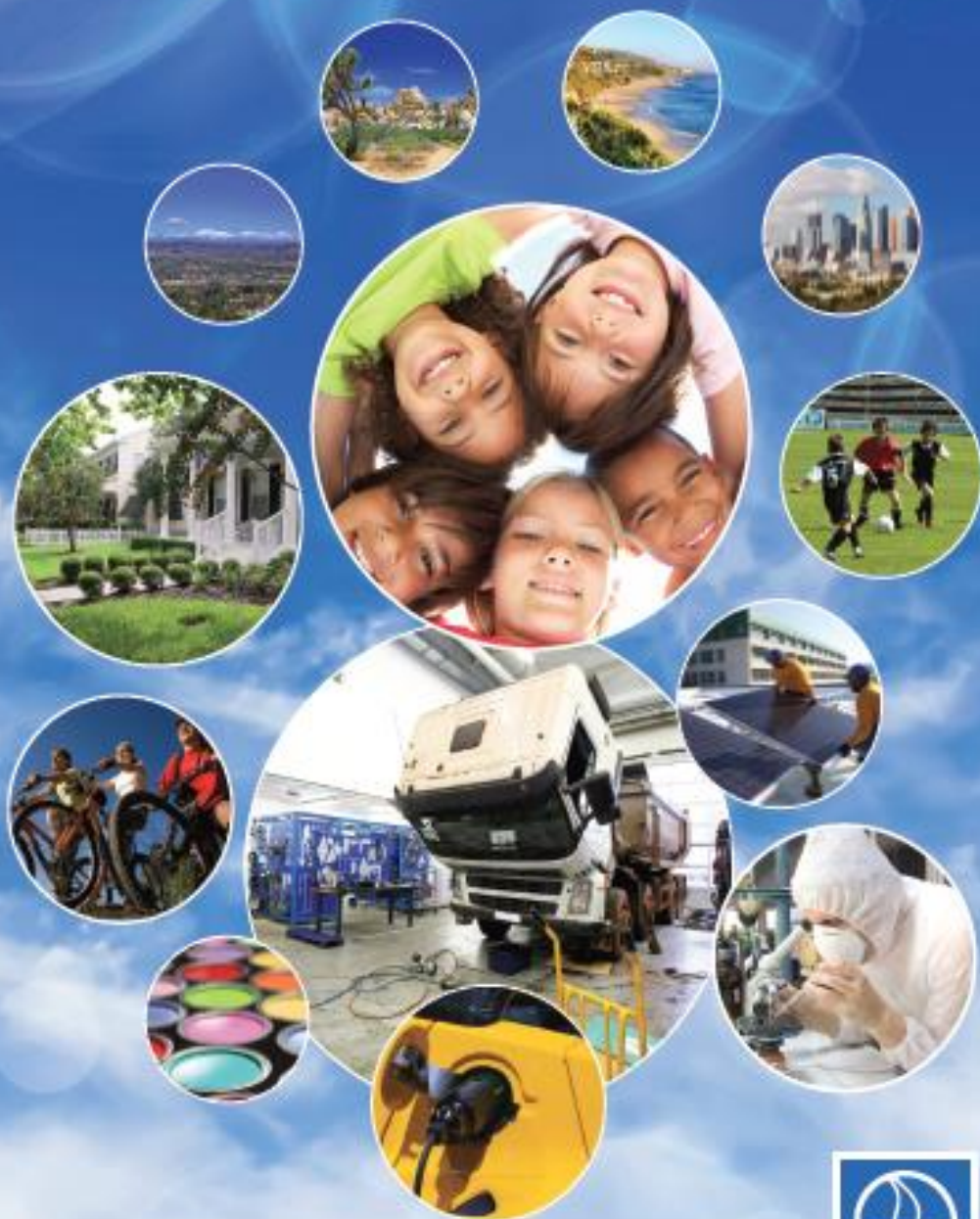


# Popular Annual Financial Report

Year Ended June 30, 2016



South Coast Air Quality Management District  
Diamond Bar, California



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***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT***

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Popular Annual Financial Report  
Year Ended June 30, 2016

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***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT***

***GOVERNING BOARD***

*June 30, 2016*

*WILLIAM A. BURKE, Ed.D*  
*Chairman*  
*Speaker of the Assembly Appointee*

*BEN BENOIT*  
*Vice Chair*  
*County of Riverside*  
*Cities Representative*

*MICHAEL D. ANTONOVICH*  
*County of Los Angeles Representative*

*JUDY MITCHELL*  
*County of Los Angeles*  
*Cities Representative*  
*Western Region*

*JOHN J. BENOIT*  
*County of Riverside Representative*

*JOE BUSCAINO*  
*City of Los Angeles Representative*

*SHAWN NELSON*  
*County of Orange Representative*

*MICHAEL A. CACCIOTTI*  
*County of Los Angeles*  
*Cities Representative*  
*Eastern Region*

*DR. CLARK E. PARKER, SR.*  
*Senate Rules Committee Appointee*

*JOSEPH K. LYOU, Ph.D.*  
*Governor's Appointee*

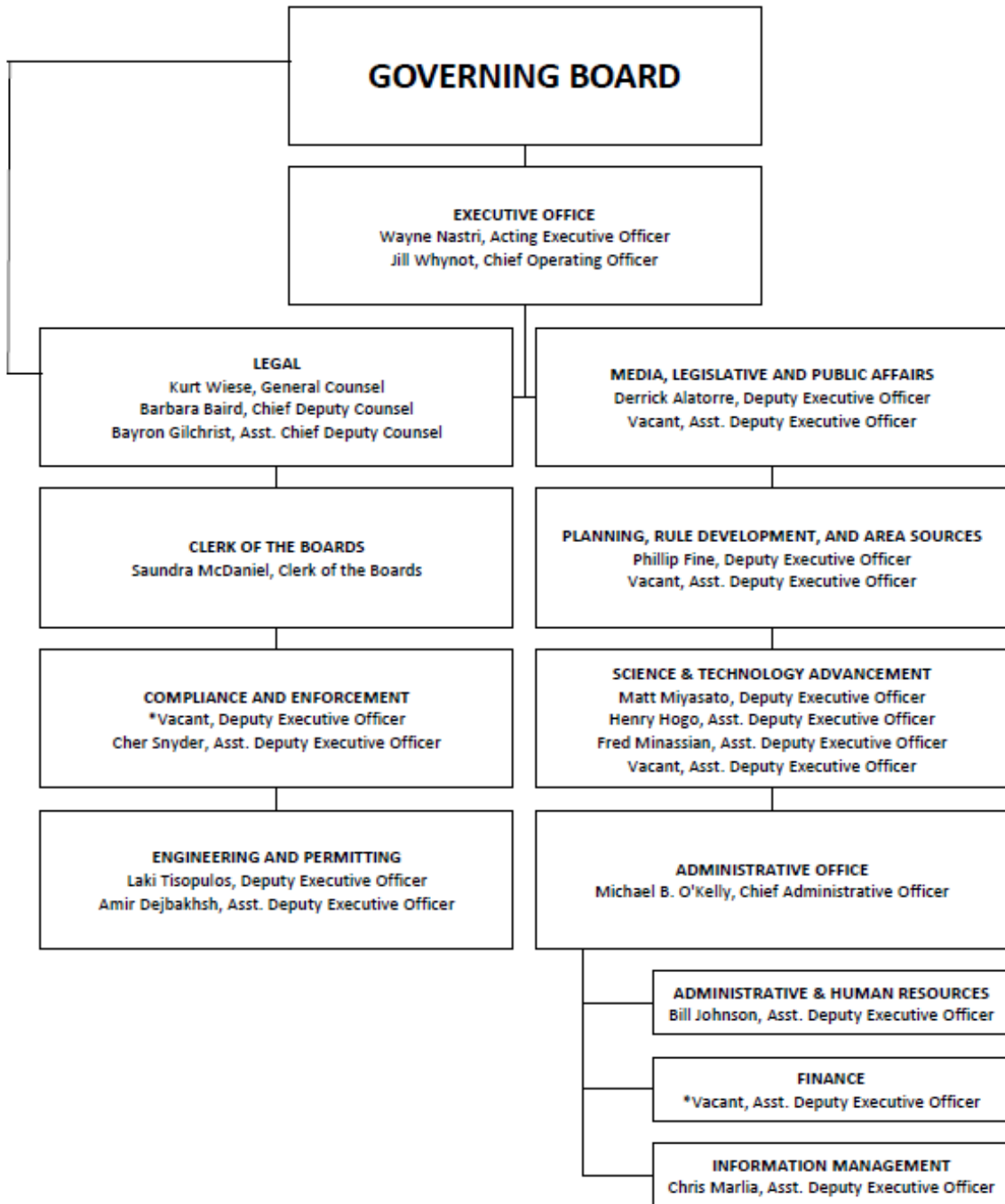
*DWIGHT ROBINSON*  
*County of Orange*  
*Cities Representative*

*LARRY MCCALLON*  
*County of San Bernardino*  
*Cities Representative*

*JANICE RUTHERFORD*  
*County of San Bernardino Representative*

*WAYNE NASTRI*  
*Acting Executive Officer*

**South Coast Air Quality Management District, California**  
**Organizational Chart**  
**June 30, 2016**



\*Approved by the Governing Board on September 2, 2016

# **SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

## **A NOTE FROM THE CAO**

**June 30, 2016**

We are pleased to present the South Coast Air Quality Management District's (SCAQMD) Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2016. This report makes our District's finances easier to understand, and is intended to communicate our financial situation in an open and accountable manner.

The PAFR is intended to summarize the financial activities of SCAQMD and was drawn from the financial information appearing in the 2016 Comprehensive Annual Financial Report (CAFR). The PAFR is unaudited; however, the financial data presented in the PAFR is derived from the CAFR and is consistent with generally accepted accounting principles. The PAFR can also be reviewed on SCAQMD's website at [www.aqmd.gov/home/about/finance](http://www.aqmd.gov/home/about/finance).

For more detailed financial information, or information on SCAQMD's component unit (Building Corporation which is not included in this document) a copy of the Comprehensive Annual Financial Report is available for interested users from Finance at 21865 Copley Drive, Diamond Bar, CA 91765. It can also be viewed on the SCAQMD's website at [www.aqmd.gov/home/about/finance](http://www.aqmd.gov/home/about/finance).

Questions, comments and feedback regarding this report are encouraged, so please do not hesitate to contact the Chief Financial Officer at (909) 396-2828 or at [mokelly@aqmd.gov](mailto:mokelly@aqmd.gov).

Respectfully submitted,



Michael B. O'Kelly, CPA  
Chief Administrative Officer

## **ABOUT THE DISTRICT**

The South Coast Air Quality Management District began operation on February 1, 1977 as a regional governmental agency established by the California Legislature pursuant to the Lewis Air Quality Management Act. SCAQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties, representing approximately over 16 million residents. It succeeded the Southern California Air Pollution Control District and its predecessor four county air pollution control districts, of which the Los Angeles County Air Pollution Control District was the oldest in the nation, having been formed in 1947.

SCAQMD's Governing Board is composed of 13 members, including four members appointed by the Boards of Supervisors of the four counties in SCAQMD's jurisdiction, six members appointed by cities in SCAQMD's jurisdiction and three members appointed by the Governor, the Speaker of the State Assembly and the Rules Committee of the State Senate, respectively. The members appointed by the various Boards of Supervisors and cities consist of one member of the Board of Supervisors of Los Angeles, Orange, Riverside, and San Bernardino Counties, respectively, and a mayor or member of the city council of a city within Orange, Riverside and San Bernardino Counties. Los Angeles County cities have three representatives, one from the city of Los Angeles and one each from the western and eastern portions of the county.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

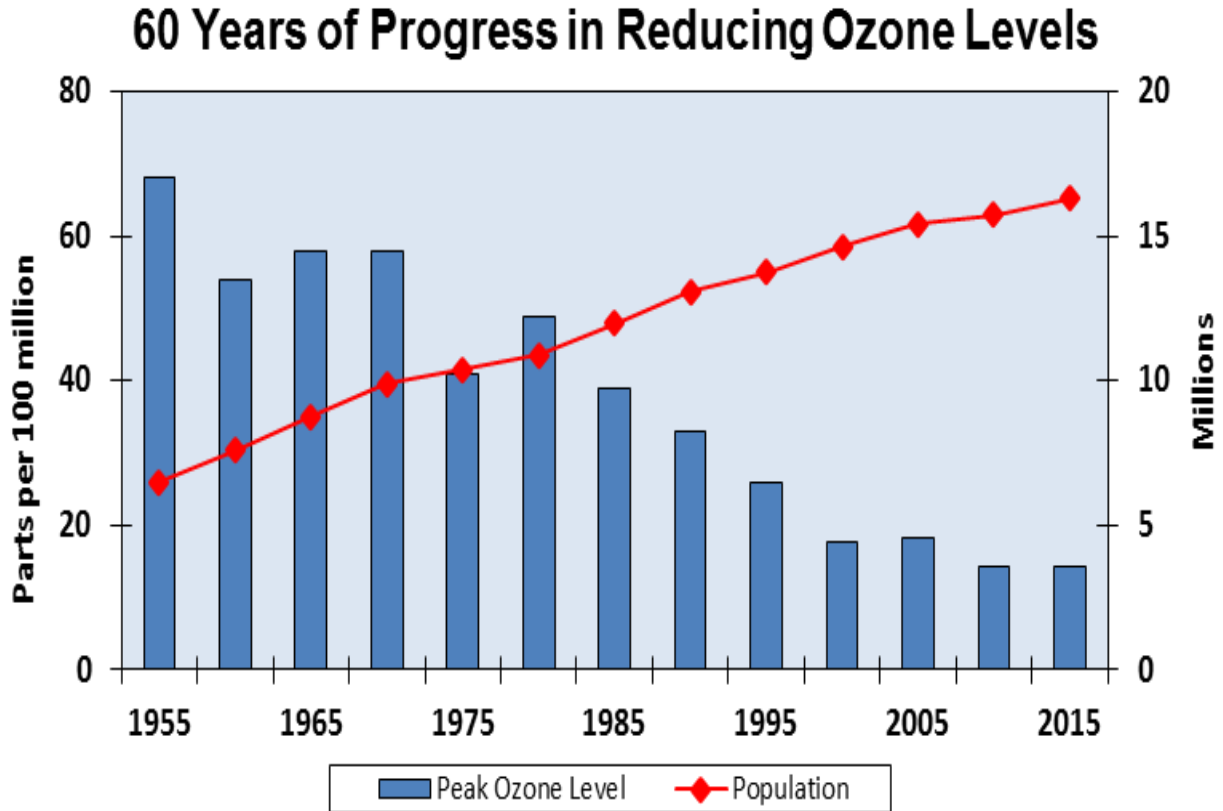
## Demographic and Miscellaneous Statistics

<b><u>Established:</u></b>	February 1, 1977
<b><u>Area Covered:</u></b>	10,743 Square Miles
<b><u>Counties Included in District:</u></b>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<b><u>Population:</u></b>	16,866,350 (In 2015)
<b><u>Transportation:</u></b>	Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific  Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs  Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes  Two major adjoining ports – Port of Long Beach and Port of Los Angeles
<b><u>Visitor Destinations:</u></b>	Disneyland, Knott’s Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl
<b><u>Number of Registered Vehicles Within SCAQMD Jurisdiction:</u></b>	13,265,118 (In 2015)
<b><u>Average Daily Miles Traveled Per Vehicle:</u></b>	29 (CY 2015 data)
<b><u>Examples of Stationary Sources of Air Pollution Regulated:</u></b>	Oil refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<b><u>Number of Sources:</u></b>	27,432 operating locations with approximately 74,343 permits.
<b><u>Number of Air Monitoring Stations:</u></b>	42
<b><u>Full-time Authorized Positions:</u></b>	803
<b><u>Key Federal, State, and Local Air Agencies</u></b>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer’s Association), NACAA (National Association of Clean Air Agencies), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## 60 YEARS OF PROGRESS IN REDUCING OZONE LEVELS

June 30, 2016



Since the late 1940s when the war on smog began to 2015, the region's population has more than tripled from 4.8 million to over 16.9 million; the number of motor vehicles has increased over five-fold from 2.3 million to over 13 million; and the area has grown into one of the most prosperous regions of the world. This phenomenal economic growth illustrates that pollution control and strong economic growth can coincide.



## **SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

### **MISSION, GOALS, AND PRIORITY PROJECTS**

**June 30, 2016**

#### **MISSION STATEMENT**

“All residents have a right to live and work in an environment of clean air and we are committed to undertaking all necessary steps to protect public health from air pollution with sensitivity to the impacts of our actions on the community, public agencies and businesses.”

#### **GOALS AND PRIORITY PROJECTS**

SCAQMD goals have many important objectives, but SCAQMD highlighted the following three priority projects for fiscal year 2015-16 which are particularly important to achieving SCAQMD’s mission and goals:

**GOAL I.** Ensure expeditious progress toward meeting clean air standards and protecting public health.

Develop the 2016 AQMP, the 2016 Air Toxics Control Plan, and further develop enhanced emissions/ambient monitoring capabilities; demonstrate programs for CNG police vehicles and zero-emission police vehicles; conduct a loaner program for zero-emission lawn and garden equipment; continue to work with DOE, CEC, the Ports and others to develop and demonstrate zero-emission goods movement technologies; update and enhance the Carl Moyer program; secure SCAQMD’s share of funds for the last round of bond sales and implement Proposition 1B-Goods Movement Program; and continue incentive funding programs to achieve early and surplus emissions reductions.

Ensure compliance through a program that includes using community-based and/or industry-specific deployment of field personnel; ensure compliance through a program that includes timely processing of permit applications for stationary sources; and enhance community response program.

Prioritize prosecution of high-impact enforcement cases to maximize deterrence for air pollution violations and protect public health; work proactively on drought-related air quality impacts and needed response; and develop and demonstrate low emission energy generation technology as well as energy storage options.



**GOAL II.** Enhance public education and ensure equitable treatment for all communities.

Complete the implementation of the Clean Communities Plan Pilot Studies in Boyle Heights and San Bernardino; demonstrate viability for car scrapping and vouchers for cleaner vehicles in disadvantaged communities; conduct large-scale testing of emerging “low-cost sensors” for accuracy and performance; employ the latest communication technologies, engage in community based programs and outreach events, and foster relationships with traditional media outlets; and continue timely response to community complaints.

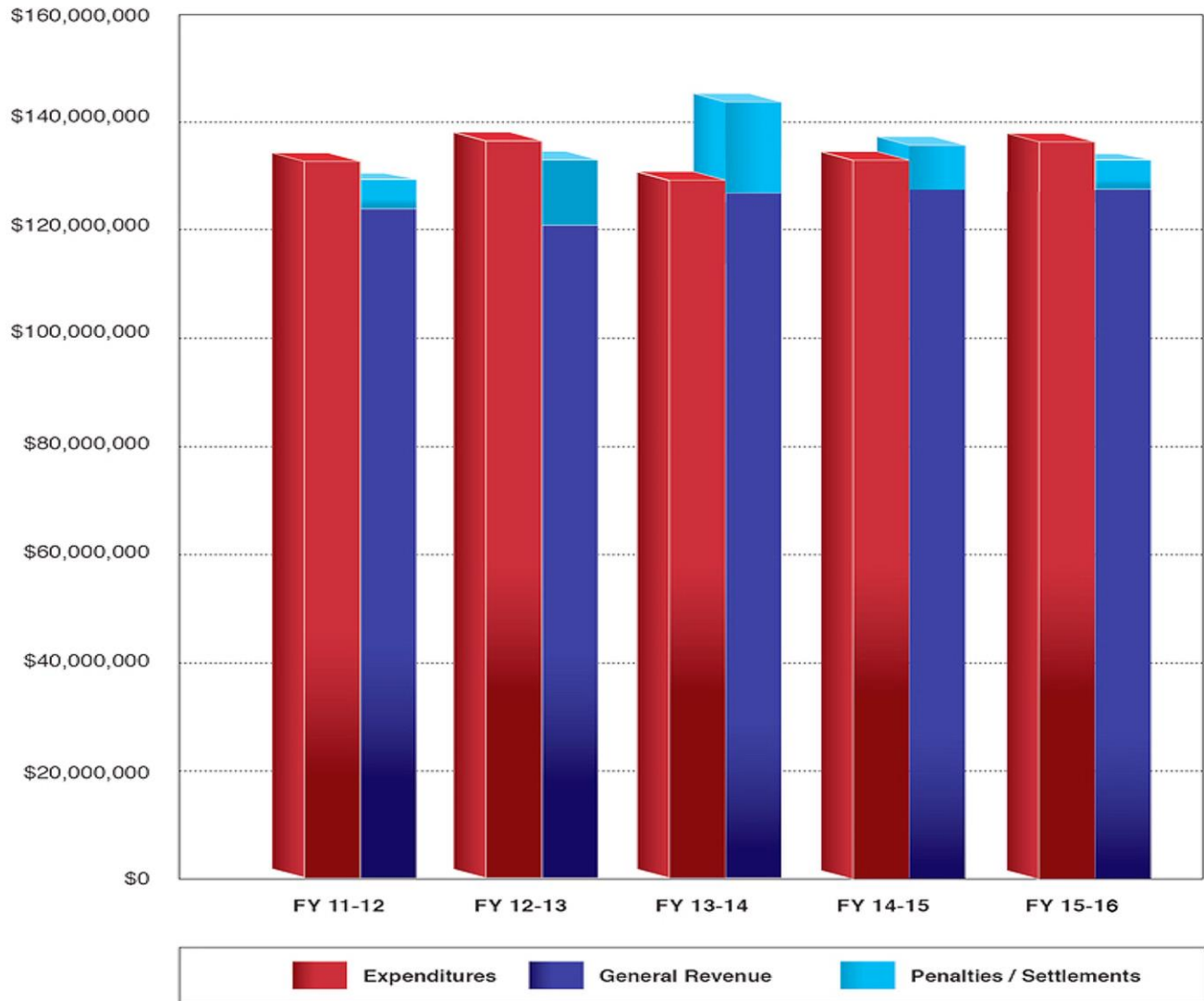
**GOAL III.** Operate efficiently and in a manner sensitive to public agencies, businesses, the public and SCAQMD staff.

Maintain a knowledgeable, professional and well-trained staff; continue an overhaul of SCAQMD’s information technology systems, including the use of state-of-the-art software, hardware, and communications systems to improve overall agency effectiveness and efficiency; provide excellent customer service to the business and regulated community, as well as other stakeholders; build and maintain partnerships with public agencies, stakeholder groups and the business community; and ensure rulemaking is transparent and inclusive.



# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## FINANCIAL PERFORMANCE June 30, 2016 Budget Surplus/Deficit – 5-Year History Non-GAAP Budgetary Basis (General Fund)



General Fund revenues decreased as compared to the prior fiscal year, primarily due to a decrease in unexpected large one-time non-compliant entities, combined with stable permit, renewal and emissions fees. The increase in 2016 expenditures from prior year includes the costs associated with the three year labor agreement along with rising pension costs. In addition, the professional and special services increased due to new or additional projects for legal consultants, community outreach, and planning and rule development activities.

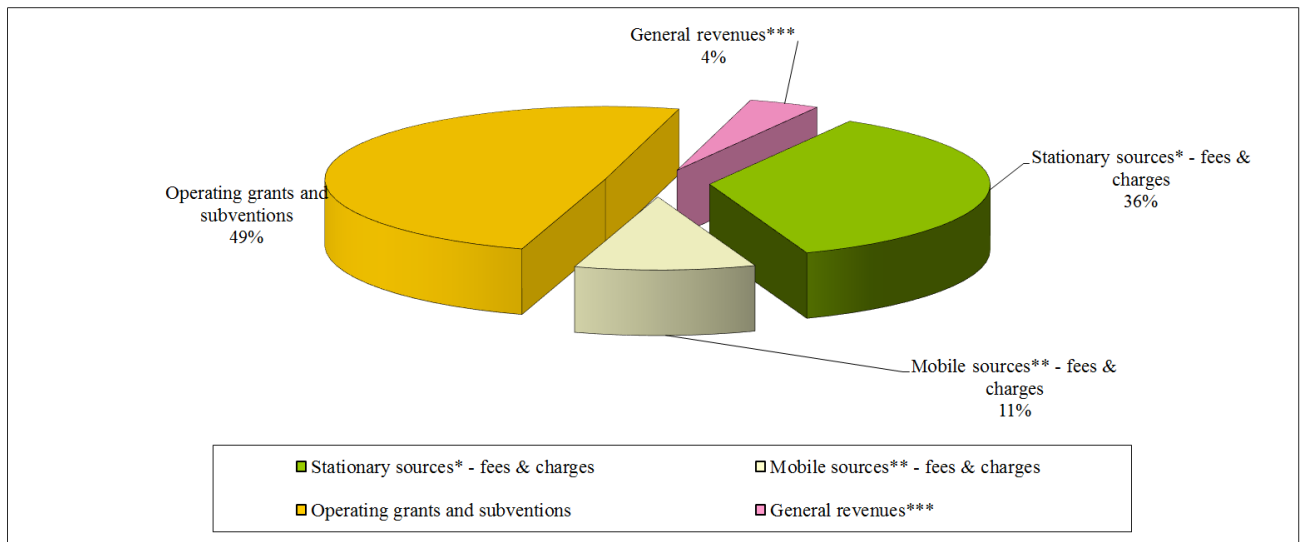
# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## *Where the Money Came From Our Revenues & Resources*

SCAQMD is a fee-supported agency and does not receive sales or property tax support. SCAQMD General Fund is the primary operating fund and is used to record transactions relating to its general business operations. It is also used to account for all revenues and expenditures that are not required to be accounted for in another fund. On a government-wide basis (including all funds), approximately 51% revenues of this fiscal year are derived from permit evaluation fees, annual permit operating fees, emission fees, Hearing Board fees, penalties and settlements, interest earnings, and other revenues. The remaining 49% of its revenue is derived from federal grants, state grants, California Air Resources Board (CARB) subvention funds, and motor vehicle fees.

Government-wide revenues during this fiscal year were approximately 10% lower as compared to the prior fiscal year. General Fund revenues decreased by 1% as compared to the prior fiscal year, primarily due to a decrease in penalties and settlements paid by non-compliant entities. Changes in government-wide revenue are highly dependent on the timing of receipts and continuation of state and federal grant funding, and general fund revenues.

### FY 2015-16 Revenues by Major Source



Source	FY 15-16	FY 14-15	FY 13-14	FY 12-13	FY 11-12	FY 10-11
Stationary sources* - fees & charges	\$ 89,264,511	\$ 88,120,829	\$ 87,160,484	\$ 85,439,616	\$ 82,624,489	\$ 81,291,028
Mobile sources** - fees & charges	25,743,988	24,526,008	24,307,527	23,535,070	23,384,894	22,512,790
Operating grants and subventions	122,424,397	149,766,034	9,741,945	8,754,443	8,486,563	8,867,069
General revenues***	10,148,573	14,043,695	23,570,233	15,202,920	9,684,052	12,739,158
Long-term special revenues	-	-	154,311,991	164,555,289	204,845,839	207,555,510
<b>Total</b>	<b>\$ 247,581,469</b>	<b>\$ 276,456,566</b>	<b>\$ 299,092,180</b>	<b>\$ 297,487,338</b>	<b>\$ 329,025,837</b>	<b>\$ 332,965,555</b>

\* Stationary sources consist of refineries, power plants, manufacturing facilities and small businesses.

\*\* Mobile sources are motorized vehicles that typically include automobiles, trucks, aircraft, ships, trains, and self-propelled construction equipment.

\*\*\* General Revenues include Penalties/Settlements, Interest, and dollars that are not restricted to specific stationary source programs.

Source: FY 2015-16 CAFR Statement of Activities

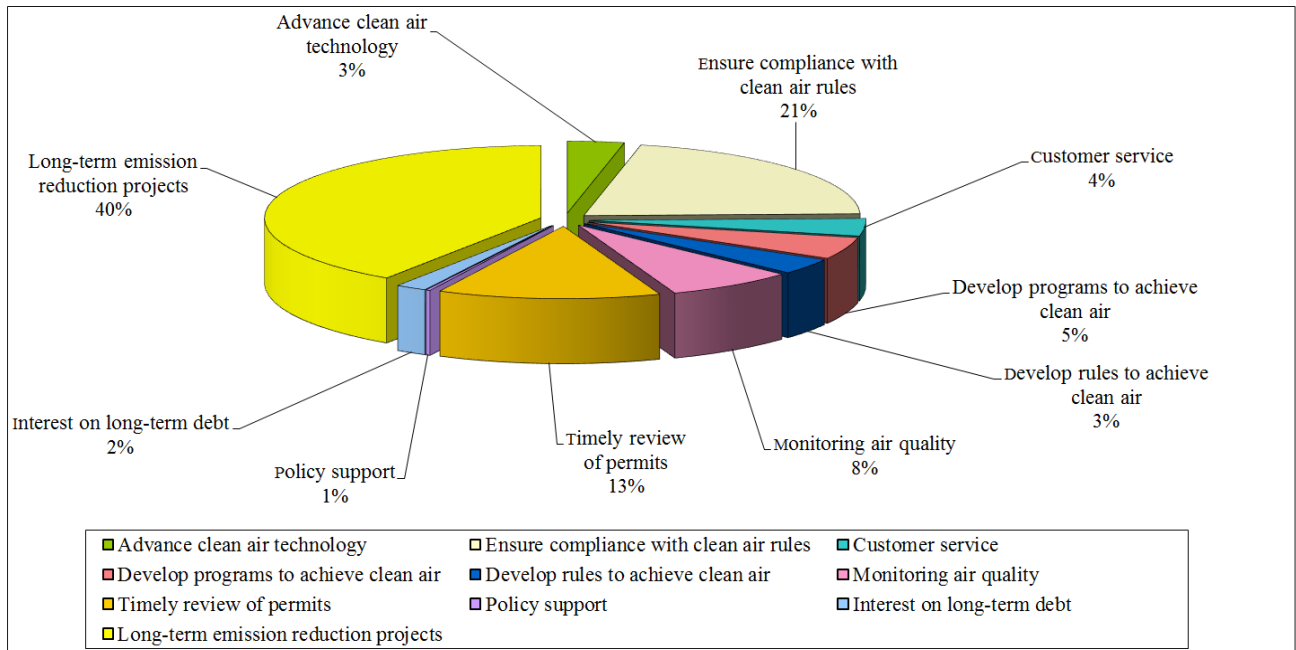
# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## *Where the Money Went Our Expenses & Services*

Excluding the long-term emission reduction project expenses, which are restricted in their use, the three major expense functions for Governmental Activities are Compliance, Permitting, and Air Monitoring. Combined, these account for 70% of the District's total General Fund Expenses for the year ended June 30, 2016.

On a government-wide basis (including all funds), expenses decrease significantly approximately 34% as compared to the prior fiscal year, primarily due to the timing of expenses for state and federal grant programs. General Fund expenditures increased by 12% as compared to the prior fiscal year, due to the costs associated with the three year labor agreement and increasing pension costs. In addition, the increase is due to new or additional projects for legal consultants, community outreach, and planning and rule development activities.

### FY 2015-16 Expenses by Program Category



Activity	FY 15-16	FY 14-15	FY 13-14	FY 12-13	FY 11-12	FY 10-11
Advance clean air technology	\$ 7,119,417	\$ 5,539,607	\$ 6,212,087	\$ 6,857,959	\$ 6,672,977	\$ 6,398,859
Ensure compliance with clean air rules	45,622,680	43,252,162	48,813,991	47,417,956	47,026,447	46,877,017
Customer service	8,337,319	6,124,811	8,332,770	8,169,587	7,729,015	7,578,813
Develop programs to achieve clean air	10,444,147	9,727,624	11,147,303	12,317,470	12,130,832	11,780,948
Develop rules to achieve clean air	7,566,089	7,161,179	7,514,210	7,269,414	7,286,149	8,826,846
Monitoring air quality	16,028,394	13,197,801	14,969,083	14,265,601	15,930,225	15,093,093
Timely review of permits	27,891,070	24,431,059	27,821,032	28,621,527	27,241,449	28,045,891
Policy support	511,705	331,652	1,204,588	1,306,054	1,483,613	1,792,208
Interest on long-term debt	3,884,990	4,031,178	4,102,888	4,605,963	4,691,658	3,277,933
Long-term emission reduction projects	87,079,799	210,229,182	154,939,035	155,998,253	137,800,260	161,904,680
<b>Total</b>	<b>\$ 214,485,609</b>	<b>\$ 324,026,255</b>	<b>\$ 285,056,987</b>	<b>\$ 286,829,784</b>	<b>\$ 267,992,627</b>	<b>\$ 291,576,288</b>

Source: FY 2015-16 CAFR Statement of Activities

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## FINANCIAL SUMMARY

June 30, 2016

### FINANCIAL ACTIVITY STATEMENT FOR THE YEARS ENDED JUNE 30, 2016 and 2015

(In Thousands)

	<u>FY 2015-16</u>	<u>FY 2014-15</u>
<b>RESOURCES:</b>		
Fees and Charges – Stationary Sources	\$89,265	\$88,121
Fees and Charges – Mobile Sources	25,744	24,526
Operating Grants and Subventions	122,424	149,766
Grants and Subventions not Restricted for Specific Programs	2,885	2,888
Penalties and Settlements	5,704	8,734
Interest	439	339
Other Revenues	<u>1,120</u>	<u>2,083</u>
<b>Total Resources</b>	<u>247,581</u>	<u>276,457</u>
<b>USES:</b>		
Advance Clean Air Technology	7,119	5,540
Ensure Compliance with Clean Air Rules	45,623	43,252
Customer Service	8,337	6,125
Develop Programs to Achieve Clean Air	10,444	9,728
Develop Rules to Achieve Clean Air	7,566	7,161
Monitoring Air Quality	16,028	13,198
Timely Review of Permits	27,891	24,431
Policy Support	512	331
Interest on Long-Term Debt	3,885	4,031
Long-Term Emission Reduction Projects	<u>87,080</u>	<u>210,229</u>
<b>Total Uses</b>	<u>214,485</u>	<u>324,026</u>
<b>RESOURCES OVER USES</b>	<u>\$33,096</u>	<u>\$(47,569)</u>

The Financial Activity Statement, known in Accounting terms as the "Income Statement," provides the sources (revenues) and uses (expenses) of providing services for the South Coast Air Quality Management District.

The Financial Position Statement, known in Accounting terms as the "Balance Sheet," provides the financial benefits (assets) available to the SCAQMD to provide services, while liabilities describes the amount the SCAQMD owes in providing those services.

### FINANCIAL POSITION STATEMENT FOR THE YEARS ENDED JUNE 30, 2016 and 2015

(In Thousands)

	<u>FY 2015-16</u>	<u>FY 2014-15</u>
<b>ASSETS:</b>		
Current and other assets	\$580,909	\$572,446
Capital assets	36,178	36,957
Deferred outflow (DO) of resources	<u>60,673</u>	<u>37,214</u>
<b>Total Assets and DO of resources</b>	<u>677,760</u>	<u>646,617</u>
<b>LIABILITIES:</b>		
Long-term liabilities	195,466	156,076
Short-term liabilities	43,258	58,586
Deferred inflow (DI) of resources	<u>57,592</u>	<u>83,608</u>
<b>Total Liabilities and DI of resources</b>	<u>296,316</u>	<u>298,270</u>
<b>ASSETS AND DO OF RESOURCES OVER LIABILITIES AND DI OF RESOURCES</b>	<u>\$381,444</u>	<u>\$348,347</u>

Current assets are highly liquid assets such as cash and other assets that are expected to be received within a year.

Capital assets are items such as buildings, equipments, vehicles that have a useful life of more than a year and cost more than \$5,000.

Deferred outflows of resources represent a consumption of net position that applies to a future period(s).

Long-term liabilities are debt owed by the District to others such as net pension liability and bonds that are expected to be paid over a period of greater than one year.

Short-term liabilities are amounts owed by the District to vendors that are expected to be paid within a year.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s).

Assets over Liabilities provides for the difference between financial benefits and liabilities, ultimately showing the net worth of the South Coast Air Quality Management District.



# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## AWARDS

*The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to South Coast Air Quality Management District (SCAQMD) for its Popular Annual Financial Report for the fiscal year ended June 30, 2015. The award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.*

*In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting Program, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.*

*An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. SCAQMD has received a Popular Award for the fiscal year ended June 30, 2015. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.*

*Further, SCAQMD's Comprehensive Annual Financial Report for the year ended June 30, 2015, from which information on pages 7 through 9 have been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.*



# Air Quality Historical Timeline



Photo courtesy of Los Angeles Times Collection, Department of Special Collections, UCLA Library

First recognized episodes of smog occur in Los Angeles in the summer of 1943.

**1943**

**1950**

Orange County APCD established.



**1966**



California adopts first automobile tailpipe emission standards in the nation.

**1970**

Federal Clean Air Act is enacted, establishing the basic U.S. program for controlling air pollution.



**1978**



Gas stations required to install vapor recovery "boots" on gas nozzles.

**1947**

Los Angeles County Air Pollution Control District (APCD) established—the first of its kind in the nation.



**1957**

San Bernardino and Riverside County APCDs formed.



**1968**

California Air Resources Board (CARB) holds its first meeting with Dr. Arie J. Haagen-Smit as its first chairman.

**1971**

U.S. EPA, created in 1970, adopts first national air quality standards.

SCAQMD formed through merger of Los Angeles, Orange, Riverside and San Bernardino APCDs.

**1977**

**1984**



California's Smog Check program takes effect.

**1989**

SCAQMD adopts first Air Quality Management Plan to show attainment of clean air standards.



California Global Warming Solutions Act of 2006 (AB 32) enacted to establish first ever comprehensive program to reduce greenhouse gases.

**2006**

SCAQMD adopts the nation's first phase-out of the toxic chemical perchloroethylene (or "perc") used at dry cleaners.



**2014-2027**

Projected achievement of current air quality health standards in South Coast air basin.



**2008**

SCAQMD adopts Climate Change Policy.

**1990**

Federal Clean Air Act Amendments of 1990 enacted. Established new programs aimed at curbing urban ozone, toxic emissions, and vehicle emissions.

**1998**

The Carl Moyer Program established to reduce mobile source emissions.

**1993**

RECLAIM (REgional Clean Air Incentives Market) emissions trading program adopted.



**2003**

SCAQMD Mow Down Air Pollution Electric Lawnmower Exchange Program begins.



**2011**

Federal agencies and the State of California establish single timeframe for corporate average fuel economy (CAFE) and greenhouse gas standards for the next generation of cars and light-duty trucks.

**1987**



SCAQMD establishes ridesharing requirements for region's employers.





Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

**South Coast Air Quality  
Management District, California**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

