



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 4

Bay Area Air Quality Management District

Fourth Quarter Financial Report Fiscal Year Ending (FYE) June 2019

**Budget & Finance Committee Meeting
November 25, 2019**

**Stephanie Osaze
Finance Manager**



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

Overview

General Fund Reporting on 4th Quarter Financial Results (July 1, 2018 – June 30, 2019):

- Revenues
- Expenditures
- Investments
- General Fund Balance & Outstanding Liabilities
- Purchasing Report



BAY AREA
AIR QUALITY
MANAGEMENT

4th Quarter Results FYE 2019

General Fund - Revenues

Major Categories	FYE 2019 Budget	FYE 2019 Actual (as of 06/30/2019)	Percentage of Budgeted Revenues
County receipts	\$33,274,701	\$35,823,934	108%
Permit Fees	\$38,746,963	\$41,420,977	107%
Title V Permit Fees	\$5,810,627	\$6,597,440	114%
Asbestos Fees	\$2,500,000	\$4,434,539	177%
Toxic Inventory Fees	\$506,806	\$475,140	94%
Penalties and Settlements	\$2,750,000	\$2,123,615	77%
Interest Revenue	\$496,796	\$1,503,779	303%
Miscellaneous Revenue	\$100,000	\$120,728	121%
Total Revenues	\$84,185,893	\$92,500,152	110%



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Revenue Comparison

Prior Year vs. Current Year

Major Categories	FYE 2018 (As of 06/30/2018)	FYE 2019 (As of 6/30/2019)	\$ DIFFERENCE
County receipts	\$33,032,767	\$35,823,934	\$2,791,167
Permit Fee receipts	\$36,097,436	\$41,420,977	\$5,323,541
Title V Permit Fees	\$5,439,167	\$6,597,440	\$1,158,273
Asbestos Fees	\$4,066,794	\$4,434,539	\$367,745
Toxic Inventory Fees	\$336,389	\$475,140	\$138,751
Penalties and Settlements	\$4,357,810	\$2,123,615	(\$2,234,195)
Interest Revenue	\$875,267	1,503,779.45	\$628,513
Miscellaneous Revenue	\$145,893	120,728.09	(\$25,165)
TOTAL REVENUES	\$84,351,522	\$92,500,152	\$8,148,630



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4th Quarter Results FYE 2019

General Fund - Expenditures

Major Categories	FYE 2019 Budget	FYE 2019 Actual (as of 06/30/2019)	Percentage of Budgeted Expenditures
* Personnel - Salaries	\$46,656,763	\$42,474,882	91%
* Personnel - Benefits	\$24,824,111	\$23,232,627	94%
Operational Services and Supplies	\$29,676,361	\$23,677,660	80%
Capital Outlay	\$4,656,556	\$3,973,975	85%
** Office Acquisition		\$13,130,123	-
Total Expenditures	\$105,813,791	\$106,489,267	101%
* Consolidated (Includes Special Funds)			
** Acquisition approved using GF Reserves			



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Expenditure Comparison

Prior Year vs. Current Year

Major Categories	FYE 2018 (As of 06/30/2018)	FYE 2019 (As of 6/30/2019)	\$ DIFFERENCE
*Personnel - Salaries	\$39,623,206	\$42,474,882	\$2,851,676
*Personnel - Benefits	\$20,792,916	\$23,232,627	\$2,439,711
Operational Services and Supplies	\$19,109,582	\$23,677,660	\$4,568,078
Capital Outlay	\$5,606,660	\$3,973,975	(\$1,632,686)
**Office Acquisition		\$13,130,123	\$13,130,123
TOTAL EXPENDITURES	\$85,132,364	\$106,489,267	\$21,356,903

*Consolidated includes Special Funds

** Acquisition approved using GF Reserves



BAY AREA
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4th Quarter Results FYE 2019

Investments

Cash and Investments with County Treasury:

(Based on June 2019 Account Balance)

General Fund	\$74,804,416
TFCA	\$105,123,260
MSIF	\$42,945,090
Carl Moyer	\$55,988,126
CA Goods Movement	\$17,838,852
AQ Projects	\$3,102,461
TOTAL	<u>\$299,802,206</u>



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Fund Balance and Outstanding Liabilities

FUND BALANCES	6/30/2018 Audited	6/30/2019 Unaudited	6/30/2020 Projected
DESIGNATED: *			
Diversity Equity & Inclusion	100,000	0	0
Economic Contingency	17,390,311	19,084,769	20,082,966
IT- Event Response	500,000	0	0
Litigation	500,000	0	0
Napa/Sonoma Fireplace Replacement Grant	1,000,000	1,000,000	1,000,000
Pension & Post Employment Liability	1,000,000	2,000,000	2,000,000
Tech- Meterological Network Equipment	131,100	0	0
Tech- Mobile Monitoring Instruments	80,000	0	0
Technology Implementation Office	3,350,000	0	0
GHG Abatement Technology Study	1,500,000	0	0
Woodchip Program	150,000	0	0
Woodsmoke Grant	1,000,000	1,000,000	1,000,000
Worker's Comp Self -Funding	1,000,000	0	0
TOTAL DESIGNATED	\$27,701,411	\$23,084,769	\$24,082,966
UNDESIGNATED	18,101,141	25,198,206	17,200,009
TOTAL UNDESIGNATED	\$18,101,141	\$25,198,206	\$17,200,009
TOTAL DESIGNATED & UNDESIGNATED	\$45,802,552	\$48,282,975	\$41,282,975
BUILDING PROCEEDS:	4,668,200	209,489	209,489
TOTAL FUND BALANCE	\$50,470,752	\$48,492,464	\$41,492,464
* Designated Fund Balances are subject to change at Board's discretion.			
OUTSTANDING LIABILITIES			
CalPERS Pension Retirement			86,309,901
Other Post Employment Benefits			18,840,854
Certificate of Participation Notes			26,956,830
TOTAL OUTSTANDING LIABILITIES			\$132,107,585



BAY AREA
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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.



BAY AREA
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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 - June 2019)	Explanation
1	Air Resources Board	\$160,854	Pass through Air Toxic Fees
2	Accounemps	\$109,012	Temporary Staffing Services
3	Alliant Insurance Services	\$332,273	Various Business Insurance Policies
4	Air Resources Board	\$160,854	Pass through Air Toxic Fees
5	BAAQMD Employee Association	\$106,391	Employee Union Dues
6	Bay Area Headquarters Authority	\$2,693,801	Shared Services & Common Areas
7	Benefits Coordinators Corp.	\$943,003	Life Insurance Plan & LTD Insurance
8	Berkeley Communications Corp	\$255,348	IT Network Services
9	CA Public Employee Retirement System	\$5,756,358	Health Insurance Plan
10	CA Public Employee Retirement System	\$1,813,207	Retirement Benefits & 457 Supplemental Plan
11	CAPCOA	\$651,992	Pass through EPA grants
12	CDW Government	\$147,794	Computer equipment
13	Ceridian	\$146,538	Payroll Processing Services
14	Cubic Transportations Systems	\$510,031	Clipper Transit Subsidy
15	Direct Mail Center	\$132,976	Public Notice Mailing Services



FYE 2019 Vendor Payments Continued

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

	VENDOR NAME	AMOUNT PAID (July 2018 - June 2019)	Explanation
16	Enterprise Fleet Services	\$505,642	Fleet Leasing and Maintenance Services
17	Hartford Life Ins Co.	\$876,388	457 Supplemental Insurance
18	Metropolitan Transportation Commission	\$255,434	BARC Staffing Support
19	Office Team	\$113,642	Temporary Staffing Services
20	O'Rorke Inc.	\$329,302	Marketing & Advertising Services
21	P & A Administrative Services	\$266,633	Flexible Spending & Cobra Benefit Services
22	Pacific Gas & Electric	\$123,560	Utility services
23	Preferred Benefit Insurance AD	\$797,273	Dental Insurance Plan
24	Regents of the University of California	\$130,000	Sponsorships
25	Sloan Sakai Yeung & Wong	\$322,938	HR Consulting & Staff Augmentation Services
26	SoftwareOne Inc.	\$363,009	Microsoft Subscription Service
27	Thermo Environmental Instrument	\$221,404	Air Monitoring and Source Test Instrumentation
28	Verizon Wireless	\$243,762	Cell phone services
29	Wex Fleet Universal	\$128,133	Fuel Fleet Services
30	Wang Brother Investment	\$504,154	Richmond Site Lease



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DISTRICT

AGENDA: 5

Bay Area Air Quality Management District

First Quarter Financial Report Fiscal Year Ending (FYE) 2020

**Budget & Finance Committee Meeting
November 25, 2019**

**Stephanie Osaze
Finance Manager**



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

Overview

General Fund Reporting on 4th Quarter financial results (July 1, 2019 – Sept 30, 2019):

- Revenues
- Expenditures
- Investments
- General Fund Balance & Outstanding Liabilities
- Purchasing Report



BAY AREA
AIR QUALITY
MANAGEMENT

1st Quarter Results FYE 2020

General Fund - Revenues

Major Categories	FYE 2020 Budget	FYE 2020 Actual (as of 09/30/2019)	Percentage of Budgeted Revenues
County receipts	\$36,186,420	\$313,817	1%
Permit Fees	\$38,969,795	\$13,188,089	34%
Title V Permit Fees	\$5,982,811	\$1,357,024	23%
Asbestos Fees	\$3,250,000	\$1,401,272	43%
Toxic Inventory Fees	\$65,000	\$196,095	302%
Penalties and Settlements	\$2,750,000	\$382,486	14%
Interest Revenue	\$979,660	\$380,805	39%
Miscellaneous Revenue	\$100,000	\$156,269	156%
Total Revenues	\$88,283,686	\$17,375,856	20%



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Revenue Comparison

Prior Year vs. Current Year

Major Categories	FYE 2019 (As of 09/30/2018)	FYE 2020 (As of 09/30/2019)	\$ DIFFERENCE
County receipts	\$344,827	\$313,817	(\$31,010)
Permit Fee receipts	\$25,983,762	\$13,188,089	(\$12,795,673)
Title V Permit Fees	\$5,023,406	\$1,357,024	(\$3,666,382)
Asbestos Fees	\$1,143,535	\$1,401,272	\$257,737
Toxic Inventory Fees	\$220,209	\$196,095	(\$24,114)
Penalties and Settlements	\$318,023	\$382,486	\$64,463
Interest Revenue	\$319,351	\$380,805	\$61,454
Miscellaneous Revenue	\$36,798	\$156,269	\$119,470
TOTAL REVENUES	\$33,389,911	\$17,375,856	(\$16,014,055)



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1st Quarter Results FYE 2020

General Fund - Expenditures

Major Categories	FYE 2020 Budget	FYE 2020 Actual (as of 09/30/2019)	Percentage of Budgeted Expenditures
* Personnel - Salaries	\$48,094,463	\$9,727,956	20%
* Personnel - Benefits	\$26,022,715	\$9,332,184	36%
Operational Services and Supplies	\$27,278,966	\$4,034,585	15%
Capital Outlay	\$9,404,116	\$1,470,771	16%
Total Expenditures	\$110,800,260	\$24,565,496	22%
* Consolidated (Includes Special Funds)			



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Expenditure Comparison

Prior Year vs. Current Year

Major Categories	FYE 2019 (As of 09/30/2018)	FYE 2020 (As of 09/30/2019)	\$ DIFFERENCE
*Personnel - Salaries	\$8,979,401	\$9,727,956	\$748,554
*Personnel - Benefits	\$7,996,005	\$9,332,184	\$1,336,180
Operational Services and Supplies	\$3,454,641	\$4,034,585	\$579,944
Capital Outlay	\$1,157,549	\$1,470,771	\$313,222
TOTAL EXPENDITURES	\$21,587,597	\$24,565,496	\$2,977,899

*Consolidated includes Special Funds



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1st Quarter Results FYE 2020

Investments

Cash and Investments with County Treasury:

(Based on Sept 2019 Account Balance)

General Fund	\$64,630,650
TFCA	\$109,044,018
MSIF	\$44,183,563
Carl Moyer	\$60,150,229
CA Goods Movement	\$12,912,125
BikeShare	\$3,120,905
Vehicles Mitigation	\$985,795
TOTAL	<u>\$295,027,285</u>



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IT- Event Response	500,000	0	0
Litigation	500,000	0	0
Napa/Sonoma Fireplace Replacement Gran	1,000,000	1,000,000	1,000,000
Pension & Post Employment Liability	1,000,000	2,000,000	2,000,000
Tech- Meterological Network Equipment	131,100	0	0
Tech- Mobile Monitoring Instruments	80,000	0	0
Technology Implementation Office	3,350,000	0	0
GHG Abatement Technology Study	1,500,000	0	0
Woodchip Program	150,000	0	0
Woodsmoke Grant	1,000,000	1,000,000	1,000,000
Worker's Comp Self -Funding	1,000,000	0	0
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FYE 2020 Vendor Payments

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

	VENDOR NAME	AMOUNT PAID (July 2019 - Sept 2019)	Explanation
1	Alliant Insurance Services	\$223,753	Various Business Insurance Policies
2	Benefits Coordinators Corp.	\$265,711	Life Insurance Plan & LTD Insurance
3	CA Public Employee Retirement System	\$1,937,746	Health Insurance Plan
4	CA Public Employee Retirement System	\$988,182	Retirement Benefits & 457 Supplemental Plan
5	Enterprise Fleet Services	\$101,935	Fleet Leasing and Maintenance services
6	Hartford Life Ins Co.	\$202,717	457 Supplemental Insurance
7	Preferred Benefit Insurance AD	\$124,323	Dental Insurance Plan
8	Wang Brothers Investment LLC	\$122,082	Richmond Site Lease



**BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT**

**CALIFORNIA EMPLOYERS' PENSION
PREFUNDING TRUST (CEPPT)
PARTICIPATION AND
CONSIDERATION TO RECOMMEND
ADOPTION**

**Budget & Finance Committee Meeting
November 25, 2019**

**Jeff McKay
Chief Financial Officer**



- Background
- Overview of Pension Plan
- Independent Analysis
- Staff Recommendation
- Next Steps



UNFUNDED RETIREMENT LIABILITIES

➤ Pension

➤ Medical



PLAN OVERVIEW

CalPERS Pension Retirement Plan

To address the rising unfunded liabilities for Pension, the Board approved:

Pension Policy:

- A target of 20 years to reach a funding level of 90%
- Set aside \$1 million (M) in annual discretionary funds
- As of Fiscal Year Ending (FYE) 2020, set aside is \$3M (three years)
- Identify investment options



PLAN OVERVIEW

CalPERS Pension Retirement Plan

➤ CalPERS Retirement

- Obligation: \$326 M*
- Funded: \$239 M (74%)
- Unfunded: \$86 M (26%)

➤ Funding Policy: 90% Funded Level

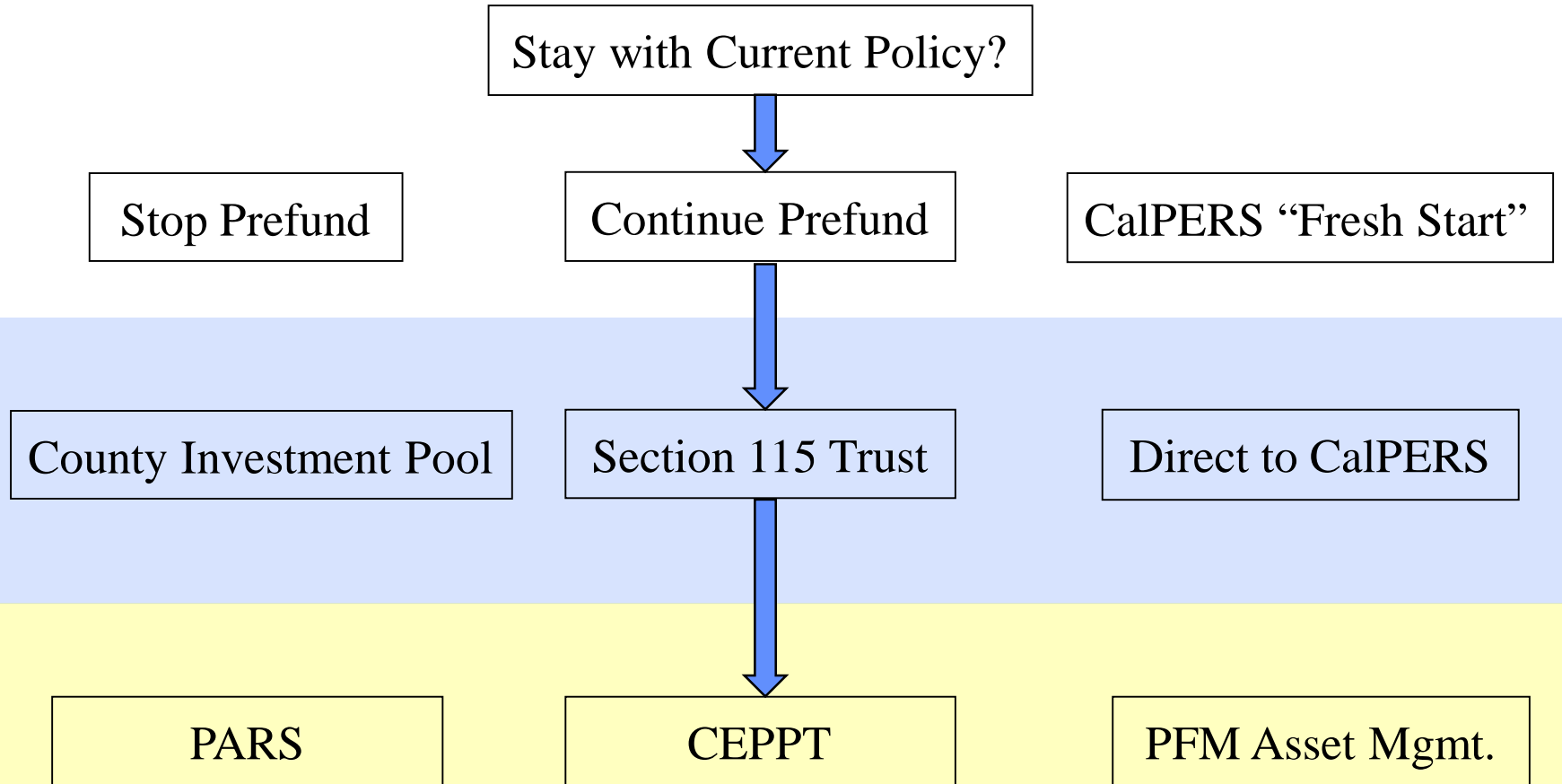
- 20 Year Target Date (FYE 2039)
- \$1M Annual Additional Contribution

*CalPERS Valuation as of June 30, 2018



UNFUNDED RETIREMENT LIABILITIES

Funding and Investment Options



Public Agency Retirement Services (PARS), California Employers Pension Prefunding Trust (CEPPT)



INDEPENDENT ANALYSIS

An Independent Financial Advisor was hired to identify investments options & strategies on how to pay down long-term liabilities for the CalPERS Pension.

- Review the Air District's current funding policies and make funding recommendations
- Identify strategies and investment options to pay down these long term liabilities



INDEPENDENT ANALYSIS

Pension Funding Options

Alternative Investment Policy: CalPERS “Fresh Start”

Option 1:

Pay only required contributions for Pension

Option 2:

Continue current policy to prefund Pension
(Creates \$20M to \$35M savings depending on assumptions)

Option 3:

Use a CalPERS 15 year “Fresh Start” amortization
(Creates \$20M to \$35M savings depending on assumptions)



UNFUNDED RETIREMENT LIABILITY

CalPERS 15 Year “Fresh Start”

A CalPERS “Fresh Start” is when multiple amortization bases are collapsed to one base and amortized together over a new funding period



INVESTMENT OPTION: CalPERS 15 Year “Fresh Start”

PROS

- Payments are applied directly to the unfunded liability

CONS

- Funds are controlled by CalPERS, subject to the same market volatility risk as the CalPERS investment rate of return
- No earned interest on any additional payments
- Air District locked-in to new payment schedule



INDEPENDENT ANALYSIS

Pension Investment Options

Investment Options for the additional pension contributions:

Option 1:

Continue to invest funds in the County Investment Pool
(low investment returns)

Option 2:

Send additional discretionary contributions directly to CalPERS to paydown unfunded liability

Option 3:

Send additional contributions to a Section 115 Pension Rate Stabilization Program (PRSP)



INVESTMENT OPTION 2: Additional Payments Sent Directly To CalPERS

District sends annual payments directly to CalPERS to pay against the unfunded liability.

PROS

- Payments are applied directly to the unfunded liability

CONS

- Payments will not reflect immediately
- Funds are controlled by CalPERS, subject to the same market volatility risk as the CalPERS investment rate of return
- No earned interest on the additional payments



INVESTMENT OPTION 3: Section 115 Pension Rate Stabilization Program

- Section 115 Pension Rate Stabilization Program (PRSP) is a trust that provides diversified investment option for employers to prefund their future required pension obligation
- Assets in the Trust are expected to grow to fund future contributions and pay down unfunded actuarial liability (UAL)



INVESTMENT OPTION 3: Section 115 Trust (PRSP) Cont.

Section 115 PRSP Trusts are fairly new (2015) and currently being offered by a few providers.

Providers for Section 115 PRSP to government agencies:

1. Public Agency Retirement Services (PARS)
2. PFM Asset Management
3. California Employers' Pension Prefunding Trust (CEPPT)



INVESTMENT OPTION 3: Section 115 Trust (PRSP) Cont.

PROS

- Irrevocable Trust that can only be used for Pension
- Air District controls assets, but only to pay the Air District's pension liabilities
- Higher yield investment strategies than County Pool
- Assets reduce or eliminate large fluctuations in employer contributions
- Less volatility than the Pension Fund



INVESTMENT OPTION 3: Section 115 Trust (PRSP) Cont.

CONS

- Actual investment returns may deviate from initial projections
- Assets cannot reduce Pension UAL until placed in the Pension Fund

Based on the three Investment Options:

Staff recommends the Air District establish a Section 115 Trust for the additional pension contributions.



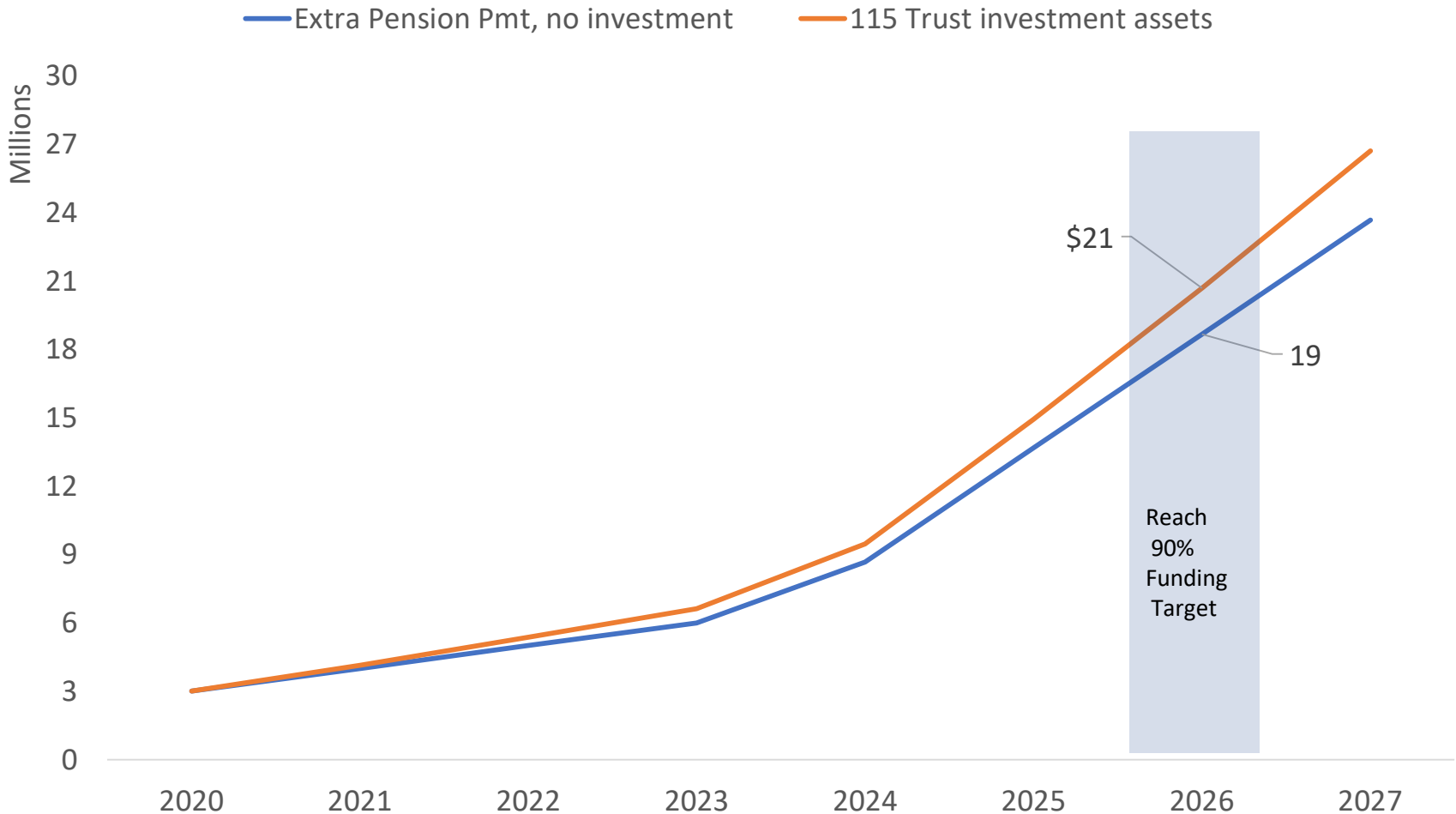
INVESTMENT OPTION 3: Section 115 Trust (PSRP) Cont.

- PARS, PFM, and CEPPT are capable of providing the investment services for the Air District; having slightly different investment approaches
- All have similar net investment returns and asset classifications (4% - 5%)
- CEPPT has the lowest fee at 25 basis point
- **Recommended Investment Option for Pension is the CEPPT 115 Trust Plan.**



INVESTMENT OPTION 3: Section 115 Trust (PSRP) Cont.

Impact from Investing with 115 Trusts





RECOMMENDATIONS

Consider Recommending the Board of Directors:

- Adopt a resolution to authorize the Air District to participate in the California Employers' Pension Prefunding Trust (CEPPT) Program administered by the California Public Employees Retirement System (CalPERS) to Pre-fund Pension Obligations;
- Delegate the Executive Officer/APCO and the Chief Financial Officer with Authority to Request Disbursements; and
- Authorize the Executive Officer/APCO to execute the CEPPT legal and administrative documents on behalf of the Air District, to take any necessary additional actions to maintain the Air District's participation in the Program, and to maintain compliance with any relevant regulation issued, or as may be issued.