

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
9:30 a.m., Wednesday, February 28, 2007

1. **Call to Order:** Chairperson Chris Daly called the meeting to order at 9:32 a.m.

Roll Call: Chris Daly, Chair; Harold Brown, Jerry Hill, Patrick Kwok, Michael Shimansky, Pamela Torliatt (9:45 a.m.).

Absent: Scott Haggerty, Tim Smith, Gayle B. Uilkema.

Also Present: Mark Ross.

2. **Public Comment Period:** The following individual spoke on agenda item 4 regarding the District's financial audit report for fiscal year 2005/2006:

Michael White
Hayward, CA 94541

Mr. White presented a letter to the Committee. The letter is maintained by the District as part of the official record.

3. **Approval of Minutes of January 24, 2007:** Director Kwok moved approval of the minutes; seconded by Director Shimansky; carried unanimously without objection.
4. **District Financial Audit Report for Fiscal Year 2005/2006:** *Staff provided an overview to the Committee on the Financial Audit Report for FY 2005/2006. This is an informational item.*

Jeff McKay, Chief Financial Officer, introduced Gary Caporicci of Caporicci & Larson, CPA's. Mr. Caporicci stated that the Air District has complied with all Government Accounting Standards Board (GASB) requirements. The financial statements and reporting responsibilities for the Air District and Caporicci & Larson were reviewed. Mr. Caporicci summarized the audit procedures and noted that the audit took about 500 hours to complete. The audit results were reviewed, including a comparison of the District's net assets for 2006, 2005 and 2004.

Director Pamela Torliatt arrived at 9:45 a.m.

Mr. Caporicci reviewed the federal grants and Transportation Fund for Clean Air (TFCA) findings and questioned costs. For the current year, no findings on questioned costs were noted. There was discussion on the District's process of separating funds so that the reporting is more detailed. Director Ross requested staff provide details at a future meeting on the \$5 million increase in salaries and benefits, and on the program distribution.

Committee Action: Director Shimansky moved to accept the audit report; seconded by Director Torliatt; carried unanimously without objection.

5. **Second Quarter Financial Report for Fiscal Year 2006/2007:** *The financial report for the second quarter of fiscal year 2006/2007 was presented. This is an informational item.*

Mr. McKay presented the second quarter financial report for fiscal year 2006/2007. There was discussion on revenue from Penalties and Settlements. Brian Bunker, Counsel explained that this is an unpredictable revenue stream and that when the revenue is over \$2 million, staff would come back to the Board to discuss using the overage for mitigation grants. Staff was given direction to map where the settlement dollars come from.

Mr. McKay reviewed the General Fund statement of expenditures and the comparison of budget to actual expenditures. The Transportation Fund for Clean Air (TFCA) statement of revenue and expenditures was reviewed. An overview of the fund balances was provided to the Committee.

Committee Action: Director Shimansky moved to accept the report; seconded by Director Hill; carried unanimously without objection.

6. **Continuing Update on State-Wide Carl Moyer Audits:** *Staff provided an overview to the Committee on the continuing State-Wide Carl Moyer Audits.*

Mr. McKay briefed the Committee on the Carl Moyer audits and reviewed the background on the audits, the purpose, and the status of the audits at the District. Onsite work is complete for the Bureau of State Audits report; the initial onsite work is complete for the Air Resources Board (ARB) audit and they will be onsite for one week beginning April 9th. The District has had an initial meeting with the Department of Finance and the onsite work dates have not yet been determined.

Regarding the results of the Carl Moyer audits in other air districts, the ARB found that the South Coast is delinquent in fund distribution. The Bay Area District has complied with legal requirements for timing of fund distribution. Jack Broadbent, Executive Officer/APCO, explained that the South Coast had some major projects that were not started and the funding was delayed. The ARB determined that the money should have been dispersed.

Committee Action: The Committee accepted the report.

7. **Other Post Employment Benefits (OPEB) Recommendation:** *The Committee considered recommending that the Board of Directors' approve staff's recommendation to designate and fund a reserve for "other-than-pension post-employment benefits (OPEB) for Fiscal Year '07-'08, and to transfer \$1.4 million from undesignated reserves to the newly designated reserve fund.*

Michael Rich, Human Resources Officer, presented the report and introduced John Bartel, the Actuary. Mr. Rich provided an overview of the background on new reporting requirements for non-pension retiree benefits, a summary of the actuarial study results, the staff recommendation on pre-funding, and the financial impacts of pre-funding.

Staff recommended that the Committee recommend that the Board of Directors approve designating and funding a reserve for “other-than-pension post-employment benefits” (OPEB) for Fiscal Year 2007/2008, and transfer \$1.4 million from undesignated reserves to the newly designated reserve fund.

Mr. Rich stated that staff will explore options for addressing the unfunded accrued liability and present the findings and a recommendation at a future meeting. Mr. Broadbent added that the \$1.4 million is being taken out of the reserves this year and that in future years it will be a line item in the budget.

Committee Action: Director Hill moved the staff recommendation; seconded by Director Shimansky.

Mr. Broadbent presented a memo from the Employees’ Association in support of the staff recommendation on this agenda item. The motion then passed unanimously without objection.

8. **Committee Member Comments/Other Business.** Director Torliatt recommended staff prepare a list of Moyer inter-regional projects in the event funding becomes available as a result of the audits being conducted in other air districts.
9. **Time and Place of Next Meeting:** 9:30 a.m., Wednesday, March 28, 2007 – 939 Ellis Street, San Francisco, CA 94109
10. **Adjournment:** The meeting adjourned at 11:07a.m.

/s/ Mary Romaidis

Mary Romaidis
Clerk of the Boards