

# Popular Annual Financial Report

Year Ended June 30, 2014



South Coast  
Air Quality Management District  
Diamond Bar, California  
Cleaning the air that we breathe...



***SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT***

***GOVERNING BOARD***

*June 30, 2014*

***WILLIAM A. BURKE, Ed.D***  
*Chairman*  
*Speaker of the Assembly Appointee*

***DENNIS YATES***  
*Vice Chair*  
*County of San Bernardino*  
*Cities Representative*

***MICHAEL D. ANTONOVICH***  
*County of Los Angeles Representative*

***JOSEPH K. LYOU, Ph.D.***  
*Governor's Appointee*

***BEN BENOIT***  
*County of Riverside*  
*Cities Representative*

***JUDY MITCHELL***  
*County of Los Angeles*  
*Cities Representative*  
*Western Region*

***JOHN BENOIT***  
*County of Riverside Representative*

***SHAWN NELSON***  
*County of Orange Representative*

***JOE BUSCAINO***  
*City of Los Angeles Representative*

***DR. CLARK E. PARKER, SR.***  
*Senate Rules Committee Appointee*

***MICHAEL A. CACCIOTTI***  
*County of Los Angeles*  
*Cities Representative*  
*Eastern Region*

***MIGUEL A. PULIDO***  
*County of Orange*  
*Cities Representative*

***JOSIE GONZALES***  
*County of San Bernardino Representative*

***BARRY R. WALLERSTEIN, D.Env.***  
*Executive Officer*

# **SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

## **A NOTE FROM THE CFO**

**June 30, 2014**

We are pleased to present the South Coast Air Quality Management District's (SCAQMD) Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2014. This report makes our District's finances easier to understand, and is intended to communicate our financial situation in an open and accountable manner.

The PAFR is intended to summarize the financial activities of SCAQMD and was drawn from the financial information appearing in the 2014 Comprehensive Annual Financial Report (CAFR). The PAFR is unaudited; however, the financial data presented in the PAFR is derived from the CAFR and is consistent with generally accepted accounting principles. The PAFR can also be reviewed on SCAQMD's website at [www.aqmd.gov/home/about/finance](http://www.aqmd.gov/home/about/finance).

For more detailed financial information, or information on SCAQMD's component unit (Building Corporation which is not included in this document) a copy of the Comprehensive Annual Financial Report is available for interested users from Finance at 21865 Copley Drive, Diamond Bar, CA 91765. It can also be viewed on the SCAQMD's website at [www.aqmd.gov/home/about/finance](http://www.aqmd.gov/home/about/finance).

Questions, comments and feedback regarding this report are encouraged, so please do not hesitate to contact the Chief Financial Officer at (909) 396-2828 or at [mokelly@aqmd.gov](mailto:mokelly@aqmd.gov).

Respectfully submitted,



Michael B. O'Kelly, CPA  
Chief Financial Officer

## **ABOUT THE DISTRICT**

The South Coast Air Quality Management District began operation on February 1, 1977 as a regional governmental agency established by the California Legislature pursuant to the Lewis Air Quality Management Act. SCAQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties, representing approximately over 16 million residents. It succeeded the Southern California Air Pollution Control District and its predecessor four county air pollution control districts, of which the Los Angeles County Air Pollution Control District was the oldest in the nation, having been formed in 1947.

SCAQMD's Governing Board is composed of 13 members, including four members appointed by the Boards of Supervisors of the four counties in SCAQMD's jurisdiction, six members appointed by cities in SCAQMD's jurisdiction and three members appointed by the Governor, the Speaker of the State Assembly and the Rules Committee of the State Senate, respectively. The members appointed by the various Boards of Supervisors and cities consist of one member of the Board of Supervisors of Los Angeles, Orange, Riverside, and San Bernardino Counties, respectively, and a mayor or member of the city council of a city within Orange, Riverside and San Bernardino Counties. Los Angeles County cities have three representatives, one from the city of Los Angeles and one each from the western and eastern portions of the county.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

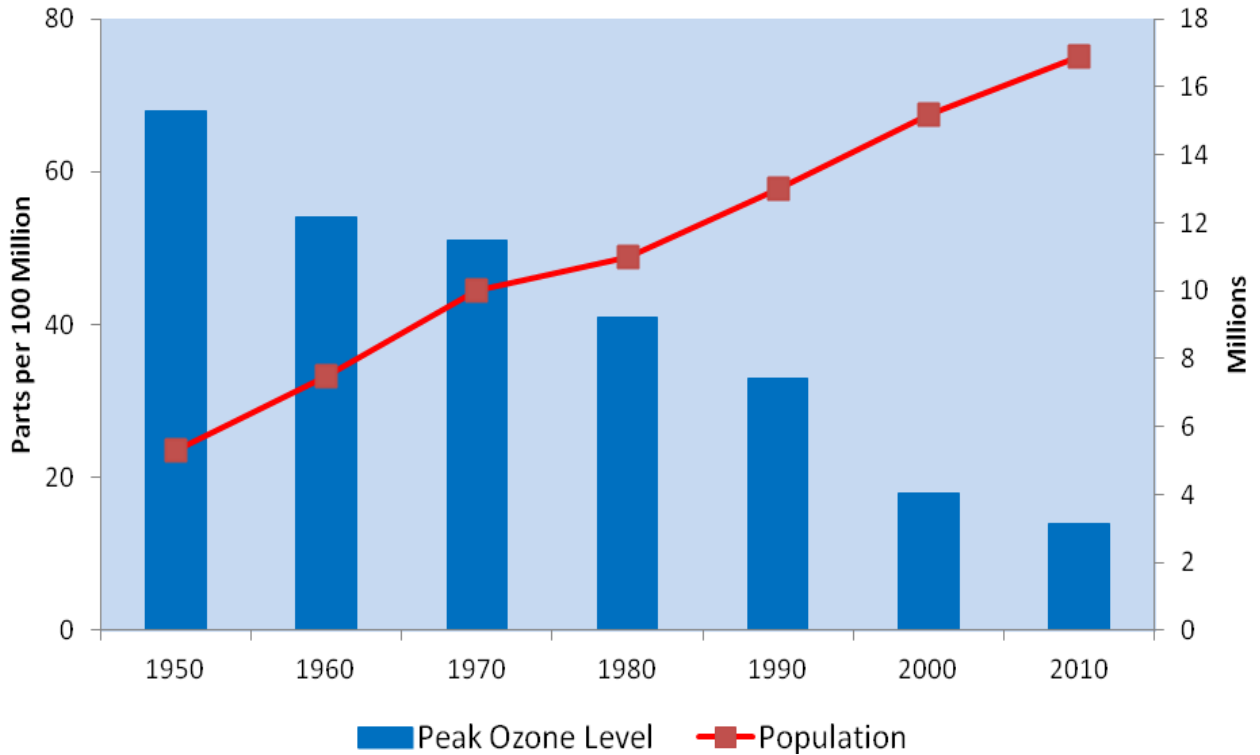
## Demographic and Miscellaneous Statistics

<b><u>Established:</u></b>	February 1, 1977
<b><u>Area Covered:</u></b>	10,743 Square Miles
<b><u>Counties Included in District:</u></b>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<b><u>Population:</u></b>	16,538,490 (In 2013)
<b><u>Transportation:</u></b>	Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific  Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs  Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes  Two major adjoining ports – Port of Long Beach and Port of Los Angeles
<b><u>Visitor Destinations:</u></b>	Disneyland, Knott’s Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl
<b><u>Number of Registered Vehicles Within SCAQMD Jurisdiction:</u></b>	12,657,980 (In 2013)
<b><u>Average Daily Miles Traveled Per Vehicle:</u></b>	30 (CY 2013 data)
<b><u>Examples of Stationary Sources of Air Pollution Regulated:</u></b>	Oil refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<b><u>Number of Sources:</u></b>	27,298 operating locations with approximately 74,603 permits.
<b><u>Number of Air Monitoring Stations:</u></b>	42
<b><u>Full-time Authorized Positions:</u></b>	797
<b><u>Key Federal, State, and Local Air Agencies</u></b>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer’s Association), NACAA (National Association of Clean Air Agencies), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## 60 YEARS OF PROGRESS IN REDUCING OZONE LEVELS

June 30, 2014



Since the late 1940s when the war on smog began, the region's population has more than tripled from 4.8 million to over 16 million; the number of motor vehicles has increased almost six-fold from 2.3 million to 12.7 million; and the area has grown into one of the most prosperous regions of the world. This phenomenal economic growth illustrates that pollution control and strong economic growth can coincide.

# **SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

## **MISSION, GOALS, AND PRIORITY PROJECTS**

**June 30, 2014**

### **MISSION STATEMENT**

“All residents have a right to live and work in an environment of clean air and we are committed to undertaking all necessary steps to protect public health from air pollution with sensitivity to the impacts of our actions on the community, public agencies and businesses.”

### **GOALS**

- I. Ensure expeditious progress toward meeting clean air standards and protecting public health.
- II. Enhance public education and ensure equitable treatment for all communities.
- III. Operate efficiently and in a manner sensitive to public agencies, businesses, the public and SCAQMD staff.

### **PRIORITY PROJECTS**

SCAQMD goals have many important objectives, but SCAQMD highlighted the following three priority projects for fiscal year 2013-14 which are particularly important to achieving SCAQMD’s mission and goals:

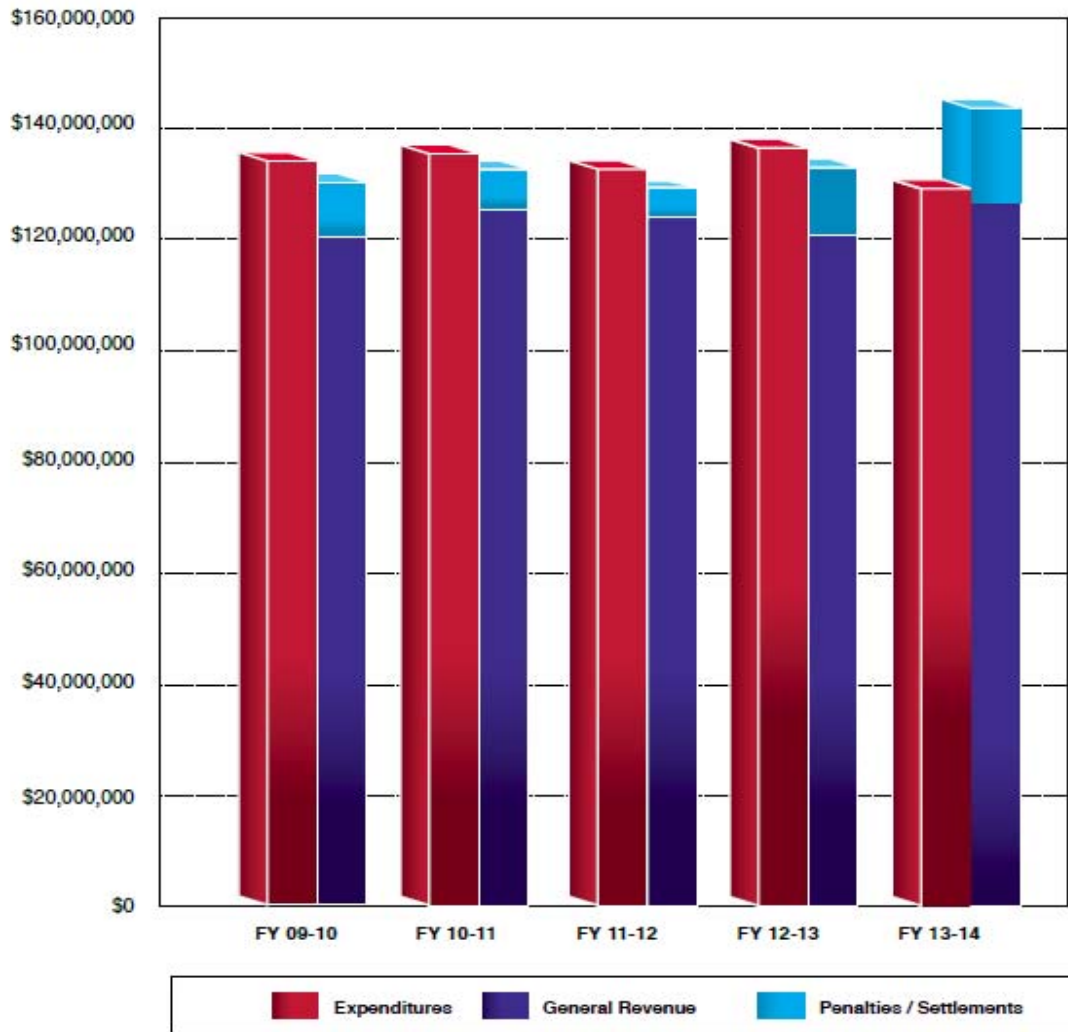
1. Implement 2012 AQMP and initiate development of 2015 AQMP; complete Multiple Air Toxics Exposure Study (MATES IV); enhance community response program; demonstrate projects achieving zero-emission container transport and shore power; enhance EV outreach efforts with SCAG, local governments, and other entities; maintain current relationships, and cultivate new ones with legislators and other stakeholders; timely process permit applications for stationary sources; and develop high-impact enforcement cases to maximize deterrence for air pollution violations.
2. Employ the latest communication technologies, engage in community based programs and outreach events, and foster relationships with traditional media outlets; provide outreach and training to businesses, public and SCAQMD staff; and continue timely response to community complaints.
3. Continue an overhaul of SCAQMD’s information technology systems, including the use of state-of-the-art software, hardware, and communications systems to improve overall agency effectiveness and efficiency.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## FINANCIAL PERFORMANCE

June 30, 2014

### Budget Surplus/Deficit – 5-Year History Non-GAAP Budgetary Basis (General Fund)



General Fund revenues increase significantly as compared to the prior fiscal years, primarily due to an increase in penalties and settlements paid by facilities that were found to be not in compliance with SCAQMD rules and regulations. The reduction in expenditures is achieved by reducing staffing level, a decrease in capital expenditures, as well as a reduction in debt due to an early payoff of the Diamond Bar Headquarters.



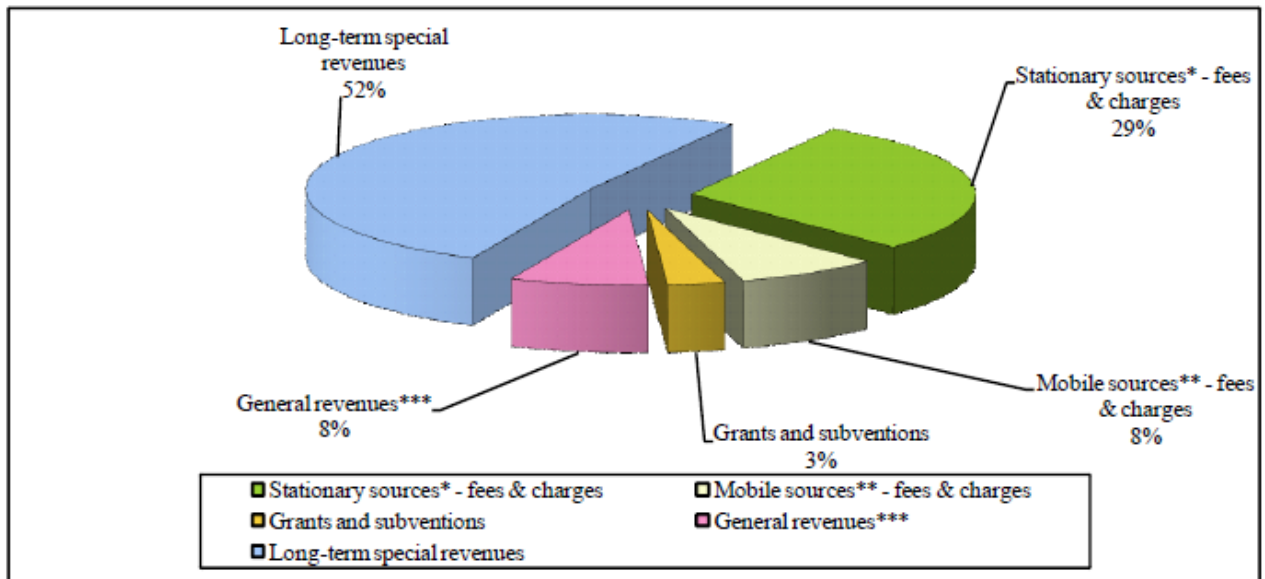
## SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

### *Where the Money Came From Our Revenues & Resources*

SCAQMD is a fee-supported agency and does not receive sales or property tax support. The source of such fees are Stationary sources that consist of refineries, power plants, manufacturing facilities and small business; Mobile sources that are motorized vehicles that typically include automobiles, trucks, aircraft, ships, trains, and self-propelled; and General Revenues that include Penalties/Settlements, Interest, and dollars that are not restricted to specific stationary source programs. SCAQMD General Fund is the primary operating fund and is used to record transactions relating to its general business operations. It is also used to account for all revenues and expenditures that are not required to be accounted for in another fund. Approximately 76% of its General Fund revenue is derived from permit evaluation fees, annual permit operating fees, emission fees, Hearing Board fees, penalties and settlements, interest earnings, and other revenues. The remaining 24% of its revenue is derived from federal grants, state grants, California Air Resources Board (CARB) subvention funds, and motor vehicle fees.

Government-wide revenues during this fiscal year were stable (within 1.0%) as compared to the prior fiscal year. General Fund revenues increased by 9% as compared to the prior fiscal year, primarily due to an increase in penalties and settlements paid by non-compliant entities, combined with stable permit, renewal, and emission fees. Future changes in government-wide revenue are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund revenues are expected to continue to remain stable through the following fiscal year due to the strengthening of the economic environment.

**FY 2013-14 Revenues by Major Source**



Source	FY 13-14	FY 12-13	FY 11-12	FY 10-11	FY 09-10	FY 08-09
Stationary sources* - fees & charges	\$ 87,160,484	\$ 85,439,616	\$ 82,624,489	\$ 81,291,028	\$ 81,097,647	\$ 92,703,725
Mobile sources** - fees & charges	24,307,527	23,535,070	23,384,894	22,512,790	23,728,238	24,128,436
Grants and subventions	9,741,945	8,754,443	8,486,563	8,867,069	8,379,757	8,782,322
General revenues***	23,570,233	15,202,920	9,684,052	12,739,158	14,929,145	14,796,424
Long-term special revenues	154,311,991	164,555,289	204,845,839	207,555,510	243,802,246	133,185,494
<b>Total</b>	<b>\$ 299,092,180</b>	<b>\$ 297,487,338</b>	<b>\$329,025,837</b>	<b>\$ 332,965,555</b>	<b>\$371,937,033</b>	<b>\$ 273,596,401</b>

Source: FY 2013-14 CAFR Statement of Activities



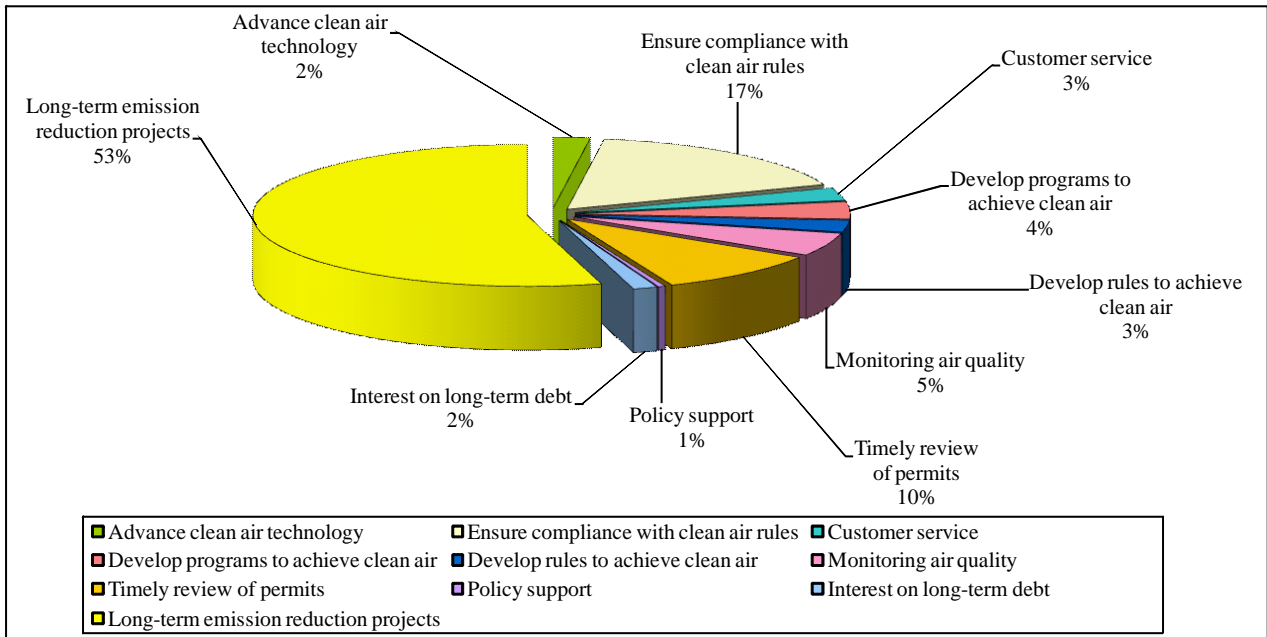
# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## *Where the Money Went Our Expenses & Services*

Excluding the special funds expenses, which are restricted in their use, the three major expense functions for Governmental Activities are Compliance, Permitting, and Air Monitoring. Combined, these account for 70% of the District's total General Fund Expenses for the year ended June 30, 2014.

Government-wide expenses were stable (within 1%) as compared to the prior fiscal year. General Fund expenditures were stable as well (within 1%) as compared to the prior fiscal year. Future changes in government-wide expenses are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund expenditures are expected to decrease through the following fiscal year due to the continued cost-containment measures incorporated into the fiscal year 2014-15 General Fund budget.

### FY 2013-14 Expenses by Program Category



Activity	FY 13-14	FY 12-13	FY 11-12	FY 10-11	FY 09-10	FY 08-09
Advance clean air technology	\$ 6,212,087	\$ 6,857,959	\$ 6,672,977	\$ 6,398,859	\$ 6,512,144	\$ 7,111,931
Ensure compliance with clean air rules	48,813,991	47,417,956	47,026,447	46,877,017	46,154,574	43,823,112
Customer service	8,332,770	8,169,587	7,729,015	7,578,813	7,682,897	7,441,806
Develop programs to achieve clean air	11,147,303	12,317,470	12,130,832	11,780,948	10,861,040	10,216,378
Develop rules to achieve clean air	7,514,210	7,269,414	7,286,149	8,826,846	8,436,415	8,433,410
Monitoring air quality	14,969,083	14,265,601	15,930,225	15,093,093	14,239,509	14,067,041
Timely review of permits	27,821,032	28,621,527	27,241,449	28,045,891	28,530,507	26,205,282
Policy support	1,204,588	1,306,054	1,483,613	1,792,208	1,760,038	4,782,531
Interest on long-term debt	4,102,888	4,605,963	4,691,658	3,277,933	3,871,465	4,325,460
Long-term emission reduction projects	154,939,035	155,998,253	137,800,260	161,904,680	150,362,508	104,277,915
<b>Total</b>	<b>\$ 285,056,987</b>	<b>\$ 286,829,784</b>	<b>\$ 267,992,627</b>	<b>\$ 291,576,288</b>	<b>\$ 278,411,097</b>	<b>\$ 230,684,866</b>

Source: FY 2013-14 CAFR Statement of Activities

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## FINANCIAL SUMMARY

June 30, 2014

### **FINANCIAL ACTIVITY STATEMENT FOR THE YEARS ENDED JUNE 30, 2014 and 2013**

	(In Thousands)	
	<u>FY 2013-14</u>	<u>FY 2012-13</u>
<b>RESOURCES:</b>		
Fees and Charges – Stationary Sources	\$87,160	\$85,440
Fees and Charges – Mobile Sources	24,308	23,535
Operating Grants and Subventions	9,742	8,755
Long-Term Project Grants	154,312	164,555
Grants and Subventions not Restricted for Specific Programs	2,890	2,889
Penalties and Settlements	17,959	11,563
Interest	461	343
Other Revenues	<u>2,260</u>	<u>407</u>
<b>Total Resources</b>	<u>299,092</u>	<u>297,487</u>
<b>USES:</b>		
Advance Clean Air Technology	6,212	6,858
Ensure Compliance with Clean Air Rules	48,814	47,418
Customer Service	8,333	8,170
Develop Programs to Achieve Clean Air	11,147	12,317
Develop Rules to Achieve Clean Air	7,514	7,269
Monitoring Air Quality	14,969	14,265
Timely Review of Permits	27,821	28,621
Policy Support	1,205	1,307
Interest on Long-Term Debt	4,103	4,606
Long-Term Emission Reduction Projects	<u>154,939</u>	<u>155,998</u>
<b>Total Uses</b>	<u>285,057</u>	<u>286,829</u>
<b>RESOURCES OVER USES</b>	<u>\$14,035</u>	<u>\$10,658</u>

*The Financial Activity Statement, known in Accounting terms as the "Income Statement," provides the sources (revenues) and uses (expenses) of providing services for the South Coast Air Quality Management District.*

*The Financial Position Statement, known in Accounting terms as the "Balance Sheet," provides the financial benefits (assets) available to the SCAQMD to provide services, while liabilities describes the amount the SCAQMD owes in providing those services.*

### **FINANCIAL POSITION STATEMENT FOR THE YEARS ENDED JUNE 30, 2014 and 2013**

	(In Thousands)	
	<u>FY 2013-14</u>	<u>FY 2012-13</u>
<b>ASSETS:</b>		
Current and other assets	\$630,067	\$625,240
Prepaid pension assets	40,473	42,167
Capital assets	<u>38,510</u>	<u>39,667</u>
<b>Total Assets</b>	<u>709,050</u>	<u>707,074</u>
<b>LIABILITIES:</b>		
Long-term liabilities	49,698	53,329
Short-term liabilities	<u>50,522</u>	<u>58,950</u>
<b>Total Liabilities</b>	<u>100,220</u>	<u>112,279</u>
<b>ASSETS OVER LIABILITIES</b>	<u>\$608,830</u>	<u>\$594,795</u>

*Current assets are highly liquid assets such as cash and other assets that are expected to be received within a year.*

*Capital assets are items such as buildings, equipments, vehicles that have a useful life of more than a year and cost more than \$5,000.*

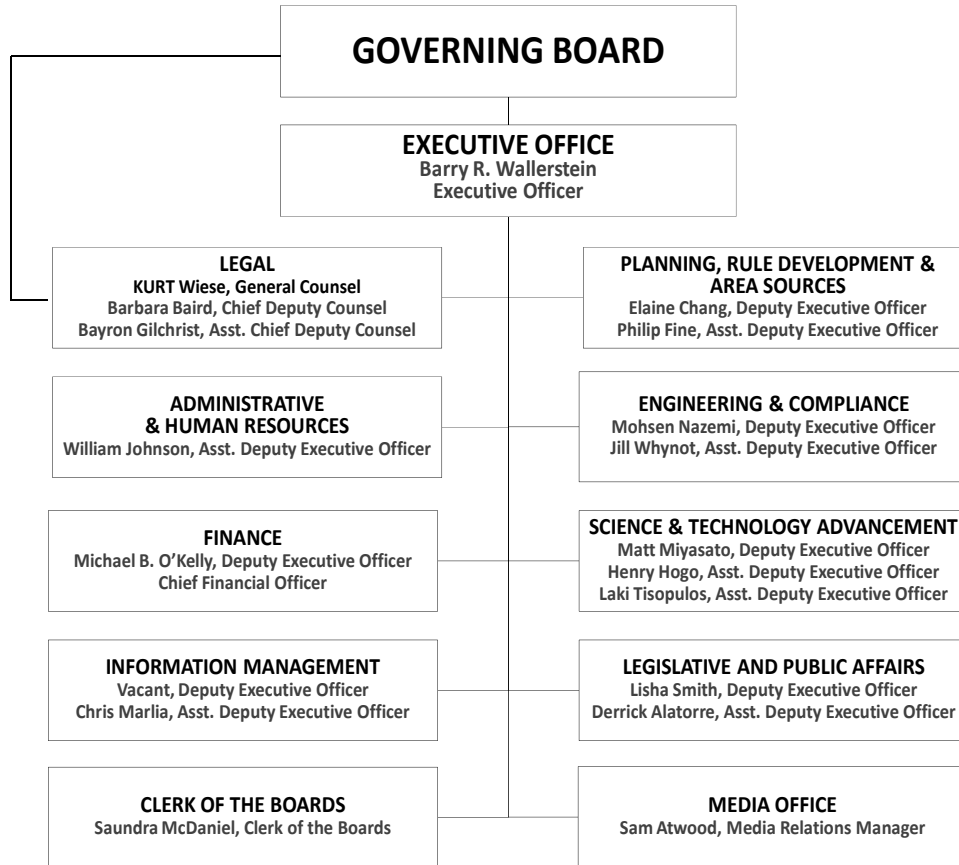
*Long-term liabilities are debt owed by the District to others such as bonds that are expected to be paid over a period of greater than one year.*

*Short-term liabilities are amounts owed by the District to vendors that are expected to be paid within a year.*

*Assets over Liabilities provides for the difference between financial benefits and liabilities, ultimately showing the net worth of the South Coast Air Quality Management District.*

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## Organizational Chart June 30, 2014



## AWARDS

*The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to South Coast Air Quality Management District (SCAQMD) for its Popular Annual Financial Report for the fiscal year ended June 30, 2013. The award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.*

*In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting Program, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.*

*An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. SCAQMD has received a Popular Award for the fiscal year ended June 30, 2013. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.*

*Further, SCAQMD's Comprehensive Annual Financial Report for the year ended June 30, 2013, from which information on pages 7 through 9 have been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.*

