

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

Finance and Administration Committee
Wednesday, March 20, 2024

APPROVED MINUTES

This meeting was webcast, and a video recording is available on the website of the Bay Area Air Quality Management District at www.baaqmd.gov/bodagendas

CALL TO ORDER

1. **Opening Comments:** Finance and Administration Committee (Committee) Chairperson, Davina Hurt, called the meeting to order at 10:07 a.m.

Roll Call:

Present, In-Person (Bay Area Metro Center (375 Beale Street, 1st Floor Board Room, San Francisco, California, 94105): Board Chairperson Davina Hurt; and Directors Juan González III and Katie Rice.

Present, In-Person Satellite Location (San Mateo County Hall of Justice, 400 County Center, Criminal Justice Training Room, 1st Floor, Redwood City, CA 94063): Director Ray Mueller.

Present, In-Person Satellite Location (Office of Alameda County Supervisor David Haubert, 4501 Pleasanton Avenue, Pleasanton, CA 94566): Director David Haubert.

Absent: Vice Chairperson Lynda Hopkins; and Directors Margaret Abe-Koga and Tyrone Jue.

2. **PLEDGE OF ALLEGIANCE**

CONSENT CALENDAR

3. **APPROVAL OF THE DRAFT MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE MEETING OF FEBRUARY 21, 2024**
4. **HEARING BOARD QUARTERLY REPORT (OCTOBER – DECEMBER 2023)**

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Director Rice made a motion, seconded by Director González to **approve** the Consent Calendar, Items 3 and 4; and the motion **carried** by the following vote of the Committee:

AYES: Haubert, González, Hurt, Mueller, Rice.
NOES: None.
ABSTAIN: None.
ABSENT: Abe-Koga, Hopkins, Jue, Ross.

ACTION ITEMS

5. PROPOSED AMENDMENTS TO AIR DISTRICT REGULATION 3: FEES

Fred Tanaka, Manager in the Engineering Division, gave the staff presentation *Amendments to Regulation 3, Fees*, including: outcome; outline; requested action; agency-wide revenue sources- Fiscal Year Ending (FYE) 2023; expenditures by type (FYE 2023); cost recovery background; proposed changes to fee schedules – cost recovery; draft fee amendments: proposed changes to fee schedules; schedules not being increased; other proposed amendments; impact on large facilities (power plants and petroleum refineries) and small businesses (renewal fees and impact); budget and rule development schedule; summary of public comments; and feedback requested.

Public Comments

Public comments were given by Bob Brown, Western States Petroleum Association.

Committee Comments

The Committee and staff discussed the history of draft amendments to specific fee schedules that were made in consideration of the 2021 Cost Recovery and Containment Study, the 2022 Cost Recovery Report, and subsequent Board direction; the manner in which fee increases were calculated for facilities that were not subjected to the 15% increase proposed for schedules with a cost recovery less than 100%; the request for a breakdown of types of facilities that fall under Schedule F (Miscellaneous Sources: storage silos, abrasive blasting), their current cost recovery rates, and whether any of those facilities are outliers within that category; concerns about fee increases for small businesses within various fee schedules (F, B, and E), particularly those in overburdened communities; whether there are deviations between the cost recovery of certain types of facilities and others; the request for the full list of the different fee categories and which warrant the 15% increase; the request for historical data and cost recovery trends (before and after 2022); predicted versus actual percent fee change; whether there part of Air District operations that are not subject to cost recovery; long-term overall cost recovery rate projections, and how the Air District will know when the correct rate has been achieved; the Air District's definition of "work backlog"; the role that non-finalization plays in the development of proposed fee schedules; the request for a comparison between the cost recovery trends and fee increases of the Bay Area Air Quality Management District and those other of California air districts; revenue

sources that make up the difference of costs of regulatory program activities that are not being recovered; desires of the regulated community regarding Air District cost recovery; ways in which Just Transition (a set of principles, processes, and practices that aim to ensure that no people, workers, places, sectors, countries or regions are left behind in the transition from a high-carbon to a low carbon economy) may be impacting the regulated community and their Air District fees; whether the Air District experienced a budget surplus or deficit during the previous FY; whether the Air District anticipates having increased funding for various programs, due to increased fees that may be adopted; whether the Air District, during its inception in the 1960s, was originally designed to have tax dollars recover the costs of regulatory program activities; the methodology being utilized by the Air District to measure the efficiency of its Cost Recovery and Containment Policy; and the desire for a longer range of predictability and consistent transparency (who is impacted and how).

Committee Action

Air District staff had recommended that the Committee recommend that the Board of Directors adopt the proposed Regulation 3 amendments for FYE 2025, but when Committee members asked whether a Committee recommendation was required that day, Dr. Philip M. Fine, Executive Officer/Air Pollution Control Officer (APCO) said that because this item was going to be agendaized again at the April Committee meeting, for further consideration, no action by the Committee was needed on this day. *The consensus of the Committee members present was to take no action at this time.*

6. REVIEW OF RESERVES FOR ECONOMIC CONTINGENCIES AT THE AIR DISTRICT AND RECOMMENDATION FOR A REVISED RESERVES POLICY

Leonid Bak, Economist, gave the staff presentation *Review of Reserves for Economic Contingency and Recommendation to Revise Policy*, including: outcome; outline; requested action; definition and advice for reserves; Air District's General Fund reserves: actual versus minimum policy requirement; comparison of select California Air Districts' reserves; Air District's reserves needs (risks and commitments); summary and conclusions; and recommendation.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed establishing minimum and maximum levels of reserves in the Air District's reserves policy, and whether other California air districts have maximum levels; whether other California air districts' reserve policies, as well as Bay Area County reserves policies, are comparable to that of the Bay Area Air Quality Management District; whether other California air districts have the revenue source of property tax; the fact that the Air District's cash flow analysis requires slightly higher reserves for short-term operational needs (minimum 22 percent of the general fund budget); the types of risk that the Air District is managing; whether the Air District currently has separate reserves besides a general reserve (in case of an economic downturn); the suggestion of creating enough cushion to retain employees; the challenges of unequal reserved designations; the best practice of treating money that has yet to be spent not as reserves, but as encumbered funds; and the desire for clarity on what is designated reserve versus economic contingency reserve.

Committee Action

Director González made a motion, seconded by Director Rice, to recommend the Board **adopt** the following revision to the economic contingency reserves policy:

1. Allocate a minimum of 25 percent and a maximum of 35 percent of the general fund budget for economic contingency reserve; and
2. Discuss plan for investments of excess reserves in the current Budget development process.

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

AYES: González, Haubert, Hurt, Mueller, Rice.
NOES: None.
ABSTAIN: None.
ABSENT: Abe-Koga, Hopkins, Jue, Ross.

7. AIR DISTRICT'S PROPOSED BUDGET FOR FISCAL YEAR 2024-2025

Stephanie Osaze, Director of Finance, and Hyacinth Hinojosa, Deputy Executive Officer of Finance and Administration, gave the staff presentation *Air District's Proposed Budget for Fiscal Year 2024-2025*, including: outcome; outline; budget highlights; financial forecast (FYE 2025-2029); key assumptions (revenue and expenditure); FY 2024-2025 Proposed Budget Summary; FY 2025 Budget by revenue/expenditure type; general fund reserve designations; summary of 2025 \$16.6M budget increase; capital considerations by division; funding status and policy for medical and pension plans; FY 2025 budget by service areas (engineering and compliance, equity and community programs, finance and administration, General Counsel, public affairs, science and policy); projected funding to support additional positions; impact of cost recovery with the 19 new full time equivalents (FTEs); impact on fee increases with the 19 new FTEs; FY25 new 19 FTE cost considerations; FYE 2025 staffing adjustments; budget and rule development schedule; and recommendation.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed the designated reserve for pension plans/prefund trust; the request for operating fund budget detail, solely; and economic contingency (20% of budget).

ADJOURNMENT DUE TO LACK OF QUORUM

At 12:19 p.m., during Item 7, Chair Hurt announced that Director Haubert had left the meeting and the remote teleconferencing location of 4501 Pleasanton Avenue, Pleasanton, CA 94566 was no longer available for attendance by the public. Chair Hurt therefore adjourned the meeting in accordance with Section 3.3(b) (Standing Committee Procedures; Quorum and Action) of the Air District's Administrative Code, which states, "A committee may meet only when a quorum is present." Chair Hurt announced that discussion on Item 7, will be continued to the Committee's next regularly

scheduled meeting on April 17, 2024, and that the remaining agenda items will be considered at that meeting.

Because the meeting was adjourned, there was no action taken on Item 7, and the Committee did not consider the following agenda items:

8. CORRECTIVE ACTION PLAN TO IMPLEMENT THE RECOMMENDATIONS FROM THE ENGINEERING PERFORMANCE AUDIT

OTHER BUSINESS

9. PUBLIC COMMENT ON NON-AGENDA MATTERS

10. COMMITTEE MEMBER COMMENTS

11. TIME AND PLACE OF NEXT MEETING

Wednesday, April 17, 2024, at 10:00 a.m. at 375 Beale Street, San Francisco, CA 94105. The meeting will be in-person for the Finance and Administration Committee members and members of the public will be able to either join in-person or via webcast.

12. ADJOURNMENT

The meeting was adjourned at 12:19 p.m.

/s/ Marcy Hiratzka
Marcy Hiratzka
Clerk of the Boards