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**FISCAL YEAR 2019/2020
CAPITAL BUDGET
Final**

June 24, 2019

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. \$261,736 of AB2766 funding is slated for approval to be used during Fiscal Year 2019/2020 for projects throughout all three counties. Final grant approvals will be made in September or October 2019. 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 2019/2020 AB projects, there is \$248,382 expected to be expended for various encumbered projects. These funds are earmarked in the Restricted Grants Fund Balance.

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 \$219,914 providing a total of \$264,914 available for expenditure during FY 2019/2020.

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 2019/2020, 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 \$67,478. An estimate of \$5,000 is expected to be earned on the interest, which goes back into the program. This provides a total \$247,478 available for expenditure during FY 2019/2020.

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. The District estimates approximately \$75,000 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. Currently there is 106,342 remaining in this account, or enough to supplement the change out of approximately 118 stoves.

Voluntary Nox Reduction Measure (VNRM)

The State California Air Resources Board has awarded various air districts a grant which shall be used to "voluntarily remediate potential past emissions through remedial measures supporting air district-level NOx mitigation projects targeting engines, such as the replacement of existing diesel engines with low Nox engines." The VNRM program is modeled on the criteria and requirements in the Moyer Guidelines. The District has signed the agreement with CARB and has requested \$66,464 of funds to be utilized for local projects.

FARMER Shared Pool

California's state legislature allocated \$35 million to the California Air Resources Board (CARB) from Fiscal Year 2017-2018 through Assembly Bill 134 and 109. CARB staff developed the Funding Agricultural Reduction Measure for Emission Reductions (FARMER) Program to meet the Legislature's objectives and help meet the State's criteria, toxic and greenhouse gas emission reduction goals. CARB created a Shared Allocation Pool of funding (\$5 million) that was specifically designated for 18 air districts with less than one percent of statewide agricultural equipment emission inventory to ensure farmers in those districts have the opportunity to access FARMER funding. The Shared Allocation Pool is managed by the Placer County Air Pollution Control District (Placer APCD) and the California Air Pollution Control Officers Association (CAPCOA) in accordance with the grant provisions outlined in the agreement between CARB and Placer APCD and provisions outlined in the subsequent agreement between CAPCOA and Placer APCD. Placer APCD will enter into independent contracts with Northern Sierra Air District. The District is applying for FARMER funding through CAPCOA and anticipates that \$100,000 will be received as revenue and expended on FARMER projects in FY 2019-2020.

AB617

Assembly Bill 109 provides funding for the Community Air Protection Program. Assembly Bill 109 approved the Cap-and-Trade Expenditure Plan which appropriated approximately \$1.6 billion in discretionary funds. The Northern Sierra Air Quality Management District has been approved by the California Air Resources Board (CARB) for a grant under the Community Air Protection Program. The grant award is for expenses necessary for implementation of Assembly Bill 617. The District expects a revenue of \$22,659 of funds under the Community Air Protection Program for Fiscal Year 2019-2020.

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT

Final Restricted Budget
Fiscal Year 2019 - 2020

Restricted Budget, Fund Balance			
Account #	Description	FY 2018-2019	FY 2019-2020
20-3901	Restricted Funds, AB2766 Incumbered	309,999	248,382
20-3902	Planned Expenditures, AB2766 Total Allocation - Nevada County	178,195	185,332
20-3903	Planned Expenditures, AB2766 Total Allocation - Plumas County	35,267	70,683
20-3904	Planned Expenditures, AB2766 Total Allocation - Sierra County	5,672	5,771
20-3906	Planned Expenditures, Carl Moyer	223	67,478
20-3908	Planned Expenditures, AB923	170,800	214,914
20-3910	Planned Expenditures, H&S Mitigation	180,000	109,291
Restricted Budget, Fund Balance Accounts Totals:		\$880,156	\$901,801

Restricted Budget, Revenue			
Account #	Description	FY 2018-2019	FY 2019-2020
20-4500	Govt. Funding, AB 2766 DMV Fees (60% for District Admin)	240,000	240,000
20-4505	Govt. Funding, AB923 (6.25% for district admin)	50,000	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)	292,500	0
20-4536	WRP interest	1,000	1,000
20-4541	Nox Reduction Measure (NRM)	0	70,212
20-4542	FARMER Pooled Share	0	100,000
20-4543	Rural Assistance Program (RAP)	80,000	80,000
20-4538	AB 617	20,183	22,000
20-4539	AB 617 interest	100	100
20-4529	Govt. Funding, EPA Target Grant for Portola	398,400	398,400
20-4600	Other Income, Interest, Restricted (Carl Moyer)	4,299	5,000
Restricted Budget, Revenue Total:		\$1,261,482	

Restricted Budget, Expenditures			
Account #	Description	FY 2018-2019	FY 2019-2020
20-5403	Plumas County Public Works (AB2017-02)	36,338	5,088
20-5440	Portola PM Mitigation(AB2015-08, 33,211 plus 5499 transferred from 588-200-39)	28,054	31,922
20-5442	Portola MOU (AB2016-08)	27,505	27,505
20-5402	Hansen Bros Enterprises (AB 2018-02, \$25,000)	25,000	25,000
20-5402	Town of Truckee (AB 2018-03, 67,696)	67,696	67,696
20-5402	Town of Truckee (AB 2018-04, \$39,542)	39,542	39,542
20-5402	Foster and Sons (AB 2018-05, \$26,457)	26,457	26,457
20-5402	Nevada City Police Dept (AB2018-06, \$19,500)	19,500	19,500
20-5402	Inc Senior Citizens of Sierra County (AB2018-01, \$5,672)	5,672	5,672
20-5401	AB2766 Planned Expenditure of All Counties (FY 9/20)	219,134	267,930
20-5406	Carl Moyer	176,223	247,478
20-5409	AB 923	220,800	264,914
20-5410	EPA Target Grant for Portola	398,400	398,400
20-5414	WRP	292,500	41,827
20-5417	Nox Reduction Measure (NRM)	-	70,212
20-5415	AB617	20,183	42,000
20-5413	H&S Mitigation Fund	180,000	106,342
Restricted Budget, Expenditures Totals:		1,783,004	\$ 1,687,485

15

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 \$194,840. There is an increase of \$175,110 of predicted revenue from last year's budget. The most significant increase is from a Prescribed Fire grant of \$79,000 to run the prescribed fire program. Another significant increase is from the EPA (\$49,698) to fund a new position in Portola to assist with the Woodstove Changeout Program. Other increases to existing revenue sources are as follows: \$4,104 increase to County Contribution, \$20,000 increase in admin fees for Portola Woodstove Changeout Program, \$4,242 for a new grant program (NRM), \$20,000 from the Prescribed Fire Grant for collecting monitoring information, \$15,000 for administrative fees \$15,00 for a new Carl Moyer-like program for farm equipment (FARMER), and \$15,000 increase in interest.

AB 2766 revenue is 33% of total operating revenue. Last year, AB revenue was 40% of total 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 \$152,637. The increase is primarily due to an increase of \$137,940 in the Salaries and Benefits object level. This increase includes the addition of two new Air Pollution Specialists, estimated increase for the two additional employees is approximately \$130,000. Other increases are ozone monitoring expenses of \$5,000 and \$27,000 increase to the Accounting line item.

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 #10-5021 TaxMed.

Fund Balance Accounts (Reserves)

Prudent fiscal management requires careful budgeting and stringent budget control to avoid over-expending. Successfully staying under budget for all budget line items means that fund balances (in the form of reserves) will occur at year-end. Such fund balances are saved in reserves for various uses, such as equipment replacements, litigation, contingencies, leave liability, etc. It is prudent that the reserves are placed in earmarked and encumbered fund balances. The Board approves the fund balances with the adoption of the budget. Program needs justify budgeting expenditures that sometimes exceed expected revenue on a short-term basis. Spending down reserves is then prudent, rather than increasing fees sporadically, as long as short-term short-falls don't place the District in a precarious fiscal position. Timely program cuts or revenue adjustments would eventually be needed to prevent over-erosion of reserves. The rule of thumb is to keep at least 3 months worth of expenses in reserves. Total monthly expense is estimated to be \$77,000/month, based upon average monthly expenditures. Three months equals \$231,000. For this fiscal year, it is projected that Revenue will exceed Expenditures by \$194,840. This amount is projected to increase the Reserves (fund balance amounts) by \$194,840.

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 2018 was determined to be \$884,064. 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. During the May 20, 2019 Board meeting, the Board directed the District to expend more than the recommended \$50,000. The Board directed staff to increase the OPEB amount by \$100,000 during FY19/20, bringing the

total OPEB amount to \$300,000. This expense of \$50,000 will be repeated annually until the District's annually determined OPEB obligation is met, or as otherwise directed by the Board.

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.

3. Public Education

The District will utilize \$5,000 to fund its public education program for FY 2019-2020. This includes purchasing ads for emission reductions, incentive and grant programs.

Summary

Expected operating revenue exceeds expected operating expenditures by \$194,840. 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, this is crucial to the continuance of the Air District's services. 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 2019 - 2020

Resource Report	
06/01/19	\$ 974,829

Fund Balance Accounts		<i>(Used to track earmarked or encumbered funds)</i>	
Account #	Description	FY 2018-2019	FY 2019-2020
10-3901	General Fund, Undesignated	-	-
10-3903	Other Post-Employment Benefits	200,000	300,000
10-3904	Equipment Replacements / Depreciation	154,000	24,000
10-3905	Leave Liability	55,000	55,000
10-3906	Air Monitoring Program	100,000	50,000
10-3907	Public Education Program	5,000	5,000
10-3908	Contingency, Leashold Improvements	75,000	120,887
10-3909	Contingency, Emergency Funds	113,000	229,942
10-3910	Contingency, Litigation	100,000	190,000
Fund Balance Accounts Totals		802,000	974,829

Revenue		FY 2018-2019	FY 2019-2020
Account #	Description		
10-4002	Fees, Permit to Operate	30,000	30,000
10-4004	Fees, Vapor Recovery	20,000	20,000
10-4005	Fees, Variance Application	500	500
10-4006	Fees, Source Test	2,000	2,000
10-4007	Fees, Prescribed Burning	25,000	25,000
10-4008	Fees, Woodstove Inspections	2,000	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	10,000	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	62,669
10-4204	Gov't Funding, EPA Monitoring	59,500	59,500
10-4205	Gov't Funding, EPA Monitoring Supplemental	-	-
10-4206	Gov't Funding, AB 2766 DMV Fees	360,000	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 2015	55,000	75,000
10-4214	Gov't Funding, EPA Target 2015 Burnwise Coordinator		49,698
10-4221	Gov't Funding, Nox Remediation Measure, Admin Fee		4,242
10-4211	Gov't Funding, AB 197	18,267	8,583
10-4213	Rx Fire Funding, Staff		79,000
10-4212	Rx Fire Funding, Monitoring		20,000
10-4215	Carl Moyer, Admin Fee	25,000	25,000
10-4222	Farmer Pooled Share		15,000
10-4223	RAP, Carl Moyer Rural Assistance admin		7,000
10-4220	WRP, Admin Fee	29,250	-
10-4303	Other Income, Rules, Copies, Subscr.	100	100
10-4310	Other Income, Interest Earned	5,000	20,000
Revenue Total: \$		931,407	1,106,517

19

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
Final Operating Budget
Fiscal Year 2019 - 2020

Expenditures		Salaries and Benefits (Object Level)	
Account #	Description	FY 2018-2019	FY 2019-2020
10-5002	Permanent Salaries	391,347	486,054
10-5021	TaxMed (elect not to utilize the District-provided health insurance)		7,680
10-5003	Overtime	1,000	1,000
10-5011	Medicare/FICA	5,000	7,159
10-5013	CA State Unemployment	550	784
10-5015	Workers' Comp Insurance	7,100	6,567
10-5016	PERS Health Insurance Active Employees	28,800	48,000
10-5017	PERS Health Insurance Retired Employees	28,800	18,951
10-5019	Dental/Vision Care	6,250	8,750
10-5020/5023	PERS Retirement (ER & EE Paid)	62,000	63,297
10-5022/5024	PERS Unfunded Accrued Liability	53,000	73,545
Salaries and Benefits Total:		\$ 583,847	721,787

Expenditures		Services and Supplies (Object Level)	
Account #	Description	FY 2018-2019	FY 2019-2020
10-5201	PM Monitoring Expenses	15,000	15,000
10-5202	Office Supplies	4,000	4,000
10-5203	References, Subscriptions	450	1,500
10-5204	Postage, Shipping	1,000	1,000
10-5205	Memberships	3,000	3,000
10-5206	Ozone Monitoring Expenses		5,000
10-5251	Communications	15,000	15,000
10-5253	Rent, Structures - Grass Valley	32,040	26,640
10-5254	Rent, Structures - Portola	6,000	6,228
10-5255	Utilities, Grass Valley	3,000	2,700
10-5256	Utilities, Portola	1,000	1,200
10-5257	Rent, PM2.5		7,272
10-5258	Liability Insurance	8,000	8,000
10-5259	Legal Notices, Public	500	500
10-5301	Information Technology	5,000	7,000
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	1,200
10-5313	Profession Services: Accounting (Nav de Coum, Accountant and ADP)	6,000	33,000
10-5314	Profession Services: Financial Auditor	12,000	12,500
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:		\$ 143,490	\$ 176,240

20

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
Final Operating Budget
Fiscal Year 2019 - 2020**

Expenditure Pass-thru Funds / Internal Programs / Contributions to Other Agencies (Object Level)			
Account #	Description	FY 2018-2019	FY 2019-2020
10-5402	Alternate Commute Program	750	750
10-5404	ARB: AB 2588 Fees	1,400	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:		\$ 8,650	\$ 8,650.00

Expenditures Fixed Asset Purchases (Object Level)			
Account #	Description	FY 2018-2019	FY 2019-2020
10-5601	Office Equipmen (2 computers @ \$2,000 each)	4,000	4,000
10-5602	Field Equipment (fixed assets over \$1,000)	1,000	1,000
10-5605	EPA Supplemental Monitoring	18,053	-
Fixed Asset Purchases Total:		\$ 23,053	5,000

Budget Summary		Available Funding & Expenditures	
		FY 2018-2019	FY 2019-2020
Available Funding			
Fund Balance Total (encumbered & earmarked reserves)		802,000	974,829
Petty Cash		75	75
Revenue		931,407	1,106,517
Available Funding Total:		1,733,482	2,081,421
Salaries and Benefits (Object Level)		583,847	721,787
Services and Supplies (Object Level)		143,490	176,240
Pass-thru Funds / Internal Programs / Contributions to Other Agencies (Object Level)		8,650	8,650
Fixed Asset Purchases (Object Level)		23,053	5,000
Expenditure Total:		\$ 759,040	911,677

21