



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 MARLAND TOWNSEND
GAYLE UILKEMA

WEDNESDAY
MAY 7, 2003
IMMEDIATELY FOLLOWING BOARD MEETING

7TH FLOOR
BOARD 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 23, 2003**
4. **THIRD QUARTER FINANCIAL REPORT FOR FISCAL YEAR 2002/2003** **W. Tanaka /5066**
wtanaka@baaqmd.gov

The Financial Report for the Third Quarter of Fiscal Year 2002/2003 will be presented. This will be an informational item only.
5. **FY 1999/2000 AUDIT REPORT RECOMMENDATION TO TAG ASSETS** **W.Tanaka/5066**
wtanaka@baaqmd.gov

Staff will provide information on how the District complied with a FY 1999/2000 audit recommendation and Government Accounting Standards Board Rule 34 (GASB 34) regarding fixed asset inventory management.
6. **CONTINUED DISCUSSION OF THE FISCAL YEAR 2003/2004 PROPOSED BUDGET AND POSSIBLE REFERRAL OF THE PROPOSED BUDGET TO THE BOARD OF DIRECTORS** **W. Tanaka/5066**
wtanaka@baaqmd.gov

The Committee will continue discussion of the FY 2003/2004 proposed budget and consider referral of the proposed budget to the Board of Directors for adoption.
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 25, 2003 939 ELLIS STREET - SF, CA**
9. **ADJOURNMENT**

**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 23, 2003

1. **Call to Order:** Chairperson Miller called the meeting to order at 9:30 a.m.

Roll Call: Julia Miller, Chair, Harold Brown, Roberta Cooper, Chris Daly (9:35 a.m.), Jerry Hill, Marland Townsend, Gayle Uilkema.

Absent: None.

Also Present: Scott Haggerty

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

3. **Approval of Minutes of February 26, 2003:** Director Hill moved approval of the minutes; seconded by Director Townsend; carried with Director Cooper abstaining.

4. **District Financial Audit Report for Fiscal Year 2001/2002:** *A partner from the CPA firm Izabal, Bernaciak & Company presented the Audit Report for FY 2001/2003.*

Bob Izabal, from the CPA firm of Izabal, Bernaciak & Company, presented the annual audit report for fiscal year 2001/02. Mr. Izabal stated that a comprehensive A-133 audit was conducted and the auditors expressed an unqualified opinion. Mr. Izabal reviewed the Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2002.

Committee Action: Director Townsend moved acceptance of the report; seconded by Director Haggerty.

During discussion, staff was requested to report back at the next meeting on actions that were recommended from the audit of two years ago. There was also discussion on the issue of “material weaknesses.” The motion then carried unanimously.

In response to a question from Director Daly, William Norton, Executive Officer/APCO, stated that a management audit had been performed and a report was given to the Board in November 2002. Director Uilkema requested that staff report on how the audit can be more comprehensive and how to respond to the fact that there may be material weaknesses.

5. **Crash & Air Quality Rating Data on Hybrid Vehicles:** *Staff presented a report on the crash ratings on the Toyota Hybrid vehicles as determined by the National Highway Traffic Safety Administration.*

Wayne Tanaka, Director of Administrative Services, presented the report and reviewed the “star” ratings of the vehicles and made a comparison on those vehicles being replaced. Mr. Tanaka also reviewed the emissions rating of the vehicles.

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

6. Cost Analysis of Vehicle Lease Program vs. Purchasing: *Staff presented information on the cost effectiveness of the vehicle lease program vs. purchasing.*

Mr. Tanaka discussed the spreadsheet that compares the cost of leased vehicles and purchased vehicles. Mr. Tanaka reviewed the background on why the District either leased or purchased vehicles. There was discussion on the cost per mile; extended lease options when there is high mileage on a vehicle; and maintenance being included in the lease program. The maintenance on the vehicles can be done at designated shops in the 9 Bay Area counties. There are 74 leased vehicles in the District’s fleet. The District would like the flexibility to look at each individual year and, depending on fiscal policy, would either lease or purchase vehicles. Currently, there are 120 vehicles in the District’s fleet.

Committee Action: None, this report was provided for information only.

7. Presentation of Fiscal-Year 2003/2004 Proposed Budget: Mr. Tanaka presented and reviewed the proposed Fiscal Year 2003/2004 Budget. The County revenue has not been adjusted because the District, at this time, does not know if the State will make adjustments that would affect the budget. Staff will come back to the Committee with recommended reductions as soon as it is known if there will be less money coming from this funding source.

Mr. Tanaka reviewed the General Fund Revenue; the General Fund Expenses and Transportation Fund for Clean Air (TFCA) expenses and revenue. Mr. Tanaka reviewed the retiree benefits that are included in the budget. Mr. Norton stated that this budget is based on what the District knows now at the state level and that it may change at a future date. Mr. Tanaka noted the information in Appendix F that shows the projected revenue and expenditures out to fiscal year 2005/2006.

Mr. Norton stated that the increase of 4.4% includes about a half million dollars to the program for bio-watch. The federal government has asked the District to do some monitoring at certain existing monitoring stations in the Bay Area. The District anticipates being reimbursed for this work.

Committee Action: The Committee determined to hold one more meeting on the budget before forwarding it to the Board for consideration.

8. Committee Member Comments/Other Business. There were none.

9. **Time and Place of Next Meeting:** 9:30 a.m., Wednesday, May 14, 2002, 939 Ellis Street, San Francisco, CA.
10. **Adjournment:** The meeting adjourned at 10:45 a.m.

Mary Romaidis
Clerk of the Boards

mr

Budget & Finance Committee

Follow-up Items for Staff

April 23, 2003 meeting

1. Director Uilkema requested staff report back at the next meeting on actions that were recommended from the audit of two years ago.
2. Director Uilkema requested staff report on how the audit can be more comprehensive and how to respond to the fact that there may be material weaknesses.

BAY AREA AIR QUALITY MANGEMENT DISTRICT

Inter Office Memorandum

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

From: Wayne Tanaka
Director of Administrative Services

Date: April 28, 2003

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 \$8,527,136 (59%) of budgeted revenue. Alameda, San Mateo and Santa Clara counties accounted for the majority of the receipts received.
- Permit Fee receipts were \$14,366,696 (85%) of budgeted revenue.
- Asbestos Fees were \$913,360 (75%) of budgeted revenue.
- Penalties and Settlements receipts were \$1,972,103 (98%) of budgeted revenue.
- State Subvention was \$1,766,288 (95%) of budgeted revenue.
- Interest Income receipts were \$308,871 (69%) of budgeted revenue.
- Miscellaneous Revenue receipts were \$ 253,739 (94%) of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

- Salaries and Benefits were \$21,121,380 (75%) of estimated expenditures.
- Operational Services and Supplies were \$4,966,165 (53%) of estimated expenditures.
- Capital Outlay was \$595,767 (16%) of estimated expenditures.

TFCA FUND: STATEMENT OF INCOME AND EXPENDITURES

- Total Revenue was \$3,200,919 (75%) of estimated revenue and expenditures.
- In keeping with TFCA Fund requirements, expenditures must equal revenue.
- Salary and Benefits were \$958,314 (82%) of estimated expenditures.
- Operational Services and Supplies were \$2,242,605 (72%) of estimated expenditures.

BUDGET CONSIDERATION/FINANCIAL IMPACT

No impact on current year budget.

Respectfully submitted,

Wayne Tanaka
Director of Administrative Services

Prepared by: Wayne Tanaka

FORWARDED _____

BAY AREA AIR QUALITY MANGEMENT DISTRICT

Inter Office Memorandum

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

From: Wayne Tanaka
Director of Administrative Services

Date: April 23, 2003

Re: FY 1999/2000 AUDIT REPORT SUGGESTION TO TAG ASSETS

RECOMMENDED ACTION:

Information report. Receive and file.

BACKGROUND

At the April 23, 2003 Budget and Finance Committee meeting, staff was requested to provide information on a 1999/2000 audit suggestion on tagging of assets.

DISCUSSION

The 1999/2000 audit report recommended that the District “perform a physical inspection of all existing fixed assets and maintain a complete listing to adjust the general fixed assets account.” At the time of the audit report, staff had already begun the process of conducting a physical inventory inspection but was not completed during the audit engagement for that year. A report on the completion of the inventory was given to this committee at the February 27, 2002 meeting. Attached to this agenda item are the approved minutes from that meeting and the February 27, 2002 agenda summary pertaining to that item.

BUDGET CONSIDERATION/FINANCIAL IMPACT

No impact on current year budget.

Respectfully submitted,

Wayne Tanaka
Director of Administrative Services

Prepared by: Wayne Tanaka

FORWARDED _____

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

APPROVED MINUTES

Summary of Board of Directors
Budget & Finance Committee Meeting
9:30 a.m., Wednesday, April 24, 2002

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

Roll Call: Gayle Uilkema, Chair, William Carroll, Scott Haggerty (9:36 a.m.), Mark Ross, Marland Townsend.

Absent: Harold Brown, Jerry Hill, Tim Smith, Shelia Young.
2. **Public Comment Period:** There were none.
3. **Approval of Minutes of February 27, 2002:** Approval of the minutes was deferred until a quorum is present.
4. **District Financial Audit Report for FY 2000/2001:** Wayne Tanaka, Director of Administration, introduced Bob Isabal, a partner from the CPA firm of Izabal, Beraciak & Company. Mr. Isabal presented the annual audit for fiscal year 2000/01. Mr. Isabal briefly discussed the issue of the District's fixed assets and indicated that the District had completed the task.

Committee Action: None, this report submitted for information only.
3. **Approval of Minutes of February 27, 2002:** There being a quorum present, Mr. Townsend moved approval of the minutes; seconded by Mr. Ross; carried unanimously by acclamation.
5. **Request to Transfer Funds in Fiscal Year 2001/2002 Budget:** Ellen Garvey, APCO, stated this was a referral from the Executive Committee regarding a transfer of funds to enable the District to conduct enhanced work with the California Environmental Quality Act (CEQA) process. William Guy presented the report stating staff is requesting a transfer of \$60,000 from the contingency reserve in the General Fund to the Professional Services and Contracts account in Program 611. Mr. Guy noted that these funds will be used for a more extensive CEQA review for amendments to the District's rules and regulations, particularly for actions to implement the recent Ozone Plan. On March 19, 2002, the District released a request for proposals (RFP) seeking CEQA assistance for three specific rule development projects implementing the three control measures from the 2001 Plan. Four proposals were received and staff will provide information to the full Board at its next meeting on which consultant is being recommended. It was noted that if any portion of the \$60,000 is not used, the money would go back into the reserve for contingency account.

Committee Action: Mr. Haggerty moved the Committee recommend approval of the transfer of \$60,000 from the General Fund Reserve for Contingencies to the Professional Services and Contracts account in Program 611; seconded by Mr. Townsend; carried unanimously by acclamation.

6. **Report on the District's Liability Insurance Coverage:** Brian Bunger, Acting Counsel, stated the District received a letter from the law firm of McCormick, Barstow, Sheppard, Wayte & Carruth LLP, representing the Special Districts Risk Management Authority. The letter denied the District's request for coverage on a recent civil action claim. Mr. Bunger stated the item will be discussed more fully in Closed Session.

Committee Action: None, this report was provided for information only.

7. **Presentation of Fiscal Year 2002/2003 Proposed Budget:** Ms. Garvey stated that at the April 17, 2002 Board meeting, the Fiscal Year 2002/2003 Budget was referred to the Budget and Finance Committee for review and consideration. Ms. Garvey reported this is a balanced budget. Mr. Tanaka presented the budget and compared the Consolidated Revenue and Consolidated Expense from the fiscal year 2001/2002 budget to the proposed fiscal year 2002/2003 budget. The total Consolidated Revenue is estimated to be \$42,940,335. There was general discussion on the cost of Worker Compensation, Professional Services and Contracts, and Insurance for the District.

Committee Action: Mr. Townsend moved the Committee approve the proposed Fiscal Year 2002/2003 Budget and forward it to the full Board for approval; seconded by Mr. Haggerty.

Speaker: Dan Phelan
CCEEB
San Francisco, CA

After the speaker made his presentation, the motion carried unanimously by acclamation.

8. **Closed Session Conference with Legal Counsel:** *Pursuant to Government Code Section 54956.9(c), a need existed to meet in Closed Session with legal counsel regarding one potential case.*

The Committee convened to Closed Session at 10:29 a.m. and reconvened to Open Session at 10:46 a.m. Mr. Bunger reported the Committee met with legal counsel on potential litigation. General direction was given to counsel regarding the matter and should litigation be initiated in the future, details will be provided at that time.

9. **Committee Member Comments/Other Business.** There were none.

10. **Time and Place of Next Meeting:** The next meeting of the Committee is scheduled for 9:30 a.m., Wednesday, May 22, 2002, 939 Ellis Street, San Francisco, CA.

11. Adjournment: The meeting adjourned at 10:48 a.m.

Respectfully submitted,

Mary Romaidis
Clerk of the Boards

mr

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

BUDGET AND FINANCE COMMITTEE

MEETING DATE

February 27, 2002

AGENDA NO:

6

REPORT:

District's Fixed Asset Inventory System

SUMMARY:

The District's fixed asset inventory system is in compliance with the District's FY 2000 audit recommendation and also with the Governmental Accounting Standard's Board (GASB) Rule 34.

RECOMMENDED ACTION:

Receive and file

*Ellen Garvey
Executive Officer*

BACKGROUND

The District's FY 2000 audit contained a recommendation that the District "perform a physical inspection of all existing fixed assets and maintain a complete listing to adjust the general fixed assets account." The District was in the process of conducting a physical inventory inspection of existing fixed assets but the project was not completed during the audit engagement for that year.

Staff implemented this recommendation and to come into early compliance with the Government Accounting Standards Board (GASB) Rule 34, "New Governmental Financial Reporting Model". The new rule, which was adopted in 1999, affects all state and local governments that issue financial reports. One feature of the new reporting model focuses on capitalization and depreciation of fixed assets.

The District reviewed new opportunities to comply with both the recommendation and the new compliance rule that would affect the District during FY 2003. Companies that had expertise in inventory and knowledge of GASB 34 were invited to submit proposals and demonstrate their fixed assets systems. Two companies offered proposals and the District chose At-SINC as the vendor.

AT-SINC asset inventory collection teams began the process of bar code tagging and electronically recording the fixed assets above a historical value of \$ 100 on July 5, 2001. During the process the teams collected the fixed asset information from the District building and seventeen (17) air monitoring stations and field offices.

This process took approximately four weeks to complete. Over 6,940 assets were bar code tagged and the appropriate information was captured. The coded data was made available to the District through the AT-SINC web site. The information collected included manufacturer, model, style, serial number, description, location and tag number.

The next portion involved the valuation of the assets collected. Historical costs known were utilized and loaded into the AT-SINC system. If historical costs were not available, AT-SINC personnel did research to estimate as closely as possible the historical cost. The research consisted of using practices in accordance with the standards set for asset valuation.

Once the asset data was loaded into the Asset Management System software, the information was then downloaded on a District Accountant's computer. The system also calculates depreciation for financial disclosure reporting in accordance with GASB 34 and is a complete fixed asset inventory system in accordance with the FY 2000 audit recommendation.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Inter Office Memorandum

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

From: William C. Norton
Executive Officer/APCO

Date: April 23, 2003

Re: Continued Discussion of Fiscal Year 2003/2004 Proposed Budget and
Referral to the Board of Directors

RECOMMENDED ACTION:

It is recommended that the Budget and Finance Committee receive this report for review and possible referral of the proposed fiscal year 2003/2004 Budget to the Board of Directors for adoption.

BACKGROUND:

At the April 16, 2003, regular Board meeting, the Fiscal Year 2003/2004 Budget document was referred to the Budget and Finance Committee for review and recommendations. The Committee reviewed the budget at the April 23, 2003, Committee meeting. At that meeting, the Committee requested that continued review and discussion of the budget take place at the next scheduled meeting.

DISCUSSION:

Staff presented the proposed budget for Fiscal Year 2003/2004 at the April 23, 2003 meeting. The proposed budget is balanced. General Fund Revenues, Supplemental State Subvention, TFCA Indirect Cost Recovery and TFCA Revenues are \$47.1million and match proposed consolidated expenditures. Proposed capital requests are at \$2,816,430. There is a .41 FTE decrease.

Staff will have published prior to May 5, 2003, a notice to the general public that the first of two public hearings on the budget will be conducted on June 4, 2003, and that the second hearing will be conducted on June 18, 2003.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

The proposed consolidated budget for FY 2003/2004 is \$47,058,377.

Respectfully submitted

William C. Norton
Executive Officer/APCO

Prepared by: Wayne Tanaka
Reviewed by: Brian Bunger