

**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, April 6, 2005

1. **Call to Order:** Chairperson Julia Miller called the meeting to order at 9:45 a.m.

Roll Call: Julia Miller, Chair; Chris Daly (9:50 a.m.), Scott Haggerty, Jerry Hill, Patrick Kwok, Mark Ross, Gayle B. Uilkema.

Absent: Harold Brown, Roberta Cooper.

Also Present: Pamela Torliatt (9:51 a.m.), Marland Townsend.

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

3. **Approval of Minutes of March 2, 2005:** Director Hill moved approval of the minutes; seconded by Director Kwok; carried without objection.

4. **Approve Request to Recommend that the Board of Directors Increase FY 2004/05 Budget:** *Staff requested that the FY 2004/05 budget be increased by \$780,000 in program 306 to assist in funding the Spare the Air free morning commute program this summer.*

Teresa Lee, Director of Public Information and Outreach, presented the report and stated that Transportation Fund for Clean Air (TFCA) funding in the amount of \$780,000 is available for the 2005 Spare the Air free morning commute program. Ms. Lee noted that these funds were not used in 2004 due to the limited number of Spare the Air weekdays that occurred.

Committee Action: Director Ross moved to recommend the Board of Directors increase the fiscal year 2004/05 budget by \$780,000 in program 306 to assist in funding the Spare the Air free morning commute program this summer; seconded by Director Haggerty; carried unanimously without objection.

5. **Final Report on Cost Recovery Study:** *The Committee received the final report and recommendations from Stonefield Josephson Inc., on the Cost Recovery Study.*

Peter Hess, Deputy APCO, thanked the members of the Steering Committee for the work they had done on the Study. Mr. Hess introduced Nanette Lee Miller, CPA, of Stonefield Josephson, Inc.

Ms. Miller presented the report and reviewed how costs were assessed and the methodology used to allocate direct and indirect costs to individual revenue sources.

Director Chris Daly arrived at 9:50 a.m. and Director Pam Torliatt arrived at 9:51 a.m.

Ms. Miller reviewed and discussed four key findings:

1. Permit and other fee revenue are not sufficient to cover costs of programs related to permitted stationary sources.
2. Property taxes are being used to offset the difference between program costs and permit and other fee revenue.
3. Even if cost of living increases are applied each year to all fees, they will not be sufficient to close the gap that exists between permit fee revenue and permit related costs.
4. The billing codes developed for timesheets are not adequate to fully assess the gap in certain areas.

Ms. Miller highlighted the short-term and long-term recommendations proposed by Stonefield Josephson, Inc. Ms. Miller stated that the Board may want to consider addressing equity issues, such as fairness, reasonableness, and stability. She also suggested that the Air District may want to conduct similar studies on a regular basis to provide continuing assessment of how items are being addressed.

Jack Broadbent, Executive Officer/APCO stated that the Report contains recommendations that staff will review. Staff will then develop policy recommendations that will be brought back to the Board and that would be included in the budget. The Committee discussed property taxes and how they are used to fill in the “gap.” Mr. Broadbent noted that the budget will be brought before the Board on May 4th and would be referred to the Budget and Finance Committee, which will meet on May 5th.

Brian Bunger, Counsel, discussed the statutes covering permit fees.

Board Chairperson Townsend discussed the issue of the property tax revenues received from the cities and counties. He requested that the staff confirm that the money is specifically from property taxes and not from the city or county general fund.

The following individual spoke on this agenda item:

Dennis Bolt
Western States Petroleum Association

Mr. Broadbent stated that the District staff will be reviewing the recommendations from Stonefield Josephson, Inc. and developing policy recommendations that will be brought before the Board.

Committee Action: Accept and file the report entitled *Bay Area Air Quality Management District Cost Recovery Study*, Stonefield Josephson, Inc., March 30, 2005.

6. **Staff Responses to Consultant’s Recommendations from Cost Recovery Study:** *Staff presented responses to the recommendations in the Cost Recovery Study.*

Brian Bateman, Director of Engineering, reviewed the District staff's responses to the recommendations made in the Study by Stonefield Josephson, Inc. Specifically, Mr. Bateman responded to and provided information on the recommendations relating to fees, time accounting, financial accounting, and cost saving measures.

Mr. Bateman reviewed the next steps to be taken:

- Begin to implement the consultant's recommendations.
- Develop a fee proposal for FY 2005/06.
- Track cost recovery on an annual basis.
- Consider adjusting fees on an annual basis to maintain effective stationary source regulatory programs, and to allow property tax revenue to fund other important air quality programs and initiatives.
- Continue to look for ways to increase efficiency and reduce costs while maintaining effective air pollution control programs.

There was discussion of Title V permit fees and the feasibility of increasing them again this year. Staff noted that there are procedures in state law regarding noticing requirements to the facilities and other requirements.

There was discussion on changes being implemented on time sheets to better track direct costs of programs. Mr. Hess stated that most air districts are wholly funded by their operating fees. Director Haggerty requested staff prepare a matrix comparing the Air District's fee schedules with those of the South Coast AQMD.

Committee Action: Receive and file.

7. **Field Communication System:** *Staff presented the Compliance and Enforcement Division's plan to update and upgrade the field communication system to modernize the two-way radio system and ensure its capabilities are integrated with other communication devices.*

Kelly Wee, Director of Compliance and Enforcement, presented the report and reviewed the following:

- The business uses of the system.
- A communication system overview, including voice, data and the field communication system.
- Annual costs: Two-way radio system (\$85,000); Nextel cell phone (\$65,000); and Nextel Blackberry (\$25,000).
- Fiscal year 2005-2006 capital expenditure.

Mr. Wee stated that a telecommunications consultant has been retained who will assist staff in the preparation of a Request for Proposal (RFP) to replace or upgrade the current system.

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

8. **Status Report on Internal Systems and Controls Audit:** *The Committee received a status report on the internal systems and controls audit.*

Jeff McKay, Director of Information Systems, presented the report and stated that the District will initiate a Systems and Control audit on April 25, 2005. Mr. McKay reviewed the key deliverables. A contract has been awarded to Gilbert Associates to perform the audit, which will be completed in two to three months.

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

9. **Committee Member Comments/Other Business.** There were none.
10. **Time and Place of Next Meeting:** Chairperson Miller cancelled the April 27, 2005 meeting. The next Committee meeting is scheduled for 9:45 a.m., Friday, May 5, 2005, 939 Ellis Street, San Francisco, CA 94109.
11. **Adjournment:** The meeting adjourned at 11:26 a.m.

/s/ Mary Romaidis
Mary Romaidis
Clerk of the Boards

Budget and Finance Committee

Follow-Up Items for Staff

April 6, 2005 Meeting

1. The Committee requested that staff provide a matrix comparing the Air District's fee schedules with those of the South Coast AQMD.
2. Board Chairperson Townsend requested that the staff confirm that the property tax money received from the counties are specifically from property taxes and not from the city or county general fund.