



Clean Air Agency

DATE June 16, 2022

TO Board of Directors
Puget Sound Clean Air Agency

SUBJECT Resolution No. 1450 – Approving the FY23 Budget

Honorable Members:

This memo and accompanying documents lay out our proposed FY23 budget for action by you in June. We discussed key assumptions around our expected revenues and expenses with the Board over the last several months and presented a draft FY23 budget for input from the Board in May. Attachment A includes the detailed proposed FY23 budget compared to the draft budget that was sent to the Board in May. Attachment B includes the following schedules as backup for the development of the FY23 budget:

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Proposed FY23 Budget (June) Compared to the Draft FY23 Budget (May)

Attachment A highlights some changes in the proposed FY23 budget compared to the draft budget. Grant revenues increased by \$202k due to the shifting of

grant work from FY22 to FY23 – the bottom-line effect of this was small due to the change in grant pass-through payments to partners. In addition, we corrected an error in the FY22 ending balance of the civil penalty fund balance (\$250k).

This memo, the attachments, and Resolution 1450 are for Board action on the agency's FY23 budget. We recommend adoption of this resolution in the June Board meeting.

If you have any questions, please contact me at 206.689.4004 or Cynthia.W@pscleanair.gov.

Respectfully submitted,



Cynthia Wang
Interim Executive Director

Attachment

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Attachment A		Proposed FY23 Budget v. Draft FY23 Budget		
		Proposed FY23 Budget (June)	Draft FY23 Budget (May)	Change from May Draft
Federal Grants:				
105 Grant - Federal Core (EPA/Ecology)	\$ 928,231	\$ 928,231	\$ -	
Sec 103 Grant - PM 2.5 (EPA/Ecology)	87,424	87,424	-	
Marine Eng Repl - DERA/ECOL (00024)-Fedl	14,000	-	14,000	<i>Shifting of grant work from FY22 to FY23</i>
Air Toxics 2020 (EPA)	247,732	175,373	72,359	<i>Shifting of grant work from FY22 to FY23</i>
ARP Grant (Monitoring Equip)	95,000	95,000	-	
Marine Eng Repl - DERA/EPA (DE-01J40801)	15,500	-	15,500	<i>Shifting of grant work from FY22 to FY23</i>
BNSF Yard Trucks - (DERA/EPA) DE-01J98501	990,250	990,250	-	
eCHE Crgo Hdgl Equipment (DERA/EPA) Ecol-000042	846,450	846,450	-	
Subtotal - Federal Grants	3,224,587	3,122,728	101,859	
State Grants:				
State Core (Ecology)	672,168	672,168	-	
CHE Replacement with Electric - ECOL (AQDERA-2021-PSCAA-00002)	532,978	532,978	-	
Woodstove Repl/Removal (Ecol)	493,500	393,500	100,000	<i>Shifting of grant work from FY22 to FY23</i>
WoodStove Educ & Enforcement Grant (Ecology)	83,072	83,072	-	
Subtotal - State Grants	1,781,719	1,681,719	100,000	
Supplemental Income:				
Per Capita - Cities and Counties	3,653,520	3,653,520	-	
Subtotal - Supplemental Income	3,653,520	3,653,520	-	
Program Fees:				
Asbestos	700,000	700,000	-	
Notice of Construction	300,000	300,000	-	
Registration	2,901,345	2,901,345	-	
Operating Permits	1,879,970	1,879,970	-	
Subtotal - Program Fees	5,781,315	5,781,315	-	
Other Revenues:				
Civil Penalty Collections	-	-	-	
Interest Income	110,000	110,000	-	
Miscellaneous Revenues	-	-	-	
Subtotal - Other Revenues	110,000	110,000	-	
Total Revenues	\$ 14,551,141	\$ 14,349,282	\$ 201,859	

	Proposed FY23 Budget (June)	Draft FY23 Budget (May)	Change from May Draft	
Personnel Expenses:				
Salaries & Wages	8,053,726	8,053,726	-	
Benefits	2,794,775	2,794,775	-	
Total Personnel Expenses	10,848,501	10,848,501	-	
Work Plan Expenses	3,538,494	3,345,794	192,700	<i>Shifting of grant work from FY22 to FY23</i>
Professional Services	762,200	762,200	-	
Operating Supplies	37,300	37,300	-	
Telephone	68,900	68,900	-	
Postage	15,000	15,000	-	
Rent & Utilities	848,475	848,475	-	
Software Subscriptions	165,811	165,811	-	
Repairs & Maintenance	72,117	72,117	-	
Printing	17,000	17,000	-	
Transportation	33,400	33,400	-	
Travel & Training	194,050	194,050	-	
Meeting Expense	9,700	9,700	-	
Legal Expense	32,500	32,500	-	
Insurance	119,000	119,000	-	
Bank & Merchant Fees	79,200	79,200	-	
Subtotal - Operating Expenses	5,993,147	5,800,447	192,700	
Tenant Improvements	-	-	-	
Computer & Office Equipment	85,788	85,788	-	
Vehicles	90,000	90,000	-	
Technical/Scientific Equipment	66,000	66,000	-	
Subtotal - Equipment	241,788	241,788	-	
Total Expenses	17,083,435	16,890,735	192,700	
Net Before Appropriations	\$ (2,532,294)	\$ (2,541,453)	\$ 9,159	
Appropriations from (Contributions to) Fund				
Per Capita Draw (Contr) - Operations	677,962	687,163	(9,201)	<i>Lower draws on per capita - effect of shifting grant admin from FY22</i>
General Fund Reserve	-	-	-	
Civil Penalty Collections	-	-	-	
Civil Penalties Draws	72,808	72,808	-	
Civil Penalties -Transfers	250,000	250,000	-	
Subtotal - Discretionary Funds	1,000,770	1,009,971	(9,201)	
Fee Programs	1,371,525	1,371,483	42	<i>Minor change in allocations</i>
Equipment Reserve	-	-	-	
Department Reserves	-	-	-	
Legal Dept Reserve - Funding transfer	(250,000)	(250,000)	-	
Legal Dept Reserve - Draw	250,000	250,000	-	
Interest Income Fund - Earnings	(110,000)	(110,000)	-	
Interest Income Fund - Draws	270,000	270,000	-	
Subtotal - Appropriations (Contributions)	2,532,294	2,541,453	(9,159)	
Net	-	-	-	
FTEs	69.79	69.79	-	
Ending Fund Balances				
Per Capita (carryover) Fund	983,462	946,530	36,932	<i>Lower draws on per capita - effect of shifting grant admin from FY22 and other revisions to FY22 projections</i>
General Fund Reserve	744,808	744,808	-	
Civil Penalty Fund	503,642	253,642	250,000	<i>Corrected fund balance from draft budget</i>
Interest Income Fund	262,354	262,354	-	
Discretionary Funds	2,494,266	2,207,334	286,932	
Per Capita-Reserve for second half of calendar year	1,883,876	1,883,876	-	<i>Minor change in allocations and changes from FY22 revisions</i>
Fee Program Funds	2,980,720	2,947,107	33,613	
Equipment Reserve	152,637	152,637	-	
Department & Legal Reserves	102,067	102,067	-	
Employer Retirement Reserve	265,122	265,122	-	
Unemployment Reserve	174,249	174,249	-	
Other Funds	41,857	41,857	-	
Funds (excludes state pension & OPEB liabilities)	\$ 8,094,794	\$ 7,774,249	\$ 320,545	

Puget Sound Clean Air Agency

Fiscal Year 2023

Proposed Budget

June 16, 2022

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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 continuing driving factors for the development of the FY23 Budget. Due to the delay in the development process for the next strategic plan period, we have not incorporated major investments for work under the new strategic plan.

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 – FY23 Budget

The key assumptions in the agency's FY23 Budget and FY24-FY25 projections include:

Our primary goals for the development of the FY23 budget are to:

- 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 FY23 budget and fiscally responsible expenditure levels in the out years.

Table 1 provides an overview of the proposed FY23 budget along with the FY24–FY25 projections for revenues, expenses, and fund balances. Table 5 (pages 11-12) includes the detailed proposed FY23 budget. While there are projected deficits in each of the years, the agency anticipates using previously accumulated discretionary reserves to help fund the deficits. We are relying heavily on the year-end FY22 per capita (supplemental income) fund balance of \$1.7 million (unspent budgeted funds accumulated during the last several years when we were unable to fill open budgeted positions) to fund the deficits. Along with spending reductions and the use of reserves, we have requested increases in per capita (supplemental income) rates and an increase in Operating Permit fees are closing the gaps.

Table 1

FY23 Proposed Budget, FY24-25 Projections

	FY23 Proposed Budget	FY24 Projection	FY25 Projection
Federal and State Grants	\$ 5,006,306	\$ 2,208,324	\$ 2,178,366
Per Capita Revenues	3,653,520	3,913,537	4,253,878
Fee Program Revenues	5,781,315	5,781,315	5,781,315
Other Revenues	110,000	392,000	370,000
Total Revenues	14,551,141	12,295,176	12,583,559
Personnel Expenses	10,848,501	11,406,445	11,847,241
Work Plan Expenses (Non-Grant related)	537,500	282,000	232,000
Operating & Equipment Expenses	5,697,434	2,639,791	2,630,365
Total Expenses	17,083,435	14,328,235	14,709,605
Net Surplus (Deficit)	\$ (2,532,294)	\$ (2,033,060)	\$ (2,126,046)
Full-Time Equivalents	69.8	70.0	70.0
# of Positions	71.0	71.0	71.0
Breakdown of Net Surplus (Deficit):			
Net Surplus (Deficit) - Fee Programs	(1,371,525)	(1,465,158)	(1,686,501)
Net Surplus (Deficit) - Non-fee Programs	(1,160,770)	(567,901)	(439,546)
Net Surplus (Deficit)	(2,532,295)	(2,033,059)	(2,126,047)
Funding:			
Net draws from (contributions to) fee reserves	1,371,525	1,465,158	1,686,501
Net draws from (contributions to) non-fee reserves	677,962	512,093	476,738
Draws from General Fund Reserve	-	160,000	-
Draws from Interest Income Fund	270,000	15,000	60,000
Contributions to Interest Income Fund	(110,000)	(92,000)	(70,000)
Transfers into Legal Reserve	(250,000)	(250,000)	(250,000)
Draws from Legal Reserve	250,000	250,000	250,000
Draws from civil penalty fund balance	322,808	272,808	272,808
Civil Penalty Collections (contributions)	-	(300,000)	(300,000)
Net Draws (Contributions)	2,532,294	2,033,060	2,126,046
Fund Balances (fiscal year-end):			
Per Capita (carryover) Fund	983,462	471,368	(5,369)
General Fund Reserve	744,808	584,808	584,808
Civil Penalty Fund ¹	503,642	530,834	558,026
Interest Income Fund	262,354	339,354	289,354
Discretionary Funds	2,494,266	1,926,364	1,426,819
Per Capita - Reserve for second half of calendar year	1,883,877	2,029,660	2,224,218
Fee Program Funds	2,980,720	1,515,562	(170,939)
Equipment Reserve	152,637	152,637	152,637
Department & Legal Reserves	102,067	102,067	102,067
Employer Retirement Reserve	265,122	265,122	265,122
Unemployment Reserve	174,249	174,249	174,249
Other Funds	41,857	41,857	41,857
Funds (excludes state pension & OPEB liabilities) ²	\$ 8,094,795	\$ 6,207,518	\$ 4,216,030

1. Projected civil penalty collections are not included in estimated revenues for FY23 budget; however, we have included a conservative estimate of collections for FY24-FY25 similar to average historical levels (\$300k)

2. Excludes the book entries for the Pension and OPEB Liability Funds - the combined amount for FY21 was \$5.8 million (negative fund balances)

3. Totals may not add due to rounding

Revenue Outlook

We anticipate \$14.6 million in total revenues for the FY23 budget and \$12.3 million to \$12.6 million in the FY24-25 projections. We have included in the FY23 budget, one-time grants that have already been awarded to the agency while we have only included ongoing biennially awarded grants that we are certain will be awarded in the FY24-25 projections. It is likely that we will receive additional funding in the form of these one-time grants in the outyears; however, they do not have a significant bottom-line impact given the high percentage (about 90% on average) of the revenues that are passed through to partners. Table 2 shows the detailed grant listing for FY23 – the shaded grants with pass-through expenditures to partners comprise about \$3.1 million in revenues and 95% of these revenues are pass-through expenditures.

Table 2 - Federal & State Grants	FY23 Proposed Budget	FY24 Projection	FY25 Projection
105 Grant - Federal Core (EPA/Ecology)	\$ 928,231	\$ 928,230	\$ 928,229
Sec 103 Grant - PM 2.5 (EPA/Ecology)	87,424	87,424	87,423
Marine Eng Repl - DERA/ECOL (00024)-Fedl	14,000		
Air Toxics 2020 (EPA)	247,732	29,948	-
ARP Grant (Monitoring Equip)	95,000	-	-
Marine Eng Repl - DERA/EPA (DE-01J40801)	15,500		
BNSF Yard Trucks - (DERA/EPA) DE-01J98501	990,250	-	-
eCHE Crgo Hdlg Equipment (DERA/EPA) Ecol-00042	846,450	-	-
Subtotal - Federal Grants	3,224,587	1,045,603	1,015,652
State Grants:			
State Core (Ecology)	672,168	686,144	686,144
CHE Replacement with Electric - ECOL (AQDERA-2021-PSCAA-00002)	532,978	-	-
Woodstove Repl/Removal (Ecol)	493,500	393,500	393,500
WoodStove Educ & Enforcement Grant (Ecology)	83,072	83,077	83,070
Subtotal - State Grants	1,781,719	1,162,721	1,162,714
Total Federal & State Grants	\$ 5,006,306	\$ 2,208,324	\$2,178,366

FY23 Compliance fee program revenues (Table 1) are the largest (40%) portion of total revenues – these are permitting fees for Notice of Construction, Asbestos, Registered sources, and Operating Permit sources programs. The FY23-25 Operating Permit revenues include a 25% increase in the base fees as adopted by the Board in April. Outyear revenues for these programs do not include any fee increases at this time; however, declining reserves indicate that it's very likely we will consider fee increases during the FY24 budget cycle. Table 5 (pages 11-12) shows each of the Compliance fee program revenues for FY23.

The FY23 budget for per capita (supplemental income) revenues comprise about 25% of total revenues and reflect an 87¢ per capita rate (4¢ increase from the prior year as adopted by the Board in April) and a 1.6% increase in the four-county population (based on WA Office of Financial Management population forecasts). The projected per capita revenues include rate increases of 6¢ in FY24 and 8¢ in FY25, mainly due to continuing inflation projections and their effect on cost-of-living expenses. At each fiscal year budget cycle, we will review the projected per capita rate increase before presenting to the Board for action.

Personnel

Personnel costs are our largest expense – for FY23, personnel expenditures are \$10.8 million, or 64% of our total expenses. We currently have 3 open positions (excluding the ED position) with active recruitments taking place. In the last year, we have filled all the vacant positions in Inspection, Engineering, Technical Analysis, IT, and Equity & Engagement.

For FY23, we have used the actual Consumer Price Index (CPI) data from for the cost-of-living adjustments for staff (8.1%) and managers (7.8%). For the outyears, we relied on the April forecasts from the City of Seattle Office of Economic and Revenue forecasts in the range of 3.0% to 4.2%. The actual required employer contribution rate to the PERS pension plan is at 10.25% (of total compensation) for the FY23 budget – the State Actuary is projecting the same percentage for the FY24-25 time period.

Workplans

Each year, the agency budgets for workplans which are specific expenditures related to grant work or specific initiatives that we are proposing for the budget year – outyear requests would be re-evaluated at the start of each year's budget development. Pass-through payments to partners or subrecipients from grant revenues typically constitute the majority of these expenses (82% in FY23). Table 3 shows the breakdown of proposed workplan expenditures and their funding sources:

Table 3 - Work Plans	DRAFT FY23 Budget	Funding
Grant Pass-through Payments to Partners	\$ 2,905,994	Federal & State Grants
Equity & Engagement Projects	220,500	Per Capita
Monitoring Equipment - funded by ARP grant	95,000	
Communication & Outreach - Compliance Programs	10,000	Asbestos, Registration and Operating Permit Fees
Communication & Outreach - General agency, Diesel programs, & web	57,000	Per Capita
Outreach & Education - Woodstove program	50,000	Civil Penalties
Mobility Project (Seattle partnership)	25,000	Per Capita
Zero Emission Vehicle (ZEV) Projects	40,000	Per Capita
Low-Income Electric Vehicle (EV) Carshare Pilot	135,000	Interest Income Fund
Total	\$ 3,538,494	

Professional Services

The FY23 proposed budget (Table 5 – pages 11-12) includes \$.8 million for professional services. Most of these professional contracts support ongoing operations; however, for FY23, several one-time expenses are included in professional services. Table 4 below highlights the detailed make-up of FY23 professional services -- IT consulting for financial systems replacement and SharePoint implementation (\$100k), HR recruiting (\$120k), and Strategic Plan consulting (\$35k) are one-time or higher than typical consulting services.

Table 4 - Professional Services	DRAFT FY23 Budget	Funding
Temporary Staffing	70,000	Funded by Compliance fees, per capita, and Core grants
Reimbursements-Fire Districts	15,000	Funded by previously collected civil penalties
Finance-Audit, ADP, acctg contracts	44,500	Audit, payroll processing Financial systems, Sharepoint - funded by
IT Consulting	100,000	Interest Income Fund
Legislative Liaison	48,000	Funded by per capita
Legal Expense (non-typical)	250,000	Funded by previously collected civil penalties
Legal Expense (ongoing)	30,000	Ordinary ongoing legal expenses
HR Contracts	39,200	Benefits admin, other contracts
HR - Recruitment	120,000	Exec Dir and other recruitments
Strategic Plan Consulting	35,000	Funded by Interest Income Fund
Translation Services	1,500	Various funding
Other Compliance Contracts	9,000	Asbestos testing, health screenings
Total	\$ 762,200	

FY24 and FY25 projected professional fees are expected to be a more modest amount of about \$467k per year.

Equipment Purchases & Software Subscriptions

We plan to invest \$242k in equipment in FY23 (see Table 5), including the following:

- \$66k for new monitoring equipment – an additional \$95k is funded by the American Rescue Plan (ARP) grant
- \$90k for inspection vehicle replacements for older vehicles
- \$86k for computer and office equipment

In recent years, the agency has moved from purchasing software to software subscriptions as the market has shifted in this direction. The FY23 budget includes \$165k for software subscriptions and maintenance to support operations – we expect this level of expense to about \$134k in FY24 and FY25.

Funds – Proposed Draws and Balances

Table 1 (page 5) shows the impact of the FY23 budget on the FY24 and FY25 projected financial performance and fund balances. We have included reasonable estimates of future revenues – there may be additional one-time grants from our applications for Diesel Emissions Reductions Act (DERA) funding or ARP funding. State Core grant funding is expected to increase slightly over several years due to reallocations and we will have to assess the need for increases in some of the projected compliance fee programs in the outyears. We have reduced FY22 expenditures and pared back spending requests for FY23 along with using reserves to balance the FY23 budget and outyears.

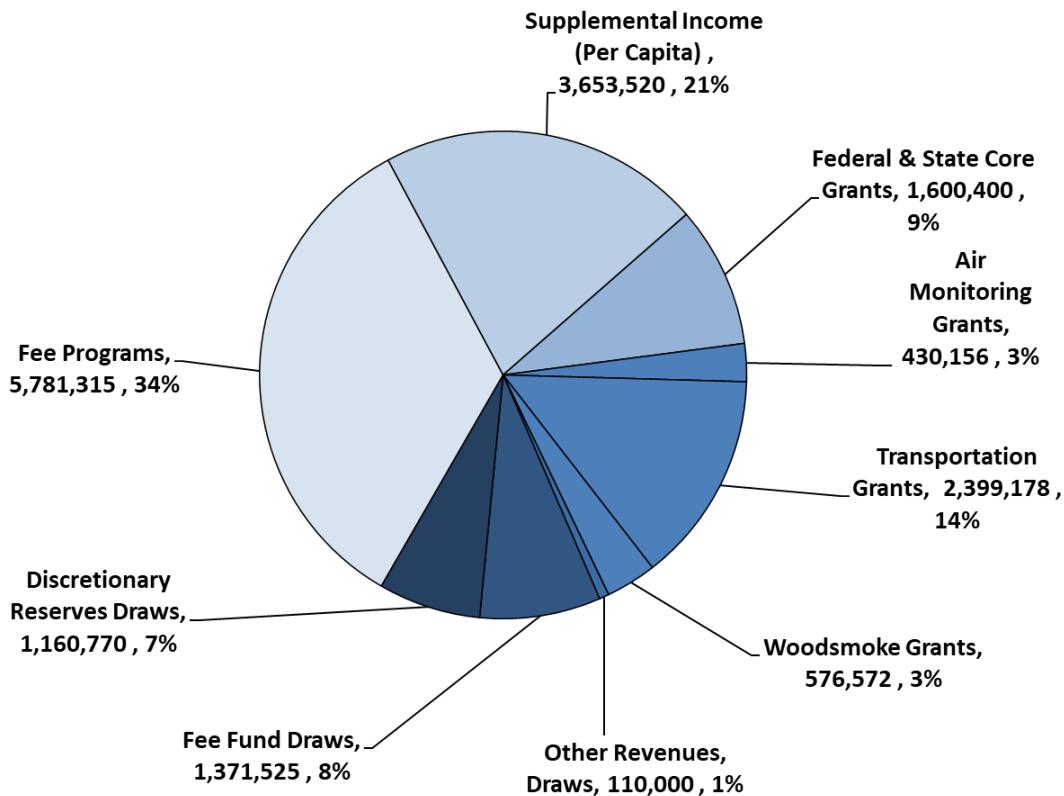
For the FY23 budget, we propose drawing \$1.3 million from discretionary reserves to fund expenditures. These include drawing \$678k from the per capita carryover, mainly to fund increased personnel expenses due to the COLA increases. In addition, we propose drawing \$323k from the previously collected civil penalties to fund non-ordinary legal expenses, fire district voluntary incentives, and interlocal agreements to replace wood debris burning. Finally, we propose drawing \$270k from the Interest Income Fund to pay for the finalization of the Strategic Plan (\$35k), IT consulting for financial systems and SharePoint (\$100k), and the Low-Income EV Carshare Pilot (\$135k). These fund draws leave sufficient discretionary fund balances, combined with per capita fee increases, to help absorb the COLA impacts in the outyears.

FY23 Funding Sources and Expenses

Sources of Funding

The agency has diversified funding sources – we budgeted total funding sources of \$14.6 million in revenues and \$2.5 million in reserve draws for the FY23 budget. The primary funding (34%) is from Compliance Fee program revenues for the regulatory work on pollution sources – these are self-funded programs whose fee revenues only support the regulatory work of the agency. Per capita revenues (Supplemental income) derive from an annual assessment (87¢ per person in the four-county jurisdiction for FY23) that comprise about 21% of our funding and are used for other air pollution mitigation, public education and outreach, pollution monitoring and forecasting, and overhead support. Federal and state core grants (9% of total funding), that are awarded through the Washington State Department of Ecology, also fund the same initiatives as per capita (supplemental income). Transportation and woodsmoke grants (17% of funding) are used for specific diesel emissions or woodsmoke reduction projects in our four-county jurisdiction (King, Kitsap, Snohomish, and Pierce). Air Monitoring grants are specifically awarded for operating air monitoring sites and for air monitoring equipment. Discretionary fund draws of \$1.1 million are draws from per capita carryover balances and from previously collected civil penalties. Other fund draws of \$1.4 million are mostly from the Compliance Fee programs fund reserves for operations during the fiscal year.

FY23 Proposed Budget - Funding Sources



Uses of Funds – Expenses

The revenues and reserve draws identified above will fund \$17.1 million in expenses in the FY23 budget. Personnel expenses (\$10.9 million) are our most significant operating expense at 64% of total expenses. Personnel expenses are expected to increase by \$1.8 million from FY22 estimated expenses due to inflation-driven cost-of-living increases (7.8%-8.1%) and to the filling of open positions that were unfilled during FY22. Work plan grant pass-thru expenses (17% of total expenses) are pass-thru payments to grant partners, beneficiaries, or sub-recipients, from carryover and new grants. The programmatic work plan expenses funded by draws from discretionary funds (civil penalty fund balances collected in prior years, per capita carryover, and interest income reserves) are supporting community incentive and support programs, electric vehicle promotions, communications related to specific programs, and community engagement and outreach. Professional services of \$.8 million are about 50% lower than FY22 - legal expenses related to ongoing enforcement cases are expected to be lower in FY23 and the professional services supporting the Strategic Plan development are winding down. Other expenses are in line with prior years' expenses.

FY23 Proposed Budget - Uses of Funds (Expenses)

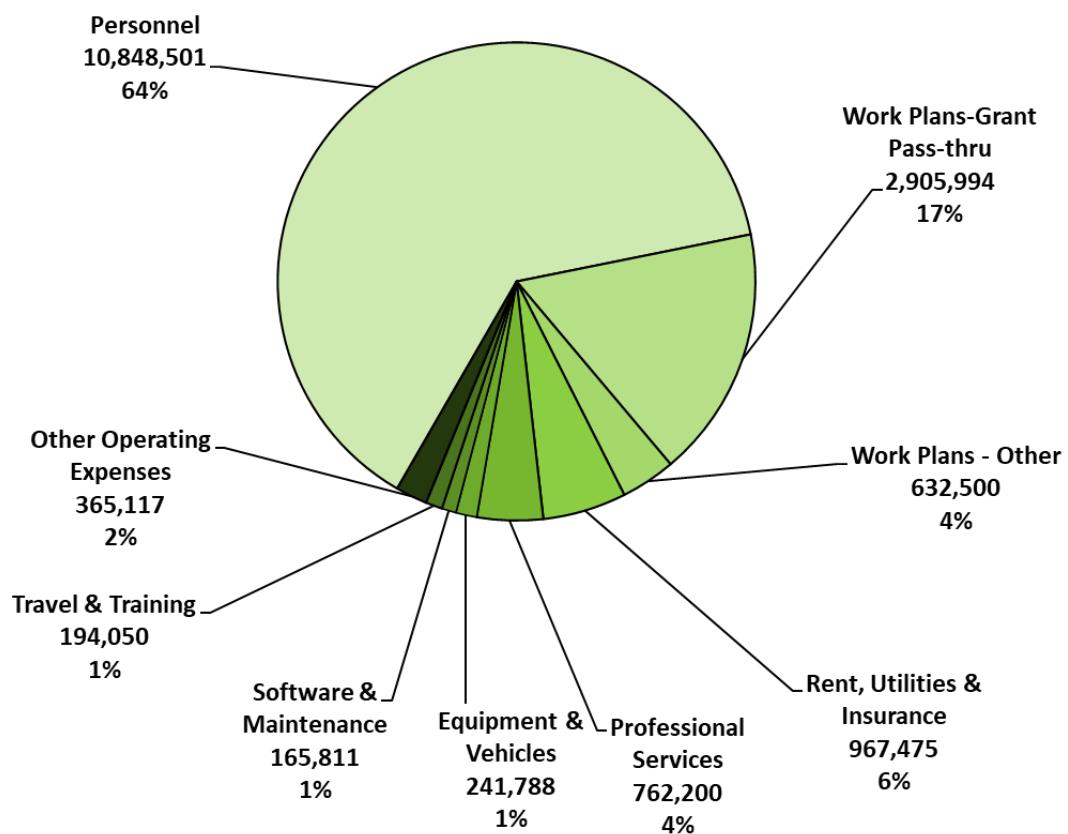


Table 5		FY23 Proposed Budget	
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Federal Grants:			
105 Grant - Federal Core (EPA/Ecology)	\$ 928,231	<i>Biennial grant - flat from FY22</i>	
Sec 103 Grant - PM 2.5 (EPA/Ecology)	87,424	<i>Biennial grant - flat from FY22</i>	
Marine Eng Repl - DERA/ECOL (00024)-Fedl	14,000	<i>Shift of grant work from FY22 to FY23</i>	
Air Toxics 2020 (EPA)	247,732	<i>Continuation of grant from FY22</i>	
ARP Grant (Monitoring Equip)	95,000	<i>New grant for monitoring equipment</i>	
Marine Eng Repl - DERA/EPA (DE-01J40801)	15,500	<i>Shift of grant work from FY22 to FY23</i>	
BNSF Yard Trucks - (DERA/EPA) DE-01J98501	990,250	<i>Continuation of grant from FY22</i>	
eCHE Crgo Hdlg Equipment (DERA/EPA) Ecol-00042	846,450	<i>Continuation of grant from FY22</i>	
Subtotal - Federal Grants	3,224,587		
State Grants:			
State Core (Ecology)	672,168	<i>Biennial grant - flat from FY22</i>	
CHE Replacement with Electric - ECOL (AQDERA-2021-PSCAA-00002)	532,978	<i>Continuation of grant from FY22</i>	
Woodstove Repl/Removal (Ecol)	493,500	<i>Continuation of biennial grant from FY22</i>	
WoodStove Educ & Enforcement Grant (Ecology)	83,072	<i>Biennial grant - flat from FY22</i>	
Subtotal - State Grants	1,781,719		
Supplemental Income:			<i>Includes per capita rate (87¢) adopted in April and a 1.6% increase in four-county population</i>
Per Capita - Cities and Counties	3,653,520		
Subtotal - Supplemental Income	3,653,520		
Program Fees:			
Asbestos	700,000	<i>Flat from FY22</i>	
Notice of Construction	300,000	<i>Flat from FY22</i>	
Registration	2,901,345	<i>Flat from FY22</i>	
Operating Permits	1,879,970	<i>Includes a 25% increase in base fees from FY22</i>	
Subtotal - Program Fees	5,781,315		
Other Revenues:			
Civil Penalty Collections	-	<i>Not budgeted</i>	
Interest Income	110,000	<i>Based on forecasted yields for reserves held in the King County Investment Pool</i>	
Miscellaneous Revenues	-		
Subtotal - Other Revenues	110,000		
Total Revenues	\$ 14,551,141		
Personnel Expenses:			
Salaries & Wages	8,053,726	<i>Includes COLAs for managers and staff - 7.8% and 8.1% Medical benefits, payroll taxes, pension contributions, etc.</i>	
Benefits	2,794,775		
Total Personnel Expenses	10,848,501		
Work Plan Expenses	3,538,494	<i>\$2.9 million of this is grant pass-through expenditures - Table 2</i>	
Professional Services	762,200	<i>See Table 3</i>	
Operating Supplies	37,300		
Telephone	68,900		
Postage	15,000		
Rent & Utilities	848,475	<i>Rent per the lease agreement</i>	
Software Subscriptions	165,811		
Repairs & Maintenance	72,117		
Printing	17,000		
Transportation	33,400		
Travel & Training	194,050		
Meeting Expense	9,700		
Legal Expense	32,500		
Insurance	119,000		
Bank & Merchant Fees	79,200		
Subtotal - Operating Expenses	5,993,147		
Tenant Improvements	-		
Computer & Office Equipment	85,788		
Vehicles	90,000		
Technical/Scientific Equipment	66,000		
Subtotal - Equipment	241,788		
Total Expenses	17,083,435		
Net Before Appropriations	\$ (2,532,294)		

Table 5 (cont.) FY23 Proposed Budget		
Appropriations from (Contributions to) Fund Balances		
Per Capita Draw (Contr) - Operations	677,962	<i>Draws from the per capita carryover balance</i>
General Fund Reserve	-	
Civil Penalty Collections	-	
Civil Penalties Draws	72,808	<i>Draws to fund specific expenses per financial policies</i>
Civil Penalties -Transfers	250,000	<i>Transfers to the legal fund for non-ordinary legal expenses per financial policies</i>
Subtotal - Discretionary Funds	1,000,770	
Fee Programs	1,371,525	<i>Draws from Compliance fee reserves</i>
Equipment Reserve	-	
Department Reserves	-	
Legal Dept Reserve - Funding transfer	(250,000)	<i>Funding transfer from previously collected civil penalties</i>
Legal Dept Reserve - Draw	250,000	<i>Draw for non-ordinary legal expenses</i>
Interest Income Fund - Earnings	(110,000)	
Interest Income Fund - Draws	270,000	<i>Draws to fund professional consulting and the EV Carshare Pilot project</i>
Subtotal - Appropriations (Contributions)	2,532,294	
Net	-	
Full-Time Equivalents	69.79	
# of Positions	71.00	
Ending Fund Balances		
Per Capita (carryover) Fund	983,462	<i>Projected to be used for FY24-25</i>
General Fund Reserve	744,808	<i>Projecting to draw \$160k in FY24 for programmatic workplans</i>
Civil Penalty Fund	503,642	
Interest Income Fund	262,354	
Discretionary Funds	2,494,266	
Per Capita - Reserve for second half of calendar year	1,883,876	
Fee Program Funds	2,980,720	
Equipment Reserve	152,637	
Department & Legal Reserves	102,067	
Employer Retirement Reserve	265,122	
Unemployment Reserve	174,249	
Other Funds	41,857	
Funds (excludes state pension & OPEB liabilities)	\$ 8,094,794	

Agency Organization

The agency's organization chart is shown at the bottom of this section (page 14). Our operations are organized around two main programs:

- Compliance Programs – These are fee-based programs that regulate pollution sources under the Clean Air Act
- Air Quality Programs – These programs monitor and report air quality within our four-county jurisdiction. They also implement grants for monitoring air quality, reducing diesel emissions, and reducing woodsmoke.

Other departments that support operations include Human Resources, Finance, Legal, Technology, Records, Equity & Community Engagement, and Communications.

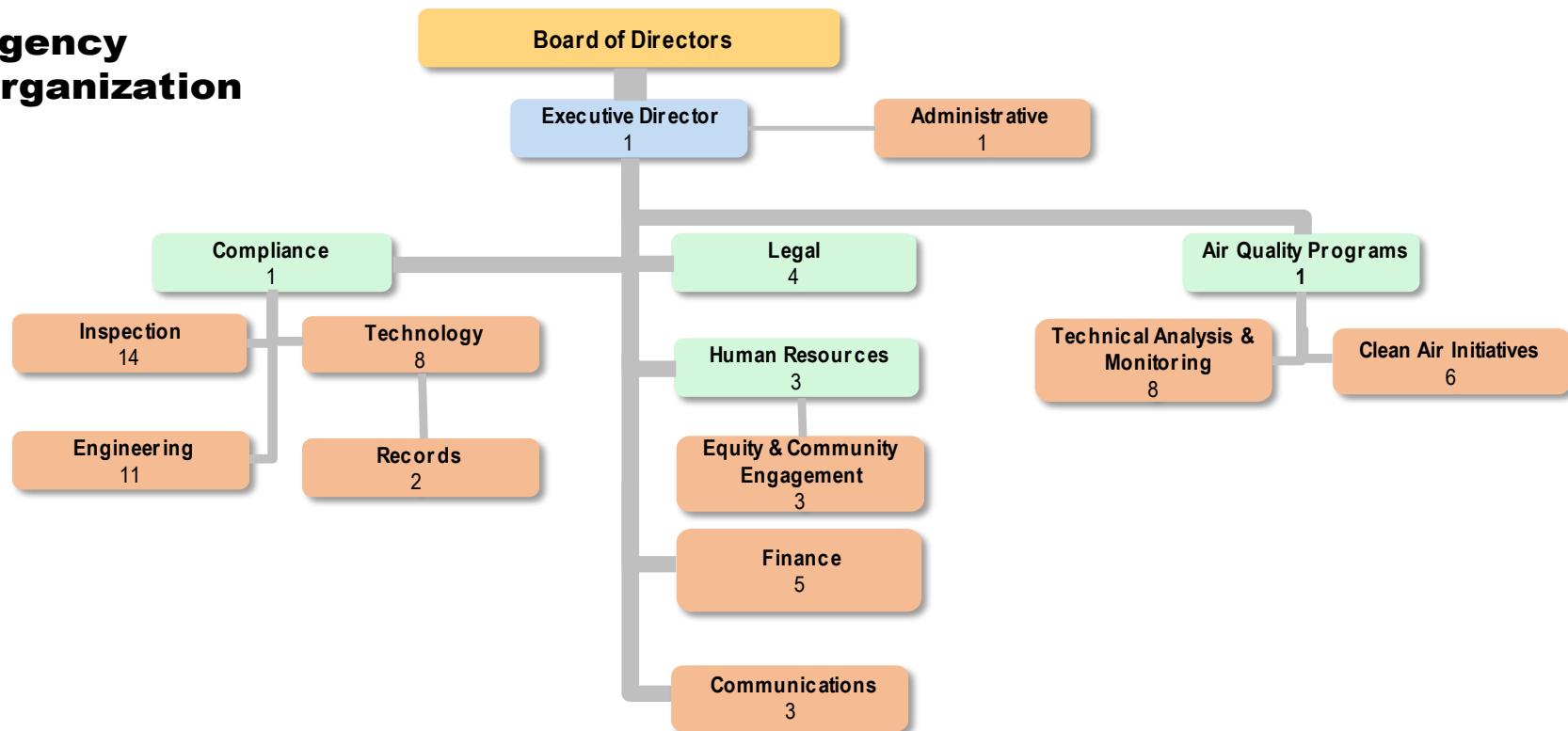
In the FY22 budget, the agency planned to fill 71 positions; however, due to the difficulty in filling positions (particularly technical positions) during the pandemic, we only filled 68 positions. These were filled for portions of a year which resulted in 62 full-time equivalents.

	FY22 Estimate	FY23 Proposed Budget	Change
Positions and FTEs:			
# of Positions	68.00	71.00	3.00
# Full Time Equivalents (FTEs)	62.42	69.79	7.37

For FY23, we anticipate filling 71 positions (69.79 FTEs due to partial work schedules). Toward the end of FY22, we have filled all but three positions (excluding the Executive Director position) and have active recruitments for these positions to be filled early in FY23:

Open Positions to be Filled:	FY23 Proposed Budget	FY24 Projection	FY25 Projection
IT - Developer	1		
Human Resources - HR Specialist	1		
Legal - Deputy Attorney	1		
Total	3	0	0

Agency Organization



FY23 Fund Balances

Agency fund balances at fiscal year-end (June 30th) are a combination of reserves defined in our Financial Policies (pages 17-24) and funds committed for the following fiscal year budget. For example, per capita (supplemental income) assessments are billed in January. At June 30th, we target six months' worth of revenues as a reserve for the second half of the calendar year (or the first half of our new fiscal year).

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 FY22, this resulted in our reporting a "negative" fund balance of \$5.8 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 the funds and their projected balances at fiscal year-end (June 30th) 2022 through 2023. This schedule also indicates the section of the financial policies (pages 17-24) that determine fund uses and reserves.

FY23 Preliminary - Fund Balances at Fiscal Year-End

	FY22 Estimate	FY23 Proposed Budget	See Financial Policy Section	Comments
Per Capita Carryover	1,661,423	983,462	II.B.1.	<i>Carryover of per capita funds - used to fund a following year deficit</i>
General Fund Reserve	744,808	744,808	IV.B.4	<i>This fund was increased by \$250k from expense savings in FY20-FY21 from 10% to 15% of discretionary revenues; the projections anticipate using \$160k in FY24 for workplan expenditures bringing to the target of 10%</i>
Civil Penalties	810,530	492,722	II.D.	<i>FY23 spending from these previously collected penalties supports the specific uses as described in the FY23 Financial Policies - most of the decrease is due to a transfer of funds to the legal reserve</i>
Subtotal - Discretionary	3,216,761	2,220,992		
Per Capita	1,769,643	1,883,876	II.B.1.	<i>Reserve for second half of calendar year - 50% of the calendar year billings</i>
Civil Penalties - Committed	15,920	10,920	II.D.	<i>These are fund balances from settlements that are committed to specific uses</i>
Asbestos	498,612	441,931	II.B.2.	<i>The stabilization reserve target for this fund is approximately \$378k</i>
Notice of Construction	6,061	6,062	II.B.2.	<i>The stabilization reserve target for this fund is approximately \$210k</i>
Registration	2,921,724	2,387,501	II.B.2.	<i>The target reserve for this fund is \$2.6 million</i>
Operating Permits	793,813	132,881	II.B.2.	<i>The target reserve for this fund is \$1.9 million</i>
Equipment Reserve	152,637	152,637	Appendix 2	<i>This reserve is for unplanned equipment, vehicle or software requirements during the fiscal year.</i>
Department/Division Reserves	182,035	62,345	IV.B.3.	<i>Reserve for Compliance and Air Quality divisions</i>
Legal Reserve	52,067	52,067	Determined during budget development	<i>This reserve is funded in FY23 by a transfer of \$250k from previously collected civil penalties</i>
Employer Retirement Reserve	265,122	265,122	II.E.	<i>This balance is reserved for future employer rate increases for the Public Employee's Retirement System</i>
Unemployment Reserve	174,249	174,249	IV.B.5.	<i>This fund is used to fund the agency's self-insured unemployment claims.</i>
Interest Income Fund	422,354	262,354	II.E.	<i>This fund can be used for one-time non-personnel expenditures approved by the Board - we propose drawing \$270k from this fund in FY23 (we project \$110k in interest income added to this fund in FY23)</i>
Other Funds	41,857	41,857		<i>Miscellaneous funds</i>
Subtotal - Fund balances	\$ 10,512,855	\$8,094,794		<i>Fund balances before Pension and OPEB net liability recognition</i>
Pension and OPEB Liabilities	(5,845,771)	(5,845,771)		<i>The agency's proportionate share of the state retirement plan's net pension plus post-employment benefits liabilities (required by GASB)</i>
Total Balance at June 30th	\$ 4,667,084	\$2,249,022		

Fiscal Year 2023 – Puget Sound Clean Air Agency Financial Policies

I. Planning Policies

A. Balanced Budget

As required by RCW 70A.15.1590, 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 70A.15.1600 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 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 70A.15.2200(registration fees), 70A.15.2210 (notice of construction fees), and 70A.152270 (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, and regional transportation planning.

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 FY23, interest income and investment recaptures (from previous investment losses) during the year will be transferred to the Interest Income Fund. A portion of Interest Income Fund balance (\$5k) is reserved for potential impaired investment write-offs from the King County Investment Pool. The 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 or for short-term bridge funding for a budget 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 70A.15.1580, 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 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, Software Applications, and IT Services Reserve, 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, Software Applications, and IT Services Reserve*

- To the extent practical, the agency budgets for routine capital equipment, software, and IT services needs each year through current revenues rather than use of funds in reserve accounts. However, the agency maintains a capital equipment, software applications and IT services reserve account (see Appendix 2) to minimize fluctuations due to large or unanticipated 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 or fee 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% (reached in FY10) of the general fund revenues (composed of per capita revenues, the federal core grant, and the state core grant). In FY21, this reserve was increased by \$250,000 from expenditure reductions in FY20. 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.

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, Software Applications, and IT Services 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
- Specialized Information Technology Consulting Services

Principles

General

- The reserve target should reflect a prudent amount of funds necessary to pay for the intended use. The target is \$150,000 and can be used for the purposes outlined in the previous section.
- 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.

CY23 Supplemental Income (Per Capita Assessment)

The Washington State Clean Air Act, at RCW 70A.15.1590, 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 equally 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 27-28) 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.

In April 2022, the Board adopted the per capita rate of 87¢ (a 4¢ increase from the prior year) and the 50:50 method (Method 3) of apportioning the total assessment for calendar year 2023. The overall per capita assessment revenues would increase by \$228,466, from \$3,539,287 in CY2022 to \$3,767,753 in CY2022. This increase is due to the 1.56% population increase in the four-county jurisdiction (King, Pierce, Snohomish, and Kitsap) combined with a 4¢ increase in the per capita rate.

The FY23 budgeted supplemental income of \$3,653,520 reflects only six months of the total increase because the agency's fiscal year ends June 30th and, therefore, we only budget half (\$114,233) of the calendar year increase.

The table on the page 26 shows the adopted CY23 supplemental income (per capita) by jurisdiction using 87¢ as the rate and applying the 50:50 method of apportionment. The agency sends notifications to each of the jurisdictions each year in June, following budget adoption, regarding the next calendar year's assessment.

CITY/COUNTY:	KING	Amount	CITY/COUNTY:	PIERCE	Amount
Algona	\$ 2,769		Auburn (Part)	\$ 7,070	
Auburn (Part)	\$ 55,928		Bonney Lake	\$ 17,255	
Beaux Arts Village	\$ 537		Buckley	\$ 3,836	
Bellevue	\$ 198,365		Carbonado	\$ 473	
Black Diamond	\$ 4,846		Du Pont	\$ 8,212	
Bothell (Part)	\$ 26,214		Eatonville	\$ 1,909	
Burien	\$ 38,365		Edgewood	\$ 10,378	
Carnation	\$ 1,770		Fife	\$ 10,315	
Clyde Hill	\$ 7,300		Fircrest	\$ 5,278	
Covington	\$ 15,357		Gig Harbor	\$ 11,976	
Des Moines	\$ 23,723		Lakewood	\$ 43,716	
Duvall	\$ 6,680		Milton (Part)	\$ 5,013	
Enumclaw	\$ 9,395		Orting	\$ 5,858	
Federal Way	\$ 68,728		Pacific (Part)	\$ 494	
Hunts Point	\$ 2,583		Puyallup	\$ 33,103	
Issaquah	\$ 41,164		Roy	\$ 516	
Kenmore	\$ 21,065		Ruston	\$ 1,105	
Kent	\$ 106,053		South Prairie	\$ 272	
Kirkland	\$ 103,418		Steilacoom	\$ 5,126	
Lake Forest Park	\$ 12,888		Sumner	\$ 11,977	
Maple Valley	\$ 21,816		Tacoma	\$ 158,555	
Medina	\$ 10,448		University Place	\$ 25,419	
Mercer Island	\$ 40,392		Wilkeson	\$ 333	
Milton (Part)	\$ 1,092		Total Incorporated Pierce County	\$ 368,189	
Newcastle	\$ 13,472				
Normandy Park	\$ 6,549		CITY/COUNTY:	SNOHOMISH	Amount
North Bend	\$ 7,180		Arlington	\$ 15,273	
Pacific (Part)	\$ 4,515		Bothell (Part)	\$ 19,206	
Redmond	\$ 84,419		Brier	\$ 5,790	
Renton	\$ 86,407		Darrington	\$ 984	
Sammamish	\$ 70,595		Edmonds	\$ 40,166	
Sea-Tac	\$ 25,966		Everett	\$ 86,931	
Seattle	\$ 795,276		Gold Bar	\$ 1,514	
Shoreline	\$ 48,942		Granite Falls	\$ 3,062	
Skykomish	\$ 138		Index	\$ 119	
Snoqualmie	\$ 13,215		Lake Stevens	\$ 26,472	
Tukwila	\$ 23,265		Lynnwood	\$ 31,312	
Woodinville	\$ 14,418		Marysville	\$ 49,632	
Yarrow Point	\$ 3,330		Mill Creek	\$ 17,814	
Total Incorporated King County	\$ 2,018,583		Monroe	\$ 14,462	
			Mountlake Terrace	\$ 16,664	
CITY/COUNTY:	KITSAP	Amount	Mukilteo	\$ 19,652	
Bainbridge Island	\$ 28,427		Snohomish	\$ 7,798	
Bremerton	\$ 27,734		Stanwood	\$ 5,678	
Port Orchard	\$ 11,223		Sultan	\$ 3,764	
Poulsbo	\$ 9,312		Woodway	\$ 2,052	
Total Incorporated Kitsap County	\$ 76,696		Total Incorporated Snohomish County	\$ 368,345	
Unincorporated King County	\$ 211,464				
Unincorporated Kitsap County	\$ 129,615		Incorporated King County	\$ 2,018,583	
Unincorporated Pierce County	\$ 307,628		Incorporated Kitsap County	\$ 76,696	
Unincorporated Snohomish County	\$ 287,233		Incorporated Pierce County	\$ 368,189	
Total Unincorporated Counties:	\$ 935,940		Incorporated Snohomish County	\$ 368,345	
Total CY2023 Prop Share of Support:	\$ 3,767,753		Total Incorporated Counties:	\$ 2,831,813	

Per Capita Assessment - Actual CY2022 Compared to Proposed CY2023											
Change in Per Capita Assessment from Actual 2022 to Proposed 2023 under each method											
Actual CY2022 - at 83 cents			Proposed CY2023 - at 87 cents					Population Method			
	Population	Assessed Property Values	50:50 Method	Population	Assessed Property Values	50:50 Method	Population Method	Assessed Value Method			
Per Capita Rate			\$ 0.83			\$ 0.87	\$ 0.87	\$ 0.87			
Jurisdiction											
Algona	3,210	710,798,052	\$ 2,594	3,290	782,356,270	\$ 2,769	\$ 2,862	\$ 2,675	\$ 175	6.7%	\$ 268
Auburn (Part)	71,960	11,849,437,204	50,905	78,040	12,857,894,148	55,928	67,895	43,962	5,023	9.9%	16,990
Beaux Arts	300	211,188,580	500	315	233,716,316	537	274	799	37	7.4%	(226)
Bellevue	148,100	71,293,126,396	188,063	152,600	77,205,158,449	198,365	132,762	263,969	10,302	5.5%	(55,301)
Black Diamond	5,205	1,112,933,931	4,136	5,320	1,480,951,007	4,846	4,628	5,063	710	17.2%	492
Bothell (Part)	29,730	7,191,391,210	25,108	28,930	7,972,482,238	26,214	25,169	27,258	1,106	4.4%	61
Burien	52,300	8,207,791,119	36,280	52,430	9,100,565,684	38,365	45,614	31,115	2,085	5.7%	9,334
Carnation	2,265	407,950,576	1,664	2,150	488,184,814	1,770	1,871	1,669	106	6.4%	207
Clyde Hill	3,055	3,027,322,750	6,644	3,110	3,478,631,816	7,300	2,706	11,894	656	9.9%	(3,938)
Covington	20,530	3,098,266,122	14,022	20,890	3,667,590,868	15,357	18,174	12,540	1,335	9.5%	4,152
Des Moines	32,260	4,867,556,097	22,032	33,100	5,454,328,246	23,723	28,797	18,649	1,691	7.7%	6,765
Duvall	7,950	1,534,857,512	6,025	8,125	1,839,784,618	6,680	7,069	6,290	655	10.9%	1,044
Enumclaw, part	12,610	1,885,408,835	8,581	12,830	2,230,940,395	9,395	11,162	7,628	814	9.5%	2,581
Federal Way	98,340	12,754,309,543	63,460	101,700	14,324,776,457	68,728	88,479	48,977	5,268	8.3%	25,019
Hunts Point	420	1,210,732,654	2,324	455	1,395,009,320	2,583	396	4,770	259	11.1%	(1,928)
Issaquah	38,690	12,217,010,036	37,751	40,640	13,738,035,370	41,164	35,357	46,971	3,413	9.0%	(2,394)
Kenmore	23,450	5,322,258,745	19,183	24,050	6,202,365,569	21,065	20,924	21,206	1,882	9.8%	1,741
Kent	130,500	24,427,645,579	97,536	137,700	26,997,848,281	106,053	119,799	92,307	8,517	8.7%	22,263
Kirkland	90,660	32,190,057,111	94,786	92,900	36,856,102,195	103,418	80,823	126,013	8,632	9.1%	(13,963)
Lake Forest Park	13,280	3,441,434,665	11,622	13,630	4,070,645,494	12,888	11,858	13,918	1,266	10.9%	236
Maple Valley	26,630	4,623,843,141	19,262	28,640	5,473,896,188	21,816	24,917	18,716	2,554	13.3%	5,655
Medina	3,300	4,624,684,427	9,582	2,920	5,368,796,120	10,448	2,540	18,356	866	9.0%	(7,042)
Mercer Island	24,690	15,328,872,435	37,467	25,790	17,065,332,205	40,392	22,437	58,347	2,925	7.8%	(15,030)
Milton (Part)	1,595	184,775,294	990	1,630	224,055,940	1,092	1,418	766	102	10.3%	428
Newcastle	12,870	3,886,990,612	12,244	13,310	4,493,517,326	13,472	11,580	15,364	1,228	10.0%	(664)
Normandy Park	6,625	1,883,894,859	6,095	6,785	2,104,223,019	6,549	5,903	7,194	454	7.4%	(192)
North Bend	7,455	1,872,100,728	6,418	7,685	2,244,297,473	7,180	6,686	7,673	762	11.9%	268
Pacific(Part)	6,895	690,597,048	4,088	7,215	805,374,789	4,515	6,277	2,754	427	10.4%	2,189
Redmond	69,900	27,159,726,862	77,238	73,910	30,574,457,288	84,419	64,302	104,536	7,181	9.3%	(12,936)
Renton	105,500	21,134,581,379	81,313	107,100	23,292,137,822	86,407	93,177	79,637	5,094	6.3%	11,864
Sammamish	65,100	19,900,870,078	62,356	67,940	24,007,010,293	70,595	59,108	82,081	8,239	13.2%	(3,248)
Sea Tac	29,180	7,304,721,195	25,081	32,000	7,046,635,720	25,966	27,840	24,093	885	3.5%	2,759
Seattle	761,100	262,134,061,774	781,350	742,400	276,293,453,116	795,276	645,888	944,663	13,926	1.8%	(135,462)
Shoreline	56,980	12,076,248,955	45,092	59,260	13,549,995,071	48,942	51,556	46,328	3,850	8.5%	6,464
Skykomish	205	34,008,812	145	160	39,922,601	138	139	136	(7)	-4.8%	(6)
Snoqualmie	13,680	3,555,931,322	11,992	14,490	4,043,373,620	13,215	12,606	13,825	1,223	10.2%	614
Tukwila	21,360	7,883,057,562	22,863	22,000	8,010,892,032	23,265	19,140	27,390	402	1.8%	(3,723)
Woodinville	12,790	4,614,051,396	13,501	13,100	5,100,593,249	14,418	11,397	17,439	917	6.8%	(2,104)
Yarrow Point	1,030	1,444,452,931	2,992	1,125	1,661,413,768	3,330	979	5,680	338	11.3%	(2,013)
Total Incorp. King County	2,011,700	607,298,947,817	1,913,285	2,039,665	661,776,745,195	2,018,583	1,774,509	2,262,653	105,298	5.5%	(138,776)
Total Unincorp. King County	249,100	52,235,933,520	196,139	247,385	60,751,158,777	211,464	215,225	207,712	15,325	7.8%	19,086
Total King County	2,260,800	659,534,881,337	2,109,424	2,287,050	722,527,903,972	2,230,047	1,989,734	2,470,364	120,623	5.7%	(119,691)
Bainbridge Island	25,070	9,562,650,167	27,385	24,930	10,285,196,057	28,427	21,689	35,166	1,042	3.8%	(5,696)
Bremerton	41,750	4,410,485,289	25,158	43,970	5,034,577,765	27,734	38,254	17,214	2,576	10.2%	13,096
Port Orchard	14,770	2,236,031,476	10,100	15,960	2,503,880,075	11,223	13,885	8,561	1,123	11.1%	3,785
Poulsbo	11,550	2,174,433,432	8,655	12,000	2,393,713,298	9,312	10,440	8,184	657	7.6%	1,785
Total Incorp. Kitsap County	93,140	18,383,600,364	71,298	96,860	20,217,367,195	76,696	84,268	69,124	5,398	7.6%	12,970
Total Unincorp. Kitsap County	179,060	26,483,488,586	121,339	180,840	29,803,450,638	129,615	157,331	101,900	8,276	6.8%	35,992
Total Kitsap County	272,200	44,867,088,950	192,637	277,700	50,020,817,833	206,311	241,599	171,024	13,674	7.1%	48,962

	Actual CY2022 - at 83 cents			Proposed CY2023 - at 87 cents					50:50 Method		Population Method		Assessed Value Method	
	Population	Assessed Property Values	50:50 Method	Population	Assessed Property Values	50:50 Method	Population Method	Assessed Value Method	\$ Change in Per Capita Fees	% Change	\$ Change in Per Capita Fees	% Change	\$ Change in Per Capita Fees	% Change
Auburn (part)	9,980	1,423,822,610	6,670	10,040	1,580,857,556	7,070	8,735	5,405	400	6.0%	2,065	31.0%	(1,265)	-19.0%
Bonney Lake	21,390	3,570,936,322	15,218	23,510	4,111,070,430	17,255	20,454	14,056	2,037	13.4%	5,236	34.4%	(1,162)	-7.6%
Buckley	5,080	764,921,896	3,467	5,300	895,313,717	3,836	4,611	3,061	369	10.6%	1,144	33.0%	(406)	-11.7%
Carbonado	685	76,902,980	421	740	88,390,527	473	644	302	52	12.4%	223	52.9%	(119)	-28.2%
Du Pont	9,525	1,966,531,226	7,445	10,180	2,213,541,968	8,212	8,857	7,568	767	10.3%	1,412	19.0%	123	1.7%
Eatonville	3,010	311,865,201	1,803	2,875	384,840,430	1,909	2,501	1,316	106	5.9%	698	38.7%	(487)	-27.0%
Edgewood	12,070	228,029,7881	9,058	13,110	273,464,1110	10,378	11,406	9,350	1,320	14.6%	2,348	25.9%	292	3.2%
Fife	10,200	2,936,518,069	9,448	11,150	3,196,778,714	10,315	9,701	10,930	867	9.2%	253	2.7%	1,482	15.7%
Fircrest	6,790	1,083,449,810	4,742	7,195	1,256,783,009	5,278	6,260	4,297	536	11.3%	1,518	32.0%	(445)	-9.4%
Gig Harbor	11,240	3,478,997,723	10,843	12,200	3,900,971,821	11,976	10,614	13,338	1,133	10.4%	(229)	-2.1%	2,495	23.0%
Lakewood	60,030	8,111,198,629	39,316	63,600	9,388,375,496	43,716	55,332	32,099	4,400	11.2%	16,016	40.7%	(7,217)	-18.4%
Milton (Part)	6,805	1,018,339,336	4,632	7,065	1,134,586,045	5,013	6,147	3,879	381	8.2%	1,515	32.7%	(753)	-16.3%
Orting	8,635	961,158,709	5,290	9,010	1,134,141,423	5,858	7,839	3,878	568	10.7%	2,549	48.2%	(1,412)	-26.7%
Pacific (Part)	30	262,067,458	478	40	278,687,153	494	35	953	16	3.3%	(443)	-92.7%	475	99.3%
Puyallup	42,700	7,385,296,569	30,835	43,060	8,407,016,579	33,103	37,462	28,744	2,268	7.4%	6,627	21.5%	(2,091)	-6.8%
Roy	820	79,551,659	482	815	94,568,872	516	709	323	34	7.1%	227	47.1%	(159)	-32.9%
Ruston	1,040	328,529,699	1,015	1,060	376,934,678	1,105	922	1,289	90	8.9%	(93)	-9.1%	274	27.0%
South Prairie	500	55,032,113	305	375	63,464,734	272	326	217	(33)	-10.8%	21	7.0%	(88)	-28.9%
Steilacoom	6,505	1,138,541,303	4,721	6,745	1,282,235,578	5,126	5,868	4,384	405	8.6%	1,147	24.3%	(337)	-7.1%
Sumner	10,360	3,731,166,761	10,925	10,700	4,282,202,012	11,977	9,309	14,645	1,052	9.6%	(1,616)	-14.8%	3,720	34.0%
Tacoma	213,300	32,426,115,141	146,101	218,700	37,098,457,923	158,555	190,269	126,842	12,454	8.5%	44,168	30.2%	(19,259)	-13.2%
University Place	33,310	5,167,407,710	23,000	35,100	5,937,366,645	25,419	30,537	20,300	2,419	10.5%	7,537	32.8%	(2,700)	-11.7%
Wilkeson	495	56,822,235	306	495	68,652,109	333	431	235	27	8.8%	125	40.7%	(71)	-23.3%
Total Incorp. Pierce County	474,500	78,615,471,040	336,521	493,065	89,910,878,529	368,189	428,967	307,410	31,668	9.4%	92,446	27.5%	(29,111)	-8.7%
Total Unincorp. Pierce County	426,200	59,132,289,437	281,879	435,135	69,226,127,749	307,628	378,567	236,688	25,749	9.1%	96,688	34.3%	(45,191)	-16.0%
Total Pierce County	900,700	137,747,760,477	618,400	928,200	159,137,006,278	675,817	807,534	544,099	57,417	9.3%	189,134	30.6%	(74,301)	-12.0%
Arlington	20,600	3,351,354,351	14,500	20,690	3,669,525,566	15,273	18,000	12,546	773	5.3%	3,500	24.1%	(1,954)	-13.5%
Bothell (Part)	18,670	5,434,479,533	17,399	19,400	6,298,127,576	19,206	16,878	21,534	1,807	10.4%	(521)	-3.0%	4,135	23.8%
Brier	6,760	1,533,889,564	5,529	6,570	1,714,878,621	5,790	5,716	5,863	261	4.7%	187	3.4%	334	6.0%
Darrington	1,420	175,363,294	901	1,470	201,564,014	984	1,279	689	83	9.2%	378	41.9%	(212)	-23.5%
Edmonds	42,470	11,648,792,913	38,311	42,900	12,578,962,335	40,166	37,323	43,008	1,855	4.8%	(988)	-2.6%	4,697	12.3%
Everett	112,700	21,040,865,174	84,135	112,300	22,275,345,974	86,931	97,701	76,161	2,796	3.3%	13,566	16.1%	(7,974)	-9.5%
Gold Bar	2,195	238,099,341	1,334	2,420	269,832,596	1,514	2,105	923	180	13.5%	771	57.8%	(411)	-30.8%
Granite Falls	4,425	546,424,783	2,807	4,490	648,388,659	3,062	3,906	2,217	255	9.1%	1,099	39.2%	(590)	-21.0%
Index	175	27,615,079	122	155	30,186,116	119	135	103	(3)	-2.5%	13	10.5%	(19)	-15.4%
Lake Stevens	34,150	5,298,584,282	23,581	37,000	6,070,151,750	26,472	32,190	20,754	2,891	12.3%	8,609	36.5%	(2,827)	-12.0%
Lynnwood	40,690	7,953,751,038	31,010	38,650	8,481,263,134	31,312	33,626	28,998	302	1.0%	2,616	8.4%	(2,012)	-6.5%
Marysville	69,180	9,729,494,216	45,987	71,250	10,902,282,244	49,632	61,988	37,276	3,645	7.9%	16,001	34.8%	(8,711)	-18.9%
Mill Creek	20,590	4,661,388,455	16,822	20,930	5,094,563,007	17,814	18,209	17,419	992	5.9%	1,387	8.2%	597	3.5%
Monroe	19,800	3,115,841,466	13,750	19,900	3,395,678,937	14,462	17,313	11,610	712	5.2%	3,563	25.9%	(2,140)	-15.6%
Mountlake Terrace	21,660	3,827,637,924	15,786	21,980	4,154,980,609	16,664	19,123	14,206	878	5.6%	3,337	21.1%	(1,580)	-10.0%
Mukilteo	21,360	5,704,037,281	18,994	21,560	6,009,246,123	19,652	18,757	20,546	658	3.5%	(237)	-1.2%	1,552	8.2%
Snohomish	10,240	1,833,886,262	7,506	10,160	1,976,299,139	7,798	8,839	6,757	292	3.9%	1,333	17.8%	(749)	-10.0%
Stanwood	7,125	1,135,631,876	4,974	7,980	1,291,025,316	5,678	6,943	4,414	704	14.2%	1,969	39.6%	(560)	-11.3%
Sultan	5,530	671,346,408	3,487	5,370	835,169,926	3,764	4,672	2,855	277	7.9%	1,185	34.0%	(632)	-18.1%
Woodway	1,360	790,704,157	1,969	1,325	863,363,076	2,052	1,153	2,952	83	4.2%	(816)	-41.5%	983	49.9%
Total Incorp. Snohomish County	461,100	88,719,187,397	348,904	466,500	96,760,834,718	368,345	405,855	330,831	19,441	5.6%	56,951	16.3%	(18,073)	-5.2%
Total Unincorp. Snohomish County	369,400	65,673,202,067	269,922	371,300	73,539,130,922	287,233	323,031	251,435	17,311	6.4%	53,109	19.7%	(18,487)	-6.8%
Total Snohomish County	830,500	154,392,389,464	618,826	837,800	170,299,965,640	655,578	728,886	582,265	36,752	5.9%	110,060	17.8%	(36,561)	-5.9%
Grand Total	4,264,200	\$ 996,542,120,228	\$ 3,539,287		4,330,750	\$ 1,101,985,693,723	\$ 3,767,753	\$ 3,767,753	\$ 228,466	6.5%	\$ 228,466	6.5%	\$ 228,466	6.5%
			\$ 3,539,286			\$ 3,767,753								

The CY23 assessment is based on population estimates for 2021 (April 2021 Revised Nov 2021 - WA Office of Financial Management Population Trends report)

The CY23 assessment is based on 2021 assessed property values from county assessors for the 2022 tax year