

Bay Area Air Quality Management District
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APPROVED MINUTES

Summary of Board of Directors
Budget & Finance Committee Meeting
11:00 a.m., Thursday, February 24, 2011

Call to Order - Roll Call: Chairperson Carole Groom called the meeting to order at 11:00 a.m.

Present: Chairperson Carole Groom, and Directors Eric Mar (arrived after roll call), Mark Ross, and Shirlee Zane

Also Present: Board Chairperson Tom Bates

Absent: Directors Hal Brown, Scott Haggerty, Gayle Uilkema, Brad Wagenknecht

Public Comment Period: There was no public comment.

Approval of Minutes of January 26, 2011 – Deferred to later in the meeting.

Presentation of the FYE 2010 Audit

Peggy Vande Voolen, Gilbert Associates, Inc., presented the District's Financial Audit Report for 2009/2010, summarized the required communications in management's financial reporting and disclosure process which include internal controls, scope and timing of the audit, and results to assist the Committee in overseeing management's financial reporting and disclosure process. She stated there were no difficulties encountered with management and their representations.

Accounting policies are described in the footnotes of the financial statements. There were no new accounting policies in 2010 associated with the audit; however, next year there will be GASB 54 which changes the fund balance presentation, and she noted staff is in the process of implementing the changes. Accounting estimates are embodied in financial statements and those most significant related to capital assets, useful life and depreciation expense. The liability associated with OPEB is another estimate based on determined numbers and compensated absences and other estimates. They evaluated these estimates and feel that the resources management used to determine them is valid.

Ms. Vande Voolen reported on corrected and uncorrected misstatements which relate to governmental accounting and recording receipts of revenue. She stated one adjustment related to a timing of when the District records permit fee receipts in terms of revenue and its availability period. Additionally, there were a couple of minor adjustments that were passed on which they felt materially were not stated in the financial statements. One related to an accounts payable accrual and an adjustment that governments make for fair market value for the county pool. This adjustment was not needed because of its fluctuation. The other adjustment was that an estimated claims liability accrual was not posted.

Regarding other audit findings or issues, there were no new comments and the follow-up on prior year comments are included in the Management Letter. One related to GASB 54 in terms of the District evaluating this, which has been done, and the write-off's for setting up allowances for some of the outstanding receivables.

Ms. Vande Voolen then reviewed a summary of components of the financial statements and single audit report in the Management Letter. There is a clean opinion in the Management Letter, and she indicated that the financial statement does a two-year comparison. Additionally included are government-wide financial statements and funding statements. She reviewed OPEB accounting policies, which are reflected in the financial statements beginning at page 30. She referred to page 34; a schedule of funding status for the last two years. Assets were valued at \$7.3 million and accrued liability is \$46.7 million, for an unfunded liability of \$39 million. She noted this does not take into consideration the \$2 million in the Trust in 2009.

Director Zane asked for an explanation of the District addressing its unfunded liabilities. Mr. McKay reported the District began looking at its unfunded liabilities 4 years ago and recognizing a plan should be created, started setting aside \$2 million a year. The District is approaching 20% funded, and the current plan is to continue with this process, with an estimate that liabilities will be completely funded in 20 years at this pace.

Director Ross questioned how the District compares with other agencies in its unfunded accrued liability in relation to payroll, and Ms. Vande Voolen stated the District is within relative range.

Ms. Vande Voolen continued her presentation and said required supplementary information could be found on pages 34 and budget to actual comparisons, on pages 35-37. A schedule of expenditures for the TFCA, MSIF, and Carl Moyer Program is found on page 38. Other bound documents presented to the Committee include the single audit report and federal and state components related to the TFCA Fund. There is a clean opinion on the single audit. A schedule of expenditures is identified on page 1 as well as a summary of the \$5.4 million in federal expenditures in the audit year.

Committee Comments/Discussion:

Chairperson Bates questioned what the District should be concerned about in terms of funds and activities. Ms. Vande Voolen said their firm is working with many agencies on their internal controls in addressing furloughs and lay-off's. For the District, they evaluate the audit from a risk perspective every year. The District does not have a lot of long-term debt other than compensated absences and is in a good position.

Director Zane noted previous Board discussion on declining property taxes in the Bay Area and questioned the impact to the District. Ms. Vande Voolen stated this was not part of the scope of their work, and Mr. Broadbent acknowledged that property taxes are flat and this has had an impact on counties, as well as on the District.

Public Comment: None

Committee Action: None; Informational only.

Results of Security Contract Request for Proposals (RFP)

Strategic Facilities Planning Manager, Mary Ann Okpalaugo, gave an overview of staff's recommendation on a contract for lobby security, stating the contract for lobby security expires this year, and the District issued a Request For Proposal (RFP) for lobby security on October 21, 2010. The RFP deadline for proposal submittal was November 22, 2010, 8 proposals were

received and a panel was assembled to review proposals. Proposals were scored based on criteria and the top 3 firms were invited back for interviews on December 13, 2010, which included Cypress Private Security, U.S. Security, and Securitas.

Based on final interviews, scoring and total points, Cypress Private Security is being recommended for the awarding of the contract for lobby security. She said staff recommends the Committee recommend that the Board of Directors authorize the Executive Officer/APCO to enter into contract with Cypress Private Security for a term of twelve months, with the option of extending the contract for two additional years.

Committee Comments/Questions:

Chairperson Groom questioned and confirmed the cost of the contract is not to exceed \$171,151 for a 12-month term, with discretion to renew up to two years.

Director Zane clarified that the District had been paying approximately \$198,000 under the U.S. Security contract. The recommendation would lower cost and improve security. She suggested the District follow-up and conduct a six-month review of the new firm.

Committee Action: Director Ross made a motion to recommend that the Board of Directors authorize the Executive Officer/APCO to enter into contract with Cypress Private Security in the amount not to exceed \$171,151, for a term of twelve months, with the option of extending the contract for two additional years; Director Mar seconded the motion; carried unanimously without objection.

Public Comment: None

Air District Financial Overview

Deputy APCO, Jeff McKay presented an overview of financial challenges projected for FYE 2011 in revenue compared to budget, stating staff projects being \$1 million less in revenues, specifically from permit revenues:

- Property Taxes ahead of budget \$0.2 M
- Grant revenue is CARB dependent: \$0.0 M
- Permit Fees will Decrease in the amount of:- \$1.1 M
- Penalties will Decrease in the amount of: - \$0.1 M
- **TOTAL** - **\$1.0 M**

He said staff is identifying how to address the drop in revenue from what is budgeted through vacancies, and he presented a distribution of vacancies by division, positions, vacancies, and overall percentage.

Mr. Broadbent explained that the Technical Division conducts the District's air monitoring, laboratory, source testing, and he voiced concern in these vacancies due to statutory requirements. The District is attempting to conduct cross training of field staff, and this work is on-going as part of cost savings efforts.

Committee Comments/Questions:

Director Zane questioned whether the District is at risk of penalties due to vacancies given vacancies in key positions. Mr. Broadbent discussed the need for improvements to quality assurance in air monitoring, and is transitioning to recruit for a Quality Assurance Officer. Ms. Roggenkamp added that the Technical Services Division is looking at increased efficiencies in how it operates the District's meteorological and air monitoring networks and laboratory work.

Director Zane referred to the projection of decreased penalties and asked staff to monitor the correlation this has with 13% in Enforcement Division vacancies. Chairperson Groom indicated, however, there are reduced numbers of violations and less enforcement deficits and some balancing occurs. Mr. Bunger agreed that compliance is better for larger facilities, but enforcement field staff is needed for smaller facilities, and hopefully the District will come in close to the \$100,000 in reduced penalties.

Director Mar questioned and confirmed with Mr. Broadbent that there is opportunity, given negotiations and discussions with the Employees Association, for Technical Division to pool resources and cross train Enforcement inspection staff. He noted these types of positions are highly technical, and staff is optimistic that this pilot could result in success in a variety of areas of the District.

Chairperson Bates encouraged the Employees Association to work with and be flexible with the District, recognizing positions are not always one-for-one, but some requirements for special knowledge. There is also the opportunity for in-house job education and growth.

Mr. McKay continued and presented the \$15 million services and supplies budget and opportunities to streamline programs with the largest funding. He presented percentages of each division, associated program funding, and potential savings opportunities in Planning, Communications and Outreach, and Technical Services.

Director Zane expressed support to reconsider funding event sponsorships. Chairperson Bates requested staff further develop a plan to determine reductions in programs, and Mr. Broadbent noted staff will identify and review remaining budgeted funds in the last four months of the fiscal year and lay the foundation and framework for the next budget year.

Chairperson Groom suggested cuts be looked at in regarding to the District's strategic and long-range goals. Ms. Roggenkamp added that staff will look at cuts in services and supplies during its budget development process for next year, except for the area of CEQA guidelines which Mr. Broadbent noted may need to be expanded.

Director Mar requested that Lennar settlement funds and any youth outreach funding stays in the Bayview Hunters Point area. Ms. Roggenkamp noted that the Public Outreach Committee will hear a recommendation of these funds at an upcoming meeting.

Director Ross questioned and confirmed that air quality planning and rule development funds includes development of the emissions inventory, modeling, developing control measures, working with other agencies, and some outside technical assistance. Mr. Broadbent added that the District must develop a state implementation plan due in 2012, and a significant amount of work and funding goes into analysis of the transport of particulates.

Director Zane cited valuable inroads from the Spare the Air campaigns in terms of educating the public, and hoped the District would not significantly reduce the campaign given its successes. Ms. Roggenkamp noted the Winter Spare the Air season is just about to end with very few Spare the Air days called. There may be excess funds as a result. Ms. Fasano added that the coming year is the 20 year anniversary of Spare the Air.

Chairperson Bates suggested continuing to scrutinize and being smart about reductions while also examining revenues to determine the overall strategy. He confirmed that review of the District's fee schedule will be taken up next month. Mr. Broadbent reported also that 85% of costs are salaries and benefits and management has begun the process of opening up the

Employee Association contract. The relocation of District headquarters is also geared to save money.

Chairperson Groom hoped for flexible and successful negotiations in what are difficult economic times and recognized the high caliber of District employees.

Mr. McKay summarized his presentation with the identification of efficiency savings. Further savings may affect program delivery and staff will continue to work to identify opportunities.

Public Comment: None

Committee Action: None; Informational only.

Committee Member Comments:

Chairperson Bates asked that staff provide highlights of the District's financial strategy at the next Board of Directors meeting, and Chairperson Groom agreed to highlight the item under her Chair Report of the meeting.

Chairperson Groom presented the next three proposed meeting dates and asked Committee members to confirm their availability with staff.

Approval of Minutes of January 26, 2011:

Committee Action: Chairperson Bates made a motion to approve the minutes of January 26, 2011; Director Ross seconded the motion; unanimously approved without objection.

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

Adjournment: The meeting adjourned at 11:59 a.m.

LS/ Lisa Harper

Lisa Harper
Clerk of the Boards