



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 4

Proposed Budget for Fiscal Year 2023-2024 and Consideration to Recommend Adoption

**Finance and Administration Committee Meeting
May 3, 2023**

**Stephanie Osaze
Director of Finance
sosaze@baaqmd.gov**

Presentation Outcome



The Committee will consider recommended actions on the Fiscal Year 2023-2024 Proposed Budget.

Presentation Outline



- Proposed Budget for Fiscal Year 2023-2024
 - Overview of the Proposed Budget
 - Budget Schedule
 - Recommendation

Requested Action



The Committee will recommend that the Board of Directors:

1. Conduct Public Hearings on the Fiscal Year 2023-2024 Proposed Budget; and
2. Adopt the Fiscal Year 2023-2024 Proposed Budget

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)
- \$5 M to Fund Retirement Liabilities consistent with funding policy
- 3.5% Cost of Living Increase
- 6.9% Vacancy Savings

Proposed 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>	

Next Steps



- **May 3, 2023 - 1st Public Hearing on proposed fees**
- **May 3, 2023 - Committee refers proposed budget to the Board of Directors**
- **May 17, 2023 - 1st Public Hearing on proposed budget**
- **June 7, 2023 - 2nd Public Hearing and Adoption of the Proposed Fees and Budget**

Feedback Requested/Prompt



Request the Committee recommend that the Board of Directors:

1. Conduct Public Hearings on the Fiscal Year 2023-24
Proposed Budget; and
2. Adopt the Fiscal Year 2023-24 Proposed Budget

**FISCAL YEAR 2022
BAY AREA AIR QUALITY MANAGEMENT DISTRICT
PRESENTATION OF AUDIT RESULTS
TO THE
FINANCE AND ADMINISTRATION COMMITTEE**



May 3, 2023



Simpson & Simpson, LLP

AGENDA

- ❖ Auditor's Required Communication (SAS 114)
- ❖ Audit Results and Highlights of the Basic Financial Statements
- ❖ Audit Results and Highlights of the Single Audit
- ❖ Questions



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Auditor's Required Communications

SAS 114



1. *Our Responsibility under Generally Accepted Auditing Standards (GAAS)*

- ☐ Consider internal control to the extent necessary to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control
- ☐ Design and implement audit procedures based on our understanding of the District to gain reasonable, not absolute, assurance as to the absence of material misstatements in the financial statements
- ☐ Perform tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts
- ☐ Opine on financial statements based on our audit



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Auditor's Required Communications

SAS 114 (continued)



2. Significant Accounting Policies

- ☐ The District's significant accounting policies are described in Note 1 to the financial statements and are in accordance with generally accepted accounting principles and consistent with industry practices and standards.
- ☐ The District adopted provisions of Government Accounting Standards Board Statement No. 87, Leases (Footnote 1(n)). This resulted in the District recognizing lease assets and lease obligations amounting to \$3.2M and \$3.3M, respectively, as of June 30, 2022.
- ☐ All significant transactions have been recognized in the financial statements in the proper period.



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Auditor's Required Communications

SAS 114 (continued)



3. *Management Judgments and Accounting Estimates*

- ☐ Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ from management's current judgments.
- ☐ The most sensitive estimates affecting the financial statements were:
 - Useful life of capital assets used for depreciation.



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Auditor's Required Communications

SAS 114 (continued)



3. Management Judgments and Accounting Estimates (continued)

- Deferred outflows/inflows of resources, net pension liability, net OPEB liability/asset, pension expense, and OPEB expense are based on estimates that are prepared by the CalPERS actuary based on information provided by participating employers, and MacLeod Watts, Inc. based on information provided by management.
- ❑ We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.



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Auditor's Required Communications SAS 114 (continued)



4. Corrected Misstatements

We identified one misstatement which was corrected by management:

- \$12.6 million unrealized loss on the District's investment in the San Mateo County Investment Fund (County Pool) to reflect those investments at their fair value.

5. Uncorrected Misstatements

None.



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Auditor's Required Communications SAS 114 (continued)



6. No Disagreements or Difficulties with Management

- ☐ There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report on the District's financial statements, nor were there significant difficulties in dealing with management in performing our audit.

7. No Consultations with Other Accountants

- ☐ To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that was subject to the requirements of AU 625, *Reports on the Application of Accounting Principles*.



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Auditor's Required Communications

SAS 114 (continued)



8. *Management Representations*

- ☐ We have requested certain representations from management that are included in the management representation letter dated March 30, 2023.



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Audit Results and Highlights of the Basic Financial Statements



1. *Unmodified Opinion*

- ☐ Unmodified opinion with respect to the governmental activities and each major fund.

2. *Financial Highlights*

- ☐ Government-Wide Financial Statements
- ☐ Governmental Fund Financial Statements



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Audit Results and Highlights of the Basic Financial Statements (Continued)



2. Financial Highlights (continued)

A. Government-Wide Financial Statements

- ❑ Net position as of June 30, 2022, was \$252 million (excess of total assets plus deferred outflows over total liabilities plus deferred inflows), an increase of \$30.1 million due to decreased grant activities offset by an investment loss from market fluctuations related to the San Mateo County's investment pool.



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Audit Results and Highlights of the Basic Financial Statements (Continued)



2. Financial Highlights (continued)

B. Government Funds Financial Statements

- ❑ Governmental combined fund balances as of June 30, 2022, increased from last year by \$14.9 million to \$276.4 million. The increase in fund balance is due primarily to a reduction in grant activities offset by an investment loss from market fluctuations related to the San Mateo County's investment pool.
- ❑ The General Fund accounts for all the District's financial resources except those required to be accounted for in the Special Revenue Fund. The ending fund balance of \$106.2 million is carried over to the next fiscal year. Of this amount \$7.0 million was restricted, \$.5 million was nonspendable, \$48.1 million was assigned and the remaining \$50.6 million was unassigned.



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Audit Results and Highlights of the Single Audit



3. Government Auditing Standards Opinion

- Internal Control Over Financial Reporting
 - ☐ No material weaknesses
 - ☐ No significant deficiencies
- Compliance
 - ☐ No instances of noncompliance noted

4. OMB Uniform Guidance Audit Opinion-Unmodified

- Compliance & Internal Control Over Compliance
 - ☐ One type of noncompliance (significant deficiency)
 - F-2022-001 - Highway Planning and Construction (20.205) – Procurement and Suspension and Debarment.



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Audit Results and Highlights of the Single Audit (Continued)



5. Follow-up on Prior Year Findings

- None.

6. Areas Brought to Management's Attention

- The management letter is to provide observations during the audit in areas where the internal control procedures can be strengthened.
- The comments were discussed with the individual departments who have agreed to our recommendations and provided management responses for improvements.



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Questions & Answers



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Thank You



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 6

Third Quarter Financial Report Fiscal Year Ending (FYE) 2023

**Finance and Administration Committee Meeting
May 3, 2023**

Jun Pan
Manager, Finance Office
jpan@baaqmd.gov

Presentation Outcome



Provide a General Fund financial summary which covers the third quarter activities for the fiscal year ending June 30, 2023

Presentation Outline



General Fund Reporting on 3rd Quarter financial results (July 1, 2022 – Mar 31, 2023):

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

Presentation for Information Only



None - Informational Only. No action required.

3rd Quarter Results FYE 2023



Major Categories	FYE 2023 Budget	FYE 2023 Actual (as of 3/31/2023)	Percentage of Budgeted Revenues
County Receipts	\$42,197,180	\$26,106,148	62%
Permit Fees	\$46,413,911	\$39,688,774	86%
Title V Permit Fees	\$8,065,278	\$6,549,943	81%
Asbestos Fees	\$4,000,000	\$2,691,752	67%
Toxic Inventory Fees	\$1,659,680	\$1,111,591	67%
Community Health Impact	\$1,108,600	\$1,077,070	97%
Criteria Toxic Pollutant	\$1,219,460	\$1,331,600	109%
Penalties and Settlements	\$2,750,000	\$2,262,990	82%
Interest Revenue	\$1,000,000	\$1,347,377	135%
Total Revenues	\$108,414,109	\$82,167,244	76%

Revenue Comparison



Prior Year vs. Current Year

Major Categories	FYE 2022 (As of 3/31/2022)	FYE 2023 (As of 3/31/2023)	\$ DIFFERENCE
County Receipts	\$23,930,381	\$26,106,148	\$2,175,767
Permit Fee	\$33,488,666	\$39,688,774	\$6,200,107
Title V Permit Fees	\$6,156,708	\$6,549,943	\$393,235
Asbestos Fees	\$3,170,213	\$2,691,752	(\$478,461)
Toxic Inventory Fees	\$1,172,071	\$1,111,591	(\$60,480)
Community Health Impact	\$1,136,154	\$1,077,070	(\$59,084)
Criteria Toxic Pollutant	\$981,619	\$1,331,600	\$349,981
Penalties and Settlements	\$4,265,511	\$2,262,990	(\$2,002,521)
Interest Revenue	\$554,745	\$1,347,377	\$792,632
TOTAL REVENUES	\$74,856,069	\$82,167,244	\$7,311,175

3rd Quarter Results FYE 2023



General Fund - Expenditures

Major Categories	FYE 2023 Budget	FYE 2023 Actual (as of 3/31/2023)	Percentage of Budgeted Expenditures
* Personnel - Salaries	\$63,170,187	\$39,181,238	62%
* Personnel - Benefits	\$31,236,797	\$26,830,461	86%
Operational Services and Supplies	\$38,191,172	\$18,516,845	48%
Capital Outlay	\$6,562,177	\$2,442,254	37%
Total Expenditures	\$139,160,332	\$86,970,798	62%

*Consolidated includes Special Funds

Expenditure Comparison



Prior Year vs. Current Year

Major Categories	FYE 2022 (As of 3/31/2022)	FYE 2023 (As of 3/31/2023)	\$ DIFFERENCE
*Personnel - Salaries	\$38,232,802	\$39,181,238	\$948,436
*Personnel - Benefits	\$23,972,067	\$26,830,461	\$2,858,395
Operational Services and Supplies	\$18,840,333	\$18,516,845	(\$323,488)
Capital Outlay	\$2,186,648	\$2,442,254	\$255,605
TOTAL EXPENDITURES	\$83,231,850	\$86,970,798	3,738,948

*Consolidated includes Special Funds

3rd Quarter Results FYE 2023

Investments



Cash and Investments with County Treasury: (Based on March 2023 Account Balance)

General Fund	\$108,844,331
TFCA	\$121,004,847
MSIF	\$63,023,808
Carl Moyer	\$85,959,387
CA Goods Movement	\$23,541,686
AQ Projects	\$2,702,247
Vehicles Mitigation	\$26,076,911
TOTAL	<u>\$431,153,217</u>

Fund Balance and Outstanding Liabilities



FUND BALANCES	6/30/2021 Audited	6/30/2022 Audited	6/30/2023 Projected
DESIGNATED: *			
AB617 Staffing Contingency		7,679,746	7,679,746
Community Benefits		3,000,000	3,000,000
Economic Contingency	21,294,922	23,303,025	25,500,741
Outside Counsel Litigation Support		3,000,000	1,880,000
Pandemic Contingency		4,000,000	4,000,000
Pension Liability	4,000,000	5,000,000	
Richmond Improvement (HQE)		5,000,000	5,000,000
Technology Implementation Office	3,350,000	3,350,000	3,350,000
Wildfire Mitigation	1,000,000	2,000,000	1,000,000
TOTAL DESIGNATED	\$29,644,922	\$56,332,771	\$51,410,487
UNDESIGNATED	34,385,565	24,282,683	17,114,967
TOTAL DESIGNATED & UNDESIGNATED	\$64,030,487	\$80,615,454	\$68,525,454
TOTAL FUND BALANCE	\$64,030,487	\$80,615,454	\$68,525,454
* Designated Fund Balances are subject to change at Board's discretion.			
ESTIMATED OUTSTANDING LIABILITIES			
CalPERS Pension Retirement			68,298,398
Certificate of Participation Notes			22,770,330
TOTAL ESTIMATED OUTSTANDING LIABILITIES			\$91,068,728

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 2023 Vendor Payments



Quarterly Vendor Payment Report per Section II-3 4.3 of the Administrative Code

	VENDOR NAME	AMOUNT PAID (July 2022 - March 2023)	Explanation
1	AAA Business Supplies	\$139,769	Janitorial, Stationary, Office Supplies
2	Alliant Insurance Services	\$803,393	Various Business Insurance Policies
3	Bay Area Headquarters Authority	\$2,569,617	Shared Services & Common Areas
4	Benefits Coordinators Corp.	\$1,479,071	Life Insurance Plan & LTD Insurance
5	CA Public Employee Retirement System (Heath)	\$6,981,769	Health Insurance Plan
6	CA Public Employee Retirement System (Retirement)	\$6,563,795	Retirement Benefits & 457 Supplemental Plan
7	Ceridian Corp	\$178,132	Payroll Services
8	Comcast Cable	\$136,999	Communication Internet
9	Cubic Transportation Systems	\$323,296	Clipper Transit Subsidy
10	Denovo Ventures, LLC	\$146,324	Financial System Cloud Hosting Services
11	Enterprise Fleet Services	\$369,427	Fleet Leasing and Maintenance services
12	P & A Administrative Services	\$237,598	Flexible Spending & Cobra Benefit Services
13	PG & E	\$167,627	Utilities
14	Robert Half	\$548,840	Temporary Staffing Services
15	Sloan Sakai Yeung & Wong LLP	\$106,023	Professional Services
16	Verizon Wireless	\$181,053	Cell Phone Services
17	Wang Brothers Investment	\$399,713	Richmond Site Lease
18	Wex Fleet	\$119,402	Fleet Fuel Purchase

Feedback Requested/Prompt



No action needed