



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

CAROLE GROOM – CHAIR
MARGARET ABE-KOGA
CINDY CHAVEZ
MARK ROSS
BRAD WAGENKNECHT

JOHN BAUTERS – VICE CHAIR
DAVID CANEPA
DAVID HUDSON
KAREN MITCHOFF
ROD SINKS

MONDAY
APRIL 22, 2019
10:30 A.M.

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

VIDEO CONFERENCE LOCATION
SANTA CLARA COUNTY GOVERNMENT CENTER
CLERK'S CONFERENCE ROOM, 10TH FLOOR, EAST WING
70 W. HEDDING STREET
SAN JOSE, CA 95110

AGENDA

1. **CALL TO ORDER - ROLL CALL**

PLEDGE OF ALLEGIANCE

PUBLIC MEETING PROCEDURE

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.

This meeting will be webcast. To see the webcast, please visit www.baaqmd.gov/bodagendas at the time of the meeting. Closed captioning may contain errors and omissions, and are not certified for their content or form.

Public Comment on Agenda Items *The public may comment on each item on the agenda as the item is taken up. Public Comment Cards for items on the agenda must be submitted in person to the Clerk of the Boards at the location of the meeting and prior to the Board taking up the particular item. Where an item was moved from the Consent Calendar to an Action item, no speaker who has already spoken on that item will be entitled to speak to that item again.*

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

Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3 *For the first round of public comment on non-agenda matters at the beginning of the agenda, ten persons selected by a drawing by the Clerk of the Boards from among the Public Comment Cards indicating they wish to speak on matters not on the agenda for the meeting will have two minutes each to address the Board on matters not on the agenda. For this first round of public comments on non-agenda matters, all Public Comment Cards must be submitted in person to the Clerk of the Board at the location of the meeting and prior to commencement of the meeting.*

Staff/Phone (415) 749-

3. **APPROVAL OF THE MINUTES OF MARCH 22, 2019**

Clerk of the Boards/5073

The Committee will consider approving the draft minutes of the Budget and Finance Committee Meeting of March 22, 2019.

4. **CONTINUED DISCUSSION OF FISCAL YEAR ENDING (FYE) 2020 PROPOSED AIR DISTRICT BUDGET AND CONSIDERATION TO RECOMMENDED ADOPTION**

J. McKay/4629

jmckay@baaqmd.gov

The Committee will consider recommending adoption of the proposed budget for Fiscal Year Ending (FYE) 2020 to the Board of Directors.

5. **THIRD QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING (FYE) JUNE 2019**

J. McKay/4629

jmckay@baaqmd.gov

The Committee will receive and update on the Air District's financial results for the third quarter of the FYE 2019.

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

Speakers who did not have the opportunity to address the Board in the first round of comments on non-agenda matters will be allowed two minutes each to address the Board on non-agenda matters.

7. **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)

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

Wednesday, September 25, 2019, Bay Area Air Quality Management District Office, 375 Beale Street, San Francisco, CA 94105 at 9:30 a.m.

9. **ADJOURNMENT**

The Committee meeting shall be adjourned by the Committee Chair.

CONTACT:

MANAGER, EXECUTIVE OPERATIONS
375 BEALE STREET, SAN FRANCISCO, CA 94105
vjohnson@baaqmd.gov

(415) 749-4941
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, CA 94105

FOR QUESTIONS PLEASE CALL (415) 749-4941

EXECUTIVE OFFICE:

MONTHLY CALENDAR OF AIR DISTRICT ANTICIPATED MEETINGS

APRIL 2019

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Climate Protection Committee	Monday	22	9:30 a.m.	1 st Floor Board Room
Board of Directors Budget and Finance Committee	Monday	22	10:30 a.m.	1 st Floor, Board Room
Board of Directors Legislative Committee	Wednesday	24	9:30 a.m.	1 st Floor, Yerba Buena Room #109
Board of Directors Mobile Source Committee	Thursday	25	9:30 a.m.	1 st Floor Board Room
Board of Directors Stationary Source Committee	Monday	29	9:30 a.m.	1 st Floor Board Room

MAY 2019

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting	Wednesday	1	9:30 a.m.	1 st Floor Board Room
Board of Directors Special Meeting Budget Hearing	Wednesday	15	9:30 a.m.	1 st Floor Board Room
Board of Directors Regular Meeting	Wednesday	15	10:00 a.m.	1 st Floor Board Room
Board of Directors Climate Protection Committee	Thursday	16	9:30 a.m.	1 st Floor Board Room
Board of Directors Community and Public Health Committee	Monday	20	9:30 a.m.	1 st Floor, Board Room
Board of Directors Legislative Committee	Wednesday	22	9:30 a.m.	1 st Floor, Yerba Buena Room #109
Board of Directors Mobile Source Committee	Thursday	23	9:30 a.m.	1 st Floor Board Room

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: April 8, 2019

Re: Approval of the Minutes of March 22, 2019

RECOMMENDED ACTION

Approve the attached draft minutes of the Budget and Finance Committee (Committee) meeting of March 22, 2019.

DISCUSSION

Attached for your review and approval are the draft minutes of the Committee meeting of March 22, 2019.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Vanessa Johnson

Attachment 3A: Draft Minutes of the Committee Meeting of March 22, 2019

AGENDA: 3A – ATTACHMENT

Draft Minutes – Budget and Finance Committee Meeting of March 22, 2019

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, 10th Floor, East Wing
70 W. Hedding Street
San Jose, California 95110

DRAFT MINUTES

Summary of Board of Directors
Budget and Finance Committee Meeting
Friday, March 22, 2019

1. CALL TO ORDER – ROLL CALL

Budget and Finance Committee (Committee) Vice Chairperson, John J. Bauters, called the meeting to order at 9:33 a.m. Director Chavez was participating via videoconference from the Santa Clara County Government Center.

Present: Vice Chair John J. Bauters; and Directors Margaret Abe-Koga, Cindy Chavez, David Hudson, Mark Ross, and Brad Wagenknecht.

Absent: Committee Chairperson Carole Groom; and Directors David J. Canepa, Rafael Mandelman, Karen Mitchoff, and Rod Sinks.

Also Present: None.

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

No requests received.

3. APPROVAL OF THE MINUTES OF FEBRUARY 27, 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 February 27, 2019; and the motion **carried** by the following vote of the Committee:

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

4. DISCUSSION OF PROPOSED BUDGET FOR FISCAL YEAR ENDING (FYE) 2020

Dr. Jeff McKay, Chief Financial Officer, gave the staff presentation *Discussion of Proposed Budget for Fiscal Year Ending 2020*, including: outline; current fiscal year – FYE 2019 projections; financial history – actions taken during downturn; actuals reserves and policy – excludes building proceeds; General Fund expenditure trend; staffing trend – filled positions; medical retirement – Other Post-Employment Benefits (OPEB); California Public Employees’ Retirement System (CalPERS) pension – historical rate of return and funding ratio; FYE 2020 Proposed Budget overview, General Fund revenue sources and expenditures, and capital budget; cost recovery trend; fees and cost recovery overview and future state; reserves policy and designations; retirement liabilities; medical retirement plan - OPEB overview; CalPERS pension plan – retirement overview; budget summary; and next steps.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed whether the funding allocation for the OPEB annual contribution could be used to supplement the CalPERS annual contribution, once the Air District’s OPEB obligation is fully funded; whether opportunities for multiple regional agencies housed at the Bay Area Metro Center to share full-time positions exist; and tradeoffs on varying funding levels for CalPERS and OPEB.

Committee Action

None; receive and file.

5. PROPOSED AMENDMENTS TO REGULATION 3: FEES

Pamela Leong, Director of Engineering, gave the staff presentation *Proposed Amendments to Regulation 3: Fees*, including: agenda; revenue sources - FYE 2018; cost recovery background; trends in expenditures and cost recovery; proposed changes to fee schedules; other proposed amendments; proposed Schedule N revisions; impact on large facilities: power plants and petroleum refineries; impact on small businesses; comments received; timekeeping improvements; and rule development schedule.

NOTED PRESENT: Director Ross was noted present at 10:03 a.m.

Public Comments

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

Committee Comments

The Committee and staff discussed the Air District's process for allocating revenue into divisions' and programs' expenditure categories; the Air District's identification of a need for \$10 million per year for AB 617 program implementation; why the Air District has yet to meet its 85% cost recovery goal; the status of the implementation of additional regulatory reference quality monitors in refinery communities; staff coding of time for permitted entities; the Air District's new employee handbook for cost recovery timekeeping; anticipated impacts of the upcoming economic downturn; fees collected by the Air District as payment to the California Air Resources Board; the concern that fee increases will impact small businesses; and how Air District employee travel to a permitted facility is coded.

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

Monday, April 22, 2019, Bay Area Air Quality Management District Office, 375 Beale Street, San Francisco, CA 94105 at 10:30 a.m.

9. ADJOURNMENT

The meeting adjourned at 10:31 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: April 8, 2019

Re: Continued Discussion of Fiscal Year Ending (FYE) 2020 Proposed Air District
Budget and Consideration to Recommend Adoption

RECOMMENDED ACTION

The Budget and Finance Committee (Committee) will continue discussion of the proposed budget for Fiscal Year Ending (FYE) 2020 and consider recommending that the Board of Directors (Board):

1. Conduct Public Hearings on the FYE 2020 Proposed Budget; and
2. Adopt the FYE 2020 Proposed Budget.

BACKGROUND

As directed by the Board at its March 6, 2019 regular board meeting, the FYE 2020 Proposed Budget was referred to the Committee for review at the Committee's March 22, 2019 meeting.

On March 22, 2019, staff presented the FYE 2020 Proposed Budget to the Committee. The proposed budget is balanced, with the General Fund totaling \$104.6 million and the Consolidated Funds (including program distributions) totaling \$252.7 million. Proposed capital requests are \$9.4 million.

DISCUSSION

The Committee will continue its discussion of the FYE 2020 Proposed Budget at its April 22, 2019 meeting. The FYE 2020 Proposed Budget includes the following recommendations for the Committee's consideration:

- Use of \$4.0 million reserves for building improvement to the newly acquired Richmond site
- No proposed staffing level increase; budgeted positions remains at 405 Full Time Equivalent (FTE)

- Includes 3.5% Cost of Living Adjustment (COLA), subject to agreed-upon terms of Memorandum of Understanding with the Employee Association
- Continuation of Cost Recovery Policy
- Continuation of \$1.0 million discretionary contribution towards California Public Employees' Retirement System (CalPERS) pension plan; and
- Continuation of \$4.0 million discretionary contribution towards Other Post Retirement Benefits (OPEB) and upon reaching 90% funding level; reallocate the discretionary \$4.0 million from OPEB to CalPERS pension plan

Staff requests that the Committee at its April 22, 2019, meeting complete its review and recommend adoption of the proposed budget to the Board. This will allow staff the necessary time required to amend, if necessary, the budget for the first public hearing of the proposed budget to be held on May 15, 2019.

Staff will publish, prior to April 22, 2019, a public notice that the first of two public hearings on the budget will be conducted on May 15, 2019 and that the second hearing will be conducted on June 5, 2019.

BUDGET CONSIDERATION/FINANCIAL IMPACT

The proposed consolidated budget for FYE 2020 is \$252,707,473 and is a balanced budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze
Reviewed 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: April 8, 2019

Re: Third Quarter Financial Report – Fiscal Year Ending 2019

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Finance staff will present an update on the Air District’s financial results for the third quarter of the 2018-19 Fiscal Year Ending (FYE). 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	3rd QTR FY 2018	3rd QTR FY 2019	FY 2019 - % of BUDGETED REVENUE
County Receipts	\$19,979,467	\$19,112,001	57%
Permit Fee Receipts	\$33,830,405	\$39,781,500	103%
Title V Permit Fees	\$5,002,480	\$6,170,877	106%
Asbestos Fees	\$2,988,026	\$3,261,343	130%
Toxic Inventory Fees	\$271,306	\$234,854	46%
Penalties and Settlements	\$3,886,200	\$1,549,316	56%
Interest Income	\$580,636	\$703,192	142%
Misc. Revenue	\$99,934	\$272,659	273%
Total Revenue	\$66,638,454	\$71,085,742	84%

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

EXPENDITURE TYPE	3rd QTR FY 2018	3rd QTR FY 2019	FY 2019 - % of BUDGETED EXPENDITURES
Personnel - Salaries*	\$28,052,100	\$30,430,974	65%
Personnel - Fringe Benefits*	\$13,337,074	\$14,896,174	60%
Operational Services / Supplies	\$13,294,496	\$14,423,307	49%
Capital Outlay	\$4,230,715	\$3,241,153	70%
Office Acquisition **		\$13,130,123	0%
Total Expenditures	\$58,914,385	\$76,121,732	72%

* Consolidated (includes Special Funds)
** Acquisition approved using GF Reserves

CASH INVESTMENTS IN COUNTY TREASURY – Account Balances as of 3rd Quarter

CASH/INVESTMENTS	3rd QTR FY 2018	3rd QTR FY 2019
General Fund	\$68,983,280	\$76,168,239
TFCA	\$94,849,259	\$102,067,763
MSIF	\$41,521,780	\$44,406,270
Carl Moyer	\$10,441,456	\$42,880,496
CA Goods Movement	\$13,899,421	\$15,148,526
Bike Share	\$1,075,555	\$1,095,158
Total	\$230,770,751	\$281,766,453

FUND BALANCES	6/30/2017	6/30/2018	6/30/2019
	Audited	Audited	Projected
DESIGNATED: *			
Building Acquisition			
Diversity Equity & Inclusion		100,000	
Economic Contingency	\$16,519,959	\$17,390,311	19,084,769
IT- Event Response	\$500,000	\$500,000	
Litigation		\$500,000	
Napa/Sonoma Fireplace Replacement Grant		\$1,000,000	1,000,000
Pension & Post Employment Liability	\$1,600,000	\$1,000,000	1,000,000
Tech- Meteorological Network Equipment	\$131,100	\$131,100	
Tech- Mobile Monitoring Instruments	\$80,000	\$80,000	
Technology Implementation Office		\$3,350,000	
GHG Abatement Technology Study	\$1,500,000	\$1,500,000	
Woodchip Program		\$150,000	
Woodsmoke Grant		\$1,000,000	1,000,000
Worker's Comp Self - Funding	\$1,000,000	\$1,000,000	-
Total Designated Reserves	\$21,331,059	\$27,701,411	\$22,084,769
Undesignated Fund Balance	\$19,603,422	\$18,101,141	\$8,046,383
TOTAL DESIGNATED & UNDESIGNATED	\$40,934,481	\$45,802,552	\$33,131,152
Building Proceeds	\$4,668,200	\$4,668,200	\$209,489
TOTAL FUND BALANCE	\$45,602,681	\$50,470,752	\$30,340,641
* Designated Fund Balances are subject to change at Board's discretion.			
OUTSTANDING LIABILITIES			
CalPERS Pension Retirement (2017 Valuation)			\$74,654,496
Other Post- Employment Benefits (2017 Valuation)			\$18,840,854
Certificate of Participation Notes (Est. @ June 2018)			<u>\$26,956,830</u>
TOTAL OUTSTANDING LIABILITIES			\$120,452,180

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 third quarter of 2018-19 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 2018-19.

	VENDOR NAME	AMOUNT PAID (July 2018 - March 2019)	EXPLANATION
1	Alliant Insurance Services	\$330,020	Various Business Insurance Policies
2	Air Resources Board	\$160,854	Pass through Air Toxic Fees
3	Bay Area Headquarters Authority	\$1,842,476	Shared Services & Common Areas
4	Benefits Coordinators Corp.	\$681,410	Life Insurance Plan & LTD Insurance
5	Berkeley Communications Corp	\$255,348	IT Network Services
6	CA Public Employee Retirement System	\$3,811,326	Health Insurance Plan
7	CA Public Employee Retirement System	\$1,922,460	Retirement Benefits & 457 Supplemental Plan
8	CAPCOA	\$632,492	Pass through EPA grants
9	Cubic Transportations Systems	\$337,385	Clipper Transit Subsidy
10	Enterprise Fleet Services	\$382,537	Fleet Leasing and Maintenance Services
11	Hartford Life Ins Co.	\$664,378	457 Supplemental Insurance
12	O'Rorke Inc.	\$329,302	Marketing & Advertising Services
13	P & A Administrative Services	\$135,753	Flexible Spending & Cobra Benefit Services
14	Preferred Benefit Insurance AD	\$598,859	Dental Insurance Plan
15	Regents of the University of California	\$130,000	Sponsorships
16	Sloan Sakai Yeung & Wong	\$117,382	HR Consulting & Staff Augmentation Services
17	SoftwareOne Inc.	\$343,476	Microsoft Subscription Service
18	Thermo Environmental Instrument	\$187,658	Air Monitoring and Source Test Instrumentation
19	Verizon Wireless	\$155,977	Cell phone services
20	Wang Brother Investment	\$382,009	Richmond Site Lease

BUDGET CONSIDERATION/FINANCIAL IMPACT

None; receive and file.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze
Reviewed by: Jeff McKay