



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

JULIA MILLER -CHAIRPERSON - CHRIS DALY - VICE CHAIRPERSON
HAROLD BROWN ROBERTA COOPER
JERRY HILL PATRICK KWOK
MARLAND TOWNSEND GAYLE UILKEMA

MONDAY
MAY 17, 2004
9:45 A.M.

4TH FLOOR
CONFERENCE ROOM

AGENDA

1. **CALL TO ORDER - ROLL CALL**
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 Board's authority. Speakers will be limited to five (5) minutes each.*
3. **APPROVAL OF MINUTES OF APRIL 28, 2004**
4. **DISCUSSION OF THE GOVERNOR'S MAY REVISION OF THE STATE BUDGET**

T. Addison/5109
taddison@baaqmd.gov

Staff will provide the committee with information on implications to the District revenues of the Governor's May Revision of the State Budget.
5. **CONTINUED DISCUSSIONS ON THE PROPOSED FY 2004/2005 BUDGET**

J. Broadbent/5052
jbroadbent@baaqmd.gov

The Committee will continue discussions on the proposed FY 2004/2005 budget with staff.
6. **THIRD QUARTER FINANCIAL REPORT FOR FISCAL YEAR 2003/2004**

W. Tanaka /5066
wtanaka@baaqmd.gov

The Financial Report for the Third Quarter of Fiscal Year 2003/2004 will be presented. This will be an informational item only.
7. **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)

8. **TIME AND PLACE OF NEXT MEETING – JUNE 23, 2004, 939 ELLIS STREET - SF, CA**
9. **ADJOURNMENT**

**CONTACT CLERK OF THE BOARDS - 939 ELLIS STREET
SAN FRANCISCO, CA 94109**

**(415) 749-4965
FAX: (415) 928-8560
BAAQMD homepage:
www.baaqmd.gov**

- To submit written comments on an agenda item in advance of the 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 at least three working days prior to the date of the meeting so that arrangements can be made accordingly.

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET
SAN FRANCISCO, CALIFORNIA 94109**

DRAFT MINUTES

Summary of Board of Directors
Budget & Finance Committee Meeting
9:30 a.m., Wednesday, April 28, 2004

1. **Call to Order:** Chairperson Miller called the meeting to order at 9:45 a.m.

Roll Call: Julia Miller, Chair; Harold Brown, Roberta Cooper (10:00 a.m.), Jerry Hill, Patrick Kwok, Marland Townsend, Gayle Uilkema.

Absent: Chris Daly (Director Daly arrived at the Budget & Finance Committee meeting at 9:54 a.m. and immediately left to attend the Legislative Committee meeting being held concurrently).
2. **Public Comment Period:** There were none.
3. **Approval of Minutes of December 16, 2003 and February 25, 2004:** Director Hill moved approval of the minutes; seconded by Director Kwok; carried unanimously by acclamation.
4. **District Financial Audit Report for Fiscal Year 2002/2003:** *A partner from the CPA firm Izabal, Bernaciak & Company presented the Audit Report for FY 2002/2003.*

Wayne Tanaka, Director of Administrative Services, introduced Bob Izabal of the audit firm Izabal, Bernaciak & Company. Mr. Izabal presented the Audit Report and stated that this was the first year that the Air District implemented Government Accounting Standards (GASB) 34, therefore, information in the audit has been modified somewhat from previous Audit Reports. In addition, the report covers only one year due to the conversion to GASB 34. Mr. Izabal noted that the District is in conformity with generally accepted accounting principles and an unqualified audit report was issued. There were no reportable conditions that were out of compliance and the overall conclusion is that the District is in good financial condition.

Committee Action: None. This report provided for information only.

5. **Consider Recommending to the Board of Directors Creation of a Self-Insured Workers' Compensation Program and Consider Approving a Transfer of Funds from the General Reserve to Establish a Reserve for Workers' Compensation:** *The Committee considered recommending to the Board of Directors the creation of a Self-Insured Workers' Compensation Program and considered approving a transfer of funds in the amount of \$1,000,000 from the General Reserve to establish a Reserve for Workers' Compensation.*

Mr. Tanaka introduced Michael Rich, Human Resources Officer. Mr. Rich presented the report and stated that workers compensation insurance costs have increased by over \$500,000 from fiscal year 2000/2001 to fiscal year 2003/2004. The District losses due to claims have remained at approximately \$50,000 per year for the last 10 years. Mr. Rich reported that other alternatives were considered, but stated that there will be a significant annual savings if the District were self-insured. Mr. Rich noted that the South Coast AQMD (SCAQMD) has been self-insured for 15 years and has had positive results.

With the recommended self-insurance option:

- The District would directly pay for claims instead of paying for insurance.
- The District would have an excess loss insurance policy to limit risk.
- The District would create a designated reserve to cover claims that:
 1. exceed the amount budgeted annually for claims.
 2. are less than the per incident excess loss policy threshold.
- SCAQMD is self-insured and has lower Workers' Comp costs than this District even though they have twice as many employees and more claims per year.
- The recommended self-insurance model is similar to the SCAQMD program.

Mr. Rich stated that the excess loss insurance policy would cover high-cost claims to limit risk and would pay claims in excess of \$300,000. The Reserve for Workers' Comp would cover claims that are more than the amount budgeted annually for claims, or for claims that are less than the amount covered by the excess loss insurance policy. The self-insured program is estimated to cost \$296,000 per year with an annual savings anticipated to be \$380,000.

Committee Action: Director Townsend moved the Committee recommend to the Board the creation of a self-insured workers' compensation program and consider approving a transfer of \$1,000,000 from the General Reserve to a designated Reserve for Workers' Compensation; seconded by Director Uilkema.

During discussion Mr. Rich clarified that if the losses exceed \$60,000 per year, then the District would not achieve a savings of \$380,000. If the losses were \$300,000 per year, the savings would then be approximately \$80,000 per year. Over the last 10 years, the losses have been approximately \$50,000 per year and that is what the \$60,000 figure is based on. The \$296,000 cost includes a \$194,130 premium for the excess loss policy, \$60,000 to cover claims, and the difference is for the third party administrator.

Jack Broadbent, Executive Officer/APCO, added that the SCAQMD has saved over \$1 million a year with this type of program. The motion then carried unanimously by acclamation.

6. Presentation of Fiscal Year 2004/2005 Proposed Budget: *Wayne Tanaka, Administrative Services Division Director, presented the proposed Fiscal Year 2004/2005 Budget for discussion and consideration.*

Mr. Broadbent stated that this is a balanced budget that is based on a series of assumptions such as: 1) The fee proposal that was before the Board on April 21st; 2) the Workers' Comp savings; 3) a series of transfers associated with some key items; and 4) funding for a new production computer system. The proposed budget also includes funding for several new

positions: a new Deputy APCO that would be directed toward some of the strategic planning efforts of the District; a Community Relations Manager; an Atmospheric Modeler; an engineer; and several other positions. There is also funding for the Bay Area Community Risk Reduction Program, which is a new program.

Mr. Tanaka reported on an article in the April 28th *Chronicle* that discusses the May revise of the state budget. Mr. Tanaka stated that the District proceeded on the budget with some of the parameters that the Governor outlined earlier in the year. The article talks about a deal that has been cut between the Governor's office and the California State Association of Counties (CSAC) which would take about \$1.8 billion away from cities, counties, and special districts for two years. There would be a guarantee that no additional funds would be taken away by the legislature from cities, counties and special districts. Adjustments will be made to the District's budget, if necessary, as more information is received.

Mr. Tanaka reviewed the Consolidated Revenue and discussed the 44.36% increase in the Federal Grant Program (103 Grant), which is due to additional monitoring that the District will be doing. The Reserve for Best of Breed (\$1.6 million) was set aside in prior years in anticipation of funding this effort. Mr. Tanaka reviewed the Consolidated District Expenses and stated that permanent salaries will increase by about \$900,000, which includes additional personnel and the Cost of Living Adjustment (COLA) in the Memorandum of Understanding (MOU) with the Employees' Association. Mr. Tanaka noted that as of July 1, 2004, the District will start paying for the Public Employees Retirement System (PERS) pick up (an increase of \$1,835,929) due to a contractual obligation under the current MOU.

In response to concerns raised by Director Cooper on the decrease in training and education, Mr. Tanaka stated that the training and education line item comes out of the Human Resources office, such as safety training, training of new employees, etc. The training for the new computer system is included in the contract under Professional Services.

There was discussion on the following:

- Concerns were expressed about the addition of six new positions.
- Staff was requested to reduce travel expenses back to the level of last year's budget.
- The Supplemental Environmental Projects (SEP) funds are not budgeted; they are put into an account similar to TFCA funds as they are not considered revenue, but a pass through for whatever project is funded. Staff will provide a report on the SEP funds at a future meeting.
- By law, penalties and settlements go into the general fund revenue as a funding source.
- The 3.55% increase in permanent salaries not only reflects the COLA, but step increases and salary increases for persons that are promoted.
- The District will be restructuring the Title V fee process so that it better reflects services that the District is performing under this program. It was suggested a footnote could be added to help explain the costs for this program.

Continuing, Mr. Tanaka stated that at the November 22, 2002, the Board gave direction that the District would revisit the amount of money that was available for retiree benefits. At that time it was 92% and the Board determined the issue would be re-visited each year. Mr. Tanaka noted there are 81 retirees, of which 74 are fully paid. There was discussion on the

possibility changing this and Mr. Tanaka commented that the Board does have the authority to make changes. There followed a discussion becoming a vested employee and looking at changing the number of years a person would have to work to full time to receive benefits. The Committee requested this item be put on a future agenda for discussion. It was noted that any change in the years it takes to be vested would be subject to Meet and Confer.

Mr. Tanaka reviewed the Transportation Fund for Clean Air (TFCA) budget. Three graphs were presented that showed comparisons on the following: 1) Consolidated sources of revenue and available finance to fund current expenditures from FY 96/97 through FY 04/05; 2) Consolidated expenditures from FY 96/97 through FY 04/05; and 3) Projected revenue and expenditures from FY 02-03 through FY 06-07.

Mr. Broadbent stated that staff will come back to the Committee with more detailed job descriptions for the additional personnel proposed in the budget and that additional discussion on these positions will take place at Friday's Executive Committee meeting. Mr. Broadbent recommend another Budget and Finance Committee meeting be scheduled for the discussion of these positions.

Committee Action: Direction was given to staff on several items and further discussion will take place at the next Committee meeting.

7. **Committee Member Comments/Other Business.** There were none.
8. **Time and Place of Next Meeting:** 9:45 a.m., Monday, May 17, 2004, 939 Ellis Street, San Francisco, CA 94109.
9. **Adjournment:** The meeting adjourned at 11:31 a.m.

Mary Romaidis
Clerk of the Boards

mr

Budget and Finance Committee

Follow-Up Items for Staff

April 28, 2004 meeting

1. Staff will provide a report on the SEP funds.
2. Staff to provide more detailed job descriptions for the proposed new positions.
3. Staff to provide a list of possibilities for restructuring and possible career ladder for employees at the District.
4. The Committee requested staff provide more information on the fee schedule.
5. Staff to reduce the travel budget to last year's level.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Office Memorandum

To: Chairperson Miller and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: May 10, 2004

Re: Report on the Governor's May Revision of the State Budget

DISCUSSION:

Tom Addison will give an oral report on the Governor's May Revision of the State Budget, and its potential effects on the District. The May Revision is the Governor's proposed budget for the 2004-05 Fiscal Year and will most likely change before a final State budget is passed. The adopted budget will be the result of negotiations between the Legislature and the Governor, as well as interest groups.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

To be discussed.

Respectfully submitted

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Wayne Tanaka
Reviewed by: Brian Bunger

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Office Memorandum

To: Chairperson Miller and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: May 6, 2004

Re: Continuing Discussion of Fiscal Year 2004/2005 Proposed Budget

RECOMMENDED ACTION:

The Executive Officer/APCO requests that the Budget and Finance Committee receive this report for review and possible referral of the proposed fiscal year 2004/2005 Budget to the Board of Director's for adoption.

BACKGROUND:

As directed by Chairperson Haggerty at the April 21, 2004 regular Board meeting, the Fiscal Year 2004/2005 Budget document was referred to the Budget and Finance Committee for review and recommendations. The Committee reviewed the budget at the April 28, 2004 Committee meeting. At that meeting, continued review and discussion of the budget was scheduled for the May 17, 2004 meeting.

DISCUSSION:

Staff presented the proposed budget for Fiscal Year 2004/2005 at the April 28, 2004 meeting. The proposed budget is balanced. General Fund Revenues, Supplemental State Subvention, TFCA Indirect Cost Recovery and TFCA Revenues are \$52.6 million and match proposed consolidated expenditures. Proposed capital requests are at \$3,869,906.

Staff was directed to review and report back to the committee on the following items:

- FTE's – Proposed increase of 5.93 FTE positions. Staff has determined that the requested number of positions will be 2.93.
- TITLE V Fees: The District has proposed an increase in revenue from Title V fees of approximately 50 percent for FY04/05 because revenue from this fee category is currently far below the District's program costs. The staff proposal presented at the April 21, 2004 Board of Directors meeting has been revised, however, to shift most of this additional revenue from regular annual Title V fees to Title V application fees. Application fees provide greater equity in the distribution of revenue among facilities based on a "fee-for-service" model.

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- TRAVEL EXPENSES: Proposed increase of \$12,084. Staff has reviewed this line item and reduced the amount to current FY 2004 amounts.
 - TRAINING AND EDUCATION EXPENSE: This line item expenditure had a proposed decrease of \$56,682. The amount has been restored to Program 705.

Staff will have published prior to May 5, 2004, a notice to the general public that the first of two public hearings on the budget will be conducted on June 2, 2004 and that the second hearing will be conducted on June 16, 2004.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

The proposed consolidated budget for FY 2004/2005 is \$52,654,722.

Respectfully submitted

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Wayne Tanaka
Reviewed by: Brian Bunger

BAY AREA AIR QUALITY MANGEMENT DISTRICT
Interoffice Memorandum

To: Chairperson Miller and Members
of the Budget and Finance Committee

From: Wayne Tanaka
Director of Administrative Services

Date: May 6, 2004

Re: Third Quarter Financial Report

RECOMMENDED ACTION:

Informational report. Receive and file.

DISCUSSION

GENERAL FUND BUDGET: STATEMENT OF REVENUE

Comparison of Budget to Actual Revenue

- County Revenue receipts were \$8,950,271. Alameda, San Mateo and Santa Clara counties accounted for the majority of the receipts received.
- Permit Fee receipts were \$14,601,302 .
- Asbestos Fees were \$1,079,131.
- Penalties and Settlements receipts were \$1,874,645.
- State Subvention was \$1,748,051.
- Interest Income receipt was \$316,109.
- Miscellaneous Revenue receipts were \$ 276,107.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

- Salaries and Benefits were \$22,639,748 .
- Operational Services and Supplies were \$5,343,685.
- Capital Outlay was \$1,625,734.

TFCA FUND: STATEMENT OF INCOME AND EXPENDITURES

- Total Revenue was \$4,958,118.
- In keeping with TFCA Fund requirements, expenditures must equal revenue.
- Salary and Benefits were \$882,885.
- Operational Services and Supplies were \$1,884,956.

BUDGET CONSIDERATION/FINANCIAL IMPACT

No impact on current year budget.

Respectfully submitted,

Wayne Tanaka
Director of Administrative Services

FORWARDED _____