



OHIO AIR QUALITY DEVELOPMENT AUTHORITY

2014 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

March 2015



CLEAN AIR & CLEAN ENERGY
ARE GOOD BUSINESS

Letter to our Stakeholders:

We are pleased to present the 2014 Annual Report of the Ohio Air Quality Development Authority (OAQDA). OAQDA works as a partner with businesses and other state and local public entities to protect and preserve Ohio's environment, and specifically, to provide for the conservation of air as a natural resource of the state.

In 2014, our agency made the decision to undertake a thorough review of our policies, practices and procedures. We gave particular attention to OAQDA's business practices and to strengthening our internal controls as well as establish protocols for new and existing clients.

We conducted a comprehensive OAQDA member-staff work session in February as part of this process. As a result of that work session, we performed a comprehensive review of policies, contracts and services and made appropriate adjustments. In addition, the Authority implemented changes in our Clean Air Resource Center (CARC) program.

As you will read later in this report, the Authority approved financing for promising energy efficiency and conservation projects, and for the refunding of several utility projects.

We are proud of what we've accomplished and are greatly encouraged that our "back-to-basics" approach to 2014 already resulted in dividends in the form of improved operations and services. We will keep you apprised of our progress. Thank you for your ongoing interest in the work of OAQDA.

Respectfully,

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

Michael H. Keenan
Chair

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

Chadwick I. Smith
Executive Director



CLEAN AIR & CLEAN ENERGY
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ABOUT THE OAQDA

Established in 1970, the Ohio Air Quality Development Authority (OAQDA) helps Ohio businesses, state and local governments and public institutions of higher learning 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 manages the Qualified Energy Conservation Bond (QECB) program in Ohio, which provides financing for public institutions for energy efficiency and conservation projects.

The Authority can acquire, construct and operate air quality facilities itself, as well as engage in or support 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 in Ohio, OAQDA provides financing support that encourages 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 the financing of projects ranging in size 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 pollution control equipment and facilities to address federal and state clean air regulations. 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. CARC offers grants equal to 30 percent of equipment costs. Grants are capped at a maximum of \$30,000. These grants help cover closing costs as well as principal payments on the equipment after it has been installed and operational for at least six months. Qualifying businesses must have fewer than 100 employees,



Ohio businesses such as Jeff Wyler Automotive Family are using OAQDA financing to improve energy use in buildings and facilities. With help from OAQDA, Wyler dealerships have installed energy efficient exteriors including roofing, walls, windows, insulation and lighting. The new systems will generate tens of thousands of dollars in energy cost savings for the company and reduce harmful air emissions.

emit less than 75 tons per year of all regulated air pollutants and emit 50 or less tons of any regulated pollutant.

Qualified Energy Conservation Bonds (QECB)

Municipalities, counties and public colleges and universities are able to use QECB financing to purchase new energy conservation and efficiency equipment and systems that also can promote the reduction of hazardous waste emissions. Under a QECB financing package, OAQDA authorizes Air Quality Development Bonds for issuance as Series A federally tax-exempt bonds, along with another bond

as a Series B QECCB federal tax-credit bond. Combining funding from these two separate sources results in a lower, “blended” interest rate for the participating entity.

Alternative Fuels Program

The 2014-2015 state budget authorized OAQDA to finance the construction of alternative energy fuel stations and infrastructure statewide.

Special Thanks

The Authority members extend sincere appreciation to Jeffrey M. Jacobson for his tenure with the OAQDA. Jacobson was appointed to the Authority in 2009 and retired as vice chair in 2014. Previously, he represented the 6th District in the Ohio Senate from 2001 to 2008 and was a member of the Ohio House of Representatives from 1992 until 2000. We are most grateful to him for his service to OAQDA and to the people of the State of Ohio.



Development and Financing Projects Closed in 2014

Project Type	Company	Benefit
PDAF	Energy Systems Group (Lebanon Warren Correctional Facility)	Energy Efficiency
	Mountain Agency Springfield	Energy Efficiency
	City of Akron	Energy Efficiency
QECCB	Eastern Gateway Community College	Energy Efficiency
PDAF Refinancing	Buckeye Power	Pollution Control & Prevention
	AEP Generation	Pollution Control & Prevention
	AEP Generation	Pollution Control & Prevention
	AEP Generation	Pollution Control & Prevention
	AEP Generation	Pollution Control & Prevention
Project Total		\$266,159,460

2014 – THE YEAR IN REVIEW

As noted in the letter to OAQDA stakeholders, the Authority chose to make 2014 a year when all OAQDA operations, services and programs received a top-to-bottom review. This review was not undertaken because of a sense that anything was “broken.” Rather, the thrust behind the review was simply recognition that a comprehensive deep dive into the agency was due.

The first step in this process actually took place in late 2013, when OAQDA authorized the Columbus office of the law firm of Benesch Friedlander Coplan & Aronoff LLP to conduct a review of the Authority’s policies and procedures. The firm’s report was presented at the January Authority meeting. A more thorough presentation of the review was conducted during a February OAQDA member-staff work session to begin identifying areas where OAQDA activities and processes could be refined or improved.

In June, OAQDA selected the law firm of Frost Brown Todd to serve as the Authority’s general counsel. At the August meeting, OAQDA hired a new fiscal officer. Later in 2014, OAQDA completed work on a new employee handbook which encourages professional development and growth. We issued an RFQ for Bond and Issuer Counsels to complete legal services and later made selections. An RFQ for Communications and Marketing services to evaluate cost and services was also issued.

We laid the groundwork to re-start a somewhat dormant area of OAQDA focus which, in earlier years, provided financial support for research projects that delved into a broad range of topics related to air quality in Ohio. For example, in 2008, OAQDA authorized a \$228,066 grant to enable the Ohio Department of Health and The Ohio State University to study indoor and outdoor air quality

at 20 schools around the state to identify asthma risks for school children. Accordingly, staff has explored ways to partner with Ohio EPA in reviving this additional means for OAQDA to achieve its mission of protecting and preserving Ohio’s air as a natural resource. This will be an area of focus in 2015.

Lastly, in terms of broad operations, we have placed special emphasis on finding ways to reduce costs and realize operational savings.

OAQDA staff concentrated on addressing programmatic challenges and opportunities throughout 2014. Although the three-year Advanced Energy Job Stimulus Program, which was administered by OAQDA, ended in 2011, the Authority continued to address outstanding issues. OAQDA worked closely with the Ohio Attorney General’s office in the ongoing resolution of these matters.

With much of its internal, operational review either completed or well under way, OAQDA approved several promising energy efficiency and conservation projects during the year. Some are highlighted below:

Eastern Gateway Community College



EASTERN
GATEWAY
COMMUNITY
COLLEGE

OAQDA authorized a \$2.2 million financing package that helped Eastern Gateway

Community College in Steubenville to cut its annual energy usage by an estimated 34 percent. The college became the 11th public higher education institution to receive financing under the QECB program.

Major energy conservation components of the project included interior and exterior lighting, mechanical upgrades and chiller replacement,

water conservation measures, building automation upgrades and extension/demand control ventilation and miscellaneous improvements, including exhaust fan repairs and domestic hot water upgrades. The college selected The Efficiency Network to implement the project.

The project was slated to cut annual carbon dioxide emissions by 922 metric tons – the equivalent of removing 194 automobiles from the road or the annual energy usage of 84 residential homes. Eastern Gateway undertook the project as part of its commitment to comply with the goals of House Bill 251, which called for a 20 percent reduction in energy consumption and greenhouse gas emissions at all governmental and public universities in Ohio.

Lebanon Correctional Institution

The Lebanon Correctional Institution in southwest Ohio used \$16 million in Air Quality Development Revenue Bond financing for energy system upgrades that resulted in significant annual cost savings and reduced hazardous air emissions. Project upgrades included facility-wide lighting retrofits, water conservation improvements and direct digital control systems for better energy management at both facilities. The 1960-vintage powerhouse at the Lebanon institution replaced its steam heating system with a new hot water plant. The institution also received a new ozone laundry system and chemical-free water treatment system. Since the adjoining Warren institution was built in 1989, it did not require additional upgrades.



Energy Systems Group was selected to implement the project.

The project was slated to reduce the current annual utility bills for the two institutions of \$3,479,195 by \$1,175, 926, or 33.8 percent. It was projected to also yield annual air quality benefits in the form of avoided hazardous air emissions of 14,084 metric tons of carbon dioxide, 149 metric tons of sulfur dioxide and 50 metric tons of nitrogen oxides. The carbon and nitrogen reductions are the equivalent of removing 1,278 automobiles from the road.

Jeff Wyler Automotive Family

The company returned to OAQDA for its second financing package, and was approved to receive \$4 million in Air Quality Revenue Bond financing for energy efficiency and conservation systems at its Springfield Chevrolet and Toyota dealerships. In 2012, OAQDA approved a \$1.5 million financing package for energy improvements at the company's Milford headquarters.

Components of the financing package included a geo-thermal HVAC system that uses water from wells underlying the parking lot for the proposed buildings. The lighting system uses energy-efficient fixtures throughout the facilities and property. In addition, the building envelope includes windows that limit solar heat gain, highly reflective roof and exterior wall sheeting and added roof and wall insulation that also meet the respective specifications of Chevrolet and Toyota. The company selected Green Building Auditors to design and build the systems.

The new systems resulted in \$25,000 in annual energy savings for each building compared to what the energy costs would be if the construction simply met code specifications. The above-code design cuts annual hazardous air emissions by 989,374 pounds of carbon dioxide, 3,838 pounds of

nitrogen oxides and 852 pounds of sulfur dioxide.

OAQDA also authorized financing for another Jeff Wyler Automotive Family project. Authority members approved a \$2.9 million financing package aimed at cutting energy costs and reducing hazardous air emissions at its Chevrolet dealership in Canal Winchester. Project components included a high-efficiency HVAC system, interior and exterior lighting systems, highly reflective roof paint and membrane, enhanced window and building systems and a new automation system for lighting and temperature control.

Using the same approach as with the previous project, and again working with Green Building Auditors, this project was designed to operate above typical code

specifications and was slated to generate annual utility cost savings of \$158,990 compared to a code-specified facility. The project was projected to cut annual hazardous air emissions by nearly 2.7 million pounds of carbon dioxide, 10,391 pounds of sulfur dioxide and 2,307 pounds of nitrogen oxides.



2015 AND BEYOND

With all of the work undertaken and accomplished during 2014 to improve operations, practices and services, OAQDA has greatly enhanced its potential to assist the administration of Governor John Kasich in helping Ohio businesses thrive, while also working with the state to protect and preserve Ohio's air quality. OAQDA's financing programs are even better positioned to help Ohio companies use the latest technologies to become more energy efficient and strengthen their bottom line.

A 40+ year hallmark of OAQDA has been its ability to adapt to changing realities in the energy and environmental fields and to continue fine-tuning its programs and services to meet those new realities. The intense "inward" focus the Authority maintained throughout 2014 has strengthened its capacity to be an even better partner to private businesses and public entities in 2015 and many years to come.

2014 Financial Statement

Ohio Air Quality Development Authority Statement of Net Position – Enterprise Funds for the Year Ending December 31, 2014

	Air Quality Development	Energy Strategy Development	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 6,167,234	\$ 7,752,831	\$ 13,920,065
Investments	1,720,204	–	1,720,204
Cash and cash equivalents with fiscal agent	–	547	547
Accrued interest receivable:			
Income from loan interest, net of doubtful accounts	–	51,623	51,623
Investment income	7,518	–	7,518
Energy loans receivable, net of doubtful accounts		10,614,457	10,614,457
Due from other funds	117,632	–	117,632
Prepaid items	8,350	3,578	11,928
Restricted assets:			
Cash and cash equivalents with fiscal agent	–	778,285	778,285
Accounts receivable	–	800	800
Total Current Assets	8,020,938	19,202,121	27,223,059
Noncurrent Assets:			
Investments	3,918,029	–	3,918,029
Energy loans receivable, net of doubtful accounts	–	2,972,664	2,972,664
Capital assets, net of accumulated depreciation	5,067	–	5,067
Total Noncurrent Assets	3,923,096	2,972,664	6,895,760
Total Assets	11,944,034	22,174,785	34,118,819
Liabilities:			
Current Liabilities			
Accounts payable	7,049	8,707	15,756
Accrued wages and benefits	11,008	4,718	15,726
Due to other funds	–	117,632	117,632
Payable from restricted assets:			
Accounts payable	–	12,928	12,928
Intrastate payable	–	765,357	765,357
Total Liabilities	18,057	909,342	927,399
Net Position:			
Invested in Net Capital Assets	5,067	–	5,067
Restricted:			
Existing Ohio Advanced Energy Projects	–	21,255,827	21,255,827
Remittance to Ohio Development Services Agency	–	51,623	51,623
Remittance to Program Administration	–	800	800
Unrestricted	11,482,216	(42,807)	11,878,103
Total Net Position	\$ 11,925,977	\$ 21,265,443	\$ 33,191,420

2014 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, 2014

	Air Quality Development	Energy Strategy Development	Total
Operating Revenues:			
Project administration fees	\$ 783,052	\$ –	\$ 783,052
Small business ombudsman fees	229,258	\$ –	229,258
Small business assistance program fees	139,402	\$ –	139,402
Energy operation fees	–	176,394	176,394
Energy loan Income:			
Loan interest	–	158,556	158,556
Loan fees	–	8,000	8,000
Miscellaneous	11,690	–	11,690
Total operating revenues	<u>1,163,402</u>	<u>342,950</u>	<u>1,506,352</u>
Operating Expenses:			
Salaries and employee benefits	328,024	140,590	468,614
Professional fees	210,798	151,006	361,804
Travel	7,771	1,027	8,798
Research grants and projects	5,180	–	5,180
Intrastate remittance expense	–	1,865,694	1,865,694
Office supplies and other administrative expenses	87,911	35,212	123,123
Depreciation	1,605	–	1,605
Rental expense	46,935	20,115	67,050
Loan incentive expense	–	1,062,817	1,062,817
Doubtful account expense	–	856,640	856,640
Total operating expenses	<u>688,224</u>	<u>4,133,101</u>	<u>4,821,325</u>
Operating income (loss)	475,178	(3,790,151)	(3,314,973)
Nonoperating revenues (expenses):			
Investment earnings			
Interest revenue	44,025	26,115	70,140
Change in fair value of investments	32,589	–	32,589
Pass through grant revenue	1,062,103	–	1,062,103
Pass through grant revenue	(1,062,103)	–	(1,062,103)
Total nonoperating revenues (expenses):	<u>76,614</u>	<u>26,115</u>	<u>102,729</u>
Change in net position	551,792	(3,764,036)	(3,212,244)
Net position, January 1, 2014	<u>11,374,185</u>	<u>25,029,479</u>	<u>36,403,664</u>
Net position, December 31, 2014	<u>\$ 11,925,977</u>	<u>\$ 21,265,443</u>	<u>\$ 33,191,420</u>

NOTE: The figures are from the 2014 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.



The Ohio Air Quality Development Authority is comprised of business, public policy and community leaders. Its five public members are appointed by the Governor, with the advice and consent of the Ohio Senate. Two members serve in an ex officio capacity, representing the Ohio Environmental Protection Agency and the Ohio Department of Health.

2014 Members

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

Ex Officio members:

Richard Hodges, *Director*, Ohio Department of Health
Craig W. Butler, *Director*, Ohio Environmental Protection Agency



Chadwick I. Smith, *Executive Director*

Ohio Air Quality Development Authority

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