



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
PAMELA TORLIATT

WEDNESDAY
DECEMBER 12, 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 SEPTEMBER 26, 2007

4. FIRST QUARTER FINANCIAL REPORT FOR FISCAL YEAR 2007/2008

J. McKay/4629

jmckav@baaqmd.gov

The financial report for the first quarter of fiscal year 2007/2008 will be presented. This will be an informational item.

5. UPDATE ON OTHER-THAN-PENSION POST-EMPLOYMENT BENEFITS (OPEB) AND AIR DISTRICT USE OF CalPERS AS FUNDING AGENT

J. McKay/4629

jmckav@baaqmd.gov

The Committee will consider recommending that the Board of Directors authorize the Executive Officer/APCO to execute agreements to Pre-Fund Air District "Other Post Employment Benefits" (OPEB) through CalPERS, and provide an initial contribution of \$2,800,000 from the Designated Reserve.

6. CONSIDERATION OF TRANSFER OF FUNDS FROM DESIGNATED RESERVES

J. McKay/4629

jmckav@baaqmd.gov

The Committee will consider recommending that the Board of Directors approve staff's recommendation to transfer funds from the designated Reserve for the Cleaner Burning Technology Incentives Program and a corresponding increase to Program 302 budget; and a transfer from the designated Reserve for Climate Protection and a corresponding increase to Program 608 budget.

7. CONSIDERATION OF RESOURCE FUNDING FOR IT INFRASTRUCTURE TO SUPPORT BUSINESS CONTINUITY

J. McKay/4629

jmckay@baaqmd.gov

The Committee will consider recommending that the Board of Directors approve staff's recommendation to authorize the Executive Officer/APCO to execute agreements and issue Purchase Orders not to exceed \$600,000 to enhance Information Systems reliability and efficiency.

8. CONSIDERATION OF AMENDMENT OF THE FY 2007/2008 BUDGET TO RECOGNIZE INCREASED REVENUE UNDER AN ENVIRONMENTAL PROTECTION AGENCY (EPA) GRANT

J. McKay/4629

jmckay@baaqmd.gov

The Committee will consider recommending that the Board of Directors amend the FY 2007/2008 Budget to recognize increased revenue under an Environmental Protection Agency Grant, and authorize the Executive Officer/APCO to issue purchase orders not to exceed \$185,000 for monitoring equipment.

9. 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).

10. TIME AND PLACE OF NEXT MEETING – JANUARY 23, 2008 - 9:30 A.M. – 939 ELLIS STREET, SAN FRANCISCO, CA 94109

11. 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
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, September 26, 2007

1. **Call to Order:** Chairperson Chris Daly called the meeting to order at 9:36 a.m.

Roll Call: Chris Daly, Chair; Patrick Kwok (9:45 a.m.), Michael Shimansky, Pamela Torliatt, Gayle B. Uilkema.

Absent: Harold Brown, Scott Haggerty, Jerry Hill, Tim Smith.

Also Present: Board Chair Mark Ross.

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

3. **Approval of Minutes of July 18, 2007:** Director Shimansky moved approval of the minutes; seconded by Director Uilkema; carried unanimously without objection.

4. **Fourth Quarter Financial Report:** *Staff presented to the Committee the fourth quarter financial report for Fiscal Year 2006-07.*

Jeff McKay, Chief Financial Officer, presented the report and stated that the figures reflected are as of June 30, 2007. Mr. McKay reviewed the General Fund Statement of Revenue and Statement of Expenditures. In response to a question by Chair Daly regarding the amount under penalties and settlements, Brian Bunger, Counsel, stated that \$2.85 million was received as a settlement from one refinery. The Transportation Fund for Clean Air (TFCA) statement of revenue and expenditures was reviewed. An overview of the Fund Balances was provided to the Committee.

Director Patrick Kwok arrived at 9:45 a.m.

Mr. McKay stated that the next audit is scheduled for December 2007. Director Ross requested a comparison of projected expenses and actual expenditures.

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

5. **Facilities Update and Review:** *Staff provided information and a status report on the Air District's existing facilities and the challenges associated with District growth.*

Jack Broadbent, Executive Officer/APCO, introduced the item and stated that the Air District is facing challenges with office space to accommodate growing staff. Mr. McKay presented the report and discussed the challenges regarding space utilization and updated the Committee on previously approved facilities upgrades.

Mr. McKay provided information on leasing additional space at the Richmond satellite office. Long-term options include moving the Technical Division lab offsite; move the Board of Directors meeting room offsite; or build, purchase, or lease a new, green facility. A long-term plan will be presented to the Committee at a future date.

Discussion items included:

- Look at space in the area near the District offices;
- Look at facilities that previously housed labs;
- Issues surrounding toxic clean-up;
- Tenant improvements;
- Leasing versus buying;
- Director Torliatt requested a copy of the lease for the Richmond facility;
- Space needs for the District for a five to ten year period;
- Increase in the size of the Board of Directors; and
- Security needs for satellite office.

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

6. **Deletion of Fleet and Facilities Manager Position:** *The Committee considered recommending to the Board of Directors deletion of the Fleet & Facilities Manager position.*

Mr. McKay presented the report and stated that the upcoming retirement of the current Fleet and Facilities Manager provides the Air District with an opportunity to make organizational changes regarding the administrative functions of the Air District. The deletion of the position would consolidate departments, provide an appropriate span of control, vendor management would be focused in the Business Office, and there would be opportunity for staff career development. Staff recommended that the Committee recommend Board of Directors approval to delete the Fleet and Facilities Manager position.

Committee Action: Director Ross moved the staff recommendation; seconded by Director Torliatt; carried unanimously without objection.

7. **Addition of Deputy Air Pollution Control Officer Position:** *The Committee considered recommending to the Board of Directors the addition of a new Deputy Air Pollution Control Officer position.*

Mr. Broadbent presented the report and reviewed the justification for adding a third Deputy APCO position. Mr. Broadbent provided an overview of the changes and stated that they would consolidate administrative functions, improve organizational efficiencies, create a District-wide audit function, and increase the span of control characteristic of a DAPCO. An organizational chart with the proposed changes was presented to the Committee.

Committee Action: Director Uilkema moved that the Committee recommend Board of Director approval of the creation of a third Deputy Air Pollution Control Officer position; seconded by Director Shimansky.

There was discussion regarding disbursement of the \$7 Million the District will receive from the Attorney General and that the Grant Program and the Climate Protection Program, will continue to grow. The motion then passed unanimously without objection.

8. **Committee Member Comments/Other Business.** There were none.
9. **Time and Place of Next Meeting:** 9:30 a.m., Wednesday, October 24, 2007 – 939 Ellis Street, San Francisco, CA 94109
10. **Adjournment:** The meeting adjourned at 10:45a.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: December 4, 2007

Re: First Quarter Financial Report – Fiscal Year 2007-08

RECOMMENDED ACTION:

Informational report. Receive and file.

DISCUSSION

GENERAL FUND BUDGET: STATEMENT OF REVENUE

Comparison of Budget to Actual Revenue

- There were no County Revenue receipts received in the first quarter. The bulk of the revenue is received in January and June.
- Permit Fee receipts were \$7,934,004 (40.64%) of budgeted revenue.
- Title V Permit Fees were \$1,086,787 (47.83%) of budgeted revenue.
- Asbestos Fees were \$439,952 (25.30%) of budgeted revenue.
- Toxic Inventory Fees were \$236,784 (44.26%) of budgeted revenue.
- Penalties and Settlements were \$802,506 (35.67%) of budgeted revenue.
- Miscellaneous Revenue receipts were \$22,453 (5.04%) of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

- Salaries and Benefits were \$9,913,996 (24.86%) of budgeted expenditures.
- Operational Services and Supplies were \$2,218,461(13.04%) of budgeted expenditures.
- Capital Outlay was \$557,710 (11.45%) of budgeted expenditures.

TFCA FUND: STATEMENT OF INCOME AND EXPENDITURES

- Total Revenue was \$2,075,181 (16.14%) of budgeted revenue and expenditures.
- In keeping with TFCA Fund requirements, expenditures must equal revenue.
- Salary and Benefits were \$281,837 (13.27%) of budgeted expenditures.
- Operational Services and Supplies were \$1,793,345 (12.47%) of budgeted expenditures.

<u>FUND BALANCES</u>	<u>6/30/2006</u>	<u>6/30/2007</u>	<u>6/30/2008</u>
	<u>Audited</u>	<u>Unaudited</u>	<u>Projected</u>
SPECIAL RESERVES:			
Imprest Cash	\$1,200	\$500	\$500
Building and Facilities	2,693,550	1,810,315	1,510,315
PERS Funding	3,500,000	3,100,000	2,700,000
Radio Replacement	3,500,000	75,000	75,000
Climate Protection	0	3,000,000	3,000,000
OPEB Liability	0	0	2,800,000
Production System	250,000	1,250,000	1,250,000
Capital Equipment	130,425	130,425	130,425
Encumbrances	2,466,145	2,466,145	2,466,145
Contingencies	400,000	400,000	400,000
Workers Compensation	1,000,000	1,000,000	1,000,000
Cleaner Burning Technology	0	0	500,000
TOTAL SPECIAL RESERVES:	13,941,320	13,232,385	15,832,385
MULTI-YEAR APPROPRIATION			
Appropriation – Production System	1,552,141	152,141	152,141
UNDESIGNATED:	12,934,168	11,934,168	7,724,168
TOTAL FUND BALANCES	\$28,427,629	\$25,318,694	\$23,708,694

BUDGET CONSIDERATION/FINANCIAL IMPACT:

No impact on Fiscal Year 2007/2008 budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Linda J. Serdahl, CPA, CFE

Reviewed by: Jeffrey McKay

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: December 5, 2007

Re: Update on Retiree Medical Benefit Obligation and Use of CalPERS as
Pre-Funding Agent

RECOMMENDED ACTION:

Recommend that the Board of Directors authorize the Executive Officer/APCO to execute agreements to Pre-Fund Air District "Other Post Employment Benefits" (OPEB) through CalPERS, and provide an initial contribution of \$2,800,000 from the Designated Reserve.

BACKGROUND:

Each year the Air District accrues an increasing obligation for future retiree medical benefits. This obligation is referenced as the "Other Post Employment Benefit" (OPEB) obligation in contrast to the pension obligation. The Air District will be required to report this obligation as a liability in its financial statements. Although pre-funding of the OPEB obligation is not required, pre-funding has proven very advantageous for pension obligations.

DISCUSSION:

CalPERS has recently initiated a pre-funding plan for health care coverage obligations. This plan offers the benefit provided by CalPERS' high rate of investment return. The accrued OPEB obligation is an actuarially determined figure. Therefore, the annual pre-funding requirement can be significantly reduced when invested with CalPERS as opposed to with a general governmental investment portfolio.

In anticipation of the opportunity to pre-fund, the Air District allocated \$1,400,000 to a designated reserve in each of the two prior fiscal years. This amount is equivalent to the yearly increase in the Air District OPEB obligation for each of those years. The Air District now has the opportunity to move those reserves to a CalPERS fund. The Air District may continue to pre-fund the yearly obligation in each future budget year.

Although the Air District recently began allocating funds to pre-fund the yearly OPEB obligation, there is also a pre-existing obligation from prior years. Staff will provide recommendations for funding that pre-existing obligation at a future committee meeting.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

This recommendation will transfer \$2,800,000 from designated reserves for deposit in a CalPERS administered fund.

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: December 5, 2007

Re: Request to Approve Transfer of Funds from Designated Reserves and
Corresponding Increase to FY 07-08 Budget

RECOMMENDED ACTION:

Consider recommending that the Board of Directors approve the following:

- A.) A transfer of \$100,000 from the designated Reserve for the Cleaner Burning Technology Incentives Program and a corresponding increase of \$100,000 to the FY 07-08 Program 302 Community Outreach budget for fireplace and woodstove replacement;
- B.) A transfer of \$1,500,000 from the designated Reserve for Climate Protection and a corresponding increase of \$1,500,000 to the FY 07-08 Program 608 Climate Protection budget for Climate Protection Grant Awards.

BACKGROUND

Woodsmoke

At the July 18, 2007 Budget and Finance Committee meeting, staff presented the proposed Cleaner Burning Technology Incentives Program to encourage the replacement of high-emitting conventional fireplaces and older wood stoves with more modern, EPA-certified wood-burning devices or natural-gas fueled devices. Replacement of high-emitting fireplaces and stoves is recommended because the District likely will not meet the 24-hour Particulate Matter PM_{2.5} National Ambient Air Quality Standard, and wood smoke is a major component of PM_{2.5} during exceedence days. To fund this program, the Board of Directors approved the establishment of a Designated Reserve of \$500,000.

Climate Protection Grant Program

Air District staff issued a call for projects for the Climate Protection Grant Program from September 21, 2007 through November 9, 2007. Staff will present recommended grant awards to the Climate Protection Committee at the December 13, 2007 Committee meeting.

DISCUSSION

Woodsmoke

Cleaner burning technology promoted through a “Wood Stove Change-out” program will provide Bay Area residents with financial incentives ranging from \$300 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.

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} emission rates, energy efficiency, green house gas impacts, and random telephone survey results, as factors in setting the incentive amounts. The incentive amounts will be from \$300 to \$600 to convert from either a conventional fireplace or an older, non-EPA certified, wood burning device to a cleaner burning technology. The incentive amounts may need to be adjusted in the future in order to stimulate demand on the part of the public.

Staff is proposing to implement the incentives through a contractual arrangement similar to the mechanism used for the Air District’s Vehicle Buy Back Program. Staff is still developing incentive programs for “do-it-yourself” installations and situations where conventional fireplaces or uncertified wood stoves are completely removed from service. Staff proposes to bring forward those program details at a future Public Outreach Committee meeting.

Staff expects the incentives to be offered to the public in early 2008 and recommends an initial funding level of \$100,000 for the first phase of incentives.

Climate Protection Grant Program

A transfer of \$1,500,000 from the Reserve for Climate Protection to the Climate Protection Program (Program 608) will allow staff to proceed with establishing funding agreements with grant recipients, pending Board approval of the recommended projects;

BUDGET CONSIDERATION:

The FY 07-08 Community Outreach budget will increase by \$100,000 with the transfer from the designated Reserve for Cleaner Burning Technology Incentives, leaving a balance of \$400,000 in the reserve.

The FY 07-08 Climate Protection budget will increase by \$1,500,000 with the transfer from the designated Reserve for Climate Protection, leaving a balance of \$1,500,000 in the reserve.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Paul Hibser, Henry Hilken, Jeff McKay
Reviewed by: Jean Roggenkamp, Kelly Wee

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: December 4, 2007

Re: Resource Funding for IT Infrastructure to Support Business Continuity

RECOMMENDED ACTION:

Authorize the Executive Officer/APCO to execute agreements and issue Purchase Orders not to exceed \$600,000 to enhance Information Systems reliability and efficiency through server consolidation and other related methods in accordance with the FY 07-08 budget.

BACKGROUND

In January of 2007 the Air District embarked on a pilot effort to evaluate server consolidation through virtualization technology. Air District resources were used to engineer the new systems while employing limited contract support from AccessFlow Inc. to fill in knowledge gaps, and train Air District personnel on newer Virtual Server technologies.

Virtual server technologies are targeted for integration in the existing datacenter, and also for support of the new production system. These tools increase efficiency and reliability and also serve to reduce overall operational costs.

Access Flow Inc. was identified as a unique resource in this regard, as they are currently the leading systems integrator, supplier, installer and training resource for virtual server technology in the San Francisco bay area. The vendor performed well and the project was completed on time and on budget, allowing for successful proof of concept of the technology.

DISCUSSION

Staff will present the Air District plan and expected benefit for integrating virtualization technology into existing infrastructure and provide a breakdown of the costs.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

This expenditure is included in the FY 07-08 budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: John Chiladakis
Reviewed by: Jeff McKay

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: November 15, 2007

Re: Consider Amending the FY 2007/2008 Budget to Recognize Increased Revenue Under an Environmental Protection Agency Grant

RECOMMENDED ACTION:

Consider recommending that the Board of Directors amend the FY 2007/2008 Budget by increasing the Environmental Protection Agency (EPA) Grant Revenue for Particulate Matter 2.5 microns or less (PM_{2.5}) by \$185,000, and correspondingly increase the capital equipment budget for Air Monitoring (Program 802). In addition, authorize the Executive Officer/APCO to issue a purchase order for PM_{2.5} monitoring equipment not to exceed \$185,000 to meet EPA requirements that these funds be used for this purpose.

DISCUSSION

The EPA provided funding for purchase of sampling equipment designed to quantify PM_{2.5} in 1999. Since that time, the instrumentation used by the Air District is no longer manufactured and has reached the end of its useful life. The EPA recognized the need to provide funding to replace this sampling equipment and provided an additional \$185,000 in the Federal Fiscal year 2007 – 2008 PM_{2.5} Grant specifically designated to purchase new sampling equipment. As outlined by EPA, all replaced equipment will become the property of EPA for their designated use.

There is currently only one major manufacture of this sampling equipment, ThermoFisher Scientific. The Air District has negotiated a quote for \$170,980.53 to replace all Federal Reference Method PM_{2.5} sampling equipment currently in use in the air monitoring network. This quote includes a 15% discount from list price. The remaining funds from the grant increase will be used to purchase spare parts to support the new sampling equipment. Therefore, staff requests the Committee recommend that the Executive Officer/APCO be authorized to issue a Purchase Order not to exceed \$185,000 to ThermoFisher Scientific for purchase of this equipment and associated spare parts.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

Funds for this Budget Amendment and related purchase order are provided by an increase in the EPA PM_{2.5} Grant that will cover the entire cost of the monitoring equipment. There will be no financial impact on the Air District's general revenue resources.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Eric Stevenson
Gary Kendall