**M I N U T E S**
LANE REGIONAL AIR PROTECTION AGENCY

**B U D G E T  M E E T I N G**

**A P R I L  1 1 ,  2 0 1 9**

**EWEB Building**
**500 East 4th Avenue, Eugene, OR 97401 - meeting room in the North Building.**

**ATTENDANCE:**

**Board:** Mike Fleck - Chair - Cottage Grove; Joe Pishioneri - Vice Chair - Springfield; Charlie Hanna - Eugene; Mysti Frost - Eugene; Betty Taylor – Eugene; Victoria Doyle – Springfield; Joe Berney – Lane County; Jeannine Parisi - Eugene

**Absent:** Kathy Nichols - Oakridge

**Budget Committee:** Chuck Gottfried; Adam Rue; Ruth Duemler; Kathy Lamberg; Iva Pfeifer; Kevin Cronin; Robert Houston; Chrissy Hollett

**Staff:** Merlyn Hough–Director; Debby Wineinger; Nasser Mirshosseyni; Max Hueftle; Colleen Wagstaff; Lance Giles; Laticia Comer

1. **OPENING:** **Doyle** (Budget Committee Vice-Chair) called the meeting to order at 11:01 a.m.

2. **PUBLIC PARTICIPATION: None**

3. **ACTION ITEM:** Approval Budget minutes of March 14, 2019

**MOTION: Pishioneri MOVED to approve the minutes; Fleck SECONDED THE MOTION. VOTE ON MOTION: UNANIMOUS**

4. **EXPLANATION OF ORGANIZATION OF BUDGET BINDER:**

**Mirshosseyni** submitted affidavits of publication for the record.

**Mirshosseyni** reviewed the contents of the budget binder. And gave an overview of the budget.

**Pishioneri** asked if there was a separate budget for vehicle replacement. **Mirhosseyni** said the only vehicle that is out of date and needs replacement is budgeted in Airmetrics. **Pishioneri** commented that maybe this was something the Board should discuss (vehicle replacement program). **Mirhosseyni** agreed.

**Berney** asked if there was an inventory list for the vehicles. **Mirhosseyni** said the depreciation schedule and list of assets was forward to everyone via email 3/14/19.

**5. BRIEF OVERVIEW OF PREVIOUS QUESTIONS/ANSWERS (FRIDAY UPDATES)**
(Nasser Mirhosseyni response in red)

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**Question from Victoria Doyle:**

Since the budget portion of the meeting is before the general I want to ask a few questions that can maybe be answered at this meeting or next- without taking too much time today. My questions are specific to the general fund- because that tends to be where the "catch all" costs seem to land.

Can you provide a list of the Equipment budgeting (64,570) and the corresponding depreciation schedule for the equipment being replaced if that is the case? is this simply a contingency in the event of an equipment need? There is a brief description of this line item of the budget on page 3 of the Executive Summary and paragraph 3. For most part, LRAPA replaces its monitoring equipment on a regular schedule and especially to meet its commitment to the Air Toxics Program in collaboration with the State of Oregon DEQ as noted on page 5 of the Executive Summary and paragraph 5. The exception to this regular investment for the monitoring equipment is the $20,000 that is designated to replace LRAPA's outdated computer network server, as noted in the above paragraph 3.

Id actually like to see all LRAPA assets and the corresponding depreciation schedule- specifically office equipment, vehicles, building etc. How do you determine what needs to be replaced? This information was provided to the Committee prior to the meeting Today March 14, 2019.

Please let me know why the ending balance will be over a million dollars; has been over a million dollars- and why you need an increase of partner dues given that amount? I'm all for contingency funds but this seems more than excessive for the size of the organization- how much of this is cash dollars in the bank? During LRAPA Board meetings in January of each year (this year January 10, 2019) staff provides the 5-year Forecast (copy is appended for your review), where it describes how the reserves and the fund balances will be utilized to meet the expenditure needs of the agency, during the 5 year period. We strongly believe, the projected gap in the 5th year will be remedied by special projects and additional grant opportunities that are in the works now.

I may have missed it somewhere- but how much does it take to run LRAPA monthly? Bare bones, pay the employees and keep the doors open via general fund. Is there something that says how much in contingency there should be for operating expenses and if there isn't, why not? The chart on page 15 of the budget document perhaps responds to this question. The projected $2,711,700 is what is referred to as the "Core Operating Budget" is the mandated programs and services that LRAPA has to deliver to its permittees and the 5 participating partner agencies (page 2 of the PowerPoint presentation)

I have specific line item questions I will address at the meeting.

**Question from Kathy Lamberg:**

First question concerns the Airmetrics budget. Why do you consistently budget less money on revenue and more on expenditures for Airmetrics,when in past years this program consistently makes more money than it expends?

Response: As it has been the goal of LRAPA management to be conservative in the revenues generated by this enterprise operation of LRAPA so LRAPA core operation does not depend on the potential resources provided by Airmetrics. Therefore, we always strive to do better on the revenue side and adopt saving measures on the expenditure side when possible to make this program self-sufficient over the long run. As you will note, we budget for contingencies that we do not usually spend and budget for a potential R&D that the program may or may not need because of the niche nature of this product.

Second question pertains to the Title V program. It looks like the Title V program consistently takes in less revenue than it expends. What funds fill that gap if this program is using more money than it takes in? Is it the Airmetrics fund that fills this gap?

Response: As you are certainly aware, Title V program has to be able to pay for itself and LRAPA management in the 5-year forecast presented such reality for this operation despite the loss of couple of sources. However, when possible, LRAPA shifts resources to either catch up with any potential permitting backlog and allocating sufficient staff recourses to the program. As you will note on page 23 of the budget document, Title V program is enjoying a projected beginning fund balance of $301,370 to support the management resource allocation plan, over the course of the next five years, as it was presented in the 5-year Budget Forecast that was appended as part of the budget binder document.

**Question from Bob Houston:**

My questions relate to what is the in-direct cost applied, where is it applied, and was it considered when the amount of the permit fees were determined? My other questions have been answered up to this point. -thanks!

Under the 2 CFR 200.19, the Indirect Cost Rate (ICR) is a negotiated rate that the agencies who receive Federal Grants can apply to the projects that are funded by Federal Grants. The local agency (i.e., LRAPA) has negotiated its indirect cost rate with a designated Federal Cognizant Agency (EPA) that has now been in effect from July 1, 2016 until June 30, 2020 at the rate of 11.2%. In general, the costs are divided into the two groups of Direct Cost where these costs are identified to directly impact the Federal program under administration and Indirect Cost for those costs that indirectly will impact the Federal program that the cost is applied to.

The permit fees are independent of the Indirect Cost Rate (ICR) and their amounts are determined by the established LRAPA rules or they are adopted by reference such as the Fees for the Title V facilities that LRAPA adopts those fees from Oregon DEQ by reference.

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**Continued discussion during the meeting:**

**Houston** said they are currently dealing with indirect costs within his agency. The permit pays for more than the processing that itself, it also pays for some of the publication costs and rent so they are being very conscience about that. In their rule writing process they are trying to put in the indirect costs and understanding that's a different process. Finding where the revenues are coming in and applying the indirect cost rate. The federal rate is around 26%, and their negotiated indirect costs for Aggregate industry is down around 15%. **Mirhosseyni** said the way LRAPA calculates its indirect costs is to determine the direct cost of a program and for indirect cost to use the negotiated rate as a percentage. **Houston** said he didn't see where it was broken out. **Mirhosseyni** said it is included as part of the expenditure summary when we request for federal funds and that where it is applied.

**Fleck** asked if the difference is when you have an indirect rate you don't apply the allocation formulas to every cost center, is that correct. He uses FTE's in each area to determine overall allocations around utilities etc. You could also use square footage of group, there are several methodologies that you could use. He thought getting the federal approved rate allowed to apply as a basis each month. **Mirhosseyni** said correct, it does not apply to EPA or state funds we receive on a regular basis.

**Doyle** said she didn't have anything against reserves it's a good thing She thinks it's scary when organizations and municipalities do not have reserves. Her concern was raising the partners rates, when there doesn't seem to be a need for it. She heard in the last meeting it was just being done incrementally its not as painful as so to speak, she wants to be justified as to why we are raising rates. She doesn't see the necessity. **Cronin** said he thinks we need to raise the rates even more. He thinks having a well-funded agency will manage our air quality better in the long run. **Doyle** said the trajectory has consistently gone up. **Cronin** said several employees are wearing many different hats, if there was more revenue from increasing the rates its going to be a more proficient agency. **Fleck** wanted to give a little historical perspective, he has been on the Board for a number of years. Eugene, Springfield, and Lane County reduced the amount of their contributions. They are not paying per capita like Oakridge and Cottage Grove are. He is not terribly concerned about that, but the goal was to hope to get back to parity by slowly bring it back up. This kind of goes towards that ending fund balance as well. The agency has been down to about a month in revenues, **Mirhosseyni** said it was closer to just a few days. **Fleck** said it was Board direction, to not be living paycheck to paycheck. This has all been guided by the LRAPA Board for several years. This is intentional to try to get out of being in fiscal jeopardy. If the Cities and County would say to us their finances were tough and they won't be able to raise the contributions, he would be okay with that. As far as fairness goes, there is a rate that is applied to all the partners, currently only Oakridge and Cottage Grove are paying that rate.

**Hough** said during the recession we lost about 60% of the funding from Eugene, Springfield, and the County. We also lost about 40% of our state general fund. That is why we have a steady increase of fees in the balanced budget. Along the way we had to identify what was the highest priority and report back to the Board. It was recommended over a 10 year period to try and recover half of what was lost.

**Houston** said their regulatory program is entirely fee supported. There isn't any general fund contribution. So, we have a requirement of a 3-month operating balance to maintain, they would prefer a 6 month. That is what drives our permit fees and adjustments.

**Doyle** asked if it was a goal to get to get back to 23 FTE. **Hough** said, that wasn't the expectation, the five-year projection maintains 18 FTE. **Doyle** thought increasing the fees were to get back to the staffing levels. **Hough** said we are not trying to get back the full staffing. We are trying to recover half of what was lost, which would be around 18 FTE.

**Fleck** mentioned on page 19, the ending fund balance is a $240,000.00 loss in the general fund. Title V is also a $99,410.00 loss. We are trying to be as efficient as we can, but we are in a negative cash flow. We need to look at how we recoup some of the loss and keep expenditures down. He thinks staff is saying they can maintain 18 FTE. Title V permitting was falling behind they hired some people to help with the backlog, but at the same time remaining frugal.

**Pishioneri** said the Metropolitan Wastewater which is the sewer treatment plant for the whole region operates with a 60-day reserves. **Mirshosseyni** said the 5-year projection shows that the reserves do not always remain at the 120 days, the reserves do go down greatly, during the next 5 years . We think there are other opportunities that will help increase the reserve. **Parisi** said she really supports the 120 day reserve because the many years she has been on the Board she knows that LRAPA is fragile. They really do rely on a partnership of other local agencies to help fund them. And that makes it political. And sometimes the agency does things, and people threaten to withdraw funding. It's different than the Metropolitan Wastewater we collect those fees, they are utility bills which people have to pay. The Board has had conversations about what happens if LRAPA goes away.

How do we shut down this organization in the least destructive way for the community. She thinks they are past that, but she wanted to say 120 days is prudent because they rely so heavily on the partnerships. The Board can have tolerance reducing to under 120 days, but maybe not over the course of a year. The funds that come into LRAPA are very cyclical. When permit fees come in they are pretty flush with cash. About June or July, they have expended all of those funds and dip into the reserves. If we have this conversation with the Board again, I hope we have some tolerance knowing there is a cyclical nature of when the funds come in and go out. She didn't think we should dip below the 120 days for an entire year, but she knows there are periods of time you need to.

**Taylor** supported Parisi's comments. And said about 10 years ago when the City of Eugene was cutting funds she looked at the budget and saw LRAPA was totally wiped out. She asked what happen, and the Director of Public Works said he was told to cut the budget and that is where it was cut. If she hadn't brought it to their attention Eugene's contribution would have been nothing that year. **Parisi** is correct it is fragile. City Council or County Commissioners can say they no longer support LRAPA and it could be gone.

**Rue** thought the budget was similar to last years. Budgeted deficiency was $500,000.00 and the actuals had been slightly favorable, and the year-end projections look favorable. He knew there was some contingencies. But, he was wondering what about days of cash reserves levels. The actuals are always slightly favorable. **Mirhosseyni** said that was correct, we always under project the revenues and conservative on expenditures. The revenues are usually on target. The expenditures are where we are conservative. We try to not have to go back to the Board to ask for additional funds. **Rue** said it seemed reasonable to have the 120 days as our target. And have a plan if there is an excess in anything how that would be drawn down.

**Duemler** agreed with **Taylor**, and said she remembered when there were questions about LRAPA and the budgeting. She was very concerned because air quality is important to our health and community. And we can expect a large increase in pollution that is going to make it more important. She is also concerned about water pollution.

**Parisi** wanted to clarify what **Rue** was suggesting about a plan for a draw down on reserves if our assumptions are incorrect this year and you have to go back to the Board for additional funds. What's the dollar amount or what would be backfilled. So, if this is brought to the Board level she didn't understand what the request was. **Rue** said his question was if the target is well above the 120 days have a plan what that will be spent on. Other things you want to do, he didn't know what the priorities were. **Mirhosseyni** said the target projection sets the goal for five years. And the Board annually reviews the goals.

**MOTION: Fleck MOVED to approve the 2019/2020 FY Budget; Pishioneri SECONDED THE MOTION. VOTE ON MOTION: UNANIMOUS**

The meeting adjourned at 11:48 p.m.

Respectfully submitted,

Debby Wineinger
Recording Secretary