



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

JULIA MILLER - CHAIRPERSON
HAROLD BROWN
SCOTT HAGGERTY
PATRICK KWOK
GAYLE B. UILKEMA

CHRIS DALY - VICE CHAIRPERSON
ROBERTA COOPER
JERRY HILL
MARK ROSS

WEDNESDAY
APRIL 6, 2005
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 three (3) minutes each.
3. **APPROVAL OF MINUTES OF MARCH 2, 2005**
4. **APPROVE REQUEST TO RECOMMEND THAT THE BOARD OF DIRECTORS INCREASE FY2004/05 BUDGET**
T. Lee/4905
tlee@baaqmd.gov
Staff is requesting that the FY 2004/05 budget be increased by \$780,000 in program 306 to assist in funding the Spare the Air free morning commute programs this summer.
5. **FINAL REPORT ON COST RECOVERY STUDY**
B.Bateman/4653
bbateman@baaqmd.gov
The Committee will receive the final report and recommendations from Stonefield Josephson Inc., on the Cost Recovery Study.
6. **STAFF RESPONSES TO CONSULTANT'S RECOMMENDATIONS FROM COST RECOVERY STUDY**
B.Bateman/4653
bbateman@baaqmd.gov
Staff will present responses to the recommendations on the Cost Recovery Study.
7. **FIELD COMMUNICATION SYSTEM**
K. Wee/4905
kwee@baaqmd.gov
Staff will present the Compliance and Enforcement Division's plan to update and upgrade the field communication system to modernize the two-way radio system and ensure its capabilities are integrated with other communication devices.
8. **STATUS REPORT ON INTERNAL SYSTEMS AND CONTROLS AUDIT**
J McKay/4629
jmckay@baaqmd.gov
The Committee will receive a status report on the internal systems and controls audit.

9. 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)

10. TIME AND PLACE OF NEXT MEETING – 9:45 a.m. APRIL 27, 2005, 939 ELLIS STREET, SAN FRANCISCO, CA

11. ADJOURNMENT

CONTACT CLERK OF THE BOARD - 939 ELLIS STREET SF, 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 3 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
9:45 a.m., Wednesday, March 2, 2005

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

Roll Call: Julia Miller, Chair; Harold Brown, Roberta Cooper, Chris Daly (9:48 a.m.), Jerry Hill, Patrick Kwok, Mark Ross, Gayle B. Uilkema.

Absent: Scott Haggerty.

2. **Public Comment Period:** There were none.

3. **Approval of Minutes of January 26, 2005:** Director Hill moved approval of the minutes; seconded by Director Uilkema; carried without objection; with Director Cooper abstaining.

4. **Second Quarter Financial Report for Fiscal Year 2004/2005:** *The Financial Report for the Second Quarter of Fiscal Year 2004/2005 was presented. This is an informational item only.*

Wayne Tanaka, Director of Administration, presented the unaudited report and reviewed the General Fund budget statement of revenue and expenditures. Mr. Tanaka stated that as of December 31, 2004, Napa County had not submitted their county revenue funds.

Director Chris Daly arrived at 9:48 a.m.

Mr. Tanaka reported that the Miscellaneous Revenue was above budget due to the \$100,000 received from Agilent Technologies and funds received from several facilities for Supplemental Environmental Projects (SEPs). Mr. Tanaka reviewed the Transportation Fund for Clean Air (TFCA) statement of income and expenditures.

There was discussion on several items in the budget and staff responded to questions from the Committee. The Committee requested that, in future reports, staff provide additional information on the designated reserve accounts and that there be a report on exceptions. Staff was also requested to provide a summary of the unexpended funds from the last fiscal year.

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

5. **Update on the Cost Recovery Study:** *Staff provided a status report on the Cost Recovery Study. This is an informational item only.*

Peter Hess, Deputy APCO, presented the report and reviewed the following:

- The purpose of the Study;
- Outputs from the Study;
- Background on District fees;
- The District's fee authority;
- Fee revenue categories;
- Types of activities recoverable through fees;
- The program costs that may be recovered; and
- The Cost Recovery Study timeline.

Mr. Hess stated that the final report will be presented at the next Committee meeting.

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

6. **Committee Member Comments/Other Business.** There were none.
7. **Time and Place of Next Meeting:** 9:45 a.m., Wednesday, April 6, 2005 if there is no Regular Board meeting that day. Alternate dates are April 7th or April 8th. The meeting location is 939 Ellis Street, San Francisco, CA 94109.
8. **Adjournment:** The meeting adjourned at 10:45 a.m.

Mary Romaidis
Clerk of the Boards

Budget and Finance Committee

Follow-Up Items for Staff

March 2, 2005 Meeting

1. The Committee requested that, in future reports, staff provide additional information on the designated reserve accounts and that there be a report on exceptions.
2. The Committee requested staff provide a summary of the unexpended funds from the last fiscal year.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Interoffice Memorandum

AGENDA 4

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

From: Teresa Lee
Director of Public Information and Outreach

Date: March 30, 2005

Re: Consider Request to Increase Fiscal Year 2004/2005 Budget

RECOMMENDED ACTION

Recommend that the Board of Directors approve staff's recommendation to increase by \$780,000 the District's fiscal year (FY) 2004/2005 budget for the Public Information and Outreach Division's Program 306, Professional Services account.

DISCUSSION

In order to reduce ground-level ozone precursors and promote the use of public transit this summer, the District has embarked on a partnership with the Metropolitan Transportation Commission (MTC) to fund the 2005 Spare the Air/Free Morning Commute project. Part of this project includes the implementation of a "Drill Day" to kick off the Spare the Air season and to allow both the public and transit operators to become familiar and comfortable with the project. Drill Day will be implemented on a pre-selected day at the end of May 2005, in which public transit in the Bay Area will be free during a weekday morning commute period to 9 AM.

Staff requests that the District's FY 2004/2005 budget for Program 306 be augmented for this activity. Transportation Fund for Clean Air (TFCA) funding of \$780,000 is available to be reprogrammed for this purpose from unspent allocations to a similar project, implemented in the summer of 2004 with BART. This amount will be used to fund marketing and outreach efforts, and transit fare box reimbursements for the Drill Day and the 2005 Spare the Air/Free Morning Commute project. In the past, staff has recommended mid-year budget adjustments when necessary.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None. The \$780,000 in TFCA funds were originally allocated to the Free BART project in the summer of 2004. The funds were not used due to the limited number of Spare the Air weekdays last summer, and the funding agreement with BART is no longer in effect. Consequently, the funds are available for the 2005 Spare the Air/Free Morning Commute project, including BART and other transit operators.

Respectfully submitted,

Teresa Lee
Director of Public Information and Outreach

FORWARDED _____

BAY AREA AIR QUALITY MANGEMENT DISTRICT
Inter Office Memorandum

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

From: Brian Bateman
Director of Engineering

Date: March 30, 2005

Re: Cost Recovery Study

RECOMMENDED ACTION:

Accept and file enclosed report entitled *Bay Area Air Quality Management District Cost Recovery Study*, Stonefield Josephson, Inc., March 30, 2005.

BACKGROUND

The accounting firm Stonefield Josephson, Inc. has recently finalized a Cost Recovery Study for the District. The Study compares the costs of regulatory program activities to the associated revenues received from fees. The Study was completed with input from a Steering Committee consisting of a variety of interested stakeholders, and Staff would like to recognize the Committee members for their valuable contributions.

An overview of the study will be provided by Nanette Lee Miller, CPA, of Stonefield Josephson, Inc. at the Budget and Finance Committee meeting on April 6, 2005

Respectfully submitted,

Brian Bateman
Director of Engineering

FORWARDED _____

Reviewed by: Peter Hess

Enclosure

BAY AREA AIR QUALITY MANGEMENT DISTRICT

Inter Office Memorandum

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

From: Brian Bateman
Director of Engineering

Date: March 30, 2005

Re: Staff Responses to Consultant's Recommendations from
Cost Recovery Study

RECOMMENDED ACTION:

Receive Staff's responses to the recommendations made by the District's consultants on the Cost Recovery Study that has recently been finalized.

BACKGROUND

The accounting firm Stonefield Josephson, Inc. (SJ) has recently finalized a Cost Recovery Study for the District. In their report, SJ provides a number of short-term and long-term recommendations to the District. District staff responses to these recommendations follow.

Short Term Recommendations

Short Term Recommendation #1

If the District and Board of Directors should elect to narrow the gap between permit fees and costs, the District should consider increasing fees by more than the COLA to increase revenue.

Staff agrees with this recommendation, and believes that the gap between fee revenue and associated regulatory program activity costs should be reduced over a period of time. County revenue that would otherwise be used to fill the gap should be used to fund other important air quality programs for which fees cannot be collected and for which other funding sources are unavailable.

Staff believes that the most appropriate way to reduce the cost recovery gap is to raise fees by more than the COLA, except for those fee schedules that have been identified as not having a revenue shortfall. Additional changes to the District's fee regulation will also be proposed to more appropriately recover the District's costs associated with specific activities. Staff will propose amendments to the fee regulation in conjunction with the annual budget preparation process after: (1) re-evaluating fee revenue and regulatory program activity costs to determine

the status of revenue shortfalls, and (2) identifying the costs of non-fee related activities including other beneficial air quality programs that cannot be funded by fee revenue.

Short Term Recommendation #2

The District should consider evaluating the maximum and minimum thresholds and limits contained in permit fees to address revenue shortfalls as well as equity issues.

Staff agrees with this recommendation. Many of the District's fee schedules are based on the size or activity level of the source, but with a minimum and maximum fee specified. Fee revenue can be increased not only by increasing the fee rate (i.e., fee per unit of size or activity), but also by increasing the minimum and/or maximum fees. The SJ Cost Recovery Study, however, evaluated cost recovery at the level of individual fee schedules, and not at the level of individual sources within a fee schedule that are subject to minimum or maximum fees. Completion of a detailed source-level cost recovery analysis would be very time consuming, but may be appropriate for a future study. In the short-term, staff intends on evaluating minimum and maximum fees by making comparisons of District fees, for the types of sources subject to these fees, with the associated fees charged at the South Coast AQMD. The South Coast AQMD was chosen for this comparison because it is located in a large metropolitan area with a cost of living similar to the Bay Area, and because it has stationary source regulatory programs that are similar to those at this District. The results of these comparisons will be considered when determining whether the minimum or maximum fees within a given fee schedule should be increased.

Short Term Recommendation #3

The District should improve its method of accounting for time spent on Title V activities, particularly in Divisions other than the Engineering Division.

Staff agrees with this recommendation, and has recently added additional billing codes for use in tracking Title V activities. The District's Title V fees are intended to recover the additional costs the District incurs due to implementation and enforcement of the Title V program. Staff will develop more detailed guidance, and conduct additional training, regarding the specific activities that are appropriately coded as being Title V. Proper use of time codes will be verified based on increased management oversight in this area. It is expected that these improvements can be in place by the beginning of the upcoming fiscal year.

Short Term Recommendation #4

The District should explore possible cost savings on activities outsourced.

Staff agrees with this recommendation. The District's Administrative Code already has competitive bidding provisions that are intended to reduce costs for outsourced professional services above threshold amounts. For smaller outsourced activities, District staff "shop around" to make sure that costs are reasonable. The District has recently completed an evaluation of potential cost savings related to the use of alternative contractors for the specific activity that was

the basis for SJ's recommendation (i.e., the distribution of public notices required under HSC 42301.6, which is the "Waters Bill" notifications required for certain new/modified sources located near schools). The results of this analysis indicate that the contractor that is being used by the District for distribution of Waters Bill notifications is cost competitive. Staff intends to periodically re-examine this issue to make sure that the fees for this activity remain reasonable.

Short Term Recommendation #5

The District should consider a "split" in time allocated for AB 2588 emission inventory activities.

Staff agrees with this recommendation, and has made the changes necessary to properly allocate the actual costs associated with updating AB 2588 toxics emission inventories. As SJ indicates, there are inherent difficulties in differentiating staff time spent in updating toxics emissions inventories from staff time spent on updating criteria pollutant inventories (e.g., review of updated material throughputs is an activity that affects both toxics and criteria pollutant inventories). For this reason, the District does not use time sheet data to make these allocations. Rather, allocations are based on assignment of a fixed percentage (i.e., a "split") of the total costs for emissions inventory updating for stationary sources. These adjustments are made for projecting AB 2588 costs in the District's budget for upcoming fiscal years, and also when actual program costs are determined on an historical basis using time sheet data.

Short Term Recommendation #6

The District should develop an "exceptions or edits" program for managers to use in tracking costs or staff time on the time sheets.

Staff agrees with this recommendation. Staff believes that time sheet data can be improved with more detailed guidance, additional training, and increased management oversight. Currently, program managers are provided with monthly summary reports of time sheet data at the level of individual employees. Staff will evaluate whether these reports would be improved by the addition of "exception" reporting used to identify unusual variations in time sheet data. It is expected that a series of improvements directed at improving time sheet data quality could be in place by the beginning of the upcoming fiscal year.

Short Term Recommendation #7

The District should develop a cost allocation formula for assessing outside agencies when cost recovery is allowed.

The District agrees with this recommendation. The costs of some of the services that the District provides can be recovered on a "time-and-materials" basis. For example, costs can be recovered for providing certain requested public records, such as conducting computer data queries. Current billing procedures, however, may not be based on a fully burdened cost formula (i.e., one which includes both direct and indirect costs). Staff will re-evaluate the methodology used to determine costs for services provided on the basis of time-and-materials.

Short Term Recommendation #8

The District should adequately track the time spent on grant-related activities

Staff agrees with this recommendation. The specific grant activities that are the basis for SJ's recommendation are those covered by state subvention. The District currently does not have a specific billing code for the state subvention grant. Staff will create a new billing code for this grant, and will develop guidance for its use. This will improve the granularity under which grant-related activities can be tracked.

Short Term Recommendation #9

The District should amend the time keeping system to allow staff to save billing codes used in the recent past, rather than having to scroll through each time and make a selection.

Staff agrees with this recommendation. Many individuals perform the same activities from one time period to the next with little variation. The current electronic time keeping system requires individuals to select the appropriate program and billing codes from a list each instance that a time sheet is completed. The process could be made quicker and easier if an individual's frequently used program/billing code combinations were pre-selected on the time sheet. Staff will evaluate whether the time keeping system can be modified to allow for this enhancement.

Short Term Recommendation #10

The District, on an annual basis, should review program billing codes to be sure all revenue sources have proper codes to utilize on the time sheet.

Staff agrees with this recommendation. The District creates new billing codes on an ongoing basis as new revenue sources become available. For example, a new billing code was created when the District received revenue as a result of a State settlement from energy companies -- this revenue was used to fund several activities including a program that provided grants to gasoline dispensing facilities to accelerate the change out of older, more highly emitting, nozzles.

Staff will add a process for an annual review and update of all program and billing codes, along with associated guidance regarding their use. The initial review will include consideration of the new specific billing codes recommended by SJ in their Cost Recovery Study. The creation of more specific codes will increase the granularity under which activities can be tracked.

Short Term Recommendation #11

The District should offer annual training to affirm the importance of time keeping and accurate data capture.

Staff agrees with this recommendation, and will create an annual training program for filling out time sheets. In addition, guidance documents, which explain how to properly code various activities, will be updated on an annual basis.

Short Term Recommendation #12

The District should tighten its accounting controls to increase the detail under which fee revenue can be tracked. Furthermore, the Administrative Division should provide additional monthly reports and documented processes to enhance operations and communications between the Administrative Services Division and the District's operational divisions.

Staff agrees with this recommendation. Detailed records regarding the nature of fee payments are currently stored in the District's production system (IRIS/DataBank). The IRIS/DataBank production system is being replaced through a multi-year conversion process, which is well underway.

A new financial system (JDE) has also been put in place at the District within the last year, and a number of accounting system improvements were made along with this conversion. A study to evaluate accounting practices and how they might more fully utilize this system has recently been initiated. The increased detail in revenue tracking that SJ refers to will be considered as a part of this study. Opportunities to improve the availability of financial information to the operational divisions will also be explored.

Long Term Recommendations

Long Term Recommendation #1

The District should develop and implement an installment plan payment option for small business.

Staff will need to further consider this recommendation, which would likely require amendments to District regulations. Occasionally, the District has agreed to allow a small business or government agency with an appropriate hardship to pay required fees over a period of time. Staff will consider whether a formal installment plan payment option should be developed.

Long Term Recommendation #2

The District should consider establishing a fee for requested extensions of an Authority to Construct.

Staff agrees with this recommendation. There is currently no fee required for the extension of the term of an Authority to Construct. This activity requires both clerical and professional resources, and an appropriate fee will be proposed for adoption.

Long Term Recommendation #3

The District should consider establishing a fee for changing conditions for Authorities to Construct while they are on extension.

Staff agrees with this recommendation in part. It is true that there is no specific fee for the review of permit conditions in an Authority to Construct that may need to be updated based on changes in regulatory requirements. Staff believes that a new fee to extend the term of an Authority to Construct (see Long Term Recommendation #2 above) should cover this permit condition review. District Regulation 3-306 already provides a fee for changing a permit condition in an Authority to Construct made at the request of the applicant.

Long Term Recommendation #4

The District should consider establishing a fee for making a Potential to Emit determination for a facility.

Staff agrees with this recommendation. There is currently no fee required for the District to make a Potential to Emit (PTE) determination. The work involved in making a PTE determination is largely done by a permit engineer, and can be quite involved. The engineer must review the PTE for all sources of emissions at the facility to determine if Title V thresholds are exceeded. Staff will propose for adoption an appropriate fee for a PTE determination.

Long Term Recommendation #5

The District should estimate the time and effort needed to incorporate AB 2588 fees into the permits for diesel back up generators, and use this estimate as a factor in establishing a fee to recover these costs.

Staff agrees with this recommendation. Diesel particulate matter is currently not used to determine a facility's AB 2588 fees under Regulation 3, Schedule N. The District is currently working to establish diesel particulate matter emissions inventories for thousands of backup generators and other diesel engines. These data collection efforts are expected to be completed at the end of the current fiscal year. For reasons of equity, the District plans on waiting until these inventories are completed before they are used to assess AB 2588 fees.

Staff will include estimates of the time and effort needed to address diesel engines under the Air Toxics Hot Spots Program when determining the overall program costs used in the fee allocation formula under Schedule N. This most likely will occur at the beginning of the next cycle of AB 2588 billings on September 1, 2005.

Long Term Recommendation #6

The District should re-examine its definition for small business, and make adjustments accordingly to reflect revenue as well as equity issues.

Staff agrees with this recommendation. The District's existing Small Business definition given in Regulation 3-209 (i.e., a business with no more than 10 employees and gross annual income of no more than \$500,000) was last amended about five years ago. Staff believes that providing a discount to small businesses for certain application fees is appropriate public policy, and will propose amendments that will update this definition based on considerations of inflation.

Long Term Recommendation #7

The District should improve upon the information it has on the size of facilities receiving permits (small or large). This will help in addressing the max/min permit fee issue, as well as equity.

Staff agrees in part with this recommendation, and will evaluate the specific type of information that should be collected and updated to categorize the “size of facilities”. For example, this type of information may be needed to determine whether a facility qualifies for a Small Business discount.

The District already has detailed information regarding the size and emissions of individual permitted sources at facilities and the fees that are assessed for each source. The problem in using this information in a cost recovery study has to do with the lack of size-specific program activity data. For example, current time accounting procedures use a single code for boilers rather than multiple codes for different sizes of boilers. On the one hand, increasing the granularity of activity codes to account for the size of sources would make this type of source-level cost recovery analysis possible. On the other hand, doing so would require significant staff resources for a purely administrative purpose.

Staff believes that there may be more efficient and effective ways of analyzing cost recovery issues with regard to different sizes of sources or facilities. One approach might be to complete a “bottom-up” analysis based on surveys of staff time spent on specific activities for different sizes of sources within a category (for example, to determine how long does it take a staff member to complete an inspection for boilers in different size ranges). Staff will consider this and other potential approaches that might be available to improve cost recovery information for different sizes of sources.

Long Term Recommendation #8

The District should make changes to permit policies and fees as they are discovered.

Staff agrees with this recommendation. Permit workload may vary significantly depending on a number of factors that are difficult or impossible to anticipate. Recent examples include increases in the number of permit applications submitted due to the energy crisis (e.g., central power plants, distributed generation plants, and backup generators), and due to changes in State requirements for vapor recovery systems at gas stations made by CARB by Executive Order. Staff will evaluate on an annual basis whether factors that change workload should result in changes in permit policies and fees.

Long Term Recommendation #9

The District should consider increasing certain fees assessed for those facilities involved in Hearing Board proceedings.

Staff agrees with this recommendation, and will consider increasing fees associated with Hearing Board proceedings. It is clear that the existing fee schedule for the Hearing Board is inadequate

to fully recover the costs of these activities. Staff will review Hearing Board fees, including all of the specific fee adjustments recommended by SJ, with the goal of narrowing the gap between revenue and costs, while still maintaining fees that do not result in undue economic hardship for affected parties.

Long Term Recommendation #10

The District should develop a program to estimate where revenue shortfalls may occur.

Staff agrees with this recommendation. The District already has the ability to analyze the effect of increasing permit fees by source type on overall fee revenue. These types of computer programs, if they have not already been developed, can be developed rapidly by District staff to evaluate various fee scenarios. The District will adapt the methodology used by SJ to determine the costs of regulatory program activities so that activity costs can be compared with revenue. This type of analysis can be completed on an annual basis to evaluate the affect of potential fee changes on closing the revenue shortfall.

Respectfully submitted,

Brian Bateman
Director of Engineering

FORWARDED _____

Reviewed by: Peter Hess

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Office Memorandum

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

From: Kelly Wee
Director of Compliance and Enforcement

Date: April 6, 2005

Re: Field Communication System

RECOMMENDED ACTION:

Informational Report. Receive and file.

BACKGROUND

The Compliance and Enforcement Division employs a field communication system that has multiple components, including a two-way radio system, Nextel telephones, Blackberry wireless PDAs and Wi-Fi data transmission via laptop computers at field offices and other public locations.

The central, and most capital-intensive, element of the communication system is the conventional two-way radio system which consists of multiple car receivers and multi-site transmitters spaced throughout the nine counties of the District. This radio allows the Division to keep abreast of field inspector locations; communicate to them time-sensitive air pollution complaints, accidental release or incident activity, plant and source information; and to receive timely compliance, Notice of Violation (NOV) and complaint status information. The radio system is integral to day-to-day air pollution functions of field inspectors in a similar fashion to how police and fire departments use two-way radios to transmit and receive information on crimes or fires.

The initial installation of the radio system was sometime in the 1970's. At present it needs replacement because its transmitting and reception equipment is becoming obsolete and replacement parts are becoming unavailable. Additionally, there are increasing instances of transmission and reception problems. These interruptions cause decreased productivity and some safety concerns.

DISCUSSION

Recognizing the limited life of this system and need to replace equipment, several years ago the District established a designated reserve for a radio system replacement. As of June 30, 2004, the District had a designated reserve for a radio communications replacement project of four million dollars. In order to ascertain the best system with a range of features and capabilities to replace or upgrade the radio component of the field communication system, the Compliance and Enforcement Division has retained the

services of a telecommunications consultant. This consultant will help staff formulate a Request for Proposal (RFP) to replace or upgrade the radio system according to the Division's business needs. This RFP will professionally define the current communication system, desired capabilities and assist in selection of a vendor who will ultimately provide a replacement or upgrade.

BUDGET CONSIDERATION / FINANCIAL IMPACT:

This item is being present to the Budget and Finance Committee as advance notice of a planned capital expenditure, from the designated reserve, for the upcoming FY05-06 budget.

Respectfully submitted,

Kelly Wee
Director of Compliance and Enforcement

FORWARDED _____

Prepared by: Douglas Tolar
Reviewed by: Peter Hess

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Inter-Office Memorandum

AGENDA 8

To: Chairperson Townsend and Members of the Executive Committee
From: Jeff McKay, Interim Director of Administrative Services
Date: April 6, 2005
Re: Status Report on Internal Systems and Controls Audit

RECOMMENDED ACTION:

Receive and file.

BACKGROUND

On January 12, 2004 the Board authorized the District to take advantage of an opportunity to obtain independent input on its internal processes and controls.

DISCUSSION

The District has awarded a contract to Gilbert Associates. The work will initiate in late April. A review of the pending work will be presented to the Committee.

BUDGET CONSIDERATION/FINANCIAL IMPACT

On January 12, 2004 the Board authorized a transfer of \$200,000 from the General Reserve for this purpose and an adjustment to the Districts' approved FY 2004-05 budget accordingly.

Respectfully submitted,

Jeff McKay, Director
Information Services Division

FORWARDED: _____