



BAY AREA  
AIR QUALITY  
MANAGEMENT  
DISTRICT

BOARD OF DIRECTORS  
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

CAROLE GROOM – CHAIRPERSON  
CHRIS DALY  
SCOTT HAGGERTY  
ERIC MAR

HAROLD BROWN – VICE CHAIRPERSON  
SUSAN GARNER  
ASH KALRA  
MARK ROSS  
GAYLE B. UILKEMA

WEDNESDAY  
DECEMBER 08, 2010  
9:30 A.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 APRIL 28, 2010**

4. **CONSIDERATION OF ACCEPTING AN EPA GRANT AND AWARDING A CONTRACT FOR CONTINUED DEVELOPMENT OF DATA MANAGEMENT SYSTEM**  
E. Stevenson/4695  
[estevenson@baaqmd.gov](mailto:estevenson@baaqmd.gov)

*The Committee will consider recommending Board of Directors' approval to accept an EPA grant and award a contract for data management system services for ambient air quality and meteorological data.*

5. **POSSIBLE IMPACTS OF PROPOSITION 26 ON THE DISTRICT**  
J. Broadbent/5052  
[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

*The Committee will receive an overview about possible impacts of Proposition 26 on the District.*

6. **FIRST QUARTER FINANCIAL REPORT – FISCAL YEAR 2010-11**  
J. McKay/4629  
[jmckay@baaqmd.gov](mailto:jmckay@baaqmd.gov)

*The Committee will receive an update on the District's First Quarter Financial Report.*

7. **AIR DISTRICT FINANCIAL OVERVIEW**  
J. Broadbent/5052  
[jbroadbent@baaqmd.gov](mailto:jbroadbent@baaqmd.gov)

*The Committee will receive an overview of the District's finances.*

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 – AT THE CALL OF THE CHAIR**

10. **ADJOURNMENT**

**CONTACT EXECUTIVE OFFICE - 939 ELLIS STREET SF, CA 94109**

**(415) 749-5130**  
**FAX: (415) 928-8560**  
**BAAQMD homepage:**  
[www.baaqmd.gov](http://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](http://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**

**DECEMBER 2010**

<b><u>TYPE OF MEETING</u></b>	<b><u>DAY</u></b>	<b><u>DATE</u></b>	<b><u>TIME</u></b>	<b><u>ROOM</u></b>
<b>Board of Directors Regular Meeting</b> <i>(Meets 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	1	9:45 a.m.	Board Room
<b>Board of Directors Legislative Committee</b> <i>(At the Call of the Chair)</i>	Monday	6	9:45 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Budget &amp; Finance Committee</b> <i>(At the Call of the Chair)</i>	Wednesday	8	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Stationary Source Committee Meeting</b> <i>(At the Call of the Chair)</i>	Monday	13	9:30 a.m.	Board Room
<b>Board of Directors Regular Meeting</b> <i>(Meets 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	15	9:45 a.m.	Board Room
<b>Joint Policy Committee Special Meeting</b>	Friday	17	10:00 a.m.	MTC Auditorium 101 – 8 <sup>th</sup> Street Oakland, CA 94607
<b>Board of Directors Mobile Source Committee</b> <i>(Meets 4<sup>th</sup> Thursday each Month)</i> - RESCHEDULED TO NOVEMBER 18, 2010 at 9:30 a.m.	Thursday	25	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room

**JANUARY 2011**

<b><u>TYPE OF MEETING</u></b>	<b><u>DAY</u></b>	<b><u>DATE</u></b>	<b><u>TIME</u></b>	<b><u>ROOM</u></b>
<b>Board of Directors Regular Meeting</b> <i>(Meets 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	5	9:45 a.m.	Board Room
<b>Advisory Council Retreat</b> <i>(2<sup>nd</sup> Wednesday of each Month)</i>	Wednesday	12	9:00 a.m.	Board Room
<b>Board of Directors Personnel Committee</b> <i>(At the Call of the Chair)</i>	Wednesday	12	1:30 p.m.	4 <sup>th</sup> Floor Conf. Room
<b>Board of Directors Regular Meeting / Retreat</b> <i>(Meets 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	19	9:45 a.m.	David Brower Center 215 Alliston Way Berkeley, CA 94704
<b>Board of Directors Mobile Source Committee</b> <i>(Meets 4<sup>th</sup> Thursday each Month)</i>	Thursday	27	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room

## FEBRUARY 2011

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
<b>Board of Directors Regular Meeting</b> <i>(Meets 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	2	9:45 a.m.	Board Room
<b>Board of Directors Regular Meeting</b> <i>(Meets 1<sup>st</sup> &amp; 3<sup>rd</sup> Wednesday of each Month)</i>	Wednesday	15	9:45 a.m.	Board Room
<b>Board of Directors Mobile Source Committee</b> <i>(Meets 4<sup>th</sup> Thursday each Month)</i>	Thursday	24	9:30 a.m.	4 <sup>th</sup> Floor Conf. Room

HL – 11/30/10 (9:45 a.m.)

P/Library/Forms/Calendar/Calendar/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT  
Memorandum

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

From: Jack P. Broadbent  
Executive Officer/APCO

Date: November 23, 2010

Re: Budget and Finance Committee Draft Meeting Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of April 28, 2010.

DISCUSSION

Attached for your review and approval are the draft minutes of the April 28, 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, April 28, 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; and Directors Carole Groom, Scott Haggerty, Ash Kalra, Eric Mar, Mark Ross and Gayle Uilkema
- Absent:** Director Susan Garner
- Public Comment Period:** There was no public comment.

**Approval of Minutes of March 24, 2010:** Deferred to later in the meeting due to an initial lack of a quorum.

**Third Quarter Financial Report and Review of Financial Trends**

Director of Administrative Services, Jack Colbourn, presented the third quarter Financial Report, as follows:

**GENERAL FUND: 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.

Director Uilkema discussed reduced revenues from violations, and Mr. Bunger noted that staff indicated previously that facilities are not running at maximum capacities, there are not the number of violations, and there are a number of larger settlements underway.

**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.

Regarding expenditures, Mr. Colbourn discussed the District's efforts in reducing expenditures by freezing 16 positions, spent 70% of its budget for a savings of about \$2 million, cut the budget by 10% in services and supplies and because they lag, staff expects to be at 90% at the end of the fiscal year.

Mr. Colbourn reported on investment balances in the County treasury and thereafter, fund balances, as follows:

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

	6/30/2008	6/30/2009	6/30/2010
	Audited	Audited	Projected
	_____	_____	_____
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	\$ 17,593,052	\$ 14,915,185	\$ 13,564,685
UNDESIGNATED	6,358,308	411,797	411,797
	_____	_____	_____
TOTAL FUND BALANCES	<u>\$ 23,951,360</u>	<u>\$ 15,326,982</u>	<u>\$ 13,976,482</u>

Committee Comments/Questions:

Chairperson Daly questioned the projection for budget to actual expenditures for ending fiscal year, and Mr. McKay said staff cut the services and supplies back by 10% and the District expects to be at 90% at the end of the year. The 44% in services and supplies is due to a lag because encumbrances tie up funds. He noted capital should also come in at 90%.

Director Uilkema referred to total fund balances and called attention to the \$10 million decline. Mr. McKay noted that he would provide Director Uilkema with a slide from the previous meeting showing trends and projections.

In response to Director Ross' question, intended fund balance items versus unintended were roughly split in half. Intended items include the Production System of \$3 million and the OPEB payment of \$2 million. Unintended items include the Lehman Bros. loss of \$1.7 million, a decrease of \$800,000 where the District took in less interest than budgeted because of the aggressive drop in interest rates, and a reduction in permit fees of \$1 million compared to what was budgeted because of the slow down. He noted that PERS funding is budgeted.

In response to Director Uilkema regarding the Lehman Bros. failure, Mr. McKay stated that the estimate return on the bankruptcy is on a positive trend and currently estimated at 50%. Mr. Bunger cited current legislation dealing with refunds to local government that suffered losses and are included in the bankruptcy.

There was no public comment.

**Committee Action:** None; received and filed.

*Quorum Established:* Noted present were Vice Chair Brown and Directors Kalra. Director Haggerty arrived soon after.

**Approval of Minutes of March 24, 2010:**

**Committee Action:** Vice Chair Brown moved approval of the minutes of March 24, 2010; seconded by Director Uilkema; carried unanimously without objection.

**Continued Discussion of Fiscal Year 2010/2011 Proposed Air District Budget and Consideration to Recommend Adoption**

Deputy APCO, Jeffrey McKay, presented the proposed Budget, stating on March 24, 2010 staff presented the budget in great detail, the Committee did not request items to be returned, and today's recommendation is to recommend the budget to the full Board of Directors. He pointed out that the upcoming presentation will be regarding fees, and if in the upcoming presentation there is interest in one option which would reduce fee revenue by about \$150,000, this is about 1% of the District's services and supplies, and if staff recommendation is approved, he would direct each division director to reduce their respective budgets by 1%.

Mr. McKay stated staff's recommendation is that the Committee recommend Board of Directors' adoption of the proposed FYE 2011 Budget.

Director Uilkema requested a discussion first be held on the proposed amendments to the fee schedule. Chair Daly requested staff defer the budget consideration and open up discussion on the Update on Proposed Fee Regulation Amendments.

**Update on Proposed Amendments to Regulation 3: Fees**

Director of Engineering, Brian Bateman, gave a presentation on proposed fee regulation amendments, stating staff would briefly review and discuss options identified for addressing comments received. He noted the proposal is for a 5% increase in all fees, except for Fee Schedule P, which is Major Facility review, or Title V permits. The reason for a more aggressive increase is due to the fact that existing fee revenue recovery is less than 50% of program activity costs, and he described significant work associated with the program. The effect on fee revenue is a 5.5% increase from what would otherwise result without a fee increase. It is somewhat less than this if compared to projections for the current fiscal year and reduced fee revenues as discussed earlier in the meeting.

There are currently 97 Title V facilities in the Bay Area, with varying sizes and complexities. The average increase would be 6.4%, the range of increases would be 5.3% to 8.0%, and five refineries would incur increases of 5.6% to 6.0%.

The District has not received new comments since the last meeting. He noted that comments previously submitted include two written comment letters; one from the California Council for Environmental & Economic Balance (CCEEB) whose main point is that the higher increase is not fair and they would favor an across-the-board, uniform 5% increase for all fee schedules. Western States Petroleum Association (WSPA) commented that they believe the District should work to continue containing its costs, and that increased fees should yield an increased level of service. Staff received two other comments at a workshop and one by telephone from smaller facilities, and they voiced concerns of increased fees and the economic downturn.

Mr. Bateman noted that in addressing comments, staff considered having a new cost recovery study prepared, noting that Stonefield Josephson, Inc. prepared an evaluation of the District's cost and revenues in 2005. He indicated that staff has been following the same methodology used by the consultant which is updated annually.

Mr. Bateman stated the District could request the consultant increase its emphasis on evaluating cost increases that could be implemented and review cost containment measures. He noted that the plans would be to conduct an RFP process, and secure a firm to complete the study by the end of the calendar year so that results of the updated study could be used for developing the fee proposal for the next fiscal year. Staff also suggests the Committee consider CCEEB's recommendation for an across-the-board 5% increase for all fees. The impact would be a decrease in revenue which was originally presented of \$150,000, or an increase in fee revenue of \$1.45 million instead of \$1.6 million.

Chairperson Daly requested Mr. Bateman restate the case made last time for the 10% increase in Title V permits. Mr. Bateman replied that in looking at cost recovery, staff reviews the schedule on an overall basis as well as for individual fee schedules. They track staff time and efforts in preparing and enforcing Title V permits and has a solid estimate of the overall costs by comparing revenue to the cost, the gap of which he said is significant. For the last fiscal year, it was a 46% cost recovery. Other fee schedules which include the 46% on average were at 58%. He noted that if staff were to exclude Title V it would be much higher.

Mr. Bateman then discussed the remaining rule development schedule, as follows:

- April 28, 2010
  - Budget & Finance Committee briefing
- May 5, 2010
  - Public hearing to receive testimony
- June 16, 2010
  - Public hearing to consider adoption
- July 1, 2010
  - Proposed effective date of fee amendments

Committee Comments/Questions:

Director Kalra supported conducting the cost recovery study and implementing staff's recommendation. While he acknowledged comments to contain costs, he believed that the District was already very far behind in its cost recovery.

Chairperson Daly agreed with Director Kalra's comments and appreciates staff's attempt to accommodate CCEEB's request, but noted that the District has been on a path for many years to get closer to cost recovery and equalize things. He supported preparation of a cost recovery study, noting that the last study was completed in 2005.

Director Uilkema supported efforts for preparation of a cost recovery study, but wanted to ensure fees are justified so as not to develop adverse relationships. She reiterated her sensitivity to refineries, recognized staff demands, was not firm on recommending a 5% or 10% increase, and suggested the possibly to rebate Title V facilities if results of the study return and show something different.

Director Haggerty referred to the comment received on containing costs, and highlighted the fact that the District's recent negotiations and overall package to employees was reduced.

Vice Chair Brown acknowledged the District's work to implement considerable cost containment measures. Mr. Broadbent stated that the largest savings are from the 16 frozen positions on top of the normal vacancy rate, and he briefly described additional measures which would be provided to the Board of Directors.

Director Groom questioned and confirmed with Mr. Bateman that on an overall basis, the District was recovering about 58% of its costs.

Public Comments:

Bill Quinn, CCEEB, stated they represent Title V facilities and labor and discussed what he feels has been an extremely difficult year. Their membership is supportive of an across-the-board 5% increase, supportive of implementing a cost recovery study and returning with results. He noted that CCEEB would support increases based on results of the study.

Motion: Director Kalra made a motion to approve staff recommendation to increase fees, as well as the proposal for an accounting firm to prepare an updated cost recovery study. He recognized Mr. Quinn's comments, but also noted that the District has not been recovering its costs and asked CCEEB to participate in the outreach; Director Mar seconded the motion.

Mr. Bunger noted the item was an informational item only, but staff requests direction from the Committee regarding the 5% increase to all fees and the 10% recommendation for Title V permit fees.

Vice Chair Brown confirmed that the difference between 5% and 10% was \$150,000 and could represent one employee or 1% of the services and supplies budget. Mr. Broadbent indicated that if the Committee recommended an across the board 5% increase, staff would plan to incorporate the \$150,000 reduction in services and supplies for next year's budget. Vice Chair Brown said CCEEB makes compelling arguments; however, he was unsure of the true economic temperature but did not want to further impact businesses.

Director Groom confirmed that the cost recovery study could be completed by December 2010. She suggested keeping cost increases at 5% across-the-board until the cost recovery study is completed, and thereafter revisit Title V permit fees.

Director Ross confirmed that the District was limited to increasing fees annual at 15% and pointed out that the District's cost recovery may therefore be further impacted next year.

Director Haggerty discussed impacts to business and voiced apprehension in moving forward with increases without results from a study.

Substitute Motion: Director Haggerty made a substitute motion to recommend a 5% across-the-board and conduct a mid-year adjustment once the cost recovery study has been completed; Vice Chair Brown seconded the motion.

Directors Kalra and Ross cited the District's fiduciary responsibility to cover its costs, suggested the study be conducted which should show that increases are necessary, and supported the original motion.

Directors confirmed with staff that fees are paid in the fall and depending upon results of the study and a mid-year budget adjustment, the District could bill Title V facilities the difference.

Straw votes were then taken on both the original and substitute motions individually, with a tie (4-4) vote on each motion.

Chair Daly requested that the matter be forwarded to the Board of Directors for consideration with an explanation of the Committee's deliberations.

**Continued Discussion of Fiscal Year 2010/2011 Proposed Air District Budget and Consideration to Recommend Adoption** (continued)

Mr. McKay resumed his presentation of the proposed Air District Budget, stating staff recommended taking all possible methods to address budget challenges proactively and over a period of a few years, which includes using reserves. Funds from property taxes are available for use for temporary budget gaps. The District has proactively been aggressive in:

- Keeping vacancies unfilled and projecting future vacancies to remain unfilled;
- Projecting that in future years a 10% reduction in service and supplies and capital will persist;
- Projecting no improvement in property tax; and
- Continuation of 5.5% fee increases, which is 5% less than what would be absolutely necessary to carry on business as usual.

Based upon a Reserve of 15% of the District's General Fund (\$9 million), staff is proposing an FYE 2011 Reserve of just under \$12 million and tapping into its Reserves by \$2 million. For FYE 2012 the District would tap into its reserve by \$0.9 million, and at FYE 2013, the District would begin to improve by +\$0.2 million.

Committee Comments/Discussion:

Director Uilkema questioned property tax assumptions and the basis for projections. Mr. McKay reviewed the District's conservative approach, noting that staff expects to come in \$1 million over projections in the current fiscal year. While the projected budget is flat for county revenues based on current year projected actual, there are considerable differences amongst counties and the overall average of all counties is flat.

Director Haggerty questioned the appropriateness of setting the reserve target on the General Fund, and suggested the Committee periodically review where to set the reserves. Mr. Broadbent agreed to agendaize the matter for a future Committee meeting.

**Committee Action:** Director Haggerty made a motion to recommend Board of Directors' approval of the proposed budget for Fiscal Year 2010/2011; Vice Chair Brown seconded the motion; which carried without opposition.

**Authorization to Enter Into a Capital Lease Agreement**

Directors commented that the report and request was straight-forward and voiced support of staff's recommendation.

**Committee Action:** Vice Chair Brown made a motion to recommend 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; Director Kalra seconded the motion; carried unanimously without objection.

**Committee Member Comments:** Chairperson Daly indicated that this would be his last year in chairing the Budget and Finance Committee, and suggested having the new Chair begin prior to the end of the calendar year.

**Time and Place of Next Meeting:** 9:30 a.m., Thursday, May 20, 2010, 939 Ellis Street, 4<sup>th</sup> Floor Conference Room, San Francisco, CA 94109 **[This meeting was subsequently cancelled.]**

**Adjournment:** The meeting adjourned at 2:03 p.m.

Lisa Harper  
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT  
Memorandum

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

From: Jack P. Broadbent  
Executive Officer/APCO

Date: November 24, 2010

Re: Consider Acceptance of EPA Grant and Award of Contract for Continued  
Development of Data Management System for Ambient Air Quality and  
Meteorological Data

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RECOMMENDED ACTION:

Recommend that the Board of Directors amend the FY 2010 - 11 budget to recognize a \$200,000 EPA Grant from the National Environmental Information Exchange Network (NEIEN), and award a \$200,000 contract to Sonoma Technology, Inc. for Phase III development of the Data Management System (DMS) for ambient air quality and meteorological data.

DISCUSSION

Using EPA grant funding, the District completed Phase I and II development of the DMS to replace several antiquated air quality and meteorological databases. The District initially chose Sonoma Technology, Inc. (STI) for the Phase I work based on their experience with similar database structures developed for EPA's AirNOW and various California Air Resources Board special studies. The Budget and Finance Committee approved acceptance of an additional EPA grant award and contract with STI for Phase II development at its December 5, 2005 meeting. The District is ready to begin Phase III which will be completed with further funding from an NEIEN Grant. DMS is currently in use automatically collecting, quality-checking, and distributing real-time hourly and sub-hourly data to Air District web pages, AirNOW, and other public venues. The DMS has reduced staff time and resources needed to prepare final regulatory data and allow earlier submittal to EPA's Air Quality System. In order to provide additional features, services and documentation, avoid delays and increased costs, an understanding of the complex specifications and knowledge of the District's current DMS is required. STI acquired this knowledge and experience working on Phase I and II of the project, and, as a result, staff recommends STI be the sole source vendor for continued DMS development work.

BUDGET CONSIDERATION/FINANCIAL IMPACT

Staff recommends that the FY 2010 – 11 Technical Division Budget be increased by \$200,000 with the acceptance of the NEIEN grant and spent entirely through a contract with STI. The project will not require any funding from the General Fund.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Eric Stevenson  
Reviewed by: Jean Roggenkamp and Jeffrey McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT  
Memorandum

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

From: Jack P. Broadbent  
Executive Officer/APCO

Date: November 23, 2010

Re: Possible Impacts of Proposition 26 on the District

RECOMMENDED ACTION:

None; informational item.

DISCUSSION

On November 2, 2010, over 52% of California voters passed Proposition 26. This constitutional amendment broadens the definition of what constitutes a tax, and would require a two-thirds vote of either the Legislature or the people to impose some fees that currently require a majority vote. Primary backers of the measure included oil companies such as Chevron and the California Chamber of Commerce. Supporters of the measure outspent opponents by roughly three to one.

The District, along with cities, counties, the State, legislators, lobbyists, and a host of interest groups, is attempting to understand just what the implications of this measure are for both its budget and existing and future programs. While some earlier analyses have been done, more are underway, and virtually all observers believe that ultimately it is the judicial system that will determine what the measure means in practice, and that this process will take years of litigation.

Nevertheless, District staff and counsel have begun the process of attempting to understand the consequences of Proposition 26. In the section of the measure applying to local governments, which includes the District, a tax is newly defined as any “levy, charge, or exaction of any kind” except for a list of things specifically exempted. These exemptions are:

- A charge imposed for a specific benefit, government service, or product directly to or for the payor that is not provided those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit
- A charge imposed for the reasonable regulatory costs for issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement and adjudication thereof
- A fine, penalty, or other monetary charge imposed as a result of a violation of law

- A charge imposed for the purchase, rental, or lease of local government property

Everything not on the list above would require a two-thirds vote of the people prior to its enactment. Furthermore, the District now “bears the burden of proving by a preponderance of evidence that any levy, charge, or exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.”

District staff will present to the Committee its preliminary thoughts on the possible implications of Proposition 26 on potential legislative proposals, as well as on the District’s current fees and programs, and potential new programs.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

No direct impact.

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: Thomas Addison  
Reviewed by: Jean Roggenkamp

**BAY AREA AIR QUALITY MANGEMENT DISTRICT**

Memorandum

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

From: Jack P. Broadbent  
Executive Officer/APCO

Date: November 18, 2010

Re: First Quarter Financial Report – Fiscal Year 2010-11

RECOMMENDED ACTION:

Informational report. Receive and file.

DISCUSSION

Finance staff will present an update on the District’s financial results for the first quarter of the 2010-11 fiscal year. The following information summarizes those results.

GENERAL FUND BUDGET: STATEMENT OF REVENUE

Comparison of Budget to Actual Revenue

- County receipts \$211,815 (1%) of budgeted revenue.
- Permit Fee receipts \$12,373,220 (49%) of budgeted revenue.
- Title V Permit Fees \$2,102,939 (63%) of budgeted revenue.
- Asbestos Fees \$472,964 (30%) of budgeted revenue.
- Toxic Inventory Fees \$220,515 (33%) of budgeted revenue.
- Penalties and Settlements \$546,452 (36%) of budgeted revenue.
- Miscellaneous Revenue \$7,873 (7%) of budgeted revenue.
- Interest Revenue \$69,544 (25%) of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

- Salaries and Benefits \$9,192,838 (20%) of budgeted expenditures.
- Operational Services and Supplies \$3,076,869 (15%) of budgeted expenditures.
- Capital Outlay \$1,059,168(31%) of budgeted expenditures

## INVESTMENT BALANCES

### Cash and Investments in County Treasury:

General Fund	\$21,406,975
TFCA	\$54,929,394
MSIF	\$29,030,184
Carl Moyer	\$7,790,935
CA Goods Movement	\$3,189,530
	<u>\$116,347,019</u>

### Investments Held as:

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

## FUND BALANCES

	<u>6/30/2009</u> <u>Audited</u>	<u>6/30/2010</u> <u>Unaudited</u>	<u>6/30/2011</u> <u>Projected</u>
Imprest Cash	\$ 500	-	-
Building and Facilities	1,731,690	1,731,690	4,731,690
PERS Funding	2,300,000	1,900,000	1,500,000
Radio Replacement	75,000	75,000	75,000
Capital Equipment	130,425	130,425	1,219,818
Contingencies	400,000	-	-
Post Employment Benefits	-	-	2,000,000
Worker's Compensation	1,000,000	1,000,000	1,000,000
Economic Uncertainties	9,277,570	7,816,963	130,660
TOTAL SPECIAL RESERVES	<u>\$ 14,915,185</u>	<u>\$ 12,654,078</u>	<u>\$ 10,657,168</u>
UNDESIGNATED	<u>411,797</u>	<u>411,797</u>	<u>411,797</u>
TOTAL FUND BALANCES	<u>\$ 15,326,982</u>	<u>\$ 13,065,875</u>	<u>\$ 11,068,965</u>

## BUDGET CONSIDERATION/FINANCIAL IMPACT

No impact on Fiscal Year 2010/2011 budget

Respectfully submitted,

Jack P. Broadbent  
Executive Officer/APCO

Prepared by: David Glasser  
Reviewed by: Jack M. Colbourn

BAY AREA AIR QUALITY MANAGEMENT DISTRICT  
Memorandum

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

From: Jack P. Broadbent  
Executive Officer/APCO

Date: December 1, 2010

Re: Air District Financial Overview

RECOMMENDED ACTION

Receive and file.

DISCUSSION

Entering the FYE 2012 budget season, the Air District continues to be financially sound and possesses adequate reserves. However, challenges continue as the District experiences the effects of reduced business activity, reduction in county revenues, and low rates of investment return. 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