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**FISCAL YEAR 2024/2025
CAPITAL BUDGET
Final Report**

June 24, 2024

EXECUTIVE SUMMARY

The District's Capital Budget is comprised of two major components - 1) the Restricted Grants Budget and the 2) Operating Budget. Each budget has two separate fund accounts to facilitate the tracking of funds in both budgets and to allow the public better comprehension of the District's overall capital budget. A line-item spreadsheet of both the Restricted and Operating Budgets follows.

RESTRICTED GRANTS BUDGET

The Restricted Grants Budget is solely for pass-through grants from the State of California or the Federal Government (U.S. Environmental Protection Agency) to reduce air pollution emissions in areas where public health is most impacted. The District will be administering this budget through a variety of grant programs, incentives, rebates and public education in cooperation with other local agencies and businesses. For a detailed breakdown of all line items for the Restricted Grant Budget, please refer to the restricted budget spreadsheet.

AB2766 Grant Programs

The District administers the State's AB2766 DMV surcharge grant money to projects throughout all three counties of the District. This funding comes from a DMV surcharge fee for each registered vehicle in each county. Nevada and Plumas County charge a fee of \$4/vehicle. Sierra County charges a fee of \$2/vehicle.

The AB2766 grant funding cycle lags behind the fiscal year by approximately 2 years, and is funded each calendar year. For example DMV funds will be received January 2023 through December of 2023. These funds will be deposited fully by March of 2024 and are eligible to be spent January 1, 2025. This funding cycle is place so that the District only awards monies that it has already deposited in its accounts, so as not to award money it does not currently have. In order to make this process easier to understand, the District places the granted portion of AB2766 funds in a separate account (Restricted Account) from the Operating Account.

AB923 DMV Surcharge Fees and Programs

AB923 is only implemented in Plumas County. This funding comes from a DMV surcharge fee of \$2 per vehicle registered in the county. The District receives 6.25% as an administrative fee. This funding is to be utilized for replacing old diesel school buses per the state's Lower Emission School Bus program or for reducing heavy duty diesel emissions, similar to the Carl Moyer program. Recently the state has approved that this funding can also be utilized for infrastructure for alternatively fueled, low emission school busses.

Carl Moyer Heavy Duty Off Road Diesel Emission Reduction Program

The District administers the State's Carl Moyer Heavy Duty Diesel Program throughout all three counties in the District. This program is intended to provide incentives to owners of heavy duty diesel off road engines to retrofit or replace these engines to lower emitting models.

The District receives \$200,000 annually and is given 12.5% as an administrative fee, leaving \$175,000 for the grant program and \$25,000 administrative fee which is revenue for the internal operating budget. All interest earned from the program funds are placed back into the restricted budget per contractual requirements.

Carl Moyer Lawn and Garden Program

The District has received funds to administer a Lawn and Garden Program. This program is to be administered with similar reporting requirements as the State's Carl Moyer Heavy Duty Diesel Program throughout all three counties in the District. This program is intended to provide incentives to provide funding opportunities for business owners of commercial lawn and garden equipment to replace their older combustion powered lawn and garden equipment with zero-emission battery-electric equipment. The District receives 12.5% of the funds as an administrative fee, and all interest earned is placed back into the restricted budget as program funds. This program has many funding restrictions determined by the state and staff is currently in development of a grant program to award these funds.

EPA's Targeted Air Shed Grants

In January 2015, the U.S. EPA designated the City of Portola and surrounding parts of Plumas County as a federal nonattainment area for the annual PM2.5 health-based standard. PM2.5 is the fine particle pollution found in smoke. Studies indicate that the main source of smoke in Portola is from residential woodstoves and fireplaces.

2015 EPA Targeted Airshed Grant: \$2,523,607

U.S. EPA grant funds are administered by the Air District and the California Air Resources Board for a five-year voluntary residential wood stove replacement program to encourage owners to replace older wood stoves with cleaner burning devices and significantly improve air quality and public health in the Portola area. In 2019, the EPA approved an amendment to the 2015 grant, extending the grant an additional two years and adding a new administrative position – the Burn Wise Coordinator. In 2022, the grant received an additional one-year extension. **The 2015 EPA Targeted Airshed Grant is completed as of 2023.**

2018 EPA Targeted Airshed Grant: \$3,172,238

The Targeted Airshed Grant program elements are as follows: increased public education (TAG Specialist), extension and expansion of woodstove changeout program, electric heat pump program, chimney sweep vouchers, residential yard waste collection, wood shed program, development of wood bank program, weatherization and an Enforcement Coordinator for enforcing the mandatory woodstove curtailment program. The District estimates approximately \$400,000 per year will be expended from the restricted budget and \$45,000 will be expended from the operating budget for administrative costs.

2020 EPA Targeted Airshed Grant: \$2,655,967.00

U.S. EPA grant funds are administered by the Air District and the California Air Resources Board for a five-year voluntary residential wood stove replacement program to encourage owners to replace older wood stoves with cleaner burning devices and significantly improve air quality and public health in the Portola area. This grant offers the same program elements as the 2018 TAG except that this grant allows pellet stove to new pellet stove installations. We expect to spend \$50,000 from the restricted budget.

Voluntary Nox Reduction Measure (VNRM)

The State California Air Resources Board has awarded various air districts a grant which shall be used to "voluntarily remediate potential past emissions through remedial measures supporting air district-level NOx mitigation projects targeting engines, such as the replacement of existing

diesel engines with lox Nox engines.” The VNRM program is modeled on the criteria and requirements in the Moyer Guidelines.

FARMER Shared Pool

CARB developed the Funding Agricultural Reduction Measure for Emission Reductions (FARMER) Program to meet the Legislatures objectives and help meet the State’s criteria, toxic and greenhouse gas emission reduction goals for agricultural equipment. CARB created a Shared Allocation Pool of funding (\$5 million) that was specifically designated for 18 air districts with less than one percent of statewide agricultural equipment emission inventory to ensure farmers in those districts have the opportunity to access FARMER funding. The Shared Allocation Pool is managed by the Placer County Air Pollution Control District (Placer APCD) and the California Air Pollution Control Officers Association (CAPCOA). Placer APCD and NSAQMD entered into an independent contract for management and distribution of the FARMER Funds. All funds received are earmarked for specific projects and it is unknown what, if any, FARMER funds the District will receive annually.

AB617

Assembly Bill 109 provides funding for the Community Air Protection Program. Assembly Bill 109 approved the Cap-and-Trade Expenditure Plan which appropriated approximately \$1.6 billion in discretionary funds. The Northern Sierra Air Quality Management District has been approved by the California Air Resources Board (CARB) for a grant under the Community Air Protection Program. The grant award is for expenses necessary for implementation of Assembly Bill 617. The AB 617 Incentive Grants require projects to be approved by the Board so as to receive public comments on the use of the funds. Funds can only be used in AB1550 areas. The Board approved that the funds should be used for projects similar to Carl Moyer projects.

Woodstove Reduction Program

The Woodstove Reduction Program is funding to replace woodstove and reduce woodstove emission outside of the Portola Woodstove Exchange Program. The District has agreed to receive an allocation of \$130,000 in funding the Woodstove Reduction Program (WRP) for FY 2023-24, and has a remaining balance of \$34,860. This brings the project funds for the Woodstove Reduction Program to \$164,860 balance to fund projects outside of the Portola TAG program.

OPERATING BUDGET

The second major portion of the District's overall capital budget is the internal Operating Budget which is outlined in detail in the Operating Budget spreadsheet.

Operating Revenue

Overall, Expenditures exceed Revenues by \$186,457. The majority of this difference is from switching IT and website design companies and incorporating web design into the budget, which is an additional \$10,000 annually. The new website will be ADA compliant, AB232 compliant and have many features that will assist staff in streamlining current tasks, such as Board Meeting notifications, archives, and reports, creating email listservs, notifications to citizens on burn day status, health advisories and curtailment.

AB 2766 revenue is approximately 30% of total operating revenue. This revenue is used internally for activities that are related to clean air planning and technical studies necessary to implement the California Clean Air Act, and these technical activities should be funded by AB 2766 funds proportionate to the relative contribution of mobile source emissions.

General Administration, the Planning Program, and the Air Monitoring Program don't have adequate fees to cover costs, and so are supported with State Subvention, county contributions, and miscellaneous revenue line items.

Operating Expenditures

The District provides certain postretirement healthcare benefits, as established by Board Policy, to eligible employees through a single-employer plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA) and administered by the District. Employees who retire from the District shall be eligible to be enrolled in a PERS-provided health insurance plan. If the retiree is enrolled in a PERS-provided health insurance plan, the District shall pay 100% of the first \$9,600 of the retiree's annual premium. Employees hired after July 1, 2014 shall still be eligible to be enrolled in a PERS-provided health insurance plan upon retirement, but the District shall pay 0% of the retiree's annual premium, upon retirement.

The District has two separate accounts to express health insurance expenditures. Account #10-5017 is for retired employees, and Account #10-5016 is for current employees. However, two current employees have elected not to utilize the PERS-provided health benefits plan. According to District Policy, in recognition of the subsequent cost savings to the District, the District will pay the employees 40% of the premium costs saved by the District, or \$3,840, whichever is less. Since there is one employee electing not to utilize the PERS provided plan, this total amount is \$3,840. This \$3,840 expenditure is not included in the Health Insurance expenditure, instead it is included in Account #10-5021 TaxMed.

Staffing for Northern Sierra Air Quality Management District FY 24-25

The District has hired two APCS I and a part-time APCS I (assigned specifically to TAG projects). The Deputy APCO retired December 29, 2023, this position is still vacant. The APCO does not plan to fill the Deputy APCO position at this time, but will start a progressive plan with current staff.

Air Pollution Control Officer	(1 full-time position)
Deputy Air Pollution Control Officer	(1 full-time position) VACANT
Air Pollution Specialist III	(1 full-time position) VACANT
Air Pollution Specialist II	(2 full-time position)
Air Pollution Specialist I	(2 full-time position)
Federal Targeted Airshed Specialist	(1 full-time position)
Targeted Airshed Grant Assistant	(1 part-time position)
Accounting Clerk/Admin Assistant II	(1 full-time position)
Office Assistant	(1 part-time temporary position)

Fund Balance Accounts (Reserves)

Prudent fiscal management requires careful budgeting and stringent budget control to avoid over-expending. Successfully staying under budget for all budget line items means that fund balances (in the form of reserves) will occur at year-end. Such fund balances are saved in reserves for various uses, such as equipment replacements, litigation, contingencies, leave liability, etc. It is prudent that the reserves are placed in earmarked and encumbered fund balances. The Board approves the fund balances with the adoption of the budget. Program needs justify budgeting expenditures that sometimes exceed expected revenue on a short-term basis. Spending down reserves is then prudent, rather than increasing fees sporadically, as long as short-term short-falls don't place the District in a precarious fiscal position. Timely program cuts or revenue adjustments would eventually be needed to prevent over-erosion of reserves. The rule of thumb is to keep at least 6 months' worth of expenses in reserves.

1. Equipment Replacements/Fixed Assets

Clientworks, the Districts IT company, keeps a list of equipment and their respective depreciation rates and informs the APCO of equipment of depreciated equipment. \$50,000 was expended in FY23-24 to replace the District vehicle, the Dodge pickup.

2. Air Monitoring Program

The Air District receives \$57,000 from the Environmental Protection Agency for the continued operation of the District's Federal Reference Method (FRM) Network for particulate matter. The District will also continue to pay rent for its monitoring laboratory and purchase miscellaneous equipment to continue to run its existing air quality monitoring network.

3. Public Education

The District will utilize \$10,000 to fund its public education program for FY 2024-2025. This includes purchasing ads for emission reductions, incentive and grant programs. The District is also requesting additional funds for the prescribed fire grant to specifically conduct public outreach and education surrounding prescribed fire.

Summary

Expected operating expenditures exceeds expected operating revenues by \$186,457. The funds received in previous years are encumbered in the District's fund balance accounts, and will be utilized to demonstrate a balanced budget in the final summary, if needed.