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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 20, 2010, at 1600 South Second Street, Mount Vernon, Washington.

MEMBERS PRESENT:

Skagit County	Ron Wesen Joe Lindquist
Island County	Cathy Rosen
Whatcom County	David Webster
Member-At-Large	Terry Nyman

MEMBERS ABSENT:

Angie Homola, Carl Weimer

ALSO PRESENT:

NWCAA Staff Members	Mark Asmundson, Mark Buford, Scott Allison, Julie O'Shaughnessy, Laura Curley, Margarita Smith
Advisory Council	No one present
Legal Counsel	Loch Clark

CALL TO ORDER

Cathy Rosen, Board Chairperson, called the meeting to order at 1:33 p.m.

APPROVAL OF PRIOR BOARD MEETING MINUTES

On motion by David Webster, seconded by Ron Wesen, the minutes of the April 8, 2010 Board meeting were approved. Joe Lindquist was not present for the vote.

PRESENTATIONS

Results of Salary Survey by HRnovations – Amy Efroymsen

Amy Efroymsen of HRnovations presented the results of the 2010 salary study comparing actual average pay and salary ranges for NWCAA staff and taking a detailed look at the two new positions, i.e., Assistant Director and Air Quality Compliance Coordinator. Tara Mikosz of HRnovations compiled the information, as she did for the previous salary survey performed five years ago. Out of eleven survey participants contacted, only five agreed to participate. In addition, three published surveys from the Northwest region were used for comparisons.

In general, employee pay is keeping up with market conditions for actual pay. Two positions are below market. For the salary ranges, 7 positions are below market and 6 positions are at market. No positions are above market.

Joe Lindquist arrived at 1:40 p.m.

Efroymsen drew attention to the Compensation Philosophy approved by the NWCAA Board in 2005 which states that base pay should stay slightly above (5-10%) market/peer organizations. Also, retaining qualified talent requires pay above market. Asmundson recommended that the Board review this Compensation Philosophy at the September Board meeting. New hires and tenured employees may start to create compression problems if this philosophy is not continued.

HRnovations recommends that the Agency perform a salary study more frequently, perhaps every 2 years, and perform a total compensation review (i.e., salary and benefits) every other cycle. Thus, a thorough salary and benefits comparison would be called for the next compensation review for the Agency. In addition, it is recommended that the Agency make an adjustment to the overall design of the agency's salary schedule and to update ranges as these have fallen behind the market. The Agency might want to consider increasing the number of steps within a range as well as the frequency of step increases – perhaps move to a 12-month cycle, as this is industry norm. The Board will need to consider and approve market adjustments for 2 positions. It is hoped that the Agency will implement the recommendations by January 2011.

NEW BUSINESS

Quarterly Financial Report as of March 31, 2010 – Asmundson/Allison

Asmundson presented the Statement of Revenues, Expenditures, & Changes in Fund Balances for the Operating Fund for the quarter ended March 31, 2010. Generally speaking, nothing is out of the ordinary. For the most part, the Agency is on track for revenues and expenditures with the exception of the items included in the budget amendments being presented today for Board approval.

Asmundson announced that the Agency had just today received a settlement check from Chemco for \$175,000. The approximate \$20,000 balance due will be paid over the next four years.

Resolution 429 – Amend FY 2010 Operating Fund Budget – Asmundson/Allison

Asmundson presented Resolution 429 to amend the FY 2010 Operating Fund Budget by adjusting for small increases and decreases which will bring the budget closer to actual. Allison drew attention to the 2002 Resolution (#302) requiring that the Agency report notable financial differences of greater than \$10,000 to the Board. There may be a formal resolution for the \$175,000 Chemco settlement, if the Board so desires. Motion to approve Resolution 429 made by Joe Lindquist, seconded by Terry Nyman, was approved unanimously.

Resolution 430 – Amend FY 2010 Diesel Retrofit Program Fund Budget – Asmundson/Allison

Asmundson presented Resolution 430 to reflect lower than expected interest income and to increase the budget for program expenses as a result of timing with vendors. Motion to approve Resolution 430 made by Joe Lindquist, seconded by David Webster, was approved unanimously.

Resolution 431 – Amend FY 2010 Supplemental Environmental Projects Fund Budget – Asmundson/Allison

Asmundson presented Resolution 431 to increase the budget to include the Whatcom County Bio-Diesel Equipment Project (originally budgeted in the Operating Fund) which is best accounted for in this SEP Fund. Motion to approve Resolution 431 made by David Webster, seconded by Ron Wesen, was approved unanimously.

Resolution 432 – Amend FY 2010 Cumulative Reserve Fund Budget – Asmundson/Allison

Asmundson presented Resolution 432 to reflect less than expected interest income and to transfer \$33,540 to the new Personnel Costs Reserve Fund to reserve funds for a portion of liability for accrued vacation leave. Motion to approve Resolution 432 made by Joe Lindquist, seconded by Ron Wesen, was approved unanimously.

Resolution 433 – Establish a Personnel Costs Reserve Fund & related FY 2010 Budget – Asmundson/Allison

Asmundson presented Resolution 433 to create a Personnel Costs Reserve Fund to reserve funds to cover accrued annual leave balances in the event a staff member retires or terminates from the Agency. In addition, this fund will reserve funds to assist with projected increases in pension plan contribution rates of the Public Employees' Retirement System (PERS). Motion to approve Resolution 433 made by David Webster, seconded by Joe Lindquist, was approved unanimously.

Presentation of Preliminary FY 2011 Budget – Asmundson/Allison

Asmundson presented the Preliminary Budget for FY 2011, which included comparisons to FY 2010 and FY 2009. In FY 2011, Air Operating Permit Program fees will increase due to personnel and other cost increases and the need to cover accrued leave for FY 2009. (Accrued leave was not included in the AOP fees for FY 2009.)

Registration Program fees will see a 67% increase in order to achieve full cost recovery for the program in two years. At the April Board meeting, the majority of Board members gave verbal approval to reach full cost recovery in two years. The Agency will come up with a

reasonable fee schedule which will be posted on the agency's website and voted upon at a Board meeting in the fall.

Total salaries will show a slight reduction due to a position re-organization, but fringe benefits are expected to increase due to health care increases and unemployment insurance. The budget reflects no COLA for agency staff.

Mark Buford, on behalf of the agency's employee representatives, then distributed to the Board a COLA request of 0.6%. Rosen commented that, in light of the results of the salary survey, she would like to see this COLA included in the FY 2011 Budget so that employees don't continue to fall slowly behind market. Ron Wesen voiced his opposition to a COLA since Skagit County has mandatory closure days and no COLA for county employees. Motion to include the 0.6% COLA in the FY 2011 Budget made by Cathy Rosen, seconded by David Webster, was approved by the Board. Ron Wesen dissented.

The final version of the FY 2011 Budget will be presented to the Board at the June 10, 2010 Board meeting for official approval.

Joe Lindquist had to leave at 2:45 pm.

STAFF REPORTS

Director's Report – Mark Asmundson

Asmundson reported to the Board on the following matters:

- The regular, ongoing business of the Agency is going well. As mentioned in the pre-meeting memo, the BP application for the hydrogen plant has been received and is being reviewed for completeness.
- The Agency has received a substantial payment on the outstanding penalty balance from Chemco (\$175,000). This payment reduces the outstanding balance of the penalty to about \$20,000.
- EPA has now issued the EPA Greenhouse Gas Rule, aka the "Tailoring Rule". The rule does not take practical effect until 2011, and it will be implemented in phases. This will affect the workload of our agency.

At the same time issues remain: there are practical implications of Kerry/Lieberman climate change bill; Murkowski resolution; possible Casey/Carper resolution; Rockefeller bill. All of these would, in their unique ways, limit EPA's authority regarding GHG's.

- Tesoro Refinery is presently shutdown in the aftermath of the tragic accident. The restart date is unknown other than it will not occur prior to June.

New Source Review & Air Operating Permit (AOP) Update – Mark Buford

Permit Actions - 10

- Janicki – OAC for pilot project annealing oven
- BP Cherry Point Refinery – OAC Modification #4 Boiler
- Cook Road Shell – Remove Stage II – OAC

- Shell Puget Sound Refinery (2) – OAC Modification
- Fred Meyer Fuel Stop #24 – New gasoline station
- Fred Meyer Fuel Stop #25 – New gasoline station
- ICON Materials – Temporary Asphalt Plant – OAC
- Farm Power Rexville – Modify OAC
- Sierra Pacific Air Operating Permit – Issued Proposed

Ongoing OAC Projects - 3

- Northwest Collision – Spray Booth OAC
- Socco, Inc. – Installation of Wood Fired Boiler, Two New Lumber Kilns – Incomplete Application
- Port of Anacortes – Loading of prilled sulfur

New Applications Received - 11

- Sulex Inc., Storage Building for Sulfur Products – OAC
- Cook Road Shell – Remove Stage II – OAC
- Westport Shipyard – Modify OAC
- Whidbey Island Crematory – OAC
- ICON Materials – Temporary Asphalt Plant – OAC
- BP Cherry Point Refinery – Clean Fuels Project – OAC
- BP Cherry Point Refinery – ULNB Retrofit – OAC
- Gary's Autobody – Spray Booth – OAC
- Puget Sound Energy Fredonia – OAC Modification
- Associated Asphalt – OAC Modification
- Farm Power Lynden – Anaerobic Digester - OAC

Air Operating Permit - 11

- Chemco – Initial permit underway
- BP Cherry Point Refinery (Blaine) – Renewal underway
- ConocoPhillips Refinery (Ferndale) – Renewal underway
- PSR Shell (Anacortes) – Renewal underway
- Sierra Pacific – Proposed Issued
- Tenaska – Administrative Amendment
- PSE – Encogen – Renewal underway
- PSE – Whitehorn – Renewal underway
- PSE – Fredonia – Renewal underway
- PSE – Sumas – Initial Permit underway
- Fibrex Corporation – Burlington – Initial permit underway

MISCELLANEOUS

Approval of Bills and Claims

On motion by Terry Nyman, seconded by David Webster, the Board approved Bills and Claims for April 2010.

Unexpected Collection of Chemco Penalty

A discussion was had concerning the unexpected collection of the bulk of the outstanding penalty from Chemco. Possible uses of this money were discussed, and Asmundson was directed to develop a grant program similar to the one established in FY 2009. This grant program would make funds available to per capita paying entities which will provide clean air benefits, approximately equal to their per capita assessment.

Next Meeting

The next Board meeting will be held on Thursday, June 10, 2010 at 1:30 p.m.

ADJOURNMENT

As there was no further business, Cathy Rosen adjourned the meeting 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 20, 2010, in Mount Vernon, Washington.

ATTEST: _____
Terryl Nyman, Secretary
NWCAA Board of Directors

Cathy Rosen, Chair
NWCAA Board of Directors

DATED: June 10, 2010