



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 2

First Public Hearing on the Proposed Air District Budget for Fiscal Year Ending (FYE) 2021

**Board of Directors Special Budget Hearing Meeting
May 6, 2020**

**Jack P. Broadbent
Executive Officer**

Outline



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

Current Fiscal Year Projections



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

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

As of March 2020:

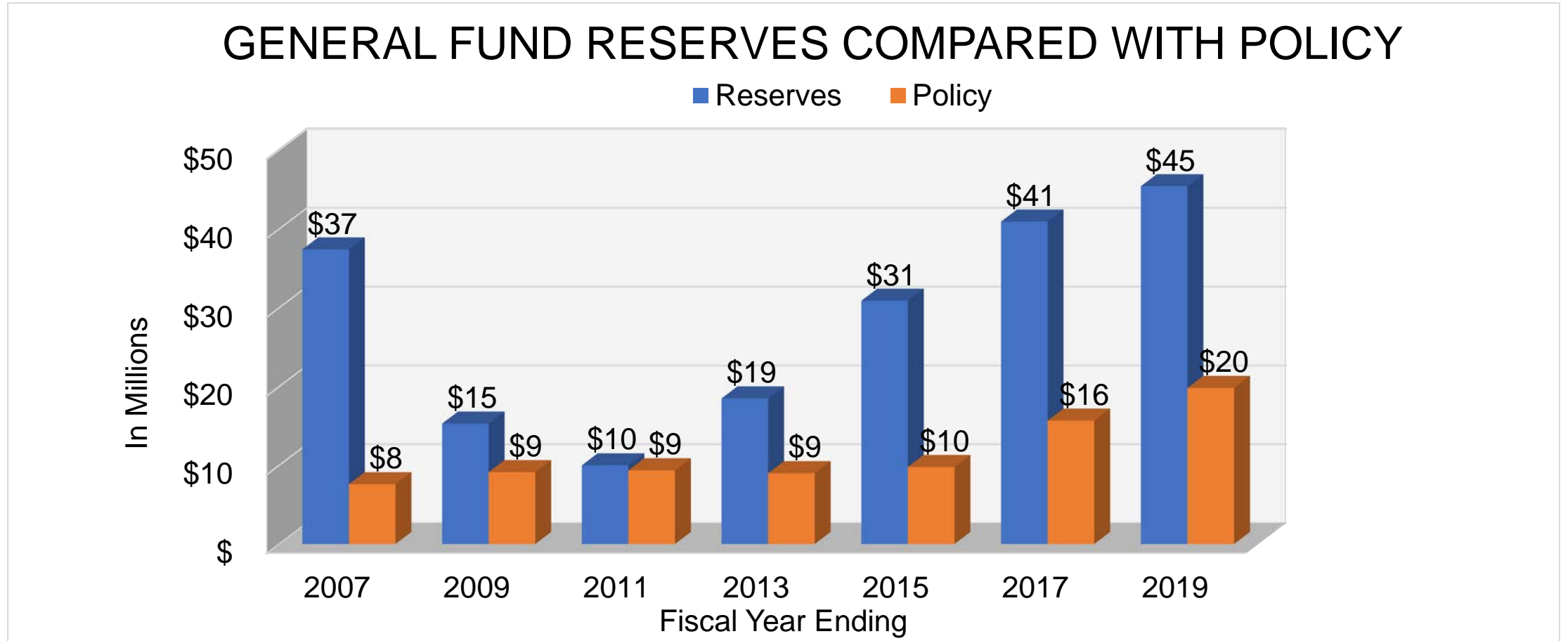
- ✓ Permit Fee revenue on target
- ✓ Property Tax revenue on target
- ✓ Expenditures on target

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)

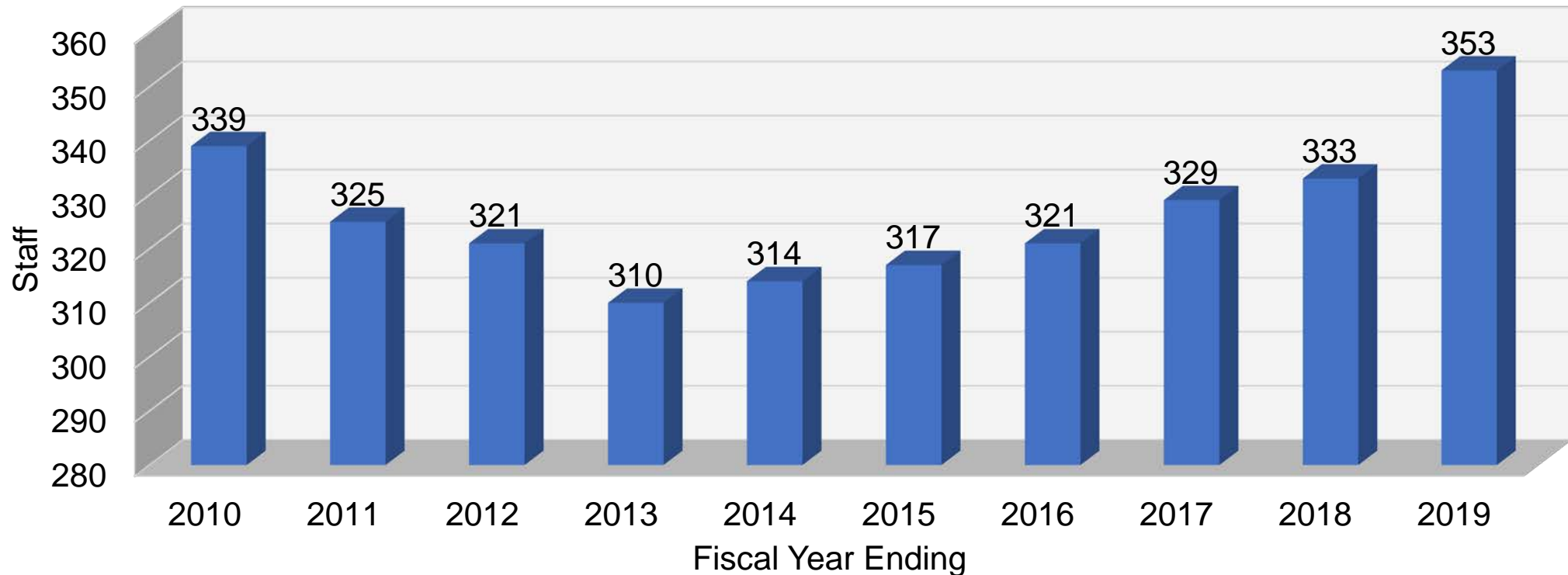


Staffing Trend-Filled Positions

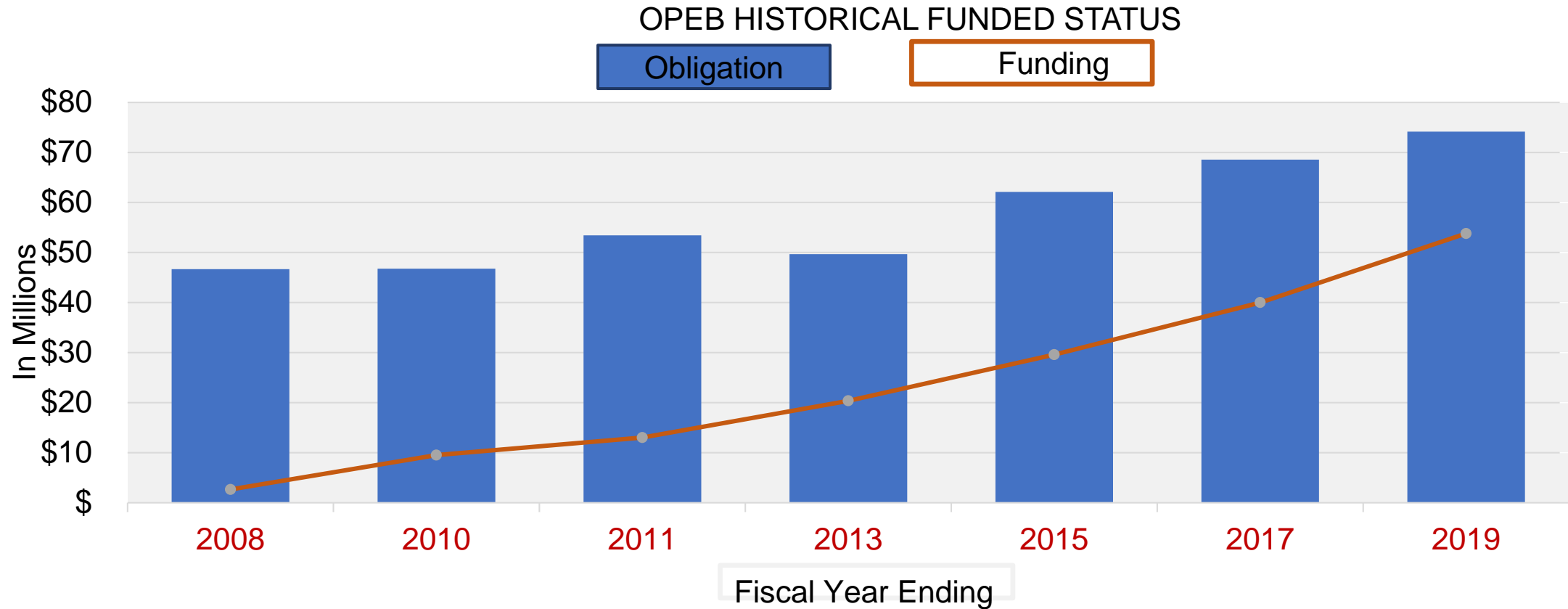


In November 2019, Staff requested an additional 10 positions, bringing total approved to 415 Full Time Equivalent (FTE)

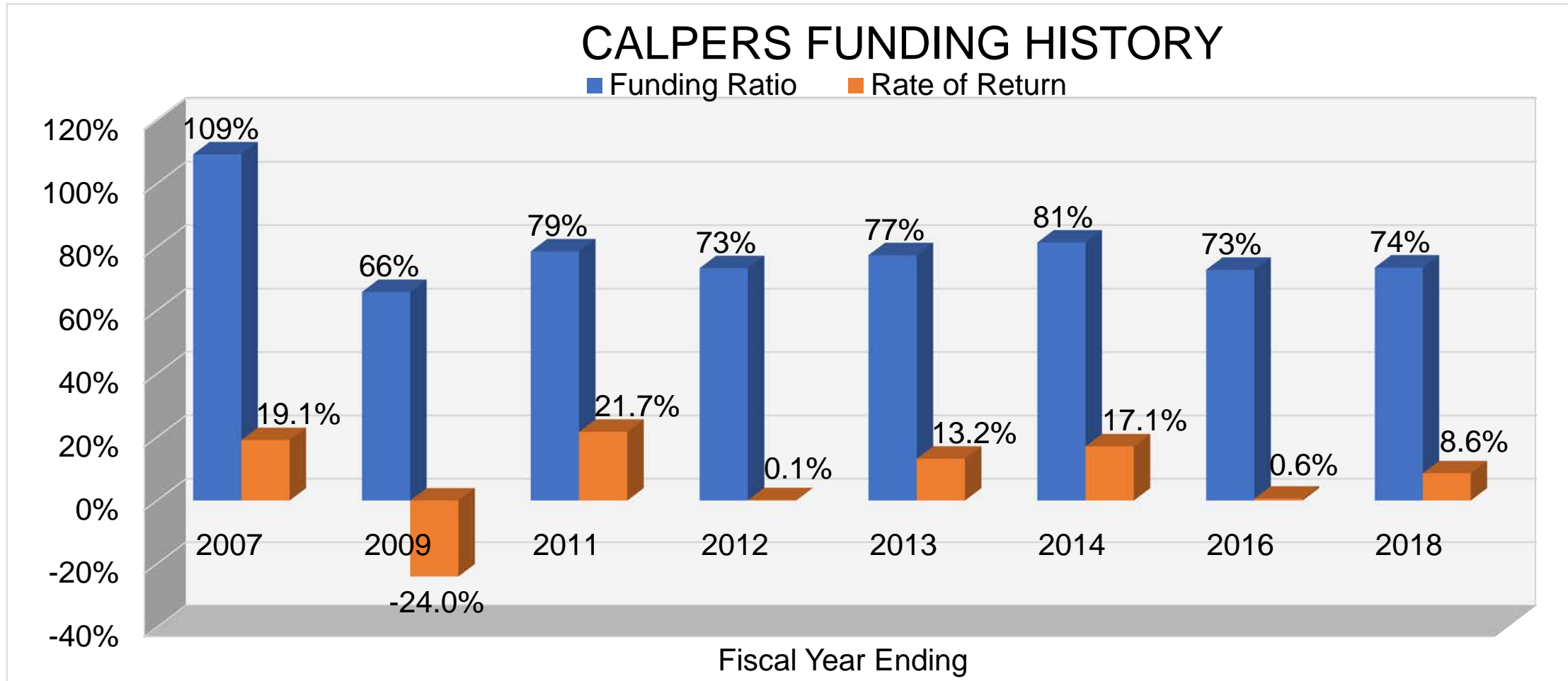
ACTUAL STAFFING LEVELS



Medical Retirement Other Post Employment Benefits (OPEB)



CalPERS Pension: Historical Rate of Return and Funding Ratio

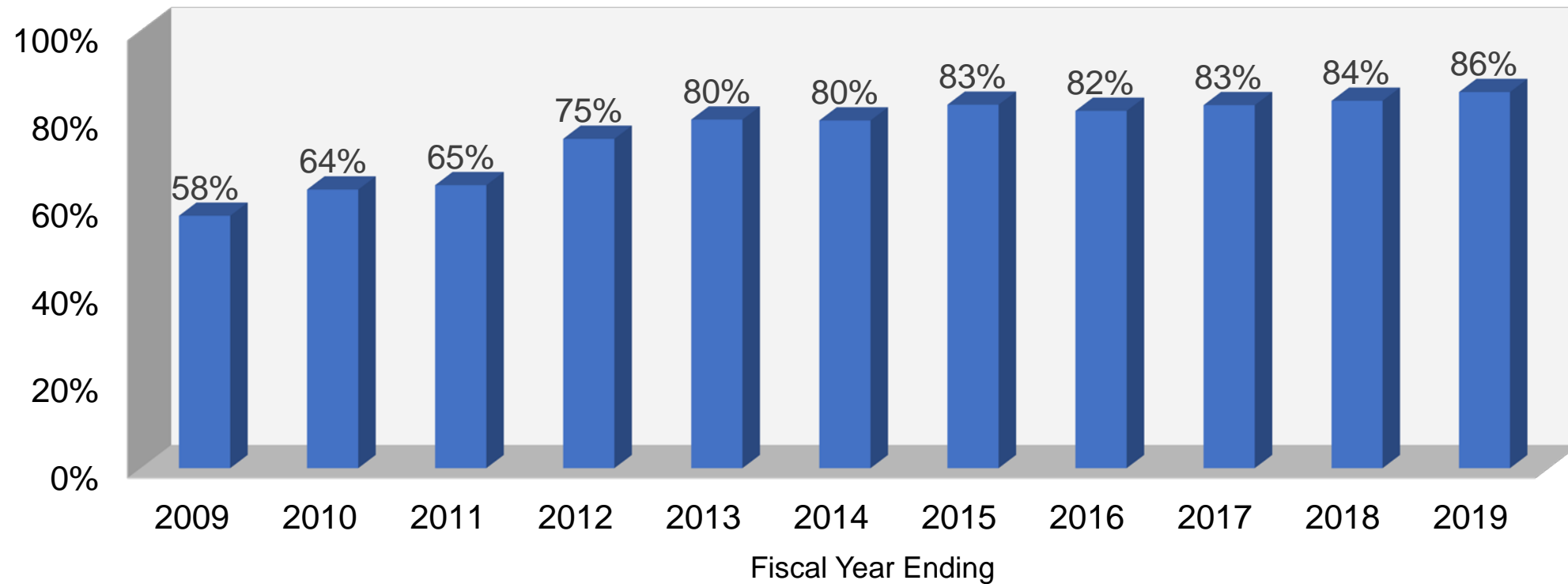


2019 Rate of Return = 6.7%

Cost Recovery Trend



COST RECOVERY PERCENTAGE BY FISCAL YEAR



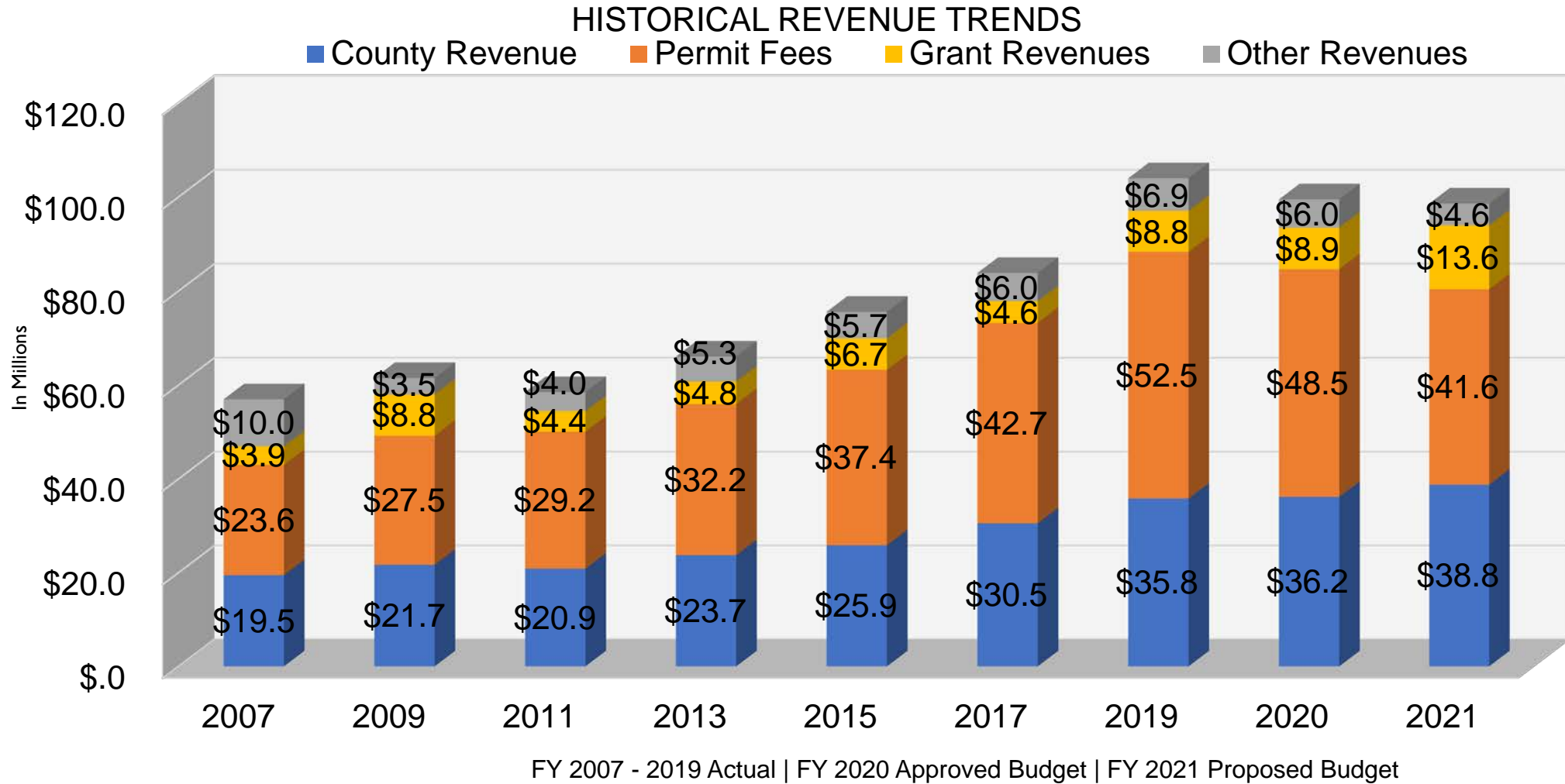
3 YEAR COST RECOVERY AVERAGE = 84%

Fees and Cost Recovery Historical Overview

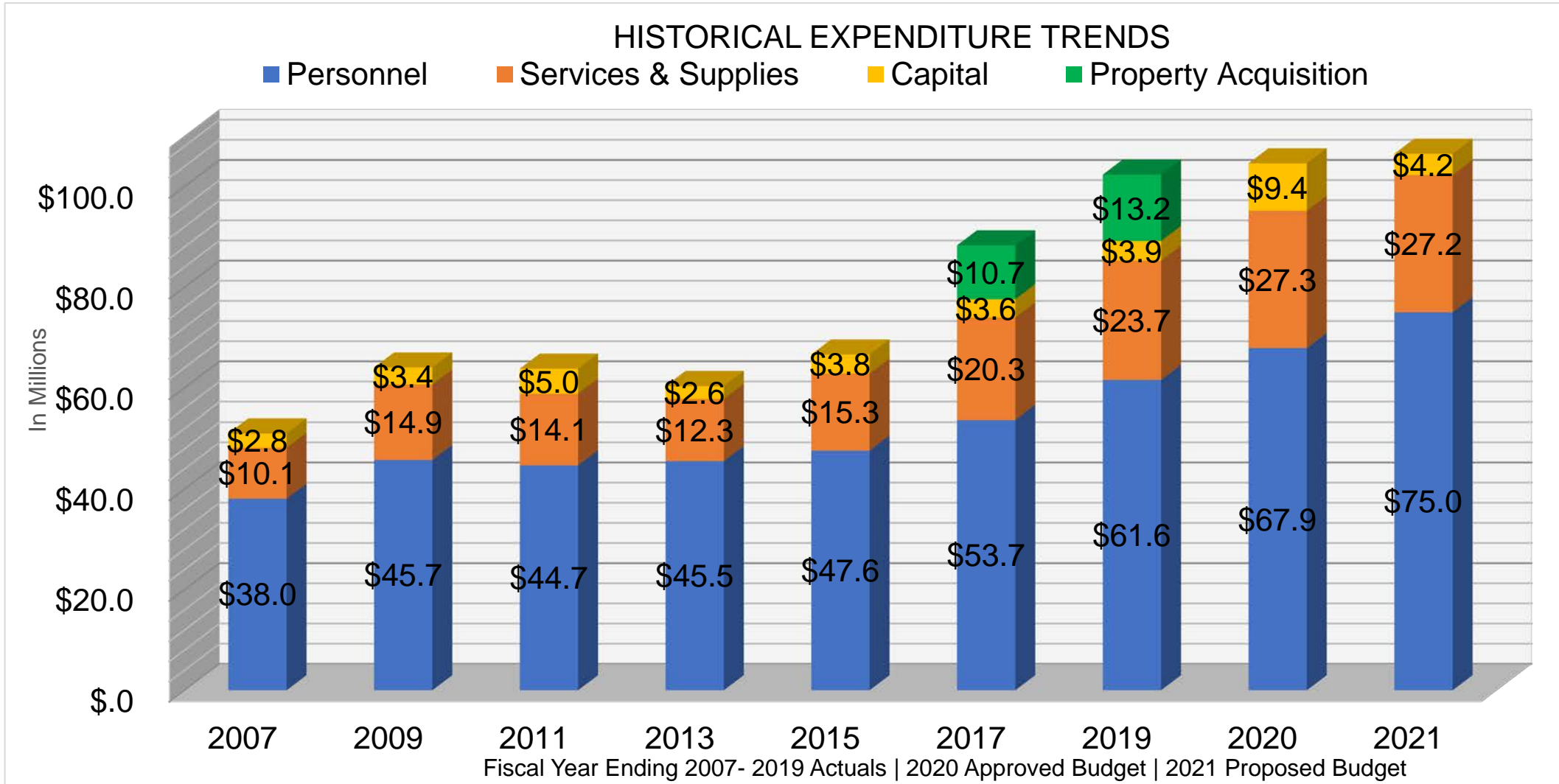


- Air District can recover 100% of costs through fees
- Cost Recovery was 58% in 2009
- Cost Recovery Policy approved in FYE 2013
- 85% minimum cost recovery target
- Cost Recovery Study updated in FYE 2018
- Fee increase based on average of three-year actuals
- Three-year average reached 84% for FYE 2019
- Fee increases assumed to average approximately 6% annually
- Created Budget Advisory Group in 2019

General Fund Revenue Trend



General Fund Expenditure Trend



Fiscal Year Ending 2021 Revised Proposed Budget Overview



- \$106 M General Fund Budget, decrease of \$16 M
- Includes Use of Reserves of \$5 M
- No Amendment to Existing Fee Schedules
- Propose New Fee Schedule (Assembly Bill (AB) 617)
- Limited Staffing Level Increase
- Budget 405 of the 415 FTE
- No Increase in Services & Supplies
- Addresses Retirement Liabilities
- Includes 3.1% Cost of Living Adjustment (COLA)

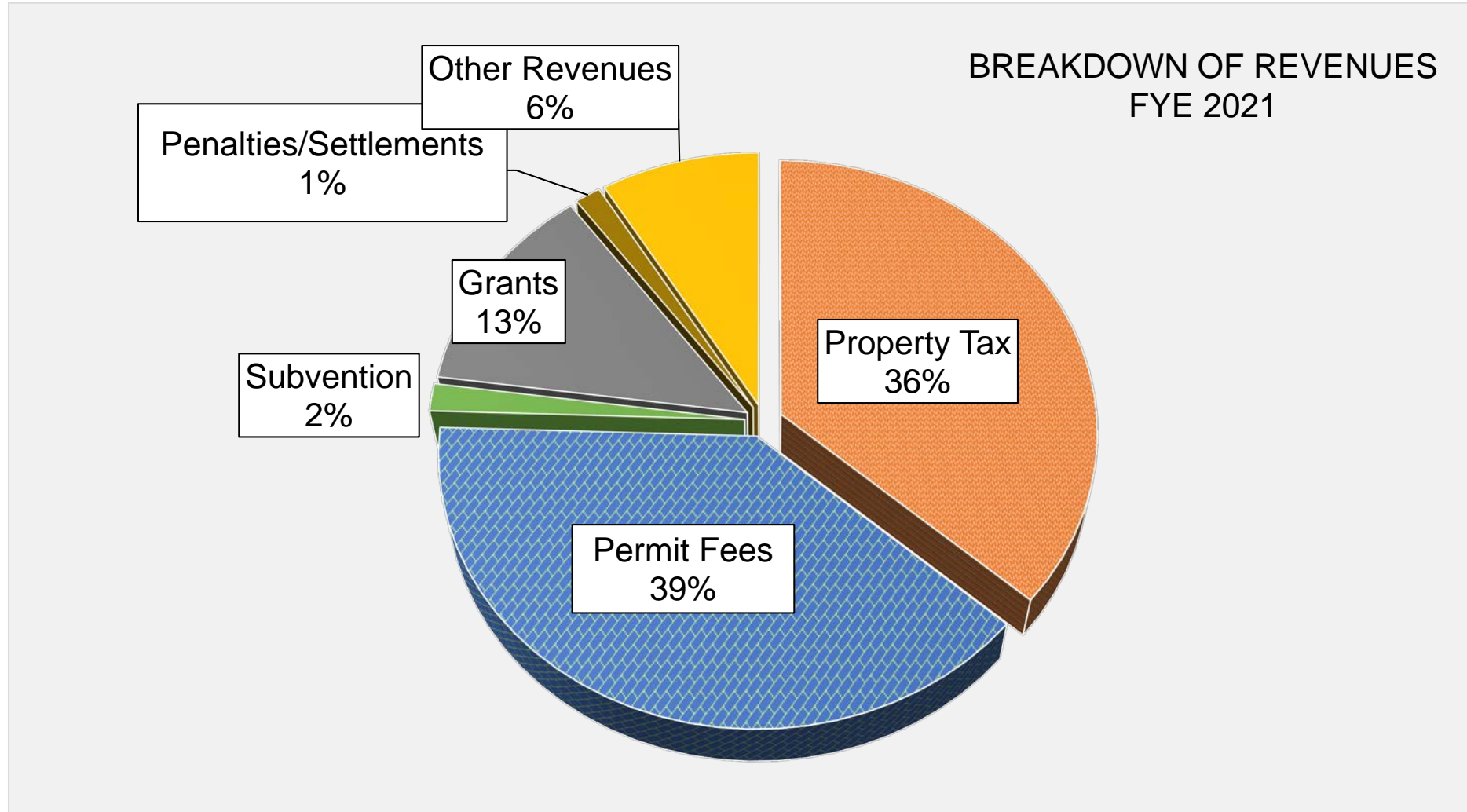
Fiscal Year Ending 2021 General Fund Proposed Budget Revisions



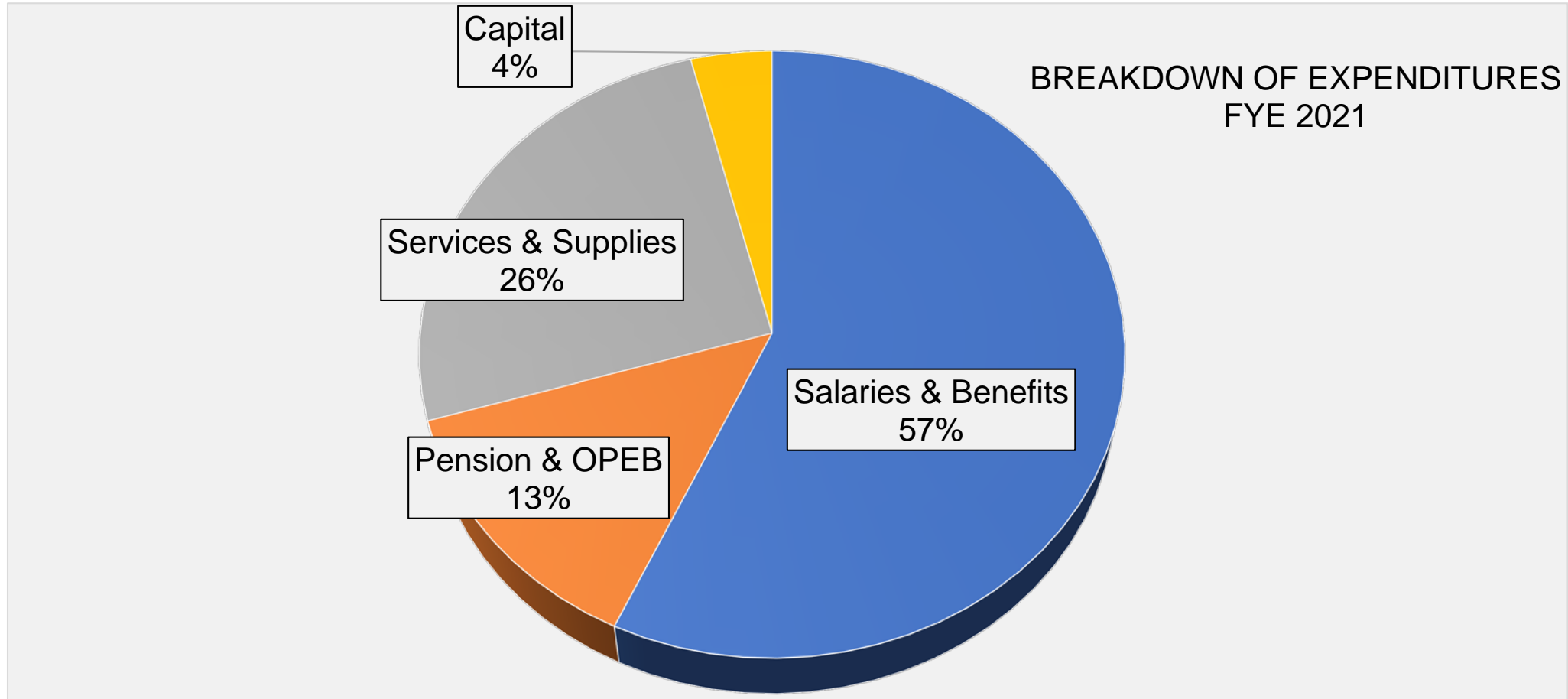
FY 2021 General Fund Proposed Budget

	Million (\$M)
Original Revenues	116.1
Original Use of Reserves	6.0
Total Original Revenues	122.1
Reduce Existing Fees	-12.4
Reduce New Fees	-2.7
Reduce Use of Reserves	-0.8
Reduce Other Revenues	-1.2
Increase Use of Grant Sources	1.5
Revised Revenues:	106.5
Original Expenditures:	122.1
Reduce Personnel Costs	-0.1
Reduce Services & Supplies	-9.5
Reduce Capital Costs	-6.0
Revised Expenditures:	106.5

General Fund Revenue Sources Fiscal Year Ending 2021 Proposed Budget



General Fund Expenditures Fiscal Year Ending 2021 Proposed Budget



Capital Budget Fiscal Year Ending 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
Computer and Equipment	100,000
Capital Lease for Servers, Telecommunications & Hardware	400,000
<u>Public Permitting & Compliance Systems</u>	<u>2,750,000</u>
Total Capital Expenditures	4,236,448

General Fund Reserves



Reserves Policy: 20% of
General Fund Budget

FYE 2021 Budget of \$105 M
= \$21 M

FYE 2021 Projected Reserve
Designations = \$27 M

FYE 2021 Available Reserves
= \$6 M

Probable Reserve Designations *	
	\$M
Balance at June 30, 2019	45
<u>Less: Designations</u>	
Pension Liability	2
Woodsmoke Grants	1
Revolving Loan Program	3
Economic Contingency (20% of Budget)	21
Total Designations	27
<i>*Designations subject to change at Board's Direction</i>	
<u>Use of Reserves in FY 2020 and 2021</u>	
Legal Settlement	3
Richmond Facility Improvements	4
To Balance FY2021 Budget	5
Total Use of Reserves	12
AVAILABLE GF RESERVES	6

Reserves Projections Assumptions



ASSUMPTIONS

- Reserves Include already allocated to Pension and TIO Loans
- 405 Filled Seats
- Property Tax Unaffected
- FYE 2021 Service & Supply Expense = FYE 2020
- FYE 2021 Fee Revenue = 85% of FYE 2020 Fee Revenue...
- ..except FYE 2021 Asbestos Fee = 50% FYE 2020 Asbestos
- \$1M AB617 Fee FYE 2021
- \$1.5 Transfer from Grants persists
- Full New Fees would = \$3.7 M (AB617 + CTR)
- No Richmond work except \$1.5 M Seismic
- COLA for Personnel Costs in FYE 2021
- Recurring COLA for:
 - Revenue
 - Expenditure

Reserves Projections



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Retirement Liabilities



1. Other Post Employment Benefits (Medical OPEB)
2. Pension Retirement
3. 105 Trusts may be used to shelter Reserves

Medical Retirement Plan



- Other Post Retirement Benefit (OPEB)
 - Obligation: \$72 M*
 - Funded: \$54 M (75%)
 - Unfunded: \$18 M (25%)
- Funding Policy: 90 % Funded Level
 - Three Year Target Date (FYE 2022)
 - \$4 M Annual Contribution

*Actuarial Valuation as of June 30, 2019

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

Fiscal Year Ending 2021 Proposed Budget Summary



- Budget Balanced with use of \$5 M from Reserves
- 405 of 415 Budgeted Positions
- No Amendment to Existing Fee Schedules
- Propose New Fee Schedule (AB 617)
- \$1 M Annual Contribution for Pension
- \$4 M Annual Contribution for OPEB

Actions Taken



- March 25, 2020 Committee received presentation on the Proposed Fee Regulations Amendments and Proposed Budget
- April 15, 2020 1st Public Hearing on Fee Regulations
- April 22, 2020 Committee refers FYE 2021 Proposed Budget to the Board of Directors
- April 29, 2020 Committee continues discussion on Fee Regulations
- May 6, 2020 1st Public Hearing on Proposed Budget

Future Actions



- June 3, 2020 2nd Public Hearings and Adoption of the Proposed Fee Regulation and 2021 Budget
- July 1, 2020 Adopted 2021 Budget and Fees becomes effective