



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
SPECIAL MEETING
SEPTEMBER 10, 2012

A Special Meeting of the Bay Area Air Quality Management District Board of Directors will be held at 9:45 a.m. in the 7th Floor Board Room at the Air District Headquarters, 939 Ellis Street, San Francisco, California.

**Questions About
an Agenda Item**

The name, telephone number and e-mail of the appropriate staff Person to contact for additional information or to resolve concerns is listed for each agenda item.

Meeting Procedures

The public meeting of the Air District Board of Directors begins at 9:45 a.m. The Board of Directors generally will consider items in the order listed on the agenda. However, any item may be considered in any order.

After action on any agenda item not requiring a public hearing, the Board may reconsider or amend the item at any time during the meeting.

Public Comment Procedures

Persons wishing to make public comment must fill out a Public Comment Card indicating their name and the number of the agenda item on which they wish to speak, or that they intend to address the Board on matters not on the Agenda for the meeting.

Public Comment on Non-Agenda Matters, Pursuant to Government Code Section 54954.3 For the first round of public comment on non-agenda matters at the beginning of the agenda, ten persons selected by a drawing by the Clerk of the Boards from among the Public Comment Cards indicating they wish to speak on matters not on the agenda for the meeting will have three minutes each to address the Board on matters not on the agenda. For this first round of public comments on non-agenda matters, all Public Comment Cards must be submitted in person to the Clerk of the Boards at the location of the meeting and prior to commencement of the meeting. The remainder of the speakers wishing to address the Board on non-agenda matters will be heard at the end of the agenda, and each will be allowed three minutes to address the Board at that time.

Members of the Board may engage only in very brief dialogue regarding non-agenda matters, and may refer issues raised to District staff for handling. In addition, the Chairperson may refer issues raised to appropriate Board Committees to be placed on a future agenda for discussion.

Public Comment on Agenda Items After the initial public comment on non-agenda matters, the public may comment on each item on the agenda as the item is taken up. Public Comment Cards for items on the agenda must be submitted in person to the Clerk of the Boards at the location of the meeting and prior to the Board taking up the particular item. Where an item was moved from the Consent Calendar to an Action item, no speaker who has already spoken on that item will be entitled to speak to that item again.

Up to ten (10) speakers may speak for three minutes on each item on the Agenda. If there are more than ten persons interested in speaking on an item on the agenda, the Chairperson or other Board Member presiding at the meeting may limit the public comment for all speakers to fewer than three minutes per speaker, or make other rules to ensure that all speakers have an equal opportunity to be heard. Speakers are permitted to yield their time to one other speaker; however no one speaker shall have more than six minutes. The Chairperson or other Board Member presiding at the meeting may, with the consent of persons representing both sides of an issue, allocate a block of time (not to exceed six minutes) to each side to present their issue.

BOARD OF DIRECTORS SPECIAL MEETING AGENDA

**MONDAY
SEPTEMBER 10, 2012
9:45 A.M.**

**BOARD ROOM
7TH FLOOR**

CALL TO ORDER

Opening Comments
Roll Call
Pledge of Allegiance

Chairperson, John Gioia
Clerk of the Boards

PUBLIC COMMENT ON NON-AGENDA MATTERS

Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3

For the first round of public comment on non-agenda matters at the beginning of the agenda, ten persons selected by a drawing by the Clerk of the Boards from among the Public Comment Cards indicating they wish to speak on matters not on the agenda for the meeting will have three minutes each to address the Board on matters not on the agenda. For this first round of public comments on non-agenda matters, all Public Comment Cards must be submitted in person to the Clerk of the Board at the location of the meeting and prior to commencement of the meeting.

CONSENT CALENDAR (ITEMS 1 – 6)

Staff/Phone (415) 749-

1. Minutes of the Board of Directors Special Meeting of July 30, 2012 **Clerk of the Boards**

2. Board Communications Received from July 30, 2012 through September 9, 2012

J. Broadbent/5052

jbroadbent@baaqmd.gov

A list of communications directed to the Board of Directors received by the Air District from July 30, 2012 through September 9, 2012, if any, will be at each Board Member's place.

3. Air District Personnel on Out-of-State Business Travel

J. Broadbent/5052

jbroadbent@baaqmd.gov

In accordance with Section 5.4 (b) of the Air District's Administrative Code, Fiscal Policies and Procedures Section, the Board is hereby notified that the attached memorandum lists Air District personnel who have traveled on out-of-state business between July 1, 2012 and August 31, 2012.

4. Quarterly Report of Executive Office and Division Activities

J. Broadbent/5052

jbroadbent@baaqmd.gov

A summary of Board of Directors, Hearing Board and Advisory Council meeting activities for the third quarter is provided for information only. Also included is a summary of the Executive Office and Division Activities for the months of April 2012 – June 2012.

5. Approval of Contract for Janitorial Services

J. Broadbent/5052
jbroadbent@baaqmd.gov

The Board of Directors will consider authorizing the Executive Officer/APCO to execute a contract amendment with SWA Services Group, Inc. for total contract amount not to exceed \$207,400.

6. Consider Adopting Resolution No. 2012-05, delegating administrative authority to the Executive Officer/APCO on matters related to the California State Association of Counties Excess Insurance Authority (CSAC-EIA)

J. Broadbent/5052
jbroadbent@baaqmd.gov

The Board of Directors will consider adopting a resolution delegating administrative authority to the Executive Officer/APCO on matters related to the California State Association of Counties Excess Insurance Authority (CSAC-EIA).

PRESENTATION(S)

7. Chevron Richmond Refinery Incident

J. Broadbent/5052
jbroadbent@baaqmd.gov

Staff will provide an overview of Air District actions in response to the fire that occurred on August 6, 2012 at the Chevron Richmond Refinery. Staff from Contra Costa County, the United States Chemical Safety Board and the California Air Resources Board will also provide brief presentations. Staff from the U.S. Environmental Protection Agency have also been invited and may provide brief comments.

8. Bureau of State Audits Report on the Metropolitan Transportation Commission Acquisition of 390 Main Street

J. Broadbent/5052
jbroadbent@baaqmd.gov

Staff will provide an overview of the results of the Bureau of State Audits Report on the Metropolitan Transportation Commission acquisition of 390 Main Street. The report was published on August 28, 2012.

9. Production System Project Update

J. Broadbent/5052
jbroadbent@baaqmd.gov

Staff will provide an update on the development of the Air District's production system.

CLOSED SESSION

10. **EXISTING LITIGATION (Government Code Section 54956.9(a))**

Pursuant to Government Code Section 54956.9(a), a need exists to meet in closed session with legal counsel to consider the following case(s):

California Building Industry Association v. Bay Area AQMD, Alameda County Superior Court, Case No. RG-10548693; California Court of Appeal, First Appellate District, Case No. A135335.

OPEN SESSION

PUBLIC COMMENT ON NON-AGENDA MATTERS

Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3

Speakers who did not have the opportunity to address the Board in the first round of comments on non-agenda matters will be allowed three minutes each to address the Board on non-agenda matters.

BOARD MEMBERS' COMMENTS

Any member of the Board, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2)

OTHER BUSINESS

11. Report of the Executive Officer/APCO
12. Chairperson's Report
13. Time and Place of Next Meeting is Wednesday, September 19, 2012, Bay Area Air Quality Management District Office, 939 Ellis Street, San Francisco, California 94109 at 9:45 a.m.
14. Adjournment

CONTACT EXECUTIVE OFFICE - 939 ELLIS STREET SF, CA 94109

(415) 749-5130
FAX: (415) 928-8560
BAAQMD homepage:
www.baaqmd.gov

- To submit written comments on an agenda item in advance of the meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- To request special accommodations for those persons with disabilities. Notification to the Executive Office should be given at least 3 working days prior to the date of the meeting so that arrangements can be made accordingly.
- Any writing relating to an open session item on this Agenda that is distributed to all, or a majority of all, members of the body to which this Agenda relates shall be made available at the Air District's headquarters at 939 Ellis Street, San Francisco, CA 94109, at the time such writing is made available to all, or a majority of all, members of that body. Such writing(s) may also be posted on the Air District's website (www.baaqmd.gov) at that time.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET, SAN FRANCISCO, CALIFORNIA 94109
(415) 771-4963

EXECUTIVE OFFICE:
MONTHLY CALENDAR OF DISTRICT MEETINGS

SEPTEMBER 2012

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i> - CANCELLED	Wednesday	5	9:45 a.m.	Board Room
Special Meeting of the Board of Directors <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Monday	10	9:45 a.m.	Board Room
Advisory Council Regular Meeting <i>(Meets 2nd Wednesday of each Month)</i>	Wednesday	12	9:00 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets 3rd Monday of each Month)</i> - CANCELLED	Monday	17	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Stationary Source Committee <i>(Meets the 3rd Monday of Every Other Month)</i>	Monday	17	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	19	9:45 a.m.	Board Room
Board of Directors Budget & Finance Committee <i>(Meets the 4th Wednesday of each Month)</i> - CANCELLED	Wednesday	26	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday of each Month)</i>	Thursday	27	9:30 a.m.	4 th Floor Conf. Room

OCTOBER 2012

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	3	9:45 a.m.	Board Room
Advisory Council Regular Meeting <i>(Meets 2nd Wednesday of each Month)</i>	Wednesday	10	9:00 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets 3rd Monday of each Month)</i>	Monday	15	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	17	9:45 a.m.	Board Room

OCTOBER 2012

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Public Outreach Committee <i>(At the Call of the Chair)</i>	Thursday	18	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(Meets the 4th Wednesday of each Month)</i>	Wednesday	24	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday of each Month)</i>	Thursday	25	9:30 a.m.	4 th Floor Conf. Room

NOVEMBER 2012

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	7	9:45 a.m.	Board Room
Advisory Council Regular Meeting <i>(Meets 2nd Wednesday of each Month)</i>	Wednesday	14	9:00 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets 3rd Monday of each Month)</i>	Monday	19	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Stationary Source Committee <i>(Meets the 3rd Monday of Every Other Month)</i>	Monday	19	10:30 a.m.	4 th Floor Conf. Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	21	9:45 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday of each Month)</i> - CANCELLED	Thursday	22	9:30 a.m.	4 th Floor Conf. Room

Board of Directors Budget & Finance Committee <i>(Meets the 4th Wednesday of each Month)</i>	Wednesday	28	9:30 a.m.	4 th Floor Conf. Room
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HL – 8/23/12 (11:35 a.m.)

P/Library/Forms/Calendar/Calendar/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson John Gioia and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: August 31, 2012

Re: Minutes of the Board of Directors Special Meeting of July 30, 2012

RECOMMENDED ACTION

Approve attached draft minutes of the Board of Directors Special Meeting of July 30, 2012.

DISCUSSION

Attached for your review and approval are the draft minutes of the Board of Directors Special Meeting of July 30, 2012.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Sean Gallagher
Reviewed by: Ana Sandoval

Attachment

Bay Area Air Quality Management District
939 Ellis Street
San Francisco, CA 94109
(415) 749-5000

Board of Directors Special Meeting
July 30, 2012

DRAFT MINUTES

CALL TO ORDER

Chairperson John Gioia called the meeting to order at 1:35 p.m.

ROLL CALL

Present: Chairperson John Gioia; Vice Chairperson Ash Kalra; Secretary Nate Miley; and Directors Susan Gorin, Carole Groom, Scott Haggerty, Jennifer Hosterman, David E. Hudson, Carol L. Klatt, Liz Kniss, Katie Rice, Mark Ross, Jim Spering and Brad Wagenknecht.

Absent: Directors John Avalos, Tom Bates, Susan Garner, Edwin M. Lee, Eric Mar, Mary Piepho, Ken Yeager and Shirlee Zane.

PLEDGE OF ALLEGIANCE

Chairperson Gioia led the Pledge of Allegiance.

OPENING COMMENTS

None.

PUBLIC COMMENT ON NON-AGENDA MATTERS

None.

CONSENT CALENDAR (ITEMS 1 – 8)

1. Minutes of the Board of Directors Meeting of June 6, 2012;
2. Board Communications Received from June 6, 2012, through July 29, 2012;
3. Air District Personnel on Out-of-State Business Travel;
4. Consider Authorization for Execution of a New Contract and Associated Purchase Order Not to Exceed \$127,000 Pursuant to Administrative Code Division II, Fiscal Policies and Procedures, Section 4.3 Contract Limitations, for Further Development of the Data Management System for Ambient Air Quality and Meteorological Data;
5. Consider Authorization for Expenditures for the Implementation of the Production System;

6. **Consider Approving the Resolution Joining the California State Association of Counties Excess Insurance Authority;**
7. **Set a Public Hearing for September 19, 2012, to Consider Adoption of Regulation 9, Rule 13: Nitrogen Oxides, Particulate Matter and Toxic Air Contaminants from Portland Cement Manufacturing, and Adoption of a California Environmental Quality Act Negative Declaration; and**
8. **Consider Authorization for Expenditures Not to Exceed \$125,000 to EcoInteractive for Nationwide Burn Status Phone Number, Complaint Customer Service Center, Data System and Woodsmoke Awareness Course.**

Board Comments: None.

Public Comments: None.

Board Action: Director Hosterman made a motion to approve Consent Calendar Items 1, 2, 3, 4, 5, 6, 7 and 8; Director Spring seconded; unanimously approved without objection.

COMMITTEE REPORTS AND RECOMMENDATIONS

9. **Report of the Mobile Source Committee Meeting of June 28, 2012**
Report by Director Miley on behalf of Chairperson S. Haggerty

The Committee met on Thursday, June 28, 2012, and approved the minutes of May 24, 2012.

The Committee reviewed Carl Moyer Program projects with proposed grant awards over \$100,000 and recommends Board of Directors approval of three projects that will replace 13 pieces of equipment and authorization for the Executive Officer/Air Pollution Control Officer (APCO) to enter into agreements for those projects.

The Committee also reviewed a request to select a Lawn Mower Replacement Contractor, which included an overview of a request for proposals process, evaluation criteria and results, and recommends the Board of Directors approve the selection of contractor RW Direct-WORX to assist in implementation of a lawn mower replacement program and authorize the Executive Officer/APCO to enter into all necessary agreements with the contractor in an amount not to exceed \$364,050.

The Committee then reviewed the Engine Model Year (MY) 2005/2006 Port Truck Replacement Program, including a report on a request for proposals process, evaluation criteria and results, and recommends the Board of Directors approve the selection of contractor Cascade Sierra Solutions to assist in the implementation of an engine MY 2005/2006 drayage truck replacement program and authorize the Executive Officer/APCO to enter into all necessary agreements with the contractor to implement the program.

Finally, the Committee considered Approval of three Transportation Fund for Clean Air (TFCA) Projects and recommends that the Board of Directors:

1. Authorize the Executive Officer/APCO to enter into and execute all necessary contracts with:

- Dero Bike Rack Co., Sportsworld Northwest Inc. and Creative Pipe Inc., not to exceed a total of \$600,000 for a Bicycle Rack Voucher Project; and
 - Port of Oakland for a performance-based contract not to exceed \$750,000 for a Marine Highway project; and
2. Authorize the Executive Officer/APCO to expend up to \$1 million in TFCA funding to execute an Enhanced Mobile Sources Inspections project.

The next meeting of the Committee is on Thursday, September 27, 2012, at 9:30 a.m.

Board Comments: None.

Public Comments:

John Hummer, Director, U.S. Department of Transportation, Maritime Administration, addressed the Committee in support of authorizing the Executive Officer/APCO to enter into and execute all necessary contracts with the Port of Oakland for a performance-based contract not to exceed \$750,000 for a Marine Highway project.

Board Action: Director Miley made a motion to approve the report and recommendations of the Mobile Source Committee; Director Haggerty seconded; carried unanimously without opposition.

10. Report of the Special Joint Meeting of the Bay Area Headquarters Authority, the Executive Committee of the Board of Directors of the Bay Area Air Quality Management District, and the Administrative Committee of the Association of Bay Area Governments Meeting of July 11, 2012
Chairperson J. Gioia

The Committee met in a Special Joint Meeting of the Bay Area Headquarters Authority, The Executive Committee of the Board of Directors of the Bay Area Air Quality Management District, and the Administrative Committee of the Association of Bay Area Governments, on Wednesday, July 11, 2012, at 390 Main Street, San Francisco, California.

The Committee received a presentation by Andrew Wolfram of Perkins + Will, regarding the 390 Main Street Conceptual Design Overview, including a summary of the pre-design process and a review of the exterior design, interior floor plans, methods being utilized to enhance interagency cooperation, the incorporation of sustainability-focused design concepts, and next steps.

The next meeting of the Committee is Monday, September 17, 2012, at 9:30 a.m.

Board Comments: None.

Public Comments: None.

Board Action: Chairperson Gioia made a motion to approve the report of the Executive Committee; Director Wagenknecht seconded; carried unanimously without opposition.

11. Report of the Public Outreach Committee Meeting of July 19, 2012

Chairperson M. Ross

The Committee met on Thursday, July 19, 2012, and approved the minutes of March 15, 2012, and May 31, 2012.

The Committee received the staff presentation Contract for Website Maintenance & Minor Upgrades, including background and review of maintenance and upgrades. The Committee recommends the Board of Directors authorize the Executive Officer/APCO to execute an eight-month contract with Cylogy, Inc., not to exceed \$87,000 for website maintenance and minor upgrades.

The Committee received an Update on the 2012 Great Race for Clean Air Kickoff, including an overview, review of the past success rate, timeline for this year's Great Race and staff suggestions for Board member involvement.

The Committee received the staff presentation Bay Area Environmental Health Collaborative (BAEHC) Activities Update, including background and reviews of the interagency walk-through of the Hunters View Redevelopment Project, Community Air Risk Evaluation Task Force Meeting Methodology Presentation, and BAEHC meetings.

The next meeting of the Committee is at the call of the Chair.

Board Comments: None.

Public Comments: None.

Board Action: Director Ross made a motion to approve the report and recommendation of the Public Outreach Committee; Director Hudson seconded; carried unanimously without opposition.

12. Report of the Personnel Committee Meeting of July 23, 2012

Chairperson B. Wagenknecht

The Committee met on Monday, July 23, 2012, and approved the minutes of March 28, 2012.

The Committee received the Advisory Council Interview summary material for the Transportation and Regional Park District categories, conducted interviews of selected applicants for each, and recommends Board of Directors approval of appointments to the Air District's Advisory Council of Caryl Hart for the Regional Park District category and Rick Marshall for the Transportation category.

The Committee reviewed, discussed and considered adjustments to the Deputy APCO Benefits based on salary reviews conducted by the Executive Officer/APCO. The Brown Act requires that benefits and salary adjustments be considered at a Regular Meeting of the Board of Directors, so the Committee's recommendation will be considered on Wednesday, September 19, 2012, at a Regular Meeting of the Board of Directors.

The next meeting of the Committee is at the call of the Chair.

Board Comments:

Director Hudson said that both of the applicants recommended for appointment to the Advisory Council are good choices by the Personnel Committee, noted that one qualified applicant for the Transportation category failed to appear at the interview and recommended the Board consider appointing to the Advisory Council a general manager in the field of transportation as an additional member beyond the 20 regularly seated members he characterized as the minimum required. Jack Broadbent, Executive Officer/APCO, commended the suggestion and said staff believes the applicant alluded to, Rick Ramacier, is a viable candidate for a future vacancy in the Transportation category.

Public Comments: None.

Board Action: Director Wagenknecht made a motion to approve the report and recommendation of the Personnel Committee; Director Ross seconded; carried unanimously without opposition.

PRESENTATION

13. 390 Main Street Conceptual Design Plans Presentation

Mr. Broadbent made introductory comments and introduced Mr. Wolfram, who gave the presentation 390 Main Design Overview, including a summary of the pre-design process and a review of the exterior design, interior floor plans, methods being utilized to enhance interagency cooperation, the incorporation of sustainability-focused design concepts, and next steps.

Mr. Broadbent introduced Andrew Fremier, Deputy Executive Director, Operations, Metropolitan Transportation Commission (MTC), who addressed the Board regarding the collaborative design process.

Mr. Broadbent informed the Board of staff's intention to provide status reports approximately once per quarter.

Board Comments:

Director Wagenknecht asked how large the multi-use room will be. Mr. Wolfram responded approximately 2,500 square feet, similar in size to the existing room at the current MTC building. Director Wagenknecht confirmed there will not be a large dais, commended the idea of a wide variety of meeting rooms, shared his recollection of the open classrooms that were implemented in the 1970s and done away with not long after and expressed his concern that a similar dynamic is at play in this plan, and expressed his support of the garden space on the roof. Mr. Wolfram responded that not all of the meeting rooms will be open and collaborative areas are generally not located next to work areas as the designers are sensitive to the concern raised.

Director Haggerty asked if there is a plan to address the existing structural concerns. Mr. Wolfram responded in the affirmative and said the plan is to do a seismic upgrade to life safety standards. Director Haggerty asked what the highest level earthquake the life safety standard includes. Mr. Wolfram said it is set to the maximum credible earthquake, above 8.0 in this instance, which could leave the building potentially unusable but provide the occupants safe exit.

Director Haggerty noted that the presentation seemed to vary from that made to the Executive Committee at the Special Joint Meeting on July 11, 2012, in that it excludes some design options that were characterized as under consideration at the outset but no longer within the budget. Mr. Wolfram responded that no changes were made to the presentation material, only his accompanying narrative. Director Haggerty repeated himself. Mr. Fremier interjected that the items in question are considered enhancements that will improve the way the building operates but do not affect the basic scope and function. Director Haggerty asked if there were any changes or if everything that was initially planned is included still. Mr. Fremier repeated himself.

NOTED PRESENT: Director Kniss was noted present at 2:13 p.m.

Director Haggerty said that an expansion of the atrium to ground level was discussed, noted the absence of a cafeteria for employees, and suggested that a dedicated cafeteria be included and subsidized in some form in order to keep food costs down for staff. Mr. Fremier said that a retail space on the ground floor would be a nice amenity for staff and the neighborhood and that plans for a small kitchen or kitchens, such as those required to service a coffee shop, are currently included. Director Haggerty urged management to ensure the cafeteria is at least the same size as that currently housed in the MTC building, as staff will more than double in number, and speculated that there would be increased efficiency of staff by having cafeteria accommodations within the building.

Director Spering asked if management met with members of the governing boards of each agency regarding the design and functionality of the board room. Mr. Fremier said no but there has been interagency work. Director Spering strongly recommended that they meet with the elected officials that will actually sit at the dais and work in that environment and asked if there will be an adjacent room for conducting closed sessions. Mr. Fremier responded yes. Director Spering suggested the building be entitled the Bay Area Regional Headquarters in future presentations for the sake of clarity.

Director Ross noted mention of a California Environmental Quality Act (CEQA) exemption and asked if the agencies are not requiring of their project that which is required of others. Mr. Wolfram responded that an environmental impact report for the Rincon Hill District, within which this building is located, was done in the past and it speculated the building would have a government use and provided the exemption in turn. Jean Roggenkamp, Deputy APCO, said District staff consulted with MTC staff and their consultants on this topic. Mr. Fremier clarified there is not a CEQA exemption but instead that the building is being declared categorically exempt from CEQA because of the nature of the reuse. Director Ross asked if the same steps were followed as would be required of a private company. Mr. Fremier responded absolutely and perhaps more. Mr. Broadbent added that District staff worked with MTC staff to identify ways to follow individual standards that are expected of others in the CEQA process.

Director Hudson asked if the Beale Street entrance will serve as the main entrance for the board room and for confirmation that there are two additional entrances on Rincon. Mr. Wolfram responded that Beale Street will be the main entrance to the building and a mid-block passage is being created on what is being called Rincon Place. Director Hudson shared his concern regarding ease of access for those who arrive late. Mr. Broadbent and Mr. Fremier said the address may change to Beale Street as a result of the relocating of the main entrance.

Director Kniss asked if the building is fully occupied. Mr. Wolfram responded no, that it is vacant at this time. Director Kniss asked if it will be fully occupied when the move is complete. Mr. Wolfram

responded no as there is additional space for other agencies or tenants. Mr. Fremier responded that the additional space, created for the long-term growth of the agencies, will be brokered to tenants after construction.

Director Kniss asked if parking is difficult or, rather, if there is parking provided for everyone. Mr. Fremier said parking will not be provided for everyone, that there will be approximately 100 spaces available for agency fleets, board members, tenants, and possibly to others for a fee, and the agencies are working closely on the matter. Mr. Broadbent said parking is an ongoing issue and District staff is insisting of MTC that there exist 75 spaces for the District, which will include parking for Board members and the agency fleet, whether those spaces will be in the building or at a nearby lot. Director Kniss said the downtown location will likely increase the cost of parking. Mr. Fremier agreed it is an expensive area to park, said the number of spaces is limited by the neighborhood, and reported the project is building to that maximum. Director Kniss said that no matter what accommodations are made there will not be sufficient parking and people will have to put some thought into alternative methods of travel. Mr. Fremier agreed and noted the ease of access to transit and the provision of transit subsidies to employees of both MTC and the District. Director Kniss commended the transit support policies, noted the Board members do not seem to take advantage so parking is necessary, and said she does not want to hear public complaints about inaccessibility when planning could prevent them. Mr. Broadbent said he would provide the Board with progress reports.

Public Comments: None.

Board Action: None; informational only.

CLOSED SESSION

The Board of Directors adjourned to Closed Session at 2:28 p.m.

14. RESPONSE TO CONFIDENTIAL FINAL DRAFT AUDIT REPORT FROM THE BUREAU OF STATE AUDITS (Government Code Section 54956.75)

Pursuant to Government Code Section 54956.75, a need existed for the Board to meet in closed session to discuss a response, if any, to a confidential final draft audit report from the Bureau of State Audits.

15. EXISTING LITIGATION (Government Code Section 54956.9(a))

Pursuant to Government Code Section 54956.9(a), a need existed to for the Board to meet in closed session with legal counsel to consider the following case:

California Building Industry Association v. Bay Area AQMD, Alameda County Superior Court, Case No. RG-10548693

OPEN SESSION

The Board of Directors resumed Open Session at 2:41 p.m. with no reportable action.

PUBLIC COMMENT ON NON-AGENDA MATTERS

None.

BOARD MEMBERS' COMMENTS

Director Hudson asked about the reporting requirements for the Air & Waste Management Association (AWMA) annual conference. Mr. Broadbent responded that the Board was notified of staff's out-of-state business travel under agenda item 3 on the consent calendar but typically the Board members are expected to report out. Brian Bunger, District Counsel, noted that this is the first public meeting held since the travel so if members would care to provide a brief, as required by AB1234, it would be timely. Chairperson Gioia and Directors Ross and Hudson reported on their experiences attending the AWMA annual conference.

OTHER BUSINESS

16. Report of the Executive Officer/APCO:

Mr. Broadbent announced that Ana Sandoval, Air Quality Program Manager in the Communications & Outreach Division, will serve as Acting Manager, Executive Operations, while Jennifer Cooper is on maternity leave. Mr. Broadbent reported the region is in the middle of its summer ozone season and that the Air District has called four Spare the Air Alerts, three of which exceeded the national eight-hour standard, and that August and September are generally a time of year when alerts and exceedences are not uncommon.

17. Chairperson's Report: None.

18. Time and Place of Next Meeting: Wednesday, September 19, 2012, Bay Area Air Quality Management District Office, 939 Ellis Street, San Francisco, California 94109 at 9:45 a.m.

19. Adjournment: The Board of Directors meeting adjourned at 2:46 p.m.

Sean Gallagher
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson John Gioia and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: September 5, 2012

Re: Board Communications Received from July 30, 2012 through September 9, 2012

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

A list of communications directed to the Board of Directors received by the Air District from July 30, 2012 through September 9, 2012 if any, will be at each Board Member's place at the September 10, 2012 Special Board meeting.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Maricela Martinez
Reviewed by: Ana Sandoval

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson John Gioia and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: August 21, 2012

Re: Air District Personnel on Out-of-State Business Travel

RECOMMENDED ACTION

None; receive and file.

BACKGROUND

In accordance with Section 5.4 (b) of the District's Administrative Code, Fiscal Policies and Procedures Section, the Board of Directors is hereby notified that the following Air District personnel listed below have traveled out-of-state on business:

The report covers the out-of-state business travel for the period July 1, 2012 through August 31, 2012. Out-of-state travel is reported in the month following travel completion.

DISCUSSION

Eric Stevenson, Technical Services Division Director, attended the National Association of Clean Air Agencies Air Monitoring Steering Committee Meeting in Research Triangle Park, NC. July 18, 2012 through July 20, 2012.

Duc Nguyen, Air Quality Meteorologist II, attended the 2012 Air Quality System Conference and Training on the United States Environmental Protection Agency Air Quality System Database in Providence, RI. August 19, 2012 through August 24, 2012.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: David Glasser
Reviewed by: Jack M. Colbourn

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson John Gioia and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: August 27, 2012

Re: Report of Division Activities for the Months of April 2012-June 2012

ADMINISTRATION AND HUMAN RESOURCES – J. COLBURN, DIRECTOR

The Human Resources (HR) Office coordinated seven recruitment exams including exams for Air Quality Engineering Manager, Director of Information Services, 2 Senior Advanced Projects Advisor, 2 Advisory Council Member, and Air Quality Intern. In addition, the HR Office conducted training sessions, including: Customer Service, CPR/First Aid, Managing Performance Through Evaluation, and Front Line Defense. The HR Office continues to administer payroll, benefits, safety, and labor/employee relations. There are currently 320 regular employees, 14 temporary employees and 45 vacant positions. There were 2 new employees and 2 employee separations from April to June 2012.

Finance staff closed out the Fiscal Year End 2012 fiscal year and is in the process of calculating the final numbers. Auditors have been spent two week on-site to begin the data collection process. Variance reports have been transitioned from paper to electronic distribution in keeping the Go Green emphasis in the Administrative Services Division. Work continues on testing of the integration of the new production system with the existing JDE financial services software.

COMPLIANCE AND ENFORCEMENT – J. MARVIN, ACTING DIRECTOR**Enforcement Program**

Staff documented violations of the State's Asbestos Airborne Toxic Control Measure (ATCM) at two naturally occurring asbestos (NOA) construction and grading projects in San Francisco: Restaurant Depot was cited for failing to tarp trucks transporting soil offsite and for not adequately wetting its NOA stockpiles; John Stewart Company, site developer for the Hunters View Redevelopment Project, was cited for not conducting wet sweeping of roads. The violations at both project sites have been corrected.

Staff issued an NOV to the Suisun Resource Conservation District for violation of Regulation 5, Open Burning for exceeding their burn allocation. They lost control of a controlled burn; they were allocated 30 acres but burned 200 acres.

Staff, in coordination with the Air District's Legal Division launched a Gasoline Dispensing Facility (GDF) Compliance Agreement program for gas stations that will not meet the state-mandated April 1, 2012 Enhanced Vapor Recovery (EVR) Phase II and In-Station Diagnostic (ISD) upgrade deadline. Non-complying stations can continue to operate while working towards compliance if they enter into a compliance agreement with the District, pay a penalty, and achieve compliance by December 31, 2012. As of June 30, 2012, five (5) gas stations had entered into compliance agreements with the Air District.

JDSU pharmaceutical company entered into a compliance agreement with the Air District. They will be allowed to operate under their current system and must replace their abatement unit. JDSU was issued a Notice of Violation (NOV) for the period of time that they did not have an abatement unit in operation; an additional NOV was issued for violations of two regulations for non-operation of parametric monitoring and failure to notify the Air District when it was not in operation.

Shell finalized a compliance agreement with the Air District which allows Shell to install block valves on knockout vessels of the Refinery Flare System. The installation of these valves will eliminate future flaring when performing State-mandated inspections of the knockout vessels.

During the second quarter of 2012, the Air District received 2,126 calls to the 1-877-4NO-BURN line and 156 complaints regarding wood burning. In April, Regulation 1, Section 441: Right of Access to Information letters were mailed to two hearth retailers, Blaze Fireplaces and The Energy House, requesting copies of sales receipts/records of fireplaces and other non-EPA certified wood-burning devices which may have been sold to businesses and/or residences within the Air District in violation of Regulation 6, Rule 3, Wood Burning Devices.

Compliance Assurance Program

Staff conducted 1,289 mobile source inspections for the Drayage Truck Regulation, the Commercial Idling Air Toxics Control Measure (ATCM), the Off-Road ATCM, Transport Refrigeration Units (TRU) regulation and the Portable Equipment Registration Program (PERP). Staff conducted 662 grant inspections for the Strategic Incentives Division.

On April 18 – 19, 2012, staff participated in the California Air Pollution Control Officers Association (CAPCOA) Vapor Recovery Committee meeting and received updates regarding the Enhanced Vapor Recovery (EVR) certification projects; learned about new Federal spill and overfill prevention requirements on underground storage tanks; and learned that some aboveground storage tanks may not meet the Phase I EVR and Phase II EVR requirements.

On May 16, 2012, GDF (Gasoline Dispensing Facility) staff provided several District Board Members a tour of a local gas station. Staff demonstrated various components of a GDF inspection, including source testing.

Staff made a presentation at the Board of Directors Special Meeting on May 14, 2012 to provide an update on the Lehigh Southwest Cement Plant in Cupertino.

Staff approved Asbestos Dust Mitigation Plan (ADMP) amendment requests for several projects in San Francisco: the Restaurant Depot project site in the Bay View/Potrero Hill area; the (decommissioned) PG&E Hunters Point Power Plant project in the Bay View/Hunters Point area; the new public safety building construction by the San Francisco Department of Public Works; and the Hunters View Housing Redevelopment Project in the Hunters Point neighborhood. Staff approved an ADMP for the East Bay Municipal Utility District (EBMUD) Estates Drive Reservoir project in Oakland.

Staff attended tours of the Hunters View Redevelopment Project site in Bay View Hunters Point, San Francisco with representatives of Green Action for Health & Environmental Justice and residents of the Hunters View neighborhood. Representatives from the District's Board of Directors, San Francisco elected officials, other state and local agencies, PG&E and the San Francisco African American Health Equity Council attended the second day of the tour.

Compliance Assistance Program

An advisory was sent to all Building Departments and Asbestos Demolition & Renovation Contractors regarding the asbestos fees increases. A new Model Wood Smoke Ordinance was mailed to approximately 700 city and county officials. Staff made a presentation at the Napa County Farmer's Bureau regarding Regulation 5 (Open Burning) to Spanish-speaking crew supervisors and foremen. A Rule Effectiveness workshop for over 20 Chief Engineers from Coldwell Banker Richard Ellis (CBRE) was held in Oakland to discuss District requirements to register boilers and permit internal combustion engines. Staff participated with other District divisions staff in a community meeting held in partnership with the San Geronimo Valley Planning Group in San Geronimo, Marin County, to discuss the health effects of wood smoke air pollution, the Air District's wood smoke program, how to reduce wood smoke pollution and future steps to reducing wood smoke in the area. Staff presented an update on the Enhanced Vapor Recovery (EVR) implementation at the South County Fire meeting in Sunnyvale for hazardous materials specialists and local fire marshals. Staff presented the Drayage Truck and Ocean-Going Vessel (fuel-sulfur limits) regulations to the Russian Delegation during their visit to the District.

Operations

Staff approved two Marsh Management Smoke Management Plans (SMPs) for burn projects in Solano County and ten Prescribed Burn SMPs for burn projects in Alameda, Contra Costa, Napa and Santa Clara counties.

Staff completed the data verification and posting of refinery flare monitoring data through April 2012.

(See Attachment for Activities by County)

ENGINEERING DIVISION – J. KARAS, ACTING DIRECTOR

Permit Systems Program

The following table is a summary of the permits handled during the 2nd quarter:

Permit Activity			
New applications received	311	New facilities added	118
Authorities to Construct permits issued	97	Permit Exemptions (entire applications deemed exempt)	8
Permits to Operate issued (new and modified)	397	Annual update packages completed	930

Of the new permit applications received, 34 were for Title V, four (4) were for emission banking and the rest were standard permit applications.

Toxics Program

Staff completed 76 health risk screening analyses (HRSAs).

In May, staff received an addendum to the Kraft Foods Global (San Leandro) health risk assessment (HRA) submitted for the Air Toxic Hot Spot (ATHS) program. Staff is currently reviewing this addendum.

Microsoft Corporation (Santa Clara) submitted a HRA, for a group of emergency generators powered by diesel engines, as required by the ATHS program. In May, staff discussed with Microsoft's consultants some issues with the HRA. Staff is currently waiting for Microsoft to submit their response.

Title V Program

Staff issued 11 permit renewals and one (1) administrative amendment. Five (5) synthetic minor operating permits (SMOP) were issued. On April 17, the District renewed the Title V Major Facility Review Permit for Lehigh Southwest Cement Company.

Staff is meeting all due dates in the Our Children's Earth Settlement Agreement. All eight (8) Title V Renewals due by June 30 were issued.

Permit Evaluation Program

Tesla Motors Inc. (Fremont) has applied for permits related to manufacturing electric vehicles at the location previously occupied by New United Motor Manufacturing, Inc. (NUMMI) which closed in October 2010. Staff issued one permit for the application of water-based coatings which allowed the facility to begin rolling cars on June 22. Two applications related to powertrain manufacturing and casting/pretreatment operations are also being evaluated.

On April 24, staff facilitated for the South Coast Air Quality Management District staff a tour of the Ameresco Half Moon Bay LLC facility in Half Moon Bay. This facility is the first landfill gas-to-energy project that has both nitrogen oxide and carbon monoxide controls.

Engineering Projects Program

This was the first full quarter using the Production System to process permit applications and renewals for gasoline dispensing facilities (GDFs). Although staff continues to fine tune new permit applications can be processed in the new system and all permit renewals invoices are being issued.

Engineering and Legal staff are have been working on amendments to permit rules, Regulations 1, 2-1, 2-2, 2-4 and 2-6. Staff revised the proposed rules to incorporate comments received the end of March from industry, environmental groups and U.S. EPA. Staff hosted a fourth Technical Workgroup meeting on June 6, and accepted another round of public comment due by June 25. Staff met with U.S. EPA on May 3 and June 28 to request written comments.

LEGAL DIVISION – B. BUNGER, DISTRICT COUNSEL

The District Counsel's Office received 104 violations reflected in Notices of Violation (NOVs) for processing.

Mutual Settlement Program staff initiated settlement discussions regarding civil penalties for 36 violations reflected in NOVs. In addition, settlement negotiations resulted in collection of \$44,674 in civil penalties for 36 violations reflected in NOVs.

Settlement negotiations by counsel in the District Counsel's Office resulted in collection of \$137,218 in civil penalties for 22 violations reflected in NOVs.

(See Attachment for Penalties by County)

COMMUNICATIONS AND OUTREACH – L. FASANO
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News Releases

The Air District issued nine press releases and/or media advisories during the last quarter: (to view press control key and click link)

4/2/12	Air District hosts Spare the Air Commute Solutions Workshop for Bay Area businesses
4/12/12	Permissive burn season closes for spring marsh management fires
4/25/12	Permissive burn season closes for crop replacement, forest management, orchard pruning and attrition, and range management
4/26/12	Air District co-sponsors Napa's Kidical Mass family cycling event
05/01/12	Spare the Air smog season begins May 2
05/30/12	Permissive burn season for flood debris fires closes, double crop stubble season begins
05/30/12	Permissive burn season for flood debris fires closes, double crop stubble season begins
06/15/12	Air District issues first Spare the Air Smog Alert of 2012
06/26/12	Permissive burn period begins for range management fires

Media Inquiries

Staff responded to a number of media inquiries during this quarter, topics included:

- CEQA ruling (*Contra Costa Times*)
- CARE Program (*Environmental Health News*)
- Russell City Energy Center (*KQED*)
- 55 MPH speed limit and emissions (*SF Examiner*)
- Drive-thru restaurant (*Santa Rosa Press Democrat*)
- CAPCOA Report and general air quality issues (*Livermore Independent*)
- Air District's fleet (*Bay Citizen*)
- Server Farms (*New York Times*)
- Chevron GHGs (*SF Chronicle*)
- Lehigh Permit (*SJ Mercury News*)
- Water heater regulations (*ABC 7 / KGO*)
- Electric Vehicles (*ABC 7 / KGO*)
- Spare the Air Alert (*many local print, broadcast, and television outlets*)
- Bike share program (*SF Examiner*)
- Conoco-Phillips Incident (*Crockett Signal*)
- Bike Sharing Program (*SF Examiner*)
- Gas recovery systems (*Almanac News*)
- Woodstoves (*California Current*)

Media Highlights

The Air District was mentioned in approximately 400 print/online stories and 150 video clips in the last quarter. Below are the last quarter's media coverage highlights: (to view press control key and click link)

4/1/12	Bay Area Closer to Getting Electrified	Sustainable Business.com
4/16/12	Bicycle Music Video Broadcast to 2M+ Twitter Followers	Sun-Herald
4/18/12	Council Backs Electric Car Charging Station at Hauke Park	Patch.com
4/19/12	Chick-fil-A brings back Santa Rosa's drive-thru debate	Santa Rosa Press Democrat
4/26/12	San Francisco drops off top 25 list for worst smog pollution	USA Today
4/26/12	Napa Bike Fest set for Saturday	Napa Valley Register
5/1/12	Spare the Air smog season starts Tuesday in the Bay Area	Marin Independent-Journal
5/15/12	Yolo-Solano Mower Exchange, Calendar Contest ends today	Times-Herald
5/25/12	Hundreds of mourners pay respects to late Supervisor Gayle Uilkema	Contra Costa Times
5/25/12	Cement Plant May Have To Meet Stricter Standards By Next Year	Los Altos Patch
6/11/12	Santa Rosa adopts compromise greenhouse gas emission plan	Press Democrat
6/12/12	Bay Area fire departments plan controlled burns at Camp Parks	Contra Costa Times
6/14/12	Planned burn scheduled for Thursday in park land east of San Jose	San Jose Mercury News
6/14/12	Aging U.S. flags given a dignified goodbye	San Jose Mercury News
6/15/12	Bay Area's first Spare the Air alert of season called	Contra Costa Times
6/20/12	Downtown San Jose road work will result in better biking	San Jose Mercury News
6/26/12	Sears puts illegal water heater in sales ad	ABC 7 News

Public Inquiries

Staff responded to approximately 335 calls and 71 e-mails from the public, many regarding.

Phone Calls - 335

E-mails - 71 (sparetheair.baaqmd.gov, feedback@baaqmd.gov)

Publications

Air Currents

The May 2012 issue of Air Currents was distributed on May 1. It contained an article about wildfire risk during the summer Spare the Air season, a summary of the past Winter Spare the Air season, a feature about the Air District's Public Participation Plan survey, and an article about Air District grants that continue to reduce pollution at the Port of Oakland. There was also a short description of currently available Air District funding for clean air projects, and a story about upcoming Bike-to-Work Day events. The newsletter is available at:

<http://www.baaqmd.gov/Divisions/Communications-and-Outreach/Publications-and-Videos/Air-Currents-Newsletter.aspx>

League of Women Voters' Bay Area Monitor

The April/May 2012 issue of the League of Women Voters Bay Area Monitor newsletter featured two articles written in consultation with Air District staff. "Clear and Cold, with a Chance of Particulate" covered wintertime air quality forecasting; and "Driving toward a Cleaner Tomorrow" covered the state's Advanced Clean Cars program and discussed Air District grants for EV infrastructure. The Bay Area Monitor is available online at www.bayareamonitor.org and has a subscription of about 4,000 Bay Area residents.

Public Information Campaigns

800-EXHAUST

The spring 2012 800-EXHAUST advertising campaign wrapped up during the 2nd quarter of 2012, but could be seen online as well as throughout the Bay Area on outdoor advertisements at its peak. Future 1-800-EXHAUST advertising efforts will be fully incorporated into the Spare the Air program.

Annual Report

The 2011 Annual Report was distributed at the June 6, 2012 Board meeting and at the All Hands meeting on June 14. The report is available at:

http://www.baaqmd.gov/~media/Files/Communications%20and%20Outreach/Publications/Annual%20Report/BAAQMD_AR2011_FINAL_web.ashx?la=en.

Commute Solutions Workshop

The San Mateo County Resource Team hosted a Commute Solutions Workshop at Facebook on April 11. Gary and Jan Richards, "Mr. and Mrs. Roadshow" of the San Jose Mercury News, were the keynote speakers. The workshop featured discussions on best practice models for

employers, low cost and no cost solutions to commuting, telecommuting and bike programs.

Educational Materials

Staff updated several printed materials, including the Air District general brochure, Spare the Air bookmark, youth activity book and AQI tip card. New materials became available in mid-June.

Excellence in Communications Awards

Staff attended the annual California Association of Public Information Officers' Conference in Palm Springs and received two awards for *Excellence in Communications* for the Air District's *Great Race for Clean Air* program and *Spare the Air* social media outreach.

Media Training

SAE Communications conducted media training for Community Outreach staff on June 11.

PEV Website

COO staff worked with Grants staff to launch a PEV communications plan and to launch the new website BayAreaPEVReady.org.

Public Engagement Policy and Plan

Staff issued an internal draft of the Public Participation Plan for review by the Air District's internal working group. Following internal review of the document, the plan will be reviewed by the Stakeholder Advisory Task Force, comprised of 25 external stakeholders representing permitted industries, local governments and community groups. Following the Task Force's review, the draft document will be released for public review.

Public Participation Survey

COO staff launched a public participation survey. The survey was distributed online via the Air District's listservs and in-person at fairs and events. The survey helped augment the Air District's public involvement strategies and will help staff better understand the public's behavior with respect to participating in Air District public input processes. The survey was available in English, Spanish and Chinese.

San Geronimo Valley Planning Group Meeting

On April 9, District staff co-hosted a special meeting on wood burning with the San Geronimo Valley Planning Group. District staff, representatives from the Marin County Health and Human Services Department and the Hearth, Patio and Barbeque Products Association joined Marin County Supervisor Steve Kinsey in a two-hour conversation with residents. Approximately 50 Valley residents participated.

Social Media

The Spare the Air program launched a Pinterest page that included six boards featuring air quality facts and history, photos and information about the Spare the Air program and clean air tips. Pinterest is an online virtual bulletin board that allows users to collect and organize things they like from the internet onto various boards. (<http://pinterest.com/sparetheair/>).

Spare the Air

The summer Spare the Air season began with a kickoff event on May 1, during Air Quality Awareness Week (April 30 – May 4, 2012), at which the Air District distributed pre-loaded \$20 Clipper cards to lucky BART and AC Transit riders in the East Bay. The Clipper Card giveaway was promoted via Spare the Air social media outlets.

The Air District issued its first Spare the Air Alert of the summer season on Saturday, June 16. Residents were informed about the alert via email AirAlerts, text messages, the Spare the Air iPhone and Android apps, social media sites, the Air District's websites and through local media coverage. To date, there have been seven Spare the Air Alerts this summer.

Spare the Air Youth Program

Staff worked with MTC to rename the Regional Youth and School Outreach Program. It is now the Spare the Air Youth Program. The program now has a logo consistent with the Spare the Air program logo. MTC and the Air District are currently designing a website to promote the program.

Web Assessment RFP

Staff interviewed five firms who submitted proposals in response to the RFP for an assessment of the baaqmd.gov website. Staff submitted a recommendation to the Public Outreach Committee to select Lightmaker USA to do a website assessment. The recommendation was approved by the Board on June 6.

Community Meetings

Communications staff hosted and/or participated in the following community events:

- March 29 – Prescott-Joseph West Oakland Community Mixer, Oakland
75 people attended
- March 29 – Spare the Air Youth Program Conference Call
10 members participated
- April 7 – Bayview Hunters Point 2012 Asthma Walk
100 residents participated
- April 9 – San Geronimo Valley Planning Group Meeting
50 residents participated
- April 10 – Employer Program Leadership Committee Conference Call
11 team members participated
- April 16– Breathe California meeting, San Jose
Community Outreach staff and Hewitt Joyner from Breathe California attended

- April 19 – Breathe California Clean Air Awards luncheon, San Francisco
Approximately 500 guests attended
- April 21 – Black Health and Healing Summit, San Francisco State University
Approximately 200 community activists attended
- May 10– Clean Power, Healthy Communities Conference, Oakland
Approximately 90 members of the public attended
- May 11– Hunters View Redevelopment Project Interagency Site Tour, San Francisco
Approximately 40 agency staff and community members participated
- May 15– National Association of Women in Construction Meeting, Morgan Hill
Approximately 15 members attended
- May 22– Employer Program Breakfast and Workshop, San Francisco
Approximately 100 business members attended
- May 22– Spare the Air Youth, Conference Call
Approximately 10 team members participated
- May 22– Bay Area Environmental Health Collaborative Quarterly Meeting, San Francisco
Approximately 12 BAEHC members attended
- May 23– East Oakland Truck Study Technical Advisory Group, Oakland
Approximately 20 agency staff and community members participated
- May 29 – International Visitor Leadership Program (US Dept. of State), Air District Office
Seven delegates participated
- May 31 – UCSF School of Pharmacy Project Asthma, San Francisco
15 students attended
- June 12 – Spare the Air Youth, Oakland
10 team members participated
- June 15– Sonoma County Winegrape Commission Tradeshow, Sonoma
Approximately 300 growers attended
- June 19– South Korean Delegation visit, Air District Offices
Six representatives visited

- June 26 – Spare the Air Youth Technical Advisory Group meeting, MTC Offices, Oakland
- June 26 – Meeting with Greenaction, District Offices, San Francisco
Air District staff met with four community members
- June 26 - Employer Program Leadership Committee Conference Call
Approximately 15 members participated on the call
- June 27 - Chinese Delegation Visit, Air District Offices, San Francisco
Approximately 25 delegates attended
- June 27 – Meeting with Bay Area Environmental Health Collaborative, San Francisco
- April 5 – Air & Waste Management Association’s Half Day Conference, San Francisco
50 industry representatives attended.
- June 5 – CARE Task Force Technical Workshop on Identifying Impacted Communities, Oakland
50 agency staff and community members participated
- June 7– Regulation 2: Permits Work Group Meeting, Air District Offices
10 team members participated

Spare the Air Resource Teams

Below is a list of all Spare the Air Resource Team meetings during the second quarter.

- March 29 – San Mateo County Resource Team Meeting, San Carlos
7 team members participated
- April 4 – Tri-Valley Resource Team meeting and simultaneous conference call, Livermore
14 team members participated
- April 5 – San Mateo County Spare the Air Resource Team Conference Call
6 team members participated
- April 11 – San Mateo County Resource Team Commute Solutions Workshop, Palo Alto
100 team members participated
- May 17– San Francisco Spare the Air Resource Team, San Francisco
Approximately 10 members attended

- May 29 – Sonoma County Spare the Air Resource Team, Sonoma
10 team members participated
- June 5– Santa Clara Resource Team Meeting, San Jose
7 team members attended
- June 19– Southern Alameda County Spare the Air Resource Team, Hayward
Approximately 15 members participated

Community Events

Staff represented the Air District and hosted informational booths at the following community events:

Alameda County

- April 21 – Alameda Earth Day event, Alameda
Approximately 200 members of the public visited the booth
- April 26 – East Bay Municipal Utilities District, Oakland
Approximately 300 members of the public visited the booth
- June 20 – Dublin Transportation Fair, Alameda
Approximately 110 members of the public visited the booth
- June 22 to July 8 – Alameda County Fair, Pleasanton
Approximately 3,000 members of the public visited the booth

Contra Costa County

- April 24 – San Ramon Transportation Fair, San Ramon
Approximately 150 members of the public visited the booth
- April 25 – Shadelands Transportation Fair, Walnut Creek
Approximately 150 members of the public visited the booth

Marin County

- April 21 – Earth Day Marin event, Marin
Approximately 150 members of the public visited the booth
- June 30 – July 4 – Marin County Fair, San Rafael
Approximately 1,000 members of the public visited the booth

Napa County

- April 21 – Napa Earth Day event, Napa
Approximately 150 members of the public visited the booth

San Francisco County

- April 18 – Hawthorne Plaza Earth Day event, San Francisco
Approximately 100 members of the public visited the booth
- April 19 – BART Blue Skies Festival, San Francisco
Approximately 150 members of the public visited the booth
- April 19 – Breathe California Clean Air Awards luncheon, San Francisco
Approximately 500 guests attended
- April 21 – Black Health and Healing Summit, San Francisco State University
Approximately 200 community activists attended
- April 22 – San Francisco Earth Day event, San Francisco
Approximately 400 members of the public visited the booth
- April 26 – Amgen Earth Day event, South San Francisco
Approximately 200 members of the public visited the booth
- May 15– US EPA Hawthorne Plaza Health Fair, San Francisco
Approximately 35 members of the public visited the booth
- June 3 – Sunday Streets, San Francisco
Approximately 100 members of the public visited the booth

San Mateo County

- April 17 – Visa Earth Day event, Foster City
Approximately 300 members of the public visited the booth
- April 24 – Facebook Earth Day event, Menlo Park
Approximately 200 members of the public visited the booth
- April 26 – Amgen Earth Day event, South San Francisco
Approximately 200 members of the public visited the booth
- June 9 to June 17 – San Mateo County Fair, San Mateo
Approximately 1000 members of the public visited the booth

Santa Clara County

- April 18 – Sony Earth Day event, San Jose
Approximately 150 members of the public visited the booth
- April 19 – Mission College Earth Day event, Santa Clara
Approximately 200 members of the public visited the booth
- April 19 – San Jose State University Earth Day event, San Jose
Approximately 200 members of the public visited the booth
- April 20 – NetApp Earth Day event, Sunnyvale
Approximately 100 members of the public visited the booth
- April 21 – Cupertino Earth Day event, Cupertino
Approximately 300 members of the public visited the booth
- April 21 – South County Earth Day event, Gilroy
Approximately 150 members of the public visited the booth
- April 23 – Juniper Earth Day event, Sunnyvale
Approximately 100 members of the public visited the booth
- May 16– Northrop Grumman Earth Day, Sunnyvale
Approximately 120 members of the public visited the booth

PLANNING DIVISION – H. HILKEN, DIRECTOR**Exposure Assessment and Emissions Inventory Program**

Staff hosted a CARE Task Force meeting on June 5 that focused on technical methods for identifying impacted communities. Speakers included Dr. Phil Martien from Air District staff, Dr. George Alexeeff from CalEPA, Dr. Rachel Morello-Frosch from UC Berkeley, and Dr. Rajiv Bhatia from San Francisco Department of Public Health—each of whom presented methods they have developed for identifying impacted areas. Staff completed air quality modeling for the San Francisco Community Risk Reduction Plan (CRRP). Staff participated in meetings and conference calls with the San Francisco Health Department and the Planning Department regarding potential revisions to Article 38 based on the latest CRRP modeling. Staff also refined emissions inputs for the San Jose CRRP. Staff provided technical support to local planners conducting CEQA analyses.

Staff produced annual average and winter 2010 emissions inventory tables and charts and future year inventory tables and charts for the PM State Implementation Plan (SIP). Staff participated in the State Emission Inventory Technical Advisory Committee (EITAC) meeting in Sacramento. Staff provided emission inventory data to support various rule development

efforts. Staff completed a draft of the District's 2011 direct and indirect greenhouse gas emission inventory. Staff continued to research, review, and collect information for the base year 2011 emissions inventory.

Air Quality Planning Program

Staff continued work on the PM_{2.5} SIP submittal and companion PM report. Staff continues work on drafting general plan guidelines to assist local governments in planning for healthy communities. Staff continued efforts to assist local government staff with integrating air quality analyses into Station Area Plans (SAP) and Priority Development Areas (PDA) in an effort to anticipate and resolve potential air quality issues related to SAPs/PDAs. Staff continued implementation of the CEQA Guidelines through meetings with staff from local jurisdictions; presentations to various organizations; tracking the use of the CEQA Guidelines by lead agencies; responding to numerous inquiries from local government staff and consultants, and drafting comment letters for projects. Staff provided CEQA comment letters to the following lead agencies: the City of San Bruno for its Transit Corridors Specific Plan DEIR and the City of Santa Rosa for its Station Area Specific Plan DEIR. Staff posted the District's Transportation Demand Management (TDM) tool to assist local planners with estimating reductions in vehicle miles traveled and air pollutant emissions when implementing TDM measures.

Staff attends monthly meetings of the Regional Advisory Working Group to provide input and guidance to regional agency staff in developing the Sustainable Communities Strategy (SCS). Staff continues to meet with the RTP/SCS DEIR development team to discuss and assist the air quality analysis for the SCS programmatic EIR. Staff reviewed and provided comments on climate action plans to the following local governments: City of Berkeley, City of Colma, City of Yountville, Town of Gilroy, and Contra Costa County. Staff provided comments to the California Air Resources Board (CARB) on the use of proceeds from the auction of allowances under the State's GHG Cap & Trade Program.

Research and Modeling Program

Staff continued work on updating emission estimates for particulate matter (PM) using the most recent versions of ARB's emissions models, EMFAC2011 and OFFROAD2011. Staff worked on improving ammonia emission estimates. Staff worked on year-round 2010 and 2011 PM simulations to support the District's PM planning effort. Staff continued working on year-round 2010 PM simulations to refine estimates of PM health impacts in the Bay Area and the impacts of inter-basin transport on Bay Area PM. Staff continued analysis of ambient data and modeling of ultrafine PM concentrations in the Bay Area. Staff participated in a NASA Air Quality Applied Sciences Team (AQAST) meeting in Atlanta, GA, gave a presentation focusing on the use of satellite remote sensing data in air quality studies in the Bay Area, and initiated four projects with AQAST to investigate ozone and PM formation in the Bay Area. Staff continued working on the evaluation of the National Air Quality Forecasting Model in central California. Staff continued working with the Exposure Assessment and Emissions Inventory Section on automating routine AERMOD model input preparation for use in the

permitting process. Staff participated in several Central California Air Quality Studies (CCAQS) Policy and Technical Committees conference calls.

Rule Development Program

On April 18, 2012, staff presented materials at a public hearing before the Board of Directors to conclude a hearing initiated on March 21, 2012 to consider a new proposed rule, Regulation 8, Rule 53: Vacuum Truck Operations and proposed amendments to Regulation 2, Rule 1: Permits, General Requirements. The Board adopted the proposed rule and amendments. Staff presented information at a Board of Directors special meeting on May 21, 2012 in Cupertino, CA regarding the development of a new rule, Regulation 9, Rule 13: Nitrogen Oxides, Particulate Matter and Toxic Air Contaminants from Portland Cement Manufacturing. The rule would affect Lehigh Southwest Cement in Santa Clara County. A public hearing to consider adoption of the rule is scheduled for September 19, 2012. Staff posted notices of workshops scheduled for July, 2012 for two draft rules applicable to metal melting facilities (Regulation 12, Rule 13: Metal Melting and Processing Operations) and auto recycling and shredding facilities (Regulation 12, Rule 14: Metal Recycling and Shredding Operations). Staff is continuing rule development efforts related to Regulation 6, Rule 1: Particulate Matter, General Requirements and to Regulation 9, Rule 10: Nitrogen Oxides and Carbon Monoxide from Boilers, Steam Generators and Process Heaters in Petroleum Refineries, and has initiated development of two proposed new rules, one to address emissions from coke-calcining units and one to track emissions from refineries.

STRATEGIC INCENTIVES – D. BREEN, DIRECTOR

Following is a summary of the Strategic Incentives Division achievements for the second quarter of 2012.

Carl Moyer Program (CMP)

Administration:

- Staff worked with Sacramento AQMD staff to develop and circulate a survey to air districts on behalf of CAPCOA to gather information on the effectiveness of the ARB CARL reporting database, 4/6.
- Staff worked with Sacramento AQMD staff to analyze the results of a survey completed by air districts (on behalf of CAPCOA) to gather information on the effectiveness of the ARB CARL reporting database.
- Staff participated in the CAPCOA Mobile Source and Grants Committee meeting, 4/25.
- Staff hosted ARB CMP staff for a visit and discussion on the Air District grant programs, 4/26.
- Staff attended the EPA West Coast Diesel Collaborative Partners meeting in Seattle, 5/30 and 5/31.
- Staff attended the CAPCOA Mobile Source and Grants Symposium in Napa, 5/30 and 5/31.

- Staff responded to a public records request for CMP project environmental justice data from 2009 to the present, 6/5.
- The ARB incentive program audit originally scheduled for Fall 2012 has been postponed until 2013.
- Staff held a conference call with CalTrain representatives to discuss the potential of CMP funding for a CalTrain electrification project, 6/11.
- Staff participated in an ARB training session on the import functionality of the ARB Clean Air Reporting Log (CARL) database, 6/13.
- Staff participated in an ARB conference call/training on the CARL database used to report the District's CMP data to ARB, 6/27.

Year 13:

- Air District received from ARB its final disbursement (\$6,901,650).
- Staff continues to evaluate VIP project applications and outreach to potential new applicants.

Year 14:

- Air District received from ARB an initial disbursement (\$1,266,459).
- The Air District executed an agreement with ARB to accept \$1,188,831 in multi-district funds that will be used to fund on-road Voucher Incentive Program (VIP) projects, 5/28.

Goods Movement Program (GMP)

Administration:

- Staff submitted semi-annual reports to ARB for all GMP programs, 5/9.
- Staff met with a delegation of Russian officials to discuss the Air District's efforts to reduce emissions at the Port of Oakland, 5/29.
- Staff presented an update on the Air District's port truck programs to the Port of Oakland Trucker Working Group, 6/11.
- Staff participated in a conference call regarding a possible port truck reuse program with staff from ARB, South Coast Air Quality Management District, and the San Joaquin Valley AQMD, 6/13.

Year 1:

- Annual and final reporting activities for projects that commenced in previous years continues (this includes 2008, 2009 and some Extension projects). Staff has issued 1,041 reporting packets to grantees with 626 packets also including final contract amendments.
- Air District received final ARB payment of \$84,450 in admin from the on-road truck program, 6/19.

Year 2:

- Contracts for 39 of 143 trucks eligible for currently-available funds (“group 1”) have been approved or executed. Remaining trucks in this group are pending contract reviews or CARB review of fleet compliance. Staff are drafting contracts for Group 1 in addition to any project eligible for re-allocated funds (“group 2”) where pre-inspections have been completed and there are no pending issues. Group 2 contracts cannot be executed until funds become available.
- Staff met with other districts to discuss concerns with the ARB group 2 grant agreement requirements, 4/10.
- Air District executed an Agreement with ARB to allocate an additional \$7.7 million to truck replacements. This funding will be used to fund additional trucks on the existing rank list. Staff is working to include the additional trucks in current contracting activities. Anticipated date to complete all contracting for projects is June 30, 2012. Total funding for the program will fund more than 300 truck projects and one truck stop electrification project.
- Air District received \$7,760,962 in project funds and \$349,244 in administrative funds for truck projects from ARB.
- Staff completed nearly all work on required Truck & Bus Rule reporting with CARB. This will allow for the final reconciliation of eligible projects and complete final inspections and contracting of large fleets by June 30 (small fleets continue to be eligible for contracting any leftover or unused funds through October 2012).
- Reconciliation of projects after ARB fleet reporting completion allowed the program to add 47 projects to the Inspection Schedule.
- Staff participated in a conference call with ARB staff regarding a truck-stop-electrification project, 6/11.
- Inspectors have completed 352 inspections to-date.
- Since December 2011, inspectors have communicated with over 30 applicants who have elected not to participate in this Program.
- To-date, approximately 115 trucks have been contracted (\$7,408,000) and 46 are in the contract review process (\$2,190,000), with remaining trucks undergoing pre-inspection in preparation to review these for contracting. Approximately 64% of YR2 funding is in-process.

Year 3:

- 888 drayage trucks have been ranked for funding consideration. Replacement trucks funded under this program must be on the road by December 31, 2012.
- The Air District executed an agreement with ARB for \$24,065,000, 5/14.
- Staff has begun contracting activities for 888 projects and must execute all contracts before July 31, 2012.
- Staff participated in a conference call with staff from ARB and SCAQMD to discuss potential port truck re-use program, 5/25.
- Staff requested on-road and off-road fleet/ vehicle data from the ARB regulatory databases to be used for local outreach efforts, and to quantify the number of ag-exempt on-road trucks in the Bay Area, 6/1.
- Staff issued more than 500 (of 888) YR3 Grant Agreements for grantee signature, and must execute all contracts before July 31, 2012. Outreach events to allow grantees to sign or submit their YR3 Grant Agreements were held on July 12th, 13th, 18th and 20th, at the Port of Oakland.
- Inspectors have contacted 100% of the YR3 applicants needing inspection and completed 108 (of 111) inspections required as part of the program.

DERA Program:

- Staff submitted a quarterly program report to EPA on the status of the Air District's DERA Port Truck grant, 4/25.

2005/2006 Port Truck Replacement Program:

- Staff issued an RFP on 5/24 for a contractor to administer a 2005/ 2006 engine model year port truck replacement program and reviewed proposals on 6/13.
- Staff have received 23 letters of interest (of possible 79) to participate in the program. Staff sent reminders to all invited participants during the last week of May.

Transportation Fund for Clean Air (TFCA)

Administration:

- All nine County Program Managers submitted their Expenditure Plan applications for FYE 2013 by the 4/2 deadline.
- Funding Agreements for FYE 2013 were sent to all nine CMAs on 5/30/12. These agreements represent over \$9 million in funding for eligible projects.
- All nine CMAs submitted their Funding Status Reports for all projects and Final Reports for projects completed in the 2nd half of calendar year 2011 by the 5/31/12 deadline.

- Staff drafted TFCA Policies for FYE 2013 and sent policies out for public comment on 6/28. Comments are due 7/18. Eligible project types include, shuttle/feeder bus (note: pilot shuttles not eligible), ridesharing, and electronic bicycle lockers.

Electric Vehicles and Alternative Fuels:

- Staff met with representatives from the Kanematsu Corporation, a Japan based manufacturer of DC Fast Chargers, to discuss funding opportunities for the deployment of DC Fast Chargers in the Bay Area, 4/4.
- Staff attended the “Focus Electric First Drive” event that presented the deployment strategy and vehicle features of the new Ford Focus electric vehicle, 4/12.
- Staff spoke with Saba Motors, a manufacturer of electric vehicles, to discuss funding available for Advanced Technology Demonstration projects, 4/23.
- Air District Chairperson Gioia participated on a panel of state and local elected officials and provided remarks from the Bay Area’s perspective on the status of electric vehicle deployment at the “California Communities: Taking Charge” session at the EVS26 conference, held at the Los Angeles Convention Center, 5/7.
- Staff participated in conference calls with CA Plug-in Electric Vehicle (PEV) Collaborative and local representatives to discuss the status of the California PEV Readiness Project, 4/25, 4/26, 4/30, 5/2 and 5/4.
- Staff met with a representative from Coulomb Technologies to evaluate the combination of “Charge Point America” funds with the Air District EVSE Deployment Program funds, 5/23.
- Staff met with representatives from ECotality to discuss the status of the Air Districts EV regional planning efforts, 5/25.
- On June 15th, 2012, staff hosted the California Community Plug-In Electric Vehicle Readiness Workshop attended by over 120 people.
- Staff participated in a workshop conducted by CEC regarding the Alternative and Renewable Fuel and Vehicle Technology Program, 6/22.
- Staff participated in a conference call hosted by the DOE - National Clean Cities regarding the current status of the DOE Electric Vehicle Project, 6/25.

Regional Bike Share Pilot Project:

- Staff held conference calls to discuss the Regional Bike Share program development and RFP with the Partners Workgroup, 4/5, and with Steering Committee, 4/10.
- Staff and Steering Committee met with Alta Bicycle Share to discuss their proposal, 4/12 and 4/13.

- Staff held conference calls to discuss Alta's proposal and program development with the Steering Committee, 4/16 and 4/23.
- Staff held conference call with King County Metro Transit representative to discuss issues regarding submitting proposals for bike share projects, 4/27.
- Staff and the Steering Committee met with Alta Bicycle Share to discuss their proposal, 5/1.
- Staff held conference calls to discuss Alta's proposal and program development with VTA, 4/25; and the Steering Committee, 4/27 and 5/3.
- Staff attended the webinar Social Equity and Bike Sharing presented by the USDOT and the National Center for Transit Research at the University of South Florida, 5/3.
- Staff held conference calls to discuss Alta Bicycle Share's proposal and program development with the Steering Committee, 5/23, 6/20 and 6/25, and met with Alta to discuss their proposal, 5/30.
- Staff presented a project update to MTC's Rideshare/Bicycling TAC meeting, 5/31.

Bike Parking:

- The Air District reissued a Request for Proposals (RFP) for the Bicycle Parking Infrastructure Program, 5/22. The RFP closed on 6/5; four proposals were received.
- Staff and representatives from the City of San Mateo and SFMTA evaluated the proposals for the Bicycle Parking Infrastructure Program RFP, 6/8. The RFP sought a series of fixed prices that would be made available to public agencies that purchase qualifying bicycle parking equipment.

Grant Development

- Staff conducted a site visit at the Richmond rail yard of the GT Exhaust Tier 4 DPF locomotive demonstration with ARB staff and other participating members of the team, 4/3.
- Staff met with representative of Green Dot Transportation Inc. to discuss partnering with the District on an Advanced Research Projects Agency – Energy (ARPA-E) proposal to demonstrate a hands free EV conductive charging system, 4/6
- Staff participated in a public workshop to discuss development of the AB 118 AQIP FY 2012-13 Funding Plan, 4/10.
- Staff held a conference call with representatives of the US-DOT, Port of Stockton and consultant regarding emission reduction benefits of marine highway project, 4/13.
- Staff and ARB held check-in conference call with project partner NREC to discuss progress on the AQIP advanced locomotive demonstration project, 4/16 and 5/21.
- Staff and ARB held check-in conference call with project partner Wind + Wing to discuss progress on the AQIP advanced marine demonstration project, 4/16 and 5/21.

- Lawn Mower Replacement Program RFP deadline was 4/25 with two proposals being submitted. Staff reviewed and ranked Lawn Mower Replacement Program proposals received in response to District's RFP.
- Staff participated in the EPA FY 12 DERA RFP information webinar, 4/26.
- Staff met with proponents of SB 843 legislation, Community-Based Renewable Energy Self-Generation, to discuss partnering with the District on a CEC proposal, 5/7.
- Staff met with CAPCOA Fuels and Mobile Source Committee representatives and ARB to discuss future funding needs for regulated and unregulated mobile sources, 5/15.
- Staff attended the CalHEAT Advisory Council and Steering Committee meeting in Pasadena, 5/23.
- Staff participated in the ARB Public Consultation Meeting on Investment of Auction Funds from California Cap-and-Trade Program, 5/24.
- Staff prepared and submitted a proposal to the EPA DERA program for \$2.7 million to replace 70 Port of Oakland and/or other trucks operating in goods movement in impacted areas of the District, 6/4.
- Staff held a conference call with ARB staff and project partners GT Exhaust to discuss mechanical problems with the AQIP-funded advanced demonstration locomotive, 6/5.
- Staff met with representatives for Ruby Mountain and GO2Water to discuss submitting a proposal for an advanced wastewater treatment, methane capture, renewable energy demonstration project, 6/5.
- Staff prepared and submitted a proposal to the DOE for \$1.0 million to advance alternative fuel markets by eliminating barriers to the deployment of alternative fuel vehicles and infrastructure at California workplaces and in California fleets, 6/18.

TECHNICAL DIVISION – E. STEVENSON, DIRECTOR

Air Quality

During the 2nd quarter of 2012, there were no exceedances of the 24-hour national PM_{2.5} standard. There was one day when the 8-hour national ozone standard of 75-ppb was exceeded and the only Spare the Air Alert of the quarter was declared for that day. On June 16th, the San Martin air monitoring site recorded an 8-hour ozone level of 77-ppb.

The quarter was cooler than normal with just one day over 100F. The cooler weather was similar to the 2nd quarter of 2011 when only one day exceeded the national ozone standard and only one day had inland temperatures in the 100s.

Air Monitoring 2nd Quarter 2012

27 air monitoring stations were operational from April through June 2012, with all equipment operating on routine, EPA-mandated schedules. Ozone monitors at four satellite stations that

were shut down during the low ozone season on December 1, 2011, as allowed under a waiver granted by the EPA, resumed operation starting April 1, 2012.

Performance Evaluation

The Performance Evaluation Group (PEG) conducted regular, mandated performance audits on a total of 47 analyzers at 18 District Air Monitoring Stations during April, May and June of 2012. Ground-Level Monitoring (GLM) audits of Hydrogen Sulfide (H₂S) and Sulfur Dioxide (SO₂) monitors were conducted on the GLM monitors in the vicinities of the Valero, Phillips 66 and Tesoro refineries. All 11 of the GLM locations tested met the District's performance criteria.

PEG repaired equipment at 7 of the District's meteorology network sites. The PE Group also calibrated, audited, and performed trouble-shooting of the sensors, data loggers, and modems at all 22 District meteorology sites. On-site audits and calibrations took place during April and May 2012.

The PE Group continued to work on the Through-the-Probe Auditing Van. This van will allow for improved monitoring technology. The group expects to have the project completed by September 2012, depending on personnel resource allocations.

The PE Group is calibrating several pressure and temperature standards for the Air-Monitoring Section.

The PE Group is preparing for an EPA Total System Audit that is scheduled to take place during September of 2012. Internal documents are being reviewed and other documents are being evaluated to ensure compliance with the Code of Federal Regulations.

Laboratory

In addition to routine ongoing analyses, five ambient air samples collected in the vicinity of the Conoco Phillips Refining Company, Rodeo maintenance leak on 6/15/12 were analyzed for toxic compounds and TRS.

Two gaseous samples from the condensate tanks at Venoco Inc., Brentwood were analyzed for hydrocarbons.

Three ambient air samples from the vicinity of the Conoco Phillips coke fire on 4/13/12 were analyzed for toxic compounds.

Source Test

Ongoing Source Test Section activities during the second quarter of 2012 included:

- Performance of Continuous Emissions Monitoring (CEM) Field Accuracy Tests on monitors installed at large source emission points.

- Performance of source tests to determine emissions of precursor organic compounds, filterable particulate matter and toxic air contaminants.
- Performance of tests to assess the compliance status of gasoline cargo tanks, gasoline dispensing facilities, gasoline terminal loading and vapor recovery systems.
- Evaluation of independent contractor conducted source tests to determine report acceptability and source compliance.
- Review of the ConocoPhillips Rodeo Refinery's open path monitor monthly reports for April, May, and June.

The Source Test Section continued participation in the District's Rule Development efforts for Metal Melting, Vacuum Trucks, Refinery Crude Management, Coke Calcining and revisions to Regulation 6.

The section's five staff engineers voluntarily rotated every three weeks through the position of acting section manager. Michael Bachmann acted as the section's administrative manager.

STATISTICS

Administrative Services:**Accounting/Purchasing/Comm.**

General Checks Issued	1,410
Purchase Orders Issued	455
Checks/Credit Cards Processed	4,214
Contracts Completed	135
RFP's	6

Executive Office:

Meetings Attended	178
Board Meetings Held	6
Committee Meetings Held	6
Advisory Council Meetings Held	3
Hearing Board Meetings Held	3
Variances Received	3

Information Systems

New Installation Completed	9
PC Upgrades Completed	2
Service Calls Completed	493

Human Resources

Manager/Employee Consultation (Hrs.)	300
Management Projects (Hrs.)	400
Employee/Benefit Transaction	500
Training Sessions Conducted	4
Applications Processed	50
Exams Conducted	7
New Hires	2
Payroll Administration (Hrs.)	580
Safety Administration	150
Inquiries (voice/telephone/in-person)	4,800

Strategic Facility /Vehicle

Requests for Facility Services	233
Vehicle Request(s)/Maintenance	65

Compliance Assistance and Operations Program

Asbestos Plans Received	1,449
Coating and other Petitions Evaluated	8
Open Burn notifications Received	285
Prescribed Burn Plans Evaluated	12
Tank/Soil Removal Notifications Received	27
Compliance Assistance Inquiries Received	136
Green Business Reviews	21
Refinery Flare Notifications	44

Compliance Assurance Program

Industrial Inspections Conducted	1,618
Gas Station Inspections Conducted	206
Asbestos Inspections Conducted	684
Open Burning Inspections Conducted	33
PERP Inspections Conducted	54
Mobile Source Inspections	1,235
Grants Inspections Conducted	662

Engineering Division:

Annual Update Packages Completed	930
New Applications Received	311
Authorities to Construct Issued	97
Permits to Operate Issued	397
Exemptions	8
New Companies added to Databank	118

Communications and Outreach:

Presentations Made	31
Responses to Media Inquiries	120
Press Releases & Advisories	9
General Requests for Information	406
Events staffed with Air District Booth	28
Visitors (District Tour)	2

STATISTICS (continued)

Compliance and Enforcement Division:**Enforcement Program**

Violations Resulting in Notices of Violation	111
Violations Resulting in Notice to Comply	96
New Hearing Board Cases Reviewed	6
Reportable Compliance Activity investigated	128
General Complaints Investigated	537
Smoking Vehicle Complaints Received	1,437
Woodsmoke Complaints Received	156
Mobile Source Violations	58

Technical Services:**2nd Quarter 2012 Ambient Air Monitoring**

Days Exceeding Nat'l 24-hour PM _{2.5} Std.....	0
Days Exceeding Nat'l 24-hour PM ₁₀ Std.....	0
Days Exceeding State 24-hour PM ₁₀ Std.....	0
Days Exceeding the Nat'l 8-hour Ozone Std.....	1
Days Exceeding the State 1-hour Ozone Std.....	0
Days Exceeding the State 8-hour Ozone Std.....	1

Ozone Totals, Jan.-Dec. 2012

Days Exceeding State 1-hour Ozone Std.....	1
Days Exceeding Nat'l 8-hour Ozone Std.....	0
Days Exceeding State 8-hour Ozone Std.....	1

Particulate Totals, Jan.-Dec. 2012

Days Exceeding Nat'l 24-hour PM _{2.5} Std.....	0
Days Exceeding the Nat'l 24-hour PM ₁₀ Std.....	0
Days Exceeding State 24-hour PM ₁₀ Std.....	0

PM_{2.5} Winter Season Totals for 2011-2012

Days Exceeding Nat'l 24-hour PM _{2.5} Std.....	11
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2nd Quarter 2012 Agricultural Burn Days

Apr.-June Permissive Burn Days – North.....	78
Apr.-June No-Burn Days – North.....	13
Apr.-June Permissive Burn Days – South.....	78
Apr.-June No-Burn Days – South.....	13
Apr.-June Permissive Burn Days – Coastal.....	78

Laboratory

Sample Analyzed.....	1,046
Laboratory Analyses.....	0

Technical Library

Titles Indexed/Cataloged	
Periodicals Received/Routed	

Source Test

Total Source Tests.....	87
Pending Source Tests.....	10
Violation Notices Recommended.....	8
Contractor Source Tests Reviewed.....	3,935
Outside Test Observed.....	28
Violation Notices Recommended After Review...	4

Continuous Emissions Monitoring (CEM)

Indicated Excess Emission Report Eval.....	32
Monthly CEM Reports Reviewed.....	10
Indicated Exceeded from CEM.....	8

Ground Level Monitoring (GLM)

Apr.-June Ground Level Monitoring SO ₂ Excess Reports.....	0
Apr.-June Ground Level Monitoring H ₂ S Excess Reports.....	6

Apr.-June No Burn Days – Coastal.....13

These facilities have received one or more Notices of Violations
Report period: April 1, 2012 – June 30, 2012

Alameda County

Status Date	Site #	Site Name	City	Regulation Title
4/24/12	A0123	Berkeley Asphalt Co	Berkeley	Failure to Meet Permit Conditions
4/18/12	E0882	Mobile Mini, LLC	Fremont	No Authority to Construct, No Permit to Operate
4/30/12	V2462	Hayward Chevron	Hayward	Gasoline Dispensing Facilities
4/18/12	E1152	Pleasanton Trucking, Inc.	Livermore	No Authority to Construct, No Permit to Operate
5/03/12	A1190	Evergreen Oil, Inc.	Newark	Failure to Meet Permit Conditions
6/05/12	A0079	Morton Salt, Inc.	Newark	NOx & CO from industrial, institutional, & Commercial Boilers, Steam Generators, & Process Heaters
5/08/12	A1559	Sanmina - SCI	Newark	Failure to Meet Permit Conditions
4/18/12	A0062	A B & I Foundry	Oakland	Failure to Meet Permit Conditions
4/18/12	B9860	Commercial Waste & Recycling LLC	Oakland	No Authority to Construct, No Permit to Operate
4/18/12	E1207	eCullet Inc.	Oakland	No Authority to Construct, No Permit to Operate
6/05/12	E1279	Gaylord's Caffe Espresso	Oakland	No Authority to Construct, No Permit to Operate
4/18/12	A0030	Owens-Brockway Glass Container Inc.	Oakland	Particulate Matter & Visible Emissions
5/02/12	V2560	Park Blvd 76	Oakland	Gasoline Dispensing Facilities
4/30/12	V2460	Suds Machine Inc.	Oakland	Gasoline Dispensing Facilities

These facilities have received one or more Notices of Violations
Report period: April 1, 2012 – June 30, 2012
Continued

Contra Costa County

Status Date	Site #	Site Name	City	Regulation Title
4/18/12	B6855	Kaiser Antioch Deer Valley	Antioch	Failure to Meet Permit Conditions
5/30/12	V1569	Oliveira Enterprise	Byron	Public Nuisance
5/29/12	A8401	Andy's Tee Shirts, Inc.	Concord	Graphics Arts Printing & Coating Operations
6/14/12	D0393	Clayton Valero	Concord	No Permit to Operate
6/14/12	D0479	Gasco	Concord	Gasoline Dispensing Facilities
6/05/12	V3177	NETCHEM, Inc.	Danville	Graphics Arts Printing & Coating Operations
5/21/12	U3183	Clair / Wanda Clements	El Sobrante	Particulate Matter & Visible Emissions
4/18/12	A1820	Martinez Cogen Limited Partnership	Martinez	Continuous Emission Monitoring & Recordkeeping Procedures
6/05/12	A7034	Plains Products Terminals LLC	Martinez	Major Facility Review (Title V); Storage of Organic Liquids
5/02/12	A0011	Shell Martinez Refinery	Martinez	Hydrogen Sulfide; Standards of Performance for New Stationary Sources; 'Major Facility Review (Title V); Particulate Matter & Visible Emissions
4/25/12	B2758	Tesoro Refining and Marketing Company	Martinez	Continuous Emission Monitoring & Recordkeeping Procedures; Standards of Performance for New Stationary Sources; Major Facility Review (Title V); Sulfur Dioxide
6/14/12	C7345	Tri-Convenience Store	Martinez	Gasoline Dispensing Facilities
5/09/12	B8704	Bel Aire Displays	Richmond	Graphics Arts Printing & Coating Operations

These facilities have received one or more Notices of Violations
Report period: April 1, 2012 – June 30, 2012
Continued

Contra Costa County Continued

<i>Status Date</i>	<i>Site #</i>	<i>Site Name</i>	<i>City</i>	<i>Regulation Title</i>
5/08/12	A0010	Chevron Products Company	Richmond	Equipment Leaks; Flare Monitoring at Petroleum Refineries; Hydrogen Sulfide; Major Facility Review (Title V); NOx & CO from Stationary Gas Turbines; Parametric Monitoring & Recordkeeping Procedures; Standards of Performance for New Stationary Sources; Wastewater (Oil - Water) SeparatorsStorage of Organic Liquids
4/24/12	J2655	City of Richmond	Richmond	No Permit to Operate
5/09/12	A5665	Electro Forming Company	Richmond	Airborne Toxic Control Measure for Chromic Plating & Chromic Acid Anodizing Facilities
4/24/12	A0745	Plains Products Terminals LLC	Richmond	Equipment Leaks
6/11/12	B7419	Air Liquide Large Industries US LP	Rodeo	Continuous Emission Monitoring & Recordkeeping Procedures; Major Facility Review (Title V)

These facilities have received one or more Notices of Violations
Report period: April 1, 2012 – June 30, 2012
Continued

Contra Costa County Continued

Status Date	Site #	Site Name	City	Regulation Title
5/09/12	A0022	Phillips 66 Carbon Plant	Rodeo	Sulfur Dioxide
4/24/12	A0016	Phillips 66 Company - San Francisco Refinery	Rodeo	Continuous Emission Monitoring & Recordkeeping Procedures; Flare Monitoring at Petroleum Refineries; Hydrogen Sulfide; 'Major Facility Review (Title V); Parametric Monitoring & Recordkeeping Procedures; Public Nuisance; Standards of Performance for New Stationary Sources; Storage of Organic Liquids
6/14/12	C1719	Main Street Chevron	Walnut Creek	No Permit to Operate

Napa County

Status Date	Site #	Site Name	City	Regulation Title
4/11/12	R8986	Open Burn	Angwin	Particulate Matter & Visible Emissions
5/02/12	N9815	Napa-Vallejo Waste Management Authority	Napa	Solid Waste Disposal Sites; Parametric Monitoring & Recordkeeping Procedures

These facilities have received one or more Notices of Violations
Report period: April 1, 2012 – June 30, 2012
Continued

San Francisco County

Status Date	Site #	Site Name	City	Regulation Title
4/09/12	B8956	Argenta	San Francisco	No Permit to Operate
4/09/12	U9157	Casework Unlimited	San Francisco	Wood Products Coatings
6/11/12	V3276	Quality Gas for your Cash	San Francisco	Failure to Meet Permit Conditions

San Mateo County

Status Date	Site #	Site Name	City	Regulation Title
6/12/12	S6028	Smart Demolition	Daly City	Asbestos Demolition, Renovation & Mfg.
5/02/12	H2115	Granite Excavation and Demolition, Inc.	South San Francisco	Aeration of Contaminated Soil & Removal of Underground Storage Tanks

Santa Clara County

Status Date	Site #	Site Name	City	Regulation Title
5/02/12	A0017	Lehigh Southwest Cement Company	Cupertino	Continuous Emission Monitoring & Recordkeeping Procedures; Major Facility Review (Title V)
5/02/12	B0394	Stevens Creek Quarry Inc	Cupertino	No Authority to Construct; No Permit to Operate; Hexavalent Chromium ATCM
5/17/12	B0394	Stevens Creek Quarry Inc	Cupertino	ATCM for Stationary Compression Ignition Engines
6/12/12	V3306	Steve Hutton	Gilroy	Asbestos Demolition, Renovation & Mfg.

These facilities have received one or more Notices of Violations
Report period: April 1, 2012 – June 30, 2012
Continued

Santa Clara County Continued

Status Date	Site #	Site Name	City	Regulation Title
6/12/12	A3418	JDS Uniphase Corporation	San Jose	Failure to Meet Permit Conditions
4/05/12	B8503	Nanosolar	San Jose	No Authority to Construct; No Permit to Operate
6/07/12	V3225	Senter Road Service Station, LP	San Jose	Gasoline Dispensing Facilities
5/09/12	T7793	SFD	San Jose	Particulate Matter & Visible Emissions
5/01/12	V2534	Tully 76 Service	San Jose	Gasoline Dispensing Facilities
5/02/12	B7936	United Rentals Northwest, Inc.	San Jose	Failure to Meet Permit Conditions
4/05/12	B4991	City of Santa Clara	Santa Clara	Major Facility Review (Title V)
4/05/12	B5672	Magma Design Automation	Santa Clara	No Permit to Operate
5/08/12	A2206	Streamline Circuits	Santa Clara	Failure to Meet Permit Conditions
4/05/12	B5355	West Coast Vanities	Santa Clara	No Permit to Operate

Solano County

Status Date	Site #	Site Name	City	Regulation Title
5/02/12	A0901	Valero Benicia Asphalt Plant	Benicia	Equipment Leaks
5/02/12	B2626	Valero Refining Company - California	Benicia	Area Monitoring; Equipment Leaks; Major Facility Review (Title V); Monitoring & Records; Parametric Monitoring & Recordkeeping Procedures; Standards of Performance for New Stationary Sources; Storage of Organic Liquids; Sulfur Dioxide

These facilities have received one or more Notices of Violations
Report period: April 1, 2012 – June 30, 2012
Continued

Solano County Continued

Status Date	Site #	Site Name	City	Regulation Title
6/11/12	B2626	Valero Refining Company - California	Benicia	Wastewater (Oil - Water) Separators

Sonoma County

Status Date	Site #	Site Name	City	Regulation Title
5/15/12	V2811	Bill and Dianne Schlangen	Kenwood	Open Burning
5/01/12	V2533	Arco AM PM	Santa Rosa	Gasoline Dispensing Facilities
5/08/12	V2672	Dieter Rief	Santa Rosa	Open Burning
4/18/12	V2330	Sandy Chute	Santa Rosa	Open Burning
5/24/12	V2984	Michel Boynton	Sebastopol	Open Burning
5/24/12	V2984	Michel Boynton	Sebastopol	Open Burning
5/15/12	V2810	Richard Anstruther	Sebastopol	Open Burning
5/02/12	V2555	Frank DeMichele	Sonoma	Open Burning
5/08/12	R7806	Julius Vegvary	Sonoma	Open Burning

Out of Area Counties

Status Date	Site #	Site Name	City	Regulation Title
4/30/12	V2510	Cascade Express Inc.	Antelope	Commercial Vehicle Idling Citation
6/25/12	V3559	Downsouth Auto Inc.	Sebastian	Commercial Vehicle Idling Citation

Closed Notice of Violations with Penalties by County
April 1, 2012 – June 30, 2012

Alameda

Site Name	Site Occurrence	City	Penalty Amount	# of Violations Closed
Chevron #8168	C8217	Newark	\$3,000	1
City of Hayward	V2217	Hayward	\$300	1
City of Hayward - Hayward Fire Station #6	V2216	Hayward	\$300	1
Fuller Cardlock	V3043	Livermore	\$5,000	1
Hayward Chevron	V2462	Hayward	\$750	1
Oakland Unified School	V2214	Oakland	\$300	1
Oakland Unified School	V2215	Oakland	\$300	1
Park Blvd 76	V2560	Oakland	\$750	1
Siegwerk	V2524	Livermore	\$200	1
Suds Machine Inc.	V2460	Oakland	\$750	1
Winton Valero	D0506	Hayward	\$900	1
Total:				11

Closed Notice of Violations with Penalties by County
April 1, 2012 – June 30, 2012
Continued

Contra Costa

Site Name	Site Occurrence	City	Penalty Amount	# of Violations Closed
BP West Coast Products, LLC	A0057	Richmond	\$80,000	8
Chevron #6817	V3040	Pleasant Hill	\$500	1
Chevron Products Company	A0010	Richmond	\$22,000	1
Concord Smog & Gas	C9533	Concord	\$2,250	1
Lloyd's Custom Woodwork, Inc	B8357	Concord	\$1,000	1
Phillips 66 Company - San Francisco Refinery	A0016	Rodeo	\$4,500	1
Rhodia Inc	B1661	Martinez	\$3,000	1
Total:				14

District Wide

Site Name	Site Occurrence	City	Penalty Amount	# of Violations Closed
Western Flyer Express, Inc.	V1330	Oklahoma City	\$300	1
Total:				1

Closed Notice of Violations with Penalties by County
April 1, 2012 – June 30, 2012
Continued

Marin

Site Name	Site Occurrence	City	Penalty Amount	# of Violations Closed
Unocal Service Station #2705727	V2116	Novato	\$1,000	1
US TelePacific Communications	B6466	San Rafael	\$500	1
Total:				2

San Francisco

Site Name	Site Occurrence	City	Penalty Amount	# of Violations Closed
Casework Unlimited	U9157	San Francisco	\$400	1
Total:				1

San Mateo

Site Name	Site Occurrence	City	Penalty Amount	# of Violations Closed
D J Simpson Company	A2555	South San Francisco	\$500	1
Fil-Am Cuisine	Q5942	Daly City	\$1,000	1
Mills Peninsula Medical Center	A2227	Burlingame	\$1,000	1
North San Mateo County Sanitation Dist	A1507	San Mateo	\$500	1
United Auto Collision Center Corp	B5450	Burlingame	\$500	1
Total:				5

Closed Notice of Violations with Penalties by County
April 1, 2012 – June 30, 2012
Continued

Santa Clara

Site Name	Site Occurrence	City	Penalty Amount	# of Violations Closed
Conoco Phillips #255130	V1722	Milpitas	\$1,974	1
Faith Bumper Service	E0684	Santa Clara	\$1,500	2
Hansra Gas & Mart	C5214	San Jose	\$300	1
Hansra Gas & Mart	C5214	San Jose	\$700	2
Lehigh Southwest Cement Company	A0017	Cupertino	\$17,000	5
Los Gatos Union 76	C9249	Los Gatos	\$4,500	1
National Weather Service	B4948	Los Gatos	\$1,000	1
Tully 76 Service	V2534	San Jose	\$750	1
Tully Valero	D0525	San Jose	\$3,375	2
Total:				16

Solano

Site Name	Site Occurrence	City	Penalty Amount	# of Violations Closed
Valero Refining Co SS#7289	V2302	Vallejo	\$1,000	1
Total:				1

Closed Notice of Violations with Penalties by County
April 1, 2012 – June 30, 2012
Continued

Sonoma

Site Name	Site Occurrence	City	Penalty Amount	# of Violations Closed
Arco AM PM	V2533	Santa Rosa	\$750	1
ARCO Facility #04936	C6184	Santa Rosa	\$4,750	1
Big 4 Rents, Inc	V2213	Rohnert Park	\$500	1
Fast Gas & Market	D0583	Santa Rosa	\$2,000	1
Hanes, Roger	F0392	Windsor	\$500	1
Taylor Maid Farms	B6718	Sebastopol	\$1,000	1
United Van Lines	U2839	Petaluma	\$300	1
Total:				7

**Bay Area Air Quality Management District Board of
Directors**

LIST OF ACRONYMS

AA	Annual Average
AAMP	Ambient Air Monitoring Program
AB32	Assembly Bill 32 – Global Warming Solutions Act
Al	Aluminium
Al ₂ O ₃	Alumina (Aluminium Oxide)
AlF ₃	Aluminium Fluoride
AIRS	Aeromatic Information Retrieval System
AIRMoN	Atmospheric Integrated Research Monitoring Network
ALAPCO	Association of Local Air Pollution Control Officials
Aluminium Plant	Carbon Plant, Reduction Plant, Casthouse, Anode Service Area, and related utilities
Air District	Bay Area Air Quality Management District
AMTAC	ARB Air Monitoring Technical Advisory Committee
AMTIC	Air Monitoring Technology Information Center
ANPR	Advanced Notice of Proposed Rulemaking
APCD	Air Pollution Control District
APCO	Air Pollution Control Officer
APTI	Air Pollution Technology Institute
ARB	California Air Resources Board
ARM	Area Recognized Method
AQI	Air Quality Index
AQIS	Air Quality Instrument Specialist
AQS	EPA's Air Quality (data) System
AQRS	Air Quality Research Subcommittee
AQTA	Air Quality Technical Assistant
ARM	Approved Regional Method
ASA	Anode Service Area
ASP	Anode Service Plant
ASTCM	Astrodynamics Common
ASTM	American Society for Testing and Materials
AWMA	Air and Waste Management Association
BAAQMD	Bay Area Air Quality Management District
BAM	Beta Attenuation Monitor
BAM	Beta-Attenuation Metre
BAT(NEEC)	Best Available Techniques (Not Entailing Excessive Cost)
BC	Black carbon
BC	Background Concentration
BCP	Best Current Practice
BGI	BGI, Incorporated
BPT	Best Practicable Technology
BRC	Background Reference Concentration
bgl	Below ground level

BOD	Biochemical Oxygen Demand
BPEO	Best Practicable Environmental Option
BREF note	Best Available Techniques Reference Document
btc	Below top of casing
BTEX	Benzene, Toluene, Ethylbenzene and Xylene
°C	Degrees Celsius
C	Carbon
C _a O	Lime (calcium oxide)
CAA	(Federal) Clean Air Act
CAC	Correlating Acceptable Continuous (monitor)
CAIR	Clean Air Interstate Rule
CAP	Clean Air Plan
CARB	California Air Resources Board
CARE	Community Air Risk Evaluation
CASAC	Clean Air Science Advisory Committee
CAS	Chemical Abstracts Service (a chemical reference number)
CASTNET	Clean Air Status and Trends Network
CBSA	Core Based Statistical Area
CCC	Criteria Continuous Concentration
CCP	Carbon Crushing Plant
Cd	Cadmium
CD	Chart Datum
CDM	Clean Development Mechanism
CEM	Continuous Emissions Monitoring
CENR	Committee for Environment and Natural Resources
CEQA	California Environmental Quality Act
CEU	Continuing Education Unit
CFR	U.S. Code of Federal Regulations
CH ₄	Methane
Cl ⁻	Chloride(s)
CI	Confidence Interval
CMAQ	Community Model Air Quality (system)
CMC	Criteria Maximum Concentration
CN	Cyanide
CO	Carbon monoxide
CO ₂	Carbon Dioxide
CoC	Chain of custody
COD	Chemical Oxygen Demand
COH	Coefficient of Haze
Cr(VI)	Chromium (hexavalent)
CREL	Chronic Reference Exposure Level
CRPAQS	Central Valley (California) Regional Particulate Air Quality Study
CRRP	Community Risk Reduction Program
CSN	Chemical Speciation Network
CSR	Corporate Social Responsibility
CV	Coefficient of variation
CWMP	Construction Waste Management Plan
CY	Calendar Year
Cu	Copper

DAS	Data Acquisition System
dB(A)	‘A’ weighted decibel noise level
dB _L Aeq	‘A’ weighted energy-equivalent decibel noise level
DC	Direct Current
DEARS	Detroit Exposure and Aerosol Research Study
DHS	Department of Homeland Security
District	Bay Area Air Quality Management District
DIV	Dutch Intervention Values
DMC	Data Management Center
DMS	Data management system
DNPH	2, 4-dinitrophenyl hydrazine
DO	Dissolved Oxygen
DOE	Department of Energy
DOI	Department of Interior
DQA	Data Quality Assessment
DQI	Data Quality Indicators
DQO	Data Quality Objectives
DRI	Direct Reduction Iron
DTV	Dutch Target Values
DVM	Digital Voltmeter
EC	European Commission
EC/OC	Elemental carbon/organic carbon
EECS	Electrical Equipment Calibration Service (in Fremont, CA)
EI	Extrusion Ingots
EIA	Environmental Impact Assessment
EML	Environmental Measurements Laboratory
EMP	Environmental Management Plan
EPA	U.S. Environmental Protection Agency
EPC	Engineering, Procurement and Construction
EPS	Environmental Protection Standards
EQS	Environmental Quality Standard
ESAT	Environmental Services Assistance Team
ET	Enviro Technology
EU	European Union
F-	Fluoride(s)
FA	Foundry Alloy
FEM	Federal Equivalent Method
FLM	Federal Land Manager
FMP	Flare Minimization Plan
FRM	Federal Reference Method
FTP	Fume Treatment Plant
FY	Fiscal Year
g/s	Grams per second
GAO	General Accounting Office
GC	Gas Chromatograph
GC-MS	Gas Chromatography-Mass Spectrometry
GDP	Gross Domestic Product
GHG(s)	Greenhouse Gas(es)
GIS	Geographical Information System

GLM	Ground Level Monitoring
GMW	General Metal Works (PM ₁₀ sampler manufacturer)
GPS	Global Positioning System
GWP	Global Warming Potential
H ₂ S	Hydrogen sulfide
HAL 275	Norsk Hydro Reduction Technology
HAP	Hazardous Air Pollutants
HAZID	Hazard Identification
HC	Hydrocarbon
HCl	Hydrogen chloride
HEI	Health Effects Institute
HF	Hydrogen fluoride
HPLC	High Performance Liquid Chromatograph
HSE	Health, Safety and Environment
HTM	Heating Transfer Medium
Hydro	Norsk Hydro ASA
IACET	International Association for Continuing Education and Training
IADN	Interagency Deposition Network
IC	Ion Chromatography
ICR	Information Collection Request
IEA	Initial Environmental Authorization
IFC	International Finance Corporation
ILSC	Indicative Levels of Serious Contamination
IMPROVE	Interagency Monitoring of Protected Visual Environments
IPP	Independent Power Producer
ISQG	Interim Sediment Quality Standard
ISR	Indirect Source Rule
ITEP	Institute of Tribal Environmental Professionals
ITT	Information Transfer Technology
JV	Joint Venture
K	Kelvin
K	Thousand
km	kilometer
kV	Kilovolt
kt/yr	Thousands of tons per year
kPa	Thousand Pascal
l	Litre
LC-50	Lethal Concentration of a chemical which kills 50% of a sample population
L _{eq}	Unweighted energy-equivalent noise level
LCS	Laboratory Control Sample
LLD	Lower Limit of Detection
LNB	Low NO _x Burner
LOD	Limit of Detection
LOQ	Limit of Quantitation
lpm	Liters per minute
l/s	Litres per second
L _{WA}	'A' weighted sound power level
M	Million

m	Metre
m/s	Metres per second
m ³ /s	Cubic metres per second
MAC	Maximum Allowable Concentration
MANE-VU	Mid-Atlantic/Northeast Visibility Union
MDL	Method Detection Limit
MDN	Mercury Deposition Network
MEI	Ministry of Energy and Industry
MET/PE	Meteorology and Performance Evaluation
mg/kg	Milligrams per kilogram
mg/l	Milligrams per litre
mg/m ³	Milligrams per cubic metre
mg/Nm ³	Milligrams per normal cubic metre (i.e. expressed at 273K and 101.3 kPa); in the case of gas turbines, gas volumes in units on “Nm ³ ” are also expressed as dry gas, at 15% O ₂ .
MHWTC	Mesaieed Hazardous Waste Treatment Centre
MIC	Mesaieed Industrial City
ml	Millilitre
MMAA	Ministry of Municipal Affairs and Agriculture
MMWDS	Mesaieed Municipal Waste Disposal Site
MPA	Maximum Permissible Addition
MPC	Maximum Permissible Concentration
MQA	Meteorology and Quality Assurance
MS	Matrix spikes
MSm ³	Million standard cubic metres
MW	Megawatts
MWe	Megawatts electrical (electrical output)
MWth	Megawatts thermal (thermal input)
N	Nitrogen
NAAQS	National Ambient Air Quality Standard
Na	Sodium
NAAMS	National Ambient Air Monitoring System
NAATS	National Ambient Air Toxics Sites
NACAA	National Association of Clean Air Agencies
NADP	National Atmospheric Deposition Program
NAMS	National Air Monitoring Station
Na ₃ AlF ₆	Cryolite
NaCl	Sodium chloride (salt)
NAPAP	National Acid Precipitation Assessment Program
NARSTO	North American Research Strategy for Tropospheric Ozone
NAS	National Academy of Science
NASA	National Aeronautics and Space Agency
NATTS	National Ambient Toxic Tends Stations
NAU	Northern Arizona University
NCore	The National Core Monitoring Network
NDIR	non-dispersive infrared
NDUV	Non-dispersive ultraviolet
NEC	No Effect Concentration
NESHAPS	National Emission Standards for Hazardous Air Pollutants

NGO	Non-Governmental Organizations
Ni	Nickel
NILU	Norwegian Institute for Air Research
NIST	National Institute for Standards and Technology
Nm ³	Normal cubic metre (i.e. expressed at 237K and 101.3 kPa); in the case of gas turbines, gas volumes in units of “Nm ³ ” are also expressed as dry gas, at 15% O ₂ .
Nm ³ /s	Normal cubic metre per second (i.e. expressed at 237K and 101.3 kPa); in the case of gas turbines, gas volumes in units of “Nm ³ ” are also expressed as dry gas, at 15% O ₂ .
NMHC	Non-Methane Hydrocarbons
NMSC	National Monitoring Strategy (or Steering) Committee
NMVOC	Non-Methane Volatile Organic Compounds
N ₂ O	Nitrous Oxide
NO _y	Odd Nitrogen
NIOSH	National Institute for Occupational Safety and Health
NIST	National Institute of Standards and Technology
NO	Nitrogen monoxide/Nitric oxide
NO ₂	Nitrogen dioxide
NO _x	Oxides of nitrogen
NOAA	National Oceanic and Atmospheric Administration
NMHC	Non-methane hydrocarbon
NMOC	Non-methane organic carbon
NO _x /NO _y	Nitrogen Oxides
NPAP	EPA National Performance Audit Program
NPEP	National Performance Evaluation Program
NPS	National Parks Service
NTN	National Trends Network
NTU	Nephelometric Turbidity Units
NVLAP	National Voluntary Laboratory Accreditation Program
O ₂	Oxygen
O ₃	Ozone
OAP	Office of Atmospheric Programs
OAQPS	Office of Air Quality Planning and Standards
OAR	Office of Air and Radiation
OC	Organic Carbon
OC/EC	Organic carbon/elemental carbon
ODAMN	Operations Data Action Monitoring Notification
OEHHA	Office of Environmental Health Hazard Assessment
OEI	Office of Environmental Information
ORD	Office of Research and Development
ORIA	Office of Radiation and Indoor Air
P	Phosphorous
P	Power
PAHs	Polycyclic Aromatic Hydrocarbons
PAMS	Photochemical Assessment Monitoring Stations
Pb	Lead
PBMS	Performance-Based Measurement System
PBT	Persistent Bioaccumulative Toxics

PCBs	Polychlorinated Byphenyls
PCC	Petrochemical Complex
PE	Performance Evaluation
PEP	Performance Evaluation Program
PEL	Probable Effect Level
PFC	Polyfluorocarbons
PM	Particulate matter
PM ₁₀	Particulate matter with mean aerodynamic diameter of 10 microns
PM _{2.5}	Particulate matter with mean aerodynamic diameter of 2.5 microns
PM _{10-2.5}	PM ₁₀ minus PM _{2.5}
PO	Purchase Order
POCP	Photochemical Ozone Creation Potential
POP	Persistent Organic pollutants
ppb	Parts per billion
PPAH	Pollution Prevention and Abatement Handbook
ppb (v)(w)	Parts per billion (volume) (weight)
ppm (v) (w)	Parts per million (volume) (weight)
ppt (v) (w)	Parts per thousand (volume) (weight)
PQAO	Primary Quality Assurance Organization
PSD	Prevention of significant deterioration
QA	Quality Assessment
QAFAC	Qatar Additives Company
QAFCO	Qatar Fertiliser Company
QASCO	Qatar Steel Company Ltd
Qatalum	The Hydro/QP Aluminium and Power Plant Project
QAPP	Quality Assurance Project/Program Plan
QC	Quality Control
QEW	Qatar Electricity and Water Company
QMP	Quality Management Plan
QNHD	Qatar National Height Datum (QNHD is ~1.3 m above Chart Datum)
QP	Qatar Petroleum
RADM	Regional Acid Deposition Model
RCEP	Royal Commission on Environmental Pollution
REL	Reference Exposure Level
REM	Regional Equivalent Monitor
RO	EPA Regional Office
ROG	Reactive Organic Gases
ROM	Regional Oxidant Model
ROPME	Regional Organisation for Protection of the Marine Environment
RPO	Regional Planning Organization
RTD	Resistance Temperature Detector
RTP	Research Triangle Park (North Carolina)
RTI	Research Triangle Institute, a research/consulting company
RTO	Regenerative Thermal Oxidiser
S	Sulphur
S&T	Science and Technology
SAB	Science Advisory Board
SAMWG	Standing Air Monitoring Work Group
SAP	Socio-Economic Action Plan

SASP	Surface Air Sampling Program
SARC	Scientific and Applied Research Centre
SB 375	Sustainable Communities and Climate Protection Act of 2008
SCAQMD	South Coast Air Quality Management District
SCENR/SCE	Supreme Council for the Environment & Natural Reserves
SIP	State Implementation Plan
SLAMS	State or Local Air Monitoring Station
SLTs	State, Local, and Tribal air monitoring agencies
SO ₂	Sulfur dioxide
SOP	Standard operating procedure
SPL	Spent Potlining
SPM	Special Purpose Monitor
SRP	Standard Reference Photometer
SS	Supersite
SSEIA	Scoping Study for Environmental Impact Assessment Report
STAG	State and Tribal Air Grant
STAPPA	State and Territorial Air Pollution Program Administrators
STN	Speciation Trends Network
Strategy	The National Air Monitoring Strategy
SVOC	Semi-Volatile Organic Compound
SWS	Seawater Scrubber
t/d	Tonnes per day
t/h	Tonnes per hour
t/yr	Tonnes per year
TAMS	Tribal Air Monitoring Support (Center)
TAD	Technical Assistance Document
TAR	Tribal Authority Rule
TBD	To Be Determined
TECO	Thermo Electron Corporation, now Thermo Fisher Scientific
TEOM	Tapered Element Oscillation Monitor
THC	Total hydrocarbons
TIP	Tribal Implementation Plan
TNMHC	Total non-methane hydrocarbons
TNMOC	Total non-methane Organic Compound
TOC	Total Organic Carbon
TOM	Total Organic Matter
Tpd	Tons per day
TPH	Total Petroleum Hydrocarbons
TPY	Tons Per Year
TSA	Technical systems audits
TSD	Technical Services Division
TSP	Total suspended particulates
TSS	Total Suspended Solids
T-REX	Traffic Related Exposure Study
TWA	Time Weighted Average
UAM	Urban Airshed Model
UN	United Nations
UNEP	UN Environmental Program
USB	Universal Serial Bus

US EPA	United States Environmental Protection Agency
UV	Ultraviolet
VDC	Vertical Direct Chill (Casting Machines)
VOC	Volatile Organic Compounds
WB	World Bank
WBT	Wet Bulb Temperature
WB PPAH	WB Pollution Prevention and Abatement Handbook
WHO	World Health Organization
WMP	Waste Management Plan
XML	Extensible Markup Language
ΔT	Temperature differential
$\mu\text{g/l}$	Microgrammes per litre
$\mu\text{g/m}^3$	Micrograms (one millionth of a gram) per cubic metre
μm	Micrometers
$\mu\text{M/l}$	Micromoles per litre

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson John Gioia and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: August 20, 2012

Re: Approval of Contract for Janitorial Services

RECOMMENDED ACTION

The Board of Directors will consider authorizing the Executive Officer/APCO to execute a contract amendment with SWA Services Group, Inc. to provide janitorial services for the next two years and increase the contract amount from \$51,850 to \$207,400.

BACKGROUND

The Air District completed a Request for Proposal (RFP) process in May 2011 to solicit proposals for janitorial services at the Air District for up to three years. SWA Services Group (SWA), Inc. was selected and has performed satisfactorily. The Board previously approved a one year contract with SWA, covering the period from July 2011 through June 2012 for \$100,680. Air District staff then executed a contract with SWA to provide janitorial services from June 2012 through December 2012 for \$51,850. Staff is requesting Board authorization to extend the contract for an additional eighteen months through June 2014, and to increase the contract amount from \$51,850 to \$207,400.

DISCUSSION

The contract with SWA will provide for janitorial services five days a week.

BUDGET CONSIDERATION/FINANCIAL IMPACT

Funds for janitorial services for Fiscal Year End 2013 have been included in the current year budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: David Glasser
Reviewed by: Jack M. Colbourn

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson John Gioia and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: August 21, 2012

Re: Consider Adopting Resolution No. 2012-05, delegating administrative authority
to the Executive Officer/APCO on matters related to the California State
Association of Counties Excess Insurance Authority (CSAC-EIA)

RECOMMENDED ACTION

Adopt Resolution No. 2012-05, thereby delegating authority to the Executive Officer/APCO to act on Air District matters related to the California State Association of Counties Excess Insurance Authority (CSAC-EIA) insurance pool program.

BACKGROUND AND DISCUSSION

At the July 30, 2012 Board of Directors Special Meeting, the Board approved staff's recommendation to contract with and participate in the CSAC-EIA insurance pool program. The CSAC-EIA insurance pool program consists of cities, counties, special districts, and other government entities in California who pool the administration of their benefit providers to achieve cost savings. Because of the large pool of participants, the CSAC-EIA program offers lower administrative fees to its pooled participants than what the Air District can achieve through direct contracts with insurers.

Members of CSAC-EIA include the Bay Area counties of Alameda, Contra Costa, Marin, Napa, Santa Clara, Solano, and Sonoma; and the Bay Area cities of Alameda, Berkeley, Burlingame, Concord, Daly City, Fairfield, Livermore, Los Altos, Mill Valley, Millbrae, Napa, Novato, Oakland, Pleasanton, Redwood City, Richmond, Santa Clara, Santa Rosa, South San Francisco, Sunnyvale, and Walnut Creek.

CSAC-EIA has determined that it is necessary for each member of the Authority to delegate to a person[s] or position[s] authority to act on the member's behalf in matters relating to the member and the Authority.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully Submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Rex Sanders
Reviewed by: Jack M. Colbourn

Attachment

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

RESOLUTION No. 2012-05

A Resolution of the Board of Directors Delegating Authority to the Executive Officer/APCO to Act on Behalf of the Board of Directors of the Bay Area Air Quality Management District

WHEREAS, the CSAC Excess Insurance Authority (Authority) has determined that it is necessary for each member of the Authority to delegate to a person[s] or position[s] authority to act on the member's behalf in matters relating to the member and the Authority; and

WHEREAS, except as to those actions that must be approved by the Board of Directors of the Bay Area Air Quality Management District, such delegation of authority is necessary in order to carry out the purposes and functions of the Authority with its members; and

WHEREAS, in order to ensure a person[s] or position[s] is delegated with authority to act on the member's behalf in matters relating to the member and the Authority, action by the member's governing body is necessary; and

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Bay Area Air Quality Management District, as follows:

Except as to actions that must be approved by the Board of Directors of the Bay Area Air Quality Management District, the Executive Officer/APCO is hereby appointed to act in all matters relating to the member and the Authority.

The foregoing resolution was duly and regularly introduced, passed and adopted at a regular meeting of the Board of Directors of the Bay Area Air Quality Management District on the Motion of Director _____, seconded by Director _____, on the ____ day of _____, 2012 by the following vote of the Board:

AYES:

NOES:

ABSENT:

John Gioia
Chairperson of the Board of Directors

ATTEST:

Nate Miley
Secretary of the Board of Directors

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson John Gioia and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: August 29, 2012

Re: Chevron Richmond Refinery Incident

RECOMMENDED ACTION:

None; receive and file.

BACKGROUND

On August 6, 2012 at approximately 6:15PM, a hydrocarbon leak caused a fire in the #4 Crude Unit at the Chevron Richmond Refinery. The fire resulted in a large plume of black smoke at the Crude Unit and continuous visible emissions from a nearby flare. The Contra Costa County Health Department issued a Level 3 community warning and ordered a shelter-in-place for Richmond, San Pablo and North Richmond. The shelter-in-place was lifted at approximately 11:30PM by the County.

District staff immediately responded to the incident, worked with the Incident Command center, transmitted information to District inspectors in the field, and provided air quality, meteorology and community complaint information to first responders. Inspectors worked with the county emergency responders to take several “grab” air samples in downwind areas which were analyzed by the Air District laboratory. On the night of the incident and in the days thereafter, District staff responded to print, television and radio media inquiries. The Air District issued an initial Notice of Violation to Chevron for public nuisance. Potential additional enforcement actions are pending the conclusion of the District’s investigation.

DISCUSSION

Staff will provide an overview of the Chevron incident and the District’s response to the incident, including enforcement, air monitoring and communications. Continuing actions will be reviewed, including root cause analysis, investigation of air quality violations, and actions required prior to start-up of the Crude Unit. Staff will also discuss options under evaluation by staff to upgrade the District’s response capabilities for incidents.

Representatives of two key partner agencies, the Contra Costa County Health Department and the National Chemical Safety Board, will provide an overview of their respective roles and actions in response to the incident.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Barbara Coler/Eric Stevenson/Lisa Fasano/Brian Bateman

Reviewed by: Jeff McKay/Jean Roggenkamp

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson John Gioia and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: August 30, 2012

Re: Bureau of State Audits Report on the Metropolitan Transportation Commission
Acquisition of 390 Main Street

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

The Bureau of State Audits conducted an audit of the use of toll funds to acquire 390 Main Street in San Francisco. The audit involved the Metropolitan Transportation Commission (MTC) and the Bay Area Air Quality Management District (Air District). On July 24, 2012, the Air District received the confidential redacted version of the report pertinent only to the Air District. The redacted report contained only factual statements, with no recommendations. The Air District had no substantive response on the redacted report. On August 28, 2012, the full report was released concluding that the use of toll funds “is likely legal.”

Air District staff will provide an overview of the results of the report.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeffrey McKay

Attachment

Metropolitan Transportation Commission

The Use of Toll Revenues to Purchase a New Headquarters Building Is Likely Legal, but the Transaction Exposes Toll Payers to Undisclosed Financial Risk

August 2012 Report 2011-127



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Elaine M. Howle
State Auditor
Doug Cordiner
Chief Deputy

CALIFORNIA STATE AUDITOR

Bureau of State Audits

555 Capitol Mall, Suite 300

Sacramento, CA 95814

916.445.0255

916.327.0019 fax

www.auditor.ca.gov

August 28, 2012

2011-127

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning the acquisition of a new headquarters building for the Metropolitan Transportation Commission (transportation commission) and the Bay Area Toll Authority (toll authority). The audit also examined the toll authority's administration of toll bridge revenues, particularly the use of toll revenues for acquiring the headquarters building.

This report concludes that the decision the board governing the toll authority made to use toll revenues to fund the acquisition of a new headquarters building likely was legally permissible. However, a court would ultimately decide the legality of the purchase. Further, during the decision-making process the transportation commission and the toll authority could have done more to clearly articulate to both their shared governing board and the public the financial risks associated with purchasing the building. Specifically, the transportation commission's presentation to the board in September 2011 stated that toll payers are protected because the cash flows from the building would repay contributed toll revenues. However, in its projection the transportation commission did not discount the value of future cash flows to today's dollars. We converted the cash-flow projection and determined that, in the most conservative combination of rental and occupancy rates, cash flows would fall short of repaying contributed toll revenues by \$30 million. We also noted that the financial risk of being unable to repay all of the toll revenues significantly increased in May 2012 when the Bay Area Headquarters Authority announced plans to convert 101,000 square feet of the building into an atrium and building support space that will reduce rentable space available to generate income. According to the current occupancy plan, unless the three most optimistic combinations of rental and occupancy rates are used, cash flows will fall short of repaying contributed toll revenues by a range of \$1.5 million to \$53.7 million over 30 years.

The transportation commission developed property search criteria and followed a reasonable process for evaluating potential properties, but at 350,000 square feet, the specified criteria for the overall building size was roughly twice the amount originally shared with its governing board. Moreover, it is not clear to us what the transportation commission's motivation was in setting the search criteria for the building's size—planning for growth or generating income. Notwithstanding the building's size, the governing board was well informed about the transaction and was responsive to public comment. Moreover, the Bay Area Air Quality Management District (air district) has signed a lease for space in the headquarters building with an option to buy. The transportation commission, toll authority, and the air district plan to move in to the headquarters building in fall 2013. Meanwhile, the transportation commission and the air district still need to resolve their options for disposing of their current headquarters buildings.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

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Summary

Results in Brief

In October 2011 the Bay Area Headquarters Authority (headquarters authority)—an entity created by the Metropolitan Transportation Commission (transportation commission) and the Bay Area Toll Authority (toll authority)—purchased a building located at 390 Main Street in downtown San Francisco, using revenues from seven state-owned toll bridges in the San Francisco Bay Area (Bay Area). The building purchase was the culmination of nearly two years of planning among the transportation commission, the toll authority, the Bay Area Air Quality Management District (air district), and the Association of Bay Area Governments (association) to colocate, and the site is intended to serve as their regional headquarters. The transportation commission and toll authority share the same governing board (board), which has authorized the toll authority to contribute more than \$167 million in toll revenues toward the estimated \$180 million cost to purchase, renovate, and prepare the building for occupancy by fall 2013.

The board's September 2011 decision to authorize the purchase of a new headquarters building has been controversial. At a board meeting in September 2011, members of the public questioned why public toll revenues were being used to purchase a building that is larger than the amount of office space the colocating agencies need, effectively causing the toll authority, using public toll revenues, to enter the real estate business and become a commercial landlord. Others have questioned whether it was even permissible for the toll authority to use toll revenues for this purpose.

Although a court would ultimately decide the legality of the purchase, our legal counsel advised that the board's decision to use toll revenues to acquire a new headquarters building likely was legally permissible. State law expressly authorizes the toll authority to pay its direct and administrative costs from gross annual bridge revenues and to contribute funding to the transportation commission. Therefore, our legal counsel advised that a court would likely conclude that costs to plan for, acquire, and develop facilities and office space for the toll authority and transportation commission and its staff are direct costs that can be paid from gross annual bridge revenues. Our legal counsel also advised that a court would likely conclude that the sole fact that the building exceeds the needs of the toll authority and transportation commission would not adversely affect that authority, because a court would defer to reasonable decisions made by the board, and our legal counsel believes a court would likely find that the board's decision was reasonable. Ultimately, we note that under state law, the toll

Audit Highlights . . .

Our audit of the Bay Area Headquarters Authority's acquisition of a new regional headquarters and the Bay Area Toll Authority's (toll authority) administration and use of toll bridge revenues, revealed the following:

- » *Using toll revenues to acquire a new headquarters building likely was legally permissible.*
- » *The Metropolitan Transportation Commission (transportation commission) and the toll authority could have done more to clearly articulate to both their board and the public the financial risks.*
 - *In today's dollars, the transportation commission's expected cash flows would fall short of repaying contributed toll revenues by roughly \$30 million.*
- » *The financial risk of repaying toll funds increased following plans in May 2012 to reduce the building's rentable space.*
- » *The transportation commission and the Bay Area Air Quality Management District (air district) had valid reasons for wanting to leave their current facilities.*
 - *The transportation commission stated that it wanted to ensure sufficient room for growth over the long term.*
 - *The air district faced spending between \$12 million and \$30 million to fix its aging building.*
- » *The specified criterion for overall building size, at 350,000 square feet, was roughly twice the amount originally shared with the board.*
 - *The transportation commission's space needs were based on anticipated future responsibilities the specifics of which are unknown.*

authority may do all that is necessary or convenient to exercise its powers, including, but not limited to, the acquisition, management, and operation of any public facility or improvements.

During the decision-making process, the transportation commission and the toll authority could have done more to clearly articulate to both their board and the public the financial risks associated with purchasing the building. The transportation commission's presentation to the board in September 2011 stated that toll payers were protected because the projected net income, or cash flows, from the building would offset contributed toll revenues. However, in its projection the transportation commission did not discount the value of the future cash flows from the rental income, thus preventing a comparison of the expected toll fund contributions to the building's expected income in today's dollars. We converted the transportation commission's cash-flow projection based on its September 2011 space plan to today's dollars and determined that, in the most conservative combination of rental and occupancy rates, cash flows would fall short of repaying contributed toll revenues by a total of roughly \$30 million. The income the building generates is largely dependent on the rental and occupancy rates that can be achieved. The future values of these rates are uncertain, and thus there is uncertainty as to whether and when toll revenues will be repaid.

We also note that the financial risk of being unable to repay all of the toll revenues significantly increased following the board's September 2011 decision to acquire the building. In May 2012 the headquarters authority announced plans to convert 101,000 square feet of space in the new headquarters into an atrium and building support space that will reduce the rentable space available to generate income. According to the current occupancy plan, unless the three most optimistic combinations of rental and occupancy rates are used, cash flows will fall short of repaying contributed toll revenues by a range of \$1.5 million to \$53.7 million over 30 years.

We found that the transportation commission and the air district had valid reasons for wanting to leave their current facilities. Both identified limitations with their current facilities, and both identified the potential benefits of easier cross-agency collaboration by sharing a new headquarters building. The transportation commission determined that it needed more space to accommodate its staff count as well as for conference rooms, storage space, and other support functions. The air district's justification for moving is largely based on the cost of improving its current headquarters. In recent years consultants have concluded that the air district faced spending between \$12 million and \$30 million to replace key components of its aging building. In January 2010 the

transportation commission, the air district, and the association began to explore the potential benefits of colocating into a single headquarters facility.

The transportation commission developed property search criteria and followed a reasonable process for evaluating potential properties based on these criteria. However, the specified criterion for overall building size, at 350,000 square feet, was roughly twice the amount originally shared with the board in November 2010. Moreover, it is not clear to us what the transportation commission's motivation was in setting this search criterion for the building's size. According to the transportation commission's executive director, he wanted to ensure that the new headquarters building has sufficient room for growth over the long term, and he also stated that income generation was not a factor when deciding on the amount of needed space. The transportation commission's chief financial officer further explained that the projected space needs were finalized in undocumented internal discussions about anticipated future projects that would affect the need for more work space. However, when asked about these projects, the chief financial officer explained it was a guess based on assumptions regarding the transportation commission's future responsibilities, the specifics of which are yet to be determined.

Once the search criteria were finalized, the transportation commission's broker solicited property proposals and made recommendations to the transportation commission regarding which proposals warranted further consideration. The transportation commission and its broker identified five finalist properties and ultimately selected the property at 390 Main Street in San Francisco, since the others had certain flaws and the 390 Main Street property had the lowest price per square foot. Since price per square foot was a key consideration in the selection process, we reviewed the five finalist property proposals and found that the price information submitted to the board for decision making was consistently developed by the transportation commission's broker.

Finally, the air district has signed a 30-year lease agreement with the headquarters authority to acquire approximately 62,500 square feet of work space in the new headquarters building. The lease agreement provides the air district with an opportunity to purchase its share of the building at any time over this 30-year period. The association and the San Francisco Bay Area Conservation and Development Commission have also demonstrated interest in relocating to the new building, having participated in space-planning meetings as recently as April 2012, but they have

not executed leases. In the summer of 2012, both the transportation commission and the air district plan to begin assessing their options for disposing of their current headquarters buildings.

Recommendation

If the Legislature believes state law provides the toll authority with too much discretion over its use of toll revenues, it should consider amending state law to more narrowly define how toll revenues that are not immediately needed for bridge maintenance or debt service may be spent or invested. For example, the Legislature might consider imposing specific limitations or prohibitions on the use of toll revenues to acquire real estate for administrative or investment purposes.

Agency Comments

The transportation commission agreed with certain conclusions in our report and disagreed with others, including the report's recommendations. Specifically, the transportation commission stated that it was pleased with the report's conclusion that a court would likely find its board's decision to purchase a new building with toll revenue was within its legal authority. The transportation commission was also pleased that our report found that its board was generally informed throughout the property search and selection process. However, the transportation commission disagreed with our report's net present value (NPV) analysis. In its view, the report's NPV analysis was incomplete because it did not include the building's residual value. Finally, the transportation commission expressed that it did not believe the recommendations to the Legislature were supported by the audit's findings.

The air district stated that it reviewed the portions of the report it was provided and did not have substantive comments.

Introduction

Background

In October 2011 the Bay Area Headquarters Authority (headquarters authority)—a joint powers authority created by the Metropolitan Transportation Commission (transportation commission) and the Bay Area Toll Authority (toll authority)—purchased a building with revenues from seven state-owned toll bridges in the San Francisco Bay Area (Bay Area). The building purchase was the culmination of nearly two years of planning among the transportation commission, the toll authority, the Bay Area Air Quality Management District (air district), and the Association of Bay Area Governments (association) to colocate, and the building is intended to serve as their regional headquarters. The transportation commission and toll authority share the same governing board (board), which has authorized the toll authority to contribute more than \$167 million in toll revenues toward the estimated \$180 million cost to purchase, renovate, and prepare the building for occupancy by fall 2013. Figure 1 on page 8 provides the timeline of significant decisions and events leading up to the purchase of the building, a property located at 390 Main Street in San Francisco.

The Transportation Commission's Role and Responsibilities

The transportation commission is the comprehensive transportation planning agency for the Bay Area. It is responsible for developing and updating the regional transportation plan, a comprehensive blueprint for mass transit, the state and federal highway systems, and the transbay bridges. In addition, the transportation commission is required to work collaboratively with other regional agencies on Bay Area land use, transportation, and air quality issues.¹ A 19-member board appointed by various state, local, and federal officials governs the transportation commission. At its headquarters in Oakland, California, an executive director, two deputy directors, a chief financial officer, and a general counsel make up the transportation commission's key executive management who carry out the day-to-day administration of the transportation commission and the management of its employees.

¹ The requirement for cross-agency collaboration is contained in California Government Code, sections 66536 through 66536.2, which establish the air district and the San Francisco Bay Conservation and Development Commission as members of the Joint Policy Committee that was previously established by the transportation commission and the association. The Joint Policy Committee is responsible for coordinating the development and drafting of major planning documents by its member agencies, such as regional plans for transportation, housing, and air quality.

The Toll Authority's Role and Responsibilities

The toll authority manages and administers toll revenues from seven state-owned toll bridges in the Bay Area; the text box lists these bridges. Although state law established the toll authority as a legal entity separate from the transportation commission, it also requires that the two be governed by the same board. Moreover, the toll authority is part of the transportation commission's operations and is administered by the transportation commission's key executive management.² During May 2012 the transportation commission and the toll authority collectively had approximately

177 authorized positions; however, according to the director of administrative and technology services, with interns and temporary staff, the head count exceeds 230. The toll authority is located with the transportation commission's offices in Oakland, California.

The San Francisco Bay Area's Seven State-Owned Toll Bridges

According to state law, the Bay Area Toll Authority uses toll revenue collected from the following state-owned bridges:

- Antioch Bridge
- Benicia-Martinez Bridge
- Carquinez Bridges
- Dumbarton Bridge
- Richmond–San Rafael Bridge
- San Mateo–Hayward Bridge
- San Francisco–Oakland Bay Bridge

Source: California Streets and Highways Code.

State law requires that tolls collected from state-owned bridges be used for specific purposes, such as to pay the costs for bridge construction, maintenance, and seismic retrofit projects. Furthermore, state law authorizes the toll authority to issue bonds—to be repaid with toll revenues—for these purposes. As noted in the transportation commission's financial statements, for the fiscal year ending June 30, 2011, the toll authority had approximately \$7.9 billion in revenue bonds outstanding and had collected more than \$597 million in bridge tolls.

The toll authority increased bridge toll rates effective July 1, 2010. The text box describes some of the purposes for which the toll authority may increase toll rates. The reasons the toll authority cited for the most recent toll rate increase were to cope with declining traffic volumes and higher-than-projected debt and operating costs. The toll authority did not cite its plans to fund the purchase of a new headquarters building as justification for its toll increase. In fact, the July 2010 increase was studied, proposed, and approved before October 2010, when a consultant to the transportation commission recommended that it colocate with other public agencies. Our review of the toll authority's accounting structure, and discussions with its deputy financial officer, indicate that toll revenues resulting from the 2010 increase are consolidated with other toll revenues.

² Throughout this report we use the term *transportation commission* to include both the transportation commission and the toll authority, unless otherwise specified.

As a result, our audit could not assess whether the toll revenues generated specifically from this increase were used to purchase the new headquarters building.

The Purpose of the Headquarters Authority

The headquarters authority is a joint powers authority created in September 2011 to plan, acquire, and develop office space for the transportation commission and the toll authority. State law expressly authorizes two or more public agencies to jointly exercise any power common to them by forming a joint powers authority. As a separate legal entity, the headquarters authority is authorized to enter into contracts, hire employees, incur debts, and sue and be sued in its own name.

Allowable Reasons for Increasing the Bridge Toll Rates

According to state law, the Bay Area Toll Authority may increase bridge toll rates to provide funding for reasons including:

- To plan, design, construct, operate, maintain, repair, replace, rehabilitate, and seismically retrofit the seven state-owned toll bridges.
- To meet the requirements of voter-approved regional measures.
- To meet obligations and covenants under any bond resolution or indenture for bonds it issued.

Source: California Streets and Highways Code.

In October 2011 the headquarters authority purchased a building located at 390 Main Street in San Francisco. According to the transportation commission's general counsel—who also serves as the headquarters authority's general counsel—a primary advantage to forming the headquarters authority is that it protects the assets and revenues of the transportation commission and the toll authority from building-related liabilities. In addition, the general counsel stated that the California Government Code includes well-developed and detailed operating rules for entities such as the headquarters authority. The code also includes helpful provisions regarding governance and auditing.

The Timeline Leading to the Purchase of a Regional Headquarters Building

The transportation commission, the air district, and the association spent nearly two years planning their colocation into a regional headquarters building. As was noted previously, the transportation commission must collaborate with other regional agencies, including the air district and the association. The air district serves as the Bay Area's regional air pollution control agency and is governed by a 22-member board of directors consisting of members appointed from each of the Bay Area counties. It is headquartered in San Francisco. The association is the regional planning agency that provides and coordinates programs to address the Bay Area's economic, social, and environmental challenges. It is currently located in Oakland in the same building as the transportation commission. In January 2010 the three agencies began to collectively explore their options for relocating together to a

new headquarters building. Figure 1 provides the timeline leading up to the purchase of the regional headquarters building and describes how the air district and association participated in the property search process.

Figure 1
Regional Headquarters Building Purchase Timeline

PHASE I

Strategizing and Planning

January 2010
The Metropolitan Transportation Commission (transportation commission), the Bay Area Air Quality Management District (air district), and the Association of Bay Area Governments (association) execute a cooperative agreement to investigate options for colocating in a regional government facility.

June 2010
The air district enters into an agreement with a commercial real estate firm to develop a real estate headquarters strategy that best aligns with the needs of the transportation commission, the air district, and the association.

October 2010
The real estate firm presents its findings in a strategic facility plan (plan) to a joint agency ad hoc committee; the real estate firm concludes that the transportation commission, the air district, and the association should consolidate into a single facility in either Oakland or San Francisco. The plan summarizes criteria the entities thought important in a headquarters building.

November 2010
The transportation commission's governing board votes unanimously to proceed with the next phase of the plan to identify specific properties in Oakland and San Francisco. Subject to the boards for the air district and the association also agreeing to proceed, the transportation commission is directed to issue a request for proposals for brokerage services.

PHASE II

Searching for Regional Headquarters Locations

February 2011
The transportation commission takes the lead in searching for new regional headquarters and enters into an agreement for real estate brokerage services.

March 2011
The real estate broker issues a request for proposals for properties that meet specified criteria.

April 2011
The real estate broker receives proposals for 12 potential properties and assesses each proposal based on the property criteria.

May 2011
• The real estate broker develops a short list of five properties and presents the list to each agency's governing board.
• The transportation commission's governing board votes to proceed with real estate negotiations with the owners of the five properties.

PHASE III

Purchasing a Regional Headquarters Building

- Outside counsel provides the transportation commission and the Bay Area Toll Authority (toll authority) with a legal opinion that a court would hold that using toll bridge revenues to purchase a building is permitted by California law.
- The governing board for the transportation commission votes to proceed with purchasing a building located at 390 Main Street, San Francisco.
- The governing board for the air district votes in favor of participating in the new regional headquarters, subject to certain terms, and instructs its staff to develop the necessary agreements.
- The association declines to support moving to San Francisco with the transportation commission so as to allow additional time for review.

July 2011
August 2011
After public opposition to the move from Oakland, the governing board for the transportation commission rescinds its vote to proceed with purchasing 390 Main Street and appoints an ad hoc committee to review the legal and financial issues related to the purchase.

September 2011
• The ad hoc committee completes its review and reports to the transportation commission's governing board that the process leading to the selection of 390 Main Street was fair, transparent, and proper.
• The governing board for the transportation commission votes to proceed with purchasing the building at 390 Main Street, San Francisco.
• The transportation commission and the toll authority form a joint powers authority—the Bay Area Headquarters Authority (headquarters authority)—to plan, acquire, and develop office space facilities.

October 2011
The headquarters authority purchases 390 Main Street, San Francisco, using toll bridge revenues from the toll authority.

May 2012
The headquarters authority announced plans to convert 101,000 square feet in the new building to an atrium and building support space, thereby reducing rentable space.

September 2012
The air district will award a contract to a real estate brokerage firm to assist it with the sale or lease of its current San Francisco headquarters building.

By Fall 2013
The transportation commission and the air district intend to move into the regional headquarters building.

PHASE IV

Rehabilitating and Moving Into the Regional Headquarters Building, and Planning for the Disposal of Current Headquarters Buildings

September Through December 2012
The headquarters authority will issue a request for proposals, which will include brokerage services for the sale or lease of the transportation commission's headquarters building in Oakland.

Sources: California State Auditor's analysis of documents the transportation commission and the air district provided.

Scope and Methodology

The Joint Legislative Audit Committee (audit committee) directed the California State Auditor to perform an audit of the headquarters authority's acquisition of new regional headquarters and the toll authority's administration of toll bridge revenues, particularly the use of toll revenues for acquiring the regional headquarters. The audit analysis the audit committee approved contained nine separate objectives. We list the objectives and the methods we used to address them in Table 1.

Table 1
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed relevant laws, regulations, and other background materials.
2 Review and assess the space needs assessment of the agencies involved to determine the extent to which the space in the new building meets or exceeds their respective space requirements. In addition: • Determine whether the Metropolitan Transportation Commission (transportation commission) and the Bay Area Toll Authority (toll authority) considered other alternatives to acquiring a new office building. • Review the transportation commission's and the Bay Area Air Quality Management District's (air district) justification for vacating their buildings and relocating to the new building. • Identify the plans for disposing of existing buildings owned by the agencies involved, including the transportation commission, the toll authority, and the air district.	• Interviewed key officials to determine the agencies' justification for vacating their current headquarters buildings, their anticipated growth projections, and their plans for disposing of those buildings. • Reviewed a consultant's report on the agencies' options for colocating, which summarizes the agencies' options for leasing space, purchasing property, and renovating their current buildings. • Reviewed the transportation commission's materials related to its analysis of the growth rate of its staff.
3 Identify the funding sources for the purchase of the new building.	• Interviewed key officials. • Reviewed the toll authority's accounting records to confirm the funding source for purchasing the regional headquarters building. • Reviewed the building purchase agreement.
4 Review and assess any transportation commission and toll authority policies, procedures, and internal controls to determine if there is adequate separation between the two to ensure that decisions regarding the use of toll revenue are in the best interest of the toll payers.	• Interviewed key officials. • Reviewed pertinent laws regarding the roles and responsibilities of the transportation commission and the toll authority, and laws regarding appropriate use of toll revenues. We also reviewed relevant legislative analyses concerning the separation of the transportation commission and the toll authority.

continued on next page...

AUDIT OBJECTIVE	METHOD
5 Determine the appropriateness of the use of toll bridge funds to acquire a headquarters building. Specifically: • Determine whether it is permissible to use toll revenues, including those from the 2010 increase, to acquire an office building. • Determine if there are any prohibitions against the toll authority using toll revenues to acquire a headquarters office building that exceeds its space needs to such an extent that there is room to lease space to other public entities.	• Reviewed relevant statutes regarding the authority of the transportation commission, the toll authority, and a joint powers authority. • Reviewed relevant court decisions and legal opinions.
6 Review and assess the cost-benefit analysis related to the acquisition of the new headquarters building to determine if it was reasonable, was supported, and considered alternatives to purchasing a building. Identify the financial risks, if any, that the transportation commission and the toll authority assumed by acquiring a new office building.	• Interviewed a key official to understand the process the transportation commission and its real estate broker followed to solicit and review properties. • Reviewed the proposals the transportation commission received related to potential properties and the summary materials the real estate broker prepared. • Reviewed board meeting agendas, minutes, and materials of the governing board for the transportation commission related to the property selection.
7 Examine the structure of the transaction to acquire the new building and determine if it has any unique features and whether the public interest is protected.	• Interviewed a key official. • Considered the transportation commission's financial model and its key assumptions about which entities would contribute funds to reimburse the toll authority. • Reviewed the opinions of the value of the property that the real estate broker, the independent consultant, and the property appraisers prepared. • Analyzed the net present value of the cash flows from the property the transportation commission assumed over a 30-year period.
8 Identify whether any of the proposed public agency tenants are taking an equity position in the building. If so, determine the source of revenue and if the tenants are paying for tenant improvements.	• Interviewed key officials. • Reviewed the minutes and related materials from meetings of the governing boards for the transportation commission and the air district and other related documents.
9 Review and assess any other issues that are significant to the acquisition of the new headquarters building.	We did not identify any other significant issues concerning the purchase of the building.

Sources: The California State Auditor's analysis of Joint Legislative Audit Committee audit request number 2011-127, and information and documentation identified in the table column titled *Method*.

Audit Results

The Bay Area Headquarters Authority's Use of Toll Revenues to Purchase a Regional Headquarters Building Likely Is Legally Permissible

In October 2011 the Bay Area Headquarters Authority (headquarters authority)—a joint powers authority created by the Metropolitan Transportation Commission (transportation commission) and the Bay Area Toll Authority (toll authority)—purchased a building, using \$93 million in toll bridge revenues. The building will serve as the regional headquarters for these and potentially other entities. Located at 390 Main Street in San Francisco, the building is more than 497,000 square feet and, at the time it was purchased, exceeded the combined space needs of the entities seeking to colocate—the transportation commission, the Bay Area Air Quality Management District, and the Association of Bay Area Governments—by more than 263,000 square feet.³ As a result, a significant portion of the building will be rented out. Appendix A details two potential occupancy plans for the regional headquarters building as of September 2011 and May 2012. A comparable version of each plan was presented at meetings of the respective governing board (board) for the transportation commission and the headquarters authority.

The toll authority's decision to contribute toll revenues to acquire a larger-than-necessary building has been controversial and was the subject of public debate at board meetings of the transportation commission and toll authority. At a board meeting less than one month before the building was acquired, members of the public as well as staff for certain members of the Legislature, questioned the appropriateness of using public funds to essentially enter the commercial real estate business. Legislative staff for various state senators urged the transportation commission and toll authority to await the completion of this audit before purchasing the building with toll bridge revenues.

Our review found that, if challenged, a court would likely find that the toll authority's decision to contribute toll bridge revenues to purchase 390 Main Street was within its legal authority. Our legal counsel has advised that state law expressly authorizes the toll authority to do all acts necessary or convenient for the exercise of its powers, including, but not limited to, acquiring, constructing, managing, maintaining, leasing, or operating any public facility or improvement. Similarly, state law authorizes the transportation

³ Throughout this report we use the term *transportation commission* to include both the transportation commission and the toll authority unless otherwise specified.

A court would defer to a determination by the board of the toll authority and the transportation commission that acquiring a headquarters building was both necessary and convenient to carry out their purposes as long as that determination was reasonable rather than “arbitrary, capricious, or lacking evidentiary support.”

commission to do any and all things necessary to carry out its statutory purposes. California Streets and Highways Code, Section 30958, expressly authorizes the toll authority to pay its direct and administrative costs from gross annual bridge revenues. In addition, Streets and Highways Code, Section 30959, authorizes the toll authority to contribute funding to the transportation commission in furtherance of the exercise of the toll authority’s powers, and on a reimbursement-for-cost basis for transportation commission activities that are not in furtherance of the exercise of the toll authority’s powers. Even though the phrases *gross annual bridge revenues* and *direct costs* are not expressly defined in state law, courts interpret statutes according to their plain meaning. Therefore, our legal counsel advised that it is likely that a court would conclude that costs to plan for, acquire, and develop facilities and office space for the toll authority and its staff are direct costs that may be paid from gross annual bridge revenues. We would also expect a court to conclude that the toll authority may contribute toll revenues to the transportation commission to acquire facilities and office space as authorized by Streets and Highways Code, Section 30959.

Further, our legal counsel advised that a court would likely hold that the fact that the acquired building exceeds the transportation commission’s and toll authority’s current space needs does not limit their board’s authority to use toll revenues for the purchase. According to our legal counsel, a court would defer to a determination by the board of the toll authority and the transportation commission that acquiring such a building was both necessary and convenient to carry out their purposes as long as that determination was reasonable rather than “arbitrary, capricious, or lacking evidentiary support.”

In May 2012, the California Legislative Counsel Bureau issued an opinion (legislative counsel opinion) that concluded that the toll authority could use toll revenues to purchase a building. The opinion also concluded, however, that a court could determine that using toll revenues to acquire the building exceeded the toll authority’s statutory powers because the facility substantially exceeds the administrative office needs of toll bridge project and program administration and the Legislature has not authorized the use of toll bridge revenues for the objective of creating a regional governance colocation facility. Before reaching this conclusion, however, the legislative counsel opinion noted that a court considering the issue would take into account all relevant facts regarding the purposes underlying the building purchase, and would give deference to reasonable determinations made by the headquarters authority regarding the purchase. Applying the standard of whether the decision the board governing the toll authority and transportation commission made to purchase

the building was reasonable rather than arbitrary, capricious, or lacking in evidentiary support, our legal counsel advised that after considering the facts a court would most likely defer to the determination by the toll authority's and the transportation commission's board that acquiring such a building was necessary and convenient to carry out its purposes because the determination was reasonable.

As described in other parts of this report, the toll authority and the transportation commission sought the advice of outside legal counsel and real estate consultants and evaluated against established criteria a variety of properties of different sizes in San Francisco and Oakland before deciding to purchase the building at 390 Main Street in San Francisco. Moreover, the financial model the toll authority and the transportation commission used to advise the governing board in September 2011 showed that, over 30 years, all revenues used to purchase and renovate the building would be recouped and the building would generate an additional \$40 million in revenue, all of which would be returned to the toll authority under the joint powers agreement. Based on these facts, our legal counsel advised that a court would likely hold that the board of the toll authority and the transportation commission made a reasonable determination that acquiring the building was necessary and convenient for carrying out their statutory purposes, and that it was permissible to use toll revenues to acquire the building even though the building exceeds the space needs of the toll authority and the transportation commission to such an extent that there is room to lease space to other entities.

Although our report concludes that it likely was legally permissible for the toll authority to use toll revenues to purchase a headquarters building, the lack of a clear distinction between the toll authority and the transportation commission may have caused some to question whether adequate separation between them existed during the process of deciding to purchase a new headquarters building. State law requires that the toll authority be a separate entity from the transportation commission but that both entities report to the same governing board. The law creating the toll authority was amended in 2003 (Senate Bill 916 (SB 916); Chapter 715, Statutes of 2003) and clarified that the toll authority and the transportation commission would report to the same board, but that the toll authority would be a separate entity. When the Legislature considered SB 916, committee analyses stated that the bill would establish the toll authority in its own right, with standard public agency powers and duties. Legislative analyses also stated the intent to move away from the toll authority, "existing as a form of the transportation commission with the same membership for the two bodies."

State law requires that the toll authority be a separate entity from the transportation commission but that both entities report to the same governing board.

The organizational structures of both entities are such that the toll authority's key management is not clearly distinct from the transportation commission's staff.

Despite the provisions of SB 916, it is clear that the toll authority is part of the transportation commission's business operations. During our review we noted that the organizational structures of both entities are such that the toll authority's key management is not clearly distinct from the transportation commission's staff. For example, both entities share the same chief executive officer, the same chief financial officer, and the same general counsel. Furthermore, the financial activities of the toll authority are blended with and are included in the transportation commission's audited financial statements. Nevertheless, the following controls are in place to help ensure adequate separation between the two entities regarding decisions about spending toll revenues: (1) state law defines the appropriate use of toll revenues and (2) the toll authority's governing board approves in a public forum the specific projects and activities that may be funded with toll revenues. In our opinion, these controls seem reasonable.

The Transportation Commission Could Have Disclosed More About the Financial Risk Associated With Purchasing a New Headquarters Building

When the board was deciding whether to purchase a headquarters building in San Francisco, a key selling point the transportation commission raised was that toll payers would be protected under the deal. Specifically, in August 2011, the transportation commission stated that using the toll authority's various cash reserves and contingency funds would allow it to "put a portion of these funds to work" and potentially cover its costs in return. In September 2011 the transportation commission provided its board and the public with a projection of revenues and expenses for the building over a 30-year period showing that contributed toll revenues would be fully repaid. In fact, the September 2011 slide presentation showed a "net after building investment"—or profit—of \$40 million.

However, our review and analysis of the transportation commission's 30-year projection showed that, when converted to today's dollars, the expected income will fall short of repaying contributed toll revenues by roughly \$30 million. The main cause of the difference is that the transportation commission's presentation to its board did not discount the income projections so as to express them in today's dollars, a concept that we discuss in more detail later. Our analysis also showed that under conditions more favorable than those the transportation commission assumed, such as higher rent per square foot and/or higher occupancy rates, toll payers might experience faster payback periods and larger returns on the contributed toll revenues. However, given the potential for not repaying toll payers as measured in today's dollars, we would have expected the transportation commission to disclose these

potential outcomes to the board and the public so that they could have been more informed about the risks before deciding to purchase the property.

Despite limitations in the transportation commission's presentation to its board, the financial model it developed to project revenues and expenses over a 30-year period is conservative when compared to information it obtained from its various advisers. As one might expect, the transportation commission's projection to repay contributed toll revenues is dependent on how much toll revenue is provided and how much rental income can be earned, given factors such as the expected market rent and level of occupancy. The text box shows key assumptions used in the transportation commission's 30-year financial model. In September 2011 the transportation commission assumed that the total cost to acquire and improve the new headquarters building would be \$180 million and the net toll revenue contribution would be \$122 million after other contributions were received, including those from the air district and the transportation commission. The projected net income of \$162 million over 30 years is based on market rent of \$32.40 per square foot—which increases by \$1 each year in the model—for an assumed 309,000 rentable square feet and an assumed occupancy rate of 70 percent.

**Bay Area Toll Authority's Estimated Net Income
From the Regional Headquarters Building
as of September 2011**

	DOLLARS IN MILLIONS
Purchase price and renovations	(\$180)
Bay Area Air Quality Management District contribution	24
Metropolitan Transportation Commission contribution	19
Commercial tenant improvement costs recouped from leases	15
Net Bay Area Toll Authority (toll authority) contribution	(\$122)*
Net income to the toll authority over 30 years	\$162
Profit to the toll authority	\$40
Commercial rental rate	\$32.40 per square foot
Occupancy rate	70 percent

Source: The toll authority's financial presentation to its governing board at a September 2011 meeting.

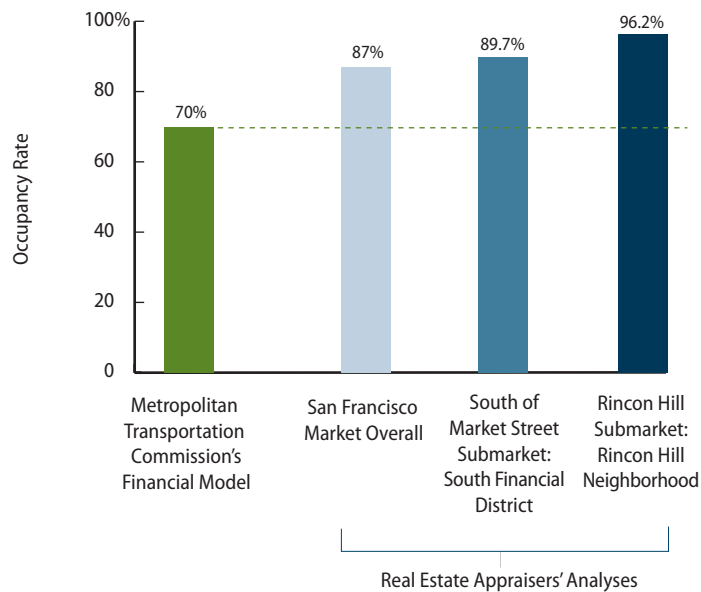
* Although the toll authority was authorized by its governing board to contribute roughly \$167 million in toll funds, this financial presentation reflects that only \$122 million would be needed after factoring in other estimated contributions.

We found that the transportation commission's rental rate and vacancy rate assumptions were on the conservative side for commercial office space in San Francisco. Specifically, we compared the initial rental rate of \$32.40 per square foot that the transportation commission used in its model to the projected rental rate information the transportation commission received from its real estate broker, consultant, and property appraisers. Each developed its own rental revenue projections for 390 Main Street, using annual lease rates of between \$31 and \$42 per square foot. The transportation commission's beginning rate of \$32.40 per square foot is on the lower end of this range. As shown in Figure 2 on the following page, the transportation commission's assumed occupancy rate of 70 percent is also much lower than the overall citywide occupancy rate and the occupancy rates in the areas surrounding the 390 Main Street property, per analyses performed by two independent appraisers.

The transportation commission's projection of future expenses also appears to be either consistent with or more conservative than information provided by its appraisers and investment consultant.

In its 30-year model, expenses averaged roughly \$9.7 million annually. This amount is higher than the expected \$4 million to \$7 million in expenses projected by its investment consultant and two of its appraisers. Finally, the transportation commission's expectation of the cost to improve the San Francisco property was more than the amounts shown by its investment consultant and two appraisers in their analyses.

Figure 2
Market Occupancy Rates for the Second Quarter of 2011 Compared With the Rate the Metropolitan Transportation Commission Used in Its Model



Sources: The Metropolitan Transportation Commission's independent property appraisals dated September 2011 and its financial model.

Using the transportation commission's 30-year financial model, we analyzed whether toll payers could expect to be fully repaid for their contribution of toll revenues. To perform such an analysis, we calculated the net present value (NPV) of the building's projected cash flows over a 30-year period. The NPV approach compares the amount of net income the building generates over time (cash inflow) to the amount of cash outflow—in this case, contributed toll revenues. To arrive at the cash inflow, we discounted the net income so as to convert the cash inflows to today's dollars to take into account a 30-year time span. To arrive at the cash outflow, we updated the transportation commission's financial model to reflect the building's actual purchase price of \$93 million and assumed that the costs to improve the building and the expected contributions from the air district and the transportation commission were

timely and accurate. As a result, the total amount to be repaid to the toll authority is approximately \$109 million, instead of the \$122 million shown in the text box on page 15.

A financial analysis such as an NPV calculation is a function of various assumptions. One key assumption is the interest rate used to account for the time value of money. In our NPV analysis, we used an interest rate of 4.3 percent. In fiscal year 2010–11, a significant source of the toll authority’s cash came from issuing bonds to be repaid with toll revenues (toll-revenue bonds). As of June 30, 2011, the toll authority had nearly \$7.9 billion in outstanding toll-revenue bonds and total assets of \$4.4 billion.⁴ We believe our decision to use 4.3 percent is reasonable because it approximates the toll authority’s cost of capital, based on information contained in its audited financial statements. In our opinion, applying the same interest rate benchmark in our NPV analysis as bondholders use when they loan money to the toll authority is an appropriate way to assess the likelihood of whether the public’s toll funds will be repaid.

In its financial model the transportation commission made two key assumptions that present risk. The first assumption—which we also used in our NPV analysis—is that the Bay Area Air Quality Management District (air district) would contribute \$24 million at the beginning of the project to purchase one floor of the new headquarters building. There is risk in this assumption because it is not certain if or when the air district will purchase the space. The agreement the air district and the headquarters authority executed in April 2012 is a 30-year lease with an option to buy at any time during the agreement. We discuss the air district’s plans in greater detail later in this report. The second assumption involving risk is that the transportation commission would contribute \$19 million in today’s dollars, based on its assignment of future rental income from leasing its current Oakland headquarters for roughly 30 years. Whether this is a reasonable assumption is uncertain; as we discuss later in the report, the transportation commission has yet to focus any significant effort on developing a disposition strategy for its Oakland headquarters. If either assumption proves to be wrong, it would affect the calculation of the toll authority’s net contribution and could extend the toll revenue payback period.

Finally, the transportation commission’s financial model focused on the net income from the building’s operations over 30 years. We intentionally focused our NPV calculation on assessing whether the present value of cash inflows generated from the building’s rental

⁴ The transportation commission’s and the toll authority’s financial statements show liabilities exceeding assets because the toll bridges are not an asset of either entity. Instead, the toll bridges are owned by the State.

Under the transportation commission's financial model and its conservative assumptions about rents and occupancy, the building will not generate adequate cash flows when converted to today's dollars to repay contributed toll revenues within a 30-year period.

income would be sufficient to repay the toll authority. Our focus on cash inflows to repay the toll authority is the same focus the transportation commission and headquarters authority, respectively, used in their September 2011 and May 2012 public presentations. However, we took the additional step of converting the projected cash flows from the new headquarters building to the equivalent in today's dollars to determine, where applicable, the number of years needed to repay the estimated net contributed toll revenues of \$109 million.

Table 2 provides a grid of different NPV results and the expected payback period using only cash flows from rental income. The table is based on the transportation commission's financial model as of September 2011 and our varying assumptions regarding rental and occupancy rates. Green values represent instances in which the NPV is positive—and thus cash flows converted to today's dollars will cover the contributed toll revenues in 30 years' time—whereas red values indicate conditions under which cash flows will not cover the contributed toll revenues. As the table demonstrates, the question of whether toll payers will be repaid depends, in part, on the occupancy and rental rates that can be attained. Under the transportation commission's financial model and conservative assumptions of an initial rental rate of \$32.40 per square foot and an occupancy rate of 70 percent, the building will not generate adequate cash flows when converted to today's dollars to repay contributed toll revenues within a 30-year period. In fact, those assumptions result in the cash flows from the building falling short by more than \$30.2 million. However, in many alternative scenarios with higher rental and/or occupancy rates, toll revenues will be repaid. Specifically, by charging a rental rate of \$38.40 per square foot and achieving an 80 percent occupancy rate, the toll authority would realize \$12.7 million in excess cash flows—discounted in today's dollars—allowing it to repay contributed toll revenues within 26 years. Similarly, if the headquarters authority were to achieve an occupancy rate of 85 percent at a starting rent of \$38.40 per square foot, the toll authority would earn \$23.5 million in excess cash flows over the 30-year period, and would repay contributed toll revenues within 24 years.

The transportation commission's ability to repay toll revenues stems in part from the fact that its September 2011 financial model earmarked a significant portion of the building's space—approximately 309,000 square feet—as producing income from market rents. Our review found that this amount of square footage seems reasonable because it materially reconciles with the square footage shown in Table A.1 in Appendix A for the entities projected to pay market rent and the space to be leased at market rents. This table is a schematic of how the transportation commission envisioned the building's occupancy plan as of September 2011. However, the table does not reflect rents to be paid, and it cannot be used to derive the amount of space designated for market

rents as used in the financial model. Moreover, the dollar amounts in Table 2 cannot be directly derived from the square footage in Table A.1 because of the assumptions and formulas applied in the transportation commission's financial model.

Finally, the amounts shown in Table 2 do not consider the potential value of the new headquarters building if it was sold. For example, the headquarters authority could sell the entire building, or a portion of the building, as a means to raise additional funds to potentially make up the shortfalls highlighted in Table 2. We chose not to consider such a sale in Table 2 because the transportation commission focused its analysis on cash flows from rental income and did not mention to its board any plans to sell the building in the future. Further, the amount of space that could be sold is highly uncertain, given the headquarters authority's drastic changes in May 2012 to the building's proposed layout, as discussed later in this section and shown in Table A.2 in Appendix A. Nevertheless, we acknowledge that the building is an asset that could be sold, if necessary, as a means to return additional funds to the toll authority.

Table 2
Net Present Value of Cash Flows From Rental Income and Resulting Payback Period With Varying Rental and Occupancy Rates Over a 30-Year Period With 309,000 Square Feet at Market Rent
(Dollars in Thousands)

ANNUAL OCCUPANCY RATE*	ANNUAL COMMERCIAL OFFICE RENT (PER SQUARE FOOT)†				
	\$32.40	\$35.40	\$38.40	\$41.40	\$44.40
70%	\$(30,288)	\$(19,561)	\$(8,834)	\$1,893 30 years	\$12,620 26 years
80	(11,285)	726 30 years	12,737 26 years	24,748 23 years	36,759 21 years
85	(1,784)	10,869 27 years	23,522 24 years	36,175 21 years	48,828 19 years
87	2,017 30 years	14,926 26 years	27,836 23 years	40,746 20 years	53,656 19 years

Source: California State Auditor's net present value analysis based on the Metropolitan Transportation Commission's (transportation commission) September 2011 cash-flow model for 390 Main Street located in San Francisco.

Note: We applied the following definitions to the table:

Net present value: Using the rental and occupancy rates indicated for each box, the amount of net cash flows generated over 30 years by the regional headquarters building, discounted at a rate of 4.3 percent to account for the time value of money.

Red values: Rental and occupancy rates for which the net present value of the cash flows from the regional headquarters building will not repay the Bay Area Toll Authority's (toll authority) expected contribution of \$109 million within 30 years.

Green values: Rental and occupancy rates for which the net present value of the cash flows from the regional headquarters building will repay the toll authority's contribution. The payback period in terms of years is also noted.

Payback: The number of years, based on the net present value of the cash flows, needed to repay the toll authority's expected contribution of \$109 million.

* We varied the annual occupancy rate between the transportation commission's 70 percent and the 87 percent occupancy rate for the San Francisco market overall as shown in Figure 2 on page 16. The occupancy rate does not pertain to the building as a whole, but rather to a certain amount of space designated to generate market rent.

† The rental rates shown are the beginning values used in the transportation commission's financial model. The model increases these rates by \$1 per year over 30 years.

The chief financial officer's NPV calculation shows that the cash flow over a 30-year period, converted to today's dollars, would be \$29 million short of repaying contributed toll revenues.

Given the potential that the building's cash flows as measured in today's dollars might not cover contributed toll revenues, we would have expected the transportation commission to have provided the board and the public with information similar to the data shown in Table 2. During our review of the transportation commission's financial model, we noted that its chief financial officer calculated his own NPV amount but did not share the results with the board. The chief financial officer's NPV calculation used a 3 percent discount rate to determine that the building's future income was worth \$93 million in today's dollars. When compared to the \$122 million in expected net toll fund contributions to purchase and improve the building—as shown in the text box on page 15—the chief financial officer's NPV calculation shows that the cash flow over a 30-year period, converted to today's dollars, would be \$29 million short of repaying contributed toll revenues.

When asked why he chose not to share his NPV analysis with the board to demonstrate the range of possible outcomes from purchasing the building and renting available space, the chief financial officer indicated that he did not believe it was necessary or appropriate to share this information with the board because an NPV analysis would assume a return on investment, whereas he wanted the board to focus on the building's value in terms of price per square foot and its value to the transportation commission and the other agencies. The chief financial officer further stated that the transportation commission's model was intended to demonstrate that the toll authority could afford the building and that its purchase would not result in a loss but rather an economic net zero to the transportation commission over the course of 30 years. However, we believe the transportation commission's claim that expected rental income will cover the contributed toll funds is based on an incomplete analysis that should have discounted the building's future cash flows, since the value of those amounts are worth less in today's dollars.

Finally, according to the chief financial officer, presenting the purchase in terms of profit and loss would require many projections and would represent a commitment to a certain return, when that was not the purpose of the project. The toll authority, according to the chief financial officer, considered the acquisition an investment in the organization and region. He asserted that by purchasing a building large enough to house all of the regional agencies, the toll authority would create an investment in regional planning and coordination as well as a direct investment in the future of the transportation commission and the toll authority, in much the same way that one would invest in a house without expecting a return.

Recent plans the headquarters authority made public suggest a further increase in the risk, beyond what is shown in Table 2, that toll revenues will not be repaid with cash flows from the building's

rental income over 30 years. In May 2012 the headquarters authority held a public meeting at which it presented a revised occupancy plan for its new headquarters building. In the revised plan, shown in Table A.2 in Appendix A, the headquarters authority converts roughly 101,000 square feet of building space to an atrium and to building support space, such as closets for electrical and telephone equipment. To determine the effect of this proposed reduction in rentable space on the ability to pay back the contributed toll revenues, we obtained the transportation commission's revised financial model and updated our NPV analysis of the building's cash flows and our calculation of the payback periods. Table 3 shows the results of our analysis.

Table 3

Net Present Value of Cash Flows From Rental Income and Resulting Payback Period With Varying Rental and Occupancy Rates Over a 30-Year Period With 241,000 Square Feet at Market Rent (Dollars in Thousands)

ANNUAL OCCUPANCY RATE*	ANNUAL COMMERCIAL OFFICE RENT (PER SQUARE FOOT) †				
	\$32.40	\$35.40	\$38.40	\$41.40	\$44.40
70%	\$(53,699)	\$(45,262)	\$(36,826)	\$(28,390)	\$(19,953)
80	(39,128)	(29,710)	(20,292)	(10,874)	(1,455)
85	(31,843)	(21,934)	(12,025)	(2,116)	7,794 28 years
87	(28,929)	(18,823)	(8,718)	1,388 30 years	11,493 27 years

Source: California State Auditor's net present value analysis based on a revised 390 Main Street, San Francisco, cash-flow model as reported by the Bay Area Headquarters Authority on May 23, 2012.

Note: We applied the following definitions to the table:

Net present value: Using the rental and occupancy rates indicated for each box, the amount of net cash flows generated over 30 years by the regional headquarters building, discounted at a rate of 4.3 percent to account for the time value of money.

Red values: Rental and occupancy rates for which the net present value of the cash flows from the regional headquarters building will not repay the Bay Area Toll Authority's (toll authority) expected contribution of \$112 million within 30 years.

Green values: Rental and occupancy rates for which the net present value of the cash flows from the regional headquarters building will repay the toll authority's contribution within 30 years. The payback period in terms of years is also noted.

Payback: The number of years, based on the net present value of the cash flows, needed to repay the toll authority's expected contribution of \$112 million.

* We varied the annual occupancy rate between the Metropolitan Transportation Commission's (transportation commission) 70 percent and the 87 percent occupancy rate for the San Francisco market overall as shown in Figure 2 on page 16. The occupancy rate does not pertain to the building as a whole, but rather to a certain amount of space designated to generate market rent.

† The rental rates shown are the beginning values used in the transportation commission's financial model. The model increases these rates by \$1 per year over 30 years.

The revised financial model reflects that the toll authority's expected contribution would increase from \$109 million to \$112 million. The \$3 million increase is a result of less space in the building generating rental income and thus, less income

available to pay for certain expenses. The assumed amount of space earmarked for market rent in the revised financial model is roughly 241,000 square feet. This amount seems reasonable because it materially reconciles with the square footage shown in Table A.2 for entities projected to pay market rent and the spaces to be leased at market rents. However, Table A.2 alone cannot be used to derive the market rent square footage or the amounts presented in Table 3. As can be seen in Table 3, many of the scenarios now project that after converting cash flows over 30 years to today's dollars, the building's rental income will not cover contributed toll revenues. Similar to our comments regarding Table 2, our NPV analysis did not consider the value of the building if sold as a means to ensure that contributed toll revenues are ultimately repaid.

The Transportation Commission and the Air District Faced Challenges With Their Current Headquarters Facilities, Which Led Them to Explore Opportunities to Share a Common Building

The transportation commission's challenge with its current space was that it did not provide room for additional growth.

Although both the transportation commission and the air district acted on the advice of the consultant they jointly hired in June 2010, both had also previously evaluated their separate needs to varying degrees. The transportation commission's challenge with its current space was that it did not provide room for additional growth. In fact, the transportation commission began developing strategies for securing additional space as early as February 2001, when it hired an architect to, among other things, develop a five-year office space plan. To accommodate growth through 2005, and to allow for a less compressed work environment, the architect determined that the transportation commission needed a building with roughly 68,000 square feet. In 2005 the transportation commission bought an ownership interest in the second floor of its Oakland building, which allowed an expansion so that it could house the staff in its satellite office in the Oakland building.⁵ More recently, the transportation commission obtained a space needs assessment in July 2011 from its real estate broker's subcontractor, who concluded that the transportation commission needed more than 69,000 square feet of space to accommodate its staff, interns, and temporary employees and to address its needs for additional conference rooms, storage space, and areas for other support functions. The transportation commission currently occupies approximately 48,000 square feet of work space, primarily on the second and third floors of its current headquarters building in Oakland, which does not include the space on the first floor for the public board meeting room, cafeteria, and library.

⁵ The transportation commission is a part owner of its Oakland headquarters building under a joint-ownership agreement it executed in 1984 with the Association of Bay Area Governments and the Bay Area Rapid Transit District.

The air district also began identifying its own needs prior to hiring a consultant jointly with the transportation commission. In October 2009 the air district's facility consultant issued its preliminary findings indicating that the air district's building in San Francisco required roughly \$12.8 million in maintenance and repairs. Key components of these estimated costs included \$2.5 million for a new heating and ventilation system and \$4.5 million for a fire sprinkler system. According to the facility consultant, the approximately 84,500-square-foot building actually consists of two structures with an adjoining structural wall, and the building's structural challenges were exacerbated by the gradual addition of walls and partitions over time, resulting in many mazelike and dark areas.

Observing that the air district had been working with a facility consultant, the transportation commission's executive director in September 2009 informed the board that the transportation commission would work with the air district to assess the option of colocating. The executive director saw this assessment as an opportunity to begin a process of analyzing and developing options to meet the transportation commission's future growth needs, since no more space was available in the Oakland headquarters unless other entities vacated. As a result, in January 2010, the transportation commission entered into a cooperative agreement with the air district and the Association of Bay Area Governments (association) to collectively investigate their options for colocating in a regional facility, with the air district serving as the lead agency. In late June 2010 the air district entered into a contract with a real estate broker to explore alternative headquarters solutions and develop a real estate strategy that best aligned with the business and financial objectives of the air district, the transportation commission, and the association.

The real estate broker issued the results of its review in October 2010. In its report, the broker found that the transportation commission's building in Oakland would require minimal renovations; however, it found that the building lacked space for growth. The broker's review of the air district's building found problems similar to those the facility consultant had identified. In particular, the real estate broker estimated that the air district faced more than \$30 million in renovation and other costs over the next 10 years should it remain in its San Francisco building. According to the broker, the cost to renovate the building would be equivalent to buying a newer facility in move-in condition. Overall, the real estate broker recommended that the transportation commission, air district, and association consolidate into a single building, and that either San Francisco or Oakland was an appropriate location

Consolidated Space Requirements as Presented to the Metropolitan Transportation Commission's Board

- 150,000 to 200,000 square feet, contiguous space
- Public meeting space
- Proximity to Bay Area Rapid Transit and other transit for employees, board members, and the public
- Energy-efficient building—Leadership in Energy and Environmental Design certified
- Seismically retrofitted building
- Availability of parking for agency fleet cars, board meetings, and employees
- Secured server room capacity for an Advanced Toll Collection and Accounting System computer system
- Emergency operations center capacity
- Purchase option preferred

Source: Metropolitan Transportation Commission's board presentation dated November 17, 2010.

for consolidation. The text box lists the consolidated space requirements as presented to the transportation commission's board, some of which became criteria for selecting a headquarters building.

Although the Transportation Commission's Reasons for Needing a Building of at Least 350,000 Square Feet Are Unclear, It Followed a Reasonable Process to Evaluate Properties Against Its Search Criteria

The transportation commission's executive management finalized the property search criteria following the board's vote to approve a search for potential locations for a joint headquarters facility. The property criteria included space requirements that the building be at least 350,000 square feet, of which 150,000 to 200,000 square feet must be contiguous to accommodate the needs of public agencies. This contiguous space requirement is consistent with the results of the broker's November 2010 presentation to the board regarding the space needs of the transportation commission, toll authority, association, and air

district. However, the specified overall building size was roughly twice the amount shared with the board in November 2010. When we asked the transportation commission's executive director why he approved the 350,000-square-foot space requirement in the request for proposals (RFP), he stated that he wanted to ensure that the new headquarters building would have sufficient room for growth over the long term—20 years or more—and that income generation did not factor into the determination of needed space at the time. However, the executive director stated that income generation was considered when evaluating the final real estate options and determining which option made the most economic sense. According to the executive director, the transportation commission did not have to consider economics but did so to provide an added benefit, a means of returning capital to the toll authority.

Given these statements, it is not clear to us what the transportation commission's motivation was—growth or income—in setting the criteria for the building's size. The chief financial officer explained that the transportation commission's projected space needs were finalized by its executive management in undocumented internal discussions about projects that would affect the need for additional work space. When asked about these anticipated projects and how they informed the transportation commission's

expectations regarding its future space needs, the chief financial officer acknowledged that there is no evidence or documentation to substantiate the amount of space the transportation commission reserved in the new building. Rather, according to the chief financial officer, the transportation commission's space estimates were based on management's best guess of its future responsibilities, the specifics of which have not yet been determined. In an undated slide presentation the chief financial officer provided to us, the project's goal was stated as being to obtain a building that the transportation commission can grow into while maximizing protection of the toll fund investment. The presentation focused on strategies to minimize investment risk—such as following a competitive procurement process—and to maximize the protection of the toll investment through the formation of the headquarters authority. The chief financial officer's presentation also stated that the process was designed to ensure that the toll authority gets its money back and has the opportunity to earn a return on its investment.

Ultimately, the transportation commission's executive director explained, the need to accommodate future growth was the key motivation for moving. He indicated that the toll authority and transportation commission have more than doubled in size in the past 20 years and have outgrown the current facility. According to the executive director, given this history, purchasing a building with only 150,000 to 200,000 square feet today would in short order leave the colocating agencies in the identical position that they are in today. The executive director further explained that prudence dictated considering a larger space, the need for which can be attributed to his agency's strong performance. In the simplest terms, according to the executive director, when you are good at something you get more work, and it would not be prudent to believe that the trend of being given additional responsibilities by the Legislature would stop as of 2011. In setting the building's size, the executive director explained that he wanted to include a margin of safety for unknowns and room to accommodate the colocating agencies' future growth needs.

However, despite the executive director's assertions about the need to accommodate anticipated growth, we question his explanation, given that his staff have been unable to provide specifics on their increased responsibilities and how such responsibilities could reasonably translate into the possibility that public agencies will eventually displace non-public agency tenants in the new building. Further, we note that the financial model for the building that his staff developed in September 2011—the same financial model used to tell the board and public that toll funds would be repaid—does not show the transportation commission occupying progressively more space over the 30-year period.

Despite the executive director's assertions about the need to accommodate anticipated growth, we question his explanation, given that his staff have been unable to provide specifics on their increased responsibilities.

In March 2011 the transportation commission's broker began soliciting proposals, using the search criteria that had been established, and in May 2011 it presented its recommendations for five finalist properties. Our review of the broker and transportation commission's evaluation of the five finalist properties found that the process followed was reasonable, notwithstanding how the criteria for the building's size was established. For example, we determined that the real estate broker consistently evaluated the five properties against the established criteria. In addition, the real estate broker's method for deriving a price per square foot was reasonably consistent for each of the five finalists. The real estate broker generally derived the price per square foot based on the purchase price each seller offered and the broker's estimates of additional costs, such as the cost to renovate the space for public agencies and to lease excess space to third parties. The broker's estimates of the total occupancy cost and corresponding price per square foot are reflected in Table 4.

Table 4
Summary of the Cost and Price per Square Foot of Five Proposed Regional Headquarters

FACTORS USED IN COMPUTING PRICE PER SQUARE FOOT	PROPERTY ADDRESS				
	390 MAIN STREET, SAN FRANCISCO	875 STEVENSON STREET, SAN FRANCISCO	1945 BROADWAY, OAKLAND	1221 BROADWAY, OAKLAND	1100 BROADWAY, OAKLAND
Total cost to occupy property*	\$148,332,669	\$105,470,686	\$113,305,535	Not provided/unknown†	\$164,177,401
Total rentable square footage	497,204	334,122	360,440	504,855	318,397
Price per square foot‡	\$298	\$316	\$314	Not provided/unknown†	\$516

Sources: Initial and revised proposals submitted in response to the real estate broker's request for proposals (RFP) and the real estate broker's financial analysis of each property.

* The real estate broker used the purchase price offered by the property owner, along with other costs associated with renovating the property and leasing excess space, to determine the total cost to occupy the property.

† Not provided: This property proposal did not contain the information specified in the RFP. As a result, the real estate broker could not fully evaluate the property.

‡ The price per square foot is the total cost to occupy the property divided by total rentable square feet.

According to the transportation commission's chief financial officer, price per square foot was a key measure the real estate broker and the transportation commission used to compare the five properties. Appendix B lists the criteria the real estate broker used to evaluate the five finalists and shows how each property compared to those criteria. Through their analysis, the real estate broker and the transportation commission identified issues with four of the proposed properties that eliminated those properties from further consideration. Two properties were eliminated based on their size and cost. Specifically, the transportation commission and its broker determined that there would not be enough space in the building at 875 Stevenson Street, San Francisco, to lease at market rates

in order to subsidize the building's costs. Similarly, an analysis of the 1100 Broadway, Oakland, property revealed that its size and the costs to construct the building might exceed what could be recouped through market-rate leases. In addition, the proposal for 1100 Broadway stated that delivery of the building would take place in 30 months, which exceeded the 24-month time-to-occupy requirement specified in the RFP. The third property, 1945 Broadway, Oakland, was also eliminated because of concerns with the time frame within which the space would be available. The property required extensive renovation, and the real estate broker indicated that it would not be ready to occupy within the required 24-month time frame. Finally, the building at 1221 Broadway, Oakland, was eliminated because the owners were offering only a long-term lease and did not want to sell the property.

The Transportation Commission's Board Was Generally Informed Throughout the Property Selection Process

Although it should have disclosed more about the financial risks of purchasing the building and should have had better evidence to substantiate its space needs, the transportation commission provided its board with materials that informed the board's decision to select the new headquarters building. For example, at the November 2010 board meeting, the transportation commission described the process it planned to follow, which included hiring a real estate broker, issuing an RFP, and presenting the results of this work to the board the following spring. However, as noted on page 24, the board was unaware that the search would focus on buildings with at least 350,000 square feet.

The transportation commission's broker received proposals for 12 properties and determined that five substantially met the search criteria. In a May 2011 meeting, the transportation commission's broker provided a presentation to the board in closed session, discussing the findings and recommendations for properties warranting further consideration. Following this presentation, the board voted unanimously to authorize staff to proceed with real estate negotiations for five properties. After identifying flaws with four of the properties, the transportation commission's executive director recommended to the board that 390 Main Street be purchased. At the July 2011 board meeting, during a closed session, the transportation commission presented the board with a number of key items for the one remaining property—390 Main Street—including the costs to renovate the property, the anticipated source of funds, and the potential income the property might generate. Finally, in a September 2011 public presentation to the board, the transportation commission informed board members that the toll authority's anticipated net contribution of \$122 million to

purchase the building at 390 Main Street would be repaid with \$162 million over 30 years, based on the anticipated net income generated from leasing the excess space. From materials presented to the board between May and September 2011, it is clear that the board was aware that the 390 Main Street building exceeded the transportation commission's current space needs and represented a purchase that offered both the flexibility to accommodate future growth and the potential to generate sufficient rental income to fully repay contributed toll revenues. Following comments from the public and the board questioning the size and location of the new headquarters building, the board voted in September 2011 to proceed with acquiring 390 Main Street.

The Transportation Commission and Its Board Were Responsive to Public Criticism About Plans for Regional Headquarters in San Francisco

The transportation commission and its board afforded the public an opportunity to comment on the acquisition of a regional headquarters building located in San Francisco and took steps to respond to the comments. In August 2011 the transportation commission's board held a meeting in response to a letter from the city of Oakland alleging an open-meeting violation that occurred at the July 2011 meeting when the board voted in closed session to open escrow to purchase 390 Main Street. Board minutes for the August 2011 meeting indicate that numerous individuals, including staff representing members of the Legislature and the city of Oakland, expressed concerns about the board's previous decision to move to San Francisco. The comments generally expressed support for a proposal to construct a new building in Oakland but also raised concerns regarding transit accessibility at the San Francisco building and the transportation commission's authority to enter into the real estate business. In reaction to the public's concerns, the board voted to rescind the action it took in July approving opening escrow to purchase the regional headquarters building. The board also created an ad hoc committee to study the legal and financial issues surrounding the regional headquarters selection process and directed it to report back with a recommendation for action by mid-October 2011.

In reaction to the public's concerns, the board voted to rescind the action it took in July 2011 approving opening escrow to purchase the regional headquarters.

The ad hoc committee—made up of the board's chair and vice chair and four other board members—met at least twice with the transportation commission's staff to review the due diligence material that was developed supporting the decision to purchase 390 Main Street. In particular, the ad hoc committee reviewed the process for soliciting property proposals, considered a legal opinion sought from outside counsel that concluded that using toll revenues to purchase the building would be permitted under

California law, and was briefed on the total budget for the targeted property and the building's expected net operating income over a 30-year period, based on the transportation commission's financial model, discussed previously. The ad hoc committee was also provided with two independent appraisals of 390 Main Street, showing "as-is" purchase values of \$80 million and \$111 million.

The ad hoc committee members also reviewed a comparison of the total cost of acquiring and improving 390 Main Street versus an alternative property in Oakland at 1100 Broadway. The ad hoc committee considered the fact that the property owners for 1100 Broadway had reduced the price from the initial proposed price of \$152.6 million to \$118.6 million to build a 20-story building with 318,400 rentable square feet. Most of this reduction, roughly \$24.6 million, was based on the assumption that the transportation commission and toll authority would finance the developer's construction of the building. However, the transportation commission's chief financial officer indicated that the transportation commission would not have financed the construction of 1100 Broadway because the additional financial risk of doing so was not warranted, given that it had readily available properties that it had previously determined to be of better value. The price per square foot based on the reduced price amounted to roughly \$373, according to the property's owner, and did not include other expected costs such as tenant improvements as calculated by the real estate broker and reflected in Table 4 on page 26.⁶

In contrast to 1100 Broadway, the ad hoc committee saw that the total cost to acquire 390 Main Street—including the purchase price and building and tenant improvements—was roughly \$180 million. With the seller of 390 Main Street indicating that the building had 497,000 rentable square feet, the total cost to acquire 390 Main Street was \$362 per square foot, or \$11 less per square foot than 1100 Broadway's revised purchase price of \$373 per square foot, which excluded needed improvements. Ultimately, the transportation commission showed the ad hoc committee that when needed improvements and financing were factored in, the total cost of 1100 Broadway would likely be \$562 per square foot.

In September 2011 the ad hoc committee reported to the board that the real estate search process was thorough, fair, and transparent to all bidders, and resulted properly in the recommendation to purchase the property located at 390 Main Street. The ad hoc committee recommended that the board authorize the purchase of the San Francisco property, which it did later that month.

The ad hoc committee reported to the board that the real estate search process was thorough, fair, and transparent to all bidders, and resulted properly in the recommendation to purchase the 390 Main Street property.

⁶ The developer's proposal for 1100 Broadway specified that it would deliver the building in a core and shell condition, indicating that the build-out of tenant improvements was not included.

Lease Terms From the Agreement Between the Bay Area Air Quality Management District and the Bay Area Headquarters Authority for Office Space

The agreement provides for a 30-year lease for office space. The terms include:

- The Bay Area Air Quality Management District (air district) will obtain 62,500 square feet of office and laboratory space.
- The air district will pay a base rental rate of \$1.9 million annually for the first 10 years; the base rent will be adjusted beginning in year 11 based on 90 percent of the current market rate. Annual rent will then be adjusted every five years thereafter.
- The air district will pay additional rent based on the proportionate share of the common area and joint space amenities, including meeting rooms and a library.
- The Bay Area Headquarters Authority will pay utility costs and provide the tenant improvements, including office furniture.

Source: 390 Main Street Office Lease, Bay Area Headquarters Authority as Landlord, and Bay Area Air Quality Management District as Tenant, effective April 19, 2012.

The Headquarters Authority Has Confirmed the Air District as a Tenant and Has Had Discussions With Two Other Agencies

In April 2012 the headquarters authority executed a lease agreement with the air district for office space at 390 Main Street. The text box summarizes only the lease terms of that agreement. Moreover, the air district has expressed its intention to purchase the space it will occupy in the regional headquarters, and the lease terms account for this possible purchase. The lease agreement includes an option for the air district to purchase its space at any time during its 30-year lease, but if it purchases the space within 10 years of occupancy it will be guaranteed a fixed price not to exceed \$385 per square foot, or roughly \$24 million. During its November 2011 board meeting, the air district's executive management expressed an interest in issuing bonds to finance its office space purchase, indicating that the toll authority would buy these bonds. The transportation commission's chief financial officer stated that he is aware of the air district's financing plans, but the toll authority's participation would depend on the final structure of the financing plan, including the interest rate and other factors. The air district's general counsel confirmed in April 2012 that the financing details are not final and there is

no date by which he expects that work to be complete.

In addition, two other public agencies appear interested in obtaining office space in 390 Main Street. Specifically, the headquarters authority is in discussions with representatives for the San Francisco Bay Area Conservation and Development Commission (BCDC) to lease approximately 17,000 square feet of office space.⁷ Further, according to counsel for the association, the association has approached the headquarters authority to discuss possibly relocating to 390 Main Street. In fact, both the BCDC and the association are currently participating in space-planning activities for 390 Main Street with the headquarters authority, meeting as recently as April 2012. According to a status report that the headquarters authority's deputy executive director provided the board in June 2012, the association will make its decision following a subcommittee report in September 2012. Finally, according to

⁷ Following the conclusion of our audit fieldwork the headquarter's authority informed its board in July 2012 that it was removing BCDC from its planning process since the governor's office denied BCDC's request to relocate.

the transportation commission's director of administration, the transportation commission is in active discussions with two of its customer service contractors about relocating their nearly 200 employees into approximately 62,300 square feet in the regional headquarters building sometime in 2013 and 2014.

The Transportation Commission and the Air District Have Yet to Decide What to Do With Their Existing Buildings

In the fall of 2013 the transportation commission intends to move to the regional headquarters building and vacate its current site in Oakland. Therefore, the transportation commission is faced with a decision about whether to sell or lease the space it occupies in its current Oakland headquarters building. The transportation commission's options for selling or leasing its current space are influenced by ownership of that building. The transportation commission is a part owner of its Oakland headquarters under a joint-ownership agreement it executed in 1984 with the Bay Area Rapid Transit District (BART) and the association. The joint-ownership agreement specifies that BART and the association have the right of first refusal to buy the space the transportation commission owns. However, according to the chief financial officer, should BART and the association decline to exercise their right, the transportation commission will likely retain ownership and lease the space to a tenant. At the June 2012 headquarters authority board meeting, staff briefed the board that an RFP would be issued and would include optional services for assisting with disposing of the Oakland headquarters building. The headquarters authority expects to issue the RFP in September 2012 and to seek board approval in December 2012.

Like the transportation commission, the air district must make decisions about the building it currently owns and occupies in San Francisco. In April 2012 the air district issued an RFP for a commercial real estate brokerage firm to assist it in selling or leasing its San Francisco headquarters; the air district amended the RFP in May to reflect that it will award a contract in mid-September 2012. The amended RFP states that the air district expects to begin work with the real estate broker in the summer of 2012 and to complete work in about July 2013, to correspond with the planned move to the regional headquarters building. Although the analysis is almost two years old, in October 2010 the real estate broker guiding the transportation commission and air district through their regional headquarters planning process at that time concluded that, given the air district building's age and condition, the "as-is" sales price is estimated to be \$4 million. However, the current RFP states that the selected real estate broker will research the potential market, determine an appropriate sales price or rent, develop appropriate

The transportation commission is faced with a decision about whether to sell or lease the space it occupies in its current Oakland headquarters building.

disclosures, and develop and implement market strategies that will produce the highest and most certain financial return to the air district.

Recommendations

If the Legislature believes state law provides the toll authority with too much discretion over its use of toll revenues, it should consider amending state law to more narrowly define how toll revenues that are not immediately needed for bridge maintenance or debt service may be spent or invested. For example, the Legislature might consider imposing specific limitations or prohibitions on the use of toll revenues to acquire real estate for administrative or investment purposes.

If the Legislature desires greater separation between the transportation commission and the toll authority, it should consider amending state law to require that each entity have its own key executive management staff, such as its own chief executive officer, chief financial officer, and general counsel.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the scope section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: August 28, 2012

Staff: Grant Parks, Audit Principal
Sharon L. Fuller, CPA
Ralph M. Flynn, JD
Erin Satterwhite, MBA
Maya Wallace, MPPA

Legal Counsel: Scott A. Baxter, JD

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255

Appendix A

POTENTIAL OCCUPANCY PLANS FOR THE REGIONAL HEADQUARTERS

The Bay Area Headquarters Authority (headquarters authority)—an entity created by the Metropolitan Transportation Commission (transportation commission) and the Bay Area Toll Authority (toll authority)—purchased a property located at 390 Main Street in San Francisco. The building will serve as a headquarters for these and possibly other public entities. Table A.1 demonstrates, as of September 2011, the plan for the potential occupancy of the regional headquarters building; the transportation commission presented a comparable schematic to its board.

Table A.1
Potential Occupancy Plan for the Regional Headquarters Building as of September 2011

FLOOR	OCCUPANCY			RENTABLE SQUARE FEET (sq. ft.)
8	Metropolitan Transportation Commission (transportation commission) and Bay Area Toll Authority (toll authority)			62,500
7	Bay Area Air Quality Management District			62,500
6	Support space* 26,400 sq. ft.	Association of Bay Area Governments 17,000 sq. ft.	San Francisco Bay Conservation and Development Commission (BCDC) 19,000 sq. ft.‡	62,400
5	Transportation Commission and Toll Authority customer service (over time)†			62,300
4	Tenant to be determined	Tenant to be determined	Tenant to be determined	62,100
3	Tenant to be determined	Tenant to be determined	Tenant to be determined	62,000
2	Tenant to be determined	Tenant to be determined	Tenant to be determined	57,800
1	Lobby and Cafeteria 10,000 sq. ft.	Auditorium 26,700 sq. ft.	Air Lab 2,500 sq. ft. Garage 26,700 sq. ft.	65,900
Gross square feet				497,500 sq. ft. 100%
Space identified for the colocating agencies				197,600 sq. ft. 40%
Space identified for one public entity, certain customer service vendors,† and other tenants to be determined				263,200 sq. ft. 53%
Non-work space				36,700 sq. ft. 7%

Source: California State Auditor's (state auditor) analysis based on material presented to the governing board for the transportation commission and toll authority, September 28, 2011.

Note: To correct for minor math errors in the transportation commission's September 28, 2011, presentation, the state auditor adjusted certain square footage amounts. We also present colocating agency space versus other tenant space, excluding the lobby, cafeteria, and garage spaces from these amounts.

* According to the chief financial officer, the transportation commission and toll authority intend to allocate work space for administrative services, such as printing, information technology, graphics, purchasing, and receiving, which would potentially benefit multiple public agencies.

† The transportation commission and toll authority intend for vendors who provide customer support services, such as staffing for customer call centers, to occupy space in the building in the future, possibly in 2013 and 2014.

‡ Following the conclusion of our audit fieldwork the headquarter's authority informed its board in July 2012 that it was removing BCDC from its planning process since the governor's office denied BCDC's request to relocate.

Table A.1 is divided primarily between space for the colocating agencies and space available for other tenants. The colocating agency space identifies the space the transportation commission, the toll authority, the Bay Area Air Quality Management District (air district), and the Association of Bay Area Governments (association) might occupy, including shared space for agency support and an auditorium. The occupancy plan also reflects space for the San Francisco Bay Conservation and Development Commission (BCDC). However, we have not included BCDC as a colocating agency because it was not a formal part of the various phases that led up to the headquarters building purchase. Figure 1 on page 8 provides a timeline of these phases. Although the association and BCDC are currently participating in space-planning activities for the building, neither has executed a lease or purchase agreement to secure their space.⁸ As shown in Table A.1, the space designated for the colocating agencies accounts for nearly 198,000 square feet, with just over 263,000 planned for other tenants.

The headquarters authority made public a revised proposed occupancy plan for 390 Main Street on May 23, 2012, reflecting a substantially reduced amount of leasable floor space. As shown in Table A.2, the revised plan designates 101,000 square feet, or 20 percent of the building's gross square footage, for building core and support—representing a planned seven-story atrium and building support space such as electrical and telephone closets. This space is unleaseable. The May 2012 schematic provided far less detail than the September 2011 schematic concerning agency and tenant placement. However, the colocating agencies were designated a total of 187,000 square feet, including an air lab, an auditorium, a conference center, and a library—or roughly 10,600 square feet less than was designated in the September 2011 occupancy plan. Notes on the plan also indicate that space is designated for the association and the BCDC.

⁸ Following the conclusion of our audit fieldwork the headquarter's authority informed its board in July 2012 that it was removing BCDC from its planning process since the governor's office denied BCDC's request to relocate.

Table A.2
Proposed Occupancy Plan for the Regional Headquarters Building as of May 2012

FLOOR	BUILDING CORE SQUARE FEET (sq. ft.)	OCCUPANCY						RENTABLE SQUARE FEET (sq. ft.)
8	11,000	Agency space 53,000 sq. ft.						53,000
7	11,000	Agency space 53,000 sq. ft.						53,000
6	11,000	Agency space 53,000 sq. ft.						53,000
5	11,000	Tenant to be determined 53,000 sq. ft.						53,000
4	11,000	Tenant to be determined 17,000 sq. ft.		Tenant to be determined 36,000 sq. ft.				53,000
3	11,000	Tenant to be determined 44,000 sq. ft.					Boardroom/ auditorium 9,000 sq. ft.	48,500
2	11,000	Building support 6,000 sq. ft.	Parking and bike lockers 22,000 sq. ft.	Tenant to be determined 11,000 sq. ft.		Library showcase 5,000 sq. ft.		42,500
1	6,000	Building support 12,000 sq. ft.	Parking 18,000 sq. ft.	Air lab 5,000 sq. ft.	Tenant to be determined 12,000 sq. ft.	Lobby 2,000 sq. ft.	Conference center 9,000 sq. ft.	46,000

Gross square feet	503,000 sq. ft.	100%
Space identified for the colocating agencies	187,000 sq. ft.	37%
Space for tenants to be determined	173,000 sq. ft.	35%
Building core and support space	101,000 sq. ft.	20%
Non-work space	42,000 sq. ft.	8%

Source: California State Auditor's analysis based on material presented on May 23, 2012, to the governing board for the Bay Area Headquarters Authority.

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Appendix B

COMPARISON OF THE FIVE PROPOSED REGIONAL HEADQUARTERS PROPERTIES AGAINST VARIOUS CRITERIA

The Metropolitan Transportation Commission (transportation commission) and the Bay Area Air Quality Management District established requirements for their regional headquarters. The property criteria were reflected in the request for proposals the transportation commission's real estate broker issued in March 2011 to solicit potential properties. Table B on the following page summarizes the criteria and reflects whether each of the five proposed properties met the criteria, based on the information collected by the broker. These are the five short-list properties the transportation commission and its real estate broker initially determined were viable options.

Table B
Comparison of Five Proposed Regional Headquarters Properties to Various Criteria

	PROPERTY ADDRESS				
	390 MAIN STREET, SAN FRANCISCO	875 STEVENSON STREET, SAN FRANCISCO	1945 BROADWAY, OAKLAND	1221 BROADWAY, OAKLAND	1100 BROADWAY, OAKLAND
Property Criteria					
Project size (minimum 350,000 rentable square feet)	✓	✗	✓	✓	✗
Contiguous availability (150,000 to 200,000 usable square feet)	✓	✗	✓	✓	✓
Occupancy timing (available within 24 months)	✓	✓	✗	✓	✗
Located within city of Oakland or San Francisco	✓	✓	✓	✓	✓
Located within 0.5 mile of nearest Bay Area Rapid Transit Station and other forms of mass transit	✓	✓	✓	✓	✓
Public meeting space	✓	✓	✓	✓	✓
Code compliance: seismic*	✓	✓	✓	Not provided/ unknown [†]	✓
Code compliance: Americans with Disability Act*	✓	✓	✓	Not provided/ unknown [†]	✓
Code compliance: other* [‡]	✓	✓	✓	Not provided/ unknown [†]	✓
Leadership in Energy and Environmental Design certified or able to obtain certification	✓	✓	✓	✓	✓
Purchase option [§]	✓	✓	✓	✗	✓
Other Evaluation Criteria					
Parking available	✓	✓	✓	✗	✓
Ability to house small air-testing lab with dock/ delivery access	✓	✓	✓	Not provided/ unknown [†]	✓

Sources: Initial and revised proposals submitted in response to the real estate broker's request for proposals (RFP) and the real estate broker's financial analyses of each property.

✓ = The proposed regional headquarters property meets the criteria.

✗ = The proposed regional headquarters property does not meet the criteria.

* The RFP indicated that the property must meet or be able to meet seismic, Americans with Disabilities Act, and other code compliance requirements without extraordinary cost.

[†] Not provided: This property proposal did not contain the information specified in the RFP. As a result, the real estate broker could not fully evaluate the property.

[‡] The seller's proposal addressed other code compliance requirements applicable to the property, such as that the 875 Stevenson property is required to comply with hazardous materials codes.

[§] The RFP specified that each property must be available for immediate purchase or offered as a short-term lease with a fixed purchase option.

(Agency comments provided as text only.)

July 30, 2012

Metropolitan Transportation Commission/Bay Area Toll Authority
101 Eighth Street
Oakland, California 94607-4700

Ms. Elaine M. Howle*
California State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Re: Draft Audit Report 2011-127

Dear Ms. Howle:

Enclosed please find the Metropolitan Transportation Commission/Bay Area Toll Authority response to your draft audit report, sent to Steve Heminger by letter with enclosure, dated July 24, 2012.

Very truly yours,

(Signed by: Adrienne D. Weil)

Adrienne D. Weil
General Counsel

* California State Auditor's comments begin on page 43.

(Agency comments provided as text only.)

July 30, 2012

Metropolitan Transportation Commission/Bay Area Toll Authority
101 Eighth Street
Oakland, California 94607-4700

Ms. Elaine M. Howle
California State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

Thank you for the opportunity to review and comment on the draft report prepared by the Bureau of State Audits (BSA) regarding the acquisition of 390 Main Street in San Francisco as a headquarters facility to provide more integrated and efficient regional planning for the Bay Area. The Bay Area Toll Authority and Metropolitan Transportation Commission (BATA/MTC) appreciate your staff's extensive and thorough review of a long, complex and multifactored real estate process. We agree with the BSA on the importance of transparency, responsiveness and disclosure in conducting the public's business.

We are very pleased the BSA validated most of our work and found that a court "would likely find [BATA's] decision to contribute toll bridge revenues to purchase 390 Main Street was within its legal authority." We also appreciated your findings that our board was generally informed throughout the property selection process, and that we were responsive to public criticism when it surfaced.

- ① We respectfully disagree with the BSA's presentation and analysis of net present value. We note that we did not buy the building as an investment. We bought it as a long-term home to co-locate BATA/MTC and other related regional agencies. We therefore evaluated it as one would evaluate the purchase of a home:
- ② as the least cost per square foot option. The building has excess space to start, but we expect growth over the next thirty years. It would have been imprudent to buy a building without extra space. The reason for the nominal value analysis presented to our boards was not to show a return on investment, per se, but to show a mitigation in the cost of the extra space until it would ultimately be filled by agency operations.

- ③ We appreciate the BSA noting in its draft report that its present value analysis "does not consider the potential value of the new headquarters building if it was sold." We believe that your evaluation should have considered some residual value (whether of the building, the land underneath it, or both) to be a complete present value analysis. Had the BSA done so, all recovery scenarios except one would be positive. Although the BSA did not include any asset value, we note that the midpoint scenario in Table 3 (80% building occupancy with a rental rate of \$38.40/square foot) results in an 82% "return" to BATA plus ownership of the land and the building asset. Such a result is well within BATA's risk parameters.

- ④ Finally, we believe the two recommendations in the draft report are not supported by the findings of the audit which determined the transaction likely to be legal and that MTC and BATA have reasonable internal controls in place to protect the fiduciary interests of both bodies, even though they are served by a common staff and board. Clearly, it is a policy matter for the Legislature to consider whether any alterations to the BATA enabling statute are warranted by changing circumstances. We would emphasize, however, that

Ms. Elaine M. Howle
July 30, 2012
Page 2

the Legislature has one critical restriction placed on its ability to enact such changes: the statutory pledge, also included in BATA's bond indentures, not to impair BATA's contract with the bondholders while any bonds are outstanding (see Streets and Highways Code Section 30963). Any changes to BATA's authority over toll revenues cannot impair any of BATA's agreements with bondholders and with any parties to contracts made with BATA, until the principal and interest on all BATA bonds are fully paid and all contracts fully discharged.

We believe that BATA's current governance and administrative structure has served both the state and the region well. We are proud of our record of achieving one of the lowest overall costs of debt in the country and one of the highest credit ratings among transportation revenue bond issuers in the nation. Since BATA was established in 1998, we have overseen completion of the \$2.4 billion voter-approved Regional Measure (RM) 1 program, allocation of more than 80% of RM 2 funds out of a total amount of \$1.5 billion, and completion of the \$9.1 billion seismic retrofit program forecast for 2013 within the same budget approved by the Legislature in 2005, as amended by the addition of the Dumbarton and Antioch bridge projects in 2009. In total, BATA and its project partners have delivered nearly \$13 billion of transportation improvements to Bay Area toll payers in little over a decade.

In closing, I would like to acknowledge the enormous amount of time and resources both the BSA and BATA/MTC expended in the course of completing this audit. We greatly appreciate the professionalism and courtesy BSA management and staff accorded us, and hope they found us to provide the same in return.

Sincerely,

(Signed by: Adrienne J. Tissier)

Adrienne J. Tissier
Chair

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Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE METROPOLITAN TRANSPORTATION COMMISSION AND BAY AREA TOLL AUTHORITY

To provide clarity and perspective, we are commenting on the Metropolitan Transportation Commission's (transportation commission) and Bay Area Toll Authority's (toll authority) response to our audit. The numbers below correspond to the numbers we have placed in the margin of the transportation commission's and toll authority's response. For ease of reading, we refer to both entities collectively as the transportation commission, unless otherwise noted.

We believe our net present value (NPV) presentation and analysis is appropriate. Our analysis on pages 16 through 22 discuss how the transportation commission did not disclose the financial risk to its board and the public when it concluded in September 2011 that the new headquarters building had a "net after building investment"—or profit—of \$40 million over a 30-year period. A central part of the transportation commission's argument for purchasing the building was that toll payers would be protected because the toll funds contributed towards the purchase would be repaid. As we state on page 16, our NPV analysis compared contributed toll revenue (cash outflows) with the building's projected net income (cash inflows) as measured in today's dollars to ultimately conclude as to whether toll revenues will be repaid over a 30-year period. Our analysis revealed that in some circumstances the toll authority will be repaid within 30 years while under other circumstances it will not. Our conclusions are shown in tables 2 and 3 on pages 19 and 21, respectively.

①

The transportation commission states that it will grow in the future, suggesting that it was justified in purchasing a building with roughly 497,000 square feet. However, as we note on pages 24 through 25, the transportation commission's reasons for searching for buildings with at least 350,000 square feet are unclear. As noted on pages 24 and 25, the transportation commission's chief financial officer explained that his agency's space needs were based on management's best guess of its future responsibilities, the specifics of which have not yet been determined. Further, the transportation commission's chief executive officer explained that he was trying to accommodate future growth for his agency and others. However, as we note on page 25, the transportation commission's own financial projections do not assume the transportation commission will occupy progressively more space in the building over a 30-year period.

②

- ③ We disagree with the transportation commission's assertion that our NPV analysis is incomplete. As we state on page 19 of the report, we chose not to consider the building's residual value because the transportation commission did not mention to its board and the public any plan to sell the building in the future to ensure toll funds contributed towards the purchase would be repaid. Further, the amount of space in the new building that could be sold is highly uncertain given the significant changes to the building's proposed layout revealed in May 2012.
- ④ We believe the two recommendations in our report are warranted and supported by the report's conclusions. Our first recommendation is based on our discussion on page 11 where we describe state law that allows the toll authority "to do all acts necessary or convenient" to exercise its power, including acquiring office space. Based on this broad authority and the transportation commission's inability to provide analysis justifying why it needed a building with so much space—other than general expectations for its future growth—we believe members of the Legislature may wish to reconsider existing law. Our second recommendation is based on pages 13 and 14, which explain that the Legislature intended for the toll authority to be separate from the transportation commission but that the executive management for both entities are the same.

cc: Members of the Legislature
Office of the Lieutenant Governor
Little Hoover Commission
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson John Gioia and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: August 30, 2012

Re: Production System Project Update

RECOMMENDED ACTION

None; receive and file.

DISCUSSION:

Staff will present the status of this multi-year project, including a demonstration of its current functions in use, and a brief description of the next milestones. In December of 2006, Air District staff presented the plan for implementation of the new production system. At that time, Air District staff indicated that execution of the plan would be accompanied by detailed reports on the project status and accomplishments.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeffrey McKay