

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 24, 2018

1. CALL TO ORDER – ROLL CALL

Budget and Finance Committee (Committee) Chairperson, Carole Groom, called the meeting to order at 9:37 a.m.

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

Absent: Directors John Gioia and Nate Miley.

Also Present: Board Chairperson Liz Kniss

2. PUBLIC COMMENT ON NON-AGENDA MATTERS:

No requests received.

3. APPROVAL OF THE MINUTES OF DECEMBER 7, 2017

Public Comments:

No requests received.

Committee Comments:

None.

Committee Action:

Director Mitchoff made a motion, seconded by Vice Chair Rice, to **approve** the Minutes of December 7, 2017; and the motion **carried** by the following vote of the Committee:

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

4. AIR DISTRICT FINANCIAL AUDIT REPORT FOR THE FISCAL YEAR ENDED 2017

Dr. Jeff McKay, Chief Financial Officer, introduced Peggy Vande-Vooren, CPA, of Gilbert Associates, Inc., who gave the Financial Audit Report for the Fiscal Year Ended 2017, including: overview of audit deliverables: financial statements and single audit; and communications with Those Charges with Governance.

Public Comments:

No requests received.

Committee Comments:

The Committee and staff discussed the comparison of historical cost projections of 375 Beale Street and actual mortgage payments/operational costs; the status of upgrades made to the District-owned parking structure located at 435 Bryant Street, and whether the District should retain that space and make any additional upgrades; the number of “Active” District employees covered by District provisions and benefits as of June 30, 2017; the long-term expected real rate of return on pension plan investments by asset class; the historical problems with the California Public Employees' Retirement System's (CalPERS) fluctuating Discount Rate, how this impacts the District's budget, and how the District's aggressive funding of other post-employment benefits (OPEB) can allow the District to eventually increase CalPERS retirement contributions; and the current normal contribution rate for classic District legacy employees.

Committee Action:

None; receive and file.

NOTED PRESENT: Director Kniss was noted present at 9:48 a.m.

5. SECOND QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING 2018

Stephanie Osaze, Finance Manager, gave the staff presentation *Second Quarter Financial Report FYE 2018*, including: overview; Second Quarter results FYE 2018 – General Fund – revenues and expenses; revenue and expenditure comparisons of prior versus current year; cash and investments with County Treasury; fund balance and unfunded liabilities; purchasing reporting requirements; and FYE 2018 vendor payments.

Public Comments:

No requests received.

Committee Comments:

The Committee and staff discussed how toxic inventory fees that the District collects can result in a high percentage of budgeted revenues, but as this is a pass-through income, the percentage will be reduced after payments are made to the State; how there is \$1.8 million dollars coming in from settlements that is not yet accounted for in the Revenue Comparison chart on slide 4 of the

presentation, but will be reflected on this chart in the Third Quarter; and the current District employee count versus the total number of employees anticipated by June 2018.

Committee Action:

None; receive and file.

6. AIR DISTRICT FINANCIAL OVERVIEW

Dr. McKay gave the staff presentation *Air District Financial Overview*, including: current and upcoming topics; use of Reserves during downturn; current Reserves; use of Reserves; additional Beale Street purchase; Technology Implementation Office (TIO); Napa and Sonoma County fireplace replacement; wood smoke grants; community air pollution mitigation; and East Bay real estate.

Public Comments:

No requests received.

Committee Comments:

The Committee and staff discussed which areas of the 8th floor of 375 Beale Street will be potentially purchased by the District and the corresponding amount of square footage, and which current tenants would be affected; whether there are selling/leasing restrictions if the District does not need the additional space on the 8th floor in the future; the percentage of the built-out portion of 375 Beale Street that is not owned by public agencies, whether the District shares the profits generated by the building's private tenants, the Bay Area Headquarters Authority's invitation to the District to participate in the build-out of the retail space cold shell at 375 Beale Street, and whether the District can use its influence as a member of the Condominium Board to ensure that the retail space installs energy-conserving, non-wood-burning devices; whether \$3 million dollars of District Reserves is enough to fund fireplace replacement rebate packages for all of the homes in Napa and Sonoma Counties that need to be rebuilt, and how District funds would be given as block grants to Marin Clean Energy and Sonoma Clean Power, who would have reporting requirements to the District; why the District chooses to partner with utility providers and local jurisdictions' building departments for incentive programs, but not with insurance companies; whether the District would consider partnering for commercial sector upgrade opportunities; the request that staff keeps the Committee updated on how much funding is left in the current cycle of the Wood Smoke Reduction Incentive Program, whether the full allocation for the program's first cycle was entirely spent and where those funds were dispersed based on geographic location; expenditures from Reserves relative to leverage and what those sources are; how Community Air Pollution Mitigation aligns with the District's 2017 Clean Air Plan, and the need for staff to announce mission alignment with the 2017 Clean Air Plan as often as possible; the request for a list of grants and funding programs that the District allocates/oversees, and how much of those funds have been allocated to each county; ways in which the effectiveness of Community Air Pollution Mitigation will be measured; the suggestion that staff renews efforts for the Idle-Free Bay Area Campaign; whether the District has sponsored or hosted leaf-blower trade outs or buyback programs; and the suggestion that staff creates a guidance or Frequently Asked Questions page for the District website regarding

publicly-operated low-cost sensors (on personal mobile devices), and the suggestion that staff reaches out to the environmental justice community to relay the District's preference for this technology in order to limit the opportunities for disputes about collected data.

Committee Action:

None; receive and file.

7. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS

Vice Chair Rice and Director Canepa expressed their concern about the potential for unanticipated decreases in the CalPERS pension fund discount rate over time, and warned staff to be cautious when making Board recommendations and decisions and to prepare a smoothing plan in response to any such unanticipated occurrences.

8. TIME AND PLACE OF NEXT MEETING

Wednesday, February 28, 2018, 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 10:53 a.m.

/s/ Marcy Hiratzka
Marcy Hiratzka
Clerk of the Boards