



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
APRIL 28, 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 MARCH 24, 2010**

4. **THIRD QUARTER FINANCIAL REPORT AND REVIEW OF FINANCIAL TRENDS**

J. Colbourn/5192

jcolbourn@baaqmd.gov

The Committee will receive the financial report for the third quarter for fiscal year 2009/2010 and a review of financial trends as requested by the Committee.

5. **CONTINUED DISCUSSION OF FISCAL YEAR 2010/2011 PROPOSED AIR DISTRICT BUDGET AND CONSIDERATION TO RECOMMEND ADOPTION**

J. McKay/4629

jmckay@baaqmd.gov

The Committee will consider recommending Board of Directors approval of the proposed budget for Fiscal Year 2010/2011.

6. **UPDATE ON PROPOSED AMENDMENTS TO REGULATION 3: FEES**

B. Bateman/4653

bbateman@baaqmd.gov

The Committee will receive an update on proposed amendments to Regulation 3: Fees.

7. **AUTHORIZATION TO ENTER INTO A CAPITAL LEASE AGREEMENT**

J. Broadbent/5052

jbroadbent@baaqmd.gov

The Committee will consider recommending the Board of Directors authorize the Executive Officer/APCO to enter into a capital lease agreement for Server, Network, and Telephone Systems.

8. **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).

9. **TIME AND PLACE OF NEXT MEETING** – 9:30 A.M., Thursday, May 20, 2010 – 939 Ellis Street, San Francisco, CA 94109

10. **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

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> - CANCELLED	Wednesday	21	9:45 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i> - RECHEDULED TO THURSDAY, APRIL 29, 2010	Thursday	22	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(At the Call of the Chair)</i>	Wednesday	28	1:00 p.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	29	9:30 a.m.	4 th Floor Conf. Room

MAY 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	5	9:45 a.m.	Board Room
Advisory Council Regular Meeting	Wednesday	12	9:00 a.m. – 11:00 a.m.	Board Room
Board of Directors Stationary Source Committee <i>(At the Call of the Chair)</i>	Thursday	13	9:30 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	19	9:45 a.m.	Board Room
Board of Directors Budget & Finance Committee <i>(At the Call of the Chair)</i>	Thursday	20	9:30 a.m.	4 th Floor Conf. Room
Joint Policy Committee	Friday	21	10:00 a.m.	MTC Auditorium 101 – 8 th Street Oakland, CA 94607
Board of Directors Executive Committee <i>(At the Call of the Chair)</i>	Monday	24	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	27	9:30 a.m.	4 th Floor Conf. Room

JUNE 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	2	9:45 a.m.	City of San Jose Chambers 200 East Santa Clara St. San Jose, CA 95113
Advisory Council Regular Meeting	Wednesday	9	9:00 a.m. – 12:00 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	16	9:45 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	24	9:30 a.m.	4 th Floor Conf. Room

HL – 4/16/10 (9:20 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: April 13, 2010

Re: Budget and Finance Committee Draft Meeting Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of March 24, 2010.

DISCUSSION

Attached for your review and approval are the draft minutes of the March 24, 2010 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
1:00 p.m., Wednesday, March 24, 2010

- Call to Order:** Chairperson Chris Daly called the meeting to order at 1:00 p.m.
- Roll Call:** Chairperson Chris Daly; Vice Chairperson Harold Brown; Committee Members Scott Haggerty, Eric Mar, Mark Ross and Gayle Uilkema
- Absent:** Committee Member Ash Kalra, Susan Garner and Carole Groom
- Public Comment Period:** There was no public comment.

Approval of Minutes of February 10, 2010:

Committee Action: Director Ross moved approval of the minutes of February 10, 2010; seconded by Vice Chairperson Brown; carried unanimously without objection.

Discussion of Proposed Budget for Fiscal Year 2010/2011

Deputy APCO, Jeffrey McKay presented the proposed District Budget, stating that the District's General Fund Budget is \$62.4 million, provides for 363 positions, and reserves reflect prior Board direction or \$9 million. He described General Fund revenue sources half of which comprise of permit fees (49%), with the remainder being property tax (34%), and smaller amounts from penalties, interest, grants, and subvention. For General Fund expenditures, salaries and benefits make up about 65%, services and supplies at 24%, CalPERS 8%, and Capital at 4%.

In responding to challenges, the District proposes a pro-active, balanced multi-faceted and multi-year approach to deal with the gap between revenue and expenditures through:

Personnel:

- FTE unchanged from amended FYE 2008 Budget;
- Vacancy count steadily increased – 19 vacancies held and 7 additional vacancies from turnover;
- Teamwork exists between management and labor;
- Leadership development and training

Expenditures (expected to hold for 3 years):

- Services and supplies cut by 12% from prior year;
- Capital spending deferred, such as HVAC and elevators

Fees:

- 5.5% average fee increase in FYE 2011 budget;
- Low rate of cost recovery reduces effectiveness of fee increases

Reserves:

- In prior years, property taxes exceeded budget;
- Those funds available for temporary budget gap;
- Future Year assumptions for reserve projections:
 - Vacancies unfilled
 - Services and supplies and capital unchanged
 - Property taxes unchanged
 - 5.5% fee increases each year.

Mr. McKay presented assumptions over the next three years, showing the following changes to reserves each year:

- \$ 2.0 million in FYE 2011
- \$ 0.9 million in FYE 2012
- + \$ 0.2 million in FYE 2013

Mr. McKay stated that reserve projections assume continuation of Committee guidance on topics such as paying the proposed budget OPEB in the current year.

In response to a question posed at the last Committee meeting about a breakdown of inspections and how inspectors are deployed in the context of grants work, Mr. McKay presented a table showing the various categories of inspections from FYE 2006 through FYE 2009 for compliance verification inspections by: grants inspections, gasoline dispensing, asbestos demolitions/renovations, auto body shops, dry cleaners, reportable compliance activities, Title V deviations, refineries, and industrial sources.

Staff was also asked to report back on the status of the San Mateo Investment Pool Lehman Brothers loss. Mr. McKay stated that every pool participant shares equally in gains or losses and the bankruptcy resulted in an investment loss. A claim was filed on behalf of the pool in the bankruptcy, the assets are not worthless but tied up in the bankruptcy, and the devalued assets will return to the pool as a gain when distributed in the bankruptcy. Staff recommends continued pool participation which is necessary to see an eventual gain.

In summary, Mr. McKay said staff proposes a balanced budget approach to fiscal challenges with the ability to support core functions and initiatives.

Mr. McKay then presented Table I; consolidated revenue and transfers, Table II; consolidated expenditures, and Table III; general fund expenditures, and provided an explanation of line item year-to-year budget increases, decreases and percentages of changes.

Director Comments/Questions:

Director Haggerty confirmed that the entire investment pool incurred a loss of about \$8 million; the District's loss is approximately \$1.7 million, and that the estimated value through the current settlement process ranges between \$.10 and \$.50 on the dollar and increasing.

Director Ross acknowledged reductions in penalties and settlements, given the current economy and questioned whether maintenance of equipment was associated with penalty activity. Mr. Wee and Mr. Bunger explained that reductions relate more to facilities not running at their full capacity. Equipment typically breaks down or requires added maintenance when at full capacity.

Director Haggerty referred to Table II. He questioned and confirmed that the District's general insurance coverage falls under a special District agency pool and would be reviewed this coming fiscal year.

Director Uilkema confirmed that travel in and out of state is reflective of both District staff and Board Members.

Director Haggerty questioned and confirmed that communications equipment is for deferred replacement of in-house telephones, and that inspector radio systems had been replaced about three years ago.

Director Daly confirmed that the Mobile Source Committee would meet and consider funding for the Lower Emissions School Bus Program, and that the current year funding cycle is included in the District's proposed budget and audit, as well.

Mr. Breen briefly discussed I-Bond funding which he confirmed was excluded from this year's budget due to its uncertainty relating to the sale of bonds. Mr. Broadbent added that given the uncertainty, the District relies on limited term and temporary employees, which is included in the recent approval of the Employees Association contract. In moving forward, internal employees will be utilized to backfill the work, and then positions replaced once funding is received.

Director Uilkema confirmed that State bonds are Proposition 1A funds and are in a special State pool and not impacted by county revenues.

Chair Daly confirmed with staff that the proposed Budget would return to the Committee for further review on April 28, 2010 at which time the Committee would refer it to the Board of Directors for public hearings on May 5 and June 16, 2010. He confirmed with staff that the new Employee Association costs are included within the proposed budget and while initially having to go into Reserves, the budget should be more favorable in future years.

Vice Chair Brown thanked District staff for their work and for presentation of both a comprehensive and easily understood budget document.

There was no public comment.

Committee Action: The Committee's comments and recommendations were recognized, and further discussion will be held during the April 28, 2010 Budget and Finance Committee meeting.

Update on Proposed Amendments to Regulation 3: Fees

Director of Engineering, Brian Bateman, provided a background on the District's authority to assess fees to recover the District's cost of stationary source programs. He said fee revenue fell well short of full cost recovery at only 58% and the cost recovery gap is filled by county revenues. Permit fee increases are restricted to increase not more than 15% per year.

Mr. Bateman presented General Fund Revenue Sources showing the distribution of revenue sources, with permit fees comprising of 49% of the revenue and County property tax at 34%. He reviewed budget challenges of the District as:

Program requirements are increasing due to the increasing number and complexity of federal, state, and District rules and regulations. And, expected revenue has decreased in the area of fees, penalties, grants, and interest. Mr. Bateman then briefly described responses by the District to address budget challenges by reducing expenditures, maintaining vacancies, increasing efficiency, using a modest amount of reserves, and increasing cost recovery fees. He then presented an illustration of the effect of no increase in costs and a 10% increase in fees, which would yield a 6% increase in cost recovery.

Staff proposes a 5% increase in all fees, except for Schedule P which applies to Title V facilities. These are proposed at a 10% increase due to the schedule being low in terms of cost recovery, at 46%. The effect on fee revenue would equal a 5.5% increase from what would otherwise result without a fee increase, and 1.5% increase from FYE 2010 projected fee revenue.

Director Comments/Questions:

Director Haggerty asked staff to provide an example of the lowest and highest fee. Mr. Bateman explained that fees are wide ranging, stating that the lowest is about \$300 and the highest is for a refinery, at about \$2 million.

Mr. Bateman stated there are 97 Title V facilities in the Bay Area, which are the larger, more complex facilities. The average increase in annual permit renewal fees would be 6.4%; the range of increases would be 5.2% to 8.0%; and five refineries' increases range from 5.7% to 6.0%.

Other proposed amendments include:

- Expanding the definition of "small business"
 - Increase gross annual income limit from \$600,000 to \$750,000
 - Small businesses get 50% discount on permit application fees
- Create new "green business" application fee discount of 10%
- Create new application fee discount for attendance at Industry Compliance School
- Move temporary amnesty provision to Regulation 3 and extend applicability to registrations

Director Uilkema requested staff provide estimated increases in annual permit renewal fees for Title V facilities that would result from adoption of proposed amendments to the District's fee regulation. Mr. Bateman agreed to forward the information.

Mr. Bateman then presented examples of increases in annual permit renewal fees for small businesses, which included gas stations (\$120), dry cleaners (\$61), auto body shops (\$33) and back-up generators (\$57). He then presented Bay Area AQMD and South Coast AQMD fee comparisons which revealed higher South Coast AQMD fees.

Mr. Bateman reviewed public comments received at workshops and verbally and in writing. In conclusion, he reviewed the rule development schedule.

Director Ross confirmed that the speed at which staff can evaluate permits will be enhanced through improved production system capabilities.

Committee Action: None; Informational Only.

Committee Member Comments: Chairperson Daly reminded Directors that only pertinent staff should attend Committee meetings.

Time and Place of Next Meeting: 1:00 p.m., Wednesday, April 28, 2010, 939 Ellis Street, 4th Floor Conference Room, San Francisco, CA 94109

Adjournment: The meeting adjourned at 2:00 p.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: April 13, 2010

Re: Third 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 \$ 11,783,473 (59%) of budgeted revenue.
- Permit Fee receipts were \$19,418,865 (80%) of budgeted revenue.
- Title V Permit Fees were \$2,601,521 (81%) of budgeted revenue.
- Asbestos Fees were \$1,224,153 (57%) of budgeted revenue.
- Toxic Inventory Fees were \$607,814 (95%) of budgeted revenue.
- Penalties and Settlements were \$480,695 (19%) of budgeted revenue.
- Miscellaneous Revenue receipts were \$53,060 (11%) of budgeted revenue.
- Interest Revenue was \$189,655 which totaled 27% of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

- Salaries and Benefits were \$30,734,178 (70%) of budgeted expenditures.
- Operational Services and Supplies were \$9,961,576 (44%) of budgeted expenditures.
- Capital Outlay was \$3,519,150 (57%) of budgeted expenditures.

INVESTMENT BALANCES

Cash and Investments in County Treasury:

General Fund	\$23,376,017
TFCA	\$49,538,317
MSIF	\$31,777,981
Carl Moyer	\$16,832,522
CA Goods Movement	\$15,049,248
	<u>\$136,574,085</u>

Investments Held as:

Fixed Income Investments	37% of total investment pool
Short Term Investments	63% 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	\$ -
Building and Facilities	1,731,690	1,731,690	4,731,690
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	-
Post Employment Benefits	-	-	2,000,000
Worker's Compensation	1,000,000	1,000,000	1,000,000
Economic Uncertainties	8,755,437	9,277,570	1,727,570
TOTAL SPECIAL RESERVES	<u>\$ 17,593,052</u>	<u>\$ 14,915,185</u>	<u>\$ 13,564,685</u>
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>\$ 13,976,482</u>

BUDGET CONSIDERATION/FINANCIAL IMPACT:

No impact on Fiscal Year 2009/2010 budget.

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: April 13, 2010

Re: Continued Discussion of Fiscal Year Ending (FYE) 2011 Proposed District Budget
and Consideration to Recommend Adoption

RECOMMENDED ACTION:

Consider recommending Board of Directors adoption of the proposed FYE 2010/2011 Budget.

BACKGROUND:

As directed by Chairperson Wagenknecht at the March 17, 2010 regular Board of Directors meeting, the proposed FYE 2011 Budget document was reviewed by the Budget and Finance Committee at its March 24, 2010 meeting.

DISCUSSION:

Staff presented the proposed budget for Fiscal Year 2010/2011 at the March 24, 2010 Budget and Finance Committee meeting. The proposed budget is balanced with General Fund Revenues and Transfers-In from Designated Reserves totaling \$62.4 million. Proposed General Fund Expenditures are \$62.4 million. Proposed Capital Expenditures are \$2.4 million. With the inclusion of Grant and Program Distributions, the consolidated budget is balanced at \$109.6 million. The proposed budget includes no increase in FTE.

Staff published, prior to March 30th, a notice to the general public that the first of two public hearings on the budget will be conducted on May 5, 2010 and that the second hearing will be conducted on June 16, 2010.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

The proposed consolidated budget for FY 2009/2010 is \$109,552,356.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Linda J. Serdahl, CPA, CFE

Reviewed by: Jack M. Colbourn

Attachment: (1)

FYE 2010/2011 Proposed Budget

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: April 19, 2010

Re: Update on Proposed Amendments to Regulation 3: Fees

RECOMMENDED ACTION:

None. This item is for information only.

BACKGROUND

At the March 24, 2010 Budget and Finance Committee meeting, staff provided an update on proposed fee amendments for the upcoming Fiscal Year Ending (FYE) 2011. The staff proposal is to increase all fees by 5%, with the exception of Fee Schedule P: Major Facility Review Fees, which would be increased by 10%. Fee Schedule P applies to a relatively small number of larger facilities that are subject to Title V or Synthetic Minor Operating permit requirements. Updated cost recovery analyses indicate that revenue collected under Fee Schedule P recovers less than 50 percent of the District's costs associated with corresponding program activities. The staff proposal also includes several additional miscellaneous amendments.

At the upcoming April 28, 2010 meeting, staff will provide the Committee with an update on rule development activities for Regulation 3, including a summary of public comments received.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Brian Bateman
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: April 15, 2010

Re: Authorization to Enter into a Capital Lease Agreement

RECOMMENDED ACTION:

Consider recommending that the Board of Directors authorize the Executive Officer/APCO to enter into a capital lease agreement for Server, Network, and Telephone systems for an annual sum of \$368,000 over a six year term as is currently detailed in the District Fiscal Year Ending (FYE) 2010 Information Systems budget and in the proposed budget for FYE 2011.

DISCUSSION

Yearly expenditures for maintenance and piecemeal upgrades to the District's computer server, computer network, and telephone systems have varied substantially between \$80,000 and \$800,000 per year over the last ten years, and these smaller purchases create bifurcated systems that cannot operate efficiently together. A capital lease initiated in the current year will allow for a consistent six year technology planning cycle with a predictable yearly expenditure and upgrade path.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

Staff's recommendation is a six year contract with an annual cost of \$368,000. The first two years are provided for within the FYE 2010 and proposed FYE 2011 budgets.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: John Chiladakis
Reviewed by: Jeffrey McKay