

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

**APPROVED MINUTES**

Summary of Board of Directors  
Budget & Finance Committee Meeting  
10:00 a.m., Thursday, April 28, 2011

**1) Call to Order- Roll Call:** Chairperson Carole Groom called the meeting to order at 10:05 a.m.

**Present:** Chairperson Carole Groom, Directors Eric Mar, Mark Ross, and Gayle Uilkema

**Absent:** Vice Chairperson Ash Kalra, Directors Scott Haggerty, Harold Brown Brad Wagenknecht, and Shirlee Zane

**2) Public Comment Period:** There was no public comment.

**3) Approval of Minutes of March 23, 2011**

Approval of the minutes was deferred to the next meeting due to lack of quorum.

**4) Third Quarter Financial Report for Fiscal Year Ending (FYE) 2011**

Director of Administrative Services, Jack Colbourn, introduced Finance Manager, David Glasser, who presented the Third Quarter Financial Report for FYE 2011. Mr. Glasser presented third quarter revenues, expenses, investments and projected year-end fund balances with the Committee.

**General Fund - Revenues:**

County Receipts	\$ 11,783,050	(56%) of budgeted revenue
Permit Fee Receipts	\$ 20,628,974	(82%) of budgeted revenue
Title V Permit Fees	\$ 2,686,849	(81%) of budgeted revenue
Asbestos Fees	\$ 1,333,318	(84%) of budgeted revenue
Toxic Inventory Fees	\$ 470,708	(70%) of budgeted revenue
Penalties and Settlements	\$ 1,404,127	(94%) of budgeted revenue
Miscellaneous Revenue	\$ 32,446	(27%) of budgeted revenue
Interest Revenue	\$ 161,174	(59%) of budgeted revenue

**General Fund - Expenses:**

Personnel – Salaries	\$ 21,491,807	(70%) of budgeted expenditures
Personnel - Fringe Benefits	\$ 8,942,811	(63%) of budgeted expenditures
Operational Services and Supplies	\$ 10,387,495	(43%) of budgeted expenditures
Capital Outlay	\$ 3,138,653	(87%) of budgeted expenditures

**Cash and Investments in County Treasury:**

General Fund	\$ 17,804,625
TFCA	\$ 57,541,017
MSIF	\$ 33,628,038
Carl Moyer	\$ 9,296,864
CA Goods Movement	\$ 23,992,568
<b>TOTAL:</b>	<b><u>\$ 142,263,112</u></b>

Investments Held as:

Fixed Income Investments	45% of total investment pool
Short Term Investments	55% of total investment pool

Committee Comments/Discussion:

Director Uilkema inquired if the expectation is that third quarter expenses should be at 75% of revenues and does a lower number indicate something that needs addressing and does Staff expect the expenses to come up?

Mr. Glasser stated that the expectation is that the Air District will receive the budgeted revenue amounts. When asked about the line item for Miscellaneous Revenue, Mr. Glasser explained this is a category for funds that were received but had not been budgeted; sales of publications, is an example of items that fall into this category. Currently, salary and benefit expenses are at 75% of revenue for the third quarter of FYE 2011. Property tax is received in two lump sums during the year. The Air District has taken a conservative posture in the county investment pool.

Director Ross asked if there were any revenues that were behind, or not being funded; is there an area that is lacking?

Deputy Air Pollution Control Officer, Jeff McKay, stated that there was a drop in the amount collected from permit fees, a shortfall of about \$1 million, but that was not far from the projected budget and has been offset with reduced spending. There is a lowered rate of capital investment in the Bay Area. There is no new trend showing non-payment of fees; the number of people not paying fees is not any higher now than it was 5 years ago.

Air Pollution Control Officer, Jack Broadbent, noted that larger sources pay a significant amount of fees. The current economy has hurt the number of capital investments the larger companies will make.

Director Uilkema asked if there was anything extraordinary Staff would like to point out about the budget. Were there any serious issues to communicate with the Committee? Is there anything to be aware of where the Air District is truly struggling?

Mr. Broadbent responded that permit revenues are down. That is an issue we are facing and it ties into the need to increase fees. We expect to see savings from relocating the offices and in personnel costs. The most important issue is cost recovery.

Chair Groom commented that there is a need to think of the budget long term. Staff is doing work with more vacant positions and that the cost recovery study is important.

Mr. Broadbent stated that if any large source of funding is not received, that it would be a very serious situation and he would keep the Committee informed of any such changes.

Public Comment: None

Committee Action: None; Informational only.

## **5) Update on Proposed Fee Schedule Amendments**

Director of Engineering, Brian Bateman, presented the report. The fee schedule amendments are intended to increase the budgeted fee revenue by 5%. If fees are not increased, reserve funds will need to be used, lowering the reserve level below the Board's minimum guideline amount of 15%. Currently, there is a shortfall of about 4% (about \$1 million). We have seen reductions in emissions, such as the refinery boiler rule, so emissions based fees have been reduced. Some of the fee revenue is dependent on permits for big power plants; at this time we are not seeing any new applications being submitted. The larger power plants are in Hayward, Alameda, and Contra Costa County. There is the expectation that fees related to business activity and emissions will not rebound.

Fee rates will need to be increased 10% to meet the 5% overall goal. There is not a blanket fee increase; we have tailored appropriate categorical fee increases based on cost recovery. There will be no changes in the M fee schedule. Registrations of equipment will have an increase based on the cost of living, about 2%. There will be a 10% increase in administration fees, for most facilities it will be \$50 or less. Staff spends more time on gas stations, and that area has been under-collecting. On this fee schedule, there will be 14% increase – equal to an average increase of \$230 per station. Refineries will see an increase of 4.5 – 7%.

### Committee Comments/Discussion:

Director Uilkema commented that many businesses will receive increases from multiple agencies, and the combined increases could be quite substantial.

Chair Groom stated that a number of communities have been raising their fees, such as business licenses. We don't know the impact for businesses when all the fees have been increased.

Mr. Bateman showed a comparison of BAAQMD fees and the fees charged by the South Coast Air District. BAAQMD fees are lower. South Coast is experiencing about 90% cost recovery. There were comments made about the fee increases, three from gas station owners and one from an environmental group. Staff will be looking at discretionary activities; programs that are valuable but not mandated.

Director Uilkema would like Staff to look at money given to other agencies and sponsorships. Deputy Air Pollution Control Officer, Jean Roggenkamp commented that this type of funding has been scaled back.

Mr. Bateman stated that the Air District is complying with Prop 26 requirements and that Air District fees are regulatory fees and not taxes. This will be brought before the Board of Directors on May 4, 2011. There was a single workshop held on the budget. The workshop was lightly attended and there has not been any more public response than in other years. Fee revenue is

down, and that will recover at some point. We will see that reflected in modest increases in following years.

Chair Groom asked if there were any other comments from the Committee, and there were none.

Public Comment: None

Committee Action: None; Informational only.

## **6) Continued Discussion of FYE 2012 Proposed Air District Budget and Consideration to Recommend Adoption**

Deputy Air Pollution Control Officer, Jeff McKay, gave an overview of the proposed FYE 2012 Budget, noting that the budget before the Committee was not changed from the Budget discussed with them at the March 23, 2011 meeting.

As discussed in previous meetings, Mr. McKay said the Air District continues to take a pro-active, balanced, multi-faceted and multi-year approach in responding with personnel costs, expenditures, fees and reserves.

Staff is using every tool at their disposal. Increasing job vacancies through attrition; reducing service and supply expenditures; deferring maintenance and limiting capital expenditures. What has been presented to the committee is a gradual approach that over a period of years brings us to a point where we are not using reserves to balance the budget. Use of reserves tapers off in two years, but reserves stay above the 15% level.

When asked about recovery of costs related to violations, Mr. Bunger replied that the Air District does not have the ability to charge for the cost of investigation. Director Ross asked if there would be any adjustments or changes to the fines and penalties. It was noted that there are many variables in enforcement and it is difficult to budget for revenues from fines. As the number of enforcement employees goes down; fewer tickets are written and less fines are collected.

Mr. McKay requested that the committee recommend the budget for Board of Directors approval, but without a quorum, they could give a consensus of the members present.

### Committee Comments/Discussion:

Chair Groom stated that the budget was good, that the Committee had examined it carefully, and although they did not want to increase fees, they agreed that fee increases were necessary.

Director Ross stated that the Committee has asked a lot of questions about this budget, and received answers from Staff.

Director Uilkema noted that the Committee does not want to make things difficult for small businesses, and these increases coupled with other fees will hurt. She felt that refiners will comment that they are paying a disproportionate amount. The Board may want more information on the total gross fees from all agencies that are being charged to businesses.

The Committee agreed that the minutes will reflect that although there was no quorum, the consensus of the Committee members present was to recommend the budget, and it was noted they had all reviewed it, more than once, and asked questions.

Mr. Broadbent said that Staff understands the Board's concerns over fee increases. We do have a cost recovery analysis and we will come back to the Committee with recommendations for a cost recovery policy. Industry representatives are concerned with lack of certainty about where fee increases are going and that we cannot expect 100% recovery in every category.

Director Uilkema stated that if a major grant or revenue source is withdrawn, the Committee members want to be notified right away and relevant information given to the Committee.

Director Ross commented that if Staff is looking at all the options, then raising fines can be one of them.

Mr. Broadbent noted that in this context, the Air District would not be increasing fines to reach budgetary goals.

Mr. Broadbent reported that talks are continuing regarding the relocation of the Air District office and that he would bring a report back to the next Committee meeting. Both Mr. Broadbent and Mr. Bunger stated that the Air District is looking at a variety of funding options.

Director Uilkema asked about the consultant the Air District is working with, to be assured that they are familiar with this area and the economics. Director Uilkema wanted it stated on the record that the Committee is asking about timing, bonding, and credit and the Board needs to be aware of these things.

Mr. Broadbent reiterated that the plan is moving forward, that the Air District has hired their own financial consulting services. There should be savings seen in the next two years.

Public Comment: None

Committee Action: Although there was no quorum, the consensus of the Committee members present was to recommend the budget, and it was noted they had all reviewed the budget and asked questions.

**7) Committee Member Comments / Other Business:** None.

**8) Time and Place of Next Meeting:** Wednesday May 25, 2011 at 1:00 p.m. at 939 Ellis Street, San Francisco, CA 94109.

**9) Adjournment:** Chair Groom adjourned the meeting at 11:10 a.m.

*IS/ Kris Perez Krow*

Kris Perez Krow  
Clerk of the Boards