



First Public Hearing on the Proposed Fiscal Year 2025- 2026 Budget

Board of Directors Special Meeting Budget Hearing

May 7, 2025

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Deputy Executive Officer of Finance and Administration

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Presentation Outline

- Background
- Budget & Fee Regulation Schedule
- Budget Highlights
- Overview of the Proposed Budget by Service Areas
- Staffing Recommendations
- Sponsorship Report
- Next Steps

Background

March 19, 2025 - Finance and Administration Committee discussed the proposed budget and referred the budget to the full Board of Directors (Board) for consideration.

The Board is required to conduct two public hearings for public review and testimony.

Final action is expected at the conclusion of the second public hearing scheduled for June 4, 2025.

Budget & Fee Regulation Schedule

Description	Date
Finance and Administration Committee briefing – Cost Recovery Strategy	December 18, 2024
Public workshop for Fee Regulation amendments	February 14, 2025
Written workshop comments on Fee Regulation due	March 17, 2025
Finance and Administration Committee briefing	March 19, 2025
Community Workshop on Budget and Fee Regulation	April 10, 2025
Public hearings on budget & fee amendments to receive testimony	May 7, 2025
Written public hearing comments on proposed Fee Regulation due	May 16, 2025
Public hearing to consider adoption of budget and amendments to 16 fee schedules	June 4, 2025
Budget and amendments to 16 fee schedules effective, if adopted	July 1, 2025
Public hearing to consider adoption of amendments to 2 fee schedules	July 2, 2025

Community Budget Workshop



WHEN: Thursday
April 10, 6pm

WHERE: Virtual Webinar
[Register Here](#)

AGENDA HIGHLIGHTS:

- Overview of the Proposed Budget for Fiscal Year (FY) 2025-2026
- Fee Regulation Amendments

WHY ATTEND?

- Gain insight into the Air District's programs and funding sources
- Learn about proposed fee regulation amendments
- Share your input and ask questions

We look forward to your participation!

For more information on the fee amendments and proposed budget:

- FY 2025-26 Budget in Brief
- FY 2025-26 Proposed Fees

Learn more at baaqmd.gov
[f](#) [t](#) [i](#) [x](#) @bayareaairdistrict

- Posted on Air District's website and across all social media platforms to maximize visibility
- Approximately 19 participants

Feedback/questions:

1. More community monitoring
2. Audits of fence-line data
3. Increase staffing capacity for rule making
4. Community partnership and engagement projects

Budget Highlights

The Proposed Budget was developed with the following goals:

- Alignment with the Air District's 2024-2029 Strategic Plan and advance the Board priorities for Fiscal Year (FY) 2025-2026
- Cost savings and strategic investments to ensure resources are deployed effectively to improve air quality, enhance public health, and foster stronger community partnerships
- Enhancing accountability and transparency by linking program funding to the Strategic Plan goals
- Refining the Air District organizational structure, creating the Information Management Service Area

Financial Forecast

Five Year Forecast General Fund	FYE 2026 Projected	FYE 2027 Projected	FYE 2028 Projected	FYE 2029 Projected	FYE 2030 Projected
REVENUE					
Property Tax	47,568,000	48,995,040	49,974,941	50,974,440	51,993,928
Permits/Fees	68,713,141	74,151,256	81,465,186	89,888,975	99,589,302
Grant Revenues	7,608,379	2,918,212	2,947,394	2,976,868	3,006,637
AB617 Funding	10,853,754	10,380,132	10,603,889	10,427,311	9,801,031
Other Revenue	11,750,787	11,250,787	10,750,787	9,719,028	9,203,075
Transfer in - Special Funds	2,102,369	2,144,416	2,187,305	2,231,051	2,275,672
TOTAL REVENUE	148,596,430	149,839,844	157,929,502	166,217,672	175,869,645
(Use of)/Transfer to Reserve	(13,114,901)	(5,442,838)	(1,138,757)	2,139,352	10,347,418
(Use of) Community Benefit Fund	(3,302,126)	(3,378,000)	(2,831,000)		
EXPENDITURE					
Personnel	110,298,076	113,693,668	116,163,504	117,956,450	118,496,520
Services & Supplies	48,237,965	39,622,259	40,396,105	41,185,427	41,990,535
Capital	6,477,416	5,344,755	5,339,650	4,936,443	5,035,172
TOTAL EXPENDITURE	165,013,457	158,660,683	161,899,259	164,078,320	165,522,227
GENERAL FUND RESERVES					
Beginning Balance	101,445,339	88,330,438	82,887,599	81,748,842	83,888,194
(Use of)/Transfer to Reserve	(13,114,901)	(5,442,838)	(1,138,757)	2,139,352	10,347,418
Ending Balance	88,330,438	82,887,599	81,748,842	83,888,194	94,235,612
(Use of) Community Benefit Fund	(3,302,126)	(3,378,000)	(2,831,000)		
25% Minimum Reserve Policy	40,467,000	38,879,000	39,688,000	40,233,000	40,594,000

FYE = Fiscal Year End
AB = Assembly Bill

Financial Forecast (cont.)

Key Expenditure Assumptions

Personnel costs do not assume any new staffing beyond 523, which includes additional 23 Full-Time Equivalent (FTE). A 2% annual general wage adjustment is also projected for the forecast period.

- 8% vacancy rate in 2028, gradually decreasing to 7%, in 2029

Services and Supplies costs are projected to drop in 2026 to adjust for one-time costs and remain stable, with an inflationary increase of approximately 2-3% for 2027-30.

Capital Expenditures are expected to drop in 2027 to adjust for one-time capital needs and remain level in 2028-2030, with only an inflationary increase.

General Fund Reserves are expected to stay above the minimum policy level.

Key Revenue Assumptions

Property Tax revenues is expected to grow at approximately 2-3%

Permit Fee revenues will continue to follow the Air District's cost recovery policy to 100%. Revenue is expected to grow approximately 8 to 10% during the forecast period. The projected cost recovery at the end of the forecast period is above 85%.

Grant Revenues in the General Fund are expected to drop in 2027 to adjust for one-time federal grant funding and remain stable through the forecast period.

AB 617 funding of \$9 million annually is expected to continue through the forecast period. Remaining prior year grant balance will continue to support the program and is anticipated to be fully liquidated during the appropriate grant period.

Other Revenues mainly account for penalties, state subvention, and interest income. These revenues are expected to remain stable. Revenues to support the facility funded limited term contract positions are projected through the FYE 2029.

Cost Recovery Overview

- Air District has authority to assess fees to recover cost of its regulatory activities
- By law, we are limited to increasing permit fees to their true cost rate.
- In December 2022, the Board set a goal of 100% cost recovery
- Proposed Budget includes the continuation of cost recovery policy (up to 15% where applicable)
- In December 2024, Finance & Administration Committee conducted a review of the existing cost recovery policy and directed staff to retain the policy with no modification

Budget Summary-Ongoing Investments

\$312 million (M) Consolidated Budget, includes \$165M General Fund Budget

Ongoing investments from reserves (approved in FY 2024-2025) include:

- \$1.8M staffing investment to support 8 FTE, reduction of \$1.4M from the initial 14 FTE requested in FY 2024-2025 budget
- \$1.5M from designated Schedule X reserves to support the Refinery Community Air Monitoring Program
- \$600 thousand (K) transfer from Limited Term Contract Employee (LTCE) staffing reserve designation to support existing 3 LTCE positions

Budget Summary- New Investments

New investment from reserves includes:

- \$8.4M for one-time services and capital costs
- \$800K from LTCE staffing designation to support 4 new LTCE positions

8% Vacancy Savings

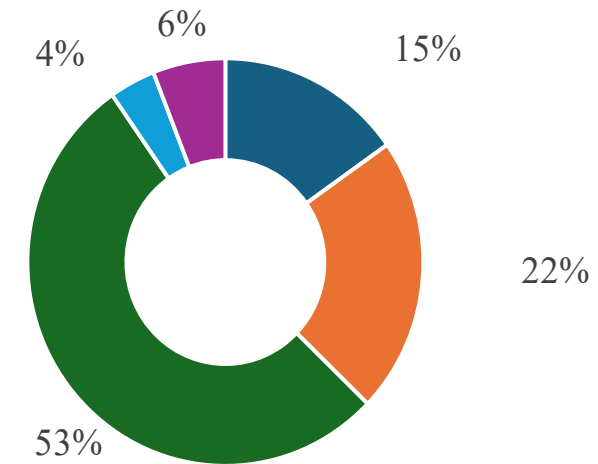
2% Estimated increase to support employee salaries and benefits

Continued discretionary contributions to prefund Pension Trust

FY 2025-2026 All Funds Budget by Revenue and Expense Type

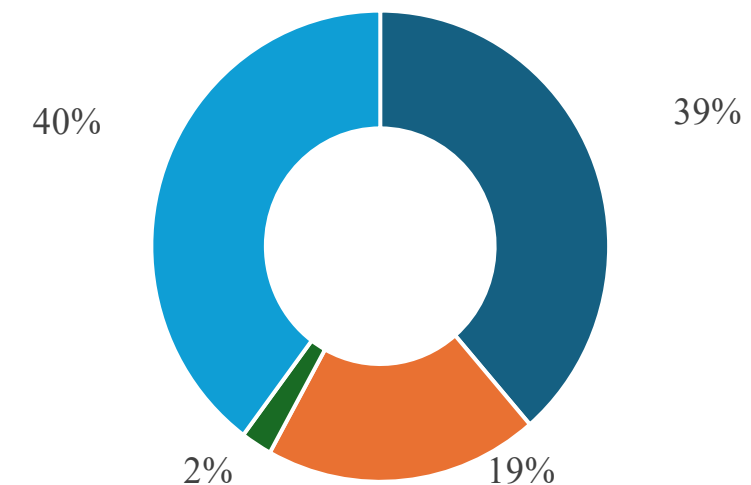
Revenue

Property Taxes	\$47.6	15%
Permits/Fees	\$68.7	22%
Grants	\$165.7	53%
Other Revenue	\$11.8	4%
Transfer From Reserves	\$18.5	6%
Total Revenue	\$312.3	



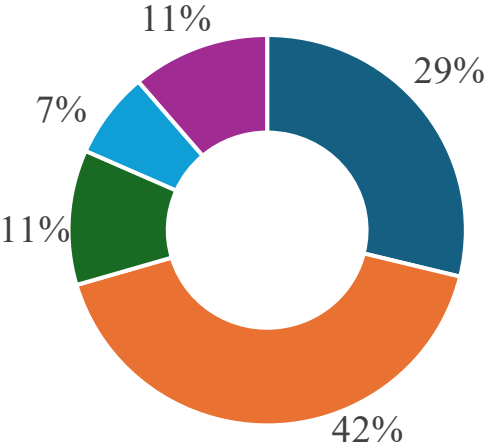
Expenditure

Salaries & Benefits	\$120.7	39%
Services & Supplies	\$60.4	19%
Capital	\$6.9	2%
Distributions & Transfers	\$124.2	40%
Total Expenditure	\$312.3	

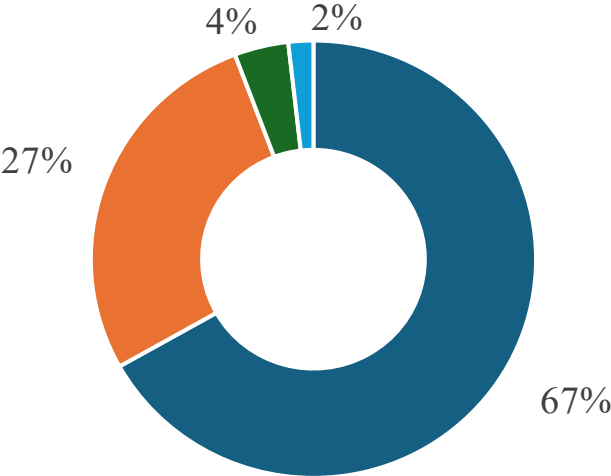


FY 2025-2026 General Fund Budget by Type

Revenue	(\$ Millions)	
Property Taxes	\$47.6	29%
Permits/Fees	\$68.7	42%
Grants	\$18.5	11%
Other Revenue	\$11.8	7%
Reserve & Transfer In	\$18.5	11%
Total Revenue	\$165.0	



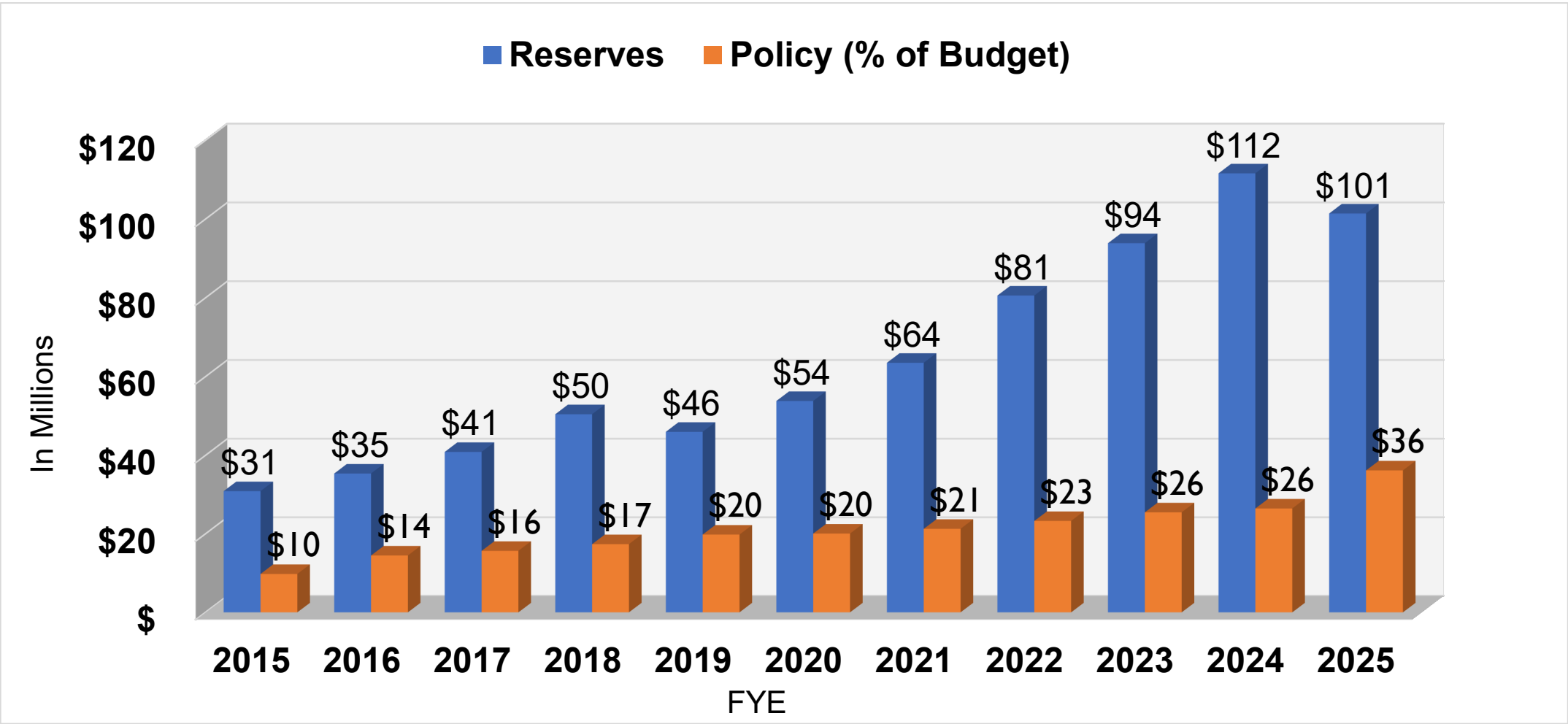
Expenditure	(\$ Millions)	
Salaries & Benefits	\$110.3	67%
Services & Supplies	\$45.2	27%
Capital	\$6.5	4%
Distributions & Transfers	\$3.0	2%
Total Expenditure	\$165.0	



General Fund Reserve Policy Overview

- Last year, the Finance and Administration Committee recommended, and the Board formally adopted a policy on May 1, 2024
- Policy established a range for reserves based on an analysis of the types of risks
- Reserve policy range is 25% - 35% of the General Fund operating Budget
- FY 2025-2026 proposed economic contingency reserve remains at the 25% minimum amount, similar to this year

General Fund Reserves Trend



**Reserve
Policy as a %
of the General
Fund Budget:**

- 20% in 2017
- 25% in 2025

FY 2025-2026 General Fund Reserve Designations

General Fund Reserves (In Millions)	
	FY 2025-2026
Projected Reserves Balance (June 30, 2025)	101.4
Contingency Designations*:	
Assembly Bill 617 Staffing Contingency	9
Economic Contingency (25% of Budget)	40.2
Federal Grant Contingency	7.7
Litigation Support Contingency	3.7
	60.6
Long -Term Commitment Designations*:	
Community Benefits	3
Limited Term Contract Employee (LTCE) Staffing	2.9
Schedule X - Capital	1.1
Schedule X - Operating	4
Technology Implementation Office	2.9
	13.9
Other Designations *	
Appliance Rule Outreach	2.5
Building Improvements (Headquarters East & West)	3
Incident Monitoring Program	1
One-Time Professional Services	2
Prefund Pension Trust	4
Wildfire Mitigation	0.3
Woodsmoke (Enforcement)	0.5
Woodsmoke Program (Strategic Incentives)	0.5
	13.8

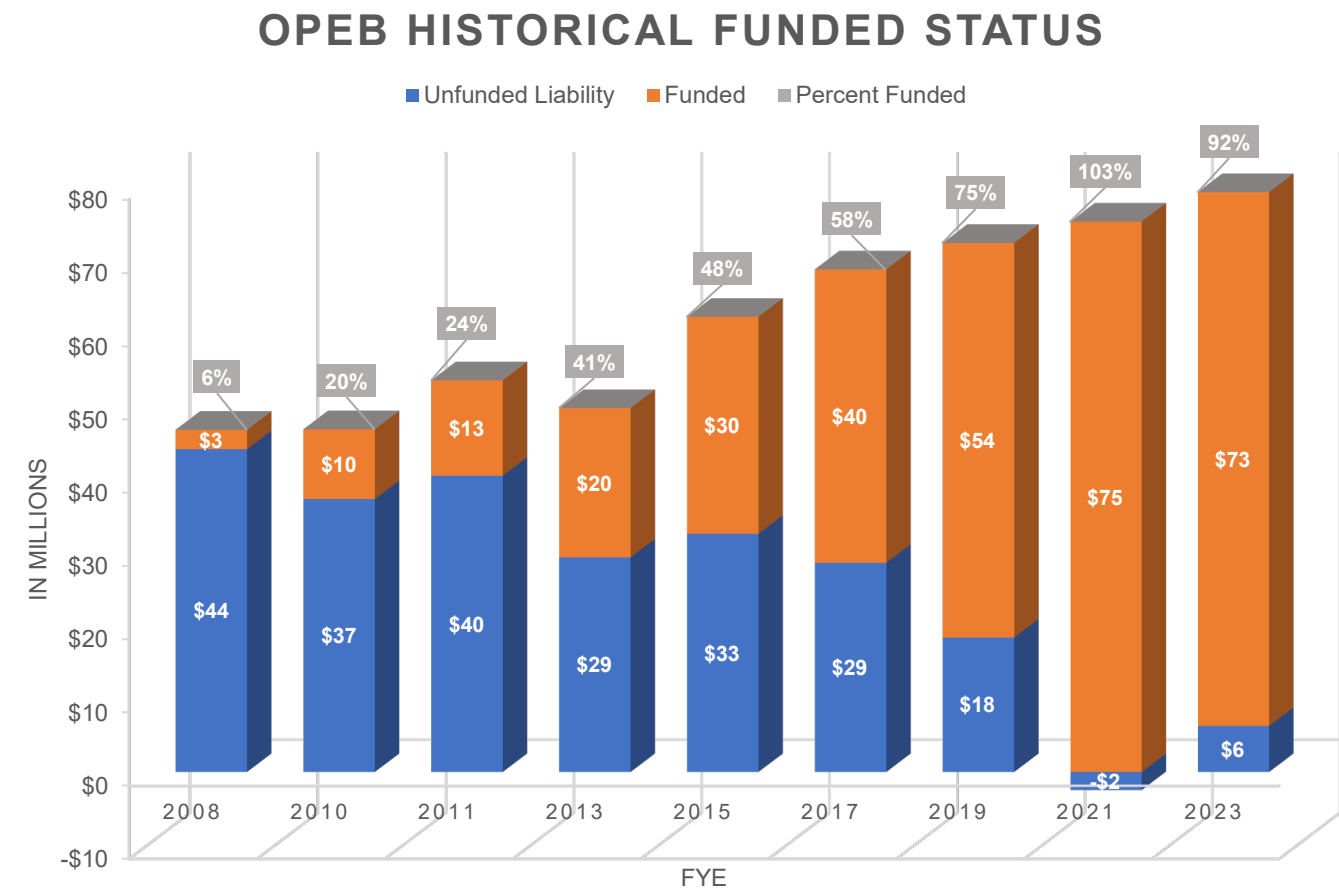
General Fund Reserves (In Millions)	
	FY 2025-2026
Use of Reserves to Balance the FY 2026 Budget:	
<i>Ongoing Investments:</i>	
Short Term Staffing Investment (8 from 14)	1.8
3 Limited Term Contract Employee (LTCE) Staffing	0.6
Schedule X Capital and Operating costs	1.5
	3.9
<i>New Investments:</i>	
4 Limited Term Contract Employee (LTCE) Staffing	0.8
One-time capital & service cost	8.4
	9.2
AVAILABLE GENERAL FUND RESERVES	0.0
COMMUNITY BENEFIT FUND - ADMIN PORTION	
	FY 2025-2026
Available funding (9%)	9.5
Staffing cost for 5 FTE and 3 LTCE	2.2
Service cost	1.1
	3.3
ENDING BALANCE	6.2

*Designations are subject to change at Board of Directors discretion.

Following discussion by the Finance & Administration Committee, Staff is proposing a \$4M allocation from Reserves to increase the discretionary contribution to the Pension Trust.

Medical Retiree Plan Funding Status/Policy

- **Medical Retirement –Other Post Employment Benefit (OPEB)**
 - Obligation: \$79 M
 - Funded: \$73 M
 - Unfunded: \$6 M
- **Funding Policy: 90% Funded Level**
 - Current Funding Level at 92%*
 - Redirect \$4 M Annual Discretionary Funding to CalPERS (California Public Employees' Retirement System) Pension after reaching target funding level



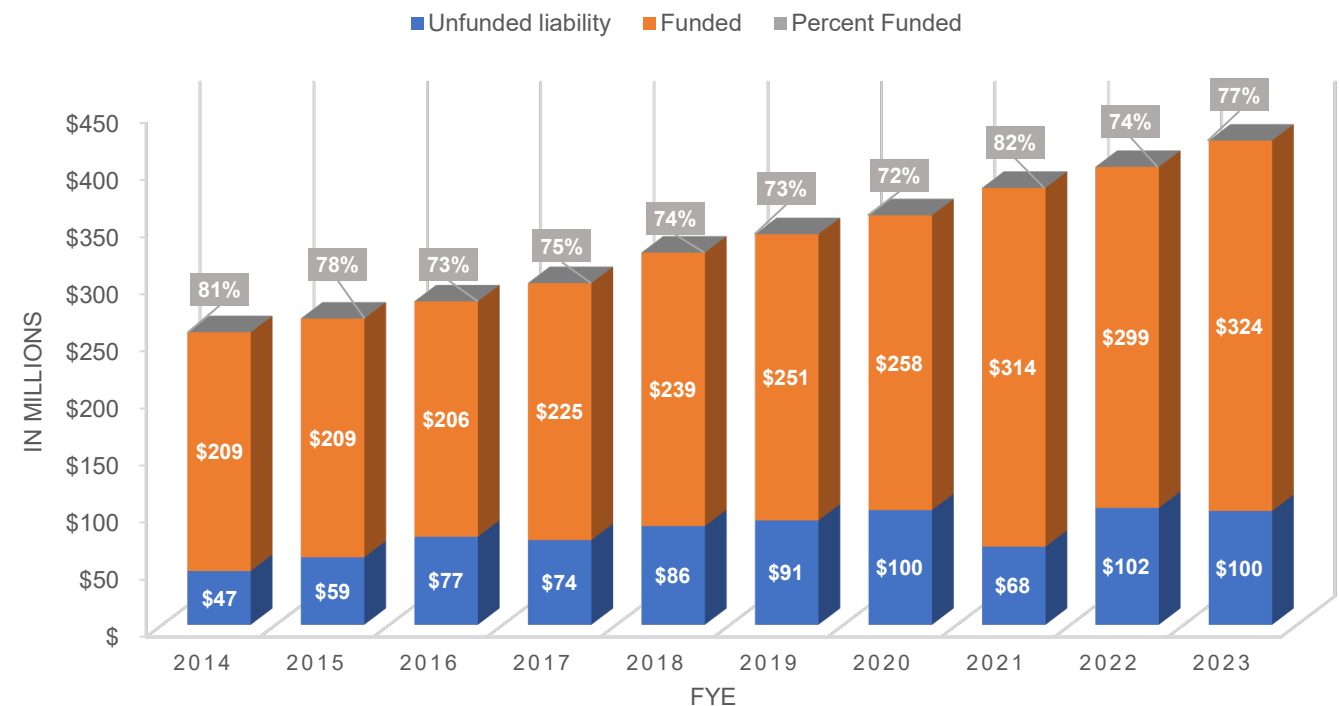
Total contributions to the Trust from 2008 to date = \$44 M
Total net investment earnings to date = \$29 M

Pension Plan Funding Status/Policy

- **CalPERS (Pension):**
 - Obligation: \$424 M
 - Funded: \$303 M
 - Unfunded: \$121 M
 - Prefund Trust: \$21 M*
- **Funding Policy: 90% Funded Level**
 - Current Funding Level at 77%**
 - \$1 M Annual Discretionary Funding
 - \$4 M Redirect Discretionary Funding from OPEB
- **Recommendation:** Allocate a total of \$9M (\$5 M plus an additional \$4 M from Reserves) to Prefund the California Employers' Pension Prefunding Trust (CEPPT)

** includes investment in California Employers' Pension Prefunding Trust

CALPERS FUNDED STATUS

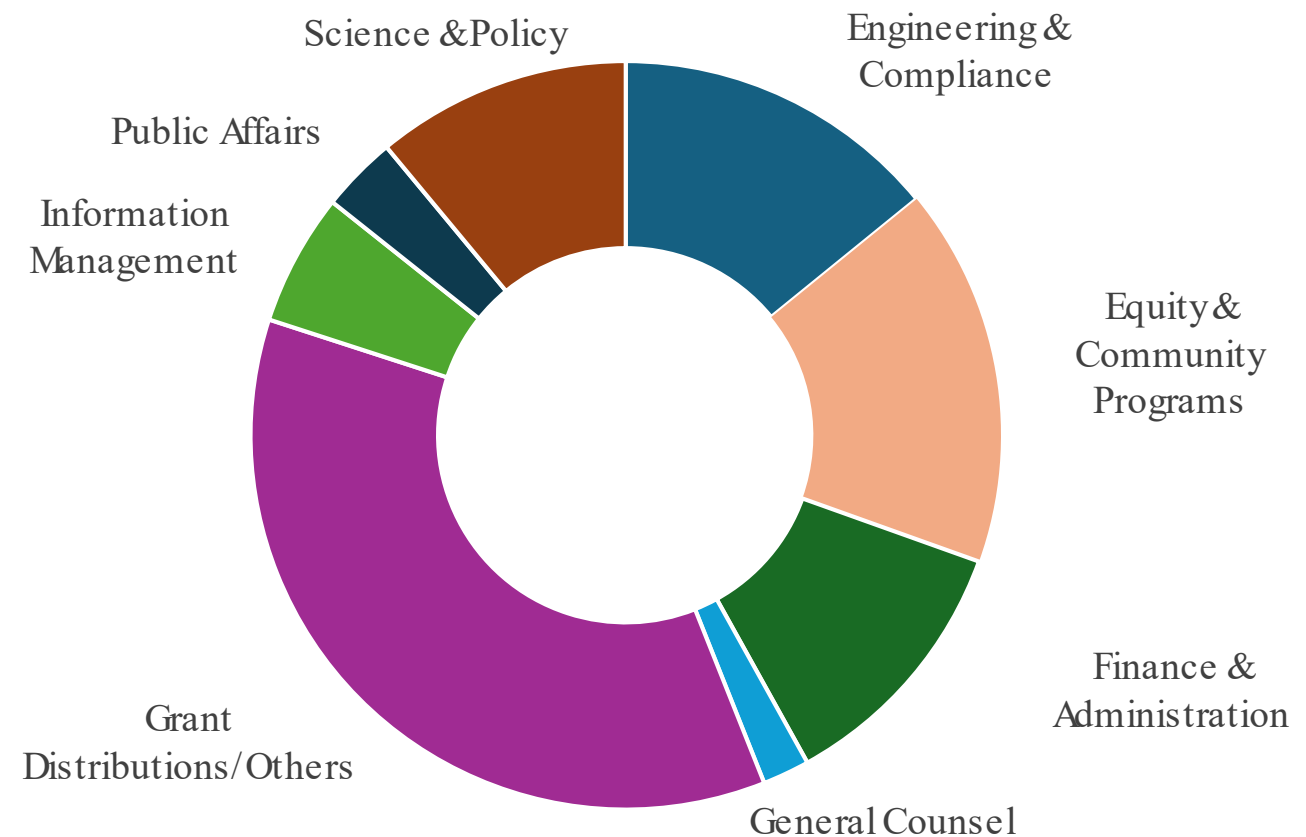


***CEPPT ACCOUNT SUMMARY**

- Total contributions to the Trust from 2023 to date = \$20 M
- Total net investment earnings to date = \$1.4M

FY 2025-2026 Budget by Service Area

Expenditures		
Engineering & Compliance	\$44.1	14%
Equity & Community Programs	\$51.1	16%
Finance & Administration	\$35.8	11%
General Counsel	\$6.3	2%
Grant Distributions/Others	\$112.5	36%
Information Management	\$17.8	6%
Public Affairs	\$10.3	3%
Science & Policy	\$34.4	11%
Total	\$312.3	



Air District Staffing Overview

Continuation of funding from reserves for 8 FTEs down from 14 FTEs in FY 2024-2025 and 3 LTCEs previously approved in the FY 2024-2025 budget to bolster critical programs and service delivery.

Funding for 23 new FTE and 6 LTCE positions to support Strategic Plan goals with a focus on environmental justice, community engagement, and outreach.

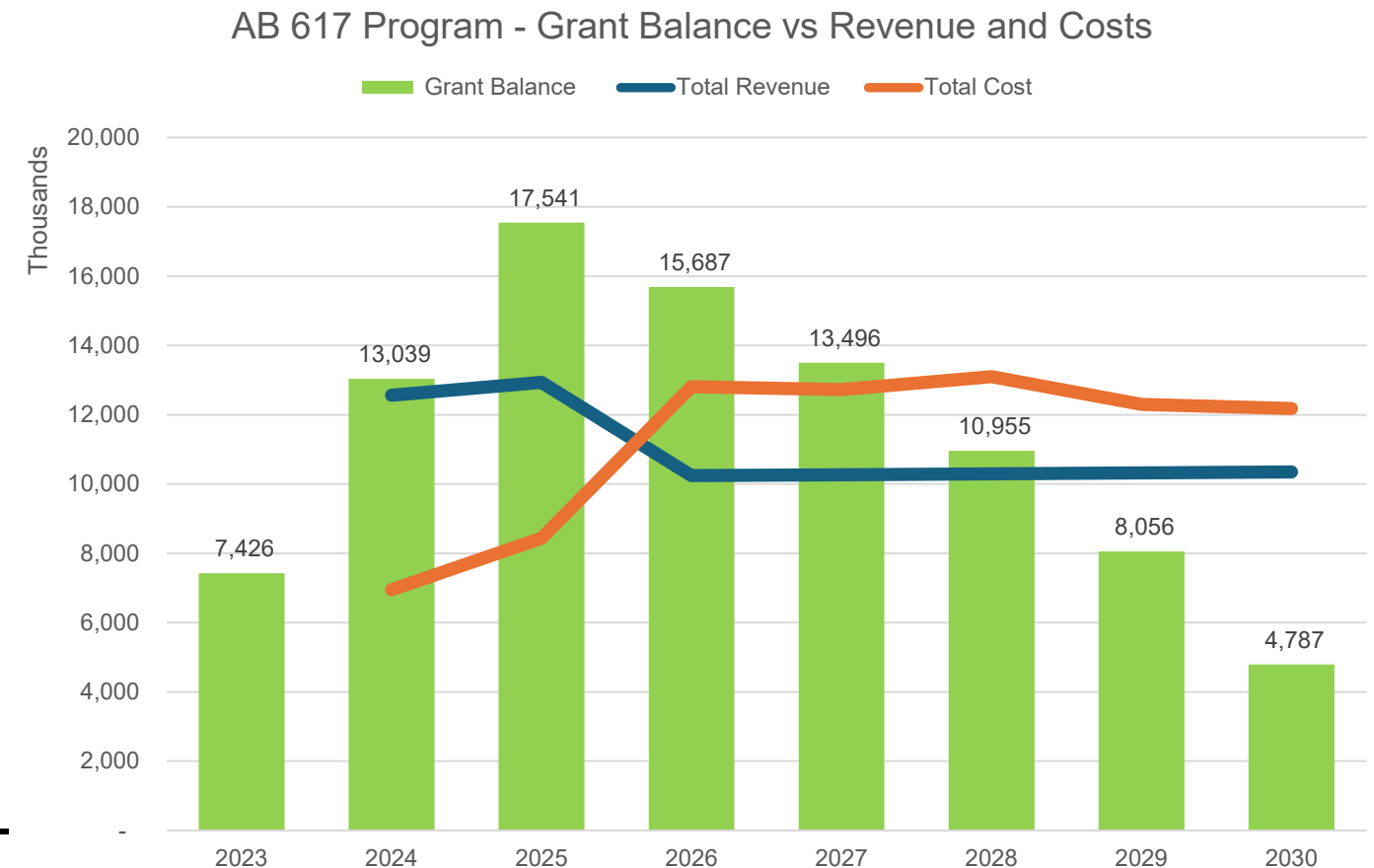
Air District Staffing Overview (cont.)

These positions are supported by:

- AB 617 Implementation Grant Funds - 5 FTEs
- Up to 9% administrative costs from the Community Benefit Funds allocation - 5 FTEs
- An increase in the CAP Incentive Program administrative limit from 6.25% to 12.5% - 7 FTEs
- Shifting of professional services to support staffing & efficiency - 4 FTEs
- Additional cost savings to support 4 FTEs
- Facility funded pilot program to support 2 LTCEs
- Additional investment to the LTCE Designation Reserves to support 4 new LTCEs

AB 617 Grant Funding

- Annual grant revenue was \$11M in both 2024 and 2025; increasing the grant balance projection to approximately \$17.5M in 2025
- Grant funding allows for adding 5 new positions covered by the projected grant balance and \$9M in annual grant revenue for the next 5 years
- Approval of new positions will increase annual cost beyond the annual revenue, but provides for the spend down of the grant balance to align with liquidation deadlines
- Long-term revenue and cost will be aligned long-term through LTCE attrition and contract savings



AB 617 Staffing Requested

Division	New FTE	Annual Cost *	Justification
Environmental Justice	3	\$605,015	Grant management, Support Bayview Hunters Point (BVHP) & Richmond-San Pablo
Planning	1	\$212,180	Support Bayview Hunters Point (BVHP)
Communications	1	\$180,655	Communications for Community Steering Committee

*Annual Cost includes salary, benefits and payroll taxes.

Total \$977,850

Community Benefit Fund

As of December 2024		In Millions	
Penalty Amount (Policy to Date)	Total		
General Fund	\$7.0		
Community Benefit Fund	\$105.2	<u>Admin Fund</u>	<u>Project Fund</u>
Local Benefit	\$82.9	\$9.5	\$95.7
Regional Benefit	\$22.3	\$7.5	\$75.4
		\$2.0	\$20.3

Includes large fines:

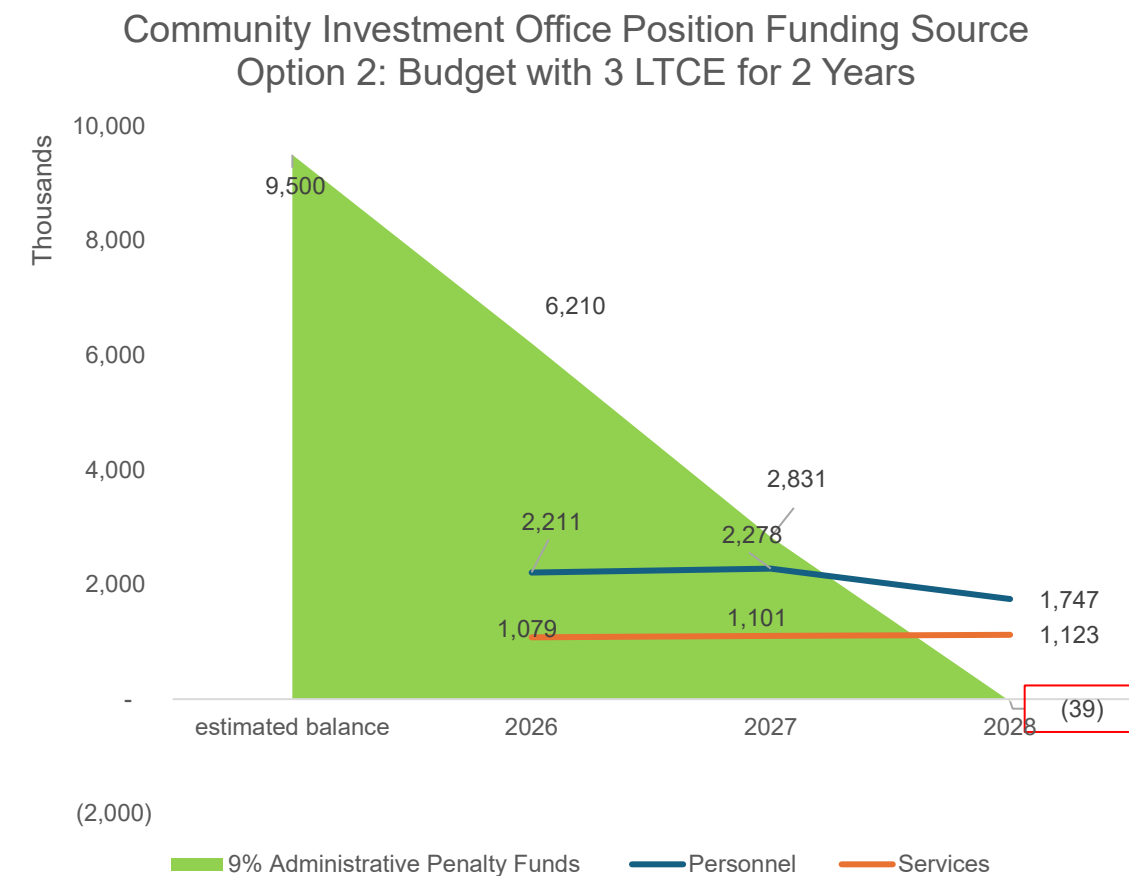
- \$20M Chevron
- \$82M Valero
- \$5M Tesoro

Community Benefit Administrative Funding

- Up to 9% allocated as administrative funds to support the program
- 3 new FTE will increase staffing to 5 FTE and 3 LTCE

Assumption:

- With no additional funding, \$9.5M in administrative funds can support the program for approximately 3 years
- Duration of the 3 LTCE positions are subject to available funding



Community Benefit Administrative - Staffing

Division	New FTE	Annual Cost	Justification
Community Investments	2	\$448,768	Implement Program, Grant management
Communications	1	\$180,655	Communications support

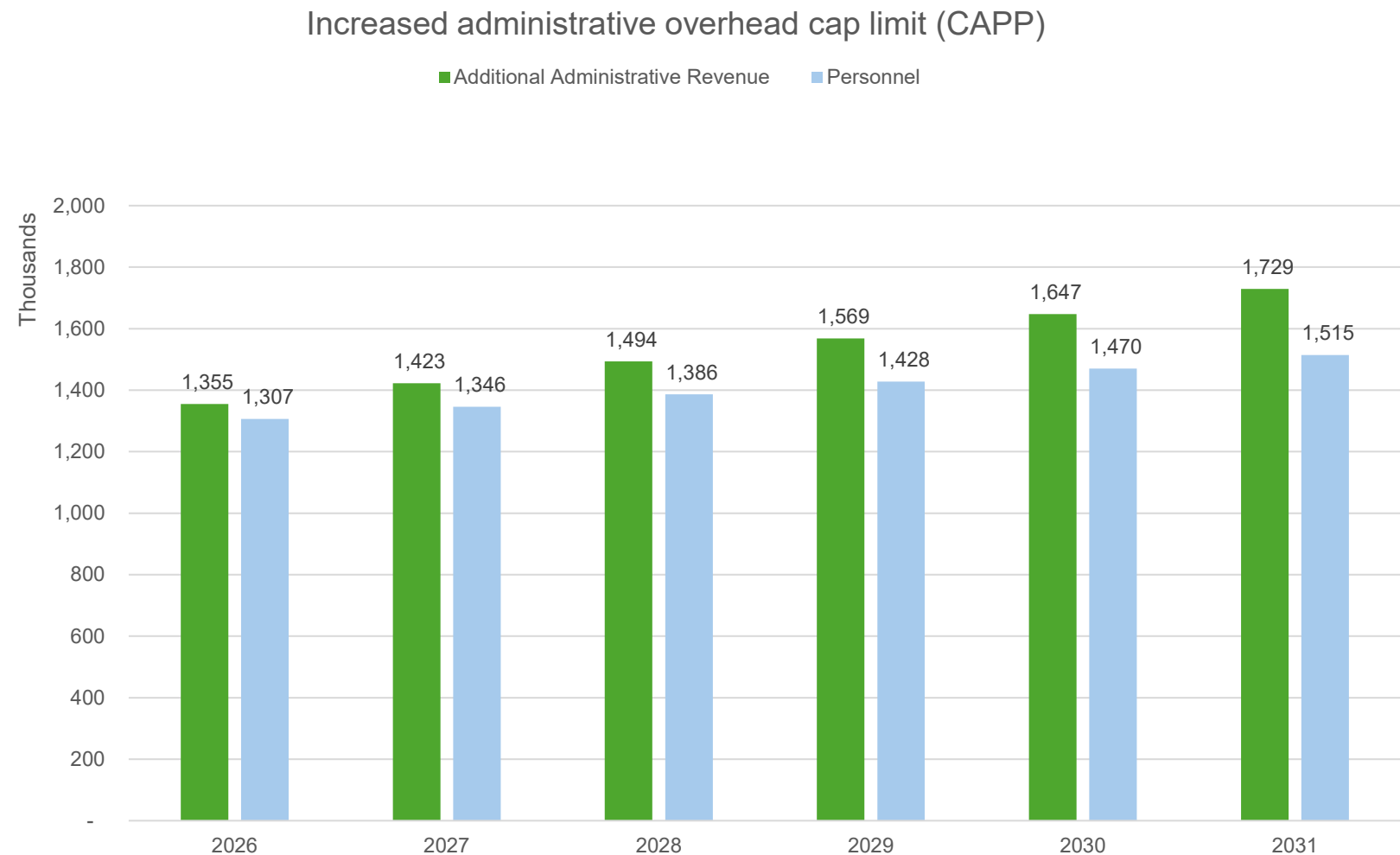
The Community Investments Office manages over \$120M in penalty funds, which per Board policy, must be invested in projects in impacted communities. These positions are critical to:

- Engage with local leaders, businesses, and community-based organizations to prioritize fund allocation
- Design programs that ensure that penalty funds are distributed effectively and align with community needs
- Manage the resulting programs and associated grants/contracts across multiple Bay Area communities

Total \$629,423

CAP Administrative Funding

- California Air Resources Board funding CAP raised from 6.25% to 12.5%
- Generates approximately \$1.3M in additional overhead funding
- Able to support a total of 7 new direct and indirect positions



California Air Protection Admin Overhead - Staffing

Division	New FTE	Annual Cost	Justification
Administrative Services	1	\$181,642	Risk Management, Increase Procurement Capacity
Environmental Justice	1	\$181,642	Community Outreach
External Affairs	2	\$565,914	Regional Support, Community Engagement
Human Resources	1	\$180,655	Increase recruitment capacity
Enterprise Technology Solutions	2	\$399,264	In-house expertise

Total \$1,306,487

Shifting from Professional Services to Support Staffing and Efficiency

Division	New FTE	Annual Cost	Justification
Engineering	1	\$187,969	Permit backlog reduction
Human Resources	1	\$230,405	Learning and Development, Increase recruiting capacity
Information Services Operations	1	\$199,632	Increase internal staff capacity and Strategic Plan implementation
Legal	1	\$251,618	Grants and Contract support

Total \$869,624

Additional Staffing Request Based on Other Cost Savings

Division	New FTE	Annual Cost	Justification
Regulatory Development	3	\$633,042	Support indirect source rulemaking
Legal	1	\$251,618	Support indirect source rulemaking

Total \$884,660

Facility-Funded Pilot

Division	New FTE	Annual Cost	Justification
Engineering	2	\$536,226	Engineering Program Managers- Timely Permits

Total \$536,226

Accessing Designated Reserves for LTCE – Staffing

Division	New FTE	Annual Cost	Justification
Environmental Justice	1	\$180,655	Community Outreach
External Affairs	1	\$180,655	Regional Support/Community Engagement
Human Resources	1	\$212,180	Internal Civil Rights, Equal Employment Opportunity, Mediations
Information Services	1	\$268,113	Strategic Plan Implementation, Project Management

Total \$841,603

Organizational Efficiency Add/Delete Positions

Current Position	New Position	Division	Cost Impact
Director	Deputy Executive Officer	Information Management	\$126,210
Senior Advanced Project Advisor	Manager	Environmental Justice	\$7,963
Accountant	Senior Accountant	Finance	\$14,200
Principal Human Resource Analyst	Human Resource Analyst	Finance	(39,500)
Staff Specialist (LTCE)	Assistant Staff Specialist (LTCE)	Technology Innovations Office	(\$33,445)
Air Quality Engineer	Senior Air Quality Specialist	Compliance & Enforcement	\$9,634
Assistant Air Quality Specialist	Senior Air Quality Specialist	Compliance & Enforcement	\$51,343

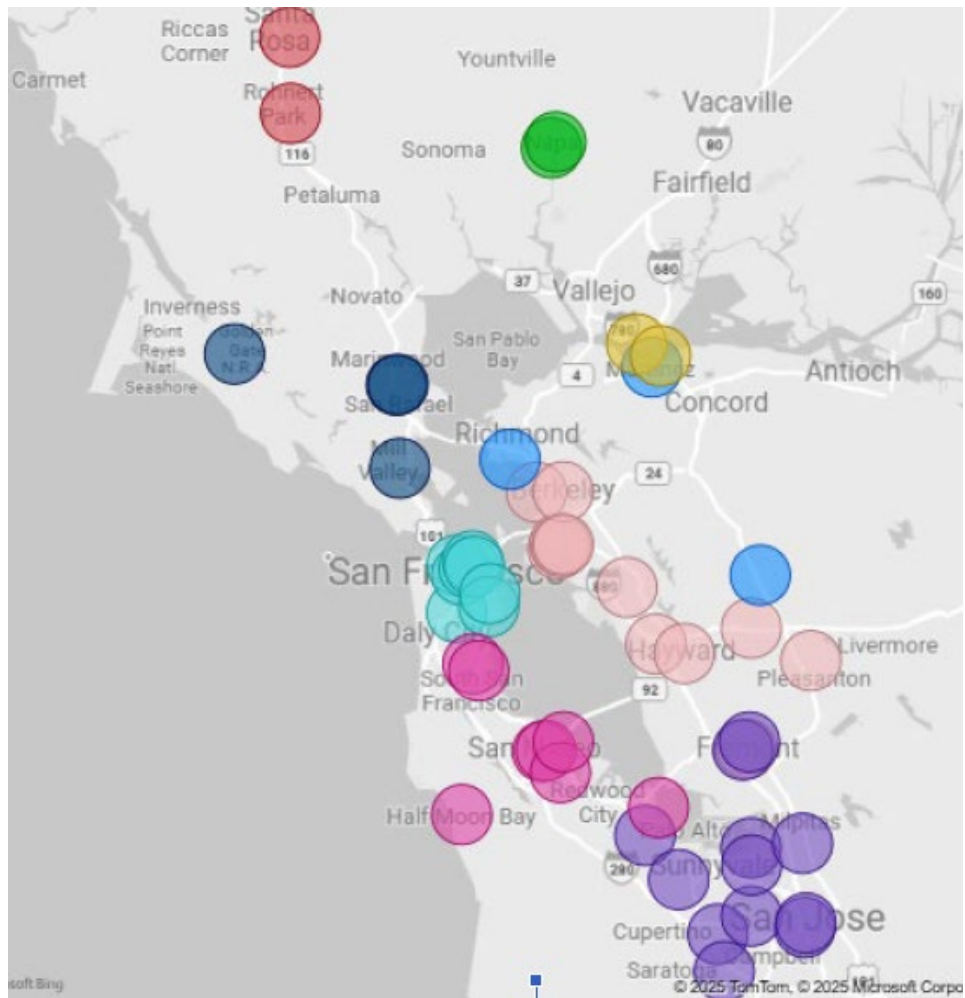
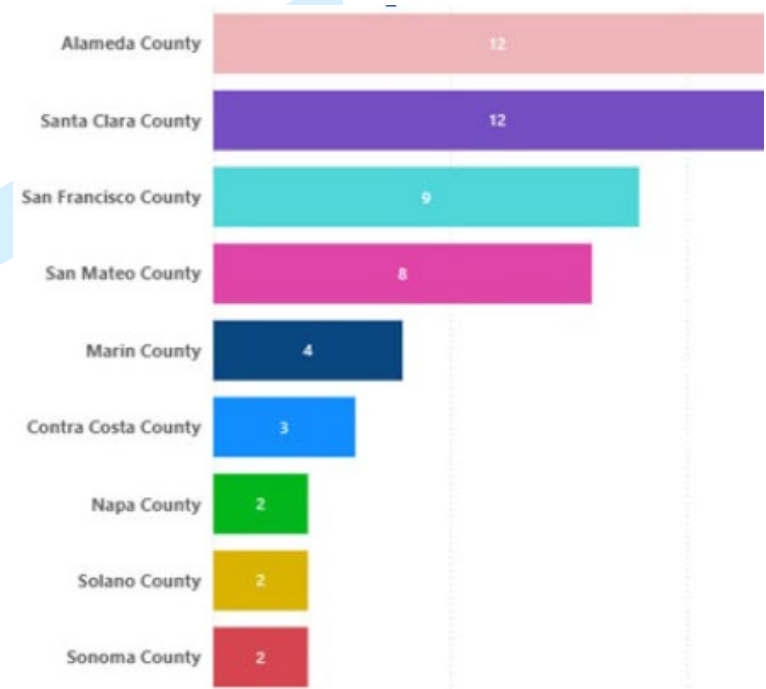
The table has been updated to reflect staffing changes made subsequent to the Finance & Administration Committee meeting, leading to a \$39k increase in cost savings. Additional organization efficiency of position transfers between divisions are noted in staff memo and Appendix F of the budget.

Total \$136,405

Air District 2024 Sponsorship Summary

61 Sponsored events;
49 Spare the Air events, 12 Air District events

Air District had the opportunity to interact with approximately 2 million Bay Area residents



3 Statewide
Sacramento, Riverside, and Southern California
2 National
Arlington, VA and Rosemont, IL
2 International
Calgary, Alberta Canada and Baku, Azerbaijan

- 3 Sponsorship Categories**
- Showcasing the Air District
 - Education & Training
 - Community Partnership

SPONSORSHIP FUNDS SPENT IN 2024 - \$367,645
\$176,650 were TFCA funded Spare the Air events

Next Steps

- No requested action at this time
- The Board will conduct Second Public Hearing for adoption of the FY 2025-2026 Proposed Budget with proposed staffing recommendations on June 4, 2025

Questions?

For more information:

Stephanie Osaze

Director of Finance

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