



BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

CAROLE GROOM – CHAIRPERSON
JOHN GIOIA
LIZ KNISS
MARK ROSS
SHIRLEE ZANE

ERIC MAR – VICE CHAIRPERSON
DAVE HUDSON
NATE MILEY
BRAD WAGENKNECHT

WEDNESDAY
MARCH 26, 2014
9:30 A.M.

4th FLOOR CONFERENCE ROOM
939 ELLIS STREET
SAN FRANCISCO, CA 94109

VIDEOCONFERENCE LOCATION:
SANTA ROSA JUNIOR COLLEGE
DOYLE LIBRARY ROOM 4243
1501 MENDOCINO AVENUE
SANTA ROSA, CA 95401

AGENDA

1. **CALL TO ORDER - ROLL CALL**

The Committee Chair shall call the meeting to order and the Clerk of the Boards shall take roll of the Committee members.

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 Air District headquarters, 939 Ellis Street, San Francisco, CA, and on the Air District's website www.baaqmd.gov 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 22, 2014**

Clerk of the Boards/5073

The Committee will consider approving the attached draft minutes of the Budget and Finance Committee meeting of January 22, 2014.

4. **PROPOSED AMENDMENT TO REGULATION 3: FEES**

J. McKay/4629
jmckay@baaqmd.gov

Staff will provide a status of the proposed amendments to Regulation 3: Fees, consistent with the Board policy to recover 85% program costs by Fiscal Year Ending (FYE) 2016.

5. **DISCUSSION OF PROPOSED BUDGET FOR FISCAL YEAR ENDING (FYE) 2015**

J. McKay/4629
jmckay@baaqmd.gov

The Committee will discuss the proposed budget for Fiscal Year Ending 2015.

6. **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)

7. **TIME AND PLACE OF NEXT MEETING** – *Wednesday, April 23, 2014, Bay Area Air Quality Management District Office, 939 Ellis Street, San Francisco, California 94109 at 9:30 a.m.*

8. **ADJOURNMENT**

The Committee meeting shall be adjourned by the Committee Chair.

CONTACT THE CLERK OF THE BOARDS
939 ELLIS STREET SF, CA 94109

(415) 749-5073
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.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET, SAN FRANCISCO, CALIFORNIA 94109
FOR QUESTIONS PLEASE CALL (415) 749-5016 or (415) 749-4941

EXECUTIVE OFFICE:
MONTHLY CALENDAR OF AIR DISTRICT MEETINGS

MARCH 2014

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Climate Protection Committee <i>(Meets on the 3rd Thursday of Every Other Month)</i>	Thursday	20	9:30 a.m.	Board Room
Board of Directors Personnel Committee <i>(At the Call of the Chair)</i>	Monday	24	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(Meets on the 4th Wednesday of each Month)</i>	Wednesday	26	9:30 a.m.	4 th Floor Conf. Room
<u>VIDEOCONFERENCE LOCATION:</u> Santa Rosa Junior College Doyle Library Room 4243 1501 Mendocino Avenue Santa Rosa, CA 95401				
Board of Directors Mobile Source Committee <i>(Meets on the 4th Thursday of each Month)</i> - CANCELLED	Thursday	27	9:30 a.m.	Board Room

APRIL 2014

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Special Meeting as the Sole Member of the Bay Area Clean Air Foundation	Wednesday	2	9:45 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	2	9:45 a.m.	Board Room
Board of Directors Legislative Committee <i>(At the Call of the Chair)</i>	Thursday	3	10:00 a.m.	4 th Floor Conf. Room
Advisory Council Regular Meeting <i>(Meets on the 2nd Wednesday of each Month)</i>	Wednesday	9	9:00 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	16	9:45 a.m.	Board Room

APRIL 2014

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	21	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(Meets on the 4th Wednesday of each Month)</i>	Wednesday	23	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>(Meets on the 4th Thursday of each Month)</i>	Thursday	24	9:30 a.m.	Board Room

MAY 2014

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	7	9:45 a.m.	Board Room
Advisory Council Regular Meeting <i>(Meets on the 2nd Wednesday of each Month)</i>	Wednesday	14	9:00 a.m.	Board Room
Board of Directors Climate Protection Committee <i>(Meets 3rd Thursday of every other month)</i>	Thursday	15	9:30 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	19	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Stationary Source Committee <i>(Meets Quarterly at the Call of the Chair)</i>	Monday	19	10:00 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	21	9:45 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets on the 4th Thursday of each Month)</i>	Thursday	22	9:30 a.m.	Board Room
Board of Directors Budget & Finance Committee <i>(Meets on the 4th Wednesday of each Month)</i>	Wednesday	28	9:30 a.m.	4 th Floor Conf. Room

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/Air Pollution Control Officer

Date: March 4, 2014

Re: Approval of the Minutes of January 22, 2014

RECOMMENDED ACTION

Approve the attached draft minutes of the Budget and Finance Committee meeting of January 22, 2014.

DISCUSSION

Attached for your review and approval are the draft minutes of the Budget and Finance Committee meeting of January 22, 2014.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Sean Gallagher
Reviewed by: Rex Sanders

Attachment

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

DRAFT MINUTES

Summary of Board of Directors
Budget and Finance Committee Meeting
Wednesday, January 22, 2014

1. Call to Order – Roll Call

Budget and Finance Committee (Committee) Chairperson Carole Groom called the meeting to order at 9:35 a.m.

Present: Committee Chairperson Carole Groom; Committee Vice-Chairperson Eric Mar; 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: There were no requests for public comment.

3. Approval of Minutes of August 5, 2013

Committee Comments: None.

Public Comments: None.

Committee Action:

Director Hudson made a motion to approve the Minutes of August 5, 2013; Director Kniss seconded; and the motion carried by the following vote of the Committee:

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

NOES: None.

ABSTAIN: Kniss.

ABSENT: Gioia, Mar and Miley.

4. Air District Financial Audit Report – Fiscal Year Ending (FYE) 2013

Jeff McKay, Deputy Air Pollution Control Officer, introduced Peggy Vande Vooren, CPA, Gilbert Associates, Inc., who gave the auditor presentation regarding the Air District Financial Audit Report for FYE 2013, including reviews of the Financial Audit Report of the Air District's Financial Statements for the FYE 2013 and the Financial Audit Report of the Office of Budget and Management Circular A-133, both unqualified reports with no reportable conditions.

The Committee and staff discussed the increase in reserves in FYE 2012.

Ms. Vande Vooren continued the presentation.

NOTED PRESENT: Board Chairperson Miley was noted present at 9:46 a.m.

The Committee and staff discussed the impact of payments to creditors by Lehman Brothers Holdings, Inc., (Lehman) and the state of Other Post-Employment Benefits (OPEB) as of June 30, 2013.

NOTED PRESENT: Committee Vice-Chairperson Mar was noted present at 9:50 a.m.

Ms. Vande Vooren concluded the presentation.

Committee Comments:

The Committee and staff discussed what, if any, items of concern were identified by the auditor and how unpaid obligations regarding pension funding compare to other special districts.

Public Comments: None.

Committee Action: None; receive and file.

5. Second Quarter Financial Report –FYE 2014

Mr. McKay introduced Stephanie Osaze, Finance Manager of Administrative Services, who gave the staff presentation *Second Quarter Financial Report – Fiscal Year Ending 2014*, including overviews of general fund revenues, expenses and fund balances; a year-to-year comparison and summaries of purchasing reporting requirements; and cumulative vendor payments in excess of \$70,000.

The Committee and staff discussed interest revenue and the contribution to the same from Lehman payments.

Ms. Osaze continued the presentation.

The Committee and staff discussed whether the increase in asbestos fees would be best characterized as seasonal or a sign of the economy improving and the unintended consequences of prolonged drought on the pace of future development.

Ms. Osaze concluded the presentation.

Committee Comments:

The Committee and staff discussed the absence of the water bill from the presentation, the viability of alternatives to the California Public Employees' Retirement System (CALPERS) healthcare plans, the difficulties of incentivizing good health under CALPERS, the idea of self-insurance, insurance expenses generally, and methods for organizational motivation of good employee health.

Public Comments: None.

Committee Action: None; receive and file.

6. Air District Financial Overview

Mr. McKay gave the staff presentation *Air District Financial Overview*, including a review of the status of the prior fiscal year, a mid-year summary of FYE 2014, and a review of the budget topics and highlights for the upcoming FYE 2015 budget process.

The Committee and staff discussed the seeming increase in property tax apportionments.

Mr. McKay continued the presentation.

The Committee and staff discussed a potentially erroneous payment to the Air District in the amount of \$1.7 million, how best to address it, and how reserve level targets are set.

Mr. McKay continued the presentation.

The Committee and staff discussed minimum reserve levels, benchmarks, use of surplus funds, contributions to OPEB, the headquarters move to 375 Beale Street, staff labor negotiations, and the implications of a prolonged drought.

Mr. McKay continued the presentation.

The Committee and staff discussed the distribution of employment vacancies between the Air District divisions, the shared services goal that is part of the move to 375 Beale Street, the vendor contract with Accenture to analyze shared services opportunities, the legislative agenda of California State Senator Mark DeSaulnier, whether more Enforcement staff are needed to support the Spare the Air Days program, and the desire for strategic staffing to prevent lost revenue as well as missed opportunities to distribute grant funds.

Mr. McKay continued the presentation.

The Committee and staff discussed the CALPERS retirement obligation, the staff contribution percentage and the likelihood it will be a topic during labor negotiations, and the projected CALPERS contributions and their budgetary impact.

Mr. McKay concluded the presentation.

Committee Comments:

The Committee and staff discussed the correlation of increased staff levels and cost recovery rates.

Public Comments: None.

Committee Action: None; receive and file.

7. Committee Member Comments/Other Business:

The Committee and staff discussed the pending sale of the 939 Ellis Street property.

8. Time and Place of Next Meeting:

Wednesday, February 26, 2014, at Bay Area Air Quality Management District Headquarters, 939 Ellis Street, San Francisco, CA 94109 at 9:30 a.m.

9. Adjournment: The meeting adjourned at 10:55 a.m.

Sean Gallagher
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: March 12, 2014

Re: Proposed Amendment to Regulation 3: Fees

RECOMMENDED ACTION

None; receive and file.

BACKGROUND

Staff develops amendments to the Air District's fee regulation as a part of the budget preparation process. On March 7, 2012, the Board of Directors adopted a Cost Recovery Policy that established a goal of increasing fee revenue sufficient to achieve 85% recovery of regulatory program costs by Fiscal Year Ending (FYE) 2016. Air District staff estimated that in order to achieve this goal, fee revenue will need to be increased by approximately 6.4% per year between FYE 2013 and 2016.

DISCUSSION

Consistent with the cost recovery policy, draft amendments to specific fee schedules were made in consideration of cost recovery analyses conducted at the fee schedule-level, with larger increases being proposed for the schedules that have larger cost recovery gaps.

Existing fee schedules would be amended as follows:

- 2% increase for fee schedules that are recovering greater than 95% of costs.
- 7% increase for fee schedules that are recovering 85% to 95% of costs.
- 8% increase for fee schedules that are recovering 75% to 84% of costs.
- 9% increase for fee schedules that are recovering less than 75% of costs.

Several fees that are administrative in nature (permit application filing fees, alternative compliance plan fees, and permit to operate renewal processing fees) would be increased by 3%.

In addition, proposed amendments to Schedule T: Greenhouse Gases would increase the fee rate from \$0.048 to \$0.09 per metric ton of carbon dioxide equivalent (CDE) emissions. This fee increase is intended to fund stationary source programs necessary to implement Board Climate Protection Resolution No. 2013-11.

Air District staff will provide the committee with additional details regarding the draft fee amendments at the committee meeting on March 26, 2014. A summary of public comments received to date, including those received at a public workshop held on February 18, 2014 will be provided.

BUDGET CONSIDERATION/FINANCIAL IMPACT

The draft fee amendments would increase fee revenue in FYE 2015 by an estimated \$2.7 million from revenue that would otherwise result without a fee increase. Fee revenue estimates will be included in the draft FYE 2015 budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jim Karas
Reveiwed by: Jeffrey McKay

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: March 26, 2014

Re: Discussion of Proposed Budget for Fiscal Year Ending (FYE) 2015

RECOMMENDED ACTION

The Executive Officer/APCO requests that the Budget and Finance Committee review the Proposed Budget for FYE 2015, and make any recommendations for further discussions to be held during the April 23, 2014 Budget and Finance Committee meeting.

BACKGROUND

At the March 19, 2014 Regular Board of Directors meeting, the FYE 2015 Proposed Budget document was referred to the Budget and Finance Committee for review at the Committee's March 26, 2014 meeting.

DISCUSSION

Air District staff will present the Proposed Budget for FYE 2015. The Proposed Budget is balanced, without the use of any reserves.

Air District staff will publish, prior to April 21, 2014, a notice to the general public that the first of two public hearings on the budget will be conducted on May 21, 2014 and that the second hearing will be conducted on June 4, 2014. Staff requests that the Budget and Finance Committee complete its review and take action on the Proposed Budget at the April 23, 2014 Budget and Finance Committee meeting. This will allow staff the necessary time required to amend, if necessary, the budget for the first public hearing to be held on May 21, 2014.

BUDGET CONSIDERATION/FINANCIAL IMPACT

The proposed consolidated budget for FYE 2014 is a balanced budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze
Reviewed by: Jeff McKay