

Bay Area Air Quality Management District  
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## **APPROVED MINUTES**

Summary of Board of Directors  
Budget and Finance Committee Meeting  
Wednesday, April 25, 2018

### **1. CALL TO ORDER – ROLL CALL**

Budget and Finance Committee (Committee) Chairperson, Carole Groom, called the meeting to order at 9:33 a.m.

Present: Committee Chairperson Carole Groom; Vice Chair Karen Mitchoff; and Directors Margaret Abe-Koga, David Canepa, Pauline Russo Cutter, Doug Kim, Katie Rice, Mark Ross, and Brad Wagenknecht.

Absent: Director Cindy Chavez and Liz Kniss.

Also Present: Board of Directors Chairperson, David Hudson

### **2. APPROVAL OF THE MINUTES OF MARCH 28, 2018**

#### Public Comments:

No requests received.

#### Committee Comments:

None.

#### Committee Action:

Vice Chair Mitchoff made a motion, seconded by Director Cutter, to **approve** the Minutes of March 28, 2018; and the motion **carried** by the following vote of the Committee:

AYES: Canepa, Cutter, Groom, Hudson, Kim, Mitchoff, Rice, Ross, and Wagenknecht.  
NOES: None.  
ABSTAIN: None.  
ABSENT: Abe-Koga, Chavez, and Kniss.

NOTED PRESENT: Director Abe-Koga was noted present at 9:35 a.m.

### 3. CONTINUED DISCUSSION OF FISCAL YEAR ENDING (FYE) 2019 PROPOSED AIR DISTRICT BUDGET AND CONSIDERATION TO RECOMMEND ADOPTION

Dr. Jeff McKay, Chief Financial Officer, gave the staff presentation *Continued Discussion of FYE 2019 Proposed Air District Budget and Consideration to Recommend Adoption*, including: financial history - actions taken during downturn, audited Air District reserves; staffing trend - filled seats; medical retirement – other post-employment benefits (OPEB); California Public Employees’ Retirement System (CalPERS) pension - historical rate of return and funding ratio; FYE 2019 Proposed Budget overview; General Fund revenue sources and expenditures - FYE 2019 Proposed Budget; 2019 proposed budget - recurring revenues and expenditures; reserves designations - FYE 2019 proposed budget; retirement liabilities - local comparisons; OPEB overview; medical retirement plan - funding policy recommendation; CalPERS pension plan retirement overview, funding policy recommendation; alternative asset allocations for discretionary funds; Budget summary FYE 2019; next steps; and recommendations.

#### Public Comments:

No requests received.

#### Committee Comments:

The Committee and staff discussed the status of the Bay Area’s promised allocation of Assembly Bill 617 State funding (\$4.8M) for FYE 2017-2018; projected fluctuations in the Air District’s CalPERS retirement obligation; the recommended change to the CalPERS pension plan’s funding policy, in which a twenty-year target would be established to reach 90% funding; alternatives to funding liabilities as they accrue; and pros and cons of different risk tolerance strategies.

#### Committee Action:

Vice Chair Mitchoff made a motion, seconded by Director Canepa, to recommend the Board **adopt** the FYE 2019 Proposed Budget and **adopt** a funding policy for CalPERS pensions to achieve 90% funding within twenty years; and the motion **carried** by the following vote of the Committee:

AYES: Abe-Koga, Canepa, Cutter, Groom, Hudson, Kim, Mitchoff, Rice, Ross, and Wagenknecht.  
NOES: None.  
ABSTAIN: None.  
ABSENT: Chavez and Kniss.

### 4. THIRD QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING 2018

Stephanie Osaze, Finance Manager, gave the staff presentation *Third Quarter Financial Report – FYE 2018*, including: overview; General Fund reserves and expenditures; revenue and expenditure comparisons - prior year vs. 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 whether certain fee categories tend to track with each other, due to economic activity; whether the Air District works in tandem with the United States Environmental Protection Agency regarding asbestos and lead-based paint removal; the Air District's Budget carryover process; and the year-to-year differences between total undesignated fund balances.

Committee Action:

None; receive and file.

**5. DISCUSSION OF BUDGET PROCESSES FOR FISCAL YEAR ENDING 2020**

Dr. McKay gave the staff presentation *Discussion of Budget Processes for FYE 2020*, including: FYE 2020 pre-budget process outline; current pre-budget process; motivations to formalize pre-budget process; FYE 2020 pre-budget process; and financial history - audited Air District reserves (excludes building proceeds).

Public Comments:

No requests received.

Committee Comments:

The Committee and staff discussed benefits and praise of the pre-budget process; the request that staff gives the Committee routine updates and comparisons of internal staff processes, such as future-year modeling, strategic mitigation planning, long-term capital planning, and performance metrics; the level of conservatism of the projections within the Air District's Strategic Financial Plan; the request for performance metrics with which the Committee can become familiar; and the feasibility of the Air District taking out a loan to achieve the intended 90% funding level.

Committee Action:

None; receive and file.

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

No requests received.

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

None.

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

At the call of the Chair.

**9. ADJOURNMENT**

The meeting adjourned at 10:28 a.m.

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