

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

Video Conference Location

Santa Clara County Government Center  
Clerk's Conference Room, 10<sup>th</sup> Floor, East Wing  
70 W. Hedding Street  
San Jose, CA 95110

**APPROVED MINUTES**

Summary of Board of Directors  
Budget and Finance Committee Meeting  
Wednesday, January 23, 2019

**1. CALL TO ORDER – ROLL CALL**

Budget and Finance Committee (Committee) Chairperson, Carole Groom, called the meeting to order at 9:31 a.m. Director Chavez was participating via videoconference from the Santa Clara County Government Center.

Present: Committee Chairperson Carole Groom; Vice Chair Karen Mitchoff; and Directors Margaret Abe-Koga, Cindy Chavez, Katie Rice, Mark Ross, and Brad Wagenknecht.

Absent: Director David Canepa, Pauline Russo Cutter, Liz Kniss, and Doug Kim.

Also Present: Board Member David Hudson (non-voting)

**2. PUBLIC COMMENT ON NON-AGENDA ITEMS, PURSUANT TO GOVERNMENT CODE SECTION 54954.3**

No requests received.

**3. APPROVAL OF THE MINUTES OF APRIL 25, 2018**

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Vice Chair Mitchoff made a motion, seconded by Director Wagenknecht, to **approve** the Minutes of April 25, 2018; and the motion **carried** by the following vote of the Committee:

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

**4. FOURTH QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING (FYE) 2018**

NOTED PRESENT: Director Abe-Koga was noted present at 9:33 a.m.

Stephanie Osaze, Finance Manager, gave the staff presentation *Fourth Quarter Financial Report – FYE 2018*, including: overview; General Fund revenues and expenditures; revenue and expenditure comparison - prior year versus current year; investments; 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 the nature of employee union dues as a vendor payment, and the pass-through payment structure utilized by the Air District; the carry-over of encumbrances of operational services and supplies from one fiscal year to another; the comparison of projected ending fund balances for FYE 2018 and FYE 2019; how wildfires and economic downturns have affected or may affect the property tax revenue that the Air District receives from the nine Bay Area counties; and the number of payments in FYE 2018 that were made to vendors whose services were retained by the Air District through a Request for Projects (RFP) process, and the expiration dates of those contracts.

Committee Action

None; receive and file.

NOTED PRESENT: Director Ross was noted present at 9:46 a.m.

**5. FIRST QUARTER FINANCIAL REPORT – FYE 2019**

Ms. Osaze gave the staff presentation *First Quarter Financial Report – FYE 2019*, including: overview; General Fund revenues and expenditures; revenue expenditure comparison - previous year vs current year; investments; fund balance and unfunded liabilities; purchasing reporting requirements; and FYE 2019 vendor payments.

## Public Comments

No requests received.

## Committee Comments

The Committee and staff discussed the manner in which encumbrances from prior-year (Air District) budgets are carried over to the current-year budget; and the request that a review of the Air District's RFP procedure be included on the Committee's next meeting agenda.

## Committee Action

None; receive and file.

## **6. AIR DISTRICT FINANCIAL PLAN OVERVIEW**

Dr. Jeff McKay, Chief Financial Officer, gave the staff presentation *Air District Financial Plan Overview*, including: overview; historical financial condition and trends; reserves; actual reserves and policy; historical revenues and expenditures; cost recovery overview and fee increases; current financial outlook and reserves; reserve designations; economic outlook; key economic factors; Bay Area's economic performance compared to California and United States from 2001-2017; financial forecast; forecast summary; five-year financial forecast: key revenue assumptions; Bay Area population growth rates compared with California and the United States from 2010-2017; comparison of the Bay Area real estate market to the United States average; unfunded liabilities: other post-employment benefits (OPEB) and pension retirements; and next steps.

## Public Comments

No requests received.

## Committee Comments

The Committee and staff discussed the Air District's assumption that it's staffing will not increase over the next five years (beyond additional staffing positions that the Air District requested of the Board in 2018); the history of the Air District's cost recovery rate percentage and factors that cause it to fluctuate; reserve projections over the next few years, and the manner in which the Air District designates its reserves; upcoming contract negotiations with the Air District's Employee Association; the California Public Employees' Retirement System (CalPERS) discount rate, and why the Air District projects an increase in retirement pension over the next five years; the Air District's Cost Recovery Policy adopted in 2012, which set a target for the overall recovery of regulatory program activity costs to 85 percent, and the request to agendaize this topic for further discussion in the future; how (county) property tax revenue can affect the Air District's budget; how the Air District's Cost Recovery Policy has contributed to the increase in permit fees; the request to agendaize the consideration of an OPEB funding policy of greater than 90 percent at a future meeting; the request to agendaize the Air District's staffing

rate as it relates to consistent revenues versus grant revenues; and the request to agendize the discussion of the benefits of funding OPEB sooner versus later.

Committee Action

None; receive and file.

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

No requests received.

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

None.

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

Wednesday, February 27, 2019, Bay Area Air Quality Management District Office, 375 Beale Street, San Francisco, CA 94105 at 9:30 a.m.

**10. ADJOURNMENT**

The meeting adjourned at 10:41 a.m.

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