

STAFF REPORT

BOARD MEETING DATE: June 9, 2025

CATEGORY: Presentations {{item.number}}

SUBJECT: Receive a presentation from the Air Pollution Control Officer regarding Shasta County Air Quality Management District financial matters and pending assessments to the jurisdictions with membership on the Air Pollution Control Board.

DEPARTMENT: Air Quality Management District

SUPERVISORIAL DISTRICT #: All

DEPARTMENT CONTACT: Sean Ewing, Air Pollution Control Officer, 530-225-5789

STAFF REPORT APPROVED BY: Sean Ewing, Director of Resource Management

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|------------------------------|------------------------------------|
| <u>Vote Required?</u> | <u>General Fund Impact?</u> |
| No Vote Required | General Fund Impact |

RECOMMENDATION

Receive a presentation from the Air Pollution Control Officer regarding Shasta County Air Quality Management District financial matters and pending assessments to the jurisdictions with membership on the Air Pollution Control Board.

DISCUSSION

The Shasta County Air Quality Management District (District) was activated by Shasta County Board of Supervisors Resolution No. 70-144, adopted September 28, 1970. The administrative support functions of the District were placed within the Shasta County Department of Resource Management (Department) by Air Pollution Control Board (APCB) Resolution No. 92-7, adopted May 5, 1992. On November 1, 1994, a memorandum of understanding (MOU) between County of Shasta and Shasta County Air Pollution Control District concerning administration and support of District functions was signed. The MOU designated the manager of the Air Quality Division as the District's Air Pollution Control Officer (APCO). By APCB Resolution No. 2004-1, Resolution No. 92-7 and the MOU were amended to designate the Director of Resource Management as the District's APCO. An agreement between Shasta County (County), City of Redding (COR), and City of Anderson (COA) was signed and became effective February 1, 2013, that provided each of the cities one position on the five member APCB. The agreement was amended to withdraw the COA from the APCB and provided the COR two positions on the five member APCB, effective June 2, 2015. The composition of the APCB has not changed since 2015.

As prescribed in the MOU between the District and the County, the District maintains its own budget independent from the County's General Fund. The District's budget is Budget Unit 373 and consists of multiple fund balances that include funds that are restricted for specific purposes based on the stipulations established by the various funding sources. Funding for the District encompasses grants, subvention from the state, permit fees and penalties, and AB 2766 Motor Vehicle (AB2766) fees. District staff track their time for the various task/duties performed and submit time accounting records that substantiate the District's use of the various types of restricted funds. Annual budgets are prepared based on estimated use of restricted funds and fund balance transfers occur at the close of the fiscal year (FY). The APCB is responsible for the budget adoption process of the District independent from the County's Board of Supervisors, COR Council, and COA Council budget adoptions.

The District has consistently operated with an annual deficit and utilized accumulated fund balance from prior years to offset the shortfall. The General Purpose Restricted Fund of the District is similar to a city/county General Fund. The District's General Purpose Restricted Fund balance went negative FY 2013-14 as a result of the accumulated fund balance being fully expended and fund balance transfers from restricted funds being insufficient to offset the District's operating expenses. Although the General Purpose Restricted Fund balance was negative, the negative was offset by other restricted fund balances within the District's Budget Unit that presented the overall budget unit as being sufficiently funded. Simply stated, this resulted in an unintentional borrowing

of restricted funds to cover District operating costs.

In FY 2013-14 it became necessary for the District to begin assessing the jurisdictions with membership on the APCB on a per capita basis for expenses of the District that were not met by other funding sources as required by California Health and Safety Code Section 40701.5(b). Assessments to the jurisdictions with membership on the APCB were necessary for nearly each FY since FY 2013-14 with limited exceptions. At the close of FY 2023-24, the total negative fund balance that is to be assessed to the jurisdictions on a per capita basis is approximately \$1.8 million. The COA only had membership on the APCB for FY 2013-14, FY 2014-15, and FY 2015-16, therefore, COA will only be assessed for the FY's with membership on the APCB. The remaining FY's will be assessed to only the County and COR. District staff are committed to reviewing how restricted funds have historically been time accounted for during these FY's with deficits to verify that restricted funds have been utilized to the maximum extent that can be lawfully justified to help reduce the assessments that will be made against the member jurisdictions. Once the review is completed, the District will provide assessments on a per capita basis to each member jurisdiction for the prior deficit years.

For the current FY 2024-25, the District is projecting an approximate deficit of \$108,807 which equates to a \$52,674 assessment to the County and a \$56,133 assessment to the COR. The requested budget for FY2025-26 includes a deficit of \$340,450 which equates to a \$164,813 assessment to the County and a \$175,637 assessment to the COR. Final assessment amounts will be determined during the budget closeout process and will be provided to the member jurisdictions at that time.

District staff understand the financial impact any assessments will have on the member jurisdiction budgets and are undertaking urgent steps to help reduce future assessments to the member jurisdictions. The APCO will be working with District staff to overhaul existing policies and/or develop new policies to ensure sufficient time accounting is being completed by the staff as well as establishing a new policy to require the District staff to track what direct and indirect costs are eligible for reimbursement prior to applying for any grant program. It is essential to verify all grant programs are funding the administrative costs for their implementation. District staff is also working diligently to prepare a comprehensive increase in permit fees as well as policies regarding fines and penalties for violations to bring before the APCB for adoption. A comprehensive fee update has not been approved by the APCB since April 10, 1990. District permit fees are substantially lower than other jurisdictions. California Health and Safety Code Section 41512.7(b) limits the District's ability to increase permitting fees to 15% per calendar year. As a result of this limitation, it will take several years for the District's fees to be increased to the appropriate level for cost-recovery for the services provided.

District staff has revised the budget documents to include an object line for the assessment to the County and another for the assessment to the COR. District staff will also implement a policy to provide assessment estimates to the member jurisdictions as soon as the initial requested budget is prepared and submitted at the start of the budget review cycle. This will provide additional time for the member jurisdictions to anticipate and account for the assessments.

ALTERNATIVES

The Board could choose not to receive the presentation or postpone the presentation to a later date.

OTHER AGENCY INVOLVEMENT

County Counsel and the County Administrative Office have been consulted on the content of the presentation.

FISCAL IMPACT

No fiscal impact would result from receiving the presentation. Amounts assessed to the County would be covered by the County's General Fund.

ATTACHMENTS:

- 1: Shasta County BOS Resolution No. 70-144
- 2: APCB Resolution No. 92-7
- 3: MOU Between County of Shasta and Shasta County Air Pollution Control District
- 4: APCB Resolution No. 2004-1 – Amendment to MOU with County
- 5: COR Council Report – Item 9.1(b) Meeting Date August 7, 2012
- 6: Agreement Between SC, COR, and COA
- 7: Amendment for Withdrawal of COA
- 8: Director Memo - Summary Report for Air Quality Management District Funding – Dated November 1, 2016