

Date: May 31, 2018

To: Board of Directors
Puget Sound Clean Air Agency

Subject: Resolution No. 1389 – Approving the FY19 Budget

Honorable Members:

Over the past months, we have discussed with the Board our key issues in the development of the FY19 budget and their impact on our projection period (FY20-21). This memo accompanies our proposed FY19 budget and projections, along with related budget documents, for your consideration. The attached budget documents include key assumptions, the detailed proposed FY19 budget, the sources and uses of funding, the agency organization chart, fund balances, adopted FY19 Financial Policies, and the adopted CY19 per capita schedule by jurisdiction.

Key Assumptions for the FY19 Budget

As we laid out in our draft FY19 budget proposal in April, our primary goals are to:

- Deliver on our Climate work as set out in our Strategic Plan,
- Continue our strong work in pollution regulation (fee programs), wood smoke abatement (woodstove removal/replacement program funded by state grants and per capita), diesel emissions reductions (grant work funded by federal and state grants), air quality monitoring & communication, equity efforts, and community outreach on air quality issues (funded by per capita and small grants), and
- Develop a balanced FY19 budget and fiscally responsible expenditure levels in the out years

As part of the budget process, we reviewed our financial policies that define stabilization targets for funds in the compliance programs, our General Fund Reserve (“Rainy Day” fund), for unanticipated increases in employer pension contributions (due to actions by the state legislature), for unplanned equipment needs, for our self-funded unemployment reserve, and for investment write-offs (we are still receiving payouts from re-negotiated investments in the King County investment pool that may end prematurely). We recommended one minor change to the financial policies – future interest income would be set aside for any unplanned one-time, non-personnel expenses (approved by the Board). This was adopted by the Board in April and the final FY19 Financial Policies are included in the attached budget documents.

While we discussed a two-cent increase in the FY19 per capita rate with the Board in March, we are recommending a one-cent increase in the rate in our draft budget (see pages 8-11 in the budget document for the detailed FY19 budget). With this proposed FY19 budget, we have revised budgeted expenditures and the pace of Climate work to fit within our proposed funding levels. We are adding resources in several key areas following much discussion with managers – climate work (although we further delayed these hirings in FY19) and human resources. Since the draft budget in April, we delayed hirings for several positions and are continuing discussions with managers about the costs of, and the best use of resources.

Other key assumptions for the FY19 budget and projection period include:

- We are transitioning into a period where our total revenues are expected to average about \$12 million compared to the last five years when revenues were in the \$15 million to \$17 million range. Most of this is due to the decrease in federal diesel emissions reductions grants. While we were able to have term employees working on many of the larger grants and our direct costs can shift with this change, many of these grants provided cost offsets for our overhead costs as well.
- In both the FY19 budget and the projections, we have not projected any fee increases in any of the fee programs and projected the same total fees (\$5.7 million) in each year that we expect to collect in FY18. We don't "target" overall fee revenues and, instead review the next budget year and projections to see the impact of projected expenses on our fee reserves. The trend determines whether we need to make adjustments to our costs and/or to change fee structures. While the projections on page 5 of this memo show increasing annual deficits for the overall fee programs (from \$1 million in FY19 to \$1.3 million in FY21), FY19 is sustainable and we will evaluate the fee programs costs and reserves again in next year's budget cycle.
- Total per capita revenues are proposed at \$3.3 million with a 1¢ increase in the rate to 83¢ in FY19. 62% of the \$108k increase in the assessment is due to the 2.1% increase in the four-county population and 38% is due to the proposed 1¢ increase in the per capita rate.
- There is still high uncertainty around the timing and our management of any VW settlement funds; therefore, we have not included these funding sources in our projections. However, for FY19, we are budgeting for EPA Diesel Emissions Reductions Act (DERA), Ecology state grants and grants or contracts to the Clean Cities program to continue our transportation-related work. These total about \$.8 million of our revenues.
- We expect the federal and state "core" grant monies that are awarded to us through the Department of Ecology to be about \$1.6 million per year. At this time, we have projected that the federal reallocation of EPA funding, a perennial issue over the last several years, will not take effect until FY21 when it will begin reducing the federal portion of our core grants by about 2.5% per year. There is a dip in the federal core grants in FY19 since Ecology will deduct funds for monitoring speciation analysis at a lower cost than the agency would incur (at the time of this memo, but not in time to adjust our projections, we learned that Ecology's costs, and therefore the reduction in the federal core grant would be about \$15k lower per year than we projected in the financials.)
- We did not include civil penalty collections in our FY19 budget year since we don't plan for or target these collections; however, we did include a conservative estimate of \$300k per year in FY20-21, based on previous years.
- A challenge in the last two years has been the inflationary environment in our region and the resulting impact on our largest expense – personnel expenses. We are including in our FY19 budget 3.5% to 4% cost-of-living adjustments and are projecting about 3% thereafter. While our FY19 budget and the projection for FY20 are balanced from a funding standpoint, the negative per capita carryover (essentially indicates that we are spending into the next fiscal year's per capita reserve) of \$100k in FY21 means that we have more work to do in the next two years to address this by assessing expenses.
- Other impacts on our personnel costs have been the continuing double-digit employer contribution rate for the Public Employees Retirement System (PERS) and rising medical benefit costs. We are projecting an employer PERS rate of 12.87% (based on projected recommended rates from the Washington State Actuary) of salaries and wages. Pension contributions and medical benefits now comprise almost \$2 million of our total personnel costs of about \$10 million.
- Fund balances for the end of FY19 are shown in detail on page 13 of the budget document – we project fund balances of \$8.1 million (pre-pension and retiree benefit liability adjustments) for

FY19, a decrease of \$2.2 million from the projected end-of-FY18 balances. The decrease is due to the depletion of civil penalties that are being used for lower but ongoing legal expenses, the use of per capita carryover funds from FY18 (lower-than-budgeted costs due to unfilled positions) and the reduction in the fee fund balances (rising personnel costs).

Below is a summary that highlights the changes from the draft (that you saw in April) to the current proposed budget – the main changes from the April draft include:

- A decrease in the federal core grant for Ecology's speciation contracting (discussed above)
- Decreased personnel costs due to a delayed hiring
- Decreased operating costs due to the removal of the speciation contracting combined with a small increase in audit costs for actuarial services

Puget Sound Clean Air Agency FY19 Proposed Budget Compared to FY19 Draft Budget		
	Draft FY19 Budget	Proposed FY19 Budget
Federal Grants	1,698,710	1,658,709
State Grants	1,475,762	1,475,768
Contracts	100,000	100,000
Supplemental Income	3,321,589	3,321,589
Program Fees	5,699,890	5,699,890
Other Revenues	60,000	60,000
Total Revenues	12,355,952	12,315,956
Personnel Expenses	9,901,285	9,863,323
Workplan Expenses	1,825,697	1,825,697
Operating & Equipment Expenses	2,895,469	2,870,469
Total Expenses	14,622,451	14,559,489
Net Surplus (Deficit) Before Appropriations	(2,266,499)	(2,243,533)
Net Draws - Per Capita and Civil Penalties	1,328,627	1,291,202
Net Draws - Fee Programs	997,646	1,012,105
Other Draws (Contributions)	(59,774)	(59,774)
Net Draws (Contributions)	2,266,499	2,243,533

Financial Projections beyond the Budget Year

Overall, we believe we built a budget that is fiscally responsible and that keeps us delivering on our Strategic Plan. Our budget year and projections below reflect the priorities indicated by the Board over the last several months of budget development and our assessment of risks and opportunities facing the agency. The assumptions for the budget year and the projections were outlined earlier in this memo and are the basis for the financial projections:

FY18 Estimate, FY19 Draft Budget, FY20-FY21 Projection				
	FY18 Estimate	FY19 Budget	FY20 Projection	FY21 Projection
Federal Core Grant (EPA/Ecology)	927,778	887,778	887,774	870,325
Sec 103 Grant (Ecology)	93,425	93,431	93,428	93,438
State Core Grant (Ecology)	663,600	663,615	663,606	663,604
Woodstove Grants (Ecology)	532,250	732,286	382,293	382,292
Transportation & Air Quality Grants/Contracts	552,112	832,367	247,100	245,000
Federal/State Grants and Contracts	2,769,165	3,209,477	2,274,201	2,254,659
Per Capita Revenues	3,212,849	3,321,589	3,450,680	3,603,486
Fee Program Revenues	5,699,890	5,699,890	5,699,890	5,699,890
Other Contracts/Grants (est)	-	25,000	-	-
Other Revenues	605,200	60,000	445,000	426,000
Total Revenues	12,287,104	12,315,956	11,869,771	11,984,035
Personnel Expenses	8,808,756	9,863,323	10,373,862	10,744,060
Work Plan Expenses	1,053,478	1,825,697	719,432	709,300
Operating & Equipment Expenses	2,008,060	2,870,469	2,262,955	2,261,328
Total Expenses	11,870,294	14,559,489	13,356,249	13,714,688
Net Surplus (Deficit)	416,810	(2,243,533)	(1,486,477)	(1,730,653)
FTEs	66.0	72.7	73.5	73.5
Breakdown of Net Surplus (Deficit):				
Net Surplus (Deficit) - Fee Programs	(54,806)	(1,012,105)	(1,133,187)	(1,265,581)
Net Surplus (Deficit) - Non-fee Programs	471,616	(1,231,428)	(353,291)	(465,073)
Net Surplus (Deficit)	416,810	(2,243,533)	(1,486,478)	(1,730,654)
Funding:				
Net draws from (contributions to) fee reserves	54,806	1,012,105	1,133,187	1,265,581
Net draws from (contributions to) non-fee reserves	(283,352)	320,827	157,599	329,513
Draws from civil penalty fund balance	261,736	910,601	495,692	435,560
Civil Penalty Collections	(450,000)	-	(300,000)	(300,000)
Net Draws (Contributions)	(416,810)	2,243,533	1,486,478	1,730,654
Fund Balances (fiscal year-end):				
Per Capita (carryover) Fund	773,135	392,533	295,300	(100,213)
General Fund Reserve ¹	494,808	494,808	494,808	494,808
Civil Penalty Fund ²	1,241,854	331,253	135,561	1
Diesel Grant Fund	145,365	145,365	(0)	(0)
Discretionary Funds	2,655,161	1,363,959	925,668	394,595
Per Capita - Reserve for second half of calendar year	1,633,866	1,687,721	1,762,957	1,762,958
Fee Program Funds	4,818,800	3,806,695	2,673,509	1,407,928
Equipment Reserve	171,980	171,980	171,980	171,980
Department & Legal Reserves	500,000	500,000	500,000	500,000
Employer Retirement Reserve	265,122	265,122	265,122	265,122
Unemployment Reserve	179,637	179,637	179,637	179,637
Interest Income Fund	28,561	28,561	113,561	179,561
Other Funds	57,965	117,739	117,739	117,739
Funds (before state pension & OPEB liabilities) ³	\$ 10,311,092	\$ 8,121,414	\$ 6,710,173	\$ 4,979,520
<small>1. We reached the General Fund Reserve target (10% of general fund revenues) in FY18.</small>				
<small>2. Projected civil penalty collections are not included in estimated revenues for FY19 budget; however, we have included projected revenues of \$425k for FY18 and likely collections for FY20-FY21 similar to average historical levels (\$300k)</small>				
<small>3. Excludes the book entries for the Pension and OPEB Liability Funds - the amounts for FY17 were \$5.2 million and \$1.7 million respectively (negative fund balances)</small>				

We recommend the adoption of the proposed FY19 budget at the June Board meeting. If you have any questions, please contact me at 206.689.4004 or CraigK@pscleanair.org.

Respectfully submitted,

Craig T. Kenworthy
Executive Director

Attachment

jwc

RESOLUTION NO. 1389

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PUGET SOUND CLEAN AIR AGENCY APPROVING THE BUDGET FOR THE FISCAL YEAR OF 2019 WITH A PER CAPITA RATE OF EIGHTY-THREE CENTS – JULY 1, 2018 TO JUNE 30, 2019

WHEREAS, the Washington Clean Air Act at RCW 70.94.092 requires the budget for the Puget Sound Clean Air Agency to be adopted on or before the fourth Monday in June of each year for the following fiscal year; and

WHEREAS, the Board of Directors has considered and estimated the financial needs for the operation of the Agency during the Fiscal Year of 2019 (July 1, 2018 to June 30, 2019) and determined the revenues needed to meet such financial needs, including the proportion of supplemental income to be paid by the various cities, towns and counties at a per capita rate of eighty-three cents,

WHEREAS, the Board of Directors does now desire to adopt the budget for the Puget Sound Clean Air Agency for the Fiscal Year of 2019, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE PUGET SOUND CLEAN AIR AGENCY:

Section 1: The budget for the Puget Sound Clean Air Agency for the Fiscal Year of 2019 (July 1, 2018 to June 30, 2019) including attached Fiscal Year 2019 Budget Documents and financial schedules is adopted as attached hereto and incorporated herein by reference.

PASSED AND APPROVED by the Board of Directors at a regular meeting of the Board on this 7th day of June, 2018.

PUGET SOUND CLEAN AIR AGENCY

By _____

Paul Roberts
Chair, Board of Directors

Attest:

By _____

Craig T. Kenworthy
Executive Director

Approved as to form:

By _____

Jennifer Dold
General Counsel

Puget Sound Clean Air Agency

Fiscal Year 2019

Final Budget

May 24, 2018

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Strategic Plan Goals

The agency's Board adopted the 2014-2020 Strategic Plan in February of 2014. The goals and strategies are summarized below and are the driving factors for the FY19 Budget.

1. Protect public health and the environment from air pollution

- 1.1 Meet National Ambient Air Quality Standards
- 1.2 Reduce transportation emissions, especially diesel particulate, in highly impacted locations
- 1.3 Reduce emissions and exposures from wood smoke and outdoor burning
- 1.4 Prevent, reduce and control emissions and exposure from significant stationary sources of air pollution
- 1.5 Characterize and communicate air quality throughout the region, with the active participation of the public
- 1.6 Reduce inequities in air pollution exposure

2. Become the most climate-friendly region in the United States

- 2.1 Reduce emissions of greenhouse gases from transportation

3. Employ the best people, policies, and practices to achieve our work

- 3.1 Attract, retain and inspire exceptional staff
- 3.2 Develop a culture that integrates environmental justice and equity principles into our day-to-day work and decisions
- 3.3 Engage in meaningful dialogue and outreach with all sectors of the public
- 3.4 Build the agency's long-term financial strength and ensure accountability
- 3.5 Be a model of environmental sustainability

Key Assumptions – FY19 Budget

The key assumptions in the agency's FY19 Budget and FY20-21 projections include:

- We are transitioning into a period where our total revenues are expected to average about \$12 million compared to the last five years when revenues were in the \$15 million to \$17 million range. Most of this is due to the decrease in federal diesel emissions reductions grants. While we were able to have term employees working on many of the larger grants and our direct costs can shift with this change, many of these grants provided cost offsets for our overhead costs as well.
- In both the FY19 budget and the projections, we have not projected any fee increases in any of the fee programs at this time and have projected the same total fees (\$5.7 million) in each year that we expect to collect in FY18. We don't "target" overall fee revenues and, instead review the next budget year and projections to see the impact of projected expenses on our fee reserves. The trend determines whether we need to make adjustments to our costs and/or to change fee structures. While the projections in the accompanying memo show increasing annual deficits for the overall fee programs (from \$1 million in FY19 to \$1.3 million in FY21), FY19 is sustainable and we will evaluate the fee programs costs and reserves again in next year's budget cycle.
- In April, the Board of Directors adopted a 1¢ increase in the CY19 per capita rate (to 83¢ per capita). We projected modest increases in FY20 and beyond to address inflation assumptions and to support our strategic direction. Total per capita revenues for calendar year 2019 are \$3.3 million. 62% of the \$108k increase in the assessment from the prior year is due to the 2.1% increase in the four-county population and 38% is due to the proposed 1¢ increase in the per capita rate.
- There is still high uncertainty around the timing and our management of any VW settlement funds; therefore, we have not included these funding sources in our projections. However, for FY19, we are budgeting for EPA Diesel Emissions Reductions Act (DERA), Ecology state grants and grants or contracts to the Clean Cities program to continue our transportation-related work. These total about \$.8 million or our revenues.
- We expect the federal and state "core" grant monies that are awarded to us through the Department of Ecology to be about \$1.6 million per year. At this time, we have projected that the federal reallocation of EPA funding, a perennial issue over the last several years, will not take effect until FY21 when it will begin reducing the federal portion of our core grants by about 2.5% per year. There is a dip in the federal core grants in FY19 since Ecology will deduct funds for monitoring speciation analysis at a lower cost than the agency would incur.
- We did not include civil penalty collections in our FY19 budget year since we don't plan for or target these collections; however, we did include a conservative estimate of \$300k per year in FY20-21, based on previous years.
- A challenge in the last two years has been the inflationary environment in our region and the resulting impact on our largest expense – personnel expenses. We are including in our FY19 budget 3.5% to 4% cost-of-living adjustments and are projecting about 3% thereafter. While our FY19 budget and the projection for FY20 are

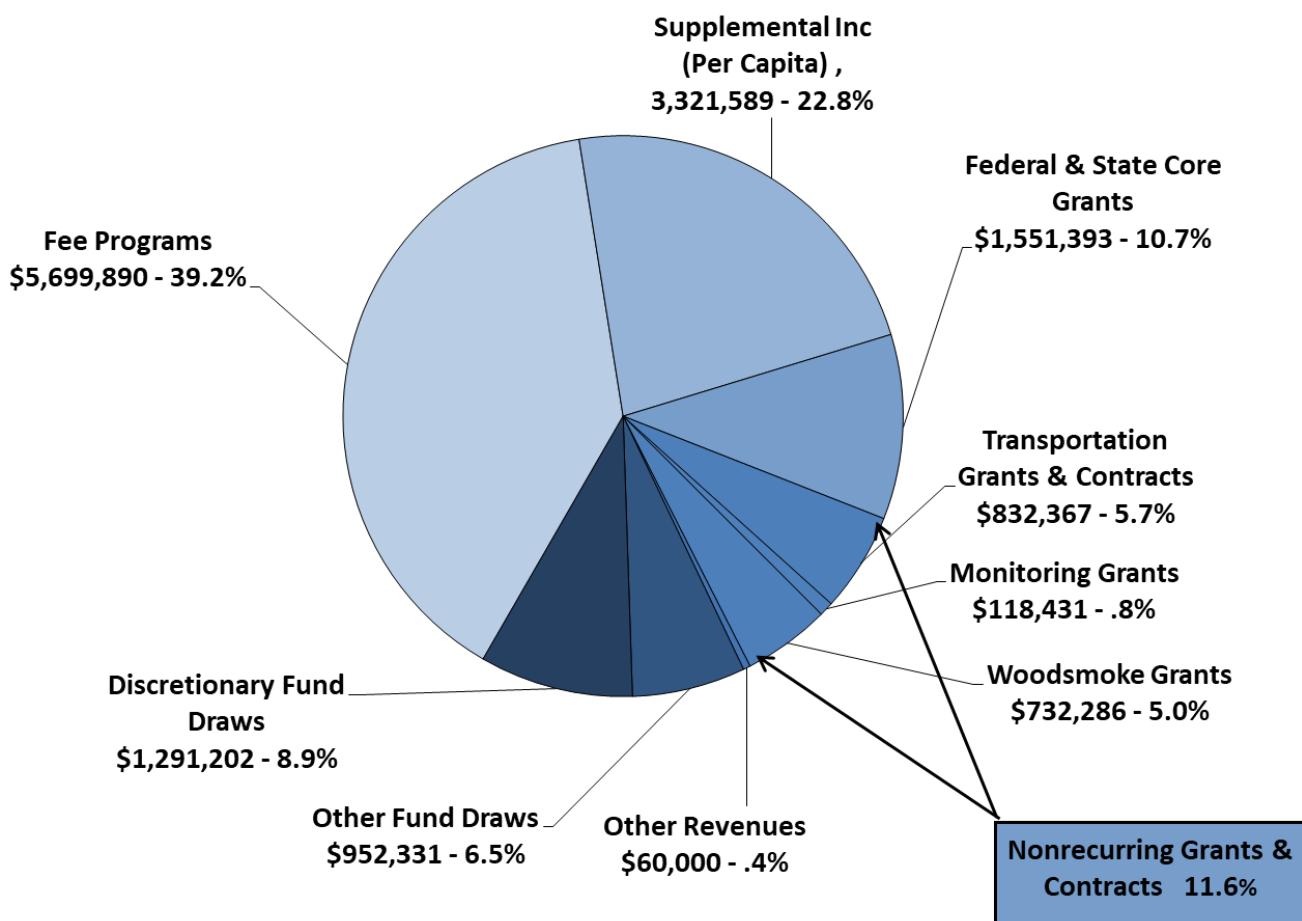
balanced from a funding standpoint, the negative per capita carryover (essentially indicates that we are spending into the next fiscal year's per capita reserve) of \$100k in FY21 means that we have more work to do in the next two years to address this by assessing expenses.

- Other impacts on our personnel costs have been the continuing double-digit employer contribution rate for the Public Employees Retirement System (PERS) and rising medical benefit costs. We are projecting an employer PERS rate of 12.87% (based on projected recommended rates from the Washington State Actuary) of salaries and wages. Pension contributions and medical benefits now comprise almost \$2 million of our total personnel costs of about \$10 million.

FY19 Funding Sources and Expenses

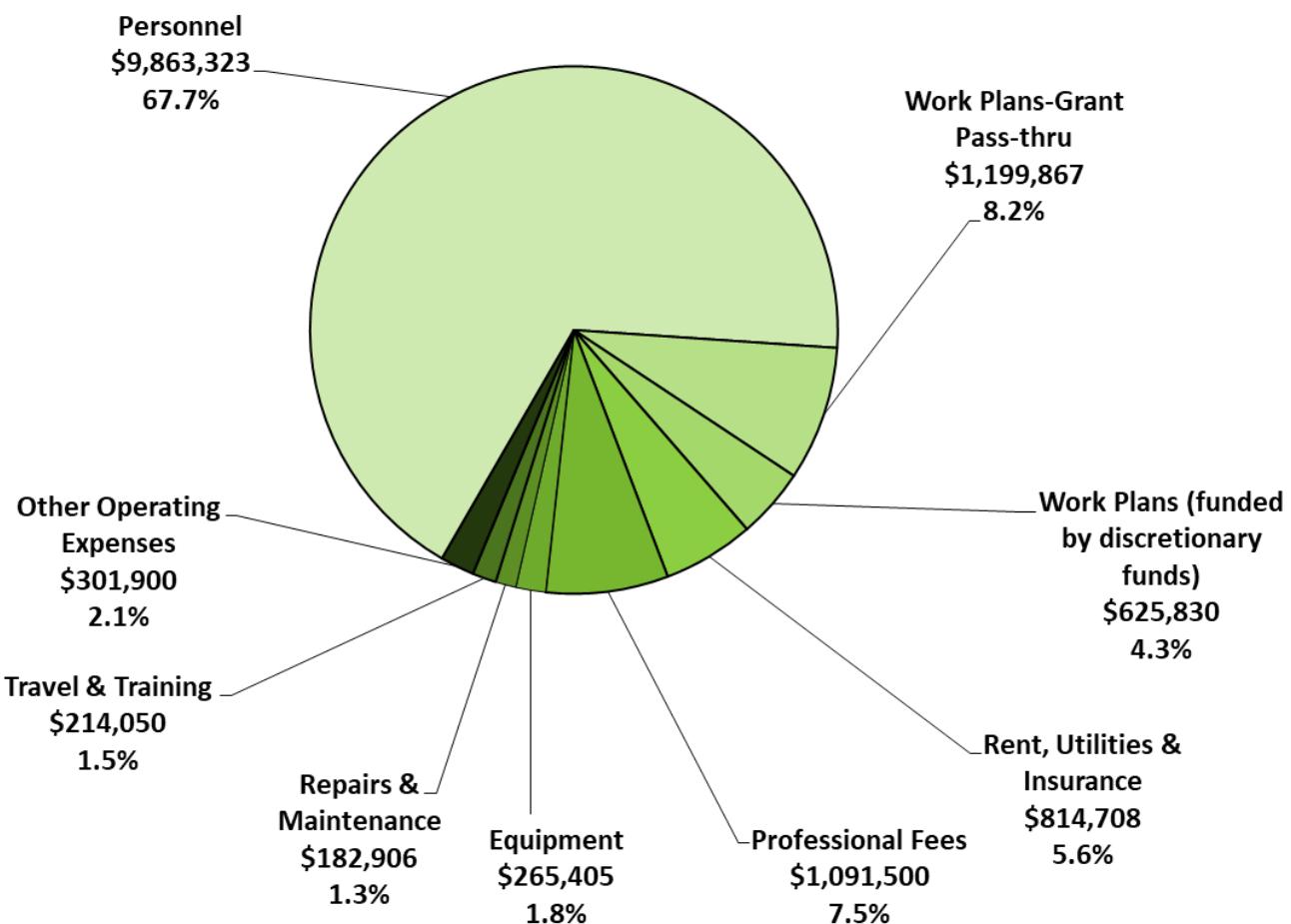
The agency has a variety of funding sources. While non-recurring grants have been significant sources of funding the last several years (41% of total funding in FY15, 34% in FY16, 31% in FY17, 9% in FY18), the transportation related grants have declined and non-recurring grants will be 12% of total funding in FY19. Fee revenues are for self-funded programs and comprise \$5.7 million of the total \$14.6 million in total funding for the agency. Per capita (supplemental income) assessments from our four-county jurisdiction (King, Kitsap, Snohomish and Pierce) at \$3.3 million, or 23% of total funding, have become a more significant ongoing funding source – these funds help support pollution reduction programs, community outreach and air monitoring. Discretionary fund draws of \$1.2 million are draws from per capita carryover balances and from previously collected civil penalties. Other fund draws of \$1 million are mostly from the Fee programs fund reserves for operations during the fiscal year.

FY19 Budget - Funding Sources



Personnel expenses (\$9.9 million) are our most significant operating expense at 68% of total expenses of \$14.6 million. Personnel expenses are expected to increase by \$1.1 million – about half this increase is due to filling positions that were partially vacated during FY18, a quarter of the increase is due to cost-of-living increases (mostly for represented staff) in the range of 3.5% to 4% and a quarter is due to the addition of three new positions later in the fiscal year 2019. Work plan grant pass-thru expenses (8.2% of total expenses) are pass-thru payments to grant partners, beneficiaries or sub-recipients – these expenses have decreased significantly from prior years due to the completion of large diesel emissions reductions programs. The work plan expenses funded by draws from discretionary funds (civil penalty fund balances collected in prior years and per capita carryover) are supporting Climate solutions programs, communications related to specific programs, and community engagement and outreach. Professional fees of \$1,091,500 are higher than typical years due to legal expenses related to an ongoing case and potential new cases and the addition of contracts to support the Climate programs. Rent increases are per our lease agreement – we were fortunate to have negotiated a new ten-year lease in 2016 before the Seattle office market became super-heated. Other expenses are in line with expectations.

FY19 Budget - Expenses



FY19 Detailed Budget

The detailed FY19 budget is shown on the following pages and is compared to the estimate for FY18. Highlights include:

- Budget revenues are projected to be about \$12.3 million, similar to FY18. Federal and state grant combined revenues are projected to be 14% higher in FY19 due to grant carryovers from FY18 and new Woodstove funding from Ecology.
- Per capita assessments are increasing 3.4% due to a combination of a 2.1% increase in the four-county population and a 1¢ increase in the per capita rate to 83¢.
- The Fee programs are self-funded from fees charged for services to pollution sources. We do not target these revenues and they are used only to fund the costs of the Asbestos, Notice of Construction, Registration and Operating Permit programs.
- The agency does not set targets in the budget year for civil penalty collections or interest earned on invested reserves. In FY18, these combined revenues will be about \$.5 million.
- The increase in personnel expenses from \$8.8 million in FY18 to \$9.9 million in FY19 is due mainly to filling positions that were partially vacant in FY18. Cost-of-living adjustments (3.5% to 4%) and the addition of three new positions (1.75 FTEs) later in FY19 contributed to the rest of the increase.
- Workplan expenses are expected to increase \$.8 million due to grant pass-through expenses from carryover and new grants, contracted work for the Climate program, and a revolving loan participation with the NW Seaports Alliance for truck scrappages.
- Professional services are increasing in FY19 due to anticipated higher legal costs related to ongoing or potential new cases, Climate solutions contracted technical work, recruitment costs (Director of Air Quality), audit costs (required actuarial services), and graphics/video support for Communications.

Puget Sound Clean Air Agency

FY19 Proposed Budget Compared to FY18 Estimate

	FY18 Estimate	Proposed FY19 Budget	
Federal Grants:			
105 Grant - Federal Core (EPA/Ecology)	927,778	887,778	<i>In FY19, Ecology is funding a technical analysis project - direct reduction from our federal core grant</i>
Sec 103 Grant - PM 2.5 (EPA/Ecology)	93,425	93,431	<i>No change anticipated</i>
Natl Assn of Regional Councils (NARC)	13,248	-	<i>Completed in FY18</i>
Clean Cities Coalition (DOE)	45,000	45,000	<i>No change anticipated</i>
Clean Fuels Ohio (WWCCC-DOE)	2,500	17,500	<i>Carryover from FY18</i>
Drayage Truck Repl (EPA/DERA)	42,549	-	<i>Completed in FY18</i>
Air Toxics CHID (EPA)	100,000	25,000	<i>Carryover from FY18</i>
Marine Eng Repl - DERA/EPA	250,000	390,000	<i>Carryover from FY18</i>
New Grant	-	200,000	<i>Placeholder for other potential grants</i>
Subtotal - Federal Grants	1,474,500	1,658,709	
State Grants:			
State Core (Ecology)	663,600	663,615	<i>No change anticipated</i>
SeaTac Ground Support Equip (Ecology)	46,815	-	<i>Completed in FY18</i>
Ecology ScRAPS Support-DPF,Training, Incentives, Emissions Eval.	25,000	79,867	<i>Carryover from FY18</i>
Woodstove Repl/Removal (Ecol)	450,000	650,000	<i>New woodstove grant application in FY19</i>
Wood Smoke Educ & Enf Grant (Ecology)	82,250	82,286	<i>No change anticipated</i>
Subtotal - State Grants	1,267,665	1,475,768	
Contracts:			
Drive Oregon (WWCCC contract)	17,000	10,000	<i>Carryover from FY18</i>
WSDOT Contract	10,000	65,000	<i>New contract with WSDOT - Electric Vehicle education and outreach</i>
SCAQMD Truck Upgrade	-	25,000	<i>New contract with South Coast Air Quality Management District - truck scrapping assistance</i>
Subtotal - Contracts	27,000	100,000	
Supplemental Income:			
Per Capita - Cities and Counties	3,212,849	3,321,589	<i>Population increase of 2.1% and a 1¢ increase in the per capita rate to 83¢</i>
Subtotal - Supplemental Income	3,212,849	3,321,589	
Program Fees:			
Asbestos	650,000	650,000	
Notice of Construction	560,000	560,000	
Registration	2,904,530	2,904,530	
Operating Permits	1,585,360	1,585,360	
Subtotal - Program Fees	5,699,890	5,699,890	
Other Revenues:			
Civil Penalty Collections	450,000	-	<i>Not budgeted</i>
Interest Income	95,200	-	<i>Not budgeted</i>
Clean Cities Coalition	60,000	60,000	<i>Western Washington Clean Cities member dues and support</i>
Subtotal - Other Revenues	605,200	60,000	
Total Revenues	12,287,104	12,315,956	

Puget Sound Clean Air Agency

FY19 Proposed Budget Compared to FY18 Estimate

	FY18 Estimate	Proposed FY19 Budget	
Personnel Expenses:			
Salaries & Wages	6,330,336	7,131,380	
Benefits	2,478,420	2,731,942	
Total Personnel Expenses	8,808,756	9,863,323	<i>Increase due to COLAs (3.5-4%), 3 added positions (partial year), and filling open positions</i>
Work Plan Expenses	1,053,478	1,825,697	<i>Increase due to higher grant pass-throughs from carryover grants, Climate work (contracts), and Alliance revolving loan participation</i>
Operating Supplies	48,700	52,700	
Professional Services	355,250	1,091,500	<i>Increase due to higher legal costs anticipated, Climate technical contracts, financial systems contract, audit costs, recruitment costs, and graphics/video support for Communications</i>
Postage	18,700	18,700	
Meetings	12,800	12,800	
Travel & Training	179,370	214,050	<i>Increased training needs for Inspection, Engineering and IT staff</i>
Transportation	49,300	51,100	<i>Increase in Metro rates</i>
Rent & Utilities	680,653	718,772	<i>Rent increases are per the lease schedule; proportionate share of property taxes increased due to Seattle property taxes</i>
Insurance	91,368	95,936	<i>5% projected premium increase from our risk pool (Enduris)</i>
Repairs & Maintenance	157,226	182,906	<i>Increased software costs - Microsoft Cloud Services</i>
Legal Expenses	24,000	23,000	<i>These are routine legal expenses</i>
Printing	11,000	11,000	
Merchant & Bank Fees	86,200	86,200	
Subtotal - Operating Expenses	2,815,245	4,430,761	
Tenant Improvements	5,021	-	
Computer & Office Equipment	84,272	148,405	<i>In FY19, we are replacing a number of outdated inspector laptops</i>
Vehicles	102,000	72,000	<i>FY18 had three vehicle purchases; FY19 includes two vehicle purchases - Compliance, Monitoring</i>
Technical/Scientific Equipment	55,000	45,000	<i>Decreased need for monitoring equipment purchases in FY19</i>
Subtotal - Equipment	246,293	265,405	
Total Expenses	11,870,294	14,559,489	

Puget Sound Clean Air Agency

FY19 Proposed Budget Compared to FY18 Estimate

	FY18 Estimate	Proposed FY19 Budget	
Net Before Appropriations	416,810	(2,243,533)	<i>Higher projected deficit in FY19 - funded by per capita carryover, civil penalty collections from prior years and draws on fee programs reserves</i>
Appropriations from (Contributions to) Fund Balances			
Per Capita Draw (Contr) - Operations	(146,846)	380,601	<i>Draw for operations from the per capita carryover from FY18 lower-than-planned expenses</i>
Per Capita Draw - Dept Reserves	8,550	-	
General Fund Reserve	-	-	<i>This is funded to its policy target</i>
Civil Penalty Collections	(450,000)	-	<i>Not budgeted for FY19</i>
Civil Penalties Draws	160,430	460,601	<i>FY19 has additional draws for Climate incentives, education & outreach and for the Alliane revolving loan participation</i>
Civil Penalties -Transfers	101,306	450,000	<i>FY19 transfer to the legal reserve for potentially higher legal expenses</i>
Subtotal - Discretionary Funds	(326,560)	1,291,202	
Diesel Grant Fund - Draw	-	-	
Fee Programs	54,806	1,012,105	<i>Draws on fees collected earlier in the calendar year - no fee increases for FY19</i>
Equipment Reserve	30,000	-	
Compliance Reserve	-	-	
Department Reserves	(8,550)	-	
Legal Dept Reserve	(101,306)	-	<i>For FY19, this assumes that \$450k is transferred into this fund from previously collected civil penalties and then is spent on legal fees</i>
Employer Retirement Fund	30,000	-	
Other	(95,200)	(59,774)	
Subtotal - Appropriations (Contributions)	(416,810)	2,243,533	
Net	-	-	
FTEs	66.01	72.66	
Ending Discretionary Fund Balances			
Per Capita Carryover	773,135	392,533	<i>We anticipate drawing about \$381k of the carryover in FY19</i>
General Fund Reserve	494,808	494,808	<i>We are at the target of 10% of general fund revenues for this reserve</i>
Civil Penalties	1,241,854	331,253	<i>The FY19 budget proposes drawing this down by \$911k</i>
Discretionary Funds	2,509,796	1,218,594	
Diesel Grant Fund	145,365	145,365	<i>This is projected to be spent in FY20</i>
Total Discretionary & Diesel Fund	2,655,161	1,363,959	

FY19 Fund Balances

Agency fund balances at fiscal year-end (June 30th) are a combination of reserves defined in our Financial Policies (pages 15-23) and funds committed for the following fiscal year. For example, fees for the Registration and Operating Permit programs are billed in November for the calendar year beginning in January. At June 30th, these fund balances include six months' worth of revenues committed to the second half of the calendar year (or the first half of our new fiscal year) as well as financial policy stabilization reserves.

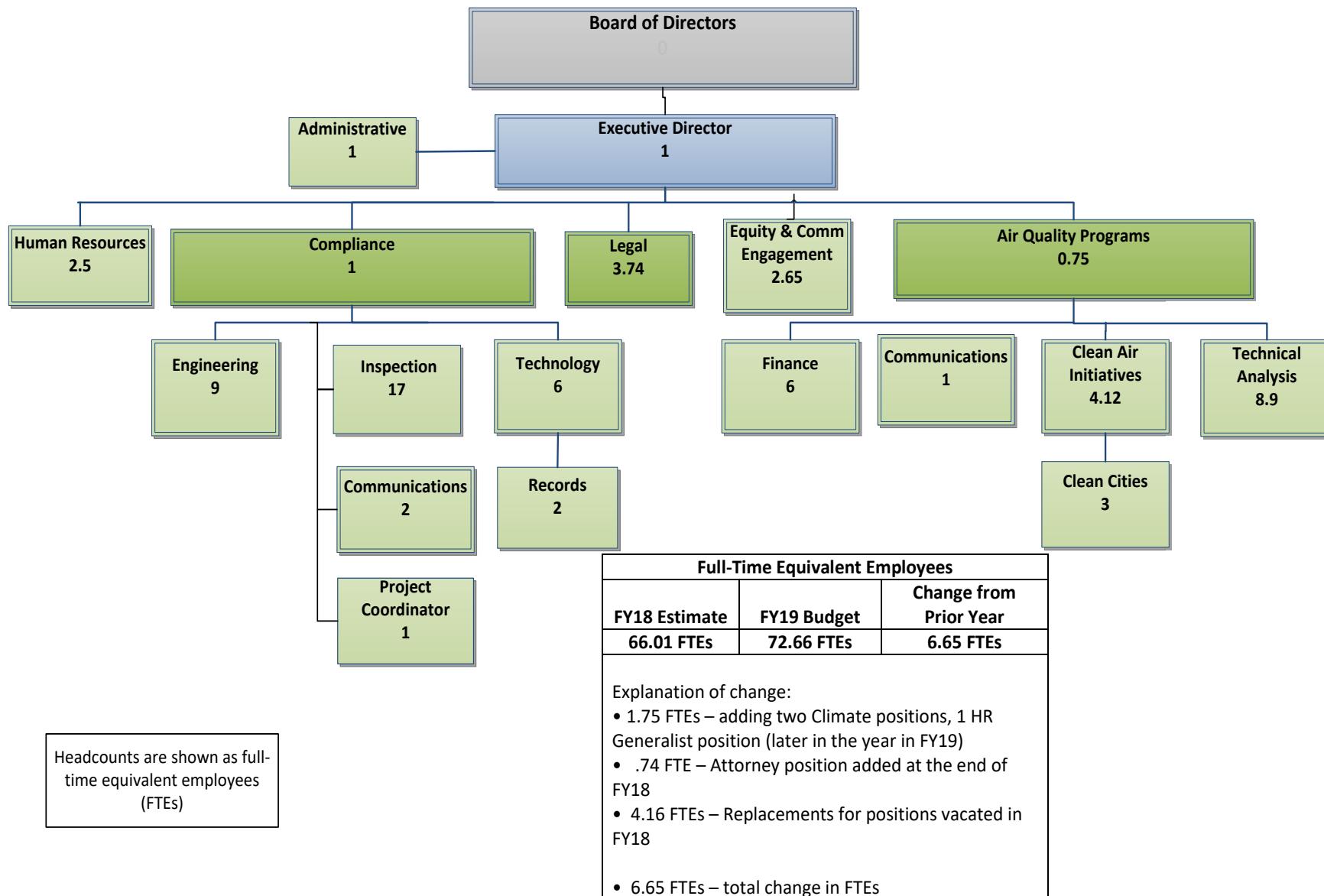
A significant change to our reporting of fund balances has been the implementation of Government Accounting Standards Board (GASB) requirements regarding the recognition of each government's portion of the state retirement plan's unfunded pension liability and the net liability for retiree benefits. These amounts are measured and reported at each fiscal year end. For FY17, this resulted in our reporting a "negative" fund balance of \$6.9 million for the agency's portion of the net liabilities. The pension liability is an estimate of the net assets (investments and future earnings) and liabilities (projected retirement payouts) and is reviewed by the state actuary each year and reported by the state Department of Retirement Systems. The retiree benefits liability is the result of discounted medical premiums offered to retirees.

The schedule of funds on the next page shows all of the funds and their projected balances at fiscal year-end (June 30th) 2017 through 2019. This schedule also indicates the section of the financial policies in this document that determine fund uses and reserves.

FY19 Budget - Fund Balances at Fiscal Year-End

	FY17 Actual Ending Balance	FY18 Estimated Ending Balance	FY19 Proposed Budget	See Financial Policy Section	Comments
Per Capita Carryover	654,352	773,135	352,540	II.B.1.	Carryover of per capita funds - can be used to fund a following year deficit
General Fund Reserve	494,808	494,808	494,808	IV.B.4	Funded by interest income thru FY17 and by fiscal year budget savings (discretionary fund expenses) - the target balance was reached in FY18
Civil Penalties	1,053,589	1,241,854	371,253	II.D.	FY19 spending from these previously collected penalties supports the specific uses as described in the FY19 Financial Policies
Subtotal - Discretionary	2,202,749	2,509,796	1,218,600		
Per Capita	1,578,982	1,633,866	1,687,721	II.B.1.	Reserve for second half of calendar year - 50% of the calendar year billings
Civil Penalties - Committed	30,036	30,036	30,036	II.D.	These are fund balances from settlements that are committed to specific uses
Diesel Grant Fund	145,365	145,365	145,365		This fund may be used for diesel or other projects
Asbestos	579,151	645,096	447,004	II.B.2.	The stabilization reserve target for this fund is approximately \$423k
Notice of Construction	224,264	128,490	279,277	II.B.2.	The stabilization reserve target for this fund is approximately \$204k
Registration	2,348,072	2,366,826	2,172,086	II.B.2.	The FY19 ending balance includes reserves for the balance of calendar year 2019 (\$1.5 million); in addition, it includes the stabilization reserve of \$.6 million (target is \$.8 million)
Operating Permits	1,728,569	1,678,388	908,328	II.B.2.	The FY19 ending balance includes about 78% of the reserves for the balance of calendar year 2019 (target is \$1.1 million); it does not include a stabilization reserve (target is \$.6 million)
Equipment Reserve	286,980	171,980	171,980	Appendix 2	This reserve is for unplanned equipment, vehicle or software requirements during the fiscal year. It decreased in FY18 when a portion was transferred to fund the unemployment fund.
Department/Division Reserves	235,000	250,000	250,000	IV.B.3.	Includes \$200k for the Compliance Division reserve and \$50k for other non-fee department reserves
Legal Reserve	148,694	250,000	250,000	Determined during budget development	This reserve is funded at the beginning of each fiscal year - for FY19, it is funded to \$450k from civil penalty collections and expected to be spent down by \$450k - we are expecting legal expenses to continue into FY20-21 at about \$250k per year
Employer Retirement Reserve	265,122	265,122	265,122	II.E.	This balance is reserved for future employer rate increases for the Public Employee's Retirement System (PERS)
Clean Cities Coalition	(19,774)	(19,774)	40,000	II.C. & IV.E.	Clean Cities Coalition is funded by member dues, Dept of Energy support, grants and agency per capita revenues. In FY19, the reserve is raised to \$40k per our financial policies.
Unemployment Reserve	(563)	179,637	179,637	IV.B.5.	This fund was formalized in our FY18 financial policies. It is used to fund the agency's self-insured unemployment claims. Projected FY18 interest income is included in the FY18 balance.
Interest Income Fund	28,561	28,561	28,561	II.E.	This balance is reserved for future investment pool losses; interest income is not budgeted but, for FY19, will be transferred to this fund and can be used for one-time non-personnel expenditures approved by the Board
Other Funds	47,703	47,703	47,703		Miscellaneous funds
Subtotal - Fund balances before Pension and OPEB net liability recognition	\$ 9,828,911	\$ 10,311,092	\$ 8,121,420		
Pension and OPEB Liabilities	(6,903,892)	(6,903,892)	(6,903,892)		These funds are the recognition of the agency's proportionate share of the state retirement pool's net pension and post-employment benefits liabilities for external reporting purposes (required by GASB)
Total Balance at June 30th	\$ 2,925,019	\$ 3,407,200	\$ 1,217,528		

Puget Sound Clean Air Agency – FY19 Budget – Organization Chart



Fiscal Year 2019 – Puget Sound Clean Air Agency Financial Policies

Each fiscal year, the agency reviews, and revises as needed, the financial policies that guide the uses of and reserve targets for its various funds. In 2019, a minor revision was made changing the disposition of interest income earned on agency reserves invested in the King County Investment Pool. The following financial policies were approved by the Board in April 2018.

I. Planning Policies

A. Balanced Budget

As required by RCW 70.94.092, on or before the fourth Monday in June of each year, the Board of Directors adopts a budget for the following fiscal year (July 1 – June 30). The budget is a balanced budget, and contains adequate funding and provides for staff sufficient to carry out the provisions of all applicable resolutions and regulations related to air pollution reduction, prevention and control.

The Board takes action to amend the budget when unanticipated funding is received such as grants, or in the event of other significant unforeseen events that may affect the budget.

B. Multi-Year Planning

Sound fiscal management and planning are important to the health of the agency. To this end, the agency engages in multi-year planning each year to assess and evaluate items such as the financial implications of current and proposed operating and capital budgets, the fund balance, financial policies, issues related to state and federal funding, the agency's vision and strategic plans, and other foreseeable trends and issues that may affect the future of the agency. Strategic plans may include vision statements, multi-year strategies and annual work plans. The information developed during long-range planning is used in preparing the annual budget.

C. Asset Inventory

To safeguard agency assets purchased with public funds and to ensure adequate internal controls are maintained, the agency inventories and assesses the condition of all major capital assets. Agency assets are used only for agency business purposes. (See Appendix 1, Asset Capitalization and Inventory Procedures).

Asset inventory information is used to plan for the ongoing financial commitments and future needs of the agency.

II. Revenue Policies

A. Revenue Diversification

To the extent feasible, the agency maintains a diversified and stable revenue system to improve its ability to handle fluctuations in any individual source of funding. The agency does not rely solely on state and federal funds and consistently seeks additional sources of revenue.

B. Per Capita and Fee Revenues

1. Per Capita (Proportion of Supplemental Income) - Cities, towns and counties are required by state law to contribute annually to the agency's operations. RCW 70.94.093 stipulates various methods for determining the proportion of supplemental income of this per capita revenue. During the annual budget process, the Board determines which method to use. In addition, the Board annually reviews the amount of the per capita assessment, considering such factors as the rate of inflation compared with the rates of population growth and/or assessed valuation of property, the agency's revenue needs for programs and/or equipment that cannot be fully supported by other funds, whether or not programs requiring funding are mandatory, and appropriate equitable factors. For each annual budget, the budget amount of Per Capita revenues (Supplemental Income) will be determined by combining 50% of the prior calendar year per capita assessment amount along with 50% of the budget calendar year amount.

2. Fee-Based Revenues - Revenues collected for a specific fee-based program are retained within that program in the general fund balance. Fees collected for one fee-based program cannot be spent on a different program. Annual increases may be adopted to ensure that each program remains self-supporting in current and future years and that fee reserve fund balances are retained. Fees may also include temporary surcharges to reflect technological advances or mandated requirements for a specific program.

Fee-based programs are self-supporting and as required by law, the amount of the fees may only cover the cost of administering the program. See RCW 70.94.151 (registration fees), 70.94.152 (notice of construction fees), and 70.94.162 (operating permit fees).

C. Use of Funds

1. Use of One-Time and Unpredictable Revenues - To the extent feasible, the agency uses one-time revenues for one-time expenditures and unpredictable revenues for a specific purpose and not to finance ongoing programs or operations.

2. Federal Section 103 Funds - These funds are provided by EPA to pay for a specific project. Currently, the Federal Section 103 grant pays for the costs contained in the agency's annual contract with the Department of Ecology for PM2.5 monitoring.

3. Federal Section 105 Funds (Base Grant) - These funds support activities required by EPA through the grant agreement for the federal priorities that are not supported by fees. This includes protecting human health by reducing emissions of PM2.5, ozone, and other criteria and toxic air pollutants; and characterizing the health consequences of air pollution, collecting data that has the greatest benefit for public health, and increasing the public understanding of the health effects and costs of pollution.

4. *Other Grants (Special Project or Sub-Recipient)* - When the agency receives grant funds for specific projects, staff time and operational expenses necessary to administer the grants are normally charged against the grants.

5. *State Wood Stove Account Funds* - The state wood stove funds are required to be spent on wood stove education and enforcement. The education program may include raising awareness of impaired air quality burn bans, the effects of wood stove emissions on health and air quality, methods of achieving better efficiency and emission performance from wood stoves, which wood stoves are approved by Ecology, or the benefits of replacing inefficient wood stoves with new stoves. The enforcement program may include air quality monitoring, developing air quality forecast products, and enforcement of impaired air quality burn bans.

6. *State Grant (Core)* - The highest priority for these funds is to implement state requirements not covered by fees, the federal Section 105 grant or the wood stove account funds. This includes managing indoor and outdoor burning regulations and burn bans, and working with fire departments and other partners to help people understand outdoor burning restrictions, where applicable, and cleaner alternatives to yard debris disposal where burning is still allowed.

7. *Local Supplemental Income (Per Capita)* - The highest priority for these funds is to address local and state priorities not paid for by other sources of funds. This includes, but is not limited to, elements of the agency strategic plan not funded by other sources, for example environmental justice, climate protection, policy advocacy, regional transportation planning or support for the Western Washington Clean Cities Coalition.

8. *Western Washington Clean Cities Coalition (Coalition) Dues and Support Grant Income* – The Coalition receives annual voluntary dues from Coalition members. In addition, the Department of Energy provides funding through an annual cooperative agreement and the agency contributes funding from per capita revenues. The funds from all of these sources support the operations of the Coalition by covering personnel and program costs necessary to accomplish program goals.

D. Civil Penalty Revenues

As a result of its compliance activities, the agency receives civil penalty revenues. To ensure the agency is not perceived as assessing civil penalties to support its operations, revenue from civil penalties collected goes directly to a separate fund to be used in accordance with Section III B. of this policy. In preparing budgets, the agency does not include an amount of projected civil penalty revenue for the next fiscal year, but does include expenditures of civil penalty revenues, in accordance with this policy, previously received.

E. Interest Income Revenues

Unless otherwise provided in this section, the agency allocates earned interest income revenues to all fund cash accounts every month based on the cash in each fund at the end of the month, with the exception of certain grant funds due to audit restrictions.

For FY18, if the General Fund Reserve is funded at its target, the interest income and investment recaptures (from previous investment losses) during the year will be transferred to the Unemployment Reserve. For FY19, interest income and investment recaptures (from previous investment losses) during the year will be transferred to the Interest Income Fund. The Interest Income Fund balance of \$28k is reserved for potential impaired investment write-offs from the King County Investment Pool. The excess balance above this amount, from interest income earned, can be used, with Board approval, for unforeseen one-time non-personnel expenditure needs that may arise in the fiscal year.

III. Expenditure Policies

A. Operating/Capital Expenditures

The agency periodically compares actual expenditures to budget and decides upon any actions needed to bring the budget into balance. To this end, quarterly financial statements are prepared for and reviewed by agency management, and quarterly financial information is provided to the Board of Directors.

B. Civil Penalties

Revenue from civil penalties collected may be expended only for the purposes described in this policy. These purposes include support for:

- establishing and maintaining strategic partnerships;
- promotional and outreach activities (to include communication tools, services and materials) that support our vision;
- efforts to address inequities in air pollution exposure
- community-focused air quality characterization or improvement projects;
- voluntary and incentive-based programs that produce quantifiable climate, toxics or criteria pollutant benefits; and
- atypical or unusual legal expenses.

Such projects are budgeted annually based on the agency's objectives and the availability of previously collected funds. The agency may also use a portion of a specific civil penalty to reimburse a fee-based

program where there are extraordinary costs associated with a particular enforcement action. Also, the agency may negotiate non-financial civil penalty settlements, such as requiring in-kind support or direct education and outreach activities as Supplemental Environmental Projects.

C. Debt Issuance

As authorized by RCW 70.94.091, the agency may levy additional taxes in excess of the constitutional and/or statutory tax limitations for any authorized purpose.

IV. Fund Balance Policies

A. Contingency Account

The agency maintains a contingency account that would be used in the event the agency was forced to close its doors permanently. The account includes funds to pay any agency obligations for employees at retirement and other legally required amounts. The agency maintains sufficient funds in this account to meet these obligations to the extent such obligations are reasonably foreseeable. The contingency accounts are reviewed each year as part of the budget process.

This account shall include funds sufficient to cover one hundred percent of the potential excess compensation owed to the Washington State Department of Retirement Systems for PERS 1 retirees, one hundred percent of the potential liability for accrued employee vacation and any potential liability for one-third of accrued employee sick leave.

B. Stabilization Accounts

The agency maintains a prudent level of financial resources to strive to protect against the need to reduce service levels or raise fees due to temporary revenue shortfalls, unforeseen one-time expenditures, or cash flow needs. Funds that have been set aside for future or special use are set aside in the designated funds balance. This includes the Clean Air Act Reserve Accounts, Capital/Equipment Reserve Accounts, Department Reserve Accounts and General Fund Reserve. The stabilization accounts are reviewed each year as part of the budget process.

1. *Clean Air Act Reserve Accounts* - Each fee-based program has a separate reserve account and these fee reserve balances are reviewed on an annual basis. For the Asbestos and Notice of Construction programs, the reserve balance should be approximately 50% of the annual cost of the program. For the Registration and Operating Permit programs, the reserve balance should be approximately 25% of the annual cost of the program. A portion (\$200,000) of the fee program fund balances is reserved as the Compliance Division Reserve for unanticipated expenses relating to fee program work that occurs during a fiscal year. This reserve will be replenished by appropriate fee funds each year.

2. *Capital Equipment Reserve Account* - To the extent practical, the agency budgets for routine capital equipment needs each year through current revenues rather than use of funds in reserve accounts. However, the agency maintains a capital equipment reserve account (see Appendix 2) to

minimize fluctuations due to large or unanticipated capital purchases and because the agency does not have the ability to borrow funds from other entities.

A plan for reimbursement of the funds must be submitted prior to withdrawal of the funds. The Board may adjust account balance limits during the Agency's annual budget process. Surplus income from the sale of assets is transferred to the reserve unless the equipment was funded with grant funds with certain restrictions.

3. Department/Division Reserves - The agency maintains a small reserve account for each department. These reserves are for unanticipated expenses relating to particular departmental work that occurs during the fiscal year. The presence or use of the reserve accounts does not in any way lessen or eliminate the need for appropriate planning by each department during the annual budget process. The amounts for each reserve will not exceed the amount originally established for the account and will be reviewed each year as part of the budget process. The accounts will be replenished each year by appropriate funding sources for each department.

4. General Fund Reserve – This reserve is established for non-fee program related items such as unanticipated items in the budget fiscal year, emergency funding for deferred maintenance, insurance deductibles in the event of a major loss, bridge funding for inter-grant periods, and as an additional offset for inter-month negative cash balances. The targeted balance for this reserve is 10% of the general fund revenues (composed of per capita revenues, the federal core grant and the state core grant), targeted to be reached by FY2020. If necessary, this reserve is funded or replenished from interest income, investment recaptures (from previous investment losses) and other discretionary (unrestricted) funds resulting from better-than-planned budget performance (see section II.E.). The Board must approve withdrawals from the general fund reserve, as part of the annual budget or through a budget amendment. The approval must include a plan for reimbursing the reserve.

5. Unemployment Reserve – The agency operates on a reimbursement basis with the Employment Securities Department (ESD) rather than paying quarterly unemployment taxes. The agency has minimal control over the timing, duration and amount of unemployment charges. The purpose of this reserve is to provide for unemployment expenditures. The amount of this reserve will be assessed as needed and funded accordingly.

C. Civil Penalty Account

The revenue collected from civil penalties goes directly to the Civil Penalty Account to be used in accordance with Section III B. of this policy. In preparing annual budgets, the agency only includes expenditures of civil penalty revenues previously received. The balances in this account may be used to offset periodic negative inter-month cash balances created by grant-related receivable balances.

D. Clean Cities Coalition Account

The account is to be used in the event of a disruption in revenues associated with the Coalition. The target balance is \$40,000 and will be reviewed as needed.

Appendix 1 – Asset capitalization and inventory procedures

Categories of Assets, Risk Ratings, Frequency of Physical Inventory, Capitalization Amount.

Category	Risk(loss) Rating	Capitalization Amount	Frequency of Physical Inventory
Transportation Equipment	High	\$5,000	1 year
Computer Equipment	High	\$5,000	1 year
Communication/ Audio visual Equipment	High	\$5,000	1 year
Site/Shop Equipment	Medium	\$5,000	2 years (Odd FY)
Lab Equipment	Low	\$5,000	2 years (Odd FY)
Office Furniture	Low	\$5,000	2 years (Even FY)
Leasehold Improvements	Low	\$5,000	2 years (Even FY)

Capitalization of Assets

The Agency follows the Federal Common Rule of property management requirements for the acquisition, management and disposition of capitalized assets. At this time, the threshold amount is \$5,000. Assets under this threshold will be tagged, inventoried and tracked but not listed on the Agency financial statements as capital assets.

Inventory System

The Finance Department maintains an inventory system that includes tagging, inventorying and tracking agency equipment and capitalized assets. The system includes the asset purchase date, amount or current valuation, manufacturer description, asset identification number, department assignment, asset location, physical inventory date, and future surplus disposition.

Physical Inventory of Assets – Capitalized and Non Capitalized

The Manager of Finance and Purchasing schedules a physical inventory of department assets with each department manager. This inventory is based on risk ratings, the value of the item and probability of theft and/or misuse. Each department completes a physical inventory of the department assets by the end of the fiscal year.

Tagging of Assets

Assets are identified with a permanent tag that provides accurate agency and category identification. Assets purchased with federal funding are also identified with a permanent tag and an additional reference in the Asset Tracking System to indicate title to the equipment. The Finance Department keeps asset tags and assigns a tag to each department after each purchase.

Sale or Surplus of Assets

The Board of Directors must approve by resolution a list of capitalized assets scheduled for sale, surplus and disposal.

Appendix 2 – Capital Equipment and Software Applications Reserve

Purpose

We strive to meet our routine capital equipment needs each year from current revenues. To minimize fluctuations in the need for revenues due to large or unanticipated capital purchases, and because the Agency does not have the ability to borrow funds from other entities, a capital equipment reserve account is included in our finance management system. The purpose of this policy is to describe how this reserve account is derived and used.

The Agency maintains a reserve account that helps fund the following types of purchases:

- Vehicles
- Air Monitoring/Scientific Equipment and applications
- Computer Systems and applications
- Office Machines and Tenant Improvements

Principles

General

- The reserve target should reflect a prudent amount of funds necessary to pay for the intended use. The target is \$170,000 which includes amounts previously accumulated separately for air monitoring/scientific equipment and applications and for the Agency Telephone system replacements but no longer needed to be earmarked in the balance.
- The Board may adjust account balance limits during the Agency's annual budget process.
- Expenditures from the Capital Equipment Reserve are normally made to:
 - Fund large non-routine capital or applications expenditures
 - Meet high priority needs not envisioned during the budget process
- The reserve is not funded by federal or state grant dollars.

Withdrawals

- The Board must approve withdrawals that exceed \$50,000 from the reserve account, as part of the annual budget or through a budget amendment.
- The Executive Director may approve withdrawals from the reserve account in the amount of \$50,000 or less.
- When funds are withdrawn from the reserve account in any amount the responsible manager must provide a written schedule for reimbursing the account and identify the source of the funds for the reimbursement.

CY19 Supplemental Income (Per Capita Assessment)

The Washington State Clean Air Act, at RCW 70.94.093, requires that the Board of Directors of the Agency:

1. Shall select a method of determining the apportionment of supplemental income based on one of the following: 1) the population method (Method 1), which allocates the per capita fees to each jurisdiction based on their respective populations; 2) the assessed property value method (Method 2), which allocates the per capita fees to each jurisdiction based on their respective share of the total assessed property values; or 3) the 50:50 method (Method 3), which blends the population and assessed value methods in allocating the per capita fees to jurisdictions; and,
2. Shall certify by the fourth Monday in June of each year the share of the Agency's supplemental income budget that shall be paid in the next calendar year by each city and county located in the Agency's jurisdictional area.

During each fiscal year's budget cycle, we present information to the Board that compares the budget year per capita assessment, under the various methods of apportionment, to the prior year's actual assessment (see the table on pages 25-27) and apportionment. This information shows the impact on the various jurisdictions from changes in population and assessed property values combined with the change in the per capita rate. The pure population (Method 1) or assessed property value method (Method 2) can cause more dramatic swings in the apportionment from year to year depending on the relative population growth or influences of the economy on property values. The 50:50 method (Method 3) averages the first two methods so that there are more moderate annual changes.

At the April 2018 Board meeting and after previous discussions, the Board of Directors adopted the supplemental income (per capita) rate of 83¢ and the 50:50 method (Method 3) of apportioning the total assessment. The overall per capita assessment revenues will increase by \$108k, from \$3,267,733 in CY2018 to \$3,375,444 in CY2019. Two-thirds of this increase is due to the 2.1% population increase in the four-county jurisdiction (King, Pierce, Snohomish and Kitsap) and one-third of the increase will be the result of the 1¢ rate increase.

The FY19 budgeted supplemental income of \$3,321,589 reflects only six months' of the \$110k increase because the agency's fiscal year ends June 30th and, therefore, we only budget half of the calendar year increase.

The table on the page 28 shows the final adopted supplemental income (per capita) by jurisdiction using 83¢ as the rate and applying the 50:50 method of apportionment. The agency issues notifications to each of the jurisdictions each year in June, following budget adoption, regarding the next calendar year's assessment.

	Per Capita - Actual CY18 Compared to Proposed CY19 Three Methods											
	CY18			CY19					50:50 Method - Changes			
	Population ¹	Assessed Property Value ²	Per Capita Assessment (50:50 Method)	Population ³	Assessed Property Value ⁴	Per Capita (50:50 Method)	Per Capita (Population Method)	Per Capita (Assessed Value Method)	\$ Change	% Change	% Change Population	% Change Assessed Value
Per Capita Rate			\$ 0.82			\$ 0.83	\$ 0.83	\$ 0.83	\$ 0.01	1.2%	2.1%	12.9%
Jurisdiction												
Algona	3,175	454,681,419	\$ 2,366	3,180	522,708,719	\$ 2,438	2,639	\$ 2,237	\$72	3.0%	0.2%	15.0%
Auburn (Part)	67,340	8,578,752,525	47,683	69,060	9,456,889,326	48,898	57,320	40,476	\$1,215	2.5%	2.6%	10.2%
Beaux Arts	300	149,196,486	472	300	171,181,001	491	249	733	\$19	4.0%	0.0%	14.7%
Bellevue	139,400	49,499,063,373	172,978	140,700	56,487,334,960	179,274	116,781	241,767	\$6,296	3.6%	0.9%	14.1% <i>Mostly due to assessed value increase but population growth was also higher than the 2.1% four-county increase</i>
Black Diamond	4,305	712,223,690	3,432	4,335	761,885,628	3,429	3,598	3,261	(\$3)	-0.1%	0.7%	7.0%
Bothell (Part)	26,590	5,162,974,493	22,983	26,860	5,751,584,046	23,455	22,294	24,617	\$472	2.1%	1.0%	11.4%
Burien	50,000	5,663,272,829	33,752	50,680	6,385,711,481	34,698	42,064	27,331	\$946	2.8%	1.4%	12.8%
Carnation	1,850	257,632,766	1,361	2,030	324,886,110	1,538	1,685	1,391	\$177	13.0%	9.7%	26.1%
Clyde Hill	3,060	2,271,208,849	6,569	3,015	2,555,121,872	6,719	2,502	10,936	\$150	2.3%	-1.5%	12.5%
Covington	18,750	2,211,247,603	12,862	19,850	2,468,206,903	13,520	16,476	10,564	\$658	5.1%	5.9%	11.6%
Des Moines	30,570	3,228,676,845	20,089	30,860	3,823,309,451	20,989	25,614	16,364	\$900	4.5%	0.9%	18.4%
Duvall	7,425	1,046,535,705	5,493	7,500	1,204,219,917	5,690	6,225	5,154	\$197	3.6%	1.0%	15.1%
Enumclaw, part	11,410	1,275,337,937	7,662	11,450	1,385,742,533	7,717	9,504	5,931	\$55	0.7%	0.4%	8.7%
Federal Way	93,670	9,490,312,184	60,611	96,350	10,301,293,691	62,030	79,971	44,090	\$1,419	2.3%	2.9%	8.5%
Hunts Point	415	1,038,460,004	2,600	415	1,130,352,004	2,591	344	4,838	(\$9)	-0.3%	0.0%	8.8%
Issaquah	34,590	9,012,789,772	35,271	36,030	10,152,241,433	36,678	29,905	43,452	\$1,407	4.0%	4.2%	12.6%
Kenmore	22,320	3,927,413,725	18,341	22,580	4,268,537,451	18,505	18,741	18,269	\$164	0.9%	1.2%	8.7%
Kent	124,500	16,402,977,700	89,427	127,100	18,597,339,729	92,545	105,493	79,597	\$3,118	3.5%	2.1%	13.4% <i>Assessed property value increases higher than average</i>
Kirkland	84,680	22,292,866,516	86,883	86,080	25,313,528,391	89,894	71,446	108,342	\$3,011	3.5%	1.7%	13.5% <i>Assessed property value increases higher than average</i>
Lake Forest Park	12,940	2,631,742,757	11,463	12,990	2,942,920,300	11,689	10,782	12,596	\$226	2.0%	0.4%	11.8%
Maple Valley	24,790	3,282,396,281	17,844	24,900	3,680,189,655	18,209	20,667	15,751	\$365	2.0%	0.4%	12.1%
Medina	3,165	3,627,489,971	9,786	3,205	3,974,140,583	9,835	2,660	17,009	\$49	0.5%	1.3%	9.6%
Mercer Island	23,660	12,110,086,739	38,037	24,210	13,326,314,672	38,566	20,094	57,037	\$529	1.4%	2.3%	10.0%
Milton (Part)	1,070	101,852,114	677	1,195	114,094,396	740	992	488	\$63	9.3%	11.7%	12.0%
Newcastle	11,090	2,698,646,327	10,862	11,280	3,273,362,841	11,686	9,362	14,010	\$824	7.6%	1.7%	21.3%
Normandy Park	6,540	1,442,071,659	6,056	6,595	1,545,703,175	6,045	5,474	6,616	(\$11)	-0.2%	0.8%	7.2%
North Bend	6,570	1,193,543,129	5,487	6,605	1,361,174,490	5,654	5,482	5,826	\$167	3.0%	0.5%	14.0%
Pacific(Part)	6,835	475,811,473	3,916	6,855	545,276,453	4,012	5,690	2,334	\$96	2.5%	0.3%	14.6%
Redmond	60,560	18,672,836,524	68,523	62,110	20,770,064,850	70,224	51,551	88,896	\$1,701	2.5%	2.6%	11.2%
Renton	101,300	15,106,038,959	76,880	102,700	16,909,050,051	78,806	85,241	72,371	\$1,926	2.5%	1.4%	11.9%
Sammamish	61,250	14,514,101,138	59,074	62,240	16,677,879,828	61,520	51,659	71,382	\$2,446	4.1%	1.6%	14.9% <i>Assessed property value increases higher than average</i>
Sea Tac	27,810	5,431,615,466	24,112	28,850	6,165,328,557	25,167	23,946	26,388	\$1,055	4.4%	3.7%	13.5%
Seattle	686,800	186,325,342,799	717,576	713,700	214,109,064,214	754,381	592,371	916,391	\$36,805	5.1%	3.9%	14.9% <i>Mostly due to assessed value increase but population growth was also higher than the 2.1% four-county increase</i>
Shoreline	54,990	8,939,404,539	43,463	55,060	10,228,874,349	44,740	45,700	43,780	\$1,277	2.9%	0.1%	14.4%
Skykomish	200	25,026,719	141	200	27,782,107	142	166	119	\$1	0.7%	0.0%	11.0%
Snoqualmie	13,110	2,726,055,471	11,754	13,210	3,069,213,130	12,050	10,964	13,136	\$296	2.5%	0.8%	12.6%
Tukwila	19,540	5,763,649,829	21,498	19,660	6,184,943,263	21,395	16,318	26,472	(\$103)	-0.5%	0.6%	7.3%
Woodinville	11,570	3,325,043,674	12,524	11,660	3,690,029,346	12,736	9,678	15,793	\$212	1.7%	0.8%	11.0%
Yarrow Point	1,040	1,092,502,529	2,983	1,040	1,231,233,825	3,066	863	5,270	\$83	2.8%	0.0%	12.7%
Total Incorp. King County	1,859,180	432,160,882,518	1,773,491	1,906,640	490,888,714,731	1,841,762	1,582,511	2,101,014	\$68,271	3.8%	2.6%	13.6% <i>Mostly due to assessed value increase but population growth was also higher than the 2.1% four-county increase</i>
Total Unincorp. King	245,920	39,295,405,501	192,776	247,060	43,773,720,022	196,207	205,060	187,352	\$3,431	1.8%	0.5%	11.4% <i>Assessed property value increases high</i>
Total King County	2,105,100	471,456,288,019	1,966,267	2,153,700	534,662,434,753	2,037,969	1,787,571	2,288,366	\$71,702	3.6%	2.3%	13.4%

	Per Capita - Actual CY18 Compared to Proposed CY19 Three Methods											
	CY18			CY19					50:50 Method - Changes			
	Population ¹	Assessed Property Value ²	Per Capita Assessment (50:50 Method)	Population ³	Assessed Property Value ⁴	Per Capita (50:50 Method)	Per Capita (Population Method)	Per Capita (Assessed Value Method)	\$ Change	% Change	% Change Population	% Change Assessed Value
Per Capita Rate			\$ 0.82			\$ 0.83	\$ 0.83	\$ 0.83	\$ 0.01	1.2%	2.1%	12.9%
Jurisdiction												
Bainbridge Island	23,760	6,898,602,303	25,884	23,950	7,542,154,879	26,080	19,879	32,281	\$196	0.8%	0.8%	9.3%
Bremerton	40,500	2,736,605,137	23,008	40,630	3,073,499,584	23,439	33,723	13,155	\$431	1.9%	0.3%	12.3%
Port Orchard	13,810	1,532,610,083	9,248	13,990	1,631,598,525	9,297	11,612	6,983	\$49	0.5%	1.3%	6.5%
Poulsbo	10,210	1,487,955,331	7,668	10,510	1,633,068,314	7,856	8,723	6,990	\$188	2.5%	2.9%	9.8%
Total Incorp. Kitsap	88,280	12,655,772,854	65,808	89,080	13,880,321,302	66,672	73,936	59,408	\$864	1.3%	0.9%	9.7%
Total Unincorp. Kitsap	174,310	18,614,448,938	115,019	175,220	20,297,389,942	116,153	145,433	86,873	\$1,134	1.0%	0.5%	9.0%
Total Kitsap County	262,590	31,270,221,792	180,827	264,300	34,177,711,244	182,825	219,369	146,281	\$1,998	1.1%	0.7%	9.3%
Auburn (part)	9,720	1,018,692,416	6,369	9,900	1,143,124,876	6,555	8,217	4,893	\$186	2.9%	1.9%	12.2%
Bonney Lake	20,000	2,370,217,812	13,746	20,500	2,683,904,648	14,251	17,015	11,487	\$505	3.7%	2.5%	13.2%
Buckley	4,550	448,468,601	2,915	4,670	516,295,272	3,043	3,876	2,210	\$128	4.4%	2.6%	15.1%
Carbonado	635	44,522,344	365	665	51,069,290	385	552	219	\$20	5.5%	4.7%	14.7%
Du Pont	9,330	1,457,913,443	7,237	9,385	1,500,124,864	7,105	7,790	6,421	(\$132)	-1.8%	0.6%	2.9%
Eatonville	2,925	211,689,700	1,695	2,950	233,020,758	1,723	2,449	997	\$28	1.7%	0.9%	10.1%
Edgewood	9735	1310781805	7,058	10420	1556466106	7655	8,649	6,662	\$597	8.5%	7.0%	18.7%
Fife	9,910	2,134,852,294	9,059	10,100	2,325,804,780	9,169	8,383	9,954	\$110	1.2%	1.9%	8.9%
Fircrest	6,625	722,509,379	4,407	6,640	804,570,865	4,477	5,511	3,444	\$70	1.6%	0.2%	11.4%
Gig Harbor	9,065	2,297,364,845	9,092	9,560	2,681,847,608	9,707	7,935	11,478	\$615	6.8%	5.5%	16.7%
Lakewood	58,800	5,410,414,843	36,768	59,280	6,002,783,089	37,447	49,202	25,692	\$679	1.8%	0.8%	10.9%
Milton(Part)	6,625	667,867,780	4,279	6,705	748,090,125	4,383	5,565	3,202	\$104	2.4%	1.2%	12.0%
Orting	7,535	585,603,519	4,460	7,835	675,107,252	4,696	6,503	2,889	\$236	5.3%	4.0%	15.3%
Pacific(Part)	55	167,629,433	415	55	182,284,523	413	46	780	(\$2)	-0.5%	0.0%	8.7%
Puyallup	39,850	5,148,032,791	28,385	40,500	5,666,549,214	28,934	33,615	24,253	\$549	1.9%	1.6%	10.1%
Roy	805	55,749,470	460	815	62,260,758	471	676	266	\$11	2.4%	1.2%	11.7%
Ruston	935	202,207,410	857	975	235,133,256	908	809	1,006	\$51	6.0%	4.3%	16.3%
South Prairie	435	31,801,248	253	435	33,759,314	253	361	144	\$0	0.0%	0.0%	6.2%
Steilacoom	6,170	762,650,362	4,314	6,410	847,493,706	4,474	5,320	3,627	\$160	3.7%	3.9%	11.1%
Sumner	9,705	2,432,337,185	9,671	9,920	2,841,586,221	10,198	8,234	12,162	\$527	5.4%	2.2%	16.8%
Tacoma	206,100	20,766,300,003	133,093	208,100	23,179,089,876	135,965	172,723	99,207	\$2,872	2.2%	1.0%	11.6%
University Place	32,230	3,409,933,671	21,193	32,610	3,801,950,766	21,669	27,066	16,272	\$476	2.2%	1.2%	11.5%
Wilkeson	490	37,073,320	288	490	38,303,040	285	407	164	(\$3)	-1.0%	0.0%	3.3%
Total Incorp. Pierce	452,230	51,694,613,674	306,379	458,920	57,810,620,207	314,166	380,904	247,431	\$7,787	2.5%	1.5%	11.8%
Total Unincorp. Pierce County	392,260	38,797,201,306	251,609	400,480	43,582,811,207	259,467	332,398	186,535	\$7,858	3.1%	2.1%	12.3%
Total Pierce County	844,490	90,491,814,980	557,988	859,400	101,393,431,414	573,633	713,302	433,966	\$15,645	2.8%	1.8%	12.0%

	Per Capita - Actual CY18 Compared to Proposed CY19 Three Methods											
	CY18			CY19				50:50 Method - Changes				
	Population ¹	Assessed Property Value ²	Per Capita Assessment (50:50 Method)	Population ³	Assessed Property Value ⁴	Per Capita (50:50 Method)	Per Capita (Population Method)	Per Capita (Assessed Value Method)	\$ Change	% Change	% Change Population	% Change Assessed Value
Per Capita Rate			\$ 0.82			\$ 0.83	\$ 0.83	\$ 0.83				
Jurisdiction												
Arlington	18,620	2,265,698,000	12,936	18,690	2,497,670,676	13,101	15,513	10,690	\$165	1.3%	0.4%	10.2%
Bothell (Part)	17,390	3,620,472,761	15,602	17,510	4,149,299,998	16,146	14,533	17,759	\$544	3.5%	0.7%	14.6%
Brier	6,555	1,032,185,254	5,103	6,560	1,180,923,150	5,250	5,445	5,054	\$147	2.9%	0.1%	14.4%
Darrington	1,350	110,824,499	813	1,400	119,867,257	838	1,162	513	\$25	3.1%	3.7%	8.2%
Edmonds	40,900	8,177,283,180	35,903	41,260	9,107,284,679	36,613	34,246	38,979	\$710	2.0%	0.9%	11.4%
Everett	108,300	14,864,164,291	79,184	109,800	16,741,280,387	81,394	91,134	71,653	\$2,210	2.8%	1.4%	12.6% <i>Assessed property value increases high</i>
Gold Bar	2,125	151,447,881	1,226	2,125	175,364,335	1,257	1,764	751	\$31	2.5%	0.0%	15.8%
Granite Falls	3,395	285,572,980	2,060	3,485	331,346,034	2,155	2,893	1,418	\$95	4.6%	2.7%	16.0%
Index	165	17,679,713	109	175	19,790,228	115	145	85	\$6	5.5%	6.1%	11.9%
Lake Stevens	30,900	3,324,196,683	20,447	31,740	3,784,529,975	21,271	26,344	16,198	\$824	4.0%	2.7%	13.8%
Lynnwood	36,590	5,654,422,666	28,233	36,950	6,272,081,312	28,757	30,669	26,845	\$524	1.9%	1.0%	10.9%
Marysville	64,940	6,425,149,097	41,660	65,900	7,144,089,843	42,637	54,697	30,577	\$977	2.3%	1.5%	11.2%
Mill Creek	19,900	3,297,623,462	15,875	19,960	3,707,588,112	16,218	16,567	15,869	\$343	2.2%	0.3%	12.4%
Monroe	18,120	1,991,598,893	12,089	18,350	2,255,923,097	12,443	15,231	9,655	\$354	2.9%	1.3%	13.3%
Mountlake Terrace	21,090	2,538,499,849	14,587	21,290	2,860,458,321	14,957	17,671	12,243	\$370	2.5%	0.9%	12.7%
Mukilteo	21,070	4,354,213,237	18,827	21,240	4,745,542,557	18,970	17,629	20,311	\$143	0.8%	0.8%	9.0%
Snohomish	9,625	1,329,056,407	7,056	10,010	1,454,286,413	7,266	8,308	6,224	\$210	3.0%	4.0%	9.4%
Stanwood	6,635	788,790,152	4,566	6,785	858,722,419	4,653	5,632	3,675	\$87	1.9%	2.3%	8.9%
Sultan	4,860	400,440,069	2,930	5,030	448,108,729	3,046	4,175	1,918	\$116	4.0%	3.5%	11.9%
Woodway	1,335	623,160,392	2,006	1,340	639,446,893	1,925	1,112	2,737	(\$81)	-4.0%	0.4%	2.6%
Total Incorp. Snohomish County	433,865	61,252,479,466	321,212	439,600	68,493,604,415	329,012	364,868	293,154	\$7,800	2.4%	1.3%	11.8% <i>Assessed property value increases high</i>
Total Unincorp. Snohomish County	338,995	43,783,607,458	241,439	349,800	49,924,121,502	252,005	290,334	213,676	\$10,566	4.4%	3.2%	14.0% <i>Mostly due to assessed value increase but population growth was also higher than the 2.1% four-county increase</i>
County	772,860	105,036,086,924	562,651	789,400	118,417,725,917	581,017	655,202	506,830	\$18,366	3.3%	2.1%	12.7%
Grand Total	3,985,040	\$ 698,254,411,715	\$ 3,267,733	4,066,800	\$ 788,651,303,328	\$ 3,375,444	\$ 3,375,444	\$ 3,375,444	\$107,711	3.3%	2.1%	12.9%
			\$ 3,267,733			\$ 3,375,444	<i>Change due to population rate</i>		\$ 67,043			
									\$ 40,668			
<i>1. The CY18 assessment was based on population estimates for 2016</i>												
<i>2. The CY18 assessment was based on 2016 assessed property values for the 2017 tax year</i>												
<i>3. The CY19 assessment is based on population estimates for 2017</i>												
<i>4. The CY19 assessment is based on 2017 assessed property values for the 2018 tax year</i>												

**PUGET SOUND CLEAN AIR AGENCY
PROPORTIONATE SHARES FOR 2019
50:50 Method**

CITY/COUNTY:	KING	Amount	CITY/COUNTY:	PIERCE	Amount
Algona	\$ 2,438		Auburn (Part)	\$ 6,555	
Auburn (Part)	\$ 48,898		Bonney Lake	\$ 14,251	
Beaux Arts Village	\$ 491		Buckley	\$ 3,043	
Bellevue	\$ 179,274		Carbonado	\$ 385	
Black Diamond	\$ 3,429		Du Pont	\$ 7,105	
Bothell (Part)	\$ 23,455		Eatonville	\$ 1,723	
Burien	\$ 34,698		Edgewood	\$ 7,655	
Carnation	\$ 1,538		Fife	\$ 9,169	
Clyde Hill	\$ 6,719		Fircrest	\$ 4,477	
Covington	\$ 13,520		Gig Harbor	\$ 9,707	
Des Moines	\$ 20,989		Lakewood	\$ 37,447	
Duvall	\$ 5,690		Milton (Part)	\$ 4,383	
Enumclaw	\$ 7,717		Orting	\$ 4,696	
Federal Way	\$ 62,030		Pacific (Part)	\$ 413	
Hunts Point	\$ 2,591		Puyallup	\$ 28,934	
Issaquah	\$ 36,678		Roy	\$ 471	
Kenmore	\$ 18,505		Ruston	\$ 908	
Kent	\$ 92,545		South Prairie	\$ 253	
Kirkland	\$ 89,894		Steilacoom	\$ 4,474	
Lake Forest Park	\$ 11,689		Sumner	\$ 10,198	
Maple Valley	\$ 18,209		Tacoma	\$ 135,965	
Medina	\$ 9,835		University Place	\$ 21,669	
Mercer Island	\$ 38,566		Wilkeson	\$ 285	
Milton (Part)	\$ 740		Total Incorporated Pierce County	\$ 314,166	
Newcastle	\$ 11,686				
Normandy Park	\$ 6,045		CITY/COUNTY:	SNOHOMISH	Amount
North Bend	\$ 5,654		Arlington	\$ 13,101	
Pacific (Part)	\$ 4,012		Bothell (Part)	\$ 16,146	
Redmond	\$ 70,224		Brier	\$ 5,250	
Renton	\$ 78,806		Darrington	\$ 838	
Sammamish	\$ 61,520		Edmonds	\$ 36,613	
Sea-Tac	\$ 25,167		Everett	\$ 81,394	
Seattle	\$ 754,381		Gold Bar	\$ 1,257	
Shoreline	\$ 44,740		Granite Falls	\$ 2,155	
Skykomish	\$ 142		Index	\$ 115	
Snoqualmie	\$ 12,050		Lake Stevens	\$ 21,271	
Tukwila	\$ 21,395		Lynnwood	\$ 28,757	
Woodinville	\$ 12,736		Marysville	\$ 42,637	
Yarrow Point	\$ 3,066		Mill Creek	\$ 16,218	
Total Incorporated King County	\$ 1,841,762		Monroe	\$ 12,443	
			Mountlake Terrace	\$ 14,957	
CITY/COUNTY:	KITSAP	Amount	Mukilteo	\$ 18,970	
Bainbridge Island	\$ 26,080		Snohomish	\$ 7,266	
Bremerton	\$ 23,439		Stanwood	\$ 4,653	
Port Orchard	\$ 9,297		Sultan	\$ 3,046	
Poulsbo	\$ 7,856		Woodway	\$ 1,925	
Total Incorporated Kitsap County	\$ 66,672		Total Incorporated Snohomish County	\$ 329,012	
Unincorporated King County	\$ 196,207		Incorporated King County	\$ 1,841,762	
Unincorporated Kitsap County	\$ 116,153		Incorporated Kitsap County	\$ 66,672	
Unincorporated Pierce County	\$ 259,467		Incorporated Pierce County	\$ 314,166	
Unincorporated Snohomish County	\$ 252,005		Incorporated Snohomish County	\$ 329,012	
Total Unincorporated Counties:	\$ 823,832		Total Incorporated Counties:	\$ 2,551,612	
Total CY2019 Prop Share of Support:	\$ 3,375,444				