



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 4

Bay Area Air Quality Management District

Fourth Quarter Financial Report Fiscal Year Ending (FYE) 2018

Budget and Finance Committee Meeting
January 23, 2019

Stephanie Osaze
Finance Manager



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Overview

General Fund Reporting on 4th Quarter financial results (July 1, 2017 – June 30, 2018):

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



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4th Quarter Results FYE 2018

General Fund - Revenues

Major Categories	FYE 2018 Budget	FYE 2018 Actual (as of 06/30/2018)	Percentage of Budgeted Revenues
County receipts	\$31,518,760	\$33,032,767	105%
Permit Fees	\$36,655,518	\$36,281,869	99%
Title V Permit Fees	\$5,467,881	\$5,439,167	99%
Asbestos Fees	\$2,500,000	\$4,066,794	163%
Toxic Inventory Fees	\$363,081	\$336,389	93%
Penalties and Settlements	\$2,750,000	\$4,357,810	158%
Interest Revenue	\$285,000	\$875,267	307%
Miscellaneous Revenue	\$50,000	\$145,893	292%
Total Revenues	\$79,590,240	\$84,535,955	106%



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Revenue Comparison

Prior Year vs. Current Year

Major Categories	FYE 2017 (As of 06/30/2017)	FYE 2018 (As of 06/30/2018)	\$ DIFFERENCE
County receipts	\$30,541,028	\$33,032,767	\$2,491,739
Permit Fee receipts	\$33,249,989	\$36,281,869	\$3,031,879
Title V Permit Fees	\$5,021,094	\$5,439,167	\$418,073
Asbestos Fees	\$4,210,603	\$4,066,794	(\$143,809)
Toxic Inventory Fees	\$211,380	\$336,389	\$125,009
Penalties and Settlements	\$3,335,649	\$4,357,810	\$1,022,161
Interest Revenue	\$587,340	\$875,267	\$287,927
Miscellaneous Revenue	\$66,895	\$145,893	\$78,997
TOTAL REVENUES	\$77,223,979	\$84,535,955	\$7,311,976



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4th Quarter Results FYE 2018

General Fund - Expenditures

Major Categories	FY 2018 Budget	FYE 2018 Actual (as of 06/30/2018)	Percentage of Budgeted Expenditures
*Personnel - Salaries	\$39,375,445	\$39,623,206	101%
*Personnel - Benefits	\$22,974,750	\$20,792,915	91%
Operational Services and Supplies	\$31,195,830	\$19,109,582	61%
Capital Outlay	\$5,691,775	\$5,606,660	99%
Total Expenditures	\$99,237,800	\$85,132,363	86%
* Consolidated (Includes Special Funds)			



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Expenditure Comparison

Prior Year vs. Current Year

Major Categories	FYE 2017 (As of 06/30/2017)	FYE 2018 (As of 06/30/2018)	\$ DIFFERENCE
*Personnel - Salaries	\$37,368,006	\$39,623,206	\$2,255,200
*Personnel - Benefits	\$19,615,494	\$20,792,915	\$1,177,421
Operational Services and Supplies	\$20,025,362	\$19,109,582	(\$915,780)
Capital Outlay	\$3,923,291	\$5,606,660	\$1,683,369
TOTAL EXPENDITURES	\$80,932,153	\$85,132,363	\$4,200,210

*Consolidated includes Special Funds



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4th Quarter Results FYE 2018

Investments

Cash and Investments with County Treasury: (Based on June 2018 Account Balance)

General Fund	\$67,596,034
TFCA	\$96,546,426
MSIF	\$42,072,941
Carl Moyer	\$19,004,193
CA Goods Movement	\$13,878,585
BikeShare	\$1,079,280
TOTAL	<u>\$240,177,459</u>



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Fund Balance and Unfunded Liabilities

FUND BALANCES	6/30/2017 Audited	6/30/2018 Audited	6/30/2019 Projected
DESIGNATED: *			
Building Acquisition			7,000,000
Diversity Equity & Inclusion	0	100,000	0
Economic Contingency	16,519,959	17,390,311	19,084,769
IT- Event Response	500,000	500,000	0
Litigation	0	500,000	0
Napa/Sonoma Fireplace Replacement Grant	0	1,000,000	1,000,000
Pension & Post Employment Liability	1,600,000	1,000,000	1,000,000
Tech- Meterological Network Equipment	131,100	131,100	0
Tech- Mobile Monitoring Instruments	80,000	80,000	0
Technology Implementation Office	0	3,350,000	0
GHG Abatement Technology Study	1,500,000	1,500,000	0
Woodchip Program	0	150,000	0
Woodsmoke Grant	0	1,000,000	1,000,000
Worker's Comp Self -Funding	1,000,000	1,000,000	0
TOTAL DESIGNATED	\$21,331,059	\$27,701,411	\$29,084,769
UNDESIGNATED	20,455,742	14,085,390	16,717,783
Use of Fund Balance	(852,032)	4,253,010	(12,671,400)
TOTAL UNDESIGNATED	\$19,603,710	\$18,338,400	\$4,046,383
TOTAL DESIGNATED & UNDESIGNATED	\$40,934,769	\$46,039,811	\$33,131,152
BUILDING PROCEEDS:	4,668,200	4,668,200	209,489
TOTAL FUND BALANCE	\$45,602,969	\$50,708,011	\$33,340,641
* Designated Fund Balances are subject to change at Board's discretion.			
UNFUNDED LIABILITIES (Based on 2017 Actuarial Valuation Report)			
CalPERS Pension Retirement			74,654,496
Other Post Employment Benefits			18,840,854
TOTAL UNFUNDED LIABILITIES			\$93,495,350



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.



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FYE 2018 Vendor Payments

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

	VENDOR NAME	AMOUNT PAID (July 2017 - June 18)	Explanation
1	Alliant Insurance Services	\$591,802	Various Business Insurance Policies
2	Bay Area Headquarters Authority	\$1,913,186	Shared Services & Common Areas
3	BAAQMD Employee Association	\$101,487	Employee Union Dues
4	Benefits Coordinators Corp.	\$1,009,224	Life Insurance Plan & LTD Insurance
5	CA Public Employee Retirement System	\$7,297,956	Health Insurance Plan
6	CA Public Employee Retirement System	\$3,010,929	Retirement Benefits & 457 Supplemental Plan
7	CAPCOA	\$700,337	Pass through EPA grants
8	Ceridian	\$114,109	Payroll Processing Services
9	Cubic Transportations Systems	\$446,158	Clipper Transit Subsidy
10	Direct Mail Center	\$147,084	Public Notice Mailing Services



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FYE 2018 Vendor Payments

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

	VENDOR NAME	AMOUNT PAID (July 2017 - June 18)	Explanation
11	Enterprise Fleet Services	\$445,322	Fleet Leasing and Maintenance services
12	Hartford Life Ins Co.	\$726,500	457 Supplemental Insurance
13	Preferred Benefit Insurance AD	\$695,682	Dental Insurance Plan
14	Pacific Gas & Electric	\$103,757	Utility services
15	Renne Sloan Holtzman Sakai	\$176,267	Human Resources Consulting Services
16	SoftwareOne Inc.	\$332,269	Microsoft Subscription Service
17	Thermo Environmental Instrument	\$110,194	Air monitoring and source test instrumentation
18	Verizon Wireless	\$211,951	Cell phone services
19	Wright Express Universal	\$102,485	Fuel for fleet



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AGENDA: 5

Bay Area Air Quality Management District

First Quarter Financial Report Fiscal Year Ending (FYE) 2019

Budget and Finance Committee Meeting
January 23, 2019

Stephanie Osaze
Finance Manager



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AIR QUALITY
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DISTRICT

Overview

General Fund Reporting on 1st Quarter financial results (July 1, 2018 – September 30, 2018):

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



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1st Quarter Results FYE 2019

General Fund - Revenues

Major Categories	FYE 2019 Budget	FYE 2019 Actual (as of 09/30/2018)	Percentage of Budgeted Revenues
County receipts	\$33,274,701	\$323,817	1%
Permit Fees	\$38,746,963	\$25,988,911	67%
Title V Permit Fees	\$5,810,627	\$5,023,406	86%
Asbestos Fees	\$2,500,000	\$1,143,535	46%
Toxic Inventory Fees	\$506,806	\$220,209	43%
Penalties and Settlements	\$2,750,000	\$318,023	12%
Interest Revenue	\$496,796	\$316,663	64%
Miscellaneous Revenue	\$100,000	\$37,013	37%
Total Revenues	\$84,185,893	\$33,371,577	40%



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Revenue Comparison

Prior Year vs. Current Year

Major Categories	FYE 2018 (As of 09/30/2017)	FYE 2019 (As of 09/30/2018)	\$ DIFFERENCE
County receipts	\$77,801	\$323,817	\$246,016
Permit Fee receipts	\$20,720,742	\$25,988,911	\$5,268,169
Title V Permit Fees	\$3,501,509	\$5,023,406	\$1,521,897
Asbestos Fees	\$1,057,495	\$1,143,535	\$86,040
Toxic Inventory Fees	\$177,329	\$220,209	\$42,880
Penalties and Settlements	\$742,678	\$318,023	(\$424,654)
Interest Revenue	\$165,228	\$316,663	\$151,434
Miscellaneous Revenue	\$4,495	\$37,013	\$32,519
TOTAL REVENUES	\$26,447,276	\$33,371,577	\$6,924,301



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1st Quarter Results FYE 2019

General Fund - Expenditures

Major Categories	FY 2019 Budget	FYE 2019 Actual (as of 09/30/2018)	Percentage of Budgeted Expenditures
* Personnel - Salaries	\$45,656,763	\$8,980,924	20%
* Personnel - Benefits	\$25,824,111	\$8,236,336	32%
Operational Services and Supplies	\$29,676,361	\$3,184,581	11%
Capital Outlay	\$4,656,556	\$983,799	21%
Total Expenditures	\$105,813,791	\$21,385,640	20%
* Consolidated (Includes Special Funds)			



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Expenditure Comparison

Prior Year vs. Current Year

Major Categories	FYE 2018 (As of 09/30/2017)	FYE 2019 (As of 09/30/2018)	\$ DIFFERENCE
*Personnel - Salaries	\$8,307,733	\$8,980,924	\$673,191
*Personnel - Benefits	\$6,907,504	\$8,236,336	\$1,328,832
Operational Services and Supplies	\$2,970,741	\$3,184,581	\$213,840
Capital Outlay	\$1,269,603	\$983,799	(\$285,804)
TOTAL EXPENDITURES	\$19,455,581	\$21,385,640	\$1,930,059

*Consolidated includes Special Funds



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1st Quarter Results FYE 2019

Investments

Cash and Investments with County Treasury:

(Based on Sept 2018 Account Balance)

General Fund	\$70,817,140
TFCA	\$102,212,849
MSIF	\$41,937,053
Carl Moyer	\$20,392,810
CA Goods Movement	\$13,937,851
BikeShare	\$1,084,000
TOTAL	<u>\$250,381,703</u>



Fund Balance and Unfunded Liabilities

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FUND BALANCES	6/30/2017 Audited	6/30/2018 Audited	6/30/2019 Projected
DESIGNATED: *			
Building Acquisition			7,000,000
Diversity Equity & Inclusion	0	100,000	0
Economic Contingency	16,519,959	17,390,311	19,084,769
IT- Event Response	500,000	500,000	0
Litigation	0	500,000	0
Napa/Sonoma Fireplace Replacement Grant	0	1,000,000	1,000,000
Pension & Post Employment Liability	1600000	1,000,000	1,000,000
Tech- Meterological Network Equipment	131,100	131,100	0
Tech- Mobile Monitoring Instruments	80,000	80,000	0
Technology Implementation Office	0	3,350,000	0
GHG Abatement Technology Study	1,500,000	1,500,000	0
Woodchip Program	0	150,000	0
Woodsmoke Grant	0	1,000,000	1,000,000
Worker's Comp Self -Funding	1,000,000	1,000,000	0
TOTAL DESIGNATED	\$21,331,059	\$27,701,411	\$29,084,769
UNDESIGNATED	20,455,742	14,085,390	16,717,783
Use of Fund Balance	(852,032)	4,253,010	(12,671,400)
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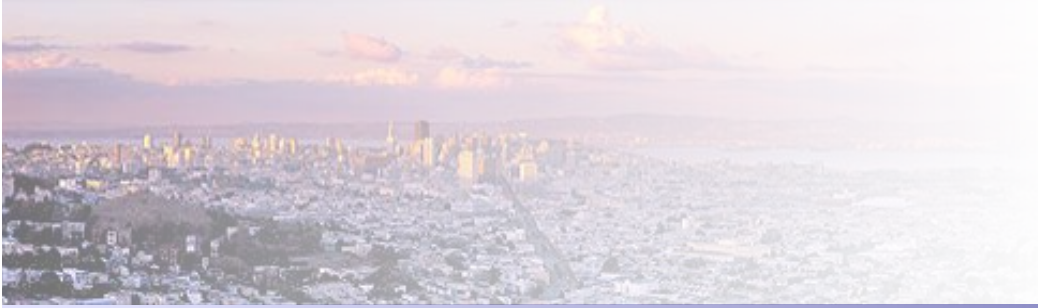
FYE 2019 Vendor Payments

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

	VENDOR NAME	AMOUNT PAID (July 2018 - Sept 2018)	Explanation
1	Benefits Coordinators Corp.	\$167,101	Life Insurance Plan & LTD Insurance
2	CA Public Employee Retirement System	\$1,259,205	Health Insurance Plan
3	CA Public Employee Retirement System	\$565,482	Retirement Benefits & 457 Supplemental Plan
4	Cubic Transportations Systems	\$121,857	Clipper Transit Subsidy
5	Enterprise Fleet Services	\$117,060	Fleet Leasing and Maintenance services
6	Hartford Life Ins Co.	\$207,207	457 Supplemental Insurance
7	Preferred Benefit Insurance AD	\$211,397	Dental Insurance Plan
8	Thermo Environmental Instrument	\$149,146	Air monitoring and source test instrumentation



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Air District Financial Plan Overview

**Budget and Finance Committee Meeting
January 23, 2019**

**Jack P. Broadbent
Executive Officer/APCO**



Financial Plan Overview

- **Purpose:** Capture and retain Air District Pre-budget planning processes in a document
 - Forecasts
 - Policies
 - Investment Options



Financial Plan Overview (continued)

- Provides a 5 Year Fiscal Forecast: Fiscal Year (FY) 2020-2024
- First Year of Implementation
- Living Document (updated annually)



Financial Plan Overview (continued)

- Historical Financial Condition/Trends
- Current Financial and Economic Outlook
- Financial Forecast
- Unfunded Liabilities
- Financial Policies



Historical Financial Condition/Trends

- Historical Reserves
 - Use of Reserves During the Downturn
- Historical Revenue Trends
 - Covers two largest Revenue Source
 - Cost Recovery Trends & Policy
- Historical Expenditure Trends

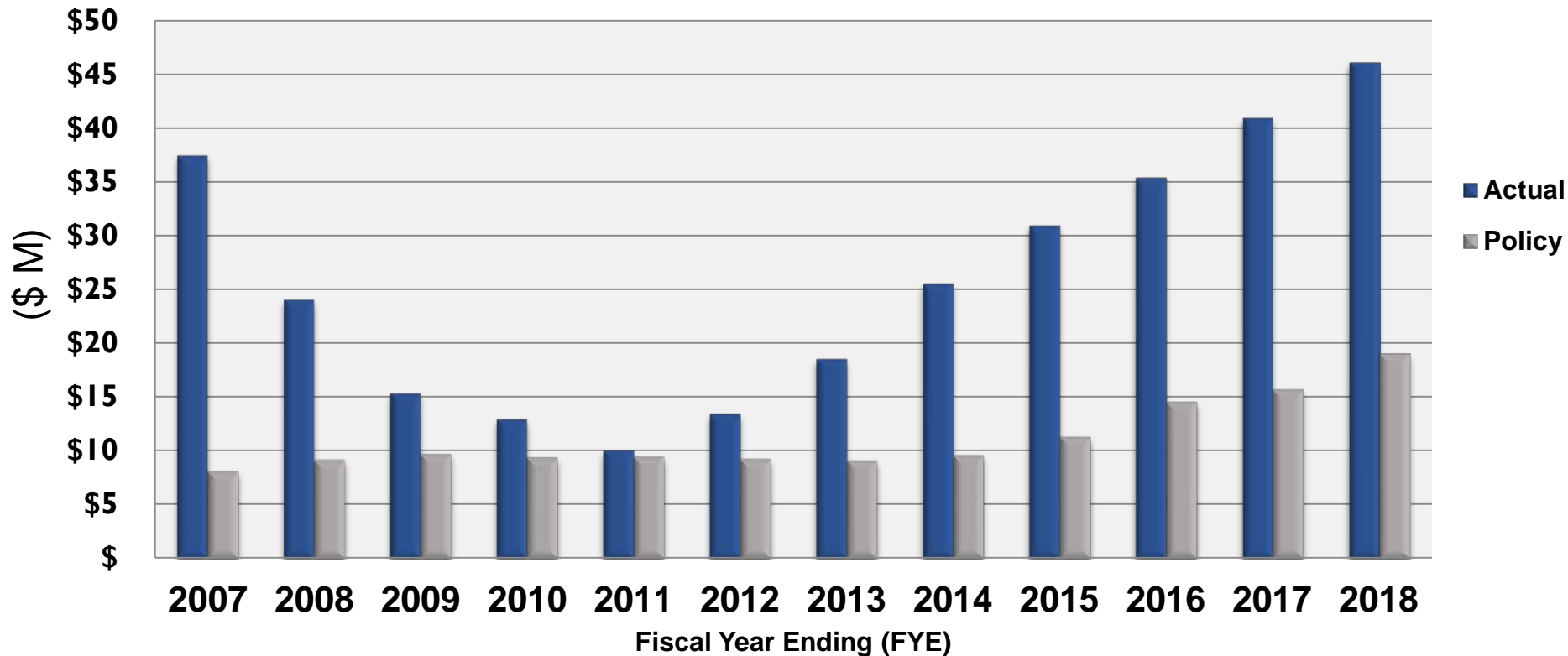
Actions taken during the Downturn:

- Use of Reserves
- Reduced Staffing through Attrition
- Postponed Expenditures
- Deferred Capital Investment
- Initiated the Cost Recovery Policy

Actual Reserves & Policy

Excluding Building Sale Proceeds

General Fund Reserves: *Actual Compared With Policy*

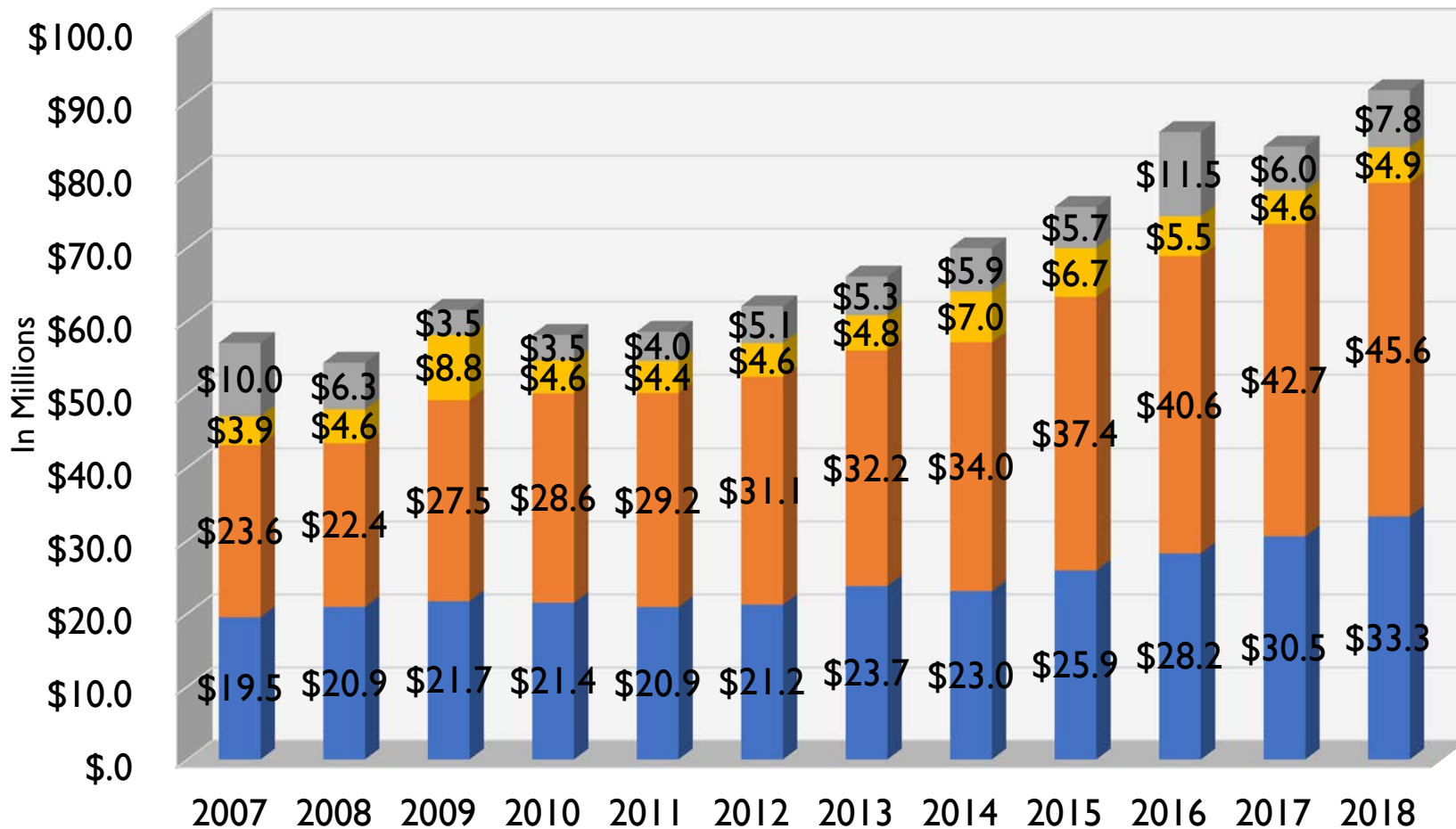


In 2016, Policy change from 15% to 20% of General Fund Budget

Historical Revenues

HISTORICAL REVENUE TRENDS

■ County Revenue
 ■ Permit Fees
 ■ Grant Revenues
 ■ Other Revenues

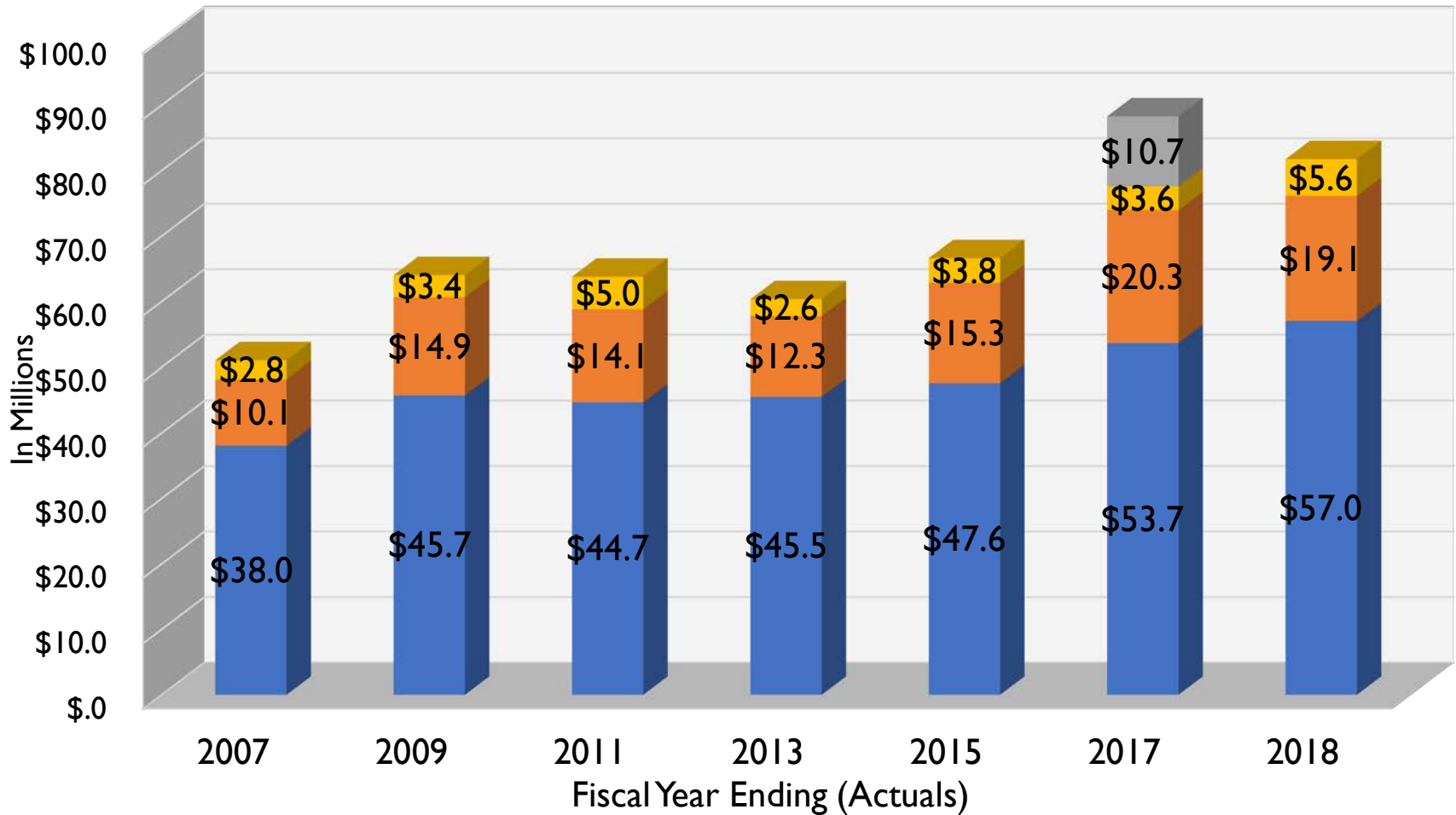


Fiscal Year Ending *Actual*

Historical Expenditures

EXPENDITURE TRENDS

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



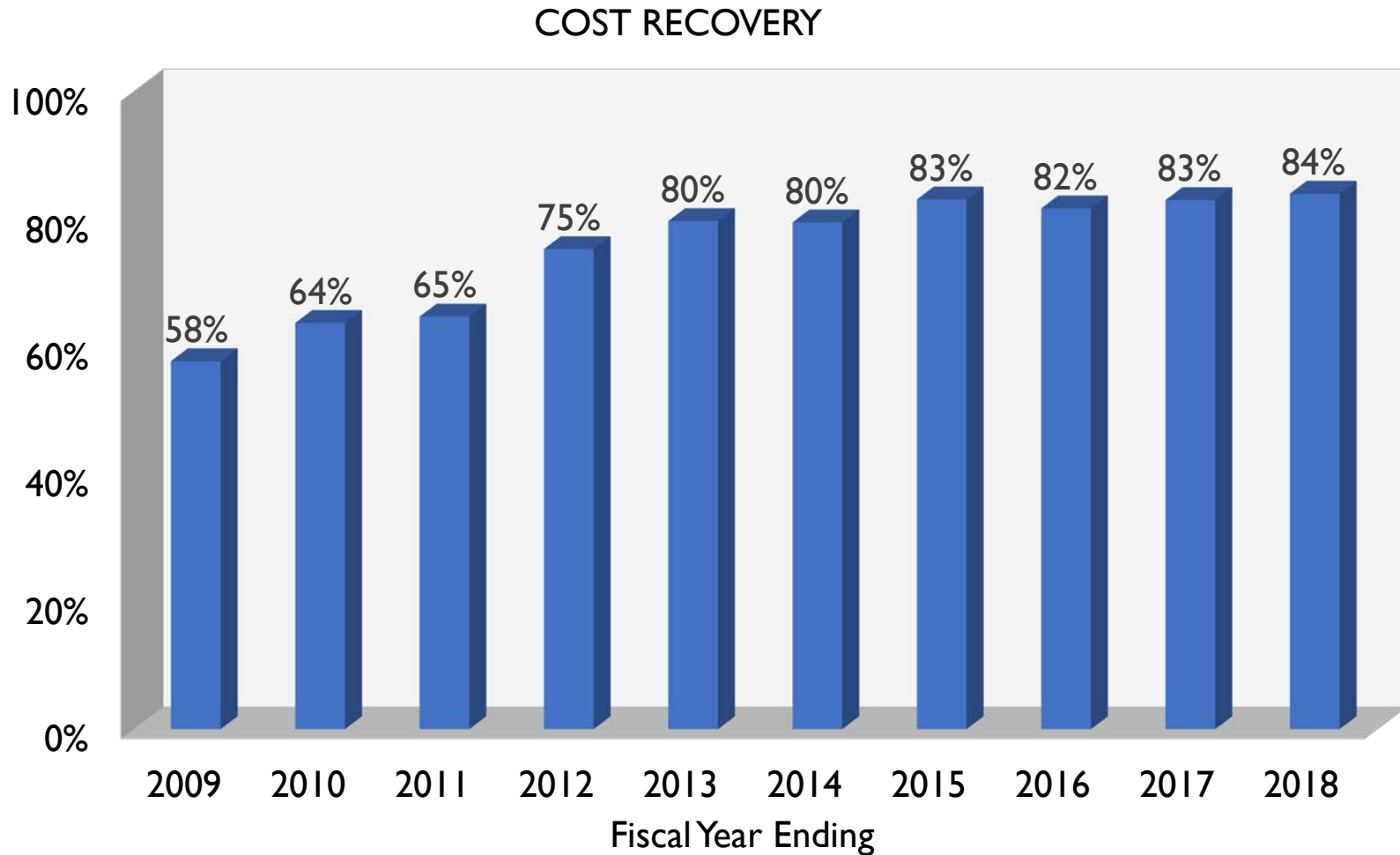


Cost Recovery Overview

Cost Recovery Policy Established in Fiscal Year Ending (FYE) 2012:

- Projected 6.4% annual fee increase
- 85% minimum funding target
- Regulated community gains predictable fees
- Updated Cost Recovery Study

Cost Recovery: Fee Increases



Cost Recovery Policy established in 2012



Current Financial Outlook

- FYE 2019 General Fund Budget:
 - General Fund Budget is \$99M
 - Projected Revenue exceeds target due to change in expiration date for Reg 12-15 facilities
 - Projected Expenditures on target



Current Reserves

- Board Approved Use of Reserves in FYE 2019:
 - Purchase additional space at 375 Beale
 - Purchase Richmond Facility
- Minimum Policy: 20% of Budget = \$19M
- Reserves above Minimum Policy = \$14M
- Total Reserves = \$33M

Reserve Designations

(Reserves may be expended over a period of years)

(Funds not encumbered - could be changed at the Board's discretion)

<u>Probable Reserve Designations for FYE 2020</u>	<u>(\$M)</u>
Pension Discretionary Contribution	1
Woodsmoke Grants	1
To Be Determined	<u>11</u>
TOTAL FYE 2020 (Probable Designations)	13
<i><u>Economic Contingency (20% of budget)</u></i>	<i><u>20</u></i>
<i>Total</i>	<i>33</i>
<u>Used from Reserves in FYE 2019 Budget</u>	
<i>Technology Implementation Office Revolving Loan Program</i>	4

This Section of the Plan Covers:

- External Trends - United States
- External Trends - California
- Regional Economy - Bay Area

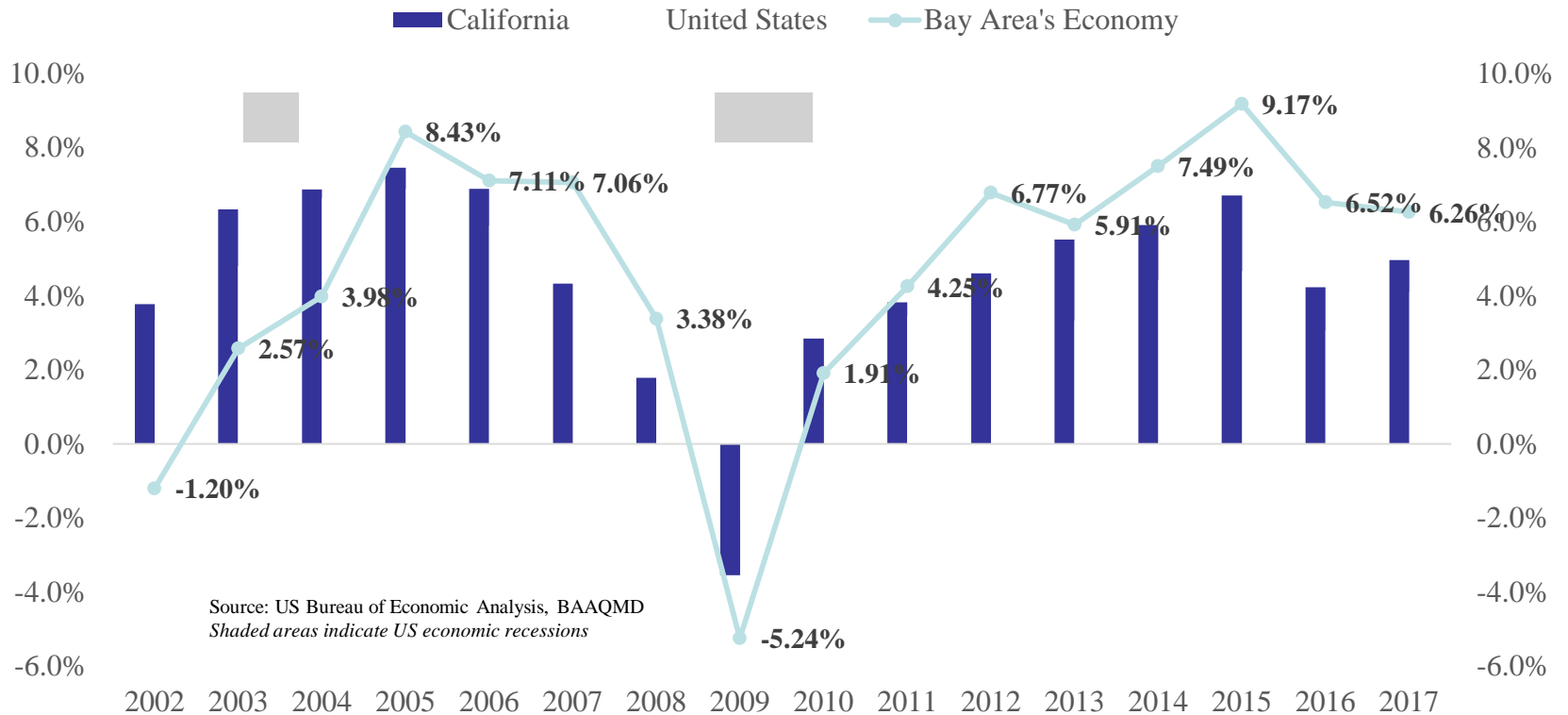


Key Economic Factors

- External Trends - United States:
 - 2018 Gross Domestic Product (GDP) is 3% (strong growth)
 - Possible Recession Predicted in 2021-2022
- External Trends – California:
 - Bay Area has performed well
 - High technology concentration, leads to volatile performance



Bay Area's Economic Performance Compared to California and US, 2001-2017 – Annual GDP Change





Financial Forecast

- Five year General Fund (GF) Financial Forecast
- Forecast long term GF Revenues and Expenditures based on:
 - Revenue & Expenditure Trends
 - Current Financial Policies
 - Key Economic & Financial Assumptions



Forecast Summary

- The Forecast is cautiously optimistic showing a positive fiscal outlook over the next five years
- Some of the Key Assumptions driving the results are:
 - AB 617 State Funding continues
 - Cost Recovery Policy of 85% continues
 - No Staffing increase
 - Continue Funding Other Post Employment Benefits (OPEB) & Pension



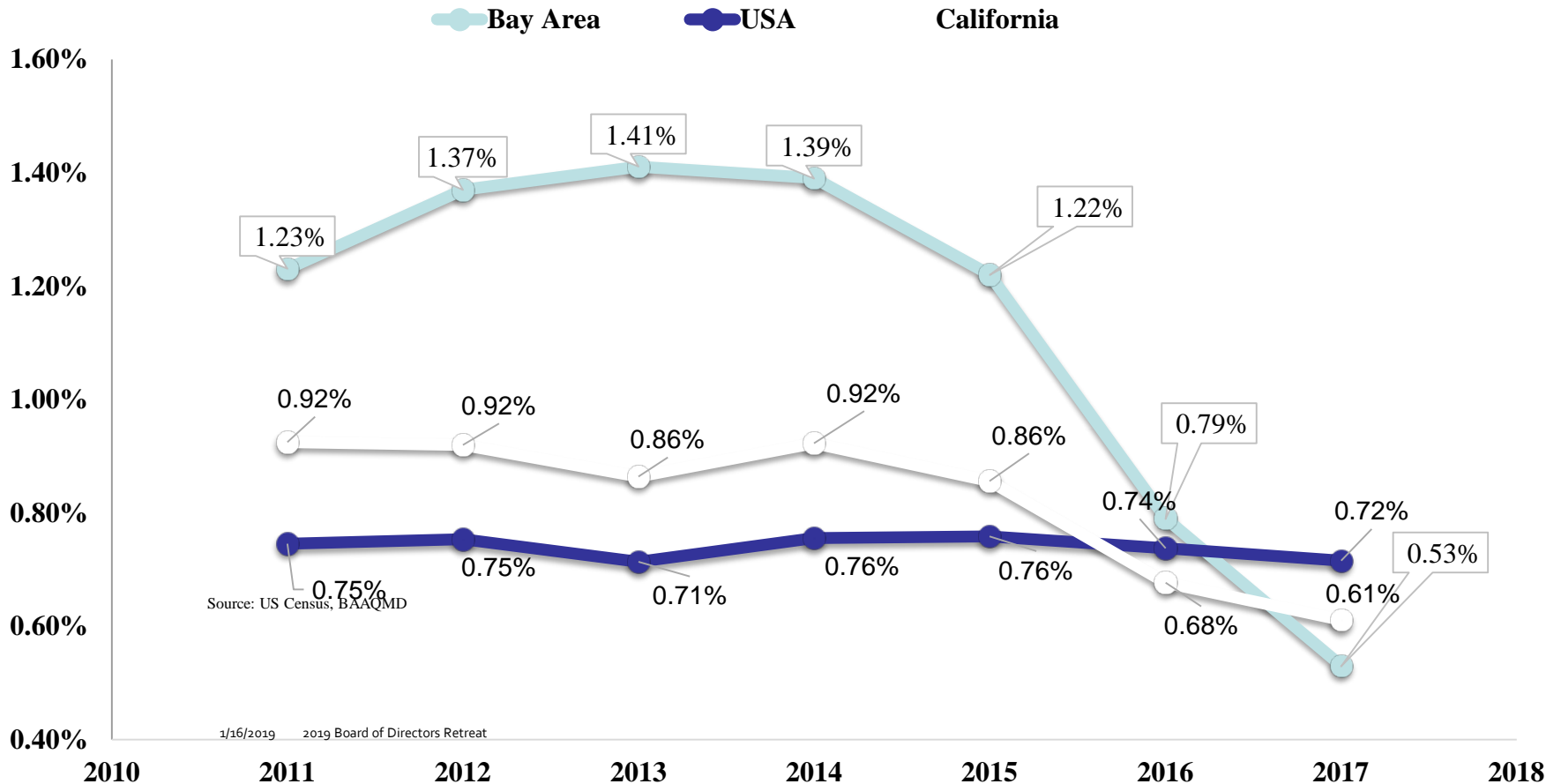
Five Year Financial Forecast: Key Revenue Assumptions

The top two revenue sources are Property Tax and Permit Fees which make up approximately 80% of total projected GF Revenues

- **Property Tax** is driven by changes in assessed property values for all nine Bay Area Counties
 - Following growth averaging 7% annually over the past three years, the forecast assumes 5% increases for the next two years and an increase of 3% or less through year five



Bay Area Total Annual Population Growth Rates Compared with California and the US, 2010 - 2017

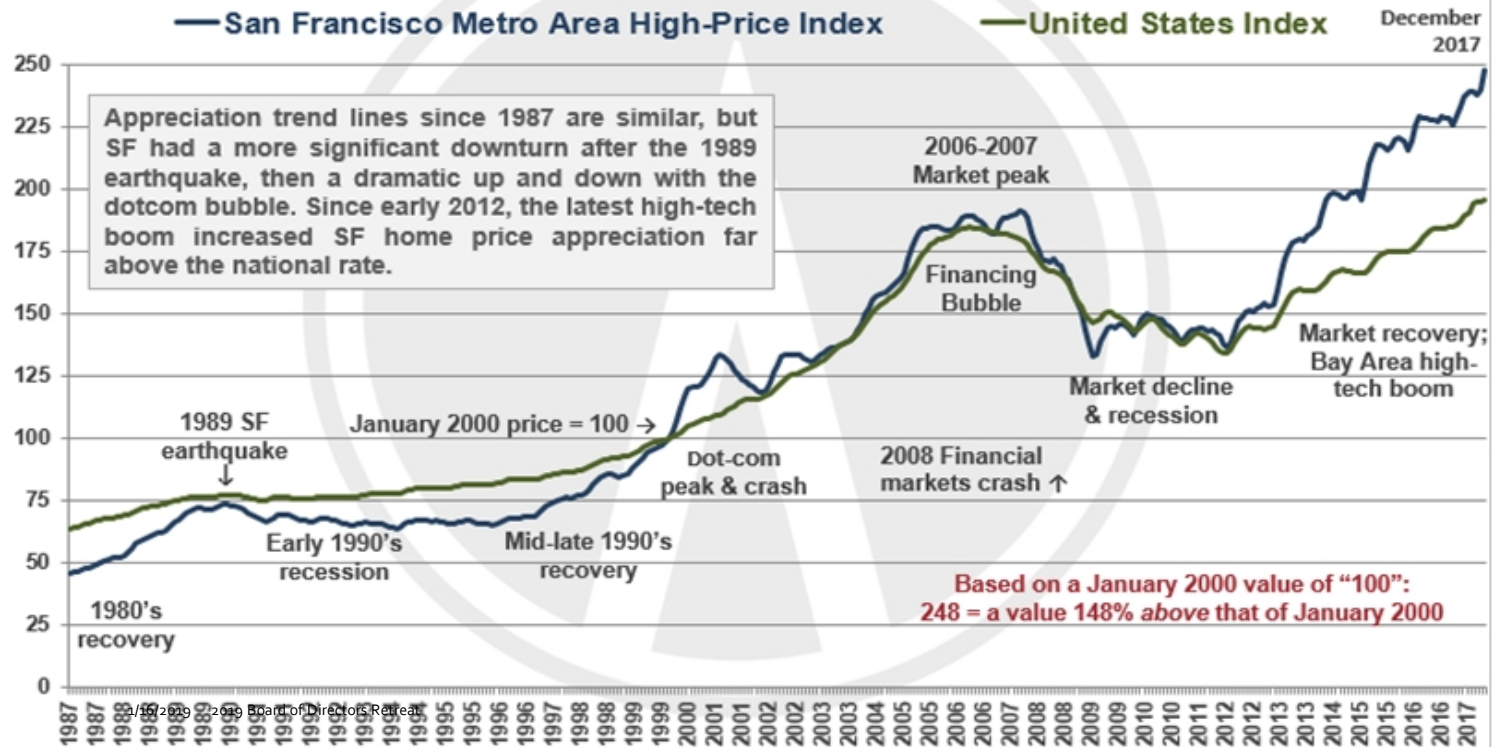




Comparison of Bay Area Real Estate Market to the United States Average

CoreLogic S&P Case-Shiller Home Price Index: Appreciation since 1987 United States vs. San Francisco Metro-Area High-Price-Tier Index

Not seasonally adjusted



*The C-S Index 5-county San Francisco Metro Statistical Area includes San Francisco, Marin, San Mateo, Alameda and Contra Costa counties. The Index is published 2 months after the month specified and reflects a 3-month rolling average. The high-price tier reflects the top third of home sales in the SF metro area, which applies to the city of San Francisco better than other tiers.



PARAGON
REAL ESTATE GROUP



Five Year Financial Forecast: Key Revenue Assumptions (continued)

- **Permit Revenues** are determined by the fees incurred for providing permitting related services to the regulated communities of the nine Bay Area Counties
 - Annual revenue increases averaged 6.5% over the past three years due to strong economic conditions



Five Year Financial Forecast: Key Revenue Assumptions (continued)

- **Permit Revenues (continued):**
 - Forecast assumes a conservative increase of 3.5% increase over the next two years and slows to a 2% annual increase through year five
- **Current Cost Recovery level** ranges between 83% and 85% over the next five years as vacancies are filled.



Five Year Financial Forecast: Key Expenditure Assumptions

Top two expenditures are Personnel and Services/Supplies which make up approximately 83% of the Projected General Fund Expenditures

Personnel costs includes benefits such as salaries, health, vision, dental, life insurance, as well as, pension & OPEB costs. Forecast assumes:

- 3% annual increase over the five year plan
- 6% vacancy savings is projected in the first year with savings gradually declining to 3% in the fifth year as vacancies are filled
- No increase in authorized budget positions



Five Year Financial Forecast: Key Expenditure Assumptions (continued)

Services/Supplies covers a variety of technical and professional services required for operational needs, regulatory mandates and community outreach. Forecast assumes:

- A modest inflationary increase of 2-3% annually over the five year plan

Five Year Financial Forecast

Five-Year General Fund Financial Forecast					
	FYE 2020 Projected Revenue & Transfers	FYE 2021 Projected Revenue & Transfers	FYE 2022 Projected Revenue & Transfers	FYE 2023 Projected Revenue & Transfers	FYE 2024 Projected Revenue & Transfers
REVENUE					
Property Tax	\$34,993,800	\$36,803,534	\$38,340,726	\$39,593,091	\$41,425,774
Permits/Fees	\$49,460,183	\$51,398,441	\$53,414,780	\$55,512,384	\$57,694,565
Grant Revenues	\$3,607,684	\$3,634,912	\$3,662,412	\$3,690,187	\$3,718,240
AB 617 Funding	\$4,800,000	\$4,800,000	\$4,800,000	\$4,800,000	\$4,800,000
Other Revenues	\$5,492,289	\$5,511,623	\$5,531,333	\$5,551,426	\$5,571,911
	<u>\$98,353,956</u>	<u>\$102,148,509</u>	<u>\$105,749,251</u>	<u>\$109,147,089</u>	<u>\$113,210,489</u>
Transfer from Special Funds	\$866,832	\$884,168	\$901,852	\$919,889	\$938,287
Transfer from / (to) Fund Balance	(\$391,786)	(\$881,629)	(\$816,389)	(\$528,598)	(\$1,143,721)
TOTAL REVENUE	\$98,829,002	\$102,151,049	\$105,834,714	\$109,538,380	\$113,005,055
EXPENDITURES					
Personnel & Benefits (net Pension/OPEB)	\$50,632,016	\$52,164,950	\$53,765,793	\$55,438,735	\$57,164,503
Retirement Pension	\$10,081,609	\$11,093,611	\$12,013,329	\$12,788,279	\$14,941,425
Other Post Employment Benefits (OPEB)	\$7,325,240	\$7,713,212	\$7,952,422	\$8,249,654	\$6,847,501
Services and Supplies	\$26,885,208	\$27,079,100	\$27,798,277	\$28,541,574	\$29,305,481
Capital Expenditures	\$3,904,930	\$4,100,176	\$4,304,893	\$4,520,137	\$4,746,144
	<u>\$98,829,002</u>	<u>\$102,151,048</u>	<u>\$105,834,714</u>	<u>\$109,538,379</u>	<u>\$113,005,055</u>
TOTAL EXPENDITURE	\$98,829,002	\$102,151,048	\$105,834,714	\$109,538,379	\$113,005,055



Unfunded Liabilities: OPEB

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

- **Funding Policy: 90% Funded Level**
 - Three Year Target Date (FYE 2022)
 - \$4M Annual Discretionary Funding
 - Redirect \$4M Discretionary Funding to CalPERS Pension after reaching target funding level



Unfunded Liabilities: Pension Retirement

- **CalPERS Retirement:**

- Obligation: \$299M
- Funded: \$224M (75%)
- Unfunded: \$75M (25%)

- **Funding Policy: 90% Funded Level**

- 20 Year Target Date (FYE 2039)
- \$1M Annual Discretionary Funding
- \$4M Redirect Discretionary Funding from OPEB



Next Steps

- **February 27, 2019:** Continued Discussion on Financial Plan
- **March 27, 2019:** Presentation of the FYE 2020 Proposed Budget & Proposed Fee Regulation Amendments
- **April 24, 2019:** Committee Refers FYE 2020 Proposed Budget to Board of Directors