



OHIO AIR QUALITY DEVELOPMENT AUTHORITY

2013 Annual Report

*Clean Air and Clean Energy
are Good Business.*



energy efficiency | conservation projects | reducing energy consumption | improving air quality for Ohioans | air pollution mitigation | helping Ohio counties and cities | helping Ohio's public universities | helping Ohio small business | lower-cost financing for air pollution control



The Ohio Air Quality Development Authority

May 2014



CLEAN AIR & CLEAN ENERGY
ARE GOOD BUSINESS

Letter to our Stakeholders:

On behalf of the Ohio Air Quality Development Authority (OAQDA), we are pleased to present this Annual Report for 2013. The year was marked by changes in our leadership and expansions in programs, as put forth in the state budget.

Two distinguished, new members were appointed to the Authority by Governor John Kasich. They are former State Representative Ted Celeste and former Senate President Tom Niehaus. In addition, Chadwick Smith was selected to be OAQDA's executive director, bringing his considerable experience in the energy field to the position.

Our work in 2013 focused on allocating a significant amount of new financing under the Authority's Qualified Energy Conservation Bond (QECB) program, which helps Ohio counties, municipalities, public colleges and universities implement energy efficiency and conservation projects.

In addition, House Bill 59 – the state's most recent two-year budget legislation – included language that expands the types of air quality facilities that may be acquired or financed by OAQDA. Those include any property, device or equipment related to the recharging or refueling of vehicles that reduce hazardous air emissions by using alternative fuel or renewable energy resources. At this writing, we are establishing the parameters under which we will operate this expanded financing capacity.

Finally, the new budget also allows OAQDA to increase the spending authority for our Clean Air Resource Center (CARC) program in 2014 and 2015. This increased authority does not represent an increase in funds, but rather the ability to spend-down larger amounts of CARC's accumulated resources than had been authorized previously.

We welcome the changes taking place at OAQDA and regard them as expanded opportunities to remain true to our core mission. Thank you for your continued interest and support.

Respectfully,

A handwritten signature in blue ink that reads "Michael H. Keenan".

Michael H. Keenan
Chair

A handwritten signature in black ink that reads "Chadwick I. Smith".

Chadwick I. Smith
Executive Director

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ABOUT THE OAQDA

Established in 1970, the Ohio Air Quality Development Authority helps small and large Ohio businesses and public entities comply with federal Clean Air Act standards through loans, grants and tax-exempt financing for equipment and the construction of air quality facilities. In addition, OAQDA administers the Qualified Energy Conservation Bond (QECB) program in Ohio, which provides financing for public institutions for energy efficiency and conservation projects.

The Authority also can acquire, construct and operate air quality facilities itself, as well as engage in research and development activities related to air quality in Ohio.

The primary programs administered by OAQDA include the following:

Project Development and Finance

To help businesses contribute to cleaner air, OAQDA provides financing support to encourage investment in the purchase, construction and/or installation of air quality facilities. All financing instruments issued by OAQDA are bonds, but they can be structured in various ways based on the needs of each project. This flexibility has allowed OAQDA to assist in financing projects ranging from more than \$350 million to as little as \$14,000. OAQDA bonds are in the “municipal debt” category and can be tax-exempt or taxable.

Small Business Assistance – Clean Air Resource Center (CARC)

As the small business outreach program of OAQDA, CARC helps small Ohio businesses with the purchase of mandated pollution-control equipment and facilities. The source of CARC financing is EPA Title V air permit fees, via the Ohio Environmental Protection Agency. Historically, CARC-financed projects have ranged in size from \$13,000 to \$5 million. With passage of the 2014-2015 state budget, CARC is now enabled to provide larger grants than previously authorized, to cover specific air quality improvement projects for Ohio small businesses.



In August 2013, the University of Akron utilized OAQDA financing to upgrade energy equipment in 39 buildings across campus. Annual guaranteed energy and operational savings will exceed \$6 million and projected annual greenhouse gas emission reductions include more than 30.9 million tons of carbon dioxide

Qualified Energy Conservation Bonds

Municipalities, counties, public colleges and universities are able to use QECB financing to purchase new energy conservation and efficiency equipment and systems that can also promote the reduction of hazardous waste emissions. Under a QECB financing package, OAQDA authorizes Air Quality Development Bonds for issuance as a Series A federally tax-exempt bond, along with another bond as a Series B QECB federal tax-credit bond. Combining funding from the two separate sources results in a lower, “blended” interest rate for the participating entity.

The Advanced Energy Job Stimulus Program

The \$150 million bipartisan Advanced Energy Job Stimulus Program was approved by the Ohio General Assembly in June 2008, and the program was operational from 2009 until 2011. OAQDA was designated as the administering agency for this program.

Eleven non-coal projects were approved for loans from the program. OAQDA continues to monitor some of these loans as projects were still in progress in 2013. Several of these projects are fulfilling their intended goals. Some of the solar projects struggled, and decisions were made accordingly

Due to the worldwide downturn in the solar industry and the financial activities and situations of the companies involved, three solar energy projects continued to struggle in 2013 and were unable to complete their agreed-upon loan repayment schedules. Accordingly, OAQDA engaged outside legal and financial counsel, as well as the assistance of the Ohio Attorney General's office, in working to document and resolve each situation.



January

At its January meeting, OAQDA approved up to \$25.5 million in QECB financing for various energy efficiency and conservation equipment and systems at Wright State University's Fairborn and Celina campuses. Improvements included comprehensive exterior lighting replacement, lighting occupancy controls, utility metering, building automation upgrades and integration, mechanical equipment and ventilation control upgrades and consolidation of chiller and boiler plants that will eliminate the need for at least 25 major pieces of HVAC equipment. The project will cut the university's total annual energy consumption by more than \$1.9 million, or 40 percent. It will also result in a reduction of 15,694 metric tons of carbon dioxide, 628 equivalent tons of methane and 53 equivalent tons of nitrogen oxide. The carbon dioxide reduction alone is the equivalent of removing 3,270 cars from the road.



service included nine years on The Ohio State University Board of Trustees. In addition, he and his wife, Bobbi, taught school in Fiji following his graduation from the College of Wooster in 1967.

Also at the February meeting, Authority members approved QECB financing in the amount of \$20 million to assist Central State University in Wilberforce with major energy efficiency and conservation upgrades at a number of campus buildings. Improvements included interior and exterior lighting, building automation, mechanical upgrades, roof and building envelope upgrades and water conservation systems. The project will cut the university's annual energy consumption by 41 percent, with annual cost savings of \$1,018,976. It will also reduce annual air emissions by 7,864 tons of carbon dioxide, 34 tons of sulfur dioxide, 13 tons of nitrogen oxide and .27 pounds of mercury. The reductions are the equivalent of removing 1,499 cars from the road.



February



Ted Celeste

Governor John Kasich appointed former Ohio State Representative Ted Celeste to serve as a member of OAQDA for a term that commenced on February 1, 2013 and will end on June 30, 2018. Rep. Celeste served three terms in the Ohio House of Representatives from 2007 to 2012, representing the 24th District. His prior

March



Tom Niehaus

Governor John Kasich appointed former Ohio Senate President Tom Niehaus to serve as an OAQDA member for a term that commenced on March 15, 2013 and ended on June 30, 2013. He then reappointed Senator Niehaus for another term that will end on June 30, 2021. Senator Niehaus served two terms in the Senate from 2005 to 2012 where he served as President of the Senate from 2011 to 2012.

Prior to that, he served two terms in the Ohio House of Representatives, from 2001 to 2004. Senator Niehaus previously worked for 25 years in the newspaper and communications industries.

The March meeting also saw approval by the Authority of up to \$15 million in QECB financing for energy efficiency and conservation upgrades at four buildings in Franklin County. Energy improvements in the project included lighting retrofits, boiler replacements, air-handling unit fan replacements, heating system expansion tanks, new chillers, a laundry ozone system, water conservation upgrades and other measures. The improvements will result in \$308,217 in annual utility cost savings and reduced annual carbon dioxide emissions of 2,270 tons.

May

The City of Akron was approved to receive \$5 million in QECB financing at the May OAQDA meeting for significant energy efficiency and conservation measures at three municipal buildings. The improvements included interior lighting systems, energy management systems, a chiller replacement, new HVAC systems and other improvements. The project is expected to generate annual energy cost savings of \$209,169, or 23.5 percent the first year. In addition, projected air emission reductions include 1,380 tons of carbon dioxide, .7 tons of methane and 6.26 tons of nitrous oxide. The reductions are the equivalent of eliminating the energy consumption of 71 average homes.



July

At the July meeting, Authority members authorized \$65 million in QECB financing to assist the University of Akron in the implementation of energy efficiency and conservation improvements at 39 buildings across its campus. Campus-wide improvements included security lighting upgrades on parking decks; electric, natural gas, domestic water, high-temperature heating water and chilled water meters and water conservation measures. Improvements at other buildings included interior/exterior lighting, mechanical upgrades, building envelope and window improvements, utility metering, building automation and energy-efficient laboratory improvements. Annual energy and operational savings are expected to exceed \$6 million. In addition, annual hazardous air emissions will include more than 30.9 million tons of carbon dioxide, or the equivalent of removing 5,660 cars from the road.



August



Chadwick I. Smith

OAQDA selected Chadwick I. Smith at its August meeting to serve as its new executive director, effective September 9th. Smith previously served as deputy chief of the Ohio Development Services Agency's Office of Energy

(read more about Smith on page 8).

2013 Approved Project Development and Finance Projects

2013 Approved Project Development and Financing

Month	Company	Amount	Program
January	Wright State University	\$25,500,000	QECB
February	Central State University	\$20,000,000	QECB
March	Franklin County	\$15,000,000	QECB
May	City of Akron	\$5,000,000	QECB
	Ohio Power Company	\$50,000,000	Financing
July	University of Akron	\$65,000,000	QECB
	Dayton Power & Light	\$50,000,000	Financing
	Dayton Power & Light	\$50,000,000	Financing
December	Ohio Power Company	\$571,225,000	Financing



OAQDA WELCOMES CHADWICK SMITH AS NEW EXECUTIVE DIRECTOR



Chadwick I. Smith

Chadwick Smith was appointed as OAQDA's new executive director in August 2013. Prior to his appointment, long-time OAQDA staff member Todd Nein served as Interim Executive Director.

Smith comes to the OAQDA with a deep background in energy in both the public and private sectors. Prior to his appointment, Smith was deputy chief of the Ohio Development Services Agency's Office of Energy. In that position, he guided technical and administrative staff, developed and implemented division and agency goals and objectives, developed policy and programs and led efforts to administer annual state and federal funding. He also held various other roles in Ohio Department of Development.

Prior to his work with the State of Ohio, Smith was a senior staff member of the Shikoku Electric Power Company in Takamatsu, Japan, following eight years of service in the United States Navy.

And a note of thanks to Todd Nein ...

Todd Nein served as interim executive director for OAQDA prior to the appointment of Chadwick Smith. He was previously a project manager for the agency. During his leadership term, Nein led the agency through several project financings. Most notably, the Qualified Energy Conservation Bond program was an active program during Nein's tenure, with several Ohio counties, municipalities as well as public colleges and universities receiving lower cost financing for energy conservation equipment.

Nein continues his service at OAQDA, remaining on staff as a project manager. The Authority members expressed appreciation for Nein's service to the agency and taxpayers of Ohio.



Todd Nein

OHIO'S 2014-2015 BUDGET REFINES ONE OAQDA PROGRAM, AND DEFINES A NEW ONE

The current state budget modified one existing OAQDA program, and laid a path for a potential new program aimed at alternative fueling stations.

Budget expands ability of the Clean Air Resource Center

Since 1996, the Clean Air Resource Center (CARC), a program of OAQDA, is focused on helping Ohio's small businesses that must comply with clean air standards. CARC provides lower-cost financing to assist these businesses with the purchase of mandated pollution-control equipment.

The funding source for CARC is from Federal EPA Title V air permit fees, which are directed to OAQDA via the Ohio EPA.

The new state budget included a provision that allows OAQDA to provide larger CARC grants to Ohio small businesses. This action will allow more businesses to access the program and accomplish larger pollution mitigation projects. The larger grants also will cover not just closing costs of the financings but also a portion of the equipment itself. The budget action increases the OAQDA's spending authority for CARC, but does not represent an increase in funds.

The new CARC structure will cover 30 percent of the cost of the equipment, or \$30,000, whichever is less. The lending institutions working with the small businesses continue to perform due diligence on financial viability.



Budget allows OAQDA to address Ohio's need for alternative fueling stations

In Ohio, there is a lack of alternative fueling stations for those drivers who need them. This includes Ohio's public transportation programs such as public buses and school buses, as well as private entities that are using vehicles that run on alternative energy such as compressed natural gas (CNG), fuel cells or electric batteries.

A provision in Ohio's recent two-year budget will allow OAQDA to acquire or finance any property, device or equipment related to the recharging or refueling of vehicles that promote the reduction of hazardous air emissions by using an alternative fuel or renewable energy resource.

OAQDA staff is currently considering next steps toward the commencement of this new opportunity. Specifically, OAQDA will develop a financing structure, very similar to its existing Project Development and Financing Program, to help organizations attain funding to build an alternative fueling station site. Users of this program may include businesses, nonprofit organizations, school districts or local governments. The stations may be equipped for refueling, blending or distribution facilities and terminals.

2013 Financial Statement

Ohio Air Quality Development Authority

Management's Discussion and Analysis

for the Year Ending December 31, 2013

TABLE 1
NET POSITION (in 000s)

	2013	Restated 2012	Dollar Change	Percent Change
Assets:				
Current and Other Assets	\$ 37,742,588	\$ 60,526,750	\$ (22,784,162)	-37.64%
Capital Assets, Net	6,672	7,480	(808)	-10.80%
Total Assets	<u>37,749,260</u>	<u>60,534,230</u>	<u>(22,784,970)</u>	<u>-37.64%</u>
Liabilities:				
Current and Other Liabilities	<u>1,387,837</u>	<u>686,835</u>	<u>701,002</u>	<u>102.06%</u>
Total Liabilities	<u>1,387,837</u>	<u>686,835</u>	<u>701,002</u>	<u>102.06</u>
Net Assets:				
Invested in Capital Assets	6,672	7,480	(808)	-10.80%
Restricted:				
Existing Advanced Energy Projects	24,654,748	48,192,290	(23,537,542)	-48.84%
Ohio Development Services	214,587	314,747	(100,160)	-31.82%
Program Administration	3,200	3,467	(267)	-7.70%
Unrestricted	<u>11,482,216</u>	<u>11,329,411</u>	<u>152,805</u>	<u>1.35%</u>
Net Assets	<u>\$ 36,361,423</u>	<u>\$ 11,329,411</u>	<u>\$ (23,485,972)</u>	<u>-39.24%</u>

The figures are from the 2013 Financial Statements prepared in response to the Auditor of State's initial review. The final review is not yet complete. The notes to the financial statement are an integral part of the statement. A full copy can be requested from the OAQDA.

2013 Financial Statement, cont.

Ohio Air Quality Development Authority

Statement of Revenues, Expenses and Changes in Net Position – Enterprise Funds for the Year Ending December 31, 2013

TABLE 2
IN NET POSITION – ENTERPRISE FUNDS

	Air Quality Development	Energy Strategy Development	Total
Operating Revenues:			
Project administration fees	\$ 706,905	\$ -	\$ 706,905
Small business ombudsman fees	234,202	\$ -	234,202
Small business assistance program fees	150,664	\$ -	150,664
Energy operation fees	-	176,175	176,175
Energy loan Income:			
Loan interest	-	109,990	109,990
Loan fees	-	13,200	13,200
Miscellaneous	25,202	-	25,202
Total operating revenues	<u>1,116,973</u>	<u>299,365</u>	<u>1,416,338</u>
Operating Expenses:			
Salaries and employee benefits	245,317	105,587	350,904
Professional fees	258,277	67,264	325,541
Travel	7,467	-	7,467
Research grants and projects	214,202	-	214,202
Intrastate remittance expense	-	19,410,965	19,410,965
Office supplies and other administrative expenses	110,428	47,391	157,819
Depreciation	1,608	-	1,608
Rental expense	55,266	23,686	78,952
Loan incentive expense	-	1,850,000	1,850,000
Doubtful account expense	-	2,512,704	2,512,704
Total operating expenses	<u>892,565</u>	<u>24,017,597</u>	<u>24,910,162</u>
Operating income (loss)	224,408	(23,718,597)	(23,493,824)
Nonoperating revenues:			
Investment earnings			
Interest revenue	25,279	33,753	59,032
Change in fair value of investments	(51,180)	-	(51,180)
Total nonoperating revenues	<u>(25,901)</u>	<u>33,753</u>	<u>7,852</u>
Change in net position	198,507	(23,684,479)	(23,485,972)
Net position, January 1, 2013	<u>11,175,580</u>	<u>48,671,815</u>	<u>59,847,395</u>
Net position, December 31, 2013	<u>\$ 11,374,087</u>	<u>\$ 24,987,336</u>	<u>\$ 36,361,423</u>

See accountants' compilation report. See accompanying notes to the financial statements.

The figures are from the 2012 Financial Statements prepared in response to the Auditor of State's initial review. The final review is not yet complete. The notes to the financial statement are an integral part of the statement.

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2013 Ohio Air Quality Development Authority Members

Michael H. Keenan, Chair, Dublin
Jeffrey M. Jacobson, Vice Chair, Columbus
John Haseley, Athens
Ted Celeste, Columbus
Tom Niehaus, New Richmond

Ex Officio members:

Theodore “Ted” Wymyslo, Director, Ohio Department of Health
Scott Nally, Director, Ohio Environmental Protection Agency

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Chadwick I. Smith, *Executive Director*

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