



LRAPA BOARD OF DIRECTORS AGENDA ITEM SUMMARY

Multi-Year Budget Forecast

Meeting Date: February 9, 2023
Department: Director's Office
www.lrapa.org

Agenda Item No. 7
Staff Contacts: Steve Dietrich/Julie Lindsey
Contact Telephone: 736-1056 x216/x209

ISSUE STATEMENT AND SUMMARY

The annual LRAPA budget is prepared by staff in consultation with the LRAPA Board and Budget Committee during March-May of each year. The budget recommended by the Budget Committee is presented to and approved by the Board following a public hearing that is held in either May or June in order to approve the budget and appropriate funding levels for fiscal year beginning July 1st through June 30th of the following year.

LRAPA's annual budget depends on revenues from federal, state, and local sources that can be affected by diverse financial pressures in any given fiscal year. Annually, staff prepares and presents to the board a multi-year overview of projected revenues and expenses based on information currently available. For the upcoming fiscal year, the budget will be developed based on the continuation of current funding sources projected for the FY24 budget year. Revenue source detail is outlined below. Personnel is projected to increase 3.8%, which includes a cost of living increase and a marginal increase for earned merit increases. Material and supplies are projected to be budgeted using at the FY23 levels and applying a 2%-3% increase. Additionally, similar to the FY23 budget, LRAPA proposes to budget an appropriation for capital expenditures.

BACKGROUND

Analysis

The LRAPA budget depends on revenues from several diverse sources, including federal, state, and funds, permit fees, enterprise funds, and special project grant funds. Some of the revenue sources are more stable than others, but all revenues increase or decrease from one year to the next.

Federal Funds: Federal funds to LRAPA are primarily from the U.S. Environmental Protection Agency (EPA). These federal funds are authorized under Section 103 (air monitoring) and Section 105 (operation of local and state air agencies) of the federal Clean Air Act. EPA funding requires maintenance-of-effort (MOE), meaning that nonfederal funding levels must be maintained at constant or increasing levels in order to continue to receive EPA funding at the current level. Any reductions in funding from the local government partner agencies or the State of Oregon could result in LRAPA's failure to maintain the same level of effort (MOE) based on the previous year, resulting in a proportionate reduction in EPA funding. Additionally, if federal funding is kept constant, inflation-erosion continues to reduce LRAPA's ability to maintain minimum staffing levels based on the agency's current level of service.

State Funds: State general funds are requested by LRAPA through DEQ, reviewed (and possibly revised) by the Oregon Department of Administrative Services, recommended by the Governor, evaluated (and possibly revised) by the legislative Ways & Means Committee, approved by the Legislature, and authorized by the Oregon Environmental Quality Commission (EQC). The State's biennial funding for FY21/23 was approved at \$527,028 (\$263,514 FY22 and \$263,514 FY23). This amount includes an additional \$250,000 for the biennial awarded as part of the approved Policy Option Package adopted by the Legislature. FY24 and FY25 amounts are not yet available. Additionally, LRAPA's requested a budget increase for the FY24/25 biennium. As of today, this request is not in the Governor's proposed budget.

Local Funds: Local dues from LRAPA's intergovernmental partners are an important component of the budget. The dues are allocated on a per capita basis between Lane County and the cities of Eugene, Springfield, Cottage Grove, and Oakridge. Local dues were traditionally adjusted each year for inflation and population. For FY24, local dues will be increased by 3.3% and adjusted for population.

Permit Fees: Permit fees include industrial permitting fees, asbestos abatement fees, outdoor burning fees, etc. These fees were implemented in response to the federal Clean Air Acts of 1970, 1977, and 1990, and are generally adjusted 4% annually to cover the actual costs of operating the programs.

Title V Fees: Title V Fees are assessed to the largest industrial facilities and are adjusted based on the Consumer Price Index (CPI) annually by the Environmental Quality Commission (EQC). LRAPA implements a consistent fee rate. For the FY24 budget, Title V fees are projected to increase 7.7%. Further, it is projected that Title V will be applicable to at least three facilities, increasing the total number of Title V facilities in Lane County to 17. This projected increase in Title V revenues helps stabilize the fund at least through FY24. For future years, there are early indications that there may be a fee increase request put forth to the State Legislature.

Cleaner Air Oregon (CAO): In FY19, the State implemented the Cleaner Air Oregon (CAO) program. The Board adopted the same CAO fee table into LRAPA's rules in March of 2019 and the EQC approved them in May of 2019. The program regulates emissions of toxic air contaminants. Revenues increase based on the number of facilities in the program.

AirMetrics Enterprise Fund: The AirMetrics enterprise fund varies by year depending on sales of the Mini-Vol portable air samplers and related parts and services. To keep competitive, AirMetrics upgraded the Mini-Vol portable air sampler. The fund derives revenues from sales, rents, and calibration services. Revenues are used to cover direct and indirect costs of the activities. For FY24, the projections will continue to be conservative due to the nature of business and the economic concerns. In Fall of 2022, AirMetrics staff presented an updated business plan to the Board that highlighted several options for the future of this fund. Over the next fiscal year, LRAPA management will need to research each of these options to develop a long-term plan that stabilizes this fund.

Special Projects and Grants: Special projects are usually funded by federal grants or state low-interest loans dedicated to specific project commitments. LRAPA has very successfully partnered with other local agencies to secure federal grants for cleaner fuels, upgraded transportation equipment, reduced fuel use, lower diesel emissions, and cleaner burning woodstove replacements. Although these grants are primarily pass-through funding for local businesses, residents and agencies, the funding has provided a small portion of LRAPA's operational costs to administer the grants and, most importantly, has been very useful for promoting cleaner fuels, reducing diesel emissions, and reducing residential wood heating emissions in Oakridge.

In 2019 LRAPA applied for and was awarded the EPA Grant for Oakridge 2019 Targeted Airshed Program (TAG) in the total amount of \$4,938,190 over 5 years. LRAPA, the City of Oakridge and a broad coalition of stakeholders will deliver a full program to ensure permanent reductions in emissions from woodsmoke as well as provide air filtration for vulnerable populations. The primary strategies include weatherization and repair to reduce the need for heat; installing ductless heat pumps to provide local emission free heat; certified woodstoves for resiliency, for a community that frequently loses power; clean and dry wood through a community firewood program; air filters for smoke refuge; health and air quality tracking; and a suite of education and enforcement actions to ensure health standards are met. In 2021, LRAPA applied for and was awarded a second grant under TAG (TAG 2) to further the strategies of the initial TAG grant as well as to increase public education of the program. This second grant totals \$2,739,425 and extends overall funding in the Oakridge area by two years.

BOARD ACTION

This background summary is for information and to facilitate discussion in preparation for the FY24 LRAPA budget deliberations.

STAFF RECOMMENDATION

None at this time.

SUGGESTED MOTION

None at this time.