

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, April 26, 2017

**1. CALL TO ORDER – ROLL CALL**

Budget and Finance Committee (Committee) Chairperson, Carole Groom, called the meeting to order at 9:42 a.m.

Present: Committee Chairperson Carole Groom; and Directors David J. Canepa, Cindy Chavez, Nate Miley, and Karen Mitchoff.

Absent: Vice Chair Katie Rice; and Directors John Gioia, David Hudson, and Mark Ross.

Also Present: None.

**2. PUBLIC COMMENT ON NON-AGENDA MATTERS:**

No requests received.

**3. THIRD QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING 2017 (OUT OF ORDER, ITEM 6)**

Stephanie Osaze, Finance Manager, gave the staff presentation *Third Quarter Financial Report Fiscal Year Ending (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 San Mateo County Treasury; fund balance and unfunded liabilities; purchasing reporting requirements; and FYE 2017 vendor payments.

Public Comments:

No requests received.

Committee Comments:

None.

Committee Action:

None; receive and file.

**4. PUBLIC AGENCIES POST-EMPLOYMENT BENEFITS TRUST PROGRAM ADMINISTERED BY PUBLIC AGENCY RETIREMENT SERVICES (ITEM 5)**

Jean Roggenkamp, Deputy Executive Officer, introduced Rex Sanders, Director of Administrative Resources, who, with Mitch Barker, Executive Vice President of Public Agency Retirement Services (PARS), and Andrew Brown, Senior Portfolio Manager of High Mark Capital Management, gave the presentation, *Pension Rate Stabilization Program (PRSP) and Other Post-Employment Benefits (OPEB) Pre-Funding using 115 Trust*. Mr. Barker presented: 115 OPEB/Pension trust team; PARS IRS-approved combination 115 trust; more than 250 OPEB/PRSP clients, including these Bay Area Agencies; pension actuarial results; projected future CalPERS contributions – misc.; why prefund pension in a separate trust; OPEB actuarial results- financial summary; advantages of program; net performance/fee analysis annualized returns; PARS/High Mark Capital Management annualized returns; and OPEB/pension pre-funding fee schedule. Mr. Brown presented; High Mark Capital Management investment program – firm overview; investment capabilities; determine your strategic asset allocation strategy; construct your portfolio; and investment biography. Mr. Sanders presented: pension summary; and OPEB summary.

NOTED PRESENT: Director Miley was noted present at 10:01 a.m.

Public Comments:

No requests received.

Committee Comments:

The Committee and staff discussed PARS’ objective of creating a locally controlled trust through which public agencies may pre-fund retirement obligations, separately from CalPERS; the ways in which a client would retain services of both CalPERS and PARS simultaneously, and restrictions on interactions of the two entities; the average size of assets of PARS clients; popular asset allocations used by PARS clients and how these trends and risk levels perform compared to CalPERS; PARS’ inability to address public agencies’ conflicts regarding social responsibility (i.e.: refraining from investing in companies that conflict with an agency’s values) because they are not related to fiduciary considerations, the resources that are available to public agencies that are concerned with identifying particular investors, and the Committee’s request for staff to define what is “socially responsible” according to the District; ideal OPEB funded ratio averages, and the District’s Board of Directors’ direction to strive for a 90% target funding level with no target date; the difference between pensions for classic employees and Public Employees’ Pension Reform Act (PEPRA) employees, and new potential strategies to address future contributions for PEPRA employees; the difference between requirements for OPEB and pension vesting schedules; average length of District employment; and Contra Costa County’s option for a Deferred Compensation Plan.

Committee Action:

None; receive and file.

**5. APPROVAL OF THE MINUTES OF MARCH 22, 2017 (ITEM 3)**

Public Comments:

No requests received.

Committee Comments:

None.

Committee Action:

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

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

**6. CONTINUED DISCUSSION OF FISCAL YEAR ENDING 2018 PROPOSED AIR DISTRICT BUDGET AND CONSIDERATION TO RECOMMEND ADOPTION (ITEM 4)**

Ms. Osaze gave the staff presentation *Continued Discussion of Fiscal Year Ending 2018 Proposed Air District Budget and Consideration to Recommend Adoption*, including: outline; overview: Proposed Budget for FYE 2018; General Fund revenue sources (FYE 2018 Proposed Budget); General Fund expenditures (FYE 2018 Proposed Budget); FYE 2018 Proposed Fees; FYE 2018 Full Time Equivalent (FTE) staffing level; reserves policy; fund balance and unfunded liability; FYE 2018 use of reserves; CalPERS pension requirement overview; OPEB overview; 2018 Proposed Budget: previous questions; 2018 projected budget increase; twelve new positions; FTE allocation by funding source; budget summary for FYE 2018; next steps; and recommendations.

Public Comments:

No requests received.

Committee Comments:

The Committee and staff discussed how the District is aggressively pre-funding OPEB medical, because it is only 47% funded, whereas CalPERS pension retirement is already 78% funded; the types of meteorology equipment that are considered “multi-year” expenses and funded with reserves; staff’s anticipation of a projected increase in penalties and settlements as recurring

revenue; what elements are included in the one-time \$700,000 expense for the Technology Implementation Office; the function of the District's Public Information Officers, and how many are currently employed; whether the District's Funding Policy for CalPERS pension retirement should be 90%; the District's limited range of options for investment vehicles; the way in which economics dictates the District's reserve policies, and the Board's goal to increase the District's operating reserve by 5%; the feasibility of the District investing funds into its own strategies; and the Committee's desire for the Board to know that the Committee recommends the FYE 2018 Proposed Budget but plans to continue discussions of particular elements of the budget.

Committee Action:

Director Chavez made a motion, seconded by Director Canepa, to recommend that the Board of Directors **adopt** the Fiscal Year Ending 2018 Proposed Budget; and the motion **carried** by the following vote of the Committee:

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

For the record, the Chair Groom stated that the Committee has requested that staff continue discussions with the Committee regarding alternative investments and pension and percentage liability.

**7. COMMITTEE MEMBER COMMENTS/OTHER BUSINESS**

None.

**8. TIME AND PLACE OF NEXT MEETING**

Wednesday, May 24, 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 11:09 a.m.

*/s/ Marcy Hiratzka*  
Marcy Hiratzka  
Clerk of the Boards