

Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, California 94105
(415) 749-5073

APPROVED MINUTES

Summary of Board of Directors
Budget and Finance Committee Meeting
Wednesday, February 28, 2018

1. CALL TO ORDER – ROLL CALL

Budget and Finance Committee (Committee) Chairperson, Carole Groom, called the meeting to order at 9:33 a.m.

Present: Board of Directors (Board) Chairperson David Hudson; Committee Chairperson Carole Groom; Vice Chair Karen Mitchoff; and Directors Margaret Abe-Koga, Cindy Chavez, Doug Kim, Katie Rice, and Brad Wagenknecht.

Absent: Directors Pauline Russo Cutter and Mark Ross.

Also Present: Board Director Liz Kniss (unable to vote)

2. PUBLIC COMMENT ON NON-AGENDA MATTERS:

No requests received.

3. APPROVAL OF THE MINUTES OF JANUARY 24, 2018

Public Comments:

No requests received.

Committee Comments:

None.

Committee Action:

Vice Chair Mitchoff made a motion, seconded by Director Chavez, to **approve** the Minutes of January 24, 2018; and the motion **carried** by the following vote of the Committee:

AYES: Abe-Koga, Chavez, Groom, Hudson, Kim, Mitchoff, and Wagenknecht.
NOES: None.
ABSTAIN: None.
ABSENT: Cutter, Rice, and Ross.

4. OVERVIEW OF COST RECOVERY AND COST CONTAINMENT STUDY

Dr. Jeff McKay, Chief Financial Officer, introduced Courtney Ramos, Vice President of Matrix Consulting Group, who gave the presentation *Overview of Cost Recovery and Containment Study*, including: firm overview; scope of services; methodology; recommendations; Excel-based model; cost recovery; and cost containment.

NOTED PRESENT: Director Rice was noted present at 9:48 a.m.

Public Comments:

Public comments were given by Devon Richards, California Council for Environmental and Economic Balance.

Committee Comments:

The Committee and staff discussed how the District is still getting input on the study from the regulated community; how District employees are trained regarding timekeeping and bill codes; how the District's new production system has been 70% implemented and is continuing to be rolled out in phases; the type of Enterprise software system that the District uses for its production system; the request for a demonstration of the District's current production system at the next Budget and Finance Committee meeting; the District's future plan to have a paperless production system, and the need for specific outreach to encourage facilities to use the District's automated system; the District's process for refunding facilities that are overcharged erroneously; whether smaller facilities' fees may be subsidized by larger facilities that have already reached their cost recovery in the District's production system; whether the costs of technical support and education of smaller facilities who are not as quick to transition to an automated system are included in the District's Fee Schedule; and how to balance fee increases with the speed at which the District approaches full cost recovery.

Committee Action:

None; receive and file.

5. AIR DISTRICT FINANCIAL OVERVIEW: ANTICIPATED CHALLENGES IN THE FISCAL YEAR ENDING (FYE) 2019 BUDGET

Dr. McKay gave the staff presentation *Air District Financial Overview: Anticipated Challenges in the FYE 2019 Budget*, including: previous and upcoming topics; use of Reserves during downturn; retirement liabilities; California Public Employees' Retirement System (CalPERS) pension plan: historical rate of return, changes, Air District implementation, and Air District Employee/Employer Normal Cost; Air District CalPERS funding status with 7.375% discount rate; CalPERS contribution requirement: increase because of change in discount rate; medical retirement and Other Post-Employment Benefits (OPEB): historical funded status and current obligation; new and enhanced programs: resulting General Fund expenses; uncertainty in State funding for Assembly Bill (AB) 617; summary of challenges; fees and cost recovery: past, future, and summary; current status and recommendation of CalPERS discretionary funding and OPEB discretionary funding; and alternative asset allocations.

Public Comments:

No requests received.

Committee Comments:

The Committee and staff discussed the anticipated change in CalPERS' discount rate; whether the District ever paid more than the normal cost rate for the Split Employer's Required Contribution, regardless of what the rate of return was at the time; how unfunded liability and the normal cost rate will both be affected by increases in required contribution; historical District employer and employee contribution rates, and why the split between employer normal cost and employee normal cost is not an even 50% / 50% for current California Public Employees' Pension Reform Act of 2013 employees at the District; the request for 22 new staff positions that staff brought to the Board in December 2017, and the \$8 million delta of the approved FYE 2018 Budget that would result if the Board approves staff's second request for 15 additional employees in the FYE 2019 Budget, the fact that these 37 new positions are not fully self-sustaining, and are not included in the CalPERS future contribution of \$13 million; the request for a detailed chart, comparing General Fund expenses and benefits for the approved 22 new positions in 2018 and the anticipated 15 new positions in 2019; the agencies to which this District compares its fee schedule; direction to staff to seek the EA's input on what it believes is an appropriate rate of funding, and whether it would like to see different options of post-employment benefits; the suggestion for an estimate of outcomes and risk assessment of various retirement plan options; the status of CalPERS' rate of return; and the request that staff sends the Committee detailed charts regarding costs for new and enhanced programs, cost recovery, and discretionary retirement funding prior to the next Committee meeting.

Committee Action:

None; receive and file.

6. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS

None.

7. TIME AND PLACE OF NEXT MEETING

Wednesday, March 28, 2018, Bay Area Air Quality Management District Office, 375 Beale Street, San Francisco, CA 94105 at 9:30 a.m.

8. ADJOURNMENT

The meeting adjourned at 11:07 a.m.

/s/ Marcy Hiratzka
Marcy Hiratzka
Clerk of the Boards