

Bay Area Air Quality Management District
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APPROVED MINUTES

Summary of Board of Directors
Budget & Finance Committee Meeting
8:30 a.m., Wednesday, September 16, 2009

- Call to Order:** Chairperson Chris Daly called the meeting to order at 8:30 a.m.
- Roll Call:** Chairperson Chris Daly; Committee Members Carole Groom, Eric Mar, Mark Ross and Brad Wagenknecht
- Absent:** Vice Chairperson Harold Brown, Committee Members Scott Haggerty and Gayle B. Uilkema
- Public Comment Period:** There was no public comment.

Fourth Quarter Financial Report for Fiscal Year Ending 2008-09

Finance Manager Linda Serdahl presented the Fourth Quarter Financial report, a comparison of budget to actual revenue for various receipt of fees and their percentages of budgeted revenue, a comparison of budget to actual expenditures for salaries and benefits, operational services and supplies, and capital outlay and cash and investments in County Treasury which total \$119,227,766. She presented fund balances which will remain the same, said the final numbers will reflect audited amounts and those are on an accrual basis, and as requested by the Board, staff scheduled audit field work two months earlier. Therefore, the audit report should be ready at the end of December should the Committee wish to meet.

Chairperson Daly referred to operational services and supplies budget and questioned whether the District was over budgeting or whether staff was deferring certain types of services or supplies were being deferred. Deputy APCO Jeff McKay said numbers will be much larger at the end of the fiscal year, there are open purchase orders against the amounts, and staff has attempted to keep services and supplies lower and anticipates coming in under budget at approximately 85% to 90%.

Committee Action: None; received and filed.

Budget Status Update for Fiscal Year Ending 2010

Deputy APCO, Jeff McKay provided an update of the current year budget status in light of events affecting the budget.

He presented General Fund revenue sources and expenditures, for an estimated balanced budget. He said the District has two financial challenges in its fiscal year end 2010 assumptions; the property tax "take-away" of 8% in the amount of \$1.6 million and budgeted grant revenue that may not be realized, resulting in General Fund encroachment in the amount of \$1.6 million, totaling \$3.2 million.

Chairperson Daly referred to the encroachment issue and Mr. McKay said staff recommends addressing this by maintaining the current vacancy rate for an estimated \$1.3 million savings; deferring building capital upgrades by \$300,000 (50% of Building and Grounds expenditures); and reducing budgeted Services and Supplies by \$1.6 million (10%).

Chairperson Daly questioned and confirmed that the change in services and supplies year to year was flat and requested that staff return to the Committee in coming months and provide additional detailed information on the identification of reductions in service and supplies.

Mr. McKay said the District can also securitize the 8% property tax decrease by selling the debt and letting someone else take on the risk; however, it is not known whether this is possible and whether the debt would be sold at face value or at a lesser amount.

Mr. McKay summarized that there are known challenges to the current year balanced budget and there are additional risks of losing large facilities to lower cost manufacturing areas, as well as losing State subvention. He noted if the Committee chooses to securitize the debt, the 8% is the total covered under the state take-away.

Chairperson Daly questioned if it was necessary to analyze potential business closures, as he believed this may result in less staff work to do in terms of grants delivery functions. Mr. Broadbent said given uncertainties, he agreed there is less grants work, but a considerable amount of staff time went into gearing up for Proposition 1B monies, and staff was still working on what the impact will be, noted the District was maintaining staff vacancies and is not sponsoring as much in the Bay Area and agreed to return with a discussion of staff vacancies and expenditures recommended for deferral. Mr. Broadbent said staff is moving ahead with the Health Officer recruitment and expects to be able to hire somebody in October. In order to meet needs, staff is moving around internally, specifically in Enforcement and Grants Divisions.

Director Groom questioned whether there is information on trends of what other agencies are doing in securitizing property tax. Mr. Broadbent agreed to return with subsequent recommendations and identify what others are doing around the Bay Area.

Summary of Recommendations: Staff will return to the Committee in coming months and provide additional information on the identification of reductions in service and supplies, information on the reduced workload associated with the goods movement funding, and what other agencies are doing in securitizing property tax.

Approval of Minutes of June 1, 2009: Director Ross moved approval of the minutes of June 1, 2009; seconded by Director Wagenknecht; carried unanimously without objection.

Transfer \$750,000 in Funding from Reserves to the Fiscal Year 2009/10 Budget for Marine Highway Project at the Port of Oakland

Executive Officer/APCO Jack Broadbent provided background on the item, stating in May the Board provided direction to collaborate with the Port of Oakland on projects with near-term emissions reduction benefits. Staff hosted a series of meetings with the Port to analyze emissions benefits of various projects in June. The Marine Highway Project has been determined to be an immediately implementable option and is being recommended for funding.

A list of potential projects has been developed by the Port and District staff and the Port is pursuing grant funding. He described the Marine Highway Project, stating that it transports agricultural containers via marine barge versus trucks, it eliminates 4,900 truck trips a week along Bay Area highways (reducing 15 tons of DPM/yr), it transports 50% of agricultural cargo between Oakland and Stockton, and it would operate on clean tugs. The total project cost is \$40 million and the Port of Stockton and Oakland have applied for USDOT funds, the San Joaquin Valley Air Pollution Control District is providing \$750,000, and a series of milestones must be met.

Damian Breen, Grants Manager, described the project, stating that the BROE Group is the parent company; Eco-Transportation is doing the project, and a representative from the company was present. Mr. Broadbent said there is significant interest by the DOT where they can fund it at a federal level using stimulus monies, and staff recommends the Committee recommend Board of Directors' approval to transfer \$750,000 for this purpose.

Chairperson Daly confirmed with Mr. Breen that there is a work plan for the project, staff plans to transfer out funds initially, return to the Ad Hoc Committee on Port Emissions on a detailed budget on what is spent, and the Port should hear in February as to whether or not it receives U.S. DOT grand funding.

Chairperson Daly questioned the delta between the existing goods movement in truck, the one-time expenditure for capital, and questioned what operations would look like over time. Mr. Breen said the District's investment would be in clean tugs, which is similar to what is done in the Carl Moyer Program, operating capital would be up to the service itself, and he said the service has indicated it can become profitable in two years. Mr. Broadbent further discussed reasons for not bringing the project to the Mobile Source Committee, stating it is unique and does not fit with all of the things the District is doing and in grants.

Chairperson Daly questioned whether the Port of Oakland will mandate that goods to the Sacramento region or the Central Valley use this service in terms of retiring trucks. Mr. Breen said staff has discussed this with the California Department of Agriculture who indicate that the goods from the Central Valley will increase over the next 5-10 years. If the service is implemented, it will be a choice. He said the traditional grants program provides dollars to retire vehicles, but this project gives transporters the option between using trucks or the barge system, and the District's funding is contingent upon the company meeting certain ramp-up goals, such as the need for them to deliver "x" number of emissions by transporting cargo over a two-year period. Mr. Broadbent clarified that the project would not actually serve to retire trucks, and reiterated that the project does not necessarily fit within the typical grant structure, but rather is part of the overall solution.

Chairperson Daly confirmed that growth projections from the Department of Agriculture include transportation of refrigerated goods from Chile into the state in the winter season.

Director Ross questioned whether the project increases traffic generation to and from the Central Valley. Mr. Broadbent said approximately three-quarters of the truck traffic operates throughout the Bay Area and he discussed truck trips up and down I-580. Director Ross clarified with staff that there is a benefit to the Central Valley which is reduction of a large amount of NOx, and such reductions also help them to meet their SIPS plan.

Director Groom questioned if there were incentives for distributors, and Mr. Breen discussed the limits placed on truck weights versus the increased ability to move more tonnage of goods and

reduced emissions. Mr. Broadbent also said a barge is able to transport 350 containers. He said there is significant interest by container shippers, a new \$60 million terminal is going into the Port of Oakland, and the Port is supportive of this project.

Director Wagenknecht questioned and confirmed with Mr. Breen that the amount of emissions reductions totals 15 tons of diesel particulate matter per year and 200 tons of nitrogen oxide emissions reductions per year.

Public comment:

Joe Cutrera, Eco-Transportation, San Francisco, discussed the company's transportation operations in the Bay Area, barge operations, refrigerated cargo, and efficiencies on weights, expansion interests, imports, mid-west customers. He said the project becomes a model for California and for other areas.

Mr. Cutrera confirmed with Director Ross that tugs are operated through an independent contractor and alternative companies are also interested. Eco-Transportation leases the barge. A clean tug is in place already and more than one tug would be needed in order to run more trips per week. Operations are run with ILWU union labor through the Ports of Stockton, Oakland and Sacramento.

Chairperson Daly questioned and confirmed with Mr. Cutrera that export commodities and seasonal products move all year long, that the number one export right now is wine in bulk, and that trucking companies see the benefit with weight, as well as from a liability aspect.

Director Ross made a motion to recommend Board of Directors' approval of the transfer of \$750,000 for the project; Director Wagenknecht seconded the motion.

Director Daly discussed his reasons for not supporting the motion, believed the project has benefits and possibilities for expansion; however, he believed it was a departure from how the Air District has typically approached emissions reductions. He was not sure how to weigh the investment versus the emissions reductions for existing goods movement versus the delta on expansion in terms of throughput in the Bay Area, as even clean tugs will have emissions, and believed the proposal needed more time and analysis.

Director Ross sees the project as taking vehicles off the road in the Bay Area, and Director Wagenknecht agreed. Director Daly disagreed, and Mr. Broadbent clarified that containerized traffic will increase; the District's approach has been to take grant monies and retrofit trucks, but there are still residual emissions, and what the project does is start to change the overall increase downward. He said staff is trying to look at all possibilities and this is another piece that staff has been exploring along with retrofits, alternative fuels and locomotive projects.

Director Daly said the project seems to be about having less of an increase by truck but covering the increase with a barge.

Mr. Broadbent noted that additional analysis had been presented at the Ad Hoc Committee on Port Emissions, who referred it to the Budget and Finance Committee and he could provide more detail. Staff has been working with San Joaquin Valley Air Pollution Management District; there are performance milestones and conditions to be met.

Director Groom felt the proposal was worth the opportunity and suggested reviewing it in a year.

Director Wagenknecht considered it to be a macro and not micro approach in reducing emissions and a good investment into a \$40 million system. Director Daly said he would support it if he knew existing trucks would be taken off the road.

Committee Action: Director Ross made a motion to recommend Board of Directors' approval to transfer \$750,000 in funding from Reserves to the Fiscal Year 2009/2010 budget; Director Wagenknecht seconded the motion, which passed by the following roll call vote (4-1-3): Ayes: Groom, Mar, Ross and Wagenknecht; Noes: Daly; Absent: Brown, Haggerty and Uilkema.

Transportation Fund for Clean Air (TFCA) Program Process and File Review

Executive Officer/APCO Jack Broadbent stated that in 2006, the Air District's Carl Moyer Program was reviewed by CARB, who recommended the District put in a series of processes and controls relative to the grant program. Staff recommends the same be applied to the TFCA Program and \$200,000 in funding from the undesignated reserve will be used to ensure that TFCA project folders from 1992-2006 meet current documentation standards.

Director Wagenknecht believed that the cost is a small yet worthy investment. Chairperson Daly confirmed that staff was considering using TFCA monies which would trigger a public audit but it was staff's preference that an internal review be done. Findings will return to the Budget and Finance Committee and the Director Daly requested the selection of bids return to the Committee, as well.

Committee Action: Director Wagenknecht made a motion to recommend Board of Directors' approval to move \$200,000 from the Undesignated Reserve into the FY 2009/2010 budget and to authorize the Executive Officer/APCO to solicit bids, to review the TFCA program and ensure compliance with current documentation standards, and for the selection of bids to return to the Budget and Finance Committee; Director Groom seconded the motion; which carried unanimously.

Committee Member Comments: None

Time and Place of Next Meeting: At the Call of the Chair

Adjournment: The meeting adjourned at 9:38 a.m.

/S/ Lisa Harper
Clerk of the Boards