

BOARD MEETING DATE: May 1, 2015

AGENDA NO. 30

PROPOSAL: Adopt Executive Officer's FY 2015-16 SCAQMD Budget and Work Program and Authorize Mid-Year Budget Adjustments, Transfers, Purchase of Vehicles, and Hearing Board Compensation.

SYNOPSIS: The Executive Officer's Budget and Work Program for FY 2015-16 represents the input over the past several months from Board members, staff, and the public. This action requests the required appropriations and reserves necessary to adopt the proposed budget, including the approval of the SCAQMD FY 2015-16 Goals and Priority Objectives. The proposed budget incorporates the CPI adjustment pursuant to Rule 320 as well the second year phase-in of the additional 3% increase to Annual Operating Permit Renewal and Permit Processing Fees to better align program costs with revenues. This action also includes requests for mid-year budget adjustments, a transfer to the Infrastructure Improvement Fund, the purchase of vehicles, and a change to Hearing Board compensation.

COMMITTEE: Budget Study Session, April 10, 2015; Reviewed

RECOMMENDED ACTIONS:

1. Remove from Reserves and Designations all amounts associated with the FY 2014-15 Budget;
2. Approve appropriations in the Major Objects for FY 2015-16 of:

Salary and Employee Benefits	\$110,766,918
Services and Supplies	25,728,382
Capital Outlays	<u>722,500</u>
Total	<u>\$137,217,800</u>

3. Approve a projected June 30, 2016 Fund Balance of the following:

Classification¹	Reserve/Unreserved Designation	Amount
Committed	Reserve for Encumbrances	\$ 6,976,000
Nonspendable	Reserve for Inventory of Supplies	80,000
Assigned	Designated for Enhanced Compliance Activities	883,018
Assigned	Designated for Litigation/Enforcement	1,600,000
Assigned	Designated for Other Post Employment Benefit (OPEB) Obligations	2,952,496
Assigned	Designated for Permit Streamlining	288,385
Assigned	Designated for Self-Insurance	2,000,000
Assigned	Designated for Unemployment Claims	80,000
Total Reserves & Unreserved Designations		\$14,859,899
Unassigned	Undesignated Fund Balance	\$ 30,062,622

4. Approve revenues for FY 2015-16 of \$134,980,310;
5. Approve the addition of three net authorized/funded positions as detailed in the FY 2015-16 Draft Budget;
6. Approve the SCAQMD FY 2015-16 Goals and Priority Objectives as previously discussed and included in the FY 2015-16 Draft Budget and Work Program;
7. Increase the FY 2014-15 General Fund revenue budget and approve the transfer of \$1,127,500 from the Undesignated Fund Balance to the Infrastructure Improvement Fund (Fund 02) for building infrastructure projects as described in Table 1;
8. Increase the FY 2014-15 General Fund revenue budget by \$640,000 and appropriate \$600,000 to District General's FY 2014-15 Budget, Capital Outlay account, Capital Outlay Major Object, for the replacement of SCAQMD fleet vehicles and \$40,000 to Science and Technology Advancement's FY 2014-15 Budget, Capital Outlay account, Capital Outlay Major Object, for the replacement of a CNG van for use in air monitoring efforts as described in Table 2;
9. Authorize the Executive Officer to issue an RFQ and execute the subsequent purchase order(s) for the purchase of fleet vehicles and a CNG van for air monitoring in an amount not to exceed \$640,000;

¹ The terms Committed, Nonspendable, Assigned, and Unassigned are terms established by the Government Accounting Standards Board.

10. Approve adjustments to compensation for Hearing Board members and their alternates effective on January 2015, 2016 and 2017 as authorized and directed by Resolution No. 07-23.

Barry R. Wallerstein, D.Env.
Executive Officer

MBO:lg

Background

Budget

The period covered by the FY 2015-16 budget is from July 1, 2015 to June 30, 2016. The General Fund budget is the agency's operating budget and is structured by Office and account. The accounts are categorized into three Major Objects: Salaries and Employee Benefits, Services and Supplies, and Capital Outlays. The budget is supplemented with a Work Program which estimates staff resources and expenditures along program and activity lines. A Work Program Output Justification is completed for each Work Program which identifies performance goals, measurable outputs, legal mandates, activity changes and revenue categories.

The annual expenditure and revenue budget for the General Fund is adopted on a modified accrual basis. All annual expenditure appropriations lapse at fiscal year-end if they have not been expended or encumbered. Throughout the year, budget amendments may be necessary to accommodate additional revenues and expenditure needs.

The Executive Officer's Budget and Work Program for FY 2015-16 represents the input over the past several months from Board members, the public, and staff. This year's process included meetings with the Budget Advisory Committee; a public hearing held on April 3, 2015 to take input on the SCAQMD's FY 2015-16 Draft Goals and Priority Objectives (included on pages 50 – 55 of the budget document); and two budget workshops, one held for the public and one held for the Board, on April 10, 2015.

Infrastructure Improvement Fund

The Board established the Infrastructure Improvement Fund to separately account for large-scale and/or multi-year infrastructure improvement projects. With SCAQMD's aging Headquarters facilities and information technology infrastructure, improvement projects are of a larger size and scope that may extend over one or more fiscal years. A separate fund accommodates the financing and accounting for these types of improvement projects.

Vehicle Replacement

The proposed fleet vehicles to be replaced are older sedans and vans with high mileage, high maintenance costs, and/or CNG tanks that will expire in FY 2015-16. They are prone to breakdowns and often need costly repairs. Once the CNG tanks expire, the vehicles must be taken out of service or the tanks replaced. The proposed CNG van to be replaced has 191,000 miles and is in poor mechanical condition. It is used by Atmospheric Measurements to transport staff and equipment to air monitoring stations.

Hearing Board Compensation

The Board approved Resolution No. 07-27, in 2007, which authorizes and directs adjustments to compensation for Hearing Board members and their alternates.

Proposal

Budget

The budget for FY 2015-16 proposes expenditures of \$137,217,800 and revenues of \$134,980,310, using prior year revenues to supplement FY 2015-16 estimated revenues. The budget is based on the Goals and Priority Objectives presented to the Board at the April 3, 2015 meeting.

The proposed FY 2015-16 budget represents an increase of \$4,997,726 (4%) in total expenditures from the budget adopted by the Board in June 2014. Staff is proposing the addition of three net positions for FY 2015-16, including new positions for the Air Quality Sensor Performance Evaluation Center (AQ-SPEC), a new internship program for transitional youth, and a position in the Engineering and Compliance Office. In Services and Supplies, the proposal for FY 2015-16 is 5% above the FY 2014-15 adopted budget due to additional contractual costs for outside building related consultants, community outreach, and planning and rule development activities. Capital Outlays are decreasing 32% from the FY 2014-15 adopted budget as several capital projects will be funded by Special Revenue Funds.

The proposed FY 2015-16 budget represents an increase of \$2,760,236 (2%) in total revenue from the budget adopted by the Board in June 2014. It assumes a 1.4% fee increase based on the change in the California Consumer Price Index as well as the second year phase-in of the Board approved additional 3% increase to Annual Operating Permit Renewal and Permit Processing Fees to better align program costs with revenues.

Infrastructure Improvement Fund & Vehicle Replacement

Included is a proposed increase in the FY 2014-15 General Fund Revenue budget of \$1,767,500 from unexpected one-time revenues. Of this amount, it is proposed that \$1,127,500 be transferred to the Infrastructure Improvement Fund (Fund 02) for the building infrastructure projects described in Table 1 and the remaining balance of \$640,000 be appropriated in the FY 2014-15 Budget as described in Table 2.

Table 1

**Proposed Transfer from the General Fund (01) to the
Infrastructure Improvement Fund (02)**

Description	Amount
Auditorium Document Camera Enhancement (Pan & Zoom)	\$21,500
GB Conference Room Audio/Visual Enhancements	256,000
Hearing Board Video Recording/Webcast Enhancements	145,000
Replace 800 ton Cooling Towers	300,000
Replace Aging Kitchen Equipment	60,000
Replace Air Volume Controllers in the Lab	150,000
Replace Furnishings in GB Conference Room	45,000
Convert Pneumatic Controls to DDC (Direct Digital Control)	150,000
Total	\$1,127,500

Table 2

Proposed FY 2014-15 General Fund (01) Appropriations/RFQ/PO

Description	Qty	Amount	Unit	Major Object
Fleet Vehicles	18	\$600,000	DG	Capital Outlay
CNG Van	1	40,000	STA	Capital Outlay
Total		\$640,000		

The proposed infrastructure projects described in Table 1 will be brought back to the Board at a later date for approval to issue RFP/RFQ's and contract/purchase order execution. The proposed vehicles described in Table 2 will be purchased in the current fiscal year through the release of an RFQ and subsequent purchase order(s).

It is anticipated that the fleet vehicles purchased will be CNG sedans, for a combination of the following reasons: a.) cost, b.) range, c.) readily available fueling infrastructure, d.) HOV sticker availability, e.) demonstrated reliability/longevity, f.) fleet homogeneity, and g.) available trunk space. Staff will perform additional analysis for potential future fleet vehicle purchases based on experience derived from current demonstration vehicles operated by the District and other available information.

Hearing Board Compensation

It is proposed that adjustments be made to the compensation for Hearing Board members and their alternates to be effective on January 2015 (2%), 2016 (1.5%) and 2017 (1.5%) as authorized and directed by Resolution No. 07-23.

Resource Impacts

The proposed FY 2015-16 budget assumes a 1.4% fee increase, consistent with Rule 320 which was adopted by the Board on October 29, 2010 and allows for an increase of fees based on the change in the California Consumer Price Index. In accordance with Rule 320, the Draft Socioeconomic Assessment for Automatic Consumer Price Index (CPI) Increase was made available to the public on March 13, 2015 and public comments and responses, along with recommendations by the Budget Advisory Committee, were provided to the Board by the April 15 deadline. The proposed FY 2015-16 Budget also includes the second-year phase-in of the additional 3% increase to Annual Operating Permit Renewal and Permit Processing Fees to better align program costs with revenues.

Copies of the Draft Budget and Work Program for FY 2015-16 have been transmitted to the Board under separate cover. Copies for public review are available in the SCAQMD Library and the document is also available via SCAQMD's web site at <http://www.aqmd.gov/docs/default-source/finance-budgets/fy-15-16/fy2015-16draftbudget.pdf?sfvrsn=2>. Budget abstracts are available by request from the Public Information Center (909) 396-3600.

The building infrastructure improvement projects and vehicles identified in this Board letter, not to exceed \$1,767,500, will be funded using one-time revenues received in FY 2014-15. Hearing Board members and alternates compensation increases for January 2015 will be funded through the existing FY 2014-15 budget and future increases have been included in the FY 2015-16 proposed draft budget.

Attachment

Attachment – Addendum to FY 2015-16 Draft Budget and Work Program



South Coast Air Quality Management District

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April 23, 2015

Addendum to the Fiscal Year 2015-16
Draft Budget and Work Program
of the
South Coast Air Quality Management District

The following pages in the Fiscal Year 2015-16 Draft Budget and Draft Work Program have been revised: Pages 4 and 6. These pages were revised to reflect requested changes at the Governing Board Budget Study Session on April 10, 2015.

The Draft Budget and Work Program is available via SCAQMD's website at <http://www.aqmd.gov/docs/default-source/finance-budgets/fy-15-16/fy2015-16draftbudget.pdf?sfvrsn=2>.

Attachments

attainment of federal health standards. In November 2008, U.S. EPA revised the lead standard from a 1.5 $\mu\text{g}/\text{m}^3$ quarterly average to a 0.15 $\mu\text{g}/\text{m}^3$ rolling 3-month average and added new near-source monitoring requirements. The Los Angeles County portion of the Basin has since been designated non-attainment for lead due to monitored concentrations near one facility. However, the most recent 2013 data shows that the Basin meets the current lead standard. U.S. EPA revised the 8-hour ozone standard, effective May 2008, from concentrations exceeding 0.08 ppm to concentrations exceeding 0.075 ppm. In 2013, the current federal 8-hour ozone standard was exceeded on 94 days, the second lowest number of exceedance days ever recorded, based on preliminary 2014 data. The federal ozone standard was exceeded on 88 days in 2013 and 111 days in 2012. The maximum observed ozone levels show some year-to-year variability, but have generally been decreasing over the years. The highest 8-hour ozone level in the 2014 preliminary data was 0.114 ppm, compared to 0.122 ppm and 0.112 ppm in 2013 and 2012 respectively.

In 2007, U.S. EPA formally re-designated the Basin from nonattainment to full attainment of the federal health standard for carbon monoxide. Basin-wide maximum levels of carbon monoxide have been consistently measured at more than 30% below the federal standard since 2004. In 2010, U.S. EPA established a new NO_2 1-hour standard at a level of 100 ppb (0.100ppm) and SO_2 1-hour standard at a level of 75 ppb (0.075 ppm). In 2014, one site exceeded the 1-hour NO_2 standard on one day in the preliminary data; however, this does not jeopardize our attainment status. That is determined by the NO_2 design value which is the 98th percentile value averaged over three years.

In 2006, U.S. EPA rescinded the annual federal standard for PM_{10} but retained the 24-hour standard. Ambient levels of PM_{10} in the Basin meet the federal 24-hour PM_{10} standard. U.S. EPA has re-designated the Basin as in attainment of the health based standard for PM_{10} . $\text{PM}_{2.5}$ levels have decreased dramatically in the Basin since the beginning of the decade; however, design value concentrations are still slightly above the federal annual and 24-hour standards at one monitoring station. While our air quality continues to improve, the South Coast Air Basin remains one of the most unhealthful areas in the nation in terms of air quality.

Mandates

The SCAQMD is governed and directed by several state laws and a comprehensive federal law which provide the regulatory framework for air quality management in this Basin. These laws require the SCAQMD to take prescribed steps to improve air quality.

Generally speaking, SCAQMD is responsible for stationary sources such as factories and businesses. ~~The~~ CARB and U.S. EPA ~~is~~are primarily responsible for motor vehicles. The SCAQMD and CARB share responsibilities with respect to area sources. The SCAQMD and Southern California Association of Governments (SCAG) share some responsibilities with CARB regarding some aspects of mobile source emissions related to transportation and land use. Control of emissions from sources such as airports, harbors, and trains is shared by the U.S. EPA, CARB and the SCAQMD. Without adequate efforts by CARB and U.S. EPA to control emission sources under their sole authority, it is impossible for the region to reach federal clean air standards.

State law also includes the following measures:

- authorizes SCAQMD to adopt market incentives such as the emissions trading program known as RECLAIM as long as the emitters achieve reductions equivalent to command-and-control regulations;
- requires SCAQMD to establish a program to encourage voluntary participation in projects to increase the use of clean-burning fuels;
- requires SCAQMD to adopt and enforce rules to ensure no net emission increases from stationary sources.

Under the Federal Clean Air Act, the SCAQMD must develop and submit to CARB for review, followed by submittal to the EPA, an element of the State Implementation Plan (SIP) demonstrating how the region will achieve federal ambient air quality standards. In the case of ozone, the plan was required to be submitted by November 15, 1994 and for fine particulates, PM₁₀, the plan was required to be submitted by February 8, 1997. Plans for other pollutants were submitted in earlier years. In 1997, EPA adopted new ambient air quality standards for PM_{2.5} and replaced the 1-hour ozone standard with the new standard measured over an 8 hour period. Plans to attain these federal standards were submitted to EPA in November, 2007. The plan to attain the 24-hour PM_{2.5} standard by 2014 was submitted in early 2013. The Federal Clean Air Act mandates that sanctions be imposed on an area if a suitable plan is not adopted. These sanctions can include loss of key federal funds and more stringent requirements on new or expanding industries. Specific requirements for SCAQMD's AQMP include stringent requirements plus Lowest Achievable Emission Rate (LAER) and offsets for major new sources. Federal law also requires an operating permit program for major stationary sources, known as Title V, which must be supported by permit fees. Also, air toxics regulations adopted by EPA pursuant to Title III must be implemented by SCAQMD.

Air Quality Control

Developing solutions to the air quality problem involve highly technical processes and a variety of resources and efforts to meet the legal requirements of California and federal laws.

Monitoring: The first step is to determine the smog problem by measuring air pollution levels. SCAQMD operates 40 monitoring stations throughout its four-county jurisdiction. These range from full-service stations that measure all criteria pollutants, as well as some toxic pollutant levels, to those which measure specific pollutants in critical areas. These measurements provide the basis of our knowledge about the nature of the air pollution problem and for planning efforts to address the problem.

Pollution Sources: The SCAQMD, in cooperation with CARB and SCAG, estimates the sources of emissions causing the air pollution problem. Nature itself causes a ~~small~~ portion of the emissions and must be considered. In general, the SCAQMD estimates stationary and natural sources of emissions, SCAG develops the information necessary to estimate population and traffic, and CARB develops the information necessary to estimate mobile and area source emissions using the SCAG traffic data. This data is then consolidated in the AQMP for use in developing the necessary control strategies.