



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 3

First Public Hearing to Consider Adoption of the Air District's Proposed Budget for Fiscal Year 2023-2024

**Board of Directors Special Meeting Budget Hearing
May 17, 2023**

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Presentation Outcome



Conduct first of two required Public Hearings on the Fiscal Year 2023-2024 Air District Proposed Budget for public review and testimony.

Final Action is expected to be taken at the conclusion of the second public hearing scheduled for June 7, 2023

Presentation Outline



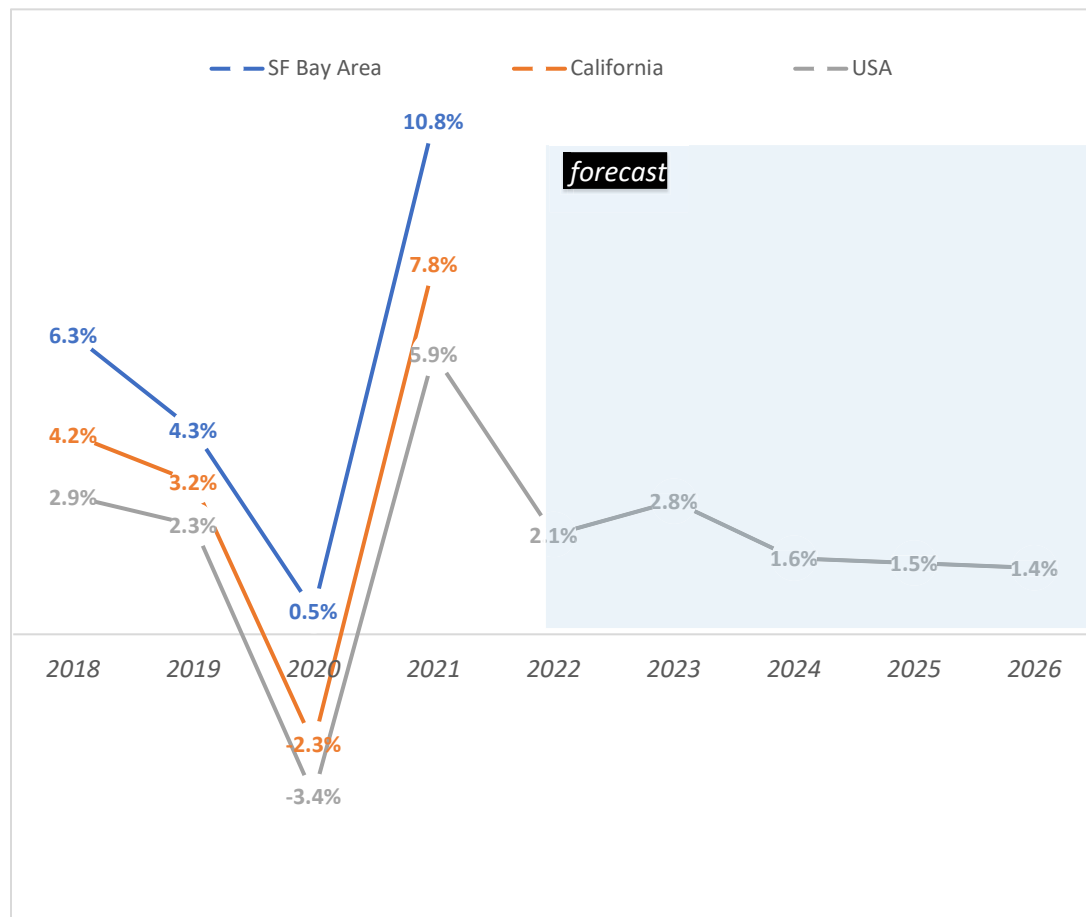
- Economic Outlook
 - Economic Outlook, Inflation, Labor Market
- Proposed Budget for Fiscal Year 2023-2024
 - Budget Schedule
 - Overview of current budget actions
 - Overview of the Proposed Budget

Requested Action



- Conduct first of two required Public Hearings on the Fiscal Year 2023-2024 Air District Proposed Budget for public review and testimony.

2023 Financial Plan – Economic Outlook

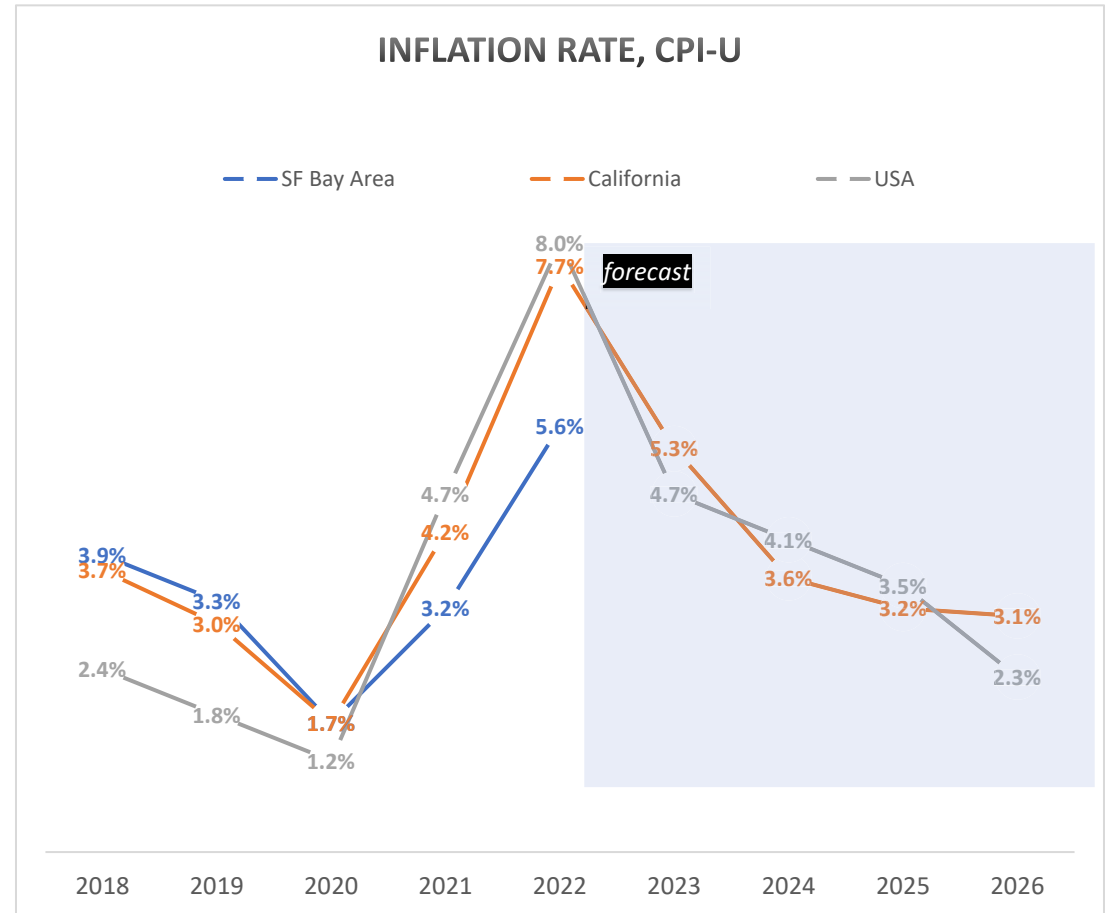


- Economic performance is expected to slow down in 2023-24 due to higher interest rates
- Both in California and in the Bay Area, the economy may be more impacted than the US on average due to remote work and high interest rates

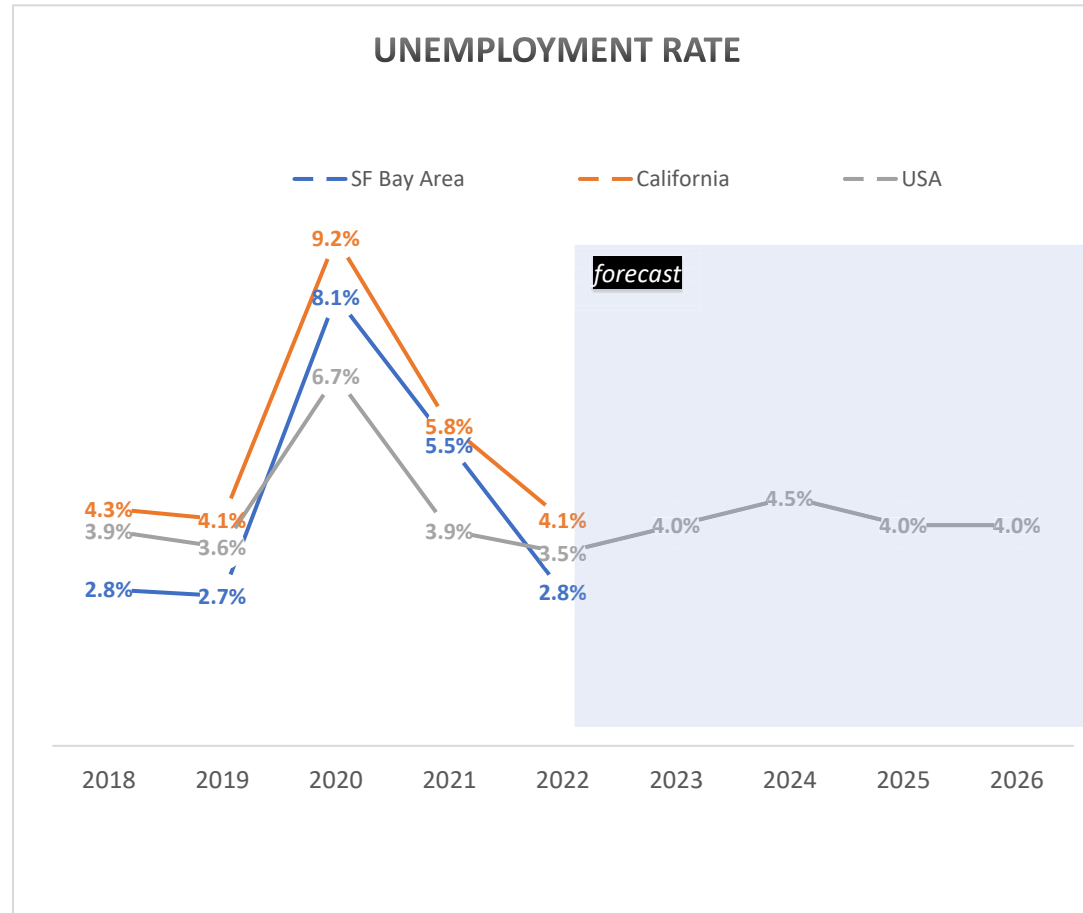
2023 Financial Plan - Inflation



- Inflation in the Bay Area was lower in 2022 than California or US annual averages
- US CPI is projected to remain elevated, as the Federal Reserve is fighting to bring it down to 2%
- Depressed economic activity in the Bay Area will likely lead to lower inflation



2023 Financial Plan – Labor Market



- Bay Area's pandemic jobs recovery rate has lagged both US and California's rates
- At present, unemployment rate in the Bay Area is close to historically low rates, at 2.8% average across the Bay Area
- Risks of rising technology sector unemployment as interest rates rise

Budget and Rule Development Schedule



Description	Date
Budget Advisory Group (BAG) meeting #1	February 3, 2023
Public workshop for Regulation 3 amendments	February 16, 2023
BAG meeting #2	March 13, 2023
Written workshop comments due	March 14, 2023
Finance and Administration Committee briefing	April 5, 2023
First public hearing on Regulation 3 to receive testimony	May 3, 2023
Finance and Administration Committee refers budget to the Board	May 3, 2023
First public hearing on budget to receive testimony	May 17, 2023
Written Public Hearing comments on Regulation 3 due	May 27, 2023
Second public hearing on budget and Regulation 3 to consider adoption	June 7, 2023
Budget and fee amendments effective, if adopted	July 1, 2023

Current Fiscal Year 2023 Budget Summary



Actions taken in the FY 2022-2023 Approved Budget:

- \$247 M Total Budget
- \$132 Million (M) General Fund Budget
- Includes Use of Reserves of \$ 4.7 M (\$3.7M JCS grants)
- Continuation of Cost Recovery Policy (up to 15% where applicable)
- New Fee for overburdened communities
- Staffing Level Increase: 445 to 465 Full Time Equivalent (FTE)
- Continuation of Funding Retirement Liabilities
- Includes 3.4% Cost of Living Adjustment (COLA)

Fiscal Year 2023-2024 Proposed Budget Summary



- \$ 267 M Consolidated Budget
- \$138 M General Fund Budget
- Includes Use of Reserves \$5.3 M for one-time costs
- Continuation of Cost Recovery Policy (up to 15% where applicable)
- Staffing Level (no increase): 465 Full Time Equivalent (FTE)
- Fund Retirement Liabilities consistent with funding policy
- Cost of Living Increase
- Vacancy Savings

FYE 2024 Total Budget - Overview



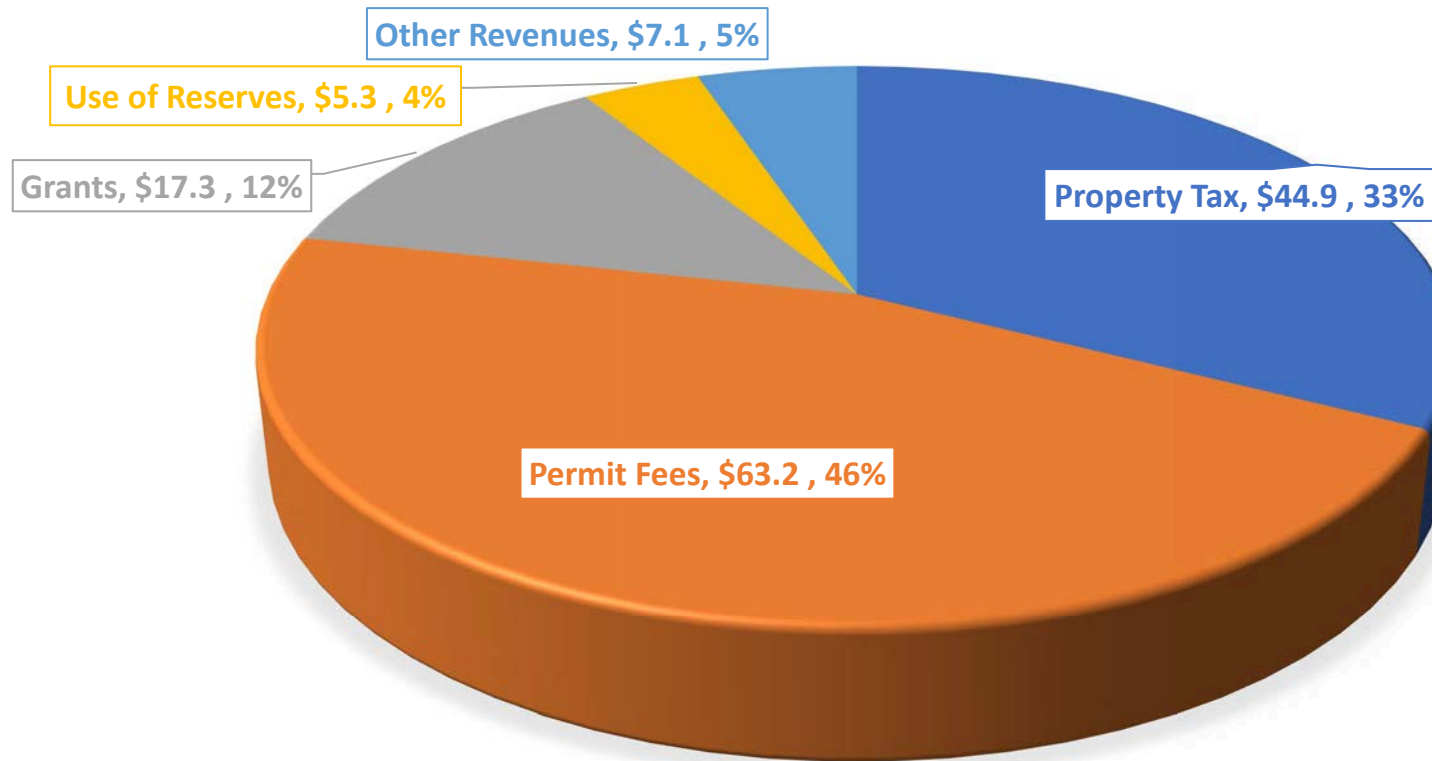
Consolidated Revenues and Expenditure by Major Categories – FYE 2024 Budget

REVENUES	GENERAL FUND	SPECIAL FUNDS	TOTAL FUNDS
County Revenue	44,876,500		44,876,500
Permits/Fees	63,192,045		63,192,045
Grant Revenues	13,459,045	129,037,057	142,496,102
Other Revenues	7,100,000		7,100,000
<u>Revenues Before Reimb & Tsfr</u>	<u>128,627,590</u>	<u>129,037,057</u>	<u>257,664,647</u>
Reimbursements Programs	2,539,276		2,539,276
Transfers In	1,302,772		1,302,772
Transfer from (to) Reserves	5,274,900		5,274,900
<u>TOTAL REVENUES</u>	<u>137,744,538</u>	<u>129,037,057</u>	<u>266,781,595</u>
EXPENDITURES			
Personnel & Benefits	88,460,177	8,146,194	96,606,371
Services & Supplies	41,006,096	10,814,978	51,821,074
Capital Expenditures & Other Financing Uses	6,789,376		6,789,376
<u>Expenditures Before Dist & Tsfr</u>	<u>136,255,649</u>	<u>18,961,172</u>	<u>155,216,821</u>
Program Distributions	1,300,000	108,962,000	110,262,000
Transfer Out	188,889	1,113,885	1,302,774
<u>TOTAL EXPENDITURES</u>	<u>137,744,538</u>	<u>129,037,057</u>	<u>266,781,595</u>

FY 2024 General Fund Budget – Revenues



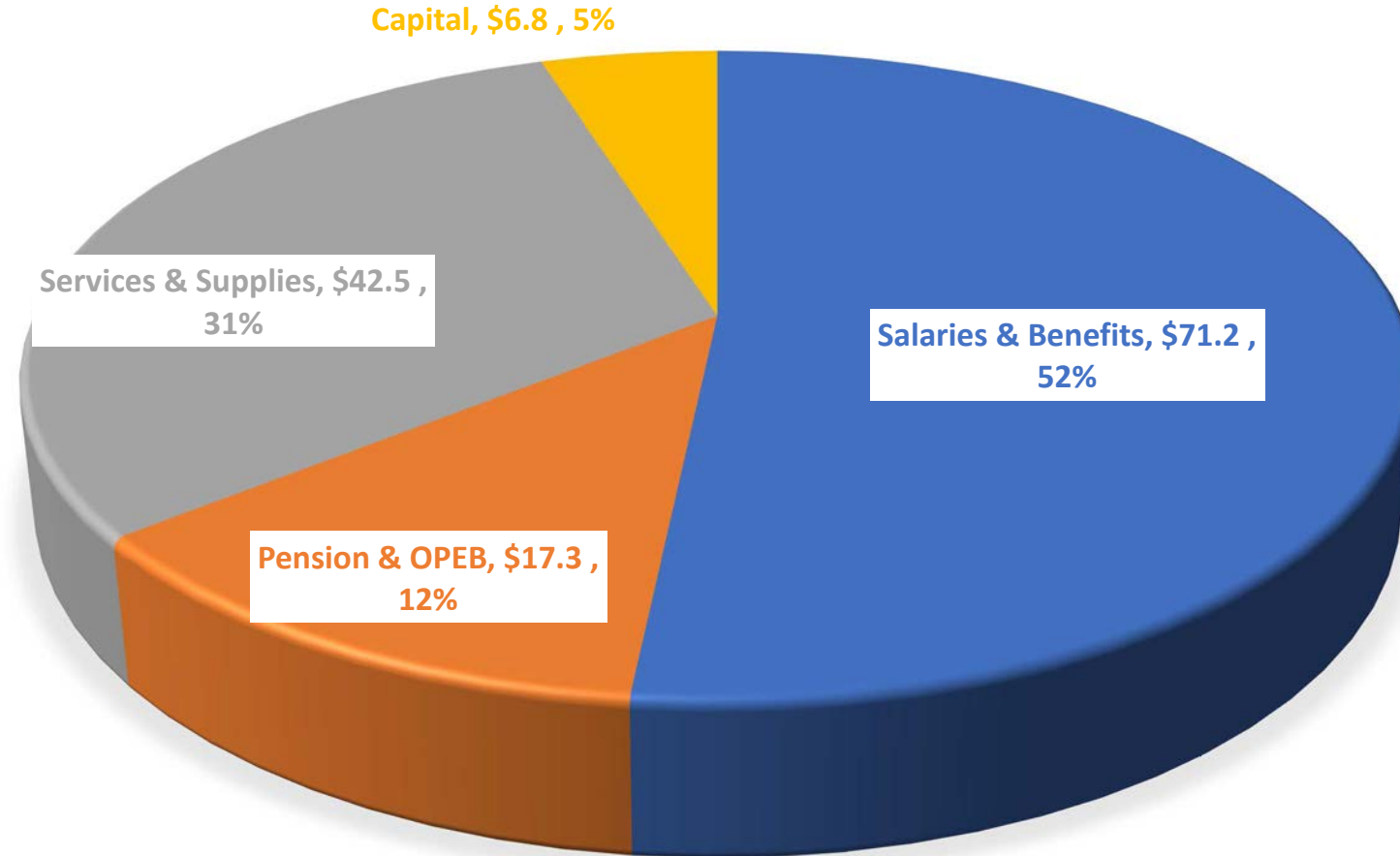
PROPOSED REVENUES (IN \$ MILLIONS)



FY 2024 General Fund Budget - Expenditures



PROPOSED BUDGET EXPENDITURES (IN \$ MILLIONS)



Breakdown of \$5.4 M Budget Increase



BUDGETED SOURCES:	\$ (Million)
Increase to property tax	2.7
Increase in other revenues	0.8
Total Ongoing Sources	3.5
Increase in grant revenues	1.3
Increase in use of reserves	0.6
Total One-time Sources	1.9
TOTAL BUDGETED SOURCES	5.4
BUDGETED COSTS:	\$ (Million)
Increase personnel costs	2.9
Increase in CalPERS pension payment	0.6
Increase in various District programs (61)	1.2
Total Ongoing Costs	4.7
Vacancy rate increasing from 6% to 7%	(1.4)
Increase in one-time services	1.6
Increase in grant & capital	0.5
Total One-time Costs	0.7
TOTAL BUDGETED COSTS	5.4

Capital Budget Detail



<u>Description</u>	<u>PGM</u>	<u>Amount</u>
One (1) Replacement and upgrades for aging air monitoring equipment	802	182,427
One (1) New equipment purchase for Schedule X equipment only	802	757,837
One (1) OC/EC with autosampler	803	115,000
One (1) Ion Chromatograph with autosampler	803	165,000
Three (3) Source Test Analyzers	804	55,500
One (1) PM Van Custom Equipment and Build Out	804	100,000
One (1) model T703U UV PHOTOMETRIC O3 CALIBRATOR	807	45,000
One (1) Optical Gas Imaging Camera	403	100,000
Phase 2 HQE build out for Meterology & Measurement staff	707	500,000
375 Beale Street network upgrade	709	500,000
Design & POC for IT Infrastructure Datacenter Refresh	726	400,000
Replacement of End-of-Life Network Components	726	500,000
Communication Equipment	726	150,000
Records Management Room HQE	712	100,000
Scanning station for Records Management Section	712	10,000
Public Permitting & Compliance Systems	125	3,108,613
Total Capital Expenditures		6,789,377

Funding of Retirement Liabilities



- **Medical Retirement (OPEB):**

- Obligation: \$73 M
- Funded: \$75 M
- Surplus: (\$2M)

- **Funding Policy:** 90% Funded Level

- Current Funding Level at 103%*
- **Redirect \$4 M Annual Discretionary Funding to CalPERS Pension after reaching target funding level**

- **CalPERS Retirement (Pension):**

- Obligation: \$382 M
- Funded: \$314 M
- Unfunded: \$ 68 M

- **Funding Policy:** 90% Funded Level

- Current Funding Level at 82%*
- \$1 M Annual Discretionary Funding
- \$4 M Redirect Discretionary Funding from OPEB

*Based on current actuarial valuation

Reserves Designations



General Fund Reserves (In Millions)	
Reserves Balance (June 30, 2022)	80.6
<u>Less Designations:</u>*	
AB617 Staffing Contingency	-7.7
Community Benefits	-3.0
Economic Contingency (20% of Budget)	-26.5
Incident Monitoring Program	-1.0
Limited Term Staffing Contingency	-1.0
Outside Counsel Litigation Support	-6.9
Pandemic Contingency	-2.0
Richmond Improvements (HQE)	-5.0
Technology Implementation Office	-3.4
Spare the Air Program	-2.0
Wildfire Mitigation	-1.0
Total Designations	-59.5
<u>Less Use of Reserves:</u>	
Use to Balance FY 2023 Budget	-4.7
FYE 2023 Transfers from Reserves	-7.3
Use to Balance FY 2024 Budget	-5.3
Total Use of Reserves	-17.3
AVAILABLE GENERAL FUND RESERVES	3.8
<i>*Designations subject to change at Board's Direction</i>	

Budget Adoption Steps



- May 5, 2023- 1st Public Hearing on the Proposed Fees
- May 17, 2023- 1st Public Hearing on Proposed Budget
- June 7, 2023 – 2nd Public Hearing and Adoption of the Proposed Fees and Proposed Budget

Budget Adoption Steps (cont.)



No requested action at this time. The Board will conduct Second Public Hearing for adoption of the FYE 2024 Proposed Budget on June 7, 2023.