

Bay Area Air Quality Management District  
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San Francisco, California 94105  
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## **APPROVED MINUTES**

Summary of Board of Directors  
Budget and Finance Committee Meeting  
Wednesday, February 27, 2019

### **1. CALL TO ORDER – ROLL CALL**

Budget and Finance Committee (Committee) Chairperson, Carole Groom, called the meeting to order at 9:36 a.m.

Present: Committee Chairperson Carole Groom; Vice Chair John J. Bauters; and Directors David Canepa, Cindy Chavez, David Hudson, Karen Mitchoff, Mark Ross, Rod Sinks, and Brad Wagenknecht.

Absent: Directors Margaret Abe-Koga and Rafael Mandelman.

Also Present: None.

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

Public comments were given by Kevin Buchan, Western States Petroleum Association; and Devin Richards, California Council for Environmental and Economic Balance.

The Committee and staff discussed a request for a future discussion of the Air District's Draft Fee Regulation (Schedule X: Major Stationary Source Community Air Monitoring Fees); and the request that the stakeholder comment period on the Air District's Draft Fee Schedule be opened *after* the Air District's Proposed Budget is released to the public.

### **3. APPROVAL OF THE MINUTES OF JANUARY 23, 2019**

#### Public Comments

No requests received.

#### Committee Comments

None.

Committee Action

Director Wagenknecht made a motion, seconded by Director Hudson, to **approve** the Minutes of January 23, 2019; and the motion **carried** by the following vote of the Committee:

AYES: Bauters, Canepa, Groom, Hudson, Mitchoff, and Wagenknecht.  
NOES: None.  
ABSTAIN: None.  
ABSENT: Abe-Koga, Chavez, Mandelman, Ross, and Sinks.

**4. AIR DISTRICT FINANCIAL AUDIT REPORT FOR FISCAL YEAR ENDING (FYE) 2018**

Dr. Jeff McKay, Chief Financial Officer, introduced Joseph Moussa, Senior Audit Manager, from Simpson & Simpson, LLP, who gave the presentation *Presentation of Audit Results*, including: agenda; auditor’s required communications Statements on Auditing Standards 114 (The Auditor’s Communication with Those Charged with Governance); audit results and highlights of the basic financial statements; and audit results and highlights of the single audit.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed recommended automation of paper processes.

Directors Chavez and Sinks were noted present at 9:50 a.m.

Committee Action

None; receive and file.

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

Stephanie Osaze, Finance Manager, gave the staff presentation *Second Quarter Financial Report – FYE 2019*, including: overview; General Fund revenues and expenditures; revenue and expenditures comparison (prior year versus current year); investments; fund balance and unfunded liabilities; purchasing reporting requirements; FYE 2019 vendor payments; vendor Request for Proposals (RFP); property tax by county; and full-time equivalent by General Fund and Grant Fund.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed the Air District’s plan to formalize its process for revisiting RFPs; the suggestion that Air District staff alert the Committee members of upcoming contract extensions; the accuracy of the Air District’s projection of the percentage of budgeted expenditures of the FYE 2019 Budget at this point in time, and the frequency of alignment of budget projections and actuals; the feasibility of transferring the allocations for Air District operational services and supplies to other divisions within the Air District and consider operational services and supplies expenses as overheard costs; State relief for the loss of property tax revenue allocated to counties with wildfire damage, and the anticipated duration of such relief; whether stationary source fees will be increased; whether the Air District anticipates a timeline to fill current staff vacancies; the request for the previous five years’ worth of budget projections, versus actuals; and factors that influence increases in property tax.

NOTED PRESENT: Director Ross was noted present at 10:10 a.m.

Committee Action

None; receive and file.

**6. AIR DISTRICT ECONOMIC OUTLOOK**

Dr. McKay introduced Leonid Bak, Senior Advances Projects Advisor, who gave the staff presentation *Bay Area Economic Overview – Economic Growth, Jobs, and Housing*, including: 2018: economy and market summary; Bay Area’s economic performance compared to California and United States (US) from 2001-2017; 2019 US economic summary – stellar payroll growth with accelerating wage growth; gainer and loser industries in the Bay Area’s changing jobs landscape – cumulative change in industry employment between 2001-2016; cumulative change in earnings per worker by industry in the Bay Area from 2001-2016; Bay Area total annual population growth rates compared with California and the US from 2010-2017; Bay Area single family homes – median sale prices and changes in sales and price in Bay Area counties in 2018; rising mortgage rates precipitate fast-dropping loan and refinance applications and continuing to cool America’s housing market; how the Bay Area real estate market compares to the US average; and Bay Area housing needs - household growth forecast by county from 2018 -2027.

Public Comments

No requests received.

Committee Comments

None.

Committee Action

None; receive and file.

**7. CONTINUED DISCUSSION ON AIR DISTRICT'S FINANCIAL PLAN**

Dr. McKay gave the staff presentation *Air District Financial Plan Overview*, including: cost recovery overview; fee increases; unfunded liabilities; other post-employment benefits (OPEB); OPEB trust versus county pool; pension retirement; Community Health Protection Program (Assembly Bill 617) implementation costs; and next steps.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed the suggestion that the Air District considers investing in a California Employers' Retiree Benefit Trust in future years; the fact that Air District fee schedules differ in rates of cost recovery; potential fee increases on large and small businesses, and ways to make such increases less impactful on smaller businesses; the history of the Air District's current cost recovery policy; and the difference between Air District program expenditures attributable to stationary source regulation and Air District program expenditures that are not.

Committee Action

None; receive and file.

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

No requests received.

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

None.

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

Friday, March 22, 2019, Bay Area Air Quality Management District Office, 375 Beale Street, San Francisco, CA 94105 at 9:30 a.m.

**11. ADJOURNMENT**

The meeting adjourned at 11:04 a.m.

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