

Agenda Date: May 16, 2013  
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 (961-8863)  
SUBJECT: Fiscal Year (FY) 2013-14 Proposed Budget

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### RECOMMENDATION:

1. Receive the Proposed Budget for FY 2013-14;
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 20, 2013.

### 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 2013-14 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 20, 2013.

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 and notices were mailed to all permit holders on April 5, 2013. Notice was also published in local newspapers on April 7, 2013. In addition, staff conducted a public workshop on April 16, 2013 to explain the budget, answer questions, and receive input.

#### Proposed Budget Overview

##### *FY 2013-14 District Budget at a Glance*

We are proposing to decrease staffing levels by 3.0 FTE and the Proposed FY 2013-14 budget of \$8,953,402 is \$204,838 lower than the Adopted FY 2012-13 budget of \$9,158,240.

*Budgetary Highlights and Major Factors Affecting the FY 2013-14 Budget*

No fee increases are proposed for FY 2013-14 other than a 1.7% Consumer Price Index (CPI) adjustment in fees that is authorized by APCD Rule 210.

Retirement rates have increased 2.1% at an additional cost of \$26,800; this is down significantly from last year.

We are proposing to cut our current staffing levels by 3.0 FTE. The District has significantly reduced its staff levels over the last several budget cycles in order to align our expenditures with reduced revenues as our program continues to mature and air quality improves. This year all of the staffing reduction is from attrition.

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 2013-14.

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 2013-14 (the low-year for reevaluation fees) we are proposing to draw on this designation account by \$322,454.

*Revenues*

Our proposed revenues of \$7,705,298 represents a decrease of \$224,909 compared to the FY 2012-13 total of \$7,930,207. 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 \$2,400, Other Government revenue at \$347, Carl Moyer grant revenue at \$8,958 and Environmental Review fees at \$2,000.

*Staffing*

Since FY 2004-05 we have reduced staffing by 12.75 Full Time Equivalent (FTE) positions (or 21.7%) to 46.0 FTE.

The current staffing levels present the management 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, compliance, inspection, air monitoring, air toxics, interagency review, and financial reporting. Going forward this will be the minimum number of employees needed to maintain our core services and continue our mission.

*Expenditures*

Our FY 2013-14 operating budget of \$8,733,450 represents a decrease of \$182,863 compared to FY 2012-13 of \$8,916,313, which is primarily attributed to:

- Under salaries & benefits, the increase is primarily attributed to the addition of a Compliance manager, increase in worker's compensation costs, an increase in retirement costs, and merit

increases. These increases are offset by a decrease created by savings from reducing the District's staff by 3.0 FTE.

- Under services & supplies, the decrease is primarily attributed to an in-depth 10 year review of expenditures vs. budget. Based on that analysis the District was able to decrease a total of 21 expense categories out of the 30 tracked. Some of those include communication, legal fees, transportation & travel, training, and special (contracted) services.
- Under other charges, a reduction of \$11,853 was primarily due to an anticipated decrease in telephone/exchange service costs from the County.
- Under fixed assets, The District plans on purchasing one data logger piece of equipment and four air quality monitoring instruments in FY 2013-14 for \$90,000; this is an overall decrease of \$400 from FY 2012-13. Funds for this purchase come from prior year savings especially designated 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 2013-14 we are not proposing to draw from the Operational Activity fund designation for any one time expenditures.

#### *Major Efforts during FY 2013-14:*

- Track the implementation of AB 32, the California Global Warming Solutions Act.
- Monitor EPA review of the federal 8-hour ozone standard.
- Continue to track regulatory developments and seek to reduce emissions from marine shipping.
- Seek solutions to emission offsets availability and costs.
- Develop and adopt new and revised rules as required by the Clean Air Plan including, but not limited to, Rule 323 (Architectural Coatings).
- Green House Gases – Implement early action measures for semi-conductor and landfill gas regulations.

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, 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

The proposed budget will be modified based on your Board's direction at the May hearing. Once the proposed budget is adopted, an adopted budget document will be published.

#### **ATTACHMENT:**

Fiscal Year 2013-14 Proposed Budget