



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  
MARCH 26, 2008  
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 FEBRUARY 27, 2008**

**4. REVIEW OF AIR DISTRICT RESERVE FUNDS**

**J. Broadbent/5052**  
[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

*The Committee will receive a review of past and present status of the Air District Reserves.*

**5. PRESENTATION OF DRAFT BUDGET FOR FISCAL YEAR 2008/2009**

**J. Broadbent/5052**  
[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

*The Committee will receive a presentation of the proposed budget for Fiscal Year 2008/2009 for discussion and consideration.*

**6. RECOMMENDATION TO ALLOW THE EXECUTIVE OFFICER/APCO TO ACCEPT UP TO \$35 MILLION IN CALIFORNIA GOODS MOVEMENT BOND FUNDING**

**J. Colbourn/5192**  
[jcolbourn@baaqmd.gov](mailto:jcolbourn@baaqmd.gov)

*The Committee will consider recommending Board of Directors approval to allow the Executive Officer/APCO to accept up to \$35 million from the California Air Resources Board as part of the first year of funding from the California Goods Movement Bond.*

**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 – APRIL 23, 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](http://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: March 17, 2008

Re: Budget and Finance Committee Draft Meeting Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of February 27, 2008.

DISCUSSION

Attached for your review and approval are the draft minutes of the February 27, 2008 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, February 27, 2008

1. **Call to Order:** Vice-Chairperson Michael Shimansky called the meeting to order at 9:33 a.m.

**Roll Call:** Harold Brown, Chair, Chris Daly (9:35 a.m.), Yoriko Kishimoto (9:36 a.m.), Mark Ross, Michael Shimansky, Tim Smith, Pamela Torliatt, Gayle B. Uilkema (9:38 a.m.).

**Absent:** Scott Haggerty.

**Also Present:** Board Chair Jerry Hill.

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

Chairperson Daly arrived at 9:35 a.m.

3. **Approval of Minutes of December 12, 2007:** Director Hill moved approval of the minutes; seconded by Director Smith; carried unanimously without objection.

Director Kishimoto arrived at 9:36 a.m.

5. **District Financial Audit Report for Fiscal Year 2006/2007:** *The Committee received an overview of the Financial Audit Report for FY 2006/2007.*

Mr. Gary M. Caporicci, CPA, CGFM Senior Partner provided the Committee with an overview of the Air District Audit Report.

Mr. Caporicci highlighted the following:

Air District's Responsibilities include the following:

- Air District Financial Statements;
- Adopting Sound Accounting Policies;
- Providing Reasonable Accounting Estimates;
- Establishing and Maintaining Internal Controls;
- Preventing and Detecting Fraud; and
- Providing Accurate and Complete Financial Reporting

Director Uilkema arrived at 9:38 a.m.

Audit results included the following:

- No disagreements with Air District management;
- No material weakness in Internal Controls; and
- Issue audit reports and communication to the Board of Directors and Management

Audit recommendations were as follows:

- 2004 LESBP program not completed;
- Capital Asset Policies and Procedures;
- Purchasing and Accounts Payable;
- Workers Compensation Claims Log;
- Improve Payroll Process Internal Control; and
- Computer Controls: Disaster Preparedness and Change Passwords

These should be considered only as recommendations.

Mr. Caporicci concluded his presentation.

Upon discussions, Chairperson Daly noted that this report is just an informational item.

**Committee Action:** This was an information item and the Committee accepted the report.

**4. Second Quarter Financial Report – Fiscal Year 2007/2008:** *The Committee received an overview for the second quarter financial report of fiscal year 2007/2008.*

Mr. Colburn introduced the item topic and introduced Ms. Linda Serdahl, Finance Manager as Ms. Serdahl presented the second quarter financial report.

Ms. Serdahl presented the general fund statement of revenue which included the following:

- County receipts total \$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%);
- 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; and
- Miscellaneous revenue receipts were \$36,277 (8.15%) of budgeted revenue

The general fund statement of expenditures showed the following:

- 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; and
- Capital outlay was \$938,480 (18.57%) of budgeted expenditures

The TFCA fund statement of income and expenditures showed the following:

- 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; and
- Operational services and supplies were \$4,973,633 (13.12%) of budgeted expenditures

Ms. Serdahl noted that the Fund Balances are in good shape, and that the Air District has healthy reserves and healthy undesignated reserves.

Ms. Serdahl concluded her presentation.

Director Daly asked about the penalties and settlements and if anything was noted for the third quarter. Mr. Bunger responded that the information arrives at various times and confirmed that the third quarter is stronger than the second quarter.

Chairperson Daly requested hearing staff proposals for designating some of the undesignated reserves.

Mr. Colburn informed the Committee that staff will return and provide information on the matter of reserves, providing the history and the reserves going forward which will tie into the next budget cycle.

**Committee Action:** Chairperson Daly noted that this was an informational item only.

**6. Discussion of Proposed Amendments to Regulation 3: Fees:** *The Committee received a report from staff regarding the proposed amendments to the Air District fee regulations.*

Mr. Broadbent provided the Committee with an introduction on the item before introducing Brian Bateman, Director of Engineering. Mr. Broadbent stated that his discussion would cover some of the proposed activities fee amendments that were held at a previous workshop. Mr. Broadbent brought to the Committee's attention that the cost recovery fee efforts will continue. Mr. Broadbent also noted that the new fee that has been proposed to cover the costs of the Air District's Greenhouse Gas activities has raised controversy.

Mr. Bateman noted that he would cover four topics which included:

- Background
- Details of proposed fee amendments
- Examples of permit renewal fee increases
- Rule development schedule

The Air District has the legal authority to assess fees to fully recover the direct and indirect costs associated with implementing and enforcing its regulatory programs.

Mr. Bateman stated that a few years ago, the Air District had an accounting firm come and do an assessment and analysis of how the fee revenue relates to the costs of running the regulatory programs. He also noted that in each year since the study was conducted, staff has

completed a similar analysis using the same methodology that was used by the Air District consultants.

For the last two complete fiscal years, fee revenue does not cover the program costs.

- FYE 2006 – 53%; Revenue Gap \$17.7 million; and
- FYI 2007 – 58%; Revenue Gap \$16.5 million

Air District staff believes that the cost recovery gap should be reduced for the following reasons:

- Gap is filled by property tax revenue; and
- Fees must be increased by more than the annual cost of living adjustments to narrow the cost recovery gap

Details of the proposed fee amendments will include:

- Similar to fee amendments adopted last year, with the addition of a new greenhouse gas fee schedule;
- Would increase overall fee revenue by 12.4 percent from revenue projected for the current fiscal year; and

Revenue from amendments to existing fee schedules:	\$1.9 million
Revenue from new greenhouse gas fee schedule:	<u>\$1.1 million</u>
Overall increase in fee revenue:	\$3.0 million

- Increase in CPI for Bay Area was 3.2 percent for the last 2 calendar years
- Would target the Fee Schedules with the most significant cost recovery gaps for the largest fee increases

The amendments to the fee schedule include:

- 15 Percent Increase
  - Fee Schedules that have the largest revenue gaps (i.e., revenue is < 40 % of costs);
- 9 Percent Increase
  - Fee Schedules that have large revenue gaps (i.e., revenue is 55 to 70 % of costs);
- 6 Percent Increase
  - Fee Schedules that have less significant revenue gaps (i.e., revenue is 70 to 85 % of costs);
- 3 percent increase
  - Fee Schedules that have minor revenue gaps (i.e., revenue is 85 to 100 % of costs);
- and
- No increase
  - Fee Schedules that have no revenue gap

Mr. Bateman continued that the refineries have sources that are in a number of the above noted categories. As an example schedule T is a major facility review fee which includes the Title V fee schedule.

Chairperson Daly asked about the rate of closing the gap, how many years would it take before the Air District has 90 plus percent cost recovery? Mr. Bateman stated that the Air District is moving at a reasonable pace, considering some of the legal constraints in terms of increasing fees.

Other Proposed Amendments include:

- New Registration Fees
  - Agricultural diesel engines
    - \$120 initial registration fee
    - \$80 annual renewal fee
  
  - Non-halogenated solvent dry cleaning machines
    - \$180 initial registration fee
    - \$120 annual renewal fee

Facilities Subject to Greenhouse Gas Fees include:

- Petroleum refineries – 50% of fees;
- Power plants – 33% of fees;
- Landfills – 8% of fees;
- Cement plant – 4% of fees; and
- Others – 5%

The recent workshop included 40 attendees, mostly industry representatives and several others provided comments during the workshop. Almost all of the comments that were received on the overall fee proposal have been on the new GHG fee schedule and most have been in opposition.

Mr. Broadbent addressed the Committee stating that this is the first time that a fee has been developed for GHG emissions. As a result, there was a great deal of press attention. ARB staff understands that the Air District is implementing this and they are supportive, and there have been legal discussions between Mr. Bungler and their legal counsel. The intent is to strictly cover the Air Districts costs and to make sure that the Air District has the opportunity to recover those costs that are being incurred by staff.

The rule development schedule includes:

- Draft fee regulation amendments issued
  - January 31, 2008
  
- Public Workshop
  - February 25, 2008
  - Written comments requested by March 7, 2008
  
- Committee Briefings
  - Budget & Finance: February 27, 2008
  - Climate Protection: March 13, 2008



- Public Hearings and Board of Directors consideration for adoption
  - April 16 and June 4, 2008
  - Amendments would be effective July 1, 2008

Director Uilkema requested a copy of the chart with the fees for landfills; and Mr. Bateman responded that he would provide her with a copy.

Mr. Bateman concluded his presentation.

**Committee Action:** None, this was an informational item.

7. **Committee Member Comments/Other Business.** Director Torliatt requested an analysis of what the cost would be to have Universal Single Payer Healthcare at the Air District, brought back to the Committee.
8. **Time and Place of Next Meeting:** 9:30 a.m., Wednesday, April 23, 2008 – 939 Ellis Street, San Francisco, CA 94109
9. **Adjournment:** The meeting adjourned at 11:05 a.m.

Vanessa Johnson  
Acting Clerk of the Board

**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: March 17, 2008

Re: Review of Air District Reserve Funds

RECOMMENDED ACTION:

Informational report. Receive and file.

DISCUSSION:

Staff will present a review of the past and current status of Air District Reserve Funds.

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 M. 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: March 17, 2008

Re: Draft Budget for Fiscal Year 2008/2009

**RECOMMENDED ACTION:**

The Executive Officer/APCO requests that the Budget and Finance Committee review the Budget for FY 2008/2009 and make any recommendations for further discussions to be held during the April 23, 2008 Budget and Finance Committee meeting. This will allow staff the necessary time to make the changes for the second review by the Committee and the first public hearing date set for May 21, 2008.

**BACKGROUND:**

At the March 19, 2008 Board of Directors' meeting, the Fiscal Year 2008/2009 Preliminary Budget document will be formally referred to the Budget and Finance Committee for review at the Committee's March 26, 2008 meeting. Additional copies will be available at the Committee meeting.

**DISCUSSION:**

Staff will present the proposed budget for Fiscal Year 2008/2009. The proposed budget is balanced. General Fund Revenues, Transfers-In from Designated Reserves for PERS Funding, along with TFCA Indirect Cost Recovery and Revenues, and Mobile Source Incentive Indirect Cost Recovery and Revenues are \$74.45 million. Proposed consolidated expenditures are \$74.45 million. Proposed capital requests are \$3,537,617. The proposed budget does not include an FTE increase.

Staff will publish, prior to April 21, 2008, a notice to the general public that the first of two public hearings on the budget will be conducted on May 21, 2008 and the second hearing will be conducted on June 4, 2008. Staff requests that the Budget and Finance Committee complete its review and take action on the proposed budget at the April 23, 2008 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 21, 2008.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

The proposed consolidated budget for FY 2008/2009 is \$74,450,667 and is a balanced budget without drawing from undesignated reserves.

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: March 20, 2008

Re: Consideration of Recommending the Board of Directors Authorize the  
Executive Officer/APCO to Accept up to \$35 Million in California Goods  
Movement Bond Funding

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RECOMMENDED ACTION:

Recommend that the Board of Directors' authorize the Executive Officer/APCO to execute all necessary agreements with the California Air Resources Board (ARB) relating to the Air District's receipt of up to \$35 million in Goods Movement Emission Reduction Program funds for fiscal year (FY) 2008-2009.

BACKGROUND

Diesel pollution from current goods movement operations greatly impacts the health of community residents near ports, rail yards, distribution centers, and roads with high truck traffic. Proposition 1B, approved by voters in November 2006, authorized the Legislature to appropriate \$1 billion in bond funding to ARB to quickly reduce air pollution emissions and health risk from freight movement along California's priority trade corridors. The State Fiscal Year (FY) 2007-08 budget includes the first installment of \$250 million, plus implementing legislation via Senate Bill 88 (Chapter 181, Statutes of 2007) that created the Goods Movement Emission Reduction Program (Program).

Under this Program, the Air District will provide financial incentives to owners of equipment used in freight movement, including trucks, locomotives, ships, harbor craft, and cargo-handling equipment, to upgrade to cleaner technologies. Pollutants targeted by this Program include diesel particulate matter, a toxic air contaminant, and nitrogen oxides, which contribute to the formation of particulate matter and are also an ozone precursor. A co-benefit is the reduction of greenhouse gas emissions and black carbon emissions that contribute to climate change.

DISCUSSION

On February 28, 2008, ARB allocated \$140 million to the Bay Area trade corridor (\$35 million per year over the next four years). This funding share represents 14% of the funding that will be distributed statewide. However, unlike other air quality emissions

reductions grants which are administered solely by the District, any qualifying local agency can apply for these monies.

The Air District must also submit an application to ARB by April 4, 2008, with requested funding levels for each eligible equipment type. The application must include a copy of the Air District's resolution that authorizes Executive Officer/APCO to enter into a grant agreement with ARB.

BUDGET CONSIDERATION / FINANCIAL IMPACT:

The Program distributes funds from ARB to the Air District and then to eligible equipment owners. Staff costs for the administration of the Program are included under Programs 321 "California Goods Movement Bond - Early Grants" and 323 "California Goods Movement Bond Grants" in the upcoming FY 2008/2009 budget.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Joseph Steinberger  
Reviewed by: Jack M. Colbourn

Attachment

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

**RESOLUTION No. 2008 -**

**A Resolution Accepting Goods Movement Emission Reduction Program Funds  
From the California Air Resources Board**

WHEREAS, Government Code, Section 8879.23, subdivision (c), paragraph (2) appropriates funds to the State Board for allocation on a competitive basis for projects that are shown to achieve the greatest emission reductions from activities related to the movement of freight along California's trade corridors; and

WHEREAS, California Health and Safety Code, Section 39625 et seq. empowers the California Air Resources Board (CARB) to allocate Goods Movement Emission Reduction Program funds to local public entities, such as the Bay Area Air Quality Management District (District), to provide financial incentives to reduce emissions associated with the movement of freight along California's trade corridors;

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors hereby authorizes the District to enter into an agreement with CARB, accept funds, and provide matching funds under the fiduciary control of the District that are identified in a District project funding demonstration.

BE IT FURTHER RESOLVED, the Executive Officer/Air Pollution Control Officer is the District representative authorized to sign and submit the local agency project application.

BE IT FURTHER RESOLVED, the Executive Officer/Air Pollution Control Officer is the District representative authorized to sign/execute the District's project grant agreement between CARB and the District.

BE IT FURTHER RESOLVED, the District's Board of Directors is authorized to approve of a competitively ranked equipment project list indicating the equipment projects selected for funding and a backup list of eligible equipment projects.

BE IT FURTHER RESOLVED, the Executive Officer/Air Pollution Control Officer is the District representative authorized to sign/execute an equipment project contract between the District and equipment owner.

The foregoing resolution was duly and regularly introduced, passed and adopted at a regular meeting of the Board of Directors of the Bay Area Air Quality Management District on the Motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, on the \_\_\_\_ day of \_\_\_\_\_, 2008 by the following vote of the Board:

AYES:

NOES:

ABSENT:

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Jerry Hill  
Chairperson of the Board of Directors

ATTEST:

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Brad Wagenknecht  
Secretary of the Board of Directors