



Popular Annual Financial Report

Year Ended June 30, 2022

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, 2022

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2022

BEN BENOIT

Chair

Cities of Riverside County Representative

VANESSA DELGADO

Vice-Chair

Senate Rules Committee Appointee

MICHAEL A. CACCIOTTI

Cities of Los Angeles County

Eastern Region Representative

ANDREW DO

County of Orange Representative

GIDEON KRACOV

Governor's Appointee

SHEILA KUEHL

County of Los Angeles Representative

LARRY McCALLON

Cities of San Bernardino County Representative

VERONICA PADILLA-CAMPOS

Speaker of the Assembly Appointee

V. MANUEL PEREZ

County of Riverside Representative

NITHYA RAMAN

City of Los Angeles Representative

REX RICHARDSON

Cities of Los Angeles County

Western Region Representative

CARLOS RODRIGUEZ

Cities of Orange County Representative

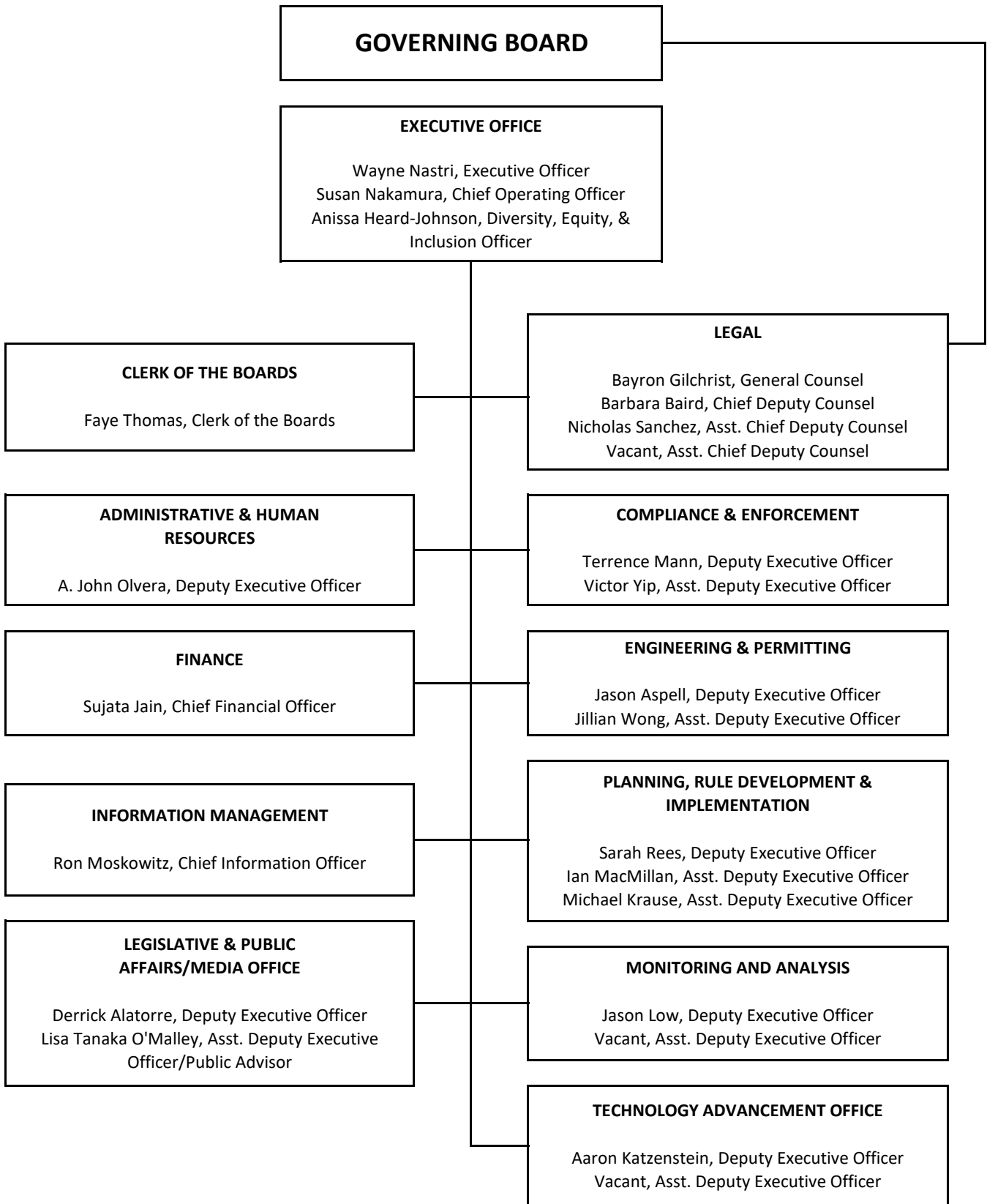
JANICE RUTHERFORD

County of San Bernardino Representative

WAYNE NASTRI

Executive Officer

**South Coast Air Quality Management District, California
Organizational Chart
June 30, 2022**



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

A Note From The Chief Financial Officer June 30, 2022

We are pleased to present the South Coast Air Quality Management District's (South Coast AQMD) Popular Annual Financial Report for the fiscal year ending June 30, 2022. 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 Popular Annual Financial Report is intended to summarize the financial activities of South Coast AQMD and was drawn from the financial information appearing in the 2022 Annual Comprehensive Financial Report. The Popular Annual Financial Report is unaudited; however, the financial data presented in the Popular Annual Financial Report is derived from the Annual Comprehensive Financial Report and is consistent with generally accepted accounting principles. The Popular Annual Financial Report and Annual Comprehensive Financial Report are 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 (South Coast AQMD Building Corporation is not included in this document), a copy of the Annual Comprehensive Financial Report 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, 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.



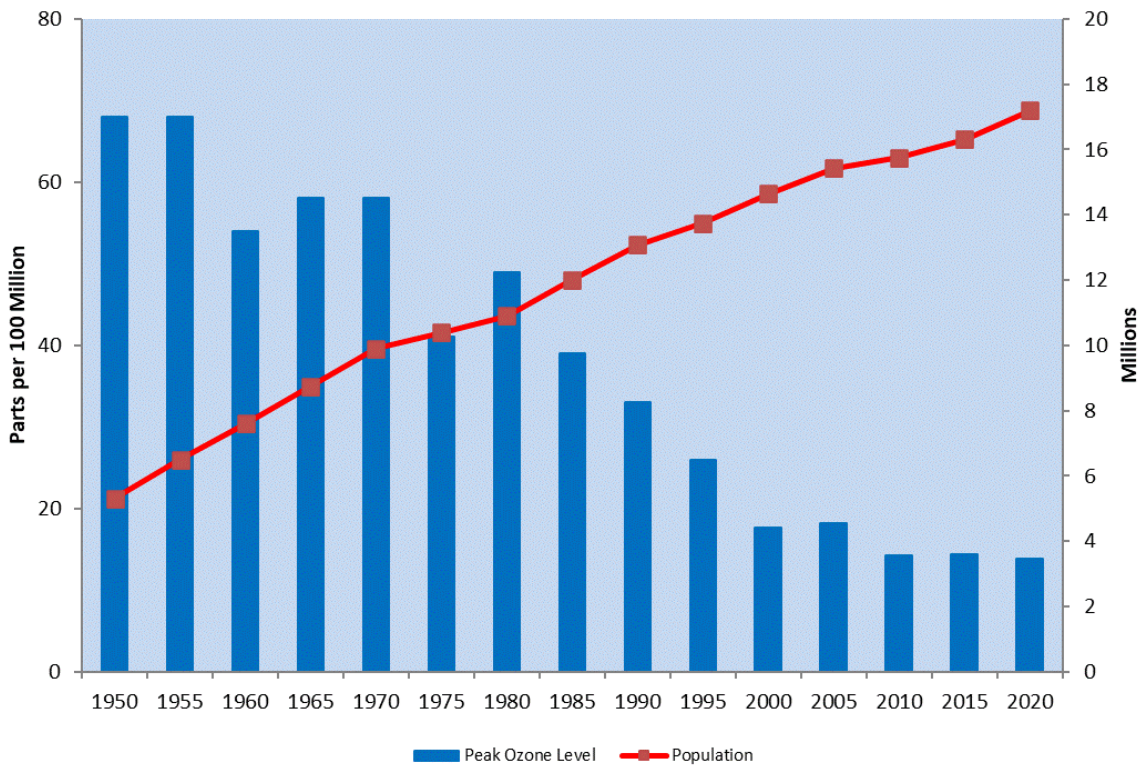
Demographic and Miscellaneous Statistics June 30, 2022

<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>	16,870,867 (In 2021); 17,031,233 (In 2020); 17,150,993 (In 2019)
<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>	13,958,637 (In 2021); 13,774,023 (In 2020); 14,078,942 (In 2019)
<u>Average Daily Miles Traveled Per Vehicle:</u>	25 (CY 2021 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>	25,524 operating locations with 66,352 permits.
<u>Number of Air Monitoring Stations:</u>	43
<u>Full-time Authorized Positions:</u>	959
<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

70 Years of Progress In Reducing Ozone Levels June 30, 2022

70 Years of Progress in Reducing Ozone Levels






Since the late 1940s, when the war on smog began, to 2020, the region's population has more than tripled from 4.8 million to 17.2 million; the number of motor vehicles has increased over six-fold from 2.3 million to over 14.1 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

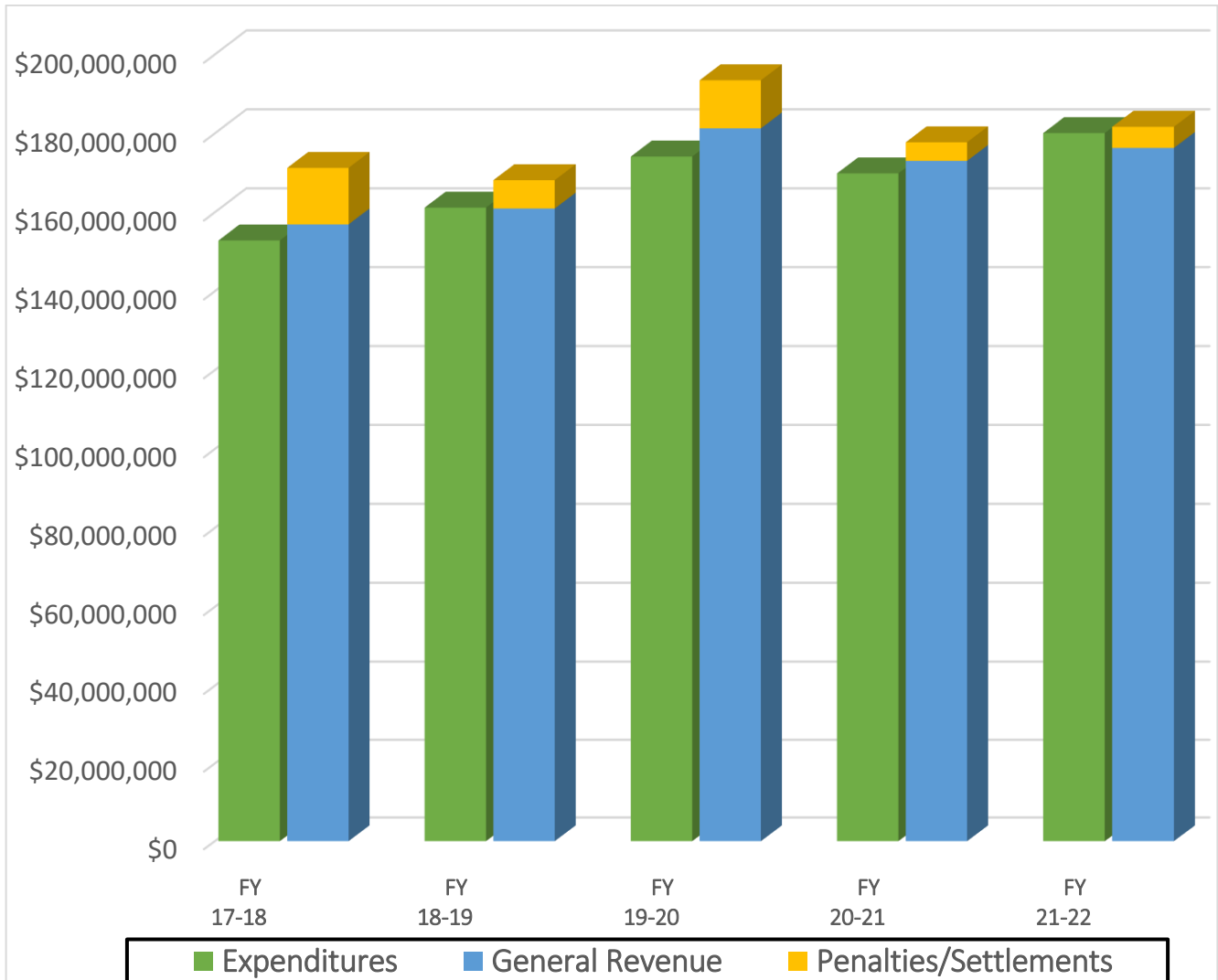
Goals and Priority Projects June 30, 2022

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 2021-2022:

GOAL	PERFORMANCE MEASUREMENT
<p>Achieve Clean Air Standards</p> 	<ol style="list-style-type: none"> 1. Adherence to development and implementation of Air Quality Management Plans by completing 6 rule adoptions and/or actions that result in achievements towards 2016 AQMP emissions reductions. Hold at least 4 AQMP advisory group meetings. 2. Secure \$250 Million of new funding sources for pollution reduction projects. 3. Conduct air monitoring and implement emission reduction plans for 5 communities designated in 2018 and 2019, and plan development for 1 new community. 4. Ensure efficient air monitoring and laboratory operations by achieving acceptable valid data completion submitted to U.S. EPA before deadline. 5. Complete 100% Title V Inspections. 6. Maintain pending permit applications inventory excluding Permits to Construct issued and RECLAIM transition applications at or near 3,000. 7. Support development of cleaner advanced technology by funding \$10 Million of Clean Fuels program projects with a 1:4 leveraging ratio. 8. Contract 50% of grant money within six months after receipt of funds. 9. Complete final report for MATES V and implementation of three MATES V Advanced Monitoring projects.
<p>Enhance Public Education and Equitable Treatment for All Communities</p> 	<ol style="list-style-type: none"> 1. Evaluate and post results of 75% of low-cost air quality sensors that have reached the market. 2. Conduct/participate 1 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. 3. Timely investigation of community complaints by contacting 90% of complainants within 2 hours of complaint receipt. Post widespread complaints on social media. 4. Increase social media followers by 15%-20%. Increase impressions and engagement by posting on Instagram, Facebook, and Twitter. 5. Outreach and conduct air quality education program in 300 high schools, 100 middle schools, and 20 elementary schools throughout the 4 Counties in environmental justice communities.
<p>Operate Efficiently and Transparently</p> 	<ol style="list-style-type: none"> 1. Ensure transparent governance by posting 100% of Committee and Board meeting agendas with materials which made available to the public one week prior to the meeting. 2. Posting 100% of Stakeholder and Working Group meeting agendas with materials made available to the public three days prior to the meeting. 3. Offer and conduct 12 information sessions/training for all staff. 4. Partner with Public agencies, stakeholder groups, and business by conducting 2 meetings of the Permit Streamlining Task Force subcommittee and stakeholders. 5. Submit quarterly budgetary financial reports to the Governing Board within 6 working days of the end of the quarter. 6. Establish and develop goals and objectives of Employee Affinity Groups. 7. Develop an equitable work environment by conducting one training/activity per quarter.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Performance June 30, 2022 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 the increase in annual renewal fees based on CPI fee increase and restoration of the FY2020-21 CPI fee increase that was credited to fee payers at the time of billing. The increase in General Fund expenditures from prior fiscal year is mainly due to increased costs associated with the labor agreement, increased cost in retirement plan contribution, and adding positions.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

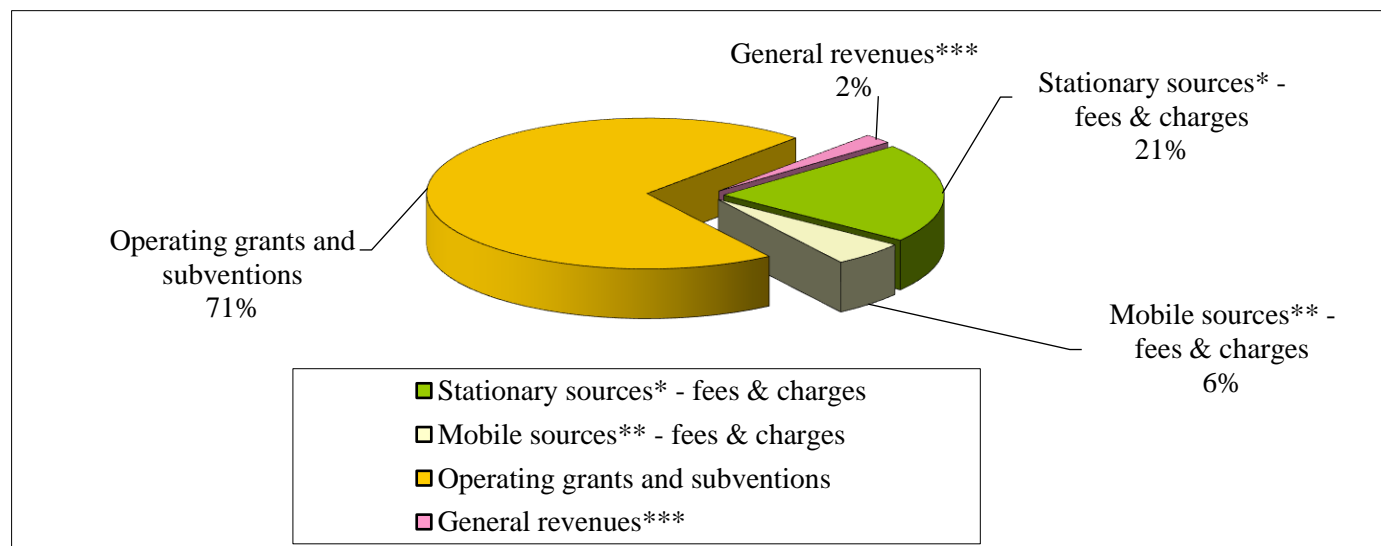
Where the Money Came From Our Revenues & Resources

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 29% 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 71% of the 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 14% higher as compared to the prior fiscal year primarily due to Operating grant and subventions, which increased by 20% as compared to the prior fiscal year. The increase is primarily due to increase in Long-term emission reduction projects which consists of pass-through and/or limited duration funding sources that are restricted for specific programs such as Carl Moyer Program Fund, Clean Fuels Program Fund, Mobile Sources Air Pollution Reduction Fund and the Air Quality Investment Fund.

FY 2021-2022 Revenues by Major Source – Governmental Activities



Source	FY 21-22	FY 20-21	FY 19-20	FY 18-19	FY 17-18	FY 16-17
Stationary sources* - fees & charges	\$ 109,776,713	\$ 106,917,251	\$ 106,450,095	\$ 101,804,325	\$ 100,354,910	\$ 94,279,518
Mobile sources** - fees & charges	27,772,271	26,995,162	29,214,922	26,106,160	26,026,673	28,087,131
Operating grants and subventions	365,668,049	304,766,572	303,621,322	295,516,665	185,367,622	222,070,040
General revenues***	10,711,118	10,336,674	18,272,157	13,460,793	20,644,444	16,664,195
Total	\$ 513,928,151	\$ 449,015,659	\$ 457,558,496	\$ 436,887,943	\$ 332,393,649	\$ 361,100,884

*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 2021-2022 Annual Comprehensive Financial Report Statement of Activities

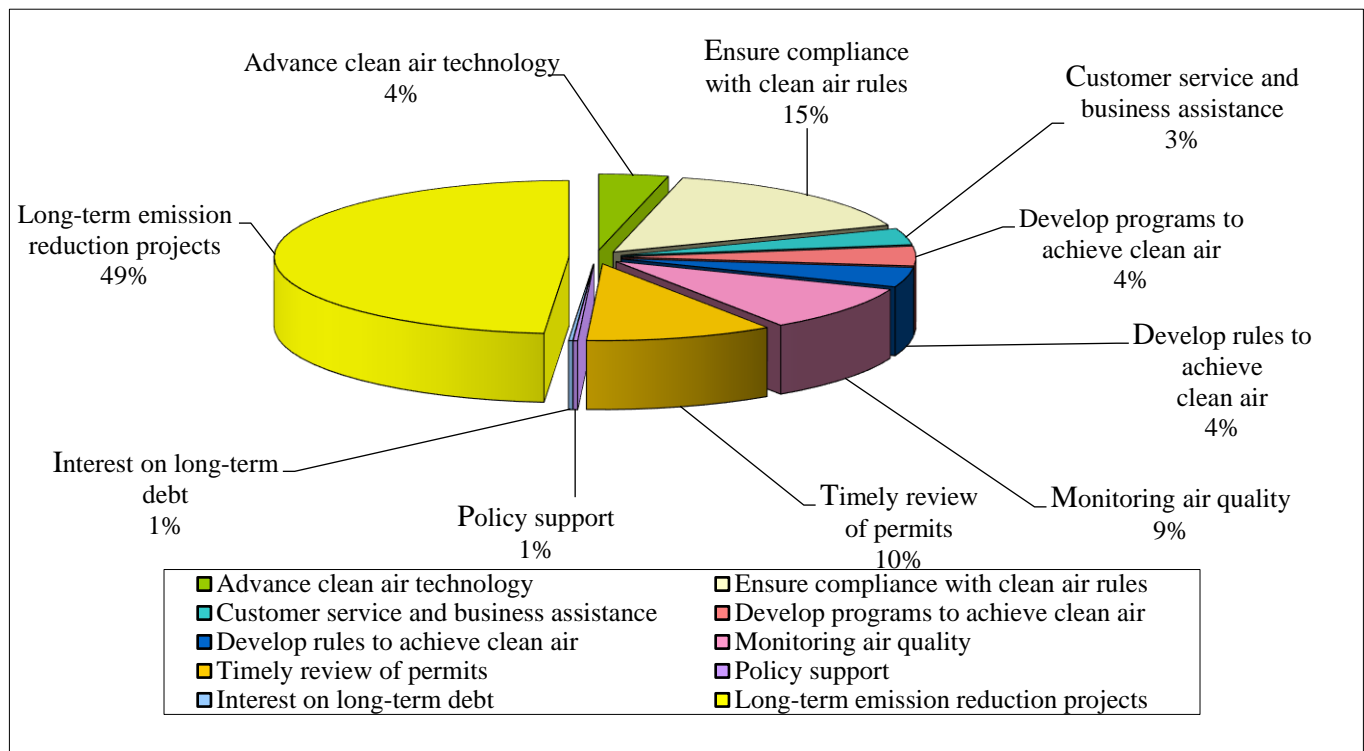
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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, 2022.

On a government-wide basis (including all funds), expenses decreased approximately 30% as compared to the prior fiscal year primarily due to expenditures related to state grants such as incentive portion of CAPP funds, Prop 1B, HEROS II, and a decrease in amortization of net pension liability.

FY 2021-2022 Expenses by Program Category – Governmental Activities



Activity	FY 21-22	FY 20-21	FY 19-20	FY 18-19	FY 17-18	FY 16-17
Advance clean air technology	\$ 11,484,237	\$ 14,560,468	\$ 12,827,393	\$ 11,520,547	\$ 9,271,026	\$ 7,825,599
Ensure compliance with clean air rules	46,714,649	59,823,114	55,167,960	52,353,479	50,528,522	49,316,129
Customer service and business assistance	10,488,458	14,979,824	13,032,003	11,637,664	9,743,294	9,260,504
Develop programs to achieve clean air	12,387,784	15,522,501	12,471,639	9,407,869	8,636,784	11,335,498
Develop rules to achieve clean air	12,435,707	17,228,755	14,131,578	14,275,590	10,013,098	7,604,041
Monitoring air quality	29,106,009	36,114,354	31,910,536	26,547,245	20,822,380	17,856,869
Timely review of permits	31,042,335	38,832,790	35,511,594	33,951,378	33,301,565	31,520,083
Policy support	736,426	1,773,352	1,945,852	1,028,495	667,046	885,773
Interest on long-term debt	700,202	3,302,637	3,463,254	3,605,251	3,731,589	3,906,955
Long-term emission reduction projects	146,966,402	231,305,871	206,806,917	163,187,839	101,304,229	101,008,426
Total	\$ 302,062,209	\$ 433,443,666	\$ 387,268,726	\$ 327,515,357	\$ 248,019,533	\$ 240,519,877

Source: FY 2021-2022 Annual Comprehensive Financial Report Statement of Activities

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Summary As of June 30, 2022, 2021, and 2020

FINANCIAL POSITION STATEMENT FOR THE YEARS ENDED JUNE 30, 2022, 2021, AND 2020

(In Thousands)

	<u>FY 2021-22</u>	<u>FY 2020-21</u>	<u>FY 2019-20</u>
ASSETS:			
Current and other assets	\$ 1,225,299	\$ 1,064,125	\$ 1,024,870
Capital assets	36,713	37,259	38,515
Total Assets	<u>1,262,012</u>	<u>1,101,384</u>	<u>1,063,385</u>
Deferred outflows (DO) of resources	113,464	151,191	79,618
Total Assets and DO of resources	<u>1,375,476</u>	<u>1,252,575</u>	<u>1,143,003</u>
LIABILITIES:			
Long-term liabilities	164,663	363,413	263,850
Short-term liabilities	60,667	89,284	97,696
Total Liabilities	<u>225,330</u>	<u>452,697</u>	<u>361,546</u>
Deferred inflows (DI) of resources	160,133	21,731	18,882
Total Liabilities and DI of resources	<u>385,463</u>	<u>474,428</u>	<u>380,428</u>
ASSETS AND DO OF RESOURCES OVER LIABILITIES AND DI OF RESOURCES	<u>\$ 990,013</u>	<u>\$ 778,147</u>	<u>\$ 762,575</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.

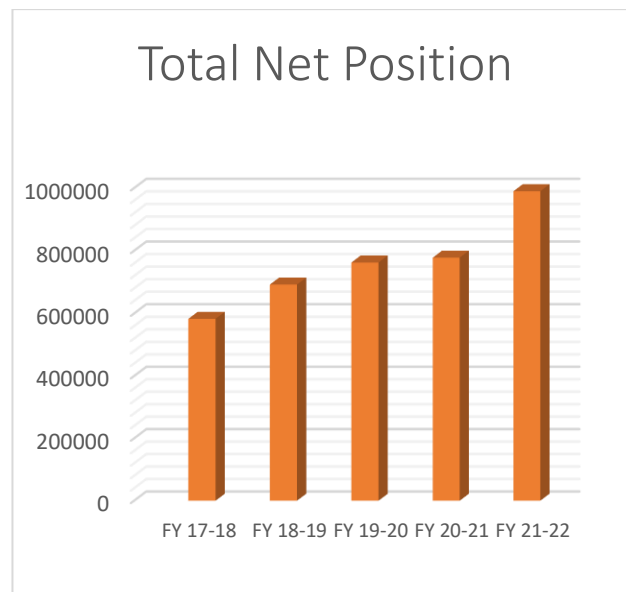
Short-term liabilities: Amounts owed by the South Coast AQMD to vendors that are expected to be paid within a year.

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 increased by 27% as compared to the prior fiscal year. The increase was mainly related to decrease in pension liability. The return on the market value of assets was higher than the assumed return.



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

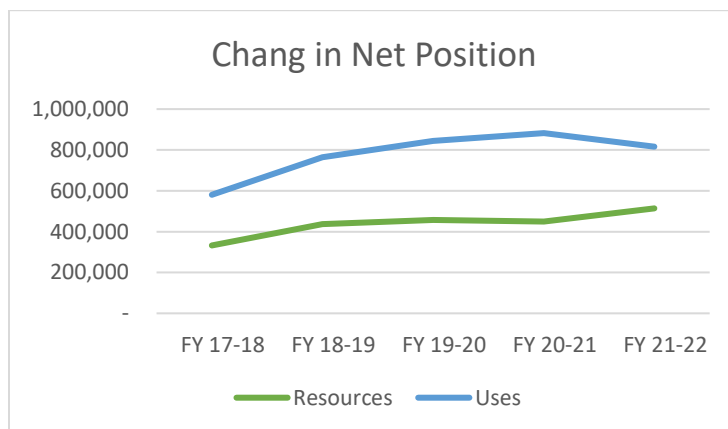
Financial Summary As of June 30, 2022, 2021 and 2020

FINANCIAL ACTIVITY STATEMENT
FOR THE YEARS ENDED JUNE 30, 2022, 2021, AND 2020
(In Thousands)

	FY 2021-22	FY 2020-21	FY 2019-20
RESOURCES:			
Fees and Charges – Stationary Sources	\$ 109,777	\$ 106,917	\$ 106,450
Fees and Charges – Mobile Sources	27,772	26,995	29,215
Operating Grants and Subventions	365,668	304,767	303,621
Grants and Subventions not Restricted for Specific Programs	2,858	2,885	2,880
Penalties and Settlements	5,361	4,715	12,178
Interest	587	597	1,791
Other Revenues	1,904	2,140	1,422
Total Resources	513,927	449,016	457,557
USES:			
Advance Clean Air Technology	11,484	14,560	12,827
Ensure Compliance with Clean Air Rules	46,715	59,823	55,168
Customer Service	10,488	14,980	13,032
Develop Programs to Achieve Clean Air	12,388	15,523	12,472
Develop Rules to Achieve Clean Air	12,436	17,229	14,131
Monitoring Air Quality	29,106	36,114	31,911
Timely Review of Permits	31,042	38,833	35,512
Policy Support	736	1,773	1,946
Interest on Long-Term Debt	700	3,303	3,463
Long-Term Emission Reduction Projects	146,966	231,306	206,807
Total Uses	302,061	433,444	387,269
RESOURCES OVER USES	\$ 211,866	\$ 15,572	\$ 70,288

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.

Total revenues increased by 14%, as compared to the prior fiscal year, primarily due to two large Rule 1304.1 offset fees received during fiscal year 2021-22. Total expenses decreased by 30% as compared to the prior fiscal year, primarily related to the long-term emission reduction projects. Many of the contracts for long-term emissions reduction projects are multi-year and dependent on the timing of receipts of grant funding. Expenses can vary significantly from year to year.



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, 2021. 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, 2021. 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 Annual Comprehensive Financial Report for the year ended June 30, 2021, from which information on pages 7 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

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

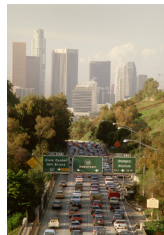
Created a program to assess and reduce health risks from air toxic emissions under the Air Toxics "Hot Spots" Information and Assessment Act (AB 2588)

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 for
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, 2021

Christopher P. Morill

Executive Director/CEO





**South Coast
Air Quality Management District**

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www.aqmd.gov