

Bay Area Air Quality Management District  
939 Ellis Street  
San Francisco, California 94109

## **APPROVED MINUTES**

Summary of Board of Directors  
Budget and Finance Committee Meeting  
Wednesday May 25, 2011

**1) Call to Order/Roll call:** Chairperson Carol Groom called the meeting to order at 1:04 p.m.

**Present:** Chairperson Carol Groom, Vice Chairperson Ash Kalra, Directors Eric Mar, and Shirlee Zane. Directors Scott Haggerty and Brad Wagenknecht arrived after the roll call.

**Also Present:** Board Chairperson Tom Bates

**Absent:** Directors Hal Brown, Mark Ross, and Gayle B. Uilkema

**2) Public Comment Period:** There were no public comments.

**3) Approval of Minutes of April 28, 2011:** Chairperson Bates moved to approve the minutes of April 28, 2011. The motion was seconded by Director Mar and carried unanimously without objection.

### **4) Update on Fiscal Year Ending (FYE) 2011 Budget**

Mr. Jeff McKay, Deputy Air Pollution Control Officer, presented the staff report.

Mr. McKay talked about the Air District's current year fiscal challenges and response. The Air District has done well projecting property tax revenue. Interest revenues have been down, as well as a decrease in permit fees. Penalties and settlement revenues have increased, and personnel costs are doing well. The Air District has decreased non-capital expenditures and cut service and supply costs.

The budget for capital projects has decreased over the past three years and continues to trend downward. The Air District has made many cost cutting choices, such as: deferring the modeling system upgrades; reducing technical assistance for local climate action plans; reducing technical assistance for mobile source measures; reducing media buys for Winter Spare the Air; reducing youth outreach; and reducing event sponsorships. Staff expects to only use the reserve amounts projected in the budget, and continue to keep the reserves at above 15% of the general fund.

Public Comments: None

#### Committee Member Comments:

Director Zane expressed concern that reserve funds are going down, and wants to know the plan to restore them; she also asked how the non-general fund budget is affected.

Brian Bunger, District Counsel, answered that grant allocations make up the non-general fund budget and those funds are not affected, nor are they mingled with the general fund. If grant funding was withheld, adjustments would be made, but that is not anticipated.

Mr. McKay stated that staff is using many methods to increase reserves, such as requesting fee increases, reducing capital spending, and decreasing supply and service costs. This is a multi-year, multi-prong approach. He expects reserves to begin increasing by 2014.

Director Zane asked about vacant job positions at the Air District and if those positions would remain unfilled, or be eliminated.

Mr. McKay responded that there is no plan to fill the current open positions and more positions will become vacant due to attrition. However, positions will be left open and hiring considered when the economy improves.

Committee Chair Groom noted that the Committee had previously discussed these issues, and although no one likes to tap into reserves, this is part of a 4 – 5 year plan.

Committee Vice Chair Kalra said that during times of economic hardship many agencies will need to use reserve funds; this is still being responsible. He did caution against eliminating too many positions as smaller jurisdictions don't have staff or capacity and will need the Air District's help for climate action plans. He would like the Air District staff to continue outreach and attend events.

Director Mar asked how long the modeling system upgrades would be deferred and what was the cost savings. Mr. McKay replied that the savings was \$200,000 and the upgrade was deferred indefinitely.

Committee Action: None, informational only.

## **5) Permitting and Inspection Enhancement Funding**

Jeff McKay, Deputy Air Pollution Control Officer, presented the staff report.

This item is to request authorization to expend funds for 4 projects, which are itemized on the proposed FYE 2012 budget, pending final approval of FYE 2012 budget.

Mr. McKay stated authorization of these projects allows work to continue without down time. Descriptions and costs of the 4 work projects are listed below:

- 1) Title V Permitting Automation Systems - \$360,000  
The new functionality will allow permit engineers to shorten their evaluation time and improve consistency in regulating our largest polluting facilities.
- 2) Enforcement Inspector Tablet Computing - \$322,000  
Inspectors require tablet computers to record compliance and enforcement information electronically to improve efficiency in the field and reduce resources required to handle manual paperwork.
- 3) Emission Train Browser - \$180,000  
The Emission Train Browser will allow staff and members of the regulated community to visualize their equipment including material usages and emissions to provide for more consistent and efficient permitting.
- 4) Registration Program Integration - \$160,000  
The District has implemented online registration issuance and renewal systems to support new rules and regulations while the Production System is being implemented.

Mr. McKay explained that staff was asking for authorization of these items, and would come back to the Committee with the remaining items on Table 10 in the FYE 2012 budget. These projects are part of the \$2.1 million budgeted for 14 projects in the FYE 2012 budget. The automation systems are especially critical and the tablet computers for the inspectors will be a great step forward. The Air District uses multiple vendors, allowing staff to negotiate for better rates.

Public Comments: None

Committee Member Comments:

Director Haggerty asked if the projects would be affected by any relocation of the Air District offices and how the projects would be scheduled.

Mr. McKay stated that the projects would be worked on simultaneously and none of the projects will be affected by relocation of the Air District.

Mr. McKay responded to a question from Director Zane, and affirmed that these projects are the Air District's priorities.

Director Mar asked what brand of tablet computers the Air District would be purchasing. Mr. McKay answered that the infrastructure at the Air District can handle the addition of tablet computers, and staff was researching the most current technology.

Board Chairman Bates asked if the Air District was using local companies. Mr. McKay responded that local companies were preferred vendors, and costs are kept down when avoiding travel expenses.

Board Chairperson Bates asked why the Committee was being asked to approve projects that were itemized for approval in the FYE 2012 budget. Mr. McKay responded that it was just an extra step to enhance Committee awareness.

Committee Action: Director Haggerty moved to recommend Board of Directors' authorization for the Executive Officer/APCO to execute agreements for FYE 2012 Permitting and Inspection System enhancement projects as itemized in the Capital Expenditure Detail of the proposed FYE 2012 budget not to exceed \$700,000. The motion was seconded by Director Mar and carried unanimously without objection.

## **6) Purchasing Procedures: Contract Limitations**

Jeff McKay, Deputy Air Pollution Control Officer, presented the staff report.

Mr. McKay explained that this item is about a proposed amendment to the Air District's Administrative Code, Division II Fiscal Policies and Procedures - Section 4 Purchasing Procedures: 4.3 Contract Limitations.

He stated that the Air District currently does not bring payments for recurring routine business costs such as utilities, licenses, and office supplies, before the Board, except as part of the Air District budget. Mr. McKay stated that the proposed amendment clarifies the practice to list recurring costs over \$70,000 in the quarterly financial reports.

Public Comments: None

Committee Member Comments:

Staff confirmed for the committee that monthly utilities costs were not \$70,000 per month and this was a cumulative amount.

Director Groom suggested that staff bring the issue to the Board.

Committee Action: None. The proposed amendments to the *Administrative Code Division II – Fiscal Policies and Procedures – Section 4: 4.3 Contract Limitations* will be introduced at the June 1, 2011 meeting of the Board of Directors; and scheduled for consideration on June 15, 2011.

**7) Development of a Cost Recovery Policy**

Director of Engineering, Brian Bateman, presented the staff report which was a follow up to the cost recovery and containment study.

Mr. Bateman explained that the Air District has the authority under state law to access fees to fully recover the reasonable costs of regulating stationary sources, and the Air District falls short of full cost recovery. He further stated that fees are largest source of revenue, and property taxes are used to fill the cost recovery gap.

Mr. Bateman described the recommendation from the cost recovery study, that the district adopt a formal cost recovery policy as a best management practice and having such a policy would provide greater certainty to fee payers regarding future increases.

Public Comments: None

Committee Member Comments:

Committee members discussed the proposed fee increases and their impact on the overall cost recovery at the Air District. The level of cost recovery was discussed and the impacts on small business, as there may be categories where 100% cost recovery is not feasible. There was discussion about what other Air Districts are doing in this area, and the use of property taxes to fill the cost recovery gaps.

Committee members stated this was the right direction to go, this policy will make expectations clear, and it is part of best management practices.

Staff explained they have met with California Council for Environmental and Economic Balance (CCEEB) and plan to meet with other stakeholders. Staff will prepare a cost recovery policy and bring it back to the Committee.

Committee Action: None.

**8) Committee Member Comments/Other Business:** None

**9) Time and Place of Next Meeting:** At the call of the Chair.

**10) Adjournment:** The meeting was adjourned at 1:54 p.m.

*ISI Kris Perez Krow*

Kris Perez Krow  
Clerk of the Boards