

BOARD MEETING DATE: March 6, 2020

AGENDA NO. 4

PROPOSAL: Recognize Revenue and Transfer and Appropriate Funds for Volkswagen Environmental Mitigation Trust

SYNOPSIS: In November 2018, the Board recognized \$150 million in revenue from CARB for the Volkswagen (VW) Environmental Mitigation Trust and authorized the transfer of up to 10 percent into the General Fund to reimburse administrative costs for this program. Subsequently, CARB and the South Coast AQMD executed a project agreement for this program totaling \$165 million, which included \$150 million for projects and \$15 million for administrative costs. These actions are to recognize up to \$15 million in additional revenue from CARB, transfer \$520,733 into the General Fund to reimburse FY 2018-19 Salaries & Employee Benefits and Service & Supplies, and transfer and appropriate up to \$898,000 into Science & Technology Advancement's and Information Management's FYs 2019-20 and 2020-21 Budgets, Professional and Special Services and Capital Outlays Major Objects, for administrative expenses to implement the VW Mitigation Program.

COMMITTEE: Technology, February 21, 2020; Less than a quorum was present; a concurrence of the staff recommendation will be forwarded to the Board

RECOMMENDED ACTIONS:

1. Recognize revenue, upon receipt, up to \$15,000,000 from CARB (through Wilmington Trust, N.A., Grant ID number G18-VWM-04) into the VW Mitigation Special Revenue Fund (79) to administer and implement two project funding categories identified in CARB's Beneficiary Mitigation Plan for the VW Environmental Mitigation Trust;
2. Transfer \$520,733 from the VW Mitigation Special Revenue Fund (79) into the General Fund to reimburse Salaries & Employee Benefits and Service & Supplies Expense incurred in FY 2018-19 for initial administration of the VW Mitigation Program (see Tables 1 and 2); and

3. Transfer and appropriate up to \$898,000 from the VW Mitigation Special Revenue Fund (79) into Science & Technology Advancement's and/or Information Management's FYs 2019-20 and/or 2020-21 Budgets, Professional and Special Services and Capital Outlays Major Objects, for administrative expenses to implement the VW Mitigation Program (see Tables 3 and 4).

Wayne Nastri
Executive Officer

MMM:NB:VW/LCM:PG:DAH

Background

The South Coast AQMD is administering two of five categories for the Volkswagen (VW) Environmental Mitigation Trust on a statewide basis. In November 2018, the Board recognized, upon receipt, up to \$150 million in revenue from CARB for the Volkswagen (VW) Environmental Mitigation Trust and authorized the transfer up to 10 percent into the General Fund to reimburse administrative costs for this program. In December 2018, as part of mid-year budget adjustments, the Board also approved five new positions to support the initial increased workload under this program.

Subsequently, CARB and the South Coast AQMD executed a project agreement for this program totaling \$165 million, which included \$150 million for projects and \$15 million for administrative costs. In November 2019, the first disbursement of the funds from the VW Trust was received totaling \$9.6 million, comprised of \$6.75 million in project funds and \$2.85 million in administrative funds. Future revenue installments will be received based on parameters established in the grant. At this time, there is a need to recognize the additional revenue, reimburse costs incurred after CARB's approval (on May 28, 2018) of the Beneficiary Mitigation Plan as allowed by the project agreement, and appropriate VW administrative funds into budget accounts to continue carrying out day-to-day functions.

Proposal

These actions are to recognize the additional revenue, upon receipt, up to \$15,000,000 from CARB into the VW Mitigation Special Revenue Fund (79) to administer and implement two project funding categories as well as to transfer \$520,733 from the VW Mitigation Special Revenue Fund (79) into the General Fund to reimburse Salaries & Employee Benefits and Service and Supplies expenditures incurred in FY 2018-19 before revenue was received (see Tables 1 and 2).

Staff recommends appropriating funds into Science & Technology Advancement's (STA) and Information Management's (IM) budgets for FYs 2019-20 and 2021-21 to capture costs already incurred this fiscal year and allocate funds for projected costs

through the end of the next fiscal year, after which funding will be appropriated as part of the annual budget process. This action is to transfer and appropriate up to \$898,000 from the VW Mitigation Special Revenue Fund (79) into STA's and/or IM's FYs 2019-20 and 2020-21 Budgets, Professional and Special Services and Capital Outlays Major Objects, for administrative expenses to implement the VW Mitigation Program. This transfer and appropriation will support day-to-day program needs without impacting either division's operational budgets. It also includes some one-time expenses, such as development of a web landing page per CARB requirements, procurement of licenses to build web applications and servers, and development of a grant management system (GMS) for submission and evaluation of VW applications. Other program specific expenses include contracting for technical assistance hosting and promoting webinars to assist eligible applicants in applying for funding. Tables 3 and 4 outline these estimated expenditures.

Benefits to South Coast AQMD

These funds will allow for successful administration through FY 2020-21 of the two project funding categories assigned by CARB to the South Coast AQMD on a statewide basis. The projects to be funded are intended to mitigate excess NOx emissions caused by VW vehicles. Over the ten-year life of this program, CARB estimates a reduction of 10,000 tons of NOx emissions. Co-benefits will also be achieved, reducing criteria air pollutants, toxic contaminants and GHGs. At least 50 percent of the funds are expected to benefit disadvantaged and low-income communities throughout the state. The program will also accelerate deployment of new commercially available near-zero and zero emissions heavy-duty truck technologies, a key strategy to reducing NOx emissions identified in the 2016 AQMP. Based on the overall statewide program, a portion of the benefits listed above will occur in the South Coast AQMD.

Resource Impacts

There are sufficient funds in the VW Mitigation Special Revenue Fund (79). The transfer to reimburse FY 2018-19 Salaries & Employee Benefits and Service and Supplies Expense will not exceed \$520,733. The transfer and appropriation to the FYs 2019-20 and 2020-21 Budgets, Capital Outlays and Professional and Special Services Major Objects, will not exceed \$898,000. Any funds not expended after the FY 2020-21 budget cycle will be returned to the VW Mitigation Special Revenue Fund (79). The budgets to continue implementation of the South Coast AQMD's VW Mitigation Program in future years will be included as part of the annual budget process.

Attachments

Table 1: FY 2018-19 Expenses Incurred for Salaries & Employee Benefits to Implement VW Mitigation Program

Table 2: FY 2018-19 Expenses Incurred for Services & Supplies to Implement VW Mitigation Program

- Table 3: Proposed VW Mitigation Program Administrative Expenditures for STA's FYs 2019-20 and/or 2020-21
- Table 4: Proposed VW Mitigation Program Administrative Expenditures for IM's FYs 2019-20 and/or 2020-21

Table 1
FY 2018-19 Expenses Incurred for Salaries & Employee Benefits
to Implement VW Mitigation Program

Account Description	FTEs	Program Code	Incurred Expenses
Salaries & Employee Benefits Major Object:			
VW Program Development	0.02	04827	\$5,935
VW Program Development	0.01	08827	2,548
VW Program Development	0.41	27827	130,799
VW Program Development	1.06	44827	371,674
Total Salaries & Employee Benefits Major Object:	1.5		\$510,956

Salaries & Employee Benefits were not included within the FY 2018-19 Budget or subsequent mid-year adjustments because the revenue was not received until after FY 2018-19 books were closed.

Table 2
FY 2018-19 Expenses Incurred for Services & Supplies
to Implement VW Mitigation Program

Account Description	Account Number	Program Code	Incurred Expenses
Services & Supplies Major Object:			
Professional & Special Services	67450	44827	\$4,371
Auto Mileage	67700	44827	297
Travel	67800	44827	2,415
Travel Related Air Fare	67805	44827	490
Travel Related Lodging	67810	44827	2,176
Postage	68060	44827	23
Misc. Expenses	69700	44827	5
Total Services & Supplies Major Object:			\$9,777

Table 3
Proposed VW Mitigation Program Administrative Expenditures
for STA's FYs 2019-20 and/or 2020-21

Account Description	Account Number	Program Code	Estimated Expenditures
Services & Supplies Major Object:			
Rents & Leases	67300	44827	\$1,200
Professional & Special Services: Up to 4 webinars plus technical assistance & misc. professional services	67450	44827	100,000
Maintenance of Equipment	67600	44827	90,000
Auto Mileage	67700	44827	1,500
Travel	67800	44827	10,000
Postage	68060	44827	9,000
Office Expense	68100	44827	1,500
Miscellaneous	69700	44827	25,000
Total Services & Supplies Major Object:			\$238,200
Capital Outlays Major Object:			
Develop Calculation Model in Support of GMS	77000	44827	\$25,000
Total Capital Outlays Major Object:			\$25,000
Total			\$263,200

Expenditures may be appropriated in either Services & Supplies Major Object or Capital Outlays Major Object, as warranted.

Appropriations not expended in FY 2019-20 will be carried over into FY 2020-21, after which funding will be appropriated as part of the annual budget process.

Table 4
Proposed VW Mitigation Program Administrative Expenditures
for IM's FYs 2019-20 and/or 2020-21

Account Description	Account Number	Program Code	Estimated Expenditures
Services & Supplies Major Object:			
Professional & Special Services: Develop Web Landing Page per CARB Requirements	67450	27827	\$22,800
Office Expense: Host Web Application Server and Procure Windows 2019 Data Center License for Building Web Application Servers & Procure SQL Server Standard Core Edition for Building Database Servers	68100	27827	122,000
Total Services & Supplies Major Object:			\$144,800
Capital Outlays Major Object:			
Develop Grant Management System (GMS)	77000	27827	\$400,000
Enhancements to GMS	77000	27827	90,000
Total Capital Outlays Major Object:			\$490,000
Total			\$634,800

Expenditures may be appropriated in either Services & Supplies Major Object or Capital Outlays Major Object, as warranted.

Appropriations not expended in FY 2019-20 will be carried over into FY 2020-21, after which funding will be appropriated as part of the annual budget process.