



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
DAVE HUDSON
KAREN MITCHOFF

**THURSDAY
DECEMBER 7, 2017
10:30 A.M.**

**1ST FLOOR BOARD ROOM
375 BEALE STREET
SAN FRANCISCO, CA 94105**

AGENDA

1. CALL TO ORDER - ROLL CALL – PLEDGE OF ALLEGIANCE

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

2. PUBLIC COMMENT PERIOD

(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 District headquarters, 375 Beale Street, San Francisco, CA, 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 Committee's subject matter jurisdiction. Speakers will be limited to three (3) minutes each.

This meeting will be webcast. To see the webcast, please visit <http://www.baaqmd.gov/The-Air-District/Board-of-Directors/Agendas-and-Minutes.aspx> at the time of the meeting.

Staff/Phone (415) 749-

3. APPROVAL OF THE MINUTES OF APRIL 26, 2017

Clerk of the Boards/5073

The Committee will consider approving the draft minutes of the Budget and Finance Committee Meeting of April 26, 2017.

4. **FOURTH QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING (FYE) 2017**
J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive an update on the Air District's preliminary (unaudited) financial results for the fourth quarter of FYE 2017.

5. **FIRST QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING (FYE) 2018**
J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive an update on the Air District's financial results for the first quarter of FYE 2018.

6. **OVERVIEW OF UPCOMING BUDGET CONSIDERATIONS** J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive an overview the Air District's current Fiscal Year Ending 2018.

7. **REQUEST TO AMEND THE FISCAL YEAR ENDING 2018 BUDGET TO INCREASE STAFFING AND ACCEPT NEW ONE-TIME REVENUE RESULTING FROM ASSEMBLY BILL 617**
J. McKay/4629
jmckay@baaqmd.gov

The Committee will receive a request to amend the Fiscal Year Ending 2018 budget to increase staffing and accept new one-time revenue resulting from Assembly Bill 617.

8. **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)

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

Wednesday, January 24, 2018, Bay Area Air Quality Management District Office, 375 Beale Street, San Francisco, CA 94105 at 9:30 a.m.

10. **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 Budget and Finance Committee” 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**

DECEMBER 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	6	9:45 a.m.	1 st Floor Board Room
Board of Directors Mobile Source Committee <i>(Meets on the 4th Thursday of each Month)</i>	Thursday	7	9:30 a.m.	1st Floor Board Room
Board of Directors Budget & Finance Committee <i>(Meets on the 4th Wednesday of each Month)</i>	Thursday	7	10:30 a.m.	1st Floor Board Room
Advisory Council Meeting <i>(At the Call of the Chair)</i>	Monday	11	10:00 a.m.	1 st Floor Board Room
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i>	Thursday	14	9:30 a.m.	1 st Floor Board Room
Board of Directors Personnel Committee <i>(At the Call of the Chair)</i>	Monday	18	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	18	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	20	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> - CANCELLED AND RESCHEDULED TO THURSDAY, DECEMBER 7, 2017 AT 10:30 A.M.	Wednesday	27	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> - CANCELLED AND RESCHEDULED TO THURSDAY, DECEMBER 7, 2017 AT 9:30 A.M.	Thursday	28	9:30 a.m.	1 st Floor Board Room

JANUARY 2018

<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	3	9:45 a.m.	1 st Floor Board Room
Board of Directors Executive Committee <i>(Meets on the 3rd Monday of each Month)</i> - CANCELLED	Monday	15	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> - CANCELLED	Monday	15	10:30 a.m.	1 st Floor Board Room
Board of Directors Regular Mtg. / Retreat <i>(Meets on the 1st & 3rd Wednesday of each Month)</i>	Wednesday	17	9:45 a.m.	Dougherty Station Community Center 17011 Bollinger Canyon Rd, San Ramon, CA 94582
Board of Directors Climate Protection Committee <i>(Meets on the 3rd Thursday of every other Month)</i>	Thursday	18	9:30 a.m.	1 st Floor Board Room
Board of Directors Budget & Finance Committee <i>(Meets on the 4th Wednesday of each Month)</i>	Wednesday	24	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	25	9:30 a.m.	1 st Floor Board Room

VJ – 11/27/17 - 12:41 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: November 20, 2017

Re: Approval of the Minutes of April 26, 2017

RECOMMENDED ACTION

Approve the attached draft minutes of the Budget and Finance Committee (Committee) meeting of April 26, 2017.

DISCUSSION

Attached for your review and approval are the draft minutes of the Committee meeting of April 26, 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 April 26, 2017

AGENDA: 3A – ATTACHMENT

Draft Minutes – Budget and Finance Committee Meeting of April 26, 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, 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.

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: November 20, 2017

Re: Fourth Quarter Financial Report – Fiscal Year Ending (FYE) 2017

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Finance staff will present an update on the Air District’s preliminary (unaudited) financial results for the fourth quarter of the 2016-17 fiscal year. The following information summarizes those results.

GENERAL FUND BUDGET: STATEMENT OF REVENUES – Comparison of Prior Year Quarter Actual and Current Year Budget to Actual

REVENUE TYPE	4TH QTR FY 2016	4TH QTR FY 2017	FY 2017 - % of BUDGETED REVENUE
County Receipts	\$28,218,266	\$30,541,028	114%
Permit Fee Receipts	\$31,935,189	\$33,249,989	99%
Title V Permit Fees	\$5,120,624	\$5,021,094	107%
Asbestos Fees	\$3,869,468	\$4,210,603	162%
Toxic Inventory Fees	\$261,483	\$211,380	88%
Penalties and Settlements	\$6,121,023	\$3,335,649	152%
Interest Revenues	\$437,670	\$587,340	294%
Miscellaneous Revenues	\$91,827	\$66,895	45%
Total Revenue	\$76,055,549	\$77,223,979	110%

GENERAL FUND: STATEMENT OF EXPENDITURES - Comparison of Prior Year Quarter Actual and Current Year Budget to Actual

EXPENDITURE TYPE	4TH QTR FY 2016	4TH QTR FY 2017	FY 2017 - % of BUDGETED EXPENDITURES
Personnel - Salaries*	\$36,112,180	\$37,368,006	100%
Personnel - Fringe Benefits*	\$17,857,342	\$19,615,494	101%
Operational Services /	\$17,283,322	\$19,483,595	90%
Office Acquisition		\$10,700,000	0%
Capital Outlay	\$6,582,205	\$3,923,291	99%
Total Expenditures	\$77,835,048	\$91,090,386	111%
<i>*Consolidated (includes Special Funds)</i>			

CASH INVESTMENTS IN COUNTY TREASURY – Account Balances as of 4th Quarter

CASH/INVESTMENTS	4TH QTR FY 2016	4TH QTR FY 2017
General Fund	\$57,849,712	\$55,167,881
TFCA	\$79,534,148	\$90,039,116
MSIF	\$32,380,630	\$37,544,701
Carl Moyer	\$1,581,890	\$5,758,456
CA Goods Movement	\$8,127,526	\$8,310,419
Bike Share	\$1,739,476	\$1,062,983
Total	\$181,213,382	\$197,883,556

FUND BALANCES	6/30/2015	6/30/2016	6/30/2017
	Audited	Audited	Unaudited
DESIGNATED: *			
Economic Contingency	\$11,114,309	\$16,519,959	\$16,519,959
IT- Desktop Equipment	\$500,000	\$0	\$0
IT- Event Response	\$500,000	\$500,000	\$500,000
Pension & Post Employment Liability	\$1,800,000	\$1,600,000	\$1,600,000
Tech- Meteorological Network Equipment	\$417,100	\$417,100	\$131,100
Tech- Mobile Monitoring Instruments	\$450,000	\$450,000	\$80,000
GHG Abatement Technology Study	\$0	\$1,500,000	\$1,500,000
Worker's Comp Self -Funding	\$1,000,000	\$1,000,000	\$1,000,000
Total Designated Reserves	\$15,781,409	\$21,987,059	\$21,331,059
Undesignated Fund Balance	\$15,122,475	\$13,366,286	\$20,455,755
Use of Fund Balance			(\$852,032)
TOTAL DESIGNATED & UNDESIGNATED	\$30,903,884	\$35,353,345	\$40,934,782
Building Proceeds	\$14,168,200	\$4,668,200	\$4,668,200
TOTAL FUND BALANCE	\$45,072,084	\$40,021,545	\$45,602,982

* Designated Fund Balances are subject to change at Board's discretion.	
UNFUNDED LIABILITIES (Based on 2015 Actuarial Valuation Report)	
CalPERS Pension Retirement	\$59,242,771
Other Post- Employment Benefits	\$32,954,000
TOTAL UNFUNDED LIABILITIES	\$92,196,771

VENDOR PAYMENTS

In accordance with provisions of the Administrative Code, Division II Fiscal Policies and Procedures - Section 4 Purchasing Procedures: 4.3 Contract Limitations, staff is required to present recurring payments for routine business needs such as utilities, licenses, office supplies and the like, more than, or accumulating to more than \$100,000 for the fiscal year. In addition, this report includes all of the vendors receiving payments in excess of \$100,000 under contracts that have not been previously reviewed by the Board. In addition, staff will report on vendors that undertook work for the Air District on several projects that individually were less than \$100,000, but cumulatively exceed \$100,000.

Below is a list of vendors with cumulative payments made through the fourth quarter of 2016-2017 fiscal year that exceeded \$100,000 and meets the reporting criteria noted above. All expenditures have been appropriately budgeted as a part of the overall Air District budget for Fiscal Year 2016-17.

VENDOR NAME	AMOUNT PAID (July 2016 - June 2017)	Explanation
1. Alliant Insurance Services	\$438,274	Various Business Insurance Policies
2. Benefits Coordinators Corp.	\$868,977	Life Insurance Plan & LTD Insurance
3. CA Public Employee Retirement System	\$5,990,659	Health Insurance Plan
4. CA Public Employee Retirement System	\$11,670,690	Retirement Benefits & 457 Supplemental Plan
5. CAPCOA	\$673,717	Pass through EPA grants
6. CDW Government	\$115,212	Computer Equipment, supplies, misc. software
7. Ceridian Corp	\$104,590	Payroll Processing Services
8. Comcast Cable Communications	\$117,658	Ethernet & phone services
9. Cubic Transportations Systems	\$387,053	Clipper Transit Subsidy
10. Direct Mail Center	\$153,965	Public Notice Mailing Services
11. Employee Benefit Specialists	\$265,094	Medical & Dependent Care Flexible Spending Plan
12. Enterprise Fleet Services	\$467,031	Fleet Leasing and Maintenance services

13. Hartford Life Ins Co.	\$593,106	457 Supplemental Insurance
14. Pacific Gas & Electric Co.	\$111,187	Utility services
15. Preferred Benefit Insurance AD	\$790,226	Dental Insurance Plan
16. Renne Sloan Holtzman Sakai	\$232,997	Human Resources Consulting Services
17. Thermo Environmental Instrument	\$193,722	Air monitoring and source test instrumentation
18. Verizon Wireless	\$235,398	Cell phone services

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze
Reviewed by: Rex Sanders/Jeff McKay

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: November 20, 2017

Re: First Quarter Financial Report – Fiscal Year Ending (FYE) 2018

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Finance staff will present an update on the Air District’s financial results for the first quarter of the 2017-18 fiscal year. The following information summarizes those results.

GENERAL FUND BUDGET: STATEMENT OF REVENUES – Comparison of Prior Year Quarter Actual and Current Year Budget to Actual

REVENUE TYPE	1ST QTR FY 2017	1ST QTR FY 2018	FY 2018 - % of BUDGETED REVENUE
County Receipts	\$46,235	\$77,986	0%
Permit Fee Receipts	\$16,835,528	\$20,720,742	57%
Title V Permit Fees	\$2,795,909	\$3,501,509	64%
Asbestos Fees	\$1,140,903	\$1,057,495	42%
Toxic Inventory Fees	\$155,073	\$177,329	49%
Penalties and Settlements	\$1,867,048	\$742,678	27%
Interest Revenues	\$117,230	\$165,035	58%
Miscellaneous Revenues	\$11,668	\$4,865	10%
Total Revenue	\$22,969,594	\$26,447,638	33%

GENERAL FUND: STATEMENT OF EXPENDITURES - Comparison of Prior Year Quarter Actual and Current Year Budget to Actual

EXPENDITURE TYPE	1ST QTR FY 2017	1ST QTR FY 2018	FY 2018 - % of BUDGETED REVENUE
Personnel - Salaries*	\$8,020,184	\$8,307,733	21%
Personnel - Fringe Benefits*	\$3,776,934	\$6,912,396	31%
Operational Services /	\$2,931,563	\$2,836,690	9%
Capital Outlay	\$911,581	\$1,269,603	22%
Total Expenditures	\$15,640,262	\$19,326,422	19%
<i>*Consolidated (includes Special Funds)</i>			

CASH INVESTMENTS IN COUNTY TREASURY – Account Balances as of 1st Quarter

CASH/INVESTMENTS	1ST QTR FY 2017	1ST QTR FY 2018
General Fund	\$57,594,911	\$58,580,658
TFCA	\$82,663,613	\$91,004,558
MSIF	\$32,507,601	\$39,236,744
Carl Moyer	\$7,399,821	\$4,322,486
CA Goods Movement	\$8,137,264	\$8,314,145
Bike Share	\$1,058,554	\$1,069,047
Total	\$189,361,765	\$202,527,637

FUND BALANCES	6/30/2016	6/30/2017	6/30/2018
	Audited	Unaudited	Projected
DESIGNATED: *			
Diversity Equity & Inclusion			100,000
Economic Contingency	\$16,519,959	\$16,519,959	\$17,390,311
IT- Event Response	\$500,000	\$500,000	\$500,000
Litigation			\$500,000
Pension & Post Employment Liability	\$1,600,000	\$1,600,000	\$440,000
Tech- Meteorological Network Equipment	\$417,100	\$131,100	\$131,100
Tech- Mobile Monitoring Instruments	\$450,000	\$80,000	\$80,000
Technology Implementation Office			\$3,350,000
GHG Abatement Technology Study	\$1,500,000	\$1,500,000	\$1,500,000
Woodchip Program			\$150,000
Woodsmoke Grant			\$1,000,000
Worker's Comp Self -Funding	\$1,000,000	\$1,000,000	\$1,000,000
Total Designated Reserves	\$21,987,059	\$21,331,059	\$26,141,411
Undesignated Fund Balance	\$13,366,286	\$20,455,742	\$14,793,358
Use of Fund Balance		(\$852,032)	(\$7,850,000)
TOTAL DESIGNATED & UNDESIGNATED	\$35,353,345	\$40,934,769	\$33,084,769

Building Proceeds	\$4,668,200	\$4,668,200	\$4,668,200
TOTAL FUND BALANCE	\$40,021,545	\$45,602,969	\$37,752,969
* Designated Fund Balances are subject to change at Board's discretion.			
UNFUNDED LIABILITIES (Based on 2016 Actuarial Valuation Report)			
CalPERS Pension Retirement			\$77,114,925
Other Post- Employment Benefits			\$32,954,000
TOTAL UNFUNDED LIABILITIES			\$110,068,925

VENDOR PAYMENTS

In accordance with provisions of the Administrative Code, Division II Fiscal Policies and Procedures - Section 4 Purchasing Procedures: 4.3 Contract Limitations, staff is required to present recurring payments for routine business needs such as utilities, licenses, office supplies and the like, more than, or accumulating to more than \$100,000 for the fiscal year. In addition, this report includes all of the vendors receiving payments in excess of \$100,000 under contracts that have not been previously reviewed by the Board. In addition, staff will report on vendors that undertook work for the Air District on several projects that individually were less than \$100,000, but cumulatively exceed \$100,000.

Below is a list of vendors with cumulative payments made through the first quarter of 2017-2018 fiscal year that exceeded \$100,000 and meets the reporting criteria noted above. All expenditures have been appropriately budgeted as a part of the overall Air District budget for Fiscal Year 2017-18.

VENDOR NAME	AMOUNT PAID (July 2017 - Sept 2017)	Explanation
1. Alliant Insurance Services	187,415	Various Business Insurance Policies
2. Benefits Coordinators Corp.	224,161	Life Insurance Plan & LTD Insurance
3. CA Public Employee Retirement System	1,816,756	Health Insurance Plan
4. CA Public Employee Retirement System	961,636	Retirement Benefits & 457 Supplemental Plan
5. Cubic Transportations Systems	108,057	Clipper Transit Subsidy
6. Hartford Life Ins Co.	161,937	457 Supplemental Insurance
7. Preferred Benefit Insurance AD	125,851	Dental Insurance Plan

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze
Reviewed by: Rex Sanders/Jeff McKay

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: November 20, 2017

Re: Overview of Upcoming Budget Considerations

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Staff will provide an overview of the current fiscal year. The overview will include a discussion of the strategies employed during the Fiscal Year Ending (FYE) 2018, budget cycle and implications for the coming FYE 2019 budget process.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeff McKay

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: November 26, 2017

Re: Request to Amend the Fiscal Year Ending 2018 Budget to Increase Staffing and Accept
New One-Time Revenue Resulting from Assembly Bill 617

RECOMMENDATIONS

Recommend Board of Directors:

1. Amend the Fiscal Year Ending 2018 budget to authorize the creation of twenty-two (22) additional full time positions; and
2. Accept approximately \$5 million in funding resulting from Assembly Bill 617.

BACKGROUND

The Air District will be implementing new initiatives and receiving additional funding as outlined below.

Regulation 11, Rule 18

The Air District Board has passed a new regulation to reduce health risks from toxic emissions from existing facilities - Regulation 11, Rule 18: Reduction of Risk from Air Toxic Emissions at Existing Facilities (Rule 11-18). This new rule will improve air quality and reduce toxic emissions from facilities ranging in size from large-scale plants like factories and oil refineries to smaller operations like some dry cleaners and crematoria. Rule 11-18 will rely on risk screenings and health risk assessments.

In implementing Rule 11-18, Air District staff will conduct site-specific screening analyses for all facilities that report toxic air contaminant emissions, and calculate health prioritization scores based on the amount of toxic air pollution emitted, the degree of toxicity of these pollutants, and the proximity of these facilities to local communities. For facilities found to have priority scores, a rough approximation of the health risk for a facility above the levels required by the rule, the Air District will conduct health risk assessments. Based on the health risk assessments, facilities found to have a potential health risk above the Risk Action Level will be required to reduce their risk below the Risk Action Level, or install Best Available Retrofit Control Technology for Toxics on all significant sources of toxic emissions.

Assembly Bill 617

On July 26, 2017, Governor Brown signed Assembly Bill (AB) 617 (C. Garcia, Chapter 136, Statutes of 2017) into state law. The bill establishes a program whose focus is to reduce exposure in California neighborhoods most impacted by air pollution. The bill requires the California Air Resources Board (ARB) to work closely with local air districts, community groups, community members, environmental organizations, and regulated industries to reduce harmful air emissions and create a new framework for community protection. The California State Budget provides \$27 million to support all local air districts' implementation of AB 617 of which staff expects to receive approximately \$5 million as a one-time disbursement for its operations. Additional staff will be needed to fully implement the requirements of AB 617 and will be included in the draft FYE 2019 budget, as well as this request to increase staff and amend the FYE 2018 budget.

Assembly Bill 134

On September 9, 2017, Assembly Bill (AB) 134 was signed into law. This legislation amends the 2017 California State Budget Act to add provisions related to its greenhouse gas expenditure plan that allocates \$50 million to the Air District. This funding is principally to address the reduction of diesel particulate matter (DPM) emissions, the primary health risk driver from toxic air contaminants, in Bay Area impacted communities. This funding is targeted to complement efforts under AB 617.

Additional New Funding

In addition to the funding provided by AB 134 listed above, the Air District has over the past three years successfully secured over \$17 million in new program funding from federal, state, and other sources including the Bay Area Clean Air Foundation. This new funding is anticipated to provide approximately \$3.7 million in new administrative revenue from the following:

Climate Initiatives Program: MTC receives funding from the Federal Highway Administration's (FHWA) Congestion Mitigation and Air Quality Program (CMAQ). Because the Air District is the lead agency in the region for implementing electric vehicle (EV) programs, MTC has awarded the Air District \$10 million in CMAQ funds through its Climate Initiatives Program to help further advance regional adoption of EVs.

Enhanced Fleet Modernization Plus-up Program (EFMP Plus-up Program): The ARB Enhanced Fleet Modernization Plus-up Program (EFMP Plus-up Program) is a voluntary vehicle retirement and replacement incentive program. Depending on how many of districts proceed the Air District may be awarded up to \$10 million to implement the EFMP Plus-up.

Bay Area Clean Air Foundation: The Foundation was recently awarded \$1.3 million in Reformulated Gas (RFG) funding to help accelerate the adoption of zero- and near-zero-emission equipment and vehicles operating in and around the Port of Oakland and the surrounding West Oakland community.

Other Grants: The following is a summary of other recent awards to the Air District:

Funding Agency	Project Title	Total Award in Millions
California Energy Commission	Bay Area Corridor Charging Expansion	\$0.50
National Fish and Wildlife Foundation	Commercial Lawn & Garden Equipment in Alameda & Contra Costa counties	\$0.47
Reformulated Gas Settlement Fund	EV Charging Demo	\$0.50
Air Resources Board	Goodwill Industries Electric Vehicle Project	\$2.74
Caltrans/ MTC	Climate Initiative Program Public Education and Signage	\$0.40
US EPA National Clean Diesel Program	Locomotive Replacement (2 projects)	\$2.06

DISCUSSION

Staffing for New Initiatives and Mandates

As a result of the new initiatives and mandates listed above, staff is proposing to rebalance existing workload, restructure the current organization and augment its numbers as follows:

Strategic Incentives Division (SID): The Air District’s grant funding is mainly administered by the SID, which currently consists of 17 permanent FTEs. In FYE 2018, the SID will administer approximately \$101 million in new revenues. As a result of the funding provided by AB 134 and the additional new grant monies available, staff is proposing to augment its numbers in the strategic incentives division as follows: *5 proposed new FTEs: 1 Senior Staff Specialist, 2 Staff Specialists, and 2 Assistant Staff Specialists.*

Technology Implementation Office (TIO): As part of the Clean Air Plan’s vision for a post-carbon Bay Area by 2050, the Air District established the TIO in 2016 to scale up technologies that reduce greenhouse gas (GHG) emissions, and currently includes 5 FTEs. As a result of the grant funding being provided by AB 134 and the additional new grant monies listed above, staff is proposing to utilize those monies as appropriate in conjunction with repurposing general fund revenue currently allocated to SID to augment the TIO as follows: *4 proposed new FTEs: 3 Staff Specialists, and 1 Assistant Staff Specialists.*

Engineering Division (Engineering): As part of the implementation of Rule 11-18, and increased needs it places on the Air District for risk screenings, health risk analyses (HRA), HRA consultant oversight, data and inventory refinement, and participation in both public and industry review processes for health risk reduction plans, Engineering will reorganize to move its most experienced staff to do this work. In order to balance the reassigned permitting and engineering workload, staff

proposes to augment Engineering as follows: *Five proposed new FTEs: One (1) Air Quality Manager and Four (4) Engineers.*

Community Protection Office (CPO): In order to meet the requirements of AB 617 and based on the importance of this initiative, staff is proposing to create a new section - the Community Protection Office. The focus of the CPO will be to engage with AB 617 communities to understand air quality impacts in each of their unique communities, to ensure that those communities have the education on monitoring and air quality issues to engage productively with both the Air District and the ARB, to understand community concerns and to advocate for them with both the Board and ARB; and to form partnerships that lead to lasting air quality improvements in those communities. Due to the importance of this work and the need for greater and more diverse community engagement, staff is recommending that the current Community Engagement Group be reorganized to be part of the CPO and that that office be augmented as follows: *Three (3) proposed new FTEs: One (1) officer level position and Two (2) Staff Specialists.*

Meteorology and Monitoring Division (M&M): In addition to commitments to develop additional monitoring in the five refinery communities, new requirements under AB 617 will require that the current ambient air monitoring network adapt and expand to focus on more localized impacts. Additional staff will be required to develop strategies for large scale localized pollution monitoring at facilities and communities; to operate, maintain and modify the current monitoring network and any additional monitoring sites; and to perform data analysis, reporting and quality control on monitoring results. In order to meet this challenge, M&M is proposing to utilize one-time funding provided by AB 617 and general fund revenue to augmented its staff as follows: *5 proposed new FTEs: 1 Principal Air and Meteorological Monitoring Specialist, 1 Air Quality Meteorologist, 2 Air Quality Instrument Specialists, and 1 Assistant Staff Specialist.*

These staff increases will also be presented to the next Executive Committee for consideration.

BUDGET CONSIDERATION / FINANCIAL IMPACT

Administrative funds from new grant revenue cover costs for the associated new staff. Costs for the remaining new staff will be covered by the vacancy rate associated with recent attrition in the current fiscal year. General Fund revenue will increase by approximately \$5 million to reflect the funds from Assembly Bill 617.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeff McKay and Damian Breen