

BOARD MEETING DATE: February 7, 2020

AGENDA NO. 4

PROPOSAL: Recognize Revenue, Transfer and Appropriate Funds, Approve Positions, Issue Solicitations and Purchase Orders, and Execute Contracts and Agreements for Mid-Year Budget Adjustments

SYNOPSIS: South Coast AQMD is expected to receive up to \$20 million for AB 617 continued implementation. Additional resources of \$3,061,582 are needed in the FY 2019-20 Budget to enable the implementation of critical projects and programs. These actions are to: (1) Recognize revenue up to \$20 million for AB 617 implementation into the General Fund; (2) Appropriate \$3,061,582 from the General Fund Undesignated (Unassigned) Fund Balance into the FY 2019-20 and/or FY 2020-21 General Fund Budget for several key projects; (3) Transfer \$1,000,000 from the General Fund Undesignated (Unassigned) Fund Balance to the Infrastructure Improvement Fund (02); (4) Transfer up to \$30,794 from the AB 134 Community Air Protection Fund (77) into the FY 2019-20 General Fund Budget for administrative costs; (5) Approve the addition of positions from the General Fund; and (6) Issue solicitations and purchase orders and execute contracts and agreements for Mid-Year Budget Adjustments.

COMMITTEE: Administrative, January 17, 2020; Recommended for Approval

RECOMMENDED ACTIONS:

1. Recognize, upon receipt, up to \$20 million from CARB into the General Fund for continued AB 617 implementation, including administrative costs, and authorize the Executive Office to accept terms and conditions of the grant award from CARB;
2. Appropriate \$3,061,582 from the General Fund Undesignated (Unassigned) Fund Balance to the FY 2019-20 and/or FY 2020-21 General Fund Budgets as listed in Tables 1-4;
3. Transfer \$1,000,000 from the General Fund Undesignated (Unassigned) Fund Balance to the Infrastructure Improvement Fund (02);
4. Transfer up to \$30,794 from the AB 134 Community Air Protection Fund (77) into the FY 2019-20 General Fund Budget to reimburse the General Fund for administrative costs;

5. Approve the addition of 3 new positions as listed in Table 1; and
6. Authorize the Executive Officer to issue solicitations and, based on results, issue purchase orders and execute contracts in accordance with South Coast AQMD Procurement Policy and Procedure for items listed in Tables 3-4.

Wayne Natri
Executive Officer

SJ:DRP:AP

Background

This Board letter recognizes revenues for continued AB 617 implementation and addresses a mid-year budget adjustment including resource requests related to Infrastructure, Salaries, Service and Supplies and Capital Outlays.

Major elements of AB 617 include: accelerated BARCT rulemaking, statewide consistent emission reporting, air monitoring in communities, and community emission reduction plans. In January 2018, the Board approved 36.5 new positions, \$400,000 for contracts, \$865,000 for capital outlays, and \$1,460,000 for other services and supplies for initial work for AB 617, based on first-year AB 617 funding for South Coast AQMD. In December 2018, the Board approved additional 47 new staff positions, reassignment of 0.5 FTE and upgrade to 5 additional positions for the AB 617 program. AB 617 requires community emission reduction programs based on monitoring and other data. For FY 2019-20, CARB has allocated South Coast AQMD at least \$20 million as our portion of the state funding for the community monitoring and emission reduction plan elements. Additional funding is being considered and will be recognized in a subsequent Board letter.

The FY 2019-20 Annual Budget included continued cost recovery initiatives and cost reduction efforts, including no or minor increases in Services and Supplies expenditures and an increased vacancy rate. The reductions in the FY 2019-20 budget included decreases in Services and Supplies (2.4 percent) and Capital Outlays (63.7 percent) when compared to the FY 2018-19 adopted budget. South Coast AQMD ended FY 2018-19 with revenues exceeding expenses by \$3.3M, \$13.0M over the FY 2018-19 Amended Budget. In addition, since the FY 2019-20 Budget was adopted, several key projects with budget needs have been identified, including fleet vehicle replacement and information technology and infrastructure improvements.

Current grant funding levels are significantly greater than levels just a few years ago and are anticipated to continue increasing over the next few years. As such, a Financial Analyst (partially funded with AB134 and AB617 administrative funds) is needed to accommodate increased grants management and reporting activity as well as respond to

requests from auditors and various units within South Coast AQMD. A Senior Information Technology Specialist is needed to perform advanced work, and support various conference center and audio-visual functions within the department and provide technology solutions. A Senior Public Information Specialist is needed to support environmental justice activities.

The South Coast AQMD headquarters building is 28 years old and in critical need of improvements, upgrades, repairs and replacements of various infrastructure and systems. There are several key projects that staff have identified such as a parking deck renovation; upgrades and repairs to the heating, ventilation, air conditioning and refrigeration equipment; the replacement of the atrium's roof as well as the roof at the Child Care Center; the replacement of the cafeteria pollution control system; and the repair and re-sealing of the parking lot asphalt. The total cost estimate for these items exceeds several million dollars, and will be part of near- and long-term infrastructure planning for these projects.

The status of the current fleet necessitates the replacement of older, high-mileage, and high-cost vehicles with newer, safer vehicles that will improve driver safety, reliability, and reduce maintenance costs and repairs.

Various information technology initiatives require the upgrade of hardware and operating system software as they are nearing the end of their useful life and will no longer be supported by the vendors. Applications need to be built or enhanced to provide real-time or improved air quality reports to the public.

Proposal

These actions are to recognize an additional \$20 million into the General Fund from CARB for AB 617 Year 2 implementation.

Staff is also seeking Board approval to appropriate \$3,061,582 from the General Fund Undesignated (Unassigned) Fund Balance to the FY 2019-20 and/or FY 2020-21 General Fund Budgets as listed in Tables 1-4. These actions will provide the necessary funding of:

- \$256,582 in Salaries and Employee Benefits for three staff positions (including \$61,588 funded by AB 134 and AB 617);
- \$1,000,000 to the Infrastructure Improvement Fund (02) to provide funding for some of the critical building infrastructure improvement projects;
- \$580,000 for Service and Supplies; and
- \$1,225,000 for Capital Outlays.

Benefits to South Coast AQMD

The Year 2 funding for AB 617 implementation will allow South Coast AQMD to fulfill the legislative directives, which will result in benefits to environmental justice communities, and to the entire region.

Providing additional funding for FY 2019-20 and/or FY 2020-21 will allow staff to fully implement critical projects and programs, including setting aside funds for future infrastructure, the purchase of information technology hardware and software, source testing automation, monitoring and compliance efforts, system maintenance efforts and fleet vehicle replacement.

Resource Impacts

The General Fund Undesignated (Unassigned) Fund Balance position as of June 30, 2019 is sufficient to allow the proposed appropriation of funds and still meet the Board's Unreserved Fund Balance Policy of a minimum of 20 percent of revenues for this fiscal year.

Staff continues to monitor and assess resource needs and available funding for AB 617.

Attachment

Tables 1– 4

ATTACHMENT

Table 1

Proposed FY 2019-20 Funding Appropriations for Staffing Additions & Changes

Org Unit	Position Title	FTEs	Amount
FIN	Financial Analyst	1	\$ 92,382*
IM	Sr. Information Technology Specialist	1	79,205
LPAM	Sr. Public Information Specialist	1	84,995
	Total	3	\$ 256,582

Note: Appropriation is for January – June 2020

**This position is equally funded by AB 134, AB 617 and the General Fund)*

Table 2

Proposed FY 2019-20 Transfer to Special Revenue Fund

Transfer to Funds	Amount
Infrastructure Fund (02)	\$ 1,000,000
Total	\$ 1,000,000

Table 3

Proposed FY 2019-20 and/or FY 2020-21 Additional Budget Adjustments Services & Supplies Major Object

Org Unit	Account/Description	Amount
IM	68100 – Office Expense (server hardware & operating system upgrade - \$280,000; work station/laptop replacements - \$200,000; cellphone replacement - \$100,000)	\$ 580,000
	Total	\$ 580,000

Note: Listed expenditures may be appropriated in the Capital Outlays Major Object as warranted.

Table 4

**Proposed FY 2019-20 and/or FY 2020-21 Additional Budget Adjustments
Capital Outlays Major Object**

Description	Org Unit	Account	Qty	Estimated Amount	Action
Fleet Vehicles	AHR	77000	15	\$ 450,000	RFP/RFQ
Special Monitoring Website	IM	77000	1	80,000	Already Approved Vendors
Application for Hourly Forecast Model	IM	77000	1	200,000	Already Approved Vendors
Advisories and Emergency Notifications	IM	77000	1	150,000	Already Approved Vendors
Mobile App Enhancements	IM	77000	1	60,000	Already Approved Vendors
Source Tests Automated System	IM	77000	1	250,000	Already Approved Vendors
Van	LPAM	77000	1	35,000	RFQ/ Cooperative Purchasing
Total				\$ 1,225,000	

Note: Listed expenditures may be appropriated in the Services and Supplies Major Object as warranted.