

Bay Area Air Quality Management District  
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## **APPROVED MINUTES**

Summary of Board of Directors  
Budget & Finance Committee Meeting  
9:30 a.m., Monday, November 2, 2009

**Call to Order:** Chairperson Chris Daly called the meeting to order at 9:30 a.m.

**Roll Call:** Chairperson Chris Daly; Vice Chairperson Harold Brown; Committee Members Susan Garner, Scott Haggerty, Eric Mar, Mark Ross and Brad Wagenknecht

**Absent:** Committee Member Carole Groom and Gayle B. Uilkema

**Public Comment Period:** There was no public comment.

**Approval of Minutes of September 16, 2009:** Chairperson Daly referred to page 4 and requested deletion of the last sentence in the last paragraph.

**Committee Action:** Director Haggerty moved approval of the minutes of September 16, 2009, as amended; seconded by Director Ross; carried unanimously without objection.

### **Proposition 1A Securitization Program**

Deputy APCO, Jeff McKay reported that Proposition 1A was passed by California voters in 2004 to ensure that local property tax and sales taxes remain with local governments. The provisions of the Proposition may be suspended only if the Governor declares a fiscal necessity and two-thirds of the Legislature concur. The emergency suspension of Proposition 1A was passed by the Legislature on July 28, 2009 and signed by the Governor as ABX4 14 and ABX4 15, as part of the FYE 2010 budget package.

The Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority (California Communities) and enables local agencies to sell their respective Proposition 1A receivables to California Communities. Under the provision, the State will borrow 8% of the amount of property tax revenue apportioned to cities, counties and special districts, and will be required to repay those obligations plus interest by June 30, 2013.

Benefits of participation include the immediate cash relief, as the District will receive 100% of its Proposition 1A receivable and the receivable will be paid in two equal installments on January 15 and May 3, 2010. All issuance costs related to the financing will be paid by the State of California, and the District has no obligation should the State of California default on the repayment.

Mr. McKay stated the recommendation is for the Committee to recommend that the Board of Directors adopt the proposed Proposition 1A Sale Resolution and Purchase and Sale Agreement, and that the Board of Directors authorize the APCO and DAPCO to sign all necessary documents on behalf of the District.

Committee Comments/Questions:

Directors confirmed the following participation among agencies: cities 85%; counties 98% and special districts 34%.

There was no public comment.

**Committee Action:** Director Ross made a motion to recommend that the Board of Directors adopt the proposed Proposition 1A Sale Resolution and Purchase and Sale Agreement, and recommend that the Board of Directors authorize the APCO and DAPCO to sign all necessary documents on behalf of the District; Vice Chairperson Wagenknecht seconded the motion; carried unanimously without objection.

**Reduction in Services and Supplies Expenditures and in Goods Movement Workload**

Deputy APCO, Jeff McKay stated that at the last Committee meeting, Directors requested additional information on the identification of reduction of services and supplies and information on the reduced workload associated with goods movement funding.

Mr. McKay said the District did not receive goods movement administrative costs as anticipated and, therefore, did not hire for positions. He discussed the challenges when staffing a grants program, which include: 1) funding sources being temporary, 2) promised funds can be delayed or canceled, and 3) funds with varying or no administrative allowance.

For FYE 2010, 11 FTE were anticipated for Goods Movement work and appropriate funding to pay personnel costs associated with them. Options include: 1) utilizing the 20 people in grants and taking no action, which he said would not be appropriate; 2) New hires could be proposed, would be temporary; 3) Employees could be transferred from other parts of the organization which are funded by the General Fund; and 4) Some combination of any of the options. He said this could be an opportunity for job enhancement opportunities, management of impacts on affected core programs, and short-term staffing opportunities. He noted the movement of Enforcement Division staff into Grants, discussed management of enforcement inspection frequency and complaint response time, which has resulted in a \$1.6 million encroachment on General Fund revenue in the FYE 2010 budget. This challenge will be met through aggressive management of vacancies which continue to be maintained at a much higher level than was budgeted and transfer of people from core programs.

Regarding the service and supplies budget variance, Mr. McKay said because of the challenges with the Lehman Bros. and other economic factors, the District would under-spend its budget by approximately 10%. He presented the breakdown in terms of defined services and supply areas.

Committee Comments/Questions:

Director Haggerty questioned the status of litigation involving San Mateo County and Lehman Brothers, which Mr. Bunger briefly discussed as on-going.

Director Haggerty requested the Committee periodically go into Closed Session to discuss protection of the District's interests.

Director Brown confirmed that 9 employees were transferred to Grants from the Compliance and Enforcement Division and 1 employee was transferred from the Engineering Division.

In response to Chairperson Daly, Mr. McKay reported that the District's books have been closed and the audit is anticipated to be presented ahead of schedule. He confirmed that expended

funds came in \$1.6 million less for the Services and Supplies budget, but the majority of this is pass-through monies.

**Committee Action:** None; Informational Only.

### **Greenhouse Gas Reduction Grant Program Funding**

Acting Director of Strategic Incentives Division, Karen Schkolnick stated that in 2007 a dispute arose between the Attorney General's (AG) office and ConocoPhillips regarding the adequacy of the environmental review of the environmental impact of GHG emissions from the Clean Fuels Expansion Project at the ConocoPhillips Refinery in Rodeo. Thereafter, following activities occurred:

- A settlement agreement was reached on September 10, 2007 between the AG and ConocoPhillips.
- An MOU between the AG and Air District was executed on November 24, 2008 to provide a greenhouse gas reduction grant program administered by the Air District
- The Air District received \$4,443,025 for deposit into a Carbon Offset account on June 1, 2009.

Ms. Schkolnick said staff's recommendation will result in a net increase to the District's Strategic Incentives Division FY 09/10 budget in the amount of \$4,443,025 which will be used to disperse grant funds and to cover administrative costs.

Ms. Schkolnick recommended that the Committee recommend Board of Directors' approval to create a Carbon Offset Fund Program Number 311, funded by the ConocoPhillips settlement in the amount of \$4,443,025, and to adjust the Air District FY 2009/10 Strategic Incentives Division budget accordingly.

#### Director Comments/Questions:

Vice Chair Wagenknecht confirmed that the District issued an RFP in September/October and is currently soliciting proposals which are due by November 16, 2009.

Director Ross confirmed that the program would fund emission reduction projects closest to the refinery. Ms. Roggenkamp and Ms. Schkolnick provided examples of projects to include construction related energy efficiency for public buildings, solar, wind and renewable projects. Director Haggerty cited success with Alameda County's fuel cell project, which heats 85% of the jail's water.

Chairperson Daly confirmed with Ms. Roggenkamp that co-benefits are expected and will be evaluated, and projects would be presented for consideration to the Board of Directors in February/March 2010.

Vice Chair Wagenknecht questioned the status of the longer term carbon offset fund. Ms. Roggenkamp briefly discussed exploration of opportunities with the Air District Foundation and the beginnings of action at the federal level.

There was no public comment.

**Committee Action:** Director Haggerty made a motion to recommend that the Board of Directors approve the creation of a Carbon Offset Fund Program Number 311, funded by the ConocoPhillips settlement in the amount of \$4,443,025, and adjust the Air District FY 2009/10

Strategic Incentives Division budget accordingly; Vice Chairperson Wagenknecht seconded the motion; carried unanimously without objection.

**Committee Member Comments:** None

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

**Adjournment:** The meeting adjourned at 9:58 a.m.

*/s/ Lisa Harper*  
Lisa Harper  
Clerk of the Boards