



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 3

Discussion of Proposed Budget for Fiscal Year Ending (FYE) 2021

**Budget and Finance Committee
March 25, 2020**

**Jack P. Broadbent
Executive Officer**

Outline



- Status of Current Fiscal Year (FY) 2020
- Financial History
- Proposed Budget for FY 2021
- Next Steps

Comparison of Possible Offsets

Approximate Values



Original Revenue Increase		Original Cost Increase	
New Fees	\$4 M	Personnel	\$7 M
Increased Fees	\$4 M	Richmond Build Out	\$6 M
Property Tax	\$2.5 M	AB 617 Expense	\$4 M (+)
Assembly Bill (AB) 617	\$4 M		
TOTAL	\$14.5 M	TOTAL	\$17 M

Current FY 2020 Projections



General Fund Budget: \$104.6 million (M) Budget

Included Use of Reserves \$4.0 M for Richmond Office Improvement

As of March 2020:

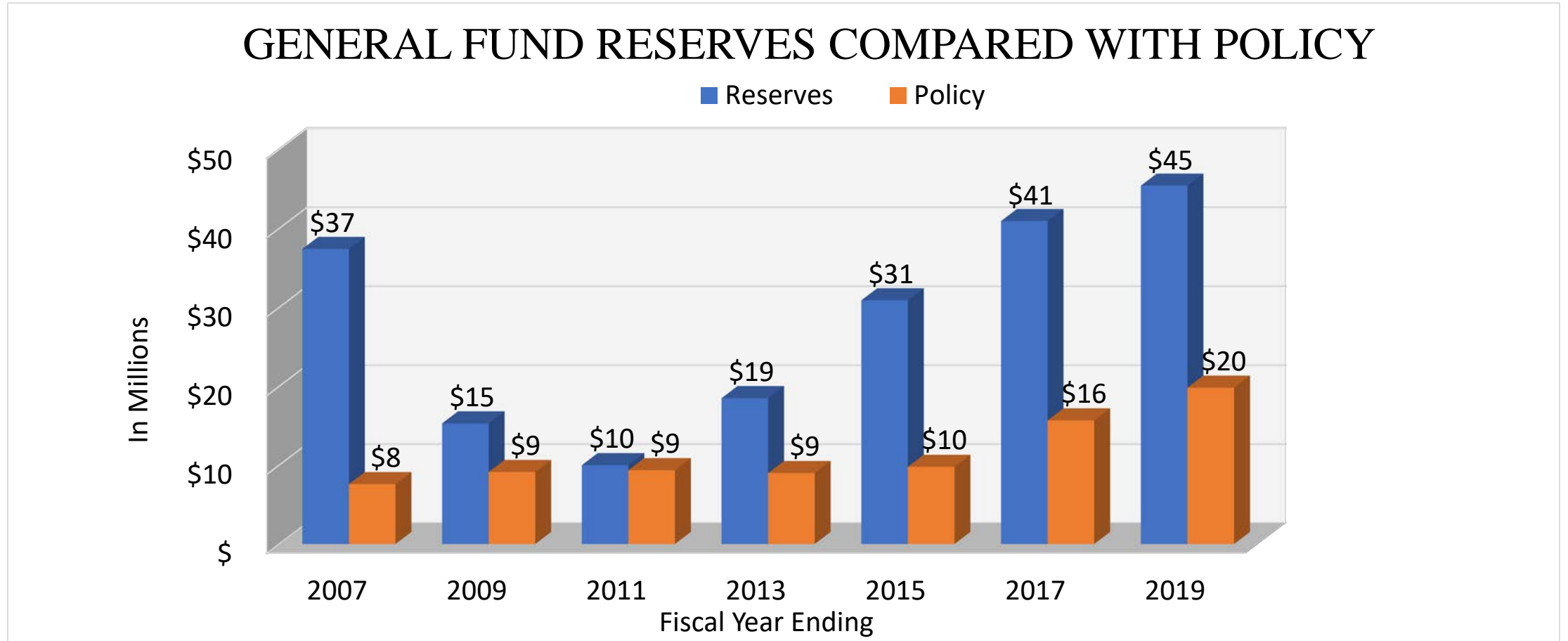
- ✓ Permit Fee revenue on target
- ✓ Property Tax revenue on target
- ✓ Expenditures on target

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)

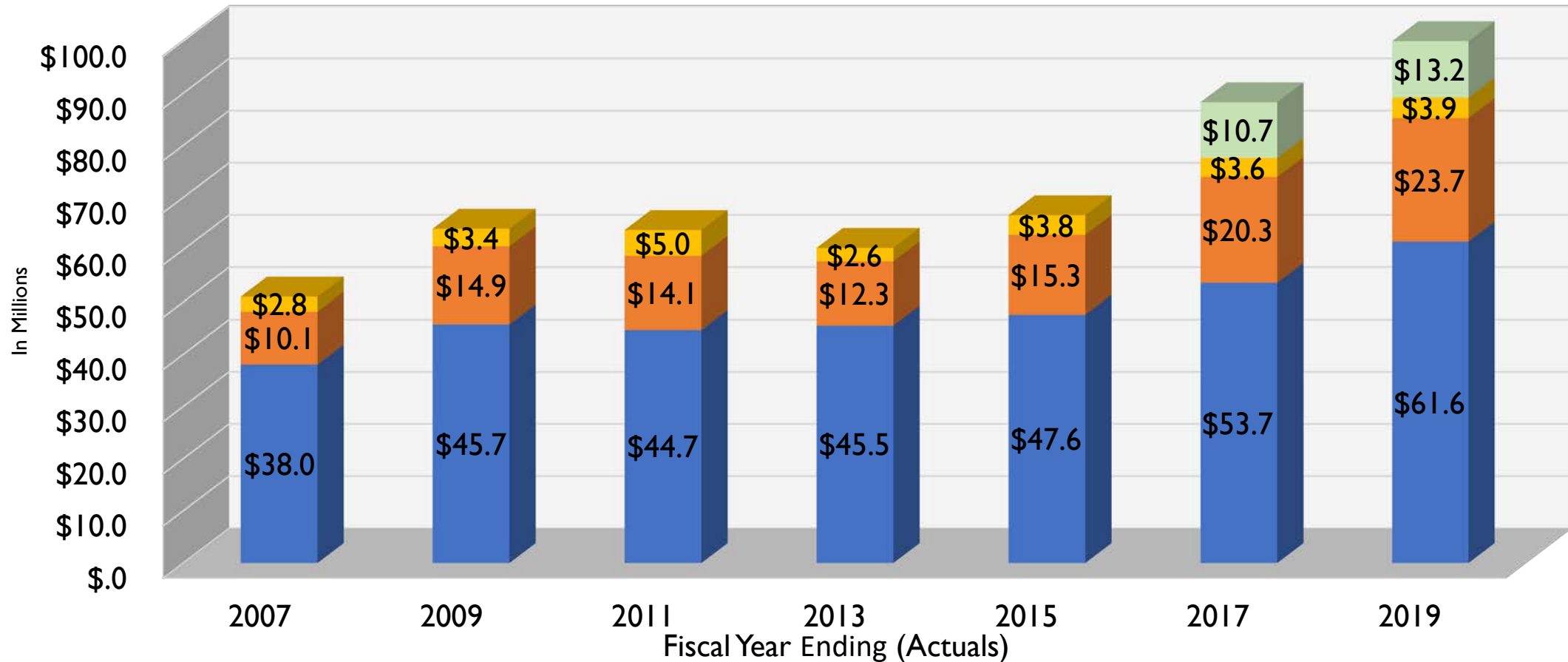


General Fund Expenditure Trend



EXPENDITURE TRENDS

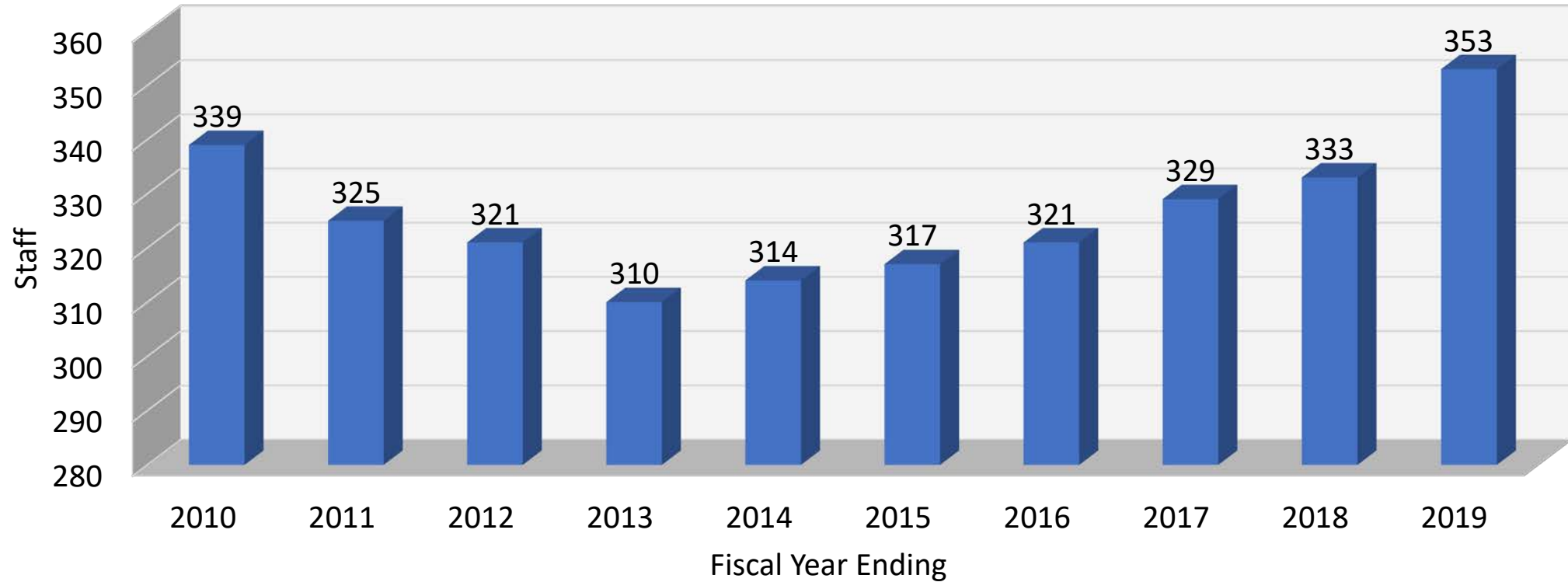
■ Personnel ■ Services & Supplies ■ Capital ■ Office Acquisition



Staffing Trend-Filled Positions



ACTUAL STAFFING LEVELS

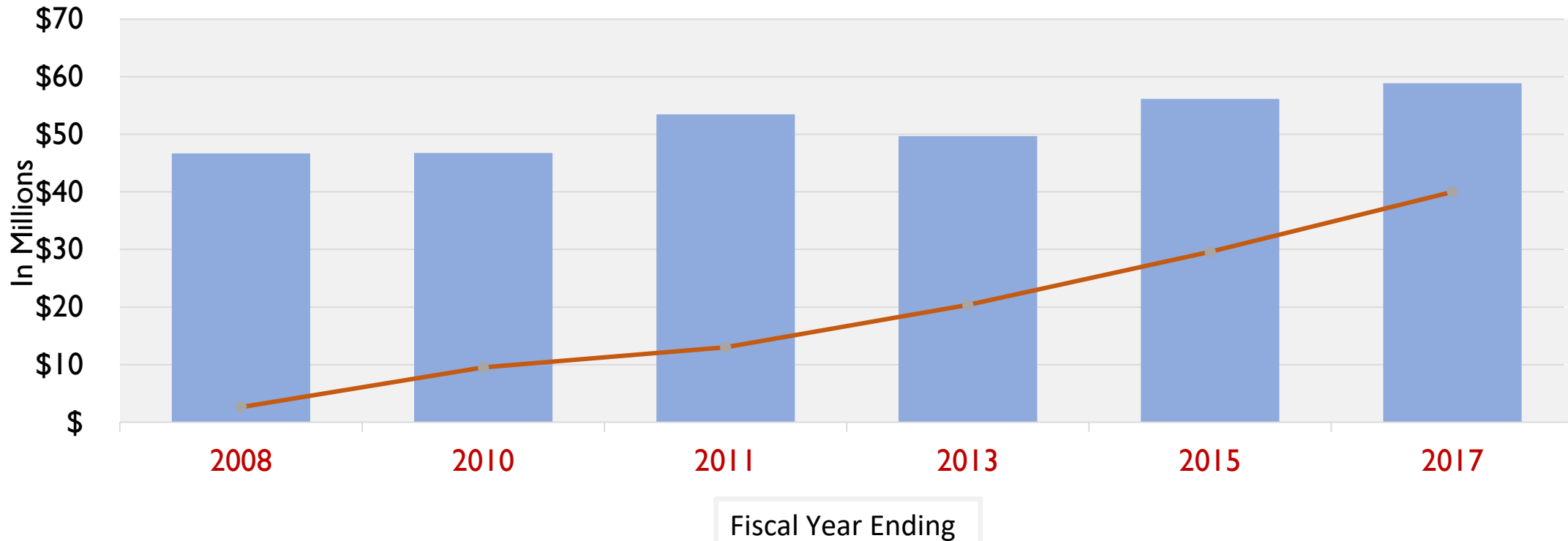


Medical Retirement Other Post Employment Benefits (OPEB)

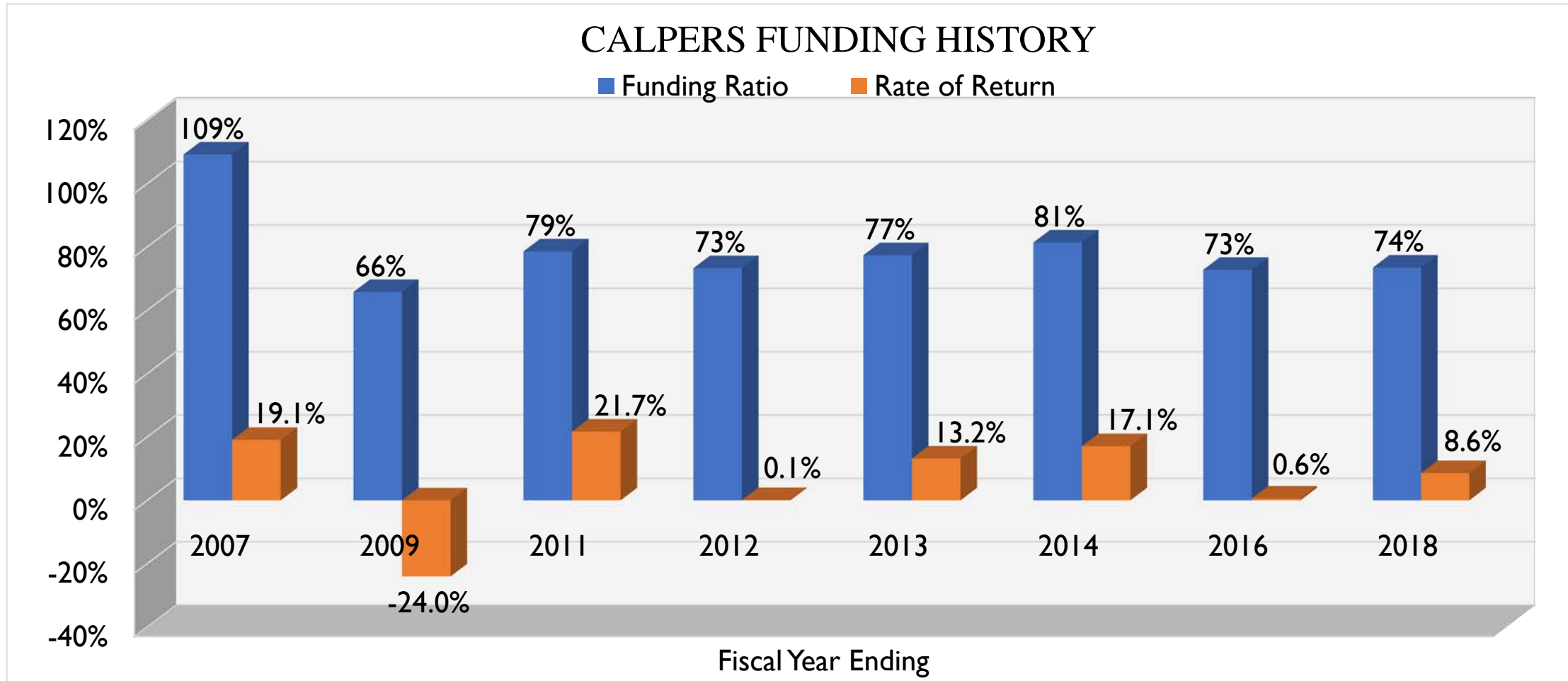


OPEB HISTORICAL FUNDED STATUS

Obligation Funding



CalPERS Pension: Historical Rate of Return and Funding Ratio

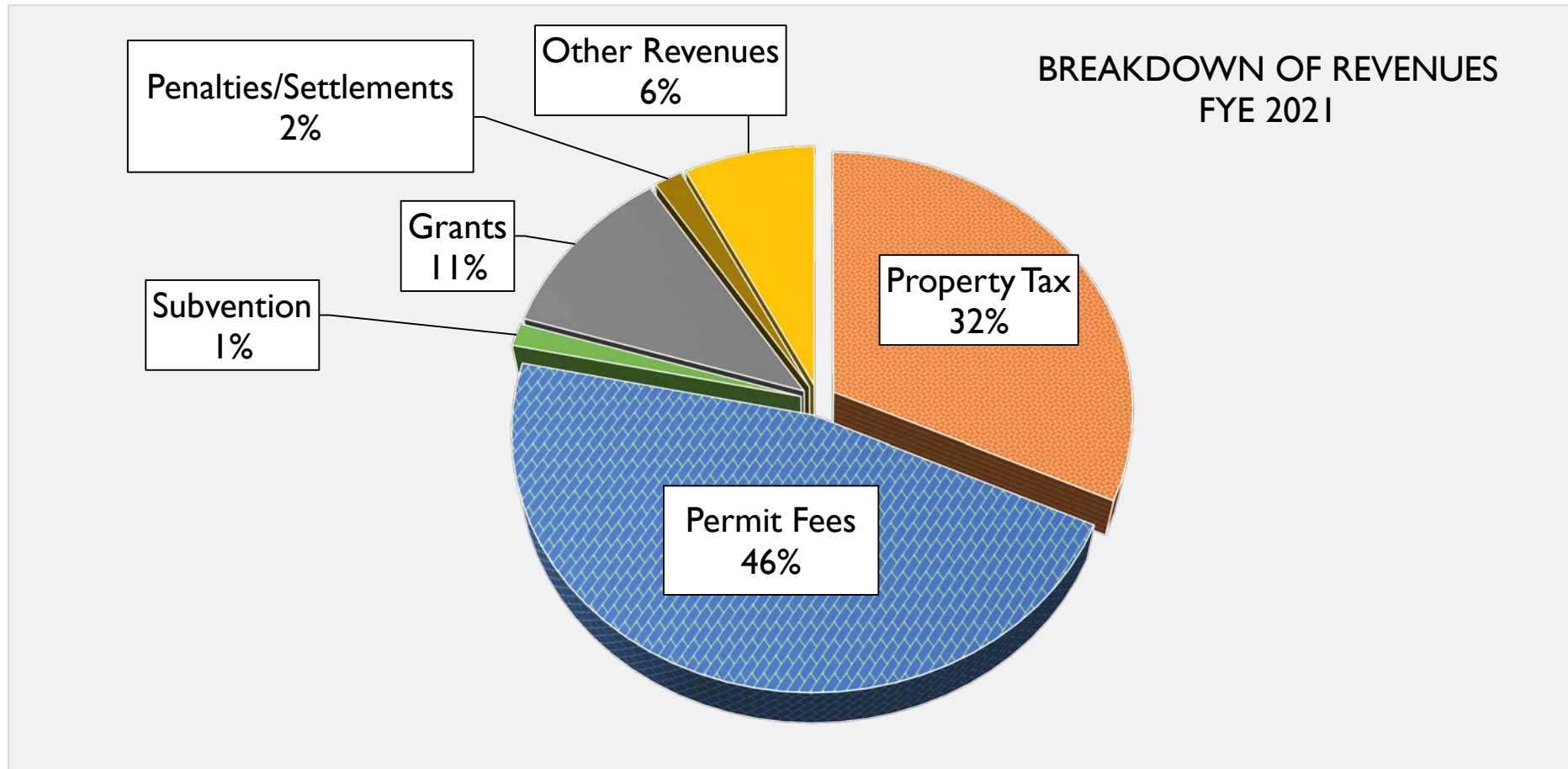


FY 2021 Proposed Budget Overview

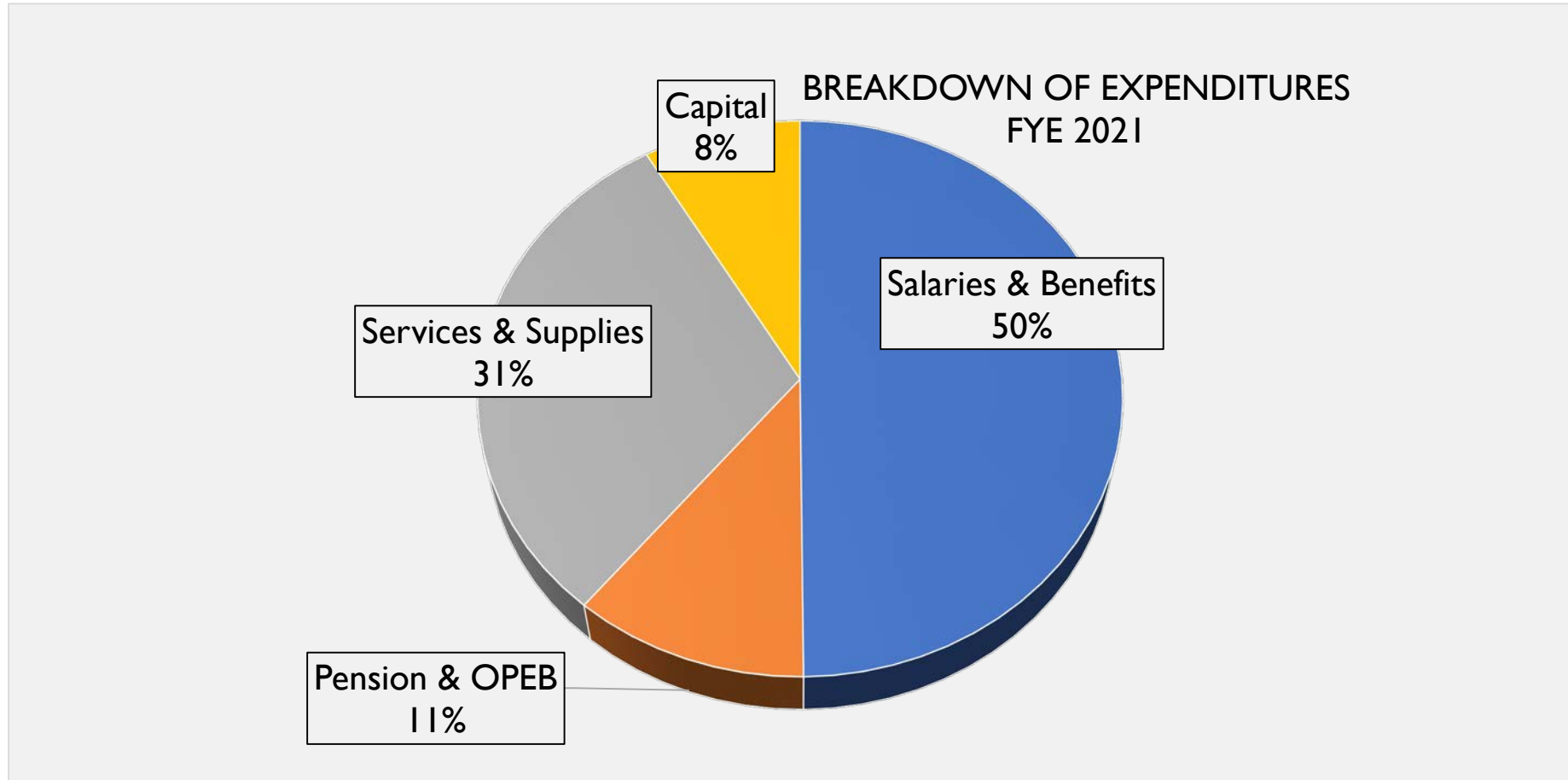


- \$122 M General Fund Budget
- Includes Use of Reserves \$6 M
- Continuation of Cost Recovery Policy
- No Staffing Level Increase: 415 Full Time Equivalent (FTE)
- Addresses Retirement Liabilities
- Includes 3.1% Cost of Living Adjustment (COLA)

General Fund Revenue Sources FY 2021 Proposed Budget



General Fund Expenditures FY 2021 Proposed Budget



Capital Budget FY 2021 Proposed Budget

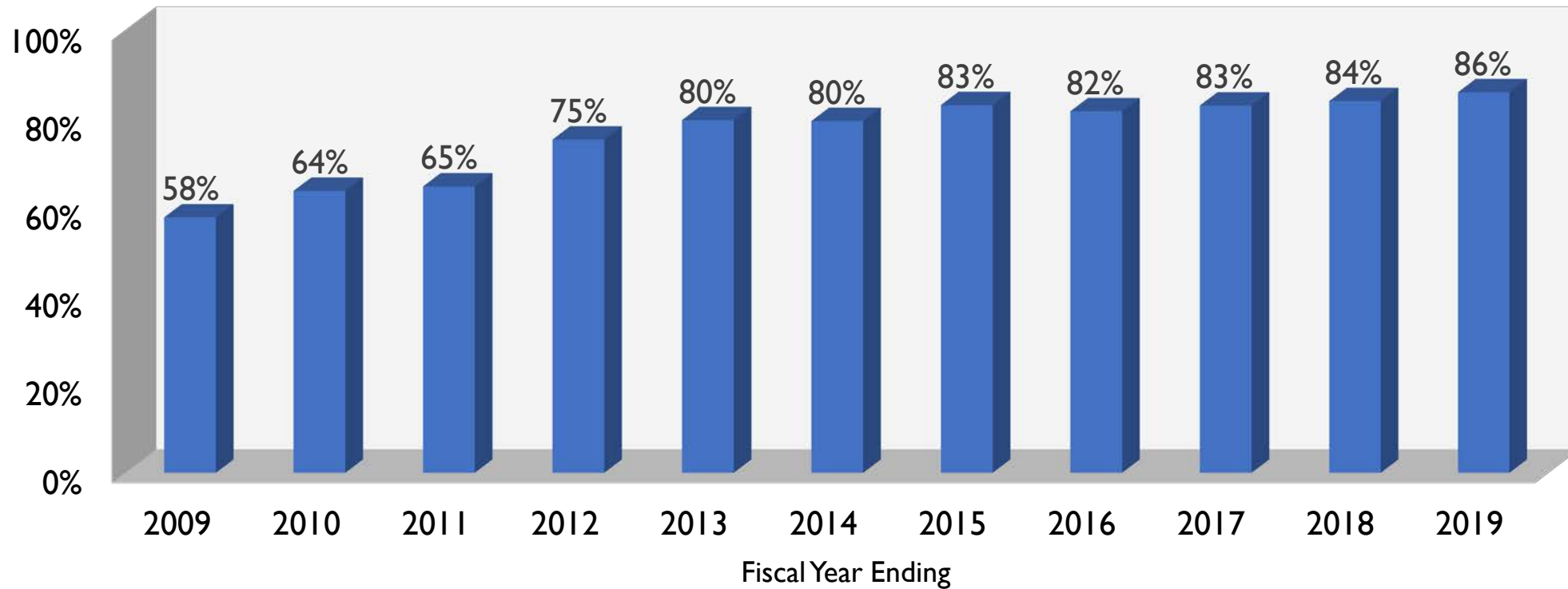


<u>Description</u>	<u>Amount</u>
One (1) Ambient Air Monitoring Analyzers	330,815
One (1) Particle Speciation Module for PTR/MS	100,000
One (1) Equipment for Testing & Evaluation Lab	250,000
Two (2) Source Test Analyzers	50,000
One (1) Automated Calibration Gas Dilution Manifolds	15,233
Two (2) Automated Isokinetic Sampling Consoles	20,000
One (1) GDF Field Testing Van	60,000
One (1) Air Monitoring Instrumentation (auditing)	20,400
One (1) Optical Gas Imaging Camera	100,000
One (1) Storage Server	40,000
Richmond Facility Improvement	6,000,000
Computer and Equipment	100,000
Capital Lease for Servers, Telecommunications & Hardware	400,000
Office Equipment	1,000
Public Permitting & Compliance Systems	2,750,000
Total Capital Expenditures	10,237,448

Cost Recovery Trend



COST RECOVERY PERCENTAGE BY FISCAL YEAR



3 YEAR COST RECOVERY AVERAGE = 84%

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 FY 2013
- 85% minimum cost recovery target
- Cost Recovery Study updated in FY 2018
- Fee increase based on a three year average
- Three-year average reached 84% for FY 2019
- Fee increases assumed to average approximately 6% annually
- Created Budget Advisory Group

General Fund Reserves



Reserves Policy: 20% of General Fund Budget

FY 2021 Budget of \$116 M = \$23 M

FY 2021 Projected Reserves Designations = \$29 M

FY 2021 Available Reserves = \$3 M

Probable Reserve Designations *	
	\$M
Balance at June 30, 2019	45
Less: Designations	
Pension Liability	2
Woodsmoke Grants	1
Revolving Loan Program	3
Economic Contingency (20% of Budget)	23
Total Designations	29
<i>*Designations subject to change at Board's Direction</i>	
Use of Reserves in FY 2020 and 2021	
Legal Settlement	3
Richmond Facility Improvements	10
Total Use of Reserves	13
AVAILABLE GF RESERVES	3

Retirement Liabilities



1. Other Post Employment Benefits (Medical OPEB)
2. Pension Retirement

Medical Retirement Plan



➤ Other Post Retirement Benefit (OPEB)

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

➤ Funding Policy: 90 % Funded Level

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

*Actuarial valuation as of June 30, 2017

CalPERS Pension 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)
- \$1 M Annual Additional Contribution

*CalPERS Valuation as of June 30, 2018

FY 2021 Proposed Budget Summary



- Budget Balanced
- Use of Reserves of \$6 M
- Budgeted positions remain at 415
- Amend Fee Schedule based on Proposed Fees
- \$1 M Annual Contribution for Pension
- \$4 M Annual Contribution for OPEB

Next Steps



- April 15, 2020 – 1st Public Hearing on Proposed Fees
- April 22, 2020 – Committee refers FY 2021 Proposed Budget to the Board of Directors
- May 6, 2020 – 1st Public Hearing on Proposed Budget
- June 3, 2020 – 2nd Public Hearing & Adoption on Proposed Fees & Budget



BAY AREA
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AGENDA: 4

Proposed Guiding Principles for Amendments to Air District Regulation 3: Fees

**Budget and Finance Committee
March 25, 2020**

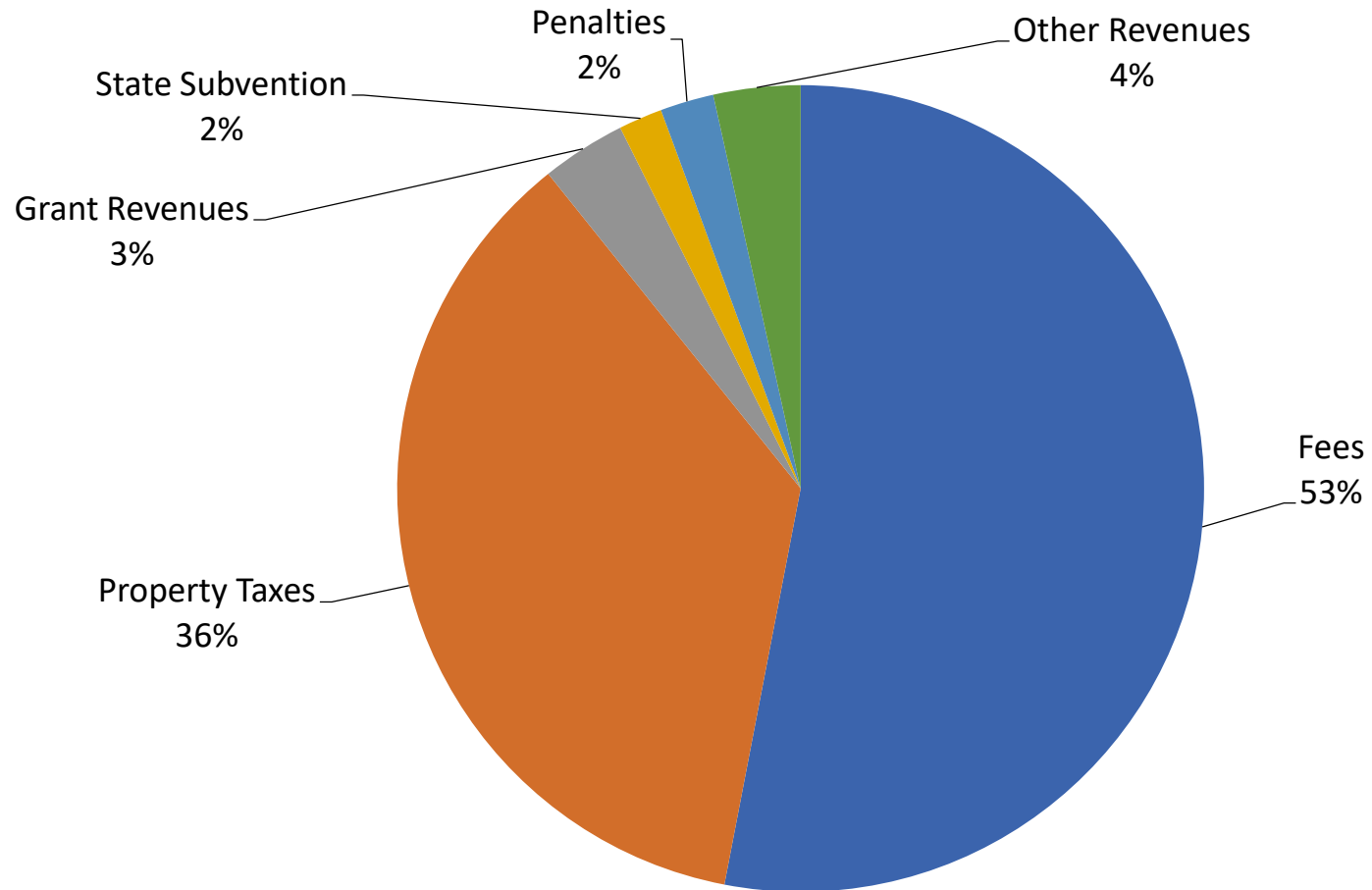
**Jack P. Broadbent
Executive Officer**

Outline



- Brief Review of General Fees, Costs, and Trends
- Proposed Guidelines for Fees, and Their Implications
- Informational Review of New Fees Now Postponed

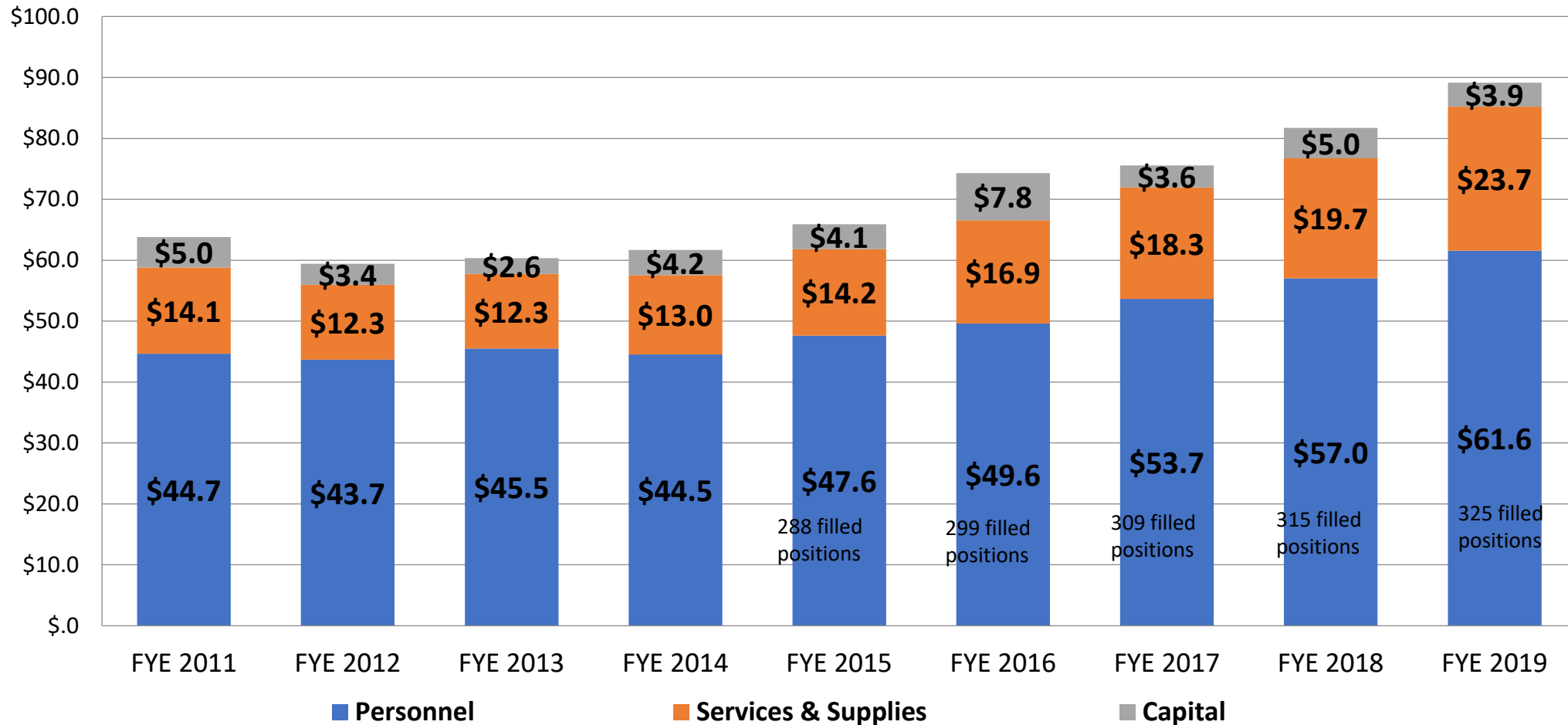
Revenue Sources – Fiscal Year Ending (FYE) 2019



Trends in Annual Costs



Audited General Fund Expenditures (millions)



Trends in Cost Recovery (by Fiscal Year)



Fee revenue falls short of overall full cost recovery of 100%

- FYE 2011: Cost Recovery = 65%
- FYE 2012: Cost Recovery = 75%
- FYE 2013: Cost Recovery = 80%
- FYE 2014: Cost Recovery = 80%
- FYE 2015: Cost Recovery = 83%
- FYE 2016: Cost Recovery = 82%
- FYE 2017: Cost Recovery = 83%
- FYE 2018: Cost Recovery = 84%
- FYE 2019: Cost Recovery = 86%

- Cost recovery will decrease as we try to fill vacancies
- Fee Schedule changes are based on three-year average (84%)

Proposed Guiding Principles for Fees



- Expectations That Supported New or Increased Fees Have Changed
- No New or Increased Fees for FYE 2021 Budget
- Cost Recovery: Costs for Core Programs Reassessed Mid-Year
- Cost Recovery: Costs for New Mandates (Assembly Bill (AB) 617) Reassessed Mid-Year
- Evaluate Grant Funding Commitments
- Low Expectations for State Revenue (Capital Gains Dependence)
- Reassessments Quarterly if Needed

Guiding Principles for Fees: Implications



- April Proposed Budget: Fee Income Equals Current Fiscal Year Budget
- Plans for Mid-Year or Quarterly Revision (Based on Economic Activity)
- Multi-Pronged Response to Cost Containment as Used in 2008
- Response Requires an Approach that Includes All Revenue Risks
 - (not only fees, see Budget Presentation)

Informational: New Fees Recommended for Postponement



- Criteria Pollutant and Toxics Emissions Reporting (CTR) Regulation
- AB 617 Community Health Impact Fee

Criteria Pollutant and Toxics Emissions Reporting (CTR) Regulation Fee



- As part of AB 617, California Air Resources Board (CARB) recently adopted a new regulation for the reporting of criteria air pollutants and toxic air contaminants for stationary sources
- We are tasked with implementing the new regulation in the Bay Area and \$1.5 million (M) per year is needed
- To distribute these costs, we are basing this fee on the number of sources at each facility, since the costs are commensurate with the number of sources at each facility

CTR Regulation Fee: Draft Fee Proposal



Fees based on the number of sources at each facility up to a maximum of \$50,000 per year.

In addition to these renewal fees, each facility subject to the CTR Regulation shall pay a fee of:

Number of Permitted Sources per Facility	\$ per Permitted Source
1 to 4	25
5 to 9	75
10 to 14	150
15 to 19	200
20 to 24	250
25 and greater	300

AB 617 Community Health Impact Fee



- We are tasked with implementing CARB's AB 617 "Community Air Protection Program" in the Bay Area
- \$2.4 M per year is needed in excess of direct funding from CARB
- To distribute these costs, we first looked at weighted toxic emissions and unadjusted prioritization scores
- A more equitable way to distribute these costs is by percentage of annual permit/registration renewal fees, which are largely emissions based

AB 617 Community Health Impact Fee Draft Fee Proposal



- Fees based on percentage of annual total permit/registration renewal fees
- Current fee proposal:
 - ✓ Each permitted and registered facility shall pay an AB 617 Community Health Impact Fee equal to 5.7% of the facility's annual total renewal fee, up to a maximum of \$70,000 per year

Rule Development Schedule



- January 27, 2020
 - First Budget Advisory Group meeting
- February 18, 2020
 - Public workshop
- March 16, 2020
 - Second Budget Advisory Group meeting
- March 20, 2020
 - Written workshop comments due
- March 25, 2020
 - Budget & Finance Committee briefing
- April 15, 2020
 - Board of Directors first public hearing to receive testimony only
- May 8, 2020
 - Written public hearing comments due
- June 3, 2020
 - Board of Directors second public hearing to consider adoption
- July 1, 2020
 - Proposed effective date of fee amendments