Long-Range Fiscal Strategy
2023-2028

Board of Directors
Santa Barbara County
Air Pollution Control District

Our Mission: To protect the people and the environment of Santa Barbara County from the effects of air pollution.

Aeron Arlin Genet
Executive Director / APCO

October 19, 2023
@OurAirSBC
Background

- **FY 2018-19 Reorganization:**
  - Consolidated number of staff (43 to 34 FTEs)
  - Streamlined leadership structure: 1 supervisor per division
  - Air Quality Specialist positions to meet cross-divisional needs
  - Incorporated equity adjustments to be competitive with neighboring Districts
  - Invested in efficiency measures

- Achieved a balanced budget the past 5 years
Today’s Challenges

- Fiscal Instability:
  - Revenue sources continue to evolve
    - Over the next 5 years, oil and gas revenue anticipated to drop by $785,000, or almost 8%
    - Many sources are under-paying for services
  - Matrix Consulting Group conducted a Cost Recovery and Fee Analysis Study (Fee Study)
    - Found significant shortfall in revenue received for fee-based services (e.g., permit issuance and inspections)
    - District currently only recovering 47% of its costs to implement fee-based programs
  - Salary & benefit costs continue to increase

- Workload Management:

<table>
<thead>
<tr>
<th>Air Quality Programs Continue to Grow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Toxics Hot Spots</td>
</tr>
<tr>
<td>Community Air Protection / EJ</td>
</tr>
</tbody>
</table>
Today’s Challenges (continued)

- **Staff Recruitment & Retention:**
  - High rate of staff turnover
    - Approx. 11% of workforce leaves District annually
    - Median years of service = 7.5 years (41% of staff have less than 5 years of service)

  - Benefit costs are increasing
    - Pension cost currently $1.7 million, and increasing annually
    - Health insurance costs increased 42% in the last 5 years

  - High cost of living

  - Importance of succession planning & enhanced retention measures
### Annual Cost Recovery Analysis Provided by Matrix Consulting

<table>
<thead>
<tr>
<th>Fee Schedule</th>
<th>Revenue at Current Fee</th>
<th>Total Annual Cost</th>
<th>Annual Surplus / (Deficit)</th>
<th>Cost Recovery %</th>
</tr>
</thead>
<tbody>
<tr>
<td>A - Equipment / Facility</td>
<td>$1,157,439</td>
<td>$1,923,856</td>
<td>($766,417)</td>
<td>60%</td>
</tr>
<tr>
<td>B-1 Air Quality Planning</td>
<td>$344,135</td>
<td>$428,347</td>
<td>($84,212)</td>
<td>80%</td>
</tr>
<tr>
<td>B-2 Air Toxics</td>
<td>$113,970</td>
<td>$259,352</td>
<td>($145,382)</td>
<td>44%</td>
</tr>
<tr>
<td>C - Source Testing</td>
<td>$105,321</td>
<td>$178,882</td>
<td>($73,561)</td>
<td>59%</td>
</tr>
<tr>
<td>F - Miscellaneous</td>
<td>$327,537</td>
<td>$1,525,322</td>
<td>($1,197,785)</td>
<td>21%</td>
</tr>
<tr>
<td>Agricultural Diesel Engines</td>
<td>$24,360</td>
<td>$70,701</td>
<td>($46,341)</td>
<td>34%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,072,763</strong></td>
<td><strong>$4,386,460</strong></td>
<td><strong>($2,313,697)</strong></td>
<td><strong>47%</strong></td>
</tr>
</tbody>
</table>
5-Year Budget Forecast - Assumptions

**Expenditures**
- 34 full-time staff
- Salary & pension costs projected to increase 4% per year
- Services & supplies projected to increase 2% per year
- Other expenditures (insurance premiums, fleet costs) projected to increase 3% per year

**Revenue**
- Annual Consumer Price Index (CPI) adjustments on fee-based programs at 2.92% per year (based on historical trends over last 10 years)
- Reduction in oil and gas operations
  - Expecting $785k reduction over 5 years
    - Loss of $244k in FY 23-24 and $135k per year thereafter
Results of 5-Year Forecast

- $419,903 shortfall in FY 2024-25
  - 4% of total budget

- Grows to $1.2M shortfall in FY 2027-28
  - 12% of total budget
Long-Range Fiscal Strategies

1) **Maintain annual fee adjustments for CPI**
   - April to April calculation
   - No Board action is needed

2) **Adopt Cost-Recovery Policy for fee-based programs**
   - Goal: 85% cost-recovery
   - Health & Safety Code limits annual permit fee increases to 15%
   - Requires multi-year, phased-in approach to reach target
     - 5% increase = $101,571/year
     - 10% increase = $203,143/year
     - 15% increase = $304,714/year
   - Options for 85% cost-recovery timeframe:
     - 15% per year over 5 years
     - 10% per year over 10 years
     - 5% per year over 15 years
Long-Range Fiscal Strategies

3) Potential Changes to Rule 210
   - Existing fee schedule doesn’t provide mechanism for cost-recovery for certain categories of District work
     - ~14 categories
   - Results in ~$700,000 per year
   - Public Workshop, CAC Meeting, 2 Board Meetings
   - Goal to take effect in FY 24-25 budget

4) Continue to Reduce Operating Cost
   - Rent savings in Santa Barbara and Santa Maria offices
   - Expand efficiency measures
Long-Range Fiscal Strategies

5) Set and Adopt a Fund Balance Policy
   - Recommend maintaining fund balance of 15-20% of operating budget
     - Target: $1.5 - 2 million
     - Currently at $1.5 million

6) Staff Retention Measures
   - Maintain staff number at 34 FTEs
   - Pursue Retention Strategies
     - Negotiations with SEIU & ETA for 2025 contract
     - Board action needed to approve MOU in 2025
Summary of Recommendations

- Adopt 85% Cost-Recovery Policy for fee-based programs

- Phase-in fee increases over next 10 years
  - ~$200,000 per year

- Proceed with Rule 210 amendments
  - ~$700,000 per year

- Reduce operating costs (rent space)
  - ~(+$100,000) per year

- Adopt Fund Balance Policy

- Negotiate with SEIU and ETA for 2025 contracts
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