



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 5

Preliminary Fourth Quarter Financial Report Fiscal Year Ending (FYE) 2022

**Budget and Finance Committee Meeting
November 23, 2022**

**Jun Pan
Acting Manager
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Presentation Outcome



Provide a General Fund preliminary financial summary for the Fourth quarter ending June 30, 2022.

Presentation Outline



General Fund Reporting on Fourth Quarter preliminary financial results

(July 1, 2021 – June 30, 2022):

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

Presentation for Information Only



No action required.

4th Quarter Results FYE 2022



Major Categories	FYE 2022 Budget	FYE 2022 Actual (as of 06/30/2022)	Percentage of Budgeted Revenues
County receipts	\$39,335,284	\$41,502,972	106%
Permit Fees	\$39,724,621	\$41,868,340	105%
Title V Permit Fees	\$6,261,936	\$7,136,860	114%
Asbestos Fees	\$4,000,000	\$4,336,520	108%
Toxic Inventory Fees	\$731,737	\$1,441,310	197%
Community Health Impact	\$918,891	\$1,277,852	139%
Criteria Pollutant Toxic	\$1,300,000	\$1,288,653	99%
Penalties and Settlements	\$2,750,000	\$4,829,132	176%
Interest Revenue	\$1,609,848	\$872,547	54%
Total Revenues	\$96,632,317	\$104,554,187	108%

Revenue Comparison



Prior Year vs. Current Year

Major Categories	FYE 2021 (As of 06/30/2021)	FYE 2022 (As of 06/30/2022)	\$ DIFFERENCE
County receipts	\$39,778,798	\$41,502,972	\$1,724,174
Permit Fee	\$39,684,361	\$41,868,340	\$2,183,979
Title V Permit Fees	\$6,210,781	\$7,136,860	\$926,079
Asbestos Fees	\$4,094,654	\$4,336,520	\$241,866
Toxic Inventory Fees	\$1,995,672	\$1,441,310	(\$554,362)
Community Health Impact	\$0	\$1,277,852	\$1,277,852
Criteria Pollutant Toxic	\$0	\$1,288,653	\$1,288,653
Penalties and Settlements	\$4,212,013	\$4,829,132	\$617,120
Interest Revenue	\$828,005	\$872,547	\$44,541
TOTAL REVENUES	\$96,804,285	\$104,554,187	\$7,749,902

4th Quarter Results FYE 2022

General Fund - Expenditures



Major Categories	FYE 2022 Budget	FYE 2022 Actual (as of 06/30/2022)	Percentage of Budgeted Expenditures
* Personnel - Salaries	\$55,654,692	\$55,209,036	99%
* Personnel - Benefits	\$30,042,368	\$28,743,216	96%
Operational Services and Supplies	\$32,092,559	\$27,215,385	85%
Capital Outlay	\$5,187,458	\$3,367,283	65%
Total Expenditures	\$122,977,077	\$114,534,920	93%

* Consolidated (Includes Special Funds)

Expenditure Comparison

Prior Year vs. Current Year



Major Categories	FYE 2021 (As of 06/30/2021)	FYE 2022 (As of 06/30/2022)	\$ DIFFERENCE
*Personnel - Salaries	\$51,515,900	\$55,209,036	\$3,693,135
*Personnel - Benefits	\$26,992,260	\$28,743,216	\$1,750,956
Operational Services and Supplies	\$24,583,454	\$27,215,385	\$2,631,932
Capital Outlay	\$3,501,905	\$3,367,283	(\$134,622)
TOTAL EXPENDITURES	\$106,593,520	\$114,534,920	\$7,941,400

*Consolidated includes Special Funds

4th Quarter Results FYE 2022

Investments



Cash and Investments with County Treasury:

(Based on June 2022 Account Balance)

General Fund	\$102,053,412
TFCA	\$123,411,783
MSIF	\$58,878,326
Carl Moyer	\$70,304,482
CA Goods Movement	\$21,041,228
AQ Projects	\$3,249,005
Vehicles Mitigation	\$24,500,089
TOTAL	<u>\$403,438,325</u>

Fund Balance and Outstanding Liabilities



FUND BALANCES	6/30/2020 Audited	6/30/2021 Audited	6/30/2022 Projected
DESIGNATED: *			
Community Benefits			3,000,000
Economic Contingency	20,082,966	21,294,922	23,303,025
Pension Liability	3,000,000	4,000,000	4,000,000
Technology Implementation Office	3,350,000	3,350,000	3,350,000
Wildfire Mitigation	1,000,000	1,000,000	2,000,000
AB617 Staffing Contingency			6,000,000
Pandemic Contingency			7,000,000
TOTAL DESIGNATED	\$27,432,966	\$29,644,922	\$48,653,025
UNDESIGNATED	26,401,581	34,385,565	14,877,462
TOTAL DESIGNATED & UNDESIGNATED	\$53,834,547	\$64,030,487	\$63,530,487
TOTAL FUND BALANCE	\$53,834,547	\$64,030,487	\$63,530,487
* Designated Fund Balances are subject to change at Board's discretion.			
ESTIMATED OUTSTANDING LIABILITIES			
CalPERS Pension Retirement			101,305,734
Certificate of Participation Notes			21,173,770
TOTAL ESTIMATED OUTSTANDING LIABILITIES			\$122,479,504

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 2022 Vendor Payments



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

	VENDOR NAME	AMOUNT PAID (July 2021 - June 2022)	Explanation
1	Alliant Insurance Services	\$730,435	Various Business Insurance Policies
2	BAAQMD Employee Association	\$180,239	Employee Union Dues
3	Bay Area Headquarters Authority	\$3,057,469	Shared Services & Common Areas
4	Benefits Coordinators Corp.	\$1,454,708	Life Insurance Plan & LTD Insurance
5	CA Public Employee Retirement System (Heath)	\$8,184,417	Health Insurance Plan
6	CA Public Employee Retirement System (Retirement)	\$7,418,141	Retirement Benefits & 457 Supplemental Plan
7	CA Vision Plan	\$107,535	Vision Insurance Plan
8	CAPCOA	\$916,608	Pass through EPA grants
9	Ceridian Corp	\$169,560	Payroll Processing Services
10	Comcast Cable Communications	\$177,640	Internet Data Services
11	Cubic Transportation Systems	\$457,613	Clipper Transit Subsidy
12	Denovo Ventures, LLC	\$171,084	Financial application JD Edward services
13	Enterprise Fleet Services	\$631,042	Fleet Leasing and Maintenance services
14	Pacific Gas & Electric	\$211,743	Utility Services
15	EPlus Technology	\$164,565	Cisco Computer Network Equipment Warranty

FYE 2022 Vendor Payments (cont'd)



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

	VENDOR NAME	AMOUNT PAID (July 2021 - June 2022)	Explanation
16	MEB Consulting Group	\$120,000	External Review Services
17	P&A Administrative Services	\$292,000	Flexible Spending & Cobra Benefit Services
18	Preferred Benefit Insurance AD	\$552,043	Dental Insurance Plan
19	Robert Half, Inc.	\$769,884	Temporary Staffing Services
20	Sedwick Claims Management	\$149,308	Worker's Compensation Insurance Services
21	Sloan Sakai Yeung & Wong LLP	\$237,332	Human Resources Consulting Services
22	Thermo Environmental Instrument	\$107,348	Equipment Purchase and Maintenance
23	True North Research	\$118,800	Survey and Analysis Services
24	Verizon Wireless	\$215,587	Cell Phone Services
25	WEX Fleet Universal	\$168,619	Fleet Fuel Purchase
26	Wang Brothers Investment LLC	\$510,259	Richmond Site Lease

Feedback Requested/Prompt



No action needed.



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AGENDA: 6

Cost Recovery and Containment Policy

**Budget and Finance Committee Meeting
November 23, 2022**

**Fred Tanaka
Manager, Engineering Division
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Presentation Outcome



Receive a briefing on proposed amendments to the Air District's Cost Recovery and Containment Policy; and consider recommending to the Board of Directors that the Board adopt the proposed amended policy.

Presentation Outline



- Background
- Proposed Updated Policy
- Potential Implementation Impacts
- Summary
- Questions

Presentation Requested Action



Recommend to the Board of Directors that the Board adopt the proposed amended Cost Recovery and Containment Policy.

Background



Cost Recovery Impacts – Revenue

- New fees and fee changes
- Facilities, sources, emissions and operational changes
- Renewal of permits
- Number of notifications and applications

Cost Recovery Impacts – Expenses

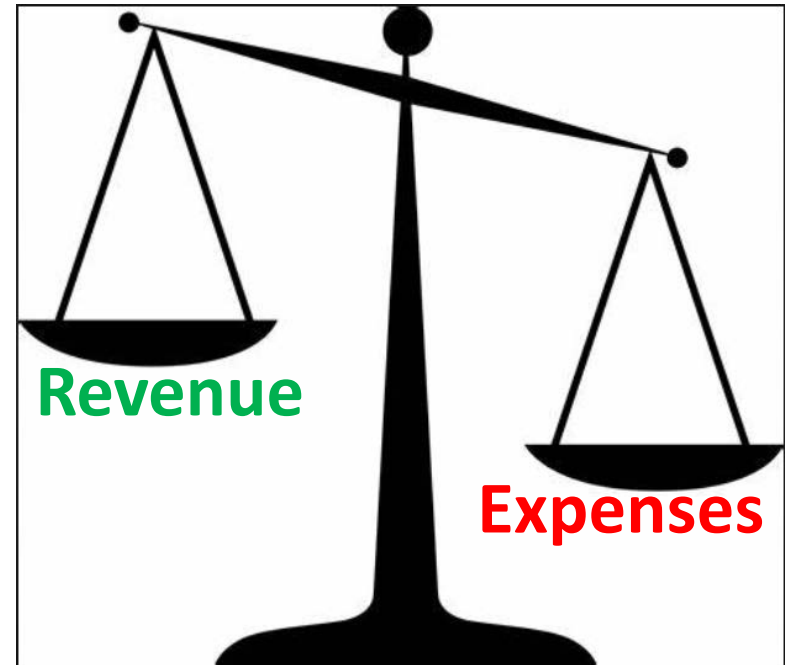
- New and enhanced programs/rules
- Efficient use of resources
- Shifts in priorities
- Staffing levels

Background (Cont'd)



Cost Recovery and Containment Policy (policy)

- Adopted in 2012
 - Had a cost recovery goal of 85%
 - Improved cost recovery from 65% to \approx 84%
- Has three sections:
 - Cost Containment
 - Analysis of Cost Recovery
 - Cost Recovery Goals



Background (Cont'd)



Cost recovery concepts

- Is not a static target.
 - E.g., Staffing increases delay cost recovery.
- Does not account for work backlog.
- Typically, does not account for future mandates that are not covered by a new fee.
- Individual schedules may take several years to recover costs.
- Models are less predictable farther in the future.

Proposed Updated Policy



The policy continues to provide flexibility on implementation.

Key changes to the policy

- Clarify that the Air District's cost recovery analyses be periodically reviewed by an independent entity.
- Update the cost recovery goals including the 100% cost recovery goal from fee-based activities.

Potential Implementation Impacts



Permit Renewal Fee Range

Renewal Fees	Facility Count	Est. Budget	% of Budget
Less than \$1k	6,048	\$3.1MM	6%
\$1k to <\$5k	2,700	\$7.1MM	15%
\$5k to <\$10k	681	\$4.3MM	9%
\$10k to <\$25k	208	\$3.2MM	7%
\$25k to <\$50k	67	\$2.3MM	5%
\$50k to <\$100k	0	\$0	0%
\$100k to <\$500k	42	\$8.3MM	17%
\$500k to <\$1MM	3	\$1.7MM	4%
Equal to or greater than \$1MM	5	\$47.8MM	37%

k = thousand

MM = million

Potential Implementation Impacts (Cont'd)



Regulation 3 Rule Development Strategies

Strategy	Cost recovery & fee schedule increase
Option 1 FYE 2023 strategy	Less than 110% = 15% increase 110% + = 0% increase
Option 2 (Committee preference)	Less than 100% = 15% increase 100 to <110% = Consumer Price Index (CPI) increase 110% + = 0% increase
2018 Recommendation	Below 95% = weighted increase between 7 to 15% 95 to 110 % = CPI increase 110% + = 0% increase

Potential Implementation Impacts (Cont'd)



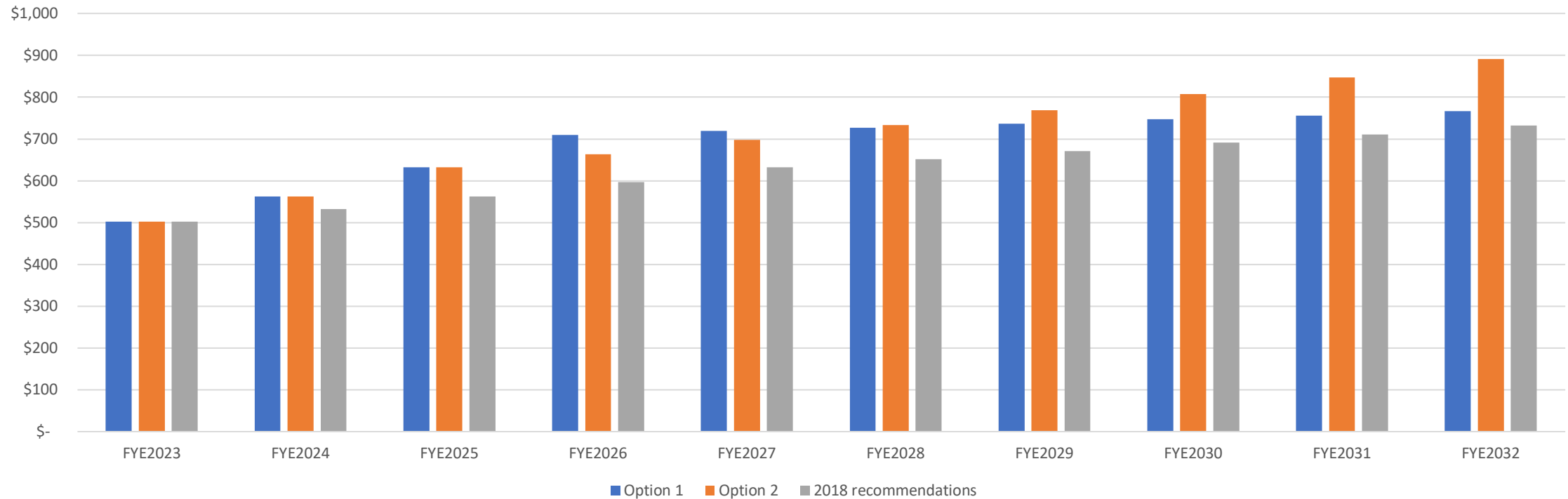
Fiscal Year Ending (FYE) Cost Recovery Rates:
3-Year Average from 2019 to 2021

Revenue from Fee Schedule	Fee Schedules
100 – 110% of costs	P
95 – 99% of costs	NONE
85 – 94% of costs	B, E
75 – 84% of costs	T
50 - 74% of costs	F, G1, G2, G3, G4, H
Less than 50% of costs	A, K, N, S, V, W

Projected Impacts to Small Businesses



Small Back-Up Generator in an Overburdened Community

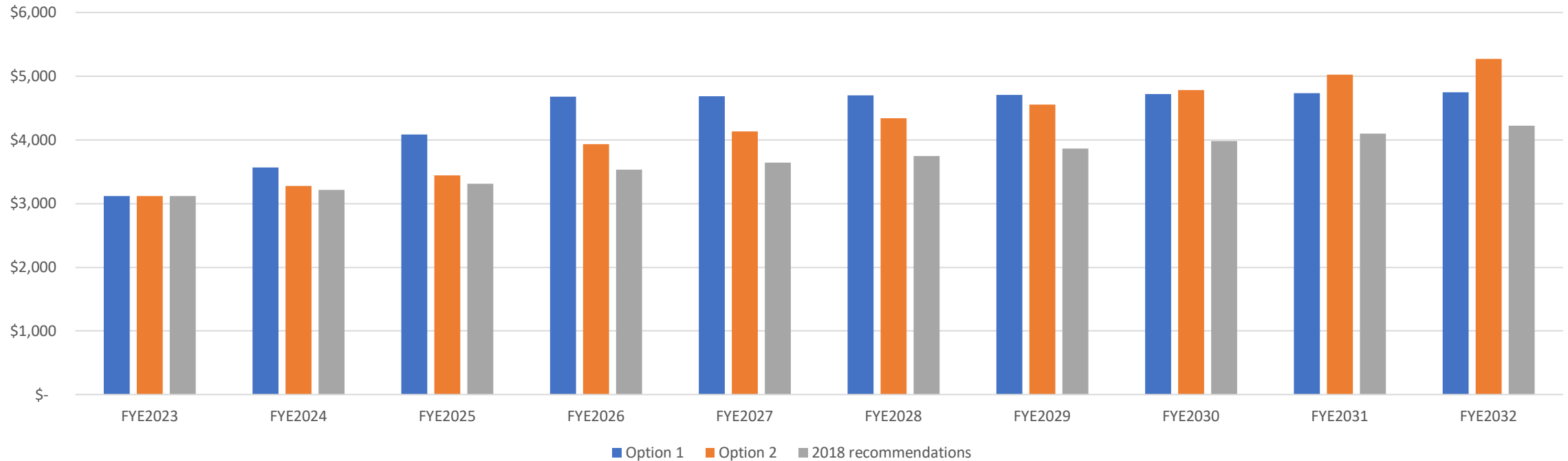


- Fee Schedule B – Combustion of Fuel
- Permit fees are higher for engines larger than the minimum.
- Facilities located outside an OBC have lower fees.

Projected Impacts to Small Businesses (Cont'd)



Gas Station in an Overburdened Community

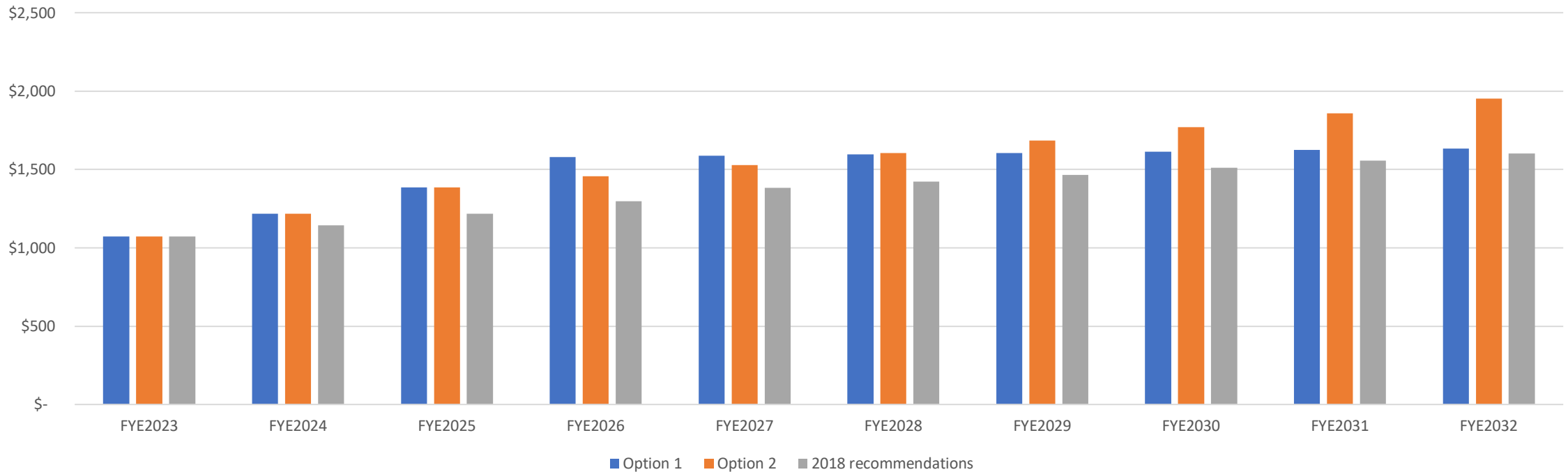


- Fee Schedule Da – Gasoline Transfer at Gasoline Dispensing Facilities
- Common configuration with 6 islands with 3-triple product nozzles. Fee depends on the number of product nozzles.
- Facilities located outside an OBC have lower fees.

Projected Impacts to Small Businesses (Cont'd)



Auto Body Shop in an Overburdened Community

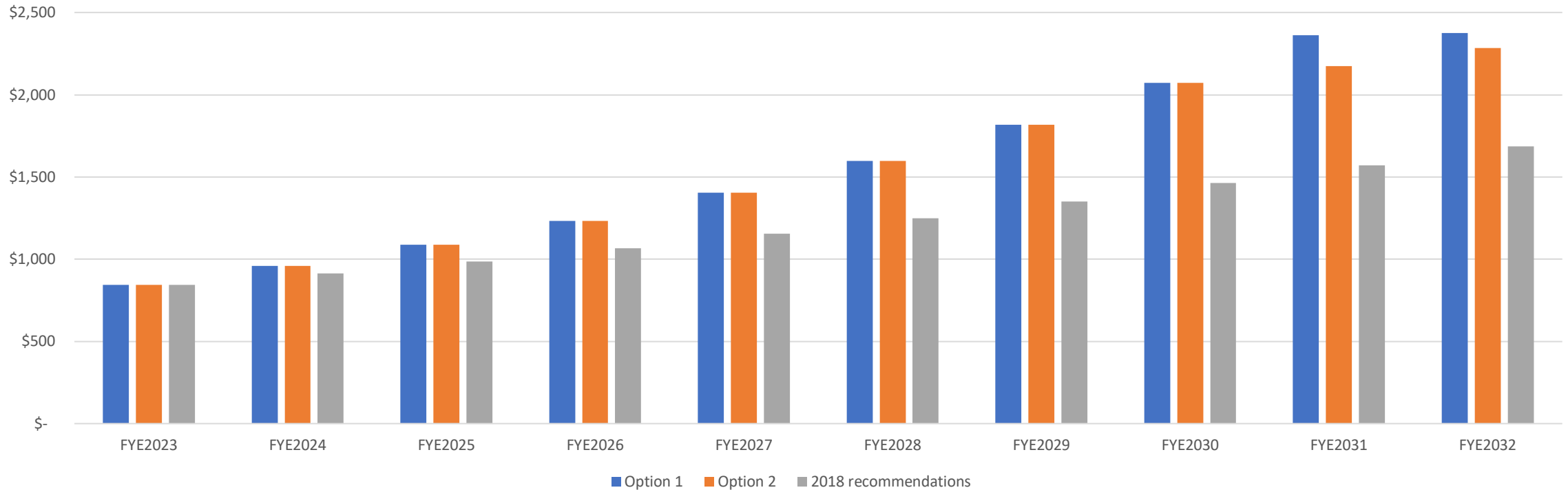


- Fee Schedule E – Solvent Evaporating Sources
- Permit fees are higher for facilities that use coatings and solvents greater than the minimum.
- Facilities located outside an OBC have lower fees.

Projected Impacts to Small Businesses (Cont'd)



Coffee Roaster in an Overburdened Community



- Fee Schedule F – Miscellaneous Sources
- This scenario assumes one coffee roaster. Fees are charged per roaster.
- Facilities located outside an OBC have lower fees.

Summary



The amended policy:

- Updates the cost recovery goals:
 - 100% cost recovery goal from fee-based activities.
 - Recover from activities not being charged a fee.
 - Propose fee amendments in conjunction with Air District rule adoption.
- Clarifies that the Air District's cost recovery analyses be periodically reviewed by an independent entity.
- Continues to provide flexibility on implementation.

Feedback Requested/Prompt



Recommend to the Board of Directors that the Board adopt the proposed amended Cost Recovery and Containment Policy.