



Popular Annual Financial Report

Year Ended
June 30, 2018

South Coast Air Quality Management District
Diamond Bar, California



MISSION STATEMENT

SCAQMD's mission is to clean the air and protect the health of all residents in the South Coast Air District through practical and innovative strategies.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Popular Annual Financial Report
Year Ended June 30, 2018

Table of Contents

	PAGE
INTRODUCTORY SECTION	
Governing Board	1
Organizational Chart	2
A Note From The Assistant Deputy Executive Officer	3
SUMMARY	
Demographic and Miscellaneous Statistics	4
60 Years of Progress in Reducing Ozone Levels	5
Goals and Priority Projects	6
Financial Performance	7
Where the Money Came From Our Revenues & Resources	8
Where the Money Went Our Expenses & Services	9
Financial Summary	10
Awards	12
Air Quality Historical Timeline	13

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2018

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

DR. CLARK E. PARKER, SR.
Vice Chair
Senate Rules Committee Appointee

MARION ASHLEY
County of Riverside Representative

JUDITH MITCHELL
County of Los Angeles
Cities Representative
Western Region

JOE BUSCAINO
City of Los Angeles Representative

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

SHAWN NELSON
County of Orange Representative

HILDA L. SOLIS
County of Los Angeles Representative

BEN BENOIT
County of Riverside
Cities Representative

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

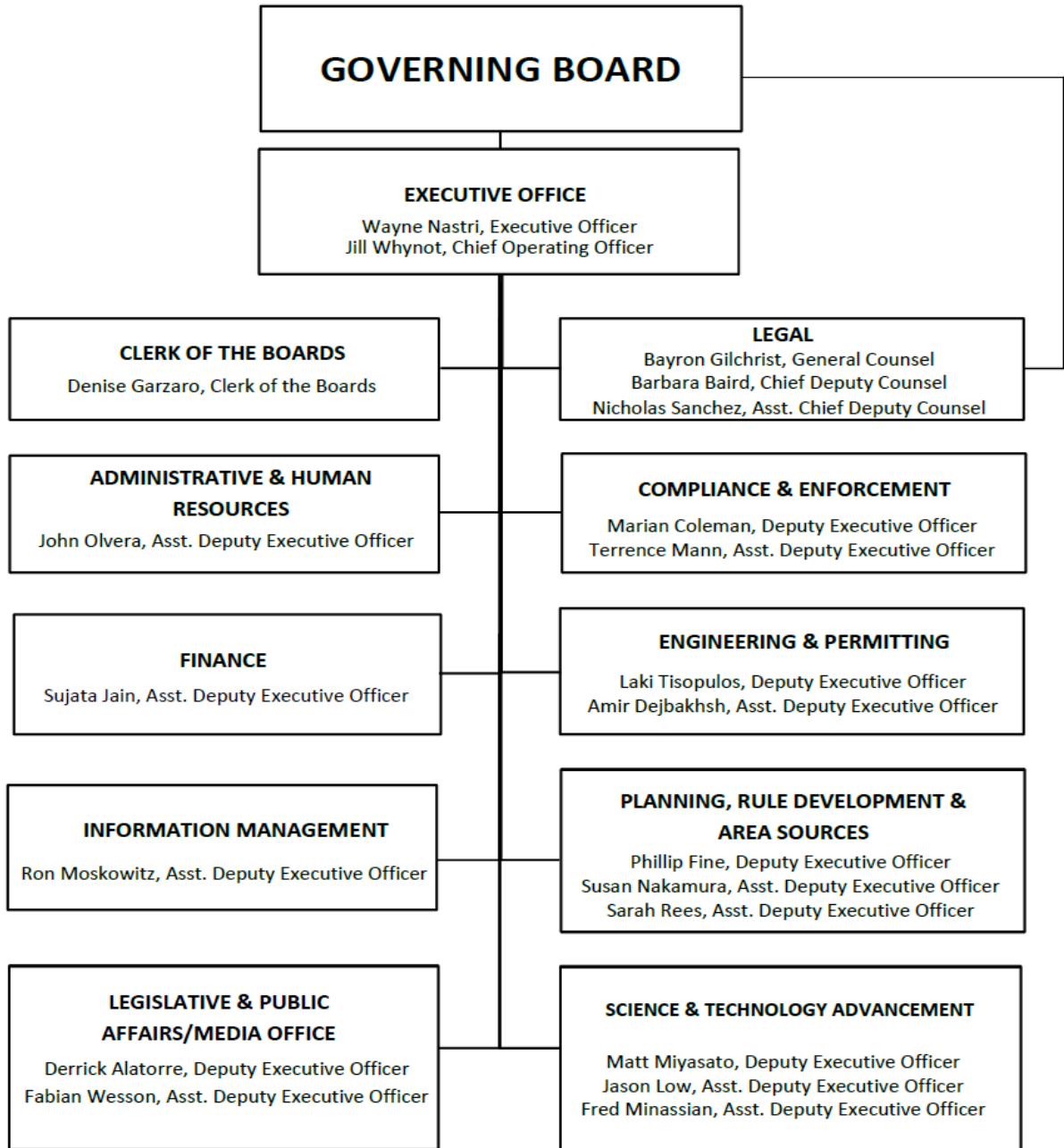
DWIGHT ROBINSON
County of Orange
Cities Representative

LARRY MCCALLON
County of San Bernardino
Cities Representative

JANICE RUTHERFORD
County of San Bernardino Representative

WAYNE NASTRI
Executive Officer

**South Coast Air Quality Management District, California
Organizational Chart
June 30, 2018**



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

A Note From The Assistant Deputy Executive Officer June 30, 2018

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, 2018. This report makes our SCAQMD'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 2018 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 is also available on the SCAQMD's website at www.aqmd.gov/home/about/finance.

For more detailed financial information, or information on the SCAQMD's component unit (Building Corporation is not included in this document), a copy of the CAFR is available for interested users from our Finance office at 21865 Copley Drive, Diamond Bar, CA 91765. It is also available on the SCAQMD's website at www.aqmd.gov/home/about/finance.

Questions, comments and feedback regarding this report are encouraged, so please do not hesitate to contact the Assistant Deputy Executive Officer at (909) 396-2804 or at sjain@aqmd.gov.

Respectfully submitted,



Sujata Jain, CPA
Assistant Deputy Executive Officer - Finance

ABOUT THE SOUTH COAST AIR QUALITY MANAGEMENT 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 17 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. Ten are elected officials. Of these, four are county supervisors representing Los Angeles, Orange, Riverside, and San Bernardino counties, elected to SCAQMD's Board by their Boards of Supervisors. Six are City Council members representing the cities in each county (because of its size, Los Angeles County has two representatives, elected by respective city selection committees, and the City of Los Angeles has one representative, selected by the Mayor of Los Angeles). The remaining three Board members are appointed by state elected officials; one by the Governor of California, one by the Speaker of the State Assembly and one by the State Senate Rules Committee.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

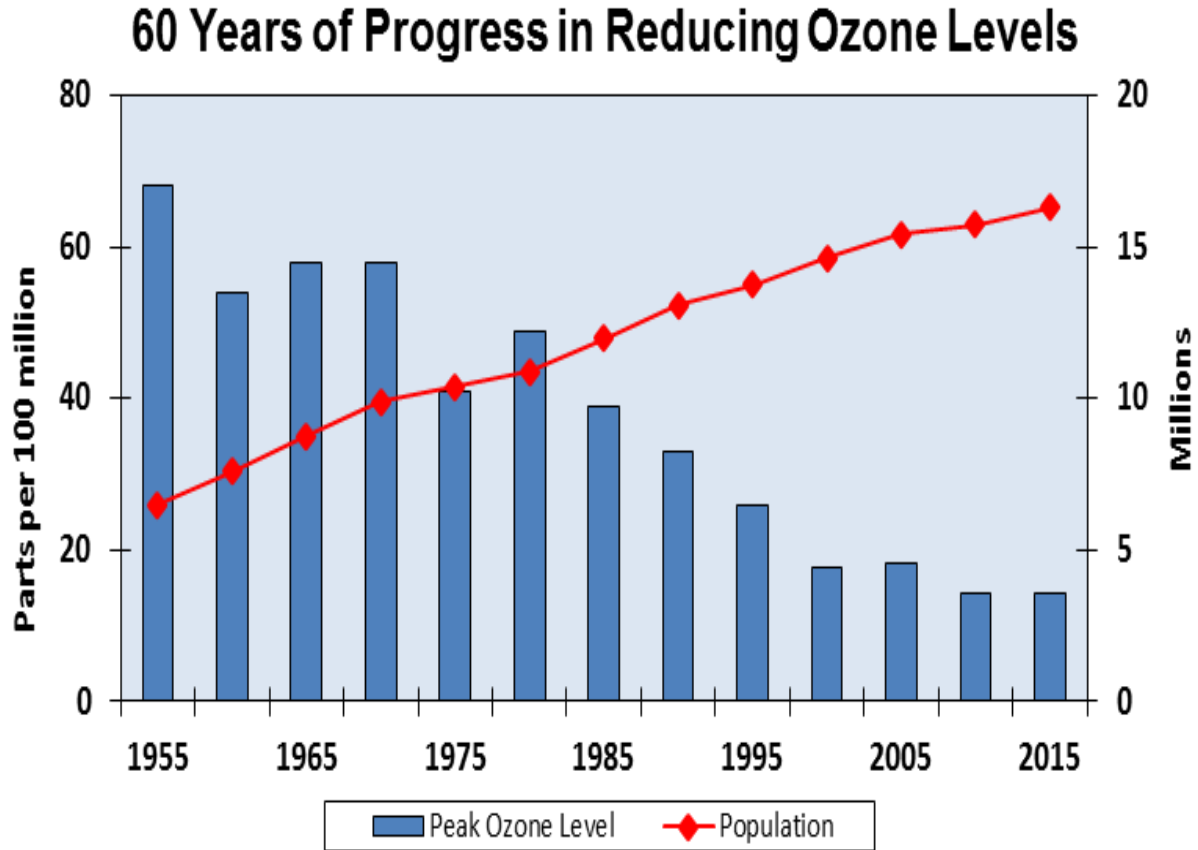
Demographic and Miscellaneous Statistics

June 30, 2018

<u>Established:</u>	February 1, 1977
<u>Area Covered:</u>	10,743 Square Miles
<u>Counties Included in District:</u>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<u>Population:</u>	17,063,249 (In 2017); 16,962,478 (In 2016); 16,866,350 (In 2015)
<u>Transportation:</u>	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
<u>Visitor Destinations:</u>	Disneyland, Knott’s Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl
<u>Number of Registered Vehicles Within SCAQMD Jurisdiction:</u>	13,756,321 (In 2017); 13,686,059 (In 2016); 13,265,118 (In 2015)
<u>Average Daily Miles Traveled Per Vehicle:</u>	28 (CY 2017 data)
<u>Examples of Stationary Sources of Air Pollution Regulated:</u>	Oil refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<u>Number of Sources:</u>	26,983 operating locations with approximately 68,732 permits.
<u>Number of Air Monitoring Stations:</u>	41
<u>Full-time Authorized Positions:</u>	872
<u>Key Federal, State, and Local Air Agencies</u>	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, 2018



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 18.1 million; the number of motor vehicles has increased over five-fold from 2.3 million to over 13.8 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

Goals And Priority Projects June 30, 2018

SCAQMD goals have many important objectives, but SCAQMD highlighted the following three priority projects which are identified as being critical to meeting SCAQMD's mission and goals in fiscal year 2017-18:

GOAL I. Achieve Clean Air Standards.

Adhere to adoption and implementation schedules for rules, working groups, assessments and programs as adopted in the 2016 Air Quality Management Plan (AQMP) to achieve AQMP emissions reductions; conduct monitoring of at least 10 facilities and reduce emissions from those found to have high toxics risk to the community; secure new funding sources for pollution reduction projects; achieve acceptable completion of valid data points out of the scheduled measurements in the SCAQMD air monitoring network for NAAQS pollutant before U.S. EPA deadline; ensure total number of 386 Title V inspections completed annually; reduce number of pending permit applications in the backlog to 3,800 or less; and support development of Cleaner Advanced Technology by funding \$10 million of Clean Fuels program projects with a 1:4 leveraging ratio.

GOAL II. Enhance Public Education and Equitable Treatment for All Communities.

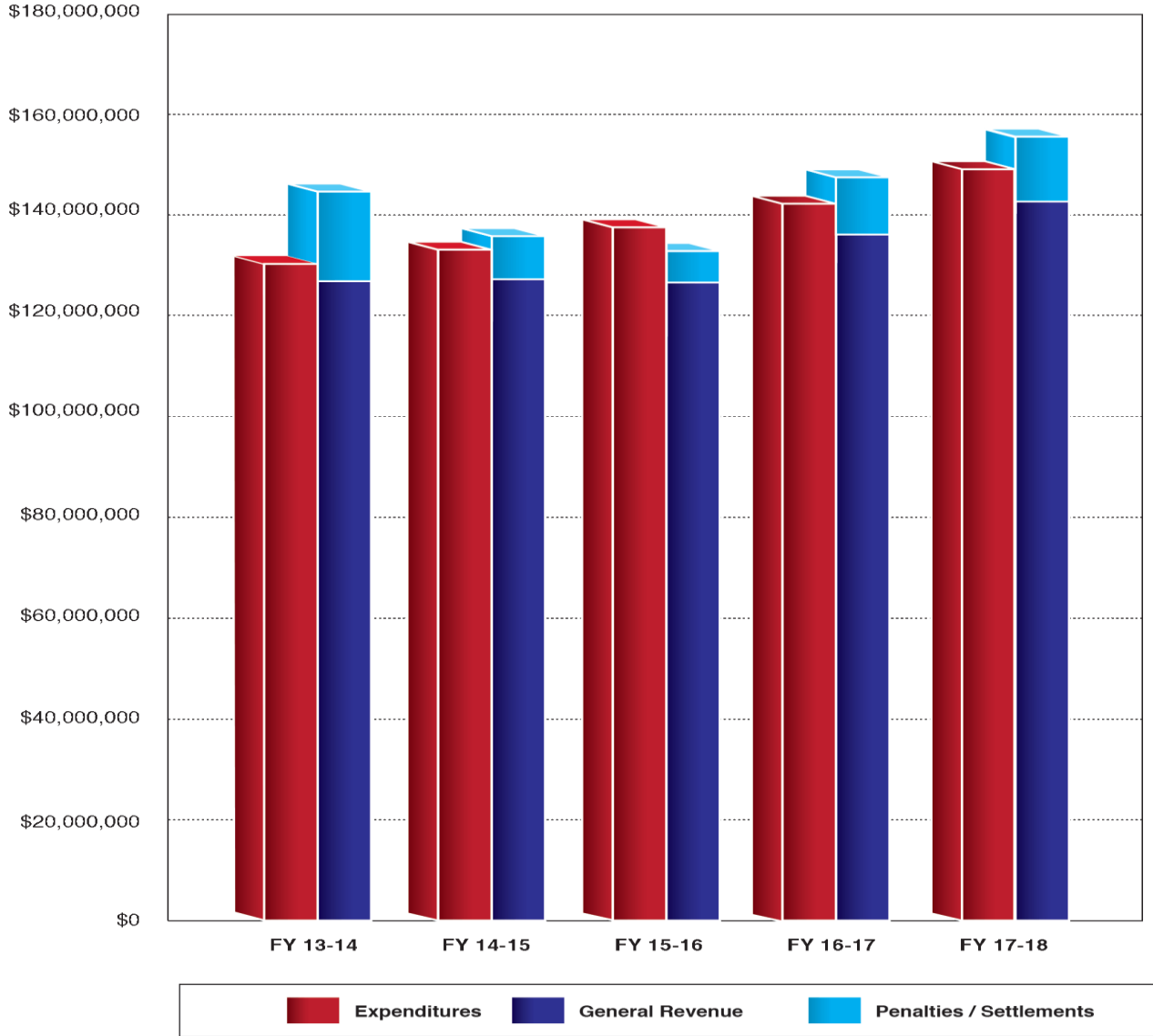
Evaluate and post results of 75% low cost air quality sensors that have reached the market; conduct 4 large community outreach events, including 1 in each County; develop a process to measure and establish an appropriate acknowledgement time for community complaints; increase 10% in social media followers; and engage young persons by creating a young persons advisory group and conduct 4 meetings.

GOAL III. Operate Efficiently and Transparently.

Ensure 100% of Committee and Board meeting agendas with materials made available to the public one week prior to the meeting; ensure 100% of Stakeholder and Working Group meeting agendas with materials made available to the public 48 hours prior to the meeting; maintain a well-informed staff by offering 10 information sessions/training for all staff; conduct 4 meetings of the Permit Streamlining Task Force subcommittee and stakeholders; complete 9 of the 15 Enterprise GIS projects identified in the Enterprise GIS Implementation Plan; and submit quarterly budgetary financial reports to the Governing Board within 6 working days of the end of the quarter.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Performance June 30, 2018 Budget Surplus/Deficit – 5-Year History Non-GAAP Budgetary Basis (General Fund)



General Fund revenues increased as compared to the prior fiscal year, primarily due to an increase in emission fees under the stationary sources, fees increase in annual renewal fees, and a large penalties/settlements from facilities that were found not to be in compliance with SCAQMD rules and regulations. The increase in 2018 expenditures from prior year is mainly due to the hiring of some grant funded positions and due to increase in pension cost.

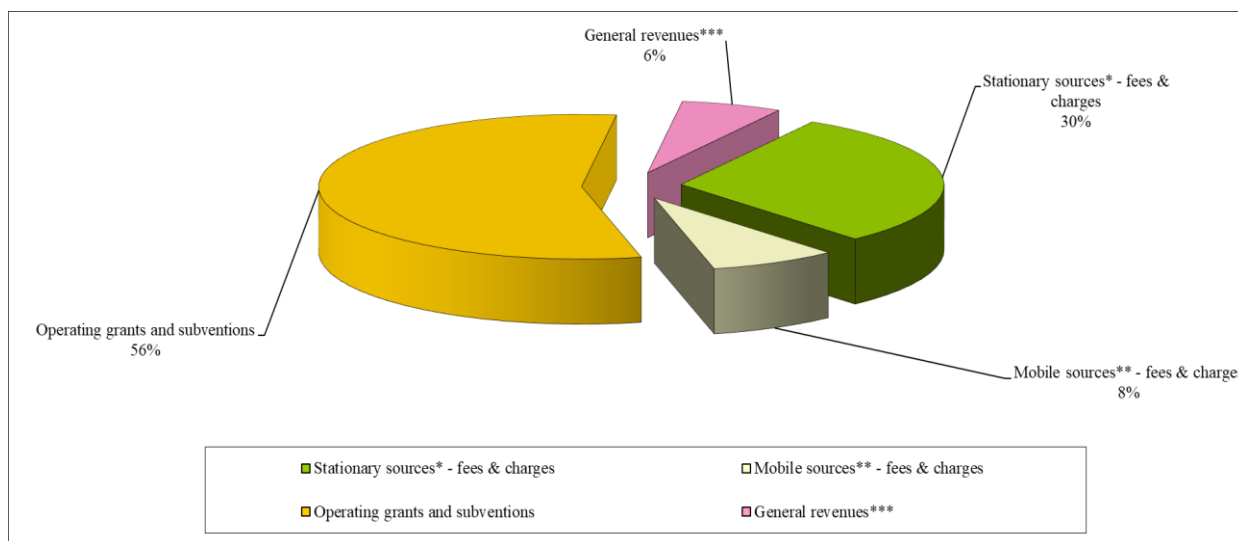
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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 44% 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 56% 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 increased by 6% as compared to the prior fiscal year, primarily due to an increase in emission fees, fees increase in annual renewal fees, and one time 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, while General Fund revenues are expected to continue to remain generally stable due to strengthening of the economic environment.

FY 2017-18 Revenues by Major Source – Governmental Activities



Source	FY 17-18	FY 16-17	FY 15-16	FY 14-15	FY 13-14	FY 12-13
Stationary sources* - fees & charges	\$ 100,354,910	\$ 94,279,518	\$ 89,264,511	\$ 88,120,829	\$ 87,160,484	\$ 85,439,616
Mobile sources** - fees & charges	26,026,673	28,087,131	25,743,988	24,526,008	24,307,527	23,535,070
Operating grants and subventions	185,367,622	222,070,040	122,424,397	149,766,034	164,053,936	173,309,732
General revenues***	20,644,444	16,664,194	10,148,573	14,043,695	23,570,233	15,202,920
Total	\$332,393,649	\$361,100,883	\$247,581,469	\$276,456,566	\$299,092,180	\$297,487,338

*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.

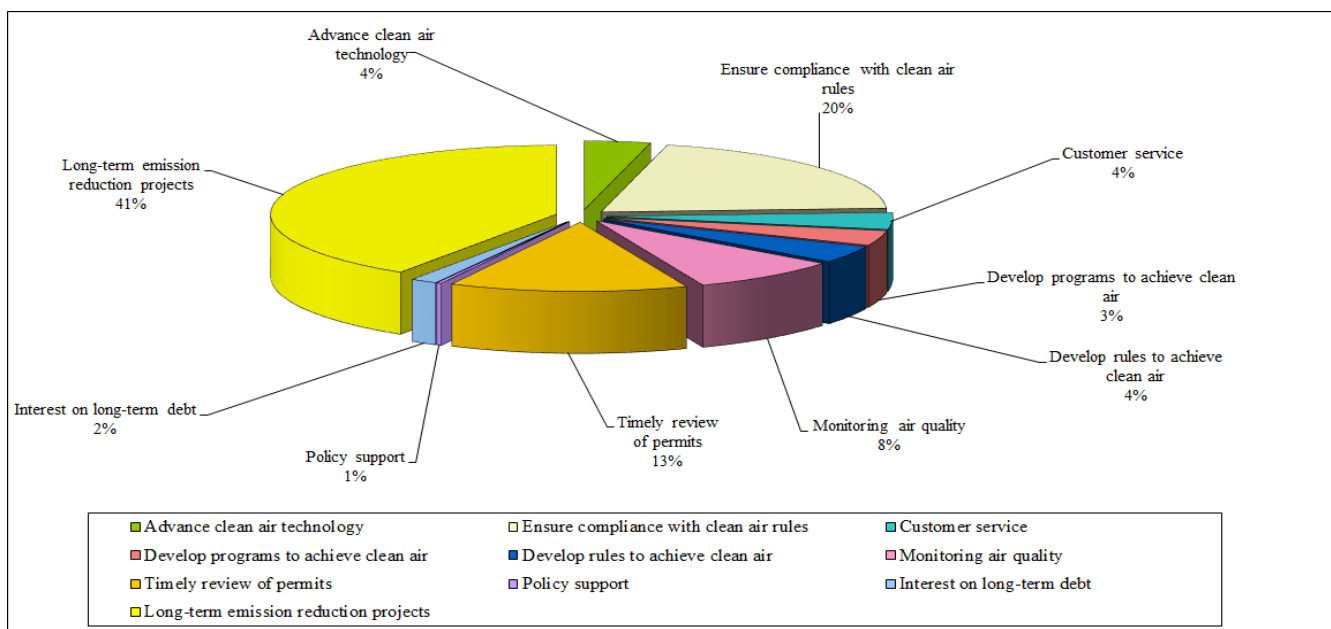
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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 71% of the SCAQMD's total General Fund Expenses for the year ended June 30, 2018.

On a government-wide basis (including all funds), expenses increased approximately 3% as compared to the prior fiscal year. Also, General Fund expenditures increased by 5% as compared to the prior fiscal year, due to increased employee retirement plan contributions and increased efforts to fill vacant positions.

FY 2017-18 Expenses by Program Category – Governmental Activities



Activity	FY 17-18	FY 16-17	FY 15-16	FY 14-15	FY 13-14	FY 12-13
Advance clean air technology	\$ 9,271,026	\$ 7,825,599	\$ 7,119,417	\$ 5,539,607	\$ 6,212,087	\$ 6,857,959
Ensure compliance with clean air rules	50,528,522	49,316,129	45,622,680	43,252,162	48,813,991	47,417,956
Customer service	9,743,294	9,260,504	8,337,319	6,124,811	8,332,770	8,169,587
Develop programs to achieve clean air	8,636,784	11,335,498	10,444,147	9,727,624	11,147,303	12,317,470
Develop rules to achieve clean air	10,013,098	7,604,041	7,566,089	7,161,179	7,514,210	7,269,414
Monitoring air quality	20,822,380	17,856,869	16,028,394	13,197,801	14,969,083	14,265,601
Timely review of permits	33,301,565	31,520,083	27,891,070	24,431,059	27,821,032	28,621,527
Policy support	667,046	885,773	511,705	331,652	1,204,588	1,306,054
Interest on long-term debt	3,731,589	3,906,955	3,884,990	4,031,178	4,102,888	4,605,963
Long-term emission reduction projects	101,304,229	101,008,426	87,079,799	210,229,182	154,939,035	155,998,253
Total	\$ 248,019,533	\$ 240,519,877	\$ 214,485,609	\$ 324,026,255	\$ 285,056,987	\$ 286,829,784

Source: FY 2017-18 CAFR Statement of Activities

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Summary June 30, 2018

***FINANCIAL POSITION STATEMENT
FOR THE YEARS ENDED JUNE 30, 2018, 2017, AND 2016***
(In Thousands)

	<u>FY 2017-18</u>	<u>FY 2016-17</u>	<u>FY 2015-16</u>
ASSETS:			
Current and other assets	\$ 802,068	\$ 706,197	\$ 580,909
Capital assets	35,756	36,127	36,178
Deferred outflows (DO) of resources	101,955	98,386	60,673
Total Assets and DO of resources	<u>939,779</u>	<u>840,710</u>	<u>677,760</u>
 LIABILITIES:			
Long-term liabilities	254,938	241,341	195,466
Short-term liabilities	61,954	49,092	43,258
Deferred inflows (DI) of resources	39,974	48,253	57,592
Total Liabilities and DI of resources	<u>356,866</u>	<u>338,686</u>	<u>296,316</u>
ASSETS AND DO OF RESOURCES OVER LIABILITIES AND DI OF RESOURCES	<u>\$ 582,913</u>	<u>\$ 502,024</u>	<u>\$ 381,444</u>

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.

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

Capital assets: Items such as buildings, equipment, 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: Debt owed by the SCAQMD to others such as net pension liability, net OPEB liability, and bonds that are expected to be paid over a period of greater than one year.

Short-term liabilities: Amounts owed by the SCAQMD 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 and deferred outflow of resources over liabilities and deferred inflow of resources: Provides the difference between financial benefits and liabilities, ultimately showing the net worth of the SCAQMD.

The assets and deferred outflow of resources exceeded the liabilities and deferred inflows of resources by 16.1%. Most of the increase was due to revenues in long-term emission-reduction projects.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Summary

June 30, 2018

***FINANCIAL ACTIVITY STATEMENT
FOR THE YEARS ENDED JUNE 30, 2018, 2017, AND 2016***
(In Thousands)

	<u>FY 2017-18</u>	<u>FY 2016-17</u>	<u>FY 2015-16</u>
RESOURCES:			
Fees and Charges – Stationary Sources	\$ 100,355	\$ 94,280	\$ 89,265
Fees and Charges – Mobile Sources	26,027	28,087	25,744
Operating Grants and Subventions	185,368	222,070	122,424
Grants and Subventions not Restricted for Specific Programs	2,879	2,886	2,885
Penalties and Settlements	14,316	11,512	5,704
Interest	1,041	645	439
Other Revenues	1,154	1,621	1,120
Transfers	1,253	-	-
Total Resources	332,393	361,101	247,581
USES:			
Advance Clean Air Technology	9,271	7,826	7,119
Ensure Compliance with Clean Air Rules	50,528	49,316	45,623
Customer Service	9,743	9,261	8,337
Develop Programs to Achieve Clean Air	8,637	11,335	10,444
Develop Rules to Achieve Clean Air	10,013	7,604	7,566
Monitoring Air Quality	20,822	17,857	16,028
Timely Review of Permits	33,302	31,520	27,891
Policy Support	667	886	512
Interest on Long-Term Debt	3,732	3,907	3,885
Long-Term Emission Reduction Projects	101,304	101,008	87,080
Total Uses	248,019	240,520	214,485
RESOURCES OVER USES	\$ 84,374	\$ 120,581	\$ 33,096

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.

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, 2017. 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, 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, 2017. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

Further, SCAQMD's Comprehensive Annual Financial Report for the year ended June 30, 2017, from which information on pages 9 through 11 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.



2002

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

2006

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



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



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

1993



SCAQMD establishes ridesharing requirements for region's employers.

1987

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

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Presented to

South Coast Air Quality
Management District (AQMD)
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO





South Coast Air Quality Management District

21865 Copley Drive
Diamond Bar, CA 91765-4178

www.aqmd.gov