

POPULAR ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2009



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
DIAMOND BAR, CALIFORNIA

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

**GOVERNING BOARD**

June 30, 2009

**WILLIAM A. BURKE, Ed.D.**

*Chairman*

*Speaker of the Assembly Appointee*

**S. ROY WILSON, Ed.D.**

*Vice-Chairman*

*County of Riverside Representative*

**MICHAEL D. ANTONOVICH**

*County of Los Angeles Representative*

**JOSEPH K. LYOU, Ph.D.**

*Governor's Appointee*

**MICHAEL A. CACCIOTTI**

*County of Los Angeles*

*Cities Representative*

*Eastern Region*

**JAN PERRY**

*City of Los Angeles Representative*

**BILL CAMPBELL**

*County of Orange Representative*

**MIGUEL A. PULIDO**

*County of Orange*

*Cities Representative*

**JANE CARNEY**

*Senate Rules Committee Appointee*

**TONIA REYES URANGA**

*County of Los Angeles*

*Cities Representative*

*Western Region*

**JOSIE GONZALES**

*County of San Bernardino Representative*

**DENNIS YATES**

*County of San Bernardino*

*Cities Representative*

**RONALD O. LOVERIDGE**

*County of Riverside*

*Cities Representative*

**BARRY R. WALLERSTEIN, D.Env.**

*Executive Officer*

# **SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

## **A NOTE FROM THE CFO**

June 30, 2009

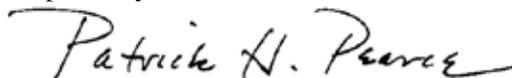
We are pleased to present the South Coast Air Quality Management District's (SCAQMD) Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2009. This report makes our District's finances easier to understand, and is intended to communicate our financial situation in an open and accountable manner.

The PAFR is intended to summarize the financial activities of the AQMD and was drawn from the financial information appearing in the 2009 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 can also be reviewed on AQMD's website at [www.aqmd.gov/finn/PAFR2009.pdf](http://www.aqmd.gov/finn/PAFR2009.pdf).

For more detailed financial information, or information on the AQMD's component unit (SCAQMD Building Corporation which is not included in this document) a copy of the Comprehensive Annual Financial Report is available for interested users from Finance at 21865 Copley Drive, Diamond Bar, CA 91765. It can also be viewed on the AQMD's website at [www.aqmd.gov/finn/PDF/CAFR2009FINAL.pdf](http://www.aqmd.gov/finn/PDF/CAFR2009FINAL.pdf).

Questions, comments and feedback regarding this report are encouraged, so please do not hesitate to contact the Chief Financial Officer at (909) 396-2828 or at [rpearce@aqmd.gov](mailto:rpearce@aqmd.gov).

Respectfully submitted,



Patrick H. Pearce, CGFM  
Chief Financial Officer

## **ABOUT THE 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. The AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties, representing over 16 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.

The AQMD Governing Board is composed of 13 members, including four members appointed by the Boards of Supervisors of the four counties in AQMD's jurisdiction, five members appointed by cities in the AQMD's jurisdiction and three members appointed by the Governor, the Speaker of the State Assembly and the Rules Committee of the State Senate, respectively. The members appointed by the various Boards of Supervisors and cities consist of one member of the Board of Supervisors of Los Angeles, Orange, Riverside, and San Bernardino Counties, respectively, and a mayor or member of the city council of a city within Orange, Riverside and San Bernardino Counties. Los Angeles County cities have three representatives, one from the city of Los Angeles and one each from the western and eastern portions of the county.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## DEMOGRAPHIC AND MISCELLANEOUS STATISTICS

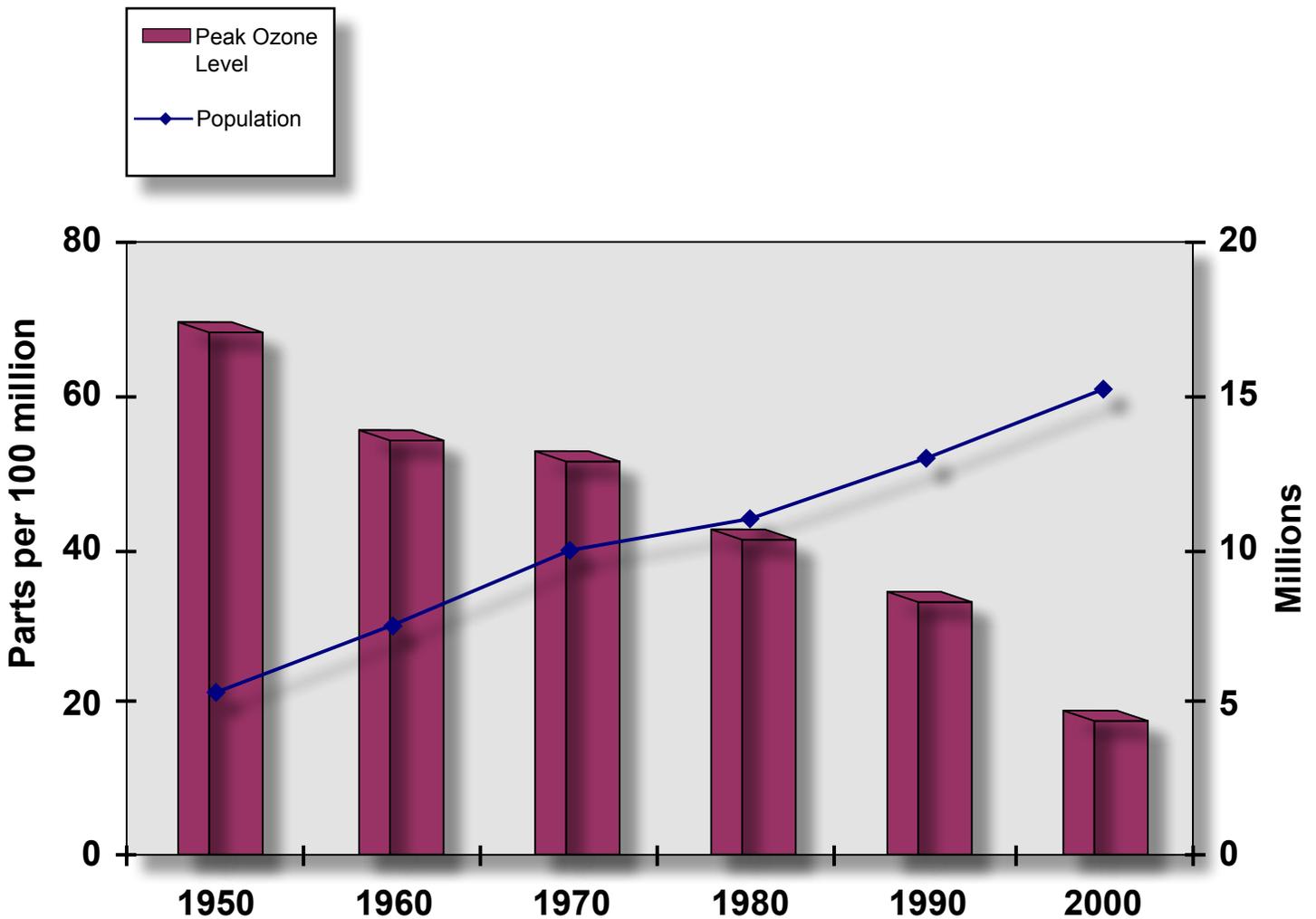
June 30, 2009

<b><u>Established:</u></b>	February 1, 1977
<b><u>Area Covered:</u></b>	10,743 Square Miles
<b><u>Counties Included in District:</u></b>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<b><u>Population:</u></b>	16,793,784 (In 2008)
<b><u>Transportation:</u></b>	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
<b><u>Number of Registered Vehicles Within AQMD Jurisdiction:</u></b>	12,231,247 (In 2008)
<b><u>Average Daily Miles Traveled Per Vehicle:</u></b>	29 (CY 2008 data)
<b><u>Examples of Stationary Sources of Air Pollution Regulated:</u></b>	Oil refineries, power plants, paint spray booths, manufacturing facilities, dry cleaners, and service stations.
<b><u>Number of Sources:</u></b>	27,594 operating locations with approximately 77,435 permits.
<b><u>Number of Air Monitoring Stations:</u></b>	37
<b><u>Full-time Authorized Positions:</u></b>	855
<b><u>Key Federal, State, and Local Air Agencies:</u></b>	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

## 50 YEARS OF PROGRESS IN REDUCING OZONE LEVELS

June 30, 2009



Since the late 1940s when the war on smog began, the region's population has tripled from 4.8 million to over 16 million; the number of motor vehicles more than quadrupled from 2.3 million to 12.2 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

## PROGRAM HIGHLIGHTS

June 30, 2009

### AIR QUALITY

- *Multiple Air Toxics Exposure Study (MATES III)*

The MATES III study conducted by AQMD is the latest and most sophisticated air toxics research effort ever conducted in Southern California. It concluded that there was a 15 percent reduction in cancer risk as compared to ten years ago but still one of the highest risks in the country. Diesel exhaust, cars and trucks as well as ships, trains, aircraft and construction equipment account for 94 percent of the total risk.

- *Climate Change Policy*

The AQMD approved a Climate Change Policy designed to complement the agency's existing programs for criteria and toxic pollutants and the goals of AB 32, the California Global Warming Solutions Act of 2006. The new policy is designed to further protect public health, assist businesses and local governments in implementing climate change measures, ensure information on climate change is shared with the public, and decrease the agency's own carbon footprint.

- *Air Filtration Project in South Bay Schools*

Following a successful pilot program this year, the AQMD awarded \$1.125 million to provide high-efficiency air filtration devices at schools in communities surrounding the Valero oil refinery in Wilmington.

### EMISSIONS REDUCTION

- *First-Ever Compressed Natural Gas Drayage Trucks at the Ports*

As part of the overall effort to cut down on pollutants stemming from port activities, the AQMD is co-sponsoring a demonstration of four compressed natural gas (CNG) drayage trucks.

### EMISSIONS REDUCTION INCENTIVE PROGRAMS

- *Help Replace Dirty Diesel School Buses*

Signaling a dramatic acceleration in the effort to replace the region's aging, dirty diesel school buses, the AQMD announced nearly \$68 million in funding to help school districts purchase clean-burning compressed natural gas buses. The funding will help replace about 330 model year 1977 to 1986 diesel school buses with new compressed natural gas (CNG) buses and retrofit about 1,000 model year 1994 and newer diesel school buses with particulate traps.

- *Leaf Blower Exchange Program*

For the third year in a row, AQMD will exchange 1,500 older leaf blowers for a low-polluting and lower-noise model manufactured by STIHL.

- *"Healthy Hearths" Incentive Program/Website*

The AQMD has unveiled a consumer incentive program that encourages homeowners to replace wood-burning fireplaces with cleaner-burning gas log sets. The agency also launched a new website, [www.healthyhearths.org](http://www.healthyhearths.org), featuring a video to help educate residents about the harmful emissions of wood smoke, which causes four times more fine particulate air pollution than all the power plants in the region.

### ECONOMY

- *"Helping Hand" Initiative*

In light of the current economic recession, the AQMD's Governing Board set in motion an initiative to help support the local economy including a networking opportunity between clean air technology developers and potential funding sources.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

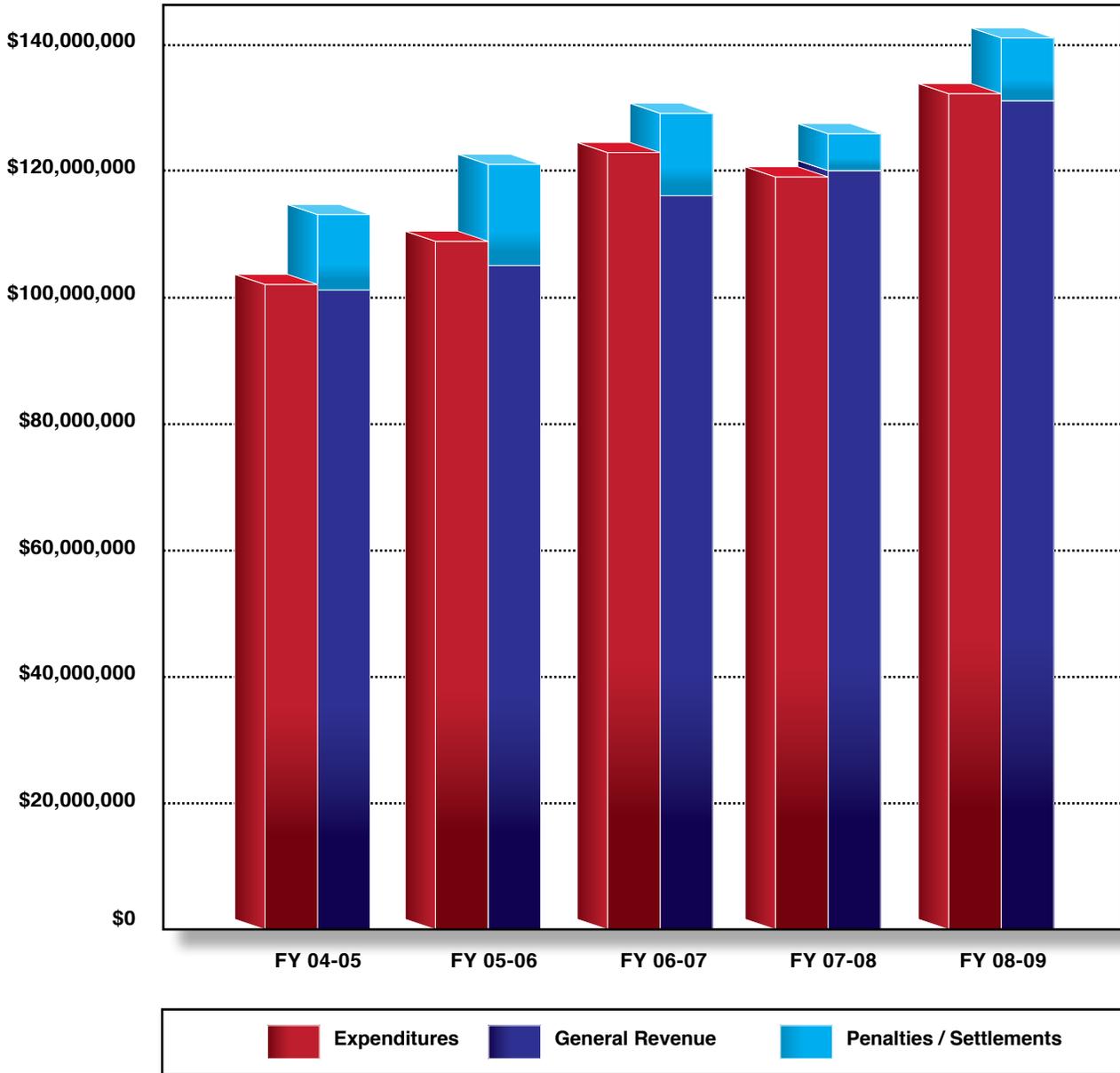
**FINANCIAL PERFORMANCE**

June 30, 2009

**Budget Surplus/Deficit – 5 Year look**

**Non-GAAP Budgetary Basis**

(Excludes Special Revenues/Expenditures)

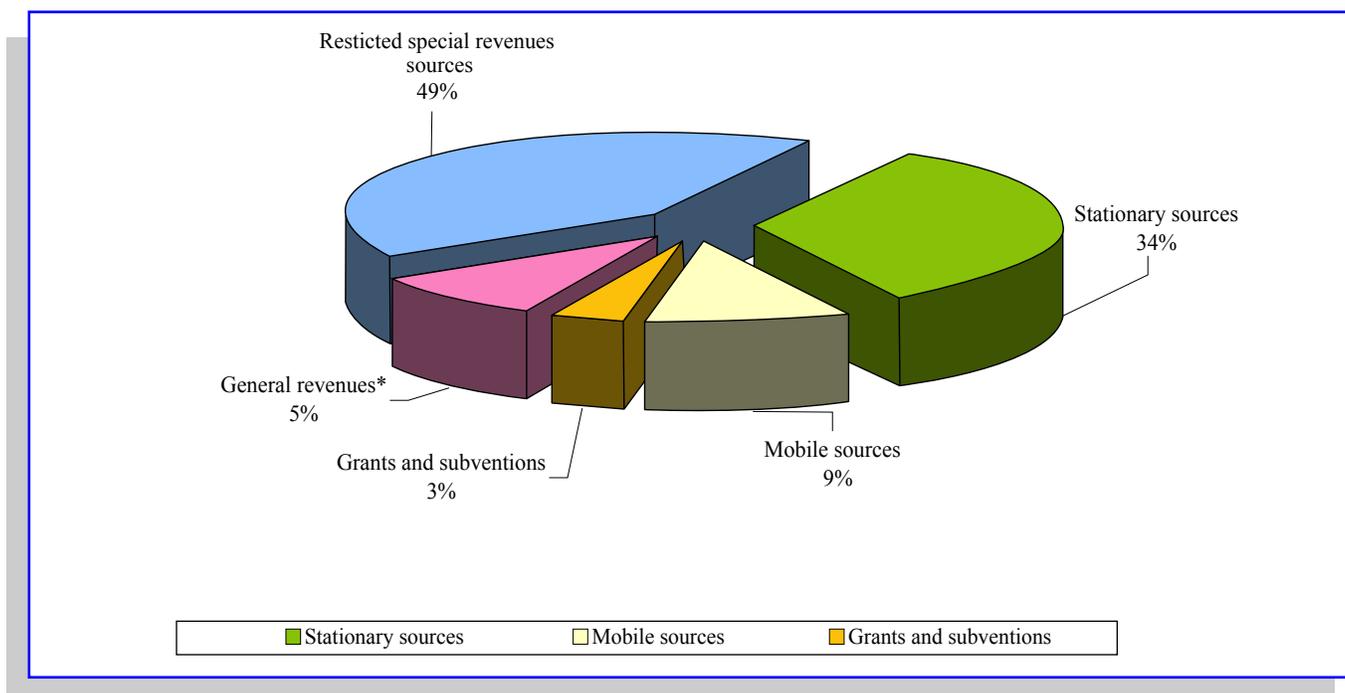


Revenues have exceeded expenditures in the last five years due to several significant one-time penalties and settlements for air pollution violations.

## *Where the Money Came From Our Revenues & Resources*

The AQMD is a fee-supported agency and does not receive proceeds from taxes. Excluding special funds revenues, which are restricted in their use, the major revenue source for Governmental Activities is stationary sources, which account for approximately 66 percent of the District's General Fund revenue for the year ended June 30, 2009. Stationary sources of air pollution consist of refineries, power plants, manufacturing facilities and small businesses. The increase in revenue for stationary sources in fiscal year 2008-09 as compared to fiscal year 2007-08 is due to a 10 percent increase in emission fees, annual operating fees and permit processing fees. However, the impact of this 10 percent increase is greater, due to an increase in permit applications processed. Permit fees are recognized as revenue when the evaluation work on the permit is completed. The increase in general revenues is due to the AQMD receiving large settlements from several facilities. Special revenues increased due to the receipt of Prop IB funds to implement programs that reduce emissions from the movement of freight or "goods" along California's trade corridors and an increase in Carl Moyer funding due to the receipt catch-up funding for fiscal years 2006-07 and 2007-08.

**FY 2008-09 Revenues by Major Source**



Source	FY 08-09	FY 07-08	FY 06-07	FY 05-06	FY 04-05	FY 03-04
Stationary sources	\$ 92,703,725	\$ 82,825,774	\$ 75,200,253	\$ 68,792,294	\$ 64,925,373	\$ 61,932,425
Mobile sources	24,128,436	22,170,323	23,966,240	20,991,833	14,716,865	10,787,342
Grants and subventions	8,782,322	8,858,458	8,946,833	8,035,387	8,100,573	9,679,283
General revenues*	14,796,424	12,579,473	21,421,637	22,853,273	25,178,600	23,479,027
Restricted special revenues sources	133,185,494	105,383,067	92,925,386	94,223,386	87,747,227	60,731,099
<b>Total</b>	<b>\$ 273,596,401</b>	<b>\$ 231,817,095</b>	<b>\$ 222,460,349</b>	<b>\$ 214,896,173</b>	<b>\$ 200,668,638</b>	<b>\$ 166,609,176</b>

\* General Revenues include Penalties/Settlements, Interest, and Grants and Subvention dollars that are not restricted to specific programs.

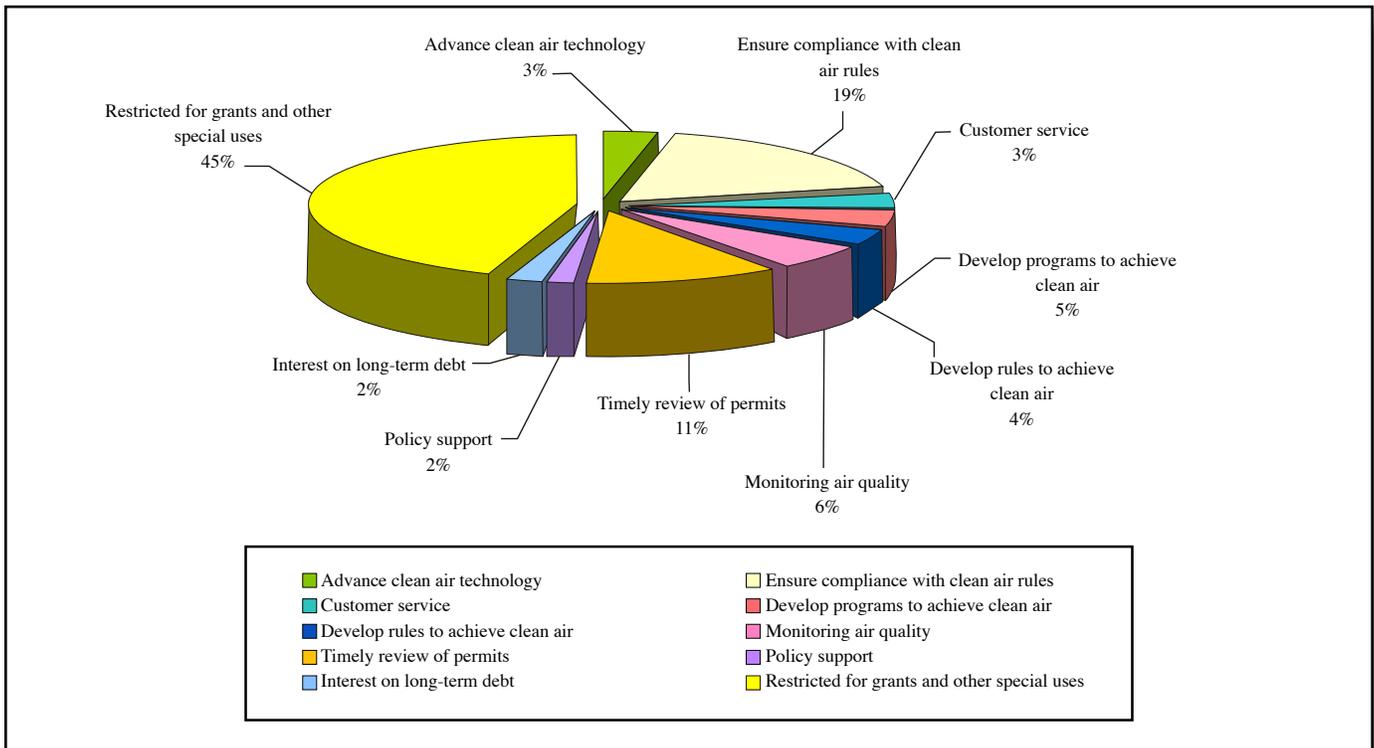
Source: FY 2008-09 CAFR Statement of Activities.

# Where the Money Went

## Our Expenses & Services

Excluding the special funds 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 nearly 67 percent of the District's total General Fund Expenses for the year ended June 30, 2009. In fiscal year 2008-09 the expenses increased as compared to fiscal year 2007-08 due to higher spending in the special revenue funds. Contract expenses are paid in the year services are delivered and could fluctuate from year to year.

**FY 2008-09 Expenses by Major Source**



Activity	FY 08-09	FY 07-08	FY 06-07	FY 05-06	FY 04-05	FY 03-04
Advance clean air technology	\$ 7,111,931	\$ 7,113,642	\$ 7,067,528	\$ 5,808,530	\$ 5,011,874	\$ 7,255,854
Ensure compliance with clean air rules	43,823,112	39,463,040	42,699,519	36,727,226	37,666,189	38,536,722
Customer service	7,441,806	6,696,664	8,687,842	11,592,984	10,532,066	10,965,904
Develop programs to achieve clean air	10,216,378	7,969,413	8,721,816	7,811,791	7,106,133	7,910,778
Develop rules to achieve clean air	8,433,410	8,390,762	7,350,795	8,046,177	8,130,305	7,915,483
Monitoring air quality	14,067,041	12,866,270	12,229,451	11,794,227	11,591,430	11,883,527
Timely review of permits	26,205,282	24,580,945	24,508,757	23,191,423	21,403,924	21,408,261
Policy support	4,782,531	3,630,367	3,442,207	2,948,274	2,954,538	2,523,809
Interest on long-term debt	4,325,460	4,614,842	-	-	-	-
Restricted for grants and others special uses	104,277,915	93,109,973	62,831,313	64,308,902	59,525,817	62,422,513
<b>Total</b>	<b>\$ 230,684,866</b>	<b>\$ 208,435,918</b>	<b>\$ 177,539,228</b>	<b>\$ 172,229,534</b>	<b>\$ 163,922,276</b>	<b>\$ 170,822,851</b>

Source: FY 2008-09 CAFR Statement of Activities.

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

June 30, 2009

## **FINANCIAL ACTIVITY STATEMENT FOR THE YEARS ENDED JUNE 30, 2009 and 2008**

(In Thousands)

	<u>FY 2008-09</u>	<u>FY 2007-08</u>
<b>RESOURCES:</b>		
Fees and Charges - Stationary Sources	\$92,704	\$82,826
Fees and Charges - Mobile Sources	24,128	22,170
Operating Grants and Subventions	8,782	8,858
Restricted Special Revenue Sources	133,185	105,383
Grants and Subventions not Restricted for Specific Programs	2,935	2,944
Penalties and Settlements	9,470	5,190
Interest	1,962	3,950
Other Revenues	430	496
<b>Total Resources</b>	<u>273,596</u>	<u>231,817</u>
<b>USES:</b>		
Advance Clean Air Technology	7,112	7,114
Ensure Compliance with Clean Air Rules	43,823	39,463
Customer Service	7,442	6,697
Develop Programs to Achieve Clean Air	10,216	7,969
Develop Rules to Achieve Clean Air	8,433	8,391
Monitoring Air Quality	14,067	12,866
Timely Review of Permits	26,205	24,581
Policy Support	4,783	3,630
Interest on Long-Term Debt	4,325	4,615
Special Funds Activities	104,278	93,110
Non-Operating Transfers	-	-
<b>Total Uses</b>	<u>230,684</u>	<u>208,436</u>
<b>USES OVER RESOURCES</b>	<u>\$42,912</u>	<u>\$23,381</u>

## **FINANCIAL POSITION STATEMENT FOR THE YEARS ENDING JUNE 30, 2009 and 2008**

(In Thousands)

	<u>FY 2008-09</u>	<u>FY 2007-08</u>
<b>ASSETS</b>		
Current and other assets	\$433,194	\$385,382
Investment	-	17,303
Prepaid pension assets	46,072	46,469
Capital assets	47,167	47,780
<b>Total Assets</b>	<u>526,433</u>	<u>496,934</u>
<b>LIABILITIES</b>		
Long-term liabilities	101,570	109,884
Short term liabilities	37,018	42,116
<b>Total Liabilities</b>	<u>138,588</u>	<u>152,000</u>
<b>ASSETS OVER LIABILITIES</b>	<u>\$ 387,845</u>	<u>\$ 344,934</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.*

*The Financial Position Statement, known in Accounting terms as the "Balance Sheet," provides the financial benefits (assets) available to the AQMD to provide services, while liabilities describes the amount the AQMD owes in providing those services.*

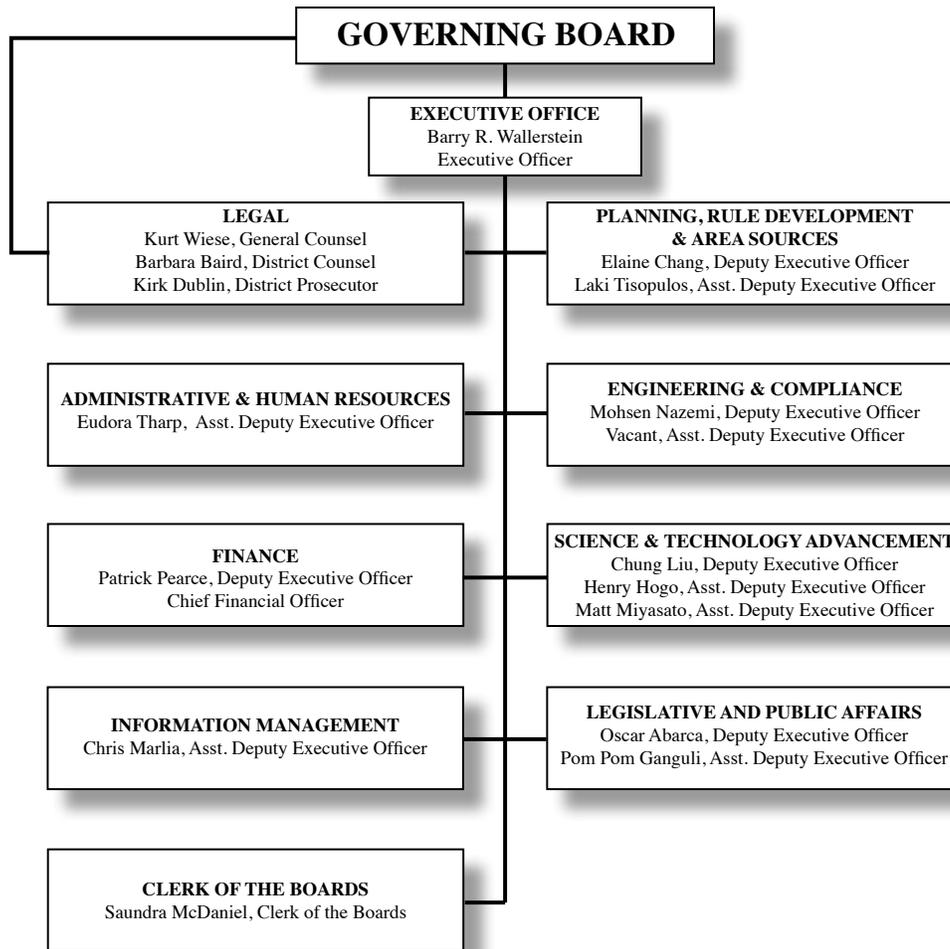
*Assets over Liabilities provides for the difference between financial benefits and liabilities, ultimately showing the net worth of the South Coast Air Quality Management District.*



# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT, CALIFORNIA

## ORGANIZATIONAL CHART

June 30, 2009



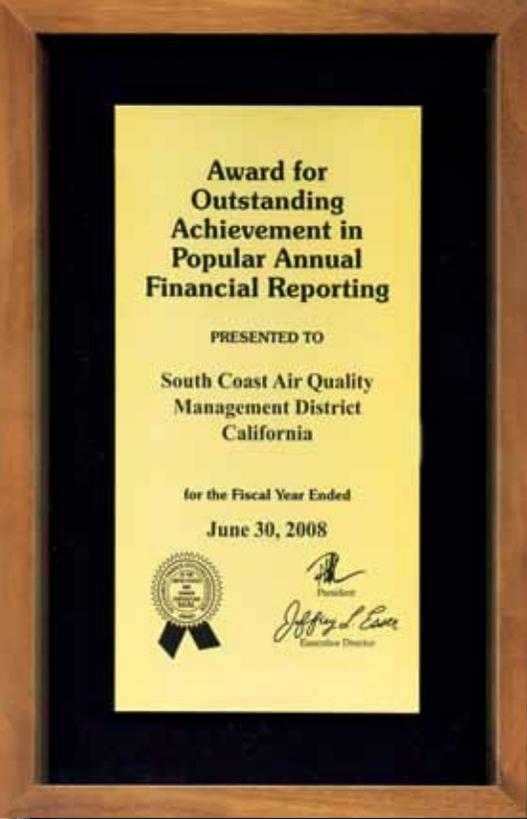
## AWARDS

*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 (SCAQMD) for its Popular Annual Financial Report for the fiscal year ended June 30, 2008. 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 Program, 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. SCAQMD has received a Popular Award for the fiscal year ended June 30, 2008. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.*

*Further, SCAQMD's Comprehensive Annual Financial Report for the year ended June 30, 2008, from which information on pages 7 through 9 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.*



**MISSION STATEMENT**

*“The South Coast AQMD believes all residents have a right to live and work in an environment of clean air and is committed to undertaking all necessary steps to protect public health from air pollution with sensitivity to the impacts of its actions on the community and businesses.”*

**GOALS**

- I. *Ensure expeditious progress toward meeting clean air standards and protecting public health.*
- II. *Ensure equitable treatment for all communities.*
- III. *Operate efficiently and in a manner sensitive to businesses and the public.*