



BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

CAROLE GROOM – CHAIRPERSON
DAVID CANEPA
JOHN GIOIA
NATE MILEY
MARK ROSS

KATIE RICE – VICE CHAIRPERSON
CINDY CHAVEZ
DAVID HUDSON
KAREN MITCHOFF

WEDNESDAY
FEBRUARY 22, 2017
9:30 A.M.

1ST FLOOR YERBA BUENA ROOM
375 BEALE STREET
SAN FRANCISCO, CA 94105

AGENDA

1. **CALL TO ORDER - ROLL CALL**

The Committee Chair shall call the meeting to order and the Clerk of the Boards shall take roll of the Committee members.

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

(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, 375 Beale Street, San Francisco, CA, and on the Air District's website www.baaqmd.gov 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.

Staff/Phone (415) 749-

3. **APPROVAL OF THE MINUTES OF JANUARY 25, 2017** Clerk of the Boards/5073

The Committee will consider approving the draft minutes of the Board of Directors Budget and Finance Committee Meeting of January 25, 2017.

4. **DISCUSSION OF PROJECTS AND FUNDING PRIORITIES RELEVANT TO THE FISCAL YEAR ENDING (FYE) 2018 BUDGET**

J. McKay/4629

jmckay@baaqmd.gov

Staff will propose a number of projects consistent with Board direction. There will be a discussion of use of Reserve funds for unfunded liabilities and for other purposes. The Committee will receive an overview of these topics.

5. **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)

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

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

7. **ADJOURNMENT**

The Committee meeting shall be adjourned by the Committee Chair.

CONTACT:

MANAGER, EXECUTIVE OPERATIONS
375 BEALE STREET, SAN FRANCISCO, CA 94105
mmartinez@baaqmd.gov

(415) 749-5016
FAX: (415) 928-8560
BAAQMD homepage:
www.baaqmd.gov

- To submit written comments on an agenda item in advance of the meeting. Please note that all correspondence must be addressed to the “Members of the A” and received at least 24 hours prior, excluding weekends and holidays, in order to be presented at that Committee meeting. Any correspondence received after that time will be presented to the Committee at the following meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- 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 375 Beale Street, Suite 600, San Francisco, CA 94105, at the time such writing is made available to all, or a majority of all, members of that body.

Accessibility and Non-Discrimination Policy

The Bay Area Air Quality Management District (Air District) does not discriminate on the basis of race, national origin, ethnic group identification, ancestry, religion, age, sex, sexual orientation, gender identity, gender expression, color, genetic information, medical condition, or mental or physical disability, or any other attribute or belief protected by law.

It is the Air District’s policy to provide fair and equal access to the benefits of a program or activity administered by Air District. The Air District will not tolerate discrimination against any person(s) seeking to participate in, or receive the benefits of, any program or activity offered or conducted by the Air District. Members of the public who believe they or others were unlawfully denied full and equal access to an Air District program or activity may file a discrimination complaint under this policy. This non-discrimination policy also applies to other people or entities affiliated with Air District, including contractors or grantees that the Air District utilizes to provide benefits and services to members of the public.

Auxiliary aids and services including, for example, qualified interpreters and/or listening devices, to individuals who are deaf or hard of hearing, and to other individuals as necessary to ensure effective communication or an equal opportunity to participate fully in the benefits, activities, programs and services will be provided by the Air District in a timely manner and in such a way as to protect the privacy and independence of the individual. Please contact the Non-Discrimination Coordinator identified below at least three days in advance of a meeting so that arrangements can be made accordingly.

If you believe discrimination has occurred with respect to an Air District program or activity, you may contact the Non-Discrimination Coordinator identified below or visit our website at www.baaqmd.gov/accessibility to learn how and where to file a complaint of discrimination.

Questions regarding this Policy should be directed to the Air District’s Non-Discrimination Coordinator, Rex Sanders, at (415) 749-4951 or by email at rsanders@baaqmd.gov.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
375 BEALE STREET, SAN FRANCISCO, CALIFORNIA 94105
FOR QUESTIONS PLEASE CALL (415) 749-5016 or (415) 749-4941

EXECUTIVE OFFICE:
MONTHLY CALENDAR OF AIR DISTRICT MEETINGS

FEBRUARY 2017

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month) -</i> CANCELLED	Wednesday	15	9:45 a.m.	1 st Floor Board Room
Board of Directors Stationary Source Committee <i>(Meets on the 3rd Monday of each Month)</i> - CANCELLED	Monday	20	10:30 a.m.	1 st Floor Board Room
Board of Directors Budget & Finance Committee <i>(Meets on the 4th Wednesday of each Month)</i>	Wednesday	22	9:30 a.m.	1st Floor, Yerba Buena Room #109
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i>	Wednesday	22	10:30 a.m.	1 st Floor, Yerba Buena Room #109
Board of Directors Mobile Source Committee <i>(Meets on the 4th Thursday of each Month)</i>	Thursday	23	9:30 a.m.	1 st Floor Board Room

MARCH 2017

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	1	9:45 a.m.	1 st Floor Board Room
Board of Directors Climate Protection Committee <i>(Meets on the 3rd Thursday of Every Other Month)</i>	Thursday	2	9:30 a.m.	1 st Floor Board Room
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	15	9:45 a.m.	1 st Floor Board Room
Board of Directors Climate Protection Committee <i>(Meets on the 3rd Thursday of every other Month) – RESCHEDULED TO 3/2/17</i>	Thursday	16	9:30 a.m.	1 st Floor Board Room
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	20	9:30 a.m.	1 st Floor Board Room
Board of Directors Stationary Source Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	20	10:30 a.m.	1 st Floor Board Room
Board of Directors Budget & Finance Committee <i>(Meets on the 4th Wednesday of each Month)</i>	Wednesday	22	9:30 a.m.	1st Floor, Yerba Buena Room #109
Board of Directors Mobile Source Committee <i>(Meets on the 4th Thursday of each Month)</i>	Thursday	23	9:30 a.m.	1 st Floor Board Room

APRIL 2017

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Advisory Council Mtg. <i>(Meets on the 1st Monday of Every Other Month)</i>	Monday	3	10:00 a.m.	1 st Floor Board Room
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	5	9:45 a.m.	1 st Floor Board Room
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	17	9:30 a.m.	1 st Floor Board Room
Board of Directors Stationary Source Committee <i>(Meets on the 3rd Monday of each Month)</i>	Monday	17	10:30 a.m.	1 st Floor Board Room
Board of Directors Regular Meeting <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	19	9:45 a.m.	1 st Floor Board Room
Board of Directors Budget & Finance Committee <i>(Meets on the 4th Wednesday of each Month)</i>	Wednesday	26	9:30 a.m.	1st Floor, Yerba Buena Room #109
Board of Directors Mobile Source Committee <i>(Meets on the 4th Thursday of each Month)</i>	Thursday	27	9:30 a.m.	1 st Floor Board Room

HL – 2/8/17 (5:00 p.m.)

G/Board/Executive Office/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

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

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 15, 2017

Re: Approval of the Minutes of January 25, 2017

RECOMMENDED ACTION

Approve the attached draft minutes of the Budget and Finance Committee (Committee) meeting of January 25, 2017.

DISCUSSION

Attached for your review and approval are the draft minutes of the Committee meeting of January 25, 2017.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Maricela Martinez

Attachment 3A: Draft Minutes of the Committee Meeting of January 25, 2017

AGENDA: 3A – ATTACHMENT

Draft Minutes – Budget and Finance Committee Meeting of January 25, 2017

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

DRAFT 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.

Marcy Hiratzka
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

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

From: Jack P. Broadbent
Executive Officer/APCO

Date: January 15, 2017

Re: Discussion of Projects and Funding Priorities Relevant to the Fiscal Year Ending
(FYE) 2018 Budget

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

During the FYE 2018 budget process, staff will propose a number of projects consistent with Board direction. In addition, there will be discussion of use of Reserve funds for unfunded liabilities and for other purposes.

The Committee will receive an overview of these topics. This presentation, prior to the presentation of the draft budget, is meant to allow early deliberation by the Committee, and to allow staff to obtain a sense of the Committee's direction.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None; receive and file.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeff McKay