

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

**APPROVED MINUTES**

Summary of Board of Directors  
Budget & Finance Committee Meeting  
9:45 a.m., Wednesday, August 4, 2004

1. **Call to Order:** Chairperson Julia Miller called the meeting to order at 9:46 a.m.  
  
**Roll Call:** Julia Miller, Chair; Harold Brown, Roberta Cooper, Jerry Hill, Patrick Kwok, Gayle Uilkema.  
  
**Absent:** Chris Daly, Marland Townsend.  
  
**Also Present:** Scott Haggerty, Pam Torliatt (10:02 a.m.).
2. **Public Comment Period:** There were none.
3. **Approval of Minutes of May 17, 2004:** Director Hill moved approval of the minutes; seconded by Director Kwok; carried unanimously without objection.
4. **Status Report on Cost Recovery Analysis:** *Staff gave a status report to the Committee on the development of a request for proposal to conduct a cost recovery analysis for future budgetary utilization.*

Brian Bateman, Director of Engineering, presented the report and stated that, like many other agencies, the Air District depends on fees for revenue. Under state law, the Air District is given the authority to collect fees to recover the reasonable cost of running the District's regulatory programs.

Mr. Bateman noted that the 1999 KPMG Cost Recovery Study found that fee revenues were significantly less than program activity costs and the Study recommended regular adjustments to fees each year to keep pace with inflation. Mr. Bateman pointed out that permit fees account for almost one half of the District's revenues. The objectives for the update to the Cost Recovery Study include the following:

- Establishing a standard methodology to determine direct and indirect program costs.
- Compile revenue and cost data at the level of individual fee schedules.
- Identify factors that may be appropriate to consider in assessing the equity of individual fee schedules.
- Make recommendations for adjusting fees to recover cost of regulatory programs.

Mr. Bateman stated that the District will use a contractor to complete the cost recovery study and that there will be a collaborative process that involves input from Air District staff and

from a Steering Committee. The funds for the study are in the budget and the contractor costs are not expected to exceed \$200,000.

There was discussion on the following: 1) the makeup of the Steering Committee; 2) the geographic area of the representatives on the Steering Committee; 3) having a transportation interest on the Steering Committee; 4) fees apply only to stationary sources; 5) there has been a 50% increase in fees overall since the 1999 Study was implemented; and 6) the District should try to recover 100% of costs at some point in the future.

Board Chairperson Haggerty requested staff have a representative from Alameda County on the Steering Committee.

A draft of the Request for Proposals (RFP) for the cost recovery study was distributed to the Committee. Mr. Bateman reviewed the timetable for the study.

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

5. **Consider Proposed Amendments to Administrative Code Section 3.6(c), Division II, Administrative Policies and Purchasing Procedures:** *The Committee considered recommendation to amend Section 3.6(c), Division II: Fiscal Policies and Purchasing Procedures of the District's Administrative Code.*

Wayne Tanaka, Director of Administrative Services, presented the report and stated that staff has been reviewing the Policies and Procedures and recommending amendments as necessary. Currently, Section 3.4(c) requires Board approval for refunds in excess of \$10,000. The amendment to Section 3.4(c) would streamline the process and allow the Director of Administrative Services to approve refunds of less than \$50,000 and the Air Pollution Control Officer (APCO) to approve refunds in excess of \$50,000. Mr. Tanaka noted that the funds in question do not belong to the District and should be refunded as soon as possible. Staff recommended Board approval of the proposed amendments to Administrative Code Division II, Section 3.4(c), Fiscal Policies and Purchasing Procedures.

**Committee Action:** Director Brown moved the staff recommendation; seconded by Director Kwok. Director Uilkema added a friendly amendment to the motion that any action taken on refunds in excess of \$50,000 is to appear as a report to the Board on the Board Agenda. Both Director Brown and Director Kwok accepted the amendment. The motion then passed unanimously without objection.

6. **Consider Request to Amend Fiscal Year 2004/2005 Budget:** *The Committee considered approval of staff request to revise the District's FY 2004/2005 General Fund Budget as a result of a potential \$1,592,000 revenue shortfall upon approval of the State budget.*

Jack Broadbent, Executive Officer/APCO, stated that with the final State budget, the Air District will have a 10% reduction in property tax revenue. The proposed changes to the District's budget are before the Committee and these changes address the shortfall.

Mr. Tanaka added that as of today, there have not been any trailer bills or blue line items that would reduce the revenue shortfall even further. Staff has identified revenue items that can be deferred or eliminated to make up for the shortfall. The following amendments are proposed to the District's fiscal year 2004/2005 budget:

- A \$363,000 reduction of Personnel Costs through deferred hiring.
- A \$308,800 reduction in Services and Supplies.
- A \$374,400 reduction in Capital Expenditures

In addition, the following augmentations are proposed:

- A \$250,000 increase in Penalties and Settlements Revenue.
- A \$295,800 transfer from the Reserve for Furniture Replacement to partially fund Capital Expenditures for the building.

Mr. Tanaka recommended that the Board consider approval of the amendments to the District's fiscal year 2004/2005 General Fund Budget and approve the transfer of \$295,800 from the Reserve for Furniture Replacement to Capital Expenditures.

**Committee Action:** Director Hill moved approval of the staff recommendation; seconded by Director Brown; carried unanimously without objection.

**7. Status Report of Community Outreach Efforts:** *Staff reported on the resources devoted to Community and Title V Outreach meetings.*

Peter Hess, Deputy APCO, presented the report and reviewed the breakdown of costs associated with two meetings – one held in Martinez to receive input on Supplemental Environmental Project (SEP) funds for the community and one on a Title V public hearing held in the Bayview/Hunters Point community in San Francisco.

Mr. Hess noted that the District has about 40 community meetings a year and reminded the Committee that there will also be public meetings on the 2004 Ozone Strategy Plan in the near future. The community meetings and public hearings are conducted in the most economical way possible.

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

**8. Committee Member Comments/Other Business.** Director Uilkema discussed the Environmental Working Group Report that came out recently and her experience with the press. Director Uilkema requested some guidelines to follow in the future. Mr. Broadbent suggested that, for consistency, the calls be referred to the Air District and a determination would be made on how the call should be handled, in particular if the press is seeking technical information.

Mr. Broadbent noted that as part of the state budget, the Governor signed SB1107, which re-authorizes the Carl Moyer Program. Statewide there will be \$69 million in the Program. The Air District should receive approximately \$9 million of the funds.

In response to a question from Chairperson Miller, Mr. Broadbent stated that the Spare the Air ad campaign has not ended even though there have been no Spare the Air days. Because there have been no Spare the Air days, the money for the free BART days has not been spent as yet.

9. **Time and Place of Next Meeting:** Chairperson Miller cancelled the August 25, 2004 meeting. The next regularly scheduled meeting will be at 9:45 a.m., Wednesday, September 22, 2004, 939 Ellis Street, San Francisco, CA 94109.
10. **Adjournment:** The meeting adjourned at 10:43 a.m.

*/s/ Mary Romaidis*  
Mary Romaidis  
Clerk of the Boards

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## **Budget and Finance Committee**

### **Follow-Up Items for Staff**

**August 4, 2004 meeting**

1. Board Chairperson Haggerty requested staff have a representative from Alameda County on the Cost Recovery Steering Committee.