

South Coast Air Quality Management District
Diamond Bar, California

Popular Annual Financial Report

Year Ended June 30, 2020





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, 2020

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2020

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

CARLOS RODRIGUEZ
County of Orange
Cities Representative

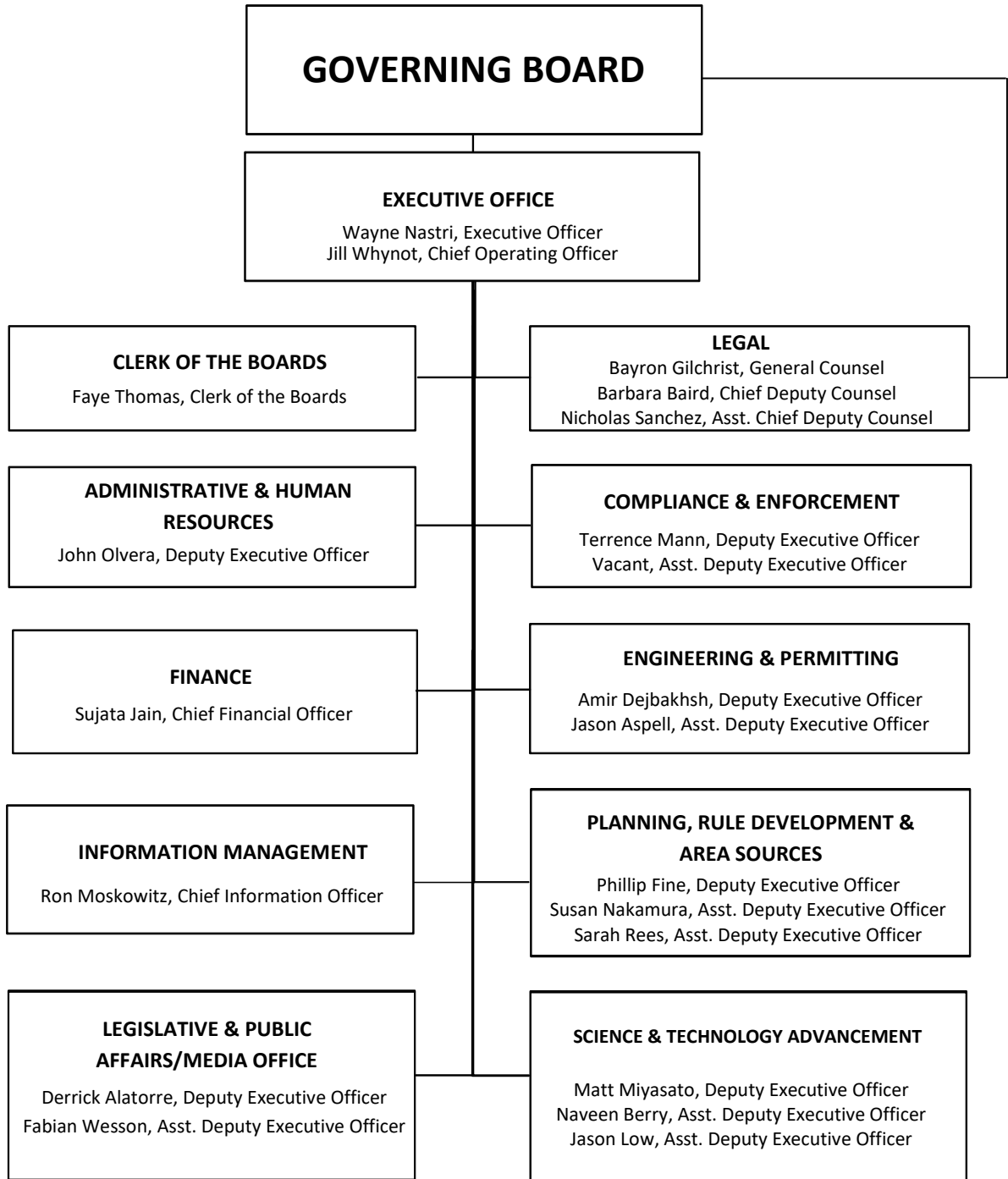
KATHRYN BARGER
County of Los Angeles Representative

JANICE RUTHERFORD
County of San Bernardino Representative

GIDEON KRAKOV
Governor's Appointee

WAYNE NASTRI
Executive Officer

South Coast Air Quality Management District, California
Organizational Chart
June 30, 2020



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

A Note From The Chief Financial Officer June 30, 2020

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, 2020. 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 2020 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 Chief Financial Officer at (909) 396-2804 or at sjain@aqmd.gov.

Respectfully submitted,



Sujata Jain, CPA
Chief Financial Officer

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.

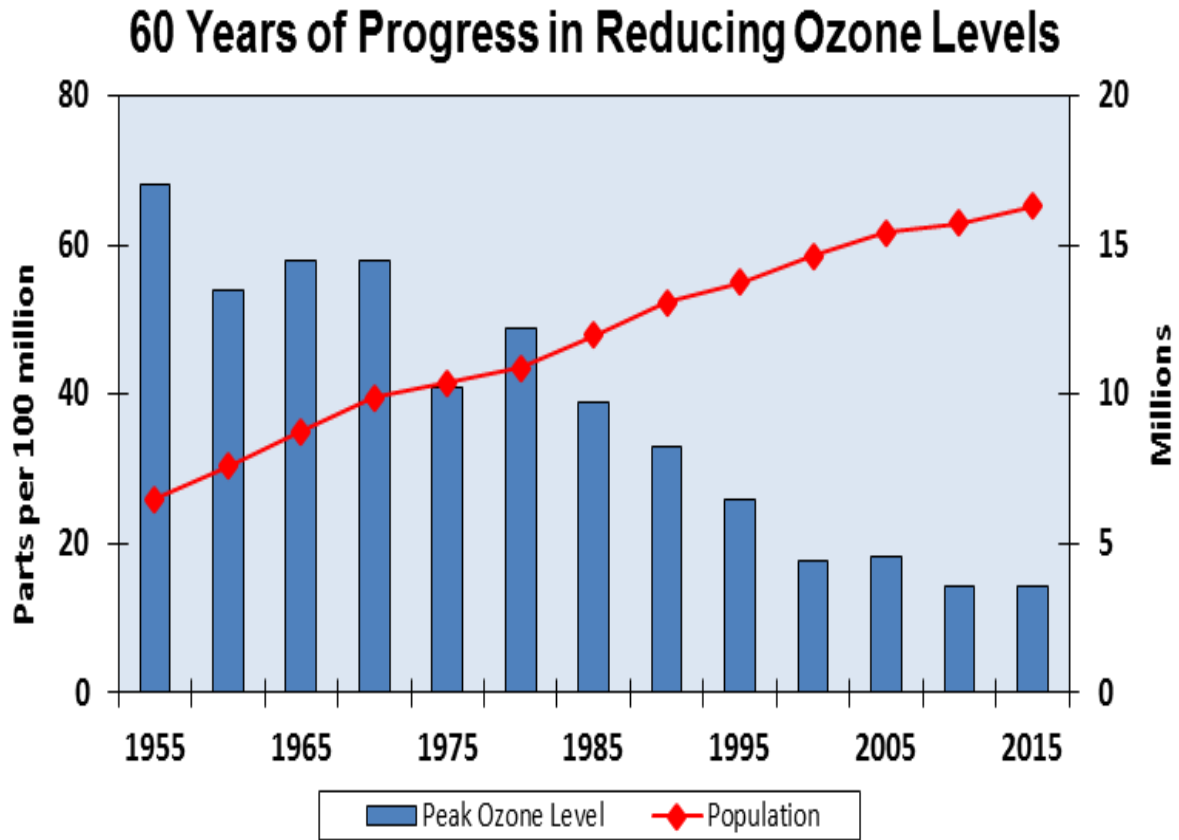
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Demographic and Miscellaneous Statistics June 30, 2020

<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>	17,150,993 (In 2019); 17,127,040 (In 2018); 17,063,249 (In 2017)
<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>	14,078,942 (In 2019); 13,828,182 (In 2018); 13,756,321 (In 2017)
<u>Average Daily Miles Traveled Per Vehicle:</u>	28 (CY 2019 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>	25,984 operating locations with 67,971 permits.
<u>Number of Air Monitoring Stations:</u>	43
<u>Full-time Authorized Positions:</u>	946
<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, 2020



Since the late 1940s when the war on smog began to 2017, the region's population has more than tripled from 4.8 million to 17.1 million; the number of motor vehicles has increased over six-fold from 2.3 million to over 13.8 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, 2020

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 2019-20:

GOAL I. Achieve Clean Air Standards.

Adherence to adoption and implementation schedules for rules, working groups, assessments and programs as adopted in the 2016 AQMP by completing 6 rule adoptions and/or actions that result in achievements towards AQMP emissions reductions; Secure \$300 Million of new funding sources for pollution reduction projects; Complete the development and begin implementation of the Community Emission Reduction Plans for each of the three Year 1 communities. Complete the first year of air monitoring for each of the three Year 1 communities; Ensure efficient air monitoring and laboratory operations by achieving acceptable valid data completion submitted to U.S. EPA before deadline; Complete 100% Title V Inspections; Maintain pending permit applications inventory excluding Permits to Construct issued and RECLAIM transition applications at or near 3,000; Support development of cleaner advanced technology by funding \$10 Million of Clean Fuels program projects with a 1:4 leveraging ratio; Contract 50% of grant money within six months after receipt of funds; Finalize data for fixed-site monitoring at 10 sites, continue updating the emissions inventory, and complete deployment of 5 different advanced monitoring methods.

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

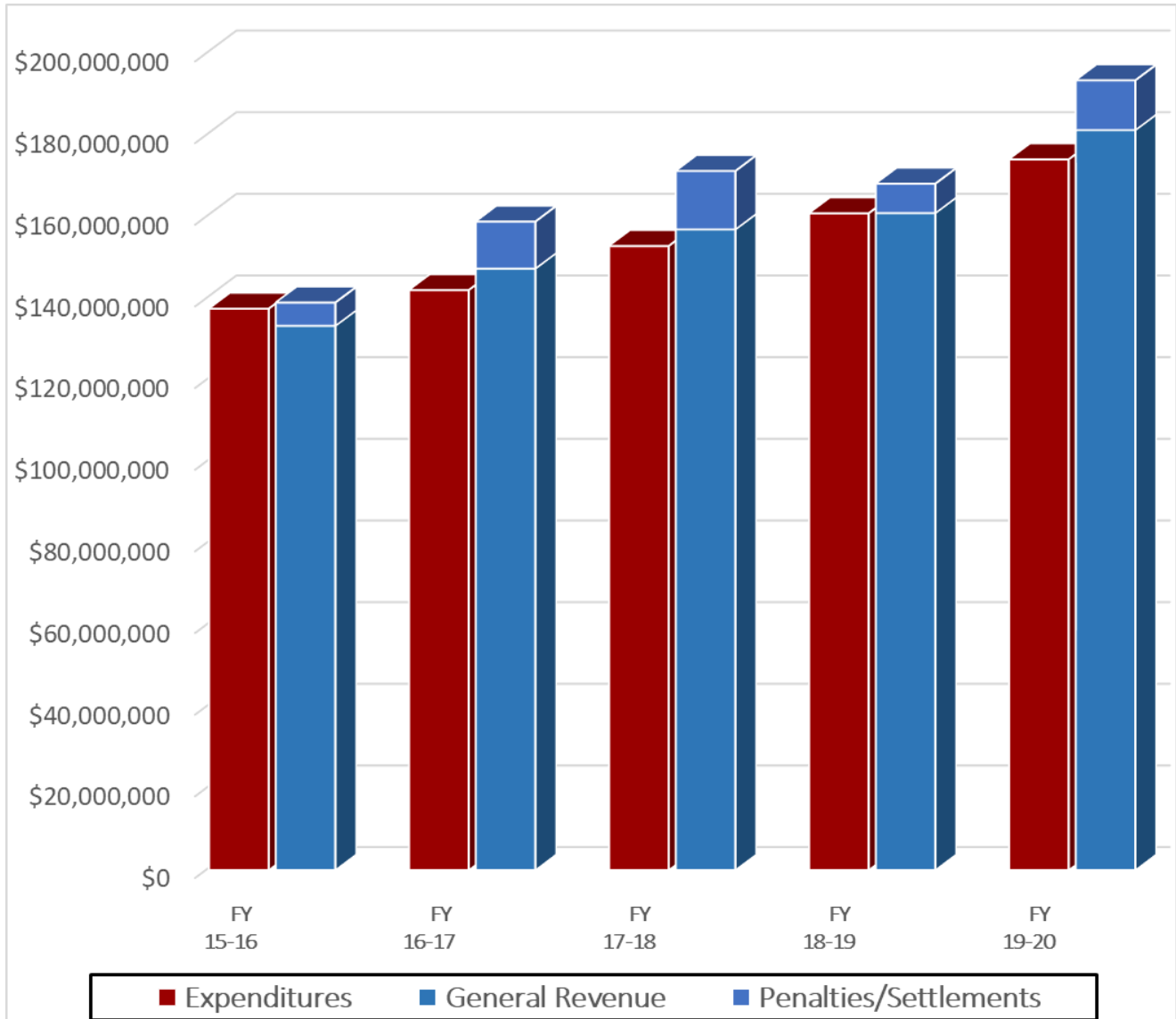
Evaluate and post results of 75% of low cost air quality sensors that have reached the market; Conduct 4 large community outreach events, including 1 in each County. Develop and implement SOPs to provide information to the public as quickly and accurately as possible; Timely investigation of community complaints by contacting 90% of complainants within 2 hours of complaint receipt during normal business hours; Increase social media following by 30%; Outreach and conduct air quality education program in 100 high schools throughout the 4 Counties in environmental justice communities.

GOAL III. Operate Efficiently and Transparently.

Ensure transparent governance by posting 100% of Committee and Board meeting agendas with materials made available to the public one week prior to the meeting, and posting 100% of Stakeholder and Working Group meeting agendas with materials made available to the public three days prior to the meeting; Offer and conduct 10 information sessions/training for all staff; Partner with Public agencies, stakeholder groups, and business by conducting 2 meetings of the Permit Streamlining Task Force subcommittee and stakeholders; Submit quarterly budgetary financial reports to the Governing Board within 6 working days of the end of the quarter; Migrate 100% of staff to cloud office email service.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Performance June 30, 2020 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 revenue increases from the state grants such as the implementation portion of Community Air Protection Program (CAPP), last year of a three-year Board approved fee increase of 10.6%, increase in CPI of 3.5%, and increase in unexpected large one-time penalties and settlements paid by non-complaint entities. The increase in General Fund expenditures from prior fiscal year is mainly due to increased employee retirement plan contributions, slight salary increases, adding positions, and expenditures related to grants such as the implementation portion of CAPP.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

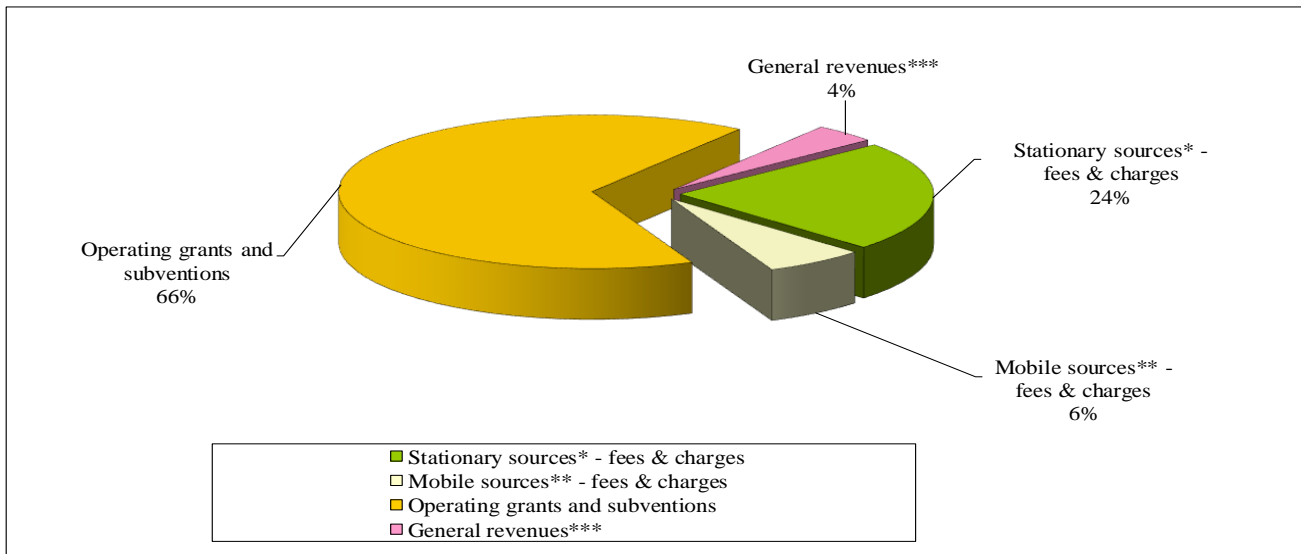
Where the Money Came From Our Revenues & Resources

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 34% 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 66% 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 4% higher as compared to the prior fiscal year primarily due to general revenues, which increased by 36% as compared to the prior fiscal year. The increases is 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.

FY 2019-20 Revenues by Major Source – Governmental Activities



Source	FY 19-20	FY 18-19	FY 17-18	FY 16-17	FY 15-16	FY 14-15
Stationary sources* - fees & charges	\$ 106,450,095	\$ 101,804,325	\$ 100,354,910	\$ 94,279,518	\$ 89,264,511	\$ 88,120,829
Mobile sources** - fees & charges	29,214,922	26,106,160	26,026,673	28,087,131	25,743,988	24,526,008
Operating grants and subventions	303,621,322	295,516,665	185,367,622	222,070,040	122,424,397	149,766,034
General revenues***	18,272,157	13,460,793	20,644,444	16,664,195	10,148,573	14,043,695
Total	\$ 457,558,496	\$ 436,887,943	\$ 332,393,649	\$ 361,100,884	\$ 247,581,469	\$ 276,456,566

*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 2019-20 CARF Statement of Activities

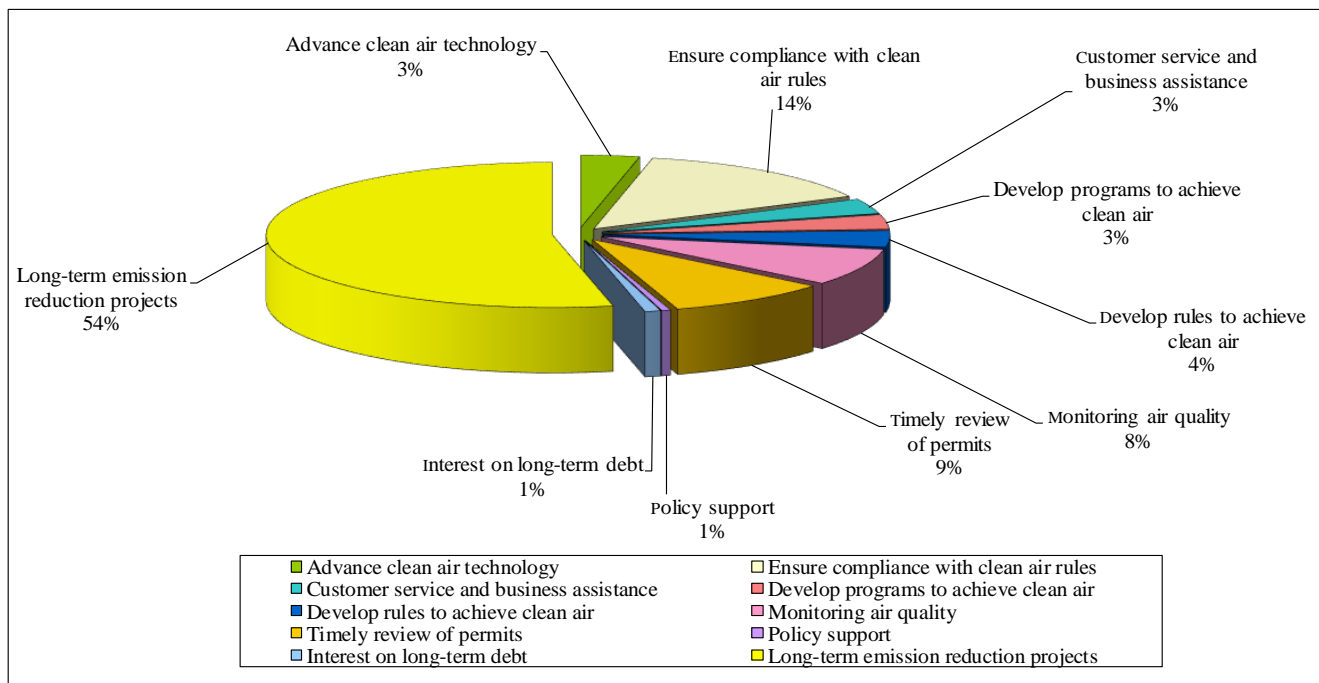
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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 68% of the South Coast AQMD's total General Fund Expenses for the year ended June 30, 2020.

On a government-wide basis (including all funds), expenses increased approximately 18% 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, and increased in retirement plan contributions, and adding positions.

FY 2019-20 Expenses by Program Category – Governmental Activities



Activity	FY 19-20	FY 18-19	FY 17-18	FY 16-17	FY 15-16	FY 14-15
Advance clean air technology	\$ 12,827,393	\$ 11,520,547	\$ 9,271,026	\$ 7,825,599	\$ 7,119,417	\$ 5,539,607
Ensure compliance with clean air rules	55,167,960	52,353,479	50,528,522	49,316,129	45,622,680	43,252,162
Customer service and business assistance	13,032,003	11,637,664	9,743,294	9,260,504	8,337,319	6,124,811
Develop programs to achieve clean air	12,471,639	9,407,869	8,636,784	11,335,498	10,444,147	9,727,624
Develop rules to achieve clean air	14,131,578	14,275,590	10,013,098	7,604,041	7,566,089	7,161,179
Monitoring air quality	31,910,536	26,547,245	20,822,380	17,856,869	16,028,394	13,197,801
Timely review of permits	35,511,594	33,951,378	33,301,565	31,520,083	27,891,070	24,431,059
Policy support	1,945,852	1,028,495	667,046	885,773	511,705	331,652
Interest on long-term debt	3,463,254	3,605,251	3,731,589	3,906,955	3,884,990	4,031,178
Long-term emission reduction projects	206,806,917	163,187,839	101,304,229	101,008,426	87,079,799	210,229,182
Total	\$387,268,726	\$327,515,357	\$248,019,533	\$240,519,877	\$214,485,610	\$324,026,255

Source: FY 2019-20 CAFR Statement of Activities

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Summary As of June 30, 2020, 2019 and 2018

FINANCIAL POSITION STATEMENT FOR THE YEARS ENDED JUNE 30, 2020, 2019, AND 2018

(In Thousands)

	<u>FY 2019-20</u>	<u>FY 2018-19</u>	<u>FY 2017-18</u>
ASSETS:			
Current and other assets	\$ 1,024,870	\$ 932,368	\$ 802,068
Capital assets	38,515	35,502	35,756
Total Assets	<u>1,063,385</u>	<u>967,870</u>	<u>837,824</u>
Deferred outflows (DO) of resources	79,618	88,783	101,955
Total Assets and DO of resources	<u>1,143,003</u>	<u>1,056,653</u>	<u>939,779</u>
LIABILITIES:			
Long-term liabilities	263,850	250,373	254,938
Short-term liabilities	97,696	83,446	61,954
Total Liabilities	<u>361,546</u>	<u>333,819</u>	<u>316,892</u>
Deferred inflows (DI) of resources	18,882	30,548	39,974
Total Liabilities and DI of resources	<u>380,428</u>	<u>364,367</u>	<u>356,866</u>
ASSETS AND DO OF RESOURCES OVER LIABILITIES AND DI OF RESOURCES	<u>\$ 762,575</u>	<u>\$ 692,286</u>	<u>\$ 582,913</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.

Total assets: Assets owned by the South Coast AQMD that has an economic value whose benefits can be derived in the future.

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.

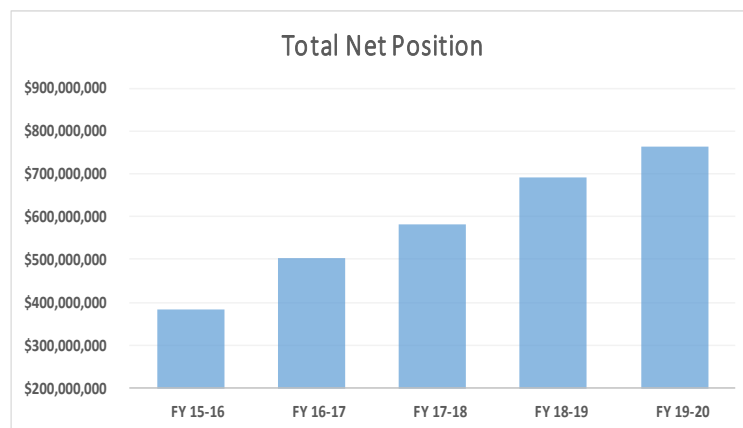
Total liabilities: Combined debts and obligations that South Coast AQMD owes to outside parties.

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 10.1% as compared to the prior fiscal year. Most of the increase was due to annual renewal fee increases and one-time penalties and settlements paid by non-compliant entities.



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

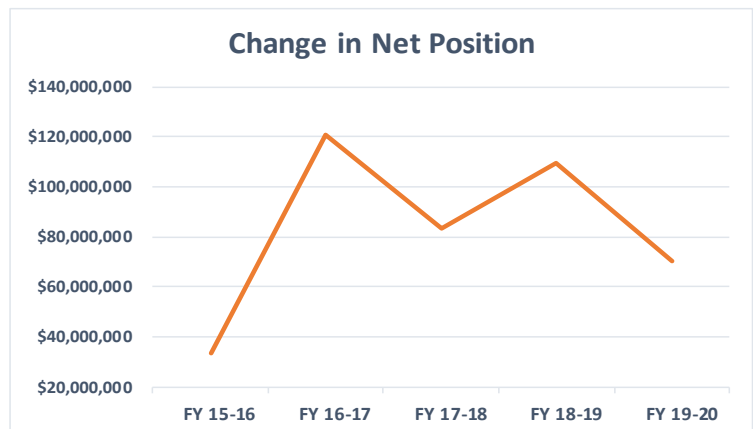
Financial Summary As of June 30, 2020, 2019 and 2018

**FINANCIAL ACTIVITY STATEMENT
FOR THE YEARS ENDED JUNE 30, 2020, 2019, AND 2018**
(In Thousands)

	<u>FY 2019-20</u>	<u>FY 2018-19</u>	<u>FY 2017-18</u>
RESOURCES:			
Fees and Charges – Stationary Sources	\$ 106,450	\$ 101,804	\$ 100,355
Fees and Charges – Mobile Sources	29,215	26,106	26,027
Operating Grants and Subventions	303,621	295,517	185,368
Grants and Subventions not Restricted for Specific Programs	2,880	2,865	2,879
Penalties and Settlements	12,178	7,197	14,316
Interest	1,791	1,977	1,041
Other Revenues	1,422	1,422	1,154
Transfers	-	-	1,253
Total Resources	<u>457,557</u>	<u>436,888</u>	<u>332,393</u>
USES:			
Advance Clean Air Technology	12,827	11,521	9,271
Ensure Compliance with Clean Air Rules	55,168	52,353	50,528
Customer Service	13,032	11,638	9,743
Develop Programs to Achieve Clean Air	12,472	9,408	8,637
Develop Rules to Achieve Clean Air	14,131	14,276	10,013
Monitoring Air Quality	31,911	26,547	20,822
Timely Review of Permits	35,512	33,951	33,302
Policy Support	1,946	1,028	667
Interest on Long-Term Debt	3,463	3,605	3,732
Long-Term Emission Reduction Projects	206,807	163,188	101,304
Total Uses	<u>387,269</u>	<u>327,515</u>	<u>248,019</u>
RESOURCES OVER USES	<u>\$ 70,288</u>	<u>\$ 109,373</u>	<u>\$ 84,374</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.

Resources over uses decreased by 36%, as compared to the prior fiscal year, primarily due to expenses related to the long-term emission reduction projects such as the implementation portion of CAPP. Changes in expenses are highly dependent on the timing of receipts of grant funding.



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, 2019. 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, 2019. 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, 2019, 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 summer 1943

1943

1950

Orange County APCD established



1966



California adopts first automobile tailpipe emission standards in the nation

1970

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



1975

Catalytic converters required for most gasoline-powered vehicles

1978

Vapor recovery "boots" required on gas station 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



1968

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

1971

U.S. EPA adopts first national air quality standards



1977

California legislature merges air pollution control districts of LA, Orange, Riverside and San Bernardino counties forming the South Coast Air Quality Management District

1986

South Coast AQMD launches first Multiple Air Toxics Exposure Study (MATES) to understand air toxics health impacts. Additional MATES studies conducted in 1999, 2006, 2013 and 2018

MATES

1989

South Coast AQMD adopts first Air Quality Management Plan to show attainment of clean air standards



1998

Carl Moyer Program established to reduce mobile source emissions



2011

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

2017

AB 617 enacted to develop community plans and implement new technologies addressing the disproportionate impacts of air pollution sources in Environmental Justice communities

Created a program to assess and reduce health risks from air toxic emissions under the Air Toxics "Hot Spots" Information and Assessment Act (AB 2588)

1987



Federal Clean Air Act Amendments of 1990 enacted establishing new programs to reduce ozone, toxic emissions and vehicle emissions

1990



2006

California Global Warming Solutions Act of 2006 (AB 32) enacted to reduce greenhouse gases



2013

Attained the 1997 24 hour and annual National Ambient Air Quality Standards for fine particulate matter two years ahead of schedule



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, 2019

Christopher P. Morill

Executive Director/CEO





**South Coast
Air Quality Management District**

21865 Copley Drive
Diamond Bar, CA 91765-4178

www.aqmd.gov