

# 2012–13 Recommended Budget

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# Today's Agenda

- First of Two Hearings
  - Board Cannot Take Action Today
- 2011-12 Look-back
- Guiding Principles for 2012-13 Budget
- Outlook for 2012-13
- 2012-13 Budget Highlights
- Significant Increase in Workload
- Efficiency and Streamlining Measures
- Revenue/Expenditure Details



# 2011-12 Achievements

- Maintained focus on providing excellent customer service to regulated sources and general public
- Fulfilled or exceeded state and federal mandates
  - NOx reductions 113% beyond mandate
  - VOC reductions 39% beyond mandate
- Achieved 7% Salary Savings
- Lowest permit fees
- Lowest administrative overhead
- *Air Alert* program to curb 1-hr ozone violations



# 2011-12 Achievements

- Significant Improvement in Air Quality
  - 2011 saw lowest 8-hour ozone design value
  - 8-hour Ozone exceedances down 42% over last decade
  - Only 3 days of 1-hr ozone exceedances - down from 56 in 1996
- Developed state-of-art automation for air monitoring to reduce employee travel and provide more real time information to the public
- Distinguished high elevation park monitors from air quality monitors on Valley floor for improved public outreach and communication



# 2011-12 Achievements

- Real-time Air Advisory Network (RAAN) to provide health information to schools & general public
- Air quality update to all cities and counties (in-person at 59 City Council and 8 Boards of Supervisors meetings)
- Successfully competed for new state and federal funding including:
  - Federal grant retrofitting locomotives - \$2 million
  - State grant for zero emissions lawn and garden equipment – \$500,000
  - CEC grant for plug-in vehicle readiness - \$200,000
  - DOE clean cities funding for EV readiness -\$75,000



# 2011-12 Achievements

- State audit of the District's incentive programs: preliminary report commends District as a "shining example"
- New voucher incentive program to reduce heavy-duty truck emissions for small businesses
- New rebate program to incentivize zero-emissions and advanced technology cars
- Public benefits grant program through cities, counties, and other municipalities



# 2011-12 Achievements

- Technology Advancement Program to promote green technology jobs and development in the Valley (\$3 million, 12 projects with local partners in the Valley)
- New tractor replacement program – Replaced 524 tractors eliminating over 8,050 tons of emissions
- Provided \$750,000 to launch short sea shipping at Port of Stockton
- Revamped vanpool program and extended funding criteria to support multi-regional commute
- Completed first phase of Prop 1B funding – over \$40 million for truck replacement



# 2011-12 Achievements

- Held 15 vehicle repair events throughout the Valley in partnership with Valley CAN and provided funding for hundreds of repairs
- Successfully operated incentive programs for 18 other California air districts
- Assigned by ARB to run Statewide School Bus Retrofit Program
- Sponsored and coordinated energy efficiency projects for Valley cities and counties
- Obtained EPA approval of 2008 PM2.5 plan including 54 rules adopted by your Board





# 2011-12 Achievements

- Adopted 8 air pollution control rules
- Successful implementation and enforcement of previously adopted rules
- Adopted enhanced procedures for economic analysis of proposed regulations
- Created new software tools to streamline operations and improve staff accountability and utilization
- Completed Valley-specific health studies to better understand impacts of air pollution



# 2011-12 Achievements

- Developed green procurement policies
- Organizational improvements
  - Moved 1 management position from administration to information technology to support development of new productivity software and office automation
  - Reclassified 4 finance positions to address new finance workload without adding staff
  - Reclassified Outreach and Communications positions to further improve outreach



# 2011-12 Achievements

- Online bill payment, credit card services, and enhanced online banking
- Electronic Board agendas serving as a model and resource for sister agencies
- Streamlined public notice and mail procedures
- Provided assistance to Valley businesses and municipalities in complying with state and federal climate change mandates
- Economic assistance to Valley businesses and municipalities experiencing financial difficulties



# Budget Guiding Principles

- Provide adequate resources for:
  - Excellent customer service
  - Expedited permit processing
  - Timely satisfaction of mandates and legal obligations in a cost-effective fashion
  - Full public accountability and participation
  - Continuous improvement and innovation
- Employ zero-based budgeting



# Budget Guiding Principles

- Provide means to accommodate State and federal budget uncertainties
- Minimize red tape and administrative cost (lowest overhead among all air districts)
- Keep District fees as low as possible (lowest permit fees among major air districts)
- Maintain resources for optimal public education and participation



# Outlook for 2012–13

- Significant increase in workload
- Significant funding for emission reduction incentive grants
- Stable revenues for District operations
- State and federal budget uncertainties
- Legislation to address public pension cost
- Diminished resources at local municipalities



# 2012-13 Budget Highlights

- No fee rate increase
- Significant increase in workload absorbed with existing staff through efficiency & streamlining
  - no staffing increase
- 7% salary savings through position control
- Incorporates fiscal impact of tentative agreement with employees pending Board approval
- Maintains lowest permit fees and administrative overhead
- Operating expenditures decrease 1%
- Helping hand to local municipalities in meeting clean-air and climate change mandates



# 2012-13 Budget Highlights

- Automation and remote control for District's air monitoring network
- Strong public education and outreach
- Valley-specific health and scientific studies
- Expeditious administration and use of emission reduction incentive funds in a wide range of applications
- \$8 million in funding for air pollution control technology advancement
- Balanced budget with adequate reserves & contingencies





# New Workload

- Additional grant programs and significant funding
  - Over \$184 million in appropriations for 2012-13
- Developing 2012 PM2.5 plan
  - Emission inventory, computer modeling
  - Risk-based analysis to guide plan
  - Development of incentive and regulatory measures
  - Extensive public process leading to October hearing
  - Due to EPA through ARB by December
- Begin development of new ozone plan
  - Emission inventory, computer modeling
  - Work with EPA on developing risk-based implementation



# New Workload

- 2012-2050 air quality vision development
- Develop new rules (Exemptions, Commercial Charbroiling, Residential Woodburning, Crude Oil Production Wells, Organic Storage Tanks)
- Implement 8 rules adopted by your Board in 2011-12
  - Identify affected facilities
  - Amend permits to reflect new rule provisions
  - Provide compliance assistance
- Develop new web and mobile applications for enhanced service and outreach
- Provide oversight for additional District and Study Agency research



# New Workload

- Help local governments and businesses meet new climate change mandates
- More permitting and compliance work – more major sources with Title V permits
- Delegation of new federal “PSD” permitting to District – PSD permitting previously performed by EPA
- Air monitoring network – Develop and install automated systems
- Air monitoring network – Adding 4 new near roadway monitoring stations, 1<sup>st</sup> in Fresno
- Implement new green purchasing policies
- Preparing updated guidance document for Valley land use agencies



# New Workload

- Outreach and implementation for previously developed Fast Track measures
- Additional Healthy Air Living outreach and Partner Recruitment



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# New Health & Scientific Studies

- Health science research to support risk-based approach to air quality planning
- Research in support of rule and strategy development
- Study Agency research
- Establish New Air Quality Modeling Center
- A total of \$300,000 in District funding



# Recent Streamlining & Efficiency Measures

- Remote computer access and electronic inspection forms for field staff
- GPS in field vehicles to improve efficiency, accountability and safety
- Incorporating air monitoring functions into Compliance
- Development of Electronic Document Management Systems throughout District
- Streamlined registration in lieu of permitting
- Enhanced staff training and guidance materials
- Automation for grants program



# Recent Streamlining & Efficiency Measures

- Worked with stakeholders to streamline permitting
- More public information on District web site
- Use of web to collect emission inventory data
- Web-based employment application system
- Automation for submittal and review of facility reports
- Transfer of rule development engineering positions and workload to Permit Services for better workload management



# Recent Streamlining & Efficiency Measures

- Changes to general ledger structure to provide more accurate and timely information, and streamline grant reporting
- Employee STAR suggestion program
- Strategic use of temporary staffing to reduce costs, minimize overtime, address fluctuating workloads



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# New Efficiency and Streamlining Measures

- New paperless workflow systems (accounts receivable, accounts payable, compliance)
- New tablet computers and web based inspection forms for streamlined, paperless workflow
- Reorganization in rule/plan development group
- Higher speed internet to increase capacity for data transfer/electronic communication
- Develop new online options for invoicing and grant and permit application submittal
- Automated tracking systems for building demolitions



# New Efficiency and Streamlining Measures

- Systems to allow facility operators to review information related to their permitted facilities online
- New hardware and software to enhance internal document sharing
- Continued automation of air monitoring functions: remote calibration, remote maintenance, automated data collection and analysis, consolidation of some stations
- New web and mobile resources to enhance service and improve operating efficiency
- Pursue Title V equivalency for District permitting



# Proposed Staffing Changes

- ***Senior Office Assistant to Operations Support Supervisor***

Better coordinate office activities including customer service and electronic document management functions; also provide back-up for Clerk to the Board

- ***Air Quality Technician to Air Quality Inspector I***

Broader, more versatile classification to allow utilization for compliance assistance and compliance as well as technical functions

- ***Administrative Analyst to Supervising Air Quality Education Rep***

Help coordinate and supervise outreach activities, further expand capacity for getting District's clean air message to public



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# General Information

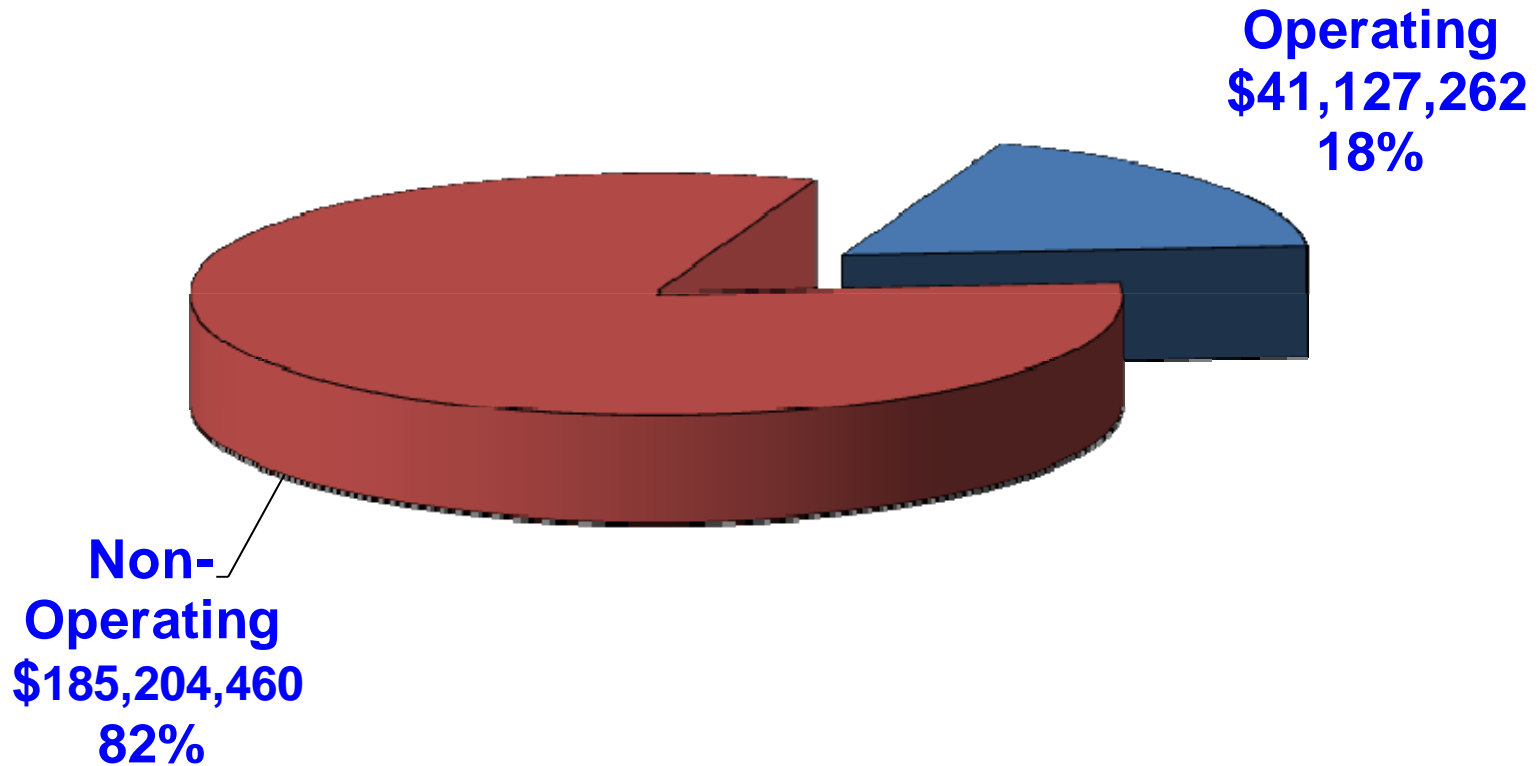
## H & S Code Section 40131 Requirements

- Budget information available 30 days prior to the May 17th hearing
- Notification of fee payers of availability of budget information
- 1st hearing May 17th to receive public comment
- 2nd hearing June 21<sup>st</sup> to adopt

## District Administrative Code Requirements

- APCO to present recommended budget to Board by June 30
- Board adopts Budget Resolution at object level (except fixed assets)
- Board approves transfers between object levels & fixed assets
- Executive Director can transfer between accounts within objects

# Non-Operating vs. Operating Appropriations



# Operating Revenue

- Permit fee revenue is up 8%
  - No fee rate increase
  - Increase is due cyclical nature of certain fees
- \$6 million in Federal Section 185 Fees charged to stationary sources
- AERO Emission Fees steady at \$5.4 million
- Interest revenue down due to lower rates and balance
- EPA grant revenue steady
- No new DMV fees are used for District operations
- Net grant administrative fees down 29%
  - Comes from State/federal funding sources
  - Administering less State/federal and more District programs



# Operating Revenue

\$ 5.4 million of AERO & Section 185 Revenue is transferred to the Non-Operating Budget

Operating Reserves are changed by:

- Increase to General Reserve	\$ 100,000
- Increase to VTC Equip Reserve	750,000
- Increase to Building Reserve	<u>65,000</u>
Net Increase to reserves	\$ 915,000

Just over \$1 million of Unrestricted Fund Balance used



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# Reduction in Operating Appropriations

Operating Expenditures are Down 1%

Salaries & Benefits	\$ 1,504,203
Services & Supplies	(727,278)
Fixed Assets	<u>(1,201,381)</u>
Net Reduction	\$ (424,452)



# Salaries & Benefits

## Detail of Changes

Merit/Flex	\$ 104,081
Temporary Help	150,002
Overtime	(149,955)
Retirement Rate Increase (2.6%)	668,190
Tentative Labor Agreement	619,894
Proposed Agreement for Management	68,929
Net Reclassified Positions	<u>43,062</u>
Total Changes	\$ 1,504,203



# Position Reclassifications

Senior Office Assistant *to*

- Operations Support Supervisor \$ 14,504

Air Quality Technician *to*

- Air Quality Inspector I 6,077

Administrative Analyst *to*

- Supervising Air Quality Education Rep 22,481

\$ 43,062

All will require recruitment and promotion



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# Services and Supplies

## Significant Changes

• Mobile Communications	\$9,363	7%
• Telephone Charges	(7,620)	(7%)
• Computer Maintenance	40,917	16%
• Building Maintenance	(38,542)	(13%)
• Postage	(12,594)	(8%)
• Printing	8,427	7%
• Prof & Specialized Services	(671,320)	(22%)
– Detail following		



# Services and Supplies

## Significant Changes

• Publications & Legal Notices	\$(63,620)	(25%)
• Small Tools & Equipment	(16,195)	(26%)
• Special District Expense	(32,585)	(10%)
• Audit Services	(7,705)	(28%)

# Professional & Specialized Services

Total budget of \$2,436,505 including:

- \$818,040 Outreach and Communications
- \$200,000 Health and Scientific Research
- \$200,000 Laboratory Analysis of Air Samples
- \$185,000 EDMS Application and Back File Conversion
- \$150,000 Valley-wide Project for Green Energy and Clean Air
- \$100,000 Emissions Inventory Research
- \$118,600 Federal/State Legislative Advocates
- \$130,800 Temporary Service Labor
- \$ 96,000 RAAN, Air Alert, & and Flag Outreach and Events
- \$ 75,000 Outreach for Grant Programs
- \$ 66,000 Outreach for District Events
- \$ 41,501 Kern County Payroll Administrative Fee



# Fixed Assets

## Changes

• Office Improvement	\$ (175,552)	(81%)
• Facilities & Equip	73,002	292%
• Computer Equipment	(149,618)	(17%)
• Office Furniture & Equip	(28,107)	(53%)
• Office Machines	(61,857)	(53%)
• Detection Equipment	(3,203)	(18%)
• Automobiles	(267,519)	(47%)
• Air Monitoring Automation	(450,000)	(100%)
• Air Monitoring Station Equip	(133,183)	(16%)



# Non-Operating Budget Policy

- Unexpended funding received prior to FY 12/13 is re-budgeted as estimated “reserves released”.
- Revenue budgeted in FY11/12 but not received prior to year-end is re-budgeted in FY12/13.
- All prior unused appropriations lapse and are re-budgeted.
- Annual budget true-up in October adjusts estimated reserves to actual after final FY 11/12 year-end amounts are established.
- No incentive funds are released into the Grants Management System (GMS) for expenditure until the underlying funding is received.



# Non-Operating Revenue

- DMV fee revenues up due to full year of \$12 DMV fee
- Carl Moyer funding continues to trend downward
- VERA/ISR Mitigation fees down due to slow development construction
- Prop 1B new revenue down due to phases 2 & 3 ending, delay in phase 4
- School Bus revenue includes new DERA and SEP school bus retrofit funding
- Federal Diesel Emission Reduction funding includes prior year remaining funds and potential new funding





# Non-Operating Revenue

- Non-Operating Interest lower due to dropping rates and aggressive incentive spending/lower balances
- Funding from Operations is slightly higher
- Administrative Revenue received from State and federal programs is up, but more is deferred to future years
- Administrative Revenue Earned & Transferred to General Fund is less due to administering a higher percentage of non-State/federal projects in FY 12-13
- Fund Balance Reserves Released represents available prior year unspent revenue and interest reserves



# Total Non-Operating Sources

<b>Source</b>	<b>Reserves</b>	<b>New Rev</b>	<b>Total</b>
DMV	\$ 30.16	\$ 39.31	\$ 69.47
Carl Moyer	14.36	8.20	22.56
VERA & ISR	6.80	2.03	8.83
Prop 1B Funding	33.62	20.03	53.65
School Bus	1.4	1.45	2.85
Federal Designation		7.80	7.80
Miscellaneous	2.46	0.02	2.48
GF AERO/Section 185	9.20	5.40	14.60
CEC Block Grant		1.86	1.86
GHG Support	0.25		0.25
<b>Total</b>	<b>\$ 98.25</b>	<b>\$ 86.10</b>	<b>\$184.35</b>

\*shown in millions



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# Incentive Strategy

- Focuses on achieving greatest reductions in expedited manner
- Promotes efficient, immediate access to District funding
- Equal District outreach in all regions
- Maximizes flexibility to meet fund deadlines and provide best possible customer service
- Ensures actual “SIP creditable” reductions
- Provides opportunities to leverage other funds and promote partnerships



# Incentive Strategy

- Key factors considered for distributing incentive funds:
  - Cost-effectiveness
  - Inventory of projects
  - Expenditure timeframe
  - Regulatory deadlines
  - Health Benefits
  - Technology advancement
  - Environmental Justice
- Distribution of funds closely follows population and location of key sources



# Statutory Constraints

- District must comply with strict, prescriptive requirements associated with each funding source
- Current funding is complex matrix of local, state and federal sources
- Each source contains specific requirements, limitations and restrictions
  - Expenditure deadlines
  - Project eligibility
  - Administrative approach for distribution
- Requirements vary significantly between sources



# Statutory Constraints

- Proposition 1B Program
  - Funding must be used on heavy-duty trucks or locomotives (goods movement)
  - No regional preference can be given
  - Must be RFP-based, with projects ranked by cost-effectiveness
- Carl Moyer Program
  - Funding must be primarily used on heavy-duty projects
  - Has strict funding caps, cost-effectiveness cap, and eligibility requirements
  - Must allocate 50% of funds to EJ communities



# Statutory Constraints

- DMV Funds
  - Funding must be used primarily for on-road and off-road mobile source reductions
  - Portions of funds must follow State Carl Moyer and Lower Emission School Bus guidelines
  - Must allocate \$10 million of new DMV funds to EJ communities
- AERO/Rule 3170 Funds
  - Governing Board discretion for emission reduction incentives
- ISR/VERA Funds
  - Preference given to projects near proximity to development projects



# Incentives Spending Plan

- **Community Incentives**
  - Drive Clean! Rebate (electric cars, alt fuels, etc.)
    - Funding: \$2.3 million
  - Tune-In Tune-Up Vehicle Repair
    - Funding: \$4 million
  - Burn Cleaner (residential woodburning)
    - Funding: \$2 million
  - Lawn Mower Replacement
    - Funding: \$1 million
  - REMOVE (vanpools, bikepaths, etc.)
    - Funding: \$1 million





# Incentives Spending Plan

- **Goods Movement Programs**
  - Proposition 1B Heavy Duty Trucks
    - Funding: \$33.6 million
  - Proposition 1B Line-Haul Locomotives
    - Funding: \$20 million
  - Railyard Switcher Locomotives
    - Funding: \$5 million



# Incentives Spending Plan

- **Heavy Duty Diesel Programs**
  - Agricultural Equipment Replacement
    - Funding: \$43.3 million
  - Agricultural Irrigation Pumps
    - Funding: \$2 million
  - Small Business Truck Voucher
    - Funding: \$9.2 million
  - Construction Equipment Replacement
    - Funding: \$6.8 million
  - Refuse Fleet Replacement
    - Funding: \$4 million



# Incentives Spending Plan

- **Advanced Transportation/Vehicles**
  - Public Benefit Grants
    - Funding: \$20 million
  - Electric Vehicle Strategic Plan for San Joaquin Valley
    - Funding: \$275,000
- **School Bus Replacement & Retrofit**
  - Valley School Bus Replacement/Retrofit
    - Funding: \$18.3 million
    - This local funding will not be spent if state action results in the curtailment of school bussing
  - Statewide Retrofit Program
    - Funding: \$1.5 million



# Incentives Spending Plan

- **Regional Assistance**
  - Energy Efficiency Partnership (36 cities/counties)
    - Funding: \$1.6 million
  - Greenhouse Gas Mitigation Assistance
    - Funding: \$250,000
- **Technology Advancement**
  - Mobile Source and Renewable/Waste to Energy (advanced electric trucks, dairy digesters, etc.)
    - Funding: \$7.5 million
  - Zero-Emissions Commercial Lawn and Garden
    - Funding: \$500,000

# Reserves & Contingency

	<u>Balance</u>	<u>Increase</u>
<b>General Reserve</b>	\$4,100,000	\$100,000
<ul style="list-style-type: none"><li>Board established minimum of 10% of operating revenues</li></ul>		
<b>Major Building Maintenance Reserve</b>	\$443,000	\$65,000
<b>VTC &amp; Telecom Reserve</b>	\$1,500,000	\$750,000
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<b>Appropriation for Contingencies</b>	\$850,000	