

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

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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:

Air Quality Programs Continue to Grow

Air Toxics Hot Spots	Greenhouse Gas Mandates
Community Air Protection / EJ	Wildfire Smoke Response

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

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

5-Year Budget Forecast - Assumptions

► Expenditures

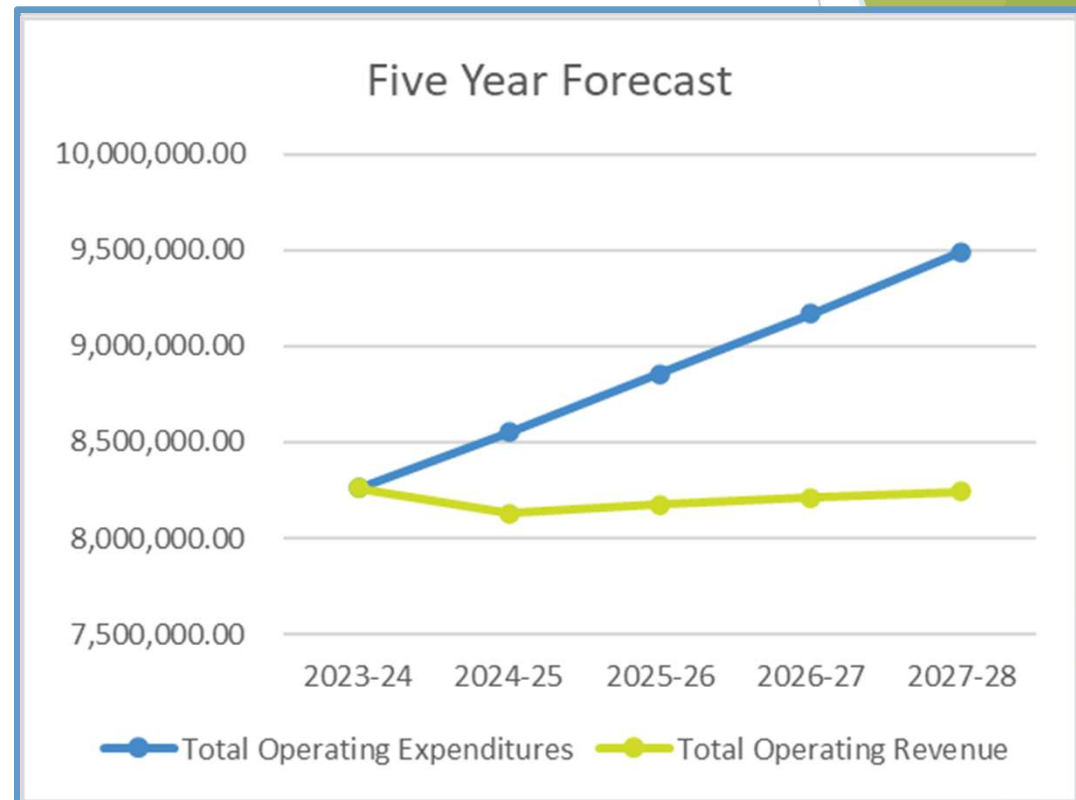
- 34 full-time staff
- Salary & pension costs projected to increase 4% per year
- Services & supplies projected to increase 2% per year
- Other expenditures (insurance premiums, fleet costs) projected to increase 3% per year

► 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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