



Popular Annual Financial Report

Year Ended June 30, 2023

South Coast Air Quality Management District
Diamond Bar, California





MISSION STATEMENT

South Coast AQMD's mission is to clean the air and protect the health of all residents in the South Coast Air District through practical and innovative strategies.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Popular Annual Financial Report
Year Ended June 30, 2023

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2023

VANESSA DELGADO
Chair
Senate Rules Committee Representative

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

ANDREW DO
County of Orange Representative

CURT HAGMAN
County of San Bernardino Representative

GIDEON KRACOV
Governor's Representative

PATRICIA LOCK DAWSON
Cities of Riverside County Representative

LARRY McCALLON
Cities of San Bernardino County Representative

HOLLY J. MITCHELL
County of Los Angeles Representative

VERONICA PADILLA-CAMPOS
Speaker of the Assembly Representative

V. MANUEL PEREZ
County of Riverside Representative

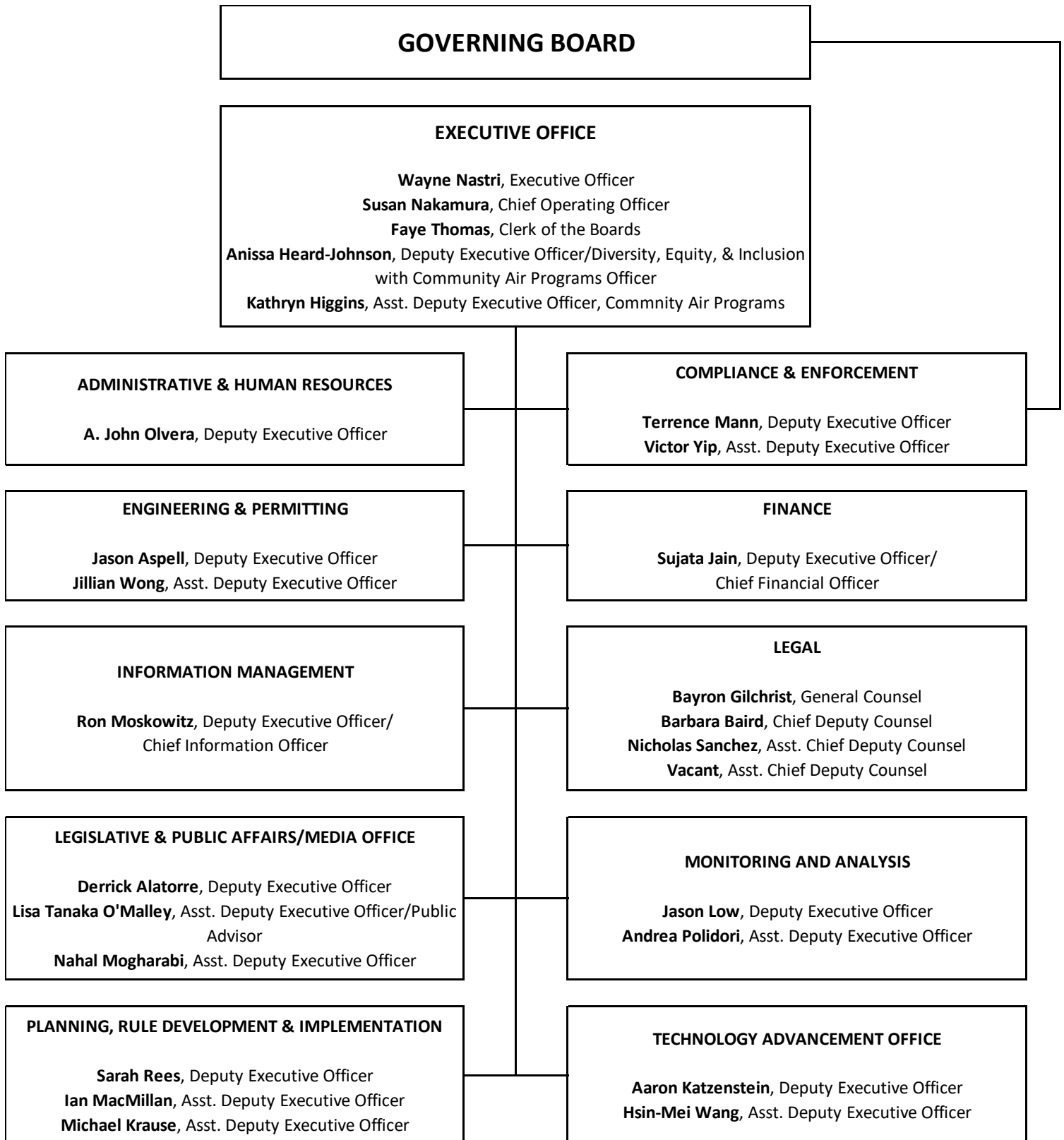
NITHYA RAMAN
City of Los Angeles Representative

CARLOS RODRIGUEZ
Cities of Orange County Representative

JOSÉ LUIS SOLACHE
Cities of Los Angeles County
Western Region Representative

WAYNE NASTRI
Executive Officer

**South Coast Air Quality Management District, California
Organizational Chart
June 30, 2023**



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

A Note From The Chief Financial Officer June 30, 2023

We are pleased to present the South Coast Air Quality Management District's (South Coast AQMD) Popular Annual Financial Report for the fiscal year ended June 30, 2023. This report makes our South Coast AQMD's finances easier to understand, and is intended to communicate our financial situation in an open and accountable manner.

The Popular Annual Financial Report is intended to summarize the financial activities of South Coast AQMD and was drawn from the financial information appearing in the 2023 Annual Comprehensive Financial Report. The Popular Annual Financial Report is unaudited; however, the financial data presented in the Popular Annual Financial Report is derived from the Annual Comprehensive Financial Report and is consistent with generally accepted accounting principles. The Popular Annual Financial Report is also available on the South Coast AQMD's website at www.aqmd.gov/home/about/finance.

For more detailed financial information, or information on the South Coast AQMD's component unit (South Coast AQMD Building Corporation is not included in this document), a copy of the Annual Comprehensive Financial Report is available for interested users from our Finance office at 21865 Copley Drive, Diamond Bar, CA 91765. It is also available on the South Coast AQMD's website at www.aqmd.gov/home/about/finance.

Questions, comments and feedback regarding this report are encouraged, so please do not hesitate to contact the Chief Financial Officer at (909) 396-2804 or at sjain@aqmd.gov.

Respectfully submitted,



Sujata Jain, CPA
Chief Financial Officer, Finance

ABOUT THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

The South Coast Air Quality Management District began operation on February 1, 1977 as a regional governmental agency established by the California Legislature pursuant to the Lewis Air Quality Management Act. South Coast AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties, representing approximately over 17 million residents. It succeeded the Southern California Air Pollution Control District and its predecessor four county air pollution control districts, of which the Los Angeles County Air Pollution Control District was the oldest in the nation, having been formed in 1947.

South Coast AQMD's Governing Board is composed of 13 members. Ten are elected officials. Of these, four are county supervisors representing Los Angeles, Orange, Riverside, and San Bernardino counties, elected to South Coast AQMD's Board by their Boards of Supervisors. Six are City Council members representing the cities in each county (because of its size, Los Angeles County has two representatives, elected by respective city selection committees, and the City of Los Angeles has one representative, selected by the Mayor of Los Angeles). The remaining three Board members are appointed by state elected officials; one by the Governor of California, one by the Speaker of the State Assembly and one by the State Senate Rules Committee.



South Coast Air Quality Management District

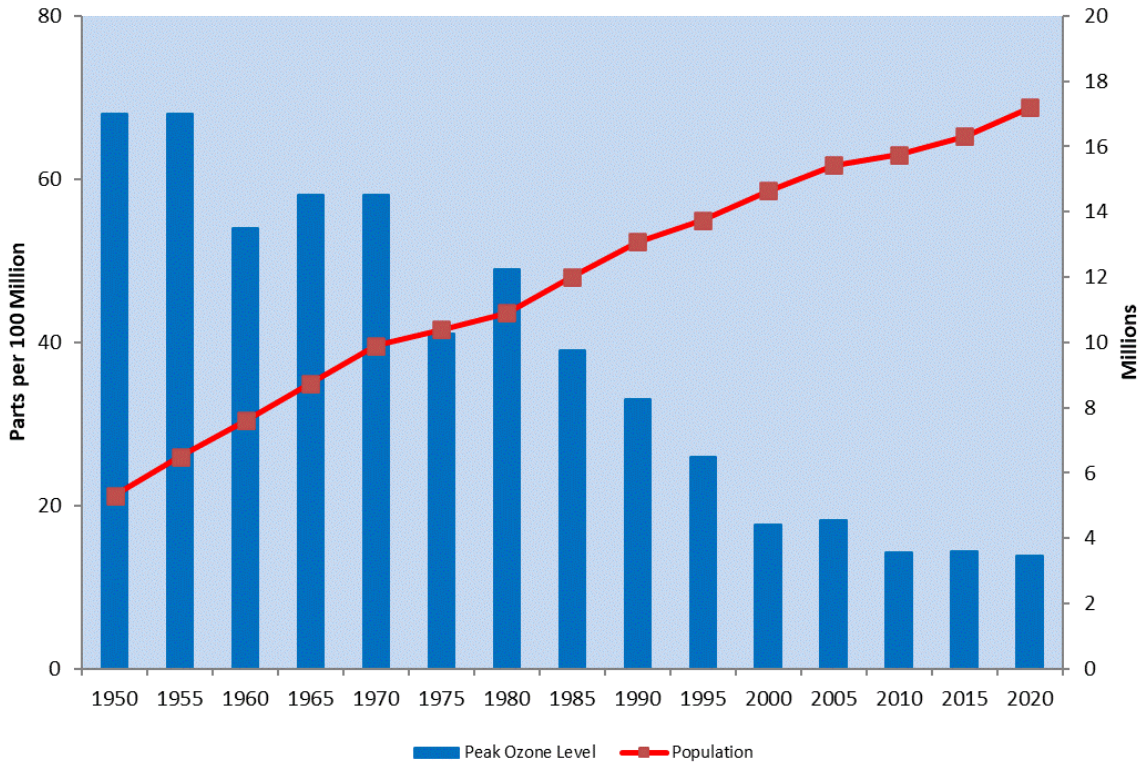
Demographic and Miscellaneous Statistics June 30, 2023

<u>Established:</u>	February 1, 1977
<u>Area Covered:</u>	10,743 Square Miles
<u>Counties Included in District:</u>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<u>Population:</u>	16,543,065 (In 2022); 16,870,867 (In 2021); 17,031,233 (In 2020)
<u>Transportation:</u>	Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes Two major adjoining ports – Port of Long Beach and Port of Los Angeles
<u>Visitor Destinations:</u>	Disneyland, Knott’s Berry Farm, Magic Mountain, Motion Picture and Television Studios and the Rose Bowl
<u>Number of Registered Vehicles Within South Coast AQMD Jurisdiction:</u>	13,828,540 (In 2022); 13,958,637 (In 2021); 13,774,023 (In 2020)
<u>Average Daily Miles Traveled Per Vehicle:</u>	26 (CY 2022 data)
<u>Examples of Stationary Sources of Air Pollution Regulated:</u>	Oil Refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<u>Number of Sources:</u>	24,514 operating locations with 66,164 permits.
<u>Number of Air Monitoring Stations:</u>	37
<u>Full-time Authorized Positions:</u>	1,010
<u>Key Federal, State, and Local Air Agencies:</u>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer’s Association), NACAA (National Association of Clean Air Agencies), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

70 Years of Progress In Reducing Ozone Levels June 30, 2023

70 Years of Progress in Reducing Ozone Levels



Since the late 1940s, when the war on smog began, to 2020, the region's population has more than tripled from 4.8 million to 17.2 million; the number of motor vehicles has increased over six-fold from 2.3 million to over 14.1 million; and the area has grown into one of the most prosperous regions of the world. This phenomenal economic growth illustrates that pollution control and strong economic growth can coincide.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

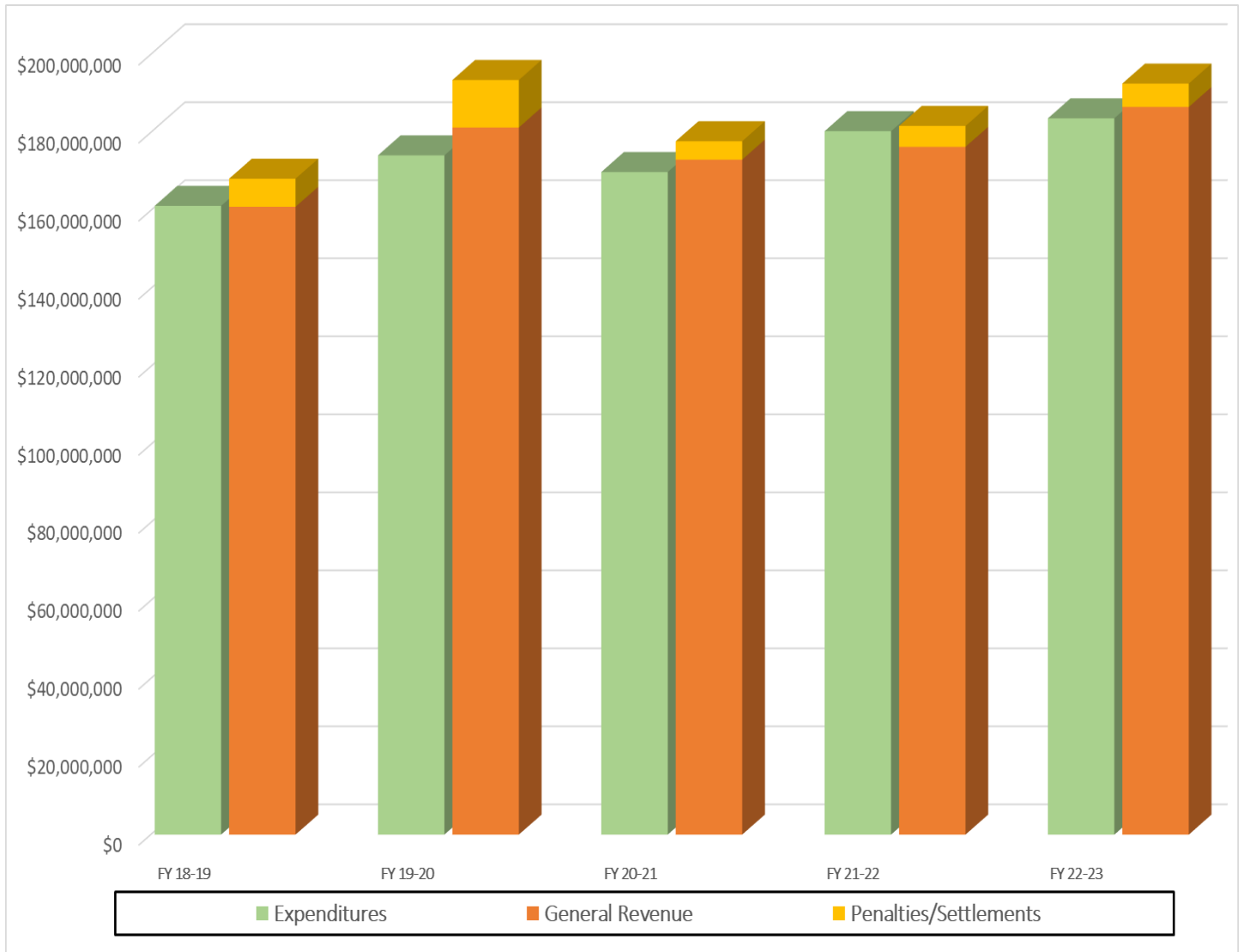
Goals and Priority Projects June 30, 2023

South Coast AQMD goals have many important objectives, but South Coast AQMD highlighted the following three priority projects which are identified as being critical to meeting South Coast AQMD's mission and goals in fiscal year 2022-2023:

GOAL	PERFORMANCE MEASUREMENT
Achieve Clean Air Standards 	<ol style="list-style-type: none">1. Adherence to development, adoption and implementation of Air Quality Management Plans (AQMP) by completing 6 rule adoptions and/or actions that result in achievements towards 2016 AQMP emissions reductions. Issue final 2022 AQMP.2. Secure \$250 Million funding sources for pollution reduction projects.3. Implementation of air monitoring and emissions reduction plans for the six AB617 designated communities.4. Ensure efficient air monitoring and laboratory operations by achieving acceptable valid data completion submitted to U.S. EPA before deadline.5. Complete 100% Title V Inspections.6. Maintain progress in reducing pending permit applications inventory.7. Support development of cleaner advanced technology by funding \$10 Million of Clean Fuels program projects.8. Contract 50% of grant money within six months after receipt of funds.
Enhance Public Education and Equitable Treatment for All Communities 	<ol style="list-style-type: none">1. Evaluate and post results of 75% of low-cost air quality sensors that have reached the market.2. Conduct/participate in one large community outreach event per quarter. Develop and Implement SOPs.3. Timely investigation of community complaints by contacting 90% of complainants within two hours of complaint receipt.4. Increase social medial followers by 15% to 20%. Increase impressions and engagement on posts and/or campaigns with a monthly average goal of 2,400 Instagram/8,000 Facebook/ 48,000 Twitter on posts.5. Developing and providing curriculum to school for educational outreach.
Operate Efficiently and Transparently 	<ol style="list-style-type: none">1. Ensure transparent governance by posting 100% of Committee and Board meeting agendas with materials which are made available to the public one week prior to the meeting.2. Posting 100% of Stakeholder and Working Group meeting agendas with materials made available to the public three days prior to the meeting.3. Conduct 12 equity-related events for all staff.4. Partner with Public agencies, stakeholder groups, and business by conducting 2 meetings of the Permit Streamlining Task Force subcommittee and stakeholders.5. Submit quarterly budgetary financial reports to the Governing Board within 6 working days of the end of the quarter.6. Support Employee Resource Groups (ERG) by attending 100% meetings and assisting on ERG's goals and objectives development.7. Conduct one job related equity training and development per quarter.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Performance June 30, 2023 Budget Surplus/Deficit – 5-Year History Non-GAAP Budgetary Basis (General Fund)



General Fund revenues increased as compared to the prior fiscal year, primarily due to the increase in annual renewal fees based on Consumer Price Index fee increase of 6.5%. The increase in General Fund expenditures from prior fiscal year is mainly due to increased costs associated with the labor agreement, increased cost in retirement plan contribution, and adding positions.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

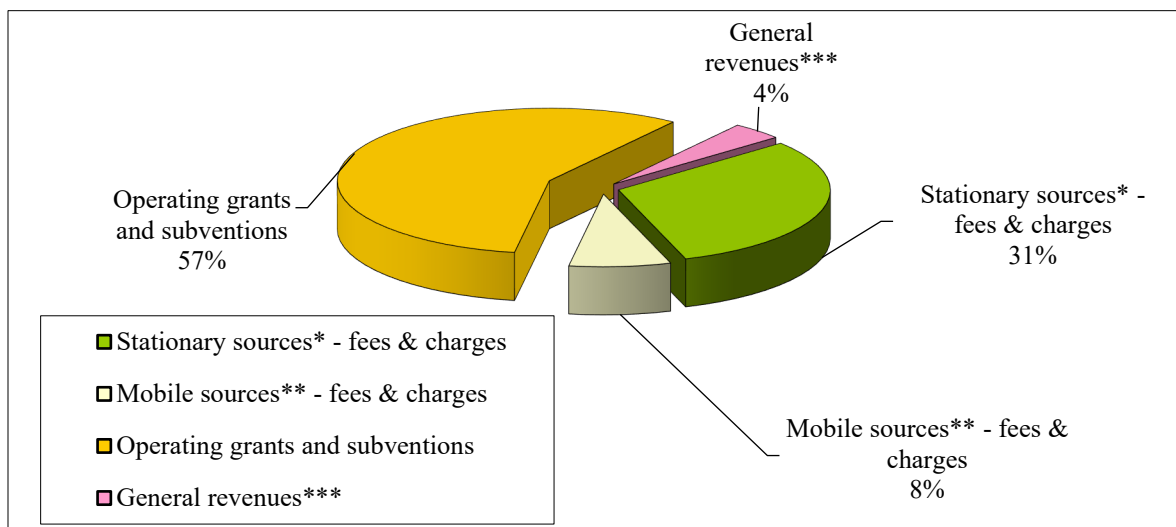
Where the Money Came From Our Revenues & Resources

South Coast AQMD is a fee-supporting agency and does not receive sales or property tax support. South Coast AQMD General Fund is the primary operating fund and is used to record transactions relating to its general business operations. It is also used to account for all revenues and expenditures that are not required to be accounted for in another fund.

On a government-wide basis (including all funds), approximately 42% revenues of this fiscal year are derived from permit evaluation fees, annual permit operating fees, emission fees, Hearing Board fees, penalties and settlements, interest earnings, and other revenues. The remaining 58% of the revenue is derived from federal grants, state grants, California Air Resources Board (CARB) subvention funds, and motor vehicle fees.

Government-wide revenues during this fiscal year were approximately 26% lower as compared to the prior fiscal year primarily due to Operating grants and subventions, which decreased by 40% as compared to the prior fiscal year. The decrease is primarily due to long-term emission reduction projects which consists of pass-through and/or limited duration funding sources that are restricted for specific programs such as Carl Moyer Program Fund and Clean Fuels Program Fund. In prior fiscal year of FY 2021-2022, Carl Moyer program received larger funding, and two facilities paid \$99 million for Rule 1304.1 fees.

FY 2022-2023 Revenues by Major Source – Governmental Activities



Source	FY 22-23	FY 21-22	FY 20-21	FY 19-20	FY 18-19	FY 17-18
Stationary sources* - fees & charges	\$ 117,309,958	\$ 109,776,713	\$ 106,917,251	\$ 106,450,095	\$ 101,804,325	\$ 100,354,910
Mobile sources** - fees & charges	29,308,987	27,772,271	26,995,162	29,214,922	26,106,160	26,026,673
Operating grants and subventions	220,132,286	365,668,049	304,766,572	303,621,322	295,516,665	185,367,622
General revenues***	14,931,457	10,711,118	10,336,674	18,272,157	13,460,793	20,644,444
Total	\$ 381,682,688	\$ 513,928,151	\$ 449,015,659	\$ 457,558,496	\$ 436,887,943	\$ 332,393,649

*Stationary sources consist of refineries, power plants, manufacturing facilities and small businesses.

**Mobile sources are motorized vehicles that typically include automobiles, trucks, aircraft, ships, trains, and self-propelled construction equipment.

***General revenues include penalties/settlements, interest, and dollars that are not restricted to specific stationary source programs.

Source: FY 2022-2023 Annual Comprehensive Financial Report Statement of Activities

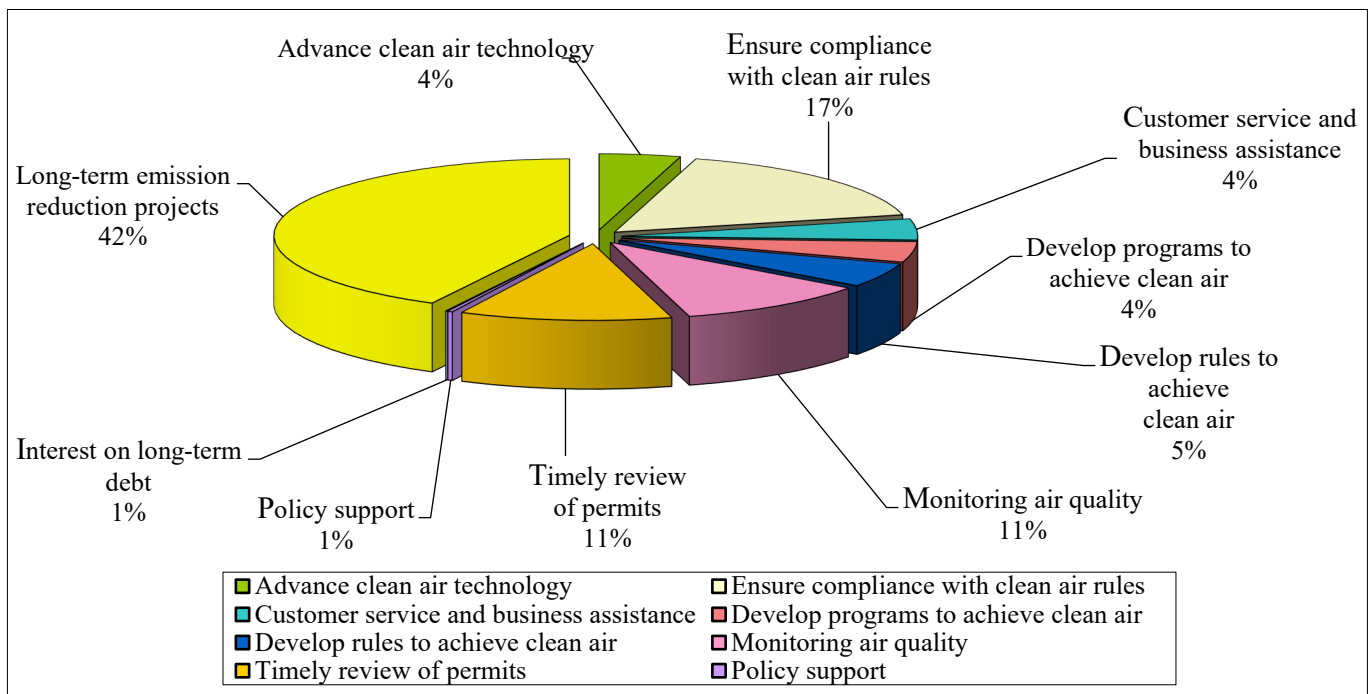
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Where the Money Went Our Expenses & Services

Excluding the long-term emission reduction project expenses, which are restricted in their use, the three major expense functions for Governmental Activities are Compliance, Permitting, and Air Monitoring. Combined, these account for 68% of the South Coast AQMD’s total General Fund Expenses for the year ended June 30, 2023.

On a government-wide basis (including all funds), expenses increased approximately 5% as compared to the prior fiscal year primarily due to expenses associated with activities for ensuring compliance with clean air rules.

FY 2022-2023 Expenses by Program Category – Governmental Activities



Activity	FY 22-23	FY 21-22	FY 20-21	FY 19-20	FY 18-19	FY 17-18
Advance clean air technology	\$ 13,897,495	\$ 11,484,237	\$ 14,560,468	\$ 12,827,393	\$ 11,520,547	\$ 9,271,026
Ensure compliance with clean air rules	52,818,828	46,714,649	59,823,114	55,167,960	52,353,479	50,528,522
Customer service and business assistance	13,897,970	10,488,458	14,979,824	13,032,003	11,637,664	9,743,294
Develop programs to achieve clean air	13,408,190	12,387,784	15,522,501	12,471,639	9,407,869	8,636,784
Develop rules to achieve clean air	15,884,660	12,435,707	17,228,755	14,131,578	14,275,590	10,013,098
Monitoring air quality	32,963,667	29,106,009	36,114,354	31,910,536	26,547,245	20,822,380
Timely review of permits	36,208,322	31,042,335	38,832,790	35,511,594	33,951,378	33,301,565
Policy support	835,445	736,426	1,773,352	1,945,852	1,028,495	667,046
Interest on long-term debt	353,141	700,202	3,302,637	3,463,254	3,605,251	3,731,589
Long-term emission reduction projects	135,414,259	146,966,402	231,305,871	206,806,917	163,187,839	101,304,229
Total	\$ 315,681,977	\$ 302,062,209	\$ 433,443,666	\$ 387,268,726	\$ 327,515,357	\$ 248,019,533

Source: FY 2022-2023 Annual Comprehensive Financial Report Statement of Activities

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Financial Summary As of June 30, 2023, 2022 and 2021

FINANCIAL POSITION STATEMENT FOR THE YEARS ENDED JUNE 30, 2023, 2022, AND 2021

(In Thousands)

	<u>FY 2022-23</u>	<u>FY 2021-22</u>	<u>FY 2020-21</u>
ASSETS:			
Current and other assets	\$ 1,314,867	\$ 1,225,299	\$ 1,064,125
Capital assets	<u>37,537</u>	<u>36,713</u>	<u>37,259</u>
Total Assets	1,352,404	1,262,012	1,101,384
Deferred outflows (DO) of resources	<u>82,450</u>	<u>113,464</u>	<u>151,191</u>
Total Assets and DO of resources	<u>1,434,854</u>	<u>1,375,476</u>	<u>1,252,575</u>
LIABILITIES:			
Long-term liabilities	243,023	170,869	363,413
Short-term liabilities	<u>80,135</u>	<u>54,462</u>	<u>89,284</u>
Total Liabilities	323,158	225,330	452,697
Deferred inflows (DI) of resources	<u>55,682</u>	<u>160,133</u>	<u>21,731</u>
Total Liabilities and DI of resources	<u>378,840</u>	<u>385,463</u>	<u>474,428</u>
ASSETS AND DO OF RESOURCES OVER LIABILITIES AND DI OF RESOURCES	<u>\$ 1,056,014</u>	<u>\$ 990,013</u>	<u>\$ 778,147</u>

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

Current and other assets: Highly liquid assets such as cash and other assets that are expected to be received within a year.

Capital assets: Items such as buildings, equipment, vehicles that have a useful life of more than a year and cost more than \$5,000.

Total assets: Assets owned by the South Coast AQMD that has an economic value whose benefits can be derived in the future.

Deferred outflows of resources: Represent a consumption of net assets that applies to future periods.

Long-term liabilities: Debt owed by the South Coast AQMD to others such as net pension liability, net OPEB liability, and bonds that are expected to be paid over a period of greater than one year.

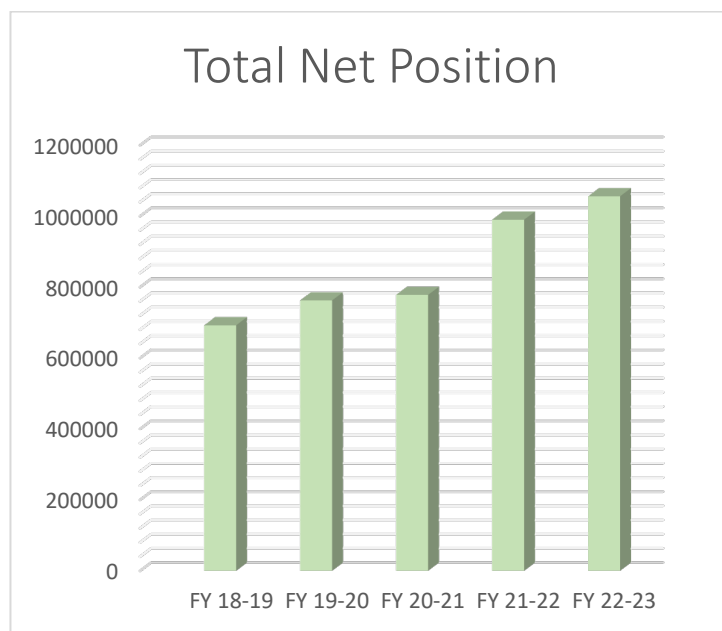
Short-term liabilities: Amounts owed by the South Coast AQMD to vendors that are expected to be paid within a year.

Total liabilities: Combined debts and obligations that South Coast AQMD owes to outside parties.

Deferred inflows of resources: Represent an acquisition of net assets that applies to future periods.

Assets and deferred outflow of resources over liabilities and deferred inflow of resources: Provides the difference between financial benefits and liabilities, ultimately showing the net worth of the South Coast AQMD.

The assets and deferred outflow of resources exceeded the liabilities and deferred inflows of resources by 2% as compared to the prior fiscal year. The increase was mainly due to deferred outflows of resources related to pension.



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

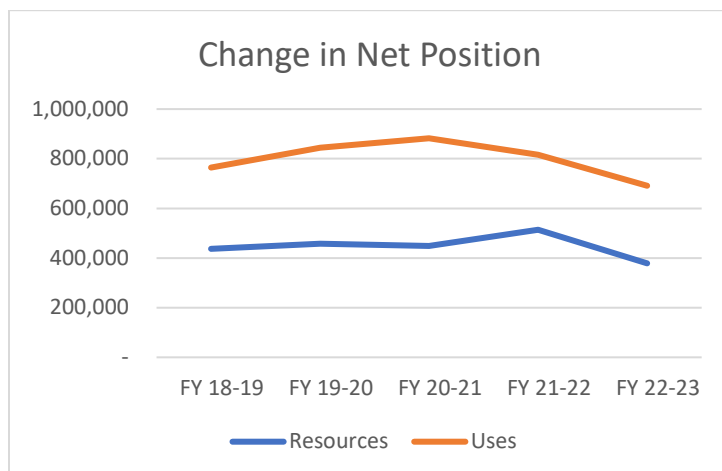
Financial Summary As of June 30, 2023, 2022 and 2021

**FINANCIAL ACTIVITY STATEMENT
FOR THE YEARS ENDED JUNE 30, 2023, 2022, AND 2021**
(In Thousands)

	FY 2022-23	FY 2021-22	FY 2020-21
RESOURCES:			
Fees and Charges – Stationary Sources	\$ 117,310	\$ 109,777	\$ 106,917
Fees and Charges – Mobile Sources	29,309	27,772	26,995
Operating Grants and Subventions	220,132	365,668	304,767
Grants and Subventions not Restricted for Specific Programs	2,821	2,858	2,885
Penalties and Settlements	6,007	5,361	4,715
Interest	3,723	587	597
Other Revenues	2,382	1,904	2,140
Total Resources	381,684	513,927	449,016
USES:			
Advance Clean Air Technology	13,898	11,484	14,560
Ensure Compliance with Clean Air Rules	52,819	46,715	59,823
Customer Service	13,898	10,488	14,980
Develop Programs to Achieve Clean Air	13,408	12,388	15,523
Develop Rules to Achieve Clean Air	15,885	12,436	17,229
Monitoring Air Quality	32,964	29,106	36,114
Timely Review of Permits	36,208	31,042	38,833
Policy Support	835	736	1,773
Interest on Long-Term Debt	353	700	3,303
Long-Term Emission Reduction Projects	135,414	146,966	231,306
Total Uses	315,683	302,061	433,444
RESOURCES OVER USES	\$ 66,001	\$ 211,866	\$ 15,572

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

Total revenues decreased by 26%, as compared to the prior fiscal year, primarily due to a decrease in Operating Grants and Subventions. Total expenses increased by 5%, as compared to the prior fiscal year primarily due to expenses associated with activities for ensuring compliance with clean air rules.



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to South Coast Air Quality Management District (South Coast AQMD) for its Popular Annual Financial Report for the fiscal year ended June 30, 2022. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. South Coast AQMD has received a Popular Award for the fiscal year ended June 30, 2022. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

Further, South Coast AQMD's Annual Comprehensive Financial Report for the year ended June 30, 2022, from which information on pages 7 through 11 have been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.



Air Quality Historical Timeline



Photo courtesy of Los Angeles Times Collection, Department of Special Collections, UCLA Library

First recognized episodes of smog occur in Los Angeles in summer 1943

1943

Los Angeles County Air Pollution Control District (APCD) established—the first of its kind in the nation

1947

1950

Orange County APCD established



1957

San Bernardino and Riverside County APCDs formed



1966



California adopts first automobile tailpipe emission standards in the nation

1968

California Air Resources Board (CARB) holds its first meeting with Dr. Arie J. Haagen-Smit as its first chairman

1970

Federal Clean Air Act enacted, establishing the basic U.S. program for controlling air pollution



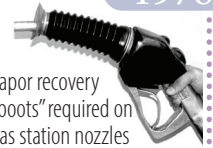
1971

U.S. EPA adopts first national air quality standards

1975

Catalytic converters required for most gasoline-powered vehicles

1978



Vapor recovery "boots" required on gas station nozzles

1977



California legislature merges air pollution control districts of LA, Orange, Riverside and San Bernardino counties forming the South Coast Air Quality Management District

1986

South Coast AQMD launches first Multiple Air Toxics Exposure Study (MATES) to understand air toxics health impacts. Additional MATES studies conducted in 1999, 2006, 2013 and 2018

MATES

1989

South Coast AQMD adopts first Air Quality Management Plan to show attainment of clean air standards



1998

Carl Moyer Program established to reduce mobile source emissions



2006

California Global Warming Solutions Act of 2006 (AB 32) enacted to reduce greenhouse gases



2013

Attained the 1997 24 hour and annual National Ambient Air Quality Standards for fine particulate matter two years ahead of schedule

2017

Assembly Bill 617 enacted to develop community plans and implement new technologies addressing the disproportionate impacts of air pollution sources in Environmental Justice communities

2022

South Coast AQMD releases its most ambitious strategy to cut air pollution. The 2022 AQMP is the first Zero-emissions plan, aiming to reduce emissions by 70% by 2037.



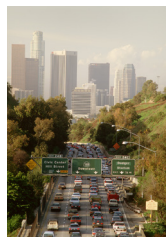
1987

Created a program to assess and reduce health risks from air toxic emissions under the Air Toxics "Hot Spots" Information and Assessment Act (AB 2588)



1990

Federal Clean Air Act Amendments of 1990 enacted establishing new programs to reduce ozone, toxic emissions and vehicle emissions





Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**South Coast Air Quality Management District
California**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO



**South Coast
Air Quality Management District**

21865 Copley Drive
Diamond Bar, CA 91765-4178

www.aqmd.gov