

Agenda Date: May 17, 2012
Agenda Placement: Regular
Estimated Time: 15 Minutes
Continued Item: No

Board Agenda Item

TO: Air Pollution Control District Board
FROM: Dave Van Mullem, Air Pollution Control Officer
CONTACT: Bob Van Beveren, Business Manager (961-8854)
SUBJECT: Fiscal Year (FY) 2012-13 Proposed Budget

RECOMMENDATION:

1. Receive the Proposed Budget for FY 2012-13;
2. Hold a public hearing to accept comments, and provide direction to staff regarding changes desired by the Board; and
3. Schedule a budget adoption hearing for June 21, 2012.

DISCUSSION:

Public Review and Board Adoption Process

Your Board is requested to hold a public hearing to review the attached proposed APCD budget for FY 2012-13 and to provide the public with the opportunity to comment. A second public hearing must be held to adopt the budget and it is requested to be set for the next regularly scheduled Board meeting on June 21, 2012.

As required, the proposed budget was made available to all fee payers and to the general public at least 30 days in advance of this hearing. The proposed budget was posted on the Internet on April 6, 2012 and notices were mailed to all permit holders on April 5, 2012. Notice was also published in local newspapers on April 8, 2012. In addition, staff conducted a public workshop on April 17, 2012 to explain the budget, answer questions, and receive input. After inputs from the public workshop and through meetings with industry and APCD bargaining units, the budget before the Board today was modified and dated May 2, 2012.

Proposed Budget Overview

FY 2012-13 District Budget at a Glance

The Proposed FY 2012-13 budget of \$9,158,240 is \$448,224 lower than the Adopted FY 2011-12 budget of \$9,606,464. We are proposing to decrease staffing levels by 2.25 FTE.

Budgetary Highlights and Major Factors Affecting the FY 2012-13 Budget

No fee increases are proposed for FY 2011-12 other than a 3.1% Consumer Price Index (CPI) adjustment in fees that is authorized by APCD Rule 210.

Retirement rates have increased 4.3% at an additional cost of \$55,000.

We are proposing to cut our current staffing levels by 2.25 FTE. The District has significantly reduced its staff levels over the last several budget cycles in order to align our expenditures with our revenues, and this year is no different. Majority of the staffing reduction is from a reorganization and attrition; however, a half time position reduction is under layoff.

In FY 2009-10 your Board adopted a prefunding plan for retiree health benefits, which is a more cost effective option than a pay as you go basis. At that time, the Board further adopted an earmarking and gradual transfer of a portion of discretionary designations (totaling \$1,180,900) to the 401(h) trust in order to eventually fully fund the retiree health benefits and eliminate the APCD's need to pay the benefits annually out of its operating budget. While prefunding will eliminate this ongoing expenditure, the process of making annual transfers will temporarily inflate the operating budget. We do not consider this release of designation an operational deficit, as it is transferring assets from one savings account to another, and will cease when complete. We are proposing to transfer \$211,975 during FY 2012-13.

We have a Reevaluation Cycle revenue stabilization designation account for the purposes of smoothing out the peaks and valleys in our operating budget. For FY 2012-13 we are proposing to keep the designation account at its current balance.

Revenues

Our proposed revenues of \$7,980,207 represents a decrease of \$160,470 compared to the FY 2011-12 total of \$8,140,677. This is primarily due to the three year permit reevaluation revenue cycle and interest earnings being lower due to the current economy.

Revenue decreases include: asbestos fees at \$21,630, evaluation fees at \$18,149, Federal EPA Grant at \$25,000, Carl Moyer grant revenue at \$16,157, and Motor Vehicle fees at \$35,001.

Staffing

Since FY 2003-04 we have reduced staffing by 12.75 Full Time Equivalent (FTE) positions (or 21%) to 48.00 FTE. 48.00 FTE represent a 57.6% reduction from the FY 1992-93 staffing peak of 113.0 positions.

The current staffing levels continue to present the significant challenge of complying with existing and new state and federal mandates while maintaining a high level of service in major program areas such as rule development, planning, permitting and compliance, inspection, air monitoring, air toxics, interagency review, and financial reporting.

Expenditures

Our FY 2012-13 operating budget of \$8,916,313 represents a decrease of \$656,631 compared to FY 2011-12 of \$9,572,944, which is primarily attributed to:

- Under Salaries & Benefits: the decrease is primarily attributed to salary savings from a reduction in staff, worker's compensation costs, and a reduction in the budgeted use of extra help. The decrease is offset by an increase in retirement costs of approximately \$55,000.
- Under Services & Supplies: the decrease is primarily attributed to a line-by-line review of expenditures to bring costs down to meet forecasted revenues. The District negotiated a 10%

savings with our janitorial service and landscaping maintenance contract. Also eliminated special testing for new hires, legal fees were reduced, as well as travel and training.

- Under Fixed Assets: the District plans on purchasing single piece of equipment (data logger) in FY 2012-13 for \$90,400. The overall fixed assets total decreased by \$94,100 from FY 2011-12. Funds for this purchase come from prior year strategic savings especially set aside for these assets.

Discretionary Designations

Discretionary designations, not funded by categorical revenues or for specific and presently quantifiable purposes, under new financial reporting guidelines, are lumped together as “Unassigned” fund balance in the APCD’s Comprehensive Annual Financial Reports (CAFRs).

For FY 2012-13 we propose to use \$80,000 to fund onetime expenses from the Operational Activity fund designation.

Major Accomplishments, Events, and Highlights during FY 2011-12:

- Only two exceedances of the federal 8-hour ozone standard in calendar year 2011¹.
- Only one exceedance of the state 1-hour ozone standard in calendar year 2011.
- Only three exceedances of the state 8-hour ozone standard in calendar year 2011.
- Began reporting real-time particulate data on the APCD website.
- Performed 1,273 inspections and 660 permitting actions in calendar year 2011.
- Responded to 201 air pollution complaints in calendar year 2011.
- Issued \$606,615 in clean air grants.

Major Efforts during FY 2012-13:

- Closely track implementation of AB 32 and SB 375.
- Begin preparing a triennial update of the State 2010 Clean Air Plan.
- Continue to track regulatory developments on marine shipping. Establish channel shipping data transfer with NOAA, then update shipping emissions estimates and further assess impacts to County air quality.
- Update the SBCAPCD Environmental Review Guidelines, last revised in 2000. Implement CEQA on APCD rules, APCD permits, and plans.
- Develop and adopt APCD rule revisions as required by the Clean Air Plan.
- Improve user operability of the District’s website; the District’s face to the public and regulated community.
- Redesign and update the Compliance database, webpage and breakdown reporting program.
- Develop and adopt rules to implement CARB & EPA regulatory mandates; such as the state air toxic control measures and federal Maximum Achievable Control Technology standards.
- Under ATHS program screen the potential health risk from all agency-regulated stationary diesel engines. Require significant risk sources to perform refined HRAs.
- Reduce permitting time required to issue permits to construct.

In addition, other important activities will continue. Such activities include efforts to reduce emissions, to educate the public, and to obtain feedback from our customers. Examples of these efforts include,

¹In January 2010 the Environmental Protection Agency proposed to strengthen the 8-hour “primary” ozone standard, designed to protect public health, to a level within the range of 0.060-0.070 parts per million (ppm). The standard is expected to be finalized in July 2011.

issuing permits, conducting inspections of permitted equipment, publishing bimonthly newsletters, improving computer automation services, and enhancing our web site.

Finally, to ensure that we are working effectively, we monitor our success through impact and performance measures and use the information to improve our effectiveness and efficiency. These impact measures are included in the attached budget document.

Anticipated Adjustments to the Proposed Budget for June

After our 17 April Public Workshop and through meetings with the regulated community, a 19 April meeting with Western States Petroleum Association, and ongoing bargaining unit negotiations, the APCD modified, on May 2, 2012, the proposed budget. These modifications were made within salaries to staff where funds were transferred allowing us to hire a new inspector/s early providing them overlap with seasoned inspectors to gain the knowledge transfer so important in conducting field inspections of complex sources.

The proposed budget will be again modified based on your Board's direction at the May hearing.

There will be no modifications to the proposed budget this year for the CPI fee adjustment based on the final April-to-April consumer price index figures. Based on discussion and analysis with other districts and County Counsel we have decided to use the prior year April to April CPI so the last minute incorporation of any updated information about costs or revenues is no longer necessary. We will continue to use this process from this year forward for consistency purposes.

Once the proposed budget is adopted, an adopted budget document will be published.

ATTACHMENT:

Fiscal Year 2012-13 Proposed Budget