

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
MEMORANDUM
08/05/2024

TO: FRAQMD BOARD OF DIRECTORS
FROM: Christopher Brown AICP, APCO
SUBJECT: Approve adoption of the FY 24/25 Proposed budget.

RECOMMENDATION:

Approve adoption of the FY 24/25 Proposed budget.

BACKGROUND:

The District currently holds 2 funds in the Yuba County Treasurer's office, Fund #725 the District Fund and Fund #728 the Grant Project Fund that is restricted to projects only.

With the FY 24/25 budget, the District continues to maintain a financially healthy budget to meet liabilities and obligations.

The District is recommending a Consumer Price Index increase of 4.2% to stationary source fees consistent with District Rule 7.0(c), Consumer Price Index adjustment of fees. A public notice to this effect has been duly noticed.

DISCUSSION:

A Policy/Finance Committee meeting was held on July 31, 2024, to review the budget and discuss recommendations. After a thorough review, the Committee recommends the approval of the proposed budget.

The District previously implemented a new accrual accounting system, along with QuickBooks software. As part of this process, a new budget format was introduced with the 2020-2021 budget adoption to better align with the financial statements and enable real-time tracking of budget-to-actuals. Final adjustments to this format were made with the 2021-2022 budget adoption. This new format continues with the 2024-2025 fiscal year budget process, providing a streamlined layout for Board members and the general public.

RESERVES:

As of June 30th 2024, the Unassigned Fund Balance is \$5,084,890.

ATTACHMENTS:

1. Budget Summary
2. 24/25 Proposed Budget
3. Early Loan Payoff Analysis

Budget Summary for Fiscal Year 2024/25

Income Overview

- **Grants & Projects Revenue:** Total Grants & Projects Revenue decreased from \$2,713,119 to \$2,271,782, showing a -16% change. This decline is primarily due to a reduction in State Funding.
- **Permits & Fees Revenue:** Total Permits & Fees Revenue increased from \$1,648,947 to \$1,698,638 showing a +3% change. This increase is mainly attributed to a 9% increase in Annual Permits from \$448,032 to \$490,000 and a 4% increase in Burn Permits from \$76,165 to \$79,364.
- **Other Revenue:** Total Other Revenue saw a significant increase from \$65,000 to \$189,000, marking a +190% change, largely due to a drastic increase in Interest income from \$64,000 to \$188,000.
- **Total Income:** Overall, Total Income decreased by 6% from \$4,427,066 to \$4,159,420.

Expenditure Overview

- **Program Activities:** Total Program Activities decreased from \$3,087,487 to \$2,854,271, showing an -8% change. This decline was influenced by a -17% decrease in State Incentives Programs from \$2,181,844 to \$1,820,684.
- **Human Resource Expenses:** Total Human Resource Expenses increased from \$1,409,620 to \$1,486,016, marking a +7% change. Notable increases include a 5% rise in Salaries and Wages from \$1,016,483 to \$1,060,763 and a 9% rise in Employee Benefits from \$238,268 to \$260,835.
- **General & Administrative:** Total General & Administrative Expenses decreased by 23% from \$555,173 to \$427,184. Notable changes include a 19% increase in Legal Fees from \$50,000 to \$75,000 a 51% decrease in Technology from \$76,600 to \$37,200 and a 59% decrease in Professional services from \$106,028 to \$43,118.
- **Total Expense:** Total Expenditures saw a decrease of 6% from \$5,136,216 to \$4,852,930.

Other Impacts

- Payoff of West America bank loan will result in savings of \$29,706.83 in interest and expense savings of \$37,88.45 in loan payments for five consecutive fiscal years ending in FYE 2030 future budget projections. ***Reference Summary Early Loan Payoff analysis.***

- Proposed budget projects utilizing the estimated \$39,510 surplus of FYE 23/24 towards CO Share PERS contribution.
- 23/24 Actuals are not finalized and are anticipated to be finalized by November 2024 for the following reasons:
 - Accrued expenses- expenses that straddle the fiscal year will need to be prorated once processed.
 - Due from other governments was received and accrued last year in September 2023
 - Prepaids- expenses paid in FYE that will be recognized in current fiscal year
 - 4th quarter interest is anticipated to be received in September or August 2024.
 - Accounts receivables- monies owed to the district that need to be recognized in FYE 23/24

Summary

- Overall Income decreased by 6%, mainly due to significant reductions in Grants & Projects Revenue.
- Overall Expenditure decreased by 6%, with minor reductions in several categories but increases in Human Resource Expenses.
- The budget variations primarily reflect strategic shifts in funding allocations and operational costs. The decrease in Grants & Projects Revenue and the increase in specific Human Resource Expenses highlight the need for careful financial planning and monitoring.

Accrual Basis

**2024/2025 Draft Budget
July 2024 through June 2025**

			Approved 22/23 Budget	22/23 Actuals	Approved Budget 23/24	23/24 YTD DRAFT Actuals	Upcoming Year Over Year Anticipated Budget Increase or (Decrease)	Total Budget 24/25	NOTES
1	Ordinary Income/Expense								
2	Income								
3		Grants & Projects Revenue							
4		Local Funding	0	0	0	0	0%	0	
5		State Funding	3,335,831	3,853,191	2,713,119	3,450,296	-16%	2,271,782	
6		Federal Funding	0	0	0	0	0%	0	
7		Total Grants & Projects Revenue	3,335,831	3,853,191	2,713,119	3,450,296	-16%	2,271,782	Project/Program specific revenues will be utilized from funds received in prior fiscal years
8		Permits & Fees Revenue							
9		Air Toxics	3,000	5,297	3,000	4,403	0%	3,000	
10		Annual Permits	416,000	514,194	448,032	495,639	9%	490,000	
11		Burn Permits	70,720	64,645	76,165	70,520	4%	79,364	
12		Emission Reduction Credits	150	300	150	3,222	0%	150	
13		Indirect Source	34,000	48,586	34,000	45,777	0%	34,000	
14		New Permits	100,000	180,083	107,700	219,819	4%	112,223	
15		Penalty	60,000	123,480	60,000	55,183	0%	60,000	
16		PERP Inspections	25,000	29,223	25,000	30,812	0%	25,000	
17		State Motor Veh (AB2766 & AB923)	876,000	924,764	876,000	922,995	0%	876,000	
18		AB923 Admin Revenue	18,900	19,676	18,900	16,185	0%	18,900	
19		Total Permits & Fees Revenue	1,603,770	1,910,248	1,648,947	1,864,555	3%	1,698,638	
20		Other Revenue							
21		Miscellaneous	15,000	162	1,000	114	0%	1,000	
22		Interest	28,000	144,865	64,000	217,306	194%	188,000	Significant Increase
23		Total Other Revenue	43,000	145,027	65,000	217,420	191%	189,000	
24		Total Income	4,982,601	5,908,466	4,427,066	5,532,271	-6%	4,159,420	
25		Expense							
26		Program Activities							
27	(1)	Previously Allocated Local Incentives Programs	620,493	244,589	492,643	261,122	21%	595,387	
28		Current Year Local Incentives Programs	412,000	2,000	412,000	0	0%	412,000	
29		Outreach Event Supplies (Non Grant Related)	1,000	569	1,000	750	0%	1,000	
30		State Incentives Programs (Pass Through)	2,699,166	2,566,389	2,181,844	3,369,804	-17%	1,820,684	
31		Total Program Activities	3,732,659	2,813,547	3,087,487	3,631,676	-8%	2,829,071	

2024/2025 Draft Budget
July 2024 through June 2025

Accrual Basis

			Approved 22/23 Budget	22/23 Actuals	Approved Budget 23/24	23/24 YTD DRAFT Actuals	Upcoming Year Over Year Anticipated Budget Increase or (Decrease)	Total Budget 24/25	NOTES
32		Human Resource Expenses							
33		CALPERS 457 Contribution	7,800	7,500	15,600	13,850	0%	15,600	23/24 Actuals exceeded projected budget increase projected accordingly.
34		CO Share PERS	100,722	180,711	193,188	188,505	14%	220,015	
35		Employee Benefits	245,839	213,527	238,268	232,766	9%	260,488	
36		PERKS Employee Benefits	500	464	500	74	0%	500	
37		Payroll Taxes	20,069	14,703	20,331	18,005	5%	21,299	
38		Salaries and Wages	991,796	921,577	1,016,483	1,007,773	5%	1,064,939	
39		Workers Comp Insurance	8,879	8,587	9,186	7,951	51%	13,834	
40		Total Human Resource Expenses	1,375,605	1,347,069	1,493,556	1,468,924	7%	1,596,675	
41		General & Administrative							
42		Accounting & Auditing	85,700	65,465	80,351	55,767	3%	82,718	
43		BLDG & Maint/Improvement	288,700	27,507	88,875	59,308	-57%	38,340	
44		DPMT Expense/MTR VHL Fee Exp	0		0			0	
45		Communications	13,290	15,416	18,372	19,334	27%	23,420	
46		Dues and subscriptions	5,126	5,118	5,201	4,301	10%	5,706	
47		Insurance	27,685	27,343	32,091	30,305	6%	33,907	
48		Legal Fees	50,000	36,174	62,906	58,366	19%	75,000	
49		Maintenance/Equipment	4,000	119	4,000	1,658	15%	4,600	
50		Minor Equipment	9,950	5,975	7,849	1,891	1%	7,950	
51		Office Supplies	15,350	13,064	15,349	9,984	-11%	13,713	
52		Professional Services	123,298	76,799	106,028	68,372	-59%	43,118	
53		Publications/Public Notices	5,550	3,898	5,551	4,251	4%	5,800	
54		Rents & Leases/Equipment	1,800	1,490	1,799	1,208	0%	1,800	
55		Taxes and fees	733	0	733	0	0%	733	
56		Technology	111,300	73,255	76,599	36,503	-51%	37,200	
57		Travel - Operations	24,900	8,990	33,299	10,396	0%	33,300	
58		Utilities	14,590	15,661	16,200	17,251	23%	19,879	
59		Total General & Administrative	781,972	376,274	555,173	378,895	-23%	427,184	
60		Total Expense	5,890,236	4,536,890	5,136,216	5,479,495	-6%	4,852,930	

**Feather River Air Quality Management District
2024/2025 Draft Budget
July 2024 through June 2025**

				Approved 22/23 Budget	22/23 Actuals	Approved Budget 23/24	23/24 YTD DRAFT Actuals	Upcoming Year Over Year Anticipated Budget Increase or (Decrease)	Total Budget 24/25	NOTES
61	Net Ordinary Income			(907,635)	1,371,576	(709,149)	52,776	-2%	(693,510)	
62	Other Income/Expense									
63	Other Income									
64	Gain/(Loss) on Investments					0	57,125	0%	55,000	23/24 Actuals exceeded projected budget increase projected accordingly.
65	Total Other Income					0	57,125	0%	57,125	
66	Other Expense									
67	Interest Expense			11,750	11,702	11,750	9,758	222%	37,888	Early loan payoff interest calculation
68	Depreciation Expense			58,162	54,529	58,162	60,633	-11%	52,000	
69	Total Other Expense			69,912	66,231	69,912	70,391	29%	89,888	
70	Net Other Income			(69,912)	(66,231)	(69,912)	(13,266)	-9.4%	(4,177)	
71	Net Income			(977,547)	1,305,345	(779,061)	39,510	-10%	(697,687)	
	Building-Current Debt Reduction			(26,138)		(26,138)			(169,307)	Early loan payoff principal calculation
	Fixed Assets Purchases			0		0			0	
	Capital Improvement Purchases			0		0			0	
	PERS Unfunded Liability			(79,008)		(200,000)		PARS Funding	19,755	Est. surplus from 23/24 actuals contribution towards CO Share PERS
	PERS Retiree OPEB			(3,000)		(300,000)		PARS Funding	19,755	
	Use of Restricted Fund Balance			(415,993)		(492,643)			(595,387)	
	Use of Unassigned Fund Balance			(511,383)		(644,045)			(232,097)	
	Net Use of Fund Balances			(927,375)		(1,136,688)			(827,484)	

**Feather River Air Quality Management District
 AB2766 Allocated Project Funds
 Final Budget As of 4/25/24**

Previously Allocated:

Project #	Description	\$ Amt.	Expiration	Paid Out YTD	Amount Remaining	
N/A	FRAQMD	\$16,000	*Various	\$0	\$16,000	
N/A	FRAQMD	\$14,000	*Various	\$6,000	\$8,000	
VF 23-4	Yuba-Sutter Transit	\$98,000		\$0	\$98,000	Approved 12-4-23
VF 23-6	Yuba Water Agency	\$20,000		\$0	\$20,000	Approved 12-4-23
VF 23-7	Playzeum Yuba Sutter	\$6,000		\$0	\$6,000	Approved 12-4-23
VF 23-9	City of Yuba City	\$41,000		\$0	\$41,000	Approved 12-4-23
VF 23-01	Yuba-Sutter Transit	\$100,000		\$72,200	\$27,800	Approved 12-5-22
VF 22-02	Yuba Water Agency	\$20,000		\$17,413	\$2,587	Approved 12-5-22
Balance		\$315,000		\$95,613	\$219,387	

**Feather River Air Quality Management District
 AB923 Allocated Project Funds
 Final Budget As of 4/25/24**

Previously Allocated:

Project #	Description	\$ Amt.	Expiration	Paid Out YTD	Amount Remaining
23-2	Wheatland School District	Replace 2001 School Bus		\$0	\$165,000 Approved 12-4-23
23-3	Wheatland Union HS	Replace 2009 School Bus		\$0	\$165,000 Approved 12-4-23
23-4	Wheatland Union HS	Replace 2009 School Bus		\$0	\$46,000 Approved 12-4-23
BALANCE		\$376,000		\$0	\$376,000

Feather River Air Quality Management District
 2024/2025 Draft Budget
 July 2024 through June 2025

Accrual Basis

		728 Fund											725 Fund	
		Total Budget 24/25	AB 197	AB 2766	AB 617	AB 923	CAP	Farmer	Moyer	Moyer State Reserve	Oil & Gas	Prescribed Fire	Subvention	Unrestricted
1	Ordinary Income/Expense													
2	Income													
7	Total Grants & Projects Revenue	2,271,782	0	0	0	0	1,105,782	475,000	500,000	0	75,000	0	116,000	0
19	Total Permits & Fees Revenue	1,725,094	0	600,000	0	294,900	0	0	0	0	0	0	0	830,194
23	Total Other Revenue	189,000	0	0	0	0	11,970	5,142	5,413	0	812	0	0	165,663
24	Total Income	4,185,876	0	600,000	0	294,900	1,117,752	480,142	505,413	0	75,812	0	116,000	995,857
25	Expense													
31	Total Program Activities	2,829,071	0	355,387	0	652,000	967,559	415,625	437,500	0	0	0	0	1,000
40	Total Human Resource Expenses	1,596,675	0	364,000	0	18,900	105,966	34,519	67,915	0	75,813	0	116,000	813,563
59	Total General & Administrative	427,184	0	100,000	0	0	44,231	30,000	0	0	0	0	0	252,953
60	Total Expense	4,852,930	0	819,387	0	670,900	1,117,756	480,144	505,415	0	75,813	0	116,000	1,067,516
61	Net Ordinary Income	(667,054)	0	(219,387)	0	(376,000)	(4)	(2)	(2)	0	(1)	0	0	(71,659)
62	Other Income/Expense													
65	Total Other Income	57,125												
66	Other Expense													
67	Interest Expense	37,888												9,302
68	Depreciation Expense	52,000												52,000
69	Total Other Expense	89,888	0	0	0	0	0	0	0	0	0	0	0	61,302
70	Net Other Income	(4,177)	0	0	0	0	0	0	0	0	0	0	0	(61,302)
71	Net Income	(671,231)	0	(219,387)	0	(376,000)	(4)	(2)	(2)	0	(1)	0	0	(132,961)

Summary Early Loan Payoff Analysis

Loan Details

Category	Details
Original Loan Amount	\$400,000.00
Prepayment Option Price	\$169,306.50
Scheduled Payment (12/18/2024)	\$37,888.45
Total Prepayment Amount	\$207,194.95 (Good through 12/18/2024)
Total Interest Paid by 12/18/2023	\$134,746.25
Current Payoff Date	12/18/2029
Interest Rate on Loan	4.75%
Total Bank Accounts	\$11,188,214
Total Current Assets	\$11,344,148
Total Current Liabilities	\$1,593,725
Unassigned Fund Balance	\$5,018,549

Pros and Cons of Paying Off the Note Early

Pros

- Interest Savings:**
- Avoid additional interest payments
- Interest Saved: \$29,706.83

- Improved Cash Flow:**
- Eliminates annual payments of \$37,888.45
- Annual savings: \$37,888.45

- Debt Reduction:**
- Improves financial health and creditworthiness

- Simplified Finances:**
- Reduces administrative costs and complexity

Cons

- Impact on Cash Reserves:**
- Significant cash outflow of \$207,194.95
- Reduced available liquidity

- Opportunity Cost:**
- Potentially forgoing higher-return investments

Conclusion

Aspect	Summary
Interest Savings	\$29,706.83
Cash Flow	Improves by \$37,888.45 per year
Impact on Reserves	Reduces cash reserves by \$207,194.95
Strategic Decision	Given that cash flow can comfortably absorb the prepayment, the savings in interest justifies the temporary decrease in cash reserves.

Interest Savings Calculation Simplified

Description	Amount
Total Interest if Loan Runs to Maturity	\$168,219.72
Interest Paid by 12/18/2023	\$138,512.89
Interest Savings	\$29,706.83