



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
JULY 18, 2007
9:30 A.M.

FOURTH FLOOR CONFERENCE ROOM
DISTRICT OFFICES

REVISED 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 MAY 23, 2007

4. TARGETED RESERVE ALLOCATION RECOMMENDATION

J. McKay/4629

jmckay@baaqmd.gov

The Committee will receive an update on the staff's review of reserve targets and provide a recommendation for reserve targets at the Air District.

5. ADDITION OF THREE POSITIONS FOR THE GRANTS PROGRAM

J. McKay/4629

jmckay@baaqmd.gov

The Committee will consider recommending Board of Directors' approval of the addition of three new positions to staff the Grants Program.

6. STATUS REPORT ON CARL MOYER AUDITS AND INTERIM RESOURCE FUNDING REQUEST

J. Broadbent/5052

jbroadbent@baaqmd.gov

Staff will present a status report on the Carl Moyer Program audits and the Committee will consider recommending Board of Directors approval of funding for additional consultant efforts to assist staff with audit related activities.

7. REQUEST TO ESTABLISH DESIGNATED RESERVES AND TO TRANSFER FUNDS FOR A CLEANER BURNING TECHNOLOGY INCENTIVES PROGRAM

K. Wee/4760

kwee@baaqmd.gov

Staff is requesting to establish a Designated Reserve of \$500,000 for a Cleaner Burning Technology Incentives Program that will provide monetary incentives for the conversion of high emitting wood stoves and fireplaces to cleaner burning technology and to transfer \$500,000 from the Undesignated Reserves to this new special reserve.

8. 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).

9. TIME AND PLACE OF NEXT MEETING – SEPTEMBER 26, 2007 - 9:30 A.M. – 939 ELLIS STREET, SAN FRANCISCO, CA 94109

10. 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: May 7, 2007

Re: Budget and Finance Committee Draft Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of April 25, 2007.

DISCUSSION

Attached for your review and approval are the draft minutes of the April 25, 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
9:30 a.m., Wednesday, April 25, 2007

1. **Call to Order:** Chairperson Chris Daly called the meeting to order at 9:31 a.m.

Roll Call: Chris Daly, Chair; Harold Brown (arrived at 9:42 a.m.), Scott Haggerty, Jerry Hill, Patrick Kwok, Michael Shimansky, Pamela Torliatt (arrived at 9:45 a.m.), Gayle B. Uilkema.

Absent: Tim Smith.

Also Present: Mark Ross, John Silva, Carol Klatt (9:38 a.m.), Jake McGoldrick (9:55 a.m.).
2. **Public Comment Period:** There were none.
3. **Approval of Minutes of March 26, 2007:** Director Hill moved approval of the minutes; seconded by Director Haggerty; carried unanimously without objection.
4. **Third Quarter Financial Report for Fiscal Year 2006/2007:** *Staff provided a presentation on the Third Quarter Financial Report for FY 2006/2007. This was an informational item only.*

Director Carol Klatt arrived at 9:38 a.m.

Jeff McKay, Director of Finance, Administration & Information Systems, presented the report, provided background information on the report which included the following:

- Comparison of Budget to Actual Revenue;
- Comparison of Budget to Actual Expenditures;
- TFCA Fund: Statement of Revenue and Expenditures (Comparison of Budget to Actual); and
- Fund Balances

Mr. Broadbent, Executive Officer/APCO noted that the Air District will have additional settlement revenues that will come in leaving the Air District in a sound financial position.

Director Shimansky expressed concerned over the Reserve for PERS Funding, noting that he noticed the amount was lower than previous years. Mr. McKay's response was that this was due to a change in the Air District's Super Funding status in the amount of about \$400K.

Director Harold Brown arrived at 9:42 a.m.

5. Continued Discussion of Proposed Budget for Fiscal Year 2007/2008: *The Committee continued discussions on the proposed budget for Fiscal Year 2007/2008.*

Jack Broadbent, Executive Officer/APCO, summarized briefing provided to the Committee at the March 26, 2007 meeting and noting the cost for proposed staff changes and growth.

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

The budget is designed to continue and enhance a number of programs at the District. Mr. McKay noted an increase of 2.4 full time employees (FTE's). In addition to the increase of the full time employees, Mr. McKay provided information regarding the position changes. As a follow up to the Committee's request, Mr. McKay also provided information on the increase in reserves from \$2.6M in 1998 to \$28.4M currently. In addition, Mr. McKay noted that the expenditures have been below budget by 3%.

Director Kwok asked Mr. McKay what is the breaking point for the trends of reserves, is it \$50M or \$70M. Mr. McKay's response was that the reason the cap was set is due to county revenues, inflation and unfunded medical.

Director McGoldrick arrived at 9:55 a.m.

6. Committee Member Comments/Other Business. Director Uilkema expressed concerns and noted that perhaps the Air District should start their contributions to Other Public Employee Benefits (OPEB) sooner rather than later. Mr. Broadbent agreed with Director Uilkema and noted that the Air District will report back to the Committee within the next 6 months.

Committee Action: Director Torliatt moved that the Committee recommend that the Board of Directors adopt the proposed Fiscal Year 2007/2008 budget, upon completion of public hearings; seconded by Director Kwok; carried unanimously without objection.

7. Time and Place of Next Meeting: TBD – 939 Ellis Street, San Francisco, CA 94109

8. Adjournment: The meeting adjourned at 10:07a.m.

Vanessa Johnson
Acting 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: July 11, 2007

Re: Targeted Reserve Allocation Recommendation

RECOMMENDED ACTION:

Receive and file.

BACKGROUND

The Air District reserves have improved since FY 2000, and are now in the range recommended by the Government Financial Officer's Association's (GFOA). The Committee has requested that staff review reserve targets at similar organizations, and to provide a recommendation for reserve targets at the Air District.

DISCUSSION

The Air District has reviewed Reserve practices at local cities and counties. A survey of other Air Districts was also conducted. Based on staff's review, the GFOA's recommendation of 15% in undesignated reserves is a common minimum target throughout the organizations surveyed. In addition, most organizations maintain a minimum target for designated funds used for one time expenditures.

Staff will present a recommendation to the Committee for a minimum undesignated reserve of 15% and will also discuss minimum targets for designated funds. Finally, staff will provide recommended processes in the event of Reserves falling below the targeted minimums.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Linda Serdahl
Reviewed by: Jeff McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

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

From: Jack P. Broadbent
Executive Officer/APCO

Date: July 12, 2007

Re: Addition of Three Positions for the Grants Program

RECOMMENDATION:

Recommend Board of Directors approval of the addition of three new positions to staff the Grants Program.

BACKGROUND

Pursuant to a series of audits of the Air District's Grants Program, it has become apparent that staffing needs to be increased in order to ensure that the Grants Program is administered properly and in accordance with applicable guidelines and requirements. The amount of money that is administered through the Grants Program has increased dramatically over the past four years resulting in increased workload associated with the Grants Program. Indeed, one of the recommendations from the audits is to increase the staff level in the Grants Program in acknowledgment of the volume of grant funds being administered.

DISCUSSION

Staff recommends the addition of 1 Air Quality Program Manager to manage the Grants Program. Currently, an Assistant Counsel from the Legal Division manages the Grants Program in an acting capacity. The Assistant Counsel is a Manager and can assist the Grants Program for a limited time, but it is necessary to create a new position to manage the Program permanently.

Staff also recommends the addition of 2 Administrative Analyst positions to coordinate and handle administrative functions of the Grants Program. The positions would coordinate with the Finance section to ensure proper project and program accounting as well as compliance with statutory and regulatory program requirements. The addition of the 2 positions will enable the Program's project staff to re-focus on the core grant work, including evaluation of grant applications, emission calculations and field compliance monitoring. Providing additional staffing will also allow for a broader distribution of the core workload, which has increased significantly with the increased grant funding received by the Air District.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

The cost of adding the 3 positions is approximately \$347,137 annually. The cost will be mitigated somewhat by the elimination of 1 management position in the Finance, Administration, and Information Systems Division upon the expected retirement of one manager later this year, resulting in an annual savings of approximately \$113,232. Funding for the new positions in the current fiscal year will be covered by the management of current personnel vacancy salary savings.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Michael K. Rich

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: July 11, 2007

Re: Status of Carl Moyer Program Audit Reports and Interim Resource Funding

RECOMMENDED ACTION:

Consider recommending Board of Directors' approval to authorize the Executive Officer/APCO to solicit bids and execute agreements to assist staff to carry out the functions of the Carl Moyer Program and transfer \$900,000 from the General Reserve for this purpose and adjust the Air Districts' FY 2007/08 budget accordingly.

BACKGROUND

In March of 2006, Senator Dean Florez requested that the Bureau of State Audits (BSA) conduct a performance audit on management of programs that administer State Carl Moyer Program funding. The request was directed towards programs implemented by the Air Resources Board (ARB) and four Air Districts: the South Coast Air Quality Management District, the San Joaquin Air Pollution Control District, the Sacramento Metropolitan Air Quality Management District and the Bay Area Air Quality Management District. The request indicated three areas of focus: the efficiency and equity of the application process, the effectiveness of project selection and funding distribution in emission reduction and public health protection, and the availability and quality of public information and public outreach to ensure participation.

Following the request from Senator Florez, the ARB announced that it would also perform project audits of the Carl Moyer Program at the four Air Districts (the first audit in the nine year history of the program). The ARB also requested that the Department of Finance (DOF) conduct the financial portion of the ARB audit. The BSA and ARB audits occurred simultaneously.

DISCUSSION

Staff will present the Air District's plan of action in response to the audits. Plans include remediation of past project files, implementation of new controls, reallocation of matching funds, acceleration of Moyer processes, and review of outreach.

A key element of the audit findings is the need to increase staffing to better manage the number of grants and the amount of grant funds distributed. Accordingly, staff has presented a request for increased staffing. However, the current requirement for improved controls for ongoing grant projects, and the simultaneous requirement for remediation of prior grant awards drive a

need for interim resources. These resources will be deployed in a variety of tasks related to the audits of the Carl Moyer Program as will be described by staff.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

If approved, \$900,000 will be transferred from the General Reserve for this purpose and an adjustment of the Air District's FY 2007/08 budget, will be made accordingly. Funds for this work will be budgeted not to exceed \$900,000.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeff 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: July 18, 2007

Re: Request to Establish a Designated Reserve and to Transfer Funds for a
Cleaner Burning Technology Incentives Program

RECOMMENDED ACTION:

Consider recommending that the Board of Directors designate a Reserve for a Cleaner Burning Technology Incentives Program and fund the new Reserve with a transfer of \$500,000 from Undesignated Reserves.

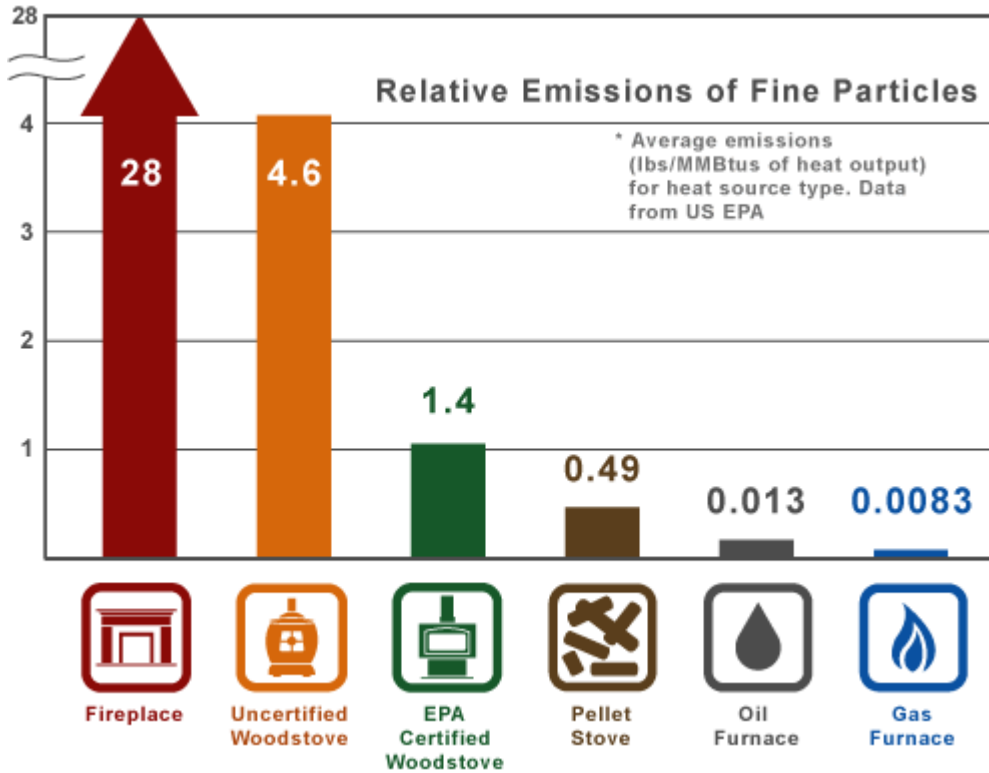
BACKGROUND

Wood smoke generated from 1.1 million homes in the Bay Area is a large source of fine particulate matter (PM_{2.5}). Air District research indicates that fine particulate matter from wood smoke comprises upward of 30% of the peak PM_{2.5} levels during the winter months of November through February. As the Air District will be non-attainment for the 24-hour PM_{2.5} National Ambient Air Quality Standard, reductions in wood smoke emissions will be necessary to achieve clean air in the San Francisco Bay Area. A regulation will be considered later this year to require mandatory curtailment of wood burning when the District predicts exceedances of the 24-hour PM_{2.5} National Ambient Air Quality Standard. In order to obtain additional wood smoke reductions on an ongoing basis, Air District staff is proposing a financial incentive program to encourage the replacement of high emitting fireplaces and old wood stoves with more modern, EPA certified devices and natural gas fueled devices.

DISCUSSION

Cleaner burning technology promoted through a “Wood Stove Change-out” program will provide Bay Area residents with financial incentives ranging from \$100 to \$600 to upgrade their current wood burning devices and fireplaces. Conventional fireplaces and uncertified wood stoves emit significantly more PM_{2.5} than low emission EPA certified devices and natural gas fired devices and pellet stoves. (See Figure 1.)

Figure 1: Comparison of PM_{2.5} Emission Rates



In order to reduce wood smoke PM_{2.5} emissions in the Bay Area, the Air District is proposing a financial incentive program to encourage the change-out of dirty technology for newer, low emission technology. Staff has examined PM_{2.5} emissions rates, energy efficiency, green house gas impacts, and random telephone survey results¹ as factors in setting the incentive amounts. The amounts shown in Table 2 are to convert from either a conventional fireplace or an old, non-EPA certified wood burning device to a cleaner burning technology.

Table 2: Cleaner Burning Technology Incentive Amounts

Device	Incentive	Emissions
Nat Gas Log Set	\$100	Very Good
EPA Certified Wood Stove or Insert	\$300	Good
Nat Gas Stove or Insert	\$500	Very Good
Pellet Stove or Insert	\$600	Fair

¹ Random telephone survey results for 2006 & 2007 indicated that 22% of the respondents would be willing to voluntary upgrade to a cleaner wood burning device if a \$500.00 incentive were offered.

The initial incentive amounts listed in Table 2 were developed based on other similar incentive programs in California and the Air Districts' own, limited change-out programs. Amounts may need to be adjusted in the future in order to stimulate demand on the part of the public.

Interested members of the public will submit an application to the Air District to pre-approve the incentive amount. The pre-approved incentive will be encumbered through a voucher process and will be available to members of the public that purchase a product through retailers or to "do-it-yourself" applicants. Additional financial incentives may be available from retailers that belong to the Hearth Products and Barbeque Association (HPBA). The Air District has been working in close coordination with HPBA to offer the best incentive program possible to the residents of the Bay Area. Following verification that the conversion was completed and the old device was destroyed, a check to the applicant will be sent out for the pre-approved incentive amount. The program will begin this winter with incentives offered to the public in January 2008.

BUDGET CONSIDERATION

Staff will present the recommended Reserve transfer and its effect on Air District Reserve funds. The transfer will have no budget impact.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Eric Pop
Reviewed by: Jeffery McKay and Kelly Wee