

# Olympic Region Clean Air Agency FY2025 Budget Overview

(Revised Date 05/03/2024)

This summary outlines ORCAA's FY2025 budget. The budget is based on our best estimates, applying the Consumer Price Index (CPI) as directed in Board Resolutions 274 and 275, and identifying key highlights for both revenue and expenses. The following documents are included with the budget package:

- Revenue, Expenditures and Appropriations from Contingency Funds
- Fund Balance
- List of planned building maintenance and leasehold improvements
- Salary Costs Adjustments & Dependent Coverage Contribution history
- Draft FY2025 Salary Step Chart
- ORCAA Organizational Chart
- Draft Fee Schedule
- Resolutions #274 and #275 that direct staff on fee and assessment increases

## FY2025 Overall Highlights:

- Applying the CPI for the year ending December 2023 of 3.5% to fee programs.
- Staff completed a workload analysis for all fee programs (registration, asbestos, outdoor burning, notice of construction, notice of intent, and Title V) consistent with Resolution #274 approved by the Board.
- The budget includes 19.2 FTEs.
- Programs that are *unfunded* or *underfunded* rely on Federal/State Core grant support. Unfunded programs include outdoor burning, and certain costs associated with the NSR program. Underfunded programs include air monitoring activities, the Woodstove Education and Enforcement, and Woodsmoke Reduction programs.
- The budget draws on Unreserved Fund Balance to balance the budget.
- The budget continues to set aside funds for the following Board approved contingency and capital funds:
  - Emergency set aside
  - Office Building
  - Monitoring Equipment
  - Database/Equipment
  - Vacation/Sick Leave
- Assumes 100% occupancy in rental income.

## Summary of Revenue:

- Budget Revenues are projected at \$3.4 million including Contingency Draw
- Grant revenues represent 17%, Fees and Assessments 60%, Penalties 5%, Rents/Miscellaneous/Interest 6%, and Contingency Draw 12%

- The agency receives grant funding from several governmental sources including the Environmental Protection Agency (EPA), the Washington State Department of Ecology (ECY), and the Energy Facility Site Evaluation Council (EFSEC). These funds support ORCAA’s mission to promote air quality and take actions that protect the health and welfare of people and the natural environment in ORCAA’s six-county jurisdiction.
- Federal and State Core Funds assist in implementing comprehensive air quality control programs in seven major categories: enforcement, permitting, monitoring, public education, program development, technical and business assistance, and administration.
- ORCAA actively applies for grant funding to support special projects that further our mission.
- In FY2022, ORCAA was awarded American Rescue Plan (ARP) funds from EPA for the Cheeka Peak Observatory (CPO) to support infrastructure upgrades and site improvements. The ARP grant was successfully completed in December 2023. The CPO NCore site is one of two NCore sites in Washington State with on-going funding provided by EPA for operations and maintenance.
- ORCAA intends to apply for additional air-related grant opportunities, including grants to assist in electrifying ORCAA’s fleet and the installation of charging stations at ORCAA’s office.
- No major increases or decreases in on-going funding of existing State and Federal Grants: Core, PM2.5, CPO, Woodstove Education and Enforcement, Woodsmoke Reduction, and EFSEC. We are keeping a close eye on EPA funding and expect the 103 and 105 grants may decrease next year due to reduced funding from Congress.
- Grants are multi-year contracts with terms ranging from 2-5 years and support programs that include:
  - PM2.5: a 5-year grant funded by Ecology to operate three air monitoring sites in Aberdeen, Lacey, and Port Angeles
  - CPO: a 4-year grant funded by EPA to operate a remote monitoring site in Neah Bay on the Makah reservation.
  - Woodstove Education and Enforcement is a 2-year grant funded by Ecology to educate woodstove dealers and the public about woodstove emissions, methods achieving better efficiency and performance from woodstoves, and to meet the goals of the State and Federal Clean Air Acts.
  - Woodsmoke Reduction is a 2-year grant funded by Ecology that provides funds to remove stoves that are not compliant with 2020 standards – as well as other qualifying solid-fuel combustion devices – and ensures their destruction and allows for replacing devices with a cleaner and more efficient alternative.
- EFSEC is a 2-year grant to provide technical review of air emissions, permitting and monitoring services and assist EFSEC in carrying out its regulatory oversight of the Grays Harbor Energy Combustion Turbine facility in Satsop, Washington.
- Fee programs include the 3.5% CPI, as per ORCAA Board Resolution #274.
- The Title V Program is mandated by federal law under the Clean Air Act. The program is to be self-sufficient, financed by fees collected from major sources, and not rely on general fund resources to support its operations. ORCAA staff prepare a workload analysis with a projection of costs for compliance monitoring, permit writing, enforcement, and reporting to assure compliance with air quality requirements.

- 7 of the 11 sources in ORCAA's Title V program will have a reduction in their fees ranging from 0.2% to 8.1% for FY2025 while the remaining 4 will see an increase from 0.5% to 6.9%. The budget includes contributions to a contingency fund necessary to cover unforeseen costs that exceed budget revenues.
- Other income includes interest income on the agency's fund balance, penalty and settlement revenue, miscellaneous income from sale of property (vehicle, surplus, rebates), and rental income from ORCAA's seven tenants.
- Interest income is projected at a higher amount due to the increased fund balance and it's highly likely the fund balance will stay constant throughout FY2025. ORCAA is part of Thurston County Investment Pool (TCIP). Though interest rates have fluctuated this past year, ORCAA will continue to invest 100% of funds within the TCIP.

### Summary of Expenses:

- Budgeted expenses total \$3.4 million, an increase of 5% over the approved budget for FY2024. The main reason for the difference is salaries and benefits.
- Payroll expenditures, the largest portion of expenses, represent 81%; non-payroll (supplies, postage, hardware/software) 10%; Building-Maintenance and Operations 4%; Direct Operating 5% (Woodsmoke Reduction vendor payments, Ecology Oversight fees, CPO operations & maintenance)
- Paid Family and Medical Leave is funded through premiums paid by both employees and employers. ORCAA has elected to pay the employee portion of the premiums at a cost of \$12,200.
- Employers and employees typically share in the costs of Labor & Industries (L&I) or workers' compensation premiums. ORCAA has elected to pay the employee portion on behalf of the employee at a cost of \$4,400.
- The agency is fully staffed with budgeting for 19.2 FTEs. This includes a 4% increase from AWC Employee Benefit Trust who administers the agency health benefits, and no increase for DRS pension contributions as estimated by the Actuary Committee. The PERS employer portion is 9.36%. The rates are subject to change based on changes to plan provisions, assumptions, and actual events.
- The budget includes \$7,000 for a contract with Compensation Connections for HR related assistance (reviewing agency's overtime eligible and exempt positions, and support with a review of the Policies & Procedures Manual).
- The budget includes \$25,000 for work on updating the agency's strategic plan (last updated in 2018).
- The budget includes \$10,000 for staff development work.
- Continuation of an annual contract with The Rhizome Collective for on-going maintenance and support of ORCAA website for \$2,250.
- IT Hardware and software purchases includes required subscriptions costs for needed software, cybersecurity, cloud, and onsite storage needs, and iPads for the Inspection Team.
- Includes costs for outfitting a second conference room, purchasing a table and chairs, electrical and communications upgrades for \$3,000.
- Continue contracting with ADP for payroll processing.

- ORCAA will undergo the next bi-annual audit with SAO in December 2024 at an estimated cost of \$19,000.
- Purchase an electric vehicle to replace aging vehicle (2007 Escape-Hybrid) to begin electrifying the ORCAA fleet.
- Installation of a two plug Level 2 EV charger at the ORCAA office. We will look to offset this expense with grants, but the estimated cost for the charger is \$26,000 for equipment and electrical work.
- Invest in maintenance and improvements of office building, HVAC, and flooring replacements. The proposed budget does not include any significant capital expenses for the building beyond estimates to change out 1-2 HVAC systems and flooring upgrades on ORCAA's side of the building. Please refer to the Office Building Maintenance/LHI for additional detail on maintenance projects.
- A small increase in funding to OlyMAP to support their work reducing hazardous burning in unsanctioned homeless camp communities in Olympia.
- Does not include satellite office in Pacific County

#### Contingency & Capital Funds:

Contingency and Capital Funds represent balances set aside for a specific project or purpose. The Board has previously authorized by Resolution funds be set aside for emergencies, office building improvements, replacement of monitoring equipment, a new agency database, and payment of vacation and sick leave to retiring employees. The ending fund balance for FY2025 is projected to be \$3,879,317.

ORCAA sets aside a general fund contingency 20% that is equivalent to approximately two months of administrative and operations costs. An adequate fund balance is critical, and though we cannot identify all risks, such as revenue volatility (i.e., large, unexpected changes to our federal or state grants), economic downturn, rental income loss, increased pension costs by DRS, increased medical costs, staff turnover and costs of retraining, having an adequate General Fund Contingency helps ensure stability.

In FY2024, ORCAA saw a significant increase in civil penalties, due primarily to the settlement with Crown Cork & Seal. Staff are establishing guidelines for the use of revenue from penalties and settlements and will provide a recommendation to the Board in the coming fiscal year. Undesignated Fund Balance is the balance available for appropriation and expenditure as approved by the Board for specific operating purposes.

ORCAA remains confident in our ability to adapt and maintain a balanced budget while delivering important and vital services in our jurisdiction.