

Bay Area Air Quality Management District
939 Ellis Street
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APPROVED MINUTES

Summary of Board of Directors
Budget & Finance Committee Meeting
9:30 a.m., Monday, March 30, 2009

- Call to Order:** Chairperson Chris Daly called the meeting to order at 9:30 a.m.
- Roll Call:** Chairperson Chris Daly; Committee Members Carole Groom, Scott Haggerty, Mark Ross, Michael Shimansky and Gayle B. Uilkema
- Absent:** Vice Chairperson Harold Brown; Committee Members Jennifer Hosterman and Brad Wagenknecht
- Also Present:** Chairperson Pamela Torliatt
- Public Comment Period:** There was no public comment.

Approval of Minutes of February 25, 2009: Director Shimansky and Director Uilkema requested more elaboration be given in the preparation of Minutes.

Committee Action: Director Shimansky moved approval of the minutes of February 25, 2009; seconded by Director Groom; carried unanimously without objection.

Update on Proposed Fee Amendments to Regulation 3: Fees – Staff Presentation by Brian Bateman

Overview:

Mr. Bateman provided an overview of District budget issues which assumes a 10% reduction in property taxes and loss of state subvention. Proposed fee amendments would add \$2.5 million in revenue, and impacts on small businesses were identified below, as well as an option to cap fees for small sources. Mr. Bateman reiterated that SCAQMD permit fees for small businesses currently averaged 40% higher than BAAQMD fees.

Impacts on small businesses:

- The proposed fee amendments would increase overall fee revenue by 9%;
- Those fee schedules with the most significant cost recovery gaps would see the largest increases;
- Annual permit renewal fees for most small businesses would increase by \$15-\$80;
- Annual permit renewal fees for most gas stations would increase by \$100 to \$300;

The modified fee proposal for refinery flares would increase fees by 50% rather than 15% as initially proposed and is justified based on recovery of costs related to implementation of Rules 12-11 and 12-12 (flare monitoring and flare minimization plans).

With other amendments, the modified proposal would increase annual permit fees for refineries by an average of 9.4%. This would thereby increase fee revenue by \$100,000 relative to staff's initial proposal, or \$2.6 million rather than \$2.5 million.

Committee Discussion/Comments:

- Shimansky: Confirmed with staff that the Air District is limited to fee increases of no more than 15% increases by state law; the proposal would increase fees an average of 9.4%.
- Ross: Questioned the reason for increased costs on flare monitoring. Mr. Bateman said flaring was trending downward since the Rule was originally adopted, and the first year triggered 68 reporting requirements and the most recent year triggered 38.
- Uilkema: Confirmed that the average cost for Phase II EVR upgrade is approximately \$60,000 per gas station; the deadline is April 1st and gas stations have had four years to address improvements.

Mr. Bateman summarized public comments received to date that ask the District consider the cost of EVR compliance, poor economic conditions, difficulty with securing loans, and the suggestion to use District reserve accounts/cut staff salaries instead of increasing fees.

Mr. Bateman discussed the option to reduce fee increases for small sources:

- Set permit fee increases at 3% which would decrease estimated fee revenue by \$600,000;
- Net result would be overall 7 % increase in fee revenue (\$2.0 million versus \$2.6 million);
- Examples of small sources: small combustion sources, auto body, gas stations, dry cleaners, most semiconductor sources.

Remaining Rule Development Schedule:

- Public hearing for April 15 to receive testimony and deliberate;
- Second hearing 30 days separation – May 20, 2009;
- Amendments effective July 1, 2009.

Committee Discussion/Comments:

- Daly: Suggested the Committee first review the proposed FY 2009/10 Budget prior to forming a position on fee increases, and Committee members agreed.
- Shimansky: Questioned inspection schedule of facilities, and Mr. Bateman noted inspections may vary from daily to annually, depending upon size and type of facility.
- Ross: Confirmed that the new Air District software is not yet factored into equation of increase. Increases cover permit application activity, renewal fees, enforcement activities, and for small sources data shows the District has been collecting considerably less than it should have been.

Discussion on Proposed Budget for Fiscal Year 2009/2010 - Staff Presentation by Deputy APCO Jeff McKay

Overview:

Mr. Broadbent said the budget is based on the proposed fee increases and scheduled increases of between 0 to 15%, property revenue decreased by 5%, and as part of the MOU with employees COLA increases of 3.3%. The budget has no increases in FTE's; however, he is proposing that a Health Officer be hired and noted there is an existing vacant Manager position for consideration.

Mr. McKay presented fiscal challenges as: COLA adjustments, declining County revenues, threat of take-away's, growing grants programs, unfunded medical liability (OPEB) and deferred maintenance

due to building's age. He said a key requirement is continuing the application of fee recommendations. Deferred maintenance items include such items as elevators, HVAC, electrical and plumbing, telephones and desktops systems.

Committee members confirmed with Mr. McKay that the Air District was moving toward green technologies and photovoltaic, but was running into code issues. Chairperson Daly was amenable to exploring local legislation to deal with code issues which would prevent the installation of photovoltaic panels.

Mr. McKay briefly presented a funding overview of Grant Programs:

- TFCA Regional - \$13 million
- TFCA County Program Manager - \$9 million
- Carl Moyer Program - \$13 million
- Mobile Source Incentive Fund - \$11 million
- Goods Movement Bond (School Bus) - \$4.2 million
- Goods Movement Bond (Main) – up to \$35 million

He said the Budget continues to support core programs and initiatives such as the CARE and related programs, Spare the Air Program, Woodsmoke Program and the Climate Protection Program.

Committee members confirmed with Mr. McKay that if the budget were decreased by \$600,000, reductions would be spread out as opposed to affecting any one individual item or program. The Committee then discussed Consolidated Revenues, Consolidated Expenditures, and General Fund Expenditures.

Projections - Consolidated Revenue:

County Revenue - Overall 5% decrease

Other General Fund Revenue – Fees average out to a 9% increase.

- ❖ *Registration Fees* – increased by 43.68% due to Rules and registrations for charbroiler, agriculture diesel, mobile refinishing, and graphic arts.
- ❖ *Hearing Board fees* – increase in fees, penalties and settlements.
- ❖ *Federal Grants* – decrease in bio-watch expenditures under Homeland Security.
- ❖ *CMAQ Funding* – decreased.
- ❖ *State Subvention* – unchanged.
- ❖ *Interest Income* – will need to decrease the interest income.
- ❖ *Carl Moyer* – holding steady.

Transfer in from/(out to) Reserves:

- ❖ *Reserve for PERS Super Funding* - budgeted \$400,000; District chose to set aside money and draw down reserves the same amount as last year. Amount will be gradually reduced

Committee members discussed County Revenue figures, stating some counties were expecting 10%-17% reductions. Mr. McKay agreed to review and confirm percent changes for individual counties and provide an update at the next Budget & Finance Committee meeting.

Projections - Consolidated Expenditures:

Personnel Expenditures:

- ❖ *Number of Positions (FTE)* - unchanged at 363; COLA, step increases and vacation payout projected at \$1.5 million to \$5 million. Overtime increased less than 1% due to wood smoke rule. Temporary salaries are increasing but less than 1%.

- ❖ *Group Insurance Benefits* - Medicare increased by 14%.
- ❖ *Pension Benefits* – increased by 1% but there is a lag time between changes and when requirements go up; projected to increase in coming years.
- ❖ *Transportation Subsidy* – Increased due to employee interest to take public transit.
- ❖ *OPEB* – liability accrued each year for the cost to pay retiree medical benefits. In prior budgets, assumption of interest matched relative rate; however, this is reduced by 4.5% and staff is budgeting \$2 million, up from \$1.4 million.

Services and Supplies Expenditures:

- ❖ *Travel In-State and Out-Of-State* – Each are identified/split.
- ❖ *Training and Education* – largely Air & Waste Management Conference costs.
- ❖ *Repair & Maintenance* – costs relating to duplicate data center in Sacramento.
- ❖ *Communications* - Woodsmoke Rule, telephone and website, and duplicate costs for maintenance of IT infrastructure.
- ❖ *Professional Services and Contracts* – Reduction of 10% mostly in Grants Program due to hiring less for professional services and utilization of existing staff; results in less FTE's.

Capital Expenditures:

- ❖ *Building & Grounds* – cost increases due to HVAC, elevators and others.
- ❖ *Computer & Network Equipment* – Records management system improvements, Spare the Air site, upgrade to District website and on-going improvements.

Projections – General Fund Expenditures:

Number of Positions (FTE) - decreased number allocated to General Fund; allocated to Grants programs.

Committee Discussion/Comments:

- Haggerty: Requested staff provide details on \$246,872 Travel In-State expenditures;
- Daly: Confirmed expenditure differences of building maintenance versus capital expenditures which can be capitalized over time – page 17 of budget.
- Ross: Confirmed reserve of \$1.5 million for facilities replacement.
- Shimansky/Uilkema: Questioned and confirmed that direction for an annual budget was given by the Board, which provides for more control. State law requires annual budget, but District could have a two-year budget with a guidance document, which could be a time/cost savings.
- Ross: City of Martinez has two-year budget; useful but always changes.
- Torliatt: Questioned the reflection of increased interest income. Mr. McKay said he had previously reported on interest income, and would return and project it as a decrease based upon the 2010 budget.
- Torliatt: Questioned and confirmed that penalties and settlements are difficult to predict and were similar to what has been shown over the last few years.
- Ross: Confirmed that if received, staff did not anticipate disbursing California Goods Movement Bond monies until 2010.
- Daly: Confirmed there were 15 current vacant positions. Staff anticipates hiring two positions, the budget envisions 13 vacancies and the attrition rate has historically been 3%.
- Haggerty: Believed that human resources departments were extremely important for functionality of an agency and requested that a management audit be performed.
- Uilkema: Confirmed with Mr. McKay that he would contact individual counties to determine their exact declining revenue amounts and return to the next Committee meeting with information.

Director Uilkema made a motion to direct staff to make appropriate revisions and provide follow-up information to be reflected in the proposed Budget for FY 2009/2010; to recommend the original staff recommendation of proposed fee amendments to Regulation 3: Fees; and for further discussions to be held during the April 29, 2009 Budget and Finance Committee meeting; Director Haggerty seconded the motion.

Discussion:

Uilkema: Agreed that the District must recover its expenses.

Groom: Had previously expressed concern at the last budget meeting regarding impacts increased fees would have for small dry cleaners and auto shops. It is important to make incremental changes versus big hits, acknowledged effects of the State budget, but believed that the District had no choice but to increase fees.

Haggerty: Reiterated that the District was well below South Coast's fee schedule, did not want to return with a significant increase next year and believed that the District had no other choice.

Ross: Supported proposed increase of fees, citing property tax revenue losses.

Daly: Supported the motion, requested staff return with the \$250,000 correction to interest income and believed there were additional areas in the budget to cut, such as reserves.

Shimansky: Confirmed that staff would update the budget to include firm County-by-County Revenue estimates instead of 5% across the board.

Committee Action: Director Uilkema made a motion to direct staff to make appropriate revisions and provide follow-up information to be reflected in the proposed Budget for FY 2009/2010; to recommend the original staff recommendation of proposed fee amendments to Regulation 3: Fees; and for further discussions to be held during the April 29, 2009 Budget and Finance Committee meeting; Director Haggerty seconded the motion; unanimously carried without objection.

Consider Recommending that the Board of Directors Amend FY 2008/2009 Operating Budget to Recognize increased revenue under an Environmental Protection Agency Grant and Authorize the Executive Officer to Issue a Purchase Order for Instrumentation Required by the Grant – Staff Presentation by Laboratory Services Manager James Hesson

Overview

Mr. Hesson briefly described receipt of a Section 103 grant from the EPA which was increased to purchase a Gas Chromatograph/Mass Spectrometer to improve laboratory analytical capabilities to detect TAC at lower levels in ambient air. The request is to amend the budget by increasing the Laboratory Section's budget by \$113,908.

Committee Action: Chairperson Torliatt made a motion to recommend that the Board of Directors Amend FY 2008/2009 Operating Budget to Recognize increased revenue under an Environmental Protection Agency Grant and Authorize the Executive Officer to Issue a Purchase Order for Instrumentation Required by the Grant; Director Uilkema seconded the motion; carried unanimously without objection.

Response to Recommendations from Air District Annual Audit: Schedule for Adoption of Administrative Policies – Staff Presentation by Executive Officer/APCO Jack Broadbent

Overview

Mr. Broadbent briefly described the schedule for consideration of policies requested by the Committee on February 25, 2009. He noted that because the policies may affect working conditions, staff will need to work with the Employees' Association.

Chairperson Daly requested staff calendar items accordingly for Board consideration.

Committee Action: Received and filed; informational only.

Committee Member Comments/Other Business – Director Haggerty made a request that staff inform the Board of Directors when employees are injured so that get-well wishes can be extended.

Time and Place of Next Meeting:

9:30 a.m., Wednesday, April 29, 2009 – 939
Ellis Street, San Francisco, CA 94109.

Adjournment: The meeting adjourned at 10:58 a.m.

/s/ Lisa Harper
Clerk of the Boards