

Agenda Date: May 18, 2006  
Agenda Placement: Regular  
Estimated Time: 30 Minutes  
Continued Item: No

## Board Agenda Item

TO: Air Pollution Control District Board  
FROM: Terry Dressler, Air Pollution Control Officer  
CONTACT: Donald Kendig, CPA, Business Manager (961-8854)  
SUBJECT: Fiscal Year 2006-07 Comprehensive Program Summary and Proposed Budget

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### RECOMMENDATION:

1. Review the Comprehensive Program Summary and Proposed Budget for Fiscal Year 2006-07
2. Hold a public hearing to accept comments, and provide direction to staff regarding changes desired by the Board
3. Schedule a budget adoption hearing for June 15, 2006

### DISCUSSION:

#### ***Comprehensive Program Summary and Proposed Budget for Fiscal Year 2006-07***

Attached you will find the Comprehensive Program Summary and Proposed Budget for the 2006-07 fiscal year (FY). The format is very similar to the prior year, which has been patterned after the County's budget document.

#### Budget Overview

The FY 2006-07 budget is characterized by our second year of management's plan to bring our expenditures in alignment with our revenues. For the last three fiscal years the APCD's expenditures have been greater than our revenues. We have had to use, in the form of a release of designations, previously accumulated funds in order to balance our budgets. In line with our plan, we have deleted a full-time Senior Accounts Technician and unfunded one half of an Air Quality Engineer for a total reduction of 1.5 full time equivalent positions for FY 2006-07.

While the total FY 2006-07 budget of about \$9.690 million represents an increase of approximately \$1,116,000 over the FY 2005-06 budget, the increase can be attributed to an increase in budgeted clean air grants made possible by increases in the motor vehicle surcharge and the extension of the Moyer Program. No fee revisions are included in the proposed budget except the annual cost-of-living adjustments to fixed fees, which is currently proposed to be 4%, though the final budget will include an updated estimate based on current information at that time.

### ***Revenues***

With one notable exception, our revenue sources are projected to remain relatively stable from our adopted FY 2005-06 budget to our proposed FY 2006-07. A significant increase of approximately \$883,000 appears under *Reimbursement Charges-Air Pollution*, which is due to \$442,000 of additional Moyer, \$400,000 for the Guadalupe Oil Field Mitigation project, and \$201,000 for the first year, of a two-year, Integrated Waste Management Board (IWMB) contract, which are offset by reductions in reimbursable source fees of \$147,000 and increment revenue of \$13,000.

### ***Staffing***

As we have been reporting, the APCD staffing has been significantly reduced over the last fifteen years. The reductions were the result of reductions in revenue. Some of the revenue reductions were associated with reductions in workload and some were not. Reductions in revenue that result from reductions in permitting and compliance activities are coincident with reductions in workload. However, reductions in revenue produced by reductions in air pollution emissions achieved through compliance with rules and permit conditions do not necessarily coincide with reductions in workload. In fact, more often than not, most emission reductions achieved by regulations actually increase the need for permitting and compliance related work in order to ensure that the emission reductions continue to be achieved and that all regulated companies are treated equitably. Furthermore, until we achieve and successfully maintain all air quality health standards, attainment planning workload remains fairly steady regardless of fluctuations in emissions related revenue. With that said, staffing stabilized for the last five years; however, the relationship between ongoing revenues and expenditures were not fully analyzed until FY 2005-06 and it was discovered that revenues had continued to erode without necessary corrective action.

The FY 2005-06 budget reduced positions by 3.25 FTE and the proposed 2006-07 budget reduces positions by an additional 1.5 FTE. Of the 1.5 FTE, one Accounting Technician Sr. will be deleted as part of a Fiscal Section reorganization, and the job duties will be re-distributed to the remaining positions. It was also timely and appropriate to review and revise class specifications to incorporate these changes in duties. The Job Class table, on page 11, outlines the proposed staffing changes, and revised job class specifications will be presented for adoption at the June budget hearing.

### ***Expenditures***

Salaries and benefits increase modestly by approximately a net \$50,000 due to the proposed increase in COLAs of 3.2%, retirement rate increases averaging 1.56%, and merit increases, which are offset by savings realized by staffing reductions. The modest increase in retirement rates is a result of the lag time of District-wide inequity adjustments being incorporated in to the retirement rates. Prior year retirement system market losses, offset by savings from past retirements, will be fully recognized in FY 2006-07. Delayed recognition of gains are starting to work themselves in the rates resulting in a forecast of level, to decreasing, rates in FY 2007-08. Potential retirements might also improve the forecast.

Services and supplies increase by approximately \$1,109,000 primarily due to the expenditure side of the additional revenues described previously. Additional grants will be issued from the DMV 2\$ and Moyer programs and additional activities will take place with the Guadalupe Oil Field Mitigation and IWMB projects. It is also important to note that of the \$3.947 million in services and supplies proposed in FY 2006-07, \$2.305 million (or 58.4%) is passed through to the community in the form of grants.

Lastly, principle and interest payments have been eliminated by the paying off of the note payable with the County of Santa Barbara.

## Program Overview

### ***Major accomplishments, events, and highlights during FY 2005-06:***

- No exceedances of federal ozone standards
- Seventh year in a row for attainment of the one-hour federal ozone standard
- No exceedances of one-hour State ozone standard
- Made progress with EPA, the California Air Resources Board, and other partners to fund the first marine shipping retrofit program
- Issued grants to reduce 135 tons of air pollution by March
- Maintained cooperative working relationship with agricultural community to implement state-mandated permitting of agricultural sources
- 1,222 inspections and 693 permitting actions in calendar year 2005
- Responded to 207 air pollution complaints in calendar year 2005

### ***Major efforts during FY 2006-07:***

- Develop the 2007 Clean Air Plan and related rules for Board approval
- Quantify the emissions from marine shipping
- Guadalupe Oil Field Air Quality Mitigation Program
- Old Car Buyback program
- Allocate additional \$800k in Moyer Clean Air grants
- Upgrade Data Acquisition System (DAS) and provide data loggers to participating sources
- Implement and administer the Air Toxic Hot Spots program, including risk notification and reduction
- IWMB study on waste conversion emissions
- Replace the air monitoring station shelter at Vandenberg Air Force Base
- Implement Statewide diesel engine regulations
- Revise APCD internal combustion engine rule
- Ongoing permitting & compliance activities

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 make sure 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.

## ***Public Hearing***

### Public Review and Board Adoption Process

Your Board is requested to hold a public hearing to review the proposed APCD budget for FY 2006-07 and to provide the public with the opportunity to comment. A separate public hearing must be held to adopt the budget. 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. Notices were mailed to all permit holders and published in local newspapers. In addition, staff conducted two public workshops on April 25 and 27 (in Santa Barbara and Santa Maria, respectively) to explain the budget, answer questions, and receive input. At the May hearing, we will present comments that we received at the workshop.

## Potential Changes and Corrections to Proposed Budget

### ***Potential Changes***

The proposed budget will be modified based on your Board's direction at the May hearing and presented for adoption at the June hearing. Other modifications prior to the June adoption hearing will include typographical corrections, an update of the cost-of-living fee adjustment based on the final April-to-April consumer price index figures, and incorporation of any updated information about cost or revenue.

### ***Corrections***

Also, at least one correction will be made: Page 21 does not clearly describe the impact of the IWMB contract. The second to the last paragraph will be replaced to state:

“The IWMB contract will fund the increase in services and supplies of approximately \$86,000 found under the character of expenditures and the related increase in Permitting, Compliance, and Enforcement of approximately \$94,000 found under the expenditure plan. In addition, the contract supports a shift in effort from Air Toxics to Permitting, Compliance, and Enforcement.”

Attachment: Fiscal Year 2006-07 Comprehensive Program Summary and Proposed Budget