



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
APRIL 23, 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 MARCH 26, 2014**

Clerk of the Boards/5073

The Committee will consider approving the attached draft minutes of the Budget and Finance Committee meeting of March 26, 2014.

4. **CONTINUED DISCUSSION OF FISCAL YEAR ENDING (FYE) 2015 PROPOSED AIR DISTRICT BUDGET AND CONSIDERATION TO RECOMMEND ADOPTION**

J. McKay/4629
jmckay@baaqmd.gov

The Committee will continue discussion of the proposed budget for FYE 2015 and consider recommending Board of Directors adoption of the proposed FYE 2015 budget.

5. **THIRD QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING (FYE) 2014**

J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive an update on the Air District's financial results for the third quarter of FYE 2014.

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, May 21, 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**

APRIL 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	16	9:45 a.m.	Board Room
Ad Hoc Building Committee <i>(At the Call of the Chair)</i>	Wednesday	16	Immediately following the Regular Board meeting	4 th Floor Conf. Room
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month) - CANCELLED</i>	Monday	21	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	21	9:30 a.m.	Board 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
				<u>VIDEOCONFERENCE LOCATION:</u> Santa Rosa Junior College Doyle 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>	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	10:30 a.m.	Board Room
Special Board of Directors Meeting -Budget Hearing <i>(At the Call of the Chair)</i>	Wednesday	21	9:45 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

JUNE 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	4	9:45 a.m.	Board Room
Advisory Council Regular Meeting <i>(Meets on the 2nd Wednesday of each Month)</i>	Wednesday	11	9:00 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	16	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	16	10:30 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	18	9:45 a.m.	Board Room
Board of Directors Budget & Finance Committee <i>(Meets on the 4th Wednesday of each Month)</i>	Wednesday	25	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	26	9:30 a.m.	Board 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: April 10, 2014

Re: Approval of the Minutes of March 26, 2014

RECOMMENDED ACTION

Approve the attached draft minutes of the Budget and Finance Committee meeting of March 26, 2014.

DISCUSSION

Attached for your review and approval are the draft minutes of the Budget and Finance Committee meeting of March 26, 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, March 26, 2014

1. Call to Order – Roll Call

Director David Hudson called the meeting to order at 9:42 a.m.

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

Absent: Committee Chairperson Carole Groom; and Directors John Gioia and Liz Kniss.

Also Present: None.

2. Public Comment Period: There were no requests for public comment.

NOTED PRESENT: Directors Ross and Wagenknecht were noted present at 9:43 a.m.

3. Proposed Amendment to Regulation 3: Fees (Agenda Item #4 taken out of order)

Jeff McKay, Deputy Air Pollution Control Officer, gave the staff presentation *Proposed Amendments to Regulation 3: Fees*, including an overview of revenue sources in the Fiscal Year End (FYE) 2013 Budget, an explanation of the background and current cost recovery policy, trends in cost cutting, proposed changes to fee schedules, greenhouse gas fees, impact on small businesses, a fee comparison with South Coast Air Quality Management District, public comments, and the rule development schedule.

At slide 4, *Cost Recovery Background*, the Committee and staff discussed cost recovery for FYE 2014 to date; the cost recovery policy; and the cost recovery policy projection relative to the expected filling of staff vacancies in the coming year.

Mr. McKay continued the presentation.

At slide 10, *Proposed Changes to Fee Schedules*, the Committee and staff discussed which schedules represent the most significant sources of fees revenue; the Kinder Morgan operations under Schedule D and how the fees would be affected by proposed legislation regarding transfers of oil from the Bakken formation; the cost recovery rate for Schedule G-5; and whether the policy for large industry operations should instead have a recovery target of 100%.

NOTED PRESENT: Board Chairperson Miley was noted present at 10:00 a.m.

Mr. McKay continued the presentation.

At slide 11, *Greenhouse Gas (GHG) Fees*, the Committee and staff discussed the increase in GHG fees in the form of carbon dioxide equivalent emissions per metric ton.

Mr. McKay continued the presentation.

At slide 13, *Bay Area/South Coast Air Quality Management Districts Fee Comparison – FYE 2014*, the Committee and staff discussed the specs of diesel engines likely in use at various sites and fee subsidization for actual non-profit institutions, such as schools, as opposed to hospitals.

Mr. McKay continued the presentation.

At slide 14, *Public Comments*, the Committee and staff discussed the level of Air District involvement in the California Air Resources Board third-party verification process under the Assembly Bill 32 Scoping Plan.

NOTED PRESENT: Committee Vice-Chairperson Mar was noted present at 10:11 a.m.

Mr. McKay concluded the presentation.

Committee Comments: None.

Public Comments: There were no requests for public comment.

Committee Action: None; receive and file.

4. Discussion of Proposed Budget for FYE 2015 (Agenda Item #5 taken out of order)

Mr. McKay gave the staff presentation *Proposed Budget for FYE 2015*. The Committee reviewed revenue projections for FYE 2014; overviews of the proposed budget, general fund revenue sources, and general fund expenditures for FYE 2015; a status report on fees; trends in cost cutting from FYE 2010 through 2015; unfunded liabilities; personnel costs; strategic staffing implementation; a comparison of retirement contributions and salaries; and reviews of Air District reserve funds and designations. The proposed budget is a balanced budget without the use of reserves, and includes the filling of nineteen vacant staff positions and an increase in the Other Post-Employment Benefits (OPEB) contribution to \$3 million.

The Committee and staff discussed, at slide 5, *General Fund Revenue Sources (FYE 2015 Proposed Budget)*, what, if any, significant changes exist compared to past years.

Mr. McKay continued the presentation.

The Committee and staff discussed, at slide 7, *Expense and Capital*, the setting aside of capital reserves for the purpose of new headquarters renovation.

Mr. McKay continued the presentation.

The Committee and staff discussed, at slide 9, *Reserves Designated for Specific Capital Items*, the likely timing of expenditures for “IT-Desktop Equipment” and the potential need for reserves for the headquarters move.

Mr. McKay continued the presentation.

The Committee and staff discussed, at slide 15, *Staffing Levels in FYE 2015*, the work being done to implement shared services with the Metropolitan Transportation Commission and Association of Bay Area Governments; how many public outreach positions are among the “Fill Current Vacant Positions”; and whether the “Climate Protection Positions” are in response to the climate protection work program.

Mr. McKay continued the presentation.

The Committee and staff discussed, at slide 18, *Unfunded Liabilities Response*, the annual growth of the OPEB obligation before contribution; the impact of the excise tax under the Affordable Care Act; whether a percentage of surplus should be dedicated to increased OPEB contributions; the planning done regarding the potential budget impact of ongoing labor negotiations; the concept of breaking certain categories down and establishing a fund for dividing between those categories, as is deemed appropriate each year; and whether there is a need to more fully engage the ongoing obligations with the idea of developing short- and long-term plans.

Committee Comments: The Committee and staff discussed funding for travel expenses.

Public Comments: There were no requests for public comment.

Committee Action: None; receive and file.

5. Approval of Minutes of January 22, 2014 (Agenda Item # 3)

Committee Comments: None.

Public Comments: There were no requests for public comment.

Committee Action:

Director Hudson made a motion to approve the Minutes of January 22, 2014; Director Wagenknecht seconded; and the motion carried by the following vote of the Committee:

AYES: Hudson, Mar, Miley, Ross, Wagenknecht and Zane.

NOES: None.

ABSTAIN: None.

ABSENT: Gioia, Groom and Kniss.

6. Committee Member Comments/Other Business: None.

7. Time and Place of Next Meeting:

Wednesday, April 23, 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 10:49 a.m.

Sean Gallagher
Clerk of the Boards

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: April 10, 2014

Re: Continued Discussion of Fiscal Year Ending (FYE) 2015 Proposed Air District Budget
and Consideration to Recommend Adoption

RECOMMENDED ACTION

The Committee will continue discussion of the proposed budget for FYE 2015 and consider recommending Board of Directors adoption of the FYE 2015 Proposed Budget.

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 presented the proposed budget for FYE 2015 at the March 26, 2014 Budget and Finance Committee meeting. The proposed budget is balanced, with the General Fund totaling \$65.7 million and the Consolidated Funds (including program distributions) totaling \$127.6 million. Proposed capital requests are \$3.8 million.

On April 8, 2014, Air District staff published a notice in newspapers read by the general public. These notices state 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.

BUDGET CONSIDERATION/FINANCIAL IMPACT

The proposed consolidated budget for FYE 2015 is \$127.6 million and is a balanced budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze

Reviewed by: Jeff 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: April 10, 2014

Re: Third Quarter Financial Report – Fiscal Year Ending (FYE) 2014

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Air District finance staff will present an update on the Air District’s financial results for the third quarter of FYE 2014. The following information summarizes those results.

GENERAL FUND BUDGET: STATEMENT OF REVENUES
Comparison of Budget to Actual Revenues

County receipts	\$ 13,283,213	(61%) of budgeted revenue.
Permit Fee receipts	\$ 24,192,573	(88%) of budgeted revenue.
Title V Permit Fees	\$ 3,379,635	(92%) of budgeted revenue.
Asbestos Fees	\$ 2,017,466	(106%) of budgeted revenue.
Toxic Inventory Fees	\$ 438,995	(73%) of budgeted revenue.
Penalties and Settlements	\$ 2,310,963	(136%) of budgeted revenue.
Miscellaneous Revenue	\$ 112,944	(94%) of budgeted revenue.
Interest Revenue	\$ 462,829	(167%) of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES
Comparison of Budget to Actual Expenditures

Personnel - Salaries*	\$ 24,659,651	(73%) of budgeted expenditures.
Personnel - Fringe Benefits *	\$ 8,621,011	(58%) of budgeted expenditures.
Operational Services and Supplies	\$ 9,585,311	(52%) of budgeted expenditures.
Capital Outlay	\$ 2,370,226	(46%) of budgeted expenditures
<i>*Consolidated (includes Special Funds)</i>		

Cash and Investments in County Treasury:	
(Based on the March 2014 Account Balance)	
General Fund	\$26,668,132
TFCA	\$70,225,511
MSIF	\$42,670,900
Carl Moyer	\$1,483,806
CA Goods Movement	<u>\$32,818,233</u>
	<u>\$173,866,582</u>

<u>FUND BALANCES</u>	6/30/2012	6/30/2013	6/30/2014
	Audited	Audited	Projected
Building and Facilities	4,075,756	5,478,276	500,000
PERS Funding	1,500,000	2,016,169	800,000
Radio Replacement	75,000	100,808	-
Capital Equipment	1,219,818	1,639,573	1,000,000
Worker's Compensation	1,000,000	1,344,113	1,000,000
Post Employment Benefits	2,000,000	2,688,226	1,000,000
Prop 1A Loan Repayment			860,200
JD Edwards Software Upgrade			1,000,000
IT-Desktop Equipment			500,000
IT-Event Response			500,000
Tech-GHG Monitoring Equipment			360,900
Tech-Meteorological Network Equipment			417,100
Tech-Mobile Monitoring Instruments			450,000
Economic Uncertainties	130,660	175,622	10,114,309
TOTAL SPECIAL RESERVES	\$ 10,001,234	\$ 13,442,787	\$ 18,502,509
UNDESIGNATED	3,441,554	5,059,722	-
TOTAL FUND BALANCES	\$ 13,442,788	\$ 18,502,509	\$ 18,502,509

VENDOR PAYMENTS

In accordance with provisions of the Administrative Code, Division II Fiscal Policies and Procedures - Section 4 Purchasing Procedures: 4.3 Contract Limitations, Air District staff is required to present recurring payments for routine business needs such as utilities, licenses, office supplies and the like, more than, or accumulating to more than \$70,000 for the fiscal year. In addition, this report includes all of the vendors receiving payments in excess of \$70,000 under contracts that have not been previously reviewed by the Board.

Below is a list of vendors including payments made through March 2014 of the current fiscal year that exceeds \$70,000 and meets the reporting criteria noted earlier. All expenditures have been appropriately budgeted as a part of the overall Air District Budget for Fiscal Year 2013-14.

	VENDOR NAME	AMOUNT PAID (as of March 31, 2014)	Explanation
1	CA PUBLIC EMPLOYEE RETIREMENT SYSTEM	4,583,611	Health Insurance Plan
2	CA PUBLIC EMPLOYEE RETIREMENT SYSTEM	6,018,864	Retirement Benefits & 457 Supplemental Plan
3	CAPCOA	670,473	EPA 105 Pass through grant
4	COMCAST	91,205	Internet Connections
5	CERIDIAN	75,997	Payroll Processing Services
6	CSAC EXCESS INSURANCE AUTHORITY	556,557	Life Insurance Plan
7	CUBIC TRANSPORTATIONS SYSTEMS	232,931	Clipper Transit Subsidy
8	EMPLOYEE BENEFIT SPECIALISTS	165,807	Medical & Dependent Care Flexible Spending Plan
9	ENTERPRISE FLEET SERVICES	472,280	Fleet Leasing and Maintenance services
10	ENVIRONICS INC.	87,024	Calibration Equipment
11	HARTFORD LIFE INS. CO.	313,997	Life Insurance Plan
12	MET ONE INSTRUMENTALS INC.	112,781	PM 2.5 Instrumentation
13	PACIFIC GAS & ELECTRIC COMPANY	290,104	Utilities
14	PREFERRED BENEFIT INSURANCE AD	610,279	Dental Insurance Plan
15	RENNE SLOAN HOLTZMAN & SAKAI	202,524	Human Resources Consulting Services
16	SHELTER ONE, INC.	102,561	Relocatable Air Monitoring & Source Test Instrumentation
17	TYLEDYNE	74,821	Instrumentation for woodsmoke studies
18	THERMO ENVIRONMENTAL INSTRUMENTS	116,748	Air monitoring and source test instrumentation
19	U.S. BANK CORP.	106,903	District Credit Cards for various purchases
20	VERIZON WIRELESS	120,343	Cell phone services
21	WRIGHT EXPRESS FLEET SERVICES	109,213	Fuel for Fleet

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze
Reviewed by: Jeff McKay