

2015 Annual Report

HELPING BUSINESS.
Helping the Environment.



OHIO AIR QUALITY
DEVELOPMENT AUTHORITY



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April 2016

Letter to Our Stakeholders



Michael H. Keenan



Chadwick I. Smith

The Ohio Air Quality Development Authority (OAQDA) presents this 2015 Annual Report to highlight our recent achievements. In 2015, OAQDA expanded its efforts to work closely with Ohio businesses of all sizes in many industries as well as with government entities to conserve one of the state's most important natural resources: clean air.

OAQDA issued more than \$445 million in air quality bonds in 2015. Some of the funded projects are featured in this report including several projects financed through OAQDA's Clean Air Resource Center (CARC) small business program. We realigned the CARC program in 2014, and we are pleased to report that the changes have resulted in increased interest and increased funding to Ohio's small businesses.

Our main goal for 2015 was to use the Agency's proven ability to adapt and accommodate the ever-changing dynamics of Ohio's environmental and energy needs to enhance its relationships with and service to the business and government communities. We are pleased to report that we made great strides in expanding our partnerships with private businesses and public entities. Those relationships and business transactions will continue to multiply as we continue our outreach efforts statewide.

In 2015 we assisted organizations ranging in size from the Honda manufacturing plant in Marysville and the Marion Correctional Institute to auto body shops and dry cleaners in communities around the state in becoming clean air facilities. With financing available from OAQDA these organizations meet federal and state air quality regulations and requirements and support clean air for their communities.

We are pleased to share this report with you and to provide examples of the work Ohio is doing to help businesses while ensuring clean air for our citizens. We appreciate your interest in our efforts and welcome your partnership in the future.

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



OAQDA: Partnering with Ohio Businesses



FOR more than 40 years the Ohio Air Quality Development Authority (OAQDA) has provided financing for Ohio businesses, public colleges and universities and government entities to become air quality facilities. That means these organizations use the funds available from OAQDA to improve the air we breathe and to comply with the standards of the Clean Air Act.

OAQDA is a non-regulatory government agency created to help Ohio businesses comply with clean air regulations. Since its creation in 1970, the Authority has provided technical and financial help to hundreds of large and small Ohio businesses, awarding more than \$8 billion to finance air quality projects.

OAQDA provides funding in the form of loans, grants and tax-exempt financing for equipment, construction and the development of air quality facilities. The agency also manages the Qualified Energy Conservation Bond (QECB) program in Ohio.

The programs administered by OAQDA include:

Project Development and Finance

OAQDA financing instruments are issued through tax-exempt or taxable bonds. The bonds can be provided in a variety of different structures depending on the requirements of each project to purchase, construct and/or install air quality facilities.

Clean Air Resource Center (CARC)

OAQDA helps small Ohio businesses like dry cleaners, printing facilities, auto body shops and many others with the purchase of pollution control equipment and tools to comply with state and federal clean air regulations. CARC funds projects of varying sizes and amounts; currently, its smallest financing was \$13,000 and the largest is \$5 million. Qualifying businesses must have fewer than 100 employees, emit less than 75 tons of all regulated pollutants and less than 50 tons of any single regulated pollutant annually.

Qualified Energy Conservation Bonds (QECB)

OAQDA authorizes Air Quality Development Revenue Bonds for issuance to counties, municipalities and public institutions of higher learning as federally tax-exempt bonds under the QECB financing package. These funds can be used to purchase new energy efficiency and conservation equipment and systems that also can reduce hazardous waste emissions.

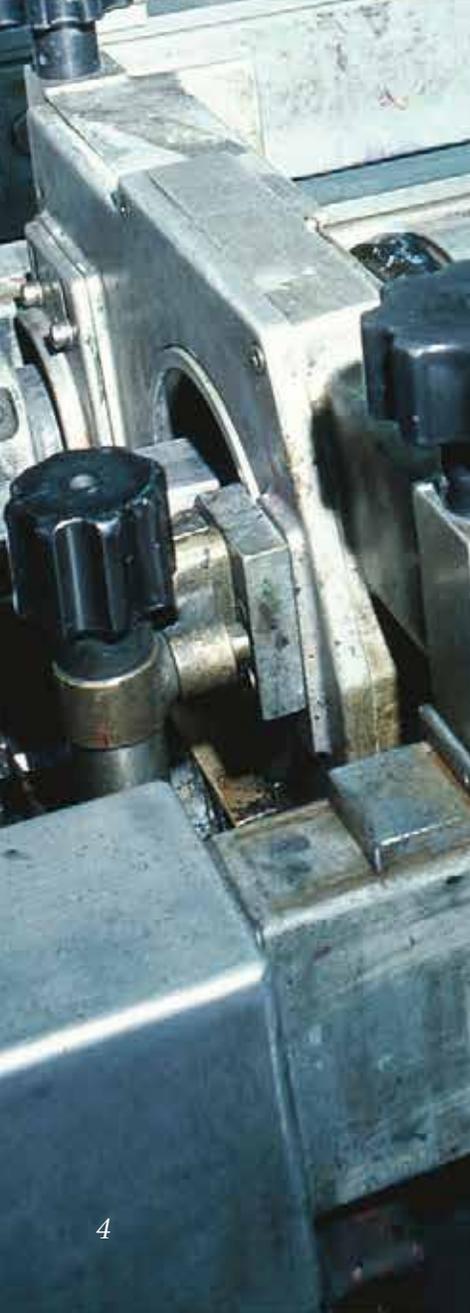




OAQDA Projects Closed in 2015

Project Type	Company	Benefit
Project Development & Finance	Marion Correctional Institute	Energy Efficiency
Project Development & Finance	Lausche and Ocasek office buildings	Energy Efficiency
Project Development & Finance	Honda of America Manufacturing	Energy Efficiency
Project Development & Finance	Giant Eagle	Energy Efficiency
Clean Air Resource Center	JDM Services, LLC	Pollution Control & Prevention
Clean Air Resource Center	Kumler Collision	Pollution Control & Prevention
Project Development & Finance Refinancing	Dayton Power & Light	Pollution Control & Prevention

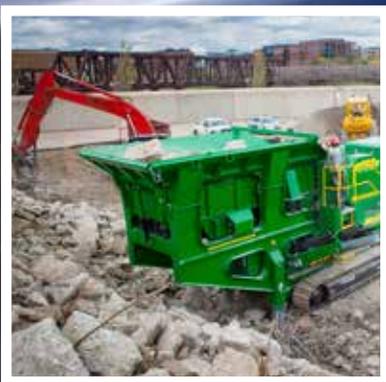
Project Total: \$445,045,188



SPECIAL THANKS

The members and staff of the Authority express sincere appreciation to John Haseley for his tenure with the OAQDA. Haseley was appointed to the Authority in 2010 and retired in 2015. His career of service to the State includes serving as Chief of Staff to former Governor Ted Strickland. Haseley also served in staff positions for U. S. Senator John Glenn, U.S. Court of Appeals Judge Guy Cole and in Congress during Governor Strickland's term in the U. S. House of Representatives. We are grateful to him for his service to the people of Ohio and to OAQDA.

2015 Highlights





JDM Services, LLC

JDM Services, LLC of Columbus, the company selected to remove the concrete portions from the demolition of Veterans Memorial Auditorium, faced significant challenges with emissions from dust and particulate matter due to the nature of the materials used in the old building.

JDM was awarded up to \$2 million in revenue bonds from OAQDA to assist in covering the debt incurred in purchasing a mobile recycling plant for the collection and reprocessing of construction and demolition debris. The equipment, which was used on the Veterans Memorial demolition, crushes large pieces of concrete into a reusable stone product which can be left on-site and used in construction of a new building. This will be the case with the new construction on the Veterans Memorial site.

The process eliminates removal of concrete waste from the site by truck and minimizes emissions. This special reprocessing equipment is required to have an air permit related to the reduction of the particulate matter it would emit. Therefore, dedicated collection equipment was critical to the project.

JDM estimated that in its first year of use, the mobile recycling plant would process approximately 100,000 tons of concrete waste into a reusable product and eliminate an estimated 20,000-plus pounds of dust emissions from the handling of the waste material by trucks and through the transportation process. The crushing equipment has incorporated into its process a dust collection system that can reduce emissions by up to 90 percent.

“The OAQDA funding reduces the overall cost of a project while decreasing air emissions and reducing the need to mine more natural resources.”

— **Michael Dinneen**, recycling coordinator,
Frank Road Recycling Solutions,
a division of JDM Services, LLC

Marion Correctional Institute

The Marion Correctional Institution in Marion County received \$14 Million in financing for an energy efficiency and conservation project featuring retrofits to cut annual utility bills while reducing air emissions.

Brewer-Garrett, an energy management and solutions company based in Middleburg Heights, and the Ohio Facilities Construction Commission used the financing to install of a broad range of energy system retrofits at the facility including facility-wide lighting retrofits, water conservation measures, and direct digital control systems for enhanced energy management at the facility.

In addition, the steam heating system at the Marion facility, which opened in 1954, employs 450 staff and has an institutional population of more than 2,500, is being replaced with a new hot water plant to eliminate the high maintenance costs associated with the steam system.

The current annual utility bill for the Marion Correctional Institution is \$2,410,935. The proposed energy conservation project would reduce utility bills, operations and maintenance by \$1,297,293 annually, or about 42 percent. The project will yield air quality benefits in the form of avoided hazardous air emissions of 4,420 metric tons of carbon dioxide, 8 metric tons of sulfur dioxide and 7 metric tons of nitrogen oxide. The carbon and nitrogen reductions are the equivalent of removing 843 automobiles from the road.





Kumler Collision

“Customer service and quality work is what we are about. The new paint booths allow us to service more cars per day and to significantly reduce the time each paint job takes, so we can return the car to the customer faster. The project is giving us greater benefits than we imagined with more capacity, a 30 percent savings in energy usage, and reduced overspray. The savings and increased capacity will allow us to add to our staff to further increase our service.”

– Dean DeRolph, Owner, Kumler Collision

Kumler Collision, an automotive paint and body repair shop established in 1928 in Lancaster, received up to \$275,000 to replace its 25 year-old paint booths with two new state of the art Garmat Frontier downdraft paint booths. The new booths increase capacity by enabling the paint teams to spray repaired vehicles and dismantled parts together in one cycle through the use of a larger cabin size in the new equipment. Prior to the installation of the new paint booths, Kumler had to split many jobs into two cycles due to lack of space in the existing booths.

In addition to larger capacity, the new booths have many technology upgrades that improve energy consumption and filtered air quality. The old natural gas fired burners for each booth were replaced with more energy efficient burners decreasing energy consumption by more than one million BTUs.

Kumler made several changes to its equipment and procedures that support a cleaner environment, including changing to water-based color coat paints, which dramatically improves the air quality for technicians as well as the environment. Kumler’s paint teams use high efficiency paint guns to reduce overspray, and any overspray is captured in the advanced filtering process of the paint booths. The new paint booths sit over traditional pits for optimized air flow around vehicles during paint spraying cycles and for high performance during baking cycles, increasing efficiency.



Honda of America Manufacturing

By contrast to the previously described independent auto body shop funded by OAQDA at Kumler Collision, OAQDA also authorized Honda of America Manufacturing to receive up to \$210 million in Air Quality Development Revenue Bond financing to construct a new paint line for its Acura and Honda models at the Marysville Auto Plant (MAP).

This new paint shop is the most energy-efficient paint line in Honda's US automobile production network. Auto body painting can account for as much as 60 percent of an automobile plant's total energy use.

Utilizing numerous new technologies to significantly reduce energy use, water use and chemical emissions from the vehicle painting process at MAP, the new paint facility employs domestic and globally sourced parts.

The new paint shop uses a more compact and energy efficient process eliminating one primer-coat curing oven. To facilitate the new short process, the line also uses a 2K waterborne primer designed exclusively for Honda in conjunction with its paint material supplier. The combination of the new 2K waterborne primer coat and waterborne base coat reduces volatile organic compound emissions by nearly 66 percent compared to current operations on the existing paint line.

The new Honda paint line also utilizes "dry-booth" technology, which uses limestone dust in place of water to capture paint overspray, reducing water use by two million gallons annually. Eliminating water used to capture paint particulates prevents the creation of paint sludge as a waste byproduct, resulting in the elimination of more than 255 tons of sludge. In addition, the new booth reduces carbon dioxide emissions by 18 percent or 12,000 metric tons annually.

“Honda is committed to delivering products that have outstanding quality and low environmental impact. With this new investment, our Ohio operations are once again raising the bar for quality and environmentally responsible manufacturing operations.”

– Tom Shoupe, Executive Vice President
and COO of Honda of America, Mfg., Inc.



Lausche and Ocasek Office Buildings

The Lausche State Office Building in Cleveland and the Ocasek State Office Building in Akron received financing for the installation of new energy efficiency and conservation systems. OAQDA authorized issuance of up to \$2.5 million in Air Quality Development Revenue Bonds to finance the projects.

The OAQDA financing assisted Johnson Controls, an energy management and solutions company, and the Ohio Facilities Construction Commission acting on behalf of the Department of Administrative Services, with the installation of a broad range of energy system retrofits at the facility. These retrofits include LED lighting retrofits, water conservation measures, and direct digital control systems for enhanced energy management at the facilities.

The 15-story Lausche State Office Building, named in honor of Frank J. Lausche who was a five-time Ohio governor and was twice elected as a U.S. Senator from Ohio, was completed in 1979. It is the workplace of approximately 1,300 state employees and includes the headquarters of the Ohio Lottery Commission.

The five-story Ocasek State Office Building was completed in 1984 and was named in honor of Oliver R. Ocasek, a former state senator and president of the Ohio Senate. It provides office space for approximately 500 state, county and city employees.

The current annual energy bill for these two state office complexes was \$809,807. The energy conservation project is projected to reduce utility and operational costs by \$172,806 annually, or about 21 percent. The project yields air quality benefits in the form of avoided hazardous air emissions of 1,115 metric tons of carbon dioxide, 12 metric tons of sulfur dioxide and 4 metric tons of nitrogen oxide. The carbon and nitrogen reductions are the equivalent of removing 101 automobiles from the road.



Lausche State
Office Building



Ocasek State
Office Building



Supporting the Environment in 2016 and Beyond

We are proud of the results we achieved in 2015 to support the efforts of Ohio business and government entities to enhance quality of the state's environment. Of particular note is the issuance of \$445 million in bonds to finance these clean air projects.

Looking forward to 2016 and the immediate future, we will continue assessing the impact we are already making through previously-funded projects as well as offering funds through loans and grants to qualified businesses of all sizes. In addition, we plan to expand our work with the Ohio Department of Health and the Ohio Environmental Protection Agency to fund research and development to support clean air in Ohio.

Thanks to the recent renewed focus of our programs on the environmental, energy efficiency and technology needs of Ohio's businesses and government, OAQDA maintains its strong role as a partner to support the state's environment and clean air for the future.

2015 Financial Statement

Ohio Air Quality Development Authority Statement of Net Position – Enterprise Funds for the Year Ending December 31, 2015

	Air Quality Development	Energy Strategy Development	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 6,606,251	\$ 7,827,086	\$14,433,337
Investments	497,626	–	497,626
Cash and cash equivalents with fiscal agent	–	548	548
Account Receivable	56	–	80
Accrued interest receivable:			
Income from loan interest, net of doubtful accounts	–	49,977	49,977
Investment income	17,1641	–	17,164
Energy loans receivable, net of doubtful accounts	–	4,499,538	4,499,538
Due from other funds	86,193	–	86,193
Prepaid items	2,284	979	3,263
Restricted assets:			
Cash and cash equivalents with fiscal agent	–	1,782,569	1,782,569
Total Current Assets	7,209,574	14,160,721	21,370,295
Noncurrent Assets:			
Investments	5,226,401	–	5,226,401
Energy loans receivable, net of doubtful accounts	–	967,470	967,470
Capital assets, net of accumulated depreciation	3,601	–	3,601
Total Noncurrent Assets	5,230,002	967,470	6,197,472
Total Assets	12,439,576	15,128,191	27,567,767
Deferred Outflows of Resources:			
Pension	32,753	14,037	46,790
Liabilities:			
Current Liabilities			
Accounts payable	21,698	343	22,041
Accrued wages and benefits	15,584	6,680	22,264
Due to other funds	–	86,193	86,193
Payable from restricted assets:			
Accounts payable	–	8,457	8,457
Intrastate payable	–	1,774,112	1,774,112
Total Current Liabilities	37,282	1,875,785	1,913,067
Noncurrent Liabilities:			
Net pension liability	124,839	53,502	178,341
Total Liabilities	162,121	1,929,287	2,091,408
Deferred Inflows of Resources:			
Pension	4,709	2,018	6,727
Net Position:			
Investment in net capital assets	3,601	–	3,601
Restricted for:			
Existing Ohio Advanced Energy Projects	–	13,172,842	13,172,842
Remittance to Ohio Development Services Agency	–	49,977	49,977
Unrestricted	12,301,898	(11,896)	12,290,002
Total Net Position	\$ 12,305,499	\$ 13,210,923	\$ 25,516,422

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

The figures are from the 2015 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.

Ohio Air Quality Development Authority
Statement of Revenues, Expenses and Changes in Net Position – Enterprise Funds
for the Year Ending December 31, 2015

	Air Quality Development	Energy Strategy Development	Total
Operating Revenues:			
Project administration fees	\$ 793,892	\$ –	\$ 793,892
Small business ombudsman fees	227,371	\$ –	227,371
Small business assistance program fees	136,068	\$ –	136,068
Energy operation fees	–	176,175	176,175
Energy loan Income:			
Loan interest	–	59,237	59,237
Loan fees	–	8,800	8,800
Miscellaneous	11,182	–	11,182
Total operating revenues	1,168,873	244,212	1,413,085
Operating Expenses:			
Salaries and employee benefits	317,965	136,277	454,242
Professional fees	175,705	100,195	275,900
Travel	1,927	262	2,189
Research grants and projects	38,943	–	38,943
Intrastate remittance expense	–	2,260,660	1,865,694
Office supplies and other administrative expenses	80,855	33,981	114,836
Depreciation	1,466	–	1,466
Rental expense	47,979	20,257	68,236
Doubtful account expense	–	5,920,336	5,920,366
Total operating expenses	664,840	8,471,968	9,136,808
Operating income (loss)	504,033	(8,227,756)	(7,723,723)
Nonoperating revenues (expenses):			
Investment earnings			
Interest revenue	47,607	37,128	84,735
Change in fair value of investments	11,906	–	11,906
Total nonoperating revenues (expenses):	59,513	37,128	96,641
Transfers in	–	182,311	182,311
Transfers out	(182,311)	–	(182,311)
Change in net position	381,235	(8,008,317)	(7,627,082)
Net position, January 1, 2014	–	21,219,240	–
Net position, December 31, 2014	\$ 12,305,499	\$ 13,210,923	\$ 25,516,422

See accountants' compilation report.

See accompanying notes to the financial statements.

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Ohio Air Quality Development Authority

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.

2015 Members

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

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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