

Bay Area Air Quality Management District
939 Ellis Street
San Francisco, California 94109
(415) 749-5000

APPROVED MINUTES

Summary of Board of Directors
Budget & Finance Committee Meeting
9:30 a.m., Wednesday, April 29, 2009

- Call to Order:** Chairperson Chris Daly called the meeting to order at 9:32 a.m.
- Roll Call:** Chairperson Chris Daly; Vice Chairperson Harold Brown; Committee Members Carole Groom, Scott Haggerty, Mark Ross, Michael Shimansky, Gayle B. Uilkema and Brad Wagenknecht
- Absent:** Committee Member Eric Mar
- Also Present:** Chairperson Pamela Torliatt
- Public Comment Period:** There was no public comment.

Approval of Minutes of March 30, 2009: Director Shimansky moved approval of the minutes of March 30, 2009; seconded by Director Wagenknecht; carried unanimously without objection.

Second Quarter Financial Report and Review of Financial Trends – Presentation by Deputy APCO, Jeffrey McKay

Overview:

Mr. McKay presented the financial report for the second quarter for Fiscal Year 2008/2009 and a review of financial trends, and presented a comparison of budget to actual revenue which showed that receipts and fees were ahead of budgeted revenue and would serve to somewhat address the \$1.281 million loss in interest revenues from investments.

- County receipts totaled \$10,311,317 (50%) of budgeted revenue;
- Permit Fee receipts were \$14,703,906 (65%) of budgeted revenue;
- Title V Permit Fees were \$1,967,699 (78%) of budgeted revenue;
- Asbestos Fees were \$884,384 (46%) of budgeted revenue;
- Toxic Inventory Fees were \$398,992 (73%) of budgeted revenue;
- Penalties and Settlements were \$1,097,484 (44%) of budgeted revenue;
- Miscellaneous Revenue receipts were \$35,119 (8%) of budgeted revenue;
- Interest Revenue was \$1,281,747) which totaled (-90%) of budgeted revenue.

In comparing the budget to actual expenditures, vacancies and operational services and supplies are static and capital outlay is as expected:

- Salaries and benefits were \$20,254,295 (47%) of budgeted expenditures;
- Operational Services and Supplies were \$3,279,781 (20%) of budgeted expenditures;
- and

- Capital Outlay was \$890,464 (37%) of budgeted expenditures.

Mr. McKay reviewed Investment Balances. Cash and investments in the San Mateo County Treasury include:

• General Fund	\$30,135,001
• TFCA	\$52,741,277
• MSIF	\$30,865,670
• Carl Moyer	<u>\$16,817,370</u>
• Total	\$130,559,318

Investments held as fixed income investments represent 37% of the total investment pool. Investments held as short term investments represent 63% of the total investment pool.

Estimated Financial Challenges the Next Three Years:

- Property taxes will decrease by 10%
- CalPERS contributions will increase by 12%
- COLA will increase salaries and benefits by 11%

Financial Risks

- An estimated imbalance of 10% will occur in FYE 2012;
- 13% imbalance will occur in FYE 2012 if subvention withheld, property tax redirected or a large facility is closed.
- The \$9 million economic uncertainty funding would be expended within one fiscal year;
- Cost recovery through increased fees would balance budget in FYE 2012.

Committee Comments/Discussion:

- Daly: Questioned why the salary line item would fall at or under 94%. Mr. McKay explained that salaries are expected to be 97% or \$1.2 million and this percentage does not necessarily represent half of the actual pay period amount.
- Shimansky: Confirmed that climate protection grant of \$3 million in funding was a single occurrence from undesignated reserves which had been expended, and that the Committee could further discuss the matter during the budget discussion.
- Wagenknecht: Clarified that \$9 million was projected for funding economic uncertainties and was a separate amount from the undesignated fund balance of \$6,358,306.
- Ross: Clarified COLA assumption of 11% is absent of new employee association contract and is based upon existing mid-range percentages of between 2% and 5% over a ten year period.
- Brown: Cited State Propositions and believed assumptions were conservative, suggesting increasing the imbalance to 12% to 15%.
- Ross: Suggested categorizing undesignated fund balances and encumbering them to specific line items.
- Daly: Suggested designating funds to pay down the OPEB and/or other liabilities.

Continued Discussion of Fiscal Year 2009/2010 Proposed Air District Budget and Consideration of Recommending Adoption – Deputy APCO, Jeffrey McKay

Overview:

Mr. McKay gave the second presentation of the FY 2009/2010 proposed Air District Budget, stating that the Committee had expressed support at the March 30th Committee meeting and full

Board adoption was scheduled for June 3, 2009. The purpose of the meeting was to respond to issues raised and form a recommendation to the Board of Directors.

Regarding comments raised in the last meeting, staff reduced the interest rate projections by 50% of prior year \$1.5 million budget, Committee members Uilkema and Haggerty requested updated County revenue projections on a county-by-county breakdown, which shows an increase in revenue of \$400,000. He referred to the County Property Tax Revenue chart and briefly described individual county percentage reductions in property tax revenue, which revealed an overall decrease of 3%.

Committee Comments/Discussion:

Director Uilkema believed that Contra Costa County's property tax reductions would be much more than 5%; Director Ross concurred. Mr. Broadbent agreed percentages could change over the next six months and recommended staff return to the Committee in the fall when actual tax revenue has been issued and do a mid-year budget adjustment, if necessary. Committee Members agreed to calendar a Budget and Finance Committee meeting once property tax revenues have been received by the District.

In-State Travel:

Mr. McKay discussed the In-State Travel budget, noting that the budget of \$246,872 represents a variety of events, conferences, educational, technical training and travel of inspection staff which takes District staff out of the area, and because the District is a technical organization, such travel is necessary and reasonable.

Air Monitoring and Laboratory Equipment from Reserves:

Mr. McKay said the community is appreciative of efforts to provide additional air monitoring and briefly described the equipment as a relocate-able air monitoring trailer with laboratory instruments for additional community monitoring and analysis of samples for toxic metals which provides capabilities similar to ARB and the South Coast AQMD. The cost of \$343,550 is recommended to be taken from Reserve for Contingencies.

Chairperson Torliatt referred to page 90 of the budget and confirmed with Mr. Hilken that the District budgeted sufficient resources to complete the update on CEQA guidelines, and to include resources for guidance on evaluation and mitigation of community exposures.

Director Wagenknecht confirmed with Mr. McKay that the equipment purchase is a change to the budget and is listed as an individual line item under the Capital Expenditures on page 91.

Director Shimanksy questioned and confirmed that the District works cooperatively and closely with counties with monitoring and analyzing data as they have equipment that also monitors ambient air samples and, at times, counties are able to better access locations the District cannot.

Chairperson Daly suggested looking at revenues coming in over the next couple of years, diversifying fund balance line items, and voiced interest in encumbering funds to pay down the OPEB liability and fund climate protection. Mr. McKay briefly discussed the establishment of CalPERS set aside funds for OPEB when the District was super funded, noting that \$400,000 a year is pulled from this funding, with \$1.9 million remaining, which should last for 4-5 years.

Directors discussed options regarding grant funding, dedication of reserve funding, receipt of property tax revenues and the status of the Climate Protection Foundation. Direction was provided to staff to return with recommendations on the Climate Protection Foundation.

Committee members directed staff to bring back recommendations for Appendix C-Fund Balances at the next Budget and Finance Committee meeting to be scheduled for 9:15 a.m. on May 6, 2009, prior to the Board of Directors meeting.

Committee Action: Director Daly made a motion to recommend Board of Directors' approval of the proposed budget for FYE 2010, as amended, with the exception of Appendix C-Fund Balances (page 175), to be discussed at a May 6, 2009 Budget and Finance Committee meeting; Director Wagenknecht seconded the motion; unanimously carried without objection.

Consideration of Budgeting System Standardization – Presentation by Deputy APCO, Jeffrey McKay

Overview:

Mr. McKay reported that the District has examined alternative budgeting systems due to the existing system requiring excessive staff support, cost and risk. He recommended the Committee consider recommending Board of Directors' approval to authorize the Executive Officer/APCO to solicit bids and execute agreements for the Budgeting System Standardization not to exceed \$175,000. He confirmed with Committee members that the request was already budgeted in the current budget.

Committee Action: Director Shimansky made a motion to recommend Board of Directors' approval to authorize the Executive Officer/APCO to solicit bids and execute agreements for the Budgeting System Standardization not to exceed \$175,000; Director Brown seconded the motion; carried unanimously without objection.

Consider Recommending Approval of Data Center and Computer Network Funding – Presentation by Deputy APCO, Jeffrey McKay

Overview:

Mr. Kay described the current state of the computer network, said it operates on 40 year old telephone lines, at 1% of typical speed of modern networks, without power backup on critical network components, without automated monitoring and with wasteful obsolete power conditioners and cooling systems. Committee members voiced support for staff's proposed recommendation.

Committee Action: Director Haggerty made a motion to recommend Board of Directors' approval to authorize the Executive Officer/APCO to solicit bids and execute agreement for Datacenter improvements in an amount not to exceed \$525,000 and Computer Networking improvements in an amount not to exceed \$225,000; seconded by Director Brown; unanimously approved without objection.

Strategic Facilities Planning Analysis – Presentation by Executive Officer/APCO Jack Broadbent and Business Manager, Satnam Hundel

Overview:

Mr. Broadbent described the District's deferred maintenance and facility planning strategy, phasing of the building's construction in 1968, 1976, and 1988, annual facilities cost, examples of upcoming projects, future facility planning and said the scope of work for the RFP includes:

- Analyzing existing and future space needs
- Evaluating options to meet facility needs
- Analyzing costs for each option
- Recommending one option to meet the District's needs

Facility Options:

- Remodel
- Floor-by-floor renovation
- Demolition and rebuild
- Purchase or lease new space

Committee members and staff discussed the RFP which was initiated in 2008 with a scope of work to analyze existing and future space needs, cost, and various options. Staff recommendation is for the Budget and Finance Committee to assign capital facilities planning responsibilities to the Budget and Finance Committee pending initiation of a Capital Facilities Committee.

Committee Discussion/Comments:

Committee members discussed sale versus lease options, building costs, deferred maintenance relocation, alternatives to moving certain divisions, accessibility to transit, moving efforts, selection of a vendor to discuss options, green building, not abandoning the existing building, and requested staff identify employee residence data.

Mr. Broadbent agreed to return to the Committee with the RFP and further discussion.

Committee Action: Chairperson Torliatt made a motion to recommend Board of Directors' approval in assigning facilities responsibilities to the Budget and Finance Committee; seconded by Director Wagenknecht; unanimously approved without objection.

Committee Member Comments: None

Time and Place of Next Meeting:

9:15 a.m., Wednesday, May 6, 2009, Board Room, 939 Ellis Street, San Francisco, CA 94109

Adjournment: The meeting adjourned at 11:00 a.m.

/s/ Lisa Harper
Clerk of the Boards