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**FISCAL YEAR 2017/2018
CAPITAL BUDGET
Preliminary**

May 22, 2017

EXECUTIVE SUMMARY

The District's Capital Budget is comprised of two major components - 1) the Restricted Grants Budget and the 2) Operating Budget. Each budget has two separate fund accounts to facilitate the tracking of funds in both budgets and to allow the public better comprehension of the District's overall capital budget. A line-item spreadsheet of both the Restricted and Operating Budgets follows.

RESTRICTED GRANTS BUDGET

The Restricted Grants Budget is solely for pass-through grants from the State of California or the Federal Government (U.S. Environmental Protection Agency) to reduce air pollution emissions in areas where public health is most impacted. The District will be administering this budget through a variety of grant programs, incentives, rebates and public education in cooperation with other local agencies and businesses. For a detailed breakdown of all line items for the Restricted Grant Budget, please refer to the restricted budget spreadsheet.

AB2766 Grant Programs

The District administers the State's AB2766 DMV surcharge grant money to worthwhile projects throughout all three counties of the District. This funding comes from a DMV surcharge fee for each registered vehicle in each county. Nevada and Plumas County charge a fee of \$4/vehicle. Sierra County charges a fee of \$2/vehicle.

Project proponents go through a sometimes competitive process to request full or partial sponsorship for projects which reduce vehicle emissions. \$225,895 of AB2766 funding is slated for approval to be used during Fiscal Year 2017/2018 for projects throughout all three counties. Final grant approvals will be made in September or October 2017. After the Board allocates funds for individual AB projects, any funds which are not allocated to a project go into each county's AB 2766 total allocation account as carryover. These amounts will be added back in to each county's AB allocation in time for the following year's Board approval of projects.

In addition to the FY 2017/2018 AB projects, there is \$309,999 expected to be expended for various encumbered projects. These funds are earmarked in the Restricted Grants Fund Balance.

There was \$5,499 remaining in account # 588-200-39 (Portola Woodstove Mitigation). The Board allocated this fund to a woodstove changeout program in the Portola area. In 2016, the Board allocated 33,211 of AB2766 funds to Account # 580-200-93 (Portola PM Mitigation). This budget reflects a transfer of the remaining \$5,499 from Account # 588-200-39 (Portola Woodstove Mitigation) to Account # 580-200-93 to be utilized in a

woodstove changeout program in the Portola area.

AB923 DMV Surcharge Fees and Programs

AB923 is only implemented in Plumas County. This funding comes from a DMV surcharge fee of \$2 per each vehicle registered in the county. The District receives 6.25% as an administrative fee. This year, the District expects to receive approximately \$50,000, \$3,125 is utilized for administrative funding. This funding is to be utilized for replacing old diesel school buses per the state's Lower Emission School Bus program or for reducing heavy duty diesel emissions, similar to the Carl Moyer program. Recently the state has approved that this funding can also be utilized for infrastructure for alternatively fueled, low emission school busses. The current fund balance of AB923 funding is \$121,705, providing a total of \$165,580 available for expenditure during FY 2017/2018.

Carl Moyer Heavy Duty Diesel Emission Reduction Program

The District administers the State's Carl Moyer Heavy Duty Diesel Program throughout all three counties in the District. This program is intended to provide incentives to owners of heavy duty diesel engines to retrofit these engines to lower emitting models. This is easily one of the most cost-effective and pollution reducing programs that the State sponsors and the District administers.

For fiscal year 2017/2018, the District expects to receive revenue of Carl Moyer funding of \$200,000. The District receives 12.5% administrative fee, leaving \$175,000 for the grant program and \$25,000 administrative fee which is revenue for the internal operating budget. The current fund balance amount of Carl Moyer funding is \$4,853, providing a total of \$179,584 available for expenditure during FY 2017/2018.

EPA's Targeted Air Shed Grant

The Air District was approved for a \$2.48 million grant from the U.S. Environmental Protection Agency (U.S. EPA) to reduce air pollution from residential woodstoves. The grant is part of the U.S. EPA's 2015 Targeted Air Shed Grant Program intended to improve air quality in areas of the U.S. with the highest levels of pollution.

In January 2015, the U.S. EPA designated the City of Portola and surrounding parts of Plumas County as a federal nonattainment area for the annual PM2.5 health-based standard. PM2.5 is the fine particle pollution found in smoke. Studies indicate that the main source of smoke in Portola is from residential woodstoves and fireplaces.

U.S. EPA grant funds are administered by the Air District and the California Air Resources Board for a five-year voluntary residential wood stove replacement program to encourage owners to replace older wood stoves with cleaner burning devices and significantly improve air quality and public health in the Portola area.

This will be a five year program (2016-2021) based upon a strict reimbursement basis. Estimates were based upon how much would be spent and reimbursed for each of the five years. The amount of \$1,992,000 for woodstove replacements in the nonattainment area is not to be exceeded over five years. The district estimates that approximately \$398,400 per year will be expended to replace stoves in the nonattainment area. Additionally, the District has been awarded up to \$259,136 for administrative use over the five year period. The District estimates approximately \$59,500 per year will be reimbursed for administrative uses annually.

H&S Woodstove Mitigation Fund

EPA had a settlement with H&S which required H&S to pay a local air district \$400,000 to be used for a woodstove changeout program in a federal nonattainment area. EPA referred H&S to Northern Sierra Air District. An agreement was approved and ratified by the Air District Board during a March 2016 Board meeting. The District had a one-time revenue of \$360,000 deposited into the District's restricted account. Additionally, the District received a one-time revenue of \$40,000 to be deposited into the District's operating budget during FY 2015/2016. Although the district received the funds during FY 15/16, the expenditure of the \$360,000 of funds will occur during FY 15/16, FY 16/17 and FY 17/18.

TIMBER (Truck Improvement Modernization Emission Reduction Program)

The Carl Moyer Truck Improvement/Modernization Benefitting Emission Reductions (TIMBER) Program provides a streamlined approach for replacing older, high-polluting heavy-duty log trucks earlier than required. Although the District has participated in this program during the years of 2013 – 2016, the District will not be participating in FY 2017-2018. There is approximately \$24,531 remaining in the TIMBER restricted fund to be administered. Once that is administered, the TIMBER program will cease.

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT

Preliminary Restricted Budget:
FY 2017 - 2018

Restricted Budget, Fund Balance Accounts			
Account #	Description	FY 2016-2017	FY 2017-2018
301-200-02	Encumbered AB 2766 Funds	214,112	309,999
304-200-01	Planned Expenditures, AB2766 Total Allocation , Nevada Co.	195,932	183,705
304-200-03	Planned Expenditures, AB 2766 Total Allocation, Plumas Co.	35,378	36,337
304-200-04	Planned Expenditures, AB 2766 Total Allocation, Sierra Co.	5,670	5,853
304-200-06	Planned Expenditures, Carl Moyer	75,281	4,584
304-200-10	Planned Expenditures, TIMBER	19,989	24,531
304-200-11	Planned Expenditures, AB923	69,087	121,705
304-200-12	Portola Woodstove Changeout Fund	5,500	0
Restricted Budget, Fund Balance Accounts Total:		\$657,471	\$686,714

Restricted Budget, Revenue					
Account #	Description	FY 2016-2017		FY 2017-2018	
		Grant Funds	Restricted Funds	Grant Funds	Restricted Funds
420-200-01	Govt. Funding, AB 2766 DMV Fees (60% for District Admin)	520,000	208,000	520,000	208,000
420-200-05	Govt Funding, AB923 (6.25% for district admin)	50,000	46,875	50,000	46,875
420-200-18	Govt. Funding, Carl Moyer HD Diesel (12.5% for district admin)	200,000	175,000	200,000	175,000
420-200-91	Govt. Funding, EPA Target Grant for Portola	398,400	398,400	398,400	398,400
421-200-50	Other Income, Interest, Restricted Carl Moyer	0	4,299		4,299
Restricted Budget, Revenue Total:		\$1,168,400	\$832,574	\$1,168,400	\$832,574

Restricted Budget, Expenditures			
Account #	Description	FY 2016-2017	FY 2017-2018
580-200-65	NSAQMD (2015-01, 7,000)	2,993	\$ 470
580-200-52	Nevada County Library, (AB2016-02, \$20,600)		\$ 20,600
580-200-54	Hansen Bros. Enterprises (AB2016-03, \$35,700)		\$ 35,700
580-200-55	Tahoe-Truckee Unified School District (AB2016-04, \$38,844)		\$ 38,844
580-200-51	Superior Court of California (AB2016-05, \$40,000)		\$ 40,000
580-200-63	Town of Truckee (AB2016-06, \$60,787)		\$ 60,787
580-200-76	Incorporated Senior Citizens of Sierra County (2016-01, \$5,670)		\$ 5,670
580-200-10	NevCo Library, Chicago Park Kiosk (AB2014-09, \$33,455)	21,207	\$ 21,207
580-200-69	NevCo CDA & IGS (AB2015-02, 45,000)	45,000	\$ 2,250
580-200-67	Nevada County Public Works (AB2015-04, 30,000)	30,000	\$ 30,000
580-200-07	Nevada County Library (AB2015-05, 25,000)	25,000	\$ 25,000
580-200-71	Nevada County Library (Ab2015-06, 15,500)	15,500	\$ 1,566
580-200-93	Portola PM Mitigation(AB2015-08, 33,211 plus 5499 transferred from 588-200-39	30,192	\$ 27,723
580-200-66	Incorporated Senior Citizens of Sierra County (AB-2015-07,\$5,240)	5,240	\$ 182
580-200-73	Portola MOU (AB-2016-08)	35,378	\$ 29,034
580-200-000	Planned Expenditure of all counties	201,602	225,895
580-200-32	Carl Moyer	250,281	179,584
580-200-30	TIMBER	19,989	24,531
580-200-56	AB 923	115,962	168,580
580-200-91	EPA Target Grant for Portola	398,400	398,400
588-200-39	Portola Woodstove Mitigation \$5,499 transferred to account 580-200-93)	5,500	0
Restricted Budget, Expenditures Total:		\$1,202,244	\$1,336,023

Notes:

1 Carl Moyer interest must be retained within the Restricted Fund and credited to the same account. All other interest can be transferred to the Operating budget per the resolution that established Restricted Fund #6771. Interest shall be apportioned based on the average monthly ratio between the Carl Moyer fund balance and the total restricted

OPERATING BUDGET

The second major portion of the District's overall capital budget is the internal Operating Budget which is outlined in detail in the Operating Budget spreadsheet.

Operating Revenue

Overall, Revenues exceed Expenditures by \$89,271. There is an increase of \$14,826 of predicted revenue from last year's budget. The most significant increase in predicted revenue is likely from the increase in EPA monitoring funding (+ 28,900). A few revenues show a minor increase from the previous year; \$5,000 increase of prescribed burning permit fees, \$1,700 increase in county contribution.

AB 2766 revenue is 37% of total operating revenue. This revenue is used internally for activities that are related to clean air planning and technical studies necessary to implement the California Clean Air Act, and these technical activities should be funded by AB 2766 funds proportionate to the relative contribution of mobile source emissions.

General Administration, the Smoke Management Program, the Planning Program, and the Air Monitoring Program don't have adequate fees to cover costs, and so are supported with State Subvention, county contributions, and miscellaneous revenue line items.

Operating Expenditures

There is an estimated increase of total expenditures from the previous fiscal year of \$34,921. The increase is primarily due to an increase of \$39,171 in the Salaries and Benefits object level. Broken down, the increases in predicted expenditure come from an approved 2% COLA (increase of \$7,604), and an expected increase of \$17,500 to pay for the services of a part-time accounting professional. The District has added a new account # 520-100-03 (IT) which is predicted to expend \$10,000. The District increased its public education amount from \$2,000 to \$5,000. Last, the District plans to spend \$21,430 more on monitoring equipment, primarily web cameras.

Fund Balance

The District has committed to adding \$50,000 annually to the District's Other Post-Employment Benefits (OPEB) account. This account will increase by \$50,000 annually as required by GASB45. The District provides certain postretirement healthcare benefits, as established by Board Policy, to eligible employees through a single-employer plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA) and administered by the District. Employees who retire from the District shall be eligible to be enrolled in a PERS-provided health insurance plan. If the retiree is enrolled in a PERS-provided health insurance plan, the District shall pay 100% of the

first \$9,600 of the retiree's annual premium. Employees hired after July 1, 2014 shall still be eligible to be enrolled in a PERS-provided health insurance plan upon retirement, but the District shall pay 0% of the retiree's annual premium, upon retirement.

GASB 45 determines the annual OPEB financial obligations based upon the current number of eligible employees and retirees. The net OPEB obligation at the end of the year 2016 was determined to be \$368,540. The District's financial auditor recommended and the Board of Directors agreed that the District expend at least \$50,000/annually and add it to the Fund Balance specific to account until the obligation is fulfilled. The District plans to expend another \$50,000 during FY17/18, bringing the total OPEB amount to \$150,000. This expense of \$50,000 will be repeated annually until the District's annually determined OPEB obligation is met.

The District has two separate accounts to express health insurance expenditures. Account # 510-100-13 is for retired employees, and Account # 510-100-06 is for current employees. However, two employees have elected not to utilize the PERS-provided health benefits plan. According to District Policy, in recognition of the subsequent cost savings to the District, the District will pay the employees 40% of the premium costs saved by the District, or \$3,840, whichever is less. Since there are two employees electing not to utilize the PERS provided plan, this total amount is \$7,680. This \$7,680 expenditure is not included in the Health Insurance expenditure, instead it is included in Account # 501-100-00 Permanent Salaries.

1. Equipment Replacements

\$3,000 will be expended to purchase office equipment such as two new computers. The District keeps a list of equipment and their respective depreciation rates.

2. Air Monitoring Program

The Air District receives \$59,500 from the Environmental Protection Agency for the continued operation of the District's Federal Reference Method (FRM) Network for particulate matter. The District will also continue to pay rent for its monitoring laboratory and purchase miscellaneous equipment to continue to run its existing air quality monitoring network. The District has \$28,430 from the EPA to spend on web cameras and monitoring upgrades at all the air monitoring sites.

3. Public Education

The District will utilize \$5,000 to fund its public education program for FY 2017-2018. This includes purchasing ads for emission reductions, incentive and grant programs.

Summary

Expected operating revenue exceeds expected operating expenditures by \$89,271. This includes the \$50,000 annual expenditure to the OPEB fund balance account. The funds received in previous years are encumbered in the District's fund balance accounts, and will be utilized to demonstrate a balanced budget in the final summary, if needed. Although the preliminary budget demonstrates an overall increase to the District's Fund Balance by revenues exceeding operating expenditures by \$89,271, this is crucial to the continuance of the Air District's services. The Air District has experienced a steady decline in its fund balance in previous years to the point where it was almost imperative to employ drastic reductions in expenditures. This predicted increase in the fund balance will assist the District to continue its services in case of any unexpected decreases in revenue in the future.

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT

Preliminary Operating Budget: FY 2017 - 2018

Resource Report		
	3/31/2017	\$ 632,792
	<i>Difference between Cash Available and Fund Balance Accounts Total:</i>	\$ (208)

Fund Balance Accounts			<i>(Used to track earmarked or encumbered funds)</i>	
Account #	Description		FY 2016-2017	FY 2017-2018
301-100-01	General Fund, Undesignated		0	-
301-100-03	Other Post-Employment Benefits		100,000	150,000
302-100-01	Equipment Replacements / Depreciation		102,000	102,000
303-100-00	Leave Liability		56,000	52,000
304-100-02	Air Monitoring Program		80,000	60,000
304-100-03	Public Education Program <i>(See Acct# 540-100-05)</i>		5,000	5,000
305-100-01	Contingency, Leashold Improvements		75,000	59,000
305-100-02	Contingency, Emergency Funds		118,000	118,000
305-100-03	Contingency, Litigation		80,000	87,000
Fund Balance Accounts Total:			\$ 616,000	\$ 633,000

Revenue				
Account #	Description		FY 2016-2017	FY 2017-2018
401-100-02	Fees, Permit to Operate		34,000	34,000
401-100-04	Fees, Vapor Recovery		19,000	19,000
401-100-05	Fees, Variance Application		500	500
401-100-06	Fees, Source Test		2,000	2,000
401-100-07	Fees, Prescribed Burning		13,000	18,000
401-100-10	Fees, Title V, Fed Op Permit		65,000	65,000
401-100-13	Fees, Fire Dept Response		1,500	1,500
401-100-08	Fees, Woodstove Inspections Quincy		1,500	1,500
405-100-01	Penalties, Permitted Source		35,000	10,000
405-100-02	Penalties, Open Burning		2,500	2,500
420-100-01	Gov't Funding, State Subvention		137,600	137,600
420-100-02	Gov't Funding, Subvention Supplemental		3,500	3,500
420-100-03	Gov't Funding, County Contrib		58,565	60,335
420-100-07	Gov't Funding, PERP Pass-Thru		20,000	18,000
420-100-04	Gov't Funding, EPA <i>(PM2.5)</i>		52,000	59,500
420-100-06	Gov't Funding, EPA Special 103 grant		7,000	28,430
420-100-88	Gov't Funding, AB 923, Admin Fee		2,500	3,125
420-100-99	Govt. Funding, AB 2766 DMV Fees		320,000	320,000
420-100-11	Govt. Funding, EPA Target, Admin Fee		51,000	55,000
420-100-05	Carl Moyer, Admin Fee		25,000	25,000
421-100-16	Other Income, Sale of Asset		-	-
421-100-17	Other Income, Rules, Copies, Subscr.		100	100
421-100-18	Miscellaneous refunds, miscellaneous		-	-
421-100-21	PERS Employee Paid Contribution		1,500	1,500
421-100-50	Other Income, Interest		3,500	5,000
Revenue Total:			\$ 856,265	\$ 871,090

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT

Preliminary Operating Budget: FY 2017 - 2018

Expenditures		Salaries and Benefits (Object Level)	
Account #	Description	FY	FY
		2016-2017	2017-2018
501-100-00	Permanent Salaries	380,194	387,798
502-100-00	Overtime	1,000	1,000
504-100-01	Part-Time Employees	7,500	25,000
510-100-02	Medicare	5,500	5,500
510-100-11	Ca State Unemployment	2,000	2,000
510-100-04	Workers' Comp Insurance	6,000	6,000
510-100-05	PERS Retirement	61,342	57,319
510-100-12	PERS Unfunded Accrued Liability	48,202	51,812
510-100-10	PERS Employee Paid Contribution	(3,300)	(3,300)
510-100-08	PERS Health Employee Portion	(10,000)	(8,000)
510-100-13	PERS Health Insurance, Retired Employees	21,000	28,800
510-100-06	PERS Health Insurance	39,000	36,000
510-100-07	Dental/Vision Care	6,250	6,250
Salaries and Benefits Total:		\$ 564,688	\$ 596,179

Expenditures		Services and Supplies (Object Level)	
Account #	Description	FY	FY
		2016-2017	2017-2018
520-100-01	Communications	18,000	15,000
520-100-03	IT	na	10,000
521-100-01	Maintenance: Office Equipment	500	500
521-100-02	Maintenance: Vehicles	3,000	3,000
522-100-01	Rent, Structures	32,040	32,040
522-100-02	Utilities, District Offices	3,500	3,500
523-100-01	Office Supplies	5,000	6,000
523-100-02	References, Subscriptions	450	450
523-100-03	Postage, Shipping	1,200	1,200
524-100-00	Memberships	3,000	3,000
525-100-01	Prof Services: Legal	6,000	6,000
525-100-03	Prof Services: Bookkeeping (ADP, internal audit)	18,000	18,000
525-100-04	Prof. Services: County Auditor/GASB 45/GASB 68	4,000	4,000
525-100-05	Prof Services: Board	5,000	5,000
528-100-00	Liability Insurance	8,000	8,000
529-100-00	Legal Notices, Public	500	500
535-100-01	Training, Tuition	1,500	1,500
535-100-02	Travel	3,000	3,000
535-100-03	Gasoline	5,000	5,000
555-100-97	Miscellaneous	-	1,000
535-100-04	Private car mileage	500	500
Services and Supplies Total:		\$ 118,190	\$ 127,190

Expenditures		Pass-thru Funds / Internal Programs / Contributions to Other Agencies (Object Level)	
Account #	Description	FY	FY
		2016-2017	2017-2018
540-100-02	Alternate Commute Program	750	750
540-100-05	Public Education Program <i>(see Acct# 304-100-03)</i>	2,000	5,000
545-100-01	ARB: AB 2588 Fees	770	770
545-100-06	Fire Dept Response Reimbursement <i>(see Acct# 401-100-13)</i>	1,500	1,500
Contribution to Other Agencies / Internal Grants Total:		\$ 5,020	\$ 8,020

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT

Preliminary Operating Budget: FY 2017 - 2018

Expenditures		Fixed Asset Purchases (Object Level)	
		FY	FY
Account #	Description	2016-2017	2017-2018
560-100-01	Office Equipm (2 computers @\$3,000)	6,000	6,000
520-100-04	PM Monitoring Expenses, including rent and utilities, see acct # 420-100-04	15,000	15,000
560-100-05	EPA Special 103 Grant - website upgrade, video cam, BAM tape, conference	7,000	28,430
560-100-04	Vehicle	30,000	0
560-100-02	Field Equipment (fixed assets - over \$1,000)	1,000	1,000
Fixed Asset Purchases Total:		\$ 59,000	\$ 50,430

Budget Summary		Available Funding & Expenditures	
		FY	FY
		2016-2017	2017-2018
Available Funding			
Fund Balance Total (<i>encumbered & earmarked reserves</i>)		616,000	633,000
Petty Cash		75	75
Revenue Total		856,265	871,090
Available Funding Total:		\$ 1,472,340	\$ 1,504,165
Expenditures			
Salaries & Benefits Object Level		564,688	596,179
Services & Supplies Object Level		118,190	127,190
Contributions to Other Agencies Object Level		5,020	8,020
Fixed Asset Purchases Object Level		59,000	50,430
Expenditures Total:		\$ 746,898	\$ 781,819
Fund Balance Accounts for Operating Expenses:			
304-100-03	Public Education Program	2,000	5,000
Fund Balance Accounts for Operating Expenses Total:		\$ 2,000	\$ 5,000
(Revenue - Expenditures) + Fund Balance Accounts for Operating Expenses + Petty Cash =		\$ 3,193	\$ 94,346
<i>(A negative number here is a revenue shortfall, a positive number means revenues exceed expenditures.)</i>			