



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

Continued Discussion of Fiscal Year Ending (FYE) 2019 Proposed Air District Budget and Consideration to Recommend Adoption

Budget and Finance Committee
April 25, 2018

Jeff McKay
Chief Financial Officer



FINANCIAL HISTORY

Actions Taken During Downturn

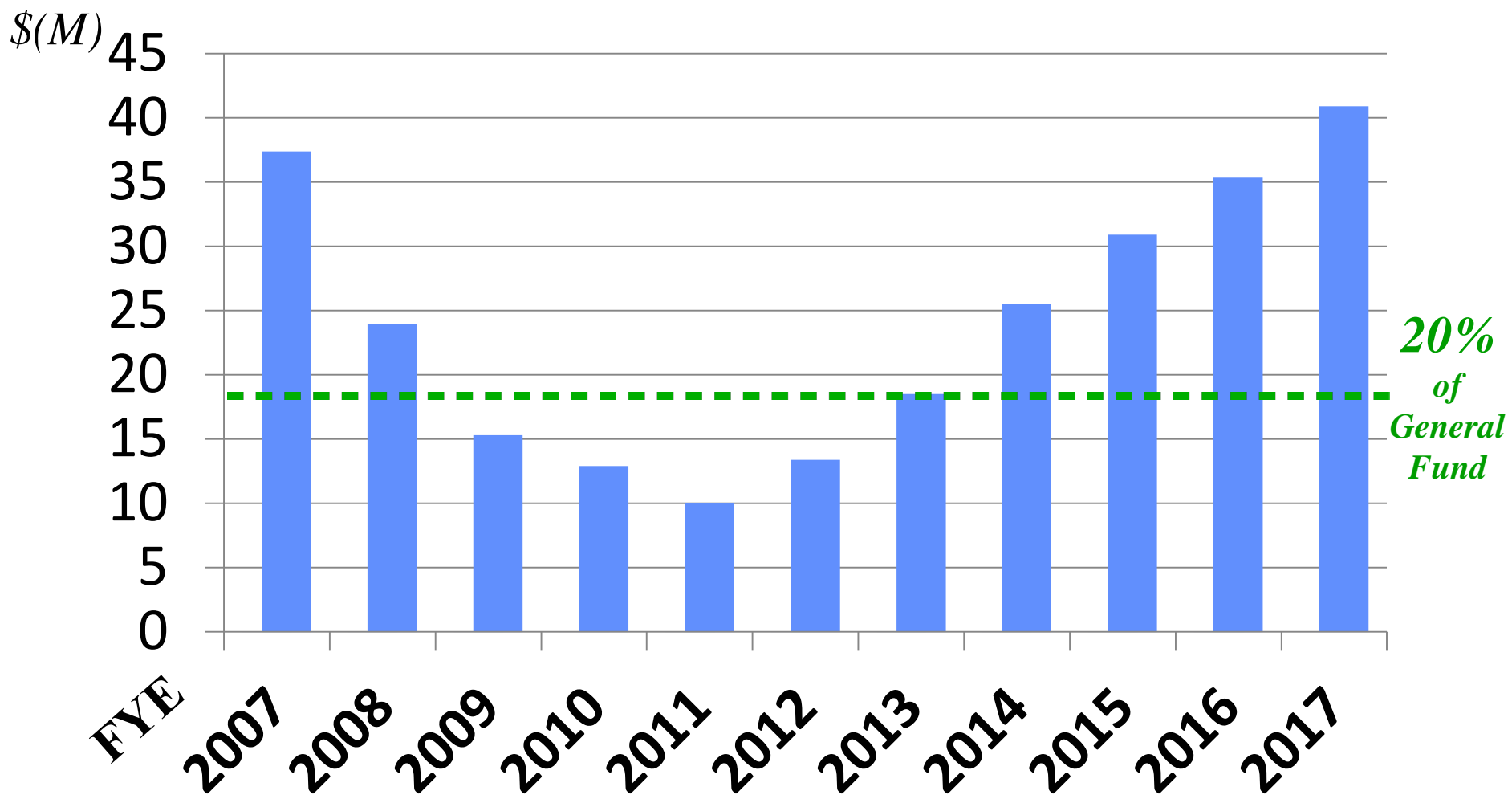
- Reserves Used for General Fund Expenditures
- Vacancies Unfilled (Staff Reduction Through Attrition)
- Postponed Expenditures
- Deferred Capital Investment
- Initiated Cost Recovery Policy
- Continued Funding of Retirement Liabilities



FINANCIAL HISTORY

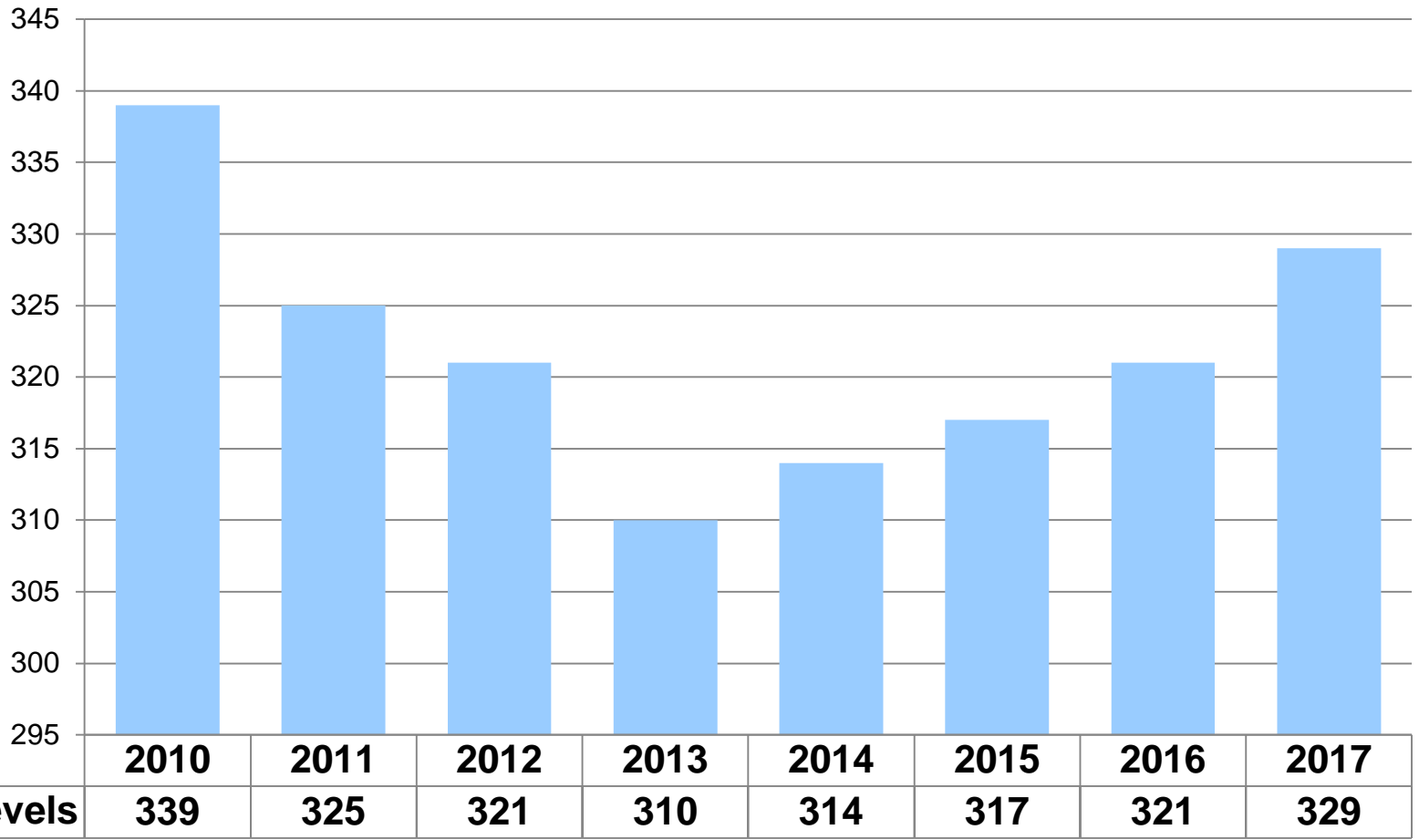
Audited District Reserves

Excludes Building Proceeds





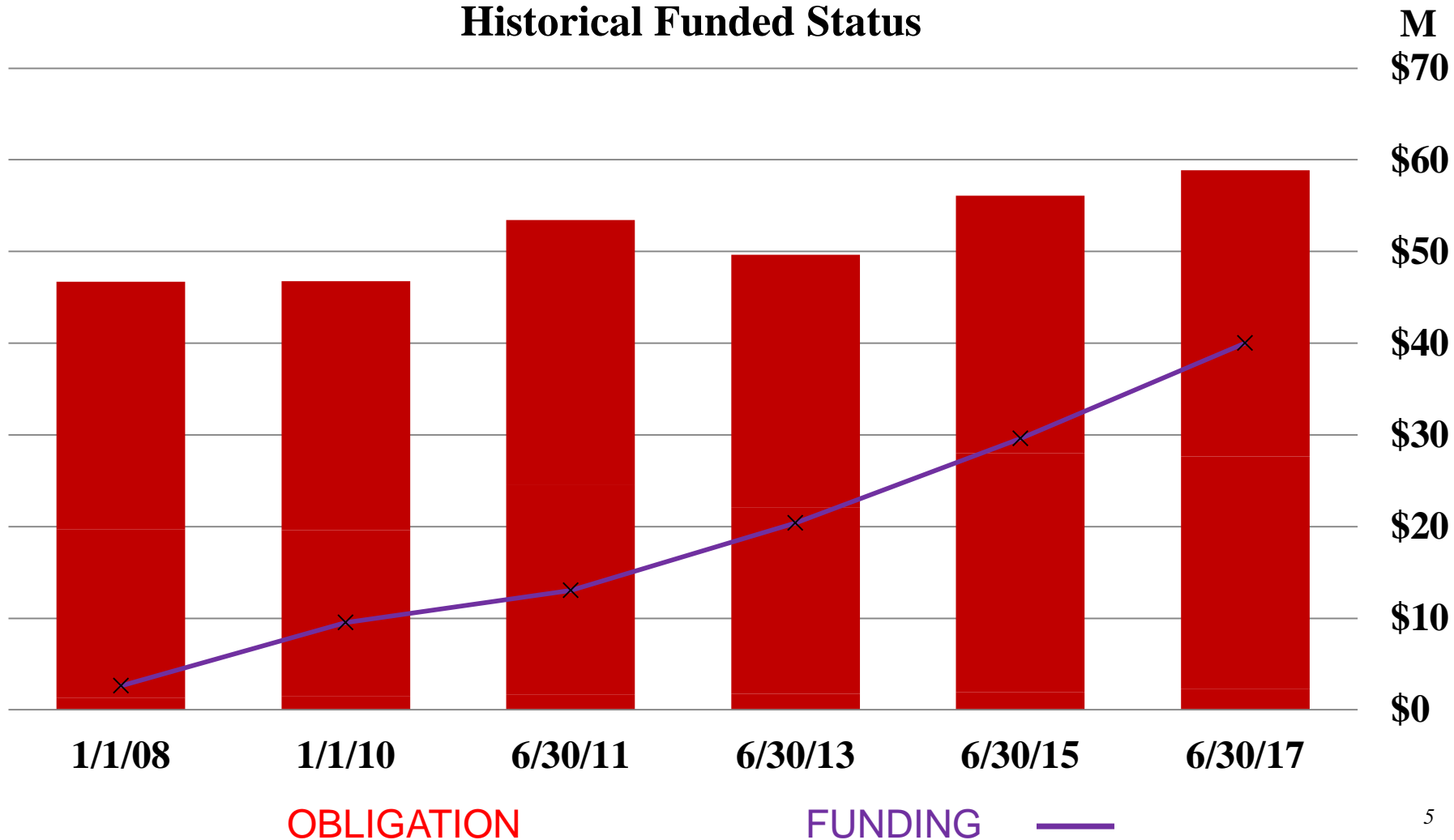
STAFFING TREND – FILLED SEATS





MEDICAL RETIREMENT OTHER POST EMPLOYMENT BENEFITS (OPEB)

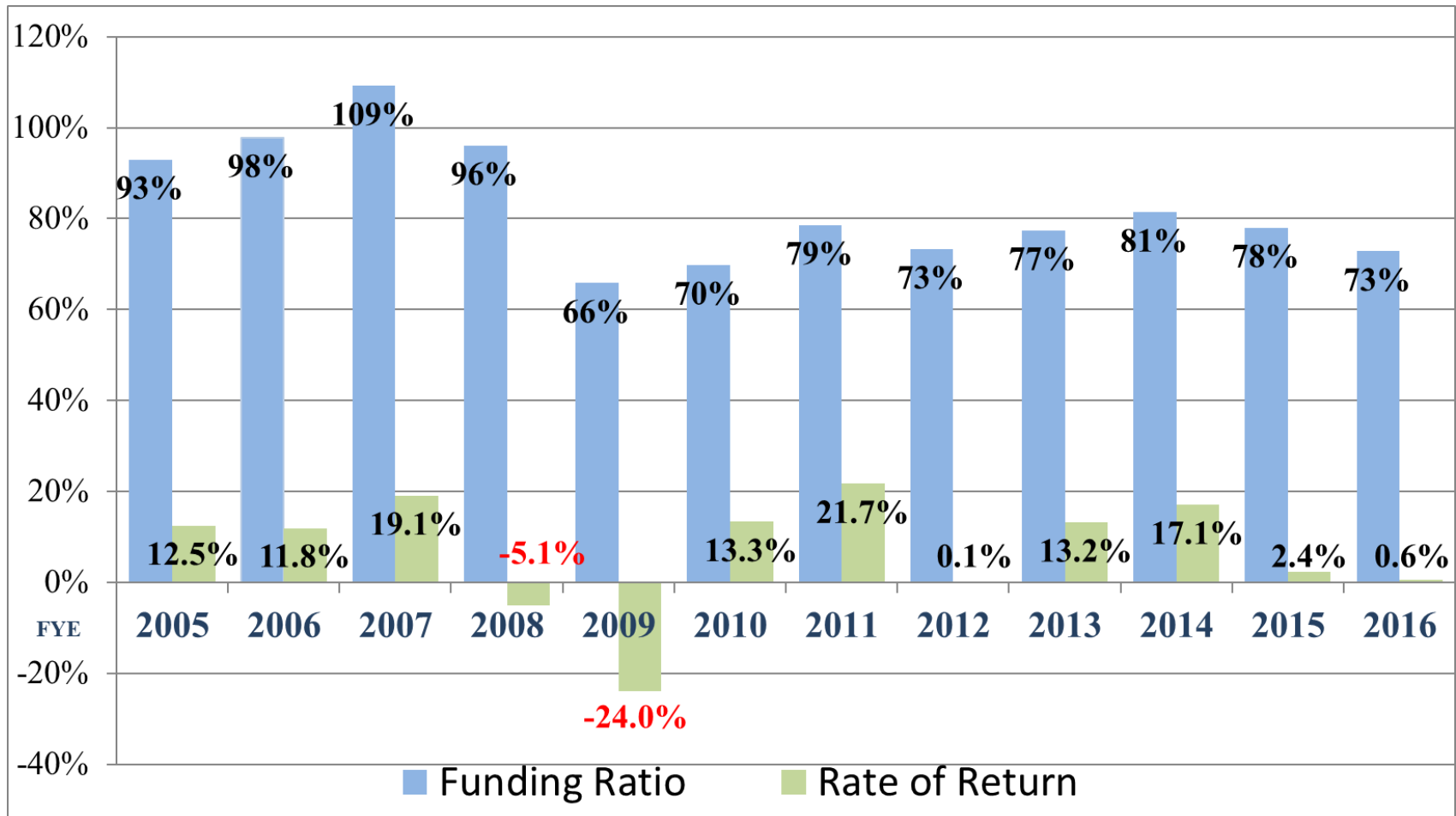
Historical Funded Status





CALPERS PENSION

Historical Rate of Return and Funding Ratio



2017 Rate of Return = 11.2%



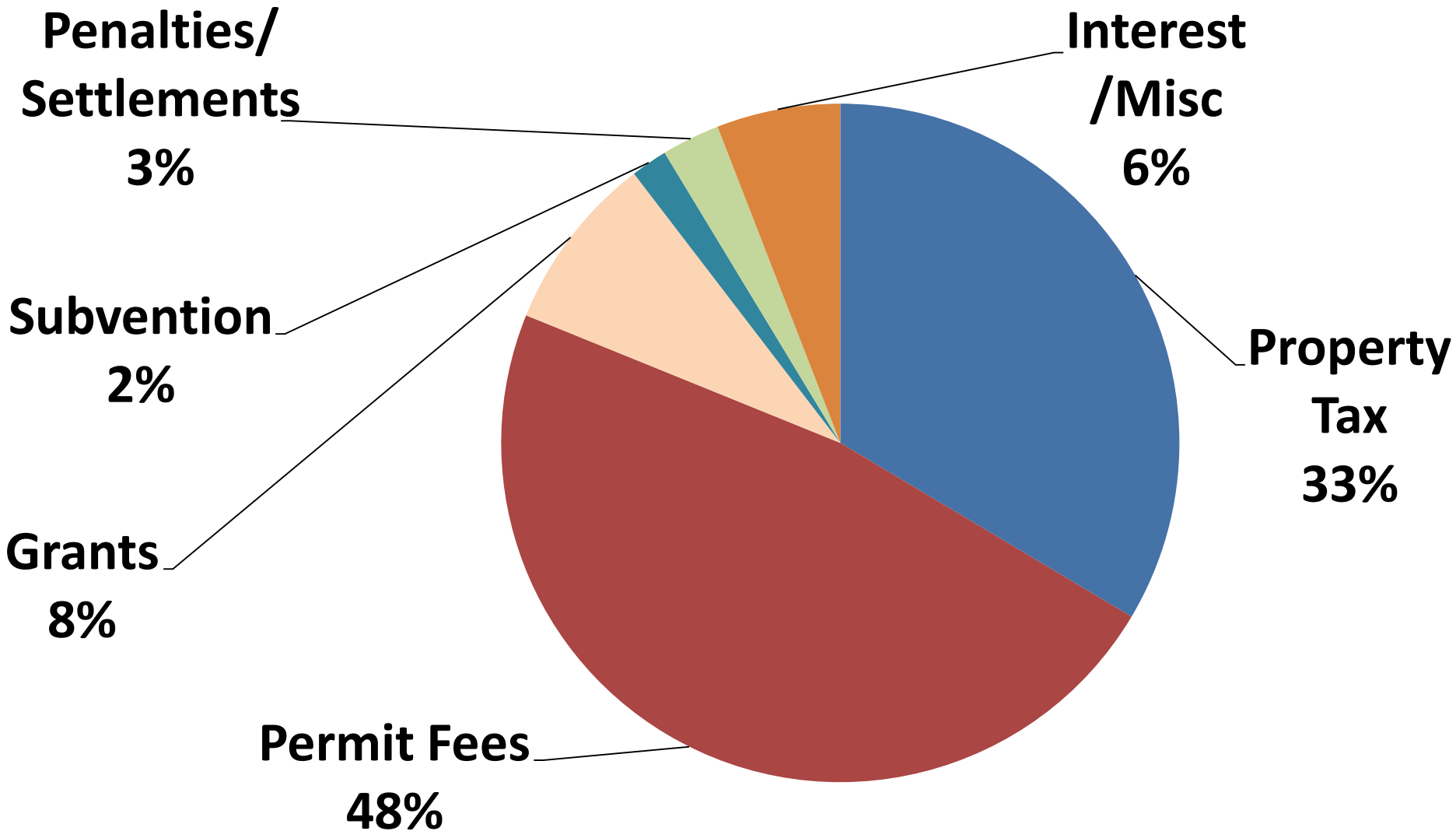
FYE 2019 PROPOSED BUDGET Overview

- \$99.2 M General Fund Budget
- Includes Use of Reserves \$4.0 M
- Continuation of Cost Recovery Policy
- Staff Level: From 381 to 397 FTE
- Addresses Retirement Liabilities
- Includes 3.1% COLA



GENERAL FUND REVENUE SOURCES

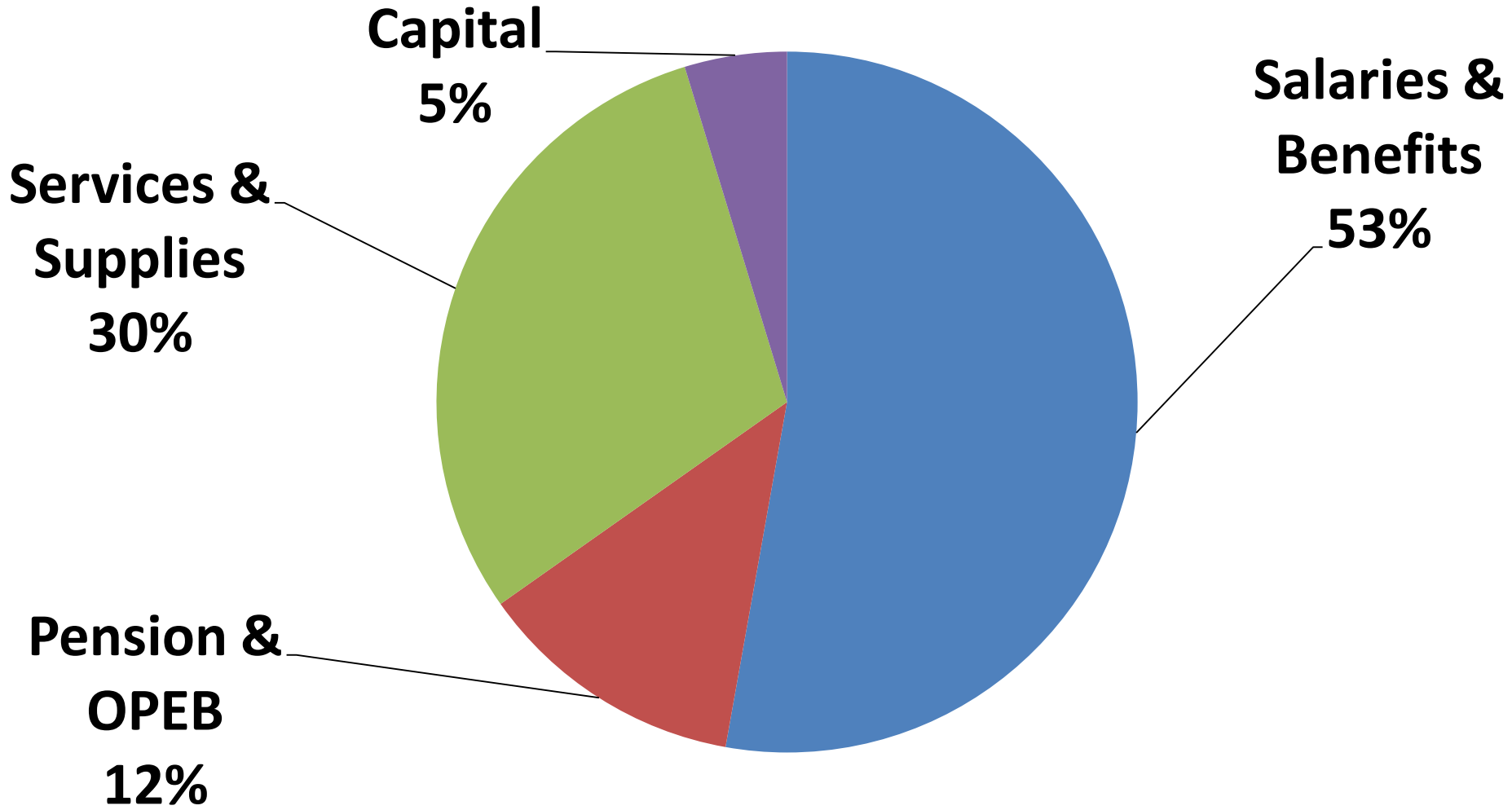
FYE 2019 Proposed Budget





GENERAL FUND EXPENDITURES

FYE 2019 Proposed Budget





2019 PROPOSED BUDGET

Recurring Revenues & Expenditures

RECURRING REVENUES:	\$ (Million)
Property Taxes	1.7
Permit Fees	2.6
AB 617 State Funding	4.8
	9.1
RECURRING EXPENSES:	
32 Additional Staff with Benefits	4.7
3.1% COLA & Benefits	2.3
Air Monitoring Equipment	1.0
Data Analysis	1.0
	9.0



RESERVES DESIGNATIONS

FYE 2019 Proposed Budget

<u>Proposed Designations for FYE 2019:</u>	\$M
Additional Purchase at 375 Beale	5
East Bay Real Estate	7
Napa/Sonoma Fireplace Replacement Grants	3
Woodsmoke Grants	1
Total Designations	16
<i>Economic Contingency (20% of budget)</i>	19
TOTAL FYE 2019 RESERVES*	\$ 35
<u>Use of Reserves in FYE 2019 Proposed Budget</u>	
Technology Implementation Office	\$ 4

* Reserves are subject to change at Board's discretion. Reserves may be expended over a period of years (Includes Building Proceeds)



RETIREMENT LIABILITIES

1. OTHER POST EMPLOYMENT BENEFITS (Medical OPEB)
2. PENSION RETIREMENT



RETIREMENT LIABILITIES

Local Comparisons

Agency	Pension Plan			Other Post Employment Benefits (Medical)	
	Projected Payroll (\$M)	Funded Status (%)	Unfunded Liability (\$M)	Funded Status (%)	Unfunded Liability (\$M)
Alameda County Water District	\$ 26	65%	85	29%	36
Bay Area Air Quality Management District	\$ 37	73%	76	68%	19
City of Alameda	\$ 28	71%	79	0.2%	113
City of Hayward	\$ 46	64%	150	3%	108
City of Livermore	\$ 28	69%	81	14%	60
City of Mountain View	\$ 41	68%	120	73%	34
City of Napa	\$ 26	62%	85	33%	9
City of Richmond	\$ 39	71%	130	0.2%	196
City of San Mateo	\$ 30	70%	71	9%	18
East Bay Regional Park	\$ 44	68%	93	59%	46
Metropolitan Transportation Commission	\$ 28	75%	36	63%	13
Redwood City	\$ 36	65%	105	26%	52
San Joaquin Air Quality Management District	\$ 26	57%	74	n/a	n/a
South Coast Air Quality Management District	\$ 72	78%	150	n/a	n/a

Data is based on most recent actuarial valuation publicly available



MEDICAL RETIREMENT PLAN

OPEB Overview

- Other Post Retirement Benefit (OPEB)
 - Obligation: \$59 M
 - Funded: \$40 M (68%)
 - Unfunded: \$19 M (32%)

- FYE 2019 Employer Contribution: \$6.5 M
 - Pay Go Cost: \$2.5 M
 - Discretionary Contribution: \$4.0 M



MEDICAL RETIREMENT PLAN

Funding Policy Recommendation

➤ Current Funding Policy:

- 90% Funding Level, No Target Date
- FYE 2018 discretionary funding: \$4 M

➤ Recommended Funding Policy:

- Continuation of \$4 M discretionary funding
- Achieves full funding in approximately 3 years
- Redirect annual \$4 M to CalPERS Pension



CALPERS PENSION PLAN

Retirement Overview

➤ CalPERS Retirement

- Obligation: \$283 M
- Funded: \$207 M (73%)
- Unfunded: \$76 M (27%)

➤ FYE 2019 Employer Required Contribution: \$8.2 M

- Unfunded Liability Payment: \$4.9 M
- Normal Cost: \$3.3 M



CALPERS PENSION PLAN Funding Policy Recommendation

- **Current Funding Policy:**
 - 90% Funding Level, No Target Date
 - FYE 2018 discretionary funding: \$1M

- **Recommended Change to Funding Policy:**
 - Establish a 20 year target to reach 90% funding
 - Use 6.5% discount rate to calculate contribution
 - Continuation of \$1M discretionary funding



ALTERNATIVE ASSET ALLOCATIONS for Discretionary Funds

- Budget and Finance Committee to hear options in Fall
- Allocate portions of CalPERS and OPEB discretionary funds to alternative investments after budget cycle such as:
 - Public Agency Retirement Services (PARS)
 - California Employers' Retiree Benefit Trust (CERBT)
 - Self Directed 115 Trust (allows green investment)



BUDGET SUMMARY

FYE 2019

- Budget balanced
- Use of Reserves of \$4.0 M
- Budgeted positions increased to 397
- CalPERS Pension
 - Establish 20 year target to reach 90% funding
 - Use 6.5% discount rate to calculate contribution
 - Discretionary Contribution of \$1 M
- Other Post-Employment Benefits (Medical):
 - Continuation of \$4 M Annual Discretionary Contribution
 - Reallocate \$4 M to CalPERS Pension upon achieving 90% funding level



NEXT STEPS

- May 2 – 1st Public Hearing on Budget
- June 6 – 2nd Public Hearing & Adoption on Proposed Fees & Budget



RECOMMENDATIONS

- Recommend the Board of Directors adopt the proposed FYE 2019 budget; and
- Recommend the Board of Directors adopt a funding policy for CalPERS pensions to achieve 90% funding within 20 years



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AGENDA: 4

Third Quarter Financial Report - Fiscal Year Ending (FYE) 2018

**Budget and Finance Committee
April 25, 2018**

**Stephanie Osaze
Finance Manager**



General Fund Reporting on 3rd Quarter financial results (July 1, 2017 – March 31, 2018):

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



3rd Quarter Results FYE 2018

General Fund - Revenues

Major Categories	FYE 2018 Budget	FYE 2018 Actual (as of 03/31/2018)	Percentage of Budgeted Revenues
County receipts	\$31,518,760	\$19,640,967	62%
Permit Fees	\$36,655,518	\$33,705,332	92%
Title V Permit Fees	\$5,467,881	\$5,002,480	91%
Asbestos Fees	\$2,500,000	\$2,989,264	120%
Toxic Inventory Fees	\$363,081	\$271,306	75%
Penalties and Settlements	\$2,750,000	\$3,886,200	141%
Interest Revenue	\$285,000	\$345,698	121%
Miscellaneous Revenue	\$50,000	\$113,127	226%
Total Revenues	\$79,590,240	\$65,954,373	83%



Revenue Comparison

Prior Year vs. Current Year

Major Categories	FYE 2017 (As of 03/31/2017)	FYE 2018 (As of 03/31/2018)	\$ DIFFERENCE
County receipts	\$17,575,985	\$19,640,967	\$2,064,982
Permit Fee receipts	\$31,138,364	\$33,705,332	\$2,566,968
Title V Permit Fees	\$4,653,797	\$5,002,480	\$348,683
Asbestos Fees	\$3,035,033	\$2,989,264	(\$45,770)
Toxic Inventory Fees	\$165,105	\$271,306	\$106,201
Penalties and Settlements	\$2,517,392	\$3,886,200	\$1,368,808
Interest Revenue	\$422,116	\$345,698	(\$76,418)
Miscellaneous Revenue	\$43,412	\$113,127	\$69,715
TOTAL REVENUES	\$59,551,205	\$65,954,373	\$6,403,169



3rd Quarter Results FYE 2018

General Fund - Expenditures

Major Categories	FY 2018 Budget	FYE 2018 Actual (as of 03/31/2018)	Percentage of Budgeted Expenditures
* Personnel - Salaries	\$40,124,748	\$28,046,647	70%
* Personnel - Benefits	\$22,225,447	\$17,332,448	78%
Operational Services and Supplies	\$31,195,830	\$13,109,123	42%
Capital Outlay	\$5,691,775	\$4,230,715	74%
Total Expenditures	\$99,237,800	\$62,718,933	63%

* Consolidated (Includes Special Funds)



Expenditure Comparison

Prior Year vs. Current Year

Major Categories	FYE 2017 (As of 03/31/2017)	FYE 2018 (As of 03/31/2018)	\$ DIFFERENCE
*Personnel - Salaries	\$26,580,883	\$28,046,647	\$1,465,763
*Personnel - Benefits	\$14,515,259	\$17,332,448	\$2,817,189
Operational Services and Supplies	\$13,224,717	\$13,109,123	(\$115,594)
Capital Outlay	\$2,736,157	\$4,230,715	\$1,494,558
TOTAL EXPENDITURES	\$57,057,016	\$62,718,933	\$5,661,917

*Consolidated includes Special Funds



3rd Quarter Results FYE 2018

Cash and Investments with County Treasury:

(Based on March 2018 Account Balance)

General Fund	\$68,983,280
TFCA	\$94,849,259
MSIF	\$41,521,780
Carl Moyer	\$10,441,456
CA Goods Movement	\$13,899,421
BikeShare	\$1,075,555
TOTAL	<u>\$230,770,751</u>



Fund Balance and Unfunded Liabilities

FUND BALANCES	6/30/2016 Audited	6/30/2017 Audited	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)	(6,850,000)
TOTAL UNDESIGNATED	\$13,366,286	\$19,603,710	\$7,943,358
TOTAL DESIGNATED & UNDESIGNATED	\$35,353,345	\$40,934,769	\$34,084,769
BUILDING PROCEEDS:	4,668,200	4,668,200	4,668,200
TOTAL FUND BALANCE	\$40,021,545	\$45,602,969	\$38,752,969
* 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			32,954,000
TOTAL UNFUNDED LIABILITIES			\$110,068,925



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



FYE 2018 Vendor Payments

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

	VENDOR NAME	AMOUNT PAID (July 2017 - March 2018)	Explanation
1	Alliant Insurance Services	\$447,916	Various Business Insurance Policies
2	Benefits Coordinators Corp.	\$688,839	Life Insurance Plan & LTD Insurance
3	CA Public Employee Retirement System	\$5,453,888	Health Insurance Plan
4	CA Public Employee Retirement System	\$2,376,339	Retirement Benefits & 457 Supplemental Plan
5	CAPCOA	\$630,892	Pass through EPA grants
6	Cubic Transportations Systems	\$331,020	Clipper Transit Subsidy
7	Enterprise Fleet Services	\$319,300	Fleet Leasing and Maintenance services
8	Hartford Life Ins Co.	\$526,103	457 Supplemental Insurance
9	Preferred Benefit Insurance AD	\$487,373	Dental Insurance Plan
10	Renne Sloan Holtzman Sakai	\$143,026	Human Resources Consulting Services
11	SoftwareOne Inc.	\$332,209	Microsoft Subscription Service
12	Thermo Environmental Instrument	\$102,109	Air monitoring and source test instrumentation
13	Verizon Wireless	\$121,935	Cell phone services



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Discussion of Budget Processes for Fiscal Year Ending (FYE) 2020

**Budget and Finance Committee
April 25, 2018**

Jeff McKay
Chief Financial Officer



FYE 2020 Pre-Budget Process Outline

- Current pre-budget process
- Motivations to formalize the pre-budget process
- Anticipated structure



Current Pre-Budget Process

- Varies year to year
- Has included:
 - Review of Current Fiscal Year
 - Anticipated Challenges
 - Unfunded Liabilities
 - Investment Strategy
- Internal Staff Processes:
 - Future Year Modelling
 - Strategic Mitigation Planning
 - Long-term Capital Planning
 - Performance Metrics



Motivations to Formalize Pre-Budget Process

- Continuity of format and content year to year
- Items traditionally confined to staff processes
- More transparency for Committee
 - Risk Analysis
 - Modelling
 - Etc.



FYE 2020 Pre-Budget Process

- Present to Committee in January / February
- “Air District Strategic Financial Plan”
- Provides guidance for March budget process



FINANCIAL HISTORY

Audited District Reserves

Excludes Building Proceeds

