

**Bay Area Air Quality Management District  
939 Ellis Street  
San Francisco, California 94109  
(415) 749-5000**

**APPROVED MINUTES**

Summary of Board of Directors  
Budget & Finance Committee Meeting  
9:45 a.m., Wednesday, March 26, 2008

1. **Call to Order:** Chairperson Chris Daly called the meeting to order at 9:45 a.m.  
  
**Roll Call:** Chair, Chris Daly, Yoriko Kishimoto, Mark Ross, Michael Shimansky, Tim Smith, Pamela Torliatt.  
  
**Absent:** Harold Brown, Scott Haggerty, Gayle B. Uilkema.  
  
**Also Present:** Board Chair Jerry Hill.
2. **Public Comment Period:** There were none.
3. **Approval of Minutes of February 27, 2008:** Director Shimansky moved approval of the minutes; seconded by Director Ross; carried unanimously without objection.
4. **Review of Air District Reserve Funds:** *The Committee received a review of past and present status of the Air District Reserves.*

Mr. Jack P. Broadbent, Executive Officer/APCO introduced this item and stated that this presentation will indicate how much is in the reserve fund and how it is designated and what should be done in the future.

The outline of the presentation included:

- Historical Reserve Trends
- Breakdown of Current Reserves
- Breakdown of Expended Reserves
- Key Points

In 1998, the total fund balance was estimated at \$2 million dollars. Since that time, the Air District has progressively added approximately \$4.5 million dollars in each of the last 9 years, which added up to about \$42 million. To date, the Air District has spent approximately \$17 million, which leaves about \$25 million.

Mr. Broadbent continued and stated that the breakdown of the current reserve balance is estimated to be \$25 million. The breakdown includes what the Air District has today and what is envisioned for the next budget.

The Air District has been in a unique situation over the past several years, as there have been increases in property values. Those factors can not be depended upon in the future. The key points to consider are:

- Uniquely favorable financial environment;
- Several factors influence reserve trends; and
- Intention to cautiously manage these factors

Mr. Broadbent concluded his presentation.

**Committee Action:** This Committee accepted the report.

**5. Presentation of Draft Budget for Fiscal Year 2008/2009:** *The Committee received a presentation of the proposed budget for Fiscal Year 2008/2009.*

Mr. Broadbent introduced the draft budget for Fiscal Year 2008/2009. Mr. Broadbent stated that this is a balanced budget based on the fee increases that were discussed during the last Committee meeting.

Budget highlights and overall direction include:

- The FYE 2009 budget is balanced with fee increases between 8% - 12%.
- The Budget is based on direction and priorities as defined at the January 2008 Board Retreat.
- County property tax revenue is increased by 4%.
- General fund expenditures are flat, with the fee increase supporting:
  - OPEB expenditure of \$1.4 million
  - Salary COLA of 3.2%
- There are no FTE increases.

Mr. Broadbent stated that not having any FTE increases is due to wanting to be cautious at this time. Mr. Broadbent noted that staffing for the Grants program continues to be a focus of the organization, as the Air District receives the I-Bond monies.

Mr. Broadbent noted that the Air District administration is in good shape as a result of past audits, and the Air Districts response to those audits.

Fiscal challenges:

- Growing Grants Programs
- Unfunded Medical Liability (OPEB)
- Deferred Maintenance
- Key Requirement: Continuing application of fee recommendations

Deferred maintenance includes:

Facilities:

- \$556K from Operating Revenue
- Building blueprint (building does not have a blueprint, and one is needed in order to efficiently continue any upgrades)
- Elevator upgrade
- Planning and Engineering areas and Laboratory Space Reconfiguration

Mr. Broadbent continued his presentation and discussed capital asset expenditures, some of which include:

Network and Air Monitoring Capital Assets:

- \$1.4 M from Operating Revenue
- District Main Data Center
- Computer Network and Telephone Wiring
- Air Monitoring Instruments Parts
- Air Monitoring Analysis
- Replacement of Source Test Analyzers

Total projected grant funding in 2008/2009 ~ \$74 million

- TFCA Regional - \$16 million
- TFCA County Program Manager - \$10 million
- Carl Moyer - \$11 million
- Mobile Source Incentive Fund - \$12 million
- Goods Movement Bond (School Bus) - \$4.2 million
- Goods Movements Bond (Main) – up to \$21 million

Mr. Broadbent stated that the budget will continue to support the key initiatives that are underway, which includes the CARE program, the Green Ports Initiative, Wood Smoke program, and to continue the efforts of the Climate Protection program.

Director Kishimoto asked about the Health Officer. Mr. Broadbent responded to Director Kishimoto stating that the Air District will set aside \$50K to contract for the upcoming fiscal year and that the Air District will investigate hiring in the future.

Chairperson Daly asked why salaries were increasing 3%, and payroll tax increasing 54%. Jeffrey McKay, Deputy Air Pollution Control Officer, responded to Chairperson Daly and stated that the payroll tax percentage that was used previously was too low, as it was at a formula of .0096, when .014 should have been used.

**Committee Action:** The Committee provided direction to staff and will continue discussions at its next meeting.

**6. Recommendation to Allow the Executive Officer/APCO to Accept Up to \$35 Million in California Goods Movement Bond Funding:** *The Committee considered recommending to the Board of Directors approval to allow the Executive Officer/APCO to accept up to \$35 million from the California Air Resources Board as part of the first year of funding from the California Goods Movement Bond.*

Mr. Broadbent provided the Committee with an introduction and stated that Jack Colbourn, Division Director, Administration & Incentives will provide the presentation. Mr. Broadbent noted that this presentation will provide the Committee with information on how these funds will be spent.

Mr. Colbourn provided the Committee with an overview which included:

- Background
- ARB Action
- Application for main bond funding
- Recommendation

Mr. Colbourn continued his presentation and provided the following background:

- November 2006, California Voters Authorized the Legislature to Appropriate \$1 Billion in Bond Funding
- Quickly Reduce Health Risk from Freight Movement in California Trade Corridors.
- Funding Split:
  - Early Grants \$25 million
  - Main Grant \$225 million
- On February 28, 2008, ARB allocated \$140 million for the Bay Area trade corridor (\$35 million for the next four years.)
- To date, the Air District has distributed \$3.4 million in early grants for:
  - Electrical Grid System – APL Shipping
  - 75 Truck Retrofits with Port of Oakland

ARB application guidelines require:

- Local agencies to apply for funding; within the 9 counties only the Air District has requested the monies thus far
- Registered with ARB - March 21, 2008
- Include a resolution authorizing the acceptance of funds and the authority to enter into contracts
- Applications were due on April 4, 2008

Staff recommended that the Committee recommend that the Air District's Board of Directors to authorize the Executive Officer/APCO to enter into Grant Agreements with the ARB and accept funding up to \$35 million.

Mr. Broadbent continued stating that in the South Coast District the Ports may be the entities applying for these funds, whereas when speaking to CARB, they would like the Air District to be the recipient of these funds in the Bay Area.

Director Smith asked if Air District anticipates any political push back or concerns from the Ports with regard to being the only entity accepting these funds. Mr. Broadbent responded to Director Smith that there are no concerns.

Director Kishimoto asked if aircraft are included in the goods movement. Mr. Broadbent stated that aircraft are not a part of the goods movement bond.

Chairperson Daly asked about the 5% being applied to administration, and if the Air District has an estimate of what the actual costs of administering will be. Mr. Colbourn stated that the I-Bond budget shows about \$1.2 million in administrative costs and that the costs should be covered.

Director Kishimoto asked about I-Bond and its distribution. Mr. Broadbent responded to Director Kishimoto by stating that the Air District has approached the Employees' Association to inform them that the Air District would like to review the contracting out language in the collective bargaining agreement, as there are some restrictions in place.

**Committee Action:** Director Smith moved that the Committee recommend to the Board of Directors authorizing the Executive Officer/APCO by resolution to accept funds up to \$35 million in Goods Movement Emission Reduction Program for fiscal year (FY) 2008-2009; seconded by Director Hill; carried unanimously without objection.

7. **Committee Member Comments/Other Business.** Mr. Colbourn thanked staff members Jody McKenzie and Linda Serdahl for their assistance with the budget. Director Kishimoto asked about the issue of indirect source fees and when will the Air District review this. Mr. Broadbent responded to Director Kishimoto, stating that San Joaquin Valley did impose an indirect source fee that is related to new development. Brian Bunger, Legal Counsel continued the response, by stating that a development group sued the San Joaquin District and that the challenge was defeated in Superior Court. Mr. Bunger continued stating that San Joaquin Valley has specific statutory authorization, due to their air quality issue that the Air District does not have. Mr. Broadbent concluded by stating that the best approach for the indirect source fees is to look at it as part of the plan as the Air District starts to move forward and look at this as a potential measure.
8. **Time and Place of Next Meeting:** 9:30 a.m., Wednesday, May 28, 2008 – 939 Ellis Street, San Francisco, CA 94109
9. **Adjournment:** The meeting adjourned at 10:59 a.m.

*/s/Vanessa Johnson*  
Acting Clerk of the Board