



POPULAR ANNUAL  
**FINANCIAL  
REPORT**  
YEAR ENDED JUNE 30, 2013

Cleaning the air that we breathe...™



South Coast  
Air Quality Management District  
Diamond Bar, California

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

***GOVERNING BOARD***

*June 30, 2013*

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*Speaker of the Assembly Appointee*

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*County of Riverside*  
*Cities Representative*

*BARRY R. WALLERSTEIN, D.Env.*  
*Executive Officer*

# **SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

## **A NOTE FROM THE CFO**

**June 30, 2013**

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, 2013. 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 2013 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/finn/PDF/PAFR2013.pdf](http://www.aqmd.gov/finn/PDF/PAFR2013.pdf).

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/finn/PDF/CAFR2013FINAL.pdf](http://www.aqmd.gov/finn/PDF/CAFR2013FINAL.pdf).

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 Financial 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

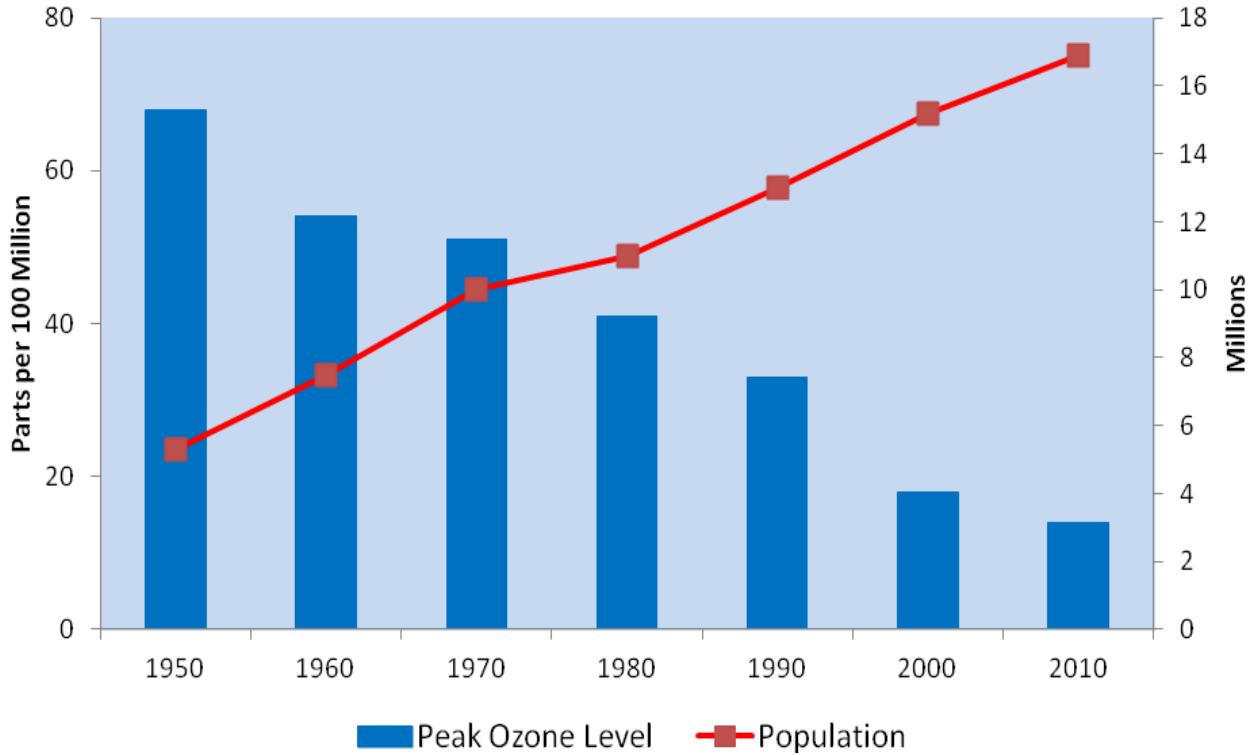
## Demographic and Miscellaneous Statistics

<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>	16,444,162 (In 2012)
<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>	12,313,240 (In 2012)
<b><u>Average Daily Miles Traveled Per Vehicle:</u></b>	30 (CY 2012 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>	27,535 operating locations with approximately 74,292 permits.
<b><u>Number of Air Monitoring Stations:</u></b>	40
<b><u>Full-time Authorized Positions:</u></b>	796
<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, 2013



Since the late 1940s when the war on smog began, the region's population has more than tripled from 4.8 million to over 16 million; the number of motor vehicles has increased five-fold from 2.3 million to 12.3 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, 2013**

### **MISSION STATEMENT**

“The South Coast SCAQMD believes all residents have a right to live and work in an environment of clean air and is 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**

- I. Ensure expeditious progress toward meeting clean air standards and protecting public health.
- II. Enhance public education and ensure equitable treatment for all communities.
- III. Operate efficiently and in a manner sensitive to businesses, the public and SCAQMD staff.
- IV. Operate a “ Clean and Green” program to promote and support sustainable practice strategies.

### **PRIORITY PROJECTS**

SCAQMD goals have many important objectives, but SCAQMD highlighted the following three priority projects for fiscal year 2012-13 which are particularly important to achieving SCAQMD’s mission and goals:

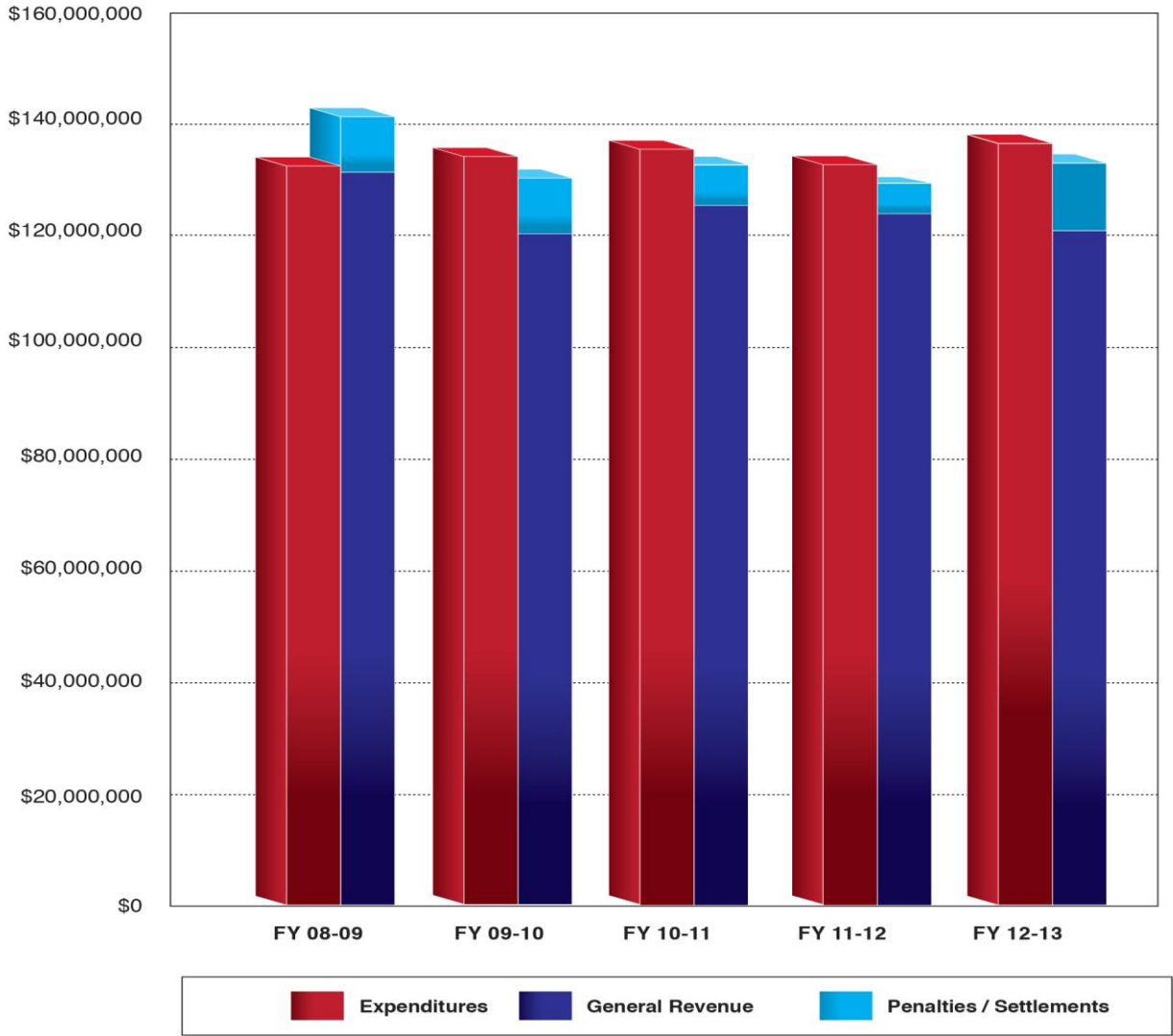
1. Continue demonstration/deployment of a zero-emission cargo container movement system.
2. Develop modified or new permitting programs to meet the region’s evolving air quality and economic needs, including incentivizing the use of new, lower emitting technologies, manufacture of such clean technologies within the region, addressing availability issues associated with emission offsets for new or modified sources, and reducing administrative burdens while providing equivalent or better protection of public health.
3. Initiate 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.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## FINANCIAL PERFORMANCE

June 30, 2013

### Budget Surplus/Deficit – 5-Year History Non-GAAP Budgetary Basis (General Fund)



Since fiscal year 2008-09, General Fund expenditures have exceeded revenues due to several factors, including increased employee retirement costs coupled with the continued stagnant economic environment. SCAQMD’s General Fund Budget document contains a five-year projection demonstrating the commitment to streamlining operations and maintaining a balanced budget while continuing to protect the health of residents and remaining sensitive to business.

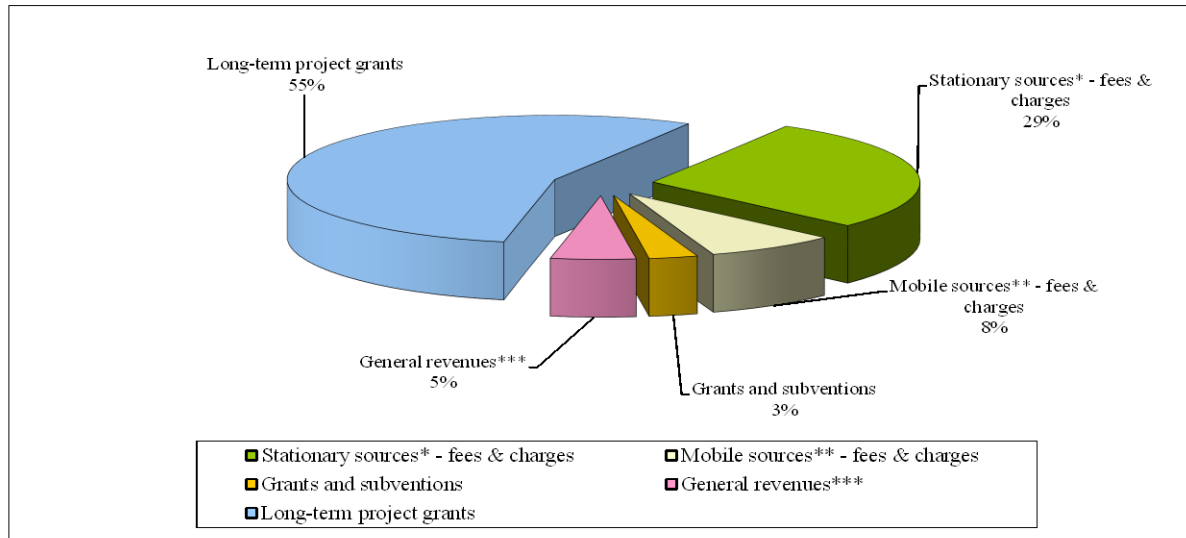
# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## *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. Approximately 74% of its General Fund revenue is derived from permit evaluation fees, annual permit operating fees, emission fees, Hearing Board fees, penalties and settlements, interest earnings, and other revenues. The remaining 26% 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 decreased by 10% as compared to the prior fiscal year, primarily due to timing of receipts from the state Proposition 1B Goods Movement program. General Fund revenues increased by 7% as compared to the prior fiscal year, primarily due to an increase in penalties and settlements paid by non-compliant entities, combined with stable permit, renewal, and emission fees. Future changes in government-wide revenue are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund revenues are expected to continue to remain stable through the following fiscal year due to the strengthening of the economic environment.

### FY 2012-13 Revenues by Major Source



Source	FY 12-13	FY 11-12	FY 10-11	FY 09-10	FY 08-09	FY 07-08
Stationary sources* - fees & charges	\$ 85,439,616	\$ 82,624,489	\$ 81,291,028	\$ 81,097,647	\$ 92,703,725	\$ 82,825,774
Mobile sources** - fees & charges	23,535,070	23,384,894	22,512,790	23,728,238	24,128,436	22,170,323
Grants and subventions	8,754,443	8,486,563	8,867,069	8,379,757	8,782,322	8,858,458
General revenues***	15,202,920	9,684,052	12,739,158	14,929,145	14,796,424	12,579,473
Long-term project grants	164,555,289	204,845,839	207,555,510	243,802,246	133,185,494	105,383,067
<b>Total</b>	<b>\$ 297,487,338</b>	<b>\$ 329,025,837</b>	<b>\$ 332,965,555</b>	<b>\$ 371,937,033</b>	<b>\$ 273,596,401</b>	<b>\$ 231,817,095</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 2012-13 CAFR Statement of Activities



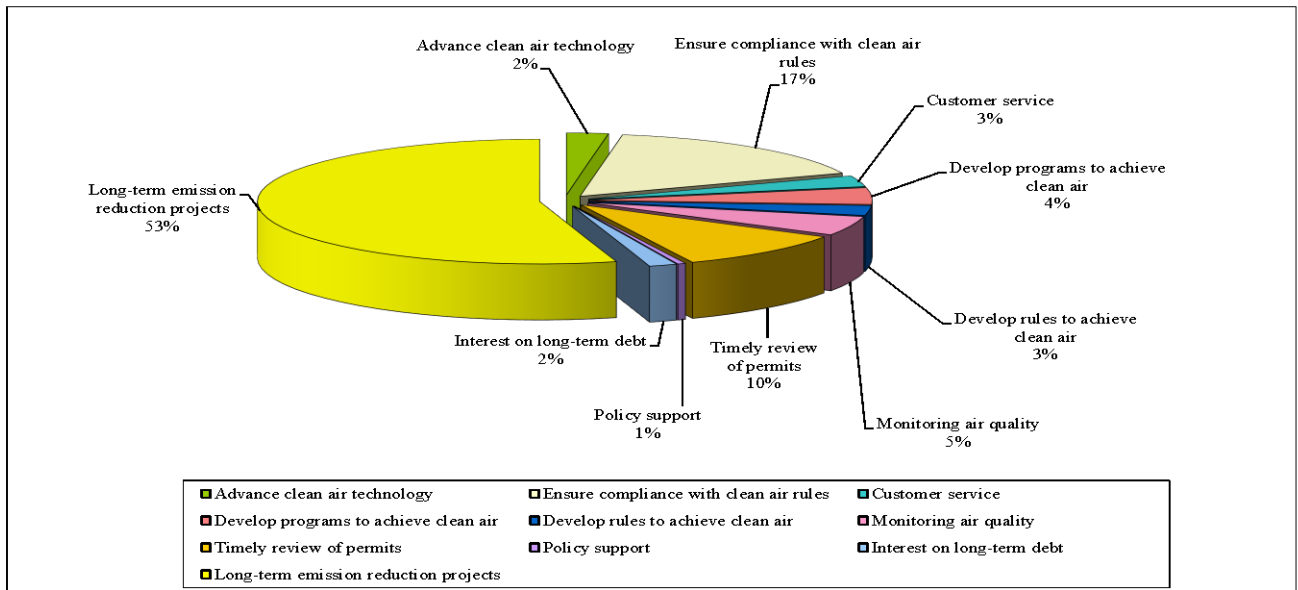
# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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

Excluding the special funds 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 67% of the District's total General Fund Expenses for the year ended June 30, 2013.

Government-wide expenses were approximately 7% higher as compared to the prior fiscal year, primarily due to the timing of Proposition 1B Goods Movement program and other grant program expenses. General Fund expenditures were stable (within 1.1%) as compared to the prior fiscal year, primarily due to increased retirement contribution rates and capital outlays along with savings measures resulting in decreased services and supplies costs. Future changes in government-wide expenses are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund expenditures are expected to decrease through the following fiscal year due to the continued cost-containment measures incorporated into the fiscal year 2013-14 General Fund budget.

### FY 2012-13 Expenses by Program Category



Activity	FY 12-13	FY 11-12	FY 10-11	FY 09-10	FY 08-09	FY 07-08
Advance clean air technology	\$ 6,857,959	\$ 6,672,977	\$ 6,398,859	\$ 6,512,144	\$ 7,111,931	\$ 7,113,642
Ensure compliance with clean air rules	47,417,956	47,026,447	46,877,017	46,154,574	43,823,112	39,463,040
Customer service	8,169,587	7,729,015	7,578,813	7,682,897	7,441,806	6,696,664
Develop programs to achieve clean air	12,317,470	12,130,832	11,780,948	10,861,040	10,216,378	7,969,413
Develop rules to achieve clean air	7,269,414	7,286,149	8,826,846	8,436,415	8,433,410	8,390,762
Monitoring air quality	14,265,601	15,930,225	15,093,093	14,239,509	14,067,041	12,866,270
Timely review of permits	28,621,527	27,241,449	28,045,891	28,530,507	26,205,282	24,580,945
Policy support	1,306,054	1,483,613	1,792,208	1,760,038	4,782,531	3,630,367
Interest on long-term debt	4,605,963	4,691,658	3,277,933	3,871,465	4,325,460	4,614,842
Long-term emission reduction projects	155,998,253	137,800,260	161,904,680	150,362,508	104,277,915	93,109,973
<b>Total</b>	<b>\$ 286,829,784</b>	<b>\$ 267,992,627</b>	<b>\$ 291,576,288</b>	<b>\$ 278,411,097</b>	<b>\$ 230,684,866</b>	<b>\$ 208,435,918</b>

Source: FY 2012-13 CAFR Statement of Activities

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## FINANCIAL SUMMARY

June 30, 2013

### **FINANCIAL ACTIVITY STATEMENT FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

	(In Thousands)	
	<u>FY 2012-13</u>	<u>FY 2011-12</u>
<b>RESOURCES:</b>		
Fees and Charges – Stationary Sources	\$85,440	\$82,624
Fees and Charges – Mobile Sources	23,535	23,385
Operating Grants and Subventions	8,755	8,487
Long-Term Project Grants	164,555	204,845
Grants and Subventions not Restricted for Specific Programs	2,889	2,890
Penalties and Settlements	11,563	4,906
Interest	343	529
Other Revenues	407	1,359
<b>Total Resources</b>	<u>297,487</u>	<u>329,025</u>
<b>USES:</b>		
Advance Clean Air Technology	6,858	6,673
Ensure Compliance with Clean Air Rules	47,418	47,026
Customer Service	8,170	7,729
Develop Programs to Achieve Clean Air	12,317	12,131
Develop Rules to Achieve Clean Air	7,269	7,286
Monitoring Air Quality	14,265	15,930
Timely Review of Permits	28,621	27,241
Policy Support	1,307	1,484
Interest on Long-Term Debt	4,606	4,692
Long-Term Emission Reduction Projects	155,998	137,800
<b>Total Uses</b>	<u>286,829</u>	<u>267,992</u>
<b>RESOURCES OVER USES</b>	<u>\$10,658</u>	<u>\$61,033</u>

### **FINANCIAL POSITION STATEMENT FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

	(In Thousands)	
	<u>FY 2012-13</u>	<u>FY 2011-12</u>
<b>ASSETS:</b>		
Current and other assets	\$625,240	\$612,888
Prepaid pension assets	42,167	43,543
Capital assets	39,667	40,827
<b>Total Assets</b>	<u>707,074</u>	<u>697,258</u>
<b>LIABILITIES</b>		
Long-term liabilities	53,329	71,434
Short-term liabilities	58,950	41,687
<b>Total Liabilities</b>	<u>112,279</u>	<u>113,121</u>
<b>ASSETS OVER LIABILITIES</b>	<u>\$594,795</u>	<u>\$584,137</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.*

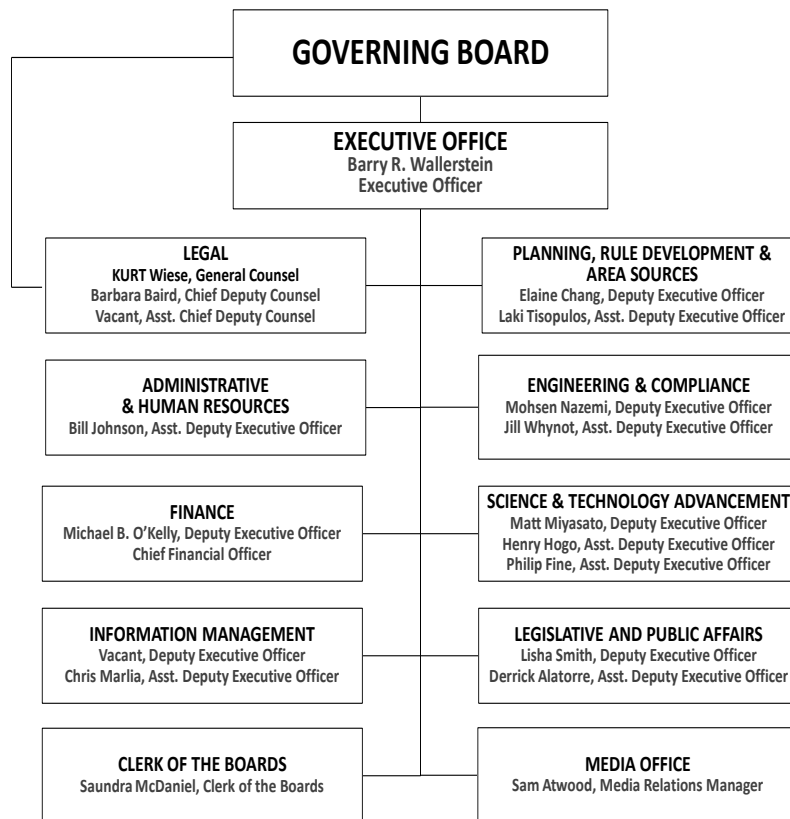
*The Financial Position Statement, known in Accounting terms as the "Balance Sheet," provides the financial benefits (assets) available to the SCAQMD to provide services, while liabilities describes the amount the SCAQMD owes in providing those services.*

*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

## Organizational Chart June 30, 2013



## 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, 2012. 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, 2012. 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, 2012, 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.*

