



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

JULIA MILLER - CHAIRPERSON
HAROLD BROWN
JERRY HILL
MARLAND TOWNSEND

CHRIS DALY - VICE CHAIRPERSON
ROBERTA COOPER
PATRICK KWOK
GAYLE UILKEMA

WEDNESDAY
APRIL 28, 2004
9:45 A.M.

4TH FLOOR
CONFERENCE ROOM

AGENDA

1. **CALL TO ORDER - ROLL CALL**
2. **PUBLIC COMMENT PERIOD** *(Public Comment on Non-Agenda Items Pursuant to Government Code § 54954.3) Members of the public are afforded the opportunity to speak on any agenda item. All agendas for regular meetings are posted at District headquarters, 939 Ellis Street, San Francisco, CA, at least 72 hours in advance of a regular meeting. At the beginning of the regular meeting agenda, an opportunity is also provided for the public to speak on any subject within the Board's authority. Speakers will be limited to five (5) minutes each.*
3. **APPROVAL OF MINUTES OF DECEMBER 16, 2003 & FEBRUARY 25, 2004**
4. **DISTRICT FINANCIAL AUDIT REPORT FOR FISCAL YEAR 2002/2003** **W. Tanaka/5066**
wtanaka@baaqmd.gov
A partner from the CPA firm Izabal, Bernaciak & Company will present the Audit Report for FY 2002/2003. This is an information item only.
5. **CONSIDER RECOMMENDING TO THE BOARD OF DIRECTORS CREATION OF A SELF-INSURED WORKERS' COMPENSATION PROGRAM AND CONSIDER APPROVING A TRANSFER OF FUNDS FROM THE GENERAL RESERVE TO ESTABLISH A RESERVE FOR WORKERS' COMPENSATION** **W. Tanaka/5066**
wtanaka@baaqmd.gov
Consider recommending to the Board of Directors the creation of a Self-Insured Workers' Compensation Program and consider approving a transfer of funds in the amount of \$1,000,000 from the General Reserve to establish a Reserve for Workers' Compensation.
6. **PRESENTATION OF FISCAL YEAR 2004/2005 PROPOSED BUDGET** **W.Tanaka/5066**
wtanaka@baaqmd.gov
Wayne Tanaka, Administrative Services Division Director, will present the proposed Fiscal Year 2004/2005 Budget for discussion and consideration.

7. **COMMITTEE MEMBER COMMENTS/OTHER BUSINESS**

Any member of the Board, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2)

8. **TIME AND PLACE OF NEXT MEETING – MAY 26, 2004, 939 ELLIS STREET - SF, CA**

9. **ADJOURNMENT**

**CONTACT CLERK OF THE BOARDS - 939 ELLIS STREET
SAN FRANCISCO, CA 94109**

**(415) 749-4965
FAX: (415) 928-8560
BAAQMD homepage:
www.baaqmd.gov**

- To submit written comments on an agenda item in advance of the meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- To request special accommodations for those persons with disabilities (notification to the Clerk's Office should be given in a timely manner, so that arrangements can be made accordingly).

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET
SAN FRANCISCO, CALIFORNIA 94109**

DRAFT MINUTES

Summary of Board of Directors
Budget & Finance Committee Meeting
9:30 a.m., Tuesday, December 16, 2003

1. **Call to Order:** Chairperson Miller called the meeting to order at 9:41 a.m.

Roll Call: Julia Miller, Chair; Roberta Cooper (9:46 a.m.), Marland Townsend.

Absent: Harold Brown, Chris Daly, Jerry Hill, Gayle Uilkema.

Also Present: Pam Torliatt.

2. **Public Comment Period:** There were none.

3. **Approval of Minutes of September 24, 2003:** Due to the lack of a quorum, approval of the minutes was deferred.

4. **First Quarter Financial Report for Fiscal Year 2003/2004:** *The Financial Report for the First Quarter of Fiscal Year 2003/2004 was presented. This was an informational item only.*

Wayne Tanaka, Director of Administrative Services, presented the First Quarter Financial Report for Fiscal Year 2003/2004. Mr. Tanaka reviewed the Statement of Revenue and Statement of Expenditures comparing the budget to actual. Mr. Tanaka noted that the interest earned on the money on deposit with the San Mateo County Treasurer was 2.83% as compared to 1.68% for the LAIF rate. The District received \$84,000 from Tesoro which is why the Miscellaneous Revenue is so high at this time. In reviewing the Statement of Expenditures, Mr. Tanaka noted that the Capital Outlay would even out as the roof repair, HVAC system and other expenditures are completed.

Mr. Tanaka reviewed the income and expenditures of the Transportation Fund for Clean Air (TFCA) fund. In response to a question from Chairperson Miller, Mr. Tanaka explained the 14% variance on expenditures for the General Fund was due to an extra pay period in August and the additional expenditure of \$900,000 for payroll during this one cycle. In response to a question from Director Townsend, Mr. Tanaka explained that the variance for the Personnel Expenditures in the TFCA program is due to several unfilled positions.

During discussion, Mr. Tanaka stated that the Governor will have a budget briefing on January 10, 2004 and more information will be available at that time regarding the extent of any additional cuts that would affect the Air District.

Committee Action: None. This report provided for information only.

- 5. Request Approval of Purchase Order for Office Furniture, Cubicle Partitions and Transfer of Funds from Furniture Reserve:** *Requested approval of transfer of funds from the Furniture Reserve and purchase order to Allsteel for workstation partitions and furniture in the amount of \$105,825.*

Mr. Tanaka presented the report and stated that staff is requesting approval of \$105,825 for the purchase of furniture and the transfer of the funds from the Furniture Reserve and noted that there would be no impact on the current budget. Mr. Tanaka stated that the purchase is necessary because the Field Engineering Section from the Compliance and Enforcement Division will be relocating to the Engineering Division, which necessitated the creation of workstations for the affected staff. In addition, some new workstations needed to be created, and others needed replacement.

Committee Action: Due to the lack of a quorum, the Committee forwarded this item to the full Board without a recommendation

- 6. Committee Member Comments/Other Business.** There was discussion on the start time of the meetings and a determination was made to start future meetings at 9:45 a.m.
- 7. Time and Place of Next Meeting:** 9:45 a.m., Wednesday, January 28, 2004.
- 8. Adjournment:** The meeting adjourned at 10:03 a.m.

Director Daly arrived, which constituted a quorum for the Committee, therefore Chairperson Miller reconvened the meeting at 10:04 a.m.

- 1. Roll Call:** Julia Miller, Chair; Roberta Cooper, Chris Daly, Marland Townsend.

Absent: Harold Brown, Jerry Hill, Gayle Uilkema.

- 2. Public Comment:** There were none.
- 3. Approval of Minutes of September 24, 2003:** Director Townsend moved approval of the minutes; seconded by Director Cooper; carried unanimously without objection.
- 4. First Quarter Financial Report for Fiscal Year 2003/2004:**

Mr. Tanaka reviewed the First Quarter Financial Report for Director Daly.

- 5. Request Approval of Purchase Order for Office Furniture, Cubicle Partitions and Transfer of Funds from Furniture Reserve.**

Mr. Tanaka reviewed the need for the purchase of the furniture and cubicle partitions.

Committee Action: Director Townsend moved approval of the staff recommendation for Board approval of a purchase order to Allsteel in the amount of \$105,825, a transfer of funds in that amount from the Furniture Reserves, and amend the fiscal year 2003/2004 Capital Budget; seconded by Director Cooper.

In response to a question from Chairperson Miller, Mr. Tanaka stated that the District looked at one company in Oakland that had some used furniture, but that the furniture was not in good shape. Mr. Tanaka noted that Allsteel has a history with the Air District, its furniture is build to military specs, and they came in with the best bid. The motion then carried unanimously without objection.

6. **Committee Member Comments/Other Business:** There were none.
7. **Time and Place of Next Meeting:** 9:45 a.m., Wednesday, January 28, 2004.
8. **Adjournment:** The meeting adjourned at 10:13 a.m.

Mary Romaidis
Clerk of the Boards

mr

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET
SAN FRANCISCO, CALIFORNIA 94109**

DRAFT MINUTES

Summary of Board of Directors
Budget & Finance Committee Meeting
9:30 a.m., Wednesday, February 25, 2004

1. **Call to Order:** Chairperson Miller called the meeting to order at 9:48 a.m.

Roll Call: Julia Miller, Chair; Chris Daly, Jerry Hill, Patrick Kwok.

Absent: Harold Brown, Roberta Cooper, Marland Townsend, Gayle Uilkema.

2. **Public Comment Period:** There were none.

3. **Approval of Minutes of December 16, 2003:** Due to the lack of a quorum, approval of the minutes was deferred to the next meeting.

4. **Discussion of Governor's Proposed Budget:** *Staff presented a summary of the Governor's Proposed Budget.*

Wayne Tanaka, Director of Administrative Services, summarized the impact of the Governor's proposed budget for fiscal year 2004/2005 on the Air District. Mr. Tanaka reviewed the timeline for the State budget and noted that the Legislature hoped to pass the budget by July 1, 2004. Mr. Tanaka noted that the Air District's share of subvention funds is \$1.8 million, which is the same as last fiscal year. The District's subvention funds in fiscal year 2001/2002 were \$2.6 million.

Mr. Tanaka reported that the Governor's proposal would shift \$1.3 billion in property taxes from local governments to the State. The Governor's proposal does not specify if the Air District is included in this shift. If the District is included, it is unknown how much of a reduction in property tax there would be. Currently, property tax revenues of \$15.5 million are 37% of the District's operating budget. Mr. Tanaka reviewed the State revenues and expenditures for the 2004/2005 fiscal year.

There was discussion on the propositions on the ballot and it was noted that staff is working on the budget now and it would be presented to the Board in April for referral to this Committee.

Committee Action: None. This report provided for information only.

5. **Second Quarter Financial Report for Fiscal Year 2003/2004:** *The Financial Report for the Second Quarter of Fiscal Year 2003/2004 was presented. This was an informational item only.*

Mr. Tanaka presented the Second Quarter Financial Report for Fiscal Year 2003/2004 and reviewed the Statement of Revenue and Statement of Expenditures comparing the budget to actual. Mr. Tanaka noted that the Capital Outlay expenditures would even out as projects on the building are completed and paid for. Mr. Tanaka reviewed the income and expenditures of the Transportation Fund for Clean Air (TFCA) fund.

Committee Action: None. This report provided for information only.

6. Request Approval of Transfer of Funds from Reserve for Contingencies for Lawn Mower Buyback Program: *Requested approval to transfer \$135,000 from Reserve for Contingencies to fund the Lawn Mower Buyback Program.*

Peter Hess, Deputy APCO, presented the report and provided background information on the Lawn Mower Buyback Program. Mr. Hess stated that at the last Public Outreach Committee meeting staff requested that \$135,000 be transferred from the Reserve for Contingencies fund to the Lawn Mower Buyback Program. Seven counties (Alameda, Contra Costa, Solano, Sonoma, Napa, San Mateo and San Francisco) and the City of Sunnyvale want to partner with the Air District to sponsor local lawn mower buyback programs. Mr. Hess noted that Home Depot and Black & Decker will contribute a total of \$69,000 and the Yolo-Solano Air District will contribute \$5,000 to the Solano program. Approximately 2400 mowers will be exchanged. Staff is also working with Alameda County to coordinate another lawn mower buyback program in that county again this year.

The Committee discussed the amount of the Reserves and Mr. Tanaka provided some background and noted that \$265,000 would be left in the Reserves once the \$135,000 was transferred. Mr. Tanaka reported that there are also Reserves set aside for other items, such as furniture replacement, the PERS pick-up, and Phase II of the ERP.

In response to a question from Director Daly, Mr. Hess stated that funding from the District for last year's program was \$60,000; this year only \$35,000 was budgeted. This year the District was unable to obtain funding from several sources, such as Pacific Gas & Electric Co. (PG&E), that have provided funding in the past. One thousand six hundred lawn mowers were exchanged last year and it is anticipated that 2400 will be exchanged this year. Staff has started discussions with PG&E for possible funding for this program next year.

Committee Action: The consensus of the Committee was to forward this request to the full Board for approval.

7. Committee Member Comments/Other Business. There were none.

8. Time and Place of Next Meeting: Chairperson Miller cancelled the March 24, 2004 meeting. The next meeting is scheduled for 9:45 a.m., Wednesday, April 28, 2004.

9. Adjournment: The meeting adjourned at 10:26 a.m.

Mary Romaidis
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Interoffice Memorandum

To: Chairperson Miller and Members
of the Budget and Finance Committee

From: Wayne Tanaka
Director of Administrative Services

Date: April 5, 2004

Re: District Financial Audit Report for Fiscal Year 2002/2003

RECOMMENDED ACTION:

Informational report. Receive and file.

DISCUSSION:

The audit report confirms that the District's financial reports' "...present fairly, in all material respects, the financial position of the Bay Area Air Quality Management District as of June 30, 2003, and as a result of its operations for the year then ended in conformity with generally accepted accounting principles". The Independent Auditors report shows that an unqualified audit report was issued. The Report on Supplementary Information states, "...the information is fairly stated in all material aspects in relation to the general purpose financial statements taken as a whole". Report on compliance in accordance with OMB Circular A-133 states "In our opinion, Bay Area Air Quality Management District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003".

BUDGET CONSIDERATION/FINANCIAL IMPACT:

None.

Respectfully submitted

Wayne Tanaka
Director of Administrative Services

Prepared by: Wayne Tanaka

FORWARDED _____

BAY AREA AIR QUALITY MANGEMENT DISTRICT
Interoffice Memorandum

To: Chairperson Miller and Members
of the Budget and Finance Committee

From: Wayne Tanaka
Director of Administrative Services

Date: April 14, 2004

Re: Consider Recommending To The Board Of Directors Creation Of A Self-
Insured Workers' Compensation Program And Consider Approving A
Transfer Of Funds From The General Reserve To Establish A Reserve For
Workers' Compensation

RECOMMENDED ACTION:

Recommend to the Board of Directors establishment of a Self-Insured Workers' Compensation Program and approve request to transfer \$1,000,000 from the General Reserve to establish a dedicated Reserve for Workers' Compensation.

DISCUSSION

Over the past several years the cost of providing workers' compensation benefits through a commercial insurance program has increased dramatically. The District's current workers' compensation insurance carrier is State Compensation Insurance Fund. In fiscal year 2000-2001, the workers' compensation insurance premium was \$149,847. For the current fiscal year 2003-2004, the premium is \$682,768. Over four years, this amounts to a 455% increase. The District has taken aggressive steps to control workers' compensation claim costs. Even though the District has successfully decreased the number of claims over the past several years through safety programs, our insurance premiums have continued to escalate. In order to address this issue, staff looked at different alternatives. The District looked at other commercial insurance providers and self-insurance. There were no substantial savings found by changing commercial insurance providers. Staff then explored the option of self-insurance and discovered that South Coast Air Quality Management District (SCAQMD) has been self-insured for workers' compensation since 1986. Staff examined their program and reviewed data provided by Bill Johnson, SCAQMD's Risk Manager regarding their claims and costs over the past several years. Although SCAQMD has more than double the number of employees and more claims than the District, SCAQMD's cost to provide workers compensation benefits has been significantly less than the insurance premiums the District has paid over the past few years. In addition, staff reviewed the District's workers' compensation claims history for the past ten years and determined that it would have been much less costly to pay the claims directly than to pay the commercial carrier's insurance premiums.

By assuming risk, the District can realize substantial cost savings. In order to protect the District against an extreme loss situation, the District would purchase excess workers' compensation liability insurance that will cover any single workers' compensation incident over \$300,000. To ensure that claims remain under control, the District will continue its efforts to provide safety

training and implement strategies to reduce on-the-job injuries and will contract with a third party administrator to oversee claims.

The District will continue to budget for workers compensation costs to pay for the excess workers' compensation liability insurance, the third party administrator, and the direct costs of the claims. However, it is anticipated that the cost of establishing and maintaining a self-insured workers' compensation program, including costs for excess loss insurance and a third party administrator, will be much less than the cost of premiums from a commercial carrier. Staff estimates that annual costs for a self-insured program would not exceed \$350,000 per year, as compared to \$682,768 in annual insurance premiums this year. The cost for the excess workers' compensation liability insurance will be \$200,000, the third party administrator will be \$15,000, and the cost for actual claims and for prevention efforts will be \$135,000.

The District will need to establish a designated Reserve for Workers' Compensation to cover any claims in excess of the amount budgeted for workers' compensation claims that are not covered by the excess loss insurance. The designated Reserve for Workers' Compensation fund would only be used to pay for claims in excess of the District's historic annual rate of costs for claims (\$50,000 per year over the last ten years) that are not covered by the excess loss insurance. Any losses to the designated Reserve would be restored through a budget request the following year. Sufficient funds are available in the General Reserve to cover the transfer to a designated Reserve for Workers' Compensation.

BUDGET CONSIDERATION/FINANCIAL IMPACT

There is no impact on the current year budget. Existing funds in the General Reserve will be transferred to the Reserve for Workers' Compensation. It is anticipated that the District will have significant future savings of approximately \$330,000 a year by creating a Self-Insured Workers' Compensation Program. Aggressive claims management and safety prevention measures may result in further savings.

SUMMARY

Workers compensation insurance premiums continue to escalate. The District has no control over rising insurance premium costs. The District's exemplary workers' compensation loss record has not translated into reduced premiums, nor shielded the District from paying these exorbitant increases. Even if insurance premiums stabilize, the District will still be spending between half a million to three-quarters of a million dollars each year on workers compensation insurance. Therefore, staff recommends that the District create a Self-Insurance Workers Compensation Program and establish a Reserve for Workers' Compensation to reduce costs.

Respectfully submitted,

Wayne Tanaka
Director of Administrative Services

Prepared by: Michael K. Rich, Human Resources Officer

FORWARDED: _____

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Interoffice Memorandum

To: Chairperson Miller and Members
of the Budget and Finance Committee

From: Wayne Tanaka
Director of Administrative Services

Date: April 13, 2004

Re: Proposed Budget for Fiscal Year 2004/2005

RECOMMENDED ACTION:

The Executive Officer/APCO requests that the Budget and Finance Committee receive this report for review and make any recommendations prior to May 12, 2004. This will allow staff the necessary time to make the changes for a second review by the Committee and the first public hearing date tentatively set for June 2, 2004.

BACKGROUND:

As directed by Chairperson Haggerty at the April 21, 2004 regular Board meeting, the Fiscal Year 2004/2005 Budget document was referred to the Budget and Finance Committee for review and recommendations. Additional copies will be available at the Committee meeting.

DISCUSSION:

Staff will present the proposed budget for Fiscal Year 2004/2005. The proposed budget is balanced. General Fund Revenues, Transfers-In from Designated Reserves for PERS Funding and Operational Software Phase of the ERP, TFCA Indirect Cost Recovery and TFCA Revenues are \$52.6million and match proposed consolidated expenditures. Proposed capital requests are at \$3,869,906 and there is a proposed 5.93 FTE increase.

Staff plans to publish prior to May 3 2004, a notice to the general public that the first of two public hearings on the budget will be conducted on June 2, 2004 and that the second hearing will be conducted on June 16, 2004. Staff recommends that the Budget and Finance Committee complete its review and take action on the proposed budget prior to May 12, 2004. This will allow staff the necessary time required to amend, if necessary, the budget for the first public hearing date.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

The proposed consolidated budget for FY 2004/2005 is \$52,654,722.

Respectfully submitted

Wayne Tanaka
Director of Administrative Services

Prepared by: Wayne Tanaka

FORWARDED _____