



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
MAY 18, 2005**

**7th Floor Board Room
Immediately Following
Board Meeting**

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 MAY 5, 2005**
4. **THIRD QUARTER FINANCIAL REPORT FOR FISCAL YEAR 2004/2005**

J. McKay /4629
jmckay@baaqmd.gov

The Financial Report for the Third Quarter of Fiscal Year 2004/2005 will be presented. This will be an informational item.
5. **CONSIDER REQUEST TO REVISE FISCAL YEAR 2004/2005 BUDGET**

J. McKay /4629
jmckay@baaqmd.gov

The Committee will consider staff recommendations to amend the District's approved FY 2004/2005 budget.
6. **CONTINUED DISCUSSION AND CONSIDERATION OF RECOMMENDED ADOPTION OF PROPOSED AMENDMENTS TO FEE REGULATION**

B. Bateman/4653
bbateman@baaqmd.gov

The Committee will continue discussions on the proposed amendments to the fee schedules and consider recommending Board of Director adoption of fee regulation.

7. **CONTINUED DISCUSSION AND CONSIDERATION OF RECOMMENDED ADOPTION OF FISCAL YEAR 2005/2006 DRAFT BUDGET** **J. Broadbent/5052**
jbroadbent@baaqmd.gov

The Committee will continue discussions on the proposed FY 2005/2006 budget and consider recommending adoption by the Board of Directors.

8. **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)

9. **TIME AND PLACE OF NEXT MEETING – 9:45 a.m. JUNE 22, 2005, 939 ELLIS STREET, SAN FRANCISCO, CA**
10. **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

Memorandum

To: Chairperson Townsend and Members
of the Board of Directors

From: Jack P. Broadbent
Executive Officer/APCO

Date: May 11, 2005

Re: Budget and Finance Committee Draft Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of May 5, 2005.

DISCUSSION

Attached for your review and approval are the draft minutes of the May 5, 2005, Budget and Finance Committee meeting.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

**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., Thursday, May 5, 2005

- 1. Call to Order – Roll Call.** Chairperson Miller called the meeting to order at 10:06 a.m.

Roll Call: Julia Miller, Chairperson, Harold Brown, Roberta Cooper (10:03 a.m.), Chris Daly (10:00 a.m.), Scott Haggerty, Jerry Hill, Patrick Kwok, Mark Ross, Gayle B. Uilkema.

Absent: Jerry Hill.

Also Present: Pamela Torliatt, Marland Townsend.

- 2. Public Comment Period:** There were none.
- 3. Approval of Minutes of April 6, 2005:** Director Brown moved approval of the minutes; seconded by Director Kwok; carried without objection.
- 4. District Financial Audit Report for Fiscal Year 2003/2004:** *A partner from the CPA firm of Izabal, Bernaciak & Company presented the Audit Report for FY 2003/2004. This is an information item.*

Robert Izabal of the firm of Izabal, Bernaciak & Company presented the “Audited Basic Financial Statement and Office of Management and Budget Circular A-133 Reports for the Bay Area Air Quality Management District for the Year Ended June 30, 2004.” Mr. Izabal stated that special compliance testing was conducted because the District received in excess of \$300,000 in federal grants. The report contains comparative financial data with regard to the previous audit report. Supplementary information on internal controls and compliance indicates no reportable conditions or instances of non-compliance. Other matters, including an issue that came up during the audit concerning the management of cash receipts, were addressed in a separate side letter to District management.

Committee Action: Receive and file.

Chairperson Miller requested that Agenda Item No. 7 be discussed next.

- 7. Proposed Amendments to Fee Regulation:** *The Committee considered recommending to the Board of Directors that staff proceed with the proposed amendments to the fee regulation.*

Brian Bateman, Engineering Division Director, reviewed proposed amendments to the District's fee regulation for FY 2005-2006. He noted that while the District has authority to collect fees for recovery of direct and indirect costs for regulatory programs, the Health & Safety Code also limits permit fee increases to 15% annually. The Cost Recovery Study completed for the District identified a gap in which fee revenue covered less than 60% of total program activity costs.

Mr. Bateman reviewed the Fee Schedules that will be increased by 15%, 5% and those that have no increase.

Director Daly arrived at 10:00 a.m.

Staff issued the draft permit fee amendment proposal on April 21, 2005 and will hold a public workshop on it tomorrow. The Board of Directors will hold a public hearing on the amendments on June 15, and if adopted, the amendments would become effective on July 1, 2005. The Cost Recovery Study Steering Committee will meet to further discuss the methodology for calculating indirect costs.

Director Cooper arrived at 10:03 a.m.

Mr. Bateman displayed charts comparing the Bay Area and South Coast air district permit renewal fees for typical small facilities, several medium-size facilities and several large facilities.

In discussion, the Committee requested staff report back with information on several items.

Chairperson Miller called for public comment, and the following individual came forward:

Dennis Bolt
Western States Petroleum Association (WSPA)

Committee Action: Receive and file.

6. Presentation of Fiscal Year 2005/2006 Draft Budget: *Jeff McKay, Acting Administrative Services Director, presented the Draft FY 2005/2006 Budget for discussion and consideration.*

Jack Broadbent, Executive Officer/Air Pollution Control Officer, indicated that the FY 2005/2006 budget addresses fiscal challenges and ensures program effectiveness and funding. The budget includes requests for 7.43 full time employee positions, four of which will be self-funded and 3.43 of which will be funded from the general fund. The fiscal challenges for FY04/05 included (a) an additional \$3.1 million for PERS contributions due to employer contributions using more conservative actuarial assumptions; (b) a \$1 million increase in group health insurance; (c) an additional \$1 million in salary due to the occurrence of 27 pay periods (an event which occurs only once every eleven years); and (d) the continuation from last year of an annual 10% decrease (\$1.6 million) in county revenues.

Mr. Broadbent noted that additional efforts to cut costs are being considered. One is to shift the workforce to a 9/80 schedule. Every other Friday the building would be shut down saving on building operating costs, although field enforcement and receipt of permits would have to be

maintained. Staff is also investigating cost savings by converting the retiree life insurance policy to a self-funded system.

Jeff McKay, Acting Director of Administrative Services, presented the proposed budget for FY 2005/2006, and reviewed the expected 3% increase in county revenues, and the projected permit fee revenues of \$21.2 million from \$19.8 million in the previous fiscal year. He noted that penalties and settlements are projected at the same level as in the previous budget, as are the grants under the 103 program. Grant funds under the 105 program will be \$300,000 less than last fiscal year. State subvention fees and congestion management air quality funds should remain constant.

A transfer of \$100,000 is proposed for the production system, and a transfer of \$549,000 from the reserve for building facilities (previously known as reserve for office furniture) will be made to install a fire alarm system, institute some upgrades to conform with the Americans with Disabilities Act and to purchase five additional vehicles for the District's fleet. From the capital equipment reserve, \$266,000 will be transferred for purchasing equipment for the lab, and \$400,000 for the aforementioned employer contributions to PERS. Staff recommends \$1.3 million be allocated from the general reserve to balance the budget.

Consolidated expenditures include some increases in overtime salaries for the CARE program to be consistent with the Memorandum of Understanding. FICA replacement benefit dollars have been reduced by approximately \$500,000, based on history for enhanced accuracy. An increase of \$5 million under consolidated expenditures has resulted. Other cost issues include overdue building maintenance issues such as the HVAC system. Fuel costs have been reduced due to efficient vehicles. The TFCA fund has experienced a \$4 million increase due to additional professional services that are associated with the vehicle buy-back program.

In discussion, the Committee members requested that additional information be provided on the proposed budget at the next meeting of the Committee.

Mr. Broadbent indicated that staff will be consolidating and reorganizing reserve designations for greater clarity. Michael Rich, Human Resources Officer, added that claims under the self-funding Worker's Comp programs are much less (\$7,000) than in previous years.

Chairperson Miller called for public commentary, and the following individual came forward:

Dan Phelan
San Francisco

Committee Action: Receive and file.

5. **Third Quarter Financial Report for Fiscal Year 2004/2005:** This item was deferred.
8. **Committee Member Comments/Other Business:** There were none.
9. **Time and Place of Next Meeting:** 9:30 a.m., May 25, 2005, 939 Ellis Street, San Francisco, California 94109.

10. Adjournment. 11:25 a.m.

:jc

James N. Corazza
Deputy Clerk of the Boards

BAY AREA AIR QUALITY MANGEMENT DISTRICT

Inter Office Memorandum

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

From: Jeff McKay
Interim Director of Administrative Services

Date: May 11, 2005

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 \$8,276,937 (58%) of budgeted revenue. Alameda, San Mateo and Santa Clara counties accounted for the majority of the receipts received.
- Permit Fee receipts were \$14,577,050 (79%) of budgeted revenue.
- Asbestos Fees were \$1,157,486 (89%) of budgeted revenue.
- Penalties and Settlements receipts were \$1,646,712 (82%) of budgeted revenue.
- State Subvention was \$1,730,915 (93%) of budgeted revenue.
- Interest Income receipts were \$255,828 (52%) of budgeted revenue.
- Miscellaneous Revenue receipts were \$ 509,397 (291%) of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

- Salaries and Benefits were \$23,072,801 (71%) of estimated expenditures.
- Operational Services and Supplies were \$7,335,728 (80%) of estimated expenditures.
- Capital Outlay was \$637,981 (18%) of estimated expenditures.

TFCA FUND: STATEMENT OF INCOME AND EXPENDITURES

- Total Revenue was \$2,219,093 (36%) of estimated revenue and expenditures.
- Salary and Benefits were \$1,089,409 (70%) of estimated expenditures.
- Operational Services and Supplies were \$1,129,684 (25%) of estimated expenditures.

BUDGET CONSIDERATION/FINANCIAL IMPACT

No impact on current year budget.

Respectfully submitted,

Jeff McKay
Interim Director of Administrative Services

FORWARDED _____

Prepared by: Jeff McKay

BAY AREA AIR QUALITY MANGEMENT DISTRICT

Interoffice Memorandum

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

From: Jeff McKay
Interim Director of Administrative Services

Date: May 11, 2005

Re: Consider Request to Revise Fiscal Year 2004/2005 Approved Budget

RECOMMENDED ACTION:

Consider recommending that the Board of Directors approve staff's recommendation to increase the District's approved FY 04/05 Penalties and Settlements Revenue budget by \$800,000 to \$2,800,000 and County Revenue budget by \$638,000 to \$14,961,175 for a total increase of \$1,438,000.

Consider recommending that the Board of Directors correspondingly approve staff's recommendation to increase the FY 04/05 Capital Outlay for Building and Grounds by \$1,090,600, the Outlay for Motorized Equipment by \$130,000, the Outlay for Lab & Monitoring Equipment by \$171,400, and the Outlay for Computer & Network Equipment by \$46,000, for a total increase of \$1,438,000

Consider recommending that the Board of Directors approve staff's recommendation to add a new line item in the FY 04/05 Public Information and Outreach Professional Services budget for costs related to the 50th Anniversary Symposium in the amount of \$250,000, and correspondingly add a revenue line item of \$250,000 to recognize sponsorship income for this event.

DISCUSSION

The District has received, and will receive further additional funds exceeding those projected during development of the FY 04/05 budget. In keeping with proper budgeting and accounting practices, the receipts of these funds should be recognized in a mid-year budget adjustment. In the past, staff has recommended mid-year budget adjustments when necessary.

The Penalty and Settlement Revenue budget will increase from \$2,000,000 to \$2,800,000. The adjustment of \$638,000 in the County Revenue budget will result in a budget of \$14,961,175.

Additional Penalty and Settlement revenue should be viewed as a one-time event. The adjustment to County revenue is the result of higher than anticipated residential real estate activity in certain Bay Area communities.

Of the proposed purchase items listed below, items totaling \$608,840 are presented for removal from the proposed FY 2005-2006 budget, decreasing the Transfer-in from designated reserves in that budget.

The items proposed to be purchased are:

<u>Description</u>	<u>Cost</u>	<u>Proposed FYE 06</u>
<u>Motorized Equipment</u>	\$130,000	
Five CNG Vehicles	\$130,000	X
<u>Building and Grounds</u>	\$1,090,600	
Phase III Fire Alarm	\$116,340	X
ADA Upgrades	\$147,300	X
Phase IV HVAC work	\$653,160	
Electrical Closet Code Repairs	\$13,000	
Stairwell Fire Door Replacement	\$14,000	
Paragin Lift for Vehicles	\$27,000	
2nd Floor Offices	\$50,000	
Nine Offices for Engineering Staff	\$69,800	X
<u>Lab & Monitoring Equipment</u>	\$171,400	
Personal Gas Sampling Monitors	\$12,000	X
Hand held Particulate Monitors	\$6,000	X
Vapor Analyzers (4-TVAs)	\$24,000	X
Organic Vapor Analyzers (2-OVAs)	\$12,000	
Smoke Generator	\$57,400	X
Wind Profiler	\$60,000	
<u>Computer and Network Equipment</u>	\$46,000	
Lap Top Computers	\$46,000	X

The costs related to the 50th Anniversary Symposium, including planning, speakers fees, venue rental, catering and the like are expected to be approximately \$250,000. As previously discussed with the Board of Directors, the District is in the process of soliciting sponsorship for this event which is expected to largely defray the costs.

BUDGET CONSIDERATION/FINANCIAL IMPACT

This action will increase the District's FY 04/05 Penalties and Settlements Revenue Budget by \$800,000 to \$2,800,000 and County Revenue Budget by \$638,000 to \$14,961,175 for a total increase of \$1,438,000. In addition this action will result in a corresponding, increase in the FY 04/05 Capital Outlay for Building and Grounds by \$1,090,600, the Outlay for Motorized Equipment by \$130,000, the Outlay for Lab & Monitoring Equipment by \$171,400, and the Outlay for Computer & Network Equipment by \$46,000, for a total increase of \$1,438,000

This action will also add a new line item in the FY 04/05 Public Information and Outreach Professional Services Budget for costs related to the 50th Anniversary Symposium in the amount of \$250,000, and correspondingly add a revenue line item of \$250,000 to recognize sponsorship income for this event.

Respectfully submitted,

Jeff McKay
Interim Director of Administrative Services

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: April 11, 2005

Re: Continued Discussion of Proposed Amendments to the District Fee Regulation
and Consider Recommending Adoption

RECOMMENDED ACTION:

Consider recommending that the Board of Directors adopt the proposed amendments to the fee regulation for FY 2005-06.

BACKGROUND

Staff provided a summary of proposed amendments to the District's fee regulation at the Budget and Finance Committee meeting held on Thursday, May 5, 2005. Under this proposal, the increases in individual fee schedules would be based on the magnitude of the cost recovery gap indicated in the recently completed Cost Recovery Study. Fee schedules with the largest cost recovery gaps would be increased by 15 percent; schedules with less significant gaps, along with most administrative fees, would be increased by five percent; schedules with no cost recovery gaps would not be increased. Fees would be increased for refinery flares and health risk screening analyses to more appropriately reflect increased program activity costs in these areas.

Finally, new fees would be created for the renewal of Authorities to Construct and for Potential to Emit demonstrations, both of which are permit activities that are currently not subject to fees. Overall, the proposed amendments would result in an increase in fee revenue of approximately \$1.4 million in FY 2005-06 from projected revenue levels in the current fiscal year, representing an increase of about 7 percent.

DISCUSSION

A public workshop to discuss the proposed fee amendments was held on Friday, May 6, 2005. Staff will provide a summary of the workshop, and the public comments received, to the Budget and Finance Committee at the May 18, 2005 meeting. Staff will also provide additional information requested by the Committee regarding the impact of the proposed amendments on fees for certain facilities. The proposed fee amendments have been scheduled to be presented to the Board of Directors for consideration of adoption on June 15, 2005, with an effective date of July 1, 2005.

Respectfully submitted,

Brian Bateman
Director of Engineering

FORWARDED_____

Prepared by: Brian Bateman
Reviewed by: Jean Roggenkamp

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 11, 2005

Re: Continued Discussion of Fiscal Year 2005/2006 Proposed District Budget and
Consideration of Recommended Adoption

RECOMMENDED ACTION:

Consider Budget and Finance Committee recommendation to the Board of Directors for adoption of the proposed fiscal year 2005/2006 Budget.

BACKGROUND:

As directed by Chairperson Townsend at the May 4, 2005 regular Board meeting, the Fiscal Year 2005/2006 Budget document was referred to the Budget and Finance Committee for review and recommendations. The Committee reviewed the budget at the May 5, 2005 Committee meeting. At that meeting, continued review and discussion of the budget was scheduled for the May 18, 2005 meeting.

DISCUSSION:

Staff presented the proposed budget for Fiscal Year 2005/2006 at the May 5, 2005 meeting. Following additional revisions after that meeting the proposed budget is balanced with the inclusion of a \$1.0 million transfer in from undesignated reserves. General Fund Revenues, Transfers-In from Designated Reserves for PERS Funding, Production System Funding, Building and Facilities Funding, and Capital Equipment Funding along with Transportation Fund for Clean Air (TFCA) Indirect Cost Recovery and TFCA Revenues and Mobile Source Incentive Fund (MSIF) Indirect Cost Recovery and Revenues are \$56.6 million. Proposed consolidated expenditures are \$57.6 million. Proposed capital requests are \$411,150 and there is a proposed 7.43 FTE increase, 3.12 of which are funded from the General Fund.

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

- Increased revenues and associated expenditures from TFCA and the new (\$11 million) MSIF.
- Description of changes to management positions and staff positions after November of 2003.
- The opportunity to phase in proposed new positions over the fiscal year.
- Budgeting for contributions to other organizations.

Staff published, prior to May 1, 2005, a notice to the general public that the first of two public hearings on the budget will be conducted on June 1, 2005 and that the second hearing will be conducted on June 15, 2005.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

The proposed consolidated budget for FY 2005/2006 is \$57,562,208.

Respectfully submitted

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeff McKay
Reviewed by: Brian Bunger