

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, January 28, 2009

1. **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 Yoriko Kishimoto, Mark Ross, Michael Shimansky and Brad Wagenknecht

Absent: Scott Haggerty and Gayle B. Uilkema
2. **Public Comment Period:** There was no public comment.
3. **Approval of Minutes of October 22, 2008:** Director Shimansky moved approval of the minutes; seconded by Director Ross; carried unanimously without objection.
4. **Fourth Quarter Financial Report:** *The Committee received a report on the fourth quarter financial report for Fiscal Year 2007-08.*

Deputy APCO, Jeff McKay, presented the Fourth Quarter Report for FY 2007/08 and the comparison of budget to actual revenue, as follows:

- County Revenue receipts were \$20,878,005 (105%) of budgeted revenue;
- Permit fee receipts were \$18,039,435 (92%) of budgeted revenue;
- Title V Permit fees were \$1,800,001 (104%) of budgeted revenue;
- Toxic Inventory fees were \$552,445 (103%) of budgeted revenue;
- Penalties and settlements were \$3,084,812 (137%) of budgeted revenue;
- Miscellaneous Revenue receipts were \$82,602 (18%) of budgeted revenue.

He then presented a comparison of budget to actual expenditures:

- Salaries and benefits were \$42,984,398 (101%) of budgeted expenditures;
- Operations Services and Supplies were \$12,376,258 (55%) of budgeted expenditures;
- Capital Outlay was \$3,008,925 (52%) of budgeted expenditures.

Mr. McKay noted that prior Board of Directors' approval targeted the Air District's special reserves at 15% of the total operating budget, and an additional \$6,363,862 currently exists in undesignated reserves. Mr. McKay confirmed that the final audit would be presented at the next Committee meeting and that the undesignated reserve would continue to be shifted into the Economic Uncertainties special reserve fund.

Committee Action: None; informational report only.

5. Air District Financial Overview: *The Committee received an update of the Air District's financial overview.*

Deputy APCO, Jeff McKay, gave an overview of the Air District's financial picture, outlining current budget revenue and expenses, fiscal challenges, risks, and responses, with recognition that early adjustments are suggested and made as new information becomes available.

Mr. McKay presented a breakdown of revenue sources: Permit Fees (45%); County Property Tax (33%); Federal Grants (6%), Other (4%); State Subvention (3%); CMAQ (3%) and Indirect Grant Costs (2%). He compared revenue and expenses and said fiscal challenges ahead include a softening of property tax by 10%, an increase in CalPERS contributions by 12% and cost of living adjustment (COLA) increases for salaries and benefits of 11%. He then presented general fund expenses, stating that salary and benefits were largest at 62%, CalPERS at 8%, Capital at 4% and Service and Supplies at 26%.

Mr. McKay said the Air District is already assuming some relatively strong measures by holding services and supplies and capital expenditures flat. Additionally, the Air District is not adding FTE's, not filling existing vacancies unless they are critical positions, and by using this scenario, it is estimated there will be a 10% shortfall imbalance in the fiscal year ending 2012.

Additional financial risks include subvention withholding which has occurred before and is likely. Given this scenario, it is estimated there will be a 13% shortfall in 2012. He said it is also possible that some property tax could be re-directed, as well as the possibility of large facilities closing which would impact permit fees.

Committee Members confirmed there would be future presentations made at upcoming Committee meetings, discussed appropriate reserve levels and the 15% target, the importance of making incremental changes and utilizing reserves to address isolated incidents. The Committee briefly discussed the more significant, longer term commercial property tax reductions, confirmed there was current utilization of resources through redeployment of staff on an as-needed basis, and requested staff provide information on the total amount of potential loss from the 5% administration fees from Carl Moyer, I-Bond, and other grant fund programs. Committee Members also voiced interest in forwarding a letter to the State relating to subvention and potential legislation which would increase the 5% fees used to administer programs.

Committee Action: None; informational report only.

6. Annual Valuation Report from CalPERS: *The Committee received an update of the Annual Valuation Report from CalPERS.*

Director of Administration, Michael Rich, provided an update of the Annual Valuation Report from CalPERS as of June 30, 2007. He reviewed contribution projections from the District's Actuary, John Bartel, and discussed budget considerations and investment losses in the OPEB Trust Fund. Due to poor investment returns and budget implications from pension plan losses, it is expected there will be an increase in employer contribution rates starting in FY 2011-2012.

Committee Members discussed losses from investments and its impact on employees and the organization, long-term projections, and the less precise projections of forecasting out 10 years.

Committee Action: None; informational report only.

7. **Production System Project Funding:** *The Committee considered recommending Board of Directors' approval to authorize the Executive Officer/APCO to solicit bids and execute agreements for the Production System project not to exceed \$2,800,000.*

Deputy APCO, Jeff McKay, presented the status of the Production System Project funding, stating that in the previous meeting the Committee had granted the second and final half of funding to be moved from undesignated to designated reserves. He presented the timeline presented in 2006, reported hitting the halfway point in November and being \$200,000 under budget, and said staff is now requesting that money be moved and for \$2.8 million to be expended from designated reserves.

Committee Action: Director Brown made a motion to recommend Board of Directors' approval to authorize the Executive Officer/APCO to solicit bids and execute agreements for the Production System project not to exceed \$2,800,000; Director Kishimoto seconded the motion; carried unanimously without objection.

8. **Amend FY 2008/2009 Operating Budget:** *The Committee considered recommending Board of Directors' approval to amend the FY 2008/2009 Budget to recognize revenue from a U.S. Environmental Protection Agency grant.*

Air Monitoring Manager, Eric Stevenson, reported that the Air District expects that the Bay Area will be designated non-attainment for the new ozone standard of 75 parts per billion, and anticipates that a plan will need to be prepared to include ozone modeling. Staff applied for and has been awarded a one-time grant of \$252,370 from the EPA and along with an annual award of \$122,500, grant funds will be used to prepare such a plan and fund photochemical stations in order to better understand ozone formation and data required for ozone modeling and model validation. Therefore, staff requests that the Committee consider recommending Board of Directors' approval to amend the budget to increase Air Monitoring Budget by \$374,870.

Committee Members confirmed that the one gas chromatograph for the current Livermore station and one each for the new sites will better ascertain what emissions go outside of the Air District.

Committee Action: Director Shimansky made a motion to recommend Board of Directors' approval to approval to amend the FY 2008/2009 Budget by increasing the Section 105 Environmental Protection Agency (EPA) Grant Revenue by \$374,870, and correspondingly increase the professional services and capital equipment budget for Air Monitoring (Program 802); Director Brown seconded the motion; carried unanimously without objection.

9. **Committee Member Comments/Other Business:** Chairperson Daly requested an update be provided at the next meeting regarding the San Mateo County Investment Pool.
10. **Time and Place of Next Meeting:** 9:30 a.m., Wednesday, February 25, 2009 – 939 Ellis Street, San Francisco, CA 94109

11. **Adjournment:** The meeting adjourned at 10:37 a.m.

Lisa Harper
Clerk of the Boards