile Sources (2)	Grants & Subventions (3)	General Revenues (4)	Total Revenues
2009	91,472,243	22,166,119	13,679,151	13,093,394	140,410,907
2010	81,097,647	19,994,596	15,039,879	12,002,573	128,134,695
2011	78,787,371	19,109,043	15,189,462	12,324,164	125,410,040
2012	79,815,562	21,149,810	13,611,764	9,602,853	124,179,989
2013	83,307,359	20,324,940	14,853,666	14,446,084	132,932,049
2014	84,341,483	21,654,072	15,285,284	23,499,350	144,780,189
2015	85,546,869	21,833,199	14,399,753	13,729,825	135,509,646
2016	87,038,338	22,859,620	13,934,946	9,489,698	133,322,602
2017	92,189,311	24,574,498	14,768,699	15,810,131	147,342,639
2018	98,060,961	22,861,428	17,207,484	18,805,726	156,935,599

- (1) Includes Emissions, Annual Operating, Permit, Air Toxics "Hot Spots," Source Test/Analysis, and Hearing Board fees
- (2) Includes AB2766 Mobile Source, Clean Fuels, and Transportation Programs revenues
- (3) Includes State Subventions, State Grants and Federal Grants
- (4) Includes Area Sources, Penalties & Settlements, Interest, Lease Revenue, Other Revenue and Subscriptions

See Notes Associated with Financial Charts page 124

Source: South Coast Air Quality Management District Audited Financial Statements

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**Schedule 9**  
**Revenues by Fee Source**  
**General Fund**  
**Last Ten Fiscal Years**



Fee Source Revenue									
Year	Emissions Fees	Annual Operating Fees	Permit Processing Fees	Mobile/ Clean Fuels	Air Toxics "Hot Spots"	Transportation Programs	Grants/ Subventions	Other	Total
2009	24,826,356	43,285,892	20,396,188	21,271,679	1,947,813	894,440	13,679,151	14,109,387	140,410,906
2010	19,663,671	41,191,933	16,316,076	19,158,039	1,666,699	836,557	15,039,879	14,261,841	128,134,695
2011	19,246,061	41,342,340	16,007,058	18,223,780	1,353,226	885,263	15,189,462	13,162,850	125,410,040
2012	19,714,882	42,189,557	15,658,916	20,300,981	1,270,714	848,829	13,611,764	10,584,346	124,179,989
2013	20,540,391	43,056,220	17,210,640	19,397,116	1,431,740	927,824	14,853,666	15,514,452	132,932,049
2014	20,472,379	44,260,635	16,945,777	20,776,256	1,623,051	877,816	15,285,284	24,538,991	144,780,189
2015	19,838,979	45,759,738	16,668,485	20,987,963	2,001,389	845,236	14,399,753	15,008,103	135,509,646
2016	18,984,919	47,592,793	17,239,759	21,967,629	2,373,579	891,991	13,934,946	10,336,986	133,322,602
2017	18,964,371	48,930,776	20,729,207	23,734,176	2,642,966	840,322	14,768,699	16,732,122	147,342,639
2018	22,786,661	52,182,769	19,538,295	22,015,710	2,538,246	845,718	17,207,484	19,820,716	156,935,599

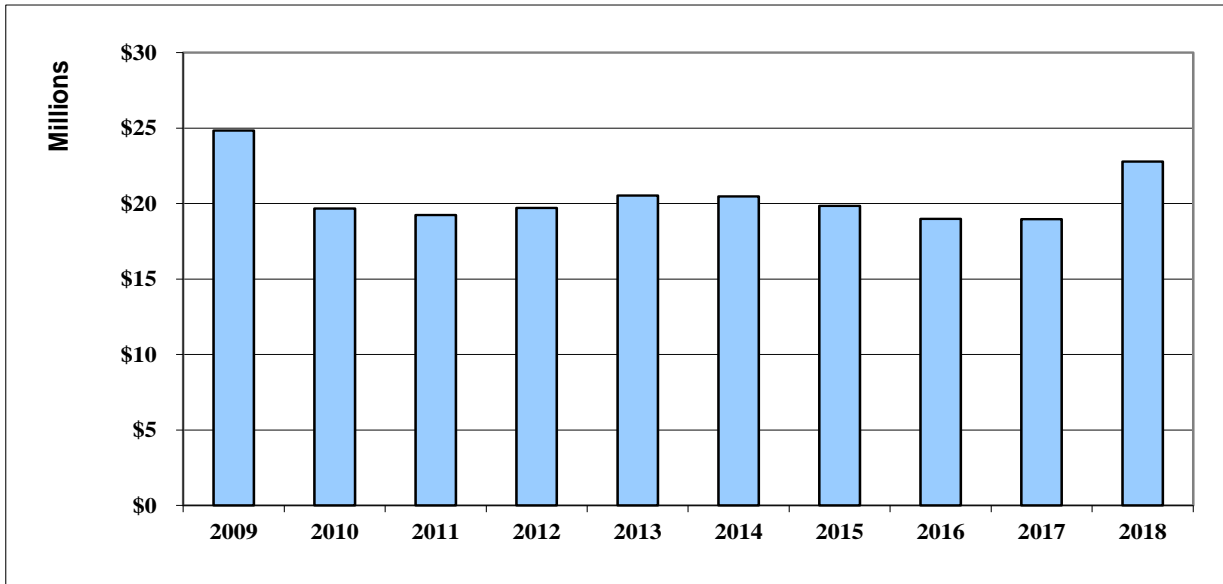
\* Other includes Area Sources, Penalties and Settlements, Interest, Source Test/Analysis Fees, Lease Revenue, Hearing Board, Other Revenue and Subscriptions.

See Notes Associated with Financial Charts page 124

Source:

South Coast Air Quality Management District Audited Financial Statements

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
 Schedule 10  
 Emission Fee Revenues  
 Last Ten Fiscal Years



Year	Emission Fees
2009	24,826,356
2010	19,663,671
2011	19,246,061
2012	19,714,882
2013	20,540,391
2014	20,472,379
2015	19,838,979
2016	18,984,919
2017	18,964,371
2018	22,786,661

See Notes Associated with Financial Charts page 125

Source: South Coast Air Quality Management District Audited Financial Statements



## Notes Associated with Financial Charts

### **Schedule 5 - Expenditures by Major Object (General Fund Budgetary Basis)**

- The increase in 2018 expenditures from 2017 is mainly due to the adding positions for the AB 617 and AB 134 programs and the costs associated with the three year labor agreement and with State Disability Insurance, employer share of unemployment insurance, Social Security and Medicare.
- The increase in 2017 expenditures from 2016 is mainly due to the hiring of some grant funded positions and the contribution rates provided from the San Bernardino County Retirement Association (SBCERA).
- The increase in 2016 expenditures from 2015 includes the costs associated with the three year labor agreement. The rents and leases for equipment also increased. In addition, the professional and special services increased due to new or additional projects for outside building consultants, community outreach, and planning and rule development activities.
- In 2015 the increase in Capital Outlays of approximately \$1.3M is mainly due to large purchases of vehicles and replacements of operational systems.
- The decrease in 2014 expenditures from 2013 is mainly due to a significant reduction in debt. As of June 2013, the 2002 Series Installment Sale Bonds were legally defeased.
- The increase in 2013 expenditures from 2012 is mainly due to the rising retirement and medical insurance costs.
- The decrease in 2012 expenditures is due to a significant reduction in Services and Supplies.
- The increase in 2011 expenditures from 2010 is mainly due to the increase in expenditures for Contract and Special Services.
- The increase in 2010 Salaries & Benefits expenditures from 2009 is mainly due to the hiring of vacant FTEs and rising retirement costs.
- The increase in 2009 expenditures from 2008 is mainly due to the hiring of vacant FTEs and rising retirement costs.

### **Schedule 6 - Expenditures by Major Object (General Fund GAAP Basis)**

- The increase in 2018 expenditures from 2017 is mainly due to the adding positions for the AB 617 and AB 134 programs and the costs associated with the three year labor agreement and with State Disability Insurance, employer share of unemployment insurance, Social Security and Medicare. Also, the increase in Capital Outlays reflects anticipated needs.
- The increase in 2017 expenditures from 2016 is mainly due to the hiring of some grant funded positions and the contribution rates provided from the San Bernardino County Retirement Association (SBCERA).
- The increase in 2016 expenditures from 2015 includes the costs associated with the three year labor agreement. The rents and leases for equipment also increased. In addition, the professional and special services increased due to new or additional projects for outside building consultants, community outreach, and planning and rule development activities.
- The small increase in 2015 expenditures from 2014 is mainly due to the rise in the contribution cost for retirement and purchases of vehicles.
- The decrease in 2014 expenditures from 2013 is mainly due to a significant reduction in debt. As of June 2013, the 2002 Series Installment Sale Bonds were legally defeased.
- The increase in 2013 expenditures from 2012 is mainly due to the rising retirement and medical insurance costs. In addition, Capital Outlays expenditures increased due to the large purchase of CNG vehicles and the replacement of some boilers and associated equipment.
- The decrease in 2012 expenditures is due to a significant reduction in Services and Supplies.
- The increase in 2011 expenditures from 2010 is mainly due to the increase in Contract and Special Services.
- The increase in 2010 expenditures from 2009 is mainly due to the hiring of vacant FTEs and rising retirement costs. In addition, Capital Outlays expenditures decreased due to asset retirements.

- The increase in 2009 expenditures from 2008 is mainly due to the hiring of vacant FTEs and rising retirement costs. In addition, Capital Outlays expenditures increased due to payments on prior year encumbrances.

#### **Schedule 8 - Revenues by Major Source (General Fund)**

- The increase in 2018 revenue reflects emission fees increase under the stationary sources and large penalties/settlements from facilities that were found not to be in compliance with SCAQMD rules and regulations under the General Revenue category.
- The large increase in 2017 revenue reflects large penalties/settlements from facilities that were found not to be in compliance with SCAQMD rules and regulations, which increased the General Revenue category.
- The decrease in 2016 revenue from 2015 is mainly due to the decrease in Penalties & Settlements in the General Revenues category.
- The large decrease in 2015 revenues is mainly due to the decrease in Penalties & Settlements for violations of permit conditions, SCAQMD Rules, or state law.
- Revenues increased significantly in 2014 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- Revenues increased significantly in 2013 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- The decrease in 2012 revenue is due to the decrease in Penalties & Settlements in General Revenues, and the reduction in Grants & Subventions.
- In 2011 the decrease in the Stationary Sources and Mobile Sources revenues are mainly due to the decrease in all the fee source revenues.
- The decrease in 2010 revenue is attributable to the economic downturn and declining emissions; however, the overall decline is mitigated by several large, unanticipated one time penalties/settlements.
- The increase in 2009 General Revenue reflects the fact that the number and magnitude of penalties and settlements can vary from year to year.

#### **Schedule 9 - Revenues by Fee Source (General Fund)**

- The increase in 2018 revenue from 2017 is mainly due to the increase of emission fees. Other revenues increased because the SCAQMD received large penalties/settlements from facilities that were found not to be in compliance with SCAQMD rules and regulations, which increased the General Revenue category.
- Other revenues increased significantly in 2017 because the SCAQMD received large penalties/settlements from facilities that were found not to be in compliance with SCAQMD rules and regulations, which increased the General Revenue category.
- The decrease in 2016 revenue from 2015 is mainly due to the decrease in Penalties & Settlements in the Other Revenues category.
- The large decrease in 2015 revenues is mainly due to the decrease in Penalties & Settlements for violations of permit conditions, SCAQMD Rules, or state law.
- Revenues increased significantly in 2014 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- Other revenues increased significantly in 2013 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- The decrease in 2012 revenue is due to the decrease in Penalties & Settlements in General Revenues, and the reduction in Grants & Subventions.
- The decrease in 2011 revenue from 2010 is mainly due to the decreases in Mobile Source revenue and Penalties and Settlements revenue.
- In 2010, all fee source revenues declined. The increase in Grants/Subventions revenue is attributable to a full year of administrative cost reimbursement for Prop 1B.

- In 2009, Annual Operating Fees and Permit Fees increased by 10% in 2009.

#### **Schedule 10 – Emission Fee Revenues**

- There was an increase in emission fees revenue in 2018 related to fee increase.
- There was a small decrease in emission fees revenue in 2017 due to gradually decreasing emissions.
- There was a small decrease in emission fees revenue in 2016 due to gradually decreasing emissions.
- There was a small decrease in emission fees revenue in 2015. Emission fees vary with the non-RECLAIM and RECLAIM emissions, and the flat emission fees of active facilities.
- The small increase in 2013 is due to a fee increase that was effective July 1, 2012.
- In 2010, emission fees decreased as a result of reduced emissions at major refineries and large facilities.
- The 2009 emission fees increased due to a 10% fee increase; offset by continued declining emissions.
- There was an increase in emission fees revenue in 2008 related to a 10% fee increase. However, the impact on the revenue is lower than the 10% due to a general decline in emissions.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
Schedule 11  
Revenue Capacity  
Largest Payers of Emission-Based Fees at a Single Location  
Current Year and Ten Years Ago

Payer	FY 2017-2018			FY 2007-2008		
	Payment	Rank	% of Total Emission Fee	Payment	Rank	% of Total Emission Fee
Torrance Refinery Co LLC (Formerly Exxon Mobil Corporation)	\$2,144,077	1	9.4%	\$1,979,605	2	8.6%
Tesoro Refining and Marketing	1,911,260	2	8.4%	2,060,184	1	8.9%
Chevron Products	1,842,021	3	8.1%	1,764,790	3	7.6%
Tesoro Refining and Marketing (Formerly Equilon)	1,316,368	4	5.8%	1,415,106	4	6.1%
Phillips 66 Company (Formerly Conoco and formerly Tosco Refining Co)*	940,282	5	4.1%	1,276,739	5	5.5%
Phillips 66 Company (Formerly Conoco and formerly Tosco Refining Co)*	653,426	6	2.9%	566,655	8	2.5%
Tesoro Refining and Marketing (formerly BP ARCO West Coast Products)*	576,215	7	2.5%			
Ultramar Incorporated	559,977	8	2.5%	848,634	6	3.7%
City of Long Beach, SERRF Project	235,874	9	1.0%	214,328	14	0.9%
Dart Container Corp of California	177,022	10	0.8%	225,240	12	1.0%
Desert View Power	164,882	11	0.7%			
Southern California Edison (Avalon)	145,336	12	0.6%	169,803	17	0.7%
Beta Off Shore	142,122	13	0.6%			
New Indy Ontario LLC	138,793	14	0.6%			
Cal Portland Cement Company	138,543	15	0.6%	771,564	7	3.3%
LA County Sanitation District	136,574	16	0.6%	195,331	16	0.8%
Rexam Beverage Can Company	126,717	17	0.6%			
Tamco	124,492	18	0.5%			
Anheuser-Busch Incorporated	122,118	19	0.5%	157,815	18	0.7%
Equilon Enterprises, LLC, Shell Oil Products US (formerly Texaco Refining)	116,972	20	0.5%			
Paramount Petroleum Company	-	-	-	288,112	9	1.2%
Rhodia Incorporated	-	-	-	262,961	10	1.1%
Mountainview Generating Station				254,833	11	1.1%
BP West Coast Products LLC	-	-	-	222,616	13	1.0%
Southern California Gas Company	-	-	-	209,833	15	0.9%
All American Asphalt				152,581	19	0.7%
Colmac Energy	-	-	-	150,443	20	0.7%
<b>Total Paid by Largest Payers at a Single Location</b>	<b>\$ 11,713,071</b>		<b>51.3%</b>	<b>\$ 13,187,173</b>		<b>57.0%</b>
<b>Total Emissions Based Fees Paid by All Emitters</b>	<b>\$ 22,786,661</b>			<b>\$ 23,100,073</b>		

\*Located at separate sites.

## **KEY AIR QUALITY AND DEMOGRAPHIC INFORMATION REGARDING THE REGION INCLUDED IN THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

The South Coast Air Quality Management District includes all of Orange County and parts of Los Angeles, Riverside and San Bernardino Counties. The section below provides a brief description of each county.

Measuring 4,084 square miles, *Los Angeles County* is one of the nation's largest counties. It is the most populated county in the state of California and contains the most populated city in the state, the City of Los Angeles. Before World War II, Los Angeles County was one of the nation's foremost agricultural producers. As agricultural production declined, the economy has evolved into diverse areas that include trade, transportation, and utilities, government, educational and health services, professional and business services, and manufacturing. Tourism and entertainment as well as international trade also play a vital role in the county's economy. The county is home to the twin seaports of Los Angeles and Long Beach, together the nation's largest, as well as the single largest fixed source of air pollution in the region. The two ports are responsible for more smog-forming nitrogen oxide emissions than 7 million cars.

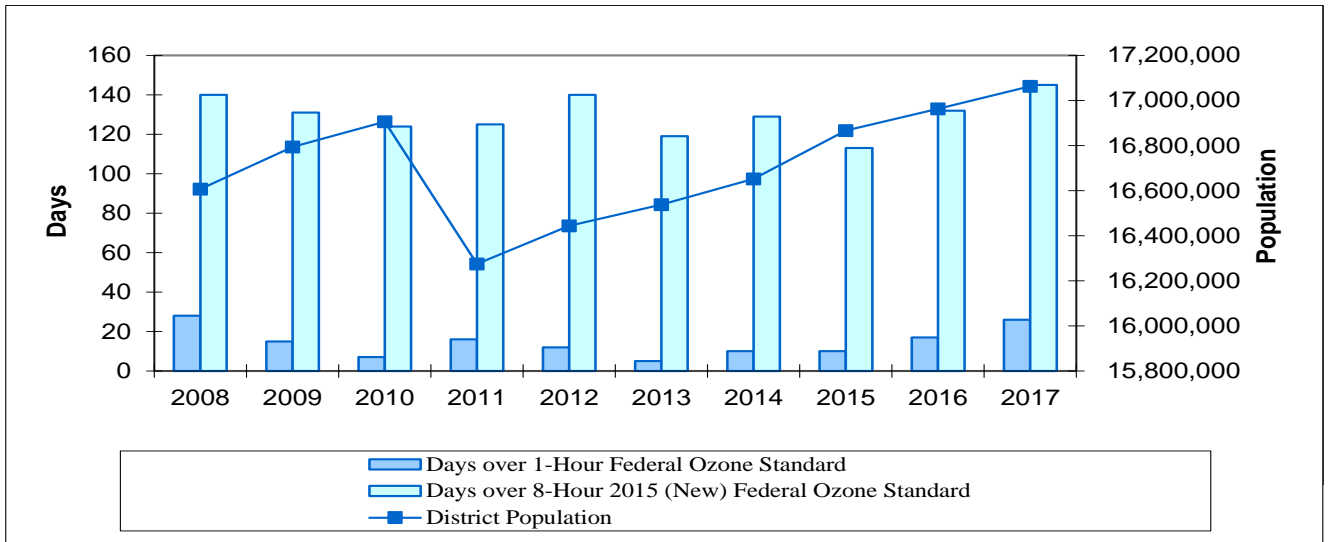
*Orange County* is the third most populated county in the state and lies south of Los Angeles County. When created in 1889, Orange County was named for its abundance of orange groves and thriving agricultural industry. Today, the largest industry employers are trade, transportation, and utilities, professional and business services, and manufacturing.

The varied topography of *Riverside County* is characterized by fertile river valleys to rolling plains and foothills to deserts below sea level and mountain peaks above 10,000 feet. Recent years have brought dramatic population growth to Riverside County. The population is expected to increase by 1.3 percent in 2016. Annual growth in the 2016 - 2021 period is expected to average 1.5 percent. The county's early years were linked to the agriculture industry, but commerce, construction, manufacturing, transportation, and tourism have contributed to the county's substantial growth. The County is also a major distribution center for Southern California and the Pacific Rim.

Roughly 90 percent of *San Bernardino County* is desert and the remaining portion consists of the San Bernardino Valley and San Bernardino Mountains. San Bernardino County and Riverside County are collectively known as the Inland Empire. San Bernardino ranks as the fifth-highest populated county in California from 2016 to 2021, population growth is expected to average 1.0 percent per year. The economy is led by services, government, retail trade, and manufacturing industries. Additionally, the county consistently ranks in the top fifteen agricultural-producing counties in the state.

All four counties within the South Coast Air Quality Management District's jurisdiction have experienced significant population growth in the last few years. The following charts illustrate air pollution, demographic, employment, and motor vehicle information relating to the South Coast Air Quality Management District region.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**Schedule 12**  
**South Coast Air Basin Smog Trend**  
**Last Ten Calendar Years**



Year	Days over 1-Hour Federal Ozone Standard	Days over 8-Hour 2015 (New) Federal Ozone	District Population
2008	28	140	16,607,472
2009	15	131	16,793,784
2010	7	124	16,906,456
2011	16	125	16,274,797
2012	12	140	16,444,162
2013	5	119	16,538,490
2014	10	129	16,652,810
2015	10	113	16,866,350
2016	17	132	16,962,478
2017	26	145	17,063,249

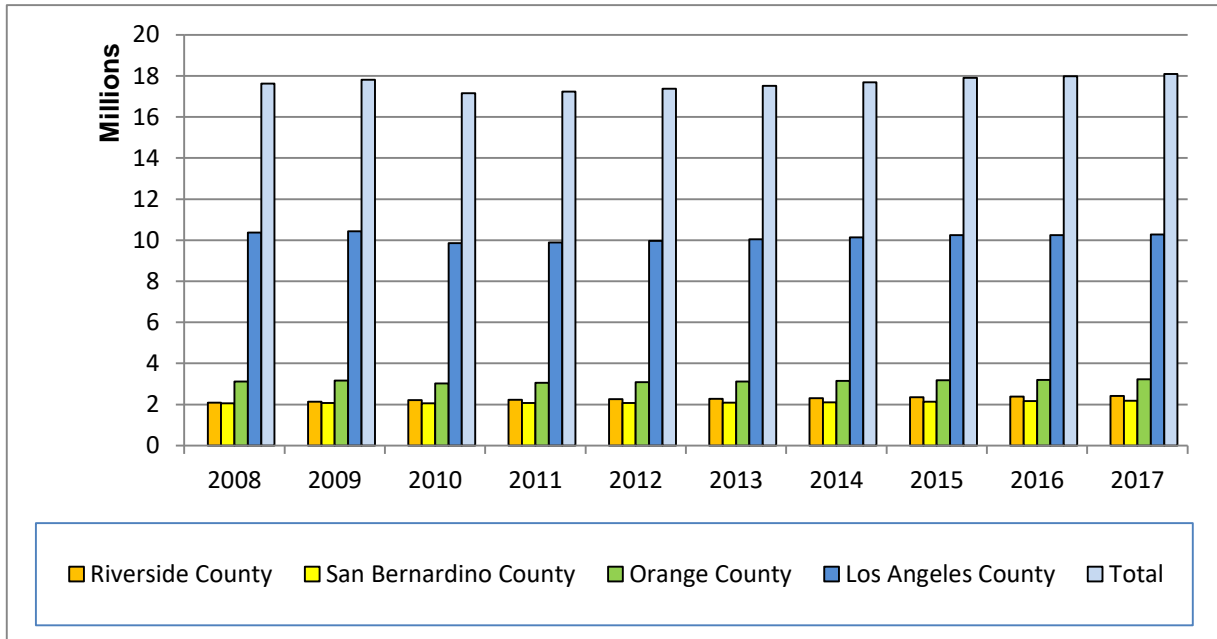
**Notes:**

- The average number of days exceeding the federal ozone standard in the Basin decreased by 54% between the three-year period of 1976-78 and 2011-13.
- Favorable weather conditions and continued implementation of the air pollution control strategy contributed to the significant decrease in Days over the 1-Hour Ozone Standard in the recent decades.
- In 1997, the federal government implemented the 8-hour ozone National Ambient Air Quality Standard. The standard was revised in 2015 from 75 ppb to 70 ppb.

**Source:**

South Coast Air Quality Management District ([www.aqmd.gov](http://www.aqmd.gov)); State Subvention Guidance.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**Schedule 13**  
**Four-County Area Population**  
**Last Ten Calendar Years**



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	% Increase
2008	2,088,322	2,055,766	3,121,251	10,363,850	17,629,189	1.16%
2009	2,139,535	2,073,149	3,166,461	10,441,080	17,820,225	1.08%
2010	2,217,778	2,052,397	3,029,859	9,858,989	17,159,023	-3.71%
2011	2,227,577	2,063,919	3,055,792	9,884,632	17,231,920	0.42%
2012	2,255,059	2,076,274	3,081,804	9,958,091	17,371,228	0.81%
2013	2,279,967	2,085,669	3,113,991	10,041,797	17,521,424	1.68%
2014	2,308,441	2,104,291	3,147,655	10,136,559	17,696,946	1.00%
2015	2,347,828	2,139,570	3,183,011	10,241,335	17,911,744	1.21%
2016	2,384,783	2,160,256	3,194,024	10,241,278	17,980,341	0.38%
2017	2,415,955	2,174,938	3,221,103	10,283,729	18,095,725	0.64%

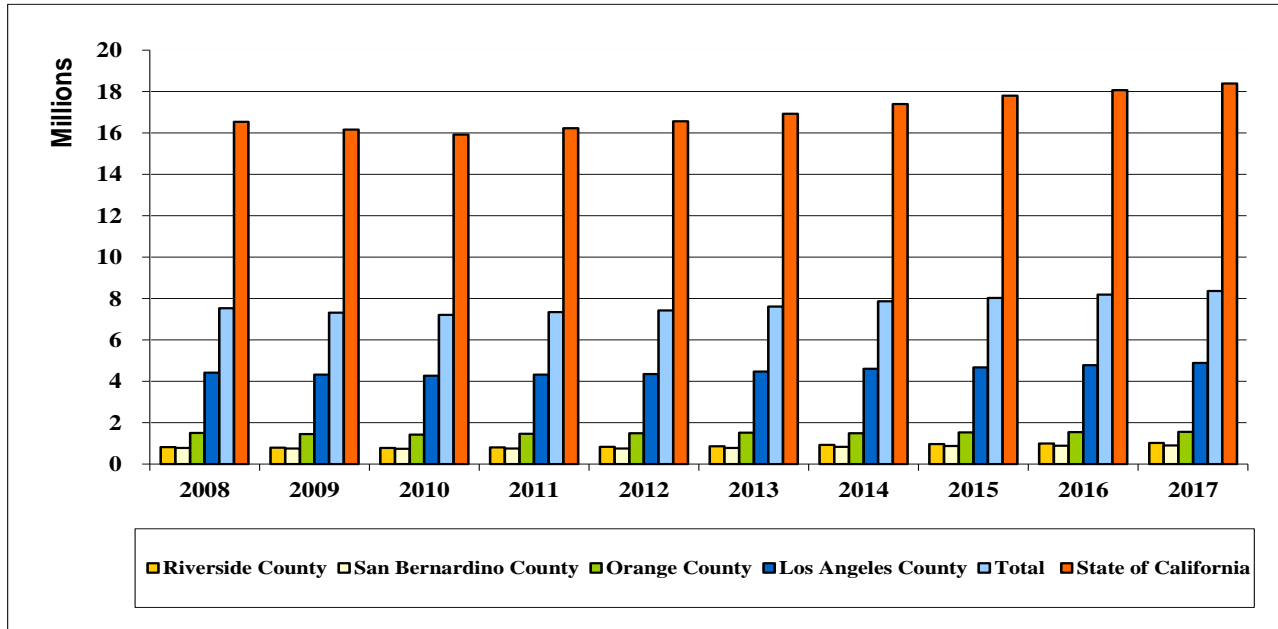
SCAQMD encompasses all of Orange County and parts of the Los Angeles, Riverside, and San Bernardino Counties, representing over 18 million residents.

Source:

California Department of Finance - Demographic Research Unit

[www.dof.ca.gov/budgeting/documents](http://www.dof.ca.gov/budgeting/documents)

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
 Schedule 14  
 Los Angeles, Orange, Riverside, San Bernardino  
 Counties, and State of California Civilian Employment  
 Last Ten Calendar Years

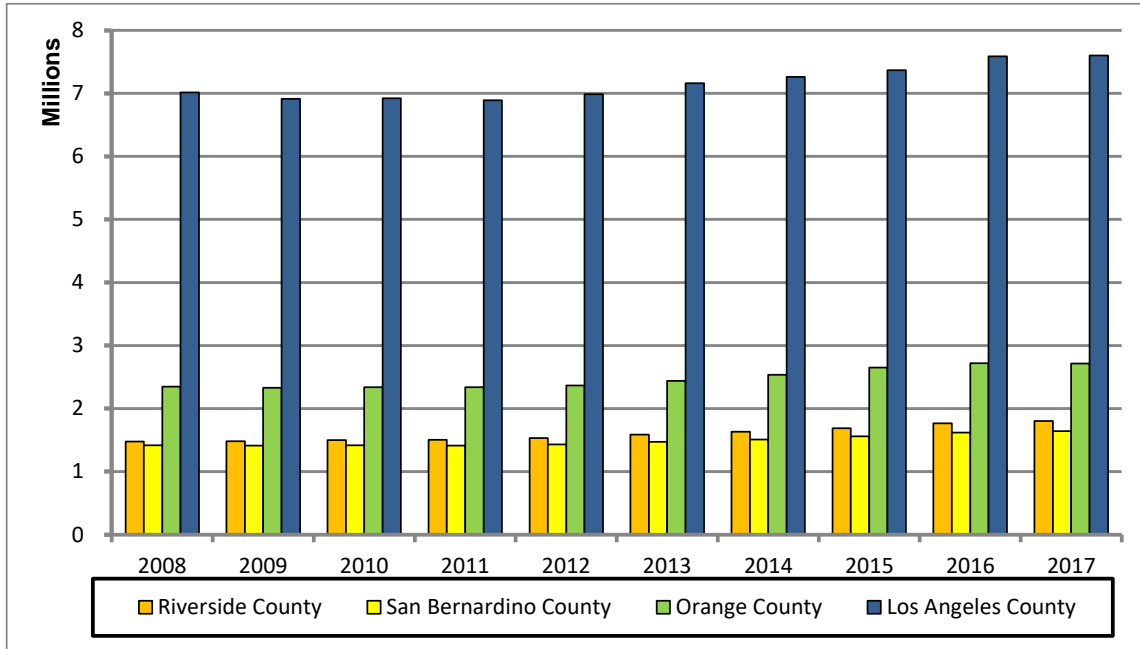


Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	State of California
2008	813,800	781,400	1,507,300	4,422,900	7,525,400	16,531,700
2009	790,000	751,600	1,451,000	4,328,600	7,321,200	16,163,900
2010	779,500	733,800	1,429,700	4,262,300	7,205,300	15,916,300
2011	810,600	747,100	1,464,400	4,318,900	7,341,000	16,226,600
2012	828,800	758,000	1,496,000	4,345,700	7,428,500	16,560,300
2013	855,300	778,100	1,510,600	4,470,700	7,614,700	16,933,300
2014	927,300	836,000	1,489,200	4,610,800	7,863,300	17,397,100
2015	965,500	866,800	1,525,600	4,674,800	8,032,700	17,798,600
2016	988,000	882,200	1,538,000	4,778,800	8,187,000	18,065,000
2017	1,016,200	904,200	1,562,600	4,883,600	8,366,600	18,393,100

Source:  
 State of California: Employment Development Department  
[www.labormarketinfo.edd.ca.gov/cgi/dataanalysis](http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis)



**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**Schedule 15**  
**Vehicle Registrations (Automobiles & Trucks)**  
**For Four County Area**  
**Last Ten Calendar Years**



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total District
2008	1,476,725	1,418,934	2,345,325	7,012,263	12,253,247
2009	1,480,616	1,410,411	2,327,428	6,913,586	12,132,041
2010	1,497,595	1,417,354	2,337,837	6,920,671	12,173,457
2011	1,502,571	1,412,652	2,336,315	6,892,687	12,144,225
2012	1,532,040	1,428,725	2,367,745	6,984,730	12,313,240
2013	1,587,494	1,470,974	2,440,330	7,159,182	12,657,980
2014	1,630,405	1,507,903	2,536,833	7,263,982	12,939,123
2015	1,689,523	1,557,196	2,649,420	7,368,979	13,265,118
2016	1,765,545	1,618,573	2,716,672	7,585,269	13,686,059
2017	1,799,962	1,642,888	2,713,892	7,599,579	13,756,321

SCAQMD encompasses all of Orange County, and parts of Los Angeles, Riverside, and San Bernardino counties.

Source:

California Department of Motor Vehicles - Estimated Vehicles Registered by County

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
Schedule 16  
Full-time Equivalent SCAQMD Employees by Function/Program  
Last Ten Fiscal Years

FUNCTION:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Executive Office	9	10	10	10	9	10	8	9	6	5
Clerk of the Boards	5	6	6	6	6	6	6	6	6	5
Legal *	-	-	-	-	-	-	-	-	27	28
District Counsel	13	13	12	11	11	12	12	10	-	-
District Prosecutor	19	19	20	21	18	19	20	19	-	-
Finance	44	45	43	42	41	44	41	40	42	44
Administrative & Human Resources	37	36	34	32	32	31	32	30	33	36
Information Management	49	48	49	48	47	47	46	47	45	47
Planning, Rule Development & Area Area Sources	108	105	103	96	88	85	85	85	94	111
Legislative, Public Affairs & Media	42	42	40	39	40	38	38	41	44	41
Science & Technology Advancement	160	156	146	143	144	144	150	148	145	159
Engineering & Compliance **	310	299	300	286	273	261	259	-	-	-
Engineering & Permitting	-	-	-	-	-	-	-	136	133	133
Compliance & Enforcement	-	-	-	-	-	-	-	110	127	119
<b>Total</b>	<b>796</b>	<b>779</b>	<b>763</b>	<b>734</b>	<b>709</b>	<b>697</b>	<b>697</b>	<b>681</b>	<b>702</b>	<b>728</b>

\* In fiscal year 2013, District Counsel and District Prosecutor merged to become the Legal department.

\*\* In fiscal year 2016, Engineering & Compliance split into two divisions: Engineering & Permitting and Compliance & Enforcement.

Source: Administrative and Human Resources (vacancy and item control reports).

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**Schedule 17**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

<b><u>Program Category</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
<b>Advance Clean Air Technology</b>										
Contracts awarded	292	530	526	556	938	523	1,047	421	403	357
Total Funding awarded	\$ 89,421,125	\$ 180,669,515	\$ 131,399,287	\$ 82,536,619	\$ 207,181,573	\$ 216,085,526	\$ 123,181,473	\$ 153,900,867	\$ 137,406,323	\$ 170,391,084
<b>Ensure Compliance with Clean Air Rules</b>										
Inspections	40,558	33,735	33,560	34,191	32,535	29,501	22,871	24,037	21,419	24,692
Notices of Violations	1,908	1,530	1,254	1,211	965	956	811	499	632	1,626
Hearing Board Orders for Abatement	36	35	47	93	51	46	41	23	27	24
Hearing Board Appeals	19	20	2	7	3	7	-	3	3	1
<b>Customer Service</b>										
Public Information Requests	4,962	3,821	3,410	3,543	3,460	4,505	4,012	4,958	5,282	4,676
Community/Public Meetings attended	198	202	190	274	294	264	217	239	210	156
Small Business Assistance Contacts	2,662	2,578	2,497	2,574	2,266	1,850	1,711	1,865	2,834	4,073
<b>Develop Programs to Achieve Clean Air</b>										
Transportation Plans processed	1,412	1,372	1,385	1,392	1,371	1,333	1,329	1,337	1,348	1,356
Emission Inventory Updates	586	703	521	530	408	460	336	356	244	343
<b>Develop Rules to Achieve Clean Air</b>										
Rules Developed	32	15	40	8	20	24	24	16	15	28
<b>Monitoring Air Quality</b>										
Samples Analyzed by the Laboratory	25,400	29,685	28,915	29,520	32,520	29,340	30,824	32,400	38,541	36,342
Source Testing Analyses/Evaluations/Reviews	718	740	1,030	952	1,035	968	996	936	952	714
<b>Timely Review of Permits</b>										
Applications Processed	11,564	9,627	13,044	12,225	14,153	13,217	9,495	9,482	11,780	10,913
Applications Received-Small Business	627	694	798	732	615	514	629	594	535	605
Applications Received-All Others	10,954	10,941	10,769	11,682	11,709	11,156	9,961	9,894	8,376	9,172
<b>Policy Support</b>										
News Releases	76	69	64	57	61	62	76	89	86	120
Media Calls	334	313	252	520	1,131	774	532	1,450	1,201	-
Media Inquiries Completed	334	313	252	520	1,131	774	532	1,450	1,201	-
News Media Interactions*	-	-	-	-	-	-	-	-	-	1,235

\*Tracking of News Media Interactions began in 2018

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
 Schedule 18  
 Capital Assets Statistics by Function/Program  
 Last Five Fiscal Years

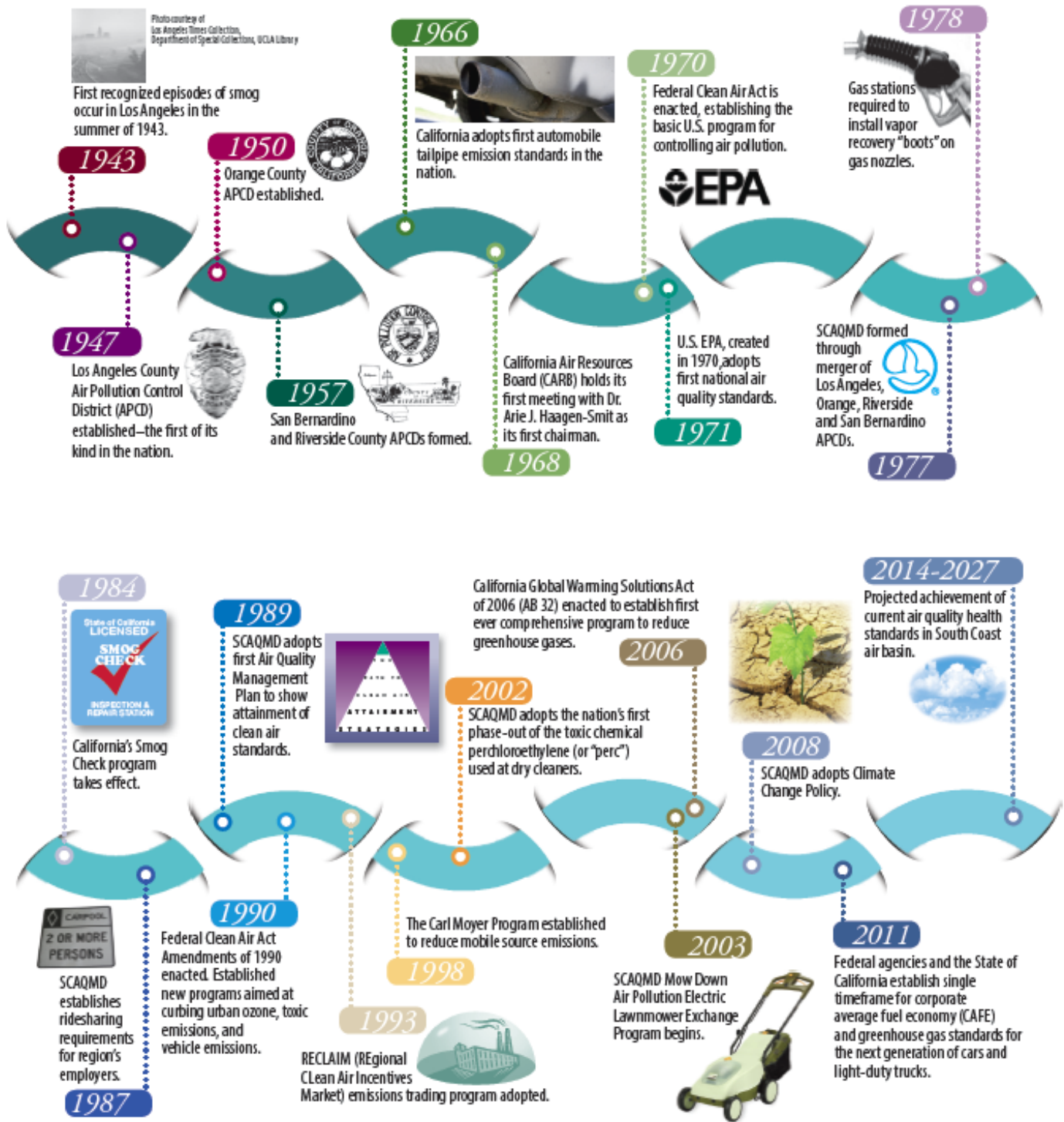
<b><u>Function/Program</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
<b>Ensure Compliance with Clean Air Rules</b>					
Number of vehicles assigned to field inspection	112	108	100	98	100
<b>Monitoring Air Quality</b>					
Number of air monitoring stations	42	42	42	43	41
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	260	208	223	222	224

# South Coast Air Quality Management District

## Demographic and Miscellaneous Statistics

<b><u>Established:</u></b>	February 1, 1977
<b><u>Area Covered:</u></b>	10,743 Square Miles
<b><u>Counties Included in District:</u></b>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<b><u>Population:</u></b>	17,063,249 (In 2017)
<b><u>Average Unemployment Rate:</u></b>	Los Angeles County (4.7%), Orange (3.5%), Riverside (5.2%), and San Bernardino (4.9%) counties (In 2017)
<b><u>Transportation:</u></b>	Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific  Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs  Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes  Two major adjoining ports – Port of Long Beach and Port of Los Angeles
<b><u>Visitor Destinations:</u></b>	Disneyland, Knott’s Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl
<b><u>Number of Registered Vehicles Within SCAQMD Jurisdiction:</u></b>	13,756,321 (In 2017)
<b><u>Average Daily Miles Traveled Per Vehicle:</u></b>	28 (CY 2017 data)
<b><u>Examples of Stationary Sources of Air Pollution Regulated:</u></b>	Oil Refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<b><u>Number of Sources:</u></b>	26,983 operating locations with 68,732 permits.
<b><u>Number of Air Monitoring Stations:</u></b>	41
<b><u>Full-time Authorized Positions:</u></b>	872
<b><u>Adopted FY 2018-19 Budget:</u></b>	\$162,631,101
<b><u>Key Federal, State, and Local Air Agencies:</u></b>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer’s Association), NACAA (National Association of Clean Air Agencies), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.

# Air Quality Historical Timeline





**South Coast  
Air Quality Management District**

21865 Copley Drive  
Diamond Bar, CA 91765-4178

[www.aqmd.gov](http://www.aqmd.gov)

**SOUTH COAST AIR QUALITY  
MANAGEMENT DISTRICT**

---

**SINGLE AUDIT REPORTS**

**FOR THE YEAR ENDED JUNE 30, 2018  
(With Independent Auditor's Reports Thereon )**



---

2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501  
t: (310) 792-4640 f: (310) 792-4140



**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED JUNE 30, 2018  
(With Independent Auditor's Reports Thereon)**

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance .....	3
Schedule of Expenditures of Federal Awards.....	6
Notes to the Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings and Questioned Costs.....	8

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Governing Board of  
South Coast Air Quality Management District  
Diamond Bar, California

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the South Coast Air Quality Management District (SCAQMD) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SCAQMD's basic financials statements, and have issued our report thereon dated October 12, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SCAQMD's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCAQMD's internal control. Accordingly, we do not express an opinion on the effectiveness of SCAQMD's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

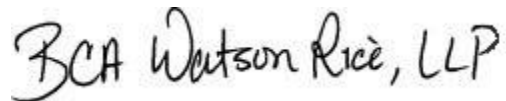
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SCAQMD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "BCA Watson Rice, LLP".

Torrance, California  
October 12, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY UNIFORM GUIDANCE**

To the Governing Board of  
South Coast Air Quality Management District  
Diamond Bar, California

**Report on Compliance for Each Major Federal Program**

We have audited the South Coast Air Quality Management District's (SCAQMD) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of SCAQMD's major federal programs for the year ended June 30, 2018. SCAQMD's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of SCAQMD's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SCAQMD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on SCAQMD's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, SCAQMD's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

Management of SCAQMD is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SCAQMD's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SCAQMD's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, the aggregate remaining fund information of SCAQMD as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SCAQMD's basic financial statements. We issued our report thereon dated October 12, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from

and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*BCA Watson Rice, LLP*

Torrance, CA  
October 12, 2018

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor / Program Title	CFDA Number	Grant Number	Total Expenditures
<u>U.S. Environmental Protection Agency</u>			
<i>Air Pollution Control Program Support:</i>			
EPA Section 105 Air Grant	66.001	A00909416-2	472,800
EPA Section 105 Air Grant	66.001	A00909417-1	1,055,239
EPA Section 105 Air Grant	66.001	A00909418-1	3,723,765
			5,251,804
<i>Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act:</i>			
PM 2.5 Monitoring	66.034*	PM-00T86701-7	713,466
National Air Toxics Trend Stations	66.034*	XA-99T27601-3	216,072
Near Road Monitoring	66.034*	XA-00T82301-5	3,314
Community Scale Air Toxics Monitoring	66.034*	XA-99T33501-1	165,858
			1,098,710
<i>National Clean Diesel Emissions Reduction Program:</i>			
National Clean Diesel Program	66.039	DE-00T96201-3	181,216
DERA-School Bus Replacement Project	66.039	DE-99T07001-4	104,000
DERA-On Road SH Truck and School Bus	66.039	DE-99T24701-2	966,030
DERA-Locomotive Replacement Project	66.039	DE-99T45901-0	740
DERA-Replace HDDTs	66.039	DE-99T69701-0	2,776
			1,254,762
<i>Congressionally Mandated Projects:</i>			
Targeted Air Shed - Lawn Garden Equipment Exchange	66.202	EM-99T48301-0	56,004
Targeted Air Shed - Yard Tractor Replacement	66.202	EM-99T48501-0	11,564
Targeted Air Shed - School Bus Replacement	66.202	EM-99T71401-0	11,426
			78,994
<i>Science To Achieve Results (STAR) Research Program</i>			
STAR Engage, Educate, and Empower	66.509	RD-83618401-2	201,874
Total U.S. Environmental Protection Agency			7,886,144
<u>U.S. Department of Energy</u>			
<i>Conservation Research and Development:</i>			
Zero Emission Cargo Transport Demo	81.086*	DE-EE0005961-8	20,016
San Pedro Bay Ports FCEV and HEV Demo	81.086*	DE-EE0006874-6	2,248,819
Passed through Newport Partners			
Devel Test Standard-Indoor AQ Sensors	81.086*	N/A	3,405
Total Department of Energy			2,272,240
<u>U.S. Department of Homeland Security</u>			
<i>Homeland Security Biowatch Program</i>			
Biowatch Program	97.091*	2006-ST-091-000013-12	1,657,318
<u>National Aeronautics and Space Administration</u>			
Passed through RTI International			
<i>Science</i>			
Low Cost Sensors-Earth System Data	43.001	1-340-02515780	71,631
Total Federal Expenditures			\$ 11,887,333

\* Major Programs

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the South Coast Air Quality Management District (SCAQMD) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of SCAQMD, it is not intended to and does not present the financial position, changes in net position or cash flows of the SCAQMD.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3– INDIRECT COST RATE**

The SCAQMD has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4– RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Amounts reported in the accompanying Schedule agree to amounts reported within the SCAQMD's Comprehensive Annual Financial Report.

**NOTE 5– CONTINGENCIES**

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.



**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2018**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**A - Financial Statements**

- |   |               |
|---|---------------|
| 1) Type of auditor’s report issued:   | Unmodified    |
| 2) Internal control over financial reporting:                                       |               |
| a) Material weakness(es) identified?  | No            |
| b) Significant deficiency(ies) identified not considered to be material weaknesses? | None reported |
| 3) Noncompliance material to financial statements noted?                            | No            |

**B - Federal Awards**

- |   |               |
|---|---------------|
| 1) Type of auditor’s report issued on compliance for major programs:                                  | Unmodified    |
| 2) Internal control over major programs:  |               |
| a) Material weakness(es) identified?  | No            |
| b) Significant deficiency(ies) identified not considered material weakness(es)?                       | None reported |
| 3) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |

4) Identification of major programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act
81.086	Conservation Research and Development
97.091	Homeland Security Biowatch Program

- |   |           |
|---|-----------|
| 5) Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6) Auditee qualified as low-risk auditee?                                   | Yes       |

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2018**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

None reported.



2355 Crenshaw Blvd. Suite 150  
Torrance, CA 90501  
www.bcawatsonrice.com

Telephone: 310.792.4640  
Facsimile: 310.792.4331

The Governing Board of  
South Coast Air Quality Management District

In planning and performing our audit of the basic financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the South Coast Air Quality Management District (SCAQMD), as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered SCAQMD's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCAQMD's internal control. Accordingly, we do not express an opinion on the effectiveness of SCAQMD's internal control.

During our audit, we noted no matters involving internal control and operational matters that is presented for your consideration.

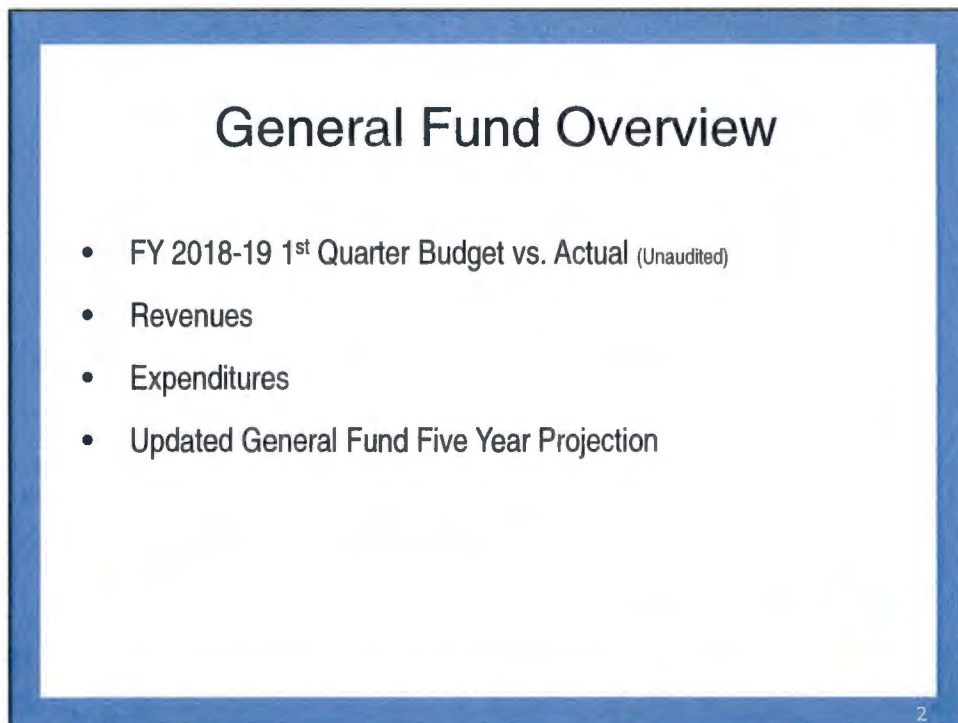
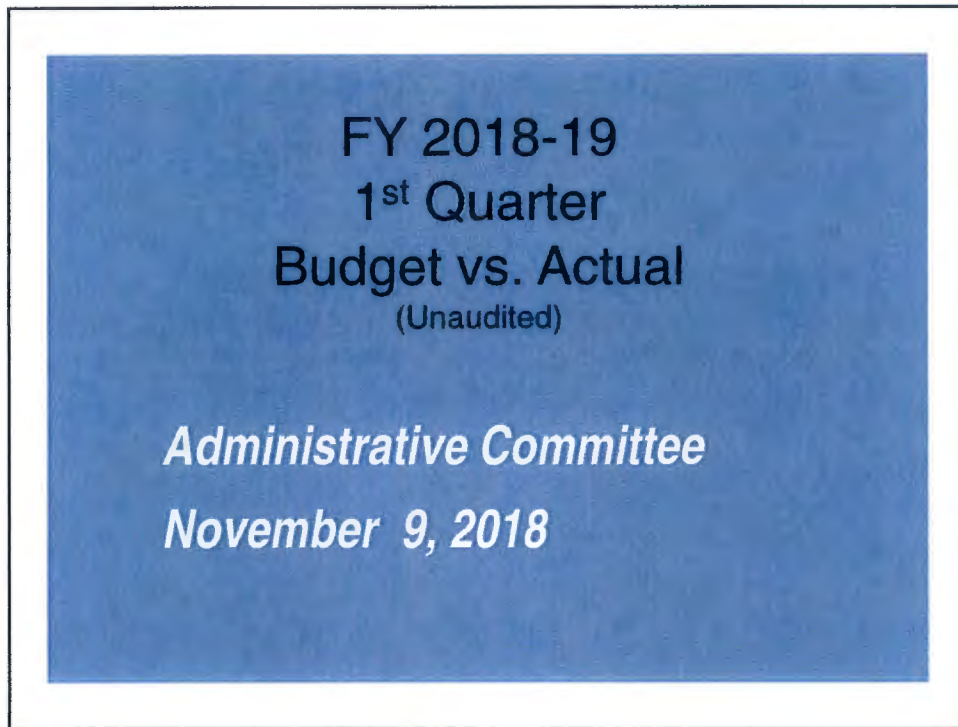
Our audit procedures are designed primarily to enable us to form an opinion on the basic financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve the SCAQMD. We appreciate the courtesy and cooperation extended to us during our audit.

*BCA Watson Rice, LLP*

Torrance, California  
October 12, 2018



## Budget vs. Actual

*FY 2018-19 1<sup>st</sup> Quarter (unaudited)*

(\$ in millions)	Adopted Budget	Amended Budget	FY 2018-19 Q1 Actual
Revenues/Transfers In	\$162.6	\$165.3	\$51.4
Expenditures/Transfers Out	\$162.6	\$165.5	\$41.8

3

## Revenues

*FY 2018-19 1<sup>st</sup> Quarter Budget vs. Actual  
& FY 2017-18 1<sup>st</sup> Quarter Comparison*

Revenue Type (\$ in millions)	Fiscal Year 2018-19 Q1			Fiscal Year 2017-18 Q1	
	Amended Budget	Actuals	Actual % of Budget	Actuals	Actual % of Budget
Emissions Fees	\$ 19.7	\$9.1	46%	\$9.3	48%
Annual Operating Fees	57.3	24.9	43%	22.7	43%
Permit Fees	19.9	4.5	23%	4.1	21%
Mobile Sources/Transportation	31.6	1.6	5%	1.6	5%
Other*	30.5	9.9	33%	2.9	13%
Area Sources	2.3	0.0	0%	0.0	0%
Transfers In	4.0	1.0	25%	1.9	53%
<b>Total</b>	<b>\$165.3</b>	<b>\$51.0</b>	<b>31%</b>	<b>\$42.5</b>	<b>28%</b>

\* Includes revenues from Federal & State Grants, State Subvention, Penalties/Settlements, "Hot Spots", Interest, PERP, Hearing Board, Source Test/Lab Analysis, Leases, Subscriptions, and Misc.

4

## Expenditures

*FY 2018-19 1<sup>st</sup> Quarter Budget vs. Actual  
& FY 2017-18 1<sup>st</sup> Quarter Comparison*

Major Object (\$ in millions)	Fiscal Year 2018-19 Q1			Fiscal Year 2017-18 Q1	
	Amended Budget	Actuals	Actual % of Budget	Actuals	Actual % of Budget
Salaries & Benefits	\$132.9	\$27.7	21%	\$26.4	22%
Services & Supplies	25.0	7.9	32%	7.0	31%
Capital Equipment	1.4	0.0	0%	1.2	28%
Debt Service	<u>6.2</u>	<u>6.2</u>	100%	<u>6.2</u>	100%
Total	<u>\$165.5</u>	<u>\$41.8</u>	25%	\$40.8	27%

5

## Updated General Fund

\$ in millions	FY 17-18 Actual (Unaudited)	FY 18-19 Projected (a)	FY 19-20 Projected (b)	FY 20-21 Projected	FY 21-22 Projected	FY 22-23 Projected
STAFFING		932.4	942	942	942	942
Revenues *	\$161.9	\$165.3	\$167.6	\$167.2	\$166.1	\$168.0
Program Costs	\$153.1	\$171.3	\$175.1	\$174.3	\$172.6	\$169.0
Change in Fund Balance	\$8.8	-\$6.0	-\$7.5	-\$7.1	-\$6.5	-\$1.0
UNRESERVED FUND BALANCE (at Year-End)	\$54.8	\$47.9	\$40.3	\$33.2	\$26.8	\$25.8
% of REVENUE	33%	29%	24%	20%	16%	15%

Notes:  
 (a) Program costs include: December Board Letter that restores the \$3.6M, adds 2 Program Supervisors, adds \$300K for vehicles, and adds contracts for Governing Board and PRA. Also includes Board Actions July-October that used Undesignated Fund Balance.  
 (b) Reduced one-time FY 2018-19 appropriations for July-October Board Actions and \$300K for vehicles.

6

Questions?

7

**DRAFT**

BOARD MEETING DATE: December 7, 2018

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 SCAQMD operations. This action is to provide the monthly status report on major automation contracts and planned projects.**COMMITTEE:** Administrative, November 9, 2018; Reviewed**RECOMMENDED ACTION:**  
Receive and file.Wayne Nastri  
Executive Officer

RMM:MAH:agg

---

**Background**

Information Management (IM) provides a wide range of information systems and services in support of all SCAQMD 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 specifies 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**  
**December 7, 2018 Board Meeting**  
**Information Management Status Report on Major Ongoing and**  
**Upcoming Projects During the Next Six Months**

<b>Project</b>	<b>Brief Description</b>	<b>Budget</b>	<b>Completed Actions</b>	<b>Upcoming Milestones</b>
Implementation of Enterprise Geographic Information System (EGIS) Phase II	Continue to support accomplishment of the agency's mission through the effective and cost-efficient implementation of EGIS and related technologies		<ul style="list-style-type: none"> <li>• Purchased ESRI extensions for OnBase</li> <li>• Completed two prioritized EGIS projects:               <ul style="list-style-type: none"> <li>○ GIS Data Development</li> <li>○ System Documentation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Complete the four prioritized EGIS projects:               <ul style="list-style-type: none"> <li>○ Portal / Mobile Development</li> <li>○ OnBase Expansion and GIS Integration</li> <li>○ CLASS GIS Integration</li> <li>○ One-click Site Report</li> </ul> </li> </ul>
Telecommunications Services	Select vendor(s) to provide local, long distance, telemetry, internet, cellular services, and phone system maintenance for a three-year period	\$750,000	<ul style="list-style-type: none"> <li>• Released RFP October 5, 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Request Board Approval January 4, 2019</li> <li>• Execute contract(s) January 31, 2019</li> </ul>
Office 365 Implementation	Acquire and implement Office 365 for SCAQMD staff	\$350,000	<ul style="list-style-type: none"> <li>• Pre-assessment evaluation and planning completed</li> <li>• Board action approved funding on October 5, 2018</li> <li>• Developed implementation and migration plan</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Acquire Office 365 licenses</li> <li>• Implement Office 365 email (Exchange) and migrate all users</li> <li>• Implement Office 365 file storage (OneDrive for Business) and migrate users</li> <li>• Implement Office 365 internal website (SharePoint) and migrate existing content</li> </ul>

Project	Brief Description	Budget	Completed Actions	Upcoming Milestones
Permitting System Automation Phase 1	New Web application to automate the filing of all 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"> <li>• Phase 1 Automated 400A form filing, application processing, and online permit generation for Dry Cleaner module deployed to production</li> <li>• Facility ID Creation Module deployed to production</li> <li>• Phase 1.1 Automated 400A form filing, application processing, and online permit generation for Automotive Spray Booth and Gas Station Modules deployed to production</li> <li>• Upgraded GIS Map integration and enhanced sensitive receptor identification and distance measurement work</li> </ul>	<ul style="list-style-type: none"> <li>• Continue Phase 1.1 project outreach support</li> </ul>
Permitting System Automation Phase 2	Enhanced Web application to automate filing process of Permit Applications, Rule 222 equipment and, registration process for IC Engines; implement electronic permit folder and workflow for internal SCAQMD users	\$525,000	<ul style="list-style-type: none"> <li>• December 2017 Board action approved initial Phase 2 funding</li> <li>• May 2018 Phase 2 project startup and detail planning completed</li> <li>• Business process model approved</li> </ul>	<ul style="list-style-type: none"> <li>• Wireframe and user stories development for Tar Pots/Tar Kettles, Asphalt Day Tankers, and Asphalt Pavement Heaters</li> </ul>

Project	Brief Description	Budget	Completed Actions	Upcoming Milestones
Permitting System Automation Phase 2 (Continued)			<ul style="list-style-type: none"> <li>• Development of Negative Air Machines, Boilers/Water Heaters/Process Heaters, Cooling Towers, Portable Heaters, and Food Ovens filing process completed</li> <li>• October 5, 2018 Board action approved remaining Phase 2 funding</li> </ul>	<ul style="list-style-type: none"> <li>• Code development for Boilers, Heaters, Ovens, Baghouses, and IC Engines Application submittals, and form filing of Char Broilers, Small Boilers, and Oil Wells processing</li> </ul>
Information Technology Review Implementation	Complete Board requested Information Technology review and initiate work on implementation of key recommendations	\$75,000	<ul style="list-style-type: none"> <li>• Initiated Implementation Planning and Resource Requirements for key recommendations</li> <li>• Conducted recruitment process to fill Systems &amp; Programming Supervisor position</li> <li>• Scheduled and completed Microsoft Project Plan training for all IM Managers, Supervisors and Secretaries</li> <li>• Established Information Technology Steering Committee, members and charter</li> <li>• Configured and deployed Project Management software for IM team</li> </ul>	<ul style="list-style-type: none"> <li>• Office 365 deployment planning</li> </ul>

Project	Brief Description	Budget	Completed Actions	Upcoming Milestones
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 user review	\$100,000	<ul style="list-style-type: none"> <li>• December 2017 Board action approved funding</li> <li>• April 2018 project startup and detail planning completed</li> <li>• June 2018 wireframe and user story approved for Release 1</li> <li>• User story and wireframe approved for application search module</li> <li>• User stories approved and coding completed for Dashboard Data Entry screens</li> </ul>	<ul style="list-style-type: none"> <li>• Code development for Release 1</li> <li>• Code development for application search module</li> <li>• User acceptance testing for data capture module</li> <li>• User Acceptance testing for user Reports</li> </ul>
Agenda Tracking System Replacement	Replace aging custom agenda tracking system with state-of-the-art, cost-effective Enterprise Content Management (ECM) system, which is fully integrated with OnBase, SCAQMD's agency-wide ECM system	\$86,600	<ul style="list-style-type: none"> <li>• Released RFP December 4, 2015</li> <li>• Awarded contract April 1, 2016</li> <li>• Continued parallel testing</li> <li>• Conducted survey of stakeholder satisfaction</li> <li>• As a result of the survey responses, the decision was made to develop a custom user interface for the application</li> <li>• Revised project scope to include custom user interface</li> <li>• Developed plan and schedule for revised scope</li> </ul>	<ul style="list-style-type: none"> <li>• Identify funding source</li> </ul>

<b>Project</b>	<b>Brief Description</b>	<b>Budget</b>	<b>Completed Actions</b>	<b>Upcoming Milestones</b>
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"> <li>• Phase 2 Fund Allocation, Administration and Management Reporting modules deployed and in production</li> <li>• Final Phase 2 user requested enhancements: VIN Number, Case Manager, Auto e-mail and document library updates deployed to production</li> <li>• Phase 3 Data Migration development work completed</li> </ul>	<ul style="list-style-type: none"> <li>• Phase 3 user approval for production</li> <li>• Phase 4 collaboration with air districts for possible statewide RZR implementation</li> <li>• Implementation of Electric Vehicle Service Equipment and alternative mode of transportation in the RZR application</li> </ul>
SCAQMD Mobile Application for iOS devices Phase 2	Enhancement of Mobile application with addition of Enhanced Notifications, Complaint Filing and Facility Information Detail	\$100,000	<ul style="list-style-type: none"> <li>• Project Charter released</li> <li>• Proposal received</li> </ul>	<ul style="list-style-type: none"> <li>• Task order issuance</li> </ul>
SCAQMD Mobile Application for Android devices Phase 1	New mobile application for Android devices which will have the same functionality as the new iOS application	\$75,000	<ul style="list-style-type: none"> <li>• Project Charter released</li> <li>• Proposal received</li> </ul>	<ul style="list-style-type: none"> <li>• Task order issuance</li> </ul>
FIND System Replacement	Update and replace Facility Information Detail (FIND) application	\$148,150	<ul style="list-style-type: none"> <li>• Task order issued, evaluated and awarded</li> <li>• Detail project planning completed</li> <li>• Wireframe approved</li> <li>• Development completed</li> <li>• Automated Testing completed</li> <li>• Beta testing completed</li> </ul>	<ul style="list-style-type: none"> <li>• Move to production</li> </ul>

Project	Brief Description	Budget	Completed Actions	Upcoming Milestones
Legal Division New System Development	Develop new web-based case management system for Legal Division to replace existing JWorks System	\$500,000	<ul style="list-style-type: none"> <li>• Task order issued, evaluated and awarded</li> <li>• Project initiated and project charter finalized</li> <li>• Business Process Model completed</li> </ul>	<ul style="list-style-type: none"> <li>• Functional and system design</li> <li>• Code development for Sprint 1 – NOV tracking and MSPAP case management</li> </ul>
Document Conversion Services	Document Conversion Services to convert paper documents stored at SCAQMD facilities to electronic storage in OnBase	\$83,000	<ul style="list-style-type: none"> <li>• Released RFQ October 5, 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Approve qualified vendors January 4, 2019</li> </ul>
Flare Event Notification – Rule 1118	Develop new web-based application to comply with the Rule 1118 to improve current flare notifications to the public and the compliance team	\$100,000	<ul style="list-style-type: none"> <li>• Vision &amp; Scope issued</li> </ul>	<ul style="list-style-type: none"> <li>• Requirement gathering</li> <li>• Approve proposal</li> </ul>

Shaded Projects – Projects completed and will be removed from this list on subsequent reports

Completed Projects	
Project	Date Completed
CLASS Database Software Licensing and Support	November 30, 2017
Website & Evaluation Improvements	January 6, 2018
Information Technology Review	January 31, 2018
Prequalify Vendor List for PCs, Network Hardware, etc.	February 3, 2018
Renewal of HP Server Maintenance & Support	April 6, 2018
Implementation of Enterprise Geographic Information System (EGIS) Phase I	May 30, 2018
Fiber Cable Network Infrastructure Upgrade	May 30, 2018
Air Quality Index Rewrite and Migration	June 29, 2018
AQMD Mobile Application for iOS devices Phase 1	November 2, 2018
CLASS Database Software Licensing and Support	November 30, 2018

## Item 9

DRAFT

BOARD MEETING DATE: December 7, 2018

AGENDA NO.

**PROPOSAL:** Transfer and Appropriate Funds, Recognize Revenue, Approve Positions, Issue Solicitations and Purchase Orders, and Execute Contracts and Agreements for Mid-Year Budget Adjustments, AB 617 Implementation, Volkswagen Mitigation Projects, and China Partnership for Cleaner Shipping; and Amend Salary Resolution

**SYNOPSIS:** Additional resources of \$4,436,328 are needed in the FY 2018-19 Budget to enable the implementation of critical projects and programs. In addition, SCAQMD is expected to receive up to \$20,000,000 for AB 617 implementation. These actions are to: (1) Appropriate \$3,611,776 from the Undesignated (Unassigned) Fund Balance as a budget restoration measure; (2) Appropriate an additional \$824,552 from the Undesignated (Unassigned) Fund Balance into the FY 2018-19 General Fund Budget for several key projects; (3) Recognize revenue up to \$20,000,000 for AB 617 into the General Fund and appropriate \$10,211,076 into the FY 2018-19 and/or 2019-20 General Fund Budgets; (4) Transfer \$421,390 from the Volkswagen (VW) Mitigation Fund (79) to the General Fund and appropriate \$421,390 for administrative costs into the FY 2018-19 Budget; (5) Approve the addition, reassignment and upgrade of positions for AB 617, VW Mitigation projects, and China Partnership for Cleaner Shipping; (6) Issue solicitations and purchase orders and execute contracts for Mid-Year Budget Adjustments, AB 617, VW Mitigation projects, and the China Partnership for Cleaner Shipping; (7) Authorize the Executive Officer to enter into a Bailment Agreement with the National Park Service; and (8) Amend the Salary Resolution to revise the Assistant Deputy Executive Officer class title.

**COMMITTEE:** Administrative, November 9, 2018; Recommended for Approval

**RECOMMENDED ACTIONS:**

1. Appropriate \$3,611,776 from the Undesignated (Unassigned) Fund Balance to the FY 2018-19 General Fund Budget as listed in Tables 1 & 2;
2. Appropriate \$824,552 from the Undesignated (Unassigned) Fund Balance to the FY 2018-19 General Fund Budgets as listed in Table 3;

3. Recognize revenue up to \$20,000,000 upon receipt from CARB into the General Fund and appropriate \$10,211,076 into the FY 2018-19 and/or FY 2019-20 General Fund Budgets, for AB 617 expenditures as listed in Tables 5-8;
4. Approve the addition of 47 new positions, a 0.5 position reassignment, and five position upgrades for AB 617 as listed in Table 4;
5. Approve the addition of five positions for VW Mitigation projects as listed in Table 9 and transfer and appropriate funds in an amount not to exceed \$421,390 as listed in Table 10 from the VW Mitigation Fund (79) to the FY 2018-19 General Fund Budget for the implementation of VW Mitigation projects;
6. Authorize the Executive Officer to issue solicitations and, based on results, issue purchase orders and execute contracts in accordance with SCAQMD Procurement Policy and Procedure for items listed in Tables 2-3 and 6-8;
7. Authorize the Executive Office to enter into a Bailment Agreement with the National Park Service for the use of a Proton Transfer Mass Spectrometer; and
8. Adopt the attached Resolution amending Article 7 of the SCAQMD *Salary Resolution* to revise the Assistant Deputy Executive Officer class title to include Chief Information Officer.

Wayne Nastri  
Executive Officer

JW:MM:SJ

---

## **Background**

This Board letter addresses a mid-year budget adjustment, resource requests related to implementing AB 617 and resource needs related to the VW Mitigation Projects.

### Mid-Year Budget Adjustment

During the FY 2018-19 Annual Budget review process, the Board directed staff to reduce budgeted expenditures in order to achieve a balanced budget. Thus, total expenditures of \$3,611,776 were removed from the proposed FY 2018-19 budget with the understanding that the reductions could be restored if necessary as a mid-year FY 2018-19 budget adjustment dependent on the year-end FY 2017-18 financial results. The reductions included \$1,389,276 in Salaries and Employee Benefits (vacancy rate increased by 1%), \$1,100,000 in Services and Supplies, and \$1,122,500 in Capital Outlays. SCAQMD ended FY 2017-18 with revenues exceeding expenses by \$8.8M (unaudited), \$11.7M over the FY 2017-18 Adopted Budget and \$14.3M over the FY 2017-18 Amended Budget. In addition, since the FY 2018-19 Budget was adopted, several key projects with budget needs have been identified, including the China Partnership for Cleaner Shipping, fleet vehicle replacement, and Board Member committee assignments. Staff is also recommending changing the title of Assistant Deputy Executive Officer in the Information Management Division to Assistant Deputy Executive Officer/Chief Information Officer, with no fiscal impact.



### AB 617 Implementation

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 SCAQMD.

SCAQMD is expected to receive \$20 million this year as our portion of the state funding as the community monitoring and emission reduction plan elements begin. Additional resources are needed to fulfill these requirements. In July, the Board approved a list of four communities to forward to CARB for their consideration for first-year AB 617 communities. In September, the CARB Board selected 10 communities statewide for emission monitoring and/or community emission reduction plans, including three communities for South Coast.

The three communities are: Wilmington/West Long Beach/Carson; East Los Angeles Neighborhoods/Boyle Heights/West Commerce; and Muscoy/San Bernardino. The fourth community recommended by SCAQMD – South Gate/Huntington Park/Florence-Firestone/Walnut Park – was not selected for year one, but will be considered for next year. All three of the first-year AB 617 communities will have emission monitoring and community emission reduction plans. Steering committees are being formed for each area, and their input will help shape the nature and scope of these efforts.

By July 1, 2019, air districts must put monitoring systems in place, and have a mechanism to send data to the CARB website. AB 617 also requires community emission reduction programs based on monitoring and other data. Within one year, air districts must adopt a community emissions reduction program. It is envisioned that efforts in each community will take several years to complete. Additional communities are expected to be added each year, which will require monitoring and/or emission reduction programs in those areas, as well. Additional resources will be needed in the future as new communities are added.

Rule development is underway for BARCT for sources in the state greenhouse gas program, which accelerates many of the SCAQMD rulemaking activities to transition RECLAIM to a command-and-control regulatory structure. Under AB 617, BARCT must be implemented by December 31, 2023.

Another area where staff is working closely with CARB and other air districts is the mandate to improve the consistency of statewide emission reporting. Staff anticipates that this will involve changes to SCAQMD's Annual Emissions Reporting program,

data collection and transmission to CARB, with a significant increase in workload. CARB is proposing to require extensive annual reporting of criteria and toxic emissions from all facilities with a district permit in each AB 617 community. This will likely more than double the number of facilities that currently report emissions to the SCAQMD, and include smaller businesses that will need help understanding and complying with the new requirements.

### VW Mitigation Projects

On May 25, 2018, CARB approved the Beneficiary Mitigation Plan for the VW Environmental Mitigation Trust. This plan identifies five funding categories that are intended to mitigate the excess NOx emissions caused by VW vehicles. SCAQMD has been identified by CARB as the administrator of two project funding categories: Zero Emission Class 8 Freight and Port Drayage Trucks; and Combustion Freight and Marine Projects. Funding allocations for these two project categories are \$90 million and \$60 million, respectively, for a total of \$150 million, including ten percent for administrative costs.

## **Proposal**

### Mid-Year Budget Adjustment

Staff is seeking Board approval for a total appropriation of \$4,436,328 from the Undesignated (Unassigned) Fund Balance to the FY 2018-19 General Fund Budget. These actions will restore expenditure reductions of \$1,389,276 in Salaries and Employee Benefits, \$1,100,000 in Services and Supplies, and \$1,122,500 in Capital Outlays, as listed in Tables 1 & 2, which were made as part of the \$3,611,766 reduction to balance the FY 2018-19 Budget. Staff is also seeking Board approval to appropriate \$824,552 from the Undesignated (Unassigned) Fund Balance to the FY 2018-19 General Fund Budget as listed in Table 3. These actions will provide the necessary funding of \$36,500 to compensate Board Members for additional committee assignments, and \$310,000 to replace 10 fleet vehicles that have over 150,000 miles, as well as provide \$378,052 in Salaries and Employee Benefits for two staff positions and \$100,000 in contractual assistance for the China Partnership for Cleaner Shipping. In addition, staff is seeking Board approval to amend the SCAQMD *Salary Resolution* to revise the Assistant Deputy Executive Officer class title to include Chief Information Officer.

### AB 617

Staff is seeking Board approval to recognize funds from CARB, authorize the addition of 47 new staff positions, reassignment of 0.5 FTE, upgrade five additional positions listed in Table 4, approve the funding appropriation for these positions as listed in Table 5, execute contracts as listed in Table 6, procure capital equipment as listed in Table 7, and procure related services and supplies listed in Table 8 to support work required under AB 617.

Staff is proposing to enter into a Bailment Agreement with the National Parks Service to utilize their proton transfer mass spectrometer (PTR-MS). Use of the PTR-MS will allow staff to assess this instrument's capabilities of near real-time detection of VOCs prior to SCAQMD procuring a PTR-MS instrument pending the evaluation results. It is estimated that \$35,000 will be needed for parts and shipping for the use of this instrument. These funds are part of the AB 617 budget being proposed.

#### VW Mitigation Projects

Staff is seeking Board approval to add five positions, as listed in Table 9 and appropriate funding for these positions as listed in Table 10 to support the initial increased workload under this program. Additional resource requests are likely to follow in subsequent years.

#### **Sole Source Justifications**

##### AB 617

##### Laboratory Instrument Services

Section VIII.B.2 of the Procurement Policy identifies provisions under which sole source awards may be justified. This request for a sole source purchase is made under provision B.2.c.(1): The unique experience and capabilities of the proposed contractor or contractor team. This request is to issue sole source purchase orders for repair and service of laboratory instrumentation with PANanalytical, Full Spectrum Analytics,, Inc., Markes International, Carl Zeiss Microscopy LLC, Thermo Fisher Scientific, and Promium, LLC.

##### 8872B SiteNode Data Logger

Section VIII.B.2 of the Procurement Policy identifies provisions under which sole source awards may be justified. This request for sole source purchase of three 8872B SiteNode Data Logger is made under provision B.2.c(3): The project involves the use of proprietary technology. Agilaire is the only manufacturer who produces Data Loggers to work with the Agilaire, Air Vision air quality data collection software.

##### Regents of the University of California

Section VIII.B.2 of the Procurement Policy identifies provisions under which sole source awards may be justified. This request for a sole source purchase is made under provisions B.2.c.(1): The unique experience and capabilities of the proposed contractor or contractor team, and B.2.d.(8): Research and development efforts with educational institutions or nonprofit organizations. The request is to issue a sole source contract in an amount not to exceed \$100,000 to the Regents of the University of California (UC Regents). This contract will involve work with Professor Roya Bahreini at the University of California, Riverside to utilize her research group's aerosol mass

spectrometer for near real-time metal measurements within one or more of the first-year AB 617 communities.

### **Benefits to SCAQMD**

#### Mid-Year Budget Adjustment

Restoring the budgeted expenditures that were reduced in order to balance the budget and providing an additional \$824,552 for FY 2018-19 will allow staff to fully implement critical projects and programs, including the purchase of a redundant core network switch, continuation of compliance document automation, outreach efforts, system maintenance efforts, Board Member compensation, fleet vehicle replacement and the China Partnership for Cleaner Shipping.

#### AB 617

The additional staffing, contracts, equipment, and related services and supplies will allow SCAQMD to fulfill the legislative directives of AB 617, which will result in benefits to environmental justice communities, and to all of the people in our region.

#### VW Mitigation Projects

The requested staffing increases related to the VW Mitigation Projects will help ensure adequate resources to support the substantial workload for emission reduction projects.

### **Resource Impacts**

The General Fund Undesignated (Unassigned) Fund Balance position as of June 30, 2018 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.

CARB's Community Air Protection Program under AB 617 will provide sufficient resources to implement SCAQMD's AB 617 program. The administrative portion of the VW Mitigation Grant will be sufficient to support the additional positions for the VW Mitigation projects. Resources needed to continue SCAQMD's AB 617 program and the VW Mitigation projects in future years will be included as part of the annual budget process.

### **Attachments**

- A. Tables (1 – 10)
- B. Amendments to Article 7 of *Salary Resolution*
- C. Resolution to Amend SCAQMD's *Salary Resolution*

**ATTACHMENT A**

**Table 1**

**Proposed Mid-Year FY 2018-19 Budget Restoration Adjustments  
Salaries & Employee Benefits and Services & Supplies Major Objects**

<b>Org Unit</b>	<b>Account/Description</b>	<b>Amount</b>
All	Salaries & Employee Benefits	\$1,389,276*
DG	67850 – Utilities	253,668
AHR	67450 – Professional & Special Services	169,979
C&E	67450 – Professional & Special Services	25,645
E&P	67450 – Professional & Special Services	26,414
EO	67450 – Professional & Special Services	75,000
FIN	67450 – Professional & Special Services	29,469
IM	67450 – Professional & Special Services	147,761
LPAM	67450 – Professional & Special Services	132,995
LEG	67450 – Professional & Special Services	32,799
PRDAS	67450 – Professional & Special Services	98,516
STA	67450 – Professional & Special Services	107,754
	<b>Total</b>	<b>\$2,489,276</b>

\*Reflected a 1% decrease to the budgeted vacancy rate

**Table 2**

**Proposed Mid-Year FY 2018-19 Budget Restoration Adjustments  
Capital Outlays Major Object**

<b>Org Unit</b>	<b>Project Description</b>	<b>Amount</b>
C&E	Compliance Document Automation	\$ 200,000
DG	Redundant Core Network Switch	225,000
E&P	Title V On-line Permit Publishing	20,000
IM	Network Server Upgrade	75,000
IM	Fiber Channel Switch Replacement	60,000
IM	High-Capacity Internet Router	35,000
IM	Next Generation Firewall	75,000
IM	SAN Replacement	200,000
STA	Replace Instruments for Gaseous Measurements	222,500
STA	Zero Air Generator System	10,000
	<b>Total</b>	<b>\$ 1,122,500</b>

**Table 3****Proposed FY 2018-19 Additional Budget Adjustments**

<b>Org Unit</b>	<b>Account/Description</b>	<b>Amount</b>
GB	67450 – Board Member Expenditures	\$ 36,500
DG	77000 – 10 Fleet Vehicles	310,000
<u>China Partnership for Cleaner Shipping:</u>		
PRDAS	Salaries & Employee Benefits - Program Supervisor	189,026
STA	Salaries & Employee Benefits - Program Supervisor	189,026
PRDAS	67450 – Professional & Special Services	100,000
	<b>Total</b>	<b>\$ 824,552</b>

**Table 4****Proposed FY 2018-19 Staffing Additions & Changes for AB 617**

<b>Position Title</b>	<b>FTEs</b>	<b>Org Unit</b>
Air Quality Chemist	2	STA
Air Quality Engineer II	1	PRDAS
Air Quality Inspector II	2	C&E
Air Quality Inspector III	1	C&E
Air Quality Instrument Specialist I	4	STA
Air Quality Instrument Specialist II	5	STA
Air Quality Specialist	11	7 PRDAS; 4 STA
Contract Assistant	1	STA
Laboratory Technician	1	STA
Office Assistant (Reassign)	0.5	LEG
Planning and Rules Manager	1	PRDAS
Principal Air Quality Chemist	1	STA
Program Supervisor	3	PRDAS
Senior Air Quality Chemist	1	STA
Senior Air Quality Engineer	3	1 PRDAS; 2 STA
Senior Air Quality Instrument Specialist	2	STA
Senior Deputy District Counsel	1	LEG
Senior Office Assistant	1	HR
Senior Public Information Specialist	3	LPAM
Systems Analyst	1	IM
Systems & Program Supervisor	2	IM

<b>Position Title</b>	<b>FTEs</b>	<b>Org Unit</b>
Upgrade Office Assistant to Senior Office Assistant	3	2 STA; 1 HR
Upgrade Office Assistant to Contracts Assistant	1	STA
Upgrade Principal Air Quality Instrument Specialist to Manager*	1	STA
(47 New, 5 Upgrades, 0.5 Reassigned)	<b>52.5</b>	Total FTEs

\*Position to be created as Level III Manager

**Table 5**

**Proposed FY 2018-19 Funding Appropriations for Staffing Additions & Changes for AB 617**

<b>Org Unit</b>	<b>Amount</b>
AHR	\$ 48,140
C&E	201,326
LEG	135,598
LPAM	228,369
IM	287,695
PRDAS	1,114,279
STA	1,646,500
<b>Total</b>	<b>\$3,661,907</b>

Note: Appropriation is for January – June, 2019

**Table 6**

**Proposed FY 2018-19/FY 2019-20 Contracts for AB 617**

<b>Contractor</b>	<b>Description</b>	<b>Org Unit</b>	<b>Account</b>	<b>Estimated Amount</b>	<b>Action</b>
TBD	Application Maintenance	STA	67450	\$ 100,000	Solicitation
UC Regents	Aerosol Mass Spectrometer Measurements	STA	67450	100,000	Sole-Source
<b>Total</b>				<b>\$ 200,000</b>	

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

**Table 7**

**Proposed FY 2018-19/FY 2019-20 Capital Outlay Expenditures for AB 617**

<b>Description</b>	<b>Org Unit</b>	<b>Account</b>	<b>Qty</b>	<b>Estimated Amount</b>	<b>Action</b>
Air Monitoring Trailer	STA	77000	2	\$ 140,000	RFQ or Prior Bid, Last Price
Aethalometers	STA	77000	3	105,000	RFQ or Prior Bid, Last Price
Continuous PM analyzer (FEM)	STA	77000	3	105,000	RFQ or Prior Bid, Last Price
Continuous PM analyzer	STA	77000	3	18,000	RFQ or Prior Bid, Last Price
Field Gas Chromatograph	STA	77000	2	200,000	RFQ or Prior Bid, Last Price
Gas analyzers (e.g., Ozone, NOx, CO, and H2S Monitors)	STA	77000	12	360,000	RFQ
Meteorological Stations	STA	77000	3	45,000	RFQ
Vans for Field Staff	STA	77000	10	450,000	Cooperative Purchasing
Proton Transfer-Time of Flight (PTR-TOF) Mass Spectrometer	STA	77000	1	550,000	RFQ
Mobile Platform Design and Integration of PTR-TOF onto Field Staff van	STA	77000	1	180,000	RFQ
X-ray Fluorescence Instrument	STA	77000	1	100,000	RFQ
Inductively Coupled Plasma - Mass Spectrometer	STA	77000	1	210,000	RFQ
Gas Chromatograph-Mass Spectrometer Concentrator	STA	77000	1	75,000	RFQ or Prior Bid, Last Price
Field X-ray Fluorescence Instrument	STA	77000	1	220,000	RFQ



Description	Org Unit	Account	Qty	Estimated Amount	Action
Dilution System	STA	77000	1	30,000	RFQ or Prior Bid, Last Price
Sample Storage	STA	77000	1	15,000	Informal Bid
FEM NOX Analyzer	STA	77000	3	44,985	RFQ or Prior Bid, Last Price
FEM CO Analyzer	STA	77000	3	41,370	RFQ or Prior Bid, Last Price
Pure Air Generator	STA	77000	3	27,570	RFQ or Prior Bid, Last Price
Field Dilution System	STA	77000	3	60,399	RFQ or Prior Bid, Last Price
Portable Gas Calibration System	STA	77000	3	61,728	RFQ or Prior Bid, Last Price
Portable Zero Air Generator	STA	77000	3	26,580	RFQ or Prior Bid, Last Price
8872B SiteNode Data Logger	STA	77000	3	30,837	Sole Source
AQ-Spec Chamber	STA	77000	0.5	450,000	RFQ
Cars for Inspectors	C&E	77000	3	93,000	RFQ
Software, Data Enhancement, Programming	PRDAS	77000	1	300,000	Already Approved Vendors
Application for Data Visualization	STA	77000	1	600,000	Solicitation and/or Already Approved Vendors
<b>Total</b>				<b>\$ 4,539,469</b>	

Note: Listed expenditures may be appropriated in the Services and Supplies Major Object as warranted. Also, quantities may be adjusted as community monitoring needs are identified (not to exceed total estimated amount).

**Table 8**

**Proposed FY 2018-19/FY 2019-20 Other Services and Supplies Expenditures for AB 617**

<b>Description</b>	<b>Account</b>	<b>Org Unit</b>	<b>Estimated Amount</b>
Lab Supplies	68050	STA	\$ 219,200
Small Tools, Instruments, Equipment	68300	STA	195,500
Rents and Leases Structure	67350	STA	100,000
Office Expense	68100	STA	50,000
Demurrage	67550	STA	50,000
Maintenance of Equipment	67600	STA	200,000
Communications	67900	STA	200,000
Training	69500	STA	30,000
Miscellaneous Expense	69700	STA	215,000
Contract Lab Work	67450	STA	30,000
Postage	68060	STA	5,000
Laboratory Instruments Service Agreements	67450	STA	250,000
Office Supplies-New Staff	68100	C&E	15,000
Office Supplies-New Staff	68100	AHR	5,000
Office Supplies-New Staff	68100	IM	15,000
Office Supplies-New Staff	68100	Legal	5,000
Office Supplies-New Staff	68100	LPAM	15,000
Office Supplies-New Staff	68100	PRDAS	65,000
Office Supplies-New Staff	68100	STA	115,000
Office Expense – SW Licenses, Computers & Servers*	68100	PRDAS	30,000
		<b>Total</b>	<b>\$ 1,809,700</b>

\*Listed expenditures may be appropriated in the Capital Outlays Major Object as specific needs are identified.

**Table 9**

**Proposed FY 2018-19 Staffing Additions for VW Mitigation Projects**

<b>Position Title</b>	<b>FTEs</b>	<b>Org Unit</b>
Program Supervisor	1	STA
Air Quality Specialist	2	STA
Financial Analyst	1	FIN
Senior Staff Specialist	1	STA
	<b>5</b>	Total New

**Table 10**

**Proposed FY 2018-19 Funding Appropriations for Staffing Additions for VW Mitigation Projects**

<b>Org Unit</b>	<b>Amount</b>
FIN	\$ 83,859
STA	337,531
<b>Total</b>	<b>\$ 421,390</b>

Note: Appropriation is for January – June, 2019

**ATTACHMENT B**

**AMENDMENTS TO SALARY RESOLUTION**

**SOUTH COAST**

**AIR QUALITY MANAGEMENT DISTRICT**

***SALARY RESOLUTION***

~~October 5, 2018~~ November 2, 2018

## ARTICLE 7

### DESIGNATED DEPUTY ANNUAL SALARIES

(Effective with the start of the pay period encompassing January 1, 2017)

Assistant Chief Deputy Counsel, Major Prosecutions	\$162,826
Assistant Deputy Executive Officer, <a href="#">including Chief Information Officer</a>	\$160,374
Chief Deputy Counsel	\$183,790
Deputy Executive Officer, including Chief Operating Officer	\$171,651
Director of Strategic Initiatives	\$153,218
Director of Communications	\$153,218
Health Effects Officer	\$126,053 - \$153,218 (Steps 1 – 5)
Intergovernmental Affairs Officer	Vacant
Senior Policy Advisor	\$156,196

(Effective with the start of the pay period encompassing July 1, 2018)

Assistant Chief Deputy Counsel, Major Prosecutions	\$167,304
Assistant Deputy Executive Officer, <a href="#">including Chief Information Officer</a>	\$164,784
Chief Deputy Counsel	\$188,844
Deputy Executive Officer, including Chief Operating Officer and Chief Administrative Officer	\$176,371
Director of Strategic Initiatives	\$157,432
Director of Communications	\$157,432
Health Effects Officer	\$126,053 - \$157,432 (Steps 1 – 6)
Intergovernmental Affairs Officer	Vacant
Senior Policy Advisor	Vacant

(Effective with the start of the pay period encompassing July 1, 2019)

Assistant Chief Deputy Counsel, Major Prosecutions	\$171,905
Assistant Deputy Executive Officer, <a href="#">including Chief Information Officer</a>	\$169,316
Chief Deputy Counsel	\$194,037
Deputy Executive Officer, including Chief Operating Officer and Chief Administrative Officer	\$181,222
Director of Strategic Initiatives	\$161,761
Director of Communications	\$161,761
Health Effects Officer	\$126,053 - \$161,761 (Steps 1 – 7)
Intergovernmental Affairs Officer	Vacant
Senior Policy Advisor	Vacant

(Effective with the start of the pay period encompassing July 1, 2020)

Assistant Chief Deputy Counsel, Major Prosecutions	\$176,632
Assistant Deputy Executive Officer, <a href="#">including Chief Information Officer</a>	\$173,972
Chief Deputy Counsel	\$199,373
Deputy Executive Officer, including Chief Operating Officer and Chief Administrative Officer	\$186,205
Director of Strategic Initiatives	\$166,209
Director of Communications	\$166,209
Health Effects Officer	\$126,053 - \$166,209 (Steps 1 – 8)
Intergovernmental Affairs Officer	Vacant
Senior Policy Advisor	Vacant

Formatted: Font: 12 pt

**ATTACHMENT C**

**RESOLUTION NO. 18-\_\_\_\_\_**

A Resolution of the South Coast Air Quality Management District Governing Board to amend SCAQMD's *Salary Resolution* to add the Designated Deputy title of Chief Information Officer.

**WHEREAS**, the Governing Board of the South Coast Air Quality Management District exercises its duty to review and determine appropriate wages, hours, and other terms and conditions of employment provided to its employees.

**THEREFORE, BE IT RESOLVED** that the Board of the South Coast Air Quality Management District, in a regular session assembled on December 7, 2018, in Diamond Bar, California, does hereby amend SCAQMD's *Salary Resolution*, as set forth in the attachment (Attachment B) hereto and incorporated by reference herein, modifying the terms and conditions for compensation and work conditions.

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Clerk of the Boards*

## Item 10

### DRAFT

BOARD MEETING DATE: December 7, 2018

AGENDA NO.

**PROPOSAL:** Issue RFP for Engineering Consultant to Assess BARCT for Proposed Rule 1109.1 – NOx Emission Reductions for Refinery Equipment

**SYNOPSIS:** Staff is seeking an independent third party consultant with technical expertise and experience with NOx control equipment and emissions control technologies preferably in the refinery field. This action is to issue an RFP to solicit proposals for review of staff's BARCT technology assessment, estimated emission reductions, and cost-effectiveness for NOx emitting equipment at petroleum refineries to support Proposed Rule 1109.1, in an amount not to exceed \$100,000. Sufficient funding is available in the General Fund (AB 617).

**COMMITTEE:** Administrative, November 9, 2018; Recommended for Approval

**RECOMMENDED ACTION:**

Issue an RFP to solicit proposals for review of staff's BARCT technology assessment, estimated emission reductions, and cost-effectiveness for NOx emitting equipment at petroleum refineries for Proposed Rule 1109.1, in an amount not to exceed \$100,000.

Wayne Natri  
Executive Officer

JW:PF:BB:SN:MK:HF:JHL:SK

---

### **Background**

On October 15, 1993, the Board adopted the REgional CLean Air Incentives Market (RECLAIM) program. RECLAIM is a market-based program where facilities are required to meet a mass emissions target through implementing emission reduction projects or purchasing RECLAIM Trading Credits. In response to the growing concern that a number of pieces of equipment in RECLAIM have not implemented emission



reduction projects and are not meeting Best Available Retrofit Control Technology (BARCT) emission levels, the 2016 AQMP included a control measure, CMB-05, to achieve an additional five tons per day of NOx emissions as soon as practicable, but no later than 2025 and to transition NOx RECLAIM to a command-and-control regulatory structure. AB 617 accelerated SCAQMD efforts by requiring that air districts establish BARCT schedules no later than January 1, 2019, and implement BARCT no later than December 31, 2023 for facilities in the state greenhouse gas cap and trade program.

To facilitate the transition of facilities from RECLAIM to a command-and-control regulatory structure, a series of industry- and source-specific rules are being developed that include NOx emission limits that are based on a BARCT technology assessment. Proposed Rule 1109.1 is an industry-specific rule for petroleum refineries and will propose NOx emission limits for equipment at petroleum refineries. Staff is developing proposed NOx and ammonia emission limits based on a BARCT technology assessment for each equipment category and estimating emission reductions and cost-effectiveness of achieving the proposed NOx emission limits.

### **Proposal**

Staff is seeking approval to release an RFP in an amount not to exceed \$100,000 to solicit qualified firms or sole practitioners to review staff's BARCT technology assessment for Proposed Rule 1109.1. The purpose of this RFP is to solicit an entity to independently review the feasibility of the proposed NOx and ammonia emission limits, estimated emission reductions, and cost-effective estimates for the following seven major emitting categories of stationary source equipment located at refineries and associated facilities:

- Boilers and heaters;
- Gas turbines/duct burners;
- Fluid catalytic cracking units;
- Sulfur recovery and tail gas treatment units;
- Non-sulfur Recovery incinerators (flares, thermal oxidizers, and afterburners);
- Primary internal combustion engines; and
- Coke calciners.

Once approved and the work is completed, the entity or entities (Contractor), will provide a summary of their findings and provide additional recommendations, if appropriate. The contractor will evaluate and confirm that the NOx control technologies can achieve the NOx levels proposed by staff or they may recommend an alternative NOx emission limit.

### **Bid Evaluation**

Proposals received will be evaluated by a panel consisting of SCAQMD staff and technically qualified outside experts who have appropriate expertise. The panel will

make recommendations and the final selection of the Contractor will be subject to approval by the Board.

**Outreach**

In accordance with SCAQMD’s Procurement Policy and Procedure, a public notice advertising the RFPs and inviting bids will be 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 within SCAQMD’s jurisdiction.

Additionally, potential bidders may be notified utilizing SCAQMD’s own electronic listing of certified minority vendors. Notice of the RFP will be emailed to the Black and Latino Legislative Caucuses and various minority chambers of commerce and business associations, and placed on the Internet at SCAQMD’s website (<http://www.aqmd.gov>) where it can be viewed by making the selection “Grants & Bids.” Staff will also contact potential qualified bidders whose work have been cited in related literature or referred to staff by other subject experts.

Bidders will have several opportunities to interact with staff based on the following tentative timeline:

- 12/7/2018 RFP Released
- 12/20/2018 Bidder’s Conference
- 1/16/2019 Proposals due by 5 p.m.
- 2/8/2019 Recommendation to Administrative Committee
- 3/1/2019 Recommendation to Governing Board

**Resource Impacts**

AB 617 funds are available for this effort in the General Fund, as approved in the January 2018 Board letter.

**Attachment**

RFP #P2019-07



# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## REQUEST FOR PROPOSAL

P2019-07

### **Review of BARCT Technology Assessment and Cost Estimates for Proposed Rule 1109.1**

The South Coast Air Quality Management District (SCAQMD) requests proposals for the following purpose according to the terms and conditions attached. In the preparation of this Request for Proposals (RFP) the words "Proposer," "Contractor," and "Consultant" are used interchangeably.

#### **PURPOSE**

The purpose of this RFP is to obtain proposals from potential qualified contractors with technical expertise and experience in nitrogen oxides (NOx) emissions control technologies to conduct a review of SCAQMD staff's Best Available Retrofit Control Technology (BARCT) technology assessment and cost estimates. The BARCT technology assessment will focus on NOx emission reduction technologies for the following stationary equipment at refineries:

- Fluid catalytic cracking units,
- Sulfur recovery and tail gas treatment units (SRU),
- Non-SRU incinerators (flares, thermal oxidizers, and afterburners),
- Boilers and heaters (refineries and hydrogen plants),
- Gas turbines/duct burners,
- Primary internal combustion engines,
- Coke calciner

This project is conducted to provide an independent third party review of staff's BARCT<sup>1</sup> technology assessment and cost estimates for refinery and refinery related equipment for refineries that are currently in the SCAQMD's RECLAIM (REgional CLean Air Incentives Market) Program. BARCT NOx emission limits will be incorporated in Proposed Rule 1109.1 – NOx Emission Reductions for Refinery Equipment.

Total funding for this RFP is a maximum of \$100,000. The successful bidder for this RFP will be compensated on a fixed-price basis upon completion of tasks described in the Statement of Work.

---

<sup>1</sup> Best Available Retrofit Control Technology (BARCT) means an emission limitation that is based on the maximum degree of reduction achievable, taking into account environmental, energy, and economic impacts by each class or category of source. (California Health and Safety Code § 40406)

**INDEX - The following are contained in this RFP:**

Section I	Background/Information
Section II	Contact Person
Section III	Tentative Schedule of Events
Section IV	Participation in the Procurement Process
Section V	Statement of Work/Schedule of Deliverables
Section VI	Required Qualifications
Section VII	Proposal Submittal Requirements
Section VIII	Proposal Submission
Section IX	Proposal Evaluation/Contractor Selection Criteria
Section X	Award of Contract(s)
Section XI	Draft Contract
Attachment A	Participation in the Procurement Process
Attachment B	Certifications and Representations

**SECTION I: BACKGROUND/INFORMATION**

The SCAQMD Governing Board adopted the RECLAIM program – Regulation XX on October 15, 1993 RECLAIM is a market-based cap and trade program aimed at reducing NOx and SOx emissions by imposing program-wide mass emissions caps that decline overtime. Regulation XX includes a series of rules that specify the applicability and procedure for determining NOx and SOx facility allocations, program requirements, monitoring, reporting, and recordkeeping requirements for RECLAIM facilities. At the beginning of this program, facilities were issued NOx and SOx allocations, also known as RECLAIM Trading Credits (RTCs), which declined over time. To meet the declining RTC allocations, RECLAIM facilities have the option of installing air pollution control equipment, process changes, or purchasing RTCs from other facilities in the RECLAIM program.

In response to the growing concern that a number of pieces of equipment in RECLAIM are not at BARCT levels, the RECLAIM program was amended in December 2015 to achieve programmatic NOx RECLAIM Trading Credit (RTC) reductions of 12 tons per day beginning compliance years 2016 through 2022.

In 2016 Air Quality Management Plan (AQMP) included Control Measure CMB-05, to achieve an additional five tons per day of NOx emission reductions as soon as practicable, but no later than 2025 and to transition the RECLAIM program to a command-and-control regulatory framework. Recent legislation, AB 617, accelerated SCAQMD efforts by requiring that air districts establish BARCT identification and installation schedules no later than January 1, 2019, and implement NOx BARCT requirements no later than December 31, 2023 for facilities in the RECLAIM program. The highest priority is for older, higher polluting units to install retrofit controls.

Proposed Rule 1109.1 is an industry-specific rule that pertains to NOx emitting equipment at petroleum refineries and related operations. Proposed Rule 1109.1 will apply to refineries and will establish NOx emission standards consistent with BARCT, and monitoring, recordkeeping, and reporting requirements. Proposed Rule 1109.1 is needed prior to transitioning refineries from RECLAIM to a command-and-control regulatory program.

Staff is currently in the process of conducting a BARCT technology assessment to establish NOx emission standards for equipment at refineries and is gathering cost data to estimate the cost-effectiveness of NOx emission standards. The goal of this RFP is to solicit competitive bids for a contractor to review SCAQMD staff's BARCT technology assessment, feasibility of BARCT limits, and cost data. Staff's BARCT assessment includes:

- Identifying existing SCAQMD regulatory requirements for that particular source category such as current requirements, other rules regulating that category, and existing exemptions. Staff will also consider potential issues identified during previous rule makings.
- Evaluating other air districts and states with more stringent limits for same source categories. The evaluation will also include international requirements and achievements, consider implementation date, applicability, and alternative compliance approach for each source category.
- Identifying pollution control technologies, approaches and potential emission reductions. The assessment will be all encompassing, identifying known controls, and consider emerging technology.

The technology assessment will be conducted for the following seven major emitting categories of stationary source equipment identified below:

- Fluid catalytic cracking units
- Sulfur recovery and tail gas treatment units
- Non-SRU incinerators (flares, thermal oxidizers, and afterburners)
- Boilers and heaters (refineries and hydrogen plants)
- Gas turbines/duct burners
- Primary Internal combustion engines
- Coke calciner

The contractor shall conduct a review of Staff's BARCT technology assessment focusing on other international requirements and technology review of NOx emission reduction technologies for the seven equipment categories at refineries technical feasibility, costs, and implementation schedule. The contractor may also recommend alternative BARCT emission limits to address the technical feasibility and costs estimates proposed by staff, provided there's sufficient supporting information (e.g. technical studies, manufacturers' data). The contractor will be required to sign a non-disclosure agreement with the SCAQMD prior to having access to the SCAQMD documentations for review. SCAQMD will provide a list of affected facilities and any other supporting documentation that is stated in the statement of work outline.

To gather the most up-to-date information on the operation and current performance of their existing equipment for the preliminary staff BARCT analysis, staff developed a survey questionnaire and distributed the survey to facilities affected by Propose Rule 1109.1. The responses provided from the facilities to the Survey are mostly confidential, and if allowed by the facilities, can be made available to the contractor who is awarded the contract, as long as the non-disclosure agreement is signed.

## **SECTION II: CONTACT PERSONS**

Questions regarding the RFP submission procedural matters, general questions, schedule, and funding of this RFP should be addressed to:

Mr. Michael Krause, Planning and Rules Manager  
Planning, Rule Development and Area Sources  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, CA 91765-4182  
(909) 396-2706  
E-mail – [MKrause@aqmd.gov](mailto:MKrause@aqmd.gov)

Technical questions regarding schedule and funding of this RFP should be addressed to:

Sarady Ka  
Air Quality Specialist  
Planning, Rule Development and Area Sources  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, CA 91765-4182  
(909) 396-2331  
E-mail – [ska@aqmd.gov](mailto:ska@aqmd.gov)

## **SECTION III: TENTATIVE SCHEDULE OF EVENTS**

<b>Date</b>	<b>Event</b>
12/07/18	RFP Released
12/20/18	Bidder's Conference*
1/16/19	Proposals Due to SCAQMD (No Later Than 5:00 pm)
2/8/19	Recommendations to SCAQMD Board
3/1/19	Anticipated Contract Execution

\*Participation in the Bidder's Conference is optional. Such participation would assist in notifying potential Bidders of any updates or amendments. The Bidder's Conference will be held in Room CC3-5 at SCAQMD Headquarters in Diamond Bar, California at 9:00 A.M. PST on Thursday, December 20, 2018. Please contact Mr. Michael Krause at (909) 396-2706 by close of business on Wednesday, December 19, 2018, if you plan to attend.

## **SECTION IV: PARTICIPATION IN THE PROCUREMENT PROCESS**

It is the policy of SCAQMD to ensure that all businesses including minority business enterprises, women business enterprises, disabled veteran business enterprises and small

businesses have a fair and equitable opportunity to compete for and participate in SCAQMD contracts. Attachment A to this RFP contains definitions and further information.

## **SECTION V: STATEMENT OF WORK & SCHEDULE OF DELIVERABLES OBJECTIVE**

### **A. STATEMENT OF WORK**

The objective of this RFP is to solicit one engineering contractor with strong technical expertise and experience in NOx equipment and emissions control technologies, as well as installing new or retrofitted applications at existing facilities because refineries and support facilities (e.g., sulfuric acid plants) will be subject to Rule 1109.1. Experience and expertise in the petroleum processing and refining would be a consideration factor. The experienced contractor will conduct a review of SCAQMD staff's BARCT analysis as an independent 3<sup>rd</sup> party validation.

Staff is currently in the process of conducting a BARCT analysis on the seven emitting sources that are listed in Section I. Staff is also in the process of analyzing information submitted by each of the facilities that are subject to Proposed Rule 1109.1 and has not yet finalized a completion date of the BARCT analysis. Once staff has completed the analysis, the contractor will be notified and the review of staff's BARCT analysis can commence. As part of the staff BARCT review process, the contractor shall provide supporting documents for the described task.

**As part of the process of reviewing staff's assessment, the contractor shall perform all of each specific tasks written below:**

#### **Task 1- Feasibility Assessment**

- **Emission Reductions Levels.** The contractor shall conduct an independent technology assessment analysis, starting with the commercially viable control technology that is most effective and can be potentially installed/retrofitted for each source category taking into consideration existing site-specific conditions at the facility, and making a recommendation on the emission reduction levels that can be achieved with each control technology.
- **Assessment for Two or More Specific Suppliers/Vendors of Control Technologies.** For the technology assessment, the contractor shall evaluate at least two suppliers/vendors for each of the seven equipment categories located at refineries and assess the levels of emission reductions that could be achieved using their products.
- **Concurrent Effect on Other Air Pollutants.** The contractor shall evaluate the effect on other pollutants, and make comments and recommendations on the ability of each technology to reduce NOx emissions, and concurrently reducing (or increasing) Ammonia, PM, and/or CO<sub>2</sub>.

- **Environmental Impacts.** The contractor shall identify and quantify, as appropriate, the environmental effects or impacts (water demand, wastewater treatment, solid waste, energy consumption) and provide information on any hazardous materials and hazardous waste, if known, of for each NOx reduction technique or technology evaluated.
- **Review Facility-Specific Confidential Data and Preliminary Findings.** The contractor shall review facility-specific and site-specific data used in the analysis with each facility to ensure that the data are accurate and correct. If any data, or preliminary findings, are designated by the facility as confidential, or competitively sensitive information, the contractor shall not share those facility-specific or site-specific data with other facilities, or third parties, except with the District as required.

## Task 2 – Cost Analysis

- **Costs and Performance Warranty.** The contractor shall directly contact the control equipment vendors or manufacturers to gather equipment cost information and performance warranty information.
- **Cost Effectiveness Verification.** The contractor shall review cost effective analysis conducted by SCAQMD staff. Staff will estimate costs of installing new equipment or modifying existing equipment, and annual operating costs to meet the emission reduction levels recommended,

## Task 3 – Potential Field Visits

The contractor shall conduct field visit(s) if necessary (e.g. coke calciner) to gather site-specific information to assess the technological feasibility of installing NOx control equipment and available space to install future NOx control devices.

During that visit, the contractor shall gather site specific information (e.g. operating conditions) from the facility's representatives to conduct site-specific feasibility assessment in Task 1 and cost analysis in Task 2. When visiting the site, the contractor will be expected to conduct an engineering evaluation of each potential technology for the site at which the technology could potentially be applicable. The field visits are necessary for the purpose of assessing both physical and operational factors that would impact the feasibility and the cost of additional emission control equipment.

## Task 4 – Submit Progress Report and Final Report

The contractor shall submit one progress report and one final report of findings and recommendations to the SCAQMD, according to the schedule in Table 2. For task 2 and 3, the progress report shall be submitted by 5:00 p.m. April 26, 2019, and the final report shall be submitted by 5:00 p.m. May 24, 2019.

The contractor(s) shall obtain prior approval from the SCAQMD based on a report outline and incorporate comments from SCAQMD staff before finalizing the interim or final reports.



**Task 5 – Mandatory Participation in SCAQMD Meetings**

- It is **mandatory** that the contractor attend a Governing Board meetings if requested by SCAQMD staff and be available, if asked, to give a presentation and testimony to the Board about its findings and recommendations. The meetings dates are still TBD. If the meetings are moved to later dates, or additional meetings are added, SCAQMD staff will notify the contractor as soon as possible, and the contractor shall adjust his/her schedule in order to attend the meetings accordingly.
- SCAQMD staff may conduct conferences, workshops, or public meetings to communicate with industry and the public on the project findings. If necessary, the contractor shall prepare presentation materials and attend these events to assist staff in responding to public comments on a case-by-case basis. Additional stipends will be assessed if needed.

A tentative timeline for the project is presented in Table 1, and report due dates in Table

**TABLE 1  
Project Implementation**

<b>Task</b>	<b>Duration</b>
Tasks 1, 2, 3 and 4: Review Staff's Technology Assessment, Feasibility and Cost Analysis Verification, and Develop Final Report	Maximum 3 Months. Commencing immediately following the signing of the contract or final release of staff's BARCT analysis.
Tasks 3:Coke Calciner Field Visit and Develop Progress Report	Maximum 1 Month. Commencing immediately following the signing of the contract.
Task 5: Participate in Governing Board Meetings & Outreach Events If Needed	TBD, and as needed when notified by SCAQMD staff.
<b>TOTAL</b>	Maximum 3 Months. Must Complete By May 24, 2019.

## **B. SCHEDULE OF DELIVERABLES**

In addition to the task deliverables itemized above, successful bidders are expected at minimum to supply a progress report by 5:00 p.m. on April 26, 2019 the progress reports shall summarize preliminary results and findings. The contractors shall maintain information related to site visit and company-specific data confidential and shall not share these data with other facilities.

Written reports shall be submitted to Mr. Michael Krause such that the confidential information is protected. The written reports should accompany any invoices billed to SCAQMD. The progress report will be included in the Final Report submitted by 5:00 p.m. on April 26, 2019.

**TABLE 2**  
**Progress and Final Reports**

<b>Report</b>	<b>Due Date</b>
Progress Report	April 26, 2019.
Final Report	May 24, 2019.

## **SECTION VI: REQUIRED QUALIFICATIONS**

- A. The SCAQMD requests submittal of detailed expertise and capabilities from consultants who meet a combination of the technical qualifications listed below. Individuals can team to submit a joint bid if they have complementary expertise and qualifications that collectively meet the requirements. Statements of qualifications should include evidence documenting experience, expertise, and capabilities in refinery equipment and operations.
- B. Bidder(s) shall be selected for contract award based on the best combinations of qualifications. Persons or firms who bid on this RFP must possess qualifications, education and experience in emissions control technologies for NOx, and must have demonstrable experience with respect to estimating the cost of retrofit installations of emission control systems or technologies at existing facilities of the type identified in this RFP.

## **SECTION VII: PROPOSAL SUBMITTAL REQUIREMENTS**

Submitted proposals must follow the format outlined below and all requested information must be supplied. Failure to submit proposals in the required format will result in elimination from proposal evaluation. SCAQMD may modify the RFP or issue supplementary information or guidelines during the proposal preparation period prior to the due date. Please check our website for updates (<http://www.aqmd.gov/grants-bids>). The cost for developing the proposal is the responsibility of the Contractor, and shall not be chargeable to SCAQMD.

Each proposal must be submitted in three separate volumes:

- Volume I - Technical Proposal

- Volume II - Cost Proposal
- Volume III - Certifications and Representations included in Attachment B to this RFP, must be completed and executed by an authorized official of the Contractor.

A separate cover letter including the name, address, and telephone number of the contractor, and signed by the person or persons authorized to represent the Firm should accompany the proposal submission. Firm contact information as follows should also be included in the cover letter:

1. Address and telephone number of office in, or nearest to, Diamond Bar, California.
2. Name and title of Firm's representative designated as contact.

A separate Table of Contents should be provided for Volumes I and II.

## **VOLUME I - TECHNICAL PROPOSAL**

### **DO NOT INCLUDE ANY COST INFORMATION IN THE TECHNICAL VOLUME**

Summary (Section A) - State overall approach to meeting the objectives and satisfying the scope of work to be performed, the sequence of activities, and a description of methodology or techniques to be used.

Program Schedule (Section B) - Provide projected milestones or benchmarks for submitting reports within the total time allowed.

Project Organization (Section C) - Describe the proposed management structure, program monitoring procedures, and organization of the proposed team.

Qualifications (Section D) - Describe the technical capabilities of the firm. Provide references of other similar studies performed during the last five years demonstrating ability to successfully complete the project. Include contact name, title, and telephone number for any references listed. Provide a statement of your firm's background and experience in performing similar projects for other governmental organizations.

Assigned Personnel (Section E) - Provide the following information on the staff to be assigned to this project:

1. List all key personnel assigned to the project by level and name. Provide a resume or similar statement of the qualifications of the lead person and all persons assigned to the project. Substitution of project manager or lead personnel will not be permitted without prior written approval of SCAQMD.
2. Provide a spreadsheet of the labor hours proposed for each labor category at the task level.
3. Provide a statement indicating whether or not 90% of the work will be performed within the geographical boundaries of the SCAQMD.

4. Provide a statement of the education and training program provided by, or required of, the staff identified for participation in the project, particularly with reference to management consulting, governmental practices and procedures, and technical matters.
5. Provide a summary of your firm's general qualifications to meet required qualifications and fulfill statement of work, including additional firm personnel and resources beyond those who may be assigned to the project.

Subcontractors (Section F) - This project may require expertise in multiple technical areas. List any subcontractors that may be used and the work to be performed by them.

Conflict of Interest (Section G) - Address possible conflicts of interest with other clients affected by actions performed by the firm on behalf of SCAQMD. Although the Proposer will not be automatically disqualified by reason of work performed for such firms, SCAQMD reserves the right to consider the nature and extent of such work in evaluating the proposal.

Additional Data (Section H) - Provide other essential data that may assist in the evaluation of this proposal.

## **VOLUME II - COST PROPOSAL**

Name and Address - The Cost Proposal must list the name and complete address of the Proposer in the upper left-hand corner.

Cost Proposal – SCAQMD anticipates awarding a fixed price contract. Cost information must be provided as listed below:

1. Detail must be provided by the following categories:
  - A. Labor – The Cost Proposal must list the fully-burdened hourly rates and the total number of hours estimated for each level of professional and administrative staff to be used to perform the tasks required by this RFP. Costs should be estimated for each of the components of the work plan.
  - B. Supplies, Hardware, Equipment - Provide an itemized list of supplies, hardware, and equipment to be used or purchased (the name, number, and cost of each).
  - C. Subcontractor Costs - List subcontractor costs and identify subcontractors by name. Itemize subcontractor charges per hour or per day.
  - D. Travel Costs - Indicate amount of travel cost and basis of estimate to include trip destination, purpose of trip, length of trip, airline fare or mileage expense, per diem costs, lodging and car rental.
  - E. Other Direct Costs -This category may include such items as postage and mailing expense, printing and reproduction costs, etc. Provide a basis of estimate for these costs.
  - F. Payment Schedule – Using the project schedule submitted under Section B of the Technical Proposal (Volume I), provide a proposed payment schedule tied to specific deliverables by task.

2. It is the policy of the SCAQMD to receive at least as favorable pricing, warranties, conditions, benefits, and terms as other customers or clients making similar purchases or receiving similar services. SCAQMD will give preference, where appropriate, to vendors who certify that they will provide "most favored customer" status to the SCAQMD. To receive preference points, Proposer shall certify that SCAQMD is receiving "most favored customer" pricing in the Business Status Certifications page of Volume III, Attachment B – Certifications and Representations.

### **VOLUME III - CERTIFICATIONS AND REPRESENTATIONS** (see Attachment A to this RFP)

These forms must be executed by an authorized official of the Contractor.

### **SECTION VIII: PROPOSAL SUBMISSION**

All proposals must be submitted according to specifications set forth in the section above. Failure to adhere to these specifications may be cause for rejection of proposal.

Signature - All proposals should be signed by an authorized representative of the Proposer.

Due Date – The Proposer shall submit eight (8) complete copies of the proposal in a sealed envelope, plainly marked in the upper left-hand corner with the name and address of the Proposer and the words "Request for Proposals #-P2019-07." **All proposals are due no later than 5:00 p.m., December 19, 2018**, and should be directed to

Procurement Unit  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, CA 91765-4178  
(909) 396-3520

Submittal - Submit five (5) complete copies of the proposal in a sealed envelope, plainly marked in the upper left-hand corner with the name and address of the Proposer and the words "Request for Proposals P2019-07."

**Late bids/proposals will not be accepted.** Any correction or resubmission done by the Proposer will not extend the submittal due date.

Grounds for Rejection - A proposal may be immediately rejected if:

- It is not prepared in the format described, or
- It is signed by an individual not authorized to represent the firm.

Disposition of Proposals - SCAQMD reserves the right to reject any or all proposals. All responses become the property of SCAQMD. One copy of the proposal shall be retained for SCAQMD files. Additional copies and materials will be returned only if requested and at the proposer's expense.

Modification or Withdrawal - Once submitted, proposals cannot be altered without the prior written consent of SCAQMD. All proposals shall constitute firm offers and may not be withdrawn for a period of ninety (90) days following the last day to accept proposals.

**SECTION IX: PROPOSAL EVALUATION & CONTRACTOR SELECTION CRITERIA**

- A. Proposals will be evaluated by a panel of three to five SCAQMD staff members familiar with the subject matter of the project. The panel shall be appointed by the Executive Officer or his designee. In addition, the evaluation panel may include such outside public sector or academic community expertise as deemed desirable by the Executive Officer. The panel will make a recommendation to the Executive Officer and/or the Governing Board of SCAQMD for final selection of a contractor and negotiation of a contract.
- B. Each member of the evaluation panel shall be accorded equal weight in his or her rating of proposals. The evaluation panel members shall evaluate the proposals according to the specified criteria and numerical weightings set forth below.

1. Evaluation Criteria

<b><u>Technical Criteria</u></b>	<b><u>Points</u></b>
Understanding the Scope of Work	10
Past Experience on Similar Projects, Engineering Expertise	40
Technical/Management Approach & Schedule	20
<b><u>Project Cost</u></b>	
Cost	30
<b>TOTAL:</b>	<b>100</b>

**Additional Points**

Small Business or Small Business Joint Venture	10
DVBE or DVBE Joint Venture	10
Use of DVBE or Small Business Subcontractors	7
Low-Emission Vehicle Business	5
Local Business (Non-EPA Funded Projects Only)	5
Off-Peak Hours Delivery Business	2

**The cumulative points awarded for small business, DVBE, use of small business or DVBE subcontractors, low-emission vehicle business, local business, and off-peak hours delivery business shall not exceed 15 points.**

**Self-Certification for Additional Points**

**The award of these additional points shall be contingent upon Proposer completing the Self-Certification section of Attachment B – Certifications and Representations and/or inclusion of a statement in the proposal self-certifying that Proposer qualifies for additional points as detailed above.**

2. To receive additional points in the evaluation process for the categories of Small Business or Small Business Joint Venture, DVBE or DVBE Joint Venture or Local Business (for non-federally funded projects), the proposer must submit a self-certification or certification from the State of California Office of Small Business Certification and Resources at the time of proposal submission certifying that the proposer meets the requirements set forth in Section III. To receive points for the use of DVBE and/or Small Business subcontractors, at least 25 percent of the total contract value must be subcontracted to DVBEs and/or Small Businesses. To receive points as a Low-Emission Vehicle Business, the proposer must demonstrate to the Executive Officer, or designee, that supplies and materials delivered to SCAQMD are delivered in vehicles that operate on either clean-fuels or if powered by diesel fuel, that the vehicles have particulate traps installed. To receive points as a Local Business, the proposer must affirm that it has an ongoing business within the SCAQMD at the time of bid/proposal submittal and that 90% of the work related to the contract will be performed within the SCAQMD. Proposals for legislative representation, such as in Sacramento, California or Washington D.C. are not eligible for local business incentive points. Federally funded projects are not eligible for local business incentive points. To receive points as an Off-Peak Hours Delivery Business, the proposer must submit, at proposal submission, certification of its commitment to delivering supplies and materials to SCAQMD between the hours of 10:00 a.m. and 3:00 p.m. To receive points for Most Favored Customer status, the proposer must submit, at proposal submission, certification of its commitment to provide most favored customer status to the SCAQMD. The cumulative points awarded for small business, DVBE, use of Small Business or DVBE Subcontractors, Local Business, Low-Emission Vehicle Business and Off-Peak Hour Delivery Business shall not exceed 15 points.

The Procurement Section will be responsible for monitoring compliance of suppliers awarded purchase orders based upon use of low-emission vehicles or off-peak traffic hour delivery commitments through the use of vendor logs which will identify the contractor awarded the incentive. The purchase order shall incorporate terms which obligate the supplier to deliver materials in low-emission vehicles or deliver during off-peak traffic hours. The Receiving department will monitor those qualified supplier deliveries to ensure compliance to the purchase order requirements. Suppliers in non-compliance will be subject to a two percent of total purchase order value penalty. The Procurement Manager will adjudicate any disputes regarding either low-emission vehicle or off-peak hour deliveries.

- C. During the selection process the evaluation panel may wish to interview some proposers for clarification purposes only. No new material will be permitted at this time. Additional information provided during the bid review process is limited to clarification by the Proposer of information presented in his/her proposal, upon request by SCAQMD.

- D. The Executive Officer or Governing Board may award the contract to a Proposer other than the Proposer receiving the highest rating in the event the Governing Board determines that another Proposer from among those technically qualified would provide the best value to SCAQMD considering cost and technical factors. The determination shall be based solely on the Evaluation Criteria contained in the Request for Proposal (RFP), on evidence provided in the proposal and on any other evidence provided during the bid review process.
- E. Selection will be made based on the above-described criteria and rating factors. The selection will be made by and is subject to Executive Officer or Governing Board approval. Proposers shall be notified of the results by letter.
- F. The Governing Board has approved a Bid Protest Procedure which provides a process for a Bidder or prospective Bidder to submit a written protest to SCAQMD Procurement Manager in recognition of two types of protests: Protest Regarding Solicitation and Protest Regarding Award of a Contract. Copies of the Bid Protest Policy can be secured through a request to SCAQMD Procurement Department.
- G. The Executive Officer or Governing Board may award contracts to more than one proposer if in (his or their) sole judgment the purposes of the (contract or award) would best be served by selecting multiple proposers.
- H. If additional funds become available, the Executive Officer or Governing Board may increase the amount awarded. The Executive Officer or Governing Board may also select additional proposers for a grant or contract if additional funds become available.
- I. Disposition of Proposals – Pursuant to SCAQMD’s Procurement Policy and Procedure, SCAQMD reserves the right to reject any or all proposals. All proposals become the property of SCAQMD, and are subject to the California Public Records Act. One copy of the proposal shall be retained for SCAQMD files. Additional copies and materials will be returned only if requested and at the proposer's expense.
- J. **If proposal submittal is for a Public Works project as defined by State of California Labor Code Section 1720, Proposer is required to include Contractor Registration No. in Attachment B. Proposal submittal will be deemed as non-responsive and Bidder may be disqualified if Contractor Registration No. is not included in Attachment B. Proposer is alerted to changes to California Prevailing Wage compliance requirements as defined in Senate Bill 854 (Stat. 2014, Chapter 28), and California Labor Code Sections 1770, 1771 and 1725.**
- K. PAYMENT BOND (MATERIAL AND LABOR BOND) - Within fourteen days after execution of the Contract by SCAQMD and prior to performing any work under the Contract, the CONTRACTOR shall file with SCAQMD, a payment bond (material and labor bond) in an amount equal to one hundred (100) percent of the contract price, to satisfy claims of material suppliers and of mechanics and laborers employed by the Contractor to perform the work.
  - A. UNSATISFACTORY SURETIES - Should any Surety, at any time, be deemed unsatisfactory by SCAQMD, notice will be given to the Contractor to that effect. No further payments shall be deemed due, or will be made under the Contract until a new Surety shall qualify and be accepted by SCAQMD.
  - B. EFFECT OF CHANGES IN THE WORK/EXTENSIONS OF TIME ON THE SURETY - Changes in the work, or extensions of time, made pursuant to the Contract, shall in no way release the Contractor or the Surety from their



obligations under the bond. Notice of such changes or extensions shall be waived by the Surety.

## **SECTION X: AWARD OF CONTRACT(S)**

All contracts are subject to approval by the Executive Officer or the Governing Board. SCAQMD reserves the right to fund multiple contracts, and to award specific portions of this effort to different contractors. All bidders will be notified of the results by letter.

The total funding for the work contemplated by this RFP will be approximately \$100,000.

## **SECTION XI: DRAFT CONTRACT**

A sample contract to carry out the work described in this RFP is available on SCAQMD's website at <http://www.aqmd.gov/grants-bids> or upon request from the RFP Contact Person (Section II).

## ATTACHMENT A

### PARTICIPATION IN THE PROCUREMENT PROCESS

A. It is the policy of South Coast Air Quality Management District (SCAQMD) to ensure that all businesses including minority business enterprises, women business enterprises, disabled veteran business enterprises and small businesses have a fair and equitable opportunity to compete for and participate in SCAQMD contracts.

B. Definitions:

The definition of minority, women or disadvantaged business enterprises set forth below is included for purposes of determining compliance with the affirmative steps requirement described in Paragraph G below on procurements funded in whole or in part with federal grant funds which involve the use of subcontractors. The definition provided for disabled veteran business enterprise, local business, small business enterprise, low-emission vehicle business and off-peak hours delivery business are provided for purposes of determining eligibility for point or cost considerations in the evaluation process.

1. "Women business enterprise" (WBE) as used in this policy means a business enterprise that meets all of the following criteria:
  - a. a business that is at least 51 percent owned by one or more women, or in the case of any business whose stock is publicly held, at least 51 percent of the stock is owned by one or more women.
  - b. a business whose management and daily business operations are controlled by one or more women.
  - c. a business which is a sole proprietorship, corporation, or partnership with its primary headquarters office located in the United States, which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign-based business.
2. "Disabled veteran" as used in this policy is a United States military, naval, or air service veteran with at least 10 percent service-connected disability who is a resident of California.
3. "Disabled veteran business enterprise" (DVBE) as used in this policy means a business enterprise that meets all of the following criteria:
  - a. is a sole proprietorship or partnership of which at least 51 percent is owned by one or more disabled veterans or, in the case of a publicly owned business, at least 51 percent of its stock is owned by one or more disabled veterans; a subsidiary which is wholly owned by a parent corporation but only if at least 51 percent of the voting stock of the parent corporation is owned by one or more disabled veterans; or a joint venture in which at least 51 percent of the joint venture's management and control and earnings are held by one or more disabled veterans.

- b. the management and control of the daily business operations are by one or more disabled veterans. The disabled veterans who exercise management and control are not required to be the same disabled veterans as the owners of the business.
  - c. is a sole proprietorship, corporation, or partnership with its primary headquarters office located in the United States, which is not a branch or subsidiary of a foreign corporation, firm, or other foreign-based business.
4. "Local business" as used in this policy means a company that has an ongoing business within geographical boundaries of SCAQMD at the time of bid or proposal submittal and performs 90% of the work related to the contract within the geographical boundaries of SCAQMD and satisfies the requirements of subparagraph H below. Proposals for legislative representation, such as in Sacramento, California or Washington D.C. are not eligible for local business incentive points.
5. "Small business" as used in this policy means a business that meets the following criteria:
- a. 1) an independently owned and operated business; 2) not dominant in its field of operation; 3) together with affiliates is either:
    - A service, construction, or non-manufacturer with 100 or fewer employees, and average annual gross receipts of ten million dollars (\$10,000,000) or less over the previous three years, or
    - A manufacturer with 100 or fewer employees.
  - b. Manufacturer means a business that is both of the following:
    - 1) Primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products.
    - 2) Classified between Codes 311000 and 339000, inclusive, of the North American Industrial Classification System (NAICS) Manual published by the United States Office of Management and Budget, 2007 edition.
6. "Joint ventures" as defined in this policy pertaining to certification means that one party to the joint venture is a DVBE or small business and owns at least 51 percent of the joint venture.
7. "Low-Emission Vehicle Business" as used in this policy means a company or contractor that uses low-emission vehicles in conducting deliveries to SCAQMD. Low-emission vehicles include vehicles powered by electric, compressed natural gas (CNG), liquefied natural gas (LNG), liquefied petroleum gas (LPG), ethanol, methanol, hydrogen and diesel retrofitted with particulate matter (PM) traps.

8. "Off-Peak Hours Delivery Business" as used in this policy means a company or contractor that commits to conducting deliveries to SCAQMD during off-peak traffic hours defined as between 10:00 a.m. and 3:00 p.m.
9. "Benefits Incentive Business" as used in this policy means a company or contractor that provides janitorial, security guard or landscaping services to SCAQMD and commits to providing employee health benefits (as defined below in Section VIII.D.2.d) for full time workers with affordable deductible and co-payment terms.
10. "Minority Business Enterprise" as used in this policy means a business that is at least 51 percent owned by one or more minority person(s), or in the case of any business whose stock is publicly held, at least 51 percent of the stock is owned by one or more or minority persons.
  - a. a business whose management and daily business operations are controlled by one or more minority persons.
  - b. a business which is a sole proprietorship, corporation, or partnership with its primary headquarters office located in the United States, which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign-based business.
  - c. "Minority person" for purposes of this policy, means a Black American, Hispanic American, Native-American (including American Indian, Eskimo, Aleut, and Native Hawaiian), Asian-Indian (including a person whose origins are from India, Pakistan, and Bangladesh), Asian-Pacific-American (including a person whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the United States Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, and Taiwan).
11. "Most Favored Customer" as used in this policy means that the SCAQMD will receive at least as favorable pricing, warranties, conditions, benefits and terms as other customers or clients making similar purchases or receiving similar services.
12. "Disadvantaged Business Enterprise" as used in this policy means a business that is an entity owned and/or controlled by a socially and economically disadvantaged individual(s) as described by Title X of the Clean Air Act Amendments of 1990 (42 U.S.C. 7601 note) (10% statute), and Public Law 102-389 (42 U.S.C. 4370d)(8% statute), respectively;
  - a Small Business Enterprise (SBE);
  - a Small Business in a Rural Area (SBRA);
  - a Labor Surplus Area Firm (LSAF); or
  - a Historically Underutilized Business (HUB) Zone Small Business Concern, or a concern under a successor program.

C. Under Request for Quotations (RFQ), DVBEs, DVBE business joint ventures, small businesses, and small business joint ventures shall be granted a preference in an amount equal to 5% of the lowest cost responsive bid. Low-Emission Vehicle Businesses shall be granted a preference in an amount equal to 5 percent of the lowest cost responsive bid.

Off-Peak Hours Delivery Businesses shall be granted a preference in an amount equal to 2 percent of the lowest cost responsive bid. Local businesses (if the procurement is not funded in whole or in part by federal grant funds) shall be granted a preference in an amount equal to 2% of the lowest cost responsive bid. Businesses offering Most Favored Customer status shall be granted a preference in an amount equal to 2 percent of the lowest cost responsive bid.

- D. Under Request for Proposals, DVBEs, DVBE joint ventures, small businesses, and small business joint ventures shall be awarded ten (10) points in the evaluation process. A non-DVBE or large business shall receive seven (7) points for subcontracting at least twenty-five (25%) of the total contract value to a DVBE and/or small business. Low-Emission Vehicle Businesses shall be awarded five (5) points in the evaluation process. On procurements which are not funded in whole or in part by federal grant funds local businesses shall receive five (5) points. Off-Peak Hours Delivery Businesses shall be awarded two (2) points in the evaluation process. Businesses offering Most Favored Customer status shall be awarded two (2) points in the evaluation process.
- E. SCAQMD will ensure that discrimination in the award and performance of contracts does not occur on the basis of race, color, sex, national origin, marital status, sexual preference, creed, ancestry, medical condition, or retaliation for having filed a discrimination complaint in the performance of SCAQMD contractual obligations.
- F. SCAQMD requires Contractor to be in compliance with all state and federal laws and regulations with respect to its employees throughout the term of any awarded contract, including state minimum wage laws and OSHA requirements.
- G. When contracts are funded in whole or in part by federal funds, and if subcontracts are to be let, the Contractor must comply with the following, evidencing a good faith effort to solicit disadvantaged businesses. Contractor shall submit a certification signed by an authorized official affirming its status as a MBE or WBE, as applicable, at the time of contract execution. SCAQMD reserves the right to request documentation demonstrating compliance with the following good faith efforts prior to contract execution.
  - 1. Ensure Disadvantaged Business Enterprises (DBEs) are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities. For Indian Tribal, State and Local Government recipients, this will include placing DBEs on solicitation lists and soliciting them whenever they are potential sources.
  - 2. Make information on forthcoming opportunities available to DBEs and arrange time frames for contracts and establish delivery schedules, where the requirements permit, in a way that encourages and facilitates participation by DBEs in the competitive process. This includes, whenever possible, posting solicitations for bids or proposals for a minimum of 30 calendar days before the bid or proposal closing date.
  - 3. Consider in the contracting process whether firms competing for large contracts could subcontract with DBEs. For Indian Tribal, State and Local Government recipients, this will include dividing total requirements when economically feasible into smaller tasks or quantities to permit maximum participation by DBEs in the competitive process.

4. Encourage contracting with a consortium of DBEs when a contract is too large for one of these firms to handle individually.
  5. Using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.
  6. If the prime contractor awards subcontracts, require the prime contractor to take the above steps.
- H. To the extent that any conflict exists between this policy and any requirements imposed by federal and state law relating to participation in a contract by a certified MBE/WBE/DVBE as a condition of receipt of federal or state funds, the federal or state requirements shall prevail.
- I. When contracts are not funded in whole or in part by federal grant funds, a local business preference will be awarded. For such contracts that involve the purchase of commercial off-the-shelf products, local business preference will be given to suppliers or distributors of commercial off-the-shelf products who maintain an ongoing business within the geographical boundaries of SCAQMD. However, if the subject matter of the RFP or RFQ calls for the fabrication or manufacture of custom products, only companies performing 90% of the manufacturing or fabrication effort within the geographical boundaries of SCAQMD shall be entitled to the local business preference. Proposals for legislative representation, such as in Sacramento, California or Washington D.C. are not eligible for local business incentive points.
- J. In compliance with federal fair share requirements set forth in 40 CFR Part 33, SCAQMD shall establish a fair share goal annually for expenditures with federal funds covered by its procurement policy.

## ATTACHMENT B



# South Coast Air Quality Management District

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

### **Business Information Request**

Dear SCAQMD Contractor/Supplier:

South Coast Air Quality Management District (SCAQMD) is committed to ensuring that our contractor/supplier records are current and accurate. If your firm is selected for award of a purchase order or contract, it is imperative that the information requested herein be supplied in a timely manner to facilitate payment of invoices. In order to process your payments, we need the enclosed information regarding your account. **Please review and complete the information identified on the following pages, remember to sign all documents for our files, and return them as soon as possible to the address below:**

**Attention: Accounts Payable, Accounting Department  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, CA 91765-4178**

If you do not return this information, we will not be able to establish you as a vendor. This will delay any payments and would still necessitate your submittal of the enclosed information to our Accounting department before payment could be initiated. Completion of this document and enclosed forms would ensure that your payments are processed timely and accurately.

If you have any questions or need assistance in completing this information, please contact Accounting at (909) 396-3777. We appreciate your cooperation in completing this necessary information.

Sincerely,

Sujata Jain  
Asst. Deputy Executive Officer  
Finance

DH:tm

Enclosures: Business Information Request  
Disadvantaged Business Certification  
W-9  
Form 590 Withholding Exemption Certificate  
Federal Contract Debarment Certification  
Campaign Contributions Disclosure  
Direct Deposit Authorization

REV 1/18



# South Coast Air Quality Management District

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

## BUSINESS INFORMATION REQUEST

Business Name	
Division of	
Subsidiary of	
Website Address	
Type of Business <i>Check One:</i>	<input type="checkbox"/> Individual <input type="checkbox"/> DBA, Name _____, County Filed in _____ <input type="checkbox"/> Corporation, ID No. _____ <input type="checkbox"/> LLC/LLP, ID No. _____ <input type="checkbox"/> Other _____

## REMITTING ADDRESS INFORMATION

Address			
City/Town			
State/Province		Zip	
Phone	(    )    -    Ext	Fax	(    )    -
Contact		Title	
E-mail Address			
Payment Name if Different			

All invoices must reference the corresponding Purchase Order Number(s)/Contract Number(s) if applicable and mailed to:

**Attention: Accounts Payable, Accounting Department  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, CA 91765-4178**



## BUSINESS STATUS CERTIFICATIONS

Federal guidance for utilization of disadvantaged business enterprises allows a vendor to be deemed a small business enterprise (SBE), minority business enterprise (MBE) or women business enterprise (WBE) if it meets the criteria below.

- is certified by the Small Business Administration or
- is certified by a state or federal agency or
- is an independent MBE(s) or WBE(s) business concern which is at least 51 percent owned and controlled by minority group member(s) who are citizens of the United States.

Statements of certification:

As a prime contractor to SCAQMD, (name of business) will engage in good faith efforts to achieve the fair share in accordance with 40 CFR Section 33.301, and will follow the six affirmative steps listed below **for contracts or purchase orders funded in whole or in part by federal grants and contracts.**

1. Place qualified SBEs, MBEs, and WBEs on solicitation lists.
2. Assure that SBEs, MBEs, and WBEs are solicited whenever possible.
3. When economically feasible, divide total requirements into small tasks or quantities to permit greater participation by SBEs, MBEs, and WBEs.
4. Establish delivery schedules, if possible, to encourage participation by SBEs, MBEs, and WBEs.
5. Use services of Small Business Administration, Minority Business Development Agency of the Department of Commerce, and/or any agency authorized as a clearinghouse for SBEs, MBEs, and WBEs.
6. If subcontracts are to be let, take the above affirmative steps.

**Self-Certification Verification: Also for use in awarding additional points, as applicable, in accordance with SCAQMD Procurement Policy and Procedure:**

Check all that apply:

- |   |  |
|---|--|
| <input type="checkbox"/> Small Business Enterprise/Small Business Joint Venture | <input type="checkbox"/> Women-owned Business Enterprise                               |
| <input type="checkbox"/> Local business   | <input type="checkbox"/> Disabled Veteran-owned Business Enterprise/DVBE Joint Venture |
| <input type="checkbox"/> Minority-owned Business Enterprise                     | <input type="checkbox"/> Most Favored Customer Pricing Certification                   |

Percent of ownership: \_\_\_\_\_ %

Name of Qualifying Owner(s): \_\_\_\_\_

**State of California Public Works Contractor Registration No. \_\_\_\_\_ . MUST BE INCLUDED IF BID PROPOSAL IS FOR PUBLIC WORKS PROJECT.**

I, the undersigned, hereby declare that to the best of my knowledge the above information is accurate. Upon penalty of perjury, I certify information submitted is factual.

_____	_____
<i>NAME</i>	<i>TITLE</i>
_____	_____
<i>TELEPHONE NUMBER</i>	<i>DATE</i>

## Definitions

**Disabled Veteran-Owned Business Enterprise** means a business that meets all of the following criteria:

- is a sole proprietorship or partnership of which is at least 51 percent owned by one or more disabled veterans, or in the case of any business whose stock is publicly held, at least 51 percent of the stock is owned by one or more disabled veterans; a subsidiary which is wholly owned by a parent corporation but only if at least 51 percent of the voting stock of the parent corporation is owned by one or more disabled veterans; or a joint venture in which at least 51 percent of the joint venture's management and control and earnings are held by one or more disabled veterans.
- the management and control of the daily business operations are by one or more disabled veterans. The disabled veterans who exercise management and control are not required to be the same disabled veterans as the owners of the business.
- is a sole proprietorship, corporation, partnership, or joint venture with its primary headquarters office located in the United States and which is not a branch or subsidiary of a foreign corporation, firm, or other foreign-based business.

**Joint Venture** means that one party to the joint venture is a DVBE and owns at least 51 percent of the joint venture. In the case of a joint venture formed for a single project this means that DVBE will receive at least 51 percent of the project dollars.

**Local Business** means a business that meets all of the following criteria:

- has an ongoing business within the boundary of SCAQMD at the time of bid application.
- performs 90 percent of the work within SCAQMD's jurisdiction.

**Minority-Owned Business Enterprise** means a business that meets all of the following criteria:

- is at least 51 percent owned by one or more minority persons or in the case of any business whose stock is publicly held, at least 51 percent of the stock is owned by one or more minority persons.
- is a business whose management and daily business operations are controlled or owned by one or more minority person.
- is a business which is a sole proprietorship, corporation, partnership, joint venture, an association, or a cooperative with its primary headquarters office located in the United States, which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign business.

“Minority” person means a Black American, Hispanic American, Native American (including American Indian, Eskimo, Aleut, and Native Hawaiian), Asian-Indian American (including a person whose origins are from India, Pakistan, or Bangladesh), Asian-Pacific American (including a person whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the United States Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, or Taiwan).

**Small Business Enterprise** means a business that meets the following criteria:

- a. 1) an independently owned and operated business; 2) not dominant in its field of operation; 3) together with affiliates is either:
  - **A service, construction, or non-manufacturer with 100 or fewer employees, and average annual gross receipts of ten million dollars (\$10,000,000) or less over the previous three years, or**
  - A manufacturer with 100 or fewer employees.
- b. Manufacturer means a business that is both of the following:
  - 1) Primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products.
  - 2) Classified between Codes 311000 to 339000, inclusive, of the North American Industrial Classification System (NAICS) Manual published by the United States Office of Management and Budget, 2007 edition.

**Small Business Joint Venture** means that one party to the joint venture is a Small Business and owns at least 51 percent of the joint venture. In the case of a joint venture formed for a single project this means that the Small Business will receive at least 51 percent of the project dollars.

**Women-Owned Business Enterprise** means a business that meets all of the following criteria:

- is at least 51 percent owned by one or more women or in the case of any business whose stock is publicly held, at least 51 percent of the stock is owned by one or more women.
- is a business whose management and daily business operations are controlled or owned by one or more women.
- is a business which is a sole proprietorship, corporation, partnership, or a joint venture, with its primary headquarters office located in the United States, which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign business.

**Most Favored Customer** as used in this policy means that the SCAQMD will receive at least as favorable pricing, warranties, conditions, benefits and terms as other customers or clients making similar purchases or receiving similar services.

## Request for Taxpayer Identification Number and Certification

Give Form to the  
requester. Do not  
send to the IRS.

▶ Go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9) for instructions and the latest information.

Print or type. See Specific Instructions on page 3.	1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.					
	2 Business name/disregarded entity name, if different from above					
	3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only <b>one</b> of the following seven boxes.		4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):			
	<input type="checkbox"/> Individual/sole proprietor or single-member LLC	<input type="checkbox"/> C Corporation	<input type="checkbox"/> S Corporation	<input type="checkbox"/> Partnership	<input type="checkbox"/> Trust/estate	Exempt payee code (if any) _____
	<input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ _____					
	<b>Note:</b> Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is <b>not</b> disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.					
	<input type="checkbox"/> Other (see instructions) ▶ _____					Exemption from FATCA reporting code (if any) _____ <small>(Applies to accounts maintained outside the U.S.)</small>
5 Address (number, street, and apt. or suite no.) See instructions.			Requester's name and address (optional)			
6 City, state, and ZIP code						
7 List account number(s) here (optional)						

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

**Note:** If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number									
						-			
OR									
Employer identification number									

### Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

<b>Sign Here</b>	Signature of U.S. person ▶	Date ▶
------------------	----------------------------	--------

### General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9).

#### Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

*If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.*

By signing the filled-out form, you:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct. See *What is FATCA reporting*, later, for further information.

**Note:** If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien;
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States;
- An estate (other than a foreign estate); or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.

In the cases below, the following person must give Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States.

- In the case of a disregarded entity with a U.S. owner, the U.S. owner of the disregarded entity and not the entity;
- In the case of a grantor trust with a U.S. grantor or other U.S. owner, generally, the U.S. grantor or other U.S. owner of the grantor trust and not the trust; and
- In the case of a U.S. trust (other than a grantor trust), the U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

**Foreign person.** If you are a foreign person or the U.S. branch of a foreign bank that has elected to be treated as a U.S. person, do not use Form W-9. Instead, use the appropriate Form W-8 or Form 8233 (see Pub. 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*).

**Nonresident alien who becomes a resident alien.** Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items.

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

**Example.** Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity, give the requester the appropriate completed Form W-8 or Form 8233.

## Backup Withholding

**What is backup withholding?** Persons making certain payments to you must under certain conditions withhold and pay to the IRS 28% of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, payments made in settlement of payment card and third party network transactions, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

**Payments you receive will be subject to backup withholding if:**

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the instructions for Part II for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See *Exempt payee code*, later, and the separate Instructions for the Requester of Form W-9 for more information.

Also see *Special rules for partnerships*, earlier.

## What is FATCA Reporting?

The Foreign Account Tax Compliance Act (FATCA) requires a participating foreign financial institution to report all United States account holders that are specified United States persons. Certain payees are exempt from FATCA reporting. See *Exemption from FATCA reporting code*, later, and the Instructions for the Requester of Form W-9 for more information.

## Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account; for example, if the grantor of a grantor trust dies.

## Penalties

**Failure to furnish TIN.** If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

**Civil penalty for false information with respect to withholding.** If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

**Criminal penalty for falsifying information.** Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**Misuse of TINs.** If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

## Specific Instructions

### Line 1

You must enter one of the following on this line; **do not** leave this line blank. The name should match the name on your tax return.

If this Form W-9 is for a joint account (other than an account maintained by a foreign financial institution (FFI)), list first, and then circle, the name of the person or entity whose number you entered in Part I of Form W-9. If you are providing Form W-9 to an FFI to document a joint account, each holder of the account that is a U.S. person must provide a Form W-9.

a. **Individual.** Generally, enter the name shown on your tax return. If you have changed your last name without informing the Social Security Administration (SSA) of the name change, enter your first name, the last name as shown on your social security card, and your new last name.

**Note: ITIN applicant:** Enter your individual name as it was entered on your Form W-7 application, line 1a. This should also be the same as the name you entered on the Form 1040/1040A/1040EZ you filed with your application.

b. **Sole proprietor or single-member LLC.** Enter your individual name as shown on your 1040/1040A/1040EZ on line 1. You may enter your business, trade, or "doing business as" (DBA) name on line 2.

c. **Partnership, LLC that is not a single-member LLC, C corporation, or S corporation.** Enter the entity's name as shown on the entity's tax return on line 1 and any business, trade, or DBA name on line 2.

d. **Other entities.** Enter your name as shown on required U.S. federal tax documents on line 1. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on line 2.

e. **Disregarded entity.** For U.S. federal tax purposes, an entity that is disregarded as an entity separate from its owner is treated as a "disregarded entity." See Regulations section 301.7701-2(c)(2)(iii). Enter the owner's name on line 1. The name of the entity entered on line 1 should never be a disregarded entity. The name on line 1 should be the name shown on the income tax return on which the income should be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a single owner that is a U.S. person, the U.S. owner's name is required to be provided on line 1. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on line 2, "Business name/disregarded entity name." If the owner of the disregarded entity is a foreign person, the owner must complete an appropriate Form W-8 instead of a Form W-9. This is the case even if the foreign person has a U.S. TIN.

### Line 2

If you have a business name, trade name, DBA name, or disregarded entity name, you may enter it on line 2.

### Line 3

Check the appropriate box on line 3 for the U.S. federal tax classification of the person whose name is entered on line 1. Check only one box on line 3.

IF the entity/person on line 1 is a(n) . . .	THEN check the box for . . .
• Corporation	Corporation
• Individual • Sole proprietorship, or • Single-member limited liability company (LLC) owned by an individual and disregarded for U.S. federal tax purposes.	Individual/sole proprietor or single-member LLC
• LLC treated as a partnership for U.S. federal tax purposes, • LLC that has filed Form 8832 or 2553 to be taxed as a corporation, or • LLC that is disregarded as an entity separate from its owner but the owner is another LLC that is not disregarded for U.S. federal tax purposes.	Limited liability company and enter the appropriate tax classification. (P= Partnership; C= C corporation; or S= S corporation)
• Partnership	Partnership
• Trust/estate	Trust/estate

### Line 4, Exemptions

If you are exempt from backup withholding and/or FATCA reporting, enter in the appropriate space on line 4 any code(s) that may apply to you.

#### Exempt payee code.

- Generally, individuals (including sole proprietors) are not exempt from backup withholding.
- Except as provided below, corporations are exempt from backup withholding for certain payments, including interest and dividends.
- Corporations are not exempt from backup withholding for payments made in settlement of payment card or third party network transactions.
- Corporations are not exempt from backup withholding with respect to attorneys' fees or gross proceeds paid to attorneys, and corporations that provide medical or health care services are not exempt with respect to payments reportable on Form 1099-MISC.

The following codes identify payees that are exempt from backup withholding. Enter the appropriate code in the space in line 4.

- 1—An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2)
- 2—The United States or any of its agencies or instrumentalities
- 3—A state, the District of Columbia, a U.S. commonwealth or possession, or any of their political subdivisions or instrumentalities
- 4—A foreign government or any of its political subdivisions, agencies, or instrumentalities
- 5—A corporation
- 6—A dealer in securities or commodities required to register in the United States, the District of Columbia, or a U.S. commonwealth or possession
- 7—A futures commission merchant registered with the Commodity Futures Trading Commission
- 8—A real estate investment trust
- 9—An entity registered at all times during the tax year under the Investment Company Act of 1940
- 10—A common trust fund operated by a bank under section 584(a)
- 11—A financial institution
- 12—A middleman known in the investment community as a nominee or custodian
- 13—A trust exempt from tax under section 664 or described in section 4947

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 13.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 7
Broker transactions	Exempt payees 1 through 4 and 6 through 11 and all C corporations. S corporations must not enter an exempt payee code because they are exempt only for sales of noncovered securities acquired prior to 2012.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 4
Payments over \$600 required to be reported and direct sales over \$5,000 <sup>1</sup>	Generally, exempt payees 1 through 5 <sup>2</sup>
Payments made in settlement of payment card or third party network transactions	Exempt payees 1 through 4

<sup>1</sup> See Form 1099-MISC, Miscellaneous Income, and its instructions.

<sup>2</sup> However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney reportable under section 6045(f), and payments for services paid by a federal executive agency.

**Exemption from FATCA reporting code.** The following codes identify payees that are exempt from reporting under FATCA. These codes apply to persons submitting this form for accounts maintained outside of the United States by certain foreign financial institutions. Therefore, if you are only submitting this form for an account you hold in the United States, you may leave this field blank. Consult with the person requesting this form if you are uncertain if the financial institution is subject to these requirements. A requester may indicate that a code is not required by providing you with a Form W-9 with "Not Applicable" (or any similar indication) written or printed on the line for a FATCA exemption code.

A—An organization exempt from tax under section 501(a) or any individual retirement plan as defined in section 7701(a)(37)

B—The United States or any of its agencies or instrumentalities

C—A state, the District of Columbia, a U.S. commonwealth or possession, or any of their political subdivisions or instrumentalities

D—A corporation the stock of which is regularly traded on one or more established securities markets, as described in Regulations section 1.1472-1(c)(1)(i)

E—A corporation that is a member of the same expanded affiliated group as a corporation described in Regulations section 1.1472-1(c)(1)(i)

F—A dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under the laws of the United States or any state

G—A real estate investment trust

H—A regulated investment company as defined in section 851 or an entity registered at all times during the tax year under the Investment Company Act of 1940

I—A common trust fund as defined in section 584(a)

J—A bank as defined in section 581

K—A broker

L—A trust exempt from tax under section 664 or described in section 4947(a)(1)

M—A tax exempt trust under a section 403(b) plan or section 457(g) plan

**Note:** You may wish to consult with the financial institution requesting this form to determine whether the FATCA code and/or exempt payee code should be completed.

## Line 5

Enter your address (number, street, and apartment or suite number). This is where the requester of this Form W-9 will mail your information returns. If this address differs from the one the requester already has on file, write NEW at the top. If a new address is provided, there is still a chance the old address will be used until the payor changes your address in their records.

## Line 6

Enter your city, state, and ZIP code.

## Part I. Taxpayer Identification Number (TIN)

**Enter your TIN in the appropriate box.** If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN.

If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

**Note:** See *What Name and Number To Give the Requester*, later, for further clarification of name and TIN combinations.

**How to get a TIN.** If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local SSA office or get this form online at [www.SSA.gov](http://www.SSA.gov). You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at [www.irs.gov/Businesses](http://www.irs.gov/Businesses) and clicking on Employer Identification Number (EIN) under Starting a Business. Go to [www.irs.gov/Forms](http://www.irs.gov/Forms) to view, download, or print Form W-7 and/or Form SS-4. Or, you can go to [www.irs.gov/OrderForms](http://www.irs.gov/OrderForms) to place an order and have Form W-7 and/or SS-4 mailed to you within 10 business days.

If you are asked to complete Form W-9 but do not have a TIN, apply for a TIN and write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

**Note:** Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

**Caution:** A disregarded U.S. entity that has a foreign owner must use the appropriate Form W-8.

## Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if item 1, 4, or 5 below indicates otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on line 1 must sign. Exempt payees, see *Exempt payee code*, earlier.

**Signature requirements.** Complete the certification as indicated in items 1 through 5 below.

**1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983.** You must give your correct TIN, but you do not have to sign the certification.

**2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983.** You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

**3. Real estate transactions.** You must sign the certification. You may cross out item 2 of the certification.

**4. Other payments.** You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments made in settlement of payment card and third party network transactions, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

**5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), ABLE accounts (under section 529A), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions.** You must give your correct TIN, but you do not have to sign the certification.

**What Name and Number To Give the Requester**

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account) other than an account maintained by an FFI	The actual owner of the account or, if combined funds, the first individual on the account <sup>1</sup>
3. Two or more U.S. persons (joint account maintained by an FFI)	Each holder of the account
4. Custodial account of a minor (Uniform Gift to Minors Act)	The minor <sup>2</sup>
5. a. The usual revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under state law	The grantor-trustee <sup>1</sup> The actual owner <sup>1</sup>
6. Sole proprietorship or disregarded entity owned by an individual	The owner <sup>3</sup>
7. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulations section 1.671-4(b)(2)(i)(A))	The grantor <sup>4</sup>
For this type of account:	Give name and EIN of:
8. Disregarded entity not owned by an individual	The owner
9. A valid trust, estate, or pension trust	Legal entity <sup>4</sup>
10. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
11. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
12. Partnership or multi-member LLC	The partnership
13. A broker or registered nominee	The broker or nominee

For this type of account:	Give name and EIN of:
14. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
15. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulations section 1.671-4(b)(2)(i)(B))	The trust

<sup>1</sup> List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

<sup>2</sup> Circle the minor's name and furnish the minor's SSN.

<sup>3</sup> You must show your individual name and you may also enter your business or DBA name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

<sup>4</sup> List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships*, earlier.

\*Note: The grantor also must provide a Form W-9 to trustee of trust.

Note: If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

**Secure Your Tax Records From Identity Theft**

Identity theft occurs when someone uses your personal information such as your name, SSN, or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Pub. 5027, Identity Theft Information for Taxpayers.

Victims of identity theft who are experiencing economic harm or a systemic problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

**Protect yourself from suspicious emails or phishing schemes.**

Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.



The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to [phishing@irs.gov](mailto:phishing@irs.gov). You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration (TIGTA) at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at [spam@uce.gov](mailto:spam@uce.gov) or report them at [www.ftc.gov/complaint](http://www.ftc.gov/complaint). You can contact the FTC at [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft) or 877-IDTHEFT (877-438-4338). If you have been the victim of identity theft, see [www.IdentityTheft.gov](http://www.IdentityTheft.gov) and Pub. 5027.

Visit [www.irs.gov/IdentityTheft](http://www.irs.gov/IdentityTheft) to learn more about identity theft and how to reduce your risk.

## Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.

# 2018 Withholding Exemption Certificate

# 590

The payee completes this form and submits it to the withholding agent. The withholding agent keeps this form with their records.

### Withholding Agent Information

Name \_\_\_\_\_

### Payee Information

Name \_\_\_\_\_

SSN or ITIN  FEIN  CA Corp no.  CA SOS file no.

Address (apt./sta., room, PO box, or PMB no.) \_\_\_\_\_

City (if you have a foreign address, see instructions.) \_\_\_\_\_

State \_\_\_\_\_ ZIP code \_\_\_\_\_

### Exemption Reason

Check only one box.

By checking the appropriate box below, the payee certifies the reason for the exemption from the California income tax withholding requirements on payment(s) made to the entity or individual.

- Individuals — Certification of Residency:**  
I am a resident of California and I reside at the address shown above. If I become a nonresident at any time, I will promptly notify the withholding agent. See instructions for General Information D, Definitions.
- Corporations:**  
The corporation has a permanent place of business in California at the address shown above or is qualified through the California Secretary of State (SOS) to do business in California. The corporation will file a California tax return. If this corporation ceases to have a permanent place of business in California or ceases to do any of the above, I will promptly notify the withholding agent. See instructions for General Information D, Definitions.
- Partnerships or Limited Liability Companies (LLCs):**  
The partnership or LLC has a permanent place of business in California at the address shown above or is registered with the California SOS, and is subject to the laws of California. The partnership or LLC will file a California tax return. If the partnership or LLC ceases to do any of the above, I will promptly inform the withholding agent. For withholding purposes, a limited liability partnership (LLP) is treated like any other partnership.
- Tax-Exempt Entities:**  
The entity is exempt from tax under California Revenue and Taxation Code (R&TC) Section 23701 \_\_\_\_\_ (insert letter) or Internal Revenue Code Section 501(c) \_\_\_\_\_ (insert number). If this entity ceases to be exempt from tax, I will promptly notify the withholding agent. Individuals cannot be tax-exempt entities.
- Insurance Companies, Individual Retirement Arrangements (IRAs), or Qualified Pension/Profit-Sharing Plans:**  
The entity is an insurance company, IRA, or a federally qualified pension or profit-sharing plan.
- California Trusts:**  
At least one trustee and one noncontingent beneficiary of the above-named trust is a California resident. The trust will file a California fiduciary tax return. If the trustee or noncontingent beneficiary becomes a nonresident at any time, I will promptly notify the withholding agent.
- Estates — Certification of Residency of Deceased Person:**  
I am the executor of the above-named person's estate or trust. The decedent was a California resident at the time of death. The estate will file a California fiduciary tax return.
- Nonmilitary Spouse of a Military Servicemember:**  
I am a nonmilitary spouse of a military servicemember and I meet the Military Spouse Residency Relief Act (MSRRA) requirements. See instructions for General Information E, MSRRA.

### CERTIFICATE OF PAYEE: Payee must complete and sign below.

To learn about your privacy rights, how we may use your information, and the consequences for not providing the requested information, go to [ftb.ca.gov/forms](http://ftb.ca.gov/forms) and search for 1131. To request this notice by mail, call 800.852.5711.

Under penalties of perjury, I declare that I have examined the information on this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. I further declare under penalties of perjury that if the facts upon which this form are based change, I will promptly notify the withholding agent.

Type or print payee's name and title \_\_\_\_\_ Telephone (\_\_\_\_) \_\_\_\_\_

Payee's signature ► \_\_\_\_\_ Date \_\_\_\_\_

# 2017 Instructions for Form 590

## Withholding Exemption Certificate

References in these instructions are to the California Revenue and Taxation Code (R&TC).

### General Information

**Registered Domestic Partners (RDP)** – For purposes of California income tax, references to a spouse, husband, or wife also refer to a Registered Domestic Partner (RDP) unless otherwise specified. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

### A Purpose

Use Form 590, Withholding Exemption Certificate, to certify an exemption from nonresident withholding.

Form 590 does not apply to payments of backup withholding. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **backup withholding**.

Form 590 does not apply to payments for wages to employees. Wage withholding is administered by the California Employment Development Department (EDD). For more information, go to [edd.ca.gov](http://edd.ca.gov) or call 888.745.3886.

**Do not** use Form 590 to certify an exemption from withholding if you are a **Seller of California real estate**. Sellers of California real estate use Form 593-C, Real Estate Withholding Certificate, to claim an exemption from the real estate withholding requirement.

**The following are excluded from withholding and completing this form:**

- The United States and any of its agencies or instrumentalities.
- A state, a possession of the United States, the District of Columbia, or any of its political subdivisions or instrumentalities.
- A foreign government or any of its political subdivisions, agencies, or instrumentalities.

### B Income Subject to Withholding

California Revenue and Taxation Code (R&TC) Section 18662 requires withholding of income or franchise tax on payments of California source income made to nonresidents of California.

Withholding is required on the following, but is not limited to:

- Payments to nonresidents for services rendered in California.
- Distributions of California source income made to domestic nonresident partners, members, and S corporation shareholders and allocations of California source income made to foreign partners and members.
- Payments to nonresidents for rents if the payments are made in the course of the withholding agent's business.
- Payments to nonresidents for royalties from activities sourced to California.

- Distributions of California source income to nonresident beneficiaries from an estate or trust.
- Endorsement payments received for services performed in California.
- Prizes and winnings received by nonresidents for contests in California.

However, withholding is optional if the total payments of California source income are \$1,500 or less during the calendar year.

For more information on withholding get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines. To get a withholding publication, see Additional Information.

### C Who Certifies this Form

Form 590 is certified by the payee. California residents or entities exempt from the withholding requirement should complete Form 590 and submit it to the withholding agent before payment is made. The withholding agent is then relieved of the withholding requirements if the agent relies in good faith on a completed and signed Form 590 unless notified by the Franchise Tax Board (FTB) that the form should not be relied upon.

An incomplete certificate is invalid and the withholding agent should not accept it. If the withholding agent receives an incomplete certificate, the withholding agent is required to withhold tax on payments made to the payee until a valid certificate is received. In lieu of a completed exemption certificate, the withholding agent may accept a letter from the payee as a substitute explaining why they are not subject to withholding. The letter must contain all the information required on the certificate in similar language, including the under penalty of perjury statement and the payee's taxpayer identification number (TIN). The withholding agent must retain a copy of the certificate or substitute for at least five years after the last payment to which the certificate applies, and provide it upon request to the FTB.

If an entertainer (or the entertainer's business entity) is paid for a performance, the entertainer's information must be provided. **Do not** submit the entertainer's agent or promoter information.

The grantor of a grantor trust shall be treated as the payee for withholding purposes. Therefore, if the payee is a grantor trust and one or more of the grantors is a nonresident, withholding is required. If all of the grantors on the trust are residents, no withholding is required. Resident grantors can check the box on Form 590 labeled "Individuals — Certification of Residency."

### D Definitions

For California nonwage withholding purposes, **nonresident** includes all of the following:

- Individuals who are not residents of California.
- Corporations not qualified through the California Secretary of State (CA SOS) to do business in California or having no permanent place of business in California.
- Partnerships or limited liability companies (LLCs) with no permanent place of business in California.
- Any trust without a resident grantor, beneficiary, or trustee, or estates where the decedent was not a California resident.

Foreign refers to non-U.S.

For more information about determining resident status, get FTB Pub. 1031, Guidelines for Determining Resident Status. Military servicemembers have special rules for residency. For more information, get FTB Pub. 1032, Tax Information for Military Personnel.

### Permanent Place of Business:

A corporation has a permanent place of business in California if it is organized and existing under the laws of California or it has qualified through the CA SOS to transact intrastate business. A corporation that has not qualified to transact intrastate business (e.g., a corporation engaged exclusively in interstate commerce) will be considered as having a permanent place of business in California only if it maintains a permanent office in California that is permanently staffed by its employees.

### E Military Spouse Residency Relief Act (MSRRA)

Generally, for tax purposes you are considered to maintain your existing residence or domicile. If a military servicemember and nonmilitary spouse have the same state of domicile, the MSRRA provides:

- A spouse shall not be deemed to have lost a residence or domicile in any state solely by reason of being absent to be with the servicemember serving in compliance with military orders.
- A spouse shall not be deemed to have acquired a residence or domicile in any other state solely by reason of being there to be with the servicemember serving in compliance with military orders.

**Domicile** is defined as the one place:

- Where you maintain a true, fixed, and permanent home.
- To which you intend to return whenever you are absent.

A military servicemember's nonmilitary spouse is considered a nonresident for tax purposes if the servicemember and spouse have the same domicile outside of California and the spouse is in California solely to be with the servicemember who is serving in compliance with Permanent Change of Station orders.

California may require nonmilitary spouses of military servicemembers to provide proof that they meet the criteria for California personal income tax exemption as set forth in the MSRRA.

Income of a military servicemember's nonmilitary spouse for services performed in California is not California source income subject to state tax if the spouse is in California to be with the servicemember serving in compliance with military orders, and the servicemember and spouse have the same domicile in a state other than California.

For additional information or assistance in determining whether the applicant meets the MSRRA requirements, get FTB Pub. 1032.

---

## Specific Instructions

---

### Payee Instructions

Enter the withholding agent's name.

Enter the payee's information, including the TIN and check the appropriate TIN box.

You must provide a valid TIN as requested on this form. The following are acceptable TINs: social security number (SSN); individual taxpayer identification number (ITIN); federal employer identification number (FEIN); California corporation number (CA Corp no.); or CA SOS file number.

**Private Mail Box (PMB)** – Include the PMB in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

**Foreign Address** – Follow the country's practice for entering the city, county, province, state, country, and postal code, as applicable, in the appropriate boxes. **Do not** abbreviate the country name.

**Exemption Reason** – Check the box that reflects the reason why the payee is exempt from the California income tax withholding requirement.

### Withholding Agent Instructions

**Do not** send this form to the FTB. The withholding agent retains this form for a minimum of five years or until the payee's status changes, and must provide this form to the FTB upon request.

The payee must notify the withholding agent if any of the following situations occur:

- The individual payee becomes a nonresident.
- The corporation ceases to have a permanent place of business in California or ceases to be qualified to do business in California.

- The partnership ceases to have a permanent place of business in California.
- The LLC ceases to have a permanent place of business in California.
- The tax-exempt entity loses its tax-exempt status.

If any of these situations occur, then withholding may be required. For more information, get Form 592, Resident and Nonresident Withholding Statement, Form 592-B, Resident and Nonresident Withholding Tax Statement, and Form 592-V, Payment Voucher for Resident and Nonresident Withholding.

---

## Additional Information

---

**Website:** For more information go to [ftb.ca.gov](http://ftb.ca.gov) and search for **nonwage**.

**MyFTB** offers secure online tax account information and services. For more information and to register, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **myftb**.

**Telephone:** 888.792.4900 or 916.845.4900, Withholding Services and Compliance phone service

**Fax:** 916.845.9512

**Mail:** WITHHOLDING SERVICES AND COMPLIANCE MS F182  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651

For questions unrelated to withholding, or to download, view, and print California tax forms and publications, or to access the TTY/TDD numbers, see the information below.

### Internet and Telephone Assistance

**Website:** [ftb.ca.gov](http://ftb.ca.gov)

**Telephone:** 800.852.5711 from within the United States  
916.845.6500 from outside the United States

**TTY/TDD:** 800.822.6268 for persons with hearing or speech impairments

### Asistencia Por Internet y Teléfono

**Sitio web:** [ftb.ca.gov](http://ftb.ca.gov)

**Teléfono:** 800.852.5711 dentro de los Estados Unidos  
916.845.6500 fuera de los Estados Unidos

**TTY/TDD:** 800.822.6268 para personas con discapacidades auditivas o de habla

## **Certification Regarding Debarment, Suspension, and Other Responsibility Matters**

The prospective participant certifies to the best of its knowledge and belief that it and the principals:

- (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
- (b) Have not within a three year period preceding this proposal been convicted of or had a civil judgement rendered against them or commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction: violation of Federal or State antitrust statute or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- (c) Are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (b) of this certification; and
- (d) Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State, or local) terminated for cause or default.

I understand that a false statement on this certification may be grounds for rejection of this proposal or termination of the award. In addition, under 18 USC Sec. 1001, a false statement may result in a fine of up to \$10,000 or imprisonment for up to 5 years, or both.

---

Typed Name & Title of Authorized Representative

---

Signature of Authorized Representative Date

I am unable to certify to the above statements. My explanation is attached.

---



## CAMPAIGN CONTRIBUTIONS DISCLOSURE

In accordance with California law, bidders and contracting parties are required to disclose, at the time the application is filed, information relating to any campaign contributions made to South Coast Air Quality Management District (SCAQMD) Board Members or members/alternates of the MSRC, including: the name of the party making the contribution (which includes any parent, subsidiary or otherwise related business entity, as defined below), the amount of the contribution, and the date the contribution was made. 2 C.C.R. §18438.8(b).

California law prohibits a party, or an agent, from making campaign contributions to SCAQMD Governing Board Members or members/alternates of the Mobile Source Air Pollution Reduction Review Committee (MSRC) of more than \$250 while their contract or permit is pending before SCAQMD; and further prohibits a campaign contribution from being made for three (3) months following the date of the final decision by the Governing Board or the MSRC on a donor's contract or permit. Gov't Code §84308(d). For purposes of reaching the \$250 limit, the campaign contributions of the bidder or contractor plus contributions by its parents, affiliates, and related companies of the contractor or bidder are added together. 2 C.C.R. §18438.5.

In addition, SCAQMD Board Members or members/alternates of the MSRC must abstain from voting on a contract or permit if they have received a campaign contribution from a party or participant to the proceeding, or agent, totaling more than \$250 in the 12-month period prior to the consideration of the item by the Governing Board or the MSRC. Gov't Code §84308(c).

The list of current SCAQMD Governing Board Members can be found at SCAQMD website ([www.aqmd.gov](http://www.aqmd.gov)). The list of current MSRC members/alternates can be found at the MSRC website (<http://www.cleantransportationfunding.org>).

### **SECTION I.**

**Contractor (Legal Name):** \_\_\_\_\_

DBA, Name _____, County Filed in _____ Corporation, ID No. _____ LLC/LLP, ID No. _____
--

**List any parent, subsidiaries, or otherwise affiliated business entities of Contractor:**  
*(See definition below).*

\_\_\_\_\_  
\_\_\_\_\_

### **SECTION II.**

Has Contractor and/or any parent, subsidiary, or affiliated company, or agent thereof, made a campaign contribution(s) totaling \$250 or more in the aggregate to a current member of the South Coast Air Quality Management Governing Board or member/alternate of the MSRC in the 12 months preceding the date of execution of this disclosure?

Yes     No    **If YES, complete Section II below and then sign and date the form. If NO, sign and date below. Include this form with your submittal.**

**Campaign Contributions Disclosure, continued:**

Name of Contributor \_\_\_\_\_

Governing Board Member or MSRC Member/Alternate	Amount of Contribution	Date of Contribution
---	------------------------	----------------------

Name of Contributor \_\_\_\_\_

Governing Board Member or MSRC Member/Alternate	Amount of Contribution	Date of Contribution
---	------------------------	----------------------

Name of Contributor \_\_\_\_\_

Governing Board Member or MSRC Member/Alternate	Amount of Contribution	Date of Contribution
---	------------------------	----------------------

Name of Contributor \_\_\_\_\_

Governing Board Member or MSRC Member/Alternate	Amount of Contribution	Date of Contribution
---	------------------------	----------------------

**I declare the foregoing disclosures to be true and correct.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**DEFINITIONS**

Parent, Subsidiary, or Otherwise Related Business Entity (2 Cal. Code of Regs., §18703.1(d).)

- (1) Parent subsidiary. A parent subsidiary relationship exists when one corporation directly or indirectly owns shares possessing more than 50 percent of the voting power of another corporation.
- (2) Otherwise related business entity. Business entities, including corporations, partnerships, joint ventures and any other organizations and enterprises operated for profit, which do not have a parent subsidiary relationship are otherwise related if any one of the following three tests is met:
  - (A) One business entity has a controlling ownership interest in the other business entity.
  - (B) There is shared management and control between the entities. In determining whether there is shared management and control, consideration should be given to the following factors:
    - (i) The same person or substantially the same person owns and manages the two entities;
    - (ii) There are common or commingled funds or assets;
    - (iii) The business entities share the use of the same offices or employees, or otherwise share activities, resources or personnel on a regular basis;
    - (iv) There is otherwise a regular and close working relationship between the entities; or
  - (C) A controlling owner (50% or greater interest as a shareholder or as a general partner) in one entity also is a controlling owner in the other entity.



# South Coast Air Quality Management District

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

## Direct Deposit Authorization

### STEP 1: Please check all the appropriate boxes

- |  |  |
|--|--|
| <input type="checkbox"/> Individual (Employee, Governing Board Member) | <input type="checkbox"/> New Request           |
| <input type="checkbox"/> Vendor/Contractor                             | <input type="checkbox"/> Cancel Direct Deposit |
| <input type="checkbox"/> Changed Information                           |  |

### STEP 2: Payee Information

Last Name		First Name		Middle Initial	Title
Vendor/Contractor Business Name (if applicable)					
Address				Apartment or P.O. Box Number	
City		State	Zip	Country	
Taxpayer ID Number		Telephone Number		Email Address	

### Authorization

- I authorize South Coast Air Quality Management District (SCAQMD) to direct deposit funds to my account in the financial institution as indicated below. I understand that the authorization may be rejected or discontinued by SCAQMD at any time. If any of the above information changes, I will promptly complete a new authorization agreement. If the direct deposit is not stopped before closing an account, funds payable to me will be returned to SCAQMD for distribution. This will delay my payment.
- This authorization remains in effect until SCAQMD receives written notification of changes or cancellation from you.
- I hereby release and hold harmless SCAQMD for any claims or liability to pay for any losses or costs related to insufficient fund transactions that result from failure within the Automated Clearing House network to correctly and timely deposit monies into my account.

### STEP 3:

You must verify that your bank is a member of an Automated Clearing House (ACH). Failure to do so could delay the processing of your payment. You must attach a voided check or have your bank complete the bank information and the account holder must sign below.

### To be Completed by your Bank

<b>Staple Voided Check Here</b>	Name of Bank/Institution				
	Account Holder Name(s)				
	<input type="checkbox"/> Saving <input type="checkbox"/> Checking		Account Number	Routing Number	
	Bank Representative Printed Name		Bank Representative Signature		Date
	ACCOUNT HOLDER SIGNATURE:				Date

For SCAQMD Use Only

Input By \_\_\_\_\_

Date \_\_\_\_\_



Item 11

DRAFT

BOARD MEETING DATE: December 7, 2018

AGENDA NO.

PROPOSAL: Execute Contract for Operation of Diamond Bar Headquarters Cafeteria

SYNOPSIS: The current contract for operation of the Diamond Bar headquarters cafeteria expires December 31, 2018. On June 1, 2018, the Board approved release of an RFP to solicit proposals from food service management firms interested in providing these services for the next three-year period. This action is to execute a no-cost contract with California Dining Services from January 1, 2019 to December 31, 2021.

COMMITTEE: Administrative, November 9, 2018; Recommended for Approval

RECOMMENDED ACTION:

Authorize the Chairman to execute a three-year contract with California Dining Services from January 1, 2019 through December 31, 2021 to operate the Diamond Bar headquarters cafeteria, with an option to extend the contract for up to two additional years.

Wayne Nastri  
Executive Officer

AJO:GT:lm

---

**Background**

SCAQMD currently contracts with California Dining Services to provide quality food services at reasonable prices to meet agency needs. Cafeteria services are used on a regular basis by employees, those doing business and attending meetings at SCAQMD, tenants within the building, and members of the public. The cafeteria also provides catering services for onsite meetings and special events.

The current contract with California Dining Services expires December 31, 2018. On June 1, 2018, the Board approved release of RFP #2018-12 to solicit proposals from cafeteria management firms interested in operating the Diamond Bar headquarters cafeteria for the next three-year period, from January 1, 2019 through December 31, 2021.

## **Outreach**

In accordance with SCAQMD's Procurement Policy and Procedure, a public notice advertising the RFP 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 SCAQMD's own electronic listing of certified minority vendors. Notice of the RFP 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 SCAQMD's website (<http://www.aqmd.gov>).

## **Proposal Evaluation**

Twenty copies of the RFP were mailed out and three vendors attended the mandatory bidders conference held on July 18, 2018. Two proposals were received by the closing date on August 16, 2018 at 2:00 p.m.

The panel evaluating proposals included four SCAQMD employees: a Business Services Manager, Building Services Supervisor, Clerk of the Boards, and Senior Administrative Secretary. Of these four panel members, two are Caucasian, one is Hispanic, and one is Asian American; three are female and one is male.

After reviewing proposals and conducting site visits, panel members rated proposals according to the criteria specified in the RFP, which include: quality of food service based on site visit to a contracted-operated facility; management and food service experience of proposed staff; food service management experience similar in nature and scope; commitment to environmentally sustainable practices in operating the cafeteria; and strategies and incentives to encourage patrons to make both environmentally sensitive and healthy choices. Staff recommends awarding a three-year contract, with the option for up to two additional years, to the firm receiving the highest rating by the evaluation panel, California Dining Services. A summary of the rating is attached.

## **Resource Impacts**

This is a no-cost contract. The cafeteria management firm generates its own revenue to cover its operating costs. SCAQMD will provide the cafeteria operator with a "turn-key" operation, completely equipped and ready to operate, together with heat, refrigeration, equipment and utility services as may be reasonably required for the efficient operation of the cafeteria.

## **Attachment**

RFP #2018-12 Bid Evaluation Summary

# ATTACHMENT

## Bid Evaluation Summary RFP #2018-12- SCAQMD CAFETERIA OPERATION

<b>CONTRACTOR</b>	<b>Summary of Points</b>	<b>Additional Points</b>	<b>Total Points</b>
California Dining Services	90	15	105
Food Systems, Inc.	85	15	100

Item 12

DRAFT

BOARD MEETING DATE: December 7, 2018

AGENDA NO.

PROPOSAL: Issue RFP for Consultant Services for SCAQMD Environmental Justice Outreach and Initiatives

SYNOPSIS: This action is to issue an RFP to solicit proposals from individuals and organizations to provide assistance with community and stakeholder outreach efforts related to SCAQMD's Environmental Justice Program, including but not limited to, the Environmental Justice Community Partnership Initiative, meetings and conference.

COMMITTEE: Administrative, November 9, 2019; Recommended for Approval

RECOMMENDED ACTION:

Authorize the release of RFP #P2019-09 to solicit proposals from qualified individuals and organizations with Public Relations and/or Public Affairs expertise to assist with community and stakeholder outreach efforts related to SCAQMD's Environmental Justice Program, including but not limited, to the Environmental Justice Community Partnership Initiative for a one-year period in an amount not to exceed \$160,000, with an option for up to two one-year contract renewals, contingent on satisfactory performance, approval of subsequent budgets, and Board approval.

Wayne Nastri  
Executive Officer

DJA:FW:RR:JF

---

**Background**

The Environmental Community Justice Community Partnership (the Partnership) was initiated in February 2015, under the direction of Chairman Burke. The objective of the Partnership is to both strengthen and build SCAQMD's relationships and alliances with community members and organizations to work towards achieving clean air and healthy sustainable communities for everyone. The Partnership will host a series of events and workshops throughout the year to facilitate open dialogue and information sharing on air quality issues between SCAQMD and community members, government officials, government representatives, businesses, and academic institutions. The

outreach efforts will include forums, training opportunities, and special presentations to educate and to receive feedback from participants on air quality, SCAQMD rules and programs, and other related topics.

Staff periodically releases Requests for Proposals (RFPs) for consultants to augment in-house expertise and assist staff with external advisory groups, and the development, planning, and implementation of specifically targeted workshops, events, and conferences. The consultant's expertise will assist with the following:

- 1) Coordination and regular interaction with the Environmental Justice Community Partnership Advisory Council (Advisory Council);
- 2) Execution of a Youth Bus Tour on Environmental Justice;
- 3) Execution of a series of four (4) annual Environmental Justice Community Partnership workshops, or events, each to be held in a different community identified throughout the South Coast Air Basin; and the fifth annual Environmental Justice for All Conference in 2019 and;
- 4) Execution of an Inter-Agency and Community Summit.

**Proposal**

Staff recommends that SCAQMD seek proposals from qualified public affairs and/or public relations firms or other organizations to implement the Environmental Justice Community Partnership initiative.

*Environmental Justice Community Partnership Advisory Council*

The Advisory Council assists with the creation and implementation of air quality related events or workshops that best address the needs of environmental justice communities in Los Angeles, Orange, Riverside, and San Bernardino counties. The Advisory Council also provides SCAQMD with valuable feedback on how to best promote a two-way flow of communication with stakeholders.

*Environmental Justice Community Partnership Community Events and Conference*

Key elements of the Partnership initiative are to provide community members and local businesses with opportunities to learn about air quality related issues, to hold forums to share information on community issues, and to offer access to learning opportunities and empowerment resources.

Each outreach opportunity conducted under the Partnership must be geographically specific, with events or workshops held equally throughout SCAQMD's four-county jurisdiction. The information shared through each outreach opportunity must be relevant to the targeted communities and provide the SCAQMD with data and resources to continually strengthen its relationships with the public and businesses it serves and to work effectively towards building healthy, sustainable communities. The events will culminate in SCAQMD's hosting of its 2019 Environmental Justice Conference.

### Youth Bus Tour on Environmental Justice

The Youth Bus Tour brings together students for an environmental justice bus tour of the South Coast Air Basin. Students learn a brief history of environmental justice and issues that continue to persist throughout the Basin with visits to sites that include areas heavily affected by air pollution, facilities emitting excess criteria air pollutants, major freeway interchanges and refineries alongside environmental justice communities.

### Inter-Agency and Community Summit

The Inter-Agency and Community Summit brings together public agencies and environmental justice organizations to discuss environmental complaints and how they can collaborate to better address them. Attendees participate in a robust roundtable discussion on strategies to serve all communities, and identify common goals among agencies, to minimize duplication and determine if agencies can leverage existing efforts. Ongoing collaboration to effectively streamline complaints is year round.

### **Outreach**

In accordance with SCAQMD's Procurement Policy and Procedure, a public notice advertising the RFP and inviting bids will be 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 entire South Coast Basin.

Additionally, potential bidders may be notified utilizing SCAQMD's own electronic listing of certified minority vendors. Notice of the RFP will be emailed to the Black and Latino Legislative Caucuses and various minority chambers of commerce and business associations, and placed on the Internet at SCAQMD's website (<http://www.aqmd.gov>) where it can be viewed by making the selection "Grants & Bids."

### **Bid Evaluation**

Proposals will be reviewed and evaluated by a diverse, qualified panel in accordance with criteria contained in the attached RFP.

### **Resource Impacts**

Funding for year one services is contained in the Legislative, Public Affairs & Media FY 2018-19 budget. Any future funding for fiscal years 2019-20 and/or 2020-21 will be dependent on Board approval.

### **Attachment**

RFP #P2019-09 – Consultant Services for SCAQMD Environmental Justice Outreach and Initiatives Assistance



## SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

### REQUEST FOR PROPOSALS

#### Consultant Services for SCAQMD Environmental Justice Outreach and Initiatives Assistance

**P2019-09**

South Coast Air Quality Management District (SCAQMD) requests proposals for the following purpose according to terms and conditions attached. In the preparation of this Request for Proposals (RFP) the words "Proposer," "Contractor," "Consultant," "Bidder" and "Firm" are used interchangeably.

#### **PURPOSE**

The purpose of this Request for Proposals (RFP) is to solicit qualified firms, organizations or sole practitioners to assist the SCAQMD with outreach efforts related to environmental justice, including but not limited to, the Environmental Justice Community Partnership Initiative (the Partnership). Work will be on an as needed basis and all work and/or expenditures shall be approved in writing by the Deputy Executive Officer of Legislative, Public Affairs and Media or designee.

#### **INDEX** - The following are contained in this RFP:

Section I	Background/Information
Section II	Contact Person
Section III	Schedule of Events
Section IV	Participation in the Procurement Process
Section V	Statement of Work/Schedule of Deliverables
Section VI	Required Qualifications
Section VII	Proposal Submittal Requirements
Section VIII	Proposal Submission
Section IX	Proposal Evaluation/Contractor Selection Criteria
Section X	Funding
Section XI	Sample Contract

Attachment A - Participation in the Procurement Process

Attachment B - Certifications and Representations

**SECTION I: BACKGROUND/INFORMATION**

The objective of the Environmental Justice Community Partnership (the Partnership) is to strengthen relationships and build alliances with community members and organizations toward the goal of achieving clean air and healthy sustainable communities in the South Coast Air Basin. The Partnership will host a series of events and workshops throughout the year to facilitate open dialogue and information sharing on air quality issues between SCAQMD and community members, government officials and representatives, businesses, health, environmental, academic institutions, and others. The outreach efforts or formats will include forums; learning opportunities; and, special presentations to educate the participants on air quality, SCAQMD rules and programs, and other related topics. An external advisory council has been formed to provide input to the Partnership to ensure programs are relevant and address the air quality issues of diverse communities throughout SCAQMD's jurisdiction. The Partnership outreach programs will culminate in an environmental justice conference that will bring together stakeholders from all the events held throughout the year with the intent to have a broader forum to share information gained and lessons learned.

The Partnership, with the assistance of an advisory council, will build stronger bonds to communities most affected by air pollution. All efforts, formats or events will be designed to facilitate a two-way flow of discussion between the agency and participants in the proposed events. At the same time, the outreach opportunities will help to create bridges for on-going communication between SCAQMD and the communities it serves.

This RFP is seeking qualified organizations and/or sole practitioners to assist the SCAQMD's Office of Legislative, Public Affairs and Media (LPAM) with an external advisory council for the Partnership and to assist LPAM with the development, planning, and implementation of specifically targeted workshops, events, and conferences. The organization and/or consultants responding to this RFP shall submit proposals that demonstrate their qualifications and experience to assist LPAM with the following, but not limited, to the following general tasks:

- 1) Coordination, and regular interaction with the Environmental Justice Community Partnership Advisory Council (Advisory Council);
- 2) Execution of a Youth Bus Tour on Environmental Justice;
- 3) Execution of a series of four (4) annual Environmental Justice Community Partnership workshops, or events, each to be held in a different community identified throughout the South Coast Air Basin; and the fifth annual Environmental Justice for All Conference in 2019 and;
- 4) Execution of an Inter-Agency and Community Summit



**SECTION II: CONTACT PERSON:**

Questions regarding the content or intent of this RFP or on procedural matters should be addressed to:

Fabian Wesson  
 Assistant Deputy Executive Officer  
 Legislative, Public Affairs and Media  
 SCAQMD  
 21865 Copley Drive  
 Diamond Bar, CA 91765-4178  
 (909) 396-2410

**SECTION III: SCHEDULE OF EVENTS**

<b>Date</b>	<b>Event</b>
December 7, 2018	RFP Released
January 9, 2019	Proposals Due to SCAQMD – <b>No Later Than 1:00 pm</b>
January 9-11, 2019	Proposal Evaluations
February 8, 2019	Potential Interviews
March 1, 2019	Governing Board Approval
March 6, 2019	Anticipated Contract Execution

**SECTION IV: PARTICIPATION IN THE PROCUREMENT PROCESS**

It is the policy of SCAQMD to ensure that all businesses including minority business enterprises, women business enterprises, disabled veteran business enterprises and small businesses have a fair and equitable opportunity to compete for and participate in SCAQMD contracts. Attachment A to this RFP contains definitions and further information.

**SECTION V: STATEMENT OF WORK/SCHEDULE OF DELIVERABLES****Statement of Work**

Under the direction of the Deputy Executive Officer of Legislative, Public Affairs and Media or designee, the CONTRACTOR shall perform, but not limited to, the following tasks on an as-needed basis for SCAQMD's Environmental Justice Community Partnership:

- 1) Develop the Partnership Advisory Council membership materials and provide recommendations for the membership for the council taking into consideration that the membership shall be composed of individuals representing all four (4) counties within SCAQMD's jurisdiction.
- 2) The CONTRACTOR shall, in coordination with SCAQMD, secure and formalize the membership of the Advisory Council pursuant to the charter.

- 3) Based on the approved charter, the CONTRACTOR shall schedule and convene the meetings of the Advisory Council, facilitate the meeting, including, but not limited to, track work plan, meeting calendar and communications channels and coordinate and complete action items.
- 4) CONTRACTOR shall identify a list of locations and venues for workshops, events and a conference.
- 5) CONTRACTOR shall handle logistics for each workshop, event and conference, as needed, which may include recommendations for registration and staff assistance during the event.
- 6) CONTRACTOR shall develop list of topics for workshops, events and conference based on guidance from SCAQMD and the Advisory Council. Contractor shall identify potential co-sponsors, co-hosts and partners, as well as secure speakers and assist with the identification of community leaders for workshops, events and conference.
- 7) CONTRACTOR shall develop and create materials including, but not limited to, invitation, hand-outs, signage and any other print document for each workshop, event and conference.
- 8) CONTRACTOR shall conduct outreach to generate attendance as determined by SCAQMD for each workshop, event and conference. Outreach shall include social media, website development with associated marketing to drive traffic, announcements at meetings and events, widespread distribution throughout intended community, and other means of marketing and communication.
- 9) CONTRACTOR shall prepare follow-up surveys to garner input from those attending the workshops, events and conference. The CONTRACTOR shall analyze the information received and create reports and action items for SCAQMD and the Advisory Council to review and act on as appropriate.
- 10) CONTRACTOR shall take minutes and/or notes for each Advisory Council meeting, workshop, event and/or conference and update appropriate communication channels as directed by SCAQMD.
- 11) CONTRACTOR shall provide monthly progress reports to SCAQMD staff that will accompany each CONTRACTOR invoice. Progress reports will include a summary of work pending and completed during the reporting period.

## **SECTION VI: REQUIRED QUALIFICATIONS**

- A. Persons or firms proposing to bid on this proposal must be qualified and experienced in representing and advising governmental agencies and must submit qualifications demonstrating this ability in cases involving as many as possible of the following areas: administrative law, SCAQMD Rules and Regulations, air quality law, and other environmental issues.
- B. Proposer must submit the following:
  1. Resumes or similar statement of qualifications of person or persons who may be designated as lead attorney for Hearing Board projects.
  2. List of representative clients.

3. Summary of proposer's general qualifications to meet required qualifications and fulfill statement of work, including additional Firm personnel and resources beyond those of the designated lead attorney.

## **SECTION VII: PROPOSAL SUBMITTAL REQUIREMENTS**

Submitted proposals must follow the format outlined below and all requested information must be supplied. Failure to submit proposals in the required format will result in elimination from proposal evaluation. SCAQMD may modify the RFP or issue supplementary information or guidelines during the proposal preparation period prior to the due date. Please check our website for updates (<http://www.aqmd.gov/grants-bids>). The cost for developing the proposal is the responsibility of the Contractor, and shall not be chargeable to SCAQMD.

Each proposal must be submitted in three separate volumes:

- Volume I - Technical Proposal
- Volume II - Cost Proposal
- Volume III - Certifications and Representations included in Attachment B to this RFP, must be completed and executed by an authorized official of the Contractor.

A separate cover letter including the name, address, and telephone number of the contractor, and signed by the person or persons authorized to represent the Firm should accompany the proposal submission. Firm contact information as follows should also be included in the cover letter:

1. Address and telephone number of office in, or nearest to, Diamond Bar, California.
2. Name and title of Firm's representative designated as contact.

A separate Table of Contents should be provided for Volumes I and II.

### **VOLUME I - TECHNICAL PROPOSAL**

#### **DO NOT INCLUDE ANY COST INFORMATION IN THE TECHNICAL VOLUME**

Summary (Section A) - State overall approach to meeting the objectives and satisfying the scope of work to be performed, the sequence of activities, and a description of methodology or techniques to be used.

Program Schedule (Section B) - Provide projected milestones or benchmarks for completing the project (to include reports) within the total time allowed.

Project Organization (Section C) - Describe the proposed management structure, program monitoring procedures, and organization of the proposed team. Provide a statement detailing your approach to the project, specifically address the Firm's ability and willingness to commit and maintain staffing to successfully complete the project on the proposed schedule.

Qualifications (Section D) - Describe the technical capabilities of the Firm. Provide references of other similar studies or projects performed during the last five years demonstrating ability to successfully complete the work. Include contact name, title, and telephone number for any references listed. Provide a statement of your Firm's background and related experience in performing similar services for other governmental organizations.

Assigned Personnel (Section E) - Provide the following information about the staff to be assigned to this project:

1. List all key personnel assigned to the project by level, name and location. Provide a resume or similar statement describing the background, qualifications and experience of the lead person and all persons assigned to the project. Substitution of project manager or lead personnel will not be permitted without prior written approval of SCAQMD.
2. Provide a spreadsheet of the labor hours proposed for each labor category at the task level.
3. Provide a statement indicating whether or not 90% of the work will be performed within the geographical boundaries of SCAQMD.
4. Provide a statement of education and training programs provided to, or required of, the staff identified for participation in the project, particularly with reference to management consulting, governmental practices and procedures, and technical matters.
5. Provide a summary of your Firm's general qualifications to meet required qualifications and fulfill statement of work, including additional Firm personnel and resources beyond those who may be assigned to the project.

Subcontractors (Section F) - This project may require expertise in multiple technical areas. List any subcontractors that will be used, identifying functions to be performed by them, their related qualifications and experience and the total number of hours or percentage of time they will spend on the project.

Conflict of Interest (Section G) - Address possible conflicts of interest with other clients affected by actions performed by the Firm on behalf of SCAQMD. SCAQMD recognizes that prospective Contractors may be performing similar projects for other clients. Include a complete list of such clients for the past three (3) years with the type of work performed and the total number of years performing such tasks for each client. Although the Proposer will not be automatically disqualified by reason of work performed for such clients, SCAQMD reserves the right to consider the nature and extent of such work in evaluating the proposal.

Additional Data (Section H) - Provide other essential data that may assist in the evaluation of this proposal.

## **VOLUME II - COST PROPOSAL**

Name and Address - The Cost Proposal must list the name and complete address of the Proposer in the upper left-hand corner.

Cost Proposal – SCAQMD may, based on the proposals, issue a fixed price or T&M contract. Cost information must be provided as listed below:

1. Detail must be provided by the following categories:

- A. Labor – The Cost Proposal must list the fully-burdened hourly rates and the total number of hours estimated for each level of professional and administrative staff to be used to perform the tasks required by this RFP. Costs should be estimated for each of the components of the work plan.
  - B. Subcontractor Costs - List subcontractor costs and identify subcontractors by name. Itemize subcontractor charges per hour or per day.
  - C. Travel Costs - Indicate amount of travel cost and basis of estimate to include trip destination, purpose of trip, length of trip, airline fare or mileage expense, per diem costs, lodging and car rental.
  - D. Other Direct Costs -This category may include such items as postage and mailing expense, printing and reproduction costs, etc. Provide a basis of estimate for these costs.
2. It is the policy of the SCAQMD to receive at least as favorable pricing, warranties, conditions, benefits and terms as other customers or clients making similar purchases or receiving similar services. SCAQMD will give preference, where appropriate, to vendors who certify that they will provide “most favored customer” status to the SCAQMD. To receive preference points, Proposer shall certify that SCAQMD is receiving “most favored customer” pricing in the Business Status Certifications page of Volume III, Attachment B – Certifications and Representations.

**VOLUME III - CERTIFICATIONS AND REPRESENTATIONS** (see Attachment B to this RFP)

**SECTION VIII: PROPOSAL SUBMISSION**

All proposals must be submitted according to specifications set forth in the section above, and this section. Failure to adhere to these specifications may be cause for rejection of the proposal.

Signature - All proposals must be signed by an authorized representative of the Proposer.

Due Date - **All proposals are due no later than 1:00 p.m., January 9, 2019, and should be directed to:**

Procurement Unit  
 South Coast Air Quality Management District  
 21865 Copley Drive  
 Diamond Bar, CA 91765-4178  
 (909) 396-3520

Submittal - Submit eight (8) complete copies of the proposal in a sealed envelope, plainly marked in the upper left-hand corner with the name and address of the Proposer and the words "Request for Proposals P2019-09."

**Late bids/proposals will not be accepted under any circumstances.**

Grounds for Rejection - A proposal may be immediately rejected if:

- It is not prepared in the format described, or
- It is signed by an individual not authorized to represent the Firm.

Modification or Withdrawal - Once submitted, proposals cannot be altered without the prior written consent of SCAQMD. All proposals shall constitute firm offers and may not be withdrawn for a period of ninety (90) days following the last day to accept proposals.

**SECTION IX: PROPOSAL EVALUATION/CONTRACTOR SELECTION CRITERIA**

- A. Proposals will be evaluated by a panel of three to five SCAQMD staff members familiar with the subject matter of the project. The panel shall be appointed by the Executive Officer or his designee. In addition, the evaluation panel may include such outside public sector or academic community expertise as deemed desirable by the Executive Officer. The panel will make a recommendation to the Executive Officer and/or the Governing Board of SCAQMD for final selection of a contractor and negotiation of a contract.
- B. Each member of the evaluation panel shall be accorded equal weight in his or her rating of proposals. The evaluation panel members shall evaluate the proposals according to the specified criteria and numerical weightings set forth below.

(a) <u>Standardized Services</u>	<u>Points</u>
Understanding of Requirement	20
Contractor Qualifications	20
Past Experience	30
Cost	<u>30</u>
TOTAL:	100
(c) <u>Additional</u>	
Small Business or Small Business Joint Venture	10
DVBE or DVBE Joint Venture	10
Use of DVBE or Small Business Subcontractors	7
Low-Emission Vehicle Business	5
Local Business (Non-Federally Funded Projects Only)	5
Off-Peak Hours Delivery Business	2
Most Favored Customer	2

**The cumulative points awarded for small business, DVBE, use of small business or DVBE subcontractors, low-emission vehicle business, local business, and off-peak hours delivery business shall not exceed 15 points. Most Favored Customer status incentive points shall be added, as applicable for a total of 17 points.**

**Self-Certification for Additional Points**

**The award of these additional points shall be contingent upon Proposer completing the Self-Certification section of Attachment B – Certifications and Representations and/or inclusion of a statement in the proposal self-certifying that Proposer qualifies for additional points as detailed above.**

2. To receive additional points in the evaluation process for the categories of Small Business or Small Business Joint Venture, DVBE or DVBE Joint Venture or Local Business (for non-federally funded projects), the proposer must submit a self-certification or certification from the State of California Office of Small Business Certification and Resources at the time of proposal submission certifying that the proposer meets the requirements set forth in Section IV. To receive points for the use of DVBE and/or Small Business subcontractors, at least 25 percent of the total contract value must be subcontracted to DVBEs and/or Small Businesses. To receive points as a Low-Emission Vehicle Business, the proposer must demonstrate to the Executive Officer, or designee, that supplies and materials delivered to SCAQMD are delivered in vehicles that operate on either clean-fuels or if powered by diesel fuel, that the vehicles have particulate traps installed. To receive points as a Local Business, the proposer must affirm that it has an ongoing business within the South Coast AQMD at the time of bid/proposal submittal and that 90% of the work related to the contract will be performed within the South Coast AQMD. Proposals for legislative representation, such as in Sacramento, California or Washington D.C. are not eligible for local business incentive points. Federally funded projects are not eligible for local business incentive points. To receive points as an Off-Peak Hours Delivery Business, the proposer must submit, at proposal submission, certification of its commitment to delivering supplies and materials to SCAQMD between the hours of 10:00 a.m. and 3:00 p.m. To receive points for Most Favored Customer status, the proposer must submit, at proposal submission, certification of its commitment to provide most favored customer status to the SCAQMD. The cumulative points awarded for small business, DVBE, use of Small Business or DVBE Subcontractors, Local Business, Low-Emission Vehicle Business and Off-Peak Hour Delivery Business shall not exceed 15 points.
3. For procurement of Research and Development (R & D) projects or projects requiring technical or scientific expertise or special projects requiring unique knowledge and abilities, technical factors including past experience shall be weighted at 70 points and cost shall be weighted at 30 points. A proposal must receive at least 56 out of 70 points on R & D projects and projects requiring technical or scientific expertise or special projects requiring unique knowledge and abilities, in order to be deemed qualified for award.
4. The lowest cost proposal will be awarded the maximum cost points available and all other cost proposals will receive points on a prorated basis. For example if the lowest cost proposal is \$1,000 and the maximum points available are 30 points, this proposal would receive the full 30 points. If the next lowest cost

proposal is \$1,100 it would receive 27 points reflecting the fact that it is 10% higher than the lowest cost (90% of 30 points = 27 points).

- C. During the selection process the evaluation panel may wish to interview some proposers for clarification purposes only. No new material will be permitted at this time. Additional information provided during the bid review process is limited to clarification by the Proposer of information presented in his/her proposal, upon request by SCAQMD.
- D. The Executive Officer or Governing Board may award the contract to a Proposer other than the Proposer receiving the highest rating in the event the Governing Board determines that another Proposer from among those technically qualified would provide the best value to SCAQMD considering cost and technical factors. The determination shall be based solely on the Evaluation Criteria contained in the Request for Proposal (RFP), on evidence provided in the proposal and on any other evidence provided during the bid review process.
- E. Selection will be made based on the above-described criteria and rating factors. The selection will be made by and is subject to Executive Officer or Governing Board approval. Proposers may be notified of the results by letter.
- F. The Governing Board has approved a Bid Protest Procedure which provides a process for a Bidder or prospective Bidder to submit a written protest to SCAQMD Procurement Manager in recognition of two types of protests: Protest Regarding Solicitation and Protest Regarding Award of a Contract. Copies of the Bid Protest Policy can be secured through a request to SCAQMD Procurement Department.
- G. The Executive Officer or Governing Board may award contracts to more than one proposer if in (his or their) sole judgment the purposes of the (contract or award) would best be served by selecting multiple proposers.
- H. If additional funds become available, the Executive Officer or Governing Board may increase the amount awarded. The Executive Officer or Governing Board may also select additional proposers for a grant or contract if additional funds become available.
- I. Disposition of Proposals – Pursuant to SCAQMD’s Procurement Policy and Procedure, SCAQMD reserves the right to reject any or all proposals. All proposals become the property of SCAQMD, and are subject to the California Public Records Act. One copy of the proposal shall be retained for SCAQMD files. Additional copies and materials will be returned only if requested and at the proposer’s expense.
- J. **If proposal submittal is for a Public Works project as defined by State of California Labor Code Section 1720, Proposer is required to include Contractor Registration No. in Attachment B. Proposal submittal will be deemed as non-responsive and Bidder may be disqualified if Contractor Registration No. is not included in Attachment B. Proposer is alerted to changes to California Prevailing Wage compliance requirements as defined in Senate Bill 854 (Stat. 2014, Chapter 28), and California Labor Code Sections 1770, 1771 and 1725.**

## SECTION X: FUNDING



The total funding for the work contemplated by this RFP will be a maximum \$160,000 for the base year with an option to renew the contract for up to two one-year periods.

**SECTION XI: SAMPLE CONTRACT**

A sample contract to carry out the work described in this RFP is available on SCAQMD's website at <http://www.aqmd.gov/grants-bids> or upon request from the RFP Contact Person (Section II).

## ATTACHMENT A

### PARTICIPATION IN THE PROCUREMENT PROCESS

A. It is the policy of South Coast Air Quality Management District (SCAQMD) to ensure that all businesses including minority business enterprises, women business enterprises, disabled veteran business enterprises and small businesses have a fair and equitable opportunity to compete for and participate in SCAQMD contracts.

B. Definitions:

The definition of minority, women or disadvantaged business enterprises set forth below is included for purposes of determining compliance with the affirmative steps requirement described in Paragraph G below on procurements funded in whole or in part with federal grant funds which involve the use of subcontractors. The definition provided for disabled veteran business enterprise, local business, small business enterprise, low-emission vehicle business and off-peak hours delivery business are provided for purposes of determining eligibility for point or cost considerations in the evaluation process.

1. "Women business enterprise" (WBE) as used in this policy means a business enterprise that meets all of the following criteria:
  - a. a business that is at least 51 percent owned by one or more women, or in the case of any business whose stock is publicly held, at least 51 percent of the stock is owned by one or more women.
  - b. a business whose management and daily business operations are controlled by one or more women.
  - c. a business which is a sole proprietorship, corporation, or partnership with its primary headquarters office located in the United States, which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign-based business.
2. "Disabled veteran" as used in this policy is a United States military, naval, or air service veteran with at least 10 percent service-connected disability who is a resident of California.
3. "Disabled veteran business enterprise" (DVBE) as used in this policy means a business enterprise that meets all of the following criteria:
  - a. is a sole proprietorship or partnership of which at least 51 percent is owned by one or more disabled veterans or, in the case of a publicly owned business, at least 51 percent of its stock is owned by one or more disabled veterans; a subsidiary which is wholly owned by a parent corporation but only if at least 51 percent of the voting stock of the parent corporation is owned by one or more disabled veterans; or a joint venture in which at least 51 percent of the joint venture's management and control and earnings are held by one or more disabled veterans.

- b. the management and control of the daily business operations are by one or more disabled veterans. The disabled veterans who exercise management and control are not required to be the same disabled veterans as the owners of the business.
    - c. is a sole proprietorship, corporation, or partnership with its primary headquarters office located in the United States, which is not a branch or subsidiary of a foreign corporation, firm, or other foreign-based business.
4. "Local business" as used in this policy means a company that has an ongoing business within geographical boundaries of SCAQMD at the time of bid or proposal submittal and performs 90% of the work related to the contract within the geographical boundaries of SCAQMD and satisfies the requirements of subparagraph H below. Proposals for legislative representation, such as in Sacramento, California or Washington D.C. are not eligible for local business incentive points.
5. "Small business" as used in this policy means a business that meets the following criteria:
  - a. 1) an independently owned and operated business; 2) not dominant in its field of operation; 3) together with affiliates is either:
    - A service, construction, or non-manufacturer with 100 or fewer employees, and average annual gross receipts of ten million dollars (\$10,000,000) or less over the previous three years, or
    - A manufacturer with 100 or fewer employees.
  - b. Manufacturer means a business that is both of the following:
    - 1) Primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products.
    - 2) Classified between Codes 311000 and 339000, inclusive, of the North American Industrial Classification System (NAICS) Manual published by the United States Office of Management and Budget, 2007 edition.
6. "Joint ventures" as defined in this policy pertaining to certification means that one party to the joint venture is a DVBE or small business and owns at least 51 percent of the joint venture.
7. "Low-Emission Vehicle Business" as used in this policy means a company or contractor that uses low-emission vehicles in conducting deliveries to SCAQMD. Low-emission vehicles include vehicles powered by electric, compressed natural gas (CNG), liquefied natural gas (LNG), liquefied petroleum gas (LPG), ethanol, methanol, hydrogen and diesel retrofitted with particulate matter (PM) traps.

8. "Off-Peak Hours Delivery Business" as used in this policy means a company or contractor that commits to conducting deliveries to SCAQMD during off-peak traffic hours defined as between 10:00 a.m. and 3:00 p.m.
9. "Benefits Incentive Business" as used in this policy means a company or contractor that provides janitorial, security guard or landscaping services to SCAQMD and commits to providing employee health benefits (as defined below in Section VIII.D.2.d) for full time workers with affordable deductible and co-payment terms.
10. "Minority Business Enterprise" as used in this policy means a business that is at least 51 percent owned by one or more minority person(s), or in the case of any business whose stock is publicly held, at least 51 percent of the stock is owned by one or more or minority persons.
  - a. a business whose management and daily business operations are controlled by one or more minority persons.
  - b. a business which is a sole proprietorship, corporation, or partnership with its primary headquarters office located in the United States, which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign-based business.
  - c. "Minority person" for purposes of this policy, means a Black American, Hispanic American, Native-American (including American Indian, Eskimo, Aleut, and Native Hawaiian), Asian-Indian (including a person whose origins are from India, Pakistan, and Bangladesh), Asian-Pacific-American (including a person whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the United States Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, and Taiwan).
11. "Most Favored Customer" as used in this policy means that the SCAQMD will receive at least as favorable pricing, warranties, conditions, benefits and terms as other customers or clients making similar purchases or receiving similar services.
12. "Disadvantaged Business Enterprise" as used in this policy means a business that is an entity owned and/or controlled by a socially and economically disadvantaged individual(s) as described by Title X of the Clean Air Act Amendments of 1990 (42 U.S.C. 7601 note) (10% statute), and Public Law 102-389 (42 U.S.C. 4370d)(8% statute), respectively;
  - a Small Business Enterprise (SBE);
  - a Small Business in a Rural Area (SBRA);
  - a Labor Surplus Area Firm (LSAF); or
  - a Historically Underutilized Business (HUB) Zone Small Business Concern, or a concern under a successor program.

- C. Under Request for Quotations (RFQ), DVBEs, DVBE business joint ventures, small businesses, and small business joint ventures shall be granted a preference in an amount equal to 5% of the lowest cost responsive bid. Low-Emission Vehicle Businesses shall be granted a preference in an amount equal to 5 percent of the lowest cost responsive bid. Off-Peak Hours Delivery Businesses shall be granted a preference in an amount equal to 2

percent of the lowest cost responsive bid. Local businesses (if the procurement is not funded in whole or in part by federal grant funds) shall be granted a preference in an amount equal to 2% of the lowest cost responsive bid. Businesses offering Most Favored Customer status shall be granted a preference in an amount equal to 2 percent of the lowest cost responsive bid.

- D. Under Request for Proposals, DVBEs, DVBE joint ventures, small businesses, and small business joint ventures shall be awarded ten (10) points in the evaluation process. A non-DVBE or large business shall receive seven (7) points for subcontracting at least twenty-five (25%) of the total contract value to a DVBE and/or small business. Low-Emission Vehicle Businesses shall be awarded five (5) points in the evaluation process. On procurements which are not funded in whole or in part by federal grant funds local businesses shall receive five (5) points. Off-Peak Hours Delivery Businesses shall be awarded two (2) points in the evaluation process. Businesses offering Most Favored Customer status shall be awarded two (2) points in the evaluation process.
- E. SCAQMD will ensure that discrimination in the award and performance of contracts does not occur on the basis of race, color, sex, national origin, marital status, sexual preference, creed, ancestry, medical condition, or retaliation for having filed a discrimination complaint in the performance of SCAQMD contractual obligations.
- F. SCAQMD requires Contractor to be in compliance with all state and federal laws and regulations with respect to its employees throughout the term of any awarded contract, including state minimum wage laws and OSHA requirements.
- G. When contracts are funded in whole or in part by federal funds, and if subcontracts are to be let, the Contractor must comply with the following, evidencing a good faith effort to solicit disadvantaged businesses. Contractor shall submit a certification signed by an authorized official affirming its status as a MBE or WBE, as applicable, at the time of contract execution. SCAQMD reserves the right to request documentation demonstrating compliance with the following good faith efforts prior to contract execution.
  - 1. Ensure Disadvantaged Business Enterprises (DBEs) are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities. For Indian Tribal, State and Local Government recipients, this will include placing DBEs on solicitation lists and soliciting them whenever they are potential sources.
  - 2. Make information on forthcoming opportunities available to DBEs and arrange time frames for contracts and establish delivery schedules, where the requirements permit, in a way that encourages and facilitates participation by DBEs in the competitive process. This includes, whenever possible, posting solicitations for bids or proposals for a minimum of 30 calendar days before the bid or proposal closing date.
  - 3. Consider in the contracting process whether firms competing for large contracts could subcontract with DBEs. For Indian Tribal, State and Local Government recipients, this will include dividing total requirements when economically feasible into smaller tasks or quantities to permit maximum participation by DBEs in the competitive process.
  - 4. Encourage contracting with a consortium of DBEs when a contract is too large for one of these firms to handle individually.

5. Using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.
  6. If the prime contractor awards subcontracts, require the prime contractor to take the above steps.
- H. To the extent that any conflict exists between this policy and any requirements imposed by federal and state law relating to participation in a contract by a certified MBE/WBE/DVBE as a condition of receipt of federal or state funds, the federal or state requirements shall prevail.
- I. When contracts are not funded in whole or in part by federal grant funds, a local business preference will be awarded. For such contracts that involve the purchase of commercial off-the-shelf products, local business preference will be given to suppliers or distributors of commercial off-the-shelf products who maintain an ongoing business within the geographical boundaries of SCAQMD. However, if the subject matter of the RFP or RFQ calls for the fabrication or manufacture of custom products, only companies performing 90% of the manufacturing or fabrication effort within the geographical boundaries of SCAQMD shall be entitled to the local business preference. Proposals for legislative representation, such as in Sacramento, California or Washington D.C. are not eligible for local business incentive points.
- J. In compliance with federal fair share requirements set forth in 40 CFR Part 33, SCAQMD shall establish a fair share goal annually for expenditures with federal funds covered by its procurement policy.

## ATTACHMENT B



# South Coast Air Quality Management District

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

### **Business Information Request**

Dear SCAQMD Contractor/Supplier:

South Coast Air Quality Management District (SCAQMD) is committed to ensuring that our contractor/supplier records are current and accurate. If your firm is selected for award of a purchase order or contract, it is imperative that the information requested herein be supplied in a timely manner to facilitate payment of invoices. In order to process your payments, we need the enclosed information regarding your account. **Please review and complete the information identified on the following pages, remember to sign all documents for our files, and return them as soon as possible to the address below:**

**Attention: Accounts Payable, Accounting Department  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, CA 91765-4178**

If you do not return this information, we will not be able to establish you as a vendor. This will delay any payments and would still necessitate your submittal of the enclosed information to our Accounting department before payment could be initiated. Completion of this document and enclosed forms would ensure that your payments are processed timely and accurately.

If you have any questions or need assistance in completing this information, please contact Accounting at (909) 396-3777. We appreciate your cooperation in completing this necessary information.

Sincerely,

Sujata Jain  
Asst. Deputy Executive Officer  
Finance

DH:tm

Enclosures: Business Information Request  
Disadvantaged Business Certification  
W-9  
Form 590 Withholding Exemption Certificate  
Federal Contract Debarment Certification  
Campaign Contributions Disclosure  
Direct Deposit Authorization



# South Coast Air Quality Management District

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

## BUSINESS INFORMATION REQUEST

Business Name	
Division of	
Subsidiary of	
Website Address	
Type of Business <i>Check One:</i>	<input type="checkbox"/> Individual <input type="checkbox"/> DBA, Name _____, County Filed in _____ <input type="checkbox"/> Corporation, ID No. _____ <input type="checkbox"/> LLC/LLP, ID No. _____ <input type="checkbox"/> Other _____

## REMITTING ADDRESS INFORMATION

Address			
City/Town			
State/Province		Zip	
Phone	(    )    -    Ext	Fax	(    )    -
Contact		Title	
E-mail Address			
Payment Name if Different			

All invoices must reference the corresponding Purchase Order Number(s)/Contract Number(s) if applicable and mailed to:

**Attention: Accounts Payable, Accounting Department  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, CA 91765-4178**



## BUSINESS STATUS CERTIFICATIONS

Federal guidance for utilization of disadvantaged business enterprises allows a vendor to be deemed a small business enterprise (SBE), minority business enterprise (MBE) or women business enterprise (WBE) if it meets the criteria below.

- is certified by the Small Business Administration or
- is certified by a state or federal agency or
- is an independent MBE(s) or WBE(s) business concern which is at least 51 percent owned and controlled by minority group member(s) who are citizens of the United States.

### Statements of certification:

As a prime contractor to SCAQMD, (name of business) will engage in good faith efforts to achieve the fair share in accordance with 40 CFR Section 33.301, and will follow the six affirmative steps listed below **for contracts or purchase orders funded in whole or in part by federal grants and contracts.**

1. Place qualified SBEs, MBEs, and WBEs on solicitation lists.
2. Assure that SBEs, MBEs, and WBEs are solicited whenever possible.
3. When economically feasible, divide total requirements into small tasks or quantities to permit greater participation by SBEs, MBEs, and WBEs.
4. Establish delivery schedules, if possible, to encourage participation by SBEs, MBEs, and WBEs.
5. Use services of Small Business Administration, Minority Business Development Agency of the Department of Commerce, and/or any agency authorized as a clearinghouse for SBEs, MBEs, and WBEs.
6. If subcontracts are to be let, take the above affirmative steps.

### **Self-Certification Verification: Also for use in awarding additional points, as applicable, in accordance with SCAQMD Procurement Policy and Procedure:**

Check all that apply:

- |   |  |
|---|--|
| <input type="checkbox"/> Small Business Enterprise/Small Business Joint Venture | <input type="checkbox"/> Women-owned Business Enterprise                               |
| <input type="checkbox"/> Local business   | <input type="checkbox"/> Disabled Veteran-owned Business Enterprise/DVBE Joint Venture |
| <input type="checkbox"/> Minority-owned Business Enterprise                     | <input type="checkbox"/> Most Favored Customer Pricing Certification                   |

Percent of ownership: \_\_\_\_\_ %

Name of Qualifying Owner(s): \_\_\_\_\_

**State of California Public Works Contractor Registration No. \_\_\_\_\_ . MUST BE INCLUDED IF BID PROPOSAL IS FOR PUBLIC WORKS PROJECT.**

I, the undersigned, hereby declare that to the best of my knowledge the above information is accurate. Upon penalty of perjury, I certify information submitted is factual.

\_\_\_\_\_  
*NAME*

\_\_\_\_\_  
*TITLE*

\_\_\_\_\_  
*TELEPHONE NUMBER*

\_\_\_\_\_  
*DATE*

## Definitions

**Disabled Veteran-Owned Business Enterprise** means a business that meets all of the following criteria:

- is a sole proprietorship or partnership of which is at least 51 percent owned by one or more disabled veterans, or in the case of any business whose stock is publicly held, at least 51 percent of the stock is owned by one or more disabled veterans; a subsidiary which is wholly owned by a parent corporation but only if at least 51 percent of the voting stock of the parent corporation is owned by one or more disabled veterans; or a joint venture in which at least 51 percent of the joint venture's management and control and earnings are held by one or more disabled veterans.
- the management and control of the daily business operations are by one or more disabled veterans. The disabled veterans who exercise management and control are not required to be the same disabled veterans as the owners of the business.
- is a sole proprietorship, corporation, partnership, or joint venture with its primary headquarters office located in the United States and which is not a branch or subsidiary of a foreign corporation, firm, or other foreign-based business.

**Joint Venture** means that one party to the joint venture is a DVBE and owns at least 51 percent of the joint venture. In the case of a joint venture formed for a single project this means that DVBE will receive at least 51 percent of the project dollars.

**Local Business** means a business that meets all of the following criteria:

- has an ongoing business within the boundary of SCAQMD at the time of bid application.
- performs 90 percent of the work within SCAQMD's jurisdiction.

**Minority-Owned Business Enterprise** means a business that meets all of the following criteria:

- is at least 51 percent owned by one or more minority persons or in the case of any business whose stock is publicly held, at least 51 percent of the stock is owned by one or more minority persons.
- is a business whose management and daily business operations are controlled or owned by one or more minority person.
- is a business which is a sole proprietorship, corporation, partnership, joint venture, an association, or a cooperative with its primary headquarters office located in the United States, which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign business.

“Minority” person means a Black American, Hispanic American, Native American (including American Indian, Eskimo, Aleut, and Native Hawaiian), Asian-Indian American (including a person whose origins are from India, Pakistan, or Bangladesh), Asian-Pacific American (including a person whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the United States Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, or Taiwan).

**Small Business Enterprise** means a business that meets the following criteria:

- a. 1) an independently owned and operated business; 2) not dominant in its field of operation; 3) together with affiliates is either:
  - **A service, construction, or non-manufacturer with 100 or fewer employees, and average annual gross receipts of ten million dollars (\$10,000,000) or less over the previous three years, or**
  - A manufacturer with 100 or fewer employees.
- b. Manufacturer means a business that is both of the following:
  - 1) Primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products.
  - 2) Classified between Codes 311000 to 339000, inclusive, of the North American Industrial Classification System (NAICS) Manual published by the United States Office of Management and Budget, 2007 edition.

**Small Business Joint Venture** means that one party to the joint venture is a Small Business and owns at least 51 percent of the joint venture. In the case of a joint venture formed for a single project this means that the Small Business will receive at least 51 percent of the project dollars.

**Women-Owned Business Enterprise** means a business that meets all of the following criteria:

- is at least 51 percent owned by one or more women or in the case of any business whose stock is publicly held, at least 51 percent of the stock is owned by one or more women.
- is a business whose management and daily business operations are controlled or owned by one or more women.
- is a business which is a sole proprietorship, corporation, partnership, or a joint venture, with its primary headquarters office located in the United States, which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign business.

**Most Favored Customer** as used in this policy means that the SCAQMD will receive at least as favorable pricing, warranties, conditions, benefits and terms as other customers or clients making similar purchases or receiving similar services.

## Request for Taxpayer Identification Number and Certification

▶ Go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9) for instructions and the latest information.

Give Form to the  
requester. Do not  
send to the IRS.

Print or type. See Specific Instructions on page 3.	<p><b>1</b> Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.</p> <hr/> <p><b>2</b> Business name/disregarded entity name, if different from above</p> <hr/> <p><b>3</b> Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only <b>one</b> of the following seven boxes.</p> <p> <input type="checkbox"/> Individual/sole proprietor or single-member LLC                 <input type="checkbox"/> C Corporation                 <input type="checkbox"/> S Corporation                 <input type="checkbox"/> Partnership                 <input type="checkbox"/> Trust/estate  <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ _____  <b>Note:</b> Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is <b>not</b> disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.  <input type="checkbox"/> Other (see instructions) ▶ _____         </p>	<p><b>4</b> Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):</p> <p>Exempt payee code (if any) _____</p> <p>Exemption from FATCA reporting code (if any) _____</p> <p><small>(Applies to accounts maintained outside the U.S.)</small></p>
	<p><b>5</b> Address (number, street, and apt. or suite no.) See instructions.</p> <hr/> <p><b>6</b> City, state, and ZIP code</p> <hr/> <p><b>7</b> List account number(s) here (optional)</p>	<p>Requester's name and address (optional)</p> <hr/> <hr/>

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

**Note:** If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

<b>Social security number</b>					
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; border: 1px solid black; height: 20px;"></td> <td style="width: 5%; text-align: center;">-</td> <td style="width: 25%; border: 1px solid black; height: 20px;"></td> <td style="width: 5%; text-align: center;">-</td> <td style="width: 40%; border: 1px solid black; height: 20px;"></td> </tr> </table>		-		-	
	-		-		
OR					
<b>Employer identification number</b>					
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%; border: 1px solid black; height: 20px;"></td> <td style="width: 5%; text-align: center;">-</td> <td style="width: 90%; border: 1px solid black; height: 20px;"></td> </tr> </table>		-			
	-				

### Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

<b>Sign Here</b>	<p>Signature of U.S. person ▶ _____</p>	<p>Date ▶ _____</p>
------------------	---	---------------------

### General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9).

### Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

*If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.*

By signing the filled-out form, you:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct. See *What is FATCA reporting*, later, for further information.

**Note:** If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien;
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States;
- An estate (other than a foreign estate); or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.

In the cases below, the following person must give Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States.

- In the case of a disregarded entity with a U.S. owner, the U.S. owner of the disregarded entity and not the entity;
- In the case of a grantor trust with a U.S. grantor or other U.S. owner, generally, the U.S. grantor or other U.S. owner of the grantor trust and not the trust; and
- In the case of a U.S. trust (other than a grantor trust), the U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

**Foreign person.** If you are a foreign person or the U.S. branch of a foreign bank that has elected to be treated as a U.S. person, do not use Form W-9. Instead, use the appropriate Form W-8 or Form 8233 (see Pub. 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*).

**Nonresident alien who becomes a resident alien.** Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items.

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

**Example.** Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity, give the requester the appropriate completed Form W-8 or Form 8233.

## Backup Withholding

**What is backup withholding?** Persons making certain payments to you must under certain conditions withhold and pay to the IRS 28% of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, payments made in settlement of payment card and third party network transactions, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

**Payments you receive will be subject to backup withholding if:**

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the instructions for Part II for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See *Exempt payee code*, later, and the separate Instructions for the Requester of Form W-9 for more information.

Also see *Special rules for partnerships*, earlier.

## What is FATCA Reporting?

The Foreign Account Tax Compliance Act (FATCA) requires a participating foreign financial institution to report all United States account holders that are specified United States persons. Certain payees are exempt from FATCA reporting. See *Exemption from FATCA reporting code*, later, and the Instructions for the Requester of Form W-9 for more information.

## Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account; for example, if the grantor of a grantor trust dies.

## Penalties

**Failure to furnish TIN.** If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

**Civil penalty for false information with respect to withholding.** If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

**Criminal penalty for falsifying information.** Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**Misuse of TINs.** If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

## Specific Instructions

### Line 1

You must enter one of the following on this line; **do not** leave this line blank. The name should match the name on your tax return.

If this Form W-9 is for a joint account (other than an account maintained by a foreign financial institution (FFI)), list first, and then circle, the name of the person or entity whose number you entered in Part I of Form W-9. If you are providing Form W-9 to an FFI to document a joint account, each holder of the account that is a U.S. person must provide a Form W-9.

a. **Individual.** Generally, enter the name shown on your tax return. If you have changed your last name without informing the Social Security Administration (SSA) of the name change, enter your first name, the last name as shown on your social security card, and your new last name.

**Note: ITIN applicant:** Enter your individual name as it was entered on your Form W-7 application, line 1a. This should also be the same as the name you entered on the Form 1040/1040A/1040EZ you filed with your application.

b. **Sole proprietor or single-member LLC.** Enter your individual name as shown on your 1040/1040A/1040EZ on line 1. You may enter your business, trade, or "doing business as" (DBA) name on line 2.

c. **Partnership, LLC that is not a single-member LLC, C corporation, or S corporation.** Enter the entity's name as shown on the entity's tax return on line 1 and any business, trade, or DBA name on line 2.

d. **Other entities.** Enter your name as shown on required U.S. federal tax documents on line 1. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on line 2.

e. **Disregarded entity.** For U.S. federal tax purposes, an entity that is disregarded as an entity separate from its owner is treated as a "disregarded entity." See Regulations section 301.7701-2(c)(2)(iii). Enter the owner's name on line 1. The name of the entity entered on line 1 should never be a disregarded entity. The name on line 1 should be the name shown on the income tax return on which the income should be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a single owner that is a U.S. person, the U.S. owner's name is required to be provided on line 1. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on line 2, "Business name/disregarded entity name." If the owner of the disregarded entity is a foreign person, the owner must complete an appropriate Form W-8 instead of a Form W-9. This is the case even if the foreign person has a U.S. TIN.

### Line 2

If you have a business name, trade name, DBA name, or disregarded entity name, you may enter it on line 2.

### Line 3

Check the appropriate box on line 3 for the U.S. federal tax classification of the person whose name is entered on line 1. Check only one box on line 3.

IF the entity/person on line 1 is a(n) . . .	THEN check the box for . . .
• Corporation	Corporation
• Individual • Sole proprietorship, or • Single-member limited liability company (LLC) owned by an individual and disregarded for U.S. federal tax purposes.	Individual/sole proprietor or single-member LLC
• LLC treated as a partnership for U.S. federal tax purposes, • LLC that has filed Form 8832 or 2553 to be taxed as a corporation, or • LLC that is disregarded as an entity separate from its owner but the owner is another LLC that is not disregarded for U.S. federal tax purposes.	Limited liability company and enter the appropriate tax classification. (P= Partnership; C= C corporation; or S= S corporation)
• Partnership	Partnership
• Trust/estate	Trust/estate

### Line 4, Exemptions

If you are exempt from backup withholding and/or FATCA reporting, enter in the appropriate space on line 4 any code(s) that may apply to you.

#### Exempt payee code.

- Generally, individuals (including sole proprietors) are not exempt from backup withholding.
- Except as provided below, corporations are exempt from backup withholding for certain payments, including interest and dividends.
- Corporations are not exempt from backup withholding for payments made in settlement of payment card or third party network transactions.
- Corporations are not exempt from backup withholding with respect to attorneys' fees or gross proceeds paid to attorneys, and corporations that provide medical or health care services are not exempt with respect to payments reportable on Form 1099-MISC.

The following codes identify payees that are exempt from backup withholding. Enter the appropriate code in the space in line 4.

- 1—An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2)
- 2—The United States or any of its agencies or instrumentalities
- 3—A state, the District of Columbia, a U.S. commonwealth or possession, or any of their political subdivisions or instrumentalities
- 4—A foreign government or any of its political subdivisions, agencies, or instrumentalities
- 5—A corporation
- 6—A dealer in securities or commodities required to register in the United States, the District of Columbia, or a U.S. commonwealth or possession
- 7—A futures commission merchant registered with the Commodity Futures Trading Commission
- 8—A real estate investment trust
- 9—An entity registered at all times during the tax year under the Investment Company Act of 1940
- 10—A common trust fund operated by a bank under section 584(a)
- 11—A financial institution
- 12—A middleman known in the investment community as a nominee or custodian
- 13—A trust exempt from tax under section 664 or described in section 4947

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 13.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 7
Broker transactions	Exempt payees 1 through 4 and 6 through 11 and all C corporations. S corporations must not enter an exempt payee code because they are exempt only for sales of noncovered securities acquired prior to 2012.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 4
Payments over \$600 required to be reported and direct sales over \$5,000 <sup>1</sup>	Generally, exempt payees 1 through 5 <sup>2</sup>
Payments made in settlement of payment card or third party network transactions	Exempt payees 1 through 4

<sup>1</sup> See Form 1099-MISC, Miscellaneous Income, and its instructions.

<sup>2</sup> However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney reportable under section 6045(f), and payments for services paid by a federal executive agency.

**Exemption from FATCA reporting code.** The following codes identify payees that are exempt from reporting under FATCA. These codes apply to persons submitting this form for accounts maintained outside of the United States by certain foreign financial institutions. Therefore, if you are only submitting this form for an account you hold in the United States, you may leave this field blank. Consult with the person requesting this form if you are uncertain if the financial institution is subject to these requirements. A requester may indicate that a code is not required by providing you with a Form W-9 with "Not Applicable" (or any similar indication) written or printed on the line for a FATCA exemption code.

A—An organization exempt from tax under section 501(a) or any individual retirement plan as defined in section 7701(a)(37)

B—The United States or any of its agencies or instrumentalities

C—A state, the District of Columbia, a U.S. commonwealth or possession, or any of their political subdivisions or instrumentalities

D—A corporation the stock of which is regularly traded on one or more established securities markets, as described in Regulations section 1.1472-1(c)(1)(i)

E—A corporation that is a member of the same expanded affiliated group as a corporation described in Regulations section 1.1472-1(c)(1)(i)

F—A dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under the laws of the United States or any state

G—A real estate investment trust

H—A regulated investment company as defined in section 851 or an entity registered at all times during the tax year under the Investment Company Act of 1940

I—A common trust fund as defined in section 584(a)

J—A bank as defined in section 581

K—A broker

L—A trust exempt from tax under section 664 or described in section 4947(a)(1)

M—A tax exempt trust under a section 403(b) plan or section 457(g) plan

**Note:** You may wish to consult with the financial institution requesting this form to determine whether the FATCA code and/or exempt payee code should be completed.

## Line 5

Enter your address (number, street, and apartment or suite number). This is where the requester of this Form W-9 will mail your information returns. If this address differs from the one the requester already has on file, write NEW at the top. If a new address is provided, there is still a chance the old address will be used until the payor changes your address in their records.

## Line 6

Enter your city, state, and ZIP code.

## Part I. Taxpayer Identification Number (TIN)

**Enter your TIN in the appropriate box.** If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN.

If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

**Note:** See *What Name and Number To Give the Requester*, later, for further clarification of name and TIN combinations.

**How to get a TIN.** If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local SSA office or get this form online at [www.SSA.gov](http://www.SSA.gov). You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at [www.irs.gov/Businesses](http://www.irs.gov/Businesses) and clicking on Employer Identification Number (EIN) under Starting a Business. Go to [www.irs.gov/Forms](http://www.irs.gov/Forms) to view, download, or print Form W-7 and/or Form SS-4. Or, you can go to [www.irs.gov/OrderForms](http://www.irs.gov/OrderForms) to place an order and have Form W-7 and/or SS-4 mailed to you within 10 business days.

If you are asked to complete Form W-9 but do not have a TIN, apply for a TIN and write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

**Note:** Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

**Caution:** A disregarded U.S. entity that has a foreign owner must use the appropriate Form W-8.

## Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if item 1, 4, or 5 below indicates otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on line 1 must sign. Exempt payees, see *Exempt payee code*, earlier.

**Signature requirements.** Complete the certification as indicated in items 1 through 5 below.

**1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983.** You must give your correct TIN, but you do not have to sign the certification.

**2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983.** You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

**3. Real estate transactions.** You must sign the certification. You may cross out item 2 of the certification.

**4. Other payments.** You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments made in settlement of payment card and third party network transactions, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

**5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), ABLE accounts (under section 529A), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions.** You must give your correct TIN, but you do not have to sign the certification.

**What Name and Number To Give the Requester**

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account) other than an account maintained by an FFI	The actual owner of the account or, if combined funds, the first individual on the account <sup>1</sup>
3. Two or more U.S. persons (joint account maintained by an FFI)	Each holder of the account
4. Custodial account of a minor (Uniform Gift to Minors Act)	The minor <sup>2</sup>
5. a. The usual revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under state law	The grantor-trustee <sup>1</sup> The actual owner <sup>1</sup>
6. Sole proprietorship or disregarded entity owned by an individual	The owner <sup>3</sup>
7. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulations section 1.671-4(b)(2)(i)(A))	The grantor <sup>4</sup>

For this type of account:	Give name and EIN of:
8. Disregarded entity not owned by an individual	The owner
9. A valid trust, estate, or pension trust	Legal entity <sup>4</sup>
10. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
11. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
12. Partnership or multi-member LLC	The partnership
13. A broker or registered nominee	The broker or nominee

For this type of account:	Give name and EIN of:
14. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
15. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulations section 1.671-4(b)(2)(i)(B))	The trust

<sup>1</sup> List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

<sup>2</sup> Circle the minor's name and furnish the minor's SSN.

<sup>3</sup> You must show your individual name and you may also enter your business or DBA name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

<sup>4</sup> List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships*, earlier.

**\*Note:** The grantor also must provide a Form W-9 to trustee of trust.

**Note:** If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

**Secure Your Tax Records From Identity Theft**

Identity theft occurs when someone uses your personal information such as your name, SSN, or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Pub. 5027, Identity Theft Information for Taxpayers.

Victims of identity theft who are experiencing economic harm or a systemic problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

**Protect yourself from suspicious emails or phishing schemes.** Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.



The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to [phishing@irs.gov](mailto:phishing@irs.gov). You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration (TIGTA) at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at [spam@uce.gov](mailto:spam@uce.gov) or report them at [www.ftc.gov/complaint](http://www.ftc.gov/complaint). You can contact the FTC at [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft) or 877-IDTHEFT (877-438-4338). If you have been the victim of identity theft, see [www.IdentityTheft.gov](http://www.IdentityTheft.gov) and Pub. 5027.

Visit [www.irs.gov/IdentityTheft](http://www.irs.gov/IdentityTheft) to learn more about identity theft and how to reduce your risk.

## Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.

# 2018 Withholding Exemption Certificate

590

The payee completes this form and submits it to the withholding agent. The withholding agent keeps this form with their records.

**Withholding Agent Information**

Name \_\_\_\_\_

**Payee Information**

Name \_\_\_\_\_

SSN or ITIN  FEIN  CA Corp no.  CA SOS file no.

Address (apt./sta., room, PO box, or PMB no.) \_\_\_\_\_

City (if you have a foreign address, see instructions.) \_\_\_\_\_

State \_\_\_\_\_ ZIP code \_\_\_\_\_

**Exemption Reason**

**Check only one box.**

By checking the appropriate box below, the payee certifies the reason for the exemption from the California income tax withholding requirements on payment(s) made to the entity or individual.

- Individuals — Certification of Residency:**  
I am a resident of California and I reside at the address shown above. If I become a nonresident at any time, I will promptly notify the withholding agent. See instructions for General Information D, Definitions.
- Corporations:**  
The corporation has a permanent place of business in California at the address shown above or is qualified through the California Secretary of State (SOS) to do business in California. The corporation will file a California tax return. If this corporation ceases to have a permanent place of business in California or ceases to do any of the above, I will promptly notify the withholding agent. See instructions for General Information D, Definitions.
- Partnerships or Limited Liability Companies (LLCs):**  
The partnership or LLC has a permanent place of business in California at the address shown above or is registered with the California SOS, and is subject to the laws of California. The partnership or LLC will file a California tax return. If the partnership or LLC ceases to do any of the above, I will promptly inform the withholding agent. For withholding purposes, a limited liability partnership (LLP) is treated like any other partnership.
- Tax-Exempt Entities:**  
The entity is exempt from tax under California Revenue and Taxation Code (R&TC) Section 23701 \_\_\_\_\_ (insert letter) or Internal Revenue Code Section 501(c) \_\_\_\_\_ (insert number). If this entity ceases to be exempt from tax, I will promptly notify the withholding agent. Individuals cannot be tax-exempt entities.
- Insurance Companies, Individual Retirement Arrangements (IRAs), or Qualified Pension/Profit-Sharing Plans:**  
The entity is an insurance company, IRA, or a federally qualified pension or profit-sharing plan.
- California Trusts:**  
At least one trustee and one noncontingent beneficiary of the above-named trust is a California resident. The trust will file a California fiduciary tax return. If the trustee or noncontingent beneficiary becomes a nonresident at any time, I will promptly notify the withholding agent.
- Estates — Certification of Residency of Deceased Person:**  
I am the executor of the above-named person's estate or trust. The decedent was a California resident at the time of death. The estate will file a California fiduciary tax return.
- Nonmilitary Spouse of a Military Servicemember:**  
I am a nonmilitary spouse of a military servicemember and I meet the Military Spouse Residency Relief Act (MSRRA) requirements. See instructions for General Information E, MSRRA.

**CERTIFICATE OF PAYEE:** Payee must complete and sign below.

To learn about your privacy rights, how we may use your information, and the consequences for not providing the requested information, go to [ftb.ca.gov/forms](http://ftb.ca.gov/forms) and search for 1131. To request this notice by mail, call 800.852.5711.

Under penalties of perjury, I declare that I have examined the information on this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. I further declare under penalties of perjury that if the facts upon which this form are based change, I will promptly notify the withholding agent.

Type or print payee's name and title \_\_\_\_\_ Telephone (\_\_\_\_) \_\_\_\_\_

Payee's signature ► \_\_\_\_\_ Date \_\_\_\_\_

# 2017 Instructions for Form 590

## Withholding Exemption Certificate

References in these instructions are to the California Revenue and Taxation Code (R&TC).

### General Information

**Registered Domestic Partners (RDP)** – For purposes of California income tax, references to a spouse, husband, or wife also refer to a Registered Domestic Partner (RDP) unless otherwise specified. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

### A Purpose

Use Form 590, Withholding Exemption Certificate, to certify an exemption from nonresident withholding.

Form 590 does not apply to payments of backup withholding. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **backup withholding**.

Form 590 does not apply to payments for wages to employees. Wage withholding is administered by the California Employment Development Department (EDD). For more information, go to [edd.ca.gov](http://edd.ca.gov) or call 888.745.3886.

**Do not** use Form 590 to certify an exemption from withholding if you are a **Seller of California real estate**. Sellers of California real estate use Form 593-C, Real Estate Withholding Certificate, to claim an exemption from the real estate withholding requirement.

**The following are excluded from withholding and completing this form:**

- The United States and any of its agencies or instrumentalities.
- A state, a possession of the United States, the District of Columbia, or any of its political subdivisions or instrumentalities.
- A foreign government or any of its political subdivisions, agencies, or instrumentalities.

### B Income Subject to Withholding

California Revenue and Taxation Code (R&TC) Section 18662 requires withholding of income or franchise tax on payments of California source income made to nonresidents of California.

Withholding is required on the following, but is not limited to:

- Payments to nonresidents for services rendered in California.
- Distributions of California source income made to domestic nonresident partners, members, and S corporation shareholders and allocations of California source income made to foreign partners and members.
- Payments to nonresidents for rents if the payments are made in the course of the withholding agent's business.
- Payments to nonresidents for royalties from activities sourced to California.

- Distributions of California source income to nonresident beneficiaries from an estate or trust.
- Endorsement payments received for services performed in California.
- Prizes and winnings received by nonresidents for contests in California.

However, withholding is optional if the total payments of California source income are \$1,500 or less during the calendar year.

For more information on withholding get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines. To get a withholding publication, see Additional Information.

### C Who Certifies this Form

Form 590 is certified by the payee. California residents or entities exempt from the withholding requirement should complete Form 590 and submit it to the withholding agent before payment is made. The withholding agent is then relieved of the withholding requirements if the agent relies in good faith on a completed and signed Form 590 unless notified by the Franchise Tax Board (FTB) that the form should not be relied upon.

An incomplete certificate is invalid and the withholding agent should not accept it. If the withholding agent receives an incomplete certificate, the withholding agent is required to withhold tax on payments made to the payee until a valid certificate is received. In lieu of a completed exemption certificate, the withholding agent may accept a letter from the payee as a substitute explaining why they are not subject to withholding. The letter must contain all the information required on the certificate in similar language, including the under penalty of perjury statement and the payee's taxpayer identification number (TIN). The withholding agent must retain a copy of the certificate or substitute for at least five years after the last payment to which the certificate applies, and provide it upon request to the FTB.

If an entertainer (or the entertainer's business entity) is paid for a performance, the entertainer's information must be provided. **Do not** submit the entertainer's agent or promoter information.

The grantor of a grantor trust shall be treated as the payee for withholding purposes. Therefore, if the payee is a grantor trust and one or more of the grantors is a nonresident, withholding is required. If all of the grantors on the trust are residents, no withholding is required. Resident grantors can check the box on Form 590 labeled "Individuals — Certification of Residency."

### D Definitions

For California nonwage withholding purposes, **nonresident** includes all of the following:

- Individuals who are not residents of California.
- Corporations not qualified through the California Secretary of State (CA SOS) to do business in California or having no permanent place of business in California.
- Partnerships or limited liability companies (LLCs) with no permanent place of business in California.
- Any trust without a resident grantor, beneficiary, or trustee, or estates where the decedent was not a California resident.

Foreign refers to non-U.S.

For more information about determining resident status, get FTB Pub. 1031, Guidelines for Determining Resident Status. Military servicemembers have special rules for residency. For more information, get FTB Pub. 1032, Tax Information for Military Personnel.

### Permanent Place of Business:

A corporation has a permanent place of business in California if it is organized and existing under the laws of California or it has qualified through the CA SOS to transact intrastate business. A corporation that has not qualified to transact intrastate business (e.g., a corporation engaged exclusively in interstate commerce) will be considered as having a permanent place of business in California only if it maintains a permanent office in California that is permanently staffed by its employees.

### E Military Spouse Residency Relief Act (MSRRA)

Generally, for tax purposes you are considered to maintain your existing residence or domicile. If a military servicemember and nonmilitary spouse have the same state of domicile, the MSRRA provides:

- A spouse shall not be deemed to have lost a residence or domicile in any state solely by reason of being absent to be with the servicemember serving in compliance with military orders.
- A spouse shall not be deemed to have acquired a residence or domicile in any other state solely by reason of being there to be with the servicemember serving in compliance with military orders.

**Domicile** is defined as the one place:

- Where you maintain a true, fixed, and permanent home.
- To which you intend to return whenever you are absent.

A military servicemember's nonmilitary spouse is considered a nonresident for tax purposes if the servicemember and spouse have the same domicile outside of California and the spouse is in California solely to be with the servicemember who is serving in compliance with Permanent Change of Station orders.

California may require nonmilitary spouses of military servicemembers to provide proof that they meet the criteria for California personal income tax exemption as set forth in the MSRRA.

Income of a military servicemember's nonmilitary spouse for services performed in California is not California source income subject to state tax if the spouse is in California to be with the servicemember serving in compliance with military orders, and the servicemember and spouse have the same domicile in a state other than California.

For additional information or assistance in determining whether the applicant meets the MSRRA requirements, get FTB Pub. 1032.

## Specific Instructions

### Payee Instructions

Enter the withholding agent's name.

Enter the payee's information, including the TIN and check the appropriate TIN box.

You must provide a valid TIN as requested on this form. The following are acceptable TINs: social security number (SSN); individual taxpayer identification number (ITIN); federal employer identification number (FEIN); California corporation number (CA Corp no.); or CA SOS file number.

**Private Mail Box (PMB)** – Include the PMB in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

**Foreign Address** – Follow the country's practice for entering the city, county, province, state, country, and postal code, as applicable, in the appropriate boxes. **Do not** abbreviate the country name.

**Exemption Reason** – Check the box that reflects the reason why the payee is exempt from the California income tax withholding requirement.

### Withholding Agent Instructions

**Do not** send this form to the FTB. The withholding agent retains this form for a minimum of five years or until the payee's status changes, and must provide this form to the FTB upon request.

The payee must notify the withholding agent if any of the following situations occur:

- The individual payee becomes a nonresident.
- The corporation ceases to have a permanent place of business in California or ceases to be qualified to do business in California.

- The partnership ceases to have a permanent place of business in California.
- The LLC ceases to have a permanent place of business in California.
- The tax-exempt entity loses its tax-exempt status.

If any of these situations occur, then withholding may be required. For more information, get Form 592, Resident and Nonresident Withholding Statement, Form 592-B, Resident and Nonresident Withholding Tax Statement, and Form 592-V, Payment Voucher for Resident and Nonresident Withholding.

## Additional Information

**Website:** For more information go to [ftb.ca.gov](http://ftb.ca.gov) and search for **nonwage**.

**MyFTB** offers secure online tax account information and services. For more information and to register, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **myftb**.

**Telephone:** 888.792.4900 or 916.845.4900, Withholding Services and Compliance phone service

**Fax:** 916.845.9512

**Mail:** WITHHOLDING SERVICES AND COMPLIANCE MS F182  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651

For questions unrelated to withholding, or to download, view, and print California tax forms and publications, or to access the TTY/TDD numbers, see the information below.

### Internet and Telephone Assistance

**Website:** [ftb.ca.gov](http://ftb.ca.gov)

**Telephone:** 800.852.5711 from within the United States

916.845.6500 from outside the United States

**TTY/TDD:** 800.822.6268 for persons with hearing or speech impairments

### Asistencia Por Internet y Teléfono

**Sitio web:** [ftb.ca.gov](http://ftb.ca.gov)

**Teléfono:** 800.852.5711 dentro de los Estados Unidos

916.845.6500 fuera de los Estados Unidos

**TTY/TDD:** 800.822.6268 para personas con discapacidades auditivas o de habla

## **Certification Regarding Debarment, Suspension, and Other Responsibility Matters**

The prospective participant certifies to the best of its knowledge and belief that it and the principals:

- (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
- (b) Have not within a three year period preceding this proposal been convicted of or had a civil judgement rendered against them or commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction: violation of Federal or State antitrust statute or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- (c) Are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (b) of this certification; and
- (d) Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State, or local) terminated for cause or default.

I understand that a false statement on this certification may be grounds for rejection of this proposal or termination of the award. In addition, under 18 USC Sec. 1001, a false statement may result in a fine of up to \$10,000 or imprisonment for up to 5 years, or both.

---

Typed Name & Title of Authorized Representative

---

Signature of Authorized Representative Date

I am unable to certify to the above statements. My explanation is attached.

---



## CAMPAIGN CONTRIBUTIONS DISCLOSURE

In accordance with California law, bidders and contracting parties are required to disclose, at the time the application is filed, information relating to any campaign contributions made to South Coast Air Quality Management District (SCAQMD) Board Members or members/alternates of the MSRC, including: the name of the party making the contribution (which includes any parent, subsidiary or otherwise related business entity, as defined below), the amount of the contribution, and the date the contribution was made. 2 C.C.R. §18438.8(b).

California law prohibits a party, or an agent, from making campaign contributions to SCAQMD Governing Board Members or members/alternates of the Mobile Source Air Pollution Reduction Review Committee (MSRC) of more than \$250 while their contract or permit is pending before SCAQMD; and further prohibits a campaign contribution from being made for three (3) months following the date of the final decision by the Governing Board or the MSRC on a donor's contract or permit. Gov't Code §84308(d). For purposes of reaching the \$250 limit, the campaign contributions of the bidder or contractor plus contributions by its parents, affiliates, and related companies of the contractor or bidder are added together. 2 C.C.R. §18438.5.

In addition, SCAQMD Board Members or members/alternates of the MSRC must abstain from voting on a contract or permit if they have received a campaign contribution from a party or participant to the proceeding, or agent, totaling more than \$250 in the 12-month period prior to the consideration of the item by the Governing Board or the MSRC. Gov't Code §84308(c).

The list of current SCAQMD Governing Board Members can be found at SCAQMD website ([www.aqmd.gov](http://www.aqmd.gov)). The list of current MSRC members/alternates can be found at the MSRC website (<http://www.cleantransportationfunding.org>).

### **SECTION I.**

**Contractor (Legal Name):** \_\_\_\_\_

DBA, Name _____, County Filed in _____ Corporation, ID No. _____ LLC/LLP, ID No. _____
--

**List any parent, subsidiaries, or otherwise affiliated business entities of Contractor:**  
*(See definition below).*

\_\_\_\_\_  
\_\_\_\_\_

### **SECTION II.**

Has Contractor and/or any parent, subsidiary, or affiliated company, or agent thereof, made a campaign contribution(s) totaling \$250 or more in the aggregate to a current member of the South Coast Air Quality Management Governing Board or member/alternate of the MSRC in the 12 months preceding the date of execution of this disclosure?

Yes     No    **If YES, complete Section II below and then sign and date the form. If NO, sign and date below. Include this form with your submittal.**

**Campaign Contributions Disclosure, continued:**

Name of Contributor \_\_\_\_\_

\_\_\_\_\_  
Governing Board Member or MSRC Member/Alternate                      Amount of Contribution                      Date of Contribution

Name of Contributor \_\_\_\_\_

\_\_\_\_\_  
Governing Board Member or MSRC Member/Alternate                      Amount of Contribution                      Date of Contribution

Name of Contributor \_\_\_\_\_

\_\_\_\_\_  
Governing Board Member or MSRC Member/Alternate                      Amount of Contribution                      Date of Contribution

Name of Contributor \_\_\_\_\_

\_\_\_\_\_  
Governing Board Member or MSRC Member/Alternate                      Amount of Contribution                      Date of Contribution

**I declare the foregoing disclosures to be true and correct.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**DEFINITIONS**

Parent, Subsidiary, or Otherwise Related Business Entity (2 Cal. Code of Regs., §18703.1(d).)

- (1) Parent subsidiary. A parent subsidiary relationship exists when one corporation directly or indirectly owns shares possessing more than 50 percent of the voting power of another corporation.
- (2) Otherwise related business entity. Business entities, including corporations, partnerships, joint ventures and any other organizations and enterprises operated for profit, which do not have a parent subsidiary relationship are otherwise related if any one of the following three tests is met:
  - (A) One business entity has a controlling ownership interest in the other business entity.
  - (B) There is shared management and control between the entities. In determining whether there is shared management and control, consideration should be given to the following factors:
    - (i) The same person or substantially the same person owns and manages the two entities;
    - (ii) There are common or commingled funds or assets;
    - (iii) The business entities share the use of the same offices or employees, or otherwise share activities, resources or personnel on a regular basis;
    - (iv) There is otherwise a regular and close working relationship between the entities; or
  - (C) A controlling owner (50% or greater interest as a shareholder or as a general partner) in one entity also is a controlling owner in the other entity.



# South Coast Air Quality Management District

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

## Direct Deposit Authorization

### STEP 1: Please check all the appropriate boxes

- |  |  |
|--|--|
| <input type="checkbox"/> Individual (Employee, Governing Board Member) | <input type="checkbox"/> New Request           |
| <input type="checkbox"/> Vendor/Contractor                             | <input type="checkbox"/> Cancel Direct Deposit |
| <input type="checkbox"/> Changed Information                           |  |

### STEP 2: Payee Information

Last Name		First Name		Middle Initial	Title
Vendor/Contractor Business Name (if applicable)					
Address				Apartment or P.O. Box Number	
City		State	Zip	Country	
Taxpayer ID Number		Telephone Number		Email Address	

### Authorization

- I authorize South Coast Air Quality Management District (SCAQMD) to direct deposit funds to my account in the financial institution as indicated below. I understand that the authorization may be rejected or discontinued by SCAQMD at any time. If any of the above information changes, I will promptly complete a new authorization agreement. If the direct deposit is not stopped before closing an account, funds payable to me will be returned to SCAQMD for distribution. This will delay my payment.
- This authorization remains in effect until SCAQMD receives written notification of changes or cancellation from you.
- I hereby release and hold harmless SCAQMD for any claims or liability to pay for any losses or costs related to insufficient fund transactions that result from failure within the Automated Clearing House network to correctly and timely deposit monies into my account.

### STEP 3:

You must verify that your bank is a member of an Automated Clearing House (ACH). Failure to do so could delay the processing of your payment. You must attach a voided check or have your bank complete the bank information and the account holder must sign below.

### To be Completed by your Bank

<b>Staple Voided Check Here</b>	Name of Bank/Institution				
	Account Holder Name(s)				
	<input type="checkbox"/> Saving <input type="checkbox"/> Checking		Account Number	Routing Number	
	Bank Representative Printed Name		Bank Representative Signature		Date
	ACCOUNT HOLDER SIGNATURE:				Date

For SCAQMD Use Only

Input By \_\_\_\_\_

Date \_\_\_\_\_



**LOCAL GOVERNMENT &  
SMALL BUSINESS ASSISTANCE ADVISORY GROUP  
FRIDAY, SEPTEMBER 14, 2018  
MEETING MINUTES**

**MEMBERS PRESENT:**

Ben Benoit, Mayor Pro Tem, City of Wildomar and LGSBA Chairman  
Felipe Aguirre  
Paul Avila, P.B.A. & Associates  
Geoffrey Blake, Metal Finishers of Southern California  
Bill LaMarr, California Small Business Alliance  
Rita Loof, RadTech International  
Eddie Marquez, URCA Union Roofing Contractors Association

**MEMBERS ABSENT:**

Dr. Clark E. Parker, Sr., Senate Rules Committee Appointee  
Janice Rutherford, Supervisor, Second District, San Bernardino County  
Rachelle Arizmendi, Mayor Pro Tempore, City of Sierra Madre  
Todd Campbell, Clean Energy  
LaVaughn Daniel, DancoEN  
John DeWitt, JE DeWitt, Inc.  
Cynthia Moran, Council Member, City of Chino Hills  
David Rothbart, Los Angeles County Sanitation District

**OTHERS PRESENT:**

Ruthanne Taylor Berger, Board Member Consultant (*Benoit*)  
Mark Abramowitz, Board Member Consultant (*Lyou*)  
David Czmanske, Board Member Consultant (*Cacciotti*)  
Marc Ang, Asian Industry B2B  
Andy Silva, San Bernardino County

**SCAQMD STAFF:**

Jill Whynot, Chief Operating Officer  
Derrick Alatorre, Deputy Executive Officer  
Fabian Wesson, Asst. Deputy Executive Officer/Public Advisor  
Nancy Feldman, Principal Deputy District Counsel  
Naveen Berry, Assistant Deputy Executive Officer  
Vicki White, Technology Implementation Manager  
Kathryn Higgins, Program Supervisor  
Philip Barroca, Program Supervisor  
Elaine-Joy Hills, AQ Inspector II  
Stacy Garcia, Secretary  
Aisha Reyes, Senior Office Assistant

**Agenda Item #1 - Call to Order/Opening Remarks**

Chair Ben Benoit called the meeting to order at 11:33 a.m.

**Agenda Item #2 – Approval of July 13, 2018 Meeting Minutes/Review of Follow-Up/Action Items**

Chair Benoit called for approval of the July 13, 2018 meeting minutes. The minutes were approved unanimously.

Mr. Derrick Alatorre indicated there were no action items that arose out of the July 13, 2018 meeting. Mr. Alatorre announced that the Clean Air Awards are on October 5, 2018.

**Agenda Item #3 – Follow Up/Action Items**

Ms. Rita Loof requested an update on Rule 219, including outreach and a report on activities. Mr. Alatorre indicated that he has asked however, staff is not yet ready, but he'll continue to check.

*Action Item: Check with staff when a presentation on Rule 219 may be provided.*

**Agenda Item #4 – Renewable Fuels Presentation**

Mr. Philip Barroca presented on the status of renewable natural gas and renewable diesel production and use.

Mr. Paul Avila inquired about the status of ethanol use. Mr. Barroca responded that ethanol has not produced the level of NO<sub>x</sub> reductions that are needed in the South Coast basin.

Ms. Loof referred to the chart on slide 8 of Mr. Barroca's presentation and asked how the negative carbon reduction is possible. Mr. Barroca said that not all greenhouse gases are created equal. When you are making the fuel from the high methane sources, you are having a 20:1 type of ratio apply because you are taking methane away, and it produces a fuel that will be used in an internal combustion engine that will, in turn, be producing CO<sub>2</sub>.

Mr. Eddie Marquez asked about carbon sequestration as it applies to methane, and if the same can apply to other renewables such as renewable diesel. Mr. Barroca responded that the feedstocks for renewable diesel are the same type of biomass feedstocks that would also result in methane reduction, and that there would be a carbon sequestering effect.

Mr. Bill LaMarr stated that California has had about a million acres burned because of wildfires, and it was estimated that it released about 10 to 15 million metric tons of carbon. Mr. LaMarr asked if it would make more sense for state and air agencies to explore forest management. Mr. Barroca stated that agriculture and trees are separate forms of biomass. The trees in California represent one of the largest sources of biomass available to convert into a fuel. Mr. LaMarr stated that this year, forest fires have been a major contributor to emissions, including criteria pollutants when considering all the structures that burned. Mr. Naveen Berry indicated that the anaerobic digestion and paralyzer pathways available for renewable natural gas will help assist in dealing with fuel available for forest fires. Chair Benoit added that the conversation regarding forest management is happening in Sacramento.

Mr. Avila asked about Hydrotreated Vegetable Oil (HVO) and Waste Vegetable Oil (WVO) on pages 9-10 of the presentation, specifically if they get manufactured and can be used for commercial purposes. Mr. Berry responded that those are varied feedstocks that are used to make biodiesel and preliminary

assessments show that they may cause an increase in NO<sub>x</sub> emissions. Mr. Avila asked what renewable natural gas was, to which Mr. Barroca explained that it's manufactured from renewable sources. Chair Benoit further added that green waste and food waste would be renewable natural gas.

Ms. Loof commented about stationary sources and how the focus in presentations appears to be more on mobile sources, fuels and NO<sub>x</sub> emission reductions rather than volatile organic compounds (VOCs).

#### **Agenda Item #5 – Update on SCAQMD's Incentive Programs**

Ms. Vicki White presented on the various incentive programs offered and the current levels of usage within the South Coast basin.

Mr. La Marr asked if the new funding in fiscal year 2017/2018 are monies that we actually have. Ms. White responded yes.

Mr. Avila asked if any program covers heavy equipment such as cranes. Ms. White responded that the Carl Moyer Program offers grants for heavy equipment and also includes engine repowering.

Mr. Alatorre stated that in regards to Assembly Bill 134 (AB 134), the Community Air Protection Program, \$250 million was allocated statewide in 2017 and SCAQMD got \$107.5 million. For 2018/2019, \$245 million is being allocated and we are still waiting to see how much SCAQMD will get.

Mr. Avila asked if the purpose of the mitigation trust for the Volkswagen settlement was because there were more Volkswagens sold around this area. Ms. White said that the South Coast basin did have the biggest percentage of vehicles that were in violation, but that it was a nationwide settlement.

Mr. Alatorre confirmed with Ms. White that Volkswagen was able to use some of the settlement money to put in infrastructure, such as charging stations.

Mr. LaMarr asked what is being done with the non-compliant Volkswagen vehicles. Ms. White responded that the vehicles are not allowed to be driven in California unless they were fixed through the recall process.

Ms. Loof asked what the CARB reserve of \$63 million on the Volkswagen Mitigation Program is being used for and how much the administrative costs are. Ms. White said that CARB needs to monitor the progress of the program, and they want to reserve funds to use if needed for other projects to meet the 10 thousand NO<sub>x</sub> commitment. The amount of administrative costs given to the air districts will be 10% and CARB will have 15%. The administrative costs also cover all of the reporting requirements to the trust. SCAQMD is discussing with CARB to hopefully get more support.

Ms. Loof asked what funds are available for stationary sources. Ms. White said that \$245 million from Senate Bill 865 has been set aside for incentives and includes stationary source incentives.

Mr. Berry said that most of the funds were designated for mobile sources; however, there was a request for proposal (RFP) earlier this year to fund stationary projects.

Mr. Geoffrey Blake asked what type of technology SCAQMD is using to improve efficiency in regards to Transport Refrigeration Units (TRUs). Ms. White indicated that TRUs are tractors with refrigerated containers in them. SCAQMD is replacing them with electric motors to provide the cooling, they will need to be plugged in, and funding will be available for the chargers.

Mr. La Marr stated that he recognizes that SCAQMD staff is committed to seeking incentive funding for stationary sources, but wants to hear that SCAQMD has actually secured funding. Mr. Berry responded that the incentive funds are typically for projects for reductions, and that is the way that CARB has structured them. The legislators have provided a strong path for mobile source reduction.

Mr. Alatorre said that in regards to implementing Assembly Bill 617 (AB 617), the first year was mobile sources, but in the upcoming years, there will be a shift from strictly mobile to more stationary sources and there will need to be a mitigation plan.

Ms. Loof commented that once the amendments to Rule 1469 go into effect, businesses will lose the opportunity to get funding.

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

No comments.

**Agenda Item #7 - Other Business**

Mr. Avila requested information on the City of Irwindale dropping its lawsuit against Sriracha and why SCAQMD got involved. Mr. Avila also requested a draft of the legislation on the sales tax measure. Mr. Alatorre said there is no draft yet. Mr. Avila requested the poll on the sales tax measure, to which Mr. Alatorre stated that would not be a problem.

*Action Item: Provide Mr. Avila with information regarding the Sriracha case and the poll on the sales tax measure.*

Mr. Avila then introduced Mark Ang from the Asian Industry B2B, who was in the audience.

Chair Benoit mentioned the upcoming Environmental Justice Conference on September 26, 2018.

**Agenda Item #8 - Public Comment**

Mr. Andy Silva announced that on September 27, 2018, CARB will vote on the AB 617 communities. Mr. Alatorre stated that it will be either on September 27<sup>th</sup> or 28<sup>th</sup>, 2018.

**Agenda Item #9 – Next Meeting Date**

The next regular Local Government & Small Business Assistance Advisory Group meeting is scheduled for Friday, October 12, 2018 at 11:30 a.m.

**Adjournment**

The meeting adjourned at 1:03 p.m.