

Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, California 94105
(415) 749-5073

APPROVED MINUTES

Summary of Board of Directors
Budget and Finance Committee Meeting
Wednesday, January 25, 2017

1. CALL TO ORDER – ROLL CALL

Budget and Finance Committee (Committee) Chairperson, Carole Groom, called the meeting to order at 9:39 a.m.

Present: Committee Chairperson Carole Groom, Vice Chair Katie Rice; and Directors David J. Canepa, Cindy Chavez, David Hudson, Nate Miley, Karen Mitchoff, and Mark Ross.

Absent: Director John Gioia.

Also Present: Board Chair Kniss.

2. PUBLIC COMMENT ON NON-AGENDA MATTERS:

Public comments were made by the following speakers:

Susan Gustofson, Valero; and Janet Whittick, California Council for Environmental and Economic Balance.

3. APPROVAL OF THE MINUTES OF DECEMBER 16, 2016

Public Comments:

No requests received.

Committee Comments:

Director Mitchoff requested that the Time and Place of the Upcoming Meeting section of the minutes of December 16, 2016 be changed from January 22 to *February 22*, to reflect the correct date of the next meeting.

Committee Action:

Director Hudson made a motion, seconded by Committee Vice Chair Rice, to **approve** the Minutes of December 16, 2016; and the motion **carried** by the following vote of the Board:

AYES: Canepa, Chavez, Hudson, Kniss, Mitchoff, Rice, and Ross.
NOES: None.
ABSTAIN: Groom.
ABSENT: Gioia and Miley.

4. AIR DISTRICT FINANCIAL AUDIT REPORT FOR FISCAL YEAR ENDING 2016

Dr. Jeff McKay, Deputy Air Pollution Control Officer, introduced Stephanie Osaze, Finance Manager, who introduced Pamela Freeman of Gilbert Associates, Inc., who presented the Financial Audit Report for Fiscal Year Ending (FYE) 2016, including: overview of audit deliverables - financial statements and single audit; and communications with those charged with governance.

Public Comments:

No requests received.

Committee Comments:

The Committee and staff discussed a potential future increase in liability related to Other Post-Employment Benefits (OPEB); and the fact that District grants that are spread over a multi-year budget are captured in this report as one-year snapshots which may indicate negative values, although the District always has cash on hand before expenses are accrued because surplus funds from previous years of a program are carried over to the next year.

NOTED PRESENT: Director Miley was noted present at 9:57

Committee Action:

None; receive and file.

5. SECOND QUARTER FINANCIAL REPORT - FISCAL YEAR ENDING 2017

Dr. McKay re-introduced Ms. Osaze, who gave the staff presentation *Second Quarter Financial Report – FYE 2017*, including; overview; General Fund Revenues; revenue comparison – prior year versus current year; General Fund expenses; expenditure comparison – prior year versus current year; cash and investments with county treasury; fund balance and unfunded liabilities; purchasing reporting requirements; and FYE 2017 vendor payments.

Public Comments:

No requests received.

Committee Comments:

The Committee and staff discussed the predictability and trends of the percentages of budgeted revenues by major category, and compared current values to projected future values; the

anticipated reduction of the CalPERS Discount Rate, which is currently 7.5%; how District reserves are established, and how the District keeps track of expected future obligations, such as Workers' Compensation; whether or not the District anticipates changes in budgetary policy; the possibility of identifying different budget terminology in order to reflect clearer definitions; and the District's ability to maintain actual values based on target values.

Committee Action:

None; receive and file.

6. OVERVIEW OF CURRENT FISCAL YEAR ENDING 2017

Before beginning his presentation, Dr. McKay noted that in March 2017, the Committee will be presented with *both* the proposed Annual Budget and the District fees assessment, as requested by the public. He also noted that a major factor as to why the District continues to receive clean audits is a preventative process and procedures audit that District staff developed, and which is expected to be conducted approximately every ten years. Dr. McKay gave the staff presentation *Overview of Current FYE 2017*, including: outline; recent financial history – audited values of District Reserve funds, actual expenditure trends, current vacancy rate and staffing trend, and actions taken during downturn; FYE 2018 budget topics and highlights – unfunded liabilities, pre-funding CalPERS retirement, CalPERS discount rate, CalPERS contribution rate, Contribution rate history, unfunded OPEB liabilities, selected possible demands on reserve funds, fund balance diversification, cost recovery, new office building obligations, and next steps.

Public Comments:

No requests received.

Committee Comments:

The Committee and staff discussed the District's efforts to increase overall recovery of regulatory program activity costs to 85%; how the terms "Rate of Return" and "Discount Rate" within District budgetary policy are interchangeable; the change in method for calculating the Employer CalPERS Contribution Rate beginning FY 2017-18 and how that will affect District employees; the inconsistency in CalPERS' guidance over the years; the practicality of the District terminating its contract with CalPERS and collaborating with an alternate retirement system; District policies regarding reserves, investments, and funding; cost of living adjustments anticipated for 2017 for District employees; the estimated market value of 375 Beale Street; the status and progress of the Condominium Agreement among the regional agency tenants of the building, and the formula used to determine how the regional agency tenants will share building expenses with the private tenants; the District's practice of the Board of Directors recommending the proposed budget to the Budget and Finance Committee, rather than the Committee making a recommendation to the Board first; and staff's projections of how District operations, planning, litigation, and budget will be impacted by the Trump administration, and the need for an additional contingency (reserves) fund.

Committee Action:

None; receive and file.

7. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS

None.

8. TIME AND PLACE OF NEXT MEETING

Wednesday, February 22, 2017, Bay Area Air Quality Management District Office, 375 Beale Street, San Francisco, CA 94105 at 9:30 a.m.

9. ADJOURNMENT

The meeting adjourned at 11:10 a.m.

/s/ Marcy Hirtzka
Marcy Hirtzka
Clerk of the Boards