



Popular Annual Financial Report

Year Ended June 30, 2019

South Coast Air Quality Management District
Diamond Bar, California



MISSION STATEMENT

South Coast AQMD's mission is to clean the air and protect the health of all residents in the South Coast Air District through practical and innovative strategies.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Popular Annual Financial Report
Year Ended June 30, 2019

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2019

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

BEN BENOIT
Vice Chair
County of Riverside
Cities Representative

LISA A. BARTLETT
County of Orange Representative

LARRY McCALLON
County of San Bernardino
Cities Representative

GIUSEPPE ANTHONY BUSCAINO
City of Los Angeles Representative

JUDITH M. MITCHELL
County of Los Angeles
Cities Representative
Western Region

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

V. MANUEL PEREZ
County of Riverside Representative

VANESSA DELGADO
Senate Rules Committee Appointee

DWIGHT ROBINSON
County of Orange
Cities Representative

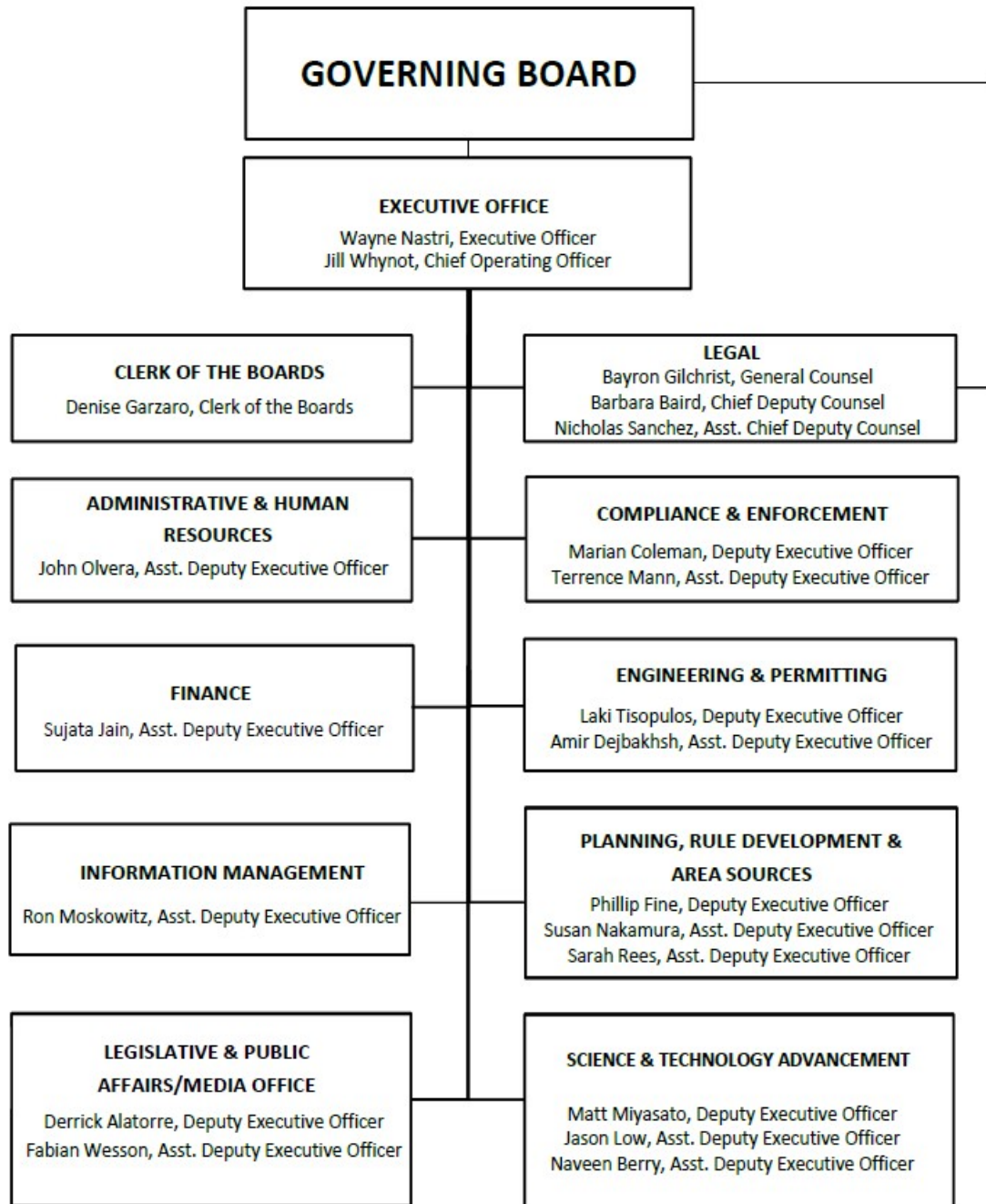
JANICE HAHN
County of Los Angeles Representative

JANICE RUTHERFORD
County of San Bernardino Representative

VACANT
Governor's Appointee

WAYNE NASTRI
Executive Officer

**South Coast Air Quality Management District, California
Organizational Chart
June 30, 2019**



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

A Note From The Assistant Deputy Executive Officer June 30, 2019

We are pleased to present the South Coast Air Quality Management District's (South Coast AQMD) Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2019. This report makes our South Coast AQMD'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 South Coast AQMD and was drawn from the financial information appearing in the 2019 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 is also available on the South Coast AQMD's website at www.aqmd.gov/home/about/finance.

For more detailed financial information, or information on the South Coast AQMD's component unit (Building Corporation is not included in this document), a copy of the CAFR is available for interested users from our Finance office at 21865 Copley Drive, Diamond Bar, CA 91765. It is also available on the South Coast AQMD's website at www.aqmd.gov/home/about/finance.

Questions, comments and feedback regarding this report are encouraged, so please do not hesitate to contact the Assistant Deputy Executive Officer at (909) 396-2804 or at sjain@aqmd.gov.

Respectfully submitted,



Sujata Jain, CPA
Assistant Deputy Executive Officer - Finance

ABOUT THE SOUTH COAST AIR QUALITY MANAGEMENT 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. South Coast AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties, representing approximately over 17 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.

South Coast AQMD's Governing Board is composed of 13 members. Ten are elected officials. Of these, four are county supervisors representing Los Angeles, Orange, Riverside, and San Bernardino counties, elected to South Coast AQMD's Board by their Boards of Supervisors. Six are City Council members representing the cities in each county (because of its size, Los Angeles County has two representatives, elected by respective city selection committees, and the City of Los Angeles has one representative, selected by the Mayor of Los Angeles). The remaining three Board members are appointed by state elected officials; one by the Governor of California, one by the Speaker of the State Assembly and one by the State Senate Rules Committee.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

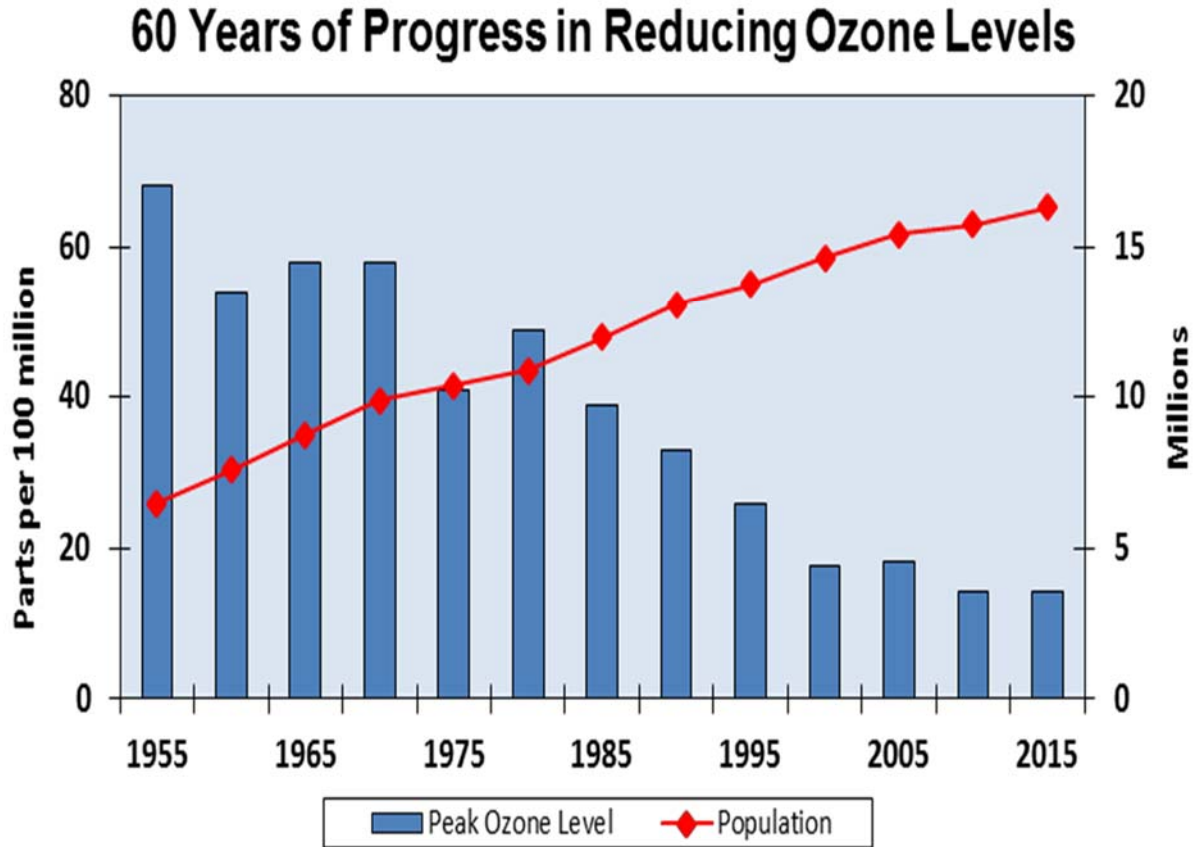
Demographic and Miscellaneous Statistics

June 30, 2019

| | |
|---|---|
| <u>Established:</u> | February 1, 1977 |
| <u>Area Covered:</u> | 10,743 Square Miles |
| <u>Counties Included in District:</u> | All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties |
| <u>Population:</u> | 17,127,040 (In 2018); 17,063,249 (In 2017); 16,962,478 (In 2016) |
| <u>Transportation:</u> | 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 |
| <u>Visitor Destinations:</u> | Disneyland, Knott’s Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl |
| <u>Number of Registered Vehicles Within South Coast AQMD Jurisdiction:</u> | 13,828,182 (In 2018); 13,756,321 (In 2017); 13,686,059 (In 2016) |
| <u>Average Daily Miles Traveled Per Vehicle:</u> | 28 (CY 2018 data) |
| <u>Examples of Stationary Sources of Air Pollution Regulated:</u> | Oil refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations. |
| <u>Number of Sources:</u> | 26,873 operating locations with approximately 69,085 permits. |
| <u>Number of Air Monitoring Stations:</u> | 41 |
| <u>Full-time Authorized Positions:</u> | 939 |
| <u>Key Federal, State, and Local Air Agencies</u> | 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, 2019



Since the late 1940s when the war on smog began to 2015, the region's population has more than tripled from 4.8 million to 17.0 million; the number of motor vehicles has increased over five-fold from 2.3 million to over 13.7 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

Goals and Priority Projects June 30, 2019

South Coast AQMD goals have many important objectives, but South Coast AQMD highlighted the following three priority projects which are identified as being critical to meeting South Coast AQMD's mission and goals in fiscal year 2018-19:

GOAL I. Achieve Clean Air Standards.

Adhere to adoption and implementation schedules for rules, working groups, assessments and programs as adopted in the 2016 Air Quality Management Plan (AQMP) to achieve AQMP emissions reductions; conduct monitoring of at least 10 facilities and reduce emissions from those found to have high toxics risk to the community; secure new funding sources for pollution reduction projects; achieve acceptable completion of valid data points out of the scheduled measurements in the South Coast AQMD air monitoring network for NAAQS pollutant before U.S. EPA deadline; ensure total number of 378 Title V inspections completed annually; maintain progress in reducing number of pending permit; support development of Cleaner Advanced Technology by funding \$10 million of Clean Fuels program projects with a 1:4 leveraging ratio; and initiate implementation of fifth multiple Air Toxics Exposure Study.

GOAL II. Enhance Public Education and Equitable Treatment for All Communities.

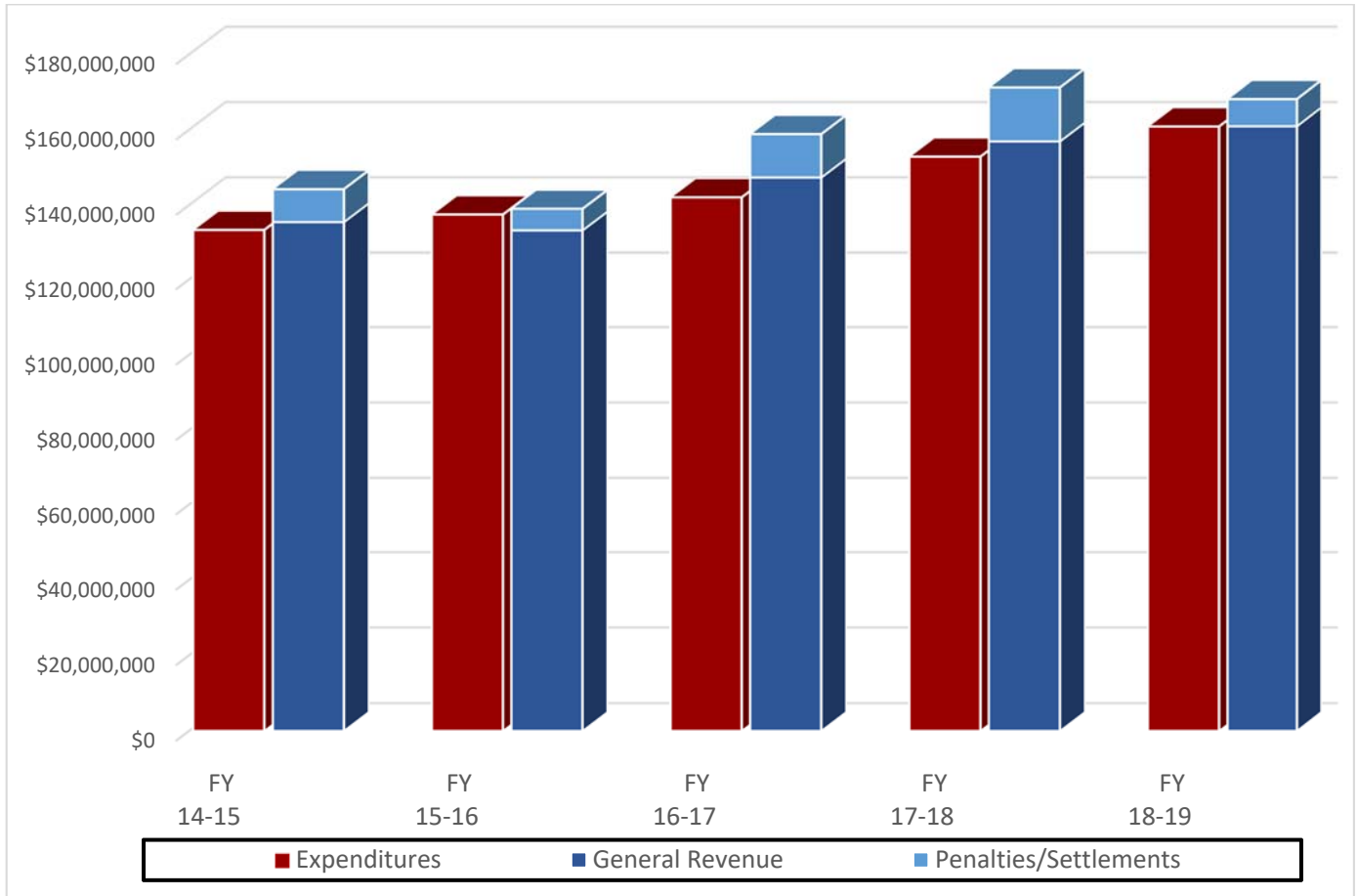
Evaluate and post results of 75% low cost air quality sensors that have reached the market; conduct 4 large community outreach events, including 1 in each County; develop a process to measure and establish an appropriate acknowledgement time for community complaints; increase 30% in social media followers; and engage young persons by creating a young persons advisory group and conduct 4 meetings.

GOAL III. Operate Efficiently and Transparently.

Ensure 100% of Committee and Board meeting agendas with materials made available to the public one week prior to the meeting; ensure 100% of Stakeholder and Working Group meeting agendas with materials made available to the public 72 hours prior to the meeting; maintain a well-informed staff by offering 10 information sessions/training for all staff; conduct 4 meetings of the Permit Streamlining Task Force subcommittee and stakeholders; complete the remaining 6 of the 15 Enterprise GIS projects identified in the Enterprise GIS Implementation Plan; and submit quarterly budgetary financial reports to the Governing Board within 6 working days of the end of the quarter; and migrate 100% of staff to cloud office email server.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Performance June 30, 2019 Budget Surplus/Deficit – 5-Year History Non-GAAP Budgetary Basis (General Fund)



General Fund revenues increased as compared to the prior fiscal year, primarily due to an increase in fee increases in annual renewal fees and increase in the grant such as the implementation portion of the Community Air Protection Program (CAPP). Penalties and Settlements decreased was due to an emission audit conducted resulted in an additional penalties received in prior fiscal year. The increase in General Fund expenditures from prior fiscal year is mainly due to higher salaries and employment benefits, which were associated with the three year labor agreement, increased in retirement plan contribution, and adding positions.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

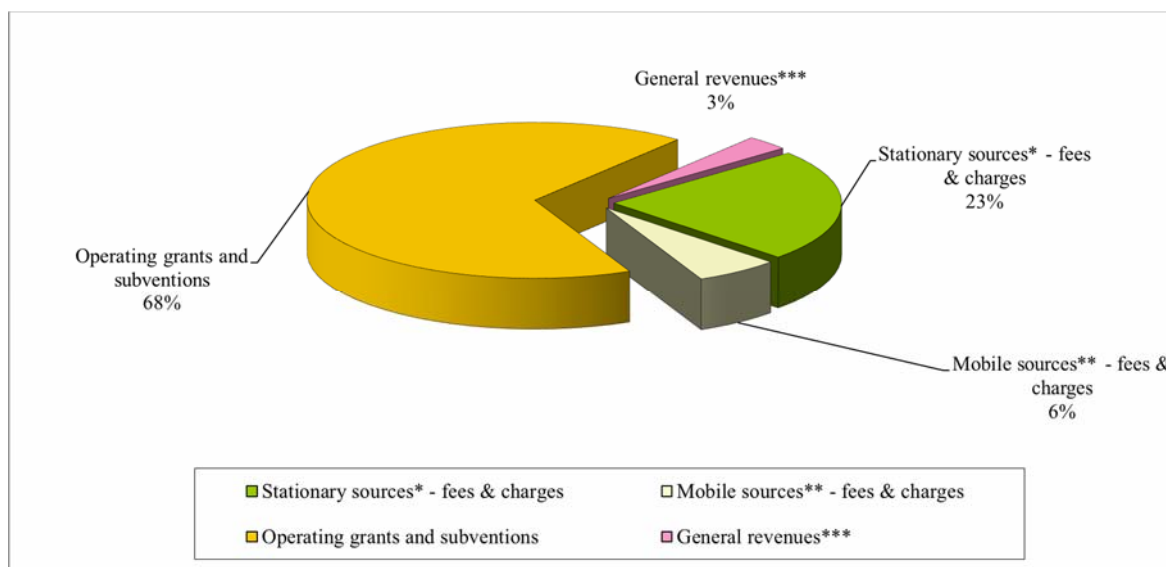
Where the Money Came From Our Revenues & Resources

South Coast AQMD is a fee-supported agency and does not receive sales or property tax support. South Coast AQMD 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.

On a government-wide basis (including all funds), approximately 32% revenues of this fiscal year are derived from permit evaluation fees, annual permit operating fees, emission fees, Hearing Board fees, penalties and settlements, interest earnings, and other revenues. The remaining 68% 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 approximately 31% higher as compared to the prior fiscal year primarily due to increase in the grants such as the CAPP. General revenues decreased by 35% as compared to the prior fiscal year, primarily due to one-time penalties and settlements paid by non-compliant entities in prior fiscal year. 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 generally stable due to strengthening of the economic environment.

FY 2018-19 Revenues by Major Source – Governmental Activities



| Source | FY 18-19 | FY 17-18 | FY 16-17 | FY 15-16 | FY 14-15 | FY 13-14 |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Stationary sources* - fees & charges | \$ 101,804,325 | \$ 100,354,910 | \$ 94,279,518 | \$ 89,264,511 | \$ 88,120,829 | \$ 87,160,484 |
| Mobile sources** - fees & charges | 26,106,160 | 26,026,673 | 28,087,131 | 25,743,988 | 24,526,008 | 24,307,527 |
| Operating grants and subventions | 295,516,665 | 185,367,622 | 222,070,040 | 122,424,397 | 149,766,034 | 164,053,936 |
| General revenues*** | 13,460,793 | 20,644,444 | 1,664,194 | 10,148,573 | 14,043,695 | 23,570,233 |
| Total | \$ 436,887,943 | \$ 332,393,649 | \$ 361,100,883 | \$ 247,581,469 | \$ 276,456,566 | \$ 299,092,180 |

*Stationary sources consist of refineries, power plants, manufacturing facilities and small businesses.

**Mobile sources are motorized vehicles that typically include automobiles, trucks, aircraft, ships, trains, and self-propelled construction equipment.

***General revenues include penalties/settlements, interest, and dollars that are not restricted to specific stationary source programs.

Source: FY 2018-19 CARF Statement of Activities

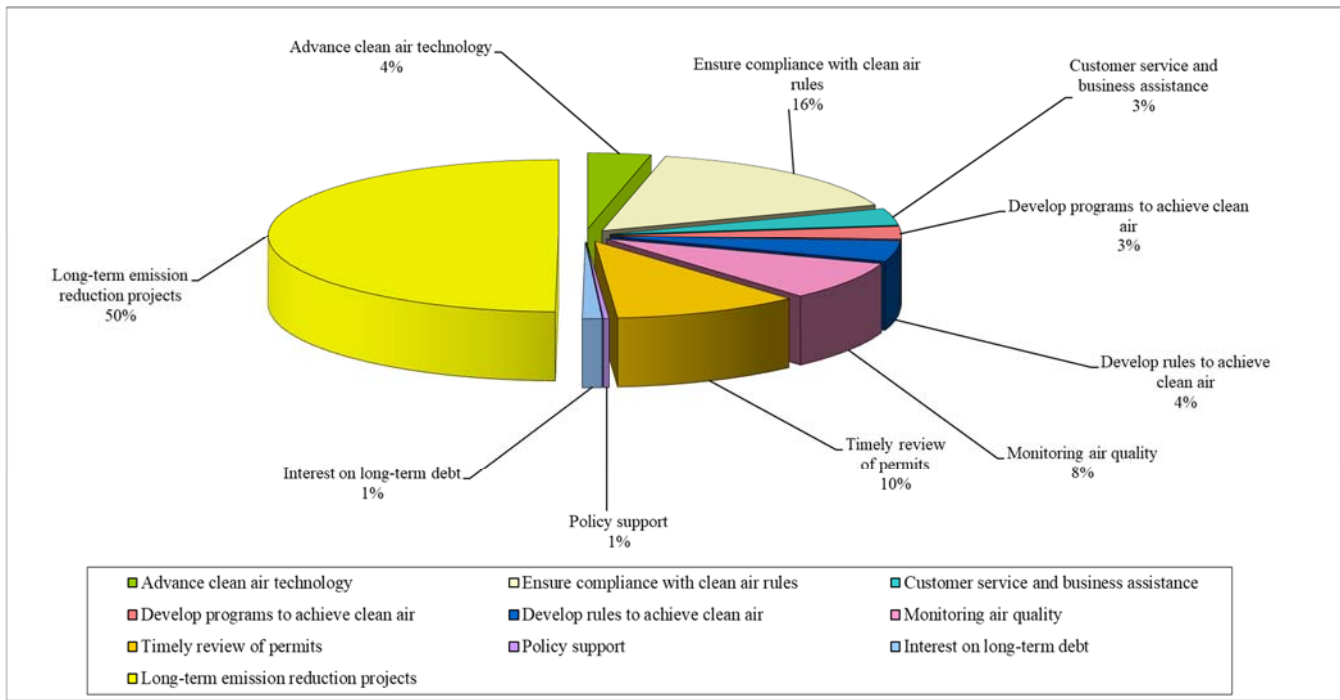
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Where the Money Went Our Expenses & Services

Excluding the long-term emission reduction project 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 69% of the South Coast AQMD’s total General Fund Expenses for the year ended June 30, 2019.

On a government-wide basis (including all funds), expenses increased approximately 32% as compared to the prior fiscal year primarily due to higher amount paid for long-term emission reduction project expenses, increased cost associated with the three-year labor agreement, increased in retirement plan contributions, and adding positions.

FY 2018-19 Expenses by Program Category – Governmental Activities



| Activity | FY 18-19 | FY 17-18 | FY 16-17 | FY 15-16 | FY 14-15 | FY 13-14 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Advance clean air technology | \$ 11,520,547 | \$ 9,271,026 | \$ 7,825,599 | \$ 7,119,417 | \$ 5,539,607 | \$ 6,212,087 |
| Ensure compliance with clean air rules | 52,353,479 | 50,528,522 | 49,316,129 | 45,622,680 | 43,252,162 | 48,813,991 |
| Customer service and business assistance | 11,637,664 | 9,743,294 | 9,260,504 | 8,337,319 | 6,124,811 | 8,332,770 |
| Develop programs to achieve clean air | 9,407,869 | 8,636,784 | 11,335,498 | 10,444,147 | 9,727,624 | 11,147,303 |
| Develop rules to achieve clean air | 14,275,590 | 10,013,098 | 7,604,041 | 7,566,089 | 7,161,179 | 7,514,210 |
| Monitoring air quality | 26,547,245 | 20,822,380 | 17,856,869 | 16,028,394 | 13,197,801 | 14,969,083 |
| Timely review of permits | 33,951,378 | 33,301,565 | 31,520,083 | 27,891,070 | 24,431,059 | 27,821,032 |
| Policy support | 1,028,495 | 667,046 | 885,773 | 511,705 | 331,652 | 1,204,588 |
| Interest on long-term debt | 3,605,251 | 3,731,589 | 3,906,955 | 3,884,990 | 4,031,178 | 4,102,888 |
| Long-term emission reduction projects | 163,187,839 | 101,304,229 | 101,008,426 | 87,079,799 | 210,229,182 | 154,939,035 |
| Total | \$ 327,515,357 | \$ 248,019,533 | \$ 240,519,877 | \$ 214,485,610 | \$ 324,026,255 | \$ 285,056,987 |

Source: FY 2018-19 CAFR Statement of Activities

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Summary As of June 30, 2019, 2018 and 2017

**FINANCIAL POSITION STATEMENT
FOR THE YEARS ENDED JUNE 30, 2019, 2018, AND 2017**
(In Thousands)

| | <u>FY 2018-19</u> | <u>FY 2017-18</u> | <u>FY 2016-17</u> |
|--|-------------------|-------------------|-------------------|
| ASSETS: | | | |
| Current and other assets | \$ 932,368 | \$ 802,068 | \$ 706,197 |
| Capital assets | 35,502 | 35,756 | 36,127 |
| Deferred outflows (DO) of resources | <u>88,783</u> | <u>101,955</u> | <u>98,386</u> |
| Total Assets and DO of resources | <u>1,056,653</u> | <u>939,779</u> | <u>840,710</u> |
| LIABILITIES: | | | |
| Long-term liabilities | 250,373 | 254,938 | 241,341 |
| Short-term liabilities | 83,446 | 61,954 | 49,092 |
| Deferred inflows (DI) of resources | <u>30,548</u> | <u>39,974</u> | <u>48,253</u> |
| Total Liabilities and DI of resources | <u>364,367</u> | <u>356,866</u> | <u>338,686</u> |
| ASSETS AND DO OF RESOURCES OVER LIABILITIES AND DI OF RESOURCES | <u>\$ 692,286</u> | <u>\$ 582,913</u> | <u>\$ 502,024</u> |

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

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

Capital assets: Items such as buildings, equipment, vehicles that have a useful life of more than a year and cost more than \$5,000.

Deferred outflows of resources: Represent a consumption of net position that applies to a future period(s).

Long-term liabilities: Debt owed by the South Coast AQMD to others such as net pension liability, net OPEB liability, and bonds that are expected to be paid over a period of greater than one year.

Short-term liabilities: Amounts owed by the South Coast AQMD to vendors that are expected to be paid within a year.

Deferred inflows of resources: Represent an acquisition of net position that applies to a future period(s).

Assets and deferred outflow of resources over liabilities and deferred inflow of resources: Provides the difference between financial benefits and liabilities, ultimately showing the net worth of the South Coast AQMD.

The assets and deferred outflow of resources exceeded the liabilities and deferred inflows of resources by 18.8% as compared to the prior fiscal year. Most of the increase was due to revenues in long-term emission-reduction projects.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Summary As of June 30, 2019, 2018 and 2017

FINANCIAL ACTIVITY STATEMENT
FOR THE YEARS ENDED JUNE 30, 2019, 2018, AND 2017
(In Thousands)

| | <u>FY 2018-19</u> | <u>FY 2017-18</u> | <u>FY 2016-17</u> |
|---|--------------------------|--------------------------|--------------------------|
| RESOURCES: | | | |
| Fees and Charges – Stationary Sources | \$ 101,804 | \$ 100,355 | \$ 94,280 |
| Fees and Charges – Mobile Sources | 26,106 | 26,027 | 28,087 |
| Operating Grants and Subventions | 295,517 | 185,368 | 222,070 |
| Grants and Subventions not Restricted for Specific Programs | 2,865 | 2,879 | 2,886 |
| Penalties and Settlements | 7,197 | 14,316 | 11,512 |
| Interest | 1,977 | 1,041 | 645 |
| Other Revenues | 1,422 | 1,154 | 1,621 |
| Transfers | - | 1,253 | - |
| Total Resources | <u>436,888</u> | <u>332,393</u> | <u>361,101</u> |
| USES: | | | |
| Advance Clean Air Technology | 11,521 | 9,271 | 7,826 |
| Ensure Compliance with Clean Air Rules | 52,353 | 50,528 | 49,316 |
| Customer Service | 11,638 | 9,743 | 9,261 |
| Develop Programs to Achieve Clean Air | 9,408 | 8,637 | 11,335 |
| Develop Rules to Achieve Clean Air | 14,276 | 10,013 | 7,604 |
| Monitoring Air Quality | 26,547 | 20,822 | 17,857 |
| Timely Review of Permits | 33,951 | 33,302 | 31,520 |
| Policy Support | 1,028 | 667 | 886 |
| Interest on Long-Term Debt | 3,605 | 3,732 | 3,907 |
| Long-Term Emission Reduction Projects | 163,188 | 101,304 | 101,008 |
| Total Uses | <u>327,515</u> | <u>248,019</u> | <u>240,520</u> |
| RESOURCES OVER USES | <u><u>\$ 109,373</u></u> | <u><u>\$ 84,374</u></u> | <u><u>\$ 120,581</u></u> |

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

Resources over uses increased by 30%, as compared to the prior fiscal year, primarily due to long-term emission reduction projects related to state grants such as Carl Moyer AB 123 program and the CAPP.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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 (South Coast AQMD) for its Popular Annual Financial Report for the fiscal year ended June 30, 2018. 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, 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. South Coast AQMD has received a Popular Award for the fiscal year ended June 30, 2018. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

Further, South Coast AQMD's Comprehensive Annual Financial Report for the year ended June 30, 2018, from which information on pages 9 through 11 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.



Air Quality Historical Timeline



Photo courtesy of Los Angeles Times Collection, Department of Special Collections, UCLA Library

First recognized episodes of smog occur in Los Angeles in the summer of 1943.

1943

1950

Orange County APCD established.



1966



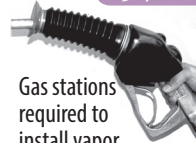
California adopts first automobile tailpipe emission standards in the nation.

1970

Federal Clean Air Act is enacted, establishing the basic U.S. program for controlling air pollution.



1978



Gas stations required to install vapor recovery "boots" on gas nozzles.

1947

Los Angeles County Air Pollution Control District (APCD) established—the first of its kind in the nation.



1957

San Bernardino and Riverside County APCDs formed.



California Air Resources Board (CARB) holds its first meeting with Dr. Arie J. Haagen-Smit as its first chairman.

U.S. EPA, created in 1970, adopts first national air quality standards.

1971

SCAQMD formed through merger of Los Angeles, Orange, Riverside and San Bernardino APCDs.



1968

1977

1984



California's Smog Check program takes effect.

1989

SCAQMD adopts first Air Quality Management Plan to show attainment of clean air standards.



California Global Warming Solutions Act of 2006 (AB 32) enacted to establish first ever comprehensive program to reduce greenhouse gases.

2006

2002

SCAQMD adopts the nation's first phase-out of the toxic chemical perchloroethylene (or "perc") used at dry cleaners.



2032

Projected achievement of current air quality health standards in South Coast air basin.



2008

SCAQMD adopts Climate Change Policy.

1990

Federal Clean Air Act Amendments of 1990 enacted. Established new programs aimed at curbing urban ozone, toxic emissions, and vehicle emissions.

1998

The Carl Moyer Program established to reduce mobile source emissions.

1993

RECLAIM (REgional Clean Air Incentives Market) emissions trading program adopted.



2003

SCAQMD Mow Down Air Pollution Electric Lawnmower Exchange Program begins.



2011

Federal agencies and the State of California establish single timeframe for corporate average fuel economy (CAFE) and greenhouse gas standards for the next generation of cars and light-duty trucks.

1987



SCAQMD establishes ridesharing requirements for region's employers.



Government Finance Officers Association

Award of
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

South Coast Air Quality
Management District California

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO





South Coast
Air Quality Management District

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Bar, CA 91765-4178

www.aqmd.gov