



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

CHRIS DALY – CHAIRPERSON
HAROLD BROWN
JERRY HILL
TIM SMITH
GAYLE B. UILKEMA

MICHAEL SHIMANSKY - VICE CHAIRPERSON
SCOTT HAGGERTY
PATRICK KWOK
PAMELA TORLIATT

WEDNESDAY
APRIL 25, 2007
9:30 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 26, 2007

4. THIRD QUARTER FINANCIAL REPORT FOR FISCAL YEAR 2006/2007

J. McKay/4629
jmckay@baaqmd.gov

The financial report for the third quarter of fiscal year 2006/2007 will be presented. This is an informational item.

5. CONTINUED DISCUSSION OF PROPOSED BUDGET FOR FISCAL YEAR 2007/2008 J. McKay/4629
jmckay@baaqmd.gov

The Committee will continue discussion on the proposed budget for Fiscal Year 2007/2008.

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 – MAY 23, 2007 - 9:30 A.M. – 939 ELLIS STREET, SAN FRANCISCO, CA 94109

8. ADJOURNMENT

CONTACT CLERK OF THE BOARD - 939 ELLIS STREET SF, 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 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 Daly and
Members of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: April 12, 2007

Re: Budget and Finance Committee Draft Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of March 26, 2007.

DISCUSSION

Attached for your review and approval are the draft minutes of the March 26, 2007 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
(415) 749-5000**

DRAFT MINUTES

Summary of Board of Directors
Budget & Finance Committee Meeting
9:00 a.m., Monday, March 26, 2007

1. **Call to Order:** Chairperson Chris Daly called the meeting to order at 9:10 a.m.

Roll Call: Chris Daly, Chair; Scott Haggerty (9:16 a.m.), Jerry Hill (9:29 a.m.), Patrick Kwok, Michael Shimansky, Tim Smith (9:27 a.m.), Pamela Torliatt (9:45 a.m.). A quorum was not present on roll call.

Absent: Harold Brown, Gayle B. Uilkema.

Also Present: Mark Ross (9:33 a.m.).

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

3. **Update on the Cost Recovery Study:** *Staff provided a status report on the Cost Recovery Study. This is an informational item only.*

Brian Bateman, Director of Engineering, presented the report, provided background information on the Study, and stated that the Cost Recovery Study compares the costs of regulatory program activities with the associated fee revenue. Mr. Bateman discussed the methodology used for the 2007 Study and noted that timesheet data is used to allocate direct and indirect costs to individual revenue sources.

Director Scott Haggerty arrived at 9:16 a.m.

Mr. Bateman presented a chart showing the results of the study on the overall fee revenue and program costs for fiscal years 2004, 2005 and 2006. Mr. Bateman discussed the fiscal year 2006 general fund revenue by category and noted that \$19.8 million in county revenue is expected. A review of the fiscal year 2004 to 2006 average fee revenue and costs by fee schedule shows that Schedule P has the largest gap and then Schedule D. Schedule P relates to Title V facilities where federal operating permits are issued for large facilities and there is a lot of work involved in keeping the permits up-to-date.

Schedule D relates to gasoline marketing and there is a state-wide program with a ten year horizon to replace vapor recovery equipment at gasoline dispensing facilities. The program results in more work for the Air District staff. Mr. Bateman noted that there are several schedules that do not have a cost recovery gap.

With the arrival of Director Tim Smith at 9:27 a.m., Chair Daly requested a roll call:

Present: Chair Daly, Scott Haggerty, Patrick Kwok, Michael Shimansky, Tim Smith.
Absent: Harold Brown, Jerry Hill, Pamela Torliatt, Gayle B. Uilkema.

- 4. Approval of Minutes of February 28, 2007:** A quorum of the Committee was present and Director Shimansky moved approval of the minutes; seconded by Director Kwok; carried unanimously without objection.

Director Jerry Hill arrived at 9:29 a.m.

In response to a question from Director Kwok, Brian Bunger, Counsel noted that there is a restriction to an increase of fees of no more than 15% per year.

- 5. Proposed Amendments to District's Fee Regulation:** *The Committee considered recommending to the Board of Directors that staff proceed with the proposed amendments to the District fee regulations.*

Mr. Bateman completed his presentation on agenda item 4 by reviewing the process for completion of the 2007 Cost Recovery Study.

Board Chair Mark Ross arrived at 9:33 a.m.

In response to a question from Director Shimansky, Mr. Bateman stated that the District will receive a copy of the Study when it is completed. In response to a question from Director Hill, Mr. Bateman noted that fees are higher in other districts because they do not receive county tax revenue.

Mr. Bateman then provided background information on the proposed fee regulation amendments under agenda item 5. The proposed amendments are similar to those adopted last year, overall fee revenue would be increased by approximately 6% (\$1.4 million) from revenue projected for the current fiscal year, and the proposed amendments would target the Fee Schedules with the most significant cost recovery gaps for the largest fee increases.

In response to Chair Daly's question regarding a 50% increase in refinery flare permit fees, Mr. Bateman stated that the 15% does not need to be applied on the basis of an individual source level. All of the refineries will have overall increases in their fees of less than 15%.

Director Pamela Torliatt arrived at 9:45 a.m.

Mr. Bateman reviewed examples of permit renewal fee increases for several different types of sources and outlined the rule development schedule. There will be two public hearings on the proposed amendments because the non-permitted fee increases proposed require two public hearings. The public hearings are scheduled for May 2nd and June 2, 2007. The amendments would be effective July 1, 2007.

Speaker: The following individual spoke on agenda item 4:

Dennis Bolt
Western States Petroleum Association

Committee Action: Director Shimansky moved that the Committee recommend to the Board of Directors that staff proceed with proposed amendments to the District's fee regulation; seconded by Director Kwok; carried unanimously without objection.

6. Draft Budget for Fiscal Year 2007/2008: *Staff presented to the Committee the proposed budget for Fiscal Year 2007-08.*

Jack Broadbent, Executive Officer/APCO, stated that the fiscal year 2008 budget is balanced and is based on the fee increases that were just presented. The budget is designed to continue and enhance a number of programs at the District, including those discussed at the Retreat (wood smoke, climate change, CARE and a port rule). Mr. Broadbent briefly reviewed the increase of 2.4 full time employees (FTE's).

Jeff McKay, Chief Financial Officer, introduced the new Finance Manager, Linda Serdahl. Mr. McKay discussed the fiscal challenges facing the Air District and reviewed the deferred maintenance items. The CARE Program, Climate Protection Program, and enhanced outreach for the Wood Smoke Program were discussed regarding increased personnel in these areas.

The proposed budget for fiscal year ending 2008 was presented to the Committee and Mr. McKay reviewed revenue and expenditure items. Mr. McKay noted that the District interest income has increased substantially.

Committee Action: The Committee provided direction to staff on several items. Further information will be brought back to the Committee at its next meeting.

There were no public speakers on this agenda item.

Closed Session

7. Conference with District Labor Negotiator

District's Representative: Jack P. Broadbent, Executive Officer/APCO
Employee Organization: Bay Area Air Quality Management District Employees' Association

Pursuant to Government Code Section 54957.6, a need existed to meet in closed session to discuss collective bargaining matters.

The Committee convened to Closed Session at 10:37 a.m.
The Committee reconvened to Open Session at 10:50 a.m.

Mr. Bunger stated that the Committee received a report from staff and the Committee provided general direction to staff on the agenda item.

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

9. Time and Place of Next Meeting: 9:30 a.m., Wednesday, April 25, 2007 – 939 Ellis Street, San Francisco, CA 94109

10. Adjournment: The meeting adjourned at 10:59a.m.

Mary Romaidis
Clerk of the Boards

BAY AREA AIR QUALITY MANGEMENT DISTRICT

Memorandum

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

From: Jack P. Broadbent
Executive Officer/APCO

Date: April 16, 2007

Re: Third Quarter Financial Report – Fiscal Year 2006-07

RECOMMENDED ACTION:

Informational report. Receive and file.

DISCUSSION

GENERAL FUND BUDGET: STATEMENT OF REVENUE

Comparison of Budget to Actual Revenue

- County Revenue receipts were \$10,007,628 (55.09%) of budgeted revenue.
- Permit Fee receipts were \$13,375,421 (72.19%) of budgeted revenue.
- Title V Permit Fees were \$1,434,275 (61.9%) of budgeted revenue.
- Asbestos Fees were \$1,152,683 (71.27%) of budgeted revenue.
- Toxic Inventory Fees were \$236,728 (44.22%) of budgeted revenue.
- Penalties and Settlements were \$2,582,648 (129.13%) of budgeted revenue.
- Miscellaneous Revenue receipts were \$230,336 (48.94%) of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

- Salaries and Benefits were \$28,063,815 (73.60%) of budgeted expenditures.
- Operational Services and Supplies were \$6,379,421 (50.15%) of budgeted expenditures.
- Capital Outlay was \$1,632,164 (55.36%) of budgeted expenditures.

TFCA FUND: STATEMENT OF INCOME AND EXPENDITURES

- Total Revenue was \$5,580,824 (58.19%) of budgeted revenue and expenditures.
- In keeping with TFCA Fund requirements, expenditures must equal revenue.

- Salary and Benefits were \$1,173,652 (52.34%) of budgeted expenditures.
- Operational Services and Supplies were \$4,407,172 (47.55%) of budgeted expenditures.

FUND BALANCES

FUND BALANCES	6/30/2005 Audited	6/30/2006 Audited	6/30/2007 Projected
SPECIAL RESERVES:			
Reserve for Imprest Cash (Cash Revolving Fund)	\$1,200	\$1,200	\$500
Reserve for Building and Facilities	2,894,175	2,693,550	1,810,315
Reserve for PERS Funding	3,500,000	3,500,000	3,100,000
Reserve for Radio Replacement	3,500,000	3,500,000	75,000
Reserve for State Ozone Modeling Plan	350,000	0	0
Reserve for Climate Protection	0	0	3,000,000
Reserve for Production System (Best of Breed)	500,000	250,000	1,250,000
Reserve for Prior Year Adjustments	15,000	15,000	15,000
Reserve for Capital Equipment	378,000	130,425	130,425
Reserve for Encumbrances	1,760,075	2,466,145	2,466,145
Reserve for Contingencies	400,000	400,000	400,000
Reserve for Workers Compensation Self Funding	1,000,000	1,000,000	1,000,000
TOTAL SPECIAL RESERVES:	14,298,450	13,956,320	13,247,385
MULTI-YEAR APPROPRIATIONS:			
Appropriation – Production System	1,485,743	1,552,141	1,552,141
Appropriation - Other	37,053	0	0
TOTAL MULTI-YEAR APPROPRIATIONS:	1,522,796	1,552,141	1,552,141
UNDESIGNATED:	8,733,272	12,934,168	11,934,168
TOTAL FUND BALANCES	\$24,554,518	\$28,442,629	\$26,733,694

BUDGET CONSIDERATION/FINANCIAL IMPACT:

No impact on Fiscal Year 2006/2007 budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Linda J. Serdahl, CPA, CFE

Reviewed by: Jeffrey McKay

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 17, 2007

Re: Continued Discussion of Fiscal Year 2007/2008 Proposed District Budget and
Consideration of Recommended Adoption

RECOMMENDED ACTION:

Consider recommending Board of Directors adoption of the proposed fiscal year 2007/2008 Budget.

BACKGROUND:

As directed by Chairperson Ross at the March 21, 2007 regular Board of Directors' meeting, the proposed Fiscal Year 2007/2008 Budget document was reviewed by the Budget and Finance Committee at its March 26, 2007 meeting.

DISCUSSION:

Staff presented the proposed budget for Fiscal Year 2007/2008 at the March 26, 2007 Budget & Finance Committee meeting. 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 \$67.5 million. Proposed consolidated expenditures are \$67.5 million. Proposed capital requests are \$2,557,707. The proposed budget includes a staff increase of 2.4 FTE.

Staff was directed to review and report back to the Committee on the following items:

- Projected costs associated with changes in staff
- Trends in contributions to reserves

Staff will present information on these items at the April 25, 2007, Committee meeting.

Staff published, prior to April 16, 2007, a notice to the general public that the first of two public hearings on the budget will be conducted on May 16, 2007 and that the second hearing will be conducted on June 6, 2007.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

The proposed consolidated budget for FY 2007/2008 is \$67,536,734.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeff McKay

Attachment: (1)