



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

CHRIS DALY – CHAIRPERSON
SUSAN GARNER
SCOTT HAGGERTY
ERIC MAR

HAROLD BROWN - VICE CHAIRPERSON
CAROLE GROOM
ASH KALRA
MARK ROSS
GAYLE B. UILKEMA

WEDNESDAY
FEBRUARY 10, 2010
1:00 P.M.

4TH FLOOR CONFERENCE ROOM
939 ELLIS STREET
SAN FRANCISCO, CA 94109

AGENDA

1. **CALL TO ORDER - ROLL CALL**
2. **PUBLIC COMMENT PERIOD** *(Public Comment on Non-Agenda Items Pursuant to Government Code § 54954.3) Members of the public are afforded the opportunity to speak on any agenda item. All agendas for regular meetings are posted at District headquarters, 939 Ellis Street, San Francisco, CA, at least 72 hours in advance of a regular meeting. At the beginning of the regular meeting agenda, an opportunity is also provided for the public to speak on any subject within the Board's authority. Speakers will be limited to three (3) minutes each.*
3. **APPROVAL OF MINUTES OF NOVEMBER 2, 2009**
4. **REVIEW OF AIR DISTRICT FINANCIAL AUDIT REPORT 2008/2009**

J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive an update of the financial audit for 2008/2009.
5. **SECOND QUARTER FINANCIAL REPORT – FISCAL YEAR 2009-2010**

J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive a report on the second quarter financial report for Fiscal Year 2009-2010.
6. **AIR DISTRICT FINANCIAL OVERVIEW**

J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive an update on the Air District's financial status.
7. **COMMITTEE MEMBER COMMENTS/OTHER BUSINESS**

Any member of the Board, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2).

8. **TIME AND PLACE OF NEXT MEETING – AT THE CALL OF THE CHAIR**

9. **ADJOURNMENT**

CONTACT EXECUTIVE OFFICE - 939 ELLIS STREET SF, CA 94109

(415) 749-5130
FAX: (415) 928-8560
BAAQMD homepage:
www.baaqmd.gov

- To submit written comments on an agenda item in advance of the meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- To request special accommodations for those persons with disabilities notification to the Clerk's Office should be given at least 3 working days prior to the date of the meeting, so that arrangements can be made accordingly.
- Any writing relating to an open session item on this Agenda that is distributed to all, or a majority of all, members of the body to which this Agenda relates shall be made available at the District's offices at 939 Ellis Street, San Francisco, CA 94109, at the time such writing is made available to all, or a majority of all, members of that body. Such writing(s) may also be posted on the District's website (www.baaqmd.gov) at that time.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET, SAN FRANCISCO, CALIFORNIA 94109
(415) 771-6000

EXECUTIVE OFFICE:
MONTHLY CALENDAR OF DISTRICT MEETINGS

FEBRUARY 2010

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting and Retreat <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	3	9:45 a.m.	Sheraton/Sonoma County 745 Baywood Drive Petaluma, CA 94956
Advisory Council Regular Meeting and Symposium – Air District Climate Protection Initiatives	Wednesday	10	9:00 a.m. – 12:00 p.m.	Board Room
Board of Directors Budget & Finance Committee <i>(At the Call of the Chair)</i>	Wednesday	10	1:00 p.m.	4 th Floor Conf. Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	17	9:45 a.m.	Board Room
Board of Directors Executive Committee <i>(At the Call of the Chair)</i>	Monday	22	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	25	9:30 a.m.	4 th Floor Conf. Room

MARCH 2010

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	3	9:45 a.m.	Board Room
Board of Directors Stationary Source Committee <i>(At the Call of the Chair)</i>	Friday	5	9:30 a.m.	Board Room
Board of Directors Personnel Committee <i>(At the Call of the Chair)</i>	Monday	8	9:30 a.m.	4 th Floor Conf. Room
Advisory Council Regular Meeting and Symposium – CA 2050 GHG Emission Reduction Target – Industrial Sector	Wednesday	10	9:00 a.m. – 12:00 p.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	17	9:45 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	25	9:30 a.m.	4 th Floor Conf. Room

APRIL 2010

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	7	9:45 a.m.	Board Room
Advisory Council Regular Meeting	Wednesday	14	9:00 a.m. – 11:00 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	21	9:45 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	22	9:30 a.m.	4 th Floor Conf. Room

HL – 1/28/10 (10:50 a.m.)
P/Library/Forms/Calendar/Calendar/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Daly and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 27, 2010

Re: Budget and Finance Committee Draft Meeting Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of November 2, 2009.

DISCUSSION

Attached for your review and approval are the draft minutes of the November 2, 2009 Budget and Finance Committee meeting.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

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

DRAFT 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.

Lisa Harper
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Daly and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 2, 2010

Re: Air District Financial Audit Report for Fiscal Year 2008/2009

RECOMMENDED ACTION:

Informational report. Receive and file.

DISCUSSION

The Independent Auditors' Report confirms that the Air District's financial statements "...present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bay Area Quality Management District as of June 30, 2009, and the respective changes in the financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America." The report on the basic financial statements is unqualified with no reportable conditions, no instances of non-compliance, and no financial statement findings noted.

The Report on internal control over financial reporting and compliance was performed in accordance with *Government Auditing Standards*, and noted a certain deficiency in internal control that was considered to be a significant deficiency. However, the auditors determined that this deficiency was not a material weakness.

The deficiency noted that "a review of the timing of cash receipts subsequent to year-end in order to properly defer revenues not collected within the sixty-day modified-accrual basis availability period was not performed as part of the District's closing process. Consequently, an adjustment was necessary subsequent to management's close of the financial records."

The Report on compliance in accordance with *OMB Circular A-133* states "In our opinion, the Air District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009."

The Report on Compliance with the Transportation Fund for Clean Air (TFCA) indicated that the Air District complied with the applicable provisions of the Health and Safety Code Sections 44220 through 44242, and that no instances of noncompliance with the applicable statutes, rules, and regulations of the TFCA Program.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Linda J. Serdahl, CPA, CFE

Reviewed by: Jack M. Colbourn

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Daly and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 4, 2010

Re: Second Quarter Financial Report – Fiscal Year 2009-10

RECOMMENDED ACTION:

Informational report. Receive and file.

DISCUSSION

GENERAL FUND BUDGET: STATEMENT OF REVENUE

Comparison of Budget to Actual Revenue

- County receipts totaled \$9,891,047 (49%) of budgeted revenue.
- Permit Fee receipts were \$15,966,823 (66%) of budgeted revenue.
- Title V Permit Fees were \$2,265,979 (70%) of budgeted revenue.
- Asbestos Fees were \$827,397 (39%) of budgeted revenue.
- Toxic Inventory Fees were \$405,533 (63%) of budgeted revenue.
- Penalties and Settlements were \$377,745 (15%) of budgeted revenue.
- Miscellaneous Revenue receipts were \$49,554 (11%) of budgeted revenue.
- Interest Revenue was \$131,969 which totaled 19% of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

- Salaries and Benefits were \$20,711,531 (47%) of budgeted expenditures.
- Operational Services and Supplies were \$6,764,366 (29%) of budgeted expenditures.
- Capital Outlay was \$2,492,959 (37%) of budgeted expenditures.

INVESTMENT BALANCES

Cash and Investments in County Treasury:

General Fund	\$ 30,394,461
TFCA	\$ 54,314,815
MSIF	\$ 34,743,565
Carl Moyer	\$ 18,244,463
CA Goods Movement	\$ 14,547,565
	<u>\$152,244,869</u>

Investments Held as:

Fixed Income Investments	34% of total investment pool
Short Term Investments	66% of total investment pool

FUND BALANCES

	<u>6/30/2008</u> <u>Audited</u>	<u>6/30/2009</u> <u>Audited</u>	<u>6/30/2010</u> <u>Projected</u>
Imprest Cash	\$ 500	\$ 500	\$ 500
Building and Facilities	1,731,690	1,731,690	4,510,315
PERS Funding	2,700,000	2,300,000	1,900,000
Radio Replacement	75,000	75,000	75,000
Production System	2,800,000	-	-
Capital Equipment	130,425	130,425	2,130,425
Contingencies	400,000	400,000	-
Climate Protection	-	-	1,000,000
Post Employment Benefits	-	-	4,000,000
Worker's Compensation	1,000,000	1,000,000	1,000,000
Economic Uncertainties	8,755,437	9,277,570	5,291,866
TOTAL SPECIAL RESERVES	<u>\$ 17,593,052</u>	<u>\$ 14,915,185</u>	<u>\$ 19,908,106</u>
Appropriation - Production System	\$ -	\$ -	\$ -
UNDESIGNATED	<u>6,358,308</u>	<u>411,797</u>	<u>411,797</u>
TOTAL FUND BALANCES	<u>\$ 23,951,360</u>	<u>\$ 15,326,982</u>	<u>\$ 20,319,903</u>

BUDGET CONSIDERATION/FINANCIAL IMPACT:

No impact on Fiscal Year 2008/2009 budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Linda J. Serdahl, CPA, CFE
Reviewed by: Jeffrey McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Daly and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 10, 2010

Re: Air District Financial Overview

RECOMMENDED ACTION:

Receive and file.

DISCUSSION

Entering the FYE 2011 budgeting season, the Air District is financially sound and possesses adequate reserves. However, challenges continue as the District experiences the effects of reduced business activity, reduction in county revenues, low rates of investment return and grants costs that exceed administrative allowances. Staff will present a summary of this status.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

No budget impact.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeffrey McKay