

BOARD MEETING DATE: June 6, 2014

AGENDA NO. 27

PROPOSAL: Adopt Executive Officer's FY 2014-15 SCAQMD Budget and Work Program

SYNOPSIS: The Executive Officer's Budget for FY 2014-15 represents the input over the past several months from Board members, staff, and the public. This year's process included meetings of the Budget Advisory Committee; a public hearing on April 4, 2014 to receive input on the SCAQMD's Goals and Priority Objectives; and two budget workshops, one for the public held on April 11, 2014 and one for the Board held on April 25, 2014. This submittal transmits the required appropriations and reserves necessary to adopt the proposed budget. The proposed budget incorporates the CPI adjustment pursuant to Rule 320 as well as an additional 3% increase to Annual Operating Permit Renewal and Permit Processing Fees to better align program costs with revenues.

COMMITTEE: Administrative, May 9, 2014; Recommended for Approval

RECOMMENDED ACTIONS:

1. Remove from Reserves and Designations all amounts associated with the FY 2013-14 Budget;
2. Approve appropriations in the Major Objects for FY 2014-15 of:

Salary and Employee Benefits	\$106,539,331
Services and Supplies	24,618,243
Capital Outlays	<u>1,062,500</u>
Total	<u>\$132,220,074</u>

3. Approve a projected June 30, 2015 Fund Balance of the following:

Reserve ¹ for Encumbrances	\$6,947,000
Reserve for Inventory of Supplies	80,000
Designated for Enhanced Compliance Activities	883,018
Designated for Litigation/Enforcement	1,600,000
Designated for Other Post Employment Benefit (OPEB) Obligations	2,952,496
Designated for Permit Streamlining	288,385
Designated for Self-Insurance	2,000,000
Designated for Unemployment Claims	80,000
Total Reserves and Designations	\$14,830,899
Undesignated Fund Balance	\$23,103,647

4. Approve revenues for FY 2014-15 of \$132,220,074;
5. Approve the addition of one net authorized/funded position as detailed in the FY 2014-15 Draft Budget;
6. Approve the SCAQMD FY 2014-15 Goals and Priority Objectives as previously discussed and included in the FY 2014-15 Draft Budget;
7. Increase the FY 2013-14 General Fund revenue budget and approve the transfer of \$5 million from the Undesignated Fund Balance to the Debt Service Fund;
8. Increase the FY 2013-14 General Fund revenue budget by \$219,181;
9. Approve a minimum Unreserved Fund Balance Reserve Policy of 20% of General Fund revenues; and
10. Convene Permit Work Group to discuss permit streamlining measures.

Barry R. Wallerstein, D.Env.
Executive Officer

MBO:lg

¹ The terms Reserve, Designated, and Undesignated are terms established by the Government Accounting Standards Board.

Background

The Executive Officer's Budget for FY 2014-15 represents the input over the past several months from staff, Board members, and the public. This year's process included meetings with the Budget Advisory Committee; a public hearing held on April 4, 2014 to take input on the SCAQMD's FY 2014-15 Program Goals and Priority Objectives (included on pages 47 – 50 of the budget document); and two budget workshops, one held for the public on April 11, 2014 and one held for the Governing Board on April 25, 2014.

This year's budget proposal includes 798 positions, a 31% (365 FTEs) reduction from FY 1991-92 levels. Using inflation adjusted dollars, this year's proposed expenditures of \$132,220,074 are 25% less than the budget approved in FY 1991-92.

Proposal

The proposed FY 2014-15 budget is a balanced budget request based on the Goals and Priority Objectives presented to the Governing Board at the April 4, 2014 meeting.

The proposed FY 2014-15 budget represents an increase of \$3,017,146 (2%) in total expenditures from the budget adopted by the Board in May 2013. Staff is proposing the addition of one net position for FY 2014-15 with a reduction in the vacancy rate to 8% from the FY 2013-14 budgeted level of 9%. The addition of one net position is for an additional Supervising Payroll Technician necessary for training purposes along with a corresponding deletion of a Supervising Payroll Technician position in FY 2015-16. In Services and Supplies, the proposal for FY 2014-15 is 4% above the FY 2013-14 adopted budget mainly due to increases in building operations costs while Capital Outlays are decreasing 31% from the FY 2013-14 adopted budget.

Also included is a proposed increase in the General Fund revenue budget from unexpected one-time revenues and a transfer of \$5 million from the General Fund Undesignated Fund Balance to the Debt Service Fund to provide funding for the debt service payments related to outstanding Pension Obligation Bonds over Fiscal Years 2015-16 through 2019-20. The result will be an annual General Fund budget expenditure reduction of \$1 million during each of these fiscal years.

A General Fund revenue budget increase of \$219,181 is proposed to reflect additional unexpected one-time revenues that will be received before the end of the fiscal year. This revenue budget increase offsets, or funds, prior Governing Board action that transferred monies from the General Fund to the Infrastructure Improvement Fund.

As part of the FY 2014-15 budget, Staff is also proposing that the Governing Board adopt a minimum Unreserved General Fund Balance Reserve Policy of 20% of General Fund revenues. GFOA Recommended Best Practices prescribe a minimum 17% reserve

amount plus an additional amount based on the organization's reliance on revenue over which it has no control. The proposed 20% reserve amount is derived from the minimum 17% plus an additional 3% to account for SCAQMD's reliance on state subvention (\$4M), U.S. EPA Section 103/105 grants (\$5M), and one-time penalties and settlements (\$5M).

In addition, the proposal includes convening a Permit Work Group to discuss and implement the streamlining of permit processing to gain efficiencies over current processes.

Resource Impacts

The FY 2014-15 Budget assumes a 1.6% fee increase, consistent with Rule 320 which was adopted by the Board on October 29, 2010 and allows for an increase of fees based on the change in the California Consumer Price Index. In accordance with Rule 320, the Draft Socioeconomic Assessment for Automatic Consumer Price Index (CPI) Increase was made available to the public on March 15, 2014 and public comments and responses, along with recommendations by the Budget Advisory Committee, were provided to the Board by the April 15 deadline. The FY 2014-15 Budget also includes a 3% increase above CPI for Annual Operating Permit Renewal and Permit Processing Fees to better align program costs with revenues. The staff proposal for amending fee rules is also available on the SCAQMD's website under Proposed Rules.

Copies of the Draft Budget and Work Program for FY 2014-15 have been transmitted to the Board under separate cover. Copies for public review are available in the SCAQMD Library and the document is also available via SCAQMD's web site at <http://www.aqmd.gov/docs/default-source/finance-budgets/fy-2014-15/draft-budget.pdf>. Budget abstracts are available by request from the Public Information Center (909) 396-3600.