



**BAY AREA  
AIR QUALITY  
MANAGEMENT  
DISTRICT**

# **Proposed Fiscal Year End 2016 Budget**

## **Budget and Finance Committee**

**April 22, 2015**

**Jeff McKay**

**Deputy Air Pollution Control Officer**



# OUTLINE

- Status of Current Fiscal Year End (FYE) 2015
- Review of Revenue and Expenditure FYE 2016
- Review of Proposed Policy Recommendations



# Revenue Projections for Current FYE 2015

*Out of \$65 M Budget*

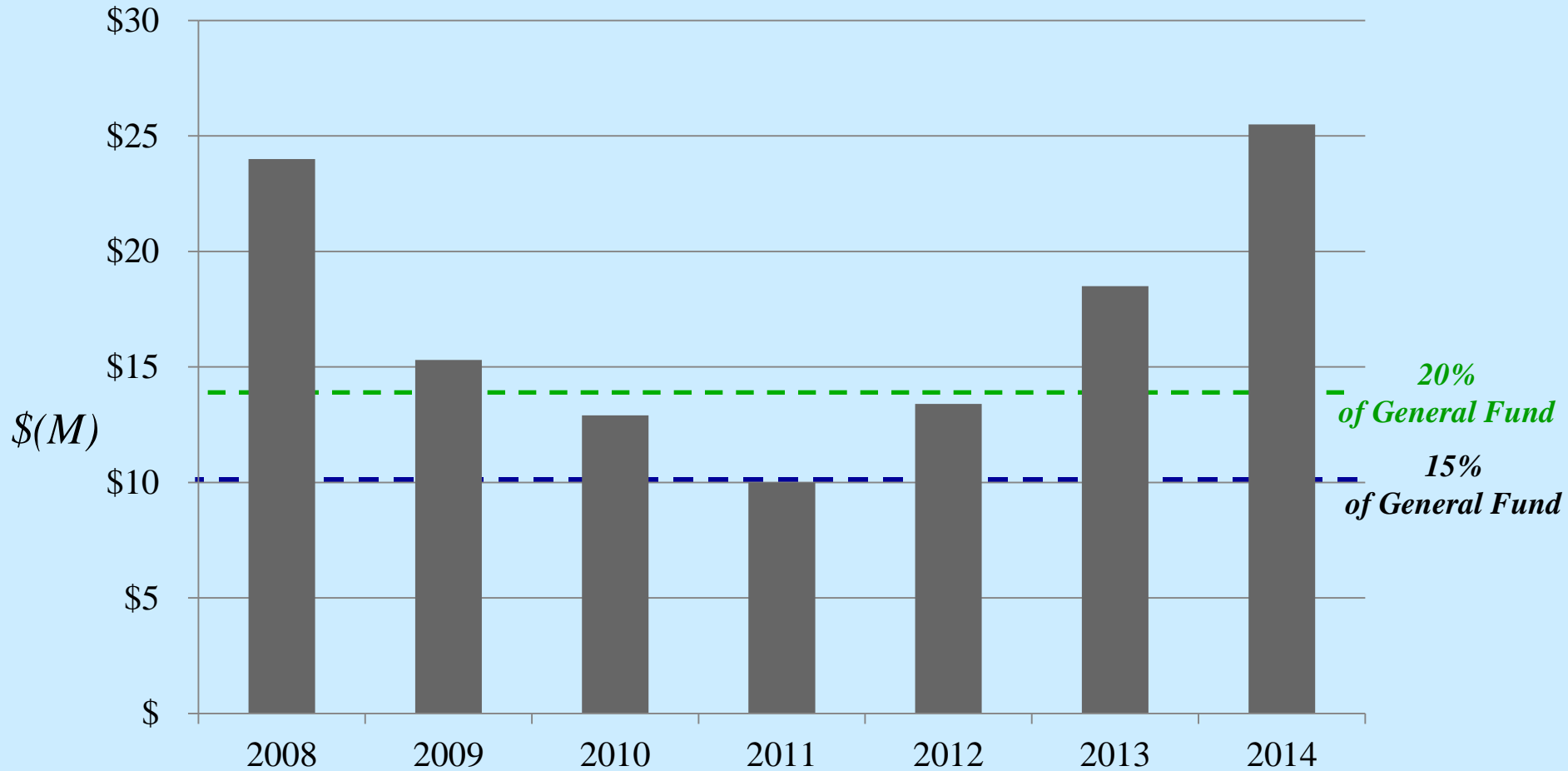
As of April 2015:

- Permit Fee revenue on target
- Property Tax revenue on target
- Expenditures on target



# DISTRICT RESERVE FUNDS

## Audited Values





# APPROVED RESERVE TRANSFERS FYE 2015

- During FYE 2015 Board Approved Transfers:
  - \$1M for 375 Beale Street Design and Construction
  - \$1.4M for JDE Software Upgrade



# OVERVIEW

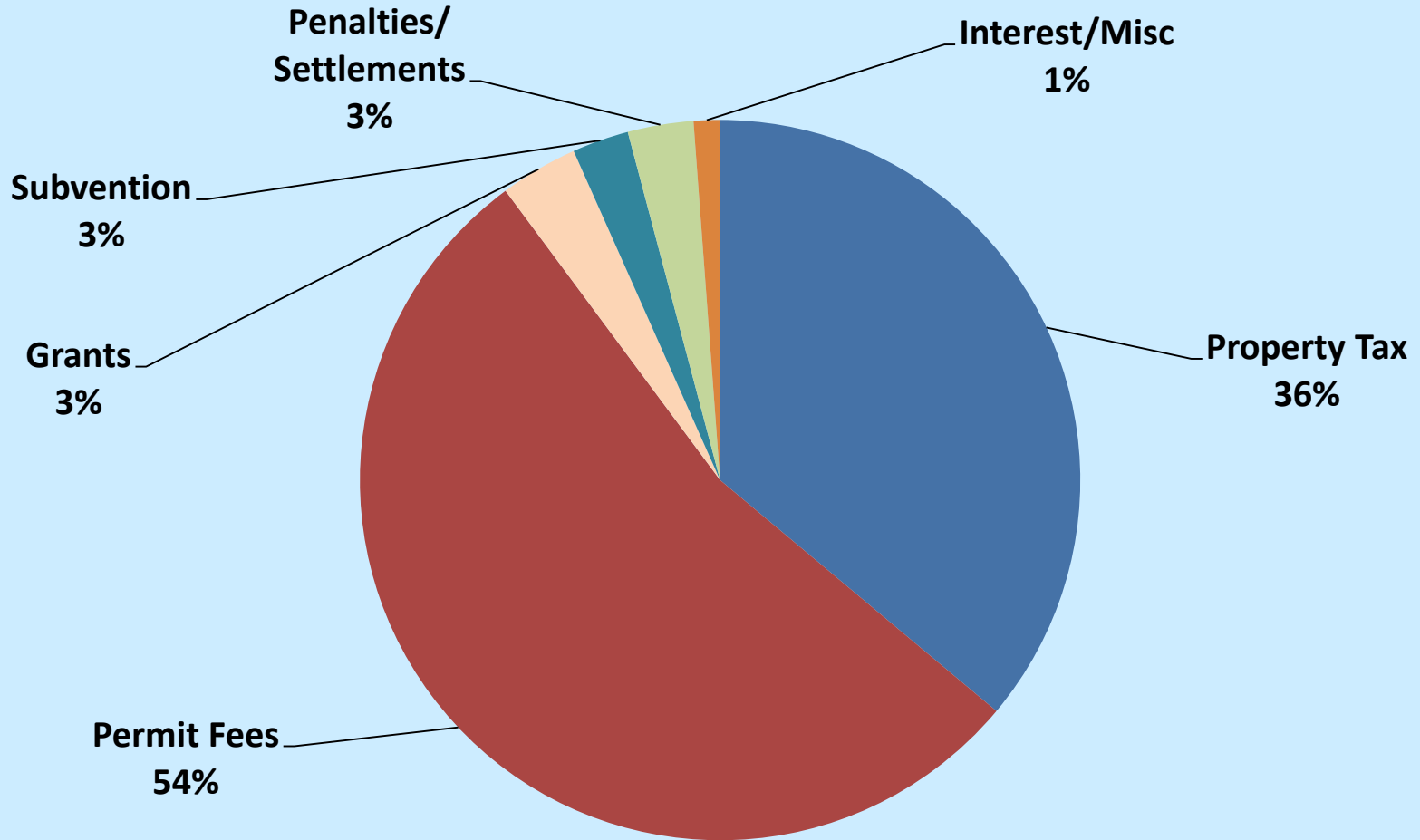
## Proposed Budget for FYE 2016

*(Excludes New Building Financing)*

- \$72.5 M General Fund Budget
- Incorporates Cost Recovery Policy
- Additional GHG funding for 2 new positions
- Hire Staff: From 329 to 334 filled positions
- Addresses Retirement Liabilities
- Includes 2.6% COLA
- Use of Reserves & Proposed Reserve Policy



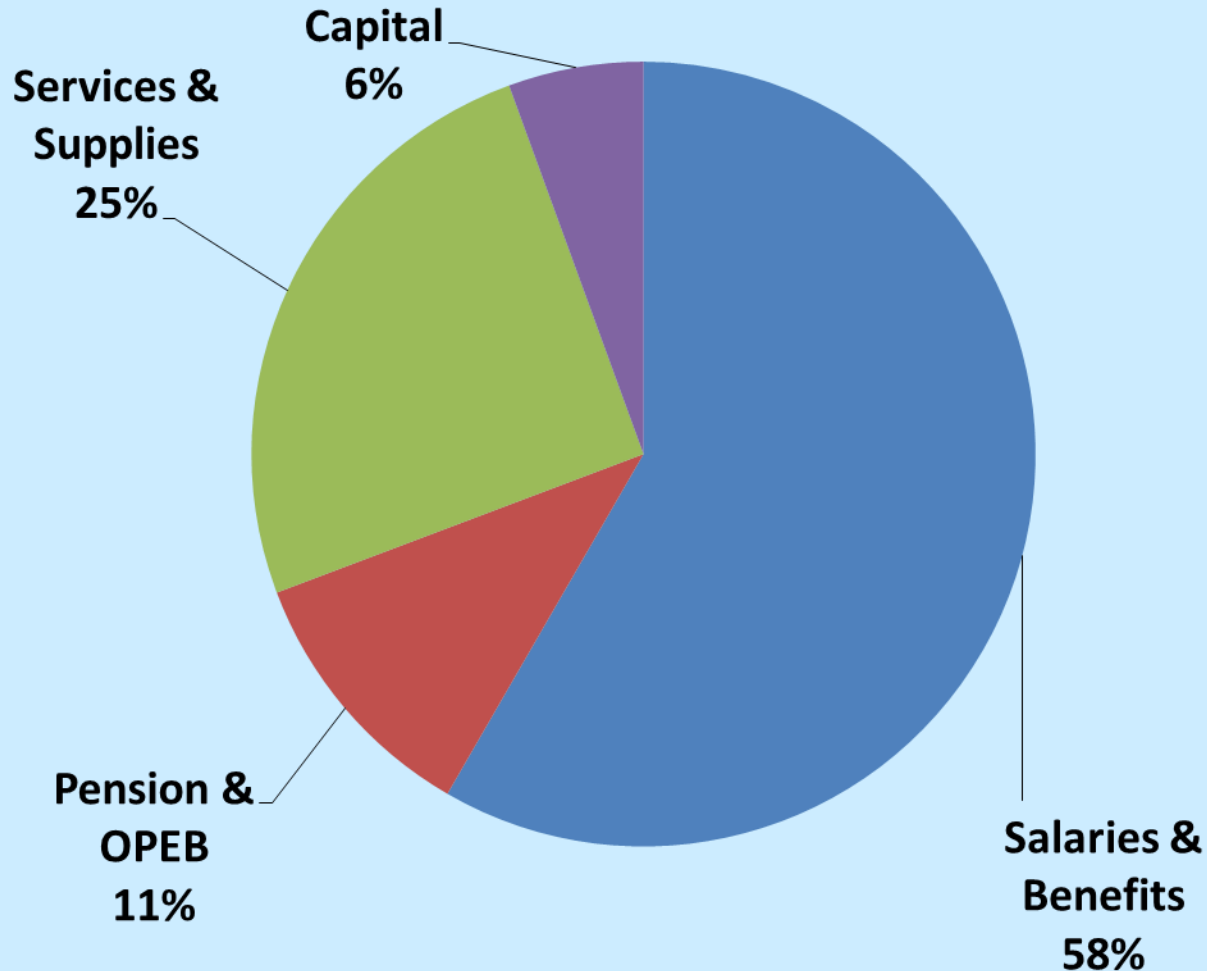
# GENERAL FUND REVENUE SOURCES (FYE 2016 Proposed Budget)



*Excludes Building Proceeds*



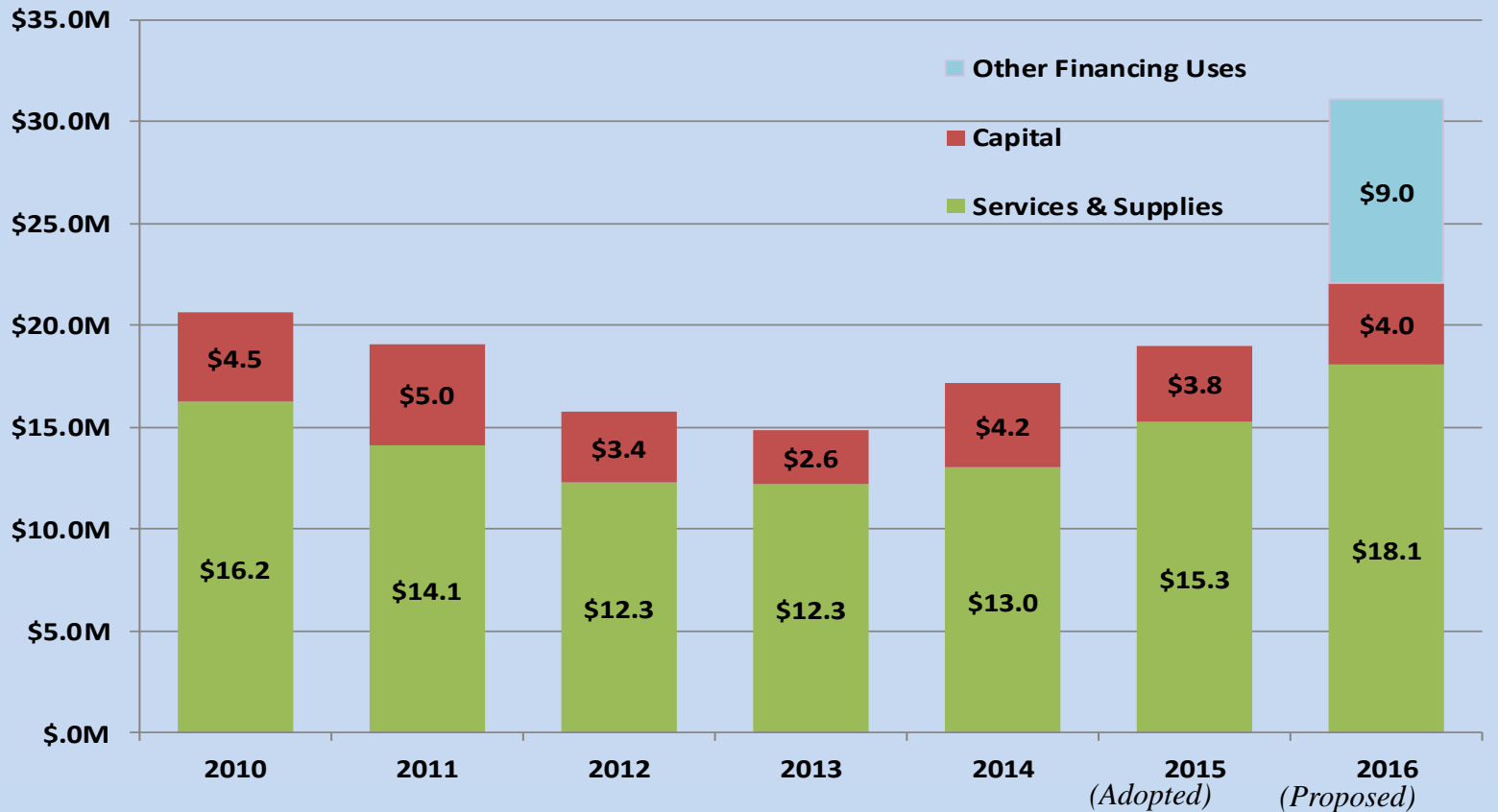
# GENERAL FUND EXPENDITURES (FYE 2016 Proposed Budget)



*Excludes Building Financing*



# CAPITAL and SERVICES & SUPPLIES



<b>Other Financing Uses</b>							\$9.0
<b>Capital</b>	\$4.5	\$5.0	\$3.4	\$2.6	\$4.2	\$3.8	\$4.0
<b>Services &amp; Supplies</b>	\$16.2	\$14.1	\$12.3	\$12.3	\$13.0	\$15.3	\$18.1
<b>Total</b>	<b>\$20.7</b>	<b>\$19.1</b>	<b>\$15.7</b>	<b>\$14.8</b>	<b>\$17.2</b>	<b>\$19.0</b>	<b>\$31.1</b>



# FYE 2016 PROPOSED FEES

- Fourth year of Cost Recovery Policy
  - Average 6.4% fee increase in FYE 2016 budget
  - Additional GHG fees to cover new programs
  - Strong involvement by regulated community



# CLIMATE PROGRAM STAFFING

- Implementation of the Air District's 10-Point Climate Action Work Plan
  
- 4.6 cents per ton of GHG implemented over 2 years
  - 4 Positions (2 in 2015 and 2 in 2016)
    - Planning (2)
    - Inspection (1)
    - Technical (1)



## FYE 2016 FTE STAFFING LEVEL

FYE 2015 Budgeted Positions	329
FYE 2016 Recommended Positions	5
Total Budgeted Positions	334

# FYE 2016 FUND BALANCE SUMMARY

FUND BALANCES	6/30/2014 Audited	6/30/2015 Projected	6/30/2016 Projected
Reserve for Building and Facilities	\$ 500,000	\$ 500,000	\$ -
Reserve for Capital Equipment Contingency	\$ 1,000,000	\$ 1,000,000	\$ 1,360,000
Reserve for Economic Contingency (20%)	\$ 10,114,309	\$ 10,114,309	\$ 14,501,024
Reserve for Fleet Contingency	\$ -	\$ -	\$ 1,000,000
Reserve for IT-Desktop Equipment	\$ 500,000	\$ 500,000	\$ 500,000
Reserve for IT- Event Response	\$ 500,000	\$ 500,000	\$ 500,000
Reserve for JD Edwards Software Upgrade	\$ 1,000,000	\$ 1,000,000	\$ -
Reserve for Pension & Post Employment Liability	\$ 1,800,000	\$ 1,800,000	\$ 1,600,000
Reserve for Tech- GHG Monitoring Equipment	\$ 360,900	\$ 360,900	\$ 360,900
Reserve for Tech- Meterological Network Equipment	\$ 417,100	\$ 417,100	\$ 417,100
Reserve for Tech- Mobile Monitoring Instruments	\$ 450,000	\$ 450,000	\$ 450,000
Reserve for GHG Abatement Technology Study	\$ -	\$ -	\$ 500,000
Reserve for Woodsmoke Program	\$ -	\$ -	\$ 1,000,000
Reserve for Worker's Comp Self -Funding	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Unreserved and Undesignated	\$ 7,404,751	\$ 7,404,751	\$ -
Prior Approved Transfers	\$ -	\$ (1,858,036)	\$ -
Proposed Use of Fund Balance	\$ -	\$ -	\$ (1,316,825)
<b>TOTAL SPECIAL RESERVES</b>	<b>\$ 25,047,060</b>	<b>\$ 23,189,024</b>	<b>\$ 21,872,199</b>
Building Proceeds	\$ 14,668,200	\$ 14,668,200	\$ 14,168,200
Building Financing Cost	-	(500,000)	(9,000,000)
<b>TOTAL BUILDING PROCEEDS</b>	<b>\$ 14,668,200</b>	<b>\$ 14,168,200</b>	<b>\$ 5,168,200</b>
<b>TOTAL FUND BALANCE</b>	<b>\$ 39,715,260</b>	<b>\$ 37,357,224</b>	<b>\$ 27,040,399</b>



# FYE 2016 USE OF RESERVES RECOMMEDATIONS

375 Beale Building Acquisition	\$9,000,000
Information Technology	\$900,000
Lab & Monitoring Equipment	\$416,825
	<u>\$10,316,825</u>



# FUND BALANCE POLICY

- Current Fund Balance Policy: 15% of General Fund Expenditures
  - FYE 2016 Budget of \$73M = \$11M (minimum)
  - Proposed Policy: 20% = \$14.5M (minimum)



# UNFUNDED LIABILITIES

(based on June 30, 2013 Valuation)

## ➤ CalPERS Retirement

- \$232M Obligation – 77% Funded
- \$53M Unfunded

## ➤ OPEB Medical

- \$50M Obligation – 40% Funded
- \$30M Unfunded





# UNFUNDED LIABILITIES RESPONSE for CalPERS

- CalPERS projects required contributions will increase from about 15% of salary to about 20% of salary over five years.
- Required contribution (ARC) FYE 2016 = \$5.25M
- Proposed FYE 2016 Prefund = \$250,000:
  - 105% of ARC = \$5.5M



# MOTIVATION PRE-FUND CALPERS

- Reduce year-to-year changes in future budgets
- Use CalPers return on funds to reduce future obligations



# UNFUNDED LIABILITIES RESPONSE for OPEB

- Unfunded Liability = \$30M
- FYE2016 OPEB Estimated Normal Cost = \$2M
- Propose continuation of prefund amount = \$3M
- Proposed Policy: 90% minimum funded level
- No target date in Policy



# OFFICE BUILDING OBLIGATIONS

- 375 Beale Street projected acquisition date: January 2016
  - Contribution of \$9M; reducing obligation
  - FYE 2016 Monthly Base Financing is \$100,000
  - HOA approximately \$1M/year, SSO additional
  
- 939 Ellis Street monthly lease of \$91,925
  - Lease becomes \$114,906 beginning October 1, 2015



# SUMMARY

## Budget FYE 2016

- Budget balanced
- Reserve drawdown of \$1.3M
- Budgeted positions increased to 334
- Other Post-Employment Benefits (OPEB):
  - Contribution remains at \$3M
  - 90% Funding Target
- Additional CalPERS contribution (\$250K)
- Minimum Reserve increased to 20% of Budget



# RECOMMENDATIONS

- Consider recommending that the Board of Directors:
  1. Adopt the FYE 2016 Proposed Budget
  2. Approve 20% Minimum Reserve Policy
  3. Approve 90% OPEB Funding Target Policy



## NEXT STEPS

- April 15 - Held 1<sup>st</sup> Public Hearing on Proposed Fees
- May 20 – 1<sup>st</sup> Public Hearing on Proposed Budget
- June 3 – 2<sup>nd</sup> Public Hearing and Adoption of:
  1. Proposed Fees
  2. Proposed Budget



# Bay Area Air Quality Management District

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## Budget & Finance Committee Meeting

April 22, 2015

## Third Quarter Financial Report Fiscal Year Ending (FYE) 2015

**Stephanie Osaze**  
Finance Manager





## **General Fund Reporting on 3<sup>rd</sup> Quarter financial results (July 1, 2014 – March 31, 2015):**

- Revenues
- Expenditures
- Investments
- General Fund Balance
- Purchasing Report Requirements



# 3rd Quarter Results FYE 2015

## General Fund - Revenues

Major Categories	FYE 2015 Budget	FYE 2015 Actual (as of 3/31/2015)	Percentage of Budgeted Revenues
County receipts	\$ 22,523,540	\$ 14,143,237	63%
Permit Fees	\$ 27,519,936	\$ 26,344,843	96%
Title V Permit Fees	\$ 3,867,100	\$ 4,039,072	104%
Asbestos Fees	\$ 2,300,000	\$ 2,387,824	104%
Toxic Inventory Fees	\$ 554,359	\$ 361,974	65%
Penalties and Settlements	\$ 1,720,000	\$ 1,876,389	109%
Interest Revenue	\$ 190,000	\$ 137,312	72%
Miscellaneous Revenue	\$ 114,717	\$ 67,193	59%
<b>Total Revenues</b>	<b>\$ 58,789,652</b>	<b>\$ 49,357,843</b>	<b>84%</b>



# Revenue Comparison

## Prior Year vs. Current Year

	<b>FYE 2014</b> (As of March 31, 2014)	<b>FYE 2015</b> (As of March 31, 2015)	<b>\$ DIFFERENCE</b>
County receipts	\$ 13,680,809	\$ 14,143,237	\$ 462,428
Permit Fee receipts	\$ 24,241,276	\$ 26,344,843	\$ 2,103,567
Title V Permit Fees	\$ 3,379,635	\$ 4,039,072	\$ 659,437
Asbestos Fees	\$ 2,020,834	\$ 2,387,824	\$ 366,991
Toxic Inventory Fees	\$ 439,115	\$ 361,974	\$ (77,141)
Penalties and Settlements	\$ 2,306,306	\$ 1,876,389	\$ (429,917)
Interest Revenue	\$ 598,623	\$ 137,312	\$ (461,311)
Miscellaneous Revenue	\$ 113,609	\$ 67,193	\$ (46,416)
<b>TOTAL REVENUES</b>	<b>\$ 46,780,206</b>	<b>\$ 49,357,843</b>	<b>\$ 2,577,637</b>



# 3rd Quarter Results FYE 2015

## General Fund - Expenses

Major Categories	FY 2015 Budget	FYE 2015 Actual (as of 3/31/2015)	Percentage of Budgeted Expenditures
* Personnel - Salaries	\$ 35,030,516	\$ 24,978,191	71%
* Personnel - Fringe Benefits	\$ 15,399,074	\$ 12,125,074	79%
Operational Services and Supplies	\$ 21,267,586	\$ 10,858,632	51%
Capital Outlay	\$ 5,295,352	\$ 2,621,384	50%
<b>Total Expenditures</b>	<b>\$ 76,992,528</b>	<b>\$ 50,583,281</b>	<b>66%</b>
* Consolidated (Includes Special Funds)			



# Expenditure Comparison

## Prior Year vs. Current Year

	FYE 2014 (As of March 31, 2014)	FYE 2015 (As of March 31, 2015)	\$ DIFFERENCE
*Personnel - Salaries	\$ 24,366,343	\$ 24,978,191	\$ 611,848
*Personnel - Fringe Benefits	\$ 11,437,961	\$ 12,125,074	\$ 687,113
Operational Services and Supplies	\$ 9,785,438	\$ 10,858,632	\$ 1,073,194
Capital Outlay	\$ 2,370,226	\$ 2,621,384	\$ 251,158
<b>TOTAL EXPENDITURES</b>	<b>\$ 47,959,968</b>	<b>\$ 50,583,281</b>	<b>\$ 2,623,313</b>
*Consolidated includes Special Funds			



# 3rd Quarter Results FYE 2015

## Investments

### Cash and Investments with County Treasury:

( Based on the March 2015 Account Balance)

General Fund	\$52,512,174
TFCA	\$74,112,609
MSIF	\$34,423,877
Carl Moyer	\$2,159,235
CA Goods Movement	\$13,097,006
<b>TOTAL</b>	<b><u>\$176,304,901</u></b>



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# General Fund - Fund Balance

<b>FUND BALANCES</b>	<b>6/30/2014 Audited</b>	<b>Board Approved Transfer</b>	<b>6/30/2015 Projected</b>
Reserve for Building and Facilities	\$ 500,000	\$ (500,000)	\$ -
Reserve for Capital Equipment Contingency	\$ 1,000,000		\$ 1,000,000
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Reserve for IT- Event Response	\$ 500,000		\$ 500,000
Reserve for JD Edwards Software Upgrade	\$ 1,000,000	\$ (1,000,000)	\$ -
Reserve for Pension & Post Employment Liability	\$ 1,800,000		\$ 1,800,000
Reserve for Tech- GHG Monitoring Equipment	\$ 360,900		\$ 360,900
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Unreserved and Undesignated	\$ 7,404,751	\$ (358,036)	\$ 7,046,715
<b>TOTAL SPECIAL RESERVES</b>	<b>\$ 25,047,060</b>	<b>\$ (1,858,036)</b>	<b>\$ 23,189,024</b>
Building Proceeds	\$ 14,668,200	\$ (500,000)	\$ 14,168,200
	-		-
<b>TOTAL BUILDING PROCEEDS</b>	<b>\$ 14,668,200</b>	<b>\$ (500,000)</b>	<b>\$ 14,168,200</b>
<b>TOTAL FUND BALANCE</b>	<b>\$ 39,715,260</b>	<b>\$ (2,358,036)</b>	<b>\$ 37,357,224</b>



# Purchasing Reporting Requirements

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- **Section 4.3 of the Purchasing Procedures states:**

Recurring payments of routine business needs such as utilities, licenses, office supplies etc. that are more than \$70,000 shall be presented in the Quarterly Financial Report.

- In an effort of full disclosure, the list also includes benefit payments.





# FYE 2015 Vendor Payments

## Cumulative Vendor Payments in Excess of \$70,000 without Board Review

	VENDOR NAME	AMOUNT PAID (July 2014 - March 2015)	Explanation
1	ALLIANT INSURANCE SERVICES	416,584	Various Business Insurance Policies
2	CA PUBLIC EMPLOYEE RETIREMENT SYSTEM	4,716,788	Health Insurance Plan
3	CA PUBLIC EMPLOYEE RETIREMENT SYSTEM	6,373,962	Retirement Benefits & 457 Supplemental Plan
4	CAPCOA	620,241	Pass through EPA grants
5	COMPUCOM SYSTEMS, INC.	150,120	Microsoft license agreement
6	COMPUTER DISCOUNT WAREHOUSE	77,249	IT Servers Maintenance
7	CSAC EXCESS INSURANCE AUTHORITY	551,941	Life Insurance Plan & LTD Insurance
8	CUBIC TRANSPORTATIONS SYSTEMS	241,312	Clipper Transit Subsidy
9	DIRECT MAIL CENTER	84,222	Bulk Mailing Services
10	EMPLOYEE BENEFIT SPECIALISTS	189,611	Medical & Dependent Care Flexible Spending Plan
11	ENTERPRISE FLEET SERVICES	379,404	Fleet Leasing and Maintenance services



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# FYE 2015 Vendor Payments

## Cumulative Vendor Payments in Excess of \$70,000 without Board Review

	VENDOR NAME	AMOUNT PAID (July 2014 - March 2015)	Explanation
12	EPLUS TECHNOLOGY, INC.	138,543	Cisco Maintenance and Support
13	HARTFORD LIFE INS. CO.	303,873	457 Supplemental Insurance
14	NETAPP INC.	85,198	SF & SAC Net Application Support
15	PACIFIC GAS & ELECTRIC COMPANY	309,566	Utilities
16	PREFERRED BENEFIT INSURANCE AD	521,198	Dental Insurance Plan
17	RENNE SLOAN HOLTZMAN & SAKAI	138,868	Human Resources Consulting Services
18	RICHMOND PARKWAY BUSINESS PARK	166,950	Building Lease
19	SONOMA TECHNOLOGY INC.	119,873	Programming & Special Studies
20	THERMO ENVIRONMENTAL INSTRUMENTS	153,580	Air monitoring and source test instrumentation
21	VERIZON WIRELESS	146,630	Cell phone services



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# **Budget & Finance Committee**

**April 22, 2015**

**Renewal of IT Infrastructure**

**Damian Breen  
Deputy Air Pollution Control Officer**

# PREVIOUS IT PROCUREMENT

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- Procurement Through 6 Year Lease
  - Flattens annual infrastructure expenditures
  - Creates a uniform and supportable environment
  - Takes advantage of volume discount pricing
- 2010 Procurement
  - \$2M capital lease for IT infrastructure
  - \$368,000 annual payments due in July for 6 years
  - Final payment due July 2015, Fiscal Year Ending (FYE) 16



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# CURRENT INFRASTRUCTURE

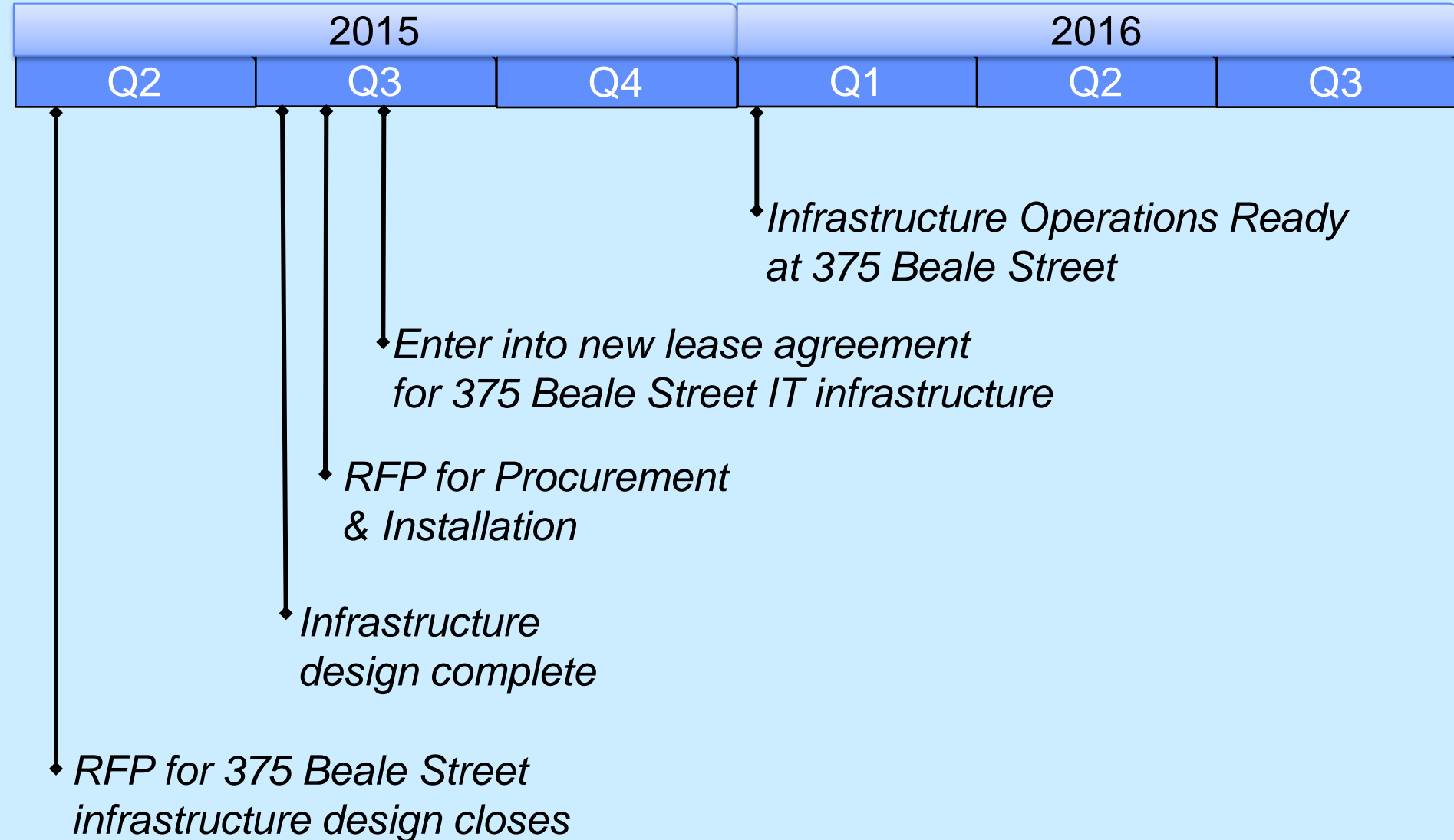


# NEW IT PROCUREMENT

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- New IT Infrastructure Cycle for 375 Beale Street Move
  - Board approved prepayment of previous lease
  - New infrastructure cycle to start with move
- New Infrastructure Implementation
  - Bids received for 375 Beale Street IT infrastructure design services RFP
  - Procurement and installation of new infrastructure in early FYE 16

# PROJECTED TIMELINE



# CURRENT ACTION

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- Informational Only - No Current Action Required
- Upcoming Actions
  - The Board will be asked to approve award of infrastructure design contract on the May 6, 2015 consent calendar
  - The Board will be asked to approve a new infrastructure implementation contract and lease in early FYE 16