



BAY AREA  
AIR QUALITY  
MANAGEMENT  
DISTRICT

AGENDA: 2

# **First Public Hearing on the Proposed Air District Budget for Fiscal Year Ending (FYE) 2020**

**Special Meeting of the  
Board of Directors  
May 15, 2019**

Jack P. Broadbent  
Executive Officer/APCO



- Status of Current Year Fiscal Year Ending (FYE) 2019
- Financial History
- Proposed Budget for FYE 2020
- Next Steps



# CURRENT FISCAL YEAR FYE 2019 Projections

General Fund Budget: \$99.2 M Budget

Included Use of Reserves \$4 M for Technology  
Implementation Office (TIO) Loan Program

As of Third Quarter 2019:

- Permit Fee revenue exceeds target due to change in expiration date for Reg. 12-15 facilities
- Property Tax revenue on target
- Expenditures on target



# FINANCIAL HISTORY

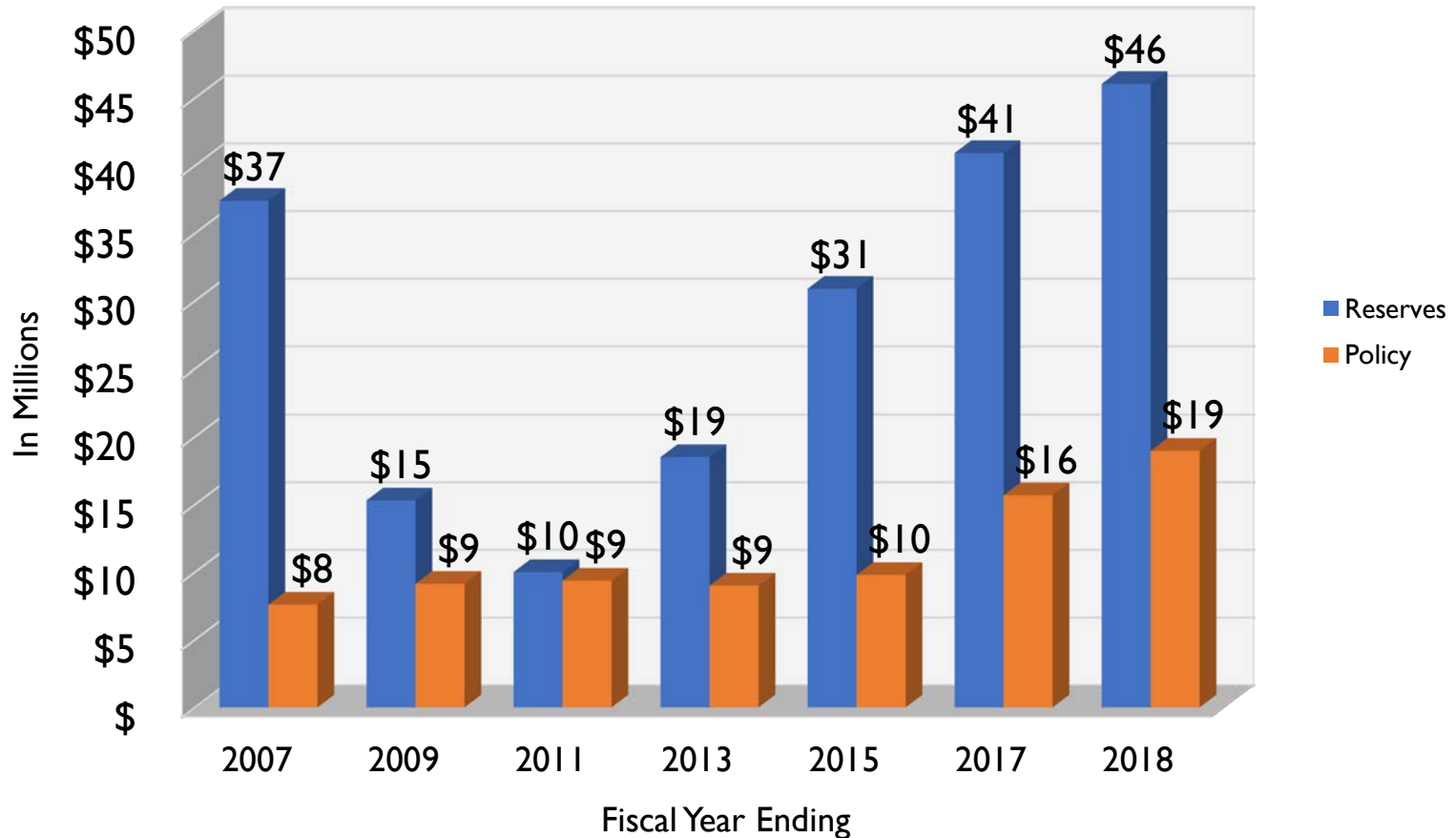
## Actions Taken During Downturn

- 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



# ACTUAL RESERVES & POLICY (Excludes Building Proceeds)

GENERAL FUND:  
RESERVES COMPARED WITH POLICY

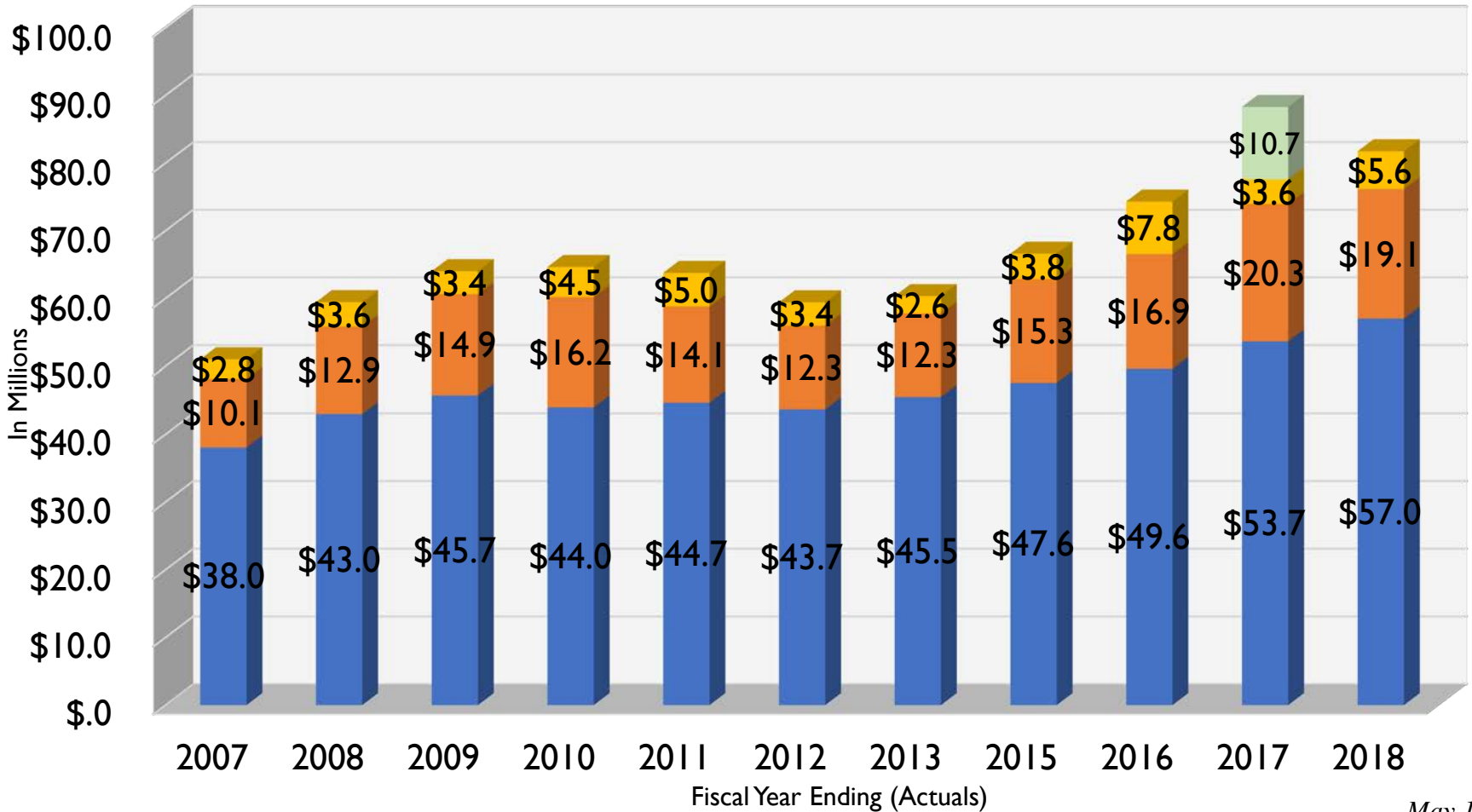




# GENERAL FUND EXPENDITURE TREND

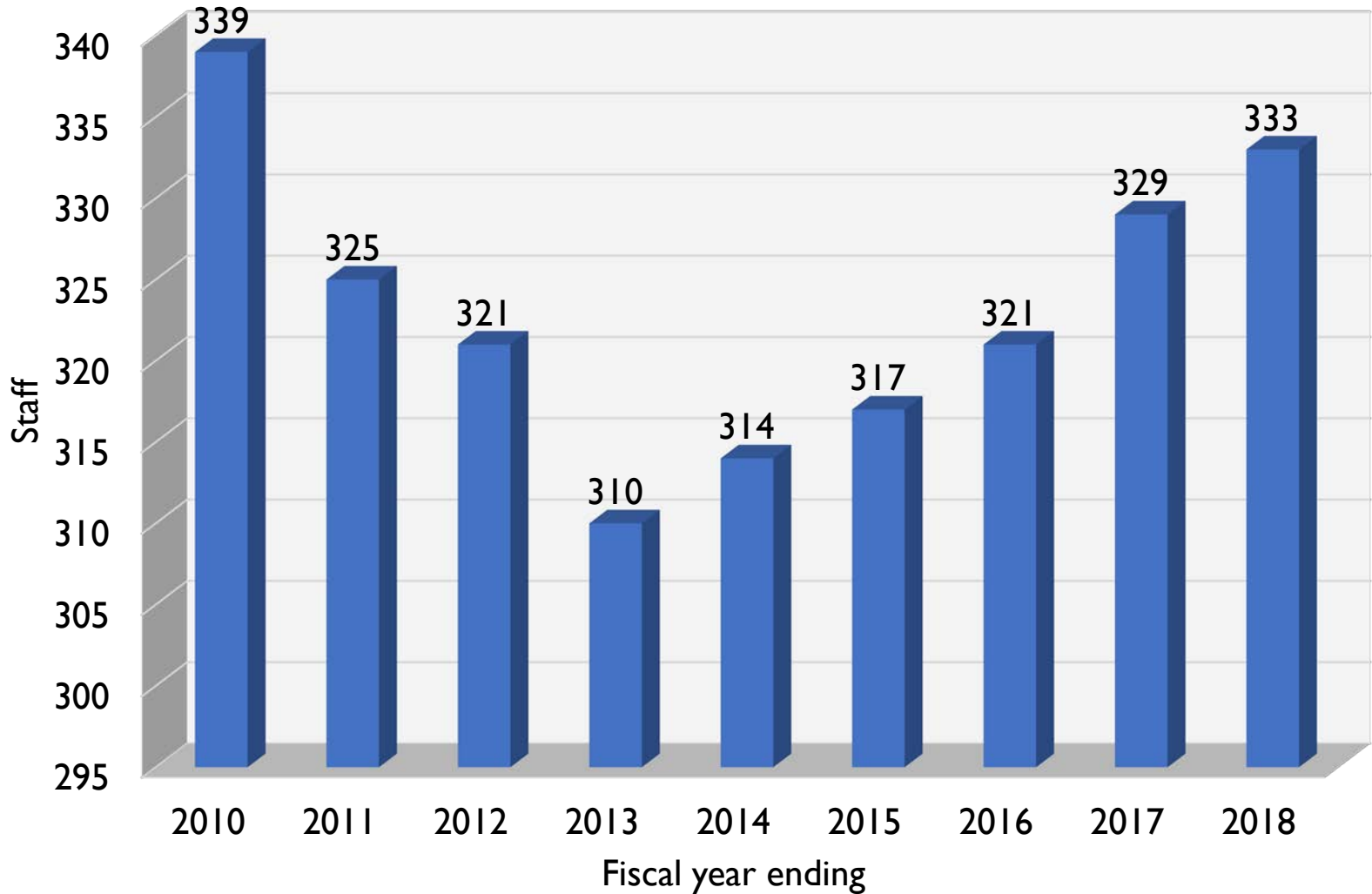
## EXPENDITURE TRENDS

■ Personnel ■ Services&Supplies ■ Capital ■ Beale St. Down Payment





# STAFFING TREND – FILLED POSITIONS

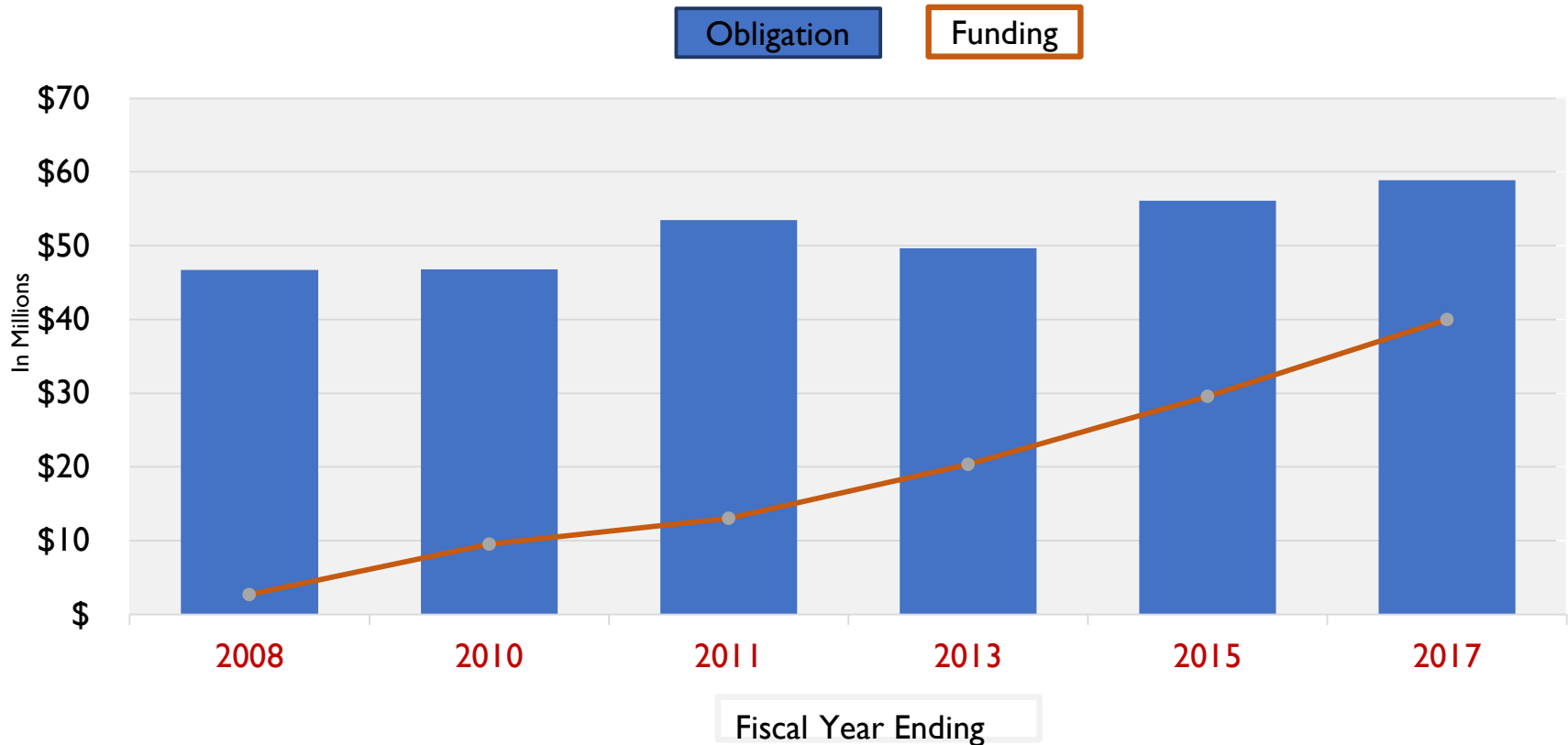


*Staffing level is based on full-time equivalent positions filled during the fiscal year*



# MEDICAL RETIREMENT: Other Post Employment Benefits (OPEB)

OPEB HISTORICAL FUNDED STATUS



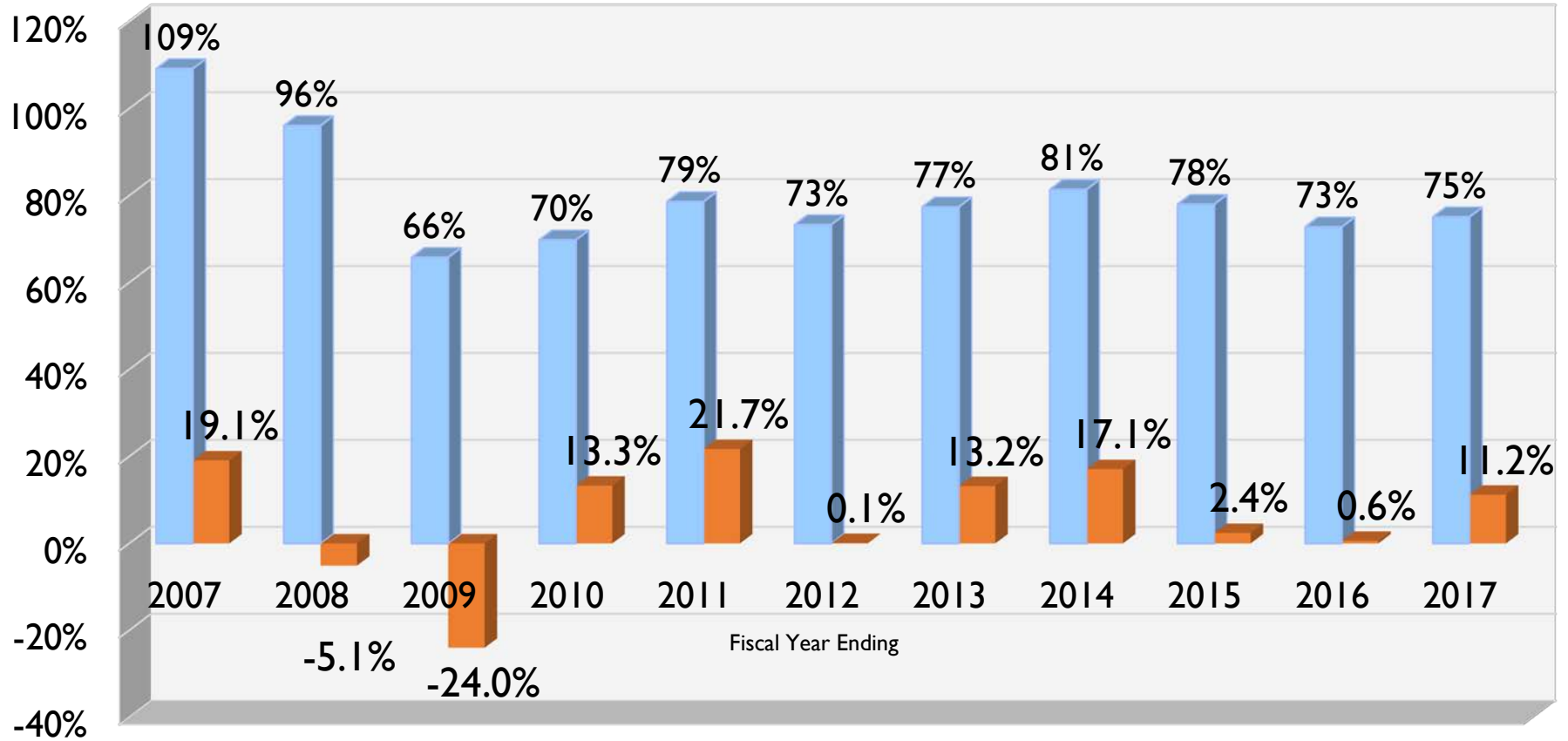




# CALPERS PENSION: Historical Rate of Return and Funding Ratio

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)  
FUNDING HISTORY

■ Funding Ratio ■ Rate of Return



***2018 Rate of Return = 8.6%***

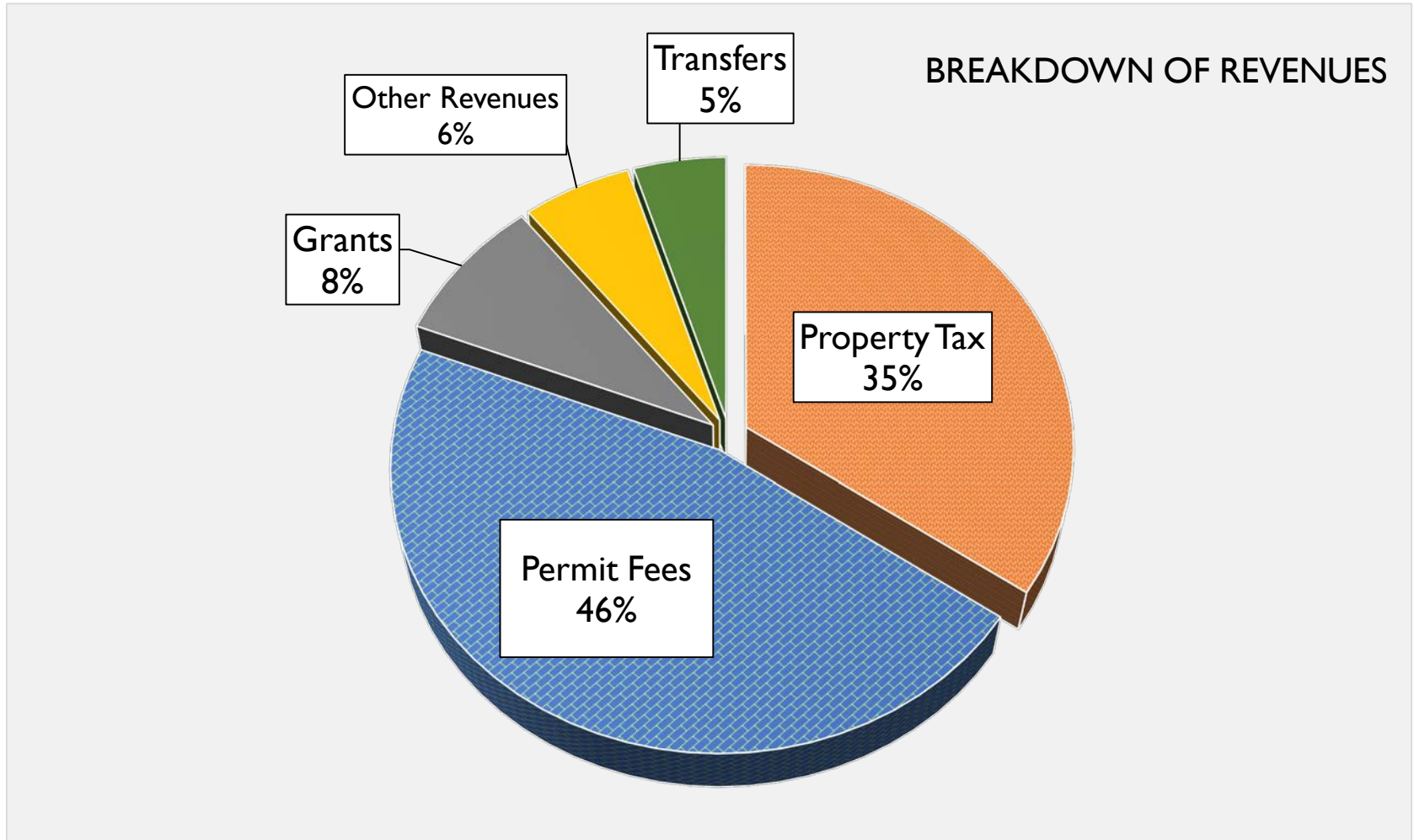


# FYE 2020 PROPOSED BUDGET Overview

- \$104.6 M General Fund Budget
- Includes Use of Reserves \$4 M
- Continuation of Cost Recovery Policy
- No Staffing Level Increase: 405 Full Time Equivalent (FTE)
- Addresses Retirement Liabilities
- Includes 3.5% Cost of Living Amount (COLA)

# GENERAL FUND REVENUE SOURCES

## FYE 2020 Proposed Budget

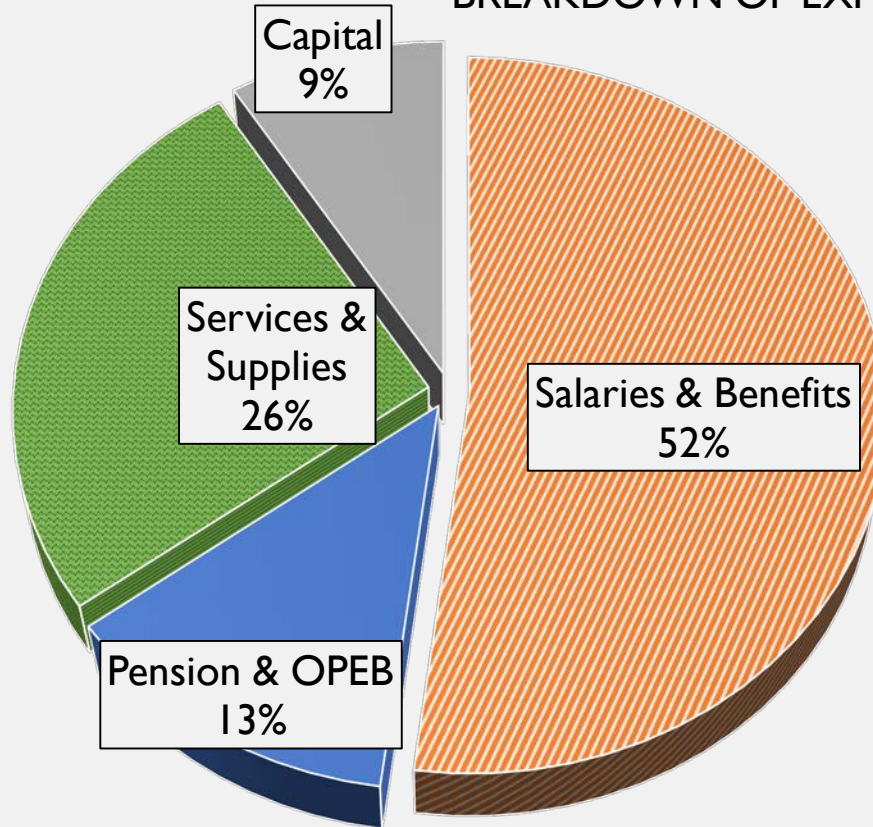




# GENERAL FUND EXPENDITURES

## FYE 2020 Proposed Budget

BREAKDOWN OF EXPENDITURES





# CAPITAL BUDGET

## FYE 2020 Proposed Budget

### **\$9.4 M Proposed Capital Budget Expenditure:**

<b><u>Description</u></b>	<b><u>Amount</u></b>
One (1) Analytical Equipment Portable Air Quality Speciation Platforms	476,000
One (1) Meteorological Towers and Equipment Upgrades	131,400
One (1) Analytical Equipment for Mandatory PAMS Station	316,092
One (1) Analytical Equipment for Fixed Site Monitoring Network	272,292
One (1) DI Water Generator	15,000
Two (2) Laboratory Freezers	10,000
Two (2) Laboratory Refrigerators	12,000
Three (3) Laboratory Ovens	15,000
Two (2) Canister Cleaners	40,000
Two (2) Analytical balances	10,000
One (1) Microbalance	25,000
Two (2) Gas Chromatograph	120,000
Two (2) Hydrogen Generator	20,000



# CAPITAL BUDGET

## FYE 2020 Proposed Budget (continued)

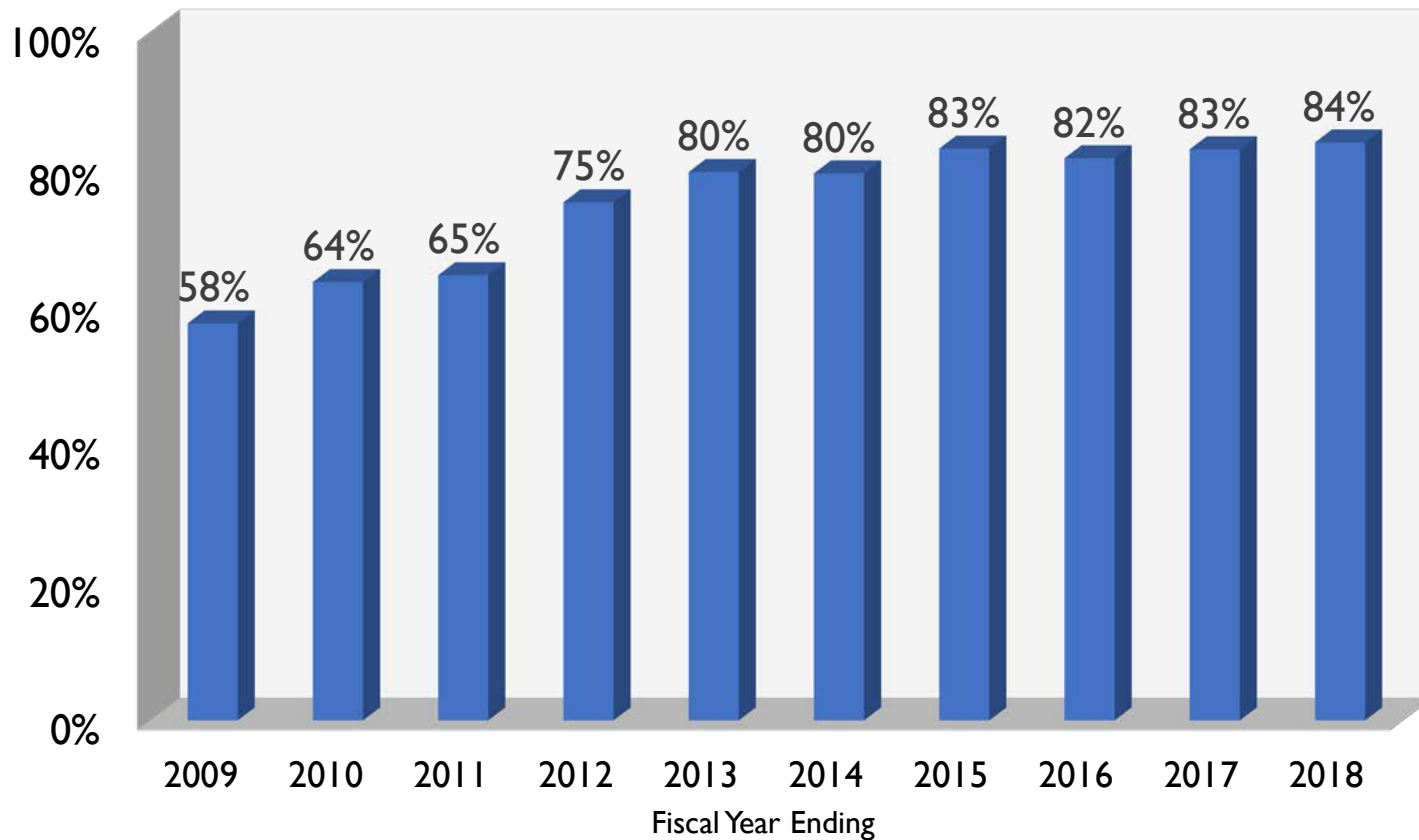
### **\$9.4 M Proposed Capital Budget Expenditure Cont.:**

One (1) Gas Chromatography/Mass Spectrometer	170,000
One (1) X-Ray Fluorescence Instrument	80,000
Four (4) Source Test Analyzers	80,000
Four (4) Automated Calibration Gas Dilution Manifolds	60,932
Five (5) Automated Isokinetic Sampling Consoles	50,000
One (1) Air Monitoring Instrumentation (auditing)	20,400
One (1) Linux Cluster Computer for Modeling	70,000
Richmond Facility Improvement	4,000,000
Office Equipment for Recordkeeping	60,000
Computer and Equipment for Recordkeeping	250,000
Business Continuity Site	75,000
Capital Lease for Servers, Telecommunications & Hardware	400,000
Public Permitting & Compliance Systems	2,625,000



# COST RECOVERY TREND

COST RECOVERY PERCENTAGE BY FISCAL YEAR





# FEES AND COST RECOVERY

## Overview

- Air District can recover 100% of costs through fees
- Cost Recovery was 58% in 2009
- Cost Recovery Policy approved in FYE 2013
- 85% minimum cost recovery target
- Reached 84% in FYE 2018
- Cost Recovery Study Update completed in FYE 2018
- Strong involvement by Regulated Community





# FEES AND COST RECOVERY

## Future State

- New and enhanced programs reduce Cost Recovery
- Cost Recovery will drop in FYE 2020
- Fee increases assumed to average approximately 6%



# RESERVES POLICY

- Reserves Policy: **20%** of General Fund Budget
  - FYE 2020 Budget of \$100 M => **\$20 M minimum**
  - FYE 2020 Projected Reserves = **\$26 M**



# RESERVES DESIGNATIONS

## FYE 2020 Proposed Budget

<b><u>Proposed Reserve Designations for FYE 2020</u></b>	<b><u>(\$M)</u></b>
Napa/Sonoma Fireplace Replacement Grants	1
Pension Liability	1
Woodsmoke Grants	1
To Be Determined	<u>3</u>
<b>Total Designations</b>	<b>6</b>
<b><u>Economic Contingency (20% of budget)</u></b>	<b><u>20</u></b>
<b><i>TOTAL FYE 2020 RESERVES *</i></b>	<b>26</b>
<b><u>Used from Reserves in FYE 2020 Budget</u></b>	
<i>Richmond Facility Improvements</i>	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



# MEDICAL RETIREMENT PLAN

## OPEB Overview

### ➤ Other Post Retirement Benefit (OPEB)

- Obligation: \$58 M
- Funded: \$40 M (68%)
- Unfunded: \$18 M (32%)

### ➤ Funding Policy: 90% Funded Level

- 3 Year Target Date (FYE 2022)
- \$4 M Annual Contribution



# CALPERS PENSION PLAN

## Retirement Overview

### ➤ CalPERS Retirement

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

### ➤ Funding Policy: 90% Funded Level

- 20 Year Target Date (FYE 2039)
- \$1 M Annual Additional Contribution



# BUDGET SUMMARY

## FYE 2020

- Budget balanced
- Use of Reserves of \$4 M
- Budgeted positions remain at 405
- Amend Fee Schedule based on Proposed Fees
- \$1 M Annual Contribution for Pension
- \$4 M Annual Contribution for OPEB



# ACTIONS TAKEN

## ➤ PREVIOUS ACTIONS:

- March 22, 2019 – Committee received presentation on the Proposed Fee Regulation Amendments and the Proposed Budget
- April 22, 2019 – Committee referred FYE 2020 Proposed Budget to the Board
- May 1, 2019 – 1<sup>st</sup> Public Hearing on the Proposed Fees

## ➤ CURRENT ACTION:

- May 15, 2019 – 1<sup>st</sup> Public Hearing on Budget





# FUTURE ACTIONS

## ➤ FUTURE ACTIONS:

- June 5, 2019 – 2<sup>nd</sup> Public Hearing & Adoption of Proposed Fees & Budget
- July 1, 2019 – Adopted Budget and Fees become effective