



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

***GOVERNING BOARD***

*June 30, 2015*

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*County of Orange*  
*Cities Representative*

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

# **SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

## **A NOTE FROM THE CFO**

**June 30, 2015**

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, 2015. 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 2015 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 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

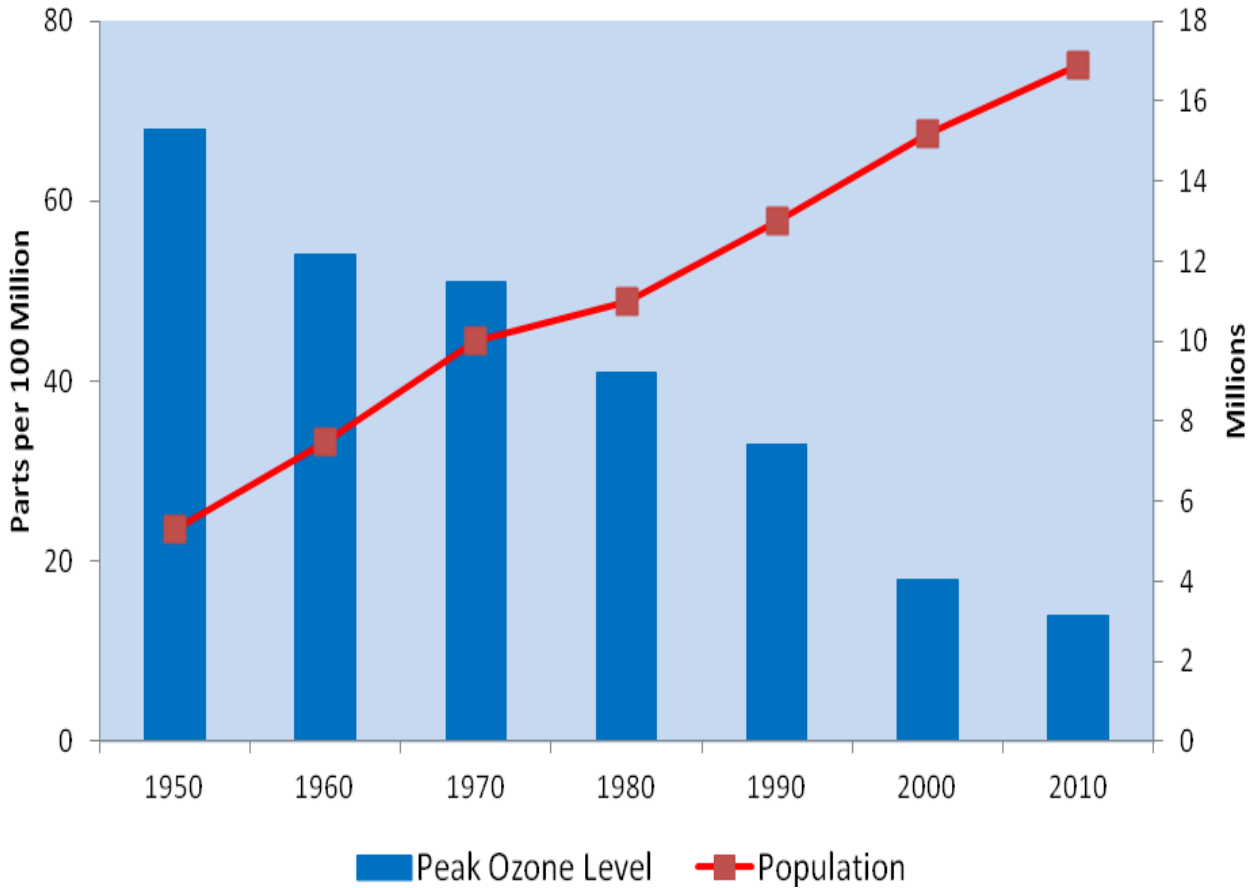
## Demographic and Miscellaneous Statistics

|  |   |
|--|---|
| <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>  | 16,652,810 (In 2014)  |
| <b><u>Transportation:</u></b>  | Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific<br><br>Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs<br><br>Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes<br><br>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>  | 12,939,123 (In 2014)  |
| <b><u>Average Daily Miles Traveled Per Vehicle:</u></b>                  | 30 (CY 2014 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>   | 27,303 operating locations with approximately 74,357 permits.   |
| <b><u>Number of Air Monitoring Stations:</u></b>                         | 42  |
| <b><u>Full-time Authorized Positions:</u></b>                            | 800   |
| <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, 2015



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 almost six-fold from 2.3 million to 12.9 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, 2015**

#### **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**

- 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 public agencies, businesses, the public and SCAQMD staff.

#### **PRIORITY PROJECTS**

SCAQMD goals have many important objectives, but SCAQMD highlighted the following three priority projects for fiscal year 2014-15 which are particularly important to achieving SCAQMD’s mission and goals:

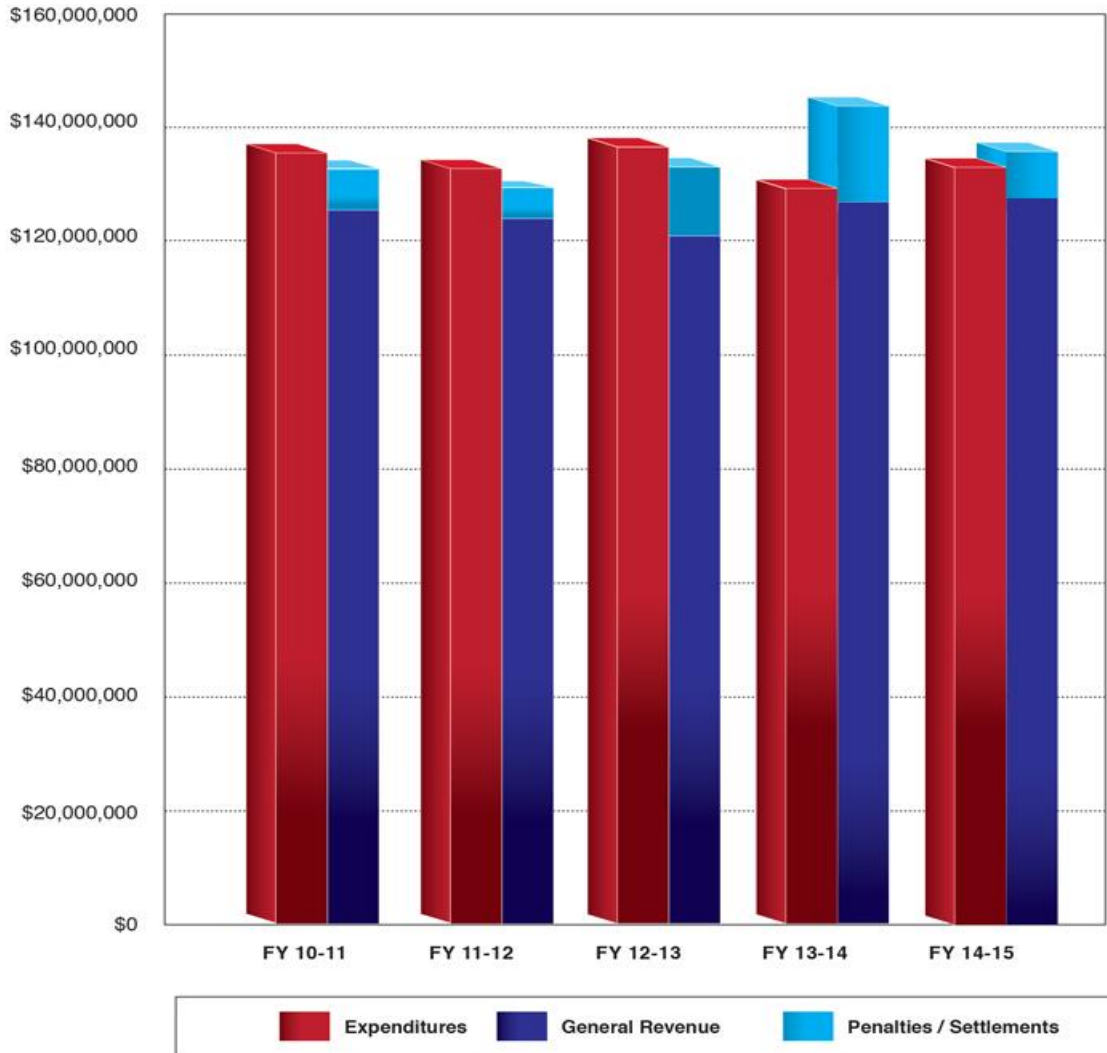
1. Implement 2012 AQMP and initiate development of 2016 AQMP; ensure compliance through a program using community-based and/or industry specific deployment of field personnel; prioritize prosecution of high-impact enforcement cases to maximize deterrence for air pollution violations; enhance community response program; implementation of AB 8 (Carl Moyer AB 923 and AB 118 H2 funding); complete implementation of heavy-duty replacement trucks for small fleets; develop and demonstrate advanced natural gas engines and zero-emission technologies for locomotives; 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.
2. 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.
3. 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; and ensure rulemaking is transparent and inclusive.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## FINANCIAL PERFORMANCE

June 30, 2015

### 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. General Fund expenditures increased as compared to the prior fiscal year, primarily due to increased pension contribution rates and capital outlay expenditures related to replacement and upgrade of various components of the Headquarters Building.

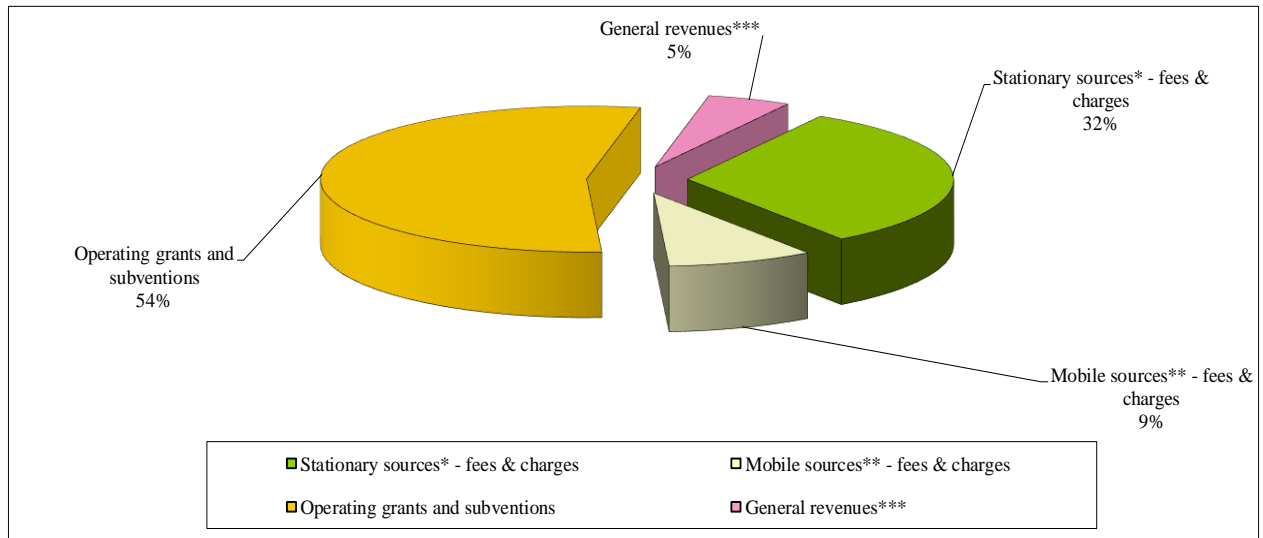
# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## *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 46% 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 54% 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 8% lower as compared to the prior fiscal year. General Fund revenues decreased by 6% as compared to the prior fiscal year, primarily due to a significant 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 2014-15 Revenues by Major Source



| Source                               | FY 14-15              | FY 13-14              | FY 12-13              | FY 11-12              | FY 10-11              | FY 09-10              |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Stationary sources* - fees & charges | \$ 88,120,829         | \$ 87,160,484         | \$ 85,439,616         | \$ 82,624,489         | \$ 81,291,028         | \$ 81,097,647         |
| Mobile sources** - fees & charges    | 24,526,008            | 24,307,527            | 23,535,070            | 23,384,894            | 22,512,790            | 23,728,238            |
| Operating grants and subventions     | 149,766,034           | 164,053,936           | 173,309,732           | 213,332,402           | 216,422,579           | 252,182,003           |
| General revenues***                  | 14,043,695            | 23,570,233            | 15,202,920            | 9,684,052             | 12,739,158            | 14,929,145            |
| <b>Total</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> | <b>\$ 371,937,033</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 2014-15 CAFR Statement of Activities



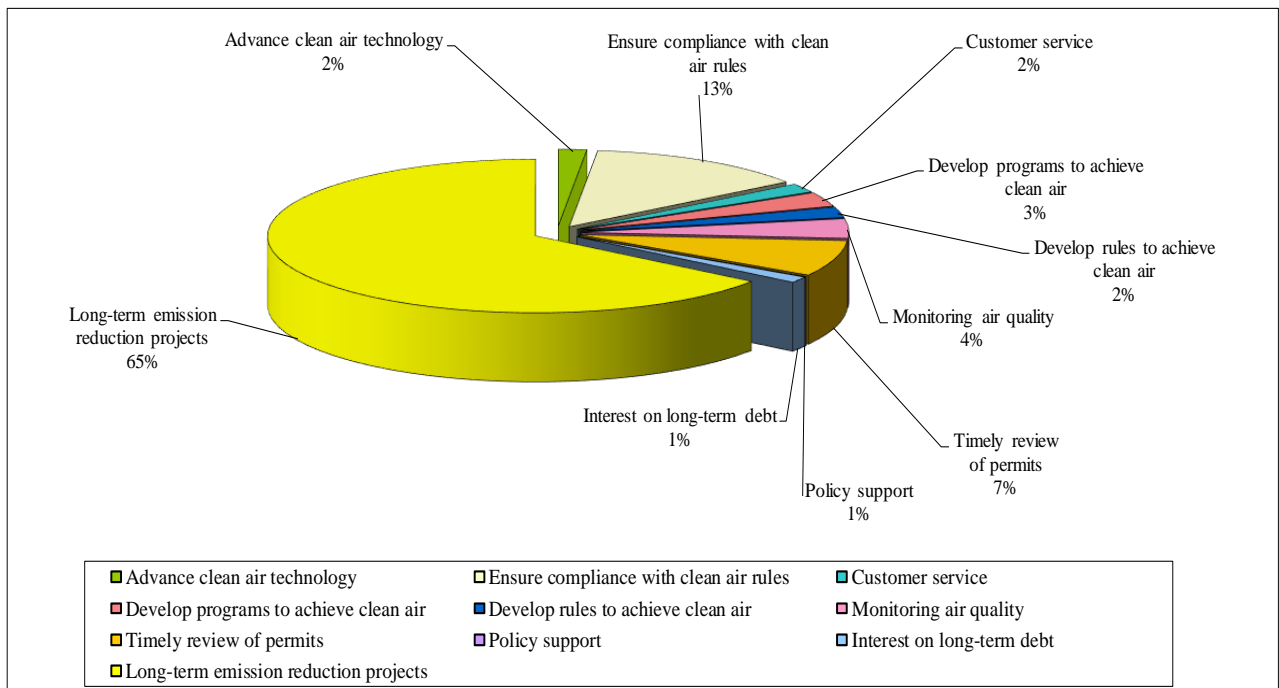
## SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

### *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 71% of the District's total General Fund Expenses for the year ended June 30, 2015.

On a government-wide basis (including all funds), expenses increased approximately 14% 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 less than 1% as compared to the prior fiscal year, primarily due to savings from an increased employee vacancy rate coupled with increased retirement plan contributions.

#### FY 2014-15 Expenses by Program Category



| Activity                               | FY 14-15              | FY 13-14              | FY 12-13              | FY 11-12              | FY 10-11              | FY 09-10              |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Advance clean air technology           | \$ 5,539,607          | \$ 6,212,087          | \$ 6,857,959          | \$ 6,672,977          | \$ 6,398,859          | \$ 6,512,144          |
| Ensure compliance with clean air rules | 43,252,162            | 48,813,991            | 47,417,956            | 47,026,447            | 46,877,017            | 46,154,574            |
| Customer service                       | 6,124,811             | 8,332,770             | 8,169,587             | 7,729,015             | 7,578,813             | 7,682,897             |
| Develop programs to achieve clean air  | 9,727,624             | 11,147,303            | 12,317,470            | 12,130,832            | 11,780,948            | 10,861,040            |
| Develop rules to achieve clean air     | 7,161,179             | 7,514,210             | 7,269,414             | 7,286,149             | 8,826,846             | 8,436,415             |
| Monitoring air quality                 | 13,197,801            | 14,969,083            | 14,265,601            | 15,930,225            | 15,093,093            | 14,239,509            |
| Timely review of permits               | 24,431,059            | 27,821,032            | 28,621,527            | 27,241,449            | 28,045,891            | 28,530,507            |
| Policy support                         | 331,652               | 1,204,588             | 1,306,054             | 1,483,613             | 1,792,208             | 1,760,038             |
| Interest on long-term debt             | 4,031,178             | 4,102,888             | 4,605,963             | 4,691,658             | 3,277,933             | 3,871,465             |
| Long-term emission reduction projects  | 210,229,182           | 154,939,035           | 155,998,253           | 137,800,260           | 161,904,680           | 150,362,508           |
| <b>Total</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> | <b>\$ 278,411,097</b> |

Source: FY 2014-15 CAFR Statement of Activities

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## FINANCIAL SUMMARY

June 30, 2015

### **FINANCIAL ACTIVITY STATEMENT FOR THE YEARS ENDED JUNE 30, 2015 and 2014**

|  | (In Thousands)    |                   |
|--|-------------------|-------------------|
|  | <u>FY 2014-15</u> | <u>FY 2013-14</u> |
| <b>RESOURCES:</b>  |                   |                   |
| Fees and Charges – Stationary Sources                          | \$88,121          | \$87,160          |
| Fees and Charges – Mobile Sources                              | 24,526            | 24,308            |
| Operating Grants and Subventions                               | 149,766           | 164,054           |
| Grants and Subventions not Restricted<br>for Specific Programs | 2,888             | 2,890             |
| Penalties and Settlements                                      | 8,734             | 17,959            |
| Interest   | 339               | 461               |
| Other Revenues   | <u>2,083</u>      | <u>2,260</u>      |
| <b>Total Resources</b>   | <u>276,457</u>    | <u>299,092</u>    |
| <br>   |                   |                   |
| <b>USES:</b>   |                   |                   |
| Advance Clean Air Technology                                   | 5,540             | 6,212             |
| Ensure Compliance with Clean Air Rules                         | 43,252            | 48,814            |
| Customer Service   | 6,125             | 8,333             |
| Develop Programs to Achieve Clean Air                          | 9,728             | 11,147            |
| Develop Rules to Achieve Clean Air                             | 7,161             | 7,514             |
| Monitoring Air Quality   | 13,198            | 14,969            |
| Timely Review of Permits                                       | 24,431            | 27,821            |
| Policy Support   | 331               | 1,205             |
| Interest on Long-Term Debt                                     | 4,031             | 4,103             |
| Long-Term Emission Reduction Projects                          | <u>210,229</u>    | <u>154,939</u>    |
| <b>Total Uses</b>  | <u>324,026</u>    | <u>285,057</u>    |
| <br>   |                   |                   |
| <b>USES OVER RESOURCES</b>                                     | <u>\$(47,569)</u> | <u>\$14,035</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, 2015 and 2014**

|  | (In Thousands)    |                   |
|--|-------------------|-------------------|
|  | <u>FY 2014-15</u> | <u>FY 2013-14</u> |
| <b>ASSETS:</b>   |                   |                   |
| Current and other assets   | \$572,446         | \$630,067         |
| Prepaid pension assets   | -                 | 40,473            |
| Capital assets   | 36,957            | 38,510            |
| Deferred outflow (DO) of resources   | <u>37,214</u>     | <u>-</u>          |
| <b>Total Assets and DO of resources</b>                                    | <u>646,617</u>    | <u>709,050</u>    |
| <br>   |                   |                   |
| <b>LIABILITIES:</b>  |                   |                   |
| Long-term liabilities  | 156,076           | 49,698            |
| Short-term liabilities   | 44,907            | 37,931            |
| Deferred inflow (DI) of resources  | <u>97,286</u>     | <u>12,591</u>     |
| <b>Total Liabilities and DI of resources</b>                               | <u>298,269</u>    | <u>100,220</u>    |
| <br>   |                   |                   |
| <b>ASSETS AND DO OF RESOURCES OVER<br/>LIABILITIES AND DI OF RESOURCES</b> | <u>\$348,348</u>  | <u>\$608,830</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.

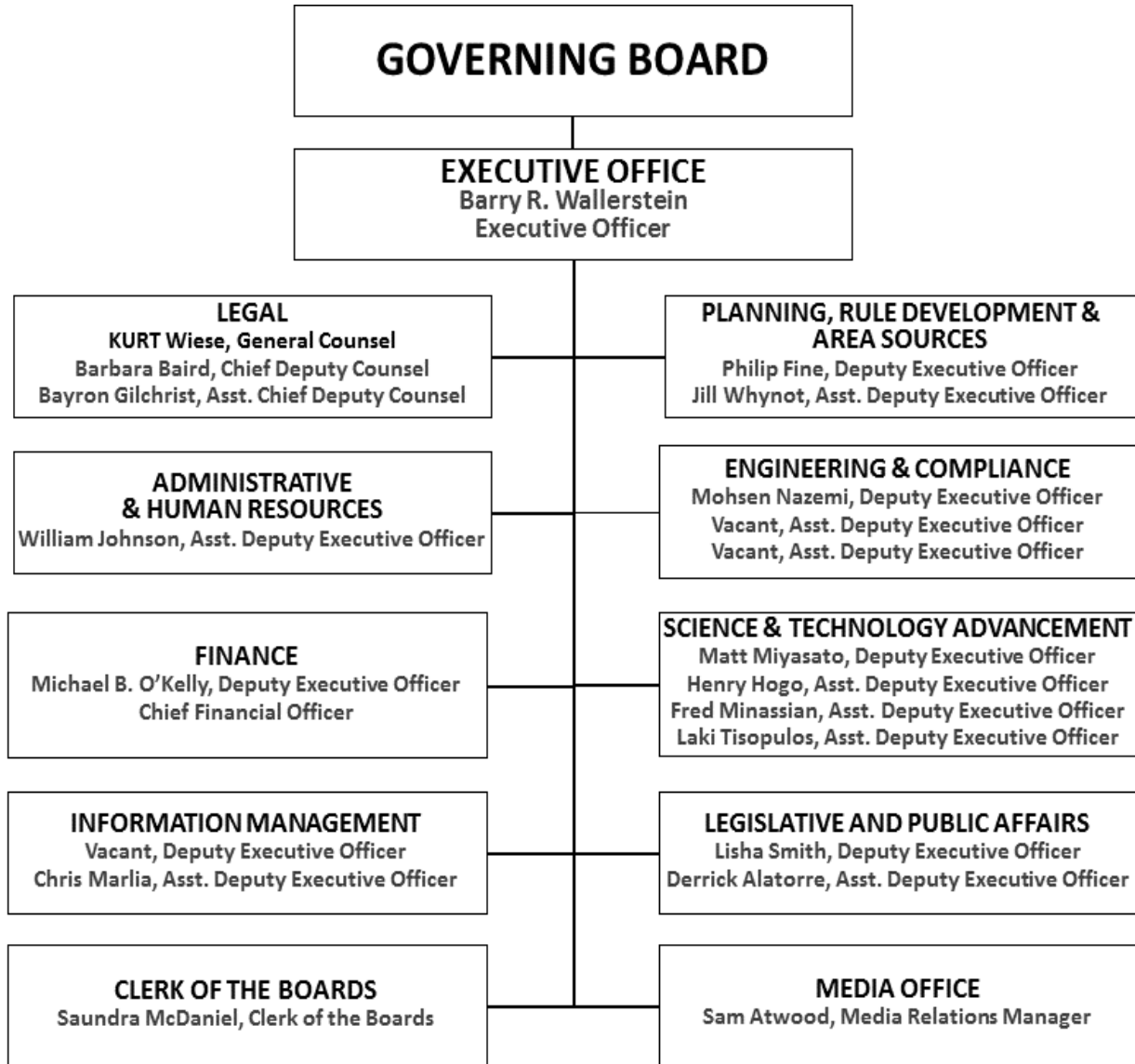
Short-term liabilities are amounts owed by the District to vendors that are expected to be paid within a year.

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

## Organizational Chart June 30, 2015



# 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, 2014. 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, 2014. 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, 2014, 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**

**2002**

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.



SCAQMD establishes ridesharing requirements for region's employers.

**1987**

**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.



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, 2014**

*Jeffrey R. Brown*

Executive Director/CEO

