



# Proposed Fiscal Year 2026-2027 Budget

## Board of Directors Budget Hearing Meeting

April 29, 2026

Hyacinth Hinojosa, Deputy Executive Officer,  
Finance and Administration  
Stephanie Osaze, Director of Finance



# Presentation Outline

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- Background
- Budget & Fee Regulation Schedule
- Budget Summary & Highlights
- Overview of the Proposed Budget by Service Areas
- Next Steps

# Background

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- March 18, 2026 - 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 3, 2026

# Budget & Fee Regulation Schedule

Description	Date
Finance and Administration Committee briefing	December 17, 2025
Public workshop for Regulation 3 amendments	February 26, 2026
Budget Workshop	March 10, 2026
Finance and Administration Committee briefing	March 18, 2026
Finance and Administration Committee briefing	April 15, 2026
First public hearings on budget & Regulation 3 to receive testimony	April 29, 2026
Written comments on proposed amendments to Regulation 3 due	May 15, 2026
Second public hearings on budget and Regulation 3 to consider adoption	June 3, 2026
Budget and fee amendments effective, if adopted	July 1, 2026



# Budget Highlights

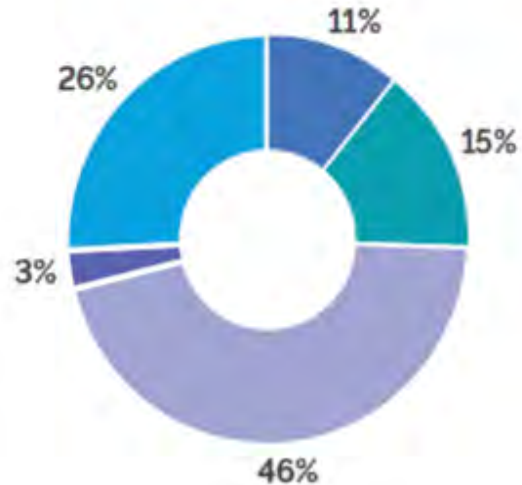
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The Proposed Budget was developed with the following goals:

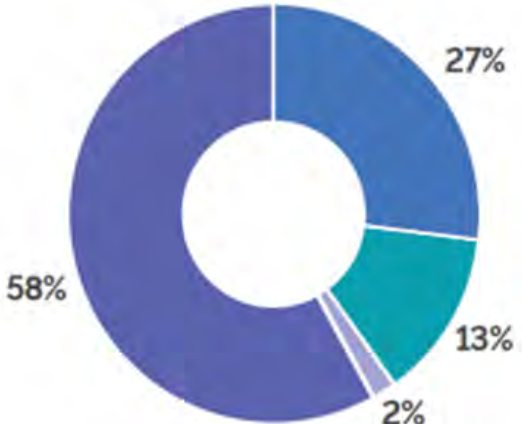
- Strengthen alignment to the Air District's *2024-2029 Strategic Plan* and advance Board priorities for Fiscal Year (FY) 2026-2027
- Cost savings and strategic investments to ensure resources are deployed effectively to improve air quality, enhance public health, and foster stronger community partnerships
- Expansion of community driven funding programs and projects to impacted communities
- Refining the Air District organizational structure, separating the Science & Policy Service Area

# FY 2026-2027 All Funds Budget by Revenue and Expense Type

Revenue		(\$ Millions)	
Property Taxes	\$51.3	11%	
Permits/Fees	\$72.1	15%	
Grants	\$219.4	46%	
Other Revenue	\$12.0	3%	
Transfer From Reserves *	\$121.9	26%	
<b>Total Revenue</b>	<b>\$476.6</b>		



Expenditure		(\$ Millions)	
Salaries and Benefits	\$127.1	27%	
Services and Supplies	\$63.0	13%	
Capital	\$11.0	2%	
Distributions and Transfers	\$275.5	58%	
<b>Total Expenditure</b>	<b>\$476.6</b>		



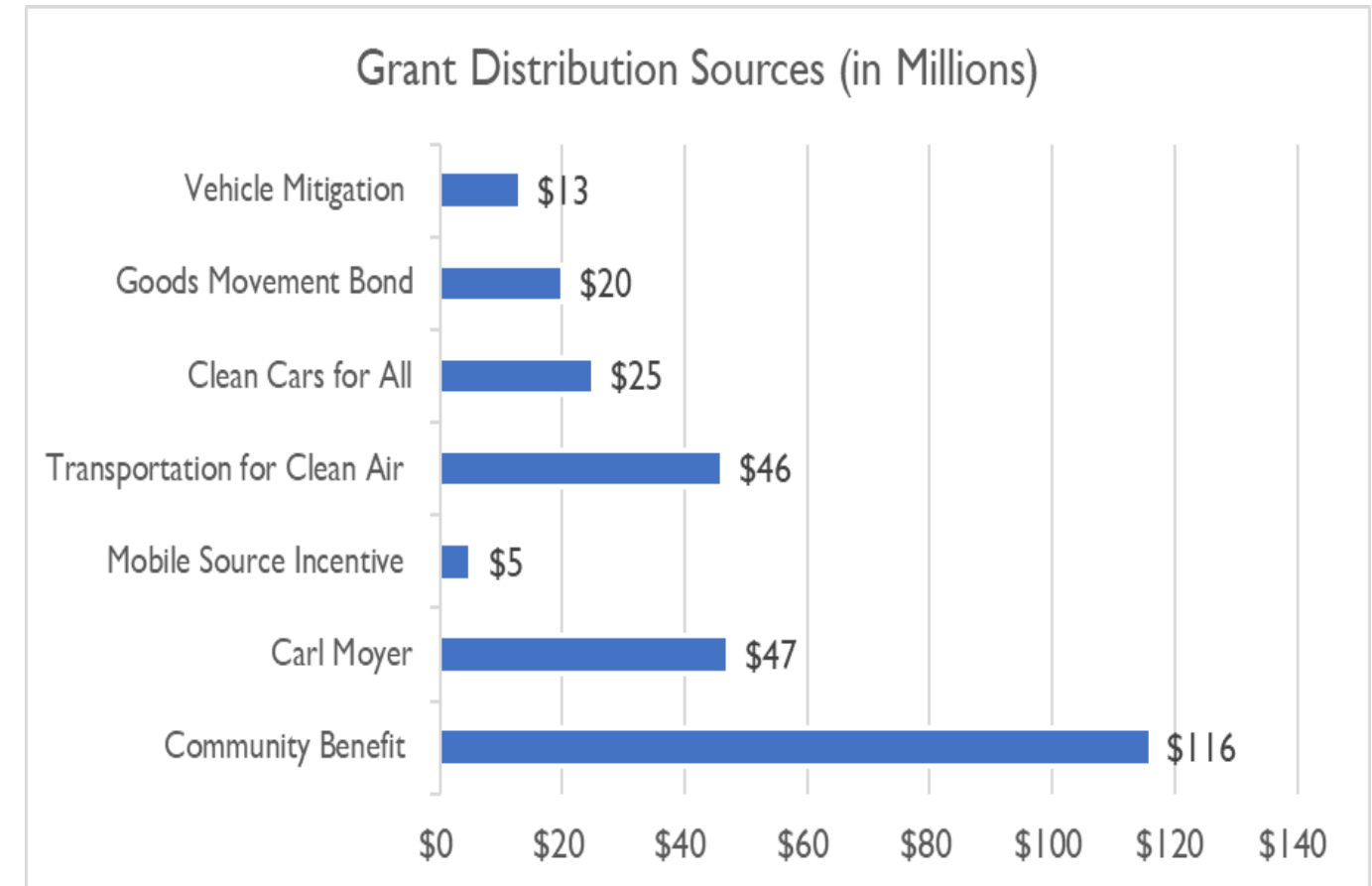
Percentages may not total 100%, and totals may not equal the sum of displayed line items due to rounding.

\* Includes Community Benefit Fund resources designated for Round 1 implementation of the Bay Reinvesting Penalties for Air Improvement and Resilience (REPAIR) program

# Grant Distributions

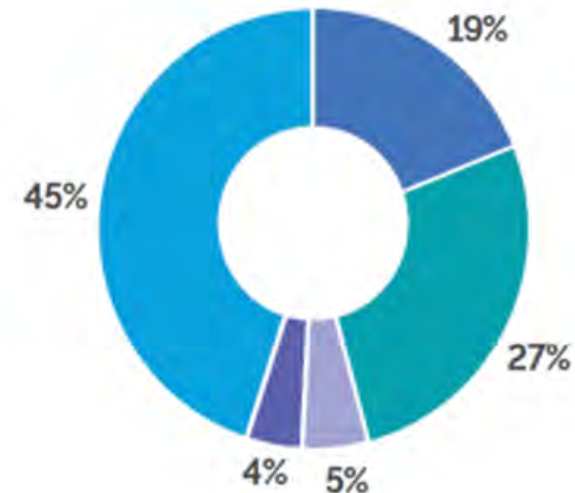
The Air District administers a variety of grant incentive programs that fund projects and initiatives aimed at reducing emissions and lowering pollution exposure in communities most affected by air quality impacts.

\$116 Million (M) in new investments from the community benefit fund to support Bay REPAIR program for community-led investments for Benicia and Richmond and surrounding communities.

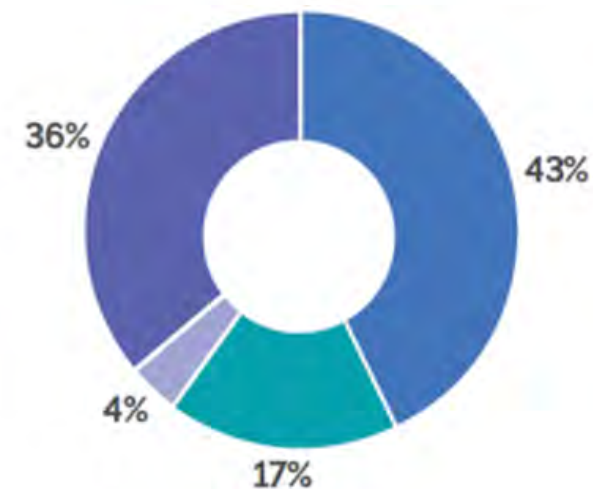


# FY 2026-2027 General Fund Budget by Type

Revenue		(\$ Millions)	
	Property Taxes	\$51.3	19%
	Permits/Fees	\$72.1	27%
	Grants	\$13.5	5%
	Other Revenue	\$12.0	4%
	Transfer From Reserves *	\$121.9	45%
<b>Total Revenue</b>		<b>\$270.8</b>	



Expenditure		(\$ Millions)	
	Salaries and Benefits	\$117.1	43%
	Services and Supplies	\$45.7	17%
	Capital	\$10.7	4%
	Distributions and Transfers	\$97.3	36%
<b>Total Expenditure</b>		<b>\$270.8</b>	



\* Includes Community Benefit Fund resources designated for Round 1 implementation of the Bay REPAIR program

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# Financial Forecast

<b>General Fund</b>					
<b>Fiscal Year (FY) - Five Year Projection</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>FY 2029-30</b>	<b>FY 2030-31</b>
			(in Millions)		
Revenue	150.9	154.1	162.7	172.5	184.1
Expenditure	174.8	167.7	171.0	169.9	172.9
<b>Deficit/ Surplus</b>	<b>-23.9</b>	<b>-13.6</b>	<b>-8.3</b>	2.6	11.2
Use of Community Benefit (9%) Reserves	3.8	2.8			
Use of General Fund Reserves	<b>-20.1</b>	<b>-10.8</b>	<b>-8.3</b>		
<b>Remaining Reserves</b>	<b>73.6</b>	<b>62.8</b>	<b>54.5</b>	<b>57.1</b>	<b>68.3</b>
<b>25% Minimum Reserve Policy</b>	<b>40.1</b>	<b>42.0</b>	<b>42.8</b>	<b>42.5</b>	<b>43.3</b>

- The Five-Year Forecast demonstrates the General Fund will draw from reserves in the short-term, the Air District remains financially stable and maintains compliance with its reserve policy
- Total revenues projected to grow, driven primarily by increases in permit and fee revenues and steady property tax growth
- Expenditure show slight fluctuations throughout the forecast period, reflecting adjustments for one-time costs and reductions in limited-term staffing.

# Budget Summary - Ongoing Investments

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***\$13.6M - Ongoing investments using reserves (based on prior Board approvals) include:***

- \$2.6M transfer from designated Schedule X reserves to support the Refinery Community Air Monitoring Program
- \$1.2M transfer from Limited Term Contract Employee (LTCE) staffing reserve designation to support existing 6 LTCE positions
- \$3.8M transfer from the Community Benefit Administrative Fund to support the Community Investments Office
- \$6.0M staffing investment to support 15 Full-Time Equivalent (FTE) and 14 LTCEs for the Permit Backlog Reduction Plan initially approved in September 2025

# Budget Summary - New Investments

***New investment from reserves includes:***

- \$10.4M for one-time service and capital costs

	In Millions (\$)
<b>Capital</b>	
Air Monitoring Equipment	2.5
AI Permitting Enhancement	1.1
Open Air Data Portal	1.0
Website/ Language access	0.7
Permit Ticketing System	0.3
Grant System	0.2
Source Test Equipment	0.2
Other	0.2
	<b>6.2</b>
<b>Services</b>	
Regulatory & Plan Development	1.0
Monitoring, Modeling, Data Systems	1.1
Legal Services	0.9
Facility & Maintenance	0.9
Other	0.3
	<b>4.2</b>

# Budget Summary - Other Considerations

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***Separately, the budget also includes new investment from Community Benefit Fund reserves includes:***

\$116M from the community benefit fund to support Bay REPAIR program for community-led investments for Benicia and Richmond and surrounding communities.

***Assumes a 12% Vacancy Rate***

***2.5% estimated increase to support employee salaries and benefits***

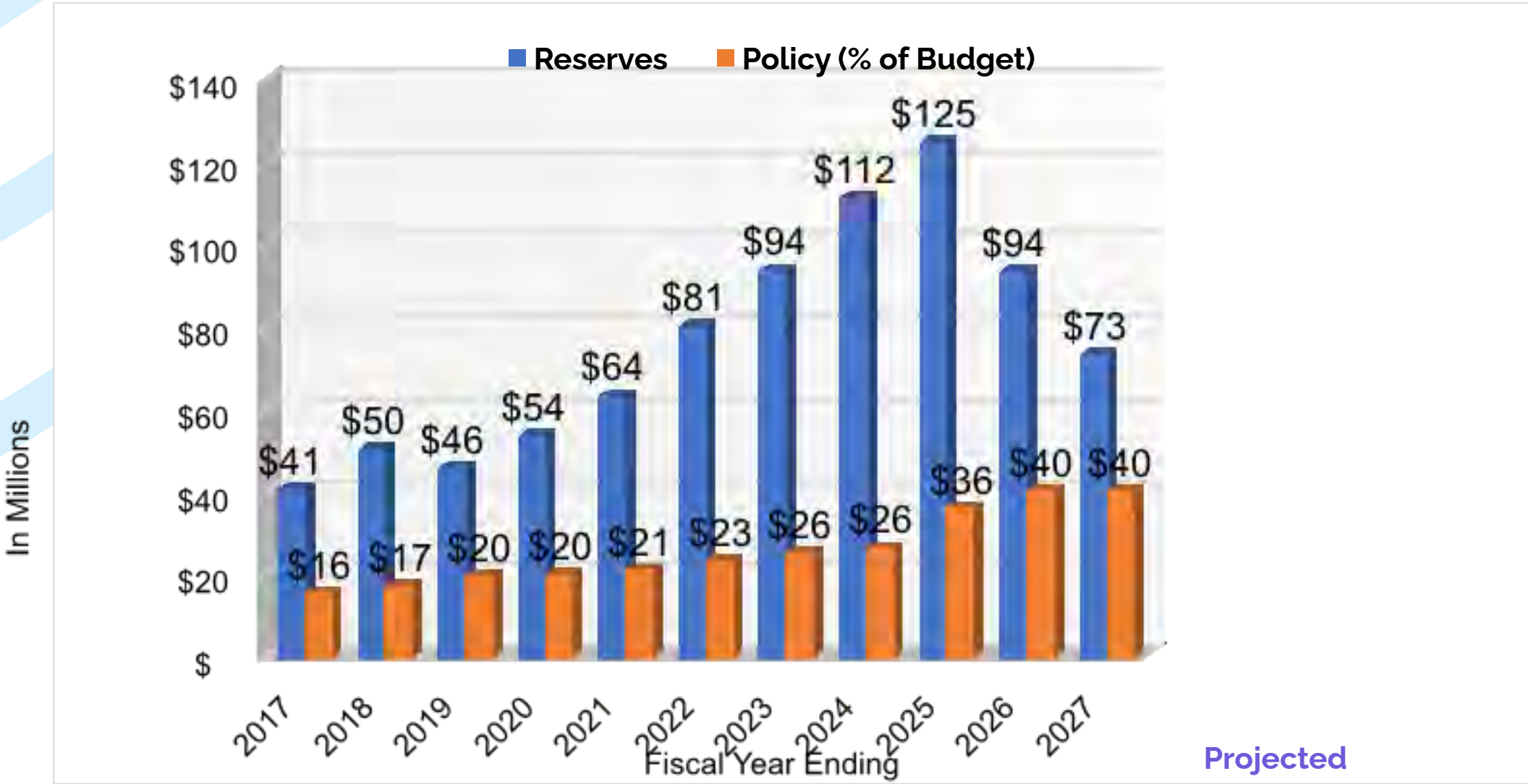
***Continuation of \$5M discretionary contributions to prefund Pension Trust***

# Budget Summary - Sources and Uses

General Fund Summary of Sources and Uses	
	FY 2026-27
<b>Sources</b>	
Operating Revenues	150,865,683
Operating Surplus Reserves	13,564,593
Designated Reserves	8,747,316
Undesignated Reserves	1,632,405
<b>Total Sources</b>	<b>174,809,997</b>
<b>Uses</b>	
Personnel Cost (net of vacancy rate)	117,124,956
Ongoing service & capital costs	47,321,444
One-Time service & capital costs	10,363,597
<b>Total Uses</b>	<b>174,809,997</b>

The proposed budget is balanced with use of FY 2024-2025 operating surplus and reserves to support \$13.6M in ongoing investments and \$10.4M in new investments to meet strategic priorities.

# General Fund Reserves Trend



**Reserve Policy updated to a range of 25-35% of the General Fund Operating Budget**

- 20%: 2017 to 2025
- 25%: 2026 and 2027

# General Fund Reserve Proposed Designations and Uses

	FY 2026-2027 In Millions
<b>Projected Reserves Balance (June 30, 2026)</b>	<b>93.7</b>
<b>Contingency Designations*:</b>	
Assembly Bill 617 Staffing Contingency	4
Economic Contingency (25% of Budget)	40
Litigation Support Contingency	2
	<u>46</u>
<b>Long -Term Commitment Designations*:</b>	
Community Benefits	3
Information Technology Projects	1
Staffing Investment	10.5
Schedule X - Capital	0.2
Schedule X - Operating	2.3
	<u>17.0</u>
<b>Other Designations *</b>	
Air Toxic Study	4
Real property & Facility Projects	4
One-Time Professional Services	2
Woodsmoke (Enforcement)	0.2
Woodsmoke Program (Strategic Incentives)	0.5
	<u>10.4</u>
<b>Total Designated Reserves</b>	<b>73.5</b>

	FY 2026-2027 In Millions
<b>Use of Reserves to Balance the Operating Budget:</b>	<b>20.2</b>
<b>Ongoing Investments:</b>	
Permit Backlog Reduction Plan (15FTE & 14 LTCE)	6.0
6 Limited Term Contract Employee (LTCE) Staffing	1.2
Schedule X Capital and Operating costs	2.6
	<u>9.8</u>
<b>New Investments:</b>	
One-time capital & service cost	10.4
	<u>10.4</u>
<b>AVAILABLE GENERAL FUND RESERVES</b>	<b>0.0</b>
<b>COMMUNITY BENEFIT FUND - ADMIN PORTION</b>	
	<b>FY 2026-2027</b>
<b>Projected Available funding (9%)</b>	<b>6.6</b>
Staffing cost	2.0
Service cost	1.7
	<u>3.7</u>
<b>ENDING BALANCE</b>	<b>2.9</b>

\*Subject to change at Board's discretion

# Medical Retiree Plan Funding Status/Policy

## Medical Retirement Plan- Other Post Employment Benefits (OPEB):

### Funding Policy: **Target 90% Funded Level**

- 90% target was met in 2023
- 2025 actuarial valuation is in progress

### Plan Funded Summary:

- Obligation: \$79M
- Funded: \$73M
- Unfunded: \$6M
- **92% funded**

OPEB Historical Funded Status



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

# Pension Plan Funding Status/Policy

**Pension Plan: California Pension Employers Retirement System (CalPERS)**

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

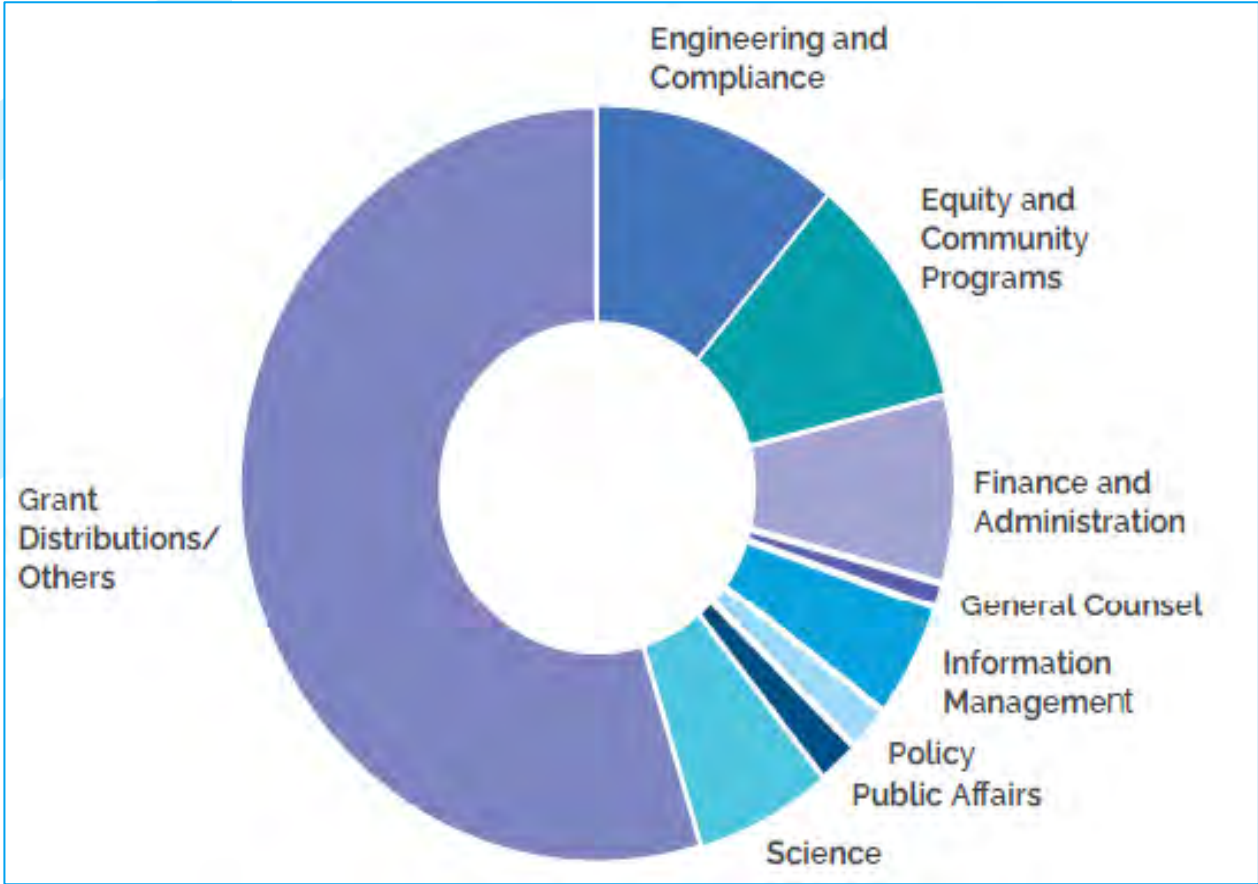
\$5M in annual discretionary contribution to accelerate funding target

- FY 2025-26 budget, Board approved an additional \$10M using reserves for a total of \$15M
- Funded level increase from 78% to 94% projected funding level by 2030

**Recommendation: Allocate \$5M annual discretionary contribution to the Pension Plan**

Fiscal Year	Actual	Projection (\$ in Millions)					
	2024	2025	2026	2027	2028	2029	2030
Accrued Liability	\$443	\$464	\$488	\$510	\$534	\$557	\$582
Market Value of Assets	328	363	384	407	429	453	477
115 Trust Assets	16	23	40	47	55	63	72
Unfunded Accrued Liability	99	78	64	56	50	41	33
<b>Funded Status (%)</b>	<b>78%</b>	<b>83%</b>	<b>87%</b>	<b>89%</b>	<b>91%</b>	<b>93%</b>	<b>94%</b>
Projections are based on funding policy and actuarial assumptions							
<b>Investment Return</b>							
Assumption	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Actual	9.5%	12.1%					

# FY 2026-2027 Budget by Service Area



Expenditure	(\$ Millions)	
Engineering and Compliance	\$50.4	11%
Equity and Community Programs	\$49.2	10%
Finance and Administration	\$38.8	8%
General Counsel	\$7.0	1%
Information Management	\$24.5	5%
Policy	\$10.7	2%
Public Affairs	\$11.8	2%
Science	\$26.9	6%
Grant Distributions/Others	\$257.3	54%
<b>Total Expenditure</b>	<b>\$476.6</b>	

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# Service Area: Engineering & Compliance

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Compliance and Enforcement	\$17.1	\$21.0	\$21.1	\$22.1	99
Engineering	\$14.0	\$18.6	\$19.4	\$23.8	88
Source Test	\$3.7	\$4.5	\$4.5	\$4.5	16
<b>Service Area Total</b>	<b>\$34.8</b>	<b>\$44.1</b>	<b>\$45.0</b>	<b>\$50.4</b>	<b>204</b>

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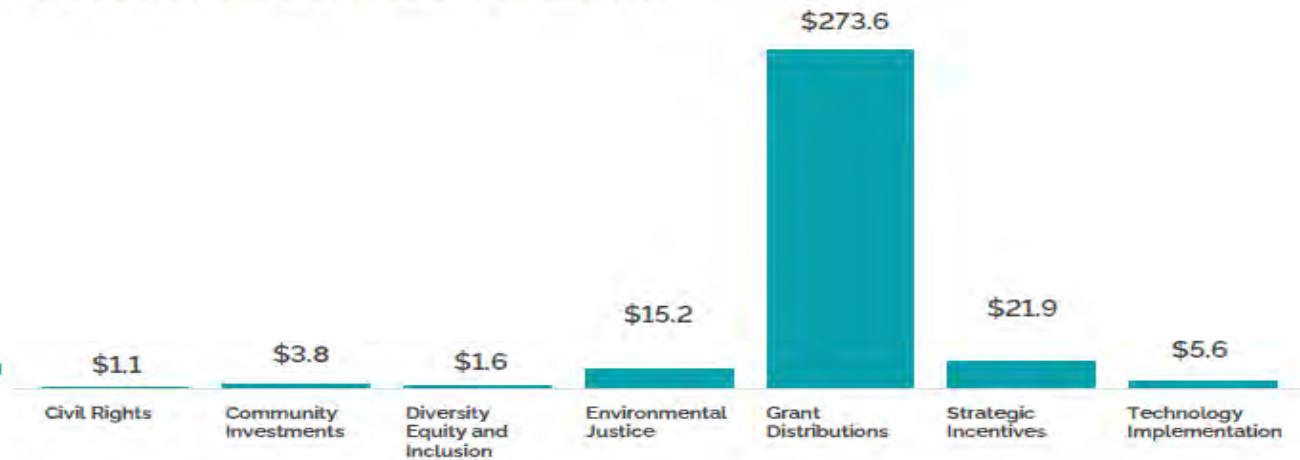
Enhance compliance and enforcement policies to prioritize high-impact inspections in communities overburdened by air pollution. (Strategy 1.5, 2.2, 2.4, 3.3, 3.4, 4.5, 4.10, 4.11)

Improve accessibility and transparency of the air quality complaint process to better respond to community concerns. (Strategy 2.1, 2.3, 2.5, 3.3, 3.4, 4.4, 4.7, 4.10, 4.11)

Implement Board-approved strategic staffing adjustments for the Engineering Division to improve timeliness, consistency, and transparency in permitting (Strategies 3.3, 4.1, 4.2, 4.3, 4.10, 4.11)

# Service Area: Equity & Community Programs

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Civil Rights	-	\$0.6	\$0.6	\$1.1	3
Community Investments	\$0.1	\$3.3	\$3.3	\$3.8	5
Diversity Equity and Inclusion	\$0.9	\$1.5	\$1.6	\$1.6	4
Environmental Justice	\$12.8	\$18.3	\$21.0	\$15.2	23
Grant Distributions	\$72.5	\$122.1	\$136.1	\$273.6	-
Strategic Incentives	\$9.2	\$21.7	\$23.5	\$21.9	35
Technology Implementation	\$3.7	\$5.6	\$6.4	\$5.6	11
<b>Service Area Total</b>	<b>\$99.1</b>	<b>\$173.2</b>	<b>\$192.5</b>	<b>\$322.8</b>	<b>82</b>

Totals may not equal the sum of displayed line items due to rounding.

Expand clean energy and zero-emission infrastructure investments to support climate resilience in frontline communities. (Strategy 1.7)

Strengthen community engagement through the Environmental Justice Navigator Program to build relationships and trust. (Strategy 2.1)

Launch the Local Community Benefits Fund to reinvest penalty funds back into the communities where air quality violations occurred (Strategy 2.10)

# Service Area: Finance & Administration

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Administrative Resources	\$10.0	\$15.3	\$16.6	\$15.5	16
Board of Directors	\$0.6	\$0.6	\$0.8	\$1.2	-
Executive	\$7.2	\$6.4	\$7.2	\$6.0	14
Finance	\$4.3	\$5.4	\$5.5	\$5.5	18
Human Resources	\$7.9	\$8.1	\$8.6	\$10.6	12
<b>Service Area Total</b>	<b>\$30.0</b>	<b>\$35.8</b>	<b>\$38.7</b>	<b>\$38.8</b>	<b>61</b>

Totals may not equal the sum of displayed line items due to rounding.

Implement a comprehensive professional training plan encompassing onboarding, ongoing skills development, and environmental justice, leadership, and regulatory compliance training. (Strategy 3.6)

Advance asset planning to support mission delivery by ensuring facilities and fleet assets are aligned with long-term operational needs, workforce flexibility, and fiscal sustainability. (Strategy 4.11)

Improve procurement and contract management practices to increase efficiency, transparency, and alignment with Air District priorities. (Strategy 4.12)

# Service Area: General Counsel

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
Legal	\$5.6	\$6.3	\$7.6	\$7.0	19
<b>Service Area Total</b>	<b>\$5.6</b>	<b>\$6.3</b>	<b>\$7.6</b>	<b>\$7.0</b>	<b>19</b>

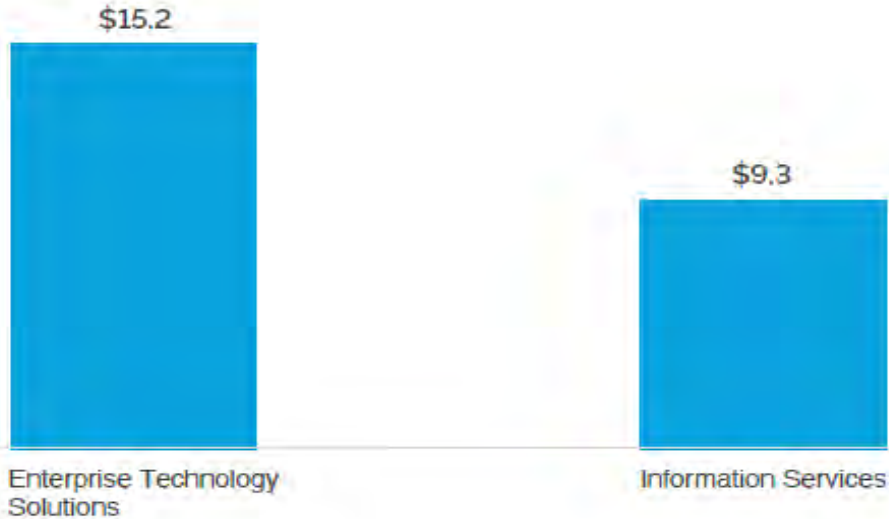
Adopt a new enforcement policy to hold violators accountable and ensure violations result in meaningful consequences. (Strategy 1.6)

Develop protocols to formalize how the Air District ensures compliance with civil rights laws in permitting. (Strategy 2.10)

Expand environmental justice legal training and professional development through implementation of the Environmental Justice Law Fellowship program. (Strategy 3.4)

# Service Area: Information Management

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Create online data portals to provide public access to comprehensive air quality, permitting and compliance data. (Strategy 2.3)

Streamline permitting and enforcement systems for greater transparency and operational efficiency. (Strategy 4.1)

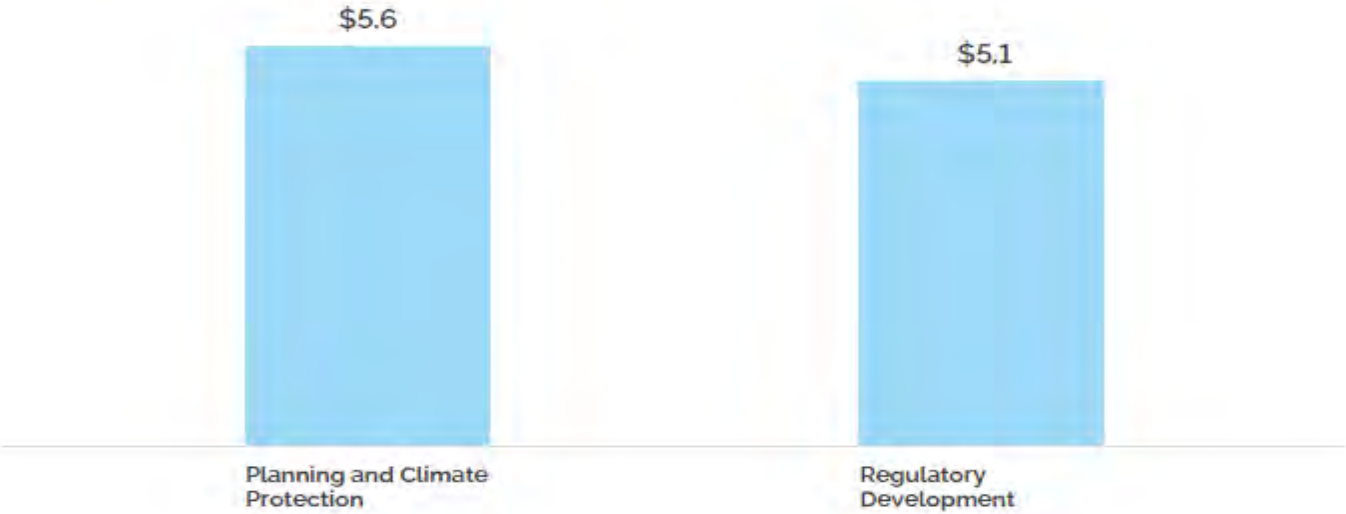
Develop improved grants management systems to increase accessibility for frontline communities. (Strategy 2.8)

Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Enterprise Technology Solutions	\$11.2	\$10.6	\$11.8	\$15.2	17
Information Services	\$6.3	\$7.2	\$8.7	\$9.3	16
<b>Service Area Total</b>	<b>\$17.6</b>	<b>\$17.8</b>	<b>\$20.6</b>	<b>\$24.5</b>	<b>34</b>

Totals may not equal the sum of displayed line items due to rounding.

# Service Area: Policy

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Planning and Climate Protection	\$4.4	\$4.7	\$5.7	\$5.6	21
Regulatory Development	\$2.6	\$4.4	\$5.0	\$5.1	16
<b>Service Area Total</b>	<b>\$7.1</b>	<b>\$9.1</b>	<b>\$10.7</b>	<b>\$10.7</b>	<b>38</b>

Totals may not equal the sum of displayed line items due to rounding.

Strengthen air pollution regulations to reduce emissions from major industrial sources. (Strategy 1.2)

Change approach to air quality (Strategy 1.1)

Advance innovative climate solutions and implement regional climate plans (Strategy 1.7)

# Service Area: Public Affairs

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Communications	\$5.9	\$7.3	\$8.5	\$8.8	13
External Affairs	\$0.8	\$2.0	\$2.1	\$2.1	5
Legislative and Government Affairs	\$0.6	\$0.9	\$0.9	\$0.9	2
<b>Service Area Total</b>	<b>\$7.3</b>	<b>\$10.3</b>	<b>\$11.5</b>	<b>\$11.8</b>	<b>21</b>

Totals may not equal the sum of displayed line items due to rounding.

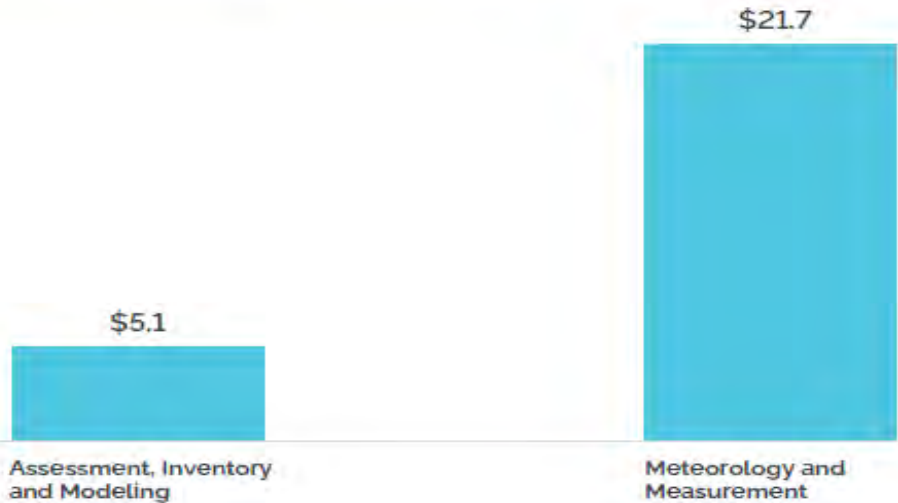
Enhance real-time public communication on air quality incidents to ensure accessibility and responsiveness. (Strategy 4.8)

Expand public notification tools for improved incident response and transparency. (Strategy 4.6)

Increase digital and social media outreach to support education on rulemaking, enforcement, and climate initiatives. (Strategy 4.7)

# Service Area: Science

FY 2026-27 EXPENDITURE (\$ MILLIONS)



Expenditure	FYE 2025 Audited Actual	FYE 2026 Approved Budget	FYE 2026 Amended Budget	FYE 2027 Proposed Budget	FYE 2027 FTE Headcount
<b>Deputy Executive Officer</b>					<b>1</b>
Assessment, Inventory and Modeling	\$3.8	\$4.2	\$4.4	\$5.1	19
Meteorology and Measurement	\$14.3	\$21.0	\$21.7	\$21.7	59
<b>Service Area Total</b>	<b>\$18.1</b>	<b>\$25.2</b>	<b>\$26.1</b>	<b>\$26.9</b>	<b>79</b>

Totals may not equal the sum of displayed line items due to rounding.

Conduct local assessments and exposure analysis to better understand the population exposure and health impacts of air pollutants in the Bay Area. (Strategy 2.4)

Work with communities overburdened by air pollution to conduct air monitoring and develop air dispersion modeling to improve understanding of local air quality, inter-regional emissions transport, and their impacts on the Bay Area’s air quality. (Strategy 2.7)

Upgrade air quality monitoring networks to improve reliability, efficiency, data quality, and accessibility (Strategy 4.4)

# Staffing Overview

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- No new staffing positions proposed in the FY 2026-2027 Budget
- Twenty-four (24) proposed reclassifications to support operational efficiency and needs. Net impact is approximately \$394,524

# Organizational Efficiency Add/Delete Positions

Service Area	Add/Delete Position	Division	Cost Impact
Engineering & Compliance	6	Compliance & Enforcement Engineering	\$199,475
Equity & Community Programs	5	Environmental Justice Strategic Incentives Technology Implementation Office	(\$19,141)
Finance & Administration	2	Administrative Resources	\$86,201
Information Management	8	Enterprise Technology Solutions Information Services	\$77,482
Public Affairs	1	Communication	19,655
Science	2	Assessment, Inventory & Modeling Meteorology & Measurements	\$30,852

Additional organization efficiency of position transfers between divisions are noted in staff memo and Appendix F of the budget

**Total 394,524**

# Recommended Action

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The Board of Directors will discuss this item, but no action is requested at this time.

The Board will conduct Second Public Hearing for adoption of the FY 2026-2027 Proposed Budget on June 3, 2026.

# Questions & Discussion

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**For more information:**

Stephanie Osaze | Director of Finance | [sosaze@baaqmd.gov](mailto:sosaze@baaqmd.gov)