BOARD OF DIRECTORS MEETING

Sacramento Metropolitan Air Quality Management District
777 12th Street, Suite 300
Sacramento, California

AGENDA

Thursday **January 26, 2017** **9:00 AM**

DIRECTORS

Chair
Steve Hansen

Vice-Chair
Donald Terry

Larry Carr
Mark Crews
Sue Frost
Roger Gaylord

Eric Guerra
Patrick Kennedy
Steve Ly
Jeff Harris

Don Nottoli
Susan Peters
Phil Serna
Bret Daniels

CALL TO ORDER/ROLL CALL

PLEDGE OF ALLEGIANCE

SPECIAL PRESENTATIONS

A. Resolution commemorating and thanking Mike McKeever for his service to the region and support of the District since 2001.

B. Recognition of Director Jeff Starsky's 16 years of service to the Board.

C. Presentation of plaque commemorating Steve Hansen's service to the District Board as Chair from January 2015 to January 2017.

AIR POLLUTION CONTROL OFFICER'S REPORT

CONSENT CALENDAR

1. Annual Report on Companies Accepting over $250,000 from the Low-Emission Vehicle Incentive Program

   Recommendation: Receive and file report as an informational item.

2. Prosio Communications two-year contract extension for Check Before You Burn and other outreach

   Recommendation: Pass a motion authorizing the Executive Director/APCO, in consultation with District Counsel, to amend the contract with Prosio Communications Inc., to 1) extend the term of the contract for two years, 2) increase the amount of the contract by $1,200,000 for a not to exceed amount of $4,300,000, 3) modify the scope of services to remove the Spare The Air campaign, and 4) make minor amendments to the contract that may be necessary over the contract term to fully implement its intent.

3. Contract with Prosio Communications for the Spare The Air campaign

   Recommendation: Pass a motion authorizing the Executive Director/APCO, in consultation with District Counsel, to 1) execute a three-year contract with Prosio Communications in an amount not to exceed $1,450,000 with the option to extend this contract beyond the initial three year term for two separate one-year extensions in an amount not to exceed $477,736 for each additional year, and 2) make minor amendments to the contract that may be necessary over the contract term to fully implement its intent.

4. Emission Reduction Credits from the Community Bank for Precision Pulley & Idler, Inc.

Recommendation: Adopt a resolution transferring 1,364 pounds of Volatile Organic Compounds (VOCs) per year from the Community Bank to Precision Pulley & Idler, Inc.

5. Eastern Research Group Contract Extension

Recommendation: Adopt a resolution authorizing the Executive Director/Air Pollution Control Officer to 1) execute a two-year contract extension between the Sacramento Metropolitan Air Quality Management District (District) and Eastern Research Group (ERG) with a total funding amount not to exceed $400,000 for the four-year contract term, and 2) execute a second, optional two-year contract extension in January 2019 without a further increase in the total funding amount.

6. Fiscal Year Comprehensive Annual Financial Report and Single Audit Report

Recommendation: Adopt a resolution accepting Sacramento Metropolitan Air Quality Management District's Comprehensive Annual Financial Report and Single Audit Report for the Fiscal Year Ended June 30, 2016.

7. October 27, 2016 Board Meeting Minutes

Recommendation: Approve the attached minutes from the October 27, 2016 Board of Directors Meeting.

8. Approval of LEVIP Agreements over $500,000

Recommendation: Pass a motion authorizing the Executive Director/Air Pollution Control Officer, in consultation with District Counsel, to 1) execute one Low Emission Vehicle Incentive Program (LEVIP) Agreement with Matteoli Brothers in an amount not to exceed $715,218, and 2) approve any subsequent minor changes to the agreement that may be required during the performance of the Agreement.

9. Incorporate SECAT into LEVIP and Approve MOU with SACOG

Recommendation: Pass a motion 1) incorporating the guidelines associated with the Sacramento Emergency Clean Air Transportation (SECAT) Program into the Low Emission Vehicle Incentive Program (LEVIP), 2) approving a Memorandum of Understanding (MOU) between the Sacramento Area Council of Governments (SACOG) and the Sacramento Metropolitan Air Quality Management District (District) to reobligate SECAT funding to the District, 3) authorizing the Executive Director/Air Pollution Control Officer (APCO) to execute funding agreements under these programs and the MOU, and 4) authorizing the APCO to make minor modifications to the guidelines as necessary to meet the funding source requirements.

10. Quarterly Contracting Report (October 2016 - December 2016)

Recommendation: Receive a quarterly report on certain contracts executed by the APCO under General Contracting Authority for October 2016 - December 2016.

11. January 12, 2017 Special Board Meeting Minutes

Recommendation: Approve the attached minutes from the January 12, 2017 Board of Directors Special Meeting.

DISCUSSION CALENDAR

12. Selection of Chair and Vice Chair for the Sacramento Metropolitan Air Quality Management District

Recommendation: Adopt a Motion appointing a Chair and Vice Chair for Sacramento Metropolitan Air Quality Management District (District) for a two-year term for the calendar years 2017 through 2018.

13. Appointment of Board members to Standing Committees of the Board and Announcement of

Hearing Board vacancy

Recommendation: Pass a motion 1) renaming the standing committees of the Board from the Subcommittee for Budget and Personnel Matters to the Budget and Personnel Committee and from the Subcommittee for Selecting Hearing Board Members to Hearing Board Nomination Committee, 2) establishing the terms for the Budget and Personnel and Hearing Board Nomination Committees to be for two years, 3) selecting and appointing two Board members in addition to the Chair, Vice-chair and Past Chair to the Budget and Personnel Committee, and 4) confirming the Chair's appointment of Board members to serve on the Hearing Board Nomination Committee.

14. Amend the FY16/17 Budget to fund an existing Assistant/Associate Air Quality Specialist position

Recommendation: Pass a motion amending the FY2016/17 budget to 1) move an existing Assistant/Associate Air Quality Specialist position from unfunded in the Stationary Sources Division to funded in the Program Coordination Division, and 2) authorize the Executive Director/Air Pollution Control Officer to make a Limited-Term appointment to the position.

PUBLIC COMMENT

BOARD IDEAS AND COMMENTS

ANNOUNCEMENTS

ADJOURN

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

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

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

Information: Full staff reports are available for public review on the District's website (www.airquality.org), including all attachments and exhibits, or for public inspection at the District's office at 777 12th Street, Suite 300, Sacramento, CA. Copies of items prepared by staff and distributed for the first time at the meeting will be available at the back of the meeting room or may be obtained from the Board Clerk. Copies of items that were not prepared by staff may be obtained after the meeting from the Clerk. Materials related to an item on this Agenda submitted to SMAQMD after distribution of the agenda packet are available for public inspection in the Clerk of the Board's office during normal business hours. For information regarding this agenda, please contact Clerk of the SMAQMD Board of Directors, at 916-874-4800.

Meeting Date: 1/26/2017
Report Type: SPECIAL PRESENTATIONS
Report ID: 2017-0126-A

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

A.

Title: Resolution commemorating and thanking Mike McKeever for his service to the region and support of the District since 2001.

Recommendation: Approve a resolution commemorating and thanking Mike McKeever for his service to the region and support of the Sacramento Metropolitan Air Quality Management District since 2001.

Rationale for Recommendation: Under Mike McKeever's leadership, SACOG staff has supported and enhanced the clean air mission of the SMAQMD in many important ways. This resolution commemorates that work and thanks him for his leadership and collaboration over the past 15 years.

Contact: Larry F. Greene, Executive Director

Presentation: Yes

ATTACHMENTS:

Resolution - Commemorating Mike McKeever

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/19/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/19/2017

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

RESOLUTION NO. ______________

THANKING AND CONGRATULATING MIKE McKEEVER UPON RETIREMENT

WHEREAS, MIKE McKEEVER was employed by the Sacramento Area Council of Governments beginning in 2001, served as its Chief Executive Officer since 2004, and provided stellar leadership, collaboration and service to the region throughout his tenure;

WHEREAS, MIKE McKEEVER served as the nationally acclaimed Sacramento Region Blueprint Project Manager from 2001 through 2004;

WHEREAS, under MIKE McKEEVER's leadership the Sacramento Region Blueprint project included unprecedented public engagement, from the neighborhood to regional scale, and set the region forward in a growth pattern that preserves natural resources and agricultural lands, improves housing and transportation choices and sustainability;

WHEREAS, MIKE McKEEVER represented the region at the state and national level on issues of integrated and sustainable transportation and land use planning, air quality, mobility, and quality of life;

WHEREAS, MIKE McKEEVER fostered collaborative and productive partnerships with other regional agencies, especially the Sacramento Metropolitan Air Quality Management District;

WHEREAS, this collaboration enabled funding and projects that have greatly supported reductions in air pollution in the Sacramento Region including the Sacramento Emergency Clean Air Transportation program, the Infill Sustainability Program and the Spare The Air Program;

WHEREAS, MIKE McKEEVER was instrumental in the launch and development of the cutting-edge Rural-Urban Connections Strategy, bringing attention, research, and resources to the unique economies and communities of the region's rural areas;

WHEREAS, MIKE McKEEVER was a leader in advancing greenhouse gas emissions reductions through numerous programs and strategies including development and implementation of Senate Bill 375, chairing the Air Resources Board Regional Targets Advisory Committee, and collaboratively working with other regional partners to initiate and support the Capitol Region Climate Readiness Collaborative;

WHEREAS, MIKE McKEEVER successfully brought together and worked toward consensus with the public sector, private sector, and advocacy groups to address challenging regional issues;

WHEREAS, MIKE McKEEVER was a champion in improving regional and local civic engagement, through thoughtful education, projects, and partnership; and

WHEREAS, MIKE McKEEVER retired on December 31, 2016 from the Sacramento Area Council of Governments after 15 years of distinguished public service.

NOW, THEREFORE BE IT RESOLVED that the Sacramento Metropolitan Air Quality Management District Board of Directors hereby thanks MIKE McKEEVER for his dedicated service, commends him for his high level of professionalism in carrying out his responsibilities and wishes him well in his retirement.

ON A MOTION by Director ______________________________________and seconded by Director ___________________________, the foregoing resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District, State of California, the 26th day of January 2017.

AYES	Directors
NOES	Directors
ABSTAIN	Directors
ABSENT	Directors

ATTEST:

Clerk, Board of Directors
Sacramento Metropolitan Air Quality Management District

Meeting Date: 1/26/2017
Report Type: CONSENT CALENDAR
Report ID: 2017-0126-1.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

1.

Title: Annual Report on Companies Accepting over $250,000 from the Low-Emission Vehicle Incentive Program

Recommendation: Receive and file report as an informational item.

Rationale for Recommendation: Sacramento Metropolitan Air Quality Management District Board Resolution No. 2005-031 requires the Executive Director/Air Pollution Control Officer to provide an annual report to the Board of Directors identifying all individuals and organizations accepting more than $250,000 in incentive funding from the District within the previous five years under the Low-Emission Vehicle Incentive Program (LEVIP).

Contact: Michael Neuenburg, Program Coordinator, 916-874-1676

Presentation: No

ATTACHMENTS:

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

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Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/16/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/9/2017

Discussion / Justification: The Mobile Source Section, within the District's Communications/Land Use/Mobile Source Division, implements the Low Emission Vehicle Incentive Program (LEVIP). The LEVIP covers projects that operate within the Sacramento Federal Non-Attainment Area (SFNA) including Sacramento and Yolo counties, and portions of Sutter, Placer, Solano, and El Dorado counties. The LEVIP has received administrative and project funding from agencies such as U.S. Environmental Protection Agency and the California Air Resources Board to implement projects throughout greater California that may periodically operate within the SFNA. Funded projects include new vehicle purchases, engine repowering, fleet modernization, compressed natural gas infrastructure, and installation of emission reduction retrofits. The District also implemented Proposition 1B school bus funds for Butte and Glenn counties.

Financial Considerations: See attached Exhibit A for participants accepting $250,000 or more in funding from calendar years 2012 through 2016.

Emissions Impact: Over the last several years, the Mobile Source Section has approved over 7,500 incentive fund projects for both on-road and off-road vehicles and equipment, including trucks, buses, agricultural irrigation pumps and locomotives. Estimated emission reductions are 10.2 tons per day (tpd) for oxides of nitrogen (NOx) and 0.95 tpd for toxic diesel particulate matter (PM) within the SFNA.

ATTACHMENT – EXHIBIT A

LEVIP Participants receiving $250,000 or more for calendar years 2012 through 2016

Name	Total Funding	Name	Total Funding
Adams Trucking, Inc.	*$463,200*	Lake Tahoe Unified School District	*$329,982*
Albert Fruetel III	*$553,521*	Mark A. Atkinson	*$333,911*
American Building Supply, Inc.	*$439,000*	Matteoli Brothers	*$1,747,095*
Aoki Farms Inc.	*$344,255*	Mid-Placer Public Schools Transportation Agency	*$393,114*
Atlas Disposal Industries	*$498,246*	Mike Fales	*$359,097*
B & J Dairy LP	*$632,585*	Mike Lowrie Transport, Inc.	*$855,700*
B.C. Leasco, L.P.	*$2,796,200*	Mike Lowrie Trucking, Inc.	*$1,119,800*
Bailey Heavy Equipment Hauling Inc.	*$285,000*	Natomas Unified School District	*$486,883*
Barrios Farms Inc.	*$1,042,135*	Neal Hendrix Hay Company, Inc.	*$500,699*
Bob Dettling Farms GP	*$637,615*	Oroville Union High School District	*$448,884*
Bullseye Farms	*$1,238,445*	Ozark Trucking, Inc.	*$300,000*
Button & Turkovich LLC	*$778,724*	Paradise Unified School District	*$379,384*
Capitol Corridor Joint Powers Authority	*$320,000*	Payne Brothers Ranches	*$2,036,624*
Center Unified School District	*$777,942*	Quad H Ranches Inc	*$320,794*
Circle G. Ranch	*$1,596,647*	Quikrete International, Inc.	*$569,000*
Dan Best Ranch Inc.	*$717,715*	Rescue Union School District	*$296,027*
Donald W. Beeman	*$1,529,269*	Richter Brothers Inc	*$783,466*
Double M Trucking, Inc.	*$386,323*	River Garden Farms	*$943,867*
Dougherty Brothers	*$657,632*	Robert L. Gill	*$473,293*
Dry Creek Joint Elementary School District	*$369,946*	Rocklin Unified School District	*$367,666*
E & J Farms Inc.	*$255,495*	Ron Tadlock Farms	*$325,872*
El Dorado Union High School District	*$469,469*	Roseville Joint Union High School District	*$633,448*
Electro Motive Diesel, Inc.	*$478,335*	Roy E. Lay Trucking	*$315,000*
Elk Grove Unified School District	*$436,061*	Sacramento City Unified School District	*$2,005,368*
ESW Cleantech, Inc.	*$2,456,048*	San Juan Unified School District	*$1,263,560*
Eureka Union School District	*$313,086*	Schreiner Farms Inc	*$270,201*
Folsom Cordova Unified School District	*$1,137,195*	Sierra Northern Railway	*$1,187,837*
Gallo Vineyards, Inc.	*$343,130*	Tanaka Farms, Inc.	*$277,602*
Gnos Brothers Inc	*$868,211*	Twin Rivers Unified School District	*$3,527,660*
Harlan Family Ranch	*$917,764*	Union Pacific Railroad Company	*$10,021,052*
Harold E. Robben Jr	*$1,304,915*	Vacaville Unified School District	*$1,018,111*
J. H. Meek & Sons, Inc.	*$572,258*	Valley Farm Transport	*$671,300*
Jim Borchard	*$406,449*	Van Ruiten Brothers	*$913,621*
Joe Heidrick Enterprises, Inc.	*$888,560*	Washington Unified School District	*$357,783*
Joe Muller & Sons	*$1,037,123*	Wehah Farm Inc.	*$544,790*
John Aguilar & Company Inc	*$920,000*	West Valley Farms, Inc.	*$587,234*
Judge Farm LLC	*$250,719*	Woodland Joint Unified School District	*$434,688*
Knob Hill Mines Inc.	*$390,127*		

Meeting Date: 1/26/2017
Report Type: CONSENT CALENDAR
Report ID: 2017-0126-2.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

2.

Title: Prosio Communications two-year contract extension for Check Before You Burn and other outreach

Recommendation:
Pass a motion authorizing the Executive Director/APCO, in consultation with District Counsel, to amend the contract with Prosio Communications Inc., to 1) extend the term of the contract for two years, 2) increase the amount of the contract by $1,200,000 for a not to exceed amount of $4,300,000, 3) modify the scope of services to remove the Spare The Air campaign, and 4) make minor amendments to the contract that may be necessary over the contract term to fully implement its intent.

Rationale for Recommendation:
The District wishes to continue using the expertise of Prosio Communications Inc. for its overall District outreach and Check Before You Burn outreach and advertising by extending Contract No. E2014019 through February 14, 2019. The District's Purchasing Policy allows for a contract extension up to a maximum of four years. In addition, it is necessary to amend the Scope of Services to remove the Spare The Air campaign to be in compliance with new Caltrans requirements.

Contact: Lori Kobza, Associate Communications & Marketing Specialist, 916-874-4811

Presentation: No

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/17/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/12/2017

Discussion / Justification:
Prosio Communications has provided exceptional service under this contract since February 15, 2015. The original contract included federal Congestion Mitigation and Air Quality Improvement (CMAQ) funds to conduct the Sacramento region's Spare The Air campaign. A new RFP was released to solicit bids from qualified entities to assist the District in conducting only the Spare The Air campaign to address new Caltrans DBE requirements for contracts receiving federal funding (CMAQ funds). Therefore, this amendment will remove the Spare The Air campaign from the Prosio Communications, Inc. Scope of Work. The CMAQ funding will also be removed.

Prosio Communications will continue to work with the District's Communications Office to provide outreach and advertising services for the District's Check Before You Burn program. This includes outreach to community groups, businesses, homeowners associations, healthcare organizations and the general public in the unincorporated area of Sacramento County and the cities of Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova and Sacramento. The firm will also continue to assist the District with its overall public relations and outreach efforts to improve air quality, including outreach related to the Toxics from Wood Smoke study and transportation programs in the District's mobile source section.

Financial Considerations:
The proposed two-year contract extension, February 15, 2017 through February 14, 2019, is not to exceed $1,200,000. This extension will be funded with Department of Motor Vehicles (DMV) funds, Land Use Mitigation fees, and other funding as specified and approved annually by the board of directors as part of the District's

fiscal year budget.

Continuation of the contract beyond the current fiscal year will be subject to the availability of sufficient funds in the budget adopted for the applicable fiscal year.

Please note that the four-year contract funding is not to exceed $4,300,000:

- Contract No. E2014019 was not to exceed $3,100,000. This included CMAQ funding for the Sacramento region's Spare The Air program, which has been removed from the proposed two-year extension.
- Amendment and extension of Contract No. E2014019-A will not exceed $1,200,000.

Meeting Date: 1/26/2017
Report Type: CONSENT CALENDAR
Report ID: 2017-0126-3.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

3.

Title: Contract with Prosio Communications for the Spare The Air campaign

Recommendation:
Pass a motion authorizing the Executive Director/APCO, in consultation with District Counsel, to 1) execute a three-year contract with Prosio Communications in an amount not to exceed $1,450,000 with the option to extend this contract beyond the initial three year term for two separate one-year extensions in an amount not to exceed $477,736 for each additional year, and 2) make minor amendments to the contract that may be necessary over the contract term to fully implement its intent.

Rationale for Recommendation:
The Spare The Air program is funded by an annual Congestion Mitigation and Air Quality Improvement (CMAQ) grant, which the District receives through a Master Agreement with Caltrans. Historically, the contract for the Spare The Air public education and outreach campaign was combined with the Check Before You Burn campaign to provide general outreach support for the District. However, to address new Caltrans Disadvantaged Business Enterprise (DBE) requirements for contracts receiving federal funding, the Spare The Air campaign scope of work was carved out and a new RFP was released to resolicit bids from qualified entities to assist the District in conducting only the Spare The Air public education and outreach campaign. Prosio Communications, a state certified DBE, was the successful respondent from the RFP process. In addition, Caltrans requires a three-year term with the option for two separate, one-year extensions for contracts receiving federal funds. Therefore, the District is recommending authority to exercise the option to amend and extend the contract.

Contact: Lori Kobza, Associate Communications & Marketing Specialist, 916-874-4811

Presentation: No

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/19/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/19/2017

Discussion / Justification:
Since 1995, the Sacramento Metropolitan AQMD has managed and coordinated the Spare The Air program on behalf of the air districts of the Sacramento region. Spare The Air is designed to improve the region's air quality by providing information to protect public health and educate residents about how to reduce air pollution. California Health and Safety Code 41060 directs the District to adopt an air quality improvement strategy and Section 41065 requires that the strategy include a public education program. The District requires special services in the fields of public relations and advertising to update and implement the Spare The Air program. Prosio Communications was the successful bidder to produce the Sacramento region's Spare The Air campaign advertising, public relations and media buying. The firm has worked with the District since 2015, but its president, Lori Prosio, has worked on District campaigns since 2005 and is well versed in air pollution control strategies and issues.

The District is part of the Sacramento Federal Ozone Nonattainment Area (SFNA). The SFNA is designated by U.S. EPA as a severe nonattainment area for the eight-hour ozone standard. In addition to the District, the SFNA includes all or parts of four other air districts: El Dorado County Air Quality Management District, Feather River

Air Quality Management District, Placer County Air Pollution Control District, and Yolo-Solano Air Quality Management District.

The District’s Communications Office has decades of experience in air quality and general outreach, public relations and marketing. Prosio Communications will work with District staff in the development and implementation of the annual Spare The Air campaign, which runs from May – October. More than 50 percent of the proposed budget will be dedicated to paid advertising. Other campaign elements include social and online media, air quality public outreach, phone survey research and development of collateral materials to educate the general public.

Spare The Air is a Transportation Control Measure (TCM) in the Sacramento region’s eight-hour Ozone State Implementation Plan (SIP). As a TCM, it receives federal Congestion Mitigation and Air Quality Improvement (CMAQ) funds for its implementation to achieve emission reductions that help the region attain the federal ozone health standard.

The District's Communications Office staff refines and expands the Spare The Air advertising and outreach campaign each season to achieve its goal of increasing awareness of air quality issues and achieving public behavior change to reduce emissions during the summer ozone season.

Paid Advertising:
- Television, radio, print, digital, online and outdoor advertising mediums are used to inform the public about general summer air quality issues and the Spare The Air program.
- Episodic advertising is used to immediately inform the public when it's a declared Spare The Air alert asking for their help by reducing driving and other behaviors that contribute to air pollution. Due to the last minute nature of an episodic media buy, the advertising mediums chosen will be the ones with airtime or space available.

Emphasis on driving reduction appeals on high pollution days:
- Drivers are asked to reduce, postpone or eliminate driving on days when air quality is forecast to be unhealthy. This program has achieved nationwide recognition and has the support of U.S. EPA, Sacramento Area Council of Governments (SACOG), local broadcast meteorologists, news organizations, businesses and the public.

Expanded health notification throughout the year:
- The District provides real-time air quality maps on www.SpareTheAir.com, the Sacramento Region Air Quality app, current conditions at regional air monitoring sites, the daily air quality forecast and instant notification of air pollution levels through its daily Air Alert email system and the mobile app.
- As of January 2, 2017, there were 7,037 mobile app downloads.

Community event attendance by Scooter, the Spare The Air mascot:
- Scooter and his handler attend over 50 events throughout the Sacramento region each summer. He is an excellent air quality ambassador enjoyed by everyone regardless of age, gender or ethnicity.

Social Media:
- The campaign features a social media component and the numbers increase each year. There are 1,637 followers on Facebook – Sparetheair Scooter and 1,952 followers on Twitter @AQMD. In addition, there are 661 followers on Instagram - @SacramentoAQMD and 226 followers on Pinterest - SpareTheAirSacramento.

Spare The Air partners:
- The District’s public outreach program includes almost 3,600 Spare The Air partners throughout the region who receive air quality information, disseminate materials to the public and encourage behavior to decrease pollution. These partners include restaurants, schools, libraries, pharmacies, healthcare organizations, real estate offices, nonprofit organizations, senior centers, businesses and community groups.

Public opinion research:

- A Spare The Air survey is conducted following each Spare The Air day to assess regional awareness of the Spare The Air program, assess awareness of the request for residents to reduce driving, and determine emission reductions attributable to the program.

Financial Considerations:
This three-year contract will be written not to exceed $1,450,000 to account for all three of the federal CMAQ grant awards that are expected to be received over the length of this three-year term: 2017 (grant #11), 2018 (grant #12) and 2019 (grant #13).

Each grant portion for Spare The Air outreach and advertising is $477,736, which includes local match funds from the air districts of the Sacramento region. For the 2016 Spare The Air campaign, approximately $20,000 of CMAQ grant #11 was used.

Each one year extension, beyond the initial three year term, will include an additional $477,736 in CMAQ funding. Expenditures against the contract will require that sufficient funds are available in the District budget adopted for the applicable fiscal year.

Meeting Date: 1/26/2017
Report Type: CONSENT CALENDAR
Report ID: 2017-0126-4.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

4.

Title: Emission Reduction Credits from the Community Bank for Precision Pulley & Idler, Inc.

Recommendation:
Adopt a resolution transferring 1,364 pounds of Volatile Organic Compounds (VOCs) per year from the Community Bank to Precision Pulley & Idler, Inc.

Rationale for Recommendation:
Precision Pulley & Idler, Inc. (PPI) is using the alternative compliance option, which allows PPI to use emission reduction credits (ERCs) from the District Community Bank to offset non-compliant excess emissions for their adhesive application process. The ERC loan from the Community Bank expired on July 1, 2016. Before the loan expiration date, PPI requested to extend the loan from the Community Bank for 2 additional years and increase the lease amount to 1,364 pounds per year. PPI will not increase its daily, quarterly or annual emissions. Rule 205 – Community Bank and Priority Reserve Bank and specifically Rule 205, Sections 110 and 310.1 requires that requests for ERCs from the Community Bank be approved by the Board when the term of the loan is greater than 5 years or the loan request is greater than 900 pounds per quarter. This loan will have a total term of 7 years with the 2-year extension.

Staff has reviewed the ERC loan request and pursuant to Rule 205, Section 310 made two required determinations: (1) that no cleaner technologies are available, and (2) that the loan request will not impact the health of the bank. Staff recommends the approval of this loan request without any additional conditions.

Contact: Aleta Kennard, Program Supervisor, 916-874-4833

Presentation: No

ATTACHMENTS:

Attachment 1 - Resolution

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/16/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/9/2017

Discussion / Justification:
PPI is a conveying equipment manufacturer that operates an adhesive application process and coating operation. The adhesives do not comply with the VOC standards in Rule 460 – Adhesives and Sealants, and PPI is using alternative compliance allowed by Rule 107 – Alternative Compliance to use non-compliant materials. The alternative compliance option allows the use of ERCs from the District Community Bank to offset the non-compliant excess emissions in lieu of complying with the emission standards in Rule 460. PPI has requested to extend the loan from the Community Bank for 2 additional years and increase the lease amount to 1,364 pounds of VOC per year. The increase in the lease amount will not increase PPI's daily, quarterly and annual emissions because PPI lowered its permitted usages to compensate for the VOC content increase in a non-compliant adhesive that was reformulated. With the 2-year extension, this loan will have a total term of 7 years.

In approving a loan request, the Board, pursuant to Rule 205, Section 310.2, must consider the extent to which cleaner innovative technologies have been used to minimize credits, and pursuant to Rule 205, Section 310.5, may conditionally grant loans to protect the health of the bank or to promote cleaner, innovative technology. Staff's findings on cleaner technology and the health of the bank are discussed below:

- Use of Clean Technology: PPI has not found compliant adhesives that will meet their manufacturing requirements. As an alternative to meeting the Rule 460 VOC limits, PPI considered using an air pollution control device. However, the initially proposed air pollution control device will not meet the required collection efficiency of 90% because the adhesive application process is not performed inside an enclosure. PPI considered building an enclosure, but PPI determined that it was not feasible at this time because the enclosure must be designed to allow the crane to move large parts in and out of the enclosure. As a result, PPI requested to extend the loan for 2 additional years to research and develop an enclosure for the process and/or continue to look for compliant adhesive alternatives. No clean technology is available specifically for this adhesive application process.
- Health of the Bank: PPI requested to extend the loan for 2 additional years and increase the lease amount from 982.8 pounds of VOC per year to 1,364 pounds of VOC per year, an increase of 381.2 pounds of VOC per year from the Community Bank. The VOC balance in the Community Bank is 559,352 pounds per year. The ERC loan request will not impact the health of the bank.

To qualify for approval at today's meeting, Rule 205, Section 310 requires the permit action be completed by December 7, 2016. A final permit was prepared on December 7, 2016, pending approval of this credit loan request. Rule 205, Section 310.4 authorizes loans to be retroactive to the beginning of the calendar quarter or January 1, 2017 for this loan request.

Staff recommends the approval of the following loan request without any additional conditions:

Volatile Organic Compounds (VOC) Emission Reduction Credits Needed					
	Pounds per Calendar Quarter				Pounds per Year
Permit Number	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
P/O 24697	341	341	341	341	1,364

Financial Considerations:
Staff's time is required to renew and update each loan from the Community and Priority Reserve Bank. This cost is recovered from two sources: (1) the annual loan renewal fee paid by the facilities that have a loan from the District Banks as required by Section 313 of Rule 205, and (2) the hourly rate required for withdrawing credits from the District credit bank as required by Section 315 of Rule 301. Therefore, the loan request is not expected to result in any additional costs to the District.

Public Outreach/Comments:
Pursuant to Rule 107, Section 403, this permit action was subject to public review beginning October 31, 2016 and ending December 1, 2016. One comment was received from the applicant, which resulted in a name change to one adhesive on the permit.

Environmental Review:
The California Environmental Quality Act (CEQA) requires state and local agencies to identify the significant adverse environmental impacts of their actions and to avoid or mitigate those impacts to the extent feasible. The first step in the review of projects subject to CEQA is to determine if the project is exempt from CEQA. The State CEQA Guidelines (SCG) provide that "Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." (SCG §15061(b)(3))
This project consists of the renewal of ERCs and will not result in a physical change to the facility or an emissions increase. As shown in the table below, the project's emission is well below the District's daily VOC Threshold of Significance. Therefore, the project is exempt from CEQA because there is no possibility that the

project will have a significant adverse effect on the environment.

Pollutant	Threshold	Project Total	Less than Standard?
VOC	65 lb/day	0 lb/day	Yes

In addition, SCG §15301, Existing Facilities, exempts from CEQA the "operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination." This permit action is to extend the ERC loan with no physical modification of the facility.

Upon approval of the project, the District will issue the ERC loan and file a Notice of Exemption with the Sacramento County Clerk.

RESOLUTION NO. 2017 –

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

EMISSION REDUCTION CREDITS FROM THE COMMUNITY BANK FOR PRECISION PULLEY & IDLER, INC. – LOAN NUMBER C17-1001

BACKGROUND:

A. The Board of Directors of the Sacramento Metropolitan Air Quality Management District (Board) adopted Rule 205, COMMUNITY BANK AND PRIORITY RESERVE BANK.

B. Pursuant to Rule 205, Section 101, the Community Bank is a depository of certified emission reduction credits, which may be loaned for compliance with Rule 460, ADHESIVES AND SEALANTS requirements.

C. Precision Pulley & Idler, Inc. (PPI) is a conveyor and conveying equipment manufacturer that uses adhesives and coatings for its manufacturing process. The adhesives do not meet the VOC content limits in Rule 460.

D. PPI is using the alternative compliance option, authorized by Rule 107, Alternative Compliance, which uses emission reduction credits under Loan number C11-1007 from the Community Bank to offset the excess emissions from the non-compliant materials.

E. Loan number C11-1007 expired on July 1, 2016, and PPI has submitted a request before the loan expiration date to continue to use emission reduction credits for 2 additional years from the Community Bank. The original loan term was for 5 years.

F. This project consists of the renewal of ERCs and will not result in a physical change to the facility or an emissions increase. It can be seen with certainty that there is no possibility the action may have a significant adverse effect on the environment.

G. Rule 205, Section 402 requires that PPI surrender any VOC credits that they own prior to being allowed access to the Community Bank. There are no VOC emission reduction credits in the possession of PPI at this time.

H. Rule 205, Section 310 requires that loan application to the Community Bank for amounts greater than 900 pounds per quarter or longer than five years must be approved by the Board prior to disbursement.

I. Pursuant to Rule 205, Section 310, the Board considered the impact of this loan on the health of the bank and the extent to which cleaner innovative technologies have been used to minimize the credits needed, and imposes no additional conditions on the loan.

J. Rule 205, Section 310.4 authorizes the loan be active at the beginning of the calendar quarter, January 1, 2017 because there was no Board meeting in December 2016 and therefore, this approval is on the January 26, 2017 Board agenda.

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

Section 1. The loan is exempt from the California Environmental Quality Act (CEQA) under Sections 15061(b)(3) and 15301 of the State CEQA Guidelines.

Section 2. Authorizes and directs the loan for the following VOC emission reduction credits from the Community Bank to Precision Pulley & Idler, Inc. for two years:

Permit Number	**Loan Number**	**Pollutant**	**VOC ERCs from the Community Bank (lbs/qtr)**			
			1st qtr	2nd qtr	3rd qtr	4th qtr
P/O 24697	C17-1001	VOC	341	341	341	341

Section 3. Loan number C17-1001 is effective as of January 1, 2017.

ON A MOTION by Director __________________, seconded by Director ___________, the foregoing Resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District, State of California, this 26th day of January, 2017, by the following vote, to wit:

Ayes:

Noes:

Abstain:

Absent:

Attest

Sacramento Metropolitan Air Quality Management District
State of California

Meeting Date: 1/26/2017
Report Type: CONSENT CALENDAR
Report ID: 2017-0126-5.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

5.

Title: Eastern Research Group Contract Extension

Recommendation:
Adopt a resolution authorizing the Executive Director/Air Pollution Control Officer to 1) execute a two-year contract extension between the Sacramento Metropolitan Air Quality Management District (District) and Eastern Research Group (ERG) with a total funding amount not to exceed $400,000 for the four-year contract term, and 2) execute a second, optional two-year contract extension in January 2019 without a further increase in the total funding amount.

Rationale for Recommendation:
Since 2006, the District has contracted for outside support for the rule development program. This support has allowed the Program Coordination Division's rule development group to meet federal and state rulemaking mandates while maintaining a rule development group that includes 3.5 full-time equivalents (FTEs). By using the services of a contractor as needed, instead of hiring additional District employees, the rule development program has been able to adjust more readily to changing workloads. The contractor also provides certain expertise that Staff doesn't have, particularly in the area of socioeconomic impact analysis. Continued contractor technical support for the rule development group is necessary. The current two-year contract with ERG, for $200,000, will expire on January 31, 2017.

Contact: Aleta Kennard, Program Supervisor, 916-874-4833

Presentation: No

ATTACHMENTS:

Resolution - ERG Contract Extension

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/16/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/12/2017

Discussion / Justification:
On January 22, 2015, the Board authorized the Executive Director/Air Pollution Control Officer to execute a two-year contract with ERG in the amount of $200,000 to provide technical support for rule development on an as needed basis. ERG was selected through a competitive bid process. The contract, which will expire on January 31, 2017, has been critical in meeting the District's commitments. The District continues to face several federal and state mandates that arise from its designation as a nonattainment area for both the federal and state ozone standards. Over the next few years, the District will need to consider adopting new rules or amending existing rules to achieve the emission reductions necessary to attain these health standards. In addition, the District will be required to develop new air quality plans to achieve the more stringent 2008 and 2015 federal ozone standards, which will require the evaluation of new ozone control measures. Under the contract terms, the District's designated contract manager issues detailed work authorizations that include the scope, schedule, deliverables, and budgets for each task assigned to the contractor. The contract's scope of work includes the following types of tasks:

- Analyzing the socioeconomic impact of proposed rules.
- Estimating the costs of compliance with proposed rules.
- Compiling and analyzing information on available air pollution control technology.
- Gathering and analyzing emission inventory information for relevant source categories.
- Developing control strategies.
- Analyzing the emission impacts of proposed rules.
- Proposing regulatory language.
- Preparing CEQA documentation, including Negative Declarations and Environmental Impact Reports.
- Preparing written documents to support rule adoption.
- Participating in public meetings and assisting in responding to public comments.

If authorized by the Board, the Executive Director/Air Pollution Control Officer will execute an amendment to the contract that extends the expiration date to January 31, 2019, increases the total funding amount to $400,000, and adds contractor labor rates for the extension years. All other contract terms will remain the same. If contractor support is still needed beyond January 31, 2019, the Executive Director/Air Pollution Control Officer may extend the contract by another two years, to expire on January 31, 2021, without an increase in the total funding amount.

Financial Considerations:
The maximum amount that may be expended over the lifetime of this contract will be $400,000. The FY16/17 budget included $100,000 for rule development support. Up to $100,000 dollars per year will be requested in the District budgets for future contract years. Actual contract funding will depend on the final budgets approved by the Board.

RESOLUTION NO. 2017 –

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

EASTERN RESEARCH GROUP CONTRACT EXTENSION

BACKGROUND:

A. The Sacramento Metropolitan Air Quality Management District (District) is authorized to adopt, amend or repeal rules and regulations by Sections 40001, 40702 and 41010 of the California Health and Safety Code.

B. The District's rule development program continues to need qualified contractor support for additional expertise and to meet state and federal mandates.

C. On January 22, 2015, the Board approved Resolution No. 2015-003, authorizing the Executive Director/Air Pollution Control Officer to execute a contract for $200,000 with Eastern Research Group (ERG) based on the results of a competitive bidding process.

D. There is a need to increase both the length of the contract and the funding limit to allow ERG to continue assisting in upcoming rule development tasks.

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

Section 1. The Executive Director/Air Pollution Control Officer, in consultation with District Counsel, is authorized to execute a two-year contract extension with ERG with a total funding amount not to exceed $400,000 for the four-year term.

Section 2. The Executive Director/Air Pollution Control Officer, in consultation with District Counsel, is authorized to execute a second, optional two-year contract extension with ERG for a total funding amount not to exceed $400,000 for the six-year term.

Section 3. The Executive Director/Air Pollution Control Officer is authorized, in consultation with District Counsel, to approve any subsequent minor changes to the contract that may be required during the performance of the contract.

ON A MOTION by Director __________________, seconded by Director ___________, the foregoing Resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District, State of California, this 26th day of January, 2017, by the following vote, to wit:

Ayes:

Noes:

Abstain:

Absent:

Attest

Sacramento Metropolitan Air Quality Management District
State of California

Meeting Date: 1/26/2017
Report Type: CONSENT CALENDAR
Report ID: 2017-0126-6.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

6.

Title: Fiscal Year Comprehensive Annual Financial Report and Single Audit Report

Recommendation:
Adopt a resolution accepting Sacramento Metropolitan Air Quality Management District's Comprehensive Annual Financial Report and Single Audit Report for the Fiscal Year Ended June 30, 2016.

Rationale for Recommendation:
The FY2015-16 Comprehensive Annual Financial Report (CAFR), prepared by Sacramento Metropolitan Air Quality Management District (District) staff and audited by James Marta & Company LLP, CPAs (Auditor), presents the financial position and results of operations of the District. The annual audit of District financial statements is necessary to: fulfill requirements of State and Federal funding sources; satisfy State statute, best business practices, and due diligence; and ensure the amounts and disclosures contained in the District's financial statements are presented fairly, in conformity with Generally Accepted Accounting Principles, and are free of material misstatement. James Marta & Company, LLP Certified Public Accountants have issued unmodified opinions or negative assurance, as applicable, on the financial statements and the Single Audit for the year ended June 30, 2016. As the governing body, it is the Board's responsibility to monitor the financial position of the District. Acceptance of the audited financial statements, which reflect the financial health of the District, is consistent with this responsibility.

Contact: Emily M. Goldhahn, CPA, CGMA, District Controller, 916- 874-4823

Presentation: No

ATTACHMENTS:

Resolution - Financial Report for the Fiscal Year Ended 2016
Exhibit A. Comprehensive Annual Financial Report for the Fiscal Year Ended 2016
Exhibit B. Report on Compliance
Exhibit C. Report on Internal Control
Exhibit D. Communication with Those Charged with Governance

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/19/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/19/2017

Discussion / Justification:
James Marta & Company, LLP Certified Public Accountants (Auditor) appropriately prepared and submitted three audit reports and a letter as follows: 1) an opinion on whether the District's financial statements are presented fairly in conformity with Generally Accepted Accounting Principles; 2) an opinion on compliance of each major federal program and schedule of expenditures of federal awards with laws, regulations, and the terms and conditions of the federal assistance awards; 3) an opinion on internal controls over financial reporting and on compliance and other matters based on an audit of the financial statements; and 4) the letter titled Communication with Those Charged with Governance.

The Auditor expressed an unmodified opinion on the District's financial statements for the year ended June 30, 2016. This is sometimes referred to as a "clean" audit opinion.

The Auditor's reports included in the Single Audit Report express the Auditor's opinions on the District's compliance with Federal requirements and regulations, the internal controls over this compliance and the fairness of the District's Schedule of Federal Financial Assistance, in accordance with Office of Management and Budget (OMB) Circular A-133 and the Uniform Guidance. These reports also contain unmodified or clean opinions as a result of the audit. The remaining report in the Single Audit Report expresses negative assurance on the District's internal controls over compliance and financial reporting in accordance with *Government Auditing Standards.* Negative assurance is a method used by auditors to assure various parties that financial data under review by them is correct.

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

There are no audit findings, significant deficiencies, material weaknesses, questioned costs or formal recommendations identified by the Auditor for the fiscal year ended June 30, 2016. During the audit of the prior fiscal year, ended June 30, 2015, the auditors identified one material weakness in internal controls over the District’s pension submission procedures. This weakness has since been rectified. The new procedure utilized by the District includes the appropriate review of wage information prior to submission of the data to CalPERS.

RESOLUTION NO. 2017 – _______

Adopted by the Sacramento Metropolitan Air Quality Management District

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED 2016

BACKGROUND:

A. The District prepared its financial statements and the notes to the financial statements for the fiscal year ended June 30, 2016.

B. James Marta & Company LLP, an independent auditing firm, competitively selected by the District, has conducted an audit of the financial statements of the Sacramento Metropolitan Air Quality Management District in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

C. James Marta & Company LLP (Auditor) prepared and submitted three individual audit reports and a letter as follows: 1) an opinion on whether the District's financial statements are presented in conformity with Generally Accepted Accounting Principles; 2) an opinion on compliance of each major federal program and schedule of expenditures of federal awards with laws, regulations, and the terms and conditions of the federal assistance awards; 3) an opinion on internal controls over financial reporting and on compliance and other matters based on an audit of financial statements; and 4) the letter titled Communication with Those Charged with Governance.

D. The Auditor has expressed the opinion in the Independent Auditors' Report that the financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2016, and the results of its operations for the year then ended in conformity with Generally Accepted Accounting Principles, and the District is substantially in compliance with laws, regulations, contracts, and grants applicable to its federal programs for the fiscal year ended June 30, 2016.

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

Section 1. The Board of Directors accepts the Comprehensive Annual Financial Report and Single Audit Reports for the Fiscal Year Ended 2016 and related documents, attached as Exhibits A, B, C and D.

Section 2. Exhibits A, B, C and D are part of this Resolution.

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Exhibit A – Comprehensive Annual Report for the Year Ended 2016

Exhibit B – Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance, and Schedule of Audit Findings and Questioned Costs

Exhibit C – 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*

Exhibit D – Communication with Those Charged with Governance

ON A MOTION by Director ________________, seconded by Director _________________, the foregoing resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District on January 26, 2017 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Attest

Sacramento Metropolitan Air Quality Management District
State of California

SACRAMENTO METROPOLITAN

AIR QUALITY

MANAGEMENT DISTRICT

Comprehensive Annual Financial Report

For the Fiscal Year Ended 2016

SACRAMENTO METROPOLITAN
AIR QUALITY MANAGEMENT DISTRICT

Comprehensive Annual Financial Report

For the Fiscal Year Ended 2016

Prepared by the Administrative Services Division

Jamille Moens, Administration Division Manager

SACRAMENTO, CALIFORNIA

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SACRAMENTO METROPOLITAN
AIR QUALITY
MANAGEMENT DISTRICT

Larry Greene
AIR POLLUTION CONTROL OFFICER

LETTER OF TRANSMITTAL

January 12, 2017

Chairman, Governing Board and Citizens
of the Sacramento Metropolitan Air Quality Management District

State law requires local governments to publish 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, 2016.

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

The District's financial statements have been audited by James Marta & Company LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2016 are free of material misstatement. The independent auditors concluded, based upon the audit, there was a reasonable basis for rendering an unmodified (clean) opinion that the District financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is located at the front of the financial section of this report.

The District's independent financial statement audit was part of a broader, federally mandated "Single Audit" designed to meet the Federal grantor agencies special needs. The standards governing Single Audit engagements require the independent auditor to report not only on the financial statements fair presentation, but also on the audited government's internal controls and compliance with legal requirements, plus special emphasis on internal controls and legal requirements involving the Federal awards administration. The information required by the Single Audit that is outside the scope of the financial statements is available in a separately issued report on the District's website.

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

Profile of the Sacramento Metropolitan Air Quality Management District

The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December of 1959. In July of 1996, the Sacramento Metropolitan Air Quality Management District was created under Health and Safety Code Sections 40960 et. seq. to monitor, promote and improve air quality in the County of Sacramento.

It is one of 35 local or regional air quality districts in California. It has been designated by the Environmental Protection Agency (EPA) as part of the Sacramento Federal Ozone Nonattainment Area (SFNA), which is comprised of all of Sacramento and Yolo Counties, the eastern portion of Solano County, the southern portion of Sutter County and the western slopes of El Dorado and Placer Counties up to the Sierra crest and includes four other local air districts. Roughly 63% of the SFNA's population falls within the District's boundaries.

Population in Sacramento Federal Ozone Nonattainment Area

COUNTY	POPULATION[1]			
	SFNA portion of the County	County	SFNA / County	County / Total SFNA
El Dorado	150,515	181,058	83%	7%
Placer	338,613	348,432	97%	15%
Sacramento	1,418,788	1,418,788	100%	63%
Solano	129,377	413,344	31%	6%
Sutter	3,433	94,737	3.6%	<1%
Yolo	200,849	200,849	100%	9%
Total	**2,241,575**	**---**	**---**	**100%**

[1] Based on 2010 Census

The District Governing Board is composed of 14 members, including all five Sacramento County Supervisors, four members of the Sacramento City Council, one member each from the Cities of Citrus Heights, Elk Grove, Folsom and Rancho Cordova, and one member representing the cities of Galt and Isleton. The Board appoints the agency's Executive Officer and District Counsel.

In spite of a significant increase in population over the last two decades, the Sacramento region's air quality has continued to improve. Although the District is still home to some of the worst air quality in the nation, progress has been made even as standards have tightened. Air quality in the SFNA is currently designated non-attainment for ozone and $PM_{2.5}$ as well as the more stringent California standards for ozone and particulate matter (PM_{10} and $PM_{2.5}$).

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. The Sacramento region has relatively few "smokestack" industries compared to the Bay Area and Southern California. Even if the District were to eliminate these stationary sources it's unlikely that the District could meet air quality standards, particularly the tougher state standards because mobile sources are a significant contributor to air pollution.

Mobile sources include motor vehicles, airplanes, locomotives, and other engines and portable equipment. It also includes “off-road” sources, such as construction, mining, and agricultural equipment. Currently, these mobile sources contribute about 40% of our Volatile Organic Compounds (VOC) and 84% of our Oxides of Nitrogen (NOx) emissions, while stationary (industrial) sources contribute about 22% of our VOC emissions and 10% of our NOx emissions. State and federal regulations will help to reduce the impact of motor vehicle fuel and engine emissions on our air quality in the future, but as growth in our region brings more vehicles in, mobile sources will continue to be a major factor in our air quality problem.

The District is responsible for monitoring air pollution within the Sacramento region and for developing and administering programs to reduce air pollution levels below the health-based standards established by the state and federal governments.

The annual budget serves as the foundation for the District’s financial planning and control. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. Budgets are adopted on a budgetary basis that includes encumbrances and expenditures. All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered. Amendments to increase the budget must be approved by the Governing Board.

The District maintains budgetary controls through both signature authority and automated budget verification. The objective of these controls is to ensure compliance with the annual appropriated budget approved by the Governing Board. The District maintains an accounting system of purchase requests and contracts at the fund level as a means to accomplishing budgetary control.

Open requests and contracts are reported as a reservation of fund balance at the end of the fiscal year. Purchase requests and contracts are reviewed to ensure that funds are available and that requests are properly authorized prior to being released or executed.

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

Factors Affecting Financial Condition

The District’s General Fund receives revenue from a variety of sources. Approximately 42% of its funding is derived from fees paid by stationary sources that emit air pollution; 28% from auto registration fees collected by the Department of Motor Vehicles (DMV) and distributed to air districts throughout the state in support of motor vehicle emission reduction programs; 21% from federal, local government and state subventions; and 9% from sales tax and other earnings. The General Fund does not receive property tax support.

To meet its program commitments, despite increased workload complexity, the District has successfully streamlined many of its operations, reducing the cost of its programs. While the District does not fully recover its activity costs from fees, support in the form of state subvention, federal grants, and other revenues mentioned above offset much of the shortfall.

In fiscal year 2015-16, the employer contribution rates to the Districts pension system increased slightly due primarily to a smoothing of losses and gains introduced by CalPERS. In December 2016 CalPERS reduced its investment return forecast. This may result in graduated pension costs increases to the District in future years.

Major Initiatives

Attainment goals - During fiscal year 2015-16 the District continued to work toward meeting non-attainment goals for ozone. Since mid-2012, the EPA has recognized that Sacramento has met three federal air quality standards, the federal 1 hour ozone standard (October 2012), $PM_{2.5}$ (July 2013), and PM_{10} (September 2013). In December 2013, historically dry weather conditions caused Sacramento to be just above the 2006 federal $PM_{2.5}$ standard. The District returned to attainment in 2014, and is in the process of re-attainment. Sacramento must continue to make progress and look for additional opportunities to meet the 2008 ozone health standard. Reducing ozone pollution will remain an important and core program of the District and region for many years.

Federal and State Programs - The District was actively engaged in the California Air Pollution Control Officers Association (CAPCOA), which is a critical state association for air pollution industry matters. In addition, the District was involved with the National Association of Clean Air Agencies (NACAA), which serves as a key agency for District work with EPA and other agencies at the national level, and for representing local air district issues in Washington DC. Participation in these and other agencies allowed the District to closely track, monitor and weigh-in on important programs and legislative matters affecting the District and its mission.

Capital Improvements – During fiscal year 2015-16 the District completed construction of a new, federally-required near-road monitoring site and began work on a refresh of the office building. The capital improvements initiative will be ongoing, including rehabilitation of two existing air monitoring trailers over the next two fiscal years.

Partnerships - The District has numerous regional, state and federal partnerships that assist the District in achieving its mission. The District continued leveraging these partnerships as a key method in meeting regional air quality goals as many of the reduction strategies are in areas outside of traditional stationary source regulation. This initiative is exemplified in the District's active and ongoing response with local partners (cities, counties) including the Sacramento Area Council of Governments (SACOG) to changes in climatic conditions as an issue, within the context of regulatory and legislative responsibilities.

Looking forward to fiscal year 2016-17, the District is underway on the next steps of each of the key initiatives identified above.

Long-term Financial Planning

Management annually reviews a five-year financial projection that evaluates the potential internal, external and programmatic changes that can be implemented over the next fiscal year and beyond. This five year plan is reviewed and updated annually.

Notable projections related to revenues are as follows: as of November 2016 (most current monthly data available) the unemployment rate in Sacramento County is 4.90%, down from nearly 13% during 2010-2012; as business activity and employment increases, revenues from permits and fees are expected to increase slightly; the Sacramento Transportation Authority anticipates sales tax revenues from Measure A to increase 5% annually in upcoming years; and DMV (AB923) and Moyer funding would have sunset in 2015, but with the passage of Assembly Bill 8 these funding sources are reauthorized until 2024.

As part of the fiscal year 2013-14 budget process, the District Board approved a multi-year fee increase. Increases were applied to applicable fees in the fiscal years 2014-15, 2015-16 and 2016-17 approved budgets. District staff will again closely evaluate the need to increase fees during the fiscal year 2017-18 budget process, the final period approved by the Board. In future years, permit fees may be adjusted for the consumer price index (CPI) to help keep pace with rising costs.

Federal funding is increasing for Ambient Air Monitoring and is otherwise expected to remain consistent through fiscal year 2016-17; transportation reauthorization is a high priority. This is important to ensure that the Congestion Mitigation and Air Quality (CMAQ) program remains and continues to be authorized for the Sacramento Emergency Clean Air & Transportation (SECAT) the District's truck and engine clean replacement incentive and the Spare the Air programs.

Expenditures for the General Fund are expected to gradually increase to address major improvements, most notably, non-recurring capital expenditures to improve the District's technology resources and for rehabilitation and replacement of several aging air monitoring stations. The District's revenues are projected to be sufficient to meet these expenditures.

The Covell Building Fund is expected to be fairly stable over the next five years. As the primary asset in the Fund, the District's headquarters building is relatively new, therefore annual maintenance is anticipated to be consistently low during this period. Moving forward, major rehabilitation and replacement projects will be identified along with expected funding sources. The main funding source for capital expenditures in the Covell Fund is rental income.

There are no capital expenditures associated with the Emission Technology Fund, rather it serves as a pass-through for various emission technology incentive grants. While the next couple of years are expected to be stable with respect to grant funding, there is growing uncertainty into the future as some of the grants are scheduled to sunset, and may not be extended. The District continues to research other funding options.

Currently, the District has a multi-year capital replacements and improvements planning process in which it budgets annually for identified projects. The District is developing a long-term Asset Management Program and exploring financial software applications capable of budgeting multiyear projects to allow for improved financial planning for its larger assets.

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 District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. 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 CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. The District believes the current report continues to meet the Certificate of Achievement program requirements, and is submitting it to GFOA to determine its eligibility for continued certification.

The preparation of the CAFR was made possible by the dedicated services of the accounting and management staff of the District's Administrative Services Division. 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 the District who continue to encourage technology and improve operations to accomplish the District's mission of protecting public health from air pollution with sensitivity to the impacts of its actions on the community and its businesses.

Respectfully submitted,

Larry Greene
Executive Director

Jamille Moens
Manager, Administrative Services Division

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento Metropolitan

Air Quality Management District

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

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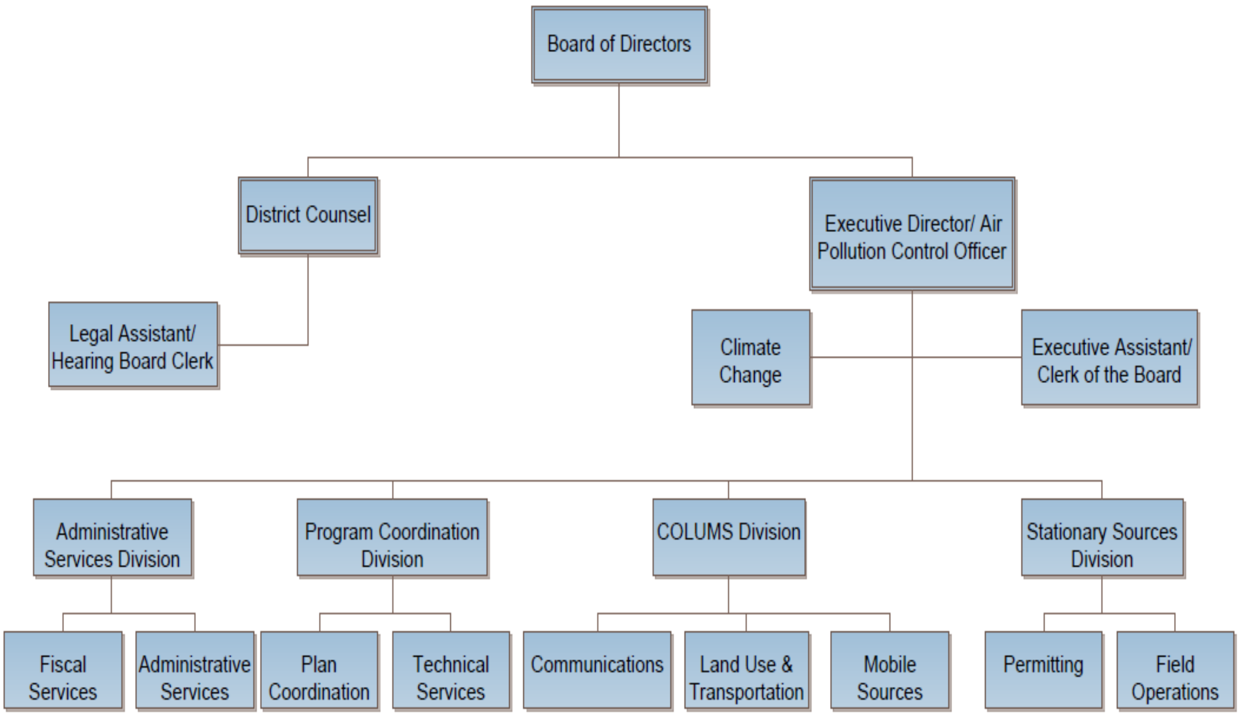

FINANCIAL SECTION

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sacramento Metropolitan Air Quality Management District
Sacramento, California 95814

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 opinion.

701 Howe Avenue Suite E3, Sacramento, California 95825 Phone: (916) 993-9494 Fax: (916) 993-9489
e-mail: jmarta@jpmcpa.com www.jpmcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sacramento Metropolitan Air Quality Management District as of June 30, 2016, and the respective changes in its 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (pages 4-10), the Budget to Actual Comparisons (pages 40-41), the Schedule of Funding Progress for OPEB (page 42), the Schedule of Proportionate Share of the Net Pension Liability (page 43) and the Schedule of Pension Contributions (page 44) 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 (GASB) 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 principally 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 an opinion on the basic financials statements of the District. The accompanying "Schedule of Expenditures of Federal Awards" is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements of Sacramento Metropolitan Air Quality Management District.

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

The Schedule of Expenditures of Federal Awards has not been subjected to the audit procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2017 on our consideration of Sacramento Metropolitan Air Quality Management District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's Comprehensive Annual Financial Report provides a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2016. Please read this document in conjunction with the transmittal letter located in the introductory section, and the District's financial statements which follow this discussion.

Financial Highlights

The following are the highlights for the fiscal year ended June 30, 2016:

- The District's total net position was $22,549,375 as of June 30, 2016.
- The District's total net position increased $5,969,203 due to cumulative effect of increase in Moyer salvage auction funding, and a change in the recognition principle in special revenue funds.
- As of June 30, 2016 the District's governmental funds reported an ending fund balance of $26,272,133, an increase of $4,563,919 from the prior year. Approximately 6.85% of this amount or $1,798,521 is available for spending at the government's discretion (unassigned fund balance). Of this amount, 100% is available in the general fund.
- The District's total outstanding long-term debt decreased by $226,146, and the District did not incur any additional debt during fiscal year 2015-16.

Overview of Financial Statements

The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also includes supplementary information to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

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

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

The *Statement of Activities* includes all current year revenues and expenses regardless of the timing of related cash flows. Thus, revenue 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.

Both of the District's Statement of Net Position and Statement of Activities distinguish the District's functions that are principally supported by taxes, grants and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The

District's governmental activities include air pollution rule development, permitting and enforcement, public outreach, incentive programs, and various other air quality management activities. The District's business-type activities include management and leasing of a building the District owns and occupies.

The government-wide financial statements can be found on pages 11-12.

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. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into two categories: governmental funds and proprietary funds.

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

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

The District 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.

The basic governmental fund financial statements can be found on pages 13-16.

Proprietary funds. The District uses the Covell Building Fund, to account for the operation and maintenance of the District's building. Proprietary fund financial statements provide information for the building operations and maintenance presented in the same format as the government-wide financial statements. The District's Proprietary Fund Financial Statements for the District's building and rental activities can be found on pages 17-19.

Notes to the Basic Financial Statements

The notes provide additional information to the reader for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20-39.

Other Information

In addition to the basic financial statements and accompanying notes, the District also presents certain required supplementary information concerning the District's final budget to actual comparison. Required supplementary information can be found starting on page 40. Furthermore, the District presents a Schedule of Expenditures of Federal Awards on page 46 as other supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the District's case, assets exceeded liabilities by $22,549,375 at the close of fiscal year 2015-16. The schedule below presents a condensed Statement of Net Position as of June 30, 2016 compared with the prior fiscal year.

Condensed Statement Of Net Position
(in thousands)

	Governmental Activities		Business – Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Assets and Deferred Outflows of Resources						
Current and other assets	$ 30,681	$ 28,245	$ 1,782	$ 1,513	$ 32,463	$ 29,758
Capital assets	793	1,112	4,268	4,786	5,061	5,897
Deferred outflows of resources	1,190	1,494	-	-	1,190	1,494
Total Assets and Deferred Outlfows of Resources	32,664	30,850	6,050	6,299	38,714	37,149
Liabilities and Deferred Inflows of Resources						
Current liabilities	9,795	2,801	294	594	10,089	3,395
Non-current liabilities	6,592	6,655	3,774	3,433	10,366	10,088
Deferred inflows of resources	1,679	1,065	-	51	1,679	1,116
Total Liabilities and Deferred Inlfows of Resources	18,066	10,521	4,068	4,078	22,134	14,600
Net Position						
Net investment in capital assets	793	1,112	233	613	1,026	1,725
Restricted	14,706	19,374	416	416	15,122	19,791
Unrestricted	(901)	(157)	1,333	1,191	432	1,034
Total Net Position	**$ 14,598**	**$ 20,329**	**$ 1,982**	**$ 2,220**	**$ 16,580**	**$ 22,549**

87.54% of the District's net position consists of resources subject to external restrictions on how they may be used. 7.65% of the District's net position reflects its net investment in capital assets (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding.

Governmental net position increased by $5,731,275 during the current fiscal year for an ending balance of $20,328,893.

The following schedule shows revenues by major source, expenses by function and Changes in Net Position for the fiscal years ended June 30, 2015 and June 30, 2016.

Condensed Statement of Activities
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues						
Program Revenues:						
Charges for servies	$ 6,953	$ 7,177	$ 888	$ 944	$ 7,841	$ 8,121
Operating grants and contributions	15,997	17,158	-	-	15,997	17,158
General Revenues:						
Grants/subventions	6,808	7,088	-	-	6,808	7,088
Interest	25	5	8	9	33	14
Gain on sale	16	-	-	-	16	-
Penalties/settlements	570	623	-	-	570	623
Total Revenues	30,369	32,051	896	953	31,265	33,004
Expenses						
Stationary source activities	5,918	6,162	-	-	5,918	6,162
Mobile source activities	14,884	11,207	-	-	14,884	11,207
Program coordination activities	3,884	4,360	-	-	3,884	4,360
Strategic planning activities	3,878	4,381	-	-	3,878	4,381
Building operations and obligations	-	-	698	715	698	715
Depreciation	211	210	-		211	210
Total Expenses	28,775	26,320	698	715	29,473	27,035
Increase (Decrease) in Net Position	1,594	5,731	198	238	1,792	5,969
Beginning Net Position, as previously reported	20,291	14,598	1,784	1,982	22,075	16,580
Prior period adjustment	(7,287)	-	-	-	(7,287)	-
Beginning Net Position, as adjusted	13,004	14,598	1,784	1,982	14,788	16,580
Ending Net Position	**$ 14,598**	**$ 20,329**	**$ 1,982**	**$ 2,220**	**$ 16,580**	**$ 22,549**

Governmental Activities

Governmental activities increased the District's net position by $5,731,275. Mainly in the Emission incentive grants, revenue decreased approximately $4.3 million and decrease of $3.7 million in expenditures due to closure of EPA Ag pumps, Locomotives, and DERA Refuse Truck grants, final stage of the Goods Movement Emission Reduction Program (GMERP) phase 4 grant completion, plus a slight increase in permits, grants, and subvention revenues.

Business-type Activities

Business-type activities increased the District's net position by $237,929. Key elements of this increase are as follows:

- Operating revenues from the building were $943,892. There was a $55,300 increase from the prior year revenue due to increase in tenant rent. Operating Expenses for the building totaled $715,126 for the year, an increase of $17,322 over the prior year due predominantly to an increase in parking lot operation, repair and maintenance costs.
- A principal payment of $275,000 was paid in fiscal year 2015-16 for the Certificate of Participation (COP). The principal payment for next year will be $285,000.

Financial Analysis of the Governmental Funds

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

Governmental Funds

The District has two governmental funds, the General and Emission Technology Fund. Governmental funds provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use. They represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District.

The General fund is District's chief operating fund. At the end of the fiscal year 2015-16, unassigned fund balance of the general fund was $ 1,850,560, an increase of $454,682 over the prior year. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 9.71% of total general fund expenditures, while total fund balance represents approximately 58.14% of that same amount.

The Emission Technology Fund accounts for the resources accumulated and payments made for mobile source incentive awards. There are no operating expenditures in this fund and 100% of the fund balance is restricted for mobile source incentive awards.

Proprietary Fund

The Covell Building Fund is used to account for activity related to the District's headquarters building. The District's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The proprietary fund's unrestricted net position as of June 30, 2016 was $1,190,967. The total increase in net position was $237,929.

General Fund Budgetary Highlights

Original budget compared to final budget. During the fiscal year, an amendment was made to the original budgets for General fund (570A) and Emission Technology Fund (570C):

General Fund (570A)

Account	Original Budget	Amended Budget	Difference
Professional Services	$ 5,398,044	$ 4,941,724	$ (456,320)
Capital Expenditures	768,332	798,332	30,000

The amendment in General fund (570A) decreased professional services by $456,320; of this, the Community Air Toxics program professional services reduction in the amount of $276,320 was reallocated to the FY2017 budget, and in the System Integration project $180,000 was reclassified from professional services to capital expenditures. In addition, capital expenditures for the North Highlands Air Monitoring station project in the amount of $150,000 was reallocated to the FY2017 budget, with a net impact of $30,000.

Special Revenue Fund Budgetary Highlights

Emission Technology Fund (570C)

Account	Original Budget	Amended Budget	Difference
Professional Services	$ 22,994,947	$ 13,212,102	$ (9,782,845)

Original budget compared to final budget. The amendment in Emission Technology (570C) decreased professional services by $9,782,485; Goods Movement Emission Reduction Program (GMERP) grant funding in the amount of $10.5 million was delayed until FY2017 and new grant funding was received for EPA DERA On-Road in the amount of $277,875 and Car Share in the amount of $439,580 for a total of $717,155.

During fiscal year 2015-16, the District made a change in presentation of revenue in the special revenue fund. In prior years, the contracts were recorded as deferred revenue until the expenses related to them were recognized. For fiscal year 2015-16 and future accounting periods, encumbered contracts are recorded as revenue once the contracts are signed. With this change, the state subvention revenues in fiscal year 2015-16 increased by $5,484,357.

Expenditures were $2,280,414 less than budgeted. The District contracts with various outside entities to perform work outside the expertise of District staff. The majority of the difference from actual to budget is a result of savings in these contracts and ongoing savings measures implemented by management that resulted in savings of $1,573,532. There were additional savings of $437,552 in salaries and benefits from unfilled budgeted positions and capital assets savings of $269,330.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2016 the District's net investment in capital assets for its governmental activities and business-type activities was $1,724,921 (net of accumulated depreciation). This investment in capital assets includes land, building, office equipment, laboratory equipment, and air monitoring stations. The total investment in capital assets for the current fiscal year was $529,002.

The investment in the capital assets includes upgrades to the District's air monitoring stations, IT systems, and building. The District did not issue any additional debt to purchase capital assets. Additional information on capital assets can be found in the Notes to the Financial Statements on page 30.

Long-term Debt

At the end of fiscal year 2015-16, the District had outstanding bonds secured by the District's office building. Total debt outstanding as of June 30, 2016 was $3,756,119. Additional information on the District's long-term debt can be found in the Notes to the Financial Statements on pages 30-31.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2016-17 General Fund budget showed an increase of $1,620,372 compared to the amended fiscal year 2015-16 budget. Salaries and benefits increased $501,931 with the increase of group insurance, retirement cost, and 2.1% cost of living increase. Services and supplies increased $169,773, Capital expenditures increased $ 948,668 due primarily to new enterprise resource planning software, a new application to manage the District's major lines of business, and several air monitoring station upgrades and replacements. In addition, the District headquarters building is undergoing a "refresh" with new flooring, painting and minor repairs. These upgrades and replacements have been on hold since the economic downturn as a result of the District's conservative fiscal practices and efforts to keep costs in check.

Budgeted Emission technology revenues increased $10,422,288 and expenditures increased $12,085,346 with an increase in the use of fund balance. The majority of these funds is provided through the State of California and is for incentive programs to reduce emissions from heavy-duty vehicles.

As of June 30, 2016, there are several foreseeable economic or political conditions that may have an effect on the financial position of the District. The potential repeal of the Affordable Care Act and a 0.5% decrease in the CalPERS discount rate may affect the District's financial position. The effects, if any, of this event and potential event are not calculable at this time. The sales tax monies received are 9.35% of the general fund budget.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Sacramento Metropolitan Air Quality Management District
777 12th Street, 3rd Floor, Sacramento CA 95814

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 21,302,231	$ 1,503,798	$ 22,806,029
Receivables	6,770,688	7,508	6,778,196
Prepaids	171,675	1,854	173,529
Total current assets:	28,244,594	1,513,160	29,757,754
Non-current assets:			
Deposits with others - certificate of participation reserve	-	416,382	416,382
Capital assets			
Land and other non-depreciable assets	-	1,086,652	1,086,652
Other capital assets - net of depreciation	1,111,788	3,282,600	4,394,388
Total non-current assets:	1,111,788	4,785,634	5,897,422
Total assets:	29,356,382	6,298,794	35,655,176
Deferred Outflow of Resources			
Deferred outflow on pensions	1,493,967	-	1,493,967
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	1,626,487	307,688	1,934,175
Accrued wages and benefits payable	189,190	-	189,190
Unearned revenue	156,784	1,395	158,179
Compensated absences - due within one year	828,253	-	828,253
Certificates of participation - due within one year	-	285,000	285,000
Total current liabilities:	2,800,714	594,083	3,394,797
Non-current liabilities			
Deposits from others	-	13,110	13,110
Compensated absences - due in more than one year	122,226	-	122,226
Certificates of participation - due in more than one year	-	3,420,000	3,420,000
Pension liability, net	6,533,140	-	6,533,140
Total noncurrent liabilities:	6,655,366	3,433,110	10,088,476
Total liabilities:	9,456,080	4,027,193	13,483,273
Deferred Inflow of Resources			
Deferred inflow on pensions	1,065,376	-	1,065,376
Deferred inflow on certificate of participation premium (Note7)	-	51,119	51,119
Total Deferred inflow of resources:	1,065,376	51,119	1,116,495
Net Position			
Net investment in capital assets	1,111,788	613,133	1,724,921
Restricted			
Emission technology incentives	15,185,241	-	15,185,241
Land use mitigation	747,174	-	747,174
Mobile source/air monitoring	3,441,978	-	3,441,978
Debt service		416,382	416,382
Unrestricted	(157,287)	1,190,967	1,033,680
Total net position:	$ 20,328,893	$ 2,220,482	$ 22,549,375

The accompanying notes are an integral part of these financial statements.

Statement of Activities

		Program Revenues		Net (Expense) Revenue and Changes in Net position		
	Exp	Rev	Rev	Change change		
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary government:						
Governmental activities:						
Stationary Source activities	$ 6,162,041	$ 6,692,235	$ -	$ 530,194	$ -	$ 530,194
Mobile Source activities	11,207,276	153,178	15,076,802	4,022,704	-	4,022,704
Program Coordination activities	4,359,691	89,163	1,438,170	(2,832,359)	-	(2,832,359)
Strategic Planning activities	4,380,829	242,084	643,422	(3,495,323)	-	(3,495,323)
Depreciation expense - unallocated	209,891	-	-	(209,891)	-	(209,891)
Total governmental activities	26,319,728	7,176,660	17,158,394	(1,984,674)	-	(1,984,674)
Business-type activities:						
Building operations and obligations	715,125	943,891	-	-	228,766	228,766
Total primary government	$ 27,034,853	$ 8,120,551	$ 17,158,394	(1,984,674)	228,766	(1,755,908)
General revenues:						
DMV fees				4,851,347	-	4,851,347
Sales Tax				1,604,995	-	1,604,995
Grants - not restricted to specific activities				631,300	-	631,300
Interest				5,438	9,163	14,601
Penalties/settlements				622,868	-	622,868
Total general revenue				7,715,948	9,163	7,725,111
Change in Net Position				5,731,274	237,929	5,969,203
Net Position - beginning balance				14,597,619	1,982,553	16,580,172
Net Position - ending balance				$ 20,328,893	$ 2,220,482	$ 22,549,375

The accompanying notes are an integral part of these financial statements.

Balance Sheet – Governmental Funds

ASSETS	**General**	**Emission Technology**	**Total Governmental**
Assets			
Cash and equivalents	$ 10,000,212	$ 11,302,019	$ 21,302,231
Accounts receivables	2,245,238	4,525,450	6,770,688
Prepaids	171,675	-	171,675
Total assets	$ 12,417,125	$ 15,827,469	$ 28,244,594
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	$ 984,259	$ 642,228	$ 1,626,487
Accrued wages and benefits payable	189,190	-	189,190
Unearned revenue	156,784	-	156,784
Total liabilities	1,330,233	642,228	1,972,461
Fund balance			
Nonspendable	171,675	-	171,675
Restricted for:			
Emission Technology incentives	-	15,185,241	15,185,241
Land Use Mitigation	747,174	-	747,174
Mobile Source/Air Monitoring	7,674,994	-	7,674,994
Air Toxics	5,460	-	5,460
Stationary Source Permitting	369,067	-	369,067
Assigned			
Contingency	320,000	-	320,000
Unassigned	1,798,521	-	1,798,521
Total Fund Balances	11,086,892	15,185,241	26,272,133
Total liabilities and fund balances	$ 12,417,125	$ 15,827,469	$ 28,244,594

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

Fund balances - total governmental fund		$ 26,272,133
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, includung capital assets and accumulated depreciation.		
Capital assets at historical cost:	$ 3,481,263	
Accumulated depreciation:	(2,369,475)	
		1,111,788
Long-term liabilities: In governmental funds, Only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Net pension liability	(6,533,140)	
Compensated absences payable	(950,479)	
		(7,483,619)
Deferred outflows and inflows of resources relating to pensions: In goverrnmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources relating to pensions	1,493,967	
Deferred inflows of resources relating to pensions	(1,065,376)	
		428,591
Net position of governmental activities:		$ 20,328,893

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

	General	Emission Technology	Total Governmental
Revenues:			
DMV surcharge	$ 5,004,434	$ 2,381,273	$ 7,385,707
Sales/use tax	1,604,995	-	1,604,995
Permits and fees	7,646,441	-	7,646,441
Local government aid	586,463	-	586,463
State subvention	738,241	11,637,255	12,375,496
Federal grants	2,414,819	68,269	2,483,088
Interest	5,438	(36,626)	(31,188)
Total revenues	18,000,831	14,050,171	32,051,002
Expenditures:			
Stationary source activities	6,501,338	-	6,501,338
Mobile source activities	2,952,874	8,414,882	11,367,756
Program coordination activities	4,571,752	-	4,571,752
Strategic planning activities	4,517,235	-	4,517,235
Capital outlay	529,002	-	529,002
Total expenditures	19,072,201	8,414,882	27,487,083
Other Financing Sources (Uses)			
Net change in fund balances	(1,071,370)	5,635,289	4,563,919
Fund balances, July 1, 2015	12,158,262	9,549,952	21,708,214
Fund balances, June 30, 2016	$ 11,086,892	$ 15,185,241	$ 26,272,133

The accompanying notes are an integral part of these financial statements.

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

Net change in fund balances - total governmental funds	$ 4,563,919
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as deprciation expense. This is the amount of capital outlay recorded in the current period.	529,002
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therfore, depreciation expense is not reported as expenditures in governmental funds.	(209,891)
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	874,067
Changes in long-term compensated absences are reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore they are not reported as expenditures in governmental funds.	(25,822)
Changes in net position of governmental activities:	$ 5,731,275

Statement of Net Position – Proprietary Fund

ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,503,798
Receivables	7,508
Prepaid	1,854
Total current assets:	1,513,160
Non-current assets:	
Deposits with others - certificate of participation reserve	416,382
Capital assets:	
Land and other non-depreciable assets	1,086,652
Other capital assets - net of depreciation	3,282,600
Total non-current assets:	4,785,634
Total assets:	6,298,794
LIABILITIES	
Current liabilities:	
Accounts payable	307,688
Unearned revenue	1,395
Certificates of participation - due within one year	285,000
Total current Liabilities:	594,083
Non-current liabilities	
Deposits from others	13,110
Certificate of participation, due in more than one year	3,471,119
Total noncurrent liabilities:	3,484,229
Total Liabilities:	4,078,312
NET POSITION	
Net investment in capital assets	613,133
Restricted for Debt Service	416,382
Unrestricted	1,190,967
Total net position:	$ 2,220,482

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund

Operating revenues:	
Rental income	$ 882,894
Parking income	60,998
Total operating revenue	943,892
Operating expenses:	
Repairs and maintenance costs	184,670
Utilities, security and communications	92,369
Management fees	34,321
Parking lot operations	115,620
Depreciation expense	155,539
Other expense	1,976
Total operating expenses	584,495
Operating income	359,397
Non-operating revenues and expenses:	
Interest income	9,163
Interest expense	(130,631)
Net non-operating revenues (expenses)	(121,468)
Changes in net position	237,929
Net Position, July 1, 2015	1,982,553
Net Position, June 30, 2016	$ 2,220,482

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows – Proprietary Fund

Cash flows from operating activities:	
Cash received from rental activities	$ 940,674
Cash paid for goods and services	(139,307)
Net cash provided by operating activities	801,367
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(275,000)
Purchases of Capital assets	(255,964)
Interest paid on long-term debt	(130,631)
Net cash used for capital and related financing activities	(661,595)
Cash flows from investing activities:	
Interest and dividends received	5,208
Net cash provided by investing activities	5,208
Net increase in cash and cash equivalents	144,980
Beginning cash balance July 1, 2015	1,358,818
Ending cash balance June 30, 2016	$ 1,503,798

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 359,397
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	155,539
Effects of changes in :	
Accounts receivable	(2,833)
Accounts payable	289,497
Unearned Revenue	115
Prepaids	152
Deposits from others	(500)
Net cash provided by operating activities	$ 801,367

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

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

B. REPORTING ENTITY

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

C. BASIS OF PRESENTATION

Government-wide financial statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, represented by activity type (e.g. governmental, business).

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

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

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

Fund financial statements

The focus of governmental fund financial statements is on major funds rather than reporting funds by activity type. The District has three major funds for reporting purposes, called the general fund, emission technology fund and the proprietary fund.

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

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

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

D. BASIS OF ACCOUNTING

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

Revenues – exchange and non-exchange transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end. District exchange transactions are Proprietary Fund building rents and parking revenues, interest revenue, Rule Book sales and Planet Polluto CD sales.

Imposed non-exchange transaction revenues result from assessments imposed on nongovernmental entities, including individuals (other than assessments imposed on exchange transactions) and the revenues are recognized in the period when use of the resources is required or first permitted. Unearned revenues are recognized when resources are received or recognized as receivable before the time requirements are met. District imposed non-exchange transactions are the DMV surcharge, planning service charges, Stationary Source Permit fees and renewals, Land Use Mitigation Permits, SEED program fees, Title V Permits, Agricultural Burning Fees, Asbestos Plan Check Fees, State Toxic Emission Fees, Variances, and Settlements.

Government-mandated none-exchange transactions result from one level of government providing resources to another level of government and requiring the recipient to use the resources for a specific purpose. Voluntary none-exchange transactions result from agreements entered into voluntarily by the parties thereto. Both types of none-exchange transaction revenues are treated in the same manner. Revenues are recognized when all applicable eligibility requirements are met. Unearned revenues are recognized when the recipient is required to use the resources in the following year thus resources provided before that period should be recognized as unearned. District transactions of both types include the Moyer program, State Subvention and Enforcement Grants, Goods Movement emission Reduction (GMERP), Lower Emission School Bus Program (LESBP), Measure A Sales Tax ½%, Environmental Protection Agency Section 103 and 105 grants, Congestion Mitigation in Air Quality (CMAQ) grants, State Implementation Plan (Spare the Air) and various agreements with Yolo/Solano Counties, El Dorado County and Placer County.

Expenses/Expenditures

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

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

E. FUND ACCOUNTING

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

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

The **Emission Technology Fund** accounts for the resources accumulated and payments made for mobile source incentive awards. It is budgeted as a special revenue fund.

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

F. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets, as required by state statues, are adopted on a basis of accounting consistent with generally accepted accounting principles for the general fund.

On or before the last day in February of each year, all divisions of the District submit budget packages to the administrative services manager so that a budget may be prepared. At the May Board of Directors' meeting, the proposed budget is presented to the Board for review. As required by air pollution control laws, noticing is done 30 days prior to the public hearing. The Board holds public hearings and a final budget must be prepared and adopted no later than the June meeting.

The appropriated budget is prepared by fund, function and division. The District's division managers may make transfers of appropriations within an object (e.g. salaries and benefits, services and supplies, capital outlay and inter-fund charges). Transfers of appropriations between objects require the approval of the Board. The legal level of budgetary control is the object level.

G. CASH AND CASH EQUIVALENTS

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

H. CAPITAL ASSETS

Capital assets are those purchased or acquired with an original cost of $5,000 or more and a useful life of greater than one year. They are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Asset Class	Years
Machinery and equipment	2-20
Buildings	39

I. COMPENSATED ABSENCES

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

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

J. DEFERRED INFLOW/OUTFLOW OF RESOURCES

In addition to assets, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that apples to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension plan(s) after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net position liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense and net position liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the Districts contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

K. PENSIONS LIABILITY

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

L. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *"Fund Balance Reporting and Governmental Fund type Definitions",* the District is required to report fund balances in the following categories: Non-spendable, Restricted, Committed, Assigned and/or Unassigned.

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

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

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

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in other classifications.

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

M. LONG-TERM LIABILITIES

The District reports long-term liabilities of governmental funds at face value in the government-wide financial statements, and long-term liabilities payable from proprietary funds are reported in the proprietary fund financial statements and government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

In the governmental fund financial statements, debt premiums, discounts, and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

N. UNEARNED REVENUE

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. Revenue that is classified as unearned has been received but is unearned at June 30, 2016. The makeup of unearned revenue is

Program	Governmental Funds	Proprietary Funds
Land Use	$ 156,784	$ -
Miscellaneous	-	1,395
Total	$ 156,784	$ 1,395

O. REVENUE FROM BUILDING LEASES

Lease revenues reported in the proprietary fund are recorded on a straight-line basis where the sums of all the rents payable over the life of a tenant lease are reported pro-ratably over the life of the lease.

P. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the government-wide statements, some amounts reported as inter-fund activity and balances in the fund financial statements, were eliminated or reclassified. Inter-fund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the government activities column.

Q. USE OF ESTIMATES

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

R. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year balances to conform to the current year presentation.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2016 consist of the following:

	Governmental Accounts	Proprietary Accounts	Total
Deposits:			
Balance per Bank	$ 609,952	$ 275,691	$ 885,643
Pooled funds:			
Cash in County Treasury	21,068,593	1,228,107	22,296,700
Less: Outstanding Checks	376,314	-	376,314
Total Cash and Equivalents	21,302,231	1,503,798	22,806,029
Certificate of Participation Reserves	-	416,382	416,382
Total Cash and Investments	$ 21,302,231	$ 1,920,180	$ 23,222,411

Cash in Bank

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

Cash in County Treasury

In accordance with Board of Directors resolution AQM-96-0040, the District maintains substantially all of its cash in the Sacramento County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants. The fiscal year net earnings rate for this fund was approximately 0.60%. The pool is currently not rated by a nationally recognized statistical rating organization. The monies held in pooled investment funds are not subject to categorization by credit risk category.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53601 et seq., section 53635 et seq., and the Sacramento County annual investment policy of the pooled investment fund. The funds maintained by the Treasury are authorized investments established by the California Government Code sections 53601 et seq. and 53635 et seq.

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in ac tive markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

Description	Level 1	Level 2	Level 3	Total
United States Treasury Notes	$ 7,214,671	$ -	$ -	$ 7,214,671
Supranational Debentures	1,508,776	-	-	1,508,776
CD's and YCD's	-	6,394,518	-	6,394,518
Commercial Paper	-	6,763,468	-	6,763,468
LAIF	245,083	170,184	-	415,267
Total	$ 8,968,530	$ 13,328,170	$ -	$22,296,700

Interest Rate Risk

The Counties investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are generally limited to five years or less. At the end of June 30, 2016, Treasury's investments are in accordance with the Counties investment policy. The Treasury's investment has an average days-to-maturity of 253 days and yields 0.783% as of June 30, 2016.

Credit Risk

Except for municipal obligations and Community Reinvestment Act (CRA) bank deposits and certificates of deposit, the issuer's short-term credit ratings shall be at or above A-1 by Standard & Poor's, P-1 by Moody's and, if available, F 1 by Fitch, and the issuer's long-term credit ratings shall be at or above A by Standard & Poor's and A 2 by Moody's, and, if available, A by Fitch. Municipal obligations shall be at or above a short-term rating of SP-1 by Standard & Poor's, MIGI by Moody's, and, if available, F1 by Fitch. In addition, domestic banks are limited to those with a Fitch Individual bank rating of A or better, without regard to modifiers.

Investments Authorized by the District's Investment Policy

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Notes & Agency Obligations	5 years	100%	N/A
Washington Supranational Obligations	5 years	30%	10%
Municipal Notes	5 years	80%	10%
Registered State Warrants	5 years	80%	10%
Bankers Acceptances	180 days	40%	10%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	180 days	30%	10%
CRA Bank Deposit/Certificates of Deposit	1 year	30%	10%
Repurchase Agreements	1 year	30%	10%
Reverse Repurchase Agreements	92 days	20%	10%
Medium-Term Corporate Notes	180 days	30%	10%
Collateralized Mortgage Obligations	180 days	20%	10%
Local Agency Investment Fund (LAIF)	N/A	$50 million	10%

3. INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS

Investments of debt proceeds held by the bond trustee, Certificate of Participation (COP) Reserve in the amount of $416,382 are included in Business-type Activities as deposits with others. These moneys are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

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

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2016:

Governmental Funds:	
Interest	$ 124,443
DMV Surcharge	1,347,303
Federal and State Grants	686,663
Mutual Settlement/Fines	-
Permits and Fees	89,580
Local Government Aid	141,446
Moyer	4,372,881
Miscellaneous	8,372
Total receivables	$ 6,770,688
Proprietary Fund:	
Miscellaneous	$ 7,508

5. OPERATING LEASES

The District leases an air monitoring site under an operating lease. Total cost for the lease was $3,276 for the year ended June 30, 2016. The future minimum lease payments for this lease are as follows:

Year ending June 30:	
2017	$3,276
2018	3,276
2019	3,276
2020	3,276
2021	3,276
2022-2024	9,828
Total	$26,208

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Governmental Activities				
Capital assets, not being depreciated				
Work in Process	$ 148,839	$ 130,834	$ 148,839	$ 130,834
Total capital assets, not being depreciated	148,839	130,834	148,839	130,834
Capital assets, being depreciated				
Equipment	2,803,422	547,007	-	3,350,429
Less: Accumulated Depreciation	2,159,584	209,891	-	2,369,475
Total capital assets, being depreciated, net	643,838	337,116	-	980,954
Governmental Activities capital assets, net	$ 792,677	$ 467,950	$ 148,839	$ 1,111,788
Business-Type Activities				
Capital assets, not being depreciated				
Land	$ 1,086,652	$ -	$ -	$ 1,086,652
Total capital assets, not being depreciated	1,086,652	-	-	1,086,652
Capital assets, being depreciated				
Building	4,954,208	255,964	-	5,210,172
Less: Accumulated Depreciation	1,772,033	155,539	-	1,927,572
Total capital assets, being depreciated, net	3,182,175	100,425	-	3,282,600
Business-Type activities capital assets, net	$ 4,268,827	$ 100,425	$ -	$ 4,369,252

Depreciation expense for governmental activities of $209,891 was unallocated. Depreciation expense for business-type activities of $155,539 was allocated to building operations and obligations.

7. LONG-TERM LIABILITIES

Certificates of Participation

In March 2012, the District refunded the 2002 certificates with 2012 certificates in the amount of $4,350,000, with interest rates ranging from 2.75% to 4.00%. As of June 30, 2016, the principal balance outstanding was $3,705,000. Proceeds included a bond premium of $72,382, which will be amortized over the life of the COPs.

The certificates mature as follows:

Year Ending June 30	Principal	Interest	Totals
2017	$ 285,000	$ 121,543	$ 406,543
2018	295,000	112,844	407,844
2019	305,000	103,844	408,844
2020	315,000	94,544	409,544
2021	325,000	85,350	410,350
2022-2026	1,785,000	256,722	2,041,722
2027	395,000	7,900	402,900
	3,705,000	782,747	4,487,747
Unamortized Premium	51,119	-	51,119
Totals	$ 3,756,119	$ 782,747	$ 4,538,866

For the year ended June 30, 2016 total interest expense for the COPs was $130,631, and principal paid on the COPs was $275,000.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Certificates of Participation	$3,980,000	$ -	$ 275,000	$3,705,000	$ 285,000
Governmental Activities					
Compensated Absences	$ 924,656	$ 888,953	$ 863,130	$ 950,479	$ 828,253
Pension Liability	$6,489,889	$ 43,251	$ -	$6,533,140	$ -

8. RISK MANAGEMENT/CLAIMS LIABILITIES

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District is covered by commercial insurance purchased from independent third parties. There have been no significant changes in insurance coverage and no settlements or claims have been made in the last four years.

During the fiscal year ended June 30, 2016, the District insured with the Special District Risk Management Authority (SDRMA) for general liability, errors and omissions, workers' compensation, and a variety of comprehensive coverage (See Note 9). The District also provides a selection of health insurance coverage and elective options for additional health related insurance coverage.

9. JOINT VENTURES (Joint Powers Agreement)

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

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

Condensed audited financial information of SDRMA for the year ended June 30, 2016 is as follows:

Total Assets	$	110,682,834
Deferred Outflow of Resources		332,954
Total Liabilities		58,754,717
Deferred Inflow of Resources		117,687
Net Position	$	52,143,384
Total Revenues	$	64,475,979
Total Expenses		61,022,721
Net Income (Loss)	$	3,453,258

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

Nature of Participation

Program	Deductible per Occurrence	Annual Coverage Limit
General Liability	$500	$10,000,000 Per Occurrence
Public Officials and Employees Errors and Omissions	$0	$10,000,000 Per Occurrence/Annual Aggregate
Elected Officials Personal Liability	$500	$500,000 Per Occurrence/Annual Aggregate per each elected /appointed Board Member/Director
Employment Practices Liability	$0	$10,000,000 Per Occurrence/General Aggregate
Employee Benefits Liability	$0	$10,000,000 Per Occurrence/General Aggregate

Employee and Public Officials Dishonesty Coverage	$0	$1,000,000 Per Occurrence
Auto Liability	$1,000	$10,000,000 Per Occurrence
Uninsured/Underinsured Motorist	$1,000	$1,000,000 Each Accident
Property Coverage	$0	$1,000,000,000 Each Occurrence
Boiler and Machinery Coverage	$1,000	$100,000,000 Each Occurrence
Statutory Workers' Comp	$0	Statutory Per Occurrence

10. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

11. EMPLOYEE RETIREMENT SYSTEMS

SCERS

On June 30, 1996, the District ceased participation in the Sacramento County Employees' Retirement System (SCERS). Vested participants were given the option of withdrawing their account balances or leaving their balances within SCERS. The District retained liability for its share of the County's bonded pension liability. The most recent actuarial valuation on June 30, 2013 determined that the District had a Net Pension Asset of $160,167.

CalPERS

Plan Description

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

CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento CA 95814.

Benefits Provided

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

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-63 or older	52-67 or older
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.0%	6.25%
Required employer contribution rates	12.022%	6.25%
Final Compensation	36 months	36 months

Funding Policy

Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1st following the notice of a change in rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30th by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were $874,067.

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

As of June 30, 2016, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan in the amount of $6,533,140.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014 (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of 2015 was as follows:

Proportion – June 30, 2015 0.25478%

For the year ended June 30, 2016, the District recognized pension expense of $1,246,939. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 675,597	$ -
Changes in assumptions	-	(709,630)
Differences between expected and actual experiences	75,006	-
Change in employer's proportion and differences between proportionate share of contributions	743,364	-
Net differences between projected and actual earnings on plan investments	-	(355,746)
Total	$ 1,493,967	$ (1,065,376)

$675,597 reported as deferred outflows of resources related to contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	
2016	$ (65,002)
2017	(65,002)
2018	(65,002)
2019	(52,001)
2020	-
Thereafter	-

Actuarial assumptions

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 total pension liability and the June 30, 2015 total pension liability were based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Olan Investment and Administrative Expenses; includes inflation
Mortality rate Table[1]	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance applies

[1]The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plan that would most likely in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress results are presented are presented in a detailed report called "GASB Crossover Testing report" that can be obtained from the CalPERS website under GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least fiscal year 2017-18. CalPERS will continue to check the materiality of the difference in the calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1-10[a]	Real Return Years 11+[b]
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forest Land	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

a) An expected inflation of 2.5% used for this period
b) An expected inflation of 3.0% used for this period

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

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

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability	$10,956,954	$6,533,348	$2,881,186

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District participates in a single-employer defined benefit medical plan administered by the California Public Employees' Retirement System (CalPERS). The plan provides postemployment healthcare benefits to eligible retirees by contributing the minimum employer contributions (MEC) $125 in calendar year 2016. An additional $150 is contributed towards retiree health care costs based upon a Board approved employee contract. This coverage is available for employees who retire with the District on reaching normal retirement age. At June 30, 2016 the District had 15 retirees participating in the plan.

The District has established an irrevocable trust to pre-fund the OPEB Annual Required Contribution (ARC) with the California Employers' Retiree Benefit Trust (CERBT).

Funding Policy

The Districts MEC is set by Government Code Section 22892. Effective January 1, the CalPERS Board adjusts the rate to reflect any change in the medical care component of the Consumer Price Index (CPI).

The District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, which was initially implemented prospectively by the District. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

For the year ended June 30, 2016 the District funded $111,836 into the CERBT. The current ARC rate is 1.2% of annual covered payroll.

Annual OPEB Cost

For the year ended June 30, 2016, the District's OPEB cost (expense) was $111,836 which included the ARC and the Net OPEB Obligation at the beginning of the year.

The District's annual OPEB costs, the annual OPEB cost contributed to the plan, and the net obligation for the fiscal year ended June 30, 2016 and the two preceding fiscal years were as follows:

Annual OPEB Cost	$ 111,836
Contributions Made	111,836
Change in Net OPEB Obligation	-
Net OPEB Obligation (Asset) - Beginning	-
Net OPEB Obligation (Asset) - Ending	-

Funded status and funding progress

As of June 30, 2015, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$ 2,275,719
Actuarial value of plan assets	1,455,178
Unfunded (overfunded) actuarial accrued liability (UAAL)	$ 820,541
Funded ratio (actuarial value of plan assets/AAL)	63.94%
Covered payroll (annual payroll of active employees by the plan)	$ 9,386,000
UAAL as a percentage of covered payroll	8.7%

Actuarial Methods and Assumptions

The ARC for the plan was determined as part of the June 30, 2015 actuarial valuation using the following methods and assumptions.

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	15 year rolling
Inflation rate	2.80%
Asset valuation method	Market value
Investment return	6.12%
Projected salary increases	3.00%
Healthcare cost trend rate	5.00% – 7.00%

12. DEFERRED COMPENSATION PLAN

The District offers its employees an elective deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits a portion of the employees' salary to be deferred into future years. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

The deferred compensation plan contributions are invested in various investment funds selected by the participating employees. The available investment options include a fixed return fund, stock fund, bond fund and a money market fund. All amounts of compensation deferred under the plan and all income attributed to those amounts are held in trust for the exclusive benefit and use of plan participants and their beneficiaries per federal legislation dated January 1, 1999.

13. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2016 through January 12, 2017, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances General Fund - Budget and Actual

Annual budgets, as required by state statutes, are adopted on a basis of accounting consistent with generally accepted accounting principles for the general fund.

Revenues:	Original	Amended	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
DMV surcharge	$ 4,750,914	$ 4,750,914	$ 5,004,434	$ 253,520
Sales/use tax	1,636,524	1,636,524	1,604,995	(31,529)
Permits and fees	7,232,273	7,232,273	7,646,441	414,168
Local government aid	745,000	745,000	586,463	(158,537)
State Subvention	1,188,038	738,718	738,241	(477)
Federal grants	2,636,686	2,402,567	2,414,819	12,252
Interest	5,000	5,000	5,438	438
Total revenues	18,194,435	17,510,996	18,000,831	489,835
Expenditures:				
Salaries and benefits	13,396,624	13,396,624	12,959,072	437,552
Services and supplies	7,614,391	7,157,659	5,584,127	1,573,532
Capital expenditures	768,332	798,332	529,002	269,330
Total expenditures	21,779,347	21,352,615	19,072,201	2,280,414
Excess (deficiency) of revenues over(under) expenditures	$ (3,584,912)	$ (3,841,619)	$ (1,071,370)	$ 2,770,249

See accompanying notes to required supplementary information.

Schedule of Revenues, Expenditures and Changes in Fund balances Emissions Technology Fund - Budget and Actual

Annual budgets, as required by state statutes, are adopted on a basis of accounting consistent with generally accepted accounting principles for the emission technology fund.

Revenues:	Original	Amended	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
DMV surcharge	$ 2,244,811	$ 2,244,811	$ 2,381,273	$ 136,462
State Subvention	14,600,000	4,539,280	11,637,256	7,097,976
Federal grants	86,664	364,539	68,269	(296,270)
Interest	-	-	(36,626)	(36,626)
Total revenues	16,931,475	7,148,630	14,050,172	6,901,542
Expenditures:				
Services and supplies	22,994,947	13,212,102	8,414,882	4,797,220
Total expenditures	22,994,947	13,212,102	8,414,882	4,797,220
Excess (deficiency) of revenues over(under) expenditures	$ (6,063,472)	$ (6,063,472)	$ 5,635,290	$ 11,698,762

Schedule of Funding Progress for Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Accrued Liability	Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
6/30/2011	$ 1,039,114	$ 1,097,022	$ (57,908)	105.57%	$ 8,685,414	-0.67%
6/30/2013	$ 1,180,932	$ 1,247,158	$ (66,226)	105.61%	$ 9,294,000	-0.71%
6/30/2015	$ 2,275,719	$ 1,455,178	$ 820,541	63.94%	$ 9,386,000	8.74%

Schedule of Proportionate Share of the Net Pension Liability

CalPERS Miscellaneous 2% @ 55	June 30, 2014[1]	June 30, 2015[1]
Proportion of the net pension liability	0.104300%	0.25478%
Proportionate share of the net pension liability (asset)	$ 6,489,889	$ 6,533,370
Covered-employee payroll[2]	$ 8,908,245	$ 10,332,821
Proportionate Share of the net pension liability as percentage of covered-employee payroll	72.85000%	63.22930%
Plans fiduciary net position as a percentage of the total pension liability	79.90%	79.89%
Proportionate share of aggregate employer contributions[3,4]	$ 697,733	$ 762,567

CalPERS Miscellaneous 2% @ 62	June 30, 2014[1]	June 30, 2015[1]
Proportion of the net pension liability	0.00000%	0.00008%
Proportionate share of the net pension liability (asset)	$ -	$ (230)
Covered-employee payroll[2]	$ -	$ -
Proportionate Share of the net pension liability as percentage of covered-employee payroll	0.00000%	0.00000%
Plans fiduciary net position as a percentage of the total pension liability	0.00% [5]	79.89%
Proportionate share of aggregate employer contributions[3,4]	$ -	$ 297

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the discolsure footnotes the payroll based on total earnings for the covered group and recalculated the required payroll-related ratios.

(3) The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

(4) This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

(5) Information for the 2% @ 62 plan not readily available to the entity. Figure presented here at June 30, 2014 is for the Miscellaneous Risk Pool as a whole.

Schedule of Pension Contributions

CalPERS Miscellaneous 2% @ 55	Fiscal Year 2013-2014[1]	Fiscal Year 2014-2015[1]
Actuarially Determined Contribution[2]	$ 1,066,362	$ 1,190,341
Contributions in relation to the actuarially determined contributions	1,068,331	(1,190,341)
Contribution deficiency (excess)	$ (1,969)	$ -
Covered-employee payroll[3]	$ 8,908,246	$ 10,332,821
Contributions as a percentage of covered-employee payroll[3]	11.990%	11.520%

CalPERS Miscellaneous 2% @ 62	Fiscal Year 2013-2014[1]	Fiscal Year 2014-2015[1]
Actuarially Determined Contribution[2]	$ -	$ -
Contributions in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll[3]	$ -	$ -
Contributions as a percentage of covered-employee payroll[3]	0.000%	6.250%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

(3) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Required Supplementary Information

1. **Budgetary Comparison Schedule**
   District employs budget control by object level coded and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Expenditures cannot legally exceed appropriations by major object code. Expenditures cannot legally exceed appropriations by major object code.

2. **Schedule of Funding Progress for Other Postemployment Benefits**

   This schedule represents funding progress for retiree health benefits (OPEB).

3. **Schedule of Proportionate Share of Net Pension Liability**

   In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

4. **Schedule of Contributions**

   If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards

	Grant #	Federal CFDA Number	Total Expenditures
U.S Environmental Protection Agency			
Air Pollution Control	A 00903115	66.001	$ 238,926
Air Pollution Control for 10/1/15 - 9/30/16	A 00903116		1,121,366
Surveys, Studies, Investigations, etc. 4/1/2016 - 03/31/2017	PM 00T61201	66.034	49,912
Community Scale Air Toxics Ambient Monitoring	XA 99T33401	66.034	113,914
CAA- Special Purpose Activities - Nitrogen Dioxide Near Roadway Monitoring	XA 00T81301	66.034	9,701
National Clean Diesel Program - On Road and Non-Road Fleet Modernization Program (10/01/2015 - 09/30/2017	DE 99T36201	66.039	19,812
National Clean Diesel Program - Refuse Trucks (10/01/2013 - 09/30/2015)	DE 99T06901	66.039	71,313
U.S. Highway Planning and Construction			
Passed through the California Department of Transportation	CML -6236	20.205	
Spare The Air Year 8	(011)	20.205	56,266
Spare The Air Year 9	(012)	20.205	591,147
Spare The Air Year 10	(014)	20.205	210,731
Total revenues & expenditures related to grants			858,144
Total			$ 2,483,088

Note: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sacramento Metropolitan Air Quality Management District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

STATISTICAL SECTION

STATISTICAL SECTION OVERVIEW

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

Financial Trends

The following schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time:

SCHEDULE 1 – Net Position by Component – Last Ten Fiscal Years

SCHEDULE 2 – Changes in Net Position – Last Ten Fiscal Years

SCHEDULE 3 – Fund Balances of Government Funds – Last Ten Fiscal Years

SCHEDULE 4 – Changes in Fund Balances of Government Funds – Last Ten Fiscal Years

SCHEDULE 5 – General Government Expenditures by Major Object – Last Ten Fiscal Years

SCHEDULE 6 – General Government Expenditures by Functions – Last Ten Fiscal Years

Revenue Capacity

The following schedules present information to help the reader assess the District's own source revenue, permits and fees**:**

SCHEDULE 7 – General Government Revenues by Source – Last Ten Fiscal Years

SCHEDULE 8 – Own Source Government Revenue – Last Ten Fiscal Years

Operating Information

The following schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs:

SCHEDULE 9 – Demographic Information – Last Ten Years

SCHEDULE 10 – DMV Registrations (Autos & Trucks) – Last Ten Years

SCHEDULE 11 – Principal Employers – Current Year and Ten Years Ago

SCHEDULE 12 – District Staff Position List – Last Ten Fiscal Years

SCHEDULE 13 – Ratios of Outstanding Debt by Type – Last Ten Fiscal Years

SCHEDULE 14 – Capital Assets by Function/Program – Last Seven Fiscal Years

SCHEDULE 1 – Net Position by Component – Last Ten Fiscal Years (accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Investment in capital assets, net of related debt	$ 535,979	$ 624,503	$ 594,518	$ 447,263	$ 327,593	$ 507,625	$ 653,680	$ 764,943	$ 792,677	$ 1,111,788
Restricted	17,846,829	18,471,262	16,840,972	20,451,561	20,834,838	20,864,065	19,018,128	18,732,929	14,705,749	19,374,392
Unrestricted	3,422,783	3,150,700	1,142,535	946,120	-	-	-	792,734	(900,807)	(157,287)
Total governmental activities net position	$ 21,805,591	$ 22,246,465	$ 18,578,025	$ 21,844,944	$ 21,162,431	$ 21,371,690	$ 19,671,808	$ 20,290,606	$ 14,597,619	$ 20,328,893
Business-type Activities										
Investment in capital assets, net of related debt	$ 313,325	$ 335,681	$ 85,216	$ 142,689	$ 438,929	$ 403,041	$ 113,259	$ 93,109	$ 232,801	$ 613,133
Restricted	-	-	431,776	427,031	433,754	424,243	416,252	416,293	418,340	416,382
Unrestricted	287,763	323,454	802,936	990,954	762,937	909,129	1,094,081	1,274,390	1,331,412	1,190,967
Total business-type activities net position	$ 601,088	$ 659,135	$ 1,319,928	$ 1,560,674	$ 1,635,620	$ 1,736,413	$ 1,623,592	$ 1,783,792	$ 1,982,553	$ 2,220,482
Primary government										
Net investment in capital assets	$ 849,304	$ 960,184	$ 679,734	$ 589,952	$ 766,522	$ 910,666	$ 766,939	$ 858,052	$ 1,025,478	$ 1,724,921
Restricted	17,846,829	18,471,262	17,272,748	20,878,592	21,268,592	21,288,308	19,434,380	19,149,222	15,124,089	19,790,774
Unrestricted	3,710,546	3,474,154	1,945,471	1,937,074	762,937	909,129	1,094,081	2,067,124	430,605	1,033,680
Total primary government net position	$ 22,406,679	$ 22,905,600	$ 19,897,953	$ 23,405,618	$ 22,798,051	$ 23,108,103	$ 21,295,400	$ 22,074,398	$ 16,580,172	$ 22,549,375

SCHEDULE 2 - Changes in Net Position – Last Ten Fiscal Years (accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
Stationary source activities	$ 5,091,593	$ 5,192,799	$ 8,954,634	$ 6,132,920	$ 5,823,570	$ 5,864,304	$ 5,739,977	$ 5,747,748	$ 5,918,050	$ 6,016,085
Mobile source activities	11,450,669	11,310,141	11,652,160	13,096,491	12,207,979	34,715,045	28,384,959	11,478,921	14,884,085	11,138,244
Program coordination activities	3,883,940	3,519,465	4,581,824	4,346,725	4,286,273	3,973,143	3,768,674	3,836,739	3,883,548	4,268,469
Strategic planning activities	3,593,197	3,715,156	3,909,988	4,048,968	3,548,148	3,650,376	3,677,908	3,772,415	3,877,953	4,322,151
Depreciation expense-unallocated	112,904	138,142	149,067	165,753	140,459	125,386	144,940	148,389	211,551	209,891
Total governmental activities	$ 24,132,303	$ 23,875,703	$ 29,247,673	$ 27,790,857	$ 26,006,429	$ 48,328,254	$ 41,716,458	$ 24,984,212	$ 28,775,187	$ 25,954,840
Business-type activities										
Building operations and obligations	$ 740,111	$ 811,392	$ 779,943	$ 739,766	$ 760,079	$ 959,018	$ 650,968	$ 641,654	$ 697,804	$ 715,125
Total primary government expenses	$ 24,872,414	$ 24,687,095	$ 30,027,616	$ 28,530,623	$ 26,766,508	$ 49,287,272	$ 42,367,426	$ 25,625,866	$ 29,472,991	$ 26,669,965
Program Revenues										
Governmental Activities										
Charges for services										
Stationary source activities	$ 6,163,810	$ 4,617,658	$ 4,868,387	$ 4,857,740	$ 5,297,300	$ 4,912,279	$ 5,431,158	$ 5,867,492	$ 6,440,801	$ 6,692,235
Mobile source activities	-	-		561,345	532,447	703,135	824,850	996,018	106,376	153,178
Program coordination activities	(111,894)	41,879	136,336	136,552	84,794	84,408	96,170	68,314	265,185	89,163
Strategic planning activities	-	-	-	40,207	567,305	470,716	40,839	408,808	140,712	242,084
Operating grants and contributions										
Stationary source activities	1,365,145	298,000	3,875,126	764,839	336,324	519,136	401,685	-	-	-
Mobile source activities	13,831,821	7,796,251	10,721,789	15,088,024	10,355,463	32,815,391	24,933,316	9,141,087	13,910,787	15,076,802
Program coordination activities	867,950	2,382,599	1,538,889	1,985,190	1,086,075	1,274,400	926,954	1,446,883	1,442,936	1,438,170
Strategic planning activities	379,326	554,018	964,812	969,308	607,520	625,227	794,100	643,422	643,422	643,422
Total governmental activities	$ 22,496,158	$ 15,690,405	$ 22,105,339	$ 24,403,205	$ 18,867,228	$ 41,404,692	$ 33,449,072	$ 18,572,024	$ 22,950,219	$ 24,335,054
Business-type activities										
Building operations and obligations	$ 974,720	$ 837,381	$ 943,695	$ 948,942	$ 807,106	$ 884,688	$ 748,642	$ 795,771	$ 888,592	$ 943,891
Total primary government program revenues	$ 23,470,878	$ 16,527,786	$ 23,049,034	$ 25,352,147	$ 19,674,334	$ 42,289,380	$ 34,197,714	$ 19,367,795	$ 23,838,811	$ 25,278,945
Net (Expense) Revenue										
Government activities	$ (1,636,145)	$ (8,185,298)	$ (7,142,334)	$ (3,387,652)	$ (7,139,201)	$ (6,923,562)	$ (8,267,386)	$ (6,412,188)	$ (5,824,968)	$ (1,619,786)
Business-type activities	234,609	25,989	163,752	209,176	47,027	(74,330)	97,674	154,117	190,788	228,766
Total primary government net (expenses) revenue	$ (1,401,536)	$ (8,159,309)	$ (6,978,582)	$ (3,178,476)	$ (7,092,174)	$ (6,997,892)	$ (8,169,712)	$ (6,258,071)	$ (5,634,180)	$ (1,391,020)
General revenues										
Governmental activities										
Grants and subventions	$ 6,090,320	$ 6,884,648	$ 8,324,288	$ 5,684,433	$ 5,696,646	$ 6,216,082	$ 6,056,461	$ 6,614,984	$ 6,808,183	$ 7,087,643
Interest	991,786	1,086,702	515,419	268,262	230,368	204,424	64,378	18,965	25,241	5,438
Gain on sale of capital assets									16,270	-
Penalties/Settlements	1,090,612	654,822	977,533	701,876	529,674	712,315	446,663	397,037	569,708	622,868
Transfers	-	-	(456,966)	-	-	-	-	-	-	-
Total governmental activities	$ 8,172,718	$ 8,626,172	$ 9,360,274	$ 6,654,571	$ 6,456,688	$ 7,132,821	$ 6,567,502	$ 7,030,986	$ 7,419,402	$ 7,715,949
Business-type activities										
Interest	$ 28,485	$ 32,058	$ 40,075	$ 31,570	$ 27,919	$ 175,123	$ 10,268	$ 6,083	$ 7,973	$ 9,163
Transfers	-	-	456,966	-	-	-	-	-	-	-
Total business-type activities	28,485	32,058	497,041	31,570	27,919	175,123	10,268	6,083	7,973	9,163
Total Primary government revenue	$ 8,201,203	$ 8,658,230	$ 9,857,315	$ 6,686,141	$ 6,484,607	$ 7,307,944	$ 6,577,770	$ 7,037,069	$ 7,427,375	$ 7,725,112
Change in net position										
Government activities	$ 6,536,573	$ 440,874	$ 2,217,940	$ 3,266,919	$ (682,513)	$ 209,259	$ (1,699,884)	$ 618,798	$ 1,594,434	$ 6,096,163
Business-type activities	263,094	58,047	660,793	240,746	74,946	100,793	107,942	160,200	198,761	237,929
Total Primary government	$ 6,799,667	$ 498,921	$ 2,878,733	$ 3,507,665	$ (607,567)	$ 310,052	$ (1,591,942)	$ 778,998	$ 1,793,195	$ 6,334,092

SCHEDULE 3 – Fund Balances of Government Funds – Last Ten Fiscal Years (modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Unspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 155,110	$ 171,675
Restricted	13,238,198	16,317,844	9,789,530	2,858,052	12,144,152	12,169,654	11,350,172	10,998,388	10,287,274	8,796,696
Assigned	320,000	320,000	320,000	2,407,273	320,000	320,000	320,000	320,000	320,000	320,000
Unrestricted	8,295,221	5,751,365	8,666,336	7,906,636	-	-	-	792,734	1,395,878	1,798,521
Total General Fund	$ 21,853,419	$ 22,389,209	$ 18,775,866	$ 13,171,961	$ 12,464,152	$ 12,489,654	$ 11,670,172	$ 12,111,122	$ 12,158,262	$ 11,086,892
Emission Technology Fund										
Restricted	$ -	$ -	$ -	$ 9,064,562	$ 9,211,835	$ 9,267,343	$ 8,194,251	$ 8,277,548	$ 9,549,952	$ 15,185,241
Total Emission Technology fund	$ -	$ -	$ -	$ 9,064,562	$ 9,211,835	$ 9,267,343	$ 8,194,251	$ 8,277,548	$ 9,549,952	$ 15,185,241

SCHEDULE 4 – Changes in Fund Balances of Government Funds – Last Ten Fiscal Years (modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Taxes	$ 8,272,593	$ 9,069,286	$ 9,471,327	$ 8,025,308	$ 7,451,650	$ 8,071,327	$ 7,929,307	$ 8,334,914	$ 8,533,576	$ 8,990,702
Intergovermental	14,617,951	7,754,619	13,564,665	16,058,522	11,162,826	34,081,710	25,879,092	10,507,331	14,342,930	15,445,047
Licenses/Permits	6,786,546	6,405,970	8,371,169	6,705,683	6,479,071	6,180,051	6,015,064	6,741,800	7,416,470	7,646,441
Use of Money/Property	991,786	1,086,702	515,419	268,262	230,368	204,424	193,112	18,965	60,372	(31,188)
Total Revenue	30,668,876	24,316,577	31,922,580	31,057,775	25,323,915	48,537,512	40,016,575	25,603,010	30,353,348	32,051,002
EXPENDITURES										
Current:										
Stationary Sources	5,065,949	5,122,449	8,944,106	6,114,436	5,822,646	5,843,577	5,758,644	5,741,059	6,016,226	6,501,339
Mobile Source	11,432,875	11,261,327	11,647,191	13,088,034	12,207,527	34,704,891	28,394,103	11,475,645	14,932,141	11,367,756
Program coordination	3,867,636	3,474,737	4,575,926	4,334,342	4,285,664	3,959,488	3,780,971	3,832,332	3,943,621	4,571,752
Strategic Planning	3,586,072	3,695,608	3,906,272	4,041,810	3,547,825	3,643,128	3,684,435	3,770,076	3,918,802	4,517,235
Capital Outlay	126,554	226,666	119,082	18,498	20,789	305,418	290,995	259,652	239,283	529,002
Total Expenditures	24,079,086	23,780,787	29,192,577	27,597,120	25,884,451	48,456,502	41,909,148	25,078,764	29,050,073	27,487,084
Excess (Deficiency) of Revenue over Expenditures	6,589,790	535,790	2,730,003	3,460,655	(560,536)	81,010	(1,892,573)	524,246	1,303,275	4,563,918
OTHER FINANCING SOURCES (USES)										
Transfer Out	-	-	456,966	-	-	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-	-	-	-	16,270	-
Net change in fund balances	$ 6,589,790	$ 535,790	$ 2,273,037	$ 3,460,655	$ (560,536)	$ 81,010	$ (1,892,573)	$ 524,246	$ 1,319,545	$ 4,563,918

SCHEDULE 5 – General Government Expenditures by Major Object – Last Ten Fiscal Years (budgetary basis of accounting)

Fiscal Year	Salaries & Benefits	Services & Supplies	Equipment/Fixed Assets	Interfund Charges	Contingency	Total
07-08	$ 10,959,562	$ 22,329,068	$ 360,400	$ 840,000	$ 450,000	$ 34,939,030
08-09	$ 12,183,771	$ 13,507,796	$ 110,400	$ 5,142,528	$ 450,000	$ 31,394,495
09-10	$ 12,199,760	$ 8,128,192	$ 38,000	$ 3,851,831	$ -	$ 24,217,783
10-11	$ 11,584,777	$ 6,425,969	$ 43,500	$ 1,407,642	$ -	$ 19,461,888
11-12	$ 11,946,558	$ 6,619,728	$ 317,000	$ 704,652	$ -	$ 19,587,938
12-13	$ 11,997,789	$ 5,552,842	$ 397,000	$ 679,789	$ -	$ 18,627,420
13-14	$ 12,472,301	$ 5,132,405	$ 180,532	$ 806,871	$ -	$ 18,592,109
14-15	$ 13,018,613	$ 5,670,628	$ 564,532	$ 1,071,655	$ -	$ 20,325,428
15-16	$ 13,396,624	$ 6,807,818	$ 768,332	$ 806,573	$ -	$ 21,779,347
16-17	$ 13,898,555	$ 32,577,351	$ 2,145,000	$ 806,573	$ -	$ 49,427,479

The budgeted expenditures represent the adopted budget adjusted for Board approved modifications based on new or modified expenditures.

SCHEDULE 6 – General Government Expenditures by Function – Last Ten Fiscal Years

Fiscal Year	Salaries & Benefits	Services & Supplies	Payments to Governments	Interfund Charges	Capital Outlay	Total
06-07	8,933,557	15,018,975	-	-	126,554	24,079,086
07-08	9,993,878	13,560,243	-	-	226,666	23,780,787
08-09	11,328,021	17,671,068	-	456,966	119,082	29,575,137
09-10	11,619,250	16,383,724	-	(424,353)	18,498	27,597,119
10-11	11,456,352	14,506,789	-	783,157	20,789	26,767,087
11-12	11,527,097	36,623,987	-	-	305,418	48,456,502
12-13	11,817,905	29,800,249	-	-	290,995	41,909,149
13-14	12,011,320	12,807,792	-	-	259,652	25,078,764
14-15	12,112,938	16,697,852	-	-	239,283	29,050,073
15-16	12,959,077	13,999,009	-	-	529,002	27,487,088

SCHEDULE 7 – General Government Revenues by Source – Last Ten Fiscal Years

Fiscal Year	Taxes	Intergovernmental	Licenses/ Permits	Use of Money & Property	Increase in Fair Value of Investments	Misc	Total
06-07	8,272,593	14,617,951	6,786,546	991,786	-	-	30,668,876
07-08	9,069,286	7,754,619	6,405,970	1,086,702	-	-	24,316,577
08-09	9,471,327	13,564,665	8,371,169	515,419	-	-	31,922,580
09-10	5,810,923	3,653,527	6,705,683	116,135	-	-	16,286,268
10-11	5,498,449	3,998,568	6,479,071	59,403	-	-	16,035,491
11-12	5,940,636	4,289,423	6,180,051	44,337	-	-	16,454,447
12-13	5,862,442	3,637,602	6,015,064	64,380	-	-	15,579,488
13-14	6,095,314	4,082,326	6,741,800	9,934	-	-	16,929,374
14-15	6,283,412	3,516,824	7,416,470	25,241	-	-	17,241,947
15-16	6,609,429	3,739,523	7,779,365	5,438	-	-	18,133,755

SCHEDULE 8 – Own Source Government Revenue – Last Ten Fiscal Years

Year	Active Permits**	Actual Revenue***
2007	4,006	2,656,920
2008	4,060	2,381,639
2009	4,183	3,345,143
2010	4,242	3,501,857
2011	4,238	4,366,411
2012	4,247	4,224,561
2013	4,269	4,419,326
2014	4,331	4,754,372
2015	4,346	4,767,562
2016	4,182	5,136,508

SCHEDULE 9 – Demographic Information – Last Ten Years

Year	County Population (January 1)	County Total Personal Income	County Per Capita Income	County Unemployment Rate
2007	1,381,161	53,769,563	38,931	5.40%
2008	1,394,438	55,206,829	39,591	6.90%
2009	1,408,601	54,434,987	38,647	12.00%
2010	1,422,316	55,176,682	38,794	12.70%
2011	1,436,262	57,996,392	40,380	12.60%
2012	1,450,121	60,668,975	41,837	10.90%
2013	1,462,338	61,654,190	42,162	8.90%
2014	1,481,474	65,391,250	44,139	7.30%
2015	1,501,335	69,870,482	46,539	6.00%
2016	(1)	(1)	(1)	(1)

Sources: California Department of Finance, California Employment Development Department, E-5 population and housing estimates, annual average employment by industry data, and long-term socio-economic forecasts by county

(1) Data not available

SCHEDULE 10 – DMV Registrations – Last Ten Years

Year	Vehicles Registered (As of December 31)
2007	1,165,993
2008	1,157,002
2009	1,159,910
2010	1,157,341
2011	1,141,979
2012	1,142,212
2013	1,179,656
2014	1,208,025
2015	(1)
2016	(1)

Source: California Department of Motor Vehicles

(1) Data not available

SCHEDULE 11 – Principal Employers – Current Year and Ten Years Ago

	2007			2016		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
Private Industry	689,900	1	74%	705,200	1	74%
State Government	110,700	2	12%	118,200	2	12%
Local Government	115,700	3	12%	108,600	3	11%
Federal Government	12,400	4	1%	14,000	4	1%
Farm	9,000	5	1%	10,500	5	1%
Total All Industries	937,700		100%	956,500		100%

Source: California Employment Development Department

SCHEDULE 12 – District Staff Position List – Last Ten Fiscal Years

	Full-Time Equivalent Employees as of June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Classification:										
Accountant I/II	1	1	1	1	-	-	-	-	-	-
Administrative Assistant I/II	2	2	2	2	2	2	2	2	2	2
Administrative/Legal Analyst	1	1	1	-	-	-	-	-	-	-
Executive Director/Air Pollution Control Officer	1	1	1	1	1	1	1	1	1	1
Air Quality Engineer	21.5	21.5	21.5	21.5	20.5	19.5	19.5	19.5	20.5	20.50
Air Quality Instrument Specialist I/II	3	3	3	3	3	3	3	3	3	3
Air Quality Planner/Analyst	10.5	11	12	11	10	10	10	10	11	11
Air Quality Specialist	22.5	21.5	20.6	18.6	18.6	18.6	18.6	18.6	18.6	18.60
Communications & Marketing Specialist	2.85	2.85	2.85	1.85	1.85	1.85	1.85	1.90	1.9	1.90
Clerical Services Supervisor	1	1	1	1	1	1	1	1	1	1
District Accountant/Controller	1	1	1	1	1	1	1	1	1	1
District Counsel	1	1	1	1	1	1	1	1	1	1
District Counsel Legal Assistant	1	1	1	1	1	1	1	1	1	1
Division Manager	4	4	4	4	3	3	3	4	4	4
Executive Assistant/Clerk to the Board	1	1	1	1	1	1	1	1	1	1
Financial Analyst	-	-	-	-	1	1	1	1	1	1
Fiscal Assistant I/II	1	1	1	1	1	1	1	1	1	1
Human Resources Officer	1	1	1	1	1	1	1	1	1	1
Information Systems Administrator	1	1	1	1	1	1	1	1	1	-
Information Systems Analyst	2	2	2	2	2	2	2	2	2	2
Information Systems Manager	-	-	-	-	-	-	-	-	-	1
Office Assistant I/II	3	3	3	3	2	2	2	2	2	2
Human Resource Assistant I/II	2	2	2	2	2	2	2	2	2	2
Program Coordinator	13	13	13	13	12	12	12	12	12	12
Program Supervisor	5	5	5	5	5	5	5	5	5	5
Senior Accountant	1	1	1	1	1	1	1	1	1	1
Statistician	1	1	1	1	1	1	1	1	1	1
Total Funded Positions	104.35	103.85	103.95	98.95	93.95	92.95	92.95	94.00	96.00	96.00
Positions Unfunded										
Administrative/Legal Analyst	-	-	-	1	1	1	1	1	1	1
Air Quality Planner/Analyst	-	-	-	-	1	1	1	1	-	-
Air Quality Specialist	-	-	1	2	2	2	2	2	2	2
Air Quality Engineer	-	-	-	-	1	2	2	2	1	1
Division Manager	-	-	-	-	1	1	1	-	-	-
Office Assistant I/II	-	-	-	-	1	1	1	1	1	1
Program Coordinator	-	-	-	-	1	1	1	1	1	1
Total Positions Unfunded	-	-	1	3	8	9	9	8	6	6
Total Funded + Unfunded	104.35	103.85	104.95	101.95	101.95	101.95	101.95	102.00	102.00	102.00

Note: Funded positions may vary from budget due to changes in staffing during the fiscal year.

SCHEDULE 13 – Ratios of Outstanding Debt by Type – Last Ten Fiscal Years

Fiscal Year	Certificate of Participation	Bond Premium	Total Primary Government	Total Debt as a Percentage of Sacramento County Personal Income (1)	Total Debt Per Capita for Sacramento County (1)
2007	$ 5,110,000	$ 47,810	$ 5,157,810	10%	$ 4
2008	4,955,000	45,285	5,000,285	10%	4
2009	4,790,000	42,760	4,832,760	9%	3
2010	4,620,000	40,235	4,660,235	8%	3
2011	4,445,000	37,941	4,482,941	8%	3
2012	4,350,000	70,747	4,420,747	7%	3
2013	4,350,000	65,840	4,415,840	7%	3
2014	4,250,000	60,933	4,310,933	7%	3
2015	3,980,000	56,026	4,036,026	(2)	(2)
2016	3,705,000	51,119	3,756,119	(2)	(2)

(1) See Schedule 9 (Demographic Information – Last Ten Years) for personal income and population data
(2) Data not available

SCHEDULE 14 – Capital Assets by Function/Program – Last Seven Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016
Monitoring Air Quality							
Number of air monitoring stations	10	10	10	10	11	11	11
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	74	76	75	77	89	89	88
Vehicles	-	-	-	19	19	19	23

James Marta & Company LLP
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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 THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sacramento Metropolitan Air Quality Management District
Sacramento, California 95814

Report on Compliance for Each Major Federal Program

We have audited Sacramento Metropolitan Air Quality Management District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District'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 the District'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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. 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 the District'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 of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District 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, 2016.

Internal Control Over Compliance

Management of the District 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 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 the District'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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated January 12, 2017, 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 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 basic 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 financial statements as a whole.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 12, 2017

FINDINGS AND RECOMMENDATIONS SECTION

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	____ Yes X No
Significant deficiency(ies) identified?	____ Yes X None reported
Noncompliance material to financial statements noted?	____ Yes X No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	____ Yes X No
Significant deficiency(ies) identified?	____ Yes X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 516(a)?	____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	X Yes ____ No

SECTION II—FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV—STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR FINDINGS

FINDING #	FINDING/RECOMMENDATIONS	CURRENT STATUS
2015-01	There is no review process in place to ensure that the employer portion of the pension liability is calculated correctly. We recommend that the pension wages be reviewed to the ADP report by someone other than the Human Resource Assistant. The review should be completed prior to submission of data to CalPERS.	Completed

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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*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sacramento Metropolitan Air Quality Management District
Sacramento, CA

We have audited, in accordance with the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sacramento Metropolitan Air Quality Management District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Sacramento Metropolitan Air Quality Management District's basic financial statements, and have issued our report thereon dated January 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements of Sacramento Metropolitan Air Quality Management District as of and for the year ended June 30, 2016, 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, we considered Sacramento Metropolitan Air Quality Management District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Sacramento Metropolitan Air Quality Management District's internal control over financial reporting.

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sacramento Metropolitan Air Quality Management District's financial statements are free of 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.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 12, 2017

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

January 12, 2017

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

We have audited the financial statements of Sacramento Metropolitan Air Quality Management District as of and for the year ended June 30, 2016, and have issued our report thereon dated January 12, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 3, 2016, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Sacramento Metropolitan Air Quality Management District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

We follow the AICPA Ethics Standard Rule 201C. In conjunction with this, we annually review with all engagement staff potential conflicts and obtain a conflict certification. In addition, we inquire on each engagement about potential conflicts with staff. We have not identified any relationships or other matters that in the auditor's judgment may be reasonably thought to bear on independence.

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Sacramento Metropolitan Air Quality Management District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements is the District's proportionate share of net pension liability.

The estimate for the District's proportionate share of net pension liability is based on an actuarial study. We evaluated key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We did not identify any disclosures that involve significant sensitive discretion.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected financial statement mistatements identified as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Sacramento Metropolitan Air Quality Management District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated January 12, 2017 (Attachment B).

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Sacramento Metropolitan Air Quality Management District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Sacramento Metropolitan Air Quality Management District's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Sacramento Metropolitan Air Quality Management District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

At the time of preparation of this letter, we have no knowledge of any documents that contained the audit report or financial statements.

This report is intended solely for the information and use of the Board of Directors and management of Sacramento Metropolitan Air Quality Management District and is not intended to be and should not be used by anyone other than these specified parties.

James Marta + Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 12, 2017

Attachment A – Upcoming Changes in Accounting Standards

As of June 30, 2017

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Trust in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Trust. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB Statement No. 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

Effective for the fiscal year ending June 30, 2017

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

Because SMAQMD has pension plans, we do expect GASB 78 to have an impact on SMAQMD.

GASB Statement No. 79 - Certain External Investment Pools and Pool Participants

Effective for the fiscal year ending June 30, 2016

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

Because SMAQMD works with External Investment Pool, we do expect GASB 79 to have an impact on SMAQMD.

GASB Statement No. 80 - Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14

Effective for the fiscal year ending June 30, 2017

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

Because SMAQMD has no component units, we do not expect GASB 80 to have an impact on SMAQMD.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements
Effective for the fiscal year ending June 30, 2017

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

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. Furthermore, this Statement 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.

Because SMAQMD is not involved in an irrevocable split-interest agreement, we do not expect GASB 81 to have any significant impact on the SMAQMD at this time.

GASB Statement No. 82 - Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73
Effective for the fiscal year ending June 30, 2017

Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

Because SMAQMD has pension plans, we do expect GASB 82 to have an impact on SMAQMD.

SACRAMENTO METROPOLITAN
AIR QUALITY
MANAGEMENT DISTRICT

Larry Greene
AIR POLLUTION CONTROL OFFICER

January 12, 2017

To James Marta & Company LLP:

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sacramento Metropolitan Air Quality Management District as of June 30, 2016 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Sacramento Metropolitan Air Quality Management District in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 12, 2017.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 30, 2016, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.

- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes,[7] and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Sacramento Metropolitan Air Quality Management District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

- We have disclosed to you all guarantees, whether written or oral, under which Sacramento Metropolitan Air Quality Management District is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
- Sacramento Metropolitan Air Quality Management District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Supplementary Information in Relation to the Financial Statements as a Whole

With respect to the supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the supplementary information in accordance with U.S. GAAP.
- We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.
- The methods of measurement or presentation have not changed from those used in the prior period.
- When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
- We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
- We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
- We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
- The methods of measurement or presentation have not changed from those used in the prior period.

- We believe the following significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances:

Pension and Postretirement Benefits

- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- We are unable to determine the possibility of a withdrawal liability in a multiemployer benefit plan.

Federal Awards

With respect to federal awards:

- We are responsible for understanding and complying with, and have complied with, the requirements of the Uniform Guidance.
- We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
- We have identified and disclosed to you the requirements of federal statutes, laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- We have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

- There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), subsequent to the date as of which compliance was audited.
- We have complied with the direct and material compliance requirements, including when applicable, those set forth in the Uniform Guidance, relating to federal awards.
- We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective plan that meets the requirements of the Uniform Guidance.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- The reporting package does not include protected personally identifiable information.
- Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance.
- We have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.

Jamille Moens, Division Manager

Meeting Date: 1/26/2017
Report Type: CONSENT CALENDAR
Report ID: 2017-0126-7.

7.

Title: October 27, 2016 Board Meeting Minutes

Recommendation:
Approve the attached minutes from the October 27, 2016 Board of Directors Meeting.

Rationale for Recommendation:

Contact: Salina Martinez, Clerical Services Supervisor, 916-874-4986

Presentation: No

ATTACHMENTS:

October 27 2016 Minutes

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/16/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/12/2017

MINUTES

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

Thursday **October 27, 2016** **9:00 AM**

DIRECTORS

Chair
Steve Hansen

Vice-Chair
Donald Terry

Larry Carr	Jeff Harris	Don Nottoli
Mark Crews	Patrick Kennedy	Susan Peters
Sue Frost	Steve Ly	Phil Serna
Eric Guerra	Robert MacGlashan	Jeff Starksy

CALL TO ORDER/ROLL CALL

The meeting was called to order.

Present: Directors Crews, Frost, Guerra, Hansen, Harris, Ly, Nottoli, Serna, Starsky.
Absent: Carr, Kennedy, MacGlashan, Peters, Terry.

Note: Director Kennedy arrived at 9:11 a.m.

PLEDGE OF ALLEGIANCE

AIR POLLUTION CONTROL OFFICER'S REPORT

CLOSED SESSION

A. Conference with Legal Counsel - Existing Litigation: Review of litigation status in the following case filed by the District under Government Code Section 54956.9(a): Hardesty Sand & Gravel, Case No. 34-2011-00101272

The Board authorized District Counsel to make an offer to the defendant.

CONSENT CALENDAR

ACTION:
Jeff Starsky Moved /Eric Guerra Seconded

Ayes: Crews, Frost, Guerra, Hansen, Harris, Kennedy, Ly, Nottoli, Serna, Starsky
Absent: Carr, MacGlashan, Peters, Terry

1. Sacramento Zero-Emission School Bus Deployment Program

Recommendation: Adopt a resolution authorizing the Executive Director/Air Pollution Control Officer to:
- Accept grant awards from the California Air Resources Board (CARB) under the Low Emission Vehicle Incentive Program (LEVIP) and Low Carbon Transportation Greenhouse Gas Reduction Fund (GGRF) Investments.
- Execute agreements under the LEVIP/GGRF Zero-Emission Truck and Bus Pilot Commercial Deployment Projects with CARB, Elk Grove Unified School District (EGUSD), Sacramento City Unified School District (SCUSD), and Twin Rivers Unified School District (TRUSD) authorizing the school districts to purchase 29 battery-electric school buses and associate electrical infrastructure and charging stations with a project total of $14,485,469.
- Authorize the Executive Director/Air Pollution Control Officer to include District cash match funds up to $1,610,000 in the school agreements (which funds are included in the budget under Board Resolution 2016-029).
- Accept cash-match funds up to $1 million from Sacramento Municipal Utility District (SMUD).
- Execute agreements with SMUD for administration of the project.
- Execute agreements with EGUSD, SCUSD, and TRUSD to distribute the SMUD match funds to finance, in part or in whole, the electrical infrastructure and charging stations as part of the Zero-Emission Truck and Bus Pilot Commercial Deployment Projects.

Approved by AQMD Resolution No. 2016 - 035

2. Community Toxics Wood Smoke Study Contract Authority

Recommendation: Adopt a resolution increasing the Executive Director/Air Pollution Control Officer's authority to execute contracts for the Community Toxics Wood Smoke Study from $343,000 to an amount not to exceed $375,344.

Approved by AQMD Resolution No. 2016 - 036

3. Board of Directors Meeting Schedule for 2017

Recommendation: Approve the 2017 SMAQMD Board of Directors Proposed Meeting Schedule.

Approved

4. September 22, 2016 Board Meeting Minutes

Recommendation: Approve the attached Minutes from the September 22, 2016 Board of Directors Meeting.

Approved

5. Quarterly Contracting Report (July 2016 – September 2016)

Recommendation: Receive a quarterly report on certain contracts executed by the APCO under General Contracting Authority for July 2016 - September 2016.

Received and Filed

DISCUSSION CALENDAR

6. System Integration Contract Authority: Line of Business

   Recommendation: Adopt a resolution authorizing the Executive Director/Air Pollution Control Officer to execute agreements for the purchase and implementation of a Line of Business (LOB) solution in an amount not to exceed $1,200,000.

   Approved by AQMD Resolution No. 2016 - 037

   ACTION:
   Eric Guerra Moved /Jeff Harris Seconded

   Ayes: Crews, Frost, Guerra, Hansen, Harris, Kennedy, Ly, Nottoli, Serna, Starsky
   Absent: Carr, MacGlashan, Peters, Terry

PUBLIC COMMENT

No one in the audience signed up to speak to the Board.

BOARD IDEAS AND COMMENTS

There were no comments from the Board.

ANNOUNCEMENTS

7. The Board of Directors met immediately following the Regular Board Meeting to attend a training workshop on the District's new agenda software.

ADJOURN

There being no further business, the meeting was adjourned.

Meeting Date: 1/26/2017
Report Type: CONSENT CALENDAR
Report ID: 2017-0126-8.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

8.

Title: Approval of LEVIP Agreements over $500,000

Recommendation:
Pass a motion authorizing the Executive Director/Air Pollution Control Officer, in consultation with District Counsel, to 1) execute one Low Emission Vehicle Incentive Program (LEVIP) Agreement with Matteoli Brothers in an amount not to exceed $715,218, and 2) approve any subsequent minor changes to the agreement that may be required during the performance of the Agreement.

Rationale for Recommendation:
District Resolution No. 2016-019 requires Board approval of LEVIP grants to a single entity exceeding $500,000 on a cumulative annual basis. The proposed agreement, VET-16-0017, for $715,218 with Matteoli Brothers will be used to replace 7 old diesel farm tractors with new clean diesel tractors. It is anticipated that the contract will be executed within calendar year 2017.

Contact: Kristian Damkier, Associate Air Quality Engineer, 916-874-4892

Presentation: No

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/16/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/12/2017

Discussion / Justification:
Matteoli Brothers, a partnership, submitted an application to replace seven older agricultural tractors with three replacement tractors, using Carl Moyer Program funds under grant Agreement No. VET-16-0017 which exceeds the $500,000 project limit authorized by the Board for APCO signature for a single entity.

District staff is responsible for implementing the LEVIP regionally within the Sacramento Federal Non-Attainment Area (SFNA) to further reduce priority pollutants. Emission reductions are determined by estimating the historic use of the equipment within the SFNA. As part of the application review, District staff collects applicant-provided usage data to determine the number of hours or miles of operation the new technology will operate over the term of the grant agreement within the SFNA. Those hours or miles are used to calculate the estimated emission reductions.

The following Health and Safety Code sections provide the authority for the LEVIP:

- Section 40961 identifies the District as the local agency within the boundaries of the Sacramento Region with the primary responsibility for the development, implementation, monitoring, and enforcement of air pollution control strategies, clean fuel programs, and motor vehicle use reduction measures.

- Section 41062(a) directs the district to develop air quality improvement strategies that include demonstration programs and incentives to encourage the use of control measures providing equivalent emission reductions within the District.

- Section 41082 authorizes the District to undertake programs which may include financial assistance to fleet operators for the purchase, conversion, or operation of low-emission motor vehicles, financial assistance or other incentives to encourage the sale and distribution of clean burning fuels.

- Sections 41062(a) and 41082 direct the District to implement programs to reduce transportation emissions, including programs to encourage the use of alternative fuels and low-emission vehicles.

Financial Considerations:

Sufficient funds exist in the FY2016/17 District Emission Technology budget to fund the proposed project in an amount not to exceed $715,218.

Emissions Impact:

District staff evaluation demonstrates that the proposal meets the requirements of the LEVIP. This project is projected to reduce NOx and Diesel PM emissions by 3.02 and 0.12 tons/year respectively.

Meeting Date: 1/26/2017
Report Type: CONSENT CALENDAR
Report ID: 2017-0126-9.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

9.

Title: Incorporate SECAT into LEVIP and Approve MOU with SACOG

Recommendation:
Pass a motion 1) incorporating the guidelines associated with the Sacramento Emergency Clean Air Transportation (SECAT) Program into the Low Emission Vehicle Incentive Program (LEVIP), 2) approving a Memorandum of Understanding (MOU) between the Sacramento Area Council of Governments (SACOG) and the Sacramento Metropolitan Air Quality Management District (District) to reobligate SECAT funding to the District, 3) authorizing the Executive Director/Air Pollution Control Officer (APCO) to execute funding agreements under these programs and the MOU, and 4) authorizing the APCO to make minor modifications to the guidelines as necessary to meet the funding source requirements.

Rationale for Recommendation:
District Resolution No. 2016-019 established the LEVIP for which the District manages all administrative aspects. The SECAT program is currently run by Sacramento Area Council of Governments (SACOG) in cooperation with the District. This motion will incorporate the current SECAT guidelines into the LEVIP and transfer fiscal control of SECAT from SACOG to the District. This will streamline the implementation of the SECAT program, eliminating the need to establish a parallel administrative process. The District is currently negotiating the details of the handover of the fiscal elements of the SECAT program with SACOG.

Contact: Kristian Damkier, Associate Air Quality Engineer, 916-874-4892

Presentation: No

ATTACHMENTS:

SACOG MOU
SECAT Guidelines

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/16/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/12/2017

Discussion / Justification:
SACOG and the District are proposing a Memorandum of Understanding to transfer the fiscal responsibility of the SECAT program to the District. This program will be run under the Low Emission Vehicle Incentive Program (LEVIP) primarily using federal Congestion Mitigation & Air Quality (CMAQ) Funds allocated according to the attached SECAT guidelines.
Once SACOG and the District have finalized their MOU and begun the deobligation and reobligation of funds, the APCO may make minor changes to the SECAT guidelines to allow the District to contract with and reimburse the participants directly, and other changes as determined by the MOU. These changes will not substantially affect the types of projects funded by SECAT or the overall emission reductions associated with the program.
Obtaining Board authority to incorporate SECAT into the LEVIP will allow the District to implement these programs on a faster timeframe delivering a better experience to regional fleets and vehicle owners and compete for new and innovative funding opportunities.

Financial Considerations:

The District anticipates receiving the remaining balance of CMAQ funding from SACOG to implement the SECAT program upon completion of the MOU. Additional funding is programmed in SACOG's Metropolitan Transportation Improvement Plan (MTIP) through 2020 under Phase 2 of SECAT.

Upon final receipt of any and all future funding for SECAT, staff will request District Emission Technology budget approvals as necessary. Funds will not be allocated to specific projects until the District finalizes grant agreements for each funding source and updates the program as necessary to comply with grant conditions.

ATTACHMENT –

PROPOSED MOU WITH SACOG

AMENDED AND RESTATED
SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
SACRAMENTO AREA COUNCIL OF GOVERNMENTS
MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is made effective as of ____________, 2017 (the "Effective Date") by and between the Sacramento Metropolitan Air Quality Management District, a California local public agency ("SMAQMD" or "District"), and the Sacramento Area Council of Governments, a California joint powers agency ("SACOG"), individually referred to as "party" and collectively as "parties."

1.0 Recitals

1.1 Effective November 1, 2008, SACOG and the District entered into a Memorandum of Understanding (the "Prior MOU") concerning the SECAT Program (defined in Recital 1.3, below). SACOG and the District intend that this MOU shall supersede and replace the Prior MOU, as well as any other prior agreements or understandings between the parties concerning the SECAT Program.

1.2 The District is part of the federal Sacramento Ozone Nonattainment Area, as defined in Health and Safety Code § 44299.50 ("SFNA" or "Nonattainment Area"). Ozone is formed by the interaction of precursor pollutants, including Nitrogen Oxide ("NOx"). The majority of NOx in the Sacramento Nonattainment Area is generated by vehicles, including heavy-duty vehicles and engines.

1.3 In 2000, the California state Legislature established the Sacramento Emergency Clean Air and Transportation Program ("SECAT I") to help the air districts within the Nonattainment Area comply with the federal standards. (Health and Safety Code § 44299.50, *et seq*.)

1.4 In 2008, SACOG received Congestion Mitigation and Air Quality (CMAQ) funding for additional SECAT projects ("SECAT II"). SECAT I and SECAT II are hereinafter referred to collectively as the "SECAT Program."

1.5 In order to successfully implement a coordinated air quality strategy for the Sacramento Ozone Nonattainment Area, the Legislature determined that the SECAT Program should be administered by SACOG, provided that SACOG may delegate the implementation of the Program to regional air districts, including SMAQMD. (Health and Safety Code § 44299.50, 44299.51.)

1.6 The SECAT Program offers financial incentives to the owners of heavy-duty vehicles and engines ("Participants") to encourage them to shift to technology that reduces emission of ozone precursor pollutants.

NOW, THEREFORE, in consideration of the mutual promises hereafter set forth, SMAQMD and SACOG agree as follows:

2.0 Terms and Conditions

2.1 **Delegation of SECAT II Responsibilities**

SACOG hereby delegates to the District, and the District hereby accepts, all responsibility for implementation of SECAT II within the SFNA, except for the Coordination Responsibilities, which shall remain SACOG's responsibility. As used in this MOU, the term "Coordination Responsibilities" means SACOG's responsibility under Health and Safety Code § 44299.53(c) to review and, if appropriate, approve the District's SECAT Program Policies and Guidelines. SACOG's reservation of the Coordination Responsibilities is necessary to ensure a coordinated air quality strategy for the SFNA. In addition to the Coordination Responsibilities, SACOG reserves its responsibility for SECAT I.

This delegation of SECAT II includes the ability to modify the performance requirements and terms and conditions of all SECAT Participant Agreements. Agreements that were executed by both SACOG and the District may be modified by the District as necessary to meet the program's air quality emission reduction responsibilities without approval from SACOG; provided that the District will give SACOG prior written notice of any such modifications. Changes that affect the fiscal obligations of SECAT will still require approval from SACOG.

SACOG authorizes the District to amend SECAT Agreements that predate this agreement without obtaining the consent or advice of SACOG, and waives any right to require approval of any individual amendment; provided that the District will give SACOG prior written notice of any such modifications. The District will indemnify and defend SACOG from and against all claims, demands, losses, damages, liabilities, costs, and expenses of whatever nature (including, but not limited to, litigation costs and reasonable attorney's fees) arising out of the amendment of an Agreement where the amendment was executed pursuant to the authority granted under this provision of this MOU.

2.2 **Approval of SECAT Program Policies and Guidelines**

At its meeting on October 29, 2015, the SACOG Board of Directors approved the District's 2015 SECAT Program Policies and Guidelines. The District will send any future changes to its SECAT Program Policies and Guidelines to SACOG staff for review. No material changes to the SECAT Program Policies and Guidelines will be effective unless and until they are formally approved by the SACOG Board of Directors.

2.3 **Term of MOU**

The term of this MOU will commence as of the Effective Date first above written and expire on December 31, 2026, unless previously terminated as provided for in this MOU or extended by written agreement between the parties, which written agreement is subject to approval by the FTA, FHWA, Caltrans, or any other Federal or State agency having jurisdiction.

2.4 **SECAT Funding**

SMAQMD will be responsible to obtain reimbursement for its costs in connection with SECAT II directly from the applicable state and federal funding agencies. SACOG will reasonably cooperate, at no cost to SACOG, with any SMAQMD efforts to obtain SECAT funding. as described below:

2.4.1 Upon execution of this MOU, SACOG will coordinate with the California Department of Transportation (Caltrans) to deobligate 50% of the unobligated SECAT II funding from SACOG, and will support the District's application to Caltrans to reobligate these funds to the District.

2.4.2 SACOG will retain 50% of the unobligated SECAT II funding to fund new applications received during the reobligation process and will continue to execute agreements with the District and the SECAT II applicants using the standard contract template used at the time this MOU is executed.

2.4.3 Once the reobligation process is completed, the District will fund new applications without SACOG responsibilities as outlined in this MOU. At that time, SACOG will coordinate with Caltrans to deobligate all SECAT II funding not already obligated to SECAT II applicants and will support the District's application to Caltrans to reobligate these funds to the District.

2.4.4 All agreements approved by SACOG prior to the deobligation of all SECAT funds will remain the responsibility of SACOG to reimburse according to the terms and conditions of each agreement.

2.4.5 Any SECAT II reimbursements will be processed by the District. Any SECAT I reimbursements will be forwarded to SACOG.

2.4.6 SACOG will retain SECAT II in its 2017-2020 Metropolitan Transportation Improvement Program (MTIP).

2.5 **Indemnification**

SMAQMD will indemnify and defend SACOG, its officers, agents and employees from and against all claims, demands, losses, damages, liabilities, costs, and expenses of whatever nature (including, but not limited to, litigation costs and reasonable attorney's fees) arising out of the performance of this MOU, but only in proportion to and to the extent such claims, losses, damages, liabilities, costs and expenses are caused by, or result from, the negligent or intentional acts or omissions of SMAQMD, its officers, agents or employees.

SACOG will indemnify and defend SMAQMD, its officers, agents and employees from and against all claims, demands, losses, damages, liabilities, costs, and expenses of whatever nature (including, but not limited to, litigation costs and reasonable attorney's fees) arising out of the performance of this MOU, but only in proportion to and to the extent such claims, losses, damages, liabilities, costs and expenses are caused by, or result from, the negligent or intentional acts or omissions of SACOG, its officers, agents or employees.

SMAQMD and SACOG will pay all costs that may be incurred by the other party in enforcing this indemnity agreement, including reasonable attorney's fees and litigation expenses. The provisions of this section will survive the expiration or termination of this MOU.

2.6 **<u>Integration and Alteration</u>**
This MOU represents the entire understanding of the parties as to those matters contained herein and supersedes all prior negotiations, representations, or agreements, both written and oral. No variation or amendment of the terms of this MOU will be valid unless made in writing and signed by both parties.

2.7 **<u>Termination</u>**
Either party may terminate this MOU without cause upon thirty (30) days written notice served upon the other party.

2.8 **<u>Notices</u>**

Any notice, demand, request, consent, or approval that either may be or is required to give the other must be in writing and be either personally delivered or sent by prepaid, certified first class mail, return receipt requested, addressed as follows:

To SACOG	To SMAQMD
Mike McKeever, Chief Executive Officer SACOG 1415 L Street, Suite 300 Sacramento, CA 95814 Phone (916) 321-9000 Fax (916) 321-9551	Larry Greene, Air Pollution Control Officer SMAQMD 777 12th Street, Suite 300 Sacramento, CA 95814 Phone (916) 874-4802 Fax (916) 874-4805

a. **Change of Address:** Either party may change the address for service by giving 15 days advance written notice to the other party.

b. **Effective Date:** All notices will be effective upon receipt and will be deemed received (i) upon delivery if personally delivered, (ii) on the 5th day following deposit in the mail, if sent by certified mail, or (iii) upon the date stated in the facsimile delivery confirmation, if sent by facsimile.

2.9 **<u>Inspection, Audit, and Retention of Records</u>**

a. SACOG or its designee, and the District or its designee, have the right to inspect, review, copy, and audit all books, records, computer records, accounts, documentation, and any other materials pertaining to this MOU and/or either party's performance of this MOU (collectively referred to as “Records”), including any Records in the possession of consultants, contractors, or other third parties. Such Records shall include all records of employment, employment advertisements, employment application forms, and other pertinent employment data, as well as any records pertaining to compliance with Public Contract Code 10115, et seq. and Title 21, California Code of Regulations, Chapter 21, Section 2500 et seq. (when applicable) and other matters connected with the performance of the contract pursuant to Government Code Section 8546.7. Both parties agree to provide any relevant information requested and to permit access to their premises, upon reasonable notice, during normal business hours, for the purpose of inspecting, copying, and auditing. The parties further agree to maintain Records in accordance with applicable federal retention requirements (49 CFR §18.42) and to maintain individual Participant Agreement records for a period of three (3) years after the expiration or termination date of such individual Participant Agreement.

b. If so directed by SACOG upon expiration or termination of this MOU, the District will cause all Records relevant to the SECAT Program to be delivered to SACOG as depository.

2.10 **Severability**

If any term or provision of this MOU is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provisions of this MOU, and this MOU will be construed and enforced as if the invalid or unenforceable provision had not been included, unless the exclusion of the term or provision, or the application of the term or provision, would result in a material change that would cause completion of the obligations contemplated herein to be unreasonable.

2.11 **Statutory and Other Limitations**

SMAQMD will comply with all applicable federal and state laws, codes, ordinances, regulations, orders, circulars and directives, including, without limitation, all federal requirements associated with the SECAT Program (hereinafter "federal or state law"). These regulations, orders, circulars, and directives include, without limitation, the following: 49 CFR Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31.000 et seq.; and 2 CFR, Chapters 1 and 2, Parts 200, 215, 220, 225, and 230, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Further, SMAQMD will require the appropriate debarment certification form from all contractors and SMAQMD certifies that it will not knowingly enter into any transaction with a contractor, subcontractor, material supplier, or vendor who is debarred, suspended, declared ineligible, or voluntarily excluded from covered transactions by any federal or state agency.

This MOU is subject to the provisions and limitations imposed by federal and state law. SACOG has no liability for payment of any compensation or expenses to SMAQMD.

2.12 **Reporting and Accounting Requirements:**

a. On a quarterly basis, District will provide SACOG with a written report on its activities under the SECAT Program.

b. District agrees that the "Contract Cost Principles and Procedures," 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31.000, *et seq*., "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," 2 CFR, Part 200, 23 CFR, and any other applicable State or Federal Regulations, will be used to determine the allowability of individual items of cost.

c. District shall comply with, and shall require its subcontractors to comply with, the requirements for non-State employee travel and subsistence (per diem) expenses found in the California Department of Transportation ("Caltrans") Travel Guide, Non-State Employee Travel (referencing the current California Department of Personnel Administration rules) at the following link: http://www.dot.ca.gov/hq/asc/travel/index.htm. Lodging rates shall not exceed rates authorized to be paid non-State employees unless written verification is supplied that such rates are not commercially available to District and/or its subcontractors at the time and location required as specified in the Caltrans Travel Guide Exception Process.

d. District and its subcontractors shall establish and maintain an accounting system conforming to Generally Accepted Accounting Principles (GAAP) which segregates and accumulates reasonable, allowable, and allocable costs and matching funds for work elements by line item.

e. Any costs for which payment has been made to District that are determined by subsequent audit to be unallowable under 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31.000, et seq., 2 CFR, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 23 CFR, 49 CFR, Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, or any other applicable State or Federal Regulations, are subject to repayment by District to Caltrans. Should District fail to return disallowed costs to Caltrans within thirty (30) days, Caltrans is authorized to withhold payments due to District from other Caltrans-administered programs.

f. District and its contractors and subcontractors shall comply with: 23 CFR; Caltrans' Local Assistance Procedures Manual (at http://www.dot.ca.gov/hq/LocalPrograms/lam/lapm.htm); Caltrans' Local Assistance Programs Guidelines (at http://www.dot.ca.gov/hq/LocalPrograms/lam/lapg.htm); California Public Contract Code, Sections 10300 to 10334, and 10335 to 10381; and all other applicable State and Federal statutes, regulations, and guidelines or additional restrictions, limitations, conditions, or any statute enacted by the state Legislature or adopted by the California Transportation Commission that may affect the provisions, terms, or funding of the SECAT Program in any manner.

g. Any District contract or subcontract in excess of $25,000 entered into in connection with the SECAT Program, will contain all of the provisions of Subsections 2.12 (b) through 2.12 (f), above.

2.13 **Contractors and Subcontractors:** District will be fully responsible for all work performed by its contractors and subcontractors. Any contract or subcontract to be funded in whole or in part using funds provided under this MOU will require the contractor and its subcontractors, if any, to:

a. Comply with applicable State and Federal law requirements that pertain to, among other things, labor standards, Non-Discrimination, the Americans with Disabilities Act, Equal Employment Opportunity, the Drug-Free Workplace Act, 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31.000, et seq., 49 CFR, Part 18, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments," and "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," 2 CFR, Part 200.

b. Maintain at least the minimum State-required Workers' Compensation Insurance for those employees who will perform the work or any part of it.

c. Maintain unemployment insurance and disability insurance as required by law, along with liability insurance in an amount that is reasonable to compensate any person, firm, or corporation who may be injured or damaged by the District or any subcontractor in performing work associated with this MOU or any part of it.

d. Retain all books, records, accounts, documentation, and all other materials relevant to this MOU for a period of three (3) years from the date of termination of this MOU, or three (3) years from the conclusion or resolution of any and all audits or litigation relevant to this MOU and any amendments, whichever is later.

e. Permit SACOG and/or its representatives, upon reasonable notice, unrestricted access to any or all books, records, accounts, documentation, and all other materials relevant to this MOU for the purpose of monitoring, auditing, or otherwise examining said materials.

f. Comply with all applicable requirements of Title 49, Part 26 of the Code of Federal Regulations, as set forth in Section 28.

2.14 **Independent Contractor:** The District, and the agents and employees of the District, in the performance of this MOU, will act as and be independent contractors and not officers or employees or agents of SACOG. District, its officers, employees, agents, and subcontractors, if any, will have no power to bind or commit SACOG to any decision or course of action, and will not represent to any person or business that they have such power. District has and will retain the right to exercise full control of the supervision of the work and over the employment, direction, compensation and discharge of all persons assisting District in the performance of work funded by the SECAT Program. District will be solely responsible for all matters relating to the payment of its employees and contractors including, but not limited to, compliance with all laws, statutes, and regulations governing such matters.

2.15 **Waiver:** No waiver of any breach of this MOU may be held to be a waiver of any prior or subsequent breach. The failure of either party, at any time, to enforce the provisions of this MOU or to require performance by the other party of these provisions, may not be construed to be a waiver of the provisions or to affect the validity of this MOU or the right of either party to enforce these provisions.

2.16 **Headings:** The headings of the various sections of this MOU are intended solely for convenience of reference and are not intended to explain, modify, or influence the interpretation of the MOU provisions.

2.17 **Counterparts:** This MOU may be signed in one or more counterparts, each of which will constitute an original and all of which taken together shall constitute one and the same instrument.

2.18 **Assignment:** The parties understand that SACOG entered into this MOU based on the Project proposed by District. Therefore, without the prior express written consent of SACOG, this MOU is not assignable by the District either in whole or in part.

2.19 **Binding Agreement:** This MOU will be binding on the parties hereto, their assigns, successors, administrators, executors, and otherrepresentatives.

2.20 **Time:** Time is of the essence in this MOU.

2.21 **Litigation:** District will notify SACOG immediately of any claim or action undertaken by it or against it that affects or may affect this MOU or SACOG, and will take such action with respect to the claim or action as is consistent with the terms of this MOU and the interests of SACOG.

2.22 **Americans with Disabilities Act (ADA) of 1990; Accessibility:** By signing this MOU, District assures SACOG that it complies with the Americans with Disabilities Act (ADA) of 1990 (42 U.S.C. § 12101, et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA including, but not limited to, those found within the Code of Federal Regulations, Title 49, parts 27, 37, and 38. District also agrees that it will award no construction contract unless its plans and specifications for such facilities conform to the provisions of California Government Code section 4450 and 4454, if applicable.

2.23 **Compliance with Non-discrimination and Equal Employment Opportunity Laws:** It is SACOG's policy to comply with State and Federal laws and regulations including Title VI of the Civil Rights Act of 1964, Americans with Disabilities Act of 1990 (ADA) and other Federal discrimination laws and regulations, (including 49 CFR Part 21 through Appendix C, 23 CFR part 200, 23 CFR part 230, 49 U.S.C. 5332, 42 U.S.C. 12101 et seq., and the Title VI Assurance executed by California under 23 U.S.C. 324 and 29 U.S.C. 794), as well as the Unruh Civil Rights Act of 1959, the California Fair Employment and Housing Act (Government Code, §§ 12900 et seq.), and other California State discrimination laws and regulations. SACOG does not discriminate on the basis of race, color, sex, creed, religious creed, national origin, age, marital status, ancestry, medical condition, disability (including HIV and AIDS), sexual orientation or gender identity in conducting its business. SACOG prohibits discrimination by its employees, Districts, contractors and consultants.

District hereby certifies, under penalty of perjury under the laws of California, that it complies with, and that District will require that its contractors and subcontractors comply with, the following non-discrimination and equal opportunity laws. Any failure by District to comply with these provisions shall constitute a material breach of this MOU, which may result in the termination of this MOU or such other remedy as SACOG may deem appropriate.

a. District and its contractors and subcontractors shall comply with all provisions prohibiting discrimination on the basis of race, color, or national origin of Title VI of the Civil Rights Act of 1964, as amended, 42 U.S.C. §§ 2000d, et seq., with U.S. D.O.T. regulations, "Nondiscrimination in Federally-Assisted Programs of the Department of Transportation – Effectuation of Title VI of the Civil Rights Act", 49 C.F.R. Part 21, and with any applicable implementing Federal directives that may be issued. Title VI provides that the recipients of federal assistance will implement and maintain a policy of nondiscrimination in which no person in the State of California shall, on the basis of race, color, national origin, religion, sex, age, or disability, be excluded from participation in, denied the benefits of, or subject to discrimination under any program or activity by the recipients of federal assistance or their assignees and successors in interest.

b. District and its contractors and subcontractors shall comply with all applicable equal employment opportunity (EEO) provisions of 42 U.S.C. § 2000e, implementing Federal regulations, and any applicable implementing Federal directives that may be issued. District and its contractors and subcontractors shall ensure that applicants and employees are treated fairly without regard to their race, color, creed, sex, disability, age, or national origin.

c. District and its contractors and subcontractors will act in accordance with Title VI and will not unlawfully discriminate, harass, or allow harassment, against any employee or applicant for employment because of sex, sexual orientation, race, color, ancestry, religion, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition, age or marital status, and shall comply with Exhibit C, "Fair Employment Practices Addendum" and Exhibit D, "Non-Discrimination Assurances" attached hereto and incorporated herein by this reference. District and its contractors and subcontractors will further ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment, including the improper denial of family and medical care leave and pregnancy disability leave. District and its contractors and subcontractors will comply with all applicable Federal and State employment laws and regulations including, without limitation, the provisions of the California Fair Employment and Housing Act (Government Code § 12900, et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, § 7285.0, et seq.), as well as Title 2, California Administrative Code, Section 8103. The applicable regulations of the Fair Employment and Housing Commission implementing Government Code §§ 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this MOU by reference and made a part hereof as if set forth in full. District and its contractors and subcontractors will give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

d. District and its subcontractors shall also comply with the Older Americans Act, as amended (42 U.S.C. 6101), prohibiting discrimination on the basis of age, Section 324 of Title 23 U.S.C., prohibiting discrimination based on gender, and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and 49 CFR part 27 regarding discrimination against individuals with disabilities.

e. District, with regard to the work performed by it, shall act in accordance with Title VI. Specifically, District shall not discriminate on the basis of race, color, national origin, religion, sex, age, or disability in the selection and retention of subcontractors, including procurement of materials and leases of equipment. District shall not participate either directly or indirectly in the discrimination prohibited by Section 21.5 of the U.S. DOT's Regulations, including employment practices when the agreement covers a program whose goal is employment.

f. District and its contractors will include the provisions of this Section 21 in all contracts to perform work funded under this MOU.

2.24 **Drug-Free Certification:** By signing this MOU, District hereby certifies under penalty of perjury under the laws of the State of California that District will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code § 8350, et seq.) and will provide a drug-free workplace by taking the following actions:

a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited, and specifying actions to be taken against employees for violations.

b. Establish a Drug-Free Awareness Program to inform employees about:

(1) The dangers of drug abuse in the workplace;

(2) The person's or the organization's policy of maintaining a drug-free workplace;

(3) Any available counseling, rehabilitation, and employee assistance programs; and

(4) Penalties that may be imposed upon employees for drug abuse violations.

c. Every employee of District who works under this MOU will:

(1) Receive a copy of District's Drug-Free Workplace Policy Statement; and

(2) Agree to abide by the terms of District's Statement as a condition of employment on this MOU.

2.25 **Union Organizing:** By signing this MOU, District hereby acknowledges the applicability of Government Code § 16645 through § 16649 to this MOU, excluding § 16645.2 and § 16645.7.

a. District will not assist, promote, or deter union organizing by employees performing work on this MOU if such assistance, promotion, or deterrence contains a threat of reprisal or force, or a promise of benefit.

b. District will not meet with employees or supervisors on SACOG or State property if the purpose of the meeting is to assist, promote, or deter union organizing, unless the property is equally available to the general public for meetings.

2.26 **Prohibition of Expending State or Federal Funds for Lobbying:**

a. District certifies, to the best of its knowledge or belief, that:

(1) No State or Federal appropriated funds have been paid or will be paid, by or on behalf of the District, to any person for influencing or attempting to influence an officer or employee of any State or Federal agency, a Member of the State Legislature or United States Congress, an officer or employee of the Legislature or Congress, or any employee of a Member of the Legislature or Congress in connection with the awarding of any State or Federal contract, the making of any State or Federal grant, the making of any State or Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any State or Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any Federal agency, a Member of Congress, an officer or employee of Congress, or any employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the District will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

b. This certification is a material representation of fact upon which reliance was placed when this MOU was entered into. Submission of this certification is a prerequisite for making or entering into this MOU imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification will be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

c. District also agrees by signing this MOU that it will require that the language of this certification be included in all lower tier contracts and subcontracts.

2.27 **Prevailing Wage and Labor Requirements:**

a. Should District award any construction contracts utilizing Federal funds under this MOU, District agrees to comply with all pertinent statutes, rules and regulations promulgated by the Federal government including, but not limited to, (i) prevailing wage requirements of the Davis Bacon Act (40 U.S.C. §276a, et seq.) and related regulations (29 CFR Part 5); (ii) anti-kick back and payroll records requirements of the Copeland "Anti-Kickback" Act (40 U.S.C. §276c and 18 U.S.C. §874) and related regulations (29 CFR Part 3); and (iii) workweek computation and overtime requirements of the Contract Work Hours and Safety Standards Act (40 U.S.C. §327-333) and related regulations (29 CFR Part 5).

b. Should District award any "public work" contract, as defined by California Labor Code Section 1720, utilizing State funds under this MOU, District agrees to comply with all pertinent California statutes, rules, and regulations including, but not limited to, prevailing wage provisions of Labor Code Section 1771.

c. Any contract or subcontract entered into as a result of this MOU will contain all of the provisions of this section.

2.28 **State Prevailing Wage Rates:** If District's activities under this MOU involve a public works project pursuant to California Labor Code Section 1720, et seq., including surveying work, then the following provisions apply:

a. District shall comply with the State of California's General Prevailing Wage Rate requirements in accordance with California Labor Code, Section 1770, and all Federal, State, and local laws and ordinances applicable to the work.

b. Any subcontract entered into as a result of this MOU, if for more than $25,000 for public works construction or more than $15,000 for the alteration, demolition, repair, or maintenance of public works, shall contain all of the provisions of this Section.

c. When prevailing wages apply, transportation and subsistence costs shall be reimbursed at the minimum rates set by the Department of Industrial Relations (DIR) as outlined in the applicable Prevailing Wage Determination. See http://www.dir.ca.gov."

2.29 **Disadvantaged Business Enterprise (DBE) Assurances by SACOG:** SACOG has signed the following assurances, applicable to all U.S. Department of Transportation (DOT) assisted contracts: SACOG shall not discriminate on the basis of race, color, national origin, or sex in the award or performance of any DOT assisted contract or in the administration of its DBE Program or the requirements of 49 Code of Federal Regulations (CFR) Part 26. SACOG shall take all necessary and reasonable steps under 49 CFR Part 26 to ensure nondiscrimination in the award and administration of DOT assisted contracts. SACOG's DBE Program, as required by 49 CFR Part 26 and as approved by DOT, is incorporated by reference in this MOU. Implementation of the SACOG DBE Program is a legal obligation and failure to carry out its terms shall be treated as a violation of this MOU. Upon notification to SACOG of any failure to carry out its approved program, DOT may impose sanctions as provided for under Part 26 and may, in appropriate cases, refer the matter for enforcement under 18 USC 1001 and/or the Program Fraud Civil Remedies Act of 1986 (31 USC 3801, et seq.).

2.30 **Disadvantaged Business Enterprise (DBEs) Participation by District and its Contractors:** This MOU is subject to, and District agrees to comply with, Title 49, Part 26 of the Code of Federal Regulations (CFR) entitled "Participation by Disadvantaged Business Enterprises in Department of Transportation (DOT) Financial Assistance Programs." DBE's and other small businesses, as defined in Title 49 CFR Part 26, are encouraged to participate in the performance of agreements financed in whole or in part with Federal funds; however, DBE participation is not a condition of award. District agrees to complete the SACOG DBE Information Form so that SACOG may compile statistics for Federal reporting purposes. The SACOG DBE Information Form is attached hereto as Exhibit A and incorporated herein by this reference.

a. **Non-Discrimination:** District shall not discriminate on the basis of race, color, national origin, or sex in the performance of this MOU. District shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of United States Department of Transportation-assisted contracts. Failure by District to carry out these requirements is a material breach of this MOU, which may result in the termination of this MOU or such other remedy, as SACOG deems appropriate.

b. **Prompt Payments to DBE and Non-DBE Subcontractors:** District shall insert the following clauses in any contract funded under this MOU:

(1) Contractor agrees to pay each subcontractor under this MOU for satisfactory performance of its contract no later than 30 days from the receipt of each payment Contractor receives from District. Any delay or postponement of payment from the above-referenced time frame may occur only for good cause following written approval of District. This clause applies to both DBE and non-DBE subcontracts.

(2) Contractor agrees to return retainage payments to each subcontractor within 30 days after the subcontractor's work is satisfactorily completed. Any delay or postponement of payment from the above-referenced time frame may occur only for good cause following written approval of District. Pursuant to 49 CFR Section 26.29, a subcontractor's work will be deemed satisfactorily completed when all the tasks called for in the subcontract have been accomplished and documented as required by District agency. If District makes an incremental acceptance of a portion of the work hereunder, the work of a subcontractor covered by that acceptance will be deemed satisfactorily completed. This clause applies to both DBE and non-DBE subcontracts.

In the event Contractor fails to promptly return retainage as specified above, District shall consider it a breach of the contract, which may result in the termination of the contract or other such remedy as District agency deems appropriate including, but not limited to, administrative sanctions or penalties, including the remedies specified in Section 7108.5 of the California Business and Professions Code.

(3) The foregoing requirements shall not be construed to limit or impair any contractual, administrative, or judicial remedies otherwise available to Contractor or subcontractor in the event of a dispute involving late payment or non-payment to the Contractor or deficient subcontract performance or noncompliance by a subcontractor.

c. **Records:** District shall maintain records of all contracts and subcontracts entered into with certified DBEs and records of materials purchased from certified DBE suppliers.

The records shall show the name and business address of each DBE contractor, subcontractor or vendor and the total dollar amount actually paid each DBE contractor, subcontractor or vendor. The records shall show the date of payment and the total dollar figure paid to all firms. Upon completion of the contract, a summary of these records shall be prepared and submitted to SACOG.

d. **Termination of a DBE:** In conformance with 49 CFR Section 26.53:

(1) District shall not permit its contractor to terminate a listed DBE subcontractor unless the contractor has received prior written authorization from District's Project Manager. District's Project Manager will authorize termination only if the Project Manager determines that the contractor has good cause to terminate the DBE subcontractor. As used in this Section, "good cause" includes those circumstances listed in 49 CFR Section 26.53(f)(3).

(2) Prior to requesting District's authorization to terminate and/or substitute a DBE subcontractor, the contractor shall give notice in writing to the DBE subcontractor, with a copy to District, of its intent to request termination and/or substitution, and the reason for the request. The DBE subcontractor shall have five (5) days to respond to the contractor's notice and state the reasons, if any, why it objects to the proposed termination of its subcontract and why District should not approve the contractor's action. District may, in instances of public necessity, approve a response period shorter than five (5) days.

(3) If a DBE subcontractor is terminated or fails to complete its work for any reason, the contractor shall be required to make good faith efforts to replace the original DBE subcontractor with another DBE.

e. **DBE Certification and Decertification:** If a DBE subcontractor is decertified during the life of the contract, the decertified subcontractor shall notify the District in writing with the date of decertification. If a subcontractor becomes a certified DBE during the life of the contract, the subcontractor shall notify the District in writing with the date of certification. The contractor shall then provide to SACOG's Project Manager written documentation indicating the DBE's existing certification status.

f. **Noncompliance by District:** District's failure to comply with any requirement of this Section is a material breach of this MOU, which may result in the termination of this MOU or such other remedy as SACOG may deem appropriate.

g. Any contract entered into by District as a result of this MOU shall contain all of the provisions of this Section.

2.31 **Non-Liability of SACOG:** SACOG shall not be liable to District or any third party for any claim for loss of profits or consequential damages. Further, SACOG shall not be liable to

District or any third party for any loss, cost, claim or damage, either direct or consequential, allegedly arising from a delay in performance or failure to perform under this MOU.

2.32 **Debarment Responsibilities:** District agrees that it will comply with the provisions of 24 CFR Part 24 relating to the employment, engagement of services, awarding of contracts or funding of any contractors or subcontractors during any period of debarment, suspension or placement in ineligibility status.

2.33 **Costs and Attorneys' Fees:** If either party commences any legal action against the other party arising out of this MOU or the performance thereof, the prevailing party in such action may recover its reasonable litigation expenses, including court costs, expert witness fees, discovery expenses, and reasonable attorneys' fees.

2.34 **Governing Law and Choice of Forum:** This MOU will be administered and interpreted under California law as if written by both parties. Any litigation arising from this MOU will be brought in the Superior Court of Sacramento County.

2.35 **Ownership; Permission:** District represents and warrants that all materials used in the performance of the SECAT Project work, including, without limitation, all computer software materials and all written materials are either produced and owned by District or that all required permissions and license agreements have been obtained and paid for by District. District will defend, indemnify and hold harmless SACOG and its directors, officers, employees, and agents from any claim, loss, damage, cost, liability, or expense to the extent of any violation or falsity of the foregoing representation and warranty.

2.36 **Amendments Required by Federal or State Agencies:** If the FTA, FHWA, Caltrans, or any other Federal or State agency having jurisdiction, requires a change to the terms of this MOU, the parties will amend this MOU as necessary, or will terminate it immediately.

2.37 **Ambiguities:** The parties have each carefully reviewed this MOU and have agreed to each term and condition herein. No ambiguity will be construed against either party.

2.38 **Press Releases:** Each party will obtain other party's prior written approval of any press releases, or other public outreach materials, that include any reference to such other party or such other party's logo.

2.39 **FFATA Requirements:** District agrees that it will comply with the requirements of the Federal Funding Accountability and Transparency Act (FFATA), including U.S. OMB guidance, "Reporting Subaward and Executive Compensation Information," 2 C.F.R. Part 170, [75 Fed. Reg. 55670 - 55671, September 14, 2010]. District's compliance shall include the reporting, record retention, and access requirements set forth in Exhibit B, attached hereto and incorporated herein.

2.40 **Clean Air Act:** District agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act, as amended, including sections 174 and 176, subdivisions (c) and (d) (42 U.S.C. §§ 7504, 7506 (c) and (d)) and 40 CFR part 93 ("Clean Air requirements"). District agrees to report each Clean Air requirement violation to SACOG and understands and agrees that SACOG will, in turn, report each Clean Air requirement violation as required to assure notification to FTA and the appropriate EPA Regional Office. District also agrees to include these requirements in each subcontract exceeding $100,000 financed in whole or in part with Federal assistance provided by FTA.

2.41 **Rebates, Kickbacks, or Other Unlawful Consideration:** District warrants that this MOU was not obtained or secured through rebates, kickbacks or other unlawful consideration, either promised or paid to any SACOG employee. For breach or violation of this warranty, SACOG shall have the right, in its discretion: to terminate this Agreement without liability; to pay only for the value of the work actually performed; or to deduct from the MOU price, or otherwise recover the full amount of such rebate, kickback or other unlawful consideration.

2.42 **Authority to Bind:** The persons signing on behalf of the parties to this MOU warrant that they have the legal authority to execute this MOU.

Executed by:

Sacramento Metropolitan Air Quality Management District	Sacramento Area Council of Governments
_________________________ Larry Greene Executive Director / Air Pollution Control Officer	_________________________ Mike McKeever Chief Executive Officer
Approved as to form:	Approved as to form:
_________________________ Kathrine Pittard District Counsel	_________________________ Kirk E. Trost SACOG Legal Counsel

EXHIBIT A

DISADVANTAGED BUSINESS ENTERPRISE INFORMATION FORM

Background

The term "Disadvantaged Business Enterprise" or "DBE" means a for-profit small business concern as defined in Title 49, Part 26.5, Code of Federal Regulations (CFR). It is the policy of the Sacramento Area Council of Governments (SACOG), the California Department of Transportation ("Caltrans"), and the U.S. Department of Transportation that DBE's have the maximum opportunity to participate in the performance of contracts financed in whole or in part with Federal transportation funds. A certified DBE may participate in the performance of SACOG contracts as a contractor, subcontractor, joint venture partner, or as a vendor of material or supplies.

Requirements and Purpose of Form

The awardee shall not discriminate on the basis of race, color, national origin, or sex in the award and performance of subcontracts. Even if no DBE participation will be reported, the awardee shall check the "No DBE Participation" option below (Option #1), and sign and return this form.

Resources

The California Unified Certification Program (CUCP) may be used for DBE certification and to identify firms eligible to participate as DBE's. The CUCP database may be accessed on-line at http://www.californiaucp.com If you believe a firm is certified but cannot locate it in the CUCP database, you may contact the CalTrans Office of Certification toll free number 1-866-810-6346 for assistance. If you do not have internet access, you may order a written directory of certified DBE firms from the CalTrans Division of Procurement and Contracts/Publication Unit, 1900 Royal Oaks Drive, Sacramento, CA 95815, Telephone: (916) 445-3520.

DBE Participation Information

(Awardee *must check at least one of the options below, provide required information regarding certified DBE's, and sign this Information Sheet on page 3*)

___ __ Option #1 - No Certified DBE participation proposed for this contract.

_____ Option #2 - It is proposed that the following DBE(s) be used on this contract:

(*Please attach an additional sheet if necessary*)

________________________________	____________________
Name of Certified DBE	DBE Certification No.
________________________________	____________________
DBE Address	DBE Telephone No.
________________________________	____________________
	DBE E-Mail Address

Annual Gross Receipts (check one): ___ Less than $500,000

___ $500,000-$1 million Age of Firm
___ $1 million-$2 million
___ $2 million-$5 million
___ Over $5 million

Race/Ethnicity: ___ Asian Pacific ___ Caucasian ___ Other
___ Asian Subcontinent ___ Hispanic
___ Black ___ Native American

Capacity of DBE (*e.g., contractor, subcontractor, vendor*) $ Amount DBE Participation

Description of services or materials to be provided by DBE

~~**Name of Certified DBE**~~ ~~DBE Certification No.~~

~~DBE Address~~ ~~DBE Telephone No.~~

~~DBE E-Mail Address~~

Annual Gross Receipts (check one): ___ Less than $500,000
$500,000-$1 million Age of Firm
___ $1 million-$2 million
___ $2 million-$5 million
Over $5 million
___ ___

Race/Ethnicity: ___ Asian Pacific ___ Caucasian ___ Other

___ Asian Subcontinent ___ Hispanic
___ Black ___ Native American

Capacity of DBE (*e.g., contractor, subcontractor, vendor*) $ Amount DBE Participation

Description of services or materials to be provided by DBE

Submitted by:

Signature **Date**

Print Name and Title

~~**Name of Contractor, if different than signatory**~~

EXHIBIT B

Reporting, Record Retention, and Access Requirements (Federal Funding Accountability and Transparency Act – FFATA)

1. Requirement for Data Universal Numbering System (DUNS) Number.
   District shall provide its Data Universal Number System (DUNS) number to SACOG. A DUNS number means the nine-digit number established and assigned by Dun and Bradstreet, Inc. (D&B) to uniquely identify business entities. A DUNS number may be obtained from D&B by telephone (currently at 866-705-5711) or the Internet (currently at http://fedgov.dnb.com/webform).

2. Reporting of First-Tier Subawards.
   a. SACOG is required to report each action that obligates $25,000 or more in Federal funds, not including Recovery Act funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5), to http://www.fsrs.gov no later than the end of the month following the month in which the obligation is made. SACOG is required to report, and District shall provide to SACOG, the following information regarding the District and the award:
      i. Name of entity receiving award
      ii. Amount of award
      iii. Funding agency
      iv. NAICS code for contracts / CFDA program number for grants
      v. Program source
      vi. Award title descriptive of the purpose of the funding action
      vii. Location of the entity (including congressional district)
      viii. Place of performance (including congressional district)
      ix. Unique identifier of the entity and its parent; and
      x. Total compensation and names of top five executives, if applicable.
   b. Upon execution of this MOU, District shall promptly provide SACOG with all information necessary to facilitate SACOG's compliance with the FFATA reporting requirements.

3. Reporting Total Compensation of District Executives.
   a. District shall report to SACOG the names and total compensation of each of District's five most highly compensated executives for District's preceding completed fiscal year, if in District's preceding fiscal year, District received:
      i. 80 percent or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Federal Funding Accountability and Transparency Act (FFATA), as defined at 2 C.F.R. § 170.320 (and subawards); and
      ii. $25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts), and Federal financial assistance subject to the FFATA(and subawards); and
      iii. The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the

Securities Exchange Act of 1934, 15 U.S.C. § 78m(a), 78o(d), or section 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at http://www.sec.gov/answers/execomp.htm.)

iv. Total compensation means the cash and noncash dollar value earned by the executive during the District's preceding fiscal year and includes the following (for more information see 17 C.F.R. § 229.402(c)(2)):

I. Salary and bonus.

II. Awards of stock, stock options, and stock appreciation rights. Use the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with the Statement of Financial Accounting Standards No. 123 (Revised 2004) (FAS 123R), Shared Based Payments.

III. Earnings for services under non-equity incentive plans. This does not include group life, health, hospitalization or medical reimbursement plans that do not discriminate in favor of executives, and are available generally to all salaried employees.

IV. Change in pension value. This is the change in present value of defined benefit and actuarial pension plans.

V. Above-market earnings on deferred compensation which is not tax-qualified.

VI. Other compensation, if the aggregate value of all such other compensation (*e.g.* severance, termination payments, value of life insurance paid on behalf of the employee, perquisites or property) for the executive exceeds $10,000.

4. District shall for a minimum of three years after execution of this Agreement, maintain intact and readily accessible all data, documents, reports, records, subagreements, leases, third party contracts, and supporting materials related to the Project as the Federal Government may require.

5. District shall permit, and require its subawardees to permit, the U.S. Secretary of Transportation, the Comptroller General of the United States, SACOG, and, to the extent appropriate, the State, or their authorized representatives, upon their request to inspect all Project work, materials, payrolls, and other data, and to audit the books, records, and accounts of the Subecipient and its subawardees pertaining to the Project, as required by 49 U.S.C. § 5325(g).

6. Project Closeout. District agrees that Project closeout does not alter the reporting and record retention requirements of this Agreement.

Federal Funding Accountability and Transparency Act (FFATA) Form

Requirements and Purpose of Form
In accordance with the reporting requirements by the Federal Funding Accountability and Transparency Act (FFATA), including U.S. OMB guidance, it is the policy of the Sacramento Area Council of Governments (SACOG) that subrecipients shall provide the following information, which information will be reported by SACOG for FFATA compliance purposes:

1. Name of Entity Receiving Award:

2. Amount of Award:

3. Funding Agency:

4. Data Universal Numbering System (DUNS) Number:

5. NAICS Code:

6. CFDA Program Number:

7. Program source:

8. Award title descriptive of the purpose of funding action:

____

9. Location of Entity (including congressional district):

10. Place of Performance (including congressional district):

11. Unique Identifier of the Entity and its Parent:

12. Total compensation and names of top five executives, if applicable: $
    a. Executive name:
    b. Executive name:
    c. Executive name:
    d. Executive name:
    e. Executive name:

District hereby represents that all of the foregoing information is true and correct.

Submitted by:

_______________________________ _______________________________
Signature **Print Name and Title**

Name of Contractor, if different than signatory **Date**
_______________________________ _______________________________

EXHIBIT C

FAIR EMPLOYMENT PRACTICES ADDENDUM

1. In the performance of this Agreement, ADMINISTERING AGENCY will not discriminate against any employee for employment because of race, color, sex, sexual orientation, religion, ancestry or national origin, physical disability, medical condition, marital status, political affiliation, family and medical care leave, pregnancy leave, or disability leave. ADMINISTERING AGENCY will take affirmative action to ensure that employees are treated during employment without regard to their race, sex, sexual orientation, color, religion, ancestry, or national origin, physical disability, medical condition, marital status, political affiliation, family and medical care leave, pregnancy leave, or disability leave. Such action shall include, but not be limited to, the following: employment; upgrading; demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. ADMINISTERING AGENCY shall post in conspicuous places, available to employees for employment, notices to be provided by STATE setting forth the provisions of this Fair Employment section.

2. ADMINISTERING AGENCY, its contractor(s) and all subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 1290-0 et seq.), and the applicable regulations promulgated thereunder (California code of Regulations, Title 2, Section 7285.0 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code, Section 12900(a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations are incorporated into this AGREEMENT by reference and made a part hereof as if set forth in full. Each of the ADMINISTERING AGENCY'S contractors and all subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreements, as appropriate.

3. ADMINISTERING AGENCY shall include the nondiscrimination and compliance provisions of this clause in all contracts and subcontracts to perform work under this AGREEMENT.

4. ADMINISTERING AGENCY will permit access to the records of employment, employment advertisements, application forms, and other pertinent data and records by STATE, the State Fair Employment and Housing Commission, or any other agency of the State of California designated by STATE, for the purposes of investigation to ascertain compliance with the Fair Employment section of this Agreement.

5. Remedies for Willful Violation:

(a) STATE may determine a willful violation of the Fair Employment provision to have occurred upon receipt of a final judgment to that effect from a court in an action to which ADMINISTERING AGENCY was a party, or upon receipt of a written notice from the Fair Employment and Housing Commission that it has investigated and determined that ADMINISTERING AGENCY has violated the Fair Employment Practices Act and had issued an order under Labor Code Section 1426 which has become final or has obtained an injunction under Labor Code Section 1429.

(b) For willful violation of this Fair Employment Provision, STATE shall have the right to terminate this Agreement either in whole or in part, and any loss or damage sustained by STATE in securing the goods or services thereunder shall be borne and paid for by ADMINISTERING AGENCY and by the surety under the performance bond, if any, and STATE may deduct from any moneys due or thereafter may become due to ADMINISTERING AGENCY, the difference between the price named in the Agreement and the actual cost thereof to STATE to cure ADMINISTERING AGENCY's breach of this Agreement.

EXHIBIT D

NONDISCRIMINATION ASSURANCES

ADMINISTERING AGENCY HEREBY AGREES THAT, as a condition to receiving any federal financial assistance from the STATE, acting for the U.S. Department of Transportation, it will comply with Title VI of the Civil Rights Act of 1964, 78 Stat. 252, 42 U.S.C. 2000d-42 U.S.C. 2000d-4 (hereinafter referred to as the ACT), and all requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, "Nondiscrimination in Federally-Assisted Programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964" (hereinafter referred to as the REGULATIONS), the Federal-aid Highway Act of 1973, and other pertinent directives, to the end that in accordance with the ACT, REGULATIONS, and other pertinent directives, no person in the United States shall, on the grounds of race, color, sex, national origin, religion, age or disability, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which ADMINISTERING AGENCY receives federal financial assistance from the Federal Department of Transportation. ADMINISTERING AGENCY HEREBY GIVES ASSURANCE THAT ADMINISTERING AGENCY will promptly take any measures necessary to effectuate this agreement. This assurance is required by subsection 21.7(a) (1) of the REGULATIONS.

More specifically, and without limiting the above general assurance, ADMINISTERING AGENCY hereby gives the following specific assurances with respect to its federal-aid Program:

1. That ADMINISTERING AGENCY agrees that each "program" and each "facility" as defined in subsections 21.23 (e) and 21.23 (b) of the REGULATIONS, will be (with regard to a "program") conducted, or will be (with regard to a "facility") operated in compliance with all requirements imposed by, or pursuant to, the REGULATIONS.

2. That ADMINISTERING AGENCY shall insert the following notification in all solicitations for bids for work or material subject to the REGULATIONS made in connection with the federal-aid Program and, in adapted form, in all proposals for negotiated agreements:

ADMINISTERING AGENCY hereby notifies all bidders that it will affirmatively insure that in any agreement entered into pursuant to this advertisement, minority business enterprises will be afforded full opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, sex, national origin, religion, age, or disability in consideration for an award.

3. That ADMINISTERING AGENCY shall insert the clauses of Appendix A of this assurance in every agreement subject to the ACT and the REGULATIONS.

4. That the clauses of Appendix B of this Assurance shall be included as a covenant running with the land, in any deed affecting a transfer of real property, structures, or improvements thereon, or interest therein.

5. That where ADMINISTERING AGENCY receives federal financial assistance to construct a facility, or part of a facility, the Assurance shall extend to the entire facility and facilities operated in connection therewith.

6. That where ADMINISTERING AGENCY receives federal financial assistance in the form, or for the acquisition, of real property or an interest in real property, the Assurance shall extend to rights to space on, over, or under such property.

APPENDIX A TO EXHIBIT D

During the performance of this Agreement ADMINISTERING AGENCY, for itself, its assignees and successors in interest (hereinafter collectively referred to as ADMINISTERING AGENCY) agrees as follows:

(1) Compliance with Regulations: ADMINISTERING AGENCY shall comply with the regulations relative to nondiscrimination in federally assisted programs of the Department of Transportation, Title 49, Code of Federal Regulations, Part 21, as they may be amended from time to time, (hereinafter referred to as the REGULATIONS), which are herein incorporated by reference and made a part of this agreement.

(2) Nondiscrimination: ADMINISTERING AGENCY, with regard to the work performed by it during the AGREEMENT, shall not discriminate on the grounds of race, color, sex, national origin, religion, age, or disability in the selection and retention of sub-applicants, including procurements of materials and leases of equipment. ADMINISTERING AGENCY shall not participate either directly or indirectly in the discrimination prohibited by Section 21.5 of the REGULATIONS, including employment practices when the agreement covers a program set forth in Appendix B of the REGULATIONS.

(3) Solicitations for Sub-agreements, Including Procurements of Materials and Equipment: In all solicitations either by competitive bidding or negotiation made by ADMINISTERING AGENCY for work to be performed under a Sub-agreement, including procurements of materials or leases of equipment, each potential sub-applicant or supplier shall be notified by ADMINISTERING AGENCY of the ADMINISTERING AGENCY's obligations under this Agreement and the REGULATIONS relative to nondiscrimination on the grounds of race, color, or national origin.

(4) Information and Reports: ADMINISTERING AGENCY shall provide all information and reports required by the REGULATIONS, or directives issued pursuant thereto, and shall permit access to ADMINISTERING AGENCY's books, records, accounts other sources of information, and its facilities as may be determined by STATE or FHWA to in pertinent to ascertain compliance with such REGULATIONS or directives. Where any information required of ADMINISTERING AGENCY is in the exclusive possession of another who fails or refuses to furnish this information, ADMINISTERING AGENCY shall so certify to STATE or the FHWA as appropriate, and shall set forth what efforts ADMINISTERING AGENCY has made to obtain the information.

(5) Sanctions for Noncompliance: In the event of ADMNISTERING AGENCY's noncompliance with the nondiscrimination provisions of this agreement, STATE shall impose such agreement sanctions as it or the FHWA may determine to be appropriate, including, but not limited to:

(a) withholding of payments to ADMINISTERING AGENCY under the Agreement within a reasonable period of time, not to exceed 90 days; and/or

(b) cancellation, termination or suspension of the Agreement, in whole or in part.

(6) Incorporation of Provisions: ADMINISTERING AGENCY shall include the provisions of paragraphs (1) through (6) in every sub-agreement, including procurements of materials and leases of equipment, unless exempt by the REGULATIONS, or directives issued pursuant thereto. ADMINISTERING AGENCY shall take such action with respect to any sub-agreement or procurement as STATE or FHWA may direct as a means of enforcing such provisions including sanctions for noncompliance, provided, however, that, in the event ADMINISTERING AGENCY becomes involved in, or is threatened with, litigation with a sub-applicant or supplier as a result of such direction, ADMINISTERING AGENCY may request STATE enter into such litigation to protect the interests of STATE, and, in addition, ADMINISTERING AGENCY may request the United States to enter into such litigation to protect the interests of the United States.

APPENDIX B TO EXHIBIT D

The following clauses shall be included in any and all deeds effecting or recording the transfer of PROJECT real property, structures or improvements thereon, or interest therein from the United States.

(GRANTING CLAUSE)

NOW, THEREFORE, the U.S. Department of Transportation, as authorized by law, and upon the condition that ADMINISTERING AGENCY will accept title to the lands and maintain the project constructed thereon, in accordance with Title 23, United States Code, the Regulations for the Administration of federal-aid for Highways and the policies and procedures prescribed by the Federal Highway Administration of the Department of Transportation and, also in accordance with and in compliance with the Regulations pertaining to and effectuating the provisions of Title VI of the Civil Rights Act of 1964 (78 Stat. 252; 42 U.S.C. 2000d to 2000d-4), does hereby remise, release, quitclaim and convey unto the ADMINISTERING AGENCY all the right, title, and interest of the U.S Department of Transportation in, and to, said ands described in Exhibit "A" attached hereto and made a part hereof.

(HABENDUM CLAUSE)

TO HAVE AND TO HOLD said lands and interests therein unto ADMINISTERING AGENCY and its successors forever, subject, however, to the covenant, conditions, restrictions and reservations herein contained as follows, which will remain in effect for the period during which the real property or structures are used for a purpose for which federal financial assistance is extended or for another purpose involving the provision of similar services or benefits and shall be binding on ADMINISTERING AGENCY, its successors and assigns.

ADMINISTERING AGENCY, in consideration of the conveyance of said lands and interests in lands, does hereby covenant and agree as a covenant running with the land for itself, its successors and assigns

(1) that no person shall on the grounds of race, color sex, national origin, religion, age or disability, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination with regard to any facility located wholly or in part on, over, or under such lands hereby conveyed (;) (and) *

(2) that ADMINISTERING AGENCY shall use the lands and interests in lands so conveyed, in compliance with all requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-discrimination in federally-assisted programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended (;) and

(3) that in the event of breach of any of the above-mentioned nondiscrimination conditions, the U.S. Department of Transportation shall have a right to re-enter said lands and facilities on said land, and the above-described land and facilities shall thereon revert to and vest in and become the absolute property of the U.S. Department of Transportation and its assigns as such interest existed prior to this deed.*

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* Reverter clause and related language to be used only when it is determined that such a clause is necessary in order to effectuate the purposes of Title VI of the Civil Rights Act of 1964.

APPENDIX C TO EXHIBIT D

The following clauses shall be included in any and all deeds, licenses, leases, permits, or similar instruments entered into by ADMINISTERING AGENCY. pursuant to the provisions of Assurance 7(a) of Exhibit B.

The grantee (licensee, lessee, permittee, etc., as appropriate) for himself, his heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree (in the case of deeds and leases add "as covenant running with the land") that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this (deed, license, lease, permit, etc.) for a purpose for which a U.S. Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the (grantee, licensee, lessee, permittee, etc.), shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, U.S. Department of Transportation, Subtitle A, Office of Secretary, Part 21, Nondiscrimination in federally-assisted programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

(Include in licenses, leases, permits, etc.)*

That in the event of breach of any of the above nondiscrimination covenants, ADMINISTERING AGENCY shall have the right to terminate the (license, lease, permit etc.) and to re-enter and repossess said land and the facilities thereon, and hold the same as if said (license, lease, permit, etc.) had never been made or issued.

(Include in deeds)*

That in the event of breach of any of the above nondiscrimination covenants, ADMINISTERING AGENCY shall have the right to re-enter said land and facilities thereon, and the above-described lands and facilities shall thereupon revert to and vest in and become the absolute property of ADMINISTERING AGENCY and its assigns.

APPENDIX D TO EXHIBIT D

The following shall be included in all deeds, licenses, leases, permits, or similar agreements entered into by the ADMINISTERING AGENCY, pursuant to the provisions of Assurance 7 (b) of Exhibit B.

The grantee (licensee, lessee, permittee, etc., as appropriate) for himself, his personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree (in the case of deeds, and leases add "as a covenant running with the land") that:

(1) no person on the ground of race, color, sex, national origin, religion, age or disability, shall be excluded from participation in, denied the benefits of, or otherwise subjected to discrimination in the use of said facilities;

(2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the ground of race, color, sex, national origin, religion, age or disability shall be excluded from participation in, denied benefits of, or otherwise be subjected to discrimination; and

(3) that the (grantee, licensee, lessee, permittee, etc.,) shall use the premises in compliance with the Regulations.

(Include in licenses, leases, permits, etc.)*

That in the event of breach of any of the above nondiscrimination covenants, ADMINISTERING AGENCY shall have the right to terminate the (license, lease permit, etc.) and to re-enter and repossess said land and the facilities thereon, and hold the same as if said (license, lease, permit, etc.) had never been made or issued.

(Include in deeds)*

That in the event of breach of any of the above nondiscrimination covenants, ADMINISTERING AGENCY shall have the right to re-enter said land and facilities thereon, and the above-described lands and facilities shall thereupon revert to and vest in and become the absolute property of ADMINISTERING AGENCY, and its assigns.

SECAT Bucks for Trucks!
emergency clean air transportation program

Sacramento Emergency Clean Air Transportation (SECAT) Program Policies and Guidelines

"The SECAT Program is a Partnership between the Sacramento Area Council of Governments and the Sacramento Metropolitan Air Quality Management District whose goal is to reduce harmful emissions from on-road heavy-duty vehicles in the SFNA"

Prepared By:

Sacramento Metropolitan Air Quality Management District

2015 REVISION

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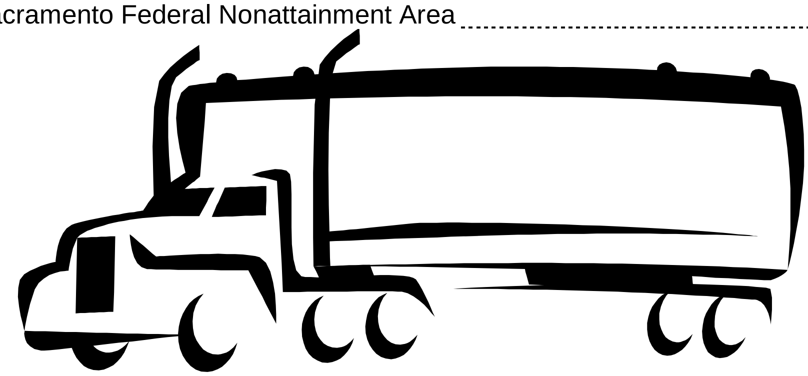


1.0 EXECUTIVE SUMMARY

The Sacramento Emergency Clean Air Transportation (SECAT) Program is a partnership between the Sacramento Metropolitan Air Quality Management District (District or SMAQMD) and the Sacramento Area Council of Governments (SACOG). The program's goal is to reduce harmful emissions from on-road heavy-duty vehicles operating in the Sacramento Federal Nonattainment Area (SFNA).

In 2000, the SECAT Program received $66 million to reduce emissions released from heavy-duty vehicles in the SFNA by providing incentives to offset the costs of purchasing lower-emission technologies and an additional $4 million used by SACOG to help replace old diesel transit buses – totaling $70 million in funding from the state Traffic Congestion Relief Fund ($50 million) and the federal Congestion Mitigation and Air Quality (CMAQ) funding program ($20 million). This program was originally created by California Assembly Bill (AB) 2511 to help assure that the SFNA would meet its commitments under the State Implementation Plan (SIP) for air quality attainment.

In 2008, the SECAT Program received an additional $3.2 million in federal CMAQ funds with additional allocations on a yearly basis, which will be primarily used for projects under the Fleet Modernization option; however, other emission reduction projects may also be funded under the program. Eligible types of projects include the following:

- Replacing older, higher polluting vehicles with newer, lower-emission vehicles (Fleet Modernization);
- Purchasing new, low or zero-emitting vehicles;
- Scrappage of low mileage heavy-duty vehicles;
- Retrofitting existing heavy-duty vehicles with after-treatment systems to reduce Oxides of Nitrogen (NOx); and
- Implementing any other verifiable, enforceable, and cost-effective technology for reducing NOx emissions from heavy-duty on-road vehicles.

The SECAT Program is distinct from the Carl Moyer Memorial Air Quality Standards Attainment Program (the Moyer Program). The key difference is that the SECAT Program is not limited to financing the incremental capital costs of emission control measures, but can also pay for operating costs, facility modifications, out-of-cycle replacement, and financial incentives for participation. This may make the SECAT Program more attractive than the Moyer program for some types of projects. Another difference is that the SECAT Program can only fund projects for on-road vehicles. Projects involving non-road vehicles or engines may be eligible for funding under the Moyer Program.

2.0 INTRODUCTION / BACKGROUND

2.1 Purpose of the SECAT Program

Although air quality in the Sacramento Federal Nonattainment Region (SFNA) for ozone has improved significantly over the last 10 years, we continue to experience violations of state and federal ozone standards. Most of the pollution is created by mobile sources, including heavy-duty vehicles. Over 30% of NOx emissions from mobile sources come from heavy-duty vehicles.

In 1994, the five air districts within the SFNA adopted a federally mandated State Implementation Plan (SIP), which required the region to decrease emissions from heavy-duty vehicles as one part of a larger strategy to attain the federal one hour ozone standards by 2005 as mandated by the federal Clean Air Act. In 1997, the U.S. Environmental Protection Agency (USEPA) adopted a new 8-hour ozone standard. The regional air districts approved a new 8-hour SIP in 2008, which will include requirements to reduce heavy-duty vehicle emissions. Currently, the SFNA has been classified as “severe” for the federal 8-hour ozone standard with an attainment date of 2019.

Sacramento Area Council of Governments (SACOG) is the designated planning organization for the region responsible for ensuring that transportation projects and plans do not impede the region’s clean air goals. SACOG evaluates all projects included in the Federal Metropolitan Transportation Plan and the Metropolitan Transportation Improvement Program to ensure consistency with air quality objectives and the SIP.

As part of the region's overall effort to meet clean air standards and achieve conformity with transportation plans, SACOG also partners with the air districts to promote clean-fuel vehicles and develop mobile source control measures.

One such measure is the development and implementation of the Sacramento Emergency Clean Air Transportation (SECAT) Program. The SECAT Program was created as part of the SIP effort to provide incentives to help on-road heavy-duty truck owners purchase technologies to reduce emissions in the SFNA in order to meet federal air quality standards.

This document sets out the policies and guidelines of the SECAT Program. The SECAT Program includes a variety of options to help truck owners and fleet managers reduce emissions:

- Replacing older, higher polluting vehicles with newer, lower-emission vehicles (Fleet Modernization);
- Purchasing new, low or zero-emitting vehicles;
- Scrappage of low mileage heavy-duty vehicles; Retrofitting of existing heavy-duty vehicles with aftertreatment systems to reduce NOx; and
- Implementing other verifiable, enforceable, and cost-effective technology for reducing NOx emissions from heavy-duty on-road vehicles.

The following policies and guidelines in this document include minimum qualifications for a vehicle to enter the SECAT Program, the responsibilities of vehicle owners, vehicle dealerships, engine dealerships, and salvage yards, and information on how funding amounts are determined.

2.2 SECAT Program Funding

The $70 million allocated under the 2000 SECAT Program has been fully allocated. In 2008, the newest phase of SECAT funding of $3.2 million was awarded by SACOG’s Air Quality Funding Program. SECAT is expected to receive annual funding under the Congestion Mitigation and Air Quality (CMAQ) program through 2018. Applications for new projects will be accepted once funding becomes available.

2.3 Revisions and Updates to the SECAT Program

Staff continuously evaluates the implementation procedures, participant qualifications, and overall effectiveness of the SECAT Program in order to ensure that the SFNA achieves the highest emission benefit possible.

For the 2015 Guidelines, the following changes are being implemented to enhance the SECAT Program effectiveness:

1. **Allow heavy-duty vehicles with 2007-2009 engines to receive funding.** All heavy-duty vehicles with 2009 and older model year engines are eligible for SECAT funding. Vehicles must meet all other applicable requirements.
2. **Increase the cost effectiveness level to account for changes in the heavy-duty inventory.** The TBR has mandated the replacement of older heavy-duty diesel vehicles which has dramatically reduced the number of projects eligible for funding. Staff has determined that the cost effectiveness limit of $100,000/1-yr ton NOx can be increased to attract more projects while maintaining our ability to meet SIP reduction targets.
3. **Allow owners to retain scrap value of existing vehicles when purchasing special Low NOx Vehicles.** If a participant chooses to purchase a Low NOx Vehicle eligible for funding under the California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP), they can keep the scrap value of the existing vehicle to reduce the overall cost of the project, subject to prior approval.
4. **Establish a new Heavy-Duty Scrappage Program.** This new option will allow participants to scrap their existing vehicles and receive payment without the purchase of a new vehicle. Vehicles registered in the SFNA as Low Mileage can operate until 2020 and are eligible for reduced funding under this new program.
5. **Clarify fuel type designations.** All existing heavy-duty vehicles are eligible for funding under SECAT including non-diesel options.
6. **New school bus three way fleet modernization option**: Due to the unique nature of school bus fleets, the SECAT Program will allow a school district to submit a higher annual mileage bus for funding consideration while allowing the school district the option to submit a lower annual mileage bus for destruction.

2.4 The SFNA – Sacramento Federal Nonattainment Area

The SFNA is commonly known as the Sacramento Federal Nonattainment Area for ozone. This area is comprised of all or parts of five Air Districts – the Sacramento Metropolitan Air Quality Management District, Yolo-Solano Air Quality Management District, Placer County Air Pollution Control District, El Dorado County Air Pollution Control District, and Feather River Air Quality Management District – covering all or parts of six counties. This region is designated non-attainment by the federal government under the federal Clean Air Act because it does not meet the NAAQS (National Ambient Air Quality Standards) for ozone. The SFNA has been classified as “severe” for the federal 8-hour ozone standard with an attainment date of 2019. The SECAT Program is one of many programs in place to help reduce emissions in order to meet our attainment date and make the air healthier to breathe. **A map of the SFNA is on Page 27.**

2.5 Who We Are

The SECAT Program is a partnership between the Sacramento Area Council of Governments (SACOG) and the Sacramento Metropolitan Air Quality Management District (SMAQMD). The goal of the program is to reduce harmful emissions from on-road heavy-duty vehicles in the SFNA. The Transportation Committee of the SACOG Board of Directors plays a major role in developing and reviewing SECAT Program changes, and in making recommendations to the SACOG Board of Directors for adoption.

2.5.1 The Sacramento Area Council of Governments (SACOG)

SACOG is a legislatively created association of Sacramento Valley governments formed from the six surrounding counties - El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba - and its 22 member cities. The SACOG directors are chosen from the elected boards of its member governments. SACOG's primary charge is to provide regional transportation planning and allocate funding for transportation projects. It also provides a forum for the study and resolution of regional issues. In this role, SACOG prepares the region's long-range transportation plan, approves distribution of affordable housing around the region, keeps a region wide database for its own and local agency use, helps counties and cities use federal transportation funds in a timely way, and assists in planning for transit, bicycle networks, clean air and airport land uses.

2.5.2 The Sacramento Metropolitan Air Quality Management District (SMAQMD)

SMAQMD is also a legislatively created agency, and is the local agency primarily responsible for implementing the federal and state Clean Air Acts. In that capacity, it works cooperatively to coordinate the efforts of local, state and federal government agencies, the business community, and private citizens to achieve and maintain healthy air quality for the SFNA. SMAQMD cannot achieve healthy air for Sacramento alone; however, with its regulatory efforts and its lead role in development of innovative programs, it can encourage the cooperative inter-agency and public efforts that are required to improve air quality. The SMAQMD's 14-member Board of Directors is composed of all five Sacramento County Supervisors, four members of the Sacramento City Council, one member representing each of the Cities of Citrus Heights, Elk Grove, Folsom and Rancho Cordova, and one member representing the Cities of Galt and Isleton. The Board reviews and approves all rules, programs, policies and budgets.

SMAQMD represents the other air districts in the SFNA in implementing the SECAT Program, and each air district has played an important role in our ongoing efforts to improve air quality in the region.

2.5.3 How to Contact Us / Application Mailing Address

SMAQMD staff is available to answer any questions regarding the SECAT Program. For more information on the SECAT Program or to request an application, go to the website or contact one of the following staff members listed below:

Website: WWW.4SECAT.COM

Program Staff:

Kristian Damkier	(916) 874-4892	kdamkier@airquality.org	
Pat Robinson	(916) 874-6276	probinson@airquality.org	
Heather Taylor	(916) 874-4889	htaylor@airquality.org	
Joanne Chan	(916) 874-6267	jchan@airquality.org	
Steffani Charkiewicz	(916) 874-6361	scharkiewicz@airquality.org	

Program Coordinators:

Mike Neuenburg	(916) 874-1676	mneuenburg@airquality.org	(Contract/Applications)
Jaime Lemus	(916) 874-2911	jlemus@airquality.org	(Inspections/Audits)

Program Supervisor:

Mark Loutzenhiser	(916) 874-4872	mloutzenhiser@airquality.org	

Mailing Address for Applications:
SECAT Program, Application for Funding - SMAQMD
777 12th St., 3rd Floor
Sacramento, CA 95814-1908

Applicants can also go directly to local participating truck and engine dealerships. Participating dealerships have been trained to help truck owners understand all of the program requirements to help them complete applications and receive for funding under the SECAT Program.

All applications must be returned signed and dated in their original format in either blue or black ink. Any application that is not signed or dated will be returned. Faxes WILL NOT be accepted.

3.0 GENERAL PROGRAM POLICIES AND GUIDELINES

3.1 General Eligibility

3.1.1 Who is eligible to participate?

Any individual, company, or public agency may apply to receive incentive funds. If the applicant does not own the vehicles in question, the application must include a satisfactory, binding contract with the person(s) or organization(s) that do own the vehicles. This contract must commit the owner of the vehicles to carry out the actions described in the proposal.

3.1.2 Who is **not** eligible to participate?

Any applicant applying for funds for purchases or retrofits that are already required by any local, state, or federal rule or regulation – including, but not limited to, the Energy Policy Act (EPACT), existing regulations, agency memoranda of agreement or understanding, state mobile source Air Toxic Control Measures, or other legally binding requirements. A more detailed discussion of which vehicles are eligible is located in Section 3.9.

3.1.3 What type of vehicle is eligible?

Projects must reduce emissions from on-road heavy-duty vehicles operating in the SFNA. On-road motor vehicles are defined as "self-propelled motor vehicles that are manufactured for or designed primarily for use on public roads." All vehicles must be over 14,000 pounds Gross Vehicle Weight Rating (GVWR).

3.1.4 What technologies are eligible to participate?

This program is designed to produce SIP emission reductions that can be used to demonstrate progress toward our SIP requirements. Consequently, all emission reductions must be real, quantifiable, surplus, enforceable, and permanent. To meet this requirement, any engine or vehicle purchased under the program must be emission certified or verified by the California Air Resources Board (CARB). Likewise, any emission control technologies must be certified or verified by CARB or otherwise approved by CARB.

Research and development (R&D) will not be funded under the SECAT Program. Subject to CARB approval for use on vehicles operating in California, the SECAT Program may fund in-use durability demonstration programs for technologies provisionally certified or verified by CARB pending the outcome of such demonstrations.

3.1.5 Restrictions on emissions averaging, banking and trading.

Low-emission engines, vehicles or technologies funded under the SECAT Program cannot be used to generate emission credits in any emissions averaging, banking or trading program.

3.2 Application Instructions & Evaluation Procedures

3.2.1 Application Instructions

Please follow all of the application instructions. Any incomplete or incorrect applications will be returned to the applicant.

- Fill out and sign the most recent SMAQMD mobile source incentive program application as available at http://www.airquality.org. The application can be also be downloaded from the SECAT website (www.4secat.com) or can be ordered by calling one of the program staff or sending a request via e-mail. Staff contact information is in section 2.5.3.

- Applicants are required to disclose the full legal name of their business entity at the time of application. This information will be checked against the California Secretary of State records (or the applicable state for interstate businesses) for corporations and other legal entities and the local County records offices to confirm fictitious business names, holding companies, and other legal entities.

- Fill in a “Vehicle Information Form” for each vehicle that you are proposing to replace or retrofit.

- Submit additional documentation as required under the specific program guidelines. Each specific program may require different paperwork. Contact project staff if there are any questions with regard to additional documentation.

- The application will be reviewed to determine that all the required information has been provided and that all program requirements have been met. If the application is not complete or does not meet the program requirements, it will be returned with a request for additional information or an explanation as to why the application was not approved. The SECAT Program reserves the right to request additional information and can deny the application if such requested information is not provided.

- Application Procedure Overview (in general):

1. Applicant submits a complete SECAT Application including all supplementary documentation to SMAQMD for evaluation
2. Applications will be assigned to a Project Manager for review
3. If funding is available, SMAQMD will use its best efforts to contact applicants in a timely fashion to confirm approval or discuss problems with the application
4. Applicants will then be contacted by an Inspector to perform a visual and operational inspection of the old vehicle to verify eligibility
5. Following approval, funding agreements will be circulated to the applicant, SMAQMD, and SACOG for signatures (an executed copy of the executed agreement will be returned to the applicant)
6. After the applicant receives a fully executed funding agreement, the applicant may purchase the low emission technology, if applicable, and subsequently invoice the SECAT Program for reimbursement
7. Applicant will be contacted by an Inspector to perform a visual and operational inspection of either the new vehicle or low emission technology to verify eligibility
8. **Fleet Modernization Only:** The old vehicle will also be inspected again by an Inspector prior to its delivery to an approved auction facility or salvage yard to verify that it still meets program requirements
9. Upon receipt of all signed invoices, inspections, and tax information, the Project Manager will submit payment for the amount authorized in the funding agreement
10. Applicant will then be responsible for meeting all requirements in the funding agreement for the term of the agreement including operation, audit, and recordkeeping requirements, if applicable.

3.2.2 Evaluation Procedures

Applications will be evaluated on a first come, first served basis. Completed applications will be evaluated according to the methodology used in the most current Carl Moyer Program Guidelines to determine the emission reductions and the cost-effectiveness on a per-vehicle and overall project cost basis. All applications will generally be reviewed and approved on a first-come, first served basis according to the availability of funding, although SMAQMD reserves the right to accelerate approval of particular applications if it determines that early approval will benefit air quality goals.

For projects involving the replacement of a school bus, applicants have the option to choose a three way fleet modernization transaction. The SECAT Program will allow school districts to submit a higher annual mileage bus for funding consideration while allowing the school district the option to submit a lower annual mileage bus for destruction. In lieu of destroying the higher annual mileage bus the higher mileage bus will be restricted to the annual mileage of the lower annual mileage bus submitted for destruction. In these cases, the total emission benefit of the project may be determined as follows:

School Bus A = The older school bus that will be scrapped
School Bus B = An existing school bus that will have a maximum annual mileage requirement
School Bus C = A new school bus that will have a minimum annual mileage requirement

1. Applicants will identify School Bus A and School Bus B in their application and a proposed School Bus C.
2. Staff will evaluate the documentation to determine the annual mileages of all school buses in the application.
3. The emission reduction calculation is based on the annual mileage of School Bus B similar to the methodology used in the Carl Moyer Program guidelines – subtracting School Bus C's emission factor from School Bus B's emission factor.
4. The applicant will commit to scrap School Bus A provided that it emits at least as much or more NOx emissions on a per mile basis than School Bus B.
5. The applicant accepts performance requirements that include a minimum annual mileage of School Bus C equal to the historic mileage of School Bus B. School Bus B will be limited to the historic mileage of School Bus A.

If an application meets the program guidelines, it will be approved by SMAQMD staff providing the project cost effectiveness does not exceed the limits in effect at the time of application, currently set at $150,000 per 1 year ton NOx reduced.

If an application does not meet the above cost-effectiveness conditions, the applicant can petition SMAQMD for further evaluation. SMAQMD will determine whether there are unusual circumstances that may justify the incentive award, and if appropriate, will submit the petition to the SACOG Board for approval or denial.

3.2.3 Applicant Compliance Checks

All applicants will be subject to verification of compliance with all local and state air quality rules, including compliance with air district rules and regulations based on the applicant's business address. Applicants will be required to resolve all outstanding Notices of Violation or other citations with all agencies to receive incentive funding. Potential applicants are advised to check for violations with CARB and/or their local air district prior to applying for funding.

Vehicles must demonstrate compliance with the ARB Truck & Bus Regulation by submitting their Reporting Status Certificate from the Truck Regulations Upload and Compliance Reporting System (TRUCRS) database. All SECAT applicants must be registered in TRUCRS even if registration is not required for compliance.

In addition, the SECAT Program may reject applications from applicants that have previously received incentive funding from SECAT or any other incentive program if they are not in compliance with their contracted performance requirements. Applicants may also be required to reimburse the SMAQMD or SECAT any deficient balance prior to receiving additional incentive funding.

3.2.4 Funding Awards Based on Historic Usage Based on Miles Driven

With the exception of the Heavy-Duty Scrappage Option, funding awards are based upon historic usage of an individual vehicle within the Sacramento Federal Non-attainment Area (SFNA). Documentation supporting the claimed historic usage for the previous 24 months must be provided prior to application approval. The old vehicle must have operated at least 3 months per 12 month period to qualify.

Fleets must submit vehicle-specific route data for at least 3 months within the last 24 month period to determine actual operation within the SFNA. This period must be an accurate representation of the typical routes driven by the vehicle. Staff will use online mapping software or other electronic means to verify percentage operation within the SFNA to qualify for SECAT funding.

3.2.5 Funding Awards Based on Historic Fuel Consumption

The SECAT Program will allow applicants to use historic fuel consumption to qualify for funding. Applicants must provide fuel records that are tied to a specific vehicle. Fuel receipts are acceptable only if the receipts have a unique vehicle identifier associated with the vehicle listed in the application. Typical applications will require gallons of diesel fuel consumed per year. However, staff may also use other fuel types as necessary.

Staff will use per gallon emission factors from the Carl Moyer Program guidelines to determine emission benefits. Funding agreements will have a performance requirement in gallons, and vehicles choosing to use fuel consumption as a performance requirement are required to have an operational fuel meter installed on the vehicle at the time of Post Inspection. The fuel meter is required to have an external display showing cumulative fuel consumption in gallons without a reset option. SMAQMD staff will review the technical specifications for the fuel meter prior to approving its use.

The SECAT Program will no longer use hours of operation as a performance requirement in any new application. However, previously contracted projects executed prior to the adoption of these revised guidelines (April 2013) may be considered for hours of operation on a case-by-case basis by SMAQMD staff.

3.3 Program Requirements & Reimbursement Procedures

With the exception of the Heavy-Duty Scrappage Option, following application approval, each participant will be required to enter into a funding agreement with SACOG and SMAQMD. Each participant is required to read and understand the funding agreement. If the participant does not fully understand the agreement terms, conditions, and requirements, it is the participant's responsibility to seek guidance from staff or from a contract law attorney. Although dealership representatives help provide assistance with the application process, they are not authorized to interpret or provide guidance on the agreement terms, conditions, and requirements to participants. All questions and clarifications should be directed to SMAQMD staff for further explanations.

The following is a brief summary of the program requirements.

3.3.1 Program Requirements

- Participation in the SECAT Program typically requires a minimum five (5) year commitment to operate in the SFNA. Funding for the project will be issued at the beginning of this commitment. Throughout the contract period, the participant will be required to meet its performance requirements. Projects that fail to meet the agreed performance requirements may be required to refund some or all of the funds issued under the SECAT Program. The participant should contact SMAQMD immediately if it knows or has reason to know that the performance requirements will not be met. The start date for performance will be the date the funds are released to the participant, unless an alternative start date is specified in the funding agreement. Some projects may have a minimum operational commitment less than five years depending on special circumstances.

- Any emission reduction credits in the SFNA resulting from participating in the SECAT Program will be retired in the interest of air quality improvement. The participant will be required to waive any right to claim emission reduction credits which may accrue at any time as a result of the project. The applicant will also agree not to apply to SMAQMD, any other Air Quality

Management District, Air Pollution Control District, or any other public or private entity for any credits based on reductions generated as a result of participating in the SECAT Program. All vehicles funded under the SECAT program cannot be used to comply with the Phase-In Option of the ARB Truck & Bus Regulations until the contract is completed or terminated.

- Participants are required to maintain liability and replacement value insurance coverage for the vehicle(s) participating in the SECAT Program. Self-insurance can satisfy these requirements, but must be approved by SMAQMD prior to execution of the agreement. Additionally, SMAQMD must be listed as a Loss Payee and Additional Insured on the Participant's insurance policy. Participant will be required to maintain the following levels of insurance:

    - $1,000,000 General Business Liability (commonly referred to as Umbrella) coverage
    - $1,000,000 General Liability per occurrence for bodily injury, personal injury, and property damage
    - $1,000,000 Automobile Liability per accident for bodily injury and property damage
    - Comprehensive and Collision coverage sufficient to replace the vehicle(s) and emission control system(s) funded by SECAT – including diesel engine retrofits

- Participants will be required to document actual usage in the SFNA (see map on Page 27) for each year of the agreement term. The Program will claim annual emission reductions that must be achieved based on the participant's projected usage in the SFNA. Participants will be required to return annual usage reports at least once a year. Projects that fail to meet the agreed performance requirements or submit usage reports may be required to refund some or all of the funds issued under the SECAT Program.

- All participants must keep a driver's log with actual mileage, fuel consumption records, and any other records identified in the contract pertaining to maintenance, down time, and miles traveled in the SFNA. Participants funded using fuel consumption must also log fuel consumed and total miles operated in the SFNA. SMAQMD may waive the usage log requirements if the applicant installs a SMAQMD approved Electronic Monitoring Unit. A log must be kept of the maintenance and down time throughout the contract period.

- SMAQMD at its option may require the installation of an Electronic Monitoring Unit capable of tracking the operation of the vehicle within the SFNA and transmitting the data to SMAQMD. If eligible units are identified, the SECAT Program may increase the funding available to the project to include the cost of the system as part of the total incentive amount as long as the total project cost plus the cost of the Electronic Monitoring Unit does not exceed cost effectiveness limits.

- The participant is required to inform SMAQMD of any changes in business name, address, phone number, or contact person within 10 business days of the change. Furthermore, the participant is required to inform the SMAQMD prior to any sale of funded equipment or change in ownership that would require a contract amendment. The participant will also be required to inform the SMAQMD of any problems or issues resulting in the failure to meet the performance requirements as soon as possible.

3.3.2 Reimbursement Procedures

A reimbursement invoice will only be issued after an agreement has been executed, the vehicle or engine is replaced, and adequate dealership invoices for the purchase of the vehicle or equipment have been submitted to SMAQMD. The participant must submit a Sacramento County Payee Data Form along with their signed funding agreements before the project can be funded. Invoices must include a copy of the final purchase order marked as final detailing the actual purchase price of the vehicle or emission control technology and cannot be processed until after inspection of the funded technology. Reimbursement checks can be issued to either one party (the applicant) or to two parties (the applicant and the dealership).

Participants must also submit a copy of either the final DMV Application for Registration of New Vehicle (REG 397) for new vehicles or the final DMV Report of Sale–Used Vehicle (REG 51) for used vehicles completed and signed by the dealer showing the lien holder information as reported for the sale. Payment will not be delivered to the participant until the final signed forms are received by the SMAQMD. Private party transactions not involving a dealer will require either a copy of the final vehicle title (if financed) or actual vehicle title (non-financed) to verify lien holder declarations prior to payment delivery.

Reimbursement may take 60-90 days from the time the reimbursement invoice is received by project staff. The SECAT Program is funded using federal CMAQ funding which requires processing and reimbursement by the California Department of Transportation and the Federal Highway Administration. **Prompt submittal of all required documentation is the best way to speed processing of the reimbursement check.**

Any funds issued through the SECAT Program may only be used to purchase the vehicle or equipment identified in the participant's contract. If any funds are used for vehicles or equipment that is not identified in the contract, the participant will be required to refund all incentive amounts. If a program participant wishes to change the vehicle or equipment to be funded, he or she may request a contract amendment. Any contract amendment must be approved in writing and the vehicle or equipment must meet all of the SECAT eligibility requirements.

3.4 Audit Procedures

At any time during the agreement term, SACOG or SMAQMD (or both) may conduct an audit of the participant's operations, including all paperwork documenting actual operation within the SFNA, to verify that the applicant is complying with all contract terms. Any audits will be conducted at a reasonable time and with reasonable notice to the participant.

3.5 Participating Dealerships

Local vehicle, engine, auction, and salvage yard dealerships play a vital role in the operation and success of the SECAT Program. Dealerships who wish to become a Participating Dealership must be trained by the staff of the SECAT Program, and must be able to assist the applicants in filling out the application, making sure all program requirements have been met, and advising applicants on the SECAT Program performance requirements as required in Section 5. Each Participating Dealership must sign a master agreement with the SECAT Program and must provide any information requested by the Program relating to an application or approved project.

The SECAT Program allows Participating Dealerships to deliver the truck to the Participant while the vehicle title is processed. Our agreement requires Participating Dealerships to properly register the replacement vehicle with the correct lien holder and participant information. Only vehicles purchased through Participating Dealerships may be invoiced PRIOR to receiving official DMV paperwork showing the correct registration and lien information.

3.6 Environmental Justice Policies

SACOG and SMAQMD are committed to accomplishing Environmental Justice goals through the SECAT Program. The Fleet Modernization program has historically funded projects in the construction and agriculture industries which have a disproportionate impact on communities of color and low income populations. The mobile nature of heavy-duty diesel vehicle projects also impact populations living near regional freeways and major thoroughfares. Reductions in regional ozone formation, fine particulate matter, and toxic air contaminants attained through the Fleet Modernization program improve air quality and human health for all people in the SFNA.

SACOG and SMAQMD will make every effort to achieve Environmental Justice goals through the Fleet Modernization program. Staff will provide outreach and give funding priority to applicants based or operating within Qualifying Areas as defined in Section 4.1.4 of SMAQMD adopted "Guidelines for

Implementing AB 1390 (Firebaugh) Requirements for the Carl Moyer Memorial Air Quality Incentive Program". These guidelines meet the directives outlined in "Executive Order 12898: Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations". Participating dealers and other stakeholders will also be informed of these objectives.

3.7 Inter-District Projects

Inter-district projects are projects where the participant operates their vehicle in the SFNA and in one or more other adjoining air districts. These projects may be funded by two different incentive programs that will claim the resulting emission reduction credits. For example, if a vehicle normally operates in the SFNA and the San Joaquin Region, the applicant may apply to both regions for funding. Funding distribution will be based on the percentage of operation in each region and on the total emission reductions that are achieved. For more information, contact district staff prior to completing an application. **Participants are prohibited from receiving funding from other districts without written approval from the SECAT Program.**

3.8 Program Documentation

All forms used under the SECAT Program (i.e. applications, agreements, invoices) are subject to change at any time. Potential applicants or other interested parties may contact the SECAT Program to request sample copies of any forms at any time.

3.9 SECAT Interaction with ARB Rules & Regulations

The SECAT Program requires that applicants demonstrate that the purchase of the equipment on their application is not required for compliance with ARB Rules and Regulations.
Applicants must submit a Reporting Status Certificate showing they registered their fleet with the ARB under the Truck & Bus Regulation (TBR) to prove compliance with the regulation. Applicants will be verified with the ARB and the local air district based on the physical address of the applicant for any outstanding air quality violations. All SECAT applicants must register their entire California fleet with the ARB prior to applying for funding, regardless of their compliance status.

Due to regulation surplus issues, the SECAT program will not fund the replacement of any heavy-duty diesel vehicles with an engine model year earlier than 1998, unless the vehicle can demonstrate surplus NOx emissions through December 31, 2018.

All vehicles funded under the SECAT Program cannot be used for compliance with the Phase-In Option under the TBR and must be registered as operating under a funding agreement. Replacement vehicles will be eligible for compliance when the full performance obligations are met. Vehicles funded under the SECAT Program may be used towards Model Year Compliance options.

Applicants may also be subject to other rules, including but not limited to the Transit Bus Fleet Rule, Solid Waste Collection Vehicle Rule, or the Public Fleet Vehicle ATCM. Staff will evaluate each application to determine whether the proposed project is surplus to these regulations.

3.10 SECAT Guideline Revision Process

SECAT Program Guidelines may be periodically updated by the Chief Executive Officer of SACOG and the Executive Director of SMAQMD to make minor administrative changes, in consultation with the agencies' Legal Counsels, to fully implement the intent of the program. Material changes to the Guidelines must be approved by the SACOG and SMAQMD Boards of Directors.

4.0 FLEET MODERNIZATION DEALER AND SALVAGE YARD POLICIES AND PROCEDURES

4.1 General Information

Vehicle dealers and salvage yards are an important part of the SECAT Program. New vehicle dealers are responsible for providing low emission trucks meeting the needs of program participants. The salvage yards are responsible for ensuring proper destruction of the old vehicle. District reserves the right to specify the approved salvage yard for disposal. Because of their importance, the SECAT Program has special guidelines for both designed to preserve the integrity of the program and provide maximum emission reductions.

4.2 Vehicle Dealership Requirements

Vehicle dealerships are a key partner in the SECAT Program because they help market, qualify, and facilitate Fleet Modernization and Engine Retrofit projects. Representatives of the dealership will often meet with potential applicants and provide information about SECAT and the process. They are also suppliers of new vehicles and engine technology and have the most knowledge about what is appropriate for each applicant. Because of this responsibility, the SECAT Program has Master Agreements with many dealerships to ensure that they are eligible to market their equipment and services to applicants.

Participants are not required to purchase technology from an Approved Vehicle Dealership, but working with an Approved Vehicle Dealership may benefit applicants. Also, if a participant does not use an Approved Vehicle Dealership, the SECAT Program will not deliver the incentive funds until SMAQMD has received the vehicle title (or a copy from the Finance/Lease Company) listing SMAQMD as a lien holder. Vehicles purchased from an Approved Vehicle Dealership may be paid before the title is processed since the dealership has an agreement with the SECAT Program to ensure SMAQMD is listed as a lien holder. Approved Vehicle Dealerships are also allowed to handle the paperwork and are trained to handle any potential issues with the application process.

To become an Approved Vehicle Dealership, dealers must meet the following requirements:

- Owner has had a valid California business license for a minimum of the last two years.
- A minimum of one (1) employee has been trained by the District regarding the SECAT Program.
- Owner agrees to allow the District to inspect vehicles covered under this agreement during normal business hours.
- The business must be licensed by the California Department of Motor Vehicles as a vehicle dealership.
- Owner must possess a valid State of California seller’s permit issued by the Board of Equalization.

Approved Vehicle Dealerships must agree to:

- Assist the Program Participant in the preparation and submission of its SECAT Program Application. As part of this process for new vehicles, Dealership must prepare an invoice signed by the Participant and submit it to the SECAT Program.
- Provide the District with a copy of the Vehicle Purchase documents, invoices, and DMV registration for the replacement Vehicle showing all Registered and Legal Owners.
- Promptly submit to the District and the Program Participant invoices for all work performed by Dealership or its subcontractors.

4.3 Auction Facility and Salvage Yard Requirements

Approved Auction Facilities and Salvage Yards under the SECAT Program are responsible for destroying the old vehicle in an environmentally responsible manner to permanently remove the vehicle from operation. Because of the special requirements, Approved Auction Facilities and Salvage Yards must be under a Master Agreement with the SECAT Program. All vehicles funded under the SECAT Program must be destroyed by an Approved Auction Facility or Salvage Yard, unless SMAQMD approves an alternative disposal method that ensures emission reductions.

To become an Approved Auction Facility or Salvage Yard, they must meet the following requirements:

- Owner possesses a current, valid auto dismantler's license issued by the California Department of Motor Vehicles.
- Owner possesses a current, valid Hazardous Material Generator and Storage Permit issued by the California Environmental Protection Agency.
- Owner has a current, approved State of California Storm Water Pollution Control Plan.
- Owner has had a valid California business license for a minimum of the last two years.
- A minimum of one (1) employee has been trained by the District regarding the SECAT Program.
- Owner agrees to allow the District to inspect vehicles covered under this agreement during normal business hours.

Approved Auction Facilities and Salvage Yards must agree to:

- Complete the vehicle destruction within 45 days of the date the salvage yard received the vehicle. Destruction must comply with the SECAT Program Policies and Guidelines and include: (1) cutting a non-symmetrical, jagged-edged hole in the engine block that is at least three inches in diameter, (2) making an additional cut from the engine hole down through the flange where the oil pan attaches, and (3) cutting the frame rails completely through in half between the cab and rear axle.
- Surrender the certificate of title to the DMV by submitting a *Report of Vehicle to be Dismantled* and register the vehicle as non-repairable – where the Vehicle Identification Number (VIN) can no longer be registered or titled. All forms required by DMV to render the vehicle as non-repairable must be filed by the owner or salvage operator. A DMV receipt, such as a DMV reconciliation report, or non-repairable certificate verifying the vehicle can no longer be registered or titled must be made available to District staff at the time of the salvage inspection.

4.4 Program Disclaimer

The SECAT Program does not review the operations or reach any conclusions regarding the quality of the product or service of Approved Vehicle Dealerships and Approved Auction Facilities or Salvage Yards. The participant is solely responsible for the quality and performance of the low emission vehicle and/or engine technology funded under the SECAT Program and may not hold the SECAT Program liable for any issues encountered with Approved Vehicle Dealerships and Approved Auction Facilities or Salvage Yards.

5.0 FLEET MODERNIZATION PROGRAM POLICIES AND GUIDELINES

The following are the policies and guidelines specific to the Fleet Modernization option under the SECAT Program. Projects such as retrofits or any other emission reduction projects must comply with the general program policies and guidelines.

The Fleet Modernization Program provides incentives to reduce emissions by replacing older vehicles with newer, lower-emission vehicles. In place since 2002, this program has been the most popular option to reduce emissions for owners operating older, higher polluting vehicles. With the help of participating engine dealerships, vehicle dealerships, auction facilities, and salvage yards, more than 1,000 old vehicles have been replaced with newer, lower-emission vehicles. A list of participating dealerships can be found on the SECAT website at www.4secat.com.

All applicants must meet the requirements and follow all of the policies and guidelines in order to be approved for funding under the SECAT Program. Vehicle dealerships are specifically trained on the provisions of the SECAT Program and can help participants throughout the application process. Please contact program staff or participating vehicle dealerships with any questions during the application process.

5.1 Participant Requirements

The following is a summary of the requirements that must be met prior to approval of a submitted application. If any information is missing or an applicant does not qualify for the program, the application will be mailed back to the applicant.

- Any heavier heavy-duty vehicle (GVWR over 26,000 lbs.) equipped with a diesel particulate filter (if diesel-fueled) with a 2009 or older model year engine
- All lighter heavy-duty vehicles (GVWR between 14,001-26,000 lbs.) with a 1999-2009 model year engine (if diesel-fueled) or 2009 an older model year engine
- Registered Work Trucks (Currently WT – Previously Construction CT) with 2005 & 2006 model year engines driving less than 20,000 miles per year
- Limited Mileage Agricultural Trucks (AG) with any engine driving less than 15,000 miles per year
- Heavy-duty vehicles compliant with other ARB regulations (e.g. Public Fleets, Solid Waste Collection Vehicles, Transit Fleet Rules) with a 2009 or older model year engine. Applicant must currently own the vehicle with a clear title and submit a copy of the clear title with their application
- Old vehicle must still be operating on at least a part-time or seasonal basis defined as being registered with the DMV for on-road operation at least 3 months per 12 month period
- Old vehicle must be turned for disposal in the same condition that it was in at the time of the pre-inspection (see Section 5.4)

5.2 Application Requirements

The following items must accompany the completed original application at time of submittal. **FAXED OR COPIED APPLICATIONS ARE NOT ACCEPTED.**

- Signed and dated application
- Signed and dated Sacramento County Payee Data Record
- Copy of the Applicant’s Driver’s License or other Photo ID Card
- Copy of old vehicle title showing no lien holders
- Vehicle Registration Information Record from the DMV showing vehicle registration history for the previous 24 months or last 8 vehicle registration transactions
- Usage verification for previous 24 months (i.e. maintenance records, fuel receipts, mileage log books, job invoices, etc.)
  - Usage verification must include vehicle-specific route data for at least 3 months in the past 24 months typical of normal vehicle operation

    - Fuel records must include a vehicle identifier
    - If verification is not provided, applicant may opt into tracking mileage for 3 to 12 months based on estimated historic mileage on a case-by-case basis as approved by a project manager – FUNDS ARE NOT AVAILABLE UNTIL AFTER THE TRACKING PERIOD
- Proof of vehicle insurance for previous 24 months
- Replacement vehicle specifications and cost quote including the following information:
    - Replacement vehicle GVWR
    - Emission Family Number or engine information sufficient to determine emissions
- School districts applying to scrap an existing school bus combined with accepting annual mileage limits on an additional school bus must submit the above information for all buses involved in the project.

5.3 Application Evaluation

SMAQMD will use its best efforts to evaluate applications in a timely manner. Staff may request additional information of the applicant and can deny the application if the requested information is not provided. Incomplete and illegible applications will be returned to the applicant or the vendor. If the applicant does not respond within 30 days, the application will be automatically terminated and the application process will have to be reinitiated in order for the project to be reconsidered.

After evaluating the application, staff will conduct a Pre-Inspection of the old vehicle. The old vehicle will be inspected to determine the condition of the vehicle. The vehicles will be reinspected immediately prior to salvaging, and if the condition of the vehicle has changed, SMAQMD may withhold payment until the vehicle is restored to the condition documented during the Pre-Inspection (see Section 5.4).

5.4 Old Vehicle Disposal Requirements

5.4.1 Requirements for Turning in Old Vehicle

The applicant must agree NOT to remove or replace the tires, rims, seats, fifth wheel, engine parts, hood, fenders, fuel tanks, horn, exhaust pipes, mirrors, grill, cab air shield, or any other accessory or item on the vehicles between the Pre-Inspection and the date of the Pre-Salvage inspection. At the time of the Pre-Salvage inspection and when the vehicle is turned over to the SECAT Approved Salvage Yard for salvage, the vehicle must be in operational condition, all tires must be road worthy and the vehicle must be able to pass a California Highway Patrol Inspection (see sections 27452 and 27465 of the California Vehicle Code listed below). These items, at minimum, cannot be removed or replaced after the Pre-inspection:

- Hood
- Fuel tanks
- Tire rims
- Horns
- Chrome exhaust pipes
- Mirrors
- Grill
- Seats
- Air shield on top of cab
- 5th wheel
- Any parts that would hinder vehicle operation

The SECAT Program staff may approve special requests for retaining equipment such as tool boxes or specialty parts required for current work on a case-by-case basis and will only consider approving requests received in writing prior to purchasing the replacement vehicle. All vehicles must be delivered for destruction in the same operating condition as observed at Pre-Inspection.

California Vehicle Code

Section 27452
The required thickness of rubber shall extend evenly around the entire periphery of the tire. The entire solid tire shall be securely attached to the channel base and shall be without flat spots or bumpy rubber.

Section 27465
(a) No dealer or person holding a retail seller's permit shall sell, offer for sale, expose for sale, or install on a vehicle axle for use on a highway, a pneumatic tire when the tire has less than the tread depth specified in subdivision (b). This subdivision does not apply to any person who installs on a vehicle, as part of an emergency service rendered to a disabled vehicle upon a highway, a spare tire with the disabled vehicle was equipped
(b) No person shall use on a highway a pneumatic tire on a vehicle axle when the tire has less than the following tread depth, except when temporarily installed on a disable vehicle as specified in subdivision (a):
(1) One thirty-second (1/32) of an inch of tread depth in any two adjacent grooves at any location of the tire, except as provided in paragraphs (2) and (3).
(2) Four thirty-second (4/32) of an inch tread depth at all points in all major grooves on a tire on the steering axle of any motor vehicle specified in Section 34500, and two thirty-second (2/32) of an inch tread depth at all points in all major grooves on all other tires on the axles of these vehicles.

5.4.2 Old Vehicle Disposal Procedure

The SECAT Program has changed the method in which old trucks are destroyed and disposed for funding purposes. The Sacramento Metropolitan AQMD and Sacramento Area Council of Governments will now use Auction Yards to auction the old trucks and retain the scrap value of the equipment. In limited cases, the SECAT Program may authorize the participant to retain the scrap value of their equipment, but most participants will release their interest in the scrap value in exchange for receiving an incentive. This section describes the new process.

When the replacement truck is delivered and ready for inspection, the SECAT Participant will contact their Project Manager to request only the inspection of the replacement truck. The Participant will no longer deliver the old truck to the truck dealership. Once the replacement truck is inspected and approved for payment, an inspector will contact the Participant to confirm which auction facility or salvage yard will be used.

For trucks that require a body transfer, the Participant must wait to request a Post Inspection until the body is fully transferred to the replacement vehicle. If desired, the Participant or their designee can contact us to confirm if the replacement vehicle GVWR and Engine Family Number meet the contract requirements. Once the replacement vehicle is inspected and approved, an inspector will contact the Participant at a later date to coordinate the disposal of the old vehicle.

Inspectors will attempt to contact the Participant to coordinate the inspections using the email address and phone number provided in the application. Please contact the appropriate Project Manager if the contact information needs to be changed.

In all cases, the Participant remains the legal owner of the old vehicle until it is delivered to an approved auction facility or salvage yard at the direction of a Sacramento Metropolitan AQMD inspector. The SECAT Program will retain all proceeds from the sale of the destroyed old vehicle as a condition of receiving funding under the program unless the Participant purchases a replacement vehicle that qualifies for funding under the HVIP. When the Participant purchases a HVIP-qualifying vehicle, the approved Auction Yard will return the auction proceeds directly to the Participant with notification to the SMAQMD of the amount inclusive of any and all fees, unless the SECAT Program authorizes the Participant to receive the proceeds.

Inspectors will coordinate with approved entities to ensure that the old vehicles are destroyed according to the SECAT Program guidelines and that all proper paperwork is correctly filed.

5.5 Replacement Vehicle Requirements

The applicant must submit a vehicle information form and ensure that the replacement truck meets the following requirements:

- **All replacement vehicles are required to comply with heavy-duty vehicle emission standards as defined below:**
  - Replacement vehicles equipped with a heavy-duty engine certified to no more than 0.20 g/bhp-hr NOx under the FTP STD according to the most recent CARB Executive Order are defined as 0.20 g/bhp-hr NOx engines.
  - Replacement vehicles equipped with a heavy-duty engine with a Family Emission Level (FEL) of 0.21 – 0.50 g/bhp-hr NOx under the FTP according to the most recent CARB Executive Order are defined as 0.50 g/bhp-hr NOx engines.
  - All replacement vehicles equipped with diesel engines with a GVWR greater than 33,000 lbs. must have an engine certified under the Heavy-Heavy Duty Diesel (HHDD) Intended Service Class according to the CARB Executive Order. Replacement vehicles with a GVWR of 14,001 – 33,000 lbs. may have either a Medium-Heavy Duty Diesel (MHDD) or HHDD Intended Service Class according to the CARB Executive Order.
  - All replacement vehicles must have an engine certified to the 0.01 g/bhp-hr PM FTP standard or less.

- **System Modifications:** Modifications to the following are not allowed: engine performance characteristics (including changes in horsepower), emission characteristics, engine emission components (not including repairs with like original equipment manufacturer replacement parts) or any other modifications that cause the engine's emission control system to be modified.

- **Truck Weight Requirements:** Heavy-duty trucks in the SECAT Program are separated into two classes for emission purposes:

  - Medium Heavy-Duty Vehicles are defined as all vehicles with a Gross Vehicle Weight Rating (GVWR) between 14,001 – 33,000 lbs.
  - Heavy Heavy-Duty Vehicles are defined as all vehicles with a GVWR over 33,000 lbs.
  - The replacement vehicle must be in the same weight class as the old vehicle.

- **Replacement Vehicle Mileage Limit:** The replacement vehicle at the time of purchase must have less than 500,000 miles registered on the odometer, to ensure the vehicle will operate during the contract term. A waiver may be considered on a case-by-case basis by District staff in events such as a vehicle being replaced due to an accident or specialty equipment like a mixer that may not drive many miles each year, and would seem likely to meet the full contractual term.

- **Truck Axle and Body Configuration Requirements:** The replacement vehicle may have a different axle and/or body configuration than the old vehicle as long as the replacement vehicle will have the same usage as the old vehicle through the contract term.

- **Body Funding:** The SECAT Program will not pay for body value. Additionally, an applicant may purchase a replacement vehicle equipped with a sleeper cab regardless of the configuration of the old vehicle; however, the SECAT Program will not pay for the cost of the sleeper cab.

- **Engine Warranty Requirements:** All applicants must purchase a minimum of a 1-year / 100,000 mile major component engine warranty as part of the SECAT Program. Even though it is not a requirement, the SECAT Program suggests that the highest grade warranty be purchased in order to avoid any problems in the future. The SECAT Program is not responsible for any failure of the replacement vehicle, engine or any part, component or accessory. The applicant takes sole responsibility for ensuring that the truck is in operational condition throughout the agreement period. No additional funds will be issued for maintenance or repairs related to the operation of the vehicle.

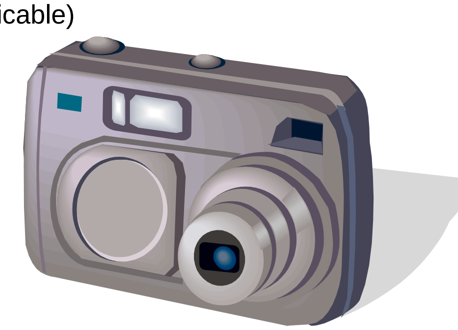
- **SECAT Program Decals:** Two SECAT Program decals will be placed on each side of the new vehicle by District staff. These decals must be easily viewed by the public and remain on the vehicle during the life of the contract.

- **Replacement Vehicle Delivery Deadline:** Participants are required to purchase and begin operating the replacement vehicle within 180 days of contract execution. Upon execution, participants must order the vehicle within 45 days to ensure compliance with this requirement. Proof of vehicle order, including build sheets and purchase orders, must be submitted to show a good faith effort to meet the deadline. Delays outside the participant's control (e.g. production delays, factory issues) will generally be approved as long as the vehicle was ordered as soon as possible after contract execution.

- **Vehicle Lease Option:** Applicants may choose to lease the replacement vehicle instead of a traditional cash or loan purchase. All leases must be from an approved Leasing Company under agreement with the SMAQMD. Vehicle leases must have a term greater than or equal to the total length of the SECAT agreement. Maximum funding is 50% of the total capitalized cost of the vehicle lease. Applicants are required to submit the lease documents to the SMAQMD for approval. **Applicants are required to meet the full contracted usage even if the vehicle is released after the lease expires.**

- **Pictures of the new vehicle:** District staff or a participating dealership will take pictures of the new vehicle prior to delivery to the applicant. Pictures taken by the participating dealership must be submitted in digital format, and must show:

    - Front, rear, right and left sides of vehicle – hood down
    - Vehicle Identification Number – tag inside cab and on vehicle frame (if available)
    - Vehicle Model year – tag inside cab
    - Manufacturer Gross Vehicular Weight Rating
    - Combined Gross Weight (DMV Sticker) – (if applicable)
    - Odometer and hour meter reading
    - Vehicle and engine date of manufacture
    - Vehicle license plate (if applicable)
    - Engine – right and left sides
    - Engine model year – tag on engine
    - Engine emission family number – tag on engine
    - Engine serial number – tag on engine
    - Engine horsepower – tag on engine
    - Emission certification – tag on engine
    - Electronic Monitoring Unit (if applicable)
    - Emission control device
    - Emission control device serial number (if applicable)Additional modifications / body
    - SECAT Program decals applied to the vehicle body
    - Drayage Truck Registry label (if applicable)
    - Other identification labels (if applicable)



5.6 Funding Requirements

Funding amounts will be based on the following criteria:

1. The SECAT Program's cost-effectiveness limit in effect at the time of application; or

2. Maximum vehicle cost cap of:

Old & New GVWR (lbs)	NOx Certification	Maximum Funding
14,001 – 33,000	**0.20 or less (FTP STD)**	**$40,000**
	0.21 – 0.50 (FTP FEL)	**$30,000**
33,001 & above	**0.20 or less (FTP STD)**	**$60,000**
	0.21 – 0.50 (FTP FEL)	**$50,000**

The SECAT Program will pay the lesser amount of either 1 or 2 towards the project, subject to a maximum funding of 50% of the total purchase price of the replacement vehicle including taxes and delivery fees. Leased vehicles are subject to a maximum funding of 50% of the total capitalized cost of the lease or the lesser amount of options 1 & 2 above. All funds issued by the SECAT Program must be applied towards the stated vehicle.

5.7 Legal Ownership of the Replacement Vehicle

The participant must own and operate the replacement vehicle or engine. The participant may obtain financing to assist in the purchase. The SECAT Program requires that the SMAQMD be added as a lien holder on the title of the replacement vehicle throughout the term of the agreement (usually five years). If the participant is not financing or leasing the replacement vehicle, then they must provide proof by submitting the replacement vehicle title via DMV and invoice documents listing the lien holder(s) on the replacement vehicle.

SMAQMD should be listed on the vehicle title as follows:

SMAQMD
777 12th Street, 3rd Floor
Sacramento, CA 95814

If the participant uses either a Finance Company or Leasing Company to provide their cost share to purchase the replacement vehicle, the Finance/Leasing Company must agree to list SMAQMD as a lien holder on the vehicle title. A copy of the replacement vehicle title must be provided to the SMAQMD. Invoice documents listing the lien holder(s), along with a copy of the DMV paperwork submitted by the dealer showing the Registered and Legal Owner(s) of the vehicle will allow the SECAT Program to begin processing the reimbursement request providing program requirements are met. The SECAT Program will allow most types of vehicle financing and leasing, however, specific parties should contact the SMAQMD to determine if their program is eligible. A Memorandum of Understanding between the Finance/Leasing Company and the SMAQMD is available to define the relationship between the two parties.

When a vehicle is co-funded with SECAT and a Finance Company or Leasing Company, the lien must be listed as follows:

"Name of Finance/Leasing Company" & SMAQMD
"Finance/Leasing Company Address"
"Finance/Leasing Company City, State ZIP"

The lien must be written out so the "& SMAQMD" characters are visible as lien holders on the paper title. This may require the Finance/Leasing Company's name be truncated or initials to allow room for the additional lien holders to be listed. An ampersand (&) or "and" must be used to indicate that all parties need to release the lien on the vehicle for all transactions.

5.8 Certificate of Existing Vehicle Acceptance and Salvage

The old vehicle must be turned in to a District-approved auction facility or salvage yard within 30 days of taking possession of the new vehicle. The old vehicle must be in the same operating condition as it was during the first inspection (see section 5.4). If the truck is stripped, parts are taken off, or the tires are found not to be road worthy, the applicant will be in breach of the contract and will either be required to reinstall all missing or defective parts to the participating salvage yards or repay the total incentive amount. The “Old Truck Delivery to Dismantler Certification” document that verifies the existing (old) truck has been picked up by an approved auction yard or salvage yard must be signed by authorized personnel at the time the (old) vehicle is turned in. The signed certificate must be either hand-delivered or mailed to the District before payment for the replacement vehicle will be released.

The auction yard or salvage yard has 45 days to destroy the truck by (1) cutting a non-symmetrical, jagged-edged hole in the engine block that is at least three inches in diameter, (2) making an additional cut from the engine hole down through the flange where the oil pan attaches, and (3) cutting the frame rails completely through in half between the cab and rear axle. District staff or a certified auction yard or salvage yard must take pictures of the destroyed vehicle within 60 days of delivery. The vehicle title must be registered with DMV as a non-repairable vehicle so that the VIN number can no longer be registered or titled for operation in California. A *Non-Repairable Vehicle Notice* or a *Report of Vehicle to be Dismantled* must be filed by the owner, auction yard, or salvage yard. A DMV receipt, such as a DMV reconciliation report, or non-repairable certificate verifying the vehicle can no longer be registered or titled must be made available to District staff at the time of the salvage inspection. Pictures of the vehicle must include the following:

- Front angle of vehicle
- Vehicle Identification Number (VIN)
- License plate
- Engine
- Engine serial number on tag or stamped on block
- Hole in engine
- Frame rails cut into two pieces

5.9 Performance Requirements and Contractual Obligations of the Participant

All participants in the Fleet Modernization Program will be required to agree to the following terms for typically five years. These requirements are in addition to the requirements in the general guidelines. If these provisions conflict with the general requirements, these requirements will control.

- The participant must agree to operate the replacement vehicle for typically five (5) years in the SFNA meeting a minimum performance requirement equal to the amount listed in the contract. This requirement may be met with either mileage or fuel depending on the vehicle type and configuration.
- The participant is required to meet both an annual commitment and a lifetime commitment. Because of this, the SECAT Program recommends using a low estimate of vehicle operation when applying for funding.
- The participant cannot sell or otherwise encumber the replacement vehicle without written authorization from the SECAT Program.
- The replacement vehicle may operate outside the SFNA and outside the State of California; however, the participant is responsible for meeting their minimum annual SFNA performance.
- If there is a significant event for the participant – including, but not limited to bankruptcy, sale of business, or contact information change – the participant must notify the SECAT Program.
- If the replacement vehicle is involved in an accident, the applicant will need to report the accident to program staff within 10 business days. The applicant will be required to provide a police report of the accident, a letter from the insurance company regarding the accident, and any additional information requested by SMAQMD. Down time due to an accident will be credited toward the

performance requirements as long as the information is reported as requested and the participant repairs the vehicle as soon as possible. The participant will be required to repair the vehicle and return it to operation if possible. If the vehicle is totaled, SMAQMD may demand repayment of a pro-rated portion of the incentive funds.

- If the applicant chooses the option to reduce annual mileage on existing school buses in their fleet in addition to scrapping school buses, their performance requirements will include both a maximum annual mileage for school buses identified in their application as able to accept a limited annual mileage equal to the annual mileage of the scrap school buses and a minimum annual mileage for the replacement school buses equal to the historic annual mileage of the proposed limited mileage school buses subject to the maximum annual mileage requirement described in this paragraph.

6.0 HEAVY-DUTY SCRAPPAGE PROGRAM POLICIES AND GUIDELINES

6.1 Background

The SECAT Program is creating a Heavy-Duty Scrappage Program (HDSP) to expand the ability to retire older vehicles in the SFNA for owners who would like to dispose of their old vehicles without purchasing a new vehicle under the Fleet Modernization program. In practice, many fleets retain and operate a small number of peaker or backup vehicles that are allowed to operate in California under the Low Use Exemption in the TBR.

These older vehicles can operate without modification up to 5,000 miles per year through 2020. Fleets are able to transfer the VMT of these low mileage vehicles to additional new vehicles, or hire additional trucks if needed. Because of this, staff recommended the creation of the HDSP to increase potential NOx reductions in the SFNA.

6.2 Determination of Emission Benefits from Scrappage

Unlike other SECAT options, the HDSP does not require the purchase of a replacement vehicle. Fleets that scrap their fully operational vehicles ahead of regulatory requirements will replace the VMT of the old low mileage vehicle with other vehicles already compliant with the TBR – by either purchasing newer vehicles already compliant with the TBR or by contracting with external fleet vehicles to operate the miles lost from the scrapped truck.

The TBR allows owners of heavy-duty diesel vehicles to register their trucks as a low use vehicle exempt from the upgrade requirements of the regulation. This allows the owner to drive the truck in California up to 5,000 miles per year through January 1, 2020. Fleets receive extra compliance credit when a vehicle is designated as Retired or Planned Non-Operation for vehicles that are either scheduled for disposal or not needed during the year. The action of registering a vehicle under the low use exemption indicates that the owner intends to continue to operate the vehicle.

The EMFAC model predicts the population and VMT of heavy-duty vehicles in the SFNA and is used to determine emission targets in the SIP. Incentive programs typically calculate emission reductions based on historic and actual vehicle activity, but the HDSP cannot use this calculation because the expected replacement vehicle is a fleet-average vehicle instead of a new vehicle. This requires the HDSP to use the default fleet-average population used by EMFAC to determine emission reductions in lieu of actual vehicle data. Low use vehicles have a potential to emit based on the maximum annual mileage of 5,000 miles per year.

For analysis under SECAT, staff assumes that the existing vehicle has annual mileage equal to 5,000 miles per year for that specific vehicle class and model year. The analysis uses 2018 data for use in claiming reductions occurring in our SIP attainment year. The replacement vehicle has the same annual mileage as the existing low use vehicle, but uses a fleet-average emission rate – which is subtracted from the existing vehicle emission rate – to determine annual emission reductions. This calculation is detailed below:

Reduction = (5,000 mi/yr) * [(2018 existing vehicle g/mi) – (2018 fleet average vehicle g/mi)]

EMFAC activity data is assigned to the county in which the vehicle is registered with the DMV. This requires SECAT to only fund vehicles under the HDSP that have been registered in the SFNA within the previous 24 months. Vehicles registered outside the SFNA are not eligible for the HDSP.

Vehicles with annual mileage above 5,000 miles per year can be approved by staff on a case-by-case basis, and will need to submit actual vehicle activity for consideration. Funding amounts for vehicles in these cases will be reduced by at least $20,000 from what the truck would qualify if it were submitted as a Fleet Modernization project.

6.3 Program Requirements

6.3.1 Vehicle Eligibility Requirements

1. The existing vehicle must be a heavy-duty on-road vehicle with a Gross Vehicle Weight Rating (GVWR) over 14,000 lbs. equipped with a diesel engine.
2. The existing vehicle must be registered with the Air Resources Board as a Low Use Exempt vehicle in the applicant's fleet.
3. The existing vehicle must be currently registered with the DMV as an operating vehicle and must have been registered for use at least 3 months in each of the previous 2 years.
4. The existing vehicle must be capable of driving to an approved auction facility or salvage yard under its own power.
5. The existing vehicle must be currently registered in the SFNA and show registration in the SFNA over the previous 2 years with a minimum of 3 months registration in each of the previous 12 month periods; vehicles registered in the International Registration Plan are not eligible for the HDSP.

6.3.2 Application Requirements

Applications for funding under the HDSP must include the following:

1. Completed and signed SECAT Application
2. County of Sacramento Payee Data Record
3. Previous 24 months of vehicle registration records
4. Copy of existing vehicle title with no lien holders
5. Copy of current ARB Certificate of Compliance with the Truck & Bus Regulation

Applications will be processed and reviewed as a normal SECAT application. If approved, the applicant will receive a voucher from the SMAQMD. This voucher must accompany the old vehicle for its delivery to an approved salvage yard or auction facility. The old vehicle must typically be delivered to the salvage yard or auction facility within 30 days; in some cases the voucher may have a different deadline. The voucher includes instructions on disposal instructions.

SMAQMD inspectors will confirm both the operational condition and vehicle information after the vehicle is delivered to an approved salvage yard or auction facility. If the vehicle is not in operational condition or the vehicle does not match the information on the voucher, the participant will not receive funding. Vehicles that become inoperable between application and delivery to an approved salvage yard or auction facility must be fully repaired and driven under their own power to receive funding.

The SECAT Program encourages applicants to deliver the trucks as soon as possible after receipt of the HDSP voucher to avoid problems with payment.

6.3.3 Payment

The SECAT Program will pay the owner of the approved existing vehicle a fixed amount based on the following table:

Existing Vehicle Type	**2002 & Older Engine Model Year**
Low Use Medium Heavy-Duty Diesel Vehicle (14,001 – 33,000 lbs. GVWR)	$8,000
Low Use Heavy Heavy-Duty Diesel Vehicle (Over 33,000 lbs. GVWR)	$12,000

Payment will be issued to the participant with a check mailed to the address on the County of Sacramento Payee Data Record. Funds under the HDSP will be reported to the Internal Revenue Service and may be taxable. Although SECAT staff will attempt to process payment as soon as possible, final payment may take up to 90 days after delivery of the vehicle to an approved salvage yard or auction facility. Multiple vehicles submitted by a single business entity may receive a single check if the vehicles are processed within a short timeframe.

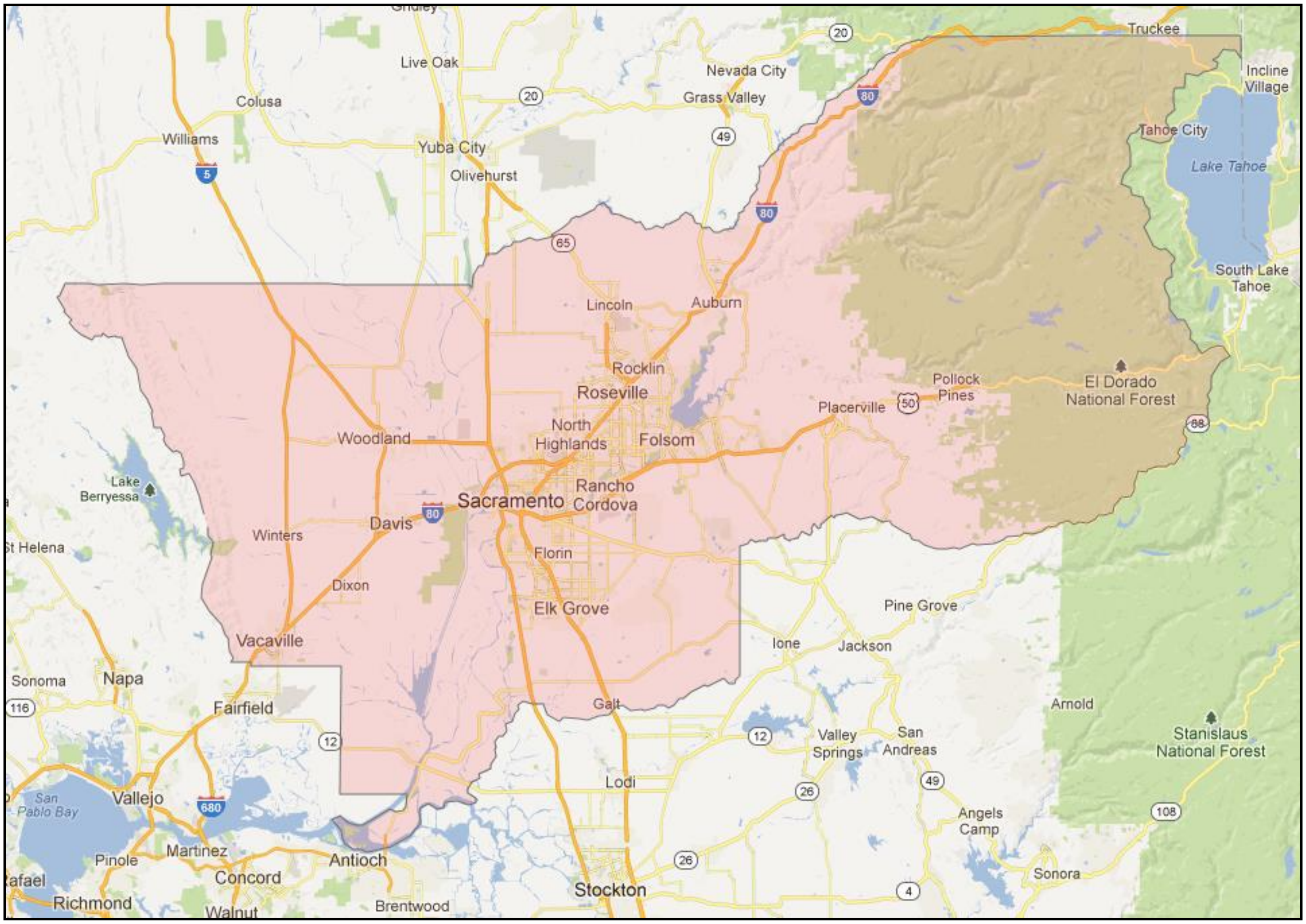
Although staff cannot predict the actual number and type of vehicles that will be destroyed under this program, the estimated cost effectiveness of the HDSP is approximately $139,000/1-yr ton NOx based on the EMFAC inventory of vehicles eligible for funding.

6.3.4 Program Funding

The HDSP is a pilot program and will be allocated a limited amount of funding based on expected demand. Funding may not be available for the HDSP even when the SECAT Program is soliciting applications for other program options. Please contact staff to determine if funding is available.

Vehicles equipped with a diesel particulate filter retrofit may be eligible for significantly higher SECAT funding under the Fleet Modernization program. Please contact staff to determine if this is a better option for your vehicle.

Sacramento Federal Nonattainment Area (Ozone)



Meeting Date: 1/26/2017
Report Type: CONSENT CALENDAR
Report ID: 2017-0126-10.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

10.

Title: Quarterly Contracting Report (October 2016 - December 2016)

Recommendation:

Receive a quarterly report on certain contracts executed by the APCO under General Contracting Authority for October 2016 - December 2016.

Rationale for Recommendation:

The District provides quarterly reports in compliance with Resolution No. 2014-022 to report on: (i) all contracts executed by the APCO for more than $25,000 and less than $50,000, (ii) all funds accepted by SMAQMD from other entities, and the purpose for which the funds were used, and (iii) all executed agreements between SMAQMD and other entities under which SMAQMD contributes up to $25,000 to the other entity, and the purpose for which the funds were used.

Contact: Emily Goldhahn, CPA, CGMA, Controller, 916-874-4823

Presentation: No

ATTACHMENTS:

2016 4th Quarter Report

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/16/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/12/2017

Discussion / Justification:

This is a quarterly report covering October 2016 through December 2016. The contracts for the 4th Quarter are in the attached report.

Financial Considerations:

This is an information report on executed contracts or contract amendments. All budget authorization is included in the FY16/17 Approved Budget or occurred at the time of contract/contract amendment approvals.

ATTACHMENT 1 – 2016 4th QUARTER REPORT

This is a quarterly report covering October 2016 through December 2016. The contracts for the 4th Quarter are listed below.

2016 4th Quarter Report – Certain contracts under the General Contracting Authority

Contractor	Type of Agreement	Services	Amount	Term
Pro-Fit Painting (E2016013-A)	Amendment	Painting services- term extension and funding increase of $9,740.	$33,000	8 months Terminates: 3/31/2017
Twohig Consulting (E2014026-A)	Amendment	Legislative services- term extension and funding increase by $100,000 ($50,000/year).	$200,000	4 years Terminates: 12/31/2018

Meeting Date: 1/26/2017
Report Type: CONSENT CALENDAR
Report ID: 2017-0126-11.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

11.

Title: January 12, 2017 Special Board Meeting Minutes

Recommendation:
Approve the attached minutes from the January 12, 2017 Board of Directors Special Meeting.

Rationale for Recommendation:

Contact: Salina Martinez, Clerical Services Supervisor, 916-874-4986

Presentation: No

ATTACHMENTS:

1/12/17 Special Meeting Minutes

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/18/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/17/2017

MINUTES

BOARD OF DIRECTORS
Quality Management District
777 12th Street, Suite 300
Sacramento, California

Thursday | **January 12, 2017** | **3:30 PM**

DIRECTORS

Chair
Steve Hansen

Vice-Chair
Donald Terry

Larry Carr
Mark Crews
Sue Frost

Eric Guerra
Patrick Kennedy
Steve Ly

Don Nottoli
Susan Peters
Phil Serna

CALL TO ORDER/ROLL CALL

The meeting was called to order.

Present: Directors Carr, Crews, Frost, Hansen, Harris, Nottoli, Serna, Terry.

Absent: Guerra, Kennedy, Ly, Peters.

PLEDGE OF ALLEGIANCE

CLOSED SESSION

A. Conference with Legal Counsel -- Existing Litigation (Government Code Section 54956.9(a)): SMAQMD v. Hardesty Sand & Gravel, Case No. 34-2011-00101272

Proceed with recommendation.

ACTION:
Larry Carr Moved /Jeff Harris Seconded

Ayes: Carr, Crews, Frost, Hansen, Harris, Nottoli, Serna, Terry
Absent: Guerra, Kennedy, Ly, Peters

B. Conference with Legal Counsel -- Anticipated Litigation: Significant exposure to litigation pursuant to Government Code Section 54956.9(b)(3)(C): 1 case

Proceed with recommendation.

ACTION:
Phil Serna Moved /Donald Terry Seconded

Ayes: Crews, Frost, Hansen, Harris, Serna, Terry
Nays: Carr, Nottoli
Absent: Guerra, Kennedy, Ly, Peters

PUBLIC COMMENT

ANNOUNCEMENTS

ADJOURN

Meeting Date: 1/26/2017
Report Type: DISCUSSION / INFORMATION
Report ID: 2017-0126-12.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

12.

Title: Selection of Chair and Vice Chair for the Sacramento Metropolitan Air Quality Management District

Recommendation:
Adopt a Motion appointing a Chair and Vice Chair for Sacramento Metropolitan Air Quality Management District (District) for a two-year term for the calendar years 2017 through 2018.

Rationale for Recommendation:
Under the Health and Safety Code Section 40981 et seq., (Chairperson; Election; Term of Service), and as outlined in the District Rules of Procedure for the Governing Body, the Board is required to elect a Chairperson and a Vice Chairperson from its membership at the first meeting of each odd-numbered calendar year for a term of two years.

Contact: Salina Martinez, Clerical Service Supervisor, 916-874-4986

Presentation: Yes

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/16/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/12/2017

Discussion / Justification:
At the first meeting of every odd-numbered year, the Board is required to elect a Chairperson and Vice Chairperson from its membership.

Below is listing of these elections since 2005:

Year	Chair	Jurisdiction	Vice Chair	Jurisdiction
2005-2006	Jeff Starsky	City of Folsom	Roger Dickinson	County of Sacramento
2007-2008	Roger Dickinson	County of Sacramento	Sandy Sheedy	City of Sacramento
2009-2010	Sandy Sheedy	City of Sacramento	Darryl Clare	City of Galt
2011-2012	Jayna Karpinski-Costa	City of Citrus Heights	Phil Serna	County of Sacramento
2013-2014	Phil Serna	County of Sacramento	Steve Cohn	City of Sacramento
2015-2016	Steve Hansen	City of Sacramento	Donald Terry	City of Rancho Cordova

Meeting Date: 1/26/2017
Report Type: DISCUSSION / INFORMATION
Report ID: 2017-0126-13.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

13.

Title: Appointment of Board members to Standing Committees of the Board and Announcement of Hearing Board vacancy

Recommendation:
Pass a motion 1) renaming the standing committees of the Board from the Subcommittee for Budget and Personnel Matters to the Budget and Personnel Committee and from the Subcommittee for Selecting Hearing Board Members to Hearing Board Nomination Committee, 2) establishing the terms for the Budget and Personnel and Hearing Board Nomination Committees to be for two years, 3) selecting and appointing two Board members in addition to the Chair, Vice-chair and Past Chair to the Budget and Personnel Committee, and 4) confirming the Chair's appointment of Board members to serve on the Hearing Board Nomination Committee.

Rationale for Recommendation:
As needed, the Board appoints Board members to serve on standing committees of the Board for a specified period. In addition, the Board established the Subcommittee for Selecting Hearing Board members whose members are appointed by the Board Chair. This action is consistent with Board practice and is done when circumstances require a new or replacement appointee.
Staff is also recommending name changes to the committees to clarify the functions of the committees and that they are standing committees of the Board. Furthermore, it is recommended that the term of the standing committees be set at two years to be consistent with the terms of the Chair and Vice-chair and to provide continuity for committee activities.
Standing committee meetings are scheduled only as needed, and every attempt is made to schedule these meetings directly following or prior to the regular Board meetings.
Staff is also taking this opportunity to notify the Board that the General Public Member position on the Hearing Board will expire May 25, 2017, and that staff will commence the selection process by issuing notices of the vacancy and soliciting applications.

Contact: Jamille Moens, Administrative Services Division Manager, 916-874-4820

Presentation: Yes

ATTACHMENTS:

Hearing Board Nomination Committee

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/17/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/17/2017

Discussion / Justification:
Many large Air District Boards operate with various subcommittees to work with staff on issues prior to presentation to the entire Board. Many times subcommittees can work to resolve specific details, which saves time during regular Board meetings.
The proposed named Budget and Personnel Committee provides guidance on various topics including contract negotiations, budgets and personnel matters. In the past, the Committee has consisted of the Chair, Vice Chair,

Past Chair and two additional Board members for a total of 5 members. The following board members were appointed to the Committee on February 26, 2015: Chair Hansen, Vice Chair Donald Terry, and Directors Phil Serna, Jeff Starsky and Don Nottoli.

Also on February 26, 2015, the Board established the standing Subcommittee for Selecting Hearing Board Members responsible for reviewing applications and nominating finalists for the Hearing Board to the full Board for consideration. Prior to this date, the practice was to form an ad-hoc committee each time a Hearing Board vacancy was announced. The Subcommittee consists of three Board members comprised of the Chair and two other members selected by the Chair. Chair Hansen and Directors Roberta MacGlashan and Jeff Starsky served as the most recent committee members. It is being recommended that the name be changed to the Hearing Board Nomination Committee to reflect that the Committee nominates finalists for full-Board consideration as opposed to selecting Hearing Board members. It is also recommended that the term of this committee be changed to two years to be consistent with the terms of the Chair and Vice-chair and to provide continuity to the work of the Committee. Additional information regarding the Hearing Board and upcoming vacancies is attached to this report.

HEARING BOARD NOMINATION COMMITTEE

Section 40800 of the California Health and Safety Code requires that the Board of Directors establish and maintain a hearing board. To assist with the selection and appointment of Hearing Board members, the Board of Directors has utilized the work of a Board subcommittee.

On February 26, 2015, the Board established the standing Subcommittee for Selecting Hearing Board Members responsible for reviewing applications and nominating finalists for appointment to the Hearing Board by the Board. Prior to this date, the practice was to form an ad-hoc committee each time a Hearing Board vacancy was announced.

The Subcommittee consists of three Board members comprised of the Chair and two other members selected by the Chair. Prior members of the Committee include the following:

Ad-hoc Committee (February 2014): Chair Phil Serna, Roberta MacGlashan, Steve Hansen
Ad-hoc Committee (June 2013): Chair Phil Serna, Steve Cohn, Don Nottoli
Standing Committee (February 2015): Chair Steve Hansen, Roberta MacGlashan, Jeff Starsky

The District has an established hearing board consisting of five members: one attorney, one professional engineer, one medical professional, and two members of the general public. Each member is appointed by the Board of Directors for a three-year term.

The Hearing Board meets monthly, on an as needed basis, to hear and decide petitions for variances from District rules, regulations, and permit requirements. This Board also hears petitions for abatement orders and appeals of permitting decisions made by the Air Pollution Control Officer. Each member is compensated $75 per hearing. Two Hearing Board member vacancies will need to be filled in 2017 as follows:

- The No. 2 general public member's term will expire May 25, 2017. Staff will advertise the position in the Sacramento Bee and announcements will be sent to the Sacramento County and city managers, local news media, libraries and other public entities for posting. The new Hearing Board member’s term of service will be from May 26, 2017 through May 25, 2020. Staff has established the following tentative selection schedule:

Week of February 6, 2017	Mailing of letters for posting
February 13, 2017	Publication in local newspaper announcing opening
March 3, 2017	Application period opens (4 week period)
Week of March 6, 2017	Application period ends; application review begins
March 13, 2017	Inform Board Subcommittee of applicants.
March 20, 2017 through April 14, 2017	Interview (if necessary) & select candidate
April 17, 2017	Submit recommendation to Board of Directors for Approval.

- The medical professional's term will expires January 31, 2018. As the Board of Directors does not meet in November or December, this vacancy should be filled by the October 26, 2017 Board meeting.

Meeting Date: 1/26/2017
Report Type: DISCUSSION / INFORMATION
Report ID: 2017-0126-14.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

14.

Title: Amend the FY16/17 Budget to fund an existing Assistant/Associate Air Quality Specialist position

Recommendation:
Pass a motion amending the FY2016/17 budget to 1) move an existing Assistant/Associate Air Quality Specialist position from unfunded in the Stationary Sources Division to funded in the Program Coordination Division, and 2) authorize the Executive Director/Air Pollution Control Officer to make a Limited-Term appointment to the position.

Rationale for Recommendation:
The District recently added its first near-road monitoring station. To meet federal requirements, a second near-road monitoring site will be added using grant funding. The District is in the process of selecting a location and preparing to build the second near-road monitoring site, which will require additional staff effort to prepare and operate. The grant funding covers both the new site and the first two years of associated staffing needs. In addition to the near-road monitoring requirements, there has been a steady increase in federal and state monitoring requirements dating back over a decade. Funding this existing position will enable the District to continue meeting its monitoring obligations demonstrating the region's continued progress toward attainment of federal air quality standards.

Contact: Mark Loutzenhiser, Division Manager, 916-874-4872

Presentation: Yes

Approvals/Acknowledgements

Executive Director or Designee: Larry Greene, Report Approved 1/17/2017

District Counsel or Designee: Kathrine Pittard, Approved as to Form 1/17/2017

Discussion / Justification:
State and federal requirements for the Air Monitoring Program have been steadily increasing for the past 10+ years. With the upcoming establishment of a second near-road monitoring station and associated work, additional resources are needed to continue demonstrating the region's progress toward attainment of the air quality standards.

The scope of work to be performed by this staff position includes, but is not limited to:

- Assist in establishing the second near-road monitoring site, including ultra fine particulate samplers (identification of site, equipment, parameters, etc.)
- Perform Quality Assurance/Quality Control (QA/QC) checks according to Air Resources Board (ARB) and Environmental Protection Agency (EPA) procedures
- Review quarterly audits of Photochemical Assessment Monitoring Stations (PAMS), Speciation Air Sampling System (SASS), and URG equipment (black carbon sampling)
- Perform QA/QC checks on Upper Air Data according to the PAMS re-engineering requirements
- Perform QA/QC checks on Speciation data
- Review quarterly data entered by ARB into the Air Quality System (AQS)
- Assist in analyzing exceptional event information related to wild fires.

The near-road monitoring grant includes funding for staff expenses for the first two years of the monitoring site. While the grant and contract are being finalized, existing salary savings from vacancies will provide funding sufficient for the remainder of FY2016/17.

Financial Considerations:

The District has salary savings from staff vacancies during FY2016/17 sufficient to fund the existing vacant position through the end of the current fiscal year. The grant funding for the second near-road monitor is anticipated to be received in the Spring of 2017. The position will be filled as Limited-term through FY2018/19, at which point the program and monitoring site needs will be re-evaluated.