

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

Budget and Finance Committee Meeting  
Wednesday, April 27, 2022

### **APPROVED MINUTES**

*Note: Audio recordings of the meeting are available on the website of the  
Bay Area Air Quality Management District at  
[www.baaqmd.gov/bodagendas](http://www.baaqmd.gov/bodagendas)*

**This meeting was conducted under procedures in accordance with Assembly Bill 361. Members of the Committee participated by teleconference.**

### **OPENING ITEMS**

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

As neither the Budget and Finance Committee Chairperson, nor the Vice Chairperson, were present at the beginning of the meeting, Committee Member, John Bauters, called the meeting to order at 9:33 a.m.

Roll Call:

Present: Directors John Bauters, David Canepa, David Hudson, Karen Mitchoff, and Katie Rice.

Absent: Committee Chairperson Carole Groom and Committee Vice Chairperson Brad Wagenknecht.

#### **2. PLEDGE OF ALLEGIANCE**

#### **3. PUBLIC MEETING PROCEDURE**

**CONSENT CALENDAR (Item 4)**

**4. APPROVAL OF THE MINUTES OF MARCH 23, 2022**

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Director Hudson made a motion, seconded by Director Mitchoff, to **approve** the minutes of March 23, 2022; and the motion **carried** by the following vote of the Committee:

AYES: Bauters, Canepa, Hudson, Mitchoff, Rice.  
NOES: None  
ABSTAIN: None  
ABSENT: Groom, Wagenknecht.

**PRESENTATION(S) (Items 5 - 9)**

**5. 2022 COST RECOVERY AND CONTAINMENT STUDY UPDATE (OUT OF ORDER, ITEM 8)**

Courtney Ramos, Vice President of Matrix Consulting Group, gave the presentation *Cost Recovery and Containment Study Results Overview*, including: outline; background; scope of services; legal frameworks & best practices; methodology; cost recovery - current process; cost recovery - options overview; cost recovery - Option 1; cost recovery - Option 2; cost recovery - Option 3; cost recovery - Option 4; report overview; and key recommendations.

Public Comments

Christine Wolfe, California Council for Environmental and Economic Balance (CCEEB); and Jed Holtzman, San Francisco resident.

Committee Comments

The Committee and staff discussed a Committee member's displeasure with all four options proposed, and the desire to find a more efficient way to recover fees; the number of fee schedules that are at 100% and above cost recovery, versus the number of fee schedules that are below 100%; whether there will be community outreach to receive input and feedback from organizations and businesses; the differences between Options 2 and 4; the need to document how time is spent

managing permitted facilities and justifying cost recovery; how current Air District protocols and processes (regarding best practices of business management and documentation) compare to those of other California air districts; the types of business that are affected by the six fee schedules that are currently at 100% or above cost recovery; and the anticipated timeline by which the Air District may be fully staffed.

#### Committee Action

Although this was not an action item, the consensus of the Committee members present was to recommend Option 2 to the Board. The Committee members also requested that a draft policy, reflecting the staff recommendations on slide 13 of the presentation, and tables of dollar amounts for Options 1 & 2, be brought before the Board.

### **6. PROPOSED AMENDMENTS TO AIR DISTRICT REGULATION 3: FEES (OUT OF ORDER, ITEM 7)**

Fred Tanaka, Engineering Division Manager, gave the staff presentation *Amendments to Regulation 3: Fees*; including: outcome; outline; requested action; cost recovery background; proposed changes to fee schedules - Option 1; proposed changes to fee schedules - Option 2; proposed changes to fee schedules; draft fee amendments: proposed changes to fee schedules; schedules not being increased; other proposed amendments - Regulation 2-1 and 2-5 implementation; other proposed amendments - naturally occurring asbestos; impact on large facilities: power plants; impact on large facilities: petroleum refineries; impact on small businesses - renewal fees and impact; rule development schedule; and feedback requested/prompt.

#### Public Comments

Jed Holtzman, San Francisco resident; Christine Wolfe, CCEEB; and Leah Louis-Prescott, Rocky Mountain Institute.

#### Committee Comments

The Committee and staff discussed confirmation that this topic will be included in the Fiscal Year Ending (FYE) 2023 Budget, and that the 2022 Cost Recovery and Containment Study will be included in the FYE 2024 Budget; and whether the Air District will recommend moving to 100% cost recovery, compared to 85%.

#### Committee Action

Although this was not an action item, the consensus of the Committee members present was to recommend Option 1 to the Board.

## 7. CONTINUED DISCUSSION OF PROPOSED BUDGET FOR FYE 2023 AND CONSIDERATION TO RECOMMEND ADOPTION (OUT OF ORDER, ITEM 5)

Stephanie Osaze, Director of Finance, gave the staff presentation *Continued Discussion of Proposed Budget for Fiscal Year Ending 2022-2023*, including: outcome; outline; requested action; financial history; financial history - actual reserves and policy trends; financial history - General Fund revenue trends; financial history - General Fund expenditure trends; financial history; staffing trends; financial history - cost recovery trends; fees and cost recovery overview; current FY budget overview; FY 2022-2023 Proposed Budget overview; breakdown of FY 2023 General Fund revenues; breakdown of FY 2023 General Fund expenditures; breakdown of \$15.2 million budget increase; recent staffing requests; FYE 2022 included request for 26 staff: new staffing request General Fund (19) on hold; new staffing request Grant Fund (7) on hold; FYE 2023 proposed 20 new staff; alternative Proposed Budget; possible Proposed Budget options; budget options: 6.4% vs. 10.9% blended rate breakdown of budget increases; Capital Budget detail; funding of retirement liabilities; reserves designations; FY 2023 Proposed Budget summary; next steps; and feedback requested/prompt.

### Public Comments

Public comments were given by Jed Holtzman, San Francisco resident.

### Committee Comments

The Committee and staff discussed concerns that Committee members who do not attend meetings affect quorum; a Committee member's request that staff create policy that will redirect Other Post Employment Benefits (OPEB) funds to pay down pension liability, and the anticipated timeline to pay it down by 2029, based on the current contribution rate; whether the Richmond (Headquarters East) improvements, litigation, and pandemic contingency are anticipated to be ongoing expense for reserves; whether funding for the Technology Implementation Office (TIO) was built into the budget, and a request for the amount of reserves spent on the TIO thus far; whether the Air District is adhering to the suggested guidance of the findings from its management audit, regarding requests for new Full Time Equivalent (FTE) staffing; whether the proposed 20 FTE additional staff positions have previously been requested by staff; and concern that none of the new staffing requests are for the Communication Division or administrative positions.

### Committee Action

Director Bauters made a motion, seconded by Director Mitchoff, to recommend the Board conduct Public Hearings on the FY 2022 - 2023 Proposed Budget, **adopt** the FY 2022 - 2023 Proposed Budget, with the understanding that the management audit will allow the Board to work with the Interim Air Pollution Control Officer to select staff augmentations, and the motion **carried** by the following vote of the Committee:

AYES:	Bauters, Canepa, Hudson, Mitchoff, Rice.
NOES:	None.
ABSTAIN:	None.
ABSENT:	Groom, Wagenknecht.

**8. CALIFORNIA EMPLOYERS' PENSION PREFUNDING TRUST (CEPPT) PARTICIPATION AND RECOMMENDED ADOPTION (OUT OF ORDER, ITEM 9)**

Leonid Bak, Senior Advanced Projects Advisor, gave the staff presentation *California Employers' Pension Prefunding Trust (CEPPT) Participation and Recommended Adoption*, including: outcome; outline; requested action; unfunded retirement liabilities; plan overview CalPERS Pension Retirement Plan; unfunded retirement liabilities: funding and investment options; independent analysis; independent analysis: pension funding options; unfunded retirement liability: CalPERS 15 year "fresh start"; investment option: CalPERS 15 year "fresh start"; independent analysis - pension investment options; Section 115 trust vs. baseline scenario (keeping the money in County Pool Account); investment Option 2: additional payments sent directly to CalPERS; investment Option 3; Section 115 Pension Rate Stabilization Program (PRSP); Section 115 trust (PSRP); Section 115 trust: Air District's experience with OPEB; review and summary; and recommendation.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed the performance of the Section 115 trust track record, and the yearly medium and long term return averages; the Air District's anticipated base annual contribution for the Section 115 trust; the anticipated ending of OPEB coverage, and whether the Air District recommends putting it into the pension fund; whether the CEPPT is a predetermined standard (preset plan); whether there are risk level options for the CEPPT, and whether the Board would be able to select the risk level; the \$5 million set aside for unfunded liabilities for pension, and how the Air District plans to utilize that money; and whether the Board can choose a different Section 115 trust later (outside of CalPERS).

Committee Action

Director Hudson made a motion, seconded by Director Rice, to do the following:

1. Adopt a resolution to authorize the Air District to participate in the California Employers' Pension Prefunding Trust with the lowest risk profile;
2. Delegate the Air Pollution Control Officer/Executive Officer and Chief Financial Officer with authority to request disbursements and;
3. Authorize the Executive Officer to execute the California Employers' Pension Prefunding Trust legal and administrative documents on behalf of the Air District.

The motion **carried** by the following vote of the Committee:

AYES: Bauters, Canepa, Hudson, Mitchoff, Rice.  
NOES: None.  
ABSTAIN: None.  
ABSENT: Groom, Wagenknecht.

**9. THIRD QUARTER FINANCIAL REPORT - FISCAL YEAR ENDING 2022 (OUT OF ORDER, ITEM 6)**

Ms. Osaze gave the staff presentation *Third Quarter Financial Report Fiscal Year Ending (FYE) 2022*, including: outcome; outline; requested action; third quarter results FYE 2022 - revenue comparison; third quarter results FYE 2022 - General Fund - expenditures; expenditure comparison; third quarter results FYE 2022 - investments; fund balance and outstanding liabilities; purchasing reporting requirements; FYE 2022 vendor payments; and feedback requested/prompt.

Public Comments

None.

Committee Comments

The Committee and staff discussed the cost of the Air District's portion of 375 Beale Street, and whether there have been any changes in operating costs.

Committee Action

None; receive and file.

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

No requests received.

**11. COMMITTEE MEMBER COMMENTS**

Director Bauters thanked the Air District's Executive Office staff for their service in observance of Administrative Professionals' Day.

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

The original date and time of the Committee's next meeting was to be Wednesday, May 25, 2022, at 9:30 a.m. After the meeting adjourned the next Committee meeting was scheduled for Wednesday, October 26, 2022, at 9:30 a.m., via webcast, teleconference, or Zoom, pursuant to procedures in accordance with Assembly Bill 361 (Rivas 2021).

**13. ADJOURNMENT**

The meeting adjourned at 12:03 p.m.

*/s/ Luis Espino*  
Luis Espino  
Acting Clerk of the Boards