



**BAY AREA  
AIR QUALITY  
MANAGEMENT  
DISTRICT**

# **Air District Financial Overview**

**Budget and Finance Committee  
February 25, 2015**

**Jeff McKay  
Deputy Air Pollution Control Officer**



# OUTLINE

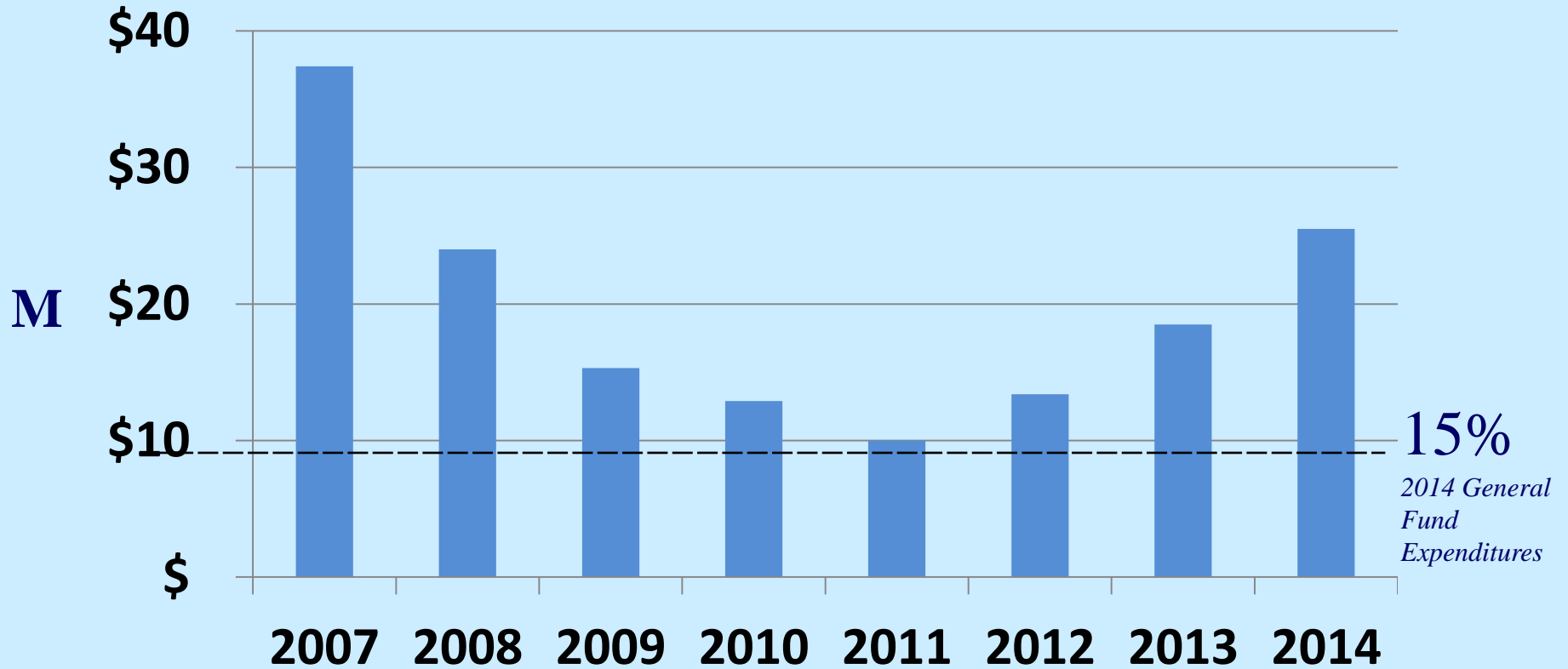
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- *FYE 2015*: Status at Mid-Year
- *FYE 2016*: Preview of Topics for the Budget Process



# DISTRICT RESERVE FUNDS

## Audited Values





# Actions Taken During Downturn

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- Reserves Used for General Fund Expenditures
- Vacancies Unfilled
- Reduced Expenses
- Deferred Capital Investment
- Cost Recovery Policy Initiated
- Continued Funding of Retirement Liabilities



# FYE 2015 MID-YEAR

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**FYE 2015 MID-YEAR**



# FISCAL YEAR END (FYE) 2015

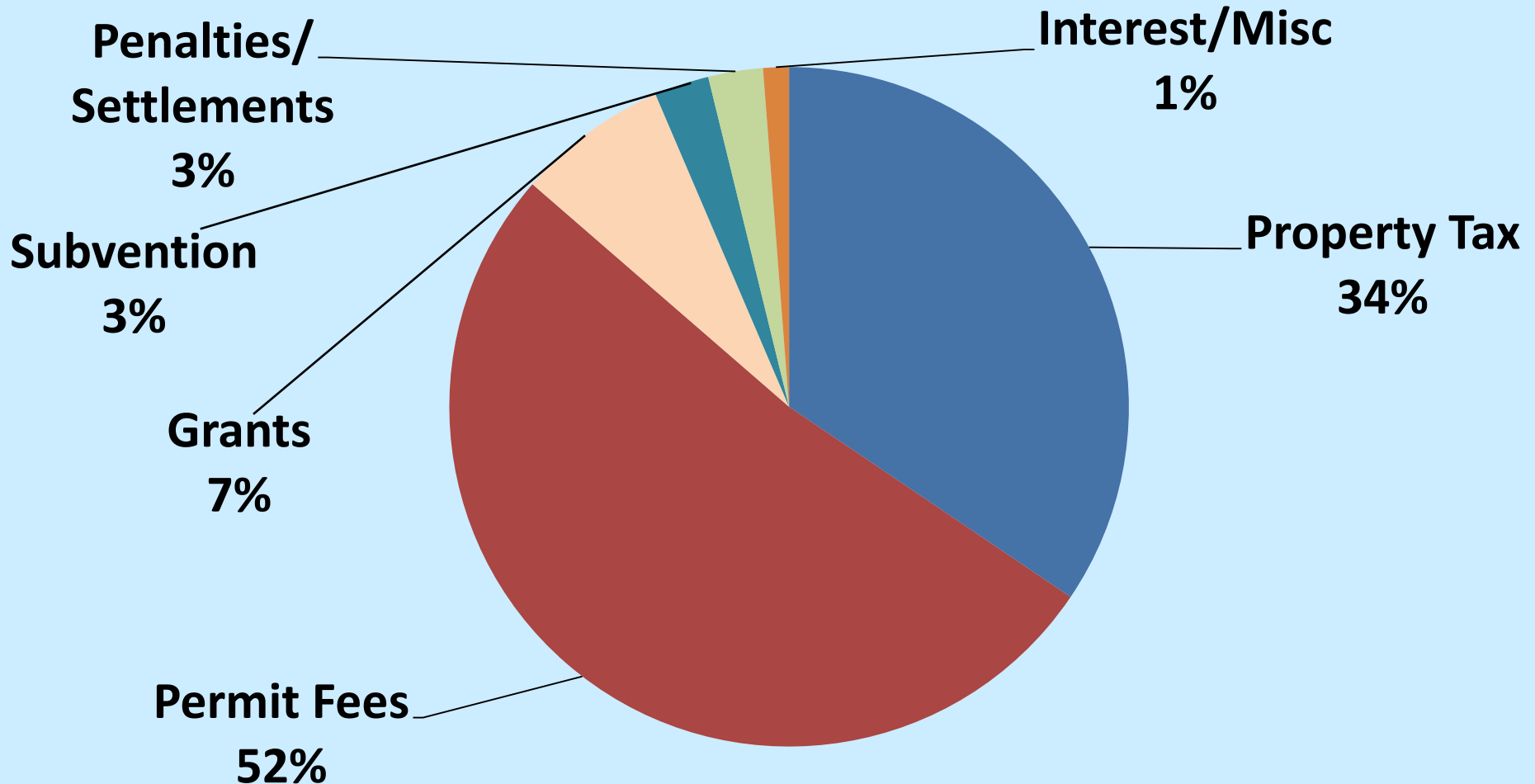
## Mid-Year Summary

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- Strategic Filling of Some Vacant Positions
- Revenues and Expenditures Remain on Budget
- Reserves: Minimum = \$10 M; Actual = \$24 M

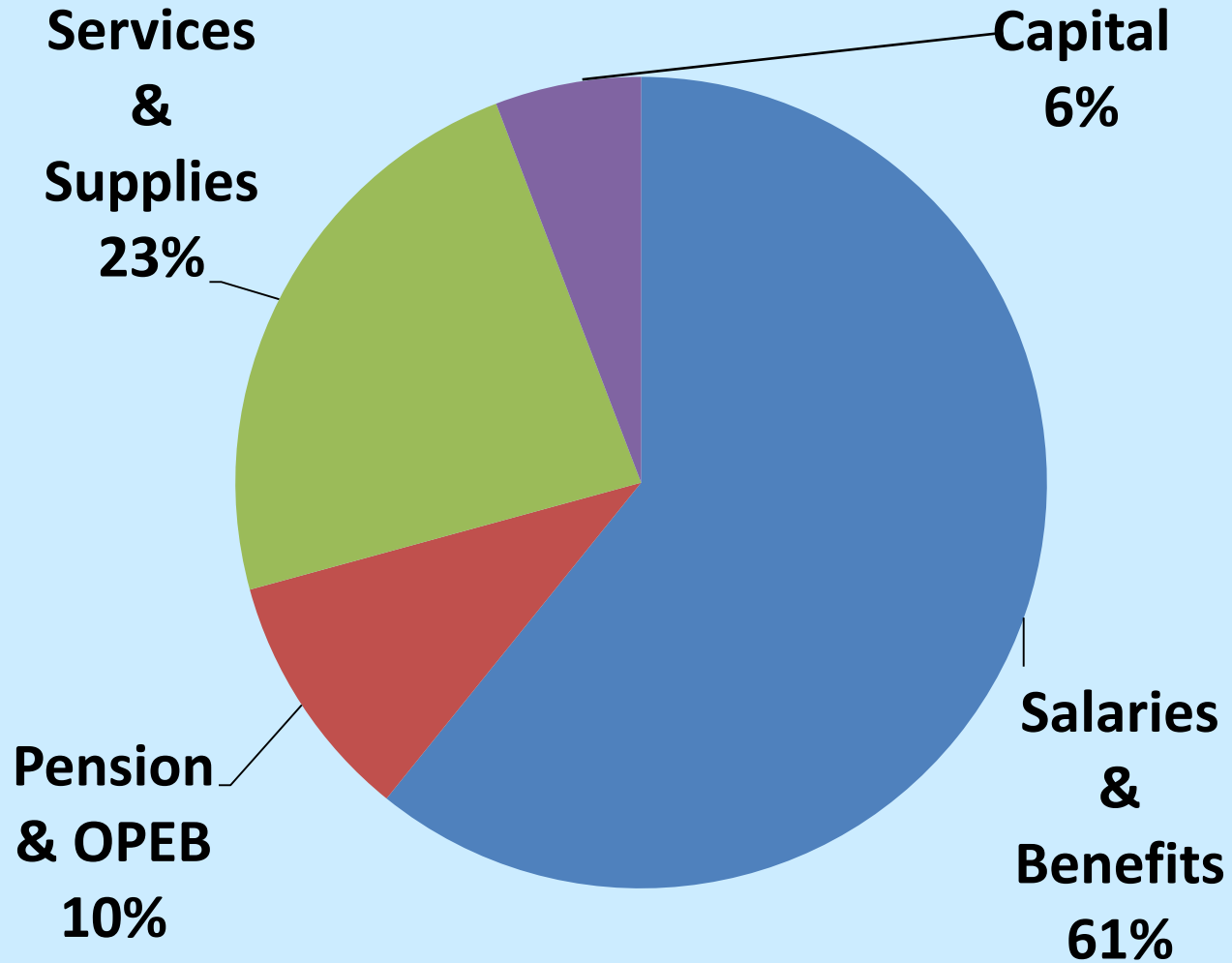


# GENERAL FUND REVENUE SOURCES (FYE 2015 ADOPTED BUDGET)





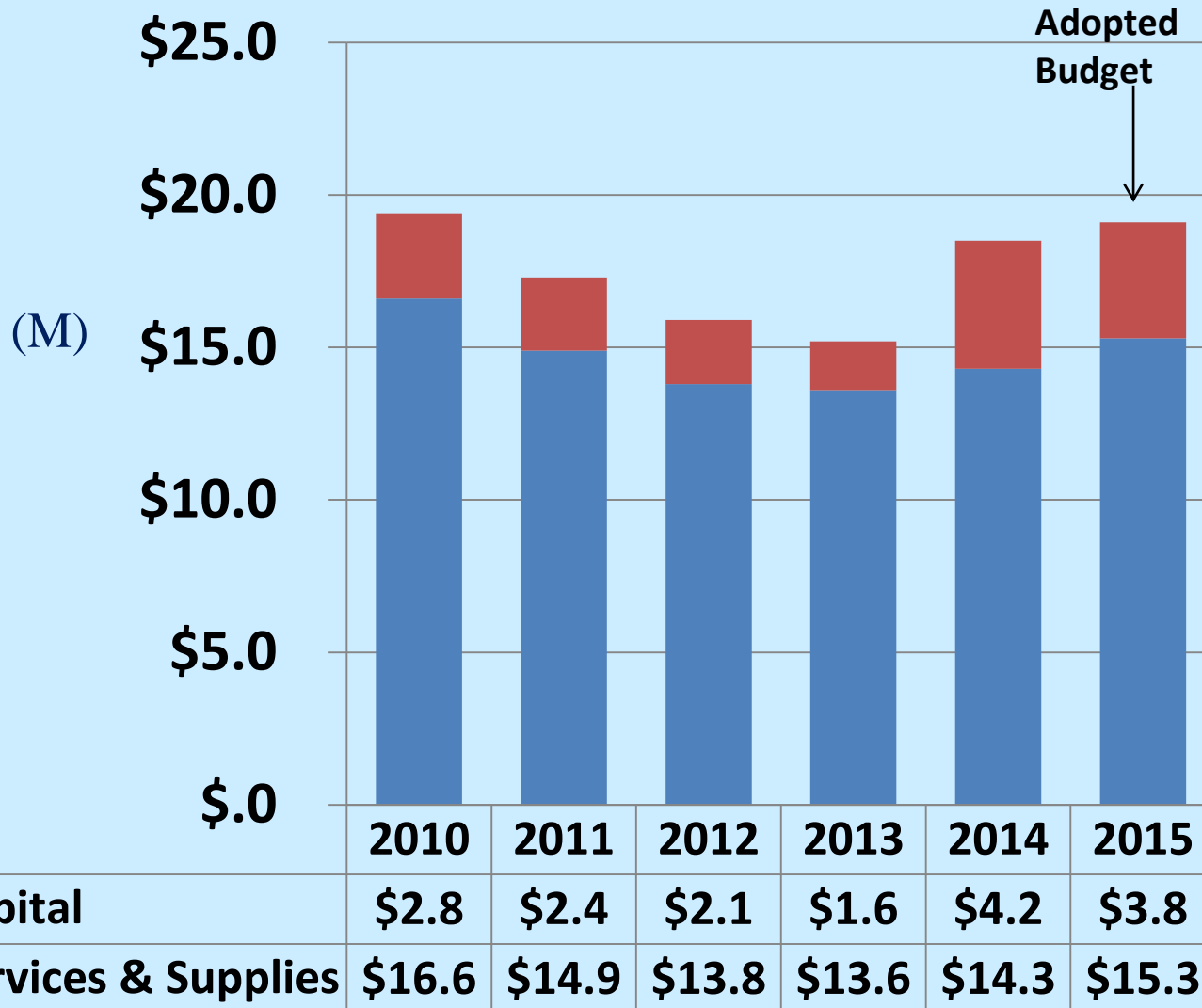
# GENERAL FUND EXPENDITURE (FYE 2015 ADOPTED BUDGET)







# TRENDS IN COST CUTTING EXPENSES FYE 2010-2015





# FYE 2016 BUDGET TOPICS

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## FYE 2016 BUDGET TOPICS



# FYE 2016 BUDGET HIGHLIGHTS

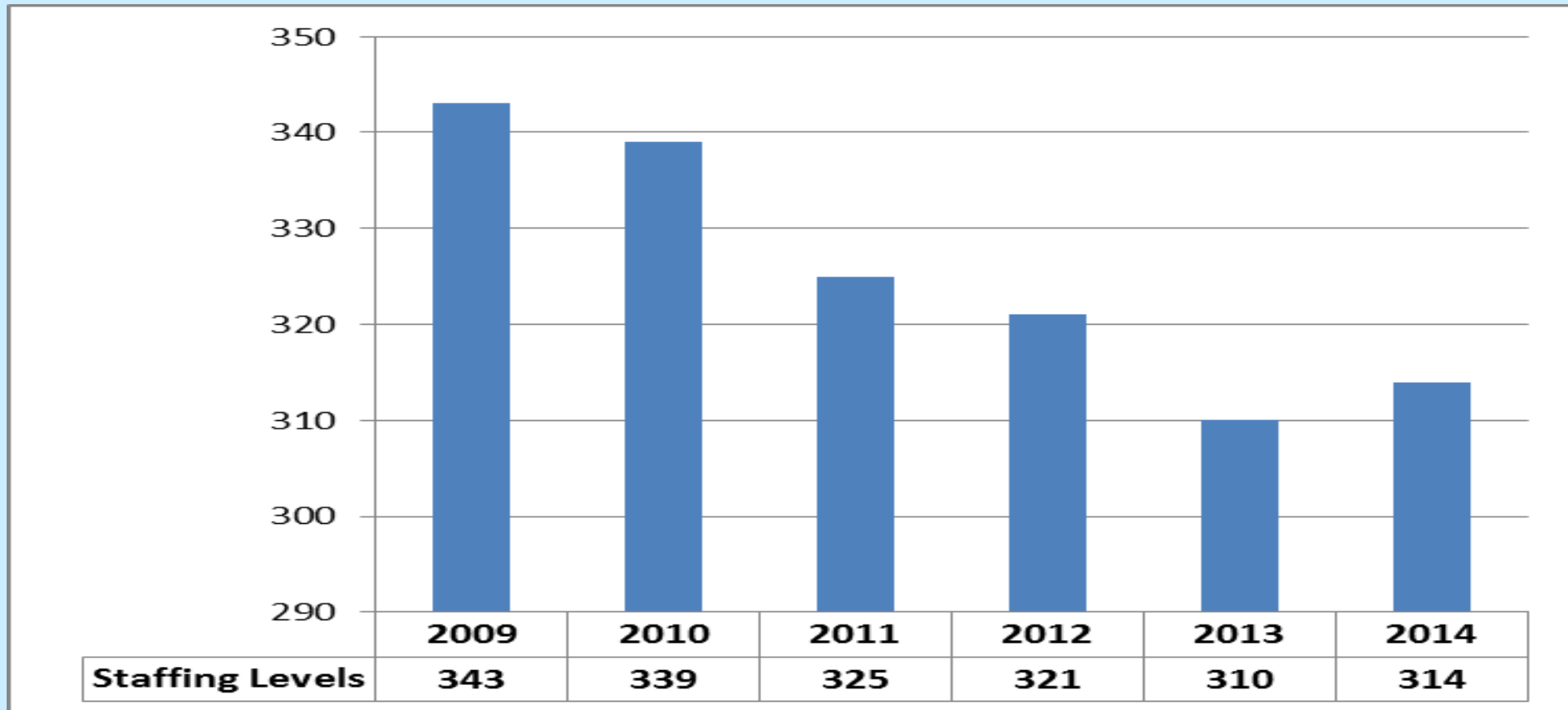
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- Hiring
- Cost of Living Increase (2.6%)
- Unfunded Liabilities
- Cost Recovery
- Fund Balance Policy
- Budget for Acquisition of New Office Building



# CURRENT VACANCY RATE & STAFFING TREND

Positions	Vacancies	Percentage
365	56	15%





# UNFUNDED LIABILITIES

## Based on June 30, 2013 Valuations

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- **CalPERS Retirement**

- \$232M Obligation: 77% Funded

- **Proposed Funding Policy:**

- Annual Required Employer Contribution (ARC) + 10%

- FY2015-16 ARC = \$5.0M plus 10% = \$5.5M



# UNFUNDED LIABILITIES

## Based on June 30, 2013 Valuations

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- **OPEB Medical**
  - \$50M Obligation: 40% Funded
- **Proposed Funding Policy:**
  - 90% Minimum Funding Level



# COST RECOVERY

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- Historical fee increases averaged 10% annually
- Cost Recovery Policy implemented in FYE 2013
  - Projected 6.4% annual fee increase
  - Regulated community gains predictable fees



# FUND BALANCE POLICY

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- Current Fund Balance Policy: 15% of General Fund Expenditures
  - FYE 2015 Budget \$64M = \$10M (minimum)
  
- Proposed Fund Balance Policy: 20% of General Fund Expenditures
  - Increase from \$10M to \$13M





# NEW OFFICE BUILDING OBLIGATIONS

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- 375 Beale projected acquisition date: January 2016
  - Contribution of \$9M; reducing obligation
  - Monthly Base Rent is \$100,000
- 939 Ellis Street monthly lease of \$91,925
- Lease becomes \$114,906 beginning October 1, 2015



# PRE-FUNDED OPEB MOTIVATION

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- Lower Total Costs
- Risk Mitigation
- Credit Rating (390 Main Street funding)



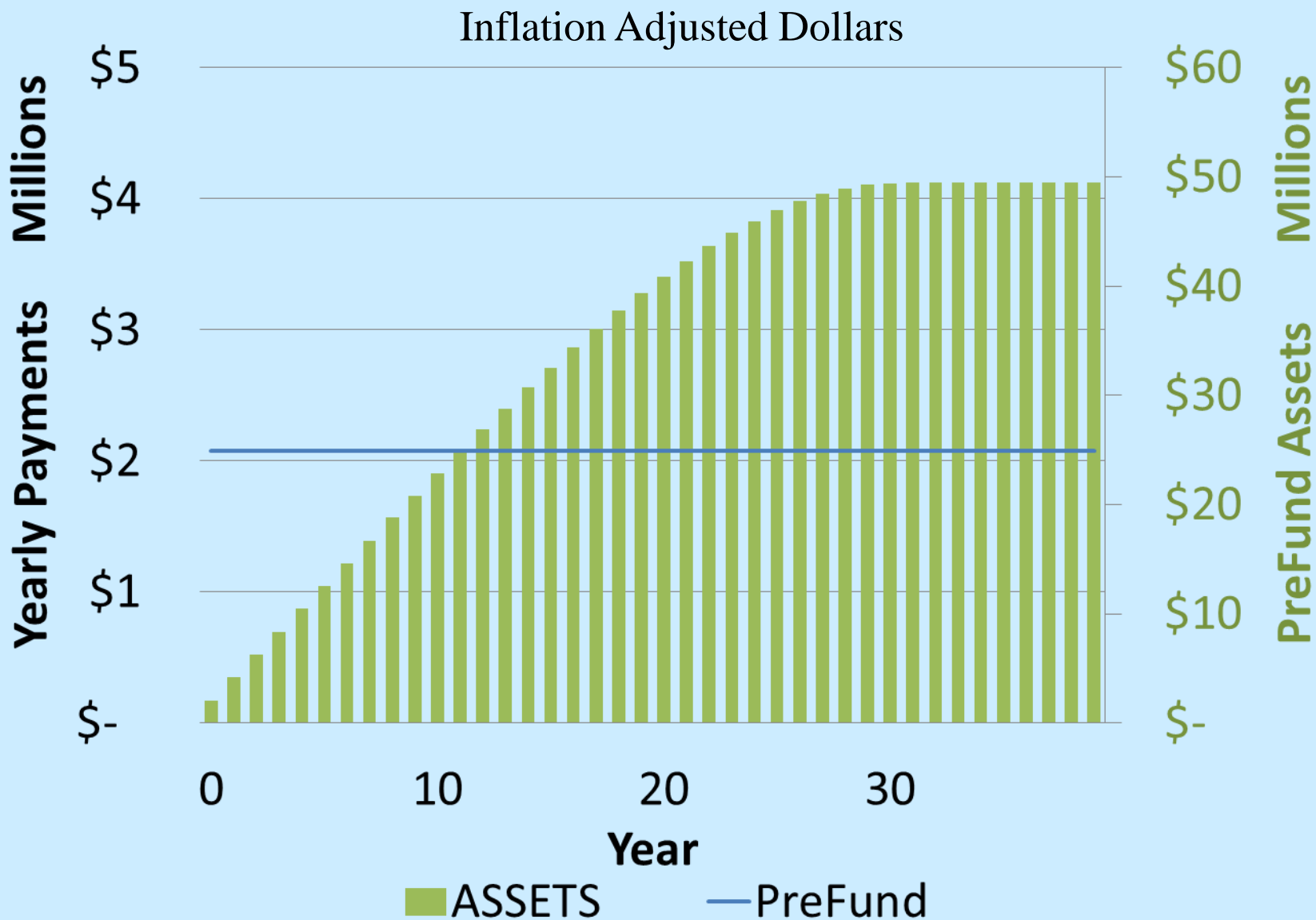
# ILLUSTRATION PRE-FUNDED OPEB

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- Prefund Retiree Payments constant \$ 2M/yr
- PayGo Retiree Payments rise to \$ 4M/yr
- Assumptions
  - CalPers earnings 4% above inflation
  - Medical costs grow 2% per year above inflation for another 10 years



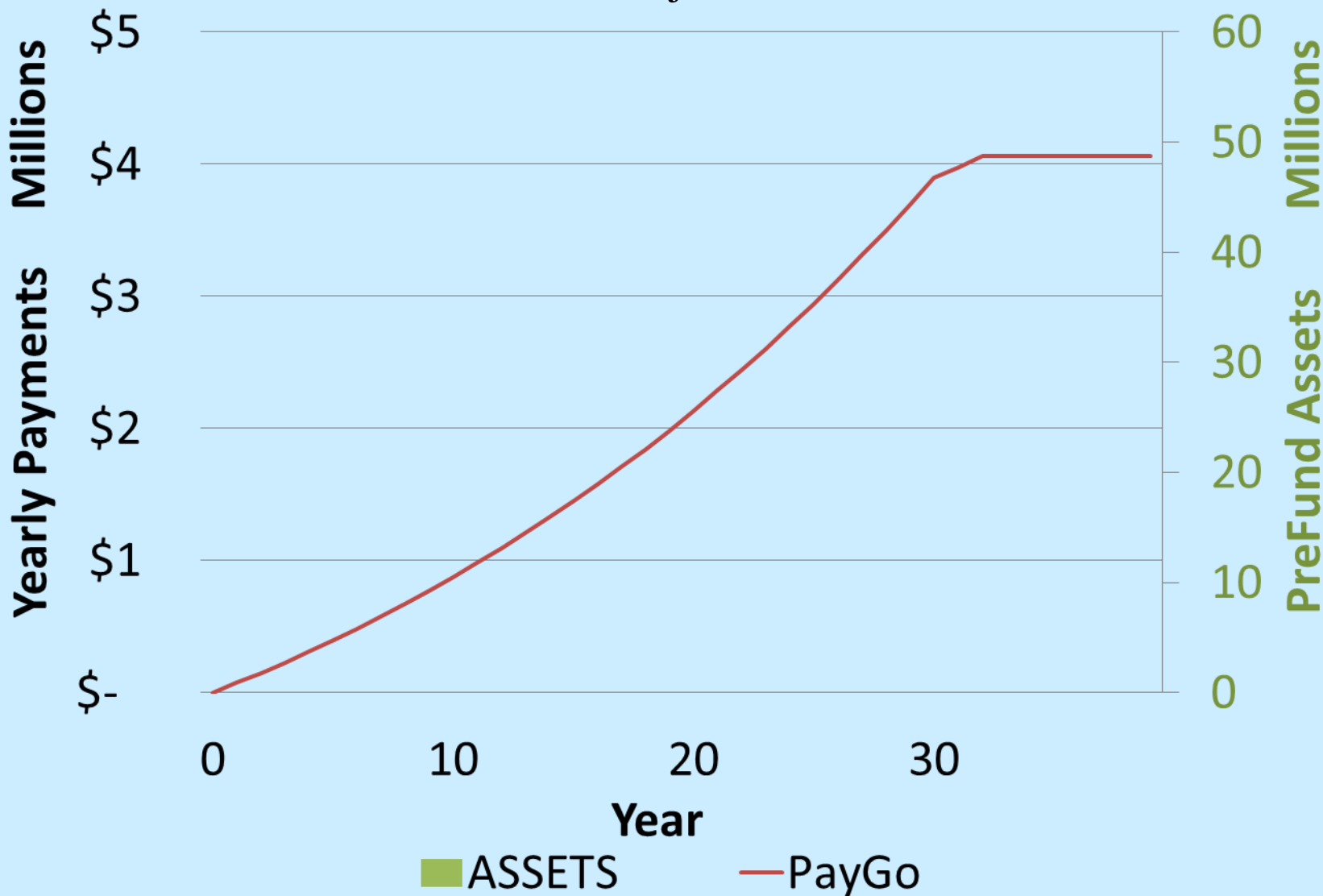
# ILLUSTRATION PRE-FUNDED OPEB





# ILLUSTRATION PRE-FUNDED OPEB

Inflation Adjusted Dollars





# ILLUSTRATION PRE-FUNDED OPEB

Inflation Adjusted Dollars

