

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, March 22, 2017

1. CALL TO ORDER – ROLL CALL

Budget and Finance Committee (Committee) Chairperson, Carole Groom, called the meeting to order at 9:30 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 of Directors (Board) Chair Liz Kniss.

2. PUBLIC COMMENT ON NON-AGENDA MATTERS:

Public comments were given by Susan Gustofson of Valero.

3. APPROVAL OF THE MINUTES OF FEBRUARY 22, 2017

Public Comments:

No requests received.

Committee Comments:

None.

Committee Action:

Director Canepa made a motion, seconded by Director Mitchoff, to **approve** the Minutes of February 22, 2017; and the motion **carried** by the following vote of the Committee:

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

4. DISCUSSION OF PROPOSED BUDGET FOR FISCAL YEAR ENDING 2018

Dr. Jeff McKay, Deputy Air Pollution Control Officer, gave the staff presentation *Discussion of Proposed Budget Fiscal Year End (FYE) 2018 Budget*, including: outline; current Fiscal Year projections for FYE 2017; District reserve funds: audited values excluding building proceeds; financial history: actions taken during downturn; Proposed Budget for FYE 2018; General Fund revenue sources and expenditures of the FYE 2018 Proposed Budget; services, supplies, and capital (actuals); FYE 2018 Proposed Fees and full-time equivalent staffing level; additional staffing; new reserve designations; Technology Implementation Office (TIO); FYE 2018 use of reserves; Clean Air Plan (CAP) implementation; \$1.7M meteorology equipment; reserves policy; fund balance and unfunded liability; CalPERS pension retirement overview, ratio, rate of return, change in rate of return, estimated impact to rate of return, possible strategy to address impact, who is Public Agency Retirement Services (PARS), and possible trust implementation steps; other postemployment benefits (OPEB) retirement medical and overview; office building obligations; budget summary FYE 2018; and next steps.

NOTED PRESENT: Director Miley was noted present at 9:40 a.m. and Director Ross was noted present at 9:57 a.m.

Public Comments:

None.

Committee Comments:

The Committee and staff discussed the Committee's concern of the increase in ongoing expenses (versus one-time expenses), which are at the mercy of the economy; the need for the District to provide the public with an explanation for the increase in the General Fund Budget so that there is no confusion as to how the increase came to be and for what purposes it may be used; how three existing positions were transferred to the TIO, and the status of the recruitment for the TIO Officer; the District's intention to create a revolving loan or grant fund that will generate administration fees, which will pay for TIO expenses; the District's definition of "capital"; the Committee's request for a presentation on Public Agency Retirement Services Pension Trust Fund options, for the District's OPEB and CalPERS contracts be analyzed in a comparative manner with PARS options, and to look at the employee count relative to their funding sources; the need to distinguish revenue expenditures *from reserves* from revenue expenditures *from ongoing revenue*, as the Committee is concerned that the public will not be able to tell the difference; the District's possible subsequent cash purchase of \$4 million for 10,000 square feet of additional office space at 375 Beale Street; the meaning of the acronyms relative to OPEB retirement medical (actuarially accrued liability, market value of assets, and actuarial value of assets); the funding sources of the \$4 million FYE 2018 Proposed Pre-Fund; and the District's limited options for capital diversification.

Committee Action:

None; receive and file.

5. PROPOSED AMENDMENTS TO REGULATION 3: FEES

Mr. Broadbent, Executive Officer/Air Pollution Control Officer, explained that the Proposed Fee amendments are designed to recover the costs of regulatory program activities in accordance with the Air District’s Cost Recovery Policy. He introduced Jaime Williams, Director of Engineering, who gave the staff presentation *Proposed Amendments to Regulation 3: Fees*, including: outline; revenue sources FYE 2016; cost recovery background; trends in cost recovery and cost cutting; FYE 2018 Proposed Fees; proposed changes to fee schedules; Proposed Fee schedules with no increase; Regulation 11, Rule 18 rule development underway, facility-wide Health Risk Assessment (HRA) fees, and risk reduction plan fees; other proposed amendments; impact on small businesses; impact on large facilities: petroleum refineries and power plants; public comments; and rule development schedule.

Public Comments:

None.

Committee Comments:

The Committee and staff discussed how the 2.7% increase for Schedule M (Major Stationary Source Fees) and Schedule U (Indirect Source Fees), and other future increases, may affect the one hundred Title V facilities in the Bay Area; how increases in activity levels, as well as increases in rates, both contribute to fee increases; the Committee’s gratitude to staff for reaching out to small businesses about these amendments; the need for the full Board to understand the District’s Cost Recovery Program when this item is brought to the Board for consideration; how penalties are determined by the State; potential examples (at both ends of the spectrum) of risk reduction plan fees regarding Draft Rule 11-18; how often and the manner in which reduction plan fees and facility-wide HRA fees would be collected; and how the implementation of reduction plan fees and facility-wide HRA fees are contingent upon the adoption of Draft Rule 11-18.

Committee Action:

None; receive and file.

6. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS

None.

7. TIME AND PLACE OF NEXT MEETING

Wednesday, April 26, 2017, Bay Area Air Quality Management District Office, 375 Beale Street, San Francisco, CA 94105 at 9:30 a.m.

8. ADJOURNMENT

The meeting adjourned at 10:50 a.m.

/s/ Marcy Hiratzka
Marcy Hiratzka
Clerk of the Boards