

Agenda Date: May 19, 2011
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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 (FY) 2011-12 Comprehensive Program Summary and Proposed Budget

RECOMMENDATION:

1. Receive the Comprehensive Program Summary and Proposed Budget for FY 2011-12;
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, 2011.

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 2011-12 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, 2011.

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 on April 8, 2011 and notices were mailed to all permit holders on April 6, 2011. Notice was also published in local newspapers on April 10, 2011. In addition, staff conducted a public workshop on April 19, 2011 to explain the budget, answer questions, and receive input.

Proposed Budget Overview

FY 2011-12 District Budget at a Glance

We are proposing to maintain staffing levels and the Proposed FY 2011-12 budget of \$9,577,788 is \$108,033 lower than the Adopted FY 2010-11 budget of \$9,685,821.

Budgetary Highlights and Major Factors Affecting the FY 2011-12 Budget

No fee increases are proposed for FY 2011-12 other than a forecasted Consumer Price Index (CPI) adjustment in fees that is authorized by APCD Rule 210. While we have forecasted a CPI of 1.0% for this May proposed budget, it could actually be slightly lower or higher.

Retirement rates have increased from 29.9% of pensionable earnings to 32.3% at an additional cost of \$129,000.

We are proposing to maintain current staffing levels. The District has significantly reduced its staff levels over the last several budget cycles in order to align our expenditures with our revenues, and this will be the fourth year we are proposing a balanced budget without a structural deficit.

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 2011-12.

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 2010-11 salary savings and unanticipated revenues were sufficient enough to reduce our forecasted need to draw from this account by \$143,645 down from an originally budgeted \$593,645 to \$450,000. We propose no changes to the balance in FY 2011-12.

Revenues

Our proposed revenues of \$8,070,190 represents an increase of \$313,361 compared to the FY 2010-11 total of \$7,756,829. This is primarily due to the three year permit reevaluation revenue cycle.

Revenue decreases include: application fees at \$23,161, annual emission fees at \$39,278 due to anticipated emission reductions, AQAP (Air Quality Attainment Planning) Fees at \$41,493, Carl Moyer grant revenue at \$134,356, and reimbursable charges at \$24,506.

Staffing

Since FY 2002-03 we have reduced staffing by 10.50 Full Time Equivalent (FTE) positions (or 15.6%) to 50.25 FTE. 50.25 FTE represent a 55.5% reduction from the FY 1992-93 staffing peak of 113.0 positions.

The current staffing levels continue to present the significant 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 and compliance, inspection, air monitoring, air toxics, interagency review, and financial reporting.

Expenditures

Our FY 2011-12 operating budget of \$9,544,268 represents a decrease of \$96,877 compared to FY 2010-11 of \$9,641,145, which is primarily attributed to:

- Under salaries & benefits: the decrease is primarily attributed to salary savings from a reduction in worker's compensation costs, a reduction in the budgeted use of extra help, and a reduction of the one-time non-pensionable employee benefits in the previous fiscal year. The decrease is offset by an increase in retirement costs of approximately \$129,000.
- Under services & supplies: the increase is primarily attributed to an increase in Carl Moyer & ITG grants offset by reduction in anticipated DMV \$2 grants, for a net increase of \$218,538. This net increase is offset by a reduction in various contractor costs for database, web, and community outreach activities. Additional miscellaneous services & supplies costs were also cut by eliminating specialized testing for new-hires and the APCD's membership in the Coastal Housing Partnership, as well as reducing the budgeted appropriation for the APCD office machine lease, publication printing, and postage costs.
- Under other charges: a reduction made to the previous year's contribution to Santa Barbara County Association of Governments for its work on the Clean Air Plan is primarily responsible for the decrease.
- Under fixed assets: the increase is primarily due to the purchase of two inspector vehicles and one H2S (hydrogen sulfide) analyzer in the Engineering & Compliance Division, as well as additional air testing and monitoring equipment. Funds for these purchases come from prior year strategic savings especially 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 2011-12 we propose no use of discretionary designations.

Comprehensive Program Summary Overview

Major Accomplishments, Events, and Highlights during FY 2010-11:

- Only five exceedances of the federal 8-hour ozone standard in calendar year 2010¹.
- Only one exceedance of the state one-hour ozone standard in calendar year 2010.
- Only seven exceedances of the state 8-hour ozone standard in calendar year 2010.
- Began reporting real-time particulate data on the APCD website.
- Performed 948 inspections and 514 permitting actions in calendar year 2010.
- Responded to 154 air pollution complaints in calendar year 2010.
- Issued \$649,617 in clean air grants.

¹In January 2010 the Environmental Protection Agency proposed to strengthen the 8-hour "primary" ozone standard, designed to protect public health, to a level within the range of 0.060-0.070 parts per million (ppm). The standard is expected to be finalized in July 2011.

Major Efforts during FY 2011-12:

- Track implementation of AB 32 and SB 375.
- Monitor EPA guidance on new standards, particularly EPA's reconsideration of the 8-hour federal ozone standard and determine appropriate actions to comply with all planning requirements.
- Monitor ARB guidance on the state ozone standard and determine appropriate actions to comply with all planning requirements.
- Continue to track regulatory developments on marine shipping. Update shipping emissions estimates and further assess impacts to County air quality.
- Develop and adopt new and revised rules as required by the Clean Air Plan. These rules include, but are not limited to, Rule 330 (Surface Coating of Metal Parts and Products), Rule 337 (Surface Coating of Aircraft or Aerospace Parts and Products), Rule 349 (Polyester Resin Operations) and Rule 353 (Adhesives and Sealants).
- Develop and adopt rules to implement state air toxic control measures, federal New Source Performance Standards, National Emission Standards for Hazardous Air Pollutants, and federal Maximum Achievable Control Technology standards.
- Implement CEQA on APCD rules, APCD permits, and plans.
- Install the relocated Santa Ynez monitoring station.

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.

Other modifications to the proposed budget will include an update for the CPI fee adjustment based on the final April-to-April consumer price index figures, the incorporation of any updated information about costs or revenues, and any adjustments to designations as a result.

Once the proposed budget is adopted, an adopted budget document will be published.

ATTACHMENT:

Fiscal Year 2011-12 Comprehensive Program Summary and Proposed Budget