



BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

DAVE HUDSON – CHAIRPERSON
JOHN GIOIA
LIZ KNISS
JAN PEPPER
BRAD WAGENKNECHT

KATIE RICE – VICE CHAIRPERSON
CAROLE GROOM
NATE MILEY
MARK ROSS

WEDNESDAY
MARCH 23, 2016
9:30 A.M.

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

AGENDA

1. **CALL TO ORDER - ROLL CALL – PLEDGE OF ALLEGIANCE**

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

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 District headquarters, 939 Ellis Street, San Francisco, CA, 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 Committee's subject matter jurisdiction. Speakers will be limited to three (3) minutes each.

This meeting will be webcast. To see the webcast, please visit <http://www.baaqmd.gov/The-Air-District/Board-of-Directors/Agendas-and-Minutes.aspx> at the time of the meeting.

Staff/Phone (415) 749-

3. **APPROVAL OF THE MINUTES OF JANUARY 27, 2016** Clerk of the Boards/5073

The Committee will consider approving the draft minutes of the Budget and Finance Committee Meeting of January 27, 2016.

4. **DISCUSSION OF PROPOSED BUDGET FOR FISCAL YEAR ENDING (FYE) 2017**

J. McKay/4629

jmckay@baaqmd.gov

The Committee will discuss the proposed budget for FYE 2017.

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

D. Breen/5041

jmckay@baaqmd.gov

The Committee will be provided a summary of staff's proposed amendments to Regulation 3, Fees for Fiscal Year End (FYE) 2017. The proposed fee amendments are designed to recover the costs of regulatory program activities in accordance with the Air District's Cost Recovery Policy.

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 27, 2016, 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.
- **Accessibility and Title VI:** The Air District provides services and accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Board matters. For accommodations or translations assistance, please call 415-749-5016 at least three days in advance of a meeting, so that arrangements can be made accordingly.

Accesibilidad y Título VI: El Distrito del Aire ofrece servicios y realiza las adaptaciones necesarias para las personas con discapacidades y para las personas con un dominio limitado del inglés siempre que estos servicios se soliciten y se deseen tratar asuntos relacionados con la Junta. Si necesita ayuda con algún tipo de adaptación o traducción, llame al 415-749-5016 como mínimo tres días antes de la reunión de manera que puedan realizarse las adaptaciones necesarias.

Magagamit na Tulong at Título VI: Nagbibigay ang Air District ng mga serbisyo at mga akomodasyon, kapag hiniling, sa mga taong may kapansanan at mga taong limitado ang kakayahan sa Ingles na gustong magpahayag tungkol sa mga usapin sa harap ng Lupon. Para sa mga tulong sa akomodasyon o sa pagsasalin, mangyaring tumawag sa 415-749-5016 nang tatlong araw man lamang na una pa sa miting, para makapaghandang ayon sa pangangailangan.

可及度及標題VI：空氣管理局根據申請為殘障人士和英語熟練程度有限但卻希望參與董事會事宜的人員提供服務和住宿。關於住宿或者翻譯幫助，請至少在會議之前三天致電 415-749-5016，以便作出相應安排。

Tạo Khả Năng Truy Cập và Chương VI: Đặc Khu cung cấp dịch vụ và phương tiện đáp ứng, khi có yêu cầu, cho những người bị khuyết tật và cho những cá nhân không thông thạo Anh ngữ muốn được tham gia các vấn đề của Hội Đồng. Để được phương tiện đáp ứng hoặc trợ giúp phiên dịch, xin gọi số 415-749-5016 ít nhất ba ngày trước khi có hội thảo, để tiện bố trí các phương tiện

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 2016

<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
Board of Directors Climate Protection Committee <i>(Meets 3rd Thursday of every other Month)</i>	Thursday	17	9:30 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i> - CANCELLED	Monday	21	9:30 a.m.	Board Room
Board of Directors Stationary Source Committee <i>(Meets on the 3rd Monday of each Month)</i> - CANCELLED	Monday	21	10:30 a.m.	Board Room
Board of Directors Legislative Committee <i>(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.	Board Room
Board of Directors Mobile Source Committee <i>(Meets on the 4th Thursday of each Month)</i> - CANCELLED	Thursday	24	9:30 a.m.	Board Room
Board of Directors Public Engagement Committee <i>(At the Call of the Chair)</i>	Thursday	24	9:30 a.m.	Board Room

APRIL 2016

<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> - CANCELLED	Wednesday	6	9:45 a.m.	Board Room
Board of Directors Personnel Committee <i>(At the Call of the Chair)</i>	Monday	11	9:30 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i> - CANCELLED	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

APRIL 2016

<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	20	9:45 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

MAY 2016

<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
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	16	9:30 a.m.	Board Room
Board of Directors Stationary Source Committee <i>(Meets on the 3rd Monday of each Month)</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 Climate Protection Committee <i>(Meets on the 3rd Thursday of every other month)</i>	Thursday	19	9:30 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.	Board 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

HL – 3/14/16 (4:50 p.m.)

G/Board/Executive Office/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

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

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

Date: March 9, 2016

Re: Approval of the Minutes of January 27, 2016

RECOMMENDED ACTION

Approve the attached draft minutes of the Budget and Finance Committee (Committee) meeting of January 27, 2016.

DISCUSSION

Attached for your review and approval are the draft minutes of the Committee meeting of January 27, 2016.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Maricela Martinez

Attachment: Draft Minutes of the Committee Meeting of January 27, 2016

AGENDA: 3 – ATTACHMENT

Draft Minutes – Budget and Finance Committee Meeting of January 27, 2016

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, January 27, 2016

1. CALL TO ORDER – ROLL CALL

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

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

Absent: Directors John Gioia and Carole Groom.

Also Present: None.

2. PUBLIC COMMENT ON NON-AGENDA MATTERS: None.

3. AIR DISTRICT FINANCIAL AUDIT REPORT– FISCAL YEAR ENDING 2015 (OUT OF ORDER AGENDA ITEM 4)

Jeff McKay, Deputy Air Pollution Control Officer, introduced the topic and Stephanie Osaze, Finance Manager. Ms. Osaze introduced Peggy Vande Vooren, CPA, Gilbert Associates, Inc., who gave the initial presentation *Air District Financial Audit Report – FYE 2015*, which included the auditor's opinion on the Air District's financial statements; management's discussion and analysis; government-wide financial statements; fund-based statements; statement of revenues; fund balances; and footnotes to financial statements. Ms. Vande Vooren explained that a significant change from the prior year's reporting standards for pension requires the full pension liability appear on the Air District's balance sheet.

NOTED PRESENT: Director Wagenknecht was noted present at 9:35 a.m.

Ms. Vande Vooren introduced Meredith Beales, CPA, Senior Manager, Gilbert Associates, Inc., who discussed footnote number ten (#10), *Pension Plan*, as it pertains to *GASB [Governmental Accounting Standards Board] 68: Accounting & Financial Reporting for Pensions – An Amendment of GASB 27*.

Chair Hudson asked how the Projected Salary Increase (3.3% - 14.2%) on page thirty-six of the presentation was formulated, and Ms. Beales said that that range is based on CalPERS' Actuarial Reports and discount rate.

Director Kniss asked for clarification on the potential fluctuation and smoothing of CalPERS' discount rate, and Ms. Beales explained the sensitivity of the net pension liability to changes in the discount rate.

Ms. Beales continued the presentation, which included long-term expected rate of return; total pension liability; pension plan fiduciary net position; deferred outflows/inflows of resources related to pensions; schedule of changes; schedule of the District's contributions; required supplementary information; and schedule of expenditures by program.

Director Ross asked for clarification on the *Excess (Deficiency) of Revenues Over Expenditures* (page 46 of the presentation), for which the final budgeted amount was -\$10,596,507. Ms. Vande Vooren said that that number was a final *budget*, but the actual total was \$7,374,016, which was found in the column to the right on the same page.

Mr. McKay thanked Ms. Osaze and her staff for the development of this report.

Committee Comments:

Vice Chair Rice acknowledged the value of the *Schedule of Funding Progress (Other Postemployment Benefits)* on page 43 of the presentation.

Public Comments: No requests received.

Committee Action: None; receive and file.

NOTED PRESENT: Director Miley was noted present at 9:55 a.m.

4. APPROVAL OF THE MINUTES OF DECEMBER 7, 2015 (AGENDA ITEM 3)

Committee Comments: None.

Public Comments: No requests received.

Committee Action:

Director Wagenkencht made a motion, seconded by Vice Chair Rice, to approve the Minutes of December 7, 2015; and the motion carried by the following vote of the Committee:

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

5. SECOND QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING 2016

Jeff McKay, Deputy Air Pollution Control Officer, introduced Stephanie Osaze, Finance Manager, who gave the staff presentation *Second Quarter Financial Report – FYE 2016*, including an overview of general fund revenues and expenses; investments; general fund

balance; purchasing reporting requirements; revenue and expense year-over-year comparisons; and cumulative vendor payments in excess of \$70,000 without Board of Directors review.

Committee Comments:

The Committee and staff discussed contributing factors to fluctuations in the Expenditure Comparison of FYE 2015 and FYE 2016, such as the acquisition of the new parking structure and staff vacancies.

Public Comments: No requests received.

Committee Action: None; receive and file.

6. OVERVIEW OF CURRENT FISCAL YEAR ENDING 2016

Mr. McKay gave the staff presentation, *Overview of Current Fiscal Year Ending 2016*, including mid-year status; district reserve funds; actions taken during downturn; actions taken during FYE 2016 budget, general fund reserve sources and expenditures, actual expenditure trends; FYE 2017 preview of topics and trends; unfunded liabilities; cost recovery; obligations of the new office building; and next steps.

Committee Comments:

The Committee and staff discussed the comparison of CalPERS retirement payments between the prior and current fiscal years; 2017 prefund amount; investment choices; CalPERS return; and new office building expenses.

Public Comments: No requests received.

Committee Action: None; receive and file.

7. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS

None.

8. TIME AND PLACE OF NEXT MEETING

Wednesday, March 23, 2016, 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 10:38 a.m.

Marcy Hiratzka
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

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

From: Jack P. Broadbent
Executive Officer/APCO

Date: March 7, 2016

Re: Discussion of Proposed Budget for Fiscal Year Ending (FYE) 2017

RECOMMENDED ACTION

The Executive Officer/APCO requests that the Budget and Finance Committee review the Proposed Budget for FYE 2017, and make any recommendations for further discussions to be held during the April 27, 2016 Budget and Finance Committee meeting.

BACKGROUND

At the March 16, 2016 Regular Board of Directors meeting, the FYE 2017 Proposed Budget document was referred to the Budget and Finance Committee for review at the Committee's March 23, 2016 meeting.

DISCUSSION

Air District staff will present the Proposed Budget for FYE 2017. The Proposed Budget is balanced, with the use of reserves to pay for one-time costs.

Air District staff will publish, prior to April 13, 2016, a notice to the general public that the first of two public hearings on the budget will be conducted on May 18, 2016 and that the second hearing will be conducted on June 1, 2016. Staff requests that the Budget and Finance Committee complete its review and take action on the Proposed Budget at the April 27, 2016 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 18, 2016.

BUDGET CONSIDERATION/FINANCIAL IMPACT

The proposed consolidated budget for FYE 2017 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 David Hudson and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: March 9, 2016

Re: Proposed Amendments to Regulation 3: Fees

RECOMMENDED ACTION

None; receive and file.

BACKGROUND

Staff develops amendments to the 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 eighty-five percent recovery of regulatory program costs by the end of Fiscal Year End (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:

- 2.2 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.
- 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, permit to operate renewal processing fees, transfer fees, duplicate permit or registration fees, emissions banking filing and withdrawal fees, school public notice fees, toxic inventory maximum fees, and exemption fees would be increased by 2.2 percent. The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increased 2.2% from 2014 to 2015.

The following additional amendments are proposed:

- Create a new Schedule W: Petroleum Refining Emissions Tracking Fees
 - Schedule W would apply to the five Bay Area petroleum refineries. The revenue from this fee schedule would help recover the costs of the District's programs associated with proposed new Regulation 12, Rule 15.
 - The proposed refinery emissions inventory and crude slate report submittal fees are \$60,000 initially and \$30,000 for subsequent annual submittals. Also, a one-time fee of \$7,500 is proposed for each Air Monitoring Plan submitted.
- Create a new Schedule X: Major Stationary Source Community Air Monitoring Fees
 - Schedule X would apply to Major Stationary Sources with emissions above 35 tons per year within the vicinity of a District proposed community air monitoring location. The new fee schedule would help recover costs associated with the District's community air monitoring program.
 - The proposed fees are: \$60.61 per ton of organic compounds, sulfur oxides, nitrogen oxides, PM10 and/or carbon monoxide emissions.
- Update the Global Warming Potential Values in Schedule T (Greenhouse Gas Fees) and references
- Set the maximum fee for abatement device only permit applications at \$10,000 in Section 3-302.3
- Set the alteration fee in Section 3-304 for gasoline dispensing facilities subject to Schedule D at 1.75 times the filing fee (about \$800 per application)

Staff will provide the committee with additional details regarding the draft fee amendments at the committee meeting on March 23, 2016. A summary of public comments received to date, including those received at a public workshop held on February 18, 2016 will be provided.

BUDGET CONSIDERATION/FINANCIAL IMPACT

The draft fee amendments would increase fee revenue in FYE 2017 by an estimated \$3.6 million from revenue that would otherwise result without a fee increase.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Barry Young
Reviewed by: Jaime Williams