



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

Bay Area Air Quality Management District

Budget & Finance Committee Meeting December 7, 2017

Fourth Quarter Preliminary Financial Report Fiscal Year Ending 2017

Stephanie Osaze
Finance Manager



OVERVIEW

General Fund Reporting on 4th Quarter financial results (July 1, 2016 – June 30, 2017):

- Revenues
- Expenditures
- Investments
- General Fund Balance & Unfunded Liabilities
- Purchasing Report Requirements



4th Quarter Results FYE 2017

General Fund - Revenues

Major Categories	FYE 2017 Budget	FYE 2017 Actual (as of 06/30/2017)	Percentage of Budgeted Revenues
County receipts	\$26,869,727	\$30,541,028	114%
Permit Fees	\$33,489,586	\$33,249,989	99%
Title V Permit Fees	\$4,687,437	\$5,021,094	107%
Asbestos Fees	\$2,600,000	\$4,210,603	162%
Toxic Inventory Fees	\$239,348	\$211,380	88%
Penalties and Settlements	\$2,200,000	\$3,335,649	152%
Interest Revenue	\$200,000	\$587,340	294%
Miscellaneous Revenue	\$150,000	\$66,895	45%
Total Revenues	\$70,436,098	\$77,223,979	110%



Revenue Comparison

Prior Year vs. Current Year

Major Categories	FYE 2016 (As of 06/30/2016)	FYE 2017 (As of 06/30/2017)	\$ DIFFERENCE
County receipts	\$28,218,266	\$30,541,028	\$2,322,762
Permit Fee receipts	\$31,935,189	\$33,249,989	\$1,314,801
Title V Permit Fees	\$5,120,624	\$5,021,094	(\$99,530)
Asbestos Fees	\$3,869,468	\$4,210,603	\$341,135
Toxic Inventory Fees	\$261,483	\$211,380	(\$50,103)
Penalties and Settlements	\$6,121,023	\$3,335,649	(\$2,785,374)
Interest Revenue	\$437,670	\$587,340	\$149,671
Miscellaneous Revenue	\$91,827	\$66,895	(\$24,932)
TOTAL REVENUES	\$76,055,549	\$77,223,979	\$1,168,430



4th Quarter Results FYE 2017

General Fund - Expenses

Major Categories	FY 2017 Budget	FYE 2017 Actual (as of 6/30/2017)	Percentage of Budgeted Expenditures
* Personnel - Salaries	\$37,229,701	\$37,368,006	100%
* Personnel - Benefits	\$19,342,599	\$19,615,494	101%
Operational Services and Supplies	\$21,538,490	\$19,483,595	90%
Building Acquisition	\$0	\$10,700,000	
Capital Outlay	\$3,965,934	\$3,923,291	99%
Total Expenditures	\$82,076,724	\$91,090,386	111%

* Consolidated (Includes Special Funds)



Expenditure Comparison

Prior Year vs. Current Year

Major Categories	FYE 2016 (As of 06/30/2016)	FYE 2017 (As of 06/30/2017)	\$ DIFFERENCE
*Personnel - Salaries	\$36,112,180	\$37,368,006	\$1,255,826
*Personnel - Benefits	\$17,857,342	\$19,615,494	\$1,758,153
Operational Services and Supplies	\$17,283,322	\$19,483,595	\$2,200,273
Building Acquisition		\$10,700,000	\$10,700,000
Capital Outlay	\$6,582,205	\$3,923,291	(\$2,658,914)
TOTAL EXPENDITURES	\$77,835,048	\$91,090,386	\$13,255,338

***Consolidated includes Special Funds**



4th Quarter Results FYE 2017

Cash and Investments with County Treasury:

(Based on the June 2017 Account Balance)

General Fund	\$55,167,881
TFCA	\$90,039,116
MSIF	\$37,544,701
Carl Moyer	\$5,758,456
CA Goods Movement	\$8,310,419
BikeShare	\$1,062,983
TOTAL	<u>\$197,883,556</u>



Fund Balance and Unfunded Liabilities

BAY AREA

AIR QUALITY

FUND BALANCES	6/30/2015 Audited	6/30/2016 Audited	6/30/2017 Unaudited
DESIGNATED: *			
Economic Contingency	11,114,309	16,519,959	16,519,959
IT- Desktop Equipment	500,000	0	0
IT- Event Response	500,000	500,000	500,000
Pension & Post Employment Liability	1,800,000	1,600,000	1,600,000
Tech- Meterological Network Equipment	417,100	417,100	131,100
Tech- Mobile Monitoring Instruments	450,000	450,000	80,000
GHG Abatement Technology Study	0	1,500,000	1,500,000
Worker's Comp Self -Funding	1,000,000	1,000,000	1,000,000
TOTAL DESIGNATED	\$15,781,409	\$21,987,059	\$21,331,059
UNDESIGNATED	15,122,475	13,366,286	20,455,755
Use of Fund Balance	0	0	(852,032)
TOTAL UNDESIGNATED	\$15,122,475	\$13,366,286	\$19,603,723
TOTAL DESIGNATED & UNDESIGNATED	\$30,903,884	\$35,353,345	\$40,934,782
BUILDING PROCEEDS:	14,168,200	4,668,200	4,668,200
TOTAL FUND BALANCE	\$45,072,084	\$40,021,545	\$45,602,982
* Designated Fund Balances are subject to change at Board's discretion.			
UNFUNDED LIABILITIES (Based on 2015 Actuarial Valuation Report)			
CalPERS Pension Retirement			59,242,771
Other Post Employment Benefits			32,954,000
TOTAL UNFUNDED LIABILITIES			\$92,196,771



Purchasing Reporting Requirements

- **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 **\$100,000** shall be presented in the Quarterly Financial Report.

- This list also includes regular employee benefit payments.



FYE 2017 Vendor Payments

Cumulative Vendor Payments in Excess of \$100,000 without Board Review

	VENDOR NAME	AMOUNT PAID (July 2016 - June 2017)	Explanation
1	Alliant Insurance Services	\$438,274	Various Business Insurance Policies
2	Benefits Coordinators Corp.	\$868,977	Life Insurance Plan & LTD Insurance
3	CA Public Employee Retirement System	\$5,990,659	Health Insurance Plan
4	CA Public Employee Retirement System	\$11,670,690	Retirement Benefits & 457 Supplemental Plan
5	CAPCOA	\$673,717	Pass through EPA grants
6	CDW Government	\$115,212	Computer Equipment, supplies, misc software
7	Ceridian Corp	\$104,590	Payroll Processing Services
8	ComCast Cable Communications	\$117,658	Ethernet & phone services
9	Cubic Transportations Systems	\$387,053	Clipper Transit Subsidy
10	Direct Mail Center	\$153,965	Public Notice Mailing Services
11	Employee Benefit Specialists	\$265,094	Medical & Dependent Care Flexible Spending Plan
12	Enterprise Fleet Services	\$467,031	Fleet Leasing and Maintenance services
13	Hartford Life Ins Co.	\$593,106	457 Supplemental Insurance
14	Pacific Gas & Electric Co.	\$111,187	Utility services
15	Preferred Benefit Insurance AD	\$790,226	Dental Insurance Plan
16	Renne Sloan Holtzman Sakai	\$232,997	Human Resources Consulting Services
17	Thermo Environmental Instrument	\$193,722	Air monitoring and source test instrumentation
18	Verizon Wireless	\$235,398	Cell phone services



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

Bay Area Air Quality Management District

Budget & Finance Committee Meeting **December 7, 2017**

First Quarter Financial Report **Fiscal Year Ending 2018**

Stephanie Osaze
Finance Manager



OVERVIEW

General Fund Reporting on 1st Quarter financial results (July 1, 2017 – September 30, 2017):

- Revenues
- Expenditures
- Investments
- General Fund Balance & Unfunded Liabilities
- Purchasing Report Requirements



1st Quarter Results FYE 2018

General Fund - Revenues

Major Categories	FYE 2018 Budget	FYE 2018 Actual (as of 09/30/2017)	Percentage of Budgeted Revenues
County receipts	\$31,518,760	\$77,986	0%
Permit Fees	\$36,655,518	\$20,720,742	57%
Title V Permit Fees	\$5,467,881	\$3,501,509	64%
Asbestos Fees	\$2,500,000	\$1,057,495	42%
Toxic Inventory Fees	\$363,081	\$177,329	49%
Penalties and Settlements	\$2,750,000	\$742,678	27%
Interest Revenue	\$285,000	\$165,035	58%
Miscellaneous Revenue	\$50,000	\$4,865	10%
Total Revenues	\$79,590,240	\$26,447,638	33%



Revenue Comparison

Prior Year vs. Current Year

Major Categories	FYE 2017 (As of 09/30/2016)	FYE 2018 (As of 09/30/2017)	\$ DIFFERENCE
County receipts	\$46,235	\$77,986	\$31,751
Permit Fee receipts	\$16,835,528	\$20,720,742	\$3,885,213
Title V Permit Fees	\$2,795,909	\$3,501,509	\$705,600
Asbestos Fees	\$1,140,903	\$1,057,495	(\$83,409)
Toxic Inventory Fees	\$155,073	\$177,329	\$22,256
Penalties and Settlements	\$1,867,048	\$742,678	(\$1,124,371)
Interest Revenue	\$117,230	\$165,035	\$47,805
Miscellaneous Revenue	\$11,668	\$4,865	(\$6,803)
TOTAL REVENUES	\$22,969,594	\$26,447,638	\$3,478,044



1st Quarter Results FYE 2018

General Fund - Expenses

Major Categories	FY 2018 Budget	FYE 2018 Actual (as of 9/30/2017)	Percentage of Budgeted Expenditures
* Personnel - Salaries	\$40,124,748	\$8,307,733	21%
* Personnel - Benefits	\$22,225,447	\$6,912,396	31%
Operational Services and Supplies	\$31,195,830	\$2,836,690	9%
Capital Outlay	\$5,691,775	\$1,269,603	22%
Total Expenditures	\$99,237,800	\$19,326,422	19%

*** Consolidated (Includes Special Funds)**



Expenditure Comparison

Prior Year vs. Current Year

Major Categories	FYE 2017 (As of 09/30/2016)	FYE 2018 (As of 09/30/2017)	\$ DIFFERENCE
*Personnel - Salaries	\$8,020,184	\$8,307,733	\$287,550
*Personnel - Benefits	\$3,776,934	\$6,912,396	\$3,135,461
Operational Services and Supplies	\$2,931,563	\$2,836,690	(\$94,873)
Capital Outlay	\$911,581	\$1,269,603	\$358,022
TOTAL EXPENDITURES	\$15,640,262	\$19,326,422	\$3,686,160

***Consolidated includes Special Funds**



1st Quarter Results FYE 2018

Cash and Investments with County Treasury:

(Based on the Sept 2017 Account Balance)

General Fund	\$58,580,658
TFCA	\$91,004,558
MSIF	\$39,236,744
Carl Moyer	\$4,322,486
CA Goods Movement	\$8,314,145
BikeShare	\$1,069,047
TOTAL	<u>\$202,527,637</u>



Fund Balance and Unfunded Liabilities

BAY AREA

FUND BALANCES	6/30/2016 Audited	6/30/2017 Unaudited	6/30/2018 Projected
DESIGNATED: *			
Diversity Equity & Inclusion	0	0	100,000
Economic Contingency	16,519,959	16,519,959	17,390,311
IT- Event Response	500,000	500,000	500,000
Litigation	0	0	500,000
Pension & Post Employment Liability	1,600,000	1,600,000	440,000
Tech- Meterological Network Equipment	417,100	131,100	131,100
Tech- Mobile Monitoring Instruments	450,000	80,000	80,000
Technology Implementation Office	0	0	3,350,000
GHG Abatement Technology Study	1,500,000	1,500,000	1,500,000
Woodchip Program	0	0	150,000
Woodsmoke Grant	0	0	1,000,000
Worker's Comp Self -Funding	1,000,000	1,000,000	1,000,000
TOTAL DESIGNATED	\$21,987,059	\$21,331,059	\$26,141,411
UNDESIGNATED	13,366,286	20,455,742	14,793,358
Use of Fund Balance	0	(852,032)	(7,850,000)
TOTAL UNDESIGNATED	\$13,366,286	\$19,603,710	\$6,943,358
TOTAL DESIGNATED & UNDESIGNATED	\$35,353,345	\$40,934,769	\$33,084,769
BUILDING PROCEEDS:	4,668,200	4,668,200	4,668,200
TOTAL FUND BALANCE	\$40,021,545	\$45,602,969	\$37,752,969
* Designated Fund Balances are subject to change at Board's discretion.			
UNFUNDED LIABILITIES (Based on 2016 Actuarial Valuation Report)			
CalPERS Pension Retirement			77,114,925
Other Post Employment Benefits			28,560,446
TOTAL UNFUNDED LIABILITIES			\$105,675,371



Purchasing Reporting Requirements

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- This list also includes regular employee benefit payments.



FYE 2018 Vendor Payments

Cumulative Vendor Payments in Excess of \$100,000 without Board Review

	VENDOR NAME	AMOUNT PAID (July 2017 - Sept 2017)	Explanation
1	Alliant Insurance Services	187,415	Various Business Insurance Policies
2	Benefits Coordinators Corp.	224,161	Life Insurance Plan & LTD Insurance
3	CA Public Employee Retirement System	1,816,756	Health Insurance Plan
4	CA Public Employee Retirement System	961,636	Retirement Benefits & 457 Supplemental Plan
5	Cubic Transportations Systems	108,057	Clipper Transit Subsidy
6	Hartford Life Ins Co.	161,937	457 Supplemental Insurance
7	Preferred Benefit Insurance AD	125,851	Dental Insurance Plan



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

Overview of Upcoming Budget Considerations

Budget and Finance Committee December 7, 2017

3 7 5 B E A L E S T R E E T

Jeff McKay
Chief Financial Officer

ASSOCIATION OF BAY AREA GOVERNMENTS
MANAGEMENT DISTRICT
TRANSPORTATION COMMISSION

WELCOME
AIR QUALITY
MANAGEMENT DISTRICT

PRESENTATION GOAL

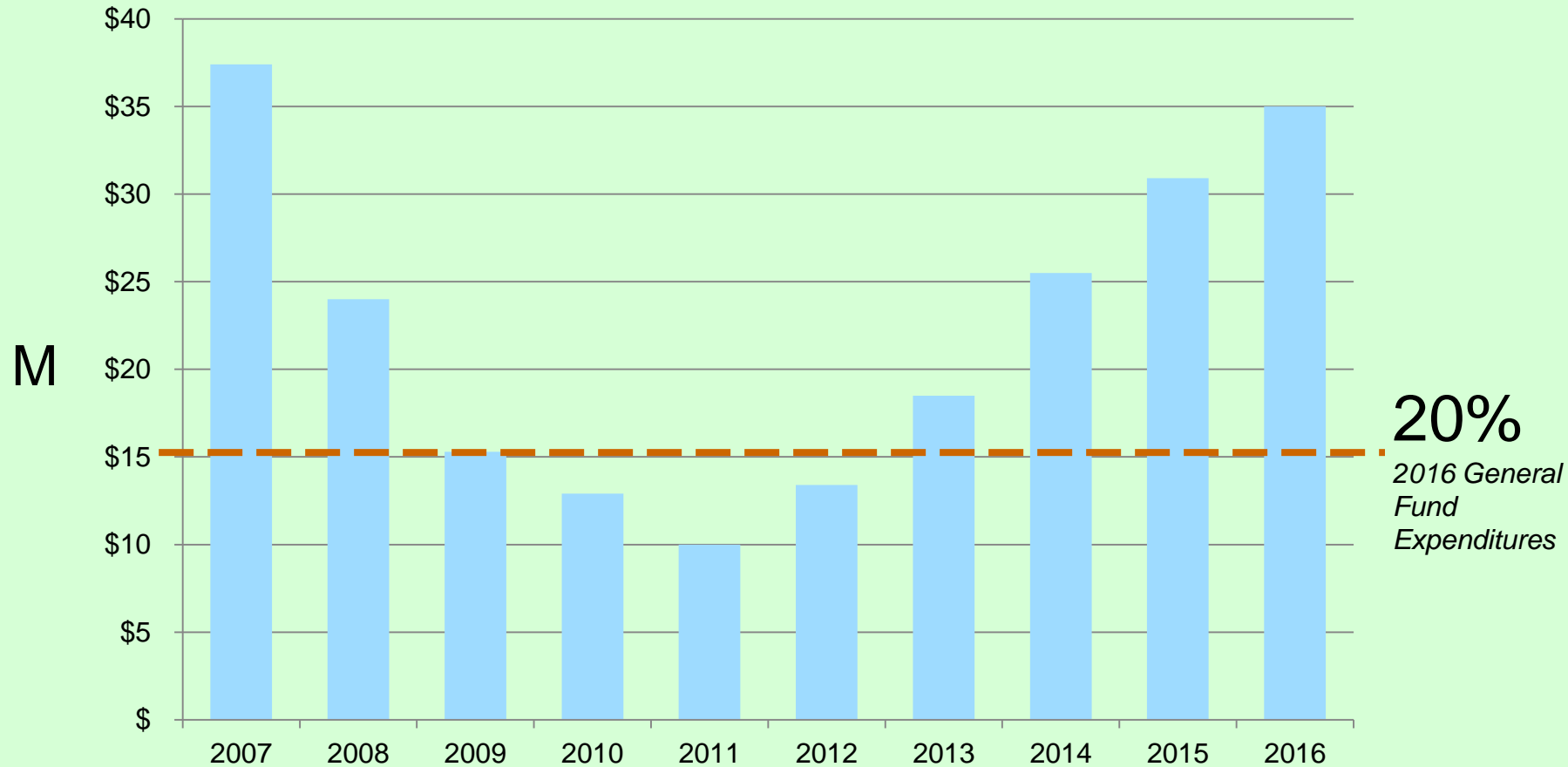
- Preview topics that will be discussed at the January and February Budget and Finance Committee meetings

OUTLINE

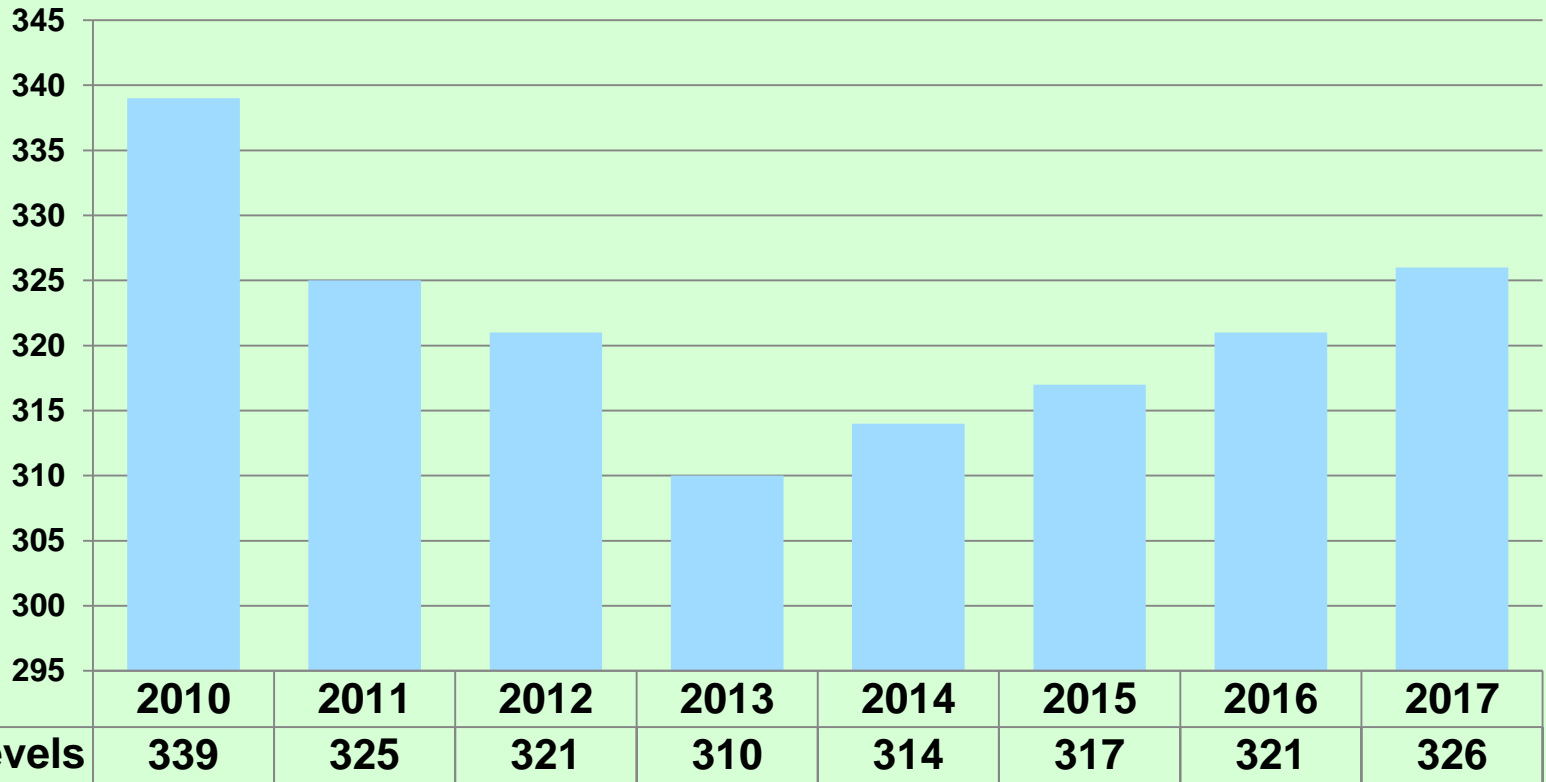
- New and Expanded Programs (Staffing)
- Cost Recovery (Fee Increases)
- Reserve Diversification (Real Estate Purchases)
- CalPers Increasing Contributions
- Medical Retirement (OPEB)

RECENT FINANCIAL HISTORY

DISTRICT RESERVE FUNDS – AUDITED VALUES



STAFFING TREND – FILLED SEATS



NEW AND EXPANDED PROGRAMS

- **Regulation 11, Rule 18**
- **Assembly Bill 617**
- **Assembly Bill 134**

COST RECOVERY

COST RECOVERY (FEE INCREASES)

FYE 2018 BUDGET TOPICS

COST RECOVERY

- Cost Recovery Policy implemented in FYE 2013
 - Projected 6.4% annual fee increase
 - 85% minimum funding target
 - Regulated community gains predictable fees
 - Update Cost Recovery Study

RESERVE DIVERSIFICATION

RESERVE DIVERSIFICATION
(REAL ESTATE PURCHASES)

POSSIBLE REAL ESTATE PURCHASES

- Approximately 10,000 sf in 375 Beale St
- Approximately 40,000 sf in the East Bay to replace rented space and for future expansion and other uses

CAIPERS

CalPers Increasing Contributions

UNFUNDED LIABILITIES

Prefunding CalPERS Retirement

- **CalPERS Retirement:**
 - \$283M Obligation: 73% Funded
- **Funding Policy:** 90% Funding Level
 - No Target Date
 - FYE 2018 Pre-fund: \$500K

CALPERS: DISCOUNT RATE

- **2016 Rate of Return: 0.6%**
 - Lower Discount Rate to 7% over 3 years

FY17/18: 7.375%

FY18/19: 7.25%

FY19/20: 7.00%

CALPERS: DISCOUNT RATE

Even without additional staffing Air District Required Annual Contribution will increase by \$7 million over the next 4 years due to changes in valuation assumptions

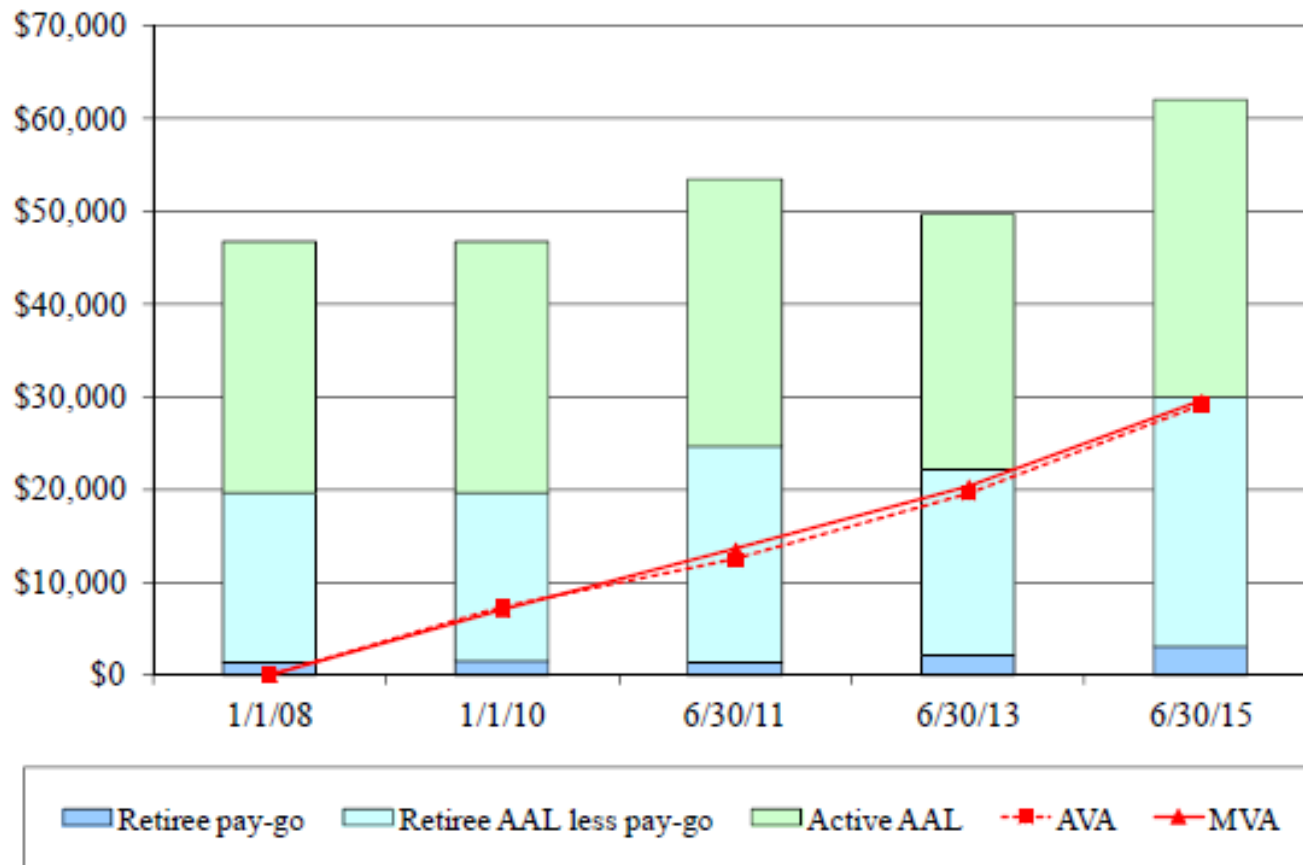
MEDICAL RETIREMENT (OPEB)

Medical Retirement (OPEB)

UNFUNDED OPEB LIABILITIES

Historical Funded Status

(000's Omitted)



UNFUNDED OPEB LIABILITIES

- **OPEB Medical**
 - \$69M Obligation: 58% Funded
- **Funding Policy:** 90% Funding Level
 - No Target Date
 - FYE 2018 Pre-fund: \$4M

FYE 2019 BUDGET TOPICS

NEXT STEPS

- **January 24** – B&F Financial Overview Part 1
- **February 28** - B&F Financial Overview Part 2
- **March 21** – Board Refers Budget to the Committee
- **March 28** – B&F Proposed Budget and Fee Presentations
- **April 25** – Committee refers Budget to the Board



BAY AREA
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Increase Staffing and Accept New One-Time Revenue Resulting from AB617

Budget and Finance Committee December 7, 2017

3 7 5 B E A L E S T R E E T

Jeff McKay
Chief Financial Officer

ASSOCIATION OF BAY AREA GOVERNMENTS
MANAGEMENT DISTRICT
TRANSPORTATION COMMISSION

WELCOME
AIR QUALITY
MANAGEMENT DISTRICT

NEW AND EXPANDED PROGRAMS

- **Regulation 11, Rule 18**
- **Assembly Bill 617**
- **Assembly Bill 134**
- **Various other new sources of Grant funds**

COST RECOVERY

- Twenty two new full time staff positions recommended
- Nine of the positions covered by new funding
- Thirteen of the positions covered by General Fund revenue

STAFFING INCREASES

- In 2018, the Air District will administer \$101 million in new revenues. As a result of AB 134 and other funding sources, five staff positions are proposed for the Grants Division.
- As a result of AB 134 and other funding sources, in conjunction with repurposing general fund revenue to the new Technology Implementation Office, four staff positions are proposed.
- As a result of Rule 11-18 risk screenings, health risk analyses (HRA), HRA consultant oversight, data and inventory refinement, and participation in both public and industry review processes for health risk reduction plans, five staff positions are proposed for the Engineering Division.

STAFFING INCREASES (CON'T.)

- As a result of the requirements of AB 617, staff is proposing to create a new section - the Community Protection Office - to engage with AB 617 communities, to understand air quality impacts in their unique communities, to ensure that those communities have the education on monitoring and air quality issues to engage productively with both the Air District and the ARB, to understand community concerns and to advocate for them. Three staff positions are proposed.
- AB 617 will require that the current ambient air monitoring network adapt and expand to focus on more localized impacts. Additional staff will be required. Five staff positions proposed for the Meteorology and Measurements Division.

RECOMMENDATIONS

Recommend the Board of Directors:

1. Amend the Fiscal Year Ending 2018 budget to authorize the creation of 22 additional full time positions; and
2. Accept approximately \$5 million in funding resulting from Assembly Bill 617