

**Bay Area Air Quality Management District  
939 Ellis Street  
San Francisco, California 94109**

**APPROVED 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.

*/s/ James N. Corazza*  
James N. Corazza  
Deputy Clerk of the Boards

:jc