



BAY AREA  
AIR QUALITY  
MANAGEMENT  
DISTRICT

AGENDA: 4

**Continued Discussion of  
Fiscal Year Ending (FYE) 2020  
Proposed Air District Budget  
and Consideration to Recommended Adoption**

**Budget and Finance Committee Meeting  
April 22, 2019**

Jack P. Broadbent  
Air Pollution Control Officer



- Financial History
- Proposed Budget for FYE 2020
- Next Steps



# FINANCIAL HISTORY

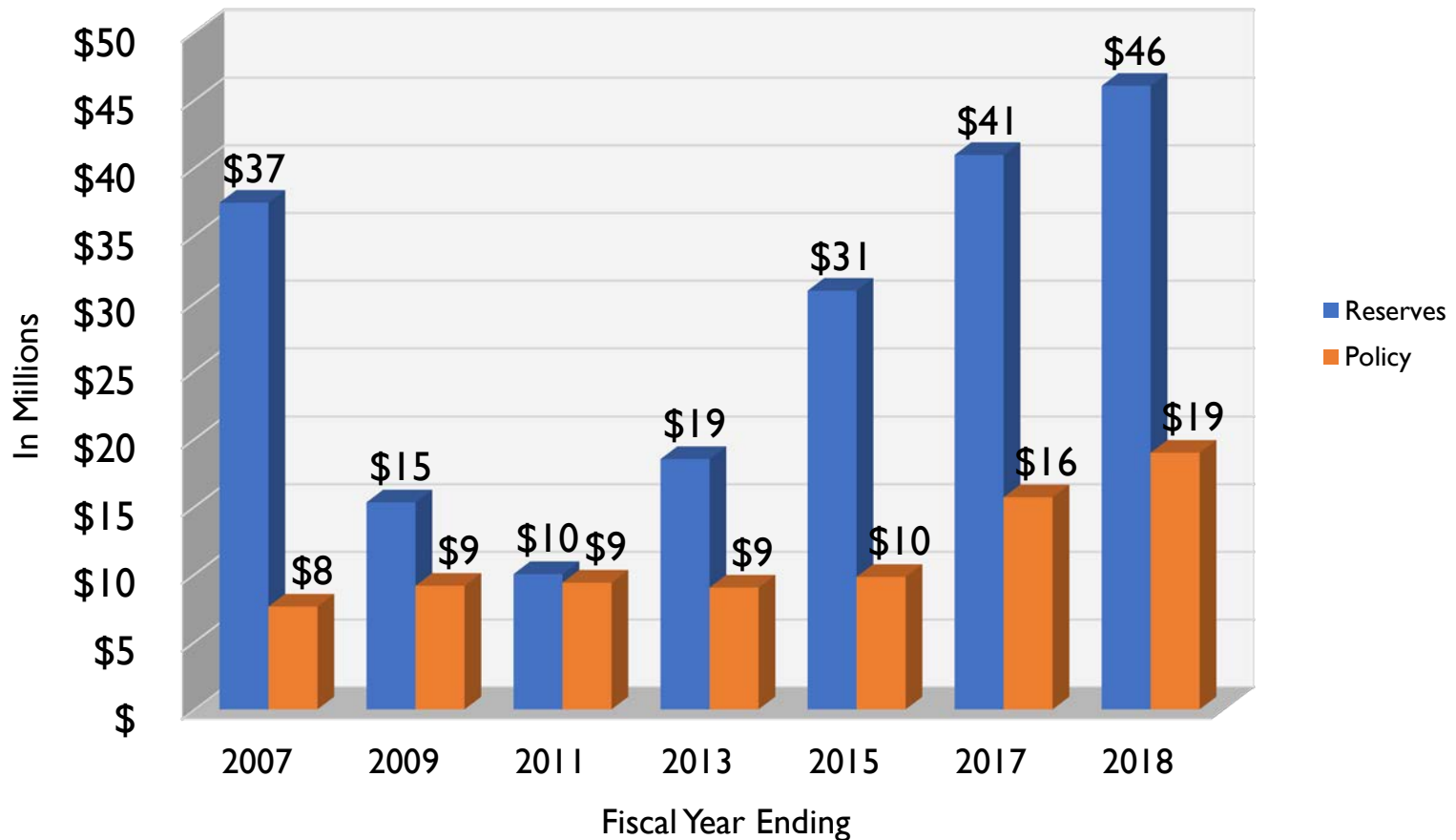
## Actions Taken During Downturn

- 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



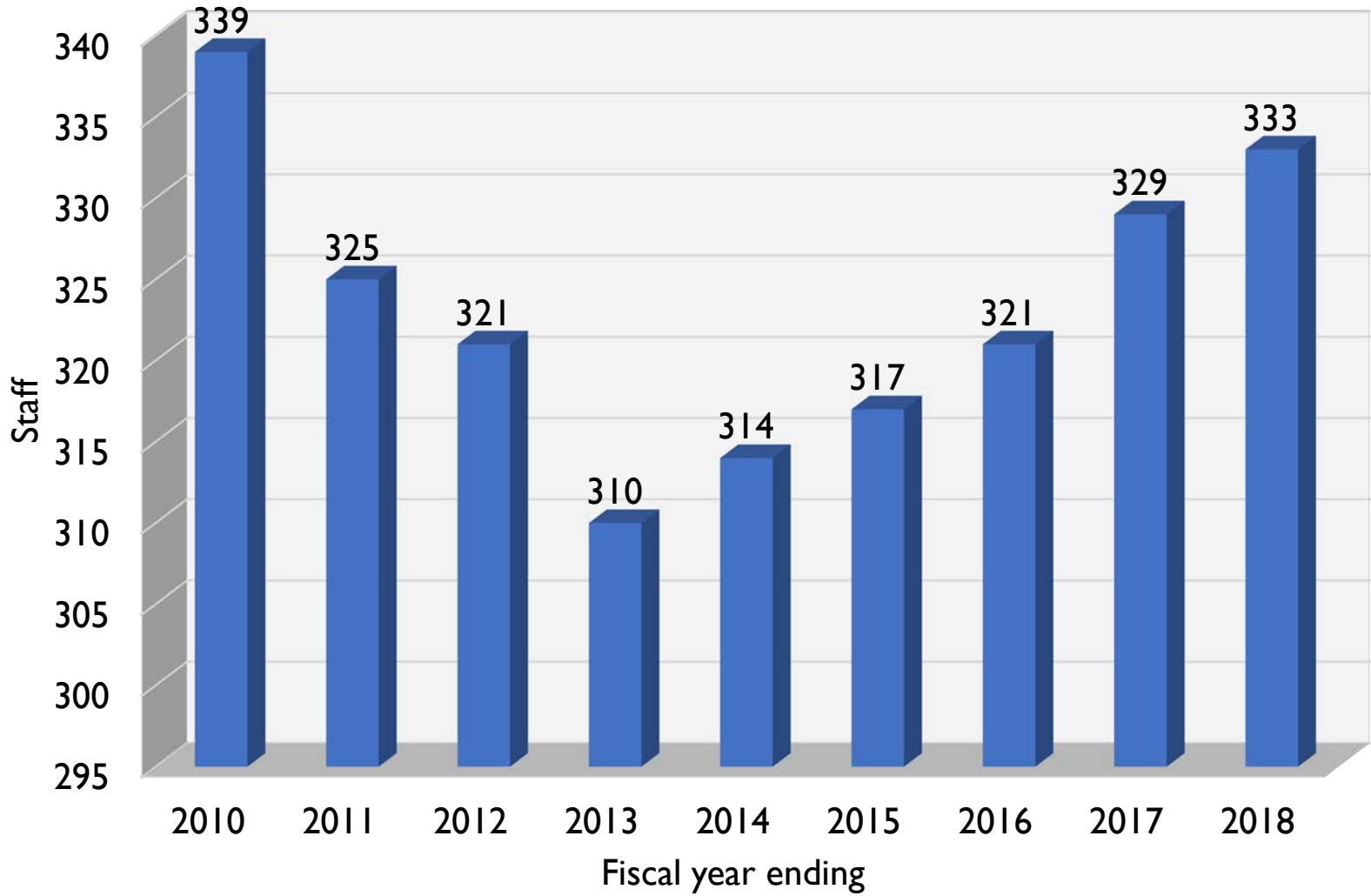
# ACTUAL RESERVES & POLICY (Excludes Building Proceeds)

GENERAL FUND:  
RESERVES COMPARED WITH POLICY





# STAFFING TREND – FILLED POSITIONS

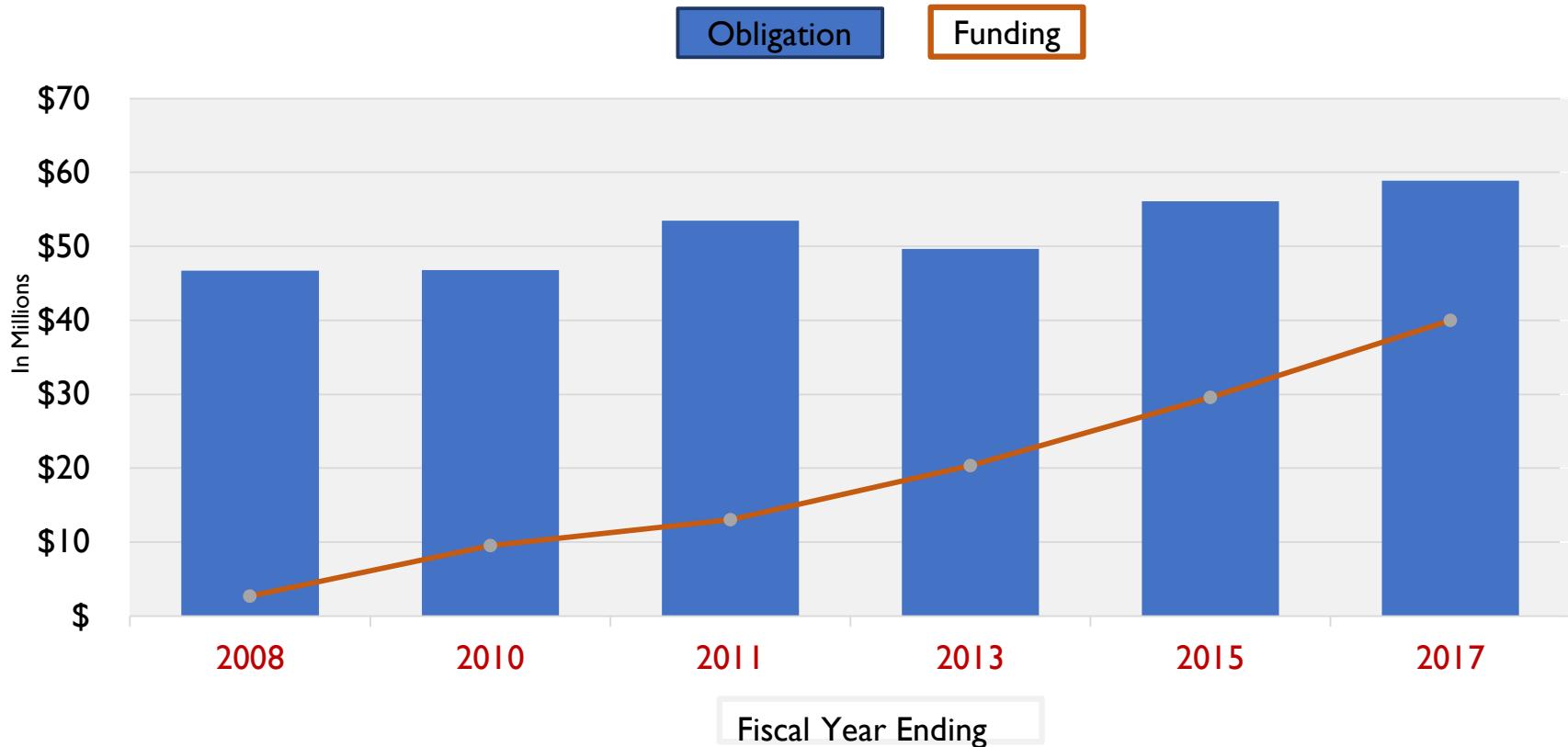


*Staffing level is based on full-time equivalent positions filled during the fiscal year*



# MEDICAL RETIREMENT: Other Post Employment Benefits (OPEB)

OPEB HISTORICAL FUNDED STATUS

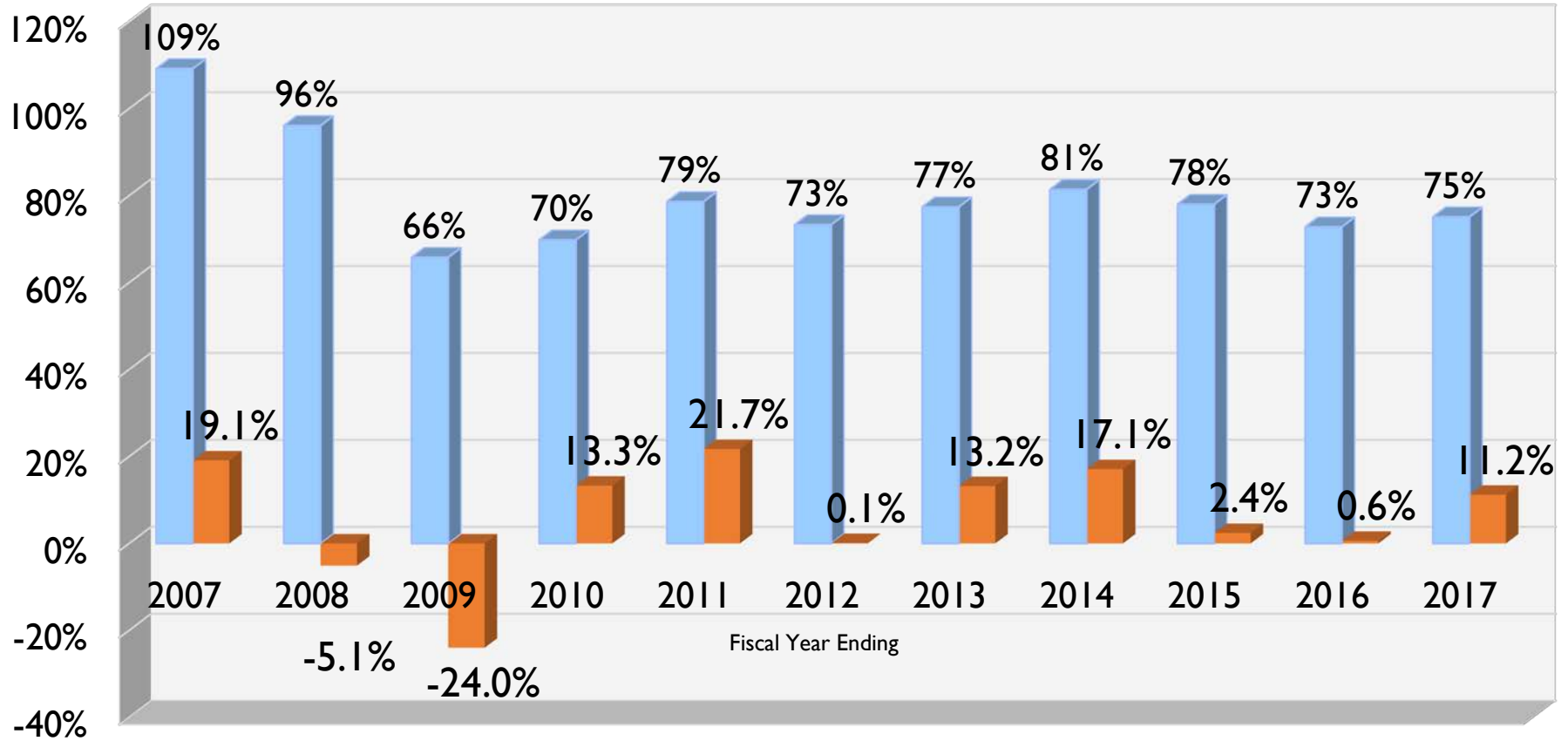




# CALPERS PENSION: Historical Rate of Return and Funding Ratio

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)  
FUNDING HISTORY

■ Funding Ratio ■ Rate of Return



***2018 Rate of Return = 8.6%***



# FYE 2020 PROPOSED BUDGET Overview

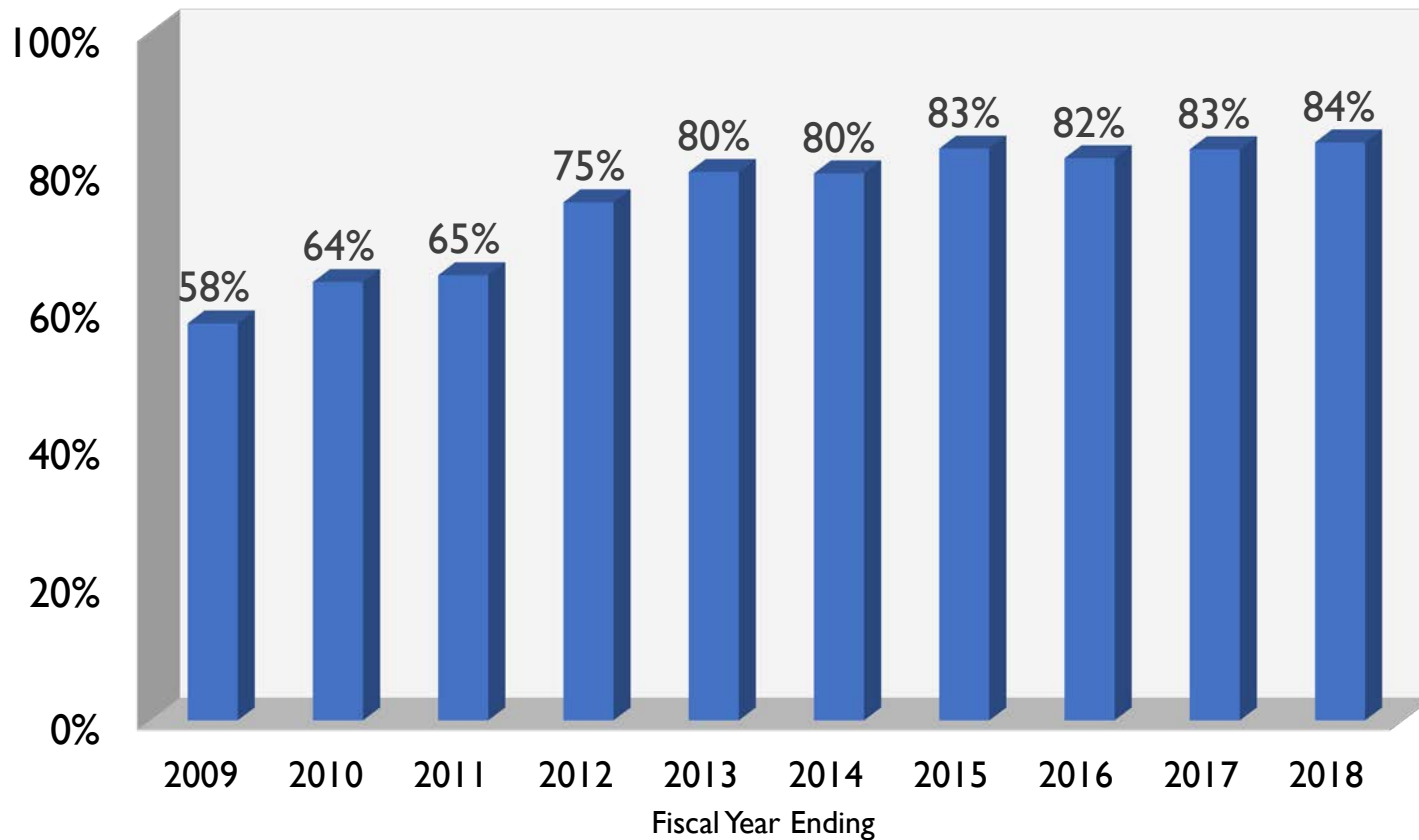
- \$104.6 M General Fund Budget
- Includes Use of Reserves \$4 M
- Continuation of Cost Recovery Policy
- No Staffing Level Increase: 405 Full Time Equivalent (FTE)
- Addresses Retirement Liabilities
- Includes 3.5% Cost of Living Amount (COLA)





# COST RECOVERY TREND

COST RECOVERY PERCENTAGE BY FISCAL YEAR





# FEES AND COST RECOVERY

## 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
- Reached 84% in FYE 2018
- 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 2020
- Fee increases assumed to average approximately 6%



# RESERVES POLICY

- Reserves Policy: **20%** of General Fund Budget
  - FYE 2020 Budget of \$100 M => **\$20 M minimum**
  - FYE 2020 Projected Reserves = **\$26 M**



# RESERVES DESIGNATIONS

## FYE 2020 Proposed Budget

<b><u>Proposed Reserve Designations for FYE 2020</u></b>	<b><u>(\$M)</u></b>
Napa/Sonoma Fireplace Replacement Grants	1
Pension Liability	1
Woodsmoke Grants	1
To Be Determined	<u>3</u>
<b>Total Designations</b>	<b>6</b>
<b><u>Economic Contingency (20% of budget)</u></b>	<b><u>20</u></b>
<b><i>TOTAL FYE 2020 RESERVES *</i></b>	<b>26</b>
<b><u>Used from Reserves in FYE 2020 Budget</u></b>	
<i>Richmond Facility Improvements</i>	4

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



# RETIREMENT LIABILITIES

1. Other Post Employment Benefits  
(Medical OPEB)
2. Pension Retirement



# MEDICAL RETIREMENT PLAN

## OPEB Overview

- Other Post Retirement Benefit (OPEB)
  - Obligation: \$58 M
  - Funded: \$40 M (68%)
  - Unfunded: \$18 M (32%)
  
- Funding Policy: 90 % Funded Level
  - 3 Year Target Date (FYE 2022)
  - \$4 M Annual Contribution



# CALPERS PENSION PLAN

## Retirement Overview

### ➤ CalPERS Retirement

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

### ➤ Funding Policy: 90% Funded Level

- 20 Year Target Date (FYE 2039)
- \$1 M Annual Additional Contribution





# BUDGET SUMMARY

## FYE 2020

- Budget balanced
- Use of reserves of \$4 M
- Budgeted positions remain at 405
- Amend fee schedule based on Proposed Fees
- \$1 M annual contribution for Pension
- \$4 M annual contribution for OPEB



## NEXT STEPS

- May 1, 2019 – 1<sup>st</sup> Public Hearing on Proposed Fees
- May 15, 2019 – 1<sup>st</sup> Public Hearing on Budget
- June 5, 2019 – 2<sup>nd</sup> Public Hearing & Adoption on Proposed Fees & Budget



# RECOMMENDATIONS

- Recommend the Board of Directors conduct Public Hearings on the FYE 2020 Proposed Budget; and
- Recommend the Board of Directors adopt the FYE 2020 Proposed Budget.



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AGENDA: 5

# Bay Area Air Quality Management District

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## Third Quarter Financial Report - Fiscal Year Ending (FYE) June 2019

### Budget and Finance Committee Meeting

April 22, 2019

**Stephanie Osaze**  
Finance Manager



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## Overview

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# **General Fund Reporting on 3rd Quarter financial results (July 1, 2018 – March 31, 2019):**

- Revenues
- Expenditures
- Investments
- General Fund Balance & Outstanding Liabilities
- Purchasing Report



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# 3<sup>rd</sup> Quarter Results

## Fiscal Year Ending (FYE) 2019

### General Fund - Revenues

Major Categories	FYE 2019 Budget	FYE 2019 Actual (as of 03/31/2019)	Percentage of Budgeted Revenues
County receipts	\$33,274,701	\$19,112,001	57%
Permit Fees	\$38,746,963	\$39,781,500	103%
Title V Permit Fees	\$5,810,627	\$6,170,877	106%
Asbestos Fees	\$2,500,000	\$3,261,343	130%
Toxic Inventory Fees	\$506,806	\$234,854	46%
Penalties and Settlements	\$2,750,000	\$1,549,316	56%
Interest Revenue	\$496,796	\$703,192	142%
Miscellaneous Revenue	\$100,000	\$272,659	273%
<b>Total Revenues</b>	<b>\$84,185,893</b>	<b>\$71,085,742</b>	<b>84%</b>



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# Revenue Comparison

## Prior Year vs. Current Year

Major Categories	FYE 2018 (As of 03/31/2018)	FYE 2019 (As of 03/31/2019)	\$ DIFFERENCE
County receipts	\$19,979,467	\$19,112,001	(\$867,466)
Permit Fee receipts	\$33,830,405	\$39,781,500	\$5,951,095
Title V Permit Fees	\$5,002,480	\$6,170,877	\$1,168,397
Asbestos Fees	\$2,988,026	\$3,261,343	\$273,317
Toxic Inventory Fees	\$271,306	\$234,854	(\$36,452)
Penalties and Settlements	\$3,886,200	\$1,549,316	(\$2,336,884)
Interest Revenue	\$580,636	\$703,192	\$122,556
Miscellaneous Revenue	\$99,934	\$272,659	\$172,725
<b>TOTAL REVENUES</b>	<b>\$66,638,454</b>	<b>\$71,085,742</b>	<b>\$4,447,288</b>



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# 3<sup>rd</sup> Quarter Results FYE 2019

## General Fund - Expenditures

Major Categories	FY 2019 Budget	FYE 2019 Actual (as of 03/31/2019)	Percentage of Budgeted Expenditures
* Personnel - Salaries	\$46,656,763	\$30,430,974	65%
* Personnel - Benefits	\$24,824,111	\$14,896,174	60%
Operational Services and Supplies	\$29,676,361	\$14,423,307	49%
Capital Outlay	\$4,656,556	\$3,241,153	70%
** Office Acquisition		\$13,130,123	-
<b>Total Expenditures</b>	<b>\$105,813,791</b>	<b>\$76,121,732</b>	<b>72%</b>
* Consolidated (Includes Special Funds)			
** Acquisition approved using GF Reserves			





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# Expenditure Comparison

## Prior Year vs. Current Year

Major Categories	FYE 2018 (As of 03/31/2018)	FYE 2019 (As of 03/31/2019)	\$ DIFFERENCE
*Personnel - Salaries	\$28,052,100	\$30,430,974	\$2,378,875
*Personnel - Benefits	\$13,337,074	\$14,896,174	\$1,559,100
Operational Services and Supplies	\$13,294,496	\$14,423,307	\$1,128,811
Capital Outlay	\$4,230,715	\$3,241,153	(\$989,562)
**Office Acquisition		\$13,130,123	\$13,130,123
<b>TOTAL EXPENDITURES</b>	<b>\$58,914,385</b>	<b>\$76,121,732</b>	<b>\$17,207,347</b>
*Consolidated includes Special Funds			
** Acquisition approved using GF Reserves			



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## 3<sup>rd</sup> Quarter Results FYE 2019

### Investments

#### Cash and Investments with County Treasury: (Based on March 2019 Account Balance)

General Fund	\$76,168,239
TFCA	\$102,067,763
MSIF	\$44,406,270
Carl Moyer	\$42,880,496
CA Goods Movement	\$15,148,526
BikeShare	\$1,095,158
<b>TOTAL</b>	<b><u>\$281,766,453</u></b>



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# Fund Balance and Outstanding Liabilities

FUND BALANCES	6/30/2017 Audited	6/30/2018 Audited	6/30/2019 Projected
<b>DESIGNATED: *</b>			
Building Acquisition	0	0	0
Diversity Equity & Inclusion	0	100,000	0
Economic Contingency	16,519,959	17,390,311	19,084,769
IT- Event Response	500,000	500,000	0
Litigation	0	500,000	0
Napa/Sonoma Fireplace Replacement Grant	0	1,000,000	1,000,000
Pension & Post Employment Liability	1600000	1,000,000	1,000,000
Tech- Meterological Network Equipment	131,100	131,100	0
Tech- Mobile Monitoring Instruments	80,000	80,000	0
Technology Implementation Office	0	3,350,000	0
GHG Abatement Technology Study	1,500,000	1,500,000	0
Woodchip Program	0	150,000	0
Woodsmoke Grant	0	1,000,000	1,000,000
Worker's Comp Self -Funding	1,000,000	1,000,000	0
<b>TOTAL DESIGNATED</b>	<b>\$21,331,059</b>	<b>\$27,701,411</b>	<b>\$22,084,769</b>
UNDESIGNATED	19,603,422	18,101,141	8,046,383
<b>TOTAL DESIGNATED &amp; UNDESIGNATED</b>	<b>\$40,934,481</b>	<b>\$45,802,552</b>	<b>\$30,131,152</b>
BUILDING PROCEEDS:	4,668,200	4,668,200	209,489
<b>TOTAL FUND BALANCE</b>	<b>\$45,602,681</b>	<b>\$50,470,752</b>	<b>\$30,340,641</b>
* Designated Fund Balances are subject to change at Board's discretion.			
<b>OUTSTANDING LIABILITIES</b>			
CalPERS Pension Retirement			74,654,496
Other Post Employment Benefits			18,840,854
Certificate of Participation Notes (Est. @ June 2018)			26,956,830
<b>TOTAL OUTSTANDING LIABILITIES</b>			<b>\$120,452,180</b>



## Purchasing Reporting Requirements

- **Section 4.3 of the Purchasing Procedures states:**

Recurring payments of routine business needs such as utilities, licenses, office supplies etc. that are more than **\$100,000** shall be presented in the Quarterly Financial Report.

- In an effort of full disclosure, list also includes benefit payments.



# FYE 2019 Vendor Payments

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## Cumulative Vendor Payments in Excess of \$100,000 without Board Review

	VENDOR NAME	AMOUNT PAID (July 2018 - March 2019)	Explanation
1	Alliant Insurance Services	\$330,020	Various Business Insurance Policies
2	Air Resources Board	\$160,854	Pass through Air Toxic Fees
3	Bay Area Headquarters Authority	\$1,842,476	Shared Services & Common Areas
4	Benefits Coordinators Corp.	\$681,410	Life Insurance Plan & LTD Insurance
5	Berkeley Communications Corp	\$255,348	IT Network Services
6	CA Public Employee Retirement System	\$3,811,326	Health Insurance Plan
7	CA Public Employee Retirement System	\$1,922,460	Retirement Benefits & 457 Supplemental Plan
8	CAPCOA	\$632,492	Pass through EPA grants
9	Cubic Transportations Systems	\$337,385	Clipper Transit Subsidy
10	Enterprise Fleet Services	\$382,537	Fleet Leasing and Maintenance Services
11	Hartford Life Ins Co.	\$664,378	457 Supplemental Insurance
12	O'Rorke Inc.	\$329,302	Marketing & Advertising Services
13	P & A Administrative Services	\$135,753	Flexible Spending & Cobra Benefit Services
14	Preferred Benefit Insurance AD	\$598,859	Dental Insurance Plan
15	Regents of the University of California	\$130,000	Sponsorships
16	Sloan Sakai Yeung & Wong	\$117,382	HR Consulting & Staff Augmentation Services
17	SoftwareOne Inc.	\$343,476	Microsoft Subscription Service
18	Thermo Environmental Instrument	\$187,658	Air Monitoring and Source Test Instrumentation
19	Verizon Wireless	\$155,977	Cell phone services
20	Wang Brother Investment	\$382,009	Richmond Site Lease