

Agenda Date: May 15, 2014  
Agenda Placement: Regular  
Estimated Time: 15 Minutes  
Continued Item: No

## Board Agenda Item

TO: Air Pollution Control District Board  
FROM: Dave Van Mullem, Air Pollution Control Officer  
CONTACT: Bob Van Beveren, Administrative Manager (961-8863)  
SUBJECT: Fiscal Year (FY) 2014-15 Proposed Budget

---

### RECOMMENDATION:

1. Receive the Proposed Budget for FY 2014-15;
2. Hold a public hearing to accept comments, and provide direction to staff regarding changes desired by the Board; and
3. Schedule a budget adoption hearing for June 19, 2014.

### DISCUSSION:

#### Public Review and Board Adoption Process:

Your Board is requested to hold a public hearing to review the attached proposed APCD budget for FY 2014-15 and to provide the public with the opportunity to comment. A second public hearing must be held to adopt the budget and it is requested to be set for the next regularly scheduled Board meeting on June 19, 2014.

As required, the proposed budget was made available to all fee payers and to the general public at least 30 days in advance of this hearing. The proposed budget was posted on the Internet and notices were mailed to all permit holders on April 4, 2014. Notice was also published in local newspapers on April 6, 2014. In addition, staff conducted a public workshop on April 15, 2014 to explain the budget, answer questions, and receive input.

## Proposed Budget Overview:

### FY 2014-15 District Budget at a Glance

We are proposing to increase staffing levels by 1.0 FTE and the Proposed FY 2014-15 budget of \$9,710,695 is \$757,293 more than the Adopted FY 2013-14 budget of \$8,953,402.

### Budgetary Highlights and Major Factors Affecting the FY 2014-15 Budget

Reevaluation fee revenue is entering the high-year of its 3-year cycle and therefore the revenue is projected to increase by \$581,685 from the prior year to \$1,061,685. We have a Reevaluation Cycle revenue stabilization designation account for the purposes of smoothing out the peaks and valleys in our operating budget. For FY 2014-15 (the high-year for reevaluation fees) we are proposing to deposit into this designation account \$200,000.

We are proposing to add to our current staffing levels by 1.0 FTE. The District has significantly reduced its staff levels over the last several budget cycles in order to align our expenditures with reduced revenues as our program continues to mature and air quality improves. However, due to increased work load the Engineering division is requesting one Engineer to focus primarily on Air Toxics.

Salaries and Benefits has increased from the prior year due to obligations negotiated between the bargaining groups and the District in FY 2013-14, as approved by your Board.

In FY 2009-10 your Board adopted a prefunding plan for retiree health benefits, which is a more cost effective option than a pay as you go basis. At that time, the Board further adopted an earmarking and gradual transfer of a portion of discretionary designations (totaling \$1,180,900) to the 401(h) trust in order to eventually fully fund the retiree health benefits and eliminate the District's need to pay the benefits annually out of its operating budget. While prefunding will eliminate this ongoing expenditure, the process of making annual transfers will temporarily inflate the operating budget. We do not consider this release of designation an operational deficit, as it is transferring assets from one savings account to another, and will cease when complete. We are proposing to transfer \$242,080 during FY 2014-15.

No fee increases are proposed for FY 2014-15 other than a 1.4% Consumer Price Index (CPI) adjustment in fees that is authorized by APCD Rule 210.

### Revenues

Our proposed revenues of \$8,228,296 represents an increase of \$522,998 compared to the FY 2013-14 total of \$7,705,298. This is primarily due to the three year permit reevaluation revenue cycle and annual emission fees offset by interest earnings being lower due to the current economy and Data Acquisition System (DAS) fees being lower due to a 50% discount being given to bring down the DAS fund balance.

### Staffing

The current staffing levels present the management challenge of complying with existing and new state and federal mandates while maintaining a high level of service in major program areas such as rule development, planning, permitting, compliance, inspection, air monitoring, air toxics, interagency review, and financial reporting. The District is requesting 1.0 FTE be added for FY 2014-15 for an Engineer in the Engineering Division.

### Expenditures

Our FY 2014-15 operating budget of \$9,491,972 represents an increase of \$758,522 compared to FY 2013-14 of \$8,733,450, which is primarily attributed to:

- Under salaries & benefits, the increase is primarily attributed to the addition of an Engineer, a COLA and increase in benefits costs, increase in worker's compensation costs, an increase in retirement costs, and merit increases.
- Under services & supplies, the increase can be attributed to the County increasing the District's share of costs through their Cost Allocation Plan by \$65,445, also the District plans on leasing three new Electric/Hybrid Vehicles which is projected to cost \$17,000. In addition, we will be conducting an update of the strategic plan. We continue to make progress on marine shipping, and are part of a partnership that received grant funding for implementing an incentive vessel speed reduction pilot project in the Channel. The District also plans to commit grant funds to help launch the implementation of this important program. The proposed ITG grant program expenditures have increased to reflect this marine shipping project and to enhance other ongoing Board approved programs.
- Under other charges, an increase of \$17,954 is primarily due to a 10% anticipated increase to the liability insurance premiums.
- Under fixed assets, the District plans on purchasing air quality monitoring instruments in FY 2014-15 for \$70,000 and three new vehicles (air monitoring, inspector truck, and source test) for \$100,000. Funds for these purchases come from prior year savings especially designated for these assets.

### Discretionary Designations

Discretionary designations, not funded by categorical revenues or for specific and presently quantifiable purposes, under new financial reporting guidelines, are lumped together as "Unassigned" fund balance in the APCD's Comprehensive Annual Financial Reports (CAFRs).

For FY 2014-15 we are proposing to draw from the Operational Activity fund designation for a one time expenditure for the strategic plan update and to help fund the new engineer position.

### Major Efforts during FY 2014-15

- Complete process to update District's Environmental Review Guidelines to address greenhouse gas emissions.
- Implement a vessel speed reduction pilot project in the Santa Barbara Channel.
- Continue the rule making process towards development of a draft New Source Review rule to address offset issues.
- Complete the triennial update of Clean Air Plan for state ozone standard.
- Develop and adopt new and revised rules as required by the Clean Air Plan.

- Green House Gases – Implement early action measures for semi-conductor and landfill gas regulations.

In addition, other important activities will continue. Such activities include efforts to reduce emissions and educating the public through extensive outreach programs. Examples of these efforts include, issuing permits, conducting inspections of permitted equipment, publishing newsletters, improving computer automation services, and enhancing our web site.

Finally, to ensure that we are working effectively, we monitor our success through impact and performance measures and use the information to improve our effectiveness and efficiency. These impact measures are included in the attached budget document.

#### Anticipated Adjustments to the Proposed Budget for June

The proposed budget will be modified based on your Board's direction at the May hearing. Once the proposed budget is adopted, an adopted budget document will be published.

#### **ATTACHMENT:**

Fiscal Year 2014-15 Proposed Budget