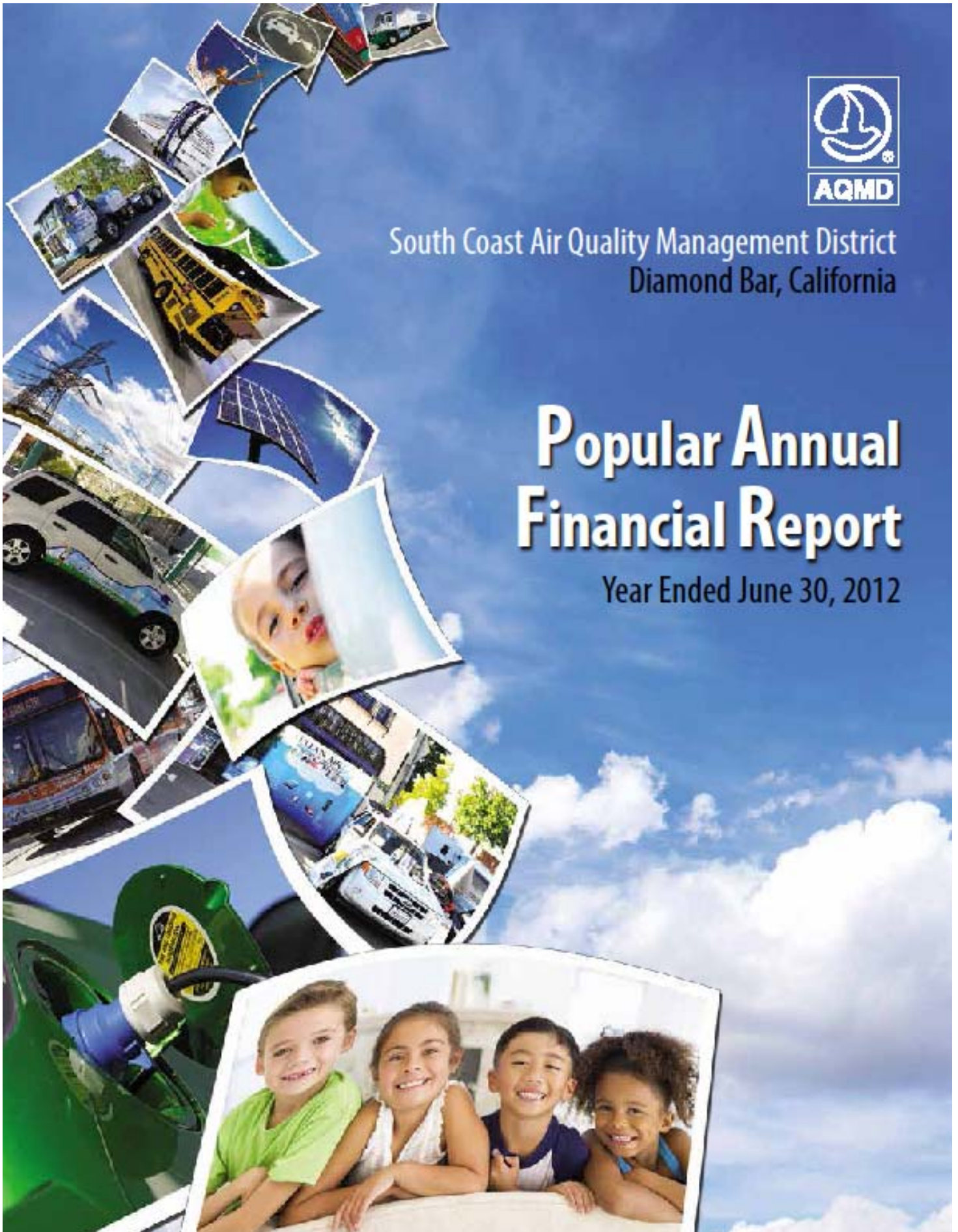




South Coast Air Quality Management District  
Diamond Bar, California

# Popular Annual Financial Report

Year Ended June 30, 2012



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

***GOVERNING BOARD***

***June 30, 2012***

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

***DENNIS YATES***  
*Vice Chair*  
*County of San Bernardino*  
*Cities Representative*

***MICHAEL D. ANTONOVICH***  
*County of Los Angeles Representative*

***JUDY MITCHELL***  
*County of Los Angeles*  
*Cities Representative*  
*Western Region*

***JOHN BENOIT***  
*County of Riverside Representative*

***SHAWN NELSON***  
*County of Orange Representative*

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

***CLARK E. PARKER, Ph.D.***  
*Senate Rules Committee Appointee*

***JOSIE GONZALES***  
*County of San Bernardino Representative*

***JAN PERRY***  
*City of Los Angeles Representative*

***RONALD O. LOVERIDGE***  
*County of Riverside*  
*Cities Representative*

***MIGUEL A. PULIDO***  
*County of Orange*  
*Cities Representative*

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

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

# **SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

## **A NOTE FROM THE CFO**

**June 30, 2012**

We are pleased to present the South Coast Air Quality Management District's (AQMD) Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2012. This report makes our District's finances easier to understand, and is intended to communicate our financial situation in an open and accountable manner.

The PAFR is intended to summarize the financial activities of AQMD and was drawn from the financial information appearing in the 2012 Comprehensive Annual Financial Report (CAFR). The PAFR is unaudited; however, the financial data presented in the PAFR is derived from the CAFR and is consistent with generally accepted accounting principles. The PAFR can also be reviewed on AQMD's website at [www.aqmd.gov/finn/PDF/PAFR2012.pdf](http://www.aqmd.gov/finn/PDF/PAFR2012.pdf).

For more detailed financial information, or information on AQMD's component unit (SCAQMD Building Corporation which is not included in this document) a copy of the Comprehensive Annual Financial Report is available for interested users from Finance at 21865 Copley Drive, Diamond Bar, CA 91765. It can also be viewed on the AQMD's website at [www.aqmd.gov/finn/PDF/CAFR2012FINAL.pdf](http://www.aqmd.gov/finn/PDF/CAFR2012FINAL.pdf).

Questions, comments and feedback regarding this report are encouraged, so please do not hesitate to contact the Chief Financial Officer at (909) 396-2828 or at [mokelly@aqmd.gov](mailto:mokelly@aqmd.gov).

Respectfully submitted,



Michael B. O'Kelly, CPA  
Chief Financial Officer

## **ABOUT THE DISTRICT**

The South Coast Air Quality Management District began operation on February 1, 1977 as a regional governmental agency established by the California Legislature pursuant to the Lewis Air Quality Management Act. AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties, representing approximately over 16 million residents. It succeeded the Southern California Air Pollution Control District and its predecessor four county air pollution control districts, of which the Los Angeles County Air Pollution Control District was the oldest in the nation, having been formed in 1947.

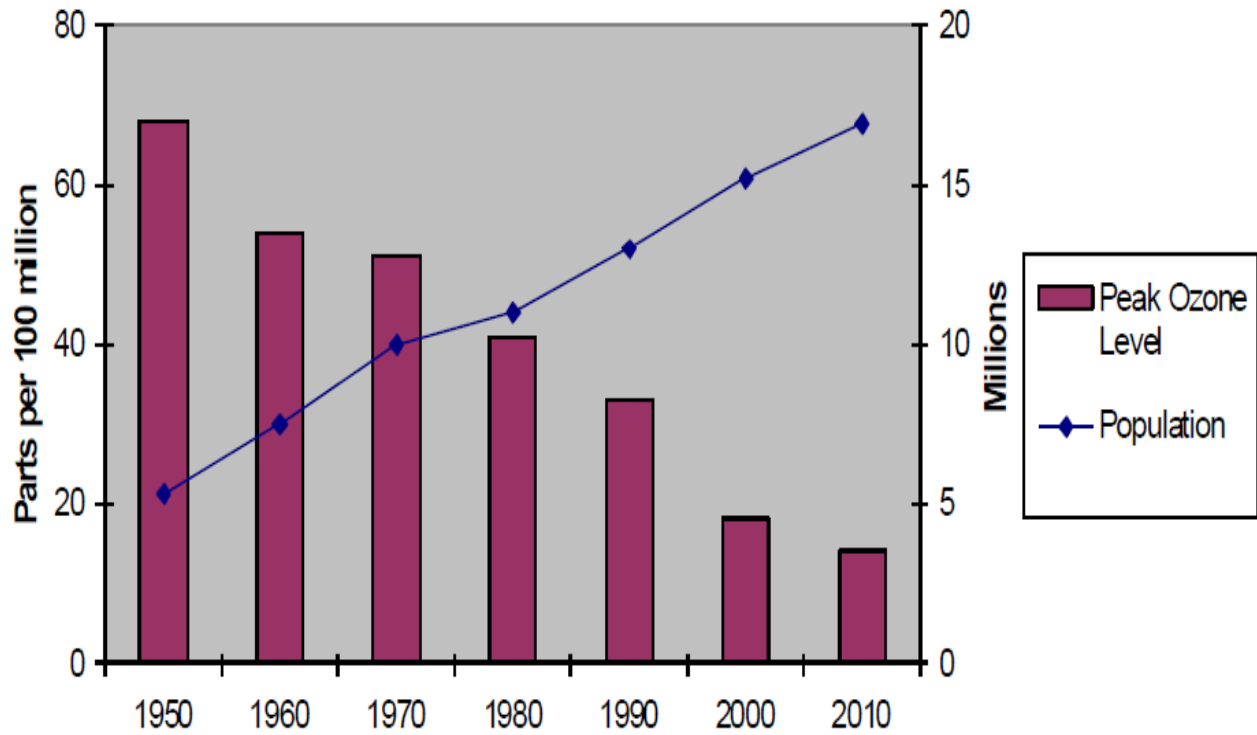
AQMD's Governing Board is composed of 13 members, including four members appointed by the Boards of Supervisors of the four counties in AQMD's jurisdiction, six members appointed by cities in AQMD's jurisdiction and three members appointed by the Governor, the Speaker of the State Assembly and the Rules Committee of the State Senate, respectively. The members appointed by the various Boards of Supervisors and cities consist of one member of the Board of Supervisors of Los Angeles, Orange, Riverside, and San Bernardino Counties, respectively, and a mayor or member of the city council of a city within Orange, Riverside and San Bernardino Counties. Los Angeles County cities have three representatives, one from the city of Los Angeles and one each from the western and eastern portions of the county.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## Demographic and Miscellaneous Statistics

<b><u>Established:</u></b>	February 1, 1977
<b><u>Area Covered:</u></b>	10,743 Square Miles
<b><u>Counties Included in District:</u></b>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<b><u>Population:</u></b>	16,274,797 (In 2011)
<b><u>Transportation:</u></b>	Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific  Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs  Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes  Two major adjoining ports – Port of Long Beach and Port of Los Angeles
<b><u>Visitor Destinations:</u></b>	Disneyland, Knott’s Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl
<b><u>Number of Registered Vehicles Within AQMD Jurisdiction:</u></b>	12,144,225 (In 2011)
<b><u>Average Daily Miles Traveled Per Vehicle:</u></b>	31 (CY 2011 data)
<b><u>Examples of Stationary Sources of Air Pollution Regulated:</u></b>	Oil Refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<b><u>Number of Sources:</u></b>	27,506 operating locations with approximately 75,403 permits.
<b><u>Number of Air Monitoring Stations:</u></b>	42
<b><u>Full-time Authorized Positions:</u></b>	798
<b><u>Key Federal, State, and Local Air Agencies:</u></b>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer’s Association), NACAA (National Association of Clean Air Agencies), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**  
**60 YEARS OF PROGRESS IN REDUCING OZONE LEVELS**  
**June 30, 2012**



Since the late 1940s when the war on smog began, the region's population has more than tripled from 4.8 million to over 16 million; the number of motor vehicles has increased five-fold from 2.3 million to 12.1 million; and the area has grown into one of the most prosperous regions of the world. This phenomenal economic growth illustrates that pollution control and strong economic growth can coincide.

# **SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

## **MISSION, GOALS, AND PRIORITY PROJECTS**

**June 30, 2012**

### **MISSION STATEMENT**

“The South Coast AQMD believes all residents have a right to live and work in an environment of clean air and is committed to undertaking all necessary steps to protect public health from air pollution with sensitivity to the impacts of its actions on the community and businesses.”

### **GOALS**

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

### **PRIORITY PROJECTS**

AQMD goals have many important objectives, but AQMD highlighted the following three priority projects for fiscal year 2011-12 which are particularly important to achieving AQMD’s mission and goals:

1. Commence demonstration/deployment of a zero-emission cargo container movement system.
2. Incentivize five megawatts of in-basin renewable distributed electricity generation and storage to support electric technology applications.
3. Make substantial progress in creating programs to facilitate construction of new and modified stationary sources in areas where the supply of emissions offsets is limited, consistent with AQMD’s clean air objectives.

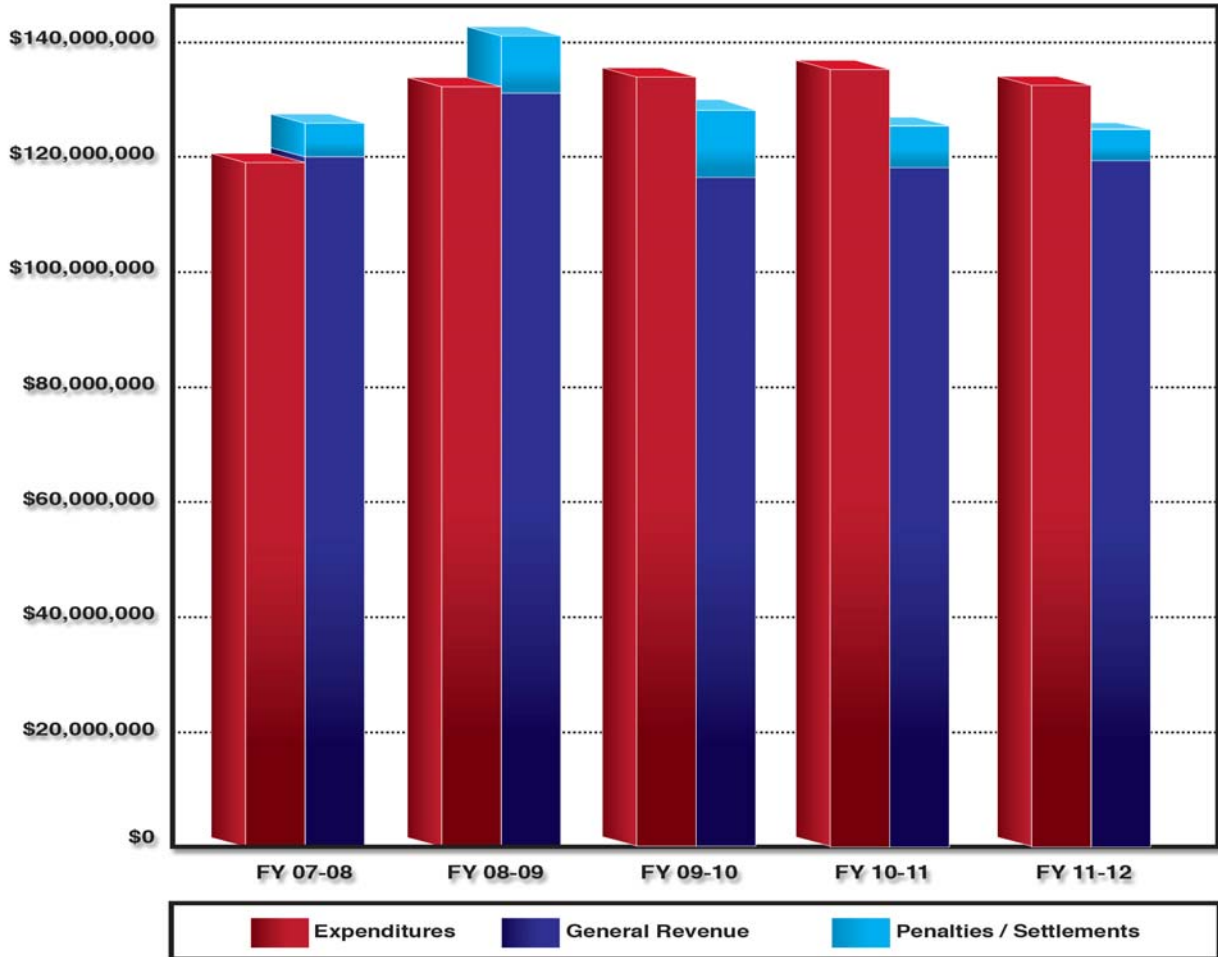
These projects included: 1.) approval of demonstration projects for hybrid-electric heavy-duty trucks and the release of a request for proposals for the development and demonstration of linear motor technology capable of moving ship containers with zero emissions, 2.) approval of eight projects for the deployment of in-basin renewable distributed electricity generation and storage to support electric transportation technologies, and 3.) hosting a New Source Review (NSR) roundtable discussion on emission offsets to initiate a dialogue with stakeholders to identify long-term sustainable NSR offset solutions.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## FINANCIAL PERFORMANCE

June 30, 2012

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



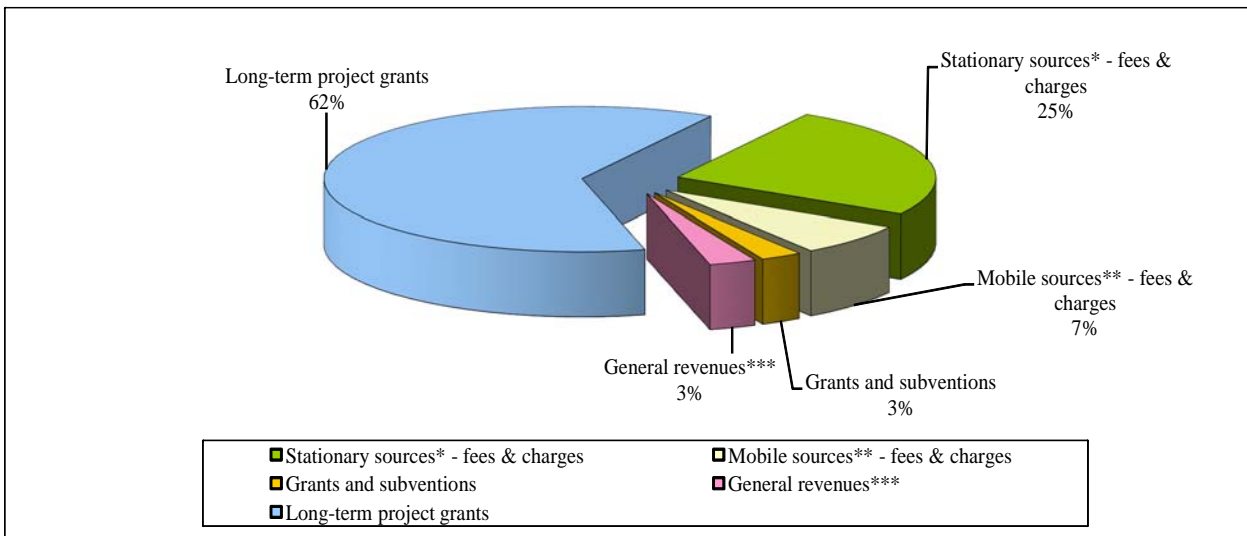
Since fiscal year 2008-09, General Fund expenditures have exceeded revenues due to several factors, including increased employee retirement costs coupled with the continued stagnant economic environment. AQMD's General Fund Budget document contains a five-year projection demonstrating the commitment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

## ***Where the Money Came From Our Revenues & Resources***

AQMD is a fee-supported agency and does not receive sales or property tax support. Approximately 73% of its General Fund revenue is derived from permit evaluation fees, annual permit operating fees, emission fees, Hearing Board fees, penalties and settlements, interest earnings, and other revenues. The remaining 27% of its revenue is derived from federal grants, state grants, California Air Resources Board (CARB) subvention funds, and motor vehicle fees.

Overall revenues during this fiscal year were stable (within 1.3%) as compared to the prior fiscal year. General Fund revenues were also stable (within 1.0%) as compared to the prior fiscal year. Future changes in overall revenue are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund revenues are expected to continue to remain stable through the following fiscal year due to the continuing stagnant economic environment.

### **FY 2011-12 Revenues by Major Source**



Source	FY 11-12	FY 10-11	FY 09-10	FY 08-09	FY 07-08	FY 06-07
Stationary sources* - fees & charges	\$ 82,624,489	\$ 81,291,028	\$ 81,097,647	\$ 92,703,725	\$ 82,825,774	\$ 75,200,253
Mobile sources** - fees & charges	23,384,894	22,512,790	23,728,238	24,128,436	22,170,323	23,966,240
Grants and subventions	8,486,563	8,867,069	8,379,757	8,782,322	8,858,458	8,946,833
General revenues***	9,684,052	12,739,158	14,929,145	14,796,424	12,579,473	21,421,637
Long-term project grants	204,845,839	207,555,510	243,802,246	133,185,494	105,383,067	92,925,386
<b>Total</b>	<b>\$ 329,025,837</b>	<b>\$ 332,965,555</b>	<b>\$ 371,937,033</b>	<b>\$ 273,596,401</b>	<b>\$ 231,817,095</b>	<b>\$ 222,460,349</b>

\*Stationary sources consist of refineries, power plants, manufacturing facilities and small businesses.

\*\*Mobile sources are motorized vehicles that typically include automobiles, trucks, aircraft, ships, trains, and self-propelled construction equipment.

\*\*\*General Revenues include Penalties/Settlements, Interest, and dollars that are not restricted to specific stationary source programs.

Source: FY 2011-12 CAFR Statement of Activities

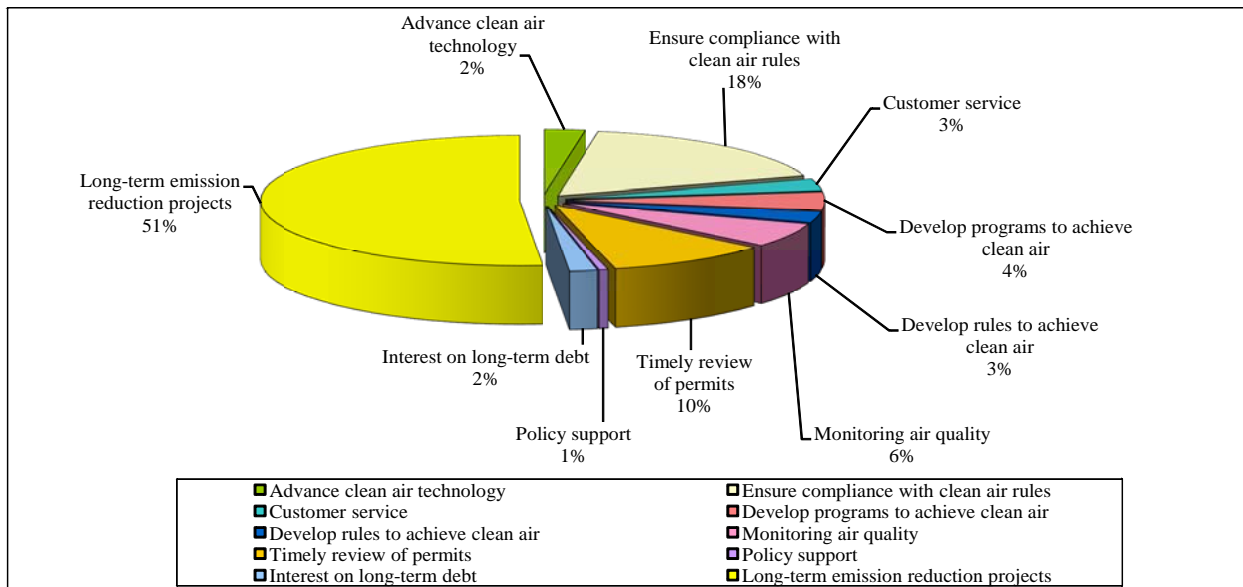


## *Where the Money Went Our Expenses & Services*

Excluding the special funds expenses, which are restricted in their use, the three major expense functions for Governmental Activities are Compliance, Permitting, and Air Monitoring. Combined, these account for 69% of the District's total General Fund Expenses for the year ended June 30, 2012.

Overall expenditures were approximately 8.8% lower due to the timing of Proposition 1B and other grant program expenditures, while General Fund expenditures were approximately 1.3% lower due to cost savings measures resulting in decreased services and supplies costs. An increase in overall expenditures coupled with stable General Fund expenditures is expected to continue in the following fiscal year due to continued federal and state grant fund expenditures along with cost-containment measures incorporated into the fiscal year 2012-13 General Fund budget. These General Fund cost-containment measures continue to include removing vacant positions, a hiring freeze, no salary increases over the last four years, negotiated changes to retirement plan employee contributions, and reduced services and supplies costs.

**FY 2011-12 Expenses by Program Category**



Activity	FY 11-12	FY 10-11	FY 09-10	FY 08-09	FY 07-08	FY 06-07
Advance clean air technology	\$ 6,672,977	\$ 6,398,859	\$ 6,512,144	\$ 7,111,931	\$ 7,113,642	\$ 7,067,528
Ensure compliance with clean air rules	47,026,447	46,877,017	46,154,574	43,823,112	39,463,040	42,699,519
Customer service	7,729,015	7,578,813	7,682,897	7,441,806	6,696,664	8,687,842
Develop programs to achieve clean air	12,130,832	11,780,948	10,861,040	10,216,378	7,969,413	8,721,816
Develop rules to achieve clean air	7,286,149	8,826,846	8,436,415	8,433,410	8,390,762	7,350,795
Monitoring air quality	15,930,225	15,093,093	14,239,509	14,067,041	12,866,270	12,229,451
Timely review of permits	27,241,449	28,045,891	28,530,507	26,205,282	24,580,945	24,508,757
Policy support	1,483,613	1,792,208	1,760,038	4,782,531	3,630,367	3,442,207
Interest on long-term debt	4,691,658	3,277,933	3,871,465	4,325,460	4,614,842	-
Long-term emission reduction projects	137,800,260	161,904,680	150,362,508	104,277,915	93,109,973	62,831,313
<b>Total</b>	<b>\$ 267,992,627</b>	<b>\$ 291,576,288</b>	<b>\$ 278,411,097</b>	<b>\$ 230,684,866</b>	<b>\$ 208,435,918</b>	<b>\$ 177,539,228</b>

Source: FY 2011-12 CAFR Statement of Activities

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## FINANCIAL SUMMARY

June 30, 2012

### **FINANCIAL ACTIVITY STATEMENT FOR THE YEARS ENDED JUNE 30, 2012 and 2011**

	(In Thousands)	
	<u>FY 2011-12</u>	<u>FY 2010-11</u>
<b>RESOURCES:</b>		
Fees and Charges – Stationary Sources	\$82,624	\$81,291
Fees and Charges – Mobile Sources	23,385	22,513
Operating Grants and Subventions	8,487	8,867
Long-Term Project Grants	204,846	207,555
Grants and Subventions not Restricted for Specific Programs	2,890	2,919
Penalties and Settlements	4,906	7,349
Interest	529	832
Other Revenues	<u>1,358</u>	<u>1,639</u>
<b>Total Resources</b>	<u>329,025</u>	<u>332,966</u>
<b>USES:</b>		
Advance Clean Air Technology	6,673	6,399
Ensure Compliance with Clean Air Rules	47,026	46,877
Customer Service	7,729	7,579
Develop Programs to Achieve Clean Air	12,131	11,781
Develop Rules to Achieve Clean Air	7,286	8,827
Monitoring Air Quality	15,930	15,093
Timely Review of Permits	27,241	28,046
Policy Support	1,484	1,792
Interest on Long-Term Debt	4,692	3,278
Long-Term Emission Reduction Projects	<u>137,800</u>	<u>161,904</u>
<b>Total Uses</b>	<u>267,992</u>	<u>291,577</u>
<b>RESOURCES OVER USES</b>	<u>\$61,033</u>	<u>\$41,389</u>

### **FINANCIAL POSITION STATEMENT FOR THE YEARS ENDED JUNE 30, 2012 and 2011**

	(In Thousands)	
	<u>FY 2011-12</u>	<u>FY 2010-11</u>
<b>ASSETS:</b>		
Current and other assets	\$612,888	\$559,912
Prepaid pension assets	43,543	44,634
Capital assets	<u>40,827</u>	<u>43,148</u>
<b>Total Assets</b>	<u>697,258</u>	<u>647,694</u>
<b>LIABILITIES</b>		
Long-term liabilities	71,434	81,718
Short-term liabilities	<u>41,687</u>	<u>42,872</u>
<b>Total Liabilities</b>	<u>113,121</u>	<u>124,590</u>
<b>ASSETS OVER LIABILITIES</b>	<u>\$584,137</u>	<u>\$523,104</u>

*The Financial Activity Statement, known in Accounting terms as the "Income Statement," provides the sources (revenues) and uses (expenses) of providing services for the South Coast Air Quality Management District.*

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

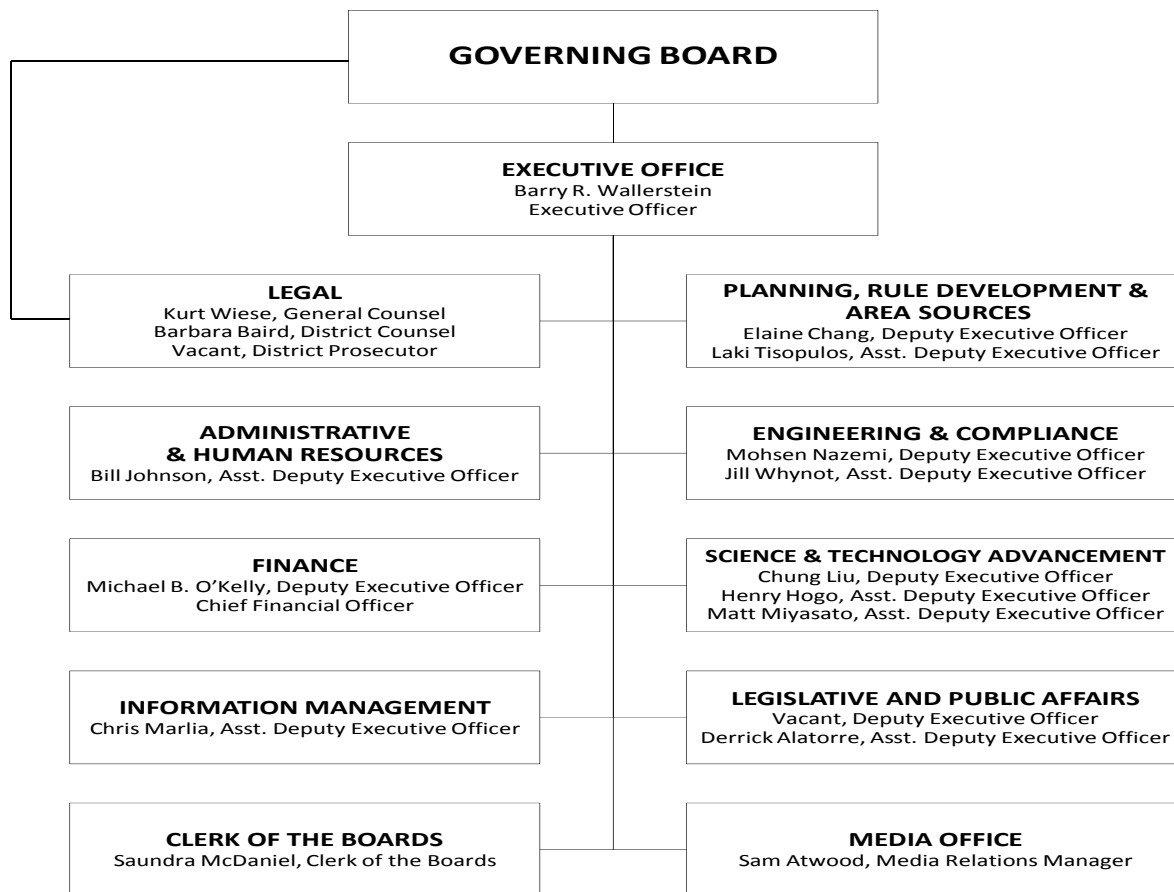
*Assets over Liabilities provides for the difference between financial benefits and liabilities, ultimately showing the net worth of the South Coast Air Quality Management District.*



# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT, CALIFORNIA

## ORGANIZATIONAL CHART

June 30, 2012



## AWARDS

*The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to South Coast Air Quality Management District (SCAQMD) for its Popular Annual Financial Report for the fiscal year ended June 30, 2011. The award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.*

*In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting Program, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.*

*An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. SCAQMD has received a Popular Award for the fiscal year ended June 30, 2011. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.*

*Further, SCAQMD's Comprehensive Annual Financial Report for the year ended June 30, 2011, from which information on pages 7 through 9 have been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.*



**Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting**

PRESENTED TO

South Coast Air Quality  
Management District  
California

for the Fiscal Year Ended  
June 30, 2011



*Linda C. Davidson*  
President

*Jeffrey L. Case*  
Executive Director

