



BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

DAVE HUDSON – CHAIRPERSON
JOHN GIOIA
ERIC MAR
MARK ROSS
SHIRLEE ZANE

KATIE RICE – VICE CHAIRPERSON
LIZ KNISS
NATE MILEY
BRAD WAGENKNECHT

WEDNESDAY
MARCH 25, 2015
9:30 A.M.

7th FLOOR BOARD ROOM
939 ELLIS STREET
SAN FRANCISCO, CA 94109

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 ON NON-AGENDA MATTERS**

(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.

Staff/Phone (415) 749-

3. **APPROVAL OF THE MINUTES OF FEBRUARY 25, 2015**

Clerk of the Boards/5073

The Committee will consider approving the draft minutes of the Board of Directors Budget and Finance Committee Meeting of February 25, 2015.

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

J. McKay/4629
jmckay@baaqmd.gov

The Committee will be provided a summary of staff's proposed amendments to Regulation 3, Fees for Fiscal Year End (FYE) 2016. The proposed fee amendments are designed to recover the costs of regulatory program activities in accordance with the Air District's Cost Recovery Policy.

5. DISCUSSION OF PROPOSED BUDGET FOR FISCAL YEAR ENDING (FYE) 2016

J. McKay/4629
jmckay@baaqmd.gov

The Committee will discuss the proposed budget for FYE 2016.

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 22, 2015, 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:

MANAGER, EXECUTIVE OPERATIONS
939 ELLIS STREET, SAN FRANCISCO, CA 94109
mmartinez@baaqmd.gov

(415) 749-5016
FAX: (415) 928-8560
BAAQMD homepage:
www.baaqmd.gov

- To submit written comments on an agenda item in advance of the meeting. Please note that all correspondence must be addressed to the "Members of the Budget and Finance Committee" and received at least 24 hours prior, excluding weekends and holidays, in order to be presented at that Committee meeting. Any correspondence received after that time will be presented to the Committee at the following 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 in a timely manner, 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 2015

<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	18	9:45 a.m.	Board Room
Board of Directors Climate Protection Committee <i><u>(Meets on the 3rd Thursday of Every Other Month)</u></i>	Thursday	19	9:30 a.m.	Board Room
Board of Directors Budget & Finance Committee <i><u>(Meets on the 4th Wednesday of each Month)</u></i>	Wednesday	25	9:30 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets on the 4th Thursday of each Month)</i> - CANCELLED	Thursday	26	9:30 a.m.	Board Room
Board of Directors Legislative Committee <i>(At the Call of the Chair)</i>	Monday	30	9:30 a.m.	Board Room

APRIL 2015

<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	1	9:45 a.m.	Board Room
Advisory Council Regular Meeting <i>(Meets on the 2nd Wednesday of each Month)</i>	Wednesday	8	9:00 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	15	9:45 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	20	9:30 a.m.	Board Room
Board of Directors Stationary Source Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	20	10:30 a.m.	Board Room
Board of Directors Budget & Finance Committee <i>(Meets on the 4th Wednesday of each Month)</i>	Wednesday	22	9:30 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets on the 4th Thursday of each Month)</i>	Thursday	23	9:30 a.m.	Board Room

MAY 2015

<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	6	9:45 a.m.	Board Room
Advisory Council Regular Meeting <i>(Meets on the 2nd Wednesday of each Month)</i>	Wednesday	13	9:00 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	18	9:30 a.m.	Board Room
Board of Directors Stationary Source Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	18	10:30 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	20	9:45 a.m.	Board Room
Board of Directors Climate Protection Committee <i>(Meets on the 3rd Thursday of Every Other Month)</i>	Thursday	21	9:30 a.m.	Board Room
Board of Directors Budget & Finance Committee <i>(Meets on the 4th Wednesday of each Month)</i>	Wednesday	27	9:30 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets on the 4th Thursday of each Month)</i>	Thursday	28	9:30 a.m.	Board Room

HL – 3/12/15 (11:40 a.m.)

P/Library/Forms/Calendars/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Dave Hudson and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/Air Pollution Control Officer

Date: March 11, 2015

Re: Approval of the Minutes of February 25, 2015

RECOMMENDED ACTION

Approve the attached draft minutes of the Budget and Finance Committee meeting of February 25, 2015.

DISCUSSION

Attached for your review and approval are the draft minutes of the Budget and Finance Committee meeting of February 25, 2015.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Sean Gallagher
Reviewed by: Maricela Martinez

Attachment: Draft Minutes of the Budget and Finance Committee Meeting of February 25, 2015

AGENDA: 3 – ATTACHMENT

Draft Minutes – Budget and Finance Committee Meeting of February 25, 2015

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

DRAFT MINUTES

Summary of Board of Directors
Budget and Finance Committee Meeting
Wednesday, February 25, 2015

1. CALL TO ORDER – ROLL CALL

Budget and Finance Committee (Committee) Chairperson David Hudson called the meeting to order at 9:42 a.m.

Present: Committee Chairperson David Hudson; Vice-Chairperson Katie Rice; and Directors Liz Kniss, Eric Mar, Nate Miley, Mark Ross and Brad Wagenknecht.

Absent: Directors John Gioia and Shirlee Zane.

Also Present: Board of Directors Chairperson Carole Groom.

2. AIR DISTRICT FINANCIAL OVERVIEW (OUT OF ORDER AGENDA ITEM 4)

Jeff McKay, Deputy Air Pollution Control Officer, gave the staff presentation *Air District Financial Overview*, including Air District Reserve Funds Audited Values; actions taken during downturn; fiscal year end (FYE) 2015 mid-year summary; General Fund revenue sources and expenditures in the FYE 2015 adopted budget; trends in cost cutting expenses in FYEs 2010-2015; FYE 2016 budget highlights; current vacancy rate and staffing trend; unfunded liabilities based on June 30, 2013 valuations; cost recovery; fund balance policy; and new office building obligations.

NOTED PRESENT: Directors Kniss and Wagenknecht were noted present at 9:47 a.m. and Director Mar was noted present at 9:51 a.m.

The Committee and staff discussed, at slide 11, *FYE 2016 Budget Highlights*, the Air District capital expense costs and Other Post-Employment Benefits (OPEB) funding levels relative to other organizations.

Mr. McKay continued the presentation.

NOTED PRESENT: Director Miley was noted present at 10:03 a.m.

The Committee and staff discussed, at slide 14, *Unfunded Liabilities Based on June 20, 2013 Valuations*, whether actuarial work relative to OPEB is taking into account the increased lifespans being enjoyed by the general population.

Mr. McKay continued by presenting the supplemental slides, *Pre-Funded OPEB Motivation*, illustrating the advantages of pre-funding OPEB.

Mr. McKay continued the initial presentation, *Air District Financial Overview*.

The Committee and staff discussed, at slide 15, *Cost Recovery*, whether the regulated community has received preliminary notice of the projected annual fee increase of 6.4% and its impact on reaching the established cost recovery target of 85%.

Mr. McKay continued the presentation.

The Committee and staff discussed, at slide 16, *Fund Balance Policy*, what 20% of General Fund Expenditures represents and a potential future discussion about establishing a reserve fund balance maximum along with a policy regarding where excess funds would be directed.

Mr. McKay concluded the presentation.

Committee Comments:

The Committee and staff discussed the current reserve level and some existing designations of funds within it; the potential establishment of multiple reserves with specific designations; the importance of continued OPEB contributions; the possibility of false perceptions regarding reserve levels while the Air District works to increase staffing levels; a future discussion about a possible increase in the cost recovery target to between 88 and 90% and the existence of property tax as a revenue source; an overview of the current Cost Recovery Policy and the impact of Air District staffing levels; the unpredictable move-in date at the 375 Beale Street headquarters and the possibility of putting aside funds in the event of a rent increase at 939 Ellis Street in the meantime.

Public Comments: No requests received.

Committee Action: None; receive and file.

3. APPROVAL OF THE MINUTES OF JANUARY 28, 2015

Committee Comments: None.

Public Comments: No requests received.

Committee Action:

Director Wagenknecht made a motion, seconded by Director Kniss, to approve the Minutes of January 28, 2015; and the motion carried by the following vote of the Committee:

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

4. PUBLIC COMMENT ON NON-AGENDA MATTERS (AGENDA ITEM 2)

No requests received.

5. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS: None

6. TIME AND PLACE OF NEXT MEETING

Wednesday, March 25, 2015, at Bay Area Air Quality Management District Headquarters, 939 Ellis Street, San Francisco, CA 94109 at 9:30 a.m.

7. ADJOURNMENT: The meeting adjourned at 10:31 a.m.

Sean Gallagher
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Dave Hudson and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: March 10, 2015

Re: Proposed Amendments 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 percent recovery of regulatory program costs by the end of Fiscal Year Ending (FYE) 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:

- 2.6 percent increase for fee schedules that are recovering greater than 95 percent of costs;
- 7 percent increase for fee schedules that are recovering 85 to 95 percent of costs;
- 8 percent increase for fee schedules that are recovering 75 to 84 percent of costs; and
- 9 percent increase for fee schedules that are recovering less than 75 percent of costs.

A number of 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 2.6 percent. The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increased 2.6% from 2013 to 2014.

The following additional amendments are proposed:

- Facility registration fees for boilers in Schedule R: Equipment Registration Fees would be deleted and replaced with a registration fee per device equal to \$100.

- Fees to alter a permitted source in Section 3-304 would be amended to be the same as the fees to modify a source found in Section 3-302.

Schedule T: Greenhouse Gas Fees will increase from \$0.07 to \$0.09 per metric ton of carbon dioxide equivalent (CDE) emissions. This fee rate was adopted last year as part of a two-year, phased increase (Board of Directors Resolution No. 2014-04).

Staff will provide the committee with additional details regarding the draft fee amendments at the committee meeting on March 25, 2015. A summary of public comments received to date, including those received at a public workshop held on February 17, 2015 will be provided.

BUDGET CONSIDERATION/FINANCIAL IMPACT

The draft fee amendments would increase fee revenue in FYE 2016 by an estimated \$2.3 million from revenue that would otherwise result without a fee increase.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jim Karas
Reviewed by: Jeffrey McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Dave Hudson and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: March 11, 2015

Re: Discussion of Proposed Budget for Fiscal Year Ending (FYE) 2016

RECOMMENDED ACTION

The Budget and Finance Committee will review the Proposed Budget for FYE 2016, and make any recommendations for further discussions at its April 22, 2015 Budget and Finance Committee meeting.

BACKGROUND

At the March 18, 2015 Regular Board of Directors meeting, the FYE 2016 Proposed Budget document was referred to the Budget and Finance Committee for review at the Committee's March 25, 2015 meeting.

DISCUSSION

Air District staff will present the Proposed Budget for FYE 2016. The Proposed Budget is balanced with the use of reserves to pay for one-time costs.

Air District staff will publish, prior to April 22, 2015, a notice to the general public that the first of two public hearings on the budget will be conducted on May 20, 2015 and that the second hearing will be conducted on June 3, 2015. Staff requests that the Budget and Finance Committee complete its review and take action on the Proposed Budget at the April 22, 2015 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 20, 2015.

BUDGET CONSIDERATION/FINANCIAL IMPACT

The proposed consolidated budget for FYE 2016 is a balanced budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze

Reviewed by: Jeff McKay