



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

CAROLE GROOM – CHAIRPERSON
SCOTT HAGGERTY
ERIC MAR
MARK ROSS
SHIRLEE ZANE

ASH KALRA – VICE CHAIRPERSON
DAVE HUDSON
KATIE RICE
BRAD WAGENKNECHT

WEDNESDAY
JANUARY 25, 2012
9:30 A.M.

4th FLOOR CONFERENCE ROOM
939 ELLIS STREET
SAN FRANCISCO, CA 94109

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 Air 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 DECEMBER 14, 2011**
4. **SECOND QUARTER FINANCIAL REPORT – FISCAL YEAR 2011-12**

J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive an update on the Air District's Second Quarter Financial Report.
5. **AIR DISTRICT FINANCIAL OVERVIEW**

J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive an overview of the Air District's financial outlook and strategies employed during the fiscal year end 2012 budget cycle.
6. **AUTHORIZE EXPENDITURES FOR PRODUCTION SYSTEM REPLACEMENT OF DATABANK**

J. McKay/4629
jmckay@baaqmd.gov

The Committee will consider recommending that the Board of Directors authorize the Executive Officer/APCO to execute agreements not to exceed \$450,000 with Vertigo Software and execute agreements not to exceed \$250,000 with Trinity Technologies Group for replacement of Air District legacy software systems.
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 – WEDNESDAY, FEBRUARY 22, 2012 AT 9:30 AM – 939 ELLIS STREET, SAN FRANCISCO, CA 94109**

9. **ADJOURNMENT**

CONTACT EXECUTIVE OFFICE - 939 ELLIS STREET SF, CA 94109

(415) 749-5130
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.
- Any writing relating to an open session item on this Agenda that is distributed to all, or a majority of all, members of the body to which this Agenda relates shall be made available at the District's offices at 939 Ellis Street, San Francisco, CA 94109, at the time such writing is made available to all, or a majority of all, members of that body. Such writing(s) may also be posted on the District's website (www.baaqmd.gov) at that time.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

939 ELLIS STREET, SAN FRANCISCO, CALIFORNIA 94109

(415) 771-6000

EXECUTIVE OFFICE: MONTHLY CALENDAR OF DISTRICT MEETINGS

JANUARY 2012

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Budget & Finance Committee <i>(Meets the 4th Wednesday Each Month)</i>	Wednesday	25	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i> - CANCELLED	Thursday	26	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Legislative Committee <i>(At the Call of the Chair)</i>	Monday	30	9:30 a.m.	4 th Floor Conf. Room

FEBRUARY 2012

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	1	9:45 a.m.	Board Room
Advisory Council Regular Meeting <i>(Meets 2nd Wednesday each Month)</i>	Wednesday	8	9:00 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	15	9:45 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets 3rd Monday Every Month)</i>	Wednesday	15	Immediately Following Board Meeting	Board Room
Board of Directors Public Outreach Committee	Thursday	16	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Executive Committee <i>(Meets 3rd Monday Every Month)</i> - CANCELLED and RESCHEDULED TO FEBRUARY 15, 2012 IMMEDIATELY FOLLOWING THE BOARD MEETING	Wednesday	20	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Stationary Source Committee <i>(Meet 3rd Monday Every Other Month)</i> - CANCELLED	Monday	20	10:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(Meets the 4th Wednesday Each Month)</i>	Wednesday	22	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	23	9:30 a.m.	4 th Floor Conf. Room

MARCH 2012

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	7	9:45 a.m.	Board Room
Advisory Council Regular Meeting <i>(Meets 2nd Wednesday each Month)</i>	Wednesday	14	9:00 a.m.	Board Room
Board of Directors Executive Committee <i>(Meets 3rd Monday of each Month)</i>	Monday	19	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Stationary Source Committee <i>(Meets 3rd Monday Every Other Month)</i>	Monday	19	10:30 a.m.	4 th Floor Conf. Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	21	9:45 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	22	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(Meets the 4th Wednesday Each Month)</i>	Wednesday	28	9:30 a.m.	4 th Floor Conf. Room
HL – 1/20/12 (7:45 a.m.)				P/Library/Forms/Calendar/Calendar/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

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

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 10, 2012

Re: Budget and Finance Committee Draft Meeting Minutes

RECOMMENDED ACTION

Approve attached draft minutes of the Budget and Finance Committee meeting of December 14, 2011.

DISCUSSION

Attached for your review and approval are the draft minutes of the December 14, 2011 Budget and Finance Committee meeting.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Maricela Martinez
Reviewed by: Jennifer C. Cooper

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

DRAFT MINUTES

Summary of Board of Directors
Budget and Finance Committee Meeting
Wednesday, December 14, 2011

1) Call to Order/Roll call: Chairperson Carole Groom called the meeting to order at 9:38 a.m.

Present: Chairperson Carole Groom, Directors Gayle Uilkema, and Brad Wagenknecht. Vice Chairperson Ash Kalra, Directors Mark Ross, and Eric Mar arrived after the roll call.

Also Present: Director John Gioia

Absent: Directors Scott Haggerty and Shirlee Zane.

2) Public Comment Period: There were no public comments.

3) Approval of Minutes of October 19, 2011: Deferred to later in the meeting.

4) First Quarter Financial Report Fiscal Year 2011-12

David Glasser, Finance Manager, provided a presentation to the Committee which summarized the first quarter financial report for fiscal year 2011 – 2012. The presentation covered general fund revenues, general fund expenses, investments, fund balances, and vendor payments in excess of \$70,000 for Fiscal Year Ending (FYE) 2012.

Director Uilkema commented about the 1% of budgeted revenue for County receipts versus the 82% of budgeted revenue for Title V permits. Director Uilkema asked about the percentage difference attributed to the timing of the revenue cycles when the Air District receives these revenues.

Mr. Glasser responded that County receipts are due and payable on December 12 so these revenues should be received from the County in late December. Title V revenues are received in the early part of the fiscal year.

Brian Bunger, District Counsel, stated that the larger Title V facilities get billed for permit renewals in the first quarter.

Director Uilkema commented about penalties and settlements versus miscellaneous revenues percentages.

Mr. Bunger stated that penalties and settlements do not come in regularly. A marker is placed in the budget but the Air District does not expect this revenue to come in a regularly organized way.

Public Comments: None

Committee Member Comments: None.

Committee Action: None, informational only.

5) Air District Financial Overview

Jeff McKay, Deputy Air Pollution Control Officer, provided a presentation to the Committee which summarized and compared FYE 2011 budget and current fiscal year projections. During the winter of fiscal year 2011, the committee was informed that the Air District was projecting a \$1 million revenue shortfall. Indeed this projection proved to be accurate. In subsequent meetings, several responses were brought forward. These responses included reducing expenditures and vacancy rate increases. The responses to the challenge slightly exceeded the amount of challenge.

Mr. McKay continued with the presentation showing the fund balances. Two factors affect the unaudited fund balances as of July 1, 2011. The Board authorized an early encumbrance from FYE 2012 budget of \$700,000 for the production system. The General reserves have been showing \$500,000 for the Lennar settlement. These funds should really be held separately. These funds are not general accessible funds for general use so these funds are being set aside out of the general fund audited reserves.

As of November 29, 2011, total permit fee revenue is projected to be approximately \$2.5 million less than budgeted for FYE 2012. Renewals are also dropping off but property taxes are projected to be on target. A continuing downward trajectory has been noted in the Bay Area activity that generates fees. Description of responses to these challenges will be brought to the Committee at a future meeting.

A part of the responses has been and will continue to be using vacancies. The District is a little over 10% in vacancy rate which is distributed throughout various divisions. In summary, a drop in Bay Area permit activity continues, response to challenges will be brought to the Committee in early 2012, past responses and other factors may continue to help out.

Public Comments: None

Committee Member Comments:

Director Wagenknecht asked how much is budgeted for the production system in current fiscal year.

Mr. McKay responded in current fiscal year the entire information services budget is \$3.1 million. If the production system does not go live and continue to spend in this coming year then there will be an overage in expenditures for the production system.

Director Ross asked about budgeted expenses for the legal division.

Mr. Bunger responded that the Air District is much higher than normal for outside legal expenditures. The Air District is experiencing a greater burn rate of legal fees for outside counsel than in the past 10 years.

Committee Action: None, informational only.

6) Update on Development of a Cost Recovery Policy

Brian Bateman, Director of Engineering, presented the staff report which introduced a draft cost recovery policy that would guide the development of future amendments to the District's fee regulation.

Mr. Bateman explained that the Air District has the authority under state law to collect fees to recover the District's regulatory program activity costs up to 100% full cost recovery. The Air District falls short of the 100% full cost recovery mark. The last study was conducted by Matrix Consulting in 2011 and it showed that on an overall basis fees bring in 62% of the cost of the program. In dollar terms, this represents a shortfall of \$16.8 million dollars per year, which is referred to as a cost recovery gap. He further stated that fees are largest source of revenue, and property taxes are used to fill the cost recovery gap.

Mr. Bateman described the recommendation from the cost recovery study, that the district adopt a formal cost recovery policy as a best management practice and having such a policy would provide greater certainty to fee payers regarding future increases.

Air District survey results showed that other air districts do not have a cost recovery policy in place. Some of the districts provided information as to where they are in terms of cost recovery and from those that responded in this matter, most of the districts indicated that they are at 90% or higher in cost recovery.

A stakeholder advisory group was established and has met. Members of the groups consist of major industry groups and environmental group member.

As a result, a draft cost recovery policy has been developed. Elements of the draft policy include: continue to implement feasible cost containment measures, continue analysis of cost recovery on an annual basis, and as a matter of policy, fees should generally fully recover regulatory program activity costs.

Looking out over the next five year period and establishing a specific target in terms of where the Air District wants to get over that five year period in terms of cost recovery is the more practical goal. Staff is proposing a 90% goal over the next five years. The Air District needs to continue to contain our costs to the maximum extent feasible while allowing for funding of effective regulatory programs. Cost containment measures consist of hold on vacancies, cross training staff, reduction in expenditures on services and supplies, and the revised labor contract which will provide substantial savings to the District in personnel costs over time.

Mr. Bateman continued to discuss best management practices being implemented and provided a cost recovery analysis update which will continue to be conducted on an annual basis. Estimated FYE 2012 cost recovery fees are expected to be 72% and cost recovery gap projected to be \$12 million.

Mr. Bateman discussed the availability of subsidies to certain types of businesses or other types of regulated entities. Mr. Bateman also presented a table which showed various options for setting a cost recovery goal over the next 5 years. Staff believes that allocation of costs to fee payers should be conducted in an equitable manner.

Public Comments: None

Committee Member Comments:

Director Uilkema discussed the overall cost recovery plan and using heavy industry to support other programs because this industry makes millions of dollars. Director Uilkema inquired about the Air District's current practice when it comes to the use of tax revenues?

Mr. Bateman stated that past practice has been when a measure is brought to the Board, such as industry for example, the District tries to indicate in the staff report what the impact will be on our resources. If it is going to take more resources, staff will accompany that with a proposed fee increase to match those costs. Staff has been trying, as we move forward with new measures, to get complete cost recovery as best as it could be estimated at the time of those measures.

Mr. Jack Broadbent, Executive Officer, stated that there is an overall perspective in the law as it relates to our fees. The core programs of our permitting and enforcement programs will be covered by the fees and the costs not covered by the fees will be covered by property taxes. Staff is basically providing the Committee members with the staff's thinking and seeking direction from the Board.

Director Uilkema continues stating that staff needs to be careful and make sure to balance the vitality of small business, large business, etc. and be very mindful when establishing the goals and the impacts of these goals.

Director Kalra asked why the Air District is at 68% cost recovery when other districts are at 90%.

Mr. Broadbent responds by stating that BAAQMD is the only district that receives property taxes. This stems back to 1955 when the Air District was established.

Mr. Bunger stated that the cost recovery percentage got exacerbated due to many years of no permit fee increases. Other districts goals are 100% of cost recovery. To that extent we are setting our goal low at 90% in comparison.

Director Mar requests that staff provide more details of the survey results to see the response of other districts.

Director Ross requests that staff provide information in regards to what percentage of property taxes received comes from these industries and business to be able to do a category by category comparison.

Mr. Bunger responds that the information can be obtained from the County.

Committee Action: None.

Approval of Minutes of October 19, 2011: Director Wagenknecht made a motion to approve the October 19, 2011 minutes; Vice Chairperson Kalra seconded the motion; carried unanimously without objection.

8) Committee Member Comments/Other Business: None

9) Time and Place of Next Meeting: At the call of the Chair.

10) Adjournment: The meeting was adjourned at 10:32 a.m.

Maricela Martinez
Executive Secretary

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

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

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 10, 2012

Re: Second Quarter Financial Report – Fiscal Year 2011-12

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Finance staff will present an update on the Air District’s financial results for the second quarter of the 2011-12 fiscal year. The following information summarizes those results.

GENERAL FUND BUDGET: STATEMENT OF REVENUE

Comparison of Budget to Actual Revenue

- County receipts \$8,830,371 (42%) of budgeted revenue.
- Permit Fee receipts \$16,405,006 (65%) of budgeted revenue.
- Title V Permit Fees \$3,065,476 (101%) of budgeted revenue.
- Asbestos Fees \$1,079,560 (61%) of budgeted revenue.
- Toxic Inventory Fees \$286,844 (40%) of budgeted revenue.
- Penalties and Settlements \$1,427,304 (95%) of budgeted revenue.
- Miscellaneous Revenue \$32,958 (165%) of budgeted revenue.
- Interest Revenue \$45,580 (17%) of budgeted revenue.

GENERAL FUND BUDGET: STATEMENT OF EXPENDITURES

Comparison of Budget to Actual Expenditures

- Personnel – Salaries \$14,102,990 (46%) of budgeted expenditures.
- Personnel - Fringe Benefits \$6,166,742 (42%) of budgeted expenditures.
- Operational Services and Supplies \$6,993,434 (39%) of budgeted expenditures.
- Capital Outlay \$1,253,464 (72%) of budgeted expenditures

Cash and Investments in County Treasury:

(Based on the December 2011 Account Balance)

General Fund	\$13,323,423
TFCA	\$59,545,616
MSIF	\$32,668,338
Carl Moyer	\$9,284,274
CA Goods Movement	\$26,287,327
	<u>\$143,519,401</u>

Investments Held as:

(Based on the August 2011 Account Balance)

Fixed Income Investments	60% of total investment pool
Short Term Investments	40% of total investment pool

FUND BALANCES

	<u>6/30/2010</u> <u>Audited</u>	<u>6/30/2011</u> <u>Unaudited</u>	<u>6/30/2012</u> <u>Projected</u>
Imprest Cash	\$ -	-	-
Building and Facilities	1,731,690	4,075,756	3,912,154
PERS Funding	1,900,000	1,500,000	1,500,000
Radio Replacement	75,000	75,000	-
Capital Equipment	-	1,219,818	1,219,818
Contingencies	130,425	-	-
Post-Employment Benefits	-	2,000,000	2,000,000
Worker's Compensation	1,000,000	1,000,000	1,000,000
Economic Uncertainties	7,816,963	130,660	130,660
TOTAL SPECIAL RESERVES	<u>\$ 12,654,078</u>	<u>\$ 10,001,234</u>	<u>\$ 8,704,428</u>
UNDESIGNATED	<u>288,477</u>	<u>411,797</u>	<u>411,797</u>
TOTAL FUND BALANCES	<u>\$ 12,942,555</u>	<u>\$ 10,010,761</u>	<u>\$ 9,116,225</u>

VENDOR PAYMENTS

In accordance with provisions of the Administrative Code, Division II Fiscal Policies and Procedures - Section 4 Purchasing Procedures: 4.3 Contract Limitations, staff is required to provide the Board a listing of all of the vendors receiving payments in excess of \$70,000 under contracts that have not been previously reviewed by the Board. Prior Air District practice does not bring payments for recurring routine business costs such as utilities, licenses, office supplies and the like, before the Board, except as part of the Air District budget. The current practice now is to list such payments over \$70,000 in a quarterly financial report. The purpose is to increase the information flow to the Board, to maintain committee efficiency, and to clarify policy.

The following vendor information is provided:

Vendor	Amount Paid	Service Provided
CA PUBLIC EMP RET SYST- HEALTH Total	1,872,531	Medical Insurance
PUBLIC EMPL RETIREMENT SYSTEM Total	1,853,703	Pension
IQAir North America, Inc. Total	307,284	Lab Supplies
DELTA DENTAL PLAN OF CALIF Total	254,801	Dental Insurance
ALLIANT INSURANCE SERVICES, IN Total	244,235	Insurance
CSAC EXCESS INSURANCE AUTHORIT Total	204,860	Insurance
EMPLOYEE BENEFIT SPECIALISTS, Total	192,709	Medical / Childcare Spending
HARTFORD LIFE INS. CO. Total	138,648	457 Plan
ENTERPRISE FLEET SERVICES Total	131,443	Fleet Maintenance
COMPUCOM SYSTEMS, INC. Total	117,002	Software Maintenance
CUBIC TRANSPORTATIONS SYSTEMS, Total	102,329	Clipper Cards
NETWORK TELEVISION TIME, INC. Total	75,678	Webcasting

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: David Glasser
Reviewed by: Jack M. Colbourn

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

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

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 10, 2012

Re: Air District Financial Overview

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Staff will review the Air District response to fiscal challenges. The review will include a discussion of the strategies employed during the FYE 2012 budget cycle. Possible mid-year budget adjustments will be discussed. Implications for the coming FYE 2013 budget process will also be reviewed.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeffrey McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

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

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 24, 2012

Re: Authorize Expenditures for Production System Replacement of Databank

RECOMMENDED ACTION

Recommend that the Board of Directors authorize the Executive Officer/APCO to execute agreements not to exceed \$450,000 with Vertigo Software, and execute agreements not to exceed \$250,000 with Trinity Technology Group for replacement of Air District legacy software systems.

DISCUSSION

The Air District has used resources from Vertigo Software and Trinity Technology Group in prior fiscal years, and staff recommends the continued use of proven resources familiar with Air District systems. Vertigo is familiar with the Air District's Microsoft environment. Trinity Technology is familiar with our business processes and with our data sets.

BUDGET CONSIDERATION/FINANCIAL IMPACT

This recommendation is funded from the approved District Information Systems and Administrative Services FYE 2012 budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeffrey McKay