

Bay Area Air Quality Management District
939 Ellis Street
San Francisco, California 94109
(415) 749-5073

Videoconference Location:
Santa Rosa Junior College
Doyle Library Room 4243
1501 Mendocino Avenue
Santa Rosa, CA 95401

APPROVED MINUTES

Summary of Board of Directors
Budget and Finance Committee Meeting
Wednesday, April 23, 2014

1. Call to Order – Roll Call

Budget and Finance Committee (Committee) Chairperson Carole Groom called the meeting to order at 9:32 a.m.

Present: Committee Chairperson Carole Groom; Committee Vice-Chairperson Eric Mar; Board of Directors (Board) Chairperson Nate Miley; and Directors David Hudson, Liz Kniss, Mark Ross, Brad Wagenknecht and Shirlee Zane (from videoconference location).

Absent: Director John Gioia.

Also Present: None.

2. Public Comment Period: No requests received.

3. Third Quarter Financial Report – Fiscal Year Ending (FYE) 2014 (Agenda Item #5 taken out of order)

Jeff McKay, Deputy Air Pollution Control Officer (DAPCO), introduced Stephanie Osaze, Finance Manager of Administrative Services, who gave the staff presentation *Third Quarter Financial Report – FYE 2014*, including an overview of general fund revenues and expenses, revenue and expense year-over-year comparisons, investments, fund balances, purchasing reporting requirements, and cumulative vendor payments in excess of \$70,000 without Board review.

NOTED PRESENT: Director Kniss was noted present at 9:35 a.m. and Director Mar was noted present at 9:36 a.m.

The Committee and staff discussed, at slide 2, *3rd Quarter Results FYE 2014, General Fund – Revenues*, the cause of the high percentages relative to both “Penalties and Settlements” and “Interest Revenue.”

NOTED PRESENT: Director Zane was noted present at the videoconference location at 9:38 a.m.

Ms. Osaze concluded the presentation.

Committee Comments:

The Committee and staff discussed the two separate life insurance policy payments listed on slide 9, *Contract Limitations*, at lines 6, CSAC Excess Insurance Authority, and 11, Hartford Life Ins. Co.; the nature and amount of the payment on slide 9, *Contract Limitations*, at line 15, Renne Sloan Holtzman & Sakai, for Human Resources Consulting Services; the total number and average individual cost of handling employee grievances; the nature of the expenses on slide 9, *Contract Limitations*, at line 7, Cubic Transportation Systems, for Clipper Transit Subsidy; how the Air District is doing financially in comparison to other air districts and agencies of a similar size; and the effect of early Other Post-Employment Benefits (OPEB) payments.

NOTED PRESENT: Board Chair Miley was noted present at 9:48 a.m.

Committee Chair Groom asked staff to provide a report on cumulative vendor payments in excess of \$70,000 without Board review to Renne Sloan Holtzman & Sakai, for Human Resources Consulting Services, at a future Committee meeting.

Public Comments: No requests received.

Committee Action: None; receive and file.

4. Approval of Minutes of March 26, 2014 (Agenda Item #3)

Committee Comments: None.

Public Comments: No requests received.

Committee Action:

Director Hudson made a motion to approve the Minutes of March 26, 2014; Director Wagenknecht seconded; and the motion carried by the following vote of the Committee:

- AYES: Groom, Hudson, Kniss, Mar, Miley, Ross, Wagenknecht and Zane.
- NOES: None.
- ABSTAIN: None.
- ABSENT: Gioia.

5. Continued Discussion of FYE 2015 Proposed Air District Budget and Consideration to Recommend Adoption (Agenda Item #4)

Mr. McKay gave the staff presentation *Proposed FYE 2015 Budget*, including proposed expenses and capital; Air District reserve funds and designations; current staffing levels and strategic staffing principles; vacancies for FYE 2014; climate program staffing; proposed staffing levels in FYE 2015; and a status report on fees and unfunded liabilities including pensions and OPEB.

The Committee and staff discussed, at slide 4, *Expense and Capital*, if and how “Service & Supply” breaks down relative to labor costs.

Mr. McKay continued the presentation.

The Committee and staff discussed, at slide 15, *Unfunded Liabilities Response*, the potential benefits for the Air District and California Public Employees’ Retirement System (CalPERS) of increased contributions; the impact of funding liabilities on an agency’s credit rating; the explanation for the potentially increased CalPERS contribution and whether increased employee contributions have affected CalPERS decision-making; the dollar amount equivalent of 20% of salary; the performance of CalPERS investments, the effect of inflation and the smoothing projection; questions of who dictates and is responsible for the investment strategy of CalPERS; the value of keeping the Board informed of CalPERS developments and the need to carefully consider how to address increases; the possible value of preempting a potential CalPERS increase through excess contributions that are pulled back if there is no increase; the need for a thoughtful discussion about how to proceed if and when the required CalPERS contribution is increased; the possible value of a reserve designation within the general fund in advance of a CalPERS increase; whether and in what form an assessment of CalPERS performance exists; and the composition of the CalPERS governing board and internal workings of the organization.

Committee Chairperson Groom directed staff to agendize a discussion of CalPERS for a future Committee meeting.

Mr. McKay concluded the presentation.

Committee Comments:

The Committee and staff discussed whether a CalPERS illustration would look similar to that prepared in regards to OPEB; whether the staffing level has been consistent over the years and projections for the future; whether positions that generate and increase revenue are being fully staffed; the value of the strategic staffing principles being applied; and the potential impact of increased staffing on the Air District’s OPEB and CalPERS contributions.

Public Comments: No requests received.

Committee Action:

Director Hudson made a motion, seconded by Director Ross, to recommend Board adoption of the FYE 2015 Proposed Budget; and the motion carried by the following vote of the Committee:

AYES: Groom, Hudson, Kniss, Miley, Ross, Wagenknecht and Zane.

NOES: None.

ABSTAIN: None.

ABSENT: Gioia and Mar.

6. Committee Member Comments/Other Business:

The Committee and staff discussed the possibility of and justification for increasing the cost recovery rate over time.

7. Time and Place of Next Meeting:

Wednesday, May 28, 2014, at Bay Area Air Quality Management District Headquarters, 939 Ellis Street, San Francisco, CA 94109 at 9:30 a.m.

8. Adjournment: The meeting adjourned at 10:39 a.m.

151 Sean Gallagher

Sean Gallagher
Clerk of the Boards