

Agenda Date: May 21, 2015
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: Kristina Aguilar, CPA, Supervising Accountant (961-8813)

SUBJECT: Fiscal Year (FY) 2015-16 Proposed Budget

RECOMMENDATION:

1. Receive the Proposed Budget for FY 2015-16;
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 18, 2015.

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 2015-16 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 18, 2015.

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 10, 2015. Notice was also published in local newspapers on April 12, 2015. In addition, staff conducted a public workshop on April 21, 2015 to explain the budget, answer questions, and receive input.

Proposed Budget Overview

➤ *FY 2015-16 District Budget at a Glance*

We are proposing to maintain current staffing levels of 47.0 FTE and the Proposed FY 2015-16 budget of \$10,098,644 is \$387,949 more than the Adopted FY 2014-15 budget of \$9,710,695.

➤ *Budgetary Highlights and Major Factors Affecting the FY 2015-16 Budget*

The cyclical nature of reevaluation fees revenue is entering the mid-year of its 3-year cycle this FY. The cycle has a high, mid, and low budget year. Having entered the mid-year of the cycle, reevaluation fee generation will be \$70,222 less than the prior FY 2014-15 (the high year) of \$1,061,685. Within the 3-year cycle, we deposit a portion of revenue into savings during the high and mid years and withdraw during the low year. This FY (the mid-year) we will make a deposit of \$85,639 into our reevaluation cycle fund balance.

Salaries and benefits have increased from the prior year due to negotiations between the bargaining groups and the District. A 3% cost of living adjustment was spread between FY 2013-14 and FY 2014-15.

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 \$242,080 during FY 2015-16.

No fee increases are proposed for FY 2015-16 other than a 1.9% Consumer Price Index (CPI) adjustment in fees that is authorized by APCD Rule 210.

➤ *Revenues*

Our proposed revenues of \$8,534,332 represents an increase of \$306,036 compared to the FY 2014-15 total of \$8,228,296. This is primarily due to the CPI adjustment to fees which is expected to generate approximately \$140,000. The additional revenue is derived from an increase to annual emission fees and reimbursable billing.

➤ *Staffing*

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. Despite the rise of mandated requirements the staffing levels have stabilized at the current 47.0 FTE.

➤ *Expenditures*

Our FY 2015-16 operating budget of \$9,964,174 represents an increase of \$472,202 compared to FY 2014-15 of \$9,491,972, which is primarily attributed to:

- Under Salaries & Benefits, the increase is primarily attributed to a COLA negotiated with bargaining units in previous years and merit increases.
- Under Services & Supplies, the increase can be attributed to one time fund balance expenditures for the lawnmower scrap incentive program, new exhibit at the Santa Maria Valley Children's Museum, portable air sensor project, and an increase in \$2 DMV funding for the Old Car Buy Back (OCBB) program. Also, we plan to commit grant funds to continue the marine shipping incentive program. The proposed ITG grant program expenditures have increased to reflect these new projects as well as to enhance other ongoing Board approved programs.
- Under other charges, an increase of \$8,053 is primarily due to anticipated increases to the liability insurance premiums and contributions to other agencies.
- Under fixed assets, the District plans on purchasing air quality monitoring instruments in FY 2015-16 for \$95,000 and one new pool vehicle for \$40,000. Funds for these purchases 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 2015-16 we are proposing to draw from the Operational Activity fund designation for the lawnmower scrap and marine shipping incentive programs, new exhibit at the Santa Maria Valley Children's Museum, portable air sensor project, increased \$2 DMV funding for OCBB program, and continued work on the Marine Shipping Speed Reduction program.

➤ *Major Efforts during FY 2015-16:*

- Complete the review of data from the vessel speed reduction pilot program and pursue opportunities to reduce emissions associated with marine shipping.
- Lead the development of a tri-county hydrogen refueling infrastructure plan to support the introduction of hydrogen-fueled vehicles in the region.
- Seek solutions to emission offsets availability and costs.
- Complete the 2016 Clean Air Plan Update.
- Develop and adopt new and revised rules as required by the Clean Air Plan.

In addition, other important activities will continue. Such activities include efforts to reduce emissions and educating the public through extensive outreach programs. Examples of these efforts include, issuing permits, conducting inspections of permitted equipment, publishing 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 along with the addition of a California Energy Commission grant. This grant will be brought to your Board in June for review. The District will be administering the grant and acting as a pass-through entity. The total amount of the grant is \$242,872 and the main purpose is to prepare a Tri-Counties Infrastructure Plan for hydrogen fueling stations. Once the proposed budget is adopted, an adopted budget document will be published.

ATTACHMENT:

Fiscal Year 2015-16 Proposed Budget