

Bay Area Air Quality Management District
939 Ellis Street
San Francisco, California 94109
(415) 771-4963

APPROVED MINUTES

Summary of Board of Directors
Budget and Finance Committee Meeting
9:30 a.m., Wednesday, April 25, 2012

1. Call to Order – Roll Call

Chairperson Carole Groom called the meeting to order at 9:31 a.m.

Present: Chairperson Carole Groom; Vice Chairperson Ash Kalra; and Directors David Hudson, Eric Mar, Katie Rice, Mark Ross and Brad Wagenknecht.

Absent: Directors Scott Haggerty and Shirlee Zane.

Also Present: None.

2. Public Comment Period: None.

3. Approval of Minutes of March 28, 2012

Committee Action: Director Hudson made a motion to approve the Minutes of March 28, 2012; Director Wagenknecht seconded; carried unanimously without objection.

4. Continued Discussion of Fiscal Year Ending (FYE) 2013 Proposed Air District Budget and Consideration to Recommend Adoption

Jeffrey McKay, Deputy Air Pollution Control Officer (DAPCO), gave the staff presentation Proposed Fiscal Year End 2013 Budget, including a review of the year-to-year reserve funds budgeted projection, trends in cost cutting, an overview of the distribution of vacancies among Air District staff, proposed salary reviews and possible salary modification based on the results, and a summary of the FYE 2013 budget.

Mr. McKay noted, regarding slide 2, the ever decreasing use of reserves on a year-to-year basis.

Mr. McKay reserved for Jack Broadbent, Executive Officer/Air Pollution Control Officer (APCO), presentation of slide 5, Salary Reviews, upon his arrival. Chairperson Groom asked if recruitment has begun for the Health Officer position. Jean Roggenkamp, DAPCO, responded that it has not and a salary survey is the first step. Director Ross asked if the Air District is also adding the engineering project processing manager for the Production System project. Mr. McKay responded in the affirmative as to a manager in Engineering that will serve to get the

division back to its original staffing level, not for special projects. Director Hudson asked if the budget takes into account the Air District's anticipated move to the new office building to which Mr. McKay responded in the affirmative.

Director Rice asked what savings is lost by reducing the Air District's contribution to Other Post-Employment Benefits (OPEB). Mr. McKay said the actuarial liability is approximately \$50 million and annual deposits of approximately \$2 million will prevent the size of the obligation from growing. Director Rice admitted she didn't know the details of how these funds are held but proposed there must be a loss by postponing the contribution. Mr. McKay clarified that it is deposited with the Public Employees' Retirement System (PERS) and no other use is permitted after deposit. Director Wagenknecht noted the contribution going from \$2 million to \$1 million this year and asked the effect on the unfunded liability. Director Rice repeated her inquiry about lost savings. Mr. McKay said that any funding beyond \$2 million each year would serve to reduce the outstanding unfunded liability. Director Rice suggested that the more aggressive contribution schedule, the better, but perhaps the loss is negligible. Director Hudson asked whether PERS imposes a fee or fine on the Air District for maintaining a balance short of the recommendation. Mr. McKay said there is an actuarial value assigned to the expected increase in costs that is the lost opportunity. Brian Bunker, District Counsel, clarified that this is not a debt with interest charged, but rather a contractual obligation, so no fee or fine is imposed.

NOTED PRESENT: Director Mar was noted present at 9:41 a.m.

Mr. Broadbent presented slide 5, Salary Reviews, by suggesting it is time to hire a Health Officer despite the economic forecast and noted the difficult recruitment process for the position two years ago, adding that the Air District's recruitment for the Information Systems position has also been challenging, and suggested a salary survey for both positions as well as for the DAPCO positions, based on a commitment to do so last year. Director Groom said that would be acceptable and noted the urgency some feel regarding the recruitment of a Health Officer. Director Hudson asked what the Health Officer's role would be in relation to the counties and asked if the Air District can bring in the county health officers and subcontract out the work. Director Hudson suggested the same for the Information Systems position, suggesting the agencies in the new Air District office building may enjoy an economy of scale by job sharing. Mr. Broadbent responded that the Health Officer would be part of a regular meeting group but that having one on staff would be helpful to the Board of Directors and staff, noting that the South Coast Air Quality Management District (SCAQMD) has one on staff. Mr. Broadbent and Jack Colbourn, Director of Administrative Services, answered that discussions with the cotenants of the new office building have begun and the Air District will enjoy economies of scale as appropriate. Director Groom opined that if a Health Officer had been on staff during the California Environmental Quality Act guidelines process, the Air District would have been in a better place today, adding that this is a worthwhile expenditure. Director Ross added that the Health Officer job duties will have a public outreach component as well. Director Wagenknecht asked where in the Air District structure the Health Officer would be placed. Mr. Broadbent responded that the Health Officer would be a management position that will likely report to Ms. Roggenkamp. Director Mar asked who is currently fielding issues that would fall to the Health Officer. Mr. Broadbent and Ms. Roggenkamp responded that it is spread around.

NOTED PRESENT: Vice Chairperson Kalra was noted present at 9:51 a.m.

Committee Comments: None.

Public Comments: None.

Committee Action:

Director Hudson made a motion, seconded by Director Wagenknecht and carried unanimously without objection to recommend Board of Directors adoption of the proposed FYE 2013 Budget.

5. Third Quarter Financial Report – FYE 2012

Mr. Colbourn introduced David Glasser, Finance Manager, who gave the staff presentation regarding the Third Quarter Financial Report –FYE 2012. Mr. Glasser reviewed the General Fund revenues and expenses, Air District investments, fund balances and vendor payments in excess of \$70,000 without Board of Directors review for the third quarter of FYE 2012.

Mr. Glasser noted, regarding slide 2, 3rd Quarter Results FYE 2012, that “County receipts” had risen to approximately 76% by the date of the presentation and more is expected in the immediate future. Mr. Glasser added, regarding a distribution from the Lehman bankruptcy, that the San Mateo County Treasurer reported that the Air District should be receiving the first of four or five distributions over the next two to three years, in the amount of roughly \$102,000.

Committee Comments:

Director Hudson asked whether the Air District is paying to PERS or putting in reserve the monies shown in reserve fund balances for “PERS Funding.” Mr. Glasser responded that the Air District makes payments to PERS who invests on the Air District’s behalf, noting that the Air District may anticipate a 1 – 2% increase in pension costs in approximately two years.

Public Comments: None.

Committee Action: None; informational only.

6. Proposed Fee Amendments for FYE 2013

Brian Bateman, Director of Compliance & Enforcement, gave the staff presentation Proposed Fee Regulation Amendments for FYE 2013 (cont.), including a summary of the original staff proposal and an option for consideration to modify the proposed amendments to fee schedules, specifically in regard to gasoline dispensing and Title V facilities.

Mr. Bateman clarified, regarding slide 5, Option for Consideration, that the 24 nozzles example in the presentation is a station with eight three-product nozzles but the same would apply to a station with 12 two-product nozzles and so on.

Mr. Bateman added, regarding slide 5, Option for Consideration, that Title V facilities are subject to many other Air District fees but only this fee is being proposed for an increase to 11%.

Committee Comments:

Director Ross asked the difference in the difficulty of inspecting a one-nozzle versus three-nozzle pump. Mr. Bateman responded that it is not more difficult but the products carried reflect the throughput of the station. Director Ross asked if staff has considered backing away from throughput as an indicator in an effort to better assist mom-and-pop establishments.

Mr. Broadbent stated that staff is struggling as some Directors have expressed a concern about the effect of the amendments on small mom-and-pop facilities; a modified proposal was prepared with special sensitivity to this concern; the Air District is only recovering at a 50 – 60% rate for the entire industry; and staff has tried to tailor something that will avoid a zero increase as it has been decided that it is crucial to close the gap. Vice Chairperson Kalra asked what non-retail operations would fall under this provision. Mr. Bateman and Mr. Bunger provided some examples from government and private fleet operations. Vice Chairperson Kalra noted his sensitivity to smaller stations and asked if there is a sense of what the pace to full recovery under a decelerated process will be, noting that it seems a very small number of gas stations will fall into the small mom-and-pop category and that, in light of the subsidization by fee and tax payers, it is equally important to not become hypersensitive as it is to lack sensitivity. Vice Chairperson Kalra suggested that it would be acceptable to slow down the increased recovery provided the Air District keeps pace over the years. Director Hudson stated that he understands the desire for a careful look at the details but suggested that many of these instances will involve an annual fee increase of approximately \$70 and, therefore, questioned the benefit of this level of review as it has been determined that the recovery needs to increase and a plan has been put forth to accomplish it. Director Mar stated that the modified proposal is a good compromise as the fee recovery will continue to rise and the larger operations, that are better able to adjust, will shoulder more of the initial increase. Director Rice noted that this modification is in response to a request at the Board of Directors meeting and suggested that the fee increase will likely be passed through the retail customer at the pump, a 5% increase is too nominal considering the current recovery rate, the difference between the original and modified proposals will not be shutting down any businesses, and that retail customers need to see the true cost of the gas they are pumping. Director Wagenknecht agreed with the concept of seeing the true cost of gasoline at the pump but reminded the Committee of the desire to be sensitive to small operations and asked the impact of the modification for the Air District. Mr. Bateman answered approximately \$65,000. Vice Chairperson Kalra stated that the original proposal is acceptable, as is the modified 5% increase but only if the lost 4% is captured in the coming years. Director Wagenknecht noted that there will be additional increases in the coming years if the Air District remains consistent with its Cost Recovery Policy and any deferrals will add to those increases. Vice Chairperson Kalra suggested that the proposal not be modified.

Public Comments: None.

Committee Action:

The majority of the Committee members, over the objections of Directors Hudson, Ross and Wagenknecht, indicated their preference for the original staff fee proposal, rather than the new option presented. Final action to consider adoption of fee amendments is scheduled for the Board of Directors' meeting on June 6, 2012.

Chairperson Groom asked what the dollar amount difference is under Schedule P. Mr. Bateman referred to slide 6, Impact of Option on Title V Facilities. Vice Chairperson Kalra asked about the current cost recovery statistics for the two facilities and Mr. Bateman responded that gas stations are at approximately 48% and large refineries 58% of cost recovery. Vice Chairperson Kalra said there is more catch up to accomplish on the gas station side and suggested there is no need to prolong the pain. Chairperson Groom said that it is going to the Board of Directors and the staff report should reflect today's discussion. Chairperson Groom relayed her personal experience discussing the proposed increase with a gas station owner/operator.

7. **Committee Member Comments/Other Business:** None.
8. **Time and Place of Next Meeting:** Wednesday, May 23, 2012, at Bay Area Air Quality Management District Office, 939 Ellis Street, San Francisco, CA 94109 at 9:30 a.m.
9. **Adjournment:** The meeting adjourned at 10:24 a.m.

IS/ Sean Gallagher

Sean Gallagher
Clerk of the Boards