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BOARD MEETING MINUTES

The meeting of the Board of Directors of the Northwest Clean Air Agency was held at 1:30 p.m., Thursday, May 14, 2015, at 1600 South Second Street, Mount Vernon, Washington.

MEMBERS PRESENT:

Skagit County	Ron Wesen Joe Lindquist
Island County	Jim Campbell Richard Hannold
Whatcom County	Brian Heinrich
Member-At-Large	Terry Nyman

MEMBERS ABSENT:

Whatcom County	Carl Weimer
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ALSO PRESENT:

NWCAA staff members	Mark Asmundson, Mark Buford, Axel Franzman, Therese Holm, Agata McIntyre, Toby Maher, Katie Skipper, and Laurie Caskey-Schreiber
Legal counsel	Loch Clark

CALL TO ORDER

Board Chair Brian Heinrich called the meeting to order at 1:32 p.m.

APPROVAL OF PRIOR BOARD MEETING MINUTES

On motion by Ron Wesen, seconded by Jim Campbell, the minutes for the April 9, 2015, Board meeting were approved 4-0 (Terry Nyman abstained).

PRESENTATIONS

Ross Quigley, Opportunity Council's Community Energy Challenge manager, and Jeff Aslan, Sustainable Connections' Energy and Policy manager, presented a program update and a proposal for additional funding from the Northwest Clean Air Agency greenhouse gas mitigation grant for their project (*PowerPoint presentation attached*).

The Community Energy Challenge program received a \$2 million NWCAA greenhouse gas mitigation grant in 2013. To date, the program has spent about \$863,000. They have been able to leverage other funds at a rate of 10-to-1. They anticipate spending more of the grant funds in 2015 and 2016. So far, the Community Energy Challenge and Sustainable Connections project has accomplished the following:

- 595 home energy assessments complete (goal of 600)
- 416 completed energy efficiency projects (goal of 300)
- 159 business assessments
- 71 lighting projects
- 82 retrofit projects
- 2,367 metric tons/year of greenhouse gas reductions (2,747 metric tons proposed)
- Spent less than half of their total budget (\$863,000 of \$2,000,000)

Agency Executive Director Mark Asmundson had previously spoken to the Opportunity Council about expanding the scope of their existing program. Quigley and Aslan presented an expansion proposal to utilize the unallocated \$500,000 that remains in NWCAA's greenhouse gas funds budget.

The additional funds would allow them to accomplish the following:

1. Complete more projects:

- 24 more participating businesses, reducing 114 metric tons CO₂e/year.
- 75 residential projects (and approximately 150 assessments): 238 metric tons CO₂e/year.

2. Develop a pilot program to serve lower-moderate income households to address the income gap:

- Those with an income of \$0 to \$50,000 - services covered at 100%.
- Income at \$51,000 to \$62,400, no matching incentive funds available.
- Income above \$62,400, energy efficiency projects would be covered at 30% at best.

3. Increase savings:

- Launch pilot programs to achieve greater energy savings per home.
- Total estimated greenhouse gas reduction of 24 metric tons of CO₂e/year.
- Documented and published results to encourage similar programs throughout the region.

Asmundson reported that the Advisory Council recommended approving the \$500,000 increase in the grant budget for the expansion of the Opportunity Council's Community Energy Challenge program. Board members expressed their support for the work that is being accomplished under this grant.

Opportunity Council Executive Director Dave Finet expressed his appreciation to the staff and Board of NWCAA. Finet acknowledged the long standing partnership that the two agencies have had during the past 20 years and the amount of successful work that has been completed with this partnership. Many lives have been improved by this relationship and the work that the Opportunity Council and NWCAA do together.

Asmundson indicated that he will bring forward a resolution in the June meeting authorizing the additional funds for the expansion of this program.

NEW BUSINESS**FY 2015 third quarter financial report (through March 31, 2015) – Therese Holm**

NWCAA Chief Financial Officer Therese Holm reviewed actual financial results compared to the annual budget for FY 2015 for the Operating Fund for the nine-month period ending March 31, 2015.

	Year-to-date	Annual Budget	% of Annual Budget
Revenues	\$3,831,231	\$4,024,561	95%
Expenses	\$3,101,716	\$4,486,746	69%

FY 2016 proposed budget – Therese Holm

Agency budget calendar:

- February and March – Internal budget development
- March – Review draft budget with Advisory Council
- April – Review proposed budget with Finance Committee
- May – Presentation of proposed budget to Board of Directors
- June – Adoption of budget by Board of Directors
- July 1 – New fiscal year begins

Proposed Budget Overview:

Incorporation of strategic plan elements:

- Enhance equipment at monitoring stations
- Columbia Valley wood smoke reduction
- Continue greenhouse gas mitigation projects
- Evaluate registration of marijuana grow and process operations
- Develop new website
- Maintain competitive employee compensation
- Maintain adequate budget reserves

Holm then presented the proposed FY 2016 budget, highlighting the following items:

Revenues – FY 2016 total proposed revenues of \$4,242,203

- Air Operating Permit program costs/revenue of \$2,998,299
 - Enhanced monitoring equipment
 - Full staffing, adjusted salary scale
- AOP net costs/revenue increase of \$340,000 over FY 2015
 - Includes adjustment of \$68,000 for FY 2014 actual results
- Registered Source program fees of \$512,000
- New Source Review fees \$150,000
- Per capita fee income of \$142,485 is budgeted at the same \$0.35 cents rate established in 1989
- Penalty revenue budgeted at a conservative estimate of \$85,000

Expenses - FY 2016 total proposed expenses of \$4,316,121

- Enhanced air monitoring equipment budget \$225,000
- Personnel costs for 21.4 FTEs, including:
 - 1.8% cost-of-living adjustment, based on December 2014 Consumer Price Index for the Seattle/Tacoma/Bremerton area
 - Full staffing in FY2016
 - Salary scale adjustments
- Maintenance of Fire Warden program budget of \$75,000
- Continued fine-tuning database "Stratus"
- Communications budget includes new website

Fund balance and reserves - FY 2016 estimated Ending Operating Fund and Reserve Funds' balance:

• Operating Ending Fund Balance	\$ 732,000
• Cumulative Reserve	565,000
• Personnel Cost Reserve Fund	262,000
• Capital Replacement Reserve	181,000
• Legal Reserve	<u>250,000</u>
• Total Operating Fund balance and Reserves	\$1,990,000

Asmundson gave an update on the status of the greenhouse gas mitigation projects and Holm reported on the funds that have been used so far, for these projects.

Recipient	Project Description	Award Amount	Spent at 3/31/15	Balance
Opportunity Council	Community Energy Challenge	\$ 2,000,000	\$ 862,960	\$ 1,137,040
Washington State University (WSU)	Farm audits and Darigold retrofits	\$ 439,500	\$ 91,912	\$ 347,588
City of Bellingham	Hydroelectric project	\$ 760,000	\$ 0	\$ 760,000
Totals		\$3,199,500	\$ 954,872	\$ 2,244,628

Asmundson explained that WSU has had to amend the original grant agreement. The farm energy audits are more labor intensive than was originally anticipated, thus WSU will be auditing fewer farms than it initially hoped to audit. WSU also will be allotted more time to complete this project.

WSU also has learned that installing an economizer at the Darigold plant in Lynden would create unforeseen emissions problems, so WSU will no longer pursue that element of its plan.

The city of Bellingham may not be proceeding as planned with its micro-hydro project. Heinrich reported that city staff are considering the cost and benefits of establishing a utility heating district within the waterfront redevelopment plans. Bellingham intends to bring forward a new proposal within the year if staff decide to proceed in this direction.

Asmundson added that the Advisory Council will review any new Bellingham proposal once it becomes available.

Finance Committee Chairman Joe Lindquist reported that the Finance Committee (Lindquist, Nyman, and Welmer) reviewed the budget and is recommending that Board approve the proposed FY 2016 budget.

The Finance Committee also recommended using excess (funds collected beyond what is budgeted for FY 2016) penalty revenues to fund the addition of a new monitoring station, which would be located in Skagit County.

Chairman of the Board and Personnel Committee, Heinrich discussed the following Personnel Committee (Heinrich, Campbell, and Lindquist) recommendations:

1. Approve the suggested classification and range changes that HRnovations recommended.
2. Approve the 1.8% COLA for agency staff.
3. Approve the salary increase for the Executive Director.

Asmundson reported that he did engage in ongoing outreach to the NWCAA large Air Operating Permit (AOP) sources. There was no objection to the personnel revisions, nor to the salary schedule changes, but some questioned the value of spending funds for some of the proposed new monitoring equipment.

The Board invited Steve Mrazek, incoming BP Cherry Point Environmental Superintendent, to comment on the proposed increase to AOP fees.

Mrazek stated that he supports the agency's transparency when it comes to sharing the NWCAA budget information, and he supports the wage increases that are being proposed, however, he is concerned that one other large source could be influencing the fees (with the addition of enhanced air monitoring equipment) for everyone else, and he doesn't believe that this is a fair approach.

Agency Deputy Director Mark Buford stated that NWCAA's interest in expanding its monitoring network was prompted by a large incident in 2012 at the Chevron refinery in Richmond, California that resulted in public outcry about what the community believed was an inadequate air quality monitoring network. Because of the incident and the outcry, the Bay Area Air Quality Management District (BAAQMD) hired the Desert Research Institute (DRI) to evaluate how the agency monitors air quality around oil refineries and to evaluate options for enhancing the monitoring network. The DRI study was completed in July of 2013 at which time the agency engaged a panel of experts to evaluate the many recommendations in the DRI study. Currently, the BAAQMD is in the process of implementing many of the suggested changes.

In February 2015, an odor incident at the Shell refinery near Anacortes reinforced NWCAA's need to improve its own monitoring network. After this incident, the agency received calls from many community members, as well as local and state officials asking about what was in the air, and the agency was unable to inform them.

Buford added that based on our own experience and the lessons learned by the BAAQMD, NWCAA is proposing modest changes to the existing monitoring stations. The goal is to have appropriate, relevant monitoring equipment that is standardized, and have backup systems in place, so that if one piece of equipment goes down, NWCAA is still able to collect air quality data. Buford added that NWCAA has an obligation to the public to provide information about air quality.

The agency goals for incidents that affect communities are to understand what happened, to work with air pollution sources to figure out why it happened, and to make sure that the necessary repairs are made to fix the problem, while being able to provide information to the public.

Board member Wesen wondered about moving forward with additions to agency monitoring equipment before knowing what actually occurred at the Shell refinery.

Buford stated that there is a rigorous investigation taking place with regards to the incident that happened at the Shell refinery. At this point, Shell has provided its estimate of what pollutants were released and in what amounts, and this is important when considering monitoring. The focus of the investigation is to determine why it happened so that measures can be put in place to prevent it from occurring again.

Buford stated that no stationary monitoring network can measure every location, but NWCAA can enhance our ability to provide useful information to emergency responders and the public through modest investments. Even if agency monitors pick up no pollution, that is still useful information to the public and the emergency responders who need to make decisions on behalf of the public to protect their wellbeing.

Board member Richard Hannold expressed his support for being proactive and upgrading the existing monitoring system, and for securing backup equipment. Lindquist encouraged Board members to move forward with approving the funding for these improvements in NWCAA's monitoring network. Heinrich indicated that there was a majority support among the Board members for the agency to move forward in upgrading the monitoring network.

Board members did not suggest any changes to proposed FY 2016 budget.

Resolution 515 – Amending and re-adopting the Personnel Manual

Asmundson informed board members about the technical corrections that are being made to the NWCAA Personnel Manual. Some of the revisions reflect recommendations that were made during the agency's recent audit process.

One area the Manual is silent on currently is use of agency technology resources, so the manual references a yet to be developed policy, which policy will be administratively adopted. Other changes are generally simple corrections or clarifications.

This item will be brought forward for consideration and approval at the June meeting. No action is needed at this time.

ACTION ITEMS

Resolution 509 – Appointing Rebecca Spurling to the NWCAA Advisory Council

Asmundson explained that one Advisory Council industry representative, Steve Crockett, is retiring from BP. Crockett will remain on the Council as a citizen. Asmundson has recruited Rebecca Spurling, who is the Lead Environmental Engineer at Tesoro, and Sandy Paris, who is the Air Lead at the Phillips 66 refinery, to join the council. Both Spurling and Paris are well acquainted with NWCAA, so the agency is fortunate to have them join the Advisory Council.

Hannold made a motion to approve Resolution 509, seconded by Campbell. The resolution was approved 6-0.

Resolution 510 – Appointing Sandy Paris to the NWCAA Advisory Council

Asmundson introduced Sandy Paris to the Board of Directors.

Campbell made a motion to approve Resolution 510, seconded by Hannold. The resolution was approved 6-0.

Resolution 516 – Declaring a 2004 Toyota Prius surplus property

NWCAA has budgeted for a replacement vehicle in the FY 2015 budget, and the agency is proceeding with this purchase. Asmundson feels that the agency would be best served by selling the old vehicle directly to a buyer because the trade-in value doesn't represent the car's value.

Nyman made a motion to approve Resolution 516, seconded by Hannold. The resolution was approved 6-0.

Bills and claims

Board members discussed the bills and claims report for April 2015. Lindquist made a motion to approve the April 2015 bills and claims totaling \$511,907.99, seconded by Hannold, and unanimously approved.

STAFF REPORTS

Director's report – Mark Asmundson

Asmundson reported to the Board on the following matters:

- NWCAA is actively searching to fill an open engineering position. Agency staff would prefer to hire someone with refinery experience. The agency has contracted with a professional recruiter to assist in filling this position. The cost for this service will be \$29,000. Part of this cost will be covered in FY 2015, so the agency will bring forward a budget amendment for this expenditure at the next Board meeting.
- NWCAA has been engaged in a comprehensive review of its registration program. Staff recognize the importance of creating a level playing field for businesses, therefore the agency intends to make sure that its registration program is fair and consistent, and that businesses that should be registered are registered. Board members may receive calls from constituents about this activity. The agency is not creating new categories of businesses to be registered. NWCAA is working to consistently apply existing laws and regulations, and have a reasonable and effective program.
- The agency request for proposals for the new website redesign generated 12 responses. NWCAA's selection team has narrowed the field to three applicants to interview for this work. Those interviews will take place in early June.
- Agency Deputy Director Mark Buford recently attended the National Association of Clean Air Agencies conference. While there, he was able to get some additional information about how the U.S. Environmental Protection Agency will address the revised National Ambient Air Quality Standards (NAAQS). The NAAQS for ozone could affect Washington state and NWCAA's jurisdiction, however, Buford was cautiously optimistic the information will be useful in determining the boundaries of potential nonattainment areas in Washington.

New source review and air operating permit update – Agata McIntyre

NWCAA Engineering Manager Agata McIntyre reported that the agency received seven new construction applications.

Four of those construction applications were from Chemtrade Solutions, which operates a sulfuric acid plant. This business is considered one of the agency's 26 major air pollution permit sources. NWCAA Engineer Lyn Tober has been working on the renewal of Chemtrade's air operating permit. During this process, Tober has had to consider all of the federal, state, and local regulations and the NWCAA construction permits that are addressed within this operating permit.

As part of this renewal process, Tober is revising the four above-mentioned construction permits to remove obsolete one-time requirements. This will make it easier to smoothly incorporate the construction permits into the air operating permit.

Enforcement update – Toby Mahar

NWCAA Compliance Manager Toby Mahar reported on enforcement issues that occurred in April.

Mahar stated that agency inspectors issued five notice of violations in April, some of which were related to large illegal outdoor fires that the county Fire Marshals had investigated. One such fire occurred in Skagit County, which involved an illegal demolition of a residence.

The penalty amounts that were issued for the month of April totaled over \$41,000. Mahar also noted that a \$22,100 penalty was issued to Mount Baker Products for missing a legally required source test in 2014.

ADJOURNMENT

There being no further business to consider, the meeting adjourned at 3:30 p.m.

CERTIFICATION

I hereby certify this is a true and correct copy of the minutes of the meeting of the NWCAA Board of Directors held on May 14, 2015, in Mount Vernon, Washington.

ATTEST: 
Terry Nyman, Secretary
NWCAA Board of Directors


Brian Heinrich, Chair
NWCAA Board of Directors

DATED: June 11, 2015