



South Coast
Air Quality Management District
Diamond Bar, California



Popular Annual Financial Report



Year Ended June 30, 2011

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2011

WILLIAM A. BURKE, Ed.D
Chairman
Speaker of the Assembly Appointee

DENNIS YATES
Vice Chair
County of San Bernardino
Cities Representative

MICHAEL D. ANTONOVICH
County of Los Angeles Representative

JOSEPH K. LYOU, Ph.D.
Governor's Appointee

JOHN BENOIT
County of Riverside Representative

JUDY MITCHELL
County of Los Angeles
Cities Representative
Western Region

MICHAEL A. CACCIOTTI
County of Los Angeles
Cities Representative
Eastern Region

SHAWN NELSON
County of Orange Representative

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Senate Rules Committee Appointee

JAN PERRY
City of Los Angeles Representative

JOSIE GONZALES
County of San Bernardino Representative

MIGUEL A. PULIDO
County of Orange
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, 2011

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, 2011. 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 2011 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/PDF/PAFR2011.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/CAFR2011FINAL.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 mokelly@aqmd.gov.

Respectfully submitted,



Michael B. O'Kelly, CPA
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 approximately 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.

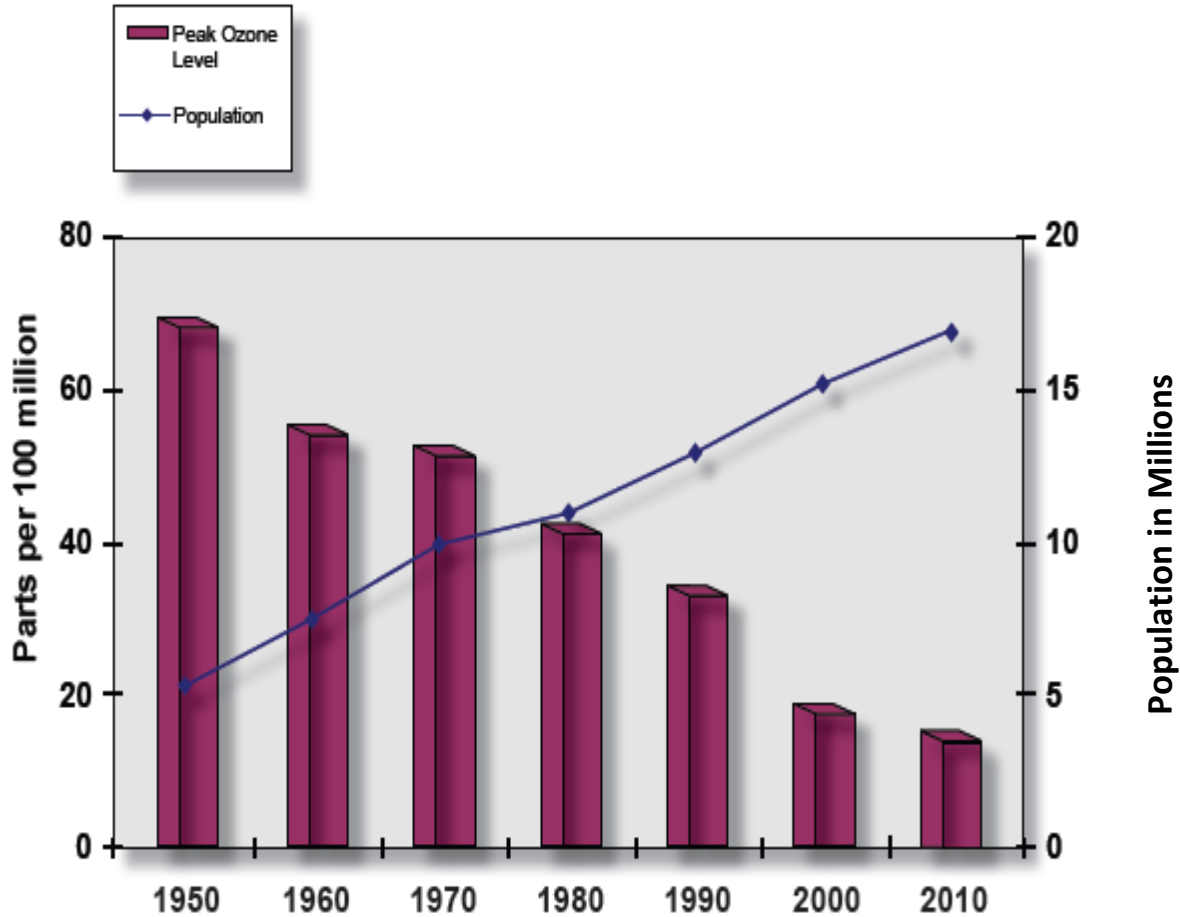
The AQMD Governing Board is composed of 13 members, including four members appointed by the Boards of Supervisors of the four counties in AQMD's jurisdiction, six members appointed by cities in the AQMD's jurisdiction and three members appointed by the Governor, the Speaker of the State Assembly and 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

<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>	17,159,023 (2010 Four-County Area Population)
<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 AQMD Jurisdiction:</u>	12,173,457 (In 2010)
<u>Average Daily Miles Traveled Per Vehicle:</u>	30 (CY 2010 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>	27,535 operating locations with approximately 75,314 permits.
<u>Number of Air Monitoring Stations:</u>	43
<u>Full-time Authorized Positions:</u>	817
<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
60 YEARS OF PROGRESS IN REDUCING OZONE LEVELS
June 30, 2011



Since the late 1940s when the war on smog began, the region's population has more than tripled from 4.8 million to over 16 million; the number of motor vehicles has increased five-fold from 2.3 million to 12.1 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

PROGRAM HIGHLIGHTS

June 30, 2011

AIR QUALITY

- *State of the Air/On the Air Videos*

AQMD released the “State of the Air 2011” video that highlights important clean air goals and encourages members of the public to make individual choices that will help reduce air pollution. AQMD has also launched “On the Air” videos which feature interviews with local leaders in transportation, health and government discussing air quality issues and programs.

- *Health Impacts of Ultrafine Particle Pollution*

AQMD has awarded \$471,000 to the University of Southern California to study the distribution and toxicity of ultrafine particles in Southern California. The research will be used to help build a scientific basis for use in developing strategies to protect public health.

- *New Monitoring Station at Lake Skinner*

A new permanent air monitoring station was installed near Temecula at Lake Skinner. The site will measure outdoor levels of fine particulate matter (PM_{2.5}), a harmful pollutant largely produced by fossil-fuel combustion as well as wildfires. The site will also measure ozone and meteorological conditions such as wind direction, wind speed and temperature.

EMISSIONS REDUCTION

- *Reduction in Source Emissions*

The agency approved three measures that will reduce sulfur emissions from oil refineries, lead

emissions from battery recyclers and cumulative air toxic risk from a number of sources across the Southland. The Regulation XX, will achieve further reductions of sulfur oxide (SO_x) emissions. The amendments to Rule 1420.1, will require the large lead-acid battery recycling facilities to meet the more stringent federal health standard for lead. The Clean Communities Plan (CCP) will outline 23 ways to reduce public exposure to toxic air contaminants.

- *Amendments to Refuse Collection Vehicle Fleet Rule*

By January 1, 2020, all private contracts with government agencies for residential or commercial collection must provide 100 percent alternative-fueled vehicles. The amended Rule 1193 is expected to reduce nitrogen oxide emissions by 576 tons per year and greenhouse gas emissions by 119,200 tons of carbon dioxide (CO₂) equivalent by 2020.

- *Wood-Burning Curtailment Advisories*

AQMD implemented a voluntary program in preparation for a mandatory wood-burning curtailment program which begins in November 1, 2011. The voluntary program provided an opportunity to educate the public and encourage them to sign up to receive e-mail alerts when a no-burn advisory is issued for their area.

- *Fence-line Remote Sensing Technology*

AQMD has awarded \$300,000 to UCLA to conduct a pilot study to demonstrate and evaluate fence-line remote sensing technology to monitor emissions from refineries and provide real-time alerts to downwind schools and communities.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

PROGRAM HIGHLIGHTS

June 30, 2011

EMISSIONS REDUCTION INCENTIVE PROGRAMS

- *Funds for Natural Gas School Buses*

AQMD awarded \$16.6 million to help school districts replace older diesel school buses with compressed natural gas (CNG) buses. In addition, AQMD awarded \$8.8 million to help retrofit 545 diesel school buses with particulate traps to reduce diesel exhaust emissions. New CNG buses emit no diesel soot, which is the source of about 84 percent of the air pollution cancer risk in the region. Since 2000, AQMD has approved more than \$177 million to replace over 1,000 older diesel school buses with cleaner models and to retrofit 3,536 newer diesel school buses with particulate traps.

- *Proposition 1B “Year 2” Goods Movement Program*

AQMD was awarded \$110 million by CARB under the FY 2008-09 “Year 2” Proposition 1B. These funds are being distributed in three main project categories: \$42.5 million for heavy-duty diesel trucks, \$6.2 million for diesel freight locomotives, and \$61.3 million for ships at berth and cargo handling equipment. Incentive funding is being provided to replace, rebuild, repower or retrofit older dirty diesel equipment and vehicles with cleaner technologies.

- *“Mow Down Air Pollution” Programs*

In 2010 more than 9,000 electric lawn mowers were exchanged for \$100 to \$165 depending on the model selected. In total, this annual program has resulted in the scrapping of more than 37,800 highly polluting gasoline mowers, removing about

80 tons of smog-forming volatile organic compound emissions from the Southland’s air.

ECONOMY

- *Dodger Stadium Express Bus*

A special bus service called the Dodger Stadium Express provided Dodger fans with a new way to get to games during the 2010 season. It was funded by a grant from the Mobile Source Air Pollution Reduction Review Committee (MSRC), in cooperation with the LA Dodgers organization. An average of 19,759 riders a month, for a total of over 122,000, took part in this demonstration project.

- *Tree Planting Project*

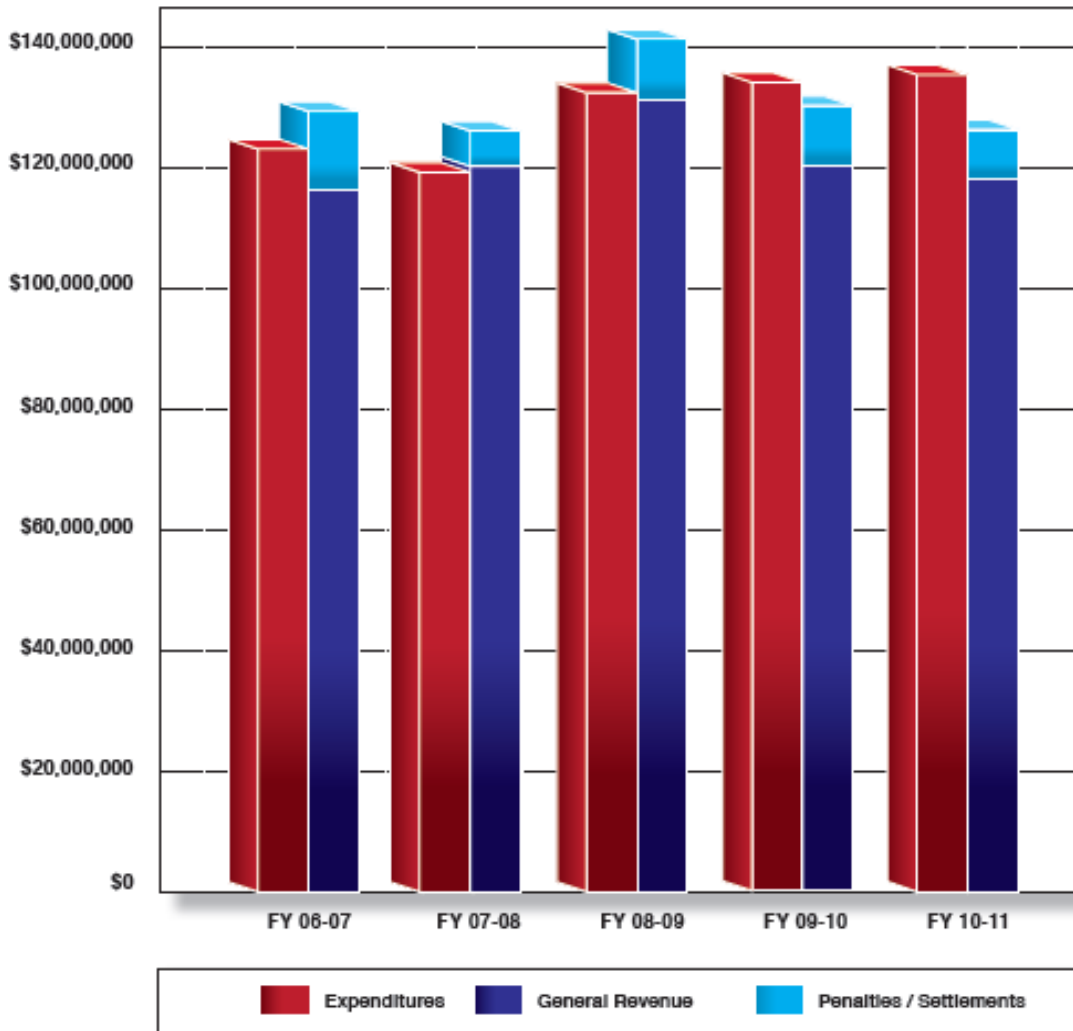
AQMD awarded funding to LA Conservation Corps to conduct an urban tree planting project to plant 1,200 low-VOC emission trees. The project includes youth job training and is expected to remove 3,700 metric tons of CO₂ over the life of the trees.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

FINANCIAL PERFORMANCE

June 30, 2011

Budget Surplus/Deficit – 5-Year History
Non-GAAP Budgetary Basis
(Excludes Special Revenues/Expenditures)

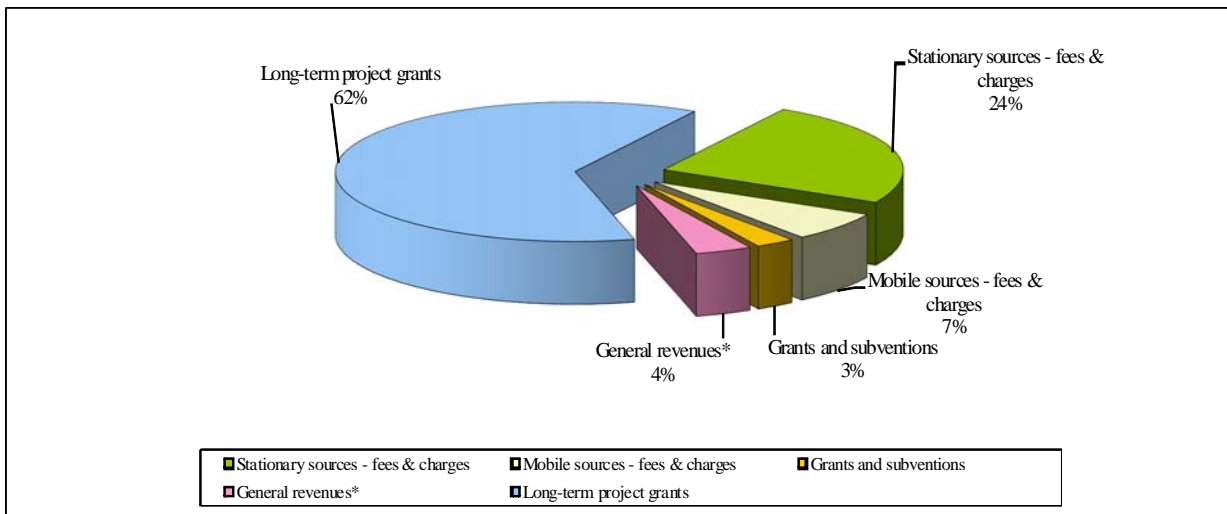


Expenditures have exceeded revenues in the last two years primarily due to increased costs related to salaries and employee benefits, contracts and special services, along with slightly lower revenues.

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 65 percent of the District's General Fund revenue for the year ended June 30, 2011. Stationary sources of air pollution consist of refineries, power plants, manufacturing facilities and small businesses. In fiscal year 2010-11, overall revenues were lower, primarily related to the timing of receipt of State Proposition 1B Funding and Mobile Source fees.

FY 2010-11 Revenues by Major Source



Source	FY 10-11	FY 09-10	FY 08-09	FY 07-08	FY 06-07	FY 05-06
Stationary sources - fees & charges	\$ 81,291,028	\$ 81,097,647	\$ 92,703,725	\$ 82,825,774	\$ 75,200,253	\$ 68,792,294
Mobile sources - fees & charges	22,512,790	23,728,238	24,128,436	22,170,323	23,966,240	20,991,833
Grants and subventions	8,867,069	8,379,757	8,782,322	8,858,458	8,946,833	8,035,387
General revenues*	12,739,158	14,929,145	14,796,424	12,579,473	21,421,637	22,853,273
Long-term project grants	207,555,510	243,802,246	133,185,494	105,383,067	92,925,386	94,223,386
Total	\$ 332,965,555	\$ 371,937,033	\$ 273,596,401	\$ 231,817,095	\$ 222,460,349	\$ 214,896,173

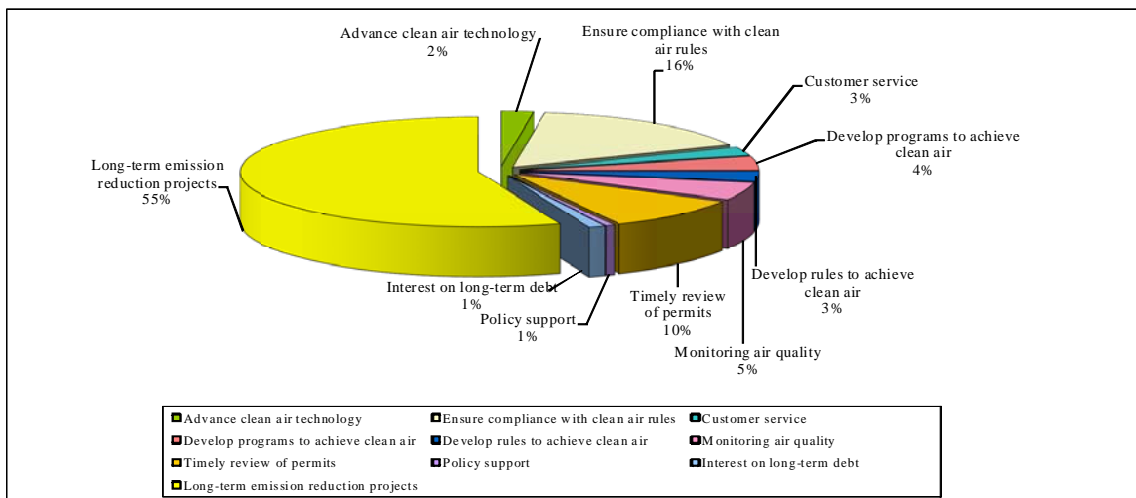
* General Revenues include Penalties/Settlements, Interest, and Grants and Subvention dollars that are not restricted to specific programs.

Source: FY 2010-11 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 accounts for nearly 69 percent of the District's total General Fund Expenses for the year ended June 30, 2011. In fiscal year 2010-11, overall expenditures were higher due to the timing of State Proposition 1B Program costs, while General Fund expenditures increased slightly due to increased salaries & employee benefits along with increased contract and special services costs.

FY 2010-11 Expenses by Program Category



Activity	FY 10-11	FY 09-10	FY 08-09	FY 07-08	FY 06-07	FY 05-06
Advance clean air technology	\$ 6,398,859	\$ 6,512,144	\$ 7,111,931	\$ 7,113,642	\$ 7,067,528	\$ 5,808,530
Ensure compliance with clean air rules	46,877,017	46,154,574	43,823,112	39,463,040	42,699,519	36,727,226
Customer service	7,578,813	7,682,897	7,441,806	6,696,664	8,687,842	11,592,984
Develop programs to achieve clean air	11,780,948	10,861,040	10,216,378	7,969,413	8,721,816	7,811,791
Develop rules to achieve clean air	8,826,846	8,436,415	8,433,410	8,390,762	7,350,795	8,046,177
Monitoring air quality	15,093,093	14,239,509	14,067,041	12,866,270	12,229,451	11,794,227
Timely review of permits	28,045,891	28,530,507	26,205,282	24,580,945	24,508,757	23,191,423
Policy support	1,792,208	1,760,038	4,782,531	3,630,367	3,442,207	2,948,274
Interest on long-term debt	3,277,933	3,871,465	4,325,460	4,614,842	-	-
Long-term emission reduction projects	161,904,680	150,362,508	104,277,915	93,109,973	62,831,313	64,308,902
Total	\$ 291,576,288	\$ 278,411,097	\$ 230,684,866	\$ 208,435,918	\$ 177,539,228	\$ 172,229,534

Source: FY 2010-11 CAFR Statement of Activities

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

June 30, 2011

**FINANCIAL ACTIVITY STATEMENT
FOR THE YEARS ENDED JUNE 30, 2011 and 2010**

	(In Thousands)	
	<u>FY 2010-11</u>	<u>FY 2009-10</u>
RESOURCES:		
Fees and Charges – Stationary Sources	\$81,291	\$81,098
Fees and Charges – Mobile Sources	22,513	23,728
Operating Grants and Subventions	8,867	8,380
Restricted Special Revenue Sources	207,555	243,802
Grants and Subventions not Restricted for Specific Programs	2,919	2,926
Penalties and Settlements	7,349	10,346
Interest	832	976
Other Revenues	<u>1,639</u>	<u>681</u>
Total Resources	<u>332,965</u>	<u>371,937</u>
USES:		
Advance Clean Air Technology	6,399	6,512
Ensure Compliance with Clean Air Rules	46,877	46,155
Customer Services	7,579	7,683
Develop Programs to Achieve Clean Air	11,781	10,861
Develop Rules to Achieve Clean Air	8,827	8,436
Monitoring Air Quality	15,093	14,240
Timely Review of Permits	28,046	28,531
Policy Support	1,792	1,760
Interest on Long-Term Debt	3,278	3,871
Long-Term Emission Reduction Projects	<u>161,904</u>	<u>150,363</u>
Total Uses	<u>291,576</u>	<u>278,411</u>
RESOURCES OVER USES:	<u>\$41,389</u>	<u>\$93,526</u>

**FINANCIAL POSITION STATEMENT
FOR THE YEARS ENDED JUNE 30, 2011 and 2010**

	(In Thousands)	
	<u>FY 2010-11</u>	<u>FY 2009-10</u>
ASSETS:		
Current and other assets	\$559,912	\$528,726
Prepaid pension assets	44,634	45,469
Capital assets	<u>43,148</u>	<u>45,440</u>
Total Assets	<u>647,694</u>	<u>619,635</u>
LIABILITIES:		
Long-term liabilities	81,718	91,888
Short term liabilities	<u>42,872</u>	<u>46,375</u>
Total Liabilities	<u>124,590</u>	<u>138,263</u>
ASSETS OVER LIABILITIES:	<u>\$523,104</u>	<u>\$481,372</u>

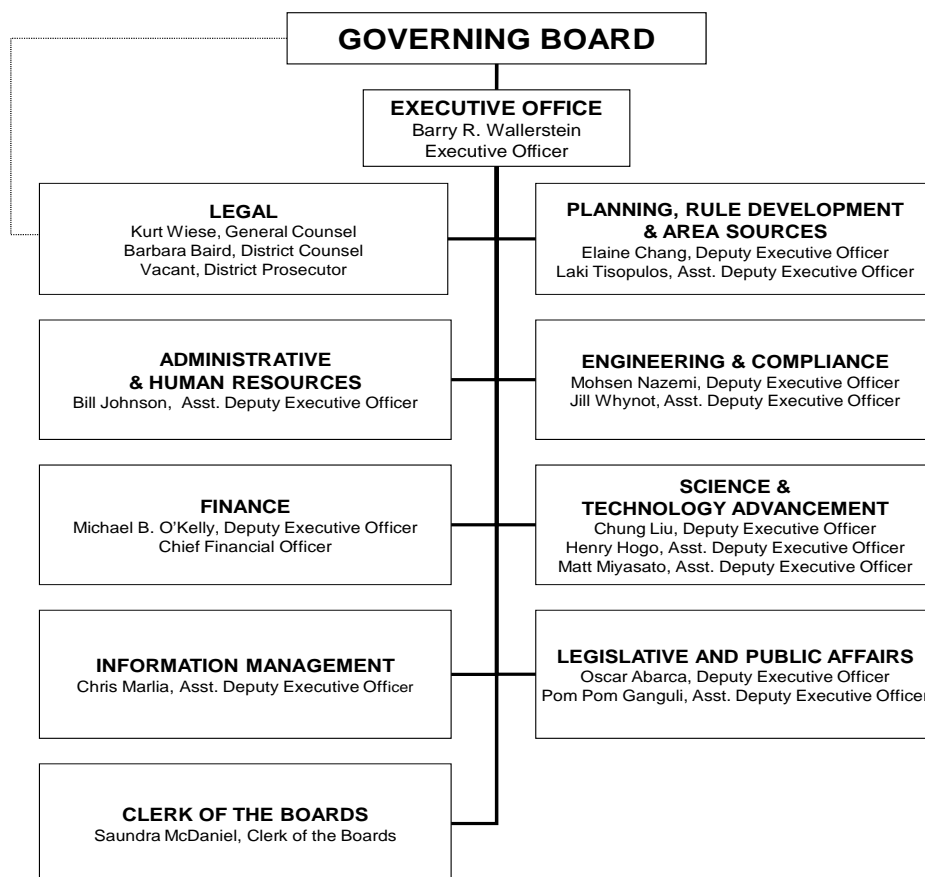
The Financial Activity Statement, known in Accounting terms as the "Income Statement," provides the sources (revenues) and uses (expenses) of providing services for the South Coast Air Quality Management District.

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, 2011**



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, 2010. 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, 2010. 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, 2010, from which information on pages 8 through 10 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.

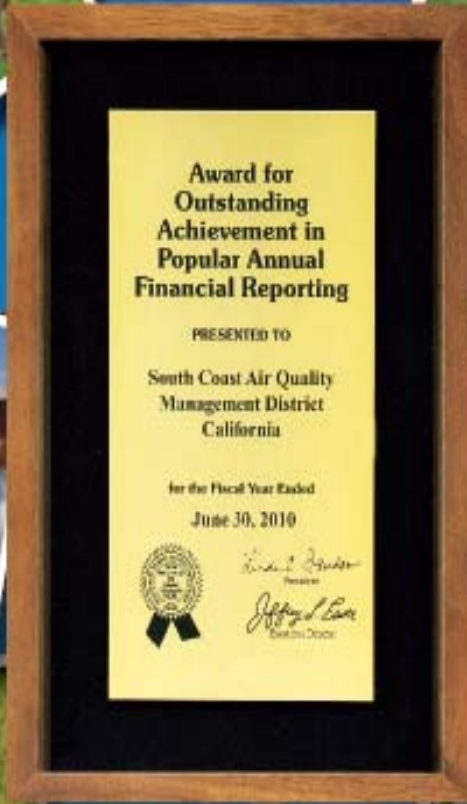
MISSION STATEMENT

“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. *Enhance public education and ensure equitable treatment for all communities.*
- III. *Operate efficiently and in a manner sensitive to businesses, the public and AQMD staff.*
- IV. *Operate a “Clean and Green” program to promote and support sustainable practice strategies.*





**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

PRESENTED TO

South Coast Air Quality
Management District
California

for the Fiscal Year Ended
June 30, 2010

 *David B. Baker*
President

Jeffrey Lane
Executive Director

