



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

CAROLE GROOM – CHAIRPERSON
HAL BROWN
ERIC MAR
GAYLE UILKEMA
SHIRLEE ZANE

ASH KALRA – VICE CHAIRPERSON
SCOTT HAGGERTY
MARK ROSS
BRAD WAGENKNECHT

THURSDAY
FEBRUARY 24, 2011
11:00 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 JANUARY 26, 2011**
4. **PRESENTATION OF THE FYE 2010 AUDIT**

J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive a report of the FYE 2010 Audit.
5. **RESULTS OF SECURITY CONTRACT REQUEST FOR PROPOSALS (RFP)**

J. Colbourn/5192
jcolbourn@baaqmd.gov

The Committee will consider recommending that the Board of Directors authorize the award of a contract for security services.
6. **AIR DISTRICT FINANCIAL OVERVIEW**

J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive an overview of the District's finances with a projection of the year end results.
7. **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).
8. **TIME AND PLACE OF NEXT MEETING – AT THE CALL OF THE CHAIR**

8. 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**

FEBRUARY 2011

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i> - CANCELLED	Thursday	24	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Maritime Sources & Ports Committee <i>(At the Call of the Chair)</i>	Thursday	24	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget and Finance Committee <i>(At the Call of the Chair)</i>	Thursday	24	11:00 a.m. Following Maritime Source & Port Meeting	4 th Floor Conf. Room

MARCH 2011

<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.	Board Room
Board of Directors Stationary Source Committee <i>(At the Call of the Chair)</i>	Thursday	3	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Public Outreach Committee <i>(At the Call of the Chair)</i>	Thursday	3	11:00 a.m. Following Stationary Source Meeting	4 th Floor Conf. Room
Board of Directors Legislative Committee <i>(At the Call of the Chair)</i>	Monday	7	9:45 a.m.	4 th Floor Conf. Room
Board of Directors Climate Protection Committee <i>(At the Call of the Chair)</i>	Monday	7	11:00 a.m. Following Legislative Meeting	4 th Floor Conf. Room
Advisory Council Meeting	Wednesday	9	9:00 a.m.	Board Room

March 2011 Calendar Continued on Next Page

MARCH 2011

<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	16	9:45 a.m.	Board Room
Board of Directors Budget & Finance Committee <i>(At the Call of the Chair)</i>	Wednesday	23	1:00 p.m.	4 th Floor Conf. 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

APRIL 2011

<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	6	9:45 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	20	9:45 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	28	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(At the Call of the Chair)</i>	Thursday	28	Following Mobile Source	4 th Floor Conf. Room

NKP – 2/17/11 (9:09 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: February 15, 2011

Re: Budget and Finance Committee Draft Meeting Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of January 26, 2011.

DISCUSSION

Attached for your review and approval are the draft minutes of the January 26, 2011 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
9:30 a.m., Wednesday, January 26, 2011

Call to Order: Chairperson Carole Groom called the meeting to order at 9:30 a.m.

Roll Call: Chairperson Carole Groom, and Directors Eric Mar, Mark Ross, Gayle Uilkema and Brad Wagenknecht

Absent: Vice Chairperson Ash Kalra, and Directors Hal Brown, Scott Haggerty, and Shirlee Zane

Also Present: Director Pamela Torliatt

Public Comment Period: There was no public comment.

Approval of Minutes of December 8, 2010:

Committee Action: Director Wagenknecht made a motion to approve the minutes of December 8, 2010; Director Mar seconded the motion; unanimously approved without objection.

Second Quarter Financial Report – Fiscal Year 2010-11

Finance Manager David Glasser gave the staff report and presented the Second Quarter Financial Report, as follows:

GENERAL FUND: STATEMENT OF REVENUE

Comparison of Budget to Actual Revenue

County receipts	\$	10,916,016	(52%)	of budgeted revenue.
Permit Fee receipts	\$	16,475,921	(65%)	of budgeted revenue.
Title V Permit Fees	\$	2,322,313	(70%)	of budgeted revenue.
Asbestos Fees	\$	907,228	(57%)	of budgeted revenue.
Toxic Inventory Fees	\$	335,616	(50%)	of budgeted revenue.
Penalties and Settlements	\$	814,177	(54%)	of budgeted revenue.
Miscellaneous Revenue	\$	24,778	(20%)	of budgeted revenue.
Interest Revenue	\$	111,869	(41%)	of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

Personnel - Salaries	\$	14,518,461	(47%)	of budgeted expenditures.
Personnel - Fringe Benefits	\$	5,933,144	(42%)	of budgeted expenditures.
Operational Services and Supplies	\$	6,625,900	(33%)	of budgeted expenditures.
Capital Outlay	\$	2,282,737	(66%)	of budgeted expenditures.

Cash and Investments in County Treasury:

General Fund	\$24,834,447
TFCA	\$53,466,159
MSIF	\$34,971,102
Carl Moyer	\$8,900,678
CA Goods Movement	\$21,978,791
	<u>\$144,151,177</u>

Investments Held as:

Fixed Income Investments	35% of total investment pool
Short Term Investments	65% of total investment pool

Year End Results - Fund Balances:

	6/30/2009 Audited	6/30/2010 Unaudited	6/30/2011 Projected
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	1,219,898
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	\$14,915,185	\$12,654,078	\$10,657,168
UNDESIGNATED	411,797	282,389	411,797

Committee Comments/Discussion:

Director Uilkema cited the decline in special reserves, and Mr. McKay replied that there have been both deliberate and unanticipated drawdowns on reserves due to software system replacement, drops in interest rates, and the Lehman Brothers bankruptcy.

Public Comment: None

Committee Action: None; Informational only.

Air District Financial Overview

Deputy APCO Jeffrey McKay gave the staff presentation and stated that at the last Committee meeting, the District's multi-year outlook was discussed. Information from the first six months of the current fiscal year has been received and he presented an overview of the District's financial position, reporting a \$63.6 million General Fund budget, 363 positions, and reserves that reflect prior Board direction. He reviewed General Fund revenue sources, noting the highest as permit fees (49%) and property taxes (34%). General Fund expenditures are divided up into salary and benefits (65%), services and supplies (24%), CalPERS (8%), and Capital (4%).

Items which have caused revenue to decline or not materialize in the General Fund include property taxes which have been flat and reduced capital investment in the Bay Area which affects permit fees. The District is seeing at the 6-month point that it has a good handle on property tax projections and believes they will be \$200,000 above what was budgeted. Grant revenue is CARB-dependent. Staff expects permit fees to be less than budgeted by \$1.1 million and penalties to be less than budgeted by \$100,000, leaving total reduced revenue compared to budget of \$1.0 million.

Mr. McKay then discussed implications to reserves. He has brought forward consistent charts over time which show expected reserves if the District hits its budgets, and this includes fee increases and improved cost recovery. If the \$1 million affects reserves at the end of the coming fiscal year, the District would dip below the 15% reserve target of the General Fund budget approved by the Board.

Mr. McKay stated the District will continue to maintain its vacancy rate which is now at 10%, will continue to review its services and supplies budget.

In response to Director Wagenknecht, the prior year budget was cut and the District maintained the lower dollar amount for the current year. Mr. McKay noted that staff would also review existing encumbrances or purchase orders which may be canceled, and if not successful, reserves can be considered.

In summary, there are known challenges to the current year budget, there may be additional risks which may increase the gap further, and Mr. McKay reviewed previously stated responses. Future years require continued maintenance of vacancies, services and supplies held at a reduced level, and reductions in the cost recovery gap. In addition, at the next meeting staff will provide a presentation from auditors of the prior fiscal year.

Committee Comments/Questions:

Director Ross: referred to computer system and efficiencies, and he asked when these would take place. Mr. McKay said the District is already seeing some of the benefits. Some of the underlying infrastructure has been completed and on-line registration has occurred. With less staff time and greater efficiency to the public, applicants are able to go on-line and register for certain permits. In terms of shutting down old systems and bringing on new systems, there will be an initial learning period, and the District will get a better feel of reductions in staffing.

Director Wagenknecht referred to reductions in the cost recovery gap, which is difficult given current economic times. He asked for an explanation of what is needed to address the gap. Mr. McKay said cost recovery was at 58% from the last study done several years ago. A consultant has been brought in to revisit this study and staff will be making a presentation to describe details of costs, cost recovery, and fee schedules and how some may meet and/or not address related services. He clarified that the District is currently subsidizing 42% of its activity.

Chairperson Groom said the prior year vote of the Board to raise fees by only 5% rather than 10% was very close and she agreed the decision will be a tough one.

Director Mar referred to budgeted projections of reserve funds which he noted were dropping, and questioned reasons for the trend. Mr. McKay said in the past, reserves have varied quite a bit. Approximately 15 years ago they were non-existent and the Board and staff addressed building them back up. He noted there was a time that property values had gone up rapidly. Capital improvements were also taken on at that time and then the litany of downward trends occurred. Staff has recommended that rather than taking a single year wrenching approach, a multi-year approach be adopted to gradually address improvements. Careful modeling shows that with a 5% cost recovery, reductions in services and supplies, and maintaining vacancy rates occurs over a number of years, the trend will begin to drift back up. He noted there was also some discussion about setting a higher minimum target for reserves.

Director Wagenknecht requested an update of the District's OPEB liability. Mr. McKay said in January 2008, the District's unfunded liability was \$40-\$50 million with no funding in place. The Board took action, recommended setting aside \$2 million every year, and the OPEB liability is now \$35 million with \$10 million in funds. The District is 20% funded and if this continues over 10-20 years, the system will be fully funded. He agreed this is a good example of taking measured steps to get to a positive outcome. The District's pension fund has a value of \$165 million and the District is 90% funded, although there is a question of whether earning assumptions by CalPERS are reasonable at 7 3/4% which include earned estimates of 3-4.5% annually over inflation.

Draft Minutes of January 26, 2011 Budget & Finance Committee Meeting

Director Ross questioned and confirmed that the District does not have a public pension reserve contingency, but one could be created. Mr. McKay indicated that the budget cycle is the time when reallocation is done from reserves, and staff could bring forward a line item to address such risks.

Director Uilkema voiced concern with State takings from all agencies, noting that unless unallocated reserve funds are earmarked, they are in jeopardy. She suggested discussing protective measures and asked that immediate notification be given if funds are in jeopardy of being transferred to the State.

Public Comment: None

Committee Action: None; Informational only.

Committee Member Comments: None

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

Adjournment: The meeting adjourned at 10:07 a.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: February 14, 2011

Re: Air District Financial Audit Report for Fiscal Year 2009-10

RECOMMENDED ACTION:

Informational report. Receive and file.

DISCUSSION

The Independent Auditors' Report confirms that the Air District's financial statements "...present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bay Area Quality Management District as of June 30, 2010, and the respective changes in the financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America." The report on the basic financial statements is unqualified with no reportable conditions, no instances of non-compliance, and no financial statement findings noted. The Auditors also prepared a Report on internal control over financial reporting and compliance, which was performed in accordance with *Government Auditing Standards*.

The Auditors made no recommendations this year. However, they provided an update on two prior year recommendations. The first being the implementation of Governmental Accounting Standards Board (GASB), statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." One of the objectives of this statement is to improve financial reporting by providing fund balance classifications and categories that will be more easily understood. This new standard establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The new fund balance categories are as follows:

- *Restricted* - includes amounts that can be spent only for the specific purposes stipulated by Constitution, external resource providers, or through enabling legislation.
- *Committed* - includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned* - includes amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Auditors recommend that the District perform a review of this new statement and evaluate the impact it will have on its fund balance reporting and classifications in the financial reporting process. Additionally, a review of the new fund definitions should be performed to determine the changes this statement will have on the District's fund classifications in its financial and budget reporting. The implementation date for this new standard will occur during the 2010-2011 fiscal year and should be considered during the District's 2010-2011 budget development process.

The second recommendation was that the District perform a review of the receivable balances which includes an analysis of the aging and potential collectability at least annually. As a result of this suggestion, Staff reviewed the collectability of the receivables balance and wrote off a portion of the receivables that were deemed uncollectible.

As noted above, District management is in agreement with both recommendations and has begun implementation.

The Report on compliance in accordance *with OMB Circular A-133* states “In our opinion, the Air District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.”

BUDGET CONSIDERATION/FINANCIAL IMPACT

None

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 Carole Groom and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 9, 2011

Re: Approval of Recommendation for Lobby Security

RECOMMENDED ACTION:

The Committee will consider recommending that the Board of Directors authorize the Executive Officer/APCO to enter into contract with Cypress Private Security for the Lobby Security.

BACKGROUND

Staff recently completed a Request for Proposal (RFP) process to solicit proposals for lobby security.

DISCUSSION

The RFP was released on October 21, 2010, and proposals were due on November 22, 2010; eight proposals were received from companies that attended the mandatory walkthrough.

The contract will have a term of twelve months, which may be extended for two additional years at the Air District's discretion. After evaluating proposals, conducting interviews and checking references, Cypress Private Security received the highest score and is recommended to receive the lobby security contract.

EVALUATION

Expertise and Experience of Team: This category evaluated the overall experience and accomplishments of the team and specifically, environmental and governmental experience.

Project Management Experience: This category evaluated the team's experience developing environmental guidelines and protocols for government agencies within the project management framework.

Responsiveness of Proposal: This category evaluated the clarity and comprehensiveness of the proposal.

Cost Proposal: Costs were evaluated for adequacy in relation to the outlined scope of the project.

References, Green Operating Practices and Local Businesses: The Air District supports green operating practices and local businesses and gives a preference to local businesses engaged in green business practices. Proposals were evaluated to determine the extent of bidder's commitment to environmentally sound operational practices.

The eight (8) proposals were then scored by a scoring panel comprised of Air District employees from critical departments. The scoring and total points for each of the RFPs' criteria are contained in the following table.

Executive Summary

Evaluation Criteria	Points	Cypress	Securitas	ABC	Prestige	Canty	American	ANI	US
Technical Expertise	30	27	30	20	22	15	22	16	24
Past Experience	20	18	18	15	15	11	15	8	15
Responsiveness of Proposal	20	19	19	16	18	8	9	13	17
Cost	20	16	14	8	6	10	12	18	17
Green/Local	20	10	6	4	4	7	6	4	7
Total Points	100	90	98	63	65	51	64	59	80

Based on the final scores of the panel, the top three companies were invited for a second interview by a panel comprised of Air District staff and an outside panel member with relevant expertise. The second interview was held on December 13, 2010. The scoring and total points for each for the three companies interviewed are contained in the following table:

Company:	Cypress Security	US Security	Securitas
Panelist #1	6.5	5	5
Panelist # 2	8.5	7	7
Panelist #3	8	7	7
Panelist #4	9	7	7
Average:	8	6.5	6.5

BUDGET CONSIDERATION/FINANCIAL IMPACT:

Cypress Private Security will bill the District at a rate of \$19.06/hr. straight time, and \$27.64/hr. for holiday rate. Their yearly cost of \$171,151 is for twenty-four (24) hour security at the Air District. Lobby Security is budgeted in the FY 2010/2011 budget. No further fiscal impact is anticipated.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Mary Ann Okpalauogo
Approved 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: February 14, 2011

Re: Air District Financial Overview

RECOMMENDED ACTION

Receive and file.

DISCUSSION

Staff will review the Air District response to fiscal challenges. The review will include a discussion of the strategies employed during the FYE 2011 budget cycle. Possible mid-year budget adjustments will be discussed. Implications for the coming FYE 2012 budget process will also be reviewed.

BUDGET CONSIDERATION/FINANCIAL IMPACT

No budget impact.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeffrey McKay