



BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

CHRIS DALY - CHAIRPERSON
HAROLD BROWN
DAN DUNNIGAN
JERRY HILL
TIM SMITH

PATRICK KWOK - VICE CHAIRPERSON
ROBERTA COOPER
ERIN GARNER
MARK ROSS

WEDNESDAY
APRIL 26, 2006
9:45 A.M.

FOURTH FLOOR CONFERENCE ROOM
DISTRICT OFFICES

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 three (3) minutes each.
3. **APPROVAL OF MINUTES OF MARCH 22, 2006**
4. **OVERVIEW OF PRELIMINARY BUDGET MEETING FOR FY 2006-2007** **J. MCKAY/4629**
jmckay@baaqmd.gov
The Committee will discuss the preliminary budget for FY 2006-2007.
5. **PROPOSED AMENDMENTS TO DISTRICT FEE REGULATION** **B. BATEMAN/4653**
bbateman@baaqmd.gov
The Committee will consider recommending to the Board of Directors that staff proceed with the proposed amendments to the district fee regulation.
6. **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).
7. **TIME AND PLACE OF NEXT MEETING – 9:45 a.m., WEDNESDAY, MAY 10, 2006 – 939 ELLIS STREET, SAN FRANCISCO, CA 94109**
8. **ADJOURNMENT**

CONTACT CLERK OF THE BOARD - 939 ELLIS STREET SF, CA 94109

(415) 749-4965
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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 at least 3 working days prior to the date of the meeting, so that arrangements can be made accordingly.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Chris Daly and
Members of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: April 17, 2006

Re: Budget and Finance Committee Draft Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of March 22, 2006.

DISCUSSION

Attached for your review and approval are the draft minutes of the March 22, 2006 Budget and Finance Committee meeting.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

**Bay Area Air Quality Management District
939 Ellis Street
San Francisco, California 94109**

DRAFT MINUTES

Summary of Board of Directors
Budget & Finance Committee Meeting
9:45 a.m., Wednesday, March 22, 2006

1. **Call to Order:** Chairperson Chris Daly called the meeting to order at 9:47 a.m.

Roll Call: Chris Daly, Chair; Harold Brown, Roberta Cooper (10:00 a.m.), Dan Dunnigan, Erin Garner, Jerry Hill, Patrick Kwok, Mark Ross, Tim Smith.

Absent: None.

Also Present: Gayle B. Uilkema

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

3. **Approval of Minutes of March 1, 2006:** Director Kwok moved approval of the minutes; seconded by Director Hill; carried unanimously without objection.

4. **Consider Recommending Budget Amendment to Conduct Greenhouse Gas Study:** *The Committee considered recommending that the Board of Directors amend the FY 2005/2006 budget by increasing the Penalties and Settlements General Fund Revenue by \$100,000, and by correspondingly increasing the Professional Services & Contracts budget for Climate Protection (Program 608) by \$100,000 and authorize the Executive Officer/APCO to issue a purchase order not to exceed \$100,000 for a Greenhouse Gas Mitigation Study.*

Jack Broadbent, Executive Officer/APCO stated that the Ad Hoc Committee on Climate Protection approved the staff's recommended elements of the climate change program. One of the initiatives was a Request for Proposals (RFP) to be undertaken that would identify control technologies by stationary sources to control climate change precursors.

Jeff McKay, Chief Financial Officer, stated that this item is a budget amendment in the amount of \$100,000 to allow the RFP. The penalties and settlements predictions for the current year exceed the budget by over \$300,000 and so the \$100,000 is well under that amount.

Committee Action: Director Hill moved that the Committee recommend Board of Director approval of the staff recommendation; seconded by Director Smith.

In response to questions from the Committee, Mr. Broadbent stated that this study will look at climate change emissions as opposed to smog precursors. There are a number of engineering firms that look at various types of controls and they would look at the stationary

source process and make recommendations on how to reduce CO₂, methane and other types of emissions. The study would provide information on how the Air District could potentially develop a regulatory program for these emissions. It would also be informative in that stationary sources would be advised of steps they could undertake to voluntarily reduce emissions. The study will take from six to nine months and should be available the first quarter of 2007.

In response to Chair Daly, Mr. Broadbent stated that the key element of the Climate Change Program is to integrate climate change into all of the District's processes, like CEQA comments and Transportation Fund for Clean Air (TFCA) criteria. One of the key efforts of the Program is the summit that the District will host.

The motion then carried without objection.

5. Discussion of Five-Year Capital Plan: *Staff provided the Committee with a draft version of a five-year capital plan.*

Mr. McKay presented the report and provided a summary of a draft five-year capital plan. Project highlights include a networked storage solution, air monitoring instruments, re-locatable air monitoring station, life safety fire alarm system, and vehicle replacement. The total draft five-year capital plan cost is \$7.3 million. Mr. McKay stated that the budget details of the draft plan will be available at a future meeting.

Director Roberta Cooper arrived at 10:00 a.m.

In response to Director Kwok, Mr. McKay stated that the vehicle replacement is based on the useful life and repair cost of vehicles, and an opportunity to increase the District's fleet. Director Garner recommended that when the capital plan is done, that several past years should be added so there is a record of what has led up to the five-year plan.

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

The Clerk noted for the record that Board Chair Gayle B. Uilkema was present during the roll call and that Director Cooper arrived at the meeting.

6. Overview Regarding Civil Penalty Recovery and Budgeting: *Staff provided an overview to the Committee on civil penalty recovery and budgeting.*

Brian Bunger, Legal Counsel, provided an overview regarding collection of civil penalties by the District and also discussed budget considerations regarding civil penalties as an element of revenue for the Air District. The overview included discussion on the following:

- Determining the appropriate civil penalty based on Health and Safety Code Section 42403;
- Additional considerations for settlements;
- Recent budget versus actual penalty collections;
- Penalty collection statistics for fiscal year 2004/2005 and for fiscal year 2005/2006, through March 2006; and
- A comparison of penalties collected and violations closed from 1998 to date.

Mr. Bunger introduced the staff members of the Mutual Settlement section, and several attorneys from the District Counsel's office.

In response to a question from Chairperson Daly, Mr. Bunger reviewed the process from the receipt of a Notice of Violation (NOV) to its resolution. In response to a question from Director Hill, Mr. Bunger reviewed the small claims court process and the process for negotiating settlements of NOV's.

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

7. **Committee Member Comments/Other Business.** Mr. Broadbent stated that Board Chair Uilkema requested that the Committee be made aware of an article from the Home Builder Association monthly about San Joaquin Valley adopting a rule on indirect sources that charges a fee for new home development. The article highlights the fact that that this is something that will be coming out in the Bay Area. Chair Uilkema asked that this subject be on a future agenda of the Budget and Finance Committee, and Mr. Broadbent suggested it should also go before the Mobile Source Committee.
8. **Time and Place of Next Meeting:** 9:45 a.m., Wednesday, April 26, 2006, 939 Ellis Street, San Francisco, California 94109
- 9 **Adjournment:** The meeting adjourned at 11:06 a.m.

Mary Romaidis
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

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

From: Jack Broadbent
Executive Officer/APCO

Date: April 19, 2006

Re: Draft Budget for Fiscal Year 2006/2007

RECOMMENDED ACTION:

The Executive Officer/APCO requests that the Budget and Finance Committee review the Budget for FY 2006/2007 and make any recommendations for further discussion at the May 10, 2006 Budget and Finance Committee meeting. This will allow staff the necessary time to make the changes for a second review by the Committee and the first public hearing date set for May 17, 2006.

BACKGROUND:

At the May 3, 2006 regular Board of Directors' meeting, the Fiscal Year 2006/2007 Preliminary Budget document will be formally referred to the Budget and Finance Committee for review at the Committee's May 10, 2006, meeting. Additional copies will be available at the Committee meeting.

DISCUSSION:

Staff will present the proposed budget for Fiscal Year 2006/2007. The proposed budget is balanced. General Fund Revenues, Transfers-In from Designated Reserves for PERS Funding, along with TFCA Indirect Cost Recovery and TFCA Revenues and Mobile Source Incentive Indirect Cost Recovery and Revenues are \$62.2 million. Proposed consolidated expenditures are \$62.2 million. Proposed capital requests are \$1,358,087 with projected future year expenditure provided for in the five year capital plan (attached). The proposed budget includes a proposed staff increase of 4.17 FTE.

Staff published, prior to April 17, 2006, a notice to the general public that the first of two public hearings on the budget will be conducted on May 17, 2006 and that the second hearing will be conducted on June 7, 2006. Staff requests that the Budget and Finance Committee complete its review and take action on the proposed budget at the May 10, 2006 Budget and Finance Committee meeting. This will allow staff the necessary time required to amend, if necessary, the budget for the first public hearing to be held on May 17, 2006.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

The proposed consolidated budget for FY 2006/2007 is \$62,235,614 and is a balanced budget without drawing from undesignated reserves.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeff McKay

Attachment (1)

Five-Year Capital Plan FYE 2007-11

Program	Project Name/Description	2006-07	2007-08	2008-09	2009-10	2010-11
Building & Grounds						
	Replace existing fence with new chain link fence and remote gate in District open parking lot.	23,882				
102	Main lobby refurbishing and upgrade	15,471				
102	Replacing tar & gravel roof on penthouse equipment structure to prevent further water damaged to offices and elevator machinery.	15,860				
	Demo existing hard ceiling and install new T-bar grid ceiling for 2nd and 3rd floor west.					
102		80,977				
102	Life Safety Fire Alarm system upgrade completed	188,704				
102	General Building and Grounds		250,000	200,000	350,000	350,000
102	Install New Carpeting Boardroom/Admin.		95,890			
102	Further ADA Upgrades to 7th floor			120,000		
102	Install New Halogen Lighting all Garages			12,750		
	Total Building & Grounds	\$324,894	\$345,890	\$332,750	\$350,000	\$350,000
Furniture & Fixtures						
102	Furniture/Cubes/Carpet/Paint		150,000	100,000	50,000	50,000
102	Paint and Wallpaper all Ladies/Mens WC			23,880		
104	Reconfigure office space - Admin-4th Floor East		100,000	100,000		
114	Adding Electrical Outlets, Phone Lines, Interior Window			7,500		
114	Carpeting Replacement		10,000			
114	Painting			5,000		
114	Replace Old/Broken Ceiling Panels			2,500		
114	Testing Area		15,000			
114	Filing Cabinet Replacement			10,000		
114	Reception Area Furniture		5,000			
401	Furniture		10,000	10,000	10,000	10,000
402	Furniture		8,000	8,000	8,000	8,000
504	Office Improvements Including Furniture		40,000	40,000	40,000	
	Total Furniture & Fixtures		\$338,000	\$306,880	\$108,000	\$68,000
Computer & Network Equipment						
401	Digital Cameras	14,000				
402	Production Scanner (Document Processing)			20,000		20,000
403	Lap Top Computers	52,000	46,000	46,500	47,000	47,000
706	Computer Workstations	75,000				
706	Networked Storage Solution (SAN)	100,000				
706	Computer Printers	45,000				
706	DATA CENTER REMODEL/NETWORK TOPOLOGY RE-ENGINEERING		300,000	300,000		
706	PBX, TELEPHONE, VOICEMAIL RENOVATION			200,000	200,000	
	Total Computer & Network Equipment	\$286,000	\$346,000	\$566,500	\$247,000	\$67,000
Motorized Equipment						
110	Maintenance Equipment and Shop Tools		45,000	32,000	24,000	18,000
110	New vehicles for Enforcement, Technical and PI&O	148,788	123,980	125,200	128,750	132,700
	Total Motorized Equipment	\$148,788	\$168,980	\$157,200	\$152,750	\$150,700

Five-Year Capital Plan FYE 2007-11

Program	Project Name/Description	2006-07	2007-08	2008-09	2009-10	2010-11
Laboratory & Monitoring Equipment						
401	Q-Rae		3,000	3,000	3,000	3,000
401	Scott Air Pack	7,000	7,000	7,000	7,000	7,000
401	Personal Safety Monitors	3,000				
403	Hand Held Particulate Monitor	6,000				
403	Remote Sensing Camera for Fugitive VOCs	100,000				
403	TVA Analyzers	20,000	20,000	20,000	20,000	20,000
403	Aerocete		6,000	6,000	6,000	6,000
403	Minirae		6,400	6,400	6,400	6,400
403	Vapor Analyzers @\$10,000 Each		10,000	10,000	10,000	10,000
802	Air Monitoring Instruments	129,782				
802	Relocatable Air Monitoring Station	178,682	158,720	164,360	132,150	
802	Build Out of Air Monitoring Station		38,000			
802	16 VPN CISCO Routers	8,000	38,000			
803	Polarizing Light Microscope	17,500				
803	Gas Chromatograph with FID/TCD	30,000				
803	Nitrogen/Zero Air Generator and Hydrogen Generator	18,480				
803	Oven, Temperature Controller, Microbalance Upgrade	5,500				
803	Building Upgrade to allow for gas generators to be housed in the lab storeroom.	11,000				
803	Replacement of Obsolete Instrumentation and Related Equipment		81,500	109,500	94,500	
803	Miscellaneous equipment (<\$3500)		11,000	11,000	11,000	11,000
804	Xontech 910 Sampler	7,920				
804	Hydrocarbon Analyzer	12,790				
804	Combination O2/CO2 Analyzer	8,250				
804	Replacement of Obsolete Instrumentation		45,067			
804	Replacement of Van Instrumentation and Related Equipment			86,000	98,000	
804	Replacement Obsolete Testing Equipment					25,000
805	Replacement of Obsolete Instrumentation and Related Equipment		10,000	10,300	15,609	25,000
807	Instruments for Quality Assurance audits	34,500	19,700	25,800	31,300	
807	Build out of Mobile Surveillance Van			9,000		
	Total Laboratory & Monitoring Equipment	\$598,404	\$454,387	\$468,360	\$434,959	\$113,400
Communications Equipment						
507	Communication Equipment		10,000	10,000	10,000	
	Total Communication Equipment		\$10,000	\$10,000	\$10,000	
Grand Total						
	Building & Grounds	324,894	345,890	332,750	350,000	350,000
	Furniture & Fixtures		338,000	306,880	108,000	68,000
	Computer & Network	286,000	346,000	566,500	247,000	67,000
	Motorized Equipment	148,788	168,980	157,200	152,750	150,700
	Lab & Monitoring	598,404	454,387	468,360	434,959	113,400
	Communication		10,000	10,000	10,000	
		\$1,358,086	\$1,663,257	\$1,841,690	\$1,302,709	\$749,100

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

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

From: Jack P. Broadbent
Executive Officer/APCO

Date: April 18, 2006

Re: Proposed Amendments to the District's Fee Regulation

RECOMMENDED ACTION:

Staff requests that the Committee recommend to the Board of Directors that staff proceed with proposed amendments to the District's fee regulation.

BACKGROUND

The District collects fees from regulated sources of air pollution to pay for the costs of implementing and enforcing regulatory programs to reduce air pollution from stationary sources. Under State law, the District has the authority to collect fees sufficient to recover the full costs of these programs.

A study of fee revenue, and regulatory program activity costs, was completed last year for the District by the accounting firm Stonefield Josephson, Inc. (*Bay Area Air Quality Management District Cost Recovery Study, Final Report; March 30, 2005*). This Cost Recovery Study concluded that, on an overall basis, existing fee revenue is far less than regulatory program activity costs. For example, for FY 2003-2004, the deficit between costs and revenue, after allocation of direct and indirect expenses, was approximately \$13 million. The Study recommended that, if this revenue gap is to be reduced, fees should be increased by more than annual cost of living adjustments over a period of time.

Last June, the Board adopted amendments to the District's fee regulation for FY 2005-2006 that enabled the District to address increasing regulatory program activity costs, and reduce the cost recovery gap. The adopted fee amendments increased projected fee revenue by approximately \$1.4 million relative to the prior fiscal year. In order to address fee equity issues, the individual Fee Schedules were amended based on the magnitude of the cost recovery gap identified in the Cost Recovery Study. Fee Schedules with the largest cost recovery gaps were increased by 15 percent (the largest permit fee increase in a single year allowed by law); Schedules with less significant gaps, and most administrative fees, were increased by five percent; Schedules with no cost recovery gaps were not increased.

PROPOSED FEE AMENDMENTS FOR FY 2006-2007

Staff has prepared proposed fee regulation amendments for the upcoming Fiscal Year 2006-2007 that would continue to implement the recommendations of the Cost Recovery Study by increasing fees in a similar manner to last year's fee amendments. Under this proposal, the individual Fee Schedules would be increased by the same percentages as they were last year. In addition, various administrative fees would be increased by 5 percent as they were last year.

The proposal would result in an overall increase in projected fee revenue of about \$1.8 million, representing an increase of about 8½ percent (for reference, there was a 2.1 percent increase in the annual Consumer Price Index for the California Bay Area from calendar year 2004 to 2005, as reported by the California Department of Industrial Relations, Division on Labor Statistics and Research). Staff will recommend that the proposed fee amendments be made effective on July 1, 2006.

Staff will provide the committee with additional details regarding the proposed fee amendments, and their impact on affected facilities, at the committee meeting on April 26, 2006.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Brian Bateman
Reviewed by: Peter Hess