

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, March 28, 2018

### **1. CALL TO ORDER – ROLL CALL**

Budget and Finance Committee (Committee) Chairperson, Carole Groom, called the meeting to order at 9:34 a.m.

Present: Committee Chairperson Carole Groom; Vice Chair Karen Mitchoff; and Directors Margaret Abe-Koga, David Canepa, Cindy Chavez, Pauline Russo Cutter, Doug Kim, Liz Kniss, Mark Ross, and Brad Wagenknecht.

Absent: Director Katie Rice.

Also Present: Board of Directors (Board) Chairperson, David Hudson.

### **2. APPROVAL OF THE MINUTES OF FEBRUARY 28, 2018**

#### Public Comments:

No requests received.

#### Committee Comments:

None.

#### Committee Action:

Vice Chair Mitchoff made a motion, seconded by Director Canepa, to **approve** the Minutes of February 28, 2018; and the motion **carried** by the following vote of the Committee:

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

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

Dr. Jeff McKay, Chief Financial Officer, gave the staff presentation *Draft Amendments to Regulation 3, Fees*, including: outline; revenue sources Fiscal Year Ending (FYE) 2017; cost recovery background; trends in cost recovery and expenditures; proposed changes to fee schedules; other proposed amendments; public comments received; impact on small business and large facilities (petroleum refineries and power plants); and rule development schedule.

### Public Comments:

Public comments were given by Bob Brown, Western States Petroleum Association; and Devin Richards, California Council for Environmental and Economic Balance.

NOTED PRESENT: Directors Abe-Koga and Ross were noted present at 9:46 a.m.

### Committee Comments:

The Committee and staff discussed how the District explains calculations that result in fee increases to the regulated community; the Cost Recovery and Containment study conducted by Matrix Consulting Group for the District in 2012; the appreciation of being able to review the Proposed Budget and fee assessments at the same time; the hope that District fees would result in changed behavior, such as the implementation of more sustainable methods of abatement and farming practices; concerns from the regulated community about District staff's use of billing codes on District timesheets, and the District's plans to provide appropriate training for employees; the suggestion that the regulated community be given the option to expedite District services for additional fees; the request to better understand the projection of escalation needs in years out and how much risk might be involved, relative to cost recovery recommendations; whether the cost of conducting (or reviewing a consultants') Health Risk Assessment for the implementation of District Regulation 11-18 will be recovered at 100%; historical trends of late fee accrual affecting small businesses under the District's jurisdiction; how refinery operations, construction, and shut downs are all contributing factors to the deviating increases and decreases in annual percentages in permit fees (from 2015 to projected 2019); how cost recovery gaps are filled by county property tax revenue, and not with the fees generated from other schedules and what is the percentage of the reduction; the District's efforts to reduce fees for transactions by encouraging use of the District's online production system for automated transactions, and how smaller facilities already have this option; whether the District accepts payment plans from facilities; the ways in which the District's Compliance and Enforcement staff determines if backup generators are in compliance with District regulations; the way in which accrued losses in cost recovery (over the years) are backfilled; the new billing code for Assembly Bill (AB) 617 implementation activity, and the problem presented by the fact that mobile sources, over which the District has no fee authority, contribute to high emissions levels in some impacted communities; the concern that the State Legislature has allocated the District \$5 million for AB 617 implementation for the District's 2017-18 Budget, but has made no proposed allocations for the District's 18-19 Budget; and why the District is proposing to postpone Fee Schedule Y (Community Stationary Source Fees).

### Committee Action:

None; receive and file.

## **4. DISCUSSION OF PROPOSED BUDGET FOR FISCAL YEAR ENDING 2019**

Dr. McKay gave the staff presentation *Discussion of Proposed FYE 2019 Budget*, including: outline; current FY- FYE 2018 projections; financial history - actions taken during downturn and audited District Reserves; services, supplies, and capital (actuals); staffing trend – filled seats; medical retirement - Other Post-Employment Benefits (OPEB); California Public Employees' Retirement System (CalPERS) pension – historical Rate of Return and funding ratio; FYE 2019 Proposed Budget overview; General Fund revenue sources and expenditures of FYE 2019 Proposed

Budget; 2019 Proposed Budget – recurring revenues and expenditures; fees and cost recovery overview and future state; FYE 2019 proposed staffing; 22 additional staffing positions; 16 new staffing requests; Reserves policy; Reserves designations of FYE 2019 Proposed Budget; FYE 2019 use of Reserves; retirement liabilities; medical retirement plan OPEB overview and funding policy recommendation; CalPERS pension plan retirement overview and funding policy recommendation; CalPERS pension plan; alternative asset allocations for Discretionary Funds; Budget summary FYE 2019; and next steps.

Public Comments:

No requests received.

Committee Comments:

The Committee and staff discussed whether more space at 375 Beale Street will be procured to house the additional sixteen new full-time employees that the District anticipates hiring; the comparison of the District's percentages of funded and unfunded OPEB liability to those of other government agencies; the fact that three more years is needed to reach the District's 85% Cost Recovery goal; the fact that the FYE 2019 Proposed Budget assumed that the \$5 million from the California Air Resources Board for AB 617 implementation is recurring; and the potential risks resulting from a future downturn, including decreases in fees due to slowing economic activity, CalPERS increases, and the inability to continue with the District's Cost Recovery policy.

Committee Action:

None; receive and file.

**5. PUBLIC COMMENT ON NON-AGENDA MATTERS**

No requests received.

**6. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS**

None.

**7. TIME AND PLACE OF NEXT MEETING**

Wednesday, April 25, 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 11:34 a.m.

*/s/ Marcy Hiratzka*  
Marcy Hiratzka  
Clerk of the Boards