

Agenda Date:	May 15, 2008
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Continued Item:	No

Board Agenda Item

TO: Air Pollution Control District Board

FROM: Terry Dressler, Air Pollution Control Officer

CONTACT: Donald Kendig, CPA, Business Manager (961-8854)

SUBJECT: Fiscal Year 2008-09 Comprehensive Program Summary and Proposed Budget

RECOMMENDATION:

1. Receive the Comprehensive Program Summary and Proposed Budget for Fiscal Year 2008-09;
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, 2008.

DISCUSSION:

Attached you will find the Comprehensive Program Summary and Proposed Budget for the 2008-09 fiscal year (FY).

Proposed Budget Overview

Budgetary Highlights

The Proposed FY 2008-09 budget is \$224,758 (or 2.4%) higher than the Adopted FY 2007-08 budget, we are proposing to maintain staffing levels, and we are pleased to report that we have eliminated our need to use designations to balance our salary budget, reducing it to zero from an adopted \$223,481 in FY 2007-08.

The FY 2008-09 proposed budget is characterized by our fourth year of a long term plan to bring our expenditures in alignment with our revenues. For the last four out of five fiscal years the APCD's budgeted expenditures have been greater than our budgeted revenues, and we have had to budget, in the form of a release of designations, previously accumulated discretionary funds in order to balance our budgets, the balances of which are described in our designations schedules on pages four and five.

Retirement rates have increased from 20.1% of pensionable earnings to 26.7% due to a change in actuaries and the methodologies used for determining how much the benefits, and ultimate retirement liabilities cost. This equates to a \$308,151 cost increase over the prior year cost of \$817,283.

In the past four years our actual revenues have exceeded our projected, and ultimately budgeted, revenues. This year we conducted a study of our annual revenue budget estimates. The revenue estimating study analyzed the previous four years of budgeted revenues to their resulting actual. A number of revenue sources appeared to be very conservatively estimated. Therefore we have made adjustments to our estimates in this year's budget to more accurately reflect what revenue we expect to realize.

Due to how closely we have projected the balance of our revenues and expenditures, we will ask the Board to authorize the Air Pollution Control Officer (APCO) to release discretionary designations during the fiscal year, if necessary, to offset any unforeseen reductions in projected revenues. We believe this discretion to be prudent due to uncertainties of the State and Federal budgets.

Revenues

No fee increases are proposed for FY 2008-09 other than the estimated 3.0% CPI adjustment in fees that is authorized by APCD Rule 210.

We expect some increases in revenue due to increased permit reevaluation fees, inspection fees from the Air Resources Board's (ARB's) Portable Equipment Registration Program (PERP), SBCAG pool car usage, and the EPA grant.

Proposed decreases include an Annual Emission Fees decrease due to emission decreases made by our sources, particularly Celite, as well as a Reimbursement Charges decrease as a result of a reduction in the amount of State provided Moyer grant funds budgeted to be received.

Lastly, we propose no use of discretionary designations to balance operational salaries in the FY 2008-09 budget.

Staffing

Since FY 1999-00 we have reduced staffing by 10.25 FTE positions (or 15.2%). The APCD is proposing to maintain the 51.25 full time equivalent employees (funded positions). 51.25 FTE positions are a 54.6% reduction from the FY 1992-93 staffing peak of 113.0 positions. The current staff face the challenge of continuing to comply 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, inspection, air monitoring, air toxics, and interagency review.

It is important to note that, while we believe we can continue to achieve our mandated goals with the proposed staffing levels, we are staffed very thinly. Any prolonged absence of an employee due to illness or family leave could prevent us from achieving our mandated activities timely. We are currently operating below optimal staffing levels.

Expenditures

The FY 2008-09 Expenditure Plan of \$9,946,517 represents an increase of \$224,758 (or 2.4%) compared to FY 2007-08 of \$9,241,759, which is primarily attributed to COLAs, step increases, and retirement rate increases, offset by a reduction in County Cost Allocation charges, savings from hiring new employees at lower steps, and reductions in contributions to other governmental agencies.

The net \$43,206 (or 1.5%) decrease in Administration is where the savings from the County Cost Allocation Plan (CAP) Charges reduction is realized. CAP charges are the passing of a portion of the County's overhead costs to the District for the services the County provides to us, such as Treasury, Accounting, and Legal. The \$145,446 (or 6.7%) increase in Engineering & Compliance (ECD) is primarily due to step increases for the newer employees being more pronounced, since ECD has the lion's share of the APCD's new employees hired during 2007-08. The savings of the new employees at lower steps and levels were budgeted and realized during the previous fiscal year, for which, the increase are elevating from. The net \$95,987 (2.4%) increase in Technology and Environmental Assessment (TEA) is primarily attributed to salary and benefits increases, offset by reductions in contributions to other governmental agencies.

Under the Character of Expenditures, despite the proposed COLA of 3%, Salaries increase only \$23,875 (or 0.6%) due to the savings realized in hiring additional new employees at lower steps in fiscal year 2007-8 that were not already budgeted. The net increase of \$171,683 in Benefits is from the retirement rate increases, offset by a handful of employees that opted out of the APCD's health insurance benefits.

The retirement increase was unanticipated. The FY 2008-09 increase is due to the retirement system hiring new actuaries and more accurately valuing the pension obligations. We do not anticipate another increase, for this reason, occurring again. Services and supplies increase modestly, primarily due to an increase in the amount of grants to be issued. The reduction in fixed assets reflects the completion of the data logger upgrades for the Data Acquisition System, offset by a vehicle needed in ECD.

Comprehensive Program Summary Overview

Major accomplishments, events, and highlights during FY 2007-08:

- One exceedance of the federal eight-hour ozone standard.
- Two exceedances of the one-hour State ozone standard.
- Together with EPA, the California Air Resources Board, and other partners completed the first marine container vessel retrofit program.
- Developed and obtained Board of Directors approval of the 2007 Clean Air Plan to comply with federal and state planning requirements.
- Maintained cooperative working relationship with agricultural community to adopt registration program for agricultural engines.
- Coordinated with County Fire and Public Health Departments to advise the public during air quality episodes created by smoke from the Zaca Fire and following ash and dirt storms.
- 1,149 inspections and 260 permitting actions in calendar year 2007.
- Response to 187 air pollution complaints in calendar year 2007.
- Issued \$1,160,813 in clean air grants.

Major efforts during FY 2008-09:

- Continue efforts to build partnerships to reduce marine shipping emissions.
- Continue efforts to "clean the fleet" by working with local fleet vehicle operators, transit and school districts to re-power, retrofit or replace diesel engines.
- Evaluate grant applications submitted in response to APCD's "Call for Projects" and issue grant funding according to APCD Board, Carl Moyer Program and AB923 criteria.
- Identify and pursue partnerships to provide economic benefits to local industries through the demonstration of innovative technologies to reduce air pollution
- Install a real-time particulate matter (PM₁₀) monitor at the Lompoc H Street monitoring station.

- Obtain USEPA approval of the 2007 Clean Air Plan.
- Implement and administer the Air Toxic Hot Spots program, including risk notification and risk reduction requirements of significant risk sources, website maintenance, public meetings, and preparation of updated risk assessments.
- Process and issue permits meeting all applicable timelines. Permit processing includes: application completeness review, meeting with applicants, written correspondence, permit drafting, engineering evaluation, site visits, public review (when applicable) and issuance. Implement the revisions to APCD rules 361, 202, and 333.
- Update and improve permit application forms, permit guidance documents and permitting and enforcement policies, and make available on the APCD's Web page.
- Continue the automation of the permit process by updating our permit data entry and permit system automation programs.
- Install web based Payroll and Human Resource software.
- Develop uncollectible account charge-off policy and procedures.

In addition, other important activities will continue. Such activities include efforts to reduce emissions, to educate the public, and to obtain feedback from our customers. Examples of these efforts include, issuing permits, conducting inspections of permitted equipment, publishing bimonthly newsletters, improving computer automation services, and enhancing our web site.

Finally, to make sure 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.

Public Hearing

Public Review and Board Adoption Process

Your Board is requested to hold a public hearing to review the proposed APCD budget for FY 2008-09 and to provide the public with the opportunity to comment. A separate public hearing must be held to adopt the budget. 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 11, 2008. Notice was also published in local newspapers on April 13, 2008. In addition, staff conducted two public workshops on April 22 and 24 (in Santa Barbara and Santa Maria, respectively) to explain the budget, answer questions, and receive input.

Potential Changes and Corrections to Proposed Budget

The proposed budget will be modified based on your Board's direction at the May hearing and presented for adoption at the June hearing. Other modifications prior to the June adoption hearing will include typographical corrections, an update of the cost-of-living fee adjustment based on the final April-to-April consumer price index figures, and incorporation of any updated information about cost or revenue.

ATTACHMENT:

Fiscal Year 2008-09 Comprehensive Program Summary and Proposed Budget