

Bay Area Air Quality Management District  
939 Ellis Street  
San Francisco, California 94109  
(415) 749-5073

Videoconference Location:  
Santa Rosa Junior College  
Doyle Library Room 4243  
1501 Mendocino Avenue  
Santa Rosa, CA 95401

## **APPROVED MINUTES**

Summary of Board of Directors  
Budget and Finance Committee Meeting  
Wednesday, April 23, 2014

### **1. Call to Order – Roll Call**

Budget and Finance Committee (Committee) Chairperson Carole Groom called the meeting to order at 9:32 a.m.

Present: Committee Chairperson Carole Groom; Committee Vice-Chairperson Eric Mar; Board of Directors (Board) Chairperson Nate Miley; and Directors David Hudson, Liz Kniss, Mark Ross, Brad Wagenknecht and Shirlee Zane (from videoconference location).

Absent: Director John Gioia.

Also Present: None.

**2. Public Comment Period:** No requests received.

**3. Third Quarter Financial Report – Fiscal Year Ending (FYE) 2014 (Agenda Item #5 taken out of order)**

Jeff McKay, Deputy Air Pollution Control Officer (DAPCO), introduced Stephanie Osaze, Finance Manager of Administrative Services, who gave the staff presentation *Third Quarter Financial Report – FYE 2014*, including an overview of general fund revenues and expenses, revenue and expense year-over-year comparisons, investments, fund balances, purchasing reporting requirements, and cumulative vendor payments in excess of \$70,000 without Board review.

NOTED PRESENT: Director Kniss was noted present at 9:35 a.m. and Director Mar was noted present at 9:36 a.m.

The Committee and staff discussed, at slide 2, *3<sup>rd</sup> Quarter Results FYE 2014, General Fund – Revenues*, the cause of the high percentages relative to both “Penalties and Settlements” and “Interest Revenue.”

NOTED PRESENT: Director Zane was noted present at the videoconference location at 9:38 a.m.

Ms. Osaze concluded the presentation.

Committee Comments:

The Committee and staff discussed the two separate life insurance policy payments listed on slide 9, *Contract Limitations*, at lines 6, CSAC Excess Insurance Authority, and 11, Hartford Life Ins. Co.; the nature and amount of the payment on slide 9, *Contract Limitations*, at line 15, Renne Sloan Holtzman & Sakai, for Human Resources Consulting Services; the total number and average individual cost of handling employee grievances; the nature of the expenses on slide 9, *Contract Limitations*, at line 7, Cubic Transportation Systems, for Clipper Transit Subsidy; how the Air District is doing financially in comparison to other air districts and agencies of a similar size; and the effect of early Other Post-Employment Benefits (OPEB) payments.

NOTED PRESENT: Board Chair Miley was noted present at 9:48 a.m.

Committee Chair Groom asked staff to provide a report on cumulative vendor payments in excess of \$70,000 without Board review to Renne Sloan Holtzman & Sakai, for Human Resources Consulting Services, at a future Committee meeting.

Public Comments: No requests received.

Committee Action: None; receive and file.

**4. Approval of Minutes of March 26, 2014 (Agenda Item #3)**

Committee Comments: None.

Public Comments: No requests received.

Committee Action:

Director Hudson made a motion to approve the Minutes of March 26, 2014; Director Wagenknecht seconded; and the motion carried by the following vote of the Committee:

AYES: Groom, Hudson, Kniss, Mar, Miley, Ross, Wagenknecht and Zane.  
NOES: None.  
ABSTAIN: None.  
ABSENT: Gioia.

**5. Continued Discussion of FYE 2015 Proposed Air District Budget and Consideration to Recommend Adoption (Agenda Item #4)**

Mr. McKay gave the staff presentation *Proposed FYE 2015 Budget*, including proposed expenses and capital; Air District reserve funds and designations; current staffing levels and strategic staffing principles; vacancies for FYE 2014; climate program staffing; proposed staffing levels in FYE 2015; and a status report on fees and unfunded liabilities including pensions and OPEB.

The Committee and staff discussed, at slide 4, *Expense and Capital*, if and how “Service & Supply” breaks down relative to labor costs.

Mr. McKay continued the presentation.

The Committee and staff discussed, at slide 15, *Unfunded Liabilities Response*, the potential benefits for the Air District and California Public Employees’ Retirement System (CalPERS) of increased contributions; the impact of funding liabilities on an agency’s credit rating; the explanation for the potentially increased CalPERS contribution and whether increased employee contributions have affected CalPERS decision-making; the dollar amount equivalent of 20% of salary; the performance of CalPERS investments, the effect of inflation and the smoothing projection; questions of who dictates and is responsible for the investment strategy of CalPERS; the value of keeping the Board informed of CalPERS developments and the need to carefully consider how to address increases; the possible value of preempting a potential CalPERS increase through excess contributions that are pulled back if there is no increase; the need for a thoughtful discussion about how to proceed if and when the required CalPERS contribution is increased; the possible value of a reserve designation within the general fund in advance of a CalPERS increase; whether and in what form an assessment of CalPERS performance exists; and the composition of the CalPERS governing board and internal workings of the organization.

Committee Chairperson Groom directed staff to agendize a discussion of CalPERS for a future Committee meeting.

Mr. McKay concluded the presentation.

Committee Comments:

The Committee and staff discussed whether a CalPERS illustration would look similar to that prepared in regards to OPEB; whether the staffing level has been consistent over the years and projections for the future; whether positions that generate and increase revenue are being fully staffed; the value of the strategic staffing principles being applied; and the potential impact of increased staffing on the Air District’s OPEB and CalPERS contributions.

Public Comments: No requests received.

Committee Action:

Director Hudson made a motion, seconded by Director Ross, to recommend Board adoption of the FYE 2015 Proposed Budget; and the motion carried by the following vote of the Committee:

AYES: Groom, Hudson, Kniss, Miley, Ross, Wagenknecht and Zane.

NOES: None.

ABSTAIN: None.

ABSENT: Gioia and Mar.

**6. Committee Member Comments/Other Business:**

The Committee and staff discussed the possibility of and justification for increasing the cost recovery rate over time.

**7. Time and Place of Next Meeting:**

Wednesday, May 28, 2014, at Bay Area Air Quality Management District Headquarters, 939 Ellis Street, San Francisco, CA 94109 at 9:30 a.m.

**8. Adjournment:** The meeting adjourned at 10:39 a.m.

*151 Sean Gallagher*

Sean Gallagher  
Clerk of the Boards