



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 2

First Public Hearing on the Proposed Air District Budget for Fiscal Year Ending (FYE) 2019

**Special Meeting of the Board of Directors
Budget Hearing
May 2, 2018**

**Jeff McKay
Chief Financial Officer**



OUTLINE

- Status of Current Year Fiscal Year Ending (FYE 2018)
- Financial History
- Proposed Budget for FYE 2019
- Next Steps



CURRENT FISCAL YEAR FYE 2018 Projections

General Fund Budget: \$94.8 M Budget

Included Use of Reserves \$7.9 M for Multi-Year Expenses

As of March 2018:

- Permit Fee Revenue on Target
- Property Tax Revenue on Target
- Expenditures on Target



FINANCIAL HISTORY

Actions Taken During Downturn

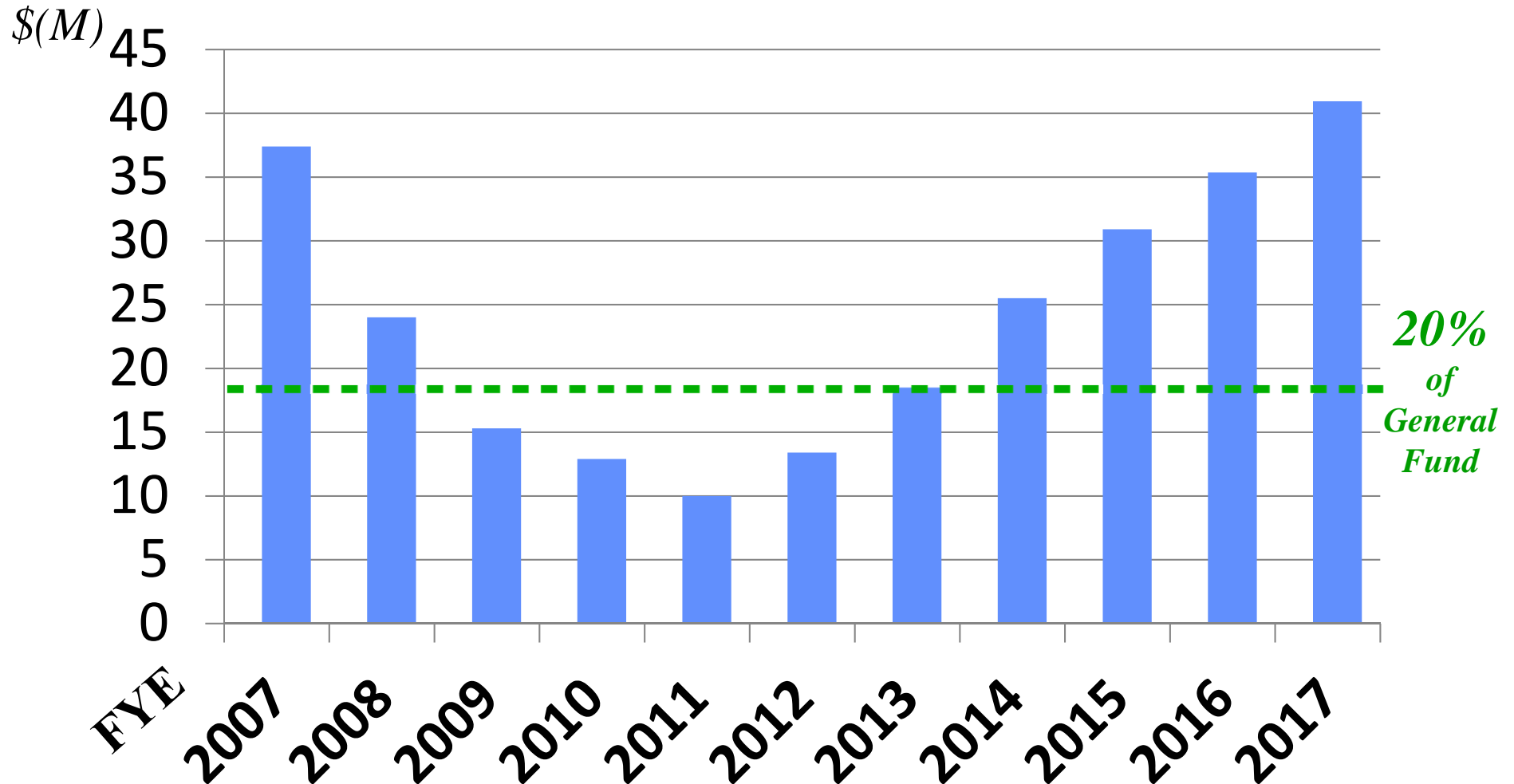
- Reserves Used for General Fund Expenditures
- Vacancies Unfilled (Staff Reduction Through Attrition)
- Postponed Expenditures
- Deferred Capital Investment
- Initiated Cost Recovery Policy
- Continued Funding of Retirement Liabilities



FINANCIAL HISTORY

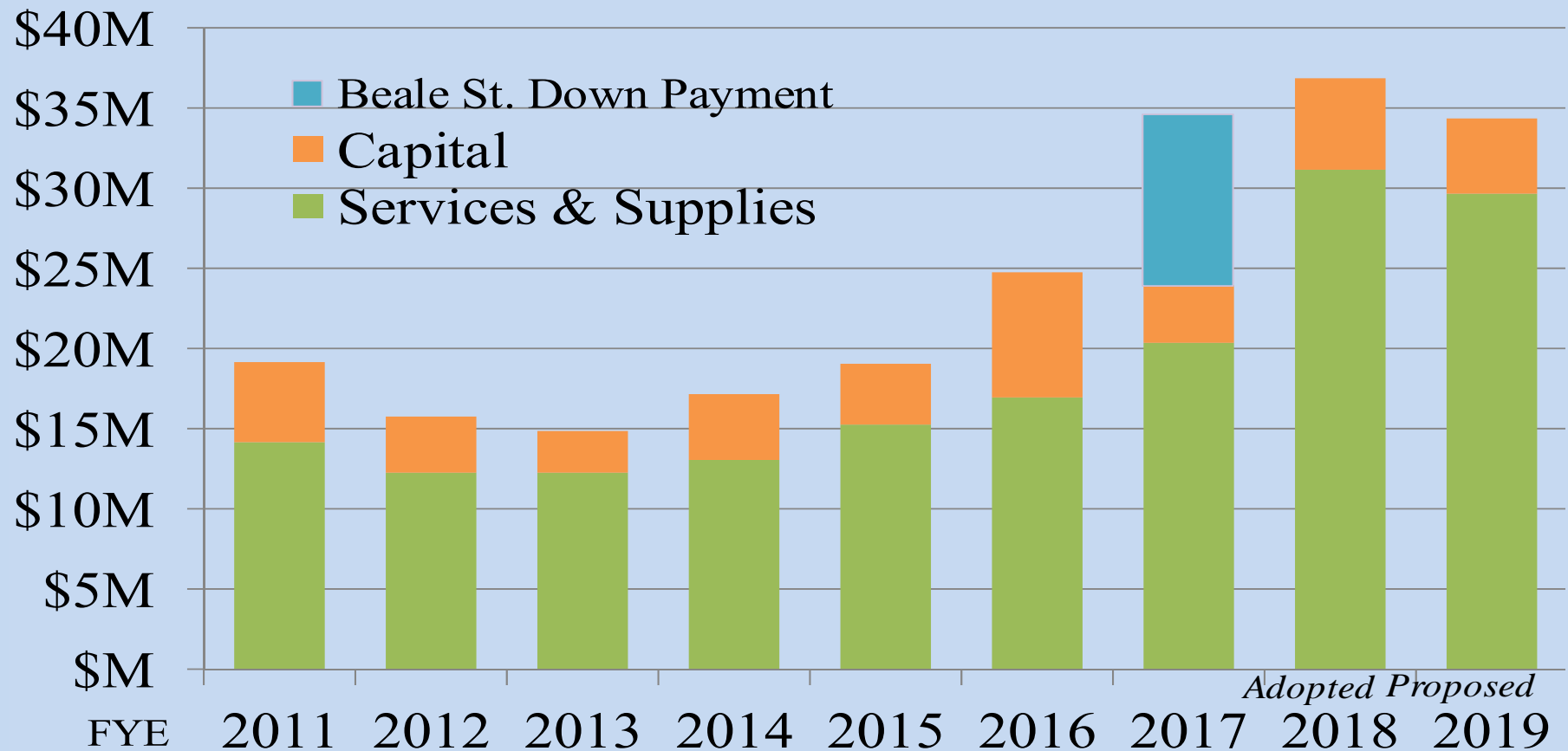
Audited District Reserves

Excludes Building Proceeds





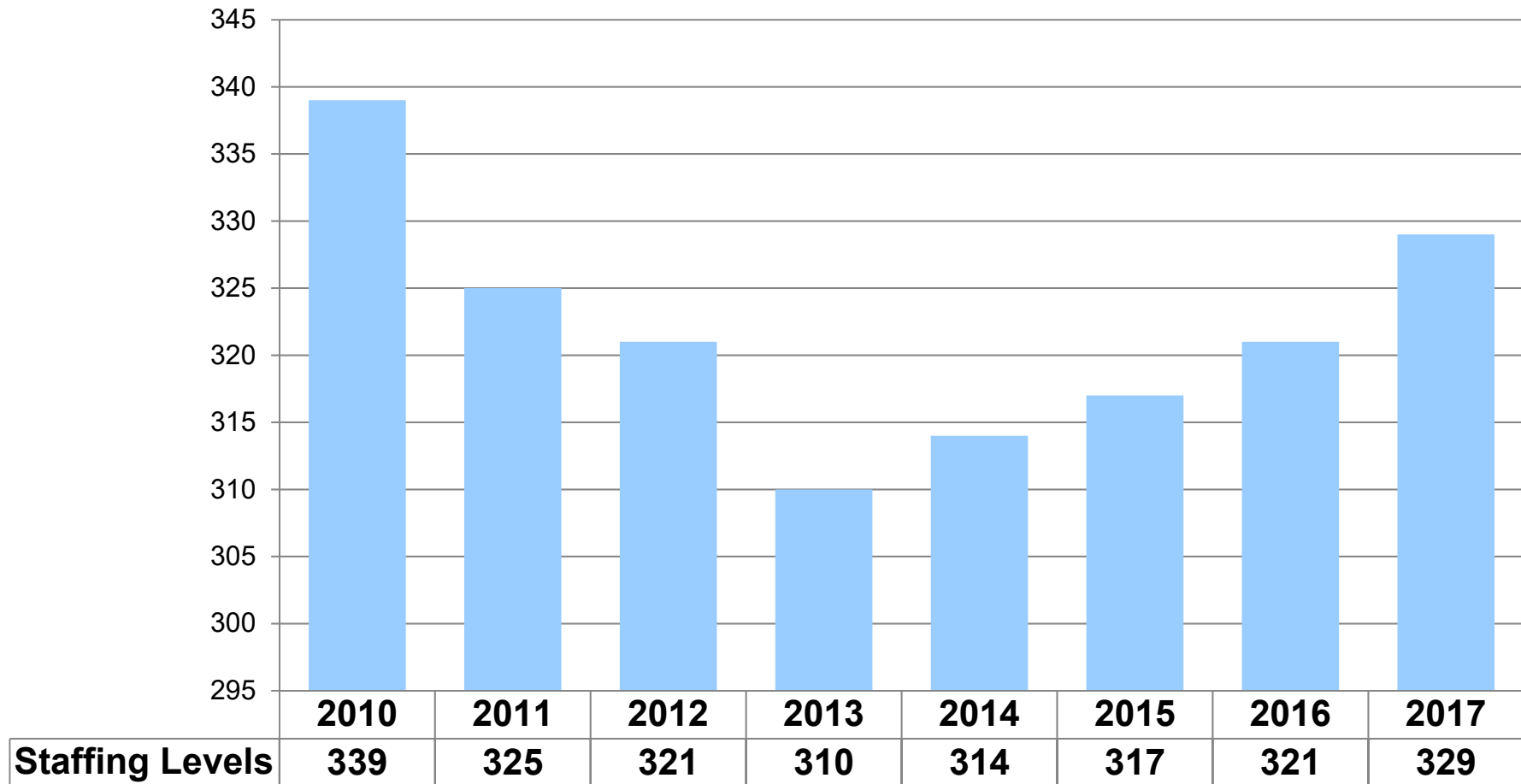
SERVICES & SUPPLIES & CAPITAL (actuals)



Beale St.							\$10.7		
Capital	\$5.0	\$3.4	\$2.6	\$4.2	\$3.8	\$7.8	\$3.6	\$5.7	\$4.7
Svs & Supplies	\$14.1	\$12.3	\$12.3	\$13.0	\$15.3	\$16.9	\$20.3	\$31.2	\$29.7
Total	\$19.1	\$15.7	\$14.8	\$17.2	\$19.0	\$24.7	\$34.6	\$36.9	\$34.3



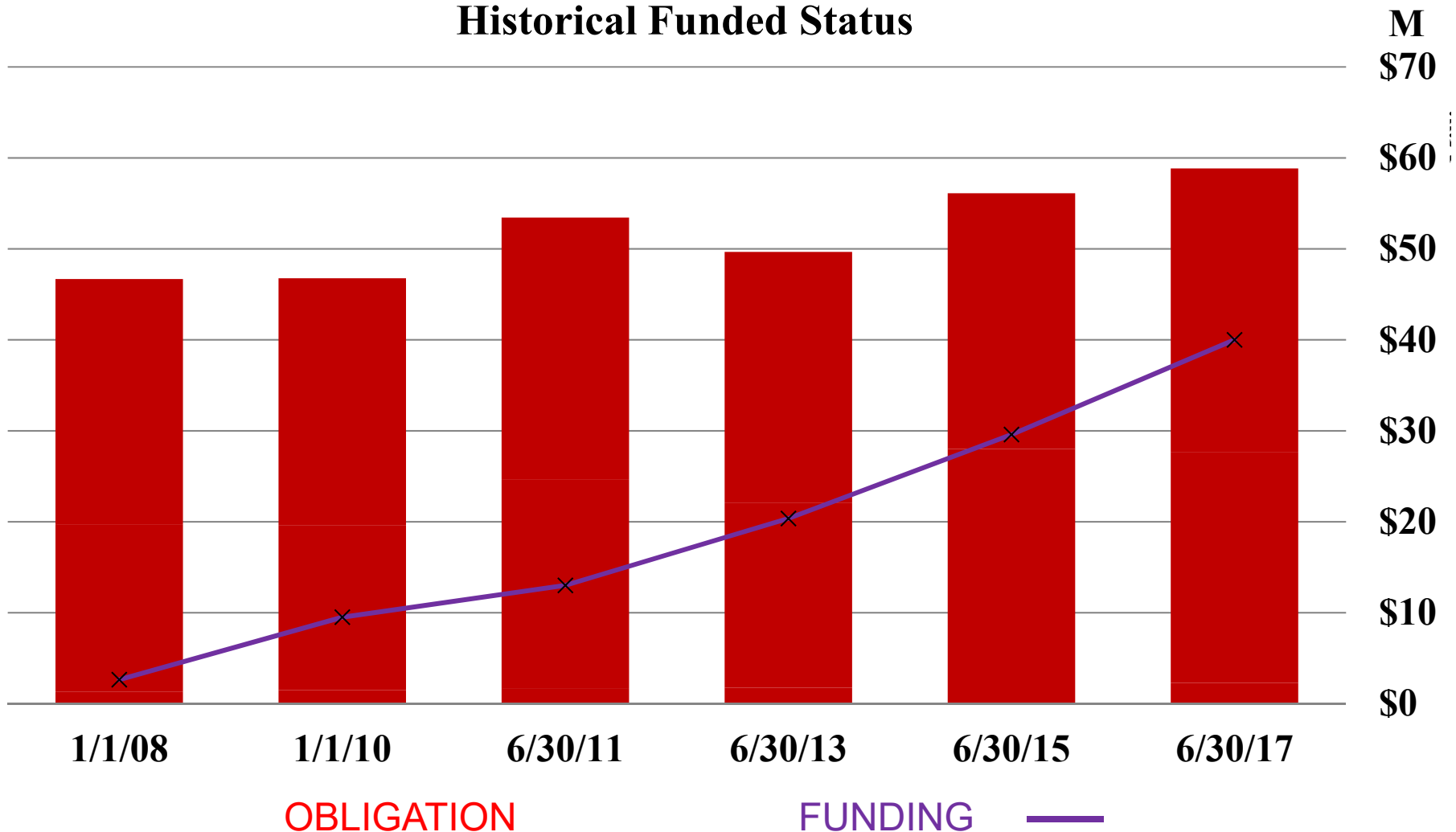
STAFFING TREND – FILLED SEATS





MEDICAL RETIREMENT OTHER POST EMPLOYMENT BENEFITS(OPEB)

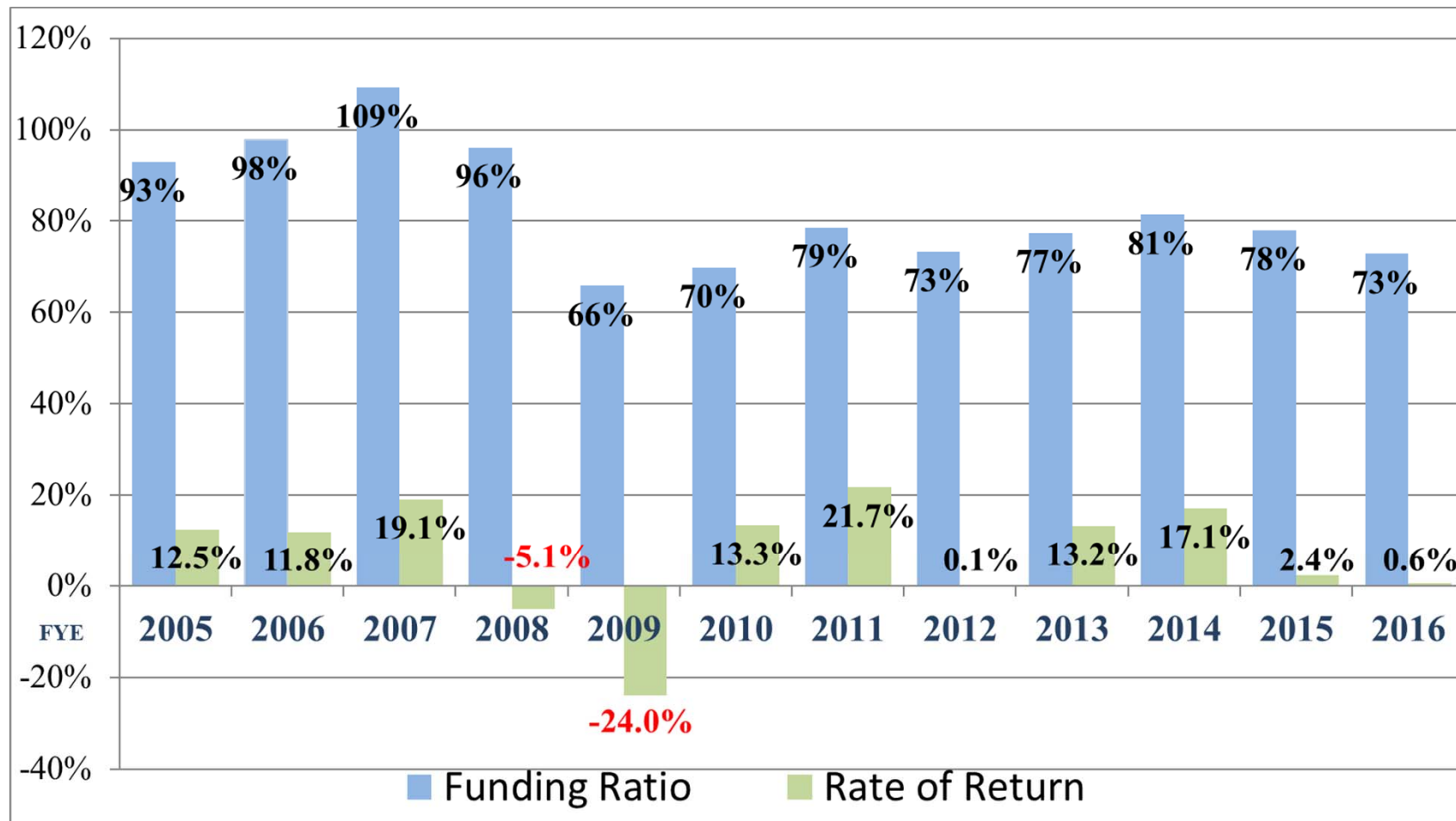
Historical Funded Status





CALPERS PENSION

Historical Rate of Return and Funding Ratio



2017 Rate of Return = 11.2%



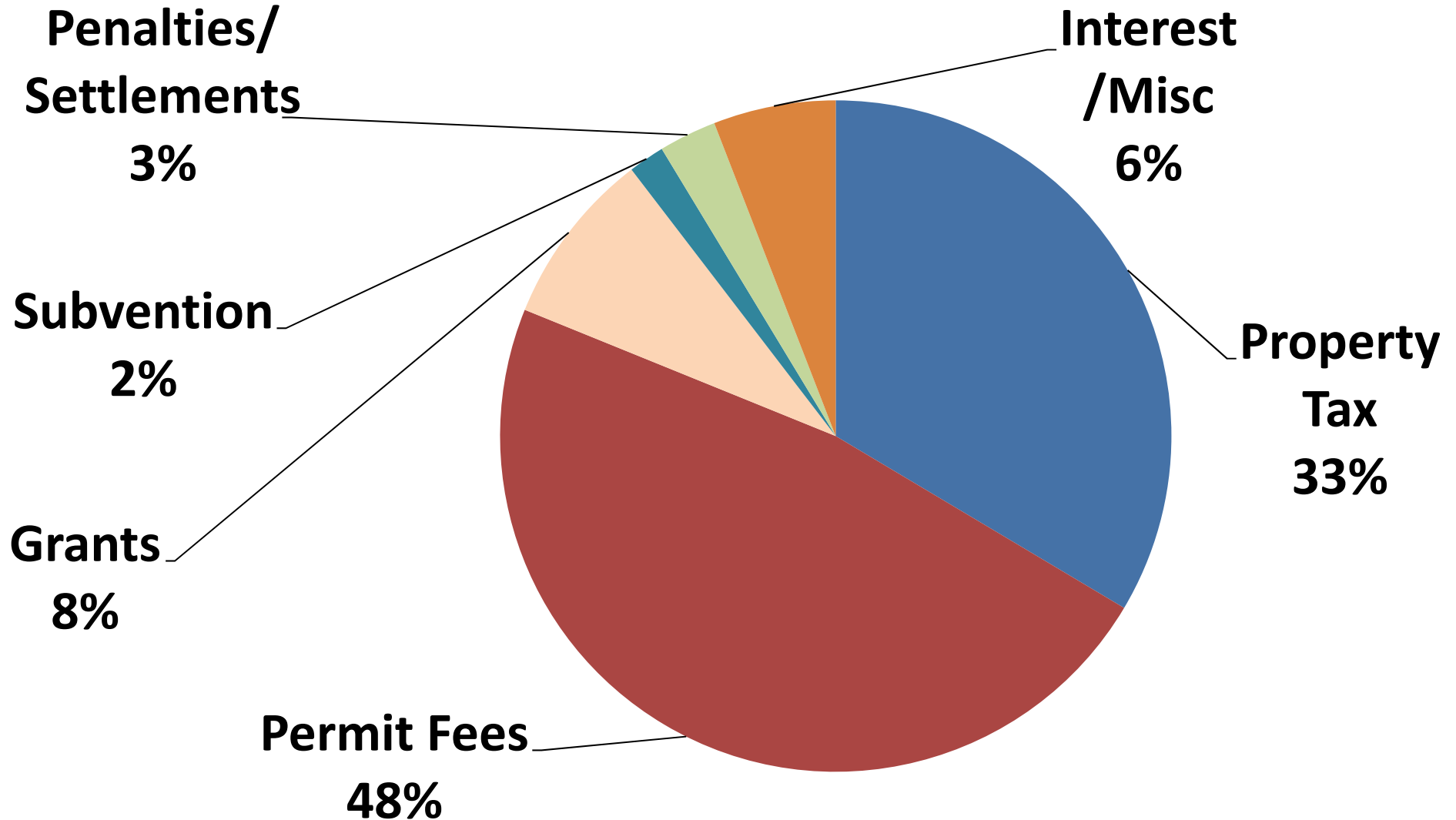
FYE 2019 PROPOSED BUDGET Overview

- \$99.2 M General Fund Budget
- Includes Use of Reserves \$4.0 M
- Continuation of Cost Recovery Policy
- Staff Level: From 381 to 397 FTE
- Addresses Retirement Liabilities
- Includes 3.1% COLA



GENERAL FUND REVENUE SOURCES

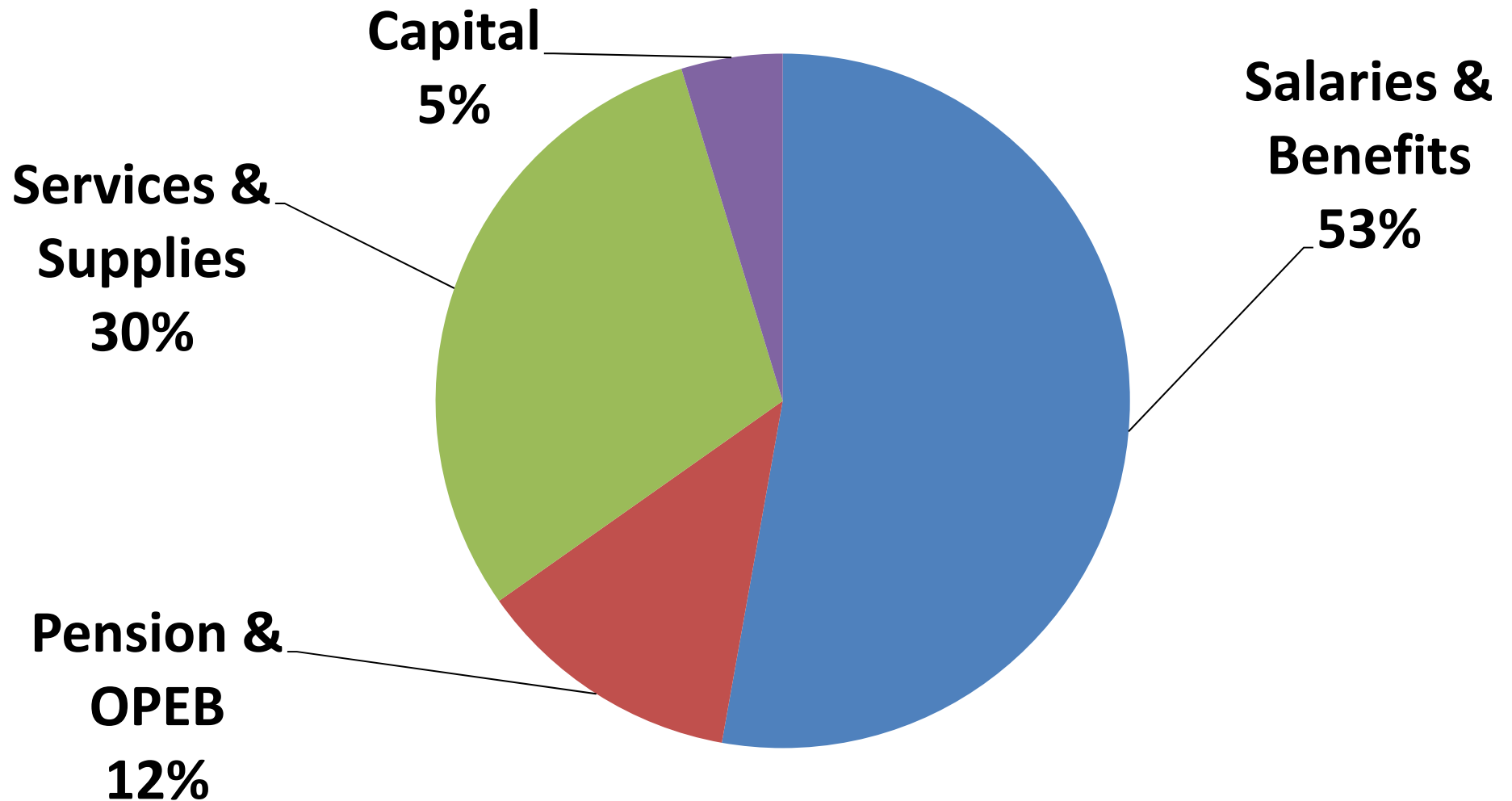
FYE 2019 Proposed Budget





GENERAL FUND EXPENDITURES

FYE 2019 Proposed Budget





2019 PROPOSED BUDGET

Recurring Revenues & Expenditures

RECURRING REVENUES:	\$ (Million)
Property Taxes	1.7
Permit Fees	2.6
AB 617 State Funding	4.8
	9.1
RECURRING EXPENSES:	
32 Additional Staff with Benefits	4.7
3.1% COLA & Benefits	2.3
Air Monitoring Equipment	1.0
Data Analysis	1.0
	9.0



FEES AND COST RECOVERY

Overview

- Air District can recover 100% of costs through fees
- Cost Recovery was 65% in 2011
- Cost Recovery implemented in FYE 2013
- 85% minimum cost recovery target
- Reached 83% in FYE 2017
- Cost Recovery Study Update completed in FYE 2018
- Strong involvement by Regulated Community



FEES AND COST RECOVERY

Future State

- New and enhanced programs reduce Cost Recovery
- Cost recovery will drop in FYE 2018
- Three more years needed for 85% Cost Recovery
- Fee increases assumed to average approximately 6%



FYE 2019 PROPOSED STAFFING

FYE 2018 (Beginning)	359
Addition (Board)	22
FYE 2018 TOTAL FTE	381

New Staffing Requests	16
FYE 2019 TOTAL FTE	397



22 ADDITIONAL STAFFING POSITIONS

Division/Title	Salary	Benefits	Total	Grant
Community Protection Office				
Director/Officer	178,261	67,739	246,000	
Assistant Staff Specialist I	76,011	28,884	104,895	
Staff Specialist I	92,392	35,109	127,501	
Engineering				
Manager	147,630	56,099	203,730	
Principal Air Quality Engineer	130,005	49,402	179,407	
3 Air Quality Engineer II	320,866	121,929	442,795	
Meteorology & Measurement				
Principal Air & Meteorological Monitoring Specialist	126,872	48,211	175,083	
Air Quality Meteorologist I	94,674	35,976	130,650	
2 Air Quality Instrument Specialist I	159,623	60,657	220,280	
Assistant Staff Specialist I	76,011	28,884	104,895	
Technology Implementation Office				
3 Staff Specialist I	277,176	105,327	382,503	2
Assistant Staff Specialist I	76,011	28,884	104,895	1
Strategic Incentives				
Senior Staff Specialist	112,303	42,675	154,978	
2 Staff Specialist I	184,784	70,218	255,002	2
2 Assistant Staff Specialist I	152,022	57,768	209,791	1
Total	2,204,641	837,763	3,042,404	6



16 NEW STAFFING REQUESTS

Division/Title	Salary	Benefits	Total
Executive			
Assistant Manager	144,072	54,747	198,820
Senior Executive Secretary	101,862	38,708	140,570
Executive Secretary I	87,992	33,437	121,429
Administrative Resources			
Staff Specialist I	92,392	35,109	127,501
Human Resources Analyst I	92,392	35,109	127,501
Legal			
Assistant Counsel II	166,782	63,377	230,159
Compliance & Enforcement			
2 Air Quality Inspector I	159,623	60,657	220,280
Planning			
Environmental Planner I	92,392	35,109	127,501
Meteorology and Measurement			
2 Supervising Air Quality Instrument Specialist	213,911	81,286	295,197
Senior Air Quality Instrument Specialist	97,012	36,864	133,876
Assistant Manager	144,072	54,747	198,820
Atmospheric Modeler	117,918	44,809	162,727
Principal Air Quality Specialist	123,814	47,049	170,863
Senior Atmospheric Modeler	130,005	49,402	179,407
Total	1,764,239	670,411	2,434,650



RESERVES POLICY

- Reserves Policy: **20%** of General Fund Budget
 - FYE 2019 Budget of \$95 M => **\$19 M minimum**
(excludes \$4.0 M use of reserves)
 - 2019 Projected Reserves = **\$34 M**
(includes remaining Building Sale proceeds)



RESERVES DESIGNATIONS

FYE 2019 Proposed Budget

<u>Proposed Designations for FYE 2019:</u>	\$M
Additional Purchase at 375 Beale	5
East Bay Real Estate	7
Napa/Sonoma Fireplace Replacement Grants	3
Woodsmoke Grants	1
Total Designations	16
<i>Economic Contingency (20% of budget)</i>	19
TOTAL FYE 2019 RESERVES*	\$ 35
<u>Use of Reserves in FYE 2019 Proposed Budget</u>	
Technology Implementation Office	\$ 4

* Reserves are subject to change at Board's discretion. Reserves may be expended over a period of years (Includes Building Proceeds)



FYE 2019 USE OF RESERVES

Use of Reserves of \$4.0 M: Multi-Year Expenditures

- \$4.0 M Technology Implementation Office
- Request funds from reserves to establish five year revolving loan fund
- Seek matching funding from private industry



RETIREMENT LIABILITIES

1. OTHER POST EMPLOYMENT
BENEFITS (Medical OPEB)
2. PENSION RETIREMENT



MEDICAL RETIREMENT PLAN

OPEB Overview

- Other Post Retirement Benefit (OPEB)
 - Obligation: \$59 M
 - Funded: \$40 M (68%)
 - Unfunded: \$19 M (32%)
- FYE 2019 Employer Contribution: \$6.5 M
 - Pay Go Cost: \$2.5 M
 - Discretionary Contribution: \$4.0 M



MEDICAL RETIREMENT PLAN

Funding Policy Recommendation

➤ Current Funding Policy:

- 90% Funding Level, No Target Date
- FYE 2018 discretionary funding: \$4 M

➤ Recommended Funding Policy:

- Continuation of \$4 M discretionary funding
- Achieves full funding in approximately 3 years
- Redirect annual \$4 M to CalPERS Pension



CALPERS PENSION PLAN

Retirement Overview

➤ CalPERS Retirement

- Obligation: \$283 M
- Funded: \$207 M (73%)
- Unfunded: \$76 M (27%)

➤ FYE 2019 Employer Required Contribution: \$8.2 M

- Unfunded Liability Payment: \$4.9 M
- Normal Cost: \$3.3 M



CALPERS PENSION PLAN

Funding Policy Recommendation

- Current Funding Policy:
 - 90% Funding Level, No Target Date
 - FYE 2018 discretionary funding: \$1 M
- **Recommended Change to Funding Policy:**
 - Establish a 20 year target to reach 90% funding
 - Use 6.5% discount rate to calculate contribution
 - Continuation of \$1 M discretionary funding

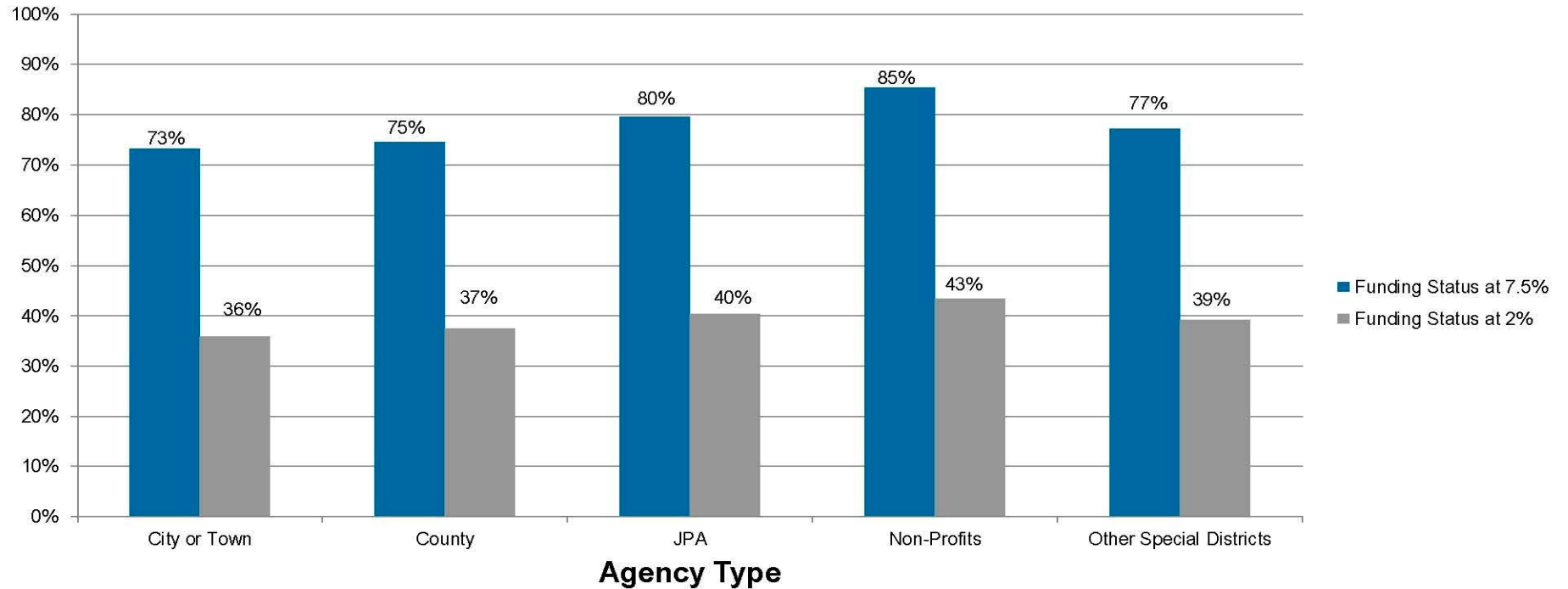


CALPERS PENSION PLAN

CalPERS: Ensuring Long-Term Sustainability

June 28, 2017

All Public Agency Funded Status





ALTERNATIVE ASSET ALLOCATIONS

For Discretionary Funds

- Allocate portions of CalPERS and OPEB discretionary funds to alternative investments after budget cycle such as:
 - Public Agency Retirement Services (PARS)
 - California Employers' Retiree Benefit Trust (CERBT)
 - Self Directed 115 Trust (allows green investment)



BUDGET SUMMARY

FYE 2019

- Budget balanced
- Use of Reserves of \$4.0 M
- Budgeted positions increased to 397
- CalPERS Pension
 - Establish 20 year target to reach 90% funding
 - Use 6.5% discount rate to calculate contribution
 - Discretionary Contribution of \$1M
- Other Post-Employment Benefits (Medical):
 - Continuation of \$4 M Annual Discretionary Contribution
 - Reallocate \$4 M to CalPERS Pension upon achieving 90% funding level



NEXT STEPS

- June 6 – 2nd Public Hearing & Adoption on Proposed Fees & Budget