

District to develop long range financial planning and serves as a safeguard against future financial difficulties.

Highlights of the Proposed Operating Budget:

- The net District cost is \$777,320. Excluding the \$300,000 for contingency and the \$90,000 property improvements associated with the remaining renovation work of 4567 Telephone Road Building, the net cost for operations is \$387,320.

The \$387,320 net operating cost is due to several one-time expenditures and capital outlays that are necessary for improved operational efficiency. The total cost of these one-time/capital expenditures is approximately \$390,000. Therefore, excluding such one-time expenditures, the District's proposed budget has a zero net cost for its regular and routine operations. Further explanation of the one-time expenditures and capital outlays are shown below.

- The proposed funded staffing level (Fund O700 and O701) is the same as last year - 47 full-time equivalents (FTE) and 3 student workers/extra-help. The proposed staffing includes funding to reclassify three (3) Office Systems Coordinator III to the IV level or to an appropriate classification that accurately reflect the changes in job duties as a result of the major changes to the District's network infrastructure and overall modernization efforts. Staff will bring to your Board the approval of the reclassification at a later date.

A. Comparison between Proposed FY 2022-2023 Operating Budget and FY 2021-2022 Adopted Budget (Attachment 1.1):

- The total Proposed Operating Expenditures in FY 2022-2023 of \$8.78 million represents a slight increase of approximately \$51,000 or 0.59% over the current FY 2021-2022 Adopted Budget.
 - The proposed salaries and employee benefits appropriations are \$264,400 more than the current fiscal year adopted budget. Memorandum of Agreements will be renegotiated this year and a conservative 2.5% placeholder for general salary increase or market-based adjustments is included. Also, several vacancies were filled in the current fiscal year with experienced new hires at a higher salary range. (\$178,900 – Account 1101).
 - The proposed appropriations for services and supplies are \$44,630 more than the current fiscal year adopted budget. While majority of the routine expenses decreased, the premium for the County's general liability insurance increased (\$53,400 – Account 2071).

- The proposed appropriations for fixed assets are \$257,950 less than the current fiscal year adopted budget. Majority of the expenditures from the building renovation has been completed in the current fiscal year. The proposed budget anticipates the completion of the remaining work associated with the renovation of the new District office. The following fixed assets are either one-time or not incurred yearly (replacement will only occur when fixed asset is broken or require upgrade) but are in line with and necessary for the agency's modernization effort.
 - Trash Enclosure Renovation - \$60,000. This was budgeted in the current fiscal year but postponed to next fiscal year.
 - Re-painting of building exterior - \$30,000
 - Enforcement Inspection and Safety Equipment - \$30,000. This was budgeted in the current fiscal year but postponed next fiscal year.
 - Monitoring program equipment - \$55,000. Replace old and outdated equipment.
 - Replace four (4) old District vehicles - \$175,000. Majority of District vehicles are between 8-10 years old. Combination of mileage and age of the vehicle are the basis considered for replacement. Through the approved Southern Edison Charge Ready Rebate Program, the District will soon have five (5) electric vehicle charging stations with dual ports to support the conversion of the District's vehicles to full electric.
 - Programmer fees to update internally-developed software applications - \$140,000.
- The total Proposed Operating Revenue is estimated to be \$284,610 more than the current fiscal year adopted budget. The majority of the estimated increase in revenues are from the Emission fees (\$222,000 – Account 8721), new Permits (\$41,760 – Account 8731), and Asbestos fees (\$80,000 – Account 8771).

B. Fund Balance - Provisions

The Proposed Budget includes staff recommendations to establish allocations of the Fund Balance, which are in conformity with the Governmental Accounting Standards Board (GASB) 54 ruling. Under GASB 54, the fund balance components are Nonspendable, Restricted, Committed, Assigned, and Unassigned. There are no provisions for the Nonspendable, Restricted, and Committed fund balance components. The proposed Fund Balance Provisions for Fiscal Year 2022-2023 (Attachment 2) will consist of the following: Assigned Fund Balance with provisions for Fixed Asset Acquisitions, Litigation, and Appropriated Fund Balance equivalent to the anticipated gap between appropriations and estimated revenues in FY 2022-2023; and Unassigned Fund Balance for the residual amount of the fund balance that is not restricted, committed, or assigned. The Unassigned Fund Balance includes the fund balance that

is within the targeted fund balance reserve of four to six months of the Proposed Budget Appropriations (Operating Expenditures). Analysis of Unassigned Fund Balance as of June 30, 2022, is shown in Attachment 2.1.

C. Fund Balance - Status

Due to salary savings from vacant positions and reduced or postponed expenses, the prior year's financial result related to District's normal operations did not affect the fund balance. District staff estimates, in the current fiscal year, the fund balance will continue to be above the targeted reserve.

Additional Information:

- The proposed budget includes \$50,000 for the Ventura County Transportation Commission (VCTC) County-wide Traffic Model. Funding is consistent with the March 1, 1994, Memorandum of Agreement between the District and VCTC. The Proposed Budget also includes \$25,000 (Increment 1) to support an electric vehicle charging infrastructure program or other motor vehicle emission reduction program.
- Based on prior year actuals, the District is likely to receive additional revenues from fines and penalties of approximately \$80,000-100,000. This additional revenue, when taken into consideration, could lower the net cost.
- The proposed budget includes an automatic California Price Index (CPI) adjustment to the permit renewal fee. Permit revenues are not fully covering stationary-related expenditures. The CPI reported by the California Department of Industrial Relations for the period of April 2020 to April 2021 is 4 percent.

Conclusion:

The District is focused on core programs and staff will continue to seek out revenue opportunities, improve operational efficiency, reduce any non-mandated programs that do not effectively result in real air quality benefits, and scrutinize its expenses. Staff strives to work with the community, industry, and regional partners to find reasonable solutions to protect public health and agriculture from the adverse effects of air pollution and to maintain state and federal air quality standards.

The Proposed Budget for FY 2022-2023 shows appropriations will exceed revenue. Excluding the \$300,000 budget for contingency, the net District cost includes one-time operating expenditures and capital improvements that are necessary and essential for the District's operation and its modernization efforts. The existing fund balance is sufficient to cover the net cost. Fiscal policies are conservative and strong internal controls are maintained to avoid financial risks.

In summary, the District will remain fiscally secure and well positioned to respond to its financial needs in FY 2022-2023.