



**BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT**

Air District Financial Overview

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

**Jeff McKay
Deputy Air Pollution Control Officer**



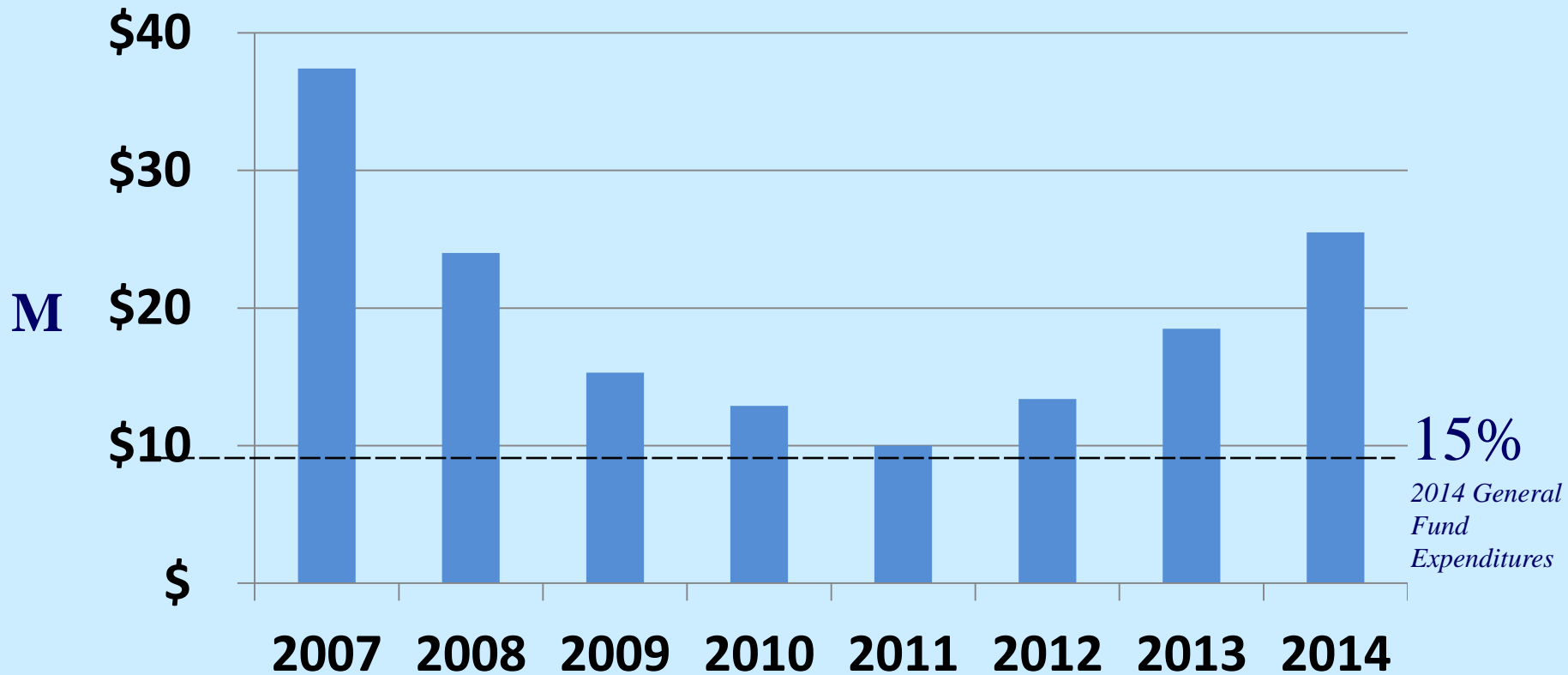
OUTLINE

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



DISTRICT RESERVE FUNDS

Audited Values





Actions Taken During Downturn

- 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

FYE 2015 MID-YEAR



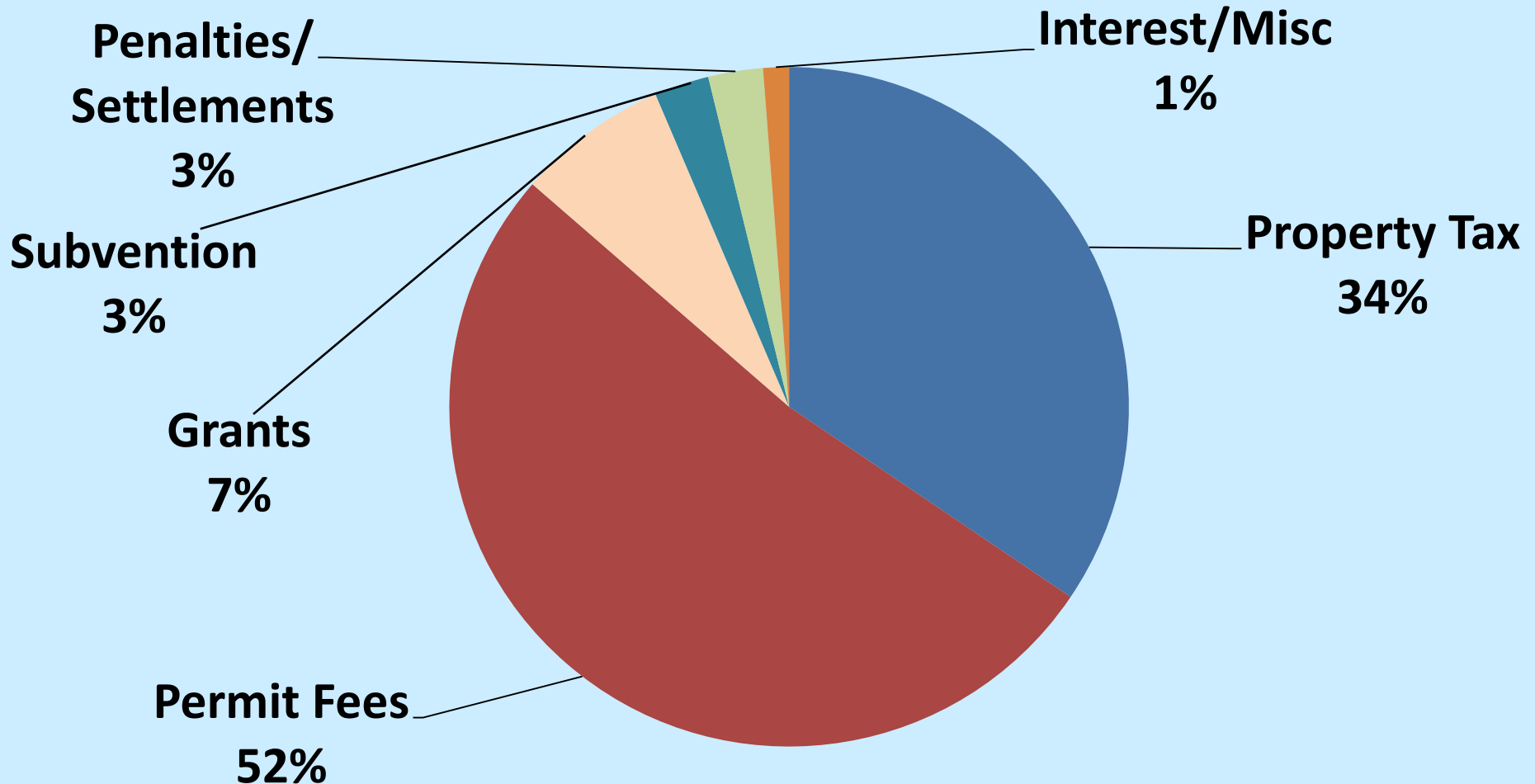
FISCAL YEAR END (FYE) 2015

Mid-Year Summary

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

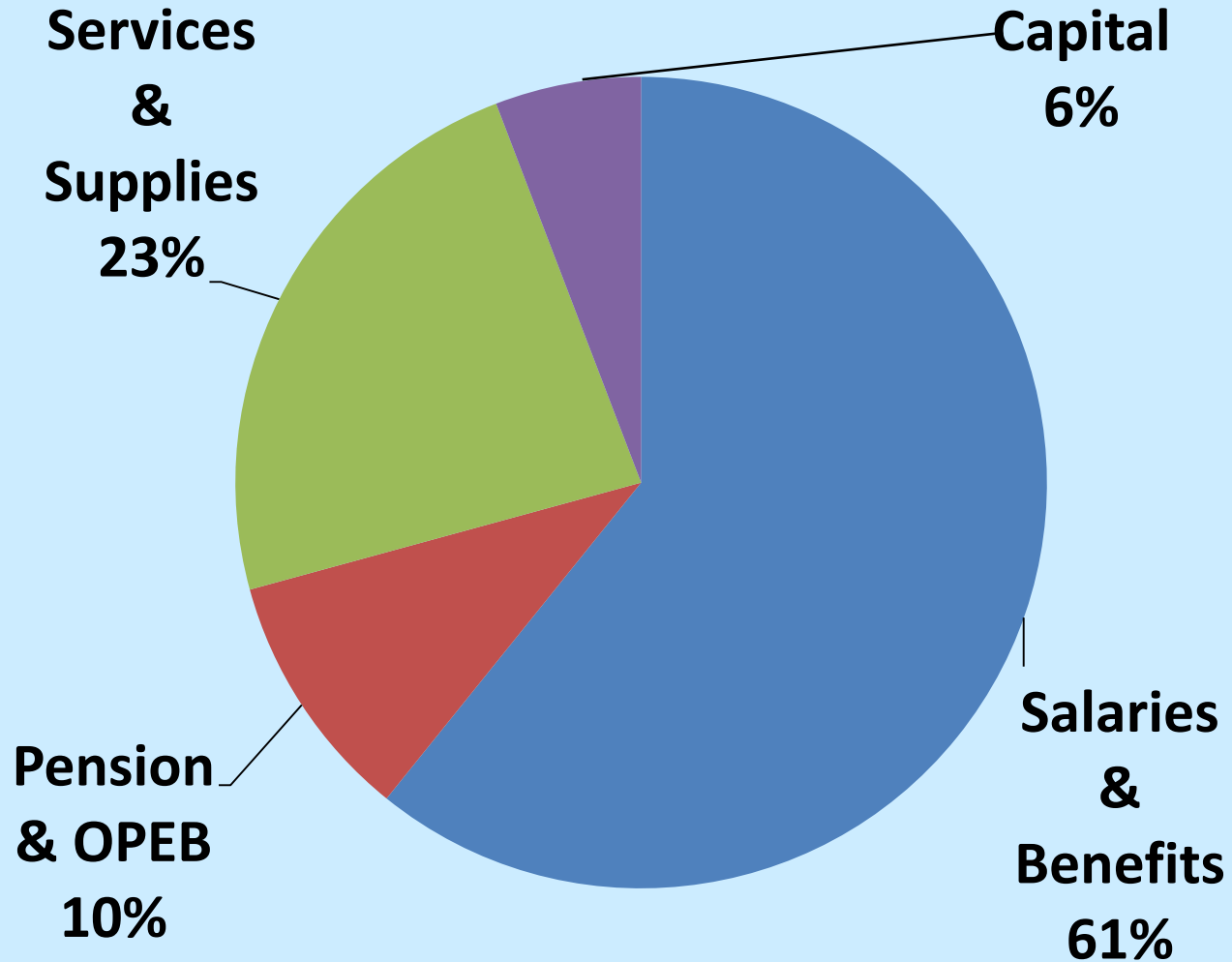


GENERAL FUND REVENUE SOURCES (FYE 2015 ADOPTED BUDGET)



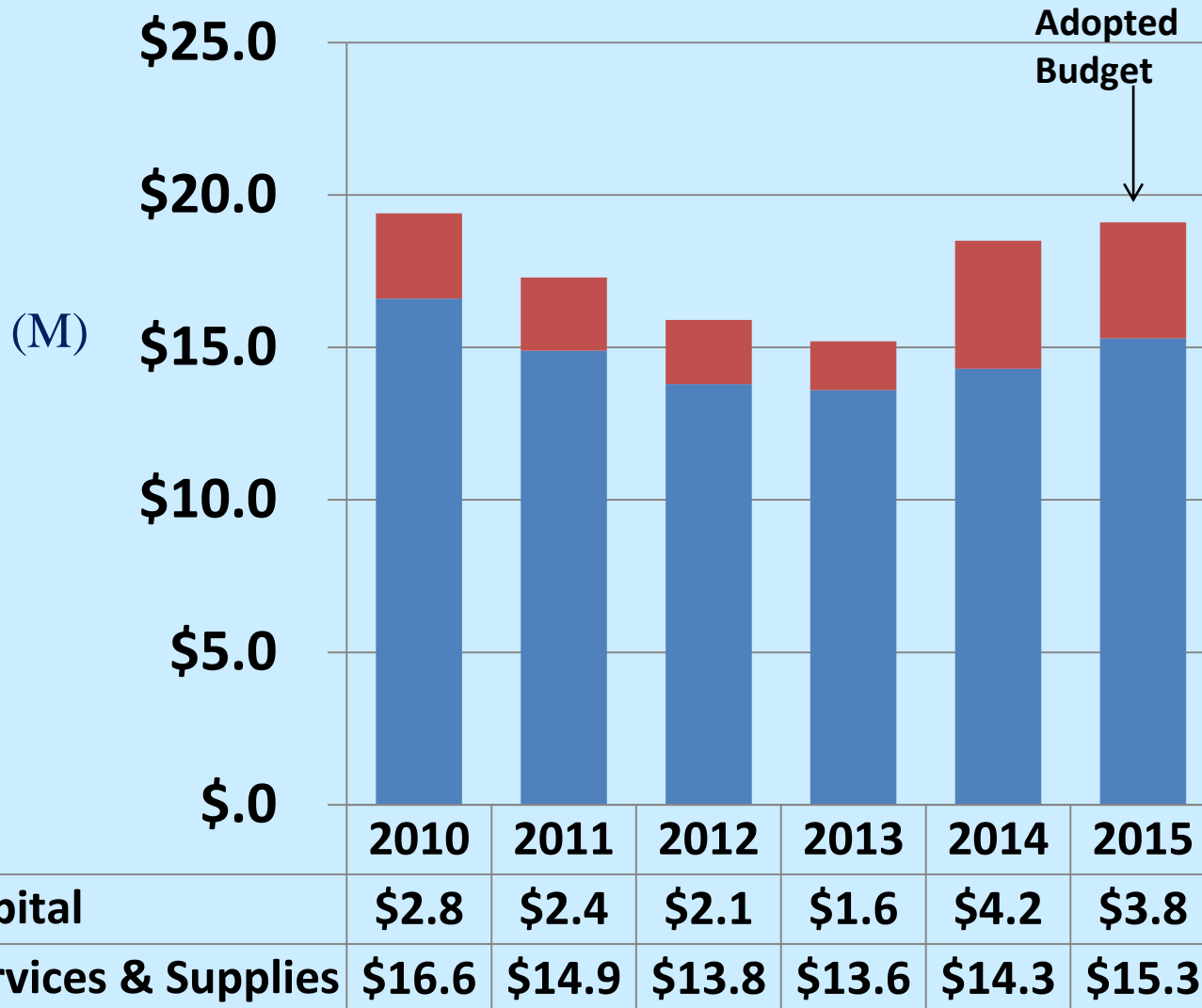


GENERAL FUND EXPENDITURE (FYE 2015 ADOPTED BUDGET)





TRENDS IN COST CUTTING EXPENSES FYE 2010-2015





FYE 2016 BUDGET TOPICS

FYE 2016 BUDGET TOPICS



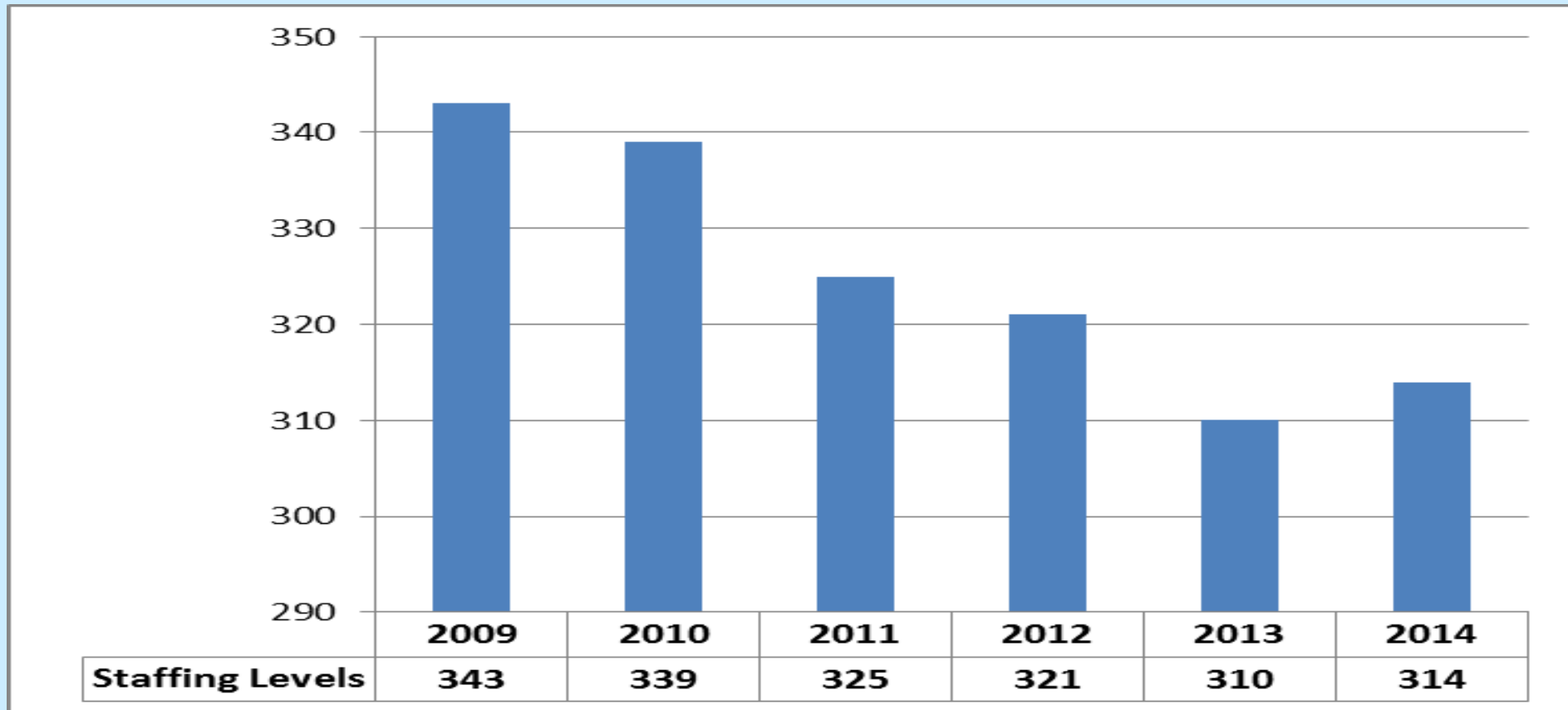
FYE 2016 BUDGET HIGHLIGHTS

- 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

- **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

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



COST RECOVERY

- 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

- 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

- 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

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



ILLUSTRATION PRE-FUNDED OPEB

- 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

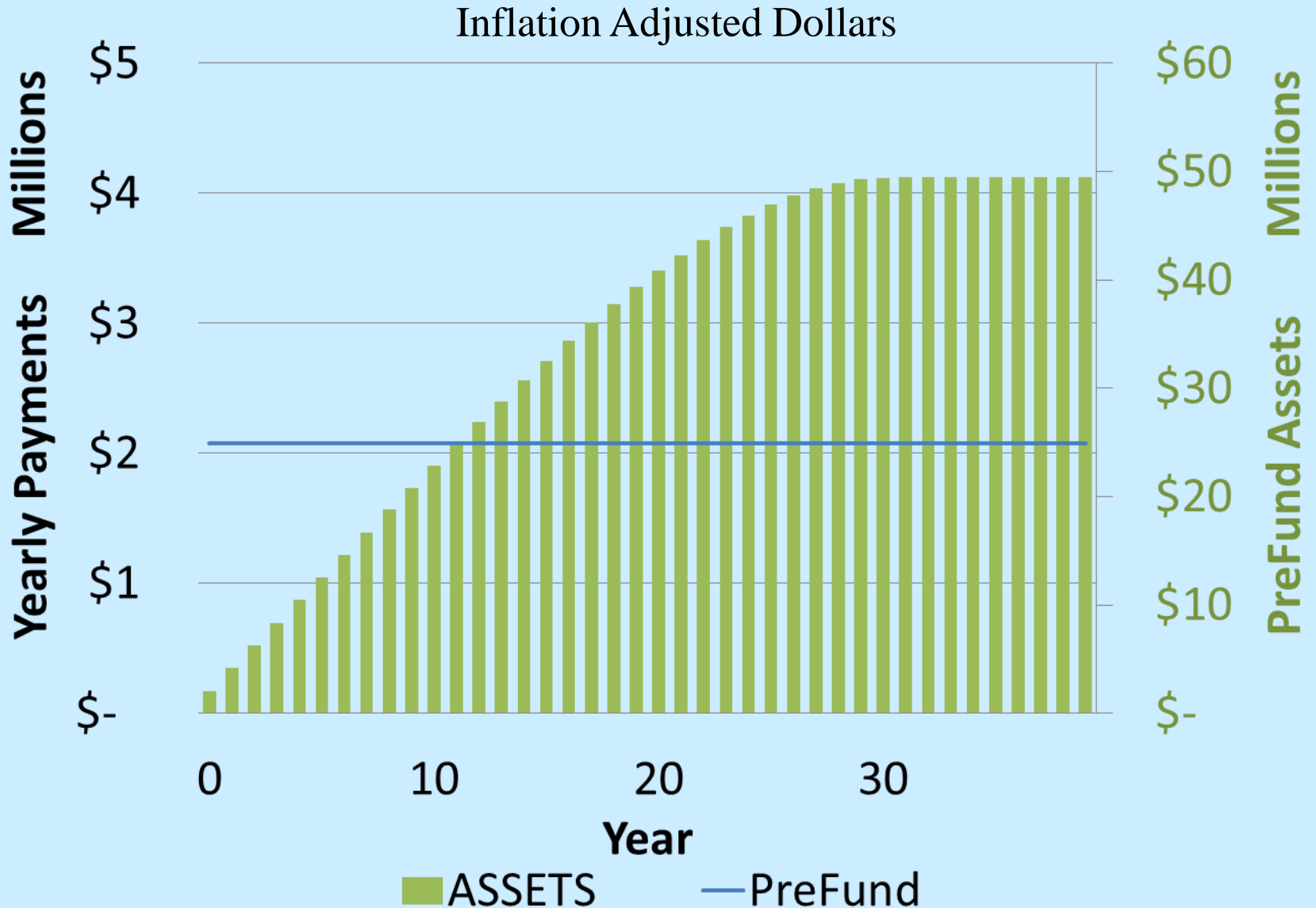




ILLUSTRATION PRE-FUNDED OPEB

Inflation Adjusted Dollars

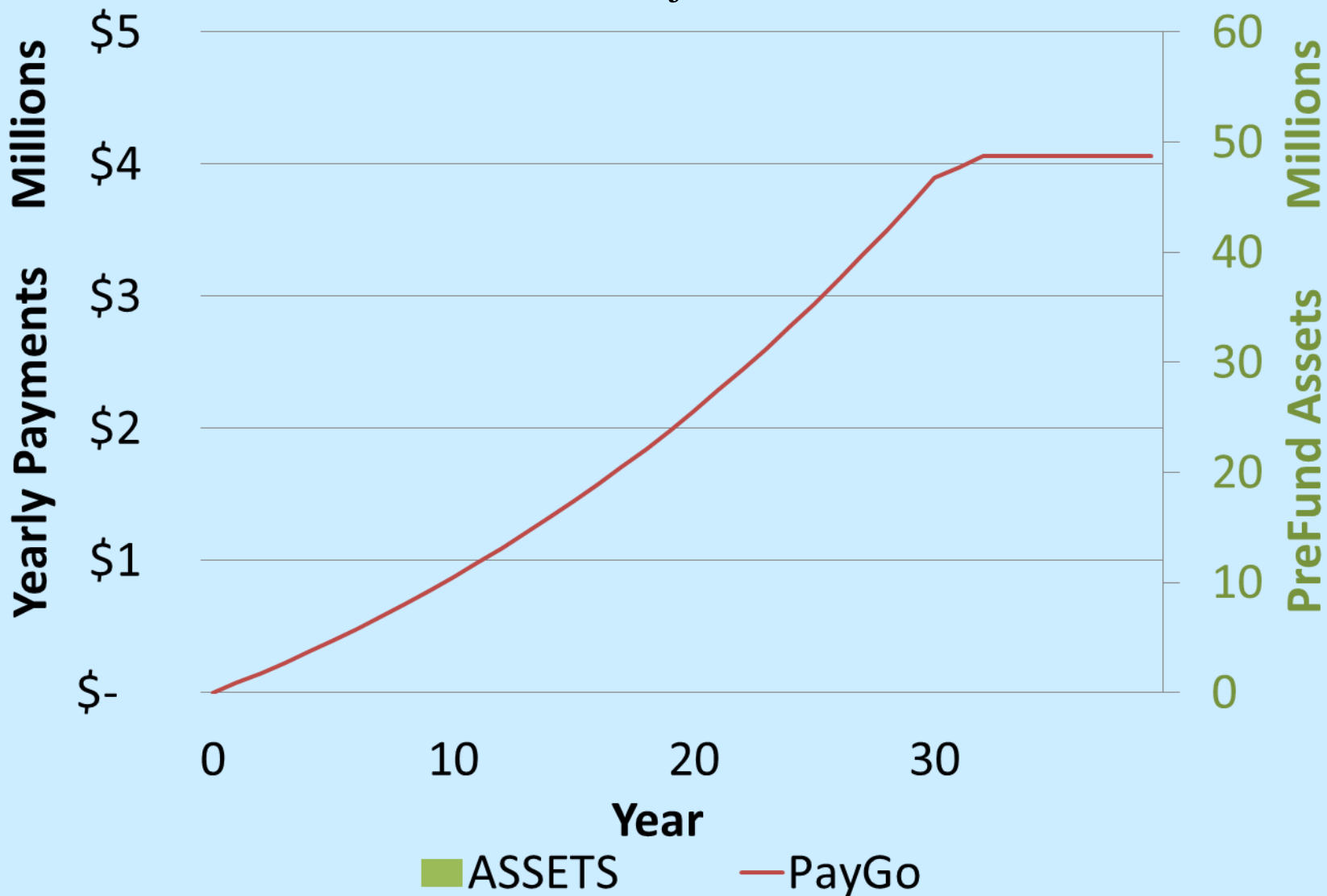




ILLUSTRATION PRE-FUNDED OPEB

Inflation Adjusted Dollars

