

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

Finance and Administration Committee
Wednesday, April 17, 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 10:04 a.m.

Roll Call:

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

Present, In-Person Satellite Location (Mountain View City Hall, 500 Castro Street, 2nd Floor Committee Room, Mountain View, CA 94041) Director Margaret Abe-Koga.

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.

Absent: Vice Chairperson Lynda Hopkins; and Directors Juan González III, and Mark Ross.

2. **PLEDGE OF ALLEGIANCE**

CONSENT CALENDAR

3. **APPROVAL OF THE DRAFT MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE MEETING OF MARCH 20, 2024**

The Committee approved the Draft Minutes of the Finance and Administration Committee Meeting of March 20, 2024.

4. **UPDATED AIR DISTRICT PROCUREMENT POLICY AND REVISED ADMINISTRATIVE CODE SECTION 9.4**

The Committee recommended the Board (i) adopt amendments to Section 9.4 of the Administrative Code regarding procurement, and (ii) adopt a Procurement Policy to establish procedures for competitive bidding, awarding, administering, and executing contracts for goods and services, leases, and other similar contractual agreements, to become effective July 1, 2024.

5. **FINANCIAL UPDATE FOR THE FISCAL YEAR (FY) 2023-2024 SECOND QUARTER ENDING DECEMBER 31, 2023**

The Committee received the FY 2023-2024 financial update for the second quarter ending December 31, 2023.

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Director Haubert made a motion, seconded by Director Jue to **approve** the Consent Calendar, Items 3 to 5, inclusive; and the motion **carried** by the following vote of the Committee:

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

ACTION ITEMS

6. **PROPOSED AMENDMENTS TO AIR DISTRICT REGULATION 3: FEES**

This was a further consideration of the proposed amendments to the fee regulation that the Committee discussed at its March 20 meeting to provide the Committee additional detail.

Fred Tanaka, Manager in the Engineering Division, gave the staff presentation *Amendments to Regulation 3, Fees*, including: outcome; outline; requested action; summary of proposed changed to fee schedules; other proposed amendments; cost recovery strategy: fee-recoverable work, history of studies and recommendations, overall cost recovery trends, small business fee considerations; metrics and comparisons: case study of cost recovery trends, comparison with other air districts, small and medium facilities, refineries, Schedule F; budget and rule development schedule; and feedback requested.

Public Comments

Public comments were given by Allegra Curiel, California Council for Environmental and Economic Balance.

Committee Comments

The Committee and staff discussed the fee-based activities that typically generate the greatest amount of collected revenue within the Bay Area Air Quality Management District's jurisdiction, compared to those of the South Bay Air Quality Management District; the types of facilities under the category of 'printer'; whether the Air District takes into consideration the fact that increased fees may contribute to distress of facility/company/industry; whether permitted facilities are informed of how their Air District fees are justified; the suggestion of shifting to a "fee containment" mindset that strives to find creative ways to proactively streamline fees, versus having to calculate cost recovery; the range of cost recovery rates across all fee schedules; whether attention to cost recovery rates should be applied equally across all fee schedules; and the desire to avoid unintended consequences when shifting environmental burdens from one entity onto another.

Committee Action

Director Haubert made a motion, seconded by Director Rice to recommend the Board **adopt** proposed amendments to Regulation 3, Fees, for Fiscal Year Ending (FYE) 2025; and the motion **carried** by the following vote of the Committee:

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

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

This agenda item is a continuation of the proposed budget item from the March 20, meeting. The Committee resumed discussion on the proposed FY 2024-2025 Budget and staffing recommendations from its March 20, 2024, meeting.

Stephanie Osaze, the Director of Finance, presented supplementary budget information in response to the Committee's feedback. *Continuation of Air District's Proposed Budget for Fiscal Year 2024-2025*, including: outcome; outline; FY 24-25 Proposed Budget summary; Air District's General Fund reserves: actual versus minimum policy requirement; 2024 General Fund reserve designations; proposed General Fund budget by type; medical retiree and pension plan funding status and policy; and recommendation.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed the Air District's current pension plan funding level and policy, and how staff proposes to allocate annual discretionary contributions towards prefunding the pension trust to address unfunded liability each year; the cause of the fluctuation from 82% in 2021 to 74% of funded pension plan; potential changes to the Air District's proposed reserve policy; whether the Air District attempts to forecast market returns and California Public Employees' Retirement System (CalPERS) obligations; the desire for a policy that increases discretionary contributions more aggressively for the pension fund beyond other post-employment benefits (OPEB) monies; and whether the Air District uses its reserves to invest in the Air District's priorities of cleaning the environment.

Committee Action

Director Rice made a motion, seconded by Director Jue, to recommend the Board **conduct** public hearings on the FY 24-25 Proposed Budget, **adopt** the FY 24-25 Proposed Budget and staffing recommendations, and **allocate** \$5 million to the California Employers Pension Prefunding Trust for pension prefunding purposes; the motion **carried** by the following vote of the Committee:

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

8. **AUTHORIZATION TO EXECUTE A CONTRACT WITH ALLISON+PARTNERS FOR THE SPARE THE AIR ADVERTISING AND MESSAGING CAMPAIGNS**

Kristina Chu, Communications Manager, gave the staff presentation *Approval of a Contract for Spare the Air Advertising and Messaging Campaigns*, including: requested action; outcome; Spare the Air Request for Proposals (RFP) overview; proposals received; RFP evaluation criteria; firm evaluation scores; Spare the Air budget overview and funding sources; and requested action.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed the Air District's history of contracting with Allison+Partners for the Spare the Air campaigns, advertising, communications, and evaluation services; and the ways in which highly-impacted communities are receiving communications about the Spare the Air programs.

Committee Action

Director Haubert made a motion, seconded by Director Jue, to recommend the Board **authorize** the Executive Officer/Air Pollution Control Officer (APCO) to execute a contract with Allison+Partners for the Spare the Air Advertising and Messaging Campaigns for up to three years at the Air District's discretion, based on the contractor's performance and available funds, in an amount not to exceed

\$1,950,000 per contract year during Fiscal Year Ending (FYE) 2025 and FYE 2026 and \$2,019,000 for FYE 2027; the motion **carried** by the following vote of the Committee:

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

9. FUNDING COMMUNITY BENEFITS FROM PENALTY FUNDS

Greg Nudd, Deputy Executive Officer of Science and Policy, gave the staff presentation *Funding Community Benefits from Penalty Funds*, including: outcomes; outline; about penalties; proposed policy; Community Benefit project examples; penalty allocation proposal; mitigating budget risk; Community Advisory Council recommendations; Richmond-North Richmond-San Pablo Community Emissions Reduction Plan Community Steering Committee recommendations; partial results for FYE 2024; and recommendation.

Public Comments

Public comments were given by Jan Warren, Interfaith Climate Action Network of Contra Costa County.

Committee Comments

The Committee and staff discussed which entity will ensure that the community decides how the penalty funds are allocated and perform audits the allocations, whether those entities will have the capacity to perform that administrative work, and whether administrative costs were discussed with the Air District's Community Advisory Council; entities that would be eligible to oversee and facilitate such administrative tasks in disadvantaged, overburdened communities that do not have designated Assembly Bill (AB) 617 representation, and the need to build capacity in those communities; the way in which the Air District calculates revenue projection; whether there are Bay Area communities in which Air District regulation violations frequently occur and result in small penalties; and the appreciation for this proposed policy, perceived by some as groundbreaking.

Committee Action

Director Haubert made a motion, seconded by Director Jue, to recommend the Board **adopt** the proposed Funding Community Benefits from Penalty Funds policy, including the requirement to report back to the Board on the effectiveness of the policy, effective upon approval and be retroactive to the beginning of this fiscal year; the motion **carried** by the following vote of the Committee:

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

INFORMATIONAL ITEMS

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

Dr. Meredith Bauer, Deputy Executive Officer for Engineering and Compliance, and Pamela Leong, Engineering Division Director, gave the staff presentation *Corrective Action Plan to Implement the Recommendations from the Engineering Performance Audit*, including: outcome; requested action; outline; history; key audit findings; audit recommendations: timeliness/backlog, tracking permit process/bottlenecks, accounts, management time, resource management (staffing and workload), cost recovery, and summary; corrective actions: recent progress, approach and timeline, and 5-year backlog reduction schedule; action plan: timeliness/backlog, tracking permit process/bottlenecks, accounts, management time, resource management (staffing and workload), and cost recovery; and requested action.

Public Comments

Public comments were given by Allegra Curiel, California Council for Environmental and Economic Balance.

Committee Comments

The Committee and staff discussed contributing factors to the Air District's current permitting backlog; the suggestion that specific types of permit applications be processed in a more streamlined, accelerated, manner; and the suggestion of tracking the performance rate of Air District engineering staff that process permit applications.

Committee Action

None; receive and file.

11. AIR DISTRICT FINANCIAL AUDIT REPORT FOR FISCAL YEAR ENDING (FYE) 2023

Joseph Moussa from Simpson & Simpson LLP, gave the presentation *Fiscal Year 2023 Bay Area Air Quality Management District Presentation of Audit Results*, including: agenda, Auditor's Required Communications (Statement on Auditing Standard 114); 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 the sources of the Air District's \$302 million of reserved special funds (restricted); and the implementation of corrective actions and establishment of robust tracking.

Committee Action

None; receive and file.

OTHER BUSINESS

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

No requests received.

13. **COMMITTEE MEMBER COMMENTS**

None.

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

Wednesday, May 15, 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.

15. **ADJOURNMENT**

The meeting was adjourned at 12:27 p.m.

/s/ Marcy Hiratzka
Marcy Hiratzka
Clerk of the Boards