



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

Authorize the Commencement of Management Performance Audits in Two Business Units

Finance and Administration Committee Meeting
April 5, 2023

John Chiladakis
Acting Chief Administrative Officer
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George Skiles
Sjoberg Evashenk Consulting
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Outline



- Key Milestones to Date
- Audit Purpose and Process
- Next Audits
- Requested Action

Recommended Action



Recommend the Committee authorize commencement of the next two Management Performance Audits for the Engineering and My Air Online Business Units.

Purpose and Process for the Audit



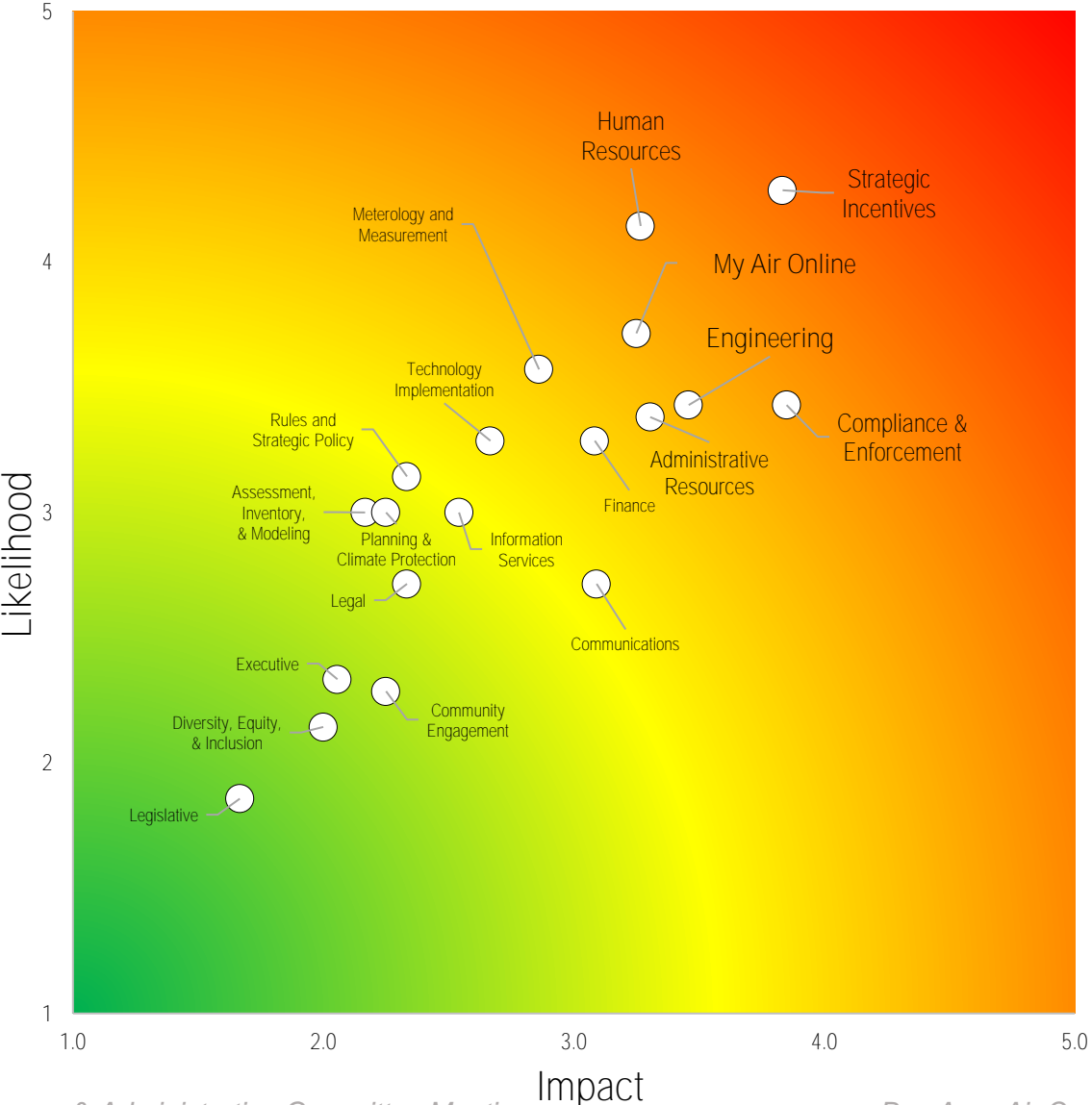
- Performance audits focus on identifying opportunities to improve operational efficiencies and effectiveness
- Audit work is performed, in cooperation with management, by an independent audit team that reports to the Board of Directors
- At the conclusion of audit work, the audit team presents a draft audit report to management for review and comment.
- The auditor works collaboratively to discuss audit findings and recommendations with management, incorporating input where warranted prior to finalizing the report.
- The auditor presents the final audit report to the Finance and Administration Committee

Key Deliverables to Date



- **June 15, 2022** – *District-wide Risk Assessment*
- **July 6, 2022** – *Priority Staffing Recommendations*
- **November 2, 2022** – *Organizational Structure*
- **November 2, 2022** – *Performance Audit of Human Resources*

Next Audits



- Board Approved 2 Additional Audits on February 15, 2023
- Board Directed Oversight from the Finance and Administration Committee
- Recommended Next Audits
 - Engineering
 - My Air Online

Requested Action



Recommend the Committee authorize commencement of the next two Management Performance Audits for the Engineering and My Air Online Business Units.



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AGENDA: 8

Recommend Authorization of Position Classifications to Support Organizational Restructuring

**Finance and Administration Committee Meeting
April 5, 2023**

**Dr. Philip M. Fine
Executive Officer / Air Pollution Control Officer
pfine@baaqmd.gov**

Outcome



Action item for Administration Committee to recommend to Board of Directors:

Authorize position classifications, reclassifications, salary resolution and corresponding amendments to the Administrative Code that are shown in the staff report attachments to support organizational restructuring.

Outline



- New Executive Organizational Structure
- At Will Deputies
- Reclassifications
- Requested Action

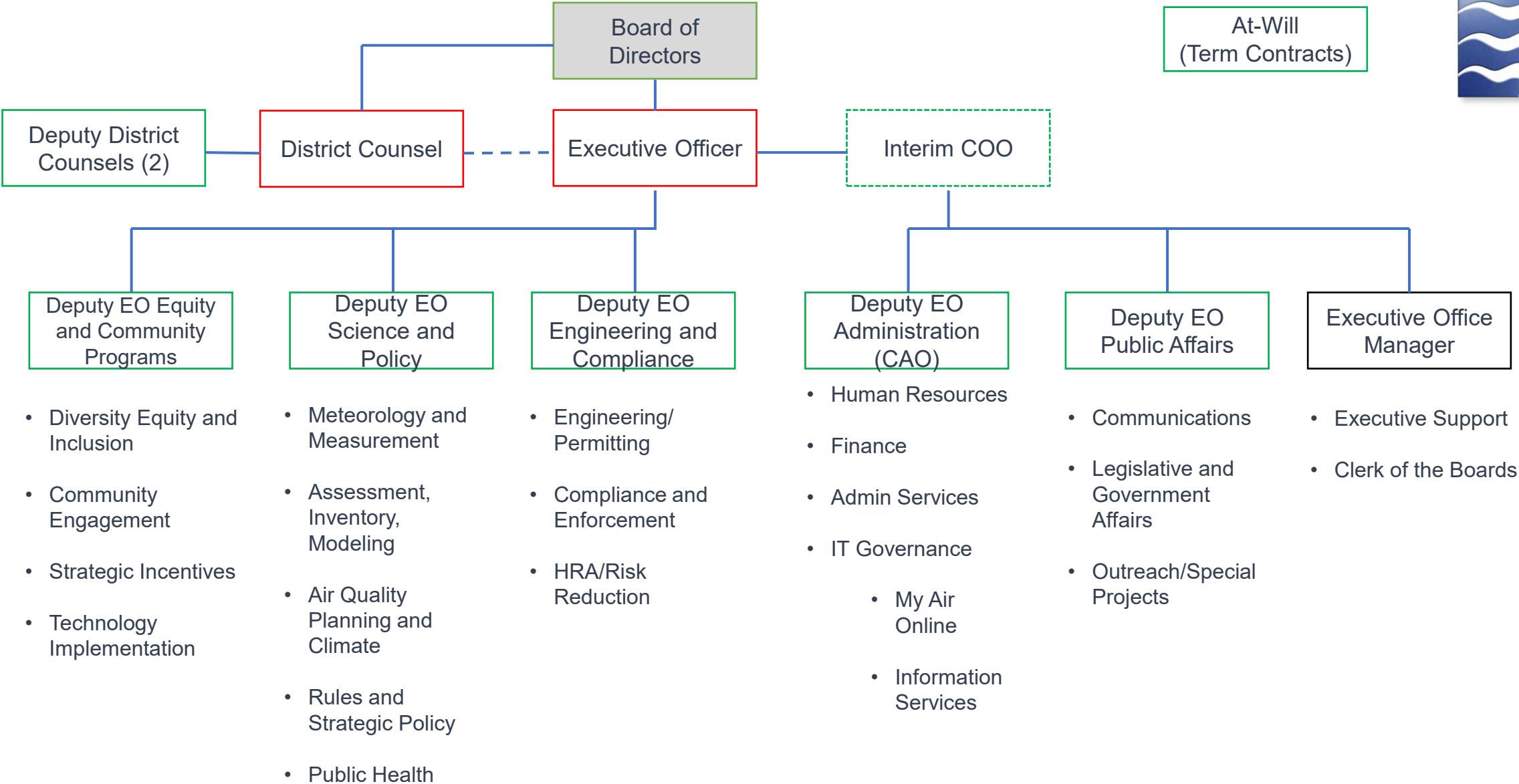
New Organizational Structure



- Eliminate an executive management layer aimed at increasing overall responsiveness
- Uniform executive team with five Deputy Executive Officers over focused areas that report to the Executive Officer
- Remove silos through collaborative cross division measurable objectives driven by strategic planning
- Convert civil servant Deputy Executive Officer and Deputy Counsel positions to “at-will” positions
- Structure was developed with approval of the District’s Management Auditor

Board-appointed

At-Will
(Term Contracts)



At-Will Positions



- Vacant Civil Servant Deputy Executive Officer positions will be converted to at-will positions.
- Civil Servant Deputy Counsel (Senior Assistant Counsel) positions will be converted to at-will positions.
- At-will positions will be paid at the final step rate of the corresponding civil servant position.
- At-will positions will have 3-year terms with renewal and will have no appeal options.
- Any current employees appointed to these positions before Jan 1, 2024 retain rights to return to their prior position and prior salary.

Classification Changes



- The proposed restructuring requires position reclassifications but no new positions.
- Additional position reclassifications are requested to meet operational needs in various divisions.
- Since fiscal year ending 2023, the Air District's staffing roster has been published in Appendix H of the Annual Budget.
- Reclassifications are shown on amended Appendix H attached to the Staff Report.
- Taken together, all requested reclassifications result in a net increase of approximately \$20,000 per year

Cost Impacts



Department	Cost Impact (\$/Year)
Meteorology & Measurement	\$127,627
Compliance & Enforcement	-\$95,920
Engineering	-\$26,360
Strategic Incentives	-\$30,985
Technology Implementation Office	\$17,913
Finance	-
Administrative Services	-
Executive	\$27,475
TOTAL	\$20,266

Requested Action



Recommend that the Board of Directors authorize position classifications, reclassifications, salary resolution and corresponding amendments to the Administrative Code that are shown in the staff report attachments to support organizational restructuring.



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AGENDA: 9

Amendments to Regulation 3, Fees

**Finance & Administration Committee Meeting
April 5, 2023**

**Pamela J. Leong
Director, Engineering Division
pleong@baaqmd.gov**

Presentation Outcome



Update Finance & Administration Committee on Proposed Regulation 3 (Fees) Amendments for Fiscal Year 2024.

Presentation Outline



- Cost Recovery Background
- Proposed Fee Amendments
- Rule Development Schedule
- Summary of Public Comments
- Questions

Presentation for Information Only



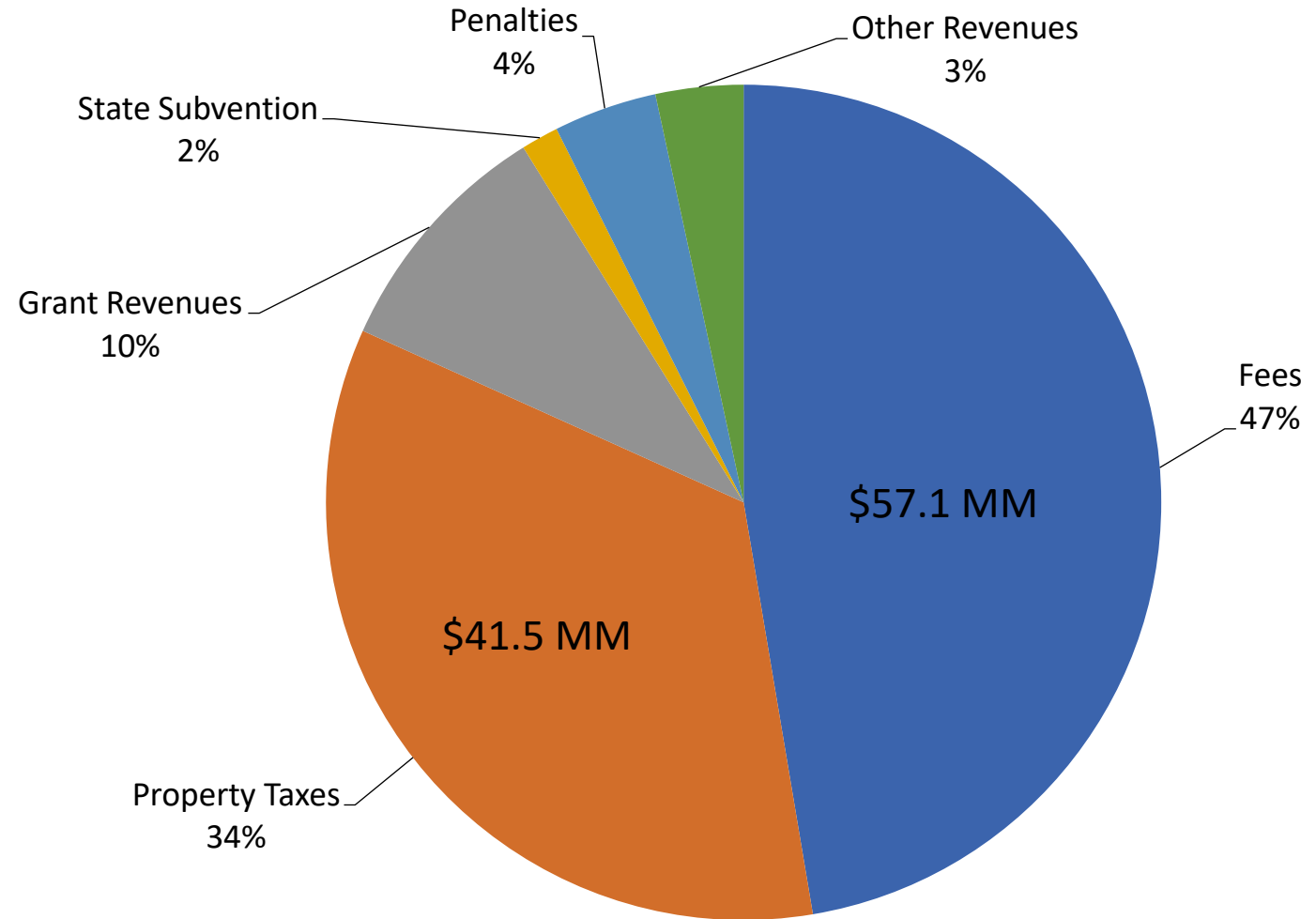
None - Informational Only. No action required.

Cost Recovery Background



Agency-wide
Revenue Sources –
Fiscal Year Ending
(FYE) 2022

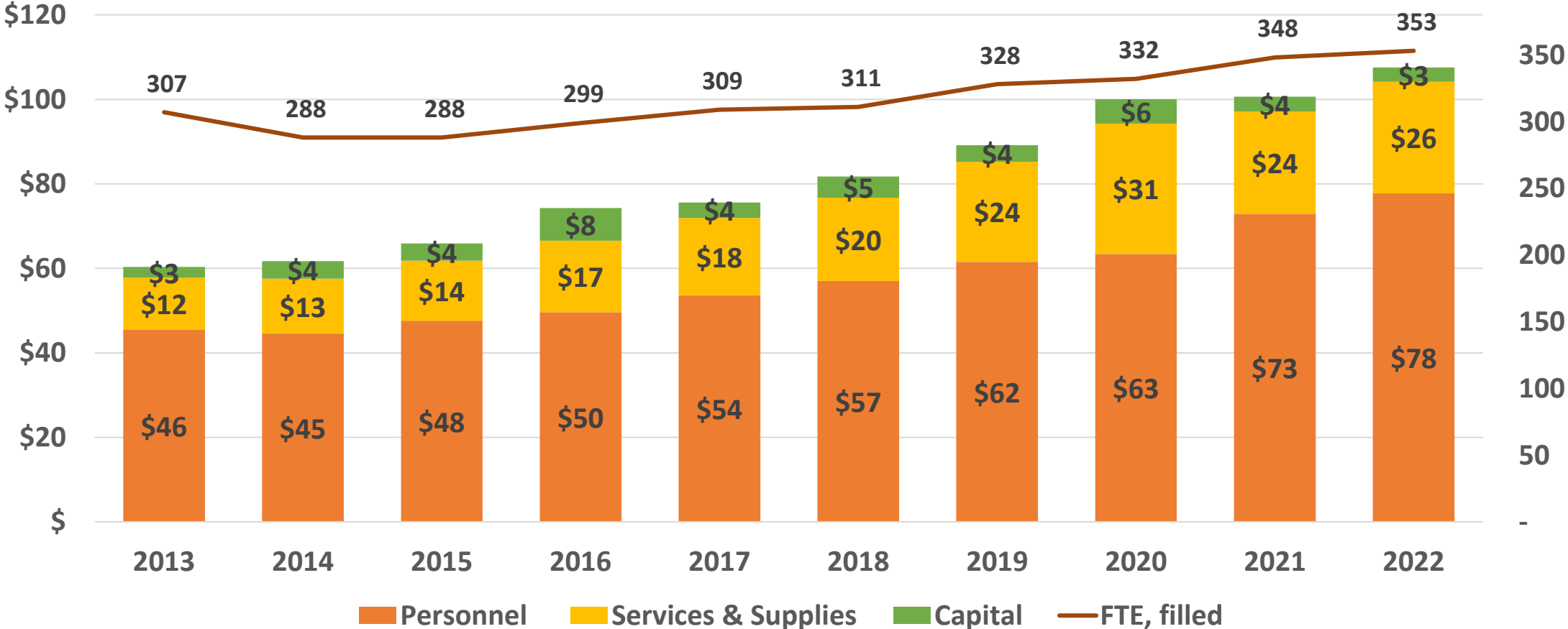
\$120.7 MM Total



Cost Recovery Background (cont.)



Audited General Fund Expenditures (Millions) and FTE by Year



Cost Recovery Background (cont.)



- Air District has authority to assess fees to recover the reasonable costs from fee-based programs.
- Board of Directors set goals to improve cost recovery levels.
- The overall cost recovery trends are:
 - FYE2011: 65.0%
 - FYE2020: 84.5%
 - FYE2021: 83.7%
 - FYE2022: 84.5%
- Cost recovery is not a static target.

Cost Recovery Background (cont.)



Cost Recovery Impacts – Revenue

- New fees and fee changes
- Facilities, sources, emissions and operational changes
- Number of notifications and applications

Cost Recovery Impacts – Expenses

- New and enhanced programs/rules
- Efficient use of resources
- Shifts in priorities
- Staffing levels

Cost Recovery Background (cont.)



Typical Work in Fee-Based Programs – Direct Costs

- Permitting and notification programs
- Compliance and Enforcement of permitted and registered facilities
- Compliance assistance to permitted and registered facilities
- Source Testing at permitted facilities
- Rule development for regulated industries
- Emissions inventory from permitted and registered facilities
- Other (e.g., Regulation 11-18 Health Risk Assessments)

Cost Recovery Background (cont.)



Cost Recovery vs. Work Backlog

- Cost recovery analyzes past revenue and cost data from existing staff.
- Cost recovery does not account for work backlog or level of service.
- Cost recovery does not account for required/future resource needs.
- A fee schedule's cost recovery rate does not reflect whether adequate resources exist or the effective use of those resources.

Cost Recovery Background (cont.)



Determine the current cost recovery percentage by Fee Schedule:

Step 1

3-Year average*
fee-related revenues



3-Year average *
fee-related expenses



Cost Recovery
Fee Percentages

Using the Cost Recovery Fee Percentages (result in Step 1), determine the Proposed Fee Schedules:

Step 2

Cost Recovery
Fee Percentages



Fee Adjustments by Schedule:

Cost Recovery %:
≥ 110%=0%
100 to <110%=COLA
<100%=15%



FYE2023
Current Fee
Schedules



FYE2024
Proposed
Fee
Schedules

Proposed Changes to Fee Schedules – Cost Recovery



- Increase any fee schedule recovering less than the fully recovered rate by the following:
 - Schedules recovering 100% but less than 110%
 - There is no increase on schedules with a cost recovery rate of at least 110%.
- Estimated budget increased by \$5.3 million compared to projected FYE2023 revenues
- This strategy has a weighted fee schedule increase of **7.7 percent.**

Draft Fee Amendments: Proposed Changes to Fee Schedules



Revenue from Fee Schedule	Change in Fees	Fee Schedules
100 to <110% of costs	6.3% increase*	I, M**, N, P
Less than 100% of costs	15% increase	A, B, E, F, G1, G2, G3, G4, G5, H, K, S, T, V, W

* The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increase.

** Schedule M is not evaluated for cost recovery, but the proposed increase is based as a general fee.

Proposed Fee & Fee Schedule Changes



Fee Schedules with 6.3% increase

- Schedule I: Dry Cleaners (not registered machines), also realigning the Risk Assessment Fee
- Schedule M: Major Stationary Source Fees
- Schedule N: Toxic Inventory Fees
- Schedule P: Major Facility Review Fees

Fee Schedules with 15% increase

- Schedule A: Hearing Board Fees
- Schedule B: Combustion of Fuels (E.g., permitted boilers, engines, heaters,)
- Schedule E: Solvent Evaporating Sources (E.g, permitted graphic arts, painting, wipe cleaning)

Proposed Fee & Fee Schedule Changes (cont.)



Fee Schedules with 15% increase

- Schedule F: Misc. Sources (storage silos, abrasive blasting)
- Schedule G-1: Misc. Sources (e.g., glass manufacturing, soil remediation)
- Schedule G-2: Misc. Sources (e.g., asphaltic concrete, furnaces)
- Schedule G-3: Misc. Sources (e.g., metal melting, cracking units)
- Schedule G-4: Misc. Sources (e.g., cement kilns, sulfur removal & coking units)
- Schedule G-5: Misc. Sources (Refinery flares)
- Schedule H: Semiconductor and Related Operations
- Schedule K: Solid Waste Disposal Sites (e.g., Landfills)
- Schedule S: Naturally Occurring Asbestos Operations
- Schedule T: Greenhouse Gas Fees
- Schedule V: Open Burning
- Schedule W: Petroleum Refining Emissions Tracking Fees

Proposed Fee & Fee Schedule Changes (cont.)



Specific fees in Regulation 3, Section 300 are proposed to be increased by 6.3% (CPI-W).

- Section 3-302: New and modified source filing fees
- Section 3-311: Emission Banking Fees
- Section 3-312: Regulation 2, Rule 9 Alternative Compliance Plan fee
- Section 3-320: Toxic Inventory maximum fee
- Section 3-327: Permit to Operate renewal fees
- Section 3-337: Exemption Fee
- Section 3-341: Fee for Risk Reduction Plan
- Section 3-342: Fee for Facility-Wide Health Risk Assessment
- Section 3-343: Fees for Air Dispersion Modeling

Schedules Not Being Increased



Fees and fee schedules that are not proposed for increase:

Section 3-307: Transfers of Permits

Schedule C: Stationary Storage Tanks of Organic Liquids Except the realignment of the Risk Assessment Fee (RAF)

Schedule D: Gasoline Transfer at Gas Dispensing Facilities (GDFs) & Bulk Plants and Bulk Terminals: Except RAF for existing GDFs (15% proposed increase)

Schedule L: Asbestos Operations

Schedule R: Equipment Registration Fees (E.g., Certain dry cleaning machines, small combustion, small graphic arts operations)

Schedule X: Major Stationary Source Community Air Monitoring Fees

Other Proposed Amendments



Section 3-311 (Emission Banking)

- Formalize fees to reevaluate existing ERCs for PM2.5 and condition changes.
- Filing fee plus hourly rate

Section 3-330.1 (Fee for Renewing an Authority to Construct)

- New fee if applicant does not notify the Air District with the intent to renew an expired Authority to Construct.

Other Proposed Amendments (cont.)



Section 3-345 (Evaluation of Plans, Regulation 6);

Section 3-346 (Request for a Petition, Regulation 8); and

Section 3-347 (Evaluation of Reports, Organic Waste Recovery Sites)

- New fees for work not previously charged.
- Filing fee plus hourly rate

Section 3-419 (Industry Compliance School)

- Consolidated existing language from Sections 3-302 and 3-331.

Other Proposed Amendments (cont.)



Schedule G2

- Classify Metal Shredding sources with a maximum capacity less than or equal to 150 tons per hour as G2.
- Currently, classified as Schedule F.

Schedule G3

- Classify Metal Shredding sources with a maximum capacity greater than 150 tons per hour as G3.
- Currently, classified as Schedule F.

Other Proposed Amendments (cont.)



Delete Schedule U (Indirect Source Review Fees)

- Adopted in 2009
- Never implemented or charged.
- Allows Air District to develop a potential fee schedule when a program is developed.

Other Proposed Amendments - Miscellaneous



- Ad Hoc Committee of the Board is discussing incident monitoring and modeling
 - Could recommend a new fee to cover costs of developing incident monitoring and modeling, based on Board of Directors support for these capabilities
 - Costs to respond to a specific incident would still be charged to that facility (Incident Response Fee)

Other Proposed Amendments - Miscellaneous (cont.)



Section 3-302.8 (Fees for New and Modified Sources)

- Clarifying language for permit application fees when multiple sources and more than one fee schedule are applicable when determining the Risk Assessment Fee.

Section 3-307 (Transfers)

- Clarifying language that the new owner/operator is responsible for outstanding fees if a facility is transferred.

Impact on Large Facilities: Power Plants



	Annual Permit Fee Increase/Decrease (Fiscal Year Ending)							
	2022, % fee change		2022 Renewal fee	2023, % fee change		2022 Renewal fee		2024, <i>Projected</i> % fee change
	Predicted	Actual		Predicted	Actual			Proposed budget
Crockett Cogen*	9.1	6.6	\$289,100	15	21	\$349,200	7.3	
Delta Energy	9.2	21	\$608,800	15	16	\$704,100	12	
Gateway Station	9.3	31	\$517,600	13**	NA	Not yet invoiced in FYE2023	12	
Los Medanos	9.4	20	\$483,200	15**	NA	Not yet invoiced in FYE2023	12	

*Not in an OBC

** Based on projected 2022 permit renewal fees

Impact on Large Facilities: Petroleum Refineries



Annual Permit Fee Increase/Decrease (Fiscal Year Ending)							
	2022, % fee change			2023, % fee change			2024, Projected % fee change
	Predicted	Actual	2022 Renewal fee	Predicted	Actual	2023 Renewal fee	Proposed budget
Chevron	6.1	-7.9	\$3.8 million	17.7	18	\$4.5 million	8.1
Martinez Refining Co.	6.9	0.8	\$4.0 million	17.8	37	\$5.5 million	8.9
Phillips 66	8.1	13	\$2.4 million	22.5	11	\$2.7 million	8.5
Tesoro	6.2	-12	\$2.6 million	21.2	-26	\$1.9 million	-1.0
Valero*	6.9	3.4	\$2.7 million	12.9	8.1	\$2.9 million	9.4

*Not in an OBC

Impact on Small Businesses – Renewal Fees & Impact



Facility Type	Current fee: Not OBC	Current fee: OBC	Proposed: Not OBC	Proposed : OBC
Backup Engine* (Sch. B)	\$438	\$500	\$493 11%	\$563 11%
Gas Station** (Sch. Da)	\$2,729	\$3,121	\$2,737 0.3%	\$3,124 0.1%
Auto Body Shop (Sch. E)	\$938	\$1,073	\$1,067 12%	\$1,220 12%
Coffee Roaster (Sch. F)	\$739	\$845	\$839 12%	\$960 12%

*Minimum fee – Permit fees are greater for larger engines.

**Common configuration with 6 islands with 3-triple product nozzles

Budget and Rule Development Schedule



Description	Date
Budget Advisory Group (BAG) meeting #1	February 3, 2023
Public workshop for Regulation 3 amendments	February 16, 2023
BAG meeting #2	March 13, 2023
Written workshop comments due	March 14, 2023
Finance and Administration Committee briefing	April 5, 2023
First public hearing on Regulation 3 to receive testimony	May 3, 2023
First public hearing on budget to receive testimony	May 17, 2023
Written Public Hearing comments on Regulation 3 due	May 27, 2023
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Summary of Public Comments



- Request for more information and predictability to achieving 100% cost recovery.
- Request for better transparency for fees charged to level of service.
- Request estimated hours for the review of evaluations for petitions, plans and reports applicable to the new proposed fees.
- Commented that the Assembly Bill 617 Community Health Impact, the Criteria Pollutant and Toxic Emissions Reporting, and the Overburdened Community renewal fees, are potentially duplicative.
- Commented that cost recovery does not address program efficiencies and resource needs.
- Commented that increasing fees have not shown an increase in level of service.
- Request to separate open burn fees for residential and commercial customers.

Feedback Requested/Prompt



None

Questions?



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AGENDA: 10

2023 Financial Plan and Discussion of Proposed Budget for Fiscal Year 2023-2024

**Finance and Administration Committee Meeting
April 5, 2023**

**Stephanie Osaze
Finance Director
sosaze@baaqmd.gov**

**Leonid Bak
Economist
lbak@baaqmd.gov**

Presentation Outcome



The Committee will receive a summary of the 2023 Financial Plan and of the Fiscal Year (FY) 2023-2024 Proposed Budget for consideration and direction

Presentation Outline



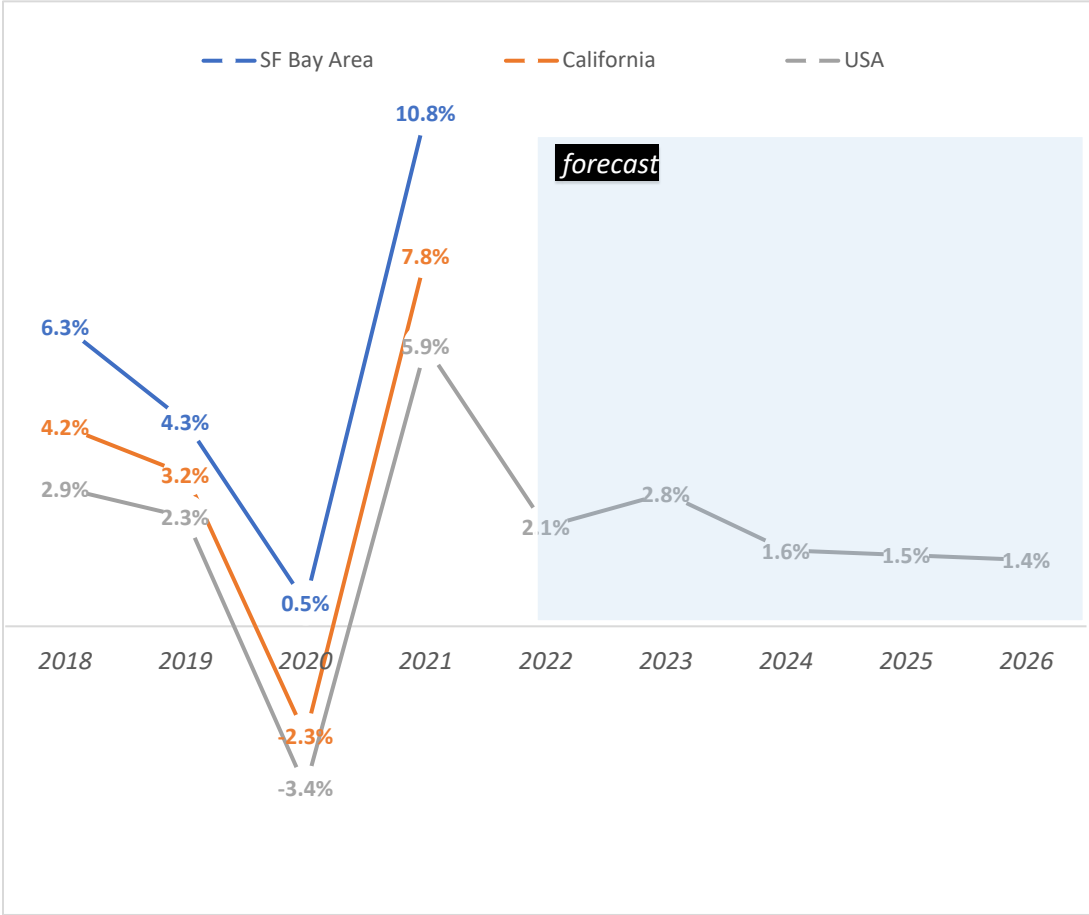
- 2023 Financial Plan
 - Economic Outlook, Inflation, Labor Market
 - Financial Outlook for the Air District
 - Financial Forecast FYE 2024-2028
- Proposed Budget for Fiscal Year 2023-2024
 - Budget Schedule
 - Overview of current budget actions
 - Overview of the Proposed Budget

Presentation for Information Only



- No action is being requested at this time.
- The Committee may make recommendations for further discussion to be held at the May 3, 2023.

2023 Financial Plan – Economic Outlook

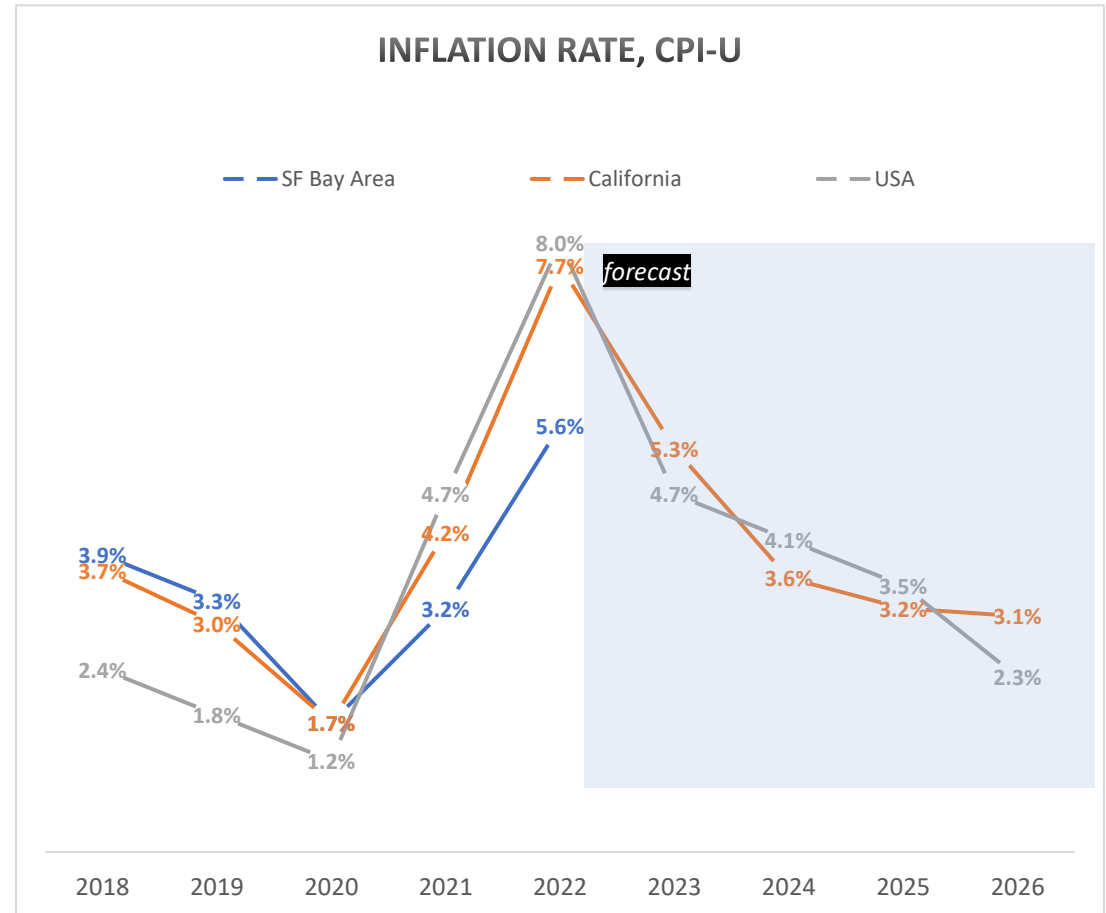


- Economic performance is expected to slow down in 2023-24 due to higher interest rates
- Both in California and in the Bay Area, the economy may be more impacted than the US on average due to remote work and high interest rates

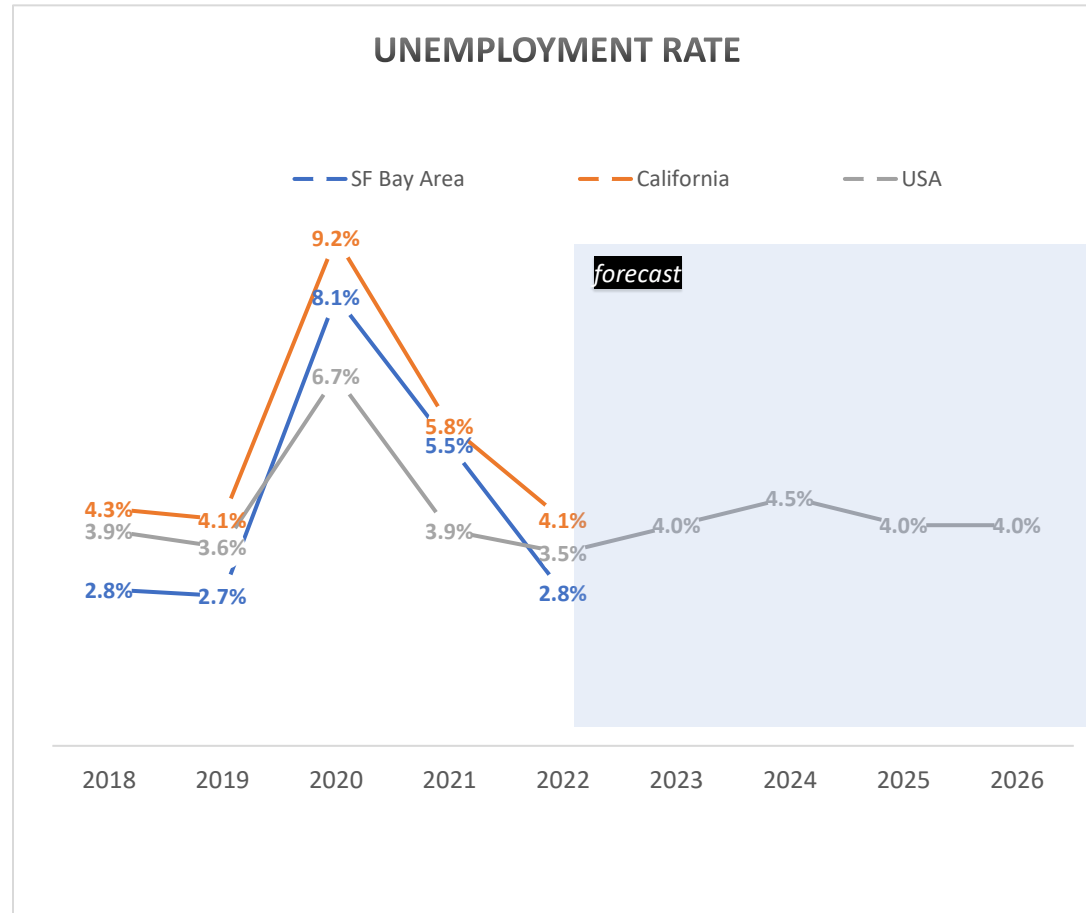
2023 Financial Plan - Inflation



- Inflation in the Bay Area was lower in 2022 than California or US annual averages
- US CPI is projected to remain elevated, as the Federal Reserve is fighting to bring it down to 2%
- Depressed economic activity in the Bay Area will likely lead to lower inflation

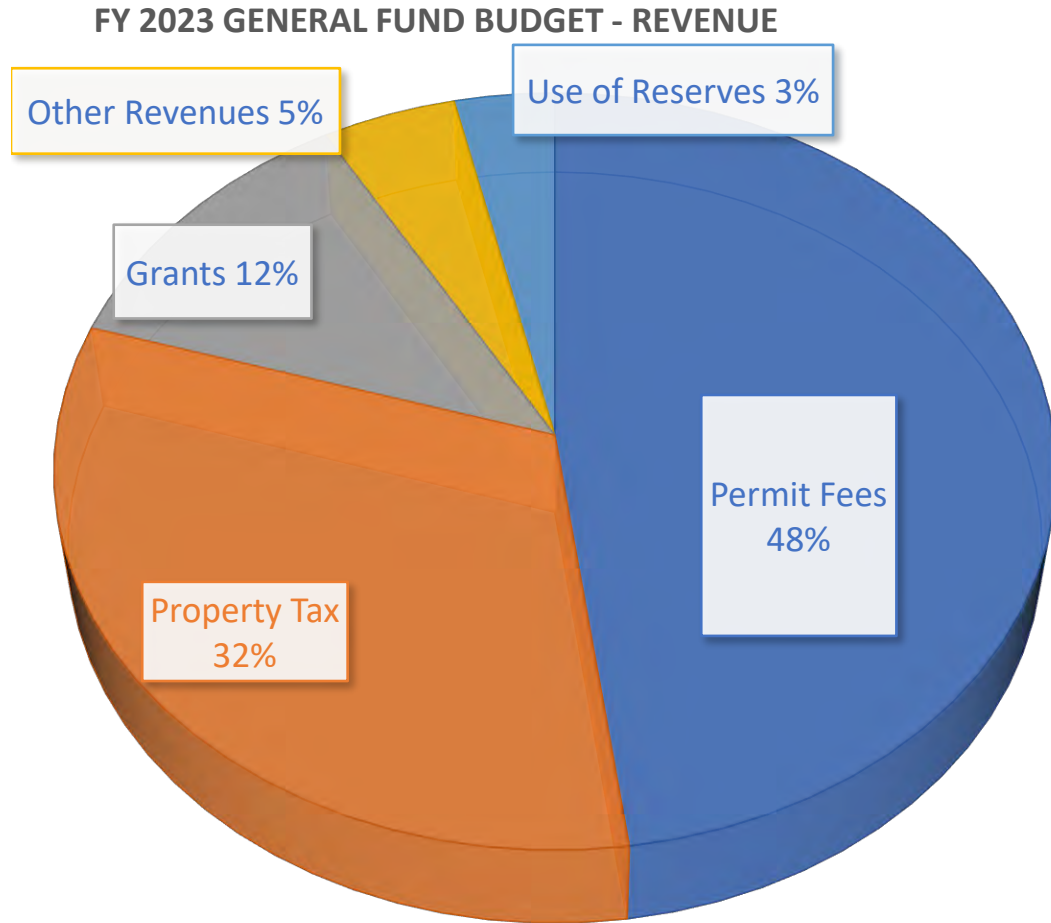


2023 Financial Plan – Labor Market



- Bay Area’s pandemic jobs recovery rate has lagged both US and California’s rates
- At present, unemployment rate in the Bay Area is close to historically low rates, at 2.8% average across the Bay Area
- Risks of rising technology sector unemployment as interest rates rise

FY 2023 Financial Outlook – Revenue

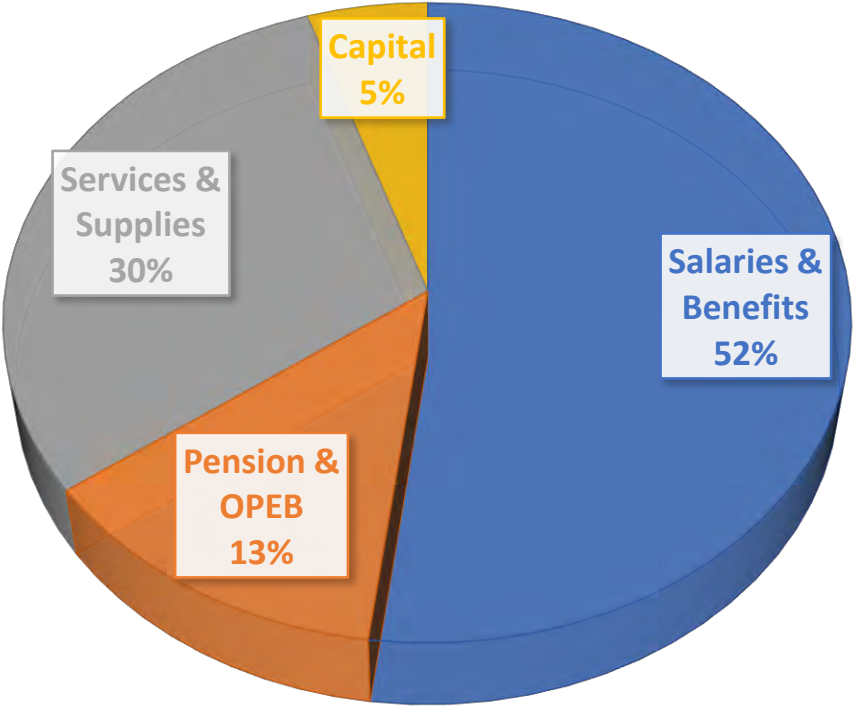


- Permit Fees and Property Tax account for 80% of the Air District’s **revenue** for the FY 2023 General Fund Budget.
- Use of reserves supported both continued capital improvement needs of the Air District and some grant work.
- Other revenue includes, among others, income from penalties and settlements, interest income, and state subvention.

FY 2023 Financial Outlook – Expenditure



FY 2023 GENERAL FUND BUDGET - EXPENDITURE



The two major **General Fund Expenditures** are Salaries/Benefits and Services/Supplies totaling 82% of the budget in 2023.

Financial Forecast – FYE 2024 -2028



Five Year General Fund Financial Forecast

	FYE 2024 Budget	FYE 2025 Projected	FYE 2026 Projected	FYE 2027 Projected	FYE 2028 Projected
REVENUE					
Property Tax	\$44,876,500	\$46,671,560	\$48,538,422	\$50,479,959	\$52,499,158
Permits/Fees	\$63,192,045	\$68,846,904	\$75,340,739	\$82,905,433	\$87,300,334
Grant Revenues	\$6,998,321	\$6,648,405	\$6,714,889	\$6,782,038	\$6,849,858
AB617 Funding	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
Other Revenue	\$7,100,000	\$7,171,000	\$7,242,710	\$7,315,137	\$7,388,288
Transfer from Special Funds	\$1,302,772	\$1,328,827	\$1,355,404	\$1,382,512	\$1,410,162
TOTAL REVENUE	\$132,469,638	\$139,666,697	\$148,192,164	\$157,865,079	\$164,447,801
(Use of)/Transfer to Fund Balance	(\$5,274,900)	(\$608,925)	\$4,507,473	\$9,585,790	\$12,300,264
EXPENDITURES					
Personnel Expenditures	\$88,460,177	\$91,835,054	\$94,269,091	\$97,868,875	\$100,584,912
Services and Supplies	\$42,494,075	\$41,573,450	\$42,404,919	\$43,253,018	\$44,118,078
Capital Expenditures	\$6,789,377	\$6,863,342	\$7,000,609	\$7,140,621	\$7,283,434
TOTAL EXPENDITURE	\$137,744,538	\$140,271,847	\$143,674,619	\$148,262,514	\$151,986,424

Key Assumptions – Revenue and Expenditure



Key Expenditure Assumptions

- **Personnel**
 - costs do not assume any new staffing beyond 465 staff at present.
 - A 3% annual cost of living adjustment is also projected for the forecast period.
 - 5% vacancy rate in FYE 2024-26, gradually decreasing to about 3% in 2027-28.
- **Retirement Pension** continue payments to CalPERS to reduce the unfunded actuarial liability (UAL)
- **Other Post-Employment Benefits (OPEB)** is at present fully funded. Additional discretionary payments previously authorized have now shifted to address unfunded pension liability
- **Services and Supplies** costs are projected to remain stable, with an inflationary increase of approximately 2-3%.
- **Capital Expenditures** are expected to remain level, with only an inflationary increase.
- **General Fund Reserves** are expected to stay above the minimum policy level.

Key Revenue Assumptions

- **Property Tax** is expected to grow at approximately 4%
- **Permit Fee** revenues will follow the Air District's Cost Recovery policy to 100%. The average cost recovery will take several years to catch up to 100 %
- **Grant Revenues** in the General Fund are expected to remain stable through the forecast period. However, changes to this assumption may be possible.
- **Assembly Bill 617** funding of \$9.0 million from the State is expected to continue for the next 5 years.
- **Other Revenues** mainly account for penalties, state subvention, and interest income. These revenues are expected to remain stable.

Budget and Rule Development Schedule



Description	Date
Budget Advisory Group (BAG) meeting #1	February 3, 2023
Public workshop for Regulation 3 amendments	February 16, 2023
BAG meeting #2	March 13, 2023
Written workshop comments due	March 14, 2023
Finance and Administration Committee briefing	April 5, 2023
First public hearing on Regulation 3 to receive testimony	May 3, 2023
First public hearing on budget to receive testimony	May 17, 2023
Written Public Hearing comments on Regulation 3 due	May 27, 2023
Second public hearing on budget and Regulation 3 to consider adoption	June 7, 2023
Budget and fee amendments effective, if adopted	July 1, 2023

Current Fiscal Year 2023 Budget Summary



Actions taken in the FY 2022-2023 Approved Budget:

- \$247 M Total Budget
- \$132 Million (M) General Fund Budget
- Includes Use of Reserves of \$ 4.7 M (\$3.7M JCS grants)
- Continuation of Cost Recovery Policy (up to 15% where applicable)
- New Fee for overburdened communities
- Staffing Level Increase: 445 to 465 Full Time Equivalent (FTE)
- Continuation of Funding Retirement Liabilities
- Includes 3.4% Cost of Living Adjustment (COLA)

Fiscal Year 2023-2024 Proposed Budget Summary



- \$ 267 M Consolidated Budget
- \$138 M General Fund Budget
- Includes Use of Reserves \$5.3 M for one-time costs
- Continuation of Cost Recovery Policy (up to 15% where applicable)
- Staffing Level (no increase): 465 Full Time Equivalent (FTE)
- Fund Retirement Liabilities consistent with funding policy
- Cost of Living Increase
- Vacancy Savings

FYE 2024 Total Budget - Overview



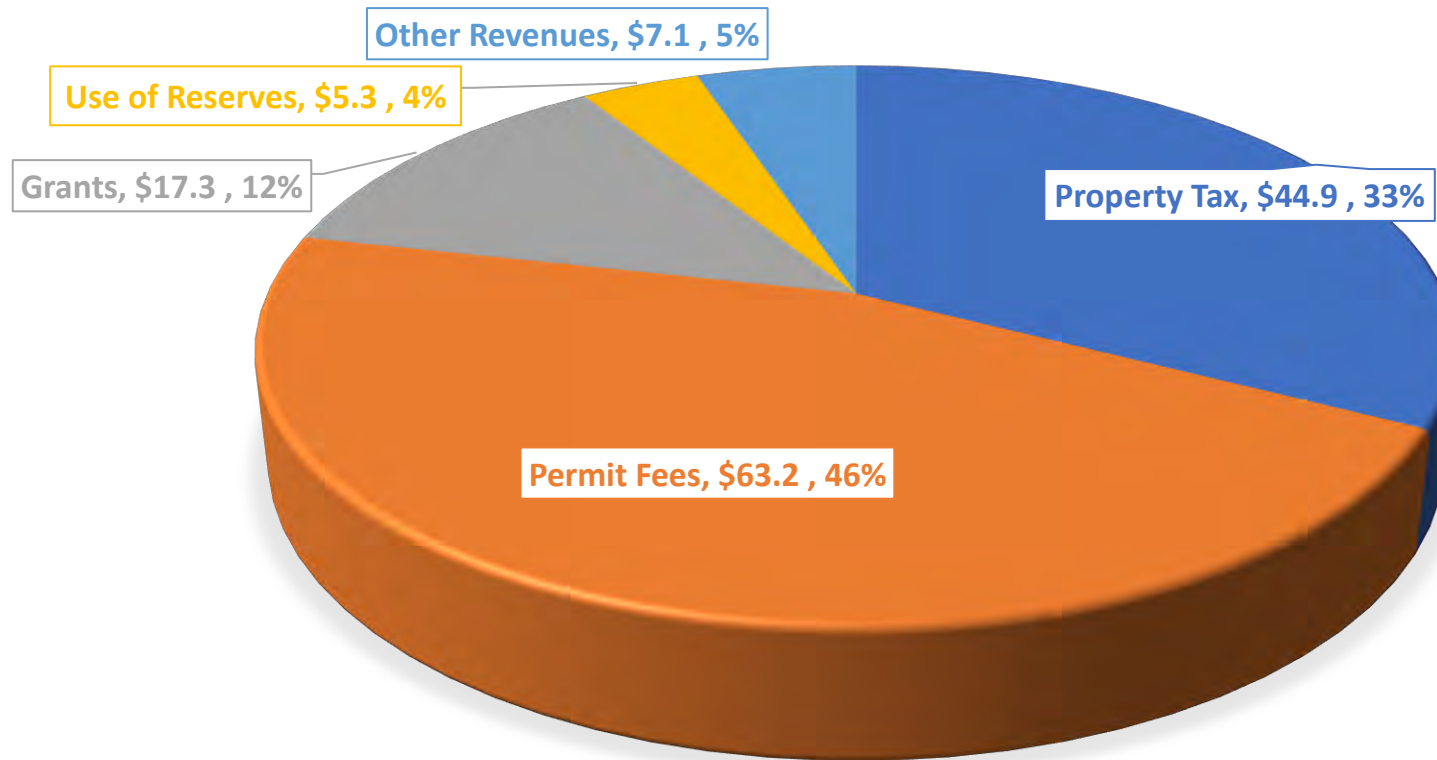
Consolidated Revenues and Expenditure by Major Categories – FYE 2024 Budget

REVENUES	GENERAL FUND	SPECIAL FUNDS	TOTAL FUNDS
County Revenue	44,876,500		44,876,500
Permits/Fees	63,192,045		63,192,045
Grant Revenues	13,459,045	129,037,057	142,496,102
Other Revenues	7,100,000		7,100,000
<u>Revenues Before Reimb & Tsfr</u>	<u>128,627,590</u>	<u>129,037,057</u>	<u>257,664,647</u>
Reimbursements Programs	2,539,276		2,539,276
Transfers In	1,302,772		1,302,772
Transfer from (to) Reserves	5,274,900		5,274,900
<u>TOTAL REVENUES</u>	<u>137,744,538</u>	<u>129,037,057</u>	<u>266,781,595</u>
EXPENDITURES			
Personnel & Benefits	88,460,177	8,146,194	96,606,371
Services & Supplies	41,006,096	10,814,978	51,821,074
Capital Expenditures & Other Financing Uses	6,789,376		6,789,376
<u>Expenditures Before Dist & Tsfr</u>	<u>136,255,649</u>	<u>18,961,172</u>	<u>155,216,821</u>
Program Distributions	1,300,000	108,962,000	110,262,000
Transfer Out	188,889	1,113,885	1,302,774
<u>TOTAL EXPENDITURES</u>	<u>137,744,538</u>	<u>129,037,057</u>	<u>266,781,595</u>

FY 2024 General Fund Budget – Revenues



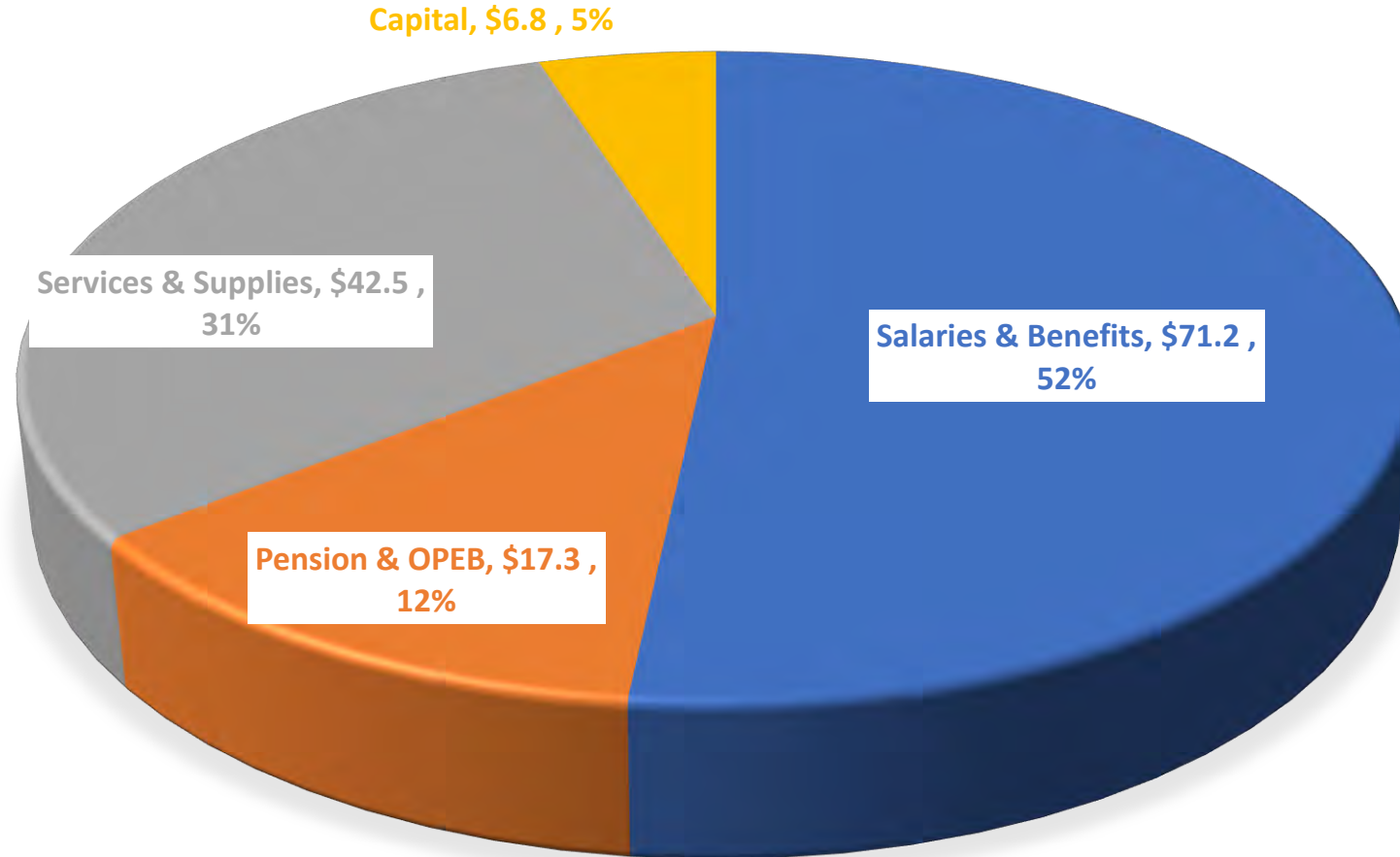
PROPOSED REVENUES (IN \$ MILLIONS)



FY 2024 General Fund Budget - Expenditures



PROPOSED BUDGET EXPENDITURES (IN \$ MILLIONS)



Breakdown of \$5.4 M Budget Increase



BUDGETED SOURCES:	\$ (Million)
Increase to property tax	2.7
Increase in other revenues	0.8
Total Ongoing Sources	3.5
Increase in grant revenues	1.3
Increase in use of reserves	0.6
Total One-time Sources	1.9
TOTAL BUDGETED SOURCES	5.4
BUDGETED COSTS:	\$ (Million)
Increase personnel costs	2.9
Increase in CalPERS pension payment	0.6
Increase in various District programs (61)	1.2
Total Ongoing Costs	4.7
Vacancy rate increasing from 6% to 7%	(1.4)
Increase in one-time services	1.6
Increase in grant & capital	0.5
Total One-time Costs	0.7
TOTAL BUDGETED COSTS	5.4

Capital Budget Detail



<u>Description</u>	<u>PGM</u>	<u>Amount</u>
One (1) Replacement and upgrades for aging air monitoring equipm	802	182,427
One (1) New equipment purchase for Schedule X equipment only	802	757,837
One (1) OC/EC with autosampler	803	115,000
One (1) Ion Chromatograph with autosampler	803	165,000
Three (3) Source Test Analyzers	804	55,500
One (1) PM Van Custom Equipment and Build Out	804	100,000
One (1) model T703U UV PHOTOMETRIC 03 CALIBRATOR	807	45,000
One (1) Optical Gas Imaging Camera	403	100,000
Phase 2 HQE build out for Meterology & Measurement staff	707	500,000
375 Beale Street network upgrade	709	500,000
Design & POC for IT Infrastructure Datacenter Refresh	726	400,000
Replacement of End-of-Life Network Components	726	500,000
Communication Equipment	726	150,000
Records Management Room HQE	712	100,000
Scanning station for Records Management Section	712	10,000
Public Permitting & Compliance Systems	125	3,108,613
Total Capital Expenditures		6,789,377

Funding of Retirement Liabilities



- **Medical Retirement (OPEB):**

- Obligation: \$73 M
- Funded: \$75 M
- Surplus: (\$2M)

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

- Current Funding Level at 103%*
- **Redirect \$4 M Annual Discretionary Funding to CalPERS Pension after reaching target funding level**

- **CalPERS Retirement (Pension):**

- Obligation: \$382 M
- Funded: \$314 M
- Unfunded: \$ 68 M

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

- Current Funding Level at 82%*
- \$1 M Annual Discretionary Funding
- \$4 M Redirect Discretionary Funding from OPEB

*Based on current actuarial valuation

Reserves Designations



General Fund Reserves (In Millions)	
Reserves Balance (June 30, 2022)	80.6
<u>Less Designations:</u>*	
AB617 Staffing Contingency	-7.7
Community Benefits	-3.0
Economic Contingency (20% of Budget)	-26.5
Incident Monitoring Program	-1.0
Limited Term Staffing Contingency	-1.0
Outside Counsel Litigation Support	-6.9
Pandemic Contingency	-2.0
Richmond Improvements (HQE)	-5.0
Technology Implementation Office	-3.4
Spare the Air Program	-2.0
Wildfire Mitigation	-1.0
Total Designations	-59.5
<u>Less Use of Reserves:</u>	
Use to Balance FY 2023 Budget	-4.7
FYE 2023 Transfers from Reserves	-7.3
Use to Balance FY 2024 Budget	-5.3
Total Use of Reserves	-17.3
AVAILABLE GENERAL FUND RESERVES	3.8
<i>*Designations subject to change at Board's Direction</i>	

Next Steps



- No action required at this time.
 - May 3, 2023- Committee refers proposed budget to the Board of Directors