

June 13, 2006

Air Pollution Control Board  
800 South Victoria Avenue  
Ventura, CA 93009

SUBJECT: PUBLIC HEARING ON THE PROPOSED FISCAL YEAR 2006-2007 BUDGET

RECOMMENDED ACTION:

Hold first of two public hearings on the Ventura County Air Pollution Control District (District) Proposed Fiscal Year 2006-2007 Budget pursuant to Health & Safety Code Section 40131(a)(3)(B) for the exclusive purpose of reviewing the Proposed Budget and providing an opportunity for public comment.

STATEMENT OF MATTER FOR BOARD CONSIDERATION:

**A. Fiscal Year 2006-2007 Proposed Budget Overview**

The net District cost is \$1,552,000. However, after excluding \$300,000 for contingencies, the net cost is \$1,252,000. Total FY06-07 proposed operating appropriations, excluding contingencies are \$22,400 less than FY05-06 adopted budget. Total FY06-07 proposed operating revenues are \$61,900 less than FY05-06 adopted budget.

The proposed appropriations are \$22,400 less than the current fiscal year adopted budget. This decrease is due to a reduction of \$264,900 in services and supplies, which is mainly due to the personal computer and software replacements completed in the current fiscal year (\$200,100).

In the salaries and employee benefits, one (1) Public Information Specialist and one (1) Air Quality Engineer II allocations are proposed for deletion effective June 18, 2006, (\$253,200). Currently, both are filled positions. Retirement contribution which includes the Pension Obligation Bond (POB) Debt Service (\$139,000), regular salaries (\$81,100), termination payoff/buy down (\$14,100), and SDI contribution (\$18,400) are all increasing while Workers' Compensation (\$33,700) decreased. The proposed salaries and employee benefits appropriations are \$216,500 more than the current fiscal year adopted budget.

The estimated revenue (excluding pass-through grants) is about \$61,900 less than the current year budget. This is largely due to the anticipated sixteen percent (16%) decrease in the federal Clean Air Act Section 105 Grant (\$169,600), not receiving a Cost Allocation Credit

(\$75,800), decrease in permit renewal fees (\$70,800), and a decrease in permit applications (\$29,000). In addition, the Pacific Custom Materials civil settlement is paid off (\$25,000). Part of the revenue decreases will be offset by an increase in emissions fees due to the ten percent (10%) fee increase approved by your Board in April 2006 (\$169,700), and the increase in revenue from the Motor Vehicle surcharge fees (\$133,400). However, \$200,000 of the Motor Vehicle surcharge fees is estimated to fund pass through grant projects.

The Proposed Fiscal Year 2006-2007 budget revenue represents staff's best conservative estimates. The estimates take into consideration historical revenue trends, rule changes affecting emissions and emissions based fees, and discussions with state and federal air quality officials regarding estimates of subvention and grant funding in the budget year.

The Proposed Budget includes \$25,000 to once again support Dial-A-Route. This funding level of \$25,000 is the same as the current fiscal year, and was reduced from the \$50,000 level provided in FY2002-2003. As the District is required to pass through a portion of our DMV fees, a reduction of the Dial-A-Route funding would not benefit the APCD operating budget.

## **B. Public Notice**

The Fiscal Year 2006-2007 Proposed Budget was reviewed by the Board Standing Committee at its meetings on March 14, 2006, and April 18, 2006. The Standing Committee unanimously recommended the Board approve the Proposed Budget for Fiscal Year 2006-2007. The proposed budget was sent to Board members under separate memo and, as required by state law, filed with the Clerk of the Board at least 30 days prior to today's budget hearing pursuant to Health & Safety Code § 40131(a)(1). Notice to the public and to persons subject to District fees has been provided.

## **C. Reserves and Designations**

The Proposed Budget also includes District staff recommendations to establish appropriate Reserves and Designations that comprise the Fund Balance. The primary components of the Reserves and Designations are General Reserve, Designation for Fee Stabilization, Designation for Unanticipated Fixed Asset Acquisitions, Designation for Potential Litigation, and Designation for Estimated Motor Vehicle Fee Projects that have not been appropriated.

While not required, it is strongly suggested the funds in our Fund Balance be reserved or designated for specified uses.

## **D. Fund Balance**

The Fund Balance is projected to decline this coming fiscal year and continue to decline in the future even with reductions in staffing and fee increases. The rate of the decline is expected to slow down because the improving securities and bond markets should reduce future retirement contribution rates. The pension obligation bonds will be paid off in June 2008 and our liability

insurance premiums should drop significantly in FY2007-2008.

Still the rate of decline in the fund balance will necessitate further revenue enhancements and reductions in District staffing. Staff has prepared a plan to address the District's structural deficit of approximately \$600,000 via revenue enhancements, staff reductions, and non-essential program reductions. This plan will need to be implemented during FY 2006-2007.

Staff has also endeavored to reduce expenditures by scrutinizing all expenditures for savings.

Motor vehicle registration fees are increasing. Staff will be reviewing the need for an increase in permit renewal fee rates that would be effective July 1, 2007. At this time, the need for a permit fee rate increase seems obvious. Further, this next fee rate increase would be in the range of 10 percent.

#### **E. Additional Information**

District Staff has been working with our local Congressional delegation to secure our federal Clean Air Act Section 105 Grant, which has been proposed for reduction. To date, we have had positive feedback from our Congressional delegation. Staff is also coordinating with national organizations on this effort.

Staff and the California Air Pollution Control Officers Association (CAPCOA) have been successful in avoiding any additional cuts to our state subvention funds. Staff has also been working diligently to increase our state subvention funding. These efforts are being coordinated via CAPCOA. To date, a proposal to double state subvention to all local air pollution control districts has passed Budget Committees in both the state Senate and Assembly.

All possibilities of new or enhanced revenue sources will need to be explored, along with staff and program reductions to get the District on firm financial footing.

#### **F. Fiscal Years 2007 and 2008 Projections**

In 2000, your Board's Standing Committee asked District staff to look at possible program changes two years out. We have done that, and in summary, concluded there will be few, if any, resource changes to the budget. Following are the key program changes staff identified that are likely to occur in FY07-08 and FY08-09:

Compliance Division: Compliance Division workload related to source tests at gasoline dispensing facilities and locating emergency diesel engines will be decreasing. We expect an increase in workload for inspections of portable equipment subject to the CARB's portable equipment registration program, and diesel engines subject to the CARB's Air Toxic Control

Measure for agricultural engines. An increase in the funds provided by CARB to enforce their portable equipment registration program will help provide resources for this program. A minor increase in workload is expected for enforcement of CARB's idling regulations for school buses and trucks; however, resources for this effort can be funded using DMV vehicle registration fees.

Engineering Division: No major changes are expected in Engineering Division workload for our permitting, air toxics, point source inventory, and rule development programs. We expect the permit workload to stay at the reduced level we are currently seeing, and any increased workload can be handled with existing staff resources.

Monitoring and Planning Division: Planning workload is expected to be stable. We will see a decrease in workload related to the District's Air Quality Management Plan (AQMP) outlining how we will attain the federal eight-hour ozone standard throughout the county. Staff resources can then be redirected to review of project environmental impact reports and ongoing reporting with respect to state and federal air quality standards. Monitoring workload is also expected to be stable. A workload decrease from the possible decrease in one monitoring site would be offset by an increase in monitoring parameters at other sites.

Projection Summary: The fund balance continues to decline even with reductions in staffing, reductions in operational expenses and fee increases. District staff will continue to review all programs and reduce any non-mandated programs that do not effectively result in real air quality benefits. Our current projections suggest a fee increase of approximately 10 percent will be needed in FY07-08 to smoothly maintain the fund balance between four to six months of operating expenses to meet your Board's fiscal policy. In addition, District staff will continue to explore all options for revenue enhancements.

We should see a decrease in our net cost by approximately \$450,000 in FY08-09, if everything else stays the same. The Pension Obligation Bond (POB) of approximately \$250,000 will be paid off in June 2008, and liability insurance of approximately \$200,000 should drop off by FY07-08. We're estimating our retirement contributions will start to go down or will be at the same rate as in our FY06-07 proposed budget. The reduction, if any, was not included in the estimated net cost decrease. In addition, historically, actual revenue from fines has been closer to \$300,000 than at the level we include in our budget of \$100,000. DMV surcharge fees are increasing at a rate of approximately \$50,000 annually.

The Auditor-Controller, County Counsel, and Human Resources have reviewed this letter. If there are any questions, please call me at 645-1440, or Vickie Workman (fiscal) at 645-1416.

MICHAEL VILLEGAS

Air Pollution Control Officer

Fiscal Year 2006-2007 Proposed Budget - on file with the Clerk of the Board

Attachment: Fiscal Year 2006-2007 Proposed Budget