

**SACRAMENTO METROPOLITAN
AIR QUALITY MANAGEMENT DISTRICT**

For Agenda of May 24, 2007

**TO: Board of Directors
Sacramento Metropolitan Air Quality Management District**

**FROM: Larry Greene
Executive Director / Air Pollution Control Officer**

SUBJECT: Hearing on Proposed FY 07/08 SMAQMD Budget

RECOMMENDATION

Staff recommends the Board of Directors:

1. Conduct the public hearing on the attached Proposed Fiscal Year 2007/08 Budget, as required by AB 1890;
2. Provide direction to staff regarding development of the final budget;
3. Set the public hearing for the adoption of the Final Fiscal Year 2007/08 Budget;
4. Adopt the attached resolution, and authorize the Chairperson to sign it on behalf of the Board of Directors. The resolution:
 - a) Approves the proposed budget; and
 - b) Authorizes limited spending, consistent with the proposed budget, until approval of the final budget.

PURPOSE

To establish the Board's direction for the preparation of the final Fiscal Year 2007/2008 budget.

BUDGET HIGHLIGHTS

Overview:

This budget has two new sections. We've added an Emission Technology Program budget that includes only pass-through Moyer incentive funds. This section has been established because of the fluctuations of incentive funding from year to year. In addition, the building expenses and funds have been segregated into a separate budget. The remaining budget, excluding these two categories, is now referred to as the District Budget.

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The breakdown of the proposed budget is as follows:

District budget	\$34,657,030
Emission Technology Program budget	\$15,181,455
Covell Building budget	\$910,000
Combined Total	\$50,748,485

This is an increase of \$13,092,784 over the FY06/07 combined adopted budget of \$37,655,701.

Revenues:

District Budget:

New revenues in the District budget have increased from the FY 06/07 budget in large part because of the E-85 California Air Resources Board grant of \$3.5M for permitted gasoline dispensing facilities to install dedicated Ethanol dispensers.

Additionally, new revenues for Land Use Mitigation Fees and Civil Settlements are expected to increase to \$700,000 and \$450,000 respectively.

Land Use Mitigation fees carry forward will be \$2,519,888. DMV \$2 and \$4 carry forward will be \$1,762,932 and \$2,815,767 respectively.

The overall amount of carry forward fund balance is increasing in various categories, including Measure A and fund balance. The increase in Stationary Permit fees reflects a 4.2% CPI.

Emission Technology Budget:

The budget includes \$8,936,337 in Moyer carry forward funds. It is anticipated these funds will be committed during FY 06/07 but will not be expended until FY 07/08.

Covell Building Budget:

Building revenue reflects a very slight increase from FY06/07.

Expenditures:

Salaries and benefits for FY 07/08 are budgeted at \$10,959,562, which is a net increase of \$1,458,819 over the FY 06/07 budget. This is due to:

- Five new requested positions. Detailed justifications are included in the proposed budget.
 - Air Quality Specialist (Stationary Sources) – 1 FTE (GDF)
 - Air Quality Specialist (Stationary Sources – Limited Term) – 1 FTE (E-85), 1 FTE (Tier 0/NOPN)
 - Assistant Communications & Marketing Specialist (Strategic Planning – Limited Term) – 1 FTE
 - Information System Analyst (Administration – Limited Term) - 1 FTE
- Other notable inclusions in salaries and benefits are:

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- The Program Coordination Division, through a separate resolution at this meeting on May 24, 2007, has requested the following additional positions, which are funded in the budget:
 - Air Quality Engineer (Limited Term) – 1 FTE (wood smoke)
 - Air Quality Engineer – Convert current position from .5 FTE to 1 FTE
 - Program Coordinator – 1 FTE from Limited Term to Regular
- Full year funding is included for 1 FTE Air Quality Specialist (Stationary Sources) – which was approved mid-year in FY 06/07
- Air Quality Analyst (Land Use – Limited Term) – Requested extension of term for FY07/08
- SECAT program continuation of 7 limited term positions:
 - 5 positions are funded in FY 07/08
 - 2 positions are unfunded in FY 07/08
- Compensation study adjustments to maintain equity and include “ladders” for two positions for the I/II series
- Contractual cost-of-living adjustments and step increases. The retiree health benefits are funded at the same level as FY 06/07.

Professional Services:

District Budget:

The District budget for professional services consists of contracts and some pass-thru funding (non-Moyer) for incentive programs. The requested level of funding is \$22,104,068, a \$6,944,509 increase from the FY 06/07 budget. This is primarily due to increases associated with an E-85 grant (\$3.5M), plus Carry Forward of DMV and Land Use Mitigation fees

Specific sponsorships are now listed and included for approval in addition to unallocated sponsorships in professional services.

Emissions Technology Budget:

All revenues and expenditures in this new budget section are currently limited to the Moyer program. The incentive pass-through contracts are funded with \$8,936,337 of carry-over Moyer and \$6,120,118 in anticipated new Moyer revenue.

Covell Building Budget:

The overall Building budget reflects a \$20,000 increase from the FY 06/07 budget. The FY07/08 proposed budget includes \$179,408, of which \$97,408 is for necessary capital improvements and \$82,000 is for tenant improvements. We will reduce the FY07/08 budgeted set aside for future tenant improvements from \$54,012 in FY06/07 to \$19,992 in FY07/08 to help offset the cost of these improvements.

July 1 deadline:

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Adoption of the attached resolution will allow the Sacramento Metropolitan Air Quality Management District's operations to continue, pending adoption of its final FY 07/08 budget, in the event there is not a quorum of Board members in attendance at the June 2007 Board of Directors meeting. The resolution will allow expenditures consistent with the proposed FY 07/08 budget. This process is consistent with Government Code Section 29124, which authorizes spending under an approved-proposed budget, with the exception of expenditures for fixed assets, residual equity transfers, and new personnel.

Respectfully submitted,

Larry Greene
Air Pollution Control Officer
Sacramento Metropolitan
Air Quality Management District

Approved as to form:

Kathrine Pittard
District Counsel
Sacramento Metropolitan
Air Quality Management District