

SOUTHWEST CLEAN AIR AGENCY

Board of Directors Meeting  
May 5, 2016  
3:00 PM  
Southwest Clean Air Agency  
11815 NE 99th St. Suite 1294  
Vancouver, Washington

Optional Conference Call Number for Board of Directors 1-800-356-8278 Code: 576617

AGENDA

- I. Call to Order  
SWCAA Chair Don Jensen
- II. Roll Call/Determination of Quorum  
SWCAA Chair Don Jensen
- III. Board of Directors Minutes  
Board of Directors Minutes - April Meeting
- IV. Changes to the Agenda  
SWCAA Chair Don Jensen
- V. Consent Agenda
  - A. Approval of Vouchers
  - B. Financial Report
  - C. Monthly Activity Report
- VI. Info Items & Public Comment  
None
- VII. Public Hearing  
None
- VIII. Unfinished Business/New Business

**Adoption of Proposed Fiscal Year 2016/2017 Budget**

**Issue** - The Southwest Clean Air Agency (SWCAA) is required by the Washington Clean Air Act (RCW 70.94.092) to utilize a budget year of July 1<sup>st</sup> through June 30<sup>th</sup>. This statute also specifies that SWCAA must have its budget adopted by the Board of Directors by the fourth Monday in June of each year.

**Summary** - The proposed Fiscal Year 2016/2017 budget of \$2,083,354 is a \$116,674 increase (i.e., 5.9%) over the Fiscal Year 2015/2016 budget. This net increase in budget revenues is primarily due to the following: (1) an increase of \$56,000 for the newly

awarded Wood Stove Replacement Grant; (2) an increase of \$43,415 in the amount to be drawn from agency reserves to balance the budget; (3) an increase of \$34,083 in unspent Non-AOP funds carried forward from FY 2015/2016 into FY 2016/2017; (4) a net increase of \$14,427 in local fees for per capita, new source review, registration, burn permits and EFSEC due to growth and/or increased activity in these areas; (5) an increase of \$4,397 in civil penalties collected due to an increase in the incidence of more significant violations by larger sources; (6) an increase of \$3,175 in interest income due to slightly increased interest rates, and; (7) an increase of \$1,271 in the State Grant due to the new allocation formula for distributing funds to the seven local air agencies in the state. These increases in revenue are partially offset by budgeted revenue decreases as follows: (1) a decrease of \$25,789 in AOP income due to one less source in the program in FY 2016/2017; (2) a decrease of \$11,305 from the Federal 105 Base Grant due to the beginning of the reallocation of funds to other states with higher population and nonattainment issues, and (3) a decrease of \$2,999 in asbestos fees due to decreased renovation/demolition activity.

On the expense side, budget increases of significance over FY 2015/2016 levels were deemed necessary in the following expense categories: (1) increases in staff costs including \$27,642 for CPI and merit increases for 14 FTE, and \$24,824 for the vacation/sick balance payout for the retiring Operations Manager; (2) increases in benefit costs including \$46,475 to accommodate a projected 10.0% cost increase for health insurance and health plan enrollment changes by staff, and \$11,034 for PERS and Social Security/Medicare costs associated with salary increases; (3) a net increase of \$22,664 in the consultant/pass through budget to facilitate the woodstove replacement costs, and; (4) an increase of \$1,810 in the office lease budget to accommodate the contracted lease cost increase.

These increased expenses are partially offset by budgeted cost decreases as follows: (1) a decrease of \$10,000 in the Consultant-legal category; (2) a decrease of \$8,200 in the Depreciable Equipment budget; (3) a decrease of \$7,000 in the Consultant-Records Management category; (4) a decrease of \$2,336 for Department of Ecology AOP oversight, and; (5) elimination of the \$1,650 budgeted in FY 2015/2016 for an off-site storage unit. Where possible, the remaining expense categories were unchanged or changed only marginally to help achieve a balanced budget for FY 2016/2017.

SWCAA expects to end the current Fiscal Year 2015/2016 with a projected end-of-year cash balance of \$1,612,336. The agency's reserves which have the purpose of maintaining the financial stability of the agency include the Depreciation Reserve, Liability Reserve, Title V Reserve, Non-Title V Reserve, and Vacation/Sick/Retirement Reserve. These reserves will remain funded at \$93,270, \$110,000, \$40,000, \$98,660, and \$50,000 respectively. The agency's reserves which have the purpose of performing important projects include the Records Management Reserve and the Air Quality Improvement/Diesel Reserve. These reserves will remain funded at \$125,000 and \$193,667, respectively, at the end of FY 2015/2016, but the AQ Improvement/Diesel Reserve is budgeted to be drawn down by \$21,200 next fiscal year in case there is a qualified diesel project. Fees collected in the current fiscal year and held for use in FY 2016/2017 amount to \$673,304 of the projected year-end cash balance and will be carried forward into the FY 2016/2017 operating budget as the Non-Title V Fees Fund. This fund will be used to meet fixed program expenses other than the Air Operating Permit program. Due to less than expected time spent on AOP

workload in FY 2015/2016, \$64,882 will remain in the AOP operating account for use in FY 2016/2017. AOP billings for FY 2016/2017 will be reduced accordingly. The remaining \$163,552 of the end-of-year cash balance for Non-AOP funds, \$64,882 of AOP carryover, and \$21,200 of diesel reserve grant money will be carried forward into the FY 2016/2017 budget as revenue to help meet FY 2016/2017 operating expenses. In addition, \$57,415 from SWCAA's reserves is still required to balance the budget for FY 2016/2017 without excessively reducing SWCAA's level of service or jeopardizing important projects. If needed, this amount is budgeted to be drawn from the Non-Title V Reserve and the Sick/Vacation Reserve.

In summary, SWCAA remains in stable financial condition for the upcoming fiscal year, even though agency reserves and FY 2015/2016 carryover money must be relied on to cover the proposed budget. Fiscal Year 2016/2017 revenue is being supplemented by \$228,434 of carryover - unspent money from the previous budget year - and a \$57,415 drawdown from SWCAA reserves. In addition, a reserve drawdown of \$21,200, of earmarked state diesel grant money, is budgeted in case there is a qualified diesel project in the upcoming year. After making the reserve drawdowns, the funds available in the future (i.e., July 1, 2017 and beyond) will be \$631,982 in total reserves. Cash available to meet the agency's needs at the end of FY2016/2017 is estimated to be \$1,305,287.

The budget of \$2,083,354 is the funding amount required for SWCAA to maintain its current programs and an acceptable level of service through FY 2016/2017. However, carryover and reserve funds are limited and federal grant funding is decreasing so the current level of service is not sustainable without increasing revenue in future years through fees and assessments. Tables on the following pages provide detailed explanations for why and how the income and expenses are changing in Fiscal Year 2016/2017.

**Recommendation** - Approve Resolution 2016-01 which adopts a Fiscal Year 2016/2017 Budget in the amount of \$2,083,354.

## IX. Control Officer Report

**Researchers Estimate Costs of PM-Related Premature Births Exceed \$5 Billion a Year (March 29, 2016)** – Environmental Health Perspectives published the results of a study by researchers from New York University to estimate the burden of preterm birth (PTB) in the U.S. and the economic costs attributable to PM2.5 exposure. In Particulate Matter Exposure and Preterm Birth: Estimates of U.S. Attributable Burden and Economic Costs, the authors note that multiple observational studies have associated PM2.5, among other outdoor pollutants, with adverse birth outcomes, particularly low birth weight and PTB and that “a major barrier to reductions in outdoor pollution is the perception that these reductions will undermine economic productivity.” They also note that costs associated with adverse birth outcomes “are born by society, rather than those who gain from industrial processes that emit pollutants.” Such costs include those for health care for PTB-related comorbidities and lost economic productivity due to PTB associated reductions in cognitive potential. Therefore, the researchers sought to estimate the economic costs of PTBs attributable to PM2.5 in the U.S. with the goal of decision-makers using these estimates when considering regulatory approaches to reducing exposure to air pollution. The result of their work was the finding that an estimated \$5.09 billion in PTB-

related costs are attributable to PM2.5. For further information:

<http://ehp.niehs.nih.gov/wpcontent/uploads/advpub/2016/3/ehp.1510810.acco.pdf>

X. Board Policy Discussion Issues

As Necessary

XI. Issues for Upcoming Meetings

Hearing and Rule Adoption of SWCAA 400 Updates - (TBD)

XII. Adjournment

Notes:

(1) Served by C-TRAN Routes: 7, 72 and 76.

(2) Accommodation of the needs for disabled persons can be made upon request. For more information, please call (360) 574-3058 extension 110.