

DISTRICT HEADQUARTERS

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**FISCAL YEAR 2018/2019
CAPITAL BUDGET
Preliminary**

June 25, 2018

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. \$219,134 of AB2766 funding is slated for approval to be used during Fiscal Year 2018/2019 for projects throughout all three counties. Final grant approvals will be made in September or October 2018. 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 2018/2019 AB projects, there is \$208,399 expected to be expended for various encumbered projects. These funds are earmarked in the Restricted Grants Fund Balance.

In 2016, the Board allocated 33,211 of AB2766 funds to Account # 580-200-93 (Portola PM Mitigation). Additionally, during FY 2017-2018, the Board approved 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 \$170,800 providing a total of \$220,800 available for expenditure during FY 2018/2019.

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 2018/2019, 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 \$223. An estimate of \$1,000 is expected to be earned on the interest, which goes back into the program. This provides a total \$176,223 available for expenditure during FY 2018/2019.

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 reimbursement basis from EPA. 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 \$55,000 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 17/18. Currently there is 180,773 remaining in this account, or enough to supplement the change out of approximately 200 stoves.

Woodsmoke Reduction Program

The Woodsmoke Reduction Program (Program) is part of California Climate Investments, a statewide program that puts cap-and-trade dollars to work reducing greenhouse gas emissions, strengthening the economy, and improving public health and the environment—particularly in disadvantaged communities. Assembly Bill 1613 committed \$5,000,000 in funding for replacing uncertified, inefficient wood burning devices with cleaner burning and more efficient devices. Statute establishes investment minimums for disadvantaged and low-income communities and low-income households. The Program is designed to help households replace an uncertified wood stove or insert used as the primary source of heat with a cleaner burning and more efficient device. The California Air Resources Board (CARB) developed Program Guidelines for the implementation of the Program. The Program, implemented by CARB, will be administered by the California Air Pollution Control Officers Association (CAPCOA) in coordination with local air quality management districts. The Northern Sierra Air Quality Management District (District) will administer Program projects located in Plumas, Sierra and Nevada County. The District has \$225,000 to administer this program and approximately \$1,000 is expected in interest. The interest is to be added to the program expenditures. The District is allowed up to 10% in admin costs, or approximately \$21,375.

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT

**Restricted Budget
Fiscal Year 2018 - 2019**

Restricted Budget, Revenue			
Account #	Description	FY 2017-2018	FY 2018-2019
20-3901	Restricted Funds, AB2766 Encumbered	309,999	208,399
20-3902	Planned Expenditures, AB2766 Total Allocation - Nevada County	183,705	178,195
20-3903	Planned Expenditures, AB2766 Total Allocation - Plumas County	36,337	35,267
20-3904	Planned Expenditures, AB2766 Total Allocation - Sierra County	5,853	5,672
20-3906	Planned Expenditures, Carl Moyer	4,584	223
20-3908	Planned Expenditures, AB923	121,705	170,800
20-3910	Planned Expenditures, H&S Mitigation	-	180,733
Restricted Budget, Fund Balance Accounts Totals:		\$662,183	\$779,289

Restricted Budget, Revenue			
Account #	Description	FY 2017-2018	FY 2018-2019
20-4500	Govt. Funding, AB 2766 DMV Fees (60% for District Admin)	208,000	240,000
20-4505	Govt. Funding, AB923 (6.25% for district admin)	46,875	50,000
20-4518	Govt. Funding, Carl Moyer HD Diesel (12.5% for district admin)	175,000	175,000
20-4535	Govt. Funding, WRP (~10% for district admin)		225,000
20-4536	WRP interest		1,000
20-4529	Govt. Funding, EPA Target Grant for Portola	398,400	398,400
20-4600	Other Income, Interest, Restricted (Carl Moyer)	4,299	1,000
Restricted Budget, Revenue Total:		\$832,574	\$1,090,400

Restricted Budget, Expenditures			
Account #	Description	FY 2017-2018	FY 2018-2019
20-5420	Nevada County Library, (AB2016-02, \$20,600)	20,600	20,600
20	Incorporated Senior Citizens of Sierra County (AB2017-01)		5,853
20-5427	NevCo Library, Chicago Park Kiosk (AB2014-09, \$33,455)	21,207	21,207
20-	Nevada County Superior Court (AB2017-05)	-	47,835
20-	Town of Truckee (AB 2017-06)		40,000
20-5425	Nevada County Library (AB2015-05, 25,000)	25,000	25,000
20-5426	Nevada County Library (AB2015-06, 15,500)	11,566	11,566
20-	Plumas County Public Works (AB2017-02)		36,338
20-5440	Portola PM Mitigation(AB2015-08, 33,211 plus 5499 transferred from 588-200-39)	27,723	28,054
20-5442	Portola MOU (AB2016-08)	29,034	26,932
20-5401	AB2766 Planned Expenditure of all counties (FY 18/19)	225,895	219,134
20-5406	Carl Moyer	179,584	176,223
20-5409	AB 923	168,580	220,800
20-5410	EPA Target Grant for Portola	398,400	398,400
20-5414	WRP		226,000
20-5413	H&S Mitigation Fund	135,000	180,000
Restricted Budget, Expenditures Totals:		1,242,589	\$ 1,683,942

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 \$168,725. There is an increase of \$34,945 of predicted revenue from last year's budget. The most significant increase in predicted revenue is predicted by an increase in vehicle registration fees, resulting in a \$40,000 increase in DMV fees. A new, one-time funding source from AB617 (\$15,000) and AB197 (\$7,500) was committed to the District from the California Air Resources Board. Last, the Air District is implementing a Woodsmoke Reduction Program as part of the California Climate Investments, a statewide program that puts cap-and-trade dollars to work reducing greenhouse gas emissions, strengthening the economy, and improving public health and the environment—particularly in disadvantaged communities. The District is allowed up to 10% in admin costs, or approximately \$21,375.

AB 2766 revenue is 40% 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 \$28,571. The increase is primarily due to an increase of \$9,368 in the Salaries and Benefits object level. The District has also added the expense of paying for an accounting professional, estimated at \$15,000.

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. 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 2017 was determined to be \$416,993. 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 FY18/19, bringing the total OPEB amount to \$200,000. This expense of \$50,000 will be repeated annually until the District's annually determined OPEB obligation is met.

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.

The District has two separate accounts to express health insurance expenditures. Account #10-5017 is for retired employees, and Account #10-5016 is for current employees. However, two current 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 #10-5002 Permanent Salaries.

1. Equipment Replacements

\$4,000 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 \$18,053 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 2018-2019. This includes purchasing ads for emission reductions, incentive and grant programs.

Summary

Expected operating revenue exceeds expected operating expenditures by \$168,725. 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 \$168,725, 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
Final Operating Budget
Fiscal Year 2018 - 2019

Resource Report		
		03/31/18 \$ 769,070
<i>Difference between Cash Available and Fund Balance Accounts Total</i>		70

Fund Balance Accounts			<i>(Used to track earmarked or encumbered funds)</i>	
Account #	Description	FY		
		2017-2018	2018-2019	
10-3901	General Fund, Undesignated	-		
10-3903	Other Post-Employment Benefits	150,000		200,000
10-3904	Equipment Replacements / Depreciation	102,000		154,000
10-3905	Leave Liability	52,000		55,000
10-3906	Air Monitoring Program	60,000		100,000
10-3907	Public Education Program	5,000		5,000
10-3908	Contingency, Leashold Improvements	59,000		75,000
10-3909	Contingency, Emergency Funds	118,000		80,000
10-3910	Contingency, Litigation	87,000		100,000
Fund Balance Accounts Totals		633,000		769,000

Revenue			
Account #	Description	FY	
		2017-2018	2018-2019
10-4002	Fees, Permit to Operate	34,000	30,000
10-4004	Fees, Vapor Recovery	19,000	20,000
10-4005	Fees, Variance Application	500	500
10-4006	Fees, Source Test	2,000	2,000
10-4007	Fees, Prescribed Burning	18,000	25,000
10-4008	Fees, Woodstove Inspections	1,500	2,000
10-4010	Fees, Title V, Fed Op Permit	65,000	65,000
10-4013	Fees, Fire Dept Response	1,500	1,500
10-4100	Penalties, Permitted Source	35,000	10,000
10-4101	Penalties, Open Burning	2,500	2,500
10-4201	Gov't Funding, State Subvention	137,600	137,600
10-4202	Gov't Funding, Subvention Supplemental	3,500	3,500
10-4203	Gov't Funding, County Contribution	58,565	58,565
10-4204	Gov't Funding, EPA Monitoring	59,500	59,500
10-4205	Gov't Funding, EPA Monitoring Supplemental	28,430	-
10-4206	Gov't Funding, AB 2766 DMV Fees	320,000	360,000
10-4207	Gov't Funding, PERP Pass thru	18,000	18,000
10-4208	Gov't Funding, AB 923 Operating	3,125	3,125
10-4209	Gov't Funding, EPA Target, Admin Fee	55,000	55,000
10-4210	Gov't Funding, AB 617		15,000
10-4211	Gov't Funding, AB 197		7,500
10-4215	Carl Moyer, Admin Fee	25,000	25,000
10-4220	WRP, Admin Fee	-	21,375
10-4303	Other Income, Rules, Copies, Subscr.	100	100
10-4310	Other Income, Interest Earned	5,000	5,000
Revenue Total: \$		892,820	927,765

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
Final Operating Budget
Fiscal Year 2018 - 2019

Expenditures		Salaries and Benefits (Object Level)	
Account #	Description	FY	FY
		2017-2018	2018-2019
10-5002	Permanent Salaries	387,798	391,347
10-5003	Overtime	1,000	1,000
10-5011	Medicare/FICA	5,500	5,000
10-5013	CA State Unemployment	2,000	550
10-5015	Workers' Comp Insurance	6,000	7,100
10-5016	PERS Health Insurance Active Employees	28,000	28,800
10-5017	PERS Health Insurance Retired Employees	28,800	28,800
10-5019	Dental/Vision Care	6,250	6,250
10-5020/5023	PERS Retirement (ER & EE Paid)	57,319	62,000
10-5022/5024	PERS Unfunded Accrued Liability	51,812	53,000
Salaries and Benefits Total:		\$ 574,479	583,847

Expenditures		Services and Supplies (Object Level)	
Account #	Description	FY	FY
		2017-2018	2018-2019
10-5201	PM Monitoring Expenses (Supplies and Lab Rent)	15,000	15,000
10-5202	Office Supplies	6,000	4,000
10-5203	References, Subscriptions	450	450
10-5204	Postage, Shipping	1,200	1,000
10-5205	Memberships	3,000	3,000
10-5251	Communications	15,000	15,000
10-5253	Rent, Structures - Grass Valley	32,040	32,040
10-5254	Rent, Structures - Portola		6,000
10-5255	Utilities, Grass Valley	3,500	3,000
10-5256	Utilities, Portola		1,000
10-5258	Liability Insurance	8,000	8,000
10-5259	Legal Notices, Public	500	500
10-5301	Information Technology	10,000	5,000
10-5303	Maintenance: Office Equipment	500	500
10-5305	Maintenance: Vehicles	3,000	3,000
10-5311	Profession Services: Legal	6,000	6,000
10-5312	Profession Services: Office Assistance	-	6,000
10-5313	Profession Services: Accounting (Nevada County, Accountant, and ADP)	18,000	6,000
10-5314	Profession Services: Financial Auditor		12,000
10-5315	Profession Services: Board	5,000	5,000
10-5351	Training, Tuition	1,500	1,500
10-5352	Travel	3,000	3,000
10-5353	Gasoline	5,000	5,000
10-5354	Private Car Mileage	500	500
10-5390	Miscellaneous	1,000	1,000
Services and Supplies Total:		\$ 112,540	\$ 143,490.00

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
Final Operating Budget
Fiscal Year 2018 - 2019

Expenditure Pass-thru Funds / Internal Programs / Contributions to Other Agencies (Object Level)			
Account #	Description	FY	FY
		2017-2018	2018-2019
10-5401	Air Monitoring Program		
10-5402	Alternate Commute Program	750	750
10-5404	ARB: AB 2588 Fees	770	1,400
10-5405	Public Education Program	5,000	5,000
10-5406	Fire Dept Response Reimbursement	1,500	1,500
Contribution to Other Agencies / Internal Grants Total:		\$ 8,020	\$ 8,650.00

Expenditures Fixed Asset Purchases (Object Level)			
Account #	Description	FY	FY
		2017-2018	2018-2019
10-5601	Office Equipmen (2 computers @\$2,000 each)	6,000	4,000
10-5602	Field Equipment (fixed assets - over \$1,000)	1,000	1,000
10-5605	EPA Supplemental Monitoring	28,430	18,053
Fixed Asset Purchases Total:		\$ 35,430	23,053

Budget Summary Available Funding & Expenditures			
		FY	FY
Available Funding		2017-2018	2018-2019
Fund Balance Total (<i>encumbered & earmarked reserves</i>)		633,000	769,000
Petty Cash		75	75
Revenue		892,820	927,765
Available Funding Total:		1,525,895	1,696,840
Salaries and Benefits (Object Level)		574,479	583,847
Services and Supplies (Object Level)		112,540	143,490
Pass-thru Funds / Internal Programs / Contributions to Other Agencies (Object Level)		8,020	8,650
Fixed Asset Purchases (Object Level)		35,430	23,053
Expenditure Total:		\$ 730,469	759,040