

BOARD MEETING DATE: September 1, 2023

AGENDA NO. 10

PROPOSAL: Transfer and Appropriate Funds for Independent Audit of Rule 1180 Fenceline Air Monitoring Network

SYNOPSIS: Rule 1180 mandates the implementation of real-time observations of air quality at or near the fenceline of all major refineries in the Basin, and in nearby communities. In June 2018, the Board created the Rule 1180 Special Revenue Fund (78) to establish community air monitoring near refineries. FY 2023-24 Budget for this program is approximately \$4.6 million in annual fees from refineries for community air monitoring. These actions are to transfer and appropriate \$700,000 from the Rule 1180 Special Revenue Fund (78), and appropriate \$500,000 from the General Fund Undesignated (Unassigned) Fund Balance to Monitoring and Analysis' FY 2023-24 Budget for an independent audit of the Rule 1180 fenceline air monitoring network.

COMMITTEE: Administrative, August 11, 2023; Recommended for Approval

RECOMMENDED ACTIONS:

1. Transfer and appropriate \$700,000 from the Rule 1180 Special Revenue Fund (78) to Monitoring and Analysis' (MAD) FY 2023-24 Budget (Org 42), Services & Supplies Major Object, as indicated in Table 1; and
2. Appropriate \$500,000 from the General Fund Undesignated (Unassigned) Fund Balance for Rule 1180 monitoring operations to MAD's FY 2023-24 Budget (Org 42), Services & Supplies Major Object, as indicated in Table 1.

Wayne Nastri
Executive Officer

Background

Rule 1180 - Refinery Fenceline and Community Air Monitoring, was adopted by the Board in December 2017 and requires the seven major refineries in the Basin to measure levels of various air pollutants at their fenceline. This Rule also established a fee schedule to fund community air monitoring stations developed and operated by the South Coast AQMD to provide air quality information to the public about the potential impact of refinery emissions in their communities. In FYs 2017-18 and 2018-19, the Board recognized revenue in two installments of \$2,145,390 and \$5,005,907, respectively, into the Rule 1180 Special Revenue Fund (78) for the installation of community air monitoring stations near refineries. Beginning January 2020, pursuant to Rule 301 - Permitting and Associated Fees, the refineries also started funding annual operating and maintenance costs totaling approximately \$4.6 million in FY 2023-24 for a refinery-related community air monitoring program near the following facilities:

- Tesoro Refining & Marketing Company, LLC, Carson;
- Tesoro Refining & Marketing Company, LLC, Wilmington;
- PBF Energy, Torrance Refining Company, Torrance;
- Chevron Products Company, Chevron El Segundo Refinery, El Segundo;
- Phillips 66 Company, Carson;
- Phillips 66 Company, Wilmington; and
- Valero Energy Corporation, Valero Wilmington Refinery, Wilmington.

Annual operating and maintenance fees pursuant to Rule 301 have been accounted for in the FY 2023-24 Budget.

The Rule 1180 fenceline air monitoring network consists of Optical Remote Sensing (ORS) and traditional analyzers deployed at the fencelines of all seven major refineries in the Basin. South Coast AQMD staff has been working with each facility to assure appropriate instrumentation, standardization of data acquisition and reporting, and appropriate procedure implementation to produce high-quality data. There is a pressing need to have a qualified independent contractor conduct a systematic review of the entire Rule 1180 fenceline air monitoring network and ensure that the collected refinery data meets the stringent quality assurance criteria of this program. In May 2022, South Coast AQMD issued RFP# P2022-13 to identify one or more contractors capable of designing and conducting an independent audit of the fenceline air monitoring systems of all refineries that are part of the South Coast AQMD Rule 1180 program.

In June 2022, the Board authorized a transfer up to \$700,000 from the Rule 1180 Special Revenue Fund (78) and up to \$500,000 from the General Fund Undesignated (Unassigned) Fund balance to MAD's FY 2022-23 Budget (org 42) for independent audit activities for the Rule 1180 program.

In April 2023, based on the results by an expert panel review of all proposals submitted in response to RFP# P2022-23, the Board authorized the Executive Officer to execute a contract with National Physical Laboratory (NPL) in an amount up to \$1,200,000 to conduct an independent audit of the fenceline air monitoring systems for all refineries that are part of the Rule 1180 fenceline air monitoring network.

Contract negotiations with NPL extended past the end of FY 2022-23; and therefore, the Board's authorization for the transfer of funds and appropriations has lapsed.

Proposal

This action is to transfer and appropriate \$700,000 from the Rule 1180 Special Revenue Fund (78) into MAD's FY 2023-24 Budget (Org 42) Services and Supplies Major Object, as indicated in Table 1.

This action is also to appropriate \$500,000 from the General Fund Undesignated (Unassigned) Fund Balance to MAD's FY 2023-24 Budget (Org 42), Services & Supplies Major Object, as indicated in Table 1.

These funds will be used to execute a contract with NPL to conduct an independent audit of fenceline air monitoring systems for all refineries that are part of the Rule 1180 fenceline air monitoring network.

Benefits to South Coast AQMD

Funding for the implementation of Rule 1180 will allow the South Coast AQMD to fulfill the requirements of Rule 1180, which will result in benefits to environmental justice communities and others working and residing in the Basin near refineries.

Resource Impacts

Sufficient funding is available in the Rule 1180 Special Revenue Fund and Undesignated (Unassigned) Fund Balance from Rule 1180 prior year budget savings to support the contract identified in this Board letter.

Attachment

Table 1: FY 2023-24 Proposed Services and Supplies Expenditures for Rule 1180.

Table 1
FY 2023-24 Proposed Services and Supplies Expenditures for Rule 1180*

Description	Account Number	Appropriation from FY 2020-21 Budget Savings**	Additional Appropriations from Fund 78**	Estimated Amount
Independent Audit of Rule 1180 Network#	67450	\$500,000	\$700,000	\$1,200,000

*These are in addition to the appropriations included in FY 2023-24 Budget funded from annual fees.

**Funds authorized by the Board in June 2022, Agenda Item #7, were not used in FY 2022-23.

#Expenditures may be appropriated in the Capital Outlays Major Object as warranted.