



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
APRIL 23, 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 MARCH 26, 2008

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

J. Colbourn/5192
jcolbourn@baaqmd.gov

The Committee will receive a presentation on the financial report for the third quarter of fiscal year 2007/2008.

5. CONTINUED DISCUSSION OF PROPOSED BUDGET FOR FISCAL YEAR 2007/2008

J. Broadbent/5052
jbroadbent@baaqmd.gov

The Committee will consider recommending Board of Directors' approval of the proposed budget for Fiscal Year 2007/2008.

6. CONSIDERATION OF TRANSFER TO DESIGNATED RESERVE FOR PRODUCTION SYSTEM AND AUTHORIZATION TO ENTER INTO CONTRACT AGREEMENTS

J. Broadbent/5052
jbroadbent@baaqmd.gov

The Committee will consider recommending Board of Directors' approval to transfer the second half of funding for the Production System, and to authorize the Executive Officer/APCO to enter into contracts not to exceed \$1,250,000.

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 – MAY 28, 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
939 ELLIS STREET, SAN FRANCISCO, CALIFORNIA 94109
(415) 771-6000

EXECUTIVE OFFICE:
MONTHLY CALENDAR OF DISTRICT MEETINGS

APRIL 2008

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Legislative Committee <i>(Meets 4th Monday of every Month)</i>	Monday	21	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(Meets 4th Wednesday of each month)</i>	Wednesday	23	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee – <i>(Meets 4th Thursday of each Month)</i> - CANCELLED	Thursday	24	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Legislative Committee <i>(Meets 4th Monday of every Month)</i> – RESCHEDULED TO MONDAY, APRIL 21, 2008	Monday	28	9:30 a.m.	4 th Floor Conf. Room

MAY 2008

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Personnel Committee <i>(At the Call of the Chair)</i>	Friday	2	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Public Outreach Committee <i>(Meets 1st Thursday every other Month)</i>	Monday	5	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	7	9:45 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets At the Call of the Chair)</i>	Monday	12	9:30 a.m.	4 th Floor Conf. Room
Advisory Council Regular Meeting <i>(Meets 2nd Wednesday of every odd Month)</i> – RESCHEDULED TO THURSDAY, MAY 15, 2008	Wednesday	14	10:00 a.m.	Board Room
Board of Directors Mobile Source Committee – <i>(Meets 4th Thursday of each Month)</i>	Wednesday	14	9:30 a.m.	4 th Floor Conf. Room
Advisory Council Regular Meeting <i>(Meets 2nd Wednesday of every odd Month)</i>	Thursday	15	9:00 a.m.	Board Room
Advisory Council Executive Committee <i>(Meets 2nd Wednesday of every odd Month)</i>	Thursday	15	Immediately Following the Advisory Council Regular Meeting	Room 716
Board of Directors Climate Protection Committee <i>(Meets 3rd Thursday every other Month)</i>	Thursday	15	9:30 a.m.	4 th Floor Conf. Room
Joint Policy Committee	Friday	16	10:00 a.m. – 12:00 p.m.	MTC 101 - 8 th Street Oakland, CA 94607

MAY 2008

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	21	9:45 a.m.	Board Room
Board of Directors Mobile Source Committee – <i>(Meets 4th Thursday of each Month)</i> RESCHEDULED TO WEDNESDAY, MAY 14, 2008	Thursday	22	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(Meets 4th Wednesday of each month)</i>	Wednesday	28	9:30 a.m.	4 th Floor Conf. Room

JUNE 2008

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Advisory Council Technical Committee <i>(Meets 1st Monday of every even Month)</i>	Monday	2	9:30 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	4	9:45 a.m.	Board Room
Advisory Council Public Health Committee <i>(Meets 2nd Wednesday of every even Month)</i>	Wednesday	4	1:30 p.m.	Room 716
Advisory Council Air Quality Planning Committee <i>(Meets 1st Thursday of every even Month)</i>	Thursday	5	9:30 a.m.	Room 716
Board of Directors Stationary Source Committee <i>(Meets 3rd Monday quarterly)</i>	Monday	16	9:30 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	18	9:45 a.m.	Board Room
Board of Directors Legislative Committee <i>(Meets 4th Monday of every Month)</i>	Monday	23	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(Meets 4th Wednesday of each month)</i>	Wednesday	25	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee – <i>(Meets 4th Thursday of each Month)</i>	Thursday	26	9:30 a.m.	4 th Floor Conf. Room

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4/18/08 (9:05 a.m.)
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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 15, 2008

Re: Budget and Finance Committee Draft Meeting Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of March 26, 2008.

DISCUSSION

Attached for your review and approval are the draft minutes of the March 26, 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
9:45 a.m., Wednesday, March 26, 2008

1. **Call to Order:** Chairperson Chris Daly called the meeting to order at 9:45 a.m.

Roll Call: Chair, Chris Daly, Yoriko Kishimoto, Mark Ross, Michael Shimansky, Tim Smith, Pamela Torliatt.

Absent: Harold Brown, Scott Haggerty, Gayle B. Uilkema.

Also Present: Board Chair Jerry Hill.

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

3. **Approval of Minutes of February 27, 2008:** Director Shimansky moved approval of the minutes; seconded by Director Ross; carried unanimously without objection.

4. **Review of Air District Reserve Funds:** *The Committee received a review of past and present status of the Air District Reserves.*

Mr. Jack P. Broadbent, Executive Officer/APCO introduced this item and stated that this presentation will indicate how much is in the reserve fund and how it is designated and what should be done in the future.

The outline of the presentation included:

- Historical Reserve Trends
- Breakdown of Current Reserves
- Breakdown of Expended Reserves
- Key Points

In 1998, the total fund balance was estimated at \$2 million dollars. Since that time, the Air District has progressively added approximately \$4.5 million dollars in each of the last 9 years, which added up to about \$42 million. To date, the Air District has spent approximately \$17 million, which leaves about \$25 million.

Mr. Broadbent continued and stated that the breakdown of the current reserve balance is estimated to be \$25 million. The breakdown includes what the Air District has today and what is envisioned for the next budget.

The Air District has been in a unique situation over the past several years, as there have been increases in property values. Those factors can not be depended upon in the future. The key points to consider are:

- Uniquely favorable financial environment;
- Several factors influence reserve trends; and
- Intention to cautiously manage these factors

Mr. Broadbent concluded his presentation.

Committee Action: This Committee accepted the report.

5. Presentation of Draft Budget for Fiscal Year 2008/2009: *The Committee received a presentation of the proposed budget for Fiscal Year 2008/2009.*

Mr. Broadbent introduced the draft budget for Fiscal Year 2008/2009. Mr. Broadbent stated that this is a balanced budget based on the fee increases that were discussed during the last Committee meeting.

Budget highlights and overall direction include:

- The FYE 2009 budget is balanced with fee increases between 8% - 12%.
- The Budget is based on direction and priorities as defined at the January 2008 Board Retreat.
- County property tax revenue is increased by 4%.
- General fund expenditures are flat, with the fee increase supporting:
 - OPEB expenditure of \$1.4 million
 - Salary COLA of 3.2%
- There are no FTE increases.

Mr. Broadbent stated that not having any FTE increases is due to wanting to be cautious at this time. Mr. Broadbent noted that staffing for the Grants program continues to be a focus of the organization, as the Air District receives the I-Bond monies.

Mr. Broadbent noted that the Air District administration is in good shape as a result of past audits, and the Air Districts response to those audits.

Fiscal challenges:

- Growing Grants Programs
- Unfunded Medical Liability (OPEB)
- Deferred Maintenance
- Key Requirement: Continuing application of fee recommendations

Deferred maintenance includes:

Facilities:

- \$556K from Operating Revenue
- Building blueprint (building does not have a blueprint, and one is needed in order to efficiently continue any upgrades)
- Elevator upgrade
- Planning and Engineering areas and Laboratory Space Reconfiguration

Mr. Broadbent continued his presentation and discussed capital asset expenditures, some of which include:

Network and Air Monitoring Capital Assets:

- \$1.4 M from Operating Revenue
- District Main Data Center
- Computer Network and Telephone Wiring
- Air Monitoring Instruments Parts
- Air Monitoring Analysis
- Replacement of Source Test Analyzers

Total projected grant funding in 2008/2009 ~ \$74 million

- TFCA Regional - \$16 million
- TFCA County Program Manager - \$10 million
- Carl Moyer - \$11 million
- Mobile Source Incentive Fund - \$12 million
- Goods Movement Bond (School Bus) - \$4.2 million
- Goods Movements Bond (Main) – up to \$21 million

Mr. Broadbent stated that the budget will continue to support the key initiatives that are underway, which includes the CARE program, the Green Ports Initiative, Wood Smoke program, and to continue the efforts of the Climate Protection program.

Director Kishimoto asked about the Health Officer. Mr. Broadbent responded to Director Kishimoto stating that the Air District will set aside \$50K to contract for the upcoming fiscal year and that the Air District will investigate hiring in the future.

Chairperson Daly asked why salaries were increasing 3%, and payroll tax increasing 54%. Jeffrey McKay, Deputy Air Pollution Control Officer, responded to Chairperson Daly and stated that the payroll tax percentage that was used previously was too low, as it was at a formula of .0096, when .014 should have been used.

Committee Action: The Committee provided direction to staff and will continue discussions at its next meeting.

6. **Recommendation to Allow the Executive Officer/APCO to Accept Up to \$35 Million in California Goods Movement Bond Funding:** *The Committee considered recommending to the 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.*

Mr. Broadbent provided the Committee with an introduction and stated that Jack Colbourn, Division Director, Administration & Incentives will provide the presentation. Mr. Broadbent noted that this presentation will provide the Committee with information on how these funds will be spent.

Mr. Colbourn provided the Committee with an overview which included:

- Background
- ARB Action
- Application for main bond funding
- Recommendation

Mr. Colbourn continued his presentation and provided the following background:

- November 2006, California Voters Authorized the Legislature to Appropriate \$1 Billion in Bond Funding
- Quickly Reduce Health Risk from Freight Movement in California Trade Corridors.
- Funding Split:
 - Early Grants \$25 million
 - Main Grant \$225 million
- On February 28, 2008, ARB allocated \$140 million for the Bay Area trade corridor (\$35 million for the next four years.)
- To date, the Air District has distributed \$3.4 million in early grants for:
 - Electrical Grid System – APL Shipping
 - 75 Truck Retrofits with Port of Oakland

ARB application guidelines require:

- Local agencies to apply for funding; within the 9 counties only the Air District has requested the monies thus far
- Registered with ARB - March 21, 2008
- Include a resolution authorizing the acceptance of funds and the authority to enter into contracts
- Applications were due on April 4, 2008

Staff recommended that the Committee recommend that the Air District's Board of Directors to authorize the Executive Officer/APCO to enter into Grant Agreements with the ARB and accept funding up to \$35 million.

Mr. Broadbent continued stating that in the South Coast District the Ports may be the entities applying for these funds, whereas when speaking to CARB, they would like the Air District to be the recipient of these funds in the Bay Area.

Director Smith asked if Air District anticipates any political push back or concerns from the Ports with regard to being the only entity accepting these funds. Mr. Broadbent responded to Director Smith that there are no concerns.

Director Kishimoto asked if aircraft are included in the goods movement. Mr. Broadbent stated that aircraft are not a part of the goods movement bond.

Chairperson Daly asked about the 5% being applied to administration, and if the Air District has an estimate of what the actual costs of administering will be. Mr. Colbourn stated that the I-Bond budget shows about \$1.2 million in administrative costs and that the costs should be covered.

Director Kishimoto asked about I-Bond and its distribution. Mr. Broadbent responded to Director Kishimoto by stating that the Air District has approached the Employees' Association to inform them that the Air District would like to review the contracting out language in the collective bargaining agreement, as there are some restrictions in place.

Committee Action: Director Smith moved that the Committee recommend to the Board of Directors authorizing the Executive Officer/APCO by resolution to accept funds up to \$35 million in Goods Movement Emission Reduction Program for fiscal year (FY) 2008-2009; seconded by Director Hill; carried unanimously without objection.

7. **Committee Member Comments/Other Business.** Mr. Colbourn thanked staff members Jody McKenzie and Linda Serdahl for their assistance with the budget. Director Kishimoto asked about the issue of indirect source fees and when will the Air District review this. Mr. Broadbent responded to Director Kishimoto, stating that San Joaquin Valley did impose an indirect source fee that is related to new development. Brian Bunger, Legal Counsel continued the response, by stating that a development group sued the San Joaquin District and that the challenge was defeated in Superior Court. Mr. Bunger continued stating that San Joaquin Valley has specific statutory authorization, due to their air quality issue that the Air District does not have. Mr. Broadbent concluded by stating that the best approach for the indirect source fees is to look at it as part of the plan as the Air District starts to move forward and look at this as a potential measure.
8. **Time and Place of Next Meeting:** 9:30 a.m., Wednesday, May 28, 2008 – 939 Ellis Street, San Francisco, CA 94109
9. **Adjournment:** The meeting adjourned at 10:59 a.m.

Vanessa Johnson
Acting Clerk of the Board

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 15, 2008

Re: Third Quarter Financial Report – Fiscal Year 2007-2008

RECOMMENDED ACTION:

Informational report. Receive and file.

DISCUSSION

GENERAL FUND BUDGET: STATEMENT OF REVENUE

Comparison of Budget to Actual Revenue

- County Revenue receipts were \$12,323,382 (62.12%) of budgeted revenue.
- Permit Fee receipts were \$13,801,439 (70.69%) of budgeted revenue.
- Title V Permit Fees were \$1,505,127 (66.25%) of budgeted revenue.
- Asbestos Fees were \$1,330,450 (76.51%) of budgeted revenue.
- Toxic Inventory Fees were \$473,390 (88.48%) of budgeted revenue.
- Penalties and Settlements were \$1,366,482 (60.73%) of budgeted revenue.
- Miscellaneous Revenue receipts were \$53,698 (12.07%) of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

- Salaries and Benefits were \$29,164,621 (73.12%) of budgeted expenditures.
- Operational Services and Supplies were \$7,784,321 (35.60%) of budgeted expenditures.
- Capital Outlay was \$2,068,556 (44.19%) 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>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: April 15, 2008

Re: Continued Discussion of Fiscal Year 2008/2009 Proposed District Budget and
Consideration of Recommended Adoption

RECOMMENDED ACTION:

Consider recommending Board of Directors adoption of the proposed fiscal year 2008/2009 Budget.

BACKGROUND:

As directed by Chairperson Hill at the March 19, 2008 regular Board of Directors' meeting, the proposed Fiscal Year 2008/2009 Budget document was reviewed by the Budget and Finance Committee at its March 26, 2008 meeting.

DISCUSSION:

Staff presented the proposed budget for Fiscal Year 2008/2009 at the March 26, 2008 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 \$74.5 million. Proposed consolidated expenditures are \$74.5 million. Proposed capital requests are \$2.2 million. The proposed budget does not include any new FTE's.

Staff published, 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 that the second hearing will be conducted on June 4, 2008.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

The proposed consolidated budget for FY 2008/2009 is \$74,450,667.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Linda J. Serdahl, CPA,CFE

Reviewed by: Jack M. Colbourn

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 17, 2008

Re: Production System Project Funding

RECOMMENDED ACTION:

Consider recommending that the Board of Directors: (1) authorize the Executive Officer/APCO to solicit bids and execute agreements for the Production System project not to exceed \$1,250,000; (2) transfer a corresponding amount from the Designated Reserve for this purpose, and adjust the Air Districts' FY 2007/08 Information Systems budget accordingly and; (3) approve staff's recommendation to transfer \$2,800,000 from the Undesignated Reserve into the Reserve for Production System.

DISCUSSION

After a careful phase of scoping work, Air District staff presented a detailed Production System project plan which was approved by the Board in December of 2006. Execution of the plan has been accompanied by detailed reports on the status of actual costs as compared to projected costs, and by detailed reports on the status of actual accomplishments as compared to projected accomplishments.

The Project is composed of nine phases. The cost of the first four phases is firmly targeted at \$2.8M in total. The cost of the remaining five phases is expected to total an equal amount (\$2.8M) bringing the total estimated project cost to \$5.6M. As originally proposed, further refinement of the cost target for the final five phases will be facilitated by completion of the first four phases.

The Board has appropriated \$1,550,000 from the Designated Reserve. Staff now recommends that the remaining \$1,250,000 be appropriated from the original \$2,800,000 Designated Reserve, and that authorization be granted to issue purchase orders not to exceed the \$1,250,000.

Staff also recommends that additional Designated Reserves of \$2,800,000 be set aside by transfers from the Undesignated Reserve to bring the total transfers (expended and unexpended) to the \$5.6M originally projected.

BUDGET CONSIDERATION/FINANCIAL IMPACT

Staff's recommendation would result in a transfer of \$1,250,000 from the Designated Reserve and a corresponding increase in the Air Districts' FY 2007/08 Information Systems budget. Staff's recommendation would also result in the transfer of \$2,800,000 from the Undesignated Reserve into the Reserve for Production System.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeffrey McKay