



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

CHRIS DALY – CHAIRPERSON
HAROLD BROWN
YORIKO KISHIMOTO
TIM SMITH
GAYLE B. UILKEMA

MICHAEL SHIMANSKY - VICE CHAIRPERSON
SCOTT HAGGERTY
MARK ROSS
PAMELA TORLIATT

WEDNESDAY
FEBRUARY 27, 2008
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 DECEMBER 12, 2007

4. SECOND QUARTER FINANCIAL REPORT – FISCAL YEAR 2007/2008

J. Colbourn/5192

jcolbourn@baaqmd.gov

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

5. DISTRICT FINANCIAL AUDIT REPORT FOR FISCAL YEAR 2006/2007

J.Colbourn/5192

jcolbourn@baaqmd.gov

Staff will provide an overview to the Committee on the Financial Audit Report for FY 2006/2007. This is an informational item.

6. DISCUSSION OF PROPOSED AMENDMENTS TO REGULATION 3: FEES

B. Bateman/4653

jbateman@baaqmd.gov

The Committee will receive a report from staff regarding the proposed amendments to the district fee regulations.

7. 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).

8. TIME AND PLACE OF NEXT MEETING – MARCH 26, 2008 - 9:30 A.M. – 939 ELLIS STREET, SAN FRANCISCO, CA 94109

9. ADJOURNMENT

CONTACT EXECUTIVE OFFICE - 939 ELLIS STREET SF, CA 94109

(415) 749-5127
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: February 20, 2008

Re: Budget and Finance Committee Draft Meeting Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of December 12, 2007.

DISCUSSION

Attached for your review and approval are the draft minutes of the December 12, 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, December 12, 2007

1. **Call to Order:** Chairperson Chris Daly called the meeting to order at 9:30 a.m.

Roll Call: Chris Daly, Chair; Jerry Hill, Michael Shimansky, Tim Smith, Pamela Torliatt, Gayle B. Uilkema (9:40 a.m.).

Absent: Harold Brown, Scott Haggerty.

Also Present: Board Chair Mark Ross.

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

3. **Approval of Minutes of September 26, 2007:** Director Shimansky moved approval of the minutes; seconded by Director Hill; carried unanimously without objection.

4. **Fourth Quarter Financial Report For Fiscal Year 2007/2008:** *Staff presented to the Committee the first quarter financial report for Fiscal Year 2007-08.*

Jeff McKay, DAPCO/Chief Financial Officer, presented the first quarter financial report for the fiscal years 2007/2008.

Director Uilkema arrived at 9:40 a.m.

Committee Action: The Committee accepted the report.

5. **Update on Other-Than-Pension Post-Employment Benefits (OPEB) and Air District Use of CalPERS As Funding Agent:** *The Committee considered 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 initial contribution of \$2,800,000 from the designated Reserve.*

Mr. McKay provided the Committee with an overview of OPEB.

Mr. McKay noted that the Air District provides funds to its retirees' medical, dental and vision. The Air District provides a maximum amount which is more than most retirees require, but a few of the retirees contribute a small amount, which is probably less than 10% of the retirees. At this time, the Air District is paying out a certain dollar amount of funds to

its existing retirees to cover their medical benefits. What the Air District has never done, is set aside money as the obligation accrues.

The Air District will begin reporting its liability on financial statements.

Mr. McKay concluded his presentation and asked the Committee if there were any questions.

Committee Action: Director Uilkema moved approval of staff recommendation 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 initial contribution of \$2,800,000 from the designated Reserve, seconded by Director Hill; carried unanimously without objection.

- 6. Consideration of Transfer of Funds from Designated Reserves:** *The Committee considered recommending to the Board of Directors approval to transfer funds from the designated Reserve for the Cleaner Burning Technology Incentives Program and a corresponding increase to Program 302 budget; and transfer from the designated Reserve for Climate Protection and a corresponding increase to Program 608 budget.*

Mr. McKay provided the Committee with his presentation, which included a Cleaner Burning Technology Incentive program request for funding and a proposed list of Climate Protection grant awards.

The Committee considered staff's request to transfer \$100,000 from the designated reserve for the Cleaner Burning Technology Incentives Program for fireplace and woodstove replacement incentives for the 2008 Wood Smoke campaign to begin January 15, 2008.

The Committee considered staff's request to transfer up to \$1.5 million from the designated reserve for Climate Protection. Upon considerable discussion the Committee unanimously voted to recommend approval of up to \$3 million dollars to program 608 Climate Protection for grants awards.

After a lengthy discussion, the Committee provided direction to staff with regard to the woodsmoke campaign and the Climate Protection grant awards.

Committee Action: Director Torliatt moved to recommend that the Board of Directors' approve 1) the transfer of \$100,000 and a corresponding increase of \$100,000 to the FY 07/08 Program 302 budget for fireplace and woodstove replacement incentives; and 2) approve up to \$3 million to Program 608 Climate Protection for grant awards; seconded by Director Hill, carried unanimously without objection.

7. **Consideration of Resource Funding for IT Infrastructure to Support Business**
Continuity: *The Committee considered recommending that the Board of Directors authorize the Executive Officer/APCO execute agreements and issue Purchase Orders not to exceed \$600,000 to enhance Information Systems reliability and efficiency.*

Mr. McKay introduced John Chiladakis, Information Systems Manager, Mr. Chiladakis provided the Committee with his presentation to improve key elements of the Air District's information system technology infrastructure. Mr. Chiladakis stated that the existing infrastructure is anywhere from five to thirty years old, depending on the server, and the capabilities of those servers methods are quite limited.

He also stated that the Air District has 43 servers. These servers use significant power and the heat needs require extreme air conditioning to keep these systems cool. Mr. Chiladakis stated that the new system will support development of the production system.

Committee Action: Director Uilkema moved that the Committee recommend that the Board of Directors authorize the Executive Officer/APCO execute agreements and issue Purchase Orders not to exceed \$600,000 to enhance Information Systems reliability and efficiency; seconded by Director Ross; carried unanimously without objection.

8. **Consideration of Amendment of the FY 2007/2008 Budget to recognize increased revenue under an environmental protection agency (EPA) grant:** *The Committee considered 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 execute purchase orders not to exceed \$185,000 for monitoring equipment.*

Committee Action: Director Uilkema moved staff recommendation 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 execute purchase orders not to exceed \$185,000 for monitoring equipment; seconded by Director Shimansky; carried unanimously without objection.

9. **Committee Member Comments/Other Business.** Director Uilkema suggested that staff communicate the message to Public Outreach Committee on woodsmoke.
10. **Time and Place of Next Meeting:** 9:30 a.m., Wednesday, January 23, 2008 – 939 Ellis Street, San Francisco, CA 94109
11. **Adjournment:** The meeting adjourned at 10:44 a.m.

Charlene Forbush
Legal Assistant

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: February 14, 2008

Re: Second 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

- County receipts totaled \$9,808,563 (49.44%) of budgeted revenue.
- Permit Fee receipts were \$11,101,478 (56.86%) of budgeted revenue.
- Title V Permit Fees were \$1,291,297 (56.84%) of budgeted revenue.
- Asbestos Fees were \$904,898 (52.04%) of budgeted revenue.
- Toxic Inventory Fees were \$366,348 (68.48%) of budgeted revenue.
- Penalties and Settlements were \$924,549 (41.09%) of budgeted revenue.
- Miscellaneous Revenue receipts were \$36,277 (8.15%) of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

- Salaries and Benefits were \$19,650,560 (49.27%) of budgeted expenditures.
- Operational Services and Supplies were \$5,097,624(23.81%) of budgeted expenditures.
- Capital Outlay was \$938,480 (18.57%) of budgeted expenditures.

TFCA FUND: STATEMENT OF INCOME AND EXPENDITURES

- Total Revenue was \$5,490,394 (14.89%) of budgeted revenue and expenditures.
- In keeping with TFCA Fund requirements, expenditures must equal revenue.
- Salary and Benefits were \$516,761 (24.52%) of budgeted expenditures.
- Operational Services and Supplies were \$4,973,633 (13.12%) of budgeted expenditures.

<u>FUND BALANCES</u>	6/30/2006	6/30/2007	6/30/2008
	<u>Audited</u>	<u>Audited</u>	<u>Projected</u>
SPECIAL RESERVES:			
Imprest Cash	\$1,200	\$500	\$500
Building and Facilities	2,693,550	1,731,690	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	0
Production System	250,000	1,250,000	1,250,000
Capital Equipment	130,425	130,425	130,425
Prior Year Adjustments	15,000	0	0
Contingencies	400,000	400,000	400,000
Workers Compensation	1,000,000	1,000,000	1,000,000
Economic Uncertainties	0	7,709,028	9,000,000
TOTAL SPECIAL RESERVES:	<u>11,490,175</u>	<u>18,396,643</u>	<u>16,066,240</u>
MULTI-YEAR APPROPRIATION			
Appropriation – Production System	<u>1,552,141</u>	<u>152,141</u>	<u>0</u>
UNDESIGNATED:	<u>12,934,168</u>	<u>13,996,404</u>	<u>9,405,432</u>
TOTAL FUND BALANCES	<u>\$25,976,484</u>	<u>\$32,545,188</u>	<u>\$25,471,672</u>

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: Jack M. Colbourn

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: February 19, 2008

Re: District Financial Audit Report for Fiscal Year 2006/2007

RECOMMENDED ACTION:

Informational report. Receive and file.

DISCUSSION

The audit report confirms that the District's financial statements "...present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with generally accepted accounting principles in the United States." The report on the basic financial statements is unqualified with no reportable conditions, no instances of non-compliance, and no financial statement findings noted.

The Report on compliance and on internal controls in accordance with *Government Auditing Standards* states that "We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses."

The Report on compliance in accordance with *OMB Circular A-133* states "In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007."

There were no findings or questioned costs in the current or prior year. The audit report notes that the District response to the prior year TFCA program finding is in progress.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Linda J. Serdahl
Reviewed by: Jack M. Colbourn

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: February 19, 2008

Re: Discussion of Proposed Amendments to Regulation 3: Fees

RECOMMENDED ACTION:

None. This item is for information only.

BACKGROUND

The District collects fees 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 direct and indirect costs of these programs.

A study of fee revenue, and regulatory program costs, was completed in 2005 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 study concluded that fee revenue falls far short of recovering program costs and that, if this cost recovery gap is to be reduced, fees should be increased over a period of time at a rate that exceeds the rate of inflation.

Due to increases in fees adopted by the Board of Directors since the 2005 Cost Recovery Study was completed, the gap between program costs and fee revenue has decreased. Nonetheless, a significant cost recovery gap still exists. For example, an updated analysis of cost recovery completed by staff for FYE 2007 indicates that the deficit between costs and revenue is approximately \$16.5 million. This cost recovery gap is filled by using property tax revenue received by the District from the counties.

PROPOSED FEE AMENDMENTS FOR FYE 2009

Staff has prepared proposed fee regulation amendments for the upcoming FYE 2009 that would continue to reduce the cost recovery gap. In order to address fee equity issues, the District's individual Fee Schedules would be amended based on the magnitude of the cost recovery gap determined at the fee schedule level. Under this proposal, individual Fee Schedules would be increased by 3, 6, 9, 12, or 15 percent based on the magnitude of the Schedule's cost recovery gap. Fee Schedules without cost recovery gaps would not be

increased. Fees that are administrative in nature would be increased by 6 percent. This part of the proposed fee amendments would increase fee revenue by an estimated \$1.9 million in FYE 2009 relative to the current fiscal year.

Staff is also recommending the adoption of a new fee schedule that is intended to recover an additional \$1.1 million in costs the District incurs in implementing the Climate Protection Program. These costs result from a variety of Climate Protection Program activities related to stationary sources including greenhouse gas (GHG) emissions inventory preparation and updating (and associated information technology development), completion of studies and research on Bay Area sources of GHGs, evaluation and development of control strategies and regulatory measures to reduce GHG emissions, and CEQA review and commenting. The proposed fee schedule would recover these costs from District-permitted facilities, in proportion to each facility's GHG emissions, at a rate of \$0.042 per metric ton of carbon dioxide equivalent emissions.

The overall staff proposal would result in an increase in fee revenue of approximately \$3.0 million from revenue levels projected for the current fiscal year, representing an increase of about 12.4 percent (for reference, there was a 3.2 percent increase in the annual Consumer Price Index for the California Bay Area from calendar year 2006 to 2007, 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, 2008.

Staff will provide the committee with additional details regarding the proposed fee amendments at the committee meeting on February 27, 2008.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Brian Bateman
Reviewed by: Jeffrey Mckay