

BOARD MEETING DATE: May 1, 2020

AGENDA NO. 24

PROPOSAL: Adopt Executive Officer's FY 2020-21 Proposed Goals and Priority Objectives, and Proposed Budget.

SYNOPSIS: The Executive Officer's Proposed Goals and Priority Objectives, and Proposed Budget for FY 2020-21 have been developed and are recommended for adoption. The Budget and Work Program for FY 2020-21 represents the input over the past several months from Board members, staff, and the public. This year's process included two meetings of the Budget Advisory Committee and two budget workshops, one for the public held on April 7, 2020 and one for the Board held on April 10, 2020. The Proposed Budget incorporates, pursuant to Rule 320, an increase of most fees by 2.8 percent consistent with the Consumer Price Index; however, staff is proposing to credit back the proposed automatic CPI increase in light of the economic effects of the COVID-19 pandemic on the regulated community. This action is to adopt the Executive Officer's Proposed Goals and Priority Objectives, and Proposed Budget for FY 2020-21.

COMMITTEE: Special Governing Board Meeting/Budget Study Session, April 10, 2020, Reviewed

RECOMMENDED ACTIONS:

1. Remove from Reserves and Designations all amounts associated with the FY 2019-20 Budget;
2. Approve appropriations in the Major Objects for FY 2020-21 of:

Salary and Employee Benefits	\$140,750,642
Services and Supplies	30,470,986
Capital Outlays	926,000
Transfers Out	<u>841,353</u>
Total	<u>\$172,988,981</u>

3. Approve revenues for FY 2020-21 of \$172,988,981 ;
4. Authorize staff to forgo the CPI-based fee increase of 2.8 percent through a one-time credit to fee payers on all applicable fees to mitigate the impact of any fee increase in light of the COVID-19 pandemic.
5. Approve the Executive Officer's FY 2020-21 Goals and Priority Objectives;
6. Approve a projected June 30, 2021 Fund Balance of the following:

Classification¹	Reserves/Unreserved Designations	Amount
Committed	Reserve for Encumbrances	\$17,402,000
Nonspendable	Reserve for Inventory of Supplies	80,000
Assigned	Designated for Enhanced Compliance Activities	883,018
Assigned	Designated for Other Post Employment Benefit (OPEB) Obligations	2,952,496
Assigned	Designated for Permit Streamlining	234,159
Assigned	Designated for Self-Insurance	2,000,000
Assigned	Designated for Unemployment Claims	80,000
Total Reserved & Unreserved Designations		\$23,631,673
Unassigned	Undesignated Fund Balance	\$49,454,307

7. Adopt the attached Resolution amending Article 7 of the South Coast AQMD Salary Resolution to revise one Deputy Executive Officer class title to include Chief Technologist.
8. Instruct staff to actively review and assess fiscal changes and report monthly to the Administrative Committee and quarterly to the Board.

Wayne Nastri
Executive Officer

SJ:DRP:ap

Background

Budget

The period covered by the FY 2020-21 budget is from July 1, 2020 to June 30, 2021. The General Fund budget is the agency's operating budget and is structured by office and account code. The accounts are categorized into three Major Objects: Salaries and

¹ The fund balance classifications of Committed, Nonspendable, Assigned, and Unassigned are established by the Government Accounting Standards Board 54.

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 2020-21 represents the input over the past several months from Board members, the public, executive management, and staff. This year's process included two meetings with the Budget Advisory Committee, one public consultation meeting held on April 7, 2020 and one budget study session held for the Board on April 10, 2020. An additional public consultation meeting was held on March 13, 2020 to discuss potential amendments to Regulation III and Rule 1480. These proposed fee amendments have subsequently been withdrawn.

Regulation III – Fees establishes the fee rates and schedules to recover South Coast AQMD's reasonable costs of regulating and providing services to the regulated community, primarily permitted sources. The Permitted Source Program is principally supported by three types of fees, namely permit processing fees for both facility permits and equipment-based permits, annual permit renewal fees, and emissions-based annual operating fees, all of which are contained in Rule 301. Also included in the Permitted Source Program are Rule 222 registration fees and plan fees, since these are similar to permits for the sources to which they apply. Regulation III also establishes fees and rates for other fee programs, unrelated to the Permitted Source Program, including, but not limited to, Transportation Programs fees and Area Source fees (architectural coatings). The above referenced fees comprise approximately 60.9 percent of South Coast AQMD's revenue.

The COVID-19 pandemic has brought considerable economic uncertainty to the region. The economic effects of stay-at-home orders and closure of non-essential businesses, along with reduced consumer demand will likely have two significant effects: 1) temporary and permanent facility closures; and 2) reduction in overall economic output (GDP). Facility closures negatively impact all sources of South AQMD fee revenue, including annual permit renewal fees and flat emissions fees. The fee impacts from a reduction in GDP are expected to be limited to emissions fees (both criteria pollutants and toxic air contaminants) and permit processing fees (new permits and permit modifications).

Staff used this logic to estimate potential fee revenue impacts for the upcoming fiscal year (FY 2020-21). Using the University of Michigan Research Seminar in Quantitative Economics (RSQE) 2020-2022 economic forecast staff generated 160 sector-specific annual growth rates using a customized regional economic model (REMI PI+). Altogether the sector-specific growth rates predict a region-wide economic growth rate of -3 percent for 2020. Comparatively, historical data on facility closures in our region during the Great Recession show an average closure rate of approximate 3-4 percent. Staff conservatively assumed a doubling of the region-wide sector-specific growth rates (to -6 percent overall) and a closure rate of 5 percent across all facilities. Based on these assumptions, staff estimates a reduction in fee revenue of \$5.1 million when compared to the FY 2019-20 baseline.

The South Coast AQMD continues to implement cost recovery initiatives and cost reduction efforts, including limited increases in Services and Supplies expenditures, an increased vacancy rate, the implementation of the California Public Employees' Pension Reform Act (PEPRA) for new employees, and the early payoff of the Diamond Bar Headquarters. In the upcoming years, the South Coast AQMD will continue to face a number of fiscal challenges and uncertainties, including global economic impacts and uncertainty sparked by the COVID-19 pandemic and resulting fluctuations in the financial market which will determine the performance of South Coast AQMD's retirement investments and thus impact pension liability, potential changes in federal and state grant funding levels, the need for major information technology and building infrastructure improvement projects, and annual variations in penalties and settlement revenue. South Coast AQMD staff will monitor funding sources, the retirement plan, and actual financial results on a continuous basis and are prepared to make timely resource allocation adjustments as warranted.

South Coast AQMD staff will report back to the Board monthly providing Year-Over-Year comparisons over the General Fund Revenue and Expenditures, vacancy rates, current number of FTEs and permit, compliance and other relevant program-related metrics.

Proposal

Budget

The proposed budget for FY 2020-21 is a balanced budget with expenditures and *revenues* of \$172,988,981. The proposed FY 2020-21 budget represents an increase of \$2,092,256 (1.2 percent) in total expenditures from the budget adopted by the Board in May 2019, primarily due to an increase in Services and Supplies and Capital Outlays. The proposed budget includes the net addition of seven positions for FY 2020-21 from the FY 2019-20 Adopted Budget, however, due the implementation of a hiring freeze, salaries and employee benefits are projected to decrease \$917,070 (-0.6 percent) when compared to the FY 2019-20 Adopted Budget. In Services and Supplies, the proposal for FY 2020-21 reflects an increase of \$2,478,326 (8.9 percent) compared to the FY

2019-20 adopted budget primarily due Pension Obligation Bonds increase and Rule 1180 expenditures. Capital Outlays are increasing by \$531,000 (134 percent) compared to the FY 2019-20 adopted budget primarily due to purchases of Rule 1180-funded Air Monitoring Equipment & Vehicles. In addition, the budget proposal includes a request to amend the South Coast AQMD Salary Resolution to revise one Deputy Executive Officer class title to include Chief Technologist.

The proposed FY 2019-20 budget represents an increase of \$2,092,256 (1.2 percent) in total revenue from the budget adopted by the Board in May 2019. As part of this budget package, specific fees in Regulation III – Fees will be automatically adjusted by the California Consumer Price Index (CPI) as provided for under South Coast AQMD Rule 320. However, staff is proposing to credit back this year’s automatic CPI increase due to the economic effects of the COVID-19 pandemic on facilities regulated by South Coast AQMD. Staff has also withdrawn the previously proposed amendments to Reg III – Fees and Rule 1480.

Public Process

The proposed FY 2020-21 budget assumes a 2.8 percent fee increase, consistent with Rule 320 which was adopted by the Board on October 29, 2010 to allow for an increase of fees based on the change in the California CPI. In accordance with Rule 320, the Draft Socioeconomic Impact Assessment for the automatic CPI-based fee increase was made available to the public on March 13, 2020. However, given the recent circumstances stemming from the COVID-19 pandemic, staff is proposing to credit back the automatic 2.8 percent CPI increase so that facilities will not experience any fee increases for FY 2020-21. There are subsequently no socioeconomic impacts to analyze because fees will not change from their current level in the upcoming fiscal year.

Copies of the FY 2020-21 Proposed Budget Abstract have been transmitted to the Board and the document is also available via South Coast AQMD’s web site at <http://www.aqmd.gov/nav/about/finance#Budgets>.

Attachments

- A. FY 2020-21 Proposed Budget Abstract and Proposed Goals and Priority Objectives
- B. Article 7 of the Salary Resolution – Designated Deputy Annual Salaries
- C. Board Meeting Presentation

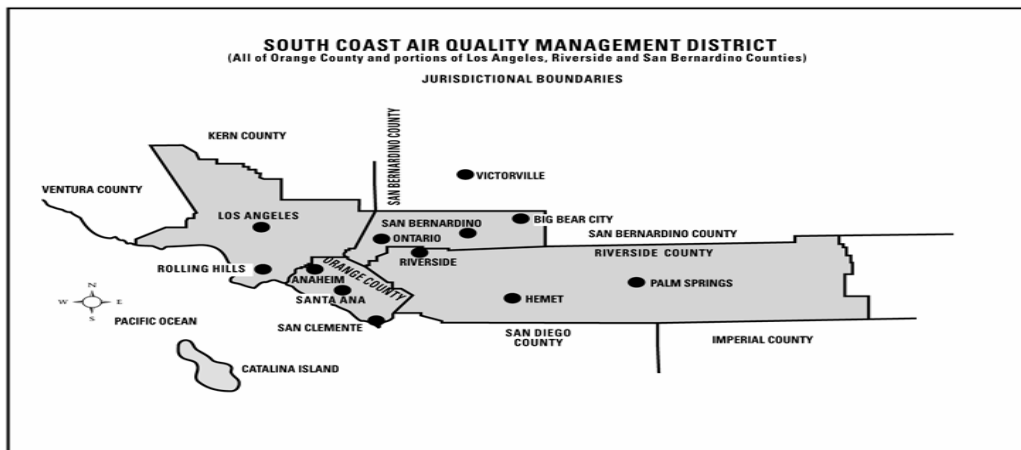
FY 2020-21 BUDGET ABSTRACT

Preface

This document represents the proposed FY 2020-21 Budget and Work Program of the South Coast Air Quality Management District (South Coast AQMD). The proposed budget is available for public review and comment during the month of April. A public consultation meeting is scheduled to discuss the proposed budget and proposed fees changes on April 7, 2020. In addition, a workshop for the Governing Board is scheduled on April 10, 2020. A final Proposed Budget and Work Program, which may include changes based on input from the public and Board, will be presented for adoption at a public hearing on May 1, 2020.

Introduction

The South Coast Air Quality Management District (South Coast AQMD) began operation on February 1, 1977 as a regional governmental agency established by the California Legislature pursuant to the Lewis Air Quality Management Act. The South Coast AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties. It succeeded the Southern California Air Pollution Control District (APCD) and its predecessor four county APCDs, of which the Los Angeles County APCD was the oldest in the nation, having been formed in 1947. The South Coast AQMD Governing Board is composed of 13 members, including four members appointed by the Boards of Supervisors of the four counties in South Coast AQMD's jurisdiction, six members appointed by cities in the South Coast AQMD'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 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 each from the western and eastern portions and one member representing the City of Los Angeles.

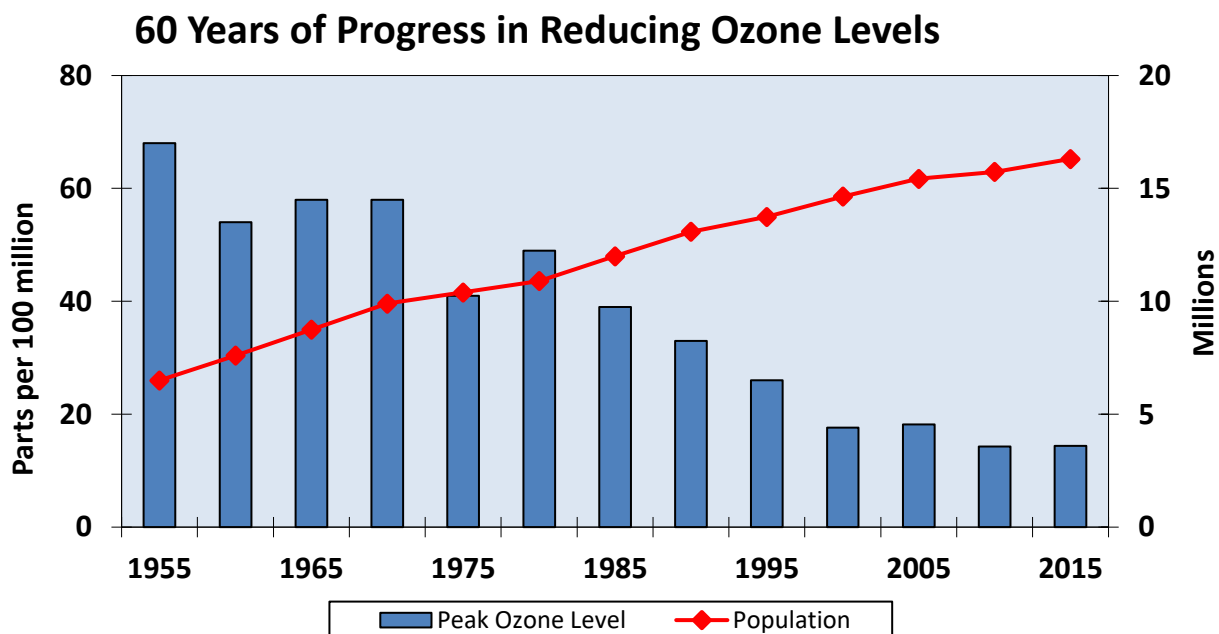


Air Quality History

The South Coast Air Basin (Basin) has suffered unhealthful air since its rapid population growth and industrialization during World War II. While air quality has improved, the residents of the Basin still breathe some of the most polluted air in the nation.

The 69-year history of the region's air pollution control efforts is, in many ways, one of the world's key environmental success stories. Peak ozone levels have been cut by almost three-fourths since air monitoring began in the 1950s. Population exposure was cut in half during the 1980s alone.

Since the late 1940s when the war on smog began to 2017, the region's population has more than tripled from 4.8 million to 17.1 million; the number of motor vehicles has increased almost six-fold from 2.3 million to 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.



Mission

South Coast AQMD'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. This mission is pursued through a comprehensive program of planning, regulation, education, enforcement, compliance incentives, technical innovation and promoting public understanding of air quality issues. The South Coast

AQMD has implemented a policy of working with regulated businesses to ensure their participation in making the rules which will impact them. This cooperative approach has resulted in greater business support of rulemaking efforts for air that is more healthful to breathe.

To carry out its mission, South Coast AQMD develops a set of Goals and Priority Objectives which are evaluated and revised annually and presented as part of the budget proposal. The following proposed goals have been identified as being critical to meeting South Coast AQMD's Mission for FY 2020-21:

- I. Achieve Clean Air Standards.
- II. Enhance Public Education and Equitable Treatment for All Communities.
- III. Operate Efficiently and Transparently.

These goals are the foundation for South Coast AQMD's Work Program categories. Each goal is supported by multiple activities, which target specific areas of program performance.

Air Quality

Overview

The four-county Southern California region, designated for air quality purposes as the South Coast Air Basin (Basin), has some of the highest air pollution levels in the United States. The federal government has designated seven pollutants that are pervasive enough to warrant federal health standards, called National Ambient Air Quality Standards (NAAQS). Known as "criteria pollutants," these are: ozone (O₃); nitrogen dioxide (NO₂); particulates (PM₁₀); fine particulates (PM_{2.5}); carbon monoxide (CO); lead (Pb); and sulfur dioxide (SO₂).

In addition, the State of California through the California Air Resources Board (CARB) sets ambient air quality standards for these same pollutants. California's standards are in some cases tighter than the U.S. Environmental Protection Agency's (U.S. EPA) standards, reflecting the conclusion on CARB's part that some of the federal standards are not adequate to protect public health in this region. Toxic compounds also are a potential problem. More toxic pollution is emitted into the air in the Basin than in any other region in California. The Basin's large number of motor vehicles and minor sources, including small businesses and households using ozone-forming consumer products and paints, compound the problem.

Air Quality Trends

While our air quality continues to improve, the Basin remains one of the most unhealthful areas in the nation in terms of air quality. Ozone levels have fallen by more than three-quarters since peaks in the mid-1950s. U.S. EPA revised and strengthened the 8-hour ozone NAAQS, effective December 28, 2015, from concentrations exceeding 75 parts-per-billion (ppb) to concentrations exceeding 70 ppb. In 2019, the new 2015 8-hour ozone NAAQS was exceeded in the Basin on 128 days and the former 1997 ozone NAAQS was exceeded on 73 days. The 2015 ozone NAAQS was exceeded in the Basin on 141 days in 2018 and 145 days in 2017. Note that all the air quality

values for 2019 in this report are preliminary values that are subject to change during the validation process. Though the trend in ozone exceedance days has been decreasing over the past few decades, year-to-year variability can mask the underlying trends when focusing on short time periods. Year-to-year variability can be caused by enhanced photochemical ozone formation due to persistent weather patterns that limit vertical mixing and warm the lower atmosphere. Changes in the relative emissions of volatile organic compounds (VOCs) or oxides of nitrogen (NO_x) can also affect the chemistry of ozone formation and lead to marginal short-term increases in ozone concentrations as NO_x is reduced. While the ozone control strategy continued to reduce precursor emissions from man-made sources in the Basin, emissions of natural ozone precursors are not controllable. Ozone-forming emissions transported from frequent summer wildfires throughout California and year-to-year changes in the VOC emissions from vegetation resulting from dry and wet rainy-seasons affect ozone concentrations. The maximum observed ozone levels also show some year-to-year variability but have generally decreased over the years. The highest 8-hour ozone level in the 2019 data was 118 ppb, compared to 125 ppb in 2018 and 136 ppb in 2017.

PM_{2.5} levels have decreased dramatically in the Basin since 1999; however, design value concentrations are still above the current annual 24-hour NAAQS. Effective March 18, 2013, U.S. EPA strengthened the annual average PM_{2.5} standard from 15.0 µg/m³ to 12.0 µg/m³, while retaining the 24-hour PM_{2.5} NAAQS of 35 µg/m³. In 2018, the 24-hour PM_{2.5} NAAQS was exceeded on 19 days in the South Coast Air Basin. In 2019, there were 12 exceedance days, based on preliminary filter data. Because the highest PM_{2.5} concentrations typically occur during the rainy-season, design values are heavily dependent on the frequency of wintertime storm systems, which increase ventilation and remove PM when rainfall is present. PM_{2.5} concentrations are also significantly influenced by wildfire smoke, which can be transported across wide distances. Smoke from historically large wildfires throughout California in December 2017 and November 2018 contributed to several exceedances of the 24-hour standard all throughout the South Coast Air Basin. Although the 2017-2019 24-hr design value still exceeds the federal standard, the average of the 2018 and 2019 98th percentile concentrations (two-thirds of the data used to calculate the 2018-2020 design value) are below the federal standard at all locations. The Basin's peak annual average PM_{2.5} level in 2019 of 12.8 µg/m³ (preliminary data) at the Ontario-60 near road site was lower than the 2018 value, 14.5 µg/m³, which occurred at the same site.

In 2006, the U.S. EPA rescinded the annual federal standard for PM₁₀ but retained the 24-hour standard. The U.S. EPA re-designated the Basin as attainment of the health-based standard for PM₁₀, effective July 26, 2013. Apart from three high wind events in 2015 and 2016 and two high wind events in 2019, ambient levels of PM₁₀ in the Basin have continued to meet the federal 24-hour PM₁₀ NAAQS through 2019.

In November 2008, the U.S. EPA revised the lead NAAQS from a 1.5 µg/m³ quarterly average to a rolling 3-month average of 0.15 µg/m³ and added new near-source monitoring requirements. The Los Angeles County portion of the Basin has been designated non-attainment for lead due to monitored concentrations near one facility. However, starting with the 3-year 2012-2014 design

value, the Basin has met the lead standard through 2018. 2019 concentrations are yet not available at the time of publication. A re-designation request to the U.S. EPA is pending.

Nitrogen dioxide, sulfur dioxide, and carbon monoxide levels have improved in the Basin and are in full attainment of the NAAQS. In 2007, the U.S. EPA formally re-designated the Basin to attainment of the carbon monoxide NAAQS. Maximum levels of carbon monoxide in the Basin have been consistently less than one-third of the federal standards since 2004. In 2010, the U.S. EPA revised the NO₂ 1-hour standard to a level of 100 ppb and the SO₂ 1-hour standard to a level of 75 ppb. In 2019, all sites in the Basin remained in attainment of these NAAQS based on preliminary data.

Mandates

South Coast AQMD is governed and directed by a comprehensive federal law (Federal Clean Air Act) and several state laws that provide the regulatory framework for air quality management in the Basin. These laws require South Coast AQMD to take prescribed steps to improve air quality.

South Coast AQMD is responsible for stationary sources such as factories. CARB and U.S. EPA are primarily responsible for motor vehicles. South Coast AQMD and CARB share responsibilities with respect to area sources. South Coast AQMD and the Southern California Association of Governments (SCAG) share some responsibilities with CARB regarding certain aspects of mobile source emissions related to transportation and land use. Control of emissions from sources such as airports, harbors, and trains are shared by U.S. EPA, CARB and South Coast AQMD. 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.

The following is a more specific summary of the laws governing South Coast AQMD.

Federal Law:

Federal Clean Air Act (CAA): The CAA requires attainment of National Ambient Air Quality Standards (NAAQS) for criteria air pollutants, i.e. pollutants causing human health impacts due to their release from numerous sources. The following criteria pollutants have been identified: ozone, particulate matter (PM₁₀), carbon monoxide, lead, nitrogen dioxide, and sulfur dioxide. Current deadlines vary by pollutant and severity of pollution in the region.

State Implementation Plans: The CAA requires each state to develop a State Implementation Plan (SIP) to attain the NAAQS by the applicable attainment deadlines. SIPs must be approved by U.S. EPA as containing sufficient measures to timely attain NAAQS and meet other requirements described below. SIPs must contain air pollution measures in adopted, "regulatory" form within one year after approval by U.S. EPA. Upon approval by U.S. EPA, SIP requirements can be enforced against regulated sources by U.S. EPA and by any citizen. South Coast AQMD must develop and submit to CARB for review, followed by submittal to U.S. EPA, an element of the SIP referred to as the South Coast AQMD Air Quality Management Plan (AQMP) demonstrating how the Basin will achieve the NAAQS.

Among the numerous other CAA requirements are: a mandate that the region achieve a three percent annual reduction in emissions of ozone precursors (VOC and NO_x); a requirement that new sources over 10 tons per year of VOC or NO_x, and modifications to such sources, achieve lowest achievable emission rate and offset their emission increases by equal reductions elsewhere in the region and transportation control measures to reduce vehicle trips.

To date, the South Coast AQMD's Governing Board has adopted AQMPs in 1989, 1991, 1994, 1997, 1999 (amendments to the plan adopted in 1997), 2003, 2007, 2012 and 2017. The 2016 AQMP was approved in March 2017.

Sanctions, Federal Implementation Plans, and Conformity Findings: The CAA mandates that sanctions be imposed on an area if a suitable SIP is not adopted and approved by U.S. EPA. These sanctions can include loss of key federal funds and more stringent requirements on new or expanding industries. Specific requirements for South Coast AQMD'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. In addition, air toxics regulations adopted by U.S. EPA pursuant to Title III must be implemented by South Coast AQMD.

Motor Vehicle Emission Controls: The CAA initially required U.S. EPA to adopt emission limitations for motor vehicles. The 1990 Amendments require U.S. EPA to adopt regulations to achieve further reductions in emissions from motor vehicles, as well as from other mobile sources such as locomotives. States are preempted from adopting emission limitations for motor vehicles and certain other mobile sources. Exception: California can adopt motor vehicle standards, and standards for some --but not all-- other mobile sources, and other states can adopt the California standards.

Hazardous Air Pollutants: In addition to criteria pollutants, the CAA regulates "hazardous air pollutants," i.e., those which can cause cancer or other severe localized health effects due to emissions from a single facility. U.S. EPA is required to adopt regulations mandating that new and existing sources emitting 10 tons per year or more of such pollutants employ Maximum Achievable Control Technology (MACT) according to specified schedules. U.S. EPA is to consider further reductions in the future to eliminate any remaining unacceptable residual risk.

California Law:

The California Clean Air Act (CCAA): The CCAA establishes numerous requirements for Air District air quality plans to attain state ambient air quality standards for criteria air contaminants. For example, a plan must contain measures adequate to achieve five percent per year emission reductions or must contain all feasible measures and an expeditious adoption schedule. For Air Districts with serious air pollution, its attainment plan should include the following: no net increase in emissions from new and modified stationary sources; and best available retrofit technology for existing sources.

Toxic Air Contaminants: The Air Toxic Hot Spots Act (Health & Safety Code §§ 44300, et seq.) requires facilities emitting specified quantities of pollutants to conduct risk assessments describing the health impacts to neighboring communities created by their emissions of numerous specified hazardous compounds. If an Air District determines the health impact to be significant, neighbors must be notified. In addition, state law requires the facility to develop and implement a plan to reduce the health impacts to below significance, generally within five years. Additional control requirements for hazardous emissions from specific industries are established by the state and enforced by Air Districts.

AB 617: A requirement for Air Districts to conduct air monitoring and adopt a Community Emissions Reduction Plan for communities designated by CARB under the AB 617 statewide program.

State law also includes the following measures:

- Tanner Air Toxics Process (AB 1807) which requires CARB to adopt air toxic control measures to limit emissions of toxic air contaminants from classes of industrial facilities. Local Air Districts are required to enforce these regulations or adopt equally or more stringent regulations of their own;
- Health & Safety Code §42705.5 which requires Air Districts to deploy a community air monitoring system in selected locations and Section 42706.5 which requires Air Districts to design, develop, install, operate and maintain refinery-related community air monitoring systems;
- Authority for South Coast AQMD to adopt a command-and-control regulatory structure requiring Best Available Retrofit Control Technology (BARCT);
- A requirement for South Coast AQMD to establish an expedited schedule for implementing BARCT at pre-determined greenhouse cap and trade facilities;
- A requirement for South Coast AQMD to establish a program to encourage voluntary participation in projects to increase the use of clean-burning fuels; and
- A requirement for South Coast AQMD to adopt and enforce rules to ensure no net emission increases from stationary sources.

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 in air quality control is to determine the smog problem by measuring air pollution levels. South Coast AQMD currently operates 45 monitoring stations in the South Coast Air Basin and a portion of the Salton Sea Air Basin in Coachella Valley. These range from fully equipped stations that measure levels of all criteria pollutants, as well as some air toxic pollutant levels, to those which measure a specific pollutant in critical areas. These measurements provide the basis of our knowledge about the nature of the air pollution problem and the data for planning and compliance efforts to address the problem.

Pollution Sources: South Coast AQMD, in cooperation with CARB and SCAG, estimates the sources of emissions causing the air pollution problem. Nature itself causes a portion of the emissions and must be considered. In general, South Coast AQMD 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 South Coast AQMD's AQMP for use in developing the necessary control strategies.

Air Quality Modeling: Using air quality, meteorological and emissions models, South Coast AQMD planners simulate air pollution to demonstrate attainment of the air quality standards and the impacts of sources to local and regional air quality. Due to the nature of air pollution, air quality models can be very complex. Some pollutants are not emitted directly into the air but are products of photochemical reactions in the atmosphere. For example, VOCs mix with nitrogen dioxide (NO₂) and react in sunlight to form ozone; similarly, nitrogen oxide gases from tailpipes and smokestacks can be transformed into nitrates or particulates (PM_{2.5} and PM₁₀). The planners thus must consider transport, land use characteristics and chemical reactions of emissions in the atmosphere to evaluate air quality impacts. Using model output, planners can look at different control scenarios to determine the best strategies to reduce air pollution for the lowest cost.

The considerable data required for these analyses is collected on an ongoing basis by South Coast AQMD staff. Modeling data is prepared and delivered using a geographic information system (GIS). GIS capability is used to prepare and produce data and spatial analysis maps for various needs by South Coast AQMD including rulemaking and California Environmental Quality Act (CEQA) document development.

Planning: With emissions data and an air quality model in place, planners can develop possible control strategies and scenarios. South Coast AQMD focuses most of its effort on stationary source controls. As mentioned earlier, strategies to reduce vehicle miles traveled (VMT) are developed primarily by SCAG, while mobile source control standards are developed primarily by CARB.

Once a plan of emission controls to achieve the NAAQS is outlined, South Coast AQMD is required to hold multiple public meetings to present the proposed control strategies and receive public input. South Coast AQMD also conducts a socioeconomic analysis of the strategies. South Coast AQMD maintains an ongoing and independent advisory group of outside experts for both its air quality modeling and socioeconomic assessment methodologies.

To meet federal air quality standards, the AQMPs and SIP submittals, including the 2016 AQMP, called for significant emissions reductions from projected baseline emissions in order to meet the NAAQS by the federal attainment deadlines (2019 for the 2006 24-hour PM_{2.5} NAAQS, 2025 for the 2012 annual PM_{2.5} NAAQS, 2023 for the 1979 1-hour ozone NAAQS, 2024 for the 1997 8-hour ozone NAAQS, and 2032 for the 2008 8-hour ozone NAAQS). These combined reductions, while meeting most NAAQS, will still not result in attainment of all California State ambient air

quality standards or the revised 2015 8-hour ozone NAAQS. The 2012 AQMP addressed the 24-hour PM_{2.5} NAAQS. The 2016 AQMP addresses the 2008 8-hour ozone NAAQS and the 2012 annual PM_{2.5} NAAQS and demonstrates compliance with the requirements for being a “serious” non-attainment area for the 24-hour PM_{2.5} NAAQS requirements. South Coast AQMD will continue to improve the emissions inventories and modeling techniques in order to address the 2015 8-hour NAAQS for the next AQMP revision which has an anticipated adoption in the 2022 timeframe.

Rulemaking: The regulatory process, known as rulemaking, takes the concepts of control measures outlined in the AQMP and turns them into proposed rule language. This process involves the following: extensive research on technology; site inspections of affected industries to determine feasibility; typically, a year or more of public task force and workshop meetings; in-depth analyses of environmental, social and economic impacts; and thorough review with appropriate Governing Board Committees.

This extensive process of public and policymaker participation encourages consensus in development of rule requirements so that affected sources have an opportunity for input into the rules that will regulate their operations. Once the requirements are developed, the proposed rule, along with an Environmental Assessment and a socioeconomic report, is presented to South Coast AQMD’s Governing Board at a public hearing. Public testimony is presented and considered by the Board before any rule is adopted. The adopted or amended rules are then submitted to CARB and U.S. EPA for their approval. It is not uncommon for rulemaking to include follow-up implementation studies. These studies may extend one or more years past rule adoption/amendment and prior to rule implementation. Such studies are typically submitted to the Governing Board or appropriate Governing Board Committee.

Enforcement and Education: South Coast AQMD issues permits to construct and operate equipment to companies to ensure equipment is operated in compliance with adopted rules. Follow-up inspections are made to ensure that equipment is being operated under permit conditions.

Technical Innovation: In the late 1980s, South Coast AQMD recognized that technological innovation, as well as rule enforcement, would be necessary to achieve clean air standards. Thus, the Technology Advancement Office was created to look for and encourage technical innovation to reduce emissions. The California State Legislature supported this effort by providing a \$1 surcharge on every DMV registration fee paid within the Basin. These funds have been matched at a ratio of approximately three-to-one with funds from the private sector to develop new technologies such as low-emission vehicles, low-NO_x burners for boilers and water heaters, zero-pollution paints and solvents, fuel cells and other innovations.

An additional \$4 vehicle registration fee was authorized by the state legislature in 1990. These fees are administered through South Coast AQMD with \$1.20 going to South Coast AQMD for mobile source emissions reductions, \$1.60 subvented directly to cities and counties to support their air quality programs, and \$1.20 to the Mobile Source Air Pollution Reduction Review

Committee (MSRC). The MSRC is an outside panel established by state law whose function is to make the decisions on the actual projects to be funded from that portion of the revenue.

Public Education: South Coast AQMD's efforts to clean up the air will be successful only to the extent that the public understands air quality issues and supports and participates in cleanup effort. Thus, South Coast AQMD strives to involve and inform the public through the Legislative and Public Affairs/Media Office, public meetings, publications, the press, public service announcements, and social media.

Budget Synopsis

South Coast AQMD's annual budget is adopted for the General Fund for a fiscal year that runs from July 1 through June 30. The period covered by the FY 2020-2021 budget is from July 1, 2020 to June 30, 2021. 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 containing nine program categories which estimate staff resources and expenditures along program and activity lines. Each category consists of a number of Work Programs, or activities. A Work Program Output Justification form is completed for each Work Program which identifies performance goals, quantifiable 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. Any amendments due to budget increases or transfers between expenditure accounts in different Major Objects must be approved by South Coast AQMD's Governing Board. They are submitted to the Governing Board for approval at a monthly Board meeting in the format of a board letter which documents the need for the request and the source of funding for the expenditure. Budget amendments resulting from transfers between expenditure accounts within the same Major Object are approved at the Office level.

South Coast AQMD does not adopt annual budgets for its Special Revenue Funds. Special Revenue Funds are used to record transactions applicable to specific revenue sources that are legally restricted for specific purposes. All transactions in Special Revenue Funds are approved by the Governing Board on an as-needed basis. South Coast AQMD's Comprehensive Annual Financial Report includes the General Fund and Special Revenue Funds.

Budget Process

The South Coast AQMD budget process begins with the Chief Financial Officer issuing instructions and guidelines to the Offices. Under the guidance of the Executive Officer, the Chief Operating

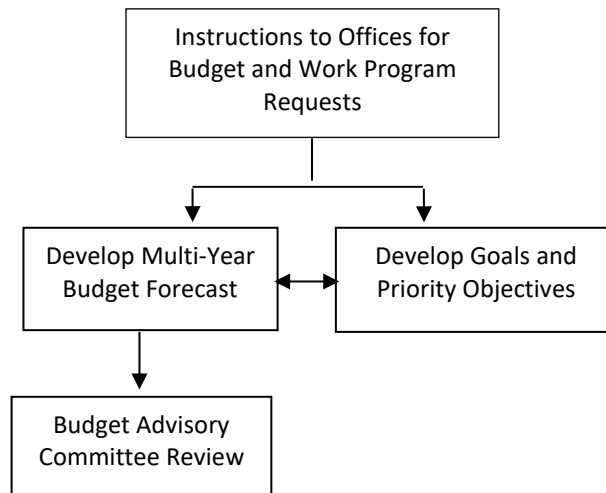
Officer and the Chief Financial Officer the Offices also begin establishing Goals and Priority Objectives for the fiscal year. The proposed annual budget and multi-year forecast is then developed by the Offices, Finance, Executive Council, Chief Operating Officer and the Executive Officer based on the Goals and Priority Objectives as well as guidelines issued by the Executive Officer. Each Office submits requests for staffing, select Salary accounts, Services and Supplies accounts, and the Capital Outlays account. The remaining salary and benefit costs are developed by Finance. Capital expenditure requests are reviewed by an in-house committee who prioritizes the requests. Revenue projections are developed by Finance based on input received from the appropriate Offices and incorporate any proposed changes to Regulation III - Fees. This information is integrated into an initial budget request, including a multi-year forecast, and then fine-tuned under the direction of the Chief Operating Officer and the Executive Officer to arrive at a proposed budget. The public, business community, and other stakeholders have several opportunities to participate in the budget process, up to and at the budget adoption hearing by the Governing Board, including:

- Two meetings of the Budget Advisory Committee whose members include various stakeholder representatives.
- One public consultation meeting to discuss the automatic CPI increase and proposed amendments to Regulation III – Fees and a second public consultation meeting to discuss the proposed budget and the automatic CPI increase. (Staff initially planned to propose amendments to Regulation III – Fees. On March 25, 2020, those proposed amendments were withdrawn. Staff is also recommending that this year’s automatic CPI increase be refunded to fee payors via a credit on their bills.)
- a public hearing on the Proposed Budget and Work Program

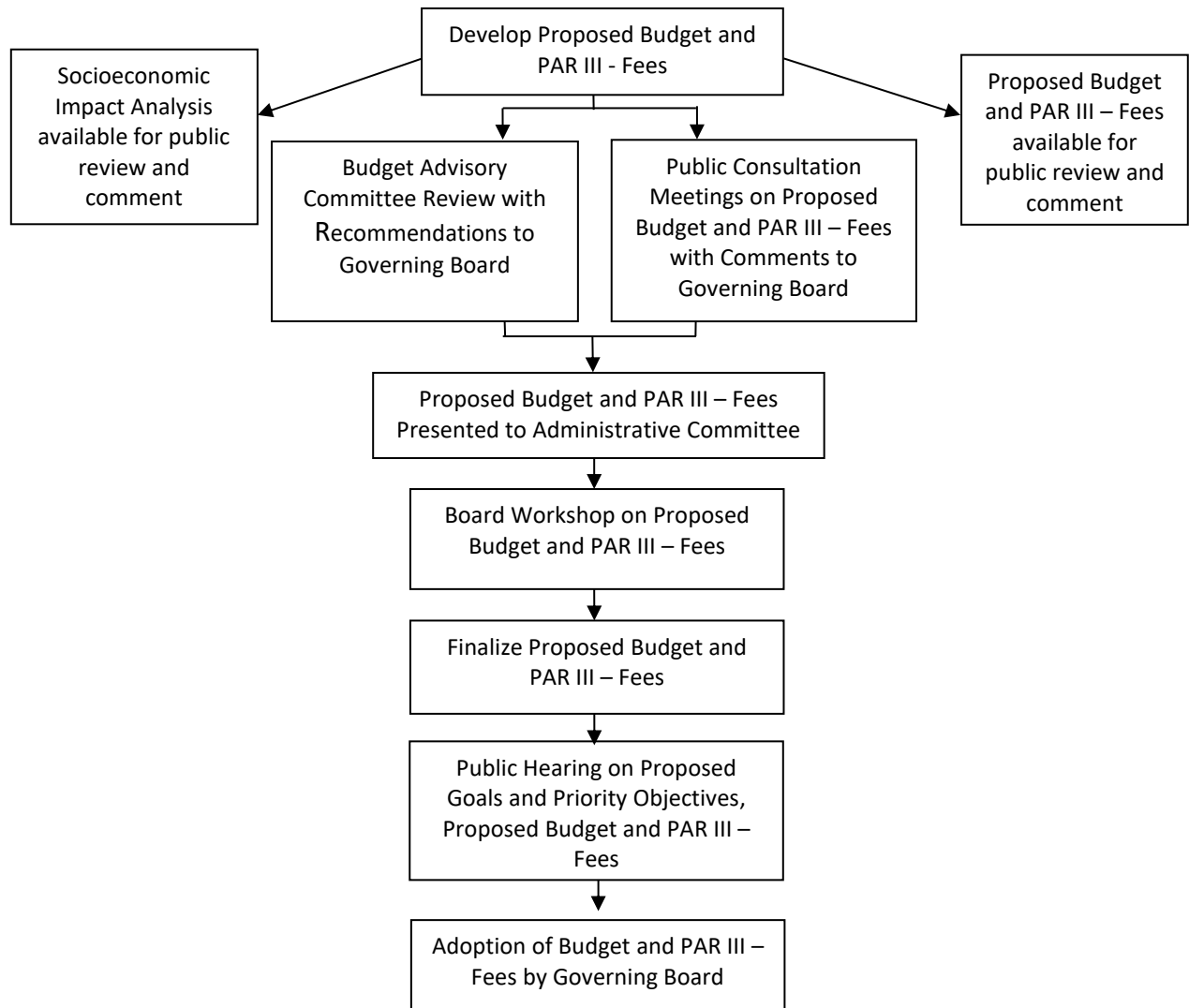
The proposed budget is presented to South Coast AQMD’s Governing Board at a budget workshop and to South Coast AQMD’s Administrative Committee. Any public comments and Budget Advisory Committee recommendations are submitted to the Governing Board by April 15 of each year. The proposed budget is adopted by the Governing Board and is in place on July 1 for the start of the new fiscal year.

The following flow charts represent the typical major milestones and budget processes that take place in developing South Coast AQMD’s annual budget. (Although Regulation III is mentioned because it is typically part of the budget process, staff is not proposing any amendments to Regulation III – Fees.)

Preliminary Budget Process



Annual Budget Process



FY 2021 Budget Timeline	
Budget submissions received from Offices	Jan 17, 2020
Budget Advisory Committee meeting	Jan 17, 2020
Proposed budget available for public review	March 31, 2020
Budget Advisory Committee meeting on proposed budget	April 3, 2020
Public Consultation Meeting on proposed budget	April 7, 2020
Proposed budget presented to Administrative Committee	April 10, 2020
Governing Board Budget Study Session	April 10, 2020
Public comments and Budget Advisory Committee recommendations submitted to Governing Board	April 15, 2020
Public Hearing & Governing Board adoption of budget	May 1, 2020

Proposed Budget & Work Program

Budget Overview

The budget for FY 2020-21 is a balanced budget with revenues/transfers in and expenditures/transfers out of \$173.0 million. To compare against prior years, the following table shows South Coast AQMD's amended budget and actual expenditures for FY 2018-19, adopted and amended budgets for FY 2019-20 and proposed budget for FY 2020-21.

Description	FY 2018-19 Amended	FY 2018-19 Actual	FY 2019-20 Adopted	FY 2019-20 Amended¹	FY 2020-21 Proposed
Staffing	938	-	939	947	946
Revenue/Transfers In	\$170.7	\$167.3	\$170.9	\$185.3	\$173.0
Expenditures/Transfers Out	\$180.4	\$164.1	\$170.9	\$191.7	\$173.0

¹ Includes Board approved changes through February 2020

The FY 2020-21 proposed budget reflects a decrease of \$18.7 million in expenditures/transfers out from the FY 2019-20 amended budget and an increase of \$2.1 million in expenditures/transfers out from the budget adopted for FY 2019-20. The increase in expenditures/transfers out from the FY 2019-20 adopted budget can be attributed to increases in retirement costs, Services and Supplies, and Capital Outlays. The FY 2020-21 proposed budget of 946 positions has a net decrease of one position over the FY 2019-20 amended budget with the deletion of one position in Information Management.

Expenditures

Account Categories

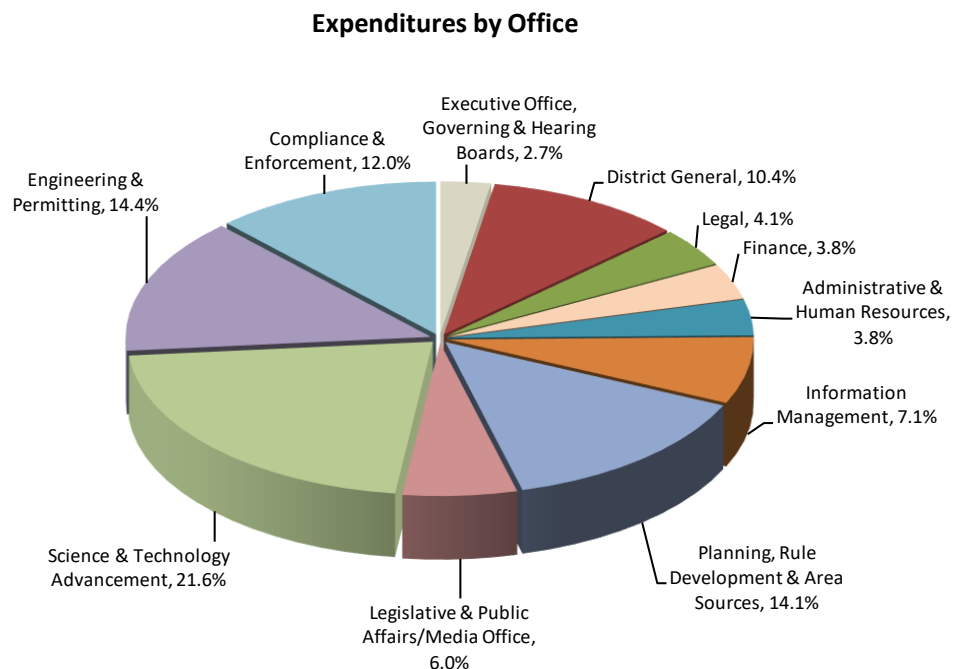
The following table compares the FY 2019-20 adopted budget and the FY 2019-20 amended budget to the proposed budget for FY 2020-21 by account category. The FY 2019-21 amended budget includes the Board-approved mid-year adjustments through March 2020.

Account Description	FY 2019-20 Adopted Budget	FY 2019-20 Amended Budget¹	FY 2020-21 Proposed Budget
Salaries/Benefits	\$141,667,712	\$142,242,416	\$140,750,642
Insurance	1,317,400	1,357,400	1,449,140
Rents	511,823	1,267,574	805,123
Supplies	2,880,142	4,610,640	3,265,442
Contracts and Services	10,230,004	10,984,162	10,656,863
Maintenance	1,825,343	3,544,533	1,813,343
Travel/Auto Expense	931,323	1,188,527	945,323
Utilities	1,959,620	1,774,818	1,989,620
Communications	707,800	975,289	907,800
Capital Outlays	395,000	13,259,724	926,000
Other	1,438,583	1,756,154	1,444,783
Debt Service	6,190,622	6,190,624	7,193,549
Transfers Out	841,353	2,525,592	841,353
Total	\$170,896,725	\$191,677,453	\$172,988,981

¹ Includes Board approved changes through February 2020

As mentioned previously, the proposed budget for FY 2020-21 represents an approximately \$18.7 million decrease in expenditures from the FY 2019-20 amended budget. The FY 2019-20 amended budget includes mid-year increases associated with the following: monitoring equipment and staff for the implementation of the Rule 1180 Community and Enhanced Monitoring Program, Headquarters Building elevator modernization project, legal counsel for specialized, environmental, and other litigation, the purchase of office data cable infrastructure for the Headquarters building, legislative representation in Sacramento, outreach efforts for the high school air quality education program, staff, services and supplies and capital budget for critical projects and programs, funding for critical building infrastructure projects, funding for the Health Effects Research Fund, the purchase of fleet vehicles, upgrade to the Headquarters building security server and related equipment, and grant-related expenditures offset by revenue.

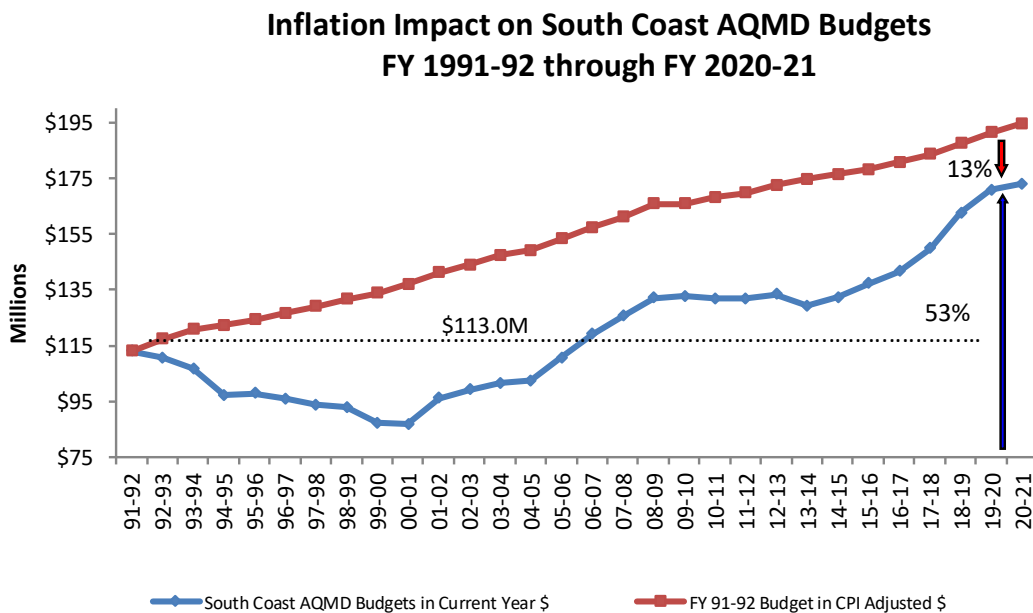
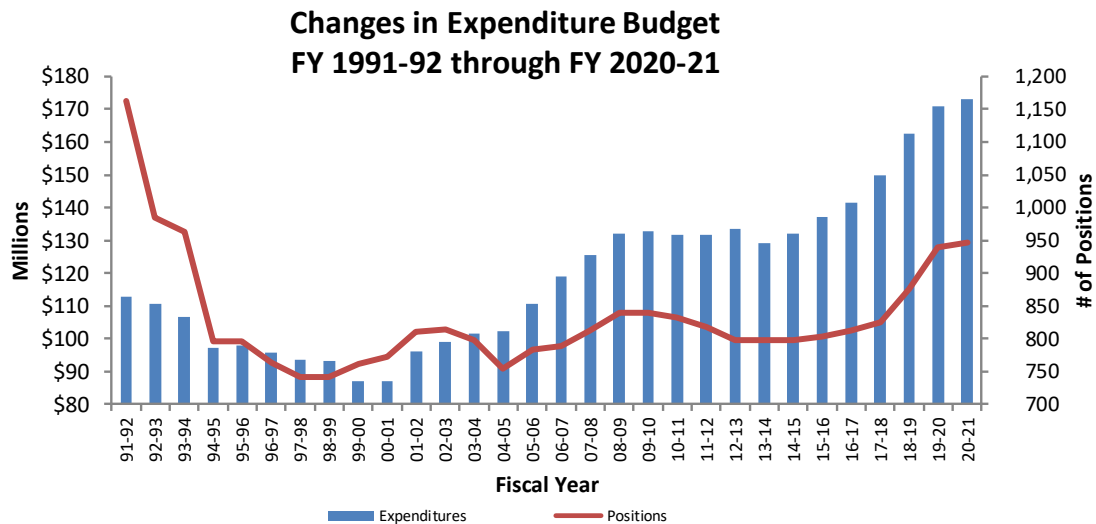
The following pie chart represents budgeted expenditures by Office for FY 2020-21.



Budget Strategy

Over the years, South Coast AQMD has focused on streamlining many of its operations while still meeting its program commitments despite new federal and state mandates and increased workload complexity. The focus has been, and continues to be, on reducing or maintaining expenditure levels in the Major Object of Services and Supplies and maximizing the efficient use of staff resources to enable select vacant positions to remain vacant, be deleted or be unfunded whenever possible. However, In FY 2017-18, South Coast AQMD's workload increased substantially when the agency began to receive funding from the California Resource Board under AB 617 to reduce exposure in neighborhoods most impacted by air pollution as well as funding under the AB 134 Community Air Protection Fund. In FY 2019-20, South Coast AQMD began receiving funding through the California Resource Board under the Volkswagen Mitigation Settlement Agreement which has also increased the agency's workload. An additional 83 new positions funded by AB 617, 11 positions funded by AB 134 and 5 positions funded by the Volkswagen Mitigation Settlement Agreement have been added, along with various services, supplies and capital equipment, to support these programs. Nonetheless, South Coast AQMD's focus continues to be on the efficient use of its resources to keep expenditure and staffing levels as low as possible. In addition, the budgeted vacancy rate is reviewed and adjusted, as necessary, as part of the annual budget process. In light of the COVID-19 pandemic, the vacancy rate proposed for FY 2020-21 is 13%, up from the FY 2019-20 amended budget rate of 9%. These efforts have resulted in reduced program costs overall and a balanced budget for FY 2020-21. The following charts show South Coast AQMD's staffing and budget levels starting in FY 1991-92 when staffing was at 1,163 FTEs. The proposed budget for FY 2020-21 reflects a staffing level of 946 FTEs. This staffing level is 19% (217 FTEs) below the FY 1991-92 level.

The FY 2020-21 proposed budget is 53% higher when compared to the FY 1991-92 adopted budget of \$113 million. However, after adjusting the FY 1991-92 adopted budget for CPI over the last 29 years, the FY 2020-21 proposal is 13% lower.



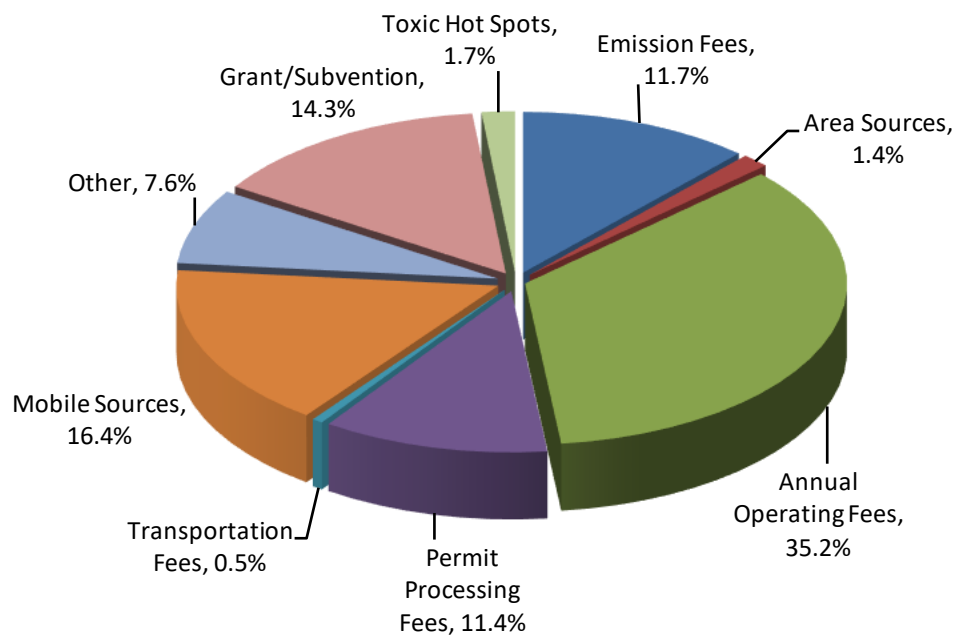
Note: CPI adjustment based on California Consumer Price Index for the preceding Calendar Year

Revenues

Revenue Categories

Each year, in order to meet its financial needs, the South Coast AQMD Governing Board adopts a budget supported by a system of annual operating and emission fees, permit processing fees, toxic “Hot Spots” fees, area sources fees, source test/analysis fees, and transportation plan fees. In FY 2020-21, these fees are projected to generate approximately \$107.5 million or 62% of South Coast AQMD revenues; of this \$107.5 million, \$100.9 million or 58% of South Coast AQMD’s projected revenues are from stationary sources. Other sources, which include penalties/settlements, Hearing Board fees, interest, and miscellaneous income, are projected to generate approximately 7% of total revenues in FY 2020-21. The remaining 31% of revenue is projected to be received in the form of federal and state grants, California Air Resource Board (CARB) subvention, and California Clean Air Act motor vehicle fees. Beginning in Fiscal Year 1978-79 Budget, the South Coast AQMD became a fee supported agency no longer receiving financial support from property taxes. The following pie chart represents revenues by Major Category for then proposed FY 2020-21 budget.

Revenues by Major Category



The following table compares the FY 2019-20 adopted revenue budget and the FY 2019-20 amended revenue budget to the proposed revenue budget for FY 2020-21. The FY 2019-20 amended revenue budget includes Board-approved mid-year changes through February 2020.

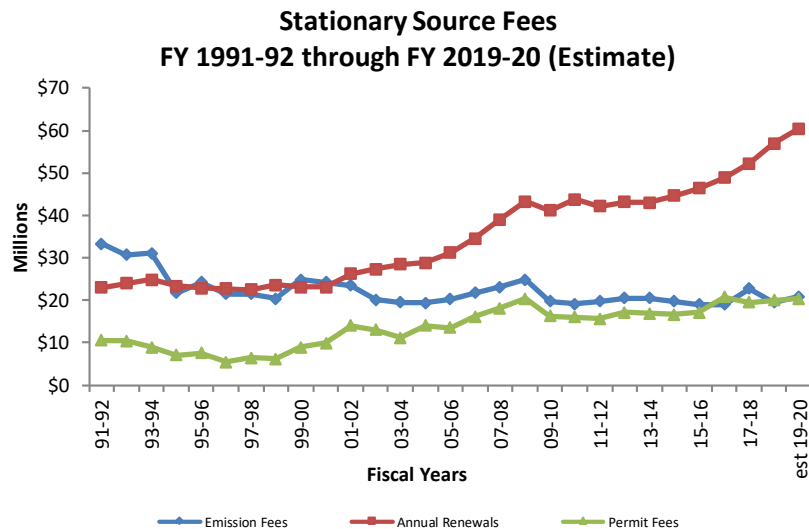
Revenue Description	FY 2019-20 Adopted Budget	FY 2019-20 Amended Budget¹	FY 2020-21 Proposed Budget
Annual Operating Emission Fees	\$ 20,675,800	\$ 20,675,800	\$ 20,300,062
Annual Operating Permit Renewal Fees	59,351,020	59,351,020	60,881,370
Permit Processing Fees	20,643,870	20,643,870	19,744,260
Portable Equipment Registration Program	1,000,000	1,000,000	1,000,000
Area Sources	2,277,000	2,277,000	2,000,000
Grants/Subvention	21,155,180	27,582,771	24,706,150
Mobile Sources	28,129,833	28,129,833	28,438,765
Transportation Programs	963,900	963,900	950,500
Toxic Hot Spots	2,647,420	2,647,420	2,891,580
Other ²	9,763,002	9,763,002	8,898,894
Transfers In	4,289,700	12,301,980	3,177,400
Total	\$170,896,725	\$185,336,596	\$172,988,981
¹ Includes Board approved changes through February 2020			
² Includes revenues from Interest, Lease Income, Source Testing, Hearing Board, Penalties/Settlements, Subscriptions, and Other			

Over the past two decades, total permit fees (including permit processing, annual operating permit, and annual emissions-based fees) collected from stationary sources has increased by about 53% from \$66.8 million in FY 1991-92 to \$101.9 million (estimated) in FY 2019-20. When adjusted for inflation however, stationary source revenues have decreased by 11% over this same period.

Mobile source revenues that are subvended to the South Coast AQMD by the Department of Motor Vehicles (DMV) are projected to decrease slightly from the FY 2019-20 budgeted amounts based on vehicle registration information from the DMV and recent revenue received. In addition, this category reflects reimbursements of incentive programs (Clean Fuels, Carl Moyer, Prop 1B, VW Mitigation and AB 134) whose contract activities and revenues are recorded in special revenue funds (outside the General Fund). These incentive program costs incurred by the General Fund are reimbursed to the General Fund from the various special revenue funds (subject to any administrative caps) and are reflected under the Mobile Source revenue category.

Revenues from the federal government, (Environmental Protection Agency, Department of Homeland Security, and Department of Energy) are projected to decrease slightly in FY 2020-21 from FY 2019-20 budgeted levels reflecting the anticipated level of federal funding from one-time and on-going grants in support of air quality efforts. State Subvention funding is expected to remain at the current level for FY 2020-21. In addition, funding recognized from CARB for the AB 617 Community Air Protection Program is expected to increase from the FY 2019-20 budgeted level.

The following graph tracks actual stationary source revenues by type of fee from FY 1991-92 (when CPI limits were placed on South Coast AQMD fee authority) to estimated revenues for FY 2019-20.



Debt Structure

Pension Obligation Bonds

These bonds were issued jointly by the County of San Bernardino and the South Coast AQMD in December 1995. In June 2004 the South Coast AQMD went out separately and issued pension obligation bonds to refinance its respective obligation to the San Bernardino County Employee's Retirement Association (SBCERA) for certain amounts arising as a result of retirement benefits accruing to members of the Association.

The annual payment requirements under these bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$3,840,443	\$3,353,106	\$7,193,549
2022	4,006,881	3,186,361	7,193,242
2023	3,780,000	348,736	4,128,736
2024	4,010,000	118,897	4,128,897
Total	\$15,637,324	\$7,007,100	\$22,644,424

Fund Balance

South Coast AQMD is projecting an Unreserved (Unassigned) Fund Balance for June 30, 2021 of \$49,454,307 in addition to the following Reserved and Unreserved Designated Fund Balances for FY 2020-21.

Classification	Reserves/Unreserved Designations	Amount
Committed	Reserve for Encumbrances	\$ 17,402,000
Nonspendable	Reserve for Inventory of Supplies	80,000
	Unreserved Designations:	
Assigned	For Enhanced Compliance Activities	883,018
Assigned	For Other Post Employment Benefit (OPEB) Obligations	2,952,496
Assigned	For Permit Streamlining	234,159
Assigned	For Self-Insurance	2,000,000
Assigned	For Unemployment Claims	80,000
Total Reserved & Unreserved Designations		\$ 23,631,673

Reserves are portions of the fund balance set aside for future use and are therefore not available for appropriation. These funds are made-up of encumbrances which represent the estimated amount of current and prior years' purchase orders and contract commitments at year-end and inventory which represents the value at cost of office, computer, cleaning and laboratory supplies on hand at year-end.

Unreserved Designations in the fund balance indicate plans for use of financial resources in future years. The Designation for Enhanced Compliance Activities provides funding for inspection/compliance efforts. The Designation for Other Post Employment Benefit Obligations (OPEB) provides funding to cover the current actuarial valuation of the inherited OPEB obligation for long-term healthcare costs from the County of Los Angeles resulting from the consolidation of the four county Air Pollution Control Districts (APCDs). The Designation for Permit Streamlining was established to fund program enhancements to increase permitting efficiency and customer service. South Coast AQMD is self-insured for general liability, workers' compensation, automobile liability, premises liability, and unemployment.

Long-Term Projection

South Coast AQMD continues to face a number of challenges in the upcoming years, including the economic impact from the COVID-19 pandemic, continued higher operating costs, the need for major information technology and building infrastructure improvement projects with the aging of our headquarters building, and growing program commitments while meeting air quality goals and permit processing targets. Recruiting, training and retaining the high level of technical staffing expertise necessitated by the Community Air Protection Program established in 2017

under AB 617, the Volkswagen Mitigation Settlement Projects, the Refinery Fenceline Air Monitoring Plans under Rule 1180, and additional incentive funding under AB 134, as well as for South Coast AQMD's ongoing projects and programs, will continue to be a challenge further complicated by COVID-19 and the retirement of current, long-term staff.

Increasing retirement costs and any future actions SBCERA may take due to financial market fluctuations which could significantly impact South Coast AQMD's level of expenditures remains a primary uncertainty. Any legislative action that may impact the level of federal and state funding from grant awards, particularly AB 617 funding, and subvention funds is another unknown that must be considered as South Coast AQMD plans for the future. Cost recovery within the constraints of Proposition 26 is an additional uncertainty as South Coast AQMD strives to balance program operating expenses with revenues collected from fees.

In order to face these challenges, South Coast AQMD has a five year plan in place that provides for critical infrastructure improvement projects, maintains a stable vacancy rate in order to maximize cost efficiency, better aligns program revenues with costs, and strives to keep the percentage of unreserved fund balance to revenue within the Governing Board policy of 20%.

The following chart, outlining South Coast AQMD's financial projection over this time period, shows the agency's commitment to meet these challenges and uncertainties while protecting the health of the residents within the South Coast AQMD boundaries and remaining sensitive to business. Starting in FY 2023-24, South Coast AQMD will realize a \$3.1M savings in Pension Obligation Bond payments.

Fiscal 2019-20 Estimate and Five Year Projection (\$ in Millions)						
	FY 19-20 Estimate	FY 20-21 Proposed	FY 21-22 Projected	FY 22-23 Projected	FY 23-24 Projected	FY 24-25 Projected
STAFFING		946	946	946	946	946
REVENUES/TRANSFERS IN*	\$181.3	\$173.0	\$177.8	\$177.7	\$179.0	\$183.5
EXPENDITURES/TRANSFERS OUT	\$184.4	\$173.0	\$182.9	\$187.4	\$187.6	\$184.3
Change in Fund Balance	-\$3.1	-	-\$5.1	-\$9.7	-\$8.6	-\$1.0
UNRESERVED FUND BALANCE (at year-end)	\$55.6	\$55.6	\$50.5	\$40.8	\$32.2	\$31.2
% of REVENUE	31%	32%	28%	23%	18%	17%
* FY 2020-21 does not include a projected CPI fee increase of 2.8% due to COVID-19; FY 2021-22 has a projected CPI increase of 3.2% and restoration of the FY 20-21 CPI fee increase; FY 2022-23, FY 2023-24, and FY 2024-25 have a projected CPI increase of 3.1% for each FY.						

As part of the Five Year Projection, South Coast AQMD has identified projected building maintenance and capital outlay improvement projects for its headquarters building. These

projects are outlined below. In addition, the Infrastructure Improvement Special Revenue Fund was created with unanticipated one-time revenues from the General Fund for some of the capital outlay building-related improvement projects.

GENERAL FUND POTENTIAL BUILDING MAINTENANCE and CAPITAL OUTLAY PROJECTS FY 2020-21 through 2024-25
Child Care Building Roof Replacement and Playground Renovation
Patio Crack and Joint Sealing
Carpet Installation 3rd & 4th Floor
Atrium and Building Expansion Joint Waterproofing
Concrete Repair in East Courtyard & Pedestrian Areas
Irrigation System Renovation
Building Window and Structural Joint Sealing
Saw Tooth Lab Roof Refurbishment
Restroom and Copy/Coffee Sink and Counter Tops Replacement
Parking Lot Repair and Reseal
Retrofit Can Lighting (LED)
Door Replacement 2 North (Administration)
Landscape Renovation
Roofing Surface Recoating (Sure Coat Systems)
Building Interior Painting and Wallpaper
VCT Tiles Replacement (Various Areas)
Restroom Panels Refurbishment/Replacement
Vinyl Wall Covering Replacement (Various Areas)
Air Handler Mechanical Systems Upgrade /Fan Wall Installation
Building Energy Management System Upgrade
Building Lighting Controls Upgrade
Leibert AC Units-Computer Room Replacement
Air Handler Mechanical Systems/Fan Wall Install Upgrade
Fire Life Safety System Upgrade
Pneumatic Controls to DDC (Direct Digital Control) Conversion
Automatic Transfer Switch Upgrade
Aging Kitchen Equipment Replacement
Computer Room UPS System Upgrade
Parking Lot Lights to LED Conversion
Fluorescent Office Lighting to LED Conversion
Emergency Generator Upgrade
EVES Charger and Support System Upgrade

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
PROPOSED GOALS AND PRIORITY OBJECTIVES
FOR FY 2020-2021**

MISSION STATEMENT

“To clean the air and protect the health of all residents in the South Coast Air District through practical and innovative strategies.”

GOALS AND PRIORITY OBJECTIVES

The following Goals and Priority Objectives have been identified as being critical to meeting South Coast AQMD’s Mission in Fiscal Year 2020-21.

GOAL I. Achieve Clean Air Standards.

Priority Objective		Performance Indicator	Performance Measurement
1	Development and Implementation of Air Quality Management Plans	Adherence to development, adoption and implementation schedules for rules related to Air Quality Management Plans.	Complete 6 rule adoptions and/or actions that result in achievements towards 2016 AQMP emissions reductions. Hold at least 4 AQMP advisory group meetings for 2022 AQMP development.
2	Secure Incentive Funding for Emissions Reduction	Dollar amount of new funding sources for pollution reduction projects.	Secure \$250 million of new funding sources.
3	AB 617 Implementation in Communities	Conduct air monitoring and implement emission reduction plans for each of the three Year 1 communities and develop air monitoring and emission reduction plans for the 2 new communities.	Implementation of air monitoring and emission reduction plans for 3 Year-1 communities and development of these documents for 2 new communities.
4	Ensure Efficient Air Monitoring and Laboratory Operations	Achieve acceptable completion of valid data points out of the scheduled measurements in the South Coast AQMD air monitoring network for NAAQS pollutant before U.S. EPA deadline.	Achieve acceptable valid data completion submitted to U.S. EPA before deadline.
5	Ensure Timely Inspections of Facilities	Total number of Title V Inspections completed annually.	Complete 100% Title V Inspections.
6	Maintain progress in reducing the permit applications inventory	Number of pending permit applications.	Maintain pending permit applications inventory excluding Permits to Construct issued and RECLAIM transition applications at or near 3,000.
7	Support Development of Cleaner Advanced Technology	Amount of Clean Fuels Program projects funded.	Fund \$10 Million of Clean Fuels program projects with a 1:4 leveraging ratio.
8	Incentive Programs	% of grant money executed in contracts.	50% of grant money contracted within six months after receipt of funds.
9	Complete Final Report for the fifth Multiple Air Toxics Exposure Study	Written report of fixed-site monitoring data, emission inventory and health risk modeling.	Written report of fixed-site monitoring data, emission inventory and health risk modeling.

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

Priority Objective		Performance Indicator	Performance Measurement
1	Evaluation of Low Cost Air Quality Sensors	Evaluation and posting of results of low cost air quality sensors that have reached the market.	Evaluate and post results of 75% of sensors that have reached the market.
2	Outreach	Number of large community outreach events conducted in each County and effective information distribution for South Coast AQMD programs that achieve clean air.	Conduct/participate in 1 large community outreach event per quarter, including 1 in each County starting 6 months after it is safe to have large gatherings. Develop and implement SOPs to provide information to the public as quickly and accurately as possible.
3	Timely Investigation of Community Complaints	Initiate complaint investigation within 2 hours of complaint receipt.	During normal South Coast AQMD business hours, contact 90% of complainants within 2 hours of complaint receipt.
4	Social Media Efforts	Percentage increase in number of social media followers as well as increase audience engagement through impressions (views) of shared information via outreach on South Coast AQMD events, programs and major incidents. Contract with an outside consultant to form an internal committee to develop social media recommendations for Board approval.	15% to 20% increase in social media followers. Continue efforts to increase impressions and engagement on posts and/or campaigns with a monthly average goal of 2,400 Instagram impressions /8,000 impressions Facebook impressions/48,000 Twitter impressions on posts. Present recommendations to the Board.
5	School Educational Outreach	Number of high schools participating in the air quality education program in environmental justice communities. Develop materials for other grade levels	Provide curriculums to 100 high schools throughout the 4 Counties in environmental justice communities and teach at schools as requested when schools are back in session. Develop air quality teaching materials for schools.

GOAL III. Operate Efficiently and Transparently.

Priority Objective		Performance Indicator	Performance Measurement
1	Ensure Transparent Governance	Percentage of Committee and Board meeting agendas with materials made available to the public one week prior to the meeting.	100% of Committee and Board meeting agendas with materials made available to the public one week prior to the meeting.
2	Ensure Transparent Governance	Percentage of Stakeholder and Working Group meeting agendas with materials made available prior to the meeting.	100% of Stakeholder and Working Group meeting agendas with materials made available to the public three days prior to the meeting.
3	Maintain a Well Informed Staff	Number of all staff information sessions offered and conducted.	Offer and conduct 10 information sessions/training for all staff.
4	Partner with Public Agencies, Stakeholder Groups, & Business Community	Number of meetings with Permit Streamlining Task Force subcommittee and stakeholders. Participate in a regional public health task force.	Conduct 2 meetings of the Permit Streamlining Task Force subcommittee and stakeholders. Participate in a regional public health task force.
5	Timely Financial Monitoring	Timely budgetary financial reporting.	Submit quarterly budgetary financial reports to the Governing Board within 6 working days of the end of the quarter for quarters 1-3. Submit the 4 th quarter report within 6 working days of the end of July.

ATTACHMENT B

ARTICLE 7

DESIGNATED DEPUTY ANNUAL SALARIES

(Effective with the start of the pay period encompassing January 1, 2017)

Assistant Chief Deputy Counsel, Major Prosecutions	\$162,826
Assistant Deputy Executive Officer, including Chief Information Officer	\$160,374
Chief Deputy Counsel	\$183,790
Deputy Executive Officer, including Chief Operating Officer and Chief Administrative Officer	\$171,651
Director of Strategic Initiatives	\$153,218
Health Effects Officer	\$126,053 - \$153,218 (Steps 1 – 5)
Intergovernmental Affairs Officer	Vacant
Senior Policy Advisor	\$156,196

(Effective with the start of the pay period encompassing July 1, 2018)

Assistant Chief Deputy Counsel, Major Prosecutions	\$167,304
Assistant Deputy Executive Officer, including Chief Information Officer	\$164,784
Chief Deputy Counsel	\$188,844
Deputy Executive Officer, including Chief Operating Officer and Chief Administrative Officer	\$176,371
Director of Strategic Initiatives	\$157,432
Director of Communications	\$157,432
Health Effects Officer	\$126,053 - \$157,432 (Steps 1 – 6)
Intergovernmental Affairs Officer	Vacant
Senior Policy Advisor	Vacant

(Effective with the start of the pay period encompassing July 1, 2019)

Assistant Chief Deputy Counsel, Major Prosecutions	\$171,905
Assistant Deputy Executive Officer	\$169,316
Chief Deputy Counsel	\$194,037
Chief Operating Officer	\$194,037
Deputy Executive Officer, including Chief Financial Officer and Chief Information Officer	\$181,222
Director of Strategic Initiatives	\$161,761
Director of Communications	\$161,761

Health Effects Officer	\$126,053 - \$161,761 (Steps 1 – 7)
Intergovernmental Affairs Officer	Vacant
Senior Policy Advisor	Vacant

(Effective with the start of the pay period encompassing July 1, 2020)

Assistant Chief Deputy Counsel, Major Prosecutions	\$176,632
Assistant Deputy Executive Officer	\$173,972
Chief Deputy Counsel	\$199,373
Chief Operating Officer	\$199,373
Deputy Executive Officer, including Chief Financial Officer, and Chief Information Officer, <u>and Chief Technologist</u>	\$186,205
Director of Strategic Initiatives	\$166,209
Director of Communications	\$166,209
Health Effects Officer	\$126,053 - \$166,209 (Steps 1 – 8)
Intergovernmental Affairs Officer	Vacant
Senior Policy Advisor	Vacant

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Potential Impact of Economic Conditions on Fee Revenue, South Coast AQMD FY 2020-21 Budget, Goals and Priority Objectives and Regulation III

Governing Board Meeting
May 1, 2020

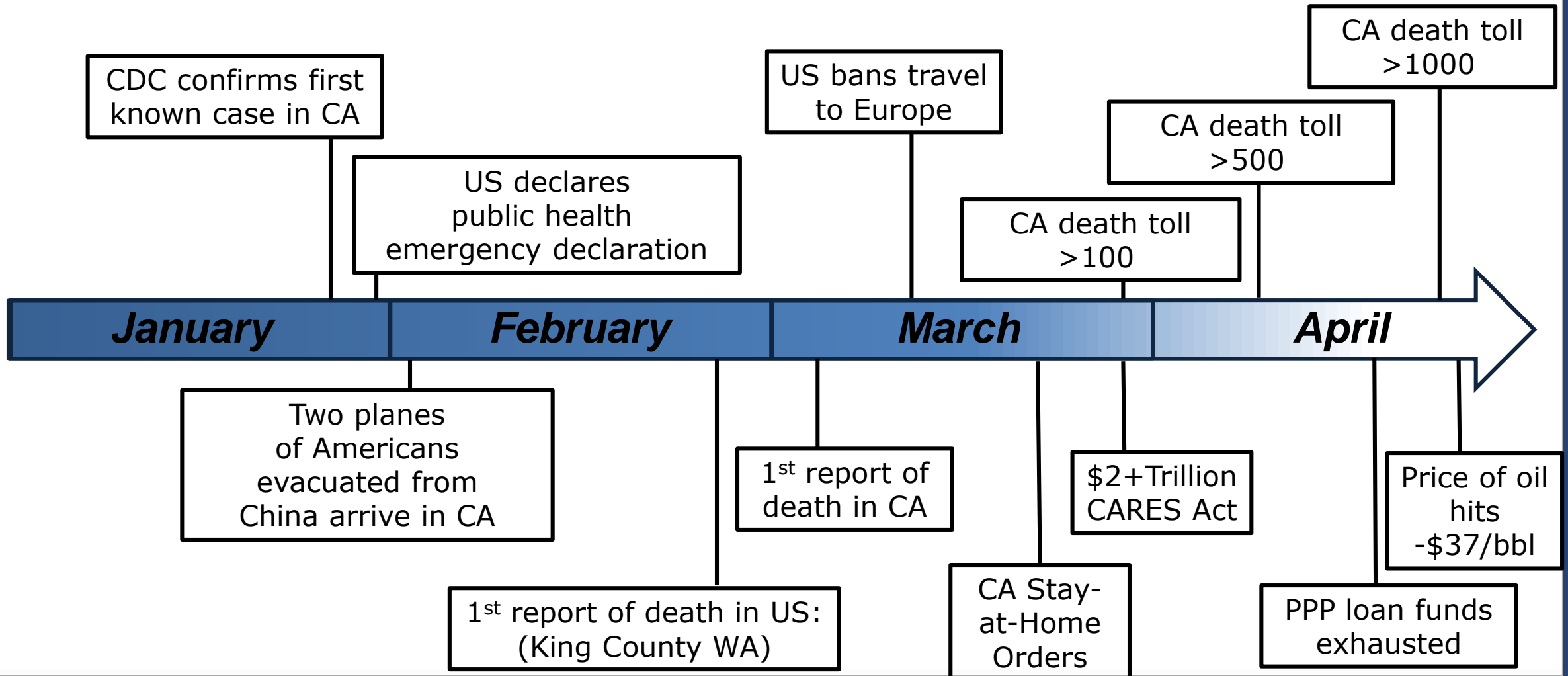


POTENTIAL IMPACT OF ECONOMIC CONDITIONS ON FEE REVENUE

Background on South Coast AQMD Socioeconomic Team

- South Coast AQMD socioeconomic staff includes PhD-level economists who are responsible for evaluating costs/benefits of all proposed South Coast AQMD rules and AQMPs
 - Socioeconomic analysis for 2016 AQMP won national award for Excellence for Economic and Demographic Analysis
- Analytical methods routinely peer reviewed by consultants, industry, and South Coast AQMD Scientific, Technical, and Modeling Peer Review Advisory Group

Economic and Health Conditions Changing Rapidly



Key Economic Indicators

(As of 3rd week of April)

CA COVID-19
Deaths

~1,500

CA Refinery
Gasoline &
Jet Fuel
Production

~35-55% 

CA Jobless
Claims

Up 15X to
3 million

CA
Electricity
Loads

5-7% 

CA COVID-19
Avoided Deaths
from Stay-at-Home
Orders

~2,000-5,000
(in first 3 weeks)

CA Refinery
Diesel
Production

15% 

CA GDP
in 2020

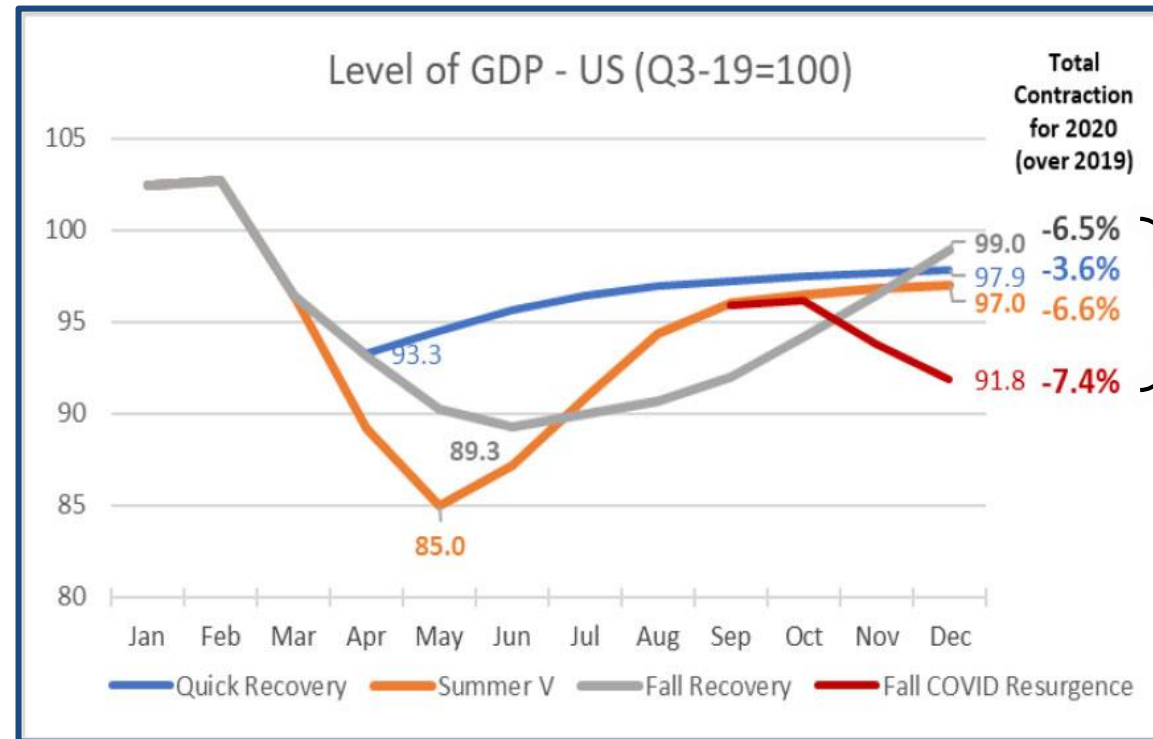
~4-7% 

Containerized
Imports

~20% 

Many Economic Forecasts Available

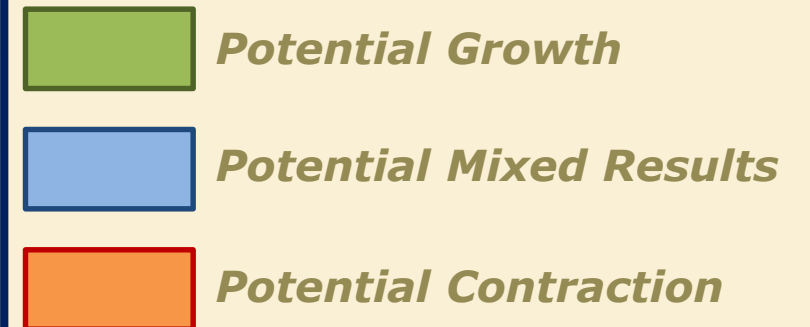
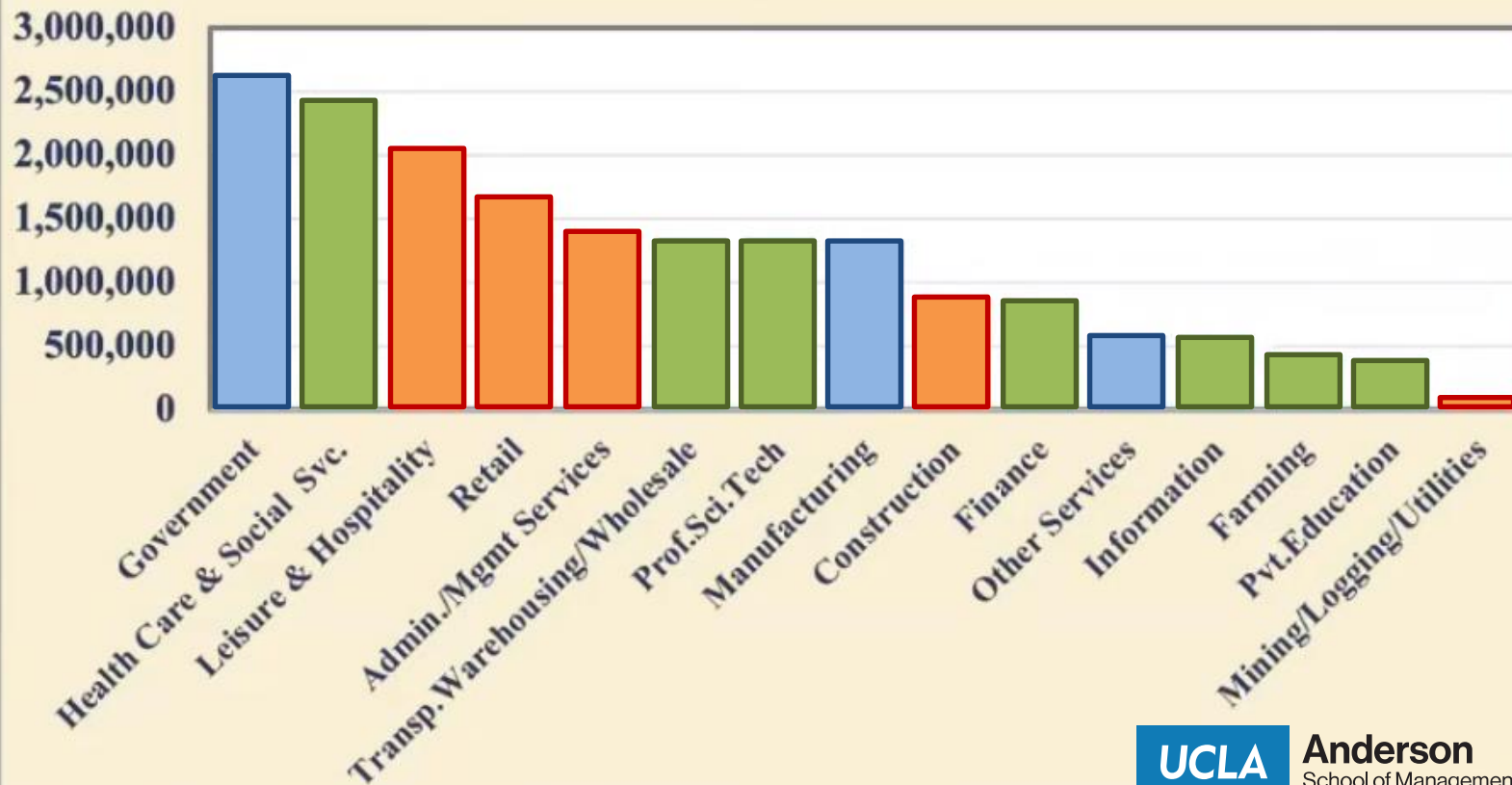
- Major forecast examples: Univ. Michigan, UCLA, CSU Fullerton, UC Riverside, Federal Reserve, Conference Board, International Monetary Fund, etc.
- Recent forecasts all discuss high degree of uncertainty
 - Key Question:
When and how will the economy re-open?
 - Example:
(Conference Board)



Range is consistent with other forecasts

Which Sectors Are At Risk?

California Payroll Jobs 2019



~30%

**Workers most at-risk
for unemployment:**

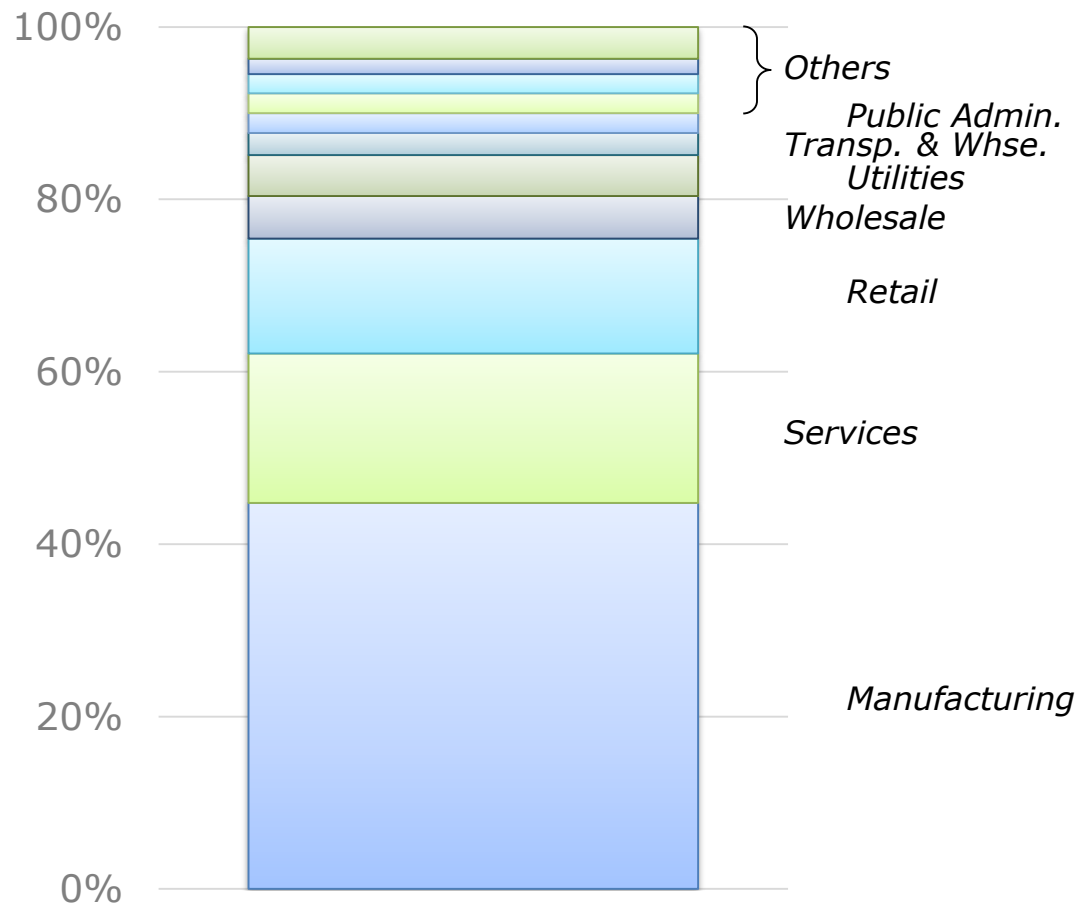
- Can't telecommute
- "Non-essential"

Key Industries in South Coast AQMD

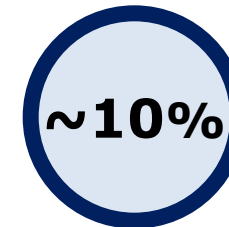
Industry Description	Percent of South Coast AQMD GDP	Percent of South Coast AQMD Fee Revenue
Mining	<1%	2%
Agriculture, Forestry, Fishing & Hunting	<1%	<1%
Utilities	1%	4%
Transportation & Warehousing <i>(e.g., airports, pipelines)</i>	4%	4%
Construction <i>(e.g., asbestos remediation)</i>	4%	7%
Retail trade <i>(e.g., gas stations)</i>	5%	11%
Finance & Insurance	5%	<1%
Wholesale trade	6%	5%
Information	9%	<1%
State and local government	10%	6%
Manufacturing <i>(e.g., refineries)</i>	14%	38%
Real Estate & Rental Leasing	16%	1%
Services <i>(e.g., waste management)</i>	26%	18%

Current Fee Revenue

Stationary Source Fees by Industry



Total fee revenue from 2019/20
\$101.7M



**Amount of fees
paid by 7 large
refineries**



**Amount of
fees paid by
11,000 small
businesses**

Staff Analysis - Methods

- National-level forecast for 160 industry sectors from University of Michigan (Apr. 9) input into South Coast AQMD-specific regional economic model
 - UM forecast includes additional details needed for modeling and is typical forecast used in South Coast AQMD economic analyses
- Forecast is uncertain. Conservative assumptions:
 1. UM forecasted impact doubled to -6% GDP for FY 2020-21
 - UM forecasts -3% GDP for CY 2020. Recovery starts mid-late 2020 and continues into 2021
 2. Analysis assumes that 5% of all permitted facilities go out of business in FY 2020-21, and remaining economic effects spread among all other facilities
- Modeled results compared with South Coast AQMD-regulated industries to estimate potential impact on fee revenue

Staff Analysis - Results

Industry Description	FY 2020-21
Unclassified	<-\$1,000
Agriculture, Forestry, Fishing & Hunting	<-\$1,000
Finance & Insurance	-\$30,000
Information	-\$34,000
Real Estate & Rental Leasing	-\$69,000
Mining	-\$90,000
State and local government	-\$206,000
Transportation & Warehousing <i>(e.g., airports, pipelines)</i>	-\$207,000
Wholesale trade	-\$248,000
Utilities	-\$270,000
Construction <i>(e.g., asbestos remediation)</i>	-\$427,000
Retail trade <i>(e.g., gas stations)</i>	-\$564,000
Services <i>(e.g., waste management)</i>	-\$1,004,000
Manufacturing <i>(e.g., refineries)</i>	-\$1,966,000
TOTAL	~ -\$5,100,000*

6% loss to national GDP
expected to result in 5%
loss in fee revenue

FY 2020-21 BUDGET, GOALS AND PRIORITY OBJECTIVES AND REGULATION III

Topics

- Revenue & Expenditure Uncertainties
- Staff Proposal in light of COVID-19
- General Fund Budget Summary
- 5 Year Projection
- Governing Board Direction and Staff Response
- Monthly Status Report
- Goals and Priority Objectives
- Regulation III - Fees
- Recommended Actions

Revenue & Expenditure Uncertainties

- Economic Impact of COVID-19
- Retirement Cost Increases
- AB 617 Ongoing Funding
- Federal/State Funding
- Aging Headquarters Building

Staff Proposal in light of COVID-19

Modified Revenue Assumptions	(\$ in millions)
Decrease Stationary Source Revenues (5%)	\$5.1
Decrease Non-Stationary Source/Other Revenues	<u>1.3</u>
Total Decrease in FY 2020-21 Revenue	<u>\$6.4</u>

Reduce Expenditures	(\$ in millions)
Hiring Freeze (Currently 13% Vacancy Rate)	\$4.6
Reduce Non-Grant Funded Capital Outlays	0.8
Delay Emergency Response Expenditures	<u>1.0</u>
Total Decrease in FY 2020-21 Expenditures	<u>\$6.4</u>

General Fund Budget Summary

(\$ in Millions)	FY 2019-20			FY 2020-21	
	Budget	Amended *	Estimate	GB Workshop Proposal **	Updated Proposal **
Staffing ***	939	947		946	946
Revenue	\$170.9	\$185.5	\$181.3	\$179.4	\$173.0
Program Cost	<u>\$170.9</u>	<u>\$191.8</u>	<u>\$184.4</u>	<u>\$179.4</u>	<u>\$173.0</u>
Change to Fund Balance	<u>\$0.0</u>	<u>-\$6.3</u>	<u>-\$3.1</u>	<u>\$0.0</u>	<u>\$0.0</u>

* Board approved changes through April 2020.

** FY 2020-21 Proposed Revenue Budget **does not** include the CPI fee adjustment of 2.8%.

*** FY 2020-21 staffing includes a recommended action to change the title of Science & Technology Advancements Deputy Executive Officer to Chief Technologist/Deputy Executive Officer with no fiscal impact.

FY 2019-20 Estimate and 5 Year Projection with Modified Revenue Assumptions and Expenditure Reductions

(\$ in millions)	FY 19-20 Estimated	FY 20-21 Proposed	FY 21-22 Projected	FY 22-23 Projected	FY 23-24 Projected	FY 24-25 Projected
STAFFING		946	946	946	946	946
Salary Savings %		13%	10%	8%	8%	8%
Revenues	\$181.3	\$173.0	\$177.8	\$177.7	\$179.0	\$183.5
Program Costs	\$184.4	\$173.0	\$182.9	\$187.4	\$187.6	\$184.5
Change in Fund Balance	(\$3.1)	\$(0.0)	\$(5.1)	\$(9.7)	\$(8.6)	\$(1.0)
Unreserved Fund Balance (at Year-End)	\$55.6	\$55.6	\$50.5	\$40.8	\$32.2	\$31.2
% of Revenue	31%	32%	28%	23%	18%	17%

- REVENUES: FY 20/21 Proposed Budget: no FY 20-21 revenue CPI increase & modified revenue assumptions due to COVID-19. CPI from FY 20/21 was restored at 2.8% in FY 21/22. CPI fees increases are projected as follows: FY 21/22 - 3.2%, FY 22/23 through FY 24/25 - 3.1%.
- PROGRAM COSTS: FY 20-21 includes an increase in Salary Savings to 13% (\$4.6M) and reductions to non-grant funded Capital Outlays (\$800K) and Emergency Response (\$1M). FY 21-22 through FY 24-25 includes: 1) projected retirement increases; 2) no transfers out for building infrastructure; & 3) 1995 POB payoff in FY 22-23 (\$3M) and 2004 POB payoff in FY24-25 (\$4.1M).

Direction from Governing Board Budget Workshop and Staff Response

- Monthly status report on trends and year-over-year comparisons to Admin Committee and quarterly status report to Board
- Keep vacancy rate at minimum of 13% (current rate) or higher if revenues continue to decline
- Review all requests to expend appropriations both FY 2019-20 and FY 2020-21
- Provide limited relief to fee payers
 - Extended Annual Emission Reports (AER) deadline
 - Payment plan options
 - Credit back the FY 2020-21 CPI-based fee increase

Monthly Status Reports

Report back to the Board with trends and year-over-year comparisons on:

- Update on economic projection
- Revenues and expenditures
- Current vacancy rate
- Actual number of FTEs
- Incoming permits and expired permits
- CEQA documents received

Goal I Priority Objectives

Goal I. Achieve Clean Air Standards

Priority Objective		Performance Indicator	Performance Measurement
1	Development and Implementation of Air Quality Management Plans Implementation of the 2016 AQMP	Adherence to development , adoption and implementation schedules for rules working groups, assessments and programs related to as adopted in the 2016 Air Quality Management Plans AQMP .	Complete 6 rule adoptions and/or actions that result in achievements towards 2016 AQMP emissions reductions. Hold at least 4 AQMP advisory group meetings for 2022 AQMP development.
2	Secure Incentive Funding for Emissions Reduction	Dollar amount of new funding sources for pollution reduction projects.	Secure \$300 \$250 million of new funding sources.
3	AB 617 Implementation in Communities	Conduct air monitoring and implement emission reduction plans for each of the three Year 1 communities and develop air monitoring and emission reduction plans for the 2 new communities.	Implementation of air monitoring and emission reduction plans for 3 Year-1 communities and development of these documents for 2 new communities.
4	Ensure Efficient Air Monitoring and Laboratory Operations	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.	Achieve acceptable valid data completion submitted to U.S. EPA before deadline.

Goal I Priority Objectives

Goal I. Achieve Clean Air Standards (cont.)

Priority Objective		Performance Indicator	Performance Measurement
5	Ensure Timely Inspections of Facilities	Total number of Title V Inspections completed annually.	Complete 100% Title V Inspections.
6	Maintain progress in reducing the permit applications inventory	Number of pending permit applications.	Maintain pending permit applications inventory excluding Permits to Construct issued and RECLAIM transition applications at or near 3,000.
7	Support Development of Cleaner Advanced Technology	Amount of Clean Fuels Program projects funded.	Fund \$10 Million of Clean Fuels program projects with a 1:4 leveraging ratio.
8	Incentive Programs	% of grant money executed in contracts.	50% of grant money contracted within six months after Board approval.
9	Complete Final Report for the fifth Multiple Air Toxics Exposure Study	Written report of fixed-site monitoring data, emission inventory and health risk modeling.	Written report of fixed-site monitoring data, emission inventory and health risk modeling.

Goal II Priority Objectives

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

Priority Objective		Performance Indicator	Performance Measurement
1	Evaluation of Low Cost Air Quality Sensors	Evaluation and posting of results of low cost air quality sensors that have reached the market.	Evaluate and post results of 75% of sensors that have reached the market.
2	Outreach	Number of large community outreach events conducted in each County and effective information distribution for major incidents South Coast AQMD programs that achieve clean air	Conduct/participate in 1 large community outreach event per quarter, including 1 in each County starting 6 months after it is safe to have large gatherings. Develop and implement SOPs to provide information to the public as quickly and accurately as possible.
3	Timely Investigation of Community Complaints	Initiate complaint investigation within 2 hours of complaint receipt.	During normal SCAQMD business hours, contact 90% of complainants within 2 hours of complaint receipt.
4	Social Media Efforts	Percentage increase in number of social media followers as well as increase audience engagement through impressions (views) of shared information via outreach on South Coast AQMD events, programs and major incidents. Contract with an outside consultant to form an internal committee to develop social media recommendations for Board approval.	15% to 20% increase in social media followers. Continue efforts to increase impressions and engagement on posts and/or campaigns with a monthly average goal of 2,400 Instagram impressions /8,000 impressions Facebook impressions/ 48,000 Twitter impressions on posts.. Present recommendations to the Board.
5	High School Educational Outreach	Number of high schools participating in the air quality education program in environmental justice communities. Develop materials for other grade levels	Provide curriculums to 100 high schools throughout the 4 Counties in environmental justice communities and teach at schools as requested when schools are back in session. Develop air quality teaching materials for schools.

Goal III Priority Objectives

Goal III. Operate Efficiently and Transparently.

	Priority Objective	Performance Indicator	Performance Measurement
1	Ensure Transparent Governance	Percentage of Committee and Board meeting agendas with materials made available to the public one week prior to the meeting.	100% of Committee and Board meeting agendas with materials made available to the public one week prior to the meeting.
2	Ensure Transparent Governance	Percentage of Stakeholder and Working Group meeting agendas with materials made available prior to the meeting.	100% of Stakeholder and Working Group meeting agendas with materials made available to the public three days prior to the meeting.
3	Maintain a Well Informed Staff	Number of all staff information sessions offered and conducted.	Offer and conduct 10 information sessions/training for all staff.
4	Partner with Public Agencies, Stakeholder Groups, & Business Community	Number of meetings with Permit Streamlining Task Force subcommittee and stakeholders. Participate in a regional public health task force.	Conduct 2 meetings of the Permit Streamlining Task Force subcommittee and stakeholders. Participate in a regional public health task force.
5	Timely Financial Monitoring	Timely budgetary financial reporting.	Submit quarterly budgetary financial reports to the Governing Board within 6 working days of the end of the quarter for quarters 1-3. Submit the 4 th quarter report within 6 working of the end of July.

Regulation III - Fees

- Six potential amendments to Reg. III and Rule 1480 proposed at March 13, 2020 Public Consultation Meeting
 - Two fee Increases + administrative changes



- Staff now proposing to not amend Reg. III or Rule 1480
- Pursuant to Rule 320, most fees are automatically adjusted based on the FY 2020-21 CPI of 2.8%. However, fee payer invoices will be credited for the same amount, resulting in a \$0 impact to the customer.

Recommended Actions:

- Adopt the Executive Officer's FY 2020-21 Proposed Goals and Priority Objectives;
- Adopt the FY 2020-21 Proposed Budget; &
- Direct staff to actively review and assess fiscal changes and report monthly to the Administrative Committee and quarterly to the Board.