



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 3

Special Meeting of the Board of Directors Budget Hearing

May 18, 2016

Jeff McKay

Deputy Air Pollution Control Officer





OUTLINE

- Status of Current Year (Fiscal Year Ending 2016)
- Overview of Revenue and Expenditure FYE 2017
- Proposed Budget Recommendations



PROJECTIONS FOR CURRENT FISCAL YEAR ENDING (FYE) 2016

Out of \$72.5 M Budget

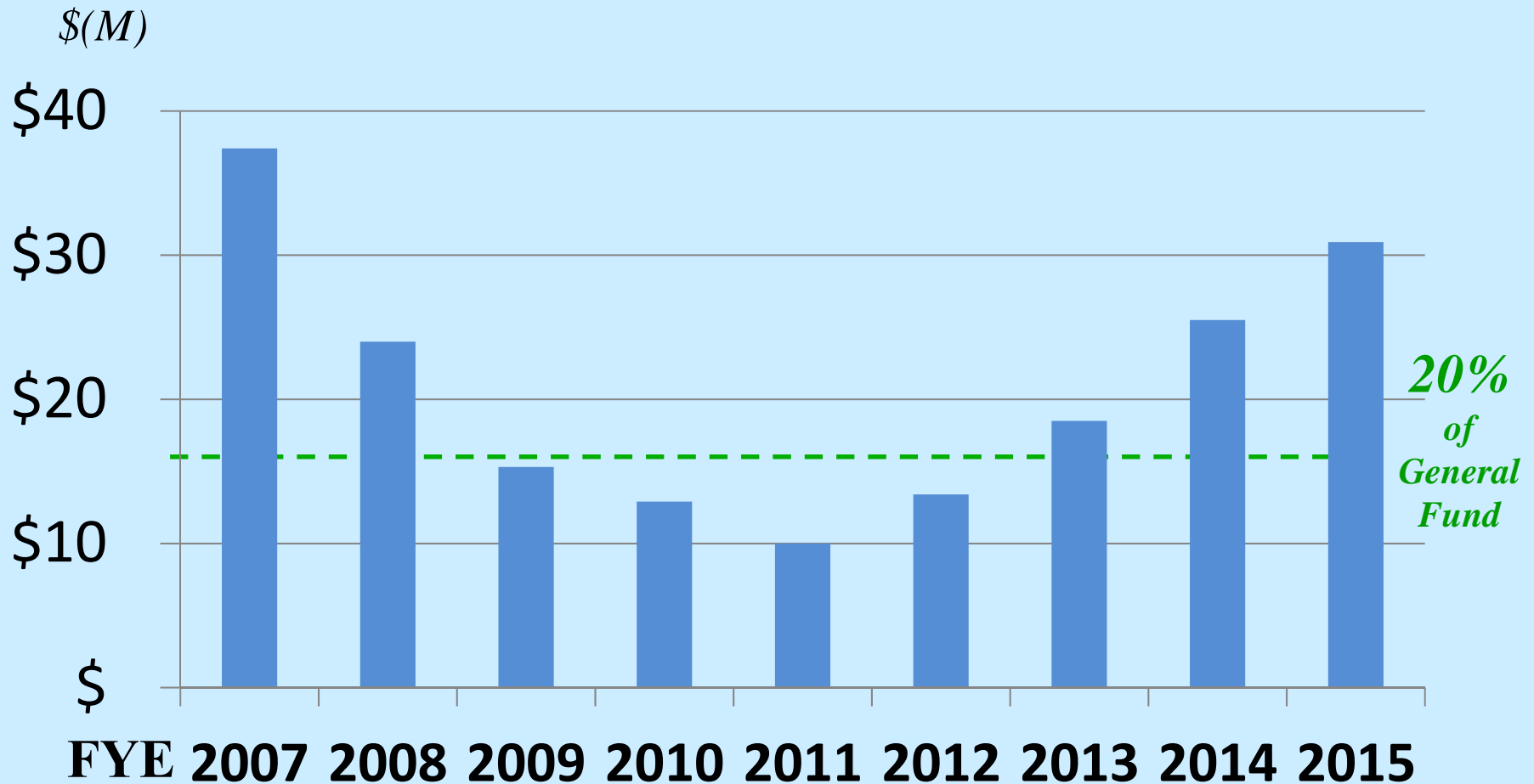
As of March 2016:

- Revenues on Target = \$58.8 M
- Expenditures on Target = \$58.5 M



DISTRICT RESERVE FUNDS

Audited Values Excluding Building Proceeds





APPROVED RESERVE TRANSFERS FYE 2016

- During FYE 2016 Board Approved Transfers:
 - \$1.3 M for Information Technology & Lab Equipment
 - \$3 M for Wood Smoke Program
 - \$3 M for Parking Infrastructure
 - \$1.4 M for IT Technology Infrastructure
 - \$200 K for Wood Smoke Outreach



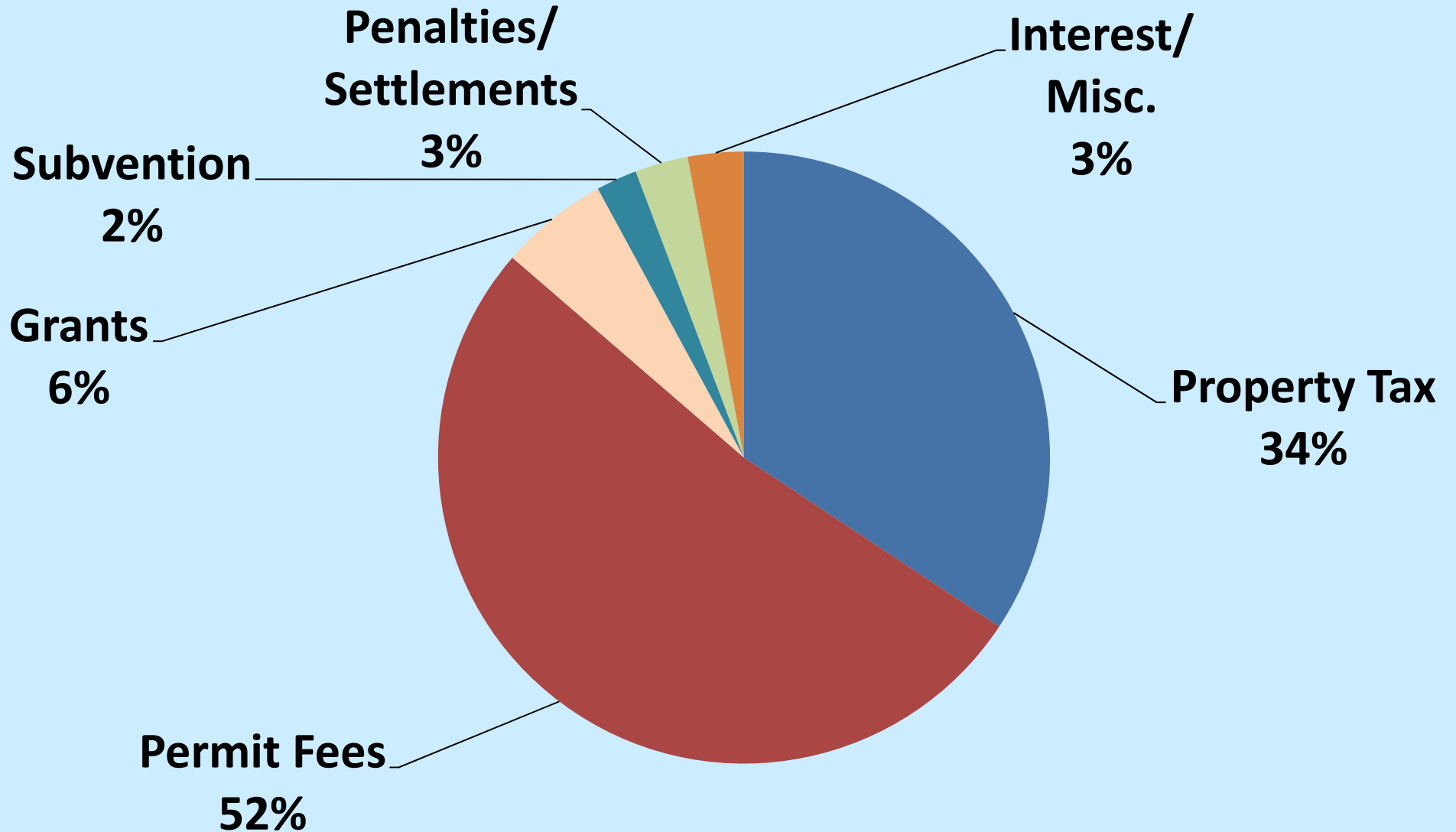
OVERVIEW

Proposed Budget for FYE 2017

- \$137.9 M Consolidated Budget
- \$ 78.4 M General Fund Budget
- Incorporates Cost Recovery Policy
- 375 Beale Cost Commitments
- Hire Staff: From 334 to 345 filled positions
- Addresses Retirement Liabilities
- Includes 2.2% COLA
- Use of Reserves for Capital Equipment

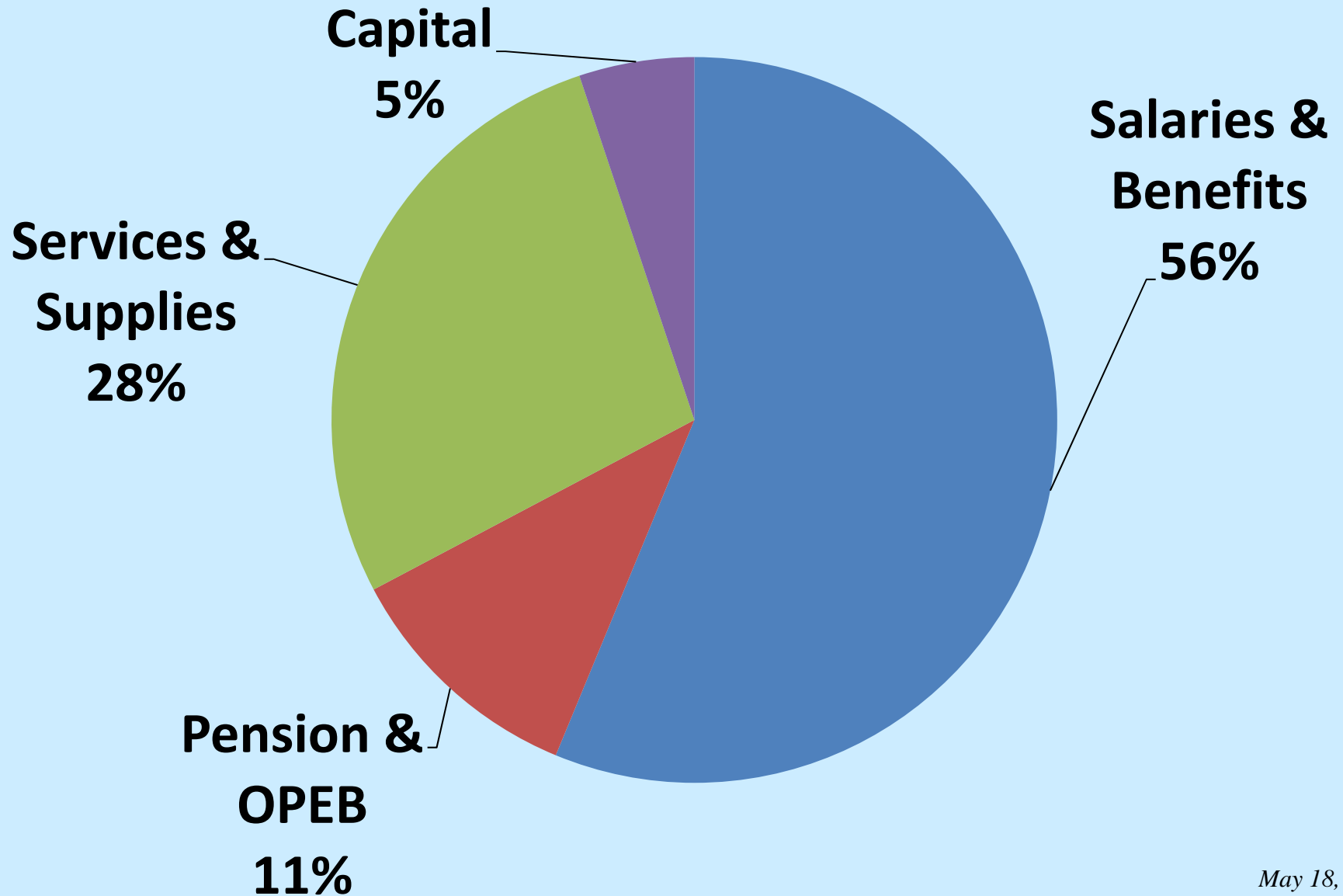


GENERAL FUND REVENUE SOURCES (FYE 2017 Proposed Budget)



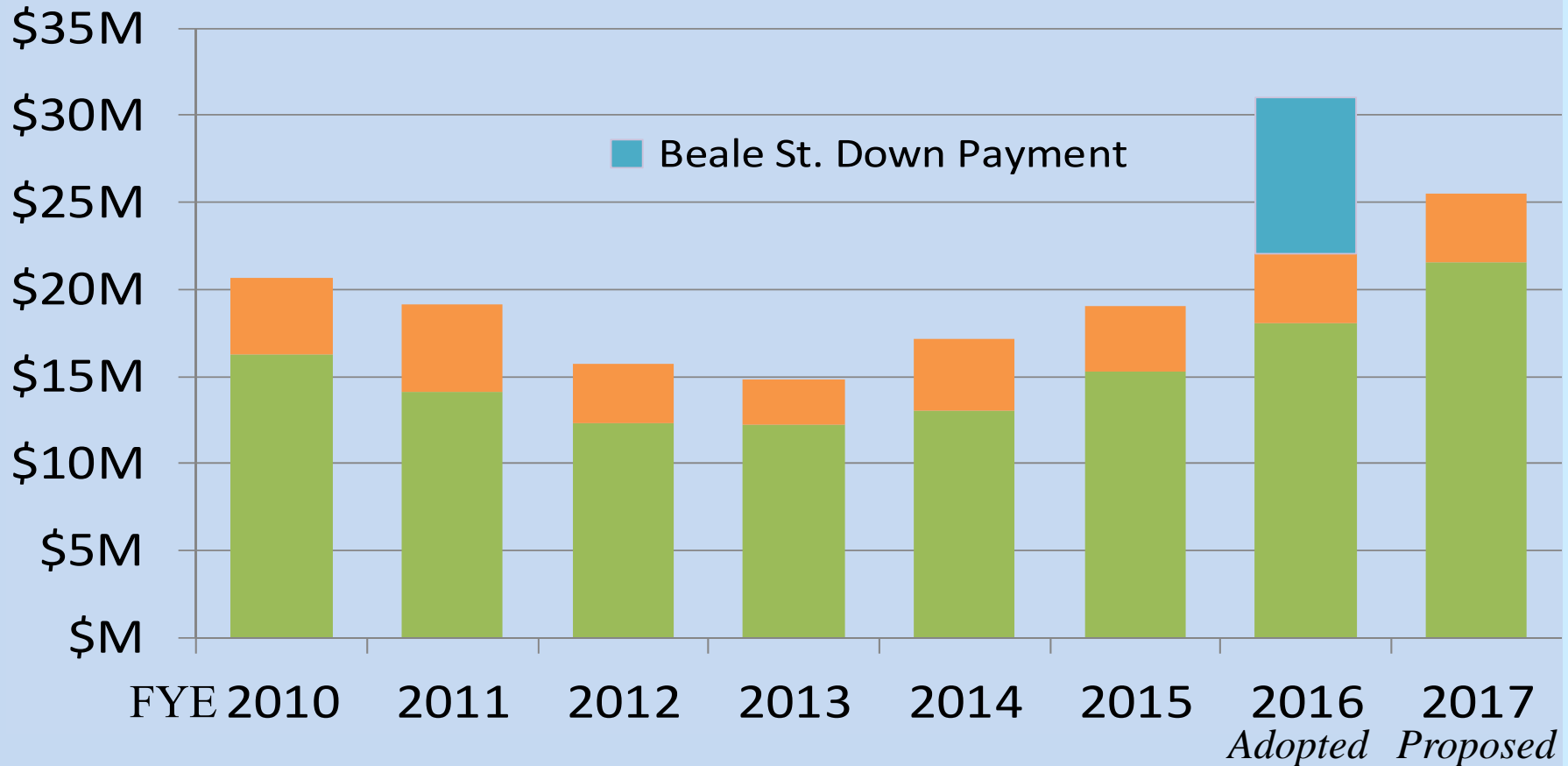


GENERAL FUND EXPENDITURES (FYE 2017 Proposed Budget)





SERVICES & SUPPLIES and CAPITAL



Beale St.							\$9.0	
Capital	\$4.5	\$5.0	\$3.4	\$2.6	\$4.2	\$3.8	\$4.0	\$4.0
Svs & Supplies	\$16.2	\$14.1	\$12.3	\$12.3	\$13.0	\$15.3	\$18.1	\$21.5
Total	\$20.7	\$19.1	\$15.7	\$14.8	\$17.2	\$19.0	\$31.1	\$25.5



FYE 2017 PROPOSED FEES

- Fifth year of Cost Recovery Policy
 - Average 6.2% Fee increase in FYE 2017 budget
 - Two new Fee Schedules
 - Strong involvement by Regulated Community



FYE 2017 FTE STAFFING LEVEL

FYE 2016 Budgeted Positions	334
FYE 2017 Recommended Positions	11
Total Budgeted Positions	345



ADDITIONAL STAFFING

- 11 Positions
 - Enforcement (3)
 - Meteorology, Measurement & Rules (4)
 - Community Engagement (1)
 - Information Technology (1)
 - Legal (1)
 - Administration (1)



FYE 2017 FUND BALANCE SUMMARY

FUND BALANCES	6/30/2015 Audited	6/30/2016 Projected	6/30/2017 Projected
Reserve for Capital Equipment Contingency	\$1,000,000	\$1,360,000	\$860,000
Reserve for Economic Contingency	\$10,114,309	\$15,159,959	\$15,754,025
Reserve for IT-Desktop Equipment	\$500,000		
Reserve for IT- Event Response	\$500,000	\$500,000	\$500,000
Reserve for Parking Infrastructure		\$500,000	\$500,000
Reserve for Pension & Post Employment Liability	\$1,800,000	\$1,600,000	\$800,000
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		\$1,500,000	\$1,500,000
Reserve for Worker's Comp Self -Funding	\$1,000,000	\$1,000,000	\$1,000,000
	\$15,781,409	\$22,487,059	\$21,781,125
Use of Fund Balance		(\$8,416,825)	(\$705,934)
Undesignated Fund Balance	\$15,122,475	\$8,416,825	\$705,934
TOTAL SPECIAL RESERVES	\$30,903,884	\$22,487,059	\$21,781,125
Building Proceeds	\$14,168,200	\$5,168,200	\$5,168,200
TOTAL BUILDING PROCEEDS	\$14,168,200	\$5,168,200	\$5,168,200
TOTAL FUND BALANCE	\$45,072,084	\$27,655,259	\$26,949,325



FYE 2017 USE OF FUND BALANCE

LAB AND MONITORING EQUIPMENT \$ 705,934

- Twenty-five (25) Toxic Samplers
- Five (5) Calibrators
- Two (2) Carbon Monoxide Analysers
- Two (2) BTEX Analysers
- Four (4) Source Test Analysers
- One (1) Particulate Testing Van
- Two (2) Photometric Ozone Calibrators
- One (1) Performance Evaluation Vehicle
- Three (3) TVA 2020 FID, enhance probe & water filter



FUND BALANCE POLICY

- Fund Balance Policy: 20% of General Fund Expenditures
 - FYE 2017 Budget of \$78 M => \$16 M (minimum)
 - 2017 Projected Fund Balance = \$26.4 M
(including remaining Building Sale proceeds)



UNFUNDED LIABILITIES

- **CalPERS Retirement (6/30/14 Valuation)**
 - \$256 M Obligation – 81% Funded
 - \$48 M Unfunded

- **OPEB Medical (6/30/15 Valuation)**
 - \$62 M Obligation – 47% Funded
 - \$33 M Unfunded



UNFUNDED LIABILITIES

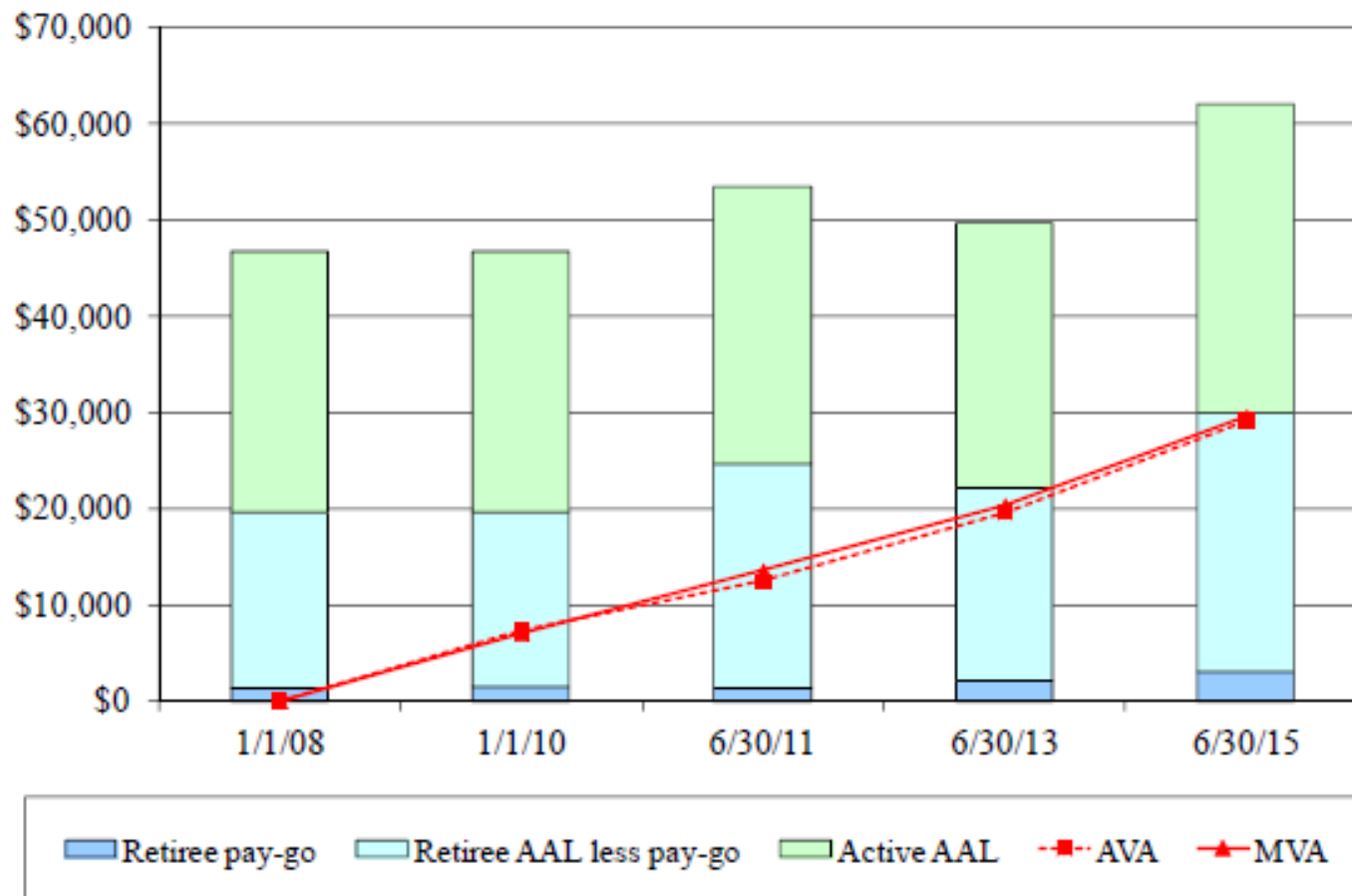
RESPONSE for OPEB

- Unfunded Liability = \$33 M
- Propose continuation of prefund amount = \$3 M
- Adopted Policy: 90% minimum target funded level



RETIREMENT MEDICAL OPEB LIABILITY

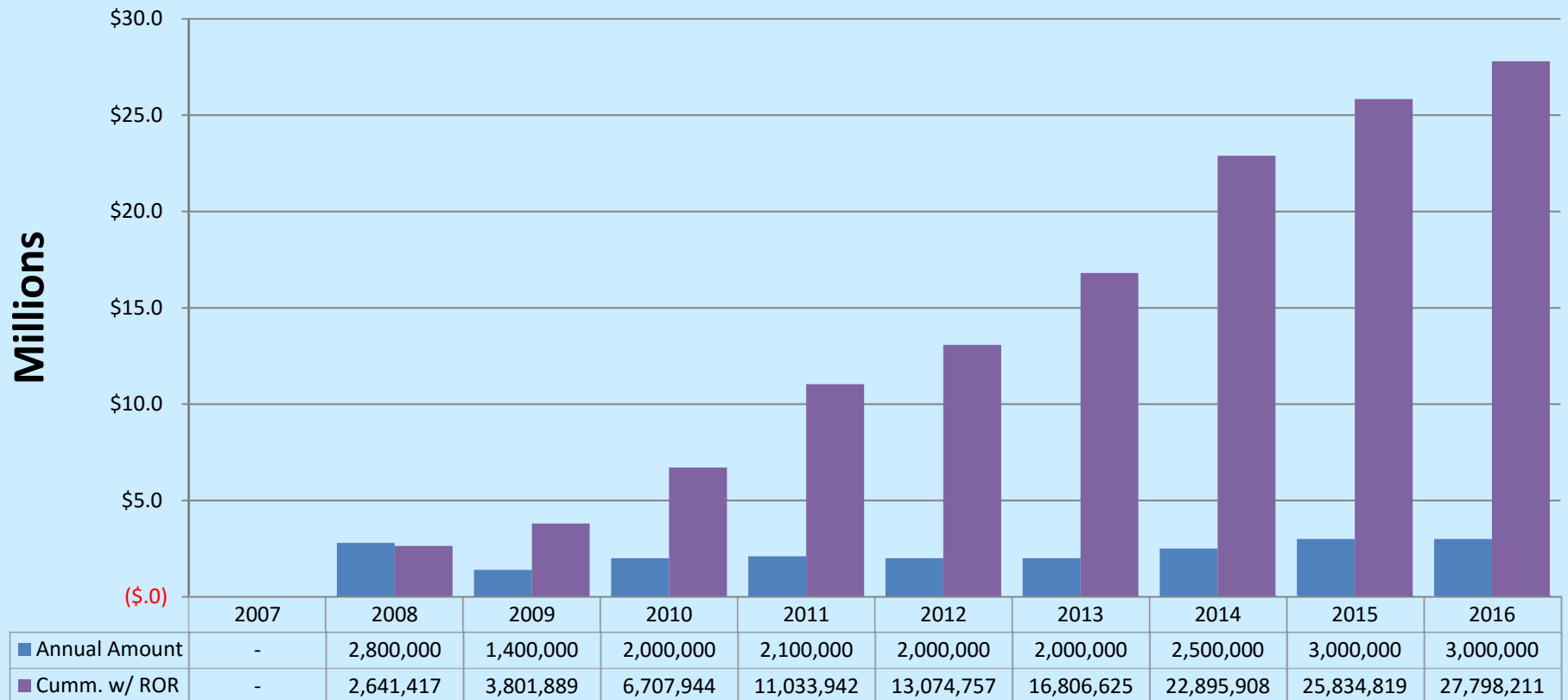
Historical Funded Status
(000's Omitted)





OPEB Annual Prefund Contributions As of December 31, 2015

OPEB Funding over 10 Years



Net Investment Returns = \$7M



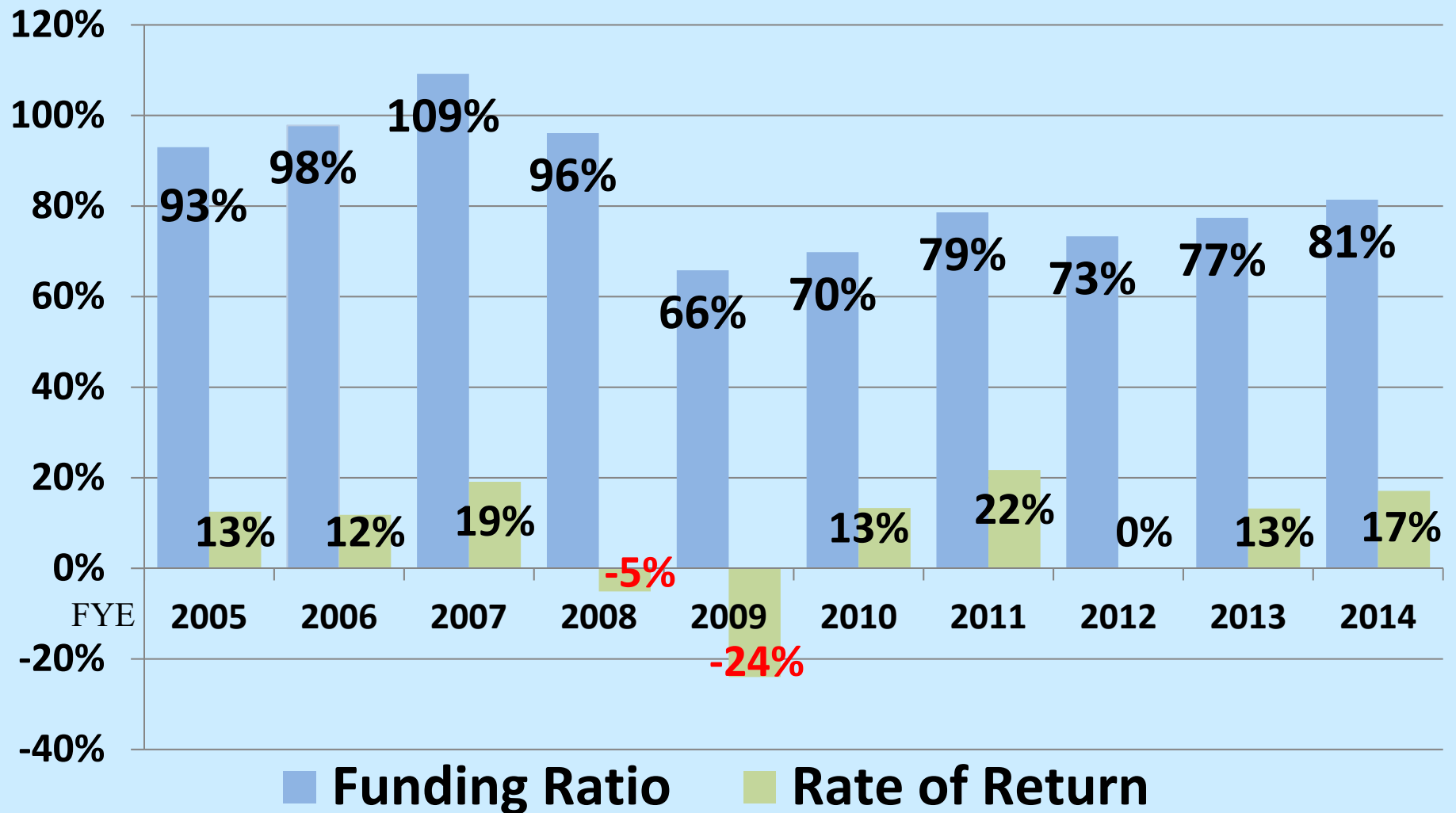
UNFUNDED LIABILITIES RESPONSE for CalPERS PENSION

- CalPERS contributions will increase from about 17% of salary to 21% of salary over five years.
- Required contribution FYE 2017 = \$6 M
- Proposed FYE 2017 Prefund = \$280,000:
105% of required contribution = \$6.3 M



UNFUNDED LIABILITIES

CalPERS Funding Ratio & Rate of Return





PROPOSED FUNDING POLICIES for CalPERS PENSION

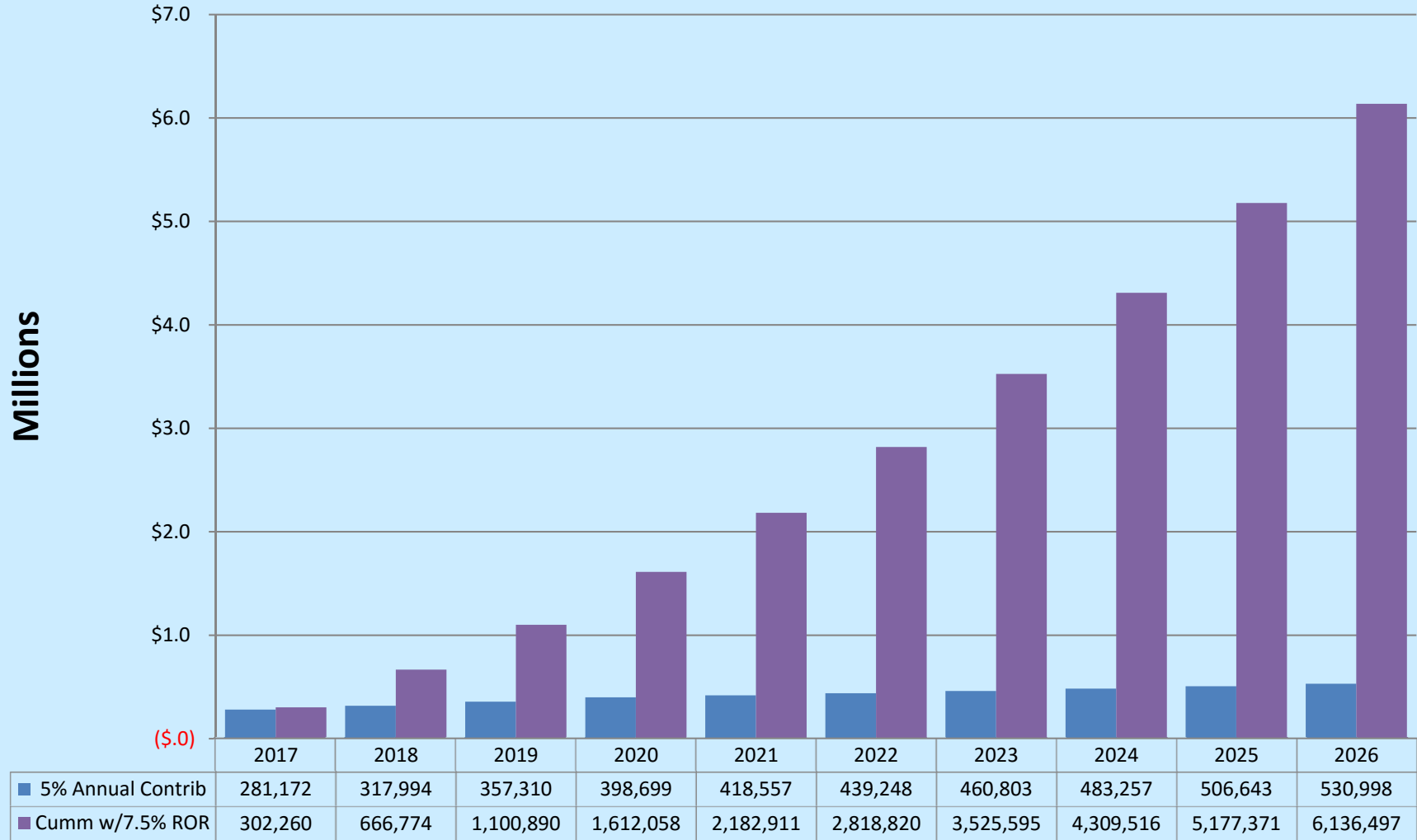
- Minimum Funding Target Level: 90%
- Pay 105% of the Annual Required Contribution



PROPOSED PENSION POLICY

105% OF ARC

Proposed Policy over 10 Years





OFFICE BUILDING OBLIGATIONS

- 375 Beale projected Move-in date: May 2016
 - Contribution of \$9 M; reducing obligation
 - Monthly Mortgage Payment (COP) is \$100,000

- 939 Ellis Street monthly lease of \$114,906
 - Ellis lease ends June 24, 2016



375 Beale Street Financing Terms

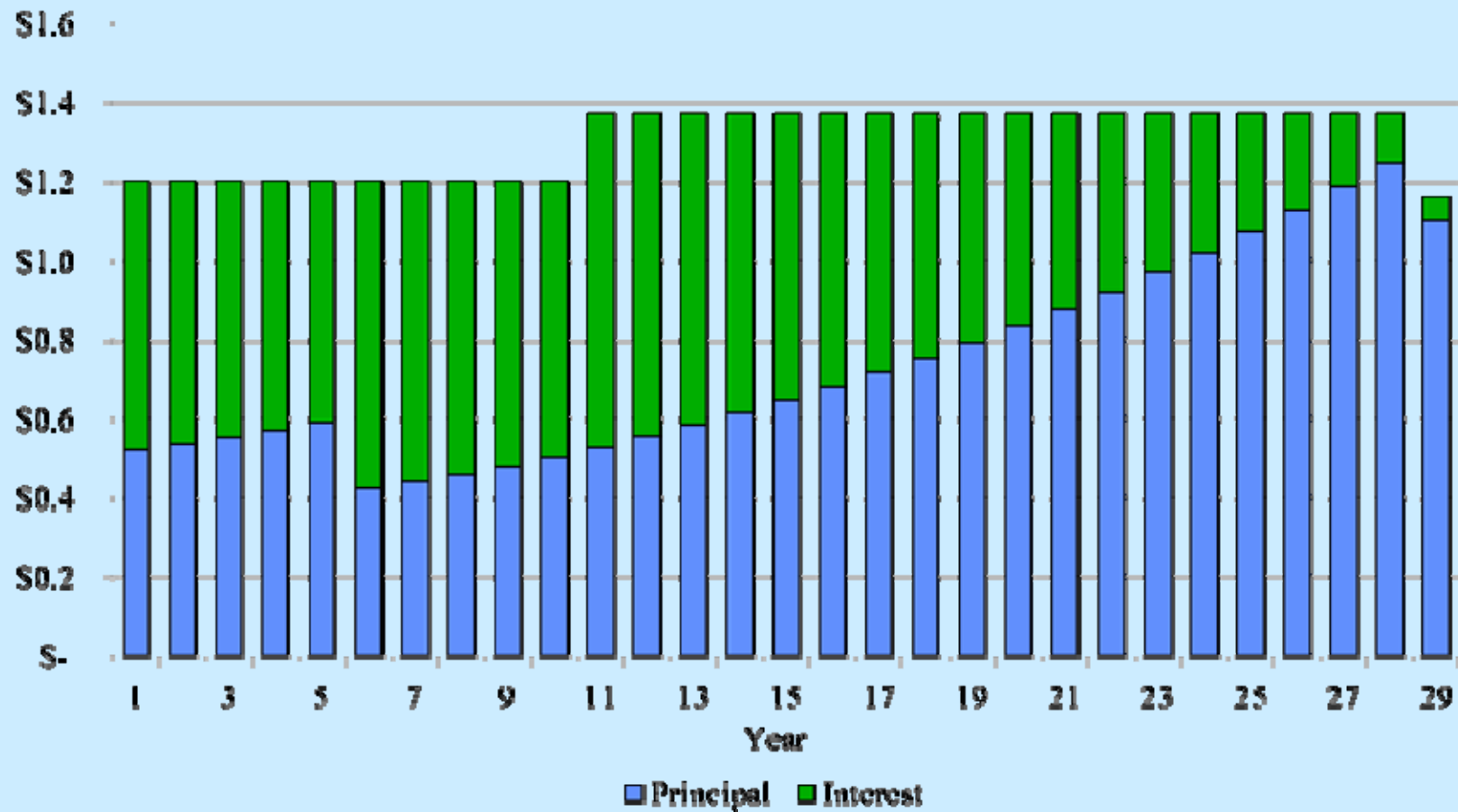
- Finance entire Air District Cost (\$30 M)
- Pay down with proceeds from 939 Ellis sale (\$9 M)
- Floating interest rate with graduated caps (SIFMA +1.20)
 - Years 1-5: 3.20%
 - Years 6-10: 4.20%
 - Years 11-30: 5.20%
- Maximum annual payments:
 - \$1.2 M for the first 10 years
 - \$1.4 M for the remaining years
- Lower interest rates reduce number of payments



Debt Service With Interest Rate Caps

(\$ in millions)

Annual Debt Service Detail





2017 PROPOSED BUDGET SUMMARY

- Budget balanced
- Reserve drawdown of \$706 K
- Budgeted positions increased to 345
- Other Post-Employment Benefits (OPEB):
 - Contribution remains at \$3 M
 - 90% Funding Target
- CalPERS Pension
 - 105% of ARC
 - 90% Funding Target



BUDGET SCHEDULE

- April 20 - Held 1st Public Hearing on Proposed Fees
- April 27 – Budget & Finance recommends Budget
- May 18 – 1st Public Hearing on Proposed Budget
- June 15 – 2nd Public Hearing and Adoption of:
 1. Proposed Fees
 2. Proposed Budget