

**Location:**

Governing Board Chambers  
14306 Park Avenue  
Victorville, CA 92392  
[www.MDAQMD.ca.gov](http://www.MDAQMD.ca.gov)



**MONDAY, FEBRUARY 22, 2021**

**10:00 a.m.**

**\*\*\*\***

THIS MEETING IS BEING HELD IN ACCORDANCE WITH THE GOVERNOR'S EMERGENCY DECLARATION RELATED TO COVID-19, AND THE GOVERNOR'S EXECUTIVE ORDER N-29-20 ISSUED ON MARCH 17, 2020 THAT MODIFIES THE BROWN ACT TO ALLOW ATTENDANCE, CONDUCT OF THE MEETING, AND PUBLIC PARTICIPATION BY TELECONFERENCE, VIDEOCONFERENCE, OR BOTH.

JOIN BY PHONE, DIAL US: 1.701.802.5348 AND ENTER ACCESS CODE 5765772.

TO ENSURE RECEIPT OF PUBLIC COMMENTS YOU MAY E-MAIL YOUR COMMENTS TO [PUBLICCOMMENT@MDAQMD.CA.GOV](mailto:PUBLICCOMMENT@MDAQMD.CA.GOV) IN ADDITION TO PARTICIPATION AT THE MEETING. TO ENSURE PROPER DISTRIBUTION AND AVAILABILITY PLEASE SEND YOUR COMMENTS AT LEAST 48 HOURS BEFORE THE MEETING

IF YOU CHALLENGE ANY DECISION REGARDING ANY OF THE LISTED PROPOSALS IN COURT, YOU MAY BE LIMITED TO RAISING ONLY THOSE ISSUES YOU OR SOMEONE ELSE RAISED DURING THE PUBLIC TESTIMONY PERIOD REGARDING THAT PROPOSAL OR IN WRITTEN CORRESPONDENCE DELIVERED TO THE GOVERNING BOARD TELEPHONICALLY OR OTHERWISE ELECTRONICALLY AT, OR PRIOR TO, THE PUBLIC HEARING.

DUE TO TIME CONSTRAINTS AND THE NUMBER OF PERSONS WISHING TO GIVE ORAL TESTIMONY, PUBLIC COMMENTS ARE LIMITED TO THREE MINUTES PER SPEAKER. YOU MAY WISH TO MAKE YOUR COMMENTS IN WRITING TO ASSURE THAT YOU ARE ABLE TO EXPRESS YOURSELF ADEQUATELY.

PLEASE NOTE THAT THE BOARD MAY ADDRESS ITEMS IN THE AGENDA IN A DIFFERENT ORDER THAN THE ORDER IN WHICH THE ITEM HAS BEEN POSTED.

## **CALL TO ORDER 10:00 A.M.**

Pledge of Allegiance.

Roll Call.

Items with potential Conflict of Interests — If you believe you have a conflict of interest, please recuse yourself at the appropriate time. If you have a question regarding a potential conflict of interest, please contact District Counsel.

PUBLIC COMMENT

## **CONSENT CALENDAR**

The following consent items are expected to be routine and non-controversial and will be acted upon by the Board at one time without discussion unless a Board Member requests an item be held for discussion under DEFERRED ITEMS.

1. [Approve Minutes from Regular Governing Board Meeting of January 25, 2021.](#)
2. [Amend and update Governing Board Policy 93-3, "Policy and Procedure Manual;" Governing Board Policy 11-02, "Designation of Ethics Training and Recordkeeping Requirements;" Governing Board Policy 16-01, and "Technical Advisory Committee \(TAC\)." Presenter: Brad Poiriez, Executive Director/APCO.](#)
3. [Amend and update Governing Board Procedural Rules. Presenter: Brad Poiriez, Executive Director/APCO.](#)
4. [Authorize surplus of District-owned capital equipment and disposal as indicated; receive and file the Executive Director's report of surplus and disposal for non-capital items. Presenter: Trevor Samorajski, Systems Administrator I.](#)
5. [Ratify the Board Chair's appointment of members to serve on the Budget Committee and the Personnel Committee for calendar year 2021. Presenter: Brad Poiriez, Executive Director/APCO.](#)
6. [Adopt a budget schedule for FY 21-2022. Presenter: Laquita Cole, Finance Manager.](#)
7. [Receive and file the Other Post-Employment Benefits \(OPEB\) Report. This item reports the June 30, 2020 Other Post-Employment Benefits \(OPEB\) actuarial valuation of the District's retiree health insurance program. Presenter: Laquita Cole, Finance Manager.](#)
8. [Receive and file the District Activity Report. Presenter: Brad Poiriez, Executive Director/APCO.](#)

9. [Receive and file the Financial Report for FY21, through the month of December 2020, which provides financial information and budget performance concerning the fiscal status of the District. Presenter: Laquita Cole, Finance Manager.](#)
10. [Receive and file the Legislative Report for February 2021. Presenter: Brad Poiriez, Executive Director/APCO.](#)
11. [Set date of March 22, 2021 to conduct a public hearing to consider the amendment of Regulation XIII – New Source Review and Rule 1600 – Prevention of Significant Deterioration; the rescission of Rule 1310 – Federal Major Facilities and Federal Major Modifications; and approval of related California Environmental Quality Act \(CEQA\) documentation. Presenter: Alan De Salvio, Deputy Director – Mojave Desert Operations.](#)

### **ITEMS FOR DISCUSSION**

12. DEFERRED ITEMS.
13. PUBLIC COMMENT.
14. [Conduct a public hearing to consider the Amendment of Rule 206 – Posting of Permit to Operate: a. Open public hearing; b. Receive staff report; c. Receive public testimony; d. Close public hearing; e. Make a determination that the California Environmental Quality Act \(CEQA\) Categorical Exemption applies; f. Waive reading of Resolution; g. Adopt Resolution making appropriate findings, certifying the Notice of Exemption, amending the Rule and directing staff actions. Presenter: Alan De Salvio, Deputy Director – Mojave Desert Operations.](#)
15. [Presentation – Permit Engineering. Presenter: Sheri Haggard, Supervising Permit Engineer.](#)
16. [Conduct a public hearing to present the 2018 Air Toxics “Hot Spots” Program Annual Report and discuss its content and significance: a. Open public hearing; b. Receive the 2018 Air Toxics “Hot Spots” Program Annual Report; c. Receive public testimony; d. Close public hearing; e. Direct staff action. Presenter: Alan De Salvio, Deputy Director – Mojave Desert Operations.](#)
17. [The Annual Financial Report and Management Report \(Audit\) for Fiscal Year 2019-20 is being presented for receive and file. The audit process is complete and the information is provided to the Governing Board. Presenter: Laquita Cole, Finance Manager.](#)
18. Reports: Executive Director.
19. Board Members Comments and Suggestions for future agenda items.

*In compliance with the Americans with Disabilities act, if special assistance is needed to participate in the Board Meeting, please contact Deanna Hernandez during regular business hours at 760.245.1661 x6244. Notification received 48 hours prior to the meeting will enable the District to make reasonable accommodations.*

I hereby certify, under penalty of perjury, that this agenda has been posted 72 hours prior to the stated meeting in a place accessible to the public. Copies of this agenda and any or all additional materials relating thereto are available at [www.mdaqmd.ca.gov](http://www.mdaqmd.ca.gov) or by contacting Deanna Hernandez at 760.245.1661 x6244 or by email at [dhernandez@mdaqmd.ca.gov](mailto:dhernandez@mdaqmd.ca.gov).

**Mailed & Posted on: Tuesday, February 16, 2021.**

Approved:

*Deanna Hernandez*

Deanna Hernandez



The following page(s) contain the backup material for Agenda Item: [Approve Minutes from Regular Governing Board Meeting of January 25, 2021.](#)  
Please scroll down to view the backup material.

**Mojave Desert Air Quality Management District**  
**Brad Poiriez, Executive Director**  
14306 Park Avenue, Victorville, CA 92392-2310  
760.245.1661 • Fax 760.245.2699  
[www.MDAQMD.ca.gov](http://www.MDAQMD.ca.gov) • @MDAQMD



**REGULAR GOVERNING BOARD MEETING**  
**MONDAY, JANUARY 25, 2021 - 10:00 A.M.**  
**MDAQMD OFFICES, BOARD CHAMBERS**  
**VICTORVILLE, CA**

DRAFT MINUTES

Board Members Present:

Merl Abel, Town of Yucca Valley, **Chair**  
Elizabeth Becerra, City of Victorville  
Brigit Bennington, City of Hesperia  
Paul Cook, San Bernardino County – First District Supervisor  
Joey DeConinck, City of Blythe – *via Zoom*  
Stevevonna Evans, City of Adelanto – *via Zoom*  
Kari Leon, Town of Apple Valley, **Vice Chair**  
Dan Mintz, Sr., City of Twentynine Palms – *via Teleconference*  
V. Manuel Perez, Riverside County – *via Zoom*  
Barbara Riordan, Public Member – *via Zoom*  
Dawn Rowe, San Bernardino County  
Tim Silva, City of Barstow

Board Members Absent:

Jeff Williams, City of Needles

CALL TO ORDER

Brad Poiriez, Executive Director/APCO, called the meeting to order at 10:01 am and led the Pledge of Allegiance.

Brad Poiriez, Executive Director/APCO, called for a moment of silence in honor of former Governing Board Member Paul Russ's, City of Hesperia, passing.

**MOVE TO SWEARING-IN OF NEW BOARD MEMBER(S) – ELIZABETH BECERRA, BRIGIT BENNINGTON, PAUL COOK, STEVEVONNA EVANS and TIM SILVA.** Deanna Hernandez, Senior Executive Analyst, swore-in Board Members **ELIZABETH BECERRA, BRIGIT BENNINGTON, PAUL COOK, STEVEVONNA EVANS and TIM SILVA.**

Roll Call – Deanna Hernandez, Senior Executive Analyst, called roll.

Special Announcements/Presentations:

- A. Plaque presentation to Board Member Carmen Hernandez. Presenter: Brad Poiriez, Executive Director/APCO.
- Member Hernandez was appointed to represent MDAQMD after her election to the Barstow City Council in 2012. On February 24, 2014 she was appointed as a member of the MDAQMD Personnel Committee. On February 27, 2017, Member Hernandez was appointed to the MDAQMD Budget Committee. Member Hernandez Chaired the Budget Committee in 2019 and 2020. Member Hernandez served as Vice Chair of the Governing Board in 2019 and 2020.

Election of Chair and Vice-Chair of the Governing Board for 2021:

Brad Poiriez, Executive Director/APCO called for nominations for Chair of the Governing Board for 2021. Board Member **DANIEL MINTZ, Sr.** nominated Board Member **MERL ABEL** for Chair, Seconded by Board Member **BARBARA RIORDAN**, and being no other nominations, nominations for Chair was closed. By unanimous roll call vote, Board Member **MERL ABEL** was elected Chair for 2021.

Chair **MERL ABEL** called for nominations for Vice Chair of the Governing Board for 2021. Board Member **DAWN ROWE** nominated Board Member **KARI LEON** for Vice Chair, Seconded by Chair **MERL ABEL**, and being no other nominations, nominations for Vice Chair was closed. By unanimous roll call vote, Board Member **KARI LEON** was elected Vice Chair for 2021.

Items with potential Conflict of Interests – If you believe you have a conflict of interest, please recuse yourself at the appropriate time. If you have a question regarding a potential conflict of interest, please contact District Counsel. Chair **MERL ABEL** asked if any members wished to indicate a conflict of interest in regards to any agenda items. No Members did so.

Chair **MERL ABEL** called for **PUBLIC COMMENT**. No public comment was made in person, telephonically or electronically, moved onto the **CONSENT CALENDAR**.

**CONSENT CALENDAR** – Chair **MERL ABEL** polled the Board to determine if any member wished pull an item on the consent calendar for discussion. No member did so. The following consent items were acted upon by the Board at one time without discussion. Upon motion by Board Member **BRIGIT BENNINGTON**, seconded by Board Member **TIM SILVA**, and carried by the following roll call vote, with twelve **AYES** votes by Board Members, **MERL ABEL, ELIZABETH BECERRA, BRIGIT BENNINGTON, PAUL COOK, JOSEPH “JOEY” DECONINCK, STEVEVONNA EVANS, KARI LEON, DANIEL MINTZ, Sr., V. MANUEL PEREZ, BARBARA RIORDAN, DAWN ROWE, and TIM SILVA** with Board Member **JEFF WILLIAMS** absent and Board Members **BECERRA, EVANS and SILVA** abstaining on agenda item #1, on the Consent Calendar, as follows:

Agenda Item 1 – Approve Minutes from Regular Governing Board Meeting of October 26, 2020.  
**Approved** Minutes from Regular Governing Board Meeting of October 26, 2020.

Agenda Item 2 – Reappoint Barbara Cram Riordan as the Public Member on the Governing Board of the Mojave Desert Air Quality Management District (MDAQMD) for a two-year term.  
Presenter: Brad Poiriez, Executive Director/APCO.

**Reappointed** Barbara Cram Riordan as the Public Member on the Governing Board of the Mojave Desert Air Quality Management District (MDAQMD) for a two-year term.

Agenda Item 3 – Appoint Rachel Dillinger to the Hearing Board of the Mojave Desert Air Quality Management District (MDAQMD) as a Health Member for a 3-year term to expire January 25, 2024.

Presenter: Brad Poiriez, Executive Director/APCO.

**Appointed** Rachel Dillinger to the Hearing Board of the Mojave Desert Air Quality Management District (MDAQMD) as a Health Member for a 3-year term to expire January 25, 2024.

Agenda Item 4 – Ratify the Air Pollution Control Officer’s new appointments to the Utility Member position and the Mining Industry Member due to the recent vacancies on the Technical Advisory Committee (TAC).

Presenter: Brad Poiriez, Executive Director/APCO.

**Ratified** the Air Pollution Control Officer’s new appointments to the Utility Member position and the Mining Industry Member due to the recent vacancies on the Technical Advisory Committee (TAC).

Agenda Item 5 – Ratify the administrative action of the Executive Director/ APCO to correct Form OES130 adopted as Governing Board Resolution 20-05 designating agents for the purpose of obtaining Federal financial assistance.

Presenter: Brad Poiriez, Executive Director/APCO.

**Ratified** the administrative action of the Executive Director/ APCO to correct Form OES130 adopted as Governing Board Resolution 20-05 designating agents for the purpose of obtaining Federal financial assistance.

Agenda Item 6 – Receive and file the District Activity Report.

Presenter: Brad Poiriez, Executive Director/APCO.

**Received and filed** the District Activity Report.

Agenda Item 7 – Receive and file the Financial Report for FY21, through the month of November 2020, which provides financial information and budget performance concerning the fiscal status of the District.

Presenter: Jean Bracy, Deputy Director – Administration and Laquita Cole, Finance Manager.

**Received and filed** the Financial Report for FY21, through the month of November 2020, which provides financial information and budget performance concerning the fiscal status of the District.

Agenda Item 8 – Receive and file the Legislative Report for January 2021.

Presenter: Brad Poiriez, Executive Director/APCO.

**Received and filed** the Legislative Report for January 2021.

Agenda Item 9 – Set date of February 22, 2021 to conduct a public hearing to consider the amendment of Rule 206 – Posting of Permit to Operate and approval of California Environmental Quality Act (CEQA) documentation.

Presenter: Alan De Salvio, Deputy Director – Mojave Desert Operations.

**Date set** for February 22, 2021 to conduct a public hearing to consider the amendment of Rule 206 – Posting of Permit to Operate and approval of California Environmental Quality Act (CEQA) documentation.

Agenda Item 10 – DEFERRED ITEMS.

None.

Agenda Item 11 – PUBLIC COMMENT.

No public comment was made in person, telephonically or electronically.

#### PRESENTATION

Brad Poiriez, Executive Director, as part of his Executive Director’s report Agenda Item #13, directed Karen Nowak, District Counsel, to give a brief presentation on Mojave Desert AQMD Powers & Duties explaining the roles and responsibility to the Board Members prior to taking action on Agenda Item #12, Rule 219.

Agenda Item 12 – Conduct a public hearing to consider the amendment of Rule 219 – Equipment Not Requiring a Permit: a. Open public hearing; b. Receive staff report; c. Receive public testimony; d. Close public hearing; e. Make a determination that the California Environmental Quality Act (CEQA) Categorical Exemption applies; f. Waive reading of Resolution; g. Adopt Resolution making appropriate findings, certifying the Notice of Exemption, amending the Rule and directing staff actions.

Presenter: Alan De Salvio, Deputy Director – Mojave Desert Operations.

Chair **MERL ABEL** opened the public hearing. Brad Poiriez, Executive Director, noted that “size and production rate” are intended to include emissions and throughput in section (B)(2)(d) and a typo on page 2 of the redline and strikes the word “subpart” from section (B)(3)(a). Alan De Salvio, Deputy Director of Operations, presented background information and answered questions from the Board. Karen Nowak, District Counsel, noted that the District received a call from the Metropolitan Water District this morning regarding Rule 219 but the questions were primarily requests for clarification as opposed to substantive comments. Chair **MERL ABEL** called for public comment, no public comment was made in person, telephonically or electronically, so being none, Chair **MERL ABEL** closed the public hearing. Upon motion by Board Member **BARBARA RIORDAN**, seconded by Board Member **KARI LEON**, with eleven **AYES** votes by Board Members **MERL ABEL, ELIZABETH BECERRA, BRIGIT BENNINGTON, PAUL COOK, JOSEPH “JOEY” DECONINCK, KARI LEON, DANIEL MINTZ Sr., V. MANUEL PEREZ, BARBARA RIORDAN, DAWN ROWE, and TIM SILVA** with Board Members **STEEVONNA EVANS** and **JEFF WILLIAMS** absent, the

board, **made** the determination that the California Environmental Quality Act (CEQA) Categorical Exemption **applies**; **waived** reading of Resolution; and **adopted** Resolution **21-01**, **“A RESOLUTION OF THE GOVERNING BOARD OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT MAKING FINDINGS, CERTIFYING THE NOTICE OF EXEMPTION, AMENDING RULE 219 - EQUIPMENT NOT REQUIRING A PERMIT AND DIRECTING STAFF ACTIONS.”**

Agenda Item 13 – Reports:

Special notes from Mr. Poiriez:

- ❖ First off, I would like to once again welcome the new Board members and welcome back returning Board members, I anticipate a very busy and active year in our air quality world.
- ❖ As I eluded to in my December brief, there has been a major shift in politics, not only from a new President elect, but also at the State level, including a new CARB Board Chairwoman that will be beginning her tenure this month. At the federal level, there will be a renewed focus on Climate Change and zero emission technology, similar to what has been the path of the State of California. At CARB Board level, the new Chair will bring a limited background in the air quality realm, but we are told will continue aggressive Climate goals and put a greater emphasis on Environmental Justice in terms of planning, regulations, etc.
- ❖ On Jan. 15<sup>th</sup> the Governor released his proposed budget – and the air quality components fared well in the proposal – some key highlights:
  - Straight extension of Moyer/923 until June 30, 2046;
  - The Cap and Trade Expenditure plan takes a two-step approach with "Early Action" Funding for 2020-21 and then funding for the 2021-22 budget year. The "Early Action" funding is from Cap and Trade from last year since the plan was not adopted, and presumably the idea is to adopt a plan with that funding earlier in the year and then do the 2021-22 Cap and Trade plan as part of the regular 21-22 budget process;
  - GGRF Highlights:
    - \$265 million AB 617 incentives - \$125 million Early Action and \$140 million 21-22 budget year.
    - \$50 million AB 617 air district implementation for 21-22 budget year. No Early Action since it was funded with \$50 million APCF last year.
    - \$170 million for FARMER - \$90 million Early Action, \$80 million 21-22 budget year.
    - \$315 million total Clean Trucks, Buses and Off-Road Freight (\$165M Early Action, \$150M 21-22 budget).
    - \$150 million total Clean Cars 4 All and Transportation Equity projects (\$74M Early Action, \$76M 21-22 budget).
    - \$10 million for AB 617 Community Group Technical Assistance Grants for 21-22 budget year.

- The budget proposes making the \$200 million in annual C&T funding for CAL FIRE's forest health and fire prevention programs available for an additional five years, beyond the 2023-24 sunset date in statute (SB 901).
- proposes securitization of approximately \$1 billion of future revenues to increase the pace and scale of the construction of electric vehicle charging and hydrogen fueling stations to accelerate ZEV adoption. It appears the governor may be using AB 118 funding. This from page 139: "The Budget proposes statutory changes to extend existing vehicle registration fees currently set to expire in 2024 and to authorize the securitization of these future revenues to support the expansion of the California Energy Commission's Clean Transportation Program."
- Subvention funded at \$10.111 million.
- ❖ Continue to work with CARB on progress of CARB Board adopted CTR revision that included 15-day change orders that addressed much of the MDAQMD and our industry concerns. This will be huge over the next 7-8 years.
- ❖ We are progressing in the training of the new Fiscal software – OpenGov, we are excited about the transparency, functionality, efficiencies and transparency that the new software will provide. Should be utilizing by the new year and in time for next budget.
- ❖ The Board approved moving forward on a couple of the CIP projects and the week of Jan. 11 the roofing company reconditioned and sealed the roof (the roof option I selected to move forward with at this time) which will improve and extend the expected life span of the existing roof by up to 4-5 years. The parking lot improvements will take place there after upon optimum weather conditions for application.

Mr. Poiriez updated the Board of past events:

- January 6 – 7 – Participated in the CAPCOA Board of Directors and Legislative Committee meeting. Topics of discussion included: Opportunities for CAPCOA to engage with new CARB Chair and Board members; AB617 Allocation process, Racial Equity efforts, the Anticipated Governor's and GGRF budgets (much more on this later in my report), CARB Priorities for 2021, Moyer reauthorization efforts. Legislative efforts ramping up and there is talk of redirecting High Speed Rail designated GGRF funds to the general fund (could be a problem since wouldn't be spent on air quality) which is drafted in AB 5 – Fong. Talk by CARB Board member Fletcher (San Diego) to propose legislation on air districts Board composition to require them to have Public and EJ reps appointed to their Boards - there is plenty of concerns on what this would entail, costs, impacts etc. – we will be communicating concerns on if and how this gets proposed – may only apply to the large air districts.
- Jan. 11 – 12 – completed the Fiscal Specialist II interviews and hope to onboard new selection in the coming month. We had a great candidate pool to interview from and several well qualified applicants. With this position and the recent hires within the past 2 months – it is worth noting that roughly 30% of our staff have less than 3 years of time with the District or in their new positions. Also, over the next year and a half we expect that there will be additional staff turnover, mostly in management, that will encompass about 150 years combined of institutional knowledge. With the Workforce Development Plan that we have completed over the past couple of years I feel we are well positioned and prepared to deal with further transitions whenever they may occur.
- Jan. 20 – Held New Board member orientation, a little more than a 1/3 of our Board is

considered new and this orientation presents our agency overview and the Board members roles and responsibilities.

- Jan. 20 – Participated in the Medium District APCO meeting.
- Jan. 21 – Participated in the AAPCA January Air Directors call.

Mr. Poiriez updated the Board of coming events:

- Feb. 3 – WRAP Board call.
- Feb. 9 – Next LMTF meeting.
- Feb. 10 – 11 – CAPCOA Board meeting.
- Feb. 17 – MEEC Board meeting.
- Feb. 22 – Next MDAQMD Board meeting.

Agenda Item 14 - Board Member Comments and Suggestions for Future Agenda Items.

- Board Members **ABEL, BENNINGTON, LEON, and SILVA** thanked staff for their efforts with this meeting and look forward to working with staff and the Governing Board this year.

Being no further business, Chair **MERL ABEL** adjourned the meeting at **11:15 a.m.** to the next Regular Meeting of *February 22, 2021*.



The following page(s) contain the backup material for Agenda Item: [Amend and update Governing Board Policy 93-3, "Policy and Procedure Manual;" Governing Board Policy 11-02, "Designation of Ethics Training and Recordkeeping Requirements;" Governing Board Policy 16-01, and "Technical Advisory Committee \(TAC\)."](#) Presenter: [Brad Poiriez, Executive Director/APCO.](#)

Please scroll down to view the backup material.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #2*

**DATE:** February 22, 2021

**RECOMMENDATION:** Amend and update Governing Board Policy **93-3**, “Policy and Procedure Manual;” Governing Board Policy **11-02**, “Designation of Ethics Training and Recordkeeping Requirements;” Governing Board Policy **16-01**, and “Technical Advisory Committee (TAC).”

**SUMMARY:** This item amends existing Governing Board policies **93-3**, “Policy and Procedure Manual;” **11-02**, “Designation of Ethics Training and Recordkeeping Requirements;” **16-01**, “Technical Advisory Committee (TAC);” and cleans up and updates policy language and format.

**BACKGROUND:** In the effort to keep the Board familiar with the policies and practices which have been adopted to direct staff action and to facilitate the conduct of the business of the District these policies will be presented to the Board from time to time with recommendations for amendments if such are needed. This history and development of each policy is described in Exhibit 1.

Clean copies of the proposed versions are included as well as REDLINED drafts which indicate the proposed changes from the current version. The recommended amendments for the attached Governing Board Policies make non substantive revisions which are further described in Exhibit 1.

**REASON FOR RECOMMENDATION:** Governing Board action is necessary to approve changes to the policies of the Governing Board.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form, and by Brad Poiriez, Executive Director/APCO, on or about January 7, 2021.

**FINANCIAL DATA:** No increase in appropriation is anticipated.

**PRESENTER:** Brad Poiriez, Executive Director/APCO

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #2*

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Exhibit 1

**Governing Board Policy 93-3** is the Governing Board Policy that directs the Executive Director/APCO to “develop a system of Standard Practices to ensure that the policies established by the Board are properly documented ...” It also describes a structure for District policy documents.

History

This policy was first adopted in July 1993 as part of the policy document package that initialized the District’s operations. It was amended in 2007 to update the scope of District documents and again in 2011 to “reflect a shift in terminology which has occurred over time.” The Board adopted revisions on August 22, 2016 to clean up language, adopt a policy review cycle, and acknowledge that certain policies’ review cycles are driven by the individual policy or requirements of the underlying legal authority.

Recommended Revisions

The term, “An authorized Employee Association” has been changed to “Recognized Employee Organization,” which is the term used in the MDAQMD Resolution 93-08 that establishes rules and regulations relating to employer-employee relations. References to the Confidential Compensation Plan (CCP) have been removed as the Confidential Group and its corresponding Confidential Compensation Plan was eliminated by MDAQMD Resolution 16-05 on September 26, 2016. This action also recommends some administrative “clean up.”

**Governing Board Policy 11-02** is the Governing Board Policy that meets the requirements of legislation commonly referred to as “AB 1234.” Local agencies are required to designate positions in addition to Governing Board members who are required to receive mandated ethics training. In addition, the agency is required to designate the position responsible to maintain the records of completed training. This policy complies with the statute requirements.

History

Governing Board Policy 11-02 was first adopted October 23, 2006 in response to legislation known as AB 1234 (Salinas). The Policy was revised January 24, 2011 and again January 26, 2015, to update positions titles. On September 25, 2017, the Policy was revised to streamline its title and provisions, expand the covered positions, and to update position titles. The Policy was revised again in March 26, 2018 to update position titles.

This policy is not to be confused with the District’s Conflict of Interest Code and its requirements under the Political Reform Act.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #2*

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Recommended Revisions

Governing Board amendments to the District's classification plan have resulted in additional positions and changes in position titles. This revision recommends removing the specific position titles from the policy and reference the MDAQMD Exempt Compensation Plan for positions in the Exempt Groups "E" and "A," and includes the Special Counsel to the Governing Board.

**Governing Board Policy 16-01** is the Governing Board Policy that established the existence and composition of the Technical Advisory Committee (TAC) and was adopted May 23, 2016.

History

The TAC was first created by the Governing Board in 1993 as a successor to the Advisory Council authorized by District Rule 712. Over time various actions regarding TAC were approved by the Governing Board through Minute Action. Its membership was revised slightly in 1996. Over the years the TAC has reviewed substantive rule adoptions/amendments as proposed by staff as well as mandated planning documents and provided recommendations to the Governing Board regarding same. Occasionally the TAC has identified issues which needed further study, discovered inconsistencies, and detected inadvertent impacts of a proposed regulation on non-directly affected industry. On May 23, 2016 the existence and composition of the TAC was formalized into Governing Board Policy 16-01 and included descriptions for membership composition, qualifications for a quorum, and appointment power was delegated to the Executive Director/APCO with follow up reporting to the Governing Board.

Recommended Revisions

The policy review process has affirmed the sufficiency of this Governing Board Policy. There are no substantive revisions recommended.

**GOVERNING BOARD POLICY**  
*Mojave Desert Air Quality Management District*

Policy No: 93-3  
Amended: February 22, 2021

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Merle Abel  
Governing Board Chair

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Brad Poiriez  
Executive Director/APCO

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**SUBJECT: POLICY AND PROCEDURE MANUAL**

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**POLICY:**

It is the policy of the Governing Board of the Mojave Desert Air Quality Management District (District) to require the Executive Director/Air Pollution Control Officer (APCO) to develop a system of Standard Practices to ensure that the policies established by the Board are properly documented, coordinated, and translated into systems, procedures, and detailed instructions for execution at the appropriate organizational levels.

**AMPLIFICATION OF POLICY:**

(A) General

The successful operation of any organization is largely dependent upon a balanced relationship between centralization of policy direction and administration, and decentralization of authority and responsibility for policy implementation. The effective functioning of this relationship is, in turn, dependent upon the existence of an integrated system of communication from the point of policy direction to the points of ultimate execution. A Policy and Procedural Manual is one method of providing this type of communication.

(B) Policy & Procedural Manual

The Policy and Procedural Manual of the District consists of the following types of documents:

1. Governing Board Policies

The formal policy statements of the Governing Board as approved and signed by the Chair.

2. Organization and Personnel Materials

Documents which include, but are not limited to, the District's Personnel Policies and Procedures (PPP), any Memorandum of Understanding (MOU) with the Recognized Employee Organization, the Exempt Compensation Plan (ECP), the Classification Plan, the Flexible Benefit Plan, and the Deferred Compensation Plans. These documents are approved by the Governing Board unless such duties are delegated by the Governing Board.

3. Standard Practices

Documents which provide instructions for administering and performing various tasks and duties required for the efficient functioning of the District as well as documents necessary for the implementation of Governing Board Policies. These documents are issued and signed by the Executive Director/APCO.

4. Protocols and Forms

These documents are step by step instructions on how to perform particular specified tasks. They are usually tied to a specific project and/or task. They are issued by the person having the lead supervisory function over the particular project or task or by the Executive Director/APCO.

(C) Formats and Designs

Standard formatting and organization of the documents contained in the Policy and Procedural Manual shall be determined by the Executive Director/APCO.

(D) Review Cycle

1. Governing Board Policies should be reviewed periodically for relevance, legal standards, and accuracy. The Executive Director/APCO shall develop the review cycle with the goal that all policies are reviewed every three years but not less than five years. To the extent possible, the review cycle will be coordinated with review of the attending standard practices, etc.

2. The Governing Board Procedural Rules shall be examined annually to ensure that they reflect current Governing Board practices and recently adopted legislative actions.

(E) Other Policy Reviews

1. The review of the Conflict of Interest Code is governed by the provisions of the Fair Political Practices Act and will be conducted in accordance with the provisions of that legislation.

2. The Personnel Policies and Procedures and Memorandum of Understanding are labor documents setting forth terms and conditions of employment and are thus subject to meet and confer and/or negotiation. They will be reviewed and updated in consultation with the appropriate bargaining unit.

3. The Exempt Compensation Plan is normally reviewed and updated after changes have been made to the Memorandum of Understanding but they may be reviewed and updated on the recommendation of the Executive Director/APCO and the pleasure of the Governing Board.

Revision History

Adopted: July 1, 1993

Amended: June 24, 1996

Amended: January 22, 2007

Amended: January 24, 2011

Last Review: January 26, 2015

Amended August 22, 2016

**GOVERNING BOARD POLICY**  
*Mojave Desert Air Quality Management District*

Policy No: 93-3

Amended: ~~August 22, 2016~~ February 22, 2021

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~~Robert Lovingood~~ Merle Abel  
Governing Board Chair

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Brad Poiriez  
Executive Director/APCO

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**SUBJECT: POLICY AND PROCEDURE MANUAL**

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**POLICY:**

It is the policy of the Governing Board of the Mojave Desert Air Quality Management District (District) to require the Executive Director/Air Pollution Control Officer (APCO) to develop a system of Standard Practices to ensure that the policies established by the Board are properly documented, coordinated, and translated into systems, procedures, and detailed instructions for execution at the appropriate organizational levels.

**AMPLIFICATION OF POLICY:**

(A) General

The successful operation of any organization is largely dependent upon a balanced relationship between centralization of policy direction and administration, and decentralization of authority and responsibility for policy implementation. The effective functioning of this relationship is, in turn, dependent upon the existence of an integrated system of communication from the point of policy direction to the points of ultimate execution. A Policy and Procedural Manual is one method of providing this type of communication.

(B) Policy & Procedural Manual

The Policy and Procedural Manual of the District consists of the following types of documents:



1. Governing Board Policies

The formal policy statements of the Governing Board as approved and signed by the Chair.

2. Organization and Personnel Materials

Documents which include, but are not limited to, the District's Personnel Policies and Procedures (PPP), any Memorandum of Understanding (MOU) with ~~an authorized Employee Association~~ the Recognized Employee Organization, the Exempt Compensation Plan (ECP), ~~the Confidential Compensation Plan (CCP)~~, the Classification Plan, the Flexible Benefit Plan, and the Deferred Compensation Plans. These documents are approved by the Governing Board unless such duties are delegated by the Governing Board.

3. Standard Practices

Documents which provide instructions for administering and performing various tasks and duties required for the efficient functioning of the District as well as documents necessary for the implementation of Governing Board Policies. These documents are issued and signed by the Executive Director/APCO.

4. Protocols and Forms

These documents are step by step instructions on how to perform particular specified tasks. They are usually tied to a specific project and/or task. They are issued by the person having the lead supervisory function over the particular project or task or by the Executive Director/APCO.

(C) Formats and Designs

Standard formatting and organization of the documents contained in the Policy and Procedural Manual shall be determined by the Executive Director/APCO.

(D) Review Cycle

1. Governing Board Policies should be reviewed periodically for relevance, legal standards, and accuracy. The Executive Director/APCO shall develop the review cycle with the goal that all policies are reviewed every three years but not less than five years. To the extent possible, the review cycle will be coordinated with review of the attending standard practices, etc.

2. The Governing Board Procedural Rules shall be examined annually to ensure that they reflect current Governing Board practices and recently adopted legislative actions.

(E) Other Policy Reviews

1. The review of the Conflict of Interest Code is governed by the provisions of the Fair Political Practices Act and will be conducted in accordance with the provisions of that legislation.

2. The Personnel Policies and Procedures and Memorandum of Understanding are labor documents setting forth terms and conditions of employment and are thus subject to meet and confer and/or negotiation. They will be reviewed and updated in consultation with the appropriate bargaining unit.

3. The Exempt Compensation Plan ~~and Confidential Compensation plan~~ is normally ~~are~~ reviewed and updated after changes have been made to the Memorandum of Understanding but they may be reviewed and updated at on the recommendation of the Executive Director/APCO and the pleasure of the Governing Board.

Revision History

Adopted: July 1, 1993

Amended: June 24, 1996

Amended: January 22, 2007

Amended: January 24, 2011

Last Review: January 26, 2015

Amended August 22, 2016

**GOVERNING BOARD POLICY**  
*Mojave Desert Air Quality Management District*

Policy No: 11-02  
Amended February 22, 2021

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Merle Abel  
Governing Board Chair

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Brad Poiriez  
Executive Director/APCO

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**SUBJECT: DESIGNATION OF ETHICS TRAINING AND RECORDKEEPING  
REQUIREMENTS**

---

**POLICY:**

It is the policy of the Governing Board of the Mojave Desert Air Quality Management District (District) to designate certain positions as “local agency officials” for purposes of ethics training as required pursuant to provisions of Government Code §§53234 et seq. It is also the policy to of the Governing Board of the District to designate a position to keep the records required to comply with the provisions of Government Code §§53234 et seq. The specific positions and record keeper are as listed below.

**AMPLIFICATION OF POLICY:**

A. General

Government Code §§ 53234 et. seq. (AB1234 of 2005, Salinas) requires, among other things, two (2) hours of ethics training at least every two (2) years for members of the legislative bodies and for designated “local agency officials.” The affected local agencies are required to specifically designate “local agency officials” who are mandated to receive the training.

Board members and local officials who serve on more than one local agency board are only required to comply with the training requirement once and may use the training provided under the auspices of one agency to satisfy the requirement for other agencies. Furthermore, the legislation requires all affected local agencies to keep records of the date(s) of the training and the provider of the training for each board member and local agency official. The records are required to be kept for at least five (5) years from the date of the training.

The District is a local agency subject to these provisions. Therefore, the Governing Board is required to not only comply with the training requirement but also to designate staff positions

that should receive the training. In addition, it is required to officially designate an appropriate person to keep the required records.

B. Designation of Positions

The positions designated as Exempt Group E, Executive Management, and Exempt Group A, Management, in the MDAQMD Exempt Compensation Plan (as amended and approved by the Governing Board) are considered “local agency officials” for purposes of this Governing Board policy and are required to receive two hours of qualified ethics training every two years.

C. Designation of Position to Keep Records

The Executive Director/APCO shall designate the appropriate position to keep the records required for a period of five years from the date of the training for both the members of the Governing Board as well as the designated positions listed above.

Revision History:

Adopted: October 23, 2006  
Amended: January 24, 2011  
Amended: January 26, 2015  
Amended: September 25, 2017  
Amended: March 26, 2018

**GOVERNING BOARD POLICY**  
*Mojave Desert Air Quality Management District*

Policy No: 11-02

Amended ~~March 26, 2017~~ ~~January 25~~ February 22, 2021

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James L. Cox, Merle Abel  
Governing Board Chair

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Brad Poiriez,  
Executive Director/APCO

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**SUBJECT: DESIGNATION OF ETHICS TRAINING AND RECORDKEEPING  
REQUIREMENTS**

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that should receive the training. In addition, it is required to officially designate an appropriate person to keep the required records.

#### B. Designation of Positions

The ~~following~~ positions ~~are~~ designated as Exempt Group E, Executive Management, and Exempt Group A, Management, in the MDAQMD Exempt Compensation Plan (as amended and approved by the Governing Board) are considered ~~as~~ “local agency officials” for purposes of this Governing Board policy and are required to receive two hours of qualified ethics training every two years.:

~~Executive Director/APCO~~  
~~Deputy Director/Administration~~  
~~Deputy Director/Antelope Valley Operations~~  
~~Deputy Director/Mojave Desert Operations~~  
~~District Counsel~~  
~~Special Counsel to the Governing Board~~  
~~Finance Manager~~  
~~Community Relations & Education Supervisor~~  
~~Senior Executive Analyst~~

#### C. Designation of Position to Keep Records

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#### Revision History:

Adopted: October 23, 2006  
Amended: January 24, 2011  
Amended: January 26, 2015  
Amended: September 25, 2017  
Amended: March 26, 2018

**GOVERNING BOARD POLICY**  
*Mojave Desert Air Quality Management District*

Policy No: 16-01  
Reviewed: February 22, 2021

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Merle Abel  
Governing Board Chair

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Brad Poiriez  
Executive Director/APCO

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**SUBJECT: Technical Advisory Committee (TAC)**

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**POLICY:**

It is the policy of the Governing Board of the Mojave Desert Air Quality Management District (District) to have an appointed Technical Advisory Committee (TAC) made up of various interested parties within the District's jurisdiction to advise the Governing Board on various technical air quality related matters including but not limited to the development and amendments of District Rules and Regulations and District planning documents.

**AMPLIFICATION OF POLICY:**

A. General

The TAC is a committee created by the Governing Board and charged with providing technical advice on air quality related matters primarily regarding substantive rule changes and the adoption/amendment of state and federal planning documents. The TAC was the successor body to an advisory committee created by District Rule 712 – *Advisory Council* (as originally adopted by the District's predecessor agency the Southern California Air Pollution Control District). The TAC was created by Governing Board action in 1993 and its membership was revised in 1996. It has met on an as needed basis.

B. Composition and Appointment

The members of the TAC shall be appointed by the Air Pollution Control Officer (APCO) with the advice and consent of the Governing Board. Upon appointment of a member the APCO shall cause the member's name and position to be placed upon the Governing Board agenda for the next regularly scheduled Governing Board meeting so that the Governing Board may provide such approval.

Members shall be appointed to represent the following specific areas and interests:

- 2 General Members

- 2 Utility Members
- 1 Agricultural Member
- 1 Building Industry Member
- 1 Cement Industry Member
- 1 Mining Industry Member
- 1 Military Member
- 1 Member representing San Bernardino or Riverside County Department of Environmental Health

C. Meetings

The TAC shall meet when the APCO deems such a meeting is necessary to review a substantive adoption or change to a Rule, Regulation and/or Plan document. The TAC may meet on another day if necessary to obtain a quorum.

A quorum of the TAC shall be 4 members. Absent a quorum the TAC may act as a committee and provide recommendations to the Governing Board so long as such recommendation is clearly identified as being from a committee of the TAC as opposed to the TAC itself.

As a Governing Board created body the TAC is subject to the provisions of the Ralph M. Brown Act (Government Code 54950 et seq.) and as such is required to comply with the provisions of the act.

Revision History:  
Adopted 5/23/16



**GOVERNING BOARD POLICY**  
*Mojave Desert Air Quality Management District*

Policy No: 16-01

~~Adopted~~ Reviewed: May 23, 2016 February 22, 2021

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~~Robert Lovingood~~ Merle Abel  
Governing Board Chair

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Brad Poiriez  
Executive Director/APCO

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**SUBJECT: Technical Advisory Committee (TAC)**

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Revision History:

———Adopted 5/23/16

| ~~Last Review: 5/23/16~~

The following page(s) contain the backup material for Agenda Item: [Amend and update Governing Board Procedural Rules](#). Presenter: [Brad Poiriez, Executive Director/APCO](#). Please scroll down to view the backup material.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #3*

**DATE:** February 22, 2021

**RECOMMENDATION:** Amend and update *Governing Board Procedural Rules*.

**SUMMARY:** This item amends and updates the existing *Governing Board Procedural Rules* and cleans up and updates policy language and format.

**BACKGROUND:** In the effort to keep the Board familiar with the policies and practices which have been adopted to direct staff action and to facilitate the conduct of the business of the District, policies have been presented to the Board from time to time with recommendations for amendments if such are needed. The *Governing Board Procedural Rules* are a policy that governs the conduct of the Governing Board and Board business. The history and development of this document is described in Exhibit 1.

The proposed version is in REDLINE form indicating the proposed changes from the current version. A final or “clean” version is also included.

**REASON FOR RECOMMENDATION:** Governing Board action is necessary to approve changes to the Governing Board Procedural Rules.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form, and by Brad Poiriez, Executive Director/APCO, on or about February 4, 2021.

**FINANCIAL DATA:** No increase in appropriation is anticipated

**PRESENTER:** Brad Poiriez, Executive Director/APCO

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #3*

**PAGE 2**

Exhibit 1

**Governing Board Procedural Rules** is the document setting forth the procedure for Governing Board Meetings and other interactions to ensure the smooth and efficient conduct of the District's business.

**Recommended Revisions**

This revision cleans up and updates language and acknowledges the changes to public meeting practices experienced during 2020 due to the global pandemic.

- Section 4.G. has been added to address meetings during declared State of Emergency.
- Section 5.C. has been modified to allow hyper-link access and/or reference to the location of the agenda as posted on the District's website.



# Governing Board Procedural Rules

**Amended February 22, 2020**

(For related statutory provisions see  
Health & Safety Code §§41200 et seq,  
40170, 40712 and Government Code §§54950 et seq.)

**Mojave Desert  
Air Quality  
Management District**

14306 Park Avenue  
Victorville, CA 92392-2310  
760.245.1661 • Fax 760.245.2022

[www.MDAQMD.ca.gov](http://www.MDAQMD.ca.gov) • [@MDAQMD](https://twitter.com/MDAQMD)

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Merle Abel  
Chair of the Governing Board

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Brad Poiriez  
Executive Director/APCO

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**MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
GOVERNING BOARD PROCEDURAL RULES**

**1. Board Chambers.**

The meeting place of the Mojave Desert Air Quality Management District Governing Board shall be the board chambers located at 14306 Park Ave., Victorville, California, and all meetings of the Governing Board shall be held therein, unless duly adjourned to another location.

**2. District Offices - Address.**

The offices of all departments, officers and employees of the District shall be located at the Mojave Desert Air Quality Management District offices, 14306 Park Ave., Victorville, California.

**3. District Offices - Holidays - Hours.**

The District offices shall be closed on all official holidays or other closure days as established in the District's Personnel Policies and Procedures (PPP); Memorandum of Understanding (MOU) and/or Exempt Compensation Plan (ECP). Every Saturday and Sunday are holidays in respect to the transaction of business in such District offices. Said District offices shall be open to the public for business as specified by the Executive Director/Air Pollution Control Officer (APCO) and as dictated by business needs on all other days of the year.

**4. Meetings.**

**A. Compliance with the Ralph M. Brown Act.**

To ensure that the deliberations and actions of the Governing Board are conducted openly and to ensure meaningful public participation, all meetings of the Governing Board shall be held in compliance with the provisions of the Ralph M. Brown Act (Government Code §§ 54950 et. seq.) and the guidelines promulgated thereunder (14 Cal. Code Regs §§15000 et. seq).

Any subsidiary body of the Governing Board or of the District which is subject to the provisions of the Ralph M. Brown Act shall also hold its meetings in compliance with its provisions.

**B. Attendance at Meetings via Video or Teleconference.**

Governing Board members may request attendance via video or teleconference. The Chair may approve such request so long as the following are provided:

- i. The proposed meeting location is freely accessible to the public including but not limited to ADA accessibility;

- ii. Notice is properly given and will be properly posted at the proposed meeting location;
- iii. All items acted upon at a meeting where video or teleconferencing takes place will be conducted by roll call vote;
- iv. Adequate technological capacity is available at the proposed meeting site as shown by pre-meeting testing and on-site technical support is available before and during the meeting.

Members may attend but not vote from a location which has not been properly noticed but meets the other requirements above. In no case may a member attend from a non-public location.

Members may attend from a location outside the boundaries of the District so long as the above requirements are met and a quorum of Governing Board members are not physically located outside the District.

### **C. Regular Meetings or Workshop Meetings.**

Regular meetings of the Governing Board shall be held on the fourth Monday of each month at 10:00 a.m. The Executive Director/APCO, with the advice and consent of the Chair, may schedule a workshop meeting in lieu of a regular meeting. For the purpose of this paragraph a workshop meeting is defined as a study session where no business is transacted. In the event that a regular meeting or workshop meeting falls on a holiday, the meeting may be held another day which is not a holiday, unless canceled or adjourned to a different time.

An agenda shall be prepared and posted at least seventy-two (72) hours prior to the meeting in a location that is freely accessible to members of the public and on the District's website.

### **D. Special Meetings.**

A special meeting of the Governing Board may be called at any time by the Chair of the Governing Board or by a majority of the members of the Governing Board, by delivering personally or by United States mail written notice of the meeting to each member of the Governing Board and to each newspaper, radio or television station which has requested notice of meetings in writing. The notice shall be delivered personally or by United States mail and shall be received by the member of the Governing Board at least twenty-four (24) hours before the time of the meeting as specified in the notice. The notice shall specify the time and place of the special meeting and the business to be transacted or discussed. No other business shall be considered at these meetings.

The written notice may be dispensed with as to any member of the Governing Board who at or prior to the time a special meeting convenes files a written waiver of the notice with the District Executive Office. The waiver may be given by e-mail, telegram, facsimile or any other method of written communication. A written notice may also be dispensed with as to any member who is actually present at the meeting at the time it convenes.

The notice and a written agenda shall be posted at least twenty-four (24) hours prior to the special meeting in a location that is freely accessible to members of the public and on the District's website.

#### **E. Study Sessions.**

The Governing Board may meet in a study session on the day of the regular Governing Board meeting at the hour of 10:00 a.m. in the board chambers or at such other time or place as may be designated by the Governing Board for the purpose of hearing reports from the staff, reviewing, discussing and debating matters of interest to the District. Such sessions shall be open to the public. No official action shall be taken at a study session; provided, however, that nothing herein shall be deemed to prevent the taking of an informal vote on any matter under discussion.

An agenda shall be prepared and posted at least seventy-two (72) hours prior to the study session in a location that is freely accessible to members of the public and on the District's website.

#### **F. Meeting to be Public - Except for Closed Sessions.**

All regular and special meetings of the Governing Board shall be public. Public comment will be received on agenda items at the time of hearing that item. Public comment on items not on the agenda will be heard during the designated public comment period.

The Governing Board may hold closed sessions during a regular or special meeting from which the public may be excluded for the purpose of considering the matters which are properly the subject of such sessions pursuant to law, including but not limited to those matters referred to in Government Code §§54954.5, 54956.8, 54956.9, 54956.95, 54957 and/or 54957.6.

No member of the Governing Board, employee of the District, or any other person present during an closed session of the Governing Board shall disclose to any person the content or substance of any discussion which took place during an executive session unless the Governing Board authorizes the disclosure of such information by majority vote.

## **G. Meetings During Declared State of Emergency.**

In the event of a proclaimed State of Emergency, meetings of the Governing Board may be conducted in accordance with an applicable Executive Order as issued by the Governor of California modifying the provisions of the Ralph M. Brown Act and/or the regulations promulgated thereunder. The Governing Board may, by adoption of a Governing Board Policy, specify particular rules and/or procedures necessary to ensure compliance with the provisions of an applicable Executive Order.

Any subsidiary body of the Governing Board or of the District which is subject to the provisions of the Ralph M. Brown Act shall also hold its meetings in compliance with the applicable provisions as modified by such Executive Order.

## **5. Agenda.**

### **A. Agenda Preparation.**

The times for receiving information for the Governing Board agenda and delivery of the agenda shall be established at the direction of the Executive Director/APCO.

The agenda shall be prepared at the direction of the Executive Director/APCO and the Chair of the Governing Board. A brief description shall be provided for each item. Each description shall contain sufficient information regarding the proposed action to allow the general public to determine whether or not to participate. Each agenda produced shall contain a public comment period.

### **B. Agenda Posting.**

Once completed the agenda shall be posted on or before the posting time listed above for the particular type of meeting to be held in a location freely accessible to the general public and on the District's website. The agenda and any backup material shall also be available in the District Offices during District business hours.

### **C. Agenda Distribution.**

The agenda and any backup material shall be distributed to Members of the Governing Board, appropriate District staff and to anyone who has requested to be included on the agenda distribution list within the last calendar year. Such distribution may occur by U.S. mail in hard copy, U.S. mail via electronic media, E-mail and/or E-mail notification of posting on the District's website as specified by the requesting party. If a party fails to specify a delivery modality distribution shall occur via E-mail notification of posting on the District's website.

Persons requesting to be added to the agenda distribution list may specify that they wish to receive only the agenda without the backup documentation. If a person fails to specify then they shall receive the entire agenda including backup documentation.

## **6. Governing Board Correspondence.**

Correspondence addressed to the Governing Board which is received by any officer or employee of the District shall become a public record unless such item is marked “personnel” or “confidential”. Correspondence received by the District after twelve noon the Monday preceding a regular Governing Board meeting need not be placed on the agenda or in the backup documentation unless it concerns a matter to be considered by the Governing Board at the next regular meeting or is determined by the Chair of the Governing Board or the Executive Director/APCO to be an urgent matter which should be brought to the immediate attention of the Governing Board. Correspondence shall not be read aloud at the Governing Board meetings unless requested by a majority vote of the Governing Board.

## **7. Order of Business.**

The order of business of Governing Board meetings shall be established by the Governing Board.

## **8. Unfinished Business.**

Any matter the consideration of which has not been completed and which has not been continued to another date or which has not been removed from the agenda shall be listed for consideration at the next regular meeting of the Governing Board. If a meeting has been canceled or otherwise discontinued due to a lack of a Quorum then all unfinished items on the agenda shall be listed for consideration at the next regular meeting of the Governing Board.

## **9. Preparation of Minutes.**

The minutes shall be prepared at the direction of the Executive Director after the occurrence of the meeting and before the next regularly scheduled meeting. Any changes in the minutes shall be made only by a majority vote of the Governing Board at a meeting in open session.

## **10. Reading of the Minutes.**

Unless the reading of the minutes of the Governing Board meeting is ordered by the majority vote of the Governing Board, such minutes may be approved without reading into the record if a copy has been included in the Agenda as published.

## **11. Presiding Officer.**

**A. Chair as Presiding Officer.** The Chair of the Governing Board shall be the presiding officer at all meetings of the Governing Board.

**B. Presiding Officer in Absence of Chair.** In the absence of the Chair, the Vice-Chair shall preside. In the absence of the Chair and the Vice-Chair, the person performing the functions of the Clerk of the Governing Board shall call the Governing Board to order, whereupon a temporary presiding officer shall be elected by the Governing Board members present to serve until the arrival of the Chair or Vice-Chair or until adjournment. Wherever in this chapter the term “Chair” is used, the term shall apply equally to the presiding officer as defined in this section.

**C. Term of Chair.** Pursuant to the provisions of Health & Safety Code §41221, the Chair shall be elected each year from the membership of the Governing Board and shall serve a term of one (1) year. No member shall serve more than two (2) consecutive terms as Chair. The term of the Chair shall commence on the first regular meeting of the Governing Board in January and shall expire at the first regular meeting of the Governing Board in the subsequent January.

## **12. Powers and Duties of the Presiding Officer.**

**A. Participation.** The presiding officer may move, second, debate and vote from the Chair.

**B. Seating Arrangements for the Governing Board.** The Executive Director in consultation with the presiding officer shall, following each Governing Board member appointment and at such other times as necessary, establish the seating arrangement of the members of the Governing Board

**C. Signing of Documents.** The presiding officer or his or her duly appointed designee shall sign all documents necessitating his or her signature which were adopted in his or her presence unless the action as approved delegates such signature authority to another.

**D. Sworn Testimony.** The presiding officer may, pursuant to statute or other provision of law, require any person addressing the Governing Board to be sworn as a witness and to testify under oath. The presiding officer shall so require if directed to do so by a majority of the Governing Board.

### **E. Appointment of Committees.**

The presiding officer may appoint Ad-Hoc committees so long as such committees are only for a short duration and a specific limited task. Such Ad-Hoc committees are not subject to the provisions of the Ralph M. Brown Act unless and until they are used to the extent and degree that they become Standing Committees.

The presiding officer may recommend members for appointment to Standing Committees. Membership of Standing Committees are approved by action of the Board. Such Standing Committees are subject to the provisions of the Ralph M. Brown Act.

Stipends shall be paid to members serving on committees pursuant to the provisions of Governing Board Policy 06-01. Stipends may only be paid for attendance at committee meetings which occur on a day when the entire Board does not meet. If two or more committees meet on the same day only a single stipend may be paid.

**F. Extraordinary Requests for Assistance by Members.** Members shall address requests for assistance above and beyond the normal measure of assistance provided to permit holders and/or the general public through the presiding officer or the Executive Director/APCO. If such request for assistance is unduly burdensome in terms of staff time or monetary expenditure the Executive Director/APCO shall cause the request to be placed on the next agenda for discussion and action by the Governing Board.

### **13. Rules of Debate.**

**A. Discussion Procedure.** While discussing any question under consideration by the Governing Board, it shall be the duty of the members thereof to remain seated and address their remarks to the presiding officer and their fellow members. Any remarks or orders to the audience shall be addressed by the presiding officer, or with his or her permission, by members of the Governing Board.

**B. Governing Board Members to Address Chair.** Every Governing Board member desiring to speak shall first address the Chair, gain recognition by the presiding officer and shall confine himself to the question under debate, avoiding personalities and indecorous language.

**C. Questions to Staff.** Every Governing Board member desiring to question the District staff shall, after recognition by the presiding officer, address his or her question to the Executive Director/APCO or counsel, who shall be entitled either to answer the inquiry or to designate a member of the staff for that purpose.

**D. Interruptions.** A Governing Board member, once recognized, shall not be interrupted when speaking unless called to order by the presiding officer, unless a point of order or personal privilege is raised by another Governing Board member, or unless the speaker chooses to yield to a question by another Governing Board member. If a Governing Board member while speaking is called to order, he or she shall cease speaking until the question of order is determined; and if interpreted to be in order, may proceed. Members of the District staff, after recognition by the presiding officer, shall hold the floor until completion of their remarks or until recognition is withdrawn by the presiding officer.



**E. Points of Order.** The presiding officer shall determine all points of order subject to the right of any Governing Board member to appeal to the Governing Board. If an appeal is taken, the question shall be, "Shall the decision of the presiding officer be sustained?" A majority vote shall conclusively determine such question of order.

**F. Point of Personal Privilege.** The right of a Governing Board member to address the Governing Board on a question of personal privilege shall be limited to cases in which his or her integrity, character, or motives are questioned or where the welfare of the Governing Board is concerned. A District Board member raising a point of personal privilege may interrupt another District Board member who has the floor only if the presiding officer recognizes the privilege.

**G. Limitation of Debate.** No Governing Board member shall be allowed to speak more than once upon any particular subject until every other Governing Board member desiring to do so shall have spoken.

**H. Motion to Reconsider.** A motion to reconsider action taken by the Governing Board may be made only on the day the action was taken. It may be made either immediately during the same session, or at a recessed or adjourned session. This motion must be made by a member of the prevailing side, but may be seconded by any member, and may be made at any time. Such a motion will have precedence over all other motions and is debatable. Nothing in these rules prevents a member of the Governing Board from making or remaking the same or any other motion at a subsequent meeting of the Governing Board.

#### **14. Robert's Rules of Order.**

In all matters and things not otherwise provided for in these procedural rules, the proceedings of the Governing Board shall be governed by "Robert's Rules of Order," revised edition. However, no rule, resolution, proceedings or other action of the Governing Board shall be invalidated, or the legality thereof otherwise affected, by the failure or omission to observe or follow said rules.

#### **15. Remarks of Governing Board Members and Synopsis of Debate.**

A Governing Board member may request through the presiding officer the privilege of having an abstract of his or her statements on any subject under consideration by the Governing Board entered into the minutes. If the Governing Board consents thereto, such statements shall be entered into the minutes.

#### **16. Protest Against Governing Board Action.**

Any Governing Board member dissenting from or stating his or her protest against any action of the Governing Board may have his or her reasons for such dissent or protest entered into the minutes. Such reasons shall be entered into the minutes upon the request of any Governing Board member.

## **17. Addressing the Governing Board.**

**A. Manner of Addressing Governing Board.** Each person desiring to address the Governing Board shall step up to the microphone, state his or her name and address for the record, state the agenda item he or she wishes to discuss and state whom he or she is representing, if he or she is representing an organization or other persons. Unless further time is granted by the presiding officer or a majority vote of the Governing Board, the speaker shall limit his or her remarks to three (3) minutes. A person speaking may provide written testimony to be submitted as part of the official record. All remarks shall be addressed to the Governing Board as a whole and not to any member thereof and no questions shall be asked of a Governing Board member or a member of the District staff or member of the audience without permission of the presiding officer. Any person desiring to address the Governing Board may present his or her request in the form of a “comment card,” during the time set aside in the agenda for public comments, or at the time set forth for the hearing of the item to which the comment relates.

**B. Speaker for Group of Persons.** Whenever any group of persons wishes to address the Governing Board on the same subject matter and expressing the same point of view, the presiding officer may request that a speaker be chosen by the group to address the Governing Board. Absent a special determination by the presiding officer or upon vote of the Governing Board as a whole to grant extra time to speak, such speaker shall limit his or her remarks to three (3) minutes. If additional matters are to be presented by any other member of the group other than the designated speaker, the presiding officer may ask the group to limit the number of such persons addressing the Governing Board.

**C. After a Motion.** After a motion has been made or a public hearing has been closed, no member of the public shall address the Governing on the matter under consideration without first getting permission to do so by the presiding officer or a majority vote of the Governing Board.

## **18. Rules of Decorum.**

**A. Governing Board Members.** While the Governing Board is in session, the members must preserve order and decorum; and the members shall neither by conversation or otherwise delay or interrupt the proceedings or the peace of the Governing Board nor disturb any member while speaking or refuse to obey the orders of the presiding officer.

**B. Employees.** Members of the District staff and independent contractors shall observe the same rules of order and decorum as are applicable to the Governing Board.

**C. Persons Addressing the Governing Board.** Any person making impertinent, slanderous or profane remarks or who has become boisterous while addressing the Governing Board, shall be called to order by the presiding officer; and if such conduct continues, may at the discretion of the presiding officer, be barred from further audience before the Governing Board during that meeting and may be ordered removed from the premises.

**D. Persons Authorized to be on the Dias.** No person except members of the Governing Board and members of the District staff shall be permitted to be on the Dias without the consent of the presiding officer.

### **19. Motions - Second Required.**

A motion by any member of the Governing Board including the presiding officer may not be considered by the Governing Board without receiving a second.

### **20. Disqualification for Conflict of Interest.**

Any Governing Board member who is disqualified from voting on a particular matter by a reason of a conflict of interest shall publicly state or have the presiding officer state the nature of such disqualification in open meeting. Where no clearly disqualifying conflict of interest appears, the matter of disqualification may, at the request of the Governing Board member affected, be decided by the other Governing Board members upon advice of counsel. Upon disqualification, the disqualified Governing Board member shall remove him or herself from the room until after the item has been acted upon. In the event that a disqualified Governing Board member is authorized pursuant to state law and wishes to testify to the subject, he or she shall follow the same rules as a member of the general public present at the meeting.

### **21. Majority and Quorum.**

**A. Quorum.** Except as provided in subdivision (B) herein, a majority of the Governing Board as duly sworn into membership shall constitute a quorum, and no official action shall be taken by the Governing Board except in the presence of a quorum.

**B. Quorum When Positions are Vacant.** Whenever there are one or more vacancies on the Governing Board, the vacant positions shall not be counted toward the number of members required for a quorum or for official action by the Governing Board.

**C. Full Board Majority Vote Required.** The affirmative votes of a majority of the Governing Board as duly sworn into membership, as opposed to a majority of members present at a particular meeting, shall be required to take official action on items relating to the following whether in closed session or not:

- i. Pending litigation,

- ii. Actions regarding the employment or dismissal of the Executive Director/APCO including but not limited to disciplinary actions if any, or
- iii. Annual District budget.

**D. Majority Vote Required.** Except as provided in subdivision (C) herein, the affirmative votes of a majority of those present shall be required to take official action on all items provided a quorum is present.

## **22. Effect of Abstention or Silence.**

Every Governing Board member, unless disqualified by reason of conflict of interest, who abstains from voting in effect consents that a majority of the Governing Board may decide the question voted upon, and his or her abstention shall be counted as concurrent with the majority vote. Unless a member of the Governing Board states that he or she is abstaining, his or her silence shall be recorded as an affirmative vote.

## **23. Tie Votes.**

Tie votes shall be lost motions.

## **24. Changing Vote.**

A Governing Board member may change his or her vote only if he or she makes a timely request to do so immediately following the announcement of the vote by the Clerk of the Governing Board prior to the time of the next item. Prior to the time that the next item in the order of business is taken up, a Governing Board member who publicly announces that he or she is abstaining from voting on a particular matter shall not subsequently be allowed to withdraw his or her abstention.

## **25. Rules, Regulations, Resolutions, and Contracts.**

**A. Prior Approval by Administrative Staff.** All rules, regulations, resolutions and contract documents shall, before presentation to the Governing Board, have been approved as to legal form by the counsel and shall have been examined by the Executive Director/APCO and/or authorized representative.

**B. Reading of Rule, Regulations and Resolutions.** At the time of the adoption or amendment of a rule or regulation, the resolution accompanying the rule or regulation shall be read in full unless reading thereof is waived by the Governing Board members present. In such case only the title of the Resolution will be read. Consent to waive further reading may be expressed by statement by the presiding officer or inclusion of such a statement in the documentation provided with the agenda. If any Governing Board member so requests, the resolution may be read in full upon concurrence of a majority of the members.

**Revision History:** Amended: June 24, 2019; Amended: March 25, 2013; Amended: January 23, 2012; Amended: January 24, 2011; Amended: January 28, 2008; Amended: April 26, 1999; Amended: June 22, 1998; Amended: September 22, 1997; Amended: January 27, 1997; Amended: November 26, 1996; Amended: September 25, 1995; Amended: July 29, 1993; Adopted: July 1, 1993

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# Governing Board Procedural Rules

Amended ~~June 24, 2019~~ February 22, 2020

(For related statutory provisions see  
Health & Safety Code §§41200 et seq,  
40170, 40712 and Government Code §§54950 et seq.)

**Mojave Desert  
Air Quality  
Management District**

14306 Park Avenue  
Victorville, CA 92392-2310  
760.245.1661 • Fax 760.245.2022

[www.MDAQMD.ca.gov](http://www.MDAQMD.ca.gov) • @MDAQMD

~~Jeff Williams~~ Merle Abel  
Chair of the Governing Board

Brad Poiriez  
Executive Director/APCO

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**MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
GOVERNING BOARD PROCEDURAL RULES**

**1. Board Chambers.**

The meeting place of the Mojave Desert Air Quality Management District Governing Board shall be the board chambers located at 14306 Park Ave., Victorville, California, and all meetings of the Governing Board shall be held therein, unless duly adjourned to another location.

**2. District Offices - Address.**

The offices of all departments, officers and employees of the District shall be located at the Mojave Desert Air Quality Management District offices, 14306 Park Ave., Victorville, California.

**3. District Offices - Holidays - Hours.**

The District offices shall be closed on all official holidays or other closure days as established in the District's Personnel Policies and Procedures (PPP); Memorandum of Understanding (MOU) and/or Exempt Compensation Plan (ECP). Every Saturday and Sunday are holidays in respect to the transaction of business in such District offices. Said District offices shall be open to the public for business as specified by the Executive Director/Air Pollution Control Officer (APCO) and as dictated by business needs on all other days of the year.

**4. Meetings.**

**A. Compliance with the Ralph M. Brown Act.**

To ensure that the deliberations and actions of the Governing Board are conducted openly and to ensure meaningful public participation, all meetings of the Governing Board shall be held in compliance with the provisions of the Ralph M. Brown Act (Government Code §§ 54950 et. seq.) and the guidelines promulgated thereunder (14 Cal. Code Regs §§15000 et. seq).

Any subsidiary body of the Governing Board or of the District which is subject to the provisions of the Ralph M. Brown Act shall also hold its meetings in compliance with its provisions.

**B. Attendance at Meetings via Video or Teleconference.**

Governing Board members may request attendance via video or teleconference. The Chair may approve such request so long as the following are provided:

- i. The proposed meeting location is freely accessible to the public including but not limited to ADA accessibility;
- ii. Notice is properly given and will be properly posted at the proposed meeting location;
- iii. All items acted upon at a meeting where video or teleconferencing takes place will be conducted by roll call vote;
- iv. Adequate technological capacity is available at the proposed meeting site as shown by pre-meeting testing and on-site technical support is available before and during the meeting.

Members may attend but not vote from a location which has not been properly noticed but meets the other requirements above. In no case may a member attend from a non-public location.

Members may attend from a location outside the boundaries of the District so long as the above requirements are met and a quorum of Governing Board members are not physically located outside the District.

### **C. Regular Meetings or Workshop Meetings.**

Regular meetings of the Governing Board shall be held on the fourth Monday of each month at 10:00 a.m. The Executive Director/APCO, with the advice and consent of the Chair, may schedule a workshop meeting in lieu of a regular meeting. For the purpose of this paragraph a workshop meeting is defined as a study session where no business is transacted. In the event that a regular meeting or workshop meeting falls on a holiday, the meeting may be held another day which is not a holiday, unless canceled or adjourned to a different time.

An agenda shall be prepared and posted at least seventy-two (72) hours prior to the meeting in a location that is freely accessible to members of the public and on the District's website.

### **D. Special Meetings.**

A special meeting of the Governing Board may be called at any time by the Chair of the Governing Board or by a majority of the members of the Governing Board, by delivering personally or by United States mail written notice of the meeting to each member of the Governing Board and to each newspaper, radio or television station which has requested notice of meetings in writing. The notice shall be delivered personally or by United States mail and shall be received by the member of the Governing Board at least twenty-four (24) hours before the time of the meeting as specified in the notice. The notice shall specify the time and place of the special meeting and the business to be transacted or discussed. No other business shall be considered at these meetings.

The written notice may be dispensed with as to any member of the Governing Board who at or prior to the time a special meeting convenes files a written waiver of the notice with the District Executive Office. The waiver may be given by e-mail, telegram, facsimile or any other method of written communication. A written notice may also be dispensed with as to any member who is actually present at the meeting at the time it convenes.

The notice and a written agenda shall be posted at least twenty-four (24) hours prior to the special meeting in a location that is freely accessible to members of the public and on the District's website.

#### **E. Study Sessions.**

The Governing Board may meet in a study session on the day of the regular Governing Board meeting at the hour of 10:00 a.m. in the board chambers or at such other time or place as may be designated by the Governing Board for the purpose of hearing reports from the staff, reviewing, discussing and debating matters of interest to the District. Such sessions shall be open to the public. No official action shall be taken at a study session; provided, however, that nothing herein shall be deemed to prevent the taking of an informal vote on any matter under discussion.

An agenda shall be prepared and posted at least seventy-two (72) hours prior to the study session in a location that is freely accessible to members of the public and on the District's website.

#### **F. Meeting to be Public - Except for Closed Sessions.**

All regular and special meetings of the Governing Board shall be public. Public comment will be received on agenda items at the time of hearing that item. Public comment on items not on the agenda will be heard during the designated public comment period.

The Governing Board may hold closed sessions during a regular or special meeting from which the public may be excluded for the purpose of considering the matters which are properly the subject of such sessions pursuant to law, including but not limited to those matters referred to in Government Code §§54954.5, 54956.8, 54956.9, 54956.95, 54957 and/or 54957.6.

No member of the Governing Board, employee of the District, or any other person present during an closed session of the Governing Board shall disclose to any person the content or substance of any discussion which took place during an executive session unless the Governing Board authorizes the disclosure of such information by majority vote.

## **G. Meetings During Declared State of Emergency.**

In the event of a proclaimed State of Emergency, meetings of the Governing Board shall may be conducted in accordance with an applicable Executive Order as issued by the Governor of California modifying the provisions of the Ralph M. Brown Act and/or the regulations promulgated thereunder. The Governing Board may, by adoption of a Governing Board Policy, specify particular rules and/or procedures necessary to ensure compliance with the provisions of an applicable Executive Order.

Any subsidiary body of the Governing Board or of the District which is subject to the provisions of the Ralph M. Brown Act shall also hold its meetings in compliance with the applicable provisions as modified by such Executive Order.

## **5. Agenda.**

### **A. Agenda Preparation.**

The times for receiving information for the Governing Board agenda and delivery of the agenda shall be established at the direction of the Executive Director/APCO.

The agenda shall be prepared at the direction of the Executive Director/APCO and the Chair of the Governing Board. A brief description shall be provided for each item. Each description shall contain sufficient information regarding the proposed action to allow the general public to determine whether or not to participate. Each agenda produced shall contain a public comment period.

### **B. Agenda Posting.**

Once completed the agenda shall be posted on or before the posting time listed above for the particular type of meeting to be held in a location freely accessible to the general public and on the District's website. The agenda and any backup material shall also be available in the District Offices during District business hours.

### **C. Agenda Distribution.**

The agenda and any backup material shall be distributed to Members of the Governing Board, appropriate District staff and to anyone who has requested to be included on the agenda distribution list within the last calendar year. Such distribution may occur by U.S. mail in hard copy, U.S. mail via electronic media, E-mail and/or E-mail notification of posting on the District's website as specified by the requesting party. If a party fails to specify a delivery modality distribution shall occur via E-mail notification of posting on the District's website.



Persons requesting to be added to the agenda distribution list may specify that they wish to receive only the agenda without the backup documentation. If a person fails to specify then they shall receive the entire agenda including backup documentation.

## **6. Governing Board Correspondence.**

Correspondence addressed to the Governing Board which is received by any officer or employee of the District shall become a public record unless such item is marked “personnel” or “confidential”. Correspondence received by the District after twelve noon the Monday preceding a regular Governing Board meeting need not be placed on the agenda or in the backup documentation unless it concerns a matter to be considered by the Governing Board at the next regular meeting or is determined by the Chair of the Governing Board or the Executive Director/APCO to be an urgent matter which should be brought to the immediate attention of the Governing Board. Correspondence shall not be read aloud at the Governing Board meetings unless requested by a majority vote of the Governing Board.

## **7. Order of Business.**

The order of business of Governing Board meetings shall be established by the Governing Board.

## **8. Unfinished Business.**

Any matter the consideration of which has not been completed and which has not been continued to another date or which has not been removed from the agenda shall be listed for consideration at the next regular meeting of the Governing Board. If a meeting has been canceled or otherwise discontinued due to a lack of a Quorum then all unfinished items on the agenda shall be listed for consideration at the next regular meeting of the Governing Board.

## **9. Preparation of Minutes.**

The minutes shall be prepared at the direction of the Executive -Director after the occurrence of the meeting and before the next regularly scheduled meeting. Any changes in the minutes shall be made only by a majority vote of the Governing Board at a meeting in open session.

## **10. Reading of the Minutes.**

Unless the reading of the minutes of the Governing Board meeting is ordered by the majority vote of the Governing Board, such minutes may be approved without reading into the record if a copy has been included in the Agenda as published.

## 11. Presiding Officer.

**A. Chair as Presiding Officer.** The Chair of the Governing Board shall be the presiding officer at all meetings of the Governing Board.

**B. Presiding Officer in Absence of Chair.** In the absence of the Chair, the Vice-Chair shall preside. In the absence of the Chair and the Vice-Chair, the person performing the functions of the Clerk of the Governing Board shall call the Governing Board to order, whereupon a temporary presiding officer shall be elected by the Governing Board members present to serve until the arrival of the Chair or Vice-Chair or until adjournment. Wherever in this chapter the term “Chair” is used, the term shall apply equally to the presiding officer as defined in this section.

**C. Term of Chair.** Pursuant to the provisions of Health & Safety Code §41221, the Chair shall be elected each year from the membership of the Governing Board and shall serve a term of one (1) year. No member shall serve more than two (2) consecutive terms as Chair. The term of the Chair shall commence on the first regular meeting of the Governing Board in January and shall expire at the first regular meeting of the Governing Board in the subsequent January.

## 12. Powers and Duties of the Presiding Officer.

**A. Participation.** The presiding officer may move, second, debate and vote from the Chair.

**B. Seating Arrangements for the Governing Board.** The Executive Director in consultation with the presiding officer shall, following each Governing Board member appointment and at such other times as necessary, establish the seating arrangement of the members of the Governing Board

**C. Signing of Documents.** The presiding officer or his or her duly appointed designee shall sign all documents necessitating his or her signature which were adopted in his or her presence unless the action as approved delegates such signature authority to another.

**D. Sworn Testimony.** The presiding officer may, pursuant to statute or other provision of law, require any person addressing the Governing Board to be sworn as a witness and to testify under oath. The presiding officer shall so require if directed to do so by a majority of the Governing Board.

### **E. Appointment of Committees.**

The presiding officer may appoint Ad-Hoc committees so long as such committees are only for a short duration and a specific limited task. Such Ad-Hoc committees are not subject

to the provisions of the Ralph M. Brown Act unless and until they are used to the extent and degree that they become Standing Committees.

The presiding officer may recommend members for appointment to Standing Committees. Membership of Standing Committees are approved by action of the Board. Such Standing Committees are subject to the provisions of the Ralph M. Brown Act.

Stipends shall be paid to members serving on committees pursuant to the provisions of Governing Board Policy 06-01. Stipends may only be paid for attendance at committee meetings which occur on a day when the entire Board does not meet. If two or more committees meet on the same day only a single stipend may be paid.

**F. Extraordinary Requests for Assistance by Members.** Members shall address requests for assistance above and beyond the normal measure of assistance provided to permit holders and/or the general public through the presiding officer or the Executive Director/APCO. If such request for assistance is unduly burdensome in terms of staff time or monetary expenditure the Executive Director/APCO shall cause the request to be placed on the next agenda for discussion and action by the Governing Board.

### **13. Rules of Debate.**

**A. Discussion Procedure.** While discussing any question under consideration by the Governing Board, it shall be the duty of the members thereof to remain seated and address their remarks to the presiding officer and their fellow members. Any remarks or orders to the audience shall be addressed by the presiding officer, or with his or her permission, by members of the Governing Board.

**B. Governing Board Members to Address Chair.** Every Governing Board member desiring to speak shall first address the Chair, gain recognition by the presiding officer and shall confine himself to the question under debate, avoiding personalities and indecorous language.

**C. Questions to Staff.** Every Governing Board member desiring to question the District staff shall, after recognition by the presiding officer, address his or her question to the Executive Director/APCO or counsel, who shall be entitled either to answer the inquiry or to designate a member of the staff for that purpose.

**D. Interruptions.** A Governing Board member, once recognized, shall not be interrupted when speaking unless called to order by the presiding officer, unless a point of order or personal privilege is raised by another Governing Board member, or unless the speaker chooses to yield to a question by another Governing Board member. If a Governing Board member while speaking is called to order, he or she shall cease speaking until the question of order is determined; and if interpreted to be in order, may proceed. Members of the District staff, after recognition by the presiding officer, shall hold the floor until completion of their remarks or until recognition is withdrawn by the presiding officer.

**E. Points of Order.** The presiding officer shall determine all points of order subject to the right of any Governing Board member to appeal to the Governing Board. If an appeal is taken, the question shall be, "Shall the decision of the presiding officer be sustained?" A majority vote shall conclusively determine such question of order.

**F. Point of Personal Privilege.** The right of a Governing Board member to address the Governing Board on a question of personal privilege shall be limited to cases in which his or her integrity, character, or motives are questioned or where the welfare of the Governing Board is concerned. A District Board member raising a point of personal privilege may interrupt another District Board member who has the floor only if the presiding officer recognizes the privilege.

**G. Limitation of Debate.** No Governing Board member shall be allowed to speak more than once upon any particular subject until every other Governing Board member desiring to do so shall have spoken.

**H. Motion to Reconsider.** A motion to reconsider action taken by the Governing Board may be made only on the day the action was taken. It may be made either immediately during the same session, or at a recessed or adjourned session. This motion must be made by a member of the prevailing side, but may be seconded by any member, and may be made at any time. Such a motion will have precedence over all other motions and is debatable. Nothing in these rules prevents a member of the Governing Board from making or remaking the same or any other motion at a subsequent meeting of the Governing Board.

#### **14. Robert's Rules of Order.**

In all matters and things not otherwise provided for in these procedural rules, the proceedings of the Governing Board shall be governed by "Robert's Rules of Order," revised edition. However, no rule, resolution, proceedings or other action of the Governing Board shall be invalidated, or the legality thereof otherwise affected, by the failure or omission to observe or follow said rules.

## **15. Remarks of Governing Board Members and Synopsis of Debate.**

A Governing Board member may request through the presiding officer the privilege of having an abstract of his or her statements on any subject under consideration by the Governing Board entered into the minutes. If the Governing Board consents thereto, such statements shall be entered into the minutes.

## **16. Protest Against Governing Board Action.**

Any Governing Board member dissenting from or stating his or her protest against any action of the Governing Board may have his or her reasons for such dissent or protest entered into the minutes. Such reasons shall be entered into the minutes upon the request of any Governing Board member.

## **17. Addressing the Governing Board.**

**A. Manner of Addressing Governing Board.** Each person desiring to address the Governing Board shall step up to the microphone, state his or her name and address for the record, state the agenda item he or she wishes to discuss and state whom he or she is representing, if he or she is representing an organization or other persons. Unless further time is granted by the presiding officer or a majority vote of the Governing Board, the speaker shall limit his or her remarks to three (3) minutes. A person speaking may provide written testimony to be submitted as part of the official record. All remarks shall be addressed to the Governing Board as a whole and not to any member thereof and no questions shall be asked of a Governing Board member or a member of the District staff or member of the audience without permission of the presiding officer. Any person desiring to address the Governing Board may present his or her request in the form of a “comment card,” during the time set aside in the agenda for public comments, or at the time set forth for the hearing of the item to which the comment relates.

**B. Speaker for Group of Persons.** Whenever any group of persons wishes to address the Governing Board on the same subject matter and expressing the same point of view, the presiding officer may request that a speaker be chosen by the group to address the Governing Board. Absent a special determination by the presiding officer or upon vote of the Governing Board as a whole to grant extra time to speak, such speaker shall limit his or her remarks to three (3) minutes. If additional matters are to be presented by any other member of the group other than the designated speaker, the presiding officer may ask the group to limit the number of such persons addressing the Governing Board.

**C. After a Motion.** After a motion has been made or a public hearing has been closed, no member of the public shall address the Governing on the matter under consideration without first getting permission to do so by the presiding officer or a majority vote of the Governing Board.

## **18. Rules of Decorum.**

**A. Governing Board Members.** While the Governing Board is in session, the members must preserve order and decorum; and the members shall neither by conversation or otherwise delay or interrupt the proceedings or the peace of the Governing Board nor disturb any member while speaking or refuse to obey the orders of the presiding officer.

**B. Employees.** Members of the District staff and independent contractors shall observe the same rules of order and decorum as are applicable to the Governing Board.

**C. Persons Addressing the Governing Board.** Any person making impertinent, slanderous or profane remarks or who has become boisterous while addressing the Governing Board, shall be called to order by the presiding officer; and if such conduct continues, may at the discretion of the presiding officer, be barred from further audience before the Governing Board during that meeting and may be ordered removed from the premises.

**D. Persons Authorized to be on the Dias.** No person except members of the Governing Board and members of the District staff shall be permitted to be on the Dias without the consent of the presiding officer.

## **19. Motions - Second Required.**

A motion by any member of the Governing Board including the presiding officer may not be considered by the Governing Board without receiving a second.

## **20. Disqualification for Conflict of Interest.**

Any Governing Board member who is disqualified from voting on a particular matter by a reason of a conflict of interest shall publicly state or have the presiding officer state the nature of such disqualification in open meeting. Where no clearly disqualifying conflict of interest appears, the matter of disqualification may, at the request of the Governing Board member affected, be decided by the other Governing Board members upon advice of counsel. Upon disqualification, the disqualified Governing Board member shall remove him or herself from the room until after the item has been acted upon. In the event that a disqualified Governing Board member is authorized pursuant to state law and wishes to testify to the subject, he or she shall follow the same rules as a member of the general public present at the meeting.

## 21. Majority and Quorum.

**A. Quorum.** Except as provided in subdivision (B) herein, a majority of the Governing Board as duly sworn into membership shall constitute a quorum, and no official action shall be taken by the Governing Board except in the presence of a quorum.

**B. Quorum When Positions are Vacant.** Whenever there are one or more vacancies on the Governing Board, the vacant positions shall not be counted toward the number of members required for a quorum or for official action by the Governing Board.

**C. Full Board Majority Vote Required.** The affirmative votes of a majority of the Governing Board as duly sworn into membership, as opposed to a majority of members present at a particular meeting, shall be required to take official action on items relating to the following whether in closed session or not:

- i. Pending litigation,
- ii. Actions regarding the employment or dismissal of the Executive Director/APCO including but not limited to disciplinary actions if any, or
- iii. Annual District budget.

**D. Majority Vote Required.** Except as provided in subdivision (C) herein, the affirmative votes of a majority of those present shall be required to take official action on all items provided a quorum is present.

## 22. Effect of Abstention or Silence.

Every Governing Board member, unless disqualified by reason of conflict of interest, who abstains from voting in effect consents that a majority of the Governing Board may decide the question voted upon, and his or her abstention shall be counted as concurrent with the majority vote. Unless a member of the Governing Board states that he or she is abstaining, his or her silence shall be recorded as an affirmative vote.

## 23. Tie Votes.

Tie votes shall be lost motions.

## 24. Changing Vote.

A Governing Board member may change his or her vote only if he or she makes a timely request to do so immediately following the announcement of the vote by the Clerk of the Governing Board prior to the time of the next item. Prior to the time that the next item in the order of business is taken up, a Governing Board member who publicly announces that he or she is abstaining from voting on a particular matter shall not subsequently be allowed to withdraw his or her abstention.

## 25. Rules, Regulations, Resolutions, and Contracts.

**A. Prior Approval by Administrative Staff.** All rules, regulations, resolutions and contract documents shall, before presentation to the Governing Board, have been approved as to legal form by the counsel and shall have been examined by the Executive Director/APCO and/or authorized representative.

**B. Reading of Rule, Regulations and Resolutions.** At the time of the adoption or amendment of a rule or regulation, the resolution accompanying the rule or regulation shall be read in full unless reading thereof is waived by the Governing Board members present. In such case only the title of the Resolution will be read. Consent to waive further reading may be expressed by statement by the presiding officer or inclusion of such a statement in the documentation provided with the agenda. If any Governing Board member so requests, the resolution may be read in full upon concurrence of a majority of the members.

**Revision History:** Amended: June 24, 2019; Amended: March 25, 2013; Amended: January 23, 2012; Amended: January 24, 2011; Amended: January 28, 2008; Amended: April 26, 1999; Amended: June 22, 1998; Amended: September 22, 1997; Amended: January 27, 1997; Amended: November 26, 1996; Amended: September 25, 1995; Amended: July 29, 1993; Adopted: July 1, 1993



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The following page(s) contain the backup material for Agenda Item: [Authorize surplus of District-owned capital equipment and disposal as indicated; receive and file the Executive Director's report of surplus and disposal for non-capital items. Presenter: Trevor Samorajski, Systems Administrator I.](#)

Please scroll down to view the backup material.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #4*

**DATE:** February 22, 2021

**RECOMMENDATION:** Authorize surplus of District-owned capital equipment and disposal as indicated; receive and file the Executive Director's report of surplus and disposal for non-capital items.

**SUMMARY:** This will authorize the surplus of District-owned capital equipment and disposal as indicated and advise the Governing Board that the District property listed below has been replaced, and/or is no longer in service for the District. The Executive Director/APCO declared the following property surplus and disposed it, or will dispose it as indicated.

**BACKGROUND:** The property referenced in Exhibit 1 has concluded its usefulness, has been replaced, or is no longer serviceable.

**REASON FOR RECOMMENDATION:** The Governing Board has delegated the authority to the Executive Director/APCO in Governing Board Policy 94-1 to declare and dispose of surplus property belonging to the District with periodic notification to the Governing Board.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form and by Brad Poiriez, Executive Director/APCO on or about February 8, 2021.

**FINANCIAL DATA:** No increase in appropriation is required.

**PRESENTER:** Trevor Samorajski, Systems Administrator I

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**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #4*

**PAGE 2**

**Exhibit 1**

- **Computer and other equipment:** Description:

SunFire X4150 Server, SN: 0937QAR00E, Asset ID: 375;  
SunFire X4150 Server, SN: 0936QARAEC, Asset ID: 379;  
Kenwood VR-6050 Home Theater Receiver, SN: 21000279;  
HP ProBook 450 G4 Laptop, 5CD720BZFZ;  
APC Smart-UPS 1000, SN: AS1130231472;  
HP Probook 4520s Laptop; SN: 2CE0470SC9;  
HP Probook 4520s Laptop; SN: 2CE0470S33;  
Dell Latitude D630 Laptop; SN FZ71XG1, Asset ID: 346;  
Dell Latitude E6410 Laptop; SN: 7Y5MQM1;

as well as misc. keyboards, mice, cables and screens, etc. The referenced equipment has exceeded its useful life and has been replaced or removed from service. Equipment that remains useful was or will be put up for auction. Unsold or broken equipment was or will be properly disposed (e-waste).

- **Furniture and office equipment:** Description:

Metal Desk Cabinets (Quantity: 2);  
Table Truck Carts (Quantity: 2);  
Metal Cabinet with adjustable shelves;  
Padding Press, Asset ID: 928;  
Pentax 35mm SLR Camera.

Chairs and miscellaneous (accessories) items are usually non capital items. Such items have been replaced, are broken and/or have expired their useful life. These items have or will be disposed of by auction, donation to school district, thrift store (Goodwill), or appropriate disposal site.

The following page(s) contain the backup material for Agenda Item: [Ratify the Board Chair's appointment of members to serve on the Budget Committee and the Personnel Committee for calendar year 2021. Presenter: Brad Poiriez, Executive Director/APCO.](#) Please scroll down to view the backup material.



**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #5*

**DATE:** February 22, 2021

**RECOMMENDATION:** Ratify the Board Chair’s appointment of members to serve on the Budget Committee and the Personnel Committee for calendar year 2021.

**SUMMARY:** This item appoints committee members for the Budget Committee in preparation of the budget for FY 2021-22, and the Personnel Committee for personnel matters during the year including the performance evaluation of the Executive Director/APCO; and designates officers from the Governing Board as committee chairs.

**BACKGROUND:** The following Board members have agreed to serve on these committees:

Budget Committee

1. Keri Leon, *Board Vice Chair*
2. Dawn Rowe
3. Elizabeth Bacerra

Personnel Committee

1. Merl Able, *Board Chair*
2. Barbara Riordan
3. Jeff Williams

**REASON FOR RECOMMENDATION:** The Governing Board Chair appoints members to serve on Board committees subject to ratification of the Governing Board.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form and by Brad Poiriez, Executive Director/APCO, on or about February 3, 2021.

**FINANCIAL DATA:** Any costs that may be incurred during the scheduled meetings are included in the budgets for FY 21.

**PRESENTER:** Brad Poiriez, Executive Director/APCO, on behalf of the Governing Board Chair.

The following page(s) contain the backup material for Agenda Item: [Adopt a budget schedule for FY 21-2022](#). Presenter: [Laquita Cole, Finance Manager](#).  
Please scroll down to view the backup material.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #6*

**DATE:** February 22, 2021

**RECOMMENDATION:** Adopt a budget schedule for FY 21-2022.

**SUMMARY:** The budget schedule is prepared to ensure timely delivery and adoption of the District's annual fiscal budget.

**BACKGROUND:** Annually staff proposes a schedule of the tasks required to prepare and present the annual fiscal budget for public comment and adoption by the Governing Board.

*April 26, 2021* Budget Committee reviews the proposed budget and staff recommendations; committee meets as needed.

*May 13, 2021* The MDAQMD proposed budget will be published and permit holders notified via mailing.

*June 14, 2021* Public Hearing – The Governing Board will meet for budget workshop and opportunity for public comment on the proposed budget.  
*\*\*Note the extra meeting in June*

*June 28, 2021* The Budget for *FY 21-2022* will be presented for final adoption.

**REASON FOR RECOMMENDATION:** This notice is provided for information and planning purposes. Adjustments or modifications by the Governing Board made at the time of the meeting will be implemented by staff.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form and by Brad Poiriez, Executive Director/APCO, on or about February 3, 2021.

**FINANCIAL DATA:** The budget schedule has no direct fiscal impact; costs associated with related meetings are included in the District's budget.

**PRESENTER:** Laquita Cole, Finance Manager.

The following page(s) contain the backup material for Agenda Item: [Receive and file the Other Post-Employment Benefits \(OPEB\) Report. This item reports the June 30, 2020 Other Post-Employment Benefits \(OPEB\) actuarial valuation of the District's retiree health insurance program. Presenter: Laquita Cole, Finance Manager.](#)  
Please scroll down to view the backup material.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #7*

**DATE:** February 22, 2021

**RECOMMENDATION:** Receive and file.

**SUMMARY:** This item reports the June 30, 2020 Other Post-Employment Benefits (OPEB) actuarial valuation of the District's retiree health insurance program.

**BACKGROUND:** This report presents the results of the June 30, 2020 actuarial valuation and accounting information for reporting of the Mojave Desert Air Quality Management District (the District) other post-employment benefit (OPEB) program. The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2020.

The Governing Board adopted Resolution No. 09-10 establishing an irrevocable trust with the Public Agency Retirement Services (PARS). The District committed \$500,000 for future retiree medical benefits; with trust assets expected to yield 6.3% over the long term. The District has been and continues to prefund a portion of its OPEB liability. Each year the District contributes 100% or more of the Actuarially Determined Contribution for the explicit subsidy liability only. The portion of the liability due to the implicit subsidy is not prefunded.

**REASON FOR RECOMMENDATION:** No action is required, this item is to be received and filed.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form and by Brad Poiriez, Executive Director/APCO on or about February 3, 2021.

**FINANCIAL DATA:** No increase in appropriation is anticipated.

**PRESENTER:** Laquita Cole, Finance Manager

# MacLeod Watts

November 20, 2020

Laquita Cole  
Finance Manager  
Mojave Desert Air Quality Management District  
14306 Park Ave  
Victorville, CA 92392

Re: Mojave Desert Air Quality Management District Post-Employment Benefits  
June 30, 2020 Actuarial Valuation and GASB 75 Report for Fiscal Year Ending June 30, 2020

Dear Ms. Cole:

We are pleased to enclose the results of our June 30, 2020 actuarial valuation and other relevant information regarding the other post-employment benefit (OPEB) liability of the Mojave Desert Air Quality Management District. The primary purposes of this report are to:

- 1) Remeasure plan liabilities as of June 30, 2020, in accordance with GASB 75's biennial valuation requirement,
- 2) Develop Actuarially Determined Contributions levels for prefunding plan benefits, and
- 3) Provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the District's financial statements for the fiscal year ending June 30, 2020.

The results presented are based on the employee data, details on plan benefits, OPEB trust information and retiree benefit payments reported to us by the District for this valuation. As with any analysis, the soundness of the report is dependent on the inputs. Please review our summary of this information to be comfortable that it matches your records.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of District employees who provided valuable time and information to enable us to perform this valuation. Please let us know if we can be of further assistance.

Sincerely,



Catherine L. MacLeod, FSA, FCA, EA, MAAA  
Principal & Consulting Actuary

Enclosure



Mojave Desert  
Air Quality Management District

Actuarial Valuation of Other Post-Employment  
Benefit Programs As of June 30, 2020  
& GASB 75 Report for the Fiscal Year  
Ending June 30, 2020

Submitted November 2020

MacLeod Watts

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## A. Executive Summary

This report presents the results of the June 30, 2020 actuarial valuation of the other post-employment benefit (OPEB) program of the Mojave Desert Air Quality Management District (the District). This report covers liabilities arising from direct (explicit) benefits provided to retired employees and projected implicit subsidies for retirees and/or their dependents arising from their access to the District's medical coverage. The purposes of this valuation are to: 1) summarize the results of the valuation; 2) develop Actuarially Determined Contribution (ADC) levels for prefunding benefits; and 3) provide disclosure information as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2020.

Important background information regarding the valuation process can be found in Addendum 1. We recommend users of the report read this information to familiarize themselves with the process and context of actuarial valuations, including the requirements of GASB 75. The pages following this executive summary present various exhibits and other relevant information appropriate for financial reporting and plan funding.

Absent material changes to this program, the results of the June 30, 2020 valuation may also be applied to prepare the District's GASB 75 report for the fiscal year ending June 30, 2021. If there are any significant changes in the employee population, plan benefits or eligibility, or to the District's funding policy, an earlier valuation might be required or appropriate.

### OPEB Obligations of the District

The District provides continuation of medical coverage to its retiring employees. Access to this coverage may create one or more of the following types of OPEB liabilities:

- **Explicit subsidy liabilities:** An "explicit subsidy" exists when the employer contributes directly toward the cost of retiree healthcare.<sup>1</sup> In this program, the District contributes a portion of medical premiums for qualifying retirees. Details are provided in Supporting Information Section 2A.
- **Implicit subsidy liabilities:** An "implicit subsidy" exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. In the CalPERS medical program, the same monthly premiums are charged for active employees and for pre-Medicare retirees. CalPERS has confirmed that the claims experience of these members is considered together in setting premium rates. We determine the implicit rate subsidy for pre-Medicare retirees as the projected difference between (a) retiree medical claim costs by age and (b) premiums charged for retiree coverage. For more information on this process see Section 3 and Addendum 2: MacLeod Watts Age Rating Methodology.

Different monthly premiums are charged for Medicare-eligible members. CalPERS confirmed that only the claims experience of these members is considered in setting Medicare-eligible premium rates and, therefore, there is no implicit subsidy by active employee premiums. Additionally, we expect any potential implicit subsidy between Medicare-covered retirees within the pool to be paid fully by retirees and not by the District.

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<sup>1</sup> A liability for potential future excise tax liability for "high cost" retiree coverage was included in the prior valuation. However, this provision of the Affordable Care Act was repealed in December 2019, so this liability was eliminated.



## Executive Summary (Continued)

### OPEB Funding Policy

The District's OPEB funding policy affects the calculation of liabilities by impacting the discount rate that is used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO", is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

While the District contributed less than the full ADCs for several years, the District plans to resume contributing 100% or more of the ADC in the future. This includes the fiscal year ended June 30, 2020. With the District's approval and based on projected investment return information provided by PARS, the discount rate used in this valuation is 6.0%, the long term expected return on trust assets. For further discussion, see page 10.

### Actuarial Assumptions

The actuarial "demographic" assumptions (i.e. rates of retirement, death, disability or other termination of employment) used in this report were chosen, for the most part, to be the same as the actuarial demographic assumptions used for the most recent valuation of the retirement plan(s) covering District employees. Other assumptions, such as age-related healthcare claims, healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or our best estimate of expected future experience. All these assumptions, and more, impact expected future benefits. Please note that this valuation has been prepared on a closed group basis. This means that only employees and retirees present as of the valuation date are considered. We do not consider replacement employees for those we project to leave the current population of plan participants until the valuation date following their employment.

We emphasize that this actuarial valuation provides a projection of future results based on many assumptions. Actual results are likely to vary to some extent and we will continue to monitor these assumptions in future valuations. See Section 3 for a description of assumptions used in this valuation.

### Important Dates for GASB 75 in this Report

GASB 75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year. The following dates were used for this report:

Fiscal Year End	June 30, 2020
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020
Valuation Date	June 30, 2020



## Executive Summary

(Concluded)

### Significant Results and Differences from the Prior Valuation

No benefit changes were reported to MacLeod Watts relative to those in place at the time the June 2018 valuation was prepared. We reviewed and updated certain assumptions used to project the OPEB liability. Differences between actual and expected results based on updated census and premium data since June 2018 were also reflected (referred to as “plan experience”). Overall, the Total OPEB Liability on the current measurement date is lower than that reported one year ago.

Section C. June 30, 2020 Valuation Results provides additional information on the impact of the new assumptions and plan experience. Assumption changes are described at the end of Section 3. See *Recognition Period for Deferred Resources* on page 11 for details on how these changes are recognized.

### Impact on Statement of Net Position and OPEB Expense for Fiscal 2020

The plan’s impact to Net Position will be the sum of difference between assets and liabilities as of the measurement date plus the unrecognized net outflows and inflows of resources. Different recognition periods apply to deferred resources depending on their origin. Here is a summary of the impact:

Items	For Reporting At Fiscal Year Ending June 30, 2020	
Total OPEB Liability	\$	1,369,946
Fiduciary Net Position		709,315
Net OPEB Liability (Asset)		660,631
Deferred (Outflows) of Resources		(19,677)
Deferred Inflows of Resources		293,229
Impact on Statement of Net Position	\$	934,183
<b>OPEB Expense, FYE 6/30/2020</b>	<b>\$</b>	<b>61,445</b>

### Important Notices

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the District’s financial statements. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. The District should consult counsel on these matters; MacLeod Watts does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the District consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.



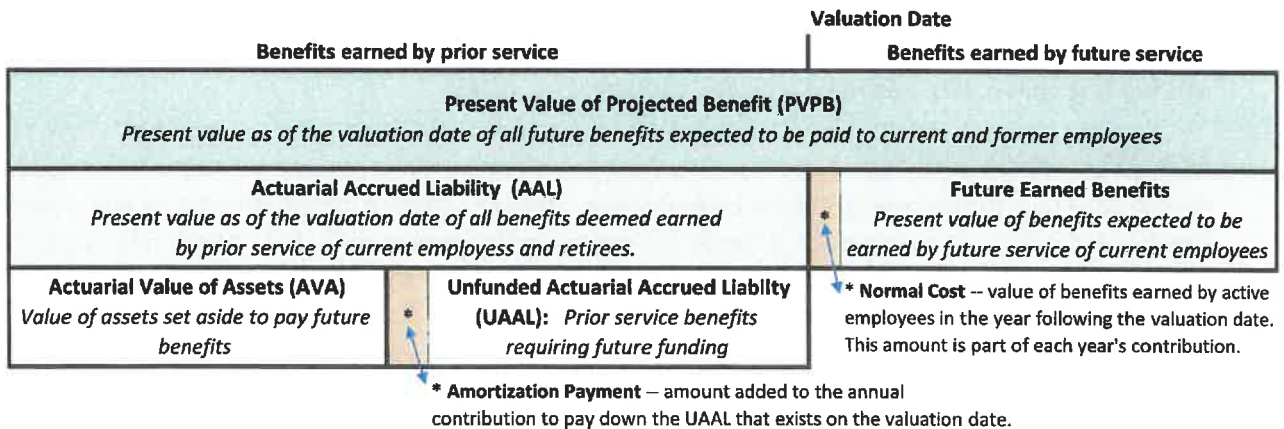
## B. Valuation Process

The June 30, 2020 valuation has been based on employee census data and benefits initially submitted to us by the District and clarified in various related communications. A summary of the employee data is provided in Section 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the District as to its accuracy. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Section 3 and is consistent with our understanding of Actuarial Standards of Practice.

### Projecting Plan Benefits and Liabilities

In projecting benefit values and liabilities, we first determine an expected premium or benefit stream over each current retiree's or active employee's future retirement. Benefits may include both direct employer payments (explicit subsidies) and any implicit subsidies arising when retiree premiums are expected to be partially subsidized by premiums paid for active employees. The projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected dates when benefits will end. We also apply important assumptions regarding the probability that each employee will remain in service to receive benefits, if so, when they will begin, and the likelihood the employee will elect coverage for themselves and their dependents.

We then calculate a present value of these future benefit streams by discounting the value of each future expected employer payment, multiplied by the probability of payment, back to the valuation date using the discount rate. This present value is called the **Present Value of Projected Benefits (PVPB)** and represents the current value of all expected future plan payments to current retirees and current active employees. Note that this long-term projection does not anticipate entry of future employees.



The next step in the valuation process splits the Present Value of Projected Benefits into 1) the value of benefits already earned by *prior service* of current employees and retirees and 2) the value of benefits expected to be earned by *future service* of current employees. Actuaries employ an "attribution method" to divide the PVPB into prior service liabilities and future service liabilities. For this valuation we used the **Entry Age Normal** attribution method. This is the most common method used by public agencies for plan funding and is the only attribution method allowed for financial reporting under GASB 75.





## Valuation Process

(Concluded)

We call the value of benefits deemed earned by prior service the **Actuarial Accrued Liability (AAL)**. Benefits deemed earned by service of active employees in a single year is called the **Normal Cost** of benefits. The present value of all future normal costs (PVFNC) plus the Actuarial Accrued Liability will equal the Present Value of Projected Benefits (i.e.  $PVPB = AAL + PVFNC$ ).

### Incorporating Plan Assets

Funds set aside for future benefits may be considered contributions to an OPEB plan only if the account established for holding the accumulated assets are separate from and independent of the control of the employer and legally protected from its creditors. Furthermore, the sole purpose of the account should be to provide benefits and/or pay expenses of the plan. These conditions generally require the establishment of a legal trust, such as the District's trust account with CERBT.

The District makes regular contributions to the trust to prefund plan benefits. Trust assets and earnings accumulate so that the trust can make benefit payments to retirees or reimburse the District for making those payments directly. The difference between the value of trust assets (i.e. the Market Value of Assets), or a smoothed asset value (i.e. the Actuarial Value of Assets), and the Actuarial Accrued Liability is referred to as the **Unfunded Actuarial Accrued Liability (UAAL)**. The UAAL represents the past service portion of the present value of benefits which remains unfunded as of the valuation date. A plan is generally considered "fully funded" when the UAAL is zero, i.e., when the accumulated prior service costs and plan assets are in equilibrium.

Future District contributions will fund the value of benefits earned by future service of current active employees. Each year's portion of this future benefit cost is called the "normal cost". In addition, future contributions will also fund the remaining unfunded portion of OPEB benefits earned by past service (the UAAL), if any. Various strategies might be employed to pay down the UAAL such as longer or shorter amortization payments, and flat or escalating payments depending on the plan sponsors goals and funding philosophy. Section E provides additional discussion.

### Variation in Future Results

Please note that projections of future benefits over such long periods (frequently 60 or more years) which are dependent on numerous assumptions regarding future economic and demographic variables are subject to revision as future events unfold. While we believe that the assumptions and methods used in this valuation are reasonable for the purposes of this report, the costs to the District reflected in this report may change in the future, perhaps materially. Demonstrating the range of potential future plan costs was beyond the scope of our assignment.

### Terminology

Certain actuarial terms and GASB 75 terms may be used interchangeably. Some are compared below.

#### **Actuarial Funding Terminology**

Present Value of Projected Benefits (PVPB)  
Actuarially Accrued Liability (AAL)  
Market Value of Assets  
Unfunded Actuarially Accrued Liability (UAAL)  
Normal Cost

#### **GASB 75 Terminology**

N/A; typically not reported for accounting purposes  
Total OPEB Liability (TOL)  
Fiduciary Net Position  
Net OPEB Liability  
Service Cost



**C. June 30, 2020 Valuation Results**

This chart compares the results measured as of June 30, 2019, based on the June 30, 2018 valuation, with the results measured as of June 30, 2020, based on the June 30, 2020 actuarial valuation.

Valuation Date	6/30/2018			6/30/2020		
Fiscal Year Ending	6/30/2019			6/30/2021		
Measurement Date	6/30/2019			6/30/2020		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
	6.30%	3.51%		6.00%	6.00%	6.00%
<b>Number of Covered Employees</b>						
Actives	23	23	23	23	23	23
Retirees	16	6	16	15	4	15
Total Participants	39	29	39	38	27	38
<b>Actuarial Present Value of Projected Benefits</b>						
Actives	\$ 760,241	\$ 783,966	\$ 1,544,207	\$ 732,005	\$ 518,650	\$ 1,250,655
Retirees	530,392	138,087	668,479	467,890	105,916	573,806
Total APVPB	1,290,633	922,053	2,212,686	1,199,895	624,566	1,824,461
<b>Total OPEB Liability (TOL)</b>						
Actives	491,496	405,490	896,986	480,459	315,681	796,140
Retirees	530,392	138,087	668,479	467,890	105,916	573,806
TOL	1,021,888	543,577	1,565,465	948,349	421,597	1,369,946
Fiduciary Net Position			663,668			709,315
<b>Net OPEB Liability</b>			901,797			660,631
<b>Service Cost</b>			68,959			53,807
For the period following the measurement date	31,441	37,518	68,959	29,337	24,470	53,807

The ratio of the Fiduciary Net Position (plan assets) to the Total OPEB Liability measured for accounting purposes is 51.8% on June 30, 2020. This is up from 42.4% as of June 30, 2019.

The change in the Total OPEB Liability is discussed on the next page.



**June 30, 2020 Valuation Results**

(Concluded)

*Change in plan assets:* Assets reported as of June 30, 2019 were expected to grow to \$736,195 on June 30, 2020. The actual trust value on that date was \$709,315; this is \$26,880 lower than we projected, the result of lower than expected trust investment earnings.

*Change in TOL:* The TOL decreased by \$195,519 from the TOL on the prior measurement date. We expected an increase of \$70,585 from normal plan operation and the passage of time. Unexpected decreases of \$266,104 account for the remaining difference. Unexpected changes may include:

- *Benefit changes:* No benefit changes were reported since the June 2018 valuation was prepared.
- *Plan experience* includes differences between what was previously assumed and what actually occurred since the prior valuation. The net decrease from plan experience was \$165,623. Two of the most significant causes of this decrease are shown separately below.
- *Changes in actuarial assumptions or methodology:* Changes made are shown below; collectively these assumption changes decreased the TOL by \$100,481. Individual changes are shown below. For more on the assumption changes, see the last page of Supporting Information, Section 3.

This chart reconciles the TOL reported at June 30, 2019 to the TOL to be reported as of June 30, 2020.

<b>Reported Total OPEB Liability at June 30, 2019</b> Measurement Date June 30, 2019	<b>\$ 1,565,465</b>
<b><i>Expected Changes:</i></b>	
Service Cost	68,959
Benefit Payments	(83,170)
Interest Cost	84,796
<b>Total Expected Change</b>	<b>70,585</b>
<b>Expected Total OPEB Liability at June 30, 2020</b> Measurement Date June 30, 2020	<b>\$ 1,636,050</b>
<b><i>Unexpected Changes:</i></b>	
<i>Plan experience</i>	
Turnover other than expected	(63,074)
Premiums other than expected	(58,201)
Other plan experience different than assumed	(44,348)
<i>Assumption changes</i>	
Decrease in PEMHCA minimum increase trend	(57,872)
Change to discount rate	(39,537)
Change in assumed annual salary increases	18,837
Change in mortality improvement scale	(12,287)
Elimination (repeal) of excise tax liability	(11,917)
Change in healthcare trend model	2,295
<b>Total Unexpected Change</b>	<b>(266,104)</b>
<b>Actual Total OPEB Liability at June 30, 2020</b> Measurement Date June 30, 2020	<b>\$ 1,369,946</b>



**D. Accounting Information (GASB 75)**

The following exhibits are designed to satisfy the reporting and disclosure requirements of GASB 75 for the fiscal year end June 30, 2020. The District is classified for GASB 75 purposes as a single employer.

**Components of Net Position and Expense**

The exhibit below shows the development of Net Position and Expense as of the Measurement Date. **Unless otherwise noted, all results include liabilities for both Mojave Desert Air Quality Management District (MDAQMD) and Antelope Valley Air Quality Management District (AVAQMD) plan members.**

<b>Plan Summary Information for FYE June 30, 2020</b> <i>Measurement Date is June 30, 2020</i>	<b>Mojave Desert                  Air Quality                  Management                  District</b>
---	---

**Items Impacting Net Position:**

Total OPEB Liability	\$ 1,369,946
Fiduciary Net Position	709,315
Net OPEB Liability (Asset)	<u>660,631</u>

*Deferred (Outflows) Inflows of Resources Due to:*

Assumption Changes	153,607
Plan Experience	139,622
Investment Experience	(19,677)
Deferred Contributions	-
Net Deferred (Outflows) Inflows of Resources	<u>273,552</u>

**Impact on Statement of Net Position, FYE 6/30/2020** **\$ 934,183**

**Items Impacting OPEB Expense:**

Service Cost	\$ 68,959
Cost of Plan Changes	-
Interest Cost	84,796
Expected Earnings on Assets	(42,749)

*Recognized Deferred Resource items:*

Assumption Changes	(27,635)
Plan Experience	(26,001)
Investment Experience	<u>4,075</u>

**OPEB Expense, FYE 6/30/2020** **\$ 61,445**





**Accounting Information**

(Continued)

**Change in Net Position During the Fiscal Year**

The exhibit below shows the year-to-year changes in the components of Net Position.

For Reporting at Fiscal Year End <i>Measurement Date</i>	6/30/2019 <i>6/30/2019</i>	6/30/2020 <i>6/30/2020</i>	Change During Period
Total OPEB Liability	\$ 1,565,465	\$ 1,369,946	\$ (195,519)
Fiduciary Net Position	663,668	709,315	45,647
Net OPEB Liability (Asset)	901,797	660,631	(241,166)
<i>Deferred Resource (Outflows) Inflows Due to:</i>			
Assumption Changes	80,761	153,607	72,846
Plan Experience	-	139,622	139,622
Investment Experience	3,128	(19,677)	(22,805)
Deferred Contributions	-	-	-
Net Deferred (Outflows) Inflows	83,889	273,552	189,663
Impact on Statement of Net Position	\$ 985,686	\$ 934,183	\$ (51,503)

**Change in Net Position During the Fiscal Year**

Impact on Statement of Net Position, FYE 6/30/2019	\$ 985,686
OPEB Expense (Income)	61,445
Employer Contributions During Fiscal Year	(112,948)
Impact on Statement of Net Position, FYE 6/30/2020	<u>\$ 934,183</u>

**OPEB Expense**

Employer Contributions During Fiscal Year	\$ 112,948
Deterioration (Improvement) in Net Position	(51,503)
OPEB Expense (Income), FYE 6/30/2020	<u>\$ 61,445</u>



**Accounting Information**  
(Continued)

**Change in Fiduciary Net Position During the Measurement Period**

	Assets Reported	Implied Receivable (Payable)	Fiduciary Net Position
<b>Fiduciary Net Position at Fiscal Year Ending 6/30/2019</b> <i>Measurement Date 6/30/2019</i>	\$ 646,380	\$ 17,288	\$ 663,668
<b>Changes During the Period:</b>			
Investment Income	15,869	-	15,869
Reverse accrued FYE 2020 contribution	17,288	(17,288)	-
Employer Contributions	83,170	29,778	112,948
Benefit Payments	(83,170)	-	(83,170)
<b>Net Changes During the Period</b>	33,157	12,490	45,647
<b>Fiduciary Net Position at Fiscal Year Ending 6/30/2020</b> <i>Measurement Date 6/30/2020</i>	\$ 679,537	\$ 29,778	\$ 709,315

**Expected Long-term Return on Trust Assets**

In 2019, PARS determined and published an expected return of 6.53% for the Balanced Index Plus investment strategy, prior to offset for non-imbedded investment related fees. This 6.53% expected return was determined using a building-block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major class are summarized in this table.

Non-imbedded fees were estimated to reduce the expected yield above by 50 basis point (0.5%), reducing the net expected return on trust assets to 6.03% per year. A long-term rate of return of 6.0% was assumed for the OPEB trust assets in this valuation.

<b>PARS Balanced HighMark Plus Portfolio</b>		
Asset Class	Expected Return	Weight
<b>Equity</b>		<b>60%</b>
Large Cap Core	6.70%	32%
Mid Cap Core	7.00%	6%
Small Cap Core	7.90%	9%
Real Estate	5.70%	2%
International	7.30%	7%
Emerging Markets	9.70%	4%
<b>Fixed Income</b>		<b>35%</b>
Short Term Bond	3.80%	6.75%
Intermediate Term Bond	4.60%	27.00%
High Yield	6.00%	1.25%
<b>Cash</b>	<b>2.10%</b>	<b>5%</b>
Expected Return		6.53%
Expected Standard Deviation		9.34%



**Accounting Information**

(Continued)

**Recognition Period for Deferred Resources**

Liability changes due to plan experience which differs from what was assumed in the prior measurement period and/or from assumption changes during the period are recognized over the plan's Expected Average Remaining Service Life ("EARSL"). The EARSL of 6.37 years is the period used to recognize such changes in the OPEB Liability arising during the current measurement period.

Changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over 5 years.

Liability differences due to benefit changes occurring during the period are recognized immediately. In this valuation, the only benefit change relates to the exclusion of Dependent Fund liabilities from this valuation and report.

**Deferred Resources as of Fiscal Year End**

The exhibit below shows deferred resources as of the fiscal year end June 30, 2020.

Mojave Desert Air Quality Management District	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ 153,607
Differences Between Expected and Actual Experience	-	139,622
Net Difference Between Projected and Actual Earnings on Investments	19,677	-
Deferred Contributions	-	-
<b>Total</b>	<b>\$ 19,677</b>	<b>\$ 293,229</b>

The District will recognize the Deferred Contributions in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

For the Fiscal Year Ending June 30	Recognized Net Deferred Outflows (Inflows) of Resources
2021	\$ (49,561)
2022	(49,560)
2023	(47,486)
2024	(48,260)
2025	(51,697)
Thereafter	(26,988)



**Accounting Information**  
 (Continued)

**Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate**

The discount rate used for the fiscal year end 2020 is 6.0%. Healthcare Cost Trend Rate was assumed to start at 5.4% in January 2021 and grade down to 4% for years 2076 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

<b>Sensitivity to:</b>			
<b>Change in Discount Rate</b>	<b>Current - 1% 5.00%</b>	<b>Current 6.00%</b>	<b>Current + 1% 7.00%</b>
<b>Total OPEB Liability</b>	1,530,895	1,369,946	1,235,196
Increase (Decrease)	160,949		(134,750)
% Increase (Decrease)	11.7%		-9.8%
<b>Net OPEB Liability (Asset)</b>	821,580	660,631	525,881
Increase (Decrease)	160,949		(134,750)
% Increase (Decrease)	24.4%		-20.4%
<b>Change in Heathcare Cost Trend Rate</b>	<b>Current Trend - 1%</b>	<b>Current Trend</b>	<b>Current Trend + 1%</b>
<b>Total OPEB Liability</b>	1,213,729	1,369,946	1,561,397
Increase (Decrease)	(156,217)		191,451
% Increase (Decrease)	-11.4%		14.0%
<b>Net OPEB Liability (Asset)</b>	504,414	660,631	852,082
Increase (Decrease)	(156,217)		191,451
% Increase (Decrease)	(0)		0



## Accounting Information

(Continued)

### Schedule of Changes in the District's Net OPEB Liability and Related Ratios

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. Only results for years since GASB 75 was implemented (fiscal years 2018, 2019 and 2020) are shown in the table.

<b>Fiscal Year End</b>	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>6/30/2018</b>
<i>Measurement Date</i>	<i>6/30/2020</i>	<i>6/30/2019</i>	<i>6/30/2018</i>
<i>Discount Rate</i>	<i>6.0%</i>	<i>6.30% explicit 3.51% implicit</i>	<i>6.30% explicit 3.89% implicit</i>
<b>Total OPEB liability</b>			
Service Cost	\$ 68,959	\$ 64,653	\$ 64,270
Interest	84,796	86,998	81,969
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(165,623)	-	-
Changes of assumptions	(100,481)	(82,279)	(11,653)
Benefit payments	(83,170)	(94,680)	(91,784)
<b>Net change in total OPEB liability</b>	<b>(195,519)</b>	<b>(25,308)</b>	<b>42,802</b>
<b>Total OPEB liability - beginning</b>	<b>1,565,465</b>	<b>1,590,773</b>	<b>1,547,971</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 1,369,946</b>	<b>\$ 1,565,465</b>	<b>\$ 1,590,773</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 112,948	\$ 111,968	\$ 27,623
Net investment income	15,869	35,184	47,928
Benefit payments	(83,170)	(94,680)	(91,784)
Expenses	-	-	(1,639)
<b>Net change in plan fiduciary net position</b>	<b>45,647</b>	<b>52,472</b>	<b>(17,872)</b>
<b>Plan fiduciary net position - beginning</b>	<b>663,668</b>	<b>611,196</b>	<b>629,068</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 709,315</b>	<b>\$ 663,668</b>	<b>\$ 611,196</b>
<b>Net OPEB liability - ending (a) - (b)</b>	<b>\$ 660,631</b>	<b>\$ 901,797</b>	<b>\$ 979,577</b>
Covered-employee payroll	\$ 7,095,615	\$ 6,443,315	\$ 6,008,949
Net OPEB liability as a % of covered-employee payroll	9.31%	14.00%	16.30%



**Accounting Information**  
 (Continued)

**Schedule of Contributions**

Since establishing the OPEB trust, the District has made regular contributions toward funding the explicit Actuarially Determined Contribution (ADC) and confirmed its intention to continue doing so. This chart shows the contributions for the years since GASB 75 was implemented.

Fiscal Year End	6/30/2020	6/30/2019	6/30/2018
Actuarially Determined Contribution	\$ 104,405	\$ 126,746	\$ 118,608
Contributions in relation to the actuarially determined contribution	112,948	111,968	27,623
Contribution deficiency (excess)	\$ (8,543)	\$ 14,778	\$ 90,985
Covered employee payroll	\$ 7,095,615	\$ 6,443,315	\$ 6,008,949
Contributions as a % of covered employee payroll	1.59%	1.74%	0.46%

**Notes to Schedule**

Valuation Date used to determine ADC  
 Discount rate used to determine ADC  
 Actuarial cost method  
 Amortization method  
 Amortization period  
 Asset valuation method  
 Inflation

	6/30/2020	6/30/2019	6/30/2018
Valuation Date used to determine ADC	6/30/2020	6/30/2018	6/30/2018
Discount rate used to determine ADC	6.00%	6.30%	6.30%
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level % of Pay, closed 30 years	Level % of Pay, closed 30 years	Level % of Pay, closed 30 years
Amortization period	28 Years remain	29 Years remain	30 Years remain
Asset valuation method	Market Value	Market Value	Market Value
Inflation	2.50%	2.75%	2.75%
Healthcare cost trend rates	5.4% in 2021, fluctuating to 4% by 2076	7.5% in 2019 to 5% in 2024 in steps of 0.5%	7.5% in 2019 to 5% in 2024 in steps of 0.5%
Salary increases	3.00%	3.50%	3.50%
Retirement age	48 to 75	48 to 75	48 to 75
Mortality	SBCERA 2017 Experience Study based on RP-2014 HCW tables	SBCERA 2017 Experience Study based on RP-2014 HCW tables	SBCERA 2017 Experience Study based on RP-2014 HCW tables
Mortality Improvement	MW Scale 2020 generationally	MW Scale 2017 generationally	MW Scale 2017 generationally



**Accounting Information**  
 (Continued)

**Detail of Changes to Net Position**

The chart below details changes to all components of Net Position.

Mojave Desert Air Quality Management District	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)	(d) Deferred Outflows (Inflows) Due to:				Impact on Statement of Net Position (e) = (c) - (d)
				Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	
<b>Balance at Fiscal Year Ending 6/30/2019</b> <i>Measurement Date 6/30/2019</i>	\$ 1,565,465	\$ 663,668	\$ 901,797	\$ (80,761)	\$ -	\$ (3,128)	\$ -	\$ 985,686
<b>Changes During the Period:</b>								
Service Cost	68,959		68,959					68,959
Interest Cost	84,796		84,796					84,796
Expected Investment Income		42,749	(42,749)					(42,749)
Employer Contributions		112,948	(112,948)					(112,948)
Changes of Benefit Terms	-		-					-
Benefit Payments	(83,170)	(83,170)	-					-
Assumption Changes	(100,481)		(100,481)	(100,481)				-
Plan Experience	(165,623)		(165,623)		(165,623)			-
Investment Experience		(26,880)	26,880			26,880		-
Recognized Deferred Resources				27,635	26,001	(4,075)		(49,561)
Employer Contributions in Fiscal Year								-
<b>Net Changes in Fiscal Year 2019-2020</b>	(195,519)	45,647	(241,166)	(72,846)	(139,622)	22,805	-	(51,503)
<b>Balance at Fiscal Year Ending 6/30/2020</b> <i>Measurement Date 6/30/2020</i>	\$ 1,369,946	\$ 709,315	\$ 660,631	\$ (153,607)	\$ (139,622)	\$ 19,677	\$ -	\$ 934,183





**Accounting Information**  
 (Continued)

**Schedule of Deferred Outflows and Inflows of Resources**

A listing of all deferred resource bases used to develop the Net Position and OPEB Expense is shown below. Deferred Contributions are not shown.

Measurement Date: June 30, 2020

Date Created	Deferred Resource			Balance as of Jun 30, 2020	Recognition of Deferred Outflow or Deferred (inflow) in Measurement Period:							
	Cause	Initial Amount	Period (Yrs)		Annual Recognition	2019-20 (FYE 2020)	2020-21 (FYE 2021)	2021-22 (FYE 2022)	2022-23 (FYE 2023)	2023-24 (FYE 2024)	2024-25 (FYE 2025)	Thereafter
Investment Earnings												
6/30/2018	Greater than Expected	\$ (10,369)	5.00	\$ (2,074)	\$ (4,147)	\$ (2,074)	\$ (2,073)	\$ -	\$ -	\$ -	\$ -	\$ -
	Gain Due To											
6/30/2018	Assumption Changes	(11,653)	8.90	(1,310)	(7,723)	(1,310)	(1,310)	(1,310)	(1,310)	(1,310)	(1,310)	(1,173)
6/30/2019	Assumption Changes	(82,279)	7.80	(10,551)	(61,177)	(10,551)	(10,551)	(10,551)	(10,551)	(10,551)	(8,612)	(10,361)
Investment Earnings												
6/30/2019	Less than Expected	3,866	5.00	773	2,320	773	773	774	-	-	-	-
	Gain Due To											
6/30/2020	Plan Experience	(165,623)	6.37	(26,001)	(139,622)	(26,001)	(26,001)	(26,001)	(26,001)	(26,001)	(26,001)	(9,617)
	Gain Due To											
6/30/2020	Assumption Changes	(100,481)	6.37	(15,774)	(84,707)	(15,774)	(15,774)	(15,774)	(15,774)	(15,774)	(15,774)	(5,837)
Investment Earnings												
6/30/2020	Less than Expected	26,880	5.00	5,376	21,504	5,376	5,376	5,376	5,376	5,376	-	-





**Accounting Information**  
 (Continued)

**District Contributions to the Plan**

District contributions to the Plan occur as benefits are paid to retirees and/or to the OPEB trust. Benefit payments may occur in the form of direct payments for premiums (“explicit subsidies”) and/or indirect payments to retirees in the form of higher premiums for active employees (“implicit subsidies”). Note that the implicit subsidy contribution does not represent cash payments to retirees, but reclassification of a portion of active healthcare cost to be treated as a retiree healthcare expense.

Benefits and other contributions paid by the District during the measurement period are shown below. Because the measurement period is the current fiscal year, there are no deferred contributions to be reported.

Contributions are shown separately for Mojave Desert Air Quality Management District (MDAQMD) and Antelope Valley Air Quality Management District (AVAQMD).

<b>Benefit Payments During the Measurement Period, Jul 1, 2019 thru Jun 30, 2020</b>	<b>MDAQMD</b>	<b>AVAQMD</b>	<b>Total</b>
Benefits Paid by Trust	\$ -	\$ -	\$ -
Benefits Paid by Employer (not reimbursed by trust)	31,065	4,774	35,839
Implicit benefit payments	40,940	6,391	47,331
<b>Total Benefit Payments During the Measurement Period</b>	<b>\$ 72,005</b>	<b>\$ 11,165</b>	<b>\$ 83,170</b>

<b>Employer Contributions During the Measurement Period, Jul 1, 2019 thru Jun 30, 2020</b>	<b>MDAQMD</b>	<b>AVAQMD</b>	<b>Total</b>
Employer Contributions to the Trust	\$ 29,778	\$ -	\$ 29,778
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	31,065	4,774	35,839
Implicit contributions	40,940	6,391	47,331
<b>Total Employer Contributions During the Measurement Period</b>	<b>\$ 101,783</b>	<b>\$ 11,165</b>	<b>\$ 112,948</b>



**Accounting Information**  
 (Continued)

**Projected Benefit Payments (15-year projection)**

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the District. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Section 3.

These projections do not include any benefits expected to be paid on behalf of current active employees *prior to* retirement, nor do they include any benefits for potential *future employees* (i.e., those who might be hired in future years).

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2020	\$ 35,839	\$ -	\$ 35,839	\$ 47,331	\$ -	\$ 47,331	\$ 83,170
2021	38,797	7,173	45,970	38,425	8,571	46,996	92,966
2022	37,696	11,534	49,230	31,868	17,069	48,937	98,167
2023	39,007	10,932	49,939	29,637	20,207	49,844	99,783
2024	31,496	15,857	47,353	16,889	29,467	46,356	93,709
2025	28,562	20,884	49,446	-	33,931	33,931	83,377
2026	29,331	23,577	52,908	-	28,086	28,086	80,994
2027	30,059	28,060	58,119	-	32,478	32,478	90,597
2028	30,736	33,568	64,304	-	36,228	36,228	100,532
2029	31,356	28,600	59,956	-	19,144	19,144	79,100
2030	31,910	33,102	65,012	-	26,296	26,296	91,308
2031	32,391	39,077	71,468	-	36,220	36,220	107,688
2032	32,790	37,759	70,549	-	36,506	36,506	107,055
2033	33,101	43,211	76,312	-	40,968	40,968	117,280
2034	33,314	44,191	77,505	-	44,669	44,669	122,174

The amounts shown in the Explicit Subsidy table reflect the expected payment by the District toward retiree medical premiums in each of the years shown. The amounts are shown separately, and in total, for those retired on the valuation date ("current retirees") and those expected to retire after the valuation date ("future retirees").

The amounts shown in the Implicit Subsidy table reflect the expected excess of retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage. These amounts are also shown separately and in total for those currently retired on the valuation date and for those expected to retire in the future.



**Accounting Information**

(Concluded)

**Sample Journal Entries**

**Beginning Account Balances**

**As of the fiscal year beginning 7/1/2019**

	Debit	Credit
Net OPEB Liability		901,797
Deferred Resource -- Assumption Changes		80,761
Deferred Resource -- Plan experience	-	
Deferred Resource -- Investment Experience		3,128
Deferred Resource -- Contributions	-	
Net Position	985,686	

*\* The entries above assume nothing is on the books at the beginning of the year. So to the extent that values already exist in, for example, the Net OPEB Liability account, then only the difference should be adjusted. The entries above represent the values assumed to exist at the start of the fiscal year.*

**Journal entry to recharacterize retiree benefit payments not reimbursed by a trust, and record cash contributions to the trust during the fiscal year**

	Debit	Credit
OPEB Expense	35,839	
Premium Expense		35,839
OPEB Expense	29,778	
Cash		29,778

*\* This entry assumes a prior journal entry was made to record the payment for retiree premiums. This entry assumes the prior entry debited an account called "Premium Expense" and credited Cash. This entry reverses the prior debit to "Premium Expense" and recharacterizes that entry as an "OPEB Expense". Also, the entry for cash contributions to the trust is shown.*

**Journal entries to record implicit subsidies during the fiscal year**

	Debit	Credit
OPEB Expense	47,331	
Premium Expense		47,331

*\* This entry assumes that premiums for active employees were recorded to an account called "Premium Expense". This entry reverses the portion of premium payments that represent implicit subsidies and assigns that value to OPEB Expense.*

**Journal entries to record other account activity during the fiscal year**

	Debit	Credit
Net OPEB Liability	241,166	
Deferred Resource -- Assumption Changes		72,846
Deferred Resource -- Plan experience		139,622
Deferred Resource -- Investment Experience	22,805	
Deferred Resource -- Contributions	-	
OPEB Expense		51,503



## E. OPEB Funding Information

The employer's OPEB funding policy and level of contributions to an irrevocable OPEB trust directly affects the discount rate which is used to calculate the OPEB liability to be reported in the employer's financial statements. Prefunding (setting aside funds to accumulate in an irrevocable OPEB trust) has certain advantages, one of which is the ability to (potentially) use a higher discount rate in the determination of liabilities for GASB 75 reporting purposes. Prefunding also improves the security of benefits for current and potential future recipients and contributes to intergenerational taxpayer equity by better matching the cost of the benefits to the service years in which they are "earned" and which correspond to years in which taxpayers benefit from those services.

### Paying Down the UAAL

Once an entity decides to prefund, a decision must be made about how to pay for benefits related to accumulated prior service that have not yet been funded (the UAAL<sup>2</sup>). This is most often, though not always, handled through structured amortization payments. The period and method chosen for amortizing this unfunded liability can significantly affect the Actuarially Determined Contribution (ADC) or other basis selected for funding the OPEB program.

Much like paying off a mortgage, when the AAL exceeds plan assets, choosing a longer amortization period to pay off the UAAL means smaller payments, but the payments will be required for more years; plan investments will have less time to work toward helping reduce required contribution levels. When the plan is in a surplus position, the reverse is true, and a longer amortization period may be preferable.

There are several ways the amortization payment can be determined. The most common methods are calculating the amortization payment as a level dollar amount or as a level percentage of payroll. The employer might also choose to apply a shorter period when the UAAL only when it is positive, i.e., when trust assets are lower than the AAL, but opt for a longer period or to exclude amortization of a negative UAAL, when assets exceed the AAL. The entire UAAL may be amortized as one single component or may be broken into multiple components reflecting the timing and source of each change, such as those arising from assumption changes, benefit changes and/or liability or investment experience.

If the agency's intent is to prefund the entire OPEB liability (i.e., both explicit plus implicit portions), the amortization period(s) should not exceed the number of years which would allow current trust assets plus future contributions and earnings to be sufficient to pay all future benefits and trust expenses each year. Prefunding of OPEB is optional and contributions at any level are permitted. However, if trust sufficiency is not expected, a discount rate other than the assumed trust return will likely be required to develop the liability for accounting purposes.

### Funding and Prefunding of the Implicit Subsidy

An implicit subsidy liability is created when retiree medical claims are expected to exceed the premiums charged for retiree coverage. Recognition of the estimated implicit subsidy each year is handled by an accounting entry, reducing the amount paid for active employees and shifting that amount to be treated as a retiree healthcare expense/contribution (see Sample Journal Entries). The implicit subsidy is a true benefit to the retiree but can be difficult to see when medical premiums are set as a flat rate

<sup>2</sup> We use actuarial, rather than accounting, terminology to describe the components used to develop the ADCs.



## OPEB Funding Information

(Continued)

for both actives and pre-Medicare retirees. This might lead some employers to believe the benefit is not real or is merely an accounting construct, and thus to forgo prefunding of retiree implicit benefits.

Consider what would happen if the retiree premiums were based only on expected retiree claims experience. Almost certainly, retiree premiums would increase while premiums for active employees would go down if the active premiums no longer had to help support the higher retiree claims. *Who would pay the increases in retiree premiums?* Current plan documents and bargaining agreements would have to be consulted. Depending on circumstances, the increase in retiree premiums might remain the responsibility of the employer, pass entirely to the retirees, or some blending of the two. The answer would determine whether separate retiree-only premium rates would result in a higher or lower employer OPEB liability. In the current premium structure, with blended active and pre-Medicare retiree premiums, the employer is clearly, though indirectly, paying the implicit retiree cost.

The prefunding decision is complex. OPEB materiality, budgetary concerns, desire to use the full trust rate in developing the liability for GASB 75, and other factors must be weighed by each employer. Since prefunding OPEB benefits is not required, each employer's OPEB prefunding strategy will depend on how they balance these competing perspectives.

### Development of the Actuarially Determined Contributions

Actuarially Determined Contributions in this report are based on the following two components, adjusted with interest to fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL) over a closed 30 year period. Amortization payments are determined on a level dollar basis; 28 years remain in the amortization period in determining the ADC for FYE 2020.

The ADCs developed as described above at the 6.0% discount rate for the District's fiscal years ending June 30, 2020<sup>3</sup>, 2021 and 2022 are presented in an exhibit on page 22. These ADCs incorporate both explicit (cash benefit) and implicit subsidy benefit liabilities.

Contributions credited toward meeting the ADC include: (1) direct payments to insurers toward retiree premiums *to the extent not reimbursed to the District by the trust*; plus (2) each year's implicit subsidy payment; and (3) contributions to the OPEB trust.

ADCs determined on this basis should provide for trust sufficiency, based on the current plan provisions and census data, *provided all assumptions are exactly realized and if the District contributes 100% or more of the ADC each year*. When an agency commits to funding the trust at or above the ADC, GASB 75 allows use of the expected long term trust return to be used as the discount rate in determining the plan liability. Trust sufficiency cannot be guaranteed to a certainty, however, because of the non-trivial risk that the assumptions used to project future benefit liabilities may not be realized.

<sup>3</sup> The ADC for FYE 2022 was updated from the earlier amount developed in the June 30, 2018 valuation report.





**OPEB Funding Information**

(Continued)

This table develops Actuarially Determined Contributions for the District's fiscal years ending June 30, 2020, 2021 and 2022. The ADC includes both explicit and implicit subsidy components of the liability.

Valuation date	6/30/2020		
	6/30/2020	6/30/2021	6/30/2022
For fiscal year ending			
Expected long-term return on assets	6.00%	6.00%	6.00%
Discount rate	6.00%	6.00%	6.00%
<b>Number of Covered Employees</b>			
Actives	23	23	23
Retirees	15	15	15
Total Participants	38	38	38
<b>Actuarial Present Value of Projected Benefits</b>	\$ 1,802,006	\$ 1,824,461	\$ 1,838,173
<b>Actuarial Accrued Liability (AAL)</b>			
Actives	698,835	796,139	884,727
Retirees	622,143	573,806	528,695
Total AAL	1,320,978	1,369,945	1,413,422
Actuarial Value of Assets	663,668	709,315	766,374
<b>Unfunded AAL (UAAL)</b>	657,310	660,630	647,048
UAAL Amortization method	Level Dollar	Level Dollar	Level Dollar
Remaining amortization period (years)	28	27	26
Amortization Factor	14.2105	14.0032	13.7834
<b>Actuarially Determined Contribution (ADC)</b>			
Normal Cost	52,240	\$ 53,807	\$ 55,421
Amortization of UAAL	46,255	47,177	46,944
Interest to fiscal year end	5,910	6,059	6,142
<b>Total ADC</b>	104,405	107,043	108,507

Contributions that may be credited toward funding the ADC include (a) each year's implicit subsidy (calculated by the actuary), (b) retiree benefits paid by the District, and (c) any contributions to the trust (reduced by any reimbursement to the District for benefits paid).

The chart below shows the amounts that would need to be contributed to equal the ADC for FYEs 2021 and 2022. We show actual contributions for FYE 2020 since that period has ended.

*Funding of the ADC*

1 Implicit subsidy contribution	\$ 47,331	\$ 46,996	\$ 48,937
Additional payments needed to meet ADC	57,074	60,047	59,570
2 Projected agency paid premiums for retirees	35,839	45,970	49,230
3 Expected agency contribution to OPEB trust	29,778	14,077	10,340
<b>Total Expected Employer Contributions (1+2+3)</b>	<b>\$ 112,948</b>	<b>\$ 107,043</b>	<b>\$ 108,507</b>



## F. Certification

The primary purposes of this report are: (1) to provide actuarial information of the other postemployment benefits (OPEB) provided by the Mojave Desert Air Quality Management District (the District) in compliance with Statement 75 of the Governmental Accounting Standards Board (GASB 75); and (2) to provide Actuarially Determined Contributions for prefunding of this program in conformity with the District's OPEB funding policy. The District is not required to contribute the ADC shown in this report and we make no representation that it will, in fact, fund the OPEB trust at any particular level.

In preparing this report we relied without audit on information provided by the District. This information includes, but is not limited to, plan provisions, census data, and financial information. We performed a limited review of this data and found the information to be reasonably consistent. The accuracy of this report is dependent on this information and if any of the information we relied on is incomplete or inaccurate, then the results reported herein will be different from any report relying on more accurate information.

We consider the actuarial assumptions and methods used in this report to be individually reasonable under the requirements imposed by GASB 75 and taking into consideration reasonable expectations of plan experience. The results provide an estimate of the plan's financial condition at one point in time. Future actuarial results may be significantly different due to a variety of reasons including, but not limited to, demographic and economic assumptions differing from future plan experience, changes in plan provisions, changes in applicable law, or changes in the value of plan benefits relative to other alternatives available to plan members.

Alternative assumptions may also be reasonable; however, demonstrating the range of potential plan results based on alternative assumptions was beyond the scope of our assignment except to the limited extent required by GASB 75 and in accordance with the District's stated OPEB funding policy. Results for accounting purposes may be materially different than results obtained for other purposes such as plan termination, liability settlement, or underlying economic value of the promises made by the plan.

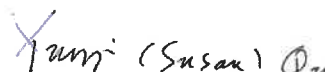
This report is prepared solely for the use and benefit of the District and may not be provided to third parties without prior written consent of MacLeod Watts. Exceptions are: The District may provide copies of this report to their professional accounting and legal advisors who are subject to a duty of confidentiality, and the District may provide this work to any party if required by law or court order. No part of this report should be used as the basis for any representations or warranties in any contract or agreement without the written consent of MacLeod Watts.

The undersigned actuaries are unaware of any relationship that might impair the objectivity of this work. Nothing within this report is intended to be a substitute for qualified legal or accounting counsel. Both actuaries are members of the American Academy of Actuaries and meet the qualification standards for rendering this opinion.

Signed: November 20, 2020



Catherine L. MacLeod, FSA, FCA, EA, MAAA



Yunyi (Susan) Qu, ASA, ACA, MAAA



## G. Supporting Information

### Section 1 - Summary of Employee Data

**Active employees:** The District reported 23 active employees currently enrolled in a medical plan through the District. Age and service information for the 23 included employees is provided below:

Distribution of Benefits-Eligible Active Employees								
Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25							0	0%
25 to 29							0	0%
30 to 34		1	2				3	13%
35 to 39		3		1			4	17%
40 to 44		1		1			2	9%
45 to 49			1		1	1	3	13%
50 to 54		1		1		1	3	13%
55 to 59			1	3		1	5	22%
60 to 64						3	3	13%
65 to 69							0	0%
70 & Up							0	0%
<b>Total</b>	0	6	4	6	1	6	<b>23</b>	<b>100%</b>
<b>Percent</b>	0%	26%	17%	26%	4%	26%	<b>100%</b>	

Valuation	June 2018	June 2020
Average Attained Age for Actives	46.1	48.0
Average Years of Service	12.4	14.3

**Active employees excluded from the valuation:** There are also 18 active employees waiving coverage in the District's medical plans. The District reported to us that employees waiving coverage while active have a very low probability of electing coverage in a District plan during retirement. Accordingly, no OPEB liabilities were valued for the 18 waiving active employees.

**Retired members:** There are currently 15 retirees or survivors receiving benefits from the District under this program.

Retirees by Age		
Current Age	Number	Percent
Below 50	0	0%
50 to 54	0	0%
55 to 59	0	0%
60 to 64	4	27%
65 to 69	2	13%
70 to 74	7	47%
75 to 79	1	7%
80 & up	1	7%
<b>Total</b>	<b>15</b>	<b>100%</b>
<b>Average Age:</b>		
On 6/30/2020	70.1	
At retirement	24.1	





**Supporting Information**

(Continued)

**Section 1 - Summary of Employee Data**

(continued)

The chart below reconciles the number of actives and retirees included in the June 30, 2018 valuation of District plan with those included in the June 30, 2020 valuation:

<b>Reconciliation of District Plan Members Between Valuation Dates</b>				
<b>Status</b>	<b>Covered Actives</b>	<b>Covered Retirees</b>	<b>Covered Surviving Spouses</b>	<b>Total</b>
Number reported as of June 30, 2018	23	15	1	39
New employees	1	-	-	1
Separated employees	(1)	-	-	(1)
Previously covered, now waiving	-	(1)	-	(1)
<b>Number reported as of June 30, 2020</b>	<b>23</b>	<b>14</b>	<b>1</b>	<b>38</b>

**Summary of Plan Member Counts:** The number of members currently or potentially eligible to receive benefits under the OPEB plan are required to be reported in the notes to the financial statements.

<b>Summary of Plan Member Counts</b>	
Number of active plan members	23
Number of inactive plan members currently receiving benefits	15
Number of inactive plan members entitled to but not receiving benefits	*

\*The number of retirees eligible to return to the District for PEMHCA coverage is unknown to us.



**Supporting Information**  
 (Continued)

**Section 2A - Summary of Retiree Benefit Provisions**

**OPEB provided:** The District provides retirees with access to medical, dental and vision coverage. No subsidy is provided toward dental or vision coverage and neither is expected to create an OPEB liability for the District.

**Access to coverage:** Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under the San Bernardino County Employees' Retirement Association (SBCERA). This requires District employees to meet one of the following criteria:

SBCERA General Tiers	Minimum Age	Minimum Years of Service
Tier 1 <i>(hired before January 2013)</i>	50 70 any	10 any 30
Tier 2 <i>(hired on/after January 2013)</i>	52 70	5 any

*Employees who qualify for a disability retirement are not subject to the minimum age and service requirements described above. Eligibility for Ordinary disability is 5 years of service and any age. There is no Service or Age requirement for Line-of-Duty Disability.*

The employee must begin his or her retirement (pension) benefit within 120 days of terminating employment with the District to be eligible to continue medical coverage through the agency and be entitled to the benefits described below. In other words, it is the timing of initiating retirement (pension) benefits and not timing of enrollment in the medical program which determines whether or not a District retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution.

Once eligible, coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement, during any future open enrollment period or with a qualifying life event.

**PEMHCA Benefits provided:** As a PEMHCA employer, the District is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The District maintains a resolution with CalPERS defining the level of the District's contribution toward the cost of medical plan premiums for employees and retirees to be the PEMHCA minimum employer contribution (MEC)<sup>4</sup>. The MEC is \$139 per month in 2020 and will increase to \$143 per month in 2021.

**Additional Temporary Benefits:** Retirees meeting further eligibility requirements are eligible for a temporary additional subsidy. The additional benefit is provided *in addition to* the PEMHCA minimum benefit described above. The grid on the following page summarizes this additional benefit.

<sup>4</sup> It is our understanding that there is a pre-tax flexible benefit plan in place for active employees, providing health benefits in excess of the MEC and that PEMHCA does not require these additional payments be provided to retirees.



**Supporting Information**

(Continued)

**Section 2A - Summary of Retiree Benefit Provisions**

Eligibility Requirements	1) SBCERA Retirement 2) 20 years of service with the District, member agency*, and/or California air district service 3) Enrollment in a CalPERS medical plan at the time of retirement
Benefit %	2% times years of combined District, member agency*, and/or California air district service
Benefit % applies to	CalPERS medical premiums for retirees and any enrolled dependents.  The total District-paid benefit is limited to the Flexible Benefit caps for active employees (described below)
Duration of benefit	5 years or until retiree reaches age 65 (whichever comes first)

\* "Member agency" defined as a city or county that lies in whole or in part within the boundaries of the District.

Flexible Benefit Caps		
Cal Year	Exempt	Non Exempt
2020	\$ 1,386.93	\$ 1,381.93
2021	1,398.26	1,393.26

**Current premium rates:** The 2020 CalPERS monthly medical plan rates in Region 3 are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here. The CalPERS administration fee is assumed to be expensed each year and has not been projected as an OPEB liability in this valuation.

Region 3 2020 Health Plan Rates						
Plan	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Anthem Select HMO	\$ 619.93	\$ 1,239.86	\$ 1,611.82	<i>Not Available</i>		
Blue Shield Access+ HMO	813.17	1,626.34	2,114.24	<i>Not Available</i>		
Kaiser HMO	664.39	1,328.78	1,727.41	339.43	678.86	1,077.49
PERS Choice PPO	710.29	1,420.58	1,846.75	351.39	702.78	1,128.95
PERS Select PPO	435.74	871.48	1,132.92	351.39	702.78	964.22
PERSCare PPO	931.12	1,862.24	2,420.91	384.78	769.56	1,328.23



**Supporting Information**  
**(Continued)**

**Section 2B - Excise Taxes for High Cost Retiree Coverage (Repealed)**

The Patient Protection and Affordable Care Act (ACA) included a 40% excise tax on high-cost employer-sponsored health coverage. The tax applied to the aggregate annual cost of an employee's applicable coverage that exceeds a dollar limit. Implementation of this tax had been delayed by subsequent legislation to 2022.

As noted earlier in this report, this excise tax on high cost retiree coverage was repealed by Senate Amendment to H.R. 1865, *Further Consolidated Appropriations Act, 2020*, and signed by the President on December 20, 2019. While the repeal occurred after the valuation date, we no longer assume any portion of such a tax will be paid by the District and, accordingly, excluded the previously developed liability from the results of this valuation.



**Supporting Information**

(Continued)

**Section 3 - Actuarial Methods and Assumptions**

The ultimate real cost of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These payments depend only on the terms of the plan and the administrative arrangements adopted. The actuarial assumptions are used to estimate the cost of these benefits; the funding method spreads the expected costs on a level basis over the life of the plan.

Valuation Date	June 30, 2020
GASB 75 Measurement Date	Last day of the current fiscal year (June 30, 2020)
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long Term Return on Assets	6.0% as of June 30, 2020 and 6.3% as of June 30, 2019 net of plan investment expenses
Discount Rates	6.0% as of June 30, 2020; 6.3% for explicit liabilities and 3.51% for implicit subsidy liabilities as of June 30, 2019
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.0% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years
General Inflation Rate	2.5% per year

*Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the San Bernardino County Employees' Retirement Association (SBCERA) using data from 2013 to 2016, except for a different basis used to project future mortality improvements. Rates for selected age and service are described further below and on the following pages.*

The representative mortality rates used in this valuation are described below and on the next page, then projected as described below.

Mortality Improvement	MacLeod Watts Scale 2020 applied generationally from 2014 (see Addendum 3)
Mortality Before Retirement (before improvement)	Headcount-Weighted RP-2014 Employee Mortality Table (separate tables for males and females) times 90%



**Supporting Information**  
 (Continued)

**Section 3 - Actuarial Methods and Assumptions**

**Mortality After Retirement**  
 (before improvement)

The underlying post-retirement mortality rates for all groups are taken from the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, males and females. All rates were then set forward or set back as follows:

Healthy General Members: Set forward 1 year for males

Disabled General Members: Set forward 7 years for males and females

Beneficiaries: Same as Healthy General member of the opposite sex

Reciprocal Service assumed

We estimated prior service years for 6 employees known to have prior employment where specific years were unknown.

Service Retirement Rates

SBCERA General Service Retirement Rates					
Age	General Tier 1	General Tier 2	Age	General Tier 1	General Tier 2
48 or under	0.0000	0.0000	62	0.1800	0.2000
49	0.5000	0.0000	63	0.1800	0.2000
50	0.0250	0.0000	64	0.2500	0.2000
51	0.0200	0.0000	65	0.4000	0.2500
52	0.0325	0.0200	66	0.3000	0.3000
53	0.0325	0.0200	67	0.2500	0.3000
54	0.0325	0.0200	68	0.2500	0.2500
55	0.0500	0.0450	69	0.2500	0.2500
56	0.0600	0.0450	70	0.2500	0.4000
57	0.0600	0.0600	71	0.2000	0.4000
58	0.0800	0.0700	72	0.2000	0.4000
59	0.1100	0.0800	73	0.2000	0.4000
60	0.1500	0.0900	74	0.2000	0.4000
61	0.1600	0.1200	75 & above	1.0000	1.0000

Disability Retirement Rates

None assumed





**Supporting Information**

(Continued)

**Section 3 - Actuarial Methods and Assumptions**

Termination Rates

SBCERA General Termination Rates			
Service	Rate	Service	Rate
Less than 1	0.1500	11	0.0400
1	0.1100	12	0.0375
2	0.0900	13	0.0375
3	0.0750	14	0.0350
4	0.0550	15	0.0350
5	0.0525	16	0.0325
6	0.0500	17	0.0325
7	0.0450	18	0.0300
8	0.0425	19	0.0300
9	0.0400	20 or more	0.0300
10	0.0400		

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Healthcare Trend

Medical plan premiums and claims costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2021	5.40%	2067	4.70%
2022	5.30%	2068	4.60%
2023-26	5.20%	2069	4.50%
2027-46	5.30%	2070-71	4.40%
2047	5.20%	2072	4.30%
2048-49	5.10%	2073-74	4.20%
2050-53	5.00%	2075	4.10%
2054-59	4.90%	2076	4.00%
2060-66	4.80%	& later	4.00%

The healthcare trend shown above was developed using the Getzen Model 2019\_b published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.5%; Excess Medical Growth 1.2%; Expected Health Share of GDP in 2028 20.5%; Resistance Point 25%; Year after which medical growth is limited to growth in GDP 2075.

The required PEMHCA minimum employer contribution (MEC) is assumed to increase by 4.0% annually. This implies a long-term spread between CPI and CPI-Med of 1.5%.



**Supporting Information**  
(Continued)

**Section 3 - Actuarial Methods and Assumptions**

Participation Rate

*Active employees:* 100% of those currently enrolled and 0% of those not currently enrolled are assumed to elect medical coverage through the District in retirement.

*Retired participants:* Existing medical plan elections are assumed to be continued until retiree's death.

Spouse Coverage

*Active employees:* 70% of employees are assumed to be married and to elect spousal coverage in retirement. Surviving spouses are assumed to keep coverage until their death. Husbands are assumed to be 3 years older than their wives.

*Retired participants:* Existing elections for spouse coverage are assumed to continue until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

Development of Age-related Medical Premiums

Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. More information is provided in MacLeod Watts's Age Rating Methodology in Addendum 2 to this report.

Representative claims costs derived from the dataset provided by CalPERS for non-Medicare retirees are shown in this chart. We believe no employer liability exists for any potential implicit subsidy between Medicare retirees since the District pays less than the lowest age-adjusted premium cost for these members and there is no subsidy by active members.

Expected Monthly Claims by Medical Plan for Selected Ages						
Region	Medical Plan	Male				
		50	53	56	59	62
Region 2	PERS Choice PPO	\$ 611	\$ 721	\$ 837	\$ 959	\$1,090
Region 3	Anthem Select HMO	680	802	932	1,068	1,214
	Blue Shield Access+ HMO	769	907	1,053	1,207	1,373
	Kaiser HMO	675	796	924	1,059	1,204
	PERS Choice PPO	618	729	847	971	1,103
	PERS Select PPO	464	547	636	729	828
Out of State	PERS Choice PPO	455	536	623	714	812
	PERSCare PPO	549	648	752	862	980
Region	Medical Plan	Female				
		50	53	56	59	62
Region 2	PERS Choice PPO	\$ 757	\$ 832	\$ 895	\$ 967	\$1,066
Region 3	Anthem Select HMO	843	926	997	1,077	1,187
	Blue Shield Access+ HMO	953	1,047	1,126	1,217	1,342
	Kaiser HMO	836	919	988	1,068	1,177
	PERS Choice PPO	766	841	905	978	1,079
	PERS Select PPO	575	632	680	735	810
Out of State	PERS Choice PPO	564	619	666	720	794
	PERSCare PPO	681	747	804	869	958





## Supporting Information

(Continued)

### Section 3 - Actuarial Methods and Assumptions

#### Changes reflected in the current measurement period:

Long term return on trust assets	Decreased from 6.3% as of June 30, 2019 to 6.0% as of June 30, 2020, based on updated information from PARS regarding the assumed rate of return for the Balanced HighMark Plus Asset Portfolio.
Discount Rates	For explicit subsidy: Decreased from 6.3% to 6.0%; For implicit subsidy: Increased from 3.51% to 6.0%
Mortality Improvement	The mortality improvement scale was updated from MacLeod Watts Scale 2017 to MacLeod Watts Scale 2020 (see Addendum 3), reflecting continued updates in available information.
General Inflation Rate	Decreased from 2.75% to 2.5% per year
Salary Increase	Decreased from 3.25% to 3.0% per year
Medical Trend	Updated to use the Getzen healthcare trend model sponsored by the Society of Actuaries
PEMHCA MEC Increases	Decreased from 4.5% to 4.0% per year based on recent historical and expected future increases in CPI-medical.
Excise tax on High-cost Coverage	We excluded the excise tax from the results given the December 2019 repeal of this provision of the Affordable Care Act.



**Appendix 1: Accounting Results By Group**

**Components of Net Position and Expense**

The exhibit below shows the development of Net Position and Expense as of the Measurement Date.

<b>Plan Summary Information for FYE June 30, 2020</b> <i>Measurement Date is June 30, 2020</i>	<b>MDAQMD</b>	<b>AVAQMD</b>	<b>Total</b>
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**Items Impacting Net Position:**

Total OPEB Liability	\$ 1,147,638	\$ 222,308	\$ 1,369,946
Fiduciary Net Position	709,315	-	709,315
Net OPEB Liability (Asset)	438,323	222,308	660,631

*Deferred (Outflows) Inflows of Resources Due to:*

Assumption Changes	119,932	33,675	153,607
Plan Experience	129,161	10,461	139,622
Investment Experience	(19,677)	-	(19,677)
Deferred Contributions	-	-	-
Net Deferred (Outflows) Inflows of Resources	229,416	44,136	273,552

**Impact on Statement of Net Position, FYE 6/30/2020**

<b>\$ 667,739</b>	<b>\$ 266,444</b>	<b>\$ 934,183</b>
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**Items Impacting OPEB Expense:**

Service Cost	\$ 56,117	\$ 12,842	\$ 68,959
Cost of Plan Changes	-	-	-
Interest Cost	72,523	12,273	84,796
Expected Earnings on Assets	(42,749)	-	(42,749)

*Recognized Deferred Resource items:*

Assumption Changes	(21,540)	(6,095)	(27,635)
Plan Experience	(24,053)	(1,948)	(26,001)
Investment Experience	4,075	-	4,075

**OPEB Expense, FYE 6/30/2020**

<b>\$ 44,373</b>	<b>\$ 17,072</b>	<b>\$ 61,445</b>
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**Appendix 1: Accounting Results By Group**  
(continued)

**Deferred Resources as of Fiscal Year End and Expected Future Recognition**

The exhibits below shows deferred resources as of the fiscal year end June 30, 2020.

<b>MDAQMD</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ -	\$ 119,932
Differences Between Expected and Actual Experience	-	129,161
Net Difference Between Projected and Actual Earnings on Investments	19,677	-
Deferred Contributions	-	-
<b>Total</b>	<b>\$ 19,677</b>	<b>\$ 249,093</b>

<b>AVAQMD</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ -	\$ 33,675
Differences Between Expected and Actual Experience	-	10,461
Net Difference Between Projected and Actual Earnings on Investments	-	-
Deferred Contributions	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 44,136</b>

The District will recognize the Contributions Made Subsequent to the Measurement Date in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

<b>For the Fiscal Year Ending June 30</b>	<b>MDAQMD</b>	<b>AVAQMD</b>	<b>Total</b>
2021	\$ (41,518)	\$ (8,043)	\$ (49,561)
2022	(41,517)	(8,043)	(49,560)
2023	(39,443)	(8,043)	(47,486)
2024	(40,217)	(8,043)	(48,260)
2025	(44,380)	(7,317)	(51,697)
Thereafter	(22,341)	(4,647)	(26,988)



**Appendix 1: Accounting Results By Group**  
**(Concluded)**

**Schedule of Changes in the District's Net OPEB Liability and Related Ratios**

<b>For Fiscal Year Ending June 30, 2020</b>			
<i>Liabilities &amp; Assets Measured As Of June 30, 2020</i>	<b>MDAQMD</b>	<b>AVAQMD</b>	<b>Total</b>
<b>Total OPEB liability</b>			
Service Cost	\$ 56,117	\$ 12,842	\$ 68,959
Interest	72,523	12,273	84,796
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(153,214)	(12,409)	(165,623)
Changes of assumptions	(84,426)	(16,055)	(100,481)
Benefit payments	(72,005)	(11,165)	(83,170)
<b>Net change in total OPEB liability</b>	<b>(181,005)</b>	<b>(14,514)</b>	<b>(195,519)</b>
<b>Total OPEB liability - beginning</b>	<b>1,328,643</b>	<b>236,822</b>	<b>1,565,465</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 1,147,638</b>	<b>\$ 222,308</b>	<b>\$ 1,369,946</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 101,783	\$ 11,165	\$ 112,948
Net investment income	15,869	-	15,869
Benefit payments	(72,005)	(11,165)	(83,170)
<b>Net change in plan fiduciary net position</b>	<b>45,647</b>	<b>-</b>	<b>45,647</b>
<b>Plan fiduciary net position - beginning</b>	<b>663,668</b>	<b>-</b>	<b>663,668</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 709,315</b>	<b>\$ -</b>	<b>\$ 709,315</b>
<b>Net OPEB liability - ending (a) - (b)</b>	<b>\$ 438,323</b>	<b>\$ 222,308</b>	<b>\$ 660,631</b>
<b>Covered-employee payroll</b>	<b>\$ 5,784,102</b>	<b>\$ 1,311,513</b>	<b>\$ 7,095,615</b>
<b>Net OPEB liability as a % of covered-employee payroll</b>	<b>15.16%</b>	<b>33.90%</b>	<b>49.06%</b>



## Addendum 1: Important Background Information

### General Types of Other Post-Employment Benefits (OPEB)

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are medical, prescription drug, dental, vision, and/or life insurance coverage. Other OPEB may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include COBRA, vacation, sick leave (unless converted to defined benefit OPEB), or other direct retiree payments.

A direct employer payment toward the cost of OPEB benefits is referred to as an “explicit subsidy”. In addition, if claims experience of employees and retirees are pooled when determining premiums, retiree premiums are based on a pool of members which, on average, are younger and healthier. For certain types of coverage such as medical insurance, this results in an “implicit subsidy” of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if retirees were insured separately. GASB 75 and Actuarial Standards of Practice generally require that an implicit subsidy of retiree premium rates be valued as an OPEB liability.

Expected retiree claims		
Premium charged for retiree coverage		<i>Covered by higher active premiums</i>
Retiree portion of premium	Agency portion of premium Explicit subsidy	Implicit subsidy

*This chart shows the sources of funds needed to cover expected medical claims for pre-Medicare retirees. The portion of the premium paid by the Agency does not impact the amount of the implicit subsidy.*

### Valuation Process

The valuation was based on employee census data and benefits provided by the District. A summary of the employee data is provided in Section 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the District as to its accuracy. The valuation was also based on the actuarial methods and assumptions described in Section 3.

In developing the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee’s future retirement. Benefits may include both direct employer payments (explicit subsidies) and/or an implicit subsidy, arising when retiree premiums are expected to be subsidized by active employee premiums. The projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding:

- The probability that each individual employee will or will not continue in service to receive benefits.
- The probability of when such retirement will occur for each retiree, based on current age, service and employee type; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.



## **Important Background Information**

(Continued)

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for many decades.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method and the amounts for each individual are then summed to get the results for the entire plan. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "Total OPEB Liability". The OPEB cost allocated for active employees in the current year is referred to as "Service Cost".

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets ("Fiduciary Net Position") is applied to offset the "Total OPEB Liability", resulting in the "Net OPEB Liability". If a plan is not being funded, then the Net OPEB Liability is equal to the Total OPEB Liability.

It is important to remember that an actuarial valuation is, by its nature, a projection of one possible future outcome based on many assumptions. To the extent that actual experience is not what we assumed, future results will differ. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members
- A significant increase or decrease in the future premium rates
- A change in the subsidy provided by the Agency toward retiree premiums
- Longer life expectancies of retirees
- Significant changes in expected retiree healthcare claims by age, relative to healthcare claims for active employees and their dependents
- Higher or lower returns on plan assets or contribution levels other than were assumed, and/or
- Changes in the discount rate used to value the OPEB liability



## Important Background Information

(Continued)

### Requirements of GASB 75

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosure of OPEB expense and related liabilities (assets), note disclosures, and, required supplementary information (RSI) in the financial reports of state and local governmental employers.

### Important Dates

GASB 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as of the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year (the "Measurement Date").

### Recognition of Plan Changes and Gains and Losses

Under GASB 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

- **Timing of recognition:** Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.
- **Deferred recognition periods:** These periods differ depending on the source of the gain or loss.

Difference between projected  
and actual trust earnings:

5 year straight-line recognition

All other amounts:

Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.





## Important Background Information

(Continued)

### Implicit Subsidy Plan Contributions

An implicit subsidy occurs when expected retiree claims exceed the premiums charged for retiree coverage. When this occurs, we expect part of the premiums paid for active employees to cover a portion of retiree claims. This transfer represents the current year's "implicit subsidy". Because GASB 75 treats payments to an irrevocable trust *or directly to the insurer* as employer contributions, each year's implicit subsidy is treated as a contribution toward the payment of retiree benefits.

The following hypothetical example illustrates this treatment:

Hypothetical Illustration of Implicit Subsidy Recognition	For Active Employees	For Retired Employees
<i>Prior to Implicit Subsidy Adjustment</i>		
Premiums Paid by Agency During Fiscal Year	\$ 411,000	\$ 48,000
Accounting Treatment	Compensation Cost for Active Employees	Contribution to Plan & Benefits Paid from Plan
<i>After Implicit Subsidy Adjustment</i>		
Premiums Paid by Agency During Fiscal Year	\$ 411,000	\$ 48,000
Implicit Subsidy Adjustment	(23,000)	23,000
Accounting Cost of Premiums Paid	\$ 388,000	\$ 71,000
Accounting Treatment Impact	Reduces Compensation Cost for Active Employees	Increases Contributions to Plan & Benefits Paid from Plan

The example above shows that total payments toward active and retired employee healthcare premiums is the same, but for accounting purposes part of the total is shifted from actives to retirees. This shifted amount is recognized as an OPEB contribution and reduces the current year's premium expense for active employees.





## **Important Background Information**

(Continued)

### **Discount Rate**

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

### **Actuarial Funding Method and Assumptions**

The “ultimate real cost” of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method.

The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the “incidence of cost”. GASB 75 specifically requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the Entry Age Actuarial Cost Method, with each period’s service cost determined as a level percentage of pay.

The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable.



## **Addendum 2: MacLeod Watts Age Rating Methodology**

Both accounting standards (e.g. GASB 75) and actuarial standards (e.g. ASOP 6) require that expected retiree claims, not just premiums paid, be reflected in most situations where an actuary is calculating retiree healthcare liabilities. Unfortunately, the actuary is often required to perform these calculations without any underlying claims information. In most situations, the information is not available, but even when available, the information may not be credible due to the size of the group being considered.

Actuaries have developed methodologies to approximate healthcare claims from the premiums being paid by the plan sponsor. Any methodology requires adopting certain assumptions and using general studies of healthcare costs as substitutes when there is a lack of credible claims information for the specific plan being reviewed.

Premiums paid by sponsors are often uniform for all employee and retiree ages and genders, with a drop in premiums for those participants who are Medicare-eligible. While the total premiums are expected to pay for the total claims for the insured group, on average, the premiums charged would not be sufficient to pay for the claims of older insureds and would be expected to exceed the expected claims of younger insureds. An age-rating methodology takes the typically uniform premiums paid by plan sponsors and spreads the total premium dollars to each age and gender intended to better approximate what the insurer might be expecting in actual claims costs at each age and gender.

The process of translating premiums into expected claims by age and gender generally follows the steps below.

1. *Obtain or Develop Relative Medical Claims Costs by Age, Gender, or other categories that are deemed significant.* For example, a claims cost curve might show that, if a 50 year old male has \$1 in claims, then on average a 50 year old female has claims of \$1.25, a 30 year male has claims of \$0.40, and an 8 year old female has claims of \$0.20. The claims cost curve provides such relative costs for each age, gender, or any other significant factor the curve might have been developed to reflect. Section 3 provides the source of information used to develop such a curve and shows sample relative claims costs developed for the plan under consideration.
2. *Obtain a census of participants, their chosen medical coverage, and the premium charged for their coverage.* An attempt is made to find the group of participants that the insurer considered in setting the premiums they charge for coverage. That group includes the participant and any covered spouses and children. When information about dependents is unavailable, assumptions must be made about spouse age and the number and age of children represented in the population. These assumptions are provided in Section 3.
3. *Spread the total premium paid by the group to each covered participant or dependent based on expected claims.* The medical claims cost curve is used to spread the total premium dollars paid by the group to each participant reflecting their age, gender, or other relevant category. After this step, the actuary has a schedule of expected claims costs for each age and gender for the current premium year. It is these claims costs that are projected into the future by medical cost inflation assumptions when valuing expected future retiree claims.

The methodology described above is dependent on the data and methodologies used in whatever study might be used to develop claims cost curves for any given plan sponsor. These methodologies and assumptions can be found in the referenced paper cited as a source in the valuation report.



### **Addendum 3: MacLeod Watts Mortality Projection Methodology**

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principles in developing a credible mortality improvement model would include the following:

- (1) Short-term mortality improvement rates should be based on recent experience.
- (2) Long-term mortality improvement rates should be based on expert opinion.
- (3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **MacLeod Watts Scale 2020** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2019 Report, published in October 2019 and (2) the demographic assumptions used in the 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published April 2019.

MacLeod Watts Scale 2020 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2019 which has two segments – (1) historical improvement rates for the period 1951-2015 and (2) an estimate of future mortality improvement for years 2016-2018 using the Scale MP-2019 methodology but utilizing the assumptions obtained from Scale MP-2015. The MacLeod Watts scale then transitions from the 2018 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10-year period 2019-2028. After this transition period, the MacLeod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2028-2042. The SSA's Intermediate Scale has a final step down in 2043 which is reflected in the MacLeod Watts scale for years 2043 and thereafter. Over the ages 95 to 115, the SSA improvement rate is graded to zero.

Scale MP-2019 can be found at the SOA website and the projection scales used in the 2019 Social Security Administrations Trustees Report at the Social Security Administration website.



## Glossary

**Actuarial Funding Method** – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

**Actuarial Present Value of Projected Benefits (APVPB)** – The amount presently required to fund all projected plan benefits in the future. This value is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

**CalPERS** – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

**Defined Benefit (DB)** – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

**Deferred Contributions** – When an employer makes contributions after the measurement date and prior to the fiscal year end, recognition of these contributions is deferred to a subsequent accounting period by creating a deferred resource. We refer to these contributions as Deferred Contributions.

**Defined Contribution (DC)** – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

**Discount Rate** - Interest rate used to discount future potential benefit payments to the valuation date. Under GASB 75, if a plan is prefunded, then the discount rate is equal to the expected trust return. If a plan is not prefunded (pay-as-you-go), then the rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Expected Average Remaining Service Lifetime (EARSLS)** – Average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period

**Entry Age Actuarial Cost Method** – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to the last age at which benefits can be paid

**Excise Tax** – The Affordable Care Act created an excise tax on the value of employer sponsored coverage which exceeds certain thresholds ("Cadillac Plans"). This tax was repealed in December 2019.

**Explicit Subsidy** – The projected dollar value of future retiree healthcare costs expected to be paid directly by the Employer, e.g., the Employer's payment of all or a portion of the monthly retiree premium billed by the insurer for the retiree's coverage

**Fiduciary Net Position** – The value of trust assets used to offset the Total OPEB Liability to determine the Net OPEB Liability.

**Government Accounting Standards Board (GASB)** – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board



## Glossary

(Continued)

**Health Care Trend** – The assumed rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to increases in the cost of healthcare; contributing factors include medical inflation, frequency or extent of utilization of services and technological developments.

**Implicit Subsidy** – The projected difference between future retiree claims and the premiums to be charged for retiree coverage; this difference results when the claims experience of active and retired employees are pooled together and a ‘blended’ group premium rate is charged for both actives and retirees; a portion of the active employee premiums subsidizes the retiree premiums.

**Net OPEB Liability (NOL)** – The liability to employees for benefits provided through a defined benefit OPEB. Only assets administered through a trust that meet certain criteria may be used to reduce the Total OPEB Liability.

**Net Position** – The Impact on Statement of Net Position is the Net OPEB Liability adjusted for deferred resource items

**OPEB Expense** – The OPEB expense reported in the Agency’s financial statement. OPEB expense is the annual cost of the plan recognized in the financial statements.

**Other Post-Employment Benefits (OPEB)** – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

**Pay-As-You-Go (PAYGO)** – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

**PEMHCA** – The Public Employees’ Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that a contracting Agency contribute toward medical insurance premiums for retired annuitants and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

**Plan Assets** – The value of cash and investments considered as ‘belonging’ to the plan and permitted to be used to offset the AAL for valuation purposes. To be considered a plan asset, GASB 75 requires (a) contributions to the OPEB plan be irrevocable, (b) OPEB assets to dedicated to providing OPEB benefit to plan members in accordance with the benefit terms of the plan, and (c) plan assets be legally protected from creditors, the OPEB plan administrator and the plan members.

**Public Agency Miscellaneous (PAM)** – Non-safety public employees.

**Select and Ultimate** – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

**Service Cost** – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the actuarial funding method; also called normal cost

**Total OPEB Liability (TOL)** – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; a subset of “Actuarial Present Value”

**Vesting** – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility



The following page(s) contain the backup material for Agenda Item: [Receive and file the District Activity Report. Presenter: Brad Poiriez, Executive Director/APCO.](#)  
Please scroll down to view the backup material.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #8*

**DATE:** February 22, 2021

**RECOMMENDATION:** Receive and file the District Activity Report.

**SUMMARY:** This item presents a report of District activities for the period referenced.

**BACKGROUND:** The following reports reflect information regarding the District's activities in the following areas:

- Operations – including permitting and compliance
- Grants – including status of projects awarded
- Community Relations and Education – including events where the District participates and is represented, and upcoming events.

Staff is available to answer questions as needed.

**REASON FOR RECOMMENDATION:** These reports are for information only.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form and by Brad Poiriez, Executive Director/APCO, on or about February 8, 2021.

**FINANCIAL DATA:** No increase in appropriation is anticipated.

**PRESENTER:** Brad Poiriez, Executive Director/APCO.



# Interoffice Memo

**From: Alan De Salvio**   
*Deputy Director - Operations*  
adesalvio@mdaqmd.ca.gov

**To: Brad Poiriez**  
*Executive Director*  
bradp@mdaqmd.ca.gov

**Date:** 2/1/2021

**Subject:** January 2021 Operations Activity Report



Permit Inspections Completed - 69 (92% in compliance)  
Notices to Comply (NTCs) Issued - 12  
Notices of Violation (NoVs) Issued - 11  
Outstanding NoVs - 43 (26 in settlement)  
Delinquent Permit Follow-Ups – 5  
Breakdowns – 20  
Vapor Recovery Tests Witnessed – 9  
Complaints - 6  
Complaint Investigations - 6  
Asbestos Notifications – 7  
Asbestos Project Inspections – 0

Permit Applications Received – 23 [and 6 for AVAQMD]  
Permit Changes Processed – 174 [including AVAQMD]  
Title V Permit Actions In Progress - 13 [including AVAQMD]  
Permits Issued – 337 [108]  
Active Companies – 668 [277]  
Active Facilities - 1313 [526] (41 [4] Title V Facilities)  
Active Permits – 4434 [1106]  
Certificate of Occupancy/Building Permit Reviews – 45

Project Comment Letters – 3

*Full SLAMS Air Monitoring Sites:*

Barstow (full met,<sup>1</sup> CO, NO<sub>x</sub>, O<sub>3</sub>, PM<sub>10</sub>)  
Hesperia (full met, O<sub>3</sub>, PM<sub>10</sub>)  
Lucerne Valley (partial met,<sup>2</sup> PM<sub>10</sub>)  
Phelan (full met, O<sub>3</sub>)  
Trona (full met, H<sub>2</sub>S, NO<sub>x</sub>, O<sub>3</sub>, SO<sub>2</sub>, PM<sub>10</sub>)  
Victorville (full met, CO, NO<sub>x</sub>, O<sub>3</sub>, SO<sub>2</sub>, PM<sub>10</sub>, PM<sub>2.5</sub>)

*Community Sensors:*

Two TAPI T640 PM<sub>2.5</sub> portable trailer-mounted units  
39 PurpleAir particulate sensors (Apple Valley (3), Baker (2), Barstow, Blythe (2), Earp, Fort Irwin, Gene Intake, Helendale, Hesperia, Joshua Tree, JTNP, Lucerne Valley (2), Morongo Valley (2), Needles (2), Newberry Springs (2), Nipton, Oak Hills/Hesperia (2), Parker Dam, Phelan (2), Pinon Hills, Primm, Trona, Twentynine Palms (2), Victorville (2), Wrightwood, Yermo, Yucca Valley)

<sup>1</sup> Full met is full meteorology (exterior temperature, wind speed, wind direction, exterior pressure and relative humidity)

<sup>2</sup> Partial met is full meteorology without relative humidity



**From: Jorge Camacho**  
 Grants Analyst  
 760.245.1661, ext. 2020  
 Fax 760.245.2699  
 jcamacho@mdaqmd.ca.gov



**To: Brad Poiriez**  
 bradp@mdaqmd.ca.gov

**Date:** February 22, 2021  
**Subject:** February Grant Report

## Interoffice Memo

### Updates

#### Carl Moyer Program Now Accepting Applications

The Mojave Desert Air Quality Management District (MDAQMD) is now accepting applications for the 2021 Carl Moyer Program funding for emissions reduction projects within our jurisdiction. Application period closes on March 31, 2021.

#### Lawn & Garden Equipment Exchange Program-2021

The MDAQMD has officially entered into a contractual agreement with Pacific STIHL to run our 2021 Lawn & Garden Exchange Program. The program will officially start April 1, 2021 and run until the program funds are exhausted but no further than June 30, 2021. Residents living within MDAQMD boundaries are eligible to participate. The program allows participants to swap their gas-powered lawn mowers, trimmers and leaf-blowers for zero-emission, battery powered equivalents at the following locations shown in Table 1 below.

Table 1

	<b>City/Town</b>	<b>Dealership</b>	<b>Address</b>	<b>Zip Code</b>
1	Blythe	Inland Builders Supply	1224 W. Hobson Way	92225
2	Yucca Valley	Builders Supply	7054 Old Women Springs Rd.	92284
3	Phelan	Mills Hardware	3636 Phelan Rd.	92371
4	Hesperia	Hesperia Outdoor Power	17494 Main St.	92345
5	Wrightwood	Mountain Hardware	1390 State Hwy 2	92397
6	Apple Valley	Apple Valley Lawnmower	22393 Hwy. 18	92307
7	Lucerne Valley	Lucerne Valley Market - Hardware	32946 Hwy. 18	92356

Additionally, in our continued efforts to expand the reach of our exchange program a one-day exchange event has been scheduled in the City of Barstow. The event will take place April 10<sup>th</sup> and will occur at Robert A. Sessions Sports Park. More details on the program and event to follow.

**Current Project List**

<b><u>Funding Source</u></b>		
<b><u>Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program)</u></b>		
<b><u>Project Name</u></b>	<b><u>Grant Award</u></b>	<b><u>Status</u></b>
DeConinck Farms Project 1-Backhoe Off-Road Agricultural Equipment	\$ 81,101.00	Pending
Ecology Project 1-1990 Caterpillar Model 246 Off-Road Equipment	43,981.00	Pending
Nish Noroian FARMER Project 1-2940 Off-Road Agricultural Equipment	58,360.00	Pending
Red Mule Ranch Project 2-7200 Off-Road Agricultural Equipment	110,153.00	Pending
Seiler Equipment Company LLC Project 4-4230 B Off-Road Agricultural Equipment	59,189.00	Pending
Stroschein Family Trust Project 1-4640 Off-Road Agricultural Equipment	212,720.00	Pending
<b>Total Carl Moyer Grant Awards</b>	<b>\$ 565,504.00</b>	

<b><u>Funding Source</u></b>		
<b><u>FARMER Year 2</u></b>		
<b><u>Project Name</u></b>	<b><u>Grant Award</u></b>	<b><u>Status</u></b>
Coxco LLC Off-Road Agricultural Equipment	\$ 42,080.00	Pending
Red Mule Ranch Off-Road Agricultural Equipment	101,596.30	Pending
Fisher Ranch LLC Project 5A Off-Road Agricultural Equipment	44,000.00	Pending
Fisher Ranch LLC Project 6A Off-Road Agricultural Equipment	46,688.00	Pending
Fisher Ranch LLC Project 7A Off-Road Agricultural Equipment	41,915.43	Pending
Fisher Ranch LLC Project 8A Off-Road Agricultural Equipment	41,915.43	Pending
Rio Rancho Project 2-4030 Off-Road Agricultural Equipment	73,520.00	Pending
Rio Rancho Project 3-4230 Off-Road Agricultural Equipment	73,520.00	Pending
Rio Rancho Project 4-4040 Off-Road Agricultural Equipment	73,520.00	Pending
<b>Total</b>	<b>\$ 538,755.16</b>	

<b><u>Funding Source</u></b>		
<b><u>AB 134/617-Community Action Program</u></b>		
<b><u>Project Name</u></b>	<b><u>Grant Award</u></b>	<b><u>Status</u></b>

AVUSD Electric Bus Infrastructure	\$	30,738.97	Pending
AESD Electric Bus Infrastructure		29,900.63	Pending
AESD Electric Bus		308,799.00	Pending
<b>Total AB 134/617 Grant Awards</b>	<b>\$</b>	<b>369,438.60</b>	

<u>Funding Source</u>		
<u>Mobile Source Emissions Reduction</u>		
<u>Project Name</u>	<u>Grant Award</u>	<u>Status</u>
Lawn and Garden Exchange	\$ 150,000.00	Ongoing/Yearly
Morongo Basin Transit	40,000.00	Ongoing/Yearly
Needles Area Transit	15,000.00	Ongoing/Yearly
Palo Verde Transit	20,000.00	Ongoing/Yearly
San Bernardino County	75,000.00	Ongoing/Yearly
Victor Valley Transit Authority	250,000.00	Ongoing/Yearly
Voluntary Accelerated Vehicle Retirement Program	100,000.00	Ongoing/Yearly
City of 29 Palms-Infrastructure Project	170,372.00	Pending
<b>Total AB2766 Grant Awards</b>	<b>\$ 770,372.00</b>	

<u>Funding Source</u>		
<u>Funding Source</u>		
<u>Targeted Air Shed Grant</u>		
<u>Project Name</u>	<u>Grant Award</u>	<u>Status</u>
MNRC/CEMEX Locomotive Replacement	\$ 2,694,670.00	Work in Progress
<b>Total Grant Awards</b>	<b>\$ 2,694,670.00</b>	

### Glossary of Terms and Definitions

#### On-Going Yearly

Funds are encumbered on a yearly and ongoing basis.

#### Pending

Grantee is under a contractual agreement with the District.

#### Work in Progress

Application is currently being reviewed by the Grants Section.

## Mojave Desert Air Quality Management District

Brad Poiriez, *Executive Director*

14306 Park Avenue, Victorville, CA 92392-2310

760.245.1661 • Fax 760.245.2699

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# February Activity Report Communications



### **Compliance ID assistance**

The Compliance Section is rolling out a new identification set for its field inspectors. Communications staff assisted in the roll out in shooting new, current photos for each inspector, design advice and print security. The project furthers the District's efforts to enhance brand awareness and reinforce the authority that select District staff has to enter permitted facilities for the distinct purpose of conducting inspections related to permits and potentially illegally unpermitted equipment.

### **First 2021 Governing Board Meeting**

Despite the challenges that have continued into 2021, MDAQMD had a great turnout of board members for our first meeting of the year, with only one board member absent. Four new board members were sworn in and past Vice Chair Carmen Hernandez was honored for her eight years of service on the board with a plaque and comments from the District's Executive Director and several board members. The board unanimously approved an amendment to Rule 219.

### **Governing Board representation**

The Governing Board page on the MDAQMD website has been fully updated with photos of all current board members and links to each appointing municipality's and county district's websites. The photo frame located on the south wall of the Governing Board Chambers at the District's Victorville headquarters has also been updated with photos and nameplates of the newly appointed members.

### **Social Media**

The District remained active on social media throughout January and February, honoring former Hesperia Mayor and MDAQMD Governing Board Member Paul Russ after his passing. The District also featured posts introducing the Governing Board's new leadership: Chair Merl Abel and Vice Chair Kari Leon, who were both unanimously supported by the board. Former Vice Chair Carmen Hernandez was also featured on the District's platform for her service to the board over the years as were the four new Governing Board members who were sworn into serve the District at the January meeting.

### **LGER**

Our annual Lawn and Garden Equipment Exchange is coming up and the Communications is already working with Stihl on the marketing materials, ads, and outreach strategies. This is the second year that MDAQMD is offering an extended program instead of a single-day event, though some single-day events are being organized to serve residents in outer-reaching areas of the jurisdiction. It's also the second year of MDAQMD's partnership with Stihl. The

Communications Section will create a trove of outreach materials to ensure another successful program including press releases, social media posts and videos.

### **Newsletters**

Communications staff put together the first 2021 edition of the official District public newsletter, *Air Mail*, for publication in February to a growing list of digital audience members. The latest issue featured new MDAQMD board members, leadership and new staff members along with previews of what's to come in local air quality news and events for 2021.

### **Vehicle Buy Back Program**

The Communications Section is partnering with Grants Analyst Jorge Camacho to renew a push of the Vehicle Buy Back incentive program. The outreach includes a new vinyl banner, regular social media posts, updated print flyers and newspaper advertising, and a Sound Off at the Greater High Desert Chamber of Commerce's Victorville State of the City Zoom event.

### **Press**

The Communications Section issued press releases that include introducing the new MDAQMD Governing Board members; announcing the selection of the MDAQMD Governing Board Chair and Vice Chair; and honoring the years of service of former Vice Chair Carmen Hernandez.

The following page(s) contain the backup material for Agenda Item: [Receive and file the Financial Report for FY21, through the month of December 2020, which provides financial information and budget performance concerning the fiscal status of the District.](#)  
Presenter: [Laquita Cole, Finance Manager.](#)

Please scroll down to view the backup material.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #9*

**DATE:** February 22, 2021

**RECOMMENDATION:** Receive and file.

**SUMMARY:** Receive and file the Financial Report for **FY21**, through the month of **December 2020**, which provides financial information and budget performance concerning the fiscal status of the District.

**BACKGROUND:** The Financial Report provides financial information and budget performance concerning the fiscal status of the District. The included reports reflect the business activities of the District for the period referenced *for all funds*. The target variance for December is 50% of Fiscal Year 2021.

The financial position for the District is sound and tracking well to the adopted budget. Several funding sources, such as Program Revenue from AB2766, are received later in the fiscal year.

Expenditures in the General Fund (not included in these reports) are over budget to date, and Personnel Expenses are under budget due to unfilled positions. The Finance Reports are attached.

Grant expenditures were made during the period using grant funds received during last fiscal year. On the Statement of Revenues & Expenditures and Statement of Activity these actions are in the line item "Program Costs" and may cause the negative amount shown. Sufficient funds are available to conduct the District's business as budgeted.

**REASON FOR RECOMMENDATION:** Receive and file.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form and by Brad Poiriez, Executive Director/APCO, on or before February 8, 2021.

**FINANCIAL DATA:** No change in appropriation is required at this time.

**PRESENTER:** Laquita Cole, Finance Manager

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #9*

**PAGE 2**

**FINANCIAL REPORTS**

STATEMENT OF REVENUES & EXPENDITURES – This report describes the financial activities for each of the District’s funds during the month(s) indicated.

STATEMENT OF ACTIVITY – This report reflects the revenues received and expenses made in all funds for the month(s) indicated and the year-to-date against the adopted budget for FY 21. The line items “Program” and “Program Costs” refer to the revenue and those payments made from the District’s grant funds (including AB 2766 and Carl Moyer Fund).

Y-T-D Actual Column – The revenue and expenditures to date reflect the activity year to date for the General Fund *together with* the District’s grant funds. When grant funds are expended they may be for amounts greater than what was received year to date because grants are often paid from the funds accumulated over a period of time. The Excess Revenue/Over Expenditures may reflect expenditures for the period exceeding the revenue for the period, creating a negative result that may imply expenses exceeding approved budget for the fiscal year.

CHECK REGISTERS – These reports list payments made for goods and services and fund transfers for District accounts.



**Mojave Desert AQMD**  
**Balance Sheet - Governmental Funds**  
**As of December 31, 2020**

## Financial Report

	<u>General Fund</u>	<u>Mobile Emissions</u>	<u>Carl Moyer</u>	<u>Fiduciary Fund</u>	<u>Total</u>
<b>Assets</b>					
Current Assets					
Cash	4,615,356.51	1,718,356.68	1,383,244.30	2,128,296.75	9,845,254.24
Cash Held For Other Fund	76,138.53	(2,345.92)	32,619.86	(106,412.47)	0.00
Receivables	638,463.72	0.00	0.00	0.00	638,463.72
Pre-Paid	138,939.68	0.00	0.00	0.00	138,939.68
<b>Total Current Assets</b>	<b>5,468,898.44</b>	<b>1,716,010.76</b>	<b>1,415,864.16</b>	<b>2,021,884.28</b>	<b>10,622,657.64</b>
Non-Current Assets					
Deferred Outflows	3,543,726.00	0.00	0.00	0.00	3,543,726.00
<b>Total Assets</b>	<b>9,012,624.44</b>	<b>1,716,010.76</b>	<b>1,415,864.16</b>	<b>2,021,884.28</b>	<b>14,166,383.64</b>
<b>Liabilities and Net Position</b>					
Current Liabilities					
Payables	120,621.88	0.00	0.00	0.00	120,621.88
Accruals	827,514.17	0.00	0.00	0.00	827,514.17
Due to Others	630.00	0.00	0.00	0.00	630.00
Payroll Taxes Liability	20,266.88	0.00	0.00	0.00	20,266.88
Retirement	849.40	0.00	0.00	0.00	849.40
Health	(37,184.76)	0.00	0.00	0.00	(37,184.76)
Other Payroll Deductions	(13,758.56)	0.00	0.00	0.00	(13,758.56)
Unearned Revenue	(19,171.02)	0.00	1,406,299.59	0.00	1,387,128.57
<b>Total Current Liabilities</b>	<b>899,767.99</b>	<b>0.00</b>	<b>1,406,299.59</b>	<b>0.00</b>	<b>2,306,067.58</b>
Net Pension Liability	10,497,528.00	0.00	0.00	0.00	10,497,528.00
Net OPEB Liability	660,631.00	0.00	0.00	0.00	660,631.00
Deferred Pension Inflows	672,568.00	0.00	0.00	0.00	672,568.00
Deferred OPEB Inflows	293,229.00	0.00	0.00	0.00	293,229.00
<b>Total Current Liabilities</b>	<b>12,123,956.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>12,123,956.00</b>
Restricted Fund Balance	371,858.28	1,908,416.07	9,564.57	652,655.44	2,942,494.36
Committed Fund Balance	1,362,080.00	0.00	0.00	0.00	1,362,080.00
Budget Stabilization	250,000.00	0.00	0.00	0.00	250,000.00
Retirement Reserves	0.00	0.00	0.00	1,099,397.51	1,099,397.51
Unassigned Fund Balance	1,230,768.77	0.00	0.00	0.00	1,230,768.77
Adjustments to Fund Balance - GASB 68	(6,953,802.00)	0.00	0.00	0.00	(6,953,802.00)
Adjustments to Fund Balance - GASB 75	(660,631.00)	0.00	0.00	0.00	(660,631.00)
Compensated Absences	450,000.00	0.00	0.00	0.00	450,000.00
Pre Paid	138,939.68	0.00	0.00	0.00	138,939.68
Change in Net Position	(200,313.28)	(192,405.31)	0.00	269,831.33	(122,887.26)
<b>Total Liabilities &amp; Net Position</b>	<b>9,012,624.44</b>	<b>1,716,010.76</b>	<b>1,415,864.16</b>	<b>2,021,884.28</b>	<b>14,166,383.64</b>

**Mojave Desert AQMD**  
**Statement of Activity - All Funds**  
**For the Period Ending December 31, 2020**

## Financial Report

	<u>M-T-D</u> <u>Actual</u>	<u>Y-T-D</u> <u>Actual</u>	<u>Y-T-D</u> <u>Budget</u>	<u>% Budget</u> <u>to Actual</u>
<b>Revenues</b>				
Revenue - Permitting	280,156.80	2,477,385.38	5,173,000.00	47.89
Revenue - Programs	144,134.46	879,853.28	3,040,920.00	28.93
Revenue - Application Fees	23,160.11	131,430.19	125,000.00	105.14
Revenue - State	0.00	509,954.98	1,391,385.00	36.65
Revenue - Federal	0.00	0.00	124,900.00	0.00
Fines & Penalties	38,652.48	100,041.52	188,500.00	53.07
Interest Earned	61,638.66	304,236.56	171,766.00	177.12
Revenue - Contracts & Unidentified	99,908.14	788,703.04	1,625,175.00	48.53
Permit Cancellations	(21,407.10)	(64,033.81)	0.00	0.00
<b>Total Revenues</b>	<b>626,243.55</b>	<b>5,127,571.14</b>	<b>11,840,646.00</b>	<b>43.30</b>
<b>Expenditures</b>				
Office Expenses	8,333.72	140,922.84	339,105.00	41.56
Communications	1,493.64	26,549.01	95,000.00	27.95
Vehicles	2,805.02	20,942.17	70,000.00	29.92
Program Costs	49,758.35	1,519,573.31	3,109,737.00	48.87
Travel	439.00	8,326.57	105,500.00	7.89
Professional Services	6,226.45	47,716.74	141,450.00	33.73
Maintenance & Repairs	7,513.69	28,691.25	89,575.00	32.03
Non-Depreciable Inventory	2,865.55	32,306.35	54,550.00	59.22
Dues & Subscriptions	3,139.65	17,927.60	60,000.00	29.88
Legal	4,496.61	25,860.38	47,500.00	54.44
Miscellaneous Expense	224.52	1,611.82	11,500.00	14.02
Suspense	(5,372.77)	(3,099.00)	0.00	0.00
Capital Expenditures	1,641.05	141,251.94	270,000.00	52.32
<b>Total Expenditures</b>	<b>83,564.48</b>	<b>2,008,580.98</b>	<b>4,393,917.00</b>	<b>45.71</b>
<b>Salaries &amp; Benefits</b>				
Personnel Expenses	534,429.30	3,246,973.03	7,369,729.00	44.06
<b>Total Salaries &amp; Benefits</b>	<b>534,429.30</b>	<b>3,246,973.03</b>	<b>7,369,729.00</b>	<b>44.06</b>
<b>Excess Revenue Over (Under) Expenditures</b>	<b>8,249.77</b>	<b>(127,982.87)</b>	<b>77,000.00</b>	<b>(166.21)</b>

**Mojave Desert AQMD**  
**Statement of Revenues & Expenditures**  
**For the Period Ending December 31, 2020**

## Financial Report

	<u>General</u> <u>Fund</u>	<u>Mobile</u> <u>Emissions</u> <u>Program</u>	<u>Carl</u> <u>Moyer</u> <u>Program</u>	<u>Fiduciary</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b><u>Revenues</u></b>					
Antelope Valley Air Quality Mngmnt Contract	97,099.34	0.00	0.00	0.00	97,099.34
Other Contracts	0.00	0.00	0.00	0.00	0.00
Application and Permit Fees	281,909.81	0.00	0.00	0.00	281,909.81
AB 2766 and Other Program Revenues	86,480.68	57,653.78	0.00	0.00	144,134.46
Fines	38,652.48	0.00	0.00	0.00	38,652.48
Investment Earnings	6.97	13.76	0.00	61,617.93	61,638.66
Federal and State	0.00	0.00	0.00	0.00	0.00
Other Revenue	2,808.80	0.00	0.00	0.00	2,808.80
<b>Total Revenues</b>	<b>506,958.08</b>	<b>57,667.54</b>	<b>0.00</b>	<b>61,617.93</b>	<b>626,243.55</b>
<b><u>Expenditures</u></b>					
Salaries and Benefits	525,456.80	0.00	0.00	0.00	525,456.80
Services and Supplies	74,948.00	5,430.00	0.00	1,545.43	81,923.43
Contributions to Other Participants	0.00	0.00	0.00	0.00	0.00
Capital Outlay Improvements and Equipment	1,641.05	0.00	0.00	0.00	1,641.05
<b>Total Expenditures</b>	<b>602,045.85</b>	<b>5,430.00</b>	<b>0.00</b>	<b>1,545.43</b>	<b>609,021.28</b>
<b>Excess Revenue Over (Under) Expenditures</b>	<b>(95,087.77)</b>	<b>52,237.54</b>	<b>0.00</b>	<b>60,072.50</b>	<b>17,222.27</b>

## Mojave Desert AQMD

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### Wells Fargo Operating

<u>Check/Ref</u>	<u>Date</u>	<u>Name/Description</u>	<u>Check Amount</u>	<u>Deposit Amount</u>	<u>Account Balance</u>
0120120	12/01/2020	VOYA 401a - Poiriez - December 2020	1,099.07	0.00	1,511,385.78
EFT	12/02/2020	Pay period ending 11/20/2020	125,938.43	0.00	1,385,447.35
	12/02/2020	PP 25/2020	9,064.61	0.00	1,376,382.74
	12/02/2020	PP 25/2020 State Taxes	8,719.53	0.00	1,367,663.21
	12/02/2020	PP 25/2020 Federal Taxes	27,251.20	0.00	1,340,412.01
0000003	12/02/2020	Credit Card Transactions - Martinez Collision - North American Recycling	0.00	2,432.46	1,342,844.47
0000003	12/02/2020	Credit Card Transactions - Boeing	0.00	1,208.00	1,344,052.47
0009301	12/03/2020	Refund: Over Payment of Demo Reno Fee	135.00	0.00	1,343,917.47
0009302	12/03/2020	Travel Reconciliation - Blythe 11/25/2020	165.00	0.00	1,343,752.47
0009303	12/03/2020	Inv 3662 - Prepaid Time Block 130 Hours	3,250.00	0.00	1,340,502.47
0009304	12/03/2020	Invoices 112520, MD112520	9,644.00	0.00	1,330,858.47
0009305	12/03/2020	Refund: 42751	302.00	0.00	1,330,556.47
0009306	12/03/2020	Refund: Refund AB2588 - Hot Spot Fee FY 19/20	70.00	0.00	1,330,486.47
EFT	12/03/2020	Communication Cloud - Set Up - Configuration - Training	8,900.00	0.00	1,330,486.47
0009307	12/03/2020	Invoices 3811, 3818	480.00	0.00	1,330,006.47
0009308	12/03/2020	Inv 26582 - Services 11/20/20	200.00	0.00	1,329,806.47
0009309	12/03/2020	Refund: Duplicat Payment of Rule 302 Fees	1,757.12	0.00	1,328,049.35
EFT	12/03/2020	Ambient Temp/Baro Combo Sensor	1,289.37	0.00	1,328,049.35
0009310	12/03/2020	Travel Reconciliation - Blythe Inspections	165.00	0.00	1,327,884.35
EFT	12/03/2020	Invoices 3980, 4045	115,404.20	0.00	1,327,884.35
EFT	12/03/2020	Pay Period 25/2020 - FSADED	712.51	0.00	1,327,884.35
0009311	12/03/2020	Electric Use Fee - Lease - 11/01/20 - 11/30/20	160.00	0.00	1,327,724.35
0009312	12/03/2020	Pay Period 25/2020 - SBCERADefer, SBCERAMatch, SBCERAPickUp, SurvivorInsBen, SurvivorInsDed, RetireCashBen	83,290.34	0.00	1,244,434.01
0009313	12/03/2020	Pay Period 25/2020 - GeneralUnitDues	562.86	0.00	1,243,871.15
0009314	12/03/2020	Pay Period 25/2020 - GeneralUnitMisc	3.00	0.00	1,243,868.15
0009315	12/03/2020	Invoices 12012020, 2020-24, 2020-25	1,415.22	0.00	1,242,452.93
0009316	12/03/2020	Legislative Service - October & November 2020	3,400.00	0.00	1,239,052.93
EFT	12/03/2020	Invoices S020433944, S020434537	15,116.89	0.00	1,239,052.93
0009317	12/03/2020	Travel Reconciliation - Blythe Inspections	165.00	0.00	1,238,887.93
0009318	12/03/2020	Pay Period 25/2020 - UnitedWay	26.00	0.00	1,238,861.93
EFT	12/03/2020	Vehicle Fuel - November 2020	1,673.17	0.00	1,238,861.93
0009319	12/03/2020	Invoices , 2020-22, 2020-23, 2020-24	729.64	0.00	1,238,132.29
0000003	12/03/2020	Credit Card Transactions - Walmart - MP Mine	0.00	5,182.19	1,100,218.34
0000003	12/04/2020	Credit Card Transactions - FAA - AFCEE - Enkay	0.00	2,164.01	1,102,382.35
	12/04/2020	Card #6210	4,023.86	0.00	1,098,358.49
	12/04/2020	Card # 4838	4,263.75	0.00	1,094,094.74
	12/04/2020	Vard #4500	4,036.22	0.00	1,090,058.52
0000003	12/07/2020	Credit Card Transaction - Enkay Engineering	0.00	31.00	1,090,089.52
0000003	12/07/2020	Credit Card Transaction - Barstow Image	0.00	172.00	1,090,261.52
0000003	12/07/2020	Credit Card Transaction - Swinerton	0.00	302.00	1,090,563.52
0201207	12/07/2020	Wage Works FSA Claim	123.00	0.00	1,090,440.52
0000003	12/09/2020	Credit Card Transaction - FA Barstow - Barstow Image	0.00	172.00	1,090,612.52
0201209	12/09/2020	Wage Works FSA Claim	215.00	0.00	1,090,397.52

## Mojave Desert AQMD

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### Bank Register from 12/01/2020 to 12/31/2020

#### Wells Fargo Operating

<u>Check/Ref</u>	<u>Date</u>	<u>Name/Description</u>	<u>Check Amount</u>	<u>Deposit Amount</u>	<u>Account Balance</u>
0009320	12/10/2020	Invoices , 2020-24, 2020-25	2,561.54	0.00	1,087,835.98
0009321	12/10/2020	Membership Investment	460.00	0.00	1,087,375.98
0009322	12/10/2020	Sanitizing Supplies - December 2020	88.36	0.00	1,087,287.62
0009323	12/10/2020	Update Server from 6315 to 6321	75.00	0.00	1,087,212.62
0009324	12/10/2020	Employment Screening - Gaschot - Christensen	190.00	0.00	1,087,022.62
0009325	12/10/2020	Truck Bed Cover for 2020 Ford Ranger	1,641.05	0.00	1,085,381.57
0009326	12/10/2020	Quarterly Alarm Service - January - March 2021	240.00	0.00	1,085,141.57
0009327	12/10/2020	Tuition reimbursement for B. Lods - 2004 A Sessions	2,720.00	0.00	1,082,421.57
0009328	12/10/2020	Invoices 66219, 66375	159.92	0.00	1,082,261.65
EFT	12/10/2020	O-Rings - Filter Element Vacuum In-Line - Filer Vacuum In-Line	342.56	0.00	1,082,261.65
0009329	12/10/2020	Invoices 4088, 4099	130.00	0.00	1,082,131.65
0009330	12/10/2020	Cylinder Rental	92.61	0.00	1,082,039.04
0009331	12/10/2020	Janitorial Services - November 2020	2,346.00	0.00	1,079,693.04
0009332	12/10/2020	47mm Filter Membrane 5-6 micron	516.69	0.00	1,079,176.35
0009333	12/10/2020	Gas Service - 10/26/20 - 11/25/20	61.49	0.00	1,079,114.86
0009334	12/10/2020	Property/Liability Insurance on 2020 Honda Accord - FY21	1,840.89	0.00	1,077,273.97
0009335	12/10/2020	Services - December 2020	1,700.00	0.00	1,075,573.97
0009336	12/10/2020	Lobby Door Repair - Actuator	122.71	0.00	1,075,451.26
0009337	12/10/2020	Annual payment for life insurance policy for B.Poiriez	1,300.00	0.00	1,073,808.70
0000003	12/10/2020	Credit Card Transactions - CARC Coating - John Zink	0.00	1,766.97	1,075,575.67
0201210	12/10/2020	Wage Works FSA Claim	90.63	0.00	1,075,485.04
0002109	12/11/2020	Operating Fund Replenishment #9	0.00	421,411.37	1,496,896.41
0000003	12/11/2020	Credit Card Transaction - SEG	0.00	172.00	1,497,068.41
0000003	12/11/2020	Credit Card Transactions - Level 3 Communications	0.00	5,087.40	1,502,155.81
0000003	12/14/2020	Credit Card Transactions - Boeing - Grace	0.00	8,456.00	1,510,611.81
0000003	12/14/2020	Credit Card Transaction - CalPortland	0.00	634.20	1,511,246.01
0201214	12/14/2020	Wage Works FSA Claim	14.75	0.00	1,511,231.26
	12/15/2020	PP 26/2020 State Taxes	14,179.52	0.00	1,497,051.74
	12/15/2020	PP 26/2020 Payroll Taxes	44,891.51	0.00	1,452,160.23
0201215	12/15/2020	Wage Works FSA Claim	123.00	0.00	1,452,037.23
EFT	12/16/2020	Pay period ending 12/04/2020	154,268.87	0.00	1,297,768.36
EFT	12/16/2020	Pay period ending 12/04/2020	276.50	0.00	1,297,491.86
	12/16/2020	PP 26/2020 457	14,452.10	0.00	1,283,039.76
0009338	12/17/2020	Alan De Salvio 2020/2021 organizational dues	98.00	0.00	1,282,941.76
0009339	12/17/2020	Complaint Line - 11/07/20 - 12/06/20	49.05	0.00	1,282,892.71
EFT	12/17/2020	Invoices 2020-24, 2020-25, Jan 2021	41,715.32	0.00	1,282,892.71
0009340	12/17/2020	Dell Computers (2)	2,291.76	0.00	1,280,600.95
0009341	12/17/2020	Reviver AED Lease - December 2020	106.67	0.00	1,280,494.28
0009342	12/17/2020	Pest Service - 12/10/20	50.00	0.00	1,280,444.28
EFT	12/17/2020	Vehicle Leases - December 2020	1,238.38	0.00	1,280,444.28
0009343	12/17/2020	New gas station and gas decals	1,196.03	0.00	1,279,248.25
0009344	12/17/2020	Landscaping & Parking Lot Services - December 2020	480.00	0.00	1,278,768.25
0009345	12/17/2020	Electrical repair - Flag Pole Light	161.69	0.00	1,278,606.56
EFT	12/17/2020	Attendance Technical Advisory Committee meeting December 9, 2020.	35.00	0.00	1,278,606.56

**Mojave Desert AQMD**

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**Bank Register from 12/01/2020 to 12/31/2020**

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**Wells Fargo Operating**

<u>Check/Ref</u>	<u>Date</u>	<u>Name/Description</u>	<u>Check Amount</u>	<u>Deposit Amount</u>	<u>Account Balance</u>
0009346	12/17/2020	Copier Lease Payment - December 2020	1,053.95	0.00	1,277,552.61
EFT	12/17/2020	Pay Period 26/2020 - FSADED	712.19	0.00	1,277,552.61
EFT	12/17/2020	Attendance Technical Advisory Committee meeting December 9, 2020.	35.00	0.00	1,277,552.61
0009347	12/17/2020	Invoices 2020-26, MI013G2000345	92,380.34	0.00	1,185,172.27
0009348	12/17/2020	Pay Period 26/2020 - GeneralUnitDues	566.82	0.00	1,184,605.45
0009349	12/17/2020	Pay Period 26/2020 - GeneralUnitMisc	3.00	0.00	1,184,602.45
0009350	12/17/2020	Attendance Technical Advisory Committee meeting December 9, 2020.	35.00	0.00	1,184,567.45
0009351	12/17/2020	Office Supplies - 11/23/2020	1,008.52	0.00	1,183,558.93
0009352	12/17/2020	Employee Support Services - November 2020	450.00	0.00	1,183,108.93
EFT	12/17/2020	Attendance Technical Advisory Committee meeting December 9, 2020.	35.00	0.00	1,183,108.93
0009353	12/17/2020	Pay Period 26/2020 - UnitedWay	26.00	0.00	1,183,082.93
0009354	12/17/2020	Teleconferencing Services - November 2020	68.41	0.00	1,183,014.52
0009355	12/17/2020	Supplies for holiday celebration	1,248.52	0.00	1,137,960.11
0000003	12/17/2020	Credit Card Transactions - Unlimited Environmental	0.00	1,819.11	1,139,779.22
0201217	12/17/2020	Wage Works FSA Claim	1,634.33	0.00	1,138,144.89
0009356	12/18/2020	Air Monitroing Trailer Utility Fee - 3 Months	450.00	0.00	1,137,694.89
	12/18/2020	Card # 9081 - Statenent Date 12/04/20	2,038.44	0.00	1,135,656.45
	12/18/2020	Card # 3042 - Statement Date 12/04/20	878.60	0.00	1,134,777.85
	12/18/2020	Card # 8110 - Statement Date 12/04/20	733.95	0.00	1,134,043.90
	12/18/2020	Card # 7885 - Statement Date 12/04/20	137.00	0.00	1,133,906.90
	12/18/2020	Card # 7808 - Statement Date 12/04/20	120.99	0.00	1,133,785.91
	12/18/2020	Card # 0357 - Statement Date 12/04/20	52.57	0.00	1,133,733.34
0000003	12/18/2020	Credit Card Transactions - Calportland	0.00	1,268.40	1,135,001.74
0000003	12/18/2020	Credit Card Transaction - MCAGCC	0.00	636.59	1,135,638.33
0201218	12/18/2020	Wage Works FSA Claim	175.13	0.00	1,135,463.20
0000003	12/21/2020	Credit Card Transactions - Parc Environmental	0.00	1,212.74	1,136,675.94
0000003	12/21/2020	Credit Card Transaction - 7th & B Street LLC	0.00	153.00	1,136,828.94
Lods	12/21/2020	PP 26/2020 - B. Lods Overpayment Correction	0.00	9,042.92	1,145,871.86
0002110	12/21/2020	Operating Fund Replenishment #10	0.00	16,588.82	1,162,460.68
0201221	12/21/2020	Wage Works FSA Claim	15.02	0.00	1,162,445.66
0201222	12/22/2020	Wage Works FSA Claim	7.99	0.00	1,162,437.67
0000003	12/23/2020	Credit Card Transaction - Crestview Consolidated	0.00	1,310.64	1,163,748.31
0201223	12/23/2020	Wage Works FSA Claim	33.20	0.00	1,163,750.11
0000003	12/24/2020	Credit Card Transactions - Brickstone Capital - Barstow Image	0.00	761.74	1,164,511.85
0201224	12/24/2020	Wage Works FSA Claim	21.59	0.00	1,164,490.26
0000003	12/28/2020	Credit Card Transaction - SBCo Fleet	0.00	673.11	1,165,163.37
0000003	12/28/2020	Credit Card Transaction - So Cal Gas	0.00	634.20	1,165,797.57
0201229	12/29/2020	Wage Works FSA Claim	376.73	0.00	1,165,420.84
PP 27/2020	12/29/2020	PP 27/2020 State Taxes	7,668.13	0.00	1,157,752.71
PP 27/2020	12/29/2020	PP 27/2020 Federal Taxes	23,776.03	0.00	1,133,976.68
EFT	12/30/2020	Pay period ending 12/18/2020	121,792.40	0.00	1,012,184.28
PP 27/2020	12/30/2020	PP 27/2020 Bracy	6,848.04	0.00	1,005,336.24

**Mojave Desert AQMD**  
**Bank Register from 12/01/2020 to 12/31/2020**  
**Wells Fargo Operating**

<u>Check/Ref</u>	<u>Date</u>	<u>Name/Description</u>	<u>Check Amount</u>	<u>Deposit Amount</u>	<u>Account Balance</u>
0000003	12/31/2020	Credit Card Transaction - XPO Logistics	0.00	339.16	1,005,675.40
<b>Total for Report:</b>			<b>990,441.48</b>	<b>483,632.03</b>	

**Mojave Desert AQMD**  
**Bank Register from 12/01/2020 to 12/31/2020**  
General Fund MPA

<u>Check/Ref</u>	<u>Date</u>	<u>Name/Description</u>	<u>Check Amount</u>	<u>Deposit Amount</u>	<u>Account Balance</u>
0000003	12/01/2020	Daily Deposit	0.00	14,662.09	2,298,125.57
0000003	12/01/2020	SBCo ACH - Specialty Minerals	0.00	110,727.67	2,408,853.24
0000003	12/03/2020	Daily Deposit	0.00	4,220.41	2,413,073.65
0000003	12/04/2020	Daily Deposit	0.00	3,481.97	2,416,555.62
0000003	12/07/2020	Daily Deposit	0.00	153,427.12	2,569,982.74
0000003	12/08/2020	Daily Deposit	0.00	45,302.87	2,615,285.61
0000003	12/11/2020	SBCo ACH - MDAQMD	0.00	115,404.20	2,730,689.81
0000003	12/11/2020	SBCo ACH - MDAQMD	0.00	712.51	2,731,402.32
0002109	12/11/2020		421,411.37	0.00	2,309,990.95
0000003	12/14/2020	Daily Deposit	0.00	5,531.45	2,315,522.40
0000003	12/14/2020	SBCo ACH - NTC Public Works	0.00	104,453.81	2,419,976.21
0000003	12/15/2020	Daily Deposit	0.00	267,438.45	2,687,414.66
0000003	12/17/2020	SBCo ACH - NTC Public Works	0.00	5,493.76	2,692,908.42
0000003	12/18/2020	Daily Deposit	0.00	122,861.23	2,815,769.65
0000003	12/21/2020	SBCo ACH - MDAQMD	0.00	712.19	2,816,481.84
0002110	12/21/2020		16,588.82	0.00	2,799,893.02
0000003	12/23/2020	SBCo ACH - City of VV	0.00	1,657.99	2,801,551.01
<b>Total for Report:</b>			<b>438,000.19</b>	<b>956,087.72</b>	



**Mojave Desert AQMD**  
**Bank Register from 12/01/2020 to 12/31/2020**  
**WF AB2766**

<u>Check/Ref</u>	<u>Date</u>	<u>Name/Description</u>	<u>Check Amount</u>	<u>Deposit Amount</u>	<u>Account Balance</u>
	12/02/2020	Interest Earned	0.00	13.76	1,723,786.68
0003087	12/03/2020	AB2766 Grant	5,430.00	0.00	1,718,356.68
<b>Total for Report:</b>			<b>5,430.00</b>	<b>13.76</b>	

**Mojave Desert AQMD**  
**Bank Register from 12/01/2020 to 12/31/2020**  
**WF Carl Moyer**

<u>Check/Ref</u>	<u>Date</u>	<u>Name/Description</u>	<u>Check Amount</u>	<u>Deposit Amount</u>	<u>Account Balance</u>
	12/02/2020	Interest Earned	0.00	12.34	1,483,244.30
0001017	12/03/2020	Moyer Grant	100,000.00	0.00	1,383,244.30
<b>Total for Report:</b>			<b>100,000.00</b>	<b>12.34</b>	

**Mojave Desert AQMD**  
**Bank Register from 12/01/2020 to 12/31/2020**  
Clean Air Fund

<u>Check/Ref</u>	<u>Date</u>	<u>Name/Description</u>	<u>Check Amount</u>	<u>Deposit Amount</u>	<u>Account Balance</u>
	12/02/2020	Interest Earned	0.00	2.87	349,884.65
0001005	12/10/2020	Clean Air Fund Grant	22,083.36	0.00	327,801.29
0001006	12/17/2020	Clean Air Fund Grant	22,244.99	0.00	305,556.30
<b>Total for Report:</b>			<b>44,328.35</b>	<b>2.87</b>	

**Mojave Desert AQMD**  
**Bank Register from 12/01/2020 to 12/31/2020**  
Special Revenue

<u>Check/Ref</u>	<u>Date</u>	<u>Name/Description</u>	<u>Check Amount</u>	<u>Deposit Amount</u>	<u>Account Balance</u>
	12/02/2020	Interest Earned	0.00	4.10	499,376.50
<b>Total for Report:</b>			<b>0.00</b>	<b>4.10</b>	

**Mojave Desert AQMD**  
**Bank Register from 12/01/2020 to 12/31/2020**  
**PARS TRUST - OPEB**

<u>Check/Ref</u>	<u>Date</u>	<u>Name/Description</u>	<u>Check Amount</u>	<u>Deposit Amount</u>	<u>Account Balance</u>
	12/01/2020	Service Charge	592.81	0.00	797,025.10
	12/01/2020	Interest Earned	0.00	26,223.77	823,248.87
<b>Total for Report:</b>			<b>592.81</b>	<b>26,223.77</b>	

**Mojave Desert AQMD**  
**Bank Register from 12/01/2020 to 12/31/2020**  
**PARS TRUST - PENSION**

<u>Check/Ref</u>	<u>Date</u>	<u>Name/Description</u>	<u>Check Amount</u>	<u>Deposit Amount</u>	<u>Account Balance</u>
	12/01/2020	Service Charge	952.62	0.00	1,269,653.72
	12/01/2020	Interest Earned	0.00	35,394.16	1,305,047.88
<b>Total for Report:</b>			<b>952.62</b>	<b>35,394.16</b>	

The following page(s) contain the backup material for Agenda Item: [Receive and file the Legislative Report for February 2021](#). Presenter: [Brad Poiriez, Executive Director/APCO](#). Please scroll down to view the backup material.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #10*

**DATE:** February 22, 2021

**RECOMMENDATION:** Receive and file.

**SUMMARY:** The Legislative Report for February 2021.

**BACKGROUND:** Legislative actions proposed at the federal and state level have the potential to impact the implementation of the District's mission as well as its regulatory operations. An important tool for the District is to monitor the flood of information and its status which allows for comment early in the process and preparation for any changes that may be required. The District contracts this service and receives periodic reports with summaries to help sort the pertinent legislative proposals.

Strategic Partners Group (SPG) is the consultant to the District providing this service to monitor certain legislative and regulatory activities at the state and local level. Staff will direct questions to SPG regarding any of the material presented or follow up on any matter of interest to the Governing Board. Following the table of proposed legislation are several Articles of Interest of relevant information.

**REASON FOR RECOMMENDATION:** This item is provided for information subject to direction of the Governing Board.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form and by Brad Poiriez, Executive Director/APCO, on or about February 8, 2021.

**FINANCIAL DATA:** No increase in appropriation is anticipated.

**PRESENTER:** Brad Poiriez, Executive Director/APCO.

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*Government Affairs and Communication Consulting*

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FRANK T. SHEETS, III  
LAURIE HANSEN SHEETS

## **MEMORANDUM**

**DATE: February 5, 2021**

**TO: Brad Poiriez**

**FROM: Frank Sheets  
Laurie Hansen**

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Following please find our legislative report for February.

Since our last report several newly introduced bills have been added to the Districts current list, bringing the total to 43 compared to the 23 we presented last month.

The bills we listed in our last report have seen minimal activity. To the best of our knowledge, the capitol has been closed during most of January due to Covid-19 concerns, so we are not surprised. Although most of the previously listed bills have been assigned to committees, none are scheduled for hearings. And, the only bill seeing amendments is AB 73 (dealing with wildfire issues), and those amendments are minor. So, at this point, we have no additional comments on the bills included in last month's report.

The new bills on the districts list include the bills listed below beginning with AB 280 through AB 431. On the Senate side, the new additions include SB 12 and SB 260.

A few of this new bills deserve comment.

Assemblymember Salas AB 322, entitled "Energy: Electric Program Investment Charge program: biomass" directs funding for advances in biomass conversion technologies. The bill precludes the application of those funds to any conversion technologies that utilize combustion.

AB 363 by Assemblymember Medina is a Carl Moyer bill intended to streamline the application process.

AB 426 by Bauer-Kahan specifically references air districts and the use of emissions data from stationary sources, including associated mobile sources, to enable the calculation of health risks. We are not exactly sure of the proposed implications, but we suggest the District's review is appropriate.

Senator Wiener's SB 260, "Climate Corporate Accountability Act" is a far-reaching bill that will require CARB, by 2024, to develop regulations requiring publicly traded domestic and foreign corporations with revenues of exceeding \$1 billion and doing business in California to disclose their greenhouse gas emissions to the state. Our understanding is the intent of this bill is to provide California consumers addition information on the carbon footprint of purchased goods. The bill would also require California develop regulations requiring covered entities to develop emission targets they plan to meet and be these targets will be provided to the state. We are of the

understanding this bill is already gathering substantial opposition.

As always, we appreciate the opportunity to provide the District ongoing legislative reporting and should there be questions or comments, please feel free to reach out to us at any time.

# MDAQMD 2021 bills

## Friday, February 05, 2021

### [AB 1](#)

**(Garcia, Cristina D) Hazardous waste.**

**Introduced:** 12/7/2020

**Location:** 1/11/2021-A. E.S. & T.M.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would create the Board of Environmental Safety in the California Environmental Protection Agency. The bill would provide requirements for the membership of the board and would require the board to conduct no less than 6 public meetings per year. The bill would provide for the duties of the board, which would include, among others, reviewing specified policies, processes, and programs within the hazardous waste control laws; proposing statutory, regulatory, and policy changes; and hearing and deciding appeals of hazardous waste facility permit decisions and certain financial assurance decisions.

### [AB 5](#)

**(Fong R) Greenhouse Gas Reduction Fund: High Speed Rail Authority: K-12 education: transfer and loan.**

**Introduced:** 12/7/2020

**Location:** 1/11/2021-A. TRANS.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The act authorizes the state board to include in its regulation of those emissions the use of market-based compliance mechanisms. Current law requires all moneys, except for fines and penalties, collected by the state board from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund. Existing law continuously appropriates 25% of the annual proceeds of the fund to the High-Speed Rail Authority for certain purposes. This bill would suspend the appropriation to the High-Speed Rail Authority for the 2021-22 and 2022-23 fiscal years and would require the transfer of those amounts from moneys collected by the state board to the General Fund

### [AB 9](#)

**(Wood D) Wildfires.**

**Introduced:** 12/7/2020

**Location:** 12/7/2020-A. PRINT

<b>Desk</b>	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Current law establishes various programs for the prevention and reduction of wildfires. This bill would state the intent of the Legislature to enact subsequent legislation that would increase California's capacity to prevent and reduce the impact of wildfires, and would make related findings and declarations.

### [AB 11](#)

**(Ward D) Climate change: regional climate change authorities.**

**Introduced:** 12/7/2020

**Last Amend:** 1/21/2021

**Location:** 1/11/2021-A. NAT. RES.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would require the Strategic Growth Council, by January 1, 2023, to establish up to 12 regional climate change authorities to coordinate climate adaptation and mitigation activities in their regions, and coordinate with other regional climate adaptation authorities, state agencies, and other relevant stakeholders.

[AB 28](#)

**(Chau D) Service stations: definition: alternative fuels.**

**Introduced:** 12/7/2020

**Location:** 1/11/2021-A. TRANS.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Current law defines a “service station” as any establishment that offers for sale or sells gasoline or other motor vehicle fuel to the public and prescribes certain business operating requirements for a service station. This bill would exclude from the definition of a “service station” subject to these business operating requirements an establishment that sells only one or more alternative fuels, as defined. The bill would also make a conforming change.

[AB 33](#)

**(Ting D) Natural gas.**

**Introduced:** 12/7/2020

**Location:** 1/11/2021-A. U. & E.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Current law vests the Department of General Services with the authority to supervise the design and construction of a school building or the reconstruction or alteration of or addition to a school building to ensure that plans and specifications comply with applicable rules and regulations and building standards, and to ensure that the work of construction has been performed in accordance with the approved plans and specifications, for the protection of life and property. This bill would prohibit the department from approving or providing funding from the construction on new school buildings that have natural gas connections.

[AB 39](#)

**(Chau D) California-China Climate Institute.**

**Introduced:** 12/7/2020

**Location:** 1/11/2021-A. HIGHER ED.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would establish the California-China Climate Institute, housed at the University of California, Berkeley, as specified, and in partnership with the Institute of Climate Change and Sustainable Development at Tsinghua University and other entities and institutions in China and California. The bill would require the institute to foster collaboration to inform and shape climate policy and advance the goals of the Paris Agreement, advance joint policy research on major climate issues, support high-level dialogue on specific climate issues, and provide training to specified entities to advance climate and environmental policies. The bill would require the institute to work closely with other University of California campuses, departments, and leaders, and would authorize the institute to receive guidance and support from experts and state entities.

[AB 50](#)

**(Boerner Horvath D) Climate change: Climate Adaptation Center and Regional Support Network: sea level rise.**

**Introduced:** 12/7/2020

**Location:** 1/11/2021-A. NAT. RES.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Current law requires the Natural Resources Agency, in collaboration with the Ocean Protection Council, to create, and update biannually, a Planning for Sea Level Rise Database describing steps being taken throughout the state to prepare for, and adapt to, sea level rise. This bill would establish the Climate Adaptation Center and Regional Support Network in the Ocean Protection Council to provide local governments facing sea level rise challenges with information and scientific expertise necessary to proceed with sea level rise mitigation.

[AB 51](#)

**(Quirk D) Climate change: adaptation: regional climate adaptation planning groups: regional climate adaptation plans.**

**Introduced:** 12/7/2020

**Location:** 1/11/2021-A. NAT. RES.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would require the Strategic Growth Council, by July 1, 2022, to establish guidelines for the formation of

regional climate adaptation planning groups. The bill would require the council, by July 1, 2023, and in consultation with certain state entities, to develop criteria for the development of regional climate adaptation plans.

[AB 52](#)

**(Frazier D) California Global Warming Solutions Act of 2006: scoping plan updates: wildfires.**

**Introduced:** 12/7/2020

**Location:** 1/11/2021-A. NAT. RES.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** The California Global Warming Solutions Act of 2006 authorizes the State Air Resources Board to include in its regulation of emissions of greenhouse gases the use of market-based compliance mechanisms. Current law requires all moneys, except for fines and penalties, collected by the state board from a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund (fund) and to be available upon appropriation by the Legislature. Current law continuously appropriates 35% of the annual proceeds of the fund for transit, affordable housing, and sustainable communities programs and 25% of the annual proceeds of the fund for certain components of a specified high-speed rail project. This bill would require the state board, in each scoping plan update prepared by the state board after January 1, 2022, to include, consistent with the act, recommendations for achieving the maximum technologically feasible and cost-effective reductions of emissions of greenhouse gases and black carbon from wildfires.

[AB 64](#)

**(Quirk D) Electricity: renewable energy and zero-carbon resources: state policy: strategy.**

**Introduced:** 12/7/2020

**Location:** 1/11/2021-A. U. & E.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Current requires the PUC, the State Energy Resources Conservation and Development Commission (Energy Commission), and the State Air Resources Board (state board) to, in consultation with all California balancing authorities, issue a joint report to the Legislature by January 1, 2021, and at least every 4 years thereafter, that includes specified matters. The bill would require the PUC, Energy Commission, and state board, in consultation with all balancing authorities, to additionally develop a strategy, by an unspecified date, on how to achieve the above-described state policy in a cost-effective and environmentally beneficial manner. The bill would require the strategy to include, among other things, a plan to promote the development of technologies that can help achieve that state policy.

[AB 67](#)

**(Petrie-Norris D) Sea level rise: working group: economic analysis.**

**Introduced:** 12/7/2020

**Location:** 1/11/2021-A. NAT. RES.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would require a state agency to take into account the current and future impacts of sea level rise when planning, designing, building, operating, maintaining, and investing in infrastructure located in the coastal zone or otherwise vulnerable to flooding from sea level rise or storm surges, or when otherwise approving the allocation of state funds for those purposes. The bill would require, by March 1, 2022, the Ocean Protection Council, in consultation with the Office of Planning and Research, to establish a multiagency working group, consisting of specified individuals, on sea level rise to provide recommended policies, resolutions, projects, and other actions to address sea level rise, the breadth of its impact, and the severity of its anticipated harm. The bill would require the council, in consultation with the working group to, among other things, develop a standardized methodology and template for conducting economic analyses of risks and adaptation strategies associated with sea level rise, as provided.

[AB 72](#)

**(Petrie-Norris D) Environmental protection: Natural Resources Agency: coastal adaptation projects: sea level rise: regulatory review and permitting: report.**

**Introduced:** 12/7/2020

**Location:** 1/11/2021-A. NAT. RES.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would enact the Coastal Adaptation Permitting Act of 2021. The bill would require the agency to explore, and authorize it to implement, options within the agency’s jurisdiction to establish a more coordinated and efficient regulatory review and permitting process for coastal adaptation projects, as defined. The bill would require the agency to submit, by July 1, 2023, a report to the Legislature with suggestions and recommendations for improving and expediting the regulatory review and permitting process for coastal adaptation projects.

[AB 73](#)

**(Rivas, Robert D) Employment safety: agricultural workers: wildfire smoke.**

**Introduced:** 12/7/2020  
**Last Amend:** 2/2/2021  
**Location:** 1/11/2021-A. L. & E.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would, among other things, require the Division of Occupational Safety and Health to designate a wildfire smoke strike team within each regional office for purposes of enforcing regulations regarding air quality safety for agricultural workers, as defined. The bill would require the division, by January 1, 2023, to establish a stockpile of N95 filtering facepiece respirators, as defined, of sufficient size to adequately equip all agricultural workers during wildfire smoke emergencies. The bill would require the department to establish guidelines for procurement, management, and distribution of the N95 respirators.

[AB 96](#)

**(O'Donnell D) California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program.**

**Introduced:** 12/7/2020  
**Location:** 1/11/2021-A. TRANS.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** The California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program, upon appropriation from the Greenhouse Gas Reduction Fund, funds zero- and near-zero-emission truck, bus, and off-road vehicle and equipment technologies and related projects. The program provides that projects eligible for funding include, among others, technology development, demonstration, precommercial pilots, and early commercial deployments of zero- and near-zero-emission medium- and heavy-duty truck technology, and requires, until December 31, 2021, no less than 20% of funding made available for that purpose to support early commercial deployment of existing zero- and near-zero-emission heavy-duty truck technology. The program defines “zero- and near-zero-emission” for its purposes. This bill would extend the requirement that 20% of funding be made available to support early commercial deployment of existing zero- and near-zero-emission heavy-duty truck technology until December 31, 2026.

[AB 117](#)

**(Boerner Horvath D) Air Quality Improvement Program: electric bicycles.**

**Introduced:** 12/18/2020  
**Location:** 1/11/2021-A. TRANS.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would specify projects providing incentives for purchasing electric bicycles, as defined, as projects eligible for funding under the Air Quality Improvement Program. The bill would require the State Air Resources Board, by July 1, 2022, to establish and implement and administer, until January 1, 2028, the Electric Bicycle Rebate Pilot Project to provide rebates for purchases of electric bicycles. The bill would require the state board to submit to the Legislature a midcycle evaluation of the pilot project by July 1, 2025, and an end-of-program evaluation of the pilot project by January 1, 2028. The bill would repeal the pilot project as of January 1, 2029. The bill would appropriate from the Greenhouse Gas Reduction Fund \$10,000,000 to the state board for purposes of the pilot project.

[AB 220](#)

**(Voepel R) Smog check: exemption.**

**Introduced:** 1/11/2021  
**Location:** 1/28/2021-A. TRANS.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Current law exempts specified vehicles from being inspected biennially upon renewal of registration, including, among others, all motor vehicles manufactured prior to the 1976 model-year. This bill instead would exempt from the smog check program all motor vehicles manufactured prior to the 1983 model-year.

[AB 267](#)

**(Valladares R) California Environmental Quality Act: exemption: prescribed fire, thinning, and fuel reduction projects.**

**Introduced:** 1/15/2021  
**Location:** 1/28/2021-A. NAT. RES.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Current law, until January 1, 2023, exempts from the requirements of CEQA prescribed fire, thinning, or fuel reduction projects undertaken on federal lands to reduce the risk of high-severity wildfire that have been reviewed under



the federal National Environmental Policy Act of 1969, as provided. Current law requires the Department of Forestry and Fire Protection, beginning December 31, 2019, and annually thereafter until January 1, 2023, to report to the relevant policy committees of the Legislature the number of times the exemption was used. This bill would extend the exemption from CEQA and the requirement on the department to report to the relevant policy committees of the Legislature indefinitely.

**[AB 280](#) (Rivas, Robert D) Electrical corporations: wildfire mitigation plans.**

**Introduced:** 1/21/2021

**Location:** 1/28/2021-A. U. & E.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Under current law, the Public Utilities Commission has jurisdiction over electrical corporations. Current law requires each electrical corporation to annually prepare and submit a wildfire mitigation plan to the Wildfire Safety Division of the commission for review and approval. This bill would require each electrical corporation to also submit its wildfire mitigation plan to the appropriate policy committees of the Legislature.

**[AB 284](#) (Rivas, Robert D) California Global Warming Solutions Act of 2006: climate goal: natural and working lands.**

**Introduced:** 1/21/2021

**Location:** 1/28/2021-A. NAT. RES.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** The California Global Warming Solutions Act of 2006 requires the State Air Resources Board to prepare and approve a scoping plan for achieving the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions and to update the scoping plan at least once every 5 years. This bill would require the state board, when updating the scoping plan and in collaboration with the Natural Resources Agency and other relevant state agencies and departments, to take specified actions by January 1, 2023, including, among others, identifying a 2045 climate goal, with interim milestones, for the state’s natural and working lands, as defined, and identifying practices, policy incentives, market needs, and potential reductions in barriers that would help achieve the 2045 climate goal. The bill would require the state board, no later than January 1, 2024, to develop standard methods for state agencies to consistently track greenhouse gas emissions reductions, carbon sequestration, and additional benefits from natural and working lands over time.

**[AB 297](#) (Gallagher R) Fire prevention.**

**Introduced:** 1/25/2021

**Location:** 1/25/2021-A. PRINT

<b>Desk</b>	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would continuously appropriate \$480,000,000 and \$20,000,000 to the Department of Forestry and Fire Prevention and the California Conservation Corps, respectively, for fire prevention activities, as provided.

**[AB 304](#) (Quirk D) Contaminated sites: waste releases or surface or groundwater contamination: local oversight: remedial actions.**

**Introduced:** 1/25/2021

**Location:** 1/25/2021-A. PRINT

<b>Desk</b>	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Whenever a release of waste occurs and remedial action is required, current law authorizes a person, as defined, to request that a local officer supervise the remedial action. Current law authorizes a local officer to agree to supervise the remedial action if the local officer determines that certain conditions have been met. Current law requires that remedial action to be carried out only pursuant to a remedial action agreement, which includes specified elements, entered into by the local officer and the responsible party, and authorizes the local officer to withdraw from the agreement, after giving the responsible party adequate notice, at any time after making any of specified findings. This bill would authorize a person to request the local officer to oversee the remedial action only if the release of waste is not being overseen by the department or a regional water quality control board. The bill would authorize the local officer to agree to oversee the remedial action only if the local officer determines that the same conditions referenced above have been met, the local officer has submitted specified information to the department and the regional water quality control board within the past 12 months, and the local officer has complied with specified notification requirements.

**[AB 322](#) (Salas D) Energy: Electric Program Investment Charge program: biomass.**

**Introduced:** 1/26/2021

**Location:** 1/26/2021-A. PRINT

<b>Desk</b>	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Current law requires the Energy Commission, in administering moneys in the Electric Program Investment Charge Fund for research, development, and demonstration programs, to develop and implement the EPIC program for the purpose of awarding funds to projects that may lead to technological advancement and breakthroughs to overcome barriers that prevent the achievement of the state’s statutory energy goals and that may result in a portfolio of projects that are strategically focused and sufficiently narrow to make advancement on the most significant technological challenges. Current law, until January 1, 2023, requires the Energy Commission to expend certain percentages of the moneys appropriated from the fund for technology demonstration and deployment at sites that benefit certain communities. This bill would require the Energy Commission to allocate not less than 20% of the funds appropriated for the EPIC program to bioenergy projects for biomass conversion, as defined.

[AB 363](#)

**(Medina D) Carl Moyer Memorial Air Quality Standards Attainment Program.**

**Introduced:** 2/1/2021

**Location:** 2/1/2021-A. PRINT

<b>Desk</b>	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would require the State Air Resources Board, by January 1, 2023, to adopt an online application process for the submission of grant applications under the Carl Moyer Memorial Air Quality Standards Attainment Program. The bill would require the state board and local air districts administering the program to use the online application process. The bill would require the state board, by January 1, 2023, to review the program and to submit to the Legislature a report on the review containing certain information. The bill would prohibit the state board from amending or adopting regulations making changes to the program until it has submitted the report.

[AB 365](#)

**(O'Donnell D) Sales and use taxes: exclusion: zero-emission and near-zero-emission drayage trucks.**

**Introduced:** 2/1/2021

**Location:** 2/1/2021-A. PRINT

<b>Desk</b>	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Current sales and use tax laws impose taxes on retailers measured by gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state, measured by sales price. The Sales and Use Tax Law defines the terms “gross receipts” and “sales price.” This bill would exclude from the terms “gross receipts” and “sales price” for purposes of the Sales and Use Tax Law the amount charged for the purchase of a new or used drayage truck that qualifies, on or after January 1, 2021, for certain emission reduction programs.

[AB 380](#)

**(Sevarto R) Forestry: priority fuel reduction projects.**

**Introduced:** 2/2/2021

**Location:** 2/2/2021-A. PRINT

<b>Desk</b>	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Under the authority provided pursuant to the California Emergency Services Act, the Governor, on March 22, 2019, issued a proclamation of a state of emergency directing the Department of Forestry and Fire Protection to implement, without delay, fuel reduction projects identified using a methodology developed by the department to determine which communities are at greatest risk of wildfire based on best available science and socioeconomic factors and to identify projects that would reduce the risk of catastrophic wildfire, if completed. The proclamation of a state of emergency exempts those identified fuel reduction projects from various legal requirements, including, among others, requirements regarding public contracting for those projects, requirements for environmental review under the California Environmental Quality Act for those projects, and licensure requirements for individual conducting certain activities for those projects, as provided. This bill would require the department, before December 31, 2022, and before December 31 of each year thereafter, to identify priority fuel reduction projects, as provided.

[AB 426](#)

**(Bauer-Kahan D) Toxic air contaminants.**

**Introduced:** 2/4/2021

**Location:** 2/4/2021-A. PRINT

<b>Desk</b>	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf.	Enrolled	Vetoed	Chaptered
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1st House	2nd House	Conc.			
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**Summary:** Current law authorizes local air pollution control districts and air quality management districts, in carrying out their responsibilities with respect to the attainment of state ambient air quality standards, to adopt and implement regulations that accomplish certain objectives. This bill would additionally authorize the districts to adopt and implement regulations to require data regarding air pollution within the district’s jurisdiction from areawide stationary sources of air pollution, including mobile sources drawn by those stationary sources, to enable the calculation of health risks from toxic air contaminants.

[AB 427](#)

**(Bauer-Kahan D) Electricity: resource adequacy requirements.**

**Introduced:** 2/4/2021

**Location:** 2/4/2021-A. PRINT

<b>Desk</b>	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf.	Enrolled	Vetoed	Chaptered
1st House				2nd House				Conc.			

**Summary:** Current law requires that the resource adequacy program achieve specified objectives, including to establish new or maintain existing demand response products and tariffs that facilitate the economic dispatch and use of demand response that can either meet or reduce an electrical corporation’s resource adequacy requirements, as determined by the PUC. This bill would require the PUC, by July 1, 2022, and in furtherance of the above-described objective, to (1) establish rules that allow demand response programs and resources procured by a load-serving entity to meet the load-serving entity’s resource adequacy requirements regardless of whether the program is integrated into the wholesale market overseen by the ISO, (2) adopt a baseline methodology that treats the charging of energy storage as load in baseline calculations for demand response programs, (3) allow customer-sited distributed eligible renewable energy resources and energy storage systems participating in a demand response program, or product developed pursuant to (1), to deliver electricity to the grid for purposes of providing resource adequacy, and (4) establish a capacity valuation methodology for customer-sited energy storage resources and customer-sited hybrid resources, as defined, in consultation with the ISO and the State Energy Resources Conservation and Development Commission, and ensure that the capacity valuation applies to demand response resources coupled with customer-sited hybrid or customer-sited storage resources for the 2023 resource adequacy year.

[AB 431](#)

**(Patterson R) Forestry: timber harvesting plans: defensible space: exemptions.**

**Introduced:** 2/4/2021

**Location:** 2/4/2021-A. PRINT

<b>Desk</b>	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf.	Enrolled	Vetoed	Chaptered
1st House				2nd House				Conc.			

**Summary:** The Z’berg-Nejedly Forest Practice Act of 1973 prohibits a person from conducting timber operations, as defined, unless a timber harvesting plan prepared by a registered professional forester has been submitted to, and approved by, the Department of Forestry and Fire Protection. The act authorizes the State Board of Forestry and Fire Protection to exempt from some or all of those provisions of the act a person engaging in specified forest management activities, as prescribed, including, only until January 1, 2022, the cutting or removal of trees on the person’s property in compliance with specified defensible space requirements, as provided. This bill would extend to January 1, 2026, the board’s authorization to exempt a person engaging in the cutting or removal of trees on the person’s property in compliance with the specified defensible space requirements as provided.

[AJR 1](#)

**(Kalra D) Abolition of U.S. Immigration and Customs Enforcement.**

**Introduced:** 12/7/2020

**Location:** 12/7/2020-A. PRINT

<b>Desk</b>	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf.	Enrolled	Vetoed	Chaptered
1st House				2nd House				Conc.			

**Summary:** This measure would urge the federal government to abolish U.S. Immigration and Customs Enforcement within the Department of Homeland Security.

[SB 1](#)

**(Atkins D) Coastal resources: sea level rise.**

**Introduced:** 12/7/2020

**Location:** 1/28/2021-S. N.R. & W.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf.	Enrolled	Vetoed	Chaptered
1st House				2nd House				Conc.			

**Summary:** The California Coastal Act of 1976 establishes the California Coastal Commission and provides for planning and regulation of development in the coastal zone, as defined. The act requires the commission, within 90 days after January 1, 1977, to adopt, after public hearing, procedures for the preparation, submission, approval, appeal, certification, and amendment of a local coastal program, including a common methodology for the preparation of a



the determination of the scope of, the local coastal programs, as provided. This bill would also include, as part of the procedures the commission is required to adopt, recommendations and guidelines for the identification, assessment, minimization, and mitigation of sea level rise within each local coastal program, as provided. The bill would delete the timeframe specified above by which the commission is required to adopt these procedures.

**[SB 7](#) (Atkins D) Environmental quality: Jobs and Economic Improvement Through Environmental Leadership Act of 2021.**

**Introduced:** 12/7/2020

**Location:** 1/28/2021-S. E.Q.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** The California Environmental Quality Act (CEQA) requires a lead agency, as defined, to prepare, or cause to be prepared, and certify the completion of an environmental impact report (EIR) on a project that the lead agency proposes to carry out or approve that may have a significant effect on the environment or to adopt a negative declaration if it finds that the project will not have that effect. CEQA also requires a lead agency to prepare a mitigated negative declaration for a project that may have a significant effect on the environment if revisions in the project would avoid or mitigate that effect and there is no substantial evidence that the project, as revised, would have a significant effect on the environment. CEQA authorizes the preparation of a master EIR and authorizes the use of the master EIR to limit the environmental review of subsequent projects that are described in the master EIR, as specified. This bill would require a lead agency to prepare a master EIR for a general plan, plan amendment, plan element, or specific plan for housing projects where the state has provided funding for the preparation of the master EIR.

**[SB 12](#) (McGuire D) Local government: planning and zoning: wildfires.**

**Introduced:** 12/7/2020

**Location:** 1/28/2021-S. GOV. & F.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Current law requires that the Office of Planning and Research, among other things, coordinate with appropriate entities, including state, regional, or local agencies, to establish a clearinghouse for climate adaptation information for use by state, regional, and local entities, as provided. This bill would require the safety element, upon the next revision of the housing element or the hazard mitigation plan, on or after July 1, 2024, whichever occurs first, to be reviewed and updated as necessary to include a comprehensive retrofit strategy to reduce the risk of property loss and damage during wildfires, as specified, and would require the planning agency to submit the adopted strategy to the Office of Planning and Research for inclusion into the above-described clearinghouse.

**[SB 18](#) (Skinner D) Green hydrogen.**

**Introduced:** 12/7/2020

**Location:** 1/28/2021-S. E. U., & C.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would require the State Air Resources Board, by December 31, 2022, as a part of the scoping plan and the state’s goal for carbon neutrality, to prepare a strategic plan for accelerating the production and use of green hydrogen, as defined, in California and an analysis of how curtailed power could be better utilized to help meet the state’s greenhouse gas emissions reduction goals.

**[SB 27](#) (Skinner D) Carbon sequestration: state goals: natural and working lands: registry of projects.**

**Introduced:** 12/7/2020

**Location:** 1/28/2021-S. E.Q.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoe d	Chaptered
1st House				2nd House							

**Summary:** Would require, no later than July 1, 2022, the Natural Resources Agency, in coordination with the California Environmental Protection Agency, the State Air Resources Board, and the Department of Food and Agriculture, to establish carbon sequestration goals for natural and working lands, as provided. The bill would require the state board, as part of its scoping plan, to establish specified carbon dioxide removal targets for 2030 and beyond.

[SB 30](#)

**(Cortese D) Building decarbonization.**

**Introduced:** 12/7/2020

**Location:** 1/28/2021-S. G.O.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would, on or after January 1, 2022, prohibit a state agency from designing or constructing a state facility that is connected to the natural gas grid. The bill would require the department to develop the California State Building Decarbonization Plan that will lead to the operational carbon-neutrality of all state-owned buildings by January 1, 2035. The bill would, except as provided, prohibit state agencies from providing funding or other support for projects for the construction of residential and nonresidential buildings that are connected to the natural gas grid.

[SB 31](#)

**(Cortese D) Building decarbonization.**

**Introduced:** 12/7/2020

**Location:** 1/28/2021-S. E. U., & C.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would require the State Energy Resources Conservation and Development Commission to identify and implement programs to promote existing and new building decarbonization. The bill would, to the extent clean energy or energy efficiency funds are made available from the federal government to address economic recovery and development due to the COVID-19 pandemic, authorize the commission to expend federal moneys, to the extent authorized by federal law, for projects for existing and new building decarbonization. The bill would additionally require the commission, under the EPIC program, to award funds for projects that will benefit electricity ratepayers and lead to the development and deployment of commercial and residential building decarbonization technologies and investments that reduce or eliminate greenhouse gas generation in those buildings.

[SB 32](#)

**(Cortese D) Energy: general plan: building decarbonization requirements.**

**Introduced:** 12/7/2020

**Location:** 1/28/2021-S. GOV. & F.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would require a city or county to amend, by January 1, 2023, the appropriate elements of its general plan to include goals, policies, objectives, targets, and feasible implementation strategies, as specified, to decarbonize newly constructed commercial and residential buildings. The bill would require a city or county to submit these draft general plan amendments to the commission at least 45 days prior to the adoption of the amendments. The bill would require the legislative body of the city or county to consider the commission’s advisory comments, if any, prior to adopting the amendments.

[SB 36](#)

**(Skinner D) Energy efficiency.**

**Introduced:** 12/7/2020

**Location:** 12/7/2020-S. RLS.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Current law authorizes the State Energy Resources Conservation and Development Commission to prescribe, by regulation, energy efficiency standards, including appliance efficiency standards. This bill would make nonsubstantive revisions to these provisions.

[SB 45](#)

**(Portantino D) Wildfire Prevention, Safe Drinking Water, Drought Preparation, and Flood Protection Bond Act of 2022.**

**Introduced:** 12/7/2020

**Location:** 1/28/2021-S. N.R. & W.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would enact the Wildfire Prevention, Safe Drinking Water, Drought Preparation, and Flood Protection Bond Act of 2022, which, if approved by the voters, would authorize the issuance of bonds in the amount of \$5,510,000,000 pursuant to the State General Obligation Bond Law to finance projects for a wildfire prevention, safe drinking water, drought preparation, and flood protection program.

**[SB 67](#)**

**(Becker D) Clean Energy.**

**Introduced:** 12/7/2020

**Location:** 12/7/2020-S. RLS.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would state the intent of the Legislature to enact subsequent legislation to accelerate the state’s progress toward having 100% of electricity provided by renewable or other zero-carbon sources on a 24-hour, 7-day basis.

**[SB 68](#)**

**(Becker D) Building decarbonization.**

**Introduced:** 12/7/2020

**Location:** 12/7/2020-S. RLS.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would state the intent of the Legislature to enact subsequent legislation that will help the state achieve its climate and air pollution reduction goals in the building sector through actions such as reducing barriers to upgrading electrical service panels or accommodating additional electrical appliances within existing service panels.

**[SB 260](#)**

**(Wiener D) Climate Corporate Accountability Act.**

**Introduced:** 1/26/2021

**Location:** 2/3/2021-S. E.Q.

Desk	<b>Policy</b>	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

**Summary:** Would require the State Air Resources Board, on or before January 1, 2023, to develop and adopt regulations requiring publicly traded domestic and foreign corporations with annual revenues in excess of \$1,000,000,000 that do business in California, defined as “covered entities,” to publicly disclose their greenhouse gas emissions, categorized as scope 1, 2, and 3 emissions, as defined, from the prior calendar year. The bill would require the state board, on or before January 1, 2024, to develop and adopt regulations requiring covered entities to set science-based emissions targets, as defined, based on the covered entity’s emissions that have been reported to the state board.

**Total Measures: 43**

**Total Tracking Forms: 43**

The following page(s) contain the backup material for Agenda Item: [Set date of March 22, 2021 to conduct a public hearing to consider the amendment of Regulation XIII – New Source Review and Rule 1600 – Prevention of Significant Deterioration; the rescission of Rule 1310 – Federal Major Facilities and Federal Major Modifications; and approval of related California Environmental Quality Act \(CEQA\) documentation. Presenter: Alan De Salvio, Deputy Director – Mojave Desert Operations.](#)

Please scroll down to view the backup material.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #11*

**DATE:** February 22, 2021

**RECOMMENDATION:** Set date of March 22, 2021 to conduct a public hearing to consider the amendment of Regulation XIII – *New Source Review* and Rule 1600 – *Prevention of Significant Deterioration*; the rescission of Rule 1310 – *Federal Major Facilities and Federal Major Modifications*; and approval of related California Environmental Quality Act (CEQA) documentation.

**SUMMARY:** This item officially sets the date for the mandatory public hearing to be held on the amendment of Regulation XIII, Rule 1600 and rescission of Rule 1310. These amendments are proposed to allow the certification of certain mandatory submission requirements in response to the 2015 70 ppb Ozone standard; to address a variety of issues identified by the United States Environmental Protection Agency (USEPA) in their review of previously submitted versions; to clarify the interrelationship between these rules and Rule 219 – *Equipment Not Requiring a Permit*; to remove unused and unnecessary rules and provisions; and provide reorganization of provisions for additional clarity.

**BACKGROUND:** In 2015 the United States Environmental Protection Agency (USEPA) lowered the primary ozone National Ambient Air Quality Standard (NAAQS) from 75 parts per billion (ppb) to 70 ppb (80 FR 65292 10/1/2015, Effective 10/26/2015). In 2018 USEPA promulgated a final implementation rule (83 FR 62998, 12/6/2018) specifying timeline requirements for submissions of mandatory elements into the State Implementation Plan (SIP) under the revised Ozone NAAQS. Portions of the MDAQMD have been designated as non-attainment for ozone and classified Severe-15 and thus the District is required to submit specific elements in accordance with the implementation rule. One of the required elements is a certification that the District's Nonattainment New Source Review program (NSR) meets or exceeds various requirements as set forth in the Federal Clean Air Act and the regulations promulgated thereunder. The deadline under the implementation rule is 3 years from the designation of nonattainment under the NAAQS. As the effective non-attainment designation date for that area of the MDAQMD commonly referred to as the Federal Ozone Nonattainment Area (FONA) was 8/3/2018 the NSR certification submission is due to USEPA on or before 8/3/2021.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #11*

**PAGE 2**

In response to the December 2018 implementation rule the MDAQMD developed the *70 ppb Ozone Standard Implementation Evaluation: RACT SIP Analysis; Federal Negative Declarations; and, Emission Statement Certification (70 ppb O<sub>3</sub> Evaluation)* which was originally designed to submit many of the required SIP elements including the NSR certification. On 10/19/2019 USEPA indicated in a letter that the NSR certification could not be made due to then unspecified major deficiencies identified in the MDAQMD's current NSR contained in the SIP along with the more recent, but as yet unacted upon, NSR rule submissions. As a result, the MDAQMD removed the NSR certification from the 70 ppb O<sub>3</sub> Evaluation as adopted on 10/28/2019.

On 12/19/2019 USEPA provided commentary via letter regarding the alleged deficiencies in the District's pending NSR Rule submissions (as amended 9/24/2001, 8/28/2006, and 8/22/2016) as well as the NSR program as contained in the SIP (Regulation XIII as adopted 3/25/1996 and approved at 61 FR 58133, 11/13/1996). The MDAQMD thereafter embarked upon a substantive overhaul of the NSR program (consisting of Rules 1300-1306, 1310, 1320, 1600 and 219) to attempt to address USEPA's stated concerns. This effort has been ongoing and intensive involving District, USEPA and CARB staff.

The MDAQMD is proposing to amend Regulation XIII – *New Source Review* and Rule 1600 – *Prevention of Significant Deterioration*; the rescission of Rule 1310 – *Federal Major Facilities and Federal Major Modifications*. The large majority of the proposed amendments are simply clarifications along with explanatory language codifying current District permitting practices. Applicability thresholds, in the main, remain the same as those currently in the District's Rulebook, however certain thresholds have been shifted from a percentage formulation to a numerical value. Substantive proposed amendments include the following: addition of a variety of definitions; addition of a Stack Height Analysis as required by 40 CFR 51.164, addition of a 30 day notification period prior to issuance for certain "Minor NSR" permitting actions, removal of an unused and practically unusable de minimis modification provision, the bifurcation of threshold BACT and Major Facility applicability calculations from calculations involving the amount of offsets which may be necessary in certain permitting actions, adjustment of the BACT and Major Facility threshold calculations, and removal of Rule 1310 as such rule was effectively unused. Specifics of these amendments and the justifications thereof are provided in the Draft Technical Discussion published along with the proposed amendments on the District's website.

A Notice of Exemption, Categorical Exemption (Class 8; 14 Cal. Code Reg. §15308) will be prepared by the MDAQMD for this action pursuant to the requirements of CEQA.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #11*

**PAGE 3**

**REASON FOR RECOMMENDATION:** Health & Safety Code §§40702 and 40703 require the Governing Board to hold a public hearing before adopting rules and regulation. Also, 42 U.S.C. §7410(1) (FCAA §110(1)) requires that all SIP revisions be adopted after public notice and hearing.

**REVIEW BY OTHERS:** This item was reviewed by Alan De Salvio, Deputy Director – Mojave Desert Operations, and by Brad Poiriez, Executive Director/APCO, on or about February 8, 2021.

**FINANCIAL DATA:** No increase in appropriation is anticipated.

**PRESENTER:** Alan De Salvio, Deputy Director – Mojave Desert Operations

The following page(s) contain the backup material for Agenda Item: [Conduct a public hearing to consider the Amendment of Rule 206 – Posting of Permit to Operate: a. Open public hearing; b. Receive staff report; c. Receive public testimony; d. Close public hearing; e. Make a determination that the California Environmental Quality Act \(CEQA\) Categorical Exemption applies; f. Waive reading of Resolution; g. Adopt Resolution making appropriate findings, certifying the Notice of Exemption, amending the Rule and directing staff actions. Presenter: Alan De Salvio, Deputy Director – Mojave Desert Operations.](#)

Please scroll down to view the backup material.



**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #14*

**DATE:** February 22, 2021

**RECOMMENDATION:** Conduct a public hearing to consider the Amendment of Rule 206 – *Posting of Permit to Operate*: a. Open public hearing; b. Receive staff report; c. Receive public testimony; d. Close public hearing; e. Make a determination that the California Environmental Quality Act (CEQA) Categorical Exemption applies; f. Waive reading of Resolution; g. Adopt Resolution making appropriate findings, certifying the Notice of Exemption, amending the Rule and directing staff actions.

**SUMMARY:** Rule 206 is proposed for amendment because a waiver provision is necessary for cases in which the posting of a permit to operate in accordance with rule 206 is unfeasible or unsafe.

**BACKGROUND:** Mojave Desert Air Quality Management District (MDAQMD or District) Rule 206 – *Posting of Permit to Operate*, was originally adopted January 9, 1976. On February 1, 1977 CARB Executive Order G-73 adopted a rule book for non-South Coast Air Basin (SCAB) areas of Los Angeles, Riverside and San Bernardino Counties due to the creation of the South Coast Air Quality Management District, and then finally on July 25, 1977, Rule 206 was readopted into the San Bernardino County Air Pollution Control District (SBCAPCD) rulebook. On July 1, 1993 the MDAQMD was formed pursuant to statute. Pursuant to statute it also retained all the rules and regulations of the San Bernardino County Air Pollution Control District (SBCAPCD) until such time as the Governing Board of the MDAQMD wished to adopt, amend or rescind such rules. The MDAQMD Governing Board, at its very first meeting, reaffirmed all the rules and regulations of the SBCAPCD. Rule 206 has not been amended since July 25, 1977, and therefore is the SIP Version (43 FR 522371, 11/9/78) for the San Bernardino County portion of the MDAQMD.

Rule 206 sets forth requirements for the approved posting for a permit to operate. There are certain locations or conditions of equipment that make these requirements infeasible. Therefore, the District is proposing to amend Rule 206 to add a waiver option to accommodate differences in posting location where equipment or other conditions makes posting on the equipment infeasible or unsafe.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #14*

**PAGE 2**

A Notice of Exemption, Categorical Exemption (Class8; 14 Cal. Code Reg. §15308) will be prepared by the MDAQMD for the amendment of Rule 206 pursuant to the requirements of CEQA.

**REASON FOR RECOMMENDATION:** Health & Safety Code §§40702 and 40703 require the Governing Board to hold a public hearing before adopting rules and regulation. Also, 42 U.S.C. §7410(l) (FCAA §110(l)) requires that all SIP revisions be adopted after public notice and hearing.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form and by Alan De Salvio, Deputy Director – Mojave Desert Operations, and by Brad Poiriez, Executive Director/APCO, on or about 2/04/2021.

**FINANCIAL DATA:** No increase in appropriation is anticipated.

**PRESENTER:** Alan De Salvio, Deputy Director of Operations

## RULE 206

### Posting of Permit to Operate

#### (A) Permit to be Posted on Equipment

- (1) A person granted a permit under Rule 201 and/or 203 shall not operate or use any equipment unless the entire permit to operate or a legible facsimile of the entire permit is affixed upon the equipment in such a manner that the permit number, equipment description, and the specified operating conditions are clearly visible and accessible.
- (2) In the event that the equipment is so constructed or operated that the permit to operate or the legible facsimile cannot be so placed, the entire permit to operate or the legible facsimile of the entire permit shall be mounted so as to be clearly visible in an accessible place within 8 meters (26 feet) of the equipment.

#### (B) Request for Waiver

- (1) A person granted a permit under Rule 201 and/or 203 may request from the Air Pollution Control Officer (APCO), in writing, a waiver of the requirements of Section (A) above. Such requests shall specify an alternative location for placement of the permits such that the permits are easily accessible to District staff and to operators of the equipment.
- (2) The APCO shall grant or deny the request in writing within thirty (30) days of receipt. If the APCO fails to respond within thirty (30) days the request shall be deemed denied.
- (3) If a request for waiver is denied the person granted a permit under Rule 201 and/or 203 may not reapply for a waiver for at least one (1) year from the date of denial.
- (4) A waiver shall be valid until revoked in writing by the APCO.

[SIP: See SIP table at <http://www.mdaqmd.ca.gov>]

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Draft

# Staff Report

Proposed Amendments to  
Rule 206 — *Posting of Permit to Operate*

For amendment on 02/22/2021

**Mojave Desert  
Air Quality  
Management  
District**

14306 Park Avenue  
Victorville, CA 92392-2310  
760.245.1661 • Fax 760.245.2022

[www.MDAQMD.ca.gov](http://www.MDAQMD.ca.gov) • @MDAQMD

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## List of Acronyms

APCO	Air Pollution Control Officer
BACT	Best Available Control Technology
BARCT	Best Available Retrofit Control Technology
CARB	California Air Resources Board
CCAA	California Clean Air Act
CEQA	California Environmental Quality Act
FCAA	Federal Clean Air Act
H&S Code	California Health & Safety Code
MDAB	Mojave Desert Air Basin
MDAQMD	Mojave Desert Air Quality Management District
NO <sub>x</sub>	Oxides of Nitrogen
SCAQMD	South Coast Air Quality Management District
SIP	State Implementation Plan
SO <sub>x</sub>	Oxides of Sulfur
USEPA	U.S. Environmental Protection Agency
VOC	Volatile Organic Compounds

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# STAFF REPORT

## Rule 206 – *Posting of Permit to Operate*

### I. PURPOSE OF STAFF REPORT

A staff report serves several discrete purposes. Its primary purpose is to provide a summary and background material to the members of the Governing Board. This allows the members of the Governing Board to be fully informed before making any required decision. It also provides the documentation necessary for the Governing Board to make any findings, which are required by law to be made prior to the approval or adoption of a document. In addition, a staff report ensures that the correct procedures and proper documentation for approval or adoption of a document have been performed. Finally, the staff report provides evidence for defense against legal challenges regarding the propriety of the approval or adoption of the document.

### II. EXECUTIVE SUMMARY

Mojave Desert Air Quality Management District (MDAQMD or District) Rule 206 – *Posting of Permit to Operate*, was originally adopted January 9, 1976. On February 1, 1977 CARB Executive Order G-73 adopted a rule book for non-South Coast Air Basin (SCAB) areas of Los Angeles, Riverside and San Bernardino Counties due to the creation of the South Coast Air Quality Management District, and then finally on July 25, 1977, Rule 206 was readopted into the San Bernardino County Air Pollution Control District (SBCAPCD) rulebook. On July 1, 1993 the MDAQMD was formed pursuant to statute. Pursuant to statute it also retained all the rules and regulations of the San Bernardino County Air Pollution Control District (SBCAPCD) until such time as the Governing Board of the MDAQMD wished to adopt, amend or rescind such rules. The MDAQMD Governing Board, at its very first meeting, reaffirmed all the rules and regulations of the SBCAPCD. Rule 206 has not been amended since July 25, 1977, and therefore is the SIP Version (43 FR 522371, 11/9/78) for the San Bernardino County portion of the MDAQMD.

Rule 206 is sets forth requirements for the approved posting for a permit to operate. There are certain locations or conditions of equipment that make these requirements infeasible. Therefore, the District is proposing to amend Rule 206 to add a waiver option to accommodate differences in posting location where equipment or other conditions makes posting on the equipment infeasible or unsafe.

### III. STAFF RECOMMENDATION

The staff and technical advisory committee (TAC) recommends that the Governing Board of the Mojave Desert Air Quality Management District (MDAQMD or District) amend proposed Rule 206 – *Posting of Permit to Operate* and approve the appropriate California Environmental Quality Act (CEQA) documentation. This action is necessary to accommodate for variations in equipment conditions and location.

#### IV. LEGAL REQUIREMENTS CHECKLIST

The findings and analysis as indicated below are required for the procedurally correct amendments to, Rule 206 – *Posting of Permit to Operate*. Each item is discussed, if applicable, in Section V. Copies of related documents are included in the appropriate appendices.

##### **FINDINGS REQUIRED FOR RULES & REGULATIONS:**

- Necessity
- Authority
- Clarity
- Consistency
- Nonduplication
- Reference
- Public Notice & Comment
- Public Hearing

##### **REQUIREMENTS FOR STATE IMPLEMENTATION PLAN SUBMISSION (SIP):**

- Public Notice & Comment
- Availability of Document
- Notice to Specified Entities (State, Air Districts, USEPA, Other States)
- Public Hearing
- Legal Authority to adopt and implement the document.
- Applicable State laws and regulations were followed.

##### **ELEMENTS OF A FEDERAL SUBMISSION:**

N/A Elements as set forth in applicable Federal law or regulations.

##### **CALIFORNIA ENVIRONMENTAL QUALITY ACT REQUIREMENTS (CEQA):**

- N/A Ministerial Action
- N/A Exemption
- Negative Declaration
- N/A Environmental Impact Report
- Appropriate findings, if necessary.
- Public Notice & Comment

##### **SUPPLEMENTAL ENVIRONMENTAL ANALYSIS (RULES & REGULATIONS ONLY):**

- Environmental impacts of compliance.
- Mitigation of impacts.
- Alternative methods of compliance.

##### **OTHER:**

- Written analysis of existing air pollution control requirements
- Economic Analysis
- Public Review

## V. DISCUSSION OF LEGAL REQUIREMENTS

### A. REQUIRED ELEMENTS/FINDINGS

This section discusses the State of California statutory requirements that apply to the proposed amendments to Rule 206. These are actions that need to be performed and/or information that must be provided in order to amend the rule in a procedurally correct manner.

#### 1. State Findings Required for Adoption of Rules & Regulations:

Before adopting, amending, or repealing a rule or regulation, the District Governing Board is required to make findings of necessity, authority, clarity, consistency, non-duplication, and reference based upon relevant information presented at the hearing. The information below is provided to assist the Board in making these findings.

##### a. Necessity:

The proposed amendments to Rule 206 are necessary to accommodate for variations in equipment conditions and location which make posting of the permit to operate infeasible.

##### b. Authority:

The District has the authority pursuant to California Health and Safety Code (H&SCode) §40702 to adopt, amend or repeal rules and regulations.

##### c. Clarity:

The proposed amendments to Rule 206 are clear in that they are written so that the persons subject to the Rule can easily understand the meaning.

##### d. Consistency:

The proposed amendments to Rule 206 are in harmony with, and not in conflict with or contradictory to any State law or regulation, Federal law or regulation, or court decisions.

##### e. Nonduplication:

The proposed amendments to Rule 206 do not impose the same requirements as any existing State or Federal law or regulation because these amendments add a waiver provision with no new regulatory requirements.

f. Reference:

The District has the authority pursuant to H&SCode §40702 to adopt, amend or repeal rules and regulations.

g. Public Notice & Comment, Public Hearing:

Notice for the public hearing for the proposed amendments to Rule 206 was published January 22, 2021. See Appendix “B” for a copy of the public notice. See Appendix “C” for copies of comments, if any, and District responses.

2. Federal Elements (SIP Submittals, Other Federal Submittals).

Submittals to USEPA are required to include various elements depending upon the type of document submitted and the underlying Federal law that requires the submittal. The information below indicates which elements are required for the proposed amendments to Rule 206 and how they were satisfied. Rule 206 is currently approved in the California State Implementation Plan (SIP). Rule 206 was readopted on 07/25/1977 was submitted to USEPA on 06/06/1977 and approved into the California SIP on 11/09/1978 (43 FR 52237).

a. Satisfaction of Underlying Federal Requirements:

The Federal Clean Air Act (FCAA) requires the district have a permitting program as a part of an enforcement and operating mechanism in accordance with 42 U.S.C. §7503; FCAA §173 and 42 U.S.C. §7511a(a)(2)(C); FCAA §182.

b. Public Notice and Comment:

Notice for the public hearing for the proposed amendments to Rule 206 was published January 22, 2021. See Appendix “B” for a copy of the public notice. See Appendix “C” for copies of comments, if any, and District responses.

c. Availability of Document:

Copies of the proposed amendments to Rule 206 and the accompanying draft staff report were made available to the public on January 22, 2021. The proposed amendments were also reviewed by the Technical Advisory Committee, a committee consisting of a variety of regulated industry and local governmental entities, on December 9, 2020.

d. Notice to Specified Entities:

Copies of the proposed amendments to Rule 206 and the accompanying draft staff report were sent to all affected agencies. The proposed amendments were sent to the California Air Resources Board (CARB) and U.S. Environmental Protection Agency (USEPA) on 01/08/2020.

e. Public Hearing:

A public hearing to consider the proposed amendments to Rule 206 has been set for 02/22/2021.

f. Legal Authority to Adopt and Implement:

The District has the authority pursuant to H&S Code §40702 to adopt, amend, or repeal rules and regulations and to do such acts as may be necessary or proper to execute the duties imposed upon the District.

g. Applicable State Laws and Regulations Were Followed:

Public notice and hearing procedures pursuant to H&S Code §§40725-40728 have been followed. See Section (V)(A)(1) above for compliance with state findings required pursuant to H&S Code §40727. See Section (V)(B) below for compliance with the required analysis of existing requirements pursuant to H&S Code §40727.2. See Section (V)(C) for compliance with economic analysis requirements pursuant to H&S Code §40920.6. See Section (V)(D) below for compliance with provisions of the CEQA.

## B. WRITTEN ANALYSIS OF EXISTING REQUIREMENTS

Division 26 Part 3 Chapter 6.5 40727.2 In complying with Section 40727, the district shall prepare a written analysis as required by this section. In the analysis, the district shall identify all existing federal air pollution control requirements, including, but not limited to, emission control standards constituting best available control technology for new or modified equipment, that apply to the same equipment or source type as the rule or regulation proposed for adoption or modification by the district. The analysis shall also identify any of that district's existing or proposed rules and regulations that apply to the same equipment or source type, and all air pollution control requirements and guidelines that apply to the same equipment or source type and of which the district has been informed pursuant to subdivision (b). The analysis shall be in a format that minimizes paperwork and, at the option of the district, may be in matrix form.

## C. ECONOMIC ANALYSIS

### 1. General

The proposed amendments to Rule 206 do not create any new fees or additional costs to applicants, nor do they impose an additional cost burden to an operator. This amendment merely provides a waiver provision to accommodate a variety of equipment and field conditions making the original rule provisions infeasible under certain conditions.

### 2. Incremental Cost Effectiveness

Pursuant to H&S Code §40920.6, incremental cost effectiveness calculations are required for rules and regulations which are adopted or amended to meet the California Clean Air Act (CCAA) requirements for Best Available Retrofit Control Technology (BARCT) or “all feasible measures” to control volatile compounds (VOCs), oxides of nitrogen (NO<sub>x</sub>) or oxides of sulfur (SO<sub>x</sub>). The proposed amendments to Rule 206 expands upon the original rule, adding a waiver provision for cases in which equipment and field conditions make posting of a permit to operate in accordance with rule 206 infeasible. Therefore, Rule 206 does not require additional control measures on particular types of equipment and thus this analysis is not required.

## D. ENVIRONMENTAL ANALYSIS (CEQA)

Through the process described below the appropriate CEQA process for the proposed amendments to Rule 206 was determined.

1. The proposed amendments to Rule 206 meet the CEQA definition of “project”. They are not “ministerial” actions.

2. The proposed amendments to Rule 206 are exempt from CEQA Review because the proposed action is the amendment of a procedural rule. Specifically, the proposed amendment of Rule 206 provides a waiver provision for cases in which a permit cannot be posted directly on or within 8 meters of the permitted equipment due to variations in equipment conditions and/or location. Copies of the documents relating to CEQA can be found in Appendix “D”. Copies of the documents relating to CEQA can be found in Appendix “D”.

## E. SUPPLEMENTAL ENVIRONMENTAL ANALYSIS

### 1. Potential Environmental Impacts

There are no potential environmental impacts with the proposed amendments to Rule 206. Proposed Rule 206 amendments simply adds a waiver provision for specific cases in which permits cannot be displayed directly on or within 8 meters (26ft) of the permitted equipment.



2. Mitigation of Impacts

N/A

3. Alternative Methods of Compliance

N/A

F. PUBLIC REVIEW

See Staff Report Section (V)(A)(1)(g) and (2)(b), as well as Appendix “B”

VI. TECHNICAL DISCUSSION

A. SOURCE DESCRIPTION

Rule 206 requires that permits are visibly displayed on or near (within 26 ft) permitted equipment. The proposed amendments simply add a waiver option for cases in which displaying the permit directly on or near the permitted equipment is infeasible. Sources may benefit from this amendment if they choose to request a waiver. There is no requirement for any facility to request a waiver. Terms and approval of the waiver are subject to APCO approval.

B. EMISSIONS

There will be no changes in emissions as this rule is simply a procedural amendment which adds a waiver option for the posting of permits to operate.

C. CONTROL REQUIREMENTS

The proposed amendments to Rule 206 adds a waiver option for cases in which permits cannot be displayed directly on, or in close proximity of the permitted equipment. Therefore Rule 206 does not require additional control measures on equipment located within the District.

D. PROPOSED RULE SUMMARY

This section gives a brief overview of the proposed amendments to Rule 206.

The District is proposing to amend Rule 206 to add a waiver option to accommodate for equipment conditions and locations which make posting of the permit to operate in accordance with rule 206 impractical or infeasible.

Rule 206 has been reformatted to current MDAQMD formatting and conventions.

Section (B) has been added to provide a procedure to apply for a waiver and the response necessary by the APCO to grant a waiver.

E. FCAA 110(l) (42 U.S.C. §7410(l)) ANALYSIS

This amendment does not relax or eliminate the requirement to post a permit, it simply provides a waiver provision to accommodate a variety of equipment and field conditions which may make the original rule provisions infeasible or unsafe under certain conditions.

F. SIP HISTORY

1. SIP History.

a. SIP in the San Bernardino County Portion of MDAQMD

Rule 206 was originally adopted on January 9, 1976 by the Southern California Air Pollution Control District (So.Cal.APCD) which was created by a Joint Powers Agreement (JPA) between Los Angeles, Orange, Riverside and San Bernardino Counties to replace the previous countywide air pollution control districts for those counties. On February 1, 1977, pursuant to statute (Cal. Stats. 1976, Ch 324 p. 815) the South Coast Air Quality Management District (SCAQMD) was created with an initial jurisdiction that only included areas of Los Angeles, Orange, Riverside and San Bernardino Counties contained within the South Coast Air Basin (SCAB). Outlying areas remained under the So. Cal. APCD. Also, on February 1, 1977 the California Air Resources Board (CARB) issued Executive Order G-73 (1977) which adopted a “rule book” for those non-SCAB areas of Los Angeles, Riverside and San Bernardino Counties. CARB submitted the G-73 rulebook on behalf of the “county” districts and these rule books included Rule 206.

By its terms Executive Order G-73 (1977) was only effective until the non-SCAB areas took other action. On February 22, 1977 the JPA forming the So. Cal. APCD was formally dissolved. By the terms of the JPA upon dissolution each county would regain its county air pollution control district with a jurisdiction of the non-SCAB areas of the county and the applicable rules being the SoCal.APCD’s rules in effect upon the date of dissolution. Thus, as of February 22, 1977 the version of Rule 206 for the San Bernardino County APCD (SBCAPCD) reverted from the G-73 (1977) CARB version back to the original So.Cal.APCD May 7, 1976 version.

On July 25, 1977, the SBCAPCD readopted its rulebook including Rule 206.

On July 1, 1993 the MDAQMD was formed pursuant to statute. Pursuant to statute it also retained all the rules and regulations of

the San Bernardino County Air Pollution Control District (SBCAPCD) until such time as the Governing Board of the MDAQMD wished to adopt, amend or rescind such rules. The MDAQMD Governing Board, at its very first meeting, reaffirmed all the rules and regulations of the SBCAPCD. Rule 206 has not been amended since July 25, 1977, and therefore is the SIP Version (43 FR 522371, 11/9/78) for the San Bernardino County portion of the MDAQMD.

b. SIP in the Riverside County (Blythe/Palo Verde Valley) Portion of the MDAQMD

One of the provisions of the legislations which created the MDAQMD allowed areas contiguous to the MDAQMD boundaries and within the same air basin to leave their current air district and become a part of the MDAQMD. On July 1, 1994 the area commonly known as the Palo Verde Valley in Riverside County, including the City of Blythe, left the South Coast Air Quality Management District (SCAQMD) and joined the MDAQMD.

Since USEPA adopts SIP revisions in California as effective within the jurisdictional boundaries of local air districts, when the local boundaries change the SIP as approved by USEPA for that area up to the date of the change remains as the SIP in that particular area. Upon annexation of the Blythe/Palo Verde Valley the MDAQMD acquired the SIP prior to July 1, 1994 that was effective in the Blythe/Palo Verde Valley. Therefore, the SIP history for the Blythe/Palo Verde Valley Portion of the MDAQMD is based upon the rules adopted and approved for that portion of Riverside County by SCAQMD.

Rule 206 was originally adopted on February 6, 1976 by the Southern California Air Pollution Control District (So.Cal.APCD) which was created by a Joint Powers Agreement (JPA) between Los Angeles, Orange, Riverside and San Bernardino Counties to replace the previous countywide air pollution control districts for those counties. On February 1, 1977, pursuant to statute (Cal. Stats. 1976, Ch 324 p. 815) the South Coast Air Quality Management District (SCAQMD) was created with an initial jurisdiction that only included areas of Los Angeles, Orange, Riverside and San Bernardino Counties contained within the South Coast Air Basin (SCAB). The SCAQMD has subsequently amended Rule 206 on 01/05/1990 and 10/08/1993. There was no USEPA action taken on these rule versions prior to the 7/1/1994 annexation of the Blythe/Palo Verde Valley, thus the 02/06/1976 is

the SIP version for the Riverside County portion of the MDAQMD.

2. SIP Analysis.

The District will request CARB to submit the proposed amendments to Rule 206 to replace the SIP versions in effect in the San Bernardino County portion of the MDAB and the Blythe/Palo Verde Valley portion of Riverside County. This submission is necessary to allow compliance with this District rule for facilities and equipment that are subject to varying field and equipment conditions.

Since there are previously existing SIP rules for this category the District will request that they be superseded. In order to replace existing SIP rules, the District is required to show that the proposed amendments are not less stringent than the provisions currently in the SIP.

Proposed Rule 206 is not less stringent than the currently existing SIP rules. Proposed Rule 206 amendments include the addition of a waiver provision for situations in which a permit to operate cannot be properly posted on or within 8 meters of the permitted equipment. This amendment does not remove a requirement for posting a permit. Rather, it provides a mechanism for rule compliance by allowing for a waiver to meet the intent of the posting requirement.

**Appendix “A”**  
**Rule 206 – *Posting of Permit to Operate Iterated Version***

The iterated version is provided so that the changes to an existing rule may be easily found. The manner of differentiating text is as follows:

1. Underlined text identifies new or revised language.
2. ~~Lined out text~~ identifies language which is being deleted.
3. Normal text identifies the current language of the rule which will remain unchanged by the adoption of the proposed amendments.
4. *[Bracketed italicized text]* is explanatory material that is not part of the proposed language. It is removed once the proposed amendments are adopted.

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## RULE 206

### Posting of Permit to Operate

#### (A) Permit to be Posted on Equipment

- (1) A person granted a permit under Rule 203 shall not operate or use any equipment unless the entire permit to operate or a legible facsimile of the entire permit is affixed upon the equipment in such a manner that the permit number, equipment description, and the specified operating conditions are clearly visible and accessible.
- (2) In the event that the equipment is so constructed or operated that the permit to operate or the legible facsimile cannot be so placed, the entire permit to operate or the legible facsimile of the entire permit shall be mounted so as to be clearly visible in an accessible place within 8 meters (26 feet) of the equipment, ~~or as otherwise approved by the Air Pollution Control Officer.~~

#### (B) Request for Waiver [*Provisions added to accommodate for varying field and equipment conditions*]

- (1) A person granted a permit under rule 203 may request from the Air Pollution Control Officer (APCO), in writing, a waiver of the requirements of Section (A) above. Such requests shall specify an alternative location for placement of the permits such that the permits are easily accessible to District staff and to operators of the equipment.
- (2) The APCO shall grant or deny the request in writing within thirty (30) days of receipt. If the APCO fails to respond within thirty (30) days the request shall be deemed denied.
- (3) If a request for waiver is denied the person granted a permit under 203 may not reapply for a waiver for at least one (1) year from the date of denial.
- (4) A waiver shall be valid until revoked in writing by the APCO.

[SIP: See SIP table at <http://www.mdaqmd.ca.gov>]

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**Appendix “B”**  
Public Notice Documents

1. Proof of Publication – Daily Press, January 22, 2021
2. Proof of Publication – Riverside Press Enterprise, January 22, 2021

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**PROOF OF PUBLICATION**

(2015.5 C.C.P.)

**STATE OF CALIFORNIA,  
County of San Bernardino**

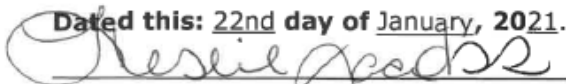
I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of the publisher of the DAILY PRESS, a newspaper of general circulation, published in the City of Victorville, County of San Bernardino, and which newspaper has been adjudicated a newspaper of general circulation by the Superior Court of the County of San Bernardino, State of California, under the date of November 21, 1938, Case number 43096, that the notice, of which the annexed is a printed copy (set in type not smaller than nonpareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

January 22

**All in the year 2021.**

**I certify (or declare) under penalty of perjury that the foregoing is true and correct.**

**Dated this: 22nd day of January, 2021.**



**Signature**  
Leslie Jacobs

RECEIVED  
MDAQMD  
This space is the County Clerk's Filing Stamp

21 JAN 29 AM 11:20

**Proof of Publication of  
NOTICE OF HEARING**

**NOTICE OF HEARING**

**NOTICE IS HEREBY GIVEN** that the Governing Board of the Mojave Desert Air Quality Management District (MDAQMD) will conduct a public hearing on February 22, 2021 at 10:00 A.M. to consider the proposed amendment of Rule 206 - Posting of Permit to Operate.

**SAID HEARING** may be conducted, in the interests of public health and safety and in accordance with the guidelines set forth in the Governor's Order N-29-29 of March 17, 2020, via alternative means. Please see the applicable Governing Board Meeting Agenda at <https://www.mdaqmd.ca.gov/meetings/meeting-schedule> or call (760) 245-1661 extension 6244 for participation information.

This proposed amendment of Rule 206 - Posting of Permit to Operate is intended to provide a waiver option to accommodate for variations in equipment

conditions and location which make posting of the permit to operate in accordance with rule 206 infeasible or unsafe. Copies of proposed Rule 206 - Posting of Permit to Operate and the Staff Report are on file and may be obtained from the Senior Executive Analyst at the MDAQMD Offices. Written comments may be submitted to Brad Poirier, APCO at 14306 Park Avenue, Victorville, CA 92392. Written comments should be received no later than February 19, 2021 to be considered. If you have any questions you may contact Bertrand Gascho at (760) 245-1661 extension 4020 for further information. Traducción esta disponible por solicitud.

Pursuant to the California Environmental Quality Act (CEQA) the MDAQMD has determined that a Categorical Exemption (Class 8 - 14 Cal. Code Reg §15308) applies and has prepared a Notice of Exemption for this action.

Published in the  
Daily Press  
January 22, 2021  
(F-22)

# THE PRESS-ENTERPRISE

1825 Chicago Ave, Suite 100  
Riverside, CA 92507  
951-684-1200  
951-368-9018 FAX

## PROOF OF PUBLICATION (2010, 2015.5 C.C.P)

Publication(s): The Press-Enterprise

PROOF OF PUBLICATION OF

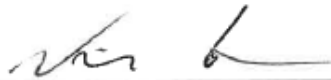
Ad Desc.: MD 206 Public Notice of Hearing /

I am a citizen of the United States. I am over the age of eighteen years and not a party to or interested in the above entitled matter. I am an authorized representative of THE PRESS-ENTERPRISE, a newspaper in general circulation, printed and published daily in the County of Riverside, and which newspaper has been adjudicated a newspaper of general circulation by the Superior Court of the County of Riverside, State of California, under date of April 25, 1952, Case Number 54446, under date of March 29, 1957, Case Number 65673, under date of August 25, 1995, Case Number 267864, and under date of September 16, 2013, Case Number RIC 1309013; that the notice, of which the annexed is a printed copy, has been published in said newspaper in accordance with the instructions of the person(s) requesting publication, and not in any supplement thereof on the following dates, to wit:

01/22/2021

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Date: January 22, 2021  
At: Riverside, California



Legal Advertising Representative, The Press-Enterprise

MOJAVE DESERT AQMD  
14306 PARK AVE  
ATTN: D. HERNANDEZ  
VICTORVILLE, CA 92392

Ad Number: 0011437191-01

P.O. Number:

Ad Copy:

## NOTICE OF HEARING

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**SAID HEARING** may be conducted, in the interests of public health and safety and in accordance with the guidelines set forth in the Governor's Order N-29-20 of March 17, 2020, via alternative means. Please see the applicable Governing Board Meeting Agenda at <https://www.mdaqmd.ca.gov/meetings/meeting-schedule> or call (760) 245-1661 extension 6244 for participation information.

This proposed amendment of Rule 206 - Posting of Permit to Operate is intended to provide a waiver option to accommodate for variations in equipment conditions and location which make posting of the permit to operate in accordance with rule 206 infeasible or unsafe. Copies of proposed Rule 206 - Posting of Permit to Operate and the Staff Report are on file and may be obtained from the Senior Executive Analyst at the MDAQMD Offices. Written comments may be submitted to Brad Poiriez, APCO at 14306 Park Avenue, Victorville, CA 92392. Written comments should be received no later than February 19, 2021 to be considered. If you have any questions you may contact Bertrand Gaschet at (760) 245-1661 extension 4020 for further information. Traducción esta disponible por solicitud.

Pursuant to the California Environmental Quality Act (CEQA) the MDAQMD has determined that a Categorical Exemption (Class 8 - 14 Cal. Code Reg 515308) applies and has prepared a Notice of Exemption for this action.

Press-Enterprise: 1/22

RECEIVED  
MOJAVE DESERT AQMD  
CLERK OF THE BOARD

JAN 22 2021

BY 

**Appendix “C”**  
**Public Comments and Responses**

No comments received at this time.

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(Adopted: 0/09/76; CARB Ex. Ord. G-73: 02/01/77;  
Readopted: 07/25/77; Amended: mm/dd/yy)

**Appendix “D”**  
California Environmental Quality Act  
Documentation

1. Draft NOE San Bernardino County
2. Draft NOE Riverside County

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**NOTICE OF EXEMPTION**

**TO:** County Clerk  
San Bernardino County  
385 N. Arrowhead, 2nd Floor  
San Bernardino, CA 92415  
**FROM:** Mojave Desert  
Air Quality Management District  
14306 Park Ave  
Victorville, CA 92392-2310



X MDAQMD Senior Executive Analyst

**PROJECT TITLE:** Amendment of Rule 206 – *Posting of Permit to Operate*.

**PROJECT LOCATION – SPECIFIC:** San Bernardino County portion of the Mojave Desert Air Basin and Palo Verde Valley portion of Riverside County.

**PROJECT LOCATION – COUNTY:** San Bernardino and Riverside Counties

**DESCRIPTION OF PROJECT:** The MDAQMD is proposing to update Rule 206 – *Posting of Permit to Operate* to include a waiver provision for cases in which it is infeasible or unsafe for the permit to operate to be posted in accordance with rule 206.

**NAME OF PUBLIC AGENCY APPROVING PROJECT:** Mojave Desert AQMD

**NAME OF PERSON OR AGENCY CARRYING OUT PROJECT:** Mojave Desert AQMD

**EXEMPT STATUS (CHECK ONE)**

Ministerial (Pub. Res. Code §21080(b)(1); 14 Cal Code Reg. §15268)

Emergency Project (Pub. Res. Code §21080(b)(4); 14 Cal Code Reg. §15269(b))

X Categorical Exemption – Class 8 (14 Cal Code Reg. §15308)

**REASONS WHY PROJECT IS EXEMPT:** The proposed amendments to Rule 206 are exempt from CEQA review because the amendments will not create any new emissions or adverse impacts on the environment. The proposed rule amendments are more stringent than the previous rule version. Because there is no potential that the amendments might cause the release of additional air contaminants or create any adverse environmental impacts, a Class 8 categorical exemption (14 Cal. Code Reg. §15308) applies.

**LEAD AGENCY CONTACT PERSON:** Brad Poiriez **PHONE:** (760) 245-1661

**SIGNATURE:** \_\_\_\_\_ **TITLE:** Executive Director **DATE:** February 22, 2021

**DATE RECEIVED FOR FILING:**

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**NOTICE OF EXEMPTION**

**TO:** Clerk/Recorder  
Riverside County  
3470 12th St.  
Riverside, CA 92501

**FROM:** Mojave Desert  
Air Quality Management District  
14306 Park Ave  
Victorville, CA 92392-2310

X MDAQMD Senior Executive Analyst

**PROJECT TITLE:** Amendment of Rule 206 – *Posting of Permit to Operate*

**PROJECT LOCATION – SPECIFIC:** San Bernardino County portion of the Mojave Desert Air Basin and Palo Verde Valley portion of Riverside County.

**PROJECT LOCATION – COUNTY:** San Bernardino and Riverside Counties

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**NAME OF PUBLIC AGENCY APPROVING PROJECT:** Mojave Desert AQMD

**NAME OF PERSON OR AGENCY CARRYING OUT PROJECT:** Mojave Desert AQMD

**EXEMPT STATUS (CHECK ONE)**

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Emergency Project (Pub. Res. Code §21080(b)(4); 14 Cal Code Reg. §15269(b))

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**REASONS WHY PROJECT IS EXEMPT:** The proposed amendments to Rule 206 are exempt from CEQA review because the amendments will not create any new emissions or adverse impacts on the environment. The proposed rule amendments are more stringent than the previous rule version. Because there is no potential that the amendments might cause the release of additional air contaminants or create any adverse environmental impacts, a Class 8 categorical exemption (14 Cal. Code Reg. §15308) applies

**LEAD AGENCY CONTACT PERSON:** Brad Poiriez **PHONE:** (760) 245-1661

**SIGNATURE:** \_\_\_\_\_ **TITLE:** Executive Director **DATE:** February 22, 2021

**DATE RECEIVED FOR FILING:**

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## Appendix “E” Bibliography

The following documents were consulted in the preparation of this staff report.

N/A

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RESOLUTION NO. 01-\_\_\_\_\_

1           **A RESOLUTION OF THE GOVERNING BOARD OF THE MOJAVE DESERT**  
2           **AIR QUALITY MANAGEMENT DISTRICT MAKING FINDINGS, CERTIFYING**  
3           **THE NOTICE OF EXEMPTION, AMENDING RULE 206 – *POSTING OF PERMIT TO***  
4           ***OPERATE* AND DIRECTING STAFF ACTIONS.**

4           On February 22, 2021, on motion by Member \_\_\_\_\_, seconded by  
5 Member \_\_\_\_\_, and carried, the following resolution is adopted:

6           **WHEREAS**, the Mojave Desert Air Quality Management District (MDAQMD) has  
7 authority pursuant to California Health and Safety Code (H & S Code) §§40702, 40725-40728  
8 to adopt, amend or repeal rules and regulations; and

9           **WHEREAS**, the MDAQMD is proposing to amend Rule 206 – *Posting of Permit to*  
10 *Operate* for inclusion in the current rulebook; and

11           **WHEREAS**, the Mojave Desert Air Quality Management District 206 – Posting of  
12 Permit to Operate was originally adopted January 9, 1976; and

13           **WHEREAS**, the 1977 California Air Resources Board (CARB) executive Order G-73  
14 adopted a rule book for non-South Coast Air Basin (SCAB) areas of Los Angeles, Riverside  
15 and San Bernardino Counties due to the creation of the South Coast Air Quality Management  
16 District, and then finally on July 25, 1977, Rule 206 was readopted into the San Bernardino  
17 County Air Pollution Control District (SBCAPCD) rulebook; and

18           **WHEREAS**, the MDAQMD was formed pursuant to statute on July 1, 1993, and

19           **WHEREAS**, pursuant to statute the MDAQMD also retained all the rules and  
20 regulations of the San Bernardino County Air Pollution Control District (SBCAPCD) until  
21 such time as the Governing Board of the MDAQMD wished to adopt, amend or rescind such  
22 rules, and

23           **WHEREAS**, the MDAQMD Governing Board, at its very first meeting, reaffirmed all  
24 the rules and regulations of the SBCAPCD, and

25           **WHEREAS**, Rule 206 has not been amended since July 25, 1977, and therefore is the  
26 SIP Version (43 FR 522371, 11/9/78) for the San Bernardino County portion of the  
27 MDAQMD, and

28           **WHEREAS**, Rule 206 sets forth requirements for the approved posting of a permit to

**RESOLUTION NO. 01-\_\_\_\_\_**

1 operate; and

2       **WHEREAS**, there are certain locations or conditions of equipment that make these  
3 requirements infeasible; and

4       **WHEREAS**, the proposed amendments add a waiver option to accommodate for  
5 variations in equipment conditions and location which make posting of the permit to operate in  
6 accordance with rule 206 infeasible or unsafe; and

7       **WHEREAS**, the proposed amendments to the Rule are necessary as indicated herein  
8 and in the supporting documentation; and

9       **WHEREAS**, the MDAQMD has the authority pursuant to H & S Code §40702 to  
10 amend rules and regulations; and

11       **WHEREAS**, the proposed amendments to Rule 206 are clear in that the meaning can  
12 be easily understood by the persons impacted by the Rule; and

13       **WHEREAS**, the amendments to Rule 206 are in harmony with, and not in conflict  
14 with, or contradictory to existing statutes, court decisions, or state or federal regulations; and

15       **WHEREAS**, the proposed amendments do not impose the same requirements as any  
16 existing state or federal regulation because these amendments add a waiver provision with no  
17 new regulatory requirements; and

18       **WHEREAS**, a public hearing has been properly noticed and conducted, pursuant to H  
19 & S Code §40725, concerning the amendments to Rule 206; and

20       **WHEREAS**, a Notice of Exemption, a Categorical Exemption (Class 8, 14 CCR  
21 §15308) for the proposed amendments to Rule 206, completed in compliance with the  
22 California Environmental Quality Act (CEQA), has been presented to the MDAQMD Board;  
23 each member having reviewed, considered and approved the information contained therein  
24 prior to acting on the proposed amendments to Rule 206, and the MDAQMD Board having  
25 determined that the proposed amendments will not have any potential for resulting in any  
26 adverse impact upon the environment; and

27       **WHEREAS**, the Board has considered the evidence presented at the public hearing;  
28 and



**RESOLUTION NO. 01-\_\_\_\_\_**

1           **NOW, THEREFORE, BE IT RESOLVED**, that the Governing Board of the  
2 MDAQMD finds that the amendments to Rule 206 – *Posting of Permit to Operate* are  
3 necessary, authorized, clear, consistent, non-duplicative and properly referenced; and

4           **BE IT FURTHER RESOLVED**, that the Governing Board of the MDAQMD hereby  
5 makes a finding that the Class 8 Categorical Exemption (14 CCR §15308) applies and certifies  
6 the Notice of Exemption for the proposed amendments to Rule 206; and

7           **BE IT FURTHER RESOLVED**, that the Board of the MDAQMD does hereby adopt,  
8 pursuant to the authority granted by law, the proposed amendments to Rule 206 as set forth in  
9 the attachments to this resolution and incorporated herein by this reference; and

10           **BE IT FURTHER RESOLVED**, that this resolution shall take effect immediately  
11 upon adoption, and that the Senior Executive Analyst – Confidential is directed to file the  
12 Notice of Exemption in compliance with the provisions of CEQA.

13 //  
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# **Rule 206 – *Posting of Permit to Operate***

*Proposed for Adoption Feb 22, 2021*

*Alan De Salvio, Deputy Director - Operations*

# Necessity for Amending Rule 206

- A waiver provision is necessary for cases in which the posting of permit on or within 8 meters (26 feet) of the permitted equipment is unsafe or infeasible.
- This amendment will formalizes an existing procedure.



# Summary of Proposed Amendments

- A person granted a permit under Rule 201 and/or 203 may request from the Air Pollution Control Officer (APCO), in writing, a waiver of the requirements of Section (A). Such requests shall specify an alternative location for placement of the permits such that the permits are easily accessible to District staff and to operators of the equipment.
- The APCO shall grant or deny the request in writing within thirty (30) days of receipt. If the APCO fails to respond within thirty (30) days the request shall be deemed denied.
- If a request for waiver is denied the person granted a permit under 203 may not reapply for a waiver for at least one (1) year from the date of denial.
- A waiver shall be valid until revoked in writing by the APCO.



# Public Outreach

- *Public Mailing, January 7, 2021*
  - *Affected permitted sources*
  - *Rule Development contacts*
  - *Website posting*
  - *CARB*
  - *USEPA*
- *TAC Review*
  - *December 09, 2020, recommendation for adoption.*



# Conclusion

- Staff and the TAC recommends that the Governing Board of the Mojave Desert Air Quality Management District (MDAQMD or District) adopt proposed amendments to Rule 206 – *Posting of Permit to Operate* and approve the appropriate California Environmental Quality Act (CEQA) documentation.



# Questions?

Thank you!





The following page(s) contain the backup material for Agenda Item: [Presentation – Permit Engineering. Presenter: Sheri Haggard, Supervising Permit Engineer.](#)  
Please scroll down to view the backup material.

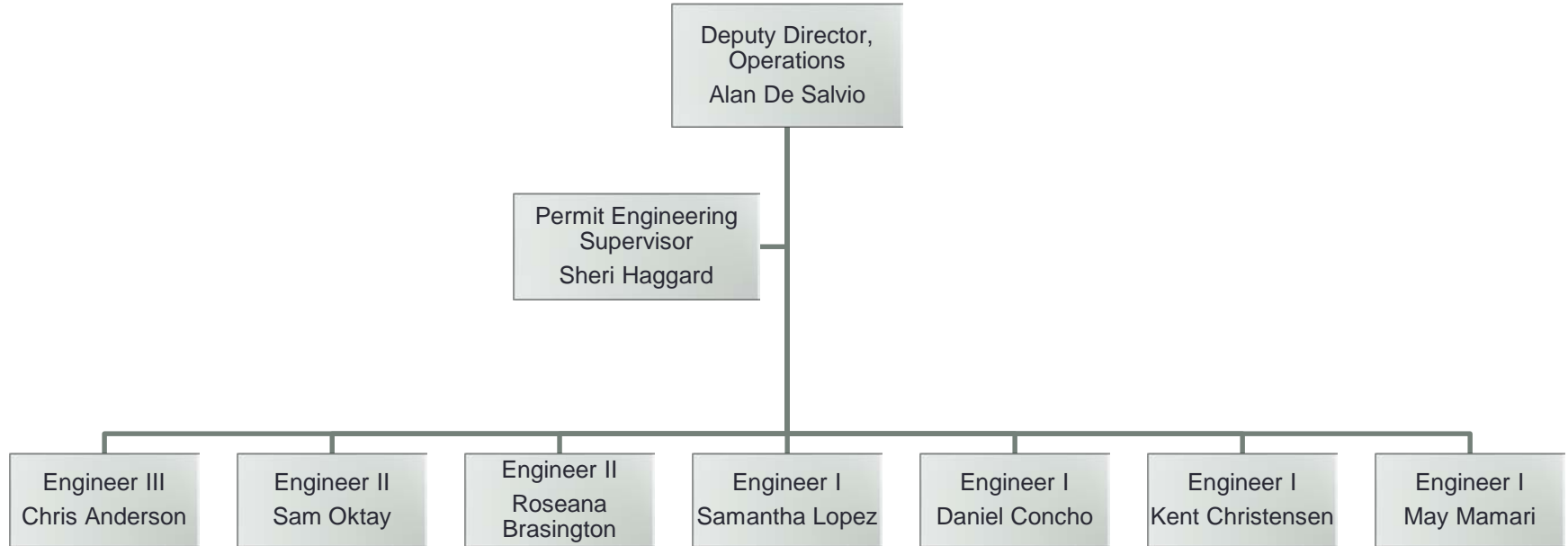
# PERMIT ENGINEERING OVERVIEW

---

Mojave Desert AQMD

Sheri Haggard, Supervising Permit Engineer

# Department Overview – Permit Engineering



## Meet Our Team



### **District Experience**

- Average tenure of 10 Years with the District
- Permitting experience ranging from 3 months to 21 years

### **Professional Backgrounds**

- Chemical Supply Manufacturing
  - Aerospace
  - Cement Industry
- County Health Department
- MDAQMD Inspector, Grants, Rules/Planning



### **Educational Backgrounds**

- Biology
- Chemical Engineering
- Environmental Science
- Mechanical Engineering
- Environmental and Occupational Health
- Professional Certifications and Graduate Degrees

# Department Stats



5,562 Local Permits

MD - 4,457

AV - 1,105



Regulation is a moving target

36 Federal  
Operating Permits

MD - 32 AV - 4



Assigned engineers  
equates to good working  
relationships with industry



1,846 Facilities

MD - 1320

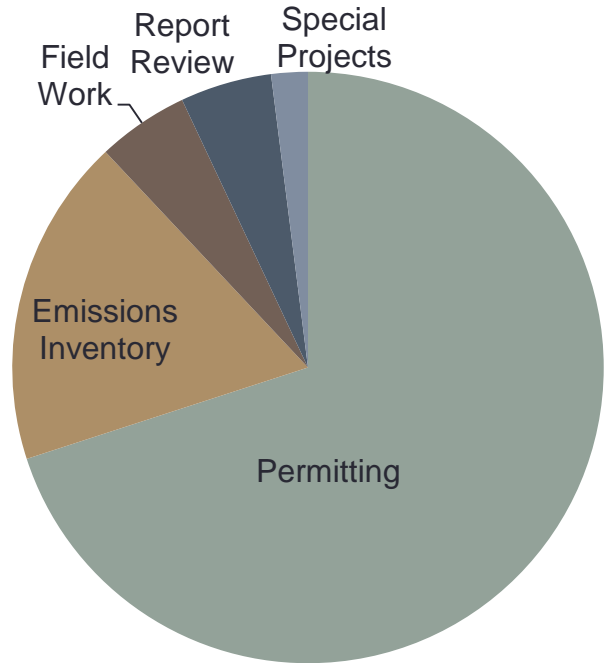
AV - 526

20 day Permit  
Turnaround  
(simple source)



Small team equates to  
“jack of all trades”

# Permit Engineering – Program Breakdown



- Permits are the glue between regulation and compliance
- We permit equipment that is a source of Air Contaminants
  - *Criteria*
    - Carbon Monoxide (CO)
    - Oxides of Nitrogen (NO<sub>x</sub>)
    - Oxides of Sulfur (SO<sub>x</sub>)
    - Particulate Matter (PM)
    - Volatile Organic Compounds (VOC)
  - *Toxic Compounds*
    - Mining, Paint Coatings
      - Heavy Metals (Pb, Mg, Cr, Ni, Cd, etc.)
    - Combustion of Fuels
      - Diesel PM, Formaldehyde, Acetaldehyde, 1,3 Butadiene, etc.
    - Fiberglass Operations
      - Styrene, MEK
    - Drycleaning
      - Perchloroethylene
    - Gas Stations
      - Benzene, Toluene, Ethylbenzene, etc.

# Permitting 101



Receive Application

- Application
- Modification



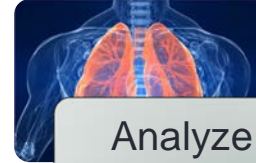
Assess the Source & Equipment

- Gas Stations
- Drycleaners
- Stationary Engines
- Spray Booths
- Cement Plants\*
- Landfills\*
- Power Plants\*
- Waste Water Treatment\*
- Fiberglass Operations\*
- Air Pollution Control Equipment

Facility Name	Permit Number	Permit Expiration Date	Permit Status	Permit Type	Permit Category	Permit Subcategory	Permit Subcategory Description	Permit Subcategory Code	Permit Subcategory Description	Permit Subcategory Code
Facility Name	Permit Number	Permit Expiration Date	Permit Status	Permit Type	Permit Category	Permit Subcategory	Permit Subcategory Description	Permit Subcategory Code	Permit Subcategory Description	Permit Subcategory Code

Calculate Emissions

- Sources of Emissions
- Pollutant Types
- Amount of Emissions
- Emission Controls



Analyze Health Impacts

- Location & Distance
- Receptors
  - Residents
  - Schools
  - Hospitals



Write Permit

- Applicable Regulations
  - Federal
  - State
  - Local
- Major Sources\*
  - BACT
  - No Net Increase
- Economical
  - RACT
- Practical
  - La

# Example



## Application

- New Facility and Permit

## Source

- Retail Gas Station
- Minor Source

## Emissions

- Type: VOC/Toxics (Benzene, Toluene, etc.)
- Source: Fuel Points and Storage Tank Loading
- Potential to Emit: Throughput & Emission Factors
- Controls: CARB Certified Phase I and II Vapor Controls

## Health Impacts

- Receptor Type
- Receptor Distance
- Risk Modeling Data

## Permit

- Primary Applicable Regulations (~550 pages)
  - 2 Local
  - 3 State
  - 1 Federal
- Permit Issued (~2 pages)





15730 Roy Rogers Dr Gas Station

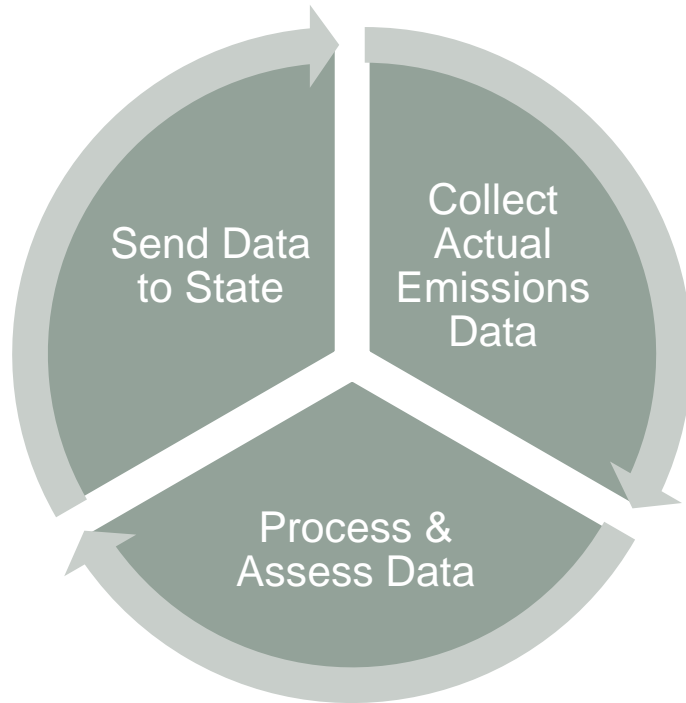
Roy Rogers Dr

Midtown Dr

Goldward

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# Emissions Inventory




- Annual Basis
- Includes Criteria and Toxic Emissions
- Major Sources Report Annually
- Minor/Simple Sources Report on 3 year Cycle
- Processing Data Takes Time
- State Uses Data for Attainment Planning

# Field Work



Joint Inspections



ATC Inspections

Source Testing

Equipment Demonstrations



Permitting Visits



# The “In Between” ...

## Report Reviewing

- Engineers review all source testing results, check test methods, and give compliance determination
- Engineers often permit a site, and witness the initial test themselves so reviewing the results brings the process full circle

## Rule Development

- Because engineers are well versed in variety of source types and regulation, we serve as excellent assets in rule development
- Regulation XIII - NSR

## Committees

- CAPCOA, TARMAC, EITAC, NAACA, etc.
- Strengthens relationships with USEPA, CARB and other Agencies
- Keeps us on the pulse with the changes in and implementation of regulation

## Training

- Because regulation is always evolving, so must we!
- Must remain apt in Air Pollution Modeling software (AERMOD) and CARB's Emission Inventory Data software (HARP)

## Department Enhancements

- Our engineering team is constantly looking for ways to streamline processes and refine the tools we use
- Forms, templates, listservs, tools/software, guidance development

Permit Engineering Team aka...





# Thank you!



The following page(s) contain the backup material for Agenda Item: [Conduct a public hearing to present the 2018 Air Toxics “Hot Spots” Program Annual Report and discuss its content and significance: a. Open public hearing; b. Receive the 2018 Air Toxics “Hot Spots” Program Annual Report; c. Receive public testimony; d. Close public hearing; e. Direct staff action. Presenter: Alan De Salvio, Deputy Director – Mojave Desert Operations.](#)

Please scroll down to view the backup material.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #16*

**DATE:** February 22, 2021

**RECOMMENDATION:** Conduct a public hearing to present the 2018 Air Toxics “Hot Spots” Program Annual Report and discuss its content and significance: a. Open public hearing; b. Receive the 2018 Air Toxics “Hot Spots” Program Annual Report; c. Receive public testimony; d. Close public hearing; e. Direct staff actions.

**SUMMARY:** The Mojave Desert Air Quality Management District (MDAQMD) has prepared the 2018 Air Toxics “Hot Spots” Program Annual Report in accordance with Health and Safety Code §44363 and a copy is provided to the Governing Board.

**BACKGROUND:** The California Air Toxics "Hot Spots" Information and Assessment Act (AB 2588) was enacted by the Legislature in 1987 to address public concern over the release of toxic air contaminants into the atmosphere. The law requires facilities emitting toxic substances to provide local air pollution control districts with information to identify sources of toxic air contaminants, assess air toxic problems, locate resulting "hot spots," notify persons that may be exposed to significant risks, and develop effective strategies to reduce potential risks to the public.

A requirement of the Air Toxics "Hot Spots" Information and Assessment Act (Section 44363 of the California Health and Safety Code) is for local air pollution control districts to provide the public with an annual progress report on the program. This report fulfills that requirement by providing information about emission inventories, approved health risk assessments (HRA), public notification procedures, and steps undertaken to reduce public health risks. State and local health officials may use the report to establish priorities for developing and implementing air toxic control measures to protect public health.

Pursuant to Health and Safety Code §44363, this report summarizes the Air Toxic “Hot Spots” Act program elements, the current status of the program in the Mojave Desert Air Quality Management District (MDAQMD or District), results of local Health Risk Assessments, current status of public notifications, and conclusions drawn from the program to date. This report and content significance will be discussed at said hearing. Notice of this hearing was published on January 9, 2021 and was published on the District’s website on January 5, 2021.



**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #16*

**PAGE 2**

**REASON FOR RECOMMENDATION:** Health and Safety Code §44363(6) requires the Governing Board to hold a public hearing to present and discuss the report and discuss its content and significance.

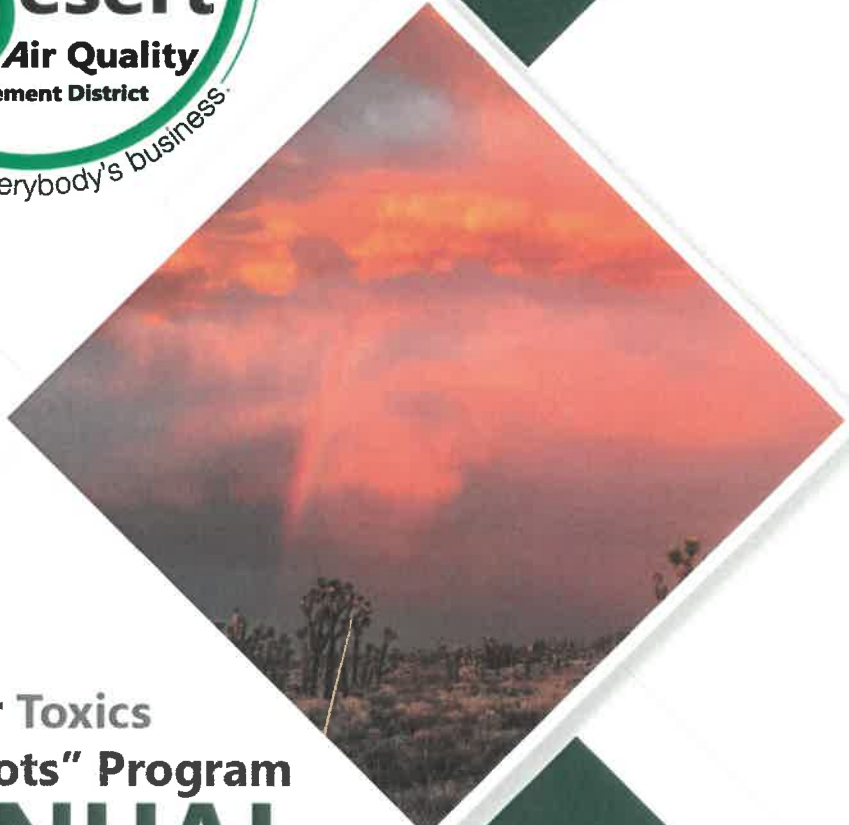
**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form and by Brad Poiriez, Executive Director/APCO, on or before January 5, 2021.

**FINANCIAL DATA:** No increase in appropriation is anticipated

**PRESENTER:** Alan De Salvio, Deputy Director-Mojave Desert Operations



California Air Toxics  
"Hot Spots"  
Information and  
Assessment Act (AB 2588)



# 2018 Air Toxics "Hot Spots" Program ANNUAL REPORT

December 2020

**MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT**

**BRAD POIRIEZ**, EXECUTIVE DIRECTOR  
14306 Park Avenue, Victorville, CA 92392-2310  
760.245.1661 • [www.MDAQMD.ca.gov](http://www.MDAQMD.ca.gov) • @MDAQMD

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## INTRODUCTION

The California Air Toxics “Hot Spots” Information and Assessment Act (AB 2588) was enacted by the Legislature in 1987 to address public concern over the release of toxic air contaminants into the atmosphere. The law requires facilities that emit toxic substances to provide local air pollution control districts with information to identify sources of toxic air contaminants, assess air toxic problems, locate resulting “hot spots,” notify persons that may be exposed to significant risks, and develop effective strategies to reduce potential risks to the public.

A requirement of the Air Toxics “Hot Spots” Information and Assessment Act (Section 44363 of the California Health and Safety Code) is for local air pollution control districts to provide the public with an annual progress report on the program. This report fulfills that requirement by providing information about emission inventories, approved Health Risk Assessment Reports (HRA), public notification procedures, and steps undertaken to reduce public health risks. State and local health officials may use the report to establish priorities for developing and implementing air toxic control measures to protect public health.

This report summarizes the Air Toxics “Hot Spots” Act program elements, the current status of the program in the Mojave Desert Air Quality Management District (MDAQMD or District), results of local Health Risk Assessment Reports, current status of public notifications, and conclusions drawn from the program to date. This report reflects facility data of emissions released in calendar year 2018 or earlier. Please note that this report date reflects a release date of 2020 due to the fact that several facilities required the submission of a Health Risk Assessment Report based on their 2016 emissions data, which can take up to two and a half years to complete due to the submission and review processes by the MDAQMD and the Office of Environmental Health Hazard Assessment (OEHHA). Some of these Health Risk Assessment Reports triggered by the 2016 emissions data are still pending.

Emission estimates for facilities regulated by the MDAQMD, are available by request from the MDAQMD. Please make these requests to [engineering@mdaqmd.ca.gov](mailto:engineering@mdaqmd.ca.gov) or contact the engineering section at 760-245-1661.

## BACKGROUND

The District is the implementing agency for approximately 1,400 facilities required to comply with the Air Toxics “Hot Spots” Act. The law requires facilities to submit information that is used to achieve the objectives of the program. This information includes:

- (1) *Emission Inventory Reports* – Facilities must submit the information needed by the District to prepare a toxic emissions inventory report. The District then prioritizes the health risks associated with each facility to determine if a Health Risk Assessment Report (HRA) is required based upon the amount and toxicity of the reported emissions. See Facility Prioritization on page 3.

- (2) *Health Risk Assessments* – Facilities required to submit a Health Risk Assessment Report (HRA) must determine the level of public exposure to emitted compounds, and the potential adverse public health impacts. The Office of Environmental Health Hazard Assessment (OEHHA) assists the District in reviewing each HRA, and is responsible for developing and providing risk managers in state and local government agencies with toxicological and medical information relevant to decisions involving public health.
- (3) *Public Notification* – If an adverse health impact exceeding public notification levels (specified in District Rules 1320 and/or 1520) is identified, the facility must provide notice to all exposed persons regarding the results of the Health Risk Assessment Report (HRA). See Public Notification and Risk Reduction on page 10.
- (4) *Risk Reduction Audits and Plans* – Facilities with emissions that pose a potentially significant public health risk must submit a risk reduction audit and plan to the District. This plan must demonstrate how the facility will reduce health risks below significant levels. The facility must implement the plan as approved by the District. See Public Notification and Risk Reduction on page 10.

The California Air Resources Board (CARB) lists more than 700 compounds that are assessed under the Air Toxics “Hot Spots” Act and are potentially carcinogenic or may cause acute and chronic non-cancer health problems. Facilities subject to the Air Toxics “Hot Spots” Act are required to update their toxic inventories at least once every four years.

CARB Guidelines allow local air districts such as the MDAQMD to utilize air toxics analyses conducted as part of its toxics permitting (Rule 1320 - *New Source Review for Toxics Air Contaminants* and Rule 1520 - *Control of Toxic Air Contaminants from Existing Sources*) process, in-lieu of requiring separate quantification of air toxics emissions to satisfy the Air Toxics “Hot Spots” Act. These guidelines require that the New Source Review permit contain conditions to ensure calculated toxic risk is not exceeded. Providing integration of the Air Toxics “Hot Spots” Act with District’s permitting program is a time and cost savings both for the District and affected facilities without compromising the intent of the regulation or public health.

## **FACILITY PRIORITIZATION**

Prioritization procedures consider the magnitude of toxic air contaminant emissions from facilities and the toxicity of those emissions, but do not consider the expected health risks posed by the emissions. Requiring a facility to prepare a Prioritization Score does not mean the facility poses a significant risk to public health.

Facilities are placed into one of the three Prioritization Categories based on their Prioritization Score:

- (1) *High Priority Category* – Facilities are required to prepare and submit a HRA.
- (2) *Intermediate Priority Category* – Facilities may be required to conduct a HRA at a future date if toxic risk continues to increase.
- (3) *Low Priority Category* – Facilities are not required to conduct a HRA.

A summary of the Prioritization Categories are shown in Table 1, below:

**Table 1: Prioritization Score Categories**

	Prioritization Category		
	<i>High</i>	<i>Intermediate</i>	<i>Low</i>
Facility Prioritization Score	Score $\geq$ 10	1 $\leq$ Score < 10	Score < 1

Facilities are Prioritized as part of a permitting evaluation for any proposed new and/or modified equipment and are Re-Prioritized at least every four years. The Facility Prioritization is based on either the maximum potential to emit for any new equipment, and/or their most recently approved toxic emissions inventory report. All inventory reports are prepared using the District’s Comprehensive Emission Inventory Guidance. All facility Prioritization Score’s are calculated using the California Air Pollution Control Officers Association’s (CAPCOA) *Air Toxic “Hot Spots” Program Facility Prioritization Guidelines* (August 2016). These Guidelines were revised in 2015 in response to revisions to the Office of Environmental Health Hazard Assessment’s (OEHHA) updates to the health risk assessment methodology.

The updates to the health risk assessment methodology was triggered by the passage of the Children’s Health Protection Act of 1999 (SB 25, Stats. 1999) requiring OEHHA to ensure infants and children are explicitly addressed in assessing risk. The new risk assessment methodology addresses this greater sensitivity and incorporates the most recent data on childhood and adult exposure to air toxics. For some sources, the revised Prioritization Guidelines and OEHHA risk assessment methodology may result in higher estimated potential cancer risk than previously estimated for the same level of emissions and conditions. This means that facilities that were not categorized as High Priority in the past may now be categorized as High Priority under the revised Prioritization Guidelines and OEHHA risk assessment methodology even without any increase in actual emissions from the facility.

This means that many facilities that hadn’t been categorized as High Priority in the past are now in this category, thus are required to submit a subsequent Health Risk Assessment (HRA).

**Table 2 – Summary of Facilities Categorized as High Priority and Subsequently have HRAs Pending**

<i>HRA Date</i>	<i>Facility No.</i>	<i>Facility</i>	<i>Location</i>	<i>Status</i>
None Pending at This Time				

**RISK ASSESSMENT**

A Health Risk Assessment (HRA) is a study of the possible public health risks that may be posed by emissions of toxic air contaminants emitted from a facility. Each facility that has been categorized as a High Priority during the Facility Prioritization process must prepare and submit a HRA to the District.

The HRA calculates the health risk using a CARB-approved computer model called the Air Dispersion Modeling and Risk Tool (ADMRT). This tool is in the software suite of the Hotspots Analysis and Reporting Program (HARP) that evaluates emissions reported by the facility. A HRA includes a comprehensive analysis of the dispersion of hazardous substances into the environment, the proximity of receptors and the potential for human exposure, and a quantitative assessment of both individual and population wide health risks associated with those levels of exposure. The CARB and MDAQMD require that some cautious assumptions be used in the HRA to insure potential adverse health effects are not underestimated. For example, under a Tier 1 risk assessment, a HRA typically estimates the cancer risk for a residential receptor as an individual who would remain at the one location with the greatest potential for exposure to toxic air contaminant emissions from the facility for 24 hours a day, 365 days per year, for 30 years.

While the HRA procedures are generally considered to be conservative, it is important to note that there are some limitations to consider when evaluating the results. For example, a HRA is based on emission estimates for the indicated inventory year, only. Years other than that specific inventory year may have higher or lower emissions and are not included. Additionally, the cumulative effect of background air toxic emissions from other nearby mobile, area, and stationary sources, and the potential for complex mixtures of toxic air contaminants to create an additional health problem by their combined reaction to each other, cannot be estimated and are not included in the HRA. Also, some facility emission estimates are based on average factors for individual types of equipment while actual emissions may be lower. Finally, the HRA results only indicate potential impacts from compounds that have been reviewed and assigned a health risk Reference Exposure Level by the Office of Environmental Health Hazard Assessment (OEHHA). Compounds that have not been reviewed and assigned a health risk Reference Exposure Level by OEHHA are not included in the HRA.

As mentioned, CARB lists more than 700 compounds to be assessed under the Air Toxics “Hot Spots” program. The list includes potentially carcinogenic substances as well as compounds that may cause health problems such as respiratory irritation or central nervous system depression. The toxicity varies from compounds that pose concern if more than a few grams are emitted per day, to those that may pose no significant health risks if many pounds are emitted per day. OEHHA reviews and updates the toxicity of the listed compounds on a routine basis in addition to adding newly identified

compounds of health concern. All HRAs are required to use the most current list of toxic compounds and associated Reference Exposure Levels available. HRAs must adhere to California Air Pollution Control Officers Association's (CAPCOA) and OEHHA's guidance and methodology. These documents can be found at the following links:

- (1) CARB/CAPCOA's: *Risk Management Guidance for Stationary Sources of Air Toxics* (May 2015): <https://www.arb.ca.gov/toxics/rma/rmgssat.pdf>
- (2) OEHHA's *Air Toxics Hot Spots Program Risk Assessment Guidelines: Guidance Manual for Preparation of Health Risk Assessments* (February 2015): <https://oehha.ca.gov/air/crnrr/notice-adoption-air-toxics-hot-spots-program-guidance-manual-preparation-health-risk-0>

Each HRA is reviewed by the District and OEHHA, and any deficiencies must be corrected by the facility. The results of all HRAs prepared under this program are available for public review. A summary of the results of the HRAs prepared under this program within the MDAQMD is presented in Table 3.

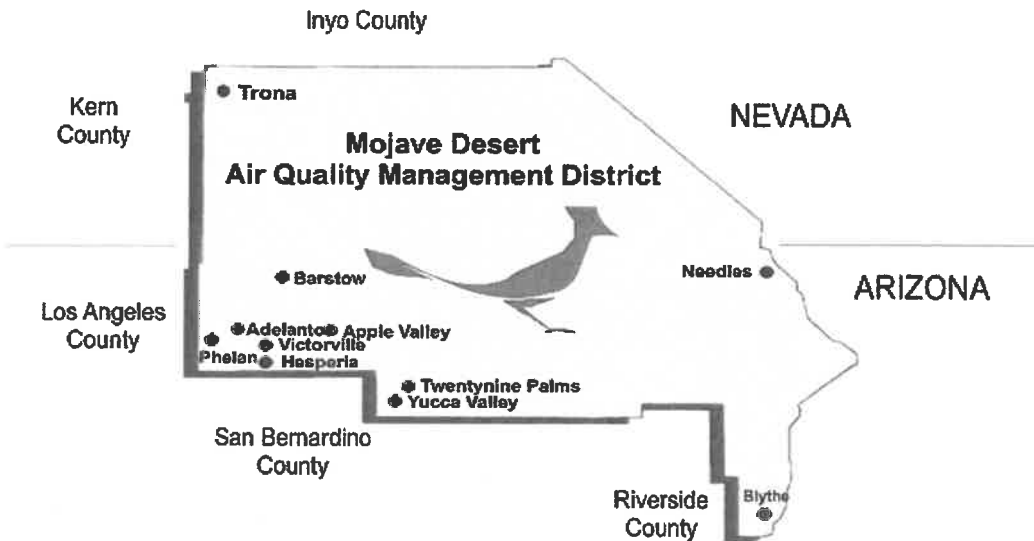
As with all emissions information accumulated by the District, the MDAQMD's air toxic emission inventory is public information and available for public review upon request to the District. Please make these requests to [engineering@mdaqmd.ca.gov](mailto:engineering@mdaqmd.ca.gov) or contact the engineering section at 760-245-1661. Additionally, all air district emission inventory data is accessible to the public through the State's (CARB's) California Emission Inventory Development and Reporting System (CEIDARS) website at <http://www.arb.ca.gov/app/emsinv/facinfo/facinfo.php>.

This annual Air Toxics "Hot Spots" Report ranks and identifies facilities according to cancer and non-cancer risk posed, and describes toxic control measures. After presentation at a public hearing, this annual Air Toxics "Hot Spots" report is distributed to the Riverside County and San Bernardino County Board of Supervisors with governing authority over the MDAQMD, city councils in the MDAQMD, and the County Health Officers of Riverside and San Bernardino Counties.



## CURRENT STATUS OF HEALTH RISK ASSESMENTS

MDAQMD has jurisdiction of the geographic area shown below. Stretched out over almost 20,000 square miles of California's vast desert expanse, the MDAQMD, is geographically, the second largest of the state's 35 air pollution control districts. The MDAQMD's boundaries include the desert portion of San Bernardino County and those portions of the County of Riverside commonly known as the Palo Verde Valley.



Map Not to Scale

CRF/tw/td

The MDAQMD's rural areas provide significant dispersion potential for most sources within the District's jurisdiction. The MDAQMD is also unique in that it has a vast variety of large industrial sources, which are subsequent facilities subject to the Air Toxics "Hot Spots" Act. Examples include Portland cement manufacturing facilities, various mineral mining industries, several military installations, gas utility compressor stations, and power generating facilities.

As discussed in previous sections of this report, the District routinely and programmatically assesses potential health risk from each facility under its regulative authority. Those facilities which have a health risk that has been prioritized as a High Priority are required to prepare a Health Risk Assessment (HRA). A summary of the results of the HRAs prepared under this program is presented in Table 3. A summary of the facilities that have been categorized as High Priority and have a HRA pending is presented in Table 2 – please note that the results of these HRAs are still under review and are expected to be reported in the District's 2018 and/or the 2019 *Annual Air Toxics "Hot Spots" Reports*.

**Table 3: Summary of Facility HRA Results (table is continued on next page)**

HRA Date (Emission Year)	Facility No.	Facility	Location	Maximum Individual Cancer Risk <sup>1</sup>	Chronic THI <sup>2</sup>	8 Hour Chronic THI <sup>3</sup>	Acute THI <sup>4</sup>
<i>Facilities required to implement a risk reduction plan and conduct quadrennial public notification:</i>							
There are no facilities in this category at this time.							
<i>Facilities that have implemented a risk reduction plan and currently have risks below the public notification level:</i>							
There are no facilities in this category at this time.							
<i>Facilities required to conduct quadrennial public notification:</i>							
2018 (EY16)	535	PG&E - Hinkley Compressor Station	Hinkley	27.2	0.174	0.1064	0.867
2014 (EY13)	2, 7, 79	Searles Valley Minerals Operations, Inc <sup>6</sup>	Trona	3.46	0.494	NA	22.6
2018 (EY16)	3	CalPortland Cement	Oro Grande	68.6	1.1	0.14	0.78
2018 (EY16)	246	Ducommun AeroStructures	Adelanto	17.2	0.073	4.75e-7	1.44
2020 (EY16)	6	CEMEX River Plant	Victorville	64.2	5.79	0.3	7.52
<i>Facilities not required to implement a risk reduction plan and not required to conduct quadrennial public notification:</i>							
2010	3007, 3008, 3009	Solar Partners - Ivanpah Solar <sup>5</sup>	Ivanpah	0.08	<1	NA	<1
2007	364	Union Oil Molycorp (Mountain Pass Mine) <sup>5</sup>	Mountain Pass	5	0	NA	0.49
2007	591, 3245, 3247, 3250, 3251, 3252	USMC AGCC	Twentynine Palms	2	<0.29	NA	0.24
2000		Blythe Energy Project <sup>5</sup>	Blythe	0.4	0.21	NA	0.03
2018 (EY16)	1849	High Desert Power Project <sup>6</sup>	Victorville	0.0346	0.00038	0.00038	0.0475
2018 (EY16)	39	PG&E – Topock Compressor Station	Needles	8.86	0.0421	0.0213	0.276
2018 (EY16)	2933	Sully Miller	Victorville	8.75	0.68	0.119	0.248
2019 (EY16)	Co. No. 1489	International Aerospace Coatings (IAC)	Victorville	0.0461	0.00288	0.0118	0.974

<i>HRAs that have been superseded by a more recent version:</i>							
2001	2, 7, 79	Searles Valley Minerals	Trona	4.39	1.03	NA	20.4
1999	1849	High Desert Power Project	Victorville	<1.4	0.10	NA	0.8
2009	3	CalPortland Cement	Oro Grande	7	1.52	NA	1.43
1994	535	PG&E - Hinkley Compressor Station	Hinkley	2	0	NA	0.09
1997	6	Southdown River Plant (CEMEX - River Plant)	Victorville	7.1	0.066	NA	0.12
<i>Facilities that have conducted HRAs that have ceased operation:</i>							
There are no facilities in this category at this time.							

*Footnotes for Table 3:*

1. Maximum Cancer Risk is the probability (chances per million) of a potentially maximally exposed individual contracting cancer as a result of exposure to carcinogenic air contaminants
2. Chronic total health hazard index (THI) is the sum of the ratios of the average annual exposure level of each compound to the compound's reference exposure level (REL). Actual chronic THI will likely be less.
3. The 8 hour chronic non-carcinogenic hazard index is evaluated only for the maximally exposed individual worker (MEIW). Evaluation of 8 hour chronic HI is not a requirement of HRA conducted prior to 2015 (Initiated by OEHHA 2015 Risk Assessment Updates).
4. Acute THI is the sum of the ratios of the maximum one-hour exposure level of each compound to the compound's REL. Actual acute THI will likely be less.
5. Facility underwent major renovations and improvements from 2012 to 2015. Inventory updated to reflect upgrades resulting in lower emissions and a facility PS less than 8 (Intermediate Priority). Additionally, this facility changed ownership in 2017 from Union Oil Molycorp to Mountain Pass Mine. Toxic emissions under the new ownership will be evaluated for emission year 2018.
6. HRA results are from District approved screening risk assessments carried out pursuant to District air toxics permitting program. Air emissions are represented at maximum potential to emit.
7. Searles Valley Minerals provided a District-approved screen risk assessment in 2016 which demonstrates the risk to be less than the Risk Reduction threshold. Additionally, Searles Valley Minerals is currently preparing a new HRA based on emission year 2017 data.
8. Cancer burden is the estimated increase in the occurrence of cancer cases in a population resulting from exposure to carcinogenic air contaminants. The cancer burden was evaluated from each facility listed in the table above individually with no facility exceeding the MDAQMD Rule 1520 action risk level of 0.5.

## PUBLIC NOTIFICATION AND RISK REDUCTION

Once a HRA has been reviewed and approved by the District and OEHHA, the Air Toxics “Hot Spots” Act program requires facilities with health risks over specified levels to provide public notice to all exposed persons. In addition, facilities with significant risks are required to reduce health risks below the significant risk levels within five years by submitting a risk reduction plan that must be approved by the District. The established public notification and significant risk levels (as well as public notification and risk reduction procedures) are codified in District Rule 1320 and District Rule 1520. The threshold levels for triggering public notification and risk reduction are presented in Table 4.

**Table 4: Public Notification and Significant Risk Levels**

	<b>Public Notification Level</b>	<b>Risk Reduction Level</b>
Maximum Individual Cancer Risk <sup>1</sup>	≥10 in a million	≥100 in a million
Cancer Burden <sup>2</sup>	NA	0.50
Total Chronic Noncancer Health Hazard Index <sup>3</sup>	≥1.0	≥10
Total Acute Noncancer Health Hazard Index <sup>3</sup>	≥1.0	≥10

1. Maximum Individual Cancer Risk is the probability (chances per million) of a potentially maximally exposed individual contracting cancer as a result of exposure to carcinogenic air contaminants.
2. Cancer Burden is used to evaluate risk from a population basis. Cancer Burden is the estimated increase in the occurrence of cancer cases in a population resulting from exposure to carcinogenic air contaminants. The result of this calculation is a single number that is intended to estimate of the number of potential cancer cases within the population that was exposed to the emissions for a lifetime (70 years).
3. Noncancer Hazard Indices are an indicator of potential noncancer health effects (e.g., eye or respiratory irritation, reproductive, or developmental effects, etc). They are the ratio of the estimated concentration of a specific pollutant compared to the reference exposure level for that pollutant. A pollutant’s reference exposure level identifies the potential threshold level for some type of pollutant-specific toxic effect. It is important to note that hazard indices above one do not necessarily mean there is certainty for an adverse effect; rather, it indicates there may be the potential for adverse effects that warrant further investigation.

In establishing public notification procedures, the District considered input from the California Air Pollution Control Officers Association’s (CAPCOA’s) *Air Toxics “Hot Spots” Program Public Notification Guidelines* (October 1992), CARB guidance, and other regulatory precedents. The MDAQMD’s *Air Toxic “Hot Spots” Program Public Notification Procedures* (May 1, 1996) are generally consistent with procedures adopted by other California air districts and are posted on the MDAQMD website here: <http://mdaqmd.ca.gov/Home/ShowDocument?id=6010>

Facilities required to perform public notification must distribute notices to each household and business that may be exposed to potential health risks exceeding the District’s public notification level. Notifications must be prepared, approved by the District, and distributed on a quadrennial basis until the facility demonstrates to the District that it has reduced the potential health risk below the

notification thresholds. Table 5 lists the facilities within the MDAQMD that are currently required to conduct quadrennial public notification. It is important to note, again, that the preparation and review process of a HRA can span up to two and a half years to complete; therefore, an emission year that triggered a HRA in 2016 may not reach full review until mid-2019. This means that any public notification requirement triggered by the results of the HRA may not be fulfilled until nearly three years after the emission year.

**Table 5: Facilities Required to Conduct Quadrennial Public Notification**

HRA Date (Emission Year)	Facility	Location	Most Recent Notification Date
2018 (EY16)	PG&E – Hinkley Compressor Station	Hinkley	11/20/2020
2018 (EY16)	CalPortland Cement	Oro Grande	12/1/2020
2018 (EY16)	Ducommun Aerostructures	Adelanto	12/9/2020
2020( EY16)	CEMEX – River Plant	Victorville	11/23/2020
2014 (EY14)	Searles Valley Mineral	Trona	2017

Pursuant to the Air Toxics “Hot Spots” Act, facilities with significant public health risks must reduce those risks below significant risk levels within five (5) years of the approval of a risk reduction plan. There are currently no facilities in the MDAQMD that are required that have a significant public health risk; therefore, there are no facilities that are required to do risk reduction at this time.

## RECENT AND EXPECTED UPDATES TO THE PROGRAM

Changes to the Air Toxics “Hot Spots” Act in 1992 required that OEHHA develop risk assessment guidelines for the Air Toxics “Hot Spots” Program, including a “likelihood of risks” approach to risk assessment. OEHHA has developed and published documents providing guidance for HRA work. These documents are listed below and are available for review at the corresponding links:

- (1) *The Air Toxics Hot Spots Program Guidance Manual for Preparation of Health Risk Assessments* (February 2015)  
<https://oehha.ca.gov/media/downloads/crn/2015guidancemanual.pdf>
- (2) *Technical Support Document for the Derivation of Noncancer Reference Exposure Levels* (June 2008)  
<https://oehha.ca.gov/media/downloads/crn/noncancertsdfinal.pdf>
- (3) *Technical Support Document for Cancer Potency Factors: Methodologies for derivation, listing of available values, and adjustments to allow for early life stage exposures* (May 2009)  
<https://oehha.ca.gov/media/downloads/crn/tsdcancerpotency.pdf>
- (4) *Technical Support Document for Exposure Assessment and Stochastic Analysis* (August 2012)  
<https://oehha.ca.gov/media/downloads/crn/tsdportfolio2012.pdf>

To supplement OEHHA's guidelines, CARB provided a document titled *Risk Management Guidance for Stationary Sources of Air Toxics* (July 2015)  
<https://www.arb.ca.gov/toxics/rma/rmgssat.pdf>

In March 2015, OEHHA finalized updates to *The Air Toxics Hot Spots Program Guidance Manual for Preparation of Health Risk Assessments* triggered by the passage of the Children’s Health Protection Act of 1999 (SB 25, Stats. 1999) requiring OEHHA to ensure infants and children are explicitly addressed in assessing risk. The new risk assessment methodology addresses this greater sensitivity and incorporates the most recent data on childhood and adult exposure to air toxics. The combined effects of these updates will, in most cases, result in a higher calculated risk. The higher calculated risk may range from a very small increase, to as much as a factor of 2.7, depending on exposure type and other parameters.

This update in risk methodology has prompted the MDAQMD to re-evaluate every facility within the District for Air Toxics to ensure that all health risk Prioritization Scores and Health Risk Assessment (HRA) calculations have been updated to include the updated risk methodology. This District-wide update began with the 2016 emission inventory and will take approximately three years to complete, with the last updates made in calendar year 2019 for the 2018 emission year. This re-evaluation of Air Toxics has resulted in an increased number of facilities being categorized as High Priority, thus an increased number of facilities that are required to submit a subsequent Health Risk Assessment. Please see Table 2 for a summary of the facilities that have been categorized as High Priority and have a HRA pending.

## **INDUSTRYWIDE SOURCE CATEGORIES AND UPDATES**

Some of the District’s smallest emitters are subject to the Air Toxics “Hot Spots” Act program, such as auto body shops, dry cleaners, and retail gasoline stations. To provide some relief from the burden of reporting, some of these sources are identified in the Program as “industry-wide” sources. CARB, in cooperation with the California Air Pollution Control Officers Association (CAPCOA), has adopted and continues to develop health risk guidelines, risk reduction plans, and audit plans that Districts may utilize to assess, reduce, and verify toxics emissions from industry-wide sources.

The “Auto Body Shop Industry-Wide Risk Assessment Guidelines” was approved by CAPCOA September 26, 1996, and the “Gasoline Service Station Industry-Wide Risk Assessment Guidelines” was approved in December, 1997 (Appendix E updated in November 2001). Updates to the “Gasoline Service Station Industry-Wide Risk Assessment Guidelines” are currently pending under the direction and participation of the local air pollution control districts, and this update is pending review as of October 2019. The MDAQMD inventories about 237 retail gas stations each year and the trend in emissions from retail gas stations has steadily declined, reduced each year by the CARB’s Vapor Recovery Program which controls vapor emissions from gasoline service stations. The MDAQMD assessed risk from each retail gas station, incorporating OEHHA 2015 risk assessment updates into the Gasoline Service Station Industry-Wide Risk Assessment Guidelines. The results of the MDAQMD gas station industrywide risk assessment show that none of these sources are a significant health risk and that the majority are low risk, obviously reflecting the emission reduction achieved through CARB’s Vapor Recovery Programs.

Additionally, the “Perchloroethylene (Perc) Dry Cleaner Industry-Wide Risk Assessment” was never finalized; however, on January 25, 2007, the California Air Resources Board (CARB) approved amendments to the Dry Cleaning Air Toxic Control Measure (ATCM) and adopted requirements for Perc manufacturers and distributors. These amendments will over time phase out dry cleaning



machines that use perchloroethylene by January 1, 2023. Since this ATCM's adoption the MDAQMD has phased out over 35 dry cleaning machines that used perchloroethylene. To date, there are only four dry cleaning machines that use perchloroethylene that remain in service. Most of these dry cleaning machines have been replaced with an alternative cleaning solvent that has little to no known toxicity associated with their use.

## CONCLUSIONS

While facilities regulated by the MDAQMD emit toxic air contaminants, emissions from these stationary sources have been greatly reduced since 1989 due to the Air Toxic "Hot Spots" Act programs implemented at the District level. The issuance and enforcement of MDAQMD air permits ensure that stationary source facilities are in compliance with all District, State, and Federal air quality regulation. The MDAQMD's programmatic tracking of each facility's emissions through the Comprehensive Emissions Inventory Program ensures that each facility's toxic risk is re-evaluated on a routine basis, and that health risk notification and risk reduction is carried out in compliance with the Air Toxic "Hot Spots" Act. It is important to note that other non-stationary sources such as motor vehicles are the largest contributing source of toxic air contaminants; and, mobile, area and natural sources are also key contributors of toxic air contaminants, yet these aren't regulated by the MDAQMD at the local level.

Current and future air quality programs at the local, state, and federal levels continue to further reduce toxic air contaminants emissions:

### *Stationary Source Emission Reductions*

As mentioned previously in this report, the MDAQMD is re-evaluating every facility to ensure that the updated OEHHA risk methodology is used to estimate health risk. The OEHHA risk methodology updates are more health-conservative and have prompted many facilities to re-evaluate their operations, or conduct a Health Risk Assessment to ensure that they continue to comply with the Air Toxic "Hot Spots" Act. The MDAQMD also continues to implement and enforce the state's Airborne Toxic Control Measures (ATCMs) on all applicable stationary source facilities. These ATCMs target specific toxic air contaminants from specific sources requiring stringent controls, and in some cases, complete elimination of air polluting products or equipment. For example, there are ATCMs that reduce emissions of diesel particulate matter from engines, perchloroethylene from dry cleaning operations, hexavalent chromium from electroplating operations, hexavalent chromium and nickel from metal deposition operations, and toxic metals from metal melting operations. Similarly, the MDAQMD continues to implement and enforce the federal National Emission Standards for Hazardous Air Pollutants/Maximum Achievable Emission Standards (NESHAP/MACT) on all applicable stationary source facilities.

These NESHAP/MACT regulations have produced dramatic air toxic emission reductions from an array of source categories located in the MDAQMD such as Aerospace, Boat Manufacturing, Internal Combustion Engines, Portland Cement Manufacturing, Miscellaneous Coating Manufacturing, Municipal Solid Waste Landfills, Plastics and Surface Coatings, and Reinforced Plastic Composites Production. A complete list of the state's ATCMs can be viewed here:

<https://www.arb.ca.gov/toxics/atcm/atcm.htm>

A complete list of the federal NESHAP/MACT standards can be viewed here: <https://www.epa.gov/stationary-sources-air-pollution/national-emission-standards-hazardous-air-pollutants-neshap-9>. Additionally, measures to reduce emissions of volatile organic compounds as ozone precursors will also decrease emissions of toxic volatile organic compounds, and the MDAQMD is routinely amending source specific District Rules to implement and enforce measures to decrease emissions of toxic volatile organic compounds. Recent District rule amendments include: Rule 1104 – Organic Solvent Degreasing Operations, Rule 1118 – Aerospace Vehicle parts & Products Coating Operations, and Rule 1158 – Electric Power Generating Facilities.

#### *Mobile and Area Source Emission Reductions*

Mobile and Area sources are the predominant sources of air toxic emissions, and are typically regulated and enforced at the state and federal level. Reductions from these source types have long been occurring and are ongoing. There are both state and federal measures to reduce vehicle trips and miles traveled, as well as, increased requirements and incentives for alternative fueled and electric vehicles. The evolution of cleaner low-emission and zero-emission vehicles is an important step in reducing toxic air contaminants and improving overall air quality. The District works with State and Federal grant programs to secure funding for local citizens and business looking to reduce emissions, inclusive of toxic emissions, through source specific projects such as equipment replacement programs. In 2017, 23 vehicles registered in the MDAQMD were scraped as part of the Voluntary Accelerated Vehicle Retirement (VAVR) Program which compensates owners whom voluntarily remove older model vehicles (20 years or older) from service.

In conclusion, ongoing implementation of the Air Toxics “Hot Spots” Act Program will continue to reduce local public health risks associated with emissions of toxic air contaminants. Those efforts will improve information on levels of exposure and risk as well as identifying compounds, processes, and facilities that are potentially causing significant risks.



**Mojave Desert Air Quality Management District**

**Brad Poiriez, Executive Director**

14306 Park Avenue, Victorville, CA 92392-2310

760.245.1661 • Fax 760.245.2699

[www.MDAQMD.ca.gov](http://www.MDAQMD.ca.gov) • @MDAQMD



**NOTICE OF HEARING – AIR TOXICS  
“HOTSPOTS” PROGRAM ANNUAL REPORT**

NOTICE IS HEREBY GIVEN that the Governing Board of the Mojave Desert Air Quality Management District (MDAQMD) will conduct a public hearing on February 22, 2021 at 10:00 A.M. to present the 2018 Air Toxics “Hot Spots” Program Annual Report and discuss its content and significance.

SAID HEARING will be conducted in the Governing Board Chambers located at the MDAQMD offices 14306 Park Avenue, Victorville, CA 92392-2310 where all interested persons may be present and be heard. The 2018 Air Toxics “Hot Spots” Program Annual Report summarizes the “Hot Spots” program elements mandated by the Air Toxics “Hot Spots” Information and Assessment Act (Section 44363 of the California Health and Safety Code) which requires local air pollution control districts to provide the public with an annual progress report on the program. The 2018 Air Toxics “Hot Spots” Program Annual Report outlines the current status of the program in the Mojave Desert Air Quality Management District (MDAQMD or District), including a description of the risk assessment priorities and categories, the progress and results of Health Risk Assessments, ranks and identifies facilities according to the degree of toxic health risk posed, and describes the status of the development of control measures to reduce emissions of toxic air contaminants to date.

REQUEST FOR COMMENTS: Written comments may be submitted to Sheri Haggard, Engineering Supervisor II, at the address listed below. Written comments should be received no later than February 18, 2021 to be considered. If you have any questions regarding the 2018 Air Toxics “Hot Spots” Program Annual Report please contact Sheri Haggard, Supervising Engineer at (760) 245-1661, extension 1864.

AVAILABILITY OF DOCUMENTS: The 2018 Air Toxics “Hot Spots” Program Annual Report is available for review at the MDAQMD offices, 14306 Park Avenue, Victorville, CA 92392. In addition, these documents are available on the MDAQMD website and can be viewed at following link:

<https://www.mdaqmd.ca.gov/permitting/public-notices-advisories/public-notices-permitting-regulated-industry>. Please contact Sheri Haggard, Engineering Supervisor II, at the above address or (760) 245-1661, extension 1864 or at [shaggard@mdaqmd.ca.gov](mailto:shaggard@mdaqmd.ca.gov) for additional questions pertaining to this action and/or corresponding documents.

\*Traducción en español esta disponible por solicitud. Por favor llame: (760) 245-1661

SHERI HAGGARD

Engineering Supervisor II

Mojave Desert Air Quality Management District

14306 Park Avenue

Victorville, CA 92392

The following page(s) contain the backup material for Agenda Item: [The Annual Financial Report and Management Report \(Audit\) for Fiscal Year 2019-20 is being presented for receive and file. The audit process is complete and the information is provided to the Governing Board. Presenter: Laquita Cole, Finance Manager.](#)  
Please scroll down to view the backup material.

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM #17*

**DATE:** February 22, 2021

**RECOMMENDATION:** The Annual Financial Report and Management Report (Audit) for Fiscal Year 2019-20 is being presented for receive and file. The audit process is complete and the information is provided to the Governing Board.

**SUMMARY:** The Annual Financial Report and Management Report (Audit) for Fiscal Year 2019-20 is being presented for review. Fedak & Brown LLP of Riverside performed the audit services for the District.

**BACKGROUND:** A financial audit tests the internal controls, procedures and practices of an organization. Over all, the audit reported that the District follows sound financial management practices.

Fedak & Brown LLP of Riverside performed the audit services for the District. This was the first year of a new three-year engagement for this firm to perform the audit. A partner with the firm will be present to answer questions. The presentation is included for reference.

**REASON FOR RECOMMENDATION:** The audit process is complete and the information is provided to the Governing Board to review and file.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, District Counsel, as to legal form and by Brad Poiriez, Executive Director/APCO, on or about February 3, 2021.

**FINANCIAL DATA:** Sufficient funds were budgeted and available to pay for the services provided. No increase in appropriation is anticipated.

**PRESENTER:** Laquita Cole, Finance Manager

**Mojave Desert Air Quality Management District**

**Management Report**

**June 30, 2020**

**Mojave Desert Air Quality Management District**

**Management Report**

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Governing Board  
Mojave Desert Air Quality Management District  
Victorville, California

**Dear Members of the Board:**

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Mojave Desert Air Quality Management District (District) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Our comment, of which have been discussed with the appropriate members of management, are summarized as follows:

**Current Year Comment and Recommendation**

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Governing Board to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Governing Board with a better understanding of the scope of the audit.

**Current Year Comment and Recommendation, continued**

Disclosure of Audit Adjustments and Reclassifications, continued

*Management's Response*

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and will enter those entries into the District's accounting system to close-out the District's year-end trial balance.

**Prior Year Comment and Recommendation**

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Governing Board to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Governing Board with a better understanding of the scope of the audit.

*Management's Response*

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance.

\* \* \* \* \*

This report is intended solely for the information and use of management and the Governing Board of the District. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

**Fedak & Brown LLP**  
Cypress, California  
February 22, 2021

**APPENDIX**

**Mojave Desert Air Quality Management District**

**Audit/Finance Committee Letter**

**June 30, 2020**



Governing Board  
Mojave Desert Air Quality Management District  
Victorville, California

We have audited the financial statements of the governmental activities, each major fund, and fiduciary fund of the Mojave Desert Air Quality Management District (District) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 11, 2020. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the fair value of cash and investments which is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation which is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other post-employment benefits plan's net OPEB liability, deferred outflows/inflows of resources, and OPEB expense which are based on an actuarial valuation and conducted by a third-party actuary. We evaluated the basis, methods, and assumptions used by the actuary to calculate these amounts for the District to determine that they are reasonable in relation to the financial statements taken as a whole.

Significant Audit Matters, continued

*Qualitative Aspects of Accounting Practices, continued*

Management's estimate of the defined benefit pension plan's net pension liability, deferred outflows/inflows of resources, and pension expense which are based on an actuarial valuation and conducted by a third-party actuary. We evaluated the basis, methods, and assumptions used by the actuary to calculate these amounts for the District to determine that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements which represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 4 to the basic financial statements which is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's other post-employment benefit plan in Note 7 to the basic financial statements is based on actuarial assumptions.

The disclosure of the District's defined benefit pension plan in Note 8 to the basic financial statements is based on actuarial assumptions.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 22, 2021.

Significant Audit Matters, continued

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management’s Discussion and Analysis, Budget Comparison Schedules, Schedules of the District’s Proportionate Share of the Net Pension Liability, Schedules of Pension Plan Contributions, and Schedules of Changes in the District Total OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Conclusion

We appreciate the cooperation extended us by Jean Bracy, Deputy Director/Administration, and Laquita Cole, Finance Manager, in the performance of our audit testwork. We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

This information is intended solely for the information and use of the Governing Board and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

**Fedak & Brown LLP**  
Cypress, California  
February 22, 2021

**Mojave Desert Air Quality Management District**  
**Schedule of Adjusting and Reclassifying Journal Entries**  
**June 30, 2020**

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>			
To reconcile prior year ending net position to current year beginning net position.			
10 1100 40 0000	Cash Held For Other Fund	23,203.00	
10 3700 00 0000	Investment in Capital Assets	120,242.64	
10 6000 20 0000	Salaries	105,590.52	
10 7635 30 0000	Depr Exp Furniture & Fixtures	224.34	
10 7635 30 0000	Depr Exp Furniture & Fixtures	179,233.52	
10 7655 30 0000	Depr Exp Vehicles	365.01	
10 7675 00 0000	Depr Exp Software	93,759.14	
40 3000 00 0000	Restricted Fund Balance	23,203.00	
10 3000 00 0000	Restricted Fund Balance		23,203.00
10 3300 00 0000	Unassigned Fund Balance		105,590.52
10 3700 00 0000	Investment in Capital Assets		273,357.67
10 7145 20 0000	Computers		33,022.71
10 8810 00 0000	Cap Exp Buildings		12,357.60
10 8840 60 0000	Cap Exp Equip		224.34
10 8840 60 0000	Cap Exp Equip		49,318.07
10 8850 00 0000	Cap Exp Vehicles		25,544.26
40 1100 10 0000	Cash Held For Other Fund		23,203.00
<b>Total</b>		<b><u>545,821.17</u></b>	<b><u>545,821.17</u></b>
<b>Adjusting Journal Entries JE # 2</b>			
To capitalize additional assets.			
10 1740 00 0000	Machinery & Equipment	16,000.00	
10 8840 60 0000	Cap Exp Equip		16,000.00
<b>Total</b>		<b><u>16,000.00</u></b>	<b><u>16,000.00</u></b>
<b>Adjusting Journal Entries JE # 3</b>			
To adjust net OPEB liability.			
10 1800 00 0000	Deferred OPEB Outflows	19,677.00	
10 2820 00 0000	Net OPEB Liability	241,166.00	
10 2905 00 0000	Deferred OPEB Inflows		209,340.00
10 6600 00 0000	OPEB		51,503.00
<b>Total</b>		<b><u>260,843.00</u></b>	<b><u>260,843.00</u></b>

**Mojave Desert Air Quality Management District**  
**Schedule of Adjusting and Reclassifying Journal Entries**  
**June 30, 2020**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b>Adjusting Journal Entries JE # 4</b>			
To adjust net pension liability.			
10 2900 00 0000	Deferred Pension Inflows	578,726.00	
10 6416 00 0000	Contra CY Implementation GASB 68	475,173.00	
10 1900 00 0000	Deferred Outflows		479,003.00
10 2810 00 0000	Net Pension Liability		574,896.00
<b>Total</b>		<b><u>1,053,899.00</u></b>	<b><u>1,053,899.00</u></b>
<b>Reclassifying Journal Entries JE # 201</b>			
To reclassify credit balance in prepaid HSA.			
10 1320 00 0000	Pre Paid HSA	3,894.89	
10 2599 00 0000	Miscellaneous Deductions		3,894.89
<b>Total</b>		<b><u>3,894.89</u></b>	<b><u>3,894.89</u></b>
<b>Reclassifying Journal Entries JE # 202</b>			
To reclassify interbank transfer.			
10 2000 00 0000	Accounts Payable System	41,997.24	
10 1290 00 0000	Bank Transfers		41,997.24
<b>Total</b>		<b><u>41,997.24</u></b>	<b><u>41,997.24</u></b>



# Mojave Desert Air Quality Management District

Victorville, California

Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2020





**Governing Board as of June 30, 2020**

<u>Name</u>	<u>Title</u>	<u>Area of Representation</u>
Jeff Williams	Chair	City of Needles
Carmen Hernandez	Vice Chair	City of Barstow
James L. Cox	Director	City of Victorville
Barbara Cram Riordan	Director	Public Member
Joey DeConinck	Director	City of Blythe
Robert Lovingood	Director	County of San Bernardino
Dawn Rowe	Director	County of San Bernardino
Kari Leon	Director	Town of Apple Valley
Bill Holland	Director	City of Hesperia
V. Manuel Perez	Director	County of Riverside
Ed Camargo	Director	City of Adelanto
Merl Abel	Director	Town of Yucca Valley
Daniel Mintz Sr.	Director	City of Twentynine Palms

**Mojave Desert Air Quality Management District**  
**14306 Park Avenue**  
**Victorville, CA 92392**  
**(760) 245-1661**

**Mojave Desert Air Quality Management District**

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2020**

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**Mojave Desert Air Quality Management District  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2020**

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**Financial Section**

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## Independent Auditor's Report

Governing Board  
Mojave Desert Air Quality Management District  
Victorville, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mojave Desert Air Quality Management District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Mojave Desert Air Quality Management District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Independent Auditor's Report, continued

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the required supplementary information on pages 49 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. That report can be found on pages 57 and 58.

**Fedak & Brown LLP**  
Cypress, California  
February 22, 2021

**Mojave Desert Air Quality Management District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020**

The following Management’s Discussion and Analysis (MD&A) of activities and financial performance of the Mojave Desert Air Quality Management District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District’s net position decreased 101.17% or \$1,121,300 to a deficit of \$12,915 from ongoing operations.
- The District’s total revenues increased 4.90% or \$606,987 to \$12,985,468, due primarily to an increase of \$642,725 in program revenues; which was offset by a decrease of \$35,738 in general revenues as compared to prior year.
- The District’s total expenses increased by 19.52% or \$2,303,643 to \$14,106,768.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District’s investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year’s revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the District’s operations over the past year and can be used to determine the District’s profitability and credit worthiness.

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

One of the most important questions asked about the District’s finances is, “Is the District better off or worse off as a result of this year’s activities?” The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District’s *net position* and changes in it. Think of the District’s net position – the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources – as one way to measure the District’s financial health, or *financial position*. Over time, *increases or decreases* in the District’s net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors to assess the *overall financial health* of the District.

**Mojave Desert Air Quality Management District  
Management's Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2020**

**Fund Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 through 48.

**Government-wide Financial Analysis**

**Statements of Net Position**

<b>Condensed Statements of Net Position</b>			
	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 9,949,049	10,738,225	(789,176)
Capital assets, net	1,875,146	2,012,261	(137,115)
<b>Total assets</b>	11,824,195	12,750,486	(926,291)
<b>Deferred outflows of resources</b>	3,543,726	4,003,052	(459,326)
<b>Liabilities:</b>			
Current liabilities	2,560,359	2,883,175	(322,816)
Non-current liabilities	11,854,680	11,426,795	427,885
<b>Total liabilities</b>	14,415,039	14,309,970	105,069
<b>Deferred inflows of resources</b>	965,797	1,335,183	(369,386)
<b>Net position:</b>			
Net investment in capital assets	1,875,146	2,012,261	(137,115)
Restricted	3,400,675	3,719,505	(318,830)
Unrestricted	(5,288,736)	(4,623,381)	(665,355)
<b>Total net position</b>	\$ (12,915)	1,108,385	(1,121,300)

**Mojave Desert Air Quality Management District  
Management's Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2020**

**Government-wide Financial Analysis, continued**

**Statements of Net Position, continued**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$12,915 as of June 30, 2020. The District's total net position is made-up of three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

**Statements of Activities**

**Condensed Statements of Activities**

	<u>2020</u>	<u>2019</u>	<u>Change</u>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charge for services	\$ 6,864,790	6,269,582	595,208
Operating grants:			
Mobile emission program AB 2766	1,719,250	1,732,747	(13,497)
Carl Moyer program	1,632,787	1,510,018	122,769
Other	2,402,156	2,463,911	(61,755)
<b>Total program revenues</b>	<u>12,618,983</u>	<u>11,976,258</u>	<u>642,725</u>
<b>General revenues:</b>			
Fines, forfeitures, and penalties	227,202	293,378	(66,176)
Investment earnings	122,504	98,336	24,168
Other revenue	16,779	10,509	6,270
<b>Total general revenues</b>	<u>366,485</u>	<u>402,223</u>	<u>(35,738)</u>
<b>Total revenues</b>	<u>12,985,468</u>	<u>12,378,481</u>	<u>606,987</u>
<b>Expenses:</b>			
General	11,116,040	9,062,851	2,053,189
Mobile emission program AB 2766	1,344,285	1,230,256	114,029
Carl Moyer program	1,646,443	1,510,018	136,425
<b>Total expenses</b>	<u>14,106,768</u>	<u>11,803,125</u>	<u>2,303,643</u>
<b>Changes in net position before transfers</b>	<u>(1,121,300)</u>	<u>575,356</u>	<u>(1,696,656)</u>
<b>Transfers to Fiduciary funds</b>	<u>-</u>	<u>(350,000)</u>	<u>350,000</u>
<b>Changes in net position</b>	<u>(1,121,300)</u>	<u>225,356</u>	<u>(1,346,656)</u>
<b>Net position, beginning of year</b>	<u>1,108,385</u>	<u>883,029</u>	<u>225,356</u>
<b>Net position, end of year</b>	<u>\$ (12,915)</u>	<u>1,108,385</u>	<u>(1,121,300)</u>



**Mojave Desert Air Quality Management District  
Management's Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2020**

**Government-wide Financial Analysis, continued**

**Statements of Activities, continued**

The District's net position decreased 101.17% or \$1,121,300 to \$12,915 from ongoing operations.

Total revenues increased 4.90% or \$606,987 to \$12,985,468, due primarily to an increase of \$642,725 in program revenues; which was offset by a decrease of \$35,738 in general revenues.

Program revenues increased by 5.37% or \$642,725 to \$12,618,983, due primarily to increases of \$595,208 in charge for services and \$122,769 in Carl Moyer program operating grants; which were offset by a decrease of \$61,755 in other operating grants.

General revenues decreased by 8.89% or \$35,738 to \$366,485, due primarily to a decreases of \$66,176 in fines, forfeitures, and penalties; which was offset by an increase of \$24,168 in investment earnings.

Total expenses increased by 19.52% or \$2,303,643 to \$14,106,768, due primarily to increases of \$2,053,189 in general expenses, \$136,425 in Carl Moyer program expenses, and \$114,029 in mobile emission program AB 2766 expenses.

**Governmental Fund Balance**

The following table is a summary of the changes in fund balance for all governmental funds for the year ended June 30, 2020.

**Condensed Changes in Fund Balance**

	<b>General Fund</b>	<b>Mobile Emissions Program AB 2766 Fund</b>	<b>Carl Moyer Fund</b>	<b>Total</b>
Fund balance – beginning of year	\$ 5,481,673	2,529,425	9,565	8,020,663
Change in fund balance	221,210	(621,009)	-	(399,799)
Fund balance – end of year	<u>\$ 5,702,883</u>	<u>1,908,416</u>	<u>9,565</u>	<u>7,620,864</u>

Total fund balance decreased by 4.98% or \$399,799 to \$7,620,864. The General fund increased by 4.04% or \$221,210 to \$5,702,883; the mobile emissions program (AB2766) decreased by 24.55% or \$621,009 to \$1,908,416; and the Carl Moyer fund experienced no changes to its fund balance.

**Governmental Activities Budgetary Highlights**

For the year ended June 30, 2020, the final actual expenditures were more than budgeted for the General fund by \$1,882,062, the Mobile Emissions program (AB 2766) by \$554,463, and the Carl Moyer fund by \$665,751. For the year ended June 30, 2020, actual revenues were more than budgeted for the General fund by \$2,103,922 and the Carl Moyer fund by \$665,751; and less than budgeted for the Mobile Emissions program (AB 2766) by \$66,086. For the year ended June 30, 2020, there were no differences between the original and final amended budgets. (See the Budgetary Comparison Schedules for the General fund, Mobile Emissions Program (AB 2766) fund, and Carl Moyer fund under the Required Supplementary Information section on pages 53 through 56).

**Mojave Desert Air Quality Management District  
Management's Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2020**

**Capital Asset Administration**

	<b>Capital Assets</b>			<b>Balance 2020</b>
	<b>Balance 2019</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	
Capital assets:				
Non-depreciable assets	\$ 278,568	-	-	278,568
Depreciable assets	<u>6,109,267</u>	<u>136,243</u>	-	<u>6,245,510</u>
Total capital assets	6,387,835	136,243	-	6,524,078
Accumulated depreciation	<u>(4,375,574)</u>	<u>(273,358)</u>	-	<u>(4,648,932)</u>
Total capital assets, net	<u>\$ 2,012,261</u>	<u>(137,115)</u>	-	<u>1,875,146</u>

At the end of fiscal year 2020, the District's capital assets (net of accumulated depreciation) amounted to \$1,875,146. This capital assets (net of accumulated depreciation) includes building and improvements, furniture and fixtures, machinery and equipment, vehicles, computers, and software. See note 4 for further information.

**Conditions Affecting Current Financial Position**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

Management is unaware of any other conditions, which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

**Requests for Information**

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Deputy Director / Administration, Mojave Desert Air Quality Management District, 14306 Park Avenue, Victorville, California 92392 or (760) 245-1661.

# Basic Financial Statements

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**Mojave Desert Air Quality Management District**  
**Statement of Net Position**  
**June 30, 2020**

	<b>2020</b>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents (note 2)	\$ 5,045,243
Restricted cash and cash equivalents (note 2)	3,400,675
Accounts receivable	1,473,897
Due from Fiduciary fund (note 3)	26,881
Prepays	2,353
<b>Total current assets</b>	<b>9,949,049</b>
<b>Non-current assets:</b>	
Capital assets – not being depreciated (note 4)	278,568
Capital assets – being depreciated, net (note 4)	1,596,578
<b>Total non-current assets</b>	<b>1,875,146</b>
<b>Total assets</b>	<b>11,824,195</b>
<b>Deferred outflows of resources:</b>	
Deferred other post-employment benefits outflows (note 7)	19,677
Deferred pension outflows (note 8)	3,524,049
<b>Total deferred outflows of resources</b>	<b>3,543,726</b>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	244,519
Accrued salaries and related payables	460,922
Due to California Air Resources Board	68,786
Unearned revenue (note 5)	1,553,958
Long-term liabilities – due within one year:	
Compensated absences (note 6)	232,174
<b>Total current liabilities</b>	<b>2,560,359</b>
<b>Non-current liabilities:</b>	
Long-term liabilities – due in more than one year:	
Compensated absences (note 6)	696,521
Net other post-employment benefits liability (note 7)	660,631
Net pension liability (note 8)	10,497,528
<b>Total non-current liabilities</b>	<b>11,854,680</b>
<b>Total liabilities</b>	<b>14,415,039</b>
<b>Deferred inflows of resources:</b>	
Deferred other post-employment benefits inflows (note 7)	293,229
Deferred pension inflows (note 8)	672,568
<b>Total deferred inflows of resources</b>	<b>965,797</b>
<b>Net position:</b>	
Net investment in capital assets (note 9)	1,875,146
Restricted (note 10)	3,400,675
Unrestricted (note 11)	(5,288,736)
<b>Total net position</b>	<b>\$ (12,915)</b>

See accompanying notes to the basic financial statements

**Mojave Desert Air Quality Management District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charge for Services</u>		<u>Operating Grants</u>	
		<u>Application and Permit Fees</u>	<u>Management Contract Antelope Valley AQMD</u>		
<b>Governmental activities:</b>					
General	\$ 11,116,040	5,280,103	1,584,687	3,433,706	(817,544)
Mobile emission program AB 2766	1,344,285	-	-	687,700	(656,585)
Carl Moyer program	1,646,443	-	-	1,632,787	(13,656)
<b>Total governmental activities</b>	<b>\$ 14,106,768</b>	<b>5,280,103</b>	<b>1,584,687</b>	<b>5,754,193</b>	<b>(1,487,785)</b>
<b>General revenues:</b>					
					\$ 227,202
					122,504
					16,779
					<u>366,485</u>
					<b>Changes in net position</b> (1,121,300)
					<u>Net position – beginning of year</u> 1,108,385
					<u>Net position – end of year</u> \$ (12,915)

See accompanying notes to the basic financial statements

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**Mojave Desert Air Quality Management District**  
**Balance Sheet – Governmental Funds**  
**June 30, 2020**

	<u>General Fund</u>	<u>Mobile Emissions Program AB 2766 Fund</u>	<u>Carl Moyer Fund</u>	<u>Total Fund</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 5,045,243	-	-	5,045,243
Restricted cash and cash equivalents	-	1,909,790	1,490,885	3,400,675
Accounts receivable	1,346,485	127,412	-	1,473,897
Due from fiduciary fund (note 3)	26,881	-	-	26,881
Due from other funds (note 3)	60,000	-	165,181	225,181
Prepays	2,353	-	-	2,353
<b>Total assets</b>	<u>\$ 6,480,962</u>	<u>2,037,202</u>	<u>1,656,066</u>	<u>10,174,230</u>
<b>Liabilities:</b>				
Accounts payable	\$ 150,069	-	94,450	244,519
Accrued payroll and related expenses	460,922	-	-	460,922
Due to California Air Resources Board	-	68,786	-	68,786
Due to other fund (note 3)	165,181	60,000	-	225,181
Unearned revenue (note 5)	1,907	-	1,552,051	1,553,958
<b>Total liabilities</b>	<u>778,079</u>	<u>128,786</u>	<u>1,646,501</u>	<u>2,553,366</u>
<b>Fund balance:</b>				
Restricted:				
Mobile emissions program AB 2677	-	1,908,416	-	1,908,416
Carl Moyer	-	-	9,565	9,565
Nonspendable:				
Prepays	2,353	-	-	2,353
Committed:				
Operating reserves	765,700	-	-	765,700
Building improvement reserves	200,000	-	-	200,000
Legal and litigation reserves	300,000	-	-	300,000
Retirement reserves	200,000	-	-	200,000
Assigned:				
Budget stabilization	250,000	-	-	250,000
Compensated absences	150,000	-	-	150,000
Unassigned	3,834,830	-	-	3,834,830
<b>Total fund balance</b>	<u>5,702,883</u>	<u>1,908,416</u>	<u>9,565</u>	<u>7,620,864</u>
<b>Total liabilities and fund balance</b>	<u>\$ 6,480,962</u>	<u>2,037,202</u>	<u>1,656,066</u>	<u>10,174,230</u>

See accompanying notes to the basic financial statements

**Mojave Desert Air Quality Management District**  
**Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position**  
**June 30, 2020**

**Reconciliation:**

Total Fund Balance of Governmental Fund	\$	7,620,864
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those capital position among the assets of the District as a whole.		
Capital assets, net		1,875,146
Pension contributions made during the fiscal year after the measurement date are reported as expenditures in governmental funds and as deferred outflows of resources in the government-wide financial statements.		
	\$	1,777,597
Recognized net difference between projected and actual earnings on pension plan investments are reported as deferred outflows of resources in the government-wide financial statements.		
		209,008
Recognized net changes in assumptions for the pension plan are reported as deferred outflows of resources in the government-wide financial statements.		
		1,371,012
Recognized portion due to net differences between the actual employer contribution and the proportionate share of contribution are reported as deferred outflows of resources in the government-wide financial statements.		
		166,432
		3,524,049
Recognized net difference between projected and actual earnings on OPEB plan investments are reported as deferred outflows of resources in the government-wide financial statements.		
		19,677
		19,677
Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities both current and long-term, are reported in the statement of net position as follows:		
Compensated absences		(928,695)
Net other post-employment benefits liability		(660,631)
Net pension liability		(10,497,528)
Recognized net differences between the expected and actual experience for the pension plan are reported as deferred inflows of resources in the government-wide financial statements.		
		(197,490)
Recognized portion due to net differences between the actual employer contribution and the proportionate share of contribution for the pension plan are reported as deferred inflows of resources in the government-wide financial statements.		
		(475,078)
		(672,568)
Recognized net difference between projected and actual earnings on OPEB plan investments are reported as deferred inflows of resources in the government-wide financial statements.		
		(139,622)
Recognized net changes in assumptions for the OPEB plan are reported as deferred inflows of resources in the government-wide financial statements.		
		(153,607)
		(293,229)
Total adjustments		(7,633,779)
Net Position of Governmental Activities	\$	(12,915)

See accompanying notes to the basic financial statements

**Mojave Desert Air Quality Management District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund**  
**For the Year Ended June 30, 2020**

	General Fund	Mobile Emissions Program AB 2766 Fund	Carl Moyer Fund	Total Fund
<b>Revenues:</b>				
<b>Program revenues:</b>				
Charge for services:				
Application and permit fees	\$ 5,280,103	-	-	5,280,103
Management contract – Antelope Valley AQMD (note 13)	1,584,687	-	-	1,584,687
Total charge for services	<u>6,864,790</u>	<u>-</u>	<u>-</u>	<u>6,864,790</u>
Operating grants:				
Assembly Bill 2766	1,031,550	687,700	-	1,719,250
State grants	2,052,316	-	1,632,787	3,685,103
State subvention	135,184	-	-	135,184
Federal grants	125,727	-	-	125,727
California Clean Air Act	68,111	-	-	68,111
Other programs	20,818	-	-	20,818
Total operating grants	<u>3,433,706</u>	<u>687,700</u>	<u>1,632,787</u>	<u>5,754,193</u>
<b>Total program revenues</b>	<u>10,298,496</u>	<u>687,700</u>	<u>1,632,787</u>	<u>12,618,983</u>
<b>General revenues:</b>				
Fines, forfeitures, and penalties	227,202	-	-	227,202
Investment earnings	73,272	35,576	13,656	122,504
Other revenue	16,779	-	-	16,779
<b>Total general revenues</b>	<u>317,253</u>	<u>35,576</u>	<u>13,656</u>	<u>366,485</u>
<b>Total revenues</b>	<u>10,615,749</u>	<u>723,276</u>	<u>1,646,443</u>	<u>12,985,468</u>
<b>Expenditures:</b>				
Salaries and benefits	7,066,335	-	-	7,066,335
Services and supplies	1,014,560	(540)	94,450	1,108,470
Contributions	2,177,401	1,344,825	1,551,993	5,074,219
Capital outlay	136,243	-	-	136,243
<b>Total expenditures</b>	<u>10,394,539</u>	<u>1,344,285</u>	<u>1,646,443</u>	<u>13,385,267</u>
<b>Net change in fund balance</b>	221,210	(621,009)	-	(399,799)
<b>Fund balance – beginning of year</b>	<u>5,481,673</u>	<u>2,529,425</u>	<u>9,565</u>	<u>8,020,663</u>
<b>Fund balance – end of year</b>	<u>\$ 5,702,883</u>	<u>1,908,416</u>	<u>9,565</u>	<u>7,620,864</u>

Continued on next page

See accompanying notes to the basic financial statements



**Mojave Desert Air Quality Management District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Fund to the Statement of Activities  
 For the Year Ended June 30, 2020**

**Reconciliation:**

Net Change in Fund Balance – Total Governmental Fund	\$ (399,799)
<p>Amounts reported for governmental activities in the statement of activities are different because:          Governmental funds report capital outlay as expenditures. However, in the statement of activities,          the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:</p>	
Capital outlay	136,243
Depreciation expense	(273,358)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources          and, therefore, are not reported as expenses in governmental fund as follows:</p>	
Net change in compensated absences for the current period	(160,716)
Net change in other post-employment benefit obligations for the current period	31,826
Net change in pension obligations for the current period	<u>(455,496)</u>
Change in Net Position of Governmental Activities	<u>\$ (1,121,300)</u>

See accompanying notes to the basic financial statements

DRAFT

**Mojave Desert Air Quality Management District  
Statement of Net Position – Fiduciary Fund  
Other Post-Employment Benefit Obligation  
For the Year Ended June 30, 2020**

	<b>2020</b>
<b>Assets:</b>	
Cash in trust	\$ <u>679,537</u>
<b>Total assets</b>	<u>679,537</u>
<b>Liabilities:</b>	
Due to general fund (note 3)	<u>26,881</u>
<b>Total liabilities</b>	<u>26,881</u>
<b>Net position:</b>	
Restricted – held in trust for OPEB benefits	<u>652,656</u>
<b>Total net position</b>	<u><u>\$ 652,656</u></u>

See accompanying notes to the basic financial statements

Note: This fund balance is included in the calculation of the District's Net Other Post-Employment Benefits Liability at June 30, 2020. (Please see note 7 for further information.)

DRAFT

**Mojave Desert Air Quality Management District  
Statement of Changes in Net Position – Fiduciary Fund  
Other Post-Employment Benefit Obligation  
For the Year Ended June 30, 2020**

	<b>2020</b>
<b>Additions:</b>	
Investment income	\$ <u>19,372</u>
<b>Total additions</b>	<u>19,372</u>
<b>Deductions:</b>	
Bank fees	<u>3,503</u>
<b>Total deductions</b>	<u>3,503</u>
<b>Changes in net position</b>	15,869
<b>Net position – beginning of year</b>	<u>636,787</u>
<b>Net position – end of year</b>	<u><u>\$ 652,656</u></u>

See accompanying notes to the basic financial statements

Note: This fund balance is included in the calculation of the District's Net Other Post-Employment Benefits Liability at June 30, 2020. (Please see note 7 for further information.)

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**Mojave Desert Air Quality Management District**  
**Statement of Net Position – Fiduciary Fund**  
**Pension Benefits**  
**For the Year Ended June 30, 2020**

	<b>2020</b>
<b>Assets:</b>	
Cash in trust	\$ <u>1,099,398</u>
<b>Total assets</b>	<u>1,099,398</u>
<b>Net position:</b>	
Restricted – held in trust for pension benefits	<u>1,099,398</u>
<b>Total net position</b>	\$ <u><u>1,099,398</u></u>

See accompanying notes to the basic financial statements

Note: This fund balance is not included in the calculation of the District’s Net Pension Liability at June 30, 2020. This is due to differences between the Plan’s measurement date of June 30, 2019 and the Trust fund’s report date of June 30, 2020. (Please see note 8 for further information on the District’s Net Pension Liability.)

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**Mojave Desert Air Quality Management District  
Statement of Changes in Net Position – Fiduciary Fund  
Pension Benefits  
For the Year Ended June 30, 2020**

	<b>2020</b>
<b>Additions:</b>	
Investment income	41,187
<b>Total additions</b>	41,187
<b>Deductions:</b>	
Bank fees	5,712
<b>Total deductions</b>	5,712
<b>Changes in net position</b>	35,475
<b>Net position – beginning of year</b>	1,063,923
<b>Net position – end of year</b>	\$ 1,099,398

See accompanying notes to the basic financial statements

Note: This fund balance is not included in the calculation of the District's Net Pension Liability at June 30, 2020. This is due to differences between the Plan's measurement date of June 30, 2019 and the Trust fund's report date of June 30, 2020. (Please see note 8 for further information on the District's Net Pension Liability.)

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**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements**  
**June 30, 2020**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Mojave Desert Air Quality Management District (District), was established on July 1, 1993, upon the dissolution of the San Bernardino County Air Pollution Control District. The District operates pursuant to the Lewis Air Quality Management Act which became effective on February 1, 1977, commencing at Section 40400 of the Health and Safety Code of the State of California. The District's primary responsibility is to regulate stationary sources of air pollution located within its jurisdictional boundaries. To accomplish its responsibility, the District implements air quality programs required by State and Federal mandates, enforces rules and regulations based on air pollution laws, and educates businesses and residents about their role in protecting air quality. The District represents the citizens within its 20,000 mile jurisdiction covering the San Bernardino High Desert and the Palo Verde Valley portion of Riverside County. Air monitoring staff operates six monitoring stations in Barstow, Hesperia, Phelan, Trona, Twentynine Palms, and Victorville.

The District's mission is to protect the air quality within its boundaries while supporting strong and sustainable economic growth. This is accomplished through a comprehensive and common-sense program of planning, regulation, compliance assistance, enforcement, monitoring, and public education. The District is an independent special district, governed by a thirteen member Governing Board consisting of members from represented areas within its boundaries.

**B. Basis of Accounting and Measurement Focus**

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

***Government-wide Financial Statements***

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for governmental activities. Accordingly, all of the District's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used; such as unbilled but utilized utility services that are recorded at year end. The Statement of Activities demonstrates the degree to which program expenses of a given function are offset by program revenues. Program expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are charge for services directly related to the operations of the District. Charge for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items, properly not included among program revenues, are reported instead as general revenues.

***Fund Financial Statements***

These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the difference in fund balance, as presented in these statements, to the net position presented in the Government-wide Financial Statements.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**B. Basis of Accounting and Measurement Focus, continued**

*Fund Financial Statements, continued*

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period.

Accordingly, revenues are recorded when received in cash, except those revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are investment earnings and operating grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The District's accounts are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Funds are organized into two major categories: governmental and fiduciary categories. An emphasis is placed on major funds within the governmental and fiduciary categories. A fund is considered major if it is the primary operational fund of the District or meets the following criteria:

- a) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental, governmental special revenue, or fiduciary fund is at least 10 percent of the corresponding total for all funds of that category or type;
- b) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental, governmental special revenue, or fiduciary fund is at least 5 percent of the corresponding total for all governmental funds combined; or
- c) The entity has determined that a fund is important to the financial statement user.

The governmental fund of the financial reporting entity is described below:

**General Fund** – a government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

**Mobile Emissions Program AB 2766 Fund** – a special revenue fund used to account for the retention of funds allocated for the support of the District's mobile emissions grant program pursuant to Assembly Bill No. 2766.

**Carl Moyer Fund** – a special revenue fund used to account for revenues received pursuant to the Carl Moyer Air Quality Standards Attainment Program. Expenditures are restricted to providing incentive for participating entities to undertake reduced-emission heavy-duty engine projects.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**B. Basis of Accounting and Measurement Focus, continued**

*Fund Financial Statements, continued*

The fiduciary fund of the financial reporting entity is described below:

**Other Post-Employment Benefits Trust Fund** – a fiduciary fund used to account for assets held by the District as Trustees. The District maintains this non-major expendable trust fund, Retiree Benefits Fund, which is used to provide contingency reserves for the District payment of current and future retiree health and welfare benefits.

**Pension Benefits Trust Fund** – a fiduciary fund used to account for assets held by the District as Trustees. The District maintains this non-major expendable trust fund, Pension Fund, which is used to provide contingency reserves for the District payment of current and future retiree pension benefits.

**C. Financial Reporting**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncement in the current year:

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

**D. Financial Statement Elements**

**1. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in the District's net position during the reporting period. Actual results could differ from those estimates.

**2. Uncertainty**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

**3. Cash and Cash Equivalents**

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.



**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**4. Investments and Investment Policy**

The District has adopted an investment policy to deposit funds in financial institutions. Investments are to be made in the following area:

- San Bernardino County Pooled Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**5. Accounts Receivable**

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

**6. Prepaids**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**7. Internal Balances and Activities**

Internal activity and balances reported as interfund activity in the governmental fund financial statements are reclassified or eliminated in the preparation of the government-wide statement of net position and statement of activities. This elimination will avoid the “grossing up” of amounts resulting from internal activity within the primary government.

**8. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. The District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value and/or historical cost at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings – 20 to 50 years
- Buildings and improvements – 20 years
- Vehicles – 5 years
- Machinery and equipment – 15 to 20 years
- Computer equipment – 3 to 15 years

**9. Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of resources applicable to future periods.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Financial Statement Elements, continued**

**10. Unearned Revenue**

Certain receipts from customer and funding sources reflect revenue applicable to future accounting periods and are recorded as unearned revenues in both the government-wide and fund financial statements.

**11. Compensated Absences**

It is the District's policy to allow employees to accumulate earned but unused vacation, administrative time, holiday, and sick leave benefits. The vesting method is used to calculate the liability. Depending on the years of service, an employee will be paid a range between 0% and 50%, dependent upon certain vesting criteria, of earned sick leave benefits, and 100% of earned vacation and administrative time upon separation. All vacation pay, administrative time, and sick leave is accrued when incurred in the government-wide financial statements. The balance of compensated absences is recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees. The General Fund is used to liquidate compensated absences, respective to each funds' liability.

**12. Post-Employment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported as cost.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date – June 30, 2020
- Measurement Date – June 30, 2020
- Measurement Period – July 1, 2019 to June 30, 2020

**13. Pension**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the District's San Bernardino County Employees' Retirement Association (SBCERA) plans (Plans) and addition to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by SBCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date – June 30, 2019
- Measurement Date – June 30, 2019
- Measurement Period – July 1, 2018 to June 30, 2019

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Financial Statement Elements, continued**

**14. Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

**15. Net Position**

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and amortization, and reduced by any debt balances outstanding against the acquisition, construction, or improvement of those assets.
- **Restricted** – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted components of net position*.

**16. Fund Balance**

The governmental fund financial statements report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or (b) imposed by law through constitutional provisions and enabling legislation.
- **Committed** – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned** – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned** – the residual classification for the District's general fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Financial Statement Elements, continued**

***Fund Balance Policy***

The Governing Board establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balance are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

**17. Budgetary Policies**

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of June 30 are classified as follows:

	<b>2020</b>
Unrestricted cash and cash equivalents:	
General Fund	\$ 5,045,243
Total unrestricted cash and cash equivalents	5,045,243
Restricted cash and cash equivalents:	
Mobile Emissions Program AB 2766 Fund	1,909,790
Carl Moyer Fund	1,490,885
Total restricted cash and cash equivalents	3,400,675
Total cash and cash equivalents	\$ 8,445,918

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(2) Cash and Cash Equivalents, continued**

Cash and cash equivalents as of June 30 consisted of the following:

		<u>2020</u>
Cash on hand	\$	348,772
Deposits held with financial institutions		4,748,252
Deposits held with San Bernardino County Treasurer		<u>3,348,894</u>
	\$	<u>8,445,918</u>

As of June 30, the District's authorized deposits had the following maturities:

		<u>2020</u>
San Bernardino County Investment Pool		<u>553 days</u>

***Investments Authorized by the California Government Code and the District's Investment Policy***

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that addresses interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
State and local agency bonds, notes and warrants	5 years	None	None
U.S. treasury obligations	5 years	None	None
Federal agency obligations	5 years	None	None
Banker's acceptances	180 days	40%	None
Commercial paper - Pooled/Non-Pooled	270 days	40%/25%	40%
Negotiable/Non-Negotiable certificates of deposit	5 years	30%/None	None
Placement Service - Certificates of Deposit	5 years	30%	None
Repurchase agreements	1 years	None	None
Reverse repurchase agreements	92 days	20%	None
Medium-term notes	5 years	30%	None
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
California Local Agency Investment Fund (LAIF)	N/A	None	\$40 million
County Pooled Investment Fund	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational obligations	5 years	30%	None

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(2) Cash and Cash Equivalents, continued**

***Investment in the San Bernardino County Investment Pool***

The San Bernardino County Investment Pool (SBCIP) is a pooled investment fund program governed by the County of San Bernardino Board of Supervisors and administered by the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by SBCIP for the entire SBCIP portfolio. Investments in SBCIP are highly liquid as deposits and withdrawals can be made at any time without penalty following the restrictions and limitations as identified below. SBCIP does not impose a maximum investment limit. SBCIP is not registered with the Securities and Exchange Commission as an investment company.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. SBCIP does not have any legally binding guarantees of share values. SBCIP does not impose liquidity fees or redemption gates on participant withdrawals. Information related to the SBCIP may be obtained from the County of San Bernardino Administrative Offices – 268 West Hospitality Lane, 1<sup>st</sup> Floor – Treasury – San Bernardino, California 92415 or the Auditor-Controller/Treasurer/ Tax Collector's office website [www.sbcounty.gov](http://www.sbcounty.gov).

***Custodial Credit Risk***

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. Of the District's bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

***Interest Rate Risk***

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the change in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.



**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(2) Cash and Cash Equivalents, continued**

***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The San Bernardino County Investment Pool is not rated.

***Concentration of Credit Risk***

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and/or external investment pools) that represent 5% or more of the District's total investments.

**(3) Internal Transfers**

***Inter-fund Operational Transfers***

Inter-fund receivables/payables are used to move financial resources between the General fund, the Mobile Emissions Program AB2766 fund, the Carl Moyer fund, and the Fiduciary fund as advances to temporarily support the operations of each respective fund.

As of June 30, inter-fund receivables/payables between the District's General fund, the Mobile Emissions Program AB2766 fund, and the Carl Moyer Fund, were as follows:

<b>Receivable from</b>	<b>Payable to</b>	<b>2020</b>
AB2766 Fund	General Fund	\$ 60,000
General Fund	Carl Moyer Fund	<u>165,181</u>
<b>Total due to/from</b>		<u><u>\$ 225,181</u></u>

As of June 30, inter-fund receivables/payables between the District's General fund and the Fiduciary fund, were as follows:

<b>Receivable from</b>	<b>Payable to</b>	<b>2020</b>
Fiduciary Fund	General Fund	\$ <u>26,881</u>
<b>Payable to General</b>		<u><u>\$ 26,881</u></u>

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(4) Capital Assets**

The change in capital assets as of June 30 was as follows:

	<u>Balance 2019</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Non-depreciable assets:				
Land	\$ 278,568	-	-	278,568
Total depreciable assets	<u>278,568</u>	<u>-</u>	<u>-</u>	<u>278,568</u>
Depreciable assets:				
Building and improvements	2,707,033	-	-	2,707,033
Equipment	3,127,407	110,699	-	3,238,106
Vehicles	<u>274,827</u>	<u>25,544</u>	<u>-</u>	<u>300,371</u>
Total depreciable assets	<u>6,109,267</u>	<u>136,243</u>	<u>-</u>	<u>6,245,510</u>
Accumulated depreciation:				
Building and improvements	(1,864,886)	(115,031)	-	(1,979,917)
Equipment	(2,327,566)	(157,962)	-	(2,485,528)
Vehicles	<u>(183,122)</u>	<u>(365)</u>	<u>-</u>	<u>(183,487)</u>
Total accumulated depreciation	<u>(4,375,574)</u>	<u>(273,358)</u>	<u>-</u>	<u>(4,648,932)</u>
Total depreciable assets, net	<u>1,733,693</u>	<u>(137,115)</u>	<u>-</u>	<u>1,596,578</u>
Total capital assets, net	<u>\$ 2,012,261</u>			<u>1,875,146</u>



**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(5) Unearned Revenue**

The change in unearned revenues as of June 30 was as follows:

	<u>Balance 2019</u>	<u>New Awards</u>	<u>Expenses/ Revenues</u>	<u>Balance 2020</u>
<b>General Fund</b>				
Caltrans – Kramer Junction	\$ 2,053	-	(2,053)	-
CalPortland	-	1,504	-	1,504
Panamint Valley Limestone	-	403	-	403
Fort Irwin CEIR	6,023	-	(6,023)	-
Total General Fund	<u>8,076</u>	<u>1,907</u>	<u>(8,076)</u>	<u>1,907</u>
<b>Carl Moyer Grant</b>				
Round 19	657,641	-	(657,641)	-
Round 20	455,251	-	(455,251)	-
Round 21	973,492	-	(519,895)	453,597
Round 22	-	1,060,484	-	1,060,484
Carl Moyer interest earned	38,922	12,704	(13,656)	37,970
Total Carl Moyer Grant	<u>2,125,306</u>	<u>1,073,188</u>	<u>(1,646,443)</u>	<u>1,552,051</u>
Total unearned revenue	<u>\$ 2,133,382</u>	<u>1,075,095</u>	<u>(1,654,519)</u>	<u>1,553,958</u>

**(6) Compensated Absences**

The change in compensated absences as of June 30 was as follows:

<u>Balance 2019</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2020</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 767,979	493,094	(332,378)	928,695	232,174	696,521

**(7) Other Post-Employment Benefits (OPEB) Plan**

***Plan Description***

The District's defined benefit OPEB plan provides OPEB for all permanent full-time employees of the District. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District's Governing Board has the authority to establish and amend the benefit terms to the Plan.

***Benefits Provided***

The District provides retirees with access to medical, dental, and vision coverage. No subsidy is provided toward dental or vision coverage and neither is expected to create an OPEB liability for the District. Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires an employee to satisfy the requirements for retirement under the San Bernardino County Employees' Retirement Association (SBCERA).

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(7) Other Post-Employment Benefits (OPEB) Plan, continued**

***Benefits Provided, continued***

Retirees meeting further eligibility requirements are eligible for a temporary additional subsidy. The additional benefit is provided in addition to the PEMHCA minimum benefit. The additional benefits are summarized in table below:

Eligibility requirements	1. SBCERA retirement 2. 20 years of service with the District, member agency, and/or California air district service 3. Enrollment in a CalPERS medical plan at the time of retirement
Benefit percentage	2% times years of combined District, member agency, and/or California air district service
Benefit Percentage applies to	CalPERS medical premiums for retirees and any enrolled dependents The total District-paid benefit is limited to the Flexible Benefit caps for active employees
Duration of benefit	5 years or until retiree reaches age 65 (whichever comes first)

The District's employees must meet one of the following criteria in accordance with PEMHCA:

<b>SBCERA General Tiers</b>	<b>Minimum Age</b>	<b>Minimum Years of Service</b>
Tier 1 (hired before January 2013)	50	10
	70	Any
	Any	30
Tier 2 (hired on/after January 2013)	52	5
	70	Any

***Employees Covered by Benefit Terms***

At June 30, the following employees were covered by the benefit terms:

	<u><b>2020</b></u>
Inactive employees or beneficiaries currently receiving benefit payments	15
Active employees	<u>23</u>
Total	<u><u>38</u></u>

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(7) Other Post-Employment Benefits (OPEB) Plan, continued**

***Contributions***

The OPEB plan's contribution requirements for eligible retired employees of the District are established and may be amended by the Governing Board. District contributions to the Plan occur as benefits are paid to retirees and/or to the OPEB trust. Benefit payments may occur in the form of direct payments of premiums and taxes ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums for active employees ("implicit subsidies").

***Net OPEB Liability***

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

***Actuarial Assumptions***

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	6.00% for explicit costs, net of plan investment expenses and including inflation
Healthcare cost trend rates	5.40% in 2021 to 4.00% in 2076 in steps of 0.10%

Mortality improvement was based on the MacLeod Watts Scale 2020 applied generationally from 2014 on. Mortality before retirement was based on the Headcount-Weighted RP-2014 Employee Mortality Table (separate tables for males and females) time 90%. The underlying post-retirement mortality rates for all groups were taken from the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, Males and females. All rates were then set forward one year for males for healthy general members; and set forward seven years for males and females for disabled general members. Beneficiaries were set the same as healthy general member of the opposite sex.

The actuarial assumptions used in the June 30, 2019 valuation are based on the 2017 experience study of the SBCERA using data from 2013 to 2016, except for a different basis used to project future mortality improvements.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Non-imbedded fees were estimated to reduce the expected yield above by 50 basis point (0.50%), reducing the net expected return on trust assets to 6.03% per year. A long-term rate of return of 6.0% was assumed for assets in the actuarial valuation.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(7) Other Post-Employment Benefits (OPEB) Plan, continued**

*Actuarial Assumptions, continued*

The target allocation and best estimates of geometric real rates of return for each major class are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Core	32.00 %	6.70 %
Mid Cap Core	6.00	7.00
Small Cap Core	9.00	7.90
Real Estate	2.00	5.70
International	7.00	7.30
Emerging Market	4.00	9.70
Short Term Bond	6.75	3.80
Intermediate Term Bond	27.00	4.60
High Yield	1.25	6.00
Cash	5.00	2.10
Total	<u>100.00 %</u>	

*Discount Rate*

The discount rates used to measure the total OPEB liability was 6.0%. The District established an irrevocable OPEB trust in 2010 with assets dedicated toward paying future retiree medical benefits. The District stated its intent to continue contributions equal to the Actuarially Determined Contribution determined for the explicit subsidy liability only. Financing of the implicit subsidy portion of the liability is on a pay-as-you-go basis.

*Changes in the Net OPEB Liability*

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
<b>Balance at June 30, 2019</b>	\$ 1,565,465	663,668	901,797
<b>Changes for the year:</b>			
Service cost	68,959	-	68,959
Interest	84,796	-	84,796
Net investment income	-	15,869	(15,869)
Employer contributions	-	112,948	(112,948)
Differences between expected and actual experience	(165,623)		(165,623)
Benefit payments	(83,170)	(83,170)	-
Assumption changes	(100,481)	-	(100,481)
<b>Net changes</b>	<u>(195,519)</u>	<u>45,647</u>	<u>(241,166)</u>
<b>Balance at June 30, 2020</b>	\$ <u>1,369,946</u>	<u>709,315</u>	<u>660,631</u>

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(7) Other Post-Employment Benefits (OPEB) Plan, continued**

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current discount rate (6.00%):

	<b>Current Rate - 1%</b>	<b>Current Rate</b>	<b>Current Rate + 1%</b>
District's net OPEB liability	\$ 821,580	660,631	525,881

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.40% decreasing to 3.00%) or 1-percentage-point higher (6.40% decreasing to 5.00%) than the current healthcare cost trend rates (5.40% decreasing to 4.00%):

	<b>Current Trend - 1%</b>	<b>Current Trend</b>	<b>Current Trend + 1%</b>
District's net OPEB liability	\$ 504,414	660,631	852,082

***OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2020, the District recognized OPEB expense of \$61,445. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	(139,622)
Differences between projected and actual earnings on plan investments	19,677	-
Changes in assumptions	-	(153,607)
Total	\$ 19,677	(293,229)

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(7) Other Post-Employment Benefits (OPEB) Plan, continued**

Amounts reported as deferred outflows(inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended</b>	<b>Net Deferred</b>
<b>June 30,</b>	<b>Outflows(Inflows)</b>
<b>June 30,</b>	<b>of Resources</b>
2021	\$ (49,561)
2022	(49,560)
2023	(47,486)
2024	(48,260)
2025	(51,697)
Thereafter	<u>(26,988)</u>
Total	<u>\$ (273,552)</u>

**(8) Defined Benefit Pension Plan**

***Plan Description***

The District participates in the San Bernardino County Employees’ Retirement Association (SBCERA) administers the SBCERA pension plan – a cost-sharing multiple-employer defined benefit pension plan (Plan). SBCERA provides retirement, disability, death, and survivor benefits to members who are employed by 17 active Plan sponsors (participating employers) and four withdrawn employers. to the General and Safety members employed in the County of San Bernardino.

SBCERA issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be obtained from their executive office at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415-0014 or visiting the website at www.SBCERA.org.

***Benefits Provided***

SBCERA provides service retirement, disability, death and survivor benefits to eligible employees. Generally, any employee of the County of San Bernardino or participating employers who is appointed to a regular position whose service is greater than fifty percent of the full standard of hours required by a participating SBCERA employer (e.g. 20 hours per week or more) must become a member of SBCERA effective on the first day of employment. There are separate retirement benefits for General and Safety member employees. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members.

There are currently two tiers applicable to both General and Safety members. Members with membership dates before January 1, 2013 are included in General Tier 1 or Safety Tier 1. Any new member who becomes a member on or after January 1, 2013 is designated as General Tier 2 or Safety Tier 2 and is subject to the provisions of the Public Employees’ Pension Reform Act of 2013 (PEPRA).

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(8) Defined Benefit Pension Plan, continued**

*Benefits Provided, continued*

The District participates in the SBCERA's General Tier. The provisions and benefits for the SBCERA General Tier in effect at June 30, 2020, are as follows:

Tier 1 members are eligible for early retirement once they attain the age of 70 regardless of service, at age 50 and have acquired 10 or more years of retirement service credit, or with 30 years of service regardless of age. Tier 2 members are eligible for early retirement once they attain the age of 70 regardless of service or at age 52 and have acquired five or more years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit, and retirement plan and tier.

Tier 1 benefit is calculated pursuant to the provisions of California Government Code Section 31676.15. The monthly allowance is equal to 2% of final compensation times years of accrued retirement service credit times age factor from Section 31676.15. Tier 2 benefit is calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

For Tier 1 members, the maximum monthly retirement allowance is 100% of final compensation. There is no monthly retirement allowance benefit for Tier 2 members. However, the maximum amount of compensation earnable that can be taken into account for 2019 for Tier 1 members with membership dates on or after July 1, 1996 is \$275,000. The maximum amount of pensionable compensation for Tier 2 members that can be taken into account for 2019 is equal to \$149,016. These limits are adjusted on an annual basis. Tier 1 members and employers are exempt from paying contributions on compensation earnable paid in excess of the annual cap. In addition, Tier 1 members are exempt from paying member contributions once they have reached 30 or more years of service. Tier 2 members and employers are exempt from paying contributions on pensionable compensation paid in excess of the annual cap.

Final average compensation consists of the highest 12 consecutive months for Tier 1 members and the highest 36 consecutive months for Tier 2 members.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date or at least two years prior to the date of death and has attained age 55 on or prior to the date of death. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

SBCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for All Urban Consumers for the Riverside-San Bernardino-Ontario Area, is capped at 2.0%.



**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(8) Defined Benefit Pension Plan, continued**

**Contributions**

The District and 16 other participating employers contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SBCERA’s actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2019 for 2018-2019 (based on the June 30, 2017 valuation) was 30.91% of compensation.

Members are required to make contributions to SBCERA regardless of the retirement plan or tier in which they are included. Tier 1 members with 30 or more years of service are exempt from paying member contributions. The average member contribution rate as of June 30, 2019 for 2018-2019 (based on the June 30, 2017 valuation) was 11.32% of compensation.

For the year ended June 30, the contributions recognized as part of pension expense for the Plan are as follows:

	<b>2020</b>
Contributions – employer	\$ 1,588,427

**Net Pension Liability**

As of June 30, the District report net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<b>2020</b>
Proportionate share of net pension liability	\$ 10,497,528

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. As of June 30, 2020, the net pension liability of the Plan is measured as of June 30, 2019 (measurement date). The total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2019, was as follows:

	<b>General Plan</b>
Proportional share – June 30, 2018	0.392 %
Proportional share – June 30, 2019	0.387
Change – Increase (Decrease)	(0.005) %



**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(8) Defined Benefit Pension Plan, continued**

*Deferred Pension Outflows (Inflows) of Resources*

For the year ended June 30, 2020, the District recognized pension expense of \$2,252,770. As June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<u>2020</u>	
	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 1,777,597	-
Net difference between projected and actual earnings on plan investments	209,008	-
Change in assumptions	1,371,012	-
Change in proportions and differences between actual contribution and proportionate share of contribution	166,432	(475,078)
Difference between actual and expected experience	-	(197,490)
Total	<u>\$ 3,524,049</u>	<u>(672,568)</u>

As of June 30, 2020, the District reported \$1,777,597 as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. As of June 30, 2020, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2021	\$ 425,779
2022	25,163
2023	383,989
2024	223,607
2025	14,801
2026	545

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(8) Defined Benefit Pension Plan, continued**

***Actuarial Assumptions***

The total pension liabilities in the June 30, 2019, actuarial valuation were determined using the following actuarial assumptions and methods:

Actuarial assumptions:

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Investment rate of return	7.25%
Inflation	3.00%
Projected salary increases <sup>(1)</sup>	General: 4.50% to 14.50%
Cost-of-Living adjustment	Contingent upon consumer price index with a 2.00% maximum
Administrative expenses	0.70% of payroll

(1) Includes inflation at 3.00% plus real across-the-board increase of 0.50% plus merit and promotional increases

The mortality rates used are as follows:

Healthy	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward one year for males, projected generationally with the two-dimensional MP-2016 projection scale.
Disabled	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward seven years, projected generationally with the two-dimensional MP-2016 projection scale.
Beneficiaries	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service retirement.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.25% for June 30, 2019. The projection of cash flows used to determine the discount rate assumed employer and member contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of returns on pension plan investments of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the June 30, 2019 actuarial valuation. This information will change every three years based on the actuarial experience study.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(8) Defined Benefit Pension Plan, continued**

*Discount Rate, continued*

The table below reflects the long-term expected real rate of return by asset class.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Large Cap U.S. Equity	8.00 %	5.61 %
Small Cap U.S. Equity	2.00	6.37
Developed International Equity	6.00	6.96
Emerging Market Equity	6.00	9.28
U.S. Core Fixed Income	2.00	1.06
High Yield/Credit Strategies	13.00	3.65
Global Core Fixed Income	1.00	0.07
Emerging Market Debt	6.00	3.85
Real Estate	9.00	4.37
International Credit	11.00	6.75
Absolute Return	13.00	3.56
Real Assets	5.00	6.35
Private Equity	16.00	8.47
Cash & Equivalents	2.00	(0.17)
Total	<u>100.00 %</u>	

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

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

	<u>Discount Rate - 1% (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>Discount Rate + 1% (8.25%)</u>
District's net pension liability	\$ <u>15,466,729</u>	<u>10,497,528</u>	<u>6,423,575</u>

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in separately issued SBCERA financial reports. See pages 51 and 52 for the Required Supplementary Information.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(9) Net Investment in Capital Assets**

Net investment in capital assets is calculated as follows:

	<b>2020</b>
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 278,568
Capital assets – being depreciated, net	1,596,578
Total net investment in capital assets	\$ 1,875,146

**(10) Restricted Net Position**

Restricted net position is calculated as follows:

	<b>2020</b>
Restricted:	
Restricted cash and cash equivalent – Mobile Emissions Program (AB 2677)	\$ 1,909,790
Restricted cash and cash equivalent – Carl Moyer Fund	1,490,885
Total restricted	\$ 3,400,675

**(11) Unrestricted Net Position**

The District's Governing Board has designated the use of the District's June 30 unrestricted net position as follows:

	<b>2020</b>
Unrestricted:	
Unfunded reserves	\$ (7,156,789)
Prepays	2,353
Operating cash reserve	765,700
Building improvement reserves	200,000
Legal and litigation reserves	300,000
Retirement reserves	200,000
Budget stabilization	250,000
Compensated absences	150,000
Total unrestricted	\$ (5,288,736)

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(12) Management Contract Revenue**

***Antelope Valley Air Quality Management District***

On April 19, 2016, the District entered into an agreement with the Antelope Valley Air Quality Management District (AVAQMD) to provide air pollution control services, including administration and operations, to meet the regulatory and legislative responsibilities of the AVAQMD.

The agreement commenced on July 1, 2020 and expires on June 30, 2025. The agreement carries an option to extend services for two years.

The contracts compensation terms include: (1) actual cost reimbursement for the purchase of materials for supplies, (2) the AVAQMD payment of the pro-rata share of base salary and associated employment benefits of Program Staff, (3) utilization of the District's file management system, accounting system, compliance and permit system, and air monitoring data collection and reporting system, which AVAQMD will cover costs for enhancements and maintenance, (4) a proportionate share of the purchase cost/service costs assessed to the AVAQMD not to exceed a proportionate amount based on the ratio of operating permits between both Districts, and (5) the AVAQMD payment for a charge to cover administrative overhead and compensate the District for indirect costs of delivering services. The charge is calculated at 14% of the total billed each month for services added to each invoice.

The District provides professional officers and employees. The District is responsible for the payment of all salaries and benefits, including health and dental benefits, union benefits, related employment taxes, and pension contributions. Upon termination of the agreement any dedicated staff will be transitioned from the District to the AVAQMD.

Payment of costs is billed monthly at 1/12<sup>th</sup> of the annual contract amount. On a quarterly basis, the District will reconcile actual costs. At June 30, 2020, the District reported management contract revenue of \$1,584,687.

**(13) Deferred Compensation Savings Plan**

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program) with the investing formula approved by the Governing Board. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust as of June 30, 2020, was \$6,702,402.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(14) Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2020, the District participated in the liability, property, and workers compensation insurance with the SDRMA as follows:

- Property coverage consists of \$1 billion pool limit, replacement cost of scheduled property; boiler & machinery of \$100 million pool limit, replacement cost of scheduled property.
- Pollution liability of \$2 million per pollution condition or indoor environmental condition.
- General liability insurance consists of bodily injury, property damage, employment benefits, employee/public officials E&O, and employment practice liability of \$5 million per occurrence; employee/public officials dishonesty of \$1 million per occurrence; and public officials personal liability of \$500,000 per occurrence.
- Auto liability insurance consists of auto bodily injury and auto property damage of \$5 million per occurrence.
- Auto physical damage coverage subject to selected comprehensive and collision deductibles (option of \$250/\$500, \$500/\$1,000 or comprehensive only of \$250/\$500).
- Workers' compensation insurance of \$5 million per occurrence.

Settled claims, if any, have not exceeded any of the coverage amounts in the last three fiscal years. There were no reductions in insurance coverage in fiscal years ending June 30, 2020, 2019, and 2018. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no material IBNR claim payables as of June 30, 2020, 2019, and 2018.

**(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 84***

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.



**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 84, continued***

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 87***

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 89***

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 90***

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

***Governmental Accounting Standards Board Statement No. 91***

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.



**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 91, continued***

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 92***

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

***Governmental Accounting Standards Board Statement No. 93***

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 93, continued***

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 94***

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 96***

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 97***

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

**(16) Commitments and Contingencies**

***Grant Awards***

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

***Litigation***

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**Mojave Desert Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2020**

**(17) Subsequent Events**

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of February 22, 2021, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

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# Required Supplementary Information

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**Mojave Desert Air Quality Management District**  
**Schedules of Change in the District's Net OPEB Liability and Related Ratios**  
**As of June 30, 2020**  
**Last Ten Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>			
Service cost	\$ 68,959	64,653	64,270
Interest	84,796	86,998	81,969
Differences in expected and actual experience	(165,623)	-	-
Changes in assumptions	(100,481)	(82,279)	(11,653)
Benefit payments	<u>(83,170)</u>	<u>(94,680)</u>	<u>(91,784)</u>
Net change in total OPEB liability	(195,519)	(25,308)	42,802
Total OPEB liability – beginning	<u>1,565,465</u>	<u>1,590,773</u>	<u>1,547,971</u>
Total OPEB liability – ending	<u>\$ 1,369,946</u>	<u>1,565,465</u>	<u>1,590,773</u>
<b>Plan fiduciary net position</b>			
Contributions employer	\$ 112,948	111,968	27,623
Net investment income	15,869	35,184	47,928
Benefit payments	(83,170)	(94,680)	(91,784)
Expenses	<u>-</u>	<u>-</u>	<u>(1,639)</u>
Net change in plan fiduciary net position	45,647	52,472	(17,872)
Plan fiduciary net position – beginning	<u>663,668</u>	<u>611,196</u>	<u>629,068</u>
Plan fiduciary net position – ending	<u>\$ 709,315</u>	<u>663,668</u>	<u>611,196</u>
Net OPEB liability – ending	<u>\$ 660,631</u>	<u>901,797</u>	<u>979,577</u>
Covered payroll	<u>\$ 7,095,615</u>	<u>6,443,315</u>	<u>6,008,949</u>
Net OPEB liability as a percentage of covered payroll	<u>9.31%</u>	<u>14.00%</u>	<u>16.30%</u>

**Notes:**

***Change in Benefit Terms***

For the measurement date June 30, 2020, there were no changes in the benefit terms.

***Change of Assumptions***

For the measurement date June 30, 2020, the change in actuarial methods and assumptions are as follows:

The long-term return on trust assets decreased from 6.30% as of June 30, 2019 to 6.00% as of June 30, 2020, based on updated information from PARS regarding the assumed rate of return for the Balanced HighMark Plus Asset Portfolio. Discount rates for explicit subsidy decreased from 6.30% to 6.00%; and for implicit subsidy increased from 3.51% to 6.00%. The mortality improvement scale was updated from MacLeod Watts Scale 2017 to MacLeod Watts Scale 2020 reflecting continued updates in available information. The general inflation rate decreased from 2.75% to 2.50% per year. The rate of increase in salary decreased from 3.25% to 3.00% per year. The medical trend was updated to use the Getzen healthcare trend model sponsored by the Society of Actuaries. Increases in the PEMHCA MEC decreased from 4.50% to 4.00% per year based on recent historical and expected future increases in CPI-medical.

**Mojave Desert Air Quality Management District**  
**Schedules of Change in the District's Net OPEB Liability and Related Ratios, continued**  
**As of June 30, 2020**  
**Last Ten Fiscal Years\***

**Notes:**

*Change of Assumptions, continued*

For the measurement date June 30, 2019, the discount rate for implicit costs was reduced from 3.89% to 3.51%.

\* Historical information presented above follows the measurement periods for which GASB 74 & 75 were applicable. The fiscal year ended June 30, 2018, (valuation date of June 30, 2017) was the first year of implementation required by GASB 74 & 75, therefore only one year is shown.

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**Mojave Desert Air Quality Management District**  
**District's Proportionate Share of Net Pension Liability**  
 As of June 30, 2020  
 Last Ten Fiscal Years\*

Description	Measurement date June 30,						
	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.387%	0.392%	0.383%	0.375%	0.401%	0.419%	0.382%
District's proportionate share of the net pension liability	\$ 10,497,528	\$ 9,922,632	\$ 10,094,423	\$ 9,252,237	\$ 7,782,355	\$ 7,124,444	\$ 7,580,519
District's covered Payroll	\$ 4,443,366	\$ 4,206,347	\$ 4,139,787	\$ 4,122,720	\$ 3,918,233	\$ 3,852,547	\$ 3,454,500
District's proportionate share of the net pension liability as a percentage of its covered payroll	236.25%	235.90%	243.84%	224.42%	198.62%	184.93%	219.44%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	79.61%	79.89%	69.07%	67.94%	71.70%	71.73%	66.38%

**Notes:**

***Change in Benefit Terms***

For the measurement date June 30, 2020, there were no changes in the benefit terms.

***Change of Assumptions***

The June 30, 2019, 2018, and 2017 valuations were based on the actuarial experience study as of June 30, 2017; the June 30, 2016, 2015, and 2014 valuations were based on the actuarial experience study as of June 30, 2014; and the June 30, 2013 valuation was based on the actuarial experience study as June 30, 2011.

The rate of return on investments decreased 0.25% from 7.50% as of June 30, 2016 to 7.25% as of June 30, 2017; and decreased 0.25% from 7.75% as of June 30, 2013 to 7.50% as of June 30, 2014.

The rate of inflation decreased 0.25% from 3.25% as of June 30, 2016 to 3.00% as of June 30, 2017; and decreased 0.25% from 3.50% as of June 30, 2013 to 3.25% as of June 30, 2014.

On June 30, 2017, the mortality table used changed to the RP-2014 Healthy Annuitant Mortality Table projected generationally with two-dimensional MP-2016 projection scale from the RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 used from June 30, 2014 through 2016; which changed from the RP-2000 Combined Healthy Mortality Table used in June 30, 2013.

\* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015 was the first year of implementation required by GASB 68 & 71.

**Mojave Desert Air Quality Management District**  
**Pension Plan Contributions**  
**As of June 30, 2020**  
**Last Ten Fiscal Years\***

Schedule of Pension Plan Contributions	Reporting date June 30,									
	2020	2019	2018	2017	2016	2015	2014			
Actuarially determined contribution	\$ 1,777,597	1,399,966	1,324,459	1,326,230	1,167,928	898,449	1,086,330			
Contributions in Relation to the Actuarially Determined Contribution	(1,777,597)	(1,586,260)	(1,417,654)	(1,328,520)	(1,312,568)	(898,449)	(1,086,330)			
Contribution Deficiency (Excess)	\$ -	(186,294)	(93,195)	(2,290)	(144,640)	-	-			
Covered Payroll	\$ 4,443,366	4,206,347	4,139,787	4,122,720	3,918,233	3,852,547	3,454,500			
Contributions as a percentage of Covered-employee Payroll	40.01%	33.28%	31.99%	32.17%	29.81%	23.32%	31.45%			

**Notes:**

\* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71.

**Mojave Desert Air Quality Management District  
Budget Comparison Schedule – General Fund  
For the Year Ended June 30, 2020**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
<b>Program revenues:</b>					
Charges for services:					
Application and permit fees	\$ 4,864,000	-	4,864,000	5,280,103	416,103
Management contract – AVAQMD	1,538,000	-	1,538,000	1,584,687	46,687
Operating grants:					
Assembly Bill 2766	1,140,000	-	1,140,000	1,031,550	(108,450)
State grants	393,427	-	393,427	2,052,316	1,658,889
State subvention	134,000	-	134,000	135,184	1,184
Federal grants	148,900	-	148,900	125,727	(23,173)
California Clean Air Act	63,000	-	63,000	68,111	5,111
Other programs	27,000	-	27,000	20,818	(6,182)
<b>Total program revenues</b>	<u>8,308,327</u>	<u>-</u>	<u>8,308,327</u>	<u>10,298,496</u>	<u>1,990,169</u>
<b>General revenues:</b>					
Fines, forfeitures, and penalties	188,500	-	188,500	227,202	38,702
Investment earnings	15,000	-	15,000	73,272	58,272
Other revenue	-	-	-	16,779	16,779
<b>Total program revenues</b>	<u>203,500</u>	<u>-</u>	<u>203,500</u>	<u>317,253</u>	<u>113,753</u>
<b>Total revenues</b>	<u>8,511,827</u>	<u>-</u>	<u>8,511,827</u>	<u>10,615,749</u>	<u>2,103,922</u>
<b>Expenditures:</b>					
Salaries and benefits	7,330,002	-	7,330,002	7,066,335	263,667
Services and supplies	875,175	-	875,175	1,014,560	(139,385)
Contributions	92,300	-	92,300	2,177,401	(2,085,101)
Capital outlay	215,000	-	215,000	136,243	78,757
<b>Total expenditures</b>	<u>8,512,477</u>	<u>-</u>	<u>8,512,477</u>	<u>10,394,539</u>	<u>(1,882,062)</u>
<b>Net change in fund balance</b>	<u>(650)</u>	<u>-</u>	<u>(650)</u>	<u>221,210</u>	<u>221,860</u>
<b>Fund balance – beginning of year</b>	<u>1,787,266</u>		<u>1,787,266</u>	<u>5,481,673</u>	
<b>Fund balance – end of year</b>	<u>\$ 1,786,616</u>		<u>1,786,616</u>	<u>5,702,883</u>	

**Mojave Desert Air Quality Management District**  
**Budget Comparison Schedule – Mobile Emissions Program (AB 2766)**  
**For the Year Ended June 30, 2020**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
<b>Program revenues:</b>					
Operating grants:					
Assembly Bill 2766	\$ 725,000	-	725,000	687,700	(37,300)
<b>General revenues:</b>					
Investment earnings	<u>64,362</u>	<u>-</u>	<u>64,362</u>	<u>35,576</u>	<u>(28,786)</u>
<b>Total revenues</b>	<u>789,362</u>	<u>-</u>	<u>789,362</u>	<u>723,276</u>	<u>(66,086)</u>
<b>Expenditures:</b>					
Services and supplies	-	-	-	(540)	540
Contributions	<u>789,362</u>	<u>-</u>	<u>789,362</u>	<u>1,344,825</u>	<u>(555,463)</u>
<b>Total expenditures</b>	<u>789,362</u>	<u>-</u>	<u>789,362</u>	<u>1,344,285</u>	<u>(554,923)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(621,009)</u>	<u>(621,009)</u>
<b>Fund balance – beginning of year</b>	<u>2,529,425</u>		<u>2,529,425</u>	<u>2,529,425</u>	
<b>Fund balance – end of year</b>	<u>\$ 2,529,425</u>		<u>2,529,425</u>	<u>1,908,416</u>	

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**Mojave Desert Air Quality Management District  
Budget Comparison Schedule – Carl Moyer Fund  
For the Year Ended June 30, 2020**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
<b>Program revenues:</b>					
Operating grants	\$ 973,492	-	973,492	1,632,787	659,295
<b>General revenues:</b>					
Investment earnings	<u>7,200</u>	<u>-</u>	<u>7,200</u>	<u>13,656</u>	<u>6,456</u>
<b>Total revenues</b>	<u>980,692</u>	<u>-</u>	<u>980,692</u>	<u>1,646,443</u>	<u>665,751</u>
<b>Expenditures:</b>					
Services and supplies	-	-	-	94,450	(94,450)
Contributions	<u>980,692</u>	<u>-</u>	<u>980,692</u>	<u>1,551,993</u>	<u>(571,301)</u>
<b>Total expenditures</b>	<u>980,692</u>	<u>-</u>	<u>980,692</u>	<u>1,646,443</u>	<u>(665,751)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance – beginning of year</b>	<u>9,565</u>		<u>9,565</u>	<u>9,565</u>	
<b>Fund balance – end of year</b>	<u>\$ 9,565</u>		<u>9,565</u>	<u>9,565</u>	

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**Mojave Desert Air Quality Management District**  
**Notes to the Required Supplementary Information**  
**June 30, 2020**

**Budgets and Budgetary Data**

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the District's Executive Director prepares and submits an operating budget to the Governing Board and is adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types. The adopted budget becomes operative on July 1.

The Governing Board must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the General fund, Mobile Emissions Program (AB 2766) fund, and the Carl Moyer fund.

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# **Report on Internal Controls and Compliance**

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**Independent Auditor’s Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Governing Board  
Mojave Desert Air Quality Management District  
Victorville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Mojave Desert Air Quality Management District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated February 22, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Independent Auditor’s Report on Internal Controls Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*, continued**

**Purpose of this Report**

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

**Fedak & Brown LLP**  
Cypress, California  
February 22, 2021

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# Mojave Desert Air Quality Management District

## Governing Board Presentation of 2020 Audit Results

From

**Fedak & Brown LLP**



# Audit Reports

## **Independent Auditor's Report on the Financial Statement – Unmodified "CLEAN" Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mojave Desert Air Quality Management District as of June 30, 2020....

# Financial Highlights

## Condensed Statements of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 9,949,049	10,738,225	(789,176)
Capital assets, net	<u>1,875,146</u>	<u>2,012,261</u>	<u>(137,115)</u>
<b>Total assets</b>	<u>11,824,195</u>	<u>12,750,486</u>	<u>(926,291)</u>
<b>Deferred outflows of resources</b>	<u>3,543,726</u>	<u>4,003,052</u>	<u>(459,326)</u>
<b>Liabilities:</b>			
Current liabilities	2,560,359	2,883,175	(322,816)
Non-current liabilities	<u>11,854,680</u>	<u>11,426,795</u>	<u>427,885</u>
<b>Total liabilities</b>	<u>14,415,039</u>	<u>14,309,970</u>	<u>105,069</u>
<b>Deferred inflows of resources</b>	<u>965,797</u>	<u>1,335,183</u>	<u>(369,386)</u>
<b>Net position:</b>			
Net investment in capital assets	1,875,146	2,012,261	(137,115)
Restricted	3,400,675	3,719,505	(318,830)
Unrestricted	<u>(5,288,736)</u>	<u>(4,623,381)</u>	<u>(665,355)</u>
<b>Total net position</b>	<u>\$ (12,915)</u>	<u>1,108,385</u>	<u>(1,121,300)</u>

# Financial Highlights

## Condensed Statements of Activities

	<u>2020</u>	<u>2019</u>	<u>Change</u>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charge for services	\$ 6,864,790	6,269,582	595,208
Operating grants:			
Mobile emission program AB 2766	1,719,250	1,732,747	(13,497)
Carl Moyer program	1,632,787	1,510,018	122,769
Other	2,402,156	2,463,911	(61,755)
<b>Total program revenues</b>	<u>12,618,983</u>	<u>11,976,258</u>	<u>642,725</u>
<b>General revenues:</b>			
Fines, forfeitures, and penalties	227,202	293,378	(66,176)
Investment earnings	122,504	98,336	24,168
Other revenue	16,779	10,509	6,270
<b>Total general revenues</b>	<u>366,485</u>	<u>402,223</u>	<u>(35,738)</u>
<b>Total revenues</b>	<u>12,985,468</u>	<u>12,378,481</u>	<u>606,987</u>
<b>Expenses:</b>			
General	11,116,040	9,062,851	2,053,189
Mobile emission program AB 2766	1,344,285	1,230,256	114,029
Carl Moyer program	1,646,443	1,510,018	136,425
<b>Total expenses</b>	<u>14,106,768</u>	<u>11,803,125</u>	<u>2,303,643</u>
<b>Changes in net position before transfers</b>	<u>(1,121,300)</u>	<u>575,356</u>	<u>(1,696,656)</u>
<b>Transfers to Fiduciary funds</b>	<u>-</u>	<u>(350,000)</u>	<u>350,000</u>
<b>Changes in net position</b>	<u>(1,121,300)</u>	<u>225,356</u>	<u>(1,346,656)</u>
<b>Net position, beginning of year</b>	<u>1,108,385</u>	<u>883,029</u>	<u>225,356</u>
<b>Net position, end of year</b>	<u>\$ (12,915)</u>	<u>1,108,385</u>	<u>(1,121,300)</u>

# Management Report

- Auditor's communication with those charged with governance (SAS 114)
- Communication of control deficiencies (SAS 115)



# Communication with Those Charged with Governance

- **Our communication with those charged with governance –**
  - **Qualitative Aspects of Accounting Practices**
    - Sensitive estimates
    - Sensitive note disclosures
  - **Difficulties Encountered in Performing the Audit**
  - **Disagreements with Management**
  - **Management Consultations with Other Independent Accountants**

# Control Deficiency

- Our communication of control deficiencies:
  - No material weaknesses or significant deficiencies.

## Summary and Conclusion

- **Unmodified opinion.**
- **Net position decreased \$1,121,300.**
- **Total revenues increased \$606,987.**
- **Total expenses increased \$2,303,643.**

# Questions

