First Public Hearing on the Proposed Air District Budget for Fiscal Year Ending (FYE) 2021

Board of Directors Special Budget Hearing Meeting
May 6, 2020

Jack P. Broadbent
Executive Officer
Outline

• Status of Current Fiscal Year (FYE 2020)
• Financial History
• Proposed Budget for FYE 2021
• Next Steps
Current Fiscal Year Projections

General Fund Budget: $104.6 million (M) Budget

Included Use of Reserves $4.0 M for Richmond Office Improvement

As of March 2020:

- 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
General Fund Reserves Compared with Policy

Fiscal Year Ending


In Millions

$37 $15 $10 $19 $31 $41 $45

$8 $9 $9 $9 $9 $10 $16

$10 $20

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May 6, 2020
Staffing Trend-Filled Positions

In November 2019, Staff requested an additional 10 positions, bringing total approved to 415 Full Time Equivalent (FTE)

ACTUAL STAFFING LEVELS

Fiscal Year Ending

- 2010: 339
- 2011: 325
- 2012: 321
- 2013: 310
- 2014: 314
- 2015: 317
- 2016: 321
- 2017: 329
- 2018: 333
- 2019: 353
Medical Retirement
Other Post Employment Benefits (OPEB)

OPEB HISTORICAL FUNDED STATUS

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Funding</th>
<th>Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
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<tr>
<td>2011</td>
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<td>2013</td>
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<tr>
<td>2015</td>
<td></td>
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<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
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</tbody>
</table>

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May 6, 2020
Bay Area Air Quality Management District
CalPERS Pension: Historical Rate of Return and Funding Ratio

2019 Rate of Return = 6.7%
Cost Recovery Trend

COST RECOVERY PERCENTAGE BY FISCAL YEAR

3 YEAR COST RECOVERY AVERAGE = 84%

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May 6, 2020
Fees and Cost Recovery
Historical 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
• Cost Recovery Study updated in FYE 2018
• Fee increase based on average of three-year actuals
• Three-year average reached 84% for FYE 2019
• Fee increases assumed to average approximately 6% annually
• Created Budget Advisory Group in 2019
General Fund Revenue Trend

HISTORICAL REVENUE TRENDS

- County Revenue
- Permit Fees
- Grant Revenues
- Other Revenues

FY 2007 - 2019 Actual | FY 2020 Approved Budget | FY 2021 Proposed Budget

- 2007: $19.5M (County $10.0M, Permit $3.9M, Grant $23.6M, Other $0.0M)
- 2009: $21.7M (County $8.8M, Permit $27.5M, Grant $29.2M, Other $0.0M)
- 2011: $20.9M (County $4.0M, Permit $23.7M, Grant $29.2M, Other $0.0M)
- 2013: $23.7M (County $4.8M, Permit $32.2M, Grant $29.2M, Other $0.0M)
- 2015: $25.9M (County $5.3M, Permit $37.4M, Grant $29.2M, Other $0.0M)
- 2017: $30.5M (County $5.7M, Permit $42.7M, Grant $29.2M, Other $0.0M)
- 2019: $36.2M (County $4.6M, Permit $52.5M, Grant $29.2M, Other $0.0M)
- 2020: $38.8M (County $6.0M, Permit $48.5M, Grant $29.2M, Other $0.0M)
- 2021: $41.6M (County $4.6M, Permit $52.5M, Grant $29.2M, Other $0.0M)
General Fund Expenditure Trend

HISTORICAL EXPENDITURE TRENDS

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<thead>
<tr>
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<tbody>
<tr>
<td>Personnel</td>
<td>Services &amp; Supplies</td>
<td>Capital</td>
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<tr>
<td>$10.1</td>
<td>$3.4</td>
<td>$5.0</td>
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<tr>
<td>$14.9</td>
<td>$14.1</td>
<td>$12.3</td>
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<tr>
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<td>$14.1</td>
<td>$12.3</td>
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<tr>
<td>$2.8</td>
<td>$3.4</td>
<td>$5.0</td>
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<tr>
<td>$10.1</td>
<td>$3.4</td>
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<td>$38.0</td>
<td>$45.7</td>
<td>$44.7</td>
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<tr>
<td>$10.1</td>
<td>$3.4</td>
<td>$5.0</td>
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</table>

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May 6, 2020
Fiscal Year Ending 2021 Revised Proposed Budget Overview

• $106 M General Fund Budget, decrease of $16 M
• Includes Use of Reserves of $5 M
• No Amendment to Existing Fee Schedules
• Propose New Fee Schedule (Assembly Bill (AB) 617)
• Limited Staffing Level Increase
• Budget 405 of the 415 FTE
• No Increase in Services & Supplies
• Addresses Retirement Liabilities
• Includes 3.1% Cost of Living Adjustment (COLA)
### FY 2021 General Fund Proposed Budget

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Million ($M)</th>
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</thead>
<tbody>
<tr>
<td>Original Revenues</td>
<td>116.1</td>
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<tr>
<td>Original Use of Reserves</td>
<td>6.0</td>
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<tr>
<td><strong>Total Original Revenues</strong></td>
<td><strong>122.1</strong></td>
</tr>
<tr>
<td>Reduce Existing Fees</td>
<td>-12.4</td>
</tr>
<tr>
<td>Reduce New Fees</td>
<td>-2.7</td>
</tr>
<tr>
<td>Reduce Use of Reserves</td>
<td>-0.8</td>
</tr>
<tr>
<td>Reduce Other Revenues</td>
<td>-1.2</td>
</tr>
<tr>
<td>Increase Use of Grant Sources</td>
<td>1.5</td>
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<tr>
<td><strong>Revised Revenues:</strong></td>
<td><strong>106.5</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Million ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Expenditures:</td>
<td>122.1</td>
</tr>
<tr>
<td>Reduce Personnel Costs</td>
<td>-0.1</td>
</tr>
<tr>
<td>Reduce Services &amp; Supplies</td>
<td>-9.5</td>
</tr>
<tr>
<td>Reduce Capital Costs</td>
<td>-6.0</td>
</tr>
<tr>
<td><strong>Revised Expenditures:</strong></td>
<td><strong>106.5</strong></td>
</tr>
</tbody>
</table>
General Fund Revenue Sources
Fiscal Year Ending 2021 Proposed Budget

BREAKDOWN OF REVENUES
FYE 2021

Property Tax 36%
Permit Fees 39%
Grants 13%
Subvention 2%
Penalties/Settlements 1%
Other Revenues 6%

Bay Area Air Quality Management District
Board of Directors Special Budget Hearing Meeting
May 6, 2020
## Capital Budget

**Fiscal Year Ending 2021 Proposed Budget**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>One (1) Ambient Air Monitoring Analyzers</td>
<td>330,815</td>
</tr>
<tr>
<td>One (1) Particle Speciation Module for PTR/MS</td>
<td>100,000</td>
</tr>
<tr>
<td>One (1) Equipment for Testing &amp; Evaluation Lab</td>
<td>250,000</td>
</tr>
<tr>
<td>Two (2) Source Test Analyzers</td>
<td>50,000</td>
</tr>
<tr>
<td>One (1) Automated Calibration Gas Dilution Manifolds</td>
<td>15,233</td>
</tr>
<tr>
<td>Two (2) Automated Isokinetic Sampling Consoles</td>
<td>20,000</td>
</tr>
<tr>
<td>One (1) GDF Field Testing Van</td>
<td>60,000</td>
</tr>
<tr>
<td>One (1) Air Monitoring Instrumentation (auditing)</td>
<td>20,400</td>
</tr>
<tr>
<td>One (1) Optical Gas Imaging Camera</td>
<td>100,000</td>
</tr>
<tr>
<td>One (1) Storage Server</td>
<td>40,000</td>
</tr>
<tr>
<td>Computer and Equipment</td>
<td>100,000</td>
</tr>
<tr>
<td>Capital Lease for Servers, Telecommunications &amp; Hardware</td>
<td>400,000</td>
</tr>
<tr>
<td>Public Permitting &amp; Compliance Systems</td>
<td>2,750,000</td>
</tr>
<tr>
<td><strong>Total Capital Expenditures</strong></td>
<td><strong>4,236,448</strong></td>
</tr>
</tbody>
</table>
General Fund Reserves

Reserves Policy: 20% of General Fund Budget

FYE 2021 Budget of $105 M = $21 M

FYE 2021 Projected Reserve Designations = $27 M

FYE 2021 Available Reserves = $6 M

### Probable Reserve Designations *

<table>
<thead>
<tr>
<th>Description</th>
<th>$M</th>
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</thead>
<tbody>
<tr>
<td>Balance at June 30, 2019</td>
<td>45</td>
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<tr>
<td><strong>Less: Designations</strong></td>
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</tr>
<tr>
<td>Pension Liability</td>
<td>2</td>
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<tr>
<td>Woodsmoke Grants</td>
<td>1</td>
</tr>
<tr>
<td>Revolving Loan Program</td>
<td>3</td>
</tr>
<tr>
<td><strong>Economic Contingency (20% of Budget)</strong></td>
<td>21</td>
</tr>
<tr>
<td><strong>Total Designations</strong></td>
<td>27</td>
</tr>
</tbody>
</table>

*Designations subject to change at Board's Direction

### Use of Reserves in FY 2020 and 2021

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Settlement</td>
<td>3</td>
</tr>
<tr>
<td>Richmond Facility Improvements</td>
<td>4</td>
</tr>
<tr>
<td>To Balance FY2021 Budget</td>
<td>5</td>
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<tr>
<td><strong>Total Use of Reserves</strong></td>
<td>12</td>
</tr>
</tbody>
</table>

**AVAILABLE GF RESERVES** 6

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May 6, 2020
Reserves Projections Assumptions

ASSUMPTIONS

- Reserves Include already allocated to Pension and TIO Loans
- 405 Filled Seats
- Property Tax Unaffected
- FYE 2021 Service & Supply Expense = FYE 2020
- FYE 2021 Fee Revenue = 85% of FYE 2020 Fee Revenue...
  except FYE 2021 Asbestos Fee = 50% FYE 2020 Asbestos
- $1M AB617 Fee FYE 2021
- $1.5 Transfer from Grants persists
- Full New Fees would = $3.7 M (AB617 + CTR)
- No Richmond work except $1.5 M Seismic
- COLA for Personnel Costs in FYE 2021
- Recurring COLA for:
  - Revenue
  - Expenditure
Reserves Projections

ASSUMPTIONS

- Reserves Include already allocated to Pension and TIO Loans
- 405 Filled Seats
- Property Tax Unaffected
- FYE 2021 Service & Supply Expense = FYE 2020
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- $1M AB617 Fee FYE 2021
- $1.5 Transfer from Grants persists
- Full New Fees would = $3.7 M (AB617 + CTR)
- No Richmond work except $1.5 M Seismic
- COLA for Personnel Costs in FYE 2021
- Recurring COLA for:
  - Revenue
  - Expenditure
1. Other Post Employment Benefits (Medical OPEB)

2. Pension Retirement

3. 105 Trusts may be used to shelter Reserves
Medical Retirement Plan

- Other Post Retirement Benefit (OPEB)
  - Obligation: $72 M*
  - Funded: $54 M (75%)
  - Unfunded: $18 M (25%)

- Funding Policy: 90% Funded Level
  - Three Year Target Date (FYE 2022)
  - $4 M Annual Contribution

*Actuarial Valuation as of June 30, 2019
CalPERS Pension Plan

• CalPERS Retirement
  • Obligation: $326 M*
  • Funded: $239 M (74%)
  • Unfunded: $86 M (26%)

• Funding Policy: 90% Funded Level
  • 20 Year Target Date (FYE 2039)
  • $1 M Annual Additional Contribution

*CalPERS Valuation as of June 30, 2018
Fiscal Year Ending 2021
Proposed Budget Summary

• Budget Balanced with use of $5 M from Reserves
• 405 of 415 Budgeted Positions
• No Amendment to Existing Fee Schedules
• Propose New Fee Schedule (AB 617)
• $1 M Annual Contribution for Pension
• $4 M Annual Contribution for OPEB
Actions Taken

• March 25, 2020  Committee received presentation on the Proposed Fee Regulations Amendments and Proposed Budget

• April 15, 2020  1st Public Hearing on Fee Regulations

• April 22, 2020  Committee refers FYE 2021 Proposed Budget to the Board of Directors

• April 29, 2020  Committee continues discussion on Fee Regulations

• May 6, 2020  1st Public Hearing on Proposed Budget
Future Actions

• June 3, 2020  2\textsuperscript{nd} Public Hearings and Adoption of the Proposed Fee Regulation and 2021 Budget

• July 1, 2020  Adopted 2021 Budget and Fees becomes effective